

# **A Comparative Study of Social Housing Privatisation in the UK and China**

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## Abstract

This thesis aims to compare and explore the convergent and divergent trends of social housing privatisation in the UK and China. Western economies are the mainstream of the discussion of housing theories, and Asian countries are excluded from this discussion. However, neoliberalism and global trends have brought recent changes and have also widely restructured interactions among the state, the market, and local governments, leading to dynamics and variations in the social housing sector and challenging existing comparative housing theories. This thesis fills the gap to provide new evidence to propose a comparative housing framework based on the UK and Chinese cases, by comparing and conceptualising three forms of social housing privatisation. Against this background, the qualitative research method is employed by establishing a method of analysis for systematically examining official documents and building a methodological foundation for qualitative in-depth interviews with stakeholders in the social housing sector. Additionally, the case study design is employed as the foundational comparison of social housing in the two countries and sub-cases (Greater Manchester in the UK and Hangzhou in China) are adopted. The findings show that social housing privatisation in Greater Manchester and Hangzhou has been directed towards the convergent trend in general, but both are failures in the social housing sector. A large-scale authority-owned housing has been privatised. Housing associations in the UK and City Construction Companies are given more freedom to seek a wider type of private finance and profit-making activities. Social housing privatisation shows convergency in contracting out the maintenance and management services of social housing to private property management companies. Despite ideological differences, local authorities tacitly endorse and encourage privatisation, resulting in a vague stance of supporting social housing as being 'the financial asset', ultimately leading to the privatisation failure and the 'demise' of social housing. This thesis theoretically and empirically contributes to redeveloping existing comparative housing theories and providing new data at the city-region level.

# **Declaration**

I, Yiqian Wang, declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

Yiqian Wang  
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## List of Abbreviations

ALMO	Arms-Length Management Organisation
CCC	City Construction Company
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DLO	Direct Labour Organisation
DLUHC	Department for Levelling Up, Housing and Communities
EAH	Economically Affordable Housing
GDP	Gross Domestic Product
GCA	Greater London Authority
GM	Greater Manchester
GMCA	Greater Manchester Combined Authority
GMHP	Greater Manchester Housing Provider
HA	Housing Association
HAG	Housing Action Grant
HCA	Housing & Communities Agency
HIF	Housing Investment Fund
HRA	Housing Revenue Account
LA	Local Authority
LHC	Local Housing Company
LIP	Local Investment Plan
L&Q	London & Quadrant
LSVT	Large Scale Voluntary Transfer
MHUD	Ministry of Housing and Urban-Rural Development

NFA	National Federation of ALMOs
NHF	National Housing Federation
NPM	New Public Management
PFI	Private Finance Initiative
PPMC	Private Property Management Company
PPP	Private-Public Partnership
PRS	Private Rental Sector
RSH	Regulator of Social Housing
RTB	Right to Buy
S106	Section 106

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# Chapter 1: Introduction

## 1.1 Introduction

This thesis is designed to explore the history and nature of the privatisation of social housing within a comparative framework, contrasting the experiences of Hangzhou in China and Greater Manchester in the UK. The world has been experiencing unprecedented economic, social, and political changes over decades. At the same time, neoliberalism and global trends have brought recent changes and have also widely restructured interactions among the state, the market, and local governments, leading to dynamics and variations in the social housing sector with a series of land and financial reforms in many countries. Social housing systems in China and the UK have been subject to sustained Neoliberal policies of privatisation and this has seen the nature of social housing shift and change in each country. These changes have attracted much academic attention in comparative housing research (e.g., Kemeny and Lowe, 1998; Hoekstra, 2003; Heijden, 2013; Malpass, 2014; Zhang et al., 2017; Ruonavaara, 2020; Stephens, 2020). Although there are some comparably contextual problems with respect to international comparative study, research on the comparative study of the privatisation process of social housing can be conducted to draw some lessons for privatised practices within the wider contexts. There might be challenges to capturing contemporary housing systems within different ideological contexts, but it creates opportunities to redevelop the theoretical and empirical implications of new comparative housing studies, providing insight into the restructuring of social housing through different forms of privatisation among governments, markets and other actors embedded in the broader contexts.

In light of this, the research aims to explore conceptualisations of social housing privatisation based on existing comparative housing theories. This introductory chapter sets the scene for this research, providing the background of social housing in the UK and China. The definition of social housing, the research aims, objectives and questions are discussed, following the significance of the study.

