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# The role of wealth transfers in shaping household wealth in Hungary

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**Changing life opportunities under illiberal rule: drivers of social structural change in Hungary, 6-7 July 2023**

# Introduction

- Previous sociological research on social mobility most often looked at the transmission of parental occupational status or education, while the role of wealth transfers was rarely considered.
- Last decade: increasing attention to wealth distribution e.g. Conley (2010), Piketty (2014), OECD (2018).

## Reasons:

- The role of wealth is becoming more important in times of flexible labour markets, weakening welfare states and economic crises.
- „Rewealthization” of developed countries (Piketty 2014, Chauvel 2021).
- Asset data availability is improving: LWS, SHARE, HFCS.

Attention to wealth transfers is also increasing.

# Research question

## Research questions:

- How strong is the role of material transfers (inheritance, gifts) in wealth creation in Hungary 30 years after transition from a socialist system?

## Operationalization:

- How much does the transfer received increase the chances of being in the top quintile of wealth?
- Comparative study: HU+ Germany, Finland, Ireland and Portugal
- What role does the size and timing of the transfer received play? Expectation: the role of larger transfers and transfers received early may be more significant.

# Earlier research on importance of wealth transfers

## Economic research:

- IG transmission of inequalities (e.g. Becker and Murphy (1986), Mulligan (1997), Corak and Heisz (1999), Villanueva (2005)): the correlation between parents' and their children's wealth and income is stronger than between earnings.
- What is the share of transfer wealth and life-cycle savings in household wealth? Kotlikoff (1988) 80% transfer vs Modigliani (1988): 80% life-cycle

## Sociological research:

- The role of parental background in access to housing (Henretta 1984, Mulder and Smits 1999, Torche and Spilerman 2002).
- The role of parental wealth transfers in access to housing (Deutsch 1997, Engelhardt and Mayer 1998). Also on Hungarian data, Székely [2002], Medgyesi (2005), Kovács (2021).

## Recent studies on transfers and wealth inequality:

- Decomposition: wealth inequality explained by transfer wealth (e.g. Nolan et al 2020)
- Regression studies: eg. Semyonov&Lewis-Epstein (2013), Fessler and Schürz (2018), Korom (2018)

# Data

- ECB Household Finances and Consumption Survey: eurozone member countries + some additional countries. Data from wave 3: DE, FI, HU, PT 2017, IE 2018. Multiple imputation for handling of missing data.
- Net household wealth =
  - + real assets (main residence, other real estate, businesses, vehicles and other valuables)
  - + financial assets (current accounts, savings deposits, securities, debts to household, etc.)
  - debt (mortgage loans, other loans including credit card debt).

Measurement of inheritance, gifts

**-Transfer of HMR:** *How did you/your household acquire the (part of the) residence (you own/your household owns): did you purchase it, did you construct it yourself, did you inherit it or did you receive it as a gift? IF PARTLY INHERITED/RECEIVED AS A GIFT AND PARTLY PAID FOR IT, PROBE: Which option accounts for the largest part of what (you own/your household owns)?* **+year of acquiring HMR, value**

**-Other transfer:** *„In addition to the household main residence, have you/has any member of the HH ever received an inheritance or a substantial gift, including money or any other assets (from someone who is not a part of your current household)?”* **+ max 3 transfers: year, value, donor info**

