Contemporary problems of intergenerational relations and pension systems: a theoretical and empirical perspective

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INTERGENERATIONAL FAIRNESS: A MACRO AND MICRO PERSPECTIVE

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Abstract
This theoretical paper seeks to develop the general concept of intergenerational fairness at the macro and micro scale which could be a background for further empirical analyses in this field, including especially some quantitative studies. First, the micro-scale and macro-scale definitions of generation are explained, and the concept of intergenerational fairness is discussed. Then we develop two perspectives from which intergenerational fairness can be considered. The first one is that of an economy (a macro approach) the other is that of a family (a micro approach). In the case of an economy the government’s policy matters since it determines the intergenerational transfers today and their impact on the future. This means that contemporary intergenerational distribution of incomes or resources crucially affects such a distribution in the future. In the case of a family, its structure and the strength of family ties play a dominant role. We also show that intergenerational relations on the macro and micro level are not independent. The impact of transfers on the macro level on transfers on the micro level is, however, more direct and stronger than the other way around.  
Keywords: equity, intergenerational fairness, justice, transfers, welfare.
JEL codes: D60, D63, J10.

1. Introduction
The process of ageing populations over the developed world, especially in Europe and the United States, raises many questions concerning intergenerational fairness perceived in the context of equity, equality or justice. Although these concepts are differently perceived in the literature, there are no doubts that generational relations are an issue worth analyzing both on the macro as well as at the micro scale. In the case of the macro scale, intergenerational fairness can be intuitively perceived as fair relations between different generations of the population of
a given country, or even at a global scale (especially with the reference to climate change). In the case of the micro scale, intuition suggests that the object in which different generations are compared in terms of fairness is a family or a household. This theoretical paper seeks to develop the general concept of intergenerational fairness at the macro and micro scale which could be a background for further empirical analyses in this field, including especially some quantitative studies. First, we define the generation at a macro and micro scale. Second, we attempt to develop the concept of intergenerational fairness at the scale of an economy, then at the scale of a family. Additionally, some possible interactions between the macro and micro levels in the context of intergenerational fairness are discussed. The paper ends with some summarizing conclusions.

2. Generations and intergenerational fairness

The concept of a generation is much simpler and intuitively perceived at the microscale. On this level, generations are within a family or, in more economic terms, within a household (however, these two notions are not synonyms, family is a broader concept than a household – a given family may consists of more than one household). In such a case, a family can consist of people playing different roles which results mainly from their age. Therefore, the household members are divided into children, parents, grandparents or even great-grandparents (see e.g. Papworth and Corlett 2014). In such an approach, these groups overlap and children become parents, parents become grandparents, new children are born etc. As a result, people change the roles in a family. First they are educated, then they work and, at the last stage, they retire. These roles determine the directions of possible transfers distributed within a family and the sources of utility in economic terms.