## 1.2 The Definition of Social Housing

There are some critical challenges for comparative studies of social housing, one of the most important is its terminology. The definition of social housing varies from country to country, and it often refers to a form of housing tenure in which the property is rented or owned at below-market levels. In many advanced industrialised countries, social housing is often defined as renting at below-market levels, provided by local authorities (LAs) or non-profit organisations to people who are in housing need (Tunstall and Pleace, 2018). In the UK, the term social housing will encompass rented housing units at below market prices, where these are made available to people whose needs are not satisfied by the mainstream commercial housing markets (Houses of Common, 2024).

In China, social housing is also called ‘indemnificatory housing (Baozhang Zhufang)’, and the forms of social housing vary. Social housing is a broad definition. In this thesis, social housing is defined as renting at below-market-price levels provided by local governments and targeting low-income households and other vulnerable groups who meet the eligibility criteria (Fang et al., 2019). No matter which forms of social housing are provided by the state or non-profit organisations, the common core of social housing in the UK and China is provided by LAs or some housing organisations.

## 1.3 Research Background

In the 1970s, social housing accounted for almost one-third of England’s housing stock (Pawson, 2006) (Devolved administrations in Scotland and Wales have different social housing policies). Since then, the sales to sitting tenants through the Right to Buy (RTB) and demolitions have exceeded new construction units, this sector has reduced. Social housing has subsequently been undergoing profound restructuring. Some of the impetus of this restructuring process was driven by the privatisation agendas of the Thatcher Government of the 1980s and 1990s, and the pace of reforms was accelerated under the post-Labour Governments (all of the impetus came from Thatcherism, although it was accelerated by later Conservative governments and the 1997-2010 Labour governments did not reverse many of the changes around privatisation made by Thatcherism) (Pawson, 2006). In spite of its continuing decline in the social housing sector, it still accounted for almost one-fifth of all homes in 2005. After that, the number of new social housing units increased due to a

substantial influx of new capital investment in repairing and updating existing housing stock through Large Scale Voluntary Transfer (LSVT), and Section 106 (S106). The reinvigorating RTB in 2010, however, has brought the decline of social housing stock. For example, in England, the proportion of households occupied by social renters decreased from the share of 19.5 percent of households in 2000 to a share of 16.4 percent of households in 2023 (MHCLG, 2024).

Since then, the UK has been suffering from a long-term, systematic undersupply of social housing. Policies and practices have not brought about the revival of social housing (In fact, no one has been trying to do that). For every four households in social housing, there is one on a local housing register (MHCLG, 2021-22). There are currently 1.2m households on waiting lists in England alone, but it is found that the unmet housing demand is far higher (Rosser and Petty, 2023). There is currently a backlog of housing needs of 4.2 million households across the UK (NHF, 2021). There are 2.2 million households in England that do not have social housing homes, and the rest number of households live in the privately rented sector and temporary accommodation, and approximately 309,000 people are experiencing wider homelessness (Shelter, 2023). The social housing sector has kept a small size, despite considerable newly built homes efforts. Over several decades, approximately 4.5 million social homes have been constructed but gains in newly built homes are largely offset by sales of existing social housing, particularly through RTB, and the estimated 90,000-150,000 new homes are needed annually (Regulator of Social Housing, 2023).

In the first half of the 20<sup>th</sup> century or even during its post-war period, LAs were the main providers of new social home supply, but that contribution drops to 1% today (Rosser and Petty, 2023). HAs have become the main providers of social housing, and the rest comes from private enterprises. Private capital, particularly institutional investment, is influencing new social housing supply in a variety of ways even though at a small scale. Private investors are seeking diversified ways to invest an estimated £4 billion into the housing sector, comprising 10% of investment in rental housing, and they are also becoming registered providers and establishing partnerships with other stakeholders for growth (Rosser and Petty, 2023).

Even though the supply of social housing has dropped as private sectors do not build and rent new social housing units, only HAs provide new housing units and most of them are affordable housing. However, the privatised practices, such as the sale of social housing units from LAs to sitting tenants through the RTB, and more market-oriented activities in the social

housing sector, without sufficient ‘one for one’ replacement, all of which have led to the general fall of social housing and even the housing crisis now. Social housing rose and fell in scale and importance for half a century. As a part of wider housing policy, social housing has made significant contributions to social progress in the UK (Tunstall, 2021). Thus, the rise and fall of social housing over decades through its privatisation process shall bring a new understanding of its restructuring, and policy implications for further research. However, it is worth mentioning that devolved administrations in