

**Comparison of housing policies between Hong Kong and Singapore:
A reflection on cash-based and asset-based welfare model**

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Abstract

Housing is a hot issue and social problem in Hong Kong. This paper is comparing the housing policies between two Asian regions: Hong Kong and Singapore. The summary of the two public housing policies will be presented and analysed with the theoretical perspective of cash-based and asset-based welfare model. Then, there will be an evaluation based on the social work perspective and social justice. Lastly, recommendation will be given for the improvement of public housing policy in Hong Kong based on the experience of Singapore.

1. Introduction

Housing issue has become a serious social problem in Hong Kong with a myriad of concern from the public and media. There are several evidences showing the severity of housing problem in Hong Kong. According to Cox and Pavletich (2014), Hong Kong is ranked at the top of metropolitan markets categorised as severely unaffordable in housing; the median multiple of Hong Kong is 17.0, which means the median housing price is 17 times higher than the median household income of Hong Kong people. The median multiple should be below 3.0 to be categorised as affordable; other developed regions such as United Kingdom, the United States, Singapore and Japan are all having median multiple that is below 5.0. Therefore, the affordability for housing in Hong Kong is extremely low compared to other places. The unaffordable housing price has led to multiple living problems in society. The research conducted by Oxfam (2013) shows that there are more than 180,000 persons regarded as poor private housing tenants whose income is under the poverty line and mostly living in cubicles, bed spaces or subdivided flats. The total number of applicants on the waiting list for public housing in September 2015 has exceeded 280,000 and the average waiting time is 3.6 years. (The Hong Kong Housing Authority, 2015) This waiting period has exceeded the government's target of an average of three years waiting time in previous years. Research also reveals that the living conditions of the poor tenant household is deprived, with a high rent-to-income ratio up to 40% but a small living space of 4.2 square meters, which is

below the minimum standard of 5.5 square meters according to Hong Kong Housing Authority; other living problems such as water leakage, fall off of concrete and exposure of steep rope are commonly found in subdivided flats, cubicles and bed spaces. (Oxfam, 2013)

The Universal Declaration for Human Rights states that ‘Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing...’ (United Nations, 1948) Leckie (1992) claimed that adequate housing is a fundamental human need; therefore, housing policy is an essential social policy to address the basic housing needs and rights of people in a society. Despite the above evidence shows that Hong Kong’s housing policy is not adequately addressing the housing needs of people, Singapore is having a very different housing policy compared to Hong Kong’s, which could bring insights for the evaluation of social policy. This paper is going to compare the housing policies between Hong Kong and Singapore. The two different housing policies will be presented and analysed with the theoretical perspective of cash-based and asset-based welfare, supplemented by the discussion of residual and right-based welfare perspective. At last, there will be an evaluation of these policies based on a social work perspective and recommendation will be given for the housing policy in Hong Kong.

2. Comparability of the two society

Before starting to compare the housing policies of Hong Kong and Singapore, it is essential to evaluate the comparability of the two societies because the cultural context,

economic development, population size and social structure of different places could have a large discrepancy in different places, which may not be meaningful to do comparison. Hong Kong and Singapore are similar to a large extent in different aspects. First of all, they are both regarded as city-states. Hansen (2000) claimed that city-state is sovereign characterised by highly populated urban centre comprising a substantial proportion of the population or non-sovereign cities which have a high degree of autonomy. Singapore is definitely a city-state because it is a densely populated sovereign while Hong Kong is a highly populated non-sovereign city. In 2014, Singapore has a 5.5 million population with land size of 707 sq. km while Hong Kong has a 7.3 million population with land size of 1050 sq. km. (The World Bank, 2015) Therefore, the land size and population density of two places are pretty similar and the living environment should be alike. Secondly, the two places are similar in economic development. Singapore and Hong Kong are known as “Four Asian Tigers” with prosperous economic development; their GDP per capita in US dollars in 2014 are 56,287 and 40,170 respectively. (The World Bank, 2015) This is a close number and people in two places should enjoy a similar living standard and purchasing power benefits from the economic development. Thirdly, Singapore and Hong Kong has a similar cultural context. Although Singapore is an English-speaking society with more diversified ethnic groups, the two places are basically regarded as Chinese society because Chinese counts for 74.2% of total population in Singapore and 93.1% in Hong Kong. (Central Intelligence Agency, 2015) The

two places are strongly influenced by Confucian culture and familistic values, which could be observed from the social policies in two places. (Chiu and Wong, 2005; Rappa and Tan, 2003) Hence, the two societies have a similar family-based cultural background, which emphasises on the importance of family in the social structure and policies formulation. The familistic value would affect the formulation of social policies, especially housing acts as an essential part of a family. Nevertheless, the outcome of the housing policies of the two places is quite different which will be analysed in the following parts. In sum, Singapore and Hong Kong have a large extent of similarities in terms of social structure, population and land size, economic development and cultural background, which are thus comparable for their respective social policies.

