Bequest Division in Europe: The Roles of Parental Motives and Children's Gender Composition

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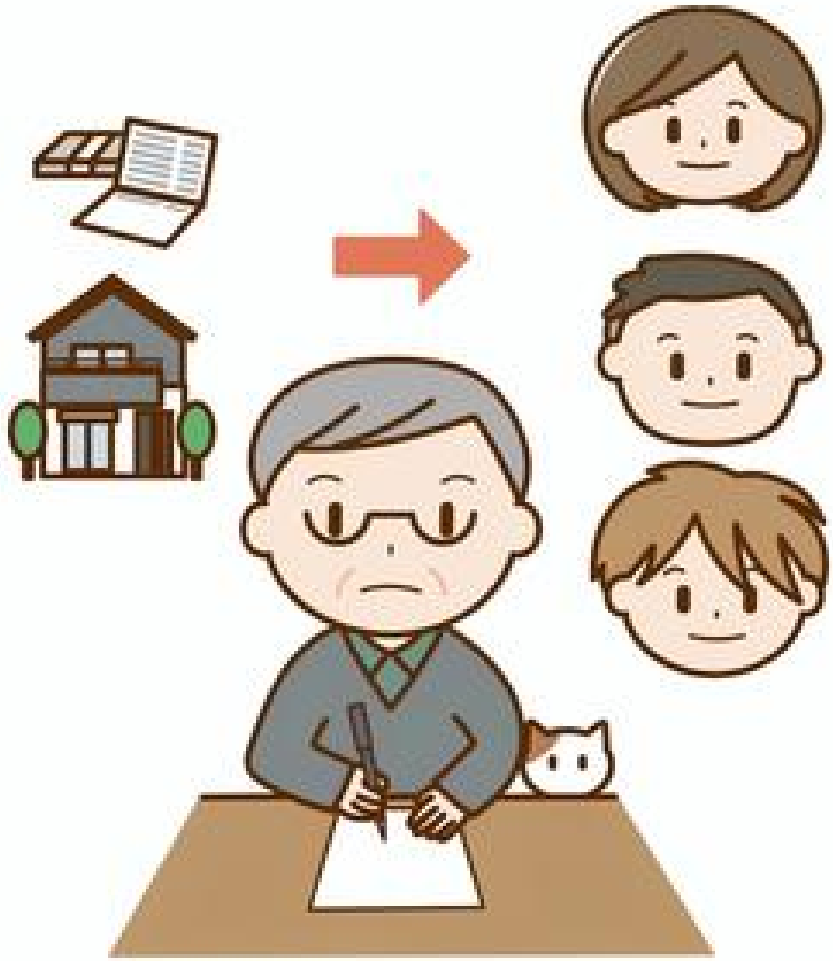


Motivations

- Bequests tend to be divided equally between children, but they are still unequally distributed to some extent (e.g. 10.3% in our EU sample, 18.2% Germany, 8% Spain)
- Literature shows that bequest motives (exchange, altruism) drive unequal division due to relative deservingness among children
- Less is known about how children's gender composition interacts with these motives
- Interaction between gender norms and bequest motives may affect gender inequality (+/-)

In this paper

- For a deserving child (caring; poorer; work hard), do parents give more bequests to a daughter or a son?
- Does gender of other children matter – as parents may re-balance initial inequality?
- We explore these questions with 2 approaches:
  1. **Actual** bequest decisions of decreased parents in SHARE (18 EU countries)
  2. **Hypothetical** bequest decisions with a vignette experiment (BE, DE, FR sample)

Some literature

- Inheritance practices significantly influence wealth distribution across generations, impacting economic inequality and social mobility (Piketty 2011, Adermon et al. 2018, Black et al. 2020)
- Equal division of estates among descendants is a common practice (McGarry 1999, Light & McGarry 2004, Cox 2003). However, unequal bequests are not that rare (Francesconi et al. 2023)
- Bequest motives: exchange (care duties), altruism (economic situations), meritocratic (effort) (De Nardi et al. 2016, Barczyk & Kredler 2018, 2022, Alesina et al 2018, Lekfuangfu et al 2023)
- Perceptions of distributive justice principles may be gendered (Major 1993, Tisch and Gutfleisch 2023)
- Daughters provide more care for elderly parents (Bittman et al. 2003, Grigoryeva 2017)

