

# *ABSTRACT*

In the 1990s, the Chinese housing reform reached a pivotal moment. The dismantling of the old public housing system and the high price of the commercial housing left the housing needs of a large number of the population unresolved. In 1998, a new multi-level housing provision system was schemed to solve this dilemma. The focus of this thesis is to bring the social housing perspective to this new development in the Chinese housing reform.

In terms of theorization and methodology, the housing study is characterized by being atheoretical and positivist work. As a response, social constructionist methodology has been gradually introduced which alerts housing researchers to the unrecognized metanarratives embedded in their studies. The debate on the divergent and convergent views on the social housing development is introduced for two purposes: on the one hand, their generalization can serve as the background knowledge to the different roles and forms of social housing; on the other, the debate serves as a reminder of the author the complicated relationship between social housing and its historical and social context. The present definition of social housing serves as the start point of discussion. The main method of this study is historical-informed and discourse-aware case studies.

At the beginning of the thesis, a historical study of the policy changes of the Chinese housing reform since the early 1980s suggests the affordable housing issue has gradually become the driving force of the reform especially in the 1990s. This social housing perspective on the reform is tested in explaining the persistent work-unit housing phenomenon in the 1990s. The argument is that, with the affordability question of the commercial housing, the work-unit has been fastened to the role of the affordable housing provider before alternative housing provisions emerge and take over. In the light of this, the housing reform policy of 1998 is understood as an effort to construct such housing provisions.

Three types of new housing provisions are brought under investigation in the following chapters: the Economical and Comfortable Housing (ECH), the Low-Rent Housing, and the New Local Authority Housing. The first two are prescribed on the 1998 policy, while the latter is a unique practice of the local authority of Shenzhen. Each of these provisions is studied by relating a case-study project to its local contexts. The process,

product and performance are analyzed in terms of their beneficiaries, affordability, and land, planning and design features.

Serving as the housing for the mid- and low-income population, ECH in Beijing has encountered difficulties, both in targeting the desired population and regulating the affordability. The reasons are the multi-intentions attached to it and the conflicting expectations of it by the parties involved. It reveals that releasing the state from housing responsibility is still the priority of the housing reform, while the strategy of making profit-driven developers affordable housing providers is problematic and makes their role ambiguous.

The first Low-Rent Housing project in Xi'an is still in standstill two years after its completion in 2001. Though defined clearly as housing for the disadvantaged population, in practice, the actual needs are underestimated. Besides, there are no concrete financing measures and significant advantages facilitate the implementation of the project. These questions have resulted in the local authority hesitating to continue such development.

The New Local Authority Housing in Shenzhen is a very special phenomenon. On the one hand, it has successfully transformed the old public housing into a new system based on the privatization principle; on the other, its benefits are mainly restricted to the municipal employees, and their needs are measured by the bureaucratic hierarchy instead of actual housing needs. The societal needs of affordable housing are neglected in this new system.

This complicated and fragmented scenario of new housing provisions is brought to a theoretical examination in the Conclusion. By relating the historical study and the three new housing provisions to the theoretical framework of social housing, the nature of the new housing provisions are discerned; furthermore, the implication and limitation of present knowledge to the understanding of the Chinese housing reform are identified. Although providing valuable knowledge on the roles and forms of social housing, the present knowledge fails to support fruitful analysis of the complicated expectations and contexts attached to the new housing provisions in China. At the end of the thesis, the paradoxes in these new housing provisions are identified, and alternative solutions are suggested. Further theoretical and empirical investigation are anticipated for the social housing issue in the Chinese housing reform.

*PhD Thesis*

**A Social Perspective on  
the Reformed Urban Housing Provision  
System in China**

*Three Cases in Beijing, Xi'an and Shenzhen*

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# PREFACE

As a continuation from my previous study on the relationship between state intervention and housing forms during the socialist planned economy age of China (1949–1978), the initial interest of this study is to capture the change of this problematic relationship since the early 1980s. With a liberalist thinking, that the housing question of a transitional society will be simply solved by establishing a free market, the question posited is easily dismissed. Against this assumption, the thesis gives much of its content to the introduction of a social housing perspective to the ongoing practice in the Chinese housing reform to address the housing needs in between the old public housing system and the new housing market.

As a result, the thesis in front readers is neither a pure policy analysis nor a study of the pure interest of physical forms in terms of planning and design. Much of its effort has been given to relating these two issues to a broad transitional process. By studies on the historical development and the ongoing practice in the perspective of social housing question, the official discourse on the housing reform is challenged and the practice is critically examined. The findings of this study reveal that, despite the dominant discourse of privatization and commercialization, there are huge demands on social housing provisions in the social and economic transition of China, and so far these demands have not been well recognized and answered by the housing reform. Without a coherent policy on the social housing issue, there have been no effective and coherent measures to ensure the access to the reformed housing provisions, but only fragmented, sometimes biased and contradictory, local practice.

The conclusions drawn from this thesis suggest, on the one hand, social housing is a crucial and fruitful perspective on the investigation of the Chinese housing reform, while on the other hand, the housing questions that emerged in the reform are challenging the conventional knowledge. It demands that adequate considerations should be given to the social housing question, as well as the seeking of alternative solutions, in the Chinese housing reform.



*To Lifeng and our coming baby*





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WANG, TAO  
王韜

Wang Tao  
Trondheim, September 2004

*(The Chinese names appear in their original sequences with the family names coming first in these acknowledgments.)*

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## CHAPTER 1

# INTRODUCTION

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*Housing is a problematic issue under both ideological and historical influences. In practice, the historical context usually adjusts the ideological orthodoxy to pragmatic solutions of the housing question. As a result, though with different origins and ideas of the housing question, countries with opposite ideologies may reach similar recognition of the housing question. However, this ostensible similarity is subject to scrutiny by relating the phenomena to their historical and social contexts. The process of shaping new housing provisions in the Chinese housing reform is the focus of this research. The objective is to investigate this process and its products, and then to bring them to the present theoretical framework on social housing.*

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## *1.1 IDEOLOGICAL AND HISTORICAL INFLUENCE ON THE SOCIAL HOUSING QUESTION*

The question of social housing usually refers to a situation when certain members of a society could not have their housing needs satisfied by conventional provisions, therefore certain assistance is needed. Social housing, thus, can be generally defined as housing which is provided by organizations which do not seek profit (Harriott and Matthews 1998, 3). The recognition and solution of the social housing question in a society reflects the ideas of how wealth should be distributed, and therefore it is closely related to the issues of ideology and political economy.

Social concerns are at the core of social housing question in a modern society from the outset, and the solutions of social housing question encapsulated the different ideas on how one is to be accommodated in the society. Nigel Dodd (1999, 2) addresses two parallel major sets of questions in sociology: one is concerning social theory and the other is concerning conflicting normative projects. The former is the effort to understand the world around us by “a system of interrelated concepts, categories and modes of explanation”; while the latter can be defined as “a system of thought or belief which is concerned in some way with improving society”. In this sense, how social housing is provided has always been a normative project based on some implicit or explicit thoughts and beliefs. The modern society has not only provided the instrumental possibility of mass housing production, but it also brings the questions such as: By whom shall the mass housing be provided? How should good housing be defined and ensured? Who shall be helped and how? What is a society’s acceptable minimum condition of living for its members? or Does the society care or not? Different models have been competing with each other and prevailing in certain historical periods. At the opposite ends of the spectrum of models are the *laissez-faire* and socialist orthodoxies. While the former suggest that the housing solution is solely the responsibility of the individual, regarding the latter it is society’s duty to ensure each one of its members’ well-being.

However, in practice, it is not always so straightforward to see the direct relationship between the normative ideas and practical solutions. Ideological orthodoxy and pragmatic solution are a strange couple, imposed by the question of providing social housing in the modern age. As put by Harloe (1995, 523), “at any particular point in time, most social housing systems consist of a combination of mass and residualized forms of provision”. Or as Bourne (1998, 538) argues, “many possible forms of housing provision lie between the polar extremes of government-managed public housing and individually owned market housing”. In practice, certain flexibility has always been given to the solution of social housing in consideration of historical and social conditions.

In western Europe, the period right after the Second World War saw the peak of state intervention on the provision of dwellings. For example, in England—the cradle of lib-

eral thought—providing social housing was mainly the authorities’ responsibility from 1919 (after the First World War) until the 1970s (Harriott and Matthews 1998, 6–9). However, in the latter half of 20th century, the liberal thought gradually gained dominance as the new normative model. In China since 1950s, a strict system of housing welfare had been applied, which attempted to satisfy everybody’s need to housing in the society. Yet in the 1980s, a reform was initiated to change this welfare housing system and introduce a free housing market to solve the perpetual housing shortage. In either case, the influence of historical contexts on the selection of approaches was to be given equal consideration according to the ideologies. Even in extreme situation, the ideal could not be carried out in a fundamentalist manner in practice. For example, the welfare housing policy in the command economy era of China (1949–late 1970s) was far from covering everybody in the society. In fact, to limit the burden of the national economy, housing welfare was strictly confined to certain populations with certain hierarchical criteria, which were far from egalitarian (Zhang and Wang 2001, 115–116).

The housing question and its solutions are always the result of the wrestling between historical contexts and normative ideas. The ideal was to a large extent compromised by the reality.

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### *1.2 THE ORIGINS OF THE CONCERN: A BRIEF COMPARISON*

Sometimes history repeats itself in an astonishingly similar way at different times and in different places. In the housing reform at the dawn of the 20th century in China, a type of housing was introduced as “Economical and Comfortable Housing” for the urban mid- and low-income population, while in Victorian London, housing combining “comfort and economy” was promoted by the Society for Improving the Conditions of the Labouring Class, which aimed at easing the bad living conditions of the working class in the city (Tarn 1971, 5). The wording is not so interesting as the social conditions upon which the demands for “comfort” and “economy” housing are fermented. Sometimes, identical wordings could be the results of opposite social conditions and policy intentions.

“Economical” or “economy” implies the existence of market rules in a society’s economy and how the standards of living of targeted group are related to the market rules. From this perspective, the housing standard is defined by the economy of a society. It implies that the housing standards of a family should be related to its income, and it also implies that the housing needs of certain social groups have been neglected by the market, thus more attention should be given to them. “Comfortable” implies a socially acceptable living standard. The absolute standard of comfort may vary from time to time and place to place. It is not a static definition but a dynamic one that implies a cer-

## Introduction

tain degree of consensus by a society at a certain time. It is usually defined in a normative manner by using measurable criteria.

What are the factors that make a society begin to pay attention to the needs of previously neglected demands? Why were they neglected before? What are the different contexts behind these similar wordings on the solutions? A brief record is given here to illustrate that China in the 1990s and the United Kingdom in 1840s arrived at their recognition of the housing problem from opposite directions.

A retrospect of the origin of the modern housing question may help to understand the complexity of the issue. Successively in the 19th century in Europe and America, the industrial revolution imposed a sudden increase in urban populations in cities. Consequently, the deterioration of the housing situation of urban working classes became the seedbed of epidemics and social turmoil, which led to the conscious reorganization of urban societies. In the UK, *laissez-faire* was the dominant ideology in early capitalism—that is, an individual should fight for his own well-being. The liberal market rules were applied to almost every kind of goods in the society, including housing. In this ideology, the *comfort* of housing should not be a social but an individual concern. However, three factors gradually made this a societally recognized problem: epidemic disease, social turbulence and social conscience. Typhoid and cholera are diseases which do not follow the individualism principles. They spread in the urban area ruthlessly, regardless of the social hierarchy. The serious housing problem was underscored publicly when nobles and celebrities, such as Prince Albert, died from these diseases (Tarn 1971, 4). The overwhelming concentration of the poor working class in the urban areas made it easy for them to organize themselves and express the bitterness of their suffering. It is unfair to say that social conscience is only the reaction to epidemics and riots, philanthropic activities and appeals characterized the housing development in the UK in the early 1800s, but it was amplified by the social turmoil. Together, these factors oscillated the orthodox liberal thinking on the urban housing problem and anticipated intervention by the state. The *economy and comfort housing* was just one of the efforts to provide the working-class with affordable and decent homes.

In China in the last two decades of the 20th century, situation was quite the opposite. From 1949 to late 1970s, a public housing system has been implemented all over China. Public housing is owned publicly and conveyed in non-market ways. The ideology behind this was that the state should take care of every member of the society. In the public housing system, the provision and distribution of housing was centrally administrated and not the result of free market competition. However, this ideal turned out to be hard to achieve. At the end of the 1970s, after about three decades of implementing the public housing system, China was suffering a severe housing shortage. Since the early 1980s, a series of reforms have been taken to introduce free market economy to China, known as the Chinese Economic Reform. As a part of the economic reform, the housing reform was initiated to reform the public housing system and solve the housing



question. Since the late 1980s, emphasis of the housing reform was given to the transition from the old public housing system to a market housing solution. The question of the housing solution to the increasing population in between these two systems, the population who are neither under the public housing system nor capable of buying commercial housing, has been neglected and escalated. The idea of *economical and comfortable* was put forward in the early 1990s to change this trend in the housing market. With the development of the housing reform and the gradual retreat of the old system, the state is trying to channel the housing provision by the market to meet the housing demands of ordinary families which were previously supplied by the state. In Chinese, *comfortable* implies *adequate* and *modest*. Contrary to the efforts in England in the 1840s, the Chinese efforts are not intended to criticize the low standards of housing on the market but to direct the market's attention from luxury housing to cheaper ones. "Economic" bears the same meaning of affordability of low-income households. It suggests the housing price should be within people's paying capability.

The increasing attention to the *comfort* and *economy* of housing in England in the 1840s was to raise the standard of housing on the market to secure the health and solidarity of a society. In the housing reform in China, started in the 1980s, rather than a reaction to poorly conditioned housing provided by the market, the *comfortable and economical* idea has been more an appeal the housing market to redirect its focus from luxury housing to affordable housing provision. In England's case, the market showed its inadequacy to provide decent housing; the extent of state intervention had to be raised to meet the demands. In China's case, by contrast, it has been a story of relaxing the state intervention on housing and handing over the responsibility to the housing market. Yet in both cases, the fundamental questions to the rising social housing concerns are as Tarn (1971, 4) stated: "who should provide the housing, how should the finance be managed, how should the building be controlled, and what standards of accommodation should be established?"

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### 1.3 THE THEORIZATION EFFORTS

Housing has been and continues to be a problematic question for people with different interests. We can now see political scientists, economists, sociologists, anthropologists, urban planners, and architects in one arena discussing this question. As their research grows, the boundaries become less distinct. However, rather than becoming a multidisciplinary field, by comparing to other academic disciplines such as economics, sociology, history, and political science, as Kemeny (1995, 11) characterizes, the housing study tends to be "nondisciplinary" or "adisciplinary". Paying little attention to the disciplinary focus and methodologies, a housing study "becomes a sterile and limited empirical focus, concentrating on analyzing the housing market and housing policy". He thinks that the housing study is "neither a discipline in the sense that it abstracts out a dimension of society, nor is it an established 'subject-based discipline' in a university"

(Kemeny 1995, 5). This characteristic of housing studies will be discussed further in the following chapter on theory and method.

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### *1.4 THE NORMALIZATION OF THE PRODUCT*

From the time when the housing question emerged on the horizon of the modern age, it became an integral part and manifestation of a great social process which in many ways represented the concerns of modernity: the regeneration of labour force, social solidarity, humanitarian concerns, and the problematic question of equality and competence. As with any other modernist projects, besides the effort of theorizing the issue, there is also an effort towards normalizing. When a society is involved in providing affordable housing for its (certain) members, it is a question of normalization of the procedure and the product according to certain ideals and realities. The normalizing processes of the modern housing question in the early half of the 20th century coincided with the development of positivist thinking in the academic world. A rational attitude to social progress was applied. Quantitative measurements have been used to define the minimum or maximum living standards.

In 1929, the second CIAM congress was given its theme as “the Minimum Subsistence Dwelling with the focus to be on design solutions to the problem of high rents for low wage earners” (Mumford 2000, 30). From a functionalist’s point of view, minimum housing conception was the result of efforts to rationally normalize the basic needs of man to his dwelling in a biological sense. The aim of the normalization was to increase productivity and efficiency in the housing sector so that more people could be accommodated with the same amount of investment in adequate standards. Deemed as a “social task for architecture”, the minimum housing project was treated in a positivist manner, aiming at the universal knowledge and technical solution to the housing question without consideration of the economic requirements (Mumford 2000, 31–34).

According to Rowe (1993, 47–65), the normative program of housing in the modern age started with the concern of public health and safety, prior to which there had been a laissez-faire attitude to the living conditions of the working classes in the industrial cities in 19th century. The epidemics and social unrest originating from those poorly accommodated in cities focused attention on their housing conditions (see 1.2 on page 3). The social and humanitarian concerns were soon expanded to the sphere of public welfare, and physical and mental health. Rowe categorized four types of the normalizing process in defining appropriate living environments:

- Building regulations and codes: concerning material substances and basic layout of dwelling
- Zoning regulations: concerning location, density, and character of use

- Special space standards: a condition of compliance with the terms of capital funds
- Model housing projects: demonstrating the efficacy of certain ways of building and of providing good residential environment

In addition to the architectural and planning concern of the minimum housing from the perspective of biological needs, there is also a concern of maximum housing standards under certain circumstances. This is very much related to social policy, that is, how welfare is distributed in a society. Hence, the relationship between the state and the market becomes the focus. Usually, in a capitalist society, there is a concern of the maximum standard of the housing under the assistance of the state. For example, there used to be a maximum standard in Norway for housing financed by the state Housing Bank (Martens 1993).

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## 1.5 ABOUT THE THESIS

### 1.5.1 Motivation

My Master's Degree thesis is a historical study on Chinese urban housing from 1949 to 1978, the so-called "socialist planned economy" period before the economic reform started (Wang 1999). The focuses are the normalizing process of the public housing system and its physical results during the period. One important lesson learnt from this historical study is the recognition that a housing study from a field engaging itself in the question of built forms cannot be conducted without an understanding of how the housing is provided in a society.

Rather than a spontaneous process, industrialization was introduced to China intentionally in the early 1950s (Zhang and Wang 2001, 108–111). The housing of the industrial workers in cities was rather a matter of distribution in this context, because all provision of new housing was in the control of the state and there was no private ownership of housing. The chief housing question in this period was a housing shortage caused intrinsically by the system (see 4.3.2 on page 37). Therefore, rather than being concerned with the minimum living standards to increase the possibility of acquiring a dwelling by one's own ability, the concern of normalizing housing provision in China in the planned economy age was on maximum standards allowed by the national economy (which was always very limited) and egalitarian principles of distribution (Zhang and Wang 2001, 112–118). The distributional concerns overrode the concerns of public health and safety in the process. The primary questions are: how to maximize the produce with limited input? how to limit the beneficiaries? how to distribute the limited housing resources to designated beneficiaries according to egalitarian principles and bureaucratic hierarchy? As a result, on the one hand, a system was constructed in order

## Introduction

to limit the coverage of the limited housing provision, while on the other hand, the housing standards were minimized to accommodate as many people as possible. A strong relationship between the socio-economic contexts and the housing forms was discovered. The major measures of the normalization process on housing were strict criteria on beneficiaries, planning and design codes and regulations, rigid distributional standards according to bureaucratic hierarchy, and model housing projects to demonstrate the ideal solution in different times.

Since the housing reform was started in 1980s, the housing question in China has been increasingly interwoven with other issues. Privatization and marketization became the main solutions to the housing question. However, housing equality has emerged as a new topic since the 1990s. After my previous study on the housing development in the planned economy period of China from 1949 to 1978 (Wang 1999), it was quite a natural step forward to ask what is the normalizing process during the Chinese housing reform since the early 1980s. What are the key features of the new social housing system in China? How effective are they in dealing with the affordability question? How different is the Chinese practice from social housing system in other market economies? These questions provided the motivation for this study.

### 1.5.2 Objectives

Firstly, the research aims at giving a descriptive account of the normalization process in the ongoing Chinese housing reform: what are the intentions and solutions in normalizing the new housing provisions? what are the results so far? By doing this, the changing pattern of the state intervention on the housing provision is mapped out. It is upon this new pattern that the relationship between the housing policy and the housing form is being rebuilt.

Secondly, in terms of new housing solutions, most of normalizing efforts have been given to the question of providing housing to those who cannot afford commercial housing and thus the different forms of assistance from the state to be given to them, that is, the social housing process. A study from the social housing perspective can provide an alternative interpretation to the historical process of the reform, by which some dilemma surfaced during the housing reform can be given an alternative explanation. Different from most practical housing studies taking given policy goals as granted, this research tries not only to examine the housing practice by relating it to the goals designated by the housing policy, but by introducing the social housing perspective and identifying the paradoxes to question the given goals.

Thirdly, on a practical level, a social housing perspective also helps to discern the various housing provisions that have emerged during the reform. Since one of the essential tasks of the Chinese housing reform is to remove the monopoly of the housing provision by the state, a spectrum of new ways of providing housing to the society has been

introduced. Examinations of these new forms of the housing provision from the concept of social housing can help to assess their performance in solving the housing question.

Lastly, on a theoretical level, the primary objective of this research is to find out the relevance and difference between the theoretical landscape of social housing and the social housing issue emerging during the process of the Chinese housing reform, to test if it is possible to apply present knowledge in the case of China, to what extent and in what respects it is applicable, and what is lacking in the present framework to recognize the uniqueness of the Chinese experience.

### 1.5.3 Structure

The main body of the thesis consists of two parts: the theoretical investigation and the empirical study. The theoretical part investigates the present theoretical landscape on social housing, the major theories, methodologies, concepts, problems, and critics. The empirical part of the thesis is divided into two levels of investigation. The first level of investigation is a historical study on the process of the Chinese housing reform since the 1980s, the aims of which are providing background contexts for the following investigation and introducing the social housing perspective to the issue. The second level of investigation is the housing practice of three Chinese cities representing three new types of housing provision. The cases are selected with the aim of representing a general scenario of the ongoing Chinese housing reform. By studying their respective contexts, organizations, processes, and products, the normalization measures and results will be illustrated and investigated. In the conclusion, the empirical studies are examined under the light of the present conceptual framework of social housing, to check out the compatibility of the theory and the practice.

### 1.5.4 Limitations

To solve the housing question of one quarter of the Earth's population is by no means an easy task, and to investigate such an issue is by all means ambitious.

Time is always a double-sided blade to a research. A research on a subject can last indefinitely, especially in this case where the subject is an ongoing process. A time limitation can prompt an efficient and fruitful study. However, given so many issues to be covered and so much information to be investigated, arbitrary selection of tools and materials has to be made in a bold way to make the issue operable within a given time. As a result, the main effort of this research has been given to discerning the social housing provisions in Chinese housing reform, while the discussion on the relationship between the new housing policies and the housing forms is touched upon but not fully examined. The latter demands further efforts based on the findings of this research.

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Local variations should always be remembered by any research focusing on national practice. Under the same housing policies, there is a vast diversity of different local solutions, which can by no means be represented totally by the three cases in this thesis. Again, selections have had to be made, and certain rationales have been followed in the selection. In this case, the representativeness and direct relevance to the national housing policy and the availability of information are of major concern. The rationale of selection will be discussed in detail in the following chapter.

Carrying out such a study by one person certainly gives limitation to the methods that can be used. Large-scale questionnaires or surveys are impossible. Therefore, the research relies very much on qualitative methods such as interviews, observations, literature studies, and second-hand materials such as research, statistics, and previous surveys.

To acquire information needed for the research was also problematic. Some of the information is sensitive and some of the organizations or individuals were very reluctant to participate in interviews and give the information needed. The statistics proved another problem. Since there is also a transition from the old statistical categories and concepts to a new system, different cities are using different methods and categories in their statistics. It is especially difficult when trying to find out the figures about the new housing provisions, since there are not any clear categories for them and they are usually mixed with other types of housing statistics.

## CHAPTER 2

# THEORY AND METHOD

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*Theorization tends to be neglected by housing researchers. Policy-oriented empirical studies have been dominating in the field, which in turn reinforce the atheoretical characteristic of the housing study. However, the social constructionist approach reveals that the empirical housing study is far from politically or ideologically neutral, rather, it is always applying hidden metanarratives without realizing it. Studies on the housing development of transitional societies are inevitably influenced by this hidden paradigm, and the incapability of it of capturing the different contexts is explained as “path-dependency”. To avoid, or at least be alert to, the possibility of inheriting the paradigm, this study tries to apply historical and discourse perspectives on its subject, and qualitative case study will be the main approach.*

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## 2.1 THEORIZATIONS IN HOUSING STUDIES

Regarding to the development of theorization in housing studies, Kemeny (1992) thinks that despite growing interest in theoretical issues there remains a strong tendency for housing researchers to bury themselves in their own empirical and policy issues, with almost complete disinterest in “abstract” questions.

This characteristic of contemporary housing studies is further illustrated by Marston as:

*Where theory is used in contemporary housing research it tends to be mid-range versions of political economy theory (the concept of a “housing system” for example), competing definitions of housing need, or comparative and state centered social policy. These studies have an important place, particularly comparative studies that confront us with our own assumptions about what’s “natural”. However, very few empirical studies are explicit about the epistemological foundations or the theoretical frameworks that inevitably inform them. (Marston 2002, 82–83)*

As an explanation to this situation, Saugeres (1999, 94) suggests that one of the central reasons that this continues to be the case is that housing researchers have tended to take for granted the definitions of housing policy makers. In this static account, “policy problems” are taken to be objective facts, rather than contested realities. Within this paradigm, much of the focus of this type of housing research is atheoretical empirical work directed towards addressing policy problems defined by governments and their instrumentalities.

However, the situation does not mean that researchers leave an empty space for the theoretical basis of their research; in fact, it indicates that there are hidden theoretical premises for these housing studies seldom to be challenged. There are two major approaches in mapping the theoretical landscape in the housing study, as addressed by Harloe (1995, 519), one stressing the similarities and the other emphasizing the differences.

On famous example of a study on the differences is Esping-Anderson’s welfare state typology. In his *Three Worlds of Welfare* (Esping-Anderson 1990), he categorized the capitalist world into three different types of welfare regimes: the liberal, corporate and social-democratic regimes. In the liberal welfare-state regime, the state constructs a safety net aiming at the lowest-income population and it is carefully separated from the free market. The corporatist regime does not deem the granting of social rights harmful to the market mechanism; rights are attached to class and status. The state is to interfere only when the family resources are exhausted. In the social-democratic regime, “rather than tolerate a dualism between state and market, between working class and middle class, it pursues a welfare state that would promote an equality of the highest standards,



not an equality of minimal needs as was pursued elsewhere” (Esping-Anderson 1990, 26–27).

As pointed out by Brandsen (2001, 3), the advantage of the welfare state approach is “a safeguard against notions that housing systems will inevitably converge to a single type”. This is equally valid to the study on transitional societies where there is always a “converging” tendency to interpret their development. The disadvantage of the welfare state approach is that it is a static generalization. It does not help much in the understanding of the on-going housing reforms.

A typical representative of the focus on the similarities is neo-classical economics that concentrates on the dynamics of the demand and the supply of housing in a market mechanism. Its premises are the universality of the market mechanism and the identical behavior of its participants. Many critics have argued against it. As generalized by Brandsen (2001, 5–6), the critiques are mainly stressing three different points in neo-classical economics theory: the neglect of historical and geographical variations, the neglect of relationships other than economic ones, and the neglect of the active roles of the participants.

The debate between these two groups forms the basis of the theorization landscape in housing studies. They are generating different conceptualizations of the housing question, and also serving as the basic tools for approaching it. As argued by Dodd (1999), different theorizations are anticipating different normative projects, in the hope of shaping the following development.

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## 2.2 METHODOLOGIES IN HOUSING STUDIES

### 2.2.1 Positivist tradition

Before the rise of the social constructionist approach in the 1990s, housing studies were dominated by positivist thinking. The tendency of paying little attention to theorization is also to a large extent the result of this tradition. Jacobs and Manzi (2000, 35) describe how the positivist tradition in the UK was decisively influenced by Fabianism.<sup>1</sup> It emphasizes the scientific qualities of housing research by testable quantitative methods, which it thinks will convince the decision-makers.

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1. According to Marshall (1998, 217), Fabianism refers to a tendency in English thinking based on the tradition of empirical research that emerged in the late nineteenth century, which is “essentially non-revolutionary, pragmatic, rational, with a belief in government intervention and the perfectibility of the welfare state”.

## Theory and Method

As a result, the positivist thinking has shaped the rationale and expectation attached to housing studies. Jacobs and Manzi (2000, 35) argue:

*For many academics, studies are undertaken primarily to improve policy practice, the expectation being that new research can inform policy makers in their efforts to resolve social problems ... Furthermore, although the absence of explicit theory remains a defining characteristic of mainstream housing research, it primarily relies upon a positivist epistemology. Within this paradigm, the task of the housing researcher is one of discovering objective facts, presenting them in a descriptive format in the expectation that policy makers will take notice and act accordingly ... Though research within the empirical tradition achieves a level of sophistication in its analysis of social phenomena, its primary purposes are to establish facts and to prescribe effective action once problems are acknowledged.*

Therefore, most housing studies have been quantitative and problem-solving oriented. In turn, this positivist thinking reinforces the ignorance of theorization in the housing study, or put another way, gives the housing study the characteristic of being conservative to the policy of the regime it is serving:

*Not surprisingly, the conceptual categories used in housing research are rarely scrutinized within this paradigm; instead they rely upon the collection of material evidence to reinforce policy recommendations. The resulting research product is often methodologically conservative. In addition, it is difficult to pursue new lines of investigation or, for that matter, to develop different conceptualizations of the policy process. Consequently, the positivist paradigm has had an impact on the modus operandi of housing research. Debates tend to be conducted within an agenda dominated by two competing ideologies: either policy should be formulated to bolster market mechanisms, or the role of the state should be extended. (Jacobs and Manzi 2000, 35)*

This is still the case today. In the context of housing research in Australia, Winter and Seelig (2001) argue that since the government funds are critical to housing studies, not surprisingly, the housing studies are mostly applied empirical projects with a heavy reliance on quantitative survey and secondary data analysis.

### 2.2.2 Social constructionist tradition

Since late 1990s, increasing attention has been given to the inadequacy of the positivist approach. Social constructionist methodologies are being introduced to housing researchers. Jacobs and Manzi (2000) also give an in-depth account of the philosophical basis and development of social constructionist approaches in housing studies, arguing:

*A major claim advanced by those adopting a social constructionist epistemology is that actors do not merely provide descriptions of events, but are themselves constitutive of wider policy discourses and conflicts. Viewing society and social policy as malleable and subject to power struggles, constructionists do not accept social facts as permanently “accomplished”. This emphasis on contestation is important in offsetting any tendency by actors to objectify social phenomena or reify abstractions into material realities ... Social constructionist therefore offers an altogether different conception of reality from the one advanced by positivism, as well as a basis from which to understand the contexts and processes of housing.*

*Important goals of constructionist research are therefore to examine how certain issues become defined as “problem” and to identify the collective strategies developed to confront these issues. Within a housing context, Kemeny has argued that what becomes a “problem” is, to a considerable extent, contingent on how interest groups compete with each other to gain acceptance of a particular definition while rejecting others. In this respect problems are constructed, as policy makers attempt to establish their policy agendas in response to changing economic and social conditions and in accordance with their own needs. (Jacobs and Manzi 2000, 36–37)*

Clearly, the significance of the social constructionist approach is that it moves forward to challenge the “given” context of previous housing studies, and tries to bring forward alternative understandings to the question. Therefore, a housing study is no longer to provide answers to given questions, but to challenge and redefine the given question.

### 2.2.3 Metanarratives in housing studies

With its development, social constructionist approach moves forward to challenge deeper social discourses. Kemeny (2002) argues that there are three levels of such analysis: discourse, narratives and metanarratives. While discourse reflects certain power relationships, narratives and metanarratives are the deeper social settings in which the discourse is rooted. As put by Kemeny, “Like a paradigm, a metanarrative not only provides the range of acceptable answers but also defines both the questions to be asked and the rules of procedure by which they can rationally be answered” (Kemeny 2002, 189). To reveal the dominating role of Anglo-American citizenship theory that put much emphasis on the free market, he provided the analysis on the “state versus market” dichotomy in housing studies.

Kemeny’s work awakens housing researchers, even those with the least theoretical interests, to the fact that, consciously or not, they are working within certain metanarratives. The present dominating metanarrative in housing studies is that of the Anglo-American model which only concentrates on the relationship between market and state, advocates more free market and less state intervention, and tends to neglect other alternatives.

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## 2.3 HOUSING STUDIES ON TRANSITIONAL SOCIETIES

### 2.3.1 Western-informed studies

Confronting the fast changing context, previous housing studies on the Chinese housing reform showed strong positivist tendencies and paid little attention to theorizing and developing corresponding methodologies to the problem. However, the differences between the context of the problem and the methods, which had been developed from totally different contexts, are widely noticed. Therefore in many studies, a brief historical background was usually included to show the consideration by the authors on this problem. However, in urgent need of solutions, understanding the problem has never been a research topic itself.

Consequently, under the influence of the state-market dichotomy, most of the studies on the Chinese housing reform focus on the commercialization aspect (Chiu, 1995; Chen, 1996; Zhou and Logan, 1996; Chen and Wills, 1997; Yuan, 1998; Wang and Murie, 1999; Guan, Feng and Zeng, 2001; Zhang, 2001). In the commercialization interpretations, the housing reform is a continuous process of approximating a market housing system. These studies follow the empirical tradition and try to supply suggestions or remedies to the present policy. As described by Jacobs and Manzi (2000, 35), such studies have a characteristic of being “conservative” in their consensus with the realities prescribed in the policy. They are prone to be empirical studies bearing immediate implications to policy-making. It is implicitly indicated that the goal of the housing reform is to choose and realize one of the established western housing systems, in most cases the liberal model described by Esping-Anderson. Therefore, the content of these “conservative” studies is to calculate and evaluate the difference between the present and that ideal. As a result, these studies are incapable of recognizing the metanarratives embodied both in the housing policy they are studying and in the methods and solutions they are applying.

### 2.3.2 Mis-transplantation to transitional societies: ideographic or normative

The common conception of transition, as generalized by Pickvance (1997, 99–100), is referring to a process in which “one identifiable system gives way to another”, and the characteristics of transition are its finite length, rapid change and disorder/instability. An assumption is that the new system represents a “higher” stage of development than the old one. The word is often used on a society which used to be a state socialist dominated but is undertaking a process towards post-socialist. Therefore, it is very convenient for a study on a transitional society to focus on the similarities, such as, the universality of the market mechanism and the identical behavior of its participants in the neo-classical economics. Consequently, in the study on transitional societies, there is

always a tendency that the ideographic theories produced in the western contexts are to be used as normative knowledge because the transformation is taking a western model as its goal. For example, to oppose the task of sociology as Producing general laws, Max Weber (2001) investigated the functions of the protestant ethic in the development of capitalism in a certain place in Germany, through which he revealed the influence of historical or cultural contexts on the societal development. However, ironically, his work is taken by a number of people in China as evidence of their argument that China has to import Christianity to develop capitalism properly.

