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12 November 2015

Online at <https://mpra.ub.uni-muenchen.de/67825/>  
MPRA Paper No. 67825, posted 12 Nov 2015 00:56 UTC

# The “Costs” of Informal Care: An Analysis of the Impact of Elderly Care on Caregivers’ Subjective Well-being in Japan<sup>1</sup>

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November 2015

## **Abstract**

This paper examines the impact of providing informal care to elderly parents on caregivers’ subjective well-being using unique data from the “Preference Parameters Study” of Osaka University, a nationally representative survey conducted in Japan. The estimation results indicate heterogeneous effects: while informal elderly care does not have a significant impact on the happiness level of married caregivers regardless of whether they take care of their own parents or parents-in law and whether or not they reside with them, it has a negative and significant impact on the happiness level of unmarried caregivers who take care of their parents outside their home. These findings shed light on the important role that formal care services could play in reducing the burden on caregivers, particularly unmarried caregivers who presumably receive less support from family members.

JEL codes: D10, I18, I31, J14

Key words: Aging, Caregiving, Elderly Care, Happiness, Informal Care, Japan, Long-term Care Insurance, Parental Care, Subjective Well-being

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<sup>1</sup> The empirical work undertaken in this paper utilizes micro data from the Preference Parameters Study of Osaka University’s 21<sup>st</sup> Century COE Program ‘Behavioral Macrodynamics Based on Surveys and Experiments’ and its Global COE project ‘Human Behavior and Socioeconomic Dynamics.’ I acknowledge the program/project’s contributors—Yoshiro Tsutsui, Fumio Ohtake and Shinsuke Ikeda. I am also grateful to Charles Yuji Horioka, Niny Khor and Eric D. Ramstetter for their invaluable comments. This work was supported by JSPS (Japan Society for the Promotion of Science) KAKENHI Grant Number 15H01950, a project research grant from the Asian Growth Research Institute, and a grant from the MEXT Joint Usage/Research Center on Behavioral Economics of the Institute of Social and Economic Research, Osaka University.

## 1. Introduction

The importance of informal elderly care has increasingly become recognized as population aging has rapidly progressed in recent decades. While informal elderly care is sometimes perceived as a cost-saving arrangement as it helps reduce the need for formal care, it is important to take into account the impact of caregiving on caregivers' life when assessing the costs and benefits of informal elderly care. Ignoring such effects might lead to an underestimation of the cost of relying on family members to provide care to the elderly.

There is indeed a growing literature that examines the impact of informal elderly care on caregivers' employment, physical and mental health, and social and marital life.<sup>2</sup> While subjective well-being, such as life satisfaction and happiness, has often been suggested as an important indicator to assess people's well-being in recent years (e.g., Layard, 2005; Stiglitz, Sen and Fitoussi, 2009), existing work on the effect of informal elderly care on caregivers' subjective well-being remains relatively limited.<sup>3</sup> Moreover, the literature provides inconclusive results and suggests heterogeneous effects depending, for example, on the gender of the caregiver, the relationship between the caregiver and the care recipient, and whether the caregiver lives with the care recipient (e.g., Hansen, Slagsvold and Ingebretsen, 2013; Van den Berg and Ferrer-i-Carbonell, 2007).

This paper aims to fill the gap in the literature and to contribute to broadening our understanding of the impact of informal elderly care on caregivers' subjective well-being. The paper focuses its analysis on the experience of Japan for two reasons. First, in the case of Japan, while there have been a number of empirical studies that look at the effect of informal elderly care on, among others, caregivers' mental health and psychological well-being (e.g., Kumamoto, Arai and Zarit, 2006; Oshio 2014, 2015; Sugihara *et al.* 2004) and labor force participation (e.g., Kan and Kajitani, 2014; Sakai and Sato, 2007; Shimizutani, Suzuki and Noguchi, 2008; Sugawara and Nakamura, 2014), there has not been any previous work that analyzes the effect of providing elderly care on caregivers' happiness, to the best of the author's knowledge. It would be interesting to see whether or not previous findings obtained for other advanced economies hold in the case of Japan

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<sup>2</sup> See Bauer and Spousa-Poza (2015) for a comprehensive survey of the literature on the impact of informal caregiving on caregivers' employment, health and family life.

<sup>3</sup> As commonly done in happiness studies, the three terms—subjective well-being, happiness, and life satisfaction—are used interchangeably in this paper.

where filial obligation remains relatively strong and caring for elderly parents has therefore traditionally taken place within the family setting.

Second, while Japan's long-term care insurance (LTCI) system introduced in 2000 does not provide cash allowances for informal care, it covers the cost of services availed from the formal sector. As a result, a large demand for formal care services has been generated and new markets for various services, such as home care, day care, and short-stay care services, have emerged with the introduction of the LTCI system (Sugawara and Nakamura, 2014). This differentiates Japan from most other developed countries where permanent institutional care tends to be the major formal care option and/or market volumes are relatively limited even if markets for home care services exist (Sugawara and Nakamura, 2014). It would thus be interesting to examine whether the use of such formal care services can help mitigate or alleviate the adverse effect of informal elderly care on caregivers' subjective well-being by looking at the case of Japan. This is a valid question given that the negative effect of providing care to the elderly on caregivers' subjective well-being may increase the risk of the institutionalization of care recipients, which would have an important cost implication for the government.

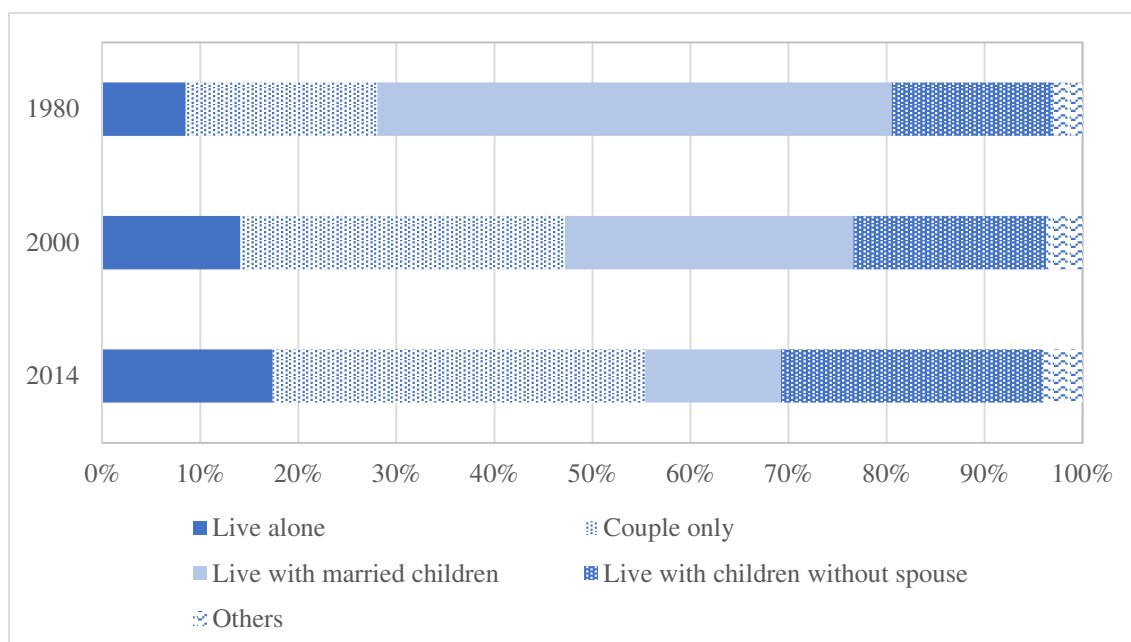
The key hypotheses that this paper will test using data on Japan are as follows: (i) providing care to the elderly negatively affects caregivers' happiness; and (ii) the extent to which informal elderly care affects caregivers' happiness depends on, among others, the marital status of caregivers, the caregiver-care recipient relationship, and caregiving conditions. The latter includes living arrangements and the use of formal care services. The results of such an analysis will provide a useful dimension that policymakers should take into account as part of the assessment of the cost of informal elderly care. The findings will also shed light on what measures would be effective in sustaining the provision of informal elderly care without incurring an excessive burden on caregivers.

The rest of the paper is organized as follows. Section 2 provides an overview of elderly care in Japan. Section 3 reviews the literature on the impact of informal elderly care on caregivers' subjective well-being. Section 4 discusses the econometric methodology, the data, and the empirical variables used for the estimation. Estimation results are presented in Section 5. Section 6 summarizes the key findings and discusses some policy implications.