The concept of generation is much more complex at the macro scale. It is not as easy to transfer the different groups from a micro scale (i.e. from a family) to a macro scale. The first reason for this is that some people have children and others do not. Second, people born in the same year or at quite close moments in time, even if they have children, may have them at quite different ages. For instance, two couples of adults, born in 1970, have one child each; however, in the case of the first couple a child was born in 1990, and in the case of the second couple a child was born in 2015. As a result, the child of the first couple may become a parent and play a quite different role in society as compared to the child of the second family in which case the child would be in the education period at the same time. As a consequence, at a macro scale a generation is not perceived in the context of the role played within a household but more with reference to the time criterion. In such an approach, generations may be perceived from a chronological-temporal and chronological-intertemporal perspective. The chronological-temporal perspective refers to different age groups of a given population (usually of a given country). This perspective is usually highly consistent with the division of population into generations on the basis of social group criterion. In a chronological-intertemporal approach, a generation is defined as the population alive today which means that a generation consists of all
the people living in a given period of time. These people can be divided into
different age- or social groups (see Tremmel 2014). One can conclude that
a chronological-intertemporal perspective includes a chronological-temporal one,
since a generation living in a given period of time (chronological-intertemporal
perspective) consists of subsets which are generations in age- or social group
terms (the chronological-temporal perspective).
In our subsequent considerations, we will perceive a generation within a family
(micro scale) in terms of the role played (children, parents, grandparents, etc.).
In the case of the macro scale, a generation will be defined in the context of social
groups, which also means different roles played in society or an economy (young
people are educated, adult people work, and old people retire). Such a division is
quite consistent with that based on age groups. Referring to statistical terms
(see e.g. OECD terminology), the young population includes people aged 0-15,
the working age population includes people aged 15-64, and the elderly
population includes people aged 65 and over.
Intergenerational fairness is a very complex term. It is linked to the general idea
of justice in intergenerational terms, which refers to both equality and equity.
Equity refers to the needs that must be met to enjoy full, healthy lives. Equality is
a quite different notion and refers giving people the same things they need to enjoy
full, healthy lives. “The equality of a distribution of income or wealth is basically
a matter of fact and is, therefore, basically objective. The equity of the same
distribution is basically a matter of ethical judgment and is, therefore, basically
subjective” (Bronfenbrenner 1973). In this paper, we focus on the economic
meaning of intergenerational fairness. In such a view, fairness perceived through
the prism of justice or equity refers generally to taxation and welfare policy
(Summers and Smith 2014). Equity between different generations living in a given
period of time accounts for equal respect, opportunities and comparative living
standards. Moreover, in the long term, equity refers also to future generations.
This means that it also takes into account generations not yet born or children
when they become adult or adult when they become old. Such an approach refers
to the prospects a given generation has for the future (Piachaud et al. 2009).
A narrow concept of intergenerational fairness is based on transfers between
different social (or age) groups both within a society and within a family. In the
case of a society, public transfers are considered, which includes public debt
inherited by younger generations and taxes or pensions to be paid by different age
groups. In the case of a family, private transfers are possible and they refer to
some burdens of carrying for young and older persons or to support improving life
prospects (Piachaud et al. 2009). In a broader context, intergenerational fairness
refers also to future prospects. We will try to combine these two approaches in our
perception of intergenerational fairness since today’s transfers can be perceived
as future’s perspectives. In our view, intergenerational fairness means such
relations between different age (or social) groups which do not discriminate
against any age group in terms of its present and future living situation. Obviously,
the equity of these relations is determined by present economic, political or
demographical conditioning (e.g. wars affect such relation dramatically since it
changes priorities, ageing populations also affects the distribution of incomes or resources across generations). These relations refer to both present transfers (today) and their impact on prospects (future) since intergenerational fairness cannot be measured only through the prism of the contemporary situation. It requires reference to the foreseeable future. This reference to the foreseeable future can be achieved by the use of today’s transfers as a predictor of future prospects (tomorrow’s situation). Another important aspect refers to the fairness between today’s age groups (contemporary generations) and future age groups (future generations).

Fair intergenerational transfers today and fair intergenerational transfers in the future do not automatically mean a fair distribution of incomes and resources between today and the future. This results from the fact that the division of incomes or resources today determines future GDP, which actually means that the way we divide GDP today (between consumption and investments) affects the GDP that will be divided in the future. Pensions are a great example, since they can be funded only through the division of current GDP. That is why future GDP is crucial for pension systems (Barr and Diamond 2006). As a result, not only will the future generation be responsible for the product generated “tomorrow” but today’s generation also plays an important role.

