
The changing patterns in living arrangements and their impacts on intergenerational transfers

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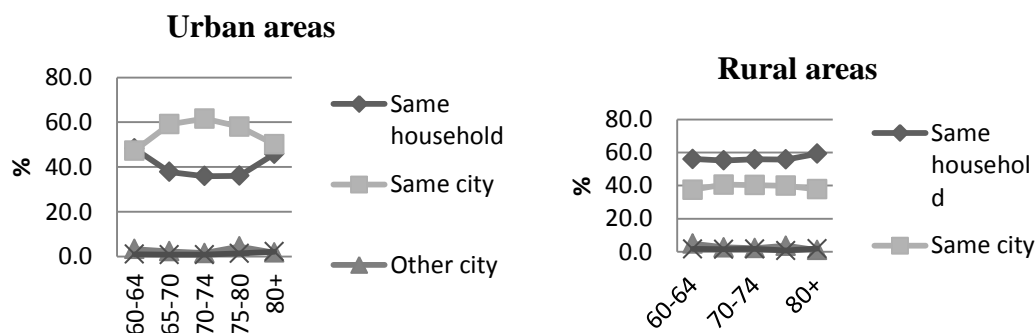
Living arrangements are vital to intergenerational transfers and welfare in old age, particularly in China which lacks social security system that provides universal coverage. Recent empirical evidence shows that co-residence with children in China has declined over time as a result of increased financial independence, changing norms, and land and housing reforms, which have enabled adult children and their old parents who preferred to establish their own households to do so more easily. It is not yet clear how intergenerational transfer is affected by this trend of living away from children. On the one hand, if family ties are indeed weakening as a result of the prevalence of non-coresidence with adult children, then the traditional family-based transfer mechanisms may be ill-suited to supporting old parents. On the other hand, changes in living arrangements need not signal an end to adult children's responsibility for their old parents. Intergenerational transfers including money and in-kind transfers can flow across generations can occur across as well as within households. The question is whether such inter-household transfer mechanisms fully substitute for the traditional within- household transfers.

This study seeks to extend current understanding of the dynamics of living arrangements among older Chinese by exploring two sets of nationally representative survey data: The Sampling Survey of the Aged Population in Urban/Rural China and the Follow-up Sampling Survey of the Aged Population in Urban/Rural China that were conducted by the China Research Center on Ageing (CRCA) in 2000 and 2006 respectively, covering 20,000 samples aged 60 and over. To my knowledge, this is the first study to analyse the impact of living arrangements on intergenerational transfers using nationally representative survey data in China. Instead of binary variable –

coresident or not – used in previous analyses, this study introduces trichotomous variable (live in the same household, live in the same city, not live in the same city) to measure potential effects of living arrangements (distance from children) on adult children's transfer behaviours.

As noted by previous researches (Meng & Luo, 2008), I have found that older Chinese people are increasingly less likely to co-reside with children. This probably arises for two reasons. The first one is the diminishing number of children and the shrinking household size due to the dramatic decline in mortality and fertility. As indicated by the data, older households experienced a decrease in the number of children over the periods of 2000 and 2006. The second possibility is that attitudes on the part of parents have been changing. Analyses suggest that old parents do not show a great desire of living with children, and that a willingness to co-reside has been declining over time for all age cohorts.

Figure 1: *Living location of geographically closest child by urban-rural areas, 2006*



Nevertheless, the statistics do not show evidence of change in living arrangements which leave older people isolated over time. On the one hand, co-residence is still prevalent in China, although the predominant pattern of living arrangement for older people in urban areas has switched from co-residence to living with only a spouse during these two time points. On the other hand, as an elderly adult get older, he/she is less likely to live with children but more likely to have a child living nearby. Once an old parent becomes infirm (around 75), the older he/she is, the more likely he/she will

co-reside with children, but the less likely they are to have a child living nearby (Figure 1). This implies that at least one adult child will return to parental household to fulfil the obligation of taking care of parents.

The investigation of the determinants of older people's coresidence decision by using logistic models shows that older people with more financial or instrumental needs are more likely to live with children. Old parents whose spouse passed away or with more difficulties in activities of daily life are found to have a higher probability of coresidence. Having more surviving children is also associated with higher possibility of coresidence. Contrarily, old parents who are better educated (generally implying higher social and/or economic status), own a property or have savings for their old age are less likely to live with children. The analysis of determinants of living arrangements suggests that coresidence is an important source of old-age support in China.

My further investigation of the determinants of parents' living distance to children by using multinomial logistic models finds that in urban areas, old parents with higher pension are more likely to live far away from children. However, the model does not find evidence that pre-transfer income has an effect on rural parents' multiple living arrangement choice. In urban and rural areas, significant evidences have been found that parents with more instrumental needs are estimated to be less likely to live far away from adult children. An important factor of living arrangements is the number of children. The models suggest that although it does not influence a parent live with adult children or not, urban old parents with more children are less likely to live far away from children. For rural old parents, the number of children increases the probabilities of both coresidence and of living close to children.

The analyses of living arrangement's impacts on intergenerational transfers provide a complex picture. In contrast to previous studies (Lei, Strauss *et al.*, 2011), I

do not find evidence that living arrangements have a negative effect on intergenerational transfers parents receive. In general, parents live far from children receive more intergenerational transfers. Compared to those co-residing with children, urban parents live close by or live far away from their children are more likely to receive net transfers and to receive a larger amount of net transfers from children, despite the estimations are significant at 10% level. I also find weak evidence (significant at 10% level) for rural parents that living farther from children increase parents' probability of receiving net transfers. Although rural parents live close by are estimated to receive smaller amount of net transfers, it is likely that proximity makes indirect transfers easier and reduces direct transfers.

To summarise, with the analysis of two nationally representative survey data, this study illuminates the patterns of living arrangements and their impacts on intergenerational transfers. The results suggest that living close to children, rather than co-residing with them, has become an important way of providing old-age support. Such trend of changes in living arrangements is likely to persist in foreseeable future both because number of children is an important determinant of coresidence and because of the significant reduction in the number of children per family as a result of demographic transition. However, such changes in living arrangements do not necessarily constrain intergenerational transfer capacity and make old parents worse-off. Non-resident children have greater responsibility to provide more financial support in order to compensate for his or her absence. As a result, living close to children rather than coresidence with them does not necessarily weaken the family-based financial support mechanism. The family unit and traditional family support in old-age seem likely to continue to be the essential pillars of the old-age security, particularly in rural areas.