CIRCLE

Care and Income Redistributive Cycles in the Lives of Europeans

DURATION
15/12/2016 - 15/03/2020

BUDGET
168.966 €

PROJECT DESCRIPTION

CIRCLE aims to provide new empirical evidence on the impact of the interaction between economic and demographic changes and welfare systems on the intergenerational distribution of resources, rights and responsibilities in Europe. CIRCLE investigates two major redistribution flows: 1) the intergenerational distribution of income and 2) the informal insurance of care and income risks within households. The CIRCLE project was carried out by three partners, from Italy, Spain and Belgium. The contribution financed by BELSPO concerns the following topics: (1) long run trends in the level and adequacy of minimum income provisions (MIP) for older people; (2) vertical and horizontal equity effects of taxes on pensions; (3) intergenerational solidarity within multigenerational households (MGH); and (4) the impact of career breaks and related facilities on later employment. All four topics have been analysed empirically for a large number of European countries.

With the first topic, we contribute to the debate on the fairness of MIP from an intergenerational perspective by comparing long-term evolutions in level and adequacy of non-contributory MIP of working age persons with those for the elderly. For this purpose we make use of the MIPI-HHoT database. In its European Pillar of Social Rights, the EU has identified minimum income protection as a pathway to a more social Europe, emphasising the policy relevance of the last safety net. Our results indicate large differences between countries in the design and adequacy of MIP for older people, as well as a shift in policy orientation: countries seem to have focused on widening the gap between MIP for non-working and working people, thereby increasing the financial incentives to work. Income-dependent MIP is likely to become more important as access to insurance schemes is reduced. In such a context, policy makers would do well to continuously assess the adequacy of income-dependent schemes.

Income in old age is not only determined by the pension system, but also by the tax system. Yet, there is relatively little research that analyses how the interaction between both systems affects the outcomes of poverty and inequality for pensioners. We have investigated vertical and horizontal equity in pension taxation in Europe, starting from an integrated conceptual framework. To measure the tax burden on pensions and its effect on inequality and poverty for 28 European countries, we use the microsimulation model EUROMOD. Our results show that the tax system functions as a social policy instrument for pensioners. However, there is considerable heterogeneity across countries on vertical (i.e. changes in inequality and poverty for the elderly due to taxation), and horizontal equity (i.e. the extent to which pensions and labour income are treated differently). This research underlines the importance of a joint policy perspective on the tax and pension systems.

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For our study on intergenerational solidarity within MGHs, we examined how the formation of these households is related to poverty, a topic hardly examined in the literature. The empirical analysis was conducted on the basis of the EU-SILC data. The analysis shows that financial solidarity within MGHs is predominantly 'pro-child'. We examined the determinants of these poverty outcomes with logistic regressions. In addition, we conducted a simulation analysis to test the effect of changing the standard assumption that resources are equally distributed within the family. For this purpose, we calculated different pre-post scenarios, in which we changed the extent to which the income of the elderly is shared within the family. The results show that pensions help to alleviate child poverty in those countries where MGHs are most prevalent. The formation of MGHs is a short-term coping strategy, often directly linked to inadequate social protection safety nets. Policy makers should take such effects into account in pension reforms and strengthen social protection safety nets to alleviate child poverty.

Does the availability of institutional arrangements for a better work-life balance for men and women at a younger age have a positive effect on labour force participation after the age of 50? For this final question, an analysis was carried out based on SHARELIFE data, and longitudinal micro-econometric techniques were applied. In the countries surveyed, it is not the short, but the longer work interruptions (of one year or more), or the failure to fully resume work, that have the greatest impact on the long-term economic well-being of mothers. The results support the hypothesis that the negative impact of interruptions will be smaller in countries where the welfare state effectively decommodifies citizens. The results suggest that countries with mixed or low levels of support fail (in part) to mitigate mothers' long-term income losses.

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BR/165/A4/CIRCLE_JPI MYBL