There seems to be a hopeless longing for normative knowledge that can ensure a successful and rapid social transformation. As a result in the housing studies of the transitional societies, theorization in Western is taken as prescription to success.

### 2.3.3 Myth of “path-dependency”

There are mainly two different approaches to the transition process. While one addresses the fastest abandonment of the old and the significant changes brought by the new, the other is sceptical of the former and emphasizes the influences of the old on the new (Pickvance 1997, 101; Andrusz, Harloe and Szelenyi 1996, 4–5). In the studies on the urban development in the former socialist countries of Europe by Andrusz, Harloe and Szelenyi (1996), a series of studies illustrate that “shock therapy” cannot turn a state socialist society into a capitalist one at one stroke as some had expected. Conversely, the experiences in these former socialist countries suggest that the transformation process is very much “path-dependent”, that is, the processes lead in uncertain directions based on the historical contexts of each country. For example, in a study on the housing inequality during the privatization process in Hungary, Pickvance (1997, 107) observes that during the housing tenure transition, “the better off received consistent advantages in the housing sphere: in the initial allocation of good quality state flats, in the right to sell their tenancies on the gray market and in their access to cheap loans for purchase in the private sector”. He concludes that “those who were favoured under the previous system were able to preserve their assets in a form better adapted to market conditions”.

The concept of “path-dependency” was originally developed by economic historians studying the development of technology. It has since been taken up more widely by sociologists and political scientists who study institutional and organizational changes. As to the transformation of the former socialist countries:

*It means we cannot turn our backs on the legacy of the past if we want to understand the present. Nor can we accept, as some do, that “state socialism” was a cross-nationally identical phenomenon, or that a similarly uniform description and analysis can be provided of the transition. (Andrusz, Harloe and Szelenyi 1996, 5)*

## Theory and Method

In a sense, “path-dependency” is used as a general explanation to a seemingly everlasting process of approximation. It suggests that any new development is always determined by the earlier course of development. In the studies on the transition of Eastern European countries towards a liberal system, the phrase is used to describe the traditional influences that always deviates the process from its target. “Path-dependency” indicates the tension between the ideal and the reality, the desire to be “otherness” and the entrapment in one’s own past. In fact, the development of every individual or country is path-dependent. When this phrase is especially applied to describing the transition process of transitional societies, it reveals, on the one hand, the preoccupation of one ideal model (metanarrative), and, on the other, the tendency of neglecting historical contexts (as in the positivist neo-classical economics). It also reveals the lack of theorization based on the problem’s particularities.

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## 2.4 RESEARCH METHOD

In most cases, when empirical methods are applied to the study of the housing reform in China, they either focus on immediate policy-making implications or they take Western-informed theories as premises. Then, “path-dependency” is used to describe the failure of this expectation. The situation is demanding alternative understandings to the problem. If the history is not easy to get rid of, if the future prescribed can never eventually come, if the present is not a point on the line connecting the past and a desired ideal future, then, what is the present? These questions call for the efforts of reconceptualization the question rather than giving immediate solutions.

The aim of this research is to understand the social housing development in China. Different methods are applied to different objects. To the national policy development, discourse analysis method will be used to illustrate the defining of the housing problem and solution in the official language. To the actual products of the policy, multi-case study method is used on three selected cases to demonstrate different results and ways of implementing the policy. Historical perspective is penetrating through the thesis to understand the twenty-year development of the housing reform, because all the present housing questions and solutions are rooted in the historical context.

### 2.4.1 Case study method

#### Why case study?

Case study method is used in this research. The feature of case study that “investigates a contemporary phenomenon within its real-life context”, as defined by Yin (2003, 1), is highly relevant to this research. The very intention of the study is to relate new housing provisions in the Chinese housing reform to their socio-economic contexts, for which

case study is a suitable method to fulfill the task. The final housing product is interesting only by being related to the idea, the expectation, the process, and the mechanism attached to it. According to Yin, a case study is especially useful when:

*... the boundaries between phenomenon and context are not clearly evident. In other words, you would use the case study method because you deliberately wanted to cover contextual conditions—believing that they might be highly pertinent to your phenomenon of study. (Yin 2003, 13)*

This is certainly the case in this study.

### **Multiple-case study**

In contrast to a “classic” case study which concentrates on one case, multiple-case study is used in this thesis. This, in turn, is decided by the topic itself. To transform the old public housing system into a new housing system, the Chinese housing reform has produced a number of temporary measures and products that serve only for short-term purposes or aim at solving immediate problems during the process. To investigate the social housing provisions which have not yet taken on uniformity, there are a series of transitional products that could be working the purpose of social housing but not bearing the name, or vice versa. The discernment of this series of temporary products in the criteria of conventional knowledge on social housing is itself a crucial task of this study. Therefore, on the one hand, these cases will be brought under investigation in the thesis, and on the other, the joint picture made by them will provide the reader with an overall scenario of what is going on at present. Besides, each of these cases under investigation, serving as integrated parts of a comprehensive process, functions as the context for each other, therefore should not be excluded from discussion.

However, applying a multi-case method demands much greater time and more specialized techniques of the researcher. Time is one obvious dimension, while there are more problematic issues such as, the balance among cases. The information available on each case is not always comparable. This will result in imbalanced analysis of each case in the thesis. For example, the statistical departments of each city under study are working in different ways and using different categories to present their works, which at the same time are subject to change from year to year. Therefore, sometimes it is very hard to generate comparable data. Also, since some programs have been carried out for years while some are just newly introduced, the information and knowledge available on each of them are imbalanced. For example, the Low-Rent Housing was introduced in Xi’an in 2001, the Economical and Comfortable Housing in Beijing has a history dating back to 1998, while the new local authority housing was initiated in the late 1980s.

The reader must forgive the imbalance among the analyses of cases. The cases in this thesis should not be considered as serving for a comparison among different affordable housing projects, but rather as indispensable parts of a general picture.

## **Theory and Method**

### **Techniques**

To approach the question, there are many different sources of information or data which demand different skills to deal with them. As put by Yin (2003, 14), “case study as a research strategy comprises an all-compassing method—covering the logic of design, data collection techniques, and specific approaches to data analysis”.

In this study, a city together with a project is considered as an integrated case. Three cases are selected to represent three different new housing provisions in the Chinese housing reform in the late 1990s. The technique used is a combination of text analysis on local policy, direct observation of the project, interviews with key personnel, archive and literature studies.

Text analysis concentrates on the related policy texts to identify the ideas and goals attached to the type of housing in the city under study. In the succession of policies, the text analysis will also discover the changing aims and prescriptions of the housing scheme. The people to be interviewed are, as the focus of the study, on the provision side of the new housing scheme. They provide information, on one hand, on the concealed alternative intentions or ideas on the policy itself, and on the other, the detailed information on the project studied. Direct observation provides direct impressions on the housing product related to its physical characteristics such as planning, architectural and environmental qualities. Archive study will provide the related documents, maps, drawings, and statistics on the case. By using literature study, I hope that other studies on the same city or project may shed light and provide supplementary information to the investigation.

### **Aims of the case-study**

According to Svein S. Anderson (1997), there are six different types of case study regarding to their theorization efforts: non-theoretical studies, theoretical interpretative studies, studies that aim to create new concepts, studies that aim to develop existing concepts, hypothesis-generating studies, and hypothesis-testing studies. He claims that only the studies on creating or developing concepts are truly scientific.

There is a dual-task for the cases used in this study. On the one hand, they represent the regularity among their peers thus to provide new concepts to the new housing provisions of the reform; on the other, the cases in the study as a whole present a general picture of the on-going housing reform in China and its uniqueness. In the latter stance, due to the poor theorization on housing studies, the very scientific quality of this study will not rest in its findings in developing new theories but in its addressing of the uniqueness of the case and its challenges to the conventional knowledge. The very intention of study is to avoid labeling the housing reform in China as a variation of any conventional housing models, in the fear that the neglecting of historical and social context will exacerbate instead of alleviate the housing problem.



### Selection of cases

Three cases are selected as the multi-case study objects. There are three different criteria for the selection of the cases.

#### *Type of Cases:*

The three cases selected represent the two direct products of the latest housing reform strategy of 1998 which has national implications, Economical and Comfortable Housing and Low-Rent Housing, and one local variation to the national policy—the new local authority housing in Shenzhen. The former two have been promoted nationwide since 1998, while the latter had its own course of development until the late 1990s.

#### *Location of Cases:*

Economical and Comfortable Housing and Low-Rent Housing are nationwide practices. Beijing is selected to study the ECH development. The considerations are that, as the capital city, Beijing's socio-economic context is closely reflected in the policy-making process; in practice, ECH enjoys its most rampant development in Beijing. Compared to the case of ECH, the selection of the Low-Rent Housing case is quite contingent. Since the Low-Rent Housing was not been put into practice until early in the 21st century, realized cases are quite rare to find. It was quite by chance during my vacation that I discovered there was a recently finished Low-Rent Housing project in my hometown of Xi'an. Because of my local connections, I was able to get the related documents and information even before the project has been officially finished and archived. The case of Shenzhen serves as the variation to the national practice because of its special local and economic conditions that are quite unique in China and which will be explained in detail in Chapter 7.

Another consideration is that these three cities located in different regions represent three typical economic development statuses of Chinese cities, three types of ideologies behind the housing solutions. Shenzhen, as the special economic zone enjoying special economic and locational advantages, represents the most vibrant market economy in China. Beijing, as the capital city and with advantages in political importance and attraction to foreign investment, enjoys considerable economic progress in the economic reform. Xi'an, a major city in the north-west China and that used to be an important industrial base in the planned economy age, however, has been lagging behind in the economic reforms. It represents the situation of most inland Chinese cities in contrast to the prospering cities along the eastern coastline.

#### *Availability of Information:*

A very important consideration of such selection is the availability of information. Housing is a sensitive topic because many interests are involved, and the information is

## Theory and Method

not always publicized and the parties involved are not always willing to be interviewed. Therefore, it is quite critical to have adequate access to the selected cases. Beijing and Xi'an are places in which I had worked before. Indeed, it was in Shenzhen where I faced the biggest problem of acquiring data needed.

### 2.4.2 Discourse awareness

Discourse analysis perspective will be applied in the analysis of the development of national housing policy. Discourse analysis method has been widely applied by housing researchers since the 1990s. It focuses on the power relationships and the construction of reality by discourse, and applies linguistic analysis on the language used by the policy text, asking questions about "how language is used, why, by whom, in what circumstances and to what effect" (Hastings 2000, 132) to reveal the intentions behind the choosing of language to construct the reality.

In Western contexts, the application of discourse analysis method has facilitated critical examinations of established housing policies, i.e. orthodoxies (Hastings 2000, 136). These orthodoxies can also be deemed as what Kemeny (2002, 187) defined as metanarratives—"historicized and naturalized explanations for 'why things are as they are' and therefore why certain kinds of concepts are needed to analyze them". They are the deeper structure determining how the housing question is phrased, or in another words, how the official discourse is shaped.

In a transitional society such as China, where there is a process of the old metanarrative fading away and the new metanarrative being gradually introduced, one prominent characteristic is that there are constant readjustments of the definition and solution to the housing problem in the official discourse on the housing policy. What is interesting is how the old metanarrative influences the present judgment, and how the metanarrative imported influences the choice of solutions. For example, at the beginning of the housing reform in China, the housing shortage was attempted to be solved within the old housing system, the failure of which had eventually led to the privatization of public housing. Such changes of the official discourse are frequently observed in the successive housing reform schemes produced during the process.

Therefore, the national policies will be studied with a discourse perspective to reveal how the affordable housing needs have been interpreted in the policy, why the focus of the policy had been distracted from the question of affordable housing provision in certain times and occasions, and how the government intentions on housing reform have been constantly readjusted and eventually led to the inevitable confrontation with the social housing question in the late 1990s.

### 2.4.3 Historical perspective

If, as described, most of present housing studies (especially the positivist ones) are “conservative” and limited by the metanarratives from which they grow, then, applying these studies to a country with totally different historical and social contexts is obviously misleading. The conclusion of “path-dependency” is evidence of the failure of such efforts. The development of every society is path-dependent. Only when this character has been ignored, does it become a “scientific discovery”. Therefore, to understand the nature of the housing reform in China, historical perspective is needed.

As Malpass argued (1990, 2–3):

*Whilst it may be convenient to concentrate on contemporary developments, explanations which fail to take account of the longer term are likely to be less than adequate. It is during periods of rapid changes that is especially necessary to retain a sense of historical perspective and to identify the continuities as well as the discontinuities.*

Historical understanding is key to the analysis of housing policy, because the present social setting in which housing policy is produced is a result of the historical development. The studies of Andrusz, Harloe and Szelenyi (1996) revealed the significance of historical conditions for the selection of policy. Different from those former socialist countries where “shock therapy” was adopted for the transformation into capitalist systems, China is taking a mild gradual approach that has hitherto confined itself to the economic issues. It suggests that the transformation process in China is no less complicated but even more interwoven with the historical factors before the reform.

The thesis on the whole can be deemed as a historical study of the Chinese housing reform in the late 1990s, because the intention is rather to help understanding than to provide solutions. The question asked is how the old housing provision system has been reorganized in the late 1990s in China to answer the new housing needs. Further, it is hoped that this historical understanding can serve future studies on the topic with a different perspective and a general picture.



## CHAPTER 3

# DEFINITION

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*In this chapter, the definition of “social housing” is presented as the starting point of discussion. Firstly, two commonly accepted definitions are introduced; one is based on tenure and conveyance while the other is a bold and inclusive. Then, by studying the historical typology of social housing development, the “convergent” and “divergent” views on housing studies are discussed by introducing Harloe’s and Kemeny’s works. The two perspectives on social housing make up the basic conceptual framework on the roles and forms of social housing.*

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### 3.1 WHAT IS “SOCIAL HOUSING”?

#### 3.1.1 A categorization based on tenure and conveyance

According to *The Encyclopedia of Housing* (Van Vliet 1998), from the tenure aspect, housing is categorized by its ownership and conveyance into four groups (see TABLE 3.1 on page 26).

**TABLE 3.1** Housing categories by ownership and conveyance

	Market Conveyance	Non-Market Conveyance
Privately-owned	1	2
Publicly-owned	3	4

*Source:* Van Vliet 1998.

In table 3.1, social housing is composed of groups 2 and 4 which are privately owned non-market housing and publicly owned non-market housing. The general features of privately owned non-market housing are: ***It is privately owned.*** Title to residential real estate is held by an individual or by a private corporation, not by an instrumentality of the state. ***It is price restricted.*** A contractual limit is placed on the future price at which the property’s units may be rented or resold. Prices are established by a predetermined formula, not by the market. ***It is socially oriented.*** The property’s primary function is to meet the social needs of current and future occupants, not to accumulate wealth for the property’s owners (Davis 1998, 587).

Public housing refers the portion of social housing which is publicly owned and conveyed in a non-market manner. By definition: ***It is publicly owned.*** Title to residential real estate is held by an instrumentality of the state, typically a municipal corporation. ***It is price restricted.*** A limit is placed on the future price at which the property’s units may be rented, preserving their affordability for a targeted class of low-income residents. Rents are established by public policy, not by the market. ***It is means tested.*** Access to rental housing is available only to prospective tenants whose incomes and other social characteristics make them eligible for admission (Davis 1998, 588).

However, this categorization is based on the premise of the market economy. Therefore, neither does it apply to the public housing in China before the reform when there was no presence of market housing; nor does it help to understand the housing development during the reform, since both housing conveyance and housing ownership are the targets of the reform and are in transformation.

### 3.1.2 A bold and inclusive definition

Bourne (1998, 548) gives social housing a very bold and general definition—social housing is “the housing subsidized by the state”. It is “collectively managed; operated on a non-for-profit basis; and have rents set according to the ability to pay”. In practice, it refers to the public rental sector in European housing policy, or the social rented housing in the social-democratic contexts. At the time of discussion, Bourne argues that there are two connotations of social housing. The first is “all types of housing that receive some form of public subsidy or social assistance, directly or indirectly”. The second is “the traditional public housing with new forms of publicly supported and non-market housing” provided by social agencies other than governments.

He claims that since all housing types are receiving some sorts of subsidies, therefore they can all be all addressed as “social housing”. It seems that this broad definition of social housing raises more questions than it clarifies. Why it is so hard to give a definition on “social housing”?

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## 3.2 TWO BOOKS AND TWO PERSPECTIVES

In 1995, coincidentally, two important works on social housing were published, namely *The People's Home?—Social Rented Housing in Europe & America* by Michael Harloe, an Englishman, and *From Public Housing to the Social Market* by Jim Kemeny, a Swede. Both of them were theorization efforts on the housing experiences in “advanced capitalist economies” in Europe in the twentieth century; however, quite opposite conclusions were produced. The major difference is the interpretations of the different housing systems in the countries under study. While Harloe tried to bring them under one united conception with a convergence view, Kemeny rejected this homogeneity and claimed that the differences were fundamental and new theorization on the neglected ones was demanded.

### 3.2.1 Uniting the differences: normal and abnormal

In Harloe's work (1995), the historical development of social housing in six European countries was reviewed and two models of social housing provision in the history of advanced capitalist countries were generalized: the residual model and the mass social housing model, which are approximately the two connotations of social housing defined by Bourne. The residual model of social housing provision involves “small-scale building programs, targeted on the poor”. The mass social housing is described as “involving large-scale programs of social rented housing, much less closely targeted on the poor” (Harloe 1995, 523–524). Residual model refers to the situation in which the free housing market mechanism takes on the major role of housing provision, while the public

## Definition

housing by the state functions as a safety net for the marginalized disadvantaged households. Mass social housing is the model in which the state is involved much deeper in the provision of housing for the majority of the population.

By reviewing the historical development, Harloe concluded that, historically, the residual model of social housing provision is considered the “normal” situation: the state plays a minimized supplementary role to the free housing market by just taking care of the disadvantaged poor. The mass social housing model is considered an “abnormal” status which has only occurred under “historical circumstances which involved periods of generalized societal crisis and/or restructuring for capitalist regime” (Harloe 1995, 523). Therefore, mass social rented housing is only a transitional phenomenon which facilitates the eventual transformation to the normal status characterized by a liberal housing market with a residualized public housing sector.

Harloe stated that two general conditions of mass social housing provision could be drawn from the history:

*First, a situation in which the private housing market was unable, for various reasons, to provide adequate housing solutions for sections of the population. Second, when unmet housing needs among these sections of the population had a wider significance for the societies and economies in which they existed, whether in terms of heightening social tension and crisis, or in terms of economic modernization.* (Harloe 1995, 524)

Two periods were cited as examples of such “abnormal” situations which generated the need for mass social housing in Europe, the period after the First World War, when the main function of mass social rented housing was to aid the restoration of the status quo, and the period after the Second World War to the mid-1970s, when the function of the mass social rented housing was to aid “the reconstruction and restructuring of the capitalist economy and to complete the transition from rural-agricultural-based to urban-industrial societies” (Harloe 1995, 524).

### 3.2.2 Fundamental differences: profit market and social market

Conversely, in his work, Kemeny (1995) traces these two models to two fundamentally different sets of ideas on the relationship between the market and other social institutions. In his opinion, the “normal” model defined by Harloe is derived from the Anglo-Saxon liberalism which claims that the maximum performance of market should be achieved by the separation of the economy sphere from other social institutions, which in turn demands minimized state intervention in the market. Reflected on housing systems, a marginalized and residualized public housing is organized by the state as a safety net for the poor and it should be carefully isolated from the housing market to avoid competing with it.



### 3.3 Discussions on the Term of “Social Housing”

The mass social housing model is the result of ordo-liberalism, mainly developed in Germany, which thinks that maximized market performance does not assure a good society, nevertheless achieving economic goals should be integrated with other social interests. Under such ideology, the state uses complicated measures to encourage a subsidized housing sector competing with private sectors on one unitary market, in order to ensure the accessibility of housing and acceptable standards of living for the majority of the population.

To contrast these two sets of fundamentally different ideas as well as approaches, Kemeny addressed the former as “profit market” and the latter “social market”. He argued that, however, the theorization on the latter has long been overshadowed by the former as a result of the dominance of English in housing research. Consequently, the social market, as shown in Harloe’s work, is usually treated as a variation of the profit market model, and proclaimed to be converged into the profit market model gradually (Kemeny 1995, 7–20).

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### *3.3 DISCUSSIONS ON THE TERM OF “SOCIAL HOUSING”*

The above-mentioned two books are works on identical phenomena but do not have an identical name. While Harloe used the term “social rented housing” to cover all the variations, Kemeny rejected this confusing, elusive and preoccupied term and invented the terms of “cost renting” and “profit renting” to mark the differences. There has never been a clear definition of “social housing”, but only a variety of terms such as “social housing”, “public housing”, “social rental”, “cost rental”, etc., which are all different ways of describing housing provided for social purposes.

In the 1990s, when the “language turn” was introduced to housing research by the social constructionist studies, the use of language became the focus of housing studies. Researchers are becoming more than ever cautious about the terms they use, because, for example, by using the unclear term of “social housing”, claimed by some housing researchers, one is implicitly rooting one’s study upon some metanarratives, most probably the dominating Anglo-Saxon conceptions.

Kenemy (1995, 33) points out the inherited presupposition in this categorization based on tenure. In English, private renting has come to be associated with profit-oriented landlordism while public renting has come to be identified with housing provided by some kind of public agency. He thinks that, “to some extent, this label-switching is a symptom of the deeply ideological nature, in the English language at least, of much of the discussion over the role of renting.”

## Definition

He argues:

*This elision is unfortunate since much owner occupation could be termed “social”. Substantial subsidies are paid to owner occupiers, for example, in tax privileges and in selling public rental housing at large discounts to purchasing sitting tenants. In addition, a range of policy measures are often taken to provide a public safety net for owner occupiers (for example against mortgage default).*

*Referring to social renting as social housing therefore creates an artificial distinction between “social” and “market” forms of housing that obfuscates more than it clarifies. It invidiously reinforces the belief that owner occupation is somehow a “market” form of housing and is not subsidized. By the same token, it can also convey a suggestion that social housing is somehow a form of welfare. None of these terms are commonly defined or specified. (Kemeny 1995, 33–34)*

With respect to housing studies conducted in English in different countries, as Kemeny (1995, 31) argued:

*Herein lies a paradox. Researchers who live in and research on the rental housing of a country with a quite different rental system to that in Anglo-Saxon countries nevertheless adopt conceptual categories that have been developed in English-speaking countries.*

He believes that this situation has much to do with the domination of English in academic institutions since the Second World War.

What are the metanarratives encapsulated in the commonly accepted definition of “social housing”? Kenemy (1995, 33) claimed that it is a term solely based on the housing practice in English-speaking countries without taking consideration of different housing systems. Kemeny also pointed out that there are two unchallenged assumptions in the usage of this term: firstly, there is a converging trend across all nations on the housing system towards the model of profit housing plus residualized public housing as safety net, i.e. the “normal” model defined by Harloe; secondly, the decline of the rental sector is a natural and inevitable global trend in all nations.

By inheriting these implicit conceptualizations rooted in the language, there are dangers of neglecting the uniqueness of different housing systems or interpreting the uniqueness into variants of a homogeneous model. Kemeny (1995, 31) cited three possible misinterpretations in the case of ordo-liberal countries’ housing systems: firstly, other forms of rental housing would be deemed as variations of the public sector of English-speaking countries; secondly, the relationship between public sector and market housing in English-speaking countries is transposed to other countries where there is no clear separation between them; thirdly, since the public sectors in English-speaking countries

### 3.4 The Application of the Term of “Social Housing” in this Thesis

are residualized and marginalized, they assume there is the same residualization and marginalization in other countries but just on different scales, for example the cooperative housing could be deemed as just a larger example of the public sector.

To avoid these metanarratives and misinterpretations, Kemeny (1995, 34) instead uses the definitions of “cost renting” and “profit renting” in his work on distinguishing social housing. Social housing usually refers the cost renting:

*All rental housing, irrespective of ownership, the rents of which cover only actual incurred costs of a stock of dwellings. This may be achieved by a number of different means, such as rent regulatory legislation or political decree or because of the charters or policies of particular housing organizations.*

Profit renting refers to types of housing where:

*irrespective of ownership, the rents of which are largely or entirely unregulated and where the aims of the owners of such rental housing – whether these be private individuals and companies or the central or local state – is to maximize profits in the forms of returns on the current capital value of residential property.*

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## 3.4 THE APPLICATION OF THE TERM OF “SOCIAL HOUSING” IN THIS THESIS

### 3.4.1 Two characteristics of “social housing”

As argued by Kemeny (1995, 33) the equivocal meaning of this term is in fact a result of a diversity of types of renting which have emerged during the post-war period and makes the distinction between private and public ownership less useful than it used to be. In his discussion, he pointed out that “the term ‘social housing’ therefore seems to be loosely used to refer to forms of renting that transcend different kinds of ownership of rental housing while either retaining broadly non-profit aims or being intended for housing special groups.” Hence, the term “social housing” refers to all types of housing, irrespective to ownership, which are intended for a social concern instead of a profit-driven one. Council housing, non-profit housing, public housing, and regulated private rental housing are all included under this definition. The providers could be the state, local authorities, non-governmental organizations, individuals or private companies, but the intention must not be profit-seeking but to achieve the social goals of accommodating either disadvantaged social groups or the general population.

Besides the non-for-profit social concern, another characteristic of all these types of social housing is their symbiosis with a profit-oriented housing market. Either isolated

## Definition

from or competing with the free market, the existence of a housing market as the premise and the consideration of the relationship with the profit market are the basic characteristics of social housing. This assertion seems to be meaningless considering that a free market has always been a foundational feature of countries with a capitalist economy. However, since this thesis is dealing with housing development in China, it helps to define the research object by contrasting two different types of housing system: the previous public housing system and the new commercial housing system. During the Chinese housing reform, the market premise and the consideration of the relationship between profit housing and social housing differ significantly from the previous public housing system in which there was no housing market at all. Introducing this premise and defining this problematic relationship are actually the critical tasks of the reform, hence, this boldly defined “social housing” as the replacement to the old public housing system is the focus of this study. Furthermore, on the process of reform, there is no longer a monopoly of one type of housing provision, different types of housing with different purposes coexist, whether for profit or social intentions. The definition helps to serve as a starting point to discuss the “social housing” issue in this context; nevertheless, its validity is subject to examination.

### 3.4.2 Discourse on social housing

Kemeny’s work reveals the metanarratives embedded on the term “social housing” which has been so far overlooked by many housing researchers. Furthermore, by defining and distinguishing profit market and social market models, he gives alternative tools to approaching the question. The competing models of divergence and convergence make up the basic theoretical framework of the social housing phenomenon, which will be brought to the Chinese housing reform to examine its validity and effectiveness of explaining the practice.

Besides this conceptual clarification, Kemeny’s social constructionist approach will also be considered. Similar to the dominance of Anglo-Saxon metanarratives in the social housing question, the Chinese housing reform has hitherto been dominated by one voice—the state. Given the historical political and economic system and the prevalence of the top-down process, such dominance of official discourse is not very surprising. However, it reminds this study that the definition of the housing questions, and the goals and the design of the housing solutions are all subject to the influence of the dominating discourse. A study on the social housing issue in the process of the Chinese housing reform need to be alert to the possible misleading of the official discourse. Also, adequate attention should be paid to the changing pattern of power relations and the role of the state during the Chinese economic reform, upon which new discourses are being formed.

## CHAPTER 4

# *A SOCIAL HOUSING PERSPECTIVE ON THE CHINESE HOUSING REFORM*

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*The purpose of this chapter is to give a historical study on the policy changes in the Chinese housing reform. In contrast to the official discourse, the process is observed from the perspective of emerging social housing questions. By comparing intentions in major policies and the following adjustments, the gradual recognition of the affordable housing needs and the muddling through to an appropriate answer are illustrated. The starting point of discussion is a bottleneck phenomenon in the Chinese housing reform—the work-unit housing. The effectiveness of the social housing interpretation to the housing reform process is brought to test in the explanation to this problem. The response to this problem, the new types of housing provision introduced in the 1990s, are given detailed account in the following chapters.*

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## 4.1 INTRODUCTION

Since the early 1980s, a series of actions have been taken to reform the public housing system in China. A brief look at the housing situation when the housing reform was initiated may help us understand the initiatives. According to *Report on Accelerating Urban Housing Construction* by the National Construction Committee on 19th October 1978, at the end of 1977, there was a huge housing shortage in the urban areas of China—the living area<sup>2</sup> per capita was only 3.6 square meters in 190 cities. Besides, among the limited housing stock, there was a considerable proportion of dilapidated housing which was in urgent need of repair.

Though the severe housing shortage seems to be the prime triggering factor, in a planned economy mechanism, huge demand does not always result in a corresponding increase in production, not to mention a fundamental change of the present housing system. Seen from this perspective, the housing reform in China is not only a process to meet the housing need but also a process through which to arrive at a new pattern of housing provision and distribution. In this new pattern, not only should the housing shortage be solved, but also the roles of different sectors redefined and new sectors introduced.

However, this structural change should not be explained in a teleological manner. To arrive at a totally new housing system was obviously not the target of the housing reform at beginning. Induced by the housing shortage, through the successive changes and readjustments, the development has led to a gradual structural change of housing system. Uncertainty is a prominent characteristic of the development, and every readjustment of the solution has been a pragmatic reaction to the problems confronted but not aiming at a predefined new paradigm. With the unfolding of the reform process, many unexpected factors have been involved in influencing the course of the development.

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## 4.2 THE WORK-UNIT<sup>3</sup> HOUSING PHENOMENON IN THE CHINESE HOUSING REFORM IN THE 1990S

The path along which the housing reform in China has travelled so far can be understood as two parallel lines. The first line is the commercialization process which concentrates on the privatization of public housing and the establishment of a housing market

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2. The area of a dwelling is calculated in three ways in China: living area, usable area and construction area. Living area refers to the sum of usable area of living rooms and bedrooms in a dwelling. Usable area refers to the area of a dwelling excluding structural elements. Construction area refers the area of a dwelling including structural elements and shares of public space such as elevator and staircase.

#### 4.2 The Work-unit Housing Phenomenon in the Chinese Housing Reform in the 1990s

to take over the former housing responsibility of the state; the second line is characterized by the gradual recognition of the large social demand for affordable housing brought about by the socio-economic restructuring, and the seeking of an appropriate answer. It is the development of the latter the focus of this study.

Since the late 1990s, there have been increasing critiques of the commercialization process. More and more attention has been given to the “work-unit” phenomenon in the housing reform in China, as well as the housing inequality and the housing need of the disadvantaged housing groups that emerged during the economic reform (Wu 1996; Zhou and Logan 1996; Chen and Wills 1997; Logan, Bian and Bian 1999; Zhang 2001).

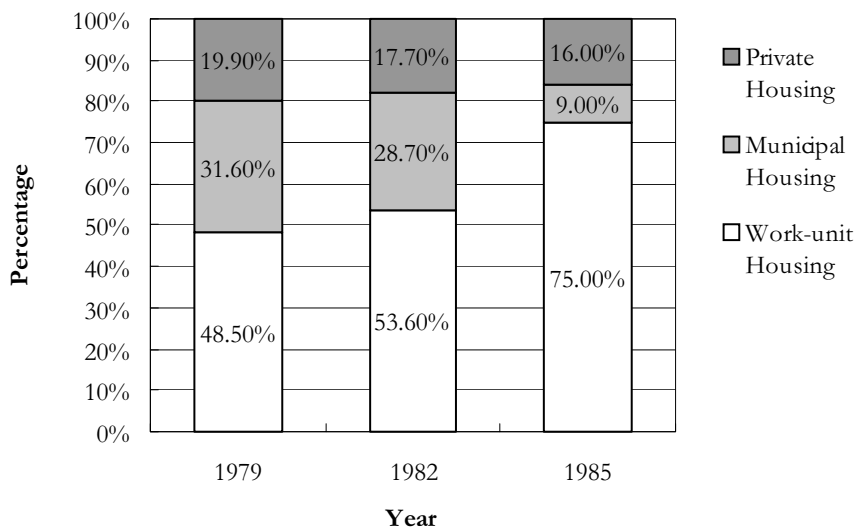
The role of work-unit housing in the commercialization process has been studied by Zhou and Logan (1996) in a study on the “commodified housing” in Guangzhou. They conclude that the distribution of the commodified housing is similar to the old system except for the provision of the housing: in the past, work-units rented houses to their employees, now they sell them. In research conducted in 1999, Logan and his colleagues (Logan, Bian and Bian 1999) put forward three possible causes related to the housing inequality in urban China: the position and relationship of a person in the authority, the organizational basis of stratification, and socio-economic differences. Their conclusion is that the housing inequality has been maintained and enhanced in the housing reform by the joint forces of power and market.

Work-units play a key role in this process. In the 1980s, the proportion of work-unit housing in the whole housing stock increased, in contrast to the privatization policy (see FIGURE 4.1 on page 36). The chief reason has been that, at the beginning of housing reform, the housing shortage was sought to be solved by increasing production of the old system which would reinforce the role of work-unit housing.

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3. According to Yang and Zhou (1999), the characteristics of work-units are that they are owned by the state and managed by the state personnel branch, they have collective welfare and insurance systems, and they are controlled by the administrative system. There are three kinds of work-units: institutional work-unit, public facility work-unit, and enterprise work-unit. Institutional work-units include political and administrative institutions, including judiciary, legislation, guild organization and army systems. Public facility work-units are those that provide the society with basic services without profit, such as schools, hospitals, research, culture, etc. Enterprise work-units are those directly engaged in material production and creating wealth for the society.

## A Social Housing Perspective on the Chinese Housing Reform



**FIGURE 4.1** Housing tenure changes in the Chinese housing reform

*Sources:* Figures for 1979, Ministry of Construction; figures for 1982, Kirkby (1985); figures for 1985, Wu (1996).

Wu (1996) gives a detailed account of the persisting “work-unit housing welfare” phenomenon of the housing reform in China in his study. He uses “the structure of housing provision” (SHP) to examine the changes in public-sector housing in China. A historical account is given in his paper to explain how the traditional role of work-units as in-kind housing welfare provider was formed under the planned economy era in China. Entering into the economic reforms since late 1970s, the work-units are not released from this role. Conversely, as the state withdraws its direct intervention, work-units have been involved more deeply in the tasks of housing provision. Wu argues that, by the joint force of marketization and the work-unit welfare, a structure of housing provision (SHP) is formed in China, “which is basically composed of the market production of housing and its non-market ways of consumption” (Wu 1996, 1612). He continues to argue that this new structure of housing provision has many implications, including obstructed labour mobility, inequality among work-units and residential differentiation.

