The impact of parental resources on housing wealth accumulation in post-socialist urban China

**Background**

In the last two decades, researchers’ attention was shifted to wealth as another distinctive variable for parents to benefit children’s life chances through transfer (Spilerman 2000). International researchers have linked parental wealth with the persistence of inequalities such as educational attainment (Spilerman 2004), transitions to homeownership (Spilerman and Wolff 2012) and other social variables such as family structure and retirement choice.

The fact that Chinese society is a post-socialist regime does not disqualify the topic of the intergenerational impact of wealth but rather makes the intellectual gap of it more interesting. Different from many post-socialist regimes such as Russia and East European countries who are still suffering from economic downturns, China’s post-socialist trajectory was coupled with a double-digit boom making the world’s leading emerging economy, with simultaneously skyrocketing wealth inequality and absence of gift or inheritance taxation. China has its private wealth rose from around 100% of national income in 1978 to over 450% of national income in 2014, reaching a level close to that in France, the United States, and the UK (Xie and Jin 2015).

Among the fields that wealth plays a big part in, housing-related features such as the home acquisition and asset building are probably the most relevant in Chinese context. Like many other public services like healthcare, although a big part of international literature focuses on the education sector, this might not be the most marketized sector for Chinese society, since its education sector was partly developed from the public-school systems in redistributive economy, where institutional and socialist capital play much of a prominent role. On the contrary, the housing market is an emerging sector that was previously controlled by central distribution but is almost completely marketized. Also, the accumulation of housing assets is usually a familial task where the parental help has been evident, some previous studies were successful in demonstrating the existence of parental impact in the reformed era (Niu and Zhao n.d.; Zhu 2018).

Nevertheless, in a post-socialist regime, the interaction between socialistic institutions and general capital and market mechanisms still makes things complex. This is already documented well in the studies on wealth in China about its origins—wealth inequality rises from advantages under the socialist redistributive system. Privatization and marketization of the housing sector and state business capital in the 1990s was suggested as crucial evidence that socialist elites are able to persist their advantage during economic transition through rent-seeking opportunities in the marketization process and accumulate wealth in the private sector.

Despite a rich body of research documenting the initial accumulation of home wealth (Bian 2002; Bian and Logan 1996), few intergenerational investigations into the accumulation of housing resources of the younger generation had been made. Given that the opportunity structure in transitional Chinese society is mixed, would there be a difference in the market resources and political/institutional status of parents in facilitating the attainment of children? Only when accounting for a better set of measures for parental resources, that it would be possible to investigate the interaction of different factors in the family background that conditions the chance for children to get resources. Using unique data from a social survey in China, this paper aims to quantify the impact of parental resources under the post-socialist regime in urban China. In the next section, considering the factors unique to the stratification and mobility regime of Chinese society, we introduce our data and conceptualize a framework to study the impact of various parental resources and status, including wealth, on the housing wealth accumulation of the children.

**Data**

The data is collected primarily from the parental generation. We utilize the China Health and Retirement Longitudinal Study (CHARLS) (Zhao et al. 2014), a household survey targeting elders above 50 years old, who provide information about their children. We select children aged between 25 and 45, who reside in urban area, do not live with their parents, married, and financially independent.

The variables are merged from multiple waves of CHARLS. After merging, there are two major sources of missingness in the data. Information about the institutional status of parents (hukou, working unit type, party membership, and cadre ranking) are merged from the 2014 life history survey. 11% respondents in 2015 do not possess such information. As these indicators of parental status are crucial, and it’s hard to impute the missing values due to systematic reason (survey dropout), these records were dropped before other observations.

In the 2015 survey, 21.3% and 12.2% of children’s income and 9.6% of parental net worth are missing. After comparison, no correlation of such missing patterns can be found with the missingness of other variables. Therefore, we assume these variables are missing by random and impute them with MICE. Other variables with smaller portion of missing values (<3%) are also imputed with MICE. In order to make sure the randomity in MICE does not introduce biased inference, all subsequent analysis had been valid run multiple times with different random seeds.

