# Intergenerational Transfers and Social Class: Inter-vivos Transfers as Means of Status Reproduction?*

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Marco Albertini
Department of Educational Sciences, University of Bologna, Bologna, Italy

Jonas Radl
Department of Sociology II, Universidad Nacional de Educación a Distancia (UNED), Madrid, Spain

**Abstract:**
Research on social stratification and the transmission of inequality has largely disregarded the role of inter-vivos transfers to adult children. At the same time, the role of occupational social class has been neglected in the literature on intergenerational transfers. In an attempt to link the two research strands, the present paper assesses the association between social class and parental transfer behaviour. Estimation results from a tobit model on the basis of data from SHARE show substantial class differences in financial transfers. Existing theories of intergenerational transfers are largely incapable of accounting for this finding. Even after controlling for income and wealth, service-class parents transfer more resources to their adult children than working-class parents. We explain the observed class effects in parental transfer behaviour by re-thinking inter-vivos transfers as a means of status reproduction.

**Key words**: intergenerational transfers; social class; inequality; social mobility; Europe; intergenerational relations; socio-economic status; wealth

* The order of authorship is alphabetical, both authors contributed equally.

## Introduction

The reproduction of social inequality in modern societies operates through the inheritance of genetic traits as well as through the intergenerational transmission of economic, social and cultural resources. However, social scientists have yet to provide a precise account of the micro-level mechanisms through which inequality is perpetuated across the generations (Bowles and Gintis, 2002; Erikson and Golthorpe, 2002).

The literature on social mobility has stressed the role played by the unequal distribution of educational opportunities. This has led to a strong research focus on schooling and pre-schooling socialisation (e.g. Esping-Andersen, 2004; Breen and Jonsson, 2005). Similarly, the literature on social capital has highlighted the importance of family ties for school-to-work transitions (Lin, 1999). In contrast to this emphasis on the early life course, research on intergenerational relations has demonstrated that family 'sponsorship' of children continues well beyond childhood and entry into the labour market (Kurz, 2004; Spilerman, 2004). Parents' support for children continues throughout the joint life course of the two generations (cf. Kohli and Albertini 2008, Zissimopoulos and Smith forthcoming); and even beyond in the form of bequests (cf. Bernheim et al., 1985; Szydlik 2004). Yet, instrumental support by parents to their adult children is rarely considered in social mobility studies.

While research on social stratification has largely disregarded the role of inter-vivos transfers to adult children, social class has remained something of a blind spot in the

literature on intergenerational transfers. The relationship between social class and family relations was once intensely debated among American sociologists (Sussman, 1953; Kohn, 1959; Litwak, 1960; Troll, 1971), but recent research has concentrated on parents' income (Attias-Donfut et al., 2005), wealth (Albertini et al., 2007), and education (Kalmijn, 2006) instead. Not surprisingly, there is a positive association between each of these measures and the likelihood of transferring money to children (Hurd et al., 2007), making the reproduction of inequality a popular theme in this literature. However, little attention has been paid to the way in which transfer intensities may be influenced by social class (but cf. Chan, 2008), the central variable in social mobility research.

This paper takes a first step towards filling these gaps in the existing literature. The goal is to establish how parents' class membership influences the intensity of economic support to adult children. We put forward a novel approach to transfer motives that broadens the theoretical perspective beyond the conventional reciprocity-altruism distinction by highlighting the role of class-dependent parental status aspirations. Notably, this conceptualisation leads to opposite expectations regarding class differences in inter-vivos transfers.

It should be emphasised that we do not develop an encompassing model of intergenerational transfers. Some important related aspects, such as the reversed flow of support from children to parents, are beyond the scope of this paper. Moreover, we only consider financial transfers between living persons. Other than liquid assets, these include gifts in the form of valuable goods. As our main interest lies with transfers as voluntary

decisions, we do not analyse bequests. The uncertainty of the time of death as well as inheritance law imposes serious restrictions on the free distribution of bequests, which are absent in inter-vivos transfers.

## Intergenerational transfers: parents between altruism and reciprocity

Financial inter-vivos transfers are a central element of intergenerational relations, which also encompass other relevant dimensions such as help and care-giving (Brandt et al., 2009; Saraceno 2008). With the aim of understanding differences in intergenerational transfers, scholars have developed a rich variety of typologies of transfer motives (Cox, 1987; Künemund and Rein 1999; Klein Ikkert et al., 1999; Kohli and Künemund, 2003; Schokkaert, 2006). The common denominator between the different research traditions in sociology, psychology and economics is the distinction between altruism and reciprocity (or exchange).

Altruistic transfers are driven by a sense of moral duty or obligation to provide help to other people and thus, by the concern of the benevolent donor for the well-being of the receiver. Using Elster's definition, a financial transfer should be considered *altruistic* 'if the agent is willing to suffer a *net* loss in welfare by the promotion of the welfare of another' (Elster, 2006: 186). By contrast, a transfer is guided by *reciprocity* if it is part of an exchange for services or resources the agent receives in return. A reciprocity-induced transfer often intends to strengthen the donor's support network. In the case of financial transfers from

elderly parents to adult children giving stems from the desire of parents to create a moral obligation for future support (Bernheim et al., 1985; Silverstein et al., 2006).

However, despite a considerable amount of research on this topic, a consensus has not been reached about the relative importance of these different explanations of transfer giving (McGarry, 1997).[1] Especially, it has proved empirically difficult to discern non-ambiguously between motives for giving. Some authors have suggested that altruistic norms only become effective in situations of neediness (Klein Ikkink et al., 1999). Frequently various motivations operate simultaneously; the motives that lie behind the intergenerational transfer may even be contradictory (Finch and Mason, 1993). Nonetheless, the reciprocity-altruism dualism has, overall, been found useful in the study of intergenerational transfers. In sum, reciprocity and altruism are most adequately understood as two ideal types within a typology of transfer motivations.

