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Housing and intergenerational transfer:
A comparison between Hong Kong and Taiwan

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ABSTRACT

There is evidence in Taiwan and Hong Kong that intergenerational transfer in the form of housing has increased substantially in the recent decade. This paper attempts to examine this emerging phenomenon in the context of the changing socio-economic environment as well as social policy framework in East Asian countries. Indepth interviews with old age home owners have been conducted in both Hong Kong and Taiwan in looking at inter-vivo transfer of housing resources from the old to the younger generation. This paper will explore the variety of forms of inter vivos transfer as well as the social, economic and cultural motives of such transfer in the mix of welfare provision to the elderly between the state, market and the family. This paper argues that inter-vivo housing transfer in the two places by motivated by a mix of social and cultural factors, capacity of such transfer is contingent to the state of the housing market and the tenure pattern.

INTRODUCTION

The family is still an important social, economic and emotion support to its members. This is particularly crucial for the elderly in many Asian countries where traditional values carried forward from an agrarian society in a not-so-distance past remains significant and comprehensive state welfare for the old is not well developed. Hence transfers from the younger (working) generation to the older (retired) generation, both formally and informally as well as tangible and intangible, constitute an important element in the social support system. Transfers in the opposite direction are also quite common and usually in non-monetary form such as assistance of the older generation in house work and child rearing. Yet, recent social changes, economic globalization and the retrenchment of the welfare state, inter alia, impoverish the ability of the younger generation in such contribution. It is evidenced, in research in advanced western countries, that material transfers from older parents to the young adults has been intensified in the past decades (cf Attias-Donfut & Wolff, 2000; Gulbrandsen and Langsether, 2003).

Whilst transfers between generations who stayed in the same household is common, this paper would like to explore one emerging phenomenon in Hong Kong and Taiwan, namely inter-vivos intergenerational transfer of housing asset from the older to the younger generation. Such phenomenon is significant in several aspects. First, the transfer of housing asset is substantial which may have profound impact on wealth distribution and social mobility. Second, the indivisible nature of housing asset would pose issue of equity for the older parents in transferring such assets to their off-springs. Patterns of inter-vivos transfers would help to shed light on change in cultural values on status involving gender and birth order as well as process of generational bargains. Third, the need, viability and extent of inter-vivos transfer of housing asset are contingent to both the economic and social environment (unfavorable) to the younger generation and the conditions in the past that that favoured the older generation to accumulate wealth (particularly housing wealth). It is stimulating to explore how such environments in different points of time interact in creating the current pattern of inter-vivos transfer. It is other illuminating in looking at how such patterns would develop in the future in the light of the movement of economic environment and the housing market.

Data analysed in this paper were taken from indepth interviews with old age or near old age home owners in Hong Kong and Taiwan. Twenty Seven interviews in Hong Kong were conducted from June to
September 2004 with home owners of both the private home owners and owners of assisted home ownership scheme (low cost home ownership programme). Interviews in Taiwan were conducted in Kao Hsung city and Kao Hsung county in southern Taiwan between May and June 2005 with seventeen successful interviews. Both cities employ the same interview topic guide and the interviews were taped and the content transcribed. With the aid of Nudist, a qualitative analysis software, the transcripts were coded to generate issues that will be dealt with in this paper.

This paper focuses on inter-vivos transfers from the older to the younger generation in an Asian context. Whilst shared cultural value between the two places will be emphasised, difference in the institutional and economic context will also be contrasted. This paper is divided into five sections. Following this introductory section is a review of the literature on intergenerational transfer, in both Western and Asian context, with co-residence being a distinct focus in that section. Section three highlights the demographic, social and economic background against which intergenerational transfer in subsequent section is analysed. Section four summarized the issues that were raised in the indepth interviews. It offers an initial exploration of such phenomenon in Asia and helps to fill the gap in our understanding in such area.

