The empirical inflation of Intergenerational Financial Transfers:
Is the Bank of Mum and Dad too big to fail?

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Introduction

Intergenerational Financial Transfer research has developed considerably over the past decade and now forms a mature literature examining the extent to which financial assistance is given by parents to their adult children over the life course. Yet this paper argues that this literature has evolved on the back of a one-sided understanding of intergenerational transfers. One of the challenges of intergenerational studies in an ageing society is the need to answer questions that look beyond the nuclear family or the household as an economic unit to explore interdependency between generations. Analytical techniques need to be adapted to this new understanding of the social world (McDaniel, 1997) and this paper argues that existing research has not always used appropriate data for the research question at hand. Using data from the Generations and Gender Programme (GGP), the analysis reveals that less than 7% of individuals aged 18-35 received financial assistance from their parents and this finding is stable across 10 countries and over time. These conclusions are supported through the analysis of longitudinal data from the GGP for 5 countries and preliminary findings suggest that a very small proportion of individuals receive financial assistance from their family over time. Furthermore this likelihood is not affected by the recipient's financial circumstances or other indicators of need. Substantively, the findings point to one of two conclusions: either intergenerational financial assistance is a marginal and rarely used means of intergenerational exchange or standard measurement practices in international surveys are failing to capture the large amount of intergenerational exchange that is referred to in fields such as housing, social policy and economics.

Inflation of Financial Transfers in existing research

The key difference between the GGP & SHARE is their sampling frame. The GGP is a sample of the entire population aged 18-79 and is weighted to reflect this. SHARE only sample those over 50 years of age. This distinction is relatively clear in that the population that is eligible for SHARE is also eligible for the GGP (expect those over 79) but those in the GGP are not necessarily eligible for SHARE. The challenge within this analysis stems from the fact that the unit of analysis is often not the respondent within SHARE but the recipient of the intergenerational transfer or what is sometimes referred to as the parent-child dyad. This is particularly true if we are looking to evaluate the impact of downward intergenerational support or intergenerational solidarity more generally rather than just amongst older persons. In SHARE, this has often entailed the reshaping of the dataset from a wide format of dyads to a long format.

Figure 1 - Age of Sampled Children of the Over 50's

Source: Survey of Health Ageing and Retirement in Europe, Wave 2

So what difference does it make if we use GGP rather than SHARE to answer questions on intergenerational solidarity such as intergenerational transfers amongst younger generations? In this context the relationship between the GGP and SHARE is the relationship between the children of the 50 + and the wider population. The children of the 50+ are also partially eligible for the survey themselves. It is entirely feasible that an individual sampled for SHARE is also included as a child within
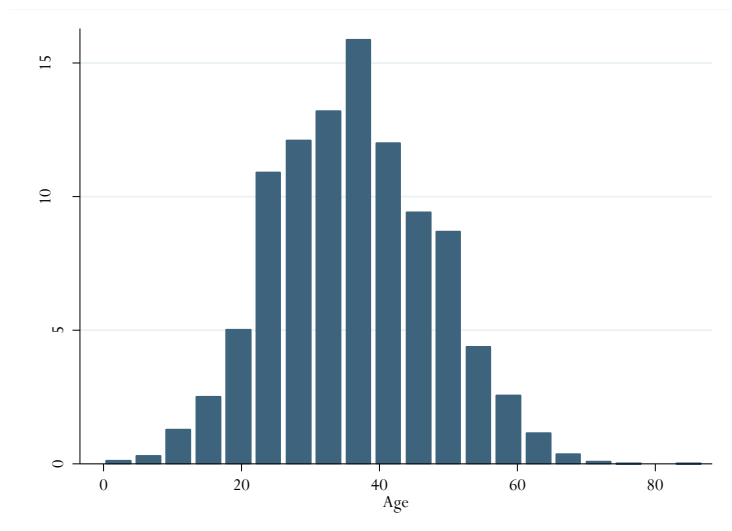
SHARE given that the children of the over 50's also include individuals who are over 50 themselves. This does not affect the inferences made regarding this population but it is important to note. Figure 1 illustrates the age structure of this group. The oldest child within this sample is an 87 year old man living in Ireland. In this analysis the use of the word child therefore refers only to an individual with a parent rather than being a word with age specific connotations.

