



NATIONAL INSTITUTE FOR HEALTH AND WELFARE

## Intergenerational social assistance mobility

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# Intergenerational social mobility

- Children's socioeconomic status (income, education, class etc.) correlates with their parents' status in every society
- Intergenerational correlation is strongest in the ends of wealth distribution, i.e. among rich and poor
- General explanation for this is that better off families can pass on more wealth, human and social capital, as well as values and aspiration, to their children, and the children therefore directly inherit better socioeconomic positions or at least have better chances when competing for them



# Intergenerational social assistance

- Also social assistance reicipiency show clear intergenerational transmission: those coming from a social assistance family have higher risk for social assistance themselves as adults
- Dispute how this correlation should be interpret: evidence of welfare dependency (behaviour), or just by-product of generational transmission of socio-economic position?
- A family is eligible for social assistance only if its incomes are low enough, so impossible to separate from intergenerational poverty mobility
- Identifying and controlling all possible factors behind the intergenerational transmission of social assistance (or socioeconomic position) is simple unfeasible



## Previous studies

- Rather few empirical studies have been done on intergenerational SA, most of them in USA
- Correlation is dependent depending on the length of observation period and the age at which the child's reciprocity is observed
- In USA, intergenerational correlation is .20 - .30
- In Norway, Sweden and Canada correlation .10 -.16
- In New Zealand .37
- There are no previous studies on the intergenerational correlation of social assistance in Finland



## Aim of the study

- i. Provide internationally comparable estimates from intergenerational correlation of SA,
- ii. clarify how these correlations change when different observation windows are used both for parents and children,
- iii. clarify how these correlations change when social assistance reciprocity is observed at different ages.

