

Analyzing the Differences of Government Intervention Policies for the Public Housing Systems of Hong Kong and Singapore

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Abstract: Government intervention has different effects on different economies. This paper will introduce the background and development process of government intervention in housing policies in Hong Kong and Singapore. Since the public housing policies in both places are implemented with government intervention, this study mainly analyzes the differences in the development of public housing systems and the role of government intervention in them from the perspective of social development. The conclusion of this paper makes it clear that the market intervention led by the government of Singapore makes the establishment and implementation of the public housing system in Singapore more seamless than that in Hong Kong, but this does not mean that Hong Kong should adopt the implementation strategy of Singapore, and the housing system should be viewed from the broad social development background. The Hong Kong government "positive non-intervention" created by the development of market economy. Which is unable to support the implementation of a public housing program with the same level of coverage as Singapore, resulting in different government interventions and vastly different housing policies.

Keywords: Hong Kong; Singapore; Public Housing System; Government Intervention; Social Development.

1. Introduction

One of the first Asian cities to flourish was Singapore, and it shares many characteristics with Hong Kong [1]. Both have significant shipping ports, both underwent British colonization, and both are significant financial hubs. Despite the fact that supporting economic development was a common justification for launching massive public housing programs, housing development has taken very different paths in two of the most developed and globally significant economies in the Asian region. However, both are directly planned and developed by the government, using public resources to meet development needs and aspirations in the early stages of economic development. Singapore strives for owner-occupied housing, while Hong Kong concentrates on rental housing. Some researchers argue that Singapore and Hong Kong maintain their public housing policies of so-called asset welfare and security policies because of the differences in their political environments and social needs between the two cities. While Hong Kong is undergoing a process of transformation to preserve the colonial government and administrative autonomy, Singapore is building new states and political parties. Several studies have compared the economic development of Hong Kong and Singapore to that of public housing, coming to the conclusion that while public housing is frequently seen as being in opposition to economic development, public housing policies in both cities are an essential part of that development and that public housing is closely related to social, political, and economic changes in both cities[2]. Some academics have also examined housing policies in various Asian countries and regions, including Singapore and Hong Kong, as they have evolved in response to changes in their respective social contexts. However, in view of the fact that the public housing policies of the two places are implemented under the intervention of the government, and public housing is a very important part of the economic development of the two places, previous studies

have not studied the differences in the development of public housing systems, which is a very important part of the economic development, from the perspective of government intervention. This policy's "positive non-intervention" stance, which Hong Kong has been pursuing and which primarily permits the market economy's development and turns Hong Kong into a free port for the market economy, is a key component. However, the hollow market that results from this stance renders the government's implementation of the public housing system ineffective. As for Singapore, which upholds Asian values, its market economy and public housing system are actively intervening in guiding the upgrading of Singapore's industries while also providing guaranteed housing to Singapore residents. Comparison through the perspective of government intervention in both places, this essay investigates the causes of the different public housing policy [3].

Hong Kong is the least affordable and most expensive property market in the world, with a median multiple of 18.8, according to the 2023 Demographia International Property Affordability Survey, expanding the gap with 93 major housing markets in eight other nations. Nevertheless, Singapore appears to provide its citizens with better housing options, with a median multiple of just 5.3. The United Nations (UN) and the World Bank advocate using the median multiple, commonly referred to as the housing affordability multiple, to compare housing affordability and housing markets. It simply means the proportion of a person's overall income to the price of their home in the housing market. According to Rognlie, "revisiting these regulations and increasing the supply of housing is a natural first step in combating the growing role of housing wealth." With an 88% homeownership rate in 2020, Singapore has already surpassed this goal. Additionally, this official housing affordability target is distinct from others in the markets that international housing affordability demographics covers. Only 50% of households in Hong Kong own a home, which is a

substantially smaller percentage than in Singapore [4]. Both locations have long been implementing a public housing policy to reduce housing pressure. In order to provide the general public with affordable homes, the PAP government formed the Housing Development Board of Singapore as a statutory agency in 1960. Since 1954, Hong Kong's public housing policy has been either security-based or rental-led, despite sporadic attempts by the government to expand the percentage of Home Ownership Scheme (HOS) flats or switch to an asset-based or HOS-led approach. The history of the two public housing plans' execution will then be covered, and the causes for their differences will be examined.

