



## Dual institutional structure and housing inequality in transitional urban China<sup>☆</sup>



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### ABSTRACT

Enriching the Asian perspectives in the research of social stratification, this study sheds light on distinct housing inequality patterns after housing was transformed from the most important welfare benefit to the most valuable private property in the late 1990s in urban China. We develop a theoretical model of the dual institutional structure to highlight that housing allocation mechanisms are characterized by coexistence of socialist legacy and market logic. We draw empirical evidence from the 2003 Chinese General Social Survey data to capture the critical period following the radical housing reform. Statistical results show that individual attributes, work unit characteristics, and market development exert distinct impacts on state-channeled housing benefits and market-based housing rewards under the dual institutional structure. These findings indicate that we should conduct substantive institutional analyses to achieve a deeper understanding of complex stratification mechanisms and inequality patterns during the market transition.

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After three decades' of market transition, China, the most populated country in Asia and the world, has developed into the world's second largest economy. At the same time, it has also transformed from one of the most egalitarian countries to one of the countries with the highest level

of social inequality (Wang, 2008). Its rising social inequality and shifting stratification patterns have attracted extensive attention from sociologists, but most extant studies have focused on income disparity (Bian, 2002). Situated in the transformed housing market after radical housing reform in 1998, this study examines housing inequality patterns in urban China to shed new light on the impact of dramatic institutional changes on social stratification.

During China's transition from a redistributive economy to a market economy, housing inequality has unique patterns and theoretical significance. After the Chinese state abandoned the welfare housing policy in 1998, housing has been transformed from the most important welfare benefit to the most valuable private property within a short period of time. As a result, housing ownership in urban China increased dramatically from 15% in 1992 to over 80% in 2002, which exceeded the ownership rate in most Western countries, such as the United States (68% in 2003) (Davis, 2005, 2006; see also Liu & Mao, 2012). It also overshadowed the slow increase in housing ownership over decades in

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most Eastern Asian economies (Lee, Forrest, & Tam, 2003). In the transformed housing market, housing has become the most important household asset—housing value took 64.4% of the per capita total wealth in urban China by 2002 (Zhao & Ding, 2008: 125). Housing inequality is even higher than income inequality. Our calculation based on 2003 Chinese General Social Survey (CGSS) data shows that the Gini coefficient of housing value reached 0.574 in 2003, which was higher than the Gini coefficient of household income (0.528). In this context, housing has become a crucial factor that affects class identification, social interactions and life satisfaction (Li, 2009; Liu & Li, 2005; Zhao, 2012).

From a theoretical perspective, the transformed housing market embodies the distinct institutional arrangement in a transitional economy. Under the redistributive economy, housing was largely distributed by the socialist state through work units (*danwei*). After the state's radical housing reform in 1998, housing was commodified and privatized. Although wealthy families could purchase commercial housing from a burgeoning market, for most employees, housing was first privatized through work units. Thus, the transformed housing market manifests a unique institutional structure, where traditional redistributive practices and new market mechanisms coexist and generate diverse allocation processes. It is different from the traditional redistributive system where public housing was dominant. It is also different from the housing market in Western industrialized economies where economic purchase power (e.g., household income) is the most important determinant of housing quality and tenure in a unified housing market (Wang, 2001). Therefore, the unique institutional structure in the transformed housing market provides an intriguing research site to examine stratification processes and inequality patterns.

Given such dramatic changes in housing inequality patterns and the unique institutional structure, there are significant empirical and theoretical gaps in the extant English and Chinese research literatures on housing inequality. While the English literature has examined housing inequality in urban China (e.g., Bian, Logan, Lu, Pan, & Guan, 1997; Davis, Bian, & Wang, 2005; Logan & Bian, 1993; Logan, Bian, & Bian, 1999; Walder, 1992, 1995; Wang, 2008; Zhou & Suhomlinova, 2001), most studies used data collected *before* the radical housing reform in 1998. Few studies of the emerging patterns of housing inequality are based on fieldwork and qualitative evidence (Davis, 2003, 2005, 2006). Thus, it is an urgent task to systematically update empirical evidence on housing inequality in 21st century China in the English literature. Interestingly, benefiting from new data collections, the Chinese literature on housing inequality has grown fast in recent years (e.g., Bian & Liu, 2005; Hu, 2012; Li & Lu, 2012; Li, 2002, 2004, 2009; Liu & Hu, 2010; Liu & Mao, 2012; Mao, 2010a, 2010b). While these studies have generated rich empirical evidence on complex patterns in the emerging housing market, there is still a lack of theorization on the unique patterns of housing stratification. For example, while many studies have touched on both state and market forces in shaping housing inequality, they rarely scrutinize distinct determinants and mechanisms underlying different aspects of housing inequality based on a coherent theoretical framework.

Building on and integrating the English and Chinese literatures, our study advances both literatures by making empirical and theoretical contributions. Empirically, we analyze the CGSS 2003 data to capture this critical moment right after the radical housing reform in 1998. The period of 1998–2003 was the critical transition stage of establishing the new housing system in urban China based on dramatic housing privatization and commercialization, which laid the foundation for the housing system since then (Li & Lu, 2012). In a sense, our findings at the beginning of the 21st century not only have important historical value but also generate important insights to better understand the evolution of housing inequality in recent years. Moreover, in empirical analyses, we extend the research scope to examine housing inequality across multiple dimensions (including the type of residential community, housing subsidy and tenure, and housing conditions) in the transformed housing market. While previous studies often focus on one or two indicators (e.g., housing size and value), rarely has a study examined multiple dimensions simultaneously and systematically.

Theoretically, we develop a theoretical framework on the dual institutional structure to deepen our understanding of the distinct allocation mechanisms and complex patterns in housing inequality in urban China. It highlights that housing allocation mechanisms are characterized by coexistence of socialist legacy and market logic. We conceptualize a set of housing benefits and rewards in each of three dimensions (i.e., the type of residential community, housing subsidy and tenure, and housing conditions) as state-channeled benefits and market-based rewards based on their allocation mechanisms. Our theoretical framework further considers the broad institutional and market environments, which have also changed significantly after a series of radical socioeconomic reforms in the mid-1990s. In the context of such institutional overhaul, we investigate several key individual attributes—including education (often emphasized as human capital), communist party membership (as an indicator of political capital), and job and occupational status—in affecting housing inequality. We further examine the role of work unit type and bureaucratic rank in housing stratification, which have been redefined after organizational and fiscal reforms. Finally, we analyze the level of market development across regions in shaping housing inequality. Statistical analyses show that these factors exert distinct impacts on state-channeled vs. market-based housing rewards under the dual institutional structure.

Our findings show complex housing stratification patterns under the dual structural model in 21st century China. They have broad theoretical significance and implications. The identified dual structure in the transformed housing market epitomizes broad fragmented institutional environments after the Chinese state overhauled its redistributive economy. Our study enriches the Asian perspectives in the research of social inequality by shedding new light on social stratification processes under distinct institutional environments and allocation mechanisms in the largest transitional economy of the world.

The rest of the paper is organized as follows. We first develop a theoretical model of the dual structure

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