

# An institutional and governance approach to understand large-scale social housing construction in China

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## ABSTRACT

The construction of social housing in Chinese cities on a massive scale is considered necessary to meet the urgent housing needs of low- and middle-income households. This article develops an institutional and governance approach to understand large-scale social housing construction in China. It takes Guangzhou as a case study to illustrate the problems faced by many large-scale social housing neighborhoods that have recently been built in the suburbs of Chinese cities, and the impact of institutions and governance activities on the creation of such neighborhoods. It studies the evolution of social housing systems within different welfare regimes in Guangzhou, and examines the influence of institutional factors and the roles of and relationships between various stakeholders on the social housing projects. Suggestions regarding institutional reforms, innovative governance, and new spatial arrangements are given for the sustainable social housing construction in China.

## 1. Introduction

Many western countries saw a massive amount of social housing construction in the early 20th century, and the regeneration of social housing in the late 20th century. In the United States, social housing programs were established in 1937 to generate employment opportunities following the Great Depression. Later, they were combined with slum clearance programs to meet the needs of low-income households (Dekker and Varady, 2013). In the 1990s, the HOPE VI program was launched to tackle the stubborn and interrelated problems of concentrated poverty and residential segregation, by breaking up social housing estates and promoting mixed developments (Samara, Sinha, & Brady, 2013). In Europe, many countries (particularly the Netherlands) built many large-scale social housing neighborhoods after the second world war. Although there are very considerable differences between social housing schemes across Europe, there are similar trends and tensions. One priority issue in most countries is to improve existing social housing neighborhoods in order to reduce the concentration of poor quality housing and deprived households (Scanlon & Whitehead, 2007). Varying forms of public–private partnerships are becoming more important in the provision of social housing schemes, and new social housing is generally on mixed-tenure sites.

In China, social housing called “indemnificatory housing” (*baozhang fang*) has recently been built on a large scale. It is provided or regulated by governments, and targeted at low- and middle-income households. It was once mainly provided by state work units (Wu, 1996). The mid-1990s saw the introduction of “economically affordable housing” (*jingji*

*shiyong fang*) in major cities for low- and middle-income households. However, the supply of economically affordable housing has always lagged behind demand, and the affordability of housing in China is becoming both a social and an economic issue, particularly for households that are marginal to the market (Lin, De Meulder, Cai, Hu, & Lai, 2014). The central government believes that the imbalance between the housing sector and socioeconomic development is largely attributed to the insufficiency and inefficiency of the state provision of housing in a fast-growing market economy in which income inequality is rapidly increasing (Li, 2011). The construction of social housing on a massive scale is considered necessary to meet the housing needs of low- and middle-income urban households, and a regulatory tool to cool down the overheated residential property markets (Chen, Zhang, & Lu, 2015). Therefore, China's Twelfth 5-Year Plan, which was drawn up in 2011, included the provision of 36 million social housing units, which would comprise 20% of the total new housing construction by 2015. There are four types of social housing, namely of economically affordable housing, price-limited housing (*xianjia fang*), low-rent housing (*lianzu fang*) and public rental housing (*gonggong zulin fang*, PRH) in Chinese cities. Both economically affordable housing and price-limited housing focus on promoting homeownership and are sold at below-market price to middle- and low-income citizens with urban hukou. Land for economically affordable housing is often allocated to developers and the sale price is restricted to cover the construction cost with a very small profit margin; while land for price-limited housing is obtained through competitive bidding and the sale price is set at around 70–75 percent level of comparable nearby market housing (Chen, Yang, & Wang,

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2014). Since 2014, the low-rent housing scheme has been gradually integrated into the PRH scheme (MHURD et al., 2014). PRH is for rental purposes and targeted at low-income households, including both local citizens and migrants without urban hukou. However, the general rule regarding qualification is not very clearly defined by the central government, leaving the local government with substantial freedom in making its own allocation policies (Chen et al., 2014). The PRH program is largely financed by the local government, but it also receives state supports in forms of discounted and guaranteed land, fiscal backing, tax breaks, and low-interest loans from state-owned banks (SCGO, 2011). The provision of social housing is mainly led by the local government and becomes one of the important indicators of the local performance. It is within such a context that many social housing projects especially PRH projects have recently been carried out in Chinese cities.

However, it is widely reported that newly built social housing in China is usually large-scale and located in the suburbs of big cities, and has insufficient access to jobs, public services, and facilities (Du, Wang, & Luo, 2015; He & Liu, 2014; Li, 2011). Based on the case study of Beijing, Chen et al. (2015) indicate that the direct cause of the marginal location of social housing is that low- and middle-income households have little impact on determining the location of social housing. Dang, Liu, and Zhang (2014) argue that the discriminatory site selection practice is a result of strategic policy implementation by city governments, which strive to balance top-down political pressure with local fiscal interests. It is also reported that tens of thousands of units of social housing in Jiangxi, Henan, Jilin, Hubei, Guizhou, and other provinces are vacant (Du et al., 2015). The recent audit results released by National Audit Office (<http://www.audit.gov.cn/>) revealed that 57,500 social housing units are unused.

Although there is a growing body of literature on social housing in China, few studies have investigated the influence of specific institutional contexts and governance activities on spatial quality of newly built social housing projects. This study fills that gap by taking Guangzhou as a case study. Guangzhou is a good illustrative example. First, as one of the fastest growing cities, it was home to 12.7 million people, including 4.76 million migrant workers (China's Sixth Population Census, 2010). How to provide social housing for the huge number of low-income migrants is a crucial issue. Second, it has made a series of policies and institutional reforms for social housing construction in several phases. Third, several modes of governance have recently emerged in carrying out large-scale projects. The local government has increasingly collaborated with state-owned and private enterprises to provide social housing. Previous studies show that the local government has played a dominant role in providing social housing in cities such as Chongqing and Beijing (e.g. Chen et al., 2015; Zhou & Ronald, 2016). In order to solve the huge housing demand of migrants, the central government has recently encouraged the involvement of enterprises and actors from society to provide PRH in the China's New-Type Urbanization Plan (2012–2020). Guangzhou is such an experimental case that can examine how these new actors and new public-private partnerships affect social housing projects. Based on a critical review of literature, this article firstly develops an institutional and governance approach to understand social housing construction in China. It then reviews the evolution of social housing systems within different welfare regimes in Guangzhou. After studying the influence of institutional factors on social housing provision, the article discusses the roles of various agencies and several modes of governance in producing large-scale social housing projects. Suggestions regarding institutional reforms, innovative governance and new spatial arrangements are finally given for the social housing construction.

