



## Social rental housing in HK and the UK: Neoliberal policy divergence or the market in the making?



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### ABSTRACT

This paper reviews recent developments regarding social housing policies in Hong Kong and the UK. Underlying the analysis is the fact that, during the last 40 years or so, both countries have been major global players in financial markets and thus pursued aggressive market-driven approaches to economic development. Notwithstanding that fact, each followed a different direction regarding housing policy reforms in the period. In Hong Kong (HK), the system of public housing provision was expanded; in the UK, the system of housing provision was scaled down. The argument being developed here is that a pro-public housing approach in HK should not be seen as a threat to capitalism in any way or measure. On the contrary, land development as well as land-originated fiscal revenues is a crucial part of HKSAR government's revenues. In the UK, this is no different. The return (through various forms of privatization) of the public housing stock (Council housing) to private hands (homeowners and housing associations) meant also to enhance businesses, in particular the mortgage and real estate markets. In both cases, there were also clear political reasons that justify developments in housing policy. The idea that Council housing served as a stage in the passage from a time when housing was predominantly provided in a largely unregulated private-rental market to a time when most people became homeowners is also discussed. This was what defined the 'modernization' of housing in the UK. The of 'residualization' was adopted to discuss the UK case. One important question is to know whether Hong Kong will follow the same path of 'modernization' as the UK, in the future. So far, HK has resisted; public housing has been 'resilient', ensured by a proper repair and maintenance policy, redevelopment and production of new housing throughout the last decades. Resilience is also granted by people's recognition and attachment to public housing and low stigmatization. More importantly, public provision of housing continues to be regarded, in both countries, as a necessary development to grant quality of life and a better distribution of income, avoiding the sharpening of social and territorial segregation, gentrification and stigmatization.

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### 1. Introduction

This paper reviews recent developments regarding social housing policies in Hong Kong and the UK. Underlying the analysis is the fact that, during the last 40 years or so, both countries have been major global players in financial markets and thus pursued aggressive market-driven approaches to economic development. Notwithstanding that fact, each followed a different direction regarding housing policy reforms in the period. In Hong Kong (or simply HK), the system of public housing provision was expanded; in the UK, the system of public housing provision was scaled down. The measures that took to these differing approaches are generally

referred to in the paper. The existing literature is very rich of detailed accounts of the institutional reforms put in place, by central governments, in both countries. The argument being developed here is that a pro-public housing approach in HK should not be seen as an inconsistency or a threat to capitalism in any way or measure. On the contrary, land development and land originated fiscal revenues are a crucial part of HKSAR government's revenues. Moreover, land and real estate businesses are a crucial part of the HK economy. In the UK, this is no different. The handling (through various forms of privatization) of the public housing stock (Council housing) to private hands (homeowners and housing associations) meant also to enhance businesses, in particular the mortgage market (with the 1980s big bang) and real estate market. Property is today a substantial part of a homeowner's assets and, often, is used for borrowing and further enhancing the credit market.

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In sum, for different reasons, both countries followed different paths regarding reforms of housing policy in the period of neo-liberalization. It is also – if not more – relevant to mention the political aspects of all this. In HK, the demographics and existing housing conditions were a potential trigger of riots and political discontent. The public provision of housing was a measure that aimed at legitimizing, at first colonial governments, and later the HKSAR governments, both unelected. At the same time, slum clearance made valuable land available for development, especially in better, more attractive locations. In the UK, the promise that the country would soon become a homeowner nation was passionately held by government officials, especially during the Thatcher years, and helped her pursuit of Right to Buy and other pro-market policies. The policies also included large-scale transfers to the not-for-profit housing associations sector and thus meant the privatization of Council housing in an unprecedented scale. Disrepair and the necessary costs involved in maintaining a large stock of public housing also played a role in the wake of the fordist, international crisis. Once privatized, this responsibility would also be private.

The idea that Council housing served as a stage in the passage from a time when housing was predominantly provided in a largely unregulated private-rental market to a time when most people became homeowners is also discussed. This was what defined the ‘modernization’ of housing in the UK, according to [Malpass and Victory \(2010\)](#). The idea of ‘residualization’, developed in a number of papers during the last 20 years or so, was adopted to discuss the UK case. ‘Residualization’ is generally defined as a situation in which the public rental housing sector detaches from overall trends in society, being mainly destined to the more impoverished, destitute and ‘difficult’ population. In the UK case, it can also be understood in more strict terms as the diminution of the housing stock (although Council housing is still numerically relevant). One important question is to know whether Hong Kong will follow the same path in the future. HK has apparently resisted. This movement was here called ‘resilience’. This was ensured by a proper repair and maintenance policy, redevelopment and production of new housing throughout the last decades. Resilience is also supported by people’s recognition and attachment to public housing and low stigmatization.

