Intergenerational Family Transfers in Aging Societies

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Contemporary aging societies are age-graded and to a large extent age-segregated societies. Their institutions tend to be age-homogeneous (Uhlenberg & Riley, 2000). Relations and transfers between generations are critical for maintaining age integration.

This is especially obvious at the level of the family. Families link lives far beyond the co-residing nuclear unit, most prominently along the generational lineage. The study of family transfers among adult generations is important for at least four main fields of sociological inquiry:

for *life course research* where it follows the balance of giving and receiving across the life course, and highlights the position of the elderly as net givers;

for *research on social security* where it complements our understanding of the family as a pillar of the contemporary welfare mix;

for *stratification research* where it draws attention to the fact that the transfer of social status is not over at the beginning of adulthood but continues by other means;

and for *research on social inclusion* where it shows that the family even in contemporary societies remains one of the key providers of social bonds or "social capital".

It should be stressed that intergenerational family relations are not always a "good" form of social capital:

they may increase social inequality, and thus go against universalistic concerns;

they may block the development of a more encompassing civil society (in the sense of what Edward Banfield [1958] called "amoral familism");

and they may even constitute an outright harmful version of social bonds, e.g., in the form of family-based criminal networks.

This having been said, the remainder of this brief discussion will focus more on the positive aspects of family transfers (which are plentiful).

While there is already a considerable amount of economic work on family transfers, sociology has been slow to follow. Given their importance, this is surprising. One of the reasons for this neglect lies in what may be termed the "Durkheim-Parsons orthodoxy" of modernization theory, with its emphasis on the nuclearization of the family and the concomitant weakening of the bonds beyond the nuclear household, especially in monetary terms (Kohli, 1999).[1] The sociology of intergenerational relations has over the last three decades refuted this account for many dimensions of solidarity (Bengtson, 2001) but has not given due attention to material transfers. Stratification research has also suffered from this truncated version of modernization by focussing on labor market and public transfer incomes only, and neglecting wealth as a component of stratification (Spilerman, 2000).

Sociological explanations of intergenerational family transfers may emphasize either the institutional aspects of family and welfare regimes or the cultural aspects of values and preferences. Institutional variation between nation states occurs in three dimensions:

- Institutional regimes create different legal and normative obligations, e.g., legal obligations of support between generations that exist in the family-centered pattern of Germany (and to a lesser extent of France) but not in the individual-centered pattern of the US.
- Institutional regimes create different needs for family transfers, as for example the costs for higher education in the US, or the costs for housing in Israel.
- Institutional regimes create different opportunities and restrictions; a good case in point is the weakening of status and capital transmission through the family in „real socialist" countries (cf. Kohli et al., 2000).

These types of institutional variation require comparative studies for which the requisite data are beginning to be made available.

[1] Durkheim went so far as to predict that inheritance would lose its salience in modern societies. Economic estimates of the proportion of the aggregate wealth of contemporary cohorts that is due to bequests – as opposed to life-cycle accumulation – vary widely, with a plausible number for the US of about 40 percent (DeLong, 2003). This is clearly much less than before the industrial revolution, but much more than our received sociological stories tell us.

My own work has been based on the German Aging Survey, a large representative survey of the West and East German population aged 40-85 in private households conducted in 1996, with a broad range of sociological and psychological variables of well-being, resources, productivity and social participation (cf. Kohli & Künemund, 2000; Szydlik, 2000). It includes both *inter vivos* transfers and bequests. As to the former, we show that transfers are given at a considerable rate (32 percent of our respondents have given, and 8 percent have received larger amounts of money or in kind or regular financial assistance to people outside their own household during the twelve months before the survey), that they occur mostly in the generational lineage, and that they flow mostly downward, from the older to the younger generations. The results from multivariate analyses show that transfers from parents to children depend on attributes of the parents (especially their income and wealth), the children (especially their need), and the parent-child relationship (especially contact frequency and residential proximity). There are East-West differences, but no significant gender differences, in contrast to what some smaller studies reveal to still have been the case a few decades ago. These results are similar to those obtained in France and the US, the only countries for which comparisons have so far been possible.