This research employed both qualitative and quantitative methods, including in-depth fieldwork, participation observation, semi-structured interviews, mapping, and statistical analysis. The data were mainly collected during two periods of in-depth fieldwork in March and April 2013 and 2015. The author visited several large-scale social

housing neighborhoods in the suburbs of Guangzhou, and observed their spatial conditions, neighborhood activities, and surrounding environments. Semi-structured interviews were conducted with several officials of local government agencies (e.g., Guangzhou Municipal Indemnificatory Housing Office, and Guangzhou Urban Planning Bureau), planners, professionals, and local residents to understand the institutional and governance issues of social housing provision, as well as the characteristics of social housing neighborhoods. Documents and data (project documents, policies, annual statistics of social housing construction, etc.) were collected from Guangzhou Municipal Land and Housing Bureau and Guangzhou Municipal Government, for analyzing the construction of social housing projects. The method of mapping was used to examine the relationships between social housing projects and public facilities. In sum, this research applied mixed methods to understand the complexity of social housing construction in Guangzhou, which is largely influenced by specific institutional contexts and governance activities.

## 2. Conceptual framework

Although there is a growing body of literature on social housing, scholars often study social housing from an institutional, stakeholder or physical perspective rather than examining their relationships. In the field of urban planning, there are increasing attentions to the relationships between institutions, stakeholders and physical spaces. Institutional contexts and the roles and relations of various stakeholders are key factors that influence city development, urban projects and spatial quality (e.g. Healey, 2007; Salet and Enrico, 2007; Lin et al., 2014). Analyzing city development may be conducted better by linking the strategies and interests of key stakeholders with the institutional structure, which is the framework within which individual agents make their choices (Healey & Barrett, 1990; Lai, Chan, & Choy, 2016). The institutional and governance approach in urban planning can be applied to understand how specific institutional contexts and stakeholder relationships affect social housing construction.

Based on a critical review of literature, a conceptual framework is established to link institutions, governance activities, and the quality of social housing projects (Fig. 1). According to Zhou and Ronald (2016), the Chinese housing systems can be distinguished by four criteria of welfare regimes, namely of socialist, corporatist, liberal and productivist elements. Institutions mainly refer to hukou system, housing allocation system as well as land, fiscal and political systems. Governance often refers to aspects of the relationship between state intervention and societal autonomy (Treib, Bahr, & Falkner, 2007). It emerges as a concept that acknowledges that the public sector is not the only controlling actor when it comes to the solution of societal problems (Driessen, Dieperink, Laerhoven, Runhaar, & Vermeulen, 2012). In the Chinese context, different modes of governance can be formed according to the relations between state, market and society (Lin, Hao, & Geertman, 2015). Modes of governance related to this research include decentralized governance (local governments take the lead), public-private governance (the joint actions of partners in public and private sectors), and self-governance (far-reaching autonomy with involved stakeholders from the market and/or civil society). They are formed based on various relationships between stakeholders, e.g. multiple governments, housing associations, enterprises, and households. These stakeholders have diverse positions, interests, strategies, financial capacities, and practices. Institutions are structures framing governance activities that directly affect the spatial quality, such as proximity, accessibility, physical forms (scale, the quality of design, etc.), ownership of space, social diversity and livability, and environmental quality (Maulaert, Dyck, Khan, & Schreurs, 2013). As pointed out by Healey (2007), governance activities that have a variable mix of the regulation of economic activities, the provision of public services, and the management of social relations, reshape the physical form of cities for welfare, wealth generation or symbolic purposes.

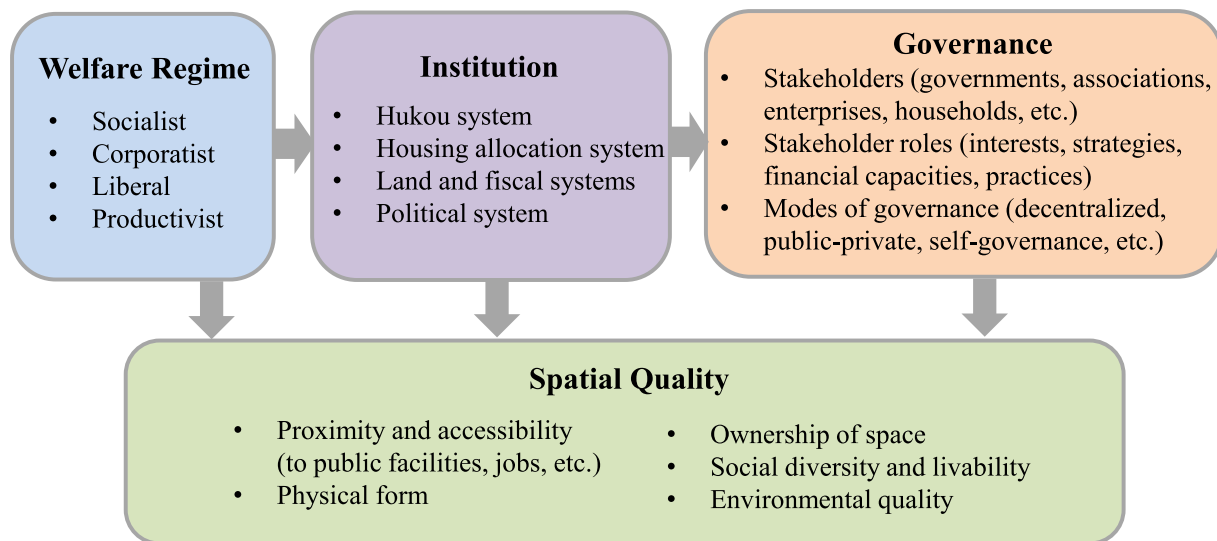


Fig. 1. Conceptual framework.

