

Support Systems in Nuclear vs Extended Households: A Case Study on Taiwan

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Overview

- o Elderly economic support is particularly crucial for a Confucius society like Taiwan
- o A 2005 government survey found that 60% of elderly consider living with children as the ideal arrangement, and 53% rely on children as the major source (MOI 2005)

o **Drastic demographic transitions**

- TFR dropped to 1.115 in 2006
- Life expectancy rose from 56.3 years in 1951 to 80.8 years (female) in 2006
- Percentage of elderly is projected to increase from 9.9% in 2006 to 37% in 2051.

o **Rapid change of family structure from extended to nuclear**

- % of nuclear households rose from 35% in 1965 to 56% in 1986 and 65% in 2001

Literature Review

o **Living arrangement is an important determinant of intergenerational transfers**

- Mincer 1974
- Altonji, Hayashi and Kotlikoff (1989)
- Rosenweig and Wolpin (1993)

Literature Review

- o **Living arrangement is an important determinant of intergenerational transfers**

-Mincer 1974

research is lacked on how resource constraints of individual, including transfers and coresidence change over time

-Altonji, Hayashi and Kotlikoff (1989)

reject hypothesis that family members face a common budget constraint

-Rosenweig and Wolpin (1993)

both coresidency and interhh transfers support young adults to smooth consumption

Literature Review

- o Economics of co-residency
 - economics of public goods
 - efficient means of exchange
 - enforcing altruism
 - monitoring

Objectives

- o to examine the lifecycle support sources in nuclear vs extended households
- o to investigate the net direction of transfer flows in both household types

Data

- o Taiwan Family Income and Expenditure Survey 1998
- o National Income
- o Public administrative records on health, education, social insurances, and public assistances

Method

- o To enable us to differentiate support flows between two household types in answering old question with new significance,
- o Use NTA methods slightly adjusted with two types of households