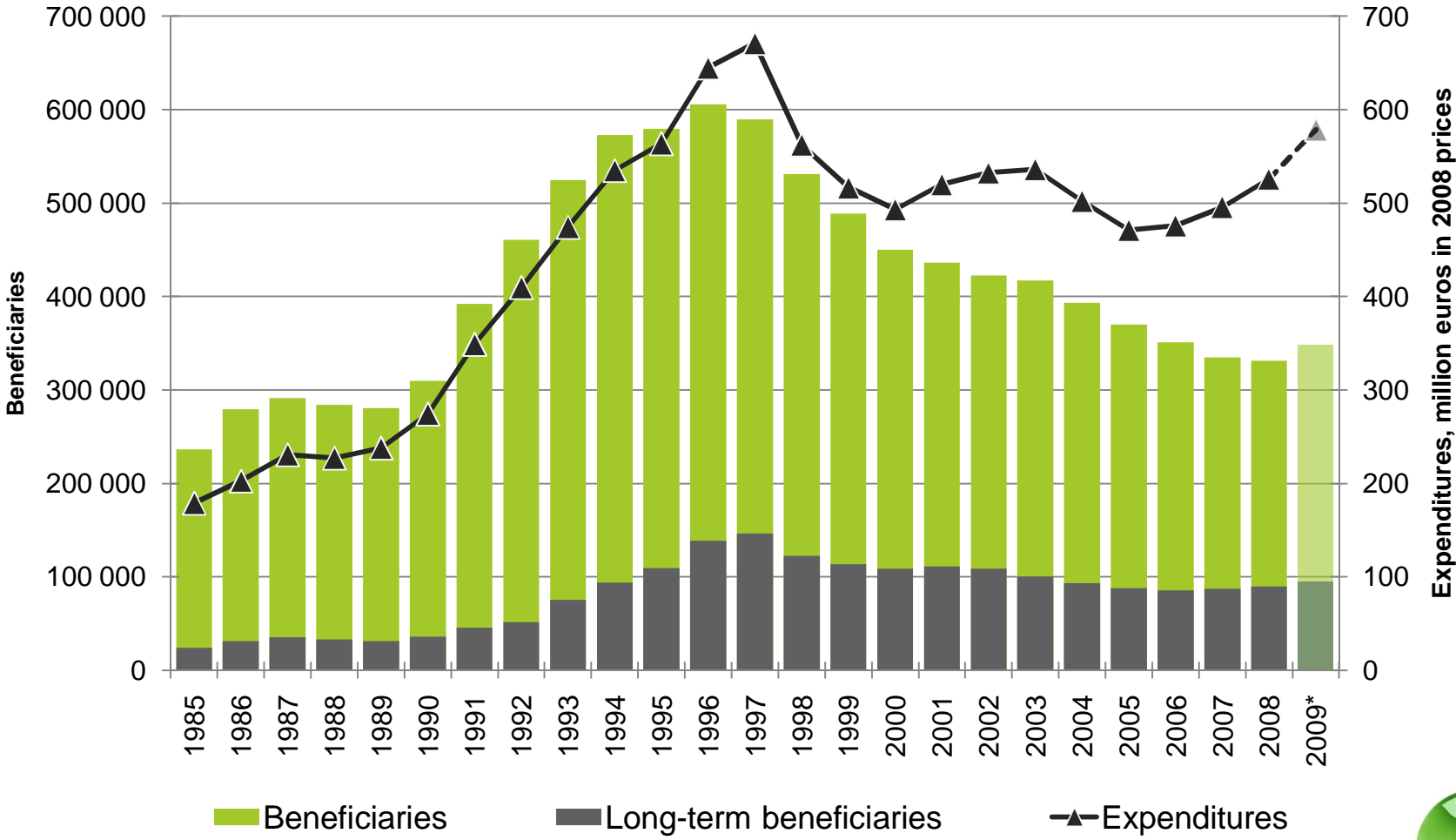


## Social assistance in Finland

- is regulated by national legislation and is handled locally in the municipalities by social workers under the supervision of the town council
- c. 9 % of population receives SA during a calendar year, 7 percent of the child population
- probability of receiving SA is highest in the early twenties