### 2.1. Welfare regimes and institutional factors

Some recent studies have connected housing systems to welfare regimes, with an attention to housing as a social dimension and an intersection of the welfare mix (Kemeny, 2001; Stephens & Fitzpatrick, 2007). These studies apply key concepts of welfare regimes to housing studies, such as de-commodification and stratification. Zhou and Ronald (2016) develop a welfare regime framework to understand the evolution of the Chinese housing system. They identify four stages of housing provision with different welfare regimes in China: a socialist system with conservative corporatist elements, a gradual transfer to a more liberal system, a liberal housing system with productivist elements, and ongoing transformations under debate. This provides a general approach to understand the evolution of housing systems in China, while a specific city may have its own track due to specific local contexts.

To understand the contemporary social housing system, attention should also be paid to several institutional factors such as hukou, land, fiscal and political systems (Chen et al., 2015). Homeownership and physical housing conditions are two areas with the largest institutional effects (Chen, 2012). The primary reason that China's housing differentiation is a social justice issue, is that much of the housing inequality is a result of unjust institutions, for example, those related to the hukou system (Wu & Treiman, 2004), the work unit system (Bourassa & Zhao, 2003), and political hierarchy (Li, 2003). The hukou system registers people according to their birthplaces, and those with urban hukou status enjoy better housing, education, employment opportunities, social security, and other benefits than those with rural hukou status (Gu, Chan, Liu, & Kesteloot, 2006). The hukou system is one of the major constraints in providing social housing for migrants (Lin et al., 2014). This leads to a broadly similar pattern of social housing supply in Chinese cities, in which the social housing system flows into two subsystems: a local citizenship-based and a migrant-based system (Zhou & Ronald, 2016). In China's New-Type Urbanization Plan (2012–2020), a series of hukou reforms are made to accelerate the process of turning rural migrants into urban citizens. One of the key policies is to provide more PRH for rural migrants. However, in practice, only a limited number of rural migrants, who are often high skilled and professional, could apply PRH in cities such as Guangzhou and Beijing. This accessibility issue may partly lead to the high vacancy rate of the new social housing units, which are constructed on a large scale but only access to a limited amount of applicants. It may become even more complex when it confronts with the problem of lacking transparency and fairness

in the allocation of social housing units (Dang et al., 2014). Furthermore, land and financial constraints are two key issues in the provision of social housing (Lin et al., 2014). The tax sharing system has given the central government better access to tax revenue, but has created financial difficulties for local governments. “Land finance” is a key strategy where the local government uses the anticipated price appreciation and the future added tax revenue of land earmarked for urban development to raise capital (Cao, Feng, & Tao, 2008). Consequently, local governments are motivated to redirect land into infrastructure development and local industry, which not only boosts local GDP but also creates local revenues, and have refused to allocate land for social housing provision in many cases (Zhou & Ronald, 2017). The effects of land-based interests as a fiscal incentive mechanism led to the concentration of social housing projects at the urban fringe where land price is relatively low (Dang et al., 2014). Besides, political incentives can influence the scale and speed of social housing construction (Zhou & Ronald, 2016).

### 2.2. Governance activities and various stakeholders

As pointed out by Ball (1986), studies on housing provision should pay attention to the agencies or stakeholders involved in that provision. Although social housing schemes vary from country to country, they are generally influenced by the roles of and relationships between various stakeholders whose activities are framed by specific institutions. For instance, in the United States social housing largely depends on the market sector, restricted public goods, and a strong role for the private sector in the production of welfare (Esping-Andersen, 1990). Social housing constitutes only about 5% of the total housing stock, including units owned by public or not-for-profit entities, and subsidized housing owned by profit-making companies and individuals (Dekker & Varady, 2011). In Singapore, two main public agencies (Housing and Development Board, and Central Provident Fund) play pivotal roles in providing social housing, which constitutes 82.65% of the nation's total housing stock (Deng, Sing, & Ren, 2013). The success of Singapore's social housing is mainly a result of an efficient centralized planning system and an institutional structure that is characterized by a dominant ruling political party and is supplemented by a fair distribution structure (Deng et al., 2013). The social housing sector in the Netherlands is the largest in Europe. The Netherlands is often called a welfare state because of its universal benefits based on citizenship, equal access to services, and low degree of dependency on the market sector (Dekker & Varady, 2011). About 500 social housing associations own almost all

the social housing units, which number 2.4 million and make up over one third of the country's total housing stock (Wassenberg, 2008). In many Western countries, private developers have become involved in operating social housing, and public–private partnerships are being explored since the 1970s (Whitehead & Scanlon, 2007).

In China, local governments play a main role in social housing constructions, but the division of powers, incentives, responsibilities, and revenue resources between the central government and local governments has been detrimental to the state's social housing goals (Zou, 2014). Chen et al. (2014) observe that local government, real estate developers, and the financial sector are the three main stakeholders that determine the location patterns of social housing in Beijing. They argue that low- and middle-income families have little choice in terms of the size and location of social housing units. This suggests that there is a low level of residential empowerment in social housing construction. They also point out that because the government controls the selling price of, and the profit to be made from social housing, developers tend to choose areas on the fringes of cities, mainly to avoid incurring demolition costs and reduce the total cost of construction. The Chongqing municipality is more active than most local states in China (Zhou & Ronald, 2016). The municipal government and state-owned-housing enterprises are the main stakeholders of the PRH program. The state-owned housing enterprises were heavily empowered, with the municipality prioritizing them in policies and in the allocation of housing land, as well as guaranteeing bank loans for them in the large-scale production of PRH (Zhou & Ronald, 2016). However, the Chongqing model is almost an exceptional case in China: the specific political conditions and incentives of municipal officials, the powerful capacities of state-owned housing enterprises, and the distinctively large stock of land for raising funds of housing (Zhou & Ronald, 2017). This model also has several problems ranging from high debt to unsustainability.