By explaining the phenomenon, some studies attribute the inadequacy of the housing reform to the state’s determined reluctance to give up intervention and develop a liberal market. Zhang (2001) explains that the work-unit housing phenomenon illustrates the relationship between state and market which is being redefined and dynamic in the reforming process. It provides us with a penetrating perspective to this question. He argued, “China’s housing reform takes a gradual approach. The market mechanism



grows out of the centrally planned system. This leads to a transitional dualism in the process of market growth” (Zhang 2001, 67). He concludes that the cause of the persisting work-unit housing welfare is the reluctance of government to give up its intervention in the market.

This chapter is intended to investigate the Chinese housing reform from the perspective of social housing development. By reviewing the development of the policies of the housing reform, there is evidence to suggest how the focus of the housing reform at the beginning—solving the housing shortage—has been gradually replaced by seeking solutions to new social housing needs. This will in turn give an alternative explanation to the persisting work-unit housing welfare.

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### 4.3 HOUSING REFORMS BEFORE 1998

#### 4.3.1 The latent affordable housing needs at the dawn of the reform

The first official recognition of the emergent housing shortage was in 1978: *Report on Accelerating Urban Housing Construction* by the National Construction Committee, dated October 19, 1978. In the report, a plan for improving the housing condition to 5 square meters of living space per capita in 1985 was put forward. It suggested the construction of 434 million square meters of new housing in seven years. The solution was still within the old mechanism, which proposed to raise funds mainly from the state and its work-units. What is worth noting is the impact the latent housing needs exerted on the forthcoming new housing provision. By a simple estimation, dividing the construction volume by the proposed 5 square meters per capita distributional standard, it suggests more than 85 million people were to join the demand side of affordable housing in 1978. Nevertheless, this figure only included the housing needs among urban population, which was 152 million at that time.

These officially publicized figures had nothing to do with the notion of affordability. In fact, the issue of affordability even did not exist at that time. Solving the housing shortage was merely a question of financial ability of the state, since the dwellings were going to be distributed but not to be bought by the population. Moreover, the volume of shortage was based on arbitrary estimation by the state according to its criteria on housing beneficiaries and standards. It had little to do with the actual needs of the population from the perspective of health or use.

#### 4.3.2 The causes of the housing shortage: the pre-reform housing system

By the end of 1977, in 194 Chinese cities, the average living area per capita was 3.6 square meters. The housing shortage was created by the pre-reform housing system in

## **A Social Housing Perspective on the Chinese Housing Reform**

China. The prominent characteristics of the old system are consistent insufficiency of provision and egalitarian principles of distribution. They are the results of the joint force of economic system and strategy, collective ownership of property, and wage and urban welfare policy (Zhang and Wang 2001, 115–118).

Housing had always been of low priority in the economic plan in pre-reform socialist China since 1949. In the economic plans formulated during this period, emphasis was continuously laid upon the development of heavy industries to which housing needs should always be subordinate. Housing production was considered non-productive investment and should always give way to the productive investment. The strategy behind this deliberately insufficiently funded housing system was that by sacrificing living standards the whole economic development could concentrate on heavy industry, which would eventually bring about a better-off society after the painstaking beginning. However, when this desired circle failed to be established, the housing shortage faced by the state was severe by the early 1980s when the housing reform was initiated.

The collective ownership of property before the economic reforms determined that housing was not deemed as a commodity, and as the representative of the ownership, the state was the sole provider and owner of new housing in urban China. In 1978, 90% of all urban housing were owned by the state (Chen 1994, 24). Because of the continuously insufficient investment in urban housing by the central government, this monopoly of the housing provision by the state aggravated the housing shortage situation.

Since housing was decommodified and distributed rather than conveyed on a free market, housing costs were not reflected in a household's income. Chen (1994) has given an overview of the public housing system in his paper. He observes that, at the lowest level, housing rent was only 0.6% of the household's income (Chen 1994, 22). As a result, the rent could never cover the costs of repairing and maintenance, not to mention refunding the original investment, which makes public housing a perpetual headache to related governmental institutions. However, this question was not so simple as it appeared. It related to the salary system in which housing cost was never included.

A way of decreasing the housing expenditure was to narrow down the beneficiary group. Therefore, housing welfare was given strictly according to one's status in the society. The rural population was excluded and a strict urbanization policy was applied to prevent them from entering the welfare recipient group. As a result, the proportion of officially admitted urban population had even decreased from 17.4% in 1949 to 15.8% in 1978 (Chen 1994, 14). Besides, considerable parts of urban population were also ineligible for housing welfare. Only those employees of directly state-owned work-units were entitled to housing welfare. Thus, state-owned work-units became the crucial intermediary between the residents and the state, which took on the roles of housing constructor, distributor and manager for their employees.

Consequently, the state-owned work-units play a key role in this public housing system. The housing welfare to an individual is bound up with the state-owned work-units he/she is employed by. According to Wu (1996, 1607–8), the housing welfare received by the work-units from the central government is determined by the following factors: the rank of the work-unit in administrative hierarchy, status of production/non-production (the contribution to the whole economy), land use and other factors related to industrial location and urban planning, and informal contact with the officials in charge.

#### 4.3.3 The housing needs of the neglected urban population

Initially, the question was simply how to get the investment refunded within the old housing system. With the existences of a low salary policy and the cheap public housing system, people had little ability and incentive to pay for their own dwellings. The first buyers were mostly people who had been neglected by the housing system and who were therefore very unlikely to have welfare apartments allocated to them.

According to Wang and Murie (1996, 974), in a small-scale privatization experiment carried out in Xi'an in 1980, "by May 1980, only 18 of 39 flats had been sold to 15 families". Among these households, only four were ordinary wage-earners, and the rest of them all had special ways of funding (they were families having overseas relatives, high-ranking officials with much higher wages than those of ordinary workers, or those having been compensated for their losses during the Great Cultural Revolution). All of them had been living in very difficult conditions. As to the low demand for privatization, Wang and Murie conclude that the reasons are three-fold: the price was too high, the methods of payment too rigid, and the rent for public housing so low as to virtually discourage people from buying.

However, the significance of this case is that it reveals the neglected needs under the old public housing system. These are the housing needs of those households who had little chance to get their living conditions improved under the public housing system. The most important factor is that this group has been in constant increase ever since the economic reform was started. This first reform effort has had some social implications because it was open to everybody regardless of their work-units. However, it has failed because the wages could not keep up with the housing prices. Its failure predicted the rising of the affordability question and deeper involvement of the work-units in the following housing reforms.

#### 4.3.4 The reform on the demand side: the inherited role of the work-unit

Soon afterwards, the question of housing shortage was overshadowed by the theme of privatization. The low-wage and low-rent system made it impossible for the state to keep making such huge investment continuously, since there was little hope of being refunded. The question of providing more housing within a traditional housing system

## A Social Housing Perspective on the Chinese Housing Reform

was replaced by a series of interconnected tasks to reform the old system, such as the privatization of the existing housing stock, the commercialization of new production, and the running of the old system under the new circumstances.

The successive actions were on the demand side to achieve a balance of investment and return in the old housing system. Attempts were made to gradually disperse the burden of the state. However, the role of the work-units as housing provider was reinforced.

In the pilot housing reform in 1982, contributions from both work-units and individuals were integrated into the reform scheme. The housing apartments to be privatized included both existing public housing stock and new housing supplied by the old provision system, and the reform was mainly on the demand side. In the pilot project in four Chinese cities – Changzhou, Zhengzhou, Shashi, and Siping, apartments were to be sold to families with support from the state and work-units. According to *The Reply to the Pilot Selling of Public Housing* by the State Council on 17 April 1982, the method of subsidized selling of newly built housing was: commonly, individuals should pay one-third of the housing price, while the remaining two-third should be covered by the provision side. As to the existing housing, the policy suggested that the existing housing should also be sold at discount price according to the actual physical condition of the dwelling (Since the land reform has not yet been started, the land costs were not considered at that time). The buyer's work-unit should subsidize two-third of the price, and the household should pay the remaining one-third. The results of the pilot project were considered successful by the state government. In 1984, this pilot scheme was spread to other major cities.

In this scheme, the tie between the work-units and their employees was maintained. Since the reform was only on the demand side, the mechanism of how housing was supplied was still maintained. The dwellings provided by a work-unit were only sold to the employees of that work-unit. Further, two-third of the housing price was actually covered by the work-units who financed the construction of the housing to be sold.

In the subsequent reevaluation of this reform, it was considered as “not very successful”. An official document by the Ministry of Construction in 1986, *On the Questions of Subsidized Selling of the Public Housing*, summed up four shortcomings of this scheme:

*Firstly, there are too many subsidies and the price is too low. Therefore, generally it contributes little to reducing the burden of the state. Secondly, the individual obtains an apartment (around 50 square meters) at around 2000 Yuan RMB, while the work-unit is deprived of the right to the property and is therefore less motivated. Thirdly, given the existence of the low-rent public housing, current residents have little motivation to buy the house they are inhabiting. Most of the actual house-buyers are people with no chance of having a house allocated to them, and the low-*

*income households. Finally, it is of little help in solving the housing problems of people in those work-units who cannot afford to build houses. (My translation)*

The problems of the public housing system based on the work-unit welfare were clearly shown in this case. As the owner of the housing property, work-units were not willing to privatize their property, people who already had housing did not want to buy it, while those outside this system had little hope to enter it; besides, there was inherited inequality among work-units. This scheme revealed problems which were not the aims of the reform. As indicated by the third shortcoming, “Most of the actual house-buyers are people with no chance of having a house allocated to them, and the low-income households”. Solving the housing problem of the previously neglected population was not a prescribed target. It suggested that the key to solving the housing shortage was to liberate the state from housing provision and incorporate contributions from other sources. An emergent order issued in 1988 officially stopped the policy of selling public housing at heavily subsidized prices. Yet a characteristic of the housing reform was already revealed at this stage—the price of the withdrawal of direct state intervention was the deeper involvement of the work-units.

#### 4.3.5 The reform on the provision side: a biased supply

Experiences so far showed that housing reform could not be confined to the demand side. Further reforms on the provision side were demanded. In 1988, the State Council issued *The Implementation Plan for a Gradual Housing System Reform in Cities and Towns*. This new reform scheme clearly stated the aim of the housing reform as follows:

*Commodifying the housing system according to the requirements of the socialist planned commodity economy, starting from the reform on the low-rent public housing, changing the in-kind housing welfare into real currency subsidies; by enabling the transactions of housing property rights, helping the housing goods to enter the consumer market, to achieve the healthy circulation of housing input and outcome ... (My translation)*

The main strategies of this reform scheme were “enabling” and “creating incentives”. On the one hand, it was to reform the low-salary policy, thus enabling the people to buy their dwellings and to reform the low-rent policy to make privatization more attractive. On the other hand, the establishment and growth of a housing market was anticipated to take over the role of the housing provider. To achieve these goals, the main measures were fourfold:

*Firstly, to reform the distribution system, making indirect subsidies direct ones as a part of salaries. Secondly, to reform the present housing investment system, making it a commodity production under planning directions. Thirdly, to reform the related*

## A Social Housing Perspective on the Chinese Housing Reform

*fields such as finance, tax, salary, bank, price, and real estate, achieving the healthy circulation of housing investment. Finally, to adjust the industrial structure, developing real estate market as a part of the general market. (My translation)*

### 4.3.6 The land reform and the commercial housing development: deeper involvement of the work-unit

Around the same time, a land reform was introduced in 1988. Land development became a rampant business in urban China. Wang and Murie (1999) have given a detailed account of this process in their research. The investment in commercial housing increased from 27% of total urban housing investment in 1991 to nearly 60% in 1994. However, the new housing market failed to take over completely the role of the housing provider from the state, but only served the demands of higher-income households that emerged with the economic reform. As stated by Wang and Murie (1999, 1486), “high prices and low salaries have kept most public-sector employees away from the newly emerging commercial urban housing market”. For this reason, the housing provision to the majority of the population was not commercialized and the housing responsibilities were still carried by the work-units.

The question was then how to make the commercial housing price affordable to people. Research showed that the commercial housing price was far beyond the reach of ordinary urban families. Therefore, work-units were even more deeply involved in providing housing to their employees. With both the privatization of stock and commercialization of production going on simultaneously, more and more doubts were raised concerning the role of the still existing old system. The involvement of work-units turned the flow of commercialized housing provision back into the public housing stock, which was again to be privatized. Work-units became a lever between high market threshold and people’s ability to pay.

Chen (1996, 1086) has conducted research on the ratio of housing price to household annual income. Eleven countries with different economic development levels were selected, among which China had the highest ratio. In 1990 the average price of a 60 square meters commercial apartment was 20 times the average annual income of urban Chinese households. The work-units were asked to elaborate their own criteria of deduction on the sale of housing to their employees. Even with subsidized prices the ratio was still 4.2–8 times. Given the absence of adequate financial measures, the price threshold was nevertheless too high for most of the households. The figures not only reveal the affordability issue of the commercial housing, but also explain the deeper involvement of the work-units in the commercialization process. Since the work-units were allowed to buy commercial housing and then privatize it to their employees at subsidized prices, according to *The Statistical Yearbook of China 1992* (The Editorial Office of the Statistical Yearbook 1992), among all the commercialized housing sold in 1991, only about 33% were sold to individuals. The rest were mostly purchased by the state-owned

#### 4.4 The Housing Reform of 1998: Cutting the Tie By Introducing New Provisions

or collective-owned work-units. These evidences all indicated that affordability became the key obstacle to further housing reform towards private ownership.

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#### 4.4 THE HOUSING REFORM OF 1998: CUTTING THE TIE BY INTRODUCING NEW PROVISIONS

Two factors showed the potential of releasing the work-units from this dilemma when an alternative provision of affordable housing is considered: the increasing housing need which traditionally lies outside the work-unit system, and the reform of the work-units themselves. Firstly, with about 20 years of economic reform and the accompanying urbanization process, there is an increasing urban population which is outside the work-units system. For example, the enterprises that have newly emerged, such as joint ventures or private businesses, do not have the responsibility of providing housing welfare for their employees. They were buying or renting housing on the housing market from the very beginning. Secondly, with the deepening of the economic reform, the housing welfare which is weakening state-owned enterprises' competence on the market has to be removed. Therefore, since the 1990s, the construction of a new provision system of affordable housing has become the primary target of the housing reform.

##### 4.4.1 Economical and Comfortable Housing as the solution to the work-unit housing question

In the housing reform scheme of 1998, the work-unit housing welfare was to be terminated and replaced by an alternative provision of affordable housing – the Economical and Comfortable Housing (ECH). It was intended as a socialized and commodified provision of the affordable housing by the joint efforts of state, local government and market. With a dismantled public housing system and a premature market, ECH was expected to play a role side-by-side with the market provision in response to the needs of the mid- and low-income households primarily the state-owned work-unit employees, thus releasing the work-unit from the role of the housing provider.

The first appearance of the term of “economical and comfortable housing” was in *The Announcement on Actively and Steadily Continuing the Urban Housing Reform* by the State Council in 1991. Under the new methods for housing construction, it suggested “promotion of affordable and comfortable commercial housing”, though no further explanation followed to give detailed information on this. It was then still a premature idea of new provision of affordable housing indicating the expectation of the market taking over the responsibility of the work-units.

In the housing reform scheme put forward in *The Decision on Deepening the Urban Housing Reform* by the State Council in 1994, once again it stated that the

## A Social Housing Perspective on the Chinese Housing Reform

fundamental tasks of the housing reform were to establish “a commercial housing system” and to solve the housing shortage. For the first time, these two were connected by the introduction of a provident system and the “economical and comfortable housing” scheme. On the demand side, the housing provident system was advocated in this scheme to increase the buyers’ ability to pay. On the supply side, the term “economical and comfortable housing” was used to describe a type of housing supplied by the market with state assistance within the financial capacity of the majority of the population. According to the new scheme, as a part of the new housing provision system, “the economical and comfortable housing is the housing that targets the housing need of the mid- and low-income households and bears social security characteristics”. It was planned to run in parallel with the commercial housing which was supplied to the high-income households. Local governments were asked to give more attention to this new type of housing provision: the land should be appropriated freely, and tax deduction should be given to these projects. It was required that 20% of the annual housing construction of any land development companies should be economical and comfortable housing.

A series of actions have been taken since 1994 to carry out this policy. *The Construction and Management Methods of the Economical and Comfortable Housing* was issued in 1994. In early 1995, the Anju Project Housing (see 6.3.1 on page 82) was elaborated and carried out to fulfil the “economical and comfortable housing” policy. It stipulated the responsibilities of each party in detail. The central government was in charge of making the general regulations and annual plans, and also responsible for providing favorable loans for the construction. Local governments should formulate their own plans of realization, apply loans from the central government and supply the rest of the funds and favorable conditions, including the free acquisition of land for such projects. The developer was to construct and manage each project and limit the profit from it. The price was to be regulated by the local government according to the low-profit principle. The profit of such projects should be less than 3% according to the policy.

In 1998, this new type of housing provision finally received full recognition. In *The Announcement on Deepening the Urban Housing Reforms and Stimulating the Housing Construction* issued in 1998, ECH became one of the critical components of the new housing reform scheme. The general housing need was divided into housing needs of three different income groups. A multi-level housing provision system was designed to serve households at different income levels: the commercial housing should serve for the high-income population; ECH should target the low- and mid-income groups; and a Low-Rent Housing program was designated for the lowest-income urban population. Of these, emphasis was laid on ECH.

According to the policy text:



#### 4.4 The Housing Reform of 1998: Cutting the Tie By Introducing New Provisions

*Adjusting the housing investment composition, giving emphasis to the Economical and Comfortable Housing, thus to meet the needs of the urban population in housing difficulties ... Reducing the construction cost of the Economical and Comfortable Housing, making the price compatible with the ability of mid- and low-income households. (My translation)*

A series of subsequent actions have emphasized the prominent role of the Economical and Comfortable Housing in the Chinese housing reform ever since. Right after the scheme being issued, another key policy directing the production and financing processes was announced in 1998: ***Suggestions on Vigorously Developing the Economical and Comfortable Housing***. This requested detailed planning and extensive interventions by the local government on the financing, planning, land supply, and pricing of ECH.

##### 4.4.2 Low-Rent Housing as the safety net

Together with Economical and Comfortable Housing on the housing reform scheme of 1998, the Low-Rent Housing aimed at the lowest-income urban households, for whom the price of ECH is still too high a threshold to cross. However, it did not receive the equal elaboration as ECH. According to the housing reform scheme of 1998, the Low-Rent Housing is the housing oriented towards the lowest income urban households. No detailed prescription on how it should be financed and provided was given.

In the following year, a new regulation was issued on the management of Low-Rent Housing, ***Methods on Urban Low-Rent Housing Management***. It defines Low-Rent Housing as “housing bearing social security functions”, to be “carried out by the local government or the work-unit”. The national government assumes the responsibility of strategy- and policy-making on the Low-Rent Housing. It is the local government’s responsibility for providing and managing it.

##### 4.4.3 New local authority housing

Besides these new housing provisions prescribed by the national housing policy of 1998, there are also some variations in local solutions, especially in the cities of most rapid economic development where the local authority has a stronger ability to intervene in the housing question. As argued in *Modern Urban Housing in China 1840–2000* (Lü and Shao 2001, 194–195), compared to the planned economy period, one result of the Chinese economic reform is the decentralization of power and redistribution of income that resulted in increasing autonomy of the local government. The local government greater opportunity and ability to pursue the goals of the housing reform in its own ways. Certain cities, such as Shenzhen, which have exemplary roles for the national economic reform, are in fact encouraged to test new ideas. As a result, the housing reform in Shenzhen is taking on quite different forms and courses. To differentiate such

schemes from the national housing solutions, the housing provided by the local authority will be addressed as New Local Authority Housing in this thesis.

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#### *4.5 AN ALTERNATIVE INTERPRETATION ON THE FORCE SHAPING THE COURSE OF THE REFORM*

##### **4.5.1 An alternative explanation of the persisting work-unit housing phenomenon**

In China, a transitional society previously dominated by a public housing system, there lacks alternative housing providers apart from the state before a commercial housing market is introduced. After a housing market has been established, it is soon discovered that the threshold to the housing market is so high that a provider of affordable housing is still needed to take care of the huge demands on affordable housing. This demand can be deemed as the social housing demand created by the social and economic restructuring and urging the effective intervention of the state.

At the beginning of the privatization process, the main assistance had to be offered by the work-units to their employees through subsidized selling of housing. Again, when a new commercial housing market was established, although some work-units had withdrawn from the role of builder, they changed to buying commercial houses for their employees, thus the in-kind welfare was still continued. The margin between the high price and the generally low affordability has been, as usual, paid by the state through work-units, which suggests even bigger subsidies. Before 1998, all measures taken to increase housing affordability to households had been connected to the work-units. Whether at the early stage of privatization when the work-unit should pay two third of the housing price, or in the later provident fund system, the work-unit has been the key connecting point for individuals to be included in the housing reform benefits. As a result, work-units have been fastened to the reluctant role of substitutional affordable housing provider because of their historical role as the distributional mediator of the housing welfare. This explains the persisting work-unit housing phenomenon in the housing reform.

##### **4.5.2 The composition of the social housing needs**

Seen from a social housing perspective, the predicament of the work-unit in the role of the affordable provider is only a small manifestation of a wider scenario of the accumu-

#### 4.5 An Alternative Interpretation on the Force Shaping the Course of the Reform

lating social housing question in the social and economic restructuring induced by the Chinese economic reform.

Especially, the development in the 1990s indicates that more and more people have been cut from connections to work-units and the needs for alternative provision of affordable housing have been accumulating. Three major elements that can be identified are the ever-increasing employment in the non-state sectors, the reform of the state-owned enterprises, which has produced a considerable number of laid-off workers, and the urbanization process accompanying the economic reforms, including the ever increasing but long-neglected “migrant population” from rural areas to cities.

In their study of the urban poor question in the reforming China, Zhang and Wei (1999, 413) conclude that the urban poor problem in 1995 was much worse than that of 1988. The main reason is the increasing numbers of laid-off workers in Chinese cities. From 1988 to 1995, the urban poverty<sup>4</sup> kept growing, from 4.29% to 11.25%. In official statistics, the urban unemployment has also been growing. Plus the latent unemployment and workers at bankrupt enterprises, according to the estimates by the two scholars, the rate of urban unemployment in 1994 was 10%, much higher than the official statistics of 2.8%.

Kahn (1999) provides another analysis of the urban poor in China. His conclusion is that the urban poor increased sharply from 1988 to 1995, with a growth rate of 20%. In addition, Kahn also recognizes that the “migrant population” excluded from official statistics, which suggests an even more severe situation. In his study, the estimated urban poor population in 1995 was 28.1 million, and according to another study in 1995, the “migrant population” in China at that time was 72 million, 20% of the whole urban population (Kahn 1999, 369–70).

Many factors indicate that the situation since 1995 has continued in the direction of increasing inequality and growing urban poor population. With the reform of parastatal enterprises initiated by Prime Minister Zhu in 1998, more people of previous urban working class have been joining the urban poor population. Unlike the “migrant population”, these new urban poor have stronger feelings of legitimate claims to the urban welfare.

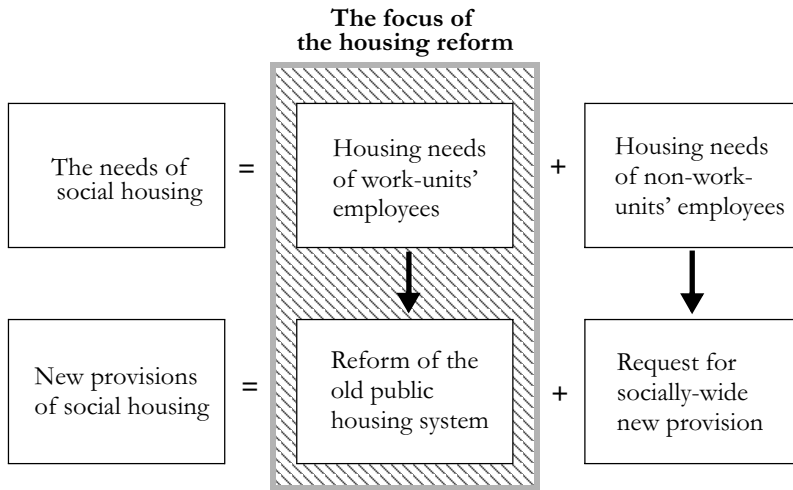
The growing populations outside the traditional work-unit system, plus the reform on the work-unit system itself, make up the huge demand on affordable housing in the present Chinese housing reform. The request for the new provision of affordable hous-

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4. There are various ways of defining the poverty. Zhang and Wei (1999, 409–12) have developed a measurement according to the expenditure on the basic nutrition in China and the absolute poverty defined by the UN as 60% of the Engel Index. The poverty line is thus defined as the basic food expenditure divided by 60%.

**A Social Housing Perspective on the Chinese Housing Reform**

ing consists of two needs: the need of relieving work-units from providing housing welfare to their employees and the housing need of the population outside the work-units housing welfare (see FIGURE 4.2 on page 48). These eventually led to the housing reform of 1998 on new housing provisions.



**FIGURE 4.2** Social housing needs and the Chinese housing reform

Source: the author.

**4.5.3 The emerging social housing issue in transitional China and its solution**

By studying the experience of social housing in Western European countries, Harloe (1995) generalizes two historical conditions when the mass social housing model might occur: a general social and economic restructuring and the inadequate performance of the housing market in fulfilling the housing need of certain populations. Harloe’s study was conducted on the social housing development in six “advanced capitalist countries”. It provides insights into the basic characters of the social housing development in the light of state and market relationships in market-oriented societies.

Both the two conditions generalized by Harloe when mass social housing is needed, i.e. inadequate market performance and unmet housing needs, can be identified in China at present. Since the economic reforms started in late 1970s towards a market economy, China has clearly experienced economic as well as social restructuring. In this respect, Harloe’s study has implications for the housing reform in China which is a part of a

macro social transition and restructuring process. At the same time, the introduction of a commercial housing market raises the issue of affordability. The high price of the commercial housing in the market virtually excludes the majority of the population. Under such circumstances, the function of mass social housing provision as the tool facilitating social reconstruction and restructuring could provide clues to understand the present situation of the Chinese housing reform.

However, Harloe (1995, 524) warns against the use of these conditions of mass social housing in a functional manner. He argues that “there is no necessary connection between crisis and restructuring, on the one hand, and mass provision, on the other”, and “in each country, there were specific historical circumstances which resulted in mass social housing programmes being implemented”. He generalizes that the actual selection of solution is usually the result of five variations (Harloe 1995, 525–6):

- The extent to which mass social housing provision was perceived by the dominant political and economic groupings, and hence by the state, as an important element in the resolution of crisis or the implementation of restructuring.
- The state of the private housing market and its ability, with or without state support, to provide accommodation for key sections of the population.
- The strength of political support for social rented housing.
- Institutional and legal variations affecting the forms of social rented housing provision.
- The effects of ideological differences.

Therefore, the actual selection and forms of the new housing provision to solve the affordable housing issue are still to be observed in practice. In the following chapters, three new housing provisions will be examined by relating to this historical context.

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## 4.6 SUMMARY

The Chinese housing reform was initiated in the early 1980s to solve the housing shortage. However the public housing system did not support its own circulation because the housing was distributed as in-kind welfare. Therefore, the first reform was to privatize the public housing stock and establish a new process so that the public housing system could support itself. In practice, the gap between the housing price and the buying ability was so huge that the privatization was again heavily subsidized through the work-unit of the buyer. In the following stage of the housing reform, emphasis was given to introduce market rules into the housing sector. A commercial housing market was grad-

## **A Social Housing Perspective on the Chinese Housing Reform**

ually established. However, once again, the work-unit served as the bridge between the low income of household and the high price of dwellings. Besides, since the traditional public housing system was far from covering all the urban population, the housing needs of the neglected population has been growing during the economic reform. Although, according to the official discourse the intention of the housing reform has been solving the housing shortage by commercialization, with a social housing perspective, the question is not so simple as just taking over the traditional responsibility of the public housing system and the solution is not so easy as constructing a commercial housing market. The development of the housing reform shows that the traditional housing responsibility only forms a part of the present social housing problem, and the commercial housing market solution is far from a workable solution.

The housing reform in China could be interpreted as a transformation from a public housing system to a market housing system accompanied by new social housing question. This interpretation is supported by Harloe's historical study on when mass social housing is needed, and the fact that in the transitional China the new market housing system cannot satisfy the demands for affordable housing. The social housing needs are partially inherited from the shortage created by the old housing system and the previously neglected population, and partially formed with the progression of the economic reform. With a premature housing market and a withdrawing of direct state intervention in housing, the work-units had to take on the role of affordable housing provider for their employees. A historical tie between work-units and their employees was maintained before the emergence of alternative affordable housing provisions.

The reform scheme of 1998 is an attempt to solve this problem and release the work-units from the role of housing provider. It proposes a multi-level solution which integrates the simultaneous development of the commercial housing market, a specialized social housing market and a safety net program. With some local variations, this forms the current landscape of the social housing development in the Chinese housing reform.

## CHAPTER 5

# *ECONOMICAL AND COMFORTABLE HOUSING IN BEIJING*

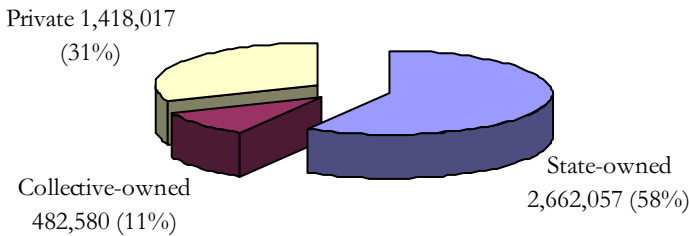
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*As the capital of China, the social and economic context in Beijing is closely reflected in the general housing policies of the state. Therefore, it is one of the best places to observe the development of “the economic and comfortable housing” (ECH) policies which tries to combine state and market forces to solve the affordable housing question. The purpose of this chapter is to observe the normalization process of ECH provision and its products in Beijing. The first half of the chapter provides background knowledge for the local contexts and the policy development in Beijing, while in the latter half, the process and performance of an ECH project is investigated.*

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### 5.1 THE CITY AND ITS PEOPLE

Beijing is the capital city of China. It has an administrative area of 16,800 square kilometers including both urban and rural subordinate administrations. The urban built-up area of Beijing city is about 300 square kilometers. The registered population of Beijing was 11.08 million in 2000, including the population from 10 urban districts and 8 rural counties. The urban employment was 4.56 million while rural labor force was 1.63 million. Among the urban employment, 58.34% were in state-owned work-units, while 31.08% were employed by various private or collective sectors (see FIGURE 5.1 on page 52). Additionally, the unregistered population in Beijing is huge. In a demographic census conducted in 2001, non-registered employees in Beijing were 2.63 million. That was about 57.7% of the registered urban employment in 2000. They are mainly farmers from all over the country seeking jobs in the city.



**FIGURE 5.1** The urban employment composition in Beijing in 2000

*Source:* Beijing Statistical Bureau (2001).

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### 5.2 THE HOUSING POLICY DEVELOPMENT IN BEIJING

The housing question in Beijing is multifaceted. On the one hand, as the center of administrative and political bodies of China, as well as a major industrial city with a large number of state-owned enterprises, it has a very large public housing sector to be reformed. On the other, it is one of the cities with very active economic development during the economic reform. Therefore, the housing need outside the traditional state sector is increasing rapidly.



## 5.2 The Housing Policy Development in Beijing

The housing reform in Beijing has an exemplary role in the development of national policies. With its social and economic situations, it serves as a pilot site of the national policy-making process. As stated by Wang (2001, 622):

*As national capital, Beijing is important in policy development and offers a good example of policy practice in the country. Along with Shanghai and Guangzhou, Beijing tends to set the pace for economic reform. However, Beijing is also special because of the presence of the central government, diplomatic establishments, and representatives of international organizations.*

The latest housing reform scheme ***The Implementation Plan for Further Reform on the Urban Housing System in Beijing*** was put forward in September 1999. It was a local version of the national housing reform scheme of 1998. The tasks of the housing reform prescribed were quite versatile. The housing reform should be “reforming the old public housing system”, “commercializing housing provision and distribution”, “establishing housing supplies to mid- and low-income households”, and “stimulating economic development”.

The solution is the same as the national policy of 1998—multi-level housing provisions should be established aiming at different income groups. The commercial housing is for high-income households, which is estimated as 15% of the whole urban population. It should be supplied solely by the profit-oriented developers according to market rules. ECH is for the mid- and low-income groups which are estimated as the biggest part of the new system, 80% of the whole population should have their housing needs solved by ECH. It should be the joint product of state and market. The Low-Rent Housing aiming at the lowest-income households, roughly estimated as 5% of the whole population, is solely the responsibility of the municipality (Deng 2001, 40).

The policy stressed that the buyers of ECH should be confined to “employees of state-owned work-units, as well as other mid- and low-income households”. Obviously, social concern is just one task of ECH. Being targeted mainly on state-owned work-units’ employees, the chief task of ECH is to take over the beneficiaries of the old public housing system. This intention has given ECH a controversial seal from the very beginning of its introduction.

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### 5.3 THE DEVELOPMENT OF ECONOMICAL AND COMFORTABLE HOUSING IN BEIJING

#### 5.3.1 The sources of ECH and the volume of provision

According to *Provisional Regulations on Speeding up ECH Construction* by Beijing Municipality issued in 1998, the provision of ECH comes from three sources. The first category is the ECH provided through specialized land provision and unified construction initiated and organized by the municipality. The second category is the commercial housing projects which have already been carried out by the land developers and are to be adjusted into ECH projects in 1998. The third is ECH projects constructed by work-units or cooperation of work-units for their employees. In fact, the first and second category are only slightly different, since the adjustment of commercial housing projects into ECH projects is only a temporary measure to increase the production at the beginning, while the third category is actually a transformation of old work-units housing. In 1998, 19 ECH projects were launched, which amounted to a construction volume of 5.4 million square meters. The proportions of the three sources were 11%, 68% and 21% respectively (Jin and Liu 1999, 53).

Until September 2000, twenty-four ECH projects of the first two categories have been permitted in Beijing, which promised 6.2 million square meters of new ECH housing. The accomplished projects amounted to 3.93 million square meters. This was 15% of all the commercial housing construction within the same time span (Zhu 2000, 12). In 2000, 11 million square meters of housing were constructed in Beijing, including 1.76 million square meters of ECH which were 16% of the total. The figure is far from the desired 80% of all the housing provision.

