Barcelona Economic Analysis Team
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# THE UNEQUAL IMPACT OF THE CRISIS BY AGE: AN ANALYSIS BASED ON NATIONAL TRANSFER ACCOUNTS

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WELTRANSIM PROJECT

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Ageing Europe – An Application of National Transfer Accounts for Explaining and Projecting Trends in Public Finances

# The unequal impact of the crisis by age:
# An analysis based on National Transfer Accounts

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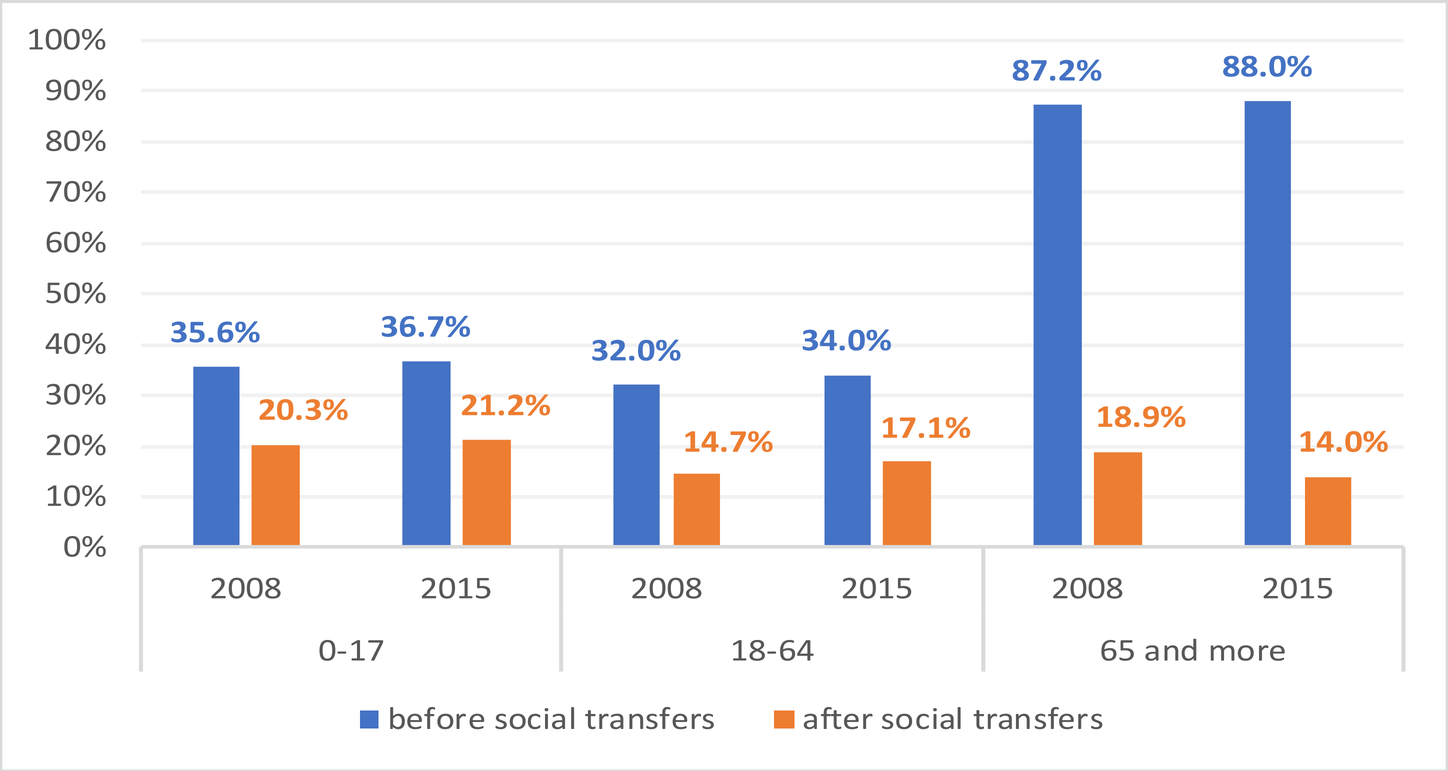
- The risk of poverty for children is, in general, higher than for other age groups
- The welfare state basically protects the elderly, but not (to the same extent) children
- The situation has worsened with the crisis in a significant number of countries