### 3. Three phases of social housing systems under different welfare regimes in Guangzhou

According to the mentioned stages of Chinese housing systems identified by Zhou and Ronald (2016), Guangzhou's social housing construction can be divided into three phases under different welfare regimes: a gradual transfer from a socialist system to a more liberal system, a liberal housing system with productivist elements, and ongoing transformation. These three stages have led to different social housing constructions, in terms of housing types, targeted households, project scales and quality.

The first phase (1986–97) is at a stage that gradually transfers from a socialist system to a more liberal system. The state assigned responsibilities to work units and local governments for the production of new housing, and assisted them by establishing preferential policies on land and taxes (Zhou & Ronald, 2016). Private homeownership began to be promoted and social housing was increasingly sold-off to tenants at very low prices. During 1986–94, “difficulty-solving housing” (*jiekun fang*) had been slowly provided by the city government in the form of subsidies and preferential policies (Chen & Li, 2014). The housing scheme aimed to solve the housing problems of permanent households that had living areas smaller than 2 m<sup>2</sup> in the 1980s and smaller than 5 m<sup>2</sup> after the early 1990s (Chan, Yao, & Zhao, 2003). Low-income households with Guangzhou hukou could purchase difficulty-solving housing at low price. Since 1995, Guangzhou became one of the national pilot cities that invested in the construction of “living-in-contentment” housing (*anju fang*), which was intended to solve the housing problems of permanent households that had living areas smaller than 7 m<sup>2</sup> (Chan et al., 2003). The living-in-contentment housing included difficulty-solving housing, low-rent housing (see below), and policy-related housing for cadres and teachers in work units.

The second phase (1998–2006) is within a liberal housing system that has productivist elements. The state not only reduced subsidies on low-profit housing, but also left housing prices to the market (Zhou &

Ronald, 2016). Real estate was booming in Chinese cities, and providing economically affordable housing for suitable labors became important to promote economic growth. In 1998, the city government introduced economically affordable housing with preferential policies and limited construction standards and prices. Low- and middle-income households with Guangzhou hukou could purchase housing units, but were granted only limited property rights. Economically affordable housing was a type of commercial housing with a social security purpose. The government provided incentives and limited the construction standard (e.g., dwelling size was about 60 m<sup>2</sup>), sale price, and targets. In 2002, low-rent housing became the main type of social housing. It provided subsidized rental housing units for low-income households with Guangzhou hukou. The property rights were retained by the city government and its agencies.

The third phase (since 2007) is under ongoing transformations. The state has adopted various new regulatory housing strategies to curb speculative investment in commercial housing, constrain housing price inflation and prioritize the development of all kinds of social housing (Zhou & Ronald, 2016). In 2007, Guangzhou municipal government issued three social housing policies: “The Sale Management Approach of Price-limited Housing,” “The Implementation Measures of Guangzhou Low-income Housing Security System,” and “The Implementation Measures of Guangzhou Economically Affordable Housing Security System.” These policies stimulated the construction of economically affordable housing, price-limited housing, and low-rent housing, which were targeted at low- and middle-income households with Guangzhou hukous. The new type of social housing called price-limited housing was commercial housing with a limited price, limited size (smaller than 90 m<sup>2</sup>), and limited sales targets. In the period 2006–08, 18 new social housing neighborhoods were constructed (Liu, 2012). “The Implementation Measures of Guangzhou Public Rental Housing Security System” was issued in 2013, and led to the construction of PRH on a large scale (Fig. 2). In addition to local citizens, rural migrants without Guangzhou hukou can also apply for PRH. Several large-scale social housing neighborhoods, combining affordable and price-limited housing with a high percentage of PRH, have been created in the suburbs of Guangzhou (see the following section).

### 4. The influence of institutional factors on social housing construction

Although the number of social housing units has been increased considerably in the past few years, they comprise only a small percentage of the total housing units in Guangzhou. According to the Sixth National Population Census of Guangzhou (2010), social housing units accounted for 13.95% of the total number of housing units in the city. The provision of social housing for the majority of low-income

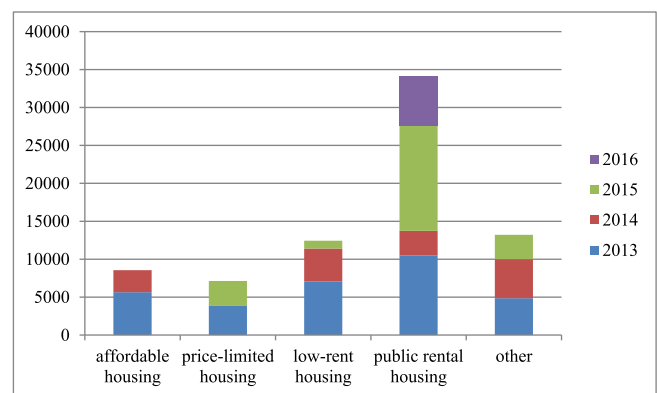


Fig. 2. The construction of social housing in Guangzhou in recent years (source: based on the annual reports of Guangzhou Municipal Land and Housing Bureau and Guangzhou Municipal Government).

households (especially migrants) in the city has been hindered by many institutional issues related to land provision, the financial system, and the hukou system.

In order to reserve land for social housing construction, in 2009 Guangzhou issued “The Regulation of Land Reserve for Indemnification Housing in Guangzhou.” According to this regulation, land for social housing construction can be acquired by recovering state-owned land and idle land, buying land, and requisitioning collective land (particularly farmland). Priority is given to state-owned land that is idle and not used effectively. The enterprises are also encouraged to provide idle land, warehouses, and residential areas that are used ineffectively for social housing through transfer or approved sales. Free land allocation is the main mode of land provision in social housing construction. If the social housing project is government-led, the land is allocated to Guangzhou Municipal Indemnificatory Housing Office; if the social housing is developer-led, the land is allocated to the developers for construction. The regulation helps the city to reserve and prepare land for social housing projects. However, most of the reserved land is located in the suburbs of Guangzhou.