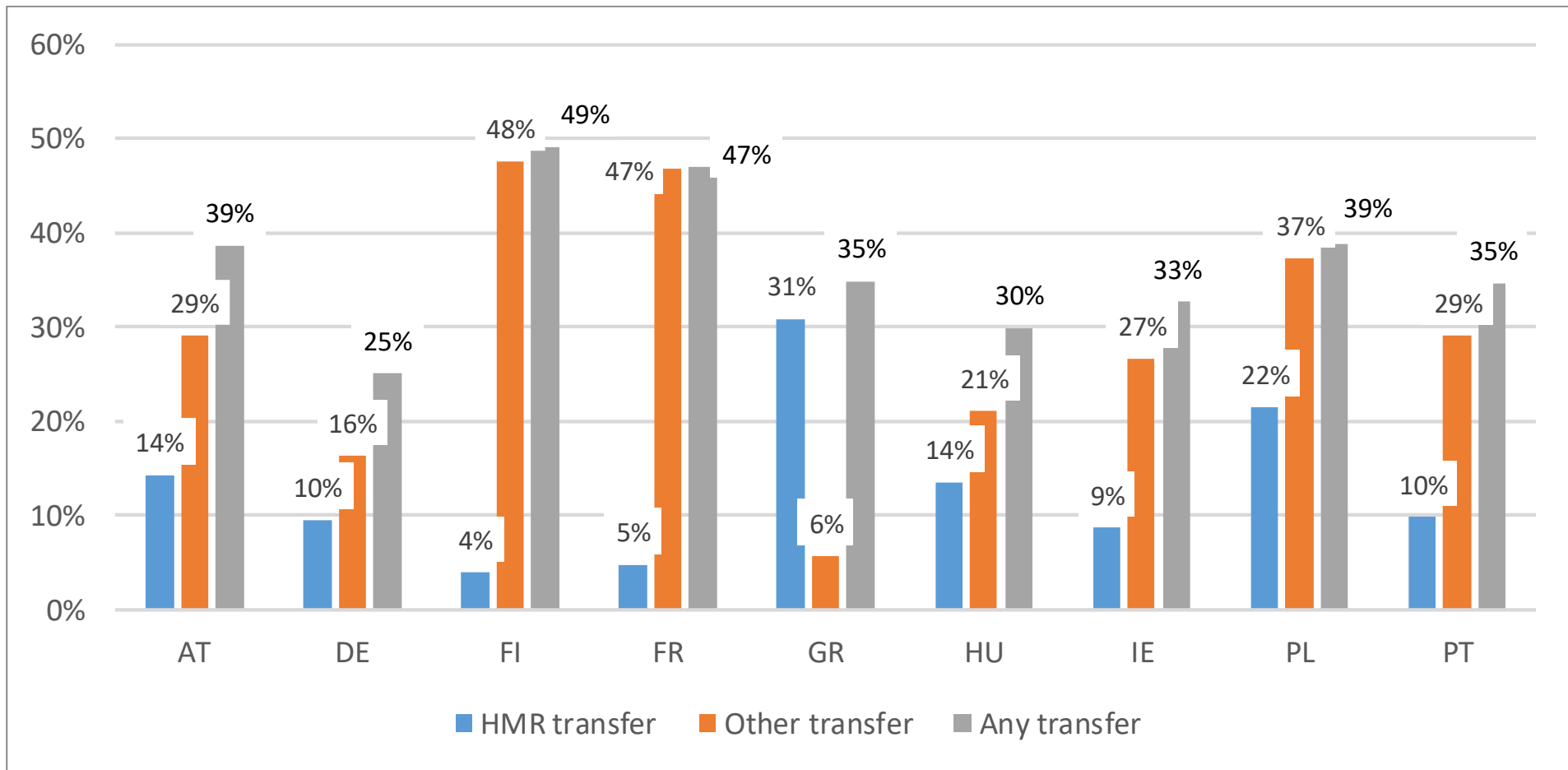
# Descriptive results (1)

Table: Indicators of wealth inequality

	P10 (euro)	P20 (euro)	P40 (euro)	P60 (euro)	P80 (euro)	P90 (euro)	P80/P20
AT	2004	8436	35368	154190	325888	524783	39
DE	117	2962	31240	130570	334574	555800	113
FI	3	3996	61698	159522	314814	485347	79
FR	2675	9112	60836	177886	349391	552684	38
GR	1000	7758	42941	80204	145421	221647	19
<b>HU</b>	1649	9731	26254	48600	88450	146551	9
IE	1185	11309	115196	252241	500972	848363	44
PL	1781	17275	45956	79410	133507	194184	8
PT	890	11112	53977	100263	194348	325128	17

