

CHINESE URBAN HOUSING SYSTEMS: FROM 1949 TO PRESENT

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Abstract

This paper is an historical perspective of urban housing policies in China from 1949 to the present. Data are obtained primarily from articles in a newspaper, The China Daily. Changes in policies reflect a variety of factors including changes in government, in national goals, in priorities and resources, and in reactions to deplorable housing conditions. Currently China is moving from almost total government ownership of housing to an encouragement of more private ownership and responsibility. It is concluded that nations will continue to experiment with different models of public sector and private sector contribution and responsibility for housing as they attempt to provide adequate housing for their populations.

Introduction

Since the founding of New China in 1949, urban housing has been regarded as a form of social welfare, and the concept of public housing has been widespread. The government has made housing available to workers for nominal rents. As a result, housing has generated little revenue for the government to invest in an improvement of existing housing stock as well as new housing construction.

However, as of 1987, China entered a new phase of its housing system, which they call the "housing reform era." The severe housing shortage, coupled with the lack of revenue generated from housing, has disclosed the drawbacks of the old housing system. According to the Ministry of Construction, "the old housing system has depleted the State investment, and led to 550,000 poorly sheltered urban households in the country, whose per capita living space is below two square meters" (Housing: State, 1991). Therefore, the State Council, China's highest administrative unit, has decided to accelerate the on-going reform of the housing system in urban areas ("Housing: State," 1991; P. Li, 1991). The content of the reform includes an increase in rents, encouragement of individuals to buy their own houses, the raising of funds for housing construction, and the establishment of an authoritative agency for housing management ("Housing reform needed," 1992; Xue, 1992).

Historical Perspective

Rural housing

Since 1949, when the Chinese Communist Party assumed leadership, China has experienced a number of changes in housing strategies. During the Land Reform (1950-1952), housing in rural areas was redistributed within each village. At that time, the redistribution of housing was limited to the existing housing stock (Davis, 1991). No new construction of housing took place.

Later (1955-1956), after full collectivization of agriculture, the village collectives distributed building lots free of charge to any villager who did not have adequate space on which to build. During this period, neither the state nor the village contributed welfare funds to cover construction or maintenance costs (Davis, 1991).

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In the ten years from 1978 to 1988, rural areas experienced a large construction boom. According to the Ministry of Construction, "members of the 800 million-strong farming community built, renovated and refurbished houses with a total floor space of 6.2 billion square meters, which is roughly twice the construction area completed from 1949 to 1978" (Xiao, 1991, p. 2). Although the past decade observed a rural housing construction boom, there are still problems, such as poor design and safety standards, wasted building materials, and misuse of land (Xiao, 1991).

In rural areas, housing standards are set by the immediate resources of each village. Housing is built and maintained by farmers themselves. Rural families hold title to their homes, and housing represents the single largest private investment (Davis, 1991).

Urban housing

Although rural housing is owned by farmers, most of urban housing in China has been owned by public bodies such as the government and job unities. Since 1949, urban residents have suffered from severe housing shortages. Because the national government banned private investment in housing and charged rents below cost, municipalities and employers had no incentives or resources to expand or improve housing stock. Residents also had no alternatives except to live in crowded and low-quality public housing. Rapid industrialization, modernization and migration of rural residents to cities have made the situation worse.

When the Chinese Communist Party seized power in 1949, housing in the cities was handled in a totally different manner than in rural areas. Those who owned their homes were allowed to keep only the rooms they needed to house their families, and excess space was allocated to the homeless. In most cities of war-ravaged China, existing housing stock was vastly inadequate to meet the goals of the new regime. During the 1950s, the Chinese government invested heavily in public housing construction (Davis, 1991).

In 1956, private housing in the cities was transferred to public ownership and redistributed so as to abolish the landlord system. Nevertheless, some private housing remained and is popularly referred to as "preliberation housing." This housing consists of small attached or detached sun-dried, mud brick houses in courtyards, alleys, and lanes. Most of these houses are owner-occupied, but the land belongs to the government, which charges a ground rent for its use (Friedman, 1983).

During the 1960s and 1970s, housing construction was overlooked in order to concentrate funding and materials on the increase of production in industrial plants. The Cultural Revolution from 1966 to 1976 also put a halt to housing construction. As a result, a severe shortage of accommodations and a continued deterioration of the housing stock occurred (Friedman, 1983).

In an effort to correct the negative results of housing policy, a three-year economic readjustment plan was instituted in 1976 and housing problems were given top priority. This plan attempted to improve the overcrowded living conditions by stimulating the building materials industry and by building new housing. The result was China's second construction boom. Between 1978 and 1981, 251.46 million square meters of new urban housing were completed (Friedman, 1983). During the same period, about 42 million urban residents, the equivalent of the entire populations of Beijing, Shanghai, Tianjin, Guangzhou, Wuhan, and Shenyang were relocated to different houses (Davis, 1991). Most housing in the urban areas has been distributed by the work units at low rent. It is one of the regular functions of the work unit to provide its employers with housing. In distributing the new housing of the 1980s, some work units and housing officials have established a priority list. They consider the total points each applicant has accumulated based on the household composition, present living conditions, the degree of crowding, age, the number of years in the work unit, contribution to or position in the work unit, schooling, and other factors (Davis, 1991; Ran, 1988).

