

Do the Elderly Get More than their Fair Share?

A Comparison of Attitudes in Germany and Japan

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Abstract

Growing longevity and declining birth rates have contributed to a rapid ageing of the German and the Japanese populations. As a consequence of this development, the relative share of the elderly population has increased in both societies. This development fueled a debate over the existence of a generational conflict, where younger and older generations, and potentially also persons within a generation, battle over scarce resources. This article contributes to this discussion by providing recent empirical evidence on individual attitudes towards government spending for the elderly in Japan and Germany. Based on wave 6 of the World Values Survey 2010-2014, I show that an age gradient in government spending exists in both countries. In particular for Japan, I find that with increasing age, respondents are less likely to agree to the statement that "Older people get more than their fair share from the government." This finding stands at stark contrast to the great appreciation that elder people are receiving in the Japanese society in other respects. Against this, I argue that the treatment of the current elderly generation in the Japanese welfare state and pension scheme may have repercussions on the Japanese society and may erode intergenerational solidarity.

Keywords: Demographic Ageing, Germany, Japan, Pension, World Values Survey

1 Introduction

Much scholarly attention has been devoted to the question of whether population ageing leads to a distribution-based generational conflict (Preston 1984; Streeck 2007; Thomson 1989; Tremmel 2006). However, empirical evidence on the matter has remained inconclusive. Some of the inconsistencies in prior research may be related to differences in the operational definition of a generational conflict. On the one hand, scholars have identified a generational conflict by pointing to government spending in ageing societies that tends to be biased towards the elderly (Myles 2002; Sinn and Uebelmesser 2002). Likewise, age-specific voting behavior has been put forward as further arguments for the reign of the elderly over the young (Berry 2014; Binstock 2004; Goerres 2009). On the other hand, empirical evidence suggests that other factors affect voting behavior more strongly than age (Attias-Donfut and Arber 2000). Furthermore, intrafamilial transfers, that tend to flow from the older to the younger generations in industrialized societies, are taken as further indication of a lack of a generational conflict (Kluge 2009; Kohli 1999, 2004, 2006; R. Lee 2003; Ogawa et al. 2010).

This article contributes to this strand of literature by studying attitudes towards government spending in Japan and Germany. More specifically, I use data from the most recent wave of the World Values Survey from 2010-14 to investigate respondent's attitudes towards the question whether, "Older people get more than their fair share from the government." Germany and Japan are ideal cases for examining the role of population ageing for generational conflict. Firstly, they are currently the world leaders in terms of population ageing. With a median age of 46.4 years (Germany) and 46.6 years (Japan), the two countries are among the oldest societies worldwide. Secondly, as will be shown, both countries share many commonalities in respect to various political and economic characteristics on the one hand; but on the other hand, they react to their demographic pressures in rather different ways. This combination of similar challenges within different institutional contexts constitutes a suitable test case to understand how public policies may buffer or provoke generational conflicts.

Looking at the similarities first, the age composition of the two countries has changed vastly over the last

decades. As a share of the total population, only 5.7 percent of Japan's residents were aged 65 years or older in 1960, while 24.1 percent had this age in 2012 (Statistics Bureau Japan 2014). The German share for 1960 was 11.6 percent and 20.7 percent in 2012 (Statistisches Bundesamt 2014). Hence, within 52 years the population share of elderly persons almost doubled in Germany and quadrupled in Japan. At the same time, both countries have, after a short-lived post-war fertility boom, experienced a very low total fertility rate of about 1.4 for decades now (Human Fertility Database 2015). As a result and in the absence of structural reforms, the dependency ratios in both countries have been rising. As of Japan's latest official estimate in 2012, the population share of those aged 65 or older is projected to increase to 38.8 percent in 2050, while the share of the working-age population will fall from 62.1 to 51.5 percent (Statistics Bureau Japan 2014). Germany's estimate as of 2014 projects the population share of those aged 65 or older to reach a share ranging between 31.8 and 33.1 percent in 2050. The share of the working-age population will decline from 66.1 percent in 2012 to a value between 55.6 and 56.8 percent in 2050 (Statistisches Bundesamt 2014). On the other hand, amid dualization synchronous with ageing in both countries, spending focuses of the welfare states differ significantly between the two countries. While Japan strongly favors old-age recipients, Germany is more balanced across age groups.

This paper is structured as follows. Section 2 provides the theoretical foundation of this paper. I employ the insider outsider model as a theoretical framework. This model assumes competition over scarce resources between advantaged and disadvantaged groups of society, an idea that will be used to juxtapose age groups and employment statuses. Departing from the insider-outsider theory, each country's pension system and the age-oriented spending focuses of the welfare states are discussed. In a next step, also through the lens of the insider-outsider theory, welfare regimes and the developments of each country's labor market are compared. It will be shown that dualization is taking place across age and employment status, giving rise to assumptions over generational conflict between insiders and outsiders. Section 3 presents the hypotheses. Section 4 describes data and methods and contains the results of the empirical analysis. The main outcome variable in my investigation is whether a person agrees to the statement that, "Older people get more than their fair share from the government." The main independent variables of

interest are a persons' age and employment status. Section 5 concludes.

2 Theoretical and institutional background

2.1 Insider-outsider theory in an intergenerational setting

The repercussions population ageing may have on social and intergenerational inequality can probably be best understood by the insider-outsider model. Inspired by works on dual labor markets and competition between the employed and the unemployed (Blanchard and Summers 1986; Lindbeck and Snower 1986; Saint-Paul 1996), this model was originally developed by Rueda (2005). His basic distinction is the following:

"I define insiders as those workers with highly protected jobs. They are sufficiently protected not to feel greatly threatened by high levels of unemployment. Outsiders, on the other hand, are either unemployed or hold jobs characterized by low salaries and low levels of protection, employment rights, benefits, and social security privileges. [...] [T]he precariously employed and the unemployed are the main group to suffer the consequences of economic fluctuations (being hired in good times and laid off in downturns)" (Rueda 2005: 62-63).