Classification: Nuclear



one person



couple



parent + unmarried child



brother sister only

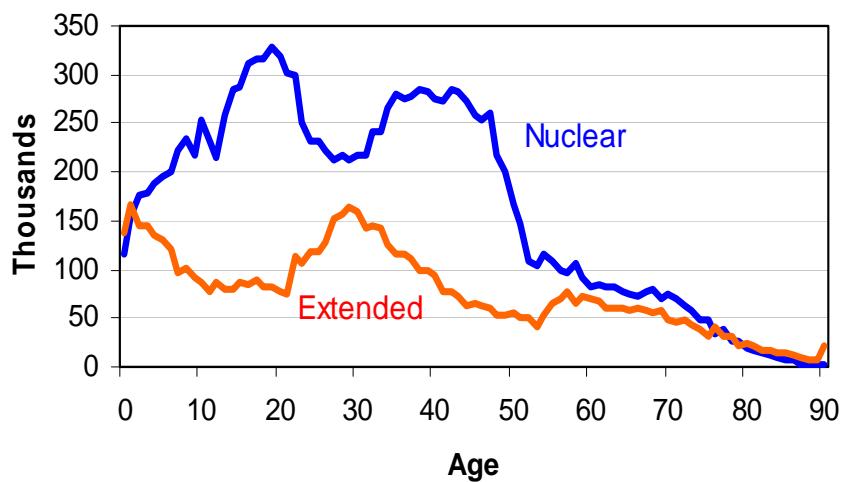
Classification: Extended

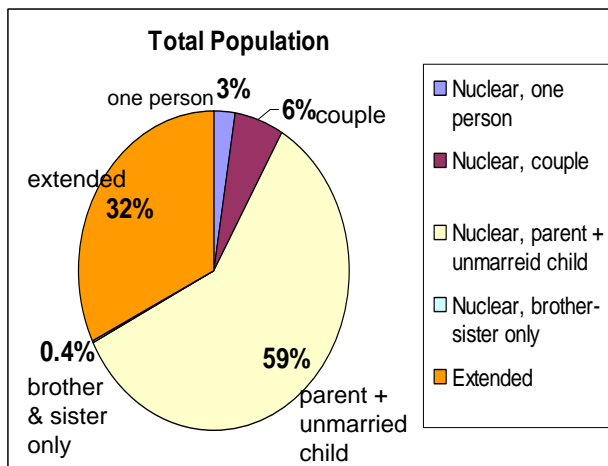


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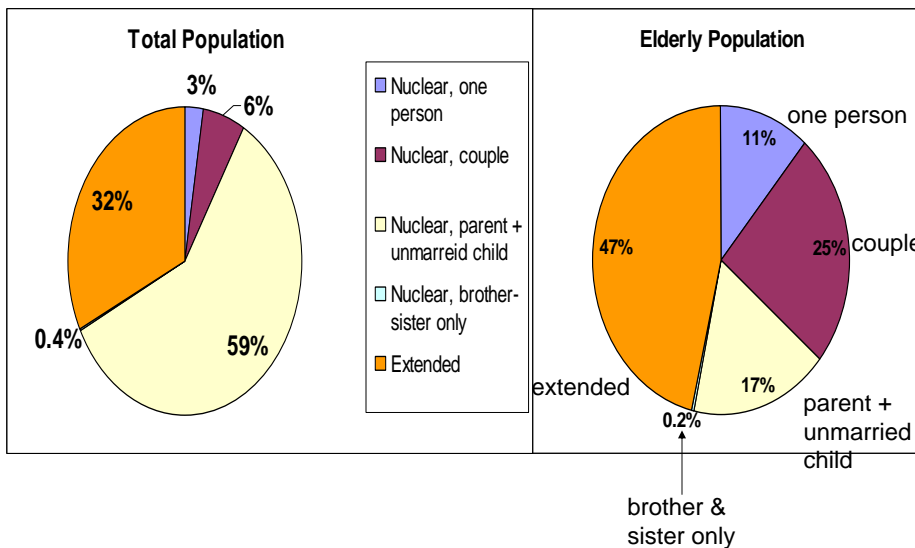
- married couple + parent
- married couple + parent + unmarried child
- married couple + siblings

Population of Nuclear & Extended Households, Taiwan, 1998





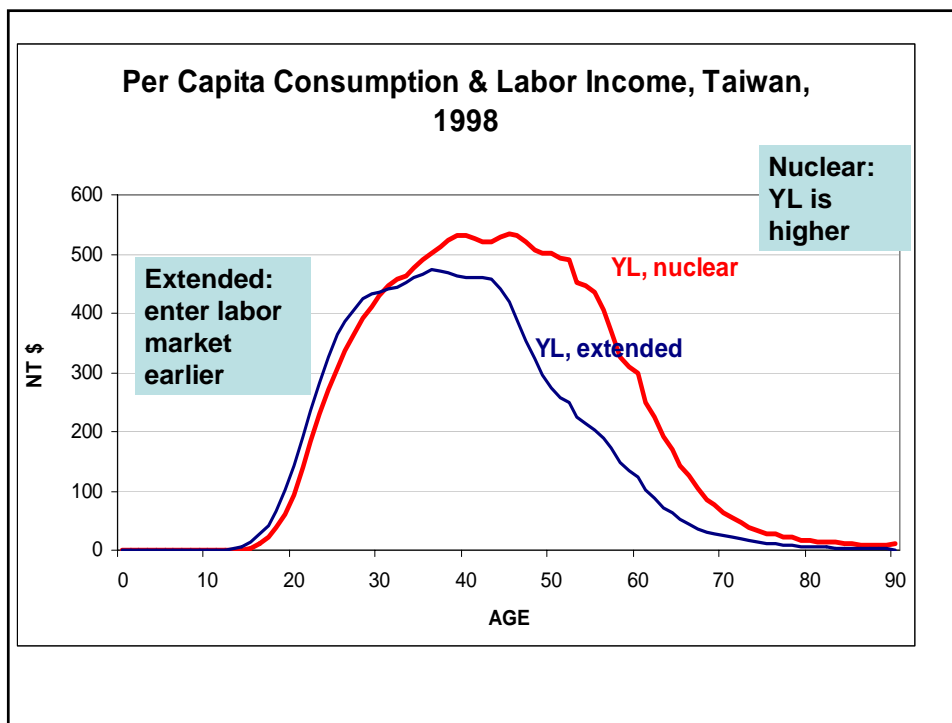
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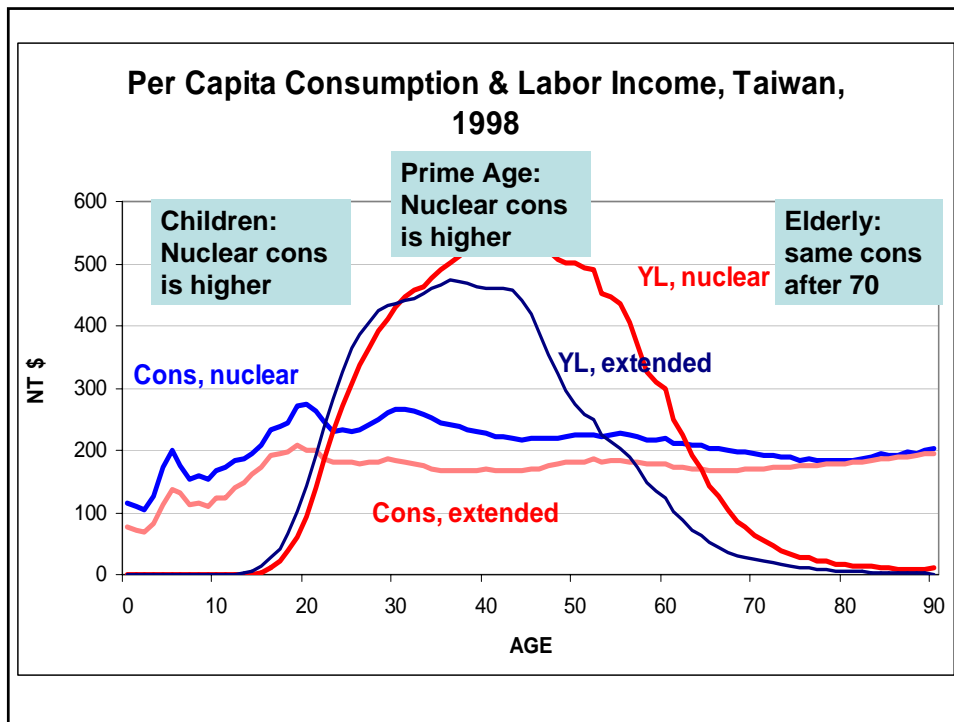


