Generational Interdependencies

The Social Implications for Welfare

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Plus, 1989) as well as a memorial article on the work of Tamara Hareven in *The History of the Family* (11).

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Caroline Dewilde is Associate Professor at the Department of Sociology, Tilburg University (the Netherlands). Her main research interests concern the dynamics of inequality and poverty at different levels of analysis, from the individual life course to the welfare state, from a cross-national perspective. She has published in a range of (inter)national journals and books across the social sciences. In 2011, Caroline received a European Research Council (ERC) Starting Grant for the HOWCOME project (www.tilburguniversity.edu/how come). The project analyses changes in economic and social inequalities and housing regimes and the interplay between these, in particular, the increase in owner-occupation, during the postwar period.

Roxana Eleta-De Filippis is Professor of Sociology (Maitresse des conférences) at the University of Le Havre, France, where she began her career in 2002. She received her doctorate from the University of Paris, in 1999 as well as a Masters degree in the Sociology of Law from the University of Paris in 2009. Her research relates to the issues of legal rights of persons who are in vulnerable categories, such as the very old, the poor, and/or the disabled. This includes the right to housing as well as the obligations of adult children to provide basic support for elderly parents in need.

Tom Emery is a Post-Doctoral Researcher in Intergenerational Relations at the Erasmus University Rotterdam and the Programme Manager of the Generations and Gender Survey based at the Netherlands Interdisciplinary Demographic Institute. He received his PhD in Social Policy from the University of Edinburgh in 2014. His interests lie in the field of intergenerational relations and family dynamics in a comparative perspective. He is also a specialist in comparative survey methodologies and a keen advocate of data infrastructures for the social sciences. He has published work in journals such as 'European Societies', 'Demographic Research', 'Advances in

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Lars Gulbrandsen, born in 1946, is a researcher at NOVA – Norwegian Social Research. He wrote his PhD-thesis on the development of housing policy and the housing market in Oslo (1982). For many years, he has conducted research on family transfers and intergenerational relations. His last publication (together with Hans Christian Sandlie) was "Housing Market and Family Relations in a Welfare State" published in Critical Housing Analysis, 2015. He has been a member of the Coordination Committee of European Network for Housing Research and a member of the board of European Society of Family Relations.

Christa Hubers obtained her MSc in Sociology from Tilburg University and her PhD in Human Geography and Planning from Utrecht University (both in The Netherlands). As a Post-Doctoral Researcher at Tilburg University, she examined the intergenerational transmission of homeownership. Previously she has held research positions at the Centre for Transport and Society at the University of the West of England, Bristol, UK, and OTB Research for the Built Environment at TUDelft, the Netherlands. Her research interests range from changing activity patterns related to technological developments, transit-oriented development (TOD) and first-time entry into homeownership. She has published in various international journals and in 2011 received the Michael Breheny Prize for the best paper published in Environment and Planning B: Planning and Design.

Hans Christian Sandlie is a Sociologist (PhD) and a researcher at Norwegian Social Research (NOVA). He is currently appointed Coordinator for NOVAs group of Housing Research. Research interests include housing, life course dynamics, the transition from youth to adulthood, migration, family transfers and social inequality. Now he is working on the project "Social inequality and housing over the life course: good choices or lucky outcomes?" His last publication in English (together with Lars Gulbrandsen) was "Housing Market and Family Relations in a Welfare State" published in Critical Housing Analysis 2015.

Gunther Schmaus is a statistician, retired from the Centre d'Etudes de Populations, de Pauvrete et de Politiques Socio-Economiques / Belval, Luxembourg. He was Director of the Consortium of Household Panels for European Socioeconomic Research (CHER) and the Panel Comparability (PACO); projects funded by the EU. PACO and CHER are comparative longitudinal micro data databases of households and individuals from existing panel data, covering demography, health, education and training, employment and activity, income and expenditure, housing and household durables, subjective information and social relations. His research has focused on cross-national comparisons, social policy, longitudinal analyses and panel methods.