## Descriptive results (2)

Figure: % Received wealth transfer



Transfers and household wealth: regression results (LPM)

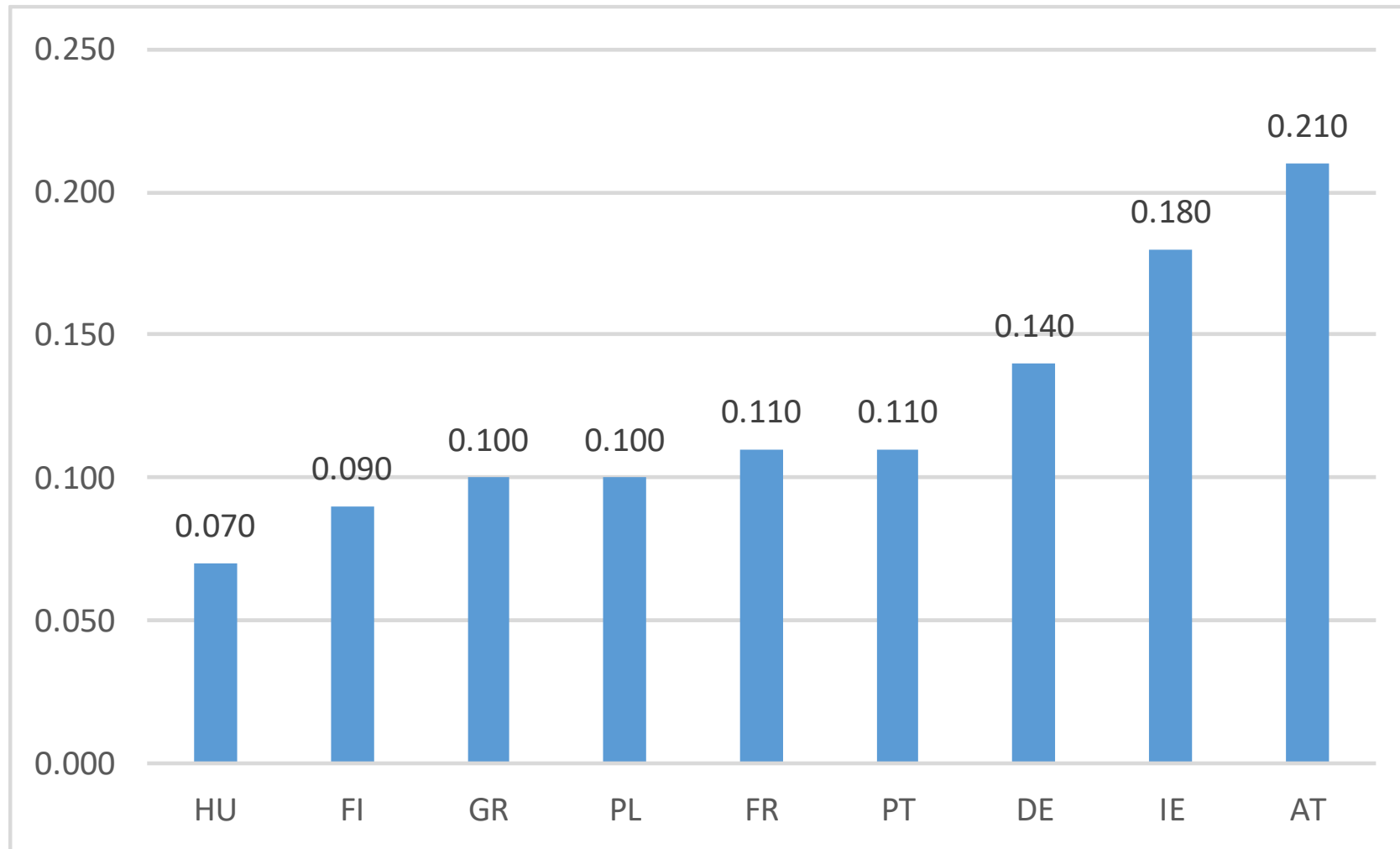
Hungary, N=5809

	Top wealth quintile overall		Top wealth quintile in age group	
Household reference person female	-0.04**	(3.13)	-0.04***	(3.43)
Age group of hhd reference person				
-39 years	0		0	
40-49 years	0.08***	(4.23)	-0.01	(0.31)
50-59 years	0.12***	(6.22)	0.03	(1.71)
60-69 years	0.13***	(5.56)	0.07**	(3.28)
70 or older	0.12***	(4.91)	0.14***	(6.12)
Education of household reference person				
primary education	0		0	
lower secondary education	-0.04	(1.60)	-0.01	(0.38)
upper secondary education	0.01	(0.32)	0.06	(1.84)
tertiary education	0.23***	(7.15)	0.27***	(7.95)
