



HUNGARIAN **DEMOGRAPHIC**
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Pro-elderly welfare states within child-oriented societies

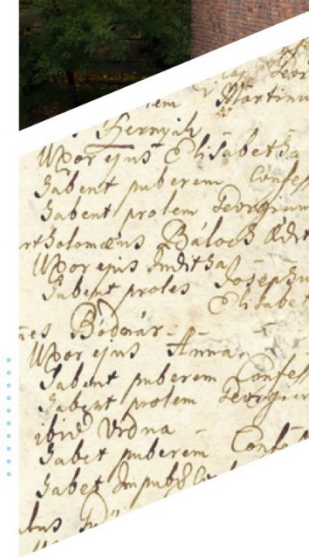
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Economic consequences of population ageing and intergenerational equity

November 21, 2017, Vienna



The problem

Pro-elderly bias in public spending

The pro-elderly bias is an optical illusion

The argument in a nutshell: asymmetric socialization, asymmetric visibility

Lifecycle deficit: A useful concept

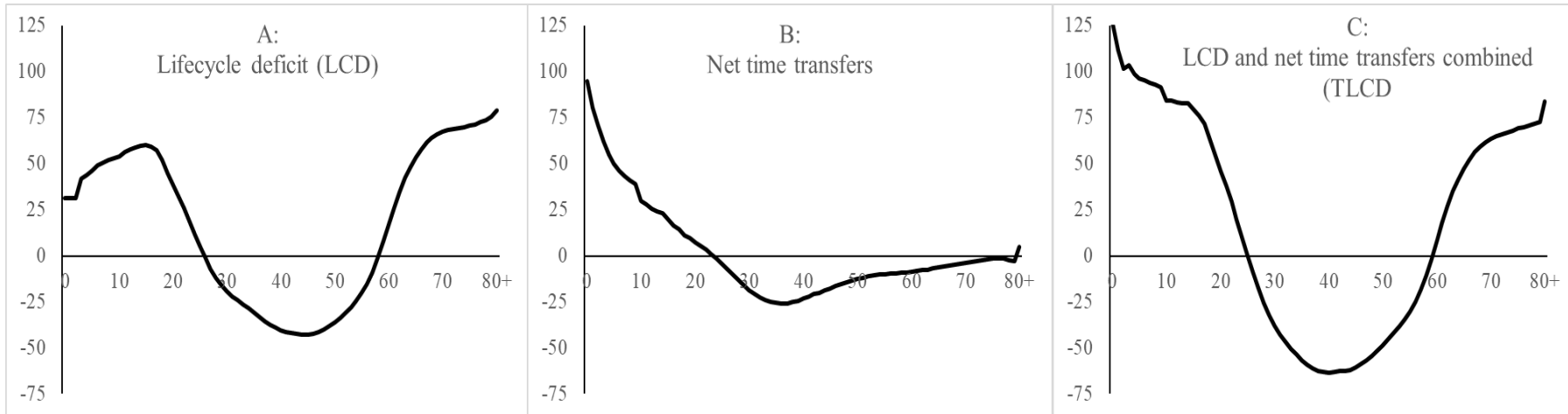
Lifecycle deficit (LCD): difference between labour income and consumption (Lee 1994a,b; Lee and Mason 2011)

Net time transfers (NTT): difference between the value of unpaid household labour produced and consumed: LCD of the household economy (Donehower 2012)

Total lifecycle deficit (TLCD): LCDs of the national economy and the household economy combined

The channels filling TLCDs: public transfers, private transfers, time transfers (and asset-based reallocations)