Key hypotheses on likelihood of unequal bequest

Let $p(.)$: the probability of unequal bequest among children

By bequest motive

- Exchange: $p^{unequal-care} > p^{equal-care}$
- Altruism: $p^{unequal-income} > p^{equal-income}$
- Meritocracy: $p^{unequal-effort} > p^{equal-effort}$

By gender composition
(without children's relative deservingness):

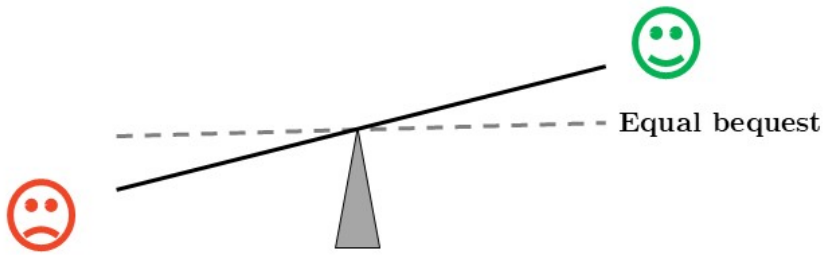
- $p^{mixed-sex} > p^{same-sex}$

Gender and Perceived Relative Deservingness

Parent's bequest decisions can be moderated by the gender of the deserving child & of the less-deserving sibling, in 3 steps:

I. Bequest Motive

Parents follow their bequest motive. Unequal bequest is due to unequal deservingness.



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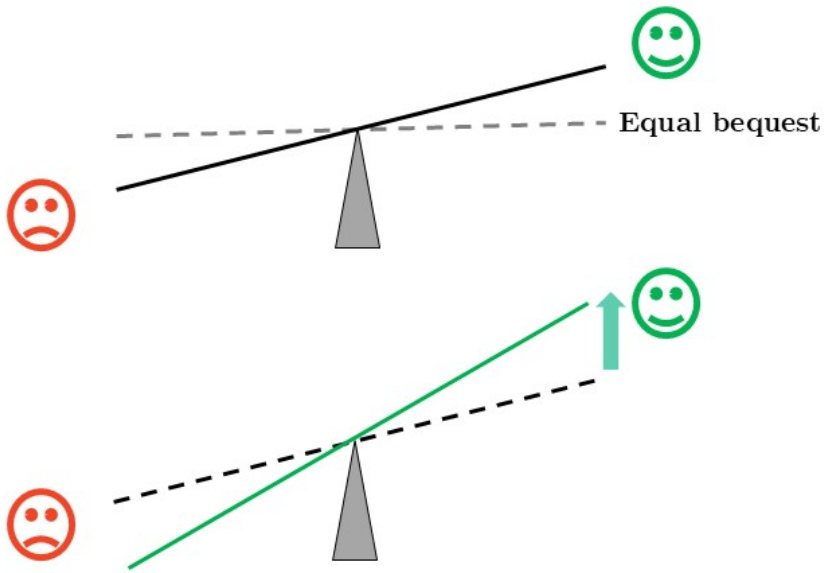
II. Gendered Deservingness

Parents who hold a gendered view may allocate extra bequest to **the deserving child** ☺, based on their gender