The government creating a welfare policy can affect the directions and magnitude of the intergenerational transfers through the division of current GDP at the macro scale first of all, but also at the micro scale indirectly. This impact of the macro scale on the micro can result from the directions of transfers made by the government (within a family the direction can be adverse to mitigate e.g. an intergenerational unfairness created at the macro scale) or can be stimulated more indirectly (e.g. through an ineffective child care policy and shortage of kindergartens which may cause the involvement of grandparents to look after children to enable adults to work). Therefore, an important question is what type of transfers can be identified on the macro and micro level and, whether the level of intergenerational fairness at a macro scale affects transfers in the micro scale, or vice versa. Since we assume an economic perspective in the paper, we will perceive a transfer as a result of some rules set to share incomes (GDP), resources, the environment (climate), knowledge and skills. Such a transfer can be of a material or non-material nature. The former includes e.g. pensions, spending on education, healthcare, financial support within a family, and bequests. The latter includes e.g. time or attention (through the time consumed by care for children or parents). The role of non-material transfers can be also very important since e.g. they can enable adults to keep working while they have children if grandparents devote their time and attention to providing care for grandchildren see e.g. (Hagestad and Herlofson 2007).

3. A macro perspective

A macro perspective, from which the policy of intergenerational transfers is implemented, is reflected by the social or welfare state policy which can be fair or just towards different generations or discriminate against one generation in
favour of another. Such discrimination can have short as well as long term consequences. For instance, if today’s children and young are discriminated against through low spending on education and high spending on pensions caused by the greater political power of adults as a significant electorate, this will have its consequences also in the future through lower knowledge and skills, and as a result, lower human capital and lower labour production. Moreover, the competitiveness of those young people on the international labour market would be lower as well. So, the problem from a macroeconomic perspective refers to the current GDP division between consumption and saving, which determines capital accumulation and investment. As emphasized by Besley (2001), if generations living today do not care about consumption of future generations or younger age groups (depending on the view of a generation: temporal or intertemporal), they underaccumulate as compared to the long term path (or path chosen by a dynasty providing that agents care about their heirs which means that an economy works as an infinitely lived consumer).