# Population at risk of poverty in the EU before and after social transfers

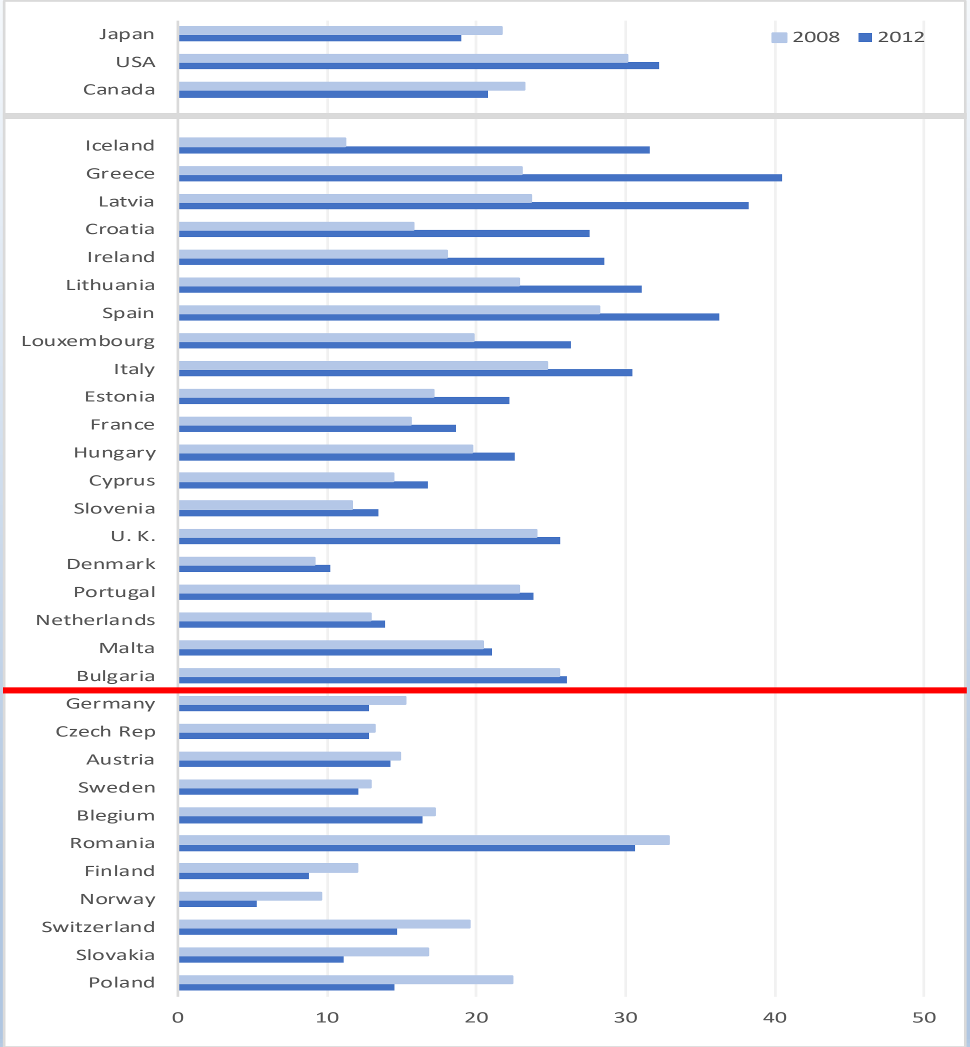



Source: Eurostat, 2016

# Net public transfers to children and the elderly in NTA countries (% of their own consumption)

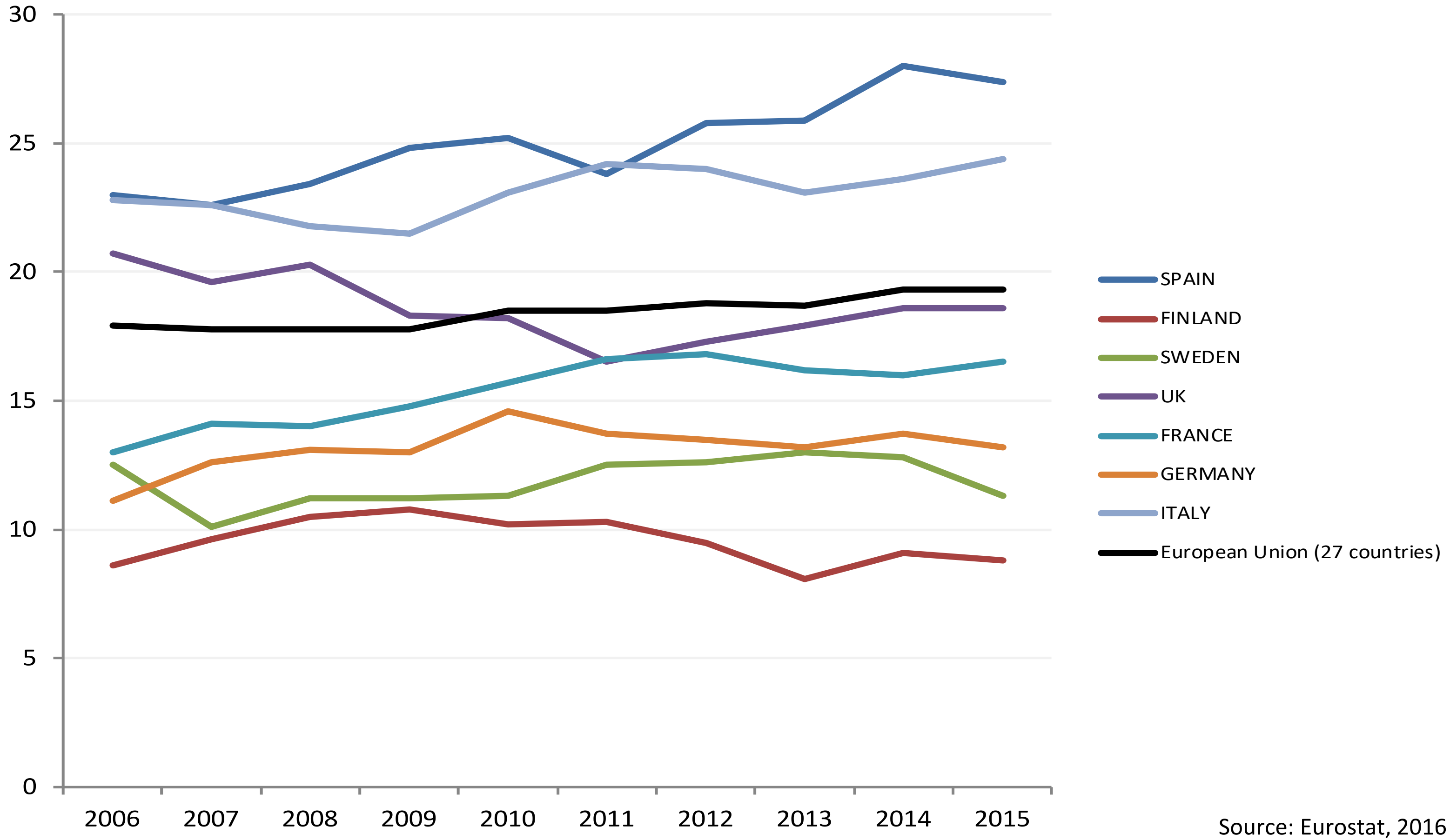

Source: Authors' elaboration from NTA data (www.ntaccounts.org)

