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# Meeting the income needs of older people in East Asia: using housing equity

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***ABSTRACT***
In the welfare systems of East Asian countries, the income, care and other needs of older people have traditionally been met less by state social protection measures and more by the family, supported by what might be termed the first homeownership strategy: widening access to home ownership as a physical, emotional and financial basis of family wellbeing. Recent political, economic and demographic developments, however, have undermined this model. Examining policy responses in the three most advanced East Asian economies, Japan, Singapore and South Korea, but also with reference to Taiwan, the paper identifies common tendencies in the ways in which the ability to use home ownership has been strengthened. As a second strategy, home ownership has been used to reduce geographical constraints on family support, while, as a third strategy, governments have introduced mechanisms through which older people are able to realise some or all of the equity they have built up through the housing market. These mechanisms include, moving down market or even converting to a rental solution, as well as forms of reverse-mortgage products, some available through private financial institutions and some involving state-organised and state-operated devices.

***KEY WORDS*** – family, reverse mortgage, housing equity, home ownership.

## Introduction

In the East Asian economies, whose level of gross domestic product (GDP) per capita gives them developed country status, the income, care and general wellbeing of older people has, consistent with their welfare systems in general, been founded on the family, especially the contribution of sons and daughters. While in all these countries the state has kept its direct welfare

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role and citizenship rights to a minimum (*see* Kwon 2005; Walker and Wong 2005; White and Goodman 1998), it has provided support for the family, for example by facilitating the acquisition of home ownership as the physical, emotional and financial basis of the family (Groves, Murie and Watson 2007; Ronald 2007). In the last decade, however, the family as a welfare unit has come under increasing strain, with its capacity for providing adequate support for older members progressively diminishing. Governments in each of these countries have begun to develop additional strategies, prominent among which has been both the explicit mobilisation of home ownership as a means of overcoming the geographical separation of different generations and as a financial asset that can be utilised in old age. The objective of this paper is to establish and analyse common tendencies across three countries – Japan, Singapore and South Korea – in the ways in which they have sought to strengthen the contribution that home ownership makes to meeting older people's income needs. The specific concern is the changing role of housing as a welfare pillar in the light of recent policy innovations that have restructured relations between the family, state and market that support provision for older people.

Drawing on scientific literature, from political science, welfare studies and housing studies, as well as policy documents, the paper firstly sets out and examines what has been called the 'productivist' welfare model (Holliday 2000) characteristic of East Asian economies. This model, in contrast to North European welfare regimes, has prioritised the family rather than social forms of support for older people. One feature of this model of welfare has been state support of housing provision, but not as often found in Europe, for social rental housing, but rather for home ownership as a market form of housing. Owner-occupied family properties have in recent decades accrued in value, providing the financial basis for intergenerational welfare transfers. While consistent with the productivist model in general, this has specifically contributed toward the wellbeing of older people, based less on vertical distribution across income classes and more on horizontal distribution across both the individual's lifecycle and generations. Welfare approaches have been based on particular distributions, patterns and flows of housing wealth that shape the nature and flow of material and non-material assistance across generations (Forrest and Izuhara 2009).

In the second part of the paper, initially drawing on the same literatures, the erosion of the extended family basis of welfare support for older people is addressed. While this refers to changing political and economic circumstances, particular reference is made to demographic trends. This leads into the third and most substantial part of the paper. This considers some of the policy responses, which in general have stronger elements of vertical distribution constituting some convergence with western welfare systems.

The evidence here has been collected by the authors on various extensive, intensive and incidental field visits to the East Asian countries concerned during which relevant policy documents and secondary statistical data have been sought out and explored in consultation with local experts. This source material has been analysed with the objective of identifying similarities and differences. Taking each of the three countries in turn, the paper presents the ways in which governments have extended the first home ownership strategy to a second strategy of influencing home ownership outcomes in order to reduce the geographical separation of family generations, and to a third strategy of facilitating use of the wealth embedded in older people's homes in order to support their income needs. With respect to this third strategy, the assertion that Asian governments have viewed home ownership as a welfare pillar because it allows the owner to live rent-free, constituting a direct substitute for pensions, is not new. What is new is the extension of means of drawing directly on the equity either by enabling older people to move down market, and/or to utilise what is effectively a reverse-mortgage arrangement whereby owners can both continue to live in their home at the same time as accessing its capital value. In encouraging people during their working lives to accumulate assets through home ownerships and to draw upon those assets to meet their income needs, the principle of horizontal distribution over the lifecourse has been reinforced. This part of the paper demonstrates that whereas this is the general direction of policy development across the three countries, there are also some important differences between them. The final part of the paper presents some general observations about these developments.