Given their distinct positions in the labor market, Rueda (2005) points out, insiders and outsiders have different interests. Insiders care about the protection of their own jobs, while spending on unemployment benefits and training mainly burdens them with higher taxes and increases low-wage competition. Outsiders, in turn, worry about employment and poverty and can therefore be expected to have a preference for employment creating government expenditure. However, they oppose higher protection of insider jobs, as this means an entry barrier to the full-time jobs they would like to have.

This distinction is relevant here for two reasons. Firstly, since the 1970s and synchronously with population ageing, all OECD countries have been witnessing such tendencies of dualization, leading to or amplifying a divide between insiders and outsiders (Emmenegger et al. 2012a). This trend is especially tangible in Germany and Japan (Emmenegger et al. 2012a). The increasing number of outsiders in these countries is

not only disadvantaged in both the welfare state and the labor market in terms of benefit entitlements and income (see discussion below) but also faces a higher poverty risk at old age (Emmenegger et al. 2012a). Secondly, dualization on income, old-age policies and pensions is giving rise to an intergenerational divide. Just by population ageing and thereby rising dependency ratios alone, (Myles 2002: 138) makes a distinction of “lucky and less lucky generations”, where the latter are those cohorts smaller in size and carrying the burden of supporting larger cohorts of the elderly. In a similar fashion, though looking at income by cohorts, Chauvel and Schröder (2014) find that cohorts entering the labor market in times of economic booms have higher life-time incomes than those entering in recession or stagnation. Furthermore, they show that dualization within a generation, as witnessed since the 1970s, also brings about inequalities between generations. In other words, where there are outsiders within a generation, an insider-outsider dynamic is likely to be present also between younger and older persons. One reason is that, depending on a given welfare regime (see below for a discussion), labor market outsiders also have lower pension entitlements. Another reason is path dependency between low income at younger age and low income at older age. Borrowing the terminology of Rueda’s insider-outsider model, today’s pensioners can for this matter be considered as (pension) insiders, while future pensioners (or today’s non-elderly) can be considered (pension) outsiders. This interpretation makes the insider-outsider model not only applicable to intra- but also to intergenerational inequalities.

The driving force of the insider-outsider model is competition between societal groups over a scarce resource in a zero-sum game fashion. Translating Rueda’s focused-upon competition over intragenerational welfare state spending to the intergenerational level, competition most strikingly regards public expenditure on old-age between the elderly and the non-elderly. Today’s elderly can be called pension insiders as they currently benefit from a certain pension policy launched in the past, while today’s workforce (pension outsiders) may be put at a disadvantage by the time of their retirement if today’s elderly (pension insiders) are treated too generously. The case that there is competition over a scarce resource regarding old-age spending can be easily made. Following the current (pay-as-you-go) pension logic (see discussion below), in absence of comprehensive reforms, pensions generally become less (or more) generous as the old-age

dependency ratio rises (or falls). In this way, just as labor market insiders and outsiders are expected to have different interests regarding labor and welfare policies, pension outsiders and pension insiders can be expected to have different interests regarding government spending on old-age such as pensions. The latter would likely support high spending on today's pension receivers while the former would tend to oppose this.

In fact, adding the intergenerational dimension to the intragenerational one focused upon by Rueda, a third dimension of conflict may emerge. Because labor market outsiders, compared to labor market insiders, also tend to have lower pension entitlements, this group stands at a double disadvantage (both intragenerationally and intergenerationally). As Chauvel and Schröder show (2014), this tendency holds across welfare regimes but is especially strong in continental and familialistic regimes. Hence, even without being part of a "less lucky generation", in Myles' (2002) words, there is a path dependency from being a labor market outsider to becoming disadvantaged or poor at old age. Being part of a "less lucky generation", *ceteris paribus*, should intensify the degree of disadvantage. Hence, in addition to testing whether there is indeed an intergenerational conflict of interests between elderly and non-elderly (or pension system insiders and pension system outsiders), it will also be tested in this paper whether this double disadvantage is associated with a systematic difference of interests between labor market insiders and outsiders regarding pension spending. In other words, whether labor market outsiders reject rich spending on pensions for today's elderly (pension insiders) more strongly than labor market insiders, because the outsiders would enjoy even less of those perks. Against the background of these fundamental dynamics, the distinct shape of a given pension system may strengthen or weaken insider-outsider divides and thus influence the likelihood of differences in attitudes towards government spending.

2.2 Pension systems in Germany and Japan

Governments can regulate distribution between young and old by its pension systems, while adjustments of these often disadvantage certain birth cohorts compared to others. Germany's statutory public pension

has a single tier earnings-related pay-as-you-go system. For those not reaching an existential minimum, there is a means-tested social assistance scheme. Since 2002, a private and tax-subsidized system, called “Riester-Rente”, constitutes the second pillar, which is meant to incentivize private saving and unburden the public pension system (Hinrichs 2012; OECD 2015d). For full payment of the earnings-related public pension, 45 years of contribution are required, though it is payable upon shorter contribution periods and lower payouts or later with additional entitlements. The pensionable age is currently being raised from 65 to 67 years, while retirement at age 63 is possible upon 45 years of contribution (Rentenversicherung 2014). Those in non-regular employment or with discontinuous work biographies are disadvantaged since they are often not fully covered by the system, receive lower premiums because of lower income or are penalized for phases outside the system (Hinrichs 2012; Seeleib-Kaiser et al. 2012). Germany’s net replacement for the average worker today is 50 percent (OECD 2015d) and benefits are being adjusted according to a combination of old-age dependency ratio and gross wage growth. The fall in the net replacement rate over time has been significant, as it was once designed to stand at 70 percent though this target has become ever more unrealistic for younger cohorts. The net replacement rate is especially low, at 19.3 percent of previous income, for those with reliance on the means-tested social assistance scheme. These individuals tend to be labor market outsiders and their number is expected to increase (Seeleib-Kaiser et al. 2012). Over time, replacement rates have fallen with almost every birth cohort (Geyer, Steiner 2014). Geyer and Steiner (2014) estimate that pension reforms in 1992, which aimed at prolonging working life and reducing the generosity of the pension system, reduced entitlement for the 1937-1941 birth cohorts by just 0.1 percentage points but reduced those of the 1967-1971 cohorts by 14 percentage points. In general, pension reforms in recent decades, whose aim it was to ensure the system’s sustainability, have put later birth cohorts at a disadvantage (Börsch-Supan, Wilke 2003). This general problem is aggravated if life expectancy is taken into account. Upon retirement at age 65, the average retiree was expected to live for another 19.4 years in 2014, which is close to the OECD average of 19.3 more years. Effective retirement, on average, comes about three years before reaching the official retirement age. However, this value has been increasing gradually upon the last pension reforms (OECD 2015d). Peglow and Fenge (2013) estimate that between 2010 and 2060, assuming a sustainable pension