#### 5.3.2 The affordability of ECH in Beijing

There are different definitions on affordability of housing. According to The Chartered Institute of Housing's definition, main items which will determine whether accommodation is affordable are (Harriott and Mathews 1998, 243):

- Price of rent level
- Net household income
- Type of household, couple, single parent, elderly, etc.
- Eligibility for housing benefit

In practice, it is the first two items, housing price and household income, which receive most attention. According to Maclennan and Williams (1990), affordability is concerned

### 5.3 The Development of Economical and Comfortable Housing in Beijing

with securing some given standard of housing or different standards in price or rent which does not impose an unreasonable burden on household incomes. In broad terms, affordability is assessed by the ratio of a chosen definition of housing costs to a selected measure of household income in a given period.

Bramley (1990) has devised a technique for measuring affordability. He begins with a consideration of the price of new houses in a given geographical area, and compares this with income data to identify how many households can afford to sustain a mortgage necessary to buy at those prices. Bramley considers a mortgage of three times annual income for a single earner, and two-and-a-half times joint income for households with two earners, to be a sustainable level of borrowing.

Similar to Bramley's approach, price and income ratio has been given most attention in considering housing affordability in the Chinese housing reform. Nevertheless, as far as social concerns are involved, the criteria for beneficiaries have always been an important factor. Given the context of China, the eligibility for housing benefit is of great importance in Beijing's case, a point which tends to be neglected by quantitative research. Since the very beginning, the Chinese housing reform has been to a large extent confined to those served by the traditional public housing system—the formal employees of the state. In the policies of ECH in Beijing, this preference of beneficiaries is expressed through the prioritizing and definition of target populations. According to *The Implementation Plan for Further Reform on the Urban Housing System in Beijing*, the primary buyers of ECH are defined as civil servants, pedagogues, scientists, and technicians, and other employees of state-owned enterprises. The intention of giving special emphasis to them is to channel their housing needs into the ECH market. The background is that in 1998 the in-kind housing welfare was officially announced as being stopped (see 4.4 on page 43). Detailed discussion will be given in the analysis on the buyers of ECH dwellings (see 5.3.5 on page 60).

During the privatization of public housing, in the local housing reform policy of 1994 of Beijing, the responsibility of the household was defined as three times the annual income of an average two wage-earner family. In the policy of 1998, the ratio increased to four. However, the definition is only valid to the employees of the state-owned work-units who are eligible to buy public housing.

In the policy of 1998, the price of ECH is regulated according to its costs and profits, but not related to the actual income of households. The price of an ECH dwelling consists of:

- Costs of land acquisition and preparation, as well as removal of present constructions on the site and relocation of original residents
- Pre-construction costs, which refers to the costs of legal process of the project

## Economical and Comfortable Housing in Beijing

- Construction costs
- Infrastructure costs
- Project management costs (1–3% the sum of the previous four categories)
- Interests of loans
- Taxes
- Profits less than 3%

Then what is the actual affordability of ECH dwellings in Beijing? From the statistics and related research and reports, in different years, the average prices per square meter of ECH dwelling are:

**TABLE 5.1 The average prices of ECH in 2001, 2002 and 2003**

	<b>ECH Sold (million sq. m)</b>	<b>ECH Sold (billion yuan)</b>	<b>Average Price (yuan/sq. m)</b>
2001	2.83	8.26	2918.73
2002	3.28	9.16	2792.68
2003 (Jan.–Sept.)	1.95	6.3	3230.77

*Source:* <http://house.sina.com.cn/n/s/2003-11-04/30926.html>

The average size of ECH apartment could be estimated from the statistics as follows:

**TABLE 5.2 The average size of ECH in 2000 and 2001**

	<b>Completion in sq. m</b>	<b>No. of apartments</b>	<b>Average Size (sq. m)</b>
2000	1,760,000	16,575	106.18
2001	2,343,000	21,662	108.16

*Source:* Beijing Statistical Bureau (2002)

### 5.3 The Development of Economical and Comfortable Housing in Beijing

According to the statistics on the average income of full-time employees, the average income of households in Beijing are:

**TABLE 5.3** The average income per household in Beijing in 2000 and 2001

	Average annual income per capita	Annual income of two wage-earners
2000	16,350	32,700
2001	19,155	38,310

*Source:* Beijing Statistical Bureau (2002)

Taking year 2001 as an example, the affordability of one average ECH housing of that year was:

**TABLE 5.4** The price-income ratio of ECH in Beijing in 2001

	Average price for an ECH apartment (yuan)	Times of a household income
2001	315,694.74	8.24

This is far more than what Bramley suggested: namely, that housing price should be three times the annual income for one wage-earner households, or two-and-a-half times that of two wage-earners households.

#### 5.3.3 Bridging the gap: advantages and regulations of ECH

Beijing municipal government has issued several regulations to facilitate the affordability of ECH. There are mainly two advantages of an ECH project and one obligation imposed on it, compared with an ordinary commercial housing development.

##### Land acquisition

The first advantage is the exemption from land leasehold rent. According to the *Land Act of P. R. China* of 1986, all urban land belongs to the state. Therefore, any form of land use occurring in an urban area is in fact based on a leasehold contract signed with the local representative of the state land authority. *The Ordinance on the Issuing and Transferring of Urban Land Leasehold* of 1990 further regulated the land acquisition procedure. Leasehold of a site for housing usage is valid for 70 years. The rent of the leasehold shall be paid to the local land authority once and for all before the issuing of the leasehold. The price of the leasehold can be decided in three different ways: bidding, agreement and free acquisition. The free acquisition means that the acquisition of

## **Economical and Comfortable Housing in Beijing**

the right to use the site is charge-free, but the actual costs on removal, relocation and infrastructure are the responsibility of the leaseholder.

According to the regulation on ECH development, its leasehold rent should be exempted. The sum of such exemption on leasehold rent in Beijing on ECH projects amounts to 0.9 billion yuan until April 2000 for a total of 3.57 million square meters of ECH dwellings, which lowers the price per square meter by 252 yuan (Zhu 2000, 12). The average price of ECH in Beijing in 2000 was 2,864 yuan per square meter (Fu 2003), and the advantage from land benefit was 8.8% of the average price of ECH.

### **Deduction of taxes and fees**

The second advantage enjoyed by ECH projects is the deduction of a series of taxes and fees collected on ordinary urban construction projects by the local authority. In 1998, a special decision was made on ECH projects in Beijing concerning these taxes and fees—*Permission of the Deduction of Administration Fees on ECH Projects in Beijing*. Consequently, twenty-one items of various taxes and fees will be deducted to the value of 50% on ECH projects in Beijing. Accordingly, 0.43 billion yuan of administration fees have been deducted for ECH projects in Beijing until April 2000, resulting in the decrease of price of 100 yuan per square meter (Zhu 2000). The advantage from tax deduction was 3.5% of the average price of ECH.

### **Controlled pricing**

Besides these advantages, the pricing of ECH projects is subject to the scrutiny of the local authority. According to *Provisional Regulations on Speeding up ECH Construction* by Beijing Municipality in 1998, the profit from an ECH project should be less than 3%. The final price should be audited and decided by Beijing Municipal Construction Committee and Beijing Price Bureau.

### **5.3.4 Financing measures to facilitate affordability of ECH**

Besides advantages and regulations provided by the local authority on ECH dwellings, financial tools to facilitate purchasing were also sought. In 2000, a detailed regulation on the purchase of ECH was issued by Beijing Municipality, *Provisional Regulations on the Purchase of ECH by Citizens of Beijing*, to give further instruction on the eligibility of households. The mid- and low-income household was defined as a household with an annual income below 60,000 yuan. According to the statistics for 2000, this definition is far higher than the average two wage-earner household income of 32,700 yuan for that year. It means, in fact, a majority of citizens of Beijing are eligible to purchasing ECH dwellings.

### 5.3 The Development of Economical and Comfortable Housing in Beijing

Home mortgages have been gradually introduced. The main measures for the finance of dwelling-purchase are three types of home mortgages: housing provident fund mortgage, commercial bank mortgage and combined mortgage (Wang 2001, 638).

#### **Provident Fund home mortgage**

The provident fund mortgage comes from an obligatory savings program made especially for the housing purpose. Every month an employee saves a certain proportion of their salary, usually set at 5–8%, into a designated personal account which is administered by the Municipal Housing Funds Management Center (MHFMC). Simultaneously, his/her employer saves the same amount of money into the saving account. The management of the fund is commissioned to one of the state-owned banks. The system was established in 1992 in Beijing. Most of the urban employers are required to enter this system. The aims are to assist the payment of dwelling purchase, repairing and rents. In 1997, the fund was made available for home mortgages according to *Measures on Home Mortgage* by the MHFMC. The terms of the mortgage were set at a maximum loan of 70% of the purchasing price to be repaid within 25 years originally. In the following years, the terms have been made successively more and more attractive. In 1998, the maximum of loan was raised to 80% of the dwelling price. In 1999, the down payment was further lowered to 10% of the dwelling price. In 2000, the loan period was extended to no longer than 30 years. The interest from the MHFMC is usually about 1% cheaper than commercial loans; therefore it is quite attractive to most people. In 2003, the interest was 4.05%. The provident fund mortgage is only open to people who have entered the system.

#### **Commercial home mortgage**

Commercial home mortgages are developing rapidly in China. In 1997, the manager of the Housing Provident Fund in Beijing, the local branch of China's Construction Bank, issued its own methods on personal home mortgage loan. According to the methods, the loan should not be more than 70% of the purchase price of the dwelling and the maximum of borrowing period is 20 years. In 1998, the People's Bank of China, the administrator of all state-owned banks in China, issued its announcement on increasing home mortgage in the loan business, which allowed all banks under its administration to enter the home mortgage business. The focus of the real estate loans has been shifted from real estate development to home purchasing. According to the regulation issued in the same year by the People's Bank of China, *Regulations on Management of Home Mortgages*, the down payment financed by the buyer him/herself should be no less than 30% and the borrowing period should be no more than 20 years. The interest rates were set lower than ordinary bank loans and adjusted annually according to the interest rate issued by People's Bank of China. In a short time, to compete with the provident fund mortgage, the terms of commercial home mortgage have also become more and more attractive. The down payment has decreased to 20% and the period has extended

## **Economical and Comfortable Housing in Beijing**

to 30 years. In 2003, the interest was set at 5.04%. The commercial home mortgage is open to all citizens of Beijing.

### **Combined mortgage**

The combined mortgage, as its name suggests, is the combination of the provident fund mortgage and the commercial mortgage. A person eligible to both programs can borrow from both mortgage systems simultaneously. The combined loan is only issued by the Beijing Branch of the Construction Bank of China, which is the managing agency of the Housing Provident Fund in Beijing. According to *Provisional Regulations on Combined Mortgage* issued by the Beijing Branch of China's Construction Bank in 1998, the sum amount of borrowing should be limited to 70% of the purchase price. The proportions of provident fund mortgage and commercial mortgage should be 50% to 50%, and the interest is set according the respective system.

### **5.3.5 The designated buyers of ECH dwellings in Beijing**

The data on actual ECH buyers is quite scarce. According to a survey conducted in 2000 (Zhu 2000, 13), in two selected ECH projects, 61.36% of the buyers were state-owned work-units employees, 29.9% were employees of private companies, while 8.74% were households reallocated from urban renewal in the inner city. The composition is quite close to the composition of the employment types in Beijing in 2000 (Figure 5.1 on page 52). However, the composition of the buyers varied sharply from project to project. In another ECH project, 85% of buyers were employees of private companies, while only 7% were state-owned work-unit employees.

In *Provisional Regulations on the Purchase of ECH by Citizens of Beijing* of 2000, the focus was to narrow down the target beneficiaries. According to this regulation, two groups of registered urban residents of Beijing do not need to provide any special document on income before purchasing an ECH dwelling. The first group is the household in which both partners in a couple are employees of state-owned work-units. The other group is the household to be reallocated from urban renewal in the inner city. People other than these two groups shall provide documentation that their the annual household income have to be below 60,000 yuan per year, while their present living condition should be officially recognized as homeless or poor.

### **State employees**

Obviously, the effort was to focalize the beneficiaries of ECH to state-owned work-units employees. This emphasis demonstrates again that the prioritized concern of the ECH was to take over housing responsibilities of the work-units rather than social concerns. According to the provisional regulations, certain work-units employees can buy ECH dwelling regardless of their actual income and present living conditions; however,



people outside this category have to prove that they are from the really disadvantaged group both in terms of income and living standard.

### Households relocated from the inner city

The special method in ECH used to relocate households from the inner city was another product of rampant urban and economic development in Beijing which itself deserves detailed investigation. A brief account is given here as a background to ECH development.

With the fast urban development in Chinese cities since the late 1980s, the land of the inner city has become a heated arena of land speculation. The acquisition of land, removal of present constructions and reallocation of residents have become controversial issues. In this case, not only the affordable housing issue is involved, questions are also raised on rights related to the real property which is new—there had been no officially recognized private right of real property in China. After *The Land Act of P. R. China* of 1986, the state became the sole owner of all the urban land. Therefore, any land-usage should occur in the form of a leasehold. However, there is no clear definition and protection of the rights of leasehold, especially on the old housing property recognized as private-owned in the inner city. When a land development project is launched, the leasehold of those households is arbitrarily stopped and the compensation only covers the structure on the site. This situation raises tense debates and conflicts (Shao 2003; Fang and Zhang 2003). In the case of the ECH, the advantage of purchasing an ECH dwelling is considered a form of compensation to those being relocated from their original homes in inner city.

After the new regulation was issued, between May 2001 and the end of September 2003, about 87,500 households received permission to buy an ECH apartment. Among them, 39% were households to be reallocated, while 20% were state-owned work-units' employees (Lu 2003).

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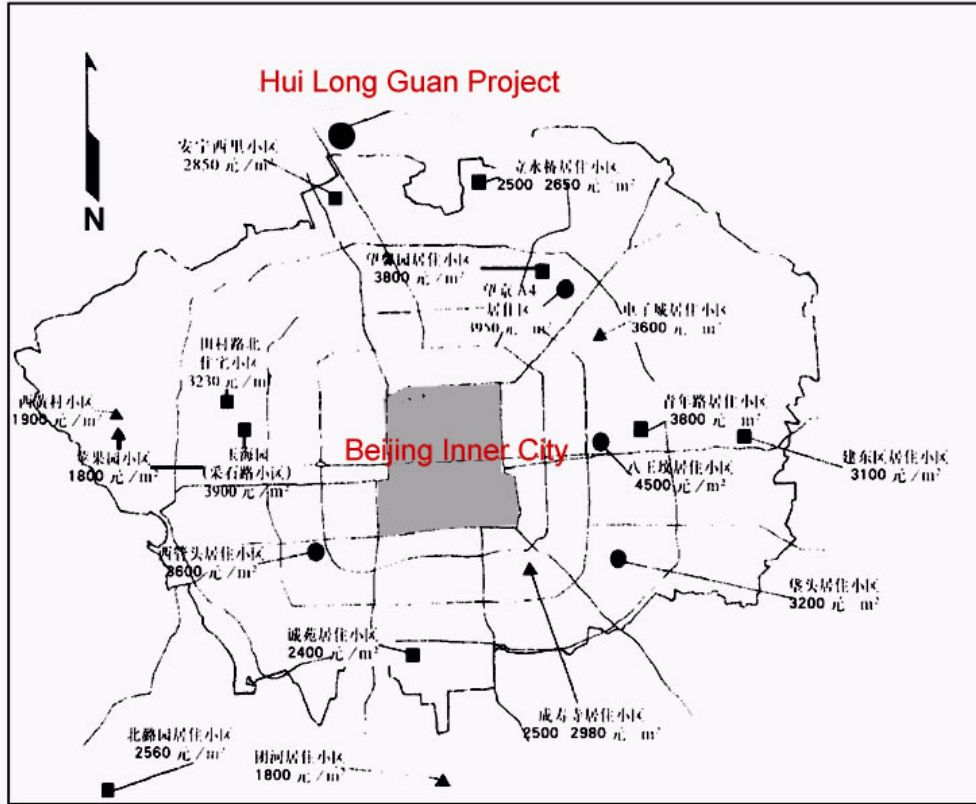
## 5.4 HUI LONG GUAN ECH PROJECT

Six ECH projects and four housing cooperative projects in Beijing were visited by the author in 2002 to gain an overall impression of affordable housing development in Beijing (see Appendix II). Then, one case was selected to demonstrate the physical products of the ECH policy. The selection was based on the case's significance, as well as accessibility of related documents and data.

In 1998, when the reform policy on ECH was issued, nineteen ECH projects were launched in Beijing (see FIGURE 5.2 on page 62). The case selected, Hui Long Guan ECH Project, is one of them. It is also the biggest one among its peers—the 19 projects

**Economical and Comfortable Housing in Beijing**

in 1998 amount to about 2.4 million square meters of ECH, 0.7 million of them were from Hui Long Guan ECH Project.



**FIGURE 5.2** The locations of Hui Long Guan Project and the other 18 ECH projects in 1998

Source: Zhang (1998).

There were three ways of ECH provision suggested by the policy according to the policy (see 5.3.1 on page 54). Among the nineteen projects of 1998 in Beijing, five of them were new developments, ten were original commercial housing projects, while the remaining four were in the form of self-construction by work-units. Hui Long Guan ECH Project is one of the five new projects (Zhang 1998, 13).

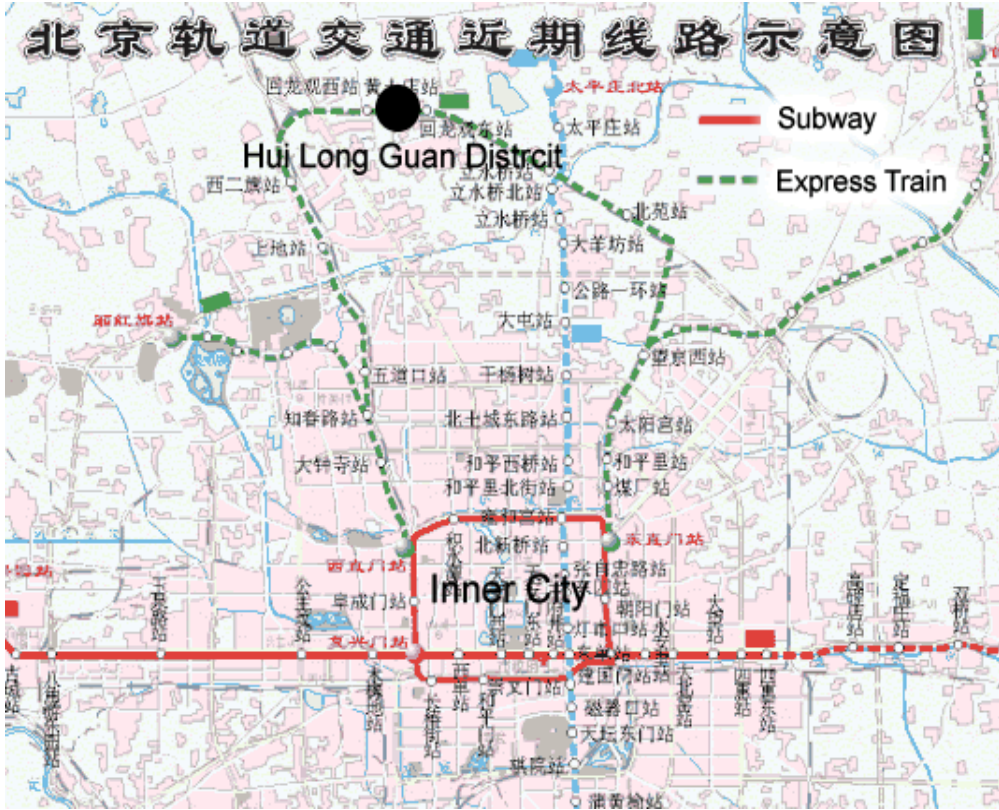
The vast volume of construction of the Hui Long Guan ECH Project, 30% of the all ECH launched in 1998, can provide a good sample of typical ECH dwellings in Beijing. However, it is not selected merely because of its scale. Since this study focuses on new provision of affordable housing, it is therefore the ECH provided through new provisions other than work-units that is of greater interest. ECH provided by new land development represents the main new housing provisions prescribed by the housing reform

scheme, since this type of housing and its method of provision are expected to take over the old housing provision system based on work-unit' welfare. Therefore, it is demonstrating the policy intentions, as well as consequences.

### 5.4.1 Location and construction volume

The location of Hui Long Guan ECH Project is to the north of Beijing Inner City. The distance to the nearest border of the inner city is 15 kilometers. In 2002, a new fast train route was opened connecting the district with the subway system of Beijing (see FIGURE 5.3 on page 64).

The scale of this project is huge because it is a main residential district of one of the ten suburban agglomerations planned by the Beijing Master Plan 1991–2010 to disperse and accommodate the ever-increasing urban population (see FIGURE 5.4 on page 65). A total of 5.5 million square meters construction volume of the whole project was planned including various types of buildings. A population of about 400,000 was planned to live in this suburban agglomeration, among which 150,000 would be accommodated by Hui Long Guan Housing District. The developer of this huge project is a state-owned land development company under the administration of Beijing Municipality.



**FIGURE 5.3** The transportation system connecting Hui Long Guan District to the inner city

*Source:* Lei Shao, Tsinghua University.

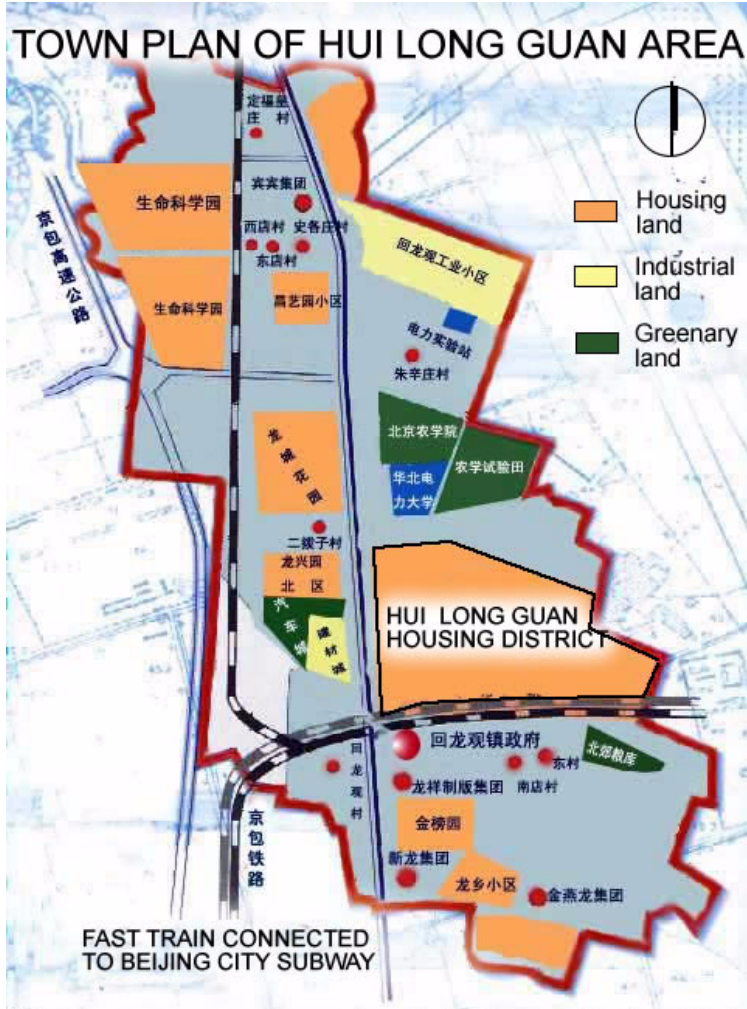


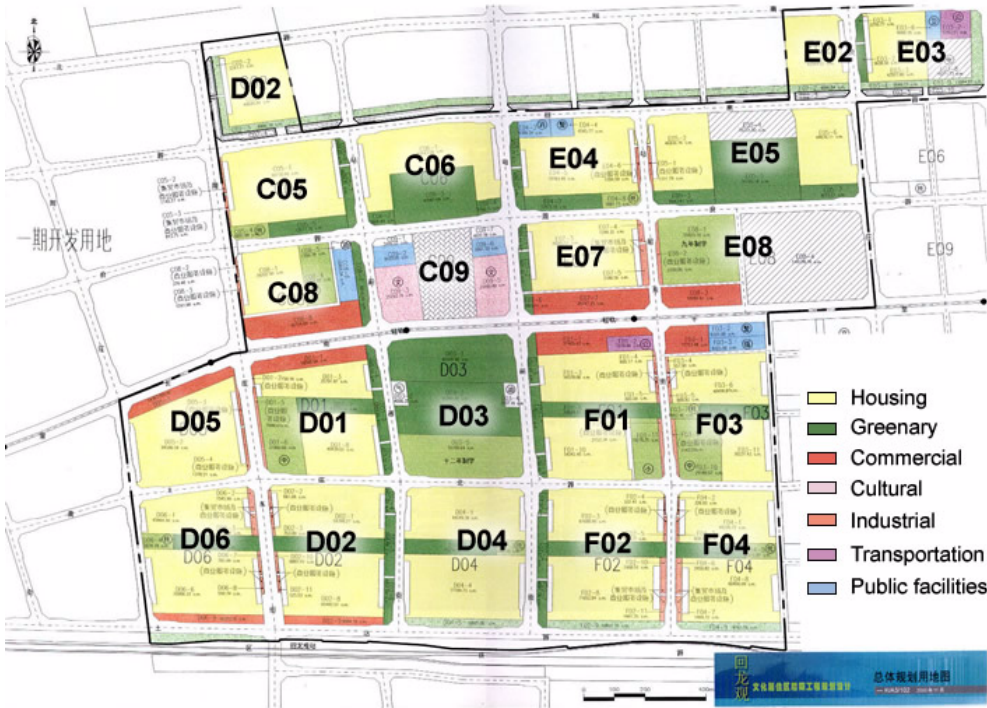
FIGURE 5.4 The plan of Hui Long Guan area

Source: Lei Shao, Tsinghua University.

Because of its tremendous scale, the development of the district is separated into different stages. The first stage was finished in 2001 and produced around 0.70 million square meters of ECH dwellings. The second stage of development, consisting of more than 7000 dwellings, was started at the end of 2001 (see FIGURE 5.5 on page 66).



### THE SECOND STAGE OF HUI LONG GUAN ECH PROJECT



**FIGURE 5.5** The plots of the second-stage development of Hui Long Guan ECH District

*Source:* Lei Shao, Tsinghua University.

#### 5.4.2 Land and price

The price of ECH in Beijing is regulated by the Municipal Construction Committee and the Municipal Price Bureau. The price is set according to the ECH policies. Seven costs are counted and a profit rate of less than 3% is added (see 5.3.2 on page 54).

There are huge differences between the prices of ECH projects. Among the 19 projects launched in 1998 in Beijing (see FIGURE 5.2 on page 62), the lowest was 1,800 yuan per square meter, while the highest price was 4,500 yuan per square meter, 2.5 times the lowest. Given the rather fixed construction costs, the main factor affecting the price of ECH is land acquisition. The huge difference in prices of ECH projects is the result of the different costs of land. In turn, removal and relocation of the original residents are the main factors affecting the price of land. Usually, land located closer to the inner city means higher acquisition costs. Also, in land previously densely inhabited, large costs is incurred by removal and relocation.

The final price of ECH dwellings provided by Hui Long Guan Housing District is set at 2,600 yuan per square meter. Clearly, in Hui Long Guan's case, its location is far from the inner city and the previous land users are few and mainly farmers, which explains its relatively low price.

The land of Hui Long Guan Project comes mainly from turning agricultural land into urban land. In the second stage of the project, 5,960,925 square meters of agricultural land were turned into urban land, of which 4,975,538 square meters were intended to be used for ECH dwellings. There are mainly two type of costs induced, one is the compensation to the land-owner, the other is the indirect costs—since the original land-owners (users) have lost their job as farmers, the government is responsible for providing them with new employment as urban citizens. In this case, 2,477 farmers have been re-registered as urban citizens and 1,441 of them were reemployed in non-agricultural sectors through the local authorities.

### 5.4.3 Composition of the buyer group

It is very hard to monitor the composition of buyers of Hui Long Guan ECH dwellings, since, on the one hand, it is such a huge project and, on the other, the project is still ongoing. According to a joint survey conducted in 2000 on Hui Long Guan District and another big ECH project in Beijing, 61.36% of the buyers are state-owned work-units employees, 29.9% are employees of private companies, while 8.74% come from the cases of relocation. As expressed by the buyers, 91.6% of them are buying for owner-occupation, while 3.2% of buyers admit that their intention is investment, in the expectation of future returns.

In 1998, work-units in Beijing were allowed to buy ECH and then to privatize it according to the housing reform schemes for privatizing the public housing. This resulted in the high proportion of employees of state-owned work-units in ECH buyers in the early stage of ECH development. After work-units housing were formally forbidden, the composition of ECH buyers changed dramatically.

### 5.4.4 Planning and design features

Given the regulations on ECH in Beijing, which concentrate on land and price, besides the character of their remote locations from the urban center, the most significant physical feature of ECH projects is its housing types which are mainly multi-storey concrete and brick structures with a height below 18 meters. Very few ECH buildings are high-rise buildings, which would induce higher construction costs, as well as higher costs of facilities and maintenance. In the case of Hui Long Guan Project, all the housing buildings are six-storey buildings in brick and concrete (see FIGURE 5.6 on page 68).



**FIGURE 5.6** Various six-storey apartment buildings in Hui Long Guan ECH District

*Source:* the author.

According to the 1999 national *Design Code for Residential Buildings*, buildings higher than six storeys are obliged to have elevators installed and stricter requirements on structure and safety measures are imposed on them. Therefore the configuration of six-storey is used by most of the developers as the upper limit. Furthermore, according to a local planning code, *Provisional Regulations on the Distance Between Residential Buildings in Beijing*, there are also strict requirements on the distance between residential buildings and the orientation of bedrooms in each apartment in the building, which ensure adequate sunlight and ventilation of each apartment. These codes apply to all residential development regardless of their type of provisions. ECH, as well as work-units housing and commercial housing, is subject to the control of these planning and design codes. Apart from these universal codes applied to all types of housing, there are no special regulations regarding to the planning and design of ECH dwellings. Thus, it is hard to discern ECH housing from a commercial housing project of similar price and location just by their physical features. The maximized density and cheapest ways of construction are especially sought after in ECH projects to control the building costs and unit price, which results in a rather orderly parallel planning feature



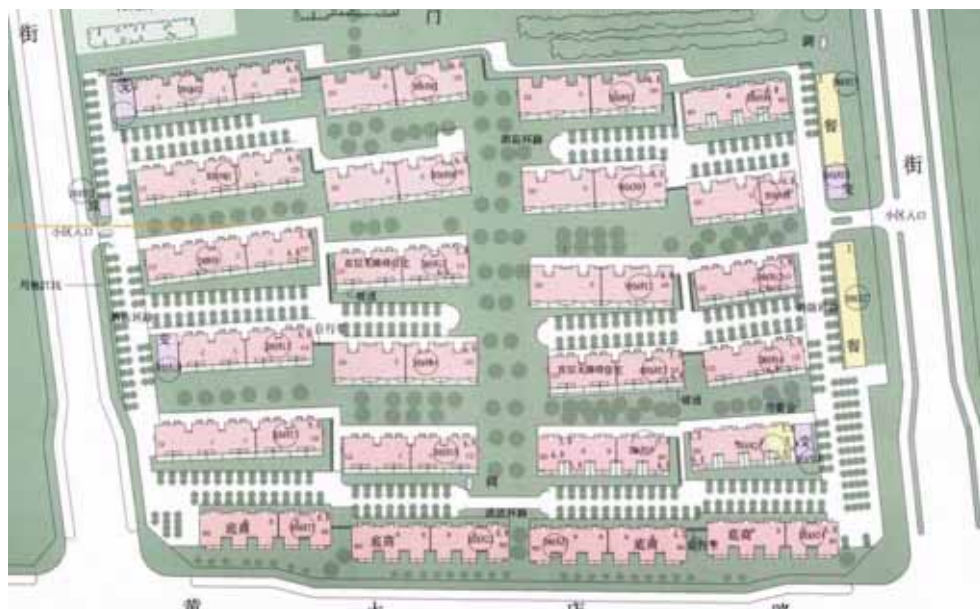
and monopoly of certain housing type in Hui Long Guan ECH district (see TABLE 5.5 on page 69).

**TABLE 5.5** The composition of dwellings types in Hui Long Guan First-Stage Development

	1-bedroom apartment	2-bedroom apartment	3-bedroom apartment	4-bedroom apartment	2-floor apartment
Area (sq. m)	75.7	84.09 – 105.52	104.11 – 147.62	131.85 – 187.61	149.25 – 166.67
Percentage	10%	25%	35%	25%	5%

Source: <http://www.bjfang.com/new-hlg/default1.htm>

The second stage of Hui Long Guan ECH project is divided into smaller sub-projects located on plots separated by the road system. There are altogether 21 such sub-projects (see FIGURE 5.5 on page 66) and each or several of them are carried out by one developer; therefore, they are in different architectural styles which are not always in harmony with each other. The construction volume of each plot varies according to the size of the site. For example, on Plot D-06, 24 six-storey housing buildings are to be put into parallel lines oriented north-south, which amount to a total of 147,054.75 square meters of ECH dwellings. The distance between the buildings is 18 meters which is the minimum according to planning regulations (see FIGURE 5.7 on page 69).

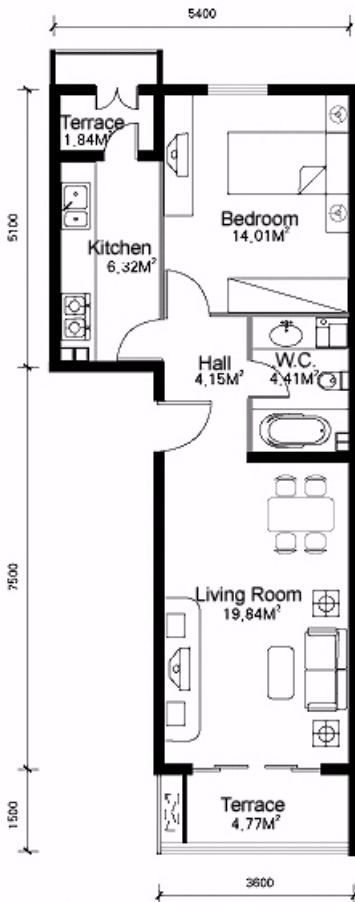


**FIGURE 5.7** Site Plan of Plot D-06 of Hui Long Guan ECH District

Source: Lei Shao, Tsinghua University.

