

Creating social stigma or a socially-mixed community: policy considerations and impacts of public housing policies for the needy in Hong Kong

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Introduction

In many other western countries, the social rented sector is a stigmatized community which caters only to those who cannot support themselves in the market place and a large proportion of tenants in this sector are welfare benefit recipients. In Hong Kong, some people regard public rental housing (PRH) estates in Hong Kong a residualized or stigmatized community. Other people think that housing policies requiring well-off tenants to pay additional rents or to move out and requiring all applicants to go through a Comprehensive Means Test (CMT) before allocation will further residualize the public housing sector.

This paper attempts to outline public housing policies targeting at the housing needy in Hong Kong and relate the discussion to the concepts of social stigma, housing residualization and a socially-mixed community. It argues that the combined effects of various housing policies have produced a good social mix of tenants with different means. The social mix within tenant households has guarded against the stigmatization and residualization of the public rental housing estates. The policy to sell public rental units to tenants through the Tenants Purchase Scheme has also created a mix-tenure public housing community. However in some old public housing estates which are due for redevelopment, there are signs of stigmatization and residualization.

Social Stigma, Residualisation and the social rented sector

In its most general sociological sense, the term stigma can be used to refer to any attribute that is deeply discrediting and incongruous with our stereotype of what a given type of individual should be.¹ A person or a community with social stigma implies an undesired differentness and could turn people away from it / him. Titmuss² and Spicker³ observe that the most effective rationing instrument was to induce among recipients (children as well as adults) a sense of personal fault, of personal failure, even if the benefit was wholly or partially a compensation for disservices inflicted by society. Stigma comes along with social services when service quality is poor and recipients of service are members of the disadvantaged groups.

The bad image of public housing estates which relates to unemployment, crime, poverty is common in housing literature. Malpass traces the long history of residualization in Council housing in the UK. He points out that some blocks built in the 1960s and 1970s were widely seen as providing an undesirable and unsatisfactory residential environment and the high-density estates were plagued by crime and vandalism.⁴ According to Malpass, “residualization refers to the processes of moving towards a residual safety-net type of state welfare provision, and in relation to housing it refers to the way in which the local authority sector has begun to take on this role.....a residual public sector was one which catered wholly or largely for people who were so disadvantaged in the housing market that they had effectively no choice but to seek housing from the local authority.”⁵

¹ Page, R. M. (1984) *Stigma*, London: Routledge & Kegan Paul, p.1

² Titmuss, R. M. (1976) *Commitment to Welfare*, London: Allen & Unwin, p.142

³ Spicker, P. (1984) *Stigma and Social Welfare*, USA: ST. Martin's Press Inc., p.61

⁴ Malpass, P. (1990). *Reshaping housing Policy: Subsidies, Rents and Residualisation*, London: Routledge, p.8.

⁵ *Ibid.*, p.27

Public housing is stigmatized not only in Britain but also in other countries. In America, public housing has long been stigmatized as a symbol of social misery. Moreover, survey has revealed that Americans felt that “public housing families are stigmatized by other community members and face isolation from the greater community”⁶. People consider public housing estate a place occupied by poor, elderly or disabled persons. Many related researches in North America, Britain, Europe and Australia is about poverty and crime in public housing⁷.

Crime rate is expected to be high inside the community. Crime has always been identified as a priority problem in public housing estates in many countries. A recent study by the Chicago Tribune shows that Chicago housing authority residents are twice as likely to be victims of a violent crime than other city residents.⁸ The image of public housing is also bad in Australia. There is broad recognition that most current housing stock is either actually in poor physical condition, or conveys this impression to the market place and so reduces market rent value of the estates themselves and surrounding neighbourhoods. According to Taylor, residents in public housing lose confidence and accept a sense of failure, and outsiders give the estate a bad image and reinforce a sense of failure. It is illustrated as the cycle of labeling and social exclusion.⁹

⁶ Larson, P. (2001) *Survey of Family needs in public housing - A report to the Public Housing Agency of St. Paul*, Minnesota: Wilder Research Center. See <http://www.stpaulpha.org/forms/phafamilyneeds4-01.pdf>

⁷ Stegman, M. (1998), ‘Key note address – Overview of USA experience in Urban Renewal’ in Badcock, B. & Harris, K. (Eds) *Revitalising Housing Areas: Proceedings of the 1998 National Urban Renewal Seminar*, Melbourne: AHURI.

⁸ Weinstein, E. (1998). United States: Crime Stigma Plagues Public Housing <http://www.rferl.org/nca/features/1998/05/F.RU.980512131355.html>

⁹ Taylor, M. (1998), Combating the Social Exclusion of Housing Estates *Housing Studies*, Vol.13, No.6, 1998, pp 819-832. Also see Spiller Gibbans Swan Pty Ltd (2000) *Public Housing Estate Renewal in Australia*, Australian Housing Research Fund Project Number 212, available from: [http://www.facs.gov.au/internet/facsinternet.nsf/b919d06b2c7d99e3ca256807001393b2/764b5a611056e81aca256ae900059a48/\\$FILE/Final%20Report.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/b919d06b2c7d99e3ca256807001393b2/764b5a611056e81aca256ae900059a48/$FILE/Final%20Report.pdf)

Public housing in Hong Kong is a socially-mixed community but some parts are residualized and stigmatized

