Abstract

Does Intergenerational Transfer Within Families Increase Inequality Between Families?

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Background and aims

Japan is a rapidly ageing society. As of September 2013, 25 percent of the population (31.86 million people) are aged 65 and over. As the aged population has grown, so too have social security expenditures: in 1965, when people aged 65 and over comprised only 6.2 percent of the population, the total social security benefit was 1.6 trillion yen; in 2010, this figure exceeded 100 trillion yen (National Institute of Population and Social Security 2013)[2]. As in Europe and the US, Japan's ageing population, and the accompanying generational imbalance, has become one of today's most pressing social policy issues. My paper principally examines the relationship between social and private intergenerational transfers in Japan. I will discuss how intergenerational transfer within families takes place, and whether this process contributes to expanding inequality between families.

Income inequality in Japan has been accelerating since the mid-1980s, and it is regarded to be attributable to the simultaneous expansion of the ageing population (Ohtake and Saito 1998). However, statistics show that, while the ageing population has increased, the degree of income inequality among the elderly has actually decreased: the Gini coefficient within households with elderly family members decreased from .3682 in 1986 to .3364 in 2010. This decrease in income inequality is largely attributable to improvements in Japan's social security system (Shirahase 2011). However, many who wholly credit macro-level intergenerational transfer for this decrease neglect to consider the effects of private sphere activities, such as family transfer.

Intergenerational relationships are found not only at the societal level but also at the private level; it is critical to examine these relationships at both levels to better understand ageing societies. This empirical, multilevel analysis has been conducted in Europe and the US since the early 1990s, garnering considerable empirical support (Cox and Jakubson 1995; Schoeni 1997; Silverstein and Bengston 1997; Kohli 1999, Attias-Donfut and Wolff 2003). In this paper, I focus on three kinds of private

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[2] http://www.ipss.go.jp/ss-cost/j/fsss-h22/h22r.pdf, accessed on September 16, 2013.

intergenerational transfer: co-residency, remittance, and asset inheritance. In particular, I intensively discuss different directions of transfer, both from parents to children, and from children to parents. The aim of my research is to identify similarities in determinants of all three types of intergenerational transfer, and in both directions. In conclusion, I explore whether the relationship with macro-level intergenerational imbalance is consistent with the one at the micro-level.

Data

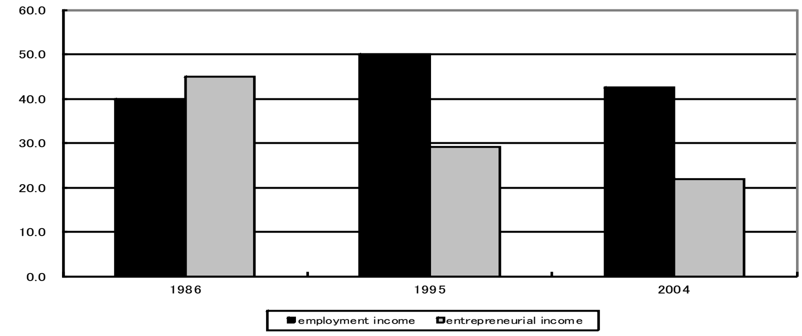
I will analyze data from two sources: the Comprehensive Survey of People's Living Conditions (CSLCJ), conducted by the Ministry of Health, Labour and Welfare, and the 2010 Panel Survey of Living Conditions among Middle-age and Elderly People (PSMEP). The former presents cross-sectional, detailed household income data, with a sample size of 26,115 and a response rate of 79.4 percent. The latter is first wave of nationally representative panel survey of people aged 50 to 84. The survey, with a sample size of 6,442 and a response rate of 65.7 percent, includes detailed information on financial and care support between parents and children, and on household assets and savings.

Analytical frameworks and preliminary results

(1) Social redistribution, focusing on public pensions

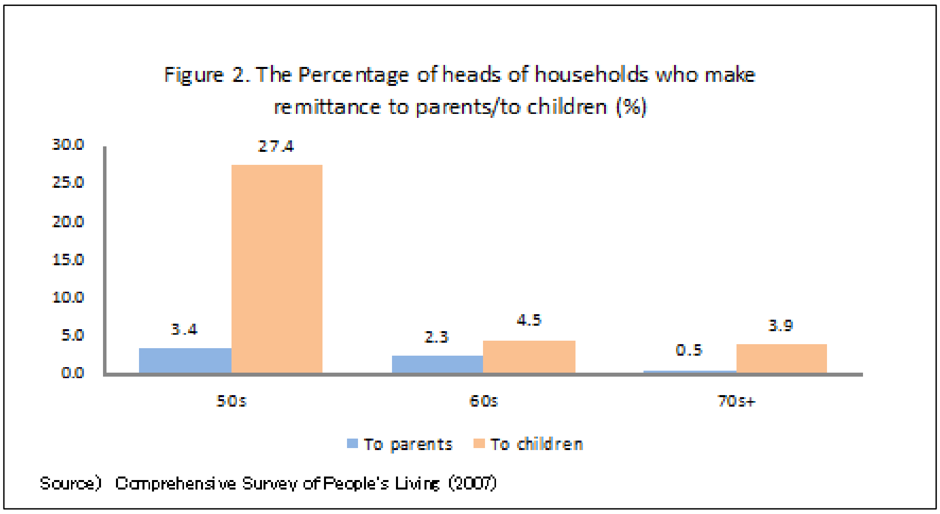
The public pension system, which produces social transfers from younger to older generations, can be regarded as a form of intergenerational redistribution. I first examine the extent to which public pensions limit poverty among the elderly in Japan in order to gauge their impact in improving social equality. The main research question here is the extent to which public pensions reduce the risk of poverty as the generational imbalance worsens.

Figure1. Effect of employment income and entrepreneurial income on the overall income inequality among elderly households (%)



source: Comprehensive Survey of People's Living Conditions

To accomplish this, I examine the impact of market income on overall income inequality by survey year, using the decomposition technique of squared coefficient variance by income source, as shown in Figure 1. It is obvious that the impact of market income decreased proportionally to the overall degree of income inequality among the elderly. Therefore, I speculate that as the employment rate of the elderly in Japan declined and the proportion of social security benefits to the elderly increased, the degree of income inequality among the elderly decreased.



I then study three kinds of private transfers: co-residence, remittance, and asset inheritance. In Japan's welfare society, the family has played a critical role in ensuring its members' basic economic security. Figure 2 shows the percentage of household heads who financially support parent(s) and/or child(ren), but live apart. While the majority does not financially support either parents or children, the direction of transfer between parents and children was observed to be asymmetrical, consistent with previous research in Europe and the US (c.f. Künemund and Rein 1999).

The elderly have secured their economic wellbeing through co-residency with their offspring. I examine how private transfers across generations, as in co-residency and remittance, have taken place. The next research question is whether such transfers have been enhanced by population aging. According to my preliminary results, the meaning of co-residency has changed. The elderly are no longer always the beneficiaries of co-residency; rather, they retain the role of household head that provides basic economic support to younger family members. Private transfers divide society rather than redistribute resources, since the older generation provides more than the younger, and intergenerational imbalances in private transfers become more obvious as the population ages.

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