

Exploring Residualisation in Hong Kong's Public Rental Sector

Background

- “As everybody knows, with the possible exception of Mr. Milton Friedman, the free-market paradise of Hong Kong operates the second-largest public housing system in the capitalist world in terms of the percentage of the population living in units developed, built and managed by the government...” (Castells, 1986)
- What is even more surprising, certainly from an outsider’s perspective, is that two decades later, nothing much had changed
- In absolute numbers, more people living in public housing in 2006 than in 1981

Left Critiques and Neo-liberalism-a broad based attack on public rental housing

- Tenancy as serfdom
- Critique of monopoly providers
- Inefficient and unresponsive public landlords-bad in principle
- The 'choice' agenda
- Sitting tenant sales to boost home ownership levels
- Asset based welfare

Shrinking public rental sectors amidst diverging life chances

- Absolute and relative decline in size of social/public rental sectors
- Often linked to higher spatial concentration of public rental housing
- Stronger associations between spatial and social exclusion
- Individual and mass sales of stock, cessation of new building, outsourcing of management
- Deindustrialisation, the 'Knowledge based economy', widening gap between haves and have nots

Residualisation.....

Increasing poverty and inequality + sale of better public sector dwellings + lack of new investment + reduction in dwelling quality + outmigration of more affluent tenants to home ownership = residualisation = stigmatisation

- 'Housing for poor people is usually poor housing' (David Donnison)

Residualisation in Northern Ireland

- *The Continuous Tenant Omnibus Survey (2008) confirmed the growing residualisation of the Housing Executive's stock, characterised by a growing concentration of low income households. Only 15 per cent of household reference persons were working, while 44 per cent were in receipt of Income Support or Job Seekers Allowance. Approximately three-fifths (58%) of households had incomes of less than £10,400 a year. (Source: Northern Ireland Housing Executive, Housing Market Review 2010-2013)*
- Note: The Northern Ireland Housing Executive was often referred to as the 'other' big monopoly public rental landlord

Social Housing for the Poor...?

Households in the social rented sector by income group

	Low income (income deciles 1-3)		Middle income (income deciles 4-7)		High income (income deciles 8-10)	
	1980s	1990s	1980s	1990s	1980s	1990s
The Netherlands (1989-93)	42.9	44.3	42.8	42.4	14.3	13.3
Germany (1982-93)	33.2	44.0	44.7	42.5	22.1	13.5
Great Britain (1988-96)	59.1	61.8	31.9	33.5	9.0	4.7
France (1988-92)	37.3	38.2	46.6	45.5	16.1	15.9
Belgium (1988-92)	55.6	52.4	31.2	34.6	13.2	13.0
Sweden (1990-95)	39.7	49.0	45.0	40.5	15.3	10.5

Source: Haffner et al. (forthcoming).

From: Van der Heijden, H. (2003)

Privatisation in Post Socialist Societies

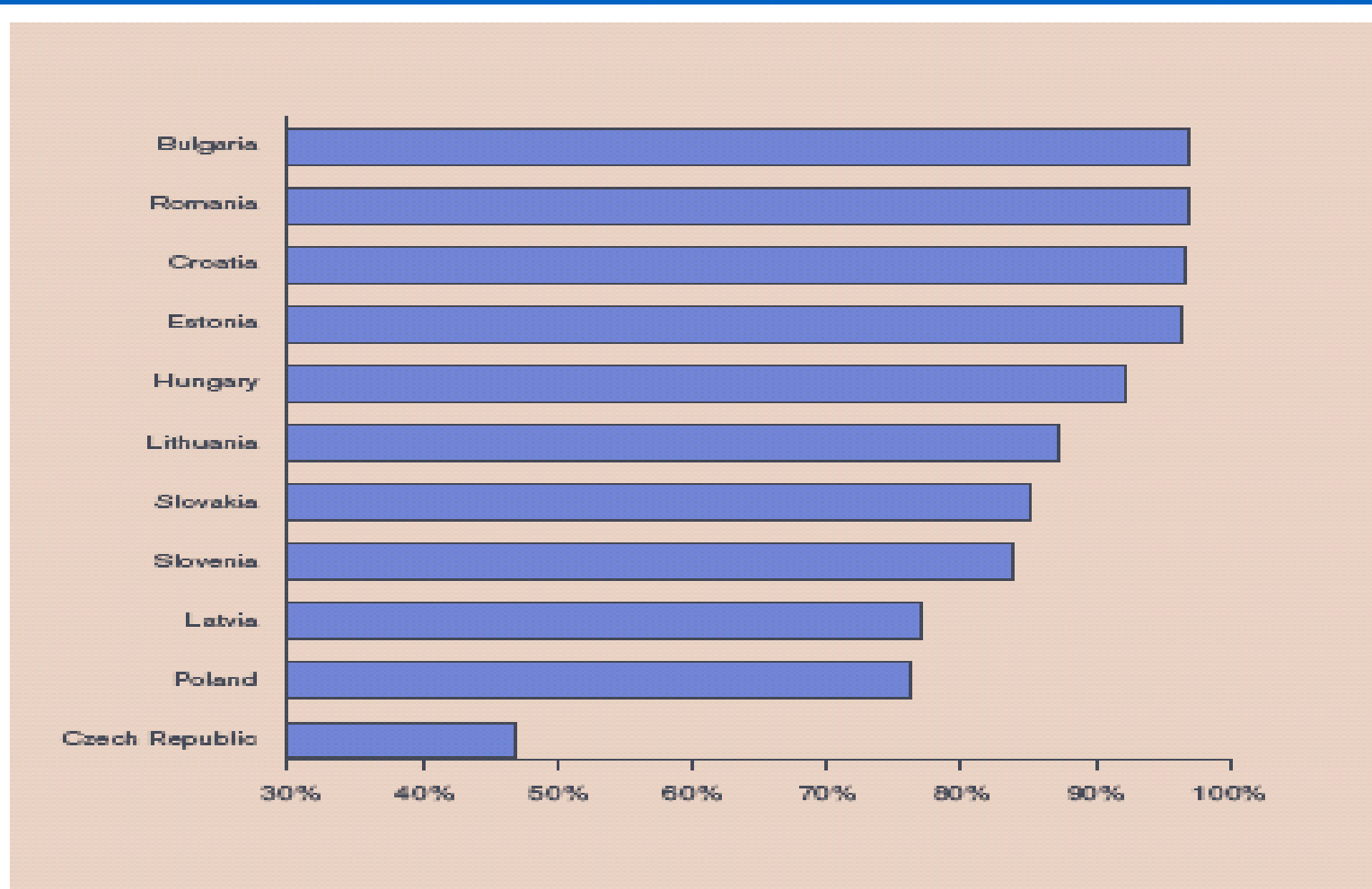


Figure 3.3: Owner occupation levels in central and eastern Europe

Sources: Housing Statistics in the EU 2004/5

Socio-economic group of local authority tenants-Great Britain 1980 and 1995

(Economically active heads of household)