Beverley Searle is Senior Lecturer and Head of Geography and Environmental Science at the University of Dundee. She received her PhD in Social Policy from the University of York in 2005. She is the founder of INTEGRATE: International Network of Generational Transfers Research established in 2012. Her research interests focus on long-term trends in subjective well-being and social welfare, in particular, interdisciplinary exploration of the role of assets (financial, physical, human and natural) in securing well-being and welfare across the life-course. Her interests are underpinned by concerns of intergenerational inequalities, and developing an interdisciplinary approach to understanding the inter-dependencies, barriers to, and the potential for developing individual sustainable wellbeing and social resilience. Her research has addressed the challenges facing households set within the context of fluctuations in the housing market and wider economy; micro concerns of the social and economic consequences of recession on household relationships and budget management; inequalities in an ageing society and the role and relationship of private transfers of wealth and the implications for individual well-being. She has published widely on these issues including her book on Wellbeing and an edited collection (with Professor Susan Smith) on the Housing Wealth of Nations.

Adriana Soaita is a chartered Romanian architect and planner with a prolific portfolio of residential and commercial projects undertaken over two decades. Her postgraduate academic inquiry has been inspired by the encounters with the people she was designing for, whose narratives aroused her fascination with the multiplicity of meanings attached to housing. This leads her to undertake a PhD in housing studies at King's College London (awarded in 2011) and a period of post-doctoral research at the University of St Andrews, UK before coming to Tilburg University, NL. Adriana has delivered theoretically rigorous and innovative research in the intersecting fields of urban and housing studies, human geography, and post-communist studies. Her research focuses on some of the multiple ways in which housing and home are permeated by, and shape our ideas of, politics and power, space and place, emotions and embodiment. A key theme cross-cutting her research has been the nexus between housing and socioeconomic and spatial inequalities.

Peter Williams is Executive Director of the Intermediary Mortgage Lenders Association and a Departmental Fellow, Department of Land Economy, University of Cambridge. He was previously Director of the Cambridge Centre for Housing and Planning Research, Deputy Director General of the Council of Mortgage Lenders and Professor of Housing at the University of Wales, Cardiff. He is currently on the board of The National Housing Federation, Chair of URL, a planned ‘for profit’ housing association and a board member of Belmont Green, a new mortgage lender.

Preface

This edited collection has been compiled by members of INTEGRATE: International Network of Generational Transfers Research. The network was established in 2012 with funding from the ESRC International Partnership Network Scheme. Our aim was to develop a network of expertise interested in what could be one of the most important welfare issues of the 21st century: namely, the transfer of wealth and poverty within and across generations. At the heart of such concerns is the extent to which current generations have irreversibly damaged the prospects of the next. Our key concern being that cultural, political and institutional developments, particularly over the last century, have been to the advantage of older generations at the expense of current younger and future generations for most of the richer nations; whilst in low-income nations intergenerational support may be the only means of alleviating poverty in old age.

Research on inequalities traditionally focuses on describing differences along social divides (class, gender, and so on) with financial wealth (where it is included) being an indicator of the existence of inequality, rather than as a contributor through its transfer across generations. Research on intergenerational transfers, however, places wealth at the centre – whether concerns arise from the transfer and concentration of riches; or the transmission of poverty and inequality.

The inequalities which exist at individual, nation and international level, draw our attention to the injustices that exist and are reinforced through cultural, political and economic practices. The rise of individualism and the push towards self-financing are counter-intuitive to notions of restraint and reciprocity which are at the heart of intergenerational justice. It is important therefore to draw on information from different nations, comparing and contrasting social, cultural, market and regulatory context on the motivations for gifting, the benefits of receiving and the consequences of experiencing neither.

This edited collection focusses in particular on these contextual factors. The economic landscape of generational interdependencies is arguably experiencing significant changes. Each chapter, therefore, sets out the particularities of the social, market or regulatory backdrop against which the implications for generational independencies and future social welfare are considered. Searle (and colleagues) start by setting a broader picture of key themes emerging from the literature on generational interdependencies. They consider the often contrasting implications for welfare support in affluent, middle and low-income countries pointing towards the deeper moral questions of global inequalities. Subsequent chapters then follow a broad life-cycle pattern; from young adults (Chapters 2 and 3); middle age (Chapters 4-5) through to older people and later life issues (Chapters 6, 7 and 8). The chapters contextualise generational interdependencies drawing from inter-disciplinary perspectives and domains including economics, finance, education, housing, international development and global governance.