Taking the production factors into account, one can analyse the impact of current GDP division between consumption and savings on growth, which subsequently determines the future GDP from which the consumption of future generations as well as further capital accumulation will be funded. We will focus on two production factors: capital and labour. In terms of capital, we will refer mainly to physical capital, whereas in the case of labour we will focus on its input to production which is determined by the labour supply and productivity. In such a view, the magnitude of future physical capital is determined by saving and its transformation into investment, whereas labour input is affected by the labour supply and human capital (see e.g. Besley 2001). Below, we discuss how the government implementing socio-economic policy can affect these growth factors to maintain intergenerational fairness in terms of prospects for future generations. Long-term savings are mainly accumulated within a pension system. Agents at working age save for the period when they will no longer be able to work or will consume leisure after they achieve retirement age. This way they smooth their consumption over the life cycle, since the sacrifice part of current consumption to consume in the future. However, regardless of the pension system (funded or unfunded, defined benefit or defined contribution) pension benefits are financed through the division of current GDP. For today’s workers, future GDP is crucial since their pensions will be funded through division of this GDP between generations. Savings, if transformed into investments, affect GDP growth and, therefore, impact future pension benefits. What if today’s workers undersave for pensions? This can be caused by two main factors. The first is the GDP division discriminating against the current working generation in favour of current pensioners (spending on pensions is relatively high as compared to the population of pensioners or to average salary). The other is a huge propensity to consume of current workers, since they much prefer current consumption over future consumption. Such undersaving for pensions in a libertarian state (e.g. Nozick state) would result in very low pension benefits, probably under the poverty threshold. However, in the case of welfare states, especially more social ones, old
people with low pensions would be supported by the generation of workers through appropriate social policy implemented by the government. This way today’s workers can overpay current pensioners. This would be the result of undersaving in the past which decreased the potential GDP growth. Moreover, such a situation would affect negatively the future GDP, since today’s spending on pensions increases the share of GDP distributed for consumption instead of education (human capital development) or remuneration of labour (which decreases the working generation incomes and savings). Thus, the government may stimulate savings in two main ways. The first is a fair distribution of GDP between the working generation and the generation of pensioners, since workers’ incomes impact their propensity to save. Moreover, according to the life cycle model, the working generation saves for wealth accumulation, whereas the old generation decumulates the wealth. The other way is taxation of savings or other incentives supporting e.g. capital accumulation in voluntary pension schemes. The second factor in physical capital accumulation is investments. The two following aspects of the transformation of savings into investments are crucial. First, is this transformation immediate and of a one-to-one ratio? Second, what is the structure of the investments, which means, what are the savings allocated in? As for the first aspect, the transformation of domestic savings into domestic investments in the era of globalization should account for capital flows. This determines the equilibrium between domestic savings and investments. Feldstein and Horioka (1980) in their seminal work compared two views of the impact of capital mobility on the transformation of domestic savings into domestic investments. The first view was that in the case of perfect world capital mobility, the link between domestic savings and investments is very weak or does not even exist. The other view was that in the case of some institutional constraints in international capital mobility, the relation between domestic saving and investment should be significant. They conclude that the second view is better supported by statistical data. Nevertheless, a temporary imbalance between domestic savings and investments is possible, as proved e.g. by Petreska and Mojsoška-Blazevski (2013) on the example of transition economies, including Central and Eastern European countries. So matching investments to saving needs time. Barriers to capital mobility are still characteristic for some post-communist countries which implemented significant pension reforms in the 1990s, involving inter alia compulsory participation in privately-managed pension funds. However, these funds were limited in their foreign investments and obliged to allocate a significant part of assets in domestic government bonds. This is the result of the government policy which is aimed at increasing the capital accumulation in a given country instead e.g. of geographical diversification of future pensioners’ assets allocation. However, in the case of transition economies, whose main problem is shortage of capital, such a strategy is justified. The second aspect is what the savings are invested in, which refers to the structure of investments. This is also crucial for future GDP divided between generations since present tax incentives or other public subsidies (which are the result of the current GDP division) can stimulate investments in innovations, which create a qualitative
development of enterprises and of the whole economy. For instance, European funds in Poland are mainly dedicated to firms’ investments with a high level of innovation. Firms which realize mainly replacement investments generally do not have the chance to be supported by European funds. Moreover, some studies demonstrate that firms investing in innovations support socio-economic growth, which means that innovations support not only economic growth but also societal development in the long run, also in terms of ecology or the environment people live in (Ahlstrom 2010; Doran and Ryan 2012). As a result, the distribution of savings between innovative and non-innovative investments is crucial for the prospects for the young age groups or more generally, for future generations.

The government can stimulate household savings and investment by private firms, however it can also make public investments. This is the question of public spending distribution between consumption (pensions, social benefits) and widely perceived investments (infrastructure, education, healthcare, R&D). Spending on pensions or other social benefits can result from clear rules and be even actuarially balanced, which actually means fairness in intergenerational terms. A given generation is paid pension benefits which results from its previous contributions (to a pension system) adjusted by a rate of return. However, this rate of return has to be strongly linked to GDP growth (in the case of unfunded schemes) or is directly the result of returns on financial markets (in the case of funded schemes).

A problem arises if pensions are overpaid, since then a given generation receives benefits that exceed the amounts resulting from an actuarial balance. In such a case, redistribution from younger to older is at work, which means that the working generation or youth generation is discriminated against. This discrimination may be reflected not only by a tax wedge but also by lower investments in infrastructure, education, healthcare or R&D. This could result in lower GDP growth, since all these factors affect production capabilities of enterprises.

