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The effect of coresidence on parental health in Japan



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ABSTRACT

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The empirical evidence of the effect of intergenerational coresidence by elderly parents and their adult children on parental health remains inconclusive. This study provides a new estimate of the coresidence effect by addressing non-random selection and heterogeneity in the treatment effect. Examination of Japanese data reveals: (i) an insignificant, negative average coresidence effect; (ii) a significant, negative coresidence effect on the treated; and (iii) that parents with unmet care needs and limited resources, typically widowed, disabled mothers, are most likely to suffer from a significant, negative coresidence effect. The results support the theory that coresidence may worsen elderly parents' health because care burdens on their adult children create disincentives for the parents to invest in longevity. The significant heterogeneity in the coresidence effect suggests potential scope for a better-targeted long-term care program. *J. Japanese Int. Economies* 35 (2015) 1–22. University of Technology Sydney, Australia.

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1. Introduction

According to the theory of health capital, individuals make health-related decisions taking their consequences into consideration. The expected marginal costs and benefits of health investments

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determine the optimal trajectory of one's future health and thereby determine one's demand for longevity (Grossman, 1972; Ehrlich and Chuma, 1990). Various sources of benefits and costs of health investments have been discussed in the literature, but the presence of family members has rarely received attention. If elderly parents are altruistic toward their adult children, how does the presence of the latter affect the parents' health-related decisions and demand for longevity? What if the parents have significant health-care needs?

Intergenerational coresidence by elderly parents and their adult children is often formed to meet parental care needs and to provide family support for security in old age. It is difficult to cast doubt on the positive, vital role of coresidence with children. In aging societies, care and attention provided by adult children remains an important source of support in old age. While the demand for elderly care is growing at an unprecedented rate, around 80% of the hours of care are provided informally, with children providing 41% of all informal care in the U.S., 43% in the U.K., and 60% in Japan (OECD, 2005). In Japan, informal care provided by children often coincides with parent-child coresidence (The Ministry of Health, Labour and Welfare, 2008). However, despite the fact that the importance of informal care is widely recognized, despite the widespread notion that coresiding children are caregivers who provide comprehensive assistance to elderly parents, and despite numerous studies of the coresidence effect by researchers in the fields of sociology, demography, and gerontology, the empirical literature has yet to reach a consensus on the causal effect of coresidence with an adult child on parental health.

A better understanding of the coresidence effect has important implications for aged-care policies. As aging societies are pushing a growing number of frail old individuals into needing care, securing quality aged care has become a priority for governments. Given that care and attention provided by adult children still plays a major role, long-term care policies need to develop a well-balanced, effective use of formal and informal care. For example, Japan, facing the world's fastest population aging, established the Long-Term Care Insurance in 2000, with a policy objective, "Socialization of Care", that intends to develop various formal care services and release women from the burden of caregiving. On the other hand, many other countries have programs that support family caregivers such as respite care (OECD, 2013). To assist evidence-based policy decisions, there exist many reliable evidences on the "costs and benefits" of formal and informal care, except for the "benefits" of informal care. The burden of informal caregiving borne by carers is widely documented. Caregiving may significantly affect their labor-supply decisions (Ettner, 1995; Carmichael et al., 2010; Heitmueller, 2007; Sugawara and Nakamura, 2014) and their quality of life (Fast et al., 1999; Hall et al., 2014; Kenny et al., 2010). Research on the quality measurement of formal care is also developing significantly (OECD, 2013). Thus the solid evidence of the effectiveness of informal care is an important remaining element necessary to enhance aged-care programs.

Two questions are posed in this study. First, is the coresidence effect indeed positive? The literature on the coresidence effect has so far paid limited attention to the non-experimental nature of data, and this may account for the mixed results. This study aims to provide a rigorous causal estimate by capitalizing on the program evaluation literature. In my setup, coresidence by an elderly parent and an adult child is referred to as the "treatment." The treatment group consists of elderly parents who live with an adult child and the control group consists of elderly parents who do not coreside with an adult child.

Second, how do we explain the sign of the coresidence effect? Since one important reason for coresidence is certainly to meet a parent's care needs, one would expect to find incontrovertible evidence of its positive effect in the literature. In this study, I propose a theory of *health transfer* as to why intergenerational coresidence may affect parental health negatively, and test predictions derived from the theory utilizing a structural econometric model. I argue that coresidence may cause parents with serious care needs to be concerned that prolonging their own lives means placing an additional burden on their adult children. This concern creates disincentives to invest in their health. For parents without serious care needs, on the other hand, coresidence creates incentives to remain healthy and thus delay the onset of potential caregiving burdens on coresiding children. This theory thus predicts a negative relationship between parents' care needs and the coresidence effect.

Two econometric issues may have biased the results of previous studies. First, there may exist non-random selection into coresidence, especially selection by unobservable factors: that is, the possibility

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