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

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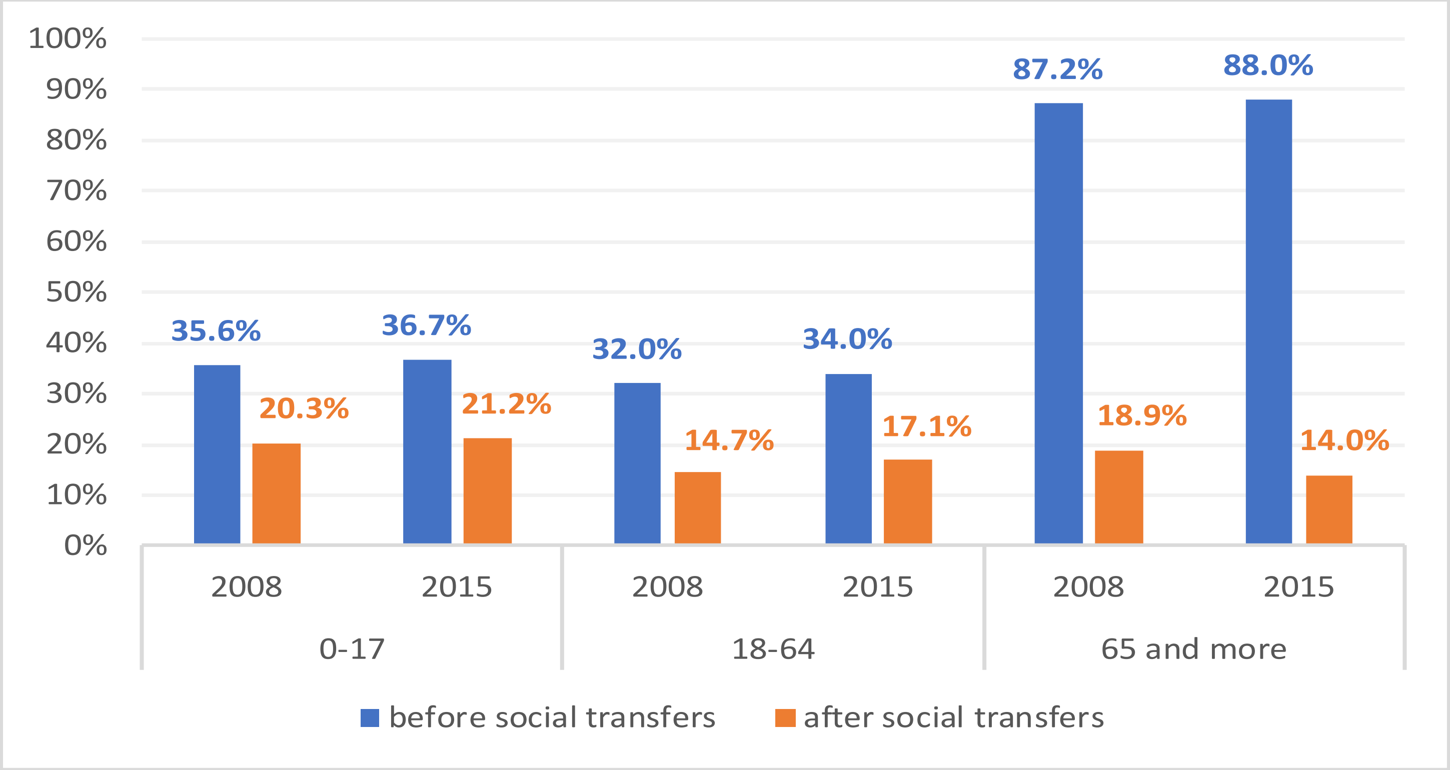
Some facts

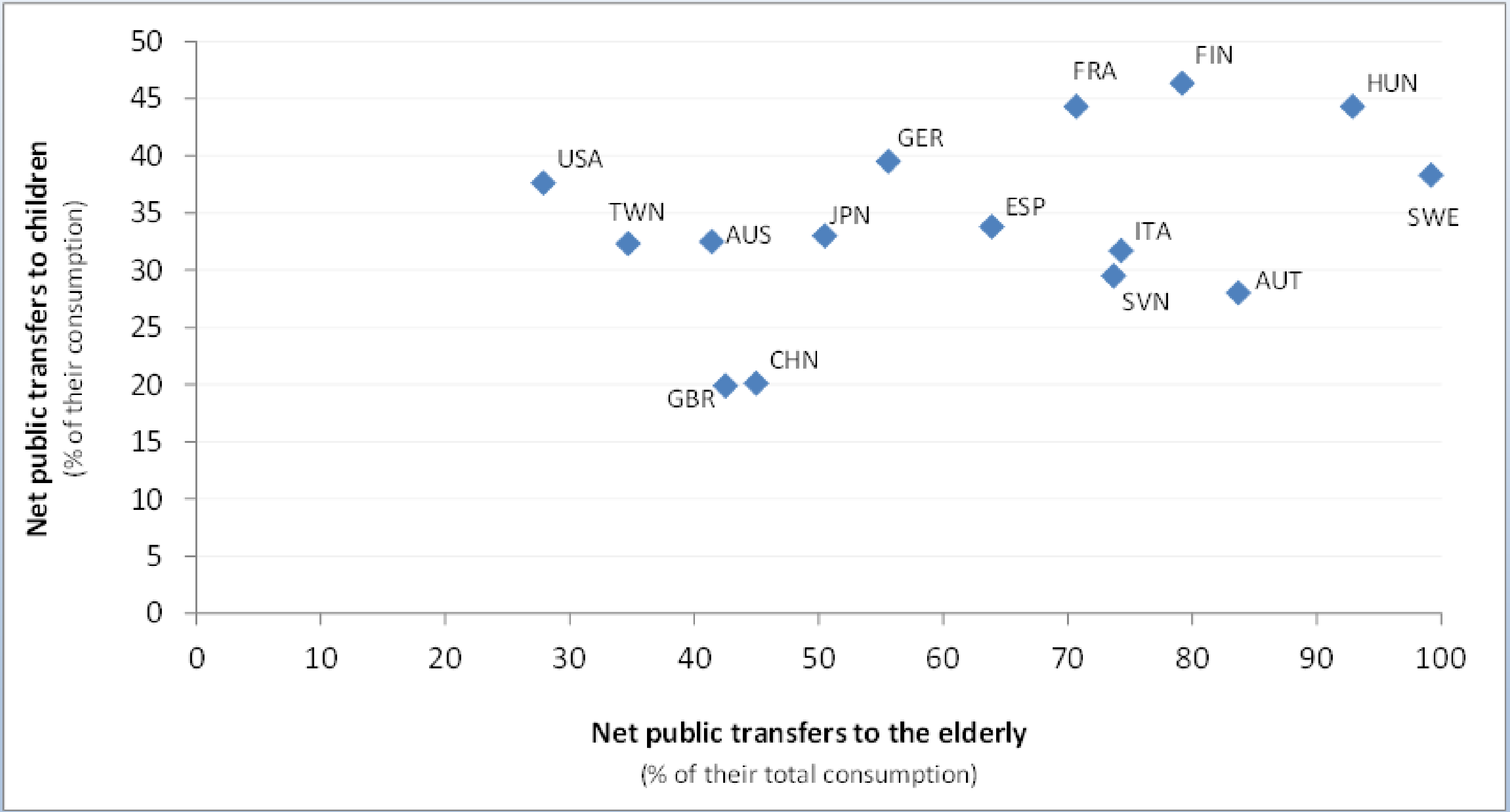
- The risk of poverty for children is, in general, higher than for other age groups
- The welfare state protects the elderly at a basic level, but not (to the same extent) children
- The situation has worsened with the economic crisis in a significant number of countries