## 2. Background

Japan has experienced an unprecedented speed of population aging over the past few decades. The share of population aged 65 and above in Japan (9.9%) was the lowest among the then member countries of the Organisation for Economic Co-operation and Development (OECD) until as recently as 1984, but it had become the highest (20.2%) by 2005.<sup>4</sup> This share was estimated to be 26.8% in 2015 and is expected to reach 30% by 2024 (National Institute of Population and Social Security Research, 2012). Improvements in longevity as well as a significant decline in the fertility rate over the years contributed to this rapid population aging in Japan.

**Figure 1. Changes in Family Structure among Those Aged 65 and Above**



Source: An Overview of Comprehensive Survey of the Living Conditions of People on Health and Welfare (Ministry of Health, Labour and Welfare, <http://www.mhlw.go.jp/toukei/list/20-21kekka.html>, accessed on September 18, 2015).

Japan has also observed significant changes in family structure over the past few decades. Among those aged 65 and above, the share of those living alone or only with their spouse increased from 28.1% to 55.4% between 1980 and 2014 (see Figure 1). In contrast, the share of those who live with their children (married and unmarried) decreased by more than 40% from 69.0% to 40.6% during the same period. Nakamura and Sugawara (2014),

<sup>4</sup> OECD data (<https://data.oecd.org/pop/elderly-population.htm>, accessed on September 24, 2015).

however, point out that the rate of parent-child co-residence among elderly people who have children has not changed significantly. Rather, the observed decline in the parent-child co-residence rate is due mainly to an increase in the number of the elderly who do not have any children. For instance, among elderly person households, the share of childless households (both childless couples and childless singles) rose from 7.9% in 2001 to 15.7% in 2010.<sup>5</sup> Together with rapid population aging as well as other social and economic changes (e.g., increased women's educational attainment and labor force participation), such changes in family structure are likely to reduce the availability of informal caregivers and impose a greater burden on a smaller number of caregivers per elderly person, posing significant challenges to Japan where elderly care has traditionally taken place within the family setting.

Another interesting observation we can make from Figure 1 is that there has been a significant rise in the share of those aged 65 and above who live with their unmarried children (i.e., single, divorced, or widowed children) from 16.5% in 1980 to 26.8% in 2014. This trend contrasts strikingly with the declining trend in the share of the elderly living with their married children during the same period. Identifying the causes of these contrasting trends of parent-child co-residence between married and unmarried children is beyond the scope of this paper. However, given this notable change in family structure in recent decades, we will take into account the marital status of caregivers when analyzing the impact of caregiving on caregivers' subjective well-being in the present study.

In response to rapid population aging and changes in family structure, Japan introduced a mandatory LTCI program in 2000 to cover the long-term care of the elderly, which had previously been provided partly through the health insurance system and partly through welfare measures for the elderly. Under the policy objective of the "Socialization of Care," this new program was designed to promote greater independence of the elderly in daily life and to reduce the burden of elderly care on family members. It has a number of key characteristics. First, everyone aged 40 or above is required to participate in the program and to pay insurance premiums.<sup>6</sup> Given its universal coverage, everyone aged 65 and

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<sup>5</sup> Nakamura and Sugawara (2014) argue that the main explanation for this rise in the number of aged population without any children in the 2000s is that there was an increase in the number of married women who did not bear any children.

<sup>6</sup> Although the Japanese LTCI system has largely followed the example of the German system, it incorporates Scandinavian-style community-based management, in which municipalities act as insurers.

above as well as those under 65 with aging-related disabilities are entitled to receive necessary care services regardless of income level or the availability of family caregivers once they are certified as requiring support or long-term care.

Second, eligibility is thus needs-based, and applicants are evaluated through an objective procedure and assigned a care level based strictly on physical and mental disability.<sup>7</sup> Although the Japanese LTCI program largely followed the example of the German system, it does not provide cash allowances to the elderly to support informal caregivers, unlike the German system. It instead covers only the cost of services purchased from the formal sector. Based on a personal care plan provided by a professional care manager, care recipients can choose what services to receive and from which provider to receive them subject to a 10% co-payment. Service providers are predominantly private, whether for profit or non-profit (Campbell, Ikegami and Gibson, 2010). The existence of such service markets differentiates Japan from many other developed countries in which permanent institutional care comprises the only major formal care sector or market volumes are limited even if formal markets exist for home care or day care services (Sugawara and Nakamura, 2014).

Since the launch of the LTCI system, the number of persons certified for long-term care increased by about 128% from 2.56 million in March 2001 to 5.84 million in March 2014.<sup>8</sup> Among those aged 65 and above, the share of those certified in the total number of persons insured increased from about 11.0% to 17.8% during this period. The monthly average number of long-term care service users grew even faster by about 162% from 1.84 million in Fiscal Year (FY) 2000 to 4.82 million in FY2013. Note that the majority (about 74.1% in FY2013 up from about 67.2% in FY2000) are users of home-based services while the shares of community-based service and facility service users are about 7.3% and 18.5%, respectively.<sup>9</sup>

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Based on the national government's guidelines, each municipality administers LTCI and sets insurance premiums for its residents (Tsutsui and Muramatsu, 2005, 2007).

<sup>7</sup> The computer aided standardized needs-assessment system categorizes people into seven levels of needs. The Care Needs Certification Board, a local committee consisting of health, medical, and welfare experts, then reviews this initial assessment and determines whether it is appropriate (Tsutsui and Muramatsu, 2005). There are currently two levels for those who require support only (Support Levels 1 and 2) and five levels for those who require long-term care (Care Levels 1-5). This support/care level determines the amount of benefits for which each person is eligible.

<sup>8</sup> The data in this paragraph come from the "Status Report on the Long-Term Care Insurance Projects (Kaigo Hoken Jigyou Jyokyo Houkoku) (Fiscal Year 2013)", Ministry of Health, Labour and Welfare (<http://www.mhlw.go.jp/topics/kaigo/toukei/joukyou.html>, accessed on September 30, 2015).

<sup>9</sup> Those who availed themselves of different types of services are double counted here.

In response to the popularity and wide acceptance of the LTCI system in Japan, there have been a number of empirical studies that examine the impact of the introduction of the LTCI system on the provision of informal elderly care in the country. Although the universal coverage of the LTCI system has replaced previous stigmatized means-tested long-term care services (Tsutsui and Muramatsu, 2005), some studies find that informal care by adult children continues to be the most common source of caregiving for elderly parents in Japan (Hanaoka and Norton, 2008; Long, Campbell and Nishimura, 2009). Hanaoka and Norton (2008), for instance, find that the presence of adult children acts as a substitute for formal long-term care and that such an effect is found to be strongest for uneducated unmarried daughters. Their results also suggest that the role of daughters-in-law in providing care to the elderly is becoming less important than that of unmarried children in Japan.

Indeed, Tsutsui, Muramatsu and Higashino (2014) find that perceived filial obligation norms have generally declined since the launch of the LTCI system in 2000, and the decline was greatest among daughters-in-law in comparison with other family members. Arai and Ueda (2003) similarly find that the LTCI system has helped change caregivers' attitudes and that more caregivers have come to believe that society must look after the elderly since the launch of the LTCI system. Further, Tsutsui, Muramatsu and Higashino (2014) show that declines in filial obligation were more prominent in the dimension of physical support, which the LTCI covers, than in financial and emotional support dimensions.

### **3. Literature Review**

Informal elderly care has gained increasing attention from policymakers as well as researchers in recent years as population aging has progressed in many parts of the world, particularly in advanced economies. While the relative importance of informal elderly care provision by family members relative to formal care services varies across countries, family members form the backbone of long-term care systems in all OECD countries (OECD, 2013). It is estimated that across OECD countries, on average, over 15% of people aged 50 and above provided care for a dependent relative or friend in 2010 (OECD, 2013).