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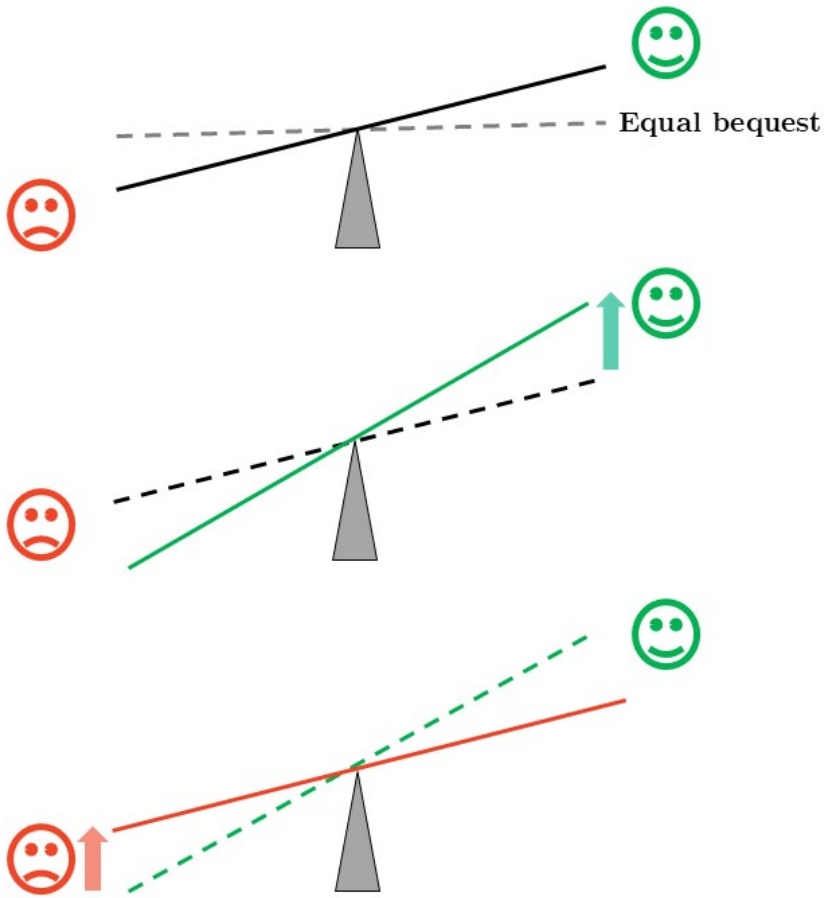
III. Gendered Compensation

Gender-biased parents may compensate **the less-deserving child** ☹ , based on their gender. More compensation = less unequal bequest



Hypotheses with gendered frameworks

	(1) Reinforce	(2) **Protective**	(3) Progressive	(4) Pro-Male
A:	Reward F*	**Reward F***	Reward M*	Reward M*
i.	F* M > M* M	**F* M > M* M**	F* M <M* M	F* M< M* M
ii.	F* M > M* F	**F* M > M* F**	F* M < M* F	F* M < M* F
iii.	F* F > M* M	**F* F > M* M**	F* F< M* M	F* F < M* M
iv.	F* F > M* F	**F* F > M* F**	F* F < M* F	F* F < M* F
B:	Compensate M	**Compensate F**	Compensate F	Compensate M
v.	F* M < F* F	**F* M > F* F**	F* M > F* F	F* M < F* F
vi.	M* M < M* F	**M* M > M* F**	M* M >M* F	M* M < M* F

Notes: $(.,.)$ is the probability of unequal bequest division for a given pair of sex-specific children; M* and F* denote deserving son or daughter; M and F denote less deserving brother or sister, respectively.

"Protective paternalism": **F*M > F*F > M*M > M*F**

Empirical Designs

1. **Actual** bequest decisions of decreased parents in SHARE data (18 EU countries)

2. **Hypothetical** bequest decisions with a vignette experiment (BE, DE, FR sample)

