

Dynamics of Intergenerational Assistance in Middle- and Old-Age in Mexico

by

Rebeca Wong, Ph.D.
Maryland Population Research Center
University of Maryland
rwong@popcenter.umd.edu

and

Monica Espinoza, M.A.
Office of Population Research
Princeton University
espinoza@princeton.edu

Research supported by NIA Grant No. AG18016,
The Mexican Health and Aging Study, BJ Soldo, P.I.

Paper prepared for presentation at the Population Association
of America Conference, Boston, 2005

Abstract

Numerous studies have shown that transfers of privately held resources across the generations of the vertically-extended family are common but vary in type and intensity with age and the life-cycle stage of the donor and/or recipient. Although resources typically flow from parent to child regardless of age in the U.S., middle-aged adults have a heightened and substantial risk of making transfers to their kin in both ascending and descending generations. The literature on *inter-vivos* transfers documents that the patterns of giving are responsive to a range of sociodemographic, economic, cultural and health attributes of both potential donor and recipients. The magnitude and direction of these effects vary with respect to the type of transfer modeled, the treatment of economic covariates, and the characterization of potential donors and recipients.

Less is known about the patterns of *inter-vivos* transfers for developing countries, in particular for countries that lack the infrastructure for public transfers to support the elderly beyond the productive years of the population. In developing economies, characterized by scarce or non-existent institutional support systems for old-age support, and financial markets that are largely not-available for the general population, the laterally and vertically extended family is the central institution in which investments in human capital are secured. Intra-family transfers are expected to flow from parents to children as investments in their old age security, from children to parents as repayment for past human capital investments in the child, or from children to parents in exchange for future bequests. The literature suggests that over time, transfers may flow in both directions to smooth consumption, as an expression of altruism of family members towards each other, or as repayment for services received or prior gifts.

Data

The Mexican Health and Aging Study (MHAS) is a prospective panel study of health and aging in Mexico and nationally representative of population 50 and older in Mexico at the baseline, in 2001. MHAS was supported by a grant from the National Institutes of Health/National Institute on Aging (AG 18016)¹. Interviews were sought with spouse/partners of sampled persons regardless of their own age. Data were collected on multiple domains of health; demographic traits, including the migration history of respondents, their parents and offspring; family networks and transfers exchanged; some work history; income, assets, and pensions; and aspects of the built environment. States with high rates of out-migration to the U.S. were over sampled. Anthropometric measures also were obtained from a 20% sub-sample of respondents.

MHAS was fielded in Mexico by the INEGI (*Instituto Nacional de Estadística, Geografía e Informática*), the equivalent of the U.S. Census Bureau. The sampling frame for MHAS was the household listing of about 136,000 dwelling units from the 4th Quarter of the ENE-2000 (National Employment Survey), also fielded by INEGI. Hence, the weighted first wave MHAS data are both a baseline for the MHAS panel and a representative cross-section of older Mexicans. Baseline interviews were completed in 9,845 households with about 15,000 respondents. By U.S. standards, the individual non-response rate of 10.5 percent for a population based survey is very low. These data are particularly useful for the purpose of the proposed research because the survey gathers

¹ MHAS data is public. The data and documentation can be obtained from the study website, www.pop.upenn.edu/mhas.

information on health, current income and wealth, and past-migration, a characteristic that has been difficult to obtain for a country such as Mexico, in which migration to the U.S. can be an important strategy for survival.

The second wave of MHAS was successfully fielded in 2003. Both waves of the survey were carried out through pencil-and-paper, face-to-face interviews. For the 2003 re-visit, if a baseline respondent had died, a special exit-interview was sought in 2003 with a next-of-kin or informed respondent. Sample attrition was small by U.S. standards. At the individual level, 93.4% response rate was obtained, for a total of about 12,000 follow-up with surviving individuals who were age 50 or older at the baseline. Of these, about 10,500 completed direct interviews both in 2001 and 2003. The number of next-of-kin interviews obtained in the follow-up (about 540) was consistent with the *a priori* expected number of deaths in the MHAS population during a two-year interval, estimated using Mexican life tables.

Methods

We describe the changes in time of the patterns of private *inter-vivos* transfers of population aged 50+ in Mexico. In a previous paper, we described patterns of transfers using the 2001 baseline. This paper extends that work with a description of the 2-year changes, using descriptive as well as multivariate techniques. We focus on transfers to- and from-children, of two different types: monetary and in-time, and make emphasis on living arrangements. We pay particular attention to whether the dynamics of transfers respond more to health needs or to economic ability. This focus is particular relevant in the context of developing countries; like many societies, Mexico is characterized by scarce or inactive financial markets and limited institutional support for old age.

Our previous work using the 2001 baseline survey (Espinoza and Wong 2004), showed that, controlling for demographic, socioeconomic, and health variables, private *inter-vivos* transfers with children are active in both economic and non-economic forms. Across the age gradient, moving from middle- to old-age, receiving (economic and non-economic) help from children becomes dominant over giving. We test whether these results obtained with the cross-section still hold when we use panel data. Thus we focus on the inter-generational exchanges between the target individual of middle- and old-age and their children, for two types of help (economic and non-economic) and model the following outcome variables:

- 1) change from donor to recipient
- 2) change from recipient to donor
- 3) no change in pattern

We use the following explanatory variables, defined at the baseline:

- Demographic (sex, age, education, urban/rural residence, resides in high-migration state, ever-U.S. migrant, no. of children, children's schooling, children currently in the U.S.);
- Economic (individual net worth, current employment, household consumer durables);
- Health and functionality (ADLs, IADLs, self-reported health);
- Living arrangements.

We next estimate the effect of a shock between 2001 and 2003, in the form of: a) worse health; b) economic shock such as loss of a job, and c) personal shock such as loss of a spouse.

The paper is organized as follows: we first present a summary of the literature on *inter vivos* transfers in developed- and developing-countries. We next present our conceptual model and hypotheses to test about the dynamics of transfers in particular with respect to health and economic shocks. We present the data used and main descriptive statistics, followed by the empirical methods and results. We conclude and discuss the results obtained for Mexico compared to those found in the literature for other societies.