Intergenerational Inequality in Living Standards

Findings from the Australian National Transfer Accounts

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Outline

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Australian National Transfer Accounts
Conceptual issues re intergenerational inequality in living standards
Intergenerational inequality in income
Summary

Australian National Transfer Accounts

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‘A system of macroeconomic accounts that measures current economic flows by age in a manner consistent with the United Nations System of National Accounts. NTA measures age-specific labour income, asset income, consumption, transfers and saving, accounting for flows within households, between households, through the public sector and with the rest of the world.’

– United Nations Department of Economic and Social Affairs (2013)

‘Introducing age into national accounts’

– Mason and Lee (2011)

The global NTA project

Research teams constructing NTA estimates

– More than 60 countries

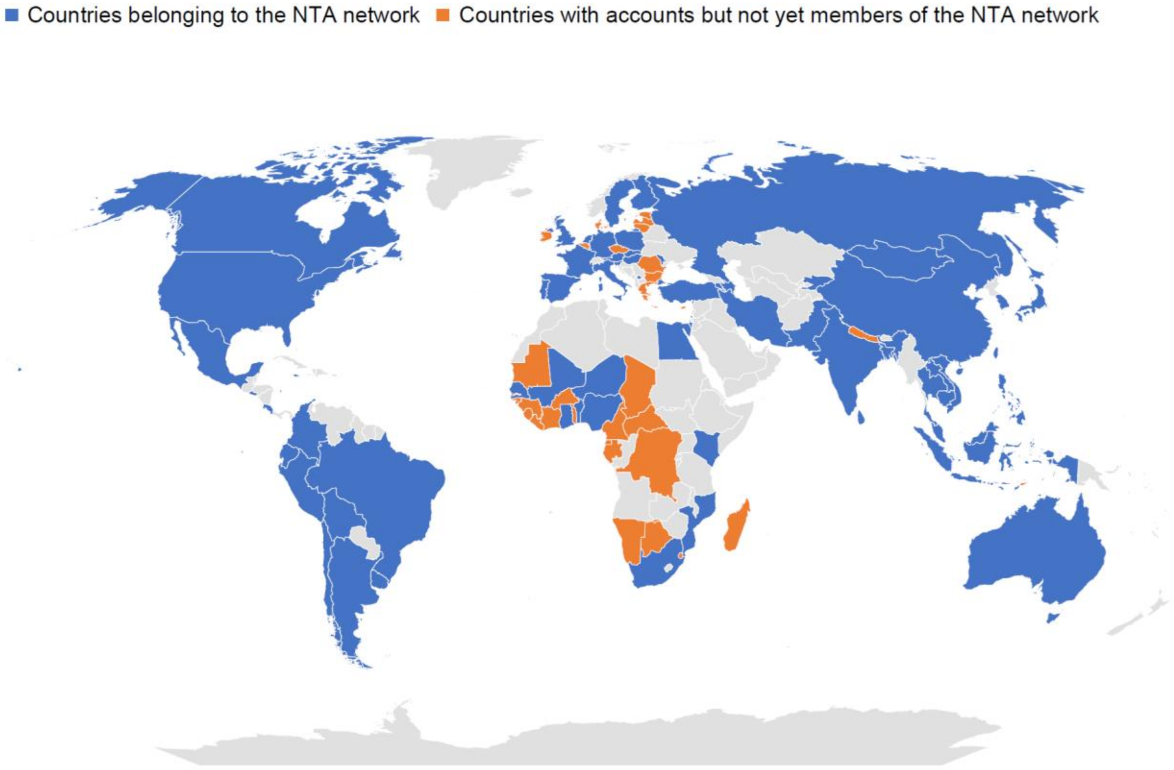
NTA estimates constructed

– More than 100 countries

Included in official statistical programs

– Republic of Korea (South Korea)

– Colombia



Methods and data sources

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Methods

– Developed by the global NTA project

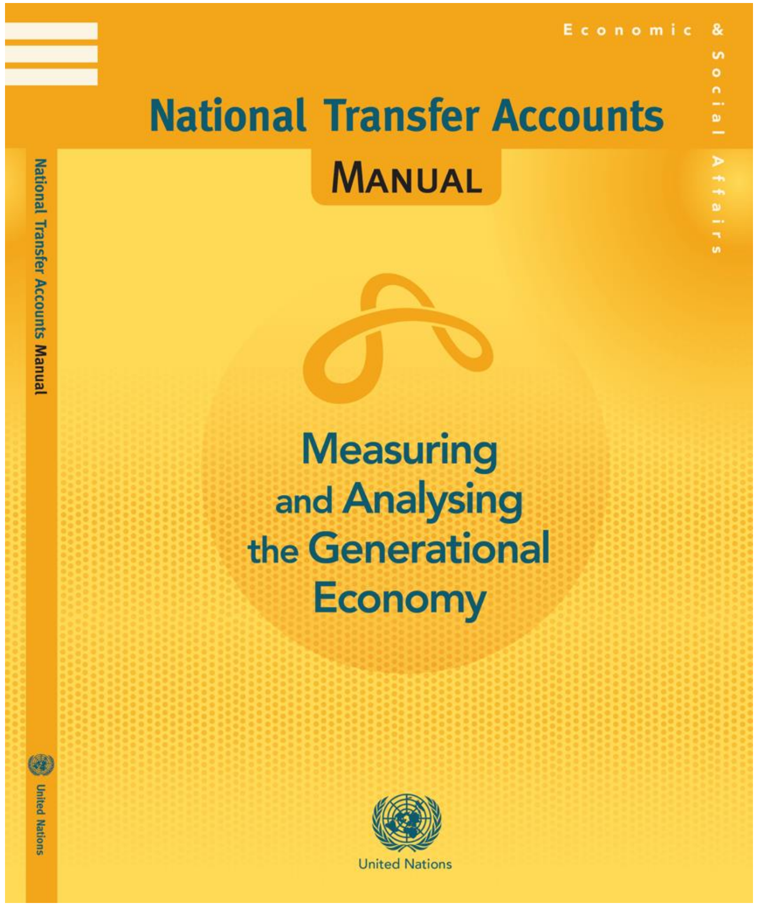
– National Transfer Accounts Manual (United Nations Department of Economic and Social Affairs 2013)

