

# **The Determinants on Affordable Housing Allocation in China: A Pilot Study on Common Perspectives from Local Government Officials**

## **Abstract**

In response to widely social concerns of exponential price inflation and severe housing affordability over the last decade, Chinese government has enforced a national plan to enhance large-scale affordable housing construction and provision, while municipal governments at local level are responsible for implementation and distribution via various housing provision programs based on local features. This paper aims to provide a systematic analysis on challenges of house allocation according to perspectives from local administrators at city level. In light of response from local servants within southern Chinese cities, fragmentation of agencies, ineffective monitoring system, lack of information transparency, and absence of legal enforcement are the four main concerns giving rise to low efficiency and unfairness of housing allocation. Legal enforcement is the utmost institutional establishment that stipulates agency collaboration and monitoring; transparency, affected by legal enforcement, also enhances cooperation among departments and surveillance.

**Keywords** Affordable Housing; Allocation and Distribution; Phenomenology

## **Introduction**

Over the last three decades, the Chinese government has carried out ongoing housing reforms in urban areas. These reforms led to gradual but significant changes in the housing system with improved living space and the rate of homeownership has risen from 20% in the 1980s, 46% in 1996, and 72% in 2003, and 80% in 2012 (Huang and Clark, 2002; National Bureau of Statistics of China, 2003 and 2013). However, these marvelous achievements have shifted into criticisms due to a real estate boom since the last decade. In turn, dramatic housing price inflation and lack of housing affordability have generated into one of the top severe concerns in Chinese society, and this concern is further driven by the ongoing process of urbanization and industrialization across China's major cities. In response, the central government developed an ambitious plan to enhance affordable housing provision, while

municipal governments are responsible for fiscal, construction, and allocation implementation.

Even though the emphasis on affordable housing from the central government has enhanced housing construction and provision, it has been widely reported that there are still a huge number of eligible households waiting for their housing units, while thousands of affordable housing units are indeed vacant. Affordable housing distribution and allocation continues to encounter serious criticisms due to its low efficiency and injustice.

In this paper, we apply phenomenological qualitative data from first-hand interviews of 10 local servants, working housing department at municipal governments of four southern Chinese cities, to explore their views of policy environments and main challenges on implementation of housing allocation. More specifically, we systematic inquire main factors affecting performance on China's affordable housing allocation at municipal level, according to common experience and opinions of local officials. Problems in housing allocation for specific affordable housing programs have been well documented from new reports by specific cases or programs, including rent-seeking and corruption behaviors of local officials, shortage of housing supply, complex procedures of application (Huang, 2011; Li, 2009; Lin 2007; Qian 2003). However, barely any research did focus on performance of housing allocation as a whole and tracking fundamental empirical evidence from local implementation across adopted programs. Thus, this paper aims to provide a thorough investigation on implementation of housing allocation, and answer the research question of why this allocation with inefficiency and unfairness has so far occurred and its essential association. We conclude that the main causes of municipal government low

effectiveness on affordable housing allocation, including “turfs and fractions” among local agencies without sufficient collaboration; opaque information across agencies giving rise to obstacles in application review and verification; lack of transparency to encourage public participation on the process of allocation; merely top-down supervision focusing on inputs on affordable housing investment but insufficient social monitoring from local residents and medias paying main attention to outcomes and justice of allocation; and no legitimate institutional establishment to provide unitary guidelines. Although new policies developed since 2010 give cause for enhancing housing provision, the implementation on distribution and allocation still needs significant improvement.

One qualitative study is used to investigate what and how local public servants view the challenges of implementing housing allocation and then compare their opinions originated from day-to-day working situations. This is because it is not possible to enforce a much broader sample survey with a large number of in-depth interviews across more than 300 cities all over China, nor existing data were collected by previous research as they mainly focused on theoretical debates or policy analysis. More importantly, phenomenological investigations relied on structural inquiries are more likely to reflect essential views of interviewees and generate their common experience into systematic arguments, which are crucial phases to understand of what challenges and environments local officials confront to and how they work on the current situations. As an exploratory study tried to reveal a series of critical factors, we must take advantage of phenomenological approaches to develop main variables affecting performance on

housing allocation. On the basis of this valuable information, we are also able to offer vital policy implications to improve further implementation on housing allocation. To provide overall setting, we begin with a brief review on arguments from previous studies to provide background and understanding of why the problem of inefficiency and unfairness of housing allocation emerged and how their significant conclusions generated on their research. We then discuss our research necessity and framework based on guidelines of qualitative research; proceed to illustrate our findings associated with mainstream theories, and then draw together the main implication to improve performance on housing allocation.