Education of spouse				
no spouse	0		0	
primary education	-0.05*	(2.03)	-0.07*	(2.41)
lower secondary education	-0.03	(1.56)	-0.03	(1.68)
upper secondary education	0.05***	(3.52)	0.03*	(2.06)
tertiary education	0.22***	(8.68)	0.20***	(7.65)
Number of children in household (0-13)	0.02*	(2.10)	0.02*	(2.17)
Household reference person employment				
not working	0		0	
employed	-0.01	(0.59)	-0.02	(1.23)
self-employed	0.22***	(6.59)	0.21***	(6.04)
Log household income	0.06***	(6.39)	0.06***	(5.35)
Receipt of wealth transfer	0.07***	(5.60)	0.07***	(4.98)



# Comparative results on transfers and household wealth

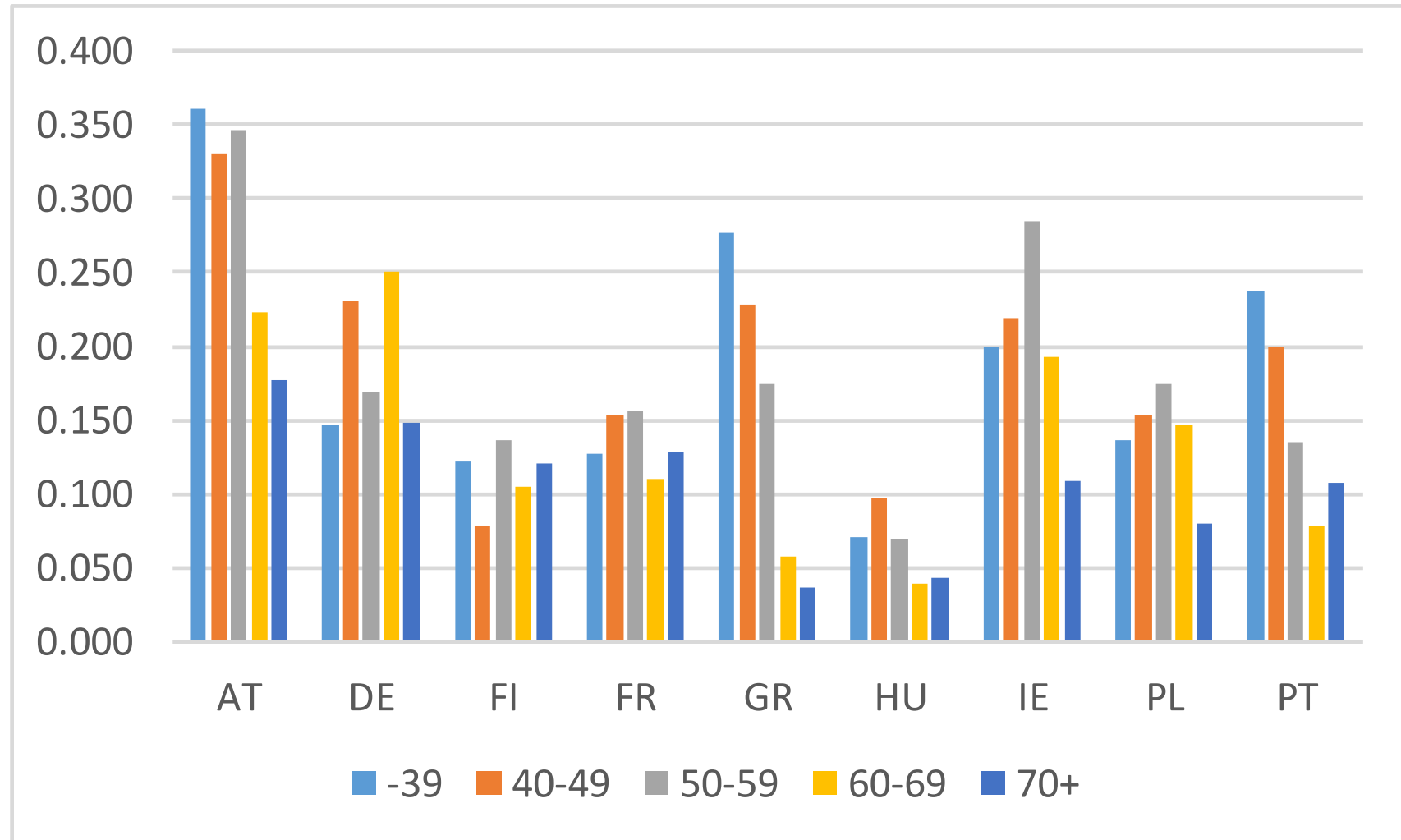
Figure: regression coefficients of wealth transfer receipt (LPM)



