



DemoSoc Working Paper

Paper Number 2007--24

The Generational Contract in the Family Explaining Regime Differences in Financial Transfers from Parents to Children in Europe

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December 2007

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Abstract

The exchange of social and economic support between the generations is one of the main pillars of both family life and welfare systems. The debate on how to reform the generational contract is still truncated, however, by focusing on its public dimension only, especially on pensions and health care provisions. For a full account, the transfer of resources between adult generations in the family needs to be included as well. In our previous research we have shown that intergenerational exchange is more likely to take place but less intense in the Nordic welfare regime than in the Continental and Southern ones. In the present paper we analyze the social mechanisms that create and explain this nexus between patterns of intergenerational transfers and welfare regimes. The notion that Southern European family support networks are stronger and more effective than those of Continental and Northern European countries is only partially confirmed. In Southern (and partly in Continental) countries, children are mostly supported by means of co-residence with their parents till their complete economic independence. However, once they have left the parental home there are fewer transfers; support tends to be restricted to children who have special needs (such as for the formation of their own family), and depends more on their parents' resources. In the Nordic countries, in contrast, transfers are less driven by children's needs and parental resources.

Keywords

Generational contract, intergenerational transfers, welfare regimes, European families

Acknowledgements

Previous versions of this paper have been presented at the DEMOSOC seminar (Universitat Pompeu Fabra, Barcelona, February 2007) and at the FAMNET Conference on *Intergenerational Relationships in Family and Society* (Science Center Berlin, March 2007). The authors wish to thank the participants of this seminar and conference, and in particular Daniele Checchi, Gøsta Esping Andersen and Javier Polavieja for their useful comments. We also acknowledge the many suggestions resulting from our collaboration with Harald Künemund and Claudia Vogel. Financial support for this research was provided through SHARE-I3, project no. 026193, funded by the European Community under the "Structuring the European Research Area" Specific Program, Research Infrastructures Action.

Introduction

The exchange of social and economic support between generations is one of the main pillars of both family life and welfare systems. Within the family, parents generally support their children not only while they grow up, but also when they have become independent and left the parental home, whereas grown-up children often support their parents when they have become disabled and need help. Within the welfare system, those of working age provide the economic resources both for the young, in terms of family support and schooling, and for the old, in terms of pension and health care financing. This may be conceptualized as redistribution among age groups, but it also refers to the succession of generations. In the usual understanding of welfare systems today's children will provide for the welfare of their parents' generation when the latter has become old.

The present debate on how to reform the public generational contract is concerned with the difficult reconciliation between the financial sustainability of the welfare state and its mission of providing comprehensive social security according to the principles of intergenerational fairness and social justice (Kohli, 2008). However, the debate frequently ends up in an exclusive focus on the necessity of restructuring pension and health care systems. What is missing is not only a broader account of social care for the different generations and a dynamic analysis of the contract (Esping-Andersen 2002: 7; Esping-Andersen and Sarasa, 2002), but also an in-depth examination of what the generations exchange within the family and how the patterns of this exchange vary across welfare regimes.

Most studies of the welfare-family nexus so far have dwelt on the greater relevance of informal support networks in more familialistic welfare states, on the greater need for family support of the elderly when public social care provision is weak, and on the greater need for family support for the young when public income support measures for them are weak, labor market entry is difficult and public provision of child care is scarce. All of these arguments buttress the widespread idea that time and money transfers between the generations are more frequent and more intense in the "strong family" countries of the European South than in the rest of Europe.

In our previous research we have shown that in the private dimension of the generational contract there is a net downward flow of resources – both money and time (Kohli, 1999, 2004). Thus, in contrast to the public transfers in the welfare system, the private transfers in the family are more likely to take place and more intense from parents to children than in the opposite direction. We have also shown that there are consistent country patterns in the likelihood and intensity of informal economic and social support between family generations and that these country patterns vary according to welfare regime (Albertini et al., 2007). Transfers from parents to children are less likely to take place but more intense in the Southern European countries than in the Nordic ones, with the Continental European countries falling in-between the two – a finding that partly disproves the assumptions held so far. What has remained unexplored are the reasons why patterns of intergenerational transfers vary according to welfare regime and why – in contrast to what would be expected by the arguments mentioned above – transfers from parents to children are less likely to take place in the Mediterranean countries. In the present article, we propose to fill this gap. Based on

the data of the Survey of Health, Ageing and Retirement in Europe (SHARE), we analyze the social mechanisms which can explain the correspondence between patterns of intergenerational transfers and welfare regimes, and in particular the fact that informal economic support from parents to children is less likely to take place in Southern Europe.

Before going into the analysis, we will give an overview of the data base we use, and discuss two important theoretical issues. The first is which welfare regimes should be distinguished when analyzing patterns of intergenerational transfers, and how this typology of welfare regimes corresponds to a typology of family regimes. The second is the different patterns of parent-child co-residence in the countries considered. In the following sections we explicate the nexus between transfer patterns and welfare regimes, and then present the results of our analysis. A final discussion concludes the paper.

Data and variables

Our empirical analyses are based on the first wave of the *Survey of Health, Ageing and Retirement in Europe (SHARE)*.³ SHARE is a longitudinal, multidisciplinary and cross-national survey representing the population of individuals aged 50 and over in Europe. The first wave of SHARE took place in 2004 with ten participating countries: Austria, Denmark, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden and Switzerland. The number of interviewed individuals for Release 1 is 22777. In the present paper, we exclude Switzerland because of special problems in the transfer data, bringing the total number of interviews down to 21767. SHARE contains detailed information on social support and financial transfers from the perspective of adults aged 50 and above, and in particular, on the three most relevant exchanges between respondents and other individuals. In the present paper, we restrict the analysis to the *inter vivos* financial transfers from respondents to their children (both their own and those of their current spouse/partner).