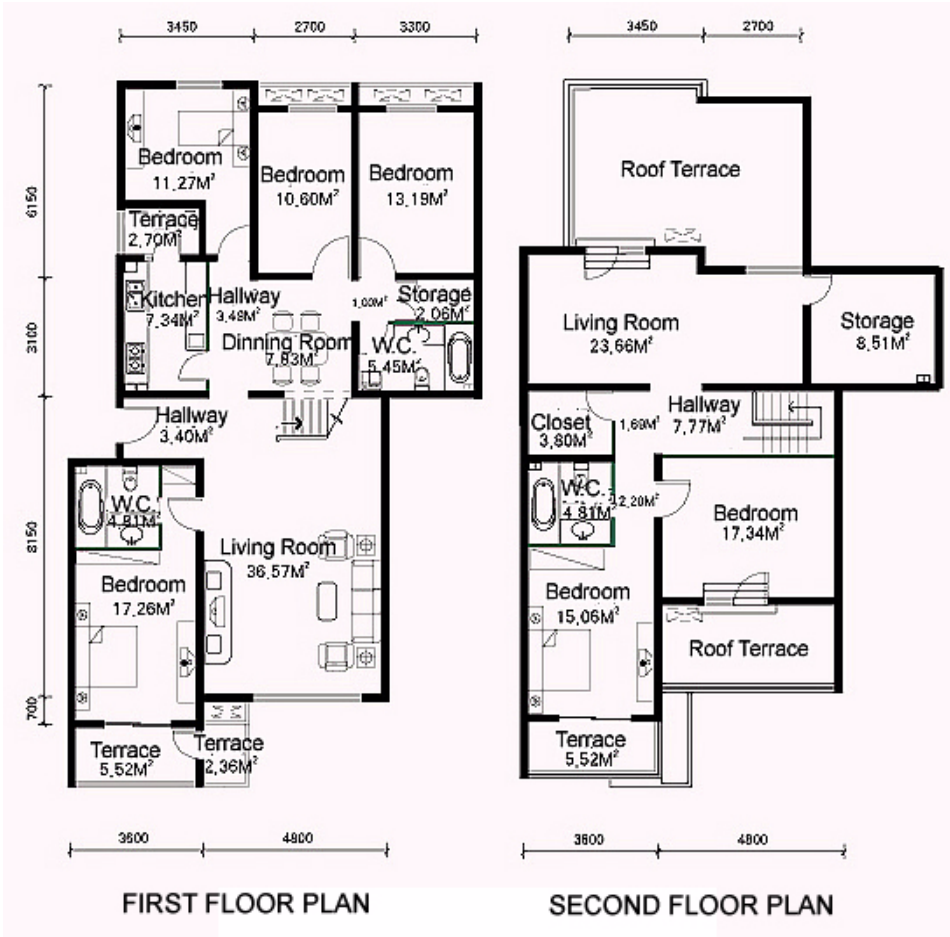
### Economical and Comfortable Housing in Beijing

Though the building type is rather monotonous, as a large housing area, the dwelling types in Hui Long Guan ECH project demonstrate a great variety from one-bedroom dwelling (see FIGURE 5.8 on page 71) to two-storey 6-bedroom apartments amounting more than 270 square meters of construction area (see FIGURE 5.9 on page 71). Such a spacious apartment as the latter would cost about 702,000 yuan in total (2600 yuan per square meter). With a Provident Fund Housing Mortgage of 20 years, it means a down payment of 140,400 yuan and an annual payment of about 39,000 yuan. For a household with an annual income of less than 60,000 yuan, it means that more than two years of their whole income will be just barely enough for the down payment when they buy the dwelling and 65% of their annual income afterwards will be used to pay the loan. This will be a very heavy financial burden. Calculated by the average annual income in the statistics, which will be 32,700 yuan for a two wage-earner family, the burden will be even heavier (see TABLE 5.6 on page 71).



**FIGURE 5.8** An one-bedroom apartment in Hui Long Guan ECH District

Source: Lei Shao, Tsinghua University.



**FIGURE 5.9** A two-floor 6-bedroom apartment in Hui Long Guan ECH District

Source: Lei Shao, Tsinghua University.

**TABLE 5.6** The affordability of the largest and the smallest dwellings in Hui Long Guan ECH District in 2000

	Smallest apartment	Largest apartment
Area	65.75 sq. m	274.1 sq. m
Price per sq. m		2600 yuan

**TABLE 5.6** The affordability of the largest and the smallest dwellings in Hui Long Guan ECH District in 2000

---

	Smallest apartment	Largest apartment
Apartment price	170,950 yuan	712,660 yuan
Ratio to two wage-earners' annual income in 2000*	5.23	21.79

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\* (see TABLE 5.3 on page 57)

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## 5.5 ANALYSIS

### 5.5.1 The intentions of policy and the designated beneficiaries

From the very beginning, ECH has borne contradictory expectations by the policy maker and the different parties involved. As defined in *The Implementation Plan for Further Reform on the Urban Housing System in Beijing*, issued by Beijing Municipality in 1998, the aims of ECH development are, on the one hand, to promote the commercialization and socialization of housing provision, and to stimulate economy on the other. As the solution of the work-unit housing welfare, ECH is developed to take over the housing responsibility. However, the intention is not restricted to this criterion but extends to answer the housing needs in a broader range generated by the social and economic restructuring in the past two decades. However, in practice, the work-units employees, traditional beneficiaries of old public housing system, are given higher priority than those mid- and low-income households, in general, according to the policy.

The composition of the population also posits a difficult situation to understand the housing reform in Beijing with the presence of the population registration system. With 58.34% of registered urban employees working for the state-owned work-units, it seems the chief concern of housing reform in Beijing is to reform the housing provision for them, that is, to reform the old public housing system, which was the main consideration inducing the onset of the ECH program. However, as a result of social and economic reform, the unregistered population is huge in Beijing. Presently, only officially registered urban citizens of Beijing are entitled to the right of purchasing ECH dwellings; while citizens of other urban municipalities and rural populations, even if they are presently working and living in Beijing, are excluded. The exclusion of certain populations is an inheritance of the old social system in which the responsibilities of housing is divided according to the hierarchy of the administration. If these population are added to the statistics on employment, the proportion of the state's employees would drop from 58.34% to 37%.

Nevertheless, still the discernment of those really in need of affordable housing appears a difficult job. Moreover, the situation is complicated when the developer does not care much who buys but only how much is sold. The bulk of buyers of ECH has not been work-units employees or the mid- and low-income households as intended by the policy. The reason is that as commercial profit-driven land developments carried out by public or private developers, the return of investment in ECH is of prime importance, as in ordinary commercial activities. It does not allow the existence of a rigid limitation on the demands which may impair the speed of recollecting investment. Therefore, the nature of the activity itself eliminates the possibility of careful targeting buyers. Although there are formal categories of the income and status of the buyers, given the absent income registration system, the door is, in fact, open to registered urban citizens of any income level. To increase the eligible populations in order to ensure the selling of ECH, the general definition of mid- and low-income households is bold and unclear. For example, according to the policy, the mid- and low-income households eligible for purchasing ECH were defined as households with annual incomes below 60,000 yuan in 2000; however, according to statistics, the average annual income of a two wage-earner family in that year was 32,700.

In sum, ECH is designed primarily to take over the responsibility of work-units housing, then to accommodate the general mid- and low-income urban households in Beijing. In practice, the developer is willing to sell it to anybody. The outcome is on the one hand the result of contradictory intentions of the policy itself and the conflicting rationales of different parties involved, chiefly, the conflicting priorities of the municipality and the developer, and the vague definition of “mid- and low-income”; on the other hand, it is the inevitable result of huge demands on affordable housing created by the social and economic restructuring in the past two decades.

### 5.5.2 Affordability of ECH

The affordability of ECH has never been clearly defined. The present method is to control the profit level of the developer of ECH. However, the final price of ECH is quite irrelevant to the incomes of targeted populations.

The ECH is targeted on three different groups. Firstly, the priority is given to state-owned work-units employees; secondly, the sale of ECH is also open to ordinary urban households of Beijing which have an annual income below 60,000 yuan and who are in need of better housing; thirdly, ECH is also open to those who have been relocated from the inner city by the land development process. In this case, ECH is deemed as compensation to those who have lost their property in the inner city.

So far, there is no correlation being constructed between the price of ECH and the income of the targeted groups. Although there is control over the pricing of ECH, the control is related to the actual development costs but not to the income of targeted

## **Economical and Comfortable Housing in Beijing**

groups, hence ECH dwellings are sold at a wide range of prices. The reason is that, on one hand, as the private or public developer is the main actor in developing ECH, the authority has little control over the actual costs, as well as risks; on the other hand, the definition of “mid- and low-income households” has always been a difficult and controversial question and only a very bold category is given in practice.

The contradictory intentions on ECH by the municipality and the developer resulted in the inadequate performance of ECH, measured either as intended in the policy or as a kind of new social housing. The municipality is concerned about who are the actual buyers of ECH dwellings, while the developer is concerned only about how to sell fast and make profit. It seems strange how these opposite concerns could possibly be integrated in ECH. Yet in fact, it is welcomed both by the municipality and the developer. The municipality sees ECH as the opportunity to transfer the traditional housing welfare burden to the market. To the developer, compared to pure commercial housing development, an ECH project is attractive for its price. The investment is recouped quickly, which is of pivotal importance to most of land developers whose investment relies heavily on short-term loans.

The strange couple gives birth to a strange child. From the side the local authority, besides the advantages given to ECH projects, the only effective control on affordability is the pricing of ECH housing in per square meters. Compared to the price of commercial housing projects, ECH is attractive and seems suitable for mid-income families. However, when the size of the apartment is taken into consideration, it is not quite the case. To make a wider catch-basin of customers, the developer produces large apartments to attract people with stronger buying powers into the ECH consumer group. According to statistics, the average size of ECH apartments was 108.2 square meters in 2001, and cost 8.24 times of the annual income of a two wage-earner family. This could hardly be addressed as “affordable”. The 270 square meters apartment in Hui Long Guan ECH District is an extreme example of such contradictions.

### **5.5.3 Land, planning and design of ECH**

The land factors affect the pricing of ECH to a significant extent. The costs of land acquisition come mainly from two sources: the cost of the leasehold and the cost of the removal and relocation. The leasehold fee is exempted for ECH projects. Since land leasehold becomes one of the main sources for municipal construction budgets, there are criticisms of ECH impairing municipal income (Deng 2001), even though the rest of the costs on land acquisition are still considerably large. This explains why the prices of ECH projects have such huge differences. Also, it explains why most of ECH projects occur in remote suburbs. Out the six ECH projects I visited in Beijing, five are located outside the third ring road. There are huge differences in the environment qualities of these projects. The locational preference of ECH imposed by the land acquisition raises other questions about ECH which deserve special attention, such as the urban segrega-

tion process induced by ECH development, and also the issues of bad environmental qualities, inadequate education and medical facilities, and long transit distances.

Besides the locational preference which characterizes the general environmental quality of ECH projects, there are no special regulations on ECH regarding planning and design issues. Therefore, the product of ECH development is to a large extent the result of commercial activities rather than state intervention. It contrasts sharply with the products of the previous public housing system when state intervention had direct impacts on the physical forms of residential buildings. The old system, although still existing in certain forms in this transitional period, is not functioning in ECH. The Beijing housing policy of 1999 introduced housing subsidies to public servants to facilitate their buying power on the market, and thus became detached from work-units' in-kind housing welfare. There were also regulations on the upper limits of subsidies one could receive according to the administrative hierarchy system. The standard for lowest ranking civil servants was 60 square meters, while the standard for the highest rank in the municipality was 120 square meters. However, these categorizations have never had any influence on the actual products of the ECH provision.

With little control over the development process and multifaceted target user groups, as a result, there is almost no planning and design constraints to ECH projects in terms of both "economical" and "comfortable", which would distinguish ECH as an affordable housing solution to the mid- and low-income urban households from the commercial housing sector.

### 5.5.4 Further questions

It is fair to say that the distributional concerns of the old public housing system has ceased in ECH projects; therefore the direct correlation between state intervention and housing forms has ended. However, intended as a type of housing with social concerns, the ineffectiveness in the control over affordability of ECH dwellings is a problematic issue. It results in missing the intended target of beneficiary groups when the actual products of ECH are out of the reach of ordinary households.

At the end of 2003, new regulations on ECH dwellings were anticipated. According to news agencies forecasts, the new measures on ECH dwellings are mainly controls on the sum price and size of the ECH apartment. It is said that the maximum price of an ECH apartment will be set at 320,000 yuan, while the size of it will be within 120 square meters. This is a further move towards facilitating the affordability of ECH housing. However, the model in which ECH housing is provided implies an important question if it is regarded as social housing. As housing provided mainly under the free market mechanism, the intention of making a commercialized housing within the reach of most of the population in a developing country itself seems ambitious. Will further methods of controlling the affordability impair its performance in the market and in the end

endanger the ECH provision? This is the intrinsic question embedded in the mechanism of the ECH provision which is to be observed.

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### 5.6 SUMMARY

The ECH program bears multifaceted goals in the policy design and involves different parties with different intentions in the practice. With a large proportion of the urban population being the employees of the state-owned work-units in Beijing, the designated “mid- and low-income population” for ECH is to the policy-maker primarily the previous beneficiaries of the public housing systems; but to the ECH developer, the ambiguity of the definition provides a good chance to enlarge the consumer group.

To facilitate the affordability of ECH, land and tax advantages have been given to ECH projects, and the price of ECH dwellings is subject to the control of the local authority. However, none of these measures is effectively related to the actual income of the designated households. In practice, as a commercialized housing provision, the price is very much influenced by the factors out of the control of the authority, such as for example the land costs. Conversely, the control measures tend to result in inadequate environmental qualities and remote locations of the ECH projects. Furthermore, the dwelling units are outside the control measures and result in excessive area standards and unaffordable unit price for the mid- and low-income households.

There is still much to be observed on the ECH development, such as the problematic relationship between social concerns and profit-seeking, the impact of it on the commercial housing market, and the further measures on more accurate targeting of the designated population. There are also other challenges. For example, with the existence of the population registration system, the “migrant population” who are actually working and living in the city are excluded from the ECH program. Considering their income level, the owner-occupation principle of ECH is questionable as a solution to their housing needs.



## CHAPTER 6

# LOW-RENT HOUSING IN XI'AN

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*A Low-Rent Housing project was launched in Xi'an in 2000 and the construction was finished at the end of 2001. Yet until the fall of 2003, they were still empty. As one of the new housing provisions bearing most of the social concerns on the 1998s reform policy, the standstill of this project illustrates the difficulties the Low-Rent Housing encounters during its implementation. The purpose of this chapter is to observe the development of the first local authority financed Low-Rent Housing project in Xi'an, to examine its contexts, its results and its dilemmas.*

## Low-Rent Housing in Xi'an

One official I interviewed who was in charge of the Low-Rent Housing project in Xi'an kept warning me that using this project as a case study in my thesis would not be a good idea. His arguments were:

- Low-Rent Housing is a new phenomenon. The project I wanted to study is the first Low-Rent Housing project ever accomplished in Xi'an after the Low-Rent Housing program was introduced in 1998; therefore it is far from representative of this new housing provision.
- The apartments of the project were empty at the time. Although they were finished in 2001, after almost two years, debates on how to distribute are still continuing and criteria of distribution have still not yet been formulated.
- The future development of the Low-Rent Housing is still unpredictable at present. There are even possibilities that this project will eventually turn out not to be a Low-Rent Housing project, but will be sold on the commercial housing market. The argument is that the funds collected from selling it can benefit more households.
- The implementation of the Low-Rent Housing policy is quite a fragmented practice. Since very limited instruction is given in the national policy, different cities have been formulating different strategies. This project might not represent the best solution.

With the interviews in progress and related materials being studied, however, most of these arguments became the reasons why this case is of interest to my research. If this project could not serve as a case of typical instance to illustrate the general development of the Low-Rent Housing policy, it still merits serving as an extreme instance of a new social housing type and serves well as a test-site for the new policy. Being related to the local context, it will also illustrate the social housing question in Xi'an. Since the Chinese housing reform is an ongoing process, many experiences are learnt from this trial and fail process, therefore it would not be fruitful to concentrate solely on those widespread practices and study a representative case. Instead, it is on these experimental projects, that the present dilemma is demonstrated and future possibilities are embodied. As a case study, this project in Xi'an may demonstrate the intention of the new policy on the Low-Rent Housing, the actual need of such type of new housing provision, and the performance of this project in reaching designated goals.

The Low-Rent Housing was first prescribed in the national housing policy of 1998, *The Announcement on Deepening the Urban Housing Reforms and Stimulating the Housing Construction*. It was not until 2001 that the first Low-Rent Housing was realized in Xi'an. Yet after two years of its completion, the 264 new apartments of this project were still empty. It is interesting to investigate what are problems behind delaying the realization of the Low-Rent Housing at the beginning, and eventually what fac-

tors make the project so difficult to be put into use. The dilemma embodied in this Low-Rent Housing project may indicate some general dilemma of the Chinese housing reform regarding to the recognition and solution of the social housing question.

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## 6.1 THE CITY AND ITS PEOPLE

Xi'an is the provincial capital of Shaanxi Province in the heart of inland China. It is traditionally categorized in the north-west region of China that has had less economic progress compared to the coastal areas since the economic reform was initiated. After 20 years of the economic reform, the economy of Xi'an is lagging behind that of Beijing and Shenzhen. The gross domestic product per capita of Beijing and Shenzhen in 2000 were 2.2 and 3.8 times of that of Xi'an respectively (see TABLE 6.1. on page 79).

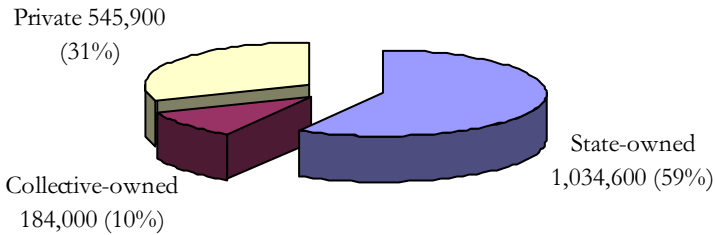
**TABLE 6.1. Population, GDP and GDP per capita of Beijing, Xi'an and Shenzhen in 2000**

	<b>Population</b>	<b>GDP (billion yuan)</b>	<b>GDP per capita (yuan)</b>
Beijing	11,075,000	247.88	22,382
Xi'an	6,880,100	68.85	10,007
Shenzhen	4,329,400	166.55	38,469

*Source:* Beijing Statistical Bureau (2001), Xi'an Statistical Bureau (2001), Shenzhen Statistical Bureau (2001).

Xi'an is the largest city in Shaanxi Province. It has an total area of 9,983 square kilometers. The urbanized area of Xi'an city itself was 215 square kilometers (Xi'an Urban Planning and Management Bureau 1999). Besides Xi'an city itself, there are six neighboring counties under its administration, whose populations are mainly agricultural. At the end of 2000, the population under Xi'an Municipality's administration was 6.88 million. Among them, the urban population was 2.85 million. In 2000, the state-owned work-units were still the major employers of the urban labor force (59%) (see FIGURE 6.1 on page 80) (Xi'an Statistical Bureau 2001).

## Low-Rent Housing in Xi'an



**FIGURE 6.1** The urban employment composition of Xi'an in 2000

*Source:* Xi'an Statistical Bureau (2001).

## 6.2 HOUSING PROVISIONS IN XI'AN

In accordance with the national housing reform policy, the main target of the housing reform in Xi'an is to promote owner-occupation by privatizing the public housing stock and introducing commercialized housing provision. The commercialized provision of new dwellings come mainly from two sources: the commercial housing on the market and the Economical and Comfortable Housing. In the year 2000, in Xi'an, the total area of new housing conveyed on the market was 2.01 million square meters, of which there were 1.42 million square meters of ECH dwellings, while the rest were commercial housing (Xi'an Statistical Bureau 2001).

Two types of developers are actually carrying out the production of ECH dwellings: work-units and ordinary developers. When acting as the developer, usually the work-units manage to obtain the land, and the planning and construction permissions. Funds usually come from contributions of the employees, the provident fund system (obligatory housing saving) and special loans supplied by the state-owned banks. The construction and distribution process of the work-unit ECH is similar to the traditional work-unit housing, but the land process, the advantages and the pricing all follow the ECH policies. To differentiate it from the old public housing, it is addressed as "work-unit ECH" in Xi'an's statistics. Compared to the subsidized selling of the public housing which aims at the privatization of the old housing stock, the work-unit ECH opens a new channel in the provision, especially at the beginning of the ECH policy when supply is inadequate. However, it also inherits the limitations of the old public housing system. For example, only the employees of the work-units are eligible and there are still hierarchical standards in accordance to the administrative rank but not the actual needs.

The second source of ECH is from the projects carried out by ordinary land developers, either public or private, acting on the market. The development process is similar to ordinary commercial projects except for the advantages ECH projects enjoy in terms of land acquisition and taxation, and the pricing of ECH dwellings is also subject to governmental control. The consumers of ECH apartments are ordinary urban consumers who are eligible according to certain criteria.

The composition of ECH provision in Xi'an was dominated by the work-unit ECH in 1998 when the new national housing policy was launched (see TABLE 6.2 on page 81). Less than one-fifth of ECH of that year was actually the market ECH open to general consumers. It is understandable since that in the first year of implementation of the new policy, most of the new ECH projects were originally from other channels of the housing provision, but later converted to ECH projects according to the new policy. Therefore, the figure also illustrates the percentages of the work-unit provision and the commercialized provision of the affordable housing in 1998, which were 81.63% and 18.37% respectively, demonstrating the urgent need of new provision to release the work-units from the role of the affordable housing provider.

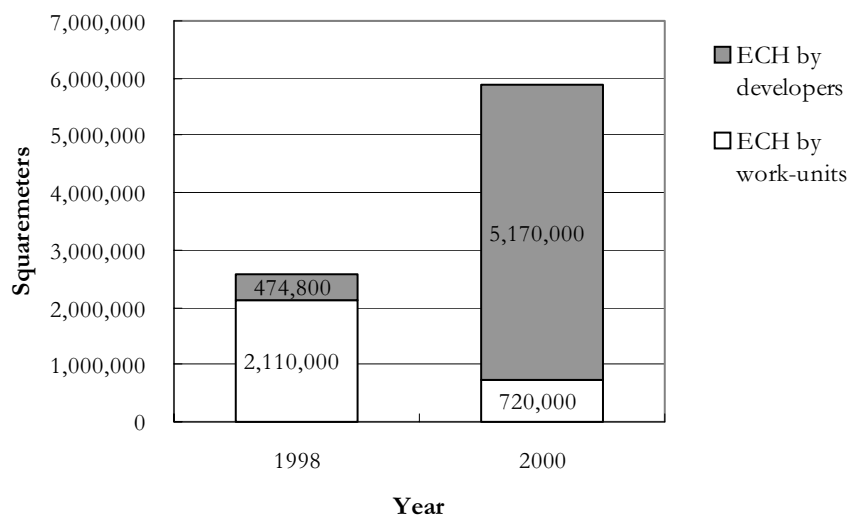
**TABLE 6.2 ECH categorized by providers in Xi'an in 1998**

	Area (in square meters)	Percentage
ECH by work-units	2,110,000	81.63%
ECH by developers	474,800	18.37%
Sum	2,584,800	100%

*Source:* Xi'an Anju Project Housing Office.

In the subsequent development, ECH dwellings constructed by the developers has been increasing steadily, indicating the gradual transferring of housing provision from the work-units to the market. According to *Xi'an Yearbook 2001* (Xi'an Yearbook Editorial Committee 2001), the ECH dwellings provided by work-units in 2000 dropped to 0.72 million square meters while the ECH accomplished by the developers in two years amounted to 5.17 million square meters. The original dominance of the work-unit ECH was quickly replaced by the market ECH (see FIGURE 6.2 on page 82).

## Low-Rent Housing in Xi'an



**FIGURE 6.2** The composition of ECH provision in Xi'an in 1998 and 2000

*Source:* Xi'an Statistical Bureau (2001).

### 6.3 THE POLICY CONTEXT OF THE LOW-RENT HOUSING ISSUE IN XI'AN

#### 6.3.1 The two-level housing system of 1994 and the three-level housing system of 1998

As discussed in the national housing policy development in Chapter 4, the preparatory idea of ECH was produced in the housing reform scheme of 1994. This scheme proposed a two-level system composed of a controlled market provision and an ordinary market provision. The term “economical and comfortable housing” was first used to describe this controlled market provision. According to *The Construction and Management Methods of the Economical and Comfortable Housing* of 1994, the economic and comfortable housing was defined as “the housing oriented towards the mid- and low-income households in housing difficulties and constructed according to national standards”. The embodiment of “the economical and comfortable housing” of that time was the Anju Project Housing.

In 1998, the two-level system was replaced by a new three-level scheme which consists of the commercial housing, the Economical and Comfortable Housing (ECH) and the Low-Rent Housing. The original target population of the Anju Project Housing of 1994 was further divided into two groups: the mid- and low-income and the lowest income.

### 6.3 The Policy Context of the Low-Rent Housing Issue in Xi'an

ECH is oriented towards the housing demands of the mid- and low-income population, and the Low-Rent Housing is the third level housing provision in response to the housing needs of the lowest income households.

#### 6.3.2 The criteria of the Anju Project Housing

In 1995, the government of Xi'an issued its local version of implementation methods of the 1994 national housing policy—*The Development and Management Methods of the Economical and Comfortable Housing in Xi'an*. It defined the goals of the controlled provision of affordable housing as:

*The economical and comfortable housing constructed before 1997 shall prioritize its target population as those households in extreme housing difficulties who have a living standard less than 2 square meters per capita. The economical and comfortable housing constructed before 2000 shall prioritize the housing needs of those who have a living standard less than 4 square meters per capita. (My translation)*

The following local policy, *The Implementation Method of Anju Project Housing in Xi'an* issued in 1995, iterated the policy orientation of the Anju Project Housing as serving for the needs of “mid- and low-income households in housing difficulties” which were defined as “those registered urban households of the six urban district who are of mid- and low-income and are living in conditions of less than 4 square meters per capita”.<sup>5</sup>

#### 6.3.3 The criteria of ECH

In 2000, following the national housing policy of 1998, a new local policy on ECH was issued, *Methods on the Construction and Management of the Economical and Comfortable Housing in Xi'an*. The designated population for ECH was defined as “any officially registered urban households who are of mid- and low-income and in housing difficulties”. One such household can only buy one ECH apartment. In another document by the Leaders Group Office of ECH of Xi'an, *The Announcement on Reinforcing the Management of ECH Selling in Xi'an*, the criteria on ECH buyers were further clarified. According to it, the buyers should be:

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5. Anju Project Housing is usually developed by appointed developers and then sold to the municipality at cost price. The municipality would sell the apartments to work-units or individuals at discounted prices according to special regulations. From 1996 to 2000, 10 Anju Projects were constructed in Xi'an. There are several incentives for developers to work for an Anju Housing Project. Firstly, the loan is provided by the state; secondly, the land is allocated freely; thirdly, the infrastructure fee is exempted; fourthly, the product will be purchased by the municipality; lastly and maybe most important to the developers, 30% of the project can be sold at market price. Since the local authority has strong control over the project and developers have enough incentives to be involved, Anju Projects are quite well developed in Xi'an. However, since 1998, they have been gradually replaced by the new ECH projects

### Low-Rent Housing in Xi'an

- officially registered urban residents of Xi'an
- homeless or have a living area per capita in the household under the average living standard per capita in Xi'an
- the household annual income multiplied by 3 is less than the price of an 80 square meters ECH apartment.

Obviously, the policy no longer mentions the households in housing difficulties. The task is left to the forthcoming Low-Rent Housing program.

### 6.3.4 The task for the Low-Rent Housing

The major questions of the 1994's policy are whether owner-occupation is the right solution for these people, and can those who are living in difficult housing conditions afford buying new apartments even with a regulated price. This led to the further division of the mid- and low-income group in the 1998s national housing policy by introducing the Economical and Comfortable Housing and the Low-Rent Housing.

From the practice of ECH in Beijing, we can see that ECH, intended to be a new housing provision to release work-units from the role of the housing provider and to break through the blockade towards owner-occupation, has received much attention and achieved significant development. However, there are still urban households who cannot enter this program. The task of the Low-Rent Housing is to take care of these population.

As to the Low-Rent Housing, there are still many questions to be clarified during the process. Without an income-registration system and with the huge geographical differences in terms of income, who shall be entitled to the Low-Rent Housing? What will be the actual source of the Low-Rent Housing? What will be the standards of the Low-Rent Housing? How shall the Low-Rent Housing be rationed and subsidized?

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## 6.4 GENERAL DEVELOPMENT OF THE LOW-RENT HOUSING AFTER 1998

After the national housing policy of 1998 had introduced the Low-Rent Housing as the housing oriented towards the lowest-income urban households, a detailed regulation, *Methods on Urban Low-Rent Housing Management*, followed in 1999 to clarify the definition of the lowest-income urban households and the sources of the Low-Rent Housing. According to this, the Low-Rent Housing is housing "bearing social security



#### 6.4 General Development of the Low-Rent Housing After 1998

functions and towards the lowest-income urban population in relatively cheap rent”. The sources of the Low-Rent Housing would be:

- the old public housing which meets the standards on the Low-Rent Housing defined by the local government
- the public housing presently rented by lowest-income households and meet the standards on the Low-Rent Housing defined by the local government
- the housing financed and constructed by the local government or the work-unit for the purpose of the Low-Rent Housing
- the housing purchased by the local government or the work-unit for the purpose of the Low-Rent Housing
- the housing donated by social groups which meet the standards on the Low-Rent Housing defined by the local government
- the housing from other sources according to the local conditions which meet the standards on the Low-Rent Housing defined by the local government.

In the localization process, the first task of the local authority is to formulate the definition of the lowest-income household in housing difficulty. The standards are different according to local incomes and housing conditions. The second task is to clarify the process. In contrast to the universally defined process of ECH provision, obviously, the implementation of the Low-Rent Housing policy is very open and flexible, and subject to the influence of local conditions. For example, in Shanghai, one method is to give Low-Rent Housing subsidies to who qualify for the program, so that they can go to the rental market to solve their housing needs (Shanghai Changning District Government 2001); in Xiameng, the local authority buys new apartments from the housing market and exchanges them for old dwellings which meet the Low-Rent Housing standards and then rents these dwellings to the qualified households (Xiameng Land and Housing Bureau 2001).

There are also cases where local governments are directly involved in the financing and construction of specially-made dwellings for the purpose of the Low-Rent Housing. The following case in Xi'an is one of the first such projects. Compared to the “subsidizing” and “using old public housing stock” methods, this case has fixed physical products through a new way of housing provision to be observed, which represents the normalization process of this new type of housing. Therefore, as one of the new housing provisions to emerge during the Chinese housing reform, the normalization process of it can be more clearly recognized.

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## 6.5 MING DE MEN LOW-RENT HOUSING PROJECT

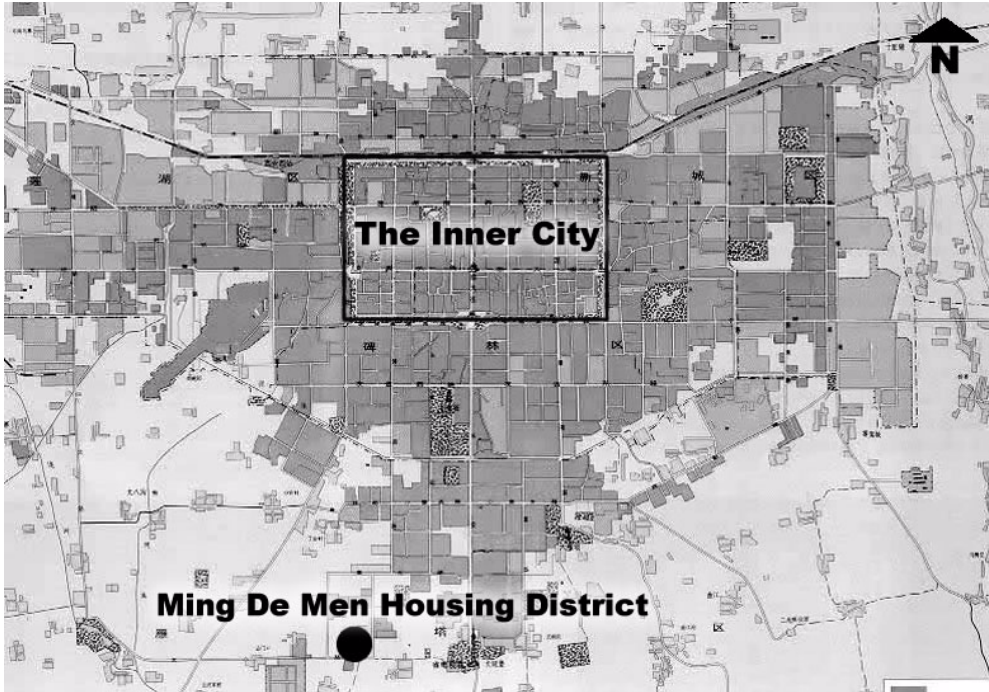
### 6.5.1 Investment and management of the project

The first Low-Rent Housing project was started in Xi'an in 2001 and finished in the same year. The project is solely financed by the local housing authority of Xi'an. The investment came from a special item for the purpose of the Low-Rent Housing development on the municipal budget. Since 1998, decided by a municipal working meeting, 2.5 million RMB yuan from the municipal budget of Xi'an has been designated for the usage on Low-Rent Housing construction annually. The accumulation of this fund became the main source of the investment of this Low-Rent Housing project in 2001. According to the office, the fund is not enough for this 264-unit project. The actual total investment is about 19.34 million yuan of which 14 million has been covered by the municipal fund. However, there is still a 5.34 million deficit, which gives a financial question to the rationing and managing work of the dwellings at the very beginning.

The project is initiated and administered by Xi'an Low-Rent Housing Construction and Management Company which is a project company under the administration of Xi'an Anju Housing Project Office. The latter is an office of the local authority which specializes in housing issues and is nominally headed by the mayor. Its original task was to implement the national housing reform scheme of 1994 which emphasized the Anju Housing Project as the main solution of housing reform. Since 1998, another role was taken on by the same office and its staff when the national housing reform scheme of 1998 was initiated. Economic and Comfortable Housing became the focus and replacement of the Anju Housing Project. Since some of the Anju housing projects had not yet been finished and ECH projects had just started, the office has been responsible for both of them ever since. In 2002, when a Low-Rent Housing project was being elaborated, the new responsibility was again assumed by this office. A project company was established and is responsible for the construction and distribution of the new low-rent dwellings.