Despite the fact that some parts of the public rental housing (PRH) community are becoming more residualized and that some of the non-PRH residents would not prefer to live in public rental housing estates, PRH in Hong Kong, in general, is not stigmatized as a place with high crime rate, only for the poor, and of inferior quality. Contrasting to experience of the western countries, opinion surveys conducted in Hong Kong repeatedly show that tenants admitted into PRH estates are among the fortunate groups¹⁰. The 1996 Customer Satisfaction Survey shows that 72% of the PRH respondents expressed that they were satisfied with the overall living conditions of their flats.¹¹ Studies on household profiles in public rental housing also reveal that tenants admitted into social rented stocks in recent years have enjoyed much better living conditions¹². The Housing Department Recurrent Survey 2000 shows that 85.2% of PRH households enjoyed larger living area after rehousing. Their median living density had been improved by 89.5%, from 5.7 m² / person to 10.8 m² / person.¹³ The same survey notes that for those who had moved into PRH from the private permanent housing, the median housing cost to income ratio decreased significantly, from 26.7% to 13.8%. In 1988, the living density of Housing Authority Public Rental Housing tenants was 6.2 m² / person and 17.3 percent of all PRH households enjoyed less than 5.5 m² / person. In 2003, the living density of Housing Authority Public Rental Housing tenants was increased to 11.3 m² / person and only 1.4 percent of all PRH households enjoyed less than 5.5 m² / person.¹⁴

¹⁰ Home Affairs Branch (1982, 1984, 1986) *Attitude Survey on Housing*, Hong Kong Government.

¹¹ Hong Kong Housing Authority (1996) *1996 Customer Satisfaction Survey Results*, HK: Information and Community Relations Department, Housing Authority. Another telephone survey conducted by the Chinese University of Hong Kong in 2001 notes that among the public rental housing respondents, 52.5% were satisfied with PRH's quality and 47.5% were not satisfied with its quality. See Yeung Y M and Wong, K Y (2001) *An Assessment of SAR Government's Housing Policy*, Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, p.14.

¹² Hong Kong Housing Authority (various years) *Survey on Household Profile in Public Housing*.

¹³ Hong Kong Housing Authority (2000) *Memorandum for the Housing Authority: Household Profile in Public Housing*, Paper No.: HA 56/2000.

¹⁴ Hong Kong Housing Authority (2003) *Housing Authority Performance Indicators*, March 2003.

Public rental estates in Hong Kong recorded a much lower crime rate

In many advanced economies like USA, UK and Australia, there are large concentrations of public housing where high levels of crime and drugs abuse are not uncommon. However statistics in Hong Kong's public rental housing estates recorded a much lower crime rate than that of non-public housing areas and the overall Hong Kong figure (see **Table 1**).

Table 1: Reported Crime cases and Crime rate by Type of Housing in 1989, 1993 & 1998

Type of Housing	Reported Crime cases and Crime rate (cases per 10,000 persons)					
	1989 ¹⁵		1993 ¹⁶		1998 ¹⁷	
	cases	rate	cases	rate	cases	rate
Housing Authority rental estates ¹⁸	11,539	49.5	12,492	52.8	8,898	39.3
Temporary Housing Area /Cottage Area / Transit Centre	692	57.5	563	78.0	65	42.9
Other Housing ¹⁹	69,577	210.4	69,509	199.6	62,995	143.0
Overall Hong Kong	81,808	142.0	82,564	139.5	71,962	107.6

Empirical Evidence of a Social Mix Public Housing Community

When we compare the median household income of public rental housing tenants with that of Hong Kong's general population, it is obvious that PRH tenants' median income is significantly lower than Hong Kong's overall median household income. **Table 2** shows

¹⁵ Housing Department (Surveys & Housing Statistics Section), *Quarterly Statistical Report March 1991*

¹⁶ Housing Department (Surveys & Housing Statistics Section), *Executive Summary of Statistics December 1994*.

¹⁷ Housing Authority, *Quarterly Statistical Report (December 1998)*.

¹⁸ Including flats in HA rental estates, TPS and interim housing. (Source: Housing Authority, *Quarterly Statistical Report (June, September, December 1999)*)

¹⁹ Including private housing, HOS / PSPS courts, rental estates and sale flats under the management of Housing Society and other types of housing not included elsewhere." in *Quarterly Statistical Report (March 1998 - December 1999; March, December 2000)*

that in 1991, PRH overall median household income is 80.8% of that of Hong Kong overall median household income and in 2001 PRH overall median household income is only about two-third (66.9%) of Hong Kong overall median household income. Based on these figures, some then would conclude that PRH tenants are low-income households.

Table 2: Median Household Income of Public Rental Housing Tenants and Hong Kong Overall Land Domestic Households x Household Size, 1991 and 2001

<u>Median HH Income</u> (Monthly in HK\$)	<u>Household Size</u>						<u>Overall</u>
	<u>1P</u>	<u>2P</u>	<u>3P</u>	<u>4P</u>	<u>5P</u>	<u>6P+</u>	
1991 Census							
Public Rental Housing	4,000	6,000	7,600	8,400	9,700	13,000	8,000
Hong Kong Overall	4,800	9,000	10,000	10,000	12,000	15,400	9,900
PRH / HK overall x 100% (%)	83.3	66.7	76	84	80.8	84.4	80.8
2001 Census							
Public Rental Housing	3,700	8,000	13,400	16,000	18,300	22,000	12,500
Hong Kong Overall	8,600	15,300	18,800	21,300	26,300	30,700	18,700
PRH / HK overall x 100% (%)	43	52.3	71.3	75.1	69.6	71.7	66.9

Source: Information extracted from 1991 and 2001 Population Census and provided by the Housing Department, 24 January 2003.