The marginal location of the reserved land and social housing projects is a result of many issues. First, “land finance” – in which the local government relies heavily on revenue from land – reduces the local government’s motivation to build social housing (Chen & Li, 2014). Second, urban renewal in the city center is intended to accommodate expensive commercial and residential property rather than social housing, which is either low-profit or costs money. After three decades of rapid urban expansion, Guangzhou city has shifted its focus to the redevelopment of “three olds” (old villages/villages in the city, old industrial areas, and old urban areas) in the city center that can provide land for new urban developments. Urban renewal through replacing “three olds” with expensive commercial and residential property can increase GDP and generate new revenues for the local government. Therefore, the government is unlikely to provide social housing through urban renewal, but prefers to construct such housing in the suburbs where cheap farmland is available. In China, village lands are collectively owned and can be requisitioned by the city government for urban development. In particular, the city can acquire farmland more easily, and only has to pay villagers a small amount of compensation. Third, the interview with officials at Guangzhou Municipal Indemnificatory Housing Office and Guangzhou Urban Planning Bureaus (April 2013) revealed that the city did not actually lack land for social housing construction; instead, developers were hoarding land because regulations were not being implemented and fines were too small. This suggests that the poor land management in the inner city exacerbates the problem of land shortage in social housing construction.

The provision of social housing is also hampered by financial difficulties. In 2013, the central government proposed to build 10 million social housing units, at a cost of 1.3 trillion yuan. The financial resources were mainly local revenues from land transfers and Housing Fund Loan, which only amounted to 493.8 billion yuan. This means that there was still a big local fiscal gap, namely 62% of the total amount. Local governments were under huge pressure to find the rest of the money for social housing provision. Since revenues from land transfers made up a large percentage of local revenue, local governments are unwilling to provide expensive land in urban areas for PRH projects. Consequently, large-scale PRH neighborhoods are usually created in the suburbs where cheap land is available.

However, these neighborhoods are facing many problems, ranging from a lack of public facilities and services (e.g., bus stops, commercial facilities, medical facilities, and schools) to high housing vacancy rates (Fig. 3). Many PRH units in the large-scale social housing neighborhoods in the suburbs are too big for low-income households. Households prefer to live in PRH neighborhoods that are in the city center and have small housing units, resulting in a high vacancy rate of PRH neighborhoods in the suburbs (Lian, 2014).

Although there are 4.76 million rural migrants in Guangzhou and

they make up about 37.5% of the city’s population (China’s Sixth Population Census, 2010), the majority cannot access social housing. For a long time, rural migrants were not eligible for social housing in the city, mainly due to the hukou system. Local governments have no incentive to provide PRH for those rural migrants without urban hukou. Recognizing the social problems that might be caused by rural migrants who are largely excluded from accessing public facilities in the city, the central government recently implemented a series of new policies for the integration of rural migrants in Chinese cities. Providing PRH for rural migrants is one such policy. According to “The Implementation Details for Rural Migrants Renting Public Rental Housing in Guangzhou” (Trial, 2014), some migrants can now apply for PRH in the city. However, they must meet a number of requirements: They must have held a Guangzhou Province Residential Permit for 5 years without interruption; they must have paid social insurance contributions in the city for a continuous period of 2 years, or made more than 3 years’ worth of contributions within a 5-year period; and they must have a formal labor contract for a period of at least 2 years. Thus, only a small number of skilled migrants can access PRH, since most of them are involved in informal economic activities and do not have stable jobs.

## 5. Modes of governance in developing social housing projects

Guangzhou Municipal Indemnificatory Housing Office is the main administrative department of, and the most important stakeholder in, social housing provision (Fig. 4). First, it makes long-term development plans and annual construction plans in accordance with national policies. Second, it reserves land by requisitioning farmland and recovering idle land. It might be directly involved in the development of the land and invest in the construction of social housing. It can also allocate the land to the state-owned/private enterprise partners that invest in the construction. Third, it guides district indemnificatory housing offices and street offices to carry out the tasks related to social housing provision. Applicants can apply for social housing units through street offices and probably get a loan from the Guangzhou Housing Fund Management Center.

The construction of social housing in Guangzhou involves governmental agencies (the municipal and district indemnificatory housing offices), state-owned enterprises, private enterprises (e.g. developers and real estate companies), and work units. Their relationships result in three main modes of governance in developing social housing projects. Mode 1 is decentralized governance, characterized by government-led in finance, land provision, and construction. Mode 2 is public-private governance, characterized by partnerships between enterprises and the government. Mode 3 is close to self-governance. The developer provides a certain number of social housing units as a part of its project that mainly includes commercial housing or industrial and commercial property.

### Mode 1. Decentralized Governance: Government-led construction and large-scale social housing neighborhoods

The municipal and district indemnificatory housing offices requisition the collective land of villages and invest in the construction of social housing projects. For instance, all the land for social housing projects in 2013 was acquired by requisitioning collective land, such as farmland and collective industrial land on which factories used to be located (interview with officials in the Municipal Indemnificatory Housing Office in April 2013). Since the governmental agencies lack money for social housing projects, they often requisition farmland, which is cheap and plentiful. This mode of governance has led to the creation of several large-scale social housing neighborhoods in the suburbs, such as Luogang Central Area’s Indemnificatory Housing and Longguicheng.