Data sources

– Australian System of National Accounts

– ABS Household Expenditure Surveys

– Other sources



Broad structure

Life cycle deficit

- Consumption
  - Public consumption
  - Private consumption
- Labour income

Public age-related reallocations

- Public transfers
- Public asset-based reallocations
  - Public asset income
  - Public saving

Private age-related reallocations

- Private transfers
  - Private inter-household tranfers
  - Private intra-household transfers
- Private asset-based reallocations
  - Private asset income
  - Private saving

Account items

More than 60 detailed account items

Australian NTA have been constructed for 7 years over a 34-year time period

- 1981–82
- 1988–89
- 1993–94
- 1998–99
- 2003–04
- 2009–10
- 2015–16

Conceptual issues re intergenerational inequality in living standards

Definition of living standards

Unit of analysis

Time period

Conceptual issues re intergenerational inequality in living standards

Definition of living standards

Income, consumption, wealth, etc.

Income

- Public transfers in kind?
- Taxes on production and imports?
- Capital income from owner-occupied housing?
- Private transfers within households (both in cash and in kind)?

Unit of analysis

Individuals, families, households?

- 'Generations' relate to individuals and individuals' years of birth
- Many families and households include multiple generations

Conceptual issues re intergenerational inequality in living standards

Time period

A week, a year, a lifetime?

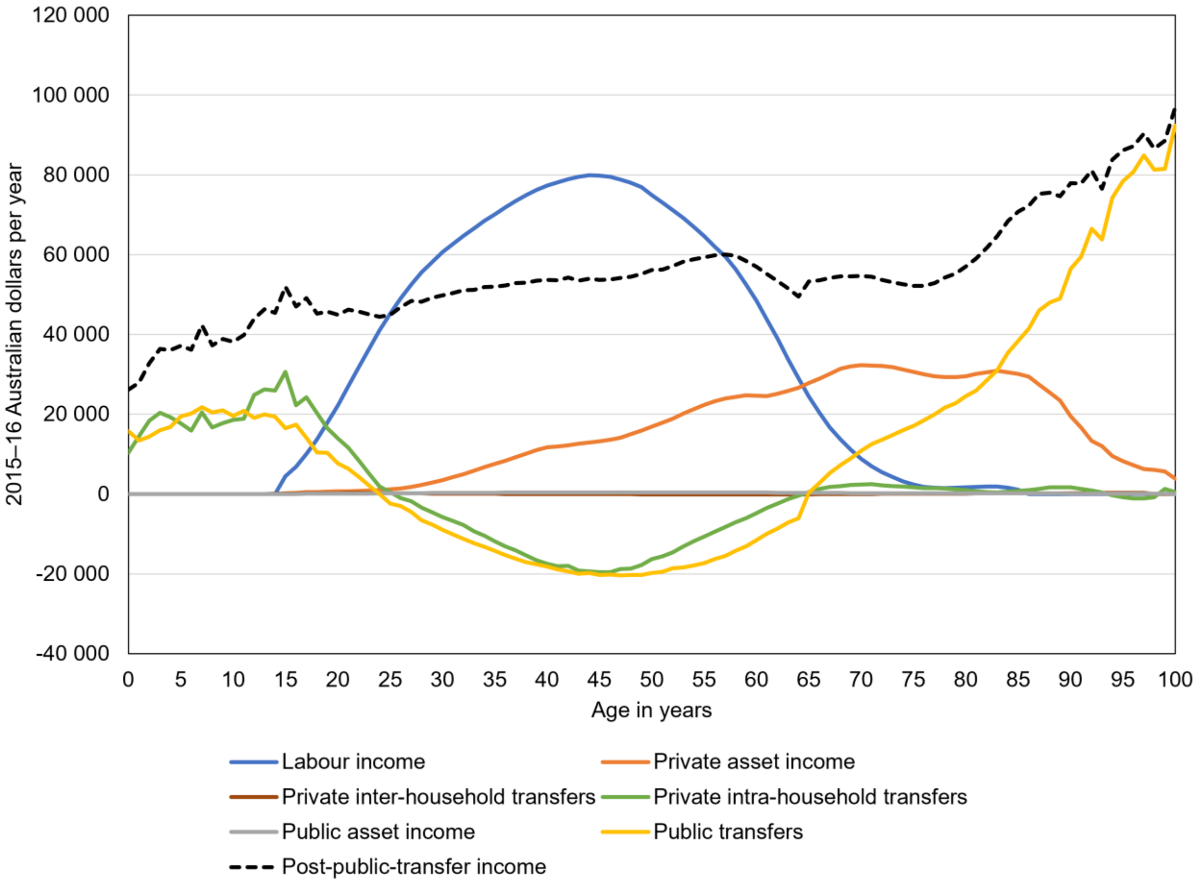
Shorter time periods, more variation → Longer time periods, less variation

Two temporal perspectives on living standards and intergenerational inequality

- A ‘cross-sectional’ perspective
  - Focuses on living standards at a particular point in time and how these living standards vary between people of different ages
- A ‘cohort’ perspective
  - Focuses on living standards over a lifetime and how these living standards vary between people of different generations or birth cohorts

