

Allocation of Child Allowance Payments and Effects of the Payments on Household Expenditure in Japan

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Abstract

This paper examined intrahousehold allocation of the Japanese Democrats' child allowance (DCA; *kodomo teate*) payments, which started in 2010, and the effects on household expenditure of an institutional shift from the preceding traditional child allowance (TCA; *jido teate*) program. With regard to allocation of the DCA payments, more than 90% is used for the child, in higher-income households more is allocated to the child, and the share of educational expenses and the share of saving and insurance are larger. In contrast, relatively less is allocated to the child, and the share of expenses for household members other than the child is larger. Also, liquidity constraints increase allocation to expenses for all family members.

As for the effects of the increased payment amount due to the institutional shift to the DCA program on expenditure of child-rearing households, expenditure for the child increased by 29% of the increase in child allowance payments, which is a favorable result for a policy measure intended for children.

Key words: child allowance, household expenditure, liquidity constraints.
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