### **Literature Review**

The literature on China's affordable housing is voluminous. However, a majority of studies keep eyes on its affordability, financial issues or policy analyses, with only a few studies having been conducted on its allocation performance (Wang and Murie, 2011; Ying, Luo and Chen, 2012; Huang, 2012; Zhu, 2013; Chen, Zan, and Wang, 2014). In the mean time, how to improve final outcomes of affordable housing provision based on current environments is still a major gap in the literature. Since data accessibility of allocation performance at local levels is extremely limited, the existing studies are mainly focused on descriptive or theoretical analysis rather than sophisticated fieldwork investigation.

Information collection plays a crucial role in the process of housing allocation, which is the vital factor for effective verification and preventing from false allocation. In a mixed-method research conducted in 2011, Huang (2012) argued that China's affordable housing programs have

so far failed to provide adequate housing for the poor (targeted groups). In addition to collecting statistical data sets from several government agencies and numerous housing policy documents, in-depth interviews with housing experts and government officials at both central and local government agencies were launched to analyze the current situations of affordable housing policies. The reason for the failure of these housing programs was also examined. According to Huang (2012), the inadequate housing provision is due to various concerns, such as a vaguely defined mission from the central government, lack of commitment from local governments, exclusion toward migrants, and problems of allocation. Based on the theory of government accountability, perceptions from government officials, and a data analysis from 18 prefectural cities, Huang concluded that public agencies are responsible for reviewing and screening the reliable information of applicants and making them public for security rather than merely asking applicants to submit their proof. Verification is usually considered the first main phase of allocation. Information collection is crucial to the performance of this phase, which requires a systematic collection process and multi-dimensional communication. Penalties for false applications must also be enhanced to punish unqualified applicants. Although these actions are ex post facto when any falsification is found in an application, sanctions are also useful to prevent well-off residents from taking free rides and to eliminate the rent-seeking behaviors of officials. As a result, affordable housing units can be distributed to local residents who are seriously confronting a housing difficulty. Huang's study is one of the critical studies that paid attention to the outcomes of affordable housing implementation. With respect to the problems of

affordable housing allocation, the study further illustrated the issues of information accessibility and transparency that play essential roles in providing housing for qualified applicants and coping with mismatched target groups. Despite the mixed method used, the main focus of the research was quantitative data analysis, and thus a systematic investigation on qualitative materials was lacking. This approach is especially insufficient in discussing the situations of distribution problems.

Legislation is an effective way to regulate the process of affordable housing allocation. To guarantee fairness of this redistribution, law is regarded as the primary approach because of its supreme authority. Zhang (2011) considered a large number of unfair affordable housing distribution cases to illustrate the current situations and problems of affordable housing distribution and allocation. The author also introduced a theoretical framework for ensuring fairness in China's affordable housing allocation, which is based on theoretical debates and theory of justice. To achieve the goal of fair distribution, Zhang revealed that law is recognized as an effective instrument to direct affordable housing legislation, affordable housing law enforcement, affordable housing judiciary remedy, and sanctions on wrongdoings (Zhang, 2011). In addition to emphasizing the validity and efficacy of the legislation, the law enforcement (implementation) must cover all four steps of allocation. These steps include authority acceptance of applications; two phases of verification, including preliminary examination and review; supervision system for housing security; and administration and inspection after approval. These multiple steps of allocation can generate an implementing "circle" that ensures

the mechanism is fair and just. Moreover, the judiciary process is to grant the remedies if the right is violated, which includes both criminal and administrative procedures involved in the wrongdoings. The initial types of sanctions for the wrongdoings (administrative sanction) will also focus on any fraud activities from both applicants and administrative officers. Meanwhile, the criminal sanction is involved because of applicants who commit swindle and officials who commit briberies and malpractices. Frankly speaking, this is a prior research focusing on the situations of allocation and distribution in China's affordable housing development, wherein also placed emphasis on fairness and justice of its distribution as a goal. However, the argument is mainly derived from the rationale of several philosophical theories rather than from empirical research or analysis. To enhance the findings of the present study, going beyond the theoretical conclusion and drawing certain information on the basis of empirical studies are necessary.

