Class Origin, Intergenerational Transfers, and the Gender Wealth Gap

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Abstract

This study pursues two objectives: First, to describe how differences in men’s and women’s personal wealth vary by parental class position, and second, to examine the effect of intergenerational transfers on these differences. It thereby sheds light on the hitherto neglected interaction between gender and class origin as known dimensions of wealth inequality and examines these dimensions in a joint framework. Germany provides the country context of this study given its high level of gender inequality, strong relationship between class origin and life chances, and the importance of intergenerational transfers for women’s wealth.

I use data from the Socio-Economic Panel (SOEP), which collected detailed information on personal wealth in 2002, 2007, 2012, and 2017. I use a net measure of personal wealth, which is calculated as the sum of all assets minus debts and liabilities that are solely owned or their share if jointly owned. Class origin is measured based on parental class at age 14 using a seven-category version of the Oesch class scheme. I apply the dominance principle that selects the higher (economic) class if parents’ class positions differ. To compare the GWG across class origins, I calculate absolute differences and ratios between women’s and men’s net personal wealth. To identify the effect of intergenerational transfers on absolute differences, I follow the gap-closing estimand approach suggested by Lundberg (2022). This approach allows to estimate by how much gender differences in wealth would be reduced if men and women received the same transfers, which I define to be the origin-specific male or female average value.

In line with past research, I find pronounced gender differences in wealth. On average, women have €27,000 less wealth compared to men, which corresponds to a relative gap of 24 per cent. However, the GWG varies quite substantively by class origin. The largest gap is observed between sons and daughters of the petite bourgeoisie. Daughters of small business owners have more than €100,000 less in wealth. In relative terms, they possess only 55 per cent of the amount that is owned by their male counterparts. By contrast, absolute and relative gender differences are smallest for children of socio-cultural semi-professionals.

It is also for children of small business owners for whom intergenerational transfers have the greatest effect on gender differences. The GWG among this group would be halved if men and women received the same amount. For those from other origins, equalising transfers between daughters and sons would not lead to a comparable reduction in observed differences. Intergenerational transfers thus only emerge as a driver of the gender wealth gap for those from economically advantaged class origins.