



The (dis)saving behavior of the aged in Japan[☆]

Charles Yuji Horioka ^{a,b,*}

^a Institute of Social and Economic Research, Osaka University, Japan

^b National Bureau of Economic Research Inc., Japan

ARTICLE INFO

Article history:

Received 1 August 2009
Received in revised form 25 January 2010
Accepted 1 February 2010

JEL classification:

D12
D91
E21
H55

Keywords:

Age structure of the population
Aged
Aging
Consumption
Dissaving
Elderly
Households
Japan
Life-cycle model
Life-cycle hypothesis
Long-term care insurance
Medical expenses
Public pensions
Retirement
Saving
Saving rate
Social security

ABSTRACT

In this paper, I survey the previous literature on the saving behavior of the aged in Japan and then present some data on the saving behavior of the aged in Japan that became available recently. To summarize the main findings of this paper, virtually all previous studies as well as the newly available data I analyze find that the retired aged dissave and that even the working aged dissave, at least at advanced ages. Moreover, there has been a sharp increase in the dissaving of the retired aged since 2000, with the increase being due primarily to reductions in social security benefits, increases in consumption expenditures, and increases in taxes and social insurance premiums. These findings are consistent with the life-cycle model and suggest that this model is highly applicable in the case of Japan.

© 2010 Elsevier B.V. All rights reserved.

1. Introduction

Weil (1994) notes in his seminal paper that there is a discrepancy between the macro-evidence and the micro-evidence on the applicability of the life-cycle model, with studies based on macro (cross-country) data suggesting that the age structure of the population has the expected impact on the aggregate saving rate

but studies based on micro-data on the saving behavior of the aged showing little tendency for the aged to dissave. Thus, the macro-evidence suggests that the life-cycle model applies in the real world whereas the micro-evidence suggests that it does not. Weil (1994) explains this discrepancy by showing that the failure of the aged to dissave arises from the fact that they are saving to leave a bequest to their children and that the macro-results concerning the impact of

[☆] Note: I am indebted first and foremost to Oleksandr Movshuk and also to James Albrecht, Robert Dekle, Eric French, Minchung Hsu, Yasushi Iwamoto, John Bailey Jones, Sung Jin Kang, Wataru Kureishi, Tsutomu Miyagawa, Junichi Nomura, Masao Ogaki, Shizuka Sekita, Etsuro Shioji, Midori Wakabayashi, Kenichi Ueda, Yi Wen, Shoichi Yamashita, an anonymous referee, and the participants of the Third Workshop on Comparative Analysis of Consumption and Saving Behavior in East Asian Countries, held at the International Centre for the Study of East Asian Development (ICSEAD) in Kitakyushu, Japan, of the Workshop on the Aging Economy held at the Aging Economy Research Center, National Cheng Kung University, Tainan, Taiwan, of the Tsinghua Workshop on Macroeconomics held at the School of Economics and Management, Tsinghua University, Beijing, China, of the Far East and South Asia Meeting of the Econometric Society (FESAMES) held at the University of Tokyo, and of the 11th Macroeconomics Conference held in Osaka for their valuable comments and assistance and to the Ministry of Education, Culture, Sports, Science, and Technology of the Japanese Government for Grant-in-Aid for Scientific Research Category B (topic number 18330068) and Category S (topic number 20223004) and to the Global Center of Excellence (GCOE) Program of the Graduate School of Economics and the Institute of Social and Economic Research of Osaka University, all of which supported this research.

* Correspondence address: Institute of Social and Economic Research, Osaka University, 6-1 Mihogaoka, Ibaraki 567-0047, Japan.

E-mail address: horioaka@iser.osaka-u.ac.jp.

the age structure of the population on the aggregate saving rate arises from the fact that although the aged themselves are not dissaving, their children are saving less in anticipation of receiving a bequest from their parents. This suggests that the life-cycle model may not apply in the United States although there is of course the possibility that bequests are selfishly motivated bequests à la Bernheim et al. (1985) that are consistent with the life-cycle model.

Does the same discrepancy exist in Japan, and if so, does it arise for the same reasons as it does in the United States? Horioka (1997) and Horioka and Yin (2009) have found using macro (time series) data for Japan that the age structure of the population has the expected impact on the saving rate, and in this paper, I analyze micro-data on the saving behavior of the aged in Japan. I first survey the previous literature on the saving behavior of the aged in Japan and then present some data on the saving behavior of the aged in Japan that became available recently.

To summarize the main findings of this paper, virtually all previous studies as well as the newly available data I analyze find that the retired aged dissave and that even the working aged dissave, at least at advanced ages. Moreover, there has been a sharp increase in the dissaving of the retired aged since 2000, with the increase being due primarily to reductions in social security benefits, increases in consumption expenditures, and increases in taxes and social insurance premiums. These findings are consistent with the life-cycle model and suggest that this model is highly applicable in the case of Japan. Thus, there does not appear to be any discrepancy between the macro- and micro-evidence in the case of Japan, with both types of evidence suggesting that the life-cycle model is highly applicable in the case of Japan.

