

# Intergenerational Transfer Motives in China: Family Values vs. Economic Incentives



Charlene L Wang (U3 H. Economics) and Prof. Daniel Barczyk  
Department of Economics, Faculty of Arts at McGill University

## Introduction

- Historically, elderly support in China has come primarily from within the family; “filial piety” – the virtue of respect for elders and a pillar of Confucian culture – is largely behind this strong sense of intergenerational responsibility for elder care. [1]
- The ongoing retirement of the baby-boomer generation and the implementation of the one-child policy in 1973 are causing population greying in China, which is expected to put a strain on its underdeveloped political and financial institutions. [2]
- By understanding the motives behind intergenerational transfers, we can better inform efficient long-term care policy as China looks to accommodate the demographic shift it is facing.

### Objective:

To better understand the nature of intergenerational transfers in China, and the relative importance of economic and cultural motives in affecting the magnitude of these transfers.

## Methodology

**Breakdown of Motives:** We have chosen to focus on 2 possible explanations behind the engagement of children in intergenerational transfers:

- Altruism** – concern for the welfare of their parents relative to their own
- Culture** – filial piety, financially disinterested adherence to norms & expectations

By observing the relationships within a range of economic variables, we are able to make qualitative statements regarding transfer motives.

**Subject Overview:** 21,140 respondents and 29,300 children from 12,048 households (HH).

- Mean Respondent Age: 60**
- Female: 52%**
- Married: 84%**
- HH's engaging in two-way transfers: 69%**
- Mean Parent – Child Transfer Amt: 1850 RMB (~350 CAD)**
- Mean Child – Parent Transfer Amt: 2300 RMB (~435 CAD)**
- Mean Child Age: 33**
- Mean Number of Children per HH: 2.6**
- Mean HH Wealth: 210k RMB (~40k CAD)**

**Dataset:** The China Health and Retirement Longitudinal Study (CHARLS) is a biennial survey administered by Peking University to randomly-selected Chinese residents over the age of 45. The first and second waves were administered in 2012 and 2014, respectively, with new data being released every 2 years. This extensive survey provides highly detailed information regarding Chinese households in both rural and urban environments, including the economic, social and physical wellbeing of the respondents and their children. For this study, we looked specifically at the financial transfer data, as well as demographic indicators and variables describing overall wealth.

**Relative Wealth Variable (W) :** In order to observe altruism, it is necessary to describe the wealth disparity between respondents and their children using a relative wealth variable (W).

This variable was created by splitting both groups into 11 wealth brackets, using annual income data for children and household wealth data for respondents. The child's associated bracket number was then subtracted from that of the respondent, resulting in values between -7 and 10.

Thus, the greater the value of W, the more wealthy the respondent is relative to his/her children, thereby giving us a quantitative representation of intra-family wealth disparity.

## References

- Zhu, Haiyan, and Yu Xie. "Family Structure and Intergenerational Support in Urban China." Diss. Virginia Tech, 2011. Print.
- Lee, Ronald. "Population Aging, Intergenerational Transfers, and Economic Growth: Asia in a Global Context." *Aging in Asia: Findings From New and Emerging Data Initiatives*. U.S. National Library of Medicine, 01 Jan. 1970. Web. 31 July 2017.

## Acknowledgements

Thank you to Prof. Barczyk for his ongoing support & supervision of this project, as well as the ARIA program for its funding & guidance.

## Results

### 1. Average Respondent Experiences Positive Net Transfer

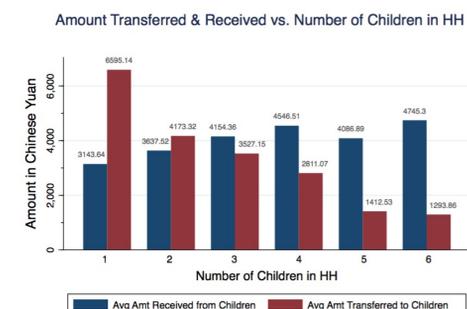


Figure 1. The average respondent sees a positive net transfer, indicating a strong sense of intergenerational responsibility amongst children. Net transfer also goes from negative to positive values as the number of children in the household increases.

### 2. Negligible Correlation Between Transfer Amounts and Relative Wealth

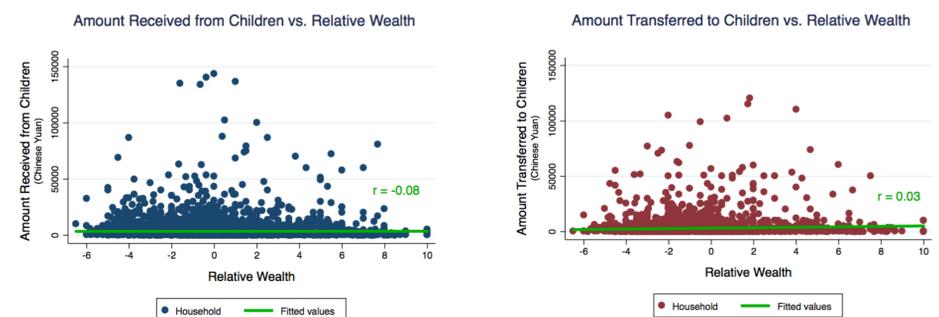


Figure 2, 3. The correlation between transfer amounts, both to and from children, and intra-family wealth disparity is negligible, suggesting that altruism cannot explain transfer motives entirely.

### 3. Strong Positive Correlation Between Child's Income Level and Amount Received

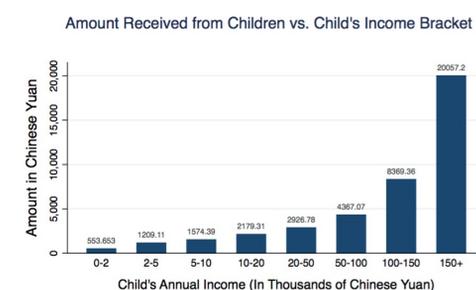


Figure 4. Among the many variables considered, child's income had the strongest relationship with transfer amounts, suggesting that, despite relative wealth playing a negligible role, individual wealth plays a significant one.

## Conclusions

From these results, we can see that familial support still carries much of the weight of elderly care in China. In most countries, intergenerational transfers go from parents to children, but the opposite is observed here, with the average respondent experiencing a positive net transfer.

The weak relationship between intra-family wealth disparity and transfer amounts suggests that altruism plays a small role in motivating transfers. This leads us to believe that cultural values play a very significant one, a belief further strengthened by the firm correlation between child's income level and transfer amounts, despite the unimportance of relative wealth.

Ultimately, these findings show that the intergenerational transfers observed in China are primarily culturally-motivated and should be stressed in the consideration of future long-term care policies.

### Next steps:

- Looking into informal care administered by children, and how time transfers complement monetary transfer decisions.
- Observation of additional transfer incentives, such as bequest expectations.