system, net replacement rates will further fall by 10.7 percentage points, while contribution rates will increase by 5.5 percentage points and public subsidies by 5 percentage points. In any case, Germany's previous pension system adjustments made in the name of sustainability, amid the demographic developments, are likely to be followed by more reforms, putting future and current working generations at a further disadvantage (Geyer, Steiner 2014; Peglow Fenge 2013).

Japan's public pension system has two tiers, a basic flat-rate scheme and an earnings-related employees' pension scheme. To be eligible for the basic scheme, an individual had to contribute for 25 years, though this has been reduced to a minimum of 10 years and discounted payouts by April 2017. A full basic pension requires 40 years of contribution, payable at age 65, as the retirement age is currently being raised from 62 to 65 years. The earnings-related scheme has a contribution ceiling of 152 percent of the average worker's earnings, which in 2015 were defined at 620,000 Yen per month (OECD 2015d). In general, while early retirement is possible but penalized by lower entitlements, later retirement is incentivized by additional entitlements for every additional month worked. Unemployed or those under the income threshold are not required to contribute to the scheme, though this reduces entitlements. It is possible, however, to make up for uninsured phases pay contributions at a later stage (OECD 2015d).

Labor market outsiders, hence those in part-time, temporary or freelance jobs, generally have much lower entitlements and also a lower coverage rate than labor market insiders. Though a social security reform in 2012 has included part-time workers with at least 20 hours per week, other conditions for eligibility such as earnings and contract duration exclude the vast majority of non-regular workers (Takayama 2012). The net replacement rate for a worker with average income currently stands at 40.4 percent (OECD 2015d). The earnings-related payout is indexed to net average earnings until age 67, after which it is only price indexed, typically resulting in lower benefits (Takayama 2012). Because of previous pension reforms that have increased contribution rates and reduced benefits, benefits fall short of contributions for cohorts born after 1965 (Horioka, Suzuki, Hatta 2007). Cohorts born from 1985 are projected to get payouts that will yield only 80 percent of the amount they will have contributed (Takayama 2014). This is a concern even more than in Germany since life expectancy upon retirement at age 65 was 21.9 more years in 2014,

which may be one reason why effective retirement in Japan already today comes on average about five years after reaching the official retirement age (OECD 2015d). With the old-age dependency ratio expected to rise well beyond 80 percent in the coming decades (Braun, Joines 2015; Kitao 2015), further reforms will be necessary in the name of system sustainability. Kitao (2015) estimates that for a sustainable pension system, other things being equal, the consumption tax would have to be raised from the current 8 percent to 48 percent, or otherwise be raised to 28 percent in combination with the pensionable aged being raised by five years within fifty years and benefits were lowered by 20 percent. Against this background, Okumura and Usui (2014) find that younger cohorts also have lower expectations regarding pension payouts than do older cohorts.

In order to see how the age focus of government spending has evolved over the years alongside population ageing, Lynch's (2001, 2006) elderly/non-elderly spending ratio (ENSR) serves as a suitable basis for analysis. The ENSR relates the share of social expenditure directed towards elderly people (per population share of those 65 years and above) to the share directed towards non-elderly cohorts (per population share of those younger than 65). Table 1 shows current elderly/non-elderly spending ratios for Germany and Japan (OECD 2015a)¹. For Germany, the ENSR indicated that in 1980, almost twice as much was spent on old-age as for persons at working-age. By 2011, the ratio had decreased to 1.20. Hence, amid population ageing, Germany's welfare state adjusted its spending priorities in favor of working-age recipients. As a share of GDP, the size of the German welfare state has only increased slightly from 22.1 percent of GDP in 1980 to 25.5 percent in 2011. Looking at the composition of spending, Germany's old-age expenditure as a share of GDP has largely remained constant at about 10 percent of GDP, which considering population

¹ Healthcare and education spending are taken out of the equation since their inherent age bias is either less clear than other spending categories or the numbers stem from different OECD datasets. In turn, most of healthcare spending is directed towards the elderly while most of education spending goes towards non-elderly groups, with healthcare being more costly than education in both countries (OECD 2015a).

ageing implies a lowering per capita expenditure on old-age. Non-elderly spending as a share of GDP, in turn, almost doubled from 2.5 percent in 1980 to 4.2 percent in 2011 (OECD 2015a). Japan's ENSR was slightly below 1 in 1980 but increased to 3.71 in 2010 and slightly lowered to 3.43 in 2011. The welfare state as a share of GDP expanded from 10.9 percent in 1980 to 23.1 percent in 2011. Included in this increase is a doubling of non-elderly spending, growing from 1 percent of GDP in 1980 to 1.9 percent in 2011. Largely, however, the expansion of Japan's welfare state went hand in hand with demographic ageing and increased (per capita) expenditure for the elderly, which almost tripled from 4 percent of GDP in 1980 to 11.8 percent in 2011 (OECD 2015a). As a result, the OECD trend of a slightly increased ENSR amid population ageing has been clearly surpassed by Japan's quadrupled ENSR, while Germany's decrease in the ENSR has been running against the OECD trend.