Lifecycle deficit and net time transfers in the EU

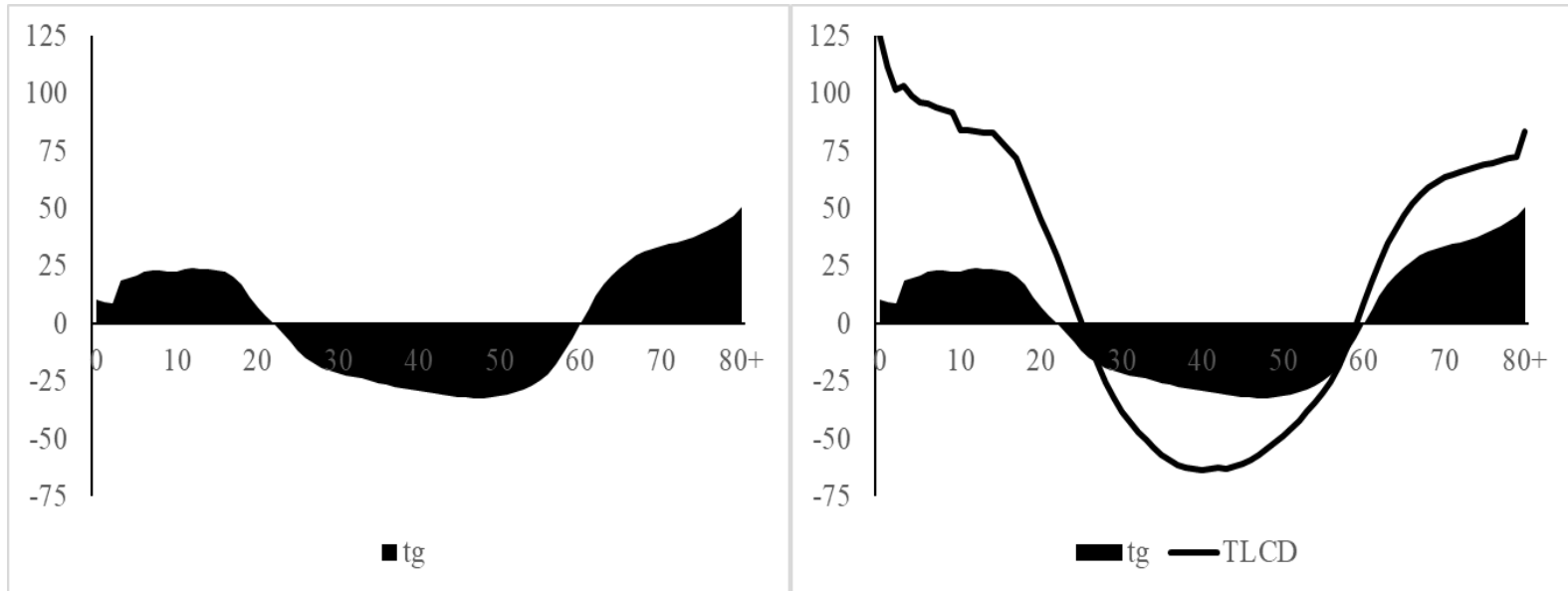


Source: LCD: Istenič et al (2017); NTT: Vargha et al. (2016).

Values are population weighted averages normalized on the per capita market labour income of persons aged 30-49 of the respective country.

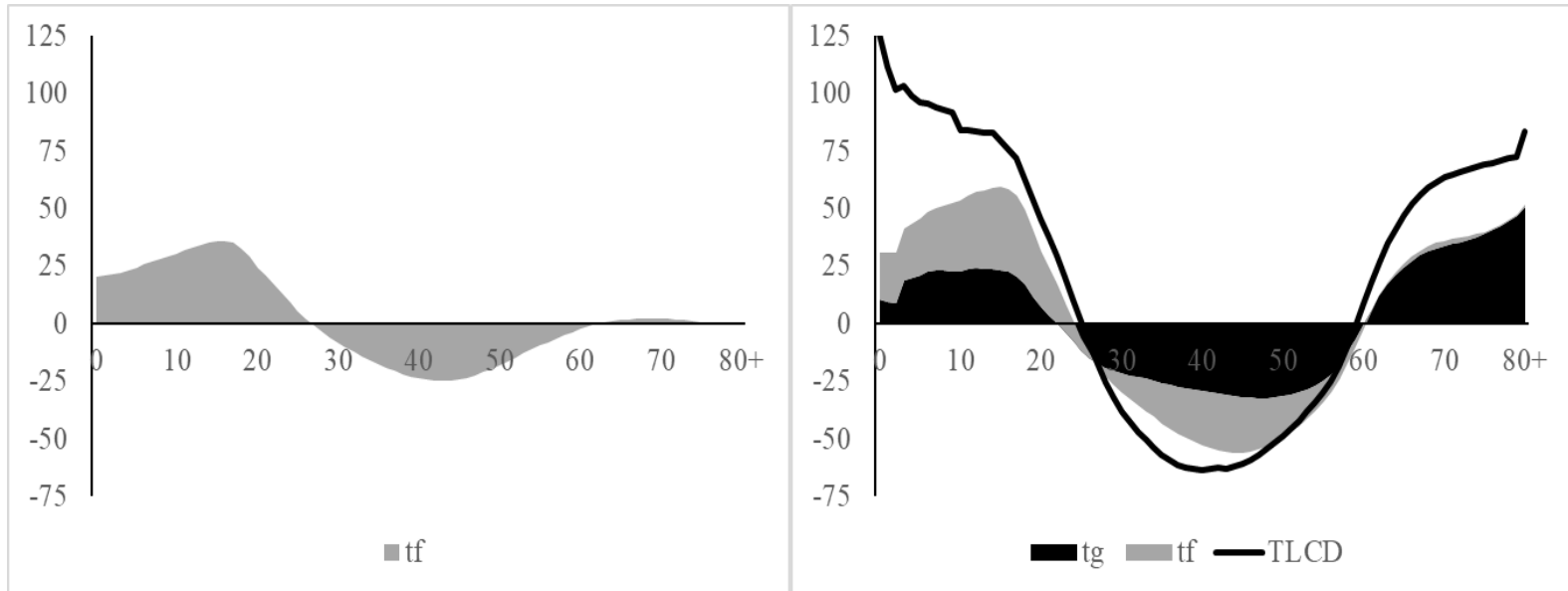
EU: 17 member states representing 85% of the EU population.