# Change in child (0-18) poverty rate and social exclusion



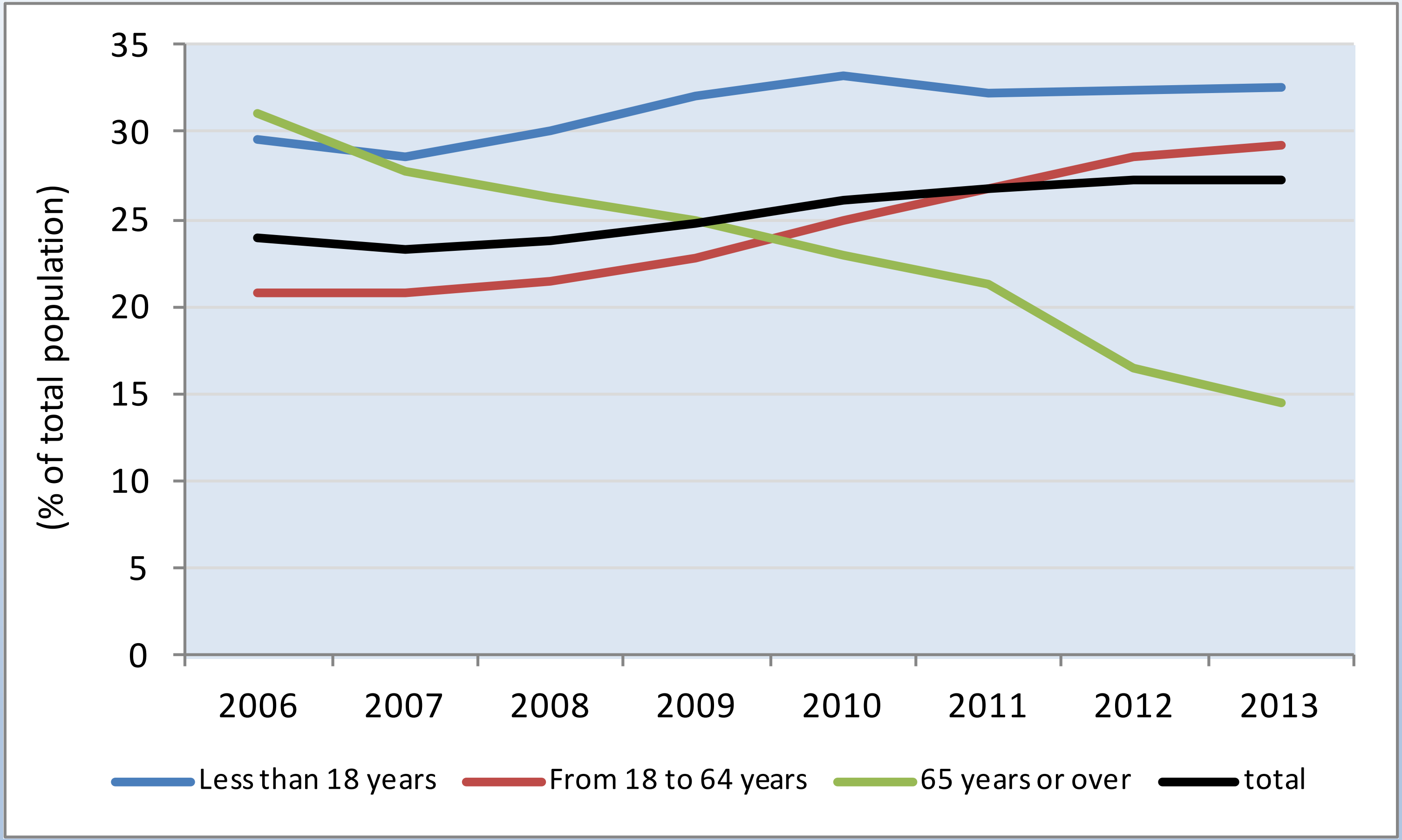

**In 20 out of 31 European countries child poverty has increased with the crisis**

# People at risk of poverty in Europe (households with children)



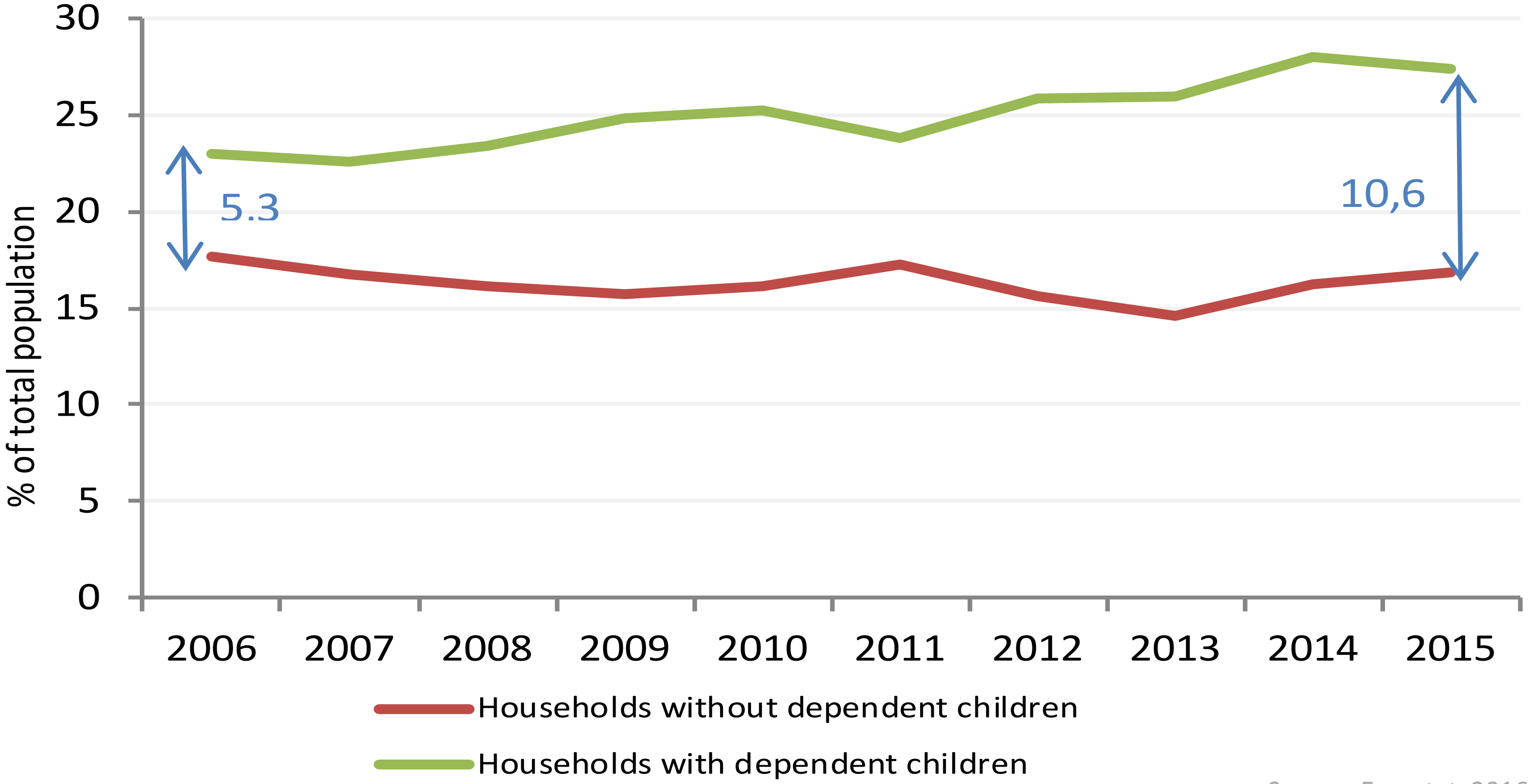

Source: Eurostat, 2016

# 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

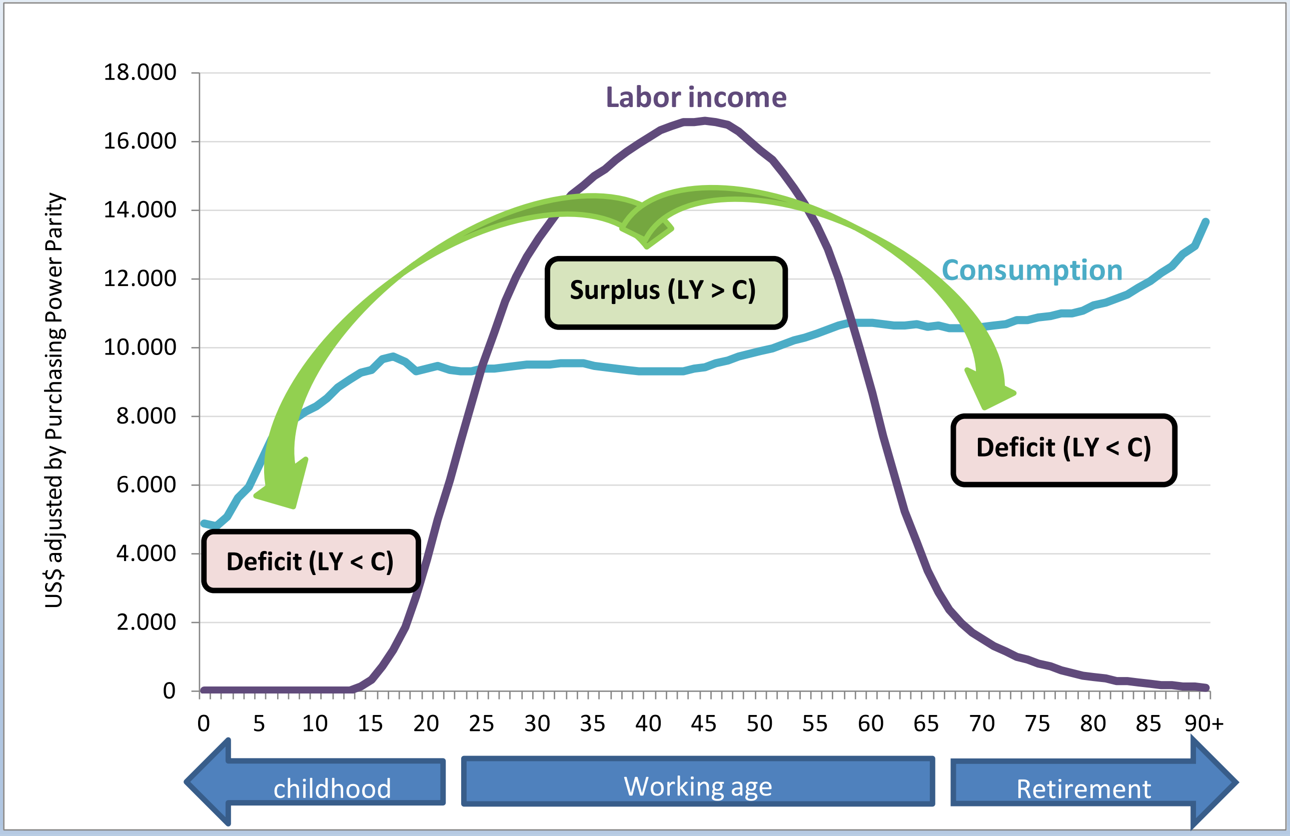
- NTA complement (and are consistent with) National Accounts, by incorporating age and making it possible to disentangle intergenerational transfers