Based on economic points of view, flat size is the prerequisite to effectively distinguish between eligible and ineligible applicants during the process of affordable housing allocation. Zhang and Zhou (2011) established a model for the access management of affordable housing based on the theory of incentive mechanism design. By using the data from Beijing, these authors demonstrated that the flat area of affordable housing units play a critical role in the willingness to pay of all applicants. In other words, the ineligible applicants are unwilling to apply for affordable housing if the flat area is less utilized compared with that of market-priced housing according to their economic status. Based on their model of access management in affordable housing, Zhang and Zhou recommended that the affordable housing policies should be

bound to control the size of affordable housing units to restrict the benefits achieved by ineligible groups. Acquiring housing units that are larger than those permitted is also not allowed for approved applicants. In fact, the size of acquired housing units practically depends on the personal judgment of the consumers instead of the government-issued permission. Further research on the attitude of residents toward housing consumption is needed. Moreover, Zhang and Zhou indicated that the government must establish a monitoring system for applicants' submission materials so that less "information fees" are paid and incentive compatibility is retained. More severe punishment for those who acquire affordable housing units through cheating should also be specified to decrease the economic expectations of ineligible applicants and the number of cheating behaviors from applicants. With respect to the developers of affordable housing, establishing strict supervision on controlling the size of housing units when they develop affordable housing is crucial. In summary, the article mainly described the problems of asymmetric information of income and attempted to propose a model of management accessibility of affordable housing in terms of incentive regulation. Information asymmetry exists during the overall allocation process, in addition to verifying the income of applicants, which requires further research to address the problems in affordable housing policies.

Bureaucratic structure in Chinese government is a major obstacle of housing allocation. Zou (2014) demonstrated that the essential cause of China's affordable housing allocation problems is the fragmentation of China's intergovernmental structure. Given the current bureaucratic and



hierarchical system, local governments are subject to the supervision of their higher counterparts rather than being responsible for local residents. The absence of an effective public scrutiny has given rise to poor performance or even corruption in the process of affordable housing allocation.

The central government realized the issue of affordable housing programs. Thus, a series of innovations was introduced to improve the allocation mechanism in terms of collaborating with local governments. First, a few constraints were enforced to regulate speculation in ownership-oriented affordable housing, including the requirements for selling these units back to the government and certain taxes levied on the added value because of market appreciation. In addition, common housing property right was introduced, wherein local government and approval household both occupy part of the property right of these affordable housing units.

Second, information mechanism was improved to verify income eligibility and other household information regarding affordable housing applicants. Several efforts were also made to strengthen the legal mechanism of affordable housing. Although a number of renovations have been enforced since 2010, the distrust that permeates the inter-governmental structure was insignificantly alleviated.

In general, studies focusing on the situations and problems of affordable housing allocation mechanism are scarce, and research focusing on the implementation and perception of local governments on the system of affordable housing distribution is lacking. According to current verification procedures, municipal- and district- (county-) level authorities hold the major responsibility in application verification and housing allocation. Although a few valuable insights

are provided from these studies, a gap still exists in observing the attitudes of the local level rather than the central (top) level of government. In the present study, the essence of common experience from government officials from the housing departments of municipal governments will be investigated on the basis of phenomenological research. This approach is used to specify the problems of the current allocation mechanism and propose further policy implication from the perspectives of local government officials.

### **Research Design**

The research in this paper is based on the phenomenological approach, which is one of the five major methods in qualitative research. The logic of qualitative research is a “bottom-up” inductive logic, rather than a “top-down” deductive logic. Based on the inductive logic, the procedures of qualitative research aim to generate a theory or summary in terms of a more in-depth observation on the study of phenomena. In this sense, the inductive logic of qualitative research will help us further understand the targeted individuals, groups, or situations to obtain additional details and knowledge on the research topic.

According to Creswell (2012), the major purpose of phenomenology is to understand the essence of the experience or a lived phenomenon; hence, this research aims to explore a phenomenon from the common or shared experience of several individuals. When conducting a phenomenological study, the researcher has to bracket himself/herself out of the study by discussing his/her personal experience with the phenomenon. Phenomenological research primarily recommends interviewing 5 to 25 individuals with a shared experience, as well as

collecting documents and observations to generate significant statements or themes that describe the essence of the investigated experience.

Considering that this research focuses on China's affordable housing allocation mechanism from the points of view of local government officials, a phenomenological approach is utilized to extract the essence of the current situations of housing allocation in the municipal level. This level is in charge of affordable housing development and allocation. Several problems exist during the processes of affordable housing distribution. Thus, observing government officials who work in the housing department of the local government and studying their experience as well as opinions of dealing with their daily assignment and social criticism are necessary. On the basis of their shared experience of the current housing distribution system, several significant statements and themes can be drawn to offer a policy implication for improving the current allocation system.