HOUSING AND INTERGENERATIONAL TRANSFER – A LITERATURE REVIEW

Intergenerational transfers are an important source of support for younger and older generations and continue to play a key role in providing educational opportunities, a range of social welfare functions and security in old age. A considerable literature has emerged that examines the form and functions of transfers, which are differentiated from bequests – transfers being between living people and bequests only applying on death. This distinction has engaged the attentions of scholars and policy makers for a number of reasons: transfers can take the place of, articulate with or be crowded out by social welfare systems; they take a variety of forms including financial support, housing, help with childrearing, housework and shopping, and advice; flow between younger and older generations as well as in the reverse; have gender implications in terms of both form and function; and change across time and space.

A theme of the literature is to explain inter-vivos transfers. A number of theories have been presented. Lillard & Willis (2002) identify three main models: altruism, insurance against risk and old age security. According to the altruism model household heads allocate resources among family members, without expecting repayment, to balance resources amongst family members. In time children help to support their aging parents.

In the insurance against risk model family members transfer resources between each other to help one another in times of need. This enables families to smooth out their resources over the longer term –very important in societies where savings vehicles, insurance and social welfare are undeveloped. In Indonesia, for example, family members transfer resources to those in need. Research shows that transfers are systematically related to the needs of the receiver and to the resources of the giver. Evidence in similar for Singapore (Mehta, 1999). In developed countries such as France, Germany and the USA family members who are poor or unemployed receive greater transfers than better-off or employed members (Gulbrandsen & Langsether, 2003). Two large scale surveys in the USA (the Health and Retirement Survey and the Asset and Health Dynamics Survey) found that parents tend to give large transfers to less well off children even if bequeath their estate equally to all their children (McGarry, 1997).

Another explanation for inter-generational transfers is proposed by research into transfers in France, namely that they are designed to prevent downward social mobility or promote upward mobility between generations. In a French three generational survey conducted in 1992, transfers flowed downwards, and in particular to children in full time study, to young women in the family and well-educated non co-resident adult children. Higher educated parents tended to give more generously, suggesting transfers are human capital investments and designed to reduce the likelihood of downward social mobility. Members of the
pivot (middle) generation who were better off than their parents tended to help their parents, perhaps as compensation for assistance they received in the past to improve their social position. Transfers to grandchildren represent family strategies to promote adult children rather than distribute resources within the family. Grandparents take care of their grandchildren in order to promote the social mobility of young mothers, which is described as an expression of female solidarity towards promoting the professional career of women (Attias-Donfut & Wolff, 2000).

In the old age security model, children are a long term mechanism of saving for old age. Where there is a dearth of savings vehicles, still the case in many developing countries, parents invest their savings in their children (and their children’s education) who in turn take care of them in old age. Children repay parents for education loans through support in old age (Lillard & Willis, 2002). In Malaysia, for example, transfers increase in likelihood and value if parents are older, in poor health or widowed. This view is associated with the repayment hypothesis. In Indonesia the family is the main source of support in old age and there are strong economic ties between parents and adult children (Lillard & Willis, 2002). This is also conceptualized as the notion of the “contract between generations”, namely that parents look after children who in turn look after their parents in old age. (Mehta, 1999: 112).

Another theme of the international literature is direction of intergenerational transfers. To summarize a literature of many and varied case studies, in wealthier European and Anglo Saxon countries transfers are increasingly from parents to children while in poorer Asian countries transfers still flow from children to parents. In Australia, for example, parents provide funds for deposits on homes and purchase of major household equipment, provide housing following marriage breakup or studying and look after grandchildren. Members of the pivot (middle) generation are more likely to help their children than their parents. Where joint households exist houses are more frequently owned by older parents (Legge & O’Loughlin, 2000). In Germany, according to the German Ageing Survey of 1996 material support flows from older to younger generations although instrumental support flows evenly in both directions (Kohli, 1999). According to a 1993 Norwegian survey 80% of parents gave their child(ren) one of more forms of establishment support, 49% allowing adult children over 20 to live at home free or cheaply, usually in connection with education, 43% one or more children direct financial support for education and 19% for home establishment. Education appears to be reason which most often triggers support from parents (Gulbrandsen & Langsether, 2000). Explanations for the decline in intergenerational transfers in developed countries include structural changes (more divorces, couples living together) changes in society (urbanization), increased social and geographical mobility, economic growth (making people more self sufficient) and a rise in individualization (making people more autonomous and self absorbed) (Gulbrandsen & Langsether, 2003).