## Supporting older people in the East Asian welfare system

### *The productivist regime*

Building on the seminal work of Esping-Andersen (1990), a very large body of literature has aimed at explaining differences in the logics of western welfare states and patterns across societies in approaches to social insurance provision. While welfare regime classifications have provided insights into western societies, they have been less successful in explaining the dynamics of welfare provision in the industrialised East Asian ones. Since the early 1990s, however, there have been a number of approaches which have attempted to identify a pattern within this group of societies that, on the one hand, have experienced rapid economic growth, while, on the other, have maintained both minimalist approaches to social welfare and relatively stable political hegemonies. Early analyses focused on sets of social and cultural values associated with Confucianism concerning filial piety and a culture of solidarity (Jones 1993). However, such an understanding has been criticised as, firstly, the notion of 'Confucian values' varies in each society, and secondly, it fails to explain the features of welfare systems and policy transformations (Choi 2007; Kasza 2006).

The model of state power in the region has also been understood as one based on the 'developmental state' (Johnson 1982) which supports a form of 'productivist welfare regime' (Holliday 2000). A feature of the former is a brand of economic nationalism within which corporate and bureaucratic elites have formed powerful and successful alliances aimed at driving economic growth. In the case of the latter, supporting economic growth is the primary concern in social policy making. From this flow minimal social rights with extensions that seek to reinforce productive elements in society, and state–market–family relationships directed towards growth (Holliday 2000). Key features of the model include: little social protection for disadvantaged members of society, who are held responsible for themselves with state welfare dependence stigmatised; expectation that the family, company and community play major welfare roles; and, welfare programmes that are highly segmented and differentiated in ways which reinforce existing positions of power and status (*see* White and Goodman 1998).

## *Meeting the needs of older people: pensions, families, home ownership*

These characteristic features of the productivist state have resulted in the income and other needs of older people being predominantly met by the three legs of pension, family and home ownership. The first of these was not generally predicated, as commonly in western countries, on state-organised, social insurance principles, but rather on the achievements of the individual in the labour market. The clearest example of this is probably the Singaporean Central Provident Fund (CPF) which requires workers and their employers each to pay into the worker's fund amounts that constituted specified percentages of their income. Whereas the worker can, while still working, draw money from the fund to meet certain sorts of expenditures, the central objective has been to provide an income in old age. There was thus a direct link between the amount of pension received and lifetime earnings from the labour market.

As a consequence partly of the early withdrawal from the fund for other uses and partly the very high rates of annual economic growth that characterised East Asian economies throughout most of the last few decades, with the associated rises in the cost of living, by the point of retirement, the sums accrued in the early working years were reduced in real buying terms. Thus McCarthy, Mitchell and Piggot (2002) estimated that replacement rates from the CPF for retiring Singaporeans were only about 25–35 per cent, while Lim (2001) predicted, also for Singapore, that of the then 50–55 year cohort some 60 or 70 per cent would not have sufficient funds to meet the government's specified minimum retirement income. Similarly, Jacobs (1998) argued that with the major exception of civil servants, pension systems in Korea and Taiwan do not provide retired workers with sufficient funds to live on. In Japan too, while post-war generations experienced considerable improvement in pension conditions, in recent years, pension contributions and benefits have been drastically recalibrated in line with the reversal in the ratios of working and dependent populations (Shinkawa 2005).

To a large extent, the relatively small contribution from the pension system was compensated for by strong family support. Consistent with Confucianism, albeit varying in detail from society to society, there was an expectation and reality that children would provide financial and other support to their parents in old age. While the principle has often been considered one of reciprocity, with children repaying parents for care and support at the beginning of their lives, filial piety is the core value. This translates in some cultures into adult offspring sacrificing not only their own interests, but also their children's, in order to meet obligations to parents. In the case of Taiwan and Korea, in the 1990s, adult children were estimated to have provided an average of between 50 and 60 per cent of the total income of older people (Jacobs 1998). In return, grandparents often provide support in the form, for example, of child minding. The family was thus a welfare unit in which there was distribution horizontally across the lifecycle and generations, and, when circumstances required it, distribution from wealthy to poor family members.

