European Research Area

EUROPEAN POLICYBRIEF

multilinks

Project title: **How demographic changes shape intergenerational solidarity, well-being, and social integration: A multilinks framework**

Policy brief #3: **Schenk, N., & Dykstra, P. A. (2010).** ***Testing how welfare state arrangements might shape intergenerational family solidarity***

	SUMMARY
Objectives of the research	Explicitly testing the assumptions on how welfare state arrangements might shape intergenerational family solidarity.
Scientific approach / methodology	Two assumptions are tested: (a) in countries with generous public pensions parents should be more likely to provide monetary support to their adult children, and (b) in countries with generous childcare and unemployment benefits adult children should be less likely to receive monetary support from their parents.
New knowledge and/or European added value	Contrary to earlier (mainly descriptive) findings, differences in intergenerational monetary support in families are not attributable to differences in welfare state generosity, but rather to differences in the financial circumstances of parents and adult children in the respective countries. Our findings do not fit the 'typology' thinking that is popular in research addressing welfare state arrangements.
Key messages for policy-makers, businesses, trade unions and civil society actors	Our findings call for a more holistic and more differentiated perspective on the role of European welfare states in intergenerational transfers in families.

Objectives of the research

Our research aims at explaining differences between European countries in patterns of monetary support from parents to their adult children. Previous research addressing these differences has linked variation in **intergenerational transfers** to **welfare regime types**. The most commonly used theory is that a generous welfare regime enables parents to redistribute their wealth among their adult children. In countries with less generous welfare arrangements, parents have fewer resources to redistribute. Tests of this theory are generally based on analyses of aggregate data where countries are grouped by regime type. We argue that such analyses (a) disregard the large variation in individual life circumstances within countries, and (b) lack concrete measures of differences in welfare generosity between countries belonging to a regime type. Using a micro-level approach, we **explicitly test** the **assumptions** underlying commonly used explanations by determining if (a) in countries with generous public pensions parents are more likely to provide monetary support to their adult children, and if (b) in countries with generous childcare and unemployment benefits adult children are less likely to receive monetary support from their parents.

Scientific approach / methodology

Our research uses comparative data from ten European countries: Denmark, Sweden, Belgium, France, the Netherlands, Germany, Austria, Greece, Italy and Spain. These countries are usually included in research describing aggregate patterns. Data on monetary transfers are from the first wave of the Survey of Health and Retirement in Europe (SHARE). Data on welfare state benefits are from the Eurostat statistics database. Our aim is to validate the aggregate patterns using a micro-level approach. Our model incorporates explanations at the level of the parents and of the adult child. At the parental level, we use *resources* (e.g. financial), and *alternative expenditures* (e.g. health care expenses) to determine under which circumstances parents provide monetary support to their children. At the level of the adult children, we examine *needs* (e.g. low income), also in relation to their siblings. We construct a multilevel model to take into account that multiple children are nested within parents. This also enables us to determine whether parent or child characteristics are more important in explaining monetary transfers. Our approach considers the **high degree of variation** in circumstances of parents and adult children **between countries**.

New knowledge and European added value

Our findings call for a more holistic and a more differentiated perspective on the role of European welfare states in intergenerational transfers in families.

Our results **contradict** earlier findings which were based on ideal types of welfare regimes. Earlier findings suggested that support from parents to adult children was highest in the most generous welfare systems (Sweden and Denmark, belonging to the so-called social-democratic type), lowest in the least generous welfare systems (Greece, Italy and Spain, belonging to the so-called familialistic type), with Belgium, France, Netherlands, Germany and Austria (belonging to the so-called corporatist type) occupying an intermediate position. Figure 1 shows the proportions of parents providing monetary support to their adult children and the proportions of adult children receiving monetary support from their parents in ten European countries. By measuring actual levels of government benefits in the various countries rather than using ideal types of welfare regimes, we show that transfers from parents to adult children do not conform to ideal types. For example: the prevalence of transfers in Germany (corporatist type) matches that of Sweden and Denmark (social-democratic type), whereas the prevalence of transfers in Greece (familialistic type) matches that of Austria (corporatist type). Figure 1 also shows a high degree of variation in the prevalence of transfers within ideal types. Clearly, when determining the influence of welfare arrangements on intergenerational solidarity, one should focus on individual countries and not on a cluster of countries which are assumed to share regime characteristics.

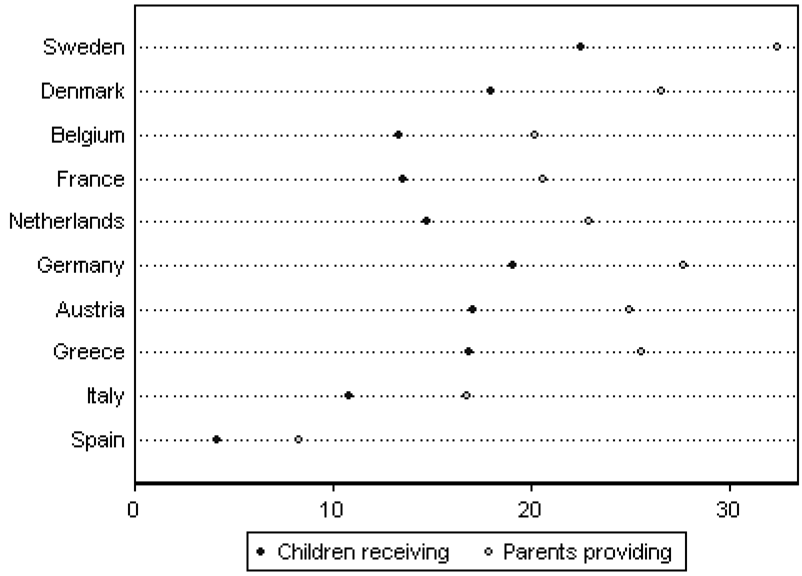

Figure 1. Percentages of adult children receiving monetary support and of parents providing monetary support in ten European countries.