Financial transfers from family members – primarily adult children – comprise the main source of income for most older people in many Asian countries, including the Philippines, Taiwan, Singapore, South Korea, Thailand and Cambodia (Agree et al, 2002). However resources also flow from parents to children although in different forms such as looking after grandchildren and helping with housework. In Singapore, according to the 1995 National Survey of Senior Citizens, while nearly two thirds of older people are supported financially by their children and most older people live with their children, 39% of elderly parents give financial assistance to their children, 80% participate in decision making and provide advice on important family matters, 18% look after grandchildren and 78% assist with housework (Mehta, 1999). A 1996 survey in the Philippines found that 29% of older parents reported giving money to a non-co-resident child (Agree, et al, 2002).

**Co-residence**

Co-residence is an important form of intergenerational transfer, primarily referring to parents and adult children living together. Common forms of co-residence are children living free or cheaply with parents
while they pursue higher education and parents living with children in old age. Co-residence occurs where a child(ren) never leaves home or where a parent(s) and child(ren) move back in together. A key issue, although not strongly emphasized in the international literature is ownership of the home, i.e. is it the parent’s or the child’s home. Again the experience of developed and Asian countries is dissimilar.

In Nordic countries, Europe and USA co-residence was common well into the 20th century mainly comprising elderly and increasingly frail widows moving back in with a child (Gulbrandsen & Langsether, 2003). In Norway, for example, historically parents and children co-resided, the family home inherited by the child who provided care: housing for old age security. This was known as the kaar system whereby farms were transferred or sold cheaply to an heir in return for care and co-residence rights for elderly parents. Co-residence has declined greatly World War II due to the expansion of social security, economic development, improved housing provision and better communications – which enables parents to live independently but within a short car drive distance or a children, permitting “intimacy – but at a distance” (Gulbrandsen & Langsether, 2003).

Co-residence is also on the decline in France, a country which highlights the difference between co-residence and re-cohabitation. In two out of three cases sons who live with their parents have never left, while in the case of daughters, nearly three out of four daughters have moved back in. While co-residents tend to be single, returnees involve mostly married children, but also divorced and widowed children (Attias-Donfut & Wolff, 2000). Re-cohabitation generally leads to a rise in the social status of parents as parents move in with their more upwardly mobile children; while co-residence is characterized by social immobility between generations. Co-resident children tend to be more disadvantaged (socially, educationally and educationally) than their siblings (Attias-Donfut & Wolff, 2000).

If co-residence has declined in developed countries it remains widespread and important in Asian countries. For example about 71% or more of older adults in Philippines, Taiwan and Thailand and 63% of older adults in Indonesia with one or more adult child live with an adult child (Agree et al, 2002). Co-residence has been promoted by a number of factors including migration of elderly parents from rural areas to join adult children who migrated earlier (Knodel & Obstadal, 2002), the high cost of housing (Agree et al, 2002), undeveloped social security systems, low incomes of elderly parents compared to rising incomes of their children and custom and tradition. Levels of co-residence are also high in wealthier Asian countries such as Japan and the case study countries of this paper.

While considerable research has been conducted examining the issue of intergenerational transfers and co-residence, these have often been treated separately, research into transfers being limited to those between parents and non-resident children. It is observed (Agree et al, 2002) that this tends to miss a sizeable amount of transfer activity occurring between parents and children as results show that older adults tend to give to children and grandchildren with whom they live rather than non-co-resident children. There is also very little research into the dynamics of transfers between parents and children who co-reside, and consequently little is known about the nature and direction of transfers and relative bargaining power. Ownership of the dwelling does not of itself inform the nature of the relationship between owner and occupier (Agree et al, 2002).