The collection of chapters presented here does not embrace all the aspects relevant to intergenerational justice and implications for social welfare. They do however draw out issues for children, parents, and grandparents across a range of countries, and we hope to provide the incentive for further research to increase our understanding, and address the challenges we still face. Whether the focus of attention is on the direction of transfers – whether older generations are supporting younger ones, or vice versa; or whether there are greater differences within generations or between them - we are in no doubt that if, when or how resources are transferred is an increasingly important determinant of social inequalities and life opportunities.

Beverley A Searle

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I would like to thank the ESRC for their support through the International Partnership Network Grant in establishing the INTEGRATE network (ES/J019259/2) in 2012, and for all the members for their interest over the years. In particular, I would like to acknowledge the support of Stephan Köppe who helped organise the 'Ideas Events' which brought many of the INTEGRATE members together in Prague, and Tomáš Kosteleký for hosting the events at Institute of Sociology, Academy of Sciences of the Czech Republic.

I would also like to acknowledge the significant contributions of Marja Elsinga, Martin Kohli, Stephan Köppe, Shin Iwata, Peter Lloyd-Sherlock, and Tomáš Kosteleký who not only helped establish and support the INTEGRATE network but who also contributed to the briefing papers that are summarised in the first chapter of this volume. I am also grateful for the enthusiasm of the authors of chapters without whom this publication would not be possible. In particular, I would like to acknowledge the specific support of Adriana Soaita in helping with the finishing touches. I am extremely grateful for the very positive and supportive comments from two anonymous referees, and for the support and patience of the publishing team at Vernon Press, as they accommodated the inevitable delays in meeting deadlines.

Chapter 1

Generational Interdependencies and Welfare

Beverley A. Searle

With: Marja Elsinga, Martin Kohli, Stephan Köppe, Shin Iwata, Peter Lloyd-Sherlock, and Tomáš Kosteleký[1]

Introduction

The changing demographic context across much of the globe is increasing interest in intergenerational relations and exchange, amongst national and international agencies. In those nations where populations are ageing, questions are being raised about the provision of pensions, health care, and other welfare services. Not only in respect of meeting financial needs but also moral questions of justice and equity in supporting and caring for a growing older population whilst protecting the interests of future generations. Whilst the focus of research and analysis is often dominated by the circumstances of developed nations, low and middle-income countries faced with similar issues draw attention to the complexity of cultural norms in addition to financial and political constraints. Common to all, however, is the importance of intergenerational interdependencies in welfare provision.

This chapter will explore these issues along five key themes. The first theme, 'Governance and financing of welfare provision', focuses on fiscal responses. Particular attention is given to pension systems which have most often operated through a contract between current (working) generations and older (pension receiving) generations. This generational interdependence is, however, shifting where schemes are increasingly moving from collective state provision to individually funded schemes. This individualization is also reflected in the second theme, 'Assets, social inequality and life chances'. This

[1] This chapter pulls together 5 briefing papers, jointly prepared by the authors listed (available at: http://www.integratenet.org/publications/). This final version, however, and any errors therein are the responsibility of BA Searle.

theme notes the shift towards personal asset accumulation as a basis for future family welfare. This raises questions about the ability not only of different generations but of different sectors of society to gain access to assets. This not only has implications for the extent to which resources are available to support interdependencies across generations but has been used as the basis for narratives around generational conflict. This is picked up in the third section, ‘Generational conflict and interdependencies’, which explores familial support (or not) through the transfer or gifting of assets and care across the life-course. The fourth section also considered how generational interdependencies are underpinned by ’Cultural norms, policies and legislation’, which can lead to discriminatory practices and inequalities. The fifth section addresses the often overlooked aspect of, ‘Demographic change and life course patterns’ in determining the point in time and extent to which financial resources can be transferred. It also considers the role of migration and the transfers between generations which are crossing international boundaries making generational interdependencies inherently an international issue. All these themes are summarised and considered within an intergenerational justice framework. The chapter then sets out the structure for the remainder of this volume, reflecting on its contribution and limitations to the field of intergenerational study by way of conclusion.