A major advantage of SHARE for our purposes is that it allows us to analyze transfers at the level of the dyadic relationship between a parent and a child, rather than only at the level of the composite behavior of the respondent vis-à-vis all his/her exchange partners. SHARE contains information not only on the socio-economic situation of the respondents but also of their parents and children, as well as on their relationship with each of them. We focus here on the respondents as parents, and thus on their transfers to their descendants. Some general information – such as age, gender, and residential proximity to parents – is available for each child. Additional

³ Our paper uses data from Release 1 of SHARE 2004. This release is preliminary and may contain errors that will be corrected in later releases. The SHARE data collection has been primarily funded by the European Commission through the 5th framework programme (project QLK6-CT-2001-00360 in the thematic programme Quality of Life). Additional funding came from the US National Institute on Aging (U01 AG09740-13S2, P01 AG005842, P01 AG08291, P30 AG12815, Y1-AG-4553-01 and OGHA 04-064). Data collection in Austria (through the Austrian Science Fund, FWF), Belgium (through the Belgian Science Policy Office) and Switzerland (through BBW/OFES/UFES) was nationally funded. The SHARE data set is introduced in Börsch-Supan et al. (2005); the methodology is presented in Börsch-Supan and Jürges (2005).

information – such as educational and labor force status, marital status, number of own children, and frequency of contact to parents – is available for a maximum of four children (selected according to residential proximity). We have created parent-child dyads for each of the four children for which additional information is available. There is one dyad generated for each parent and each child; thus, for example, a family made up of two parents and two children comprises four dyads.⁴ Adopting the dyad as unit of analysis makes it possible to incorporate a fuller set of proximate factors than conventional analyses based on respondents' transfers to all children. These factors now include attributes of the specific child who receives the transfer, as well as attributes of this child's relationship to his/her parent. This is important not only for all issues of transfer motives but also for assessing the impact of macro-level factors. There is mounting evidence that children from the same family are not necessarily close to each other in terms of resources and outcomes. A recent study (Conley, 2004), for instance, has shown for the U.S. that between-sibling inequality in socio-economic outcomes makes up more than half of total inequality among adults. Part of this may be caused by differential transfers from parents to children in early and middle adulthood (Künemund et al., 2005).

The SHARE questionnaire asks the respondents whether they have given financial transfers of at least 250 EUR (or the equivalent in local currency), in the prior twelve months, to someone inside or outside the household, and then, information is asked on amount of transfers given to a maximum of three different persons. In a couple usually only one of the two partners (identified as the “financial respondent”) is asked these questions. In a minority of cases where finances are managed separately, both partners are asked individually. In the following analyses we utilize a dummy variable which is set equal to 1 when the respondent or his/her spouse/partner have given such a transfer to the selected child.

Welfare and family regimes

There is a wide range of factors that may explain why intergenerational transfers occur and why their patterns vary between countries. We have theoretically ordered them into structural, institutional and cultural factors, and also distinguish between macro and micro level (Kohli, 2004; Albertini et al., 2007). Macro-level factors comprise, for example, the demographic structure of the population, the prevalent household forms and the distribution of resources; the institutional landscape of publicly regulated benefits and obligations, such as pension systems, family allowances, public care provisions, legal obligations of intergenerational support, or inheritance taxation; and the cultural patterns of family values and attitudes towards the welfare state. Micro-level factors comprise the resources and needs of givers and receivers, such as income and wealth, marital status and parenthood, or health; their preferences and motives; and the characteristics of their relationship, such as emotional closeness or frequency of contact (Szydlik, 2000; Kohli and Künemund, 2003).

⁴ In all the following statistical analyses, when estimating confidence intervals, we have accounted for the non-independence of the records from the same household.

Macro-level factors can be conceptualized as the distal causes for transfer giving, micro-level factors as the proximate causes. An explanation at the distal level can uncover the effects of the larger social context but misses how they play out on the ground. An explanation at the proximate level is possible but remains incomplete. The real explanatory task consists in showing how the distal factors at the macro level impact on and are mediated by the proximate factors at the micro level.

With the limited number of countries available for comparison, it would obviously be impossible to assess the effect of each of the macro-level contextual factors separately. Fortunately, this is not needed. Structural, institutional and cultural factors at the macro level do not vary independently among countries; they tend to occur in packages. This has been most successfully shown with regard to the packages of institutions that make up welfare state regimes (Esping-Andersen, 1990, 1999). It has also been taken up in the more recent Varieties of Capitalism literature (Hall and Soskice, 2001).

In his seminal study, Esping-Andersen (1990) defines welfare state regimes mostly on the basis of (de-)commodification, i.e., the degree of universality of social rights and their link to formal and “standard” participation in the paid labor market (and thus to social stratification). It is on this basis that he develops his three-fold differentiation into the “liberal” regime of the Anglo-Saxon world, the “conservative” (or “corporatist”) regime of the European Continent, and the “social-democratic” regime of the Nordic countries. In later formulations he puts the family into play and defines the three regimes in terms of “the ways in which welfare production is allocated between state, market, and households” (Esping-Andersen, 1999:72). If this is taken seriously, it becomes plausible to identify a fourth regime comprising the Southern European countries of the Mediterranean rim (for example, Leibfried, 1992; Lessenich, 1995; Ferrera, 1996) for which “familialistic” seems an appropriate term. This fourth type is characterized by low public support for families in terms of transfers and services, and a high welfare burden assumed by (or imposed on) the families themselves. Esping-Andersen (1999:92ff) gives an overview of the pro’s and con’s of moving from three to four welfare regimes, and concludes that the issue remains open. In our previous work (Albertini et al., 2007), we have shown that it is indeed useful to treat Southern Europe as a type of its own. Doing so provides a bridge to what may be called family regimes, for which there is strong evidence for the distinctiveness of Southern Europe (see below).