The other production factor under consideration in this paper is labour. Labour input to the product can be changed into two ways: through the labour supply and labour productivity. The first is a global problem today, since the labour supply is determined by demographic conditions. These can be changed (at least theoretically) by government policy in the long term through fertility stimulation. However, some important adjustments of social policy facing the problem of ageing population are also possible in the short term. People live longer and stay healthy longer, which means are able to work longer. This should be reflected in the effective retirement age and, if necessary, in the pensionable age. It should be emphasized that a real goal for keeping pension systems sustainable in the long run is increasing the effective age of retirement. Pensionable age is only one tool to achieve this goal. This is a crucial issue for intergenerational fairness, since in the case when extending life expectancy is not reflected by a longer duration of working life, the relative time spent on retirement increases as compared to the time of economic activity. This means that young people have to overpay their parents. One can say that defined contribution schemes, which are actuarially balanced, solve this problem. However, this is utopian, since in such a case a given
part of the pensioner subpopulation is unable to accumulate wealth enabling payment of benefits higher than the poverty threshold. As a result, such pensioners are paid additional social benefits which are funded by the working generation. That is why the problem of a slow increase in the effective retirement age as compared to increasing life expectancy is so very important. Unfortunately, this has remained unsolved in many countries since the 1970s and 1980s, when the policy of full employment were realized and turned out to be ineffective in reducing youth unemployment through early retirement programmes offered to the elderly, especially in Continental Europe (Chybalski and Marcinkiewicz 2014; Gruber et al. 2009; Jousten et al. 2010; Kalwij et al. 2010). The problem of increasing the statutory retirement age to stimulate a longer duration of working life is justified by economics and demography but it is difficult to solve due to political conditioning, especially when the subpopulation of pensioners increases and imposes its political significance as a social group. Another way to increase labour input to production is by stimulating labour productivity. This can be achieved through investments in technologies that make labour more effective, or through investments in human capital which is an important factor in innovations. Thus, an effective retirement age acts twofold. First, through the labour supply, second through the division of current GDP between consumption (pensions) and investments (including not only infrastructure or physical capital, but also education, R&D and healthcare which stimulate labour productivity).

To summarize, a macro perspective of the government’s policy in terms of intergenerational relations, which should aim at keeping it fair and just, policy makers have a range of tools that affect the intergenerational contract. This is observed at the macro level directly through e.g. public budget spending and intergenerational transfers between different age groups, or more indirectly through differences in taxation of different age groups, retirement age or pension privileges. However, government activity at the macro level may cause a reaction at the micro level, since households may take policy makers’ decisions into account when making their own decisions about savings, retirement, transfers within a family etc.

4. A micro perspective

As mentioned above, intergenerational fairness at the macro level refers to transfers of different kinds from one generation to another perceived as relatively distant age cohorts consisting of unrelated agents. When it comes to the micro level, family relations are involved. One can define intergenerational transfers at the micro level as transfers within one family, which consists of related members. That is why the family structure and the strength of family ties play the crucial role i.e. they determine the willingness and ability of particular members to provide support (transfers) from one generation to another.

Taking a closer look at the demographic dimension allows us to appreciate how some trends bring the family closer and away from the function of providing social coverage. The demographic panorama is changing over time, and this includes:
1) Aging of the population as an effect of the extending of life expectancy. With the improvement in the living conditions of the elderly (economic, health, physical, psychological, etc.) we live longer and experience a longer duration of coexistence between generations, although this is not linked to co-residence. Advanced age and health conditions are often the elements that disturb the future of the family. There are more and more dependent elderly, more people living alone, fewer children in general and more economically active daughters. Growing up in a family will be difficult in the near future. The strength and frequency of exchanges and family solidarity between generations is an asset in the family that largely guarantees social coverage that is not found in the precarious network of social services.

2) Change in reproductive patterns. Since the late 1970’s, in Europe the number of births has progressively fallen until, at the end of the 90s, it was just over a half of those born twenty years ago. What seems to be taking hold as a future trend is that women better control their fertility, having fewer children (especially second and third children) and delaying the birth of the first child.

3) Changes in the behaviour of couples. There is a different attitude towards marriage. People marry less and at later ages, especially in the case of women, in whose biographies marriage and children are competing to a greater extent with education and paid work. This situation of delay and reduction in the frequency of marriage and fertility has been common especially for women born in the 1960’s and later. Such attitudes and patterns are typical for the younger generations of this century observed in the European environment. Among the transformations that affect family relationships which are acquiring greater relevance and social significance, the breakdown of the couple relationship by separation or divorce is more common.