CONTEXT

Hong Kong

In 2001 there were 747,052 elderly people (65+) in Hong Kong. The elderly population has expanded at an average annual rate of 5.5% per year since 1961 (2001 Census). It is projected that the elderly (65+) will reach 20% of the total population by 2029, or 1.8 million (Working Paper No 13, HK 2030 Plan.).
Amongst the elderly people, 60% were married, 34% were widowed, 4% divorced or separated and 2% never married. Generally speaking the elderly have low levels of education.

Hong Kong’s elderly have low incomes. This reflects that many of them came to Hong Kong from China as refugees, with low skills, low levels of education, and led hard lives while they struggled to raise their families and make a living. Their income is difficult to calculate because the Census includes only income from employment and few elderly people work. However research does confirm low incomes (for example, Chow, 1997; La Grange & Yung, 2002; MacPherson, 1994).

In 2001 57% of the elderly lived with a child or children (32% lived with a spouse and child(ren) and 25% lived with child(ren) only). In addition, 18% lived with a spouse only and 11% lived alone. La Grange and Yung (2001) proposed that the government’s much vaunted “ageing in place” was really “ageing in the family”, placing a considerable burden on the family to meet the needs of the elderly and making life very difficult for those elderly who did have a supportive family network. Recent research conducted by Chan & Lee (2003) suggests however that elderly people in Hong Kong are increasingly reluctant to live with their children in old age and prefer a greater degree of independence.

In the last few decades, home ownership has doubled in relative size, from less than a quarter (23%) in 1981 to half (50%) of the households in 2001. Amongst such home owners, around one in eight (12%), excluding those nuclear families with dependent child(ren), are households that have more than two generations. Co-residence of three generations were the most population living arrangement among them with two thirds (67%) of non-nuclear owner occupier families which have three generations. More than half of such families (39% of households which accommodate more than two generations) were grandparents (or either or them) living in homes owned by their children (or in-laws) together with the grown-up child’s family (table 1). Yet, there were also half (48%) of the households, among those which accommodate more than two generations, with adult children (either alone or with their own family) lived in homes owned by their parents.

Table 1 Co-residence among non-nuclear family home owners in 2001 in Hong Kong

<table>
<thead>
<tr>
<th>Living Arrangement</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Generations (Adult children living in Parents’ Home)</td>
<td>20</td>
</tr>
<tr>
<td>Two Generations (Parents living in Adult Children’s Home)</td>
<td>11</td>
</tr>
<tr>
<td>Three Generations (Adult children (with family) living in Parents’ Home)</td>
<td>28</td>
</tr>
<tr>
<td>Three Generations (Parents living in Adults (with family) children’s home)</td>
<td>39</td>
</tr>
<tr>
<td>Three Generations (Parents and Grandparents Living in Adults Children’s Home)</td>
<td>0.3</td>
</tr>
<tr>
<td>Four Generations</td>
<td>1</td>
</tr>
<tr>
<td>All the above Groups as a percentage of home owners</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis of Census 2001
Note: including in-laws, parents can be either mother, father or both, the same connotation applies to grandparents

Not only was home ownership rate escalated in the last two decades, so was house price. House price in Hong Kong rose seven times from 1980 to 1997 when it reached its peak. Even today (2006), house price has been quadrupled compared with the level twenty five years ago. Such increase was particularly intensive in the early 1990 with price rose four times from 1990 to 1997. The market plummeted after the Asian financial crisis when a reduction of market value in 2001 to only half of its peak value (in 1997). Even with such a severe reduction, home buyers who bought early still have a substantial capital gain.

Taiwan
In 2005, nearly one in ten (9.6%) of people in Taiwan were over the age of 65 and it is expected in 2023, such proportion would reach 18%. Amongst the elderly people in 2005, the majority of them lived with their children (58%) whilst another one third (33%) either lived alone or only with their spouse. Compared with the figures in 1990, those who lived with their children had decreased while those who lived alone or only with their spouse had increased (corresponding figures at 62% and 28%). Co-residence is also quite popular in Taiwan. A survey in 1997 by the Ministry of Interior found that amongst adults between the age of 20 to 49, over one third of them lived regularly with their parents. Even for middle age adults (between the age of 40 to 49), there was still one in five (19%) lived with their parents.