**Analytical framework**

In the post-socialist Chinese society, the persistence of redistribution system and the introduction of market mechanisms led to a constantly evolving opportunity structure that weakened labor power as maintained through the hukou system and undermined the role of organizational assets tied to the working unit (Wu 2019). The roles of authority, skills, and economic capital in generating inequalities, however, have been enhanced.

Since this paper looks to investigate the role of parental status and background, it makes sense to formulate the analytical framework based on the structure of parental resources. In capitalist societies, the measurement for parental resources usually takes the form of education, occupation and wealth holdings. Figure 1 visualizes the theoretical formulation that guides the modeling process of the paper. Looking at the factors that help children achieve these, we start from the resources and status of children’s generation. Studies show despite the introduction of commercial home loan, personal savings remain the most primary source of finance for home purchases. With little doubt, labor market resources act prominently in the current real estate market, which includes the educational attainment, occupation and income of children, following the typical formulation. This is represented by the blue channel in the figure. Besides, as an additional factor from the fast urbanization, we expect that the hukou status and party membership of the child to have an additional effect, as in the green channel.

Apart from children’s self-achievements, resources and status of parents are expected to help with the yellow channel. On the socialist side of the distribution, there have been evidence suggesting that parents in resourceful working units and with urban hukou are able to leverage their organizational resource to assist children with homeownership. Huang and Yi (Huang and Yi 2011) found that children of high-ranking cadres were more likely to own second homes. Their parents could access highly subsidized housing by their top positions in work-units and thus help their children in their home purchases. Parents also sent requests to their own work-units for an additional flat on the grounds of crowded living conditions (Wang and Davis 2010). Social network and organizational resources of parents can also bring better investment opportunities and other rent-seeking capacities (Or 2018). Because the most crucial period for asset building with housing privatization is 1990s, we extract the occupational and institutional information of parents from the job in which they stayed the longest time from 1988 to 1998. Such information includes the hukou status, working unit type, and organizational ranking.

Central to the focus of the paper, with the parental generation realizing huge wealth accumulation and escalating property price, direct financial transfers from parents is represented in the red channel. A number of qualitative studies (Or 2018) in major cities had shown young adults from middle-class families receive substantial financial assistance from parents. A number of quantitative studies had pointed out a significant impact from the property ownerships of parents on ownership attainment of child generation (Cui, Huang, and Wang 2019; Niu and Zhao n.d.). Some studies went further to discuss potential familial patterns of intergenerational financial and ownership transfer, such as favoring for downward mobile children (Zhang and Bian 2019; Zhu 2018). Therefore, a link between parental wealth and children’s welfare has been established. In our data, two measurements for parental wealth are included: home wealth through which resale and ownership transfer is assumed, and financial asset through which assist in down payment is assumed.

The last key feature in the framework is the hukou status of parents. Unlike most capitalist countries that assume market principle and free flow of population and resources, China used to adopt a central-planned redistribution economy and tight migration control. The hukou system was established in 1958 with the aim of controlling geographic mobility from rural to urban areas, and over time it has become an integral part of China’s social stratification system (Liang 2014). Since the market economic reform in the 1980s, the hukou institution had been relaxed to allow the flow of rural labor into urban areas in order to fuel the development of the manufacturing and service sector. This brought the largest migration in human history (Liang, Li, and Ma 2014). Although the migrants are not constrained geographically by their hukou status, the dual society consists of urban-rural residents more or less still exists. The migrants mostly still carry a rural hukou, which disqualify them for receiving the privileges of employment, food coupons, health insurance, housing, and schooling (Liang 2014, Solinger 1999, Wang 2005) as the urban local residents. In other words, the major source of disadvantage for migrants is the lack of local hukou at the destination. On the topic of this paper, hukou status is historically linked to the housing wealth (Logan, Fang, and Zhang 2010). The privatization process of housing assets in urban areas took the form that sold the public rental housing to sitting tenants. Without an urban hukou, rural migrants were excluded from such a process. In our data, with the same homeownership rate of 84%, the average home value of urban residents is ¥268,000, almost twice as ¥139,000 for rural parents. Although the housing sector is marketized after 2003, institutional and political factors still play a role. On one hand, for anyone that does not hold an urban hukou, the housing subsidies are still out of their reach.