Longguicheng is the largest social housing project in Guangzhou that was built between 2011 and 2015 (Fig. 5). The municipal government played an important role in finance and land provision. The

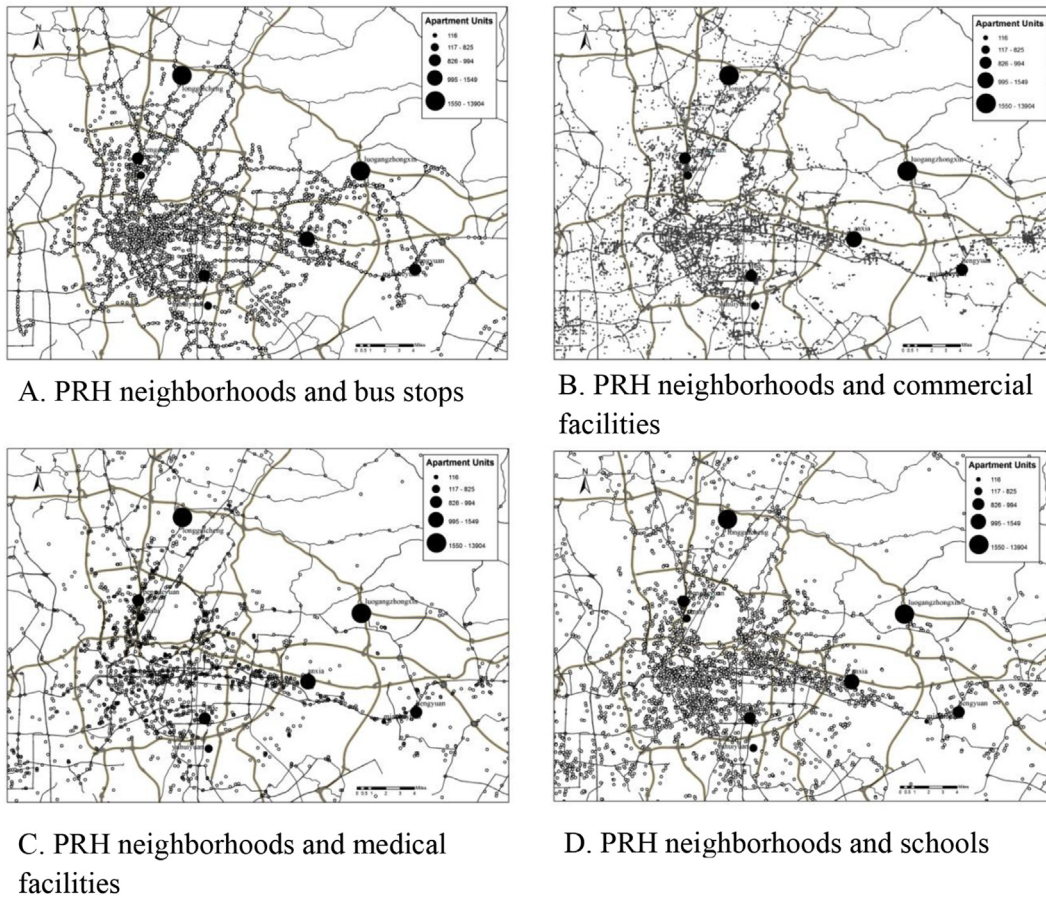


Fig. 3. The relationships between public rental housing projects and public facilities in Guangzhou.

land, which is in the northern suburbs of Guangzhou, was originally farmland owned by villages. It was requisitioned by the municipal government, which bought it cheaply. The project covers a total land area of 345,692 m<sup>2</sup> and a total gross floor area of 1,046,798 m<sup>2</sup> (Guangzhou Urban Planning & Design Survey Research Institute, 2010). It provides housing for 23,398 low and middle-income households. The apartment units comprise 7576 units of PRH, 2984 units of economically affordable housing, and 1736 units of price-limited housing, which respectively make up 61.56%, 24.23%, and 14.21% of the total housing units. The PRH makes up the largest proportion, with a total

construction floor area of 378,149 m<sup>2</sup>. The floor area of a PRH unit is about 30–60 m<sup>2</sup>, targeting single persons and small families. The neighborhood has a primary school, a middle school, two daycare centers, a community health service center, and commercial areas. The project has created a self-service neighborhood that contains several public facilities.

However, this large-scale social housing project was beset with several issues. During my fieldwork in 2013, I observed that the project site was surrounded by farmland and villages, and lacked public facilities and amenities in the vicinity. The housing price in the nearest

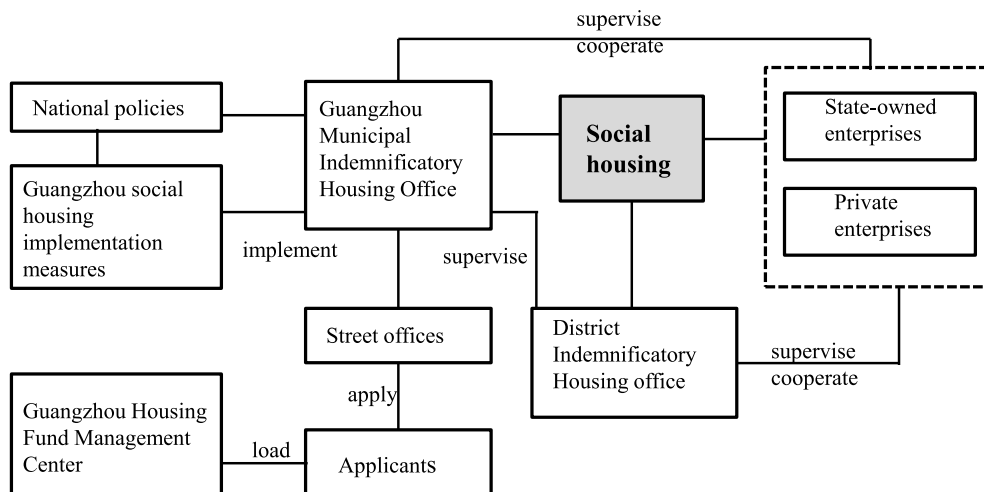


Fig. 4. The relationships between the various agencies involved in the provision of social housing.