Upon detailed analysis of the income distribution of PRH tenant households in terms of decile groups (from lowest decile to highest decile), we'll then have a more accurate understanding of the income profile of PRH households. There is co-existence of the low, medium and high income groups in the public rental housing community.

Households in the public rental housing sector are of different income levels. As revealed in the 2001 Population Census, the household income distribution shows that 0.69% of Hong Kong's households (i.e. 14,108 out of a total of 2,048,078) were in public rental housing and belonged to the lowest income decile group. 4.91% (100,535) of Hong Kong's households were also in the public rental housing and belonged to the second lowest income decile group. On the other hand, 0.58% of Hong Kong's households (i.e. 11,923 out of a total of 2,048,078) were in public rental housing and belonged to the highest income decile group. 4.53% (92,747) of Hong Kong's households were also in the public rental housing and belonged to the second highest income decile group. Out of the total number of households in the public rental housing sector (627,139 in 2001), 2.25% belonged to the lowest income decile group, 16.03% belonged to the second lowest decile group, 1.9% belonged to the highest income decile group and 14.79% belonged to the second highest income decile group. Comparing this set of figures with those of 1981 Census (see **Table 3**), it is noticed that the percentage of Hong Kong's households in the public rental housing sector which belonged to the highest income decile had a slight drop from 1.31% in 1981 to 0.58% in 2001. [Note: the percentage of Hong Kong's households in the public rental housing sector which belonged to the top 20% income group increased from 4.36% (1981) to 5.11% (2001). The percentage of Hong Kong's households in the public rental housing sector which belonged to the lowest 20% income group remained the same between 1981 and 2001 (1981: 5.68%; 2001: 5.6%)].

Table 3: Distribution of Public Rental Households according to Income Decile, 1981, 1991 and 2001

<i>Income decile</i>	<i>Public Rental Household (as a % of Hong Kong's overall total)</i>		
	<i>1981</i>	<i>1991</i>	<i>2001</i>
Lowest	2.97	3.42	0.69
2	2.71	4.33	4.91
3	3.18	4.72	3.70
4	3.71	4.83	2.25
5	3.74	4.64	2.51
6	3.55	4.05	3.72
7	3.48	3.60	3.52
8	3.38	3.23	4.22
9	3.05	2.55	4.53
Highest	1.31	0.93	0.58
Total	31.10	36.29	30.62
<i>Total no. of Public Rental Housing households</i>	<i>387,093</i>	<i>574,249</i>	<i>627,139</i>
<i>Overall domestic households in Hong Kong</i>	<i>1,244,738</i>	<i>1,582,215</i>	<i>2,048,078</i>

Source: Research Team on Public Housing, Economic Change and the Shaping of Family Housing Histories of the City University of Hong Kong obtained assistance from the Census and Statistics Department to produce income decile figures for the respective tenure groups for 1981, 1991 and 2001 Censuses.

If we adopt the Hong Kong Housing Authority Waiting List Income Limit (WLIL) as a dividing line between who are low-income and eligible households for public rental housing and who are not, it is estimated that about 41% (among those 9-person public tenant households) to 72% (among those 1-person public tenant households) of those living in PRH in 2001 had income below the waiting list income limits (see **Table 4**). In other words about 28% (among those 1-person public tenant households) to 59% (among those 9-person public tenant households) PRH tenants would not qualify for PRH allocation through the waiting list system should they not living in PRH. **Table 4** also provides an estimate of public tenant households required to pay different levels of rents (normal rent,

1.5 rent, double rent and market rent) due to different household income levels under the various public housing policies²⁰. These additional rent paying households are also among those in the higher income groups in Hong Kong.

Take the four-person PRH households as an example, between April 2001 and March 2002, 38% had monthly incomes higher than the WLIL and lower than twice the WLIL (that is, the lower limits of the Housing Subsidy Policy's Subsidy Income Limits). Another 8% had an income between two and three times the WLIL and were required to pay 1.5 times the net rent plus rates. Another 2% had an income higher than three times the WLIL and were subject to payment of double net rent plus rates. In April 2001, for a four-person PRH households with a monthly household income at twice the WLIL (i.e. \$32,800), such income was at the 73rd income percentile of all land domestic households in Hong Kong. For a four-person PRH households with a monthly household income at thrice the WLIL (i.e. \$49,200), such income was at the 87th income percentile of all land domestic households in Hong Kong. We therefore cannot say that PRH in Hong Kong is a community only for the poor.

²⁰ Public tenant households are required to pay additional rent because their household income exceeds the prescribed income limits / net asset limits under the Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resource (SRA).

