

Intergenerational Transfers in the National Transfer Accounts Framework

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What and why....

- Describes the **distribution of transfers on the individual level** in the national accounts
- Lately increased focus on the household sector (motivated by Stiglitz et al)
 - shift from macro-economic key figures
 - to distribution within households
- National Transfer Accounts (NTA) framework introduced (United Nations 2013)
 - Aimed at analysing generational economy – adding age as a dimension to the SNA
- Policy purposes:
 - The aging of the society – pressure on welfare systems and increased retirement age
 - Reorganisation of health care



Methodology

- Paper describes why NTA is used
 - Consistent with the SNA
 - Created to meet additional demands for information
 - The Dutch version do not fully adhere to the NTA framework in the UN Manual
- The paper focus is on the household sector, including the NPISH
 - **Question:** why is NPISH included in this way
- The NTA is built around the economic life cycle



The economic life cycle

- Individuals produce and consume,
 - not balanced in every phase of their lives
 - young people dependent on transfers from parents to cover their consumption needs etc
- The **life cycle deficit** is defined as
 - consumption less labour income and equal to
 - The transfer reallocations plus the assets based reallocations
- Labour income is defined as
 - Compensations of employees
 - Part of mixed income attributed to labour income (assume 2/3 to labour)
 - Production of **household non-market activities** (outside the SNA production boundaries)



Cont...

- Consumption is equal to
 - Households final consumption expenditure
 - Individual government consumption of households and NPISH
 - Consumption on non-market household production
 - but limited to household types variables and not voluntary work outside the household.

Why?



Transfer reallocation

- Consists of social benefits, social transfers in kind and other current transfers (inflows) ++ and outflows (taxes on income and wealth, product taxes (VAT) ++)
- **Intra household transfers**, including the non-market household production/consumption
- Asset based reallocation includes also
 - Capital transfers can also occur within the households (take a different approach than UN (2013) to apply with the SNA
 - Inheritance is part of these transfers