Taiwan is also a nation of home owners, more than eight out of ten families (85% in both 1992 and 1996) in Taiwan lived in homes owned by their family. However, it is quite surprising that over one third (34%) of households in 1992 (Taiwan Social Intention Survey 1992) and one fifth (20%) in 1996 (Taiwan Social Change Survey 1996) lived in homes owned by other family members. In most such cases, the homes were provided by their parents, 29% in 1992 and 18% in 1996 (table 2). This is a strong indication of the extensiveness of intergenerational housing transfer in contemporary Taiwan. For households who lived in homes owned by their parents (and in-laws), it is four times more likely such homes belonged to the parents of the husband (13%) than that of the wife (3%), according to a survey done in 1989 (National Survey of Womens’ Living Conditions 1989). Such figures were even higher for younger couples. The same survey also found that nearly all couples who lived in homes owned by their parents (or in-laws) did not pay any rents.

Table 2 Home Ownership in Taiwan 1992 and 1996

<table>
<thead>
<tr>
<th>Type</th>
<th>1992</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-owned</td>
<td>51</td>
<td>66</td>
</tr>
<tr>
<td>Owned by parents</td>
<td>29</td>
<td>18</td>
</tr>
<tr>
<td>Owned by children</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sibling-owned</td>
<td>2</td>
<td>--</td>
</tr>
<tr>
<td>Rented</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Dormitory</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>


House price in Taiwan, similar to that in Hong Kong, has experienced rapid increase in the last few decades. House price has reached its peak in the early 1990s which then had risen three times since 1980. There was a long slump in the housing market since then but house price in early 21st century, though had dropped by nearly a quarter since its peak, still accumulated more than 2.5 times increase since the early 1980s (Taiwan Real Estate Research Centre, 2005). Hence, those who bought in the 1980s would still have substantive capital gain.

FINDINGS AND DISCUSSION

Forms of intergenerational transfer of housing

Housing is an expansive asset which usually involves long term borrowing for the purchase. This opens up a variety of possible forms of transfer of housing from the old to the younger generation. Our interview findings reveal two forms of transfer arrangements, the first is the assistance with downpayment, either as a gift or a loan (interest free) and the second is outright purchase of the property which is then transferred, either as a gift to the younger generation or as alternate source (interest free) of mortgage.
Assisting children with the downpayment in housing buying is the most common form of transfer among the respondents in our interview. Apparently, this is the form of transfer that involves the least resources from the older generation and perhaps one of the most effective help. Capital constraint of downpayment can be a formidable hurdle for many first time buyers even when they have enough income for regular mortgage repayments. Help from parents for the downpayment may be relatively small but the support is extremely timely for the young home buyers. It is particularly valuable in places where housing is expansive and the mortgagees ask for a large downpayment compared with the value of the property. For instance in Hong Kong, thirty percent of the house value is usually required by the bank and a small size flat at average price (which may cost US$150,000) would demand a downpayment of US$45,000 as downpayment. A survey in Taiwan in the 1990s also reveals the popularity of such practice in which nearly one in ten households (9%) in 1997 have received financial support or a loan from their parents or parents-in-law, and another 5% from their siblings (or siblings-in-law) for home buying (Panel Study of Family Dynamics, 1997).

Such assistance (paying for downpayment) can be in the form of a gift, which is more popular amongst our respondents in the interviews. Yet, some of them would ask their children to repay the loan, but do not charge them interest, as a gesture of self-responsibility. For some caring parents, assistance with mortgage downpayment can also be used as a motivator for their children, to work harder and to save more.

Revealed by an anxious father towards the future of his son:

_This flat [the flat of his son], so as to say, was forced upon on him by us. He loves to travel, several times a year. He worked for ten years but could not save any money, all spent on traveling. We told him that cannot continue. He is thirty now but does not have any savings. How can the couple take care of themselves. The couple should be able to afford the mortgage. So, we look up a flat then ask them to have a look. His mum then strongly urged him to take the flat, otherwise, they would continue to waste their money on traveling. He said they did not have enough money for the downpayment, so we gave them the downpayment._ (Mr. Leung, a retired housing manager from Hong Kong)

When assistance is given in the form of downpayment as gift, parents usually would not ask to have a stake in the property. To avoid bequest or inheritance tax is one reason (which will be dealt with later), others see their contributions too little to warrant a stake in the title.