	1980 %	2006 %
Professional	3	}
Employers and managers	16	}24
Intermediate non-manual	11	}
Skilled manual	46	15
Semi skilled	16	33
Unskilled	7	28

63% of heads of household economically inactive, long term unemployed etc ni 2006

Note:Slightly changed definitions 2003 onwards

**SO... how does Hong Kong fit
this narrative of public rental
housing/social housing
internationally?**

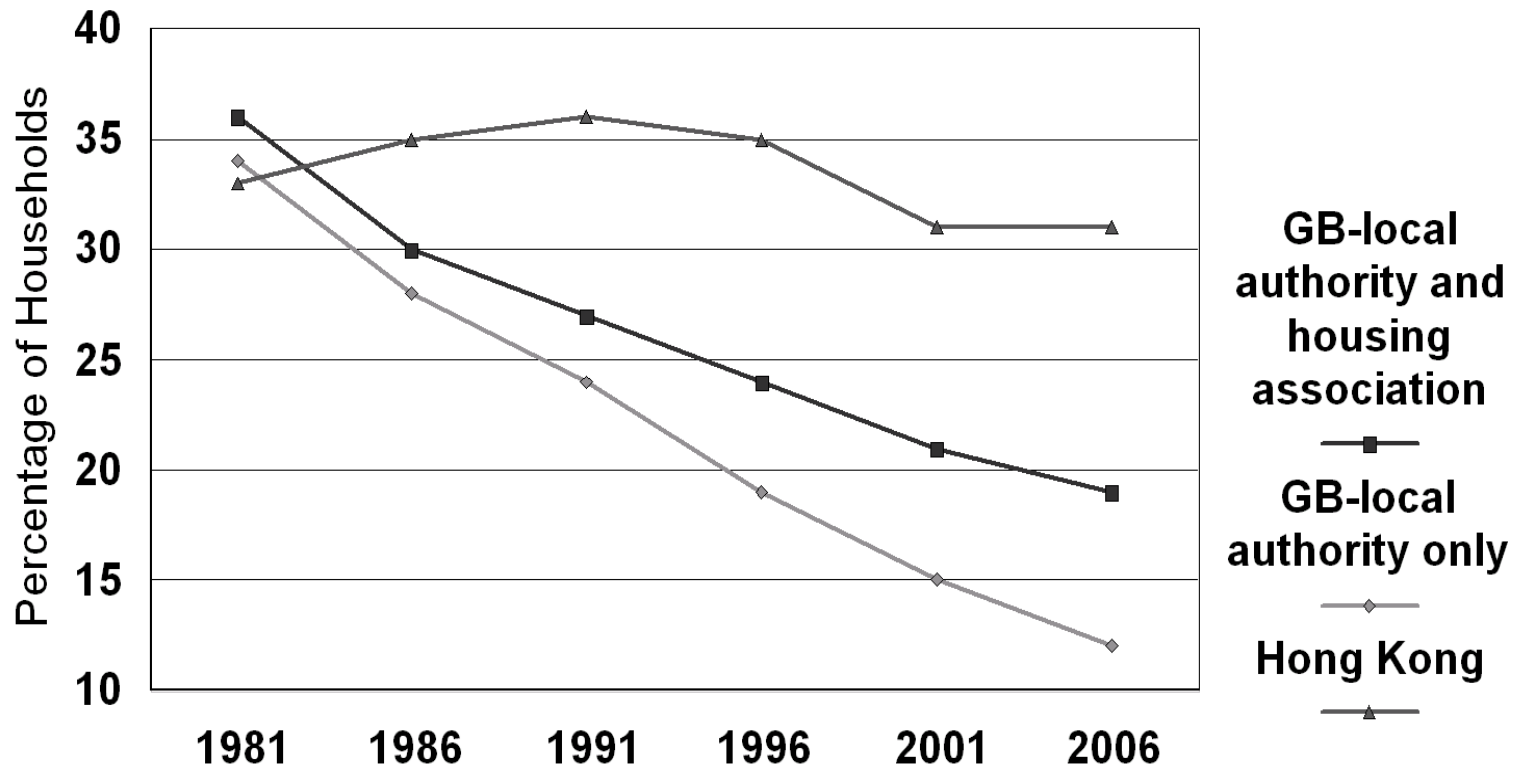
**What has happened to the social role
and social composition of HK's Public
Rental Housing over the neo-liberal
era?**

Resilient or residualising?

If so, why?

The 1987 Long Term Housing Strategy as the 'neo-liberal' moment, then what happened?

Households in Social Rental Housing-Hong Kong and Great Britain
1981-2006



Sources: GB-General Household Survey: Hong Kong Census 11

Average Household Income by Tenure (1981-2006) (constant 2006 prices)

