

Intergenerational Transmission of Benefit Receipt

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In all countries there is intergenerational correlation in income, educational level and employment (Blanden, 2013) and also in benefit receipt which is the topic of this study. There are at least five possible mechanisms that explain intergenerational correlation in benefit receipt. Firstly, the theory on social influence on welfare use suggests that benefit receipt among parents or peers reduces the strength of the norm to provide for oneself through gainful employment and the stigma attached to benefit receipt (Bertrand, Luttmer, & Mullainathan, 2000; Dahl, Kostøl, & Mogstad, 2014). Children growing up with parents who are on welfare might learn to think of benefit receipt as the default means of support (Page, 2004). Secondly, having benefit recipients among one's parents reduces the application costs as parents can provide first-hand information on how the system works (Dahl et al., 2014; Vartanian, 1999). In both these mechanisms there is a direct causal influence of parental benefit receipt on their offspring's benefit receipt. Thirdly, intergenerational correlation in benefit receipt can be explained via social resources or network social capital. Welfare parents, and their social networks, provide children with less information about job opportunities and job application strategies (Lin, Ensel, & Vaughn, 1981). Greater access to valuable social resources enhances individual labour market success and thereby reduces the probability of benefit receipt. Fourthly, children will resemble their parents in earning potential and labour market success due to parental investments in education and human capital (Solon, 1992; Vartanian, 1999) and learning within the family (Blanden, 2013) and fifthly due to genetic transmission of for instance ability or health (Becker & Tomes, 1979; Solon, 1992). As a consequence they will also have a similar likelihood to be benefit recipients.

In this paper we ask (1) how strong is the intergenerational correlation of benefit receipt in the Netherlands, and (2) how can this intergenerational correlation be explained? We use unique longitudinal register data on the entire population of the Netherlands on the timing and duration of benefit receipt, which allows us to follow individuals over a long period of time and to relate parents to children. We distinguish three types of benefit programs; unemployment benefits, disability benefits and social assistance. We estimate

models explaining children's benefit receipt from parental prior and later benefit receipt in the same and other benefit programs.

Firstly, we try to separate causal mechanisms from spurious effects. Following Gottschalk (1996) we use the timing of parental benefit receipt to control for unobserved heterogeneity. Future parental benefit receipt is used as a proxy for unobserved characteristics shared between parents and children. Only prior benefit receipt can have a causal effect on children's benefit receipt, but also parents future benefit receipt will be correlated with children's benefit receipt. If the effect of prior parental benefit remains significant when future parental benefit receipt is taken into account this provides evidence of a causal effect (Gottschalk, 1996). We find strong and significant effects of prior parental benefit receipt, also when future parental benefit receipt is taken into account, thus providing evidence for a causal effect.

One possible causal mechanism is that benefit recipients invest less in their children and transmit less cultural resources, resulting in a lower educational level and therefore a higher benefit receipt among the children. Educational level is found to partly mediate the relation between prior parental benefit receipt and children's benefit receipt. The effect of prior parental benefit receipt only slightly decreases when education is taken into account, indicating that other causal mechanisms are also important.

Secondly, parents provide social capital such as (access to) information about job opportunities and application strategies. Parents who are active on the labour market will provide more information than inactive parents, both benefit recipients and otherwise inactive parents such as homemakers or early retirees. We find evidence for this mechanism: having parents who are active on the labour market reduces children's number of months on benefits, also compared to children whose parents are inactive but do not receive benefits. Having parents who receive benefits, however, leads to an even larger increase in children's number of months on benefits compared to children with inactive parents. The social capital mechanism can thus only partly explain the higher benefit receipt among children of benefit recipients.

Parental benefit receipt can have a direct causal effect on children's benefit receipt via two mechanisms; stigma and information. Welfare parents can lower the social costs of benefit receipt by reducing the strength of work norms and welfare stigma, or lower the application costs by providing information on the welfare system and application strategies. We used two strategies to investigate the relative importance of these two mechanisms.

Firstly, we looked at the timing of prior parental benefit receipt. We assume that parents who recently received benefits can provide the most up to date welfare information, while parental benefit receipt in earlier years, when children are younger and more likely to live at the parental home, has more influence on norms and stigma. We find that the effect of recent parental benefit receipt is less strong than the effect of parental benefit receipt longer ago, indicating that social costs might be more important than information costs.

Secondly, we distinguish various welfare programs and look at the effects of parental benefit receipt within the same and other welfare programs. Especially parents with experience in the same program can provide information and thus lower the application costs. Intergenerational transmission of benefit receipt in the same program might thus be explained by the information mechanism, while the effect of parental participation in other welfare programs is most likely explained by reduced general welfare stigma. We find strong effects of parental benefit receipt in the same welfare program, which indicates that the information mechanism might play a role, but also positive cross effects most likely explained by reduced *general* welfare stigma.