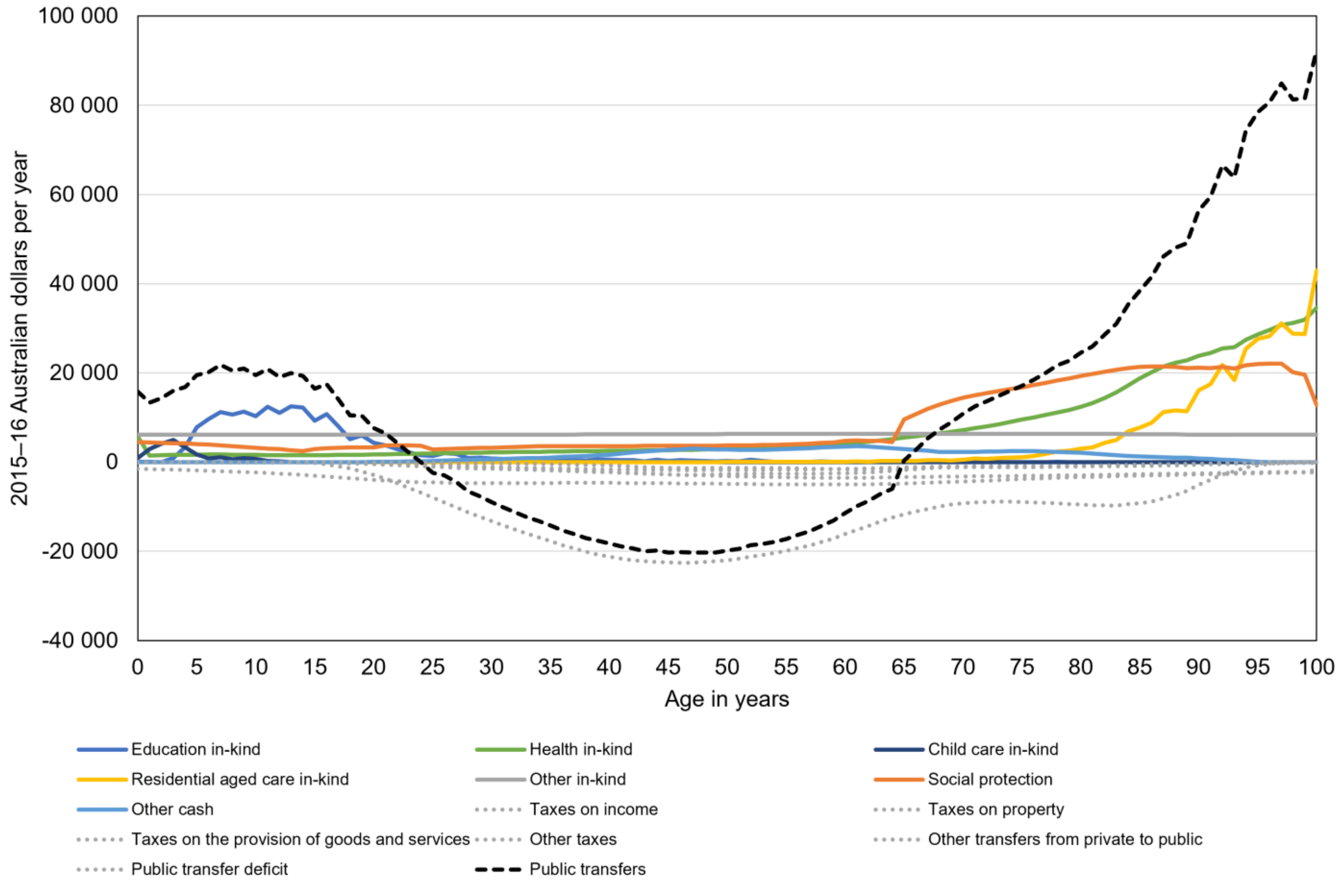
Intergenerational inequality in income

Per capita post-public-transfer income by age, 2015–16



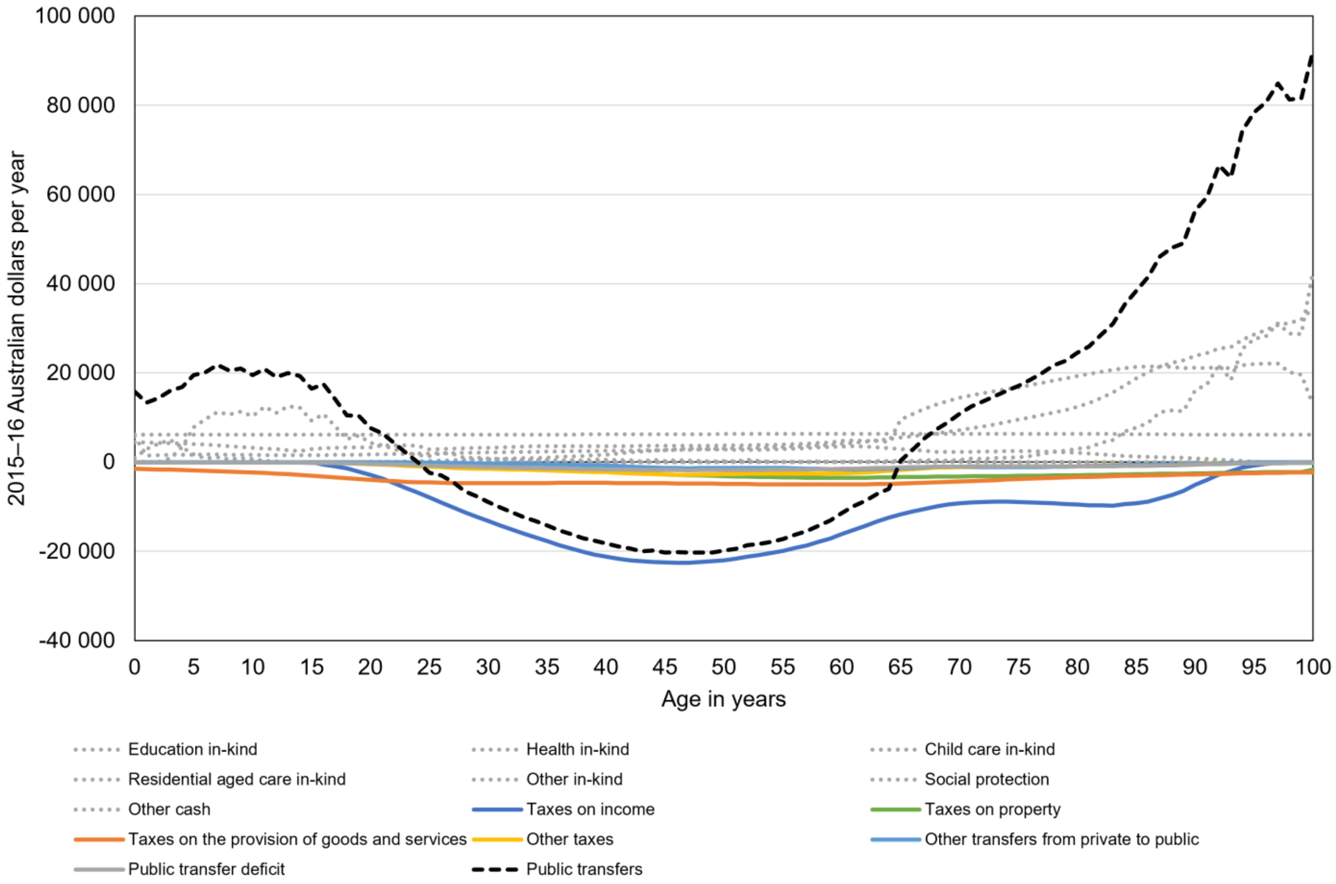
Per capita public transfers by age, 2015–16