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



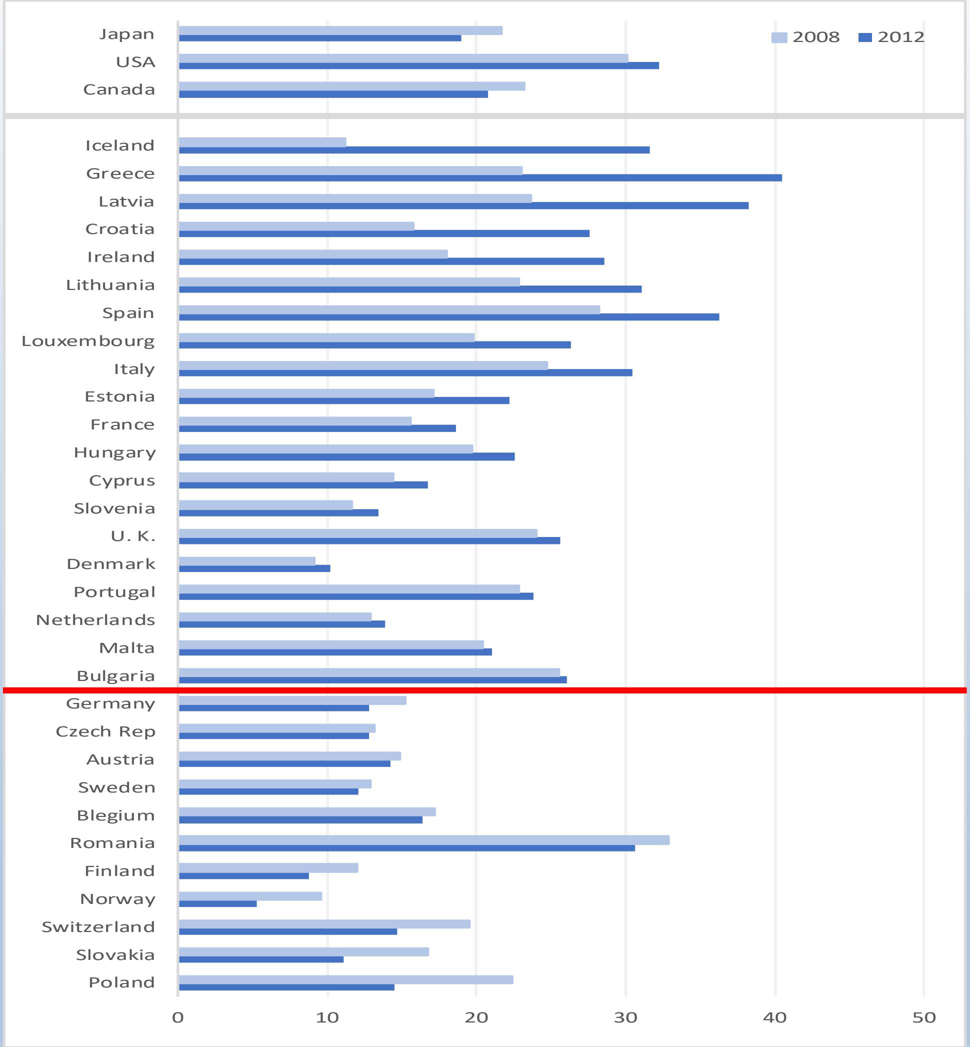
Source: Eurostat, 2016

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



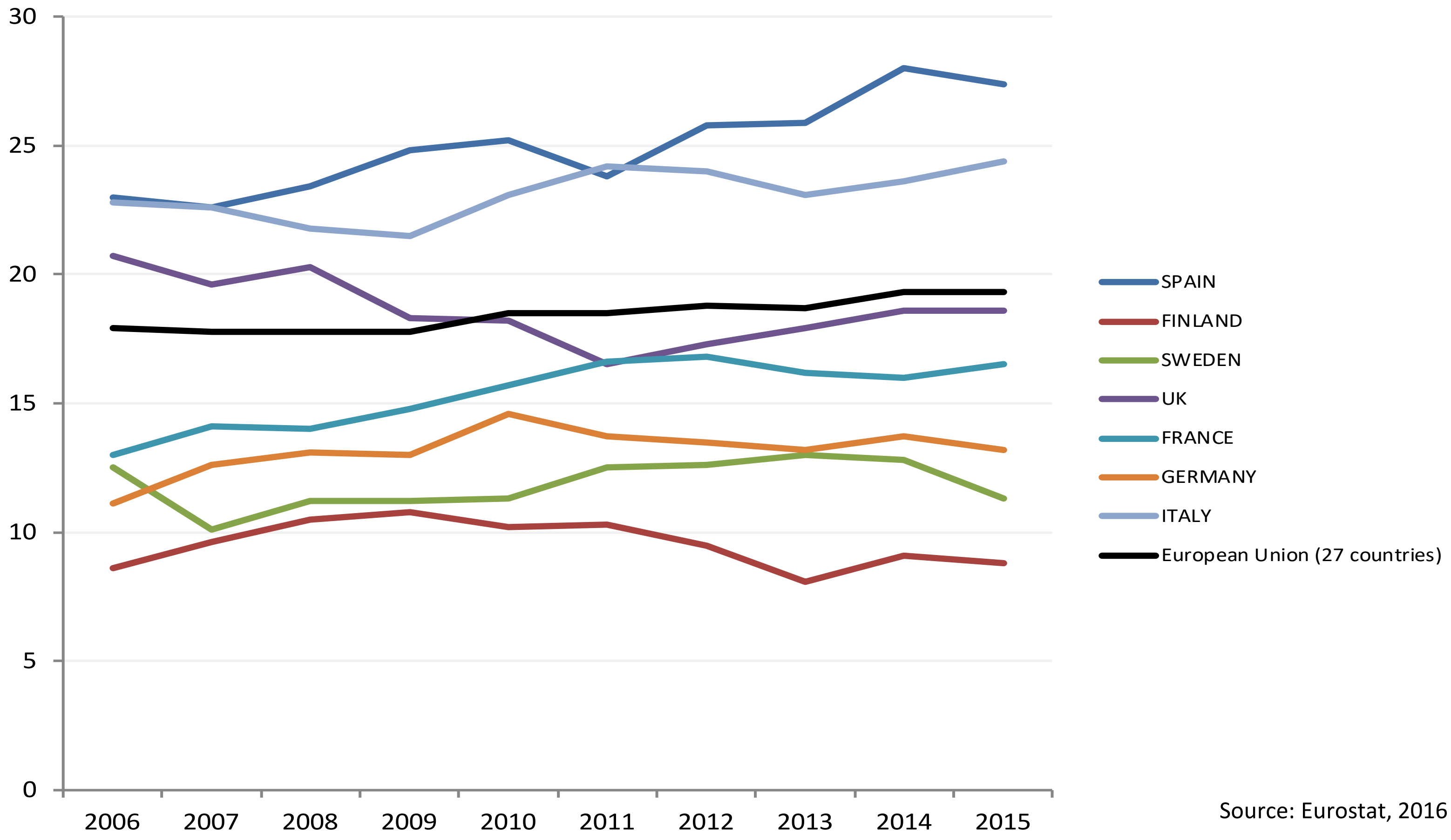
Source: Authors' elaboration from NTA data (www.ntaccounts.org)