Of the nine countries considered here, two (Sweden and Denmark) belong to the Nordic, four (Austria, France, Germany, the Netherlands) to the Continental, and three (Greece, Italy and Spain) to the Southern regime. It should be noted that the Netherlands is often classified as lying between the conservative and the social democratic model. Greece may also be a special case in many respects due to its historic legacy of Orthodoxy and non-Western family model. The range of countries in SHARE does not allow for a full test of the welfare regime impact: There are no countries fully belonging to the liberal type. The following examination will therefore be restricted to the three remaining regimes.

For the analysis of individual behavior, regimes may be thought of as convenient packages of relevant contextual variables. They are convenient in the sense of reducing the diffuse variation among countries to manageable proportions by creating groups with common properties. The aim here is theoretical and empirical

parsimony. At a more demanding level, regimes can be understood as institutional clusters with a common underlying logic where institutions fit together. The Varieties of Capitalism literature provides a similar perspective by speaking of “institutional complementarity”: the process whereby the presence of an institution or set of institutions raises the returns available from another (Hall and Soskice, 2001).

If regimes are defined and identified in such a more demanding way, it follows that they should not be dissolved into separate micro-level variables. But their translation into the factors at the micro level needs to be spelled out. Welfare institutions affect these factors, especially the resources and needs of the participants.⁵ The explanatory task thus consists of showing how welfare institutions interact with individual and family characteristics to produce specific transfer behaviors.

Linking welfare regimes to family regimes requires a broader conceptualization of family dimensions than has been done so far (cf. Saraceno, 2005). The same point has been made by authors who focus on gender regimes (Sainsbury, 1996; Leitner, 2004). This applies to all three sets of factors: structural, institutional and cultural. As to structural factors, the main dimension is that of demographic structures (Lesthaeghe, 1995; Pinelli, 1995). For the purpose of the present paper, the most critical point is that of co-residence of parents with their adult children – a breach against the “rules” of the nuclear family that has become increasingly common in some countries. As shown in Table 2 below, the rates of co-residence vary massively among the welfare regimes. In the two countries belonging to the Nordic regime, fewer than 9 percent of the parent-child dyads live in a household together with an adult child; in the five countries of the Continental regime, the proportion is between 13 and 16 percent, while in the three countries of the Southern regime, it is between 30 and 33 percent. This is to a considerable extent due to the late (and still rising) age of exit of young adults from their (middle-aged) parents’ home in the South, but the difference remains important also for older adults whose children have mostly grown into middle age themselves. There is thus a very close correspondence between the geography of welfare regimes and the geography of intergenerational household structure.

As to institutional factors, the main dimension is that of family policy (e.g., Bahle, 1995, 2005; Gauthier, 1996; Kaufmann et al., 2002). It is mostly concerned with the institutions of family allowances (or other forms of monetary subsidies), parental leave, and public care services (especially childcare). These institutions may be considered a part of the welfare state, but as they operate in a different field from the big transfer programs that have long been the focus of the welfare state literature, they have usually been treated separately. Given the persistent pattern of low fertility and the move away from the male breadwinner model, there are now attempts to conceptually integrate family policy into welfare regimes, but with limited success so far. There are persistent outliers such as France (and to a lesser extent, Belgium) whose family policies differ strongly from the other Continental countries. Thus, the geographical fit between welfare regimes types in the narrower sense and family policy types is less close than for household structure.

The third dimension is that of family culture or values. In a long historical perspective on family structure and culture, Reher (1998) has distinguished between the “weak” family countries of the North and the “strong” family countries of the

⁵ In the long run, welfare institutions are also likely to affect preferences (“policies create politics”), but we are not able to take this into account here.

South (which today show the lowest fertility). SHARE results suggest that it is again preferable to differentiate between three country groups – Nordic, Continental and Southern. Table 1 shows how the respondents in each country position themselves with regard to items representing family attitudes. The four items of Question A refer to family solidarity, the three items of Question B to the division of responsibility between family and state. The first two items – which tap a comprehensive form of parental or grandparental altruism – show high overall agreement with little systematic variation between regimes. The third and fourth items – concerned with the obligation for the economic security of grandchildren and for looking after them – yield a clear differentiation along the North-South regime axis, however (with the Netherlands tending to the more individualistic Nordic regime). As to the policy responsibilities, there is again high overall agreement on the first item: that the financial support for older persons in need should fall to the state.⁶ The two items regarding services to needy older persons, however, show massive differences between the individualism of the Nordic and the familialism of the Southern countries, with the Continental countries falling in-between and the Netherlands once more approaching the Nordic pattern. Taken together, the two questions indicate that there is much more downward family solidarity, from parents to children and grandchildren, than in the opposite direction, but with a clear regime gradation.