# Social assistance expenditures and beneficiaries 1985-2009

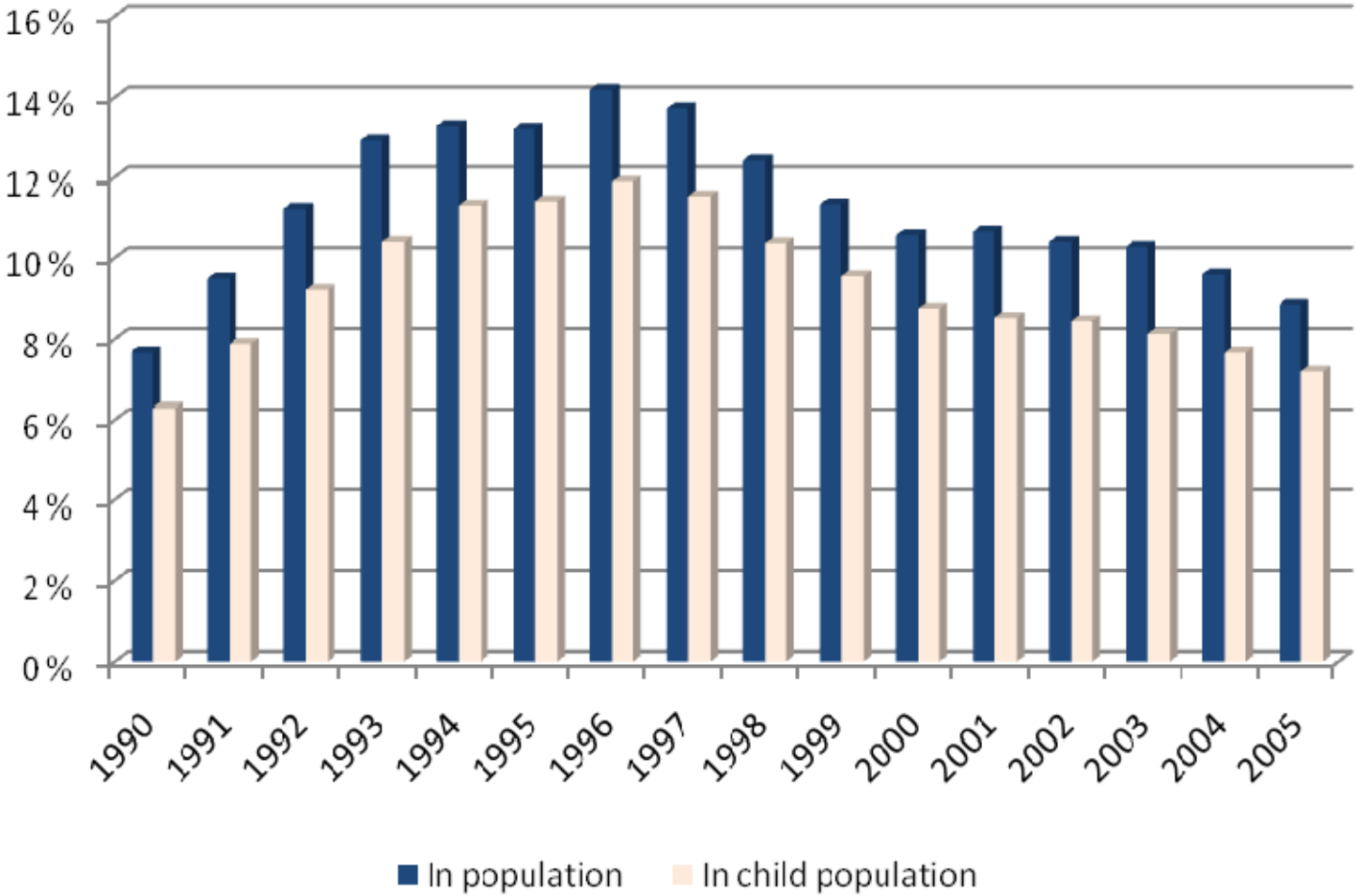


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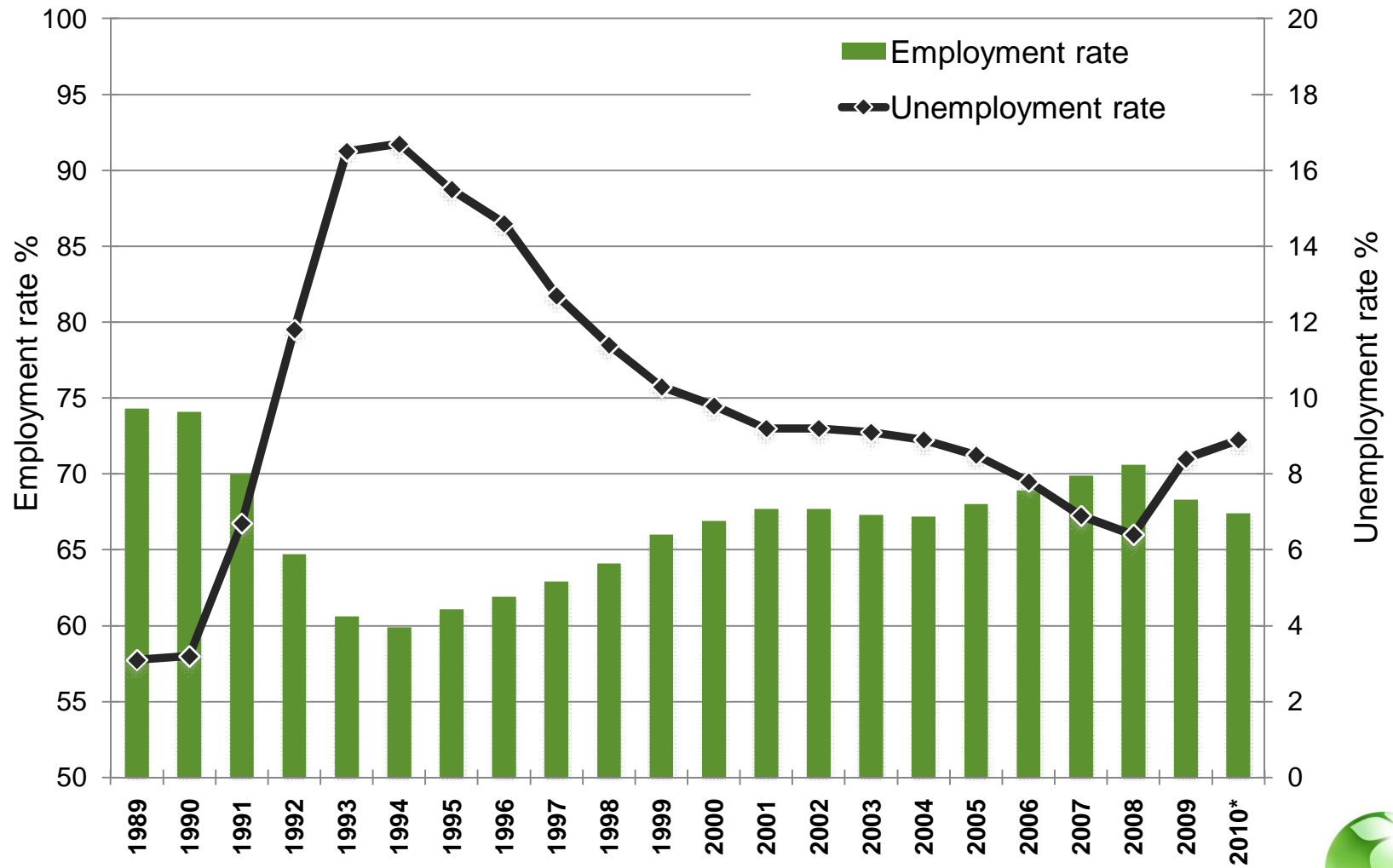
Source: Social Assistance, THL, 2009



