

Elderly play key role in society's safety net: study

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Young people worried about having to shoulder an unfair share of the social security burden in this rapidly aging society may be able to breathe a little easier.

Rather than "debts," the elderly can be considered "latent assets" in society, according to a recent study by Naohiro Ogawa, director of Population Research Institute at Nihon University in Tokyo.

"The elderly have become wealthy thanks to a (sufficient) pension. If they have money enough to spare, they give the spillover to their children's families," Ogawa said. "So the elderly have played a key role as a safety net in Japanese society."

Ogawa's study took into account the national transfer accounts system, which was devised two years ago by a

group of researchers led by two American economics professors.

It is a new framework to measure economic flows across age groups.

Specifically, the system looks at how economic resources are reallocated from working generations, who produce more than they consume, to their children and the elderly.

The system calculates both public and familial transfers.

Public transfers include financial assistance and services such as education, pension payments, medical care and road construction, which are provided by the government. Family transfers include support that working people give their children and parents as well as allowances from the elderly to younger generations.

According to Ogawa's

study, for example, an average 65-year-old spent ¥34,213 in 2004 on offspring or on grandchildren, compared with ¥4,133 in 1984 and ¥26,712 in 1994.

Ogawa concluded that private transfers from the elderly to the young rose due to Japan's economic slump in the 1990s, when many young people were left with no choice but to take part-time jobs for lower wages.

The average age at which someone becomes financially independent increased to 27 in 2004 from 26 in 1994 and 24 in 1984, according to the study.

"Many elderly people no longer live with their children's families, but they are tied to each other through such (economic) transfers," Ogawa said.

"The solidarity has implicitly worked as a safety net" to support society.

The elderly have benefited from generous government support, Ogawa said.

For example, his study found that an average 65-year-old in 2004 received ¥134,318 monthly in public transfers, while earning ¥93,405 from working and ¥57,971 from asset reallocations. The corresponding public transfer amount stood at ¥47,727 in 1984 and ¥111,693 in 1994.

Helping the increase was the 2000 introduction of the public nursing-care insurance system, Ogawa said.

Still, it is true that some elderly are not rich enough to give anything to their children.

Ogawa next plans to study the effects of income level and gender on transfers. He said he hopes his findings will be used by the government in discussions on the future of the social security system.