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Essence, Mechanisms and Measurement**

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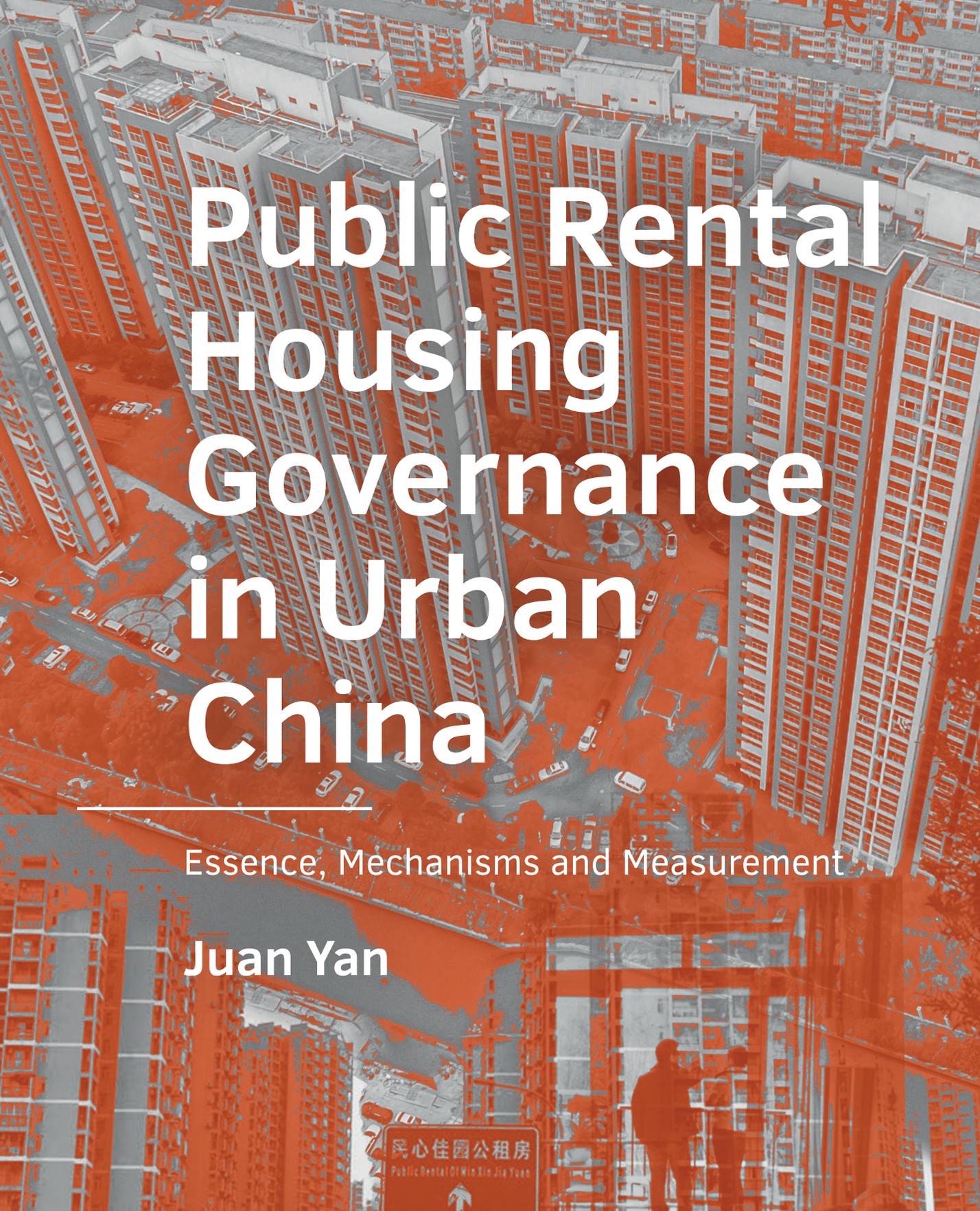
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# Public Rental Housing Governance in Urban China

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Essence, Mechanisms and Measurement

Juan Yan

民心佳園公租房  
Public Rental (D) Min Xin Jia Yuan



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**Juan Yan**



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# Public Rental Housing Governance in Urban China

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Essence, Mechanisms and  
Measurement

Dissertation

for the purpose of obtaining the degree of doctor  
at Delft University of Technology  
by the authority of the Rector Magnificus, prof.dr.ir. T.H.J.J. van der Hagen  
chair of the Board for Doctorates  
to be defended publicly on  
Thursday, 18 February 2021 at 10:00 o'clock

by

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This dissertation has been approved by the promotor.

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# Acknowledgements

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When starting to write this Acknowledgement of the dissertation, I suddenly realized that the PhD journey is going to an end. Mixed feelings come to me. I am happy as I can get my PhD diploma, which I have been pursuing for the last five years. However, it is sad that I will physically leave Delft as a PhD candidate. The small town gives me precious memories for its beautiful cityscape and for the nice people I encountered.

A reading text in primary school provides a bunch of pictures of professions and we pupils were asked to choose what we want to be in the future. I was only 8 years at the time and had no idea about what a PhD is, but I intuitively chose a picture of a lady wearing a black hat with wheat ears (Chinese Doctors graduated with a hat with wheat ears). Looking back now, the inadvertent choice made when I was a little girl has become a reality. What a life!

However, the route towards the little girl's choice has been long. I went to Shanghai from my hometown Anshun, a small city located in Southwest China, at the age of 18, then went on my study for a master's degree, and eventually to the Netherlands for the PhD. Despite many challenges along the way, I am very lucky that I managed to complete the doctorate. I would like to take this opportunity to thank those who helped and supported me along the way on this PhD-journey. I know it was impossible for me to have made it without them.

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# Summary

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After the termination of the distribution of housing by employers in 1998, housing privatization and commercialization have been promoted in China (Shi, Chen, & Wang, 2016). This has brought about a rapidly-growing urban real estate market and, in the meantime, marginalized low- to middle-income households who cannot afford to buy or rent a house (Chen, Jing, Man, & Yang, 2013). As a result, central government has been under severe pressures and is determined to provide affordable homes for needy households, especially in the form of Public Rental Housing (PRH) (Chen, Yang, & Wang, 2014). PRH introduced in 2010 deals with the housing difficulties of the low- to middle-income urban families, new graduates, and migrant workers with stable employment in urban areas (Chen et al., 2013).

The provision of PRH used to be organized as follows: central government to be responsible for policy-making and establishing operational methods for the whole country of China, and local governments to be in charge of local policy formulation and implementation (Feng, Lu, & Zhu, 2007). This model of PRH provision is the so-called ‘government’ mode, which has been criticized in terms of the imbalanced responsibility distribution between different levels of government: the central government delegates responsibilities without providing adequate financial support for local authorities (Li, Guo, You, & Hui, 2016). In response to this, local governments adopted market resources and cooperate with non-governmental actors to provide PRH (Mof, 2012; MOHURD, 2010). Besides the adoption of market resources, the central government has viewed PRH provision as an important way to ensure ‘*political consolidation and social stability*’ (Shi et al., 2016, p. 224), which is consistent with the idea of a ‘*harmonious society*’ proposed by former President Hu in 2006 and ‘*people-oriented development*’ proposed by President Xi in 2012 (Mok & Hudson, 2014). Thus, the central government issued policies to stimulate the participation of tenants into PRH governance (MOHURD & MOF, 2018). As such, civil society can also play a role.

The increased delegation of government tasks to other actors has shifted the PRH provision from “government” to “governance”. In other words, governments are no longer the only relevant actor in catering for the housing needs of the vulnerable households as the privatization of activities gives more room to the market and citizens than before (Hufty, 2011). The idea of governance emphasizes the involvement of different actors, next to government, to govern society in achieving societal goals (Rhodes, 1997; Stoker, 1998). However, studies of Chinese PRH provision (see for

example, Chen et al., 2014; Ringen & Ngok, 2017; Wang & Murie, 2011; Zhou & Ronald, 2017; Zou, 2014) fail to explain the mechanisms behind the governance of PRH with the rising involvement of market actors and those in civil society.

In addition, the PRH governance has achieved mixed results: local governments have put a lot of efforts into PRH provision and built large numbers of housing units while problems associated with PRH exist (e.g. the inadequate housing quantity, the poor housing quality, marginalized locations of PRH projects in the urban area). Regarding this, a relevant and important research question has been raised in this dissertation: does the current PRH governance work?

Given the above, this PhD study thus aims to build a better understanding of the PRH governance in current Chinese context and to evaluate the current PRH governance and come up with recommendations for the future improvement for PRH governance.

The above aim is translated into four research questions: 1) How has Chinese government's role changed in this new context of PRH governance? 2) What are the roles of and relations among the different actors involved in Chinese PRH governance? 3) Does PRH work in terms of the effectiveness of its governance from the perspective of tenants? 4) What are the problems associated with Chinese Inclusionary Housing<sup>1</sup> (IH) from a governance point of view and how are they caused?

To investigate the changing role of the Chinese government (research question 1), I build an analytical framework by extracting from the Western-societies-based literature two governance elements, actors and interrelationships. Based on the interview data from two Chinese cities, Chongqing and Fuzhou, a model of current Chinese PRH governance is brought forth in the dissertation to reveal the essence of current PRH governance, which is still dominated by government. Government here refers to the three levels of authorities in China, rather than the two defined by the previous model, ranging from the central state to two levels of local government (mid-level ones and the lowest level ones). The three levels of government increasingly apply different logics and thus function in the roles of state, market and civil society actors, all at the same time. The latter two roles are realized by three new forms of hybrid actors that have come into existence. These hybrid actors are linked to different levels of government in different ways: they are owned, regulated by and/or are subordinated to the level of government concerned.

---

<sup>1</sup> Inclusionary Housing is a new instrument in China that requires private developers to provide a certain percentage of PRH as part of their commercial housing projects.

To go a step further from the analysis of the government's changing role, this dissertation unravels the perceived power distribution in the relationships between the involved actors based on in-depth interviews in Chongqing and Fuzhou. An analytical framework based on Billis (2010) by complementing it with Social Network Analysis to measure the power relations is developed. The results show the structures and mechanisms for non-governmental actors to play a role in the governance of PRH.

An outcome-oriented approach is adopted to measure the effectiveness of PRH governance from the PRH tenants' perspective. The outcome-oriented evaluation asks for a comparison between the outcomes of governance from the recipients' perspective with the policy objectives of Chinese PRH. Data were collected from questionnaires to PRH-tenants in Chongqing, the most important pilot city of PRH provision in China. Findings show that the perceived governance outcomes were quite mixed as tenants were moderately satisfied with PRH housing quantity, less satisfied with housing quality, while most of them were willing to communicate with local government. In view of these mixed outcomes, policy implications are formulated to strengthen the effectiveness of PRH governance in the eyes of the tenants.

I also evaluate IH, a newly adopted instrument for Chinese PRH provision, in this dissertation. IH is favoured by many local governments worldwide. In order to see if it is efficient, scholarly attention has been widely focused on its economic evaluation. However, the evaluation from a governance perspective is missing. As IH requires a cooperative approach by involving private developers in affordable housing provision next to governments, the concept of governance is very relevant here.

This case study research focuses on the Chinese practice of IH, as China is a newcomer to the IH-scene. I again utilize the two important governance elements - actors and their interrelationships - as the analytical framework to investigate the problems and their causes associated with Chinese IH from a governance point of view. Based on literature and policy documents, I conclude that the governance challenges of Chinese IH are two: 1) the private developers bear the costs of development while local governments enjoy the benefits of the Inclusionary Housing; 2) the relations between local governments and private developers are changing from a joint-interest one to a divergent-interest relation in declining housing markets. The dissertation formulates policy implications for the future development of Chinese IH given that IH is still quite favoured in many Chinese cities.

Overall, the dissertation is underpinned by a theoretical foundation from the governance perspective and adopts a mixed-method approach with quantitative and

qualitative data in the study of Chinese PRH provision. Theoretically, the dissertation contributes to the housing governance literature by providing an analytical framework focusing on two important elements (actors and interrelationships). This framework will allow the comparison of different governance systems across time and different jurisdictions within and beyond China. Moreover, the dissertation contributes to the understanding of the essence of the current Chinese PRH governance by providing a governance model, which specifies the mechanisms behind the governance and how the Chinese PRH governance differs from its former implementation and the western practice. It also provides new insights to the global debate of organization hybridity, Inclusionary Housing, and most of all the social housing governance by showcasing the Chinese case. Last but not least, there are a number of policy and practice implications derived from the dissertation for governments, non-governmental organizations, and PRH tenants in terms of PRH governance

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# Samenvatting

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Na de beëindiging in 1998 van de fase waarin woningen door werkgevers werden toegewezen, zijn de privatisering en commercialisering van woningen gepromoot in China (Shi et al., 2016). Dit heeft geleid tot een snelgroeiende stedelijke vastgoedmarkt en, in de tussentijd, tot gemarginaliseerde huishoudens met een laag tot middeninkomen die het zich niet kunnen veroorloven om een huis te kopen of te huren (Jie Chen et al., 2013). Als gevolg hiervan staat de centrale overheid onder zware druk en is ze vastbesloten om betaalbare woningen te bieden aan behoeftige huishoudens, vooral in de vorm van publieke huurwoningen (PRH) (Jie Chen et al., 2014). PRH werd geïntroduceerd in 2010 om te voorzien in huisvesting van de stedelijke gezinnen met lage tot middelhoge inkomens, nieuwe werknemers, pas afgestudeerden en migrerende werknemers met stabiele werkgelegenheid in stedelijke gebieden (Jie Chen et al., 2013).

De levering van PRH was vroeger als volgt georganiseerd: de centrale overheid was verantwoordelijk voor beleidsdoelen en -instrumenten voor heel China, en lokale overheden waren verantwoordelijk voor de formulering en implementatie van lokaal beleid (Feng et al., 2007). Dit model van PRH-verstrekking is de zogenaamde 'overheids'-modus, die bekritiseerd is in termen van de onevenwichtige verantwoordelijkheidsverdeling tussen verschillende overheidsniveaus: de centrale overheid delegeert verantwoordelijkheden zonder voldoende financiële steun te bieden aan lokale autoriteiten (D. Li et al., 2016). Als reactie hierop hebben lokale overheden een beroep moeten doen niet-gouvernementele actoren om PRH te realiseren (M. o. F. o. t. P. s. R. o. C. Mof, 2012; MOHURD, 2010a). De centrale overheid beschouwt PRH-voorziening als een belangrijke manier om 'politieke consolidatie en sociale stabiliteit' te waarborgen (Shi et al., 2016, p. 224), wat in overeenstemming is met het idee van een 'harmonieus samenleving' voorgesteld door voormalig president Hu in 2006 en 'mensgerichte ontwikkeling' voorgesteld door president Xi in 2012 (K. H. Mok & Hudson, 2014). Zo heeft de centrale overheid beleid uitgevaardigd om de deelname van huurders aan PRH-governance te stimuleren (MOHURD & MOF, 2018b). Als zodanig kan ook het maatschappelijk middenveld een rol spelen.

Door de toegenomen delegatie van overheidstaken aan andere actoren is de PRH-sturing verschoven van "overheid" (government) naar "bestuur" (governance). Met andere woorden, de overheid is niet langer de enige relevante actor in het voorzien in de woonbehoeften van de kwetsbare huishoudens, aangezien de privatisering

van activiteiten meer ruimte geeft aan de markt en de burgers dan voorheen (Hufty, 2011). Het idee van governance benadrukt de betrokkenheid van verschillende actoren, naast de overheid, om de samenleving te besturen bij het bereiken van maatschappelijke doelen (R. A. Rhodes, 1997; Stoker, 1998). Echter, een goede analyse van onderliggende mechanismen bij het betrekken van marktpartijen en non-profit organisaties ontbreekt (zie bijvoorbeeld, Jie Chen et al., 2014; Ringen & Ngok, 2017; Y. P. Wang & Murie, 2011; J. Zhou & Ronald, 2017b; Zou, 2014).

Bovendien heeft PRH-governance gemengde resultaten opgeleverd. Lokale overheden hebben veel energie gestoken in de voorziening van PRH en hebben grote aantallen wooneenheden gebouwd, terwijl er ook problemen zijn die verband houden met PRH (bijv. de ontoereikende hoeveelheid woningen, de slechte kwaliteit van PRH-projecten in het stedelijk gebied). Een belangrijke vraag in dit proefschrift is dan ook: werkt de huidige PRH-governance?

Gezien het bovenstaande beoogt dit proefschrift een beter begrip van het PRH-governance in de huidige Chinese context op te bouwen, de huidige PRH-governance te evalueren en aanbevelingen te doen voor de toekomst.

Dit doel is vertaald in vier onderzoeksvragen: 1) Hoe is de rol van de Chinese overheid veranderd in deze nieuwe context van PRH-governance? 2) Wat zijn de rollen en relaties tussen de verschillende actoren die betrokken zijn bij het Chinese PRH-bestuur? 3) Werkt PRH in termen van de effectiviteit van het bestuur vanuit het perspectief van huurders? 4) Wat zijn de problemen die verband houden met Chinese Inclusionary Housing (IH) vanuit bestuurlijk oogpunt en hoe worden ze veroorzaakt?

Om de veranderende rol van de Chinese overheid te onderzoeken (onderzoeksvraag 1), bouw ik een analytisch raamwerk gebaseerd op Westerse wetenschappelijke governance-literatuur en met een focus op twee elementen: 'actoren' en 'onderlinge relaties'. Op basis van de interviewgegevens uit twee Chinese steden, Chongqing en Fuzhou, wordt in het proefschrift een model van het huidige Chinese PRH-governance gepresenteerd om de essentie van het huidige PRH-bestuur te onthullen. Governance verwijst hier naar de drie bestuursniveaus van China, in plaats van naar de twee gedefinieerd door het vorige model, gaande van de centrale staat tot twee niveaus van lokaal bestuur (middenniveau en het laagste niveau). De drie bestuursniveaus passen in toenemende mate verschillende logica's toe en functioneren zo tegelijkertijd in de rol van staats-, markt- en maatschappelijke actoren. De laatste twee rollen worden gerealiseerd door drie nieuwe vormen van hybride actoren die zijn ontstaan. Deze hybride actoren zijn op verschillende manieren verbonden met verschillende bestuursniveaus: ze zijn eigendom van, worden gereguleerd door en / of zijn ondergeschikt aan het betrokken bestuursniveau.

Om een stap verder te gaan dan de analyse van de veranderende rol van de overheid, ontrafelt dit proefschrift de gepercipieerde machtsverdeling in de relaties tussen de betrokken actoren op basis van diepte-interviews in Chongqing en Fuzhou. Aan de hand van de theorie van Billis (2010) en een Social Network Analysis om de intensiteit van de relaties tussen actoren te meten, wordt een model ontwikkeld. De resultaten tonen de structuren en mechanismen van de governance van PRH.

Er wordt een resultaatgerichte benadering toegepast om de effectiviteit van PRH-governance te meten vanuit het perspectief van PRH-huurders. In de resultaatgerichte evaluatie worden de overheidsdoelstellingen van de Chinese PRH afgezet tegen de uitkomsten van governance vanuit het oogpunt van de ontvangers. Gegevens werden verzameld uit vragenlijsten aan PRH-huurders in Chongqing, de belangrijkste pilotstad van PRH in China. Uit bevindingen blijkt dat de gepercipieerde resultaten nogal gemengd waren, aangezien huurders matig tevreden waren met de kwantiteit van PRH-woningen, minder tevreden met de kwaliteit van de woningen, terwijl de meesten van hen bereid waren te communiceren met de lokale overheid.

Ik evalueer in dit proefschrift ook IH, een nieuw instrument voor Chinese PRH-voorziening. IH geniet de voorkeur van veel lokale overheden over de hele wereld. Om te zien of het efficiënt is, is de wetenschappelijke aandacht uitgebreid gericht op de economische evaluatie ervan. De evaluatie vanuit governance-perspectief ontbreekt echter. Omdat IH een coöperatieve aanpak vereist door particuliere ontwikkelaars te betrekken bij betaalbare woningvoorziening naast de overheid, is het concept van governance hier erg relevant.

Het casestudy-onderzoek was gericht op de Chinese praktijk van IH, aangezien China een nieuwkomer is in de IH-scene. Ik gebruik opnieuw de twee belangrijke governance-elementen - actoren en hun onderlinge relaties - als het analytische raamwerk om de problemen en de oorzaken van Chinese IH te onderzoeken vanuit een governance-standpunt. Op basis van literatuur en beleidsdocumenten concludeer ik dat de bestuurlijke uitdagingen van Chinese IH twee zijn: 1) de particuliere ontwikkelaars dragen de ontwikkelingskosten, terwijl lokale overheden de voordelen genieten van de inclusieve huisvesting; 2) de relaties tussen lokale overheden en private ontwikkelaars veranderen van een joint interest naar een divergent interest relatie in dalende huizenmarkten. Het proefschrift formuleert beleidsimplicaties voor de toekomstige ontwikkeling van Chinese IH, aangezien IH nog steeds vrij populair is in veel Chinese steden.

In dit proefschrift staat PRH in China vanuit een governance perspectief centraal en is empirisch materiaal verzameld met behulp van zowel kwantitatieve als kwalitatieve methoden.

Theoretisch draagt het proefschrift bij tot de literatuur over “housing governance” door een analytisch kader te bieden dat zich richt op twee belangrijke elementen (actoren en onderlinge relaties). Dit kader maakt het mogelijk verschillende bestuursystemen in de tijd en in verschillende rechtsgebieden binnen en buiten China met elkaar te vergelijken. Bovendien draagt het proefschrift bij aan het begrip van de essentie van het huidige Chinese PRH-bestuur door een model te bieden dat de mechanismen achter het bestuur specificiert en laat zien hoe de Chinese PRH-governance verschilt van het vroegere model en van de westerse praktijk. Het biedt ook nieuwe inzichten in het wereldwijde debat over hybriditeit van organisaties, inclusieve huisvesting en vooral het bestuur van sociale huisvesting door de Chinese case onder de aandacht te brengen. Last but not least: er zijn een aantal beleids- en praktijkimplicaties afgeleid voor overheden, niet-gouvernementele organisaties en PRH-huurders in termen van PRH-governance.

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# 1 Introduction

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Public Rental Housing (PRH) in China refers to administratively allocated housing with below-market rent for low-middle income households, new employees, and qualified migrants with stable employment (MOHURD, 2010). PRH has become the main housing program in the Chinese housing subsidy system since 2010 (MHURD, NDRC, & Mof, 2013).

In recent years, the shrinking role of central government of China in the financing of PRH has caused a shift of the responsibility for the housing of vulnerable groups to local authorities, which have started to involve market actors in the provision of PRH. Furthermore, the tenants' participation in PRH governance, which central government stimulated, has resulted in the involvement of civic actors in PRH governance. These changes in the governance of PRH, a type of housing that is generally indicated in the literature with the umbrella term social rental housing<sup>2</sup>, parallel changes in the governance of social housing worldwide. This trend emphasizes the central idea of governance that government is no longer the only relevant actor in catering for the housing problems of needy people (Blessing, 2012; Leviten-Reid, Matthew, & Mowbray, 2019).

Given the above, studies about Chinese PRH governance have appeared in abundance (see for example, F. Deng, 2018; Ringen & Ngok, 2017; Y. P. Wang & Murie, 2011; Zou, 2014). However, they fail to address two main issues of the current PRH governance: what are the mechanisms behind the new design of PRH governance that cause increasing participation of non-governmental actors; and how does this governance work? This PhD research contributes information to these two knowledge gaps.

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<sup>2</sup> Social housing is treated as a complicated notion related to various policies and politics particularity of each country (Whitehead & Scanlon, 2007). It could be owner-occupied housing or rental housing. A useful definition that distinguishes social housing from the housing without a social focus is whether a housing allocation system is in place: who gets a dwelling allocated, based on criteria, such as income (Haffner, Hoekstra, Oxley, & Van der Heijden, 2010). The social focus is on catering for housing needs of targets groups such as low or middle-income households, or the elderly.

Before presenting the results of this PhD research in the next chapters, this chapter presents the PRH development in China (section 1.1), the research gaps, aim, and questions (section 1.2), the conceptual starting point of 'governance' and its associated concepts for the analyses (section 1.3), the research approach (section 1.4), and finally, the outline of the PhD thesis (section 1.5).

## 1.1 Public Rental Housing as a national housing policy priority since 2011 in China

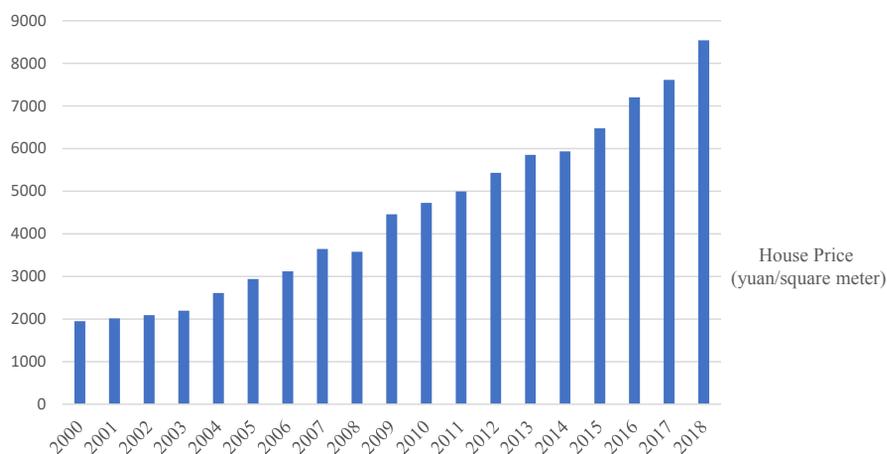
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This section briefly introduces the background of Chinese Public Rental Housing (PRH). It first presents the affordability problem for urban households and the four main housing programs to give a comprehensive view of how Chinese government intervene to make housing more affordable for needy people. Then, the section shows how Public Rental Housing (PRH) became a national housing policy priority since 2011.

With the termination of the distribution of housing by employers in 1998, housing privatization and commercialization in urban China have been promoted (Jie Chen, Jing, Man, & Yang, 2013). Meanwhile, the level of urbanization has been rising rapidly. According to the data of the World Bank (2020), the urban population amounted to 453 million in 2000, accounting for 35.9% of the population in the country, while in 2018 the urbanization rate reached 59.2%. This means that the last two decades have witnessed an increase of urban population in the number of around 380 million. This has resulted in a solid urban housing demand.

In addition, the tax sharing system since 1994 has made local governments disadvantaged as the central government raised its share in total revenues but decreased its ratio of budgetary expenditure in financing local governments (Jin, Qian, & Weingast, 2005; X. Q. Zhang, 2000). In attempting to finance the infrastructure and chase for economic growth, local governments have heavily relied on own non-fiscal revenues. Land in China is owned by the government and local governments can collect revenues through both taxes and fees by leasing land. These revenues are not included in the fiscal budget to be shared with central government and thus are favoured by local authorities (Nicholas, 2011). The real estate market has been promoted by local authorities by means of low interest rates and cheap credit.

As shown in Figure 1.1, the average house price in 2018 has increased by 3.5 compared to 2000 according to the National Bureau of Statistics of China (2019). The average house price-to-income ratio was around 14 in the 50 biggest Chinese cities in the first half of 2019 (X. Lin, 2019). In big cities such as Beijing, Shanghai, and Shenzhen, the ratio has reached more than 25, causing a severe housing affordability problem.



**FIG. 1.1** Nominal house price (yuan per square meter) in China (2000–2018)  
Source: National Bureau of Statistics of China

**TABLE 1.1** Characteristics of four types of affordable housing program in urban China

Type	Housing tenure	Target group	Eligibility requirement	Year of issuance
<b>Economic Comfortable Housing (ECH)</b>	Homeownership	Low- and middle-income households	Urban Hukou*, income and asset threshold, living space per person threshold	1994**
<b>Low Rental Housing (LRH)</b>	For renting	Lowest-income households	Similar to ECH	1998
<b>Capped Price Housing (CPH)</b>	Homeownership	Low- to middle-income households	Similar to ECH	2006
<b>Public Rental Housing (PRH)</b>	For renting	Low- to middle-income households including migrant workers and fresh graduates	No urban Hukou required, stable job required for migrant workers and fresh graduates, loose or no income threshold	2010

Source: Own elaboration based on Jie Chen et al. (2013) and the government documents that are available to the public  
Note:

\* Hukou refers to the household registration categorising residents as either urban or rural in China. An urban Hukou means the person is registered as a resident in an urban area.

\*\* ECH has got more priority by central government after 1998.

In response to the widespread public complaints about the affordability problem and in order to safeguard the national policy objective of socioeconomic and political stability (Jie Chen et al., 2013), central government has put a lot of efforts to develop its housing subsidy system to meet the housing needs of the vulnerable households. Table App.A.1 in Appendix to Chapter 1 shows the relevant policy documents.

Since the 1990s, China has introduced four main types of housing program that aim for realising, what is called affordable (rather than social) housing. Table 1.1 presents these four main types of affordable housing program: Economic Comfortable Housing (ECH), Low Rental Housing (LRH), Capped Price Housing (CPH), and Public Rental Housing (PRH).

There are two types of housing tenure of these housing programs: homeownership and renting. The ECH program and CPH are designed to promote homeownership to low- and middle-income households with a below-market price. However, these below-market price has been argued as still too high for low-income households (Jie Chen & Nong, 2016). Besides, there are great opportunities for corruption of government and misconducts in the allocation and distribution of the owner-occupied housing programs (i.e. ECH and CPH) (Y. Huang, 2012). Reports and news show that some occupiers of such housing even own luxury cars (21st Century Business Herald, 2017; China Youth Daily, 2013). In around 2013, Beijing, Guangzhou, Fuzhou, Chongqing and some other cities therefore set regulations to stop the construction of new owner-occupied housing: CPH and ECH (Cai, Tsai, & Wu, 2017; J. Wang, 2016).

LRH was launched by the State Council in 1998 to provide rental homes to the poorest local households. It fails to cater for the housing needs of the middle-income households, who also encounter housing affordability problems given the booming house price.

Besides the thresholds for income, asset, and living space per person, access to ECH, CPH and LRH is restricted to permanent urban residents with an urban Hukou. Migrants and new university graduates without an urban Hukou, therefore, are not able to access these programs' affordable housing.

In response to the aforementioned problems, PRH<sup>3</sup> was introduced by central government in 2010. It was to solve the housing problems by providing affordable housing to the low- to middle-income urban households, new graduates, and migrant workers with stable jobs in urban areas (Shen, 2015; Ye, 2017). Since 2011, PRH has been regarded as the national housing policy priority for the vulnerable households. This is evident both from the central government having indicated PRH as the mainstream of Chinese affordable housing (SCGO [2011] No.45) and from the 12th Five-Year Plan (2011–2015) aiming for 18 million new PRH units (MHURD et al., 2013). PRH is also the focus of the dissertation.

## 1.2 Problem formulation

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### 1.2.1 The shift of PRH provision from ‘government’ to ‘governance’

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The provision model of ‘governance’ means, as indicated above, that central government shares responsibilities with other actors; this in contrast with the past where central government was the sole responsible actor for the realization of social objectives. More in detail, the provision model of ‘governance’ means that central government is responsible for policy-making and establishing operational methods for the whole country of China, and that local governments and the associated government agencies are in charge of the local policy formulation and the implementation (Feng, Lu, & Zhu, 2007). The model of PRH provision to low- and middle-income households who cannot access housing on their own has been criticized in terms of the imbalance in the distribution of the responsibilities between different levels of government: the central government delegates responsibilities without providing adequate financial support for local authorities (Junhua Chen, Guo, & Wu, 2011; Li, Guo, You, & Hui, 2016). Local governments bear a huge financial burden when realizing new PRH supply. Besides, local governments depend largely

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<sup>3</sup> The term ‘public’ in Chinese PRH means that the housing allocated by governments is also owned by governments in the ‘government’ period. In the new era of ‘governance’, ‘public’ indicates that the housing is provided by the government but can be owned by governments as well as non-governmental actors, for example, PRH in Chongqing is owned by the investment organization.

on a flourishing real estate market to manage their mounting debt over the past several years, 44 trillion yuan (1 yuan equals to around 0.13 Euro in 2020) in 2018 (C. Deng, 2019; Nicholas, 2011). Therefore, they are not motivated to provide free or cheap land for PRH projects. To solve their financial restrictions, local governments turn to market resources for the funding/financing of PRH provision in one of two PRH construction modes: *Tongjian* mode and *Peijian* mode (Z. Huang & Du, 2015).

