



The downside of marketization: A multilevel analysis of housing tenure and types in reform-era urban China [☆]



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ABSTRACT

Based on data from the 2005 National Population Sample Survey and compiled covariates of 205 prefectures, this research adopted principal-component and multilevel-logistic analyses to study homeownership in urban China. Although the housing reform has severed the link between work units and residence, working in state sectors (government, state-owned enterprises and collective firms) remained significant in determining a household's entitlement to reform-era housing with heavy subsidies or better qualities. While the prefecture-level index of marketization reduced local homeownership of self-built housing, affordable housing and privatized housing, its effect is moderated by cross-level interactions with income, education and working in state sectors across different types of housing. Meanwhile, the index of political and market connections promoted all types of homeownership except for self-built housing. By situating the downside of marketization within a context of urban transformation, this research not only challenges the teleological premise of the neoliberal market transition theory but calls for research on institutional dynamics and social consequences of urban transformation in China.

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1. Introduction

With skyrocketing housing prices in urban China over the past decade, inequality in housing tenure has been thrust into public discourse. Although scholars largely agree that market transformation can promote income growth, property rearrangement, and the rise of entrepreneurs (Bian and Logan, 1996; Nee, 1989), one should be cautious in interpreting benefits in these areas as overall benefits during the market transformation. In this regard, the stratification of homeownership deserves attention because it is the most important domain where “commodification of redistributive privileges” strikes (Szelenyi and Manchin, 1987). Whereas household-level characteristics of housing inequality in China's major cities, such as Beijing, Shanghai and Guangzhou, have been systematically studied (Li, 2000; Wu, 2002a,b; Zhu et al., 2012), it remains unclear how the overall home ownership in urban China is shaped by both household and local characteristics, especially the latter, in more recent years.

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Therefore, this research on housing tenure in urban China mainly addresses two questions. First, are socio-economic indicators (occupation, types of work units, education and income) significantly associated with household-level homeownership in reform-era China? If yes, does the relationship support *the market transition theory* or *the persistence of power theory* (Bian and Logan, 1996; Nee, 1989)? Second, does the macro-level process of market transformation influence prefecture-level housing tenure? If yes, does market transformation promote or reduce local home ownership? Based on microsample data from the 2005 (1%) National Population Sample Survey (NPSS) and compiled macro-level covariates of 205 adjacent prefectures in China's central and eastern regions, we employ multi-level (multinomial) logistic analyses to illustrate how household socioeconomic status and local contexts of market transformation are relevant to urban housing tenure.

2. Market transformation: theories and debates

This research draws upon two theoretical perspectives that have greatly influenced recent studies in (post-) socialist societies, the market transition versus the persistence of power theories. Based on the argument that social inequalities in socialist states must distinguish between immediate producers and redistributors (Szelenyi, 1983), Nee (1989) posited that a process of market transition, which gradually reward direct producers (e.g., manual workers) more than redistributors (e.g., cadres), would fundamentally change social stratification in socialist China via incentives for production, returns to human capital, the growth of commerce, and alternative paths for social mobility. However, its teleological premise that marketization will lead to an overall improvement of social well-being has been questioned by subsequent studies (Bian and Logan, 1996; Szelenyi, 2002). Different from the neo-liberal proposition that *all boats rise* in a highly marketized society, the persistence of power theory (Bian and Logan, 1996) postulates that the benefits from China's market transformation spread unevenly such that individuals with positional power and institutional credentials remain better off than others. As long as political power continues to confer control over resources, incumbents, either as agents of the central authority or administrators of local economy, can still claim their benefits in the reform era.

Moreover, it has been demonstrated that social stratification in reform-era urban China is shaped not only by occupation but by work units (workplace or *danwei*), the key institutions through which the state exercised control over the society (Bian and Logan, 1996; Lin and Bian, 1991). As economic and social resources were possessed by state authorities, work units in urban China were primary institutional channels through which both economic activities and social life were organized (Bian and Logan, 1996; Lin and Bian, 1991): work units not only facilitated the operation of the authoritarian regime via resource allocation, capital production and labor distribution, but also coordinated access to welfare and neighborhood-based resources (Logan, 1993). The institutional power attached to work units operating at different levels of the political hierarchy consequently determined its employees' entitlement to differential social resources, economic benefits and public goods (Lin and Bian, 1991). During the market transformation, the institutional power of work units has not only remained intact but strengthened because the state's emphasis on economic performance in the reform era has transferred substantial decision-making power from government officials to work units (Bian and Logan, 1996; Wu, 2002a,b). For example, as compared with non-state sectors possessing peripheral positions in reform-era China, state sectors (i.e., government agencies and state-owned enterprises, or SOEs) occupying core positions can provide their workers with considerably higher income and more extensive material benefits (e.g., housing and medical care).

Finally, for a socialist state with salient regional variations, students of market transformation cannot fully comprehend who gains and who loses from this consequential transformation unless the role of local characteristics has been seriously examined. With regard to the measures of marketization at the aggregate level, scholars initially attempt to capture the market force by comparing returns to capital at two or multiple time points (Nee, 1989). Subsequent studies measured the market transformation by a concrete variable relevant to economic performance (e.g., Xie and Hannum, 1996), such as GDP or industrial growth. Yet, it is argued that the market transformation is not equivalent to economic growth because the latter can be achieved by a variety of ways (such as technological innovations) other than a move towards a market-oriented economy (Fan and Wang, 2003). Based on this reasoning, we constructed multi-dimensional measures of market transformation by retrieving macro-level data from various official yearbooks, publications, and databases, which highlight several dimensions of the market transformation, such as labor market, capital market, product market and market environment (Bian and Zhang, 2002; Fan and Wang, 2003).

3. Urban housing in China: moving from socialist redistribution to open market

Urban housing is virtually regard as a welfare policy under state socialism (Logan et al., 2002; Szelenyi, 1983). Under such ideology of housing provision, housing property rights in urban China were generally possessed by work units, which accommodate the housing needs of their employees by collecting nominal rents (Li, 2003). While the central government tried to keep its socialist promise that housing was a universal provision, urban housing provision system in pre-reform China illustrated the significance of bureaucratic power and seniority in reproducing social inequality (Huang, 2003; Logan, 1993). For example, whereas people from a work unit usually lived in the same residential compound with homogeneous exteriors, the allocation of housing with better quality (e.g., more number of rooms, favorable orientation of the apartment units, and lower floors on which an apartment was located) favored high-rank officials and senior workers (Lu, 2006). Moreover, an

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