## Social class and intergenerational transfers: hypotheses

To develop hypotheses about differences in transfer behaviour across social classes, it is helpful to make a distinction between explanatory mechanisms that are based on class-dependent *interests* and those that are based on class-specific *norms* (Svallfors, 2006: 20). Accordingly, transfer behaviour may differ by social class, either because classes are characterised by divergent market conditions, or because the members of a social class share a specific set of social expectations.

*Reciprocity: giving to receive*

As outlined above, reciprocity refers to inter-vivos transfers as a means of exchange. Self-interest can be a good reason to give. For example, parents may give their adult children money to receive instrumental help in exchange or because they expect to be taken care of in the future (Henretta et al., 1997; Klein Ikkink et al., 1999). Reciprocity-induced transfer behaviour follows the logic of cost-benefit calculation.

Evidently, the marginal costs of financial transfers depend on parents' endowment with economic resources. Therefore, the fact that parents from different social classes differ in terms of income and wealth has implications for their transfer behaviour. Working-class parents are less likely than service-class parents to make financial transfers simply because they have less money at their disposal (Hurd et al., 2007); conversely, they are more likely to give practical support and assistance (e.g. take care of grandchildren) (Chan, 2008).Of course, the concept of social class goes beyond different levels of income and wealth. It emphasises the hierarchical nature of the social structure, in which individuals occupy positions that are linked to different *long-term* employment and life chances (Scott, 2002).

Indeed, adopting a life course perspective is crucial when it comes to the expected future returns – i.e. the benefits – of financial inter-vivos transfers because in a reciprocal exchange the respective obligations of the contract partners are typically left unspecified. The fact that intergenerational relations usually unfold over decades further increases the amount of uncertainty about compliance with implicit obligations (Silverstein et al., 2006).

In other words, parents who expect to receive future returns for their financial transfers cannot be sure whether their children misinterpret their gifts as an altruistic transfer.

As a consequence, the extent to which parents are willing to make inter-vivos transfers will depend on their expectations as to whether their children will reciprocate. Specifically, the marginal benefits of financial transfers depend on whether the opportunity for payback arises. When parents become frail children's help counts most. Children usually try to meet parents' need for care, but not always (Alber and Kohler 2005; Saraceno et al 2005). Henretta et al. (1997) have shown that in situations of need previous parental investments pay off because they stimulate reciprocal behaviour by children. However, parents from different social backgrounds do not face the same risk of frailty. Working-class parents are more likely to be in need of informal support from their children in old-age than service-class parents. As a matter of fact, working-class parents not only become dependent at lower ages, they also have less access to alternative sources of support (Bönke, 2008; Litwin, 1997). This means that their exchange-oriented transfers are more likely to yield returns. Working-class parents have a stronger incentive to invest in their latent support network because they are more likely to need assistance by their children in the future.

Previous research seems to support the idea that working-class parents have higher reciprocity expectations towards their children than do service-class parents. Lee et al. (1994; 1998) found that elderly parents of low socio-economic status expect to receive more help from their adult children than those of higher status. Furthermore, the working class relies more heavily on children's support in old age (Rendall and Bahchieva, 1998).

Overall, the association between class and inter-vivos transfers is theoretically underdetermined as far as cost-benefit arguments are concerned. One could argue that, after all, service-class parents should make more transfers because the budget restriction impedes transfers above a certain amount among working-class parents. However, the marginal benefits of inter-vivos transfers are greater among working-class parents. Once differences in income and wealth are accounted for, working-class families should thus be more involved in the reciprocal exchange of support than are service-class parents.

*Altruism: only for the good of the children*

According to the altruism argument downward financial transfers should be more frequent and intense among working-class families due to greater needs. Indeed, working-class children are more likely to be in a situation in which they need parents' support, for instance because of unemployment or marital instability.

Under ceteris paribus conditions there may still be varying transfer patterns across social classes if there are significant differences in terms of altruistic norms. This presupposes an attitudinal correlate of social class. However, unlike Marxist class theory, the neo-Weberian tradition does not include a set of shared ideas among the defining properties of social class. Instead, social class is defined in terms of a shared market condition (Scott, 2002). Correspondingly, although it is common practice in sociological research to assume a close association between class and norms (Brooks and Svallfors, 2010), such an assumption requires further theoretical legitimisation (Grusky and Weeden, 2001).

According to Kohn's (1959; 1986) well-known theory of parental values, variation in parenting practices can be explained in terms of the attributes that parents value in their children. Arguably, these values differ by social class: while working-class place major emphasis on 'conformity', middle-class parents give greater priority to 'self-direction.' Conformist parents value discipline, cleanliness and obedience among their children; self-directive parents value responsibility, consideration, and independence (cf. Kohn et al., 1986; Morgan et al., 1979; Hughes and Perry-Jenkins, 1996; Lamont 2000). The class gradient in parental values is seen as resulting from differences in working experience which lead to diverging perceptions of autonomy and authority.