It is tempting to encourage informal care arrangements as it saves the direct costs of professional care services and/or can postpone costly institutionalization, but these savings may be offset by such indirect costs as reduced employment, possible loss in human capital, and greater health care expenditures for caregivers (Bauer and Spousa-Poza, 2015). In such a case, policymakers need to weigh the intended benefits of informal care (e.g., reduced public costs and ensured elderly welfare) against other desirable outcomes, such as gender equality in work and domestic roles, public health, marital stability, and individual and family well-being (Hansen, Slagsvold and Ingebretsen, 2013). There have been an increasing number of empirical studies that analyze the impact of informal elderly care on caregivers' life, particularly on their psychological well-being, health conditions, and employment. The key findings of these studies include a negative, though relatively limited, link between care provision and employment, particularly among female co-residing caregivers; and a negative impact of caregiving on psychological health, especially among female and spousal caregivers, and on caregivers' physical health outcomes (Bauer and Spousa-Poza, 2015).<sup>10</sup>

In contrast, while subjective well-being, such as life satisfaction and happiness, has often been suggested as an important indicator to assess people's well-being in recent years (e.g., Layard, 2005; Stiglitz, Sen and Fitoussi, 2009), existing work on the effect of informal elderly care on caregivers' subjective well-being remains relatively limited. Among the few studies that exist, Van den Berg and Ferrer-i-Carbonell (2007) suggest that by analyzing the impact of providing informal care and of income on caregivers' happiness level, it is possible to estimate the necessary income (i.e., compensating variation) to maintain the same happiness level of caregivers after they provide an additional hour of informal care. Based on data on Dutch informal caregivers, Van den Berg and Ferrer-i-Carbonell (2007) find that an extra hour of providing informal care is worth about 8 or 9 Euros if the care recipient is a family member and about 7 or 9 Euros if the care recipient is not a family member. They suggest that the reason for observing a greater loss of utility (i.e., happiness) when providing care to a family member than to a non-family member may be due to emotional involvement with the care recipient.

Bobinac *et al.* (2010) also look at the effect of informal caregiving on caregivers' happiness but examine the *family* effect more explicitly. They argue that informal care is

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<sup>10</sup> See Bauer and Spousa-Poza (2015) for a comprehensive survey of the literature on the impact of informal caregiving on caregivers' employment, health and family.

usually provided by the care recipient's family or friends because of the social relationship between the care recipient and the caregiver, and as a result, both the *caregiving* effect and the *family* effect are present in the case of informal caregivers. While the caregiving effect refers to the welfare effect of providing informal care, the family effect refers to the direct impact of the health status of a care recipient on others' well-being (Bobinac *et al.*, 2010). Using data on Dutch informal caregivers, Bobinac *et al.* (2010) show that caregivers' happiness is positively associated with the care recipient's (positive) health condition and negatively associated with the provision of caregiving, confirming the notion of the caregiving and family effects.

Leigh (2010), on the other hand, finds that while there is a significant negative relationship between providing elderly care and life satisfaction in a cross-sectional specification, the coefficient on the dummy variable for elderly care provision becomes much smaller and insignificant with the inclusion of individual fixed effects based on a panel dataset from the Household, Income and Labour Dynamics in Australia (HILDA) survey for the 2001-2007 period. Van den Berg, Fiebig and Hall (2014) also emphasize the importance of accounting for individual fixed effects, though they find that providing informal care has a negative and significant effect on life satisfaction based on data from the first eleven waves (2001-2011) of the HILDA.

Hansen, Slagsvold and Ingebretsen (2013) distinguish among three categories of outcomes: *cognitive* well-being (life satisfaction, partnership satisfaction, and self-esteem), *affective* well-being (happiness, positive and negative affect, depression, and loneliness), and sense of mastery. Using Norwegian cross-sectional and panel data, they find that providing care to elderly parents is not related to these aspects of well-being, both in cross-section and longitudinally, with the one exception being that caring for a co-resident parent leads to lower affective well-being among women. This effect is particularly marked among un-partnered and less educated women (Hansen, Slagsvold and Ingebretsen, 2013). Given that their findings of non-significant associations between caregiving and well-being measures conflict with the findings from the existing literature based largely on data on the United States, Hansen, Slagsvold and Ingebretsen (2013) highlight the important role played by a country's social care systems in shaping the impact of caregiving on caregivers' well-being. They argue that in the case of the Nordic care regime, personal care (e.g., help with dressing, bathing, and eating) is mainly provided by public (or private) care service providers and the family usually plays only a

complementary role, and as a result, informal care provision does not seem to jeopardize caregivers' self-esteem, mental health, or well-being.

This review of the existing literature highlights the inconclusive results with regard to the impact of caregiving on caregivers' subjective well-being. The literature also suggests heterogeneous effects depending, for example, on the gender of the caregiver, the relationship between the caregiver and the care recipient, and whether the caregiver lives with the care recipient. This paper will therefore test the hypotheses outlined in Section 1, namely: (i) providing care to the elderly negatively affects caregivers' subjective well-being, and (ii) the extent to which informal elderly care affects caregivers' subjective well-being depends on, among other things, the marital status of caregivers, the caregiver-care recipient relationship, and caregiving conditions such as living arrangements and the use of formal care services.

## **4. Methodology and Data**

### **4.1 Methodology**

When analyzing the impact of informal elderly care on caregivers' subjective well-being, this paper focuses its analysis only on the case of caregivers who provide informal care to their elderly parents. Given that spouses constitute the main source of informal elderly care among married couples, it would have been ideal to also examine the case of spouse caregivers. Unfortunately, the data used for the empirical analysis contain only information on adult children's provision of parental care. Hence, the impact of caregiving on spouses' subjective well-being will be left for future research. On the other hand, given that there has been a significant increase in the number of elderly persons living with their unmarried children in Japan over the past few decades (see Figure 1), this paper will examine whether there is any difference in the impact of informal elderly care between married caregivers and unmarried caregivers by conducting regression analyses separately for married and unmarried individuals. We would expect the burden of informal elderly care to be greater on unmarried caregivers than on married caregivers, especially if they have children, because they do not have a spouse who can help with various responsibilities, including breadwinning, caregiving, childrearing, and housework.

In general terms, the models for unmarried individuals (equation (1)) and married individuals (equation (2)) are, respectively, as follows:

$$W_i = f(C_i, H_p, X_i) \quad (1)$$

$$W_i = f(C_i, CP_i, H_p, HP_{pp}, X_i) \quad (2)$$

where  $W_i$  is the individual's subjective well-being, which is assumed to be a function of care provision to his/her own parents ( $C_i$ ), the health status of his/her parents ( $H_p$ ), and a vector of demographic and socio-economic characteristics of the individual and his/her household ( $X_i$ ). Following Bobinac *et al.* (2010), the family effect on individual subjective well-being will be examined separately from the caregiving effect by including a variable that captures the health status of parents. Additionally, in the case of married people, they may also provide care to their parents-in-law. Thus, married people's well-being will also be a function of care provision to their parents-in-law ( $CP_i$ ) and the health status of their parents-in-law ( $HP_{pp}$ ) in addition to the aforementioned factors. Note that the subscripts  $i$ ,  $p$  and  $pp$  denote the individual, his/her parents, and his/her parents-in-law, respectively.

When estimating the above models, there are two key methodological issues that need to be considered. First, information on people's self-reported happiness is commonly reported as a 0-10 categorical ordered variable, and the data used for this paper are no exception. If we want to apply a linear regression analysis to estimate equations (1) and (2), we need to assume the cardinality of this variable. Although this is strictly not valid in the case of happiness data given its ordinal nature, the assumption of cardinality is often made in empirical studies. Ferrer-i-Carbonell and Frijters (2004), for instance, find that assuming the ordinality or cardinality of happiness scores makes little difference to the estimates of the determinants of happiness. Similar findings are also obtained by Frey and Stutzer (2000). These findings seem to be consistent with the view of Van Praag (1991), who shows that respondents tend to translate verbal evaluations to a numerical scale when answering subjective questions. Given that the ordinary least squares (OLS) and ordered logit regressions also generate very similar results in terms of the sign and significance level of the estimated coefficients in the present analysis, the cardinality of the happiness variable is assumed throughout this paper.<sup>11</sup>

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<sup>11</sup> The OLS and ordered logit regressions were estimated separately for married and unmarried individuals and the results of the OLS and ordered logit regressions were similar in both cases. See Appendix II for the ordered logit regression results.

Second, it is not clear *a priori* whether informal elderly care provision is endogenous in a model of subjective well-being. Although this does not seem to be addressed in the existing literature that looks at the impact of informal caregiving on caregivers' subjective well-being, it is possible that happier people are more likely to provide informal elderly care than less happy people. Ignoring reverse causality such as this would lead to biased and inconsistent estimates in the case of OLS estimation. It is therefore necessary to empirically test for the endogeneity of informal elderly care, and if it is found to be endogenous, we need to control for it. This can be done by estimating instrumental variables models, which produce consistent parameter estimates as long as valid instruments are available. This is a common approach taken in the related literature, including empirical studies examining the effect of informal care on caregivers' physical and mental health (e.g., Coe and Van Houtven, 2009; Do *et al.*, 2013; Van Houtven and Norton, 2004, 2008; Van Houtven, Wilson and Clipp, 2005) and those examining whether informal elderly care is a substitute or complement for formal care (e.g., Bolin, Lindgren and Lundborg, 2008; Bonsang, 2009; Charles and Sevak, 2005).