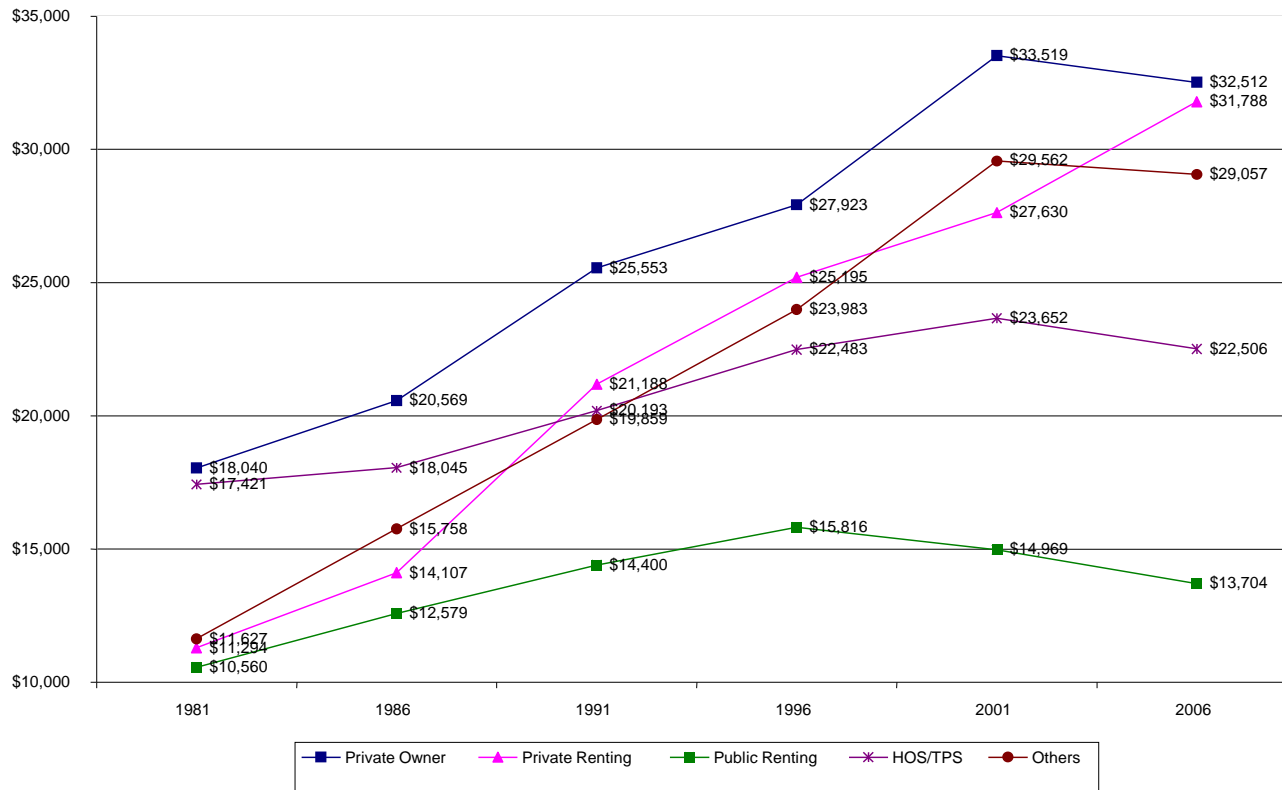
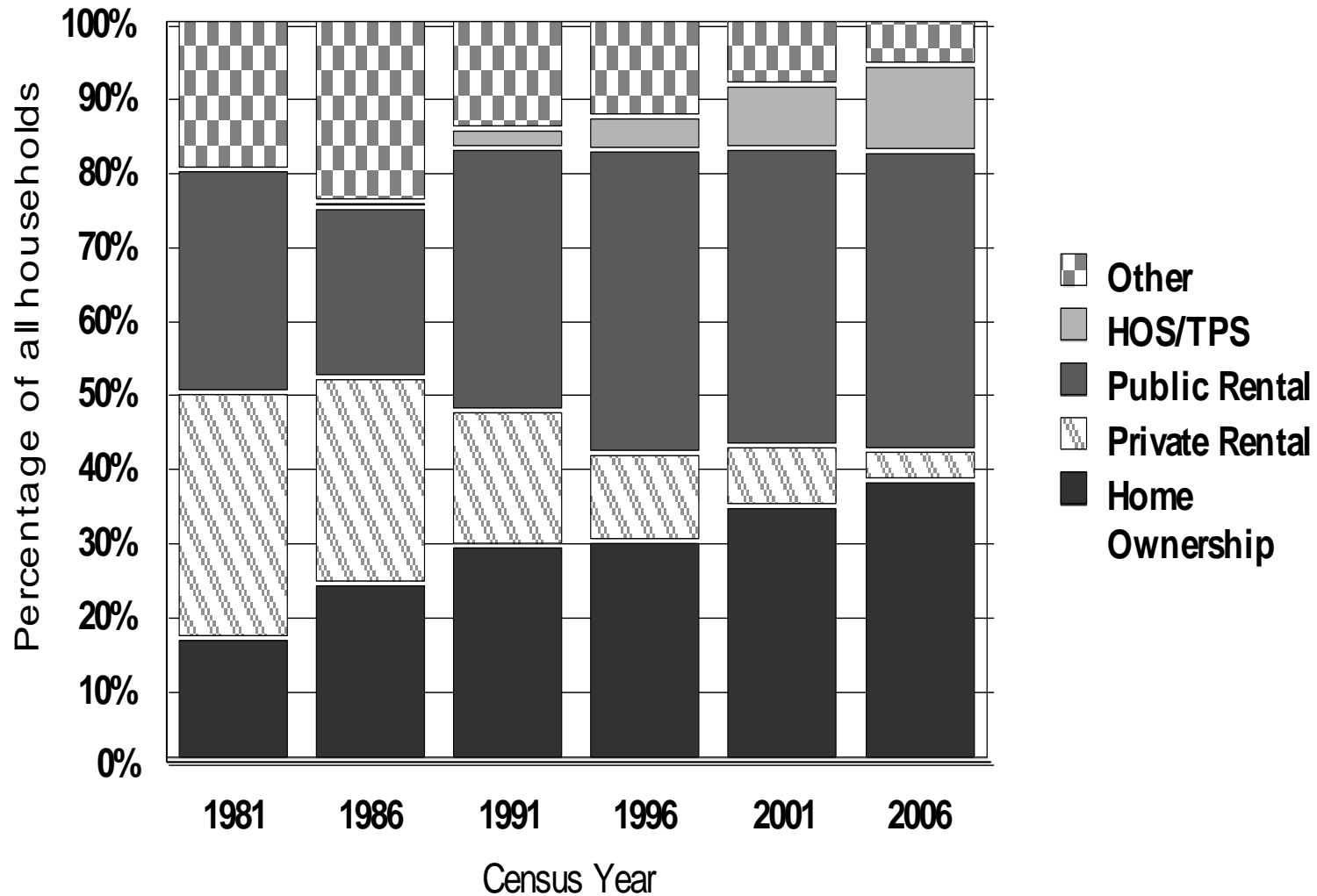


Table 2: Change in Average Household Income between each Income Deciles across Census Years