Table 1 Attitudes towards family solidarity by country,

	A1	A2	A3	A4	B1	B2	B3
<i>Nordic Regime</i>							
Denmark	63	70	14	32	3	4	2
Sweden	86	76	39	50	10	13	9
<i>Continental Regime</i>							
Austria	73	69	35	53	11	36	21
France	68	85	45	67	9	24	10
Germany	56	80	40	71	15	44	28
Netherlands	63	71	24	28	5	12	5
<i>Southern Regime</i>							
Greece	90	89	55	77	9	53	65
Italy	83	83	60	73	15	37	27
Spain	88	86	57	68	24	37	33

Note: percent agreeing or strongly agreeing (questions A), percent in favor of totally family or mainly family (questions B)

Questions A: (1) Parents' duty is to do their best for their children even at the expense of their own well-being; (2) Grandparents' duty is to be there for grandchildren in cases of difficulty (such as divorce of parents or illness); (3) Grandparents' duty is to contribute towards the economic security of grandchildren and their families; (4) Grandparents' duty is to help grandchildren's parents in looking after young grandchildren.

Questions B: Who – the family or the state – should bear the responsibility for each of the following: (1) Financial support for older persons who are in need?; (2) Help with household chores for older persons who are in need such as help with cleaning, washing?; (3) Personal care for older persons who are in need such as nursing or help with bathing or dressing?

Data source: SHARE 2004 release 1, own calculations

⁶ Even though the items were constructed so as to tap what the respondent thinks is the ideal system of division of responsibilities, it is possible that answers are given with reference to the current system in place.

For the following analyses there are thus good reasons for retaining the typology of a Nordic, a Continental and a Southern welfare regime. Their overlap with family regimes is high in most of the latter's dimensions. There are some ambivalent cases and possible outliers both on the welfare side proper and on the family side, but on the whole we can expect a good geographical fit within and between the two. This does not preclude the possibility of country-level analyses which are likely to result in a higher proportion of explained variance. Comparative case studies of single countries may also be valuable for a deeper historically grounded interpretation or for uncovering systematic within-region differences.

The problem of co-residence

One explanation for the observed differences in financial transfers across Europe is clearly to be found in the different rates of co-residence. In Southern Europe co-residence of parents with their adult children is much more widespread than in the Continental and the Nordic countries (Kohli *et al.*, 2005a; Hank 2007). The difference among the regimes is especially massive for parents aged 50-59 where the late age of leaving the parental household in the Southern countries yields rates of co-residence of more than 75 percent; but it remains high also for the older parents. The data on parent-child dyads presented here confirms this North-South gradient in co-residence arrangements (see Table 2).

Table 2 Percentage of parent-child dyads co-residing in the same household or building

	Same household	Same building	Total
<i>Nordic Regime</i>			
Denmark	7.4	1.2	8.6
Sweden	8.7	0.4	9.1
<i>Continental Regime</i>			
Austria	13.9	8.7	22.6
France	15.5	0.8	16.3
Germany	12.6	7.6	20.2
Netherlands	14.4	0.5	14.9
<i>Southern Regime</i>			
Greece	32.0	9.6	41.6
Italy	33.1	8.4	41.5
Spain	30.1	2.8	32.9

Data source: SHARE 2004 release 1, own calculations

There is one simple way of controlling for this compositional effect. It consists in recalculating all transfer statistics by considering parent-child co-residence *per se* as an exchange of resources from parents to children and vice-versa. This approach has been applied, for example, by Kohli et al. (2005b). Once one considers co-residence as bidirectional transfer; the likelihood of financial transfers is highest not in the Nordic countries but in the Mediterranean ones.

However, this solution is not really satisfactory; it simply assumes reciprocal support without being able to empirically demonstrate it, and thus leaves in the dark how this resource transfer operates. While some minimal reciprocity seems likely, the

net direction of support – especially financial support – may be highly lop-sided among co-residing parents and children. An indirect way of approaching this question is to examine the characteristics of co-residing families with respect to the resources and needs of the two generations involved. The results of a simple logistic explanatory model of co-residence in the same household or building indicate that factors connected with the parent’s physical or economic difficulty are less relevant than factors connected with the child’s needs (see table A1). For example, if the parent is living without a partner, the model predicts an increase in the likelihood of co-residence from 11% to 12%. On the other hand, if the child is not married but divorced, widowed or separated, the likelihood of co-residing increases from 5% to 14%. Moreover, the probability of co-residence is negatively correlated with parent’s income, but dramatically increases when the child is unemployed or in education – from 10% when employed to 19% when unemployed and 24% when in education. However, other factors play a role as well. The probability of co-residence increases when there is some other sibling co-residing with the parent – whereas if the behavior were driven by the parent’s needs one would expect the opposite result to hold. In the following analyses we will not treat co-residence as financial transfer, either bi-directional or from parent to child; instead we will introduce co-residence among our independent variables and, also, test whether its explanatory role in the different welfare regimes is the same.

Explaining the nexus between transfer patterns and welfare regimes: hypotheses

Our main research question is how to explain why differences in the likelihood of financial transfers from parents to children vary across welfare regimes. Why are financial transfers from parents to children less likely in Southern Europe than in the other European countries? In other words, how are the micro-level factors that explain transfer behavior affected by the macro-level welfare regime factors? Which social mechanisms (Hedstrom and Swedberg, 1998; Barbera, 2004) mediate between the micro and the macro level?