Table 1: Elderly/Non-Elderly Spending Ratio, five-year averages until 2010, annual values onwards.

	1980-84avg.	1985-89avg.	1990-94avg.	1995-99avg.	2000-04avg.	2005-09avg.	2010	2011
Germany	1.94	2.18	1.39	1.76	1.63	1.45	1.17	1.20
Japan	1.08	1.48	1.31	1.55	2.24	3.34	3.71	3.43
OECD Total	n.a.	n.a.	n.a.	n.a.	1.67	1.79	1.82	1.91

Source: OECD Social Expenditure Data Base 2015 (own calculations).

2.3 Welfare regimes and labor markets in Germany and Japan

An important reason why governments are experiencing population ageing and dualization in different ways are different institutional backgrounds and policy reforms undertaken in these contexts. This is not only the case concerning public spending focuses on certain age groups but also regards the division into insiders and outsiders in terms of social and old-age security coverage, the level of benefit entitlements, and job security. In both Germany and Japan, the share of fixed-term and other forms of non-regular em-

ployment (labor market outsiders) has increased significantly in recent years: 37.4 percent of the Japanese labor force is now in non-regular employment, and 22 percent in Germany respectively (Statistics Bureau Japan 2014; Statistisches Bundesamt 2014). Despite policy reforms, those without a regular job or with discontinuous work biographies are disadvantaged in both the welfare state and pension systems (Emmenegger et al. 2012a; Hinrichs 2012; Peng and Wong 2010). Dualization is therefore not only a barrier to new entrants to the labor market (Streeck 2011), but may also pave the way for future old-age poverty (Emmenegger et al. 2012b; Esping-Andersen and Sarasa 2002; Hinrichs 2012; Peng and Wong 2010; Takayama 2014). Departing from Esping-Andersen's (1990) "Three Worlds of Welfare Capitalism", recent works have examined the effects of dualization across welfare regimes (Chauvel, Schröder 2014; Häusermann, Schwander 2012). It is shown that income gaps between insiders and outsiders are highest in continental and liberal regimes, whereas among OECD countries in 2000 they ranged from 25 to 40 percent less pre-tax income for outsiders. In continental states, this gap continues to be relatively large after tax and upon social security provision (Häusermann, Schwander 2012). Häusermann and Schwander (2012) find that: "[I]t is mainly the pension systems that are responsible for the dualizing effect of taxes and transfers. People who worked in outsider-jobs during their active life are considerably worse off than people who worked in insider occupations. [...] [I]nstitutional dualization through the pension regime is and will remain strongest in continental Europe and lowest in the Liberal countries" Chauvel and Schröder (2014) include the familialistic regime type in a similar analysis and find that the path dependency of being disadvantaged at younger age to a similar state at old age is especially strong in continental and familialistic regimes.

One of the prototypes of the continental type in Esping-Andersen's model has been Germany. With its origin in industrial relations where unions would bargain for the protection of workers, it has traditionally favoured labor market insiders over outsiders, whereas outsiders originally were mostly non-employed persons such as (female) spouses. With the welfare state seeking to maintain social status and living standards in the case of need, however, there has also been an in-built disadvantage for non-regular and low-income workers. Those with lower income would accordingly have lower entitlements and those with

a non-regular working contract typically have to bear higher a burden of social security contributions. In response to the oil crisis in the 1970s, (West) Germany's traditional and mostly male-breadwinner-style dualization expanded into all spheres of society. A gradual feminization of the labor market, the expansion of tertiary education and the expansion of service jobs, which are typically less unionized, have amplified the trend (Häusermann and Schwander 2012). In the early 2000s, burdened by reunification of East and West, Germany liberalized its labor market and increased the share of non-regular jobs (part-time, temporary, freelance), matching with the above definition of outsiders. Also, the divide between labor market insiders and outsiders was deepened as the degree of protection of the latter was further lowered (Seeleib-Kaiser et al. 2012). On average, labor market outsiders have a 39 percent lower income compared with insiders (full-time employees), a gap which is further increased once pension and social security benefits are included (Häusermann and Schwander 2012). This divide is also marked by age, with younger persons more often being outsiders (Emmenegger et al. 2012a; Hinrichs 2012). Recalling the earlier discussion of the insider outsider model, labor market outsiders are – even compared to labor market insiders, which are also pension outsiders – at an additional disadvantage because of their lower entitlements to social benefits and pensions.

As for Japan's welfare regime, there has been disagreement in terms of classification. While Esping-Andersen categorized Japan as a hybrid case between more familialistic Southern European regimes and the liberal type, Goodman et.al. (1998) took a Confucian interpretation because of its long-time residual government spending and high occurrence of three-generation households, high household savings and a male-breadwinner family model. Rooted in the crucial role corporate welfare plays in terms of social security provision, there is an in-built discrimination of outsiders as non-regular jobs usually come without social benefits. With predominantly high rates of economic growth over decades until a severe economic crisis starting 1990, the Japanese welfare state expanded, though with a strong focus on pensions, health and care, mostly benefitting old-age recipients. In the 2000s, amid low economic growth, increasing income inequality and thereby falling tax revenues, reforms were carried out. The welfare state was cut back and the labor market was liberalized to allow for a large non-regular employment sector. This increased

and broadened Japan's traditional labor market dualism. Until those reforms, the standard for male workers had been lifelong employment with seniority pay (Ogawa et al. 2011; Statistics Bureau Japan 2014). Amid continuous economic growth with low income inequality, the disadvantages for the still lower number of outsiders had not emerged as a large-scale social issue (Peng 2012). However, the liberalization policies responding to the economic crisis from 1990 onwards protected only a core of workers, especially in large export-oriented companies. Many other jobs, which would later especially affect new entrants to the labor market, were turned into outsider jobs (Peng 2012). Though the welfare state introduced programs tailored to outsiders, dualism persists: unionization rates are considerably lower among outsiders and so are rates of social protection in terms of pensions, health insurance and employment insurance (Peng 2012). On average, the income gap between outsiders and insiders is 45 percent for men and 31 percent for women (OECD 2015c). Such non-regular jobs, in turn, are more prevalent among young persons and less frequent at older ages (S. S. Lee 2011; Peng and Wong 2010; Peng 2012). Since also in Japan, dualization is strongly marked by age, there are more doubly disadvantaged individuals today than there were in the past when earlier cohorts were at working age.