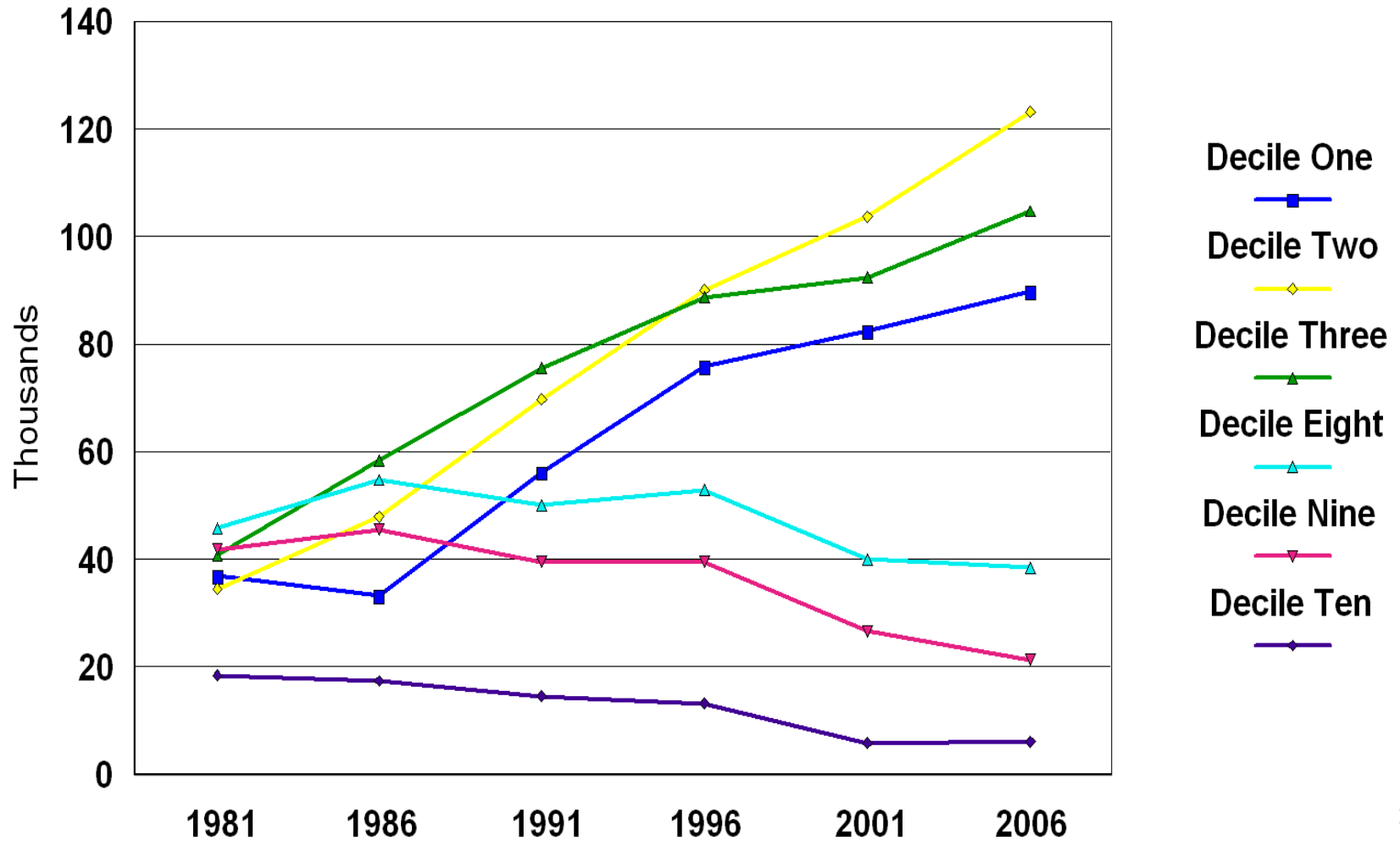
Census	Deciles 1	Deciles 2	Deciles 3	Deciles 4	Deciles 5	Deciles 6	Deciles 7	Deciles 8	Deciles 9	Deciles 10
1981	--	131%	40%	23%	22%	19%	21%	24%	32%	126%
1986	--	110%	33%	22%	20%	19%	21%	25%	33%	118%
1991	--	139%	34%	25%	22%	21%	23%	26%	36%	112%
1996	--	157%	38%	28%	24%	21%	22%	25%	35%	86%
2001	--	169%	48%	32%	27%	24%	25%	27%	37%	102%
2006	--	184%	51%	33%	30%	26%	25%	28%	38%	105%

Note: change is calculated between 2 income deciles

Changing Tenure Profile of Households in Decile One



Number of public rental households in upper and lower deciles



- Between 1981 and 2006, average incomes in HK almost doubled
- Rich have got richer and poorest fallen further behind-consistent with international trends
- Private renting increasingly the tenure of higher income households
- Notable trend is growing income divergence between PRS and other tenures-shallower increase 81-96 then falls over next decade
- Key reasons for changes in the PRS-societal ageing and changes in the overall distribution of income
- Consistent with the 'residual' narrative, more lower decile households in PRS and fewer higher decile households

15% of decile 10 households in PRS in 1981, only 3 per cent in 2006: conversely, 30% of decile 1 households in PRS in 1981, 40% in 2006

Deciles 1	1981	1986	1991	1996	2001	2006
Private Owner	16.39%	23.73%	28.94%	29.53%	34.19%	37.72%
Private Renting	33.03%	27.53%	18.14%	11.81%	8.27%	4.09%
Public Renting	29.74%	22.88%	35.48%	40.90%	40.16%	40.36%
HOS/TPS	0.08%	0.80%	2.61%	4.48%	8.52%	11.72%
Others	20.01%	24.30%	14.58%	13.02%	8.71%	5.98%
Missing	0.76%	0.76%	0.25%	0.25%	0.16%	0.14%
Sub-Total:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Deciles 10	1981	1986	1991	1996	2001	2006
Private Owner	46.39%	50.32%	57.32%	55.77%	64.18%	63.51%
Private Renting	22.80%	16.68%	18.53%	20.24%	18.35%	20.91%
Public Renting	14.96%	11.96%	9.21%	7.15%	2.90%	2.78%
HOS/TPS	1.08%	4.24%	5.14%	6.21%	7.26%	7.19%
Others	13.85%	16.24%	9.68%	10.44%	7.24%	5.49%
Missing	0.92%	0.56%	0.13%	0.19%	0.07%	0.12%
Sub-Total:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Family Type