Our analyses also reveal that the circumstances of parents in terms of resources and alternative expenditures differ considerably between countries. For example, parents in southern-European countries have considerably more difficulty making ends meet compared to those in northern-European countries, as depicted in figure 2.

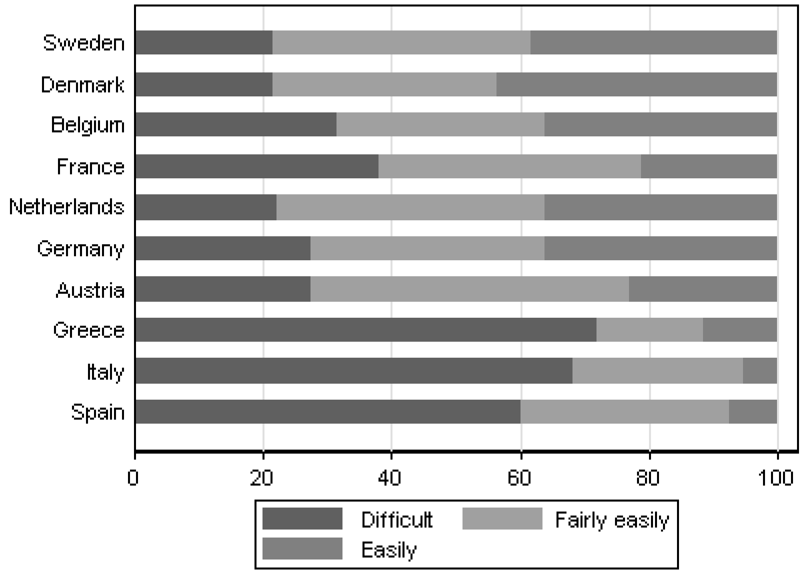

Figure 2. Distribution of parental households in ten European countries according to the ability to make ends meet.

Differences between countries in support provision between parents and adult children are **considerably smaller** once differences between countries in the circumstances of parents and adult children are taken into account. Apparently, part of the cross-national differences is attributable to differences in parental resources and alternative expenditures, and to differences in needs of adult children. In subsequent analyses we examine whether remaining differences are attributable to **variation in welfare policies.** We find no support for our hypothesis that adult children who receive some form of welfare benefit (because they are parents of young children or unemployed) are less likely to receive monetary support from their parents. Neither do we find support for our hypothesis that parents receiving more generous state pensions are more likely to provide monetary support to their adult children. We therefore conclude that **country differences that remain** after taking the circumstances of parents and adult children into account **cannot be attributed to differences in welfare generosity**.

Key messages for policy-makers, businesses, trade unions and civil society actors

Earlier work on the role of the welfare state in shaping intergenerational family solidarity has suggested that more generous welfare systems result in higher levels of transfers from parents to adult children. Three arguments bring us to a different message.

First, the classical explanation for differences between countries in intergenerational transfers is based on too narrow a definition of the welfare state. Welfare state arrangements do not only concern pensions (which are usually considered), but encompass a wide range of domains including childcare, unemployment benefits, and health care arrangements (which are rarely considered). Generalizing statements on the role of welfare systems in shaping intergenerational family solidarity overlook the competing influences of different kinds of state benefits. Whereas generous pension systems enable parents to redistribute wealth among their children, generous unemployment benefits for the younger generation reduce the necessity of doing so. An informed discussion of the role of welfare states in shaping intergenerational family solidarity requires an awareness of competing influences of different kinds of state benefits. A more holistic approach to welfare arrangements is required.

Second, welfare regime typologies wrongly assume homogeneity across the countries belonging to a specific type. The social-democratic type serves as an example. Denmark has one of the highest expenditures on old-age pensions as a percentage of GDP, but is much less generous when it comes to unemployment benefits. Sweden is much more homogenous regarding the two domains. Our findings underscore the necessity of basing analyses on the role of welfare regimes in shaping intergenerational family solidarity on individual countries rather than groups of countries, thereby explicating the welfare domain that is assumed to be affecting transfers in families. A more differentiated approach to welfare arrangements is required.

Third, our results show that parents respond to their adult children's needs by providing monetary support. This observation holds for all countries in the analysis and, contrary to expectations, does *not* differ according to differences in welfare state generosity. Thus, for example, pensioned parents in Sweden are just as likely to provide monetary support to their children as pensioned parents in Spain. Country differences in parents' propensity to financially help their adult children are partly attributable to differences in population composition, but *not* to differences in pension, childcare and health arrangements.

PROJECT IDENTITY

Coordinator	Pearl A. Dykstra, Erasmus University Rotterdam
Consortium	Netherlands Interdisciplinary Demographic Institute, Vrije Universiteit Brussel, University of Antwerp, Wissenschaftszentrum Berlin für Sozialforschung, Utrecht University, Estonian Interuniversity Population Research Centre, Dondena Centre for Research on Social Dynamics, Bocconi University
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Further reading	Schenk, N., Dykstra, P.A., & Maas, I. (2009).The role of European welfare states in intergenerational monetary transfers: A micro-level perspective.
Related websites	http://www.share-project.org/ http://epp.eurostat.ec.europa.eu/portal/page/portal/living_conditions_and_social_protection/introduction
For more information	n.schenk@fsw.eur.nl