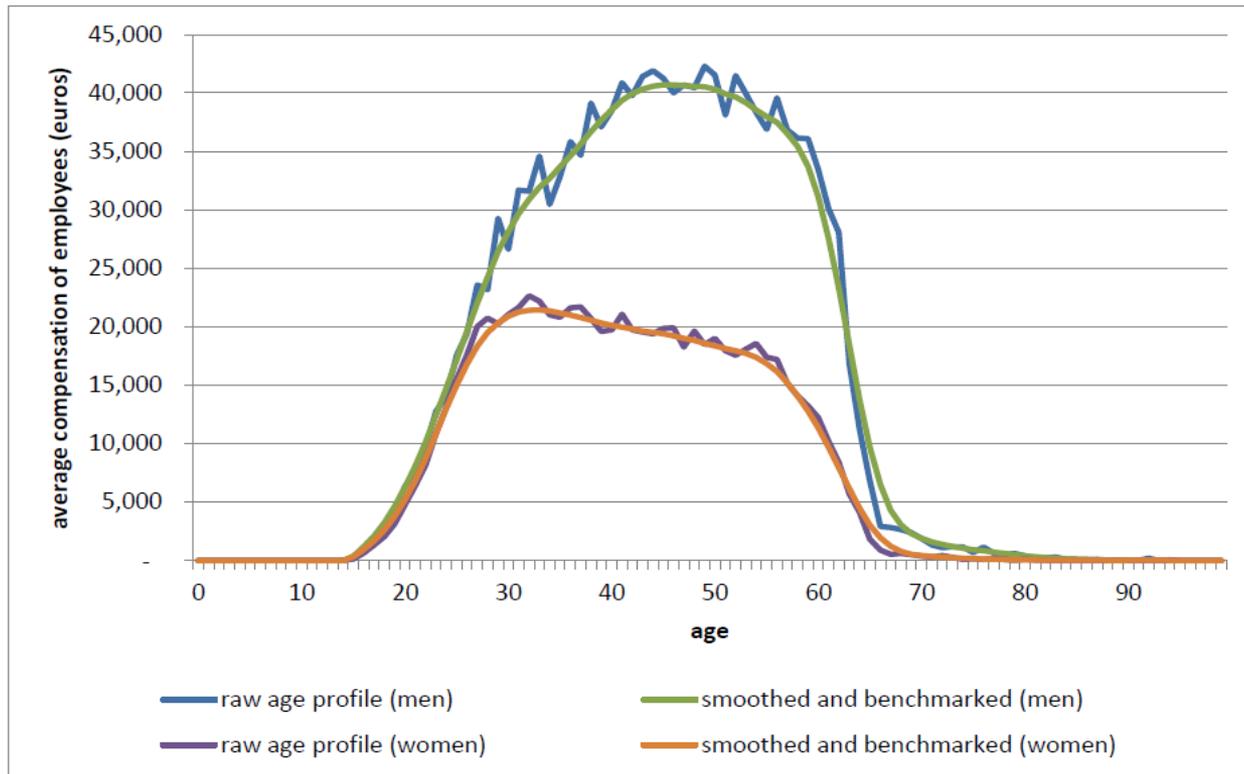
Data sources

- National Accounts provide the macro totals
- Example of sources:
 - Income Panel Survey, the Budget Survey, Pension Claims statistics, Education data on average costs by education level, Health care statistics from the National Institute for Public Health and the Environment (average health care expenditure), Time Use Survey



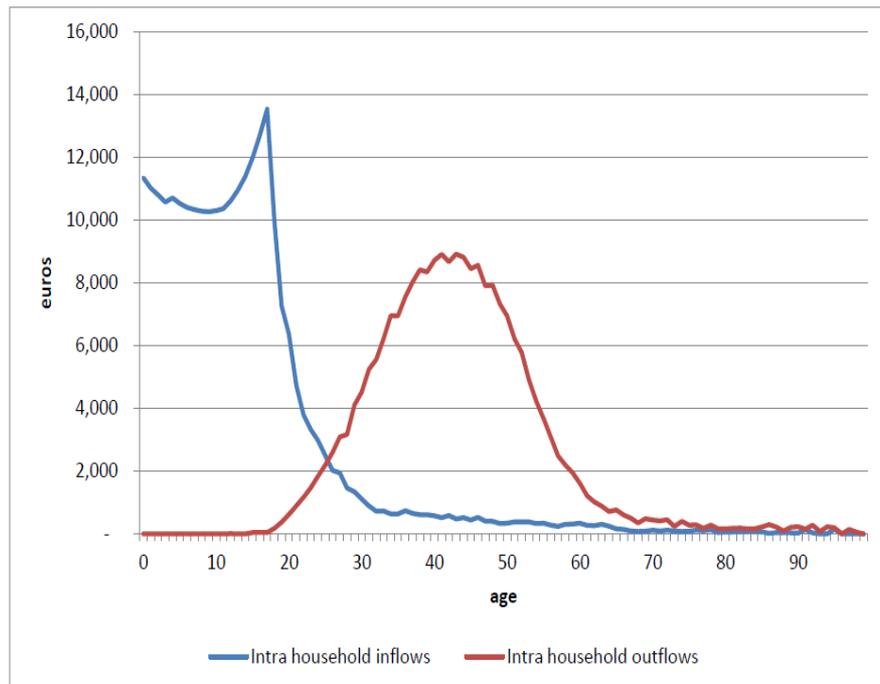
Some results

Figure 4: Balancing age profiles of compensation of employees for men and women, the Netherlands, 2012