Approach (I): Actual bequests in SHARE data

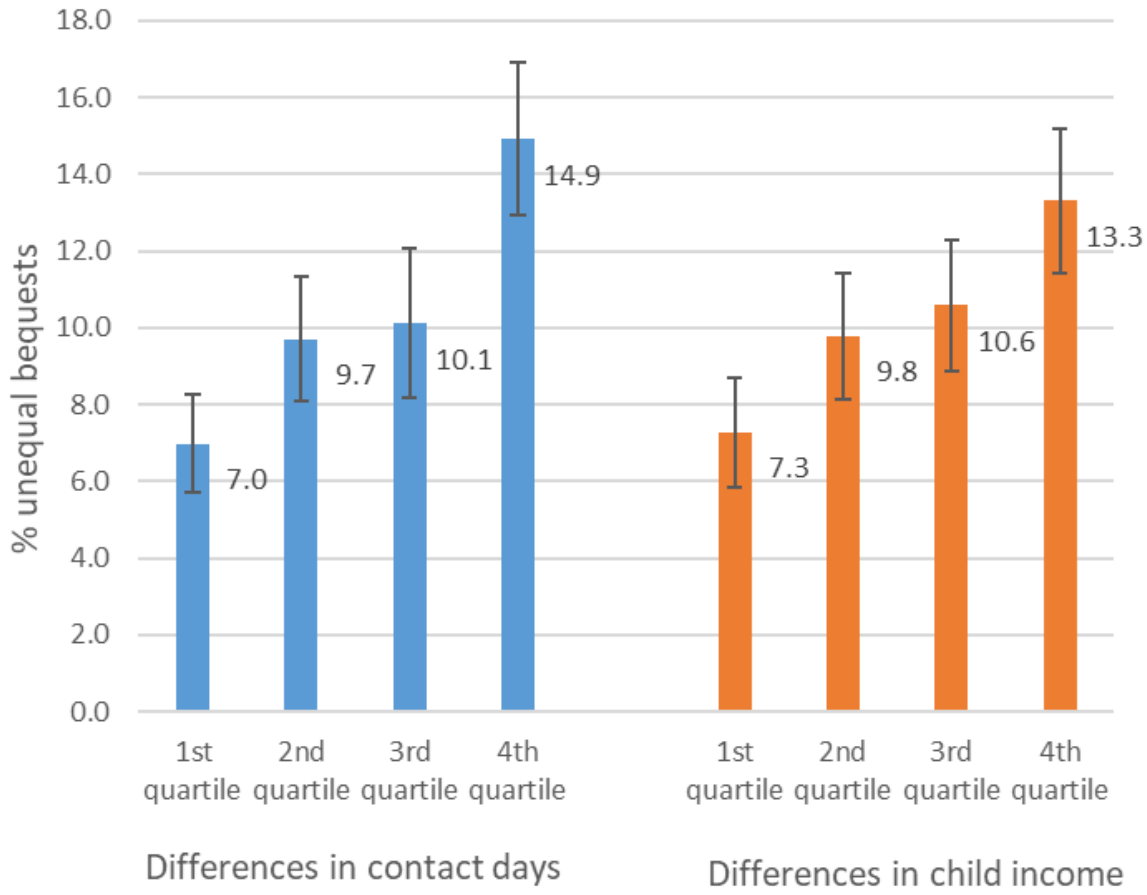
Survey of Ageing, Health, and Retirement in Europe (SHARE)

- End-of-Life module: on deceased participants, waves 2-9
- Sample: 3,539 individuals who left inheritance and had 2+ children, 18 countries
- Among those who left bequest:
  - "Whether total estate divided equally among the children?" (responded by a surviving member)
- Proxies for bequest motives:
  - Exchange motive: Difference in child's parental contact[1]
  - Altruistic motive: Difference in child's income[2]

[1] In the past 12 months, how often did you have contact with your child (. . .)?

[2] Income is imputed for each child based on regressions implemented on EU-SILC data for corresponding countries and years.

SHARE: Unequal bequest, parent-child contact, children's income difference



Notes: The figure shows the prevalence (%) of unequal bequest splitting across the distribution of the differences in (i) child-parent contact days between siblings and (ii) child incomes between siblings, calculated as the ratio between their corresponding min & max values observed between siblings. The CI. shows 90% significance level.

SHARE: Regression results (parent-level)

$$Unequal_k = \beta_0 + \beta_1 Samesex_k + \beta_2 Dcontact_k + \beta_3 Dincome_k + \epsilon_k$$

	(1)	(2)	(3)	(4)	Mixed-sex (5)	Same-sex (5)
Same sex	-0.028**			-0.018		
	(0.012)			(0.012)		
Unequal contact		0.037***		0.035***	0.043***	0.023
		(0.011)		(0.011)	(0.017)	(0.014)
Unequal income			0.052***	0.041***	0.050	0.049***
			(0.014)	(0.014)	(0.031)	(0.019)
Observations	3539	3539	3539	3539	2389	1150
Adj R2	0.071	0.072	0.072	0.075	0.078	0.100
Both contact and income are unequal ($\beta_2 + \beta_3$)					0.093**	0.072**
					(0.035)	(0.027)

Notes: Additional controls are gender, marital status, age, income, no. children, no. grandchildren, have a will.