Although Kohn's hypothesis has been concerned with young children, the argument may also be applied to parental transfers to adult children. Accordingly, since service-class parents value self-determination and independence among their children very highly we should expect their propensity to financially support their children to be smaller than among working-class parents.[2]

In order to examine differences in altruistic attitudes across social classes directly, we analyse data from the *Survey of Health, Ageing and Retirement in Europe* (SHARE). In the drop-off section of the survey, respondents are asked about their degree of agreement with the following statement: 'Parents' duty is to do their best for their children even at the expense of their own well-being.' This item neatly addresses the strength of altruism as defined above. It explicitly asks parents for the disposition to sacrifice their own welfare for the well-being of their children, but is not restricted to young children only. Table 1 shows the

response pattern by social class, using the Erikson-Goldthorpe class schema (Erikson and Goldthorpe, 1992; see below for details):

[TABLE 1 ABOUT HERE]

In general, the figures show strong support for parental altruism. Three out of four respondents agree with the statement. At the same time, there is notable variation across social classes. A clear divide emerges between blue collar and white collar workers. Skilled and unskilled manual workers tend to express a significantly higher commitment to altruism than white-collar employees. This evidence is broadly in line with the above hypothesis regarding the linkage between parental values and social class as it confirms of a higher degree of parental altruism among working-class parents. However, these numbers should be interpreted cautiously, given the elevated share of missing values in the drop-off section of the survey.

*Status reproduction: the fear of children falling behind*

Both of the above arguments lead to the hypothesis that, once controlled for income and wealth, lower social classes transfer more to their children. An alternative hypothesis can be developed if we re-interpret financial inter-vivos transfers as a parental investment in the socio-economic status of their children (cf. Esping-Andersen, 2005; Silverstein et al., 2006).

The argument draws on the Breen and Goldthorpe model of educational attainment (Breen and Goldthorpe, 1997), which was designed to account for persisting class disparities in educational outcomes. Accordingly, these differences can be explained with reference to actors' 'relative risk aversion' towards status losses. We suggest extrapolating the model to parents' transfer behaviour. Specifically, we argue that service-class parents have a greater propensity to invest in their children's achievement because compared to working-class parents they have higher status aspirations for their offspring. Like in the Breen and Goldthorpe model, it is assumed that parents' primary objective is to avoid downward social mobility. Because of their social origin, the socio-economic position envisaged for children of service-class parents is therefore higher than for working-class children. Furthermore, the typical career paths are longer for children from the advantaged social classes, hence inducing uncertainty about eventual achievement during many years of the child's life. Conversely, for working-class parents the marginal costs of an additional transfer exceed the related benefits – in terms of status gains for the child – at a lower absolute level. Therefore, if avoiding downward social mobility of the offspring is among the purposes of inter-vivos transfers, working-class parents can be expected to offer less financial support to their children, everything else being equal.

Notably, the motive of status reproduction is not captured adequately within the altruism-reciprocity dualism. On the one hand, investing in the social status of the child is not a case of reciprocity, since no future transfer of money or services is expected in return. On the other hand, it is not based on altruism, because parents arguably benefit from the

socio-economic success of their children in terms of their own social prestige. A utilitarian approach would classify the status reproduction motive as altruistic, given that the agent derives utility from another person's welfare, but this use of the term seems misleading. While altruistic action, in the narrow sense defined above, sacrifices personal well-being for the benefit of the recipient, status reproduction is ultimately self-interested. It aims at incrementing parental social prestige or self-esteem through the successful inheritance of socio-economic status. The key point is that the 'warm glow' (Andreoni, 1990) does not come about as a side-effect of the act of helping (as it may in altruistic behaviour), but is the actual purpose of the transfer (cf. Elster, 2006). We hence propose to regard status reproduction as a third ideal type of transfer motivations.

The argument assumes that parents believe that financial transfers facilitate the socio-economic success of their adult children. This assumption is supported by early findings that show that service-class parents are well aware of the positive effects of economic support on adult children's status position (Litwak, 1960). For instance, American middle-class parents reported 'that their assistance was needed if children were not to lose their present socio-economic status' (Sussman, 1953: 27; see also Lamont 2000: 31 and 230). The proposed extension of the 'downward mobility aversion' model thus leads to a competing hypothesis about class differences in transfer behaviour. Accordingly, we expect that service-class parents provide more financial help to their children than working-class parents.

It should be clarified that 'status' here refers to a broad concept of socio-economic status that includes all social and economic resources which define an individual's position in the social hierarchy. What would be typical examples of transfers motivated by status reproduction? Since education is the most important asset for socio-economic success, a straightforward example is parental financial transfers for tuition or maintenance during education. Of course, economic resources facilitate career mobility also after entry into the labour market. Most importantly, money allows purchasing services like child-care or domestic work on the market, thereby freeing up time for paid work. Especially if the adult child is a woman, parental financial transfers can make the difference between staying home and pursuing a career. Another example of transfers facilitating status reproduction are gifts for clothing or housing purchase. For instance, the fact that the child drives an expensive car or lives in a fancy neighbourhood helps 'keeping up with the Joneses' because on top of their immediate usefulness these goods have significant symbolic value.

By contrast, an ideal-typical reciprocal transfer is pocket money that is conditional on regular visits. Finally, a prototypical altruistic transfer would be destined to a child with an illness, although the latter may reside far away from the parental home and is largely unable to reciprocate. As per usual in this kind of typologies, however, 'pure' manifestations of ideal types are rarely observed.

To sum up, we arrive at two competing hypotheses about the association between class and intergenerational transfers. The first builds on the conventional distinction of altruistic

and reciprocity motives for giving financial help to children, while the second hypothesis emphasises the investment character of intergenerational transfers from parents to children: both the reciprocity and altruism mechanism suggest a higher transfer propensity of working-class parents vis-à-vis service-class parents, once differences in income and wealth are taken into account; by contrast, the 'status reproduction' model leads to the opposite hypothesis.