Source: FIES 1998

Who are they?

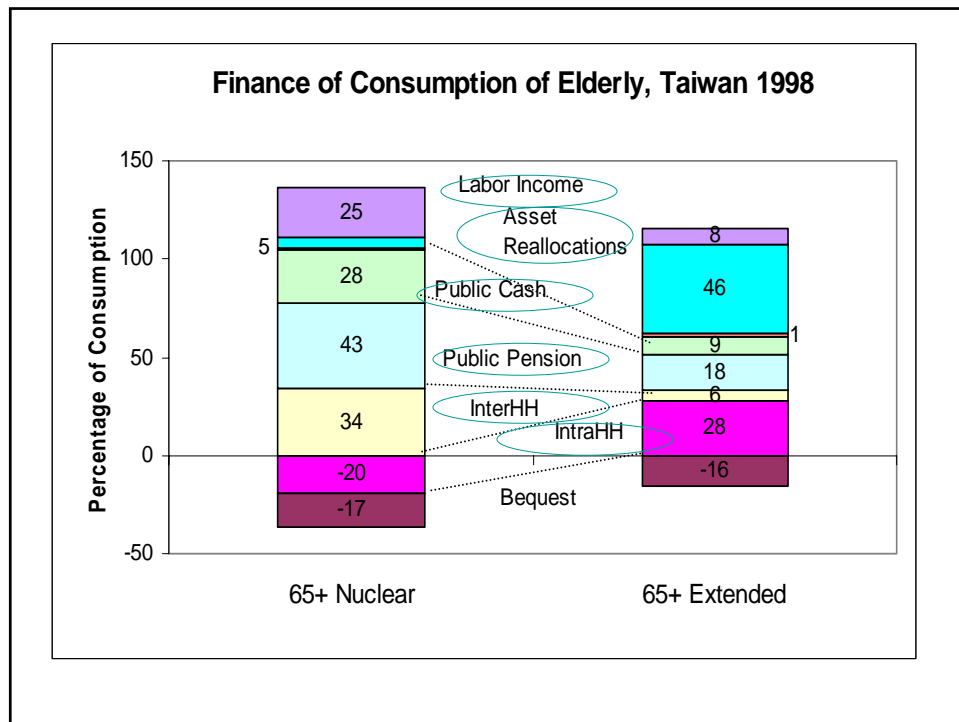
- **Elderly in nuclear:**
 - higher education
 - 13% farmers
 - 18% rural, 82% urban
 - wage earners
- **Elderly in extended:**
 - lower education
 - 21% farmers
 - 17% rural, 83% urban
 - non wage earners