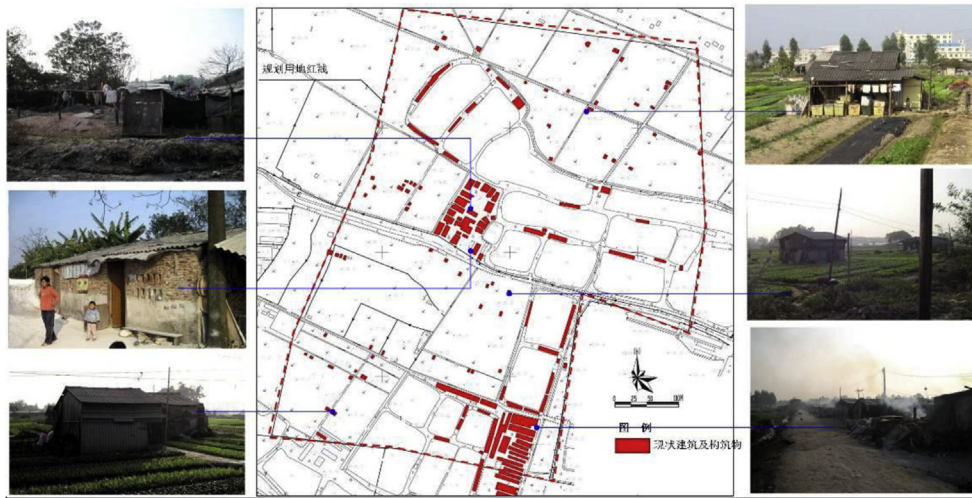


Fig. 5. Top: Longguicheng previously comprised farmland and small village houses. Bottom: It is now a large-scale social housing neighborhood with modern and high-rise buildings (source: Guangzhou Municipal Land and Housing Bureau).

residential neighborhood was about 7000–8000 yuan/m<sup>2</sup>, much less than the average house price in Guangzhou (i.e., 20,000–30,000 yuan/m<sup>2</sup>). In April 2015, I visited the site again and found that the project was completed. The newly created neighborhood comprised several gated communities, each made up of modern high-rise buildings and communal gardens. The roads between the communities are wide, but few cars and bus passed by while I was there. The gated communities of economically affordable housing were lively, since economically affordable housing was mainly sold to low- and middle-income

households with Guangzhou hukous at a low price (~4500 yuan/m<sup>2</sup>). However, the majority of the PRH intended for low-income households was still vacant. In addition, only a bus line connected the neighborhood with the city. It took about 2–3 h by bus and subway to reach the city center. It was questionable whether low-income households liked to live in the neighborhood due to a lack of industrial and commercial facilities in the surrounding areas and the high cost of commuting.

**Mode 2. Public-Private Governance: Partnerships between enterprises and**

### governmental agencies

State-owned or private enterprises initiate and cooperate with governments in the provision of social housing. However, the interview with officials in the Municipal Indemnificatory Housing Office in April 2013 revealed that the issue of land for social housing projects was often problematic; for example, idle land could be reclaimed by the government if the enterprise did not invest in the construction on it within a predetermined time. Until now, only a few social housing projects have been developed based on this mode. The success rate is relatively low.

An example is Dongjian Boluoshan Indemnificatory Housing Project, which covers a total land area of 161,352 m<sup>2</sup>. It will provide 6493 units of social housing, including 1824 units of PRH, 1368 units of economically affordable housing, and 3301 units of low-rent housing (Guangzhou Urban Planning & Design Survey Research Institute, 2012). The project is based on the build-transfer (BT) mode. The land was originally owned by a state-owned enterprise called Guangzhou Dongjian Industrial General Cooperation. The enterprise is building only social housing units and will transfer them to the municipal government after completing the construction. More specifically, the government will purchase the units of low-rent housing and PRH from the enterprise at cost price. The enterprise can make profit (less than 3% of the total cost) by selling economically affordable housing to citizens who are eligible to apply for it. However, during my fieldwork in April 2015, I observed that the neighborhood had poor access to public transport and public facilities, and is surrounded by small villages and mountains (Fig. 6).

Jinshazhou Indemnificatory Housing Project is another case. It covers a total area of 109,300 m<sup>2</sup> and has a total gross floor area of 410,000 m<sup>2</sup>. There are 6804 low-rent housing units and only 540 units of economically affordable housing. The municipal government is cooperating with a real estate company called Fuli to develop this project. The economically affordable housing is financed and constructed by the company and then sold to eligible applicants. The low-rent housing is provided based on the partnership between the government and the company. The company invests in the construction of low-rent housing, and then the government purchases it from the company. However, this project is widely criticized for its remote location and the lengthy construction process (e.g., Du et al., 2015; Li, 2011). For the enterprise, the project has a high risk since the profit is quite low. Low-income households are also unlikely to want to live in a neighborhood that is so far away from the city center and has so few facilities and amenities.

### Mode 3. Self-Governance: Social housing provided by developers



Fig. 6. Dongjian Boluoshan Indemnificatory Housing Project (author's photography).

In order to relieve the pressure on it to build and manage social housing, in 2011 the municipal government adopted a developer-led mode (*peitao jianshe*). In this mode, the developers are required to provide a certain number of social housing units as part of their development of commercial housing or industrial and commercial property. The developer can purchase land at a lower price through bidding, but has to invest in the construction of social housing units. After construction is completed, the social housing units are handed over to the government, which sells or rents them to eligible applicants. The day-to-day management of the housing units is often carried out by private property-management companies.

During 2011–15, the developer-led mode was applied in the development of several plots of land, most of which were on the urban fringe of Guangzhou. By 2013, more than 10,000 social housing units with a total area of over 400,000 m<sup>2</sup> had been constructing based on the developer-led mode (Lai, 2013). In 2015, two projects were completed. Tongdewei project provided 253 units of PRH units, which made up about 40% of the total housing units, and Fangcun project offered 537 units of PRH, with a total gross floor area of 30,497 m<sup>2</sup> (Deng, 2015). Compared with large-scale projects developed by the government, social housing built by this mode often have a better location; that is, they are closer to other types of urban land uses.

