

# Changes and Trend of Public Housing Policy in Netherlands, Hong Kong and Mainland China

Xingyu Qian

*School of Public Policy and Management  
Tsinghua University  
Beijing, China*

Yushi Chen

*Center for Urban Science and Progress  
New York University  
New York, USA*

Ethan Siu-leung Cheung

*Department of Social Work  
Columbia University  
New York, USA*

**Abstract**—In recent years, policy formulation for provision of public goods, especially for public housing policy is going to be neoliberalism in both global north and global south under the ideology of so-called new public management. Privatization for public housing provision is regarded as a neoliberal policy agenda which is used by local governments for easing financial burden. In this regard, partial privatization of public housing is deemed as quasi-public goods provided by local government to those low-income groups at an affordable price, which tends to reshape local welfare system. This paper will discuss the recent trend of neoliberalism in public housing policies in Netherlands, Hong Kong and Mainland China. Netherlands, a high welfare state, has taken measures to increase home ownership in private sectors and privatization on its social housings. As a typical laissez-faire market, public housing policy in Hong Kong is tend be much more resilience; and its portion of public housing sector will expand with the increased flows of governmental investments; but it still offers subsidized public housing through various provisions. China, as a socialist market economy, whose central government is expected to provide affordable housing (economic comfortable housing and public rental housing) to those urban residents with local hukou through model of public-private partnership. By comparing the recent changes and trend of public housing in these three regions, we conclude that public housing policy is going to be neoliberalism, which will challenge local governments to balance their social equity and economic development.

**Keywords**—neoliberalism, privatization, government, public housing

## I. INTRODUCTION

Neoliberalism is characterized by the doctrine of market superiority over the state. Furthermore, market interests are placed above the interest of social reproduction [1]. Neoliberal approaches put great emphasis on market process as a major force to develop in a society, and reduced state intervention in economic and social affairs. In relationships with housing policies, “deregulation and privatization of housing systems has been the forefront of neo-liberal prescriptions for socio-economic development”

**Corresponding Author:** Xingyu Qian, School of Public Policy and Management, Tsinghua University, Beijing, China.

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[2]. Housing privatization is considered as the core of neo-liberal agenda; and the main solution in housing policy is promoting financial autonomy of households, restructuring state provision and reinforcing the private sector and market influence. The process of housing privatization policy plays as an “effective in eroding the public housing system as a material and symbolic basis for the welfare state” [3]. The proliferation of neoliberal policy in public housing seems like emancipation for a government’s budgets; and it is still a remedy for social inequity through redistribution of capital between society and the government.

Countries are homologous under the globalization trend; however, the process of neoliberalism in different countries is not same all the time. When comes to the discussion of housing policy’s development in multiple regions, it not only refers to the significance of past decisions and legacies or to path dependency [4], but also refers to the dominance of neoliberal ideas in shaping future policy direction and reform [5]. The future adaption of neoliberalism in housing sector was diversified into new perspectives with its addition of regional and national features. Ronald and Kyung (2013) have defined East Asian context as “the restructuring of housing policy in the last decade has been more influenced by local socio-economic and political conditions than global neoliberal housing policy prescriptions regarding housing privatization and financialization” with the evolution of concept on “developmental state” and welfare mix systems. State intervention is often used to command economies to achieve social objectives, when comes to public housing constructions. As what Ronald and Kyung claimed “Western capitalist states also intervene to maintain stability, while developmental states do not consider interventions as contradictory to the freedom of the market in those societies” [6], the market is always the concern of state in developmental terms. The market is not an end in itself, but remains a mean to an end: to maintain growth and increase prosperity achieved through the stewardship of a large and powerful state.

Although public housing is considered as “residual” and “the mass public rental sectors of the past are now generally viewed as anachronisms with little relevance for contemporary societies” [7]. Public housing is provided by government at a lower price to those low-income groups with eligibility. And a social housing is owned and

managed by nonprofit organizations. The intention of public housing or social housing is to maintain social equality by providing affordable housing. However, neoliberal policy emphasizes privatization, deregulation, and marketization in public housing provision; but its publicness will not completely dissolve.