3 Hypotheses

From the previous discussion, it follows that in both Germany and Japan younger persons are at a disadvantage compared to older persons. The ENSR shows that welfare state expenditure is particularly skewed in favour of the elderly in Japan, and slightly skewed in Germany. Pension systems in both countries are putting today's younger and middle-aged persons at a disadvantage compared to older people. Regarding the labor market, outsiders are at an additional disadvantage compared to insiders.

Given the disadvantage for young and middle-aged people today compared to the elderly regarding pension systems and welfare state spending, I assume that working-age respondents are more likely to agree with the statement that "Older people more than their fair share from the government," than those who have reached retirement age (Hypothesis 1a). Because government spending leans more strongly

towards the older generation in Japan than in Germany, one would assume that a generational conflict is more pronounced in Japan than in Germany. Thus, I expect that Japanese respondents have a stronger tendency to agree to the statement that “Older people more than their fair share from the government” than those in Germany (Hypothesis 1b).

Dualization trends on the labor market can stir worries about one’s individual position in society and the economy not only today, but also in the future. Since today’s labor market outsiders under the current policy settings in both countries are likelier to end up in old-age poverty than both today’s elderly and today’s labor market insiders, this difference may translate into attitudes. I expect labor market outsiders, compared to labor market insiders, to have a stronger tendency to think that “Older people get more than their fair share from the government” (Hypothesis 2a). Since the tendency of outsider disadvantage is similar for Germany and Japan, I expect there to be no significant difference between the two countries in this respect (Hypothesis 2b).

4 Data & Methods

Data are taken from the World Values Survey (WVS) Wave 6, which was conducted between 2010 and 2014. WVS is a suitable data source for my purpose for several reasons. WVS includes both Japan and Germany, and apart from standard socio-economic characteristics, it includes a question whether one agrees that, “Older people get more than their fair share from the government” (World Values Survey 2014). This item is the key dependent variable in the investigation. It is, however, difficult to judge by one item alone whether a generational conflict exists in a country. Generations may battle over scarce public resources, but in other realms of life, there might be a great appreciation of the elderly. In order to explore this in greater depth, two further questions are examined namely:

- “Older people are a burden on society”
- “Old people have too much political influence.”

Analyzing these two additional questions along with the main question of interest (“Older people get more than their fair share from the government”) allows for important contextualization. The first additional question (“Older people are a burden on society”) is closely related to the main question of interest (or main independent variable) but asks about a less specific, more general attitude towards the elderly. The second additional question (“Old people have too much political influence”) asks about attitudes towards the perceived political influence of older people but, unlike the main question of interest, does not refer to policy outcomes. Including these two questions in the analysis therefore allows a rich interpretation of how the results in Germany and Japan are associated with institutional and political differences between the two countries. With this step, it will not only be possible to determine whether there is perceived intergenerational unfairness in either country, but whether such perceived unfairness forms part of a broader pattern of tense intergenerational relations or is rather confined to a specific political issue, such as government spending on old-age.

The original sample size includes 2,046 cases for Germany and 2,443 cases for Japan. From this data set, I deleted cases with missing information on the dependent and independent variables. Regarding those who reported that they “Don’t know” to the three questions of interest, I have kept these observations in the sample for descriptive statistics but have not included them in the multivariate analysis. This has led to different sample sizes for the regressions of the three dependent variables. Regarding the main dependent variable, whether one agrees to the statement that, “Older people get more than their fair share from the government”, the German and Japanese samples counts 1,980 and 1,419 respondents respectively (see table 2 for the summary statistics of the two samples). It is important to note that the Japanese sample was reduced substantially more than the German one due to the omission of people who reported, “Don’t know,” on the question of interest. Around 37 percent of the Japanese sample answered, “Don’t know”, while less than 2 percent of the German sample did. It may be debated whether it is a good strategy to exclude the “undecided group” from the study population. I decided for this strategy as I conduct additional analyses and the “undecided group” seemed difficult to classify.² Regarding all three independent

² I have also performed a multinomial logistic regression where the dependent variable distinguishes don’t

variables, respondents could choose from the following categories: "strongly agree", "agree", "disagree", "strongly disagree." For the multivariate regressions, I have dichotomized the answers into "agree" and "disagree," due to the small sample size.

Turning to the independent variables, the main variable of interest is a person's age, which I categorized into "middle-aged" (18-59 years, hence including younger respondents), and "old" (60+ years). Another key variable of interest is the person's employment status, which distinguishes labour market insiders (1), outsiders (2), retirees (3), housewives (4), students (5) and others (6). In line with Rueda's (2005) definition for labor market outsiders, this group is operationalized as all unemployed persons, self-employed persons with a household income not higher than the bottom seven decimals in their respective country, or part-time employees whose household income is not at least within the top three income decimals. Full-time employees in the lowest three income decimals are also defined as outsiders.³ Insiders, in turn, are all full-time employees with a household income above the three bottom decimals, as well as part-time employees or self-employed with a household income within the top three decimals. Housewives are those who declare their occupational status as housewives as well as married female part-time employees whose household income is not in the top three income decimals.

Another control variable is the level of education. It can be assumed that with an increasing level of education, response behavior is more considering of various dimensions of a given problem at hand and therefore more moderate (see Krosnick 1991). In that sense, people should be less likely to respond positively to the question of interest the higher an education they have. The education variable distinguishes between: (1) low education including those with no secondary school degree, (2) medium level including those with a secondary school degree, and (3) a high level, requiring at least a secondary school degree

know, agree and disagree). It was found that that female, lowly educated, younger, full-time employed were more likely to report that they "don't know".