### 6.5.2 Location

The building site of the project is in the southern suburb of Xi'an (see FIGURE 6.3 on page 87). It is a part of a big housing district—Ming De Men Housing District. The development of the whole district was initiated in 1996. Before that, the land had been farmland for the suburban farmers. The land was purchased by the municipality and converted into urban land in 1996, mainly serving as a site for various new housing provisions. The developer of this area is the Urban Real Estate Development Company, which is a public developer under the administration of Xi'an Municipality undertaking both commercial housing development and housing projects, bearing social concerns such as the Anju Project Housing, the Economical and Comfortable Housing and the Low-Rent Housing.



**FIGURE 6.3** The location of Ming De Men Low-Rent Housing Project

*Source:* Xi'an Atlas Editorial Board (1989).

In successive years, different types of new housing provisions have been built in Ming De Men Housing District, such as the Anju Housing Project (see FIGURE 6.4 on page 88), Economical and Comfortable Housing (see FIGURE 6.5 on page 88), and also some commercial housing projects (see FIGURE 6.6 on page 89). The Low-Rent Housing project was the latest development in the district (see FIGURE 6.7 on page 89).

## Low-Rent Housing in Xi'an



**FIGURE 6.4** Anju Project housing in Ming De Men Housing District

*Source:* the author.



**FIGURE 6.5** ECH housing in Ming De Men Housing District

*Source:* the author.

## 6.5 Ming De Men Low-Rent Housing Project



**FIGURE 6.6** Commercial housing in Ming De Men Housing District

*Source:* the author.



**FIGURE 6.7** The housing building of the Ming De Meng Low-Rent Housing Project

*Source:* the author.



## Low-Rent Housing in Xi'an

The location of the Low-Rent Housing project is at the core of the whole district. The site has an area of 9,300 square meters (see FIGURE 6.8 on page 90). According to the original plan, an elementary school was going to be constructed here, serving for the children of the whole area. Later, the planning decision was changed since there was already a such school in the adjacent area. The administrative superior of the public developer operating in this area took the opportunity and used this land for the construction of the first Low-Rent Housing project in Xi'an.



**FIGURE 6.8** The district plan of Ming De Men Housing District and the location of the Low-Rent Housing Project

*Source:* Hongyan Li, Xi'an Planning and Design Institute.

### 6.5.3 Advantages of the project

There are three types of land acquisitions in China: public bid, transfer by agreement and free allocation (Yeh and Wu 1996). According to the national policy on ECH, the land for ECH projects is to be freely allocated by land authorities. However, there is so far no special regulation on the land acquisition of the Low-Rent Housing project, hence the ECH method is used. Yet “free allocation” does not mean free of any costs. It only refers to exemption of the land leasehold charge. ECH and Low-Rent Housing projects shall still pay for the costs of compensation and reallocation of original residents, and removal of the original buildings and infrastructure construction (see 5.3.3 on page 57).

When it was realized that there were enough educational facilities in the area, the land was considered by the authority to be used for a Low-Rent Housing project. Having reached the agreement with the educational authority, the local planning office permitted the change of land usage. However, the transfer of the land cost 2.1 million yuan as compensation to the local educational authority, the nominal owner of the site. This cost made up the main cost of the land acquisition for this project.

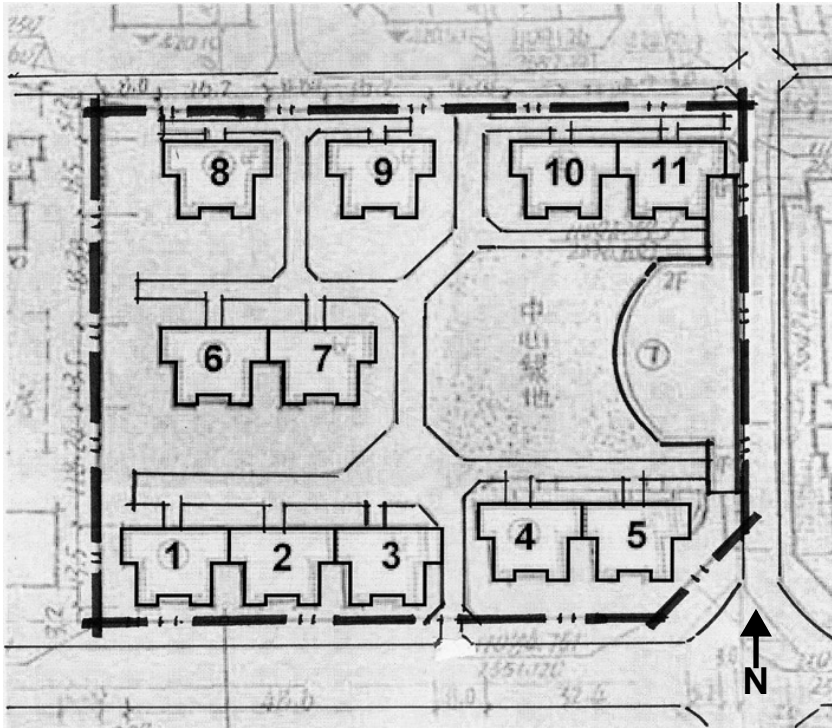
Besides land, the other advantages enjoyed by the project were also the same as for ECH projects. The main benefit was the 50% discounted payment of certain urban construction fees. The Urban Construction Fee paid for this project is 1.2 million. Compared to commercial housing, there is a discount of 0.41 million (LGOECHX 2002). According to the project company, the total cost of the project is 19.34 million, that is, about 1300 RMB yuan per square meter. The average ECH housing prices in Xi'an in 2000 were around 1,600–1,800 yuan per square meter (Xi'an Statistical Bureau 2001). After being added to the proportion of profit and taking consideration of the locational differences, this price is of little significant advantage compared to that of an ordinary ECH dwelling.

### 6.5.4 Construction volume and area standards

The whole project has a total construction area of 14,424.4 square meters. The housing area is 13,710.9 square meters, and there are 713.6 square meters of management buildings and parking space for bicycles. On each floor, four apartments are organized around one staircase connecting six floors. There are altogether eleven such units in the project and they are grouped into six buildings in north-south orientation (see FIGURE 6.9 on page 92).

There are two types of floor plan in this project. Their construction areas are 52.8 square meters and 51 square meters respectively, and the usable areas are 39.3 square meters and 41.2 square meters. Each of them has two bedrooms, one living-dining room, a kitchen, and a toilet. The apartments have water supply, electricity, natural gas, and television cable sockets. The interior decoration and installation work has been done already and no decoration work by the resident will be allowed. Considering the relatively high costs, there is no centralized heating system; instead, installation space for air conditioners are left in advance (see FIGURE 6.10 on page 93).

Low-Rent Housing in Xi'an



**FIGURE 6.9** a. The site plan of the Ming De Meng Low-Rent Housing Project (above);  
b. The entrance to the project (below).

Source: a. Xi'an Housing Design Institute; b. the author.





## Low-Rent Housing in Xi'an

According to the project office, there is no regulation which could be directly referred to in order to decide the configuration and standards of the apartments. Therefore, some documents and regulations on the Anju Project Housing have been used as the basis of setting up the standards. The final decision was rather arbitrary. In *The Implementation Methods of Anju Project Housing in Xi'an* of 1995, item no.16 is about the area standards and configuration of an Anju Project Housing apartment. According to it, "most of the apartments shall be configured with two bedrooms and one living-dining room, the average area per apartment shall be controlled within 60 square meters". The setting of the standard for the Low-Rent Housing apartment has been influenced by this policy.

According to the *Methods on the Construction and Management of the Economical and Comfortable Housing in Xi'an* of 2000, the area standard of ECH apartments is under 80 square meters. The area difference between ECH and the Low-Rent Housing is creating a hierarchy of the housing needs of different income groups.

### 6.5.5 The targeted population and the affordability

In June 2003, almost one-and-half years after the completion of the Ming De Men Low-Rent Housing project, a regulation was issued by Xi'an Municipal Government to regulate the management work of the Low-Rent Housing apartments, *The Management Methods of Urban Low-Rent Housing in Xi'an*. According to this, the Low-Rent Housing in Xi'an is oriented towards the housing needs of the lowest income urban households:

- registered urban population of Xi'an
- holding the certificate of the lowest-income household
- homeless or living in a condition of less than 8 square meters of living space per capita
- those who have made significant contributions to the society while still of relatively low income and in housing difficulties.

There is no quantitative study on the real needs of the Low-Rent Housing in Xi'an. Even after the project was finished, the Low-Rent Housing management authority did not know how great the need was. Since there are no statistics on the low-income households which qualify for Low-Rent Housing, I base an estimation of the needs on the statistics on urban population receiving low-income subsidies. According to the statistics of 2002 from Xi'an Municipality, this element of population was 168,000 in Xi'an. Their income is facilitated by the municipality up to 180 yuan per month per person. However, this figure only includes the population who have been the employees of state

or collectively owned work-units. Nevertheless, according to the ordinary size of household in Xi'an which was 3.77 person per household in 2000 (Xi'an Statistical Bureau 2001), it means that more than 44,500 households are in need of assistance, which is in sharp contrast with the 264 apartments provided by this project.

People outside the old national employment system and without official urban residential registration are not eligible. There are no statistics on the actual housing conditions and needs of these people.

### 6.5.6 Dilemma

The project was finished at the end of 2001, but until now the dwellings have remained empty. In this period, the management and maintenance of the empty dwellings have already cost the project company more than 200,000 yuan. According to the authorities, the difficulties of distribution of these Low-Rent Housing apartments are two-fold: there are much greater needs than expected and it is difficult to set the rent of the housing. Both of these issues are related to a question: how to institutionalize the finance and supply of such projects?

It is quite obvious that the needs are much greater than expected. The 168,000 officially registered low-income population contrasts sharply with the 264 apartments in this project. It raises uneasy questions. After *The Management Methods of Urban Low-Rent Housing in Xi'an* was issued on June 1st 2003, within three months there were more than 20,000 inquiries expressing desire to rent the apartments. Although there are criteria defined in the regulations, in practice, since the needs are so huge, the authority needs to develop further methods on rationing the limited apartments.

The authority is also facing difficulty in setting the rent. If the rent is too high, the low-income families cannot afford it, but if it is too low, it demands fixed annual subsidies for which the local authority are not prepared. Even the cost rent<sup>6</sup> is too high for the targeted population. According to *Statistical Yearbook of Xi'an 2001* (Xi'an Statistical Bureau 2001), the average number of people per household in Xi'an is 3.77, and based on the minimum income of 180 yuan per capita, the average income of a low-income household is 678.6 per month. On the *The Announcement on the Cost Price, the Market Price and the Rent Standards of the Public Housing in Xi'an in 2002*, the cost rent for this project will be 6.93 yuan RMB per square meter per month. Therefore the monthly rent of the low-rent apartment of this project will be around 360 yuan per month. It means more than 50% of the income of a low-income household will go to

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6. According to *The Announcement on Implementing the Decision on Deepening the Urban Housing Reform by the State Council* in 1994, the cost rent includes the costs of depreciation, repairing, management, loan interest, and estate tax.

## **Low-Rent Housing in Xi'an**

the monthly rent, excluding the payment for water, electricity and natural gas. It will be an unbearable burden for those lowest-income households.

If the rents are to be subsidized, the source of funds becomes another question for the municipal government. With 44,500 potential households in need of subsidies for their rent, estimated according to the cost rent of this project (which is 4,320 per year per apartment), even to subsidize 50% of their annual housing rents would demand about 100 million yuan annually from the municipal budget. Yet at present, the annual budget for the Low-Rent Housing is only 2.5 million, which is hardly enough for the construction.

The standard of these apartments is another focus of debates. Some argue the standard is too high for the low-income families. By setting a lower standard, more lowest-income households could have their housing needs met with the same amount of investment. The monotony of the configuration and space standard is, on the one hand, the result of limiting the costs of such a project, and lack of knowledge about the housing needs of the designated residents on the other. From a planning perspective, the concentration of the lowest-income households in one area also raises social questions which the authority is not prepared for.

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## *6.6 ANALYSIS*

### **6.6.1 Policy intentions and the designated beneficiaries**

This project reveals the difficulties encountered by the implementation of the Low-Rent Housing policy in China. The promotion of privatization and owner-occupation in the previous years shows that it is very difficult to apply this policy to all urban households, and the need for constructing a “safety net” emerges. The Low-Rent Housing is designed as such a “safety net” to accommodate the disadvantaged urban population. In this sense, the Low-Rent Housing illustrates that the Chinese housing reform is entering a new phase: the change of theme from reforming the public housing system to responding to the new consequences of the economic reform.

The consequence is the drastically changed pattern of income distribution. According to a study on the urban poverty in China (Fang, Zhang and Fan 2002), the incidence of urban poverty has declined from 1992 to 1995, but increased from 1996 to 1998. The study uses US\$1.5 per day as the poverty line, and it concludes that in 1998, 8.86% of the urban population in China were under the poverty line. The study also shows that most of the poor are located in western China, where the state-owned work-units are the biggest employer. According to this study, the estimated urban poor in Xi'an in 2000 will be more than 0.25 million, even greater than the officially recognized urban poor.

### 6.6.2 Finance and affordability

According to *The Management Methods of Urban Low-Rent Housing in Xi'an* of 2003, the local land and housing authorities are responsible for the construction and management of the Low-Rent Housing in Xi'an. The fund will come from four channels:

- the municipal budget
- a part of the fund collected from privatizing the public housing
- 10% of the interest of the Provident Fund (see 5.3.4 on page 58)
- donations from the society.

However, besides the part from the Provident Fund, none of the others are clarified in terms of amount and continuation. Demonstrated from the project examined in this chapter, the municipal budget has been practically the sole fund provider. Further, the amount of the fund is far from covering the construction costs, not mentioning the following subsidies on the housing rent.

As housing specialized towards the lowest-income urban households, the Low-Rent Housing project in fact enjoys no more advantages than the ECH project does. Hitherto, it is treated as an ordinary ECH project in terms of the advantages it enjoys, and hence there is no significant difference between the unit price of an ECH apartment and that of a low-rent dwelling. The construction cost is almost the same as a ECH project. So, if the rent is not to be subsidized, the affordability of the Low-Rent Housing is no better than the ECH, but it is designated to serve the housing needs of a population group of much lower income. Furthermore, if the local government doesn't provide subsidies for rent, the residents than have to pay a commercial rent; yet, with the commercial rental price, the apartment is far beyond the financial capacity of the lowest-income household in Xi'an (see 6.5.5 on page 94).

### 6.6.3 Land, planning and design features

The land acquisition process of the Low-Rent Housing project is the same as an ECH project. In practice, since regulation on the land of the ECH project is applied, the land process has similar consequences, such as the remote location of the project. However, since this project is situated in a housing district which has been developed for several years, the environmental qualities and the public facilities are quite acceptable.

The idea of building specialized low-rent projects is challenged by the potential problems of the concentration of the low-income households. Different from an ECH project, where the residents come from a wide range of social, educational and profes-

## **Low-Rent Housing in Xi'an**

sional backgrounds, the backgrounds of the residents of the Low-Rent Housing are rather homogeneous—they are mainly from the disadvantaged groups. The consequences of the concentration are still to be observed.

There are very few references to the design of the Low-Rent Housing project. In this case, a homogeneous standard has been set to the apartments. It demands the consideration from the perspective of the users, their functional needs and financial abilities.

### **6.6.4 Further questions**

There is still much to be done to concretize the Low-Rent Housing provision. The source of the fund and the method of how to use the fund are still unclear. Since the ECH housing is oriented towards low-profit selling, the adoption of the land and other processes of ECH in a Low-Rent Housing project produces an intrinsic question for the following stages of the project: who will be actually paying for it? On the need side, there are no clear statistics showing how big the actual needs on the Low-Rent Housing are, even within the officially registered urban population. The problem is even severe when considering the migrant population which has no officially recognized rights to the Low-Rent Housing but actually makes up a considerable proportion of the urban poor.

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## *6.7 SUMMARY*

The replacement of the housing reform scheme of 1994 by the new policy of 1998 is the replacement of a two-level housing system by a three-level system. The main difference is that the housing needs of mid- and low-income urban households, which was to be answered by the Anju Project Housing of 1994, is further divided into two parts: the housing needs of the mid- and low-income households, and the housing needs of the lowest-income urban households.

Since 1998, ECH has shown dramatically fast development in Xi'an, while the development of the Low-Rent Housing has lagged behind. It was not until the end of 2001 that the first Low-Rent Housing project was completed. Altogether, 264 apartments of a modest standard are available for the lowest-income urban household in Xi'an.

However, the rationing process brought serious challenges to the project as well as to the continuation of such projects in the future. The huge needs compared to the limited supply and the issue of affordability are imposing unexpected responsibilities on the municipal government. In practice, the source of funding, the method of continuing financing, the setting of the rents, and the physical standards of the dwellings are all demanding more clarification.

## CHAPTER 7

# NEW LOCAL AUTHORITY HOUSING IN SHENZHEN

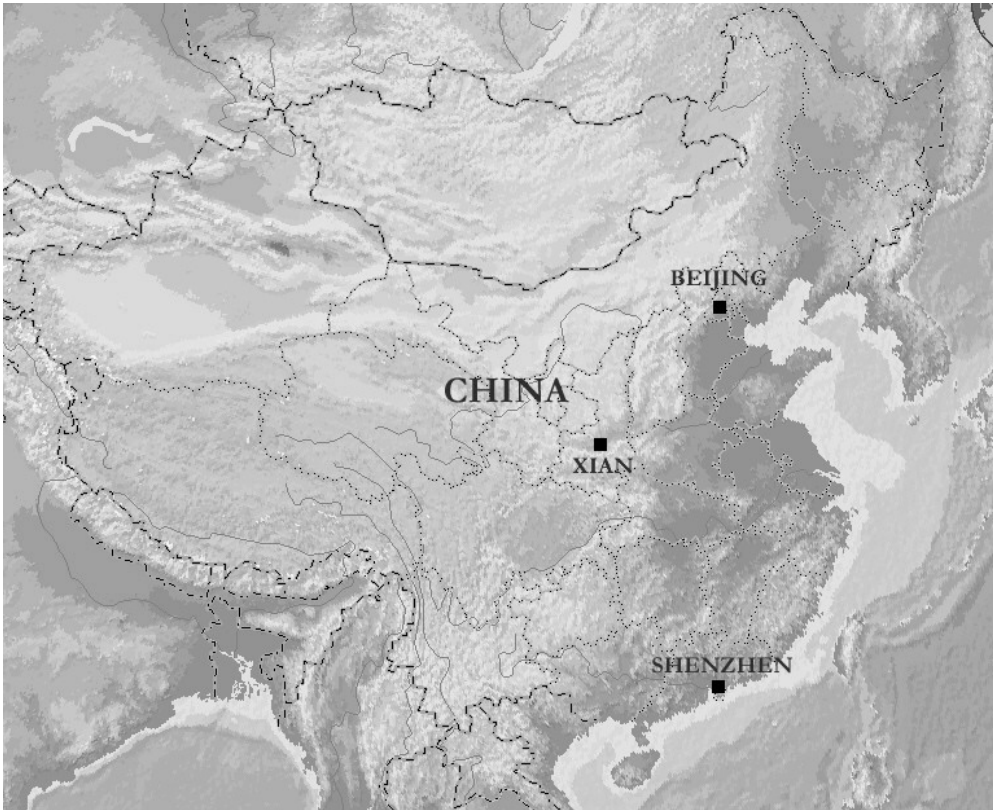
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*The housing reform in Shenzhen is quite unique. It has been confined within the old public housing sector and has successfully transformed it into a new and more efficient system in which the authority remains the housing provider and the principle of owner-occupation is being promoted. The new system is running in parallel to the commercial housing market, but isolated by occupational criteria. The focus of this chapter is to observe this new authority housing system in Shenzhen, its normalization process, products, and its performance as a response to the social housing question.*

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## 7.1 THE CITY AND ITS PEOPLE

Located in Guangdong Province in southeastern China, Shenzhen was originally a small coastal town relying mainly on agriculture and fishery (see FIGURE 7.1 on page 100). In 1980, in order to take locational advantage of being adjacent to Hong Kong, Shenzhen Special Economic Zone was established by the central government as a model area for the Chinese economic reform.

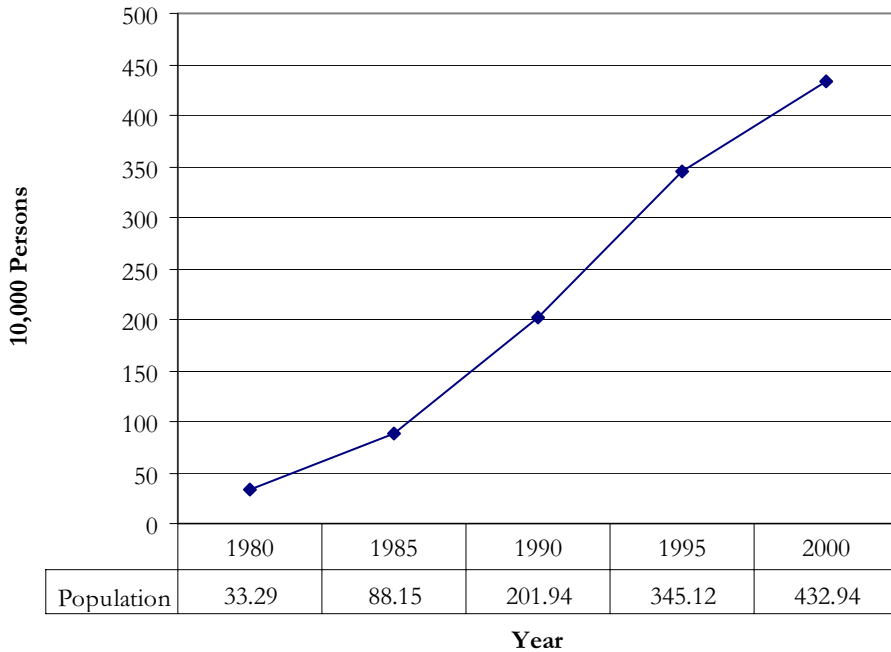


**FIGURE 7.1** The locations of the three cities

*Source:* the author.

Since 1980, Shenzhen experienced rampant economic and urban growth. Its GDP in 2000 was 160 times of that in 1980. Within the same time span, its population grew from 332,900 in 1980 to 4,329,400 in 2000 (see FIGURE 7.2 on page 101). Migration has played an overwhelming role in the urbanization process.





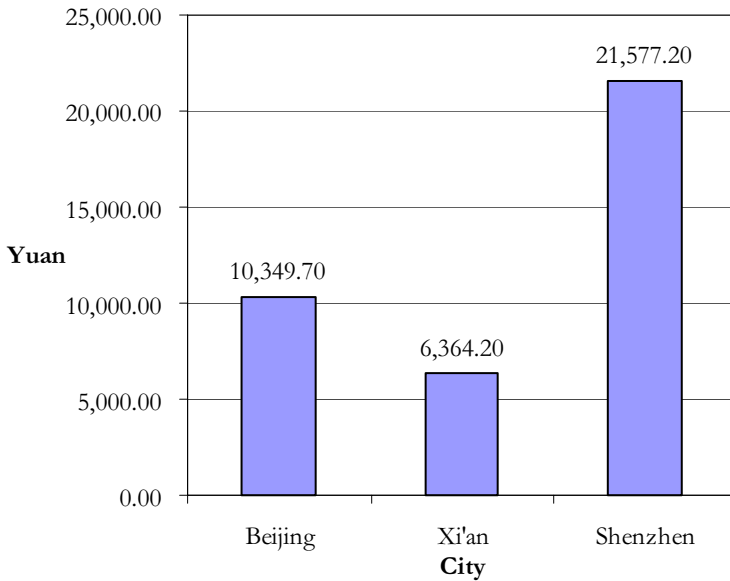
**FIGURE 7.2** The population growth of Shenzhen 1980–2000

*Source:* Shenzhen Statistical Bureau (2001).

At present, the economy of Shenzhen is considered an exemplar of the success of the Chinese economic reform. Consequently, the population of Shenzhen has a stronger buying power compared to that of Beijing and Xi'an. In the year 2001, the annual discretionary income per capita<sup>7</sup> was 22,672.6 Yuan RMB in Shenzhen, ranking the highest among 35 major cities in China. The figures for Beijing and Xi'an were 11,577.8 and 6,704.9 respectively (see FIGURE 7.3 on page 102). There is a stronger effective demand on the commercial housing market and correspondingly an active real estate market in Shenzhen.

7. According to *The Statistical Yearbook of Beijing 2001* (Beijing Statistical Bureau 2001), the discretionary income refers to the actual income after income tax has been paid.

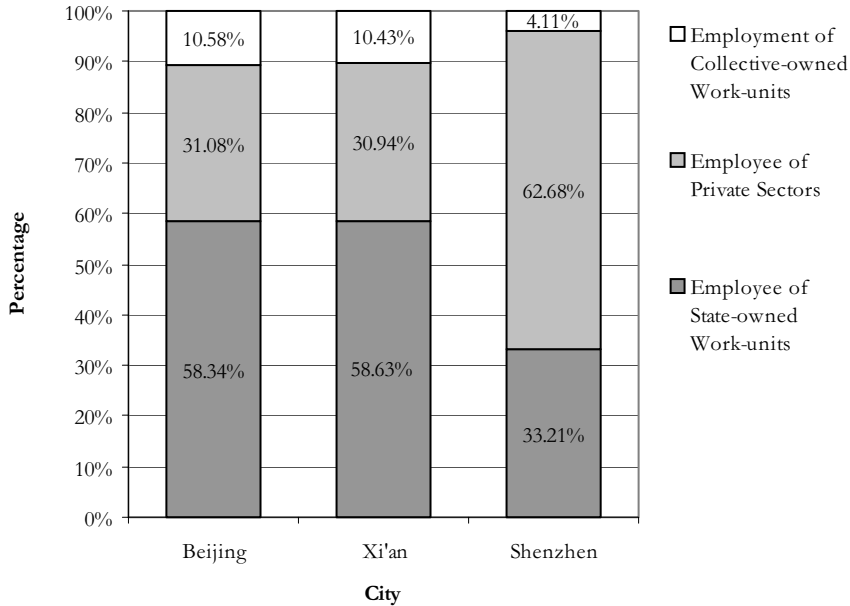
### New Local Authority Housing in Shenzhen



**FIGURE 7.3** Comparison of annual discretionary income per capita of Beijing, Shenzhen and Xi'an in 2000

*Source:* Beijing Statistical Bureau (2001).

In contrast to other Chinese cities, Shenzhen has a relatively small public sector. Private sectors are developing rapidly in Shenzhen and employing more and more labour forces of the city. According to statistics, in the year 2000 in Shenzhen, 66.79% of the working population worked for non-state employers, while only 33.21% were employed by the state-owned work-units. In comparison, the same year in Beijing, only 41.66% of the working population were hired by non-state employers, while 58.34% were working for state-owned work-units. In Xi'an, there is a very similar employment pattern to that of Beijing (see FIGURE 7.4 on page 103).



**FIGURE 7.4** The composition of employment in Beijing, Xi'an and Shenzhen in 2000

*Source:* Beijing Statistical Bureau (2001), Xi'an Statistical Bureau (2001), Shenzhen Statistical Bureau (2001).

The relatively high income level and the different composition of employment give different tasks to the housing reform of the three cities. In Beijing, where the state is the main employer and the state-owned work-units are mostly governmental and public institutions and the income levels are in the middle of the three, the main task of the housing reform is to construct a facilitated commercial housing provision to relieve the work-units and to solve the affordability question. In Xi'an, where most of the state employers are state-owned enterprises which have experienced difficulties during the economic reform, and the average income level is the lowest among the three cities, the major task of a new housing system is to solve the housing needs of the disadvantaged population. In Shenzhen, with a relatively high income level and a comparatively advanced market mechanism, the task and the path of the housing reform is quite different.

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## 7.2 STRATEGIES OF THE HOUSING REFORM IN SHENZHEN IN 1988

### 7.2.1 Recognized housing problems

The housing reform was initiated relatively late in Shenzhen. The first important housing reform scheme was issued in 1988. Before that, Shenzhen had the same public welfare housing system as other Chinese cities prior to the reform.

With the relatively small public sector and a short history, compared to other Chinese cities, Shenzhen has a light burden in terms of public housing system, and less historically accumulated problem to be solved by the housing reform. Nevertheless, the city still felt the problem of the old public housing system. From 1979 to the end of 1987, the investment in public housing was 2.24 billion RMB yuan, which was 23% of the total economic investment in Shenzhen during that period. Altogether 5.96 million square meters of dwellings have been built. However, the construction did not catch up with the increase of population—the households in housing shortage had increased from 5,000 to 22,000 within the same time span—which underscored the failure of the old public housing system and urged the need for a housing reform (Shenzhen Housing Editorial Board 1995, 54).

Without a severe housing shortage as the prime trigger of the housing reform, the case in Shenzhen shows that the initiative of a reform on the housing system is rather a concern of some intrinsic problems of the old housing system. The problems of the old housing system were recognized as fourfold:

- The housing investment can not be recollected. At the same time, the government should also pay for the repairing, maintenance, management, and the investment interests.
- People pay too little for their housing. For public housing, the average rent level is only 1.5% of the annual income of the resident. There is no conception by the resident that housing is a matter of personal responsibility.
- Because of the low rent system, people tend to have bigger apartments than they need and the work-units tend to build excessively.
- The system causes inequity and corruption in housing—some have very big apartments while others are in great need of better housing. (Shenzhen Housing Editorial Board 1995, 54–55)

### 7.2.2 Goals

In June of 1988, *The Scheme for the Housing Reform in Shenzhen Special Economic Zone* was produced. It was a local response to the national housing reform policy issued in February of the same year, *The Implementation Plan for a Gradual Housing System Reform in Cities and Towns* by the Housing Reform Leadership Group of the State Council. The local version had a slight difference in the goal of the reform from the national reform scheme. In the national scheme, the goal of the housing reform was “to commodify” the housing provision. In the local policy of Shenzhen, the goal was stated as “to balance supply and demand”.

As stated in the national policy, *The Implementation Plan for a Gradual Housing System Reform in Cities and Towns*, the goals of the housing reform were:

*Commodifying the housing system according to the requirements of socialist planned commodity economy, starting from the reform of the public housing, changing the in-kind housing distribution into real currency; by enabling the transactions of housing property rights, helping housing to enter the consumer market, to achieve the healthy circulation of housing input and outcome. (My translation)*

The goal of the housing reform in Shenzhen’s policy of 1988, *The Scheme for the Housing Reform in Shenzhen Special Economic Zone*, was stated as:

*...to stimulate the circulation of housing investment, form an active real estate market, balance supply and demand by the joint efforts of the government, the work-unit and the individual. (My translation)*

As showed in the previous discussion on the national policy changes (see 4.3.5 on page 41), at this stage, the cause of the Chinese housing reform was already recognized as the inadequacy of the old public housing system which was incapable of making continuous provision. Therefore, the public housing system became the target of the housing reform. Both in the national policy and in Shenzhen’s local version of 1988, at this stage, “to commodify” or “to balance supply and demand” should not be understood as to make public housing a commodity in a free market. To commodify or to balance supply and demand still referred to the condition that the state was the housing provider, and emphasized that its investment in housing should be recollected and thus be circulated to solve the housing shortage. Therefore, both at the national level and local level at the time, the housing reform strategy was elaborated around the old public housing system to increase its productivity and efficiency. The chief concern was to release the state from the huge burden of the housing welfare and achieve the balance of input and outcome.

However, the slight difference of wording reveals that, in the national level at this stage of the reform, the request for alternative housing provision to the public housing sys-

## **New Local Authority Housing in Shenzhen**

tem was getting stronger and stronger; but in Shenzhen, with a rather advanced free market, the local government was rather preoccupied with reorganizing the old housing system and tended to leave the social housing needs to the market. Since then, this has been a distinguish characteristic of the housing reform in Shenzhen and has resulted in the special new authority housing system.

### **7.2.3 Strategies**

The first move of the housing reform in Shenzhen was to raise the housing rent. However, it was impossible for people to afford raised rents with their salaries; therefore housing allowance was added into their salaries to enable this process. At the same time, certain measures were made to encourage people to buy the apartments they were living in. The pricing of the rent and the selling price were deliberately set to suggest that buying was more cost-efficient than renting. The theory behind the strategy was that by raising rent more people would be willing to buy their apartments rather than rent them. Since selling housing generates money much faster than renting it, the system would reach the balance of input and outcome in a shorter time with the privatization strategy (Shenzhen Housing Editorial Board 1995, 62–3).

The core of the strategy was the facilitated privatization, and then gradual removal of subsidies. According to the reform scheme, the public housing system in Shenzhen was to be commodified in three steps. Firstly, the public expenditure on housing should achieve quasi-balance—the land should be supplied freely by the municipality. In the second stage, land costs would be included but the housing was to be sold without profit, thus a balance of input and outcome would be achieved. In the final stage, the public provision would profit from the housing they build and sell, which would allow increases in housing production and eventually result in growing ability. Clearly in this scenario, the traditional public housing authority was to be changed from a welfare provider to a housing developer.

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## *7.3 THE NEW LOCAL AUTHORITY HOUSING SYSTEM IN SHENZHEN*

### **7.3.1 A new public housing provision by the local authority**

According to the reform scheme, the new housing provision in Shenzhen would come from two channels: public provision and market provision, and the public housing provision was the focus of the housing reform. The public provision is to be managed by Shenzhen Housing Bureau which was originally the Housing Management Bureau in charge of all the public housing in Shenzhen under the old housing system.

### 7.3 The New Local Authority Housing System in Shenzhen

According to the *Strategies for Housing Development in Shenzhen Special Economic Zone* issued in 1989, the housing provided by Shenzhen Housing Bureau is divided into two categories: Welfare Commodified Housing (WCH) and Low-Profit Commodified Housing (LPCH). WCH is the housing serving for the employees of state-owned public and governmental institutions, that is, the employees of the municipal government whose salaries are paid from the municipal budget. LPCH is the low-profit housing sold at prices in-between WCH and market housing prices. It is intended to serve the housing needs of employees of certain state-owned enterprises and families with very low incomes. In this categorization, it shows that the structural change concern comes before the social concern in Shenzhen's new housing system design.

Shenzhen Housing Bureau is responsible for the financing, construction and rationing of both WCH and LPCH. WCH is sold at subsidized prices, while LPCH is sold for a small profit. According to the strategies, the financing source for WCH comes from the money collected from selling existing public housing stocks (a housing fund is established by using the collected money which is to be reinvested in building new housing), the profit from the selling of LPCH, the funds raised among designated residents, and the subsidies from the municipal budget. As to the LPCH, the project is open to bidding by contractors and the investment is to be financed by the contractor. The Housing Bureau is responsible for pricing the housing and making criteria on the buyers.