_That is not necessary. I have a house of my own and putting my name in the title complicates the transaction... the house will be theirs anyway [after my death]...(Mr. L, retired housing manager from Hong Kong)_

_I only contributed the downpayment, all the rest are their (the son and his wife) responsibilities. It is their house._ (Mrs Liu, about 60 years of old, housewife in Kao Hsiung City)

There are a few respondents who can afford to buy a house outright for their children. Yet all such respondents are in Taiwan. It is not surprising given the high house price and relatively low rate of home ownership in Hong Kong (50% of owner occupiers in Hong Kong against 85% in Taiwan). Whereas in Taiwan, not only was house price much cheaper, there is also a highly inclination for the Taiwanese to take housing as a form of investment.

_I have] four children, eldest daughter and her three younger brothers. We are ordinary family and hard working. House price was not high and I have four kids, so bought four houses, one for each of them. Yet these all wasted, they did not want them, so all had been sold later...and never bought [for them] again. We also had an office unit, 120 ping (400 square meters), neither can it be sold or rented out...(Mrs Chin from KoaHsung city in Taiwan, in her 60s whose husband was a navy officer)_

Research in Taiwan on vacant properties also indirectly substantiates the existence of such phenomenon. Wen (1988) found that housing market in Taiwan had high proportion of units for investment (Wen, 1988)
and this also makes vacancy rate in Taiwan unusually high by international standard. Chang (1995) found that 13% of properties in Taiwan were vacancy in both 1980 and 1990 which was also far higher that the natural vacancy rates required for the smooth turn-over of the housing market. Hence, it is not very usual, for parents in Taiwan (particularly southern Taiwan where the house price is cheaper compared with the north of Taiwan and rural tradition more apparent), to buy houses and earmarked for their children. They are either rented out, or even left vacant, awaiting their children to return home after study or military service. Such theme will be when we discuss the motivation of intergenerational transfer.

Motives and Intergenerational Exchange

Lillard and Willis (2002) identify three motives of intergenerational transfer: altruism, insurance against risk and old age security, whilst the second motive of insurance against risk is less relevant in the present context, our respondents revealed a strong motive of altruism when they rendered help to their children. 

It [helping her child to buy a house] is an expression of the care for your child .... I would help whatever I could... parents anywhere would do that (in a forceful expression) (Mr Cheng, retired, from Kao Hsiung City, Taiwan)

However, we are cautious on whether such altruistic motive is a sole motive in such transfer. There is a possibility that economic motive can be equally important, particularly for those parents who only rent out the property at no cost to their children but have no intention to transfer the title to their offspring. Although it is also unlikely that investment motive is the sole motive for inter-vivos transfer to the younger generation.

Yes, when I bought this house, there was a general mood among the neighbours in investing in properties. So I bought. If I did not sell it, it could be left for my children as well. If they do not like the house, I can sell it for profit (Mrs Chin from Kaa Hsung city, in her 60s whose husband was a navy officer)

Yet no one expressed, in an explicit manner, an expectation of exchange for care when they get older. It does not mean there is no such anticipation. One respondent expressed such antipation as an ideal living arrangement of the family to put everybody under the same roof. Yet, realizing the remoteness of materializing such dream, they instead opted to maintain a living arrangement with their children that keep them in proximity but at a distance.

If conditions permit, I would like to buy a house, like my workmate, that can accommodate the whole family but with separate entry and living areas. We would not interfere with each other but can help each other if it is needed. I really want to but I cannot afford such a house...I really cannot afford. (Mr Cheng, retired, from Kao Hsung City)

Others conceived the expectation of reciprocity in a rather subtle and implicative manner, perhaps to mitigate the frustration when such hope cannot be materialized.