# Basic NTA identity

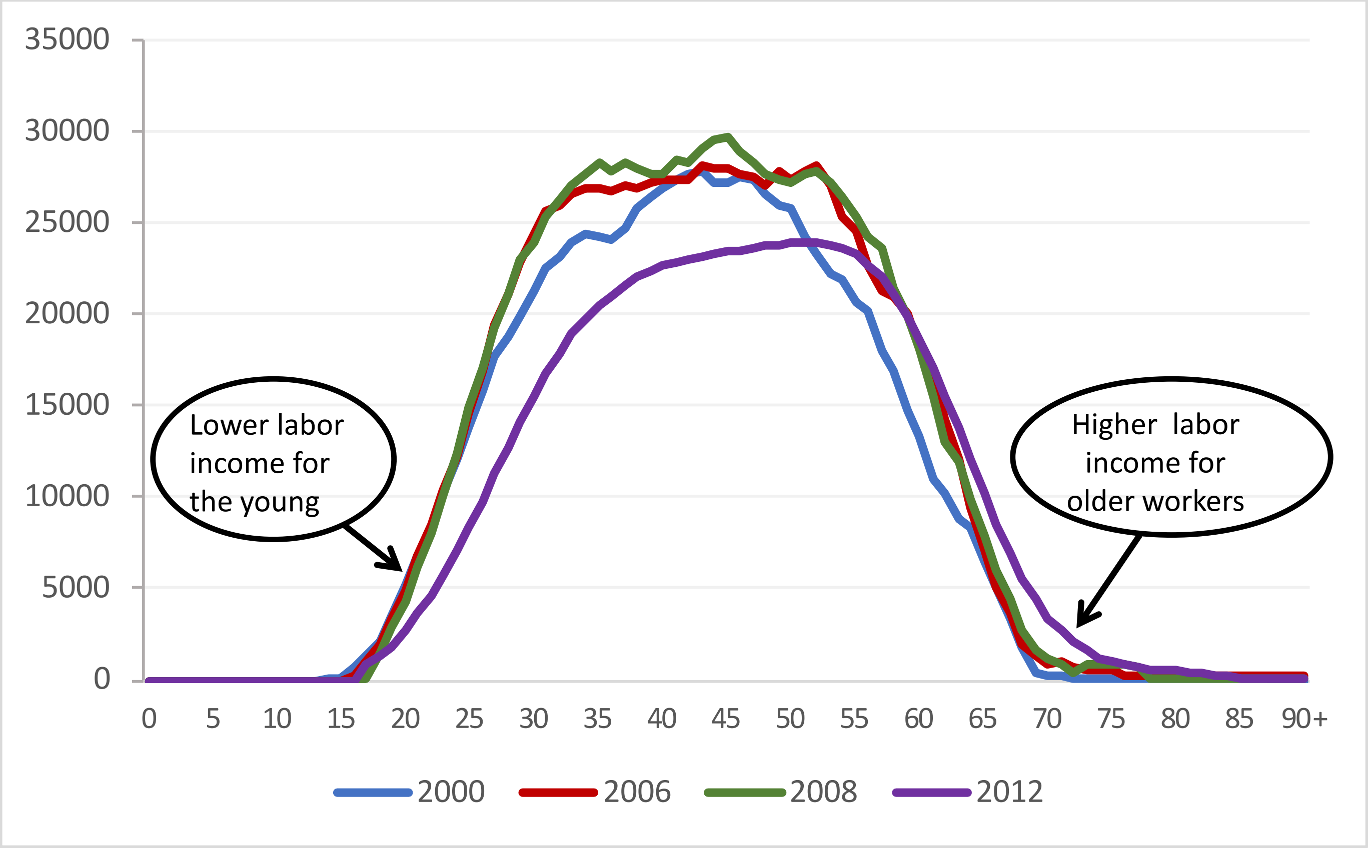
$$\underbrace{YL + YA + TG^{+} + TF^{+}}_{\text{inflows}} = \underbrace{C + S + TG^{-} + TF^{-}}_{\text{outflows}}$$

$$\underbrace{C - YL}_{\substack{\text{Lifecycle}\\ \text{deficit}\\ \textbf{LCD}}} = \underbrace{(YA - S)}_{\substack{\text{Asset-based}\\ \text{reallocation}\\ \textbf{ABR}}} + \underbrace{[TG^{+} - TG^{-}]}_{\substack{\text{Net Public}\\ \text{transfers}\\ \textbf{TG}}} + \underbrace{[TF^{+} - TG^{-}]}_{\substack{\text{Net private}\\ \text{transfers}\\ \textbf{TF}}}$$