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



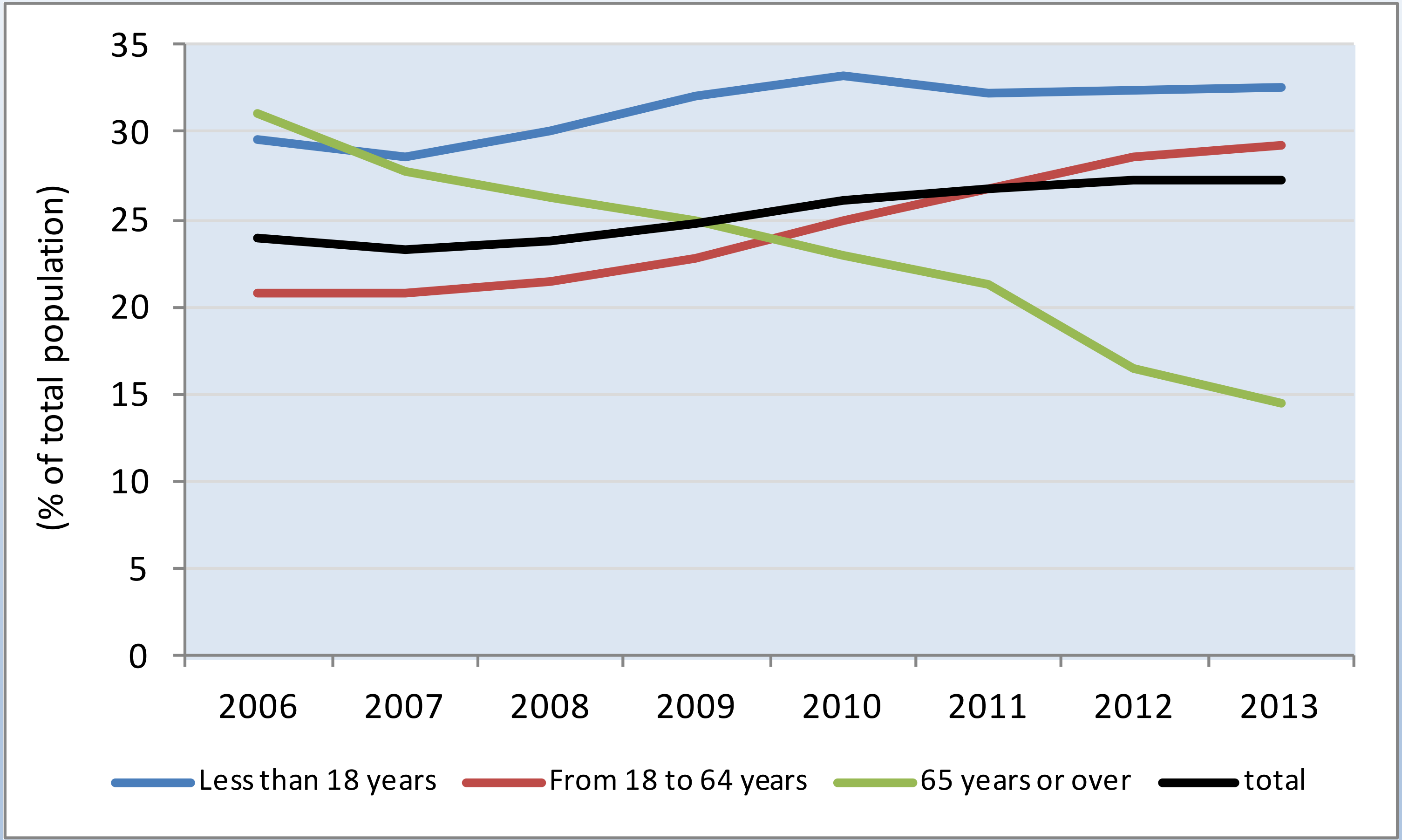
In 20 out of 31 European countries, child poverty has increased with the crisis