One complication we need to take into account in the current analysis is the fact that our potentially endogenous variable is binary. In such a case, instrumental variables estimation using standard two-stage least squares (2SLS) estimation would generate inconsistent estimates (e.g., Woodridge, 2002). Following Woodridge (Procedure 18.1 in Woodridge (2002, pp. 623-624)), the following three-stage procedure will therefore be used instead: (i) estimate a binary response model (in this case a probit model) of  $g$  on instruments and other control variables, (ii) compute the fitted probabilities  $\hat{g}$ , and (iii) estimate equations (1) and (2) by instrumental variables with 2SLS using  $\hat{g}$  as instruments for caregiving. One nice feature of this procedure is that even though some regressors are generated in the first stage, the usual 2SLS standard errors and test statistics are asymptotically valid. In addition, this procedure has an important robustness property whereby it does not require the first-stage binary model to be correctly specified as long as instruments are correlated with the probability of the outcome variable (Woodridge, 2002).<sup>12</sup>

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<sup>12</sup> An application of this procedure can be found, for example, in Adams, Almeida and Ferreira (2009).

## 4.2 Data

The empirical analysis will be based on data from the “Preference Parameters Study” of Osaka University. This survey was conducted annually in Japan during the 2003-2013 period by the 21<sup>st</sup> Century Center of Excellent Program “Behavioral Macrodynamics based on Surveys and Experiments” (2003-2008) and the Global Center of Excellence Project “Human Behavior and Socioeconomic Dynamics” (2008-2013) of Osaka University. It was undertaken with the aim of examining whether the assumptions of conventional economics that people are rational and maximize utility are valid. The sample of individuals aged 20-69 was drawn to be nationally representative using two-stage stratified random sampling. The sample has a panel component although fresh observations were added in 2004, 2006 and 2009 to overcome the problem of attrition.

It would have been ideal to conduct a panel data analysis to take into account individual fixed effects, but unfortunately only the 2013 wave contains detailed information on caregiving and other key variables.<sup>13</sup> The empirical analysis will thus be undertaken using only data from the 2013 wave in this paper. However, as discussed below, the Preference Parameters Study data contain unique information on, among others, individual preference parameters. By exploiting such information, the present analysis will take into account, to the extent possible, individual characteristics that are often treated as unobservable time-invariant characteristics in similar analyses. After excluding observations for which at least one variable included in the econometric analysis is missing, the 2013 wave contains 2,845 individuals, consisting of 2,382 married individuals and 463 unmarried (i.e., never married, divorced, or widowed) individuals.

In addition to basic information on respondents and their households such as household composition, consumption, income, and other socio-economic characteristics, this survey contains unique information on respondents including their subjective well-being (e.g., happiness, life satisfaction, and other emotional attributes) and their preference parameters, such as their degree of time preference, risk aversion, and altruism. In the case of the 2013 wave, the data also contain detailed information on respondents’ provision of parental care. By exploiting this rich dataset, it is possible to examine the impact of informal elderly care on caregivers’ subjective well-being while controlling for

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<sup>13</sup> Although the 2011 wave also collected information on parental care, the way the key question was asked was different between the 2011 and 2013 waves. It is therefore not possible to conduct a panel data analysis using these two datasets.

a set of factors that are thought to be relevant to people's happiness in the existing literature.

### 4.3 Empirical Specification

While the goal of the present study is to assess the impact of informal elderly care on caregivers' happiness, we also control for factors that have been found to be the key determinants of happiness, and as such, the empirical model is guided by existing work on happiness.<sup>14</sup> A detailed description of how the variables are constructed is provided in the Appendix I.<sup>15</sup>

#### 4.3.1 Dependent variable

The dependent variable is the level of the respondent's subjective well-being, measured in terms of self-reported happiness. The happiness data were collected in the survey by asking respondents how happy they currently feel on a simple visual analogue scale ranging from 0 (very unhappy) to 10 (very happy). As discussed above, we treat this variable as cardinal.

#### 4.3.2 Explanatory variables

##### *Parental care provision*

The main variable of interest in this paper is a dummy variable capturing whether respondents provide care to their elderly parents. In order to examine whether the caregiver-care recipient relationship affects the direction and magnitude of the effect of informal elderly care on caregivers' subjective well-being, two separate variables, one for providing care to respondents' own parents and one for providing care to respondents' parents-in-law, are included in the regression for the married sample. As for the unmarried sample, only a dummy variable for taking care of their own parents is included. Note that these dummy variables equal one if respondents take care of at least one parent and

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<sup>14</sup> See Frey and Stutzer (2002) and Clark, Frijters and Shields (2008) for a comprehensive survey of the literature on the determinants of the level of happiness.

<sup>16</sup> Irregular employees include those who are working as a part-time worker, temporary worker, fixed-term worker, or dispatched worker from a temporary agency. These irregular jobs tend to be low paid and insecure in comparison with regular (i.e., full-time) employment.

parent-in-law, respectively. We would expect providing care to the elderly to have a negative effect on caregivers' happiness. However, given that unmarried individuals are likely to receive less support from family members and perform more roles than married individuals, we would expect a greater negative effect of informal elderly care on unmarried caregivers than that on married caregivers.

#### *Instruments for parental care provision*

Given that parental care provision could be endogenous, it is necessary to test for its exogeneity. To do so, a Wu-Hausman test will be conducted by estimating instrumental variables models. The existing literature (e.g., Van Houtven and Norton, 2004, 2008; Charles and Sevak, 2005) suggests that the number of siblings is a strong instrument for informal parental care. The number of sisters and the number of brothers are thus used as instruments for providing care to respondents' own parents in the present study. Similarly, the number of sisters-in-law and the number of brothers-in-law (i.e., the numbers of spouses' sisters and brothers) are used as instruments for providing care to respondents' parents-in-law. We would expect that the numbers of siblings and sibling-in-law to have a negative effect on respondents' provision of parental care. In addition, given that the Preference Parameter Study also collected information on respondents' view toward filial obligation, we will use a dummy variable that equals one if respondents completely agree with the statement that children should take care of their parents when they require long-term care as an additional instrument.

#### *Health conditions of parents and parents-in-law*

In order to examine family effects on caregivers' happiness, we will take into account the health status of parents and parents-in-law. In the Preference Parameters Study, respondents were asked whether their parents and parents-in-law are certified as one of the seven Support or Care Levels under the LTCI system (see footnote 7). Given that this needs level is assigned based strictly on physical and mental disability, this information would be a good proxy for the health status of elderly parents. Using this information, we constructed a dummy variable that equals one if at least one parent is classified as one of the seven needs levels. A similar variable is also constructed for parents-in-law. We would expect a negative relationship between these variables and respondents' happiness.



### *Caregiving conditions*

Caregiving conditions might influence the way caregiving affects caregivers' happiness. To test this, we include two variables that indicate whether respondents live with their own parents and parents-in-law, respectively. In addition, we will examine whether the use of formal care services helps alleviate the negative effect of caregiving by including two variables that capture whether parents and parents-in-law avail themselves of formal care services, respectively. We will interact these caregiving conditions with the care provision variables. It is not clear *a priori* whether co-residing with parents or parents-in-law has a positive or negative effect on respondents' happiness. Similarly, whether the use of formal care services has a positive or negative effect on respondents' happiness is an empirical question. The use of formal care services might have a positive effect on respondents' happiness as it frees them from providing informal elderly care or reduces the burden of informal elderly care. On the other hand, it could make respondents' feel guilty about not (fully) taking care of their parents or parents-in-law, thereby reducing their happiness. As for the coefficients on the interaction terms, we would expect a negative sign on the interaction term between caregiving and co-residence variables and a positive sign on the interaction term between caregiving and formal care services usage variables because the literature suggests that taking care of co-resident parents tends to increase the burden on caregivers while the use of formal care services helps reduce it.

### *Respondents' and their households' basic characteristics*

A set of individual characteristics capturing respondents' age, gender, educational attainment, health status as well as whether or not they have any children is included. Moreover, variables relating to information at the household level are included in the analysis, such as those capturing household size, annual household income, whether the household owns a house or an apartment, and whether the household has any loans. We also include a variable that indicates what percentage change respondents' expect in their annual household income in that year in comparison with the previous year's household income. We would expect respondents' happiness to be positively correlated with household income and the expected change in future income.

### *Respondents' employment status and expected receipt of public pensions*

Given that the happiness literature has extensively examined the effect of labor market status, especially unemployment, on happiness, we control for respondents' employment status in the estimation. In addition to controlling for whether respondents are unemployed, we also take into account the security of respondents' employment by including a variable indicating whether respondents have irregular employment as well as a variable indicating whether respondents perceive a high risk of becoming unemployed within the next two years.<sup>16</sup> We would expect both unemployment and job insecurity to reduce happiness. Furthermore, a variable that reflects the percentage of their living expenses that respondents expect to be covered by public pensions after retirement (or the actual percentage in the case of retired respondents) is also included in the regression. Greater insecurity about life after retirement is also expected to be negatively associated with happiness.