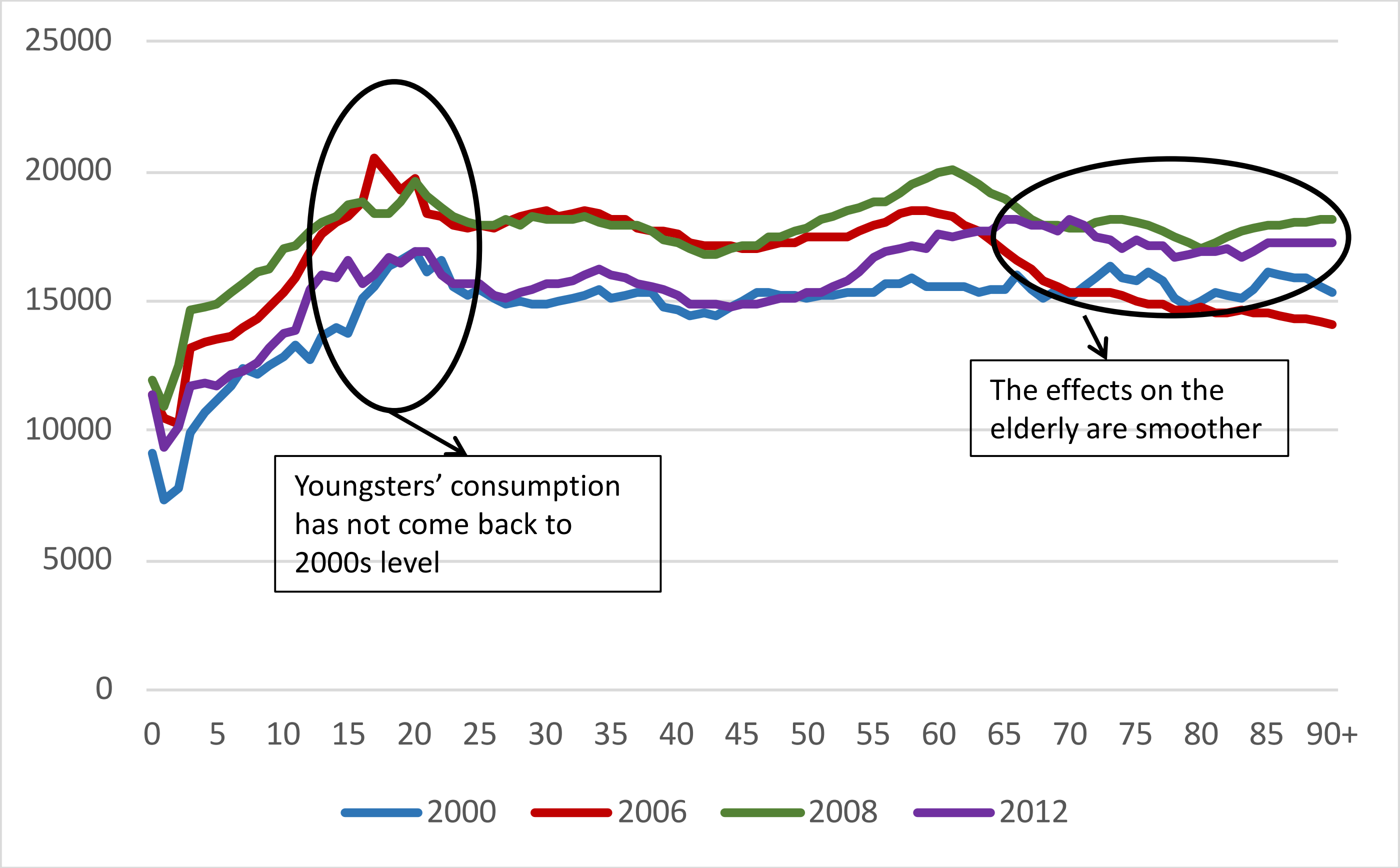
# Lifecycle deficit scheme



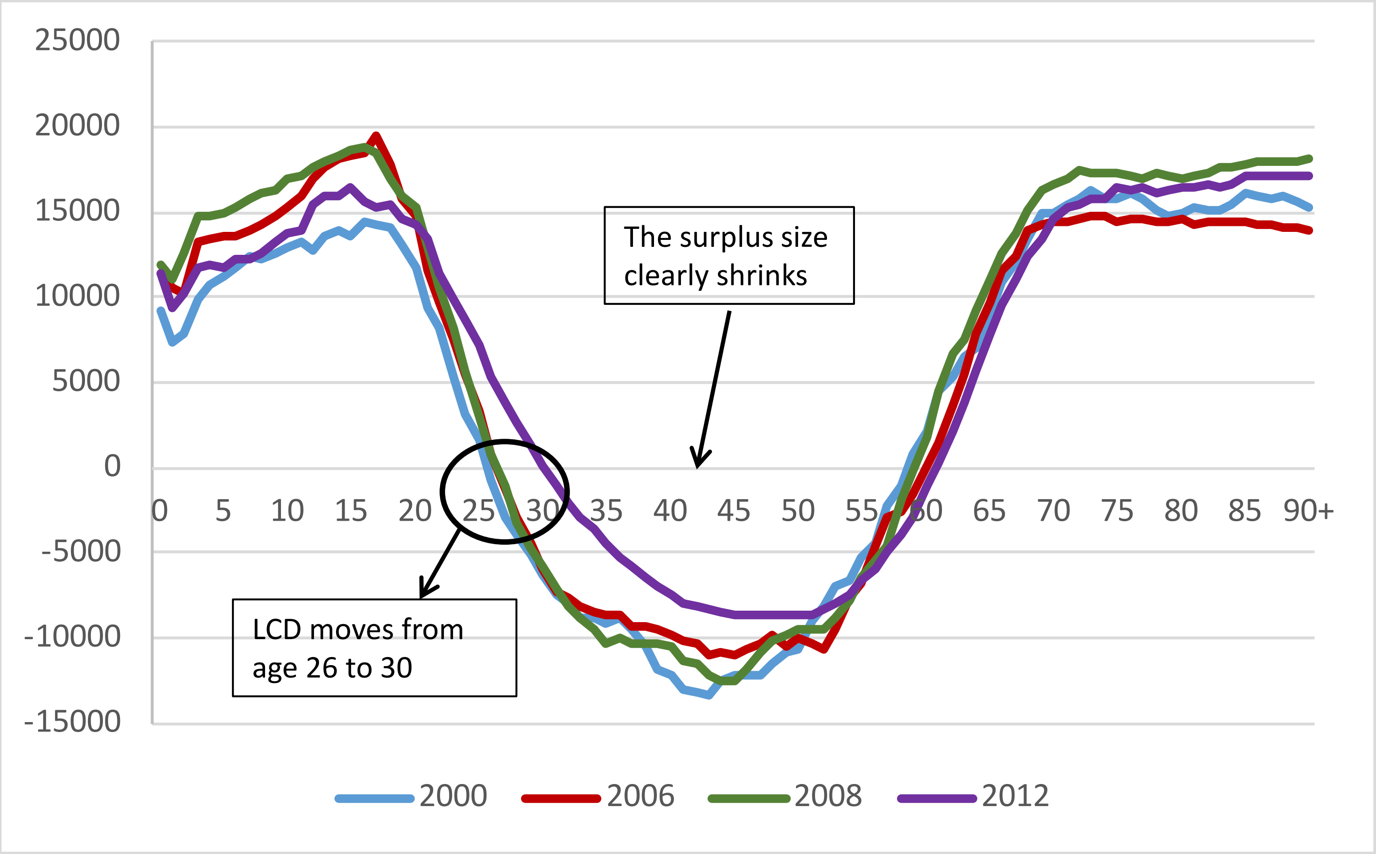
# Per capita labor income profile (in constant 2012 euros per year)