Table 4: Estimated percentage of tenant households paying different levels of rents in HKHA Public Rental Housing Estates, 2001

Household Size	Percentage of public tenant households paying normal rent because household income is less than or equal to WLIL (Waiting List Income Limits)	Percentage of public tenant households paying normal rent because household income is less than or equal to 2 x WLIL but exceeds WLIL	Percentage of public tenant households paying 1.5 rent because household income is less than or equal to 3 x WLIL but exceeds 2 x WLIL	Percentage of public tenant households paying double rent because household income exceeds 3 x WLIL
1	72	22	4	2
2	69	25	5	1
3	51	40	7	2
4	52	38	8	2
5	48	29	11	2
6	44	40	13	3
7	47	40	11	2
8	45	42	12	1
9	41	42	17	0
10+p	61	35	4	0

Notes: Given that the income data are solicited from one-seventh of households in the 2001 Population Census, figures of value 100% should be interpreted with caution. The statistics in this table are based on findings of 2001 Population Census and cannot be directly comparable with the statistics compiled based on the findings of other surveys. This estimate has not taken into consideration the policy of excluding those who have resided in public rental housing for 10 years or less under the Housing Subsidy Policy. If those are considered, the percentage of PRH households paying 1.5 rent and double rent will be less than those shown in this table.

Source: Hong Kong Housing Authority information provided to the author in January 2003

Another evidence on the co-existence of better-off and very poor families in the public rental housing estates is found in the housing estates with a high proportion of well-off tenants while there are also a high number of rent defaulters. The rent defaulters are normally tenant households with inadequate financial resources. Statistics show that in April 2002, Ap Lei Chau Estate was the public rental housing estate with the highest percentage of additional rent payers (9.66% or 408 households out of a total of 4,255 households) and at the same time the percentage of rent defaulters in this housing estate was also high (1.34% as at the end of 2001, which is higher than the overall rent default rate (1.05%) of all rental housing estates). This also happened in Wah Fu Estate.

The interaction of various policies and programmes (HSP, SRA, CMT, Redevelopment Programme, planned proper maintenance and improvement programme, etc.) and a continuous programme for the building of new public rental housing estates, as well as the implementation of the Tenants Purchase Scheme (sale of flats to PRH tenants) have, in effect, created a good social mix within the PRH sector.²¹ In the following sections, HSP, SRA and CMT and other policies and programmes contributing to the creation of a socially-mixed public housing community will be outlined.

Policies and measures are now in place to ensure that scarce public housing resources have been allocated in accordance with need. There are policies which deal with well-off tenants already accommodated in PRH. It is comprised of the Housing Subsidy Policy (HSP) (first introduced in 1987 and revised in 1993) and the Safeguarding Rational Allocation of Public Housing Resources Policy (SRA) (first implemented in 1996 and revised

²¹ Lau, K. Y. (2003) Targetting the Needy in Public Rental Housing, in Y. M. Yeung and Timothy K. Y. Wong (eds.), *Fifty Years of Public Housing in Hong Kong: A Golden Jubilee Review and Appraisal*. Hong Kong: The Chinese University Press, pp. 181-207.

in 1999). There is also a Comprehensive Means Test (CMT) Policy²², which is a test of an applicant's income and assets. Applicants affected by CMT include those on the Waiting List for PRH, those affected by clearance projects, those seeking a grant of a new tenancy upon the death of the principal tenant and his/her spouse, and those asking for members to be added to the tenancy. Some may worry that the implementation of these policies will result in a stigmatized and residualized PRH sector filled with a high number of poor households, as the well-off households move out and only low-income households are allowed to move in. The residualization of PRH should be seen in terms of two flows: arranging for more households with low income or those on welfare benefit to live in the PRH sector and removing the well-off tenants²³. Before our further discussion, let us have a quick scan of these policies (see **Table 5**).

²² CMT involves income test, net assets test and domestic property ownership test (applicant, or any member of his/her family included in the application, must not own private domestic property within 24 months prior to and at the time of registration up to the time when a tenancy agreement is signed upon allocation. This domestic property ownership restriction was first introduced in 1994). The income limits and net asset limits for General Waiting List applicants are the same as those for households affected by clearance programmes. CMT is a general term. In practice, when CMT is applied on existing tenants applying for grant of new tenancy or addition of person to tenancy, the income limit under the Housing Subsidy Policy and net assets limit under the Policy on Safeguarding Rational Allocation of Public Housing Resources will be adopted.

²³ Malpass, P. and Murie, A. (1999), *Housing Policy and Practice* (5th edition). London: MacMillan.

Table 5 A Chronology of Public Housing Policies Targeting at the well-off tenants and those in need of PRH

Period (Date)	Policy	Brief Description of Policy Content
April 1987-	Housing Subsidy Policy (HSP)	Well-off tenants (that is, households that have lived in PRH for 10 years or more and whose incomes are twice the WLIL) are required to pay double net rent plus rates. A biennial declaration of income is required of all PRH residents of over 10 years' standing (tenants affected by involuntary transfers are exempted). First batch of payment: April 1988.
April 1993-	Revised HSP	Well-off tenants are further divided into two groups: those with incomes of two to three times the WLIL will pay 1.5 times the net rent plus rates; those with incomes exceeding three times the WLIL will pay double net rent plus rates. First batch of payment (1.5 times the net rent): April 1993.
June 1996-	Safeguarding Rational Allocation of Public Housing Resources Policy (SRA)	Households paying double rents were required to declare their assets. Households with net assets above the prescribed NALs were required to pay market rents. First batch of payment: April 1997.
11 September 1998-	Comprehensive Means Test (CMT)	The CMT is applied to occupants affected by clearance projects announced on or after 11 September 1998 and to residents who moved in or purchased their homes on or after the same date. They are now required to pass the CMT to qualify for PRH.
5 February 1999-	Grant of New Tenancy (GNT) subject to CMT	Upon the death of the principal tenant, the CMT will be used to determine the eligibility of surviving members of the household. The surviving spouse who is an authorized occupant of the PRH flat may take over the tenancy unconditionally.
5 February 1999-	Revised SRA	Payers of market rents are no longer allowed to stay forever. A one-year temporary stay is allowed as long as the well-off tenants paid a licence fee equivalent to the market rent for the flat occupied.
January 2001-	Addition of household members subject to CMT	The policy on applying the CMT to addition of members to the household commenced from 23 January 2001. Addition of household members other than a tenant's spouse and children under the age of 18 are subject to CMT.