According to the reform scheme of 1988, a LPCH apartment becomes a private property after the purchase. WCH dwellings are sold at two prices: quasi-cost-price and cost-price. The difference is that the former price does not include the municipal costs on land preparation. When WCH is bought at the cost-price, it will be deemed as private housing. However the property right is limited, and the transfer of the property should be permitted by the authority.

#### 7.3.2 The targeted population

The targeted housing reform beneficiaries were defined according to their occupations but not their income, especially in the case of WCH. Although part of LPCH was addressed as housing for low-income households, in fact, the proportion rationed to them was very small. There is no official record of the quantity of LPCH actually distributed to them.

Obviously, the emphasis on the municipal employees is a prominent characteristic of Shenzhen's housing reform. As stated in the Shenzhen reform scheme of 1988, the reform mainly consists of the housing reforms in two main sectors: the reform in "party and government bodies and publicly owned institutions" and the reform in "state-owned enterprises and agencies of other public bodies in Shenzhen". Both of them are the traditional beneficiaries of the previous public housing system. The difference between these two categories is that the housing expenditure of the former is a

## New Local Authority Housing in Shenzhen

part of the municipal budget, while the housing of the latter is usually financed by public bodies other than the local municipality. As argued in the previous section of this chapter (see 7.2 on page 104), the main target of this housing reform scheme is the public housing system; therefore, the targeted groups only include employees of the municipal government and state-owned enterprises, while the former has always received special emphasis in Shenzhen.

The bias has been constantly growing as the economic reform brings increasing social changes to the society. In the year 1986, just before the reform scheme was produced, the beneficiary populations (the state employees) of the housing reform were 70.76% of the whole urban labour force in Shenzhen. According to *The Statistical Yearbook of Shenzhen 2001* (Shenzhen Statistical Bureau 2001, 103), in the year 2000, this proportion has dropped to 17.44%. Within the period, 1,509,300 people had joined the urban labour force, while only 120,300 of them were employed by the public sector, merely 7.97% of the total increase (see TABLE 7.1 on page 108).

**TABLE 7.1 State employees and the total labour force of Shenzhen in 1986 and 2000**

	1986		2000		Increased	
Employees of public and government institutions and state-owned enterprises	189,700	70.76%	310,000	17.44%	120,300	7.97%
Urban labor force population	268,100	100%	1,777,400	100%	1,509,300	100%

Sources: Shenzhen Statistical Bureau (2001), Shenzhen Housing Reform Office (1992).

The background is that the development of a free market in Shenzhen has significantly stimulated the urbanization process and diversification of employers. Therefore, if at the beginning a majority of population was covered by the housing reform, with social and economic changes in the successive years, the targeted group of the housing reform in Shenzhen has become more and more biased and limited.

### 7.3.3 Construction volume and price

In the 1988 housing reform scheme of Shenzhen, the desired composition of the new housing provision was to be 30% WCH, 30% commercial housing, and 40% LPCH, and a further increase of LPCH was expected.

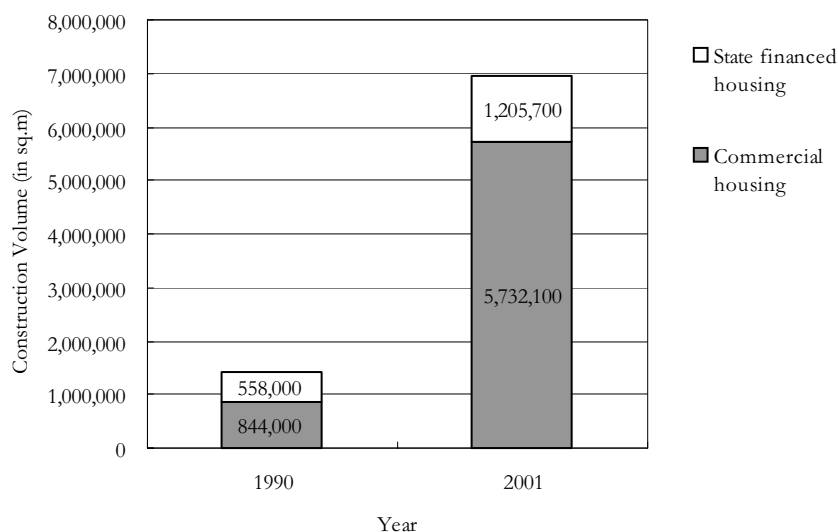
However, this expectation has never been realized. The construction of LPCH and WCH has never reached the expected proportions. Annually, the Shenzhen Municipality provides 9,000 new apartments for families and 1,000 single-room apartments for unmarried young people. In 1997, a year with relatively higher state housing construc-



### 7.3 The New Local Authority Housing System in Shenzhen

tion than other years, the proportions of LPCH and WCH to the total housing provision in Shenzhen were 8.15% and 3.86% respectively, in sharp contrast to the expectation (Shenzhen Land and Planning Bureau 1998, 225).

Since 1990, the private housing market has been developing rampantly in Shenzhen. In 1990, the housing provided by the profit-making housing developers was 844,000 square meters and amounted 41.28% of the total housing provision. In 2001, the commercial housing completed was 6.8 times of that of 1990 and made up 67.23% of the whole housing constructed in that year. The publicly financed housing has increased moderately. The construction volume has increased 2.2 times from 558,000 to 1,205,700 square meters in 12 years, making up only 14.14% of total housing provision in 2001 (see FIGURE 7.5 on page 109).



**FIGURE 7.5** The development of state-financed housing and commercial housing in Shenzhen

*Sources:* Shenzhen Statistical Bureau (1991 and 2002).

There are significant price differences between commercial housing, LPCH and WCH. For example, in 1996, in the Futian District of Shenzhen, the price of commercial housing (in buildings less than 7 floors) was 5,300–7,000 yuan per square meter, while the prices of LPCH and WCH in the same district were 2,665 and 999 yuan per square meter respectively (Shenzhen Land and Planning Bureau 1997, 225; Shenzhen Land and Planning Bureau 2002, 140). If the price of LPCH is the price with a little proportion of profit as described by the policy, the price differences among them indicate that WCH is heavily subsidized and the commercial housing is making excessive profit: the WCP is

## New Local Authority Housing in Shenzhen

sold at 37.5% of the LPCH, but commercial housing is sold at 198.9–262.7% of the LPCH price, and 530–700% of the WCH price.

The accessibility to both WCH and LPCH is not open to the majority of public. It is confined to certain occupational groups by the institutionalized threshold, e.g. the state-owned work-units employees. Ironically, the average annual income per capita in the urban area of Shenzhen is 24,095 yuan, but the average income in the state-owned work-units is 26,869 yuan; even higher than the average (Shenzhen Statistical Bureau 2001, 270). With higher-than-average income, the work-unit employees are enjoying heavily subsidized housing prices; but the people outside the criteria have to deal with the high commercial housing prices by themselves.

### 7.3.4 The standards of the new local authority housing

The housing standard was one of the primary concerns of the housing reform in Shenzhen. Subsidies still exist in the WCH and LPCH in the forms of exemption from tax and fees for land and infrastructure. Therefore, much concern has been paid to controlling housing standards to limit excessive housing desire. As stated in *The Scheme for Housing Reform in Shenzhen Special Economic Zone* in 1988, the standard concerns of the new housing provision are mainly about area and cost per unit.

At beginning of the reform, besides the low salary, excessive living area in public housing units was considered another main obstacle in the housing reform. In a survey conducted on 581 randomly selected households in Shenzhen in the late 1980s, the average size of housing apartments was 58.1 square meters, which was 70% higher than the national level (Shenzhen Housing Editorial Board 1995, 64). To let as much of the population as possible enjoy the new housing, controlling the area per unit became one of the main tasks for the housing reform. From then on, setting up appropriate housing standards has always been an aim of the housing reform in Shenzhen.

In 1988, the municipal government issued a special regulation on the area standards, *Regulation on the Construction Area of New Housing in Shenzhen* (see TABLE 7.2. on page 110).

**TABLE 7.2. The area standard regulation on new housing in Shenzhen in 1988**

Apartment type	2BL	2BLD/3BL	3BLD/4BL	4BLD
Construction Area (in sq. m)	=<65	=<75	=<85	=<90

B: bedroom; L: living room; D: dining room.

Source: *Regulation on the Construction Area of New Housing in Shenzhen*, 1988.

Besides the general control of excessive housing areas, the standard of WCH is also in accordance with administrative hierarchy. It means public servants can enjoy WCH in

### 7.3 The New Local Authority Housing System in Shenzhen

accordance with their administrative rank, which is a traditional character of the old public housing system. According to the housing reform scheme in 1999, the hierarchical standards are (see TABLE 7.3 on page 111):

**TABLE 7.3 Rationing standards of the housing by Shenzhen Housing Bureau**

Position	Construction Area (in sq. m)
Municipal leader	150–170
Municipal bureau leader	130–150
Bureau department leader	100–120
Department section leader	80–90
Common employee	70–80

*Source: Regulations on the Housing System Reform in Public and Governmental Institutions in Shenzhen, 1999.*

With the rapid development of the commercial housing market since the late 1980s, and considering LPCH will influence market housing, special rules have been issued to regulate its standards. According to *The Real Estate Yearbook of Shenzhen 1995* (Shenzhen Land and Planning Bureau 1995, 90), there are rules limiting the construction area of LPCH to within 60 square meters in multi-storey buildings and to 70 square meters in high-rise building. These standards have been adjusted in the subsequent development.

#### 7.3.5 Development since 1999

As discussed in Chapter 4, the strategy of the 1988 national housing reform focuses on creating incentives of privatization (see 4.3.5 on page 41). This becomes the basic principle of the 1988 housing reform scheme of Shenzhen and the cause of the new authority housing. However, the following development in the national housing policy in the 1990s has been largely overlooked in the practice of Shenzhen.

In 1998, the housing reform scheme issued by the national government noted a significant change. In *The Announcement on Deepening the Urban Housing Reforms and Stimulating the Housing Construction*, the old public housing system was officially terminated. The designated replacement was a multi-level housing provision system combining state and market forces. The new housing provision system consisted of three parts: commercial housing for the high-income households, the Economical and Comfort Housing (ECH) for the mid- and low-income households, and Low-Rent Housing for the lowest-income urban poor (see 4.4 on page 43). In the next year, a new method was issued by the Ministry of Construction of China to remove the barriers for state subsidized housing (the public housing sold with discount prices and ECH) entering free housing market—*Methods on Marketizing Sold Public Housing and ECH*. The aim of this method was to circulate the housing stock and create greater incentives for buying houses.

## New Local Authority Housing in Shenzhen

In the housing reform of Shenzhen, the ECH as well as its predecessor—Anju Project Housing—has never received the same importance as it has in Beijing and Xi'an. From 1988, the housing reform of Shenzhen embarked a unique path towards the solution of the housing question in accordance to its local contexts. The two-level system of 1994 and the three-level system of 1998 recommended by the national government have never been fully promoted. Instead, the local housing reform has been confined within the old public housing system, and resulted in a unique dichotomy of the commercial housing and the new authority housing in terms of new housing provisions.

Accordingly, Shenzhen government produced its local version of the national housing reform scheme in 1999, *Regulations of the Housing System Reform in Public and Governmental Institutions in Shenzhen*. The new authority housing in Shenzhen is reinterpreted into a local version of the three-level system of housing provision, but the contents remain the same. The main target of the reform scheme of 1999 in Shenzhen is to officially channel the new authority housing into the ordinary commercial housing market. The strategy is that the apartments are to be sold at two different prices: one for the employees of public and governmental institutions (the original WCH), the other for employees of state-owned enterprises and disadvantaged social groups (the original LPCH). The difference from the previous practice is that the buyer will receive full property rights after purchasing at these prices. As before, the former is heavily subsidized by the government. The latter was proclaimed as a local equalization of the ECH.

In practice, some additional fees relating to land costs are charged to the WCH bought with quasi-cost-price or cost-price before, so that the residents can acquire the full property rights of the WCH apartment, that is, it will be treated the same as a dwelling purchased from the commercial housing market. The LPCH remains the same. To differentiate the two categories, the former is now addressed as Cost-Price Low-Profit Housing (CPLP), while the latter is called Social Low-Profit Housing (SLP).<sup>8</sup> This method aims at connecting the isolation of the new authority housing from the commercial housing market rapidly developed since the late 1980s.

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### 7.4 MEILIN YICUN HOUSING DISTRICT

Meilin Yicun Housing District is a large housing project provided by Shenzhen Housing Bureau. It is located at the northwestern suburb of Shenzhen (see FIGURE 7.6 on page 113).

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8. In the following discussion, the terms are to be used according to the time the housing is built. WCH and LPCH will be used for the housing before 1999; while CPLP and SLP are applied to the housing after 1999. When the time reference is not clear, or when talking about the two types of housing in a general sense, WCH and LPCH will be used.



**FIGURE 7.6** The location of Meilin Yicun Housing District

*Source:* Shenzhen Housing Editorial Board (1995).

The land used by this project is 383,890.8 square meters and the project involves 747,600 square meters of new building, of which about 670,000 square meters are dwellings organized into thirteen groups (see FIGURE 7.7 on page 114).

New Local Authority Housing in Shenzhen



**FIGURE 7.7** The general plan of Meilin Yicun Housing District with its thirteen housing groups

*Source:* Shenzhen Housing Bureau.

The public facilities constructed together with the housing project include one middle school, one elementary school, three kindergartens, a food market, and some other buildings for public activities. The project also includes one swimming pool, four tennis courts, and one mini-golf court. About 3,000 parking lots, both underground and at ground level, are provided (see FIGURE 7.8 on page 115).



**FIGURE 7.8** Parking lots on the ground floor of a housing building in Meilin Yicun Housing District

*Source:* the author.

According to Shenzhen Housing Bureau, there are altogether 6,988 housing apartments in this housing district, accommodating around 25,000 residents. The project was initiated in 1997 and finished in 2000, so the dwellings were sold according to the policy of 1999 as either CPLP or SLP. Among these housing apartments, only 720 are SLP dwellings and the rest are all CPLP, which are only accessible to the employees of the municipality.



## New Local Authority Housing in Shenzhen



**FIGURE 7.9** Low-rise (top), medium high-rise (center), and high-rise (bottom) buildings in Meilin Yicun Housing District

*Source:* the author.

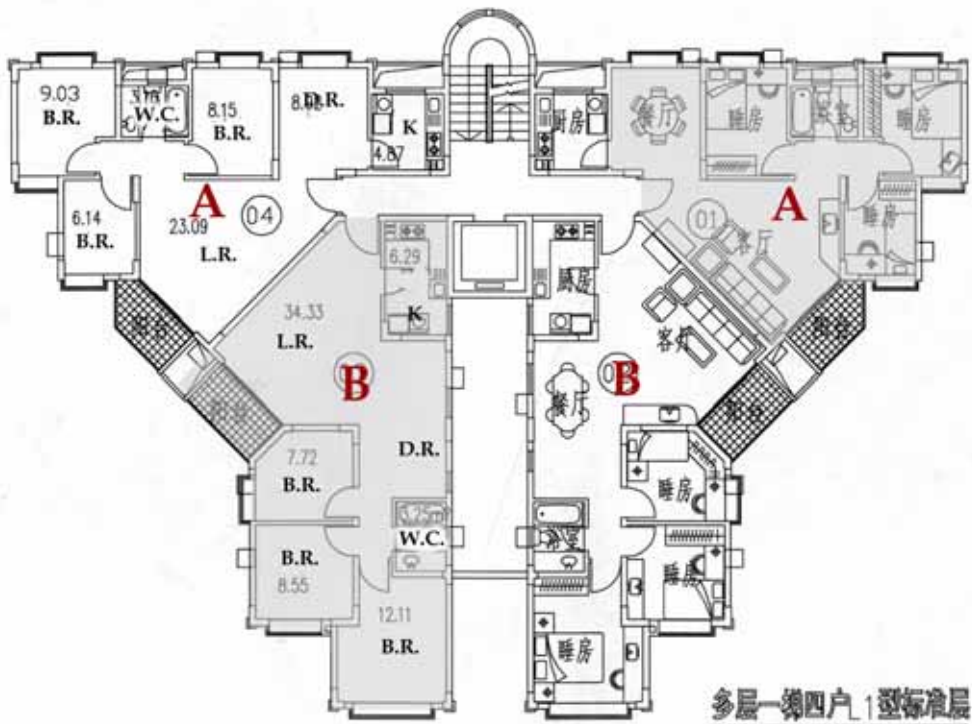


## 7.4 Meilin Yicun Housing District

In terms of construction features, there are mainly three types of housing buildings in this district: the low-rise (up to 10 storeys), the medium high-rise (between 10 and 20 storeys), and the high rise (more than 20 storeys) (see FIGURE 7.9 on page 116).

The average price of the apartments in the low-rise building is 1,310 yuan per square meter, and 1,413 yuan per square meter for those in the medium high-rise buildings. They are all CPLP dwellings. All of the SLP are in the high-rise buildings. There is also a small number of CPLP in the high-rise buildings. The average price for LPCH is 3,866 yuan per square meter, while the average price for the WCH apartments in the high-rise blocks is 2,177 yuan per square meter, a sharp difference.

The sizes of the SLP apartments in the housing district range from 70 square meters to 150 square meters. The majority of the apartments are between 80 and 100 square meters (see FIGURE 7.10 on page 117).



**FIGURE 7.10** The floor plan of a low-rise housing building

There are four apartments around the staircase. Apartment A has a construction area of 85 square meters and apartment B has 95 square meters.

*Source:* Qiu (1998).

The smallest apartment has two bedrooms and one living room; it is designed for the lowest-ranking municipal employees. The largest apartment has 3 bedrooms, 1 bed-

**New Local Authority Housing in Shenzhen**

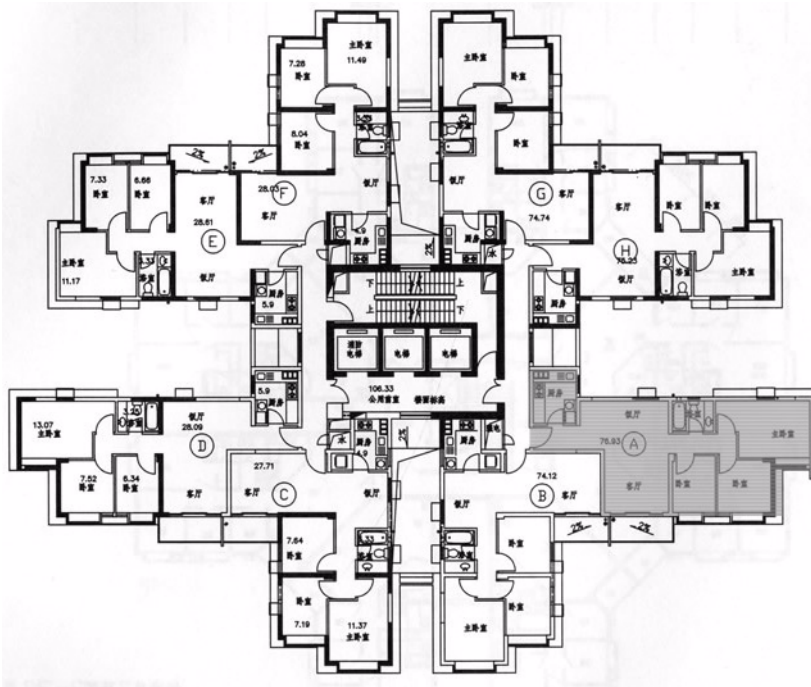
room for the maid, 1 study room, 1 living room, 1 dining room, 1 kitchen, and 2 washing closets (see FIGURE 7.11 on page 118).



**FIGURE 7.11** The configuration of the floor plan for an apartment of 150 square meters in Meilin Yicun Housing District

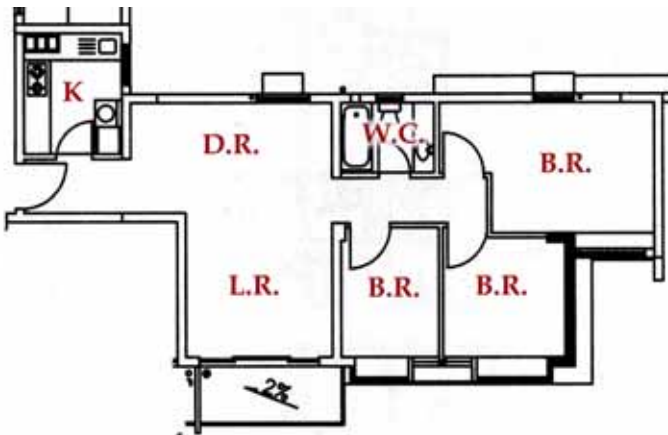
*Source:* Qiu (2000).

The SLP apartments in the high-rise building have a generic size of 88 square meters. There are 3 bedrooms, 1 living room and 1 dining room in the apartment. On each floor, 8 such apartments are organized around 3 elevators and an emergency staircase (see FIGURE 7.12 on page 119) (see FIGURE 7.13 on page 119).



**FIGURE 7.12** The floor plan of a high-rise SLP building

*Source:* Qiu (2000).



**FIGURE 7.13** The floor plan of a high-rise LPCH building

*Source:* Qiu (2000).

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## 7.5 ANALYSIS

### 7.5.1 The uniqueness of Shenzhen's housing reform

Although founded in the reform of the old public housing system, in contrast to the housing reform in Beijing and Xi'an where a multi-level new system oriented to the societal-wide housing needs is being constructed, the housing reform in Shenzhen is strictly confined to the traditional beneficiaries of the public housing system. The employees of the state-owned work-units are further divided into two categories: the employees of the municipal government, whose wages are paid from the municipal budget, and the employees of other work-units whose wages are paid from other sources.

By establishing Shenzhen Housing Bureau, the previous fragmental self-construction by each work-unit is reorganized into a new system in which the housing bureau is the sole provider responsible for the financing, construction and rationing. The old rental system is replaced by the privatization principle. The residents have to buy their apartment, though with considerable subsidies.

By this strategy, the old public housing system has been efficiently reorganized into a new authority housing system based on the privatization policy and selected beneficiaries. Because of this reform strategy, as well as the well-developed commercial housing market and the composition of the employment in Shenzhen, the ECH policy by the national government is deliberately ignored.

The result of the housing reform is a dual system of housing provision: the new authority housing and the commercial housing. In between, there are some ramifications of the process, such as self-construction. In 2000, the completed volume of housing financed by governmental budget was 687,300 square meters, of which 314,400 square meters were contributed by Shenzhen Housing Bureau—4.16% of all types of the housing constructed in that year in Shenzhen. The commercial housing completion in the same year was 5.25 million square meters, 69.42% of the total. The rest of the housing was mainly constructed by other work-units or self-construction.

### 7.5.2 Pricing and the affordability

According to *Regulations of the Housing System Reform in Public and Governmental Institutions in Shenzhen*, the price of CPLP and SLP are based on the costs of eight categories. While the CPLP pays all the eight types of costs, three of them are exempt for SLP and, furthermore, some of them are subsidized (see TABLE 7.4. on page 121). For example, the profit is calculated on different bases. The profit of the CPLP is 8% of the sum of items no. 2, 4, 5 and 6, while the profit of the SLP is 3–10% of the sum of the first seven items.

As a result, the difference is quite substantial. Taking the price of CPLP and SLP in Meilin Yicun Housing District as an example, in the high-rise buildings, the price of CPLP is on average 2,177 yuan per square meter, while it is 3,866 yuan for a SLP apartment. For an apartment of 88 square meters, the price is 191,576 yuan for CPLP and 340,208 yuan for SLP. In other words, for the same housing apartment, a non-municipal employee will pay a price at 1.78 times that which a municipal employee will pay. Using the average income of employees of the state-owned work-unit in 2000, which was 26,193 yuan per capita (Shenzhen Statistical Bureau 2001, 270), for a household with two wage-earners, the price of CPLP is 3.65 times the household's annual income, while the price and income ratio of SLP will be 6.5.

**TABLE 7.4. The price composition of CPLP and SLP**

	<b>Cost-Price Low-Profit Housing</b>	<b>Social Low-Profit Housing</b>
1. Land development costs	no	yes
2. Municipal infrastructure costs	no	yes
3. Construction costs	yes	yes
4. Management costs	yes	yes
5. Additional infrastructure costs	yes	yes
6. Interest	yes	yes
7. Public facility funds	no	yes
8. Profit	yes	yes

*Source: Regulations of the Housing System Reform in Public and Governmental Institutions in Shenzhen, 1999.*

### 7.5.3 Social housing?

Unlike the ECH or the Low-Rent Housing which target the population of certain income levels, the housing provided by Shenzhen Housing Bureau targets the employees of certain work-units, regardless of their actual income level and housing needs. There are both historical and present reasons for this phenomenon.

Historically, the primary goal of the housing reform was to mobilize the circulation of investment of the old system; therefore, the first strategy was to privatize the existing public housing to collect money. Naturally, state employees who were the residents of the public housing became the target group of the housing reform. Specifically in the context of Shenzhen, the rapid development of the private sector, especially in the late 1980s when the reform was initiated, resulted in a sharp difference between the incomes of employees in the private and the public sector. According to Shenzhen Housing Editorial Board (1995, 64), in 1987 the average salary of the municipal employee was only two-thirds of the average income of employees in other sectors. Therefore, certain advantages were given to the employees of state-owned work-units at

## **New Local Authority Housing in Shenzhen**

the beginning. From then on, emphasis on the municipal employee has become an inherited and prominent feature of Shenzhen's housing reform.

According to the policy, LPCH mainly serves for two social groups: the employees of certain state-owned work-units and the disadvantaged population. According to Shenzhen Housing Editorial Board (1995), the work-units here refer to large parastatal enterprises, hi-tech enterprises, hi-tech and other key projects, and other social service work-units and projects. As a special economic zone, Shenzhen Municipality also uses LPCH as an economic support and incentive measure in certain desired development. Disadvantaged people are defined by the government. According to Shenzhen Housing Editorial Board (1995, 143), "Since the resources are limited, there is a sharp contrast between supply and demand, therefore the distribution demands great discretion". However, this policy is quite impractical, since as housing oriented towards the disadvantaged, the price of LPCH is much higher than WCH, and the dwelling is for sale but not for rent. It is questionable whether the real disadvantaged can afford it.

The new public housing provision mechanism in Shenzhen is a hybrid of public housing, social housing and the market housing system. It is financed by public expenditure, constructed and managed in a commercialized way, and sold with special criteria and subsidies to certain occupational groups. It is far from a socially-oriented housing system. It is highly selective in its beneficiaries, being according to employment but not to income. Socially disadvantaged populations are practically excluded from it because of the criteria and the owner-occupation principle.

### **7.5.4 Questions facing the new local authority housing**

With more than a decade of development, some questions have emerged challenging the new authority housing system in Shenzhen:

#### **The relationship with the market housing**

According to an official of the Housing Bureau, there are increasing criticisms of the housing bureau's activities for distorting the housing market. Most of the people who have access to WCH have strong buying power in the market. This is evidenced by the author's observation: there are many private cars parking in Meilin Yicun Housing District (see FIGURE 7.8 on page 115). The relatively cheap price and high standard of the housing provided by the housing bureau has also increased people's expectations of the housing subsidies and impedes them from entering the commercial housing market.

#### **Equality in the societal range**

At the beginning of the housing reform, there was large difference between the incomes of employees of the state and the non-state (see 7.5.3 on page 121). Yet after a decade of

development, according to the income statistics, the employees of state-owned work-units are no longer the social class with relatively lower income in Shenzhen. In 2000, the average income of the employees in administrative and political work-units was listed as no. 7 in 16 occupations in Shenzhen (Shenzhen Statistical Bureau 2001, 266). Further, the average income of the state-owned work-unit employee is actually higher than the average income of the society. This challenges the philosophy of defining the beneficiaries of the housing reform by their occupations, and indicates bias against the people who fall outside the criteria.

### **Equality within the present beneficiary group**

The criteria are also rather arbitrarily based on incoherent policy concerns. For example, when the municipality is demanding to make improvements in educational, cultural and medical systems, scientists, teachers, cultural workers, and doctors have better chances of securing WCH than other candidates. They also tend to be people with relatively high income. In 2000, the income of teachers and cultural professions ranked no. 6, medical professions no. 5, and the research or scientific professional no. 4 on the income ranking according to professions (Shenzhen Statistical Bureau 2001, 267). An employee of the housing bureau complained to me that his rank and sector gave him no advantage in competing with these people for a WCH apartment.

### **Distribution standards and housing needs**

The distribution standards are made according to administrative ranks but not according to actual needs of each household. On the one hand, some households could have less area than they need; on the other, some are living with more than they need. Furthermore, when there is a position change, artificial new needs are produced. For example, when one household member is promoted to a higher position, without an actual increase in the number of family members, the household is entitled to a larger apartment.

### **Policy of 1999 and future questions**

The housing reform policy of 1999 in Shenzhen tries to connect the new authority housing to the common commercial housing market. By paying additional fees on the infrastructure costs and the profit, a WCH apartment can be turned into a fully private property. With this new reform scheme, the problems of the new authority housing system described above are concretized once and for all.

The questions for future development in Shenzhen are how to remove the inequity within the new authority housing, how to calculate and reduce the impacts of the new local authority housing on the private market, and most important of all, from the perspective of social demands of affordable housing, how to integrate low-income population into the new housing program regardless of their employment.

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## 7.6 SUMMARY

The chief concern of the housing reform in Shenzhen has been the reform on the public housing system. It has successfully converted the old public housing system into a new authority housing system based on the principle of facilitated privatization. The beneficiaries of the reform are primarily the employees of the municipality, regardless of real income levels. Consequently, in contrast to the change of national policy in 1998 which, by joining the forces of state and market, resorted to ECH and the Low-Rent Housing to answer the social needs for affordable housing, Shenzhen's housing reform has always been confined within the public housing provision. The clear border between public housing and commercial housing was strictly maintained until the housing reform in 1999. Therefore, the housing reform in Shenzhen could hardly be addressed as an attempt of constructing social provision of affordable housing. The inherent beneficiary group of the public housing system limited the response of the housing reform to the social changes brought about by the economic reform.

There are two special housing products in Shenzhen with welfare characters, Welfare Commodified Housing (WCH) and Low-Profit Commodified Housing (LPCH). Both of them are stressed as "commodified" but bear welfare characteristics and social concerns. As analyzed in this chapter, WCH in Shenzhen should not be deemed as social housing. It is, in fact, a new form of the old welfare housing, because it is oriented towards certain occupations regardless of income and it is distributed according to criteria that are irrelevant to needs, such as position in the government. Most of the LPCH are constructed for certain state-owned enterprises (work-units). Only a small portion of LPCH is open to the general public with criteria on actual housing needs, but in practice the high price and the owner-occupation principle make it inaccessible. Housing standards become a minor question in this process. Since the housing reform is not aiming at actual housing needs, the housing standards cannot be made according to affordability and need. The present housing standards of the new authority housing are made according to the house-buyers' administrative rank, but have nothing to do with income and the composition of household.

In terms of both question and solution, Shenzhen bears the extremity of Chinese housing reform. Shenzhen is an extreme example of the changing pattern of urban employment in China since the economic reform. The old public housing system of China was not a universal one, but confined within public sectors. It had showed certain characteristics of universality because under the socialist public ownership of planned economy, most of the sectors in Chinese society had been public; however, when a market economy and private ownership were introduced by the economic reform, the coverage of the old public housing system gradually lost its universality. This character is clearly showed in the case of Shenzhen. As to the solution, the housing reform in Shenzhen implies that free market housing is expected to eventually solve the social needs of affordable housing, and there shows a belief that the housing reform should be limited



within public sectors and not interfere this matter. Considering Shenzhen as one of the model cities for market success in China, the prevalence of the liberal idea on housing is not surprising.

There are problems facing the new housing system in Shenzhen today. Some of the problems are inherited from the old system, such as the exclusion of the majority of population, inequality among beneficiaries and the arbitrary criteria of the housing standards. Furthermore, encountered with the new social context brought about by the economic reforms, the reform of the public housing provision in Shenzhen is, on the one hand incapable of answering the new social needs accurately, and distorting the free market housing on the other.

## New Local Authority Housing in Shenzhen

## CHAPTER 8

# CONCLUSIONS AND IMPLICATIONS

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*The course of the Chinese housing reform has been to a large extent defined by the social housing demand generated by the undergoing social and economic restructuring. However the present theoretical framework, though helpful in the understanding of the historical role of social housing, is incapable of explaining the new housing provisions that emerged in the reform. The unique historical inheritances and social contexts give social housing programs unique tasks to fulfill, hence the new housing provisions that have emerged in the Chinese housing reform have to be understood in relation to this context. Paradoxes observed in the empirical study are identified. Alternatives are suggested for future development. New knowledge is anticipated to approach this unique phenomenon.*

## Conclusions and Implications

The focus of the theoretical part of the thesis is the present theoretical framework on social housing study at three levels: the methodology in housing studies, the historical typology of social housing, and the definition of social housing. The methodological discussion alerts this study from taking the policy text as granted, and reminds the investigation on the hidden themes (discourse) behind the official discourse. The theoretical discussion on the historical topology of social housing gives the tools to understand the historical process and roles of social housing development. Moreover, it presents different forms of social housing in practice. The discussion of the term “social housing” helps to discern the social housing from other forms of housing provision. Following the empirical study, the effectiveness of the theoretical framework in understanding the historical development and the new housing provisions of the Chinese housing reform is to be examined.

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### *8.1 THE THEORETICAL FRAMEWORK AND THE CHINESE PRACTICE*

The convergence and divergence dichotomy shown in Harloe and Kenemy’s works illustrates the basic theoretical division in housing studies upon the social housing phenomenon. Furthermore, their theses manifest both the dominance of the liberalism thinking in housing studies and the effort to overcome it. As to the social housing practice, Kenemy’s work is especially illuminating by relating the different forms of social housing to different social contexts. In addition, the two theses can help to understand the present process in China, and to identify the similarities and uniqueness to their generalizations.

#### **8.1.1 Harloe’s thesis: implications and limitations**

By studying the experience of social housing in Western European countries, Harloe (1995) states that, in a capitalist society, mass social rented housing is a transitional phenomenon which facilitates the eventual transformation to a liberal housing market with a residual social housing sector. The latter is considered a “normal” housing system while the former is an “abnormal” phenomenon (see 3.2.1 on page 27).

