

Private Intergenerational Transfers between Parents and Children in the U.S., and Consequences of the Great Recession

Extended Abstract

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Abstract

Few studies have examined transfer patterns over time and how they change with family dynamic, timing of certain events, and across the business cycle. This paper contributes to the literature on intergenerational transfers by, first, examining the dynamics of money, time, and space resources, over time and across the life course; and, secondly, by providing new evidence on the consequences of the great recession of 2008 on support. We use 9 waves of the Health and Retirement Study (1994-2010). Our preliminary results show a positive albeit small *effect* of the great recession on monetary transfers from parents to children, time spent (care) from children to parents, and coresidence. They also show the importance of race, socioeconomic status, and coresidence in the likelihood of support. These findings motivate the discussion about how specific characteristics of the recession could explain changes in the intergenerational flows observed in the U.S.

Introduction

Intergenerational transfers defining the flow of resources within families have attracted the attention of researchers and policymakers in recent years, as government resources have been reduced and wealth inequality has increased (Kim 2012). These transfers are particularly important for governmental redistribution policies because they may aggravate (alleviate) financial inequality across generations. Much of the debate, however, has been focused on its public dimension only, especially on pensions and health-care provisions. For a full account, transfer of resources between adult generations in the family needs to be included, as welfare systems are widely affected by private intergenerational transfers.

Although previous research describes the patterns of intergenerational transfers between family members (Albertini et al. 2007; Grundy 2005), most of these studies are cross-sectional, retrospective, or focus only on unidirectional flows (e.g., from parents to kids) (Kim 2012; Remle 2008). Only handful of studies examine within family transfer trajectories to explore how they are structured over time, or whether they correspond with broader family dynamics or the timing of certain life course events (changes in marital status, health, or socioeconomic conditions).

Additionally and despite the growing number of empirical studies of private transfers, little research has examined intergenerational transfers across the business cycle. A recession presents a potential problem for familial safety nets in which the needs of potential recipients could rise just as resources of potential givers become depleted. However, it is not clear what would be the effect as recipients might need more assistance, but also donors might have less resources to provide help. The great recession of 2008 presents an opportunity to explore the effect of economic strain on intrafamily flows of transfers.

In order to explore the dynamics of private intergenerational transfers over a period of 16 years, and to estimate the consequences of the great recession, this paper proceeds in two steps. First, using 9 waves of the Health and Retirement Study, we describe patterns of three types of support (money, time, and coresidence) during the period 1994-2010, and assess factors that influence the likelihood of support from elderly to children, and from children to elderly. Second, we estimate the *effect* of the last recession on the likelihood, direction, and magnitude of the different types of support, and explore differences by gender, race, marital status, and socioeconomic status.

This paper contributes to the literature on intergenerational transfers in two important ways. First, by examining the dynamics of money, time, and space resources, over time and across the life course, we extend the length of the observation period used in previous studies (Remle 2008). Secondly, we provide new evidence regarding the consequences of the great recession of 2008 on intergenerational support.

Intergenerational Transfers

Intergenerational transfer is a broad term referring to the sharing of valuable resources across generations within one's extended family. Transfers can be categorized by their direction and content. The flow of resources between generations is bidirectional: from children to parents, or from parents to children. Time, the provision of childcare/elderly care services, space (coresidence), emotional support as well as financial resources (money and goods) can be currencies of intergenerational transfers (Schoeni 1997). Time transfers typically refer to instrumental assistance between parents and adult children measured in the amount of time members of one generation spend helping family members from another generation with various tasks. Several possibilities include assisting elderly parents with activities of daily living, transportation assistance, the provision of child care or babysitting for young grandchildren, and caring for a family member during a prolonged illness. Space transfers refer to shared housing or the coresidence of multiple adult generations within an extended family. Money transfers come in two forms – financial transfers and bequests.