In accordance with the research purpose and research question, pragmatism will be used as the interpretive framework. To further understand China's affordable housing distribution, the perceptions and opinions from government officials are the primary inductive evidence of reality because the outcomes of affordable housing allocation rely heavily on the design of policies that is reflected from the working experience and perspectives of the officials. Based on the pragmatism framework, the shared experience and perspectives of government employees will draw the whole picture of the current affordable housing allocation system, which is also the reality of the research phenomenon. Affordable housing allocation is not only the top social

concern in China's urban areas, but also one of the main responsibilities of multiple departments in local government. In light of the previous studies and research subjects investigated in this study, organization theory and theories of government accountability are selected as guiding theories to conduct the qualitative inquiry. Organization theory is focused on the behaviors, communication, and collaboration across different members or elements (departments). Accountability theory pays more attention to fairness, transparency, and outcome fulfillment in governance, which places a huge emphasis on information sharing, public scrutiny, and procedure-transparency in policy making.

To obtain qualitative data from government officials, the main method used for data collection is in-depth interviews with selected officials. The purposive sample consists of 10 government officials who are working in the office of affordable housing development within the housing department of the local government. All these officials have directly participated in processes of affordable housing project development, application verification, and other decision making related to affordable housing. These government officials have worked in the office (department) for more than two years. Their major responsibilities are communicating with other departments to settle the planning of affordable housing, supervising construction and development of affordable housing, verifying applications, evaluating provision of affordable housing, inspecting income of households who are already approved to acquire housing, and other housing administrative issues. As these officials work in the same department, investigating their perceptions and shared working experience, as well as comparing and concluding their

opinions on any specific phenomenon of current affordable housing allocation mechanism are much easier. Moreover, the interviewed officials occupy several major positions in the office, including the director of the office (deputy director of the housing department), executive vice director, officials responsible for housing allocation, and officials for policy consulting.

Conducting in-depth interviews with these officials is the best way to study the allocation issues of affordable housing, rather than relying merely on observations, documents, and media reports. Although officials are expected to offer the response in accordance with their department benefits, we can still determine the essential reasons behind current housing distribution situations. Thus, the sampling strategy used in this research is the purposeful method that focuses on officials from government agents.

This research used a phenomenological approach to study and understand the current situations of affordable housing allocations derived from the shared experience of officials in this specific department. Therefore, the researcher has to bracket out of the study by discussing his/her personal experience with the phenomenon. Hence, the researcher is a non-participant observer but rather a humble listener to hear the experience and opinions from these purposefully selected officials. Fortunately, all of these officials were willing to accept interviews after viewing the consent form, and provided their response within two weeks.

### **Empirical Findings**

Based on the response from the participants, 10 significant statements were extracted from the interviews. To further abstract from the statements, it is necessary to generate major themes

in accordance with theory guidance and previous studies. In Table 1, a few examples of the selected significant statements are displayed along with their formulated meanings.

Table 1: Examples of Significant Statements of Officials and Formulated Meanings

Significant Statement	Formulated Meaning
<i>This allocation mechanism is to establish a collaborative system among community authority, sub-district offices, department of housing and urban-rural development, department of civil affairs, and taxation administration.</i>	Affordable housing allocation mechanism is involved more than one public agency, which needs collaboration among these agencies.
<i>To achieve the goal of “all residents have their dwellings,” new workers without dwelling and long-term migrant workers who have stable full-time jobs are already paid attention</i>	The extension of coverage in affordable housing provision.
<i>There are 7 to 8 cases for me every week. Personal speaking, it is too many for each of us to handle the number of cases in addition to other assignment.</i>	The department is short of labor resources in dealing with housing allocation.
<i>“Sandwich class” groups are usually at the edge of application requirements, they are not eligible to apply affordable housing but should be included into the coverage due to the extension and more unit provision. However, there is no specific program for “sandwich class” as Public Rental Housing (PRH) is focused on temporary housing problems of low-income families.</i>	The “sandwich class” groups, who also have housing affordability problem, are ignored in affordable housing allocation.
<i>Four principles of allocation: transparency on application requirements, fair to all of applicants, justice on applying procedures, and transparency of affordable housing information.</i>	In the process of affordable housing distribution, information transparency, fairness, and justice are prior principles.
<i>The allocation of affordable housing should be transparency, under the monitoring from local residents via publicized notices. Moreover, social medias published information of processes and results of affordable housing distribution. Meanwhile, the department should launch reporting approaches to allow residents any fraud activities from applicants and government officials.</i>	Multi-dimensions monitoring system should be established to ensure transparency and fairness of affordable housing distribution.
<i>Currently, poor accessibility of applicants’ information,</i>	Information sharing improvement is