Impact of HSP, SRA and CMT

The Housing Subsidy Policy was introduced to ensure effective and rational allocation of housing resources. By April 1992, 34% (or 63,058 households) of 187,232 households who had been living in PRH for 10 years were paying double net rent plus rates. This represented 11% of the HA's total number of tenant households (570,557 in April 1992). After the modifications to the Subsidy Income Limits, the total number of households paying extra rent recorded a drop of 23% from its height at 63,058 (all being double net rent plus rates paying households) in April 1992 to 48,880 in April 1994. Of 48,880, 34,979 households paid double net rent plus rates and 13,901 households paid one and a half net rent plus rates. They represented 8.3% of all households in the HA's rental units. The number of double-rent paying households dropped further in subsequent years. As at 1 April 2003, only 3,346 households were paying double rent. This was less than 6% of the number in April 1993. The number of households paying 1.5 times the net rent has become more stable since April 1998, with around 16,000 households in April of each financial year.

The generosity of Subsidy Income Limits in the existing HSP policy is a clear reflection of the authority's understanding and consideration of the financial position of tenant households at different stages of their life cycle.

“The household income of PRH tenants will increase as their children grow up but will drop when their children move out subsequently. By allowing tenants an option to stay in their PRH units by paying higher rents when they are in good financial position and to revert to normal rents when their income drops, it will do them far more good than evicting them.”²⁴

Such a relaxed Housing Subsidy Limit (in terms of monthly household income) has allowed many better off tenants staying in PRH and hence resulted in a mix income community.

²⁴ Hong Kong Housing Authority (1993), *Report of the Ad Hoc Committee to Review the Housing Subsidy Policy*. Hong Kong: Housing Authority, paragraph 5.12.

After the implementation of SRA, it is evident that there has been a significant drop of the number of market rent paying households (from 3,606 in April 1997 to 149 in April 2003). Between April 1988 and March 2003, 19,421 households paying additional rent (including those paying 1.5 times the net rent, double rent and market rent) purchased HOS or PSPS flats and moved out. In the same period, 3,557 households paying additional rent made use of the interest-free loan or monthly subsidy provisions under the Home Purchase Loan Scheme (HPLS) and left the PRH sector (details are shown in Table 9.5). In addition, 8,155 households paying additional rent voluntarily surrendered their PRH flats for reallocation. In other words, a total of 31,133 PRH flats have been recovered from the well-off tenants for re-allocation to the needy. Consequently the number of well-off tenants has decreased.

The implementation of the CMT has finally put the Housing Authority back on the right track of ensuring that applicants admitted to the PRH sector are those in genuine need. Between 11 September 1998 (the effective date) and 31 March 2003, 2,862 clearance cases were put through the CMT, of which 434 (15.2%) did not pass. Relatively speaking, the number and percentage of applications failing the CMT under various tenancy management policies are much smaller; between 5 February 1999 (the effective date) and 31 March 2003, only 7 (0.05%) out of 13,254 applications for GNT failed the CMT. Between 23 January 2001 (the effective date) and 31 March 2003, only 9 (0.3%) out of 3,066 applications to add members to existing tenancies failed the CMT. The number of cases screened out is small, but the principle of allocating PRH to those in genuine need of housing has become firmly anchored.

New PRH building programme continues

The new public rental housing construction programme with modern design has also helped to prevent the social rented stock from becoming residualized. Between 1990/91 and 2002/03, a total of 304,000 new PRH units were constructed (i.e. 23,385 per annum) and the planned annual production between 2003/04 and 2006/07 will stay at 21,250 PRH units (or 85,000 for the 4-year period). As at end of March 2001, 31% of public rental stock were built in less than 10 years. Another 39% of the total HKHA rental stocks (653,000 flats) were aged between 10 to 19 years old. Only 16% were aged 25 years and over²⁵. As a matter of fact, the good design and reasonably good finish standards of the public rental housing estates are comparable to, if not better than, many private sector estate type housing development. Many of them are definitely better than the tenement blocks in old urban areas.

Redevelopment Programme

The Comprehensive Redevelopment Programme on public rental housing estates has resulted in the replacement of old and sub-standard housing stocks with new and modern standard housing estates. Information shows that a total of 50 housing estates²⁶ involving some 285,000 rental units have undergone redevelopment between 1973 and 2003. In the early years of the redevelopment programme, non-self-contained rental units (toilet / water supply were provided outside the unit) were demolished and some were converted or replaced with self-contained flats. Between 1973 and 1983, the ten estates affected by the redevelopment, on average, were only aged 22 years old. Some estates were even less than 20 years old on

²⁵ Hong Kong Housing Authority (2001) *Housing in Figures 2001 Edition*.