# Effect of wealth transfer in subgroups (1)

Figure: Regression coefficients of wealth transfer receipt by age group

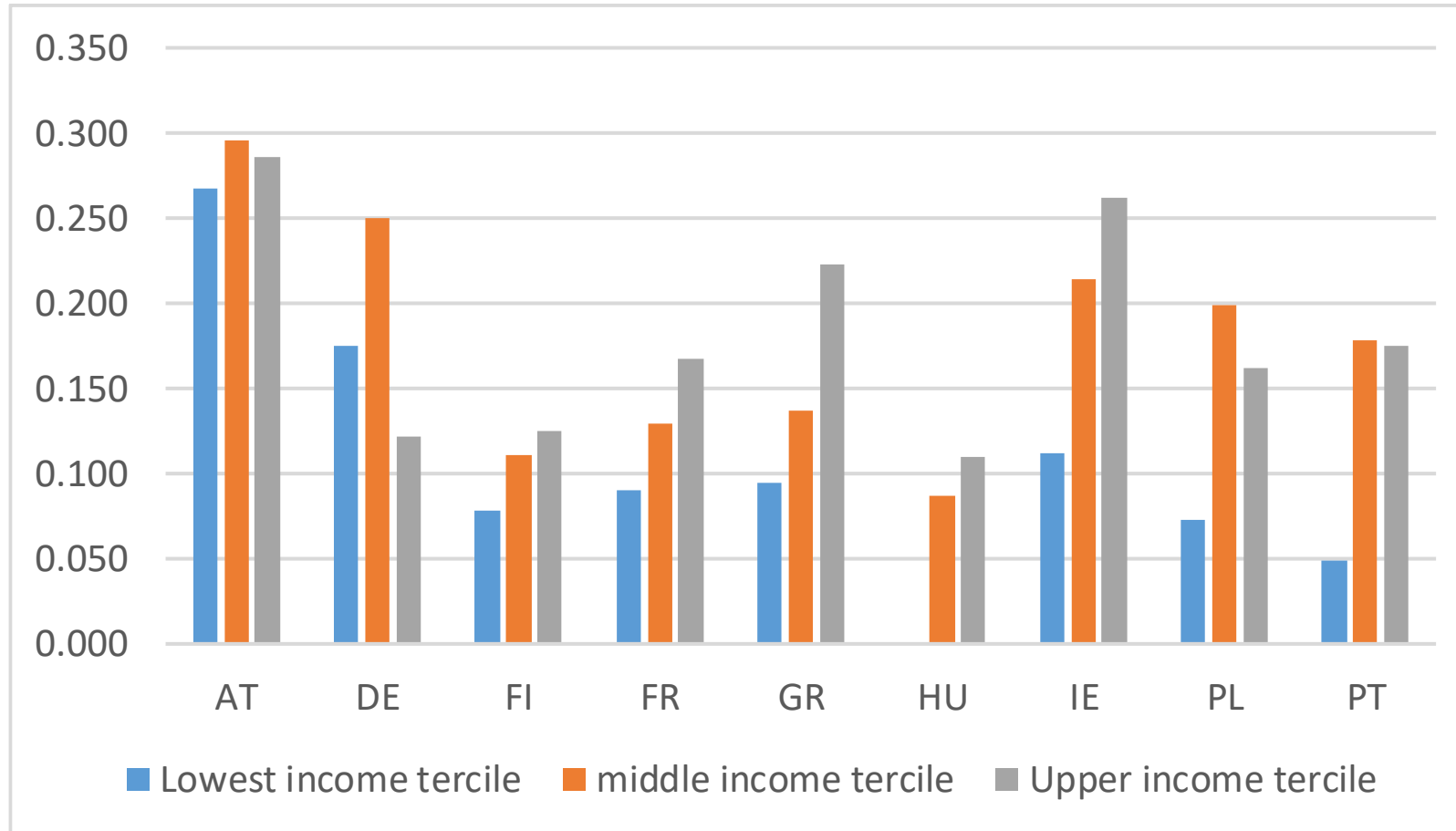
HU: decline by age, small differences



# Effect of wealth transfer in subgroups (2)

Figure: Regression coefficients of wealth transfer receipt by income tercile

HU: big difference between low and higher income groups



# Conclusion

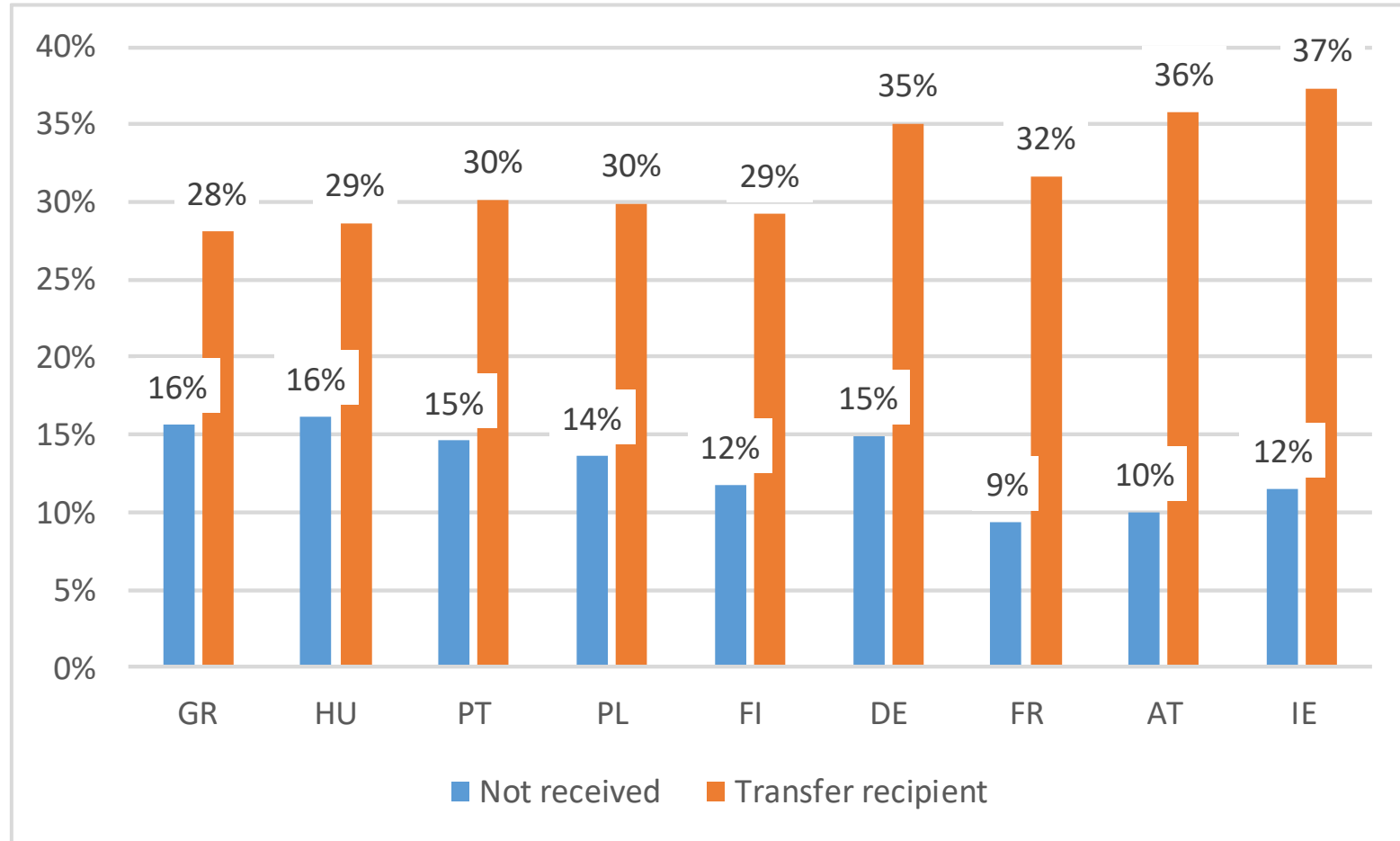
- We find the weakest effect of wealth transfer receipt in Hungary (7 pp) among the countries surveyed.
- Wealth transfers: relatively low importance after 30 years since transition. Expected to change in the future.
- The effect of wealth transfer declines by age as in most other countries, although differences are small.
- In Hungary, no effect in the bottom third of the income distribution! Reason? are low-income earners receiving small transfers? are low-income earners consuming the transfers? Or are they heavily indebted?

