

THE ROLE OF SUPPORT FROM CHILDREN AND OWN LABOUR SUPPLY IN SUPPORTING THE ELDERLY IN INDONESIA AND VIETNAM: A COMPARISON OF TWO STUDIES¹

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This paper compares the results from two recent studies by Cameron and Cobb-Clark (2008) and Nguyen (2009) which examine the relationship between intergenerational transfers and the labor supply of the elderly in Vietnam and Indonesia. These two countries provide interesting case studies for studying for a number of reasons. First, population ageing is a pressing issue in both countries. Second, these two studies are particularly interesting in that they formally model the labor supply of the elderly taking account of the simultaneity (endogeneity) of co-residence with and financial transfers from children.

1. Economic Activity and Family Support Among Vietnamese and Indonesian Elderly

The paper begins by comparing the economic activity of elderly Indonesians and Vietnamese and the support they receive from their children in the form of co-residence or financial transfers (see Table 1). The descriptive statistics for Indonesia come from Cameron and Cobb-Clark (2008), while the statistics for Vietnam come from Nguyen (2009).

These results indicate that continued employment into old age is common in both Vietnam and Indonesia, particularly for men. Approximately 60 percent of Vietnamese men over the age of 60 are labor market participants. Economic activity is similar among Vietnamese women over the age of 55 with 59 percent participating in the labor market. Across the population as a whole, elderly parents in Vietnam are working an average of 22 hours per week. Employed Vietnamese men work on average 37 hours each week, while employed Vietnamese women work 36 hours on average.

Gender gaps in economic activity are larger among elderly Indonesian parents. While between 72 and 83 percent of elderly Indonesian fathers participate in the labor market (depending on their co-residence status), mothers' participation rates range from 39 to 56 percent. Across the population as a whole, elderly Indonesian mothers work between 13 and 18 hours per week depending on whether or not they co-reside with their children, while fathers are working an average of 30 – 34 hours. Average hours of work are of course higher amongst the employed. Those elderly women who work do so an average of between 32 and 35 hours per week, while employed elderly Indonesian men are working on average over 40 hours per week.

¹ 26 May 24, 2009; Seminar on Family Support Networks and Population Ageing, Doha Qatar 3 -4 June 2009; United Nations Population Fund (UNFPA) and Doha International Institute for Family Studies and Development

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Table 1: The Economic Activity and Family Support for Elderly Indonesians and Vietnamese

	Indonesia – 1993 (Men 60+/Women 60+)	Vietnam – 1997-98 (Men 60+/Women 55+)
Labor Force Participation Rate	Women: 55.6% (non-co-reside) 39.0% (co-reside) Men: 83.4% (non-co-reside) 72.0% (co-reside)	Women: 59% Men: 60%
Average Weekly Hours	Women: 17.6 (non-co-reside) 13.4 (co-reside) Men: 34.0 (non-co-reside) 30.3 (co-reside)	Women: 22 Men: 22
Average Hours if Participating	Women: 31.6 (non-co-reside) 34.4 (co-reside) Men: 40.1 (non-co-reside) 42.1 (co-reside)	Women: 36 Men: 37
Proportion Co-residing with Children	62.5%	Women: 76% Men: 76%
Proportion Receiving Transfers from Children	Women: 70.2% (non-co-reside) 52.9% (co-reside) Men: 66.6% (non-co-reside) 48.9% (co-reside)	Women: 29% (working) 33% (non-working) Men: 26% (working) 39% (non-working)
Mean Annual Transfers (Rp000 or mil. VND)	Women: 217.2 (non-co-reside) 160.0 (co-reside) Men: 186.2 (non-co-reside) 185.4 (co-reside)	Women: 0.45 (working) 1.13 (non-working) Men: 0.33 (working) 1.16 (non-working)
Mean Transfers/Mean HH Income	Women: 35.6% (non-co-reside) 6.8% (co-reside) Men: 28.2% (non-co-reside) 9.9% (co-reside)	
Total Transfers/per capita HH expenditure if transfers > 0		Women: 60% Men: 59%
Source	Cameron & Cobb-Clark (2008)	Nguyen (2009)

Table 1 also documents that the majority (62.5 percent) of Indonesian parents over the age of 60 are living with one or more of their children, while more than three in four (76 percent) of elderly Vietnamese live with their children. Finally, we consider the extent of financial transfers to elderly parents from non-co-residing children. Overall, more than half of elderly Indonesian parents received a positive transfer from their non-co-residing children in the previous year, with mothers more likely to receive them than fathers. Although on average the sums of money transferred are not very large, they are a large proportion of mean household income. Elderly Vietnamese parents are somewhat less likely than Indonesian parents to receive transfers from their children (approximately 31 percent), though interestingly, Vietnamese mothers and fathers are equally likely to be receiving transfers. Again transfer amounts are not particularly large on average, though they represent a larger share of per capital household expenditure among those who receive them.