The aforementioned changes have heavily influenced the typical model of the family. Other social norms have emerged that reduce the significance of the nuclear family as the main family model. This is also associated with the transformation of family relationships. Likewise, the important changes in the area of family relationships have also led to changes in the way that the family gives support to its dependent members, and that fact raises huge questions about the future of assistance. Relations between generations have been affected; however this has not always meant a weakening of intergenerational relations (Segalen 1981). The current demographic conditions have led to an increase in relations between generations never seen in the past (Gomila 2005). The relationship between grandparents and grandchildren, and even between great-grandparents and great-grandchildren, has given way to a kind of interaction between generations much more frequent than it had been only two generations ago, simply due to the fact that the fraction of the children born at the beginning of the 20th century, knowing their grandparents and living or maintaining a relationship with them, was much smaller than in the case of those of the 21st century.

As pointed out by Saraceno (2008) on the basis of a literature review, the downwards financial transfers within a family are more frequent than upward
ones. This means that parents tend to support their children financially more often than (middle-aged) children support their ageing parents. This can be considered a result of the described above changes in the family structure, as well as the fact, that in welfare states the society provides for older agents through the pension system, social assistance and health care.

The economic transfers – or, in a narrower meaning, the financial ones – from one generation to another, can be considered from the perspective of the division of income between consumption and savings. The downward transfers, i.e. from the older generation to the younger one, are naturally reflected in the economic dependence of children on their parents. Parents provide for children while they are unable to have their own income, and this is the basic form of economic support. But satisfying current consumption needs is not the only area of downward transfers. The second is savings. Parents limit their own consumption and save to support their children in the future, also when the children are fully able to provide for themselves. In the body of literature, both theoretical and empirical, two main saving motives can be distinguished in regard to this issue: bequest and children’s educational needs. One of the first works that identifies the bequest motive (among eight basic saving motives) is the seminal study by Keynes (1936). This kind of motivation is also included in the theoretical models that at the micro level explain agents’ consumption and saving behaviour. As discussed by Wärneryd (1999), the bequest motive is a major theoretical modification of the standard life cycle hypothesis (LCH) developed by Modigliani and Brumberg (1954) and Ando and Modigliani (1963). Several empirical studies also prove that older (retired) agents demonstrate a propensity to save, even higher than in the case of younger (working-age) generation, which is inconsistent with the standard form of LCH (Alessie et al. 1999; Belke et al. 2015; van Ooijen et al. 2015). This phenomenon can be explained by the need to transfer assets (wealth) to the next generation within a family. However, this kind of intergenerational transfer seems to depend on household income. Schmidt-Hebbel and Serven (1997) conclude that for more affluent households, bequest is common, whereas for less affluent ones it is a luxury good. As pointed out by Hagestad and Herlofson (2007), transfers often go down the generation line deeper than one generation at once. On the basis of a review of the previous literature, they notice that bequest is commonly received at the pre-retirement age, i.e. by agents in their 50’s, who tend to pass it on immediately, partly or in full, to their children in their 20’s who are in a greater financial need to pay for education, housing, or for child care. The second, also very important saving goal that directly involves intergenerational transfers, is saving for children’s future needs, mostly education. This is distinguished in other widely known classification of saving motives, developed by Katona (1975), together with saving for emergencies, retirement and other goals. Its relevance is also proved by the empirical studies conducted at the micro level. For example, Yao, Wang, Weagley and Liao (2011) compares Chinese and US households in terms of their saving motivation. Their findings suggest that Chinese are more likely to save for children’s education than Americans, which can be explained both by cultural and economic premises. First, Chinese influenced by
Confucianism highly value education, and second, as a result of economic reforms in China shifting considerably education costs from the state to households. A very important question is what, if any, the interactions between micro and macro level of transfers are. One can identify the possible mutual interactions of two kinds:

- the impact of the intergenerational transfers at the micro level on the transfers, thus fairness, at the macro level,
- the effects of the transfers at the macro level on the transfers at the micro level.