The Governance and financing of Welfare

The governance of ‘who gets what, where, how and why’ (Smith, 1977) in meeting the welfare needs of ageing populations is dependent on the interconnection of the market, state, and family to differing degrees. Where this is supported in some way by Governments, concerns have grown about how to maintain per capital expenditure through taxes from a depleting labour force. This in turn has given rise to alternative state response to the growing fiscal problem of ageing societies through a focus of responsibility on self-funding (Olsberg and Winters, 2005; Turner, 2004) and familial support (Forrest and Izuhara, 2009; Heady and Kohli, 2010).

One key area of policy concern, given population ageing, is the transfer of funds to support those in retirement – namely pensions (see also Amitsis this volume). Pay-as-you-go (PAYG) systems have been widely adopted across affluent and middle-income countries. They are based on a generational contract between working (contributing) generations and retired (pension drawing and service using) generations. PAYG systems allow intergenerational risk sharing, and may, therefore, be considered as welfare enhancing (Barr and Diamond, 2009). However, their implementation has often been controversial due to weak management and unsustainable generous benefit values (Mesa-Lago, 1989). Furthermore, the vulnerability of PAYG pension systems to demographic ageing has led to a strong political movement to support individualised funded pension schemes (Orenstein 2011; World Bank, 1994). Funded schemes break the generational contract, as contributions of younger cohorts go into their own accounts, with pensions for retired people coming from other sources. The paradox, however, is that the other sources may include higher taxation of current generations, imposing a double burden on current workers contributing to their own pension and those of current retirees (see Barr and Diamond, 2009).

Although the individual bears the risk of retirement, funded pension systems are not detached from wider social and economic effects of investment and political decisions and demographic changes (Bäcker and Koch, 2003; Mackenroth, 1952; Samuelson, 1958), which provide more favourable circumstances for one generation over another (Samuelson, 1958; Concialdi and Lechevalier, 2004; Sundén, 2005; Valdés-Prieto, 2006). There are concerns that reforms to pensions systems will increase problems of old-age poverty, where benefit pay outs are reduced, systems are complex to understand, financial decisions are harder to make (Barr and Diamond, 2009), and people do not have the means to make alternative provisions with an increased likelihood that future cohorts of older people will become increasingly dependent on family support (Orszag and Stiglitz, 2001).

Debates on provision and availability of pensions are important, not least because pension schemes often account for a high proportion of public spending. Even within low and middle-income nations pension provision and other welfare benefits for higher-level civil servants often absorb a large share of total public expenditure. In some middle-income countries such as Brazil and South Africa, there is a higher degree of welfare provision for older people, including universal pension schemes. Whilst rapid growth and demographic ageing, most notably in China, has generated increased resources and increased demand for welfare provision (Feng et al., 2012). However, as Lloyd-Sherlock and colleagues (2012) note the relevance of a focus on pensions provision to older people in poorer countries is questionable. In low-income countries, the state generally has a narrower role and more limited capacity to provide effective public social welfare, and national and international welfare priorities tend to emphasise the needs of other age groups. Where countries have adopted or extended social pension schemes funded directly by general taxation, this has been justified through generational interdependencies. In poorer households, it is often the case that all income, including pensions, is pooled at the household level with younger generations often being the greater beneficiaries than, the older persons themselves (Lloyd-Sherlock, 2000; Prince et al., 2016). As such this reinforces claims for intergenerational solidarity at the household level (Help Age International, 2004; Schwartzer and Querino, 2002).