Research on factors associated with parents' provision of help to children has demonstrated the importance of sociodemographic factors including age, socioeconomic status, health, and marital status. Money transfers from U.S. parents to their adult children, for example, peak when parents are in their late 50s and early 60s, and decline in later old age. Transfers of money to children are also associated with higher income and socioeconomic status: higher parental income and educational status were positively associated with provision of financial help to children, specially from married parents (Henretta et al. 2002). Henretta et al. (2002) also show that poor parental health is negatively associated with provision of financial and chore help by fathers. Regarding transfers from children to parents, Grundy and Shelton (2001) found that among British adult children with a living parent, that higher education and home ownership were associated with reduced likelihood of at least weekly face-to-face contact with parents after control for other relevant factors including proximity. In another study, Couch et al. (1999), show that higher earning child households did indeed rely relatively more on providing cash transfers,

however, there was a positive association between giving money and giving time.

Our paper examines parental and children factors that influence the likelihood of support using longitudinal data. We show to what extent changes in respondents and children conditions (e.g., disease, employment, marital status) influence the probability of providing assistance, amounts, and number of transfers.

Consequences of the Economic Recession

To predict a priori the consequences of economic recession on intergenerational transfers is not straightforward. It is not clear whether intrafamily transfers should increase as recession-problems of potential recipients become more severe, or decrease as resources of potential donors become less plentiful. There is limited empirical evidence to adjudicate between these alternative mechanisms (Research 2011). For instance, Cox (2011), in a recent paper, found that despite diminished wealth, older parents increased their financial help to adult children as the recession deepened and children suffered from job losses and mortgage problems. Parents who gave tended to harbor expectations of having to provide financial help well before the recession began. They used data from the Health and Retirement Survey (that included the first year of the Great Recession of 2008), supplemental data for 2009, and the RAND American Life Panel (ALP).

Our paper intends to complement Cox (2011) analyses, including not only a broader track of transfers previous and after the great recession, but also different types of transfers, such as time (help) and space (coresidence).

Data and Methods

We use 9 waves of the Health and Retirement Study (HRS) from 1994 to 2010. All data are from the HRS Public Use files, RAND HRS Data Version L, and RAND HRS Family Data Version B. We combine the HRS cohort (individuals born between the years 1931 and 1941) and the AHEAD cohort (individuals born before 1924). Our unit of analysis consists of respondents born in 1941 or before. Throughout we only focus on the subsample of respondents with surviving children. Because our unit of analysis is respondents, we randomly selected an individual when the household had more than one member born in 1941 or before. We also excluded people who died during the period of the study, and drop-outs.

We consider three types of support:

1. Monetary transfers, from children to parents, and from parents to children. HRS defines financial assistance as giving money, helping pay bills, or covering specific types of costs such as those for medical care or insurance, schooling, down payment for a home, rent. The financial help can be considered support, a gift or a loan. We use as outcomes prevalence of transfers, amount (in US dollars), and number of transfers. Transfer questions were asked retrospectively (last two years from interview date).
2. Help (care) from kids to parents. We use the HRS classification of a child as helper. A helper may be a person or organization that was reported by the respondent as providing help with ADLs or

IADLs. The helper file contains information provided by each respondent about helpers, specifying number of hours and days of help.

3. Coresidence.

Our analytical strategy consists of three general steps:

1. Descriptive analysis using the rates and amounts of support over time by gender, age, race, marital and socioeconomic status.
2. Assessment of factors that influence the likelihood of the supports defined above, amounts, and numbers of transfers, using as controls respondent variables, children characteristics, and dummies for years (see Table 1 for a detail of covariates used so far). We use conventional regression, random effects, and fixed effects models, and explore interactions by gender, race, marital and socioeconomic status.
3. Finally, we estimate the coefficients for the great recession of 2008 on the likelihood of the support, specifying also interactions by gender, race, age, and socioeconomic status, in order to explore differences of the recession consequences by groups. We use a formal definition of recession based on the year of the interview's application (i.e., transfers that occurred before 2008 and after 2008). We explore the results of these models predicting probabilities, amounts, and number of transfer: we compare the differences in these outcomes between a counterfactual with no recession and those obtained using the estimated effects of the recession by age, gender, and ethnic groups.

Preliminary Results

Figure 1 shows the trends of the prevalence of types of support considered in this paper, from 1998 to 2010. For these analyses we excluded years 1994-1996 due to changes in the cut-off amount that HRS used during that period to define monetary transfers. In future analysis and to increase comparability we will combine 1994-1996 prevalences with amounts (in U.S. dollars). As seen in the figure, the greatest proportion of transfers go from parents to children. Coresidence appears in a second place. Monetary transfers from children to parents and help, in turn, are below 10%, although there is an important increase of help between 2008 and 2010. The figure suggests a positive effect of the great recession on monetary transfers from parents to children, and help from children to parents. A smaller increase is also observed in coresidence. Monetary transfers from children to parents seems to be unaltered by the recession. This is evidence of the existence of “compensating transfers” between children and parents.