# Number of people and children in social assistance households as a proportion of the population



# Employment and unemployment in Finland 1989-2010



Source: Statistics Finland. Labour Force Survey.



## Data

- Register of Social Assistance (RSA) contains basic information on all families who received social assistance during the calendar year
- By linking the RSA with the Population register (done by Statistic Finland), we were able to identify every child living in a SA family in 1990 and see if they received social assistance themselves in 2005.
- In the final data set all social security numbers were anonymized
- Data consist birth cohorts 1973–1987 for boys and girls, whose members were aged 3–17 in 1990 and aged 18–32 in 2005
- Two observation windows: a calendar year and November situation



# Method

- Following Solon et al. (1998) ja Page (2004)

The intergenerational correlation is estimated as  $P_1 - P_0$ , where  $P_1$  is the conditional probability that the child receives social assistance in 2005 given that her parent(s) were a beneficiary in 1990 and  $P_0$  is the conditional probability that the child receives social assistance in 2005 given that her parent(s) were not a beneficiary in 1990.

$$P_1 = \frac{N_{11}}{N_{01} + N_{11}}$$

$$P_0 = \frac{N_{10}}{N_{00} + N_{10}}$$

Table 1. Mobility / transition table of social assistance

		Child in SA		
		No	Yes	All
Parent(s) in SA	No	$N_{00}$	$N_{10}$	$N_{.0}$
	Yes	$N_{01}$	$N_{11}$	$N_{.1}$
	All	$N_{0.}$	$N_{1.}$	$N_{..}$

