Grandparents Maintain Families but the Model is Unsustainable

Roberta Cutillo (January 16, 2020)

State issued retirement pensions are the main source of income of 7.4 million Italian households, an ISTAT report reveals. But over 36% of Italy's pensioners are getting less than 1,000 euros each month and those currently employed are set to receive less and less as they hit retirement in the future.

According to a report by ISTAT (the Italian National Institute of Statistics) based on data gathered in 2018, 7.4 million Italian families live off of state issued retirement pensions as their main source of income. In fact, the total number of pensioners was around 16 million that year, a figure which isn’t entirely unexpected considering how Italy has been grappling with the issue of its rapidly aging population for quite some time now.

What does come as a surprise is how instrmental these pensions have become in supporting Italian households, serving as strategic social safety nets not just for the pensioners themselves but for their families as well.

Apparently, the presence of a “pensionato” receiving a pension by the state within a “vulnerable” household can cut the risk of falling into poverty almost in half. In other words, Italy’s elders are economically supporting their children and grandchildren, as revealed by ISTAT’s data, which took into account the number of households including elderly members, but the phenomenon likely has a much larger impact since the latter often share their pensions with younger family members even when they live in separate homes.

This can be read as a sign that family solidarity is a strongly ingrained value that is still predominant in Italian culture, which is also the reason why grandparents are often expected to look after their grandchildren on an essentially full-time basis.

The problem is that these pensions are issued by the state and they add up. In 2018, total pension spending in Italy amouted to 293 billion euros, that’s 16.6% of the country’s GDP. It was up 2.2% from the previous year.

Additionally, most of the people going into retirement today started accumulating their pensions in a time of economic growth, which does not match the state of the Italian economy today. According to the Istat report, “the weight of pensions accrued in the phases of major economic growth is becoming heavier and heavier.”

The pension funds for the current workforce are being calculated differently in today’s economy and they are set to receive much lower proportions of their income once they hit retirement.

Furthermore, the report revealed that there is great inequality amongst current pension receivers. Over 36% of Italy's pensioners are getting less than 1,000 euros each month and over 12% less than 500 euros, which is already a small sum and certainly not enough to serve as the main source of income for an entire multigenerational household.

These inequalities are particularly noticeable on a geographic level with the Northern regions absorbing half of the country’s pension spending. And, as a result of irregular carreers (often interrupted by the arrival of children), women receive on average much smaller sums than the men their age.

Though it is nice to think of grandparents being able to provide for their families, this model is very clearly unsustainable. Retirement pensions cannot continue to support multigenerational households, it just isn't what they were designed to do.

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