3. Summary and key policy concepts of the two housing policies

To understand the housing policies in Singapore and Hong Kong, the general picture of the two housing markets should be introduced first. In Singapore, public housing is the major dwelling for people, which includes more than 80% of the total population and private housing only accounts for less than 20% in the housing market; the homeownership rate is higher than 90% in total and the share of rental housing is very low. Therefore, the Singapore government has a strong intervention and determinate role in the housing market and most of the residents are property owners. (Department of Statistics Singapore, 2015) In Hong Kong, public housing includes around 45% share of the total population (29% as public rental

housing and 16% as subsidised sale flats) while private housing has around 55% share in the housing market; the homeownership rate is around 50% in total and half of the population does not own a property. (HKHA, 2015) Therefore, the Hong Kong government does not have an active role and strong intervention in the housing market while private housing owns a larger share in the housing market. To compare the housing policies more specifically and systematically, the public housing policies of the two societies will be presented and analysed along key policy concepts below. Particularly, the public rental housing policy in Hong Kong and the public home ownership policy in Singapore will be compared as they are the major public housing policies respectively.

i. Provider and finance

In Hong Kong, public housing is managed and executed by The Housing Department of the Hong Kong Housing Authority (HKHA), which is a statutory organisation helping the government to develop and implement the public housing programme; therefore, public housing service is provided by the public sector in Hong Kong. HKHA is mainly financed by the government budget, capital and indirect subsidies of land; other incomes include rental, sales and premium and investment income. (HKHA, 2015)

In Singapore, the situation is pretty similar to Hong Kong's. Public housing in Singapore is managed by The Housing and Development Board (HDB), which is Singapore's public housing authority. It is responsible for planning and developing Singapore's public housing

estate. HDB is also financed by the government grant and other incomes include rental, sales and investment income. However, the difference is that there is a fund called Central Provident Fund (CPF), which is a state-managed social security fund for the working population like Mandatory Provident Fund (MPF) in Hong Kong. Instead of using taxation, CPF acts as a source of funding for construction of public housing in Singapore and circulate the money back when people purchase flats from HDB using their CPF. (Housing and Development Board, 2015)

ii. Content of provision

Although both of the public housing policies in Singapore and Hong Kong are financed and provided by the public sector, the content of provision is very different. Hong Kong government provides cash assistance indirectly to tenants in public housing by subsidising them to pay in an affordable low rent price, which is in average \$1700 HKD; this number is less than 20% of the average household income of public housing tenants. (HKHA, 2015) Therefore, the provision of public housing in Hong Kong is by indirect cash assistance, which is a cash-based welfare model.

Singapore government subsidises people to purchase the HDB flats in a price lower than the market rate. People are allowed to use their CPF for purchasing flats and they may also get a housing loan from HDB with a concessionary interest rate. Apart from the loan, the first timer purchasing a HDB flat would be granted up to SGP\$80,000. The government is not

merely providing cash assistance to people, but subsidises people to build up assets in the long run as people can own the public housing after they have repaid the loan or purchased the flats. The cash-based and asset-based welfare model in two societies will be further analysed in later part.

iii. Eligibility

The eligibility of the two policies in Hong Kong and Singapore have a certain extent of similarities, for instance they have an age limit of 18 and 21 years old respectively; applicants need to have citizenship and rights to abode; applicants could not own any kind of property; applicants is restricted by an income ceiling, etc. (HKHA, 2015; HDB, 2015)

Nevertheless, there are also discrepancies between the two policies. Public rental housing in Hong Kong has very strict means-tested criteria with income limit and net asset limit. The income limit is around 14% below the median household income in 2014. (HKHA 2015; Statistical Department of Hong Kong, 2015) The government wants to ensure that the resources are provided only to the 'needy' households, yet the income and asset limit line is always controversial especially when Hong Kong is having a soaring and unaffordable private rental price. On the other hand, the income ceiling of purchasing a new HDB flat with three rooms in Singapore is around 45% higher than the median household income in 2014; while buying a resale HDB flat does not have any income restriction. (HDB, 2015) Therefore, the eligibility for public rental housing in Hong Kong is much stricter than that of Singapore'

as the former's target is only for the low-income household while the later covers a larger variety of income group and benefits more people.