From 1949 through 1981, the national government of the People's Republic of China had assumed a major proportion of the responsibility for providing its citizens with housing. In the early 1980s, the national government urged local governments to take the initiative and invest their funds in innovative housing programs. The new program, which was referred to as "building houses for private use with state assistance," attempted to expand the

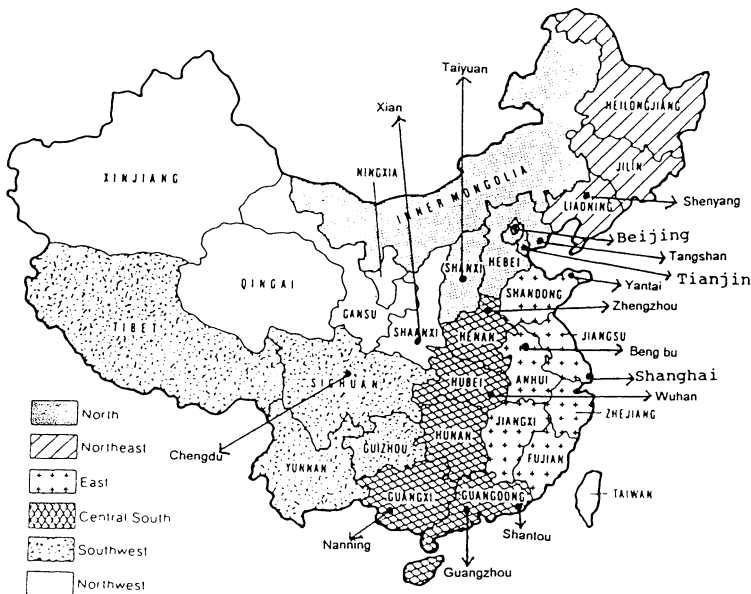
housing supply. Factories, colleges, and individuals were allowed to build housing with their private funds instead of public funds. The State assisted them with planning and administrative details and in obtaining building materials (Friedman, 1983). Now China is facing a new era of housing reform.

Current Housing Reform in Urban China

China has gradually developed its urban housing system along with a deepening structural economic reform. As early as 1978, Deng Xiaoping suggested that individuals be allowed to build houses with or without public subsidies and that installment payments be allowed in order to attract individual investment for housing construction. Based on his suggestions, Xian, Nanning, and other cities have sold houses to individuals on a trial basis. In the mid-1980s, the State Council not only organized a leading group in charge of the reform of the housing system, but also proposed tentative ideas for raising rents, increasing wages and encouraging workers and staff members to buy houses (P. Li, 1991).

The period during the second half of 1987 and the first half of 1988 witnessed the first upsurge in housing reform. On August 1, 1987, the city of Yantai in Shandong Province took the lead in formulating a program (see Figure 1 for the locations of cities adopting housing reforms). They raised the monthly rent to 1.28 yuan (about U.S. .25 cents) for each square meter of living space, which was about ten times higher than 0.13 yuan, the average rent nationwide (P. Li, 1991). They also issued housing allowances to workers and staff members equal to 23.5 percent of their basic wages (P. Li, 1991). The experiment in Yantai was followed by Tangshan City in Hebei Province, Bengbu City in Anhui Province, and Shenyang City, capital city of Liaoning Province. In February 1988, the State Council published its program for national housing reform, requiring various provinces to initiate reform in selected cities. Housing reform gradually spread across the country.

Figure 1. China's provinces and geographical regions with cities adopting housing reforms.



However, difficulties in improving the housing situation have been encountered. Because of a high increase in consumer prices, the Chinese government decided, in September 1988, to improve the economic environment and rectify the economic order. Capital construction projects were suspended and a tight-money policy was implemented. Moreover, the political disturbance in Beijing between the spring and summer in 1989 caused the government to give top priority to the maintenance of social and economic stability. Under these circumstances, the housing reform program was temporarily set aside and restricted to a few places in the country (P. Li, 1991). More recently, the government has suggested that housing reform must be continued and accelerated as the political and economic situation has become more stable ("Housing reforms," 1992; "Housing: State," 1991; "Major cities," 1992; Zhang, 1992).

Various measures

The housing reform is not of one pattern. Through democratic discussions, various localities have designed and developed their own measures in accordance with their specific conditions. These measures include the following:

Sale of public housing. One of the measures widely used by localities is selling publicly-owned houses. In order to encourage more people to buy houses, various discounts are available on house prices and the government and work units subsidize the purchase of houses ("Guangdong raises," 1991; "Housing reforms," 1991; "Major cities," 1992; "Most Jiangsu," 1992; "Sichuan improves," 1991). In Shantou, a coastal city in Guangdong Province, where houses are sold at market price, the government and work unit respectively subsidize 20 percent and individuals pay 60 percent of the price (P. Li, 1991). And residents in Tianjin city, who buy their apartment at standard prices (prices which include government subsidies), have the full right of occupation and an inheritance right but the partial property right to deal with profit from their apartments ("Major cities", 1992). When the apartments are sold, the State, work units and individuals share the taxed income according to their share of the property rights.

