



Access to homeownership in urban China: A comparison between skilled migrants and skilled locals in Nanjing

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ABSTRACT

Radical economic restructuring has resulted in a large flow of skilled migrants into ever-expanding Chinese cities in the past decade. Dreaming of owning a home in the destination city, skilled migrants compete with locals on the housing market. It is important to know how and when people acquire their home and, by the same token, what prevents others from doing so. Based on the life histories of 804 skilled workers in Nanjing and employing event-history analysis, this paper examines the differences in the timing of entry into homeownership between skilled migrants and their local counterparts and identifies the factors in parallel life course careers that contribute to these differences. Results show a delayed but accelerated increase in the homeownership rate for skilled migrants, indicating an assimilation process. Migrants' later entry into homeownership can be attributed foremost to the limited intergenerational transmission of wealth, while restricted knowledge about the local housing market and later partnership also play a role. Moreover, the evidence suggests that the timing of entry into homeownership is largely determined by the availability of financial resources and progression in the life course rather than institutional factors.

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1. Introduction

The population of internal migrants in Chinese cities has been undergoing tremendous demographic changes. In the last decade, large numbers of skilled migrants have flocked to the cities as a result of economic restructuring and the expansion of higher education enrollment since 1999 (Li, 2012; Liu & Shen, 2013). The number of college graduates reached 7 million in 2013. Because of the less developed economy and the less diversified labor market in small cities and towns, most of the educated graduates prefer to move to larger cities. They aspire to upward social mobility and show a strong tendency to settle down permanently in big cities (Wang, 2010). The migration of skilled labor is becoming a significant aspect of internal migration in China. Besides obtaining local *hukou*, owning a home in the destination city is viewed as a milestone for migrants, indicating their economic, social, and psychological assimilation. As future citizens, they play an increasingly important role not only in urban economic development, but also in shaping the urban residential landscape.

Although skilled migrants have potential earning ability, they lack knowledge about the local housing market as well as the initial capital to buy a home. Therefore, they differ from locals in access to homeownership. In the meantime, with the skyrocketing housing prices,

housing affordability has become the main concern of skilled migrants, and it even forces them to leave the big cities. Social inequality can arise from the differences in access to homeownership and can be reproduced if these differences persist (Henretta, 1984). Yet, little research has touched upon the issue of homeownership among skilled migrants. In this paper, the entry into homeownership of skilled migrants will be examined and attention will be paid to the differences between skilled migrants and their local counterparts. By adopting the life course perspective, we focus on how the timing of entry into homeownership is affected by progression in various life course trajectories in the Chinese context. Moreover, it is important to know how people acquire their home and, by the same token, what prevents others from doing so.

2. Literature review: Life course and migration theory

2.1. First-time homeownership: Life course theory

Tenure transition from rental to homeownership is considered to be one of the most important life events (Huang, 2004a) and is determined by both household and contextual factors (Clark, Deurloo, and Dieleman, 1994). In the life course approach, life events belonging to the same domain are grouped into parallel careers which include education, household, labor market, and housing careers. Life course theory examines both the needs for homeownership arising from events in the family life course and the resources and restrictions arising from

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parallel life course trajectories within ever-changing macro contexts (Mulder & Wagner, 1998).

The need and aspiration to own a home arise with progression through the life course. It has been widely acknowledged that events in the household career such as marriage and childbirth trigger the tenure transition into ownership (Deurloo, Clark, and Dieleman, 1994). An owned home could be an essential component of economic prerequisites or a catalyst for marriage (Holland, 2012), and the pooling of resources through marriage enhances the financial ability to purchase a house (Kendig, 1984). Furthermore, anticipation of the birth of the first child raises the likelihood of becoming a homeowner (Feijten & Mulder, 2002). Once a couple enters into parenthood, the transition into homeownership may be postponed or not be made at all for practical or financial reasons (Smits & Mulder, 2008).

Whether a need or preference for homeownership can be realized largely depends on the availability of resources, including current income, savings, as well as future earning potential (Mulder & Wagner, 1998). The availability of resources depends largely on socioeconomic status which, in turn, is closely associated with the level of education and the labor-market career (Nielsen & Jensen, 2011). Variation in homeownership rates is observed among different occupations and social classes (Bernardi & Poggio, 2004; Cabré Pla & Cabrerizo, 2004). Apart from individual resources, intergenerational transmission of wealth, both in the form of gifts and inheritance, is becoming increasingly important for young adults' access to homeownership (Mulder & Smits, 2013). This is supported by evidence from all over the world, not only in countries with a strong social norm of family support such as those in Southern Europe (Poggio, 2008), but also in countries characterized by individualism, such as the United States and The Netherlands (Helderman & Mulder, 2007; Mayer & Engelhardt, 1996).