## Data and methods

The data base for the empirical analyses is the Survey of Health, Ageing and Retirement in Europe (SHARE).[2] SHARE is a longitudinal, multidisciplinary and cross-national survey that represents the population aged 50 and older. Partners of selected individuals, independently of their age, were also interviewed. This paper employs the first wave of SHARE, which took place in 2004 and 2005 with eleven participating countries: Austria, Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden and Switzerland.[3]

SHARE contains detailed information on the situation of elderly Europeans. One advantage of the database is that respondents are asked for information about their children (both their own and those of their current spouse/partner). Some general characteristics – such as age, gender or residential proximity to parents – are known for each child. Additional information – such as employment and marital status, number and age of own children, or the frequency of contact with parents – is available for the four

children who live closest to the parental home.[4] We have created parent-child dyads for each of the four children for which additional information is available. By choosing dyads as the unit of analysis we are able to simultaneously analyse the characteristics of each child as well as the specific parent-child relationship. In this way, we incorporate a richer set of variables than conventional analyses based on respondents' transfers to all of their children together.

On the parental side, we consider both parents together if the two partners manage their finances jointly: A family made up of two parents and two children thus comprises two dyads. If finances are not managed together, we treat both parents separately. In this case a family of two parents and two children comprises four dyads. In short, the unit of analysis is the transfer actor-child dyad.[5] The sample is restricted to children aged 17 years or older.

*Statistical model*

SHARE provides information on whether respondents have given or received financial transfers in the twelve months prior to the interview. For each respondent, the amounts of the three most important exchanges are registered. For couples only one partner gave the answers to this survey section unless partners manage their finances separately.

We look at the amount of financial transfers from the transfer actor to the child in the twelve months prior to the interview. To be accurate, the dependent variable is the natural logarithm of the transfer amount, measured in purchasing power parities. Yet, financial transfers are only registered in SHARE if the total amount transferred to a single receiver

equals or exceeds 250 Euros.[6] Since our dependent variable is thus censored on the left, we apply a tobit regression model. The tobit model assumes an underlying latent variable, which in contrast to the observed outcome variable can be modelled as a linear combination of the regressors (Long, 1997).

*Independent variables*

The central independent variable is social class, which we operationalise using the well-known Erikson-Goldthorpe scheme (Erikson and Goldthorpe, 1992). In detail, classes V (lower technicians) and VI (skilled manual workers) are grouped together, while farmers (IV*c*) are kept separate because their frequent status as land-owners makes them likely to behave differently with regards to intergenerational transfers. For aggregation at the level of the transfer actor (for couples with shared finances), we applied the dominance criterion.[7] Respondents were assigned to classes on the basis of the characteristics of their main job, or of their last job when the former was missing or the respondent was retired.

As regards the economic situation of the parental household, we control for both income and wealth. Wealth is measured in the form of per capita net household wealth. As for income, we include imputed rents in the gross household income and apply the modified OECD equivalence scale. Both income and wealth are measured in purchasing power parities. We also control for parental age, health and education. If the transfer actor consists of a couple we consider the age of the oldest partner, the health status of the worst faring partner and the educational level of the most educated partner. We also control for

the children's needs, which are proxied by their level of education, labour force status and family situation.

## Results

*Descriptive results*

Our final sample consists of 31,642 transfer actor-child dyads. Table 2 shows descriptive statistics for the control variables. The average age of children is 37 years, whereas for the transfer actor the mean age of the oldest spouse is about 66 years. Each parental transfer actor has, on average, 2.8 children. Nearly three out of four children are in employment, less than 6% are unemployed and about 8% are still in education.

[TABLE 2 ABOUT HERE]

Table 3 shows that altogether more than half of our parental transfer actors have a working class background, whereas the service class comprises about a third of the dyads. The table also displays the likelihood and intensity of intergenerational financial transfers across social classes as well as the ratio of realised transfers relative to household income and wealth. Overall, about 14 per cent of parental transfer actors have supported their children economically during the last twelve months prior to the interview.

Let us turn to the differences between social classes. Parents from the higher salariat are both the most likely to make a transfer to children and also those who make, on average,

the largest transfers. If we look at transfer probabilities we see that parents from the lower salariat are relatively generous towards their children as well; in turn, parents who are manual workers or farmers are much less likely to make a transfer to their children. When considering the absolute average amounts of financial transfers the service class together with the self-employed and farmers turn out to be most generous towards their descendants.

[TABLE 3 ABOUT HERE]

The pattern of inter-class differences changes when focusing on transfer amounts relative to the economic resources of the parental household. In detail, the numbers reported in the third and fourth column show that when parents from the lower social classes transfer money to their children they devote a very substantial share of their wealth or annual income to supporting their children. Despite the lower likelihood and smaller absolute amount of their financial transfers, working-class parents with each transfer sacrifice a larger part of their owned stock of resources than service-class parents.

This piece of evidence lends some support to the status reproduction hypothesis insofar as transfer probabilities and intensities are larger among the service class than at the bottom of the occupational hierarchy. At the same time, the competing hypothesis can also be maintained insofar as the financial effort relative to available resources is larger. The

following multivariate regression model shall help to further disentangle the social mechanisms in play.

*Multivariate results*

Table 4 reports the results from four tobit regression models. The first model includes social class together with basic socio-demographic characteristics of parents and children. With regards to our research question the estimates show a clear pattern. There are large differences in transfer behaviour between classes, which are strongly significant. The upper service class realises the largest intergenerational transfers. It is followed by the lower service class and self-employed parents. By contrast, low-skilled manual workers and farmers exhibit the lowest propensity to transfer money to their children. These class effects are in accordance with the status reproduction model, but not with the reciprocity/altruism hypothesis.