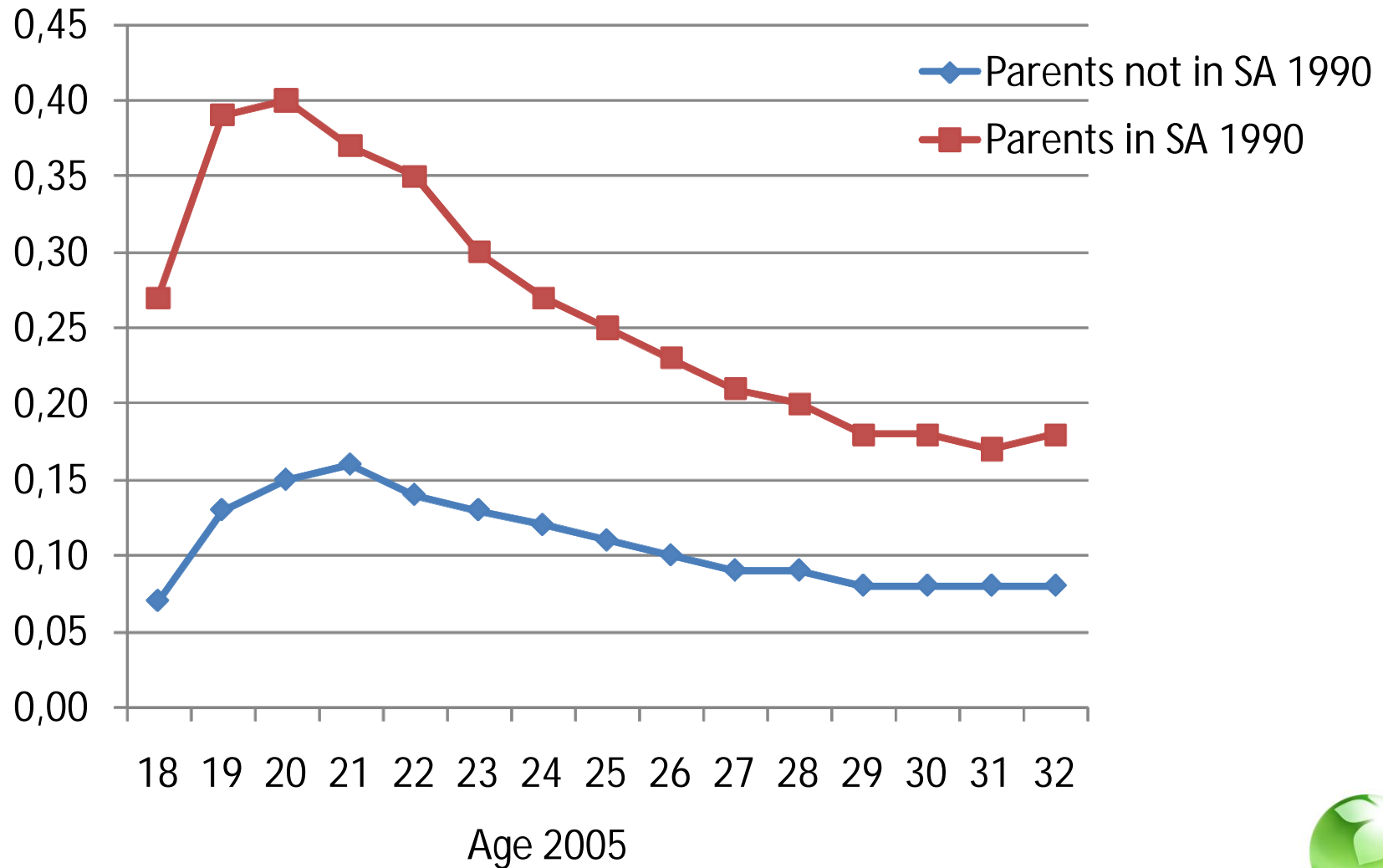


## Results: conditional probabilities

- Probability for SA is over twofold (.26 vs .11) among those whose parents had received SA compared to those whose parents had not received SA
- Probability for SA is very high in early adulthood among those whose parents had SA (.40), but probability decreases quickly after mid-20s (<.20)
- Probability for SA does not depend on age (.07 - .11) so much among those whose parents did not receive SA