In the *Tongjian* mode (since 2010), local governments entrust investment organizations, who are state-owned enterprises, to develop and construct large-scale PRH projects on the land mainly provided by the government. Such organizations are backed by government guarantees to get loans and private financing to finance PRH projects (Jie Chen, Yao, & Wang, 2017). Investment organizations in Chongqing's *Tongjian* mode even own PRH units (Zhou & Ronald, 2017b). In contrast, in *Peijian* mode, real estate developers are required by local authorities to build a certain percentage (usually 5%-10%) of PRH in the course of their ordinary project development (MoF [2015] No.15). The incentives (e.g., the right to build at higher density, also called density bonus, fee reductions) provided by the local governments to developers to stimulate PRH provision are normally considered inefficient and developers need to depend on their own land and money for the *Peijian* program (Y. Huang, 2015).

*Peijian* program is also known as Inclusionary Housing program. Inclusionary Housing is one of the instruments used by local governments in many countries to achieve the provision of sufficient affordable dwellings. As elsewhere, the basic approach of Inclusionary Housing (IH) in China is to require private developers to incorporate PRH into their market-rate residential development (Y. Huang, 2015). The advantages of IH to government are obvious: it increases the production of affordable housing without direct governmental expenditure (Basolo, 2011; Faure & Xu, 2013). Thus, local governments in China utilise IH as a new promise of PRH governance especially after 2015.

As indicated in the previous section, from a policy perspective, central government has viewed PRH provision as an important way to ensure '*political consolidation and social stability*' (Shi, Chen, & Wang, 2016, p. 224), which is consistent with the idea of a '*harmonious society*' proposed by former President Hu in 2006 and '*people-oriented development*' proposed by President Xi in 2012 (Mok & Hudson, 2014). Thus, the central government issued policies to stimulate the participation of tenants into PRH governance (MOHURD & MOF, 2018). As such, civil society is involved in the governance of PRH.

Given the above, policies have been intensively issued by central government (see Table App.A.2 in Appendix to Chapter 1). Regarding the increasing involvement of non-governmental actors and the growing complexity, the provision of PRH is moving from the traditional 'government' model to 'governance' model, where governments and non-governmental actors participate and cooperate in the formulation and implementation of PRH policies (Calavita & Mallach, 2010). Section 3 gives detailed information about the concept of governance and illustrates relevant theories for governance analysis.

### 1.2.2 Knowledge gaps, the aim of the study, and the research questions

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Along with the approximately one decade of PRH development, numerous studies have been conducted. These studies of Chinese PRH describe political systems, fiscal structures, and land schemes (Jie Chen et al., 2017; Y. Huang, 2012; Zhou & Ronald, 2017a). Yet these studies are not underpinned by a theoretical foundation from a governance perspective, nor have they examined the extent to which the Chinese government's role has changed and the different actors are sharing the power in the current Chinese governance framework.

In addition, PRH governance has achieved mixed results. The official data show that 37 million people lived in PRH by the end of 2018 (MOHURD [2019] No.55). At local level, cities, especially first- and second- tier cities with severe housing affordability problems, have put a lot of efforts in PRH provision. For instance, Beijing said more than 0.1 million of its residents lived in PRH the early 2018 (Xinhua net, 2018), Shanghai has provided 0.15 million PRH units which benefited 0.2 million people (Jiefang Daily, 2017), and Hangzhou has housed almost 80 thousand households during the period 2011 to 2019 (X. Zhang, 2019). Nevertheless, problems exist, such as the inadequate numbers of housing units produced, which is partly the result of IH instrument which developers do not find attractive (see also, Y. Huang, 2015; Y. Lin, 2018). Furthermore, PRH tenants associate PRH with poor housing quality as well as marginalized locations in projects in urban areas. Many describe such problems (see for example, Gan et al., 2016; Zou, 2014). Increasingly the governance of PRH has become more complex than before as local governments cooperate with non-governmental actors. This state of the art requires the systematic measurement of the governance outcomes based on the new instrument(s).

To sum up, the existing studies fail to describe 1) the mechanisms underlying this new-era governance of PRH with the rising involvement of market actors and those in civil society and 2) whether the new-era governance is considered to be effective, achieving the objective of stability.

This PhD research aims to close these knowledge gaps. The aim of this PhD research can therefore be formulated as follows: to build a better understanding of the PRH governance in the current Chinese context and to evaluate the current PRH governance.

Within this context, this PhD research has sought to contribute to widen this discussion by providing new insights to the study of Chinese PRH governance and to provide new insights to the international debate on the social housing governance by showcasing the Chinese case. The Chinese PRH moving from 'government' to 'governance' parallels the trend worldwide where direct production of affordable housing (with below market price for low- to middle-income households) on the part of the central (federal) government has largely diminished, while a multisectoral, decentralized housing provision system has emerged in its place (Czischke, 2007; Gasparre, 2011; Lee & Ronald, 2012; Leviten-Reid et al., 2019).

The above aims are translated into the following four research questions, which are carefully addressed in chapters 2, 3, 4, and 5, respectively:

- A How has the Chinese government's role changed in this new context of PRH governance? (Chapter 2)
- B What are the roles of and power relations among the different actors involved in Chinese PRH governance? (Chapter 3)
- C Does PRH work in terms of the effectiveness of its governance from the perspective of tenants? (Chapter 4)
- D What are the problems associated with Chinese IH from a governance point of view and how are they caused? (Chapter 5)

## 1.3 Governance as a conceptual perspective

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### 1.3.1 “Governance’ defined

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To answer the four research questions, the term ‘governance’ is introduced to be the conceptual starting point. ‘Governance’ is originated from Latin, meaning ‘*to rule or to steer*’ (Ismail, 2011, p. 3). The influence of the concept on scholarly thinking has been limited until the end of the mid-1970s (Yu & Guo, 2019). In recent years, governance has been widely discussed in association with governments worldwide cutting public expenditure and promoting efficiency (Elsinga, 2003; Van den Broeck, Haffner, & Winters, 2016).

By including different actors to the management of societal issues, governance, in some scholars’ eyes, differs from the hierarchical management and is not based on unilateral decisions made by governments (see for example, Calavita & Mallach, 2010; Pratiwi & Sari, 2017; Santiso, 2001). They argue that government has pulled back as its functions as well as power are broadly transferred to non-governmental actors. The most widely cited works in the governance area, such as Hysing (2009), Pierre (2000) and Sørensen and Torfing (2007), whereas, show different opinions. They emphasize that the idea of governments not being the only relevant actors might not necessarily lead to reducing the governments’ steering capacity or a weakened state. Governance can range from a hierarchical mode to a self-governance mode with many possible co-governance forms lying inbetween (Kooiman, 2003; Treib, Bähr, & Falkner, 2007). Indeed, the essence of governance is viewed as the extent to which governmental and/or non-governmental actors are involved in governing (Arnouts, van der Zouwen, & Arts, 2012). As such, governance is defined as a mode of steering based on or drawn from, but also going beyond, government to govern society in achieving societal goals (R. A. Rhodes, 1997; Stoker, 1998).

This definition emphasizing the involvement of different actors, especially the private actors next to government, can avoid preconceptions to regard governance as to exclude hierarchical mode. To bear this in mind is important when conducting governance analysis in different cultural background. For instance, most literature considers Chinese PRH provision as dominated by government (Jie Chen, Yang, & Wang, 2014; Ringen & Ngok, 2017; Y. P. Wang & Murie, 2011; Zhou & Ronald, 2017b; Zou, 2014). However, when look at the practice on the ground, the privatization of activities to give more room to the market and to citizens than before

does acknowledge the transition to governance of PRH provision. The exclusion of hierarchical mode when look at the concept of governance might cause some confusions and lead to ambiguous results.

In the perspective of PRH provision, this is the definition utilised in this paper: governance is perceived as cooperating governmental and non-governmental actors together steering the provision of PRH throughout the provision column involving the acquisition of land, the allocating and housing of households, and the management of the dwellings, as well as the neighbourhood management.

### 1.3.2 **Governance theories applied**

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Governance is an abstract concept. This research aims to make the concept applicable based on governance theories. Chapter 2, 3 and 5 adopt a framework of analysis combining actors and their interrelationships, two important elements of governance study (Hufty, 2011; Hysing, 2009). Chapter 4 discuss the effectiveness of PRH governance based on the final users' perceptions.

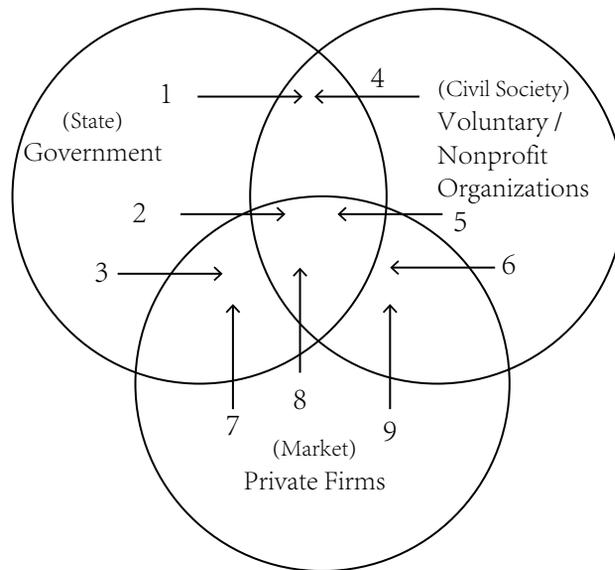
#### **Actors**

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The 'actors' perspective of housing governance has underlined that non-governmental actors are often involved, next to the state, to deal with the housing needs of the vulnerable. State actors are governments and public agencies, who behave mainly as formal and non-profit entity. Non-governmental actors consist of three types: 'market' actor, 'community' actor, and 'hybrid' actor (Cole & Goodchild, 2000; David Mullins & Hal Pawson, 2010). The market actor (e.g. private enterprise and company) is generally motivated by profits. The community actor relies on the loyalty and common interests of a voluntary group of citizens to achieve their goals. A hybrid actor exhibits traits of more than one actor type and thus combines different mechanisms of operation including the ways that authority is distributed within the organisation.

To identify the specifics of the miscellaneous actors involved in welfare provision (e.g. PRH) and analyzing the main driving force of these actors can contribute to a clear sector accountability within the governance (Pierre & Peters, 2005; Tömmel, 2007; Treib et al., 2007). In addition, the study of 'actors' is a prerequisite for the investigation of interrelationships, which is in the centre of governance debate.

Chapter 2 and 3 adopt Billis' (2010) work for their analysis of actors. Billis' (2010) work goes beyond the simple description of the characteristics of actors. It explains the public actor, the private actor and the third sector actor could be considered as subordinate to the three social logics: state, market and civil society, respectively. As to hybrid actors, they integrate at least two logics out of the three. Billis provides a systematic classification or organisation types by applying five elements (ownership, governance, operational priorities, human resources, and other resources) to categorize actors into three types (public, private and third sector) and then defines nine hybrid zones based on the possible combinations between the three other actors (see Figure 1.2), for instance, nationalized industries as State/Market actor and the BBC as State/Market/Community actor.



**FIG. 1.2** Three main actors and their hybrid zones (adapted from Billis, 2010)  
 1. Public/Third 2. Public/Private/Third 3. Public/Private 4. Third/Public 5. Third/Public/Private. 6. Third/Private 7. Private/Public 8. Private/Public/Third 9. Private/Third

The hybridity feature of actor is an important aspect addressed in this study. The hybridity means that actors are exposed to a mixture of state, market and civil society logics. This feature is the reflection of the current governance when conventional governments, companies and third sectors to adapt to the changes in construction and management of social housing (Mullins, 2000; D Mullins & H

Pawson, 2010). Distinctive and rigorous definitions of hybridity are needed for further understanding PRH governance with more recently strategies of market liberalization and democracy. In the perspective of housing studies, the typical hybrid housing actors are social housing associations/organizations in the Netherlands, Denmark and the UK (Gruis, 2005; Jensen, 1997; Mullins, Czischke, & van Bortel, 2012). It is worthwhile to also take a look at Chinese version of hybrid actors in PRH provision.

## **Interrelationships**

Interrelationships, generating from frequent communications and complex interactions among the actors involved, could determine the authoritative allocation of values in society - the focus of the governance debate (Driessen, Dieperink, Laerhoven, Runhaar, & Vermeulen, 2012; Hysing, 2009). Different interrelationships amongst actors may contribute to diverse governance features and may also affect the decision-making, policy implementation and thereby the outcomes of policy (Driessen et al., 2012). Thus, 'interrelationships' is in the centre of the governance discussion (see for example, Bevir, Rhodes, & Weller, 2003; Kooiman, 2003; R. A. W. Rhodes, 1996).

This thesis discusses 'intergovernmental relationship' and 'relationship between government and non-governmental actors' as the two types of interrelationships. These two types are intensively analysed in governance literature (see for example, Kooiman, 2003; Papadopoulos, 2007; Tömmel, 2007). The intergovernmental relationship is the privileged instrument by which PRH is provided and the implementation process is shaped. And the relationship between government and non-governmental actors could decide how the non-governmental actors get involved to govern social housing provision. The two types interrelationships are always intertwined. Taking PRH governance as example, when the intergovernmental relations show a hierarchical structure, the government probably keeps a tight grip on PRH provision, and so other non-public actors are kept in low key (Treib et al., 2007). In contrast, if the intergovernmental relations demonstrate cooperation, a local government is likely to gain more autonomy in providing PRH. Moreover, private actors, third-sector actors and hybrid actors are more likely to be actively involved and might be more likely to be able to negotiate with governments to influence the policy design and implementation.

As indicated before, to use both elements of governance will allow to go beyond the abstract discussion of the concept governance. Besides, the study of who is involved and how they are interacting enables one to elucidate aspects such as the authority

allocation, resource distribution, and policy process (formulation and implementation) of housing provision. The conventional studies focusing on housing policies, finance, construction, and management (see for example Chen, 2018; Chen et al., 2014; Zhou and Ronald, 2017a; Huang, 2012) are embedded in these aspects. In other words, one cannot avoid to discuss conventional issues of housing provision when using the two elements as analytical framework to investigate housing provision.

## **Effectiveness of governance**

Chapter 4 discusses whether the governance of PRH works from the eyes of PRH tenants. The concept of effectiveness is introduced in this Chapter to build the theoretical background for measuring the PRH governance. The idea of effectiveness implies that to determine the success of governance means to figure out whether the objective of governance is fulfilled by measuring the outcomes (Anten, 2009; Van den Broeck et al., 2016). This is the so-called outcome-oriented approach for governance measurement.

The outcome-oriented approach emphasizes that public services governance should focus on what is good to the public. This is in line with the current governance practice worldwide, where an increase in the assessment of policy outcomes in relation to policy objectives has been witnessed (Rauschmayer, Berghöfer, Omann, & Zikos, 2009; Rotberg, 2014). This can be understood if one realised that a smooth or 'good' process of governance may not necessarily end up in effective policy (Kelly & Swindell, 2002). Governance of public services (e.g. PRH governance) will therefore evaluate what is perceived as good to the public or by the public. In other words, it is important to know whether the policy makes a difference for the tenants as recipients of PRH provision (Boaz & Nutley, 2003).

## **1.4 Research approach: methods and data**

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The PhD research aims to build a better understanding of the PRH governance in the current Chinese context and to evaluate the current PRH governance. In order to achieve this aim, this thesis formulates four research questions and therefore covers a range of subjects: the changing Chinese government's role, the power relations among involved actors, the effectiveness of PRH governance from tenants'

perspective, and and evaluation of IH from governance perspective. Mixed research methods and various sources of data are adopted (see table 1.2). Below is a short introduction of the methods and data in four main chapters that deals with each research question, the complete details are displayed in each of the four chapters.

In order to move beyond abstract discussions to investigating the practices of PRH governance on the ground, most of this thesis (i.e. Chapter 2, 3 and 4) are built upon empirical analysis and the case studies are two Chinese cities (Chongqing and Fuzhou) with a history of PRH provision.

Practitioners in Chongqing and Fuzhou were interviewed for gathering information about 'who are involved' and 'how do they interact' in Chapter 2. Based on 33 interviews, Chapter 2 investigates the changing role of the Chinese government in response to the rising involvement of non-governmental actors. Chapter 3 unravels the perceived power distribution in the relationships between the involved actors. In the thesis, the power of an actor refers to the ability of the actor to influence the behaviour of others. This analysis of power distribution calls for a Social Network Analysis (SNA) method (Amanzi, 2011; Jamali & Abolhassani, 2006; Mizruchi, 1994; G. Yang & Huang, 2017), which is a quantitative method backed by strong mathematical theories (L. Freeman, 2004). To conduct SNA, 30<sup>4</sup> interviews were first conducted in the two cities then the data were analysed with the computer program UCINET and visualized in NetDraw to show the power distribution (Borgatti, 2002).

Chapter 4 measures the effectiveness of PRH governance in Chongqing. To determine the effectiveness of the governance, the outcomes of governance from the recipients' perspective have to be compared with the policy objectives (Rauschmayer et al., 2009). Thus, I collected questionnaire data (206 respondents in total) from PRH tenants to discover how tenants value PRH. SPSS was used to perform the statistical analysis of the survey. Interviews with practitioners were also used to help build a comprehensive understanding of PRH governance and provide a further discussion on the survey results. Chapter 5 evaluates IH from a governance perspective. Specifically, Chapter 5 analyses the problems associated with Chinese IH from a governance point of view and how these problems are caused. Therefore, scientific literature relevant to IH, as well as policy documents, and government reports relevant to the practice of IH in the case study China were studied.

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<sup>4</sup> The 30 interviews are the same interviews as for Chapter 2 but with different questions provided to the interviewees. Interviews with tenants are not adopted in Chapter 3 for the SNA to measure the power relations within different entities.

TABLE 1.2 Data and research methods of the PhD research

Chapter	Research focus	Research methods	Main data	Data analysis tools
Chapter 2	The changing Chinese government's role	Case study, interview	Interviews conducted in Chongqing and Fuzhou	Atlas.ti <sup>5</sup>
Chapter 3	The power relations among involved actors	Case study, interview, Social Network Analysis	Interviews conducted in Chongqing and Fuzhou	Atlas.ti, UCINET 6 and NetDraw
Chapter 4	The effectiveness of PRH governance from tenants' perspective	Case study, survey, interview	Survey and interviews conducted in Chongqing	Atlas.ti and SPSS
Chapter 5	The evaluation of Inclusionary Housing from governance perspective	Literature review	Literature, policy documents, and government reports	N/A

## 1.5 Outline of the thesis

Besides this introduction chapter and a conclusion chapter, this dissertation contains four chapters (Chapter 2-5) addressing four research questions, respectively. The four chapters have been accepted or (re-)submitted to international peer-reviewed journals as four academic papers.

These four chapters can be divided into two main themes according to the research aim of this dissertation: 1) the discussion of the mechanisms of Chinese PRH in Chapter 2 and 3; 2) the discussion of whether the current PRH governance can be considered to work in Chapter 4 and 5. The first part serves as background information for understanding and explaining the results of the second part.

Chapter 2 examines the changing role of government given the increasing role of 'market' and 'civil society' actors in PRH governance in recent years. It pays special attention to discuss whether the design of governance leads to a changing role of government. Chapter 2 builds a conceptual framework to discover who were involved and how they interacted in two Chinese cities, Chongqing and Fuzhou. It concludes that current Chinese PRH governance is still dominated by government; however, in contrast to the past, rather than applying the state logics only, the levels of

<sup>5</sup> All of the recorded interviews were transcribed into Word Files. Then these files were analyzed in Atlas.ti, a computer program that extracts and codes the important sentences (Friese, 2014).

government increasingly apply different logics. Only central government still applies the state logic, while local levels resort to the logics of the market and civil society, allowing for a contribution of market actors and civil society actors in the provision and management of PRH. This development causes different forms of hybrid actors to arise that combine in one organization the different logics.

Chapter 3 unravels the perceived power distribution in the relationships between the involved actors in the PRH governance in Chongqing and Fuzhou. The analytical framework combining Billis' (2010) work with SNA to measure the power relations revealed the structures and mechanisms for non-governmental actors to play a role in the governance of PRH, which they did not have in the 'government' period. This usage of SNA as a method to analyse power relations is based on scholars' work (see for example, Amanzi, 2011; Jamali & Abolhassani, 2006; Mizruchi, 1994; G. Yang & Huang, 2017). The designed analytical framework will allow the comparison of different governance systems across time and different jurisdictions within and beyond China.

Chapter 4 focuses on the effectiveness of PRH governance in the eyes of tenants. It adopts an outcome-oriented evaluation to compare the objective of PRH governance (to maintain social stability) with the governance outcomes. To make the outcomes measurable, three governance outcome dimensions are defined in this chapter: satisfaction with housing quality, satisfaction with housing quantity, and willingness to communicate with the government about PRH governance. The analysis of the survey data in Chongqing shows that the perceived governance outcomes were quite mixed as tenants were moderately satisfied with the quantity of PRH housing supplied, but less satisfied with housing quality, while they thought they could relatively easily communicate with local government. In view of these mixed outcomes, this study formulates policy implications to strengthen the effectiveness of PRH governance in the eyes of the tenants.

Chapter 5 evaluates Chinese IH from the governance perspective. This governance perspective is missing in the international research about IH evaluation and this Chapter aims to fill this gap. I adopt actors and interrelationships as the analytical framework to explore and evaluate the governance of IH by taking China as a case study, as this country has started to implement IH very recently. Based on literature, policy documents, and government reports, Chapter 5 concludes that the governance challenges of Chinese IH are two: 1) the private developers bear the costs of development while local governments enjoy the benefits of the Inclusionary Housing; 2) the relations between local governments and private developers are changing from a joint-interest one to a divergent-interest relation in declining housing markets. Policy implications are provided for the future development of Chinese IH based on the two challenges.

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# 2 The changing logics in Chinese Public Rental Housing Governance

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Submitted to: [Housing Policy Debate](#)

**ABSTRACT** Public Rental Housing (PRH) governance in China used to be organized as follows: central government issued policies, local governments implemented them and private actors' participation was limited. However, the increasing role of “market” and “civil society” actors in the governance of PRH in recent years, seems to have contributed to a weakening role of government. Whether this is the case is the focus of this paper. A governance model developed based on the literature of governance and empirical data from two Chinese cities, Chongqing and Fuzhou, show who were involved and how they interacted. The results reveal that current Chinese PRH governance is still dominated by government; however, in contrast to the past, rather than applying the state logics only, the three levels of government increasingly apply different logics derived from the literature. Only central government still applies the state logic, while local levels resort to the logics of the market and civil society in the provision of PRH. This causes different forms of hybrid actors to arise that combine in one organization the different logics. These outcomes contribute to the international literature on PRH governance, particularly how the Chinese model is different from “the Western model”.

**KEYWORDS** public rental housing; civil society; multilevel governance; social welfare; hybridity

## 2.1 Introduction

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Public Rental Housing (abbreviated as PRH hereafter) in China refers to administratively allocated housing with below-market rent for low-middle income households, new employees, and qualified migrants with stable jobs (MOHURD, 2010). In the past, PRH was the responsibility of the government and the role of private actors was limited (Chen et al., 2013). In order to achieve the big task of providing 18 million PRH units during the 12th Five-year Plan period (from 2011 to 2015), central government issued policies that support the influx of non-governmental resources in the provision of PRH (MOHURD, 2010).

Worldwide, the transformation of welfare housing provision from the government to an expanding reliance on non-governmental actors (market and civil society) has received much academic attention (Czischke, 2007; Lee and Ronald, 2012; Leviten-Reid et al., 2019; Gasparre, 2011). The concept of “governance” in the literature is widely used to describe and understand such a changed constellation. Research interest then evolves toward how governments react when collective action by formal authorities together with non-governmental actors increasingly realizes public policy (Rhodes, 1996; Duit and Galaz, 2008).

Although most literature considers Chinese PRH provision generally as a type of government-dominant governance, it acknowledges the transition to governance (Chen et al., 2014; Ringen and Ngok, 2017; Zou, 2014; Wang and Murie, 2011; Zhou and Ronald, 2017). The privatization of activities gives more room to the market than before, and to citizens as well. In the context of the rising involvement of market actors and those in civil society, the question that this paper raises is that how has Chinese government’s role changed in this new context of PRH governance. The parallel analysis involves the evolution of the roles of the new non-governmental actors.

To answer the research question, the paper starts with the presentation of an analytical framework, which is based on the two most important dimensions of the governance literature: “actors” and “interrelationships” (Stoker, 1998). Next, the national and local practice of Chinese PRH are described, followed by the introduction of the research methodology. Then the analytical framework is applied to empirically examine Chinese PRH governance based on an investigation of two Chinese cities: Chongqing and Fuzhou. Finally, we present the current model of PRH governance in the two cities and conclude.

## 2.2 Conceptualizing the PRH governance

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The term “governance” originated from Latin, meaning “to rule or to steer” (Ismail, 2010). The concept was used to discuss the functions and power of government when governing its designated activities (Patton and Director, 2008). Along with the changing role of government worldwide from a direct provider of public goods to a facilitator or coordinator (Bevir et al., 2003; Hysing, 2009; Lange et al., 2013), governance thus is explained as a complex term meaning more than simply the executive administration of government, but also involving multiple non-governmental actors. As Stoker (1998: 17) states in his most cited work in the governance field, governance refers to the development of steering and guiding styles “in which boundaries between and within public and private sectors have become blurred”.

This is the definition used in this paper: governance is perceived as cooperating governmental and non-governmental actors together steering the provision of PRH throughout the provision column involving the acquisition of land, the allocating and housing of households, and the management of the dwellings, as well as neighbourhood management. In its most basic definition, governance refers to actors and their interrelationships when cooperating to achieve goals (Hysing, 2009; Hufty, 2011).

### 2.2.1 Actors

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As discussed before, traditionally, governing was the responsibility of political institutions through a hierarchical way, and the term “governance” corresponds to the participation of non-governmental actors (Hysing, 2009; Lange et al., 2013; Pierre, 2000). This brings us to consider the importance of the widely-discussed element within governance literature: who are the “actors” involved (Pierre and Peters, 2005; Tömmel, 2007; Treib et al., 2007)?

When it comes to the PRH governance, the use of an “actors” perspective has underlined that other actors are often involved, next to the state, in catering for the housing needs of low-to middle-income households. These other actors are market, civic or hybrid actors. A number of studies have attempted to investigate the specifics of the miscellaneous actors involved in welfare provision (e.g. PRH), or more accurately to analyse the main driving force of these actors (Jensen, 1997; McMullin

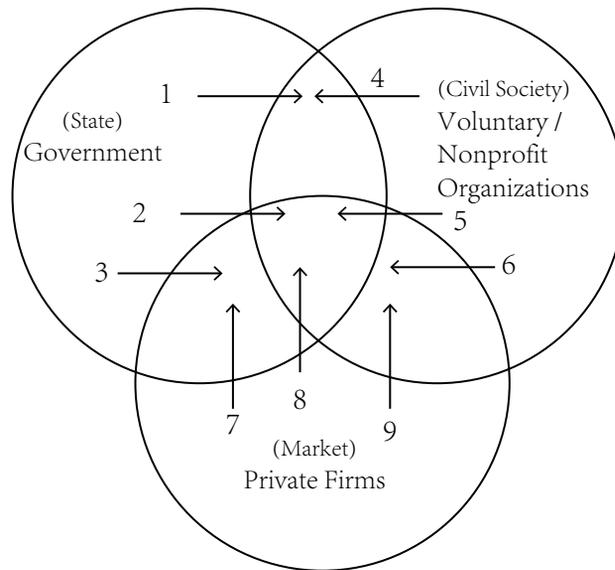
and Skelcher, 2018). These are usually derived from the three ideal society logics - state, market, and civil society - and serve as a background of the day-to-day business of actors. Actors operating from a “state” logic depend on legal regulation and are concerned with the overall public interest. Market actors rely on individual resources and operate typically in competition with others. Civil society actors usually operate in a self-regulated context related to associations and democracy (Paton, 2009). Hybrid actors will combine traits of the three logics in varying ways and thus integrate different mechanisms of operation.

Although the descriptions of the four types of actor are laid out in the literature (Mullins and Pawson, 2010a; Czischke, 2015), how to categorize them in the real world will not always be clear-cut; particularly as hybrid actors are assemblies of characteristics from state, market, and community.

Against this backdrop, Billis (2010) makes an important contribution as he first proposes five elements (ownership, governance, operational priorities, human resources, and other resources) to categorize actors into three types<sup>6</sup> (public, private and third sector) and then defines nine hybrid zones (see Figure 2.1). Each actor has its own perception by combining a different set of independent principles from the five elements (for details, see Billis, 2010: 53-54). According to Billis (2010), the public actor, the private actor and the third sector actor could be considered as subordinate to the three society logics, state, market and civil society, respectively. As to hybrid actors, they integrate at least two logics out of the three. Furthermore, Billis divides hybrid organizations into shallow ones (as in the case of market actors conducting activities for welfare provision but not necessarily calling into question their basic identity) and entrenched ones (as in the case of organizations that are established from day one as hybrid entity).

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<sup>6</sup> The original terms used in Billis' figure are “Public”, “Private” and “Third”. These three terms are changed into ‘Government’, ‘Private Firms’, and ‘Voluntary/Nonprofit Organizations’ to make the model more relevant in the field of housing studies in this paper, separately.



**FIG. 2.1** Three main actors and their hybrid zones (adapted from Billis, 2010)  
 1. Public/Third 2. Public/Private/Third 3. Public/Private 4. Third/Public 5. Third/Public/Private. 6. Third/Private 7. Private/Public 8. Private/Public/Third 9. Private/Third

The use of the concept of hybridity is quite common in welfare housing governance (Mullins et al., 2012; Bratt, 2012; Leviten-Reid et al., 2016) because more recently strategies of market liberalization and democracy have caused conventional governments, companies and third sectors to adapt to the changes in construction and management of welfare housing (Mullins and Pawson, 2010b; Mullins, 2000). The typical hybrid housing actors are social housing associations/organizations, as they operate in the Netherlands, Denmark and the UK, being exposed to a mixture of state, market and civil society logics (Jensen, 1997; Gruis, 2005; Mullins et al., 2012).

## 2.2.2 Interrelationships

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Interrelationships, generating from frequent communications and complex interactions among different actors involved, could determine the authoritative allocation of values in society – the focus of the governance debate (Hysing, 2009; Driessen et al., 2012). Different interrelationships may contribute to diverse governance features and may also affect the decision-making, policy implementation and thereby the outcomes of policy (Driessen et al., 2012).

Two types of relations are discussed intensively as the interrelationships in the literature: intergovernmental relationship and relationship between government and non-governmental actors (Kooiman, 2003; Tömmel, 2007; Papadopoulos, 2007). The two relations are always intertwined. Taking PRH governance as example, when the intergovernmental relations show a hierarchical structure, the government probably keeps a tight grip on PRH provision, and so other non-public actors are kept in low key (Treib et al., 2007). In contrast, if the intergovernmental relations demonstrate cooperation, a local government is likely to gain more autonomy in providing PRH. Moreover, private actors, third-sector actors and hybrid actors are more likely to be actively involved and might be more likely to be able to negotiate with governments to influence the policy design and implementation.

To sum up, whereas many academics studying PRH governance or institutions describe lots of dimensions, such as housing policies, finance, construction, and management (see for example Chen, 2018; Chen et al., 2014; Zhou and Ronald, 2017a; Huang, 2012), this paper builds an analytical framework based on “actors” and “interrelationships” as they are two important elements derived from the governance literature. This helps to move beyond abstract discussions to investigating the practices of PRH governance on the ground.

## 2.3 Towards PRH governance in China

### 2.3.1 PRH governance changes in China

Since 1998, housing privatization and commercialization have been promoted in China (Shi et al., 2016). This has brought about a rapidly-growing urban real estate market and, in the meantime, marginalized low- to middle-income households who cannot afford to buy or rent a house (Shi et al., 2016). Consequently, the state (central government) has been under severe pressures and is determined to provide affordable homes for needy households, especially in the form of PRH (Chen et al., 2014; Wang and Shao, 2014).

Like the governance of other affordable housing programs in China, scholars argue that to achieve the goal of PRH provision, the Chinese central government sets rules, provides a very small amount of subsidy and has been mandating all local governments to construct PRH projects (Wang and Murie, 2011; Deng, 2018). The huge financial burden has caused local governments to search for a “market” solution. Based on these studies, we formulated a summary model of PRH governance in China (Figure 2.2).

