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Parental Death in Childhood and Wealth Accumulation during Adulthood

Extended abstract

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Objective: The aim of this article is to document how the premature death of a parent in childhood is associated with an individual's life trajectory and wealth accumulation.

Background: In France, as in many other countries, approximately 10% of individuals born between the 1930s and the 1980s experienced the premature death of a parent. Despite this significant prevalence, there remains a dearth of knowledge regarding the socioeconomic ramifications of orphanhood.

Data and methods: We use five waves (2004 to 2021) of the French wealth survey. N=64,593 native French individuals aged 30 to 69 at the time of the survey. We construct total net wealth of individuals and employ quantile regression models, adjusting for demographic and socioeconomic covariates. Mediating variables are included to explore potential mechanisms.

Main findings: We find a median wealth penalty of 7k€ for individuals who lost a parent in childhood (for a median wealth of 70k€). Lower educational attainment and higher divorce rates appear as major drivers of such wealth penalty.

Wealth inequality has garnered significant attention in social science research. However, little is known regarding the association between childhood events and wealth accumulation throughout the life course. The present work aims to fill a gap in the literature by examining the relationship between premature parental death and individual and household wealth trajectories.

We exploit five waves—2004 to 2021—of the French wealth survey that include retrospective questions shedding light on childhood events and circumstances. Our sample comprises 64,593 native individuals aged 30 to 69 at the time of interview, with 9% having experienced the loss of a parent before the age of 15.

Employing quantile regression, we account for demographic and socioeconomic covariates, including age, gender, social origin, and indicators of parental wealth. Our analysis reveals that the death of a parent during childhood (before the age of 15) is associated with a wealth penalty of approximately €7,000 in adulthood when evaluated at the median. Corresponding penalties at the 25th percentile and at the 75th percentile of the wealth distribution are respectively €3,300 and €11,100.

To provide a better understanding of the mechanisms underlying this association, we investigate various factors such as financial hardship, educational attainment, and professional activity. Indeed, those who lost a parent in childhood were more likely to be raised with financial difficulties. This circumstance entails constraints, such as more challenges in pursuing higher education, and early entry on the labor market. Using an ordered categorical measure of education, we find that a decrease in human capital is a major mediating factor explaining the impact of parental death in childhood on wealth. Labor market dimensions such as the socio-professional categories or the age for the first job are less important mechanisms.

Besides, we construct wealth both at the individual (differentiating partners' assets) and the household levels, taking advantage of the unique features of the French wealth survey. This approach allows us to examine gendered patterns in the association between parental death and wealth, and how the dynamics of couple formation and (in)stability may act as mitigating or accelerating factors in the wealth accumulation process. We find that individuals who experienced parental death in their youth are more likely to face union instability: if they are less likely to remain single, their divorce rate is higher. The financial cost associated with divorce emerges as a crucial mediating factor explaining the wealth penalty of childhood parental loss.

The prevalence of premature parental death declined over the past century, from 15% for those born between 1930 and 1944 to about 5% for those born between 1975 and 1989. Investigating the evolution over 15-year birth cohorts, we observe that the median wealth penalty associated with childhood parental loss was more pronounced for cohorts born between 1930 and 1974, while it diminished for those born after 1990 when such occurrences became rarer.

Further analyses are planned to distinguish between maternal and paternal parental loss (the latter being more frequent), examining potential gender-specific

effects and relating these findings to the existing literature on the material consequences of widowhood. We will also compare the wealth penalty associated with childhood parental loss to other adverse childhood events, such as the death of a sibling or having a parent with a handicap or serious illness.

This study sheds light on a previously unexplored aspect of wealth inequality by highlighting the enduring socioeconomic effects of childhood parental loss. The findings have important implications for understanding the long-term consequences of adverse childhood events and their role in shaping individual and household wealth trajectories.