### *Referencing process*

To control for the effect of the referencing process on happiness, we include two related variables. In the case of the Preference Parameters Study, respondents are asked whether they think other people's living standard is relatively high or low in comparison with their own living standard. We create a dummy variable that equals one if respondents think that other people's living standard is higher than their own, and another dummy variable that equals one if respondents think that other people's living standard is lower than their own. These variables in effect capture the relative living standard of respondents.

### *Preference parameters*

Given that utility is defined by preference parameters, it is possible that the level of individuals' happiness would also depend on their preference parameters (Tsutsui, Ohtake and Ikeda, 2009). Respondents' degree of time preference, risk aversion, and altruism are therefore controlled for in the estimation. While these factors are usually treated as unobservable time-invariant characteristics of individuals, the availability of such data in the Preference Parameters Study allows us to control for them in the regression analysis.

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<sup>16</sup> Irregular employees include those who are working as a part-time worker, temporary worker, fixed-term worker, or dispatched worker from a temporary agency. These irregular jobs tend to be low paid and insecure in comparison with regular (i.e., full-time) employment.

In the case of empirical studies that examine the determinants of happiness using cross-sectional data, the problem of endogeneity arising from unobserved heterogeneity can be an issue. This study is no exception, but we cannot undertake a panel data analysis due to the data limitation as explained above. Instead, this problem will be addressed in this paper by including variables that reflect respondents' preference parameters so that some of the heterogeneity can be controlled for to the extent possible.

In addition to the above explanatory variables, regional dummies as well as a dummy for residing in a major (ordinance-designated) city are included to control for geographical variation.

## **5. Empirical Results**

Table 1 provides the key summary statistics for the two samples—married and unmarried individuals. To obtain an overview of the characteristics of caregivers, the same statistics are provided for caregivers and non-caregivers separately for each sample. Regarding the outcome of interest, we find that the happiness level of caregivers tends to be lower than that of non-caregivers and that the happiness level of unmarried individuals is generally lower than that of married individuals. The lower happiness level of caregivers, on average, seems to underscore the possible adverse effect of informal parental care on caregivers' happiness.

Caregivers tend to be older and female, though we observe relatively more male caregivers in the unmarried sample. While most married individuals tend to have children regardless of whether or not they provide care, unmarried caregivers are significantly less likely to have children than unmarried non-caregivers, as expected. Both married and unmarried caregivers are less likely to have a regular job than their counterparts. It is a matter of concern to observe that unmarried caregivers have the lowest level of household income, expect the largest decline in their household income in that year, and have the greatest tendency to be unemployed. We also observe that unmarried individuals expect to receive less public pensions relative to their living expenses after retirement and are more likely to feel relatively poor than married individuals, though the differences are relatively small between caregivers and non-caregivers in each sample. These statistics suggest that unmarried individuals, particularly unmarried caregivers, tend to be more vulnerable to negative income shocks than married individuals.

On the other hand, married individuals tend to be more altruistic than unmarried individuals while unmarried caregivers tend to have a higher time preference (i.e., place more emphasis on their well-being today than in the future) than married individuals or unmarried non-caregivers. As expected, we find that caregivers' parents and parents-in-law tend to be less healthy and are more likely to use formal care services than non-caregivers' parents and parents-in-law. Consistent with Figure 1, unmarried individuals are more likely to live with their parents than married individuals, though caregivers are more likely to live with their parents than non-caregivers in both samples.

**Table 1. Descriptive Statistics**

Variables	Married Caregiver Mean/S.D.		Married Non-caregiver Mean/S.D.		Unmarried Caregiver Mean/S.D.		Unmarried Non-caregiver Mean/S.D.	
<i>Dependent variables</i>								
Happiness	6.57	1.75	6.71	1.67	5.78	2.07	5.97	1.93
<i>Explanatory variables</i>								
Age	55.23	7.86	53.76	11.72	51.95	9.13	46.67	14.97
Age squared/100	31.11	8.56	30.27	12.61	27.80	9.43	24.02	14.49
Female	0.68		0.49		0.59		0.56	
Education								
Secondary school	4.29		7.93		0.00		8.69	
High school	43.56		48.58		56.76		45.77	
Junior college	22.70		16.13		21.62		14.55	
University or above	29.45		27.35		21.62		30.99	
Poor health	0.47		0.45		0.54		0.41	
Child	0.94		0.95		0.30		0.43	
Household size	3.87	1.36	3.61	1.33	2.81	1.27	2.71	1.52
Log of household income	6.39	0.57	6.32	0.59	5.85	0.66	6.00	0.74
Expected change in household income	-0.89	4.68	-0.67	3.89	-1.57	4.27	-0.42	3.95
Homeownership	0.96		0.89		0.84		0.77	
Has loans	0.48		0.49		0.27		0.35	
Employment								
Regular job	29.45		40.20		37.84		48.36	
Irregular job	34.97		31.00		24.32		30.99	
Not in labor force	32.52		27.99		21.62		15.96	
Unemployed	3.07		0.81		16.22		4.69	
Likely unemployed	0.09		0.07		0.08		0.12	
Public pensions	56.41	25.96	51.27	25.93	49.32	30.42	40.87	26.49
Relatively poor	37.42		32.63		48.65		50.00	
Relatively rich	12.88		12.35		13.51		10.56	
Altruistic	0.79		0.76		0.62		0.65	
Low time preference	0.38		0.38		0.24		0.37	
Risk averse	45.47	16.98	47.05	19.12	48.51	18.81	48.11	20.31
Care provision to parents	0.67		0.00		1.00		0.00	
Care provision to parents-in-law	0.42		0.00		-		-	

<b>Variables</b>	<b>Married Caregiver Mean/S.D.</b>		<b>Married Non-caregiver Mean/S.D.</b>		<b>Unmarried Caregiver Mean/S.D.</b>		<b>Unmarried Non-caregiver Mean/S.D.</b>	
Poor health of parents	0.47		0.10		0.54		0.06	
Poor health of parents-in-law	0.30		0.09		-		-	
Living with parents	0.30		0.10		0.84		0.40	
Living with parents-in-law	0.25		0.08		-		-	
Use of formal care services (parents)	0.40		0.07		0.43		0.04	
Use of formal care services (parents-in-law)	0.28		0.08		-		-	
<i>Instruments for care provision</i>								
Number of sisters	0.81	0.84	1.00	1.00	0.92	0.95	0.93	0.97
Number of brothers	0.70	0.70	0.92	0.91	0.54	0.69	0.82	0.82
Number of sisters-in-law	0.98	0.87	1.01	1.02	-	-	-	-
Number of brothers-in-law	0.81	0.78	0.95	0.96	-	-	-	-
Strong filial obligation	0.10		0.09		0.16		0.09	
<i>Regions</i>								
Hokkaido	1.23		4.82		10.81		3.29	
Tohoku	8.59		5.95		8.11		5.40	
Kanto	26.38		29.70		35.14		31.69	
Koshinetsu	5.52		4.73		8.11		3.99	
Hokuriku	6.13		3.06		2.70		3.99	
Tokai	11.04		15.50		8.11		13.38	
Kinki	17.18		17.31		8.11		15.26	
Chugoku	6.13		5.00		2.70		7.51	
Shikoku	4.91		3.24		5.41		3.76	
Kyushu	12.88		10.68		10.81		11.74	
Major city	0.20		0.23		0.30		0.26	
Number of observations	163		2,219		37		426	

S.D. = standard deviation.

Source: Calculations based on data from the 2013 Preference Parameters Study.

As far as the variables that will be used as instruments are concerned, we find that caregivers tend to have fewer siblings and siblings-in-law than non-caregivers, as expected. It is interesting to note that the number of brothers and brothers-in-law tends to be particularly small for caregivers than for non-caregivers. This seems to indicate indirectly that daughters-in-law may still play some role in informal elderly care in Japan, even though this tendency might be weakening over time, as suggested by Hanaoka and Norton (2008). Although we do not see a significant difference in their view toward filial obligation between caregivers and non-caregivers in the case of the married sample, caregivers tend to have a stronger sense of filial obligation than non-caregivers in the unmarried sample.