<i>including verifying their income levels, family conditions, gave rise to significant difficulties in processing verifications and reviews.</i>	composed of two elements: government information and applicants' information
<i>The punishment of fraud activities from applicants is ignorable; moreover, there is no legislation or specific laws to provide guidelines of affordable housing development and allocation, while it is necessary to improve the effectiveness of wrongdoing sanction.</i>	The current mechanism of affordable housing distribution is lack of effective sanctions and in absence of legislative guidance.
<i>One of the problems we are not able to provide sufficient housing units to targeted families is the shortfall of investment; this financial shortage play huge negative role in our programs, which would explicitly demonstrate in distribution stage.</i>	Financial burdens and its lack of financial investment in affordable housing.
<i>Land supply is extremely limited. To further enhance the programs, land availability is one of the top concerns that must be solved primarily; however, the only way we can obtain land in the central city is from urban renewal or redevelopment. Therefore, the alternative way of affordable housing development is built or constructed in suburban areas.</i>	The tension of land supply is the prior issue of maintaining affordable housing development.

Among these significant statements, four major themes are extracted based on the frequencies of respondents, which are illustrated in Table 2. These themes are “agency fragmentation and multi-agency collaboration,” “ineffective monitoring system,” “lack of information sharing,” and “absence of legislation enforcement.”

Table 2: Frequencies of Themes Mentioned

Themes Respondents	Agencies Fragmentation	Monitoring System	Information Sharing	Legislation Enforcement
Deputy Director	0	1	5	2
Executive Vice Director	2	2	3	1
Official 01	0	2	2	0
Official 02	2	2	4	1
Official 03	1	3	1	2
Official 04	1	2	1	1
Official 05	2	2	4	1
Official 06	0	2	0	1
Official 07	2	0	1	3
Consulting Official	2	3	2	1

Although the investigated officials specified several common opinions and concerns on the affordable housing allocation mechanism, these four arguments are essential dimensions that illustrate the current situations or challenges according to their shared daily working experience.

Theme 1: Agency fragmentation and multi-agency collaboration. The procedures of affordable housing allocation are not derived from one department decision, but rather from a series of decisions across five public agencies in the municipal government. According to the officials' description, the process starts with the acceptance of applications and the publishing of application bullets in community committees. Then, the sub-district office reviews all applications based on the materials the applicants submitted. The Department of Civil Affairs further assists to verify the income levels, property assets, family size, and other financial information of applicants to discover whether any fraud information or wrongdoing by applicants exists. Occasionally, tax administration is also involved in this verification step depending on the



tax records of applicants. A second review undertaken in the Department of Housing and Urban–Rural development focuses on the living conditions and housing space of applicants. Finally, a decision is made based on the qualifications of the applicant and the housing availability. These procedures are in accordance with the four-step law enforcement in Zhang and Zou’s study.

Moreover, the allocation decisions are eventually derived from the perceptions of each involved public agency. Therefore, a vertical inter-government fragmentation between the central and local government, and a horizontal inter-government fragmentation among different departments within the local government both have significant impacts on the situations of affordable housing distribution. To cope with the fragmentation issues, improving communication and collaboration among these local agencies on the basis of organization theory is necessary and is also expected by the research participants. However, the current processes (allocation mechanism) require community committees and sub-district offices to focus mainly on background information verification, such as address, name, and household registration status. The Department of Civil Affairs and Tax Administration must also pay attention to income reviews or so-called mean tests. The Department of Housing must likewise examine housing conditions and provide final decisions based on housing availability. The former four departments will not enforce their verification and review responsibility seriously because they are not responsible for the final decisions. On the contrary, the collaborative system will allow all of these public agencies to participate in the final decision-making, which would improve the efficiency of allocation processes. Hence, joint bureau collaborations should be established

within these agencies across the process of affordable housing allocation.

Theme 2: Ineffective monitoring system. To address the criticism on well-off groups acquiring affordable housing rather than actual eligible households, respondents proposed to establish an improved monitoring system, namely, top-down level monitoring system, in addition to higher-level supervision. At present, the monitoring activities include routine examinations from upper-level housing department and audit agencies that are mainly focused on evaluating the performance of financial investment or construction progress on affordable housing projects. However, the allocation issues are not the primary concerns of these evaluations. Local residents are expected to pay more attention to outputs of allocation to determine whether these subsidized programs are benefiting the targeted unprivileged families or not, instead of investigating the total investment.

As mentioned previously, from the perspective of the executive deputy director, the affordable housing allocation should be transparent and monitored by local residents and social media. Multi-dimensions rather than one top-down dimension monitoring system must be established to hear the opinions and reports from a variety of local resources. Public agencies can adjust their performance in distribution decision making to fulfill their public accountability.

