

How Do Public Pensions Reshape Eldercare and Social Norms with Son Preference? Evidence from China

by *Naijia Guo, Wei Huang, Ruixin Wang*

Background

How do people prepare for life in old age? The answer to this critical question may affect not only household decisions, such as eldercare and inter-vivo transfer, but also the economy by altering saving behaviors, investment in children's human capital, and fertility choices. In rural China, eldercare has traditionally been provided by family members, with adult children being the primary caregivers for elderly parents. Due to low incomes and limited savings among elderly individuals, they heavily rely on their children for support. Sons are expected to bear most of the responsibility for eldercare, with married sons and their wives living with and caring for the parents, while married daughters move out of the family home. This son-dependent eldercare mode is accompanied by a high brideprice paid by the groom's parents, which serves as a means of purchasing eldercare services provided by their daughter-in-law. However, the traditional family support for elderly in rural China has faced significant challenges due to fertility restrictions imposed in the 1970s, exacerbated by the migration of young rural residents to cities since the early 2000s.

The Chinese government initiated the New Rural Pension Scheme (NRPS) in 2009, which was achieved by 2012 due to strong financial support and policy initiatives. The scheme allows rural residents aged 16 and above to voluntarily participate, with premiums paid continuously until eligibility for pension benefits at 60 years of age. Pension amounts, partly funded by individual contributions and partly by the government, provide significant support for elderly rural residents, with the basic pension benefit serving as a form of universal basic income. By the end of 2014, over 140 million rural seniors were receiving pensions, highlighting the substantial impact of NRPS in alleviating rural elderly poverty.

Conceptual Framework

The study presents a conceptual framework that captures parental decisions regarding sex selection, transfers to children, and eldercare modes. It spans three periods: sex selection before childbirth, investments in marital or pension plans during the child's marriage, and eldercare receipt in the last stage. In patrilocal societies like China, sons primarily provide eldercare. Empirical findings indicate significant impacts of parental transfers to sons on eldercare. Without pensions, parents rely heavily on sons, investing in bride price and favoring sex selection for male offspring. However, the introduced pension program serves dual roles as an income transfer and a new saving tool, consequently decreasing the provision of eldercare services by children and reducing the necessity for consumption smoothing through marital transfers. The study formulates and tests three hypotheses concerning the effects of pensions on eldercare provision.

- Hypothesis 1 (Period 3): The pension scheme reduces the eldercare provided by sons more than that provided by daughters.
- Hypothesis 2 (Period 2): The pension scheme reduces bride price to a greater extent than dowry.
- Hypothesis 3 (Period 1): The pension scheme increases the likelihood that a newborn will be female.

Empirical Results

The Data: The study uses data from the 2011, 2013, and 2015 waves of the China Health and Retirement Longitudinal Studies (CHARLS) and from the 2010, 2012, 2014, and 2016 waves of the China Family Panel Studies (CFPS) and the micro-level data from the 2015 mini census.

Empirical Strategy: The study applied various methods, including staggered difference-in-difference (staggered DD), difference-in-difference-in-difference (DDD), dynamic difference-in-difference (dynamic DD), and event study, to address heterogeneity and ensure robustness.

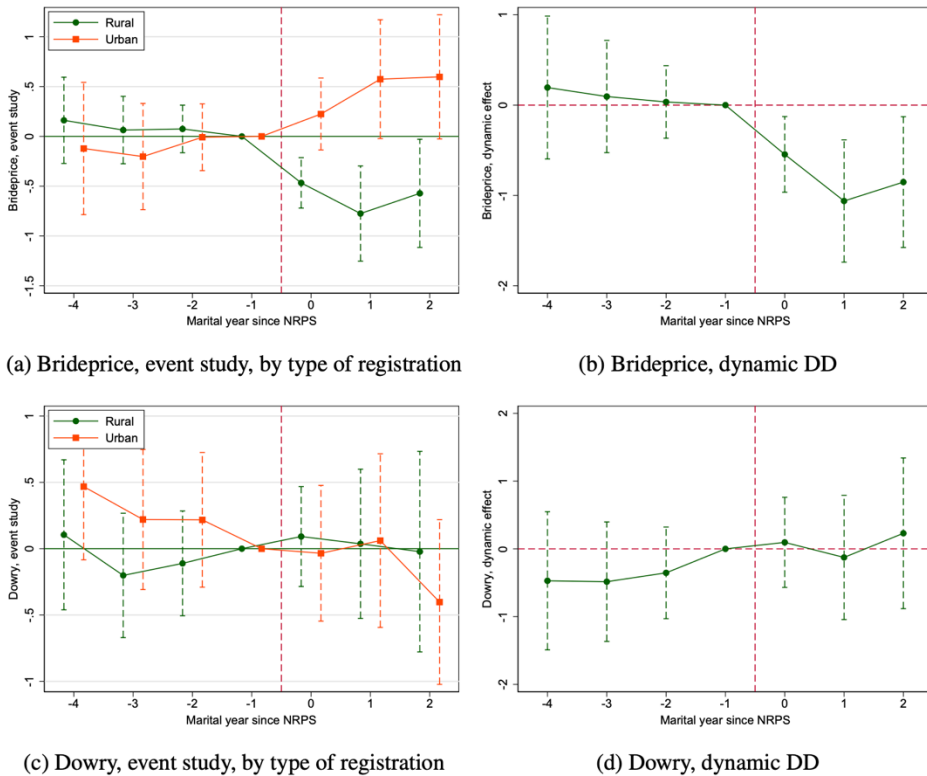


Figure 1 Effect of NRPS on Marital Transfer

price by 32% but does not significantly affect dowry.

Third, we find that NRPS has increased the likelihood that a newborn would be female by 3.3%, which is equivalent to reducing the sex ratio by 15%. However, we do not find any effect of NRPS on the number of newborns in China, probably because of the strict fertility restriction of the One-Child Policy. Moreover, we obtain no significant evidence that NRPS affects marital patterns (who married and when they were married) or fertility, suggesting that the effects on brideprice and sex ratio are not driven by self-selection.

Policy Implication

The observed transformation of eldercare practices following the introduction of pension schemes underscores the potential of NRPS to shape familial structures and cultural norms. The implementation of pension schemes represents a pivotal strategy in modernizing eldercare practices, signifying a transition from traditional familial support structures to reliance on state-provided financial assistance. This shift underscores the evolving role of formal institutions, such as the state and financial markets, in addressing the needs of the elderly population. By reducing the reliance on care provided by sons, the pension program facilitates a shift towards more diversified caregiving arrangements, thereby promoting gender equity within families, leading to a more equal marital transfer between sons and daughters and a less-biased sex ratio. This cultural shift not only challenges traditional son preference but also highlights the role of policy interventions in fostering inclusive and egalitarian societal frameworks.

First, we find that NRPS reduces the time support (including co-residence and physical help) provided by adult children, especially married sons. The results indicate that the introduction of NRPS led to a 3.1% decrease (16.0%) in the likelihood of co-residence for all rural adult children. Specifically, the effect is concentrated among married sons, whose likelihood of co-residence decreased by 6.5% (21.6%) after the introduction of NRPS, while it did not have a significant effect on married female children.

Second, we find that the pension program also exerts sex-asymmetric effects on the parental payments given to children who are marrying. Specifically, the pension program reduces bride

Institute of China Economy (ICE) is to foster the research of Chinese economy, by bringing together great minds and insights around the world to address critical challenges facing China and the world.



**HKU
BUSINESS
SCHOOL**
港大經管學院

ICE

Institute of China Economy
中國經濟研究所