2. Singapore Public Housing

"Unsanitary slums and overcrowded squatter settlements" were used to describe Singapore's housing status in the early 1960s [5]. The Housing and Development Board (HDB) was created to solve this issue, and in its report, the Board stated that one of its goals was to promote proletarian democracy in Singapore by enabling lower- and middle-class Singaporeans to own their own homes. The groundwork for social stability and state creation is built through raising people's levels of self-sufficiency, addressing the housing crisis, eradicating poverty, avoiding political upheaval, and attaining racial and cultural unity. The HDB started selling condos with 99-year leases in 1964 instead of renting out homes. After Singaporeans were permitted to use the Central Provident Fund (CPF) to finance public housing mortgages in 1968, the trend toward 99-year leasehold home ownership gained considerable hope. The social security savings requirement known as provident funds is tax-free. Employers contribute an equal amount to the fund each month, and employees contribute a portion of their monthly salaries. With this feature, a closed loop is established for the financial transaction of owning public housing: each month, the homeowner's mandated savings are sent to the CPF, which subsequently makes monthly mortgage payments to the homeowner's HDB property on their behalf. Homeownership has no impact on the homeowner's present level of spending because monthly savings typically surpass monthly mortgage payments, particularly in two-income households. A 99-year lease on a HDB apartment was "owned" by roughly 76.5% of Singaporeans and permanent residents by the end of the 1990s [6].

3. HONGKONG Public Housing

When a fire broke out on Christmas Eve in the Shek Kip Mei squatter neighborhood, displacing more than 50,000 people over the course of the night, public housing in Hong Kong was established. The idea of "public housing" was created since the government was required to provide them with housing and care [7]. To temporarily rehouse the victims who were homeless, the government swiftly constructed a number of two-story bungalows on the same location in 1954. The government provided funding for the building's multi-story construction, and also established the position of Resettlement Commissioner to supervise the project. The first phase, which was defined by "low rent" and focused on "emergency," is considered to have lasted from 1952 until 1973. To provide shelter for disaster victims and extremely low-income households, the SAR government constructed a significant number of "resettlement buildings" and "low-cost housing". The "planned construction of public housing" was

the second phase. The Housing Authority was established between 1973 and 1977 in order to implement the public housing program in Hong Kong, plan and construct public housing, and introduce the Ten-Year Plan. The Home Ownership Scheme and the Long Term Housing Development Strategy, which featured both rental and sales, marked the beginning of the third phase in 1978. In order to maintain the supply of public rental housing, a combination of Housing Authority construction and private sector involvement in HOS construction was adopted. On the other hand, HOS flats were sold at concessionary discounted prices (typically around 50% of the market price) in order to help qualified low and middle income families and public housing tenants buy their own homes. However, a dearth of available land has limited homeownership rates [8]. Typically, this restraint is linked to the Second Special Administrative Region government's market-based land supply and land formation policies. The government, as the sole landowner and provider of new land for the city, stopped new land creation in the early to mid-2000s to prevent further stress on the already-fragile real estate market. Even though Hong Kong has a lower percentage of owner-occupied homes than Singapore does, the government's engagement in public housing policy has still improved many people's living situations. According to a survey, respondents from all tenure categories agree that public housing has positively impacted social equality in Hong Kong, and many of them are in favor of the sector's expansion and increased accessibility.