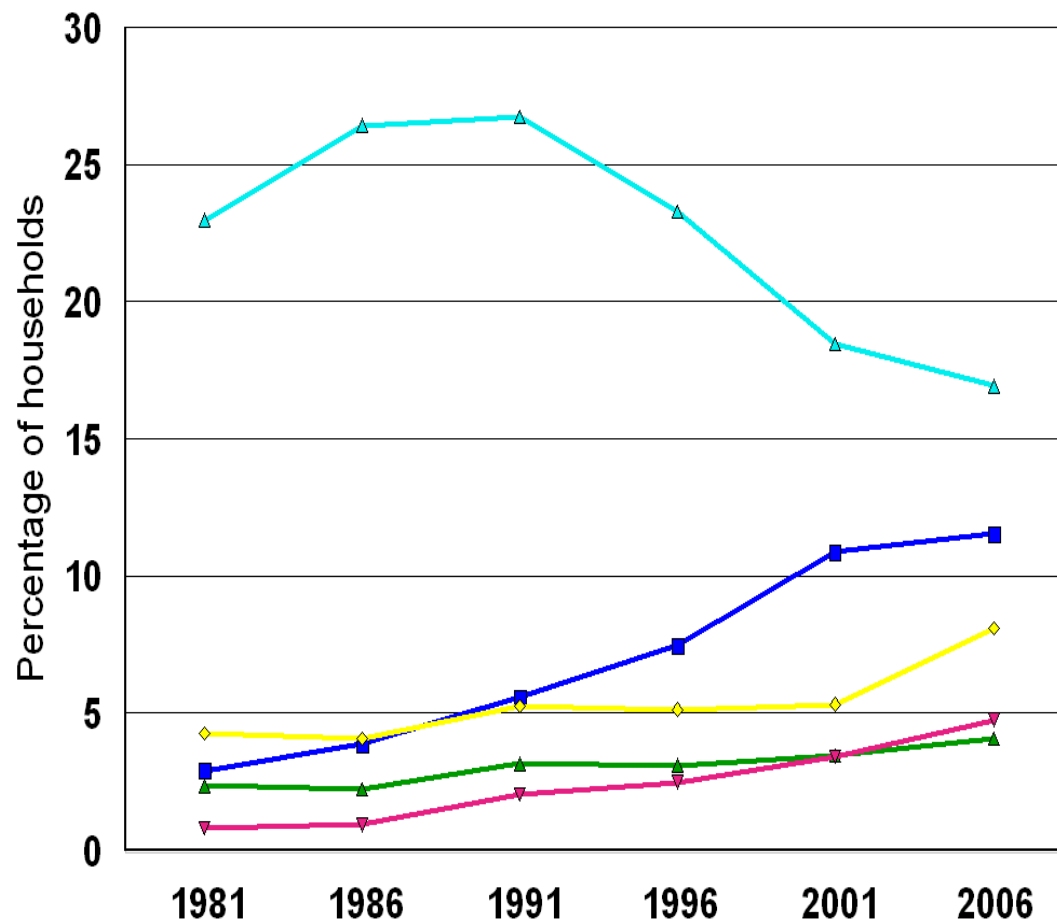
■ Hong Kong as a whole

- More elderly households (singles and couples) 4.2 to 7.9%
- Decline of extended families
- More lone parents-sixfold increase from a low base compared to European countries

■ Public Rental Sector

- Aged 60 and over overrepresented, from 9 to 19%
- Nuclear families underrepresented
- 1 in 20 households now lone parents, sector accommodates more than half of all lone parents

Selected Family Types in the Public Rental Sector



Single elderly/elderly couple



Single Non-Elderly



Young Couple



Nuclei Family



Single Parent



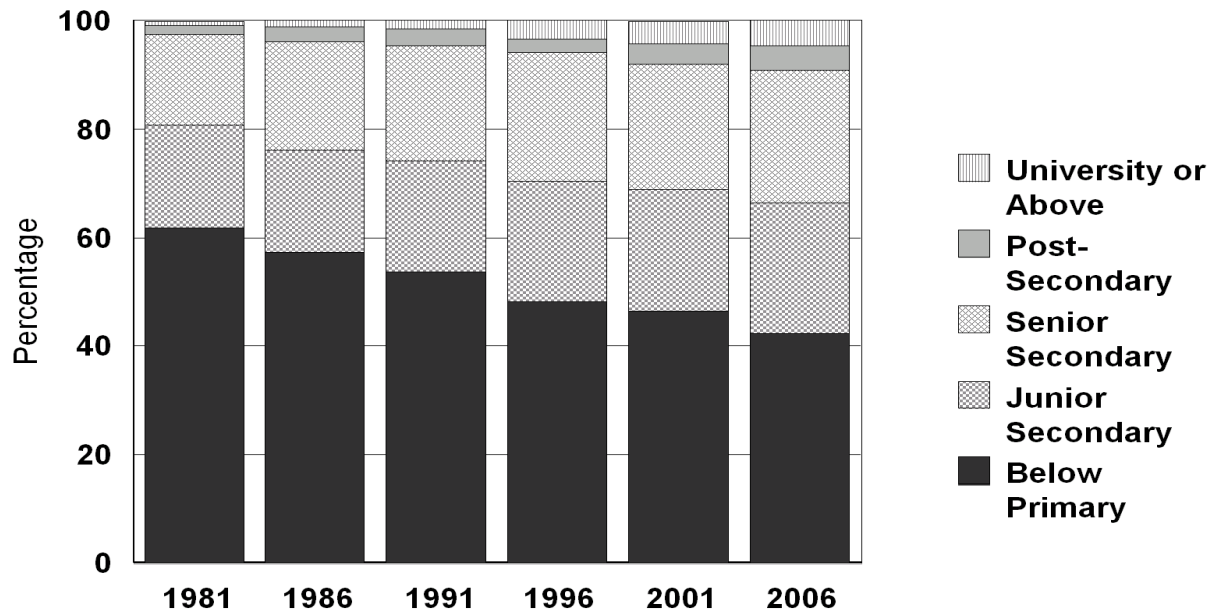
Education

- Over the 25 year period
 - Hong Kong has become a considerably better educated society
 - Sixfold increase in university graduates and proportion with below primary fallen from 59 to 33%
 - Those in PRS remain by far the least educated, 4.7% with university degrees
 - Around 40% of those with below primary education in PRS-fairly stable percentage over the period

Rising Educational Attainment in Hong Kong

	1981	1986	1991	1996	2001	2006
Below Primary	58.79%	52.81%	47.35%	41.29%	37.83%	32.92%
Junior Secondary	17.51%	17.77%	18.99%	19.32%	19.20%	19.31%
Senior Secondary	18.79%	22.58%	24.92%	27.29%	27.15%	28.00%
Post-Secondary	2.46%	3.61%	4.24%	3.88%	5.57%	6.62%
University or Above	2.45%	3.23%	4.50%	8.22%	10.24%	13.15%
Total Persons:	4881471	5282275	5386337	6023837	6358996	6449019