Transfers from the public to the private sector highlighted

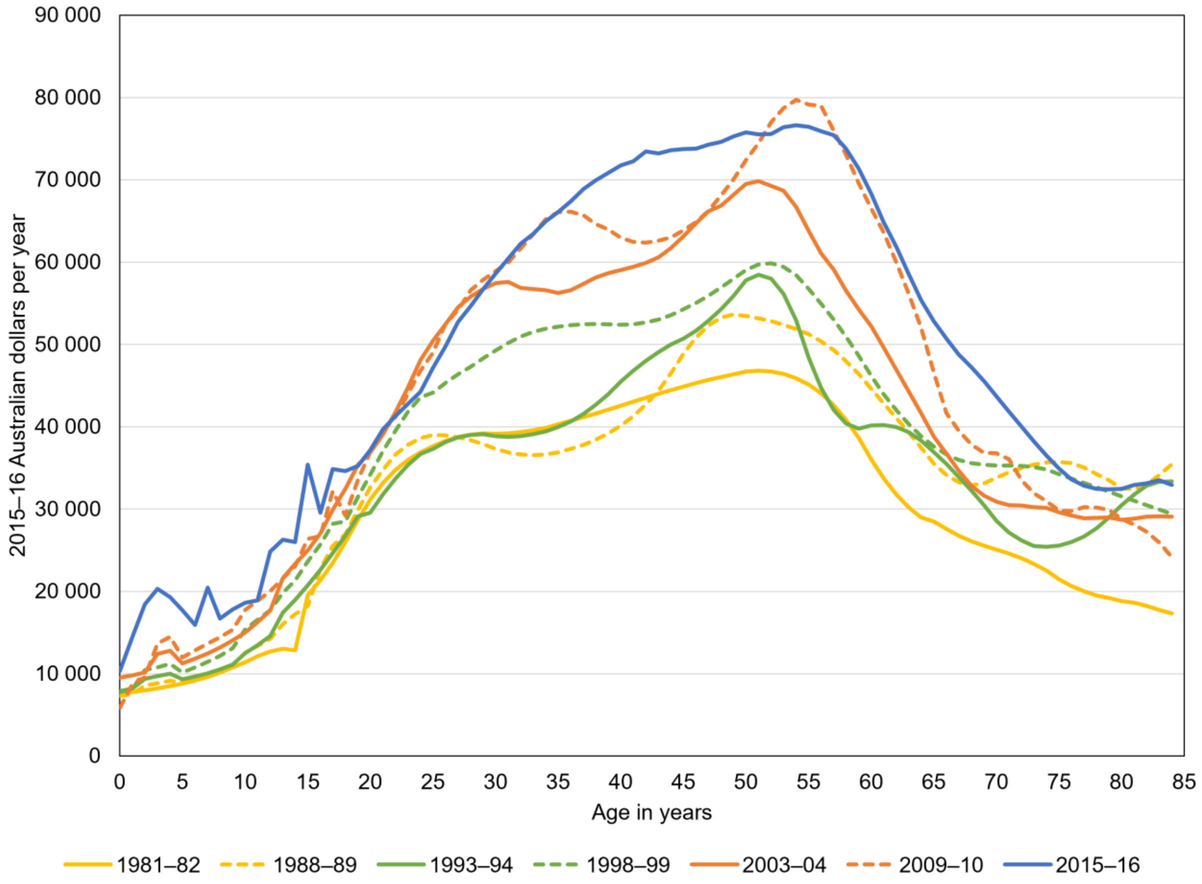


Per capita public transfers by age, 2015–16

Transfers from the private to the public sector highlighted



Per capita pre-public-transfer income by age, 1981–82 to 2015–16



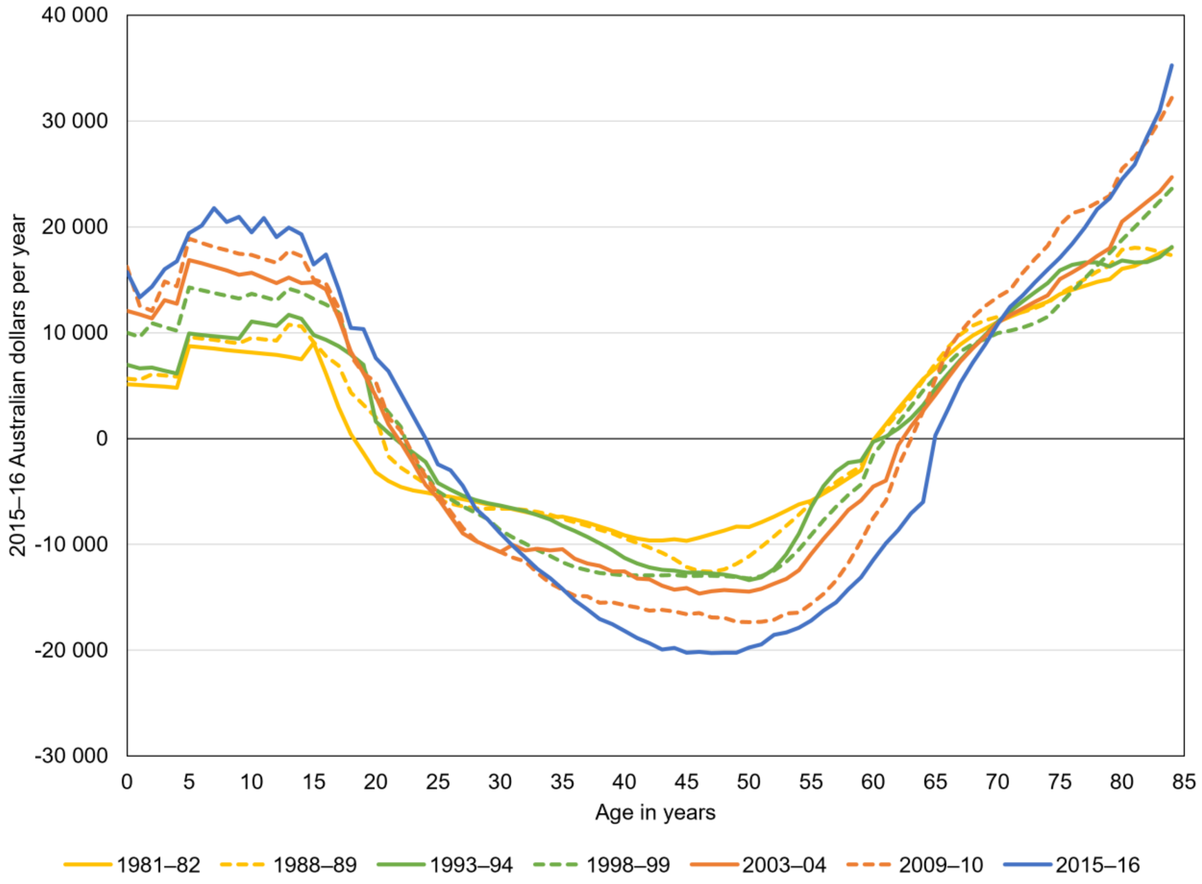