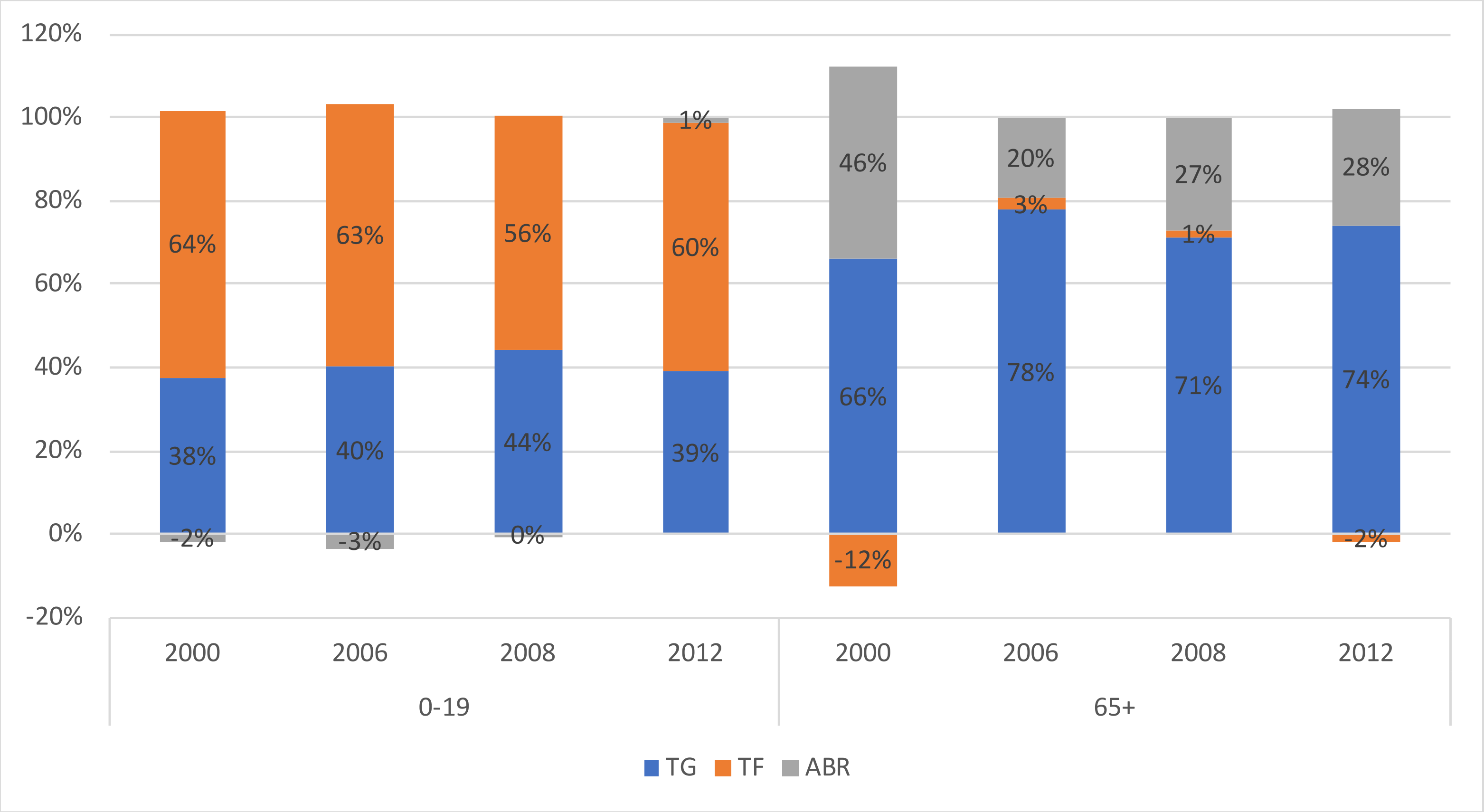
# Per capita consumption profile (in constant 2012 euros per year)



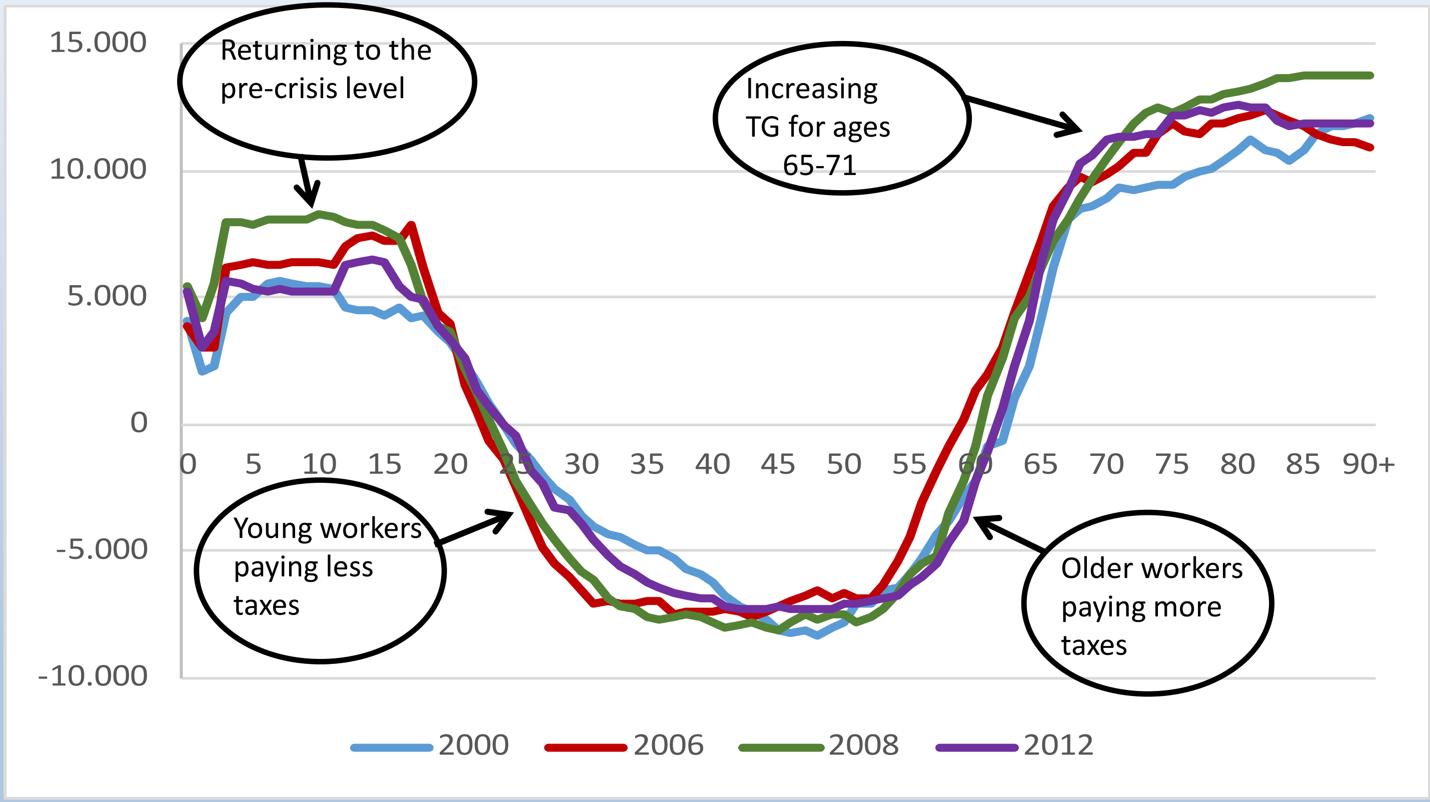
# Per capita lifecycle deficit profile (in constant 2012 euros per year)