Sub-samples of deceased parents

	Dad	Mum	Have spouse	No spouse	Have a will	No will
	(1)	(2)	(3)	(4)	(5)	(6)
Same sex	-0.015	-0.018	-0.040*	-0.005	-0.015	-0.021
	(0.014)	(0.018)	(0.020)	(0.014)	(0.022)	(0.014)
Unequal contact	0.03	0.042***	0.027	0.036**	0.066***	0.020*
	(0.021)	(0.009)	(0.018)	(0.014)	(0.022)	(0.010)
Unequal income	0.015	0.060***	0	0.064***	0.107***	0.013
	(0.026)	(0.022)	(0.026)	(0.019)	(0.026)	(0.013)
Obs	1611	1268	1321	2196	1004	2513
Adj-R2	0.082	0.081	0.077	0.082	0.105	0.047

SHARE Results: Summary

- Parent's bequest decisions are strongly related to bequest motives (exchange & altruistic)
- Sons and daughters from different family types undertake care duties differently.
  - Daughters do more than sons
  - Son with a brother does more care duties than son with a sister
  - Suggestive conjecture that daughters may get higher bequests – based on the exchange motive
- Effect of bequest motives differ among each type of children's gender composition.
- Advantages: SHARE provides *actual* bequest decisions & gender of children
- Drawbacks: Division of bequest & exact recipients are unobserved; endogenous decisions

Approach (II): Hypothetical bequests in a vignette survey

- Participants in Luxembourg's Household, Finance, and Consumption Survey 2018
- 2,035 cross-border workers: BE (654), DE (477), FR (904)
- Spectator-style experiment: how a parent would divide a bequest among two children
- Within-person: An elder father divides financial bequest along vignettes of child's deservingness
  - Exchange: More caring
  - Altruism: Economically worse-off
  - Meritocracy: Works harder
- Across-person randomisation of sex composition of children: F*M, F*F, M*M, M*F.

Experimental Details

Q: What percentage of the bequest should Dad give to X and Y? Recall that both percentages should sum to 100.

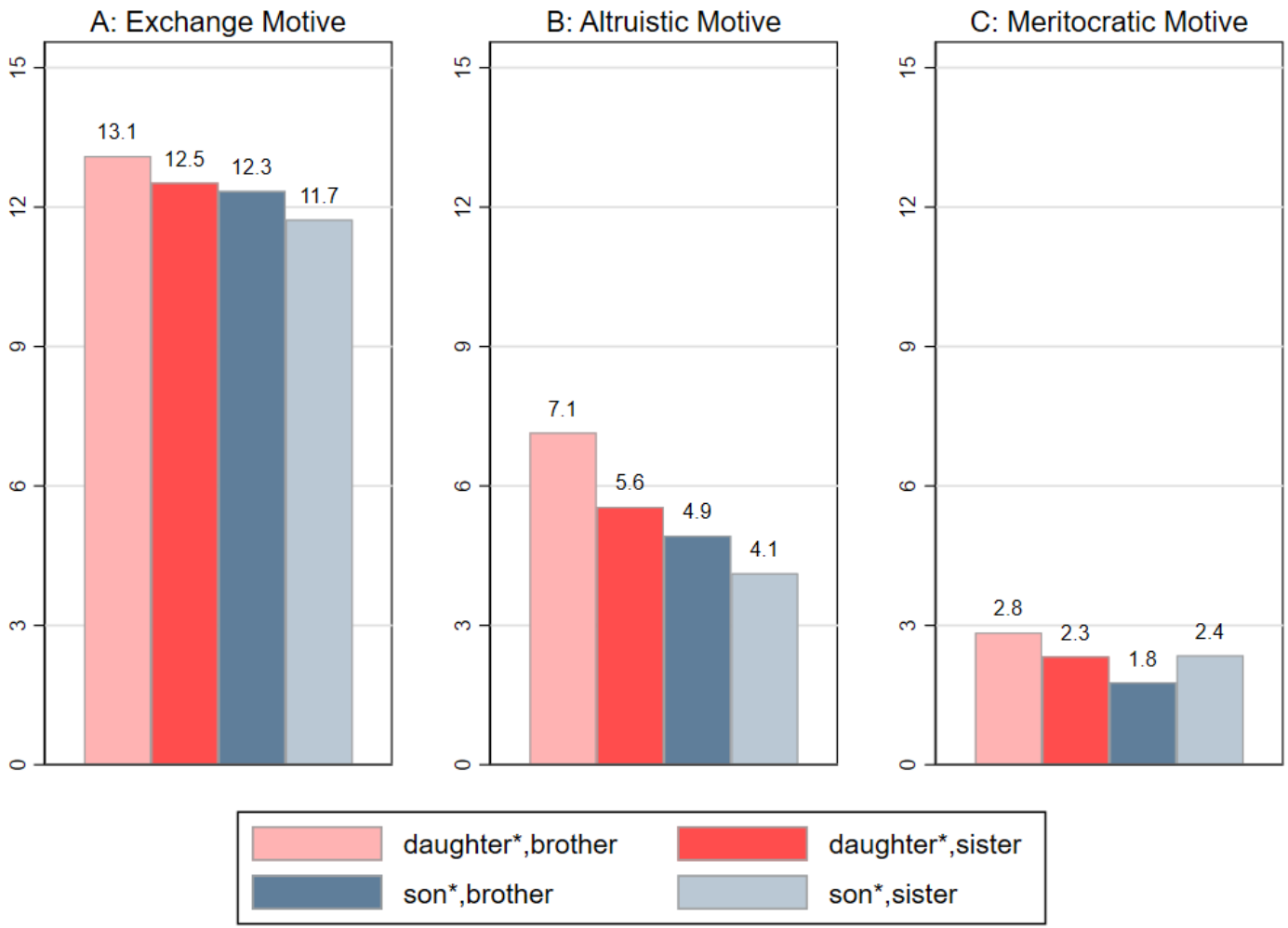
Situation A. X and Y have a pretty similar economic position. But X has taken more care of the father, spent much more time helping with some chores, taking him to the doctor, spending together many evenings and some holidays.