People in households with children at risk of poverty in Europe



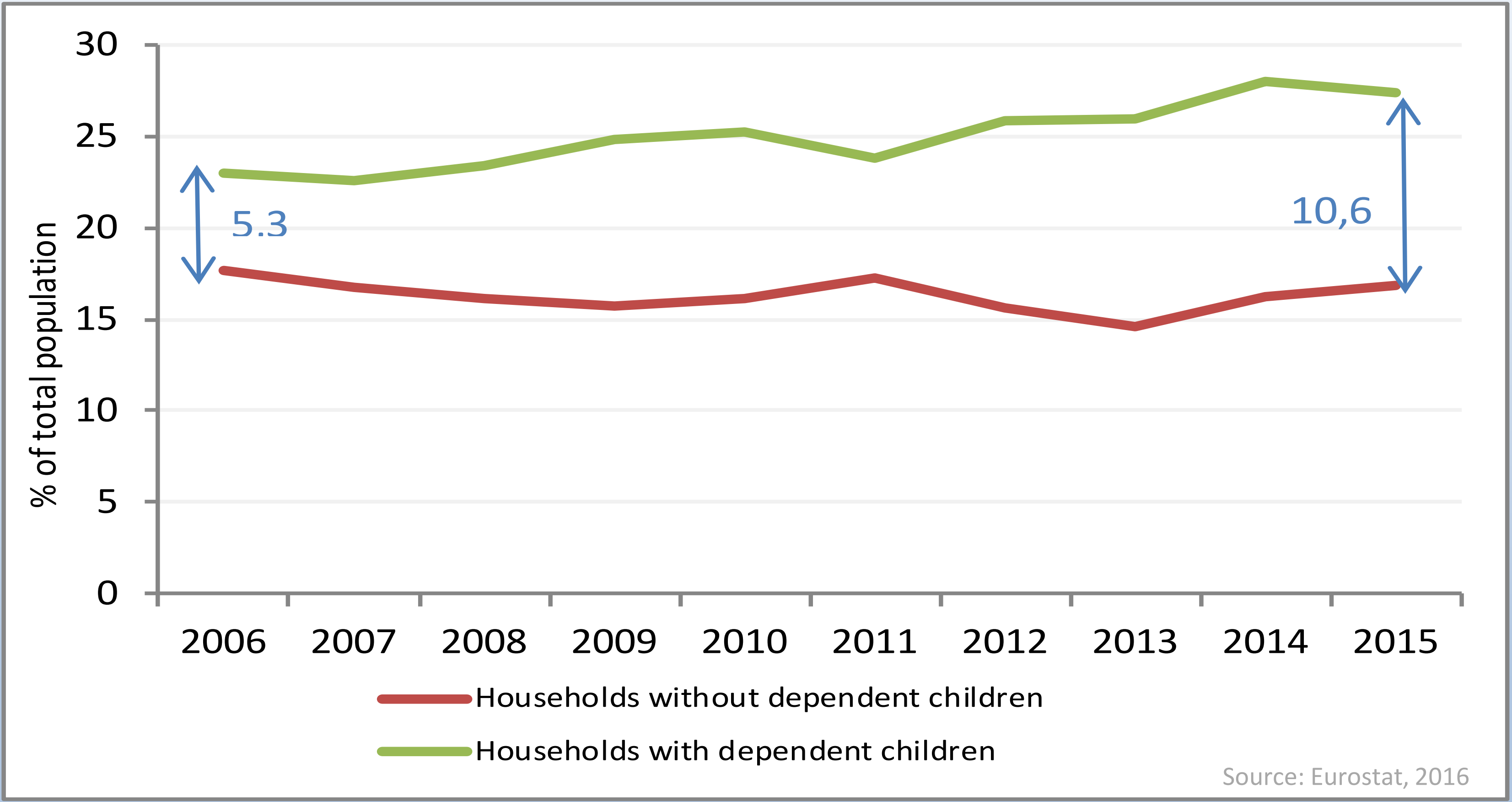
Source: Eurostat, 2016

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



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

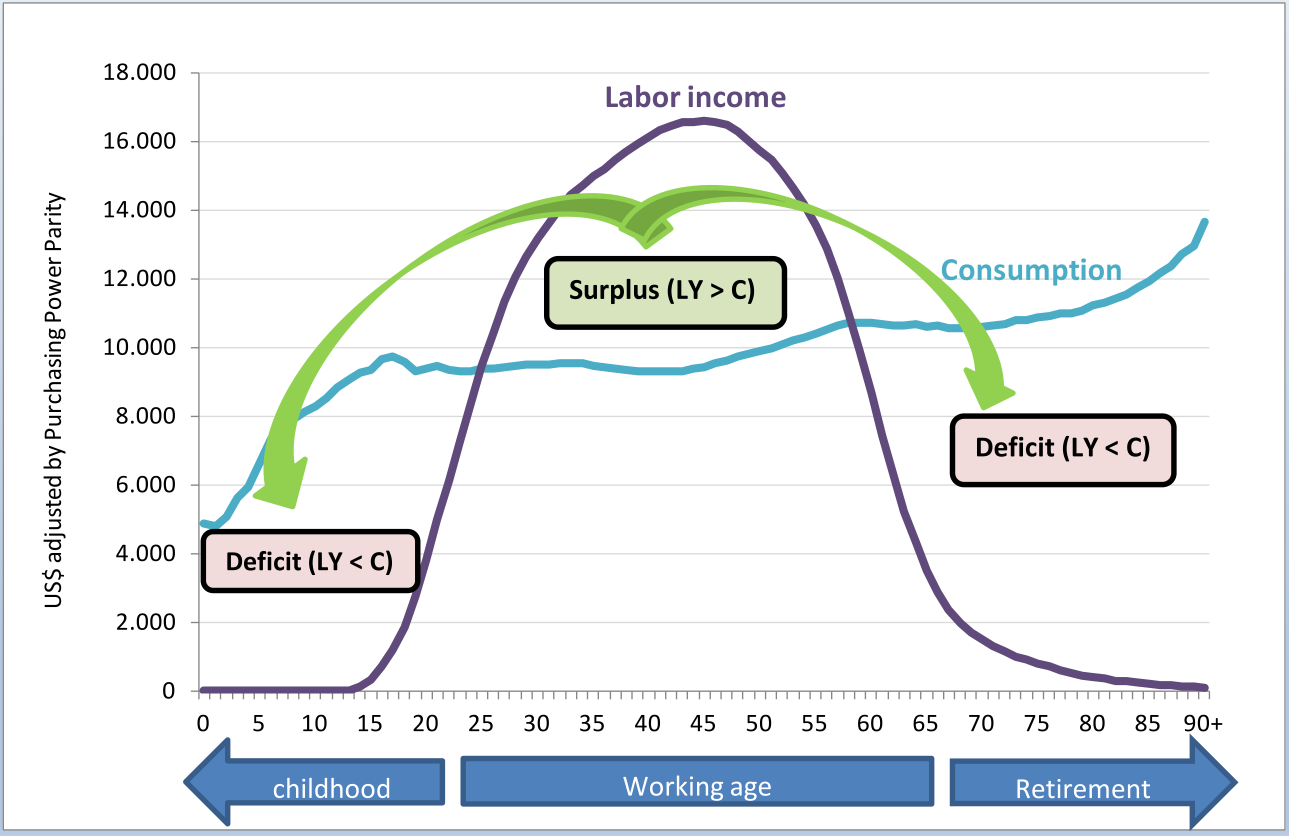
- Analyses how individuals consume, produce, share resources and save
- And how resources are reallocated among age groups through three institutions: markets, family and the public sector
- NTA complement (and are consistent with) National Accounts, by incorporating age and making it possible to disentangle intergenerational transfers

Basic NTA Identity

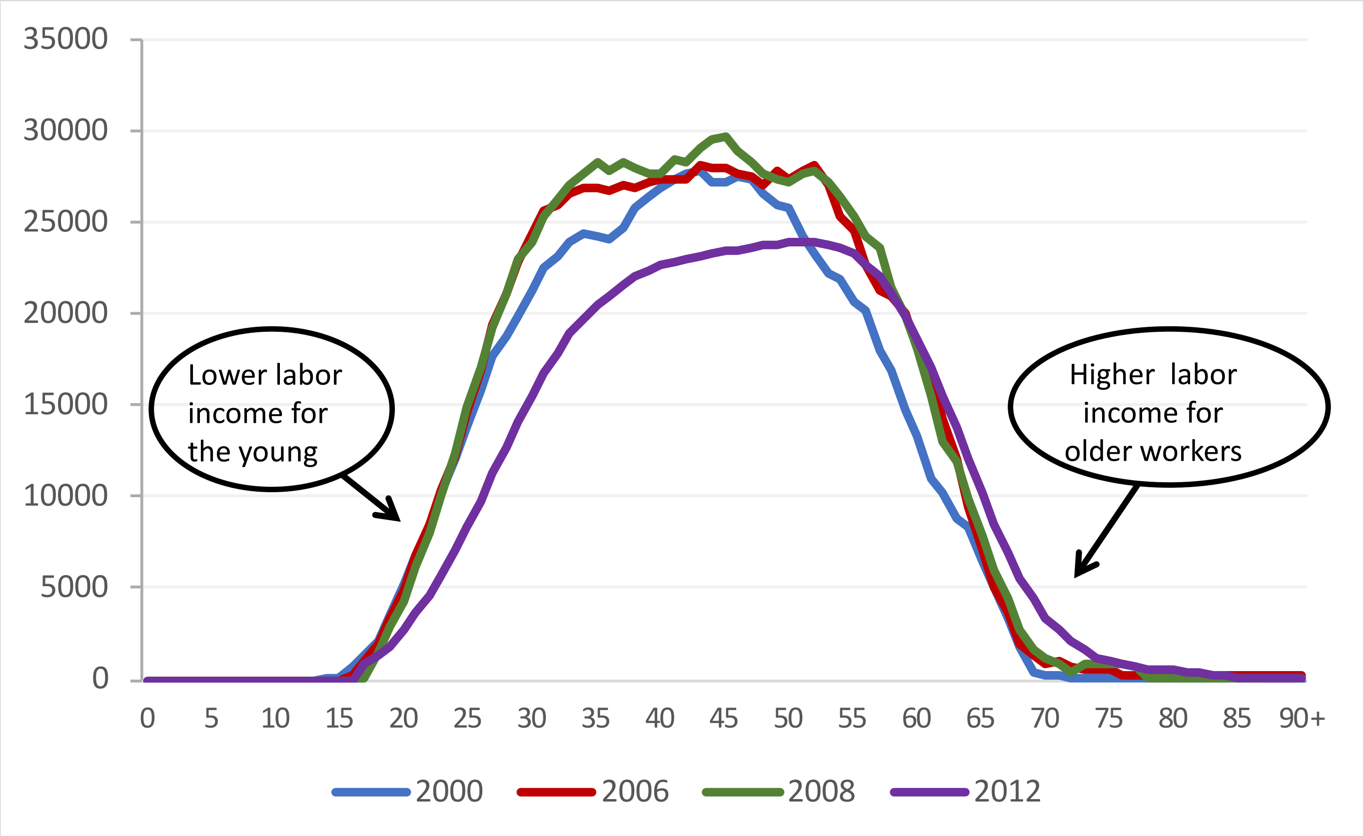
$$\underbrace{YL + YA + TG^{+} + TF^{+}}_{\text{inflows}} = \underbrace{C + S + TG^{-} + TF^{-}}_{\text{outflows}}$$