Be that as it may, public provision of housing continues to be regarded as a necessary development to grant quality of life and a better distribution of wealth, avoiding the sharpening of social and territorial segregation, gentrification and stigmatization. More importantly, it is a measure which should be had as necessary to counter the poverty trap, not to promote it. The model that should be adopted in a world of increasing inequality is, however, open for discussion. In looking at all these issues, the paper will first discuss the HK case, followed by the UK case, and the conclusions.

## 2. Hong Kong: resilience or phased decline?

*Shek Kip Mei* is perhaps the right catchword for a starting point in time to consider public housing in Hong Kong. In the early 1950s, under British domain, housing conditions were far from reasonable in the colony. Hong Kong was increasingly under pressure from illegal migration from China, with thousands of people fleeing from poverty and Mao’s regime year after year, and this helped fill and pack the colony’s growing shanty towns with more squatters. Social unrest scaled up. The demographics of the time are striking, and so are the numbers related to housing stock and conditions, with the population quadrupling over the five years up until 1950. Squatting increased in the same pace. The colonial government had to react to this aggravating situation by responding to its legitimacy crisis. In the follow-up of a fire in *Shek Kip Mei* squatter settlement, at the end of 1953, which dehousing over 50 thousand people, the Hong

Kong government decided to build a housing estate, first of its nature and scale, in a nearby site. The new development – it seems, not by sheer coincidence! – was given the same name, and stands to date (following improvements and redevelopment).

[Smart \(2010\)](#) points out that, apart from obvious (often of a more rhetorical nature) policy objectives of slum clearance and squatter resettlement as well as concerns about the welfare of those in need of subsidized housing or still other explanations which consider the provision of subsidized housing to lower costs of labor for a booming manufacturing sector (an argument developed by [Castells, Lee, Kwok, & Kee et al, 1988](#)), the house building programmes put in place from then on were a hallmark in promoting the good nature of British colonialism. This became even clearer during the decade or so before the colony’s handover back to China in 1997. He writes: ‘Through these interventions, Hong Kong tried to elicit increased commitment from its residents, who were expected to reciprocate the beneficence of its rulers.’ (p.S327) He also agrees that the British meant ‘... to educate the Chinese in the proper ways of living and hygiene, using the new public housing as a school for teaching about the proper way to live and the obligations of citizenship’. The newly developed residential estates were thus to contrast with ‘the danger, disease, filth, and chaos of the squatter settlements’ (p.S328). [Forrest and Yip \(2014\)](#) agree with the explanation regarding the political nature of HK housing policy at the time (see also [Castells et al., 1988](#); [Yung, 2008](#)), adding that the new SAR, post-colonial, non-elected governments also had political reasons to keep on producing more social housing in the city (see also [La Grange & Pretorius, 2014](#)). Stricken by poverty and facing an uncertain political future, under pressure from mainland China, riots and social uprisings that could prompt political instability were to be avoided as much as possible by the colonial governments. A fire of such scale, leaving thousands of families homeless, could be such trigger, which prompted an immediate response from the government ([Yung, 2008](#)). Regarding the choice of policy, the building up of a housing estate is explained considering the government’s more pragmatic, economic concerns: the solution was considerably cheaper and granted a better control over environmental and other conditions (fire, location, infrastructure provision, etc.). Over the years, it has thus become increasingly evident that the *Shek Kip Mei* fire was perhaps a motto, and as such may be considered a landmark in time, but not the real reason behind the start of the social rental sector housing policy in Hong Kong.

Be that as it may, the aftermath of fire has seen the public housing sector grow, so to become the largest public stock of rental housing relative to total housing stock – nearly one-third – in the world today. The whole of the public housing sector, which includes also the so-called ‘public ownership housing’, accounts to half of HK housing stock. Strangely enough, as [Forrest and Yip \(2014, p.552\)](#) write, ‘The growth and apparent resilience of the public rental sector in Hong Kong has also occurred in the context of a consistent government orientation and guiding political ethos of minimal and reluctant intervention’ (see also [Lui, 2007](#)). Having considered this, economic neoliberalism in finance, real estate and trade should not be mistaken with the political as well as material means which are necessary to make it possible. Decades of consistent and significant investment in public housing production as well as the policy’s local credibility may partly explain the tenure’s endurance, at a time when ‘In many parts of the world, public rental housing systems have been deregulated, privatized, downsized and residualised ...’ ([Forrest & Yip, 2014, p.552](#)). (These features are particularly true of the UK, seen in the next section.)

However, policy endurance in HK has also been the result of several other factors, two of which are interconnected and deserve further consideration here. First, it is necessary to consider that, in

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