

Old-Age Pension, Intergenerational Ties and Social Networks in Rural China: A Regression Discontinuity Design¹

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Abstract

In 2009, China launched a pension program for rural residents, now covering several hundred million Chinese. This program offers a unique setting for studying the aging population, given the rapidity of China's population aging, traditions of filial piety and co-residence, decreasing number of children, and dearth of formal social security, at a relatively low income level. We first utilize information on intergenerational transfers and mutual help between elderly parents and adult children (whether living under the same roof or counted as a household member) and between grandparents and grandchildren to test whether the receipt of old-age pension payment enables parents to be economically independent and therefore weaken the traditional intergenerational social ties. Moreover, we examine whether the new formal social insurance crowds out traditional informal social networks in the communities via analyzing a unique long-term social network data on pairwise cash and in-kind transfers (gift and loans) and networks of multiple dimensions (including busy season labor exchange networks, public party networks, elderly / child mutual care networks, job information and reference networks, house building labor exchange networks, and farm machine sharing networks) among households within several rural communities.

Employing a regression discontinuity design to a primary longitudinal survey, this paper overcomes challenges in the literature that households eligible for pension payment might be systematically different from ineligible households and that it is difficult to separate the effect of pension from that of age or cohort heterogeneity. Results reveal large and significant reduction in time adult children spent in instrumental support for their elderly parents and, at the same time, decreasing intergenerational transfers and co-residence of the extended family. The old-age pension substantially crowds out informal gift and loan networks. However, social networks of other dimensions are not weakened, especially that job reference networks are strengthened for adult children from different households. Moreover, pension receipt seems to interact with migrants' network in promoting migration decisions. Finally, we propose future research directions on the potential interactions between intergenerational ties within the extended family and informal social networks in the community under the new rural pension scheme.

Key Words: intergenerational ties, social networks, old-age pension

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