


BOOK REVIEW

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The Economic Lifecycle, Gender and Intergenerational Support: National Transfer Accounts for Italy by Marina Zannella

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Is population ageing an opportunity or a threat to societies? The answer depends on the relationship between demographic characteristics and economic behaviour of individuals. National Transfer Accounts (NTAs) are a framework to measure and analyze the relation between age, gender and economic behaviour. Thus, NTAs provide the basis for a thorough analysis of the economic consequences of demographic changes. The book *The Economic Lifecycle, Gender and Intergenerational Support: National Transfer Accounts for Italy* describes the methodology, the data sources and the results for Italy in detail.

The first part of the book describes the importance of the generational economy and introduces the key concepts. The *economic lifecycle* describes the systematic change of economic activities across the life course. For example, income and consumption vary significantly with age. Children and elderly persons consume considerably more than they earn. This pattern requires the reallocation of income between age groups. NTAs provide a complete view of the reallocation of resources between generations and the underlying mechanism. Two main mechanisms are distinguished: transfers and asset-based reallocations. While the lifecycle deficit of children is almost exclusively funded by transfers, the elderly population finances part of their consumption by asset income or by using up their savings.

The second chapter provides a detailed overview of the NTA methodology. NTAs are designed as satellite accounts of the System of National Accounts. The accounts include information on the age-specific mean values of income, consumption and saving as well as public and private transfers between age groups for a given year. The compilation of NTAs includes three major steps. The first step consists of the identification of the appropriate aggregate data, of which most components are taken directly from the system of national accounts. In the second step, the aggregate quantities are allocated to age groups based on the information from micro-data and from administrative data. The third step involves the estimation of intra-household transfers. For estimating intra-household transfers, it is assumed that a gap between consumption and income is financed by other household members. Intra-household transfers involve mainly the flows associated with parents financing the consumption of their children. The NTA dataset

consists of age profiles containing the age-specific averages of income, transfers contributions, transfer benefits, consumption and saving.

The results for Italy are presented in the third chapter. Labour income is concentrated in the age groups from about 20 to 65, with a strong decrease after the age of 60. Consumption, on the contrary, peaks in high school age and in old age. The peak in high school age is a result of high average public expenditure for education, and the increase with age is caused by public health consumption. In the oldest age groups, health constitutes about one third of the total consumption. Private transfers are directed towards children, while public transfers are mostly to the elderly population. In Italy, public expenditure is highly concentrated at the elderly population, while the support of families is comparably low.

The difference between age-specific labour income and consumption plays a central role in the NTA framework. This difference is termed *lifecycle deficit* (LCD). Children and elderly persons are characterized by a lifecycle deficit. The working-age population has a lifecycle surplus because labour income exceeds consumption. The total lifecycle deficit of children and the adult population is a frequently used NTA indicator. It measures the consumption of children and elderly persons that is not financed by their own labour income, relative to the total labour income in the economy. Italy is amongst the countries with the highest lifecycle deficit and at the same time the lowest surplus in Europe. The high values of the lifecycle deficit in Italy reflect a combination of an old population and high consumption relative to total income (= low saving rate). A simulation of the LCD using population projections and constant per capita values of labour income and consumption shows that the LCD will even increase in the future due to ageing. In contrast, the surplus of the working-age population is bound to decrease. These results illustrate and emphasize that population ageing requires considerable adaptations of the intergenerational transfer system to maintain a balance between contributions and benefits.

Chapter 4 includes the most innovative part of the book, the estimation of gender-specific NTAs and of National Time Transfer Accounts (NTTAs). NTTAs include information on age-specific production, transfers and consumption of services produced by unpaid work, such as housework and childcare. NTTAs are based on time use surveys. Production is estimated in time units and then transferred into monetary units using the market wage for similar activities. Estimates of the consumption of these services produced by unpaid work are largely based on assumptions. Care provided to children and elderly people is assigned to the person who benefits from it. The NTTA transfer estimates are calculated as the difference between production and consumption.

The results show that men are more engaged in paid work and women more in household work. Consequently, men contribute more to public transfers and women more to the transfers in form of unpaid work. A remarkable aspect is the total amount of unpaid work carried out by Italian women—on average, about 39 h a week. The excellent reputation of the Italian cuisine is no coincidence since on average, Italian women spend 17 h per week on cooking and related activities.

In total, the inclusion of unpaid work in NTAs increases total income by about 58%. While there is a strong specialization of men in market work and women in unpaid

household work, the combined LCD including paid and unpaid work is almost balanced. Men still have a higher surplus in working age. However, older women produce considerably more than men, because of their involvement in unpaid production. Consequently, the LCD in old age is lower for women than for men.

The book delivers valuable information on the NTA methodology and the relation between age, gender and economic behaviour in Italy. It is an indispensable reference for the users of Italian NTA data, which are publicly accessible on ntaccounts.org.

Abbreviations

LCD: Lifecycle deficit; NTAs: National Transfer Accounts; NTTAs: National Time Transfer Accounts

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