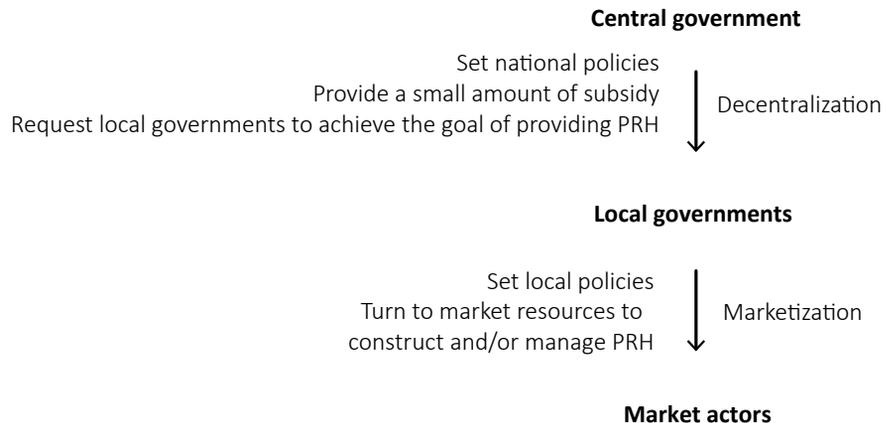


FIG. 2.2 Model of PRH governance in China based on desk research (own elaboration)

This model of governance embodies state–market dualism and splits the government into two levels: central and local. It shows the hierarchical authority of the central government expressing a one-direction relation from central government to local governments and involved market actors. The Central-Local relationship expresses the decentralization of responsibilities, which strengthened the role of local governments as the organizers and implementers of PRH. Because of limited resources accompanying the increased responsibility, local governments have turned to market actors to conduct some tasks. This two-level government model is presented in the literature as a hierarchical one, as Chinese government (both central and local) are portrayed as powerful actors in a top-down regime.

The marketization step in this top-down regime has been strengthened when central government committed to provide 36 million new social homes during the 12th Five-year Plan which covered the 2011-2015 period. It was to deliver 18 million units of PRH (MHURD et al., 2013). To fulfil the ambitious plan, the central government started to encourage local governments to use market resources and also to promote public participation for PRH projects by issuing a series of regulations and policies after 2011 (Table 2.1).

**TABLE 2.1** Main policies and regulations of Chinese central government to stimulate the involvement of non-governmental involvement into PRH governance since 2011

Date	Policy or regulation	Objectives/implications*
2012.05	Article 3 of the Administrative Measures for public rental housing (No.11 [2012], MOHURD)	Emphasizes that government or non-governmental entities can invest in PRH.
2015.05	Notice on adopting the PPP mode to promote the investment, construction and operations management of public rental housing (No. 15 [2015], MoF, MLR, MOHURD, PBC, SAT, and CBRC)	Emphasizes that public and the private entities should start long-term cooperation for the building of PRH and stresses that such cooperation can improve the efficiency of resource allocation in PRH governance and improve the service provision for PRH
2015.12	Notice on the Preferential Tax Policies for Promoting the Development of Public Rental Housing (No.192 [2015], MoF and SAT)	Encourages that private companies participate in PRH provision via preferential tax policies
2018.09	Notice on implementing pilot programs for government's purchase operations management service of public rental housing projects (No. 92 [2018], MOHURD and MoF)	Aims to improve efficiency in the provision of services and to enable social organizations' involvement in the operations management of PRH. The contents of such government's purchase are: entry and exit management, rent collection, dwelling and environment maintenance, and tenants' satisfaction measurement

Note: Abbreviations in the table: MOHURD: Ministry of Housing and Urban-Rural Development, NDRC: National Development and Reform Commission, MoF: Ministry of Finance, MLR: Ministry of Land and Resources, PBC: People's Bank of China, SAT: State Administration of Taxation, CBRC: China Banking Regulatory Commission.

\* The objectives/implications are summarized based on the government documents that are available to the public

Within these policies and regulations, the involvement of non-governmental actors became quite intense. Therefore, the model in Figure 2.2 is not capable to explain the way through which market actors and civil society actors, who are motivated by Chinese government, participate in PRH governance. Most of all, the model in Figure 2.2 also fails to explain how each level of government reacts to the current development. Given that, some further empirical analysis was deemed necessary for this study.

### 2.3.2 PRH governance in Chongqing and Fuzhou

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Chongqing and Fuzhou have undergone rapid housing price growth, creating inequalities in access to market housing, and a fast-increasing level of urbanization which made the two cities accommodate a large and growing urban population (National Bureau of Statistics of China, 2019). Thus, the two cities have been experiencing constant housing pressures and therefore provided large amounts of PRH. For instance, in the year 2014, Chongqing built 65 thousand units of PRH (Chongqing Administration of Land Resources and Housing, 2015) and the number in Fuzhou was about 3 thousand units (Fuzhou housing security and Housing Authority, 2015). This has provided the practitioners in the two cities with considerable experience and could provide us with valuable data through interviews.

The national policies (Table 2.1) are reflected in local governance practice of PRH in Chongqing and Fuzhou. For instance, the local governments in the two cities issued detailed rules for PRH governance (Department of Housing and Urban-Rural Development of Fujian Province, 2012; Municipal Land Resources and Housing Authority of Chongqing, 2011). These rules give guidelines for adopting a market and civil society logics into PRH governance and enable Chongqing and Fuzhou to operate two mainstream modes of PRH construction in China: *Tongjian* and *Peijian* (MOHURD, 2010). This is the most important reason for us to select the two cities for case study as the two cities have covered the two modes. In the *Tongjian* mode, investment organizations<sup>7</sup> construct large-scale PRH projects, while *Peijian* mode is used when real estate companies build a certain percentage (usually 5%-10%) of PRH in their commercial housing projects.

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<sup>7</sup> Investment organizations are also known as Local Government Financing Platforms, which are usually state-owned Enterprises to develop, finance and implement public infrastructure projects (including PRH) (Jin and Rial I., 2016).

Table 2.2 presents some important aspects of PRH provision in Chongqing and Fuzhou based on the scholarly literature and other local government documents. *Tongjian* mode is different when applied to Chongqing and Fuzhou, as investment organizations in the two cities conduct different tasks. Investment organizations in Chongqing's *Tongjian* mode invest, finance, provide land to, construct, and own PRH (Zhou and Ronald, 2017) while investment organizations in Fuzhou's *Tongjian* mode are only responsible for construction activities and do not provide finance and land for PRH projects (Fuzhou housing security and Housing Authority, 2015). The reason behind the difference is that the Chongqing investment organizations function as land storage and supply organizations, and thus they can raise funds through leasing and mortgaging their land stock (Municipal Land Resources and Housing Authority of Chongqing, 2011). Through empowering investment organizations, Chongqing Municipal Government made a plan to build 40 million square meters PRH (about 67 thousand units) to benefit 20% families in the city by the end of 2020 (Chongqing Municipal Government, 2010). No other city in China has carried out such a large-scale PRH program as Chongqing did, and so Chongqing has become a pilot city for PRH provision (Zhou and Ronald, 2017). By contrast, Fuzhou investment organizations are not authorized to store land and are fully subsidized by the government.

As to the *Peijian* mode in Fuzhou, on land for construction projects of developing and building commodity residential houses, real estate companies arrange PRH construction in the proportion of not less than 5% of the total area of the residential housing construction (The Bureau of the Housing Administration of Fuzhou, 2014). After the completion of projects, real estate companies transfer PRH to Fuzhou municipality, and the latter pays back the cost to the real estate companies. This approach has been used widely in second-and third-tier cities in China, for example, Nanning, Changsha, etc.

For the management, property management companies and Residents' Committee<sup>8</sup> (*jumin weiyuanhui*, abbreviated as RC hereafter) are involved. By communicating with RC and property management companies on a daily basis, PRH tenants can share their attitudes towards PRH thus get involved in the governance. The governance of PRH in the two cities are analysed and presented in detail after the methodology section.

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<sup>8</sup> The RC is a basic unit of urban governance in China and is originally defined as "mass organization of self-management at the grassroots level" in the Constitution of the People's Republic of China (1993).

TABLE 2.2 Main features of PRH in Chongqing and Fuzhou

	Chongqing	Fuzhou	
	Tongjian	Tongjian	Peijian
Construction mode			
Main implementers	Local government and investment organizations		Local government and real estate companies
Land ownership	Investment organizations	Local government	Real estate companies
Finance	Investment organizations mainly through bank loans	Local government	
Ownership of PRH	Investment organizations	Local government	
Management of PRH	Residents' Committee and property management companies		

## 2.4 Methodology

The national and local policy documents reflecting the PRH development and status quo in China are reviewed in this paper. Practitioners in two Chinese cities: Chongqing and Fuzhou were interviewed for gathering information about the composition of actors and their interrelationships in the PRH provision. In total, 30 entities (14 from Chongqing and 16 from Fuzhou) were identified in the PRH provision process of the two cities (see Table App.B.1 in Appendix to Chapter 2 for details). For each entity, at least one representative was interviewed. The respondents consisted of policy makers, property managers, real estate developers, construction manager, tenants, and bankers.

Thirty-three interviews were conducted in both cities in 2017. The five core elements (“ownership”, “management”, “operational priorities”, “human resources” and “other resources”) from Billis’ framework (2010) were converted to interview questions to help define these entities’ roles based on type “public”, “private”, “third sector” and “hybrids”. These questions are: What is the ownership of your organization (e.g. shareholders, citizens or organization members)? What is the management type (e.g. share ownership size, public elections or private elections)? What are the operational priorities (e.g. market forces, individual choice, public service, collective choice or commitment about distinctive mission)? What is the human resource (e.g. paid employees, paid public servants or volunteers)? What are the sources of the funding (e.g. sales, fees, taxes or social donations)?

Based on the answers, the entities are titled with “public”, “private”, “third sector” and “hybrids” and placed in the specific zones of Figure 2.1. According to the arrangement of the principles in a decreasing order, hybrid actors are allocated to the specific nine zones. For instance, if a hybrid actor possesses three principles of the public sector and two principles of the private, it can thus be located in hybrid zone 3 (Public/Private), meaning that this hybrid actor has a closer relation with or more characteristics of the public sector. Open-ended questions were asked as follow-up to supplement the actor analysis, for example: What is your daily work in terms of PRH projects? What is the decision-making process of PRH? Which actor do you think has the biggest influence on others in the PRH system and why?

## 2.5 PRH Governance in China: Actors

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This section introduces the three levels of government and applies the framework of Billis to locate the practitioners into the four types of actor: the public, the private, third sector, and the hybrid.

### 2.5.1 The three levels of government

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As aforementioned, the central government sets policies and mandates for the whole country’s PRH provision, while local governments are in charge of the local policy formulation, specific operational methods development and the implementation. Based on the interviews, local governments can be divided into two further levels of government as they are subordinate to different society logics and perform different tasks: the mid-level (province/municipality, prefectural city, and district government) and the lowest level (sub-district office, also called as *jiedao banshichu*).

Mid-level governments, as discussed before, work closely with investment organizations and real estate companies. As to the lowest level governments, they have no access to either finance or land of PRH projects and they rarely participate in housing construction. The job for lowest level governments is to cooperate with both the RCs and property management companies to provide management services (for housing and for tenants’ community). The RC provides a way to consult with management on behalf of PRH tenants and convey government information and

services to PRH tenants, thus acting in China as an intermediary between the local government and tenants. Property management companies provide professional services such as repairs, renovations, and security guards, and they are usually hired by the mid-level government.

Based on the above interpretation, rather than a simple top-down and two-level government structure showed in Figure 2.2, the PRH provision has divided the role of the Chinese government into three different levels with various policy and implementation responsibilities. This multi-level government setting has also contributed to the growing participation from non-governmental sectors and extensive interactions among all the actors: central government, local governments, state-owned enterprises, non-governmental organizations and PRH tenants.

## 2.5.2 Public actors and the emerging hybrid actors

At first glance, it seems like participants involved in PRH provision come from the four actor types discussed before: the public (three levels of government), the private (real estate companies, property management companies, etc.), the third sector (RCs) and the hybrid (i.e. investment organizations) as investment organizations are established by central or local government but operate with market logic. However, the empirical evidence from Chongqing and Fuzhou indicates that there are only two types of actor: the public and the hybrid (Table 2.3). And the hybrid areas can be clustered in zone 1 (Public/ Third), 3 (Public/Private), and 7 (Private/Public) shown in Figure 2.1 (see Table 2.3 for details).

**TABLE 2.3** Actors involved in the PRH provision in Chongqing and Fuzhou

Public actor	Hybrid actor
Three levels of government: central government*, mid-level government and lowest level government	Hybrid zone 1 (Public/ Third): RCs in two cities
	Hybrid zone 3 (Public/Private): the investment organizations and constructors in the two cities, the bank in Chongqing, the property management company in Chongqing **
	Hybrid zone 7 (Private/Public): the property management company in Fuzhou **, the real estate company in Fuzhou

\* During the interviews, many respondents, especially the ones from local authorities, emphasized the important role of the central government as policy maker and supervisor. Although we did not have the access to any staff working for the central government, the answers of interviewees helped define the central government as the public actor.

\*\* Although performing the same tasks, the property management company in Fuzhou is a private-owned entity, while the one in Chongqing is a state-owned enterprise.

According to the interviews, the three levels of government are public actors participating in PRH provision from policy-making and policy-implementation processes. Moreover, the interviews demonstrate that the public actor makes decisions, owns the property rights of housing units (in Fuzhou), distributes land for PRH projects (in Fuzhou), and plays important role in financing PRH. As aforementioned, the investment organizations in Chongqing are the main investors for PRH projects. The Staff from the Urban and Rural Construction Committee of Chongqing stated, the investment organizations collect the 70% of total investment while Chongqing municipal provides 30% of total investment (in which, 10% is from the central government) to PRH projects.

Hybrid actors from zones 3 (Public/Private) and 7 (Private/Public) combine principles of public and private, but in a different way. Actors in zone 3 are state-owned or local-owned enterprises working under consistent interference from municipal governments: they need to get permission on their decisions about PRH projects; executives of these state-owned enterprises are appointed by the governments; the working priority is to satisfy governments' goals; and they get government credits as backup for financial activities. In the definition of Billis, they (Public/Private actor) have "**entrenched hybridity**" and are born to be the hybrid. As for the actors from zone 7 (Private/Public), many studies have regarded this type of actors as private and a symbol of neoliberalism in Chinese PRH provision (Wang et al., 2012; Zhou and Ronald, 2017). However, as said by the interviewee from such organizations, their "operational priority" is "public service and collective choice" while for commercial housing projects, the foremost goal is to maximize profits. As said by them, the regulations for constructing and managing PRH are stricter than commercial projects due to the frequent guidance from relevant government departments (no less than once a month). They are what Billis called "**shallow hybrid**" actors, some of whose activities are operated within state logic, but not necessarily changing their basic market identity. This means, for such organizations, their involvement in PRH has necessitated some hybridity, but they are private firms when otherwise engaged in commercial projects.

Hybrid actors (RCs) in zone 1 integrate principles of the third sector and the public sector. Established by the sub-district office, RC is perceived by many scholars as a branch of the urban administrative system (Bing, 2012; Cai, 2005). According to the interviews, this is due to the daily work of RC is under the request of sub-district office and mainly financed by municipal governments. During the fieldwork in the two cities, we noticed that the offices of RCs and sub-district office are always close to each other, or even in one room. Nonetheless, RCs involved in PRH governance in the two cities are viewed to be **entrenched hybrid** for their definition as a grassroots organization in government documents and for their "human resources" mixing volunteers and government paid workers.

In summary, the analysis from the “actors” perspective indicates that only public actors and hybrid actors exist in Chinese PRH provision (at least in the two cities). Thus, market and civil society logics applied in PRH governance do not generate private or third actors but cooperate with the state logic to form hybrid actors.

## 2.6 PRH governance in China: interrelationships

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This section investigates the intergovernmental relations and the relations among the public and the non-public actors (in our case, hybrid actors).

### 2.6.1 Intergovernmental relations

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Zou (2014) and Zhou (2016) argue that PRH governance in China is deeply embedded in the intergovernmental relations. Different levels of government, which are defined as the public actor in the previous section, have played different roles with various goals. The central government has viewed PRH provision as an important way to ensure “political consolidation and social stability” (Shi et al., 2016: 224), which is consistent with the idea of a “harmonious society” proposed by former President Hu in 2006 and “people-oriented development” proposed by President Xi in 2012. To fulfil the aim, central government wants to increase the number of PRH units “to ease intensified public discontent due to skyrocketing housing prices and the severe shortage of low-income housing” and to stimulate the participation of PRH tenants “to avoid the social problems associated with large scale low-income housing projects” (Huang, 2015: 8).

However, the mid-level officials, who are the main implementer of central housing policies, are always reluctant to build PRH (Zou, 2014). The poor motivation of mid-level governments to build PRH can be explained as follows. First, local officials are evaluated by the central government by measures of economic growth, with an outcome of either promotion or dismissal (rather than elections), and thus local officials have an incentive to promote economic growth and compete horizontally with other local officials rather than providing public goods (Zou, 2014). Second,

land transactions are the major source of the local revenue (Jin et al., 2005). Mid-level governments thus prefer to lease land to build commercial housing and attract investment from corporations, which can bring high revenues, rather than providing land to PRH projects with lower revenues (Pan et al., 2015). As mid-level authorities are responsible to provide PRH mostly depending on their own finance, they turn to depend on market resources for PRH provision.

Although Central and mid-level governments have different concerns in alleviating the shortage of PRH, they both have a consensus of preventing social problems in PRH projects as keeping a stable society is important for economic growth (Ringen and Ngok, 2017). Normally, the mid-level government empowers sub-district offices to intervene in the neighbourhood management and employs a property management company to provide services - thus to contribute to political stability (Bray, 2006). However, interviewees stated that the management of PRH projects is not that easy:

*Many low-income and less educated people living together could probably cause potential social problems such as crimes, unemployment, taking drugs and so on.... There are 40,000 people living in this project and we need more staff. (Staff from Caijiagang Sub-district Office of Chongqing, 2017)*

*Because the task is heavy (due to the huge number of tenants), we sometimes are not profitable and can even lose money. (Staff from Guomao Property Management Co., Ltd of Chongqing, 2017)*

Thus, to serve needs of PRH tenant, more human resources and more financial support are needed. In response to this, sub-district offices have to facilitate the formulation and participation of neighbourhood associations by invoking civil society logic. RC then has been included in the management of the PRH. The reason behind involving public participation is not to promote a real democratic society but is on behalf of government.

To sum up, the intergovernmental relations in Chinese PRH governance are featured from both the vertical relation and the horizontal one. The vertical steering can be explained from two dimensions: first, the central government requires mid-level governments to be self-financed for PRH projects; second, achieving results through the subcontracting of administrative affairs (to be more specific, the management of the social environment in order to avoid potential social problems in PRH neighbourhood) depends largely on the sub-district offices. The horizontal competition concentrated in the economic development appraisals makes mid-level governments put large efforts into boosting land revenues, instead of investing

capital or human resources into PRH projects. Together the vertical and horizontal intergovernmental relations have resulted in the introduction of market and civil society logics in PRH governance.

## 2.6.2 Relations among the public and hybrid actors

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In the following, the relations between the public and hybrid actors are discussed under two headings: state-market and state-civil society relations.

### 1 State–market relation

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The state–market relation has been studied by many academics drawing attention to the dominant role of the state ownership system in PRH provision (He et al., 2017; Miao and MacLennan, 2017). This is demonstrated by the fact that state-owned enterprises function as developers, investors, constructors, and sometimes even land providers of PRH projects (Zhang and Rasiah, 2014). In Chongqing and Fuzhou, state-owned enterprises are hybrid actors in zone 3 (Public/Private). The responses to the interviews indicate that these enterprises directly interact with the mid-level bureaucrats and they count on government resources and authority for their daily work, in perspective of PRH projects.

*We act like an agent of the government and our priority is to fulfil the task assigned by the government. (Staff from Chongqing City Real Estate Group Co., Ltd., 2017)*

*Although the profit for building PRH is low, we are still doing it for the government's interests. (Staff from Chongqing City Real Estate Group Co., Ltd., 2017)*

Another type of state–market relation is emerging because of the adoption of real estate developers in PRH provision. This manifests as actors from hybrid zone 7 (Private/Public) interact with also the mid-level governments. These hybrid actors are chosen through bidding procedures by Fuzhou municipal government. The chosen developer will receive subsidies on bank loan interests, as well as tax deductions through negotiation with the municipal government. However, the scope of the negotiation is limited, as was pointed out by the interviewees: hybrid actors are excluded from the decision-making process. In addition, they are supervised by the mid-level governments in many ways as interviewees in Fuzhou described:

- *Housing size and layout are stipulated. (Staff from Real Estate Company of Fuzhou, 2017)*
- *Property management fee is stipulated to be lower than the market price. (Staff from Fuzhou Yongxinshun Property Management Company, 2017)*
- *To build PRH is a prerequisite for successfully bidding for land for commercial projects. (Staff from Real Estate Company of Fuzhou, 2017)*

## 2 State-civil society relation

Civil society, referring to the active citizenship in voluntary groups (Hodgson, 2004), has been discussed both in academic and political discourse since 1978 when China started to transfer its centrally planned economy to a socialist market economy (Bray, 2006). However, the operations of such voluntary groups are defined mostly as government “strictly registered, regulated and monitored” (Ringen and Ngok, 2017: 230) and thus been seen as “quasi-civil society organization” (Keane, 2001; He, 2016). The idea of “quasi-civil society organization” has been confirmed in Fuzhou and Chongqing where the high level of government control dominates the interaction between public actors and hybrid actors in zone 1 (Public/Third, i.e. RC).

*We set up Residents’ Committees and are responsible for organizing the staff to provide services and paying salary for some of them (some personnel are voluntary). (Staff from Caijiagang Sub-district Office of Chongqing, 2017)*

Interviewees noted that PRH tenants participate in PRH governance through face-to-face interactions with RCs’ staff or joining RCs as a volunteer (tenant in PRH project of Chongqing, 2017; staff from the Liangjiang Minju South RC of Chongqing, 2017). In this regard, RCs have created access for tenants to influence and change the policy implementation, albeit to a limited extent. Apart from the conventional features of social organizations such as close social bonds and voluntary actions (Bing, 2012), staff from RCs indicated that they also need to fulfil many administrative duties arranged by the sub-district offices. The interviewee from Chongqing RC expressed his confusion of the organization identity:

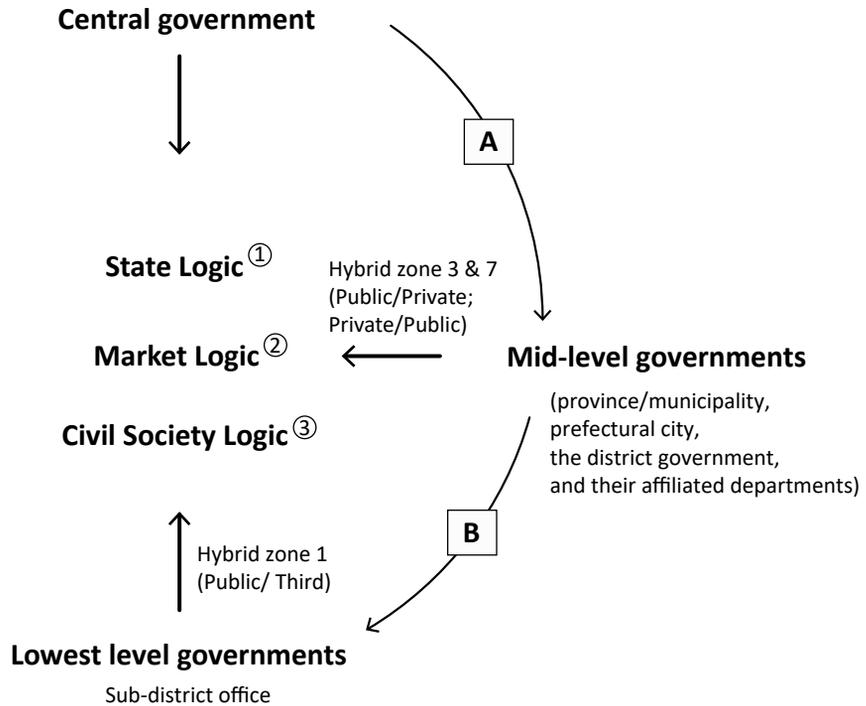
*I am not a public servant and in that sense we (RC) work as a citizen self-governance organization, but we (RC) need to follow the plan of the governments, in that sense, we (RC) work like the extension branch of the government.*

To conclude, mid-level governments tightly control actors from hybrid zone 3 (the state-owned enterprises), and intensely regulate actors from hybrid zone 7 (Private/Public) and RCs (hybrid zone 1 actor) are established, supported and supervised by the lowest level governments.

## 2.7 The Model of Current Chinese PRH Governance

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In reflecting on the analysis of actors and interrelationships, particularly based on the interviews from Chongqing and Fuzhou, Figure 2.3 presents the adapted model of Chinese PRH governance. Compared to the two-level government structure in Figure 2.2, which is acknowledged widely in the conventional study of PRH provision in China (see for example Chen et al., 2014; Wang and Murie, 2011; Deng, 2017), this new model divides government into three levels. The relation between the central government and mid-level governments makes it understandable why mid-level governments need to rely on a market logic. Similarly, the relation between mid-level governments and sub-district offices gives a clue as to the inclusion of civil society logic. This new model also contributes to the understanding of the relations between government and non-governmental actors. Two aspects are relevant when explaining how the Chinese government retains dominant, while non-governmental actors are involved as well.



- ① **State logic** refers to legal regulations and concerns the overall public interests
- ② **Market logic** refers to the law of supply and demand and focuses on competition
- ③ **Civil society logic** refers to association and democracy and points to the self-constituted activities of associated PRH tenants

A. Request mid-level governments to provide PRH but provide a small amount of subsidy

B. Request Lowest level governments to manage PRH community but provide insufficient human resources and financial supports

**FIG. 2.3** The adapted model of Chinese PRH governance (own elaboration based three logics according to Paton, 2009)

The first aspect of government dominance is expressed by the three levels of government applying different society logics and thus performing as the background for PRH governance. The central government, taking PRH provision as a policy objective for political stabilization, relies on the “state” institutional approach of legal regulation. The mid-level governments, with the intention of fulfilling the defined quotas of PRH units by the central government, demonstrate a great interest in market instruments and perform as “entrepreneurial government” (He and Wu, 2009). Upon request by the mid-level government, the lowest level government, which can be considered as being closely intertwined with the idea of “civil society”, is responsible for providing public services and managing the neighbourhood. This organization of governance denotes that government is still taking on considerable responsibility for the provision of PRH, but also is calling upon non-governmental resources at different levels.

Secondly, even though government is dominant in PRH provision, the application of the different society logics has led to the creation of hybrid actors. In the empirical analysis of the actors’ role, it is intuitively clear that the Chinese hybridity mainly occurs in zones 1, 3, and 7, blending the principles of public sector with either private or the third sector. Actors in zone 3 and 7 emerge due to the mid-level governments that employ market logics while hybrid actors in zone 1 are the products of the lowest level government adoption of civil society logics. In that sense, the market logic has been facing many political and legal constraints imposed especially by mid-level governments. And the civil society logic, in the case studies is conveyed by RCs, which have been argued as being a “*de facto government institution at the grassroots level*” (Wang et al., 2017: 7). Its activities are restrained by lowest level governments.

The two aspects indicate that the presence of both market and civil society instruments in PRH projects in China cannot be regarded as a signal of democratization and privatization as is often the case in western countries, but is embodied in political and administrative duties. Furthermore, the two aspects together ensure that the government maintains control, regulation and supervision within the PRH governance, and that this, in turn, ultimately consolidates the regulatory power of the Chinese central government.

## 2.8 Conclusions

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As the increased entrepreneurial and civic activities in the PRH governance have triggered the emergence of non-governmental actors and interactions among actors, this study explores the role of different actors and especially pays attention to how Chinese government react to this changing context. We extract from the Western-societies-based literature two elements, actors and interrelationships, as a theoretical framework. To go beyond a review of the policies and literature, this paper presents an analysis on empirical data from two Chinese cities, Chongqing and Fuzhou.

The main contribution of this study is the model of Chinese PRH governance (Figure 2.3) that was developed from the literature and built upon the empirical data of the two Chinese cities. The model reveals the essence of current PRH governance, which, in contrast to expectation based on the literature, is still dominated by government. Government here refers to the three levels of authorities in China, rather than the two from previous studies, ranging from the central state to two levels of local government.

The central government depends on the state logic to set policy goals and responsibilities across the three levels of government, but does not provide sufficient finance for local governments to implement policies. Thus, mid-level governments turn to the market logic. Lowest level governments, required by mid-level governments to do the management but without sufficient human resources and financial supports from the higher-level governments, need to rely on a civil society logic. The Chinese government (three levels) therefore functions in the roles of state, market and civil society actors, all at the same time. The latter two roles are also realized by three new forms of hybrid actors that have come into existence. These hybrid actors are linked to different levels of government in different ways: they are owned, regulated by and/or are subordinated to the level of government concerned.

By including the logics of state, market and civil society as well as the hybrid zones, this governance model (Figure 2.3) goes beyond the earlier two-level government model (Figure 2.2), in which PRH governance is presented as a simple hierarchical structure. In addition, the model (Figure 2.3) emphasizes that Chinese government applies the three society logics, while in the western model, the non-governmental actors are those that apply the market and civil society logics (Billis, 2010; Mullins et al., 2012).

The results of the study have a wider application in China as the two cities cover the two main modes of PRH provision: *Tongjian* and *Peijian*. For example, in Qingdao, investment organizations have participated in PRH building and their operations are described as “led by government, operated in the market place” (Zhang and Rasiah, 2014: 66); in Nanjing, Hangzhou and Jinan, real estate companies engaged in PRH provision are supervised by governments and get various “incentive policies” such as “subsidizing bank loan interests, reducing or cancelling local taxations, supplying free lands” (Li et al., 2014: 126). However, there is no intention to use Chongqing and Fuzhou to represent the whole of China. Rather, their practice of PRH governance shows how a move has been achieved away from government towards governance based on experiences on the ground. Further empirical data will help to test the governance model, which we developed, in other Chinese cities.

Last, but not least, this study provides a definition of the new and evolving Chinese versions of the hybridity concept. The conventional research has regarded the different forms of hybridity in China as “*quasi-market*” actors or “*quasi-civil society*” actors as opposed to the free market strategy and the self-governance democratization strategy. To unify the terminology as “hybrid” can bring insights to explain and comprehend the performance and influence of hybridity in Chinese context and connect it to the meaning of hybrid actors across the globe (Sacranie, 2012; Blessing, 2015).

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# 3 Embracing market and civic actor participation in public rental housing governance

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## New insights about power distribution

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**ABSTRACT** In recent decades, government intervention in welfare states has witnessed a shift from 'government' to 'governance': policy making shifted from hierarchical government steering to mixed forms involving government, market and civic actors. Such terminology has also entered Chinese policy language on public rental housing (PRH) provision. To unravel the perceived power distribution in the relationships between the involved actors, this article draws from in-depth interviews in two Chinese cities: Chongqing and Fuzhou. The article thereby contributes new insights to the perceived power relations in Chinese PRH provision on the ground. It also develops an analytical framework based on Billis (2010) by complementing it with Social Network Analysis to measure the power relations. Such a framework will allow the comparison of different governance systems across time and different jurisdictions within and beyond China. This study shows the structures and

mechanisms for non-governmental actors to play a role, which they do not have in the 'government' period, in the governance of PRH.

**KEYWORDS** public rental housing; governance; government; power distribution; social network analysis

## 3.1 Introduction

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Globally, the transformation of welfare housing provision from the government to an expanding reliance on other non-governmental actors has received much academic attention (Czischke, 2007; Elsinga and Wassenberg, 2014). The concept of 'governance' in the literature is widely used to understand such changed form of steering the policy process, emphasizing the roles and interactions of actors who are involved (Rhodes, 1996; Duit and Galaz, 2008). Public Rental Housing (abbreviated hereafter as PRH) provision in China has also witnessed such a transformation from government to governance in the past decade.

Traditionally, 'government' means for the central government to be responsible for policy-making and establishing operational methods for the whole country of China, and local governments to be in charge of local policy formulation and implementation (Feng et al., 2007). This model of PRH provision to low- and middle-income households who cannot access housing on their own has been criticized in terms of the imbalanced responsibility distribution between different levels of government: the central government delegates responsibilities without providing adequate financial support for local authorities (Li et al., 2016; Chen et al., 2011). In response to this, in around 2011 the central government launched new schemes that aimed to encourage local governments to cooperate with non-governmental actors in providing PRH (Mof, 2012; MOHURD, 2010).

Because of the involvement of non-governmental actors, western terms of 'marketization' and 'civic participation' emerged as key themes in Chinese policy language. 'Marketization' refers to the adoption of market mechanisms to provide PRH by involving the private actor to introduce competition and increase choice (Valkama et al., 2018). 'Civic participation' means that, in addition to government, individuals, groups and organisations have the chance to participate in making decisions to influence PRH provision (Huber, 2011).

In turn, these developments gave rise to numerous studies discussing the increasing involvement of non-governmental actors. These studies of Chinese PRH describe political systems, fiscal structures and land schemes (Chen et al., 2017; Huang, 2012), and argue that the Chinese central and local governments remain the actors with the most influence in the governance of PRH provision (Zhou and Ronald, 2017). Yet these studies are not underpinned by a theoretical foundation from a governance perspective, nor have they examined how the different actors are sharing power in practice. Sharing of power is a decisive dimension of the concept of 'governance' in comparison to the concept of 'government' (Sacchetti and Sugden, 2003).