Public transfers: pro-elderly bias confirmed



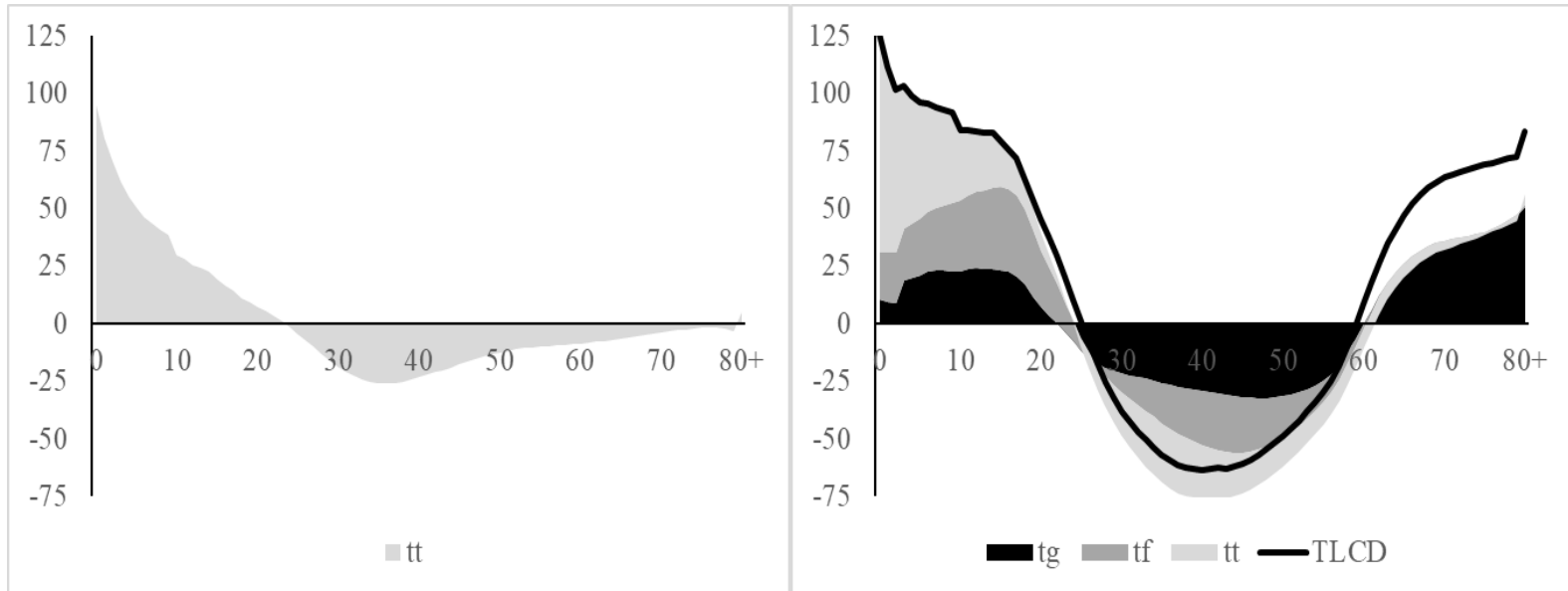
Per capita net *public* transfers and their contribution to filling the gaps of total lifecycle deficit by age in the EU, 2010

Private transfers: from (older) working-age adults to children (especially teenagers)



Per capita net *private* transfers and their contribution to filling the gaps of total lifecycle deficit by age in the EU, 2010

Time transfers: from (younger) working-age adults to (especially younger) children



Per capita net *time* transfers and their contribution to filling the gaps of total lifecycle deficit by age in the EU, 2010

Invisible transfers

Visibility depends on the nature of the bond linking the people involved.