²⁶ Excluding the North Point Estate Redevelopment Project outside the Comprehensive Redevelopment Programme. In the North Point Estate redevelopment, a total of 1,955 self-contained public rental housing units were demolished. The first rental block in North Point Estate was completed in 1957 and the first block was first demolished in 2002. The site upon clearance will be returned to the government for private development. Information provided by the Housing Authority on 28 October 2003.

demolition. This might be seen by others as wasting public resource as the structural conditions of these redeveloped blocks should have a longer period of useful life. However due to its sub-standard provision, they were identified for redevelopment. There was a lesson and a price to pay for as the public housing authority started the housing blocks with a very low standards (in reality, many of them were below adequate housing standards as there were no internal toilet or water supplies; and some blocks were found to be of less satisfactory structural condition and would incur high maintenance costs). Redevelopment generally results in a reduction in the number of flats.²⁷ While there were loss in terms of the number of rental flats re-built on the same site, there were gains in terms of the increase in floor space and the average size of flat in the redevelopment estate is 60% more spacious than the average flat in the pre-redevelopment estates.²⁸

Planned proper maintenance and improvement programme with upgraded standards

For those public rental housing blocks yet to be included in the redevelopment programme, a well-planned maintenance and improvement programme is being provided by the Housing Authority. Despite a huge deficit operating accounts in its public rental housing (domestic) accounts since 1993/94, the amounts spent by the HA on maintenance and improvement projects have been very impressive (see **Chart 1**). This is significantly different from the case of many public housing authorities in other countries, which have no money to spend on items of basic maintenance, thus accelerating residualization in PRH.²⁹

²⁷ Between 1973 and 1993 about 122,347 flats were demolished. The flats being built or already completed on these sites total 102,456, that is 84% of the original stock.²⁷ As at 1993, the plan under the Comprehensive Redevelopment Programme for the period 1993/94 to 2000/01 shows that 161,000 flats will be replaced by 112,600 new flats, that is only about 70% of the original stock. See Hong Kong Housing Authority (1993) *A Report of the Mid-term Review of the Long Term Housing Strategy*, Hong Kong: Housing Authority, paragraph 4.11.

²⁸ Average size of rental unit was about 20 square metres and the redeveloped flat is 32 square metres (as at March 1993). See Hong Kong Housing Authority (1993) *Opit.*, paragraph 4.13.

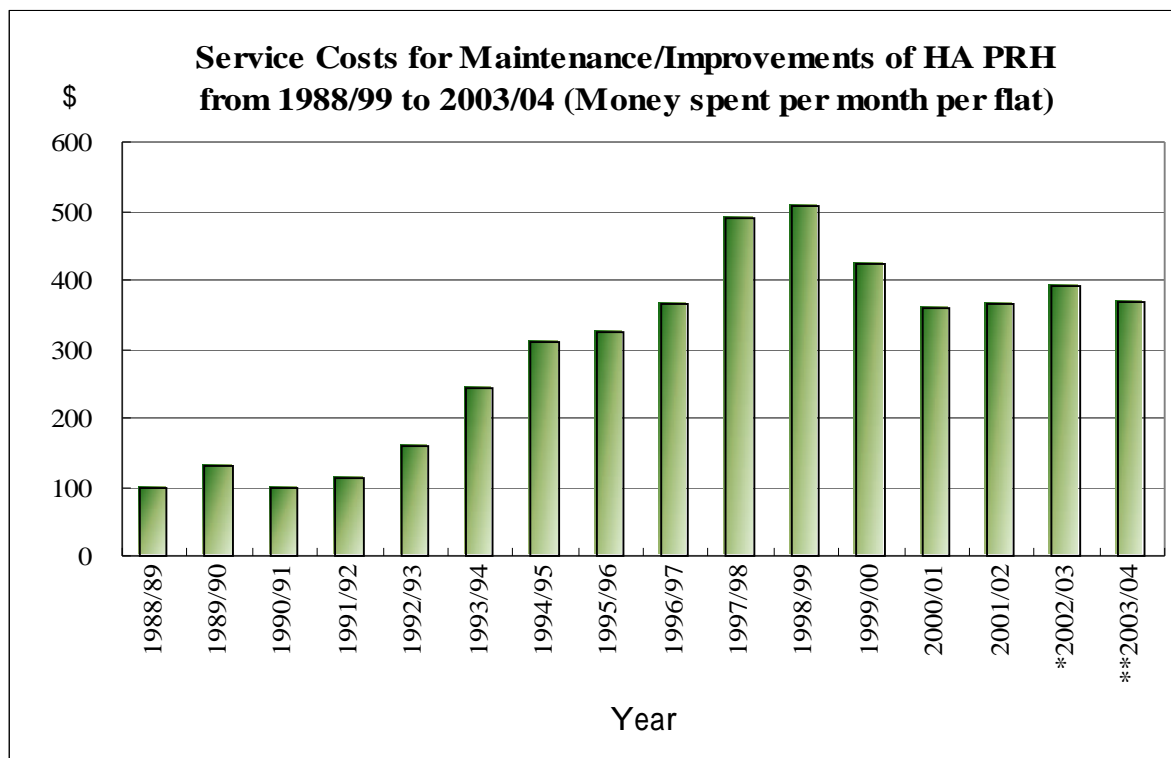
²⁹ Willmott, P. and Murie, A. (1988), *Polarisation and Social Housing*. London: Policy Studies Institute.

