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2009-07-19

Discussion of 'Intergenerational Transfers and Old-Age Security in Korea' By Hisam Kim

Investigating intergenerational transfers is essential in order to understand the economic status and security of the Korean elderly. Previous researches and journalistic articles reported that they highly depend upon transfers from their adult children to live, although it is also known that the proportion of private transfers among old-age income has been rapidly decreasing for the last few decades. However, empirical studies have been insufficient mostly because we lacked in data. Based on the new panel data, such as the Korean Longitudinal Study of Ageing (KLoSA), many empirical studies are to be expected. 'Intergenerational Transfers and Old-Age Security in Korea' by Hisam Kim, although it could use only the data of a single year, makes a great contribution in our understanding with detailed analysis and plenteous implications.

The most important finding of this paper is about the motivation of intergenerational transfers. Examining which parents benefits more from children, he found that the net transfer was negatively correlated with the recipient's income. This was suggested as a result of altruistic motivation of familial transfers. One step further, the author implies the crowing-out effect of public transfer programs on private transfers. However, these findings could not provide any rationale to restrict the expansion of the public transfer system. Rather, private transfers have filled up the deficiency of public transfers. Provided that the economic condition of the Korean elderly is frail because it relies upon familial transfers motivated by the donors' altruism, it is a reasonable policy suggestion that the government should focus on poverty reduction for the elderly.

Besides the altruistic motivation of private transfer, the paper presents the following findings. Firstly, exchange motivation is also inferred by observing the more transfers to the old people who take care of their grandchildren. Secondly, the eldest son tends to provide co-residency or cash transfers to their parents, reflecting traditional Confucian ethics. Thirdly, parents' investments for the child's education can hardly be rewarded as cash transfers in their later lives.

In spite of the great contribution of the paper, two more considerations would be worthy to make. Firstly, co-residency must be counted in the intergenerational net transfers. In the regression model of which parents benefit more from children, using KLoSA data, he analyzed net transfers only from noncoresident children. "Selection problem" is inherent in this model. Simply gathering information on cash transfers between coresident parents and children cannot solve this problem. Cash transfers among families who share their consumptions have completely different characteristics from transfers among noncoresident families. If we consider the selection of which child lives with his parents in the analytical model, the implication on the altruism or the exchange motivation might be changed. It is a quite reasonable idea that coresident children would give more to parents if they had not lived with them. Please be reminded that this paper reported that the highly educated working home-owner child tends to live with their elderly parents with a higher rate than their counter parts, although it didn't analyze the relationship in terms of the recipient parents. If you can say that the higher economic status you have, the more possible you live with your adult children, the analytical models with considering the selection process will present us the weaker effect of economic status on the net transfers from children, which might limit us to interpret the implication of altruistic motivation. On the other hand, this paper reported that people who have many children tend to reside with their parents, which makes us expect stronger exchange motivation in models reflecting the selection.

Secondly, long-term exchange is worthy to consider in this research area, although the current data situation limits empirical analyses. This paper revealed the exchange between elderly parents' care giving for their grandchildren and cash transfers from their adult children. The revealed exchange could be only a part of the entire exchange process. The extra contributions of the eldest son may be understood as a part of long-term exchange. Although you admit the strong relationship between the contributions of the eldest son in Korea and the traditional Confucian ethics, you can still understand the Confucian values inducing the long term exchange. If you recall that older parents gave special care and extra investment for their eldest son under the sense of Confucian values, it is acceptable to comprehend the greater contribution of the eldest son as one of the long-term exchange processes.