The previous literature has highlighted some factors that may explain the correspondence between patterns of transfers from parents to children and welfare regimes. First, it is well documented that children in the Mediterranean countries stay much longer in their parental home than their Continental and Northern European peers. A number of reasons have been advanced for explaining this difference: from cultural values attached to the family to labor market entry dynamics, from Catholicism to housing costs. But the fact *per se* is not in doubt: young people in Southern Europe leave their parental home later than other Europeans, and they do so mainly to set up their own family, after having got a stable occupation and enough money to reproduce the consumption behavior of their parents. Second, due to the familialistic nature of the welfare systems in the South, the economic support from parents is much more relevant for the well-being than in the North, with the Continental welfare systems being located somewhere between these two extremes (Orloff, 1993; McLaughlin and Glendinning, 1994; Saraceno, 1997; Esping-Andersen, 1999). Third, parents in Southern Europe are less likely to transfer money to their

children – both co-residing or not – but when they do make a transfer its average amount is higher than in the Continental and Nordic countries (Albertini et al., 2007).

We can, therefore, formulate three broad hypotheses about the social mechanisms which explain the correspondence between patterns of intergenerational transfers and welfare regimes. First, if young Southern Europeans leave their parental home at a later age and/or when they have a secure position in the labor market, the possibility of buying their own home and a sufficient consumption power, then they are less likely than their Continental and Northern European peers to need economic support from their families. Therefore:

Hypothesis 1: When living in the parental home children across Europe have the same likelihood of receiving economic help from their parents; after leaving the parental home Southern European children are less likely to receive economic support from their parents than other Europeans.

On the other hand, the familialistic nature of Southern European welfare systems – and to a lesser extent, of the Continental ones – leads us to hypothesize that when children are in a difficult economic situation their parents' financial support is more necessary and relevant in the Southern (and the Continental) regime than in the Nordic one. SHARE unfortunately does not provide any information about children's income or wealth; we therefore adopt an indirect way of assessing need by identifying typical situations in which children may be under economic stress. Therefore:

Hypothesis 2: When the child is unemployed or still in education, or when he/she has a small child or is separated, divorced or widowed, he/she will have a higher likelihood of receiving parental financial support in Southern (and Continental) Europe than in Scandinavia.

At the same time, the lower level of decommodification and the higher level of familialisation of individual well-being in the Southern welfare regime will increase the dependency of intergenerational transfers on the resource side. More specifically, a lower level of defamilialisation of social care introduces more insecurity about future well-being for the elderly (Anttonen and Sipilä, 1996; Naldini, 2006). The more one's well-being – especially in case of sickness and disability – depends on the family and the market rather than on publicly granted social rights, the more one feels insecure about future welfare, and the more one has to rely on own resources. Therefore:

Hypothesis 3: In the more familialistic welfare regimes the likelihood of a financial transfer from parents to children is more dependant on the age⁷, income, health status and educational level of the parents; in other words the negative effect of low income, poor health, low education and old age will be stronger.

Explaining the nexus between transfer patterns and welfare regimes: results

As mentioned above, previous studies have shown that financial transfers from parents to children are less likely to occur, but more intense, in the Southern countries

⁷ In life course research age is often considered as a residual formal variable, to be explained away and replaced by substantive variables. But this is not always adequate. For the specific population included here, we consider it as a proxy for negative expectations about future independence in the activities of daily living, and thus of insecurity and need for support.

than in the Nordic ones, with the Continental ones in-between (Albertini et al., 2007). The descriptive statistics indicate that this result holds also when taking the parent-child dyad as unit of analysis, albeit to a lesser extent (Table 3). In Denmark and Sweden the likelihood of a financial transfer from the parent to the child is equal to 18 and 21 percent, respectively. In the group of the Continental countries the values vary, in general, between 14 and 18. Finally, the lowest values are found in Italy and Spain with Greece representing an outlier in the Mediterranean group – as already pointed out before. The average value of the transferred amounts is higher in Italy and Spain than in the Continental or Nordic countries.

Table 3 Likelihood of financial transfers from parent to child and amount of transfers

	Given transfer to child (%)	Mean transfer amount (Euro)
<i>Nordic Regime</i>		
Denmark	17.9	1769
Sweden	21.4	794
<i>Continental Regime</i>		
Austria	16.9	1835
France	14.0	2066
Germany	17.8	1431
Netherlands	13.8	1812
<i>Southern Regime</i>		
Greece	15.6	1777
Italy	10.6	2510
Spain	4.1	2729

Data source: SHARE 2004 release 1, own calculations

The next question is to what extent the observed differences between regimes in the likelihood of financial transfers still hold when controlling for the main micro-level factors that explain transfer behavior. Many of these differences may simply be due to compositional differences – for example in economic and/or health conditions of the elderly population, or in patterns of household composition and co-residence. Our first task is, then, to control for such compositional effects in order to establish that the results indeed reflect the impact of welfare regimes. The second task is to explain this impact by showing how welfare institutions – as distal causal factors at the macro level – affect the proximate precursors of transfer behavior at the micro level.