I do not care whether my son will support me. It is better if he could but you cannot complain if he doesn’t. It all depends on his financial situations. Of course, I would expect the investment (both on his son and on the properties of his son which he helped to pay the downpayment) but there is no investment you can guarantee a return (Mr. Ngai, retired shopkeeper from Hong Kong who lived with his son)

I think, as a family, we should not care too much about material exchange, self-interests etc. Whoever has the ability should help others .... I would not explicit mention expecting them to take care of us when we get older. It is up to them...but I am confident the family value we have been all the time upholding would have an impact on them...(Mr. Leung, retired housing manager from Hong Kong who had contribute downpayment for his son)
Inter vivos transfer and Tax Considerations

Tax considerations are particular relevant in Taiwan when the inheritance tax is progressive and relatively high. Tax threshold for inheritance tax starts at around US$170,000 and tax rate begins with 2% which rises progressively to 50% for inheritance exceeding a value of US$2.5 million. Hence, some parent prefer inter vivos transfer to avoid the tax liability.

*I used the child’s name when I first bought the house (for her son). It can save on the tax …* (Mrs Chin from Koa Hsung city, in her 60s whose husband was a navy officer)

Even such transfer have to be carefully crafted as the law in Taiwan also set a tax free limit on the value of transfer of property as a gift (US$25,000 a year tax free). Beyond that, tax is charged progressively at the same rate as inheritance tax. Hence, many parents either do the transfer in phrases below such limit or do it when the children have not reached adult age at which the law set no limit on the value of gift.

On the contrary, tax considerations were not mentioned in our respondents in Hong Kong. This indicates that tax is relatively irrelevant in decisions on inter vivos transfer is concerned. Although Hong Kong still levies inheritance tax but the tax regime is rather generous. Tax would only be levied on inheritance over the value of US$650,000, which should be above the value of an average flat in Hong Kong. Even if tax has to be paid, the tax rate is only 15.5%. Hong Kong also imposes no tax on transfer of inter vivos transfer. Hence, tax considerations should not be a motive when the decision on inter vivos transfer is made.

One more recent trend in Hong Kong may also have an indirect effect on inter vivos transfer of housing to the young generation. Housing construction boom in the recent decade in China has attracted many lower middle class families from Hong Kong in buying a second home in the Pearl River delta area. A few such residential projects, usually in the form of gated resort communities developed on former rice fields which can be reached within one to two hours from Hong Kong, have gradually transformed from a family resort to a community for the retired. Private health care provision has replaced entertainment facilities for the kids as the niche to attract new buyers. Many retired couples stay longer in their retired homes in China than their principal homes in Hong Kong. In order to fully utilize their home in Hong Kong, some of them would let their children stay in the first home in Hong Kong. This is a new form of inter vivos transfer albeit such transfer may only be temporary.

Cultural Value on Parents’ Responsibility

Information from social surveys (Taiwan Social Intention Survey (1992) Taiwan Social Change Survey (1996) reported in an earlier section reveal the popularity of intergenerational transfer of housing in Taiwan. Although there is no comparable statistics in Hong Kong, experience of the authors would suggest most of such transfer in Hong Kong would be in the form of assistance towards downpayment in home buying and the popularity of such transfer should be much lower than that in Taiwan. Findings in our indepth interviews also suggest such difference which we would say, attribute partly to cultural and partly to social and economic divergences between the two places.

Hong Kong is highly urbanized and with hundred and fifty years of British colonial rule, it is relatively more westernized than Taiwan. Our interviews drew interviewees from southern Taiwan which is less urbanized and cultural influence with agrarian origin is still strong. For instance, in agrarian China, land would be divided among sons when the father retired and such tradition seems to have shaped the division of housing assets in Taiwan. It is at least the parents’ responsibility to leave something for their children. *This is the tradition we inherit from our older generations. I do not want to see it altered in our generation. What our older generations gave us, we should pass on to our next generation. Of course,*
it depends whether we have such capacity although there is nothing we can do if we do not have (Mr Xie, from Kao Hsung, Taiwan)

Their (the children’s) house was given by us. It is tradition. What our older generations gave us, we should do likewise to our younger generations. It is heritage passes on for generations (Mrs Cheng, retired, from Kao Hsung City, Taiwan)

Yet the discourse is expressed in a very different way in Hong Kong towards the responsibility of parents. An expectation of the self-reliance and independence of their offspring seem to be more respectful.

