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SOLIDARITY BETWEEN GENERATIONS IN EXTENDED FAMILIES: A "COPING STRATEGY" AGAINST INADEQUATE SOCIAL PROTECTION

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OVERVIEW

- We analysed intergenerational solidarity within multigenerational (MG) households, and assess how the formation of these households is related to poverty across European countries.
- Using data from EU-SILC 2013, we first assess to what extent financial gains of the formation of the MG households are pro-child, pro-elderly or to the benefit of all. Next, we determine how the prevalence of MG households relates to poverty risks, and especially how (the sharing of) elderly income impacts child poverty.
- We analyse (1) the direct relationship between living in a MG household and child poverty using a logistic regression and (2) the contribution of elderly income to lowering child poverty risks, under different scenarios of cost-sharing and resource-sharing using a pre-post simulation analysis.
- The results indicate that the formation of MG households operates mainly as solidarity from older to younger generations. Although not designed for this purpose, pensions thereby also serve as a function to alleviate child poverty in these countries where MG households are most prevalent.
- MG household formation is a short-term 'coping strategy', often directly related to inadequate social protection safety nets, Policy-makers should consider the short-term beneficiary impact of pensions on child poverty when implementing pension reform, and strengthen the social protection safety nets to alleviate child poverty.

Research findings

In this paper, we studied intergenerational solidarity within multigenerational (MG) households and its impact on poverty risks in Europe, with an emphasis on child poverty. We used data from the EU-SILC 2013 database. Obviously, there is no uniform European pattern of intergenerational solidarity: we observe significant differences between subgroups of European welfare states. Unsurprisingly, MG households are most prevalent in Southern, South-Eastern and Eastern European countries (see Figure 1a). In most countries, especially those with high prevalence of MG, children in MG households have lower poverty risks than other children (see Figure 1b).

To assess the direction of financial solidarity in MG households, we partitioned them in 'pro-child', 'pro-elderly' and 'mutually beneficial'. Results show that the financial solidarity between generations in extended families is in most cases (and especially in South-Eastern and Eastern European countries) very strongly in favour of the children, and far less beneficial for the elderly. Consequently, MG formation and old-age incomes in MG households reduce child poverty.

Our regressions, which control for various background conditions, show that this reduction of child poverty is significant in South-Eastern and Eastern countries, but not in Southern European countries. The presence of old-age incomes has the strongest impact when both an elderly man and an elderly woman have a pension income, but we also see that a pension income for a man has a stronger effect than a pension income for an elderly woman, as men in general still obtain higher pensions than women.

Our simulation analysis illustrates the relevance of the formation of MG households as a strategy to cope with poverty, and then especially child poverty. Children are better off in a MG household than in a counterfactual household without the elderly. However, the traditional assumption that all incomes are shared across all household members matters: the full-sharing hypothesis probably yields a picture that is too rosy. The less sharing of resources, the more child poverty: on average 19% of children in MG are counted as at-risk-of-poverty under the full-sharing assumption, rising to 28% and even 50% under a (plausible) partial, respectively zero sharing assumption.

Our simulation results also show that the economies of scale play an important role in poverty outcomes. This also emphasizes that equivalence scales matter. Therefore, the hypotheses on the basis of which this scales are constructed are of crucial importance. Finally, our analysis also strongly suggests that traditional poverty indicators may underestimate the reality of child poverty, since they overestimate the degree of income-sharing in households.

Figure 1a: Share of children and elderly individuals living in a multigenerational household in Europe, 2013