2. The Relationship Between Alternative Forms of Old-Age Support in Indonesia and Vietnam

Both Cameron and Cobb-Clark (2008) and Nguyen (2009) consider models in which elderly labor supply is jointly determined with both transfers from and co-residency with children. This framework results in an estimation strategy in which the factors underlying these alternative forms of old-age support are estimated simultaneously.

Not surprisingly, both studies find that the labor supply of the elderly is in part related to their capacity for continued employment. In particular, hours of work are lower for the disabled and the very old. Still, to the extent that wages increase with education, Cameron and Cobb-Clark (2008) also provide evidence that among non-co-residing Indonesian parents it is those facing the lowest returns to market work (i.e. those with no education at all), but perhaps the greatest need, who continue to work into their old age.

Importantly, financial transfers from children do not seem to be a substitute for the income provided by the elderly parent's own labor supply. Specifically, transfers from Indonesian children are an insignificant determinant of parental labor supply for fathers and for co-residing mothers. Transfers are negatively and significantly related to normal weekly hours of work only for non-co-residing mothers, however, this effect is small. Moreover, financial transfers do not have a significant effect on Vietnamese fathers' labor supply, and only a small negative effect on the labor supply of Vietnamese mothers.

These results raise questions about the process driving financial transfers. To what extent are transfers targeted towards meeting parents' needs? The answer appears to differ somewhat across the two countries. In the case of Indonesia, transfers do not appear to be closely related to parental need. Disabled and older parents do not receive any more in transfers than their able-bodied, younger counterparts. Older, co-residing Indonesian fathers actually receive less with transfers falling by approximately 10,000 rupiah for each year the father ages, though this effect is significant at only the ten percent level. Furthermore, wealthier parents (as measured by assets and unearned income) in general receive significantly more transfers from their non-co-residing children. These results suggest that other cultural factors like filial piety may be the main motivating force behind transfers.

On the other hand, Vietnamese children transfer more to elderly parents in bad health, to older fathers, and to parents in more economically depressed regions. Nguyen (2009) concludes that "All in all, these findings suggest that monetary transfer from children is an efficient informal mechanism to manage the risks associated with old age, illness or natural disasters in Vietnam." Finally, co-residence with children appears to be an evolving household structure associated with life cycle changes rather than an explicit form of old-age support. In Indonesia, parents are more likely to co-reside with unmarried children than married children and the propensity for mothers

to co-reside falls as they age. Children's characteristics (rather than parents' characteristics) seem to play a greater role in determining co-residency suggesting that it is the needs of the younger generation which drive the decision to live together. In Vietnam, co-residence falls as children marry and leave their parental home. The propensity to co-reside increases again, however, as parents reach very old age indicating perhaps some role for co-residence in supporting these parents. In short, while co-residence clearly affects the living standards of both generations, there is little evidence that families see it as an explicit form of old-age support. These conclusions are consistent with those of Frankenberg, Chan and Ofstedal (2002) who found that the interests of the younger generation rather than those of the older generation are often the primary motivation behind co-residence.

3. Conclusions

On the whole, neither financial transfers nor co-residence seems to be specifically targeted towards providing old-age support to elderly Indonesian or Vietnamese parents. Consequently, there is little to suggest that the pressure for elderly individuals to continue to work to support themselves in Indonesia, Vietnam and perhaps in other developing countries will decrease in the future.

Future research is needed in a number of areas. First, it is important to update the results reviewed here using newer data for Indonesia and Vietnam. Second, it is important to extend this research to other countries at different stages of development and with different institutional arrangements and cultural norms regarding family support. Third, estimating simultaneous models which account for the potentially joint nature of alternative forms of old-age support is important in efforts to determine causal relationships and understand the implications of specific policy initiatives.

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