4. Comparison and Analysis

Scholars have proposed a model of governmental regulation that categorizes it into four ideal varieties, including interventionist governance, regulatory autonomy, cooperative governance, and private autonomy, based on various definitions of layered intervention and market contribution. In terms of public-private partnerships, interventionist governance, a highly rule-of-law type of governance, is relatively uncommon, but its importance in social governance cannot be understated. The government's essential role in formulating policies and making decisions exemplifies its unrivaled supremacy in determining the course of society[9]. Public and private players have comparatively less influence and role in decision-making. Public and private actors are perceived as being in a hierarchical relationship in which the state intervenes "from above" in society through intricate and legally enforceable command and control systems. In addition to owning the land, the governments of Singapore and Hong Kong also established the necessary organizations to construct public housing and establish the requirements for applications. This viewpoint implies that there is no doubt that government intervention controls the public housing systems in Singapore and Hong Kong[10]

In terms of political incentive to maintain social stability and in terms of boosting government legitimacy, the two regions share common goals in executing public housing policy. After two significant social upheavals in the middle of the 1960s, MacLehose's radical reforms in the 1970s in social assistance and compulsory education, as well as his ambitious 10-year housing plan for public housing construction, can be seen as a strategy to reestablish political legitimacy and to prepare Hong Kong for future negotiations. In addition to implementing education reforms and a more ambitious housing program after Hong Kong's return to China in 1997,

Tung Chee-hwa did this against a backdrop of widespread skepticism regarding Hong Kong's capacity for governance and its political independence from Beijing. To raise the political profile of the new SAR government, it is planned to build 85,000 flats annually, of which 25,000 will be public rental units [11]. The Chief Executive of Hong Kong is chosen in a very weak election that is heavily influenced by Beijing. The political system is only partially open, and there is hardly any competition for elected office. The majority of legislators are chosen through universal suffrage, nonetheless. Thus, political parties must participate in the rivalry over shared consumer goods, which is a crucial political arena. Public housing appears to be a highly practical and powerful political tool in these fights. As to Singapore, since taking office, the PAP administration has considered ensuring that everyone has access to public housing a practical and necessary measure to maintain the social order, which is viewed as essential to both political stability and economic progress. Like economic growth, the PAP administration views continuous support for public housing as one of the pillars of its legitimacy in office. In terms of ideology, it was classified as a particular, local notion of "pragmatism," which was somewhat historically and physically imposed on the PAP by the country's economic and geopolitical circumstances in the early 1960s. Other social scientists have praised Singapore's stringent social discipline as a role model for social development due to its requirement to uphold political stability in the name of economic prosperity [12].

According to the broad consensus in economics, a perfect market mechanism is one that has a flexible stimulus-feedback effect that enables the country's economy to seek balance and growth through self-regulation. Nevertheless, they also think that because the market system is flawed and has flaws and issues (for instance, in the national economy, some products are given by the government as public goods rather than the market), government intervention and even management are necessary. Even if the role of government in industry is not typically acknowledged in classical economics, intervention and direction from the government can undoubtedly benefit economy and industrial system in transition [13]. The market environment with a high degree of free competition since the 1980s has resulted in significant changes in Hong Kong's economic structure. Large-scale manufacturing industry relocations have taken place, and the tertiary sector—represented by banking, finance, and insurance—has expanded significantly. However, the economic growth is still insufficient. As a result of the Hong Kong government's positive non-intervention stance, which has left it powerless to take any action, Hong Kong industry has fallen behind the other three little dragons. Singapore is renowned for its extensive government intervention in every facet of society. To offer the economic change some direction and purpose, the Singaporean government has developed extremely specific policies and development measures during the industrial and structural revolution. In the end, Singapore successfully transformed its economy and industry, accomplished heavy industrialization, and made significant advances in science and technology. The government's involvement led to these successes [14].

Government is one of the fundamental factors of innovation capacity, even though its function and amount of participation in innovation are debatable. In the current setting of globalization, innovation has emerged as a significant force in propelling societal growth. Government

engagement is essential for fostering knowledge creation and innovation since market systems alone often struggle to offer the right incentives and support. The findings of a study that used Singapore and Hong Kong as case studies to examine the various manifestations of government intervention in the growth of innovation reveal that the Singaporean government, which is thought to pursue a directive function, has been actively implementing a range of strategies. The formation of R&D coordination and funding organizations, large R&D budgets, a variety of STI programs, can all be used as proof. Only 1% of Hong Kong's R&D expenditure, or less than one-tenth of Singapore's, went to the industrial sector in 2012. Hong Kong's manufacturing sector's lack of innovative activity can partially be attributed to the government's inadequate support for industrial innovation. Strong government involvement in Singapore has also resulted in more coordinated R&D efforts, which have led to a high concentration of innovation activity in a few key areas, indicating that Singapore's innovation is more top-down and directed by the government. Contrarily, despite the Hong Kong government's thorough selection of a number of development priority areas, patents have shown to be becoming more dispersed, indicating that the funding agency's objectives are not matching the needs of industry.