In Table 1, we present preliminary multilevel logistic models to predict prevalence of support. The first group of coefficients (year dummies), provides a first estimation of the effect of the great recession on the likelihood of support after controlling for several individual and children independent variables. Being 2008 the year of reference, 2010 (transfers occurred after 2008) corresponds to the effect of the recession on the logit of the probability of support, independently of covariates. Consistent with what we observed in Figure 1, year 2010 is statistically significant regarding monetary transfers from parents to children, help from children to kids (highest coefficient), and coresidence.

The models also provide expected patterns regarding the coefficients of covariates: important differences by race, education, socioeconomic status, education, and work status are observed. The aggregate

values of the pool of children also seems to be important, specially the coresidence status, marriage, and education.

The next steps of this preliminary analysis were outlined in our analytical strategy: we will assess the recession consequences using different modeling strategies (fixed effects, lagged dependent variable), and use amount and number of transfers as outcome. In addition, we will estimate effects of the recession by gender, race, gender, and socioeconomic status.

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Tables and Figures

Figure 1: Trends of Intergenerational Flows of Transfers, HRS 1998-2010

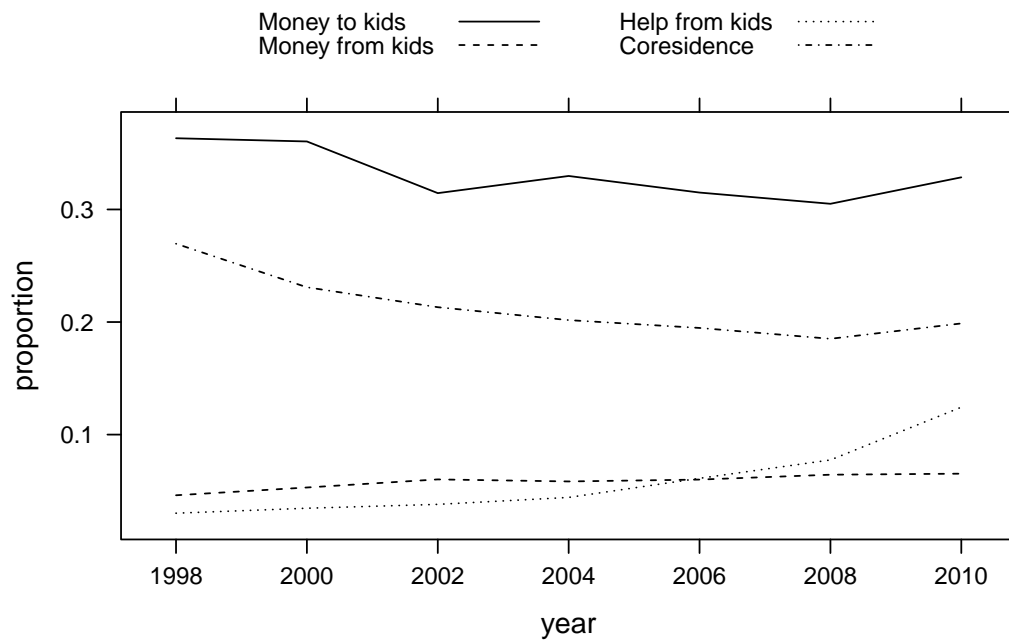


Table 1: Logit Coefficients, Random Intercept Models, HRS 1998-2010

	Money from P to C	Money from C to P	Help from C	Coreidence
Time				
Intercept	-1.96*** (0.16)	-4.10*** (0.30)	-4.60*** (0.34)	-4.19*** (0.35)
1998	-0.08 (0.10)	-0.36 (0.19)	-0.14 (0.22)	0.45* (0.21)
2000	0.26 (0.19)	-0.25 (0.37)	-0.26 (0.47)	0.25 (0.29)
2002	-0.18* (0.07)	-0.06 (0.14)	-0.37* (0.17)	0.06 (0.14)
2004	0.01 (0.06)	-0.05 (0.13)	-0.37** (0.14)	0.03 (0.11)
2006	0.01 (0.06)	-0.06 (0.12)	-0.10 (0.12)	0.08 (0.09)
2010	0.23*** (0.06)	-0.09 (0.12)	0.63*** (0.11)	0.25* (0.10)
Respondent Variables				
Male	0.09 (0.06)	-0.63*** (0.13)	-0.87*** (0.16)	-0.87*** (0.15)
Black	-0.19* (0.09)	0.99*** (0.13)	0.45** (0.17)	1.24*** (0.17)