Given the increasing involvement of non-governmental actors in the governance of PRH in recent years, the research question of this paper is: what are the roles of and relations among the different actors involved in Chinese PRH governance? To answer this question, we interviewed actors about the ways that they perceive to be involved in the provision of PRH in two Chinese cities which have been at the forefront of PRH policy implementation and innovation. Interview questions included those that allow for a Social Network Analysis (abbreviated hereafter as SNA) of the power distribution among governmental and non-governmental actors according to the perceptions of those actively involved in the provision of PRH.

In order to answer the research question, the next section develops the analytical framework of PRH governance focusing on 'actors' and their 'interrelationships' based on the work of Billis (2010). The framework is extended with SNA to measure the perceived power distribution across actors in practice. Next, the governance of PRH provision in China and the two selected cities (Chongqing and Fuzhou) are introduced. Subsequently, the methodology of the study is presented. Before drawing conclusions in the final section, the results of the SNA analysis are interpreted based on information from the interviews and literature in order to determine characteristics of PRH governance involving non-governmental actors in the provision of PRH in the two cities.

## 3.2 **Actors and actor interrelationships as core concepts of governance**

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This section defines governance in terms of relevant actors and their interrelationships as they are the basic ingredients that distinguish governance from government in the literature.

### 3.2.1 **'Governance' as a conceptual perspective**

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The term governance originated from Latin, meaning 'to rule or to steer' (Ismail, 2011: 3). Recently, the concept has been widely discussed in association with governments worldwide cutting public expenditure and promoting efficiency (Elsinga, 2003; Van den Broeck et al., 2016). Governance implies a mode of steering based on or drawn from, but also going beyond, government to govern society in achieving societal goals (Stoker, 1998). In other words, governments are no longer the only relevant actor in 'hierarchically steering' or – using a more recent terminology 'managing' – societies (Hufty, 2011).

As Stoker (1998: 17) states in his most cited work in the governance field, governance refers to the development of steering and guiding styles 'in which boundaries between and within public and private sectors have become blurred'. This is the definition used in this paper: governance is perceived as cooperating governmental and non-governmental actors together steering the provision of PRH throughout the provision column involving the acquisition of land, the allocating and housing of households, and the management of the dwellings, as well as neighbourhood management. In its most basic definition, governance refers to actors and their interrelationships when cooperating to achieve goals (Hysing, 2009; Hufty, 2011).

### 3.2.2 Actors

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The literature identifies four types of actor: 'state' actor, 'market' actor, 'community' actor, and 'hybrid' actor (Cole and Goodchild, 2000; Mullins and Pawson, 2010). The state actor (e.g. government department and public agency) will be relying on hierarchical steering and behave mainly as non-profit entity in contrast to the market actor (e.g. private enterprise and company) who will generally be motivated by profits. The community actor will be relying on the loyalty and common interests of a voluntary group of citizens to achieve their goals. A hybrid actor will exhibit traits of more than one actor type and thus combine different mechanisms of operation including the ways that authority is distributed within the organisation.

Although the descriptions of the four types of actor are laid out in the literature (Mullins and Pawson, 2010; Czischke, 2015), how to categorize them in the real world will not always be clear-cut; particularly as hybrid actors are assemblies of characteristics from state, market, and community. Billis' (2010: 50) work will be helpful as Billis provides a systematic classification of organisation types by applying five dimensions, as Table 3.1 shows: ownership (who owns the organisation?); management<sup>9</sup> (how does the organisation get its legitimacy?); operational priorities (how is the organisation motivated to operate?); human resources (what types of staff are running the organisation?); and other resources (how does the organisation acquire its funds for operation?). Billis (2010, p. 47) suggests that each type of actor will be characterized by its own set of structural features, called principles (Table 3.1).

Based on the possible combinations between the three other actors, Billis defines nine types of hybrid actor. In public housing provision, studies about hybrid actors are prevalent 'responses' to dynamic processes associated with the financial retreat of government, marketization, and broader societal developments in the form of emerging civic participation. Research from, for instance, the Netherlands, Denmark and UK confirms that hybrid actors are exposed to a mixture of state, market and civil society mechanisms (Jensen, 1997; Gruis, 2005; Mullins et al., 2012).

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<sup>9</sup> The original element proposed by Billis (2010) was governance of the organization. To prevent confusion with governance on a societal level, such as PRH governance, this paper uses the term 'management' instead.

**TABLE 3.1** Actor types characterized by five elements and 15 principles

Core elements	Actors			
	State	Market	Community	Hybrids
	Principles			
Ownership	CPC and citizens *	Shareholders	Members	Mixing characteristics of two or three other actors (nine types of hybrid actor: 1. State /Community, 2.State/Market/ Community, 3. State/Market 4. Community/State 5.Community/State/ Market 6. Community/Market 7. Market/State 8.Market/State/ Community 9. Market/ Community)
Management	Public elections	Share ownership size	Private elections	
Operational priorities	Public service and collective choice	Market forces and individual choice	Commitment about distinctive mission	
Human resources	Paid public servants	Paid employees	Members and volunteers	
Other resources	Taxes	Sales, fees	Dues, donations and legacies	

Adapted from (Billis, 2010: 55)

\* Billis (2010: 50) defines ownership of the state actor as ‘groups of people who have the “formal rights” to elect the board of directors and political representatives respectively known as shareholders and the electorate’. China, different from western countries, has a pyramidal election system and is ruled by a single party: The Communist Party of China (CPC) (Yongnian, 2009). The ‘ownership’ of the state actor in China is therefore described as ‘CPC and citizens’ in this study.

### 3.2.3 Interrelationships

Interrelationships, generating from frequent communications and complex interactions among the state and the other three types of actor, could determine the authoritative allocation of values in society – the focus of the governance debate (Hysing, 2009; Driessen et al., 2012). Different interrelationships may contribute to diverse governance features and may also affect the decision-making, policy implementation and thereby the outcomes of policy (Driessen et al., 2012). As Arnouts et al. (2012: 44) point out: “it is not enough to just look at the actors, it is also necessary to study the nature of their interrelationship”.

One of the ways to investigate interrelationships will be to analyse how the power is distributed in the relations among the relevant actors (Chen and Hubbard, 2012). Different patterns of power distribution reflect the structural features of governance including how the actors link to each other, who is perceived to be in the core position, and how information is perceived to flow between actors (Sacchetti and Sugden, 2003). To explain these concepts, a governance type that will allow

almost every actor the same access to resources and will allow every actor to be equally important in the process, will provide a lot of possibilities for cooperation. In contrast, a structure in which the power and resources are in the hands of the state actor is more likely not to be based on cooperation of actors in housing provision.

Governance literature has highlighted the measurement of the power distribution in the recent two decades, but has been restricted to descriptions (Martinez et al., 2003). SNA is a quantitative method backed by strong mathematical theories (Freeman, 2004). It allows measurement of the perceived strength of interactions in the relationships among actors and therefore has been applied throughout the governance literature (see, for example, Borg et al., 2015; Lienert et al., 2013). However, the application of SNA in combination with the work of Billis (to clarify different types of actor) to the study of PRH governance is novel.

### 3.3 PRH in China and in the two case study cities

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This section provides a backdrop to the transition from PRH government to governance in China: the emerging involvement of market and civic actors, as well as to PRH provision in our case study cities Chongqing and Fuzhou.

#### 3.3.1 PRH in China

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In 2011, the Chinese central government announced PRH as the mainstream of China's new housing policy and declared to build 36 million units of public housing during the 12th Five-year Plan that was implemented from 2011 to 2015, including 18 million PRH units (MHURD et al., 2013).

To fulfil the ambitious plan, the central government set policies and mandates for the whole country's PRH provision, while local governments were put in charge of local policy formulation, specific methods of project development and implementation (Chen et al., 2017).

On PRH finance, the central government was to pay for 10% of the total investment, while local authorities were to be responsible for the rest of the financing including the provision of PRH (Zou, 2014). However, local officials were reluctant to build the targeted number of PRH units from their own budget because of the impacts of fiscal decentralization and the existing land revenue regime.

Fiscal decentralization, as one of the most essential components of market reform in China, has ensured that the central government raised the ratio of its share in total tax revenue in comparison with the share of local government (Jin et al., 2005). Local government has thus turned to generate revenues from land transactions and development (Zhang et al., 2017). Since economic growth was, and still is, the main criterion for central government to evaluate local officials for promotion (Liu et al., 2016), local governments are incentivized to promote land development (Zou, 2014). Local governments thus prefer to lease land to build commercial housing and attract investment from corporations (market actors), which can bring direct revenues, rather than to provide cheap or free land to PRH projects. Consequently, local authorities have turned to market resources for PRH provision. To cope with funding, they operated one of two PRH construction modes: *Tongjian* mode and *Peijian* mode (Huang and Du, 2015).

In the *Tongjian* mode (since 2010), investment organisations<sup>10</sup> construct large-scale PRH projects, while in *Peijian* mode (widely adopted since 2015), local governments regulate market real estate companies to build a certain percentage (usually 5%-10%) of PRH in the course of their ordinary project development (MoF and MOHURD, 2015) (see the next section).

Furthermore, the central government has viewed PRH provision as an important way to ensure '*political consolidation and social stability*' (Shi et al., 2016: 224), which is consistent with the idea of a '*harmonious society*' proposed by former President Hu in 2006 and '*people-oriented development*' proposed by President Xi in 2012 (Mok and Hudson, 2014). Thus, the central government issued policies to stimulate the participation of tenants into PRH governance (MOHURD and MoF, 2018). Against this background, non-governmental organisations such as the Residents' Committees<sup>11</sup>

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<sup>10</sup> Investment organizations are also known as Local Government Financing Platforms, which are usually state-owned enterprises that develop, finance and implement public infrastructure projects (including PRH) (Jin and Rial, 2016).

<sup>11</sup> The RC is a basic unit of urban governance in China and is originally defined as 'mass organization of self-management at the grassroots level' in the Constitution of the People's Republic of China (1993).

(*jumin weiyuanhui*, abbreviated as RCs hereafter) established by local authorities were in place to communicate face to face with tenants to manage PRH in an inclusive way, giving residents a voice.

### 3.3.2 PRH in Chongqing and Fuzhou

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Chongqing and Fuzhou both have undergone rapid house price growth, creating inequalities in the access to market housing, and rapid urbanization during the last decade (National Bureau of Statistics of China, 2019). Booming house prices have caused an increasing Price-to-Income ratio: it amounted to 10.8 in Chongqing and 20.4 in Fuzhou in 2018 (Kai, 2019), resulting in the two cities providing large amounts of PRH.

Table 3.2 summarizes both modes of PRH construction in Chongqing and Fuzhou based on scholarly literature (see, for example, Zhou and Ronald, 2017; Xianzhen, 2011; Zhou and Musterd, 2018) and local policy documents (see, for example, Chongqing Public Rental Housing Administration, 2018; The Bureau of the Housing Administration of Fuzhou, 2014a). The *Tongjian* mode is used in both Chongqing and Fuzhou, but with a slight difference as the investment organisations in the two cities conduct different tasks. Investment organisations in Chongqing's *Tongjian* mode invest, finance, provide land to, construct, and own PRH (Zhou and Ronald, 2017), while investment organisations in Fuzhou's *Tongjian* mode are responsible for PRH construction activities only (Department of Housing and Urban-Rural Development of Fujian Province, 2012).

The idea behind the difference is that the Chongqing investment organisations are *land storage and supply organisations*, which means they can raise funds by leasing and mortgaging the land they own (Zhou and Ronald, 2017). Investment organisations raise 70% of the funds from the capital market for PRH projects (Zhou and Ronald, 2017) and the municipality will finance the remaining 30%. Conversely, investment organisations in Fuzhou are not authorized to own land and they are fully subsidized by government. By empowering investment organisations, Chongqing municipal government made a plan to build 40 million square metres PRH (about 67000 units) to benefit 20% of families in the city by the end of 2020 (Chongqing Municipal Government, 2010). As no other city in China has carried out such a large-scale PRH programme as Chongqing did, Chongqing became a pilot city for PRH provision (Zhou and Ronald, 2017).

In contrast to *Tongjian* mode, *Peijian* mode in Fuzhou makes real estate companies take charge of developing and constructing PRH units (The Bureau of the Housing Administration of Fuzhou, 2014a). After the completion of projects, real estate companies transfer PRH to Fuzhou municipality, and the latter pays the cost of construction to the real estate companies. Since PRH projects are not attractive for the real estate companies compared to commercial projects, as there are no opportunities to make returns, local government will need to incentivize these companies, and will offer low bank loan interest rates, tax deductions, and cheap or free land (Li et al., 2016). This mode or a variation thereof is popular in cities, such as Beijing, Nanjing, and Shanghai.

As concerns the nationwide trend to promote non-governmental actors' involvement, both cities also involved other organisations: state-owned banks to provide loans to finance PRH projects; property management companies hired by municipal governments to offer housing management services; RCs to provide a way for PRH tenants to consult with management and to get government information and services. Given the non-governmental actors' increasing involvement and their different characteristics (e.g. state-owned, government-established, privately-operated), concerns have been raised about how to best classify them (Chen and Hubbard, 2012). This classification will be important when analysing actors' power relations and help practitioners to set out their strategies in response to changes (Johnston, 2015; Yan et al., 2018). Billis' work thus is highly relevant for this context.

**TABLE 3.2** Different construction modes of PRH in Chongqing and Fuzhou

Construction mode	Chongqing		Fuzhou	
	Tongjian		Tongjian	Peijian
Main implementers	Local government and investment organisations		Local government and real estate companies	
Land supply	Investment organisations	Local government	Real estate companies	
Finance	Investment organisations mainly through bank loans		Local government	
PRH distribution	Local government			
Ownership of PRH	Investment organisations	Local government		
Management of PRH	Residents' Committee and property management companies			

## 3.4 Methodology

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This section presents the argumentation for the case study selection and the data collection for the later study of actors and interrelationships based on Billis' work and the SNA.

### 3.4.1 Case study selection

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The selection of the two cities - Chongqing and Fuzhou - was based on three criteria. The first and foremost criterion was that the two cities cover *Tongjian* and *Peijian*, the two most widespread modes of PRH construction modes. Therefore, the results from this study may have wider implications beyond the two case study cities. However, as China is such a large country and the actual operation of the two provision modes can vary across municipalities, the paper's aim remains explorative in the sense that it analyses the power distribution based on the perceptions of practitioners in the two cities.

As second, and pragmatic, reason for selecting both cities was the accessibility of data. This first-hand data is relatively unique as interviews with those that work in practice in the realization of PRH are generally difficult to organise; especially from government officials in China.

The last selection criterion was the number of PRH units realised in combination with the relatively extensive role of non-governmental actors providing valuable new data. During the 12th Five-year Plan period, Chongqing has built 460 000 PRH units (Mengyin Zhou, 2016) and Fuzhou has accomplished about 35 000 units (own calculation based on the annual numbers published on the government website) (The Bureau of the Housing Administration of Fuzhou, 2014b). The national policies are reflected in local governance practice of PRH involving market resources and encourage tenants' participation (see, for example, Municipal Land Resources and Housing Authority of Chongqing, 2011; Department of Housing and Urban-Rural Development of Fujian Province, 2012).

### 3.4.2 Data collection

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Both interviews and a document study were the methods used for collecting data. Interviews were used as the main research method in this paper, while analysing newspapers and policy documents supply background and complementary information. Actors of interest (so-called study boundary, see for detailed information, Coles et al., 2016; Freeman, 2017) for collecting interview data were government and non-governmental actors engaged in PRH governance (e.g. development, allocation, construction and management).

Following the boundary specification, snowball sampling was utilized as a method in which the respondent from a key initial organisation reports on other actors (Weiss et al., 2012). The informants from these referred actors are also required to name actors working with them until all the relevant actors in the research framework study boundary are accessed and identified (Carpenter et al., 2012). This snowball sampling method is a popular method extensively used in governance studies applying SNA (see, for example, Ibarra, 1993; Kumar et al., 1993; Imperial, 2001).

In Chongqing and Fuzhou, the first organisations to be approached were the authorities responsible for providing PRH. These were elicited through a review of the literature, government websites, and news sources. Considering that the snowball sampling method was employed at the actor level, there might be a chance that on the level of actors with only small personal connections could be missed (Carpenter et al., 2012). To deal with this possible misspecification, the results of snowballing were checked from the interviewees at the beginning of every interview. In total, 30 entities (15 from Chongqing and 15 from Fuzhou) were identified (for detailed information, see Table App.C.1 in Appendix to Chapter 3). As many of these entities are very large and complex, when conducting interviews, the specific branches and/or the sub-departments in the 30 entities responsible for PRH projects were our main focus.

Semi-structured in-person and phone interviews were conducted with representatives from the 30 entities in Chongqing and Fuzhou, respectively. Interviewees were asked to answer the questions in accordance with the on-going PRH projects they were handling at the moment of the interview. Each interview took 60 to 90 minutes and all were recorded digitally. The recorded interviews were transcribed into Word Files. Then the documents were analysed in *Atlas.ti*, a computer program that extracts and codes the important sentences (Friese, 2014).

Although we initiated the fieldwork to interview people at all levels of each organisation, the final 30 interviews were held with some mid- and lower-level staff. Some higher-level managers were not willing to cooperate. Although these staff are practitioners from the frontline of the implementation of PRH, the aim was to prevent influence on the findings by the position of the interviewees; for example, the difference between the bureau managers and subordinate staff. To minimize such bias, all the interviewees were asked to answer the questions as much as possible on behalf of the respective organisation, not as individuals. And we also observed that sub-departments (in the government or non-governmental organisations) responsible for PRH projects in each entity were not big (e.g. one sub-department in the Bureau of Public Rental Housing of Chongqing usually has around 10 staff), suggesting that the managers and staff work closely with each other and thus are both familiar with the organisation's tasks.

### 3.4.3 Data analysis

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Billis' framework was applied to classify the 30 entities in PRH governance in Chongqing and Fuzhou into the types: 'state', 'market', 'community' and 'hybrids.' A series of targeted questions based on the five elements (see Table 3.1) were asked based on interviewees' daily work. Open-ended questions about organisation mandate and goals, and the general implementation were addressed as follow-ups to help define the organisation background and responsibility more precisely.

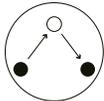
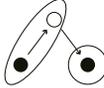
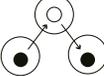
SNA was used to analyse the interrelationships between different actors in the two cities. The level of measurement of SNA can range from the traits of an actor within the governance to the general description of the entire network (a network refers to a physical pattern of ties amongst the actors) (Freeman, 2004). Along with this, SNA also offers tools to visualize the interrelationships among actors. In line with the research question suitable SNA analysis metrics allow us to investigate:

- How non-governmental actors link to the government;
- Who the most powerful actor in the PRH governance network of actors is;
- How the non-governmental actors impact other actors' behaviours, or are being impacted.

Based on Gould and Fernandez (1989) and Van der Hulst (2009), Table 3.3 provides information on the interpretation of the two measures selected here: **Degree centralization** describes the governance network structure (Freeman, 1978); **Brokerage roles** define the actors who as brokers connect otherwise unconnected

actors to share information and resources (Burt, 2009). **Brokerage roles** also define the exact role of the five options a brokerage actor plays (Table 3). These five brokerage roles can help detect how actors, particularly the powerful ones that are information mediators, perform in the network and the impacts they have on other actors.

TABLE 3.3 Implication and effect on governance networks of two SNA measures

SNA measure	Implication	Effect on network
Degree centralization	The extent to which only a few actors have a large number of ties.	<p>A high degree centralization value indicates a high level of network cohesion, implying that a few actors hold the majority of ties linking the network together. Actors in or outside the network only need to reach these well-connected few actors to reach the entire network.</p> <p>A network with a high value of degree centralization relying on few actors might lack resilience or long-term problem-solving ability.</p>
Brokerage roles	<p>Brokerage is a state or situation in which intermediary actors facilitate connections between other actors lacking access to one another. The graphs in the right column show the five types of role (the white dots) according to the direction of the arrows and the groups actors belong to (as showed in the right column). For instance, when the actor in question and both the source and destination actors are all from the same group, the actor act as a “coordinator”.</p>	<p>Coordinator</p>  <p>Consultant</p>  <p>Gatekeeper</p>  <p>Representative</p>  <p>Liaison</p> 

During the interview, each respondent was provided with a list containing the city's entities involved in PRH governance taking the provision mode into account. They were asked to mark how often the members of their organisation interacted with each of the other actors (e.g., meet to communicate, telephone, or fax) using a five-point scale ranging from 'Never' to 'Very Frequently'. In case of different perceptions, we averaged the frequency between any two participants. The data was modified to be binary<sup>12</sup> for measuring the Degree of centralization in SNA. Thus, the frequency indicating there is an interaction between two actors which equals or is larger than one was translated into '1'.

Brokerage roles can be measured for directed data, which demonstrates the input/output flow of information between each actor (Borgatti, 2002). This calls for detailed information of: 1) from whom the interviewed actor received information; and 2) to whom they delivered information. Questions were thus addressed to the respondents as follows: What information does your organisation need from others? Under what scenario does your organisation need such information?

The resulting data were then analysed with the computer program UCINET 6 and visualized in NetDraw (Borgatti, 2002). Additionally, the following questions were asked to help explain the results generated from SNA and to cross-check the findings:

- For what reasons do you need to contact other actors?
- What do you think are the key resources and which organisations do you think has the access to these?
- Which actor do you think has the biggest influence? And how do you think does or can this actor influence other actors?

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<sup>12</sup> No consensus has been reached yet about whether it is scientifically valid to use non-binary data for network analysis (Wei et al., 2011). According to some classic works in the SNA field, for instance, Freeman (1978), Martinez et al. (2003) and Opsahl et al. (2010), the aforementioned measures are only designed for binary networks. Hence, we applied binary data here. The five-point scale data is helpful to provide supplementary information to the examination of the interrelationships and to draw our conclusion.

## 3.5 PRH governance on the ground

### 3.5.1 State actors and hybrid actors

The replies of the interviewees show that there are two types of actor in Chongqing and Fuzhou: state actors and hybrid ones (Table 3.4), indicating that no participant in our study area can be identified as a community actor or market actor in PRH governance. The majority of actors are government departments engaged in the whole provision process in both cities. The hybrid actors are classified into three types due to their combination of principles from state, market and community in a decreasing order<sup>13</sup>. They perform many tasks in PRH provision (see Table App.C.1 in Appendix to Chapter 3).

**TABLE 3.4** Actors involved in PRH provision in Chongqing and Fuzhou

Actor type	Cities	
	Chongqing	Fuzhou
State	All government departments in two cities	
Hybrid actor (type 1: State /Community)	Residents' committees in two cities	
Hybrid actor (type 2 : State/Market/Community)	The Hongguanxia Property Management Alliance	
Hybrid actor (type 3: State/Market)	The investment organisation, the property management company, the construction company, and the bank	The investment organisation and the construction company
Hybrid actor (type 7: Market/State)		The real estate company and the property management company

Established by sub-district offices (the lowest level of urban administration in China), RCs have existed for almost 30 years and worked very close with local governments; hence, they are regarded as part of local government (Cai, 2005; Mok, 1988). The interviewees indicated that most of RCs' work is associated with sub-district offices

<sup>13</sup> For instance, having two principles from the state sector and three from the community sector makes an actor a Community/State actor, indicating that the hybrid actor is embedded in community, but with some state actors' characteristics.

in the two cities, and they are financed by the sub-district offices. The two entities share working places, information and even staff from our observations. However, in the PRH governance, there are some volunteers working in RCs and they are defined in the Constitution of China as grassroots organisation, RCs are thus classified as type 1 hybrid actors (State /Community actors).

Hongguanjia Property Management Alliance is a State/Market/Community actor in Chongqing. It is a newly established organisation by Chongqing local government. The alliance, as stated by its staff, provides services to PRH tenants and manages the neighbourhood by building cooperation among the government, property management companies, tenants, etc.

Hybrid Actors of type 3 (State/Market) are usually known as state-owned enterprises, whose 'ownership', 'management', and 'operational priorities' are the same features as of the 'state', but which combine features of 'human resources' and 'other resources' from 'state' and 'market'. They are obliged to participate in the PRH provision, getting loans and social investment backed by government guarantees, and their activities require government approval.

Type 7 actors (Market/State) usually behave to maximize profits in commercial housing projects, but defined their 'operational priority' as 'public service and collective choice' during PRH provision. The informants said that they are asked by the government to contribute to the society without profits and they are constantly manipulated by the government:

- *The property management fee is set by the government below the market price. (Staff from Property Management Company of Chongqing, 11-01-2017)*
- *Housing size and layout are stipulated. (Staff from Real estate company of Fuzhou, 24-02-2017)*
- *Compared to commercial housing projects, PRH is rather cumbersome in its development period. To go through PRH project needs more procedures and meet more requirements. (Staff from Real estate company of Fuzhou, 24-02-2017)*

For such Market/State actors, according to interviewees, they need to go through a strict open bidding to participate in PRH provision, however, PRH provision cannot bring them profits. Except for profiting from some government incentives (e.g., land, funding, tax), interviewees indicate that they need to accept PRH-project in order to be able to conduct their commercial projects:

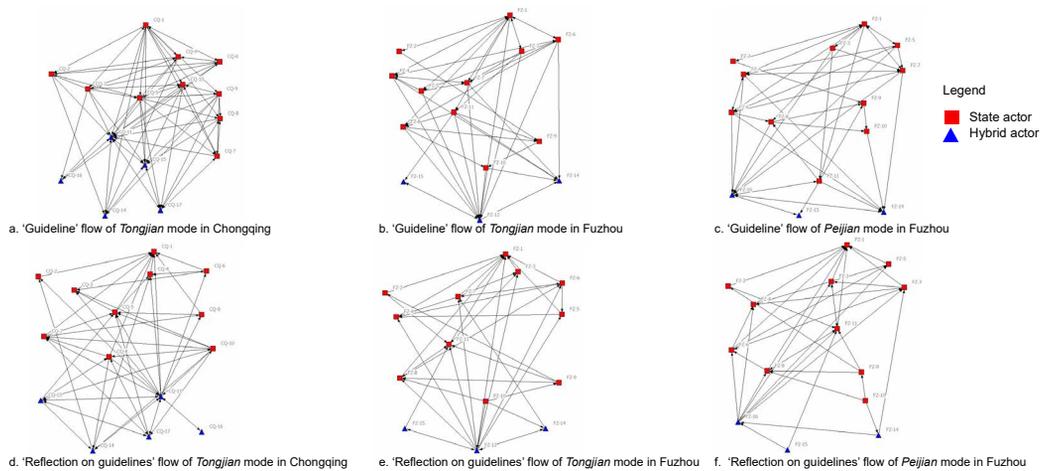
*To construct PRH is a precondition for us to successfully bidding for land. (Staff from Real estate company of Fuzhou, 24-02-2017)*

All the hybrid actors operate partly as the 'state' and thus are influenced by the government, but their way of the combination of 'state' principle is different. Type 7 hybrid actors (Market/State) are the so-called '*shallow hybrid*' actors defined by Billis (2010), and only exist in the *Peijian* mode in Fuzhou. The activities of such actors in PRH governance are regulated tightly by the government, but this does not necessarily change their basic market identity when engaged in commercial projects.

Type 1, 2 and 3 hybrid actors are examples of Billis' (2010) so-called '*entrenched hybridity*', implying that they are established from day one to be hybrid. As such, the staff from these entrenched actors regarded their operational priority naturally as 'Public service and collective choice'. They comprise the majority of the hybrid actors in PRH governance in the two cities and their management methods, human resources, and resources of finance are largely influenced by the government.

### 3.5.2 Interrelationships

The results of the SNA derived from the interviews are presented in Figure 3.1.



Note: IDs with a start of CQ refer to entities in Chongqing while IDs with FZ stand for entities in Fuzhou. CQ-1 (Competent authority), CQ-2, CQ-3, CQ-4, CQ-5, CQ-6, CQ-7, CQ-9, CQ-10, FZ-1 (Competent authority), FZ-2, FZ-3, FZ-4, FZ-5, FZ-6, FZ-7, FZ-8, FZ-9, FZ-10, FZ11 are government departments; CQ-8 is Residents' committee; CQ-11 and FZ-12 are investment organizations; CQ-14 and FZ-14 is Constructors; CQ-15 and FZ-15 are Property Management Companies; CQ-17 is Hongguanxia Property Management Alliance; FZ-16 is Real estate company. (see Appendix 1 for more detailed information of these entities)

**FIG. 3.1** SNA of PRH governance in Chongqing and Fuzhou (the nodes in the figure refer to the analysed entities, the node labels are the IDs of these entities and the lines connecting two nodes are the so-called ties in the SNA).

## Characteristics of the whole network - Degree centralization

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From Figure 3.1, it seems that there is no isolated actor. Many interactions among state and hybrid actors exist in the network structures. Getting the highest score (47.34%) of the degree centralization measurement, the *Tongjian* mode in Fuzhou is more likely to make its involved actors bound by the most central actor. This could lead to more compliance within a system but less flexibility to deal with uncertainties, which could result in rigid governance and shut out access to the actor network of less well-connected actors (Freeman, 2004).

Conversely, the *Tongjian* mode in Chongqing (39.80%) and the *Peijian* mode in Fuzhou (39.05%) might have a relatively low degree of network cohesion and more opportunities for cooperation to mitigate information asymmetries, and reduce the monopoly power of well-connected actors (Weiss et al., 2012). The difference in degree centralization might be explained by PRH provisions conducted under the *Tongjian* mode in Chongqing and the *Peijian* mode in Fuzhou reflecting the market logic, while the *Tongjian* mode in Fuzhou does not reflect the market logic. In Chongqing, 70% of the investment for PRH projects is from the capital markets. As to the *Peijian* mode in Fuzhou, the real estate company has to raise the finance, build PRH on their own land, hire and pay the constructor, transfer the dwellings to the government after the project completion, and get all the expenditure back from the government afterwards.

*The construction process of a PRH project is almost no difference from conducting a commercial one. (The staff from Real estate company of Fuzhou, 24-02-2017).*

However, these approaches were not discovered in the *Tongjian* mode in Fuzhou through which the finance is provided by the government, and the main implementer (the investment organisation) performs like a government agent:

*We are acting like investors or companies representing governments... We work as an enterprise body but do things that governments used to do... (Staff from Fuzhou Urban and Rural Construction & Development (Group) Co., Ltd., Fuzhou, 22-02-2017)*

## Traits of actors - Brokerage roles

The interaction among actors are two types in both cities: 'Guideline', and 'Reflection on Guidelines' based on interview data. 'Guideline' consists of policies, regulations, and instructions from any actor to guide PRH provision, while 'Reflection on Guidelines' refers to feedbacks or reactions any actor has towards PRH implementation. Based on the two types of interaction, the Brokerage roles analysis first identifies who are the powerful actors based on their ability of connecting actors as information mediators and defines the specific roles ('Coordinator', 'Consultant', 'Gatekeeper', 'Representative', and 'Liaison') such powerful actors play in the governance.

As to the 'Guideline' flow, as Figure 3.1 (a, b, c) shows, the state actors are generally more active than the hybrid actors as the average out-degree<sup>14</sup> of the state actors of each mode is higher than that of hybrid actors, respectively. The result indicates that the guidelines for PRH projects are usually initiated from the government and transferred through a top-down approach. The interview data confirm that state actors in Chongqing and Fuzhou occupy the crucial positions to be influential by making other actors aware of their views.

Figure 3.1 (a, b, c) also depicts that, apart from the government, the investment organisations and the real estate company are also powerful actors active in delivering 'guideline' messages. They are the main implementers carrying out many tasks (see Table App.C.1 in Appendix to Chapter 3), and their combination of state actor's principles have influenced their performance and meanwhile empowered them. The Brokerage roles measurement describes these hybrid actors as 'Gatekeepers' for all non-governmental actors in these 'guideline' flows to determine whether or not to grant access to the state actors. Other hybrid actors in PRH governance depend largely on investment organisations and the real estate company to get access to government policies and guidelines.

In contrast, the 'Reflection' flows displayed in Figure 3.1 (d, e, f) show that state actors in two cities are quite passive in giving out feedback. As the respondent from the Bureau of Public Rental Housing of Chongqing stated, *we need the responses from them (non-governmental sectors) to help revise our policies*. In other words, feedbacks from the non-governmental side are usually in favour of governments' requests. As illustration may function that a certain government department frequently asked reports from its associated non-government actor(s). For example,

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<sup>14</sup> Out-degree of the node A in a directed network means the number of nodes originated at A. Correspondingly, in-degree means the number of nodes destined to node A.

the flow of information is from the constructor (FZ-14) to the Urban and Rural Construction Committee of Fuzhou (FZ-7), a government department in charge of projects construction, in Figure 3.1 (e, f). As one interviewee expressed,

*If the government requires us to contact other organisations, we will do that. We will do what we should do to meet the needs of the government. (Staff from Fuzhou Yongxinshun Property Management Company, Fuzhou, 16-03-2017)*

Taken together, the 'bottom-up' reflection approach is triggered by the government instead of introduced by the hybrid actors (non-governmental entities), which is different from the idea of civil society in western countries. In addition, how the government revises the policies and what the result is of such revision, remain unclear to the non-governmental actors according to the interview results.