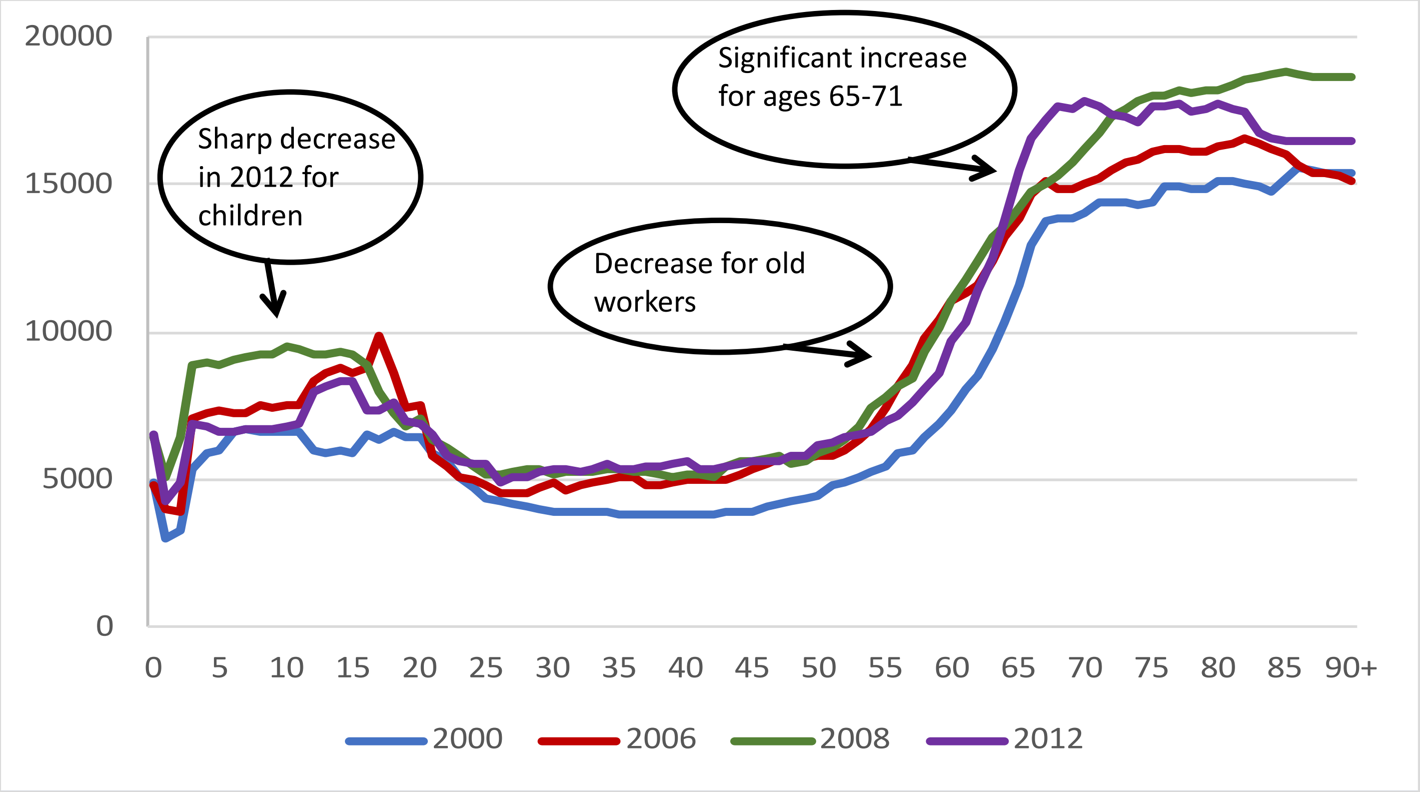
# Financing aggregated lifecycle deficit of children (0-19) and the elderly (65+)



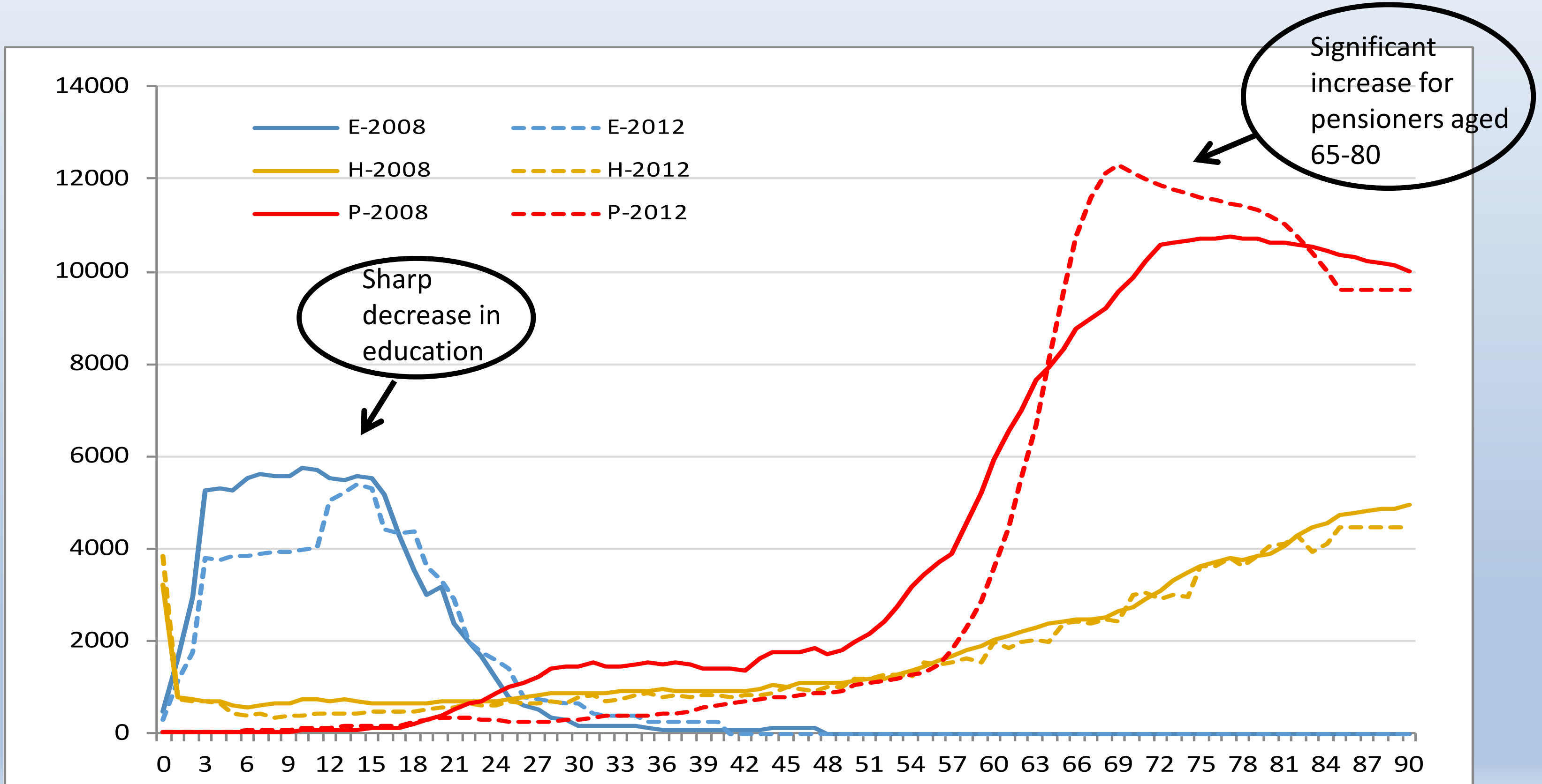
# Per capita profile of net public transfers (TG) in Spain