An official of policy consulting also illustrated that this approach is an alternative way to improve performance in the processes of reviews and verification. Owing to fragmentation, these departments do not have the power to evaluate and monitor one another. The multi-dimension monitoring system is expected to force them to consider public opinions and adjust inappropriate

decisions because they are responsible in giving response to the public.

According to the response from two officials, an effective monitoring system is not the traditional “top-down” evaluation, but a system involving residents’ opinions, public participation, or even the expression of interest groups. In this sense, to eliminate any frauds or rent-seeking activity, the public supervises the power and processes of allocation as a result of ensuring fairness and justice in affordable housing distribution.

Theme 3: Insufficient information sharing. To achieve transparency in affordable housing distribution, information sharing must be prioritized. Affordable housing allocation involves redistributive processes, and so local governments are bound to allocate based on fairness and equality. To fulfill this fundamental principle, information transparency and sharing system will be the first step to enforce.

Improvements in information sharing will also eliminate a crisis in housing unavailability and housing vacancy. As described by an official, a few eligible households do not know how to apply affordable housing, while ineligible households apply for affordable housing and finally obtain approval. The information transparency can make housing information available and update the housing allocation, and thus the entire processes can be supervised by local residents.

Moreover, this information infrastructure also consists of the applicant’s information accessibility. Given the difficulty in obtaining and verifying the information provided by applicants, processing the allocation and distinguishing between eligible families and ineligible households are also difficult using the “mean-test” such as that in Hong Kong. All verification

and review procedures and final decision making have to rely on the materials submitted by the applicant, such as an income certificate and a living address. However, the bureau in charge of decision making is unauthorized to obtain access to these pieces of information for the further review of the economic status of applicants. This phenomenon is one of the reasons a large number of more affluent groups are able to acquire affordable housing. Furthermore, information obstacle gave rise to long waiting lists and time-consuming application, preventing the applicant from obtaining basic social security in time.

Theme 4: Absence of legislation enforcement. In this category, most of the respondents focused on punishment provision on flaws and fraud information from applicants to discourage them in offering fake materials. Sanctions and penalties based on law is an effective way to prohibit the incorrect activities of applicants. At present, regulations and policy mandates are the only guidelines to enforce punishment if any applicant violates the application rules, such as the “Administrative Regulations on Public Rental Housing” and the “Administrative Regulations on Cheap Rental Housing.” All interviewees proposed to strengthen the sanctions because the current punishment is weak or even ignorable. According to the opinion of an official, a couple of applicants consider affordable housing application as speculative investment rather than a social welfare program that meets the dwelling need of unprivileged local residents.

In addition to enhancing punishment, one of the officials proposed to establish an overall law that not only prohibits any wrongdoing from applicants, but also regulates inappropriate behaviors from government officials, such as fraud measures and rent-seeking activities. This

official also mentioned that legislation establishment is an effective way to clarify the responsibilities of each department involved and promote multi-department collaboration. The essential problem of the current allocation mechanism is not the lack of labor resources or department participation, but rather the absence of an effective legislation to regulate behaviors of public agencies as well as applicants.

### **Conclusion and Policy Relevance**

Based on the themes drawn from the qualitative data and interviews, I am able to determine the major problems (situations) of the current affordable housing allocation mechanism. In addition to financial burdens and land supply issues, the four issues, including agency fragmentation, ineffective monitoring system, lack of information-sharing infrastructure, and absence of legislation enforcement, provide further understanding on the essential causes of severe criticism on affordable housing distribution. Moreover, this inductive research not only further confirmed certain arguments of previous studies, but concluded main concerns or institutional weakness of the system from government officials who are familiar with the current conditions of this allocation system.

First, the establishment of legislation plays an essential role in enhancing the performance of and justice in affordable housing distribution. Although a number of regulations, procedures, and measures have been introduced by the Chinese government, all of these were issued as administrative orders from the MOHURD in the central level and specific orders from housing bureaus or departments at the local levels. The regulation mainly aims to assist these departments

in conveniently implementing higher effectiveness and efficiency, instead of explicitly manifesting their responsibilities and the housing rights of citizens. These public agencies have the authorities to issue and modify these regulations. Hence, most of them, especially the agencies in municipal governments, are expected to make adjustments to reduce their working pressures on housing distribution, while barely paying attention to the demand of citizens and to equal outcomes. To cope with these concerns, a comprehensive law on housing and affordable housing issues must be established to stipulate the powers and responsibilities of government agencies, as well as the rights and obligations that every citizen has to comply with. Moreover, all administrative orders, including state uniform guidelines and local implementation plans, must be announced or modified in accordance with this comprehensive law. In addition to legislative branch participation, this law can provide legislative authorities with relevant agencies to implement sanctions and punishments, and thus prevent both applicants and officials from committing fraud activities and wrongdoings. The strength of punishment can also be specified based on the principle of appropriation in the law, rather than the convenience of local agencies.