Moreover, the estimation results reveal marked cross-national differences. The countries with the most intensive flow of inter-vivos transfers are Austria, Germany, Sweden and Greece. Whereas, on the opposite, the lowest amount of financial transfers is found in Spain and Switzerland. The country effects remain strong throughout model specifications, although the size of the coefficients diminishes with the inclusion of control variables. Country differences are broadly in line with earlier evidence (Albertini et al., 2007); however, it is beyond the scope of this paper to assess the influence of macro-level factors on parental transfer behaviour.[8]

In the second model, we introduce further variables related to the children's socio-economic situation. As expected, children who are unemployed or still in education receive more support than those who are in employment. Married children receive less support than divorced, widowed or single children. Similarly, living in the parental home lowers the amount of transfers received from parents. These effects reflect the structure of needs. At the same time, the fact that better educated children receive more transfers than less educated children could also be interpreted as a premium for effort. In any case, the class effects are only mildly moderated by the inclusion of the child's socio-economic situation. In line with earlier evidence, a large number of brothers and sisters or a poor health status of the parents reduces the transfers adult children receive.

In the third model we test whether the class effects remain unaltered after controlling for parents' economic resources. As it turns out, the inclusion of parents' economic resources affects the size of the class coefficients only to a small extent. Wealth and income unsurprisingly have a strong positive effect on transfers; however, this effect is far from neutralising class effects. Rather, the multivariate results demonstrate that, everything else being equal, service-class parents are really those who are most generous towards their children. This finding supports the hypothesis of class-graded status aspirations.

Finally, in the fourth model we put the status reproduction hypothesis to a more direct test. Specifically, it introduces the gap in educational attainment between the donor (parental transfer actor) and the recipient (child). We expect parents to reduce transfers once children have caught up with them in terms of educational credentials. The results are

supportive of the hypothesis: ceteris paribus, children with an educational level equal or higher than that of their parents are less likely to receive financial support than children whose educational level is lower than that of their parents. Thus, part of the observed class differences in intergenerational transfers is probably due to schooling investments. This result further underpins the claim that downward mobility aversion plays a key role in inter-vivos transfers. Nevertheless, since differences between classes remain significant, investments in education clearly do not tell the whole story. A higher transfer propensity among service-class parents persists after the child has reached the same level of educational attainment.

Overall, the multivariate results support the hypothesis that transfer behaviour is influenced by parents' wish to avoid downward mobility among their offspring.[9] As a consequence, the children of service-class parents benefit from significantly higher financial support than children with a working-class background. In turn, the findings are incompatible with the competing hypothesis based on expected class differences in levels of altruism or reciprocity expectations.

[TABLE 4 ABOUT HERE]

So far it has been demonstrated that, on the one hand, class membership exerts an influence on transfer behaviour that is independent of economic resources. On the other hand, it has been shown that the impact of wealth and income is nevertheless strong and

significant. To be sure, financial transfers are not feasible without the necessary minimal level of economic welfare. But how do these two mechanisms play out together? In order to scrutinise this question, as a next step, we run the full model again with a set of interaction effects between wealth and social class. Figure 1 shows marginal effects for all classes in comparison to the upper service class.[10]

The graphs illustrate that the respective effects of wealth and social class are interdependent. In particular, there is a threshold effect linked to the observed class differentials in transfer behaviour. For low levels of wealth, none of the classes differs significantly from the higher salariat. If anything, lower social classes might be even more generous towards their children when resources are scarce. Conversely, when wealth exceeds a certain level, the gap to the higher salariat becomes increasingly significant and widens further as we move further towards greater wealth. The threshold varies: whereas for unskilled manual workers the negative marginal effect becomes significant at the 5%-level already at about 9,900 euros (PPP), this point is not reached before a per capita wealth of 49,000 euros for the lower service class (the natural logarithm of 9.2 and 10.8 respectively). The thresholds for the other classes are situated somewhere in between. In other words, classes do not differ from each other in terms of their transfer behaviour when they are relatively poor. Instead, our findings indicate that the impact of class-dependent status aspirations only comes into effect when the parental household possesses a certain stock of economic resources.

[FIGURE 1 ABOUT HERE]

## Conclusions

Previous research on intergenerational transfers has largely revolved around the distinction between altruism and reciprocity. Accordingly, differences in transfer behaviour arise either from discrepancies in altruistic norms or as a consequence of inequalities in economic welfare, which affect the marginal costs and benefits of intergenerational transfers, This paper puts forward a new approach to intergenerational transfers from parents to children. Financial inter-vivos transfers are understood as parental investments in the socio-economic status of their offspring. Accordingly, parents use transfers to make sure that their children do not fall short of expectations. They promote the socio-economic success of children not only in terms of educational attainment, but continue to invest in their professional careers and even in their 'conspicuous consumption.' From this approach we derive the hypothesis of genuine class differences in financial transfers. Parents from a working class background can be sure to have avoided downward mobility at an earlier point in the child's life. For service-class parents, in turn, greater, and more prolonged investments are necessary to guarantee that their children at least achieve the same status.

The results from a tobit model of transfer behaviour using data from eleven Western European countries consistently support this approach. The service class, and especially the higher salariat, exhibits a significantly higher propensity to transfer resources to children than the members of the working class. Small proprietors and the self-employed show a

medium level of financial support. Theories that explain intergenerational transfer by reference to reciprocity and altruism are incapable of accounting for this pattern. This inconsistency with the empirical evidence does not mean that altruism and reciprocity were irrelevant altogether; only these mechanisms do not appear to operate through social class proper.

Moreover, our results demonstrate that class effects are not independent of economic resources. Rather, we find strong evidence for an interactive threshold effect of class with respect to wealth. Whereas no significant class differences can be found for low levels of wealth, the class gradient in transfer-making becomes larger the better the financial situation of the parental household.