³ While any operationalization of theoretic concepts involves some degree of arbitrariness, the one chosen here minimizes this problem for the case in point. For example, not every part-time or self-employed individual can be reasonably considered an outsider because income and other criteria may put him/her in an advantageous position. The operationalization used here accounts for this.

that qualifies for post-secondary education. Also, it may make a difference whether one has ever had children or not: those with children may be either more in opposition to rich government spending for the elderly in the hope that more resources are spent on the young. Or, depending on the age of respondents, those with children may be in favour of high spending for the elderly if they are elderly themselves (see Busemeyer, Goerres, and Weschle 2009). Having children is a binary variable, with (0) depicting those with not ever having had children and (1) those who have at least one child. Finally, I control for gender. Given findings that even in the most gender-equal settings, women tend to prefer more redistribution through the welfare state than men (Goerres and Jaeger 2015), it can also be expected here that women, against the background of today's working population being pension outsiders, may have a stronger tendency to think that the elderly get more than their fair share.

Descriptive statistics by country are presented for a first overview. For the multivariate analysis, I employ binary logistic regression. I first run models that estimate the effect of age on the two questions that are related to my main question of interest ("Older people are a burden on society", and "Old people have too much political influence"). This will allow me to establish certain basic trends regarding person's attitudes towards older people. On this basis, I move on to models that estimate attitudes towards whether "Older people get more than their fair share from the government", controlling for age and the aforementioned covariates. This is followed by a model estimating the effect of employment status on attitudes, also including the control variables above. After each model, I run a model where I compare the effects across countries using an interaction of the country variable and the main dependent variable (age, insider-outsider/employment status) respectively.

Table 2: Summary statistics, column percent. Source: World Values Survey, Wave 6 (2014).

		Japan, per-centage	Germany, per-centage
"Older people get more than their fair share from the government."	No:	37.15	92.6
	Yes:	25.39	5.71
	Don't know/n.a.:	37.46	1.69
"Older people are a burden on society."	No:	79.15	76.56
	Yes:	5.16	21.6
	Don't know/n.a.:	15.69	1.84
"Old people have too much political influence."	No:	35.79	63.85
	Yes:	21.33	32.82
	Don't know/n.a.:	42.88	3.33
Age	60+:	35.3	32.32
	18-59:	64.7	67.68
Employment status	Insider:	28.78	36.49
	Outsider:	29.7	19.51
	Retiree:	13.84	27.71
	Housewife:	23.62	9.19
	Student:	1.94	5.16
	Others:	2.12	1.94
Education	Less than secondary school:	11.64	31.03
	At least secondary school:	12.78	36.69
	At least A-level equivalent:	75.58	32.27
Gender	Male:	48.35	49.65
	Female:	51.65	50.35
Having children	No:	25.78	28.85
	Yes:	74.22	71.15
Total sample		2269	2014

Table 2 presents the descriptive statistics of my analytical sample. As shown in this table, 25.4 percent of all Japanese respondents agree to the question of interest, while only 5.7 percent of German respondents do so. As noted above, this variable has been dichotomized, since otherwise the sample size would be too small to yield stable results. This is especially the case for Germany where a vast majority does not think that the elderly get more than their fair share. In Japan, in turn, while a significant proportion does think so, relatively few respondents answered with "strongly agree", as opposed to "agree."

Table 3: Descriptive statistics: share of respondents that agree to three questions of interest, column percent, by country, age, gender. Source: World Values Survey, Wave 6 (2014).

		Japan				Germany			
		18-59	60+	male	female	18-59	60+	male	Female
“Older people get more than their fair share from the government.”	No	33.24	44.32	39.47	34.98	91.12	95.7	92.6	92.6
	Yes	26.84	22.72	28.26	22.7	6.68	3.69	5.9	5.52
	N.a.	39.92	32.96	32.27	42.32	2.2	0.61	1.5	1.87
“Older people are a burden on society.”	No	81.61	74.66	78.94	79.35	77.77	74.04	75.9	77.22
	Yes	3.41	8.36	6.11	4.27	20.62	23.66	22.4	20.81
	N.a.	14.99	16.98	14.95	16.38	1.61	2.3	1.7	1.97
“Old people have too much political influence.”	No	33.51	39.95	39.29	32.51	61.26	69.28	61.1	66.57
	Yes	22.75	18.73	25.89	17.06	35.73	26.73	36.2	29.49
	N.a.	43.73	41.32	34.82	50.43	3.01	3.99	2.7	3.94
Total sample		2269				2014			

Table 3 shows descriptive statistics for the three outcome variables by age and gender. Turning to the statement “Older people a burden on society”, it can be seen that in both countries there is a strong tendency to disagree with the statement. This holds in both categories of each the gender and age variable respectively, whereas the tendency to disagree is even stronger in Japan than in Germany. In either country, the share of the middle-aged disagreeing is even higher than that of the elderly while the difference between age groups is larger in Japan. Regarding the statement that “Old people have too much political influence”, while those disagreeing constitute a higher share in both countries compared to those agreeing, the share of those disagreeing is higher in Germany. The share of those answering with “don’t know” to this question is high in Japan, alluding to a preference of Japanese respondents to not give conflictive answers (see again further below). In both countries, in turn, the elderly disagree with this statement more often than the middle-aged. Considering these broad similarities between Germany and Japan, the difference in response behaviour regarding the statement “Old people get more than their fair share from the government” is striking. While only 33.3 percent of Japanese middle-aged respondents disagree (and 39.9 percent don’t know), 91.1 percent of German middle-aged do (and 2.2 percent don’t know). Among the elderly, 44.3 percent of Japanese respondents disagree (33 percent don’t know) and 91.7 percent of Germans (0.6 percent don’t know). Hence, while it cannot be said that Japanese society

feels more resentment towards the elderly in general compared to Germany (these numbers rather suggest the contrary), there seems to be clearly more discontent in Japan when it comes to the elderly in a policy-related context.