Table 4 Logistic regression on the likelihood of giving a financial transfer to child, unit of analysis parent-child dyad (odds ratios)

		Model 1	Model 2
Age		1.096*	0.987
Age ²		0.999*	1.000
Gender (ref. male)	Female	0.962	0.966
Educational level (ref. low)	Mid	1.851**	1.210
	High	2.798**	1.283
Living arrangement (ref. with partner)	Without partner	0.923	0.927
Number of adult children (ref. one)	Zero	0.227**	0.226**
	Two	0.925	0.916
	Three or more	0.551**	0.549**
	Second quintile	1.437**	1.448**
	Third quintile	2.326**	2.332**

		Fourth quintile	2.263**	2.257**	
		Fifth quintile	2.735**	2.740**	
	Self-perceived health status (ref. good or more)	Less than good	0.741**	0.746**	
Child's characteristics	Age		0.984**	0.984**	
	Gender (ref. male)	Female	0.995	0.996	
	Marital status (ref. married)	Divorced/separated/widowed	1.498**	0.991	
		Never married	1.296**	1.057	
	Has at least one child (ref. no)	Yes all older than 3 years	1.030	0.936	
		Yes at least one 3 years old or younger	1.213	0.941	
Characteristics of parent-child relation	Employment status (ref. in employment)	Unemployed	1.860**	1.878**	
		Student	1.797**	1.826**	
	Frequency of contact (ref. daily)	Living in the same household	0.404**	0.231**	
		Several times a week	1.031	0.911	
		One to four times a week	0.785**	0.594**	
		Less than once a week	0.772	0.227**	
		Never	0.080**	0.118**	
Welfare regime	Welfare regime (ref. Nordic)	Continental	0.813**	0.033	
		Southern	0.575**	0.000**	
Welfare regime interaction effects	Interaction with parent's age	Continental regime * age		1.073	
		Continental regime * age ²		0.999	
		Southern regime * age		1.299*	
		Southern regime * age ² of parent		0.998*	
	Interaction of parent's education	Continental regime * mid			1.774**
		Continental regime * high			2.514**
		Southern regime * mid			1.476*
		Southern regime * high			2.525**
	Interaction with child's marital status	Continental regime * separated/divorced/widowed			1.633*
		Continental regime * never married			1.457**
Southern regime * separated/divorced/widowed				1.479	
Southern regime * never married				0.713	
Interaction with has children	Continental regime * child 3 or younger			1.604**	
	Southern regime * child 3 or younger			0.798	
Interaction with frequency of contact	Continental regime * living in the same household			1.837**	
	Southern regime * living in the same household			2.223**	
Observations			41548	41548	
Percentage of correct predictions (count R2)			85	85	

Notes: coefficients for "other" educational level, "other" employment status, and non-relevant interactions omitted; ** significance ≤ 0.01 ; *significance ≤ 0.05 .

Data source: SHARE 2004 release 1, own calculations

In the first model displayed in Table 4 we estimate the effect of attributes of the parent (respondent), the child, the parent-child relationship, and of welfare regimes (based on the country of residence of the respondent) for each parent-child dyad on the

likelihood of parental transfer giving. The results show the impact of some of the proximate factors that have been identified, in the previous literature, to affect transfer giving. The likelihood of giving a transfer strongly increases with rising income⁸ and educational status of the parent, and decreases with declining parental health. In addition, a reversed U-shaped relation with parent's age is found. Next, the likelihood of receiving a financial transfer is higher if the child is unemployed or in education rather than employed, and if he/she is living alone (through separation, divorce, widowhood or having never married) rather than living with a partner. Both these latter findings indicate a need-directed and thus altruistic transfer behavior by parents. In addition, older children are less likely to be the recipients, which – given the age range of the children in the sample (50% are less than 35 years old) – seems to point in the same direction. The frequency of contacts between parent and child is massively correlated with parental transfer giving⁹; but co-residing children are less likely to receive transfers than those with daily or almost daily contacts living separately from their parents. This may be due to a conscious parental selection in favor of those children that do not benefit from direct co-residence, or it may be due to a reporting bias in which financial support to co-residing children is not perceived in terms of discrete transfers but as shared consumption. The results shown in this first regression model demonstrate that after taking into account these proximate factors, significant and substantial regime effects remain. Both the Continental and the Southern regime exhibit a lower transfer probability than does the Nordic regime (with odds ratios of .81 and .58, respectively), with the lowest probability being found in the South.

While these results point to consistent welfare-regime differences in the patterns of financial transfers from parent to children; they do not clarify the micro-level social mechanisms through which the macro-level differences operate. On these micro level explanatory factors the intergenerational transfer literature has so far been mainly limited to speculation. With the SHARE data we now have the opportunity to test our hypotheses empirically.

Based on our hypotheses we have tested if and to what extent the micro-level factors that explain transfer giving operate differently in the different welfare regimes. In particular, we want to know if the parent's and child's needs and resources and their joint living and contact arrangements are connected in different ways to transfer behavior depending on the welfare context. To this end, we have tested a number of interactions between welfare regimes and individual parent or child characteristics, in particular: parent's health status, income, educational level, and age (Hypothesis 3); child's employment, and marital status and parenthood (presence and age of own child or children) (Hypothesis 2); co-residence and frequency of contact between parent and child (Hypothesis 1). Each of the interactions has been tested separately and also together with all the other variables; only the significant interactions have been kept in the final model (see model 2, Table 4). According to the model adopted, the effects of parent's income and health status and child's employment status do not vary across welfare regimes.

⁸ Results for wealth are similar. Due to (marginal) collinearity, we prefer not to test income and wealth in the same model.

⁹ Results for residential proximity are similar. Due to collinearity, contact frequency and residential proximity cannot be tested in the same model.

The parent's educational level effect. The parent's physical and economic resources have an effect on transfer behavior per se, but this effect is not significantly different across welfare regimes. Thus, the decommodification of individual well-being and the defamilialisation of welfare do not play a role in freeing up resources to be transferred to younger generations. While the physical capital of parents has more or less the same function in all the regimes, this is not the case for parents' human capital. The positive effect of parents' educational level on the likelihood of giving financial transfers is markedly higher in the Southern and Continental countries than in the Nordic ones. Or in other words, the highly educated parents of the Southern and Continental countries are much more similar in their transfer behaviors to their Nordic peers than those with low education. In order to demonstrate this, we have calculated model predicted probabilities for a hypothetical case.¹⁰ The likelihood of a financial transfer from parent to child in the Nordic countries increases from 35 percent for a parent with low education to 41 percent for a highly educated one. The same comparison in the other welfare regimes highlights the stronger positive effect of educational level in these contexts: in the Continental countries the change is from 11 to 27 percent, in Southern Europe from 15 to 36 percent.