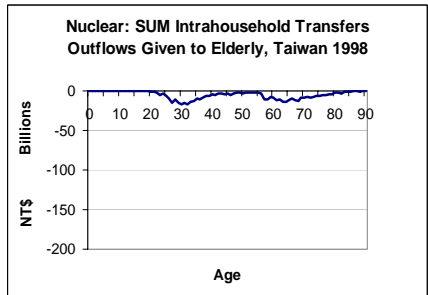
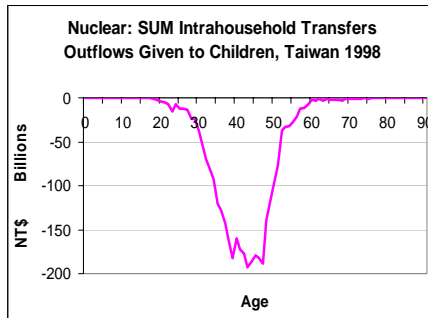
Labor Income and Consumption

- o Expected differences in **YL** because of different population age structures in both households, and
working elderly live in nuclear
- o Expected differences in **consumption** for children due to higher **private education** expenditure in nuclear
- o Surprisingly, differences in elderly is small.
 – National Health Insurance

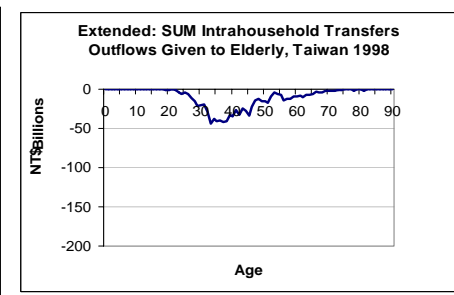
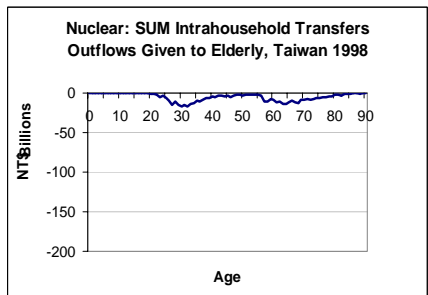
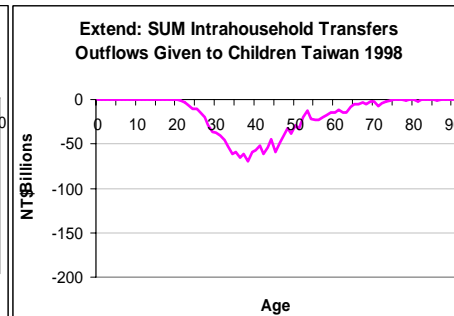
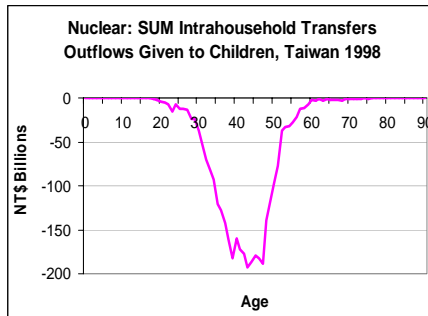


Finance of Consumption

- o Elderly in nuclear HH receive low income benefits
- o **Earners** and **Pension Receivers** tend to live independently
- o Elderly in nuclear households receive substantial familial transfers through interHH transfers
- o While elderly in extended households receive more than one-third from familial transfers



Downward transfers
from adults to children



Transfer Direction

- o In nuclear households, adults give most of familial transfers to children. Transfers direction is downward from adults to children.
- o However, in extended households, adults give familial transfers both to elderly and children. The transfers to elderly are substantial. Directions are both upward and downward.

- o Competition between children and elderly for transfer resources
- o Children in extended households have lower consumption than children in nuclear households

Conclusion

- Intergenerational transfers vary across two different household types
- Elderly in extended rely on familial transfers and dis-saving, while elderly in nuclear resorted to more diversified sources

Issues

- o Changing of social norms in living arrangement (adult children prefer nuclear households)
- o Some adult children living apart from elderly parents support elderly by giving Inter-household transfers and by living nearby parents (Tung et al., 2006)

