1. Introduction

The total fertility rate hit an all time low of 1.26 in 2005. The downward trend has continued for decades in Japan since the rate fell below 2.00 in 1975. Since then, Japan’s population is rapidly ageing. The share of persons aged 65 and over was 20.2 per cent in 2005 and it took only 24 years to increase the proportion of those aged 65 and over from 7 per cent to 14 per cent (National Institute of Population and Social Security Research 2006). The speed of population ageing accelerated during the 1990s when the long-term economic recession took place.

Figure 1 shows the ageing index computed by the ratio of the population aged 65 and over to that aged 0 to 14 years and a particularly high increase in the ageing index can be seen after 1990. Japan is character-
ized by a fast speed of ageing and the continuous decline of the fertility rate. Rapid transformation of the demographic structure brought about generational imbalance between beneficiaries and contributors in the Japanese social security system. The burden of the working population to support the elderly increased in as much the proportion of the retired population grew. In fact, the younger generation displays doubts on the sustainability of Japan’s social security system, and they feel that they can no longer rely on the benefits of a social security system for their well-being when they are aged (MHLW 2003).

The main purpose of this chapter is to discuss the impact of a rapid change in the demographic structure on income inequality. The economist Fumio Ohtake (2005) claims that most of the increase in income inequality after the 1980s in Japan can be explained by the ageing of population. He provides convincing evidence, but he does not offer sufficient explanation about the significance of the high extent of income inequality among the elderly. I therefore would like to explore income inequality among the elderly population from a sociological perspective. The ageing of population does not simply mean the increase in the number of persons aged 65 and over, but is accompanied by a change in the structure of households in which the elderly reside. The household is one of the key concepts in social stratification studies (Acker 1979, 1980; Goldthorpe 1980; Ōsawa 2002) and it is the basic unit in which the level of consumption is determined among individual members. In this chapter, I will focus on the household in which the elderly spend their daily life and examine the extent of income inequality by household type.

Traditionally, Japanese elderly used to satisfy their needs of livelihood security through sharing the household with their child’s family, typically represented by the three-generation households. However by now, the number of three-generation households has declined, while the number of one-person households and couple-only households has increased. On the other hand, young people’s marriage rate has dropped, and the number of adult unmarried children who stay in their parental home has increased. Such a change in the demographic behaviour of young people also leads to changes in the household structure. As a result, the number of nuclear households in which parents and their unmarried adult children co-reside has increased, while the number of three-generation households where a young household head is co-residing with parents and small children has declined. Further, following the increase in the divorce rate, the number of one-parent families with