The parent's age effect. The effect of the parent's age is significantly different in the different regimes, and the relation goes in the expected direction: transfer behavior is more dependent on parent's age in the more familialistic welfare regimes of Southern Europe than in the Continental and Nordic countries. In the South the relation between parent's age and the probability of making a financial transfer is reverse-U shaped. Calculating predicted probabilities again for a hypothetical case¹¹ results in the South in transfer probabilities of 14 percent at age 50, 18 percent at age 60, 16 percent at age 70 and 10 percent at age 80. In the other countries the relation between age and transfer probability – even though not significant – is negative over the whole age range. As mentioned above, in life course research age is often considered as a residual formal variable that should as far as possible be dissolved into more substantive dimensions. In this view, the age effect that we have found would be a proxy for some other dimension still to be uncovered. However, there may be a “true” age effect in the sense that age *per se* – in addition to the other factors to be considered – indicates rising insecurity and risk of dependency.¹² Taken together, the evidence on the differential effects of parental resources and needs across welfare regimes on transfer giving partially confirms Hypothesis 3.

The effect of the child's marital and parenthood status. With regard to the effect of the child's needs on the parent's transfer behavior we have considered the interactions with three different child characteristics: employment status, marital status and the fact of having at least one child between 0 and 3 years. The relation between employment status and the likelihood of financial transfers is not significantly different

¹⁰ The characteristics of this hypothetical case are the following: the parent is male, of mean age, mid income quintile, good health status, has only one adult child, is living with partner; the child is male, of mean age, employed, married, has no child, is living outside the parental household and has daily contact with parent.

¹¹ The characteristics of this hypothetical case are the following: the parent is male, of mid income quintile, low education, good health status, has only one adult child, is living with partner; the child is male, of mean age, employed, married, has no child, is living outside the parental household and has daily contact with parent.

¹² It is also possible, even though not very plausible, that the age variable here represents a cohort effect.

across welfare regimes. This is quite surprising if one thinks, for example, of the enormous differences in the income support measures in case of unemployment across welfare regimes – the level of decommodification of well-being for an unemployed young person in Italy is dramatically different from that of a person in the same situation in Sweden. In contrast, the needs connected with the child's construction of his/her own family play a different role in determining financial transfers in the different regimes. Thus, the fact of having a small child has a significantly positive effect in the Continental countries. Furthermore, while the fact of being separated, divorced or widowed does not significantly increase a child's probability of receiving a financial transfer from parents in the Nordic countries, it does so in the Continental and to some extent in Mediterranean ones – but in this latter case the parameter is significant only at the .16 level. For our usual hypothetical case¹³, the fact of living without a partner does not affect the child's probability of receiving a financial transfer from the parent in Sweden and Denmark; whereas this probability increases from 11 to 16 percent in Continental countries and from 10 to 20 percent in Spain, Italy and Greece. Thus, as expected, the child's needs play a different role in explaining transfer behavior in the different welfare regimes; but this result only holds for a specific set of needs, namely those connected with potential difficulties in the child's attempts to construct a family life of his/her own. Hypothesis 2 is thus partly confirmed.

The effect of leaving the parental home. As expected co-residence and frequency of contact play a different role in explaining transfers in the different regimes. The most striking result is that regarding co-residence. Considering our predicted probabilities for a hypothetical case again¹⁴ the likelihood of making a financial transfer to a co-residing child is 11 percent in the Nordic regime versus 5 and 8 percent, respectively, in the Continental and Mediterranean ones. The probability is much higher when the child is living outside the parental household and has daily contact with the parent: 35 percent in Denmark and Sweden, 11 percent and 15 percent in Continental and Southern Europe, respectively. Thus, in all countries living outside the parental home increases one's probabilities of receiving financial support, but the extent of this increase is impressively different across the different regimes, with the greater effect being found in the Nordic countries. Hypothesis 1 is thus confirmed.

The problem of endogeneity. The regression models implemented so far suffer from the fact that the independent variable taking account of the parent-child co-residence and frequency of contact may be partly endogenous to the model. It may be argued that people move outside the household (or have infrequent contact with parents) because they do not need help. Thus this independent variable is potentially a choice variable connected with unobservable characteristics relegated to the error term.

The problem could be properly addressed via an instrumental variable approach. This means that we should find a variable that is correlated with our endogenous variable (child-parent co-residence and contact), uncorrelated with the

¹³ The characteristics of this hypothetical case are the followings: male parent, mean age, mid income quintile, low education, has only one adult child, he is living with partner, good health status; the child is male, of mean age, employed, has no child, is living outside the parental household and has daily contact with parent.

¹⁴ The characteristics of this hypothetical case are the followings: male parent, mean age, mid income quintile, low education, has only one adult child, he is living with partner, good health status; the child is male, of mean age, employed and married, has no child.

error term, and that does not affect our outcome (likelihood of giving financial help). Of course, the additional requirement is that the variable should be in the dataset. It has been not possible to find such a variable, therefore we have adopted a different approach to address this possible problem.