## II. COMPARATIVE CASE STUDY

To further understand the concept of neoliberalism on public housing, this paper will focus on how differentiated forms of neoliberalism will impact on future housing policy internationally. It will help to answer research question of this paper: neoliberalism in future public housing policy - reflection on three cases: Netherlands, Hong Kong, and mainland China. The objective is to develop knowledge on how neoliberalism influenced metropolitan governments' public housing future.

To elaborate the topic into greater details, this paper will look into the relationship between various variables that are relevant to the research topic: government's perspective on neoliberalism, public housing policies and international context. In the followings of the paper, three regions – Amsterdam, Hong Kong and mainland China are used as examples to illustrate whether same ideology of neoliberalism would impact public housing policies differently, on various geographical locations over the world. In each case study, the paper will firstly demonstrate why those regions have been considered as a neo-liberalized and whether they continue to pursue the same form of neoliberalism. After understanding their backgrounds, it will look into how their current public policy, to address how likely government consideration is based on their ideologies. This would lead the paper to how the future of public housing policy will be internationally.

### A. Case of Netherlands, Amsterdam

The embryo of Neo-liberalism in Amsterdam started around 1980 and massive expanded around 1990. Before 1980, because of welfare state legacy, Amsterdam used public housing as remedy for tremendous population growth after the Second World War and the housing shortage. Around 1980, many municipal housing associations merged, and transformed the council housing into Housing Associations. Thus, “the vast majority of social rented housing was owned by independent not-for-profits housing association other than local government” [8]. After 1990, “The trend of distinction does not match the presence of a huge stock of uniform public housing, but newly built housing does match the new and more differentiated demand for housing” [9]. People started to consider purchasing their own private house rather than in rented apartment; thus, unbalance between supply and demand became the prevalent phenomenon in private housing sector.

Privatization is the core procedure of Neo-liberalism policy, which causes social housing siege. Like most western country, Amsterdam influenced by Neo-liberalism

where originated from the UK and US. Just as the “Right to Buy” policy in UK, Amsterdam government allowed social rental tenant buy and sell the place they already lived in. Government hopes that homeownership will be increased after this policy applied. Two subsidy policies also introduced in the 21st Century by Amsterdam government: Netherland Mortgage Guarantee (NHG) and Middle Segment Mortgage (AMH) to financially support homeownership. Furthermore, the release of welfare state also was a key driver to Amsterdam's neoliberal housing approach. Housing was regarded as a part of merit good in society; thus, government's intervention and redistribution seems like an inevitable way to reduce the social unbalance. However, the cost of social housing gradually became the shackle of government budget, and housing is no longer a component of welfare goods as post-war era. Thus, deregulation in housing market is the main aim under the neo-liberalism trend. “A lesser governmental role in the financing of housing production- restricted mostly to ‘social’ rental and ‘social’ owner-occupied housing – and a targeting of consumption support to truly ‘eligible’ renters” are the evidence of increased strength of ‘pro-market’ groups [10]. The target group of social housing has been changed during this market- oriented process. The early large-scale social housing projects initially target the skilled labor force. Then, household who can afford private with the financial support from government moved out from social housing sector. Thus, social housing are specifically targeted at low-income or unemployment, migrants, single-parent or two-parent families, and older population, etc. in current and future situation.

Neoliberalism didn't completely change social housing sector of Amsterdam into a market- driven sector. But it has been left more spaces for policy's alternation. Social housing sector will become residue in the future, and widen the gap between rich and poor. Moreover, the segregation will also be the future consequence of Amsterdam's neoliberal housing policy, since the social housing already left to those low-income and marginal people. Those places are regard as high risk of violence and ‘dangerous’. The affordability of middle class and low-income earner is the new focus of government privatization policies. Everyone must be able to advance in the housing market through increased provision of affordable housings. It must become easier for starters to gain homeownership, and for middle-income earners to access private housing. Non-segregation policy also needs to be introduced by government to all population groups. No matter private sector or social rental sector, young or old, poor or rich, must be able to live in a same neighborhood.