According to the Housing Authority, its PRH operating accounts have been turned from surplus to deficit since 1993/94 which “was mainly due to a continuous increasing trend of maintenance and improvement (M&I) expenses incurred for PRH estates. As the landlord, HA has a role and responsibilities to provide a long-term and comprehensive M&I programme for all PRH estates with a view not only to upkeeping their conditions but also to provide a livable and safety environment to all PRH tenants and to make necessary upgrading to cope with the changes in statutory requirement or growth in demand (e.g. electricity demand) on some servicing provisions. In this regard, a number of cyclical or large scale M&I programmes for PRH were implemented in the 90s. These included the CARE programme, the 10-year electrical rewiring programme, and pumping renovation works, etc.”³⁰

Moreover, many public rental housing blocks have been provided with enhanced security standards since mid 1990s. It is now common to find public rental housing blocks installed with main entrance gate, door phone system, closed circuit television in lifts and main entrance foyer, and a 24-hour security staff services at the main entrance. Such up-grading has further enhanced the image of the public rental housing sector as a desirable place for accommodation and not a residualized community.

³⁰ Housing Authority information provided to the author on 19 November 2003.

Chart 1: Service Costs for Maintenance/Improvements of HA Public Rental Housing (PRH), 1988/99 to 2003/04



Note: There were operating deficits starting from 1993/94 ranging from \$12 (1993/94) to \$255 (1998/99) per month per flat (or for the overall PRH stocks, the operating deficits ranged from \$95 million (1993/94) to \$1,979 million (1998/99) per full financial year).

* The figure of the year of 2002/03 is only the amount of the revised budget but not the actual amount spent.

** The figure of the year of 2003/04 is only the amount of the approved budget but not the actual amount spent.

Source: Hong Kong Housing Authority information provided to author on 15 November 2003

Turning PRH estates into a mixed tenure community through Tenants Purchase Scheme

The sale of rental flats to tenant policy through the Tenants Purchase Scheme (TPS) gave a strong impetus to the formation of a mixed tenure public housing community. Since early 1998, around 25,000 PRH units in each phase of TPS per annum were selected by the Housing Department and tenants were given an opportunity to buy at a big discount. Up to March 2003, five TPS phases involving 30 estates and 133,572 PRH units were put up for sales and 90,609 units (68%) were successfully sold to tenants. Including those 5,686 not-for-sale PRH units in these 30 estates, the total number of PRH units in these 30 estates was 139,339. 90,609 households purchased their PRH units and became owners implied the change of tenure from a 100% tenant community to a 65% owner-occupiers and 35% tenants community. The median housing expenditure (in terms of mortgage payment per month) and the mortgage to income ratio for TPS owners, as reflected in the Public Housing Recurrent Survey 2002³¹, was \$2,000 and 12.2% respectively. They were significantly lower than those of HOS owners (\$6,000 and 26.8% respectively in 2002) and the private sector owners (\$11,000 and 30.7% respectively in 2001³²).

The tenure mix of 2 owners to 1 tenant households in the public housing estates selected for the Tenant Purchase Scheme is a typical example of a socially-mixed community. In these high-rise housing blocks, we could find owners and tenants living harmoniously together. In the last five years, there were only negligible number of owners who had sold their TPS flats and moved out. In other words, there has not been any noticeable change on the composition of households as owners (previously tenants) and tenants (not opted for purchase

³¹ Hong Kong Housing Authority (2003) *Memorandum for the Subsidised Housing Committee: The Public Housing Recurrent Survey 2002*, Paper No.: SHC 29/2003, HK: HKHA.

³² Census and Statistics Department (2001) *Summary Results of 2001 Population Census* http://www.info.gov.hk/censtatd/eng/press/population/01c/press261001_index.html (available on 26 October)

of their existing rental flats) both stayed in the flats they used to live.

One main feature of the TPS flats is their small size. About 38% of TPS flats sold were below 40 square metres (saleable area) and 55% were between 40 to 49.9 square metres (saleable area)³³. In future there is a possibility that these TPS estates will become an area mainly for the low income families as some well-off owners moved out from these small public flats for larger and better quality private flats. After these well-off owners moved out, these small flats may either be purchased or rented by those with limited means. By then, low income private renters and owners mixing with the original group of low income tenants will turn the TPS community into a residualized community.

Concluding Remarks

A few significant factors apparently have prevented the PRH sector from turning into a residualized sector catering mainly to the poor. The first factor relates to the policy on entry to public rental housing. It was not until September 1998 that CMT was introduced. In other words, it would be understandable that before 1998, without requiring people affected by clearance programmes to go through means test has naturally created a PRH community with different economic circumstances. Moreover the generous criteria of HSP which allows better-off tenants to get reduced housing subsidy (in terms of payment of additional rents) but continue to stay in public rental housing units has created a socially mixed public housing community. Similarly the CMT criteria regulating the grant of new tenancy upon death of principal tenants and the addition of new members into tenancy for existing tenants are also very generous. Hence there is a continuation of mixed income groups in the PRH community.