This paper is organized as follows: in Section 2, I discuss commonly encountered problems with data on the saving behavior of the aged; in Section 3, I conduct a selective survey of the previous literature on the saving behavior of the aged in Japan; in Section 4, I present some data on the saving behavior of the aged in Japan that became available recently; in Section 5, I present other evidence on the applicability of the life-cycle model in the case of Japan; and Section 6 concludes and explores the policy implications of my findings.

2. Problems with data on the saving behavior of the aged

In this section, I discuss commonly encountered problems with data on the saving behavior of the aged.

Although it is easy to speak about the saving of the aged in theoretical terms, it is notoriously difficult to measure it in actual practice, and as a result, no consensus has been reached about whether or not the aged dissave. Just to enumerate some of the problems that arise when one wants to measure the saving of the aged, one problem is that the unit of observation of the data that are available is almost always the household, and hence it is not possible to obtain direct data on the saving of the aged individuals who live in multi-generation households. This problem is especially severe in Japan, where there are so many extended families (households in which parents and their grown children live together). According to the Population Census of the Japanese Government, the proportion of the aged who live with their children was a full 73.4 percent in 1980, and although this proportion has declined steadily since then, it was still 49.6 percent in 2005, according to the Population Census (Statistics Bureau, Ministry of Internal Affairs and Communications, Government of Japan, 2009).

Second, households are usually classified by the age of the household head, and since aged household members are not necessarily the household head (in fact, they usually are not because the head is defined as the household member with the highest income), data are not available on the saving of aged individuals who are *not* household heads (primarily aged

individuals who live with their children, hereafter referred to as 'dependent aged'). This is especially unfortunate in the case of Japan because, as noted earlier, in the past, the majority of the aged in Japan lived with their children and most of them were *not* classified as the household head and because these dependent aged are very different from the independent aged (for example, they are presumably poorer, on average).

Third, most household surveys survey only households with two or more persons, and hence no data are available on one-person aged households even though they comprise a non-negligible and growing share of all aged households (their share more than doubled from 10.8 percent in 1980 to 22.5 percent in 2005, according to the Population Census (Statistics Bureau, Ministry of Internal Affairs and Communications, Government of Japan, 2009)) and even though they may be very different from aged households with two or more persons (for example, they are presumably poorer, on average).

3. A survey of the previous literature on the saving behavior of the aged in Japan

In this section, I conduct a selective survey of the previous literature on the saving behavior of the aged in Japan (see Kan and Horioka, 2010 for a more exhaustive survey of the literature on Japan as well as that on other countries).

Because of the data limitations discussed in the previous section, most previous researchers were forced to look at data on the saving of households with two or more persons whose head is aged and to make inferences about the saving of all aged individuals based on these data. However, the three aforementioned problems apply in the case of such data: first, such data pertain to the household as a whole and include the saving of not only the aged head but also of his/her spouse, cohabiting children, cohabiting grandchildren, etc., many of whom are not aged; second, such an analysis totally ignores the saving of aged individuals who are *not* household heads and implicitly assumes that their behavior is identical to that of aged heads; and third, such an analysis ignores one-person aged households and implicitly assumes that their behavior is identical to that of aged households with two or more persons.

Thus, even if one finds that households with two or more persons headed by an aged individual in Japan do not dissave, one cannot conclude that all aged in Japan do not dissave. First, the failure of the independent aged to dissave could merely reflect the positive saving of cohabiting children and other cohabiting family members. Second, aged heads are, on average, more affluent than dependent aged and hence are more likely to be able to save. Third, aged households with two or more persons are, on average, more affluent than one-person households and hence are more likely to be able to save.

The seminal paper by Hayashi et al. (1988) is an important addition to the literature on the saving behavior of the aged because it is the first attempt to estimate the saving behavior of aged persons living in extended families. The ingenious method they use to indirectly infer the stock (flow) of saving of such aged is to assume that the stock (flow) of saving of younger generations living in extended families is identical to that of similarly aged nuclear families and to compute the stock (flow) of saving of older generations living in extended families as the total stock (flow) of saving of extended families minus the stock (flow) of saving of the younger generation.¹ They apply this method to micro-data from the 1984 National Survey of Family Income and Expenditure,

¹ Hayashi et al. (1988) also use another method in which they examine how the stock (flow) of saving of extended families in which the younger generation is of a certain age changes as the age of the older generation increases, but the results based on this method are not discussed here due to space limitations.

Download English Version:

<https://daneshyari.com/en/article/5086317>

Download Persian Version:

<https://daneshyari.com/article/5086317>

[Daneshyari.com](https://daneshyari.com)