We now turn to testing the endogeneity of the caregiving variables in the happiness model. Following the estimation procedure outlined in Section 4.1, we first estimated the first-stage binary model to obtain the fitted probabilities for providing elderly care separately for the married and unmarried samples.<sup>17</sup> We used the number of sisters and the number of brothers as instruments for providing care to own parents, and the number of sisters-in-law and the number of brothers-in-law as instruments for providing care to parents-in-law. We also used respondents' view toward filial obligation as an instrument in both cases. As expected, we find that the numbers of sisters, brothers, sisters-in-law and brothers-in-law are all negatively correlated with the probability of providing elderly care and that having a strong senses of filial obligation is positively associated with the probability of providing elderly care in all cases. The coefficients on these identifying instruments are jointly significant at the 1% level in the probit model of providing care to parents as well as in that of providing care to parents-in-law for the married sample, and significant at the 5% level in the probit model of providing care to parents for the unmarried sample.

We then estimated the first stage of the 2SLS using the fitted probabilities obtained from the probit model as instruments. Specification tests show that the instruments are strong predictors of each of the caregiving variables ( $F(2, 2344) = 51.24$  for providing care to own parents and  $F(2, 2344) = 141.91$  for providing care to parents-in-law in the married sample, and  $F(1, 427) = 66.76$  for providing care to own parents in the unmarried sample). The identifying instruments are also found to be significant at the 1% level in all cases. Note also that we can reject the null hypothesis of weak instruments using the test suggested by Stock and Yogo (2005) in all cases as the value of this test statistic for all equations exceeds the critical value, indicating that a Wald test at the 5% level can have an actual rejection rate of at most 10%. Despite having valid instruments, the Wu-Hausman test results showed that the null hypothesis of the exogeneity of the caregiving variables cannot be rejected in all cases. We will therefore treat our caregiving variables as exogenous in the happiness model and estimate OLS regressions to examine the impact of informal elderly care on caregivers' happiness.

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<sup>17</sup> Regression results of the instrumental variables models as well as the specification test results are available upon request.

**Table 2. Regression Results**

	Married Sample						Unmarried Sample			
	(1)	(2)	(3)	(4)	(5)	(6)				
<i>Caregiving and family effects</i>										
Poor health of parents	-0.170 [0.105]	-0.166 [0.105]	-0.058 [0.113]	-0.521 * [0.307]	-0.485 [0.300]	-0.624 * [0.377]				
Care provision to parents	-0.111 [0.164]	0.167 [0.215]	0.171 [0.287]	0.278 [0.357]	-0.931 * [0.488]	-1.198 ** [0.492]				
Living with parents		-0.145 [0.122]	-0.156 [0.122]		-0.182 [0.225]	-0.193 [0.225]				
Providing care to parents*living with parents		-0.502 [0.307]	-0.487 [0.306]		1.530 [0.582]	1.538 *** [0.544]				***
Use of formal care services (parents)			-0.228 [0.145]			0.169 [0.462]				
Providing care to parents*use of formal care services (parents)			0.076 [0.328]			0.601 [0.691]				
Poor health of parents-in-law	-0.040 [0.109]	-0.034 [0.110]	0.003 [0.125]	-	-	-				
Care provision to parents-in-law	0.025 [0.213]	-0.301 [0.318]	-0.295 [0.359]	-	-	-				
Living with parents-in-law		-0.097 [0.130]	-0.099 [0.130]	-	-	-				
Providing care to parents*living with parents-in-law		0.587 [0.420]	0.623 [0.427]	-	-	-				
Use of formal care services (parents-in-law)			-0.080 [0.135]	-	-	-				
Providing care to parents-in-law*use of formal care services (parents-in-law)			-0.008 [0.424]	-	-	-				
<i>Basic characteristics</i>										
Age	-0.098 *** [0.027]	-0.098 *** [0.027]	-0.094 *** [0.027]	-0.067 [0.043]	-0.067 [0.043]	-0.065 [0.044]				
Age squared	0.079 *** [0.026]	0.079 *** [0.026]	0.075 *** [0.026]	0.069 [0.045]	0.066 [0.045]	0.065 [0.046]				
Female	0.246 *** [0.082]	0.232 *** [0.084]	0.236 *** [0.084]	0.702 *** [0.198]	0.669 *** [0.197]	0.662 *** [0.197]				***

	Married Sample			Unmarried Sample		
	(1)	(2)	(3)	(4)	(5)	(6)
Education						
(Secondary school)						
High school	0.144	0.150	0.138	-0.235	-0.216	-0.228
	[0.140]	[0.139]	[0.139]	[0.335]	[0.337]	[0.339]
Junior college	0.182	0.198	0.187	0.036	0.031	0.031
	[0.161]	[0.161]	[0.161]	[0.405]	[0.408]	[0.408]
University or above	0.426 ***	0.438 ***	0.434 ***	0.019	0.006	0.012
	[0.149]	[0.149]	[0.149]	[0.369]	[0.370]	[0.371]
Poor health	-0.110	-0.112	-0.110	-0.242	-0.236	-0.234
	[0.070]	[0.070]	[0.070]	[0.179]	[0.179]	[0.179]
Child	0.109	0.072	0.073	0.303	0.267	0.253
	[0.138]	[0.140]	[0.141]	[0.222]	[0.228]	[0.229]
Household size	-0.113 ***	-0.093 ***	-0.093 ***	-0.016	-0.008	-0.002
	[0.030]	[0.033]	[0.033]	[0.066]	[0.066]	[0.066]
Log of household income	0.425 ***	0.422 ***	0.424 ***	0.317 **	0.331 **	0.324 **
	[0.071]	[0.071]	[0.071]	[0.151]	[0.150]	[0.149]
Expected change in household income	0.030 ***	0.030 ***	0.031 ***	0.051 **	0.049 **	0.050 **
	[0.008]	[0.008]	[0.008]	[0.023]	[0.023]	[0.023]
Homeownership	0.156	0.175	0.169	0.236	0.256	0.270
	[0.121]	[0.122]	[0.122]	[0.221]	[0.235]	[0.238]
Has loans	-0.231 ***	-0.241 ***	-0.242 ***	-0.515 ***	-0.519 ***	-0.526 ***
	[0.074]	[0.075]	[0.075]	[0.180]	[0.181]	[0.182]
Employment						
(Regular job)						
Irregular job	-0.003	-0.003	-0.003	-0.299	-0.265	-0.268
	[0.091]	[0.091]	[0.091]	[0.219]	[0.219]	[0.220]
Not in labor force	0.053	0.049	0.051	-0.408	-0.380	-0.411
	[0.108]	[0.109]	[0.109]	[0.272]	[0.276]	[0.274]
Unemployed	0.074	0.016	0.028	-1.062 ***	-1.099 ***	-1.085 ***
	[0.424]	[0.420]	[0.419]	[0.399]	[0.394]	[0.383]
Likely unemployed	-0.248 *	-0.247 *	-0.245 *	-0.922 ***	-0.890 ***	-0.887 ***
	[0.137]	[0.138]	[0.138]	[0.331]	[0.334]	[0.334]
Public pensions	0.006 ***	0.006 ***	0.006 ***	0.001	0.001	0.001
	[0.001]	[0.001]	[0.001]	[0.003]	[0.003]	[0.003]



	Married Sample						Unmarried Sample					
	(1)		(2)		(3)		(4)		(5)		(6)	
Relatively poor	-0.612	***	-0.613	***	-0.612	***	-0.627	***	-0.637	***	-0.647	***
	[0.077]		[0.077]		[0.077]		[0.186]		[0.185]		[0.183]	
Relatively rich	0.215	**	0.212	**	0.214	**	0.278		0.237		0.253	
	[0.102]		[0.102]		[0.102]		[0.283]		[0.284]		[0.285]	
Altruistic	0.142	*	0.145	*	0.146	*	0.111		0.099		0.104	
	[0.076]		[0.076]		[0.076]		[0.186]		[0.185]		[0.186]	
Low time preference	0.019		0.017		0.016		-0.070		-0.048		-0.050	
	[0.066]		[0.066]		[0.066]		[0.180]		[0.181]		[0.181]	
Risk averse	0.004	**	0.004	**	0.004	**	-0.003		-0.004		-0.004	
	[0.002]		[0.002]		[0.002]		[0.004]		[0.004]		[0.004]	
Major city	0.081		0.078		0.081		0.143		0.132		0.124	
	[0.080]		[0.080]		[0.080]		[0.186]		[0.187]		[0.188]	
Constant	6.548	***	6.508	***	6.419	***	5.621	***	5.642	***	5.635	***
	[0.763]		[0.767]		[0.772]		[1.383]		[0.1382]		[1.375]	
No. of observations	2,382		2,382		2,382		463		463		463	
R <sup>2</sup>	0.14		0.14		0.15		0.28		0.29		0.29	

Note: \*\*\*, \*\*, \* denote statistical significance at the 1%, 5% and 10% levels. Robust standard errors are in parentheses. Regional dummies are included in all regressions.