Table 4 reports the results from the logistic regressions. Model 1 provides the results for the outcome variable “Older people are a burden on society (model 1a for Japan, model 1b for Germany) and Model 2 for the statement “Old people have too much political influence” (model 2a for Japan, model 2b for Germany). The results largely confirm the descriptive evidence discussed above. Controlling for education, gender and having children, the middle-aged have significantly lower odds of agreeing to the two statements. The effect seems to be lower in Japan than in Germany, suggesting a greater appreciation of the old age among the middle aged respondents in Japan.

Table 4: Binary logistic regression, both countries. Dependent variable: agree to statement that “Older people are a burden on society” (model 1a, 1b), that “Old people have too much political influence” (model 2a, 2b); agree (1) versus disagree to statement (0). Odds ratios.

		Model 1a: Japan		Model 1b: Germany		Model 2a: Japan		Model 2b: Germany	
		Pseudo R2: 0.04		Pseudo R2: 0.01		Pseudo R2: 0.01		Pseudo R2: 0.01	
		Odds Ratio	z- value	Odds Ratio	z- value	Odds Ratio	z- value	Odds Ratio	z- value
Age group (ref.cat.: 60+)	18-59:	0.34	-4.87	0.78	-1.95	1.47	2.87	1.51	3.58
Education (ref.cat.: low)	At least sec- ondary school:	0.49	-1.66	1.07	0.46	0.81	-0.81	1.09	0.73
	At least A- level equiva- lent:	0.71	-1.29	0.82	-1.37	0.77	-1.35	0.93	-0.55
Gender (ref.cat.: male)	Female:	0.73	-1.58	0.92	-0.72	0.80	-1.93	0.74	-3.15
Having chil- dren (ref.cat.: yes)	No:	1.82	2.46	1.30	2.09	1.09	0.65	0.99	-0.11
Constant		0.16	-7.42	0.33	-9.08	0.63	-2.46	0.44	-7.18
Number of observations		1913		1977		1296		1947	

Source: World Values Survey 2014 (own estimates).

Table 5: Binary logistic regression, both countries. Dependent variable: agree to statement that “Older people get more than their fair share from the government”. (1) versus disagree to statement (0). Odds ratios.

	Model 3a: Japan		Model 3b: Germany		Model 3c: pooled		
	Pseudo R2: 0.01		Pseudo R2: 0.02		Pseudo R2: 0.19		
	Odds Ratio	z-value	Odds Ratio	z-value	Odds Ratio	z-value	
Age group (ref.cat.: 18-59: 60+)	1.62	3.89	1.79	2.29	1.57	3.75	
Country (ref. cat.: Germany Japan)					0.07	-	
Age-country interaction					1.24	0.81	
Education (ref.cat.: low)	At least secondary school:	0.74	-1.24	0.95	-0.21	0.83	-1.06
	At least A-level equivalent:	0.94	-0.32	0.71	-1.32	0.90	-0.72
Gender (ref.cat.: male)	Female:	0.92	-0.81	0.97	-0.17	0.92	-0.89
Having children (ref.cat.: yes)	No:	0.99	-0.05	1.49	1.91	1.10	0.85
Constant		0.57	-3.09	0.04	-	0.58	-3.59
					12.92		
Number of observations			1419		1980		3399

Source: World Values Survey 2014 (own estimates).

Table 5 reports the results from the logistic regression with the outcome variable “Older people get more than their fair share from the government”. In Model 3a and 3b, the two countries are analyzed separately, with age as independent variable. In case of Japan (model 3a), the age variable has a strong gradient, with middle-aged persons having higher odds of responding positively to the question whether they think that the elderly get more than their fair share from the government. In Germany (model 3b), age follows a similar pattern as in Japan, middle-aged respondents also show higher odds than the old. Hence, the null hypothesis for H1a (no middle-aged respondents showing no significant difference in the

odds of responding positively to the statement that “Older people get more than their fair share from the government”) can be rejected. It has to be noted, however, that both models have a rather low pseudo-r², indicating that there are other important variables that this model does not include.

To see in which country the tendency to agree to the question of interest is stronger, model 3b (table 5) shows a binary regression including the variables for age, country and an interaction of the two. The odds ratio for the country variable shows that Japanese respondents have a much stronger tendency to agree to the question of interest. Hence, the null hypothesis for H1b (that there is no significantly stronger tendency among Japanese respondents to think that the elderly get more than their fair share being stronger compared to respondents in Germany) can also be rejected.

Table 6: Binary logistic regression. Dependent variable: agree to statement that “Older people get more than their fair share from the government” (1) versus disagree to statement (0). Odds ratios.

		Model 4a: Japan		Model 4b: Germany	
		Pseudo R2: 0.01		Pseudo R2: 0.01	
		Odds Ratio	z-value	Odds Ratio	z-value
Employment status (ref. cat.: outsider)	Insider:	1.13	0.88	1.17	0.60
	Housewife:	0.70	-1.87	1.17	0.40
	Student:	0.59	-1.24	0.50	-1.21
	Others:	0.40	-2.03	1.52	0.64
Education (ref.cat.: low)	At least secondary school:	0.56	-2.13	1.02	0.08
	At least A-level equivalent:	0.73	-1.40	0.80	-0.70
Gender (ref.cat.: male)	Female:	1.07	0.47	0.99	-0.03
Having children (ref.cat.: yes)	No:	1.09	0.60	1.88	2.76
Constant		1.06	0.24	0.05	-9.45
Number of observations		1200		1428	

Source: World Values Survey 2014 (own estimates).