First we have tested all our models – also those preceding the ones shown in Table 4 which included parameters for interaction variables that finally proved to be not significant – leaving out the variable accounting for parent-child co-residence and contact. While some of the coefficients turned out to be different, this test confirms our findings about the effect of welfare regimes on the micro-level social mechanisms affecting transfer behavior. Both the direction and the significance are equal – the only substantial exception being that the interaction coefficient for Southern regime and “never married child” is now significant (its direction is the same). Secondly, we have re-run all the models only for the parent-child dyads who do not co-reside. In this case as well, most interactions between macro- and micro-level factors do not change, the only exception being that the interactions between the Continental and the Nordic regime and “child has child older than three years” are significant. All in all, therefore, the exclusion of the information on parent-child co-residence and contact from our models does not affect our main findings.

Conclusions

Our analysis of parent-child financial transfers presented here largely confirms, at the dyadic level across Europe, what has been found in the previous literature based on single-country studies and/or for the full set of individual transfers. Substantial transfers of resources between parents and their adult children still exist after the latter have left the parental home to set up their own households and families; in general, there is a net downward flow of these resources from the older to the younger generation. Similarly, co-residence is driven more by the needs of the child-than by those of the parent.

Transfers in the family thus flow in the opposite direction from those of the public generational contract. This may partly explain the high popularity of old-age pensions found in attitude surveys even among the young (Esping-Andersen, 1999; Boeri et al., 2002; Kohli, 2006).

The dyadic analysis also confirms the previous findings of consistent welfare and family regime patterns in the likelihood and intensity of intergenerational family transfers. Transfers from parents to children are less likely – but more intense - in the Southern European countries than in the Nordic ones, with the Continental European countries falling somewhere in-between. The belief that Southern European informal support networks are stronger and more effective than those of the Continental and Nordic countries is thus only partially bourn out.

Our results suggest that financial transfers have different aims and meanings across the countries and regimes that we consider. In Southern Europe co-residence is the preferred and most prevalent way of supporting children who are still not fully independent; parental economic support to children in this familialistic welfare regime is thus less explicit and offered in a closer family context, through prolonged parental

subsidies for housing and living costs. In the other European countries it is accepted and preferred that children leave their parents' home early and then receive direct and explicit financial help from them. Moreover, the financial transfers to children living outside the family seem to have different aims and meanings in the different regimes. While in the North they are not strictly linked to children's needs – and are thus likely to take place even when the child is not in a particularly difficult situation – in Continental and Southern Europe they are more targeted to children in need, and thus conceived as a family-substitute for the missing public welfare programs for them (Esping-Andersen and Sarasa, 2002:6; Börsch-Supan, 2007). The relevance of children's needs and parents' resources is greater in more familialistic welfare regimes. This applies, for example, to children who are separated, divorced or widowed or who have to care for their own small children.

These results highlight the modes of linkage between the family and the state in the intergenerational transfer process. We may speak of “crowding in” in the sense that public benefits and the lack thereof create resources and needs at the level of the family. This is valid for all welfare regimes, but how it operates strongly differs among them. In the Nordic welfare regime, well-developed old-age security but also good provisions for younger adults enable parents to give comparatively frequent transfers to their children without having to rely on co-residence with them. Transfer giving is thus more individualized. As the strong welfare state minimizes the risks of old age, transfer giving does not decline with age. Family solidarity values are high in the case of children or grandchildren in need, but in general, economic security of children and the elderly as well as care for the latter are seen as the responsibility of the state. In the Southern welfare regime, the retired bread-winners are also comparatively well-off, and by this, enabled to provide for their descendants. Given the lack of public support in early adulthood (with regard to higher education, entry into the labor market, housing, and parenthood), this provision largely occurs in the form of prolonged intergenerational co-residence. Intergenerational support by parents vis-à-vis their adult children and their grandchildren, and by adult children vis-à-vis their elderly dependent parents is (still) expected as a matter of fact. Values of family solidarity thus buttress this familialistic way of living, albeit at the expense of individualization. This arrangement has its downside in very low fertility, and thus seems increasingly unsustainable.

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Statistical appendix

Table A1 Logistic regression on the likelihood of living in the same household or building, unit of analysis parent-child dyad (odds ratios)

Parent's characteristics	Age		1.049**
	Gender (ref. male)	Female	1.298**
		Mid	0.981
	Educational level (ref. low)	High	0.672**
		Without partner	1.103
	Living arrangement (ref. with partner)	Yes	1.840**
	Is some other child living in the same household or building (ref. no)		
	Income (ref. First quintile)	Second quintile	0.888
		Third quintile	0.763**
		Fourth quintile	0.769**
		Fifth quintile	0.591**
	Self-perceived health status (ref. good or more)	Less than good	1.071
	Limitations with mobility (ref. no)	Yes	0.971
	Limitations with instrumental activities of daily living (ref. no)	Yes	1.328**
	Limitations with activities of daily living (ref. No)	Yes	0.963
Child's characteristics	Age		0.925**
	Gender (ref. male)	Female	0.770**
		Divorced/separated/widowed	2.748**
	Marital status (ref. married)	Never married	7.370**
		Yes all older than 3 years	0.758**
	Has at least one child (ref. no)	Yes at least one 3 years old or younger	0.410**
		Unemployed	2.246**
	Employment status (ref. in employment)	Student	2.997**
Other status		1.499**	
	Observations		41534
	Percentage of correct predictions (count R2)		88

Notes: coefficients for country variable omitted, reference category is Austria; coefficient for "other" educational level omitted; ** significance ≤ 0.01 ; *significance ≤ 0.05 .