In addition to there being an overlap with the SHARE sample, there is also a lack of fit with the GGP sample. Figure 1 illustrates that the age distribution of the children of the Over 50's is almost normally distributed which is not the case with the age distribution in the wider population. Most of the over 50's gave birth when they were in their twenties and so their children are heavily concentrated around the 30-40 age group. Younger children are too underrepresented for this to be considered a sample of the population generally. The issue here is that this sample of SHARE children has been used consistently within the intergenerational transfer literature to make inferences about the likelihood of receiving a transfer. Studies have suggested that the proportion of children within their samples that receive financial assistance from parents is indicative of the wider population (Albertini & Kohli, 2012; Schenk, Dykstra, & Maas, 2010; Szydlik, 2008; Albertini & Radl, 2012).
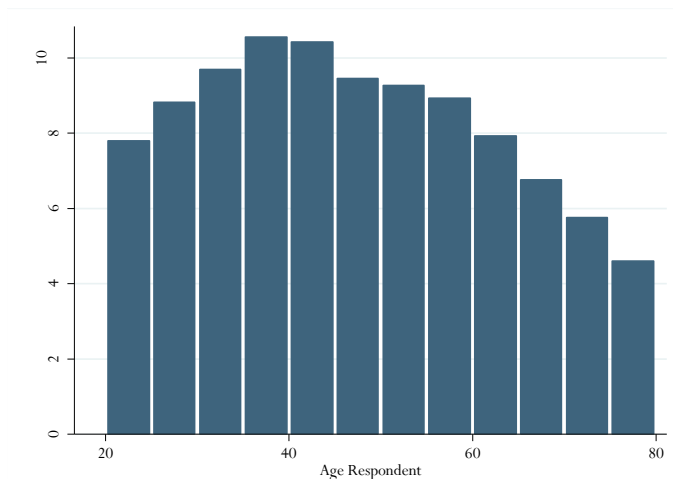

Figure 2 - Respondents Age in the GGP;
Source; Generations and Gender Programme Wave 1

The discrepancy in the samples suggests that this is clearly not the case and a consistent finding of this analysis is that this has often led to an upward bias in estimates of transfer receipt amongst the general population. Figure 2 reflects the age distribution evidenced by GGP which more closely resembles age distributions familiar to demographers. It should be stressed however that this doesn't undermine the entirety of previous analysis. Such analysis wasn't designed solely to consider transfers from a recipient perspective and the SHARE sample remains the pre-eminent source of information on the supply of intergenerational transfers.

Age is not the only factor which introduces bias into these estimates of transfer receipt. Individuals in the SHARE children sample are more likely to have wealthier parents that than those in the population generally given that richer parents are more likely to have survived and been included within the SHARE sample. What is more, poorer households tend to experience child births earlier and so these parents are not yet eligible for the SHARE sample (Berent, 1952; Skirbekk, 2008; Matthews & Sun, 2005). As an example here, results for the education variable from SHARE, which are based upon the International Standard Classification of Education (ISCED), appear to be out of line with the population estimates. A low level of education refers to an individual who has only reached level 2 or lower on the ISCED scale. In our sample this refers to 17.54% of the population, whilst Eurostat estimates that the value for 25-64 year olds is around 30% in 2006 for the EU-15. This discrepancy could exist for a number of reasons, most of which relate to the sampling method.

Whilst the sample of children includes all children over 18, the vast majority are concentrated around the mean and are aged between 20 and 40. Given the improvements in education, one would expect younger individuals to be better educated. This could explain the levels observed in this sample. One way to verify this is to look at the value for those individuals in a very narrow age range where the fluctuations in achievement across that range will be minimal and therefore the age group distribution should be eliminated. Eurostat provides data on the age group 25-34, of which it suggests 24% have very low educational levels. When the population of children in the sample is narrowed in a similar way then the percentage with low levels of education also declines, to around 14.43%. This therefore suggests that our population of children is substantially different from the general population.

A further reason is that it's highly possible that this particular variable is biased upward because it is the parents who are asked and not the children, leading to substantial inflation in the child's achievements. This is plausible as the bottom two categories of ISCED imply the child was under educated and didn't finish

compulsory schooling. A parent is probably less likely to respond if their child's education is low or to over report the education level of the child. These caveats do raise concerns about what this sample of children can tell us and illustrate the complexities of inferring from an indirect sample to a wider population.

Another potential reason for this is that children of younger parents are generally less likely to succeed in education because younger parents can invest less in their children and are more likely to come from disadvantaged backgrounds themselves. These individuals will not be included within our sample as they may not yet be the children of an individual over 50. For example, a line of very young mothers could imply that only the great grandmother and above are eligible for the SHARE sample. This may be causing a proportion of the bias.

What's more, reconstituted families are a further means by which the indirect sampling method warps the sample used within this analysis. Here, because of random sampling, each unit should be equally likely of selection. When everybody has one mother and one father that are equally likely of being sampled by SHARE, then this process should not affect the outcome to a noticeable, systematic extent. However once a home is reconstituted or split into two, an individual's chances of being drawn in the sample of the population are effectively doubled. The sample above should therefore over sample those individuals from reconstituted families. However this is difficult to test given the lack of accurate, comparable statistics on family reconstitution. All these factors indicate that the existing research is potentially distorted in its estimates of intergenerational transfer *receipt* and underlines the need to contextualise the findings from SHARE with the GGP data. Again, it should be emphasised that existing analysis looking at supply side dynamics is entirely valid and only conclusions regarding broader notions of solidarity or recipient dynamics.