One limitation of this study is that forms of instrumental support other than financial transfers, such as help or caregiving, have not been taken into consideration. Moreover, only transfers in one direction (from parents to children) have been analysed. Another limitation is that no attention has been paid to macro-level factors. A number of institutional features likely influence intergenerational transfers, for example taxation and inheritance law. Furthermore, the comparative literature has stressed the importance of welfare institutions, and in particular of the degree of defamilialisation, in determining the patterns of intergenerational exchange of resources (e.g. Albertini et al., 2007; Daatland et al., forthcoming). A fruitful area for future research would consist in examining the way in which formal and informal country-level institutions alter the relationship between social class membership and the flow of intergenerational transfers.

Nevertheless, it can be concluded that understanding the distinctive use of inter-vivos transfers as a status-reproducing device sheds new light on differential transfer behaviour. Our findings resonate with the observation by Lennartsson et al. (2009: 189) that 'family solidarity seems to have different bases in different social strata.' In terms of social mobility, class membership shapes transfer behaviour in a way that implies regressive effects on the income distribution among the upcoming generation. By this token, inter-vivos transfers emerge from this study as a catalyser of social inequality.

## Notes

1. For example, Kolm (2006) argues that reciprocity takes a variety of forms and that underlying motivations are quite diverse. Andreoni (1990) contends that a large part of those transfers that researchers classify as altruistically motivated are actually due to the desire of the donors to derive a 'warm glow' from their behaviour. As Frank puts it, 'the flint-eyed researcher fears no greater humiliation than to have called some action altruistic, only to have a more sophisticated colleague later demonstrate that it was self-serving' (Frank, 1988: 21).
2. In theory, thicker bonds between parent-child dyads with a working-class background could also be fostered by class differences in geographical mobility although empirical evidence on this aspect of kinship ties has remained inconclusive (Troll, 1971; Lee, 1980; Greenwell and Bengtson, 1997; Kalmijn, 2006).
3. This paper uses data from release 2. of SHARE 2004/05. 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 Ageing (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 Foundation, FWF), Belgium (through the Belgian Science Policy Office) and Switzerland (through BBW/OFES/UFES) was nationally funded. The SHARE data collection in Israel was funded by the US National Institute on Aging (R21 AG025169), by the German-Israeli Foundation for Scientific Research and Development (G.I.F.), and by the National Insurance Institute of Israel. Further support by the European Commission through the 6th framework program (projects SHARE-I3, RII-CT-2006-062193, and COMPARE, CIT5-CT-2005-028857) is gratefully acknowledged.
4. Note that we cannot use the second or third wave of SHARE as no ISCO codes are available to create class schemes.

5. The child's occupation is unknown.
6. Standard errors of all statistics reported below have been corrected for the clustering of dyads within the same household.
7. Some respondents could not recall – or did not want to report - the precise amount of the transfer. In such cases bracket values were used to approximate the transfer amount. If respondents then still failed to answer the question, the transfer amount has been imputed by the SHARE team using other available information. The present paper makes use of these imputed values. However, it should be noted that the percentage of imputed values is quite low. For instance, considering the most relevant transfer, independent of transfer receivers, only for 2.7% of respondents were the amounts imputed from unfolding brackets; for 1.3% missing answers were imputed using multiple imputation.
8. Class I was treated as dominant with regards to II, III, and VII; and Classes II, IVabc and V/VI as dominant with regards to Classes III and VII. If spouses' occupations were at the same hierarchical level, the husband's social class was used. If the class information on one of the spouses was missing, the other spouse's class was pegged for the transfer actor.
9. Disaggregated country-by-country models have demonstrated that the association between social class and parental financial transfers is similar across all Western European countries in the data set. In particular, the service class everywhere transfers significantly greater amounts of resources to their children than the working class. There is greater cross-national variation in terms of the behaviour of farmers and the petite bourgeoisie, which would merit closer investigation in future research.
10. A series of robustness and sensitivity checks were carried out to validate the results. Firstly, we repeated the same regression models with a restricted sample comprising only those dyads in which the child was not in education at the moment of interview. The obtained results do not substantially differ from those reported above and in particular the variable accounting for the educational gap remains significant. Secondly, we made our parental transfer actors more homogenous by selecting only those dyads for which the age of the transfer actor is higher than 60 years. Thirdly, the same regression models were implemented on a sample excluding coresiding parent-child dyads. In both cases the results fully confirmed the findings presented above. Fourthly, we broke down our wealth variable into two components: financial assets, which are easily transferable, and real assets (such houses, firms, etc.) which are less easy to transfer to children. The results show that while the coefficient for financial wealth is even slightly larger than in table 4, the effect for real assets is not significant. Evidently, liquid assets are more relevant for inter-vivos transfers than illiquid assets. In any case, differences between social classes remain substantially unaltered. Finally, we performed a sensitivity analysis by redefining of our dependent variable as the natural logarithm of the ratio of financial transfer and per capita household wealth. Again findings remained largely unaltered.
11. We do not show the detailed estimation results as all other coefficients and standard errors stay virtually unaltered. The full table can be obtained from the authors upon request.