In the case of Chinese society, considerations on its unique stratification structure should be taken. Although in the market transition the parental generation have realized initial accumulation of wealth, the socialist institutions, in particular hukou, working unit and party membership are still active social institutions that creates “categorical” status inequality, which therefore need to be taken into the formula of parental resources. Parents in rural area not only differs from urban parents in terms of resources but also in terms of ideologies, therefore it makes sense to distinguish them in the equation.

**The Chinese context**

In our data (see Table 1 for summary statistics), out of children whose parents are from a rural family, 72% are young migrants who do not have an urban hukou as their rural parents. On average with middle school level education and 79% taking agricultural, industrial workers and employees of service occupation, they are part of the new urban migrant working class. 77% of their parents live in rural villages.

Turning to urban residents, the vast majority of children (86%) hold an urban hukou as their parents also do. Parents of urban incumbents are much more advantaged than rural families. On average they spent 9 years in school compared with the rural average of 6. 76% of rural migrants’ parents are farmers, while 70% of urban parents are working in resourceful working units such as government, state-controlled firms and public institutions. Enjoying an average net worth of ¥373,000, they own twice wealth holdings as the rural parents do. Coming from the privileged family under the socialist regime, their children is guaranteed opportunity. Enjoying urban schooling guaranteed by their hukou status, they accumulated good human capital, which later translates to their labor market rewards, on average ¥64,000. 74% of children own a home, whose value averages at ¥472,000.

A smaller 28% group of migrants from a rural background but have earned urban hukou. Noted as “elites” or permanent migrants in other studies, they usually have received decent education with average above high school through the highly selective meritocracy education system. Indeed, their background is slightly better than their majority fellows in terms of parental education and family net worth. However, what really made they stand out is their superior labor market rewards, represented by more prestigious occupations (50% of them work as clerical personnel, professionals, technicians or managerial elites) and an on average ¥69,000 income, 40% more than their majority counterparts without an urban hukou. As a result, 76% of them own a home, whose value on average equals ¥444,000. Such volume of wealth tripled the average home value of their parents and is 60% more than their working-class peers. Indeed, they are from a rural background but their level of self-achievement is close to urban residents.

**Parental resources’ role in children’s homeownership**

Compare with many societies, benefiting from the rapid development in the housing sector, the homeownership rate in China is overall high (Cui et al. 2019). However, home is still not for everyone. Two logistic models target entry into homeownership (Table 2) from children whose parents are of rural origins and urban origins.

Not surprisingly, for both types of families, the likelihood of entry into homeownership increases with age as a life-cycle factor and number of children as a need to accommodate the household members. Out of the child’s characteristics, the household income seems to be the prominent factor which prepares the necessary economic resources for the market, regardless of the occupation or education. The spouse’s education was also significant, probably serving as a proxy for the human capital of the spouse side. The significance of an urban hukou for rural children suggests that hukou is still an entry barrier for homeownership.

Notably, for the same group of children male is at a disadvantage compared with the female in the likelihood of homeownership. Speculation could be that since all females in the data are married, marriage could have significantly enhanced their socio-economic status by sharing resources with the husband, which can possibly come from an urban background. There are twice urban residents from the spouse of female children than from the spouse of males. Rather, male children from rural areas often have to rely on themselves for status enhancement.

Somewhat surprisingly, net of the mediating effect on labor market return and institutional status, no economic or political resources from the parents facilitates homeownership in urban children in both types of families. In other words, human capital resources such as income and the years of schooling are dominant in defining access to homeownership. However, knowing that the homeownership of children does not necessarily provide a local place for residence, such unaccounted heterogeneity is taken into the calculation in the subsequent section on home value.