Rent increases. In the course of promoting housing reform, various localities have raised rents. Different localities use different means. In some localities, as in Yantai, rents have been raised to the cost level, and local governments or job units issue a certain amount of subsidy coupons (usually 23.5 percent of worker's monthly income) to cover increase in costs ("Burden sharing," 1992; "China embarking," 1992; Smith, 1991). In other places like Guangdong Province, rents have been raised without subsidies ("Major cities," 1992). Beijing and Tianjin decided to increase rents step by step (Hong, 1992; "Major cities," 1992). Sichuan Province also will increase rents gradually ("Sichuan improves," 1991).

Accumulation fund. The accumulation fund system, adopted from Singapore, raises funds co-operatively. In Shanghai, every employee pays five percent of his or her monthly income as an accumulation fund, and his or her work unit provides an equal amount to the fund monthly (P. Li, 1991). These accumulation funds are owned by the workers and staff members. Accumulation funds are used to cover the cost of building houses by the unit and the renovation of private houses. Beijing adopted this measure in 1992 (Hong, 1992).

Tenant requirements. To make up for the shortage of maintenance funds, work units with housing property rights require housing applicants to pay a stipulated amount of guaranty funds. When the lease is terminated, the principal and interest of the guaranty funds will be returned to the tenants. More than 50 cities and counties, such as Beijing, Guangzhou, Taiyuan (capital city of Shanxi Province) and Zhengzhou (capital city of Henan Province) have adopted this measure (P. Li, 1991). In Sichuan Province, when allocated to new apartment buildings, all residents either pay a premium or buy construction bonds ("Sichuan improves," 1991). Since 1992, residents in Tianjin who move into government-provided housing are required to buy housing bonds priced at about 50 yuan (U.S. \$9.3) for each square meter ("Major cities," 1992).

Discussion

China began to reform its decades-old welfare housing distribution system in 1987 in three cities, Yantai, Bengbu and Tangshan. It has now been adopted in other cities such as

Shanghai, Beijing, Guangzhou and Chengdu. Reform of China's public housing system, which has been aimed at improving the living condition of the urban residents, has focused on raising the excessively low rents to cover maintenance costs, while selling some newly-built residences to individuals.

Traditionally, Chinese urban houses are mainly distributed by the work units at low rent. The money residents spend on housing accounts for only two or three percent of their total expenditures ("Most Jiangsu," 1992). Under this system, the government can not accumulate enough funds to build new houses. In some areas, housing authorities even lack sufficient funds for repairs. Therefore, the Chinese government has planned to share the cost of housing with urban residents. The housing reform is also designed to ease the government's burden of subsidies by encouraging home ownership.

Many urban citizens have supported the housing reform (Z. Li, 1991; "Most Jiangsu," 1992), believing that the ongoing housing reform will accelerate the pace of house construction and ease problems of cramped living space and housing shortages. The idea of owning a house which can be passed on to children is also appealing to some of those in favor of the reform (Z. Li, 1991). As the present housing reform progresses successfully, it is expected that average per capita living space for urban residents will be increased to eight square meters ("Housing Reforms," 1992), and 60 to 70 percent of urban households will have separate apartments ("Most Jiangsu," 1992).

It is too early to speculate with any degree of confidence as to the impact of the new policies on the users. The intent is to improve housing conditions by channeling more resources into that area. Much depends upon the efficiency and lack of corruption in the system. For individual families, it means that a larger proportion of their income will go to housing, leaving less for other goods and services. However, it is also possible that by improving the housing stock, the productivity of the inhabitants will increase, thus generating more income for that unit. There are trade-offs with most policies, but apparently the pendulum has been perceived to have swung too far away from investments in housing, and corrections are being made to remedy that neglect.

In this paper, we have seen how the current Chinese housing system has developed and changed over time to address the needs of families for housing and the nation for economic and social stability. We see a pattern that is different, yet similar, to what is occurring in other industrialized countries. To meet its varying needs, China is moving from almost total government ownership of housing to an encouragement of more private ownership and responsibility. This phenomenon of the sale of public housing is occurring in other countries such as Great Britain, the United States and Sweden, albeit, not on the same scale.

Housing is a capital intense product which poses a major challenge for nations, including the United States where the marketplace is the primary provider of housing. In recent years, as economic conditions and wage distributions have changed, housing affordability problems and homelessness have become increasingly evident.

It seems that it is difficult to provide adequate housing through total dependence on government programs (i.e., China) or through total dependence on the marketplace (i.e., U.S.). Undoubtedly, nations will continue to experiment with different models of public sector and private sector contribution and responsibility for housing as they address competing needs for capital.

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