Situation B. Y has a very good economic position and can afford a very good standard of living. In contrast, X lives on a very tight budget, just enough to make ends meet.

Situation C. Both X & Y have received exactly the same opportunities from their family, the same quality of education and financial support during their childhood & youth. X has always worked very hard, made the most out of the opportunities received, and been successful in achieving a very good standard of life. In contrast, Y lives on a very tight budget due to having been irresponsible and wasted all the opportunities received.

Bequest division: motive x gender composition

Outcome: $BequestShare_{deserving} - BequestShare_{sibling}$



Vignette: Estimation Results

$$DBequest_i^{vig} = \beta_0 + \beta_1 son_i + \beta_2 samesex_i + \beta_3\ son_i\ samesex_i + \epsilon_i$$

	A. Exchange *Caring care*	B. Altruistic *Poorer child*	C. Meritocratic *High effort*
	(1)	(2)	(3)
Son=deserving	-1.700***	-3.321***	-0.533
	(0.456)	(0.259)	(0.440)
Samesex	-1.215***	-2.333***	-0.338
	(0.289)	(0.392)	(0.519)
Samesex x Son=deserving	1.825***	4.053***	-0.235
	(0.465)	(0.470)	(0.593)
Male respondent	-0.093	1.608**	-0.64
	(0.601)	(0.537)	(0.359)
Constant	20.598*	6.532	1.451
	(9.899)	(6.176)	(12.029)
Observations	2035	2035	2035
Adj R-squared	0.071	0.018	0.006