The Brokerage analysis defines the roles of CQ-1 (Municipal Land Resources and Housing Authority of Chongqing) and FZ-1 (The Bureau of the Housing Administration of Fuzhou) (the competent authorities<sup>15</sup>) as 'None' in both cities as they only receive feedbacks from but do not reflect to any others in their network. Moreover, investment organisations in both cities and the real estate company in Fuzhou are defined as 'Representatives' for the non-governmental group through the 'Reflection' flows. It is due to other non-governmental actors giving direct responses to the investment organisations and the real estate company, who later help to convey their feedbacks to the government. This might help enhance the efficiency of communication among governments and other actors. However, there could also be a risk that these 'Representatives' actors do not treat the responses of other non-government actors properly as investment organisations are established by and thus are rooted in government and the activities of the real estate company are strictly regulated by the government.

It is expected that the sub-district offices, Residents' committees and Hongguanxia Property Management Alliance, which are entities responsible for managing neighbourhood and face-to-face interactions with PRH tenants, should play some important roles in the information transferring process in PRH governance. However, the Brokerage roles measure shows that such actors applying principles from the community sector do not have any strong ability of connectivity. This implies that although the Chinese government has promoted public participation in PRH governance, it is not matching with actual practice in Chongqing and Fuzhou.

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<sup>15</sup> The competent authority is the government department which is designated by the municipal government to administer all matters related to the PRH provision.

To sum up, the SNA results show that the Fuzhou *Tongjian* mode has the highest degree centralization among the three governance modes. While the relatively high degree centralization implies a high level of network cohesion, the adoption of non-governmental resources in the other two modes could create a more resilient structure to quickly adapt to rapidly changing environments. The real estate company (Market/State hybrid actor) of the *Peijian* mode in Fuzhou, the two competent authorities and the investment organisations (State/ Market hybrid actor) in both cities are powerful actors. Hybrid actors with the characteristics of the community sector are not perceived as powerful. In addition, the government is perceived as active in 'Guideline' delivery, but passive in 'Reflection' in both cities. It seems like hybrid actors could change or shape the PRH governance by giving feedback. However, from our investigation, hybrid actors are indeed passive in all the information transformation processes, as they can neither generate guidelines nor spontaneously provide feedback.

## 3.6 Summary and conclusions

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Within the phenomenal transformation of Chinese society and economy after 1978, when the housing market became homeowner dominated (Chen et al., 2013), the increased delegation of government tasks to other actors has become one of the most frequently discussed issues in China. This can also be seen in the provision of PRH as the Chinese government has moved towards promoting the involvement of market and civic actors in PRH. Many policy documents and speeches of government officials have used 'marketization' and 'civic participation' in their discourse, while actual practice remains unstudied.

In this paper, we have moved beyond abstract discussions to investigating the practices of PRH governance in two Chinese cities: Chongqing and Fuzhou. The aim of the paper was to explore the roles of and power relations among the different actors involved in Chinese PRH governance. To fulfil the aim, we conducted interviews in two Chinese cities (Chongqing and Fuzhou) and developed a framework of analysis.

As scientific added value, the study combines the analytical framework of Billis (2010) and SNA to create a better understanding of the shift in Chinese PRH from government to governance. The SNA allowed for exploring qualitatively and

quantitatively results about the strength of power relations between actors perceived by actors involved in PRH governance. This framework therefore gives the abstract application of theories an empirical basis.

The framework will be useful in other types of analyses as well, as it entails two further dimensions. The time dimension means it can be utilized when conducting longitudinal studies to know how governance changes over time in the eyes of the actors involved. The space dimension stresses that the framework can be applied to other cities or regions in or outside China for comparative purposes.

As second contribution of this paper to the governance literature, the results reveal the structures and mechanisms underlying the role of government in PRH governance by specifying empirically the role of non-governmental actors in a context of the well-recognized dominant role of governments in many studies.

Based on the interviews, government departments, as state actors, set rules, frame policies, supervise construction, allocate PRH units, control key resources<sup>16</sup> in the two studied cities. However, governments have also assigned hybrid actors (non-governmental actors) tasks including the PRH development, construction, and management. In Chongqing, the local government entrusts a hybrid investment organisation to finance PRH projects, making explicit the shift from government to governance (Chen et al., 2013).

However, the privatization discourse of the central government has not (yet) changed the government-dominant PRH governance in our two case study cities (Fuzhou and Chongqing), as the following four findings show:

- Based on Billis' work (2010), non-governmental actors in PRH governance in Chongqing and Fuzhou are reported to refer to hybrid actors combining state principles in a different way from a 'pure' state actor, to be classified 'entrenched' or 'shallow'. A shallow actor is highly regulated by the government, but does not change its basic market identity, when it is engaged in commercial projects. On the other hand, an entrenched actor is established (by the government) from day one to be hybrid.

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<sup>16</sup> Although Chongqing government do not own the land (investment organizations do) and only finance 20% of the investment (10% from central government and 70% from investment organizations), the government is still considered to steer the allocation of key resources. This is due to the investment organizations are established by the local government and their work associated with PRH need to be approved by the government. The investment organization in Chongqing is like the nationalized industries in many countries owned by government but operating in the market (Billis, 2010).

- In the process of information exchange, hybrid actors conducting the tasks of PRH development, construction, and service delivery are reported to be recipients of government ‘guidelines’ and requests of feedback; therefore, they operate reactively to government initiatives;
- Powerful hybrid actors (investment organisations in the two cities and the real estate company in Fuzhou), which the government entrusts as main implementers of PRH provision, have access to core resources (land and funds) in PRH provision. Such actors are effectively implanted in the government side or their activities are highly regulated by the local governments;
- Hybrid actors combining the community principles of governance are not perceived as powerful. This implies that PRH tenants are not able to influence the PRH governance in practice.

These findings help to point out that although terminology such as ‘marketization’ and ‘civic participation’ has been used increasingly in government language, the practice of moving from government to governance in the case study cities seems different from the shift in western cultures. The integration of non-state actors in public service delivery often led to the ‘retreat’ of state regulation and/or state finance in western cultures (Johnston, 2015; Desai and Imrie, 1998). Examples can be found in the Netherlands, when affordable homes are provided by non-profit private housing organisations (Czischke, 2015); in the UK when tenant-participation in many housing associations allow for community influence (Preece, 2019); and in the US where private companies and homeowners take control of public housing projects (Bockman, 2018).

In conclusion, central and local governments in China fulfil a leading role in the PRH governance, though some form of shift has taken place from government to governance. The ‘new’ governance discourse and style in the two case study cities allow for some forms of hybrid organisation to influence the governance of PRH. Given that the studied construction modes implemented in both cities have wider application in other cities in China, our conclusions may have wider application as well. Monitoring regularly the perceived changes in relationships between the actors in a governance network by interviews and by SNA ensures that the involved actors get insights in how structures and mechanisms in governance shift and can adapt their own strategies. For as long as privatization of PRH enjoys policy emphasis, such a monitoring system could assist in optimizing the working of complex governance networks in the eyes of those involved.

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# 4 Does Public Rental Housing governance work?

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## Tenants' perspective from the pilot city Chongqing, China

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### ABSTRACT

In the past decade, Public Rental Housing (PRH) has become the program of providing affordable rental housing to low- and middle-income households in China. Even though descriptions of the governance structure are manifold, none have focused on the performance measurement of PRH governance from the tenants' perspective. This explorative and empirical paper aims to fill this gap of an outcome-oriented evaluation of the impacts of governance as perceived by the final user. Central government formulated the objective for PRH governance as maintaining stability in the society. Whether the tenants perceive the goal of social stability as achieved was measured along three governance outcome dimensions: satisfaction with housing quality, satisfaction with housing quantity, and willingness to communicate with the government about PRH governance. Data were collected from questionnaires to PRH-tenants in Chongqing, the most important pilot city of PRH provision in China. These findings show that the perceived governance outcomes were quite mixed as tenants were moderately satisfied with PRH housing quantity, less satisfied with housing quality, while most of them were willing to communicate with local government. In view of these mixed outcomes, this study formulates policy implications to strengthen the effectiveness of PRH governance in the eyes of the tenants in the concluding section.

**KEYWORDS** Public Rental Housing, Tenants, Public policy, Governance, Mixed method, Tenant satisfaction

## 4.1 Introduction

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Since 2010, Public Rental Housing (PRH) has become an important program of rental housing provision at regulated rents to low-and middle-income households in urban China. The central government sets policies and mandates for the whole country's PRH provision, while local governments are in charge of the local policy formulation and implementation (Zhou & Ronald, 2017a). Central government only provide a small proportion of funds (usually 10%) needed for the realization of PRH provision. As local governments turn to non-governmental actors for finance (Zou, 2014), the governance of PRH has changed profoundly in the last decade (MOF, 2015; MOHURD, 2018; Shi, Chen, & Wang, 2016).

A burgeoning literature on China's housing system has examined these changes and the institutions that are involved as well as the resulting challenges (Deng, 2018; Lin, 2018; Zhang, Zhang, & Hudson, 2018; Zhou & Ronald, 2017a). What remains unknown, is whether the governance of PRH works on the ground in China. This paper aims to fill this gap in knowledge by studying the perceptions of the PRH-tenants.

In China, usually central government evaluates the performance of PRH provision by a system in which the number of dwellings that local governments provide is decisive (Zhou & Musterd, 2018). However, as argued in many studies, simply counting can be problematic. Such an approach does not measure very well the success of any system of governance (Oladapo, 2006; Ukoha & Beamish, 1997). Moreover, as the governance of PRH now has become more complex than before as local governments cooperate with non-governmental actors, the evaluation approach from the perspective of governance can benefit from retooling.

Studies about governance measurement are abundant. They discuss the importance of the measurement (Buduru & Pal, 2010), the various definitions of 'good governance' (Patton & Director, 2008; Rotberg, 2014), and the difficulties that may be encountered when measuring governance (Haarich, 2018; Kaufmann & Kraay, 2007).

To go beyond these abstract discussions, this paper follows the approach proposed by scholars such as Freyburg, Lavenex, Schimmelfennig, Skripka, and Wetzel (2009), Anten (2009), and Ehler (2003) to determine that success of governance means to figure out whether the objective of governance is fulfilled by measuring the outcomes. This is the so-called outcome-oriented approach which allows to show the effectiveness of the governance (Heinrich, 2002) (see Section 2 for further details). Since the objective of Chinese PRH governance is to maintain social stability (prevent social unrest; see Section 3 for details), tenants' perceptions about the outcomes of PRH governance are taken here to measure the success of PRH governance. This is what the paper investigates: does PRH work in terms of the effectiveness of its governance from the perspective of tenants?

To answer the research question, data were collected from PRH-tenants by questionnaires and from PRH-practitioners by interviews in Chongqing, which the most important pilot city of PRH provision in China. This mixed-method approach is applied firstly, to be able to measure governance outcomes quantitatively understanding the dimensions of PRH governance that tenants perceive. The second aim was to be able to understand these outcomes based on the in-depth interviews with the practitioners.

To contextualise the answer to the research question, Section 4.2 summarises the literature about the outcome-oriented approach for governance evaluation. Section 4.3 introduces PRH in China and in Chongqing, our case study. Subsequently, we introduce the methods for data collection and analysis, the findings, the discussion and finally, the conclusion and the policy implications.

## 4.2 Outcome-oriented evaluation of governance: tenants' perceptions

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The term 'Governance' originated from Latin, meaning 'to rule or to steer' (Ismail, 2010). The concept has been studied extensively in the field of welfare systems in recent decades. Examples include Rhodes (1996), Peters and Pierre (1998), Bevir et al. (2003), Kooiman (2003), Mayntz (2003), Stoker (1998) and others. From their perspectives, the term 'governance' is a mode, or a structure in which a complex set of actors that are drawn from but also beyond government make and implement

decisions. PRH governance is therefore interpreted as a structure –PRH network– of a wide range of government and non-governmental actors that act in all its phases of PRH provision from policy design to implementation and realisation.

To evaluate governance is a precondition for its improvement, not only in contexts of change (Bovaird & Löffler, 2003; Heinrich, 2002; Rauschmayer, Berghöfer, Omann, & Zikos, 2009). Hertting and Vedung (2012, p. 38) indicate the rationale of governance evaluation as “to create repositories of descriptive and judgmental insights for reasoned practical thought and action”. Based on the performance results, public officials and stakeholders will be able to adapt (improve) governance based on evidence.

To precisely measure governance is difficult and “there are no silver bullets in measuring governance” (Kaufmann & Kraay, 2007, p. 3). Given the research question about the effectiveness of policy, the evaluation of the public objective of social stability, the outcome-oriented approach is applied in this paper. This is in line with the current governance practice worldwide, where an increase in the assessment of policy outcomes in relation to policy objectives has been witnessed (Rauschmayer et al., 2009; Rotberg, 2014). This can be understood if one realised that a smooth or ‘good’ process of governance may not necessarily end up in effective policy (Kelly & Swindell, 2002). Governance of public services (e.g. PRH governance) will therefore evaluate what is perceived as good to the public or by the public. In other words, it is important to know whether the policy makes a difference for the public as recipients of public services (Boaz & Nutley, 2003).

To determine the effectiveness of the governance, the outcomes of governance from the recipients’ perspective have to be compared with the policy objectives (Rauschmayer et al., 2009). The important questions for empirical studies are: What can be taken as the outcomes given the policy objective and how can the objective be translated into measurable and clear variables by which the outcomes can be evaluated (Van den Broeck, Haffner, & Winters, 2016, p. 65)? As the policy objective will be different in different contexts and one objective may be expressed by multiple (different) outcome indicators, the outcomes also differ from context to context. A detailed examination of the outcomes in the framework of Chinese PRH governance and in the context of the case study Chongqing follows in the next section.

## 4.3 PRH in China and Chongqing

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### 4.3.1 Objective and implementation of PRH provision in China

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In 1998, Chinese government terminated the socialist housing regime within which housing was allocated directly to employees by the state or state-owned enterprises (Danwei) (Junhua Chen, Guo, & Wu, 2011). Afterwards, housing privatisation and commercialisation have been promoted (Shi et al., 2016). This reform has brought about a rapid-growing urban real estate market, which excluded low- and middle-income households from accessing housing as their incomes did not increase to the extent that house prices and rents did (Shi et al., 2016). Consequently, China has been under severe pressures and central government determined to provide affordable homes, especially in the form of PRH (Wang & Shao, 2014).

Central government introduced PRH in 2010 as a housing tenure with government-controlled rents to make this housing affordable for low- and middle- income households, new employees, and migrants with stable jobs and residence in cities (MOHURD, 2010). In March of 2011, the Chinese central government issued the 12th Five-Year Plan, which aimed to build 18 million new PRH units in the period 2011–2015. Since then, PRH has become a national housing policy priority (MHURD, NDRC, & Mof, 2013).

These ambitious objectives are an integral part of the Chinese macro transition, which emphasizes the idea of combining the ‘harmonious society’ of former President Hu (2006) (Blaxland, Shang, & Fisher, 2014, p. 511) with ‘people-oriented development’ of President Xi (2012) (Lü, 2015, p. 86). These notions aim to prioritise common people’s welfare and social harmony ahead of pursuing pure economic growth. ‘Political consolidation’ and ‘social stability’ are also identified as driving forces of PRH development (see, for example, Zhou & Ronald, 2017a; Zou, 2014). Chen, Jing, Man, and Yang (2013, p. 31) explain these key concepts:

*“the strong push for public (rental) housing has important political implications. While housing price inflation and affordability problems appear as economic imbalances, their underlying causes are deeply rooted political problems in the society.”*

As the central government has not named one specific housing goal in its policy documents, the starting point for the analysis of the governance of PRH provision is taken as ensuring “political consolidation and social stability” (Shi et al., 2016, p. 224); or formulated as maintaining social stability and preventing social unrest in this paper.

In setting out to realise public objectives, central government designs policies and sets mandates, while local authorities are responsible for the implementation of the policies. The central government pays for 10% of the total investment in PRH, while local authorities are responsible for the rest of the financing and the realisation of PRH units (Zou, 2014). Given that local authorities do not receive such amounts of revenue, they turn to the market for funds, which is also perceived as enhancing efficiency (Yuan, Li, Xia, Chen, & Skibniewski, 2019).

Central government also issues policies to encourage non-governmental actors’ involvement in the provision of PRH (see for examples, MoF & MOHURD, 2015; MOHURD & MoF, 2018a). These policies allow local governments to establish investment organisations<sup>17</sup>, to select construction firms, to execute the contracts for PRH projects, to entrust property management companies with the maintenance of the dwellings, and to request the lowest (street-)level governments to provide social services and to manage the neighbourhoods of PRH projects. For large-scale PRH community management, tenants are encouraged to get involved into the PRH governance, as is also the case in our study area Chongqing.

The 12th Five-Year Plan put forward as only measurement of success of PRH provision the number of PRH units provided by local governments. However, the quantity-oriented evaluation system did not perform very well as local governments put a lot of efforts in the numbers of units produced and care less about other aspects of PRH projects (Yuan et al., 2019). This is evident by the fact that public complaints about poor housing quality and the remote location of PRH projects have increased (Jiangze Kou, Wenming Yang, & Jiahui Man, 2014; Tianya Club, 2016a, 2016b; Yuan et al., 2019). In response, central government recently announced that it intends to shift the measurement of effectiveness of PRH from ‘the focus on numbers of units only’ to ‘also care about how tenants value PRH’ (see for example, MoF & MOHURD, 2015; MOHURD & MoF, 2018a). In addition, as the provision of PRH now involves many non-governmental actors and thus became more complex than

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<sup>17</sup> The investment organizations are also known as Local Government Financing Platforms, which are usually state-owned enterprises to develop, finance and implement public infrastructure (including PRH projects) (Jin and Rial, 2016). During the execution of PRH projects, Investment organizations get the governmental subsidies and receive bank loans (Li et al., 2014),

before, the evaluation method from the 'governance' point of view would require an adaptation to include other dimensions.

#### 4.3.2 **Implementation of PRH provision in the case study city: Chongqing**

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Chongqing, located in the Mid-West of China (see Figure 4.1), is one of the four municipalities directly governed by the central government. The economy has developed rapidly in recent years and the GDP ranked fifth in China in 2018 (National Bureau of Statistics of China, 2019). The rapid house price growth and a fast-growing urbanisation together create inequalities in access to market housing during the last decade (Kai, 2019; National Bureau of Statistics of China, 2019). In response, in 2010, Chongqing municipal government planned to build 40 million square metres PRH to benefit more than 4 million people with housing problem in the city by the end of 2020 (Li, 2010). Until September 2019, Chongqing municipality has allocated about 0.51 million units of PRH to 1.4 million people in the city (Chongqing Daily, 2019). No other city in China has carried out such large-scale PRH program as Chongqing did (Zhou & Ronald, 2017b). Therefore, the PRH governance of pilot city Chongqing is the object of this study.

The total investment of the plan is estimated to amount to about 120 billion Chinese yuan (equals to 15.62 Euro in April, 2020), of which 30% is to be provided by central and local government. Investment organisations established by the Chongqing municipal government are to provide the remaining amount. That these organisations are able to raise funds for PRH is due to the transfer of Chongqing government land holdings into these entities, which can then be used as collateral for bank credits (Yep & Forrest, 2016). Chongqing investment organisations also invest, provide land, construct, and own PRH (Zhou & Ronald, 2017b).

PRH in Chongqing is earmarked for people who are over 18 years old and with a stable job to indicate the ability to pay rent (Municipal Land Resources and Housing Authority of Chongqing, 2011). Except for the age and job requirements, applicants should not own any dwelling or they should not have more than 13-square-meter individual living area in order to be qualified. Compared to other cities in China, criteria for applying PRH in Chongqing are more relaxed without asking for an urban Hukou<sup>18</sup> or upper income limit.

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<sup>18</sup> Urban Hukou is an official document issued by the Chinese government, certifying that the holder is a legal resident of a particular city.

The eligible applicants, who meet the requirements, can state a preference of the housing in terms of location and dwelling size. To ensure equitable distribution of the dwellings, Chongqing organises a lottery four times a year (since 2011) to make a selection from the qualified applicants. Once they are assigned a PRH unit, they need to sign a lease contract with the municipal government for at least 1 year up to 5 years, after which they have to re-apply and ascertain continued eligibility. Tenants pay rent to the municipal government. The rent is less than 60% of the rent for commercial housing with the same quality and size. According to the staff from the PRH authority in Chongqing, interviewed for this study, the collection of rent went quite well. During the stay, tenants can communicate with the street-level government when they have questions and suggestions towards PRH.

The first-built eight residential districts are the focus of this study (see Figure 4.2). The projects are located between the inner and outer rings of Chongqing. Among them, Minxin Jiayuan (Project 7) and Kangzhuang Meidi (Project 8)-first two PRH constructed projects in Chongqing-are quite close to the urban centre, whereas the other six projects are situated relatively far from the city centre. They cover approximately 9.24 million square meters, which constitute nearly a quarter of the PRH units planned by Chongqing municipality until 2020. The buildings in these projects are quite high ranging from 22 floors to 34 floors. The eight projects were opened for occupancy in the period 2011-2014. Complete infrastructure facilities, such as transportation, energy, hospitals, schools were integrated.

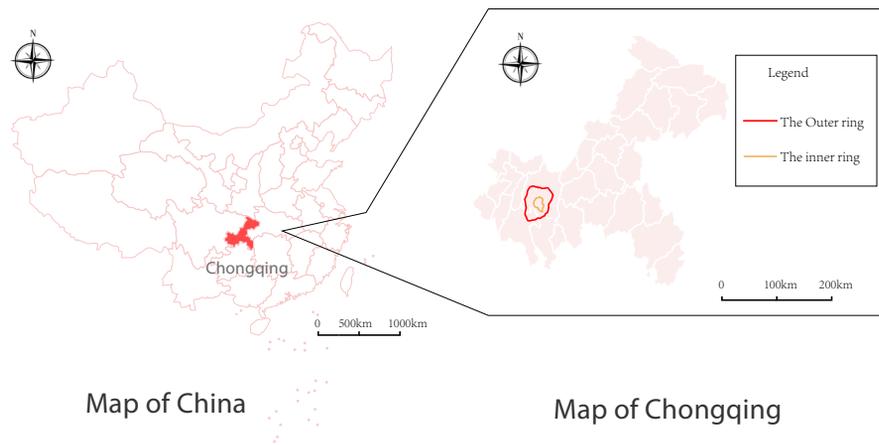
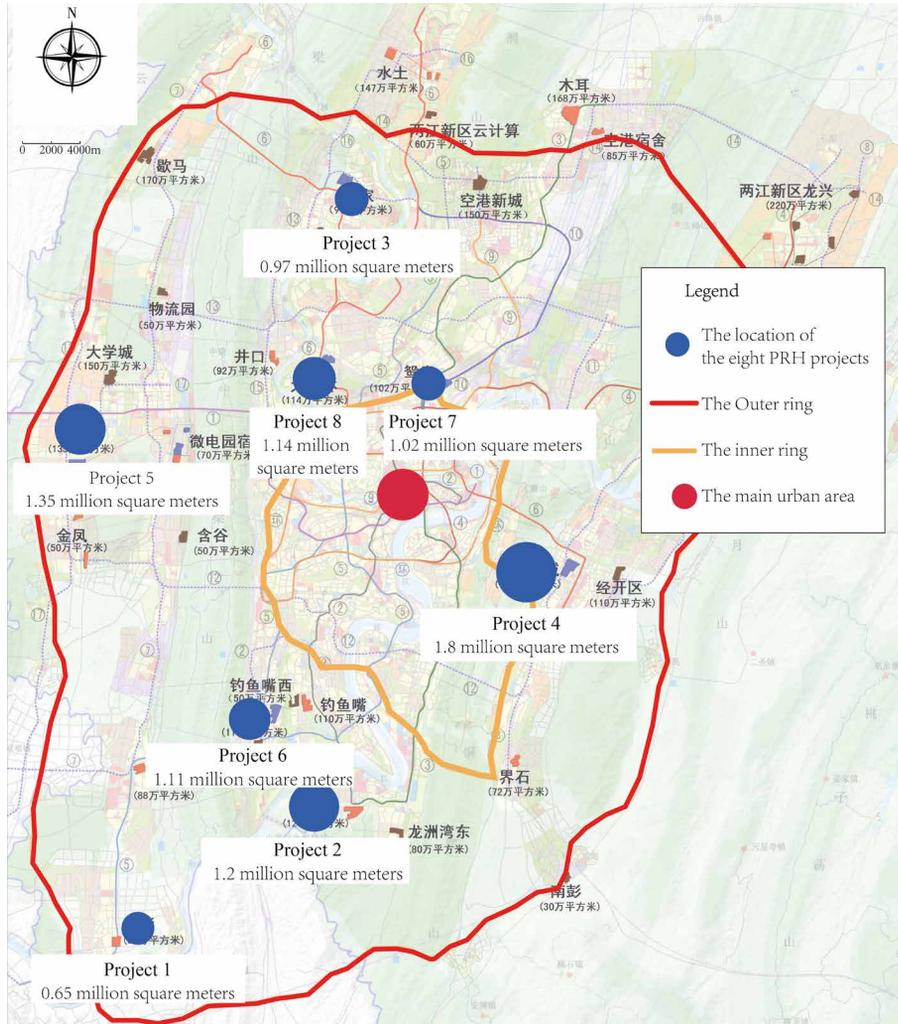


FIG. 4.1 Map of China and Chongqing



**FIG. 4.2** The location and size of first eight Chongqing PRH projects

Note 1: The size of the blue dots indicates the square meters the corresponding PRH project has. The bigger the size is, the more square meters the project covers.

Note 2: Project 1=Chengxi Jiayuan, Project 2=Yunzhuang Shanshui, Project 3=Liangjiang Mingju, Project 4=Chengnan Jiayuan, Project 5=Kangju Xicheng, Project 6=Minan Huafu, Project 7=Minxin Jiayuan, Project 8=Kangzhuang Meidi

Later in the analysis, we define Minxin Jiayuan and Kangzhuang Meidi as 'Projects close to city centre' while 'Projects far from the city centre' are the other six ones.

## 4.4 Methodology

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### 4.4.1 Definition of outcomes

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Given the policy objective of social stability, this section discusses what outcomes are measured in the framework of Chinese PRH governance and translate the objective into measurable and clear variables by which the outcomes can be evaluated.

Studies have confirmed that if people are more satisfied with the public service they receive, they are likely not to do harm to society, which will contribute to the social stability of the society (Huang & Du, 2015). Moreover, a higher satisfaction level might improve the economic, social and psychological status of a recipient, which in turn contributes to the social stability (Frijters, Haisken-DeNew, & Shields, 2005). In the case of PRH, satisfaction can be further defined into two dimensions: satisfaction with housing quality and housing quantity.

The Chinese central government intends to provide a sufficient number of dwellings available to the population, the supply of PRH units is a variable that cannot be omitted. It is in line with findings in the literature that quantity is a crucial aspect of PRH-applicants' perception of housing and their resultant satisfaction (Chan & Adabre, 2019; Swanton, 2009; Yang, 2008). In this study, quantity is expressed as access to PRH in terms of: 'options to apply' and 'waiting time'.

As the Chinese government has expressed the intention to go beyond numbers of supply and include tenants' perceptions in the performance evaluation, housing quality is also very important. Variables of housing quality adopted as the dimensions of tenants' satisfaction are classic and abundant in the literature (Djebarni & Al-Abed, 2000; Gan et al., 2016; J. Li, Stehlík, & Wang, 2019; M. Lu, 1999; Mohit & Azim, 2012; Waziri, Yusof, & Abd Rahim, 2014). They focus on housing environment, dwelling conditions and management. This paper also regards housing quality as a satisfaction dimension and studies both the physical features of a dwelling (housing condition, accessibility, dwelling size, and maintenance and service) and the neighbourhood environment (specifically attachment and safety aspects).

Besides the aforementioned satisfaction level with housing quantity and housing quality, another important aspect to social stability is whether the recipients of public goods want to participate in the PRH governance. Literature has confirmed the participation of recipients into governance can bring concerns from them in the decision-making processes and to contribute to a more transparent and effective bureaucracy system in the eyes of people (Arnstein, 1969; Wong, 2013). In this regard, to promote the participation can benefit the social stability. Since Chinese governments have advertised the communication between PRH-tenants and government officials as an approach to give tenants the right to participation (MOHURD, 2018), the communication with the governments thus is regarded as a dimension of outcomes of PRH governance given the objective.

In view of the above, this paper takes tenants' satisfaction with housing quantity and housing quality and their communication intention as outcomes of PRH governance (see Table App.D.1 in Appendix to Chapter 4 for details). It is worth noting that the starting point of analysing tenants' satisfaction level with housing quantity and housing quality in this paper is different from the conventional satisfaction literature. The aim here is to evaluate PRH governance and the tenants' satisfaction level with PRH is a dimension of PRH governance outcomes. This explorative paper also emphasizes another dimension of the governance evaluation as tenants' willingness of communication.

#### 4.4.2 **Survey data collection and analysis**

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Survey data were collected from face-to-face questionnaires with PRH-tenants in the eight PRH projects (see Figure 4.2). Some small conversations were also held with respondents. The survey investigated PRH tenants' satisfaction with housing quantity, housing quality, and their willingness to communicate with the government (street-level government). The questionnaire was designed in three parts. The first part collected tenants' basic socio-economic characteristics such as age, gender, income, etc. The second part was about the level of respondents' satisfaction with the variables related with PRH quantity and quality via 5-point Likert-scale (-2=very dissatisfied, -1=dissatisfied, 0=moderate, 1=satisfied, and 2=very satisfied). The third section collected information about tenants' willingness of communication with the government via a "yes" or "no" question (see Table A4.1 in Appendix to Chapter 4).

Advice of some experienced scholars in Chongqing university and one staff from the administrative department for PRH governance in Chongqing were taken on board for the questionnaire design. A trial survey was conducted with randomly selected 20 respondents in Minxin Jiayuan to test the questionnaire to eliminate

ambiguity and misleading questions. The survey was conducted in Chongqing from February to March 2017. During the survey, the name of PRH project (see Figure 4.2 for the eight project names) where respondents come from was also marked on each questionnaire. This can give information of where the respondent come from especially how far they are from the city centre. To collect the project information is due to that where tenants live (e.g. near main city area or far away from the main area) can influence their residential satisfaction (Barcus, 2004; Thomsen & Eikemo, 2010). A convenience sampling approach was employed to reach the respondents in this explorative study. This sampling approach has been commonly utilized in many questionnaire studies (Huang & Du, 2015; Moghimi, Jusan, & Izadpanahi, 2016) . Each respondent received a small gift after filling in the questionnaire. More than 250 questionnaires were sent out and 223 ones were received. Finally, by deleting 17 incomplete questionnaires, a total of 206 respondents remained.

SPSS is used to perform the statistical analysis of the survey. As housing quantity and housing quality each combines some variables, in order to obtain and later discuss respondents' overall satisfaction rate with housing quantity (HIndex-quantity) and housing quality (HIndex-quality), Ogu's (2002) method was employed. According to Ogu's (2002), HIndex-quantity and HIndex-quality can be calculated by Equation (1).

In the equation, HIndex-r is the overall satisfaction rate of a respondent with r (housing quantity and housing quality); N is the number of variables selected for scaling under the satisfaction dimension (i.e. housing quantity includes two sub-variables and housing quality includes five sub-variables). While variable 1 and variable n represent the actual scores of a respondent on the ith variable in the satisfaction dimension, VARIABLE 1 and VARIABLE n are the maximum possible scores for the ith variable in the housing quantity and housing quality (in our case the maximum possible scores are both 2).

For providing policy implications to improve PRH governance, this study also investigates factors that influence these aforementioned tenants' perceptions by applying two types of regression analysis<sup>19</sup>. Multiple linear regression analysis was used to build model 1 and 2 to investigate the possible influential factors of HIndex-quantity and HIndex-quality, respectively. Binary logistic regression analysis was adopted to generate model 3 to identify the predictors of the respondents' willingness to communicate with the government. The backward-elimination-by-hand approach was used to obtain these models.

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<sup>19</sup> Multiple linear regression is adopted when the dependent variable is continual while binary logistic regression is used for dichotomous or binary dependent variable.

#### 4.4.3 Interviews provide supplementary data for the further discussion

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As defined in this paper, the perspective of governance in PRH provision is relevant with many actors. To conduct interviews with practitioners involved in such governance can help to build a comprehensive understanding of PRH governance and provide a further discussion on the survey results. Besides, comparing to large-scale survey, the sample size of the self-conducted survey has turned out limited due to practical issues. The mixed methods combining survey data with interviews allows this for this explorative study to overcome the weakness of one single method and enhance the validity of the study.