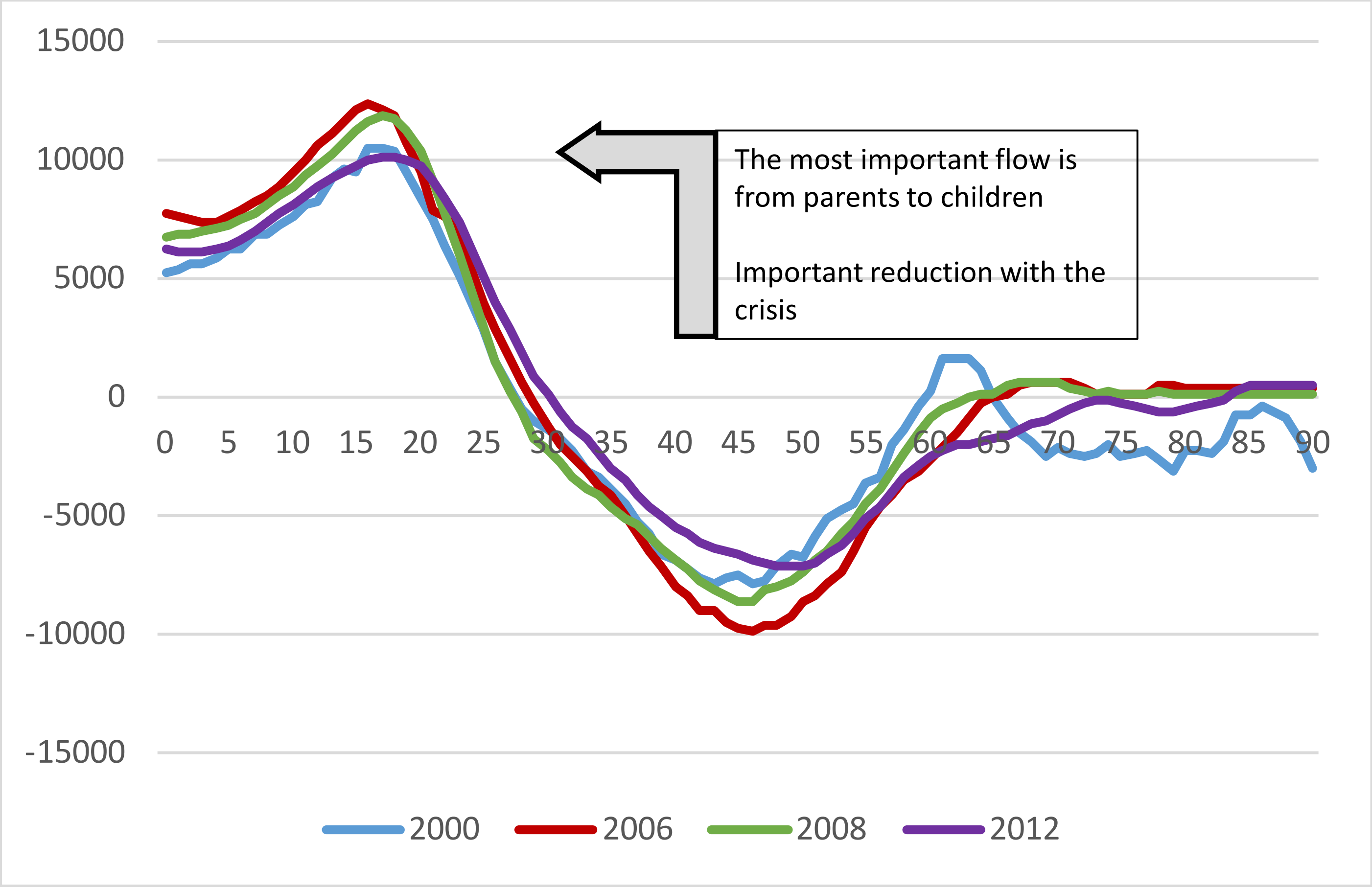
# Per capita profiles of public transfers inflows (transfers received)



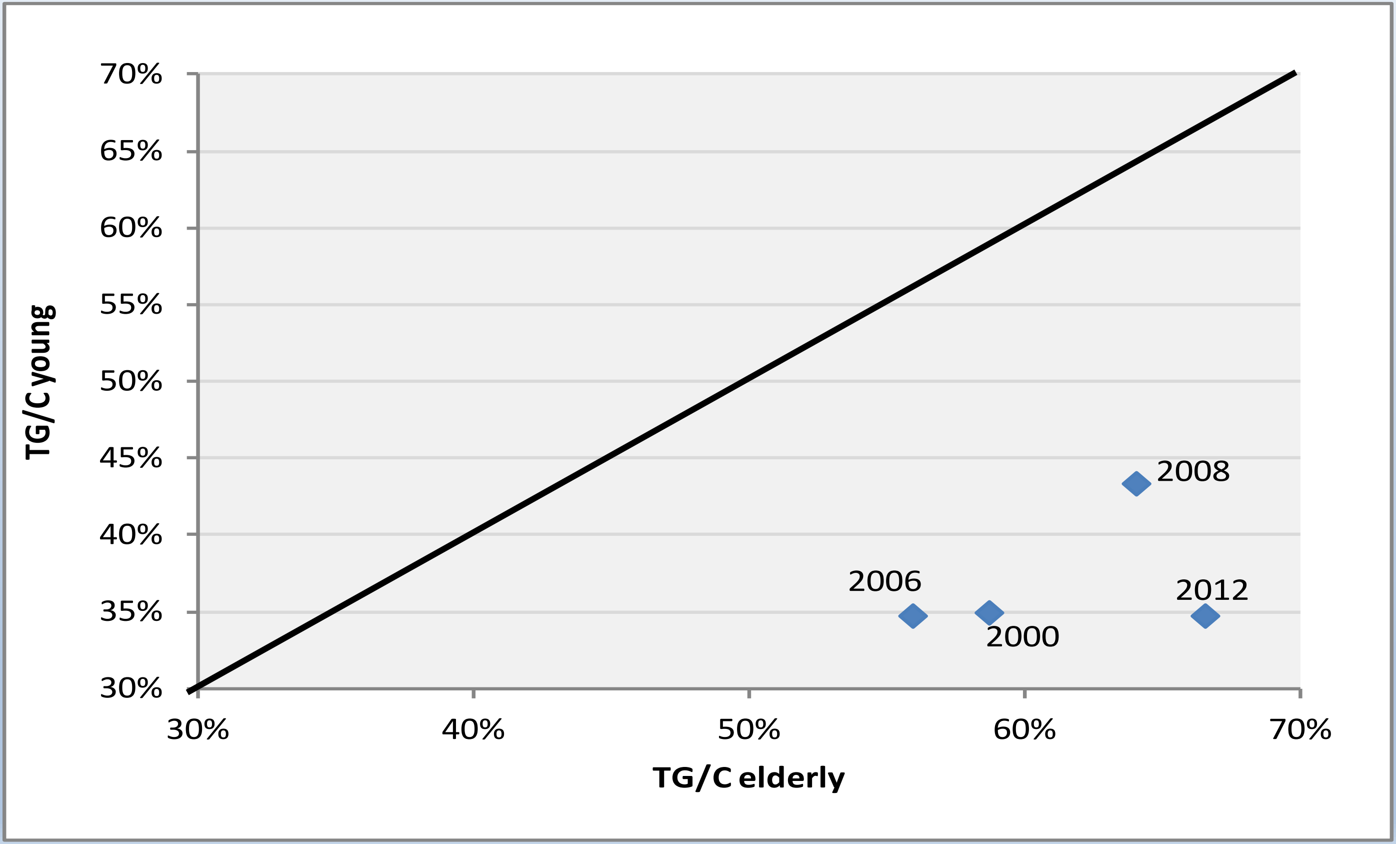
# Per capita profiles of public transfers inflows: Education (E), health (H) and contributory pensions (P)



# Per capita profiles of net private transfers



# 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