Table 6 examines whether there are also differences in the role of employment status regarding attitudes

towards government spending. For this regression, pensioners have been deleted from the sample since they do not add to the understanding of differences among pension outsiders. For Japan (model 4a), there is no significant difference between labor market insiders and outsiders, neither is there in Germany (model 4b). Hence, the null hypothesis to H2a (outsiders not having significantly higher odds than insiders) cannot be rejected for Japan. Similarly for Germany, the results show no significant difference between insiders and outsiders and H2a cannot be rejected. Regarding H2b, since the premise for rejecting it (that there is a significant difference between insiders and outsiders) is not given, the null hypothesis can also not be rejected. A variable that shows significant results in Germany, but not in Japan, is having children. Those who ever had children in Germany have higher odds of thinking that older get more than their fair share. Putting this in the context of government expenditure on families, this seems somewhat paradoxical. Family support policies in Germany are much more comprehensive than those in Japan (Seeleib-Kaiser and Toivonen 2011a, 2011b). Nevertheless it is German respondents with children who stand out and not the Japanese ones. However, to offer a deeper explanation for this significance would require a different theoretical framework than the one used here, which may be a suggestion for further research.

5 Conclusion and Limitations of this Study

This study has examined how attitudes towards government spending for the elderly depend on age and employment position in Germany and Japan. The results show that non-elderly or middle-aged persons (here called pension outsiders) think more often that the elderly get more than their fair share compared to elderly respondents (pension insiders) in both countries. Whether an individual is a labor market insider or labor market outsider (the latter being defined as unemployed persons, part-time employees or self-employed persons without household high income, or full-time employees with low household income), in turn, does not significantly affect response behaviour in either country.

One interpretation of the “non-finding” regarding labor market outsiders could be that the results for labor market insiders are strong because they are the prime contributors to the pension systems and

other welfare state programmes, whereas labor market outsiders may be relatively more solidary with retirees since they have a higher risk of having to rely on the welfare state themselves. On the other hand, responses by outsiders may be weaker amid anticipation of one day becoming receivers of welfare old-age spending themselves and see this as a safe haven despite lower entitlements. Another reading would be that at least on the government spending dimension, today's non-elderly or middle-aged share commonalities alluding to what Karl Mannheim called "political generation" (see Pilcher 1994) – bound together by common challenges and sources of discontent, which could be why they do not significantly differ from each other in attitudes on government spending.

Japan's strong age gradient, in turn, is a finding also noteworthy from a cross-country perspective. Considering the government's spending focus (ENSR), pension adjustments and the situation on the labor market today, middle-aged persons in Japan are disadvantaged to a stronger extent than those in Germany. In general, however, Japanese respondents tend to give more cautious or socially desirable-considered answers in surveys (where socially desirable would typically be a response unlikely to stir debate, hence, in this context not agreeing to a statement such as "Older people get more than their fair share from the government; Harzing 2006; Smith 2004; Villar 2009). Hence, the stronger results for Japan strengthen the main theoretical argument in this paper. In other words, in Japan the labor market and the welfare state seem to disadvantage certain social groups (middle-aged in general and labor market outsiders especially) to such an extent that the cultural tendency of cautiousness, but also the generally rather elder-friendly attitudes is outweighed and Japanese respondents give stronger answers than German ones. This stark contrast between the general great societal appreciation towards the elderly but the strong perception of unfairness regarding policy in particular may, in turn, have repercussions on the attitudes towards the elderly in Japan more generally. However, the deciding variable seems to be being a pension outsider, not being a labor market outsider. Based on these results, the welfare state can contribute to differences between generations in terms of attitudes towards policies, which in turn can be considered as bearing potential for conflict: while policies in Japan are more strongly tilted towards the elderly than in Germany, the age gradient in opinions on these policies is also stronger in Japan. The labor

market, where both countries have rather similar patterns of disadvantaging middle-aged persons, also shows similar results for both countries. Being a labor market outsider is not associated with a higher prevalence of thinking that the elderly get more than their fair share from the government.

There are some limitations to my empirical approach. As in many studies of this kind, omitted variables may have biased the results. One dimension that this article falls short of, for instance, is a more thorough consideration of the family dimension. I control for whether a person has ever had a child or children. But there is no mention of financial dependencies across generations within the family neither for private assets. Also, due to small sample size, respondents could not be split up into more categories, such as gender. Also due to sample size, a division of Germany into East and West could not be done. Regarding data, since the World Values Survey is cross-national, questions have been translated into local languages. Inevitably, there is some loss of information. Although problems of different connotations of wording and the alike are accounted for, it is impossible to completely eradicate them. Also, the rather large proportion among Japanese respondents who answered “don’t know” to the question of interest cannot be neglected completely. This difference may be explained by cultural characteristics, as East Asian persons tend to be more cautious when being surveyed. Eventually, due to the nature of the data, indicators of shifting generational conflict over time could not be accounted for. Time-series data would help a great deal to better understand this phenomenon.

Against the background of the results presented in this paper, another question opens up: one explanation why younger and middle-aged people tend to think more often that the elderly get more than their fair share may be the macroeconomic environment they have grown up in. In both countries, the younger generations of today have entered the labor market in an era when sustained and high economic growth was a thing of the past. Instead, times are characterized by dualization. It could be argued that perceptions of unfairness between generations are not primarily a result of institutions but rather the effect of being part of a “less lucky generation” (see Myles 2002). Certainly, both these effects – that of the welfare regime and the labor market discussed in this paper, and that of being part of a “less lucky generation” – are related. It is a welfare state’s *raison d’être* to support those in need. To determine which of the two effects

is stronger, the “institutional effect” or the “less lucky generation effect” would require further research.

This work has shown that an age gradient in terms of attitudes towards policies is observable where the labor market and spending priorities of the welfare state are biased in favor of older persons. It also needs mentioning that these effects, while significant, are not very strong. In that sense, this analysis also hints at that demographic developments alone do not provide for a generational conflict but appear to only serve as an amplifier when policies and the economy point in the same direction. Knowing about dimensions with potential for conflict is useful beyond the two countries analyzed in this work since demographic ageing is a phenomenon all industrialized countries are set to face in the coming decades. Expanding this research to more countries covered by the World Values Survey, in turn, also including different types of welfare state regimes or cases of dualization, would allow for deeper insights into the interplay of labor markets, welfare states and demographic ageing.

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