Actors of interest for collecting interview data were government and non-governmental actors engaged in PRH governance. Although the PRH governance is perceived as cooperating governmental and non-governmental actors together steering the provision of PRH throughout the provision column involving the acquisition of land, the allocating and housing of households, and the management of the dwellings, as well as the neighbourhood management. The focus here is on the housing provision and housing management, as these are the aspects of realisation that tenants can evaluate. Snowball sampling was utilized as a method in which the respondent from a key initial organisation reports on other actors (Weiss, Hamann, Kinney, & Marsh, 2012). The interviewees are required to name actors working with them until all the relevant actors are accessed and identified (Carpenter, Li, & Jiang, 2012). This snowball sampling method is a popular method which has been extensively used in governance studies (see, for example, Ibarra, 1993; Imperial, 2001; Kumar, Stern, & Anderson, 1993).

In total, 19 semi-structured in-person and phone interviews were conducted. Interviewees were asked to answer the questions in accordance with the on-going PRH projects they were handling at the moment of the interview. Each interview took 60 to 90 minutes and all were recorded digitally. The recorded interviews were transcribed into Word Files. Then the documents were analysed in Atlas.ti, a qualitative data analysis software, that helps to reinforce the analysis by extracting and coding the important sentences (Friese, 2014).

## 4.5 Results of questionnaires

### 4.5.1 Respondent information

**TABLE 4.1** The socio-economic characteristics of respondents (n=206)

Variables		Frequency	Percentage
Gender	Male	99	48.1%
	Female	107	51.9%
Age	21-30	58	28.2%
	31-40	51	24.8%
	41-50	30	14.6%
	above 50	67	32.5%
Household size	1	12	5.8%
	2	42	20.4%
	3	73	35.4%
	4	35	17.0%
	5	30	14.6%
	more than 5	14	6.8%
Monthly income per person	< 2000	62	30.1%
	2001-3000	71	34.5%
	3001-5000	52	25.2%
	5001-10000	21	10.2%
Household monthly income per person	< 2000	37	18.0%
	2001-3000	74	35.9%
	3001-5000	60	29.1%
	5001-10000	35	17.0%
Job	Migrant workers	40	19.4%
	Other jobs	166	80.6%
Duration of stay*	Less than one year	46	22.3%
	1-2 years	19	9.2%
	2-3 years	28	13.6%
	3-4 years	37	18.0%
	4-5 years	27	13.1%
	More than 5 years	49	23.8%

\* The PRH units in Project 1 and 2 were first open for applying in 2014. Thus, the 53 tenants from the two projects have the length of residence less than 3 years.

Table 4.1 shows an overview of the socio-economic characteristics of the respondents. There were more female respondents than male. The respondents were almost split between age over and under 40. The majority (35.4%) tenants had a family of three persons, which is quite usual in China. 10.2% and 17.0% of the respondents reported their monthly income per person and household monthly income per person higher than 5000 yuan (US\$740), respectively. This is due to the fact that income is not a criterion for the application, and thus some respondents reported a relatively high income. The 19.4% of migrant workers shows that the PRH projects not only benefit the migrant workers, as many studies indicate (Gan et al., 2016; Zhou & Musterd, 2018), but also –in majority– house a lot of local residents. Last, but not least, the majority of the tenants reported more than three years of residence.

## 4.5.2 Tenants' perceptions

TABLE 4.2 Descriptive analysis of tenant satisfaction with housing quantity and housing quality

Levels of satisfaction with housing quantity and housing quality	Housing quantity				Housing quality									
	Options to apply		Waiting time		Housing condition		Dwelling Size		Accessibility		Maintenance and service		Quality of the neighbourhood environment	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
<b>Very low (-2)</b>	4	1.9%	6	2.9%	18	8.7%	6	2.9%	2	1.0%	12	5.8%	7	3.4%
<b>Low (-1)</b>	17	8.3%	20	9.7%	41	19.9%	22	10.7%	6	2.9%	24	11.7%	15	7.3%
<b>Moderate (0)</b>	58	28.2%	60	29.1%	72	35.0%	66	32.0%	44	21.4%	60	29.1%	71	34.5%
<b>High (1)</b>	93	45.1%	89	43.2%	65	31.6%	93	45.1%	118	57.3%	90	43.7%	86	41.7%
<b>Very High (2)</b>	34	16.5%	31	15.0%	10	4.9%	19	9.2%	36	17.5%	20	9.7%	27	13.1%
<b>Total</b>	206	100%	206	100.0%	206	100.0%	206	100.0%	206	100.0%	206	100.0%	206	100.0%
<b>Mean</b>	0.66		0.58		0.04		0.47		0.87		0.40		0.54	
<b>Standard deviation</b>	0.92		0.96		1.03		0.91		0.76		1.01		0.93	

Table 4.2 shows that the mean scores of every variable regarding the access to PRH (housing quantity) and the characteristic of the housing (housing quality) are above the moderate level (above 0). Furthermore, the mean score of satisfaction regarding accessibility to facilities is the highest among the seven measured variables in Table 4.2. The interviewees indicated that the municipal government has put a lot of efforts into public transportation development especially for PRH projects. The mean score of housing condition satisfaction is the lowest as nearly one-third of the respondents

chose ‘very low’ or ‘low’ for this category, while on the other dimensions of satisfaction less than 20% of respondent expressed their dissatisfaction. This is also reflected in our conversations with respondents during which they expressed great concern about the physical condition of their dwelling and the structure of PRH units. That the mean score of HIndex-quantity (0.31) is higher than that of HIndex-quality (0.23), is in line with many studies (Gan et al., 2016; Yuan, Li, Zheng, & Skibniewski, 2018).

**TABLE 4.3** Descriptive analysis of tenants’ willingness to communicate with government

Satisfaction dimensions		Frequency	Percent
Willingness to communicate with the government	No	42	20.4%
	Yes	164	79.6%
	Total	206	100.0%

Nearly 80% of respondents stated they were willing to communicate with the street-level government (Table 4.3). During the survey, some respondents expressed that the content of the communication between them and the government was mostly about complaints about housing quality.

### 4.5.3 Determinants of PRH tenants’ perceptions

Regression models 1 and 2 in Table 4.4 investigate the independent variables which influence tenants’ satisfaction with PRH quantity and quality, respectively. Model 1 shows that tenants’ satisfaction index of housing quantity is significantly correlated with their gender, project information, attitudes towards the housing condition and the dwelling size. The combination of these factors can explain 43.0% (adjusted R<sup>2</sup> value) of the variation in the tenants’ overall satisfaction rate with housing quantity (HIndex-quantity). Model 2 explains 38.4% (adjusted R<sup>2</sup> value) of the variance in relationship with HIndex-quality by including the predictors: project, age, willingness to communicate with government, and tenants’ satisfaction level with the two sub-variables of housing quantity: Waiting time and Options to apply. The adjusted R<sup>2</sup> values indicate the two models are relatively well estimated.

**TABLE 4.4** Statistically significant variables of the overall satisfaction rate with housing quantity (HIndex-quantity) and housing quality (HIndex-quality) (n=206)

		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
<b>Model 1:</b> <b>HIndex-quantity</b>	(Constant)	-.162	.121		-1.346	.180
	Project **	.291	.051	.309	5.709	.000
	Gender **	-.105	.043	-.129	-2.436	.016
	Satisfaction Housing Condition **	.145	.024	.368	6.139	.000
	Satisfaction Accessibility**	.082	.032	.153	2.591	.010
	Satisfaction Dwelling size **	.094	.028	.210	3.312	.001
<b>Model 2:</b> <b>HIndex-quality</b>	(Constant)	.260	.082		3.158	.002
	Project**	-.152	.044	-.204	-3.462	.001
	Age 21-30**	-.125	.047	-.175	-2.687	.008
	Age 31-40	-.025	.048	-.034	-.531	.596
	Age 41-50	-.010	.058	-.011	-.167	.868
	Age above 50	---	---	---	---	---
	Willingness to communicate with the government**	.176	.045	.220	3.942	.000
	Satisfaction Options to apply **	.127	.024	.362	5.401	.000
Satisfaction Waiting time **	.100	.022	.298	4.536	.000	

Note: \*\*Significance at 0.05 level

It is evident from Model 1 and Model 2 that tenants living close to the city centre appeared to be less satisfied with the housing quantity, but more satisfied with the housing quality compared to those living far from the city centre. Two main reasons can probably explain this result. First, in Chinese big cities like Chongqing, living centrally or nearby means better access to employment and education. Thus, many applicants apply PRH in the two projects close to the city centre and the current tenants living in such projects are more likely to stay if they remain qualified. This makes the waiting time quite long for successfully rent the PRH in the two projects and choices are slim for the new applicants. Second, the two projects close to the city centre were built earlier than other projects and are the so-called pilot projects in Chongqing. Therefore, the supporting facilities are mature and well developed in these two projects, which contributes to residential overall satisfaction rate with the housing quality.

Men were more satisfied with housing quantity than women in Model 1. Compared to those over 50 years, younger respondents (aged between 21-30) were less satisfied with housing quality in Model 2. Model 2 also indicates that tenants were more likely to be satisfied with the housing quality, if they wanted to communicate with the government, though the content of communication was about complaints according

to the respondents. In addition, respondents with higher satisfaction level of housing condition, accessibility, and dwelling size turned to be more satisfied with the housing quantity. Meanwhile, all two sub-variables under housing quality satisfaction (i.e. Satisfaction options to apply and Satisfaction waiting time) were statistically significant in Model 2.

Model 3 in Table 4.5 explores the explainable variance of tenants' willingness to communicate with the street-level government. It shows that tenants from PRH projects close to the city centre were less likely to communicate compared to respondents who lived far from the city centre. As the content of communication was to complain about housing quality, it is not surprising that tenants who lived closed to the city centre (who were more satisfied with housing quality according to Model 1) were not that active in communication.

Migrant workers were less likely to communicate with the government. 'Mobility' and 'no sense of belonging' as two main characteristics of migrant workers can influence their housing behaviours (Gui, Berry, & Zheng, 2012; Keung Wong, Li, & Song, 2007; P. Lu & Zhou, 2008). For example, migrant workers in many cases show less interests in improving their housing conditions and their living environment (Tao, Wong, & Hui, 2014). This is in line with our study that migrant workers did not have a high intention to communicate with the government, while respondents described this way of communication as the main approach for tenants to contribute to the PRH governance.

In addition, when compared to tenants who stayed in PRH projects for more than five years, tenants with a relatively short term (i.e. less than one year and one to two years) were less likely to communicate with the government. This would be in line with findings that a longer term of residence usually gives people a feeling of residential stability and 'sense of belonging' (Huang & Du, 2015). This can further motivate them to participate in the governance, in our case, through communication.

The tenants who were more satisfied with dwelling size and maintenance and service turned to be more frequently present in the group who wanted to communicate with government. In contrast, the tenants who were satisfied with waiting time indicated that they did not want to communicate more.

**TABLE 4.5** Statistically significant predictors of the willingness for communication (n=206)

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
<b>Model 3: Willing to communicate with the government versus no willingness</b>	Project close to city centre **	-1.261	.613	4.233	1	<b>.040</b>	.283	.085	.942
	Project far from the city centre	---	---	---	---	---	---	---	---
	Migrant worker **	-.967	.456	4.492	1	<b>.034</b>	.380	.930	
	Other jobs	---	---	---	---	---	---	---	---
	Duration of stay less than one year *	-1.271	.731	3.027	1	<b>.082</b>	.280	.067	1.174
	Duration of stay 1-2 years*	-2.216	.829	7.136	1	<b>.008</b>	.109	.021	.554
	Duration of stay 2-3years	-.183	.801	.052	1	.819	.833	.173	4.006
	Duration of stay 3-4years	-.812	.743	1.194	1	.275	.444	.104	1.905
	Duration of stay 4-5years	-.904	.720	1.576	1	.209	.405	.099	1.661
	Duration of stay more than 5 years	---	---	---	---	---	---	---	---
	Satisfaction Waiting time **	-.449	.222	4.082	1	<b>.043</b>	.638	.413	.987
	Satisfaction Dwelling size **	.728	.227	10.316	1	<b>.001</b>	2.071	1.328	3.229
	Satisfaction Maintenance and service **	.565	.208	7.347	1	<b>.007</b>	1.759	1.169	2.647
Constant	2.604	.669	15.167	1	.000	13.516			

Note: \*\*Significance at 0.05 level; \*Significance at 0.1 level

## 4.6 A further discussion

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This section, mainly based on the interview data, aims to contextualize and explain the survey outcomes in the framework of PRH governance.

### 4.6.1 PRH governance: quality and quantity

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Although central government and Chongqing local authority have come to realise the importance of housing quality of PRH and have issued policies to address such problems recently (see for example, Chongqing Daily, 2012; Chongqing Public Rental Housing Administration, 2018; MOHURD & MoF, 2018b; MOHURD, NDRC, MoF, & MNR, 2019), our survey data shows that most respondents were not that satisfied with housing quality variables compared with their attitudes towards housing quantity variables. This is the case even across the whole country, as the relatively low perceived PRH quality keeps popping up in social media news (China Daily, 2014; Tianya Club, 2016b). Studies suggest that both the central and local governments should pay more attention to the improving housing quality (Gan et al., 2016; J. Li et al., 2019; Yuan et al., 2018). Nonetheless, how to explain the relatively poor quality of PRH perceived by tenants compared to the perceived housing quantity remains unstudied and this study tries to fill this gap.

In this paper, we argue that the perceived poor PRH quality can be explained by two important aspects from the perspective of governance: the relationships within government levels and within local governments and other non-governmental actors (see for example, Bevir, 2011; Rhodes, 1996; Sørensen & Torfing, 2007).

The quantity-oriented measurement approach for the state to evaluate local officials (promotion and dismissal) is an important manifestation of the relationships within government levels (Huang, 2012; Zhou & Ronald, 2017b). Under this evaluation system, local governments put a lot of efforts into meeting the state's requirement of constructing PRH units. Sometimes the fulfilled PRH units even exceed the requirement by the central government. In Chongqing, the planned units are 40 million square meters PRH by the end of 2020, while the finished square meters surpassed 50 million by the end of 2015 already (Liang & Fan, 2015). One government official showed his concern about the quantity issue by putting the question "*what is the adequate amount of PRH units in Chongqing*" during the interview (Staff from Municipal Land Resources and Housing Authority of Chongqing,

2017). Another staff member from the local government in Chongqing addressed the over-construction issue of PRH in Chongqing:

*“The vacancy rate of PRH in the area outside the city centre is not low. This can cause a waste of money.” (Staff from Urban and Rural Construction Committee of Chongqing, 2017)*

Since the central government only provides a small part of needed funds for investments, local officials responsible for the implementation of PRH mostly depend on their own finances. Thus, it is likely that the local authority may want to achieve the set target quantity of PRH units with their limited resources without extra resources to put in improving housing quality.

As to the relationships among governments and non-governmental actors, they might further hinder the Chongqing government to improve PRH housing in terms of the housing quality. This is due to that the investment organisations, as the main implementers of PRH construction, are viewed as an extended part of the government bureaucracy, rather than as commercial entities (Zhou & Ronald, 2017b), as one of the interviewees stated:

*We act like an agent of the government and our priority is to fulfil the task assigned by the government. (Staff from Chongqing City Real Estate Group Co., Ltd., 2017)*

The relationships between superiors (governments) and their ‘subordinates’ (the investment organisations established by governments) thus can be considered as a vertical one. As the local authorities care more about housing quantity, it can be hard to really make the involving actors themselves organise mutual monitoring of each other on housing quality.

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#### 4.6.2 **PRH governance: tenant participation**

Government officials in Chongqing indicated that they have put quite some effort into promoting the so-called “Grid Governance” (*Wanggehua zhili*) to involve the tenants in PRH governance (staff from Municipal Land Resources and Housing Authority of Chongqing, 2017). The term “Grid Governance” was first introduced by the central government in its 18th CPC Central Committee as an innovation scheme to facilitate citizen participation in community development (Chinese Communist Party, 2013). It is to divide one community into several grid units based on their geographical and administrative boundaries. Within these grid units, governmental actors as well

as non-governmental actors provide community-oriented social services on a daily basis (Tang, 2019). People living in such units can share their opinions with these actors in order to influence the governance. There were some tenant representatives working as volunteers to help build the connection between tenants and government. Therefore, the usage of Grid Governance is expected to help prevent large-scale social unrest and to build social stability (Liu & Wei, 2018).

In Chongqing, actors involved in the Grid Governance at the grassroots level are: lowest (street-)level governments, Residents' Committees<sup>20</sup> (*jumin weiyuanhui*), *Hongguanjia Property Management Alliance*<sup>21</sup>, and property management companies. Tenants can get involved in the governance by communicating with these actors in terms of policy design to implementation and realisation of PRH provision.

Scholars argue that citizen participation via communication could enhance local cooperation and improve monitoring of policy implementation (Jing & Besharov, 2014; Warner & Hefetz, 2008). However, many researchers have pointed out the Chinese way of citizen participation does not come to such discourse that people can really influence the decision-making and outcomes of PRH governance (Mok, 1988; Xu & Chow, 2006). Given that, many argue that the Grid Governance does not give the PRH-tenants a channel to affect PRH. However, this type of participation, we argue in this paper, is still useful and meaningful in terms of two points.

First, the survey shows that nearly 80% of the respondents expressed a willingness to communicate with the government. This is actually quite high since it is not common in China that people really interact with government directly (Xu & Chow, 2006). The high percentage of the willingness of communication is the first step for tenants really get involved and then influence the governance. Second, the tenants' participation provides a way for tenants for complaints (at least) about the housing quality. As said by some respondents:

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<sup>20</sup> The Residents' Committees is a basic unit of urban governance in China and is originally defined as 'mass organization of self-management at the grassroots level' in the Constitution of the People's Republic of China (1993).

<sup>21</sup> *Hongguanjia Property Management Alliance* is a special organization established by Chongqing local government in 2015. It provides services to PRH-tenants and manages the neighborhood by building cooperation among the government, property management companies, tenants, etc. (staff from *Hongguanjia Property Management Alliance* in Chongqing, 2017)

*If I have some opinions towards the PRH, I would like to tell the street-level governments. We live in the PRH project and governments should be responsible for us. (Tenant from Minxin Jiayuan, 2017)*

*If there is a quality related problem, we go to the property management company and they must help us to solve this (quality issue).*

The results of the regression analysis in Model 2 reveal that if the tenants were willing to participate in the governance (even about complaints), they were more likely to be satisfied with the housing quality. The participation in the means of communication goes hand in hand with tenants' satisfaction with housing quality.

## 4.7 Conclusion and implications

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The Chinese PRH scheme is to provide decent and affordable rental homes to households that need help in accessing housing. Although PRH is the largest and most flexible form of public housing in China described in the literature (Chen et al., 2014) and in policy documents (Chinese Communist Party, 2013), no studies have attempted to investigate whether its governance works. This empirical explorative study aims to fill this knowledge gap, from the tenant's perspective.

The adopted outcome-oriented evaluation, which focuses on the effectiveness of public objectives, compares the government objectives with the outcomes, in this case from the perspective of final users: PRH tenants. As the aim of PRH governance in China is to maintain social stability in society, sufficient supply of housing of 'reasonable' quality with tenants' input in the governance of housing provision are argued to be the three crucial dimensions of governance outcomes.

The empirical examination took place in Chongqing, the most important pilot city of PRH provision in China. A mixed method approach was adopted: a questionnaire survey among tenants in the first eight PRH projects realised and interviews with practitioners. The results show that the perceived PRH governance outcomes were quite mixed, since PRH-tenants were moderately satisfied with PRH housing quantity, less satisfied with housing quality, while most of them were willing to communicate with local government.

Based on the two types of regression analysis as well as the interview data, policy implications for PRH governance improvements in the eyes of the tenants can be formulated. In line with studies by Gan et al. (2016), Huang and Du (2015), and Zhou and Musterd (2018), the findings of this study show that it is important for government to enhance the physical condition of the dwelling. Furthermore, the accessibility to facilities, the dwelling size, the housing maintenance and service also need to be improved. It is also important for the local government to provide more options for tenants to apply and to improve the efficiency of the application process by shortening the waiting time. In addition, findings show that if local governments continue the promotion of tenants' participation in PRH governance, tenants will be more satisfied with governance outcomes. Last, but not least, if tenants with different socio-economic characteristics are treated differently according to their preferences on the three dimensions, their satisfaction will increase.

The results from this study may have wider implications beyond Chongqing, as China has witnessed two phenomena: the relatively low dwelling quality compared to housing numbers provided and a nationwide promotion of tenants' participation. This study sheds light on ways forward to strengthen the effectiveness of the public objective of social stability by PRH governance in other Chinese cities. Given that the reasons for the housing quality problems are rooted in inter-government relationships and in the relationships among local government and non-governmental actors, PRH governance will benefit when government: 1) rethinks and redevelops the performance evaluation system to include other indicators than number of PRH units; and 2) rethinks the relations among the local government and the non-governmental actors and organises a monitoring system that will assist in optimizing housing quality. Moreover, although it has been argued that tenants find it difficult to really make a difference in the governance of PRH, this study shows that local government' promotion of tenant participation will contribute to a preferred governance outcome in the eyes of the tenants.

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# 5 Inclusionary Housing

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## An Evaluation of a New Public Rental Housing Governance Instrument in China

Submitted to: Land

**ABSTRACT** Inclusionary Housing (IH) is a regulatory instrument adopted by local governments worldwide to produce affordable housing by capturing resources created through the marketplace. In order to see if it is efficient, scholarly attention has been widely focused on its economic evaluation. However, what is missing is an evaluation from a governance perspective. Since IH in essence is about involving private actors in affordable housing production, the governance point of view concerning who is involved and how they are interacting is highly relevant. We adopt actors and interrelationships as our analytical framework to explore and evaluate the governance of IH by taking China as a case study, as this country has started to implement IH very recently. Based on literature and policy documents, this qualitative study concludes that the governance challenges of Chinese IH are two: 1) the private developers in Public Rental Housing provision bear the costs of development; 2) the changing reciprocal relations between local governments and private developers could cause tension between both actors in declining housing markets. This paper contributes to the literature from three aspects: it evaluates IH from a governance point of view; it presents the analytical framework of governance to help avoid abstract discussions of IH; it brings new insights to the international IH literature by showcasing Chinese IH.

**KEYWORDS** affordable housing; private sector; land use planning; planning gain; governance

## 5.1 Introduction

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Inclusionary housing (abbreviated hereafter as IH), also known as inclusionary zoning, refers to a regulatory instrument that uses the land planning system to create affordable housing<sup>22</sup> and foster social inclusion by capturing resources created through the marketplace (Calavita & Mallach, 2010). The basic approach of IH is to require (or encourage) private actors to build a certain percentage of affordable housing units in their commercial housing projects (Calavita & Mallach, 2010; Meda, 2009; Schuetz & Meltzer, 2012). Instead of actually constructing the affordable housing units, some alternatives might be offered for developers such as 'off-site construction' (to construct affordable housing elsewhere), 'in-lieu fee' (to contribute an amount of money for financing other housing programs, particularly affordable housing programs), and 'land dedication' (to donate the equivalent in land assumed to be used to construct affordable homes) (Calavita & Mallach, 2010; Morrow, 2001).

The first IH initiatives were undertaken in Virginia and Maryland in the US in the early 1970s to deal with the social and spatial segregation caused by the exclusionary zoning<sup>23</sup> plan (Meda, 2009). In the 1980s, IH emerged in the UK, where it has been widely implemented to secure new affordable housing since the 1990s (Gurran & Whitehead, 2011). IH came about as a response to decreasing housing affordability caused by fast urbanization and booming housing prices. Later, the shrinking role of central governments worldwide in financing affordable housing provision under the ideology of neo-liberalism paved the way for IH. The changing role caused the responsibility of housing vulnerable groups to shift to local authorities, which then resorted to the private sector's involvement. IH thus has become popular in many countries and regions of the world, such as Italy, Spain, Canada, South Africa, India, China (Basolo, 2011; Calavita & Mallach, 2010; HUGHEN & READ, 2014).

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<sup>22</sup> Although 'affordable housing' has various meanings in different contexts, for the discussion in this paper, we take the definition from the work of Calavita and Mallach [1] and define affordable housing as "any housing explicitly designed to be affordable to and occupied by households who fall below an officially defined income level".

<sup>23</sup> The term "exclusionary zoning" refers to those methods of land use regulation which have economic segregation as objective; a practice which effectively prevents low- and middle-income households to find affordable houses.

The advantages of IH for local governments further enhanced its popularity: it increases the production of affordable housing without direct governmental expenditure. Furthermore, the negatives of exclusionary zoning are to be countered by mixing different income groups in a project, enabling low-income households to benefit from access to schools, public services, and better jobs. In the end mixing is considered to benefit the whole society (Basolo, 2011; Faure & Xu, 2013).

Scholars have regarded IH as an innovative idea to help deliver affordable housing and they show a great interest in the implementation of IH (Calavita, Grimes, & Mallach, 1997; Mishra & Mohanty, 2017; Morrison & Burgess, 2014; Santoro, 2019). In its 40-year history, evaluation of IH has shown mixed results (Basolo, 2011; Bento, Lowe, Knaap, & Chakraborty, 2009; Brunick, Goldberg, & Levine, 2003). The literature regards as positive that IH can produce affordable houses by using the expertise of private developers. However, studies have also shown that IH might chase away private developers and decrease housing production; thus harm the housing market in general (Basolo, 2011; Brunick et al., 2003).

The evaluation of IH has gained considerable academic attention for the future improvement of this instrument. Scholars evaluated the economic feasibility for developers (Mukhija, Das, Regus, & Tsay, 2015), detected the impacts of IH on housing and land markets (Thaden & Wang, 2017), investigated the benefits that IH brings to a city or a certain area (Bento et al., 2009; Schuetz & Meltzer, 2012), and also investigated the outcomes and direct effects of IH in the production of affordable housing (Hughen & Read, 2014; Lerman, 2006). To conclude, most of these studies frame IH from an economic point of view based on the idea that a zoning status change of the land from agricultural to building land delivers 'free land value appreciation' that can be used for other purposes, affordable housing in this case (Hickey, Sturtevant, & Thaden, 2014; Mukhija et al., 2015). However, what is missing is the evaluation from a governance perspective.

The idea of 'governance' emphasizes a governing mode of steering based on or drawn from, but also going beyond, government to achieve some societal goals (R. A. Rhodes, 1997; Stoker, 1998) (see next section for details). Since IH involves private actors in affordable housing provision, the governance arrangement will be highly relevant. Calavita and Mallach (2010, p. ix) state in their most cited work in the field of IH, "inclusionary housing may also be viewed as a result of public-private partnerships in the perspective of governance". To shed light on such public-private cooperation, *this paper aims to fill the gap in IH research by evaluating IH from a governance perspective.*

To fulfil this aim, a qualitative approach is adopted in this paper as methods: a literature review and a case study, thereby comparing the concept and the practice. The literature review consisted of a study of scientific literature relevant to IH, as well as policy documents, and government reports relevant to the practice of IH in the case study, China. Key policy documents from cities which adopt IH are referred to in this paper when they fit the line of argumentation to provide a relatively complete picture of Chinese IH.

It has been one decade since China experimented with IH for its Public Rental Housing (PRH) provision (the usage of IH is also known as “*Peijian*” in Chinese) (Y. Huang, 2015). Given the aforementioned advantages of IH, it will not be surprising that many Chinese cities (e.g., Beijing, Shanghai, and Nanjing) implemented IH as the new promise of housing governance. Compared to other countries, China can be considered as a newcomer to IH to realize affordable housing via the market (Y. P. Wang and Murie (2011)). Besides, no systematic analysis exists in the English language, especially also not from a governance point of view. The study of the governance of Chinese IH thus can bring new insights to the IH literature. By doing so, China and the experiences of IH in other countries or regions can learn from each other.

Regarding the research aim, the specific research question formulated in this paper is: what are the problems associated with Chinese IH from a governance point of view and how are they caused? Besides answering this question, future options for Chinese IH from a governance perspective are proposed.

The remainder of this contribution elaborates first on the analytical framework from the governance literature and this is applied for the evaluation; secondly, an introduction of Chinese IH in Section 5.2. Next, the analytical framework is utilized to analyze the Chinese IH programs from two aspects: the way to engage private developers and the relations among developers and local governments (Section 5.3). Then we discuss the main findings and compare Chinese IH with other countries' IH practice in Section 5.4. We conclude the study in Section 5.5.

## 5.2 Methodology

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### 5.2.1 Analytical Framework

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#### **Governance as a theoretical starting point**

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As aforementioned, an IH program either encourages or requires real estate developers to provide affordable housing as part of their residential developments. In other words, local governments work together with private developers to increase the supply of affordable housing and in the meantime create socially and economically integrated communities.

Besides that IH replaced (to some extent) past affordable housing practices where governments subsidized supply directly, it has been associated with the international trend of privatization and deregulation (Calavita & Mallach, 2010). Privatization is interpreted as the increased reliance of governments on the private sector, rather than on government and/or its agencies, to supply affordable housing. Deregulation describes the diminished direct involvement of the state, as the state retreated from control and intervention in affordable housing provision.

Rather than a full retreat by government, IH involves a cooperative approach where public sectors (governments) and private sectors work closely with each other to provide affordable homes. Therefore, IH consists of: a) multi-actor complexity; b) public and private actors' responsibilities and roles in such complexity; c) many interactions among private developers, governments, and maybe some other third sectors. As the governance perspective in essence emphasizes a governing mode of steering based on or drawn from, but also going beyond, government to achieve some societal goals (R. A. Rhodes, 1997; Stoker, 1998), the concept is highly relevant here.

#### **The analytical framework based on two governance elements: actors and interrelationships**

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The term governance originated from Latin, meaning 'to rule or to steer' (A. M. Ismail, 2011, p. 3). The influence of the concept on scholarly thinking has been limited until the end of the mid-1970s (Yu & Guo, 2019). In recent years,

governance has been widely discussed in the fields of political science and public policy. Affordable housing provision is one of the foci of governance studies (Bevir et al., 2003; Blessing, 2012). In this paper, through implementing IH, PRH governance means to steer the provision of PRH by both government and private actors.

Nevertheless, governance has been a fuzzy concept when it comes to its implication in the real world: it serves sometimes as a “theoretical approach” and sometimes as an “ideological stance” (Hufty, 2011, p. 165). Besides, the concept relates other broad and sophisticated notions such as deregulation, neo-liberation, also contributing to the vagueness of the concept of governance in its use.

This paper does not attempt to engage in an extensive debate on the concept of governance itself but rather make the concept applicable in various housing provision situations. Two of the most important elements extracted from the governance literature, actors and interrelationships, are adopted as analytical framework (Hufty, 2011; Hysing, 2009). The two elements are explained in detail below.

## Actors

The ‘actors’ perspective of housing governance underlines that other actors are often involved, next to the state, in catering for the housing needs of low-to middle-income households.

A number of studies have attempted to investigate the specifics of the miscellaneous actors involved in welfare provision (e.g. PRH) (Pierre & Peters, 2005; Treib et al., 2007), in the following aspects:

- Who are the main actors?
- What are their responsibilities and tasks?
- How do they get involved? What motivates the actors to engage with, in our case, PRH provision?

By identifying the above aspects, studies can contribute to a clear actor accountability within the governance (Tömmel, 2007). The study of ‘actors’ is a prerequisite for the investigation of interrelationships.

## Interrelationships

Interrelationships, generating from frequent communications and complex interactions among the actors involved, could determine the authoritative allocation of values in society – the focus of the governance debate (Driessen et al., 2012;

Hysing, 2009). Different interrelationships amongst actors may contribute to diverse governance features and may also affect the decision-making, policy implementation and thereby the outcomes of policy (Driessen et al., 2012). Thus, interrelationships among actors are always in the center of the governance discussion.

The relations between government and non-governmental actors are discussed intensively in the literature as: command and control relations, negotiations, reciprocal relations, competitions, etc. (Kooiman, 2003; Tömmel, 2007). It is worth noting that, the concept of interrelationships of governance is a changing and evolving term, which can show different features in different time and space contexts.

As indicated before, to use both elements of governance will allow to go beyond the abstract discussion of the concept governance. The study of who is involved and how they are interacting enables one to elucidate the authority allocation, resource distribution, and policy process (formulation and implementation) with housing provision. For instance, when discussing the economic feasibility of an IH requirement, the governance angle of analysis would be from the actor's perspective to examine the actor's task -who bears the costs? - and from the interrelations' perspective -how do the negotiation take place? Section 2.2 introduces the Chinese IH and the relevant context. Based on these, Section 3 analyses the aforementioned aspects concerning the actors and interrelationships of Chinese IH.

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## 5.2.2 Study Area

### The origin of IH in China

With the termination of the distribution of housing by employers in 1998, housing privatization and commercialization in urban China have been promoted (Jie Chen et al., 2013). This has resulted in a rapid-growing urban real estate market causing house prices to increase (G. Chen, 2012; Shi et al., 2016). The average house price in 2018 has increased by 3.5% compared to 2000 according to the National Bureau of Statistics of China (2019). The average house price-to-income ratio was around 14 in the 50 biggest Chinese cities in the first half of 2019 (X. Lin, 2019). In big cities such as Beijing, Shanghai, and Shenzhen, the ratio has reached more than 25, causing a severe housing affordability problem (Xin, 2019).