4. Two different theoretical perspective

From the above description of the two different housing policies in Singapore and Hong Kong, it is obvious that the two governments are implementing different philosophies of service provision and they are demonstrating different theoretical perspectives, namely cash-based welfare model and asset-based welfare model. Sherraden (1991) mentioned that the cash-based or income-based model is any cash and in-kind assistance that is distributed based on needs which could not increase people's consumption in the long run; while asset-based welfare model could increase people's consumption in the long run if the state invests in building the future asset of people. The public rental housing policy in Hong Kong is implementing a cash-based welfare model. Tenants could not own the flats but only be able to rent them for the life time. They need to keep paying for the rent even after retirement and thus consuming their pensions. Research shows that 'the increasingly impoverished tenants and growing numbers of elderly in public rental housing units have been hard pressed to gain wealth or unlikely to find the incentive to wean themselves off government assistance.' (Our Hong Kong Foundation, 2015) Therefore, the persistent reliance on cash assistance from the government could not effectively help the tenants climb up the social ladder and increase their future consumption; whether the wealth could be accumulated depends on myriad of

factors such as the working incentive, education level and cost of living.

In Singapore, people are largely subsidised to purchase public flats. The grant for first timer to purchase flats from HDB is evidence showing that the Singapore government is investing a large amount of money to help people build assets for their future; this is the reason why 90% of the population in the nation are home owners. Doling and Ronald (2010) claimed that 'home owners generally enjoy the net benefit equivalent to the rent they would otherwise have to pay for and when individuals own homes they can get by on smaller pensions.' The long-term consumption of individuals could increase because housing is an asset which may increase in value and save the rental cost in retirement as well. Home ownership is not merely a means to accumulate housing equity as a last resort but it can be used as a financial resource over the life course. (Toussaint & Elsinga, 2009) Some may think that asset values may go up and down, which could adversely affect individual's wealth and consumption on the other side. However, in the case of Singapore, the private housing price is highly correlated to the public housing price set by HDB because the government intervention has a control over the housing market. (Phang & Wong, 1997) Hence, the housing price and values in Singapore would not fluctuate or elevate drastically like Hong Kong as it is not entirely determined by the market force; Singaporean can enjoy a stable living condition because housing is regarded as one of the prominent parts of social policy.

The discrepancy for two societies implementing different welfare model as the major

housing policy is attributed to their different philosophies of social welfare and perspective on housing. Chiu and Wong (2005) claimed that Hong Kong government has long been 'proud of its non-intervention and minimalist welfare regime and the neo-liberalist tradition'. The public rental housing policy is an obvious example of residual welfare, as applicants have to go through a strict means-testing procedure and many households are excluded from the policy; the resources are only provided to the lower income group in society. 'The market mechanism remains the best means to make effective adjustments...Under the principles of "Market Leads, Government Facilitates" and "Big Market, Small Government", the Government will continue to create conditions for market development.' (The Hong Kong SAR Government, 2010) The Hong Kong government strongly believes in the free market and market mechanism; thus ensures the minimal intervention of government does not affect the private housing market. Although there is a Home Ownership Scheme (HOS) in Hong Kong which is similar to the practice in Singapore, the coverage and subsidies from government is very limited. HOS only covers 16% of the total population and the government only subsidizes 30% of the cost while the selling price is pegged to the market price. (HKHA, 2015) Nevertheless, Singapore government has a right-based welfare perspective on housing. The heavy emphasis on home ownership reveals that the Singapore government views housing as a basic right and need of people, thus successfully leading to a 90% home ownership in Singapore.