Both pension and the family were closely entwined with the third welfare leg: home ownership. Housing has largely been absent from analyses of welfare systems even though state approaches to housing have been identified as particular features of the productivist welfare system in East Asia (Doling 1999, 2002; Groves, Murie and Watson 2007; Ronald 2007). While state approaches to housing provision in post-war (north-western) Europe were often orientated towards the construction of social rented housing and influenced by a logic of de-commodification (where the government plays a significant role in the provision of public goods, which undermines dependence on markets), in many East Asian countries, government involvement in the provision of housing has been more commodified, its acquisition not being based on citizenship rights. The provision of owner-occupied housing has been thus considered necessary for maintaining self-reliant, family-based systems of welfare. The ability of families to invest and exchange owner-occupied housing properties, building up housing wealth over the lifecourse that can be exchanged in family and market economies, has supplemented individual pension and welfare requirements under conditions of limited social insurance. This has supported substantial levels of individual household security, social stability and social equity without re-course to government build up of a large welfare state.

Singapore again provides the clearest link between meeting the needs of older people and housing policy. The Housing and Development Board (HDB) has been a developer building housing in the form of apartments that have been sold to eligible Singaporeans, to the point where they are now owned by around 80 per cent of the population. This programme, moreover, is synchronised with the pension scheme with cross-funding between public pension funds, housing construction and purchase, and mortgage provision (Lee 2008). Most significantly, Singaporeans have been able to withdraw money from their CPF savings in order to purchase housing. There has thus been a quite deliberate trade-off between housing and pensions built on the logic that owning a home enables retired people to live rent-free thereby requiring a smaller pension.

Whereas the Singaporean system is unique, the general pattern across East Asian societies is of policy regimes supporting the acquisition of home ownership widely across their populations. In Taiwan the ongoing expansion of home ownership has been driven since the 1980s by policies that improve access for middle- to lower-income households to owner-occupied housing. In recent decades interventions have become progressively more intense with, for example, government-subsidised home loans increasing from NT $40,000 million to NT $204,400 million between 1999 and 2001 (Department of Budget Accounting and Statistics 2003). The preferential housing loan programme since 2000 has provided housing loans with preferential interest rates for those aged 20–40 to buy their first home. Japan, too, has relied on government housing loans to sustain home ownership levels. The amount of outstanding mortgage debt, of which government housing loans have constituted the largest part, grew from 48,229 billion yen in 1980 to 191,203 billion yen in 2000, representing an escalation in the ratio of outstanding housing loans to GDP from 19.4 to 37.3 per cent (Ministry of Land, Infrastructure and Transport 2007). In South Korea, governments have been explicit about the desire to expand home ownership, although policy interventions have been less effective in translating market housing production into increased home ownership rates (Ronald and Jin 2010). Since the 1980s the National Housing Fund has provided assistance for poorer households in purchasing flats, although, since the late 1990s, policies have focused more on the development of the mortgage-lending sector as a means to improve access to home purchase. More recently, the government has proposed to build 700,000 new units by 2018 for low-income households to buy (Land and Housing Corporation 2009).

Along with intense urbanisation, rapid economic growth and focused housing marketisation policies, home ownership levels grew significantly. There are key tenure expansion periods in each country. In Singapore, home ownership grew from 29 to 92 per cent of stock between 1970 and 2003 (Chua 2003). Taiwan has had a very high long-standing rate, but increased home ownership from 73 per cent of housing in 1981 to 85 per cent by 1999. In Japan, a much older industrialised nation, urban owner-occupancy rates rose from around 25 to 64 per cent between 1940 and 1965 (currently around 61%) (Building Centre of Japan 2008). In South Korea home ownership grew from 50 to 56 per cent between 1990 and 2005 (although pre-urbanisation rates in the 1970s were much higher) (see Ronald and Jin 2010). In all these countries, home ownership rates are particularly high among older people.

Often, it has been the ability of families to procure owner-occupied homes that have augmented in value, which has provided the basis of care for members in terms of shelter, as well as a financial reserve to draw upon in case of hardship. Such housing also provides the financial basis for retirement and features strongly in reciprocal exchanges between generations where care in old age is often provided on the basis of cohabitation and/or inheritance. Such reciprocity, along with the growing reliance on housing as places and bases of welfare exchanges, has increasingly become negotiated in terms of a more or less explicit social contract in which siblings and parents determine *quid pro quo* transactions involving family property. There are also other benefits associated with imputed rent and income in kind facilitated by owner-occupancy, especially once the mortgage has been repaid.