Although its normative convergent view on housing development is questionable, as a historical study, Harloe’s work does provide insights to the basic characters of social housing development in the light of state and market relationships in market-oriented societies. Since the economic reform started in late 1970s towards a market economy, China is obviously experiencing economic as well as social restructuring. In this respect, Harloe’s generalization that mass social housing has a role to play in the restructuring process has implications for the current housing reform in China. In fact, it suggests that a social housing perspective to the Chinese housing reform is applicable and mean-

ingful for generating fruitful understandings. The emergence of the Economical and Comfortable Housing, the Low-Rent Housing and the New Authority Housing are the main measures in the present Chinese housing policy to represent a mass social housing model. They all indicate the huge social housing needs generated by the present social and economic restructuring.

However, Harloe's thesis is embedded with a clear state-market dichotomy and overlooks other forms of housing provision in-between. It shows a clear conservative tendency to the liberal market belief. This conservative study, taking liberalism as the taken-for-granted historical tradition, does not apply to the situation of China, and for historical reasons it does not help much to understand the complicated tasks carried by the Chinese housing reform. When dismantling of the old public housing system and constructing a new system from scratch to take over become the basic initiatives, Harloe's thesis is incapable of mapping out this complex scenario. The measures of privatization of the public housing stock, the subsidized provision of ECH, and the advantages given to the state employee are all beyond the recognition of his "normal" versus "abnormal" dichotomy. It is impossible for them to be situated in Harloe's thesis on the social housing development.

### 8.1.2 Kemeny's thesis: implications and limitations

Kemeny (1995) rejects the convergent view. As an antithesis, he puts forward his dichotomy of conceptions of "profit market" versus "social market" (see 3.2.2 on page 28). The former is approximately the "normal" situation in Harloe's thesis, and the latter approximates to the "abnormal" situation. Rather than taking the latter as a variation of the former, Kemeny argues that a "social market" represents an idea that maximized market performance alone does not ensure a good society, and achieving economic goals should be integrated with other social interests. In a "profit market" model, the segregation of the market housing and the public housing is very important to ensure free competition in the market. However, in a "social market" model, the state uses complicated measures to encourage a subsidized housing sector competing with private sectors in one unitary market, thus ensuring accessibility of housing and acceptable standards of living for the majority of population. It may provide clues to understand the housing development in China where a "socialist market economy" is claimed. Both the ideas of "profit market" and "social market" can find their embodiments in the Chinese housing reform. In the spectrum of new housing provisions that have emerged during the reform, there are measures which try to introduce intervention in the housing market to reduce the housing prices, such as the Economical and Comfortable Housing, which can be deemed a rough example of the social market; there are also new housing provisions serving as safety nets, such as the Low-Rent Housing.

The greatest significance of Kemeny's thesis is to break the liberalism orthodox in the housing study as shown in Harloe's work. By investigating the different ideological roots

## Conclusions and Implications

and different embodiments in practice, he provides a specialized theorization effort on housing practice other than the liberalism model. This is illuminating in the study on the Chinese housing reform. Rather than deemed as a negligible transition period to a full market solution, the Chinese housing reform is inheriting unique historical and social tasks and giving shape to a unique system. Therefore, it is meaningful to distinguish these tasks and to understand the present practices, so that the future development can benefit accordingly.

Though equipping this thesis with the method of relating social housing forms to their contexts and legitimating the meaning of this study, Kenemy's thesis is still incapable of being applied directly to the practice in China. Especially, the uniqueness of the housing reform of a transitional society lies in its ambiguity, inconsistency, and sometimes even in contradictory housing policies, which is uniquely different from those practices where the housing practice can be related to a clear and consistent policy framework and the ideology behind.

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## 8.2 *A SOCIAL HOUSING PERSPECTIVE ON THE CHINESE HOUSING REFORM*

The focus of the empirical part of the thesis is the new housing provisions in the Chinese housing reform especially after the new policy of 1998. As observed in this thesis, the intentions and solutions of the reform have always been changing since the early 1980s after the reform was initiated.

The original concern of the reform was the societal-wide housing shortage. Thus, methods were taken to stimulate the production ability of the old public housing system. Soon after, having discovered that with the public housing system it was impossible for the state to keep investing into the housing construction without any hope of refunding, the focus shifted to the reform of the housing system. A reform in a true sense was started. It is at this point that the housing reform lost its social concern and began to be occupied with the task of dismantling of the old public housing system. As a result, in terms of its beneficiaries, the housing reform was confined to the traditional beneficiaries of the previous public housing system and left the social housing question to accumulate in the following years.

Privatization policy was introduced to solve the problem of investment refunding. The public housing stock was to be privatized, naturally to the traditional beneficiaries of the public housing system—the state employees. Certain measures have been taken to encourage the residents to buy their dwellings, such as increasing the rent, giving housing subsidies, and selling the public housing at discount price. Simultaneously, since the late 1980s, a commercial housing market based on the new land policy has been grow-

## 8.2 A Social Housing Perspective on the Chinese Housing Reform

ing. With the commercial housing market emerging as a new housing provision, the housing reform saw the possibility of transferring the housing responsibility to the commercial market, thus eventually removing the public housing system. However, the commercial housing market was only interested in profit-making. The gap between the housing price and the income level was huge. The focus of the housing reform was then shifted to solving the question of affordability. The solution was to establish an intermediate commercial housing provision—the Economical and Comfortable Housing—to take over the housing needs of the original beneficiaries of the public housing system. This was in the late 1990s, when the housing needs of the disadvantaged population created by the economic reform could no longer be overlooked. Parallel to the ECH program, the Low-Rent Housing is intended to take care of this issue. The process of the Chinese housing reform and its relationship with the social housing question is generalized in the following table (see TABLE 8.1 on page 131).

**TABLE 8.1** The changing tasks and solutions of the Chinese housing reform

<b>Time</b>	<b>Proclaimed question</b>	<b>Prescribed solution</b>	<b>Prescribed targeted population</b>	<b>Social housing question</b>
The early 1980s	Housing shortage	Increasing production	Societal <sup>a</sup>	Societal housing shortage
The late 1980s	Refunding of the investment	Privatization	State employees	Exclusion effect of the public housing system; incentive and ability to buy
The whole 1990s	Transferring the housing provision to the commercial market	Developing commercial housing market	Societal but emphasizing the state employees	Affordability of commercial housing
The late 1990s	The needs of affordable housing to stop the work-unit housing	Developing specialized affordable commercial housing	Societal with income criteria and employment preference	Exclusion effect of the owner-occupation policy

a. Though addressed as societal, the targeted population is still confined to the urban citizens.  
*Source:* the author.

Successively, the discourses of the Chinese housing reform have been: to solve the housing shortage, to privatize the public housing and to commodify the housing supply, to develop commercial housing market, and to regulate the commercial housing market so that the housing demands of mid- and low-income households can be met. From this process, we can see a significant change from the public housing system to a new system combining market and social housing provision. Since the late 1990s, the social housing question has become prominent in the process of the Chinese housing reform. The reasons are that, in terms of the affordability of the commercial housing, the state

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employees (who have always been the focus of the reform) need the assistance to enter the housing market; in terms of the social changes brought by the economic reform, more and more people are not the employees of the state and therefore demand a socially-oriented affordable housing program; also, in terms of changing patterns of income distribution, the income gap keeps growing and the question of the housing needs of the disadvantaged population is accumulating. Therefore, after twenty years of promoting privatization policy and introducing the commercial housing market, since late 1990s, it is the recognition of and solution to the social housing question that is defining the development of the Chinese housing reform.

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### 8.3 “SOCIAL HOUSING” AND THE NEW HOUSING PROVISIONS IN THE REFORM

The “Work-Unit Housing Phenomenon” is a manifestation of the affordable housing issue in the Chinese housing reform, in other words, a manifestation of mass social housing demand, which is defining the course of housing reform and demanding an appropriate solution. In this sense, the historical knowledge encapsulated in the present conceptual framework of social housing is helpful to understand the present task of the Chinese housing reform and to discern the products of the reform. However, though historical understandings are helpful, some of the phenomena in Chinese housing reform are hard to approach using any conventional paradigm. They emerge when the state is withdrawing from the role of direct housing provider and a commercial housing market is being established, and therefore bear various traces and influences from both the old and the new contexts.

#### 8.3.1 The definition of social housing

As examined in Chapter 3 (see 3.1 on page 26), there is a very bold definition of “social housing” as “housing subsidized by the state” which almost labels every type of housing provision as “social housing” (Bourne 1998, 548). The categorization according the tenure may be more useful as a basis for analysis. Based on tenure (Davis 1998, 588), social housing can be characterized as publicly or privately owned, price restricted and socially oriented. The prominent differences of it from the market housing are its non-for-profit character and its selectiveness on the resident according to actual income and needs. Further, its relationship with the profit-driven housing should be clearly defined.

As showed in the case of the work-unit housing, ever since the privatization policy was applied, the question of affordability has become a persistent problem of the reform. In the discourse of the national housing reform policy of 1998, the Economical and Comfortable Housing and the Low-Rent Housing were put forward as the solutions to this question. Together with the new authority housing practiced in certain cities, they make



### 8.3 “Social Housing” and the New Housing Provisions in the Reform

up the general landscape of new housing provisions. Yet can they be labeled as “social housing” according to the present understanding to the definition of “social housing”?

Obviously, none of the three new housing provisions fits the conventional knowledge on social housing exactly. Though the Low-Rent Housing bears the closest resemblance to the residualized social housing model, there is still much to be expected before one can make a thorough investigation and firm conclusion, since it is still in its very primitive stage. The Economical and Comfortable Housing is beyond the present knowledge on social housing for its market conveyance, social expectation, and contradictory intentions of the different parties involved. The new local authority housing is an even stranger phenomenon to the present knowledge: it has quasi-commodity features in the way it is constructed and conveyed; however, it is isolated from the common commercial housing market, and there are strict criteria and hierarchical standards attached to them which are inherited from the old public housing system. As a ramification of the Chinese housing reform, very few social concerns are evident from the new authority housing in the case of Shenzhen.

As argued in the historical study of the housing reform, the social housing question of China is composed of not only the work-unit housing question inherited from the previous public housing question, but also the housing needs of those populations outside the public housing system (see FIGURE 4.2 on page 48). Then, to discern whether a housing provision is social housing or not in this context will depend on its performance in answering both of these two types of affordable housing needs.

#### 8.3.2 Economical and Comfortable Housing

ECH is designated to be the main replacement to release the work-unit from the dilemma situation. However, it has had an ambiguous role from the very beginning. With the definition of social housing to the practice in Beijing observed in this thesis, ECH can hardly be addressed as “social housing” because it is profit-oriented, although there are certain rules regulating its provider and buyer. Furthermore, in accordance with the privatization policy of the Chinese housing reform, ECH is sold to the prospective resident but not rented to them, which is quite different from the mass social rented housing observed both by Harloe and Kemeny in their works. It is owner-occupation promoted when affordability is the major problem in the society. This dilemma is intrinsic to the Chinese housing reform. Rather than a gradual and natural development, owner-occupation is introduced arbitrarily and suddenly to end the old public housing system, but results in the question of affordability in the subsequent development.

In China, the relationship between ECH and the commercial housing market is vaguely defined. By observing the process and product of ECH in Beijing, we can see that the major difference of an ECH project and a commercial housing project is five-fold: the land process, the tax advantages, the pricing control, the selection of buyers, and the

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control on the final product. By these measures, ECH is intended to provide housing for the mid- and low-income urban households (see TABLE 8.2 on page 134).

**TABLE 8.2 Major differences between ECH and the commercial housing**

	<b>ECH</b>	<b>Commercial housing</b>
Land	Land fee exempted	No exemption
Tax	Tax discount	No discount
Pricing control	Regulated by the authority	Not regulated
Buyer criteria	State employee and certain income level	No criteria
Product control	Planning and design codes; specialized area control	Planning and design codes

*Source:* the author.

However, seen from the practice in Beijing, these measures are still far from effective and are giving rise to new questions. The land leasehold fee exempted is only a small part of the actual land costs, and it also results in the remote location of ECH projects and unsatisfactory environmental quality. Product control is very bold and ineffective, therefore in practice very large apartments have been built to satisfy excessive housing desires. As profit-driven land development, ECH, although to a certain extent intervened by the authority, is still very selective in terms of buying power. Besides, under the discourse of serving for the housing needs of mid- and low-income households, the premium emphasis of ECH is given to taking over the housing responsibilities of work-units. Therefore, the focus of prospective buyers is mainly the work-units' employees (see 5.3.5 on page 60). Rather than socially oriented, ECH bears a historical task from the public housing period and thus has an inherited bias towards its beneficiaries.

### 8.3.3 Low-Rent Housing

The price of the Low-Rent Housing in China now is controlled and the accessibility is very selective in terms of actual income and housing need. It is a close example to the social housing in Harloe's residualized social housing model or Kenemy's profit market model, serving as a safety net to the housing market. Therefore, it is definitely emerging as a social housing provision in the Chinese housing reform. However, the dilemma faced by the Low-Rent Housing project in Xi'an reveals the inadequate attention has so far been given to it.

The development of the Low-Rent Housing is still in its preliminary stage. There is no clear policy reference defining the advantages enjoyed by it and the standard controls applied to it. Further, there are no clear statistics on the needs and no long-term plan made according to the needs in a sustainable way. It is evident from the project in Xi'an that there is no sharp difference between the methods of the provision of the Low-Rent

### 8.3 “Social Housing” and the New Housing Provisions in the Reform

Housing and ECH to contrast the different measures on the targeted groups. The same land process and tax advantages resulted in similar construction costs per square meter of the two types of housing. The rental level became problematic since the authority found out that again it would assume the role of not only the housing provider but also the subsidy provider. Moreover, the potential of the needs was so huge that the authority became cautious and hesitated to take on this new responsibility.

The project in Xi’an reveals the huge needs on the Low-Rent Housing, which is not surprising after twenty years of marketization policy. However, the source and financing of the Low-Rent Housing becomes the most challenging task. Though the sources have been prescribed in the national policy, in practice, the gap between the needs and the supply remains huge, and as shown in the case of Xi’an, without any financial measures or subsidies, the local authority is far from being well-prepared for taking on the responsibility (see 6.6 on page 96). With all these questions, the future form of the Low-Rent Housing is still uncertain.

#### 8.3.4 New local authority housing

The new local authority housing represents the ideal result of the early stage housing reform discourse in the Chinese housing reform, which gave much attention to the reorganization of the old public housing system in the late 1980s (see TABLE 8.1 on page 131). The inefficiency of the old public housing system was the main initiative of the housing reform to change the whole system by introducing commodified housing and promoting privatization policy. Therefore, when the old public housing system has been reorganized into an efficient new system, the divergence between the intention of the housing reform to transform the old public housing and the request for a solution to the emerging social housing question is revealed. It clearly shows that even the goal of reforming the old public housing being successfully achieved, the question of social housing, is still to be answered. Further, the successful result, i.e. the new authority housing, is itself creating new problems.

The new local authority housing in Shenzhen, especially the WCH, is a subsidized housing provision based on the privatization policy of the housing reform on the one hand, and the criteria on beneficiaries of the old public housing system, on the other. Therefore, the benefit of the reform is strictly confined to the municipal employees. The housing provision enjoys significant advantages compared to the ordinary commercial housing (see TABLE 8.3 on page 136). The results are high living standards and environmental qualities. The distributional standards are in accordance with the bureaucratic hierarchy. As a result, in the housing product, there is a direct correspondence between

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the administrative ranks and the housing standards. There is little concern for actual housing needs and the financial ability of the household.

**TABLE 8.3** The differences between the New Authority Housing (CPLP) and the commercial housing in Shenzhen

	<b>New authority housing (CPLP)</b>	<b>Commercial housing</b>
Land	Exempted	No exemption
Tax	Discounted	No discount
Pricing control	Cost price plus controlled profit	Not regulated
Buyer criteria	Municipal employees	No criteria
Product control	Administrative hierarchy	Planning and design codes

*Source:* the author.

The case in Shenzhen illustrates a strange combination of the new and the old. Although the production process has been totally commodified, the old distributional criteria are inherited. Being a perfect result of reforming the old public housing system according to the official discourse of the Chinese housing reform in the late 1980s, the new local authority housing in Shenzhen is far from being housing provided for general social concerns. It is a strange variant of the marginalized social housing model described by Harloe as the “normal status”. On the one hand, it illustrates the belief in the liberal housing market with least intervention; however, on the other, for historical reasons, the reform aims not at safety net public housing but results in a specialized housing provision for the municipal employees who are by no means of the lowest income and in need of assistance.

### 8.3.5 Reexamination of the definition

In terms of the non-for-profit intention, selective on the receiver according to the income and needs, not all of the three new provisions fit comfortably with the definition of “social housing” in the present understanding of the concept. The relationship with the profit market housing is another problematic matter, which has different manifestations in different housing provisions and demonstrates the fragmental and incoherent characteristics of policy making in the Chinese housing reform.

ECH is operated by the profit-driven land developer. It is selective in its receivers but in a very bold and ineffective way. It is competing with the commercial housing on the same market. The Low-Rent Housing satisfies all the features of a social housing provision; and it is separated from the housing market. The new authority housing is very problematic. It bears the features of non-for-profit and being selective on receivers; however, it is claimed to be sold with a small portion of profit, and its criteria of selection is based on employment type but not on income or needs. Furthermore, through a

### 8.3 “Social Housing” and the New Housing Provisions in the Reform

separate provision, the housing has received full private property rights since 1999 and has thus entered the private housing market (see TABLE 8.4 on page 137).

**TABLE 8.4** The social housing features of the new housing provisions in the Chinese housing reform

	<b>Non-for-profit intention</b>	<b>Selective on receiver</b>	<b>Relationship with the market housing</b>
ECH	No	Yes	Blended
Low-Rent Housing	Yes	Yes	Separated
New Authority Housing	No	Yes, according to employment but not income and needs	Separated

Source: the author.

There is a need to redefine the term of “social housing” according to the present Chinese context. Taking into consideration the historical and social inheritances attached to it, I suggested that the social housing during the Chinese housing reform can be defined as—new housing provisions which both facilitate the releasing of the state from the housing responsibility and accommodate the population’s housing needs that emerged during the social and economic restructuring. Although in various forms, the common characteristics of the provisions are the state subsidies (in the form of land and tax advantages, direct investment or allowance to the tenants), the restriction on the beneficiaries, and the control of the price and the standards. In this light, the social housing features of these new provisions can be examined by their performance in answering the social housing problems during the Chinese housing reform, i.e. the affordable housing needs from both old public housing and the new non-state sectors. The Economical and Comfortable Housing and the Low-Rent Housing programs can be addressed as social housing in this context, while the new local authority housing is certainly not a social housing provision, but only a privatized sector housing. (see TABLE 8.5 on page 137)

**TABLE 8.5** The performance of the new housing provisions in response to the social housing question in the Chinese housing reform

	<b>Response to the affordable housing needs from the old public housing system</b>	<b>Response to the affordable housing needs from the new non-state sectors</b>
ECH	Yes	Yes
Low-Rent Housing	Yes	Yes
New Authority Housing	Yes	No

Source: the author.

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## *8.4 PARADOXES AND ALTERNATIVES*

### **8.4.1 Paradoxes identified**

Even if a definition according to the special context is proposed, there is still much to be observed on these new housing provisions. According to the findings of this study, there are some paradoxes identified in the present practice.

#### **Old public housing versus new social housing**

In term of the goals of the housing reform, the social housing issue tends to be overlooked by the present emphasis attached to the release of the state from the responsibility of providing in-kind housing welfare. As a result, inadequate attention has been paid to the new social housing question. The reform is either content when the result is that the old public housing has been successfully transformed such as in the case of Shenzhen where the social concern has been neglected, or in the case of Xi'an, where there is a policy for the Low-Rent Housing on the paper but in practice it lacks long-term planning and actual financial measures to implement it.

#### **Withdrawal versus intervention**

To deal with the new social housing issues, the dichotomy of withdrawal versus intervention is clearly demonstrated. In the policy of the Low-Rent Housing, the practice in Xi'an implies a cautious effort to limit the scale of direct involvement by the local authority, which is contrary to the huge needs of such housing. It challenges the idea of withdrawing the state from direct involvement in housing provision in the reform. In Shenzhen, the non-intervention policy on the housing market is inconsistent with the existence of a separated and subsidized new authority housing sector. They all indicate the inconsistency of the reform in dealing this problematic relationship.

#### **State employee versus non-state employee**

In terms of beneficiaries, because of the inherited responsibility of reforming the public housing system, the new housing provisions more or less inherit the emphasis on state employees, either in the case of ECH in Beijing where the state employees are entitled to the right to buying ECH apartments exempted from the restriction on income applied to other buyers, or in the extreme case of the new local authority housing in Shenzhen where the WCH is only open to the municipal employees. Obviously, the priority of these housing provisions is given according to the employment type but not to the actual housing needs. It causes new housing inequality issues during the reform. In Shenzhen, it has actually created groupings in terms of the right to buy based on occupational but not income differences.

### **Owner occupation versus affordability**

In terms of tenure, owner-occupation becomes the dominant and ideal type of the housing reform without adequate consideration of the affordability. It is a natural product of the privatization of the public housing stock in specific, or the privatization trend of the economic reform in general. However, the question of affordability has always impeded the implementation of the policy. Therefore, we see the entrapment of the work-unit in the role of affordable housing provider before the introduction of the new housing provisions. Also, in the case of ECH, we observe the difficulty of targeting the desired mid- and low-income households. Further, the issue of affordability is, in practice, encouraging the developer of ECH to provide luxurious apartments to the high-income customers. As in the case of Shenzhen, the privatization of the WCH is actually concretizing the heavy housing subsidies given to the municipal employee. Last, but not least, the emphasis of the privatization policy has an exclusion effect to those who are incapable of purchasing housing.

### **Profit concern versus social concern**

In the ECH policy, there is a clear paradox between the profit-seeking nature of the developer and the social concern of the policy. As a result, affordability becomes a persistent question to the implementation of the policy. The regulating effort is not effective in accurately targeting the desired population.

### **Urban versus rural**

The last, but definitely not the least, paradox in the Chinese housing reform hinted by this study is the urban and rural segregation. With a strict population registration system, the rural population who are actually working in the cities are not entitled to any access to the new housing provision. However, without a legal status in the city and usually working in the low-income sectors, the migrant population may form a large part of the unrecognized social housing need in Chinese cities.

## **8.4.2 Suggested alternatives**

### **Gradual removal of the priority**

The bias on the beneficiaries of the new housing provision is a result of the inherited task of the Chinese housing reform. However, after twenty years of reform, the state employees are no longer always the population with housing needs, and the population employed by the non-state sectors are continually increasing. Though bearing the historical task of reforming the old public housing, the new housing provision should find the right time to shift its emphasis from the historical task to the new social housing needs that emerged during the social transformation, introduce unified criteria to their beneficiaries in terms of income and needs, and form unified and unbiased supply. In this policy shift, the new local authority housing should be reexamined. Its impact on

## **Conclusions and Implications**

the housing market in Shenzhen should be investigated. The basic idea is that the housing bureau should be turned into either a public developer competing with other developers on the market, or a specialized social housing provider emphasizing the housing needs of the disadvantaged.

### **Introducing sectors in-between the state and the market**

As to the paradox of the ECH provision, other forms of development can be introduced to solve the dilemma of profit and social concerns. For example, non-profit housing cooperatives can be a very suitable alternative in this case. The contradiction between the profit-seeking and the social concerns can be reconciled by organizing non-for-profit housing cooperatives with the support of the authority. By introducing the non-for-profit sectors, the diverse intentions of ECH can be repaired. As demonstrated by the history of housing cooperative movement in Nordic countries, non-for-profit housing societies had played a vital role in the post-war construction when there were huge needs of affordable housing.

### **State intervention on certain new housing provisions**

Housing reform does not necessarily mean total withdrawal of state intervention. The huge needs of the Low-Rent Housing demands that the local authorities make detailed and long-term plans and the central government to establish specialized financial and policy measures to support them. The importance of the social housing issue should be fully recognized by the policy. As revealed in the case of Xi'an, the actual housing needs of the disadvantaged urban population are much greater than expected. However, they have not been given adequate consideration in the housing policy compared to the development of ECH and the ending of the work-unit housing welfare. In the future development the housing policy should clarify its emphasis and strategy on the social housing issues to the disadvantaged population.

### **Diversified tenure forms**

Owner-occupation should not be the only solution. When affordability is the major problem of the implementation of the policy, its validity in the context should be examined. Other types of tenure should be given equal consideration to form a new housing system with various choices to meet different housing needs. Rental possibility should also be considered in the case of ECH. The joint ownership of housing cooperatives is another alternative. In the case of the new local authority housing, the policy of privatization is actually to concretize the advantages enjoyed by the municipal employees; rental housing could be a better alternative to avoid this.

### **The housing of the flowing population**

The importance of the housing needs of the flowing population could not be overestimated. By including them into the social housing consideration, the volume of the problem will be multiplied immediately. The housing of the flowing population in the



Chinese cities relates to the reform of the agricultural economy and the population registration system. The future development is still to be observed. In the further development of the Chinese housing reform, the housing needs of this part of population should be integrated into the new housing policy.

Each of these alternatives deserves specialized investigative efforts.

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### *8.5 RECOMMENDATIONS FOR FUTURE STUDIES*

The main aim of this thesis is to highlight the issue of social housing in the Chinese housing reform. By doing this, it raises many more questions than it has answered. All the questions demand the attention of the housing researchers in their future studies. At the end of the thesis, some indications about the direction of future investigation which will benefit the study on social housing issue in the Chinese housing reform are suggested.

#### **8.5.1 Social science basis of the housing study in the transitional society**

Housing study has been criticized by Kenemy (1995) for its lacking of disciplinary focus and epistemology. Though many housing researchers are of sociological background, the development in sociology has not been reflected in their work, because of the traditional concentration on the policy analysis and the “nondisciplinary” or “adisciplinary” characteristics of the housing study. However, sociology has always been the foundation of housing studies.

In case of the study on the Chinese housing reform, there are huge demands on the sociological knowledge development to support fruitful housing studies. The present knowledge derived from the Western context is not always applicable, the uniqueness should be further investigated and theorized, and thus be utilized in the analysis of the social housing development in the Chinese housing reform.

For example, power has been a key element enlightening housing studies. The role of state in the exercise of power, and eventually in the making of the housing policy and housing system, has been the focus of debate and has marked the changing trend of sociological studies on power relations. The sociological trend since the Second World War has been to dismiss the importance of the state and deem the state as an arena for the competition of different interest groups, because “the state does not possess any power of its own but is merely an institution through which social forces in the wider society are expressed in the form of social relations” (Kemeny 1992, 44).

However, the role of the state in the making of the housing policy can never be dismissed in the Chinese context. One significant characteristic of present-day China is the

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disconnection between the wide-range and long-term societal goals and the housing policy. In practice, different groups are competing for their own interests, which is quite a liberal scenario. However, one unique phenomenon is the dominant role of the state among these groups. Therefore, the selection of the housing policy has been to a large extent the result of the state's interests. For example, though initiated with the housing shortage, the housing reform soon became a question of releasing the state from the housing responsibility. The introduction of the new housing provisions in the late 1990s is, on the one hand to fulfill this task of taking over the housing provision, and to deal with the social solidarity issue that emerged during the economic reform on the other. Obviously, state has always been a decisive force in the course of the Chinese housing reform.

Therefore, the study on the housing reform in China should take into consideration the dominance of the state in the policy-making process as well as the gradual inclusion of other factors, and social and economic groups into the process. The choice of housing policy is the result of this complicated power pattern. It demands further studies on the roles of the state and other interest groups in this transition of power pattern in order to illuminate the study of the Chinese housing reform. How to, or is it possible to, categorize it into the present typology of housing practice? What is the impact of the transitional process on the social policy and housing policy? Are there coherent ideas upon these issues in a transitional society? Or are there only fragmental and incidental practice? These questions have to be clarified to serve as the basis of a fruitful study on the social housing development in the Chinese housing reform.

### 8.5.2 Development economics and state intervention on housing

Economic transformation is an important issue in a transitional society. Development studies is the discipline dealing with this matter. In the 1980s and 1990s, the field has been dominated by what economists addressed as the "Washington consensus", according to Fine (2003, x-xi), the core idea is that the "free-market economics, with a strong US flavour, would take care of the problems of developing countries". However, the theory is seriously challenged by its failure in practice, especially shown through the failure of the shock therapy in Russian. Fine argues that "the only part of the world that appeared to have escaped from the blight afflicting developing countries was East and South East Asia, including China", where the development is obviously not based on the Washington consensus.

In the so-called "post Washington consensus" time, attention is paid to the institutions and non-market factors in the development. One of the major differences of it from the previous dogma is that it advocates a "milder" opening to the free market and suggests room for state intervention in certain areas. The new consensus also emphasizes the role of history in the development process. As argued by Fine (2001, xv):

*History, in the perspective, is not treated as simple accumulation of chance events, a register of accidental shocks or mere “path-dependency”. History is also a record of interaction among the various social classes, with all their inevitable conflicts, alliances and temporary truces.*

Therefore, the post Washington consensus promotes “recognition of the importance of the social and historical context of development”.

The institutional approach has already been applied by some researchers in the urban transformation process in China. For example, in his study on the urban renewal process in Beijing, Dr. Lei Shao (Shao 2003) applies the institutional economics to analyze the impacts of the institutional transition on the urban renewal process in Beijing during the Chinese economic reform. He generalizes the patterns and goals of the governmental institution, and identifies its inconsistency and divergence from the social restructuring.

An assumption based on the post-Washington consensus and this study is that housing is an area where the state intervention will continue to exist in the development process of China. The social housing question will not simply be dismissed by a liberal market. Social housing will observe new forms of intervention in the transitional China. Hopefully, this study has made some contribution to clarifying the role and goal of the social housing development in the present context. A study on the areas of state intervention in the transitional society should clarify the theoretical basis of this assumption. Further studies are demanded to investigate the ways and extent of the state intervention on the social housing issue.

### **8.5.3 The changing relationship between the housing policy and the housing forms in the transitional process**

Against this background, the normalization process of the housing product is also being reshaped. The relationship between the state in housing policy making and the housing forms identified in my previous study (Wang 1999) on the housing development in the socialist China is undergoing drastic change.

The new housing provisions bearing social concerns is the main field where the relationship is still continued. As observed in this study, in the new housing provisions that emerged during the housing reform to target the needs of the designated population, there are different kinds of relationships between the housing policy and the housing product, such as the area and price control in the ECH projects, the arbitrarily set standards for the Low-Rent Housing project in Xi’an, and the administrative hierarchy in the new local authority housing in Shenzhen.

However, the directness of the relationship of the previous period has been transformed into a more subtle and comprehensive pattern of correlation. New factors have

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been introduced, and the free market rule is running in parallel. For example, the commercialization of the land process in the ECH development in Beijing has an important influence on the locational preference and the housing standards of the ECH dwellings. The different expectations on the housing project, such as the authority's desire to accommodate the mid- and low-income households and the developer's intention of speeding up the selling, are making the control of the housing standard a problematic issue. At the same time, the old pattern of correlation between housing policy and housing forms still remains in some cases, most obviously in the new authority housing in Shenzhen, where the distributional standards are still shaping the housing products and gives the housing project distinct features. In the case of the Low-Rent Housing, there is the issue of constructing the correlation between the housing standard and the household income, so that a modest and decent dwelling will not be an unbearable burden for the resident. The complexity of the issue demands further observation and analysis on the social housing development during the Chinese housing reform, focusing on the relationship between the housing policy and the physical characters of its products.

# APPENDIX I. INDEX OF RELATED LAWS, REGULATIONS AND POLICIES

## National

关于加快城市住宅建设的报告, 1978. 09. 12, 国家建委  
*Report on Accelerating Urban Housing Construction*, National Construction Committee, 12 September 1978.

关于城市出售住宅试点的复函, 1982. 04. 17, 国务院  
*The Reply to the Pilot Selling of Public Housing*, The State Council, 17 April 1982.

关于城镇公房补贴出售试点问题的通知, 1986. 03. 01, 城乡建设环境保护部  
*On the Questions of Subsidized Selling of Public Housing*, The Ministry of Urban and Rural Construction and Environmental Protection, 1 March 1986.

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*Provisional Regulations on Speeding up ECH Construction*, Beijing Municipality, 1998.

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深圳市国家机关事业单位住房制度改革若干规定, 1999, 深圳市人民政府  
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## *APPENDIX II. HOUSING PROJECTS VISITED IN 2002 AND 2003*

### **The Economical and Comfortable Housing projects visited in Beijing:**

- Hui Long Guan, by Tian Hong Group, 2,600 yuan/sq.m
- Qing Nian Lu, by Dacheng Real Estate Development Ltd., 3,800 yuan/sq.m
- Jin Ri Jia Yuan, by Andi Real Estate Development Ltd., 4,450 yuan/sq.m
- Yu Hai Yuan, by Haikai Real Estate Group, 4,650 yuan/sq.m
- Wang Jing District A4, by Beijing Municipal Urban Development Company, 4,500 yuan/sq.m
- Tian Tong Yuan, by Shuntiantong Real Estate Development Ltd, 2,650 yuan/sq.m

### **The cooperative housing projects visited in Beijing:**

- Zheng Hua Jia Yuan, by Beijing Zheng Hua Housing Society, 3,300 yuan/sq.m
- Zheng Xin Jia Yuan, by Beijing Zheng Hua Housing Society, 3,600 yuan/sq.m
- Kang Ning Ju, by Beijing Community Housing Society, 4,500 yuan/sq.m
- Hui Feng Jia Yuan, by Beijing Land and Estate Bureau's Housing Society, 3,860 yuan/sq.m

### **Anju Project Housing, Economical and Comfortable Housing and Low-rent Housing projects visited in Xi'an:**

- Ming De Meng Anju Project Housing District, by Xi'an Construction and Development Company, price unknown
- Ming De Men Low-rent Housing Project, by Ming De Meng Low-rent Housing Project Company, price unknown

## **Appendix II. Housing Projects Visited in 2002 and 2003**

- Xin Tai Yuan ECH Project, by Xi'an Construction and Development Company, 3,100 yuan/sq.m
- Feng Sheng Yuan ECH Project, by Xi'an Tiefeng Real Estate Group, 2,250 yuan/sq.m

### **New authority housing projects visited in Shenzhen:**

- Cai Tian Cun, by Shenzhen Housing Bureau, 2,123 yuan/sq.m
- Yi Tian Cun, by Shenzhen Housing Bureau, 998 yuan/sq.m for low-rise housing, 3,340 yuan/sq.m for medium- and high-rise housing
- Lianhua Yicun, by Shenzhen Housing Bureau, price unknown
- Meilin Yicun, by Shenzhen Housing Bureau, 1,310 yuan/sq.m for low-rise housing (CPLP), 1,413 yuan/sq.m for medium-rise housing (CPLP), 2,177 for high-rise CPLP housing, and 3,866 yuan/sq.m for high-rise SLP housing

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