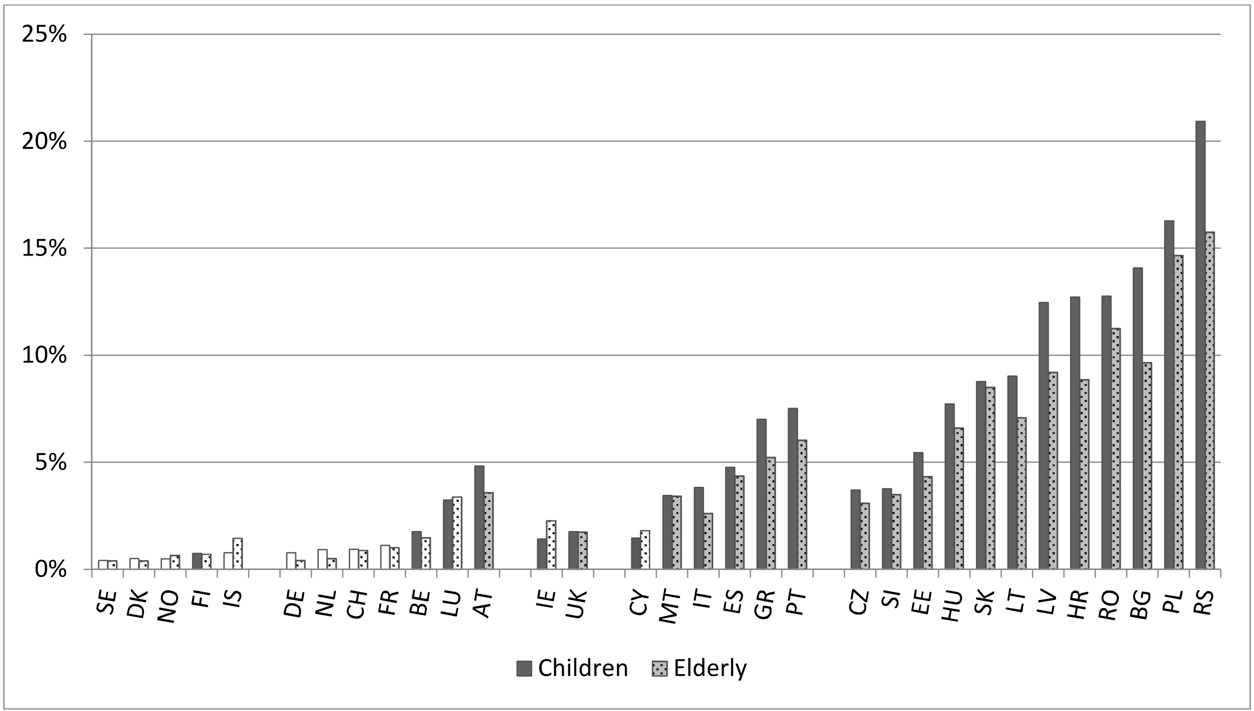
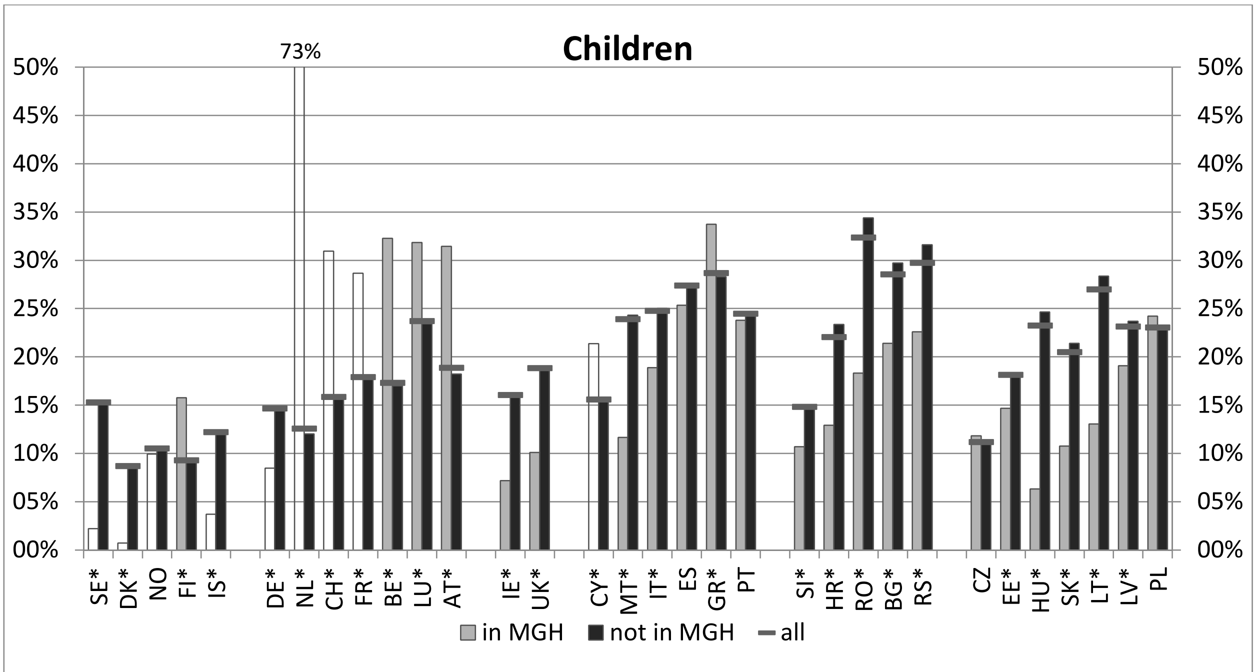


Figure 1b: Child poverty rates in Europe, according to membership of multigenerational household (MGH), 2013



Notes: 1) Within each country group countries are ranked from low to high share of children, living in MG household. 2) Countries with less than 60 children, resp. elderly living in a MG household are in white colour. 3) * behind country name indicates significant difference in poverty rate between 'in MGH' and 'not in MGH' (at 95% confidence interval).

Source: own calculations EU-SILC 2013.

Policy Implications

Our study showed that elderly incomes are an important coping instrument for households to avoid poverty. Indeed, our analysis shows that for a sizeable share of children, the presence of elderly in the household is an important element in preventing poverty. Especially in Eastern and South-Eastern countries, children living in MG households benefit. The solidarity from older to younger generations that we find in these countries is likely related to the fact that the prevalence of MGHs is mainly high in welfare states where the social protection of working-age families by cash transfers is relatively limited (notably when compared with the relative generosity of pension benefits in some of these countries).

Although not designed for this purpose, the pensions in these countries thereby also alleviate child poverty. This is far less the case in the more mature welfare states, which are characterized by higher degrees of '*de-familialization*'.

However, although we establish a beneficial effect of MG household formation about child poverty in a number of EU welfare states, the conclusion cannot be that policy should stimulate MG household formation. MG household formation is a short-term 'coping strategy', which is in several countries directly related to inadequate social protection safety nets. This coping strategy may have negative consequences for children in important non-financial dimensions of their personal development (e.g. they are less likely to have an own room for study in an extended household).

Moreover, in modernizing societies, extended families are presumably rather a strategy of the past than a strategy of the future. However, policy-makers should consider the short-term beneficiary impact of pensions on child poverty when implementing pension reform; even if we drop the assumption of 'full sharing of resources', pension incomes provide tangible support for children in extended families.

Hence, when pension spending is – for good reasons – rationalized in pension-heavy welfare states, there must be a parallel development of adequate family-support systems, both in terms of cash benefits and social services.

The fact that 'full sharing' is too optimistic *qua* hypothesis does not diminish the urgency of that conclusion: it implies that we underestimate how severe child poverty is in countries with a significant share of MG households.

Further reading

"Solidarity between generations in extended families. Direction, size and intensity", by Gerlinde Verbist, Ron Diris, Frank Vandenbroucke, CIRCLE Working Paper n. 5, November 2018.