# Conditional probabilities of social assistance according to parents SA and age



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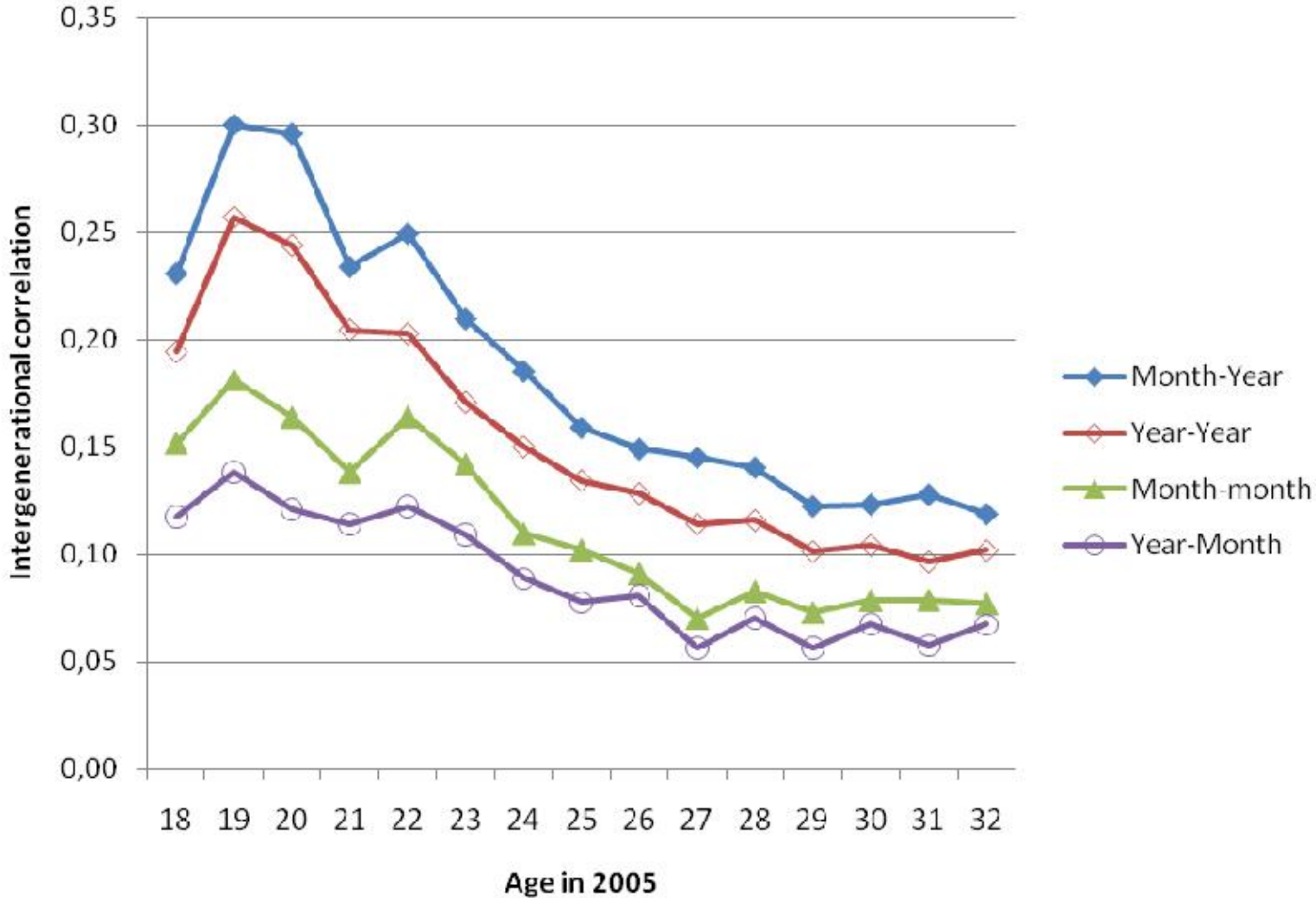


## Results: correlations

- The correlation was .15 on average when the observation window was a calendar year
- Correlation varied according to the i) the age of child, ii) the gender and iii) length of the observation window
  - i. correlation was stronger in the early twenties (.20), and substantially lower (.10) in the early thirties
  - ii. correlation was stronger for boys (.19) than for girls (.12)
  - iii. shorter observation window for parents yielded higher correlations, but shorter observation window for children yielded lower correlations.



# Intergenerational correlations of social assistance according to age, with different lengths of observation windows for parents in 1990 and for children in 2005



## Discussion: the length of observation

- Shorter observation window results downward correlations. If we assume a positive non-zero intergenerational correlation in SA reciprocity, we can expect that:
  - i. the identification biases related to a shorter observation window for parents or children yield downwardly biased estimates, and
  - ii. the selection biases cause an upward bias in the intergenerational correlation, but this depends on more uncertain assumptions pertaining to the significance of the duration of SA reciprocity.
- Given the supposedly opposite directions of the biases, the total bias may be in either direction, depending on the empirical context.



# Discussion: gender

- Intergenerational correlation is stronger for boys
- Is line with the studies on income and social mobility: parents' socioeconomic position predict stronger boys later socioeconomic position than girls
- No comprehensive theory or explanations for this: probably several factors behind. Gender-divided labour markets, selective marriage, cultural factors etc.



## Discussion: age

- Intergenerational correlation is highest in early adulthood
- Youth is a period in life is a time when people in general are in a vulnerable economic position and for this, parents' ability to give economic support plays a bigger role than in the later life >> cause higher correlation
- Many of the previous studies have studied the intergenerational correlation using data consisting only of young adults - over-estimated the intergenerational correlation?