## Pressures on the system

In recent years, as a consequence of a number of developments, this three-legged system supporting the wellbeing of older people has been increasingly unbalanced. Welfare developments have been shaped, on the one hand, by the socioeconomic legacies of prolonged periods of rapid industrialisation and economic growth, often leading to a geographical separation of generations as children have sought employment in major urban areas, leaving their parents in villages and small towns. On the other hand, since the late 1990s, economic systems have been destabilised while other socio-demographic transformations have been under way that have tested welfare arrangements and undermined the efficacy of developmental states and the productivist welfare model.

Peng (2004) argues that political landscapes have recently been undergoing change in many East Asian societies. The levels of national wealth achieved by the 1990s have provided both the economic basis to restructure pension provision and the political basis to transform authoritarian political hegemonies focused on national economic growth and that neglect social conditions. The achieved levels of national wealth and transformations in political conditions, with an erosion of 'growth at all costs' ideologies, have undermined the dynamics of developmentalism and productivism, with a growth in public spending levels, on the one hand, and liberalisation of markets, on the other.

Another factor has been the economic disruption caused by the 1997 Asian economic crisis, which, after a prolonged era of economic growth, highlighted insecurities and the vulnerability of the East Asian economies to global financial fluctuations. It is of note, here, that the current economic crisis has had relatively little impact on growth in East Asia and has done little more than to reinforce the earlier consequences. These have been that governments have become more concerned with maintaining the momentum of growth rather than pursuing high-speed economic expansion. Policy frameworks have been adjusted and both investment and growth rates receded while public provision, typically, expanded. There is no longer the assumption that markets will deliver growth or improve socio-economic equity (Gill and Kharas 2009). Growing inequality in the post-crisis era has demonstrated that the productivist welfare approach fails to function when the economy is no longer expanding at a break-neck pace. Moreover, growing democratic contestation has brought social issues forward and increased sensitivity to welfare exclusion. New social and economic realities have thus demanded realignment in corporate practices, economic growth models and the welfare system.

Against this background, the system of family support has been particularly dependent on unpaid female labour as the main base of care. However, the undermining of economic growth has resulted in increasing feminisation of the labour market. The rising cost of home purchase and mortgage indebtedness has also increased the necessity of dual-income families. Women have thus increased their participation in paid work, largely as part-time or temporary employees, as regular male employment has been eroded. In Japan, for example, although female participation rates increased from 58 to 68 per cent between 1980 and 2005, 47 per cent of working women are full-timer permanent workers compared to 84 per cent of men (Ministry of Health, Labour and Welfare 2005). Although many part-time women employees work as many hours as full-timers, they are often classified differently by employers to reduce access to, and the burden on company benefit provision. Considering the increased demands on women as paid

TABLE 1. *Percentages of aged population*

| | 1975 | | 2000 | | 2025 | | 2050 | |
|---|---|---|---|---|---|---|---|---|
| | 65+ | 80+ | 65+ | 80+ | 65+ | 80+ | 65+ | 80+ |
| France | 13.5 | 2.5 | 16.0 | 3.7 | 22.2 | 5.8 | 26.7 | 10.4 |
| Germany | 14.8 | 2.2 | 16.4 | 3.6 | 24.6 | 7.4 | 31.0 | 13.2 |
| UK | 14.0 | 2.4 | 15.8 | 4.1 | 21.9 | 5.9 | 27.3 | 10.8 |
| USA | 10.5 | 2.1 | 12.3 | 3.2 | 18.5 | 4.2 | 21.1 | 7.6 |
| Japan | 7.9 | 1.1 | 17.2 | 3.8 | 28.9 | 10.4 | 36.4 | 15.4 |
| Singapore | 4.1 | 0.4 | 7.2 | 1.4 | 21.5 | 3.8 | 28.6 | 12.6 |
| South Korea | 3.6 | 0.4 | 7.1 | 1.0 | 16.9 | 3.3 | 27.4 | 9.1 |

*Source: UN World Population Ageing 1950–2050* (2001).

workers, many have been less inclined or able to take on unpaid domestic caring duties, especially for ageing family members. With respect to Japan, Uzuhashi notes that 'families can no longer afford to give care services to their members; the scale of the family is becoming smaller and more women are increasingly engaged in paid work' (2001: 123). In many East Asian countries, economic restructuring has thus reduced the capacity of the family as a welfare provider.