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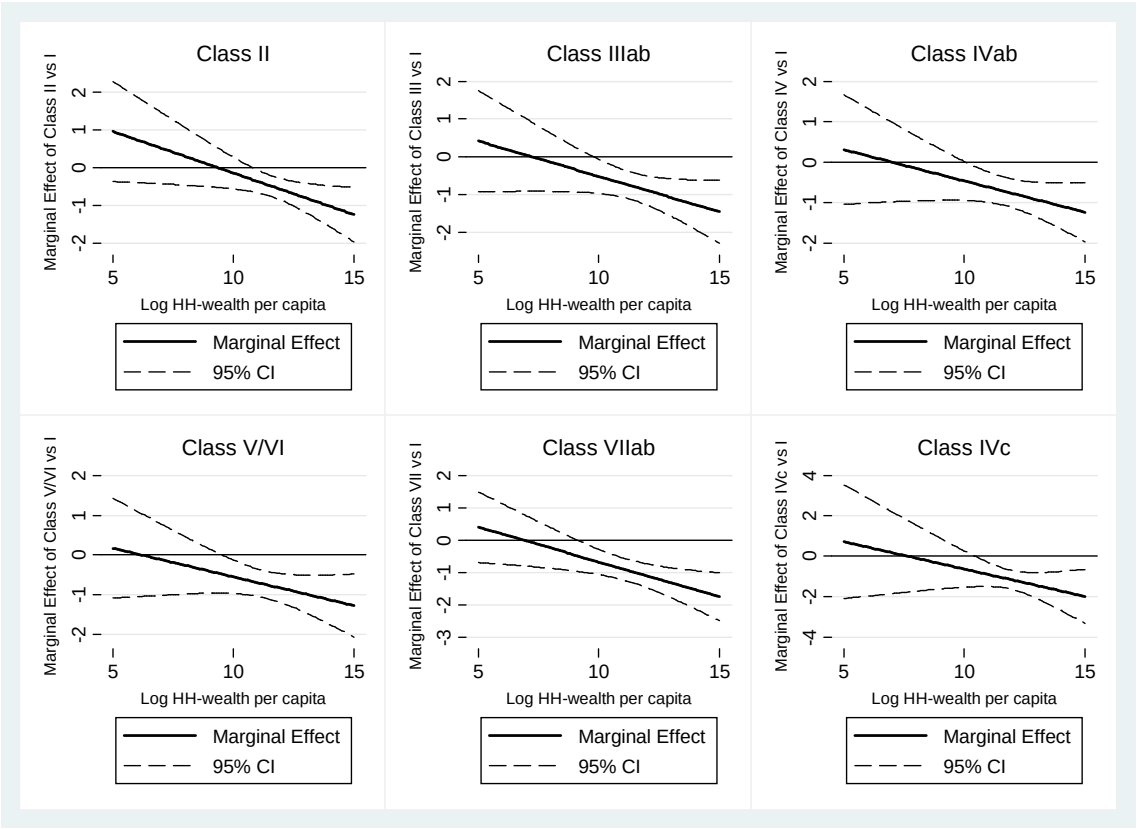
## Figures

**Figure 1** Marginal Class Effects (vs. to Service Class I) on Log Transfers as Wealth Changes (N=31,642; weighted results)



## Tables

**Table 1** Degree of agreement with normative affirmation on altruism by social class.

| **Social class** | **Agree/ Strongly agree** | **Neither Agree nor Disagree** | **Disagree/ Strongly Disagree** | **Percentage Agree Minus Percentage Disagree** |
|---|---|---|---|---|
| Higher salariat | 68.6 | 17.5 | 13.9 | 54,7 |
| Lower salariat | 70.3 | 14.8 | 14.9 | 55,4 |
| Routine non manual | 66.1 | 18.1 | 15.9 | 50,2 |
| Self-employed | 80.0 | 10.3 | 9.7 | 70,3 |
| Skilled manual | 80.4 | 11.4 | 8.1 | 72,3 |
| Unskilled manual | 78.0 | 12.6 | 9.4 | 68,6 |
| Farmers | 85.7 | 9.4 | 5.0 | 80,7 |
| *Total* | *74.8* | *13.7* | *11.4* | 63,4 |

Note: N=21,341; weighted results.

**Table 2** Mean and standard deviation of controlling variables.

| **Characteristics of parental transfer actor** | | **Characteristics of child** | | **Characteristics of the dyad** | |
|---|---|---|---|---|---|
| *Variable* | *Mean (SD)* | *Variable* | *Mean (SD)* | *Variable* | *Mean (SD)* |
| Age | 66.19 (10.37) | Age | 36.90 (10.54) | Co-residing | |
| | | | | No | 81.37 |
| | | | | Yes | 18.63 |
| Partner status | | Sex | | Educational Gap | |
| Partnered | 74.06 | Male | 50.59 | Child<Parent | 12.16 |
| Alone | 25.94 | Female | 49.41 | Child=Parent | 39.74 |
| | | | | Child>Parent | 48.10 |
| Number of children | 2.85 (1.37) | Educational level | | | |
| | | ISCED 0-1 | 6.66 | | |
| | | ISCED 2 | 16.04 | | |
| | | ISCED 3-4 | 48.17 | | |
| | | ISCED 5-6 | 29.13 | | |
| Health status | | Marital status | | | |
| Good or better | 49.96 | Married | 55.15 | | |
| Less than good | 50.04 | Divorced, separated | 6.93 | | |
| | | or widowed | 37.92 | | |
| | | Never married | | | |
| Country of residence | | Parenthood status | | | |
| Austria | 2.46 | Childless | 19.57 | | |
| Germany | 27.88 | Has children, none | 67.76 | | |
| Sweden | 3.56 | younger than 4 | 12.67 | | |
| The Netherlands | 6.07 | Has children, at least | | | |
| Spain | 12.37 | one younger than 4 | | | |
| Italy | 18.49 | | | | |
| France | 18.04 | | | | |
| Denmark | 2.20 | | | | |
| Greece | 3.02 | | | | |
| Switzerland | 2.45 | | | | |
| Belgium | 3.46 | | | | |
| Natural logarithm of gross | 9.99 | Employment status | | | |
| household equivalent income | (0.94) | Employed | 74.03 | | |
| | | Unemployed | 5.67 | | |
| | | In education | 8.64 | | |
| | | Other | 11.66 | | |
| Natural logarithm of net per | 10.95 | | | | |
| capita household wealth | (1.90) | | | | |

Note: N=31,642; weighted results.