Such an indication of self-achievement comes with a small exception of 13% of homeowners, who were lucky to be given a home directly from parents upon their marriage as a substantial gift (median gift value is ¥200,000). Different from other channels of assistance such as ownership transfer of self-built homes (Zhu 2018), the gift recorded in CHARLS takes the explicit form of market purchase. In other words, substantial financial input is required for such a grant towards homeownership. A logistic model (Table 3) thus is made to assess whether particular factors would increase the likelihood of children to receive such a gift from parents. Because the portion of gift transfer is indeed small, the urban and rural samples are combined. The result shows a very strong preference towards males and the only child. Indeed, the recipients are almost exclusively male (94%), and 22% are only children. Aside from that, no clear pattern can be spotted. Such a gift might reflect the family lineage in the transfer, which had been elaborated in a number of studies (Or 2018; Zhang and Bian 2019).

**Impact of parental resources on asset building of children**

*Children from rural families*

Even though parental background does not pronounce much in entry into homeownership, among homeowners, the case is quite different with regards to accumulated home wealth for the children. From what the model shows, the opportunity structure for children from the rural and urban backgrounds is completely different.

For children from urban origin families (Table 4), the labor market story is straightforward. The labor market performance would be crucial: 4 additional years in school bring a 20% increase in home wealth, which equals the impact of a doubled income, holding other factors equal. A similar but smaller influence from the spouse’s education level can be observed, as three additional years of spousal education would bring about a 10% rise in home value. The impacts from occupations are also controlled, with white-collar jobs enjoying better-off housing opportunities than agriculture laborers and industrial workers. Meanwhile, permanent urban residents remain privileged compared with their rural counterparts with a 16% premium in home wealth controlling their human capital.

On the parental side, net of all those self-achieved resources and status, parental net worth would still add significantly to the amount of assets. More precisely, for one standard deviation increase of 3.09 in parental net worth, the home value of children’s home would increase by about 12%. After controlling for various properties on the child generation, it can be assumed that the mediating impact from parents through human capital would not be contributing to such significance. In other words, it’s safer to suggest that such an impact from parents can be attributed to a direct transfer of financial assets or home properties.

Having confirmed the support from parents, in another model we use an alternative formulation of parental resources, decomposing it into four parts to understand more concrete transmission channels. There are four major components of parental wealth: housing asset, financial asset, fixed asset and durables, and land asset. We have included the logged value of each individual item and specify a dummy variable indicating the status of no ownership of such asset (e.g. 1 indicates no homeownership), so that we can compare between the group of people holding such an asset and the group that does not.

From the result, it seems that the major vehicle for rural parents to directly help their children build the asset portfolio is through home assets. After controlling more coefficients, such impact is actually much more prevalent than the previous specification of pure net worth. If logged parental housing asset increase by a standard deviation of 4.03, the child’s home value would increase by 64%. The magnitude of such impact is very much considerable, considering that one standard deviation of income only increases child home value by 19%.

An additional finding considers the gendered support from parents. Two interaction terms of child gender with housing and financial wealth of parents are included in the model, which reveals that parental housing wealth have more impact on male children, and parental financial wealth have an impact on the home value of male children (compared with no effect on female children). Such difference provides another evidence that the support from parents is gendered, especially for those growing up in a rural environment, where traditional family lineage is considered to be transmitted through male household members.

*Children from urban families*

For urban locals growing up in the city, the labor market story is not so different. Similar impacts from education, occupation, and family income are observed, with the magnitude of coefficients similar to rural children. The main difference between the model results lies in the part indicating the impact of parental resources.

The impact of parental net worth is still significant and is even larger in terms of magnitude than the case for rural parents. With a one-standard-deviation increase of 2.7 in parental net worth, the increase in child home value would be 15%. When the second model decomposes the parental wealth components, the result shows that given an increase of 4.5 in logged parental housing wealth, there will be an 81% increase in the home value of the child, almost doubling it.