In addition to these changes, there are broader socio-demographic changes currently under way that are also increasing pressure on families as welfare providers (Ronald 2008). In comparison with western countries, demographic developments in East Asia have meant that pension pressures have been felt with different intensities and at different times. Three types of demographic transitions which correspond to world regions can be identified (Bonoli and Shinkawa 2005). In Western Europe social ageing is considerable but is taking place at a relatively moderate pace with 25 per cent of the population expected to be over 65 by 2040. North America has an even more moderate social ageing curve and a more even distribution between cohorts (Table 1). East Asian countries, alternatively, are starting from a smaller base but are ageing much faster. While it took France 117 years for its share of over 65-year-olds to increase from 7 to 14 per cent of the population, Japan took only 24 years. This transition from an 'ageing' to an 'aged' society has also begun in the other East Asian countries that have had lower and later start points, but are rapidly catching up. The transition is expected to take only 19 years in South Korea which will have 14 per cent of the population over 65 by 2018, and by 2040 Singapore and Taiwan too will have caught up with European levels of social ageing. Japan is exceptional in the group (and globally) with one-fifth of the population already over 65 (and expected to exceed one-third by 2025). So, the balance between older and younger people is shifting rapidly, while many children of very old people may themselves be retired.

## Responses to the pressures: reinforcing the role of home ownership

Over the last two decades, these changes have begun to force East Asian societies to reconsider their systems of support for older people, with a general outcome being a renegotiation between the state and the family in terms of welfare obligations. Increasingly, as family capacity has diminished, governments have been forced to introduce schemes that increase public facilities for care and provision of older people. While the shift in responsibility is away from the family and towards the state, East Asian welfare policy measures retain productivist features that emphasise the use of public services in combination with family resources and that support self-reliance. In this context, home ownership and housing assets have adopted a new salience.

While the East Asian government role was formerly seen as one which supported the market, the presumption now is that market forces must be managed to overcome market failures, with governments continuing to guide economies strategically. There is also more concern with managing the distributional outcomes of markets (Gill and Kharas 2009: 191). Social policy development has, nonetheless, been uneven across East Asia. Japan, for example, has focused on a social insurance approach targeting older people (Long Term Care Insurance). The procedures for funding and eligibility criteria are distinctive in terms of the social contract between individuals and the state. There has been a shift towards non-means-tested measures, ignoring differences in the level of asset wealth or available family care. As long as people pay monthly contributions, they can receive services albeit with an individual co-payment of costs. In combination with the high rate of home ownership, and a rather uneven distribution of property wealth among older home owners, this system has reinforced social inequality as upper- and middle-level earners who used to have to pay for their own services are increasingly better placed to access public services while retaining their own assets (Izuhara 2007).

South Korea provides a contrasting example, specifically during the Kim and Roh governments (1998–2008). In this period European-like social insurance schemes and public assistance provision were advanced, such as the National Minimum Livelihood Security Act in 2000, which is universalist rather than productivist in nature. A universal pension programme has also been developed since the late 1980s, although there have been significant adjustments in replacement rates as economic growth has slowed and social ageing advanced (Bonoli and Shinkawa 2005).

While the development of social protection measures has been part of the response of East Asian governments, in each of the three countries examined in this paper there have also been developments related to home ownership. Following on from the first strategy of the expansion of home ownership sectors, a second strategy has been the use of home ownership in order to reinforce the family as a source of welfare, encouraging, in some cases by preferential treatment, multi-generational living or intergenerational exchanges. However, a significant third strategy has been the targeting of home ownership assets as sources of financial support. In this section the second and third strategies are reported in each country.

## *Japan*

In Japan, over recent decades, has been a decline in intergenerational co-habitation because of both the changing context of family relationships as well as conflicts caused by the proximity of different generations. One response to this has been the development of new designs of housing. A particularly common type of housing is *Nisetai Jutaku*, or two-generation house, which provides self-contained facilities on different levels of the house so that grandparents may live in the same building but with some level of independence from their adult offspring and grandchildren. While *Nisetai Jutaku* was initially a market response it has been explicitly promoted by the government, not least through Government Housing Loan Corporation (GHLC) two-generation mortgages.

Also over recent decades, a number of policy developments have opened up ways in which housing assets may be used. These are considerable. Eighty-six per cent of those aged 65 and over are homeowners and, according to the National Survey of Family Income and Expenditure in 2004, housing assets account for approximately two-thirds of average total assets for those over 65. The level of second-property ownership is also important to asset portfolios for older Japanese people although this differs according to income strata. The percentage of households who own one or more housing properties besides the home they live is 35.0 per cent for older households who earned 10 million yen or more annually. The figure was only 10.6 per cent for those who earned less than 2 million yen. On one estimate, the gross value of residential-property assets for the over-65 age group was 32.9 million yen (Hirayama 2010).