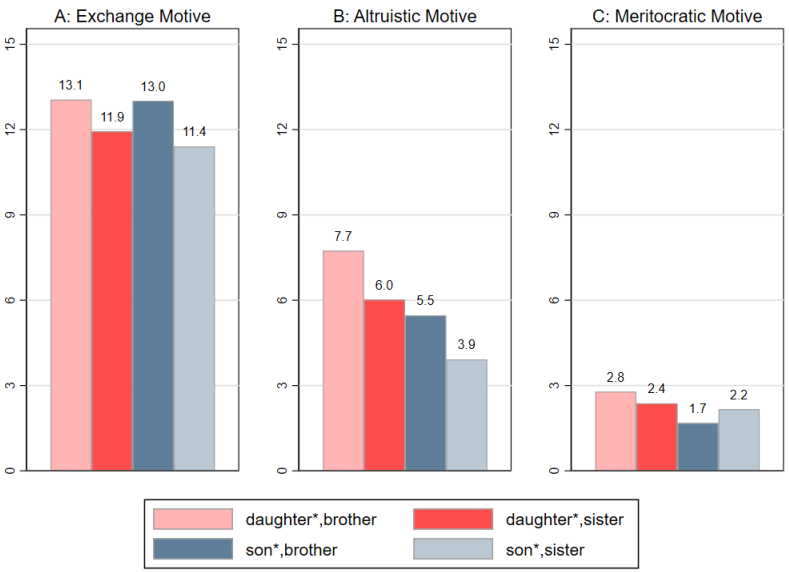
Types of Parents: Testing the Hypotheses

Hypothesis: Under **protective paternalism**, unequal bequests are ranked as: F*M $>$ F*F $>$ M*M $>$ M*F

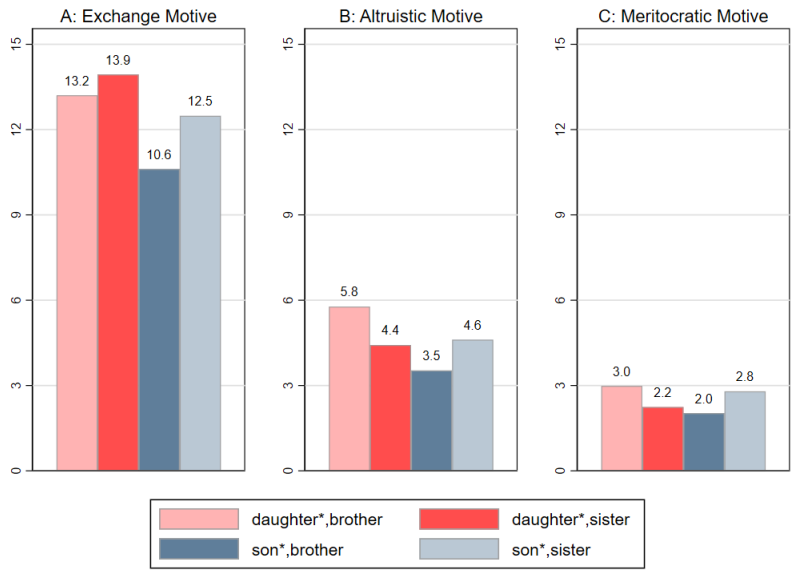
Hypotheses	Test	Motives		
		Exchange	Altruism	Merit
Deserving: Tests if F* $\succ$ M*				
1. F*M $>$ M*M	$0 > \beta_1 + \beta_2 + \beta_3$	-1.091**	-1.600***	-1.106**
		(0.411)	(0.287)	(0.488)
2. F*M $>$ M*F	$0 > \beta_1$	-1.700***	-3.321***	-0.533
		(0.456)	(0.259)	(0.44)
3. F*F $>$ M*M	$0 > \beta_1 + \beta_3$	0.124	0.73	-0.768*
		(0.228)	(0.38)	(0.412)
4. F*F $>$ M*F	$0 > \beta_1 - \beta_2$	-0.486	-0.988**	-0.194
		(0.361)	(0.357)	(0.388)
Compensating: Tests if F $\succ$ M				
5. F*M $>$ F*F	$0 > \beta_2$	-1.215***	-2.333***	-0.338
		(0.289)	(0.392)	(0.518)
6. M*M $>$ M*F	$0 > -\beta_2 - \beta_3$	-0.610*	-1.720***	0.574
		(0.414)	(0.254)	(0.329)

Notes: One-sided strict inequality tests of estimated coefficients in the specification using the extra bequest share as the dependent variable.