Change from 1981–82 to 2015–16

24 or younger
× 1.7 (+$10 753)

25 to 64
× 1.9 (+$31 175)

65 or older
× 1.9 (+$18 324)

Per capita public transfers by age, 1981–82 to 2015–16



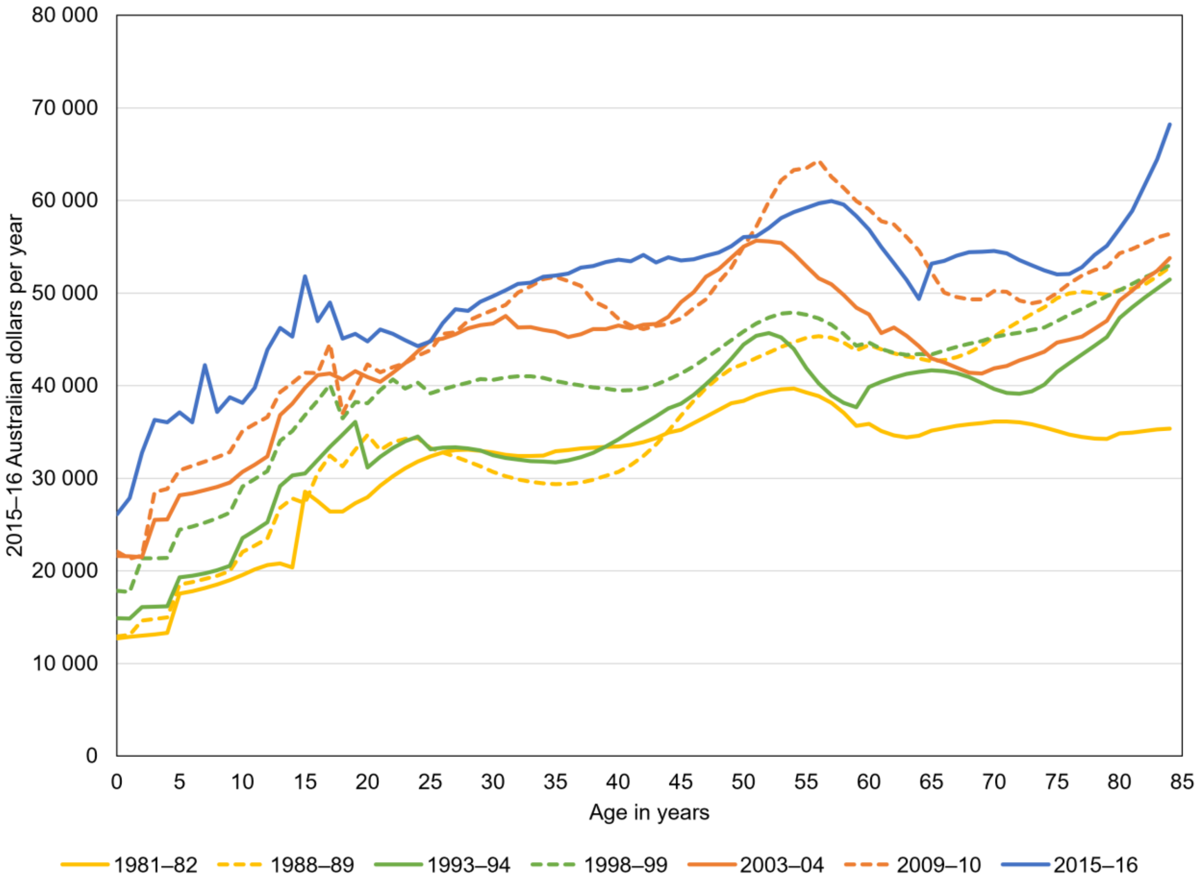
Change from 1981–82 to 2015–16

24 or younger
× 4.0 (+$10 843)

25 to 64
× 2.5 (−$8 580)

65 or older
× 1.7 (+$7 789)