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

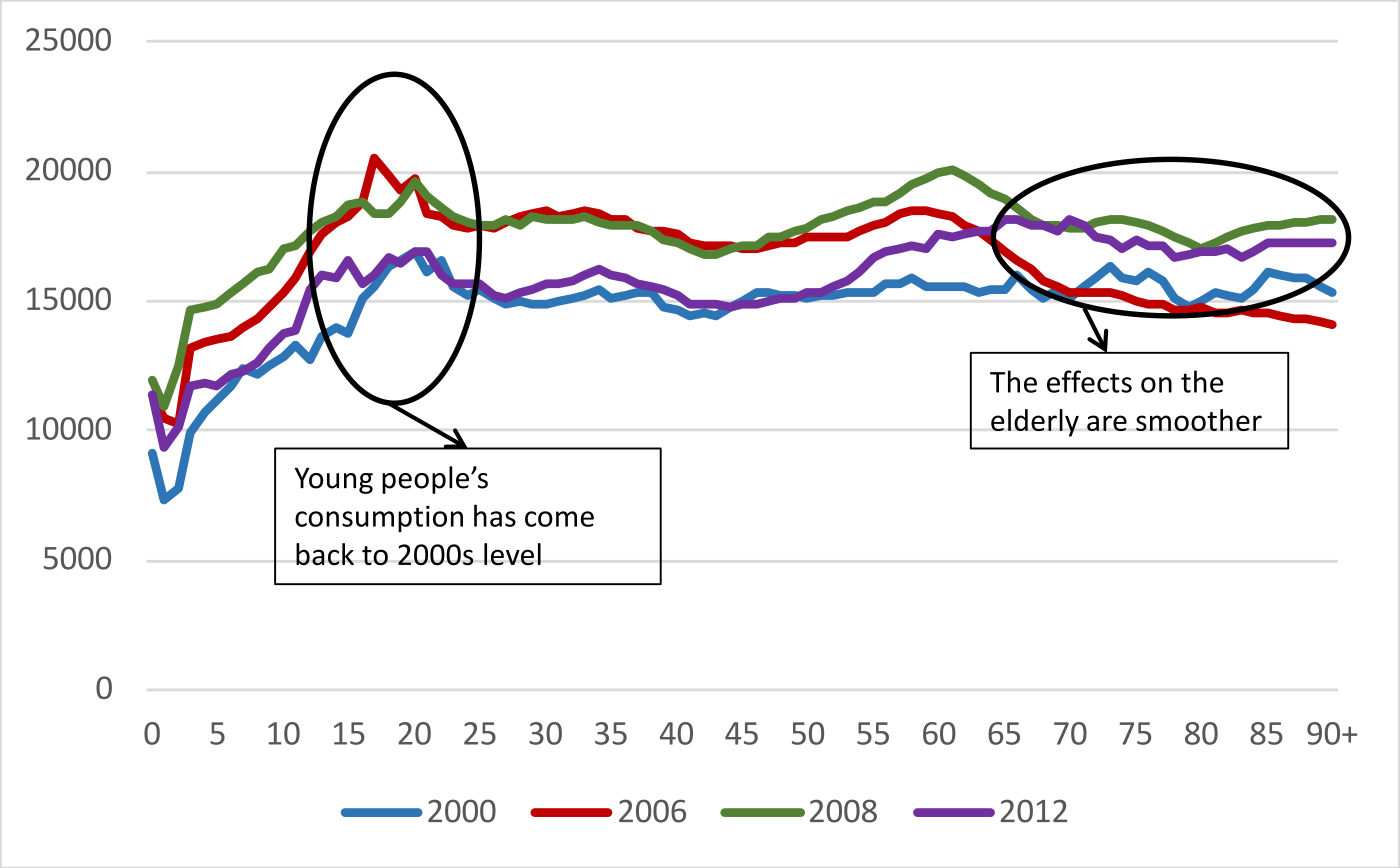
Lifecycle deficit scheme



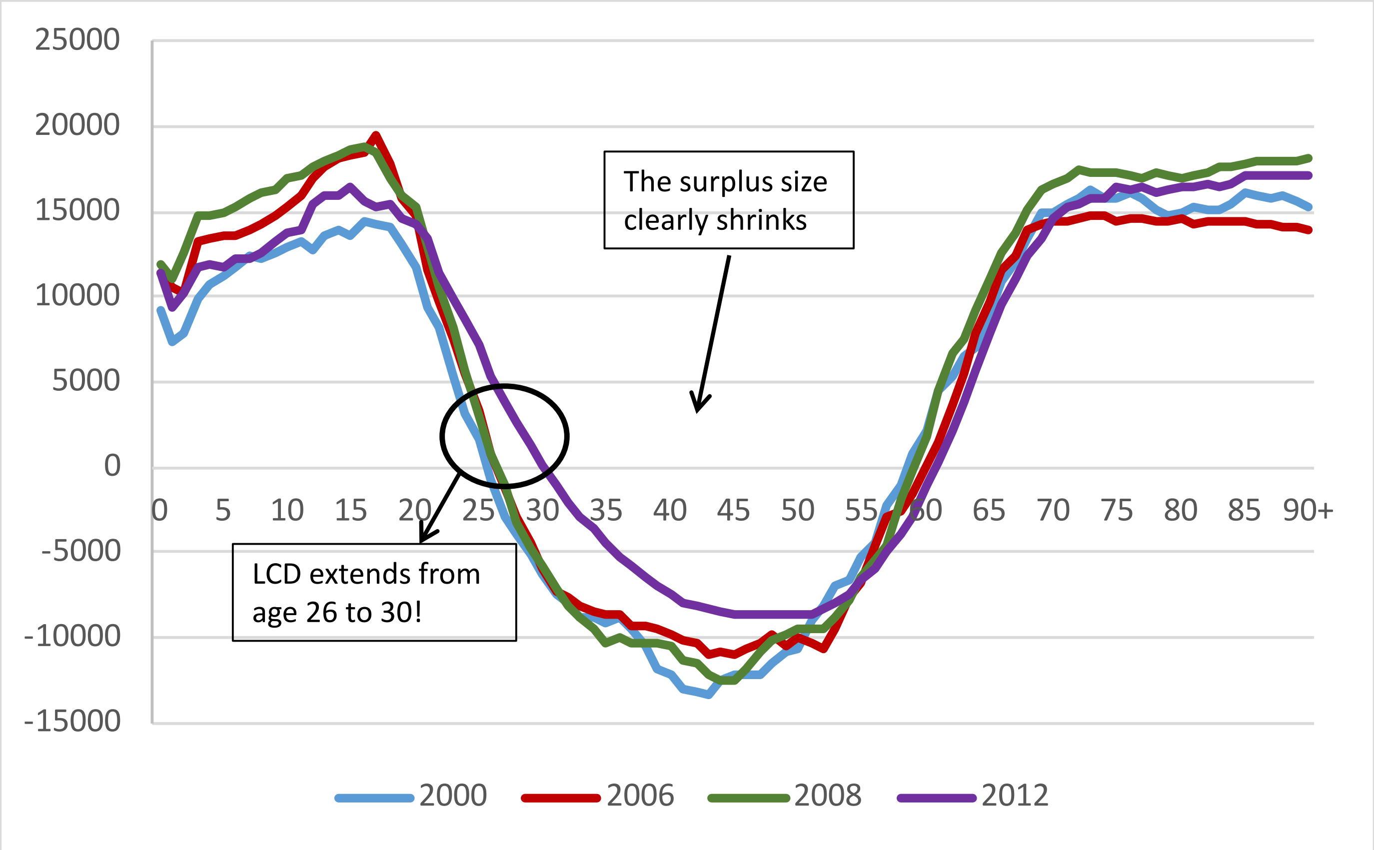
Per capita labor income profile (in constant 2012 euros per year)