In the current literature, there is a discussion whether state involvement in the welfare of the elderly impacts the involvement of the family in the care for older members; however, this refers to all kinds of transfers including non-material support. This issue is often referenced to as the *substitution thesis* or *crowding-out hypothesis* (see Hagestad and Herlofson 2007). The findings are mixed. However, as discussed in (Nauck et al. 2009) the empirical studies in majority tend to support the view that the economic transfers at the aggregated (state) level reflected in the extended social assistance rather complement intergenerational solidarity within the family, than reduce it. A somewhat different perspective is studied by Kohli (1999). His findings imply that public and private transfers interact in such a way that public pension benefits are channelled through family transfers to younger generations.

The impact of micro level transfers on macro level transfers seems to be less direct, than the other way around. The generosity of welfare states towards the elderly and children is determined in a great part by the welfare state model implemented, and as discussed in (van Oorschot et al. 2008) welfare state models have strong cultural foundations, which have roots *inter alia* in family relationships. However, some more specific implications of the financial private transfers for the transfers at the society level can also be distinguished. For example, as stated by Sturm (1983) transfers at the family level in the form of a bequest – but only under the condition of a growing population or growing productivity – lead to greater national savings. This implies that the next generation will benefit from this in the future.

5. Summary

Between the concept of intergenerational fairness as seen from the macro perspective and as seen from the micro perspective, some analogies can be found. First, it is about the division of working-age generation income between consumption and savings. Both can be further divided between three generations: dependent children, parents (the working-age population) and grandparents (the elderly population). Second, fairness, regardless whether it is perceived as equity or equality, in both perspectives is not limited to the present balance of transfers between two particular generations but requires a longitudinal approach for its assessment. For example, at the micro level the fact that the older members of the family, who provided for their children while they were young, do not receive economic support from them at the old age, does not imply intergenerational unfairness. To have a complete picture of this phenomenon, the previous transfers
towards older members received while they were young from their parents should also be taken into consideration. Transfers are the main channels that intergenerational fairness is realized through. But the transfers at the micro scale are not necessarily reflected straightforwardly in the transfers at the macro scale. At the family (micro) level, as pointed out above, downward transfers are more common, i.e. the ones flowing from the working-age parents to the underaged children, than the upward transfers towards the older grandparents. However, at the society (macro) level much more support is given to the elderly. Gál, Vanhuysse and Varghad (2018) note that this can be perceived as an unjustified discrepancy, since investment in children is more desirable from an economic point of view, which can be related to the notion of “social investment”. They argue that “Europe is a continent of elderly-oriented welfare states and strongly child-oriented parents”. Nonetheless, one can state that while at the macro level the working age generation is a net contributor of social transfers, at the micro level this is not so obvious when the transfers in a form of bequests are considered. In both cases, only the role of the children’s generations as net beneficiaries of the transfers is unquestionable. However, the above refers only to transfers at a given moment of time, which do not fully determine intergenerational fairness, since this notion is associated with a wider time perspective.

The concept of intergenerational fairness perceived through the long-term balance of transfers between generations is analysed mainly at the macro scale. Previous literature refers to the issue whether the development of pension and health care programs for the elderly compensates for their economic effort previously made to other generations, e.g. their contribution to the development of public education (see Becker and Murphy 1988; Bommier et al. 2010; Preston 1984). However, similar transfers that include a wider time perspective are very difficult to analyse at the micro scale. Transformations of family structure and family ties do not facilitate such analyses. Thus, one can identify a cognitive gap with regard to this issue. Longitudinal empirical studies of the intergenerational fairness at the family level, preceded by the development of some adequate measurement methods, can be regarded as a challenge for future research.

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