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Intergenerational fairness across welfare state regimes: introductory remarks to the comparative cross-country study

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Agenda:

- Goal and motivation
- The term „intergenerational”
- The concept intergenerational fairness (IF)
- Welfare state regimes and IF: motivation for empirical studies
- To summarize…

Goal and Motivation

- **Goal**: conceptualization of intergenerational fairness (IF) for cross-country analyses of different welfare state models
- **Q1**: What does actually the term “intergenerational” mean?
- **Q2**: What is IF from economic perspective?
- **Motivation 1**: Changing populations and unchanging economic mechanism of funding pensions and other transfers (through GDP division).
- **Motivation 2**: research project „Intergenerational fairness accross welfare state regimes: A comparative cross-country study”.

The term „intergenerational” (1)

Within the family, generation is very precisely perceived since it includes people being a members of different groups: children, parents, grandparents etc. (Papworth & Corlett 2014).

With regard to the whole population in a given country or in a global scale it is more difficult to distinguish between children, parents and grandparents. One reason is the fact that some people do not have children. Other reason is that people, even if have children, have them at different age.

The term „intergenerational” (2)

In the family scale generation means actually genealogical relations. In the scale of a society generation “refers to a group of people whose beliefs, attitudes or problems are homogenous”. This approach is very consistent with a cultural view on generation. Another definition of generation refers to chronological terms and distinguishes between temporal and intertemporal perspective (Tremmel 2014). The third approach is crucial for the conceptualization of IF.

The term „intergenerational” (3)

- Chronological-temporal view refers to different age groups which are very often perceived as different social groups (young generation, working generation and generation of pensioners). In such an approach the selected generations live in the same time.
- Chronological-intertemporal view on generation can be referred to everyone alive today. Then, a generation includes all the people living in a given period of time and consists of different age or social groups (Tremmel 2014).

The term „intergenerational” (4)

The economic perspective in studies on intergenerational relations does not require direct cultural or sociological references. In case of economic analysis the distinction between generations, regardless of what criterion it is based on, is more technical, with reference to age, year (or period) of birth or the activity role played in the society. Therefore, economists perceive generation in the two main perspectives:

(1) **generation as a cohort** or set of the subsequent cohorts,

(2) **generation as an age group** which is actually the concept of generation as a social group (this approach is consistent with chronological-temporal one).

The concept of IF (1)

Papworth and Corlett follow the approach by Foley (1967) and define intergenerational fairness as “behaving in a manner that does not engender a feeling of envy between cohorts” (Papworth & Corlett 2014). It raises an important question: **Is it really sufficient to employ the criterion or feeling of envy to evaluate if the relation between generations is fair in terms of transfers?**

The concept of IF (2)

In what terms people compare their well-being or living standard? Within or between generations? Probably within generations. Thus, the feeling of envy is more probable towards the same or very similar age group, less towards significantly younger or older people. This fact undermines the perception of intergenerational fairness through the prism of envy, at least from an economic perspective.

The concept of IF (3)

Equity between different contemporary (living today) generations includes equal respect, opportunities and comparative living standards of different generations. **Private transfers** between generations are of within family character and refer to burdens of caring for young and older people, support affecting life prospects, financial transfers and bequest (including not only assets but also liabilities) left for other generations.

Public transfers include public debt inherited by younger generations and taxes and pensions to be paid by different generations (Piachaud et al. 2009)

The concept of IF (4)

Four different norms of generational equity: (1) the allocation of social expenditure at any given moment of time between different generations; (2) the just treatment of successive cohorts so as they have ensured equivalent treatment by other cohorts, e.g. a given generation can expect pension benefits not lower than previous generations; (3) equal sharing of costs of welfare state; (4) actuarial fairness which means just returns on contributions made over the lifecycle Rydell (2005).

„equal sharing of costs of welfare state”: only now or in a longer perspective? It is a crucial question for IF.

The concept of IF (5)

Transfers determine the chances and prospects. Thus, the distinction between transfers and equity in the context of IF is a bit apparent/false. Moreover, transfers may be treated as a proxy of chances or prospects.

So, **IF means such relations between different age groups which in the context of given economic, political and demographical conditions do not discriminate any age group in terms of its present and future living situation.** This includes present transfers (today) and its impact on prospects (future). Thus, IF cannot be measured only with reference to contemporary situation, it must also account for the future.

Welfare state regimes and IF: motivation for empirical studies

- Macroeconomic definition of a pensions system (see e.g. Barr & Diamond 2006, Góra 2008)
- Population change and generational selfishness (see e.g. pensionable age and its impact on elections)
- A dominant role of the state in a pension system does not support the labour market participation in the near retirement age groups (Chybalski 2016). So if pension regimes matters as for the participation of older people in labour market, the model of welfare state may affect other dimensions of intergenerational relations (education, health care, public investments).

To summarize:

The comparative analysis of different pension regimes (classification by Marcinkiewicz & Chybalski 2017) in terms of adequacy, efficiency and redistribution allowed for identification of some relationships between the state involvement in a pension system and its efficiency (Chybalski et al. 2016). This provokes the more general question: **does the relation between state and market, reflected in a welfare state model, differentiate the intergenerational fairness across the welfare state regimes?**

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