5. Evaluation with social work perspective

The Code of Practice for Social Workers clearly states that ‘Social workers accept responsibility to advance social justice and to safeguard the cause of human rights’ (Social Workers Registration Board, 2015) Social justice approach emphasise ‘the equal worth of all citizens, their equal right to meet their basic needs, the need to spread opportunity and life chances as widely as possible, and finally, the requirement that we reduce and where possible, eliminate unjustified inequalities’ (Finn and Jacobson, 2003) Therefore, equal rights and equal opportunities as social justice is a fundamental social work value and a justice view from the social democratic perspective; policies should be formulated to achieve social equality in accordance to this definition of social justice. Yung and Lee (2014) proposed that the basic housing rights include ‘equal right to adequate and affordable housing’ and ‘equal right to choose and enjoy one’s housing’. The Hong Kong public housing policy is not consistent with social justice as people do not have equal rights and equal opportunities for housing. The means-testing criteria is arbitrary and there is no evidence proofing that households with income slightly higher or even a distant beyond the limit line do not have the need for housing; those households could neither be eligible for public rental housing nor being able to afford renting or purchasing flats in the private housing market while the Home Ownership Scheme has a very limited supply and the price is unaffordable for many households, leading to an unstable living condition and increasing numbers of poor and

unauthorised living places such as cubicles, bed space and subdivided flats. On the other hand, Singapore's housing policy is consistent with social justice as people have the equal rights and opportunities to become home owners, which ensure an acceptable living condition for people and respect people's dignity. With a controlled housing price, people can have the freedom and rights to choose the flats they would like to live in either from the private or public sector and the eligibility of HDB flats ensure people do not own more than one property, which avoids people treating housing as financial products and protect everyone's right for housing.

This paper recommends Hong Kong government to learn from the experience of Singapore's home ownership policy and initiate to treat housing as a basic right of people. The fundamental problem of Hong Kong public housing policy is the residual view on housing needs instead of a right-based view. Housing should be regarded as a basic right of people as stated in the first part of this paper. Waldron (1993) pointed out that a right is 'a legitimate claim on others that one should be able to make without feeling any embarrassment for making such a claim.' The current public rental housing policy in Hong Kong not only excludes many household from enjoying the housing right, it also creates problem such as stigmatisation because people are being labelled as 'public housing tenants' and the 'low income group', which is further segregating people from the community and dividing into classes. Yeung & Drakakis-Smith (1974) revealed that home ownership in

Singapore does not merely help build the nation, but building a sense of belonging and community spirit at the same time. The Singapore government does not merely provide housing to people, but creating community at the same time. There is an ethnic integration policy which sets quotas for different ethnic groups to be living together in a neighbourhood rather than segregating them in different communities. Singapore government is caring not only about the housing needs of people but community as a whole. When the home ownership policy is nearly universal for all citizens but not selective, it could alleviate the problem of social stratification and create a more harmonious community.

Despite the Hong Kong government is trying hard to alleviate the housing problem of the poor, the effort and intervention extent is not sufficient. The market-oriented housing policy is against social justice when properties are treated as commodities and financial products in the housing market, depriving people's rights for housing. To alleviate the housing problem in the short term, the government should impose a rental price ceiling or provides subsidies to tenants in the private housing market to allow households to find an adequate and quality shelter before they could get into public rental housing or being able to purchase a flat, this might help improve the living conditions of some group of people. In the long run, the government should expand the public sector in the housing market, especially for the public home ownership, which can help people build up asset and enjoy a stable living condition. The selling price of flats in HOS should be unpegged from the market rate and contains a

large amount of government subsidies based on the affordability of people. Some may argue that this act will adversely affect the private housing market, yet if housing is seen as a right instead of a product, this will definitely become a legitimate proposal. Moreover, when more people become home owners, the social stability will be enhanced and the labour productivity will increase in long term.

6. Conclusion

In conclusion, this paper has reviewed the housing problem in Hong Kong. The public rental housing policy in Hong Kong and the public home ownership policy in Singapore are analysed and compared, which have given insights of two different theoretical perspectives, including cash-based welfare and asset-based welfare. These two perspectives have led to a further discussion on residual and right-based welfare, which is based on a different view of welfare provision. Then the two policies are evaluated by social work perspective and social justice. This paper argues that housing is a fundamental basic right and need of individuals and government should pay efforts to protect individuals' right for housing. The minimal intervention and neo-liberalist view of the Hong Kong government in the housing market has led to many living problems mentioned earlier. The experience in Singapore is an invaluable lesson for Hong Kong and this paper suggests that government should treat housing as a basic right of individuals and expand the public home ownership rate in the long run, which can undoubtedly make Hong Kong a better place to live.

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