THE UNEQUAL IMPACT OF THE CRISIS BY AGE:
AN ANALYSIS BASED ON NATIONAL TRANSFER ACCOUNTS

Meritxell Solé (UB), Giorgos Papadomicelakis (UB), Guadalupe Souto (UAB), Elisenda Rentería (CED-UAB), Ció Patxot (UB)
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Giorgos Papadomichelakis (UB)
Ció Patxot (UB)
Elisenda Rentería (CED-UAB)
Meritxell Solé (UB)
Guadalupe Souto (UAB)
• The risk of poverty for children is, in general, higher than for other age groups

• The welfare state basically protects the elderly, but not (to the same extent) children

• The situation has worsened with the crisis in a significant number of countries
Population at risk of poverty in the EU before and after social transfers

Source: Eurostat, 2016
Net public transfers to children and the elderly in NTA countries (% of their own consumption)

Source: Authors’ elaboration from NTA data (www.ntaccounts.org)
Change in child (0-18) poverty rate and social exclusion

In 20 out of 31 European countries child poverty has increased with the crisis.
People at risk of poverty in Europe (households with children)

Source: Eurostat, 2016
People at risk of poverty or social exclusion by age in Spain

Source: Eurostat, 2016
People at risk of poverty by type of household in Spain

Source: Eurostat, 2016
Our contribution

- Use NTA to explore the unequal impact of the crisis by age in Spain

- Estimate NTA for 2012 and compare results with previous available years (2000, 2006 and 2008)
National Transfer Accounts

• Analyses how individuals consume, produce, share resources and save

• And how resources are reallocated with intergenerational transfers, through three institutions: Markets, family and the public sector

• NTA complement (and are consistent with) National Accounts, by incorporating age and making it possible to disentangle intergenerational transfers
Basic NTA identity

\[ YL + YA + TG^+ + TF^+ = C + S + TG^- + TF^- \]

- inflows
- outflows

\[ C - YL = (YA - S) + [TG^+ - TG^-] + [TF^+ - TG^-] \]

- Lifecycle deficit LCD
- Asset-based reallocation ABR
- Net Public transfers TG
- Net private transfers TF
Lifecycle deficit scheme

- Consumption
- Labor income

- Deficit (LY < C)
- Surplus (LY > C)

US$ adjusted by Purchasing Power Parity

- Childhood
- Working age
- Retirement
Per capita labor income profile
(in constant 2012 euros per year)

Lower labor income for the young

Higher labor income for older workers
Youngsters’ consumption has not come back to 2000s level

The effects on the elderly are smoother
Per capita lifecycle deficit profile (in constant 2012 euros per year)

The surplus size clearly shrinks

LCD moves from age 26 to 30
Financing aggregated lifecycle deficit of children (0-19) and the elderly (65+)
Per capita profile of net public transfers (TG) in Spain

- Returning to the pre-crisis level
- Increasing TG for ages 65-71
- Young workers paying less taxes
- Older workers paying more taxes
Per capita profiles of public transfers inflows (transfers received)

- Sharp decrease in 2012 for children
- Significant increase for ages 65-71
- Decrease for old workers
Per capita profiles of public transfers inflows: Education (E), health (H) and contributory pensions (P)

Significant increase for pensioners aged 65-80

Sharp decrease in education
The most important flow is from parents to children.

Important reduction with the crisis.
Net public transfers to the children and the elderly in Spain (in % of their own consumption)
Main findings

- Children received much less public and private transfers during the crisis, so their consumption has significantly decreased.
- Labor income has decreased especially for younger workers.
- By contrast, public transfers to the elderly have increased.
Main findings

Welfare state systems have proven to be a very effective tool in improving intergenerational redistribution and reducing inequalities.

Why are high-income societies highly averse to old-age poverty while they seem to accept child poverty quite easily?
- An automatic policy to protect the elderly and not children?
- Foster education as a way to pre-fund the PAYG pension system?