³³ Housing Department (2003) *Housing Authority Quarterly Statistical Report (March 2003)*, Table 2.2.

The nature of public rental stocks is also a product of housing policies in redevelopment, improvement and maintenance and new building programmes in the last three decades.

Public rental housing stocks on the whole are housing with adequate standards. The introduction of the Tenants Purchase Scheme also allows low to middle income PRH tenants to become home owners and then continue to stay in their existing community. There will be more mixed tenure (owners plus tenants) public housing community and hence further prevent the public housing sector from turning into a residualized sector.

Having said these, it is noticed that there are housing blocks / areas within the PRH community with obvious features of stigmatization and residualization. While the redevelopment programme proves to be successful in upgrading the living environment to modern-day standards, some low-income elderly households, for fear of drastic rent increase in the redeveloped estates, have chosen to move to either the remaining sub-standard housing blocks or to the older housing estates upon demolition of their housing block. There is clear evidence of residualization in some rental estates. Information shows that in some parts of the public rental housing sector, there are high concentration of low-income households. According to the 2001 Population Census, for example, 27.6% (i.e. 6,032 people) of the tenant population (21,833 people) in Lower Ngau Tau Kok Estate (due for redevelopment in 2003) were aged 65 and above (Hong Kong's overall figure was 11.1%); about 35.3% of all tenant households (total number of households: 9,270) were one-person households (Hong Kong's overall figure was 15.6%); over half (53.7%) of all tenants aged 15 and over were only with primary education and below standard (Hong Kong's overall figure was 28.9%); their median household income were less than half of Hong Kong's overall median household income (HK\$6,800 per month and HK\$7,910 among those living in Blocks 1 to 7 and Blocks

8 to 14 respectively compared with Hong Kong's overall figure: HK\$18,705 per month).³⁴

From these figures we could say that estates with similar socio-economic conditions like that of Lower Ngau Tau Kok Estate are residualized sector with a high concentration of elderly people, low-income households and with low educational attainment.

There is sign of a more residualised public rental housing sector with an increased proportion of tenants on welfare benefits. At the end of 1993, there were about 29,500 PRH households on Social Welfare Department's Comprehensive Social Security Assistance Scheme (CSSA) (about 5.1% of all PRH households). As at first quarter 2003³⁵, out of a total number of 601,000 PRH households, 114,100 (19%) are benefit recipients of CSSA. Among all PRH households, 82,600 (13.7%) are one-person households. Among 82,600 one-person households, 57,800 (70%) are aged 60 and above. Among 57,800 elderly one-person households, 36,200 (62.6%) are benefit recipients of CSSA. Although we do not have report on the number of elderly one-person households on CSSA living in Lower Ngau Tau Kok Estate, based on the above figures, we can possibly estimate that more than one in five households are on CSSA. Given that there is a high proportion of elderly people and single-person households in the estate, it is highly likely that there will be more people in financial hardship and in need of benefits. With a high concentration of poor people in these old estates, it is natural to believe that they have been turned into a residualized and stigmatized community. People affordable to move out from these old and stigmatized estates are keen to find exit. It is quite common to find that adult children with a secured job and income would leave their elderly parents in the old estate PRH unit and find alternative accommodation in a nearby private housing estate. Analysis of socio-economic

³⁴ The census statistics are provided by Census and Statistics Department and extracted from website <http://www.centamap.com/cent/index.htm>

³⁵ Information provided to the author by the Hong Kong Housing Authority on 26 September 2003.

characteristics of these old housing estates would give readers a clear picture that these are stigmatized and residualized community. As the redevelopment programme and a proper maintenance and improvement programme continue, there is hope that such undesirable scene be removed.

As the public rental housing is still used to house the disadvantaged people of the Hong Kong community, it is understandable that public housing is not every one's choice. Surveys of Housing Aspirations of Households published in 1997 and 1999 show that 48% and 59.3% of respondents in these two respective surveys preferred living in private flats (including Sandwich Class Housing).³⁶ Despite a social mix of different income groups in the public housing sector, some people would prefer to live in private housing because of people's perception of a better environment in private housing³⁷ and a higher status conferred upon private sector residents. However it is still reassuring because among those respondents who were already living in the public rental housing, about half of them (54% in the 1997 survey and 50% in the 1999 survey) still preferred public rental housing and about one quarter of them (24% in the 1997 survey and 23% in the 1999 survey) preferred Home Ownership Scheme (HOS) flats.

The Hong Kong case is a good demonstration of governmental effort in minimizing the occurrence of a stigmatized and residualized public housing community. Generally speaking, there is a good social mix within the public housing community. Residents live in adequate social housing which is neither socially excluded nor stigmatized.

³⁶ ACNielsen-SRH (1997) *Survey of Housing Aspirations of Households – Executive Summary Prepared for Planning Department*; MDR (1999) *Survey of Housing Aspirations of Households – Executive Summary Prepared for Planning Department*.

³⁷ There were about 10,000 private buildings over 30 years of age. Contrary to respondents' perceived merits of private sector housing, many of them pose potential environmental hygiene problems due to lack of proper maintenance. According to the Director of Building, there are 750,000 illegal structures (including those on the roof-top) in the private housing blocks (Speech given at Hong Kong Institute of Housing CPD Kick-off Ceremony on 6 September 2003).