Changing Educational Profile of Public Rental Tenants



Occupation and Economic Activity

- Hong Kong: rapid shrinkage of skilled manual and growing professionalisation of workforce (over 50% in prof, manag, junior white collar in 2006)
- Public rental sector also becomes more white collar (professionalised), but also increase in % in least skilled jobs
- In line with HK's changing economic structure, those in manufacturing type jobs (machine operators etc)-53% in 1981, 9% in 2006
- 46% of workers in elementary occupations are in public rental sector

Changing Occupational Profile of Public Rental Tenants

Public Renting	1981	1986	1991	1996	2001	2006
Managers and administrators	1.57%	2.37%	2.67%	3.52%	2.16%	2.40%
Professionals	1.11%	2.23%	1.33%	2.03%	2.08%	2.24%
Associate professionals	2.03%	2.61%	7.33%	8.44%	10.11%	10.41%
Clerks	11.04%	13.53%	16.67%	18.33%	17.75%	17.92%
Service workers and shop sales workers	11.27%	10.91%	13.87%	16.02%	18.56%	21.44%
Craft and related workers	6.71%	1.85%	23.91%	20.73%	18.39%	15.59%
Plant and machine operators and assemblers	52.83%	47.04%	17.98%	12.30%	10.89%	8.79%
Elementary occupations	12.68%	19.34%	15.86%	18.14%	19.79%	20.88%
Others	0.75%	0.12%	0.38%	0.49%	0.28%	0.32%
Sub-Total Persons:	878509	1012795	1010929	1053699	900692	859055

Proportions of main occupational groups in public rental housing

Public Renting	1981	1986	1991	1996	2001	2006
White-Collar & Professionals	17.83	18.34	15.92	16.63	12.77	12.12
Clerks	38.82	39.10	35.70	37.70	30.27	27.35
Workers	45.65	45.76	42.03	46.13	38.85	36.44
Elementary occupations	40.77	50.07	42.80	52.53	47.20	46.41
Others	17.73	13.60	10.26	21.50	21.90	27.94

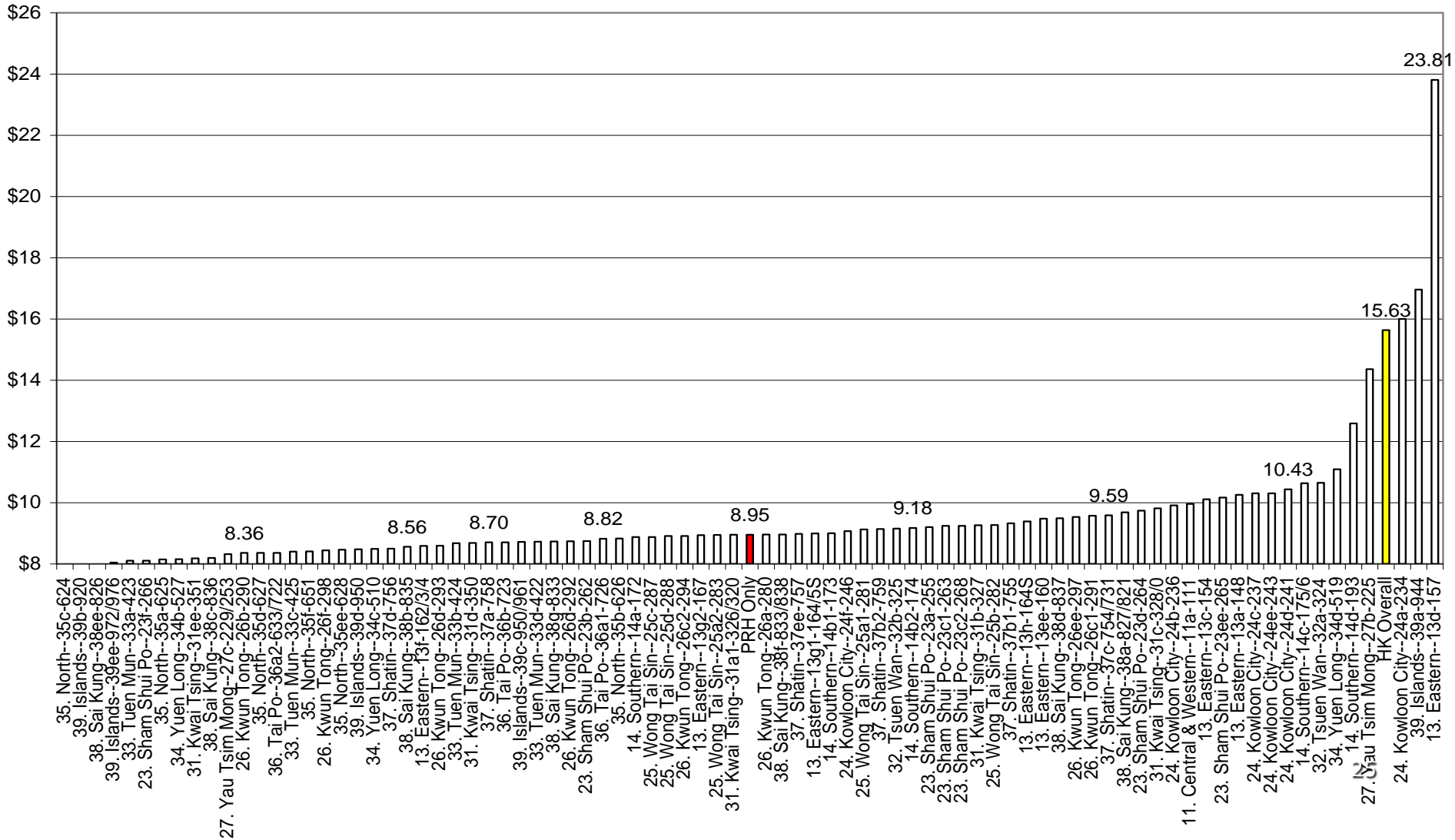
So..... Residualisation?

