

The Effect of Inheritance Receipt on Labor Supply: Evidence from Japanese Microdata[†]

Masahiro Hori^a and Takeshi Niizeki^{a,b,‡}

^a Economic and Social Research Institute, Cabinet Office

^b Ehime University

January, 2018

Abstract

This paper examines the wealth effects on labor supply by considering the inheritance receipt as an exogenous change in household wealth. Using the Japanese microdata consisting of heirs aged 26-51, we find that (i) while male does not respond to the inheritance receipt, female decreases their labor supply, (ii) the inheritance receipts seem to be unanticipated to most heirs. We also test the unitary model by exploiting the spousal information. The results indicate that who received an inheritance influences the labor supply decision of each household member, implying the rejection of the unitary model.

Keywords: Wealth effects, labor supply, inheritance receipt, unitary model

JEL Classification: D13, D64, J22

[†]This paper forms part of our microdata based research at the Economic and Social Research Institute (ESRI) on household consumption, labor supply, and macroeconomic policies in Japan. We would like to thank Keiko Murata, Koichiro Iwamoto, Junya Hamaaki, Fumihiko Suga, Kazuhito Higa, and other ESRI colleagues for their comments and support. The views expressed in this paper are those of the authors and do not represent those of the institutions with which we are affiliated.

[‡] Corresponding author. Faculty of Law and Letters, Ehime University, 3 Bunkyo-cho, Matsuyama City, Ehime 790-8577, Japan. E-mail: niizeki.takeshi.kn@ehime-u.ac.jp (T. Niizeki).