Future Work

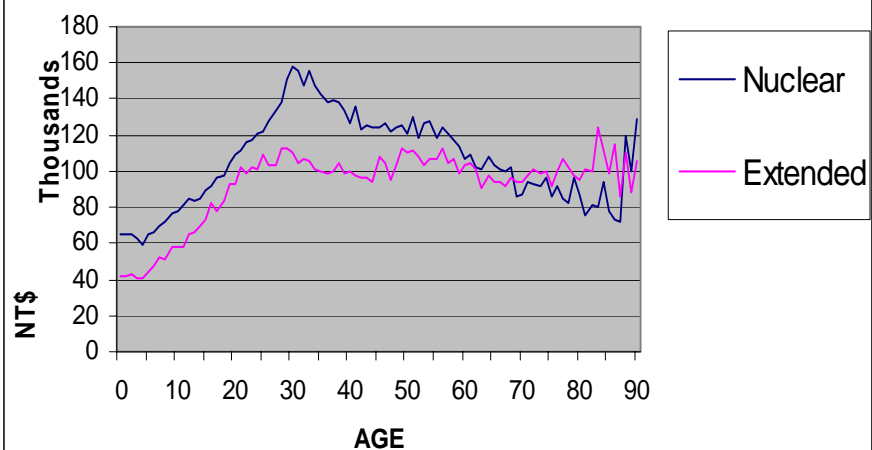
- o Qualitative study on elderly: health and economic security
- o Elderly vs children tradeoffs

The END

Asset Reallocations, Elderly Age 65+

	Nuclear	Extended	Nuclear	Extended
	NT\$ bil	NT\$ bil	% of consumption	% of consumption
<u>Public</u>	-12	-15	-6.35	-5.51
net asset Income	2	2	1.06	0.74
less: public saving	14	17	7.41	6.25
<u>Private</u>	22	139	11.64	51.10
net asset Income	254	49	134.39	18.01
less: private saving	232	-90	122.75	-33.09

Per Capita OTHER consumption, Taiwan 1998



Nuclear	total	0-19	20-29	30-49	50-64	65+
Lifecycle Deficit	365	1,260	134	-1,034	-136	141
Consumption	3,901	1,302	655	1,411	344	189
<u>Public</u>	983	419	141	286	81	56
<u>Private</u>	2,918	883	514	1,125	263	133
Less: Labor income	3,536	42	521	2,445	480	48
Reallocations	365	1,260	134	-1,034	-136	141
Asset-based Reallocation	381	-13	-34	359	59	10
<u>Public</u>	-108	1	11	-75	-32	-12
Income on asset	-1	0	-1	-4	1	2
Less: Public Savings	106	-1	-12	72	34	14
<u>Private</u>	475	-5	-78	380	108	70
Income on asset	1,528	1	107	817	348	254
Less: Private Savings	1,039	16	152	383	257	232
Total Transfers	-16	1,273	168	-1,393	-195	131
<u>Public Transfers, Current</u>	4	310	0	-401	-36	131
Public In-kind	25	310	23	-254	-53	-1
Public Cash	-22	-1	-23	-148	16	132
<u>Public Transfers, Asset</u>	-2	-1	-13	-2	11	3
<u>Net Foreign Transfers</u>	1	0	0	0	0	0
<u>Private Transfers</u>	-18	964	181	-991	-169	-3
Inter-household, net	-44	1	-2	-81	-27	65
Intra-household, net	0	964	144	-970	-102	-37
Household transitions	26	0	38	60	-40	-32

Extended Households	total	0-19	20-29	30-49	50-64	65+
Lifecycle Deficit	160	411	-147	-466	111	250
Consumption	1,954	435	408	528	310	272
<u>Public</u>	566	171	105	133	80	77
<u>Private</u>	1,387	264	304	395	230	195
Less: Labor income	1,794	24	555	994	199	22
Reallocations	174	402	-114	-412	94	203
Asset-based Reallocation	186	7	-57	105	81	124
<u>Public</u>	-65	0	8	-27	-31	-15
Income on asset	1	0	-1	-2	1	2
Less: Public Savings	66	0	-9	26	32	17
<u>Private</u>	251	-2	-66	132	95	92
Income on asset	621	1	127	310	133	49
Less: Private Savings	383	-6	226	232	21	-90
Total Transfers	-13	404	-56	-516	30	126
<u>Public Transfers, Current</u>	-1	127	-19	-162	-20	73
Public In-kind	-24	127	2	-111	-43	-1
Public Cash	22	-0	-21	-52	22	74
<u>Public Transfers, Asset</u>	2	-0	-11	-3	11	5
<u>Net Foreign Transfers</u>	1	0	0	0	0	0
<u>Private Transfers</u>	-13	277	-26	-351	39	48
Inter-household, net	13	-0	-8	-15	21	15
Intra-household, net	0	277	-48	-365	61	75
Household transitions	-26	0	31	29	-43	-43

Classification

- o Nuclear: One person household, one married couple only, one couple with unmarried child(ren) only, single parent with unmarried child(ren), and brother and sister only.
- o Extended: in addition to the married couple, one or more married family members either of a different generation (grandpa or grandchild), or the same generation (sibling).