Social rental housing is still an important part in public housing. The peculiar thing about housing situation in Amsterdam is that “the ‘market-strong’ Center-right coalition after 1982 was working in a ‘liberal corporatist setting” [11]. For current policy and the future prospect, the government needs to continue giving financial support to increase home ownership; moreover, housing association is going further to dismantling public support to social

renting. In order to achieve this goal, municipalities could be added. Future Social housing policy should keep housing association alive and help local authorities to effectuate housing programs, so local demands will be satisfied easier. The lingering relation in social renting sector will be further accentuated by their special relation with local authorities, which will contribute to citizen participation and harmonic neighborhoods.

### *B. Case of Hong Kong*

Hong Kong is a well-known global market-driven city in the world; and it surprisingly owns a second-largest public housing proportion in the world [12]. Hong Kong is categorized as a large supporter of neoliberalism since the British colonial periods. Hong Kong is a successful example in neoliberalism which government seeks to achieve maximum efficiencies in its economy, with the minimum state intervention. The influence of ideology did not minimize, even after transition of sovereignty in Hong Kong. Recently, there are several incidents that illustrated how Hong Kong remains itself as a strong neoliberal-oriented city. One of the historical example is the “Demolition of the Hung Hom Peninsula Estate”, which points out that after a financial crisis in 1997, Hong Kong government has decided to reduce and cease the number of constructions in both public rental housing and homeownership flats, respectively. Eventually, the ownership of the estate was sold to private property developer for management, to comfort the anxieties of both private property developers and newly home buyers [13]. However, the question whether Hong Kong is continued as a neoliberal oriented city becomes a popular debate, which provision of social welfare service has been increased respectively, especially in Housing. More likely, Hong Kong has undergone a “Developmental state” approach. It is deemed as a differentiated type of neoliberalism, which emphasizes concerns on both citizen’s rights and the freedom of market, with a degree of state intervention.

However, economic growth is maintained as primary objective of government. Generally, state intervention is expected to “generate command economies with social objectives, although social goods are usually delivered and consumed on market terms” [6]. In many perspectives, Hong Kong has been increased its commitments on social welfare services to attain social objectives. This has been intensified since the Policy Address 2013 proposed by Chief Executive Leung Chun Ying, who announced that housing would be his first priority. He will continue to propose a comprehensive planning called Long Term Housing Policy to accomplish four objectives: providing public housing to grassroots families, encouragement for homeownership, providing subsidized flats as progressive housing ladder, and at last maintain healthy development in private property market [14]. Hong Kong government has introduced 3 major public housing policies that contributed to accomplish for different social purposes: Public Rental Housing (PRH) caters to low-income households and single elderly, Home ownership Scheme (HOS) to middle income

level for homeownership [15], and Tenant Purchase Scheme (TPS) low-income households for homeownership [16].

In the foreseeable future, Hong Kong government will not deviate too much away from its current public housing policy, to be consistent with the ideology. Based on features of “Developmental state”, government in Hong Kong is expected to provide more welfare services to the general public, especially on housings. Two different social objectives can be forecasted that needs to be accomplished in the future: increase homeownership and solution to the affordability issue in the housing market. Large-scale constructions of both public rental housing and home ownership scheme flats will be planned to expand. Public Housing policy in Hong Kong is continued to be “resilience”, which the portion of public housing sector will continue to expand with the increased flows of new investments and strong public support [17]. Very often, Hong Kong government will continue to utilize this program to further dissolve social unrest in the foreseeable future. Furthermore, the roles of public housing will be widened, in two dimensions: target population and availability of flats. Measure targeted specifically to young generation will be necessarily implemented to help on acquiring home ownerships. As scholars and government source have indicated, generations X and Y are one of the main applicants contributed to long waiting list in public rental housing [18]. Rebuilding confidence on next generation is crucial to be handled in first priority. Failure of government to assist on getting homeownership has been a large criticism. To deal with this, two kinds of recommendations could be implemented in the future. First, the eligibility of public rental housing could be widened, when constructions of public housing are completed progressively [19]. The plan should include applicants who are single and aged over 30 individuals, and inability to afford in a private housing market. The second method is that government develops a Youth Program of Public Temporary Housing, which targets only to eligible applicants of generation X and Y. Detailed conditions are need to be written on lease agreements. For instance, applicants are obligated to update their information on income levels, relationship status and maximum stay limit. All these measures hopefully ease the high demand from the young generations. In addition, government in Hong Kong will more provide subsidies to households with middle-income level, and meanwhile to encourage them to purchase flats in private housing market.

