RESEARCH QUESTION

Past literature had focused on how parents’ political capital, cultural capital, and institutional background had shaped various social outcomes of the offspring, especially focusing on elites in the socialist era. Recent years, sociologists have started to say that in the post-socialist era, after converting political capital to materials, upper-class families have more resources and incentives to pass their economic advantages on to their offspring. However, no empirical evidence has been provided.

Utilizing a survey capturing the parental generation who have experienced the market transition and who are under considerable level of wealth inequality, this study aims to address the lack of empirical evidence of this argument. Adding parental net worth to the equation, it seeks to understand possible mechanisms for parental economic resources to impact the life chances of offspring in the post reform era of China.

MODELING

Possible outcomes to explore in the data might include the children generations’ education, income, homeownership, and home value. Because many modeling options haven’t been settled down, here I’m only capturing the most important attributes: home value of children as a proxy of children’s wealth attainment and highest education of child as a proxy of human capital.

I restrain the sample to only include children residing in the urban area, including main city areas (81%) and combination zones between the city and rural area (城乡结合部). Also, I filtered the sample furthermore so that it only includes children over 20 years old and financially independent from the parental household. The children generation’s average age is 37, marriage rate 85%. One-third of them have received tertiary education. Median household income locates between ¥30k and ¥50k. The homeownership rate is 60%, with a median home value among homeowners is ¥300k (0.77 Gini). The parents are 64 years old on average. 41% of this urban generation’s parents are residing in the urban area, among whom 72% have an urban hukou. The net worth of parental generation averages at ¥170k, most of which are housing asset (Gini of net worth is 0.61, close to 0.64 from CFPS2012).

RESULT: HOME VALUE (regression result see homevalue\_child.docx)

\*In the variables shown in regression table, all children’s SES are followed with \_child (such as education\_child). Rather, those without the suffix represent father variable (such as education)

Modeling heavily right-skewed home value, I use median regression to capture the median in groups as recommended by Killewald (2017) instead of conditional mean models such as OLS. I constructed 5 models from intragenerational factors (model 1 and 2) to broader factors with parental variable and intergenerational transfer (model 3, 4, and 5), hoping to offer some ways for comparison.

Model 1 only includes children’s demographics, hukou status, party membership and human capital indicators including education qualification and job category. This model yields similar observations compared with existing studies using a similar analytical framework. A profile with higher age, being married, residing in the main city rather than suburban area would bring more likelihood to higher home values. As many other studies have argued, an urban hukou and party membership constitute privilege in the housing market. Better education qualification, a middle-class job in the service sector or as a technician/professional would bring plus on home value as well. Model 2 has everything in model 1 but further includes income level of children’s household, which emerged to be the largest predictor of home value. Consistent with other researchers have found, after considering income as an economic resource, an urban hukou, and party membership still constitutes significant advantage, which might translate to the institutional rent-seeking advantage as other studies have elaborated.

At model 3, the models include further a set of father’s resources, mainly institutional, political and cultural. The impact of child education is reduced to almost insignificant, showing that it’s a strong function of father’s education.

Moving to the centrality of attention, model 4 added the total net worth of parental household (the sum of land, housing, durable/fixed and financial assets, summary stats close to results from CFPS) in the form of 4 categories: lower than ¥160k, ¥160k to ¥320k, ¥320k to ¥500k, and above ¥500k. The result verifies the finding from international literature that the impact of wealth varies at different ends of wealth distribution. Indeed, no difference is yielded between parental households with a low net worth (below ¥320), which takes up 70% of households. However, the case is different at the higher end of the wealth distribution. It turns out that holding other attainment indicators of children and parental generations constant, compared with parental households with lower net worth, those holding ¥320k to ¥500k as net worth would bring up the median value of their offspring by ¥40k, which is numerically roughly equivalent to the advantage for children’s households to have a ¥30k to ¥50k income rather than below ¥20k. The benefit to offspring is even more elevated for top 20% parental households in the wealth distribution, which yields on average a ¥100k surplus (to contextualize, the median home value in the corresponding child generation is ¥600k). After adding this variable, the impacts of offspring income at different levels reduced, showing that a part of the impact of income might have acted as a proxy of the economic resource from the parents.

