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Do Intergenerational Transfers Matter More for Women's Wealth Accumulation Patterns than for Those of Men? Evidence from Japan

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Wealth inequality has attracted increased attention recently as the latest studies show that wealth inequality has been rising over the past few decades (e.g., Piketty, 2014; and Saez and Zucman, 2016). Household wealth arises primarily from life-cycle saving or from transfers from others, including bequests and inter vivos transfers from one's parents (hereafter referred to collectively as intergenerational transfers). One of the most disputed topics in this area is the relative importance of intergenerational transfers vis-à-vis life-cycle saving as determinants of the level and distribution of wealth. After reviewing the existing work on the relative importance of intergenerational transfers, Davies and Shorrocks (2000) conclude that a reasonable estimate of their contribution to aggregate wealth is about 35–45%. More recently, Piketty (2011) points out that the importance of inheritance has been on the rise in France since the 1950s, with an acceleration of this trend during the past 30 years. Intergenerational transfers are thus likely to play an important role in determining the wealth accumulation process.

Nevertheless, little is known about whether intergenerational transfers matter more for women than for men. This is largely because household surveys typically collect information on wealth only at the household level, which makes it difficult to assign asset ownership to one spouse or the other. As a result, there have been few attempts to ascertain whether there is any difference in the importance of intergenerational transfers for one's wealth accumulation process between men and women. At the same time, family structure has been undergoing significant changes in many, if not all, developed countries in recent decades. Fewer and fewer people marry today than in the past, and there has also been an increase in the average age at first marriage as well as in the divorce rate. These changes in family structure underscore the importance of examining people's wealth accumulation patterns not only at the household level but also at the individual level.

The main objective of this paper is therefore to assess whether the implications of intergenerational transfers for the level and distribution of wealth differ between men and women by looking at the case of Japan where gender roles within households are more clearly delineated than in Western societies.

Japan has been observing a steady increase in women's labor force participation rate over time. It increased from about 57% in 1990 to about 71% in 2018 among women aged 15-64 and has become more comparable with that of other developed countries. Nevertheless, a relatively large share of Japanese women still faces disruptions in their careers due to childbearing and childrearing. This is shown by a larger drop in the labor force participation rate of women in their 30s in Japan than in other countries. Such a tendency is likely to limit women's wealth accumulation capacity by reducing their labor earnings. Indeed, Niimi (2019) finds that marriage has a dampening effect on the amount of wealth married women hold in their own names. This, in turn, poses a question of whether intergenerational transfers matter more for women's wealth accumulation than for that of men. On the one hand, given women's relatively low earning capacity and higher frequency of career disruptions due to family responsibilities, we may expect intergenerational transfers to matter more for women than for men. On the other hand, Niimi and Horioka (2018) find using data on Japan that women are less likely to receive intergenerational transfers from their parents than men. As a result, whether intergenerational transfers matter more for women's wealth accumulation process than for that of men is an empirical question.

The data used for the empirical analysis come from the Japanese Panel Survey of Consumers, which has been conducted annually in Japan since 1993 by the Institute for Research on Household Economics (subsequently by the Panel Data Research Center at Keio University). The sample was drawn to be nationally representative using two-stage stratified random sampling. One of the key advantages of this survey is that it collects information on wealth at both the household and personal levels. The data are therefore well-suited for the present analysis. We investigate the relative importance of intergenerational transfers for the wealth accumulation process both at the mean and across the distribution of wealth holdings separately for men and women by estimating fixed effects models as well as quantile regression models.

This research is important from both an academic perspective as well as a policy perspective. For example, if we find that intergenerational transfers exacerbate male-female differences in wealth accumulation, this would provide further justification for taxing such transfers from the point of view of equity considerations.

References

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