While the direction of change could be seen as moving towards a more residual role, there is still considerable social mix as indicated by the overall income and occupational profiles of public rental tenants-also sheer size and geographical spread of sector

- More poorer households but in 2006, still 17 % of PRS households in deciles 8-10
- 12% of those in work in PRS in white collar/professional categories
- Conclusion...PRS in HK currently a long way from residual
- **But more polarisation/differentiation within PRS?** (Re. occupational profile? Income-average hhold income of decile 10 PRS 20 times decile 1 in 1981, 26 times in 2006)

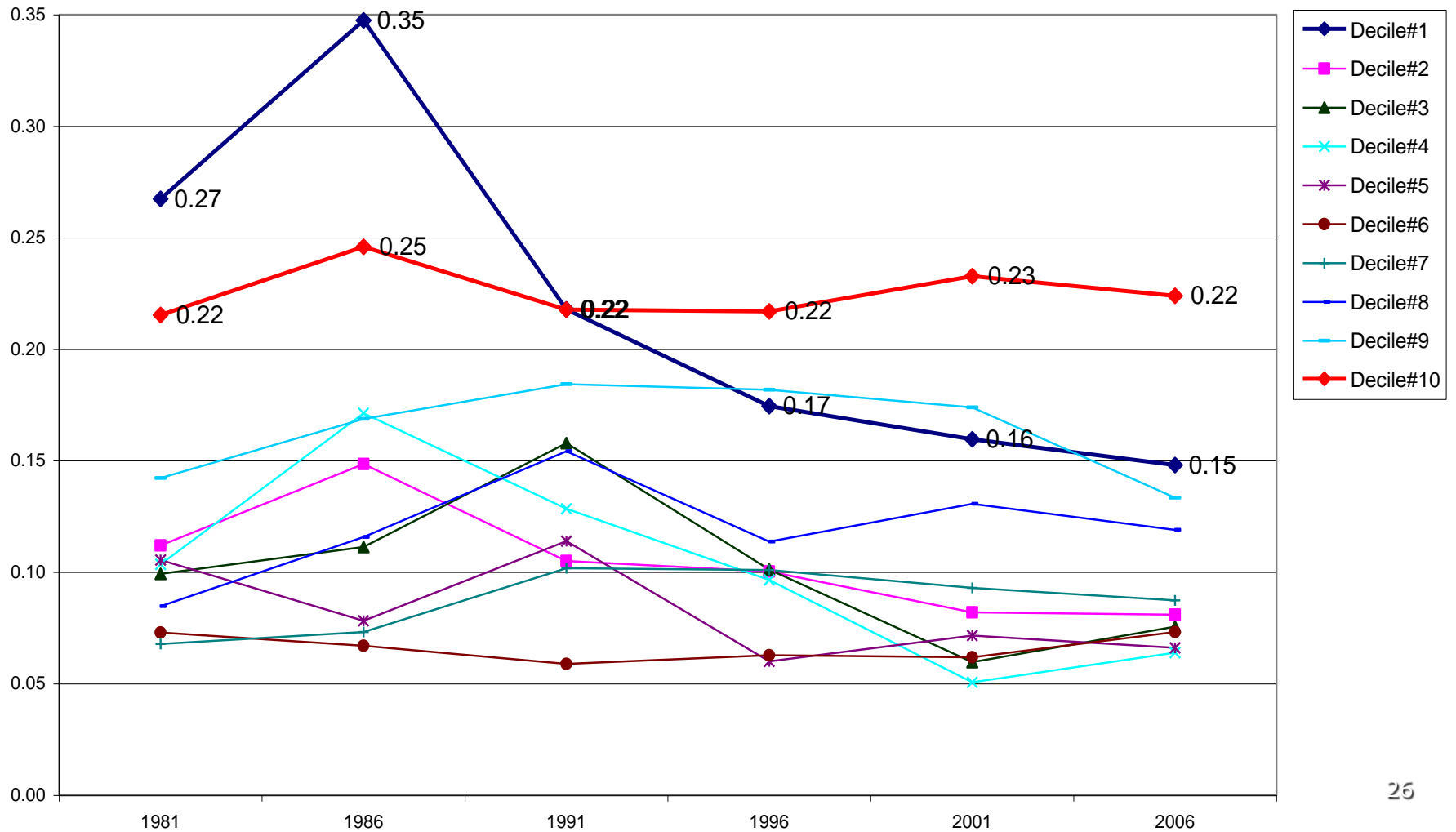
Differentiation.....Average Household Income From Employment (STPUGs with PRH)