Public transfers flow between people connected by relations enforceable by law.

The value of transfers is set by market forces or regulation.

The actors therefore know the transfer values and record them in their books either on both ends of the transaction or unilaterally.

In the case of invisible transfers one or both of these conditions are not met.

Invisible transfers, contd.

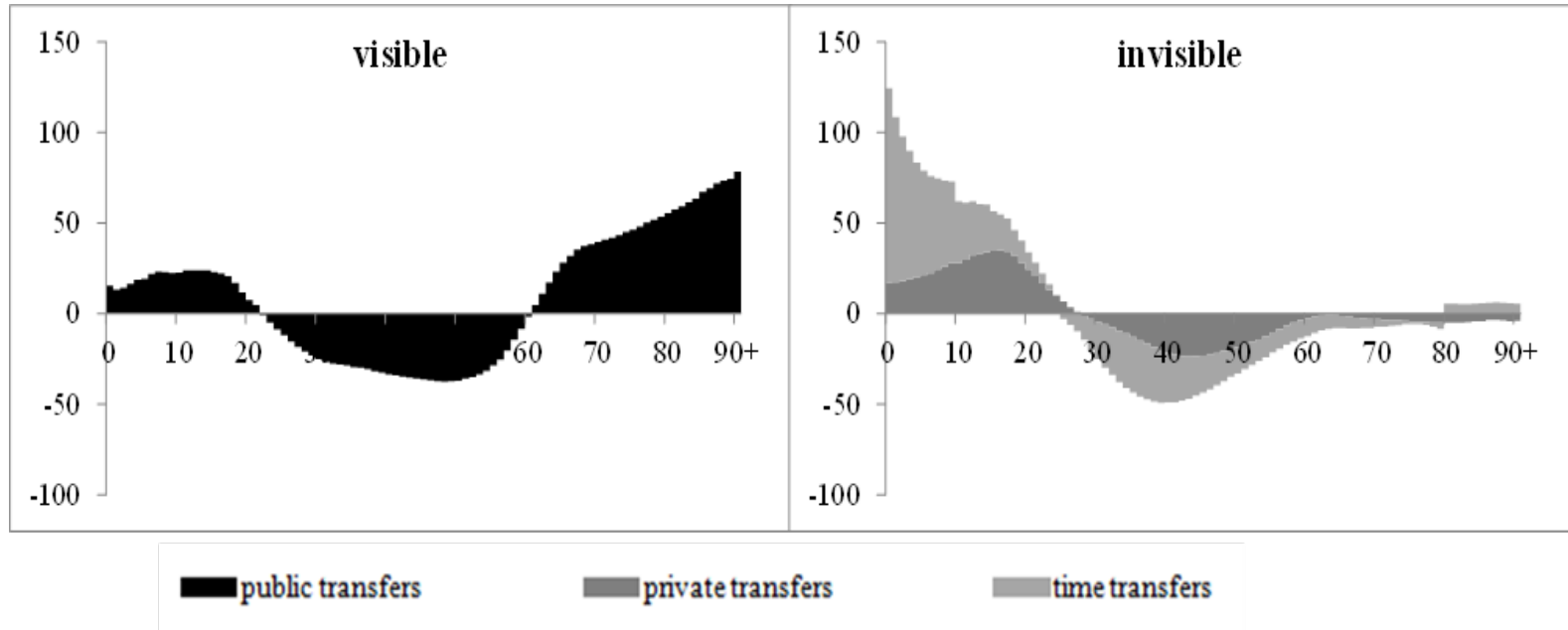
The cooperation of the actors, most frequently family members, is regulated by customs and social norms.

Non-performance is not enforceable by law and therefore not recorded by the actors.

Time transfers cannot even be measured directly because the subject of the transfer is not evaluated in the market.

Private transfers of cash and time are difficult to collect information of and are missing from public statistics.

Asymmetric socialization, asymmetric visibility



Visible transfers are skewed to the old; invisible transfers are skewed to children.

Summary:

Contrary to widely held wisdom society gives more to children than to the elderly. In reality, pro-elderly bias is asymmetric visibility.

Growing public share of resources flowing to the old may turn out to be a form of compensation for lost private and time transfers mostly due to lower co-habitation levels with adult children.

The twentieth century may also have been the Century of the Child, as Ellen Key predicted at its start.

Thank you!

Gál RI, Vanhuyse P, Vargha L (2018): Pro-elderly welfare states within child-oriented societies. *Journal of European Public Policy*.

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