Between Male and Female Respondents

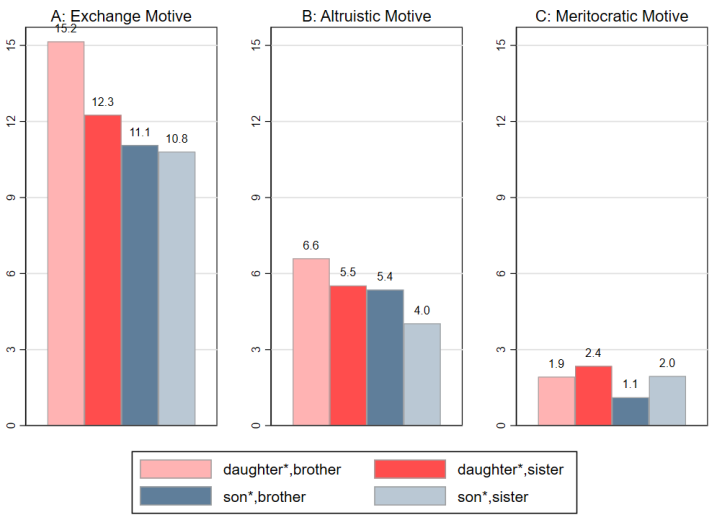


Male

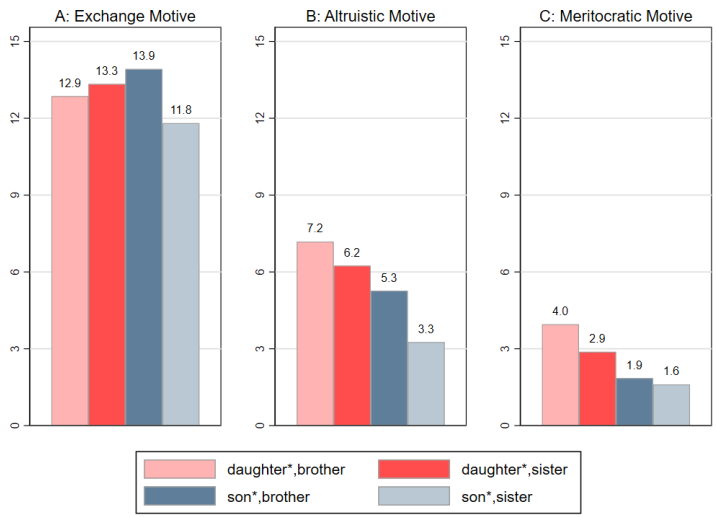


Female

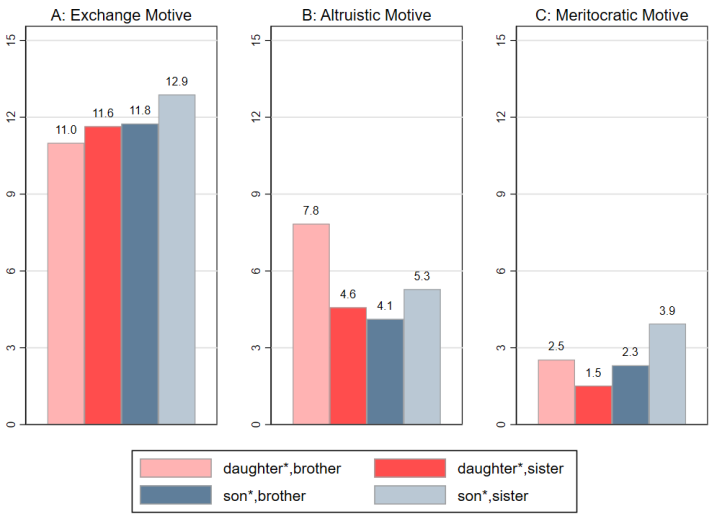
Age Groups of Respondents



Under 40



40-50



Over 50

Discussion & Conclusions

- Incidence of unequal bequests is not that rare.
- SHARE:
  - Likelihood of unequal bequests is driven by mixed-sex, unequal care (exchange), unequal income (altruism) among children
  - Exchange motive is stronger for mixed-sex families $\rightarrow$ gender norms in expectation of care duties?
- Vignette:
  - Exchange motive is the main driver, then altruism
  - No response to effort.
  - Protective paternalism: favour deserving daughter, yet compensate undeserving daughter.
- Bequest divisions reinforce traditional gender norms: daughter's care duties & less economic success.

Thank you!

"As the executor for your mother's estate, let me say that she loved each of you, but she also loved Las Vegas."

Javier Olivera
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