In terms of economic structure and industrial modernization, the governments of Hong Kong and Singapore do not intervene in the same manner, but for public housing supply—a crucial component of both economic growth and social stability—both places are enhancing the local housing market through government-led intervention. The way and results of interventions in public housing, have been highly different in the two regions since the industrial structures of the two regions have developed in very distinct ways [15].

The accessibility of inexpensive land is a necessary prerequisite for a successful public housing policy. The proposal has a limited chance of success if the state must purchase land at market rates. Thus, legally forced land acquisition for "national development," which includes state-aided land purchase for significant private development, is a crucial component of the Singapore program. The incorporation of private development could really result in an uneven application of land acquisition regulations and their implications. Ideologically, the embryonic state backed the creation of public housing as a sign of its dedication to enhancing the material circumstances of newly enfranchised Singaporeans. In order to give the Singaporean government the ability to purchase private land for public uses, the Land Acquisition Ordinance was originally passed in 1920. The Land Acquisition Act of 1966 gave the government and its agencies, including HDB, the right to compulsorily acquire any private land at a price significantly below the private land market after Singapore attained full independence in 1965. The Act has shown to be a very effective tool in Singapore's development of public housing. The government views land policy as a potent tool for redistributing resources and prosperity among society's members. Due to this significant policy intervention in 1968, the housing finance system, which receives enough funding from government taxes and the CPF for the creation of public housing, has been a substantial government initiative that has been successful. Both employers and employees are required to contribute a certain amount of each employee's monthly wage to the CPF. With repayment terms of up to 25 years, HDB provides loans

to individuals at the lowest interest rates to assist them in purchasing a house. In line with the "asset-based welfare model," the state provides subsidies to encourage people to amass assets over time. Singapore's public housing program aims to create a society where everyone owns a home, thus it's more than just a social welfare initiative. In cases where it is economically possible, the government is also using this to gain support from citizens politically by balancing the supply and demand for housing. To successfully develop and maintain public housing project of this size, the HDB needs both strong institutional commitment and political support. The HOS has been a true success thanks to the HDB's broad legislative authority and the significant financial, land, and human resources dedicated to the public housing program. Singapore places a lot of emphasis on its efficient public housing plan, which includes mandatory savings as a savings payer, state land ownership, and an effective state housing provisioning capability. However, if not handled properly, Singapore's enormous success in providing public housing could quickly lead to widespread inefficiencies and corruption. As a result, before the Singapore experience can be applied to other nations, there needs to be a successful comparison between local politics and the social context, paying special attention to the housing finance system, land acquisition policies, political commitment, and an effective administrative system [16].

The Hong Kong government, in contrast, offers very little assistance for financing property ownership, primarily in the form of interest-free down payment loans. However, Hong Kong's Mandatory Provident Fund (MPF) program does not permit the financing of home loans, in contrast to Singapore's CPF. In addition, whereas it is not the case in Singapore, the impact of unemployment on housing prices in Hong Kong is enormous, reaching a level of 10%. The disparities between the two nations' separate housing finance systems can be used to explain this. The Singapore Provident Fund can be used to pay down mortgages for Singaporeans who are momentarily out of work. The Hong Kong MPF system cannot achieve the same goal, i.e., to lessen the effects of unemployment and thereby avoid mortgage default.