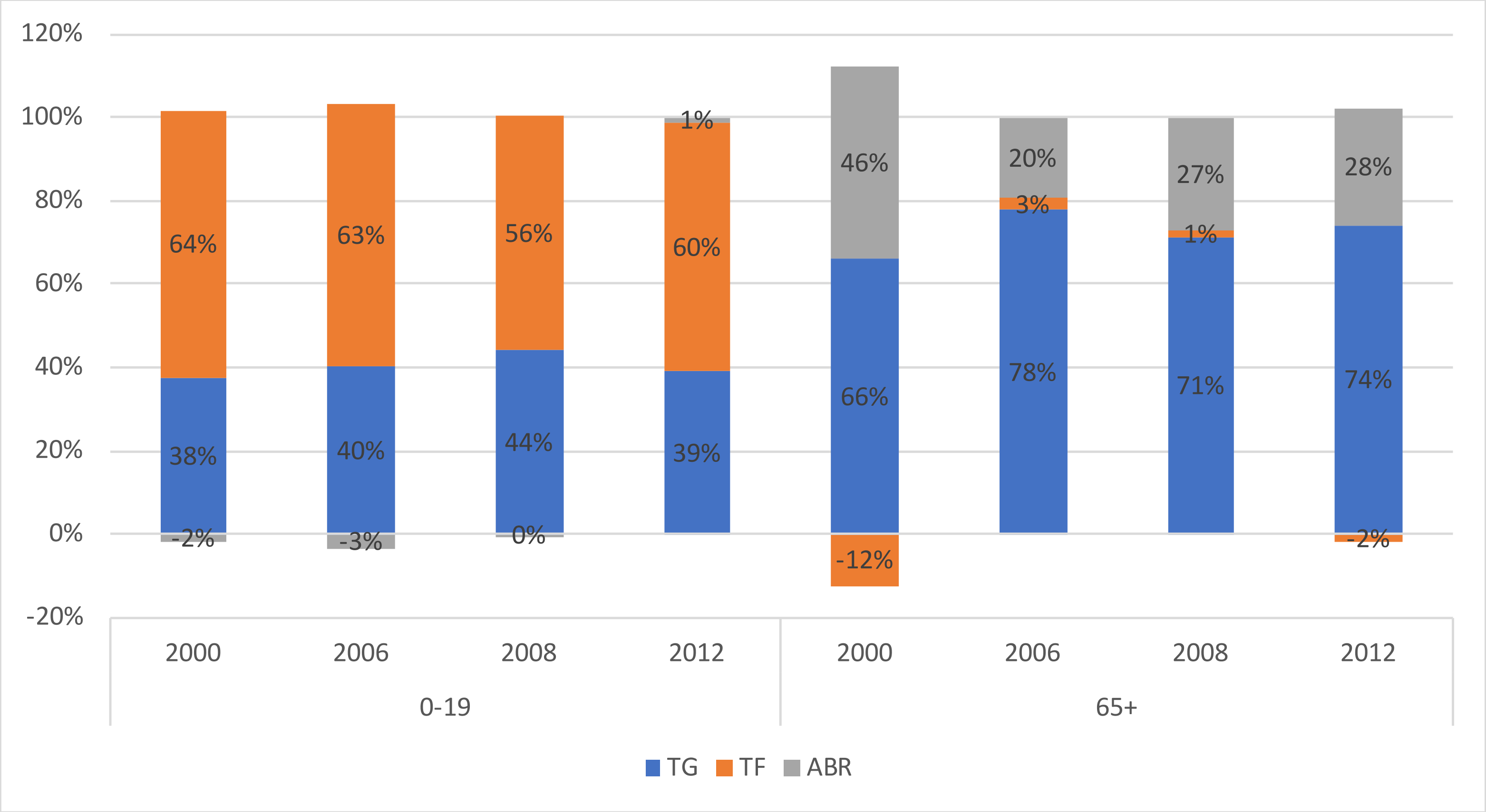
Per capita consumption profile (in constant 2012 euros per year)



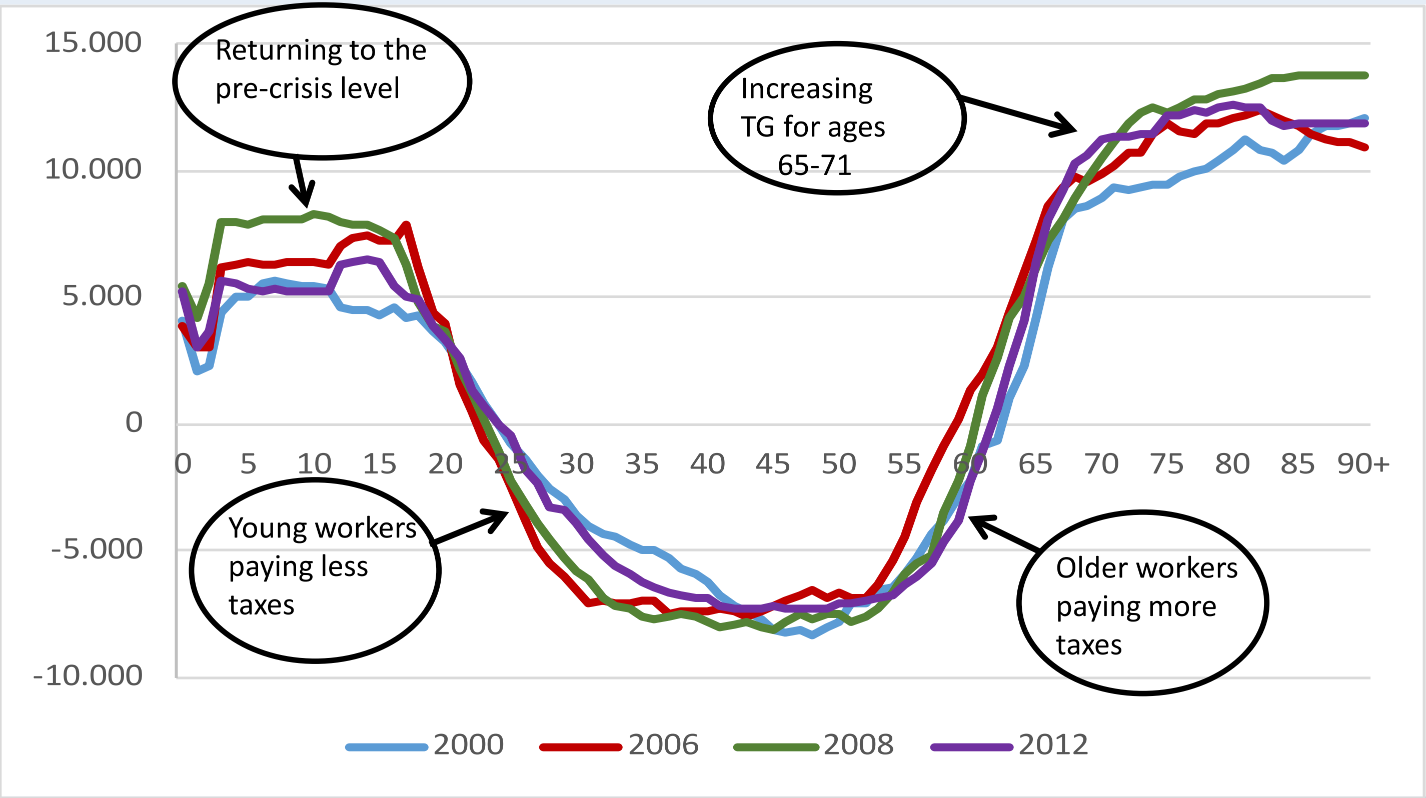
Per capita lifecycle deficit profile (in constant 2012 euros per year)