### *C. Case of Mainland China*

Since the direct housing allocation within work unit terminated in 1990s, the housing system in China has been transformed from governmental-oriented to market-oriented, commercialization and privatization [20]. Due to it is suggested to decrease the governmental expenditures and enhance the economic growth, which intensifies market forces in housing provision, meanwhile, relieves the dependence on social welfare. To some extent, we may

regard this trend as the neoliberalization in housing market of China. Under the background of neoliberalism, it requires government concerns more about economic efficiency and cut down social welfare, which emphasizes individual competitiveness in market. Before housing reform, Chinese government was not only responsible for making housing policies but also monopolized the housing investment, construction and allocation by work unit. While since 1990s, Chinese authorities have reformed welfare housing to market-oriented housing in urban areas through selling economic comfortable housing (ECH) at an affordable price and developing commercial housing for rich people, which encourages households to buy their own houses in housing market. On the other hand, to alleviate housing unaffordability caused by the market-oriented policies, drew from the successful experience of Singapore's Central Provident Fund, the housing provident fund (HPF) system aiming to improve middle-and-low-income employees' access to commercial housing was initially introduced in Shanghai in 1991, and then it was extended nationwide in 1994 [21]. The HPF system has also intensified housing monetization relying on consumers' affordability for commercial housing. Based on this transformation, we may judge that the trend of China's housing policy is going to be neoliberalism.

In recent years, the market-oriented housing has caused housing price speeding up in urban China. As lack of enough ECH restricted by hukou system, an increasingly number of people cannot afford commercial housing. China's neoliberal housing policies are embodied on the residualization of HPF and ECH. In fact, except for CRH, ECH and HPF can be essentially regarded as a part of disposal income because they are subsidies for middle-to-low households to afford commercial housing. The HPF is not a housing welfare system. It is an actually compulsory housing savings based on mandatory contributions from employees and employers at a same proportion (5%-20%) of employee's monthly salary, which allows employees to buy commercial housing at a preferential mortgage rate and subsidize housing repair or maintenance [22].

However, the HPF loans have remained residual. Currently, HPF mortgage loans outstanding represents 60% of their net stock of deposits and less than 15% of mortgage lending by banks. Despite a modest increase in loans, HPF is still much lower than commercial mortgage loans. And it is expected that the gap will further widen in the future because of increasing housing price [23]. The HPF is going to run out of funds in 2016/2017 and will not serve contributors with loans, after which the total loans of HPF may exceed the inflow of HPF. Due to HPF are not allowed to close any funding gaps with borrowings in the capital market or other funding sources, the increasing loans of HPF will further alleviate the housing affordability gap. As a result, the liberal housing policies will be further intensified to encourage people to buy commercial housing. Similarly, ECH is the semi-commercial home-ownership designed for middle income households, whose price is controlled by government (averagely 15% lower than

commercial housing) through providing free lands to developers and exempting taxes [24]. It had been the most important housing provision in China's housing system in about past 20 years.