Although both through the channel of home wealth, the impact from urban parents is larger than the case for rural parents. A reason to speculate would be that the housing market in the urban area of China is marketized, while the liquidity of rural properties is quite limited. Although ownership transmission can serve the purpose of housing wealth transmission, if parents try to liquidate properties to assist financially, more convenience can go to urban parents, who have more capacity to liquidate their property and offer help. Indeed, if children from rural families decide to settle down in an urban area, they have no choice but to purchase new property. However, the capacity of their parents who are of rural origin would be quite constrained.

Apart from the difference in the impact of parental asset holdings, another interesting dimension of urban parents can be found in the significance of the impact of their working unit type. Holding other factors constant, parents used to work in public institutions and the government would bring a 32% premium to the home value of their children compared with those working for agricultural working units. Studies have suggested that these politically privileged parents are usually able to offer material and non-material help to their children. Since the specification already controls the asset holding of parents, such effect can be attributed to the socialization effect and organizational resources that politically privileged parents can offer, including social networks to obtain the opportunity to purchase housing with the subsidy, first-hand knowledge in asset acquisition, etc. Since the majority of parents (51%) are working in these public occupations, the advantage that they hold from their resourceful working units and experience gives them extraordinary capacity compared with rural parents on top of their more superior asset holdings.

First, it seems that urban local parents here have much more than wealth resources to offer. The coefficient for public and private sector employment (compared with agricultural sector), and high rank cadres, clearly shows that apart from locating better resources assist in human capital and home ownership, and providing direct financial assist, parents with socialist advantages are able to offer additional help for children to build their asset. The form might be an insider’s access to heavily subsidized home, rent-seeking opportunities, or other non-material goods.

For children from rural areas, the labor market story is similar with more emphasis—the coefficient shows a higher reward to labor market income. Indeed, after standardizing the coefficients of both models, the magnitude of household income coefficient for rural origin children was 0.24, while that for urban children was 0.18. Therefore, labor market rewards are more defining in the housing wealth of rural children than their urban. In addition, an urban hukou associates them with housing welfares, thus adding significantly to the accumulation. On the parental side, the significance of parental net worth also exists, with the similar magnitude on both sides. In addition, an urban hukou associates them with housing welfares, thus adding significantly to the accumulation.

**Summary and discussion**

In fields where the state and the market interplay, the resources and mechanisms are complex. For the current generation of young adults in China, the housing market is where the parental economic resources get to speak much more. The good news regarding it is, achieved labor market performance are still crucial to secure a fair chance of achieving a home. However, among homeowners, people from a more wealthy family background have significantly more likelihood to store more value in the housing asset. More precisely, the impact of parental housing assets is prevalent, while more advantages concentrating on the urban local parents who have the more convenient channels and more asset holdings for supporting their offspring. Meanwhile, the rural parents focus their material support on males as a representation of family lineage.

The findings also tell a story about how the socialist elites transmit and legitimize their status advantage in the post-socialist era. The fact that the political and institutional status of parents can still have a large share in predicting children’s home wealth indicates a conversion process from socialist status to economic resources realized in the parental generation, and more importantly, transmitted to the children’s generation. In a more legitimized channel, organizational and institutional resources under redistributive mechanisms facilitate the children to gain human capital and succeed in the labor market. But in addition to that, parental wealth also adds directly to homeownership and accumulation of home wealth through multiple channels. One among others is a gifted home upon marriage, though more are yet to be demonstrated by concrete evidence.

In terms of social mobility, the good news is there’s still good room for movement. Even in the housing wealth accumulation, parental background accounts for only 27% of variation with R2 for rural children. As a comparison, for urban children, the R2 is high as 43%. In other words, the support from urban parents are providing a safety net for their children to accumulate housing asset as a crucial dimension of future life well-bring. However, considering Chinese society is still undergoing rapid change, the future prospect will not be the same. Although the hukou system is under reform, and housing price is stagnating in the urban area, more marketization dynamics in the education sector might drive up the contribution of parents’ financial resources even more. The progress in various sectors can suggest a tendency for wealth resources to be more pronouncing than the case that this study covers.