The age-profile of invisible transfers: The true size of asymmetry in inter-age reallocations

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To start with: The per capita age-profile of net public transfers, Hungary, 2000

- People in the inactive period of their life are net beneficiaries, people in their active period of their life are net contributors to the public transfer system
- The elderly receive significantly more per capita than the children.
However: public transfers are far from enough to finance the lifecycle deficit

- Lifecycle deficit (LCD) is the difference between consumption and labor income.
- It is financed through public or private transfers or asset-based revenues.

- Much of these reallocations, especially in childhood, are invisible in the current version of National Accounts.
A recent development in National Accounting: The National Transfer Accounts (NTA)

- NTA (Lee and Mason 2011) describes national income as flows among people in different age.

- NTA extends national accounting with the individual level. It captures intra-household and inter-household transfers, invisible in standard National Accounts, within and between households.

- Elderly/child proportions change significantly. There is an asymmetry in the way childhood and old age are financed.
However: Economic activity and the resulting consumption are not fully captured by NTA

- NTA does not go beyond the frontiers of National Accounts. It does not include unpaid household labor.

- The lifecycle deficit that includes the production and consumption of unpaid household labor leaves a new area unaccounted for by public and private transfers.

- Again, these reallocations, invisible in the current version of NTA, are particularly important in childhood.
A recent development in NTA: The National Time Transfer Accounts (NTTA)

- NTA is extended with the National Time Transfer Account (NTTA; Donehower, 2012), which quantifies time transfers (value of household labor flowing from a cohort to another within the family).

- Elderly/child proportions change once again. The asymmetry is further aggravated.
If all forms of net transfers are taken into account society spends more resources on children than on the elderly.

However, the old cost society, whereas children cost parents.

Old age is financed through a single channel, visible to government, childhood is funded mostly by parents through unobserved channels.
Thank you!

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