Besides individual life course factors, the decision and timing to buy a home can be substantially influenced by financial and housing market circumstances, including housing prices, inflation, interest rates, and borrowing constraints in the mortgage market (Clark et al., 1994). In Japan, the homeownership rate dropped during the housing price boom from the 1980s to mid-1990s and started to rise again after the real estate bubble burst in 1995, whereas in the United States, the increase in the homeownership rate coincided with the rise in housing prices (Muraki, 2009). The rapid increase in housing prices can lead to two opposite consequences: depressing the homeownership rate, especially for low-income and young households, or on the contrary encouraging people to purchase a house as early as they can in the face of a continuous rise in housing prices (Elliott & Wadley, 2013). The mortgage market also matters. The availability of residential mortgage loans immensely facilitated younger households to become homeowners (Angelini & Weber, 2012). The amount of down payment required for a mortgage differs between countries, resulting in variations in the accessibility of homeownership.

2.2. Homeownership in the Chinese context

The national context is essential for understanding the tenure choice of households. During the Chinese socialist era from 1949 till the 1980s, housing was considered a welfare benefit, and the public rental sector occupied the prime position (Huang, 2004a). Since 1988, housing reform has transformed the housing market from a welfare-oriented into a market-oriented system, which has encouraged the growth of the owner-occupied housing sector and nurtured the creation of a "homeowner society" (Wang & Murie, 1999). Since then, work-unit housing has been privatized massively, and commodity housing has been rapidly added to the housing stock (Huang, 2004b). Consequently, the rate of urban homeownership in urban China has skyrocketed from around 20% in the 1980s to 47% in 1996 (Huang & Clark, 2002). In the 1990s, a nationwide mandatory Housing Provident Fund was introduced to channel more funds to housing construction and to facilitate the switch to owner occupation. Employees are required to pay a

company-matched monthly contribution into a state-managed account within the Housing Provident Fund, which can be used to purchase a home or alternatively as a pension on retirement (Li & Yi, 2007a). In addition, commercial mortgage for purchasing property from banks is becoming another important source for financing homeownership. The homeownership rate further increased to 72% in 2000 according to the 2000 Population Census and to 87.4% in 2012 according to the 2013 *China Well-being Development Report* released by Peking University.

One long-standing tradition in Chinese society is that adults should purchase property in order to accumulate wealth for the next generation (Mak, Choy, and Ho, 2007). The massive transition into homeownership in the late 1990s indicates the return of the desire for homeownership after decades of suppression during the socialist era (Huang, 2004a). The aspiration to own a home is also related to the composition of the housing stock, where rental housing does not form a high-quality alternative for owner-occupied housing (Mulder, 2006). With the increasing aspiration, the average price of commodity housing doubled nationwide during 2002–2012 from 2092 to 5430 yuan/m², while the price in Nanjing tripled from 2780 to 9675 yuan/m² during the same period (NBSC 2002, 2012). Due to the growing population, sustained economic growth, speculation, and inadequate supply of affordable housing, housing affordability has become a substantial and pressing issue and is of particular concern to young potential first-time buyers (Mak et al., 2007).

The distinctiveness of the Chinese housing market in comparison with Western nations provides a unique context to study housing behavior. In socialist urban China, households were hardly in a position to make housing decisions. Housing was allocated by employers or the state, based on a series of criteria such as *hukou* status, job rank, job seniority, and political status (Huang & Clark, 2002). In the transitional era, the opening up of the real estate market allowed households to choose their preferred dwellings. Although the importance of market factors such as age, household size, and household income have become more observable in the emerging housing market, institutional factors are still significant in explaining individuals' housing access and consumption (Li, Wang, and Law, 2005). For instance, local *hukou* was required for renting public low-rent housing and purchasing economical housing (a kind of subsidized owner-occupied housing). The type of employer also made a difference. Resourceful employers in the public sector could either collectively build dwellings and allocate them to their employees at a subsidized price or set up higher Housing Provident Fund contributions (Huang & Clark, 2002). Market transition theory hypothesizes that with the market playing an increasingly pivotal role, the effects of market-related factors, which are closely related to stages in the family life course, will increase, and that the effects of institutional factors will gradually decline (Li & Yi, 2007b; Nee, 1989).

2.3. Migrants' homeownership

Another important topic in the literature on homeownership is the disparity among different population groups, for instance between natives and immigrants. Research has primarily focused on international migrants, which may also be relevant to internal migrants in China. Institutional and other barriers that confront Chinese internal migrants have persistently rendered them economically and socially marginalized in the host cities, and to some extent they resemble international migrants who also have to deal with significant geographic and institutional barriers in the host countries (Sun & Fan, 2011).

The homeownership gap between natives and immigrants has been observed in varied contexts (Bolt & van Kempen, 2002; Painter et al., 2003; Sinning, 2010). Gabriel and Rosenthal (2003) find that in the United States, socioeconomic characteristics are responsible for the substantial gap in homeownership between minorities and white natives. In many cases, immigrants lack resources and usually have insufficient knowledge of the local housing market. Moreover, the broader "context" of the housing system contributes to the disparities in the housing

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