**Table 3** Distribution of dyads across social classes. Likelihood and average amounts of financial transfers.

| **Social class** | **Per cent** | **Per cent that gives** | **Average amount of transfer in Euros[a]** | **Average ratio: amount/ per capita household wealth[a]** | **Average ratio: amount/ gross equivalent household income[a]** |
|---|---|---|---|---|---|
| Higher salariat | 13.3 | 25.6 | 5,396 | 8.3 | 14.0 |
| Lower salariat | 19.4 | 18.7 | 3,483 | 33.0 | 18.2 |
| Routine non manual | 10.8 | 12.5 | 2,038 | 39.7 | 15.5 |
| Self-employed | 10.8 | 12.6 | 3,849 | 3.5 | 13.5 |
| Skilled manual | 14.8 | 10.9 | 2,160 | 11.3 | 10.0 |
| Unskilled manual | 25.7 | 7.2 | 1,970 | 23.6 | 81.9 |
| Farmers | 5.3 | 6.5 | 3,489 | 33.8 | 39.5 |
| *Total* | *100.0* | *13.5* | *3,494* | *20.6* | *24.7* |

Note: N=31,642; weighted results; [a] conditional on having made a financial transfer.

**Table 4** Tobit regression on the natural logarithm of financial transfers from parental transfer actor to child.

| | **Model 1** | **Model 2** | **Model 3** | **Model 4** |
|---|---|---|---|---|
| *Characteristics of parental transfer actor* | | | | |
| Age | 0.012 | 0.014* | 0.011 | 0.013 |
| Partner status (ref. With partner) | | | | |
| Alone | -0215* | -0.228* | -0.098 | -0.091 |
| Health (ref. Good or better) | | | | |
| Less than good | -0.447*** | -0.405*** | -0.316*** | -0.296*** |
| Number of children | -0.523*** | -0.508*** | -0.478*** | -0.484*** |
| Ln (Gross household equivalent income) | | | 0.269*** | 0.250*** |
| Ln (Net per capita household wealth) | | | 0.126*** | 0.120*** |
| Social Class (ref. Higher salariat) | | | | |
| Lower salariat | -0.746*** | -0.699*** | -0.610*** | -0.547*** |
| Routine non manual | -1.417*** | -1.263*** | -1.068*** | -0.860*** |
| Self employed | -1.136*** | -0.994*** | -0.963*** | -0.754*** |
| Skilled manual | -1.495*** | -1.309*** | -1.076*** | -0.845*** |
| Unskilled manual | -1.825*** | -1.590*** | -1.296*** | -1.021*** |
| Farmers | -1.761*** | -1.532*** | -1.356*** | -1.085*** |
| Country (ref. Austria) | | | | |
| Germany | -0.111 | -0.182 | -0.181 | -0.219 |
| Sweden | -0.047 | -0.094 | -0.140 | -0.016 |
| The Netherlands | -0.662*** | -0.559*** | -0.615*** | -0.523*** |
| Spain | -1.806*** | -1.452*** | -1.444*** | -1.256*** |
| Italy | -0.885*** | -0.494*** | -0.491*** | -0.279 |
| France | -0.608*** | -0.616*** | -0.713*** | -0.619*** |
| Denmark | -0.257 | -0.401** | -0.506*** | -0.523*** |
| Greece | -0.197 | 0.021 | 0.173 | 0.306* |
| Switzerland | -0.902*** | -0.717*** | -0.843*** | -0.771*** |
| Belgium | -0.440*** | -0.204 | -0.308* | -0.264 |
| *Characteristics of child* | | | | |
| Age | -0.072*** | -0.068*** | -0.067*** | -0.064*** |
| Sex (ref. Male) | | | | |
| Female | 0.176** | 0.093 | 0.074 | 0.067 |
| Educational level (ref.ISCED 0-1) | | | | |
| ISCED 2 | | 0.364 | 0.363 | 0.586** |
| ISCED 3 or 4 | | 0.701*** | 0.636*** | 0.955*** |
| ISCED 5 or 6 | | 0.922*** | 0.778*** | 1.323*** |
| Marital status (ref. Married) | | | | |
| Divorced, separated or widowed | | 0.511*** | 0.528*** | 0.529*** |
| Never married | | 0.290*** | 0.270*** | 0.255** |
| Parenthood status(ref. Childless) | | | | |
| Has children, none younger than 4 | | -0.093 | -0.099 | -0.086 |
| Has children, at least one younger than 4 | | 0.122 | 0.109 | 0.118 |
| Employment status (ref. Employed) | | | | |
| Unemployed | | 0.826*** | 0.915*** | 0.883*** |
| In education | | 1.183*** | 1.168*** | 1.108*** |
| Other | | 0.161 | 0.175 | 0.175 |
| *Characteristics of dyad* | | | | |
| Coresiding | | -1.236*** | -1.114*** | -1.107*** |
| Educational differential (ref. Child<Parent) | | | | |
| Child=Parent | | | | -0.268** |
| Child>Parent | | | | -0.748*** |
| Constant | 7.277*** | 6.038*** | 1.839*** | 1.770** |
| Observations | 31,642 | 31,642 | 31,642 | 31,642 |
| McKelvey & Zavoina's $R^2$ | 0.209 | 0.232 | 0.243 | 0.247 |

Notes: * significant at 10%; ** significant at 5%; *** significant at 1%; weighted estimates.