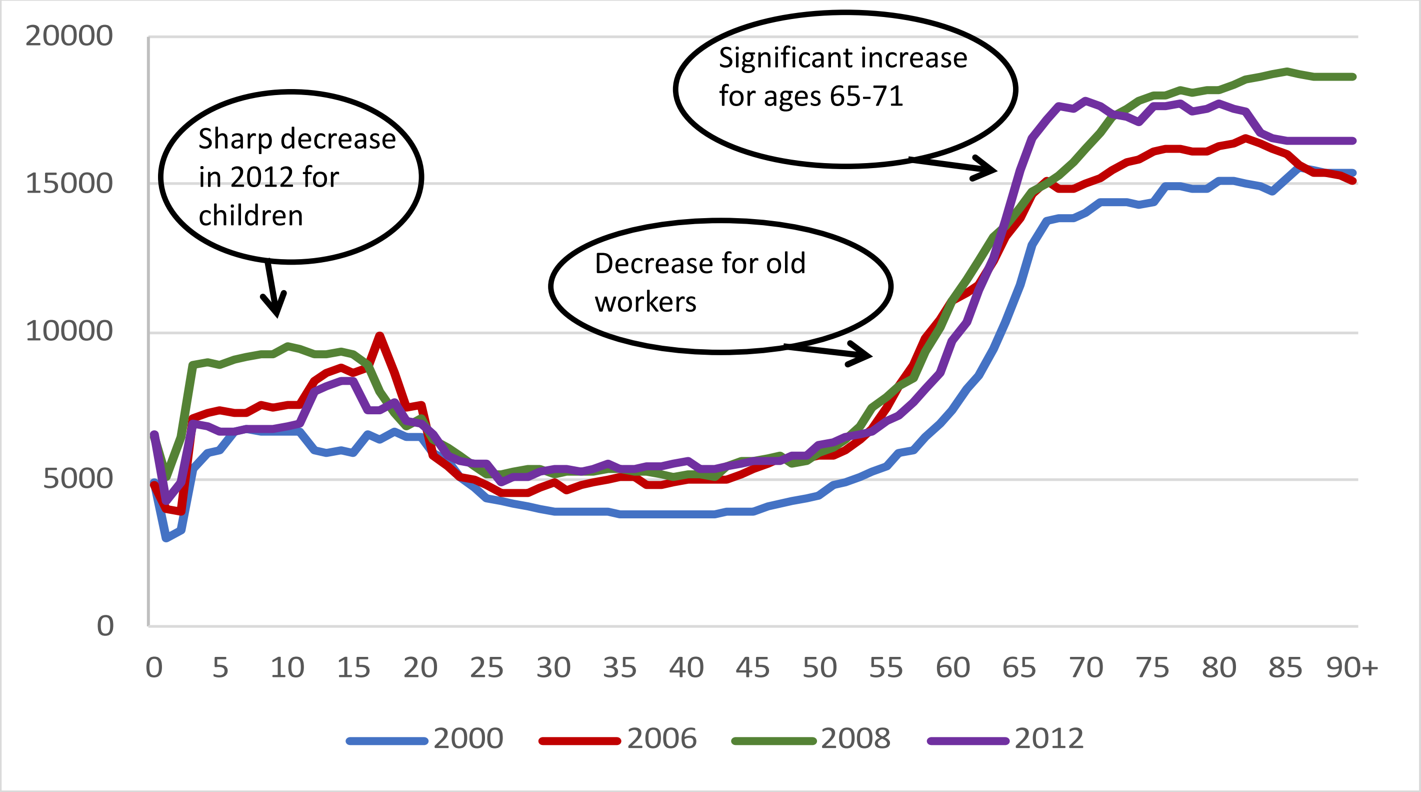
Financing aggregated lifecycle deficit of children (0-19) and the elderly (65+)



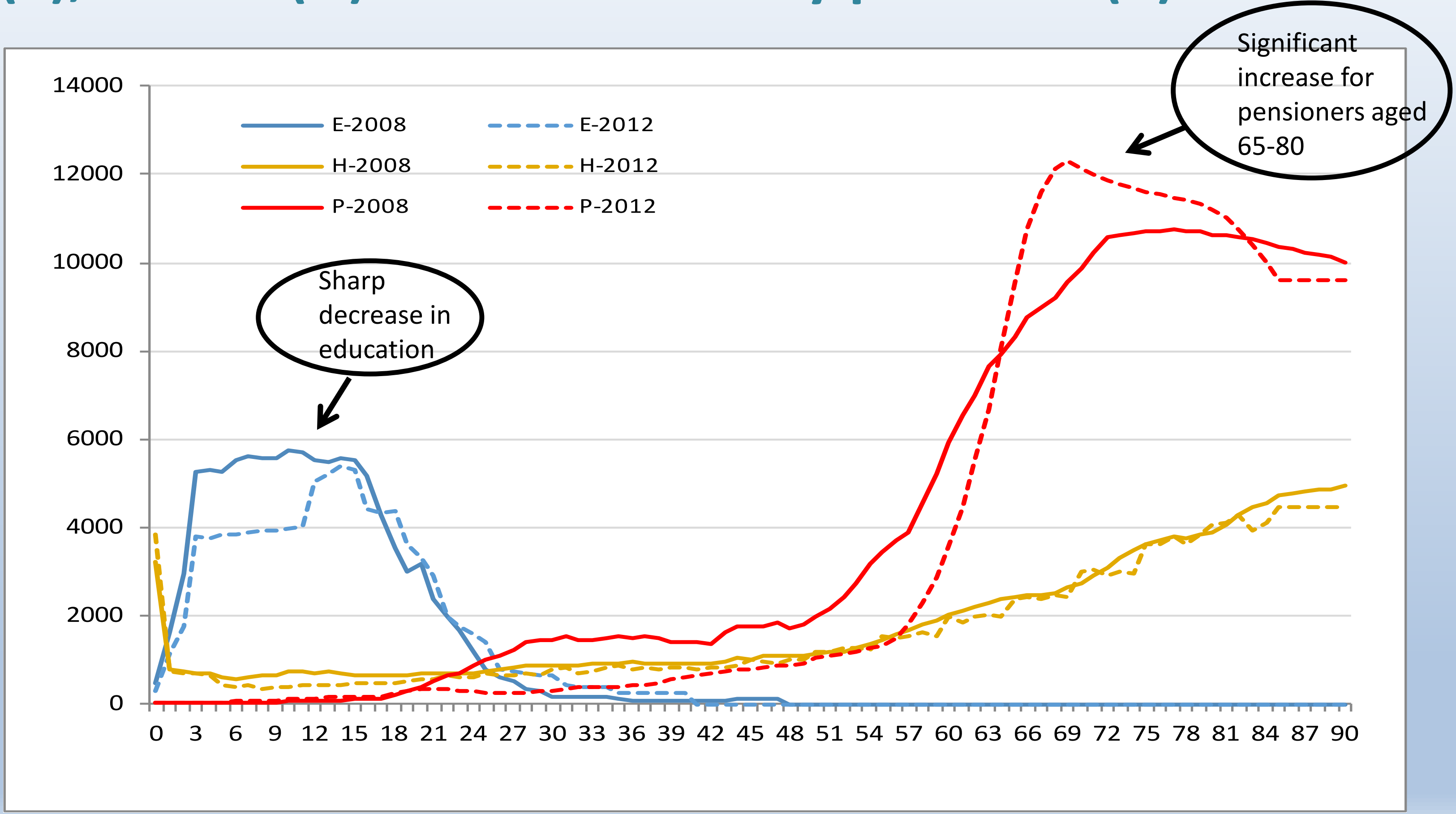
Per capita profile of net public transfers (TG)