Whilst there is a general focus on wealth transfers across generations there also remain concerns that *intra*generational inequalities are often more relevant than *inter*generational redistributive effects (a point we return to later). For example, after recent pensions reforms in Germany (Bäcker and Koch, 2003; Nullmeier, 2004) and Sweden (Ståhlberg, 1990) gender inequalities seem stronger than generational imbalances. This imbalance is also evident in tax and housing policies in some post-communist countries (Lux et al., 2009), which have not been fair or tenure neutral and have supported and strongly favoured intergenerational transfers of wealth of the richest at the expense of others. Where pension schemes are available in low-income countries only a minority of the population is covered, with notably low take up in rural areas and amongst women. For those with limited income, it is often difficult to defer resources from working years to later life in the manner designed by most pensions systems. Even where contributions are made, the returns are often insufficient to maintain even the most basic livelihood (Lloyd-Sherlock, 2000).

Weak governance in low-income countries limits the extent to which changes in regulation and practice will address such inequalities (which are often deeply embedded in cultural and social norms - a point we return to later). Within richer nations, however, one means of addressing intragenerational differences is through reform of inheritance law to break up the perpetual cycle of wealth inequality through intergenerational transfers. In the Anglo-Saxon countries, for example, there are calls for a shift in the tax burden from the decedent to the inheritor (like in most Continental European countries), as an incentive to distribute estates more widely (Gamble and Kelly, 1996). However, the unpopularity of inheritance tax among the voting public makes it a politically contentious issue. Research in wealthier nations tends to show low public support for inheritance taxes (e.g. Mirlees et al., 2011). Why inheritance tax is so unpopular however remains a mystery since it has the potential to be progressive and benefit rather than harm a greater number of people (Dowding, 2008). One theory is that whilst income tax is taken from source – the tax payer has never actually had the money in their possession – wealth (inheritance) tax is taken from financial resources (savings, assets) perceived to be in possession of the tax payer (Dowding, 2008) and which potentially have already been subject to taxation. Another reason may be the links to generational interdependencies, and the strong preferences to bequest personal wealth to children and other relatives (inter alia Prabhakar 2012; Rowlingson 2006; Rowlingson and McKay 2005).

The governance and financing of welfare, therefore, varies due to the impact of demographic change and population ageing, which differs across countries and populations. Among other things, this has direct implications for the type of welfare state or care regime that exists and the role that governments need to play, in financing welfare and supplementing non-state action. Contributory pension reforms, and to some extent inheritance tax, may be pitched as a fiscal solution to the problems of inequalities in ageing societies in many nations. However, their relevance to older people's concerns is quite limited in low and middle-income countries where contributory pension coverage is limited.[2]

Assets, social inequality and life chances

In addressing intragenerational inequalities, some scholars have called for a more equal distribution of wealth, where everyone should have a stake in companies, property and other assets (Gamble and Prabhakar, 2006; Sherraden 1991). This raises important concerns about the role of generational interdependencies in respect of future welfare and the uneven geographies of the accumulation and decumulation of assets and resources.

There is no doubt that the transmission of resources and the manner of their acquisition are playing an increasingly important role in determining social divisions and life chances (Forrest, 2008; Spilerman, 2000) on a global scale. The limited available evidence suggests that the transfer of private assets and resources varies considerably not only between different countries, but within countries, regions and municipalities along socioeconomic and rural/urban divides (Aboderin, 2004; Knodel et al, 2007; Lloyd-Sherlock and Locke, 2008; Schröder-Butterfill, 2004; Schröder-Butterfill and Kreager, 2007). For instance, recent evidence from the German Federal Bank suggests that the wealthiest households, measured as net assets, are not found in the wealthiest countries, measured on a per capita basis (Panel on Household Finances (PHF), see Deutsche Bundesbank 2013). This addresses not only the distribution of wealth (and poverty) but also what kind of wealth is held by households such as savings, pension entitlements or property. These individual wealth resources are gaining increasing importance where governments are looking towards asset-based welfare policies.

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[2] In these countries, upgrading basic health services and extending social pension schemes are likely to have a greater effect on older people's welfare (Lloyd-Sherlock, 2000; Lloyd-Sherlock et al, 2012).

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