Preliminary Findings

Much of the existing research on intergenerational transfers has asserted their relative importance through their role in making large purchases such as housing or education (Zissimopoulos & Smith, 2009), smoothing consumption (Cox & Rank, 1992) and acting as means by which to ensure future intergenerational exchange (Leopold & Raab, Short Term Reciprocity in Late Parent-Child Relationships, 2011). The preliminary findings from this analysis suggest that these conclusions are premature. Below the proportion of 18-35 year olds who reported receiving financial assistance in the last year is given. The proportions are exceptionally low with Austria illustrating the highest proportion of transfers with just 6%. These findings are supported by preliminary analysis of the SHARE wave 4 data on lifetime transfers. Results here suggest that only 5.83% of the over 50's within SHARE countries have ever given more than €5,000 to their family. This would indicate that large transfers of wealth are rare and unlikely to be the cause of decreasing social mobility or life chance differentials.

Figure 3 - Proportion of 18-35 year olds who received financial transfers from their parents in the last 12 months

Source: Generations and Gender Survey

This contradicts the narrative in a number of fields that assert that intergenerational transfers have a large impact on life course transitions (Leopold & Schneider, 2010; Zissimopoulos & Smith, 2009) and are a potential impediment to social mobility (Albertini & Radl, 2012). These results are very different from the 20-25% of respondents who reported giving financial assistance in SHARE (Albertini & Kohli, 2012). This could be attributable to the various issues highlighted above. The conclusions merely reflect that previous conclusions have overstepped the scope of the data in asserting that these rates of transfers amongst the over 50's can be used to make inferences about recipients or indeed the general state of intergenerational solidarity. To the best of the author's knowledge, there are no existing studies which have considered intergenerational financial support using the GGP data which allows for a comparative recipient perspective.
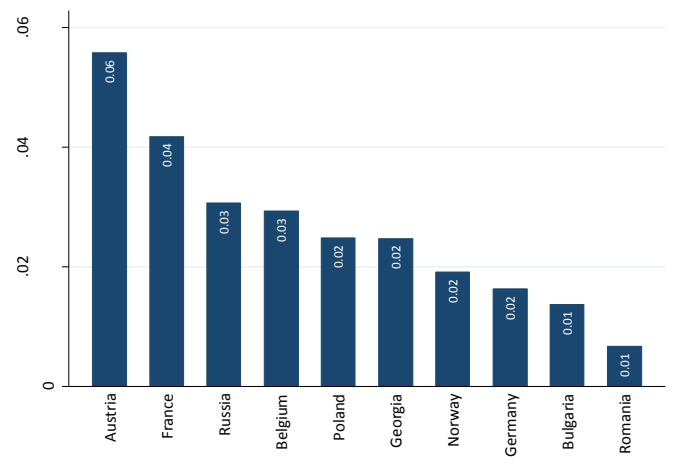
Ongoing Research

This extended abstract represents the preliminary findings of an ongoing research project examining the broader social relevance of financial transfers between generations. The final paper will include longitudinal analysis of respondents aged 20-50 who reflect the neglected group in existing analysis. Using two waves of the GGP from Austria, France, Germany, Czech Republic and Georgia, the analysis looks at the extent to which the low proportion of receipts observed in the preliminary findings is reflected longitudinally. This is necessary as it could be that every year a different 6% receive a transfer and thus, over time, the majority of the population receive a financial transfer. Using this longitudinal analysis it will also be possible to ascertain the extent to which transfers are determined by what are traditionally considered to be the primary motivations for transfers such as moving home, continuing education, starting a family and labour market turbulence. Existing findings for Germany and France indicate that the probability of transfer remains low even over time. If evidenced in the other GGP countries, this would provide evidence that altruistic understandings of financial transfers are flawed and that the proportion of individuals receiving financial assistance from their families is actually exceptionally low. Furthermore, what transfer activity does occur is not based on the needs of the recipient but is habitual. If this finding is substantiated and replicated using additional data sources and analytical approaches, it would suggest that a re-evaluation of the importance of the family as a means of financial support across the life course is necessary. Furthermore the approaches used in the study of Intergenerational financial transfers are replicated in areas such as the provision of childcare or other time transfers and so could prove of relevance in these discourses.

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Notes

- If it is a problem of measurement then you could use the cross national data to check for equivalence

- There is also concept validity tests that can be employed
- If it's a substantive issue then a counter theory and hypothesis could be put forward

Very few individuals receive transfers from their parents even when they are living in financially constrained circumstances and their parents have sufficient liquidity to help them.

This is occurring because individuals have access to other forms of finance such as credit cards and loans meaning that they no longer have to rely on parents for financial support. Simultaneously, the assets and wealth of parental generations are required for their financial well-being post retirement. The uncertainty surrounding later years means that all resources a re required and are not suitable for financial support to children.