A number of policy developments have been framed around these large assets. One has been support for trading down to a cheaper home or into rented housing, a policy implemented in recognition of considerable reluctance otherwise to do so, partly because of the significant transaction taxes involved in buying and selling properties. There are also other issues.

> Becoming a tenant or trying to look for alternative rented accommodation in old age poses a great challenge, especially for lone (female) tenants, due to limited public provision, costly alternatives in the market and discrimination against older tenants who may be viewed as a potential problem (e.g. causing fires, dying in the property) by landlords and estate agents. (Izuhara 2007: 108)

Responding to this, in the context of objectives of both tapping into the asset wealth of older homeowners and resolving the mismatch between the size of housing and household needs between younger and older households, in 2006 the 'house moving support scheme for the elderly' was established. Under this, a government agency rents houses from home owners over 50 years old. The properties are then sublet to younger family households with children. With contracts lasting their lifetime, the older household receive a rental income which contributes toward re-housing in more suitable units (typically apartments). In order for the leasing system to run smoothly and to offset risks of non-payment and vacant dwellings, the government provides a fund, or contingency guarantee.

A further strand of policy developments has been the consideration of realising property assets as a means to supplement pension incomes and paying for care (Atsumi 2001). While the private financial sector has been cautious, various measures to convert housing properties into income streams have been developed by local government bodies. The Musashino municipality in the Tokyo metropolitan area launched an early reverse-mortgage programme in 1981, which was followed by several other municipalities. Subsequently, in 2002, the Ministry of Health, Labour and Welfare began providing reverse mortgages to older, low-income home-owners. In addition, private banks and housing corporations have begun to operate reverse-mortgage schemes since the early 2000s, although development has been slow. According to the Organisation for Economic Co-operation and Development (2009), Japanese authorities in this regard should 'reduce preferential regulatory treatment of regional institutions, which leads to distortions and moral hazard problems, and encourage the rationalisation of this sector. To increase efficiency in the context of an ageing population, obstacles to the use of reverse mortgages need to be removed, thereby reducing liquidity constraints on the elderly'.

### *Singapore*

Policy developments have been framed by the control which the HDB exerts over the housing system. Able directly to determine the location and nature of a large proportion of the supply, as well as rules governing access, particularly favourable treatment was meted out to older people who opted to move to a smaller home located close to their children since this was deemed to support family links. In 1994 grants of S $30,000 were made available for purchasing resale HDB flats close to parents or, alternatively for parents to buy near a married child's residence. This was later increased to S $50,000.

While this policy encouraged geographical proximity of different generations, it has been supplemented by another policy of favouring applications from older people to move from a larger to a smaller property, thus realising some of their housing equity which could contribute directly to income. A number of policy initiatives have also allowed Singaporeans to stay in their home and access housing equity: reverse-mortgage products provided by private financial institutions, for the owners of private homes, were first introduced into Singapore in 1994. In March 2006 the HDB relaxed its regulations to allow owners of HDB homes also to take up reverse mortgages offered by private providers. Three years later, a scheme was introduced which had comparable outcomes using a different means: on 1 March 2009 HDB launched its Lease Buyback Scheme (LBS) under which owners of homes with three or less rooms are able to sell some of the remaining years of their lease to the HDB in return for a lifelong supplement to their income.

On its introduction, LBS applied where the youngest lessee (usually one of a married couple) was at least 62 years old, the household income was S $3000 or less, and equity had not already been released by downsizing. Under the scheme the HDB buys back any remaining years of the lease in excess of 30 at a price determined by independent assessment of the market value. To that, the HDB provides a subsidy of S $10,000, together funding a S $5,000 upfront, lump sum with the remainder being used to purchase an annuity from the CPF Board. While those taking part in the scheme thus gain a lifetime supplement to their income which is, in size, related to their age on joining the scheme and the value of lease years bought back, they are able to continue living in their home. If they die before the end of the 30-year lease the proceeds of the sale of the remaining years of lease are passed to heirs, and if they are still living after 30 years the HDB will make alternative arrangements for them such as allocating a nursing home place.

From 1 April 2010 the LBS was further extended to people who had previously owned a home with more than three rooms if they had downsized previously and their equity release been eroded. It was also extended to those with outstanding mortgages provided that, once this was paid off, the LBS would provide at least S $60,000 to purchase an annuity. As a result of these changes the proportion of older people living in three-room HDB flats who are eligible for LBS increased from 73 to 82 per cent (HDB 2010).