However, the developer-led mode is criticized because requiring profit-making developers and companies to have social obligations can entail many contradictions and problems (Hui, 2012). The developers often lack motivation in the construction due to the small profit they will make. The separation between construction (by the developer) and day-to-day management (by the private property management company) is also not effective for the provision and maintenance of social housing. It is reported that the developer-led mode has been confronted with several similar problems in many Chinese cities, such as Beijing and Shenzhen (Ma & Wang, 2015). The problems include poor housing quality, remote locations, and a lack of public facilities. Since the projects often generate low profits, the developer usually constructs poor quality social housing units in order to reduce the construction cost.

## 6. Discussion and conclusion

This research employs an institutional and governance approach to understand social housing provision and construction in China. Taking Guangzhou as a case study, it identifies three phases of social housing systems under different welfare regimes. It shows that specific institutional contexts and the relationships and roles of various stakeholders have affected the quality of contemporary social housing projects. The current social housing construction is encountering a number of institutional issues, ranging from hukou system to land and fiscal problems. The different relationships between governmental agencies and enterprises have also resulted in three main modes of governance in developing social housing projects. The decentralized mode led by the local government has resulted in the creation of many large-scale social housing neighborhoods in the suburbs. One of the key issues within this mode of governance is a heavy financial burden on the local government. Unwilling to use the expensive land in the central area of the city for social housing, the local government often requisitions farmland in the suburbs for large-scale social housing projects. Consequently, the new neighborhoods are confronting problems ranging from a lack of public facilities and job opportunities in the surrounding areas to high vacancy rate. Within the mode of public-private governance that characterized by the cooperation between state-owned or private enterprises and the local government, the land for construction is often problematic and the projects are located in remote areas. Although the developer-led mode reduces the financial pressure on the local government to provide social housing, the profit-making nature of developers leads to skimp on construction costs and thus poor-quality social housing units.



The large-scale clustering of social housing may further increase the commuting needs of big cities in China (Chen et al., 2014). Another tough issue can be the effects of spatial segregation between rich and poor residents. International experiences show that large-scale social housing neighborhoods can encounter problems such as segregation, ethnic enclaves, and high unemployment rates in the future, due to their single function and high concentration of the poor. In Europe and the United States, many programs have been launched to tackle the complex problems of concentrated poverty and residential segregation, by breaking up social housing estates and promoting mixed developments based on public-private partnerships (Samara et al., 2013; Scanlon & Whitehead, 2007).

Therefore, the construction of many large-scale social housing neighborhoods in the suburbs of Chinese cities is not sustainable in the long term. It should also be noted that the creation of such neighborhoods is influenced by existing institutions and modes of governance. Besides, it seems that it is almost impossible to provide social housing to the huge number of low-income migrants in Chinese cities at a short term. Alternative approaches and long-term visions are required to provide and construct social housing in a sustainable way.

The new approaches can combine institutional reforms, innovative governance and new spatial arrangements. They are also related to a recent policy of the central government called “The Notice on Speeding up the Development of Rental Housing Market in Big and Middle Cities with the Net Migration”. This policy supports the establishment of more state-own or private rental housing associations/enterprises, the innovation of financial institutes to provide more services for these associations, and the use of collective land for the construction of PRH in big cities that have a large amount of migrants. Reflecting this policy and drawing from this research, several suggestions are given for future reforms and practices in the social housing sector in Chinese big cities:

- As shown in the research, there is a heavy financial burden on the local government and management problems of social housing neighborhoods in the existing modes of governance. A solution to deal with these problems is to establish various forms of social housing associations, which are responsible for social housing construction and management (Lin, Liu, & Wang, 2017). This can learn experiences from the Netherlands and other developed countries (see governance activities and various stakeholders in section 2). The government can set up related policies and regulations to guide their operation. The associations can be led by the government (e.g. in the form of state-owned enterprises), based on public-private partnerships, or self-organized by actors from society. The involvement of actors from society (e.g. the private sector, civil society organizations, the collective organizations of villages) can help to solve the issue of financial difficulties. It is also feasible for the state to set guidelines for these associations to get bank loans and financial supports. Regulated by the state, these associations can be responsible for the construction, finance, management, and maintenance of social housing estates.
- Social housing construction (especially PRH) can combine with the gradual regeneration of “three olds” (old villages/villages in the city, old industrial areas, and old urban areas) in the city. Especially, hundreds of villages in the city (ViCs) provide informal housing and services for the majority of rural migrants in Guangzhou and several other big cities such as Beijing and Shenzhen. The land of ViCs are collectively owned and much cheaper than urban land. However, many ViCs located in the city center are under demolition and replaced by expensive commercial and residential properties, resulting in the displacement and marginalization of migrants. Instead of demolition, the incremental upgrading of ViCs and other two olds that combines with social housing construction can result in homes being close to jobs, public facilities, and amenities, and social housing in urban areas being small-scale and dispersed. This approach can also solve the problem of land shortages and promote

sustainable urban transformation.

- There is a risk that social housing might become “welfare housing” for some elites and public authorities who use their position to get false documentation and thus access to social housing (Du et al., 2015). Therefore, a fair and transparency allocation system is crucial for effective social housing management.
- Within the existing modes of governance, there is a lack of residential empowerment in social housing construction. As shown by previous studies (e.g. Lin et al., 2014), rural migrants should be entitled to live in the city and have access to social housing. Particular attention should be paid to the housing demand of the new generation of rural migrants who wish to live and work in the city permanently (ACFTU, 2010). As argued by Chen et al. (2015), a direct cause of the marginal location of social housing is that low- and middle-income households have little impact on determining its location. Empowering low-income households (both citizens and rural migrants) in the decision-making process is thus crucial to understand their housing needs, and could help to make appropriate approaches to fulfill the needs.

## Appendix A. Supplementary data

Supplementary data related to this article can be found at <http://dx.doi.org/10.1016/j.habitatint.2018.06.001>.

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