As a result, the low- and middle-income households have been excluded from accessing urban housing as their incomes did not increase to the extent that house prices and rents did (Shi et al., 2016; Yan et al., 2018). The central government has been under severe pressures to provide affordable homes, especially in the form of PRH (Jie Chen et al., 2014; Y. P. Wang & Shao, 2014). PRH is a housing type for which the central government controls rents in order to make the unit affordable to low- and middle- income households, new employees, and migrants with stable jobs (MOHURD, 2010c). In March of 2011, central government issued an outline of the 12th Five-Year Plan (2011–2015), targeting on building 18 million new units of PRH units within this period. Since then, PRH has become a national housing policy priority (MHURD et al., 2013).

Usually, the implementation of PRH projects follows the following process: central government designs policies and sets mandates, while local authorities are responsible for the implementation of the policies (Jie Chen et al., 2013; Shi et al., 2016). In the financing of new construction, central government usually pays for 10% of the total investment, while local authorities are responsible for the rest (Zou, 2014). As local governments are fully responsible for achieving new construction targets, and are almost fully responsible for financing new construction, they turned to market resources for financing affordable housing. They cooperated with state-owned actors for the production of PRH (Z. Huang & Du, 2015) in the widely implemented *Tongjian* mode<sup>24</sup> of PRH. This mode has been criticized to have some drawbacks: it relies heavily on local government subsidy; it marginalizes low- to middle income families by excluding them from the urban center where good public facilities are located; it might cause social problems (e.g. crimes, violence) in the large-scale PRH projects (Schuetz & Meltzer, 2012).

To reduce the ‘too heavy’ perceived budgetary involvement of local governments and given the large targets of the Five-Year Plan, over the last decade, local governments have resorted to IH. Many first and second tier cities with a severe housing affordability problem, for instance, Beijing, Shanghai, Shenzhen, Nanjing, and Fuzhou, have started implementing IH (Z. Chen, Huang, & Huang, 2019; Shanghai Municipal Government, 2019; Yan et al., 2018). IH is not only perceived to increase the supply of PRH without direct government expense, but it is also expected to alleviate the spatial marginalization of PRH by creating mixed income neighborhood.

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<sup>24</sup> Local governments entrust investment organizations, which are state-owned enterprises, to develop and construct concentrated, large-scale PRH projects on the land mainly provided by the government. These investment organizations, backed by government guarantees, can get loans and social investment to finance PRH projects.

## Implementation of IH in China

Due to the monopoly role on land supply, local governments are able to require developers to contribute to IH units in two ways (Y. Huang, 2015). First, local governments decide the share of units to be devoted to PRH in a specific piece of land and secondly, they decide the maximum price for the piece of land for leasing. In the first situation, private developers win the bidding by paying more than the competition, while in the second situation, they win by offering to build more PRH units.

Cities such as Beijing, Shanghai, and Nanjing established their own regulations for IH. These regulations lead to varied practice of IH between cities from aspects like percentages required for PRH (5% in Shanghai and Nanjing while 30% in Beijing) (Beijing Government, 2011; General Office of Nanjing Government, 2017; General Office of Shanghai Government, 2018), the selection of commercial housing projects (IH adopted in all commercial housing projects in the city or only in specific commercial housing projects), the usage of in-lieu fee (whether the fee is allowed), etc. (Y. Huang, 2015).

After the completion of construction, local governments take over the PRH units at pre-agreed prices or for free (Y. Huang, 2015). Local governments own the PRH units (Y. Huang, 2015). PRH tenants and private tenants enjoy the same property services provided by the property management company in the IH project. The difference is that local governments pay the service fee for PRH tenants compared to the fee private tenants pay (Paulson Institute, 2015).

Although IH has been implemented for only one decade, some scholars and practitioners have indicated that it is a useful instrument that generating quiet some numbers of PRH units and creating mixed income communities (Z. Chen et al., 2019; Wu, Huang, & Zhou, 2011). Taking Hangzhou, a second-tier city in China, as example, the number of PRH units built through IH has reached more than fifteen thousand until the end of 2017 (Fenghuang Real Estate, 2017).

However, there are evolving disputes regarding IH in China. PRH units usually lie in less desirable locations in the project compared to commercial units. In addition, the physical boundaries (e.g., different entrances, fences or walls as barriers, barricades) are quite commonly placed between the two types of housing within one project. This happened quite often in cities such as Beijing (CCTV News, 2017), Shenzhen (ThePaper, 2017). Moreover, the incentives such as lower land conveyance fees, low bank loan interest rates, tax and/or fee waivers provided for developers usually are argued not to meet their investment costs for PRH units (Yi, Huang, Youqin, & Li,

2019); therefore, developers are hesitant to go for the bidding for the land with IH, resulting in aborted land bids (*liu pai*). In this case, the expected increase of PRH units will not be achieved (FNEWS, 2014).

In summary, the objectives of IH to increase the supply of PRH units and to include IH-tenants socially from a housing perspective are considered as far from being achieved (Y. Huang, 2015; Zuo, 2020). The following section, therefore focuses on explanations for these failings from governance perspective, the actors and interrelationships among the actors.

## 5.3 Results

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### 5.3.1 **Actors: the disputed rationale of engaging private developers**

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As introduced in Section 5.2.2, the main actors involved in Chinese IH programs are local governments and private developers. Local governments are responsible for developing specific policies and guidelines, allocating PRH units to the vulnerable households, and managing the PRH units. Developers are responsible for construction activities (Yan et al., 2018). Chinese local government is the owner of urban land and the monopolistic supplier in the land market (T. Liu et al., 2016). Besides, local governments are the one to grant development rights (Ding, 2007; Y. Huang, 2015). To develop commercial housing projects, developers need to go through open bidding or auction to get the land. In this regard, local governments require real estate developers to contribute to the PRH production through IH (Ding, 2007; Ong, 2014). In 2011, the national government pronounced in its notification that PRH units should be provided mainly through IH in new commercial housing projects (State Council, 2011). The local authorities are entrusted with the construction and management of those PRH units.

Local governments find IH attractive as IH helps to reduce their budgetary pressure for affordable housing provision. Real estate developers pay the land-leasing fees and related taxes for the development right on land parcels and they use part of these land for PRH units in IH programs. Then developers transfer the built PRH units to the local authorities at a very low price or for free (Y. Huang, 2015). In

other words, local governments are not required to directly investment in PRH in IH programs. Another benefit for local governments to use IH is to prevent large-scale social unrest (G. Liu & Wei, 2018). This can help to build social stability, which is important for economic growth (Ringen & Ngok, 2017). Developers benefit from the development rights authorized by the local governments, as they otherwise cannot develop commercial housing and earn their profits.

In this regard, one may argue that such a division of costs and benefit makes IH seem to be a win-win solution for both local governments and real estate developers involved. However, developers have already paid the land leasing fee and tax (Ding, 2007), for instance the Land Value Appreciation Tax<sup>25</sup> at the land transaction stage and the Urban Land Use Tax at the possession stage (Man, 2012). Thus, IH as an instrument for PRH provision in China has been questioned (Yi et al., 2019). As stated by Yan, Haffner, and Elsinga (Yan, Haffner, & Elsinga, 2020), “PRH projects are not attractive for the real estate companies compared to commercial projects, as there are no opportunities to make returns”. Huang (2015), a Chinese scholar whose expertise is urban housing governance, argues that there is still a long way to go for IH in China, as local governments benefit at the expense of developers.

Moreover, the insufficient incentives provided by the Chinese governments have further cause the doubts about the rationality of developers’ participation. As aforementioned, local governments either take the units for free or buy PRH units at a pre-agreed price after the completion of the construction (Beijing Government, 2011; General Office of Nanjing Government, 2017). In the first situation, it is pronounced that developers pay for PRH units. In the second scenario, the price, however, usually only covers the cost for the construction of such units and does not cover other fee related to PRH (e.g., land transaction fee and tax) (Yan et al., 2020). In both situations, it is difficult for developers to recover their costs, let alone make a profit. Density bonusing, lowered development fees and fast-tracking permits are thus provided by localities. However, Yan, Haffner, and Elsinga (Yan et al., 2020) argue that the incentives are perceived to be inadequate and developers are usually opponents of this instrument. In addition, developers usually do not have the chance to negotiate for paying less for certain development inputs such as land (Yan et al., 2018).

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<sup>25</sup> The land appreciation tax is imposed on the increment value of the transfer of land use rights, aboveground structures and their attached facilities in China.

With higher profit margins in the commercial housing sector (the average net profit margin of the leading 50 real estate developers is 14%) (The Beijing News, 2020), few developers want to engage with IH. Their participation in IH program is more like keeping the relations friendly rather than a financially-sound self-motivated action. When taking into consideration the limited resources, developers prioritize the realization of assigned numbers of PRH units placed on the land leasing contract, while paying less attention to other aspects of PRH. Thus, it is not surprising that problems such as poor PRH quality and marginalized locations of PRH units pop up.

In view of the above, the way to involve private developers in PRH supply has been questioned in China due to two reasons: 1) Local governments enjoy the land value increment, while the developers bear the costs of PRH; 2) The incentives provided by local governments is not enough to offset developers' financial inputs and developers do not have the chance to negotiate for a better compensation.

### 5.3.2 **Interrelationships: the changing reciprocal relations among developers and local governments**

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Private actors increasingly play a crucial role in PRH provision. Their resources, goals and interests will inevitably collide with those of local governments. To investigate the interrelationships between local governments and private developers thus is important for a better decision-making, policy implementation and thereby a better outcome of a certain policy. Before the investigation, it is meaningful to explain how the two actors act in the real estate housing market as it gives the implementation background for IH.

In the real estate market, by leasing land to real estate developers, local governments garner land revenues. According to China Statistical Yearbook, land revenues have risen from 40 billion yuan in 1995 to 6.51 trillion yuan in 2018, accounting for approximately 51% of the total government fiscal revenue (Lian, Li, & Ko, 2019). Local officials then are able to spend the expanding land revenues on large-scale construction projects, which are often considered as main manifestation of economic growth in China. Central government evaluate local officials for promotion based on the economic growth.

The above system has incentivized local officials to promote real estate market by, for example, giving strong official support in bank loans and urban planning to motivate developers to invest in real estate market (Zou, 2014). Besides, local governments as the monopoly supplier of land can control the land supply to

maximize the land price to benefit their revenues. This together with the housing privatization and commercialization promoted after 1998 (Shi et al., 2016) and the rapid urbanization have brought about a rapidly-growing urban real estate market. In this respect, developers gain high economic returns to their investment from the rapidly-growing urban real estate market (Fu & Lin, 2013). The relation between local governments and real estate developers can be regarded as a reciprocal one in the last decades along with the prosperous housing market (Fu & Lin, 2013). The reciprocal relation refers to that local governments are able to promote local development by fiscal revenues generating by leasing land to the developers, while real estate developers make profits from the commercial housing projects with the supports from local governments.

However, if the housing market slowdown, land revenues will decline, and this will lead to a reduction of the local investments, which is important to the rapid economic growth. This is not what local officials want and they would like to continually promote housing market.

The last two years have witnessed a decline of land prices (China Banking News, 2019b), a reduced number of land transactions (Shanghai E-House Research Institute, 2019b), and a slowdown in the rate of increase in the housing price (The Business Times, 2019a) in China. This is primarily due to the many measures that have been taken after President Xi announced the idea “houses are for living in, not for speculation” at the 19th party congress in 2017 in response to the overheated housing market (Zhen, 2017).

Developers, who are sensitive to the market changes, remain quite cautious in the land leasing market and conducting their development projects. They could be more reluctant about participating in IH programs. However, as indicated before, negotiations and alternatives are rarely offered to developers and on-site development is still required (Y. Huang, 2015). It is therefore difficult for developers to recoup their investment in PRH units and they are hesitant to go for land bidding.

Given the above and the recent coronavirus outbreak causing the Chinese economy to shrink by 6.8 percent in the first three months of the year 2020 (The New York Times, 2020), the aforementioned reciprocal relations among developers and local governments are changing.

The compulsory IH instrument in China could cause tension between the local governments and the private developers. Local governments want to achieve both economic growth through the land-leasing business and the construction of PRH units assigned by central government. Private developers' priority is making profits.

Indeed, this tension has already led to aborted land bids (*liu pai*). In 2011, one developer gave up the parcel of land with a 32-percentage requirement for PRH units (FNEWS, 2014). The *liu pai* could deny or hinder housing production of IH units as well as commercial housing units and defeat the purpose of an IH program.

## 5.4 Discussion

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The analytical framework based on the governance elements actors and interrelationships shows two problems that are associated with Chinese IH: 1) IH is not considered a win-win for and by private developers as the government benefits at the expense of the developers; 2) if the housing market declines and profit margins decreases, the reciprocal relations between local governments and developers could cause tension between both actors.

Worldwide, the implementation of IH varies from country to country. In terms of governance, the literature shows two mainstream approaches of IH: 1) using Land Value Recapture (LVR) as the foundation to motivate private actors; 2) providing strong financial instruments to offset the costs of developers (Calavita & Mallach, 2010; Crook, 1996; Gurran & Whitehead, 2011; Mishra & Mohanty, 2017; Mukhija et al., 2015).

The concept of Land Value Recapture (LVR) in affordable housing provision field refers to a way to finance affordable housing by taxing the increased value of land. The rising land prices generated from land use regulations are the result from public action through the planning system. As this rising prices (also called 'the increment of land value' or 'planning gain') are not the result of productive efforts of the landowners, the increased value should be returned to the wider community is the argument here (Morrison & Burgess, 2014).

IH requires developers to pay for the construction of affordable housing units. The cost of developers increases in this regard. However, in order to be competitive in the real estate market, developers cannot raise their commercial housing price. Over time, land prices will drop as developers avoid projects without profits. This means that landowners need to bear the cost of IH programs because the land price has been reduced (Calavita & Mallach, 2010; de Kam, Needham, & Buitelaar, 2014). Countries such as the UK, Ireland, and Spain are operating quite an explicit system

about LVR in the affordable housing provision (Calavita & Mallach, 2010). LVR serves as the foundation for these countries to engage private developers. Usually, the recapture of the land value increment created by public action has been legitimated and written in national policies (see, for example, Section 106 of Act 1990 in the UK). To produce affordable housing is a prerequisite for the developers to obtain the residential planning permission (Meda, 2009). Although more recently incentives might also be provided to developers such as density bonus (see, for example, Morrison & Burgess, 2014), the premise for most of the affordable homes provided through IH is LVR (e.g. in UK) (Calavita & Mallach, 2010). The majority of the affordable housing units provided by IH are rental homes (F. Li, 2019).

Other countries, for instance the US, Canada, Australia and New Zealand, use the second approach to provide strong financial instruments to offset the costs of developers engaged in IH. Land value increment is not a popular idea in these countries (Crook, 1996). To take the US as example, property rights are defined in the constitution and thus been protected. Unlike the UK, where local development plans must adapt to the national policy as well as regional guidance, the US leaves each of its states and local authorities with considerable autonomy. Therefore, IH in the US is enacted at local level (municipal or county) without a national-level guideline (Brunick et al., 2003). Under the predominance of market ideology, if there is not enough incentives to cover the cost for IH units, the profit-oriented developers would opt out (in the case of voluntary programs), or develop less housing to increase commercial housing price and negotiate to pay less for land (in a mandatory programs) (Brunick, 2003). The incentives are calculated through complex formulas, including the right to build at higher density (also called density bonus), an expedited permitting process, lowered development fees, etc. (Calavita et al., 1997; Mekawy, 2014). Moreover, scholars and practitioners keep raising concerns about the issues of equity and lawfulness for the private developers' participation (Calavita et al., 1997; Thaden & Wang, 2017). This has pushed localities to negotiate with developers and offer acceptable and reasonable incentives.

Under the idea of 'governance', the success of IH should base on two aspects. The first is regarding with the 'actors' perceptive, meaning that the involvement of private developers should be consistent with their commercial objectives (should not harm their profits). The second is the 'interrelationships' point referring that a long-term sustainable partnership between private developers and the local governments. For countries (e.g., the UK) use the first approach to involve private actors, a belief of LVR and the governmental ownership of development rights are the most critical prerequisites for a relatively effective implementation of IH (Agyemang & Morrison, 2018; Morrison & Burgess, 2014). As to countries (e.g., the US) adopt the second approach, a clearly-defined incentive scheme should be in place to sufficiently

address the gap of developers to provide affordable homes otherwise commercial housing (Jacobus, 2015; Mekawy, 2014).

Besides, a prosperous housing market is a precondition for IH to work (Basolo, 2011; Hughen & Read, 2014; Morrison & Burgess, 2014). The housing demand is strong in such housing markets and developers will produce more housing to optimize profits. Even developers bear the cost of affordable housing units, the ultimate development value is high to protect the developers' profits. IH can work quite well in terms of building inclusive communities and producing large numbers of PRH units (Z. Chen et al., 2019; Wu et al., 2011).

IH could be ineffective in a shrinking market as IH is, to some extent, "using the market to correct market failures by means of public regulations" Calavita and Mallach (2010, p. xii). When market declines, developers cannot absorb most of the cost and IH can be a huge burden for them. For instance, in the UK and the US, when the downturn period started since 2008, developers may delay seeking for planning permission, stop purchasing land, and/or negotiate with localities to arrive at some new agreements (Hickey, 2013; Morrison & Burgess, 2014). Considerable flexibility was introduced ranging from the proportion of affordable units associate with the certain piece of land, to the offsets or incentives provided to developers, to the construction options (e.g. off-site development and payment-in-lieu), etc. (Brunick et al., 2003; de Kam et al., 2014).

At some point, the way Chinese IH works seems like the cases based on the LVR, within which private developers produce affordable housing units to exchange for development rights. However, the Chinese case is different in essence with countries who use the LVR. According to the idea of LVR, the actors who enjoy the increased land value should give some or all the increment back to the society in the forms of for instance, affordable housing. Therefore, in the UK and many European countries, IH is paid for by the landowners and not the developers (Morrison & Burgess, 2014). Nonetheless, local governments retain the land value increment while private developers pay for the PRH. IH is "a government-driven campaign" in China (Y. Huang, 2015, p. 12). Chinese central government also gives localities with autonomy in the implementation of IH like the US does. However, the market ideology is not well established in compensating the cost of private developers for delivering PRH units.

The above is in line with the argumentation that China has its own form of involving private actors into affordable housing provision (Y. P. Wang & Murie, 2011; Yan et al., 2020; J. Zhou & Ronald, 2017a) and this is mirrored in the governance of IH. Although Chinese IH is a relatively new instrument compared to the experience of

other countries or regions in the world, it shows different practices. Chinese IH is still embedded in a government-dominant type of governance based on the idea that governments own the land.

It is worth noting that although we refer to cities such as Beijing, Shanghai, and Nanjing in this paper, an in-depth research on specific cities as well as some comparative studies among cities can help to build a comprehensive understanding of IH in China. Additionally, the aim of this study is to evaluate IH from a governance point of view and a case study of China is never completely representative. Rather, the Chinese practice of IH in affordable housing provision shows how to apply the two governance elements into the evaluation based on experiences on the ground. The evaluation of IH from the governance perspective in other countries and regions in the world can benefit from some further empirical data and an exhaustive review of IH practices.

## 5.5 Conclusions

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Inclusionary Housing (IH) is an instrument utilized by local governments to require or encourage real estate developers to include affordable housing units in otherwise market or commercial projects. With an indirect cost to the public sector and the provision of housing to a combination of different income groups, IH is favored by many local governments worldwide since its first adoption in the US in 1970s.

Along with its wide application, scholars have evaluated IH from an economic point of view. However, evaluations from the governance perspective are missing. As IH requires a cooperative approach by involving private developers in affordable housing provision next to governments, the concept of governance is very relevant here. This research thus aims to fill the knowledge gap by evaluating IH by taking a governance perspective. The methods used to fulfil the aim are a literature review and a case study research focusing on the Chinese practice of IH, as China is a newcomer to the IH-scene.

To provide decent and affordable homes in the form of Public Rental Housing (PRH) stands high on the Chinese government agenda. Since the central government delegates responsibilities without providing adequate financial support for local governments, local governments have taken the major role to finance PRH provision.

Therefore, they turn to the market and employ the instrument IH to realize the PRH mandates assigned to them by central government. As indicated, the evaluation of Chinese IH analyses the problems associated with IH from a governance point of view. Based on the findings, this paper seeks to sketch future options for Chinese IH from a governance perspective that will prevent the problems with current IH instrument.

The results show that IH could be questioned given the current framework of Chinese PRH governance. Based on our framework of analysis, actors and interrelationships between actors explain this finding as follows:

One reason is that the involvement of private actors can be questioned as local governments enjoy the land value increment, while the developers bear the cost of PRH production and the incentives provided intending to cover the cost is insufficient. Second is that there can be some tensions between local governments and developers as their relations are changing if the housing market declines and profit margins are decreasing.

As many Chinese cities still quite favor IH because it allows them to production of PRH units without many government financial inputs, the result in this paper is meaningful for local governments to rethink the relations with developers and to reconsider the viability of IH. If the IH is still a choice for localities to help provide PRH, some policy implications can be provided for its future development based on the results of this paper.

To motivate private developers, local governments should bear more costs for IH programs since they retain the land value increment. Additionally, there is a chance for state-owned real estate developers and big real estate companies in China to contribute to the provision of PRH units through IH. State-owned companies backed by governments and big companies with financial strength both would be financially able to cross-subsidize PRH from their commercial residential investments. As China is such a big country with many local variations, it is possible for each local government to adapt their version of IH to their circumstances. For instance, in regions with a relatively blooming housing market and relatively severe housing affordability problems, it will be possible for developers to contribute to the provision of PRH units as their profits of commercial can be covered compared to regions where the market is in decline.

Overall, the main contributions of this study are three. First, to evaluate IH from a governance point of view is new for the literature. In essence, as IH is about the private and governments cooperating to produce affordable houses, the evaluation

from the governance perspective can help to monitor and systematize affordable housing provision from a fundamental basis. Second, the analytical framework based on actors and interrelationships helps to move beyond abstract discussions of governance to investigate the practices of PRH governance on the ground. This framework can be applied to other cities or regions in or outside China for comparative purposes; last but not least, this paper brings Chinese case of IH into the global discussion. Although the PRH governance of China via IH is embedded in a different constitutional framework than in other countries (such as the UK and the US), the governance in China has also come to engage private sectors in the provision of PRH. It means that there are more similarities at present than in the past between China and other countries. However, the experience of Chinese IH has not arrived at a position conforming to using the two mainstream approaches of engaging private actors: LVR approach or to providing sufficient financial instruments to developers. As no systematic analysis in English exists regarding the evaluation of Chinese IH, especially from a governance point of view, this study of Chinese IH can thus provide meaningful insights to the international literature regarding IH and affordable housing governance.

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# 6 Conclusion

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## 6.1 Introduction

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Housing privatization and marketization since 1998 have led to a dramatic rise in housing price in China. Affordability problem then has become a pressing economic and social problem. As such, the affordable housing program Economic Comfortable Housing (ECH) issued in 1994 has got more priority than before and central government established programs for needy households, such as Capped Price Housing (CPH) and Low Rental Housing (LRH). Different policy periods prioritized different programs. Since 2010, Public Rental Housing (PRH) has become the main affordable housing program to cater for the housing needs of low- to middle-income households.

Recently, PRH provision has witnessed a shift from 'government' to 'governance': policy making shifted from government steering by means of legislation, prohibitions and regulations to mixed forms involving government, market and civic actors to pursue effective and fair policies. However, the existing research fails to describe the mechanisms behind this new-era governance of PRH with the rising involvement of market actors and those in civil society. In addition, PRH governance are credited with mixed results: local governments have put a lot of effort into PRH provision and built large numbers of housing units, while problems associated with PRH exist (e.g. the inadequate housing quantity, the poor housing quality, and the marginalized locations of PRH projects in the urban area). The measurement of the outcomes of the new-era governance is thus of vital importance. Therefore, this PhD research aims to build a better understanding of the PRH governance in the current Chinese context and to evaluate PRH governance.

To achieve this aim, this thesis is organized as follows: Chapter 1 contains an introduction of the research background, research aim and questions, conceptual basis, research data and methods; Chapter 2 investigates the changing role of government in this new context of PRH governance and proposes a model of current

Chinese PRH governance to reveal its essence; Chapter 3 discusses the power relations among the government and non-governmental actors engaged in PRH provision; Chapters 4 and 5 focus on whether PRH governance works from two aspects: Chapter 4 explores the effectiveness of PRH governance from the PRH tenants' perspective, while Chapter 5 analyses the problems associated with Chinese Inclusionary Housing (IH) from a governance point of view and the causes of these problems. The concluding chapter summarizes the key findings of Chapter 2, 3, 4 and 5, puts forward a reflection on the PhD research, and proposes the agenda for future research.

## 6.2 Summary of key findings

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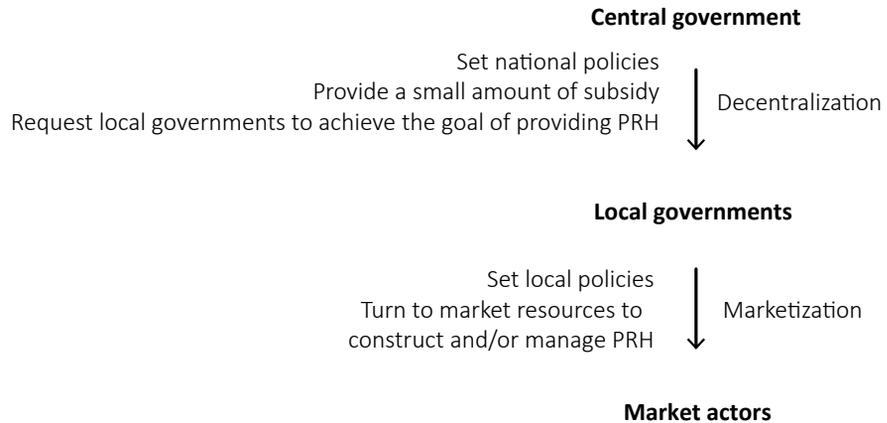
This section summarizes the findings of the four main chapters (Chapter 2-5) of this dissertation. Each of the four chapters addresses one research question specified in the Thesis Introduction (Chapter 1), respectively. It is worth noting that the findings of Chapter 2 and 3 serve as background information for understanding and explaining the results of the PRH governance evaluation demonstrated in Chapter 4 and 5.

### 6.2.1 The model of current Chinese PRH Governance

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#### Research question 1: How has Chinese government's role changed in this new context of PRH governance?

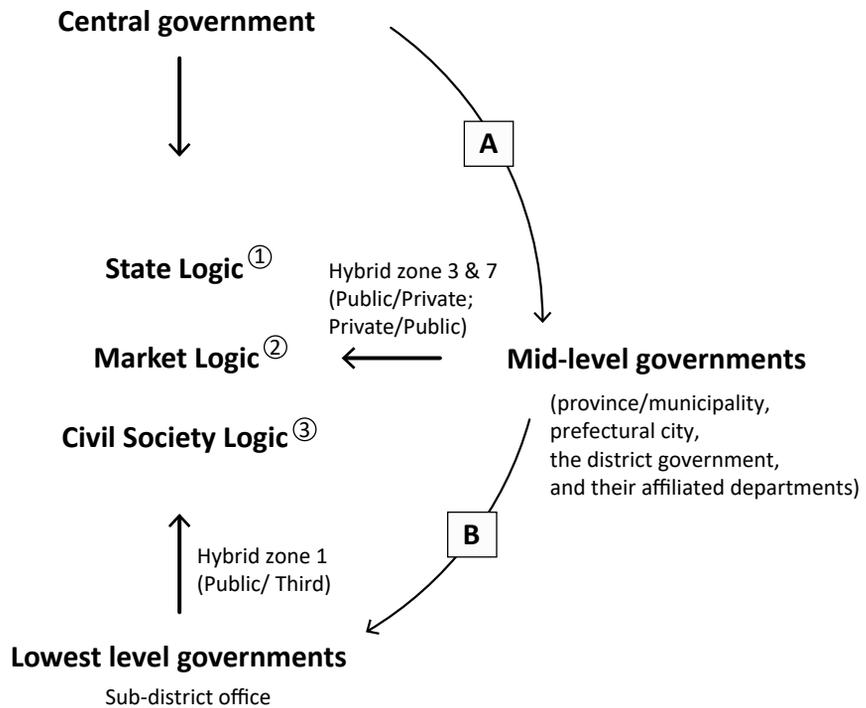
PRH governance in China used to be organized as follows: central government issued policies, local governments implemented them and private actors' participation was limited (see Figure 6.1). Figure 6.1 shows the state–market dualism and splits the government into two levels: central and local. This model shows the hierarchical authority of the central government expressing a one-direction relation from central government to local governments and involved market actors. The Central-Local relationship expresses the decentralization of responsibilities, while local governments have turned to market actors to conduct some tasks. This two-level government model is presented in the literature as a hierarchical one, as Chinese government (both central and local) are dominant in this top-down regime.



**FIG. 6.1** Model of PRH governance in China based on desk research (own elaboration)

This development of government to governance indicates a shrinking role of central governments in financing PRH, as this responsibility of housing vulnerable groups has shifted to local authorities and involved market actors. Parallely, central government stimulated tenants' participation in PRH governance, which brought about the involvement of civic actors. The model in Figure 6.1 thus can no longer explain how each level of government reacts to the current development and how non-government actors participate in PRH governance. Concerning this, Chapter 2 investigates the extent that the Chinese government's role has changed in this new context of PRH governance. The parallel analysis involves the evolution of the roles of the new non-governmental actors.

Based on the literature of governance and interview data from two Chinese cities, Chongqing and Fuzhou, Chapter 2 brings forth a model of current Chinese PRH governance to show who were involved and how they interacted (see Figure 6.2). The model reveals the essence of current PRH governance, which is still dominated by government. Government here refers to the three levels of authorities in China, rather than the two defined by the previous model (Figure 6.1), ranging from the central state to two levels of local government (mid-level ones and the lowest level ones), the local government from Figure 6.1 now grouped in the mid-level in Figure 6.2.



- ① **State logic** refers to legal regulations and concerns the overall public interests
- ② **Market logic** refers to the law of supply and demand and focuses on competition
- ③ **Civil society logic** refers to association and democracy and points to the self-constituted activities of associated PRH tenants

A. Request mid-level governments to provide PRH but provide a small amount of subsidy

B. Request Lowest level governments to manage PRH community but provide insufficient human resources and financial supports

**FIG. 6.2** The adapted model of Chinese PRH governance (own elaboration based three logics according to Paton, 2009)

In contrast to the past, rather than applying the state logics only, the three levels of government increasingly apply different logics (state, market, and civil society). The central government depends on the 'state logic' to set policy goals and responsibilities across the three levels of government, but does not provide sufficient

finance for local (or mid-level) governments to implement policies. Thus, mid-level governments turn to the market logic for financing PRH. Lowest level governments, required by mid-level governments to do the management but without sufficient human resources and financial supports from the higher-level governments, need to rely on a civil society logic. As a result, Chinese government (three levels) functions in the roles of state, market and civil society actors, all at the same time. The latter two roles are realized by three new forms of hybrid actors that have come into existence. These hybrid actors are linked to different levels of government in different ways: they are owned, regulated by and/or are subordinated to the level of government concerned.

## 6.2.2 Power relations between actors involved

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### Research question 2: What are the roles of and relations among the different actors involved in Chinese PRH governance?

The privatization of activities in PRH provision gives more room to the market and citizens. This has brought up a new era of PRH governance with more complexity. Chapter 2 therefore develops a model to explain the essence of the new era governance. However, Chapter 2 remains at qualitative level and does not measure the perceived power relations between the involved actors. The power relation, as Sacchetti and Sugden (2003) state, is a decisive dimension of the concept of 'governance'

Accordingly, Chapter 3 goes a step further to analyse the roles of and relations among the different actors involved in Chinese PRH governance. It uses Social Network Analysis (SNA) to measure the perceived power distribution across actors in practice. This usage of SNA as a method to analyse power relations is based on scholars' work (see for example, Amanzi, 2011; Jamali & Abolhassani, 2006; Mizruchi, 1994; G. Yang & Huang, 2017). The data used for the SNA is collected from interviews conducted with key actors involved in the provision of PRH in Chongqing and Fuzhou.