*South Korea*

A number of challenges have been presented by the home ownership leg of welfare in South Korea, not least being a comparatively low-rate of owner-occupancy (below 50 per cent in metropolitan areas) as well as the uneven distribution of housing assets. Especially in the cities, the rate of multiple property ownership has advanced since the 1980s. According to the Ministry of Government and Home Affairs (2005) the national proportion of homes owned by multiple property owners has advanced from 25.5 per cent in 1995 to 35.5 per cent in 2005. Moreover, although home ownership rates among those on low incomes is often higher than the national average, especially in rural areas, the type of housing owned is typically older and falls below minimum standards. According to the Ministry of Construction and Transportation, 16 per cent of all houses fell below minimum housing standards in 2005 with 82.3 per cent of low-income households falling into this sub-standard housing category. Essentially, most middle- to low-income homeowners own poorer-quality housing properties outside central urban areas where prices are significantly lower.

In South Korea, the association of family cohabitation with reduced welfare costs for the state has been an explicit policy objective, and in recent years the state has introduced measures to support this (Park and Lee 2007). Despite the low level of urban home ownership, owner-occupied housing properties are thus still considered a key element of welfare for the older people. In 1998, an ageing preferential deduction was established in income tax law, meaning that adult children living with their aged parents receive a tax deduction. An adult child that buys a home in which to cohabit with their parent(s) also receives a transfer tax exemption, is given preferential access to special housing funds and, furthermore, can take higher loans for purchase or remodeling.

The *Jootaekyeonkeum* (JTYK) reverse mortgage was introduced on 12 July 2007, under the Korea Housing Finance Corporation (KHFC) Act, April 2007. The state-owned KHFC recognises three potential risks with JTYK: a longevity risk, occurring because individuals live longer than anticipated; a price risk, in that price increases are lower than anticipated; and an interest rate risk, in that these may be higher than anticipated. The KHFC provides protection against these risks through a guarantee.

According to the KHFC, the rationale for the introduction of JTYK was that it would provide a means of ensuring housing and financial security to older people through the use of their own resources, thus enabling the government to provide a social safety net at minimal public cost (KHFC 2008). But, in drawing on personal equity it would also reduce the potential burden on younger family members. Owners can take a monthly income, which they can opt, under changes introduced in 2008, to increase or decrease by a maximum of 3 per cent per annum. Alternatively, they can take lump-sum payments with some restrictions such as gambling, speculative investments and extravagant consumption.

Those taking part in the scheme benefit from a number of tax concessions. Firstly, they are exempt from registration, education and special rural taxes. Secondly, they receive a 25 per cent reduction in property taxes, subject to income and wealth limits, as well as a reduction in income tax liability. On its introduction, JTYK was limited to people who were at least 65 years old living in their own, and only, home, valued to a maximum of 600 million won. A year later the age limit was lowered to 60 years and the value limit to 900 million won.

## Discussion and conclusions

In the three, economically most advanced, East Asian countries examined in this paper, home ownership has been used as a means of both supporting the strength of the family basis of meeting the needs of older people, and compensating for the growing pressures on this system. More specifically, it is possible to identify three consecutive and overlapping strategies with respect to the role of home ownership. In the first, governments encouraged the expansion of home ownership as a form of housing that provided a physical, emotional and financial basis of the family. From this foundation families were enabled better to support their older members.

With the erosion of the family as a welfare unit, brought about by political, economic and demographic developments, many governments have attempted to use home ownership actively to support the family. The second general strategy has been to encourage closer geographical proximity in the living arrangements of different generations of the same family. While, as Table 2 indicates, the precise policy means differed from country to country, all were based on offering financial inducements to older parents, or to their grown-up children, or to both. In that they were directed at reinforcing the family model as a basis of welfare, they can be seen as essentially backward looking in attempting to prop up a system that had worked in the past but no longer matched recent social, economic and demographic developments.

The third and generally more recent strategy has accepted the reality of those developments. They recognise that grown-up children may be unwilling or unable to contribute as fully as in the past, by creating opportunities for older people to meet their needs out of their own resources held in the form of housing equity.