Chart 6: Average Total Employment Income (constant 2006 price, 000s) in 2006



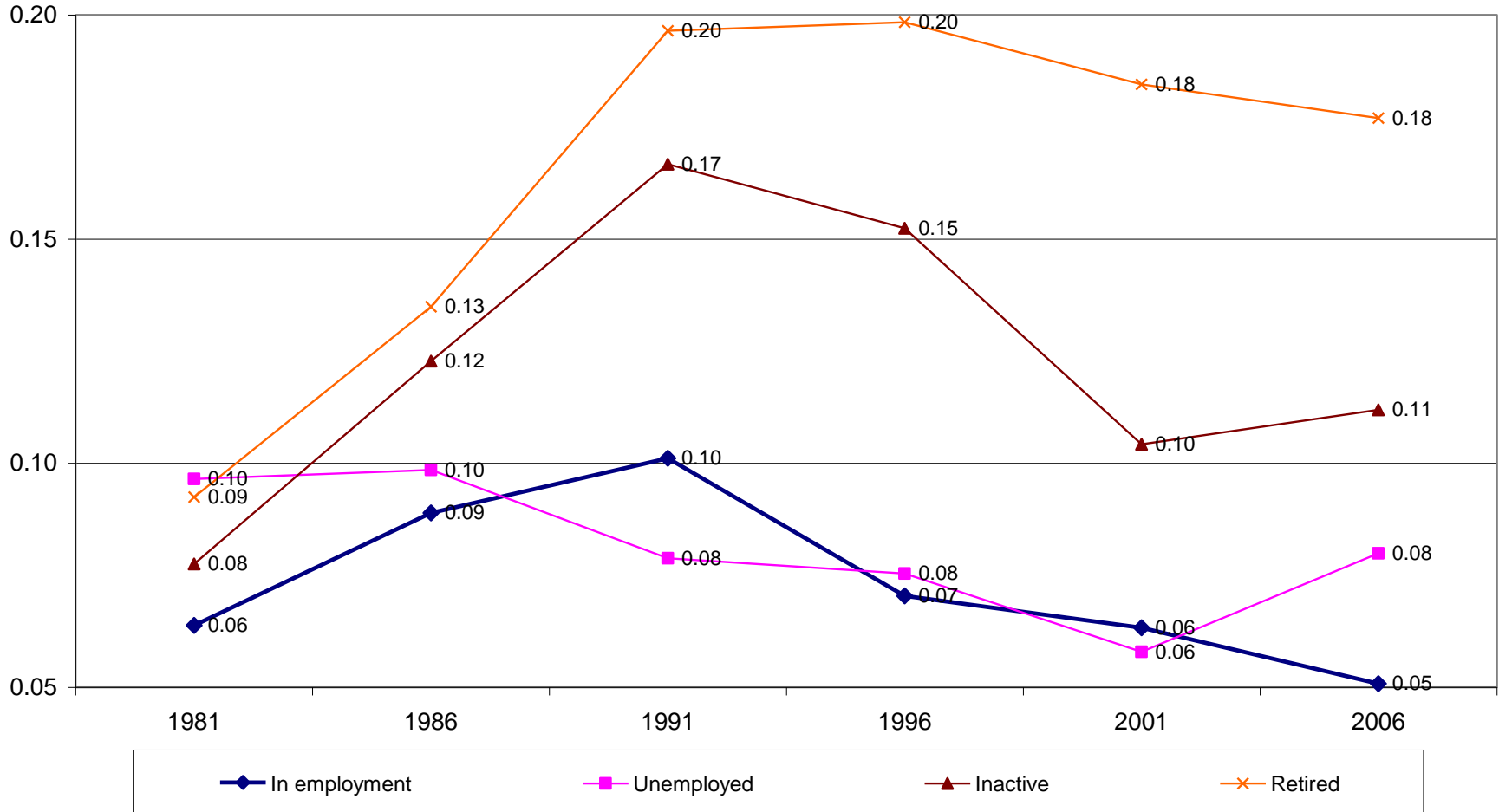
Differentiation...by income decile

Figure 5. Dissimilarity Index on Household Income Deciles, 1981-2006

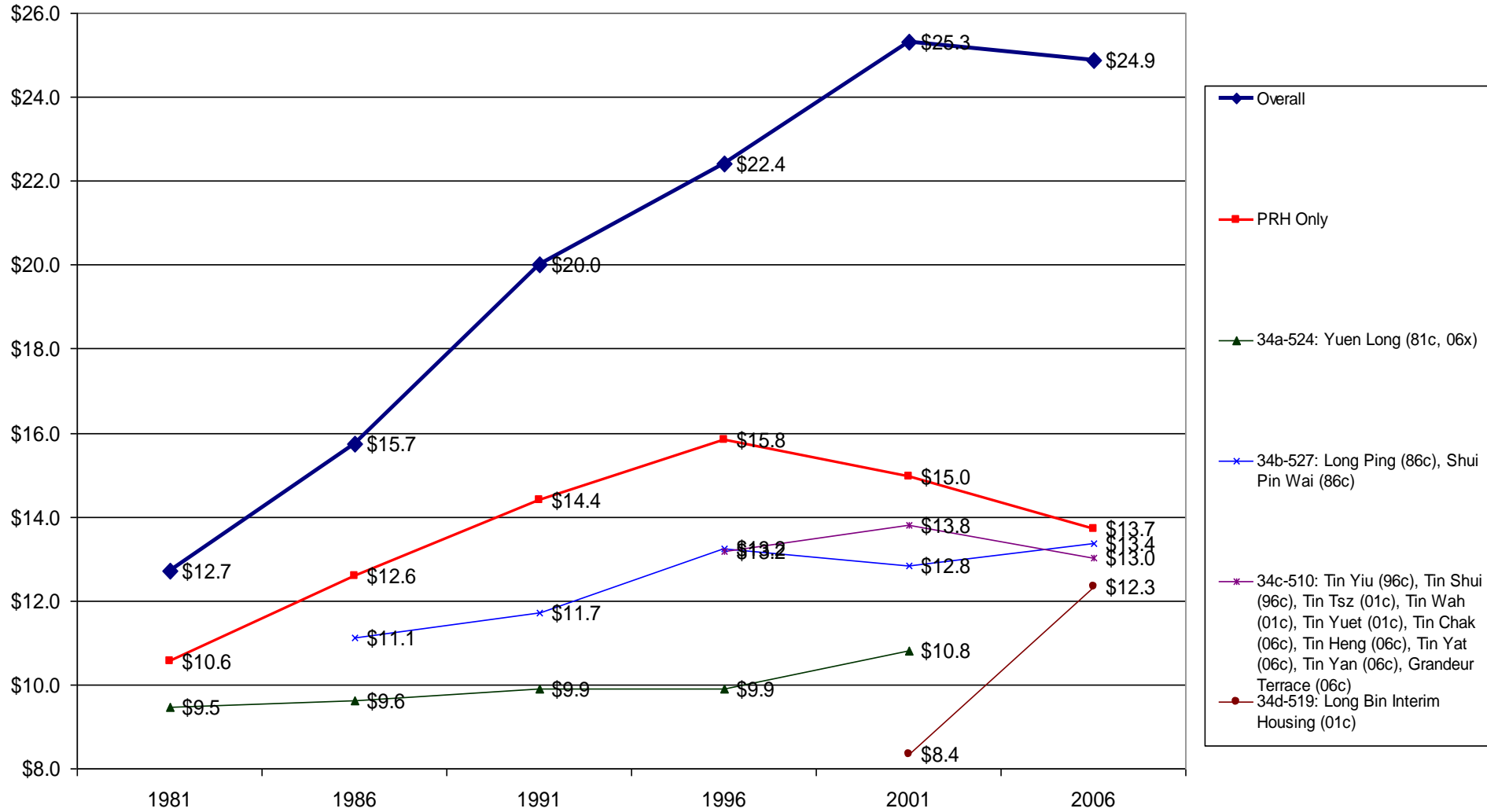


Differentiation....economic activity

Figure 3. Dissimilarity Index on Economic Activity within Public Rental Housings at the STPUGs Level, 1981-2006



**F12: Average Household Income (Constant 2006 Price, \$000s)
for PRH in the Yuen Long District, 1991-2006**



Explanations.....

- Failure of policies to deliver social housing via private renting-ie absorption of subsidies into market rents
- Problems of privatising ownership/management of high rise (responsibly)
- Already overcrowded private rental sector-so unacceptable as market based alternative
- LTHS coincides with societal ageing and deindustrialisation/growth of service sector economy and thus growth in demand for public rental housing
- Highly skewed income structure so limited group of marginal owners
- Institutional power of HKHA
- Apparent lack of critique of inefficient, public sector etc-rather than HOS-ie no perception of crowding out
- Limited impact of neo-liberal ideas in an already neo-liberal society??

Concluding Observations

- PRS as important safety net in recent financial crisis- limited exposure of lower income households
- BUT how to reduce asset divides without increasing risk, vulnerability
- Targeting PRS versus social mix considerations
- And how quickly roles and images can change.....UK, 1978.....