Second, “turfs and fractions” among local agencies must be solved to enhance affordable housing distribution. In China, two main genres of solutions are proposed by different groups. One of the solutions that are favored by economists or scholars studying housing issues is to establish a joint-committee, including these relevant bureaus, to collaborate and work on the entire procedures of application and distribution. The remarkable benefits of collaboration include reducing the costs of communication and sharing responsibilities of the housing

allocation outputs. Collaboration is also a popular solution and suggestion in dealing with bureaucratic fraction throughout the world. However, some other officials proposed another solution instead of a joint-committee establishment. According to these officials, these types of joint-committees are common in the Chinese government. As a matter of fact, the major characteristic of these multi-department institutions is shifting responsibilities rather than sharing them because of difficulties in responsibility clarification. The performance of these institutions is deteriorating, and they are discouraged to improve. Given this condition, officials would rather take advantage of an implementation organization supplemented by a non-governmental organization, which is similar to the establishment of Hong Kong's institution. In this sense, the housing bureau (department) in local government is only focused on local policy making and policy adjustment, or their implementation plan making. Meanwhile, another public institution is in charge of affordable housing application, reviewing applicant qualifications, and the housing distribution process. To ensure this institution's implementation, the institution is authorized to conduct the mean test and obtain access to the personal information database to process the entire application and allocation. In addition to supervision under the housing department, this organization has the power to acquire extra information and give feedback to other related departments to improve justice and equality in affordable housing distribution. Meanwhile, as a public institution that directly gets in touch with applicants, this institution can obtain the opinions from targeted groups. Thus, the essential demands of applicants to help the local government in improving future housing policies and plans are reflected. According to this idea,

establishing a public institution as a specific implementation organization to deal with application and distribution is necessary. This approach reflects functional specialization but essentially enhances agency collaboration. Based on the officials' perspectives, the establishment of this specific public institution is expected to be a more effective way to improve affordable housing allocation as well as the entire policy implementation in municipal government.

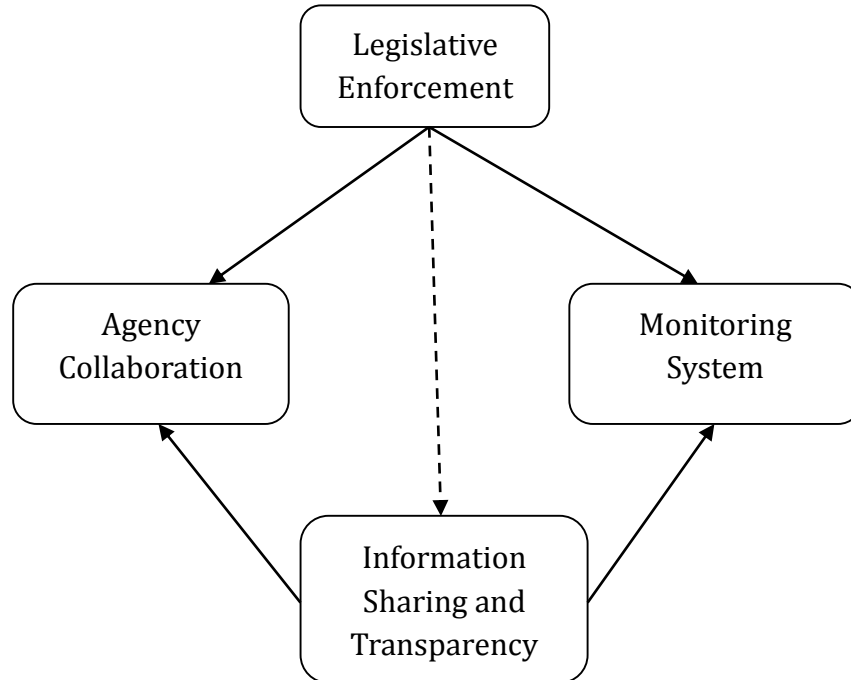
Furthermore, information sharing serves two main aspects. One is the internal information-sharing system among departments to eliminate obstacles in application reviews and verification, and the other is the external mechanism of encouraging public participation in terms of public hearing or social media supervision to improve outcomes of housing distribution. For internal information sharing, one effective way is establishing a personal income and asset accounts for residents in terms of department collaboration. Through this account database, evaluating the qualification of applicants will be easier. For example, an internal information system, which is already established in Shanghai and Guangzhou, is considered a milestone in housing distribution improvement. Although the efficiency of affordable housing distribution will benefit from the improved internal sharing system, the external information transparency mechanism plays a significant role in maintaining justice and equality. Currently, a vast majority of residents are concerned about allocation mismatch because of the complexity in allocation decisions. Meanwhile, several officials disregard this criticism and consider these phenomena as individual events. To address the severe concern of local residents, allocation information transparency is an effective way to regulate decision making in housing allocation and eliminate