However, according to the 12th Five-Year Plan on housing reform, the public rental housing (PRH) will gradually replace ECH which is expected to benefit middle-to-low income families who are not qualified to ECH and CRH. According to statistical data, ECH shows a downward trend from 17.9% in 2009 to 10.6% in 2011, while the public rental housing accounted for 21.8% in 2011. Perhaps, this trend implies that the authorities tend to shift the priority from ECH to PRH [25]. As the public rental housing commenced just from 2011, it is still hard to expect how it is going to be in the future; while due to the great proportion of commercial housing in whole market share, neoliberal housing policies will continuously be prevalent in future China.

### III. DISCUSSION

It is necessary to understand the changes and trend of neoliberalism in public housing policies; but situations are quite varied depending on its geographical location and social context. As the three cases we discussed abovementioned, public housing has been considered as an instrument to ensure the social stability and provision of affordable housing to those in needs. As a result, this paper figures out that differentiated forms of neoliberalism are likely to be developed in future prospect, from case to case. Netherland have followed the principle of neoliberalism when considering its public housing policy, which aims to increase home ownership in private sectors and privatization on its social housings. In Hong Kong, a new type of neoliberalism is developed in public housing policy as a process of "developmental state", whose government in one hand imposes intervention for public rental housing and subsidized homeownership and pursues *laissez-faire* policy for private housing market. In China, after housing reform, price of private housing in cities has boomed greatly, which caused unaffordability for most of urban residents. Although Chinese government has introduced economic comfortable housing and public rental housing by public-private partnership, the access and eligibility are only limited to those who owns local urban hukou; while those migrant workers are exclude from housing welfares.

Market economic plays a great role in the capital and profits accumulation. After the economic neo-liberal theory introduced by Von Hayek, neo-liberalism ideology was saturated among different sectors in social life and economic. Housing market is always the first reflection when central government intends to change its policy. When Amsterdam moved from welfare state to neoliberalism, long-lasting social housing after the Second World War was privatized under the ideology of neoliberal housing policy. It is an indicator that Amsterdam regards social housing as the burden of government budget and trying to promote market as a main driven force. This is an

example to show that neoliberalism approach is not the only way to follow in the future. The existing policies are more fitted into national context than ideology itself, for example: when Hong Kong as a market-driven occupies itself in neoliberal housing approach. At the same time, dual expectations and direction of housing futures are considered more different than principle of ideology, which particularly on its public rental housing and home ownership scheme flats. It cannot totally trace back to the neoliberal ideology which emphasis privatization of public housing and reduce the public housing in housing market. The highly dense population and housing price in Hong Kong may cause dual housing policy decision in the future. Thus, it shows the example of how ideology utilize in reality varies from places to places, various government capacities and economic identities. Privatizing and deregulating are normally a main principle by government to reflect ideology. Moreover, in reality the way some governments treat public housing differently than what ideology of neoliberalism emphasizes. More often, it focuses on reregulation rather than deregulation [26]. This is also a contradiction in public housing market. Reregulation aims to help private housing buyers with affordability issue by launching subsidies to citizens, and control the residual level of public housing regulated by government. Reregulation of government ensures the continued functioning of public housing and housing market, and housing production.

#### IV. CONCLUSION

The process of neoliberalism and privatization scheme have led to disadvantageous groups with little wealth as the demand for public housing; however, the initial stage of public housing is built for social equity and for better life of common demands. When public housing is privatized by potential buyers or private rental organization, the unaffordability of poor dwellers and the gap between demand and supply will be amplified. Also, the general public has already established some stigma about public housing dwellers. Thus, social segregation and gentrification became inevitable outcomes when neoliberal-housing policies are implemented. The procedure of neoliberal housing policy is a circulated development. When privatizing public housing could solve the budget problems of government and fulfill local economic growth, the public goals and public interests will be postponed. On the other hand, if public housing policy going to be neoliberalism, some social problems will emerge. For example young urban generations who are unable to afford high commercial housing price will suffer housing inequity, which will further damage urban labor market. All in all, as this paper mentioned above, three societies have different policy strategies when comes to the trend of neoliberal provision of public housing. Public housing is not the panacea for failure of housing market, but it is a useful tool to balance the gap of housing demands and supply between private market and government-controlled market.

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