Model 5 adds the variable measuring home gift upon marriage and direct transfer from parents to children (binary, whether over ¥30k in the past year). Among the homeowners in offspring, 11% of them was bought a house upon marriage. The gift amount medians at ¥150,000, which is a significant amount. It turns out such advantage brings them a ¥113k advantage on average in home value. At the same time, it reduces the impact of parental net worth, showing a significant part of the net worth impact comes from the direct transfer. Rather, the regular direct transfer does not yield significance. It might be due to that this variable captures other transfer purposes such as living expense, leading to heterogeneity in the measurement.

RESULT: EDUCATION (result see education\_child\_clm.docx and education\_child\_logit.docx)

Children’s educational attainment is measured as the highest education. I’m less familiar with modeling categorical variable so I tried two models: cumulative link model that models it as an ordinal variable and logistic regression modeling a constructed variable “whether children completed tertiary education (include 3 yr college/大专 and 4 yr undergraduate)”.

Results from both models indicate that family background of higher net worth increases the odds of entering into a higher level of education. Despite this, the father’s education level remains the largest predictor of children’s educational attainment. Similar to the findings from home value, the impact carries more magnitude for households with higher net worth.

POTENTIAL CONCLUSION

The results have quantified the impact of parental wealth on children’s wealth accumulation, potentially providing an additional dimension of researching intergenerational impact in China apart from household registration and working unit. It shows that controlling achieved economic resources and other human capital factors, a significant portion of urban residents’ wealth attainment could be analyzed as a function of their parents’ accumulated wealth through various direct transfer mechanisms, home gift upon marriage being a significant one of them. Moreover, such impact is larger for households on the higher end of wealth distribution. A possible reason might be that it is easier for parents with higher net worth to extract economic resource to assist children. In addition, existing literature on intergenerational impact might have overemphasized the impact of parental human capital and institutional advantage, although they remain large factors in facilitating children’s life chance.

The result from models on education supports that the impact of parental wealth on education is significant but still quite limited for the children population. Indeed, the extent of education privatization in China has not reached the level to make tuition fee unaffordable for many families compared with countries such as the United States. However, considering increasing educational investments in recent years becoming a social phenomenon, whether this observation would hold in the future would be less certain.

The findings might provide broader implications for the research of inequality persistence. In the past, social mobility in China is organized around imposed institutional inequalities such as hukou and working unit, where a limited source of mobility comes from human capital achievement under meritocracy. However, looking at this cohort of parents who are the first generation in modern China with considerable level of wealth inequality (Gini of 0.61), the findings show that in addition to enjoying the parental contribution to institutional advantage (such as hukou, working unit, party membership) and labor market attainment (hukou, occupation, income), offspring might have a part of their wealth holdings more directly translated from the economic resources of parents. In the presence of increasing wealth inequality and absence of any inheritance, gift or property tax, difference brought by such impact is likely to demonstrate further impact on various life chances of the present generation in urban China.

MODELING QUESTIONS

Though some findings are evident, the models here are just preliminary and maybe naïve. Apart from big questions such as whether median regression, cumulative link model and logit regressions would work under this case, I also have some ideas about improving the modeling listed below.

Next step: clarify the wealth’s effect channels

- How to choose the appropriate time point to evaluate father's hukou and occupational status across life history? At this moment I’m using the occupation that the father stayed for the longest time, and the father’s current hukou status.

- How to tackle the correlation between father and son social status in education, party membership and hukou so that one does not overrepresent the other? Based on mobility?

- At this moment the model only includes father’s measures. Should mother’s SES measure be included as well?

-Retrospective history,

-snapshot to snapshot,

-occupation history,

-education and occupation,

-sequence analysis use parenal history to contruct trajectory, income, latent class,

Parents who are stably high ses, distinguish, trajectory, latent class.

Chinese family system, event history,

All possible ways