



Income inequality among older people in rapidly aging Japan



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ABSTRACT

This study examined the mechanisms by which income inequality among households with elderly members changed from the mid-1980s to the mid-2000s, focusing on the transformation of household structure and on income sources.

The data that I analyze in this paper comes from the Comprehensive Survey of People's Living Conditions in Japan (CSLCJ) conducted by the Japan Ministry of Health, Labour and Welfare in the mid-1980s, the mid-1990s, and the mid-2000s.

The main findings of this study can be summarized into the two points. First, income inequality among households with elderly members overall decreased after the mid-1980s. A relatively large decrease in income inequality in elderly households during the bubble economy in the mid-1980s and after its collapse through the early 1990s had occurred at the high-income groups. The examination of the extent of income inequality among the elderly found that household structure is a critical factor. The decline in three-generation households lead to lowering income inequality among households with the elderly.

Second, in examining the change in income package of the households with the elderly, it was found out that economic inequality is largely determined by the income of non-elderly members who co-reside with the old parents. Such a phenomenon has not changed despite the large change in the household structure with the elderly members associated with fast transformation of the population since the mid-1980s.

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1. Introduction

Aging populations exist throughout the world, although they are more common in developed regions, such as Europe or Oceania. In 2012, the United Nations reported that an average of 11 percent of their member countries' populations was aged 60 or older. It is projected that most countries' percentages will increase to an estimated 22 percent by 2050.¹ The rate of aging in Asia is the same as the overall average (11%); however, Japan is currently the

most aged society in the world: 25.9 percent of the total population in 2014 was aged 65 or older.²

Japan is a country in which the population is aging rapidly. It took only 24 years to double the percentage of people aged 65 and older from 7 percent to 14 percent in Japan (National Institute of Population and Social Security Research 2014). This fast pace of population aging caused a rapid increase in the number of retired people and a decrease in the working population, which led to important changes in the ways that financial security was provided and to changes in family structure. Japan's rapid rate of aging is related to two demographic factors (Ogawa

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¹ http://www.un.org/esa/population/publications/2012PopAgeingDev_Chart/2012PopAgeingandDev_WallChart.pdf, accessed on 30 July 2013.

² <http://www.stat.go.jp/data/topics/topi841.htm> (Statistics Bureau, Japan), accessed on March 11, 2015.

& Matsukura, 2007). First, it is associated with a decrease in the total fertility rate that occurred in the 1950s³ and, second, during that period, an increase in longevity took place.⁴

After the late 1990s, rapid rates of aging often have been considered in discussions about the growth of income inequality. For example, Ohtake (1994, 2005) proposed that the recent increase in income inequality is so closely related to the aging population that, when we account for rapid aging in a population, substantial increases in income inequality cannot be identified. Nishizaki, Yamada, and Ando (1998) suggested that Japan's economic inequality increased during the ten years after 1984, confirming the effect of the aging population on increasing economic inequality. These scholars' most important point is the claim that a relatively large extent of income inequality is in the elderly population. In other words, because income inequality in the elderly population is relatively large and its proportional share of the population is increasing as the population ages, overall income inequality is increasing as a result.

However, the missing piece in their argument is evidence of explanations of substantial income inequality among the elderly. This study addresses this gap by examining the mechanisms related to income inequality among the elderly. It assesses the extent of income inequality in the elderly population after the mid-1980s when the rate of population aging accelerated. To understand the factors related to the changes in the extent of income inequality, it is critical that inequality between and within population sub-groups are distinguished. Western, Boome, and Percheski (2008) pointed out that the increase in income inequality among American families with children between 1975 and 2005 is largely explained by the increase of within-group inequality based on family type. In this study, within-group inequalities are distinguished from between-group inequalities to examine the changes in income inequality among Japanese families with the elderly members aged 65 or older.

Income inequality has been discussed from the demographic point of view (Deaton & Paxson, 1997; Lam, 1997; Lee and Mason, 2003; Schultz, 1997; von Weizsacker, 1996). Scholars generally agree that the population aging is positively related to the growth of income inequality. Riley, Johnson and Foner (1972) in *Sociology of Age Stratification* recognized age as one key variable to understanding inequality in contemporary society (Preston, 1984; Riley, Kahn, & Foner, 1994; Turner, 1989, 1998). Turner (1989) focused on the distinction between work and welfare with respect to age. In addition to age, Irwin (1996, 1998) emphasized the importance of the perspective of the life-course for generating inequality structures.

This study focuses on two factors related to income inequality: household structure and the income package of the household economy. Population aging occurs in a context of changing household structures. In Japan, the type of household structure among the elderly has changed because the number of three-generation households, which had been the typical structure for the elderly, decreased and the number of one-person and couple-only households increased. Historically, the family has been critical to the basic livelihood security of the elderly. Basic livelihood security is the adequate and sustainable access to income and resources to meet basic needs.

In Japan, the family has been responsible for the livelihood security of the elderly (Hiroshima, 1997; Smeeding & Saunders, 1998). However, changes in household structure from three-generation households to other types might directly influence elders' economic wellbeing because they may lose their dependence on the family for support. According to Shirahase (2013), the positive relationship between aging populations and income inequality is seen in Japan and Taiwan, which are similar regarding their high rates of aging and the ways that basic livelihood security is provided to the elderly.

In Japan, the relatively large numbers of elderly people live in three-generation households.⁵ This arrangement is referred to as the informal Japanese welfare society, in which there is a gendered division of labor operating in the institution of the family such that the female family members are the elderly family members' caregivers. The formal welfare state has been constructed on the assumption that the family has this role regarding elderly family members. Therefore, aspects of the family and residential arrangements cannot be ignored when assessing the economic wellbeing and income inequality of the elderly.

Another important factor for understanding the mechanisms that generate income inequality is the income package. Rainwater, Rein and Swartz (1986) suggested that it is useful to understand how families are supported through understanding their income packages. For example, do they maintain their lives by employment or by social transfers such as social security? The income package is a useful way to examine the framework of various types of welfare states. For example, if individuals (or families) are maintained by wage employment, the state is primarily based on market income, but if individuals (or families) are state-supported, their income packages consist of government subsidies of social security benefits. Rainwater et al. (1986) assumed that public and private sources of income are distinct and they did not fully account for variation in household structure. The income package considers more than the distinction between private and public sources; it considers the types of sources within those categories. As a result, the income package might closely relate to household structure because these sources may be derived from

³ In 1950, the total fertility rate was 3.65, while the corresponding figure in 1950 was 2.0 (<http://www.ipss.go.jp/syoushika/tohkei/Popular/Popular2013.asp?chap=4&title1=%87W%81D%8Fo%90%B6%81E%89%C6%91%B0%8Cv%89%E6>, Tables 4 and 5, accessed on 15 July 2013).

⁴ The life expectancy at birth rose from 50.1 in 1947 to 65.3 in 1960 for men from 54.0 in 1947 to 70.2 in 1960 for women (<http://www.mhlw.go.jp/toukei/saikin/hw/life/life09/01.html>, accessed on 15 July 2013).

⁵ In 2000, 52.1 percent of Taiwanese elders lived in household structures other than one-person, couple-only, or two-generation households; in Japan, it was 34.0 percent (Shirahase, 2013).

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