TABLE 2. *Homeownership strategies for meeting older people's income needs*

| | Strategy 2: increasing geographical proximity of family generations | Strategy 3: accessing housing equity |
|---|---|---|
| Japan | Two-generation housing designs supported by government mortgages. | House-moving support scheme. Public reverse-mortgage schemes. |
| Singapore | Grants for moving close to older parent, or close to working-aged children. | Inducements to move to smaller flat. Access to reverse-mortgage products. Leasehold buy-back scheme. |
| South Korea | Tax breaks, transfer tax exemptions and other financial inducements to encourage generational co-habiting. | Reverse-mortgage scheme with government guarantees and financial inducements. |

While we have focused on three East Asian countries, this third stage has also been mooted in others. Thus, Taiwan's National Development Plan has signalled an intention to develop two schemes: a reverse-mortgage scheme, and a sale-and-leaseback scheme under which the house is sold with the vendor having the right to remain in the home paying a small rent. Both are aimed at house-rich, cash-poor, what are referred to as the 'near-poor elderly', who, on the one hand, may be living alone and having no heirs, but, on the other, because they own property are not eligible to certain social benefits. The schemes are to be devised and implemented on a trial basis in 2010, and subject to evaluation being implemented nationwide in 2011; they would be set up and administered, at least initially, by the government rather than by private financial institutions (Huang 2010).

Notwithstanding the differences in detail across the East Asian economies, all constitute forms of encouraged or facilitated means, based on home ownership, of horizontal distribution across the lifecourse of individuals and spouses. They invest in the housing market during their working years enabling them, in old age, to draw on that investment by living rent-free and by realising some or all of the equity. However, this has been achieved as both a reaction to as well as with the consequence of a weakening of horizontal distribution across generations. Insofar as the family home has been a focus for the family and some sort of *quid pro quo* for the support provided by sons and daughters, the mechanism for realising and using housing equity while alive reduces what is left for inheritance.

There is a further issue about how children and their parents view the substitution of housing assets for family support. There is at least some evidence that the East Asian family model has been sustained, so far as it has been, largely because there has been a lack of alternatives (Jacob 1998). In other words, both children and parents have often entered into shared living and money gift arrangements because, in the absence of social forms of support, this has been the only way of managing. To that extent, the use of housing assets may be a way in which responsibility is lifted from children and independence is protected for parents. Nonetheless, there is also evidence that the ability to pass on wealth from one generation to another remains important. One study in Korea of the potential take-up of reverse-mortgage facilities found that many children would oppose their parents applying for the simple reason that it would deny them an inheritance (Yoo and Koo 2008). Interestingly, a similar study of potential take-up carried out in Hong Kong, which itself does not have a reverse-mortgage facility, found that older people without children were more likely to consider taking such a product. In the West such a finding would probably be explained in terms of the bequest motive, but in Hong Kong 'childless middle-aged adults do not have an important source of income after their retirement, namely adult children' (Chou, Chow and Chi 2006, 723), pointing out that 60 per cent of older adults get such financial help.

If housing has been targeted as part of the solution to the erosion of the ability of the family to sustain the wellbeing of older people, how able is the housing sector to do this? Part of the answer to this is that, by definition, housing assets can only contribute support for those with housing assets. Clearly this will broadly include those people who are not home owners, a proportion that varies from country to country. In relation to them, there is a question concerning what alternative measures might be put into place that compensate for the erosion or substitute family support *and* the absence of housing equity?

A further dimension of policy effectiveness concerns the future of housing systems, especially the proportion of each country's population that are homeowners. Again, there are country differences. While the Singaporean policy commitment to home ownership combined with its control of key supply and demand factors seems likely to ensure a continued predominance of homeowners, by contrast, in Japan home ownership rates are declining among older people as access has become more limited over time. The percentage of home ownership at 30–34 was 45.7 per cent for the generation born 1949–1953, but was 29.1 per cent in the generation born in the period 1969–1973. Related to this is that the numbers of households struggling to repay mortgages is increasing. The Housing Finance Agency reported that of the total amount of outstanding GHLC mortgages, the percentage of defaulted mortgages plus those with a possibility of default rose from 1.8 per cent in 2000 to 8.4 per cent in 2007. According to the Central Council for Financial Service Information, the percentage of households without any savings, which was between 5 and 7 per cent in the 1970s and 1980s, rose to 21.3 per cent in 2003 (Cabinet Office 2005). This figure is particularly high for younger households: 37.4 per cent and 25.3 per cent for households with heads aged 20–29 and 30–39, respectively. Together, these trends point to a future growth of older households with smaller savings and property assets. At the least, this emphasises that success of the third home ownership strategy rests on the success of the first.

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