Source: Estimation based on data from the 2013 Preference Parameters Study.

Table 2 presents the estimation results for the married sample ((1) – (3)) and for the unmarried sample ((4) – (6)), respectively. Our basic models ((1) and (4)) include variables capturing the provision of informal parental care as well as the health status of parents (and parents-in-law) in addition to a set of other explanatory variables. While models (2) and (5) add variables indicating whether or not respondents live with their parents (and parents-in-law) and the interaction terms between these variables and the caregiving variables to the basic models, models (3) and (6) further add variables capturing the use of formal care services and the interaction terms between these variables and the caregiving variables.

Contrary to expectation, the regression results (models (1) – (3)) suggest that providing informal care to parents or parents-in-law does not have a significant effect on married caregivers' happiness regardless of caregiving conditions. On the other hand, we find the presence of both the caregiving and family effects in the case of unmarried caregivers. Note that the coefficient on the caregiving variable becomes negative and significant once we include a co-residence variable and its interaction term (compare the results for models (5) and (6)). Focusing on model (6), we find that having unhealthy parents decreases the happiness level of unmarried individuals by about 0.6. As far as the impact of parental care provision is concerned, there are some salient differences depending on whether or not individuals live with their parents. If unmarried individuals do not live with their parents but provide care to them, their happiness level is expected to decline by about 1.2. In contrast, if unmarried individuals live with their parents and take care of them, their happiness level is expected to increase by 0.34 instead.

Unmarried individuals may have more trouble juggling all of their responsibilities in their daily life than their married counterparts, especially if they have children, and as a result, having to take care of their parents outside their home might be more difficult for unmarried caregivers than caring for them at home. This might explain why we observe the negative effect of parental care provision only among unmarried caregivers who do not live with their parents. In contrast, caring for parents who live with them may not cause such additional stress and the adverse impact of parental care provision might be offset by a sense of reward or fulfilling from taking care of ones' parents. Finally, the use of formal care services does not seem to have a significant effect on happiness though the coefficients on this variable and its interaction term with caregiving provision were positive.

As for the rest of the regression results, as far as the married sample is concerned, we find a U-shaped relationship between happiness and age, as commonly found in the literature. Being female, having tertiary education, household income, the expected change in household income, and the expected amount of public pensions to be received relative to living costs after retirement have a positive effect on happiness. In contrast, household size, having loans, and perceiving a high risk of becoming unemployed within the next two years have a negative and significant effect on happiness. As far as the referencing process is concerned, feeling relatively poor decreases happiness while feeling relatively rich increases it. Being altruistic or risk averse also increases happiness.

In the case of the unmarried sample, we find that being female, household income, and the expected change in household income positively affect happiness. In contrast, having loans, being unemployed, perceiving a high risk of becoming unemployed within the next two years, and feeling relatively poor are negatively correlated with happiness. We also find that being unemployed and fearing a high risk of becoming unemployed in the near future have a larger and more highly significant effect on happiness for unmarried individuals than for married counterparts. This seems to underscore the fact that unmarried individuals are more vulnerable to negative income shocks than those with spouses.

In sum, this paper finds key differences in the impact of informal parental care on caregivers' happiness between married and unmarried caregivers. While an insignificant effect was found for married caregivers, a negative and significant effect was found for unmarried counterparts, though only for those who take care of their parents outside their home. The greater burden of informal parental care on unmarried children than married children is consistent with the findings of the previous literature (e.g., Hansen, Slagsvold and Ingebretsen, 2013).

Primary responsibility for parental care used to be borne by daughters-in-law in many East Asian countries, and particular attention tended to be paid to daughters-in-law by researchers when analyzing the impact of informal elderly care on caregivers' life (e.g., Do *et al.*, 2013; Sugawara and Nakamura, 2014). However, such traditional norms have been changing in Japan in recent years (e.g., Tsutsui, Muramatsu and Higashino, 2014), and indeed, Hanaoka and Norton (2008) find that the role of daughters-in-law in parental

care is becoming less important than that of unmarried children. The findings of this study adds another dimension to these existing studies in that a more adverse effect of informal parental care is found on the subjective well-being of unmarried caregivers than that of married caregivers. Such findings call for more attention to be paid to unmarried caregivers, especially if we take account of the fact that unmarried caregivers may have more difficulty juggling all of their responsibilities in their daily life with less support from family members and tend to be more vulnerable to negative income shocks than married caregivers. Unmarried caregivers could therefore be regarded as a potential risk group as they might be bearing a disproportionate burden of informal elderly care.

## **6. Conclusions**

This paper has made an attempt to examine the impact of informal elderly care on caregivers' happiness in Japan as part of the assessment of the "cost" of informal elderly care as family members form the backbone of long-term care systems in many parts of the world including Japan. It carefully tested for the endogeneity of the caregiving variables in the happiness model and found that these caregiving variables could be treated as exogenous in the present analysis. The empirical results of this paper show that while no significant effect of providing parental care on married caregivers' happiness was detected, an adverse and significant effect was found on unmarried caregivers' happiness. However, such a negative effect was found only for unmarried caregivers who have to care for their parents outside their home.

We have also tried to see whether the use of formal care services may alleviate the negative effect of elderly care provision. We did not find a significant relationship between the use of formal care services and happiness though the coefficient on the interaction terms between caregiving and formal care services usage variables was positive (but not statistically significant) for both the married and unmarried samples. Although the insignificant effect of formal care services usage found in this study might imply that they are not effective enough in alleviating the burden of informal elderly care, this could be due to the relatively small sample of those who care their parents or parents-in-law and avail themselves of formal care services. Given that the existing literature suggests that formal care services help reduce the burden on caregivers (e.g., Kumamoto, Arai and Zarit, 2006), further research is required before reaching any conclusion on the effectiveness of formal care services in reducing the burden on family caregivers.

The current research is therefore not without limitations. First, the insignificant effect of parental care provision on married caregivers' happiness might be due to the relatively small number of caregivers in the married sample. Further research is thus needed to analyze the impact of parental care provision on married caregivers' subjective well-being. Second, although some unique variables capturing respondents' preference parameters were used to control for some of the time-invariant characteristics of individuals, it would have been preferable to conduct a panel data analysis that takes into account individual fixed effects if such data had been available. Third, as mentioned earlier, it would be of interest to examine the impact of informal elderly care on the well-being of spouse caregivers as they are often the primary caregiver in the case of married couples. Unfortunately, data limitations did not allow the current research to examine the case of spouses. Finally, the data used for the empirical analysis did not collect information on the intensity or duration of parental care provision. Such aspects of caregiving are likely to influence the extent to which informal elderly care affects the well-being of caregivers. This is also left as one of the key agendas for future research.

Despite the above limitations, this research has generated some key findings that have important policy implications. The fact that caring for elderly parents is found to have a negative effect on the subjective well-being of unmarried caregivers sheds light on the important role that formal care services could play in reducing the burden on caregivers, particularly unmarried caregivers who presumably receive less support, both emotional and physical support, from family members. Reducing the burden of informal elderly care on caregivers should be a critical agenda for the government as the increased burden on caregivers is likely to lead to the more costly institutionalization of care recipients (Kurasawa *et al.*, 2012). Moreover, given that unmarried caregivers are more likely to play a greater number of roles than married caregivers, especially if they have children, more support to facilitate informal care should be provided, for example, through such initiatives as flexible working arrangements, paid and unpaid leave, and respite care.