Other race	-0.43*** (0.10)	0.68*** (0.17)	-0.15 (0.22)	1.60*** (0.21)
Age	0.02* (0.01)	0.01 (0.02)	0.09*** (0.02)	0.13*** (0.02)
Cohort (>1941)	0.15 (0.13)	0.12 (0.25)	-0.24 (0.28)	0.19 (0.31)
Never married	-0.10 (0.28)	0.23 (0.39)	0.68 (0.46)	-0.43 (0.47)
Divorced	-0.02 (0.08)	0.41** (0.14)	0.70*** (0.17)	0.38** (0.14)
Widowed	-0.08 (0.07)	0.50*** (0.12)	0.71*** (0.14)	0.97*** (0.12)
Years of education	0.13*** (0.01)	-0.04 (0.02)	-0.13*** (0.02)	-0.09*** (0.02)

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. P=Parents; C=Children

Continuation: Logit Coefficients, Random Intercept Models, HRS 1998-2010

	Money from P to C	Money from C to P	Help from C	Coresidence
Respondent's Variables				
Wealth Quintile 2	0.45*** (0.08)	0.13 (0.11)	-0.50*** (0.12)	0.05 (0.10)
Wealth Quintile 3	0.77*** (0.08)	-0.08 (0.13)	-0.80*** (0.15)	0.07 (0.12)
Wealth Quintile 4	1.03*** (0.09)	-0.76*** (0.15)	-1.16*** (0.18)	-0.12 (0.13)
Wealth Quintile 5	1.30*** (0.09)	-1.28*** (0.20)	-1.32*** (0.21)	-0.33* (0.15)
Working full-time	0.36*** (0.05)	-0.11 (0.12)	-0.84*** (0.25)	0.38*** (0.09)
Working part-time	0.23* (0.09)	-0.01 (0.18)	-0.76* (0.36)	0.19 (0.14)
Medicaid or nothing	-0.38*** (0.07)	0.21* (0.10)	0.43*** (0.12)	0.13 (0.09)
Health problems	0.02 (0.05)	0.04 (0.10)	0.70*** (0.11)	0.21* (0.09)
Number of children	-0.02 (0.01)	0.05* (0.02)	0.06* (0.03)	0.22*** (0.03)
Childrens Aggregate Variables				
Prop. male	-0.04 (0.09)	0.19 (0.17)	-0.67** (0.21)	0.22 (0.21)
Avg. age	-0.05*** (0.01)	0.01 (0.01)	0.02 (0.01)	-0.17*** (0.01)
Prop. married	-0.68*** (0.08)	-0.11 (0.16)	0.04 (0.19)	-2.06*** (0.15)
Avg. years of education	0.02 (0.02)	0.20*** (0.03)	-0.01 (0.04)	-0.19*** (0.03)
Prop. with kids	0.31*** (0.09)	-0.29 (0.17)	-0.31 (0.22)	-0.91*** (0.16)
Prop. working	-0.15 (0.08)	0.19 (0.17)	-0.21 (0.17)	-0.78*** (0.14)
Prop. coresiding	0.11** (0.04)	0.42*** (0.06)	0.52*** (0.08)	
AIC	27340.71	9762.84	8244.27	16387.47
BIC	27609.99	10032.20	8513.99	16649.02
Log Likelihood	-13637.35	-4848.42	-4089.14	-8161.74
Deviance	27274.71	9696.84	8178.27	16323.47
Num. obs.	25851	25914	26192	26192
Individuals	4926	4923	4936	4936
Variance Intercept	2.23	3.33	4.66	11.36

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. P=Parents; C=Children