Intra household transfers

Figure 5: Intra household inflows and outflows, the Netherlands, 2012

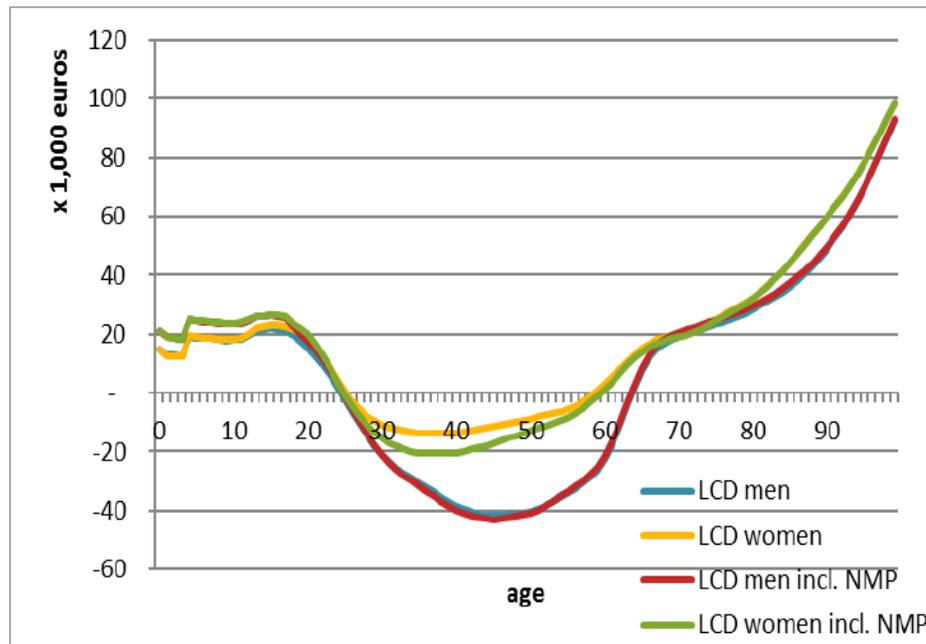


- Flow from parents to their children to cover for their life cycle deficit
- This means zero savings or dissaving for children
- Use a more focused scope than the NTA Manual (do not use the notion of the household head, but assume that assets are owned jointly by the adult partners)



Life cycle deficit (LCD) with and without non-marked production (NMP)

Figure 9: Lifecycle deficit for 2012 by gender, average values per age group

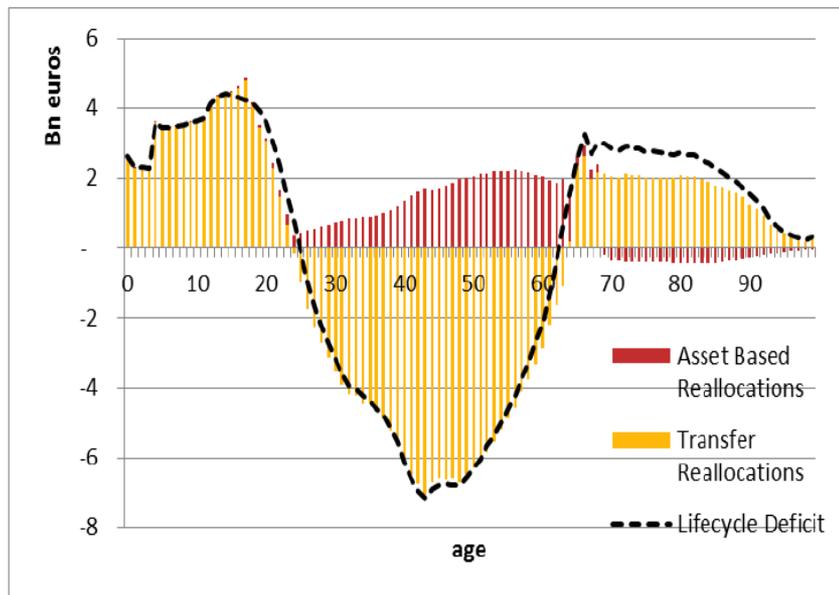


- Current production boundaries of the SNA underestimate the true size of the transfers
- If NMP is included, the LCD is affected mainly for the young and women in the working age
- Young dependent on caretaking and benefit from cooking and cleaning more than they contribute



Allocation of transfers most important for LCD of each generation

Figure 11: aggregate LCD and reallocation mechanism by age group (2012), excluding non-market production.



- Where transfer reallocation and asset reallocation based income is not sufficient (or more than sufficient) to cover LCD, the residual is either taken from savings or added to savings
- Total transfers to young is larger than to the elderly
- Aging society: transfers flowing to elderly will increase



Conclusions in the paper

- National Accounts underestimate the true size of transfers
 - Missing intra household flows
 - Does not include household non-market production
- Argue that these flows are essential where demographic changes trigger policy changes,
- Where welfare state is under pressure (more people will benefit and less will contribute)
 - Example: increasing the retirement age, reorganising the healthcare schemes



Questions

- The paper is very clear and with a good discussion - recommended
- Why is NPISH included in the way they are?
- Capital transfers, not as good described as the current transfers (e.g intra household)
 - Are intra household capital transfers included?
 - How are bequests treated – and advancement? (do not trace them in the table – included in savings?)
 - Assumption that outflow of bequest of one age group is the inflow on generation back (set to 30 years). Have you made any sensitivity analysis of this?
 - Are bequests less important than current intergenerational transfers?
- Wealth account not discussed in the paper. Why?
 - Example that can be important is the housing stock: Can this contribute to the understanding of the economic life cycle deficit?
- Sensitivity analysis in general?
- How do you think that these results can/will be used by politicians?