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## Appendix I: Description of Variables

Variables	Description
Age	Age expressed in years
Age squared	Age squared divided by 100
Female	Dummy variable that equals one if respondents are female
Education	
Secondary school	Dummy variable that equals one if respondents have completed secondary school education or lower
High school	Dummy variable that equals one if respondents have completed high school education
Junior college	Dummy variable that equals one if respondents have completed junior college education
University	Dummy variable that equals one if respondents have obtained a university degree or higher
Poor health	Dummy variable that equals one if respondents are receiving treatment at a hospital or a clinic for a chronic disease or injury
Child	Dummy variable that equals one if respondents have a child/children
Household size	Total number of household members
Household income	Log of annual household income in thousands of yen Since the choices of the answers to the question on annual household income were in bracket form, a continuous variable was created by assigning the following values to each answer: (1) Less than 1 million yen: 800,000 yen (2) 1 million to less than 2 million yen: 1.5 million yen (3) 2 million to less than 4 million yen: 3 million yen (4) 4 million to less than 6 million yen: 5 million yen (5) 6 million to less than 8 million yen: 7 million yen (6) 8 million to less than 10 million yen: 9 million yen (7) 10 million to less than 12 million yen: 11 million yen (8) 12 million to less than 14 million yen: 13 million yen (9) 14 million to less than 16 million yen: 15 million yen (10) 16 million to less than 18 million yen: 17 million yen (11) 18 million to less than 20 million yen: 19 million yen (12) 20 million yen or over: 25 million yen
Expected change in household income in that year	Percentage change respondents expect in the current year's household income in comparison with that of the previous year. Since the choices of the answers to the question on the expected change in household income were in bracket form, a continuous variable was created by assigning the following values to each answer: (1) 9% or greater decline: -11.25% (2) 7% or greater but less than 9% decline: -8% (3) 5% or greater but less than 7% decline: -6% (4) 3% or greater but less than 5% decline: -4% (5) 1% or greater but less than 3% decline: -2% (6) Less than 1% decline or less than 1% increase: 0% (7) 1% or greater but less than 3% increase: 2% (8) 3% or greater but less than 5% increase: 4% (9) 5% or greater but less than 7% increase: 6% (10) 7% or greater but less than 9% increase: 8% (11) 9% or greater increase: 11.25%
Homeownership	Dummy variable that equals one if respondents own a house or an apartment
Has loans	Dummy variable that equals one if respondents have any loans
Employment	
Regular job	Dummy variable that equals one if respondents have a regular job (i.e., working as a full-time employee)

<b>Variables</b>	<b>Description</b>
Irregular job	Dummy variable equals one if respondents have an irregular job (i.e., working as a part-time worker, temporary worker, fixed-term worker, or dispatched worker from a temporary agency)
Unemployed	Dummy variable that equals one if respondents are unemployed
Not in labor force	Dummy variable that equals one if respondents are not in the labor force (i.e., housewives/husbands, students or retired)
Likely unemployed	Dummy variable that equals one if respondents are currently employed but perceive a high risk of becoming unemployed in the next two years
Public pensions	Percentage of living expenses expected to be covered by public pensions after retirement (or actual percentage if respondents are already retired) Since the choices of the answers to the question about what percentage of their living costs respondents expect public pensions to cover after retirement were in bracket form, a continuous variable was created by assigning the following values to each answer: (1) Between 0 and 9%: 5% (2) Between 10 and 19%: 15% (3) Between 20 and 29%: 25% (4) Between 30 and 39%: 35% (5) Between 40 and 49%: 45% (6) Between 50 and 59%: 55% (7) Between 60 and 60%: 65% (8) Between 70 and 79%: 75% (9) Between 80 and 80%: 85% (10)90% or over: 95%
Altruistic	Dummy variable that equals one if respondents have donated any money in the previous year
Risk averse	Chance of rain (%) that will make respondents bring an umbrella with them when they go out
Low time preference	Dummy variable that equals one if respondents used to get homework done right away or fairly early during school vacations when they were a child
Relatively poor	Dummy variable that equals one if respondents think that the living standard of others is much higher or somewhat higher than their own
Relatively rich	Dummy variable that equals one if respondents think that the living standard of others is much lower or somewhat lower than their own
Care provision to parents	Dummy variable that equals one if respondents care for their parent(s)
Care provision to parents-in-law	Dummy variable that equals one if respondents care for their parent(s)-in-law
Poor health of parents	Dummy variable that equals one if respondents' father or mother is certified as Support Level 1-2 or Care Level 1-5 under the long-term insurance system
Poor health of parents-in-law	Dummy variable that equals one if respondents' father-in-law or mother-in-law is certified as one of the Support Levels 1-2 or Care Levels 1-5 under the long-term insurance system
Living with parents	Dummy variable that equals one if respondents live with their parent(s)
Living with parents-in-law	Dummy variable that equals one if respondents live with their parent(s)-in-law
Use of formal services (parents)	Dummy variable that equals one if respondents' parents avail themselves of formal care services (home helpers or institutions)
Use of formal services (parents-in-law)	Dummy variable that equals one if respondents' parents-in-law avail themselves of formal care services (home helpers or institutions)
Number of sisters	Number of sisters
Number of brothers	Number of brothers
Number of sisters-in-	Number of respondents' spouse's sisters

<b>Variables</b>	<b>Description</b>
law	
Number of brothers-in-law	Number of respondents' spouse's brothers
Strong filial obligation	Dummy variable that equals one if respondents strongly agree with the statement that children should take care of their parents when they require long-term care
Regions	
Hokkaido	Dummy variable that equals one if respondents reside in Hokkaido
Tohoku	Dummy variable that equals one if respondents reside in Tohoku
Kanto	Dummy variable that equals one if respondents reside in Kanto
Koshinetsu	Dummy variable that equals one if respondents reside in Koshinetsu
Hokuriku	Dummy variable that equals one if respondents reside in Hokuriku
Tokai	Dummy variable that equals one if respondents reside in Tokai
Kinki	Dummy variable that equals one if respondents reside in Kinki
Chugoku	Dummy variable that equals one if respondents reside in Chugoku
Shikoku	Dummy variable that equals one if respondents reside in Shikoku
Kyushu	Dummy variable that equals one if respondents reside in Kyushu
Major city	Dummy variable that equals one if respondents reside in a major (ordinance-designated) city

Note: Given that the questions on respondents' educational attainment as well as the number of siblings and siblings-in-law were not included in the 2013 survey, we obtained the relevant information from the 2011 survey data using respondents' unique ID numbers.

## Appendix II: Regression Results for Ordered Logit Models

	Married Sample		Unmarried Sample	
<i>Caregiving and family effects</i>				
Poor health of parents	-0.073		-0.881	**
	[0.127]		[0.387]	
Care provision to parents	0.164		-1.158	**
	[0.336]		[0.516]	
Living with parents	-0.226		-0.269	
	[0.143]		[0.243]	
Providing care to parents*living with parents	-0.519		1.610	***
	[0.357]		[0.557]	
Use of formal care services (parents)	-0.252		0.430	
	[0.169]		[0.539]	
Providing care to parents*use of formal care services (parents)	0.188		0.798	
	[0.384]		[0.732]	
Poor health of parents-in-law	-0.010		-	
	[0.145]			
Care provision to parents-in-law	-0.291		-	
	[0.439]			
Living with parents-in-law	-0.057		-	
	[0.149]			
Providing care to parents*living with parents-in-law	0.869	*	-	
	[0.478]			
Use of formal care services (parents-in-law)	-0.043		-	
	[0.159]			
Providing care to parents-in-law*use of formal care services (parents-in-law)	-0.306		-	
	[0.467]			
<i>Basic characteristics</i>				
Age	-0.111	***	-0.079	
	[0.031]		[0.048]	
Age squared	0.087	***	0.080	
	[0.030]		[0.051]	
Female	0.276	***	0.734	***
	[0.099]		[0.217]	
Education (Secondary school)				
High school	0.219		-0.139	
	[0.159]		[0.405]	
Junior college	0.280		0.250	
	[0.183]		[0.487]	
University or above	0.534	***	0.175	
	[0.171]		[0.435]	
Poor health	-0.110		-0.183	
	[0.081]		[0.189]	
Child	0.104		0.242	
	[0.169]		[0.252]	
Household size	-0.115	***	-0.015	
	[0.039]		[0.075]	
Log of household income	0.523	***	0.321	*
	[0.083]		[0.171]	
Expected change in household income	0.035	***	0.062	**
	[0.009]		[0.026]	
Homeownership	0.200		0.309	
	[0.142]		[0.258]	

	<b>Married Sample</b>	<b>Unmarried Sample</b>
Has loans	-0.318 *** [0.087]	-0.643 *** [0.203]
Employment (Regular job)		
Irregular job	0.010 [0.104]	-0.242 [0.235]
Not in labor force	0.094 [0.128]	-0.413 [0.296]
Unemployed	0.134 [0.425]	-1.088 *** [0.418]
Likely unemployed	-0.288 * [0.152]	-1.009 *** [0.361]
Public pensions	0.006 *** [0.002]	4.72E-05 [0.004]
Relatively poor	-0.653 *** [0.087]	-0.685 *** [0.204]
Relatively rich	0.362 *** [0.120]	0.310 [0.332]
Altruistic	0.151 * [0.086]	0.215 [0.205]
Low time preference	-0.006 [0.076]	-0.080 [0.189]
Risk averse	0.005 ** [0.002]	-0.003 [0.004]
Major city	0.087 [0.090]	0.144 [0.199]
No. of observations	2,382	463
Pseudo R <sup>2</sup>	0.04	0.08

Note: \*\*\*, \*\*, \* denote statistical significance at the 1%, 5% and 10% levels. Robust standard errors are in parentheses. Regional dummies are included in all regressions.

Source: Estimation based on data from the 2013 Preference Parameters Study.