THE UNEQUAL IMPACT ON DIFFERENT AGE GROUPS OF THE FINANCIAL CRISIS IN SPAIN AND OTHER COUNTRIES: AN ANALYSIS BASED ON NATIONAL TRANSFER ACCOUNTS

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Some facts

• The risk of poverty for children is, in general, higher than for other age groups

• The welfare state protects the elderly at a basic level, but not (to the same extent) children

• The situation has worsened with the economic 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 in households with children at risk of poverty in Europe

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

![Graph showing 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 to previous available years (2000, 2006 and 2008)
National Transfer Accounts

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

• And how resources are reallocated among age groups 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
  - \[ YL + YA + TG^+ + TF^+ \]
  - \[ C - YL = (YA - S) + [TG^+ - TG^-] + [TF^+ - TG^-] \]

- Lifecycle deficit
  - LCD

- Asset-based reallocation
  - ABR

- Net Public transfers
  - TG

- Net private transfers
  - TF
Lifecycle deficit scheme

- **Labor income**
- **Consumption**
- **Deficit (LY < C)**
- **Surplus (LY > C)**

US$ adjusted by Purchasing Power Parity

Life cycle phases:
- 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
Per capita consumption profile (in constant 2012 euros per year)

Young people's consumption has 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 extends from age 26 to 30!
Financing aggregated lifecycle deficit of children (0-19) and the elderly (65+)

<table>
<thead>
<tr>
<th>Year</th>
<th>0-19</th>
<th>65+</th>
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<tbody>
<tr>
<td>2000</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>2006</td>
<td>64%</td>
<td>-3%</td>
</tr>
<tr>
<td>2008</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>2012</td>
<td>60%</td>
<td>3%</td>
</tr>
</tbody>
</table>

The chart shows the percentage of financing for children aged 0-19 and the elderly aged 65+ over different years (2000, 2006, 2008, 2012). The categories are represented by different colors: TG, TF, and ABR.
Per capita profile of net public transfers (TG)

- Returning to the pre-crisis level
- Increasing TG for ages 65-71
- Young workers paying less taxes
- Older workers paying more taxes

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)

Sharp decrease in education

Significant increase for pensioners aged 65-80
The most important flow is from parents to children.

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

• Children received much smaller 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 for improving intergenerational redistribution and reducing inequalities

• Why are high-income societies averse to old-age poverty while they seem to accept child poverty?
  - An automatic policy to protect the elderly but not children?
  - Support education as a way to pre-fund PAYG pension system
The unequal impact on different age groups of the financial crisis in Spain and other countries: An analysis based on National Transfer Accounts

Thank you!