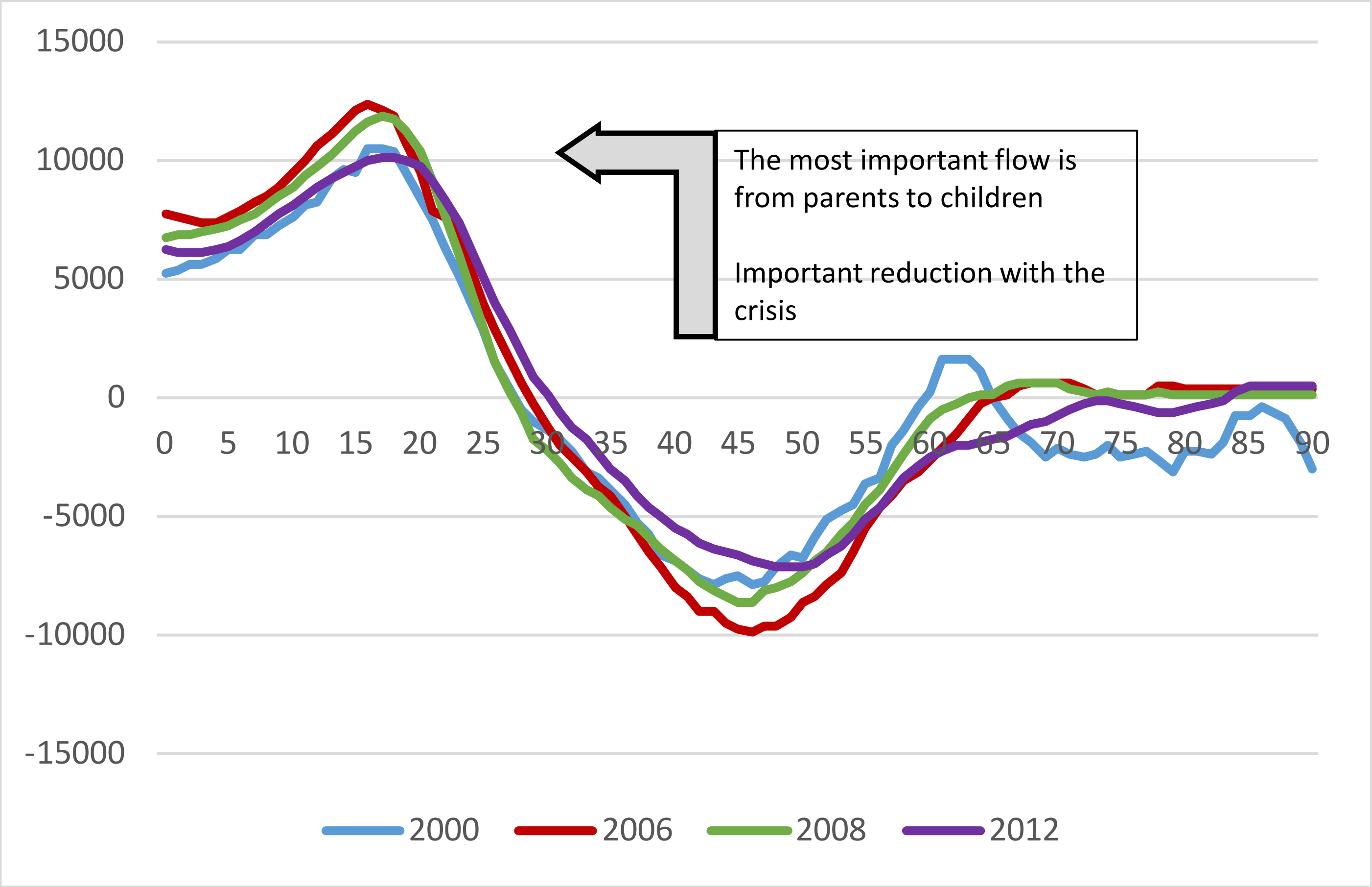
Per capita profiles of public transfers inflows (transfers received)



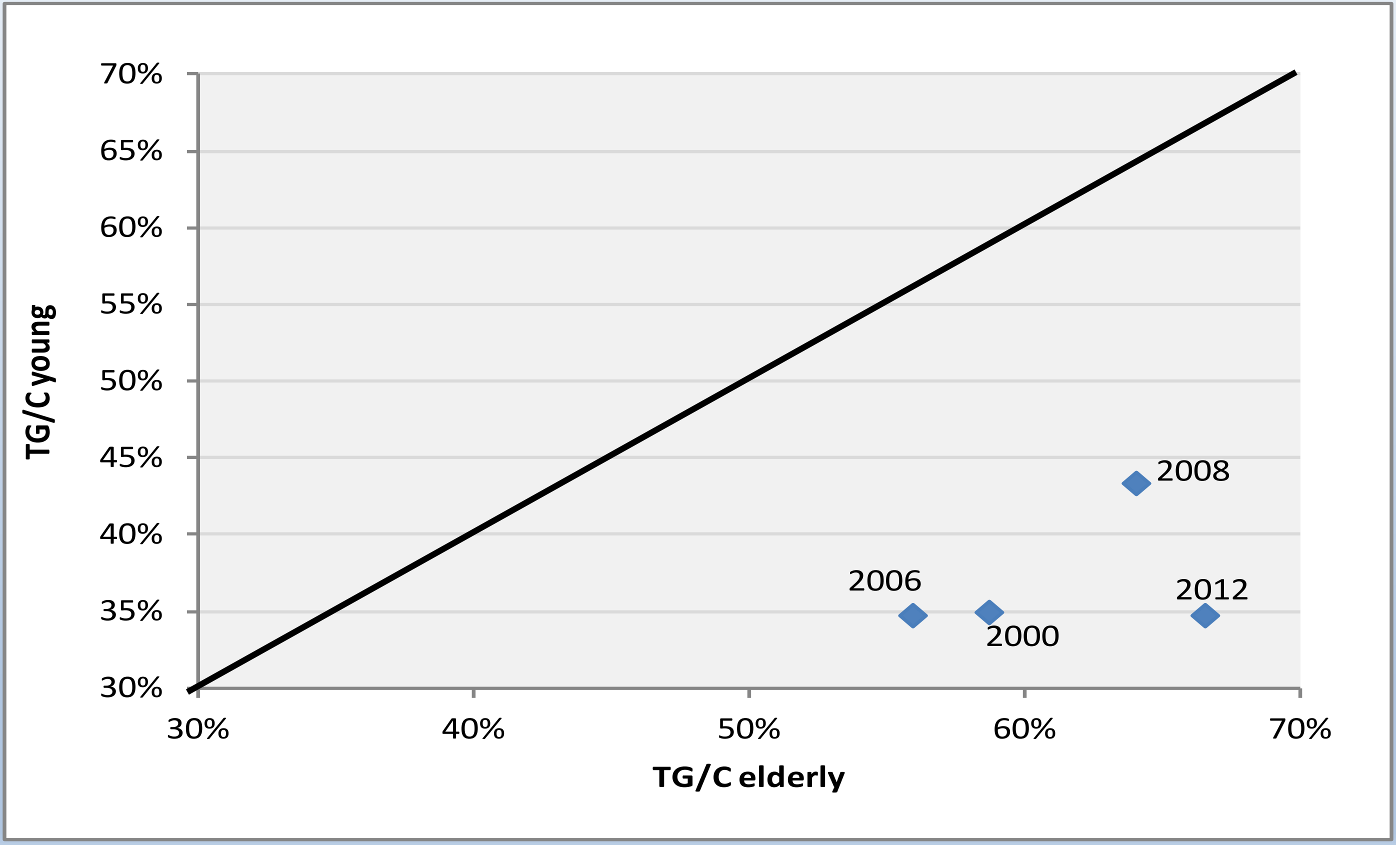
Per capita profiles of public transfers inflows: Education (E), health (H) and contributory pensions (P)



Per capita profiles of net private transfers



Net public transfers to 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 !