Per capita post-public-transfer income by age, 1981–82 to 2015–16



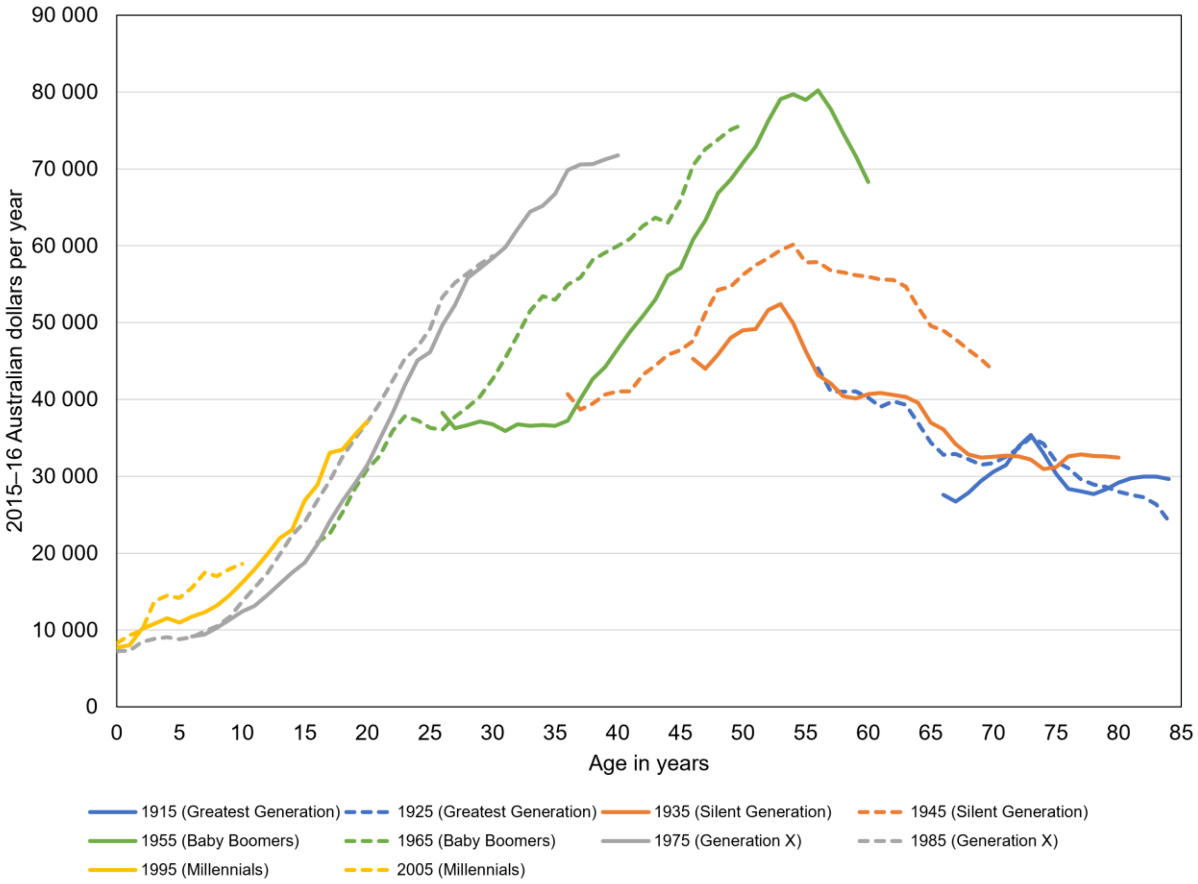
Change from 1981–82 to 2015–16

24 or younger
× 2.1 (+$21 596)

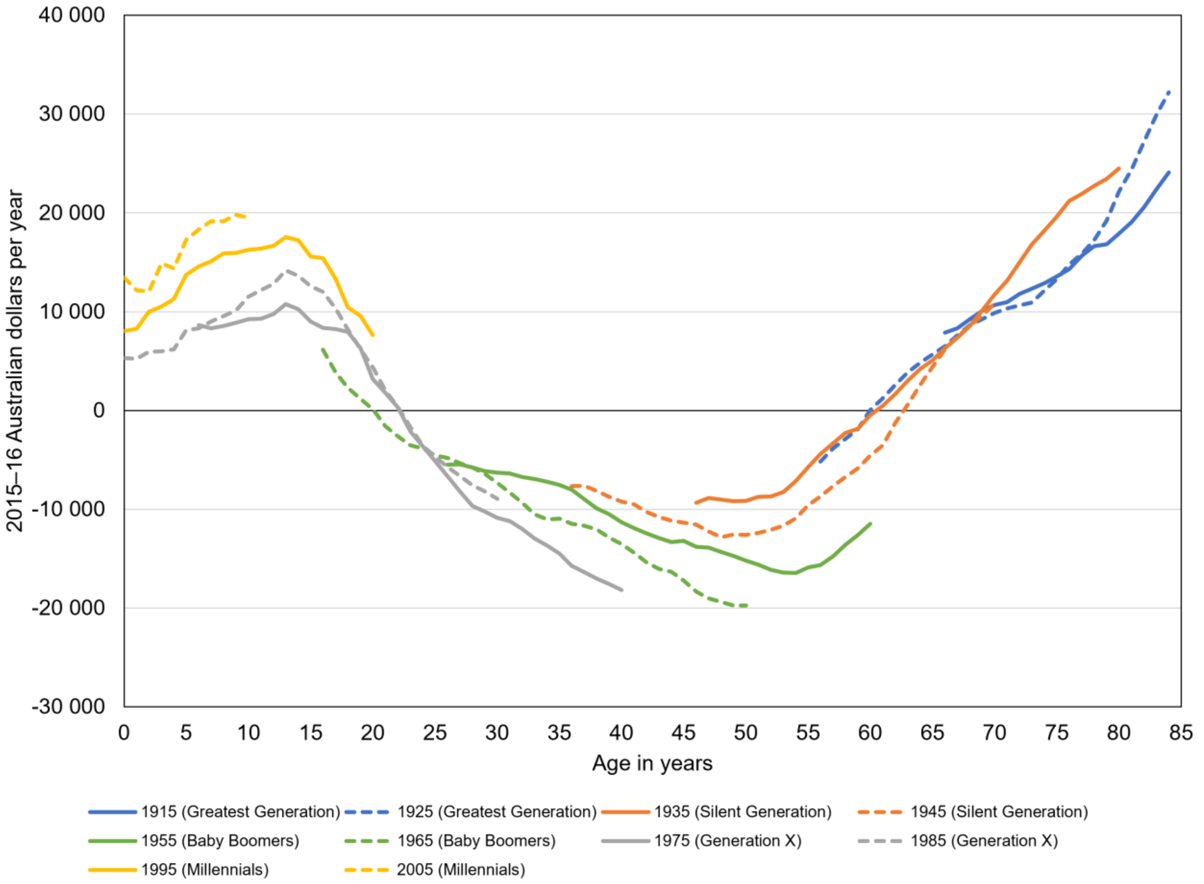
25 to 64
× 1.7 (+$22 595)

65 or older
× 1.8 (+$26 113)