The results of Chapter 3 reveal the structures and mechanisms underlying the role of government in PRH governance by specifying empirically the role of non-governmental actors in a context of the well-recognized dominant role of governments in many studies (see for example Chen et al., 2014; Wang and Murie, 2011; Deng, 2017). The following four aspects can explain the power relations among the involved actors:

- Non-governmental actors in PRH governance in Chongqing and Fuzhou are reported to refer to hybrid actors according to Billis' work (2010) combining state principles so that influenced by government;
- In the process of information exchange, hybrid actors conducting the tasks of PRH development, construction, and service delivery are reported to be recipients of government 'guidelines' and requests of feedback; therefore, they operate reactively to government initiatives;
- Powerful hybrid actors (investment organisations<sup>26</sup> in the two cities and the real estate company in Fuzhou), which the government entrusts as main implementers of PRH provision, have access to core resources (land and funds) in PRH provision. Such actors are effectively implanted in the government side or their activities are highly regulated by the local governments;
- Hybrid actors combining the community principles of governance are not perceived as powerful. This implies that PRH tenants are not able to influence the PRH governance in practice.

### 6.2.3 The effectiveness of PRH governance from the tenants' perspective

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#### Research question 3: Does PRH work in terms of the effectiveness of its governance from the perspective of tenants?

Although Chapter 2 and Chapter 3 analyses the essence of and the and the mechanisms behind the PRH governance, whether the governance of PRH works on the ground in China remains unstudied. Chapter 4 deals with this by adopting an outcome-oriented approach to measure the effectiveness of PRH governance from the PRH tenants' perspective.

The outcome-oriented approach measures the governance outcomes by assessing whether the objective of governance is fulfilled. Since the objective of Chinese PRH governance is to maintain social stability, sufficient supply of housing of 'reasonable' quality with tenants' input in the governance of housing provision are argued to be

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<sup>26</sup> Investment organizations are also known as Local Government Financing Platforms, which are usually state-owned enterprises that develop, finance and implement public infrastructure projects (including PRH) (Jin and Rial, 2016).

the three crucial dimensions of governance outcomes. Data were collected from PRH tenants by questionnaires and from PRH-practitioners by interviews in Chongqing. SPSS is used to perform the statistical analysis of the survey.

The results of Chapter 4 show that the perceived governance outcomes were quite mixed as tenants were moderately satisfied with the numbers of PRH housing units provided, less satisfied with housing quality, while most of them were willing to communicate with local government. In view of these mixed outcomes, this chapter formulates policy implications to strengthen the effectiveness of PRH governance in the eyes of the tenants: local government should 1) provide more options for tenants to apply; 2) improve the physical condition of the dwelling, the accessibility to facilities, the housing maintenance and service, the dwelling size, and the efficiency of the application process by shortening the waiting time; and 3) treat tenants with different socio-economic characteristics differently. Besides, this chapter suggests that PRH governance will benefit when central government rethinks and redevelops the performance evaluation system to include other indicators than number of PRH units and local authorities rethink the relations among themselves and the non-governmental actors and organise a monitoring system that will assist in optimizing housing quality. Moreover, although it has been argued that tenants find it difficult to really make a difference in the governance of PRH, this study shows that local government' promotion of tenant participation will contribute to a preferred governance outcome in the eyes of the tenants. This is due to two reasons: 1) Chinese governments have advertised the communication between PRH-tenants and government officials as an approach to give tenants the right to participation; 2) the only approach for tenants to get involved in the PRH governance is to communicate with governments about housing management and maintenance and there are no tenants' organizations as in western countries.

#### 6.2.4 **The evaluation of Inclusionary Housing (IH) from a governance perspective**

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##### **Research question 4: What are the problems associated with Chinese IH from a governance point of view and how are they caused?**

IH has been implemented in many Chinese cities (e.g. Beijing, Shanghai, and Nanjing) as the new promise of PRH governance. Chapter 5 as the last main chapter of this dissertation aims to evaluate IH from a governance perspective. The focus is to investigate problems associated with Chinese IH from a governance point of view and the causes of these problems.

Based on the literature, policy documents, and government reports, the study concludes the governance challenges of Chinese IH are two: 1) the private developers bear the costs of development while local governments enjoy the benefits of the Inclusionary Housing; 2) the relations between local governments and private developers are changing from a joint-interest one to a divergent-interest relation in declining housing markets. The first challenge indicates an unequal distribution of costs and benefits across actors and this might prevent the realization of the policy objective of IH. The second challenge might lead to ineffective PRH governance because there a win-win situation is not achieved for both the actors in declining markets.

To deal with these problems, three specific and practical suggestions are underlined: 1) local governments should bear more costs of IH as they enjoy the land value increment; 2) state-owned real estate developers and big real estate companies in China might have a chance to contribute to the IH programs; 3) given the variations in local housing markets, different localities might need to design context-specific strategies for their IH implementation. Since IH is an instrument adopted worldwide for affordable housing provision and the governance is a missing perspective for its evaluation, this study can contribute to the global literature by filling this gap.

## 6.3 Reflections on the research

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This section reflects on the PhD research from three aspects: methodology and data, theoretical implications, and policy and practice implications.

### 6.3.1 Methodology and data

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This research unravels the essence of the PRH governance in current China and to analyse the mechanisms underlying, the power relations between actors in, the performance in the eyes of the tenants of, and the viability of IH in the PRH governance. As cities are at the frontier of implementing PRH provision policies, the case studies are two Chinese cities (Chongqing and Fuzhou). Although the two cities cover the two types of most widespread PRH construction modes in China, there is no intention for this explorative research to use Chongqing and Fuzhou to represent

the whole country as China is such a big country with many local variations. This study argue that what matters is the practice of PRH governance in the two cities, showing how a move has been achieved away from government towards governance based on experiences on the ground.

The PhD study adopts mixed methods, combining the analysis of policy documents, questionnaire surveys, and in-depth interviews. The survey was conducted in Chongqing and consists of a total of 206 valid questionnaires. Due to the constraints of time, staff capacity and finances, I distributed the questionnaire in Chongqing, which utilises *Tongjian* mode to build large-scale PRH projects (see Chapter 2 for details). This means the respondents were living in communities with only PRH tenants. Chapter 4 based on the survey data could have generated more interesting results if tenants of *Peijian* (construction mode using IH) program were also included in the survey. Since the adoption of IH is a trend in China for PRH provision, the observation of tenants from IH programs would bring new insights for the understanding of the perceptions of tenants living with also owners and tenants of commercial housing.

For this thesis, I successfully interviewed more than 30 governors in Chongqing and Fuzhou, even though local officials are not keen to be interviewed in China. The approach was to explicitly explain the aims of the PhD research, to indicate how to use the interview data and to emphasize the role as researcher in the beginning of every interview. After doing so, most of the staff I wanted to interview were quite cooperative and willing to share their experience in PRH provision. This has ensured the fruitful collection of unique first-hand material for the analyses especially for Chapter 2 and 3 in this PhD thesis.

Chapter 2, 3 and 5 introduce an analytical framework by extracting two important elements (i.e. actors and interrelationships) from governance literature. This framework helps to move beyond abstract discussions of governance to investigating the practices of PRH governance on the ground. Ideally, to follow the changing composition of actors and their interrelationships in the case study areas could give a longitudinal development of how governance changes over time in China. However, I did not manage to do so due to constraints of time and staff capacity. Since the promotion and involvement of non-governmental actors in PRH provision in China started around 2011, the conducting of the longitudinal study of Chinese PRH governance could bring new insights to the global social housing governance debate.

### 6.3.2 Theoretical contributions

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A number of theories covering housing (especially social housing), hybrid organization, and governance are presented to build analytical frameworks, define research methods and to help interpret the findings of this PhD study. In turn, some theoretical findings help develop the body of knowledge in the aforementioned fields.

- 1 The governance literature is enhanced by decoupling logics from actor; thereby enhancing the understanding of the current PRH governance in China is enhanced by providing a governance model, which specifies the mechanisms behind the governance and differs the Chinese PRH provision from its former implementation and the western practice

At first glance, the current Chinese PRH governance model in Chapter 2 has drawn the same conclusion with what has been described in the existing literature (see for example, Chen et al., 2014; Ringen and Ngok, 2017; Zou, 2014; Wang and Murie, 2011; Zhou and Ronald, 2017): the government is still dominant. However, unlike these existing studies, this model adds at least two valuable aspects to the PRH governance debate.

First, it explains explicitly the mechanisms behind the current PRH governance, which is different from the former implementation. The assumption of most literature is that PRH governance adopts the state logic, which depends on legal regulation and hierarchical steering, has hindered their analysis and limited their results (see for example, Lin, 2018; Deng, 2018). Given the involvement of non-governmental actors, this dissertation concludes that the government dominance is expressed by the three levels of government applying different society logics (state, market, and civil society) and thus performing as the background for PRH governance. Government in the model refers to the three levels of authorities in China, rather than the two from previous studies, ranging from the central state to two levels of local government.

Second, the model shows how the current practice of Chinese PRH governance differ from the western style. In western culture, the non-governmental actors' participations are usually bottom-up initiatives and often lead to the 'retreat' of state regulation and/or state finance (Billis, 2010; Mullins et al., 2012; Johnston, 2015). The model reveals that the Chinese government did not retreat and by using different logics: central government applies the state logic while local levels resort to the logics of the market and civil society to generate different forms of non-governmental actors. These non-governmental actors are hybrid for combining at least one principle of state actors and thus are influenced by the government.

- 2 The global debate of organization hybridity and Inclusionary Housing is enhanced by showcasing the Chinese case

Despite the cultural differences, similarities of social housing provision can be found in different countries. When conducting the PhD study, we come across many studies concerning the organization hybridity and IH in other countries. For instance, this PhD research has pointed out the typical hybrid housing actors are social housing associations/organizations, which operate in the Netherlands, Denmark and the UK, being exposed to a mixture of state, market and civil society logics (Jensen, 1997; Gruis, 2005; Mullins et al., 2012). IH is popular in many countries and regions of the world such as the US, the UK, Italy, Spain, Canada, South Africa, India, etc. (Calavita and Mallach, 2010; Basolo, 2011; Hughen and Read, 2014). Moreover, these studies suggest that similar issues are being confronted about organization hybridity and the implementation of IH. These findings have made different systems of social housing provision in those countries less different than had first been apparent.

Although the conventional research in China has also come across the study of organization hybridity, they name these organizations as “*quasi-market*” actors or “*quasi-civil society*” actors. As to the IH, *Peijian mode* is the usual words (we also do that in the beginning of this study). To unify the terminology as ‘hybrid’ and IH and connect them to the meanings across the globe gives an opportunity to conduct comparative studies. Careful comparative research can help scholars and practitioners with their own cultural background extract and re-examine assumptions about theory and practice (Sacranie, 2012; Blessing, 2015). This might bring new insights to the global debate of social housing governance.

### 6.3.3 Policy and practice implications

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The results of this PhD research are also applicable in several ways for governments, non-governmental organizations, and PRH tenants.

#### 1 For the government

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This research argues that it can be very meaningful if policy makers to rethink and rebuild the relation among central government and local ones, from especially the finance point of view. For instance, to redesign the fiscal sharing system to provide local governments more financial supports on PRH provision. Moreover, to redesign

the top-down evaluation system based on economic development can free local governments from the land revenue system and put more efforts into PRH provision.

The effectiveness of PRH governance refers to a sufficient supply of housing of 'reasonable' quality with tenants' input in the governance of housing provision. Thus, PRH governance will benefit when government include other indicators next to number of units in the existing performance evaluation system. Chapter 4 provides a method to evaluate PRH effectiveness from the tenants' perspective in an explorative way.

In a flourishing housing market, although developers suffer from the cost of PRH construction, they are able to pass on the cost to the final users, taking advantage of the increasing housing price of their commercial projects (Wu et al., 2011; Chen et al., 2019). In contrast, when market declines, developers cannot absorb most of the cost and IH can be a huge burden for them. The compulsory IH instrument could thus cause tension between the local governments and the private developers if the market declines. Given that the last two years have witnessed a decline of land prices (China Banking News, 2019), a reduced number of land transactions (Shanghai E-House Research Institute, 2019), a slowdown in the rate of increase in the housing price (The Business Times, 2019), and the influence of the coronavirus outbreak in China, it is timely for local officials to rethink and rebuild their relation with developers.

## **2 For non-governmental actors**

The investigation of the non-governmental actors' features as well as their relations with governments in this research can help them better formulate strategies in due course. According to Billis (2010): there are two types of hybrid actors detected from this study: the shallow ones, whose activities are regulated tightly by the government but remain their market identity when engaged in commercial projects; and the entrenched ones, which are state-owned organizations established from day one to be hybrid.

For the shallow hybrid actors, it is important for them to keep in mind that they are state-owned organizations and should prioritize the provision of PRH. The financial position of such actors, such as investment organizations established by local governments, can grow strong as a result of low interest rates and tax reductions. There is a risk of mismanagement. The entrenched actors should find a balance between their market activities and the PRH provision which brings no profits. For

instance, the real estate companies should calculate carefully their investment return when join IH programs to avoid the unnecessary loss.

Another aspect addressed here is the lack of non-governmental actors to monitor regularly the perceived changes in power relations between the involved actors, to collect national data of PRH governance constantly, and to measure the PRH outcomes. For as long as privatization of PRH enjoys policy emphasis, a monitoring system could assist in optimizing the working of complex governance networks. Actors to conduct the monitor should be independent in order to keep the normative basis as actors involved in the governance cannot abstract from their own social constituency (Rauschmayer et al., 2009). The open database about PRH is rare in China. The study of PRH can benefit if some third sectors can collect transparent and accessible PRH data and provide easier access to information. This can further stimulate innovation for PRH governance improvement. To avoid the socially desirable responses, to have a neutral organization to execute the outcome-oriented measurement is recommendary.

### **3 For tenants**

The effectiveness point of governance in this dissertation indicates that tenants' perspective is valuable. The most common way for tenants to participate in PRH governance is to communicate with staff in organisations such as lowest (street-) level governments, Residents' Committees, and property management companies at grassroot level. Although the influence of such organizations in the governance is limited, the dissertation argues that if PRH tenants were willing to participate in PRH governance, they were more likely to be satisfied with the governance outcome. As such, it is meaningful for tenants to play a role in PRH governance as tenants' participation can contribute to a better governance outcome.

Along with the popularity of social media in recent years, PRH tenants increasingly use WeChat (a popular Chinese mobile SNS) to share information with respect to dwelling quality, surrounding environment, living services, entertainment, etc. in PRH projects. The WeChat groups, as a daily part of communication for people in China, are very popular and can facilitate discussions about PRH governance. Therefore, this dissertation suggests that PRH tenants to use the channel provided by WeChat or other similar social media to take part in and influence PRH governance.

## 6.4 Agenda for further research

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While conducting this PhD research, four possible directions for further research popped up.

First, research about the social housing (PRH in Chinese context) governance is needed from a long-term perspective and on a wide geographical basis. 'Governance' is the core concept of this dissertation. In its most basic definition, governance refers to actors and their interrelationships when cooperating to achieve goals (Hysing, 2009; Hufty, 2011). Actors and interrelationships extracted from governance literature therefore help the dissertation to go beyond abstract discussions of PRH governance. Given different research aims, Chapter 2, 3 and 5 in this dissertation develop their own analytical frameworks in order to analyse actors and interrelationships. These frameworks can perform as templates for future study of social housing governance as they entail two dimensions: space dimension and time dimension. The space dimension stresses that the framework can be applied to other cities or regions in or outside China for comparative purposes. The time dimension means they can be utilized when conducting longitudinal studies to find out how governance changes over time in the eyes of the actors involved. The comparative study could shed further light on the understanding of the divergence and convergence between different cultures.

A second direction for further research entails the study of the organizational hybridity. This dissertation has defined non-governmental actors as hybrid and then classified these hybrid actors into entrenched ones and shallow ones. I also discuss the formulation of hybrid actors and the power relations between them and the government in the context of China. As organizational hybridity has become popular in global social provision, some interesting issues remain to be explored in the future: for entrenched hybrid actors in this study, to what extent can they accept to be involved in wider community (investment) activities? For shallow ones defined in this study, what degree of their regulation or supervision will facilitate PRH provision rather than complicate it? How different principles coexist in one hybrid actor? What are the challenges and benefits of hybrid actors when joining in the provision of social housing?

Third, an important issue to be studied in the future is the interaction mechanisms between PRH and the market for commercial rental housing. Relevant research questions would be: Does IH produce more units in Chinese cities with flourishing real estate markets, while it produces less in cities with declining markets? What is

the dynamic relationship between investment in PRH and the price of commercial housing? Is there a sustainable balance between both possible?

The idea of “Houses are for living in, not for speculation” introduced by President Xi in 2017 (Zhen, 2017) and the negative impact the coronavirus epidemic on the economy will possibly lead to a declining real estate market in China. Local governments will collect less revenues in such a declining market than they do in a flourishing market. It is possible that the investment of PRH from local government and real estate developers for IH programs will decrease. In this regard, the future direction of PRH governance has become unclear. The study of the factors influencing PRH provision and of how these factors change PRH governance can bring a rational basis for policy design.

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# Appendices

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# Chapter 1

TABLE APP.A.1 The Milestone policy documents on the housing security system

Date	Policy documents and issuing authorities	Objectives/implications	Housing progr.
July 1998	Circular of the State Council on further deepening the urban housing system reform and accelerating housing construction (SC [1998] No.23)	Abolishes the Welfare-based public housing system; Completes the urban housing provision system by prioritizing ECH; Provides the LRH to the lowest-income households by governments or work units	LRH
May 1999	Notice of the National Development and Reform Commission and the Ministry of Construction on issuing the measures for the management of the rents for urban Low Rental Housing (MoC [1999] No.70)	Standardizes the rent management for LRH and safeguards the basic housing rights of the urban poor	
August 2003	Circular of the State Council on promoting the continuous and healthy development of the real estate market (SC [2003] No.18)	Emphasizes the importance of the continuous and healthy development of the real estate markets; Emphasizes that the building and management of ECH should be strengthened; Emphasizes that the LRH provision system should be established and improved.	
May 2006	Notice of the State Council General Office forwarding the opinions of the Ministry of Construction and other departments on adjusting the housing supply structure and stabilizing housing prices (SC [2006] No.37)	Emphasises that local governments should take effective measures to curb the booming housing prices; Introduces CPH as a housing program with capped price and regulated housing size for low- to middle-income urban households	CPH
August 2007	Opinions of the State Council on tackling housing difficulties of urban low-income families (SC [2007] No.24)	Announces LRH erected as the premier program of the housing security system; Modifies ECH scheme	
December 2007	Administrative Measures of the Ministry of Construction, the National Development and Reform Commission, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, People's Bank of China, the State Administration of Taxation on Economic Comfortable Housing (MOHURD [2007] No.258)	Regulates the construction, provision, mechanisms for entry and exit for ECH	

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TABLE APP.A.1 The Milestone policy documents on the housing security system

Date	Policy documents and issuing authorities	Objectives/implications	Housing progr.
December 2008	Opinions of the State Council General Office on promoting steady and healthy development of real estate market (SCGO [2008] No.131)	Sets a goal to solve housing difficulties of 7.47 million low-income urban households by 2011	
June 2009	Notification of Ministry of Housing and Urban-Rural Development on the 2009–2011 development plan of Low Rental Housing (MOHURD [2009] No.91)	Sets a goal of providing 5.18 million LRH units and of distributing rental subsidies to 1.91 million households within the year 2009 to 2011; Sets detailed annual plan to solve housing difficulties of 7.47 million low-income urban households by 2011; Introduces LRH as a housing program with regulated rent for low-income urban households	LRH
January 2010	Notification of the State Council General Office on steady and healthy development of the real estate market (SCGO [2010] No.4)	Aims to meet housing needs of 15.4 million low-income urban families by 2012	
June 2010	Guiding Opinions of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, and the Ministry of Finance on accelerating the development of Public Rental Housing (MOHURD [2010] No.87)	Accelerates the development of Public Rental Housing, aims to create better living environment for migrant workers and fresh graduates who have stable jobs and stay in the cities for a certain amount of time by providing Public Rental Housing	PRH
September 2011	Guidelines of the State Council General Office on the construction and management of housing security programs (SCGO [2011] No.45)	Aims to host 20 per cent urban households based on the housing security system Public housing by 2015; Emphasizes PRH as the main housing program in the housing security system	
May 2012	Measures of the Ministry of Housing and Urban-Rural Development for the administration of Public Rental Housing (MOHURD [2012] No.11)	Provides regulations on the housing application, eligibility assessment, waiting procedure, renting, mechanisms for entry and exit for PRH	
December 2013	Notices of the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and the National Development and Reform Commission on merging Low Rental Housing with Public Rental Housing (MOHURD [2013] No.178)	Merges LRH with PRH and treats LRH as a special segment of PRH	
December 2016	Guiding Opinions of the Ministry of Housing and Urban-Rural Development and the Ministry of Finance on facilitating the work of distributing rental subsidies for the urban housing security families (MOHURD [2016] No.281)	Emphasizes the adoption of bricks and mortar subsidies and focuses on providing rental subsidies to the needy households	

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**TABLE APP.A.1** The Milestone policy documents on the housing security system

Date	Policy documents and issuing authorities	Objectives/implications	Housing progr.
May 2019	Opinions of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the Ministry of Finance, and the Ministry of Natural Resources on further regulating the development of Public Rental Housing (MOHURD [2019] No.55)	Aims to complete the real estate market and housing security system; Strives to solve the housing needs of low- to middle-income households and of the New immigrants in the cities	

Source: Author's summary based on the government documents that are available to the public and the work of Jie Chen et al. (2013)

**TABLE APP.A.2** Main policies and regulations of Chinese central government to stimulate the involvement of non-governmental resources into PRH governance since 2010

Date	Policy documents and issuing authorities	Objectives/implications
May 2012	Measures of the Ministry of Housing and Urban-Rural Development for the administration of Public Rental Housing (MOHURD [2012] No.11)	Emphasizes that government or non-governmental entities can invest in PRH
August 2014	Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Tax Policies for promoting the development of Public Rental Housing (MoF [2014] No.52)	Encourages private companies participate in PRH provision via preferential tax policies
May 2015	Notice of the Ministry of Finance, the Ministry of Land Resources, the Ministry of Housing and Urban-Rural Development and Other Departments on adopting the PPP Mode to promote the investment, construction and operation management of Public Rental Housing (MoF [2015] No.15)	Emphasizes that public and the private entities should start long-term cooperation for the building of PRH and stresses that such cooperation can improve the efficiency of resource allocation in PRH governance and improve the service provision for PRH
September 2018	Notice of the Ministry of Housing and Urban-Rural Development and the Ministry of Finance on implementing pilot programs for government's purchase operations management service of public rental housing projects (MOHURD [2018] No. 92)	Aims to improve efficiency in the provision of services and to enable social organisations' involvement in the provision of PRH management services via government procurement. The contents of such government procurement are: entry and exit management, rent collection, dwelling and environment maintenance, and tenants' satisfaction measurement
May 2019	Opinions of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the Ministry of Finance, and the Ministry of Natural Resources on further standardizing the development of Public Rental Housing (MOHURD [2019] No.55)	Aims to gradually promote the government procurement of PRH management services, and attracts enterprises and other institutions to participate in PRH operation and management.

Note: Abbreviations in the table: MOHURD: Ministry of Housing and Urban-Rural Development, NDRC: National Development and Reform Commission, MoF: Ministry of Finance, MLR: Ministry of Land and Resources, PBC: People's Bank of China, SAT: State Administration of Taxation, CBRC: China Banking Regulatory Commission.

Source: Author's summary based on the government documents that are available to the public

# Chapter 2

TABLE APP.B.1 30 entities involved in the PRH provision of Chongqing and Fuzhou

Cities	Entities	
Chongqing	Governmental department	Municipal Land Resources and Housing Authority of Chongqing
		Urban and Rural Construction Committee of Chongqing
		The Bureau of Finance of Chongqing
		The Bureau of Urban Planning of Chongqing
		The Bureau of Public Rental Housing of Chongqing
		Development and Reform Commission of Chongqing
		Caijiagang Sub-district Office
		Land Resources and Housing Authority of Chongqing at district level
		Public Housing management Centre in PRH project
	Investment organization	Chongqing City Real Estate Group Co., Ltd.
	Constructor	In color twelve Metallurgical Construction Co., Ltd.
Property Management Company	Guomao Property Management Co., Ltd.	
Bank*		
Residents' committee	Liangjiang Minju South Residents' committee	
Fuzhou	Governmental department	The Bureau of the Housing Administration of Fuzhou
		Municipal Bureau of Civil Affairs of Fuzhou
		The Bureau of Finance of Fuzhou
		The Bureau of Urban Planning of Fuzhou
		Development and Reform Commission of Fuzhou
		Municipal Land Resources of Fuzhou
		Urban and Rural Construction Committee of Fuzhou
		The bureau of the housing administration of Fuzhou at district level
		Bureau of Civil Affairs of Fuzhou at district level
		Shangdu Sub-district Office
		Operating Company in State-owned real estate management centre of Fuzhou
	Investment organization	Fuzhou Construction and Development Co., Ltd.
	Constructor	Fujian Construction Engineering (Group) Co., Ltd.
	Property Management Company	Fuzhou <i>Yongxinshun</i> Property Management Company
	Real Estate Company*	
Residents' committee	Shangdu Residents' committee	

\* The interviewees do not want to include their organization names in this study.

# Chapter 3

TABLE APP.C.1 The summary of the samples

ID	Actors		Responsibilities and tasks
<b>Chongqing</b>			
CQ-1	Governmental department	Municipal Land Resources and Housing Authority of Chongqing (Competent authority)	Make policies Plan the land distribution and finance strategies Supervise the whole process
CQ-2		Urban and Rural Construction Committee of Chongqing	Supervise the construction process Check the dwelling quality
CQ-3		The Bureau of Finance of Chongqing	Formulate the finance plan and allocate the tax revenue for 30% of the investment for PRH projects
CQ-4		The Bureau of Urban Planning of Chongqing	Planning
CQ-5		The Bureau of Public Rental Housing of Chongqing	Subordinating to CQ-1 Allocate PRH units through an online lottery system Select property management companies by bidding procedures
CQ-6		Development and Reform Commission of Chongqing	Evaluate the feasibility of PRH projects (with special attention to the urban planning and financial plan)
CQ-7		Caijiagang Sub-district Office	Application approval and registration Manage the PRH neighbourhood by supervising CQ-8
CQ-9		Land Resources and Housing Authority of Chongqing at district level	Competent authority at district level
CQ-10		Public Housing management Centre in PRH project	Collect rents Manage the PRH neighbourhood
CQ-8		Residents' committee	Liangjiang Mingju Residents' committee
CQ-11	Investment organisation	Chongqing City Real Estate Group Co., Ltd.	Own PRH units Provide 70% of the investment Take charge of developing, hiring constructors, and maintaining dwellings
CQ-14	Constructor	In Colour twelve Metallurgical Construction Co., Ltd.	Construction
CQ-15	Property Management Company	Guomao Property Management Co., Ltd.	Manage the dwellings and the surrounding environment

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TABLE APP.C.1 The summary of the samples

ID	Actors		Responsibilities and tasks
CQ-16	Bank*		Provide loans to investment organisations during the construction
CQ-17	Hongguanxia Property Management Alliance		Provide services to tenants and manage the neighbourhood
<b>Fuzhou</b>			
FZ-1	Governmental department	The Bureau of the Housing Administration of Fuzhou (Competent authority)	Similar to CQ-1
FZ-2		Municipal Bureau of Civil Affairs of Fuzhou	Collect and check applicants' information for housing allocation (to see if they are suitable for applying PRH)
FZ-3		The Bureau of Finance of Fuzhou	Formulate the finance plan and invest in PRH projects
FZ-4		The Bureau of Urban Planning of Fuzhou	Urban planning
FZ-5		Development and Reform Commission of Fuzhou	Similar to CQ-6
FZ-6		Municipal Land Resources of Fuzhou	Land distribution
FZ-7		Urban and Rural Construction Committee of Fuzhou	Similar to CQ-2
FZ-8		The bureau of the housing administration of Fuzhou at district level	Recheck the applications collected by FZ-10
FZ-9		Bureau of Civil Affairs of Fuzhou at district level	Check the financial status of applicants (to make sure they meet the criteria for applying PRH)
FZ-11		Operating Company in State-owned real estate management centre of Fuzhou	Own PRH units Inspect the housing quality Allocate housing through an online lottery system Select property management companies by bidding
FZ-10		Shangdu Sub-district Office**	Similar to CQ-8
FZ-12	Investment organisation	Fuzhou Construction and Development Co., Ltd.	Take charge of developing, hiring constructors, and maintaining dwellings
FZ-14	Constructor	Fujian Construction Engineering (Group) Co., Ltd.	Construction
FZ-15	Property Management Company	Fuzhou Yongxinshun Property Management Company	Similar to CQ-15
FZ-16	Real estate company*		Take charge of developing PRH units in their commercial projects and hiring constructors to construct PRH

\* The interviewees do not want to include their organisation names in this study.

\*\* The staff of Shangdu Sub-district Office and staff of Residents' committee in that area work closely with each other, and they share the same work place. Some staff even work for both entities: Sub-district Office and Residents' committee. Thus, in Fuzhou, we only conducted the interview with one representative from Shangdu Sub-district Office, as the other staff (from the two entities) refused to cooperate and said 'it is not useful to do the interview twice'. This can be also regarded as an evidence that Residents' committee is an entrenched hybrid actor.

# Chapter 4

TABLE APP.D.1 The governance outcome dimensions from PRH tenants' perceptions

Dimensions	Questions for PRH-tenants (variables)	
Housing quantity satisfaction	Are you satisfied with	Options to apply (the location and number of housing available for application) Waiting time (the time of tenants before being assigned a PRH unit)
Housing quality satisfaction	Are you satisfied with	Housing condition (actual living condition) Accessibility to public transportation, community and shopping facilities, etc. Dwelling size Maintenance and service (of housing units and the surrounding environment) Quality of the neighbourhood environment (feeling of attachment, safety and security)
Willingness to communicate with the government (the street-level government)	When you have questions or suggestions, do you want to communicate with the government?	

# Curriculum vitae

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Juan Yan was born in Anshun, a small city in the southwest of China, on 21<sup>st</sup> January, 1989. She has high school education at the Anshun Second Senior High School, between 2004 and 2008. In 2012, she obtained her bachelor's degree in Landscape Architecture, with Outstanding Graduates of Tongji University Honor, from Tongji University in Shanghai. After that, she obtained the master's degree in Design, with Outstanding Graduates of Shanghai Honor, also in Tongji University. During her master study, she went for an exchange program in Technische Universität Berlin in Germany for six months. She started her PhD in 2015 in the Netherlands at Delft University of Technology, where she has been working on the topic of Chinese Public Rental Housing Governance. With the PhD project, Juan has co-authored several journal articles and working papers.

## List of published articles contained in this dissertation

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- Yan, J., Haffner, M. E. A., & Elsinga, M. G. (2019). The changing logics in Chinese Public Rental Housing Governance. *under review*
- Yan, J., Haffner, M. E. A., & Elsinga, M. G. (2020). Embracing market and civic actor participation in public rental housing governance: New insights about power distribution. *Accepted by Housing Studies*
- Yan, J., Haffner, M. E. A., & Elsinga, M. G. (2020). Does Public Rental Housing Governance Work? Tenants' perspective from the pilot city Chongqing, China. *under review*
- Yan, J., Haffner, M. E. A., & Elsinga, M. G. (2020). Inclusionary housing: an evaluation of a new Public Rental Housing governance instrument in China. *under review*

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- Dai, T., Zhuang, T., Yan, J., & Zhang, T. (2018). From landscape to mindscape: Spatial narration of touristic Amsterdam. *Sustainability*, 10(8), 2623.
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- Dai, T., Zheng, X., & Yan, J., Contradictory or aligned? The nexus between authenticity in heritage conservation and heritage tourism, and its impact on satisfaction. *Habitat International*, 107, 102307.





21#01

# Public Rental Housing Governance in Urban China

Essence, Mechanisms and Measurement

Juan Yan

Recently, Chinese Public Rental Housing (PRH) provision has witnessed a shift from 'government' to 'governance': policy making shifted from government steering to mixed forms involving government, market and civic actors to pursue effective and fair policies. In the meantime, this new-era PRH governance is credited with mixed results. However, the existing studies fail to describe the mechanisms underlying this new-era governance of PRH with the rising involvement of market actors and those in civil society and whether the new-era governance is considered to be effective, achieving the objective of stability. Therefore, this PhD research aims to fill the two research gaps through building a better understanding of the PRH governance in the current Chinese context and evaluating PRH governance. To fulfil this aim, this dissertation is underpinned by a theoretical foundation from the governance perspective and adopts a mixed-method approach with quantitative and qualitative data in the study of Chinese PRH provision. The dissertation reveals the essence of the current Chinese PRH governance by bringing forth a governance model and shows the structures and mechanisms for non-governmental actors to play a role in the governance of PRH. The dissertation also shows the perceived governance outcomes from tenants' perspective and demonstrates two main governance challenges of Inclusionary Housing, a newly introduced instrument adopted in the Chinese PRH governance. Based on the results, this PhD research theoretically and empirically contributes to the housing governance literature.

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