In the early phases of economic development, government non-intervention is particularly helpful in preserving a free and fair competitive environment, according to the fundamental theory of microeconomics. However, after a period of development, big consortia gradually emerge in some industries in accordance with the law of survival of the fittest, and if the government does not properly intervene, a monopoly will establish. The Hong Kong SAR government directly controls the supply of land in new cities through land auctions, typically for huge areas of land. This land arrangement has enabled the growth of a monopolistic real estate business after decades of operation, where four to six huge companies have long controlled the sector. These monopolistic consortia's rise has damaged the free market's climate for competition. Throughout the colonial and post-colonial periods, Hong Kong's public finances have always been focused on maximizing land development revenue. The government's reliance on land development revenue must also be weighed against the dominance of a few significant property developers, whose commercial interests span a wide range of critical economic sectors, including retail, public transportation, and telecommunications. A significant public outcry against the real estate monopoly has started to be sparked by this close link between the government and real

estate developers. For instance, a recent survey revealed that 85% of participants had heard the term "land hegemony" in reference to the dominance of large developers, and 73% thought that this dominance was a serious issue. Former Governor Chris Patten acknowledges in his book about Hong Kong that the housing crisis was the biggest setback for the British Hong Kong administration. The following line from the memoir demonstrates the dominating force of strong developers: The impending transition period limits our ability to implement radical liberal-style remedies. Any explicitly circumscribed involvement in the government's monopoly of the real estate market situation at this delicate time would deal a severe damage to market confidence. However, these practices are preferred by Hong Kong's property moguls, who can benefit greatly as a result. Even now due to significant opposition from developers and property owners, the SAR Government's attempt to enact a new housing policy to reduce the high property prices by expanding land availability ended in political disaster. While ensuring the stability of the housing market, the government must increase revenue. The issue of how far the government can take land revenue maximization without compromising its defense of the public interest arises. Hong Kong has chosen a positive non-interventionist policy as a result of its economic extroversion and political dependency. The fact that Hong Kong has been regarded as a free port and the market with the greatest degree of freedom for many years is also a result of this approach. But we must equally acknowledge that the free market has only ever existed in theory and that there has never been an entirely free market. The political climate always forces governments to choose between openness and protection due to the complexity of the global economic environment. Total freedom is obviously unworkable in this circumstance. Indeed, the growth and evolution of industries require government intervention. The Hong Kong government has long adopted a proactive non-interventionist strategy, which is what has caused the economy's fragility. The active non-interventionist policy that established this market also forbids Hong Kong from having a public housing system that is as effective and robust as Singapore's [17].

5. Conclusion

This paper makes it clear that Singapore's government's dominant market intervention has made the establishment and implementation of the public housing system there more seamless than in Hong Kong, but it does not follow that Hong Kong should adopt Singapore's implementation strategy. Although Hong Kong's performance in the housing system is already regarded as an active intervention, the housing market is a crucial component of social development and one of the city's main economic drivers. The implementation of a public housing program with the same level of coverage as Singapore cannot be supported by a non-independent market created by the Hong Kong Government's active non-intervention in the development of market economy. Public housing cannot be isolated and judged as excellent or poor since it plays a significant role in social development; rather, it must be viewed in the broader context of social development. In terms of how well a model of government fits into a certain government policy and society, it is challenging to describe a flawless model of governance. The public housing system was put into place as a result of two quite distinct social development processes. The housing market now serves as a major source of support for Hong

Kong society. Hong Kong is currently dealing with several new social development challenges, such as the shortage of innovative companies and the tightening of labor resources as a result of population exodus, while Singapore has a large number of innovative companies opting to develop and list there. Perhaps the Government would be able to afford to construct a better public housing system if Hong Kong's economic development dynamics become more diversified and less reliant on real estate resources. Real estate is extremely vulnerable to shocks in the global economic market in the current period of globalization, so it is crucial to keep the real estate market stable. To provide citizens with a balanced housing choice and, in the long run, to lessen the dependency of economic growth on the real estate market, the new housing policy must be inventive and more impartial. This paper contends that the intervention policies discovered in the public housing system that the Hong Kong government wants to balance in the face of challenges moving forward in various areas of social development do not lie in whether the policies themselves are not scientifically rigorous enough or the strategies adopted by the government. To actually make home ownership a reality, a long-term guiding policy framework is required. Develop industrial policies on the basis of adequate research; adjust government institutions and enhance macro service capacity, etc. The industrial upgrading of the whole society will also give the government more freedom to implement good public housing policies.

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