## Limitations of the database:

- little information on labour market, income pathways
- Is variable measuring only wealth transfer? savings attitudes may also influence outcomes

# Transfers and household wealth (1)

Figure: % in top wealth quintile by receipt of wealth transfer



# The impact of wealth transfers: comparative results

The impact of receiving wealth transfer on belonging to upper wealth quintile

	Entire sample		Low income tercile		Middle income tercile		Upper income tercile	
DE	0.136***	(10.01)	0.119***	(4.73)	0.141***	(5.64)	0.143***	(7.21)
FI	0.103***	(11.96)	0.090***	(6.50)	0.075***	(5.14)	0.119***	(8.55)
HU	0.068***	(5.84)	-0.001	(-0.05)	0.082***	(4.03)	0.098***	(4.93)
IE	0.162***	(13.56)	0.114***	(5.90)	0.187***	(8.94)	0.168***	(8.41)
PT	0.120***	(10.46)	0.078***	(4.41)	0.099***	(4.81)	0.135***	(7.31)

# The impact of transfer characteristics

The impact of transfer characteristics on belonging to top wealth quintile among transfer recipients

	DE		HU		IE		PT	
Multiple transfers (dummy)	0.0658*	(2.08)	0.0582*	(2.39)	0.171***	(5.71)	0.0865***	(3.73)
Value of biggest transfer	0.0000	(0.07)	0.0008**	(2.75)	0.0037***	(4.10)	0.0019**	(3.57)
Age at first transfer (year)	-0.0031*	(-2.42)	-0.0007	(-0.69)	-0.0031*	(-2.05)	0.0009	(0.95)
Control variables	Yes		Yes		Yes		Yes	
Constant	-1.174*	(-2.39)	-1.275***	(-6.53)	-1.955***	(-10.01)	-1.345***	(-9.89)
N	1317		1399		1194		1817	