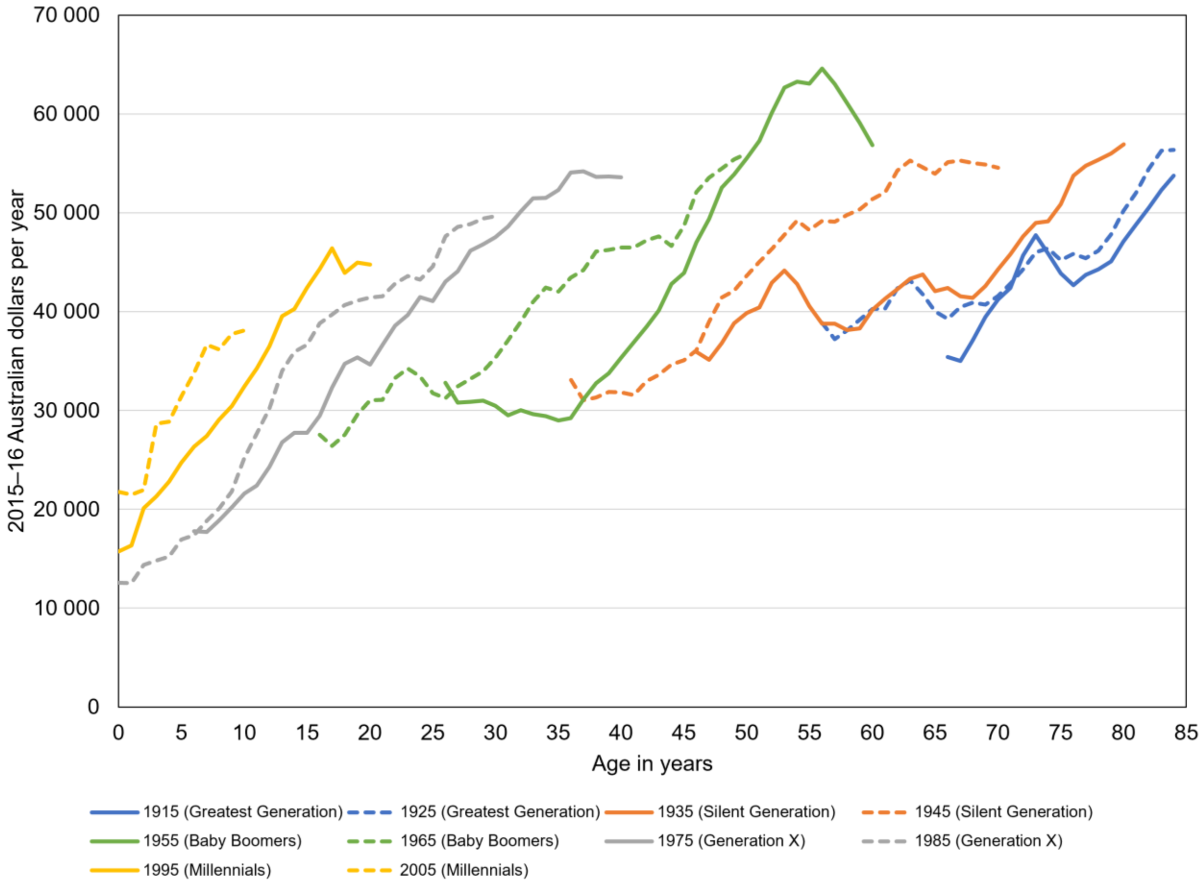
Per capita pre-public-transfer income by birth cohort (generation), 1981–82 to 2015–16



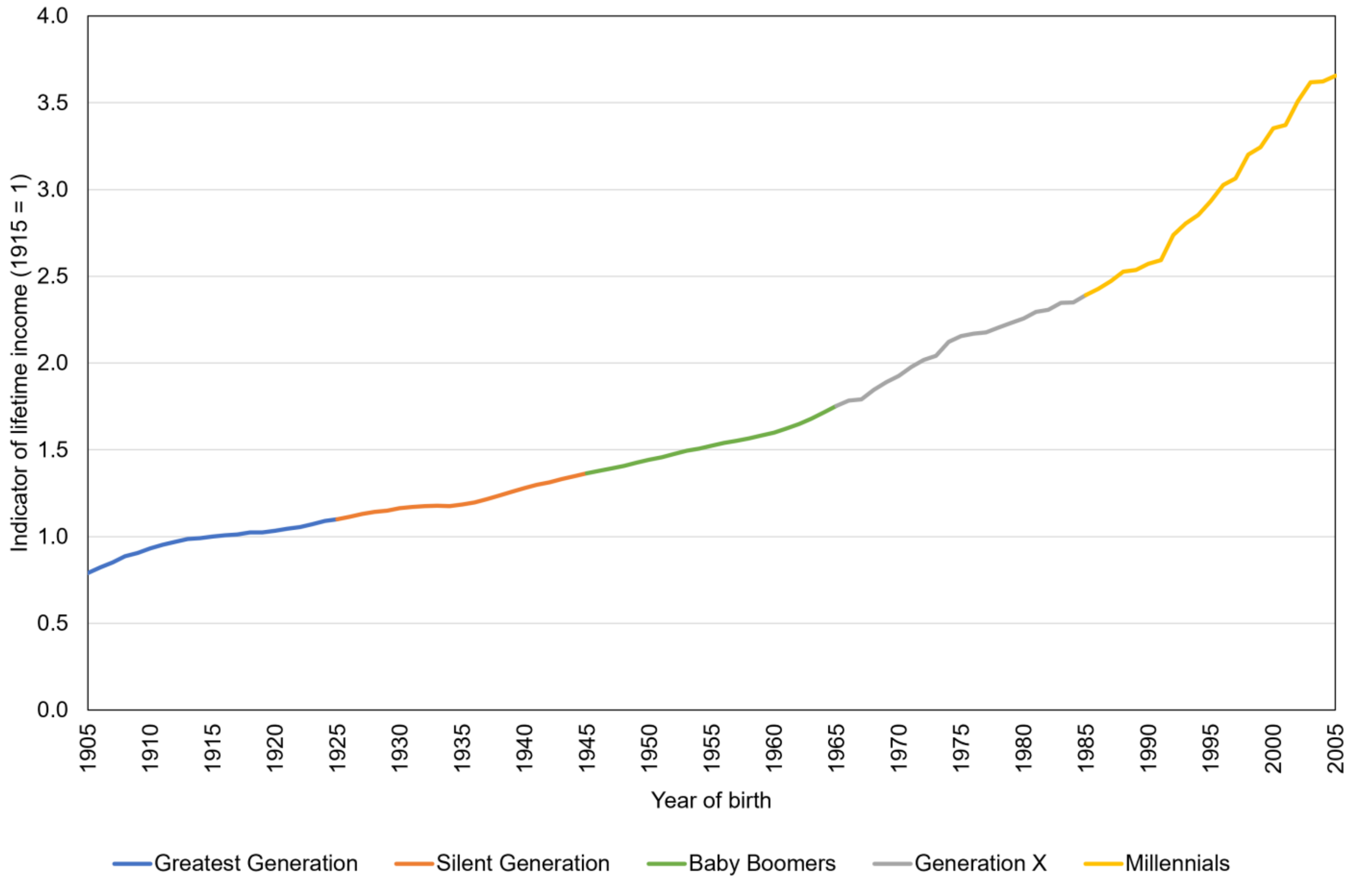
Per capita public transfers by birth cohort (generation), 1981–82 to 2015–16



