

Do Pension Crowd In or Crowd Out Intergenerational Financial Transfer in Chinese Family

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1. Aim

This paper examines whether pension will crowd out or crowd in intergenerational financial transfer in Chinese family.

Intergenerational family transfer lies at the heart of social bonds, providing support to family member when they are in difficulties. Public welfare system started its expansion after World War II, also with the aim to provide protection to vulnerable groups. Because of the similar target of welfare system and private transfer, one central question about their relationship is whether public welfare system will crowd out private intergenerational transfer or not, and the answer to this question is highly related with the legitimacy of the existing welfare system and its further recalibration. In the ageing society, the relation between pension/old age benefit and private intergenerational support becomes even more important.

Two aspects of pension system have been taken into consideration, its coverage and its replacement rate. Two sides of private intergenerational financial transfer are measured in this paper as well, its incidence and its amount. Viewing the elderly as both the receiver and giver of intergenerational financial transfer, two directions of it are checked: upward from adult children to parents (CTP) and downward from parents to adult children (PTC). Based on all these difference, we formulate our 'crowding out' hypothesis (for CTP upward transfer) and 'crowding in' hypothesis (for PTC downward transfer) respectively.

2. Data & Methods

For this purpose, we conducted logit regression and OLS regression analysis with the first wave data of *Chinese Health and Retirement Longitudinal Study (CHARLS 2011/2012)*. Respondents qualified for receiving pension and have at least one non-coresidential child are selected for the analysis.

Dependent variables in this analysis are the incidence and amount of intergenerational family transfer, and independent variables are incidence and amount of pension; all control variables introduced in the analysis are grouped into a three-level family solidarity model which consists of need and opportunity structures of individuals, family structures, and beyond that, cultural-contextual structures.

3. Results

Viewing the elderly as private financial transfer receiver, we found that pensioners have lower probability for receiving financial support from their children, but if they receive, they receive higher amount; what is more, among the pensioner who receive CTP transfer, the higher their pension, the higher amount of financial support they can receive. When we see elderly as intergenerational financial transfer giver, we find that pensioners have higher probability to give, and they tend to give higher amount.

4. Conclusion

From these findings, we can see that in China, pension will mainly crowd in private intergenerational financial transfer instead of crowd out it, which means public old age benefit provided by the government will help to enhance family solidarity.