[If I have to help my children to buy a house] I would be guilty with what I did in the past. I must have done not good enough to provide them with the best education to allow them to strive and become independent. They should rely on themselves... although if they asked for help and I can afford, I would render them help (Mr. Wong, a retired building contractor from Hong Kong)

Housing Market

Difference in the level and form of intergenerational transfer in housing between Hong Kong and Taiwan may also attribute to the difference in institutional factors as well as structure of the housing market. For instance, housing finance was not as developed as that in Hong Kong. Not only was there a mortgage rationing and home buyers were not easy to get a loan, even if they were able to get a loan, they still have to prepare a big proportion for downpayment (Chang, 199?). Hence, finance from the informal sector became necessary in home buying and help from family members was a cheap source of such finance. Since a large proportion of downpayment was required for a mortgage and house price in southern Taiwan was not that high, hence, it may be cheaper (given the mortgage interest was higher), it was not uncommon to find home buyers who bought the house outright with the help from family members, or partly from self-help saving co-operatives (an informal finance institution in rural Taiwan, not just for home buying but a source of informal capital for general purposes). The pre-sale system of house building, in which the developers collect money from prospective buyers in phases to finance the building, further reinforced the popularity of outright purchase of housing. Hence, it is not surprising to find parents in Taiwan can buy houses outright for their children.

The situation in Hong Kong was a bit different. House price in Hong Kong has been always high relative to income and outright purchase of houses (to be exact, flats) is very uncommon except for investment purpose (partly because investment alternatives are more elaborated than those in Taiwan and people would opt for a diversity in their investment portfolio). There has never been any mortgage rationing in Hong Kong and a relatively low proportion of downpayment was required before the 1990s (usually 15% for private housing and only 5% for public assisted home ownership). Hence, the demand for help was not so intense as the income constraint on mortgage repayment imposed a heavy burden than the wealth constraint for downpayment. Yet starting from early 1990s, as a preemptive measure against housing speculation, the banks are only allowed to lend at most 70% of the value to mortgagors. Thus, younger home buyers would find it very burdensome to pay 30% of the house value as downpayment. Hence, help from their parents toward downpayment would be a timely assistance to them yet affordable to their parents. This would partly explain why most of the interviewees in our indepth interview experience inter vivos transfer only in the form of help towards downpayment.

Concluding Remarks

Inter vivos transfer of housing assets is an emerging phenomenon in East Asia. Housing wealth accumulated by many elderly (or near elderly) home owners who benefited from the rapid rise of house price in the last few decades creates the supply of the resource for transfer whereas the same price escalation which produces the demand of assistance from the younger generation in home buying. Our
empirical data has largely generated a descriptive account of the form of transfer in Hong Kong and Taiwan in which the assistance to downpayment in housing purchase was the most common form of assistance, more indepth analysis is required beyond the preliminary analysis we have just engaged. We need to our data in the context of the East Asian welfare regime and analysis in the changing socio-economic environment in recent years.

However, although some conclusive remarks are too premature to be rendered here, we can still summarise a few suppositions albeit they should be further substantiated by further evidence and analysis. First, whilst the intergeneration transfer to the younger generation is expressed, principally as a tangible form of help in an important life event from the parents to their offspring, can also be a manifestation of caring and concern. Second, altruism has been quoted in our interviews as a motivator for the transfer, we believe that other more materialistic motives, like investment and return for care, may undoubtedly be important intervening factors. Yet, tradition values may also have a part to play. Third, the ability and the pattern of transfer are also mediated by the specific institutional factor in the housing market as well as the intervening events in housing policy and the housing market.

References:

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Home ownership in the private sector in 2001 35%, in public sector (government assisted home ownership 15%).