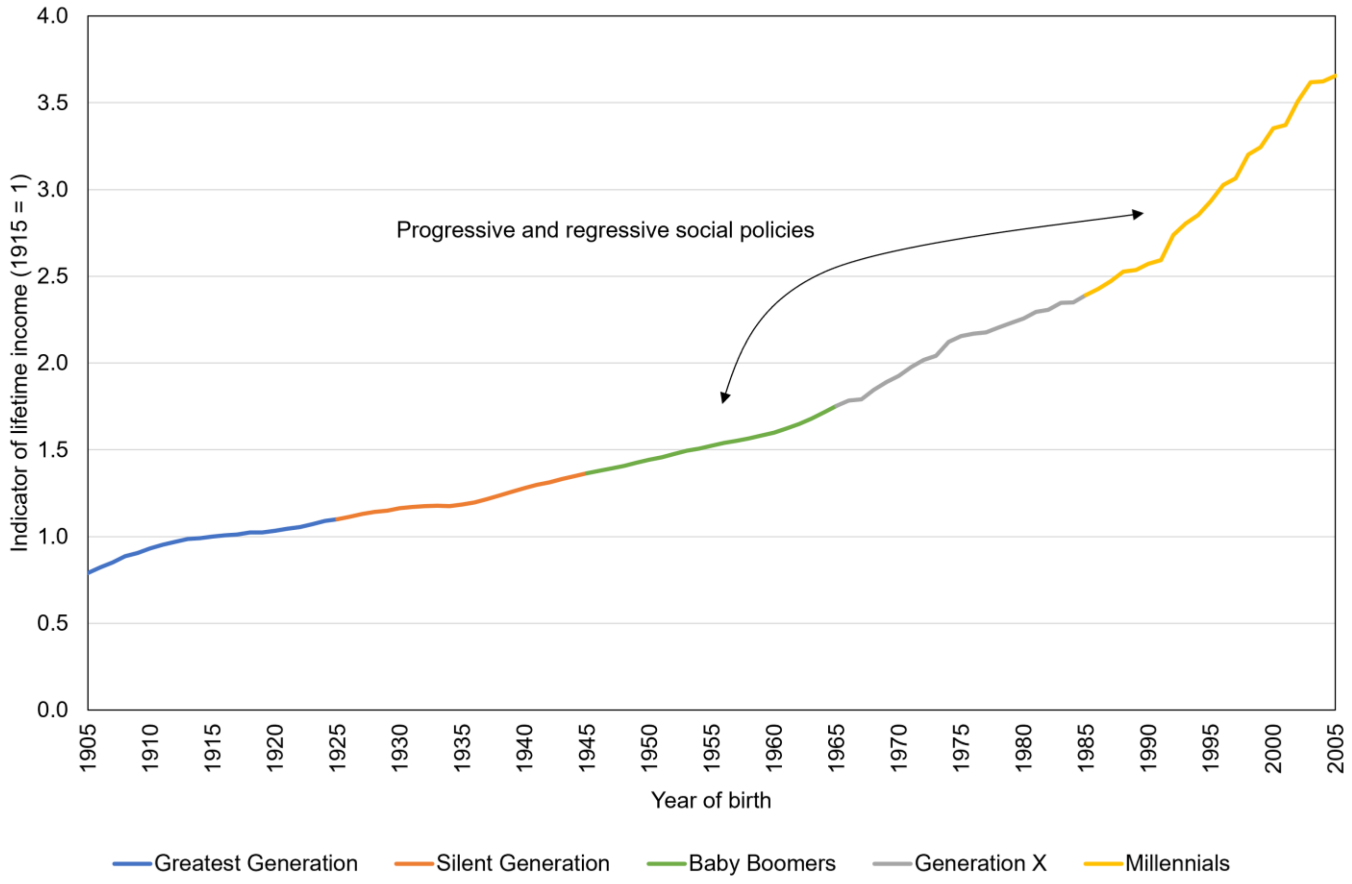
Per capita post-public-transfer income by birth cohort (generation), 1981–82 to 2015–16



Indicator of lifetime post-public-transfer income by birth cohort (generation), 1981–82 to 2015–16 (1915 = 1)



Indicator of lifetime post-public-transfer income by birth cohort (generation), 1981–82 to 2015–16 (1915 = 1)



Intergenerational Inequality (IGI) index, 1981–82 to 2015–16

IGI index for post-public-transfer income	0.267
IGI index for pre-public-transfer income	0.258

Summary

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Conceptual issues re intergenerational inequality in living standards

- Definition of living standards
- Unit of analysis
- Time period
  - A key consideration with respect to intergenerational inequality

Summary

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Cross-sections

- Inequalities in income across ages largely reflect differences in needs

Cohorts

- Inequalities in income across generations (or birth cohorts) largely reflect economic growth, which benefits later generations more than earlier generations
- If anything, public transfers have worked to increase inequalities in income across generations by favouring later generations more than earlier generations

Progressive and regressive social policies

- Social policies that are regressive over longer time periods can appear progressive over shorter time periods

Related references

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