the criticism of dwellers. Thus, the equality and efficiency in housing distribution depend on information sharing among departments and its transparency to the public.

Contrary to the traditional “top-down” monitoring system, social monitoring involves local residents and social media and is a more effective way to improve the performance of affordable housing distribution. Upper-level agencies have to pay attention to public expenditure and construction progress on affordable housing instead of the final allocation outcomes because these agencies are responsible for budgeting, transferring, and implementation performance. Most of the officials in these agencies are also unqualified to apply for affordable housing. In other words, they are unable to benefit from affordable housing distribution, and are thus reluctant to add more pressure on working and managing the later stages. However, the outcomes of affordable housing distribution have a significant influence on the interests of many local residents, who are enthusiastic to evaluate the performance of affordable housing allocation in the local government. Through combined higher-level supervision with monitoring from local residents and other interest groups, the allocation process and outputs will be monitored from multiple dimensions.

Figure 1: The Essential Patterns among the Major Themes



Based on the discussion, further internal correlations among these four themes are revealed (as shown in Figure 1). Legislative establishment, as a fundamental issue, places great emphasis on affordable housing distribution. According to comprehensive law, the other themes of information sharing and transparency, agency collaboration, and monitoring system can be further enhanced because the law provides the essential principles of enforcement. Moreover, information transparency exerts a tremendous impact on agency collaboration and monitoring system. As mentioned by the officials, the main problem in collaboration and monitoring is the lack of information sharing and transparency. Enhancing the system and infrastructure of information sharing is necessary to improve these themes and obtain better distribution outcomes.

The last two themes, namely, agency collaboration and monitoring system, appear to be the least stages in improving affordable housing distribution. The accomplishment of these two goals depends heavily on the improvement on legislative enforcement and information accessibility.

On the basis of the findings of this research, further surveys are suggested to investigate the correlations of the major themes via factor analysis and structural equation model. All these concepts are extracted from the interviews, and most are difficult to observe directly. Thus, a few basic indicators must be investigated to reflect each of the themes and to determine the entire performance of affordable housing allocation. With the lack of previous studies focusing on the allocation mechanism of affordable housing, this study also provides enlightenment and motivations for future research. This research is the first qualitative inquiry that takes advantage of the phenomenology approach to investigate China's affordable housing allocation. This qualitative method helps to summarize the shared perception and experience of the research subjects. Given the time constraint, this research faced a few limitations. First, the form of data collection is merely phone interviews, rather than face-to-face interviews. Although certain modifications have been made, other data, such as gestures to specific questions and further details or discussion, are missing because all the responses are written answers. Second, the sample size is small; only 10 government officials participated in the research project. The conclusion drawn from them will probably not be considered representative. Furthermore, the research subjects are confined to government officials. In future research, face-to-face interviews with a larger number of participants, including officials from involved departments, applicants,

and local residents, should be conducted to capture detailed information from the shared experience of different groups.

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## **Appendix**

### Interview Scripts/Outlines:

1. Could you please discuss the affordable housing allocation mechanism in your local areas?
2. Based on the allocation system, could you please describe which affordable housing program will be available for distinct income groups that are eligible?
3. According to your experience, how long are these eligible families (individuals) able to maintain their affordable housing?
4. In your department, how many applications do you process every week? In your opinion, is it too many or too few cases for your department?
5. Some families complained that they can't afford market-rate housing, but they are also ineligible for applying for affordable housing. Could you please state why this situation exists?
6. Do you think affordable housing investment/construction is sufficient (or sufficient) to offer to these families in need?
7. According to newspaper reporting, some affordable housing units are allocated to the well-off groups who are not eligible. Why do you think this situation happens and continues to exist?
8. Even though some may complain they cannot acquire affordable housing, some affordable housing units are still vacant. Based on your opinion, is this problem of the allocation mechanism?
9. Do you think the current allocation mechanism needs any improvement? Which part needs improving? Please specify.
10. Would you be willing to answer any follow-up questions I may have? Yes or No.