Values and preferences can be assessed by directly asking for transfer motives (Kohli & Künemund, 2003). A nonlinear principal component analysis of the motive questions of the German Aging Survey yields three dimensions:

> „unconditional“ giving (e.g., „If my family members need help I will always be there“),
> „conditional“ giving (e.g., „If someone wants to inherit from me, he/she should do something for it“),
> and separation (e.g., „Grown-up children should be able to stand on their own feet, and not expect support from their parents“).

For motives, there is a gender effect as well as an effect of social stratification: women and people with higher education and prestige are more likely to give unconditionally. Motives are not trivial; they have a strong effect on behavior in addition to the socio-demographic variables. They may moreover be relevant for the “quality” of the transfers: It is important whether money comes with strings attached or not.

Inter vivos transfers are more interesting than bequests for two reasons: they reach their recipients earlier in life when needs – in terms, e.g., of starting a family and getting started in work, or of special crises such a divorce or unemployment – are more acute, and they are part of an ongoing relation that includes other dimensions of solidarity and exchange. On the other hand, bequests present an interest of their own, not only because they are a quantitatively more important component of wealth acquisition – their relation to *inter vivos* transfers is about 3:1 – but also because they are more prominent as a field of institutional regulation and political discourse. For most of the 19th and 20th centuries the legal regulation of inheritance – on issues such as taxation or testamentary freedom – has been a highly contentious field (cf. Beckert, 2003). Inheritance has been an arena of debate on basic principles of society, and thus on its moral identity: on whether status reproduction is and should be meritocratic, on the extension of individual property rights, on family solidarity and closure, on civic obligation[2], and on economic productivity and growth. In the US, for example, state intervention into the field of inheritance has been legitimated by three basic reasons: equality of opportunity, protecting democracy (against plutocratic wealth concentration), and protecting the children from being corrupted by unearned wealth.

Among the respondents of the German Aging Survey, almost one half have already received an inheritance; for about one fourth of these, the amount inherited has been above 50'000 Euro. The youngest age group (40-54 years) has inherited most often, which demonstrates a strong cohort effect that overcompensates the expected life course effect. There are massive differences between East and West Germany (more in the amount than in the rate of inheritance) but again no gender differences.

As mentioned earlier, one of the controversial aspects of family transfers is their role in the reproduction of social inequality. The empirical results so far show that ongoing *inter vivos* transfers do not increase income inequality among their recipients, while bequests clearly do (Attias-Donfut & Wolff, 2000; Künemund et al., 2003).

Another controversy centers around the "equal division puzzle": While parents target *inter vivos* transfers predominantly to their more needy children, bequests go to all

[2] „He who dies rich dies in disgrace“ (Andrew Carnegie).

children equally (including sons and daughters). There is no obvious economic explanation for this because both altruistic as well as strategic motives for bequest would predict unequal amounts (Bernstein & Severinov, 2000). There is no obvious institutional explanation since equal division is the empirical rule even in the US where (in contrast to France and Germany) there is almost complete testamentary freedom. The only possible explanation seems to be one of value change: The individualization of modern societies has made the principle of equal worth of every person one of their overriding concerns.

Finally, there is a controversy about the link between private and public transfers (Kohli, 1999). The private transfers of the family flow in the opposite direction of the public transfers of the welfare state. The welfare state has mostly crowded out private monetary support for the elderly, but it has enabled the family to perform other functions (crowding in, cf. Künemund & Rein, 1999). Many (especially low-income) elderly depend on their public pensions in order to be able to give *inter vivos* transfers[3] and leave a bequest. Should it be concluded that pensions are too generous? There are other implications of this private/public link that make for a different conclusion: Enabling elderly pensioners to support their descendants may not only create more support among the young for the public generational contract, it also institutes the family as an efficient insurance system against non-normative life course risks and as an effective agent of social cohesion.

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[3] Mean *inter vivos* transfers amount to 3400 Euro a year for our whole sample, and 3700 Euro for those aged 60+. The aggregate net yearly giving by the German elderly (60+) represents a sum of 18 billion Euro, or 9 per cent of the total public pension sum. While giving is determined by the income and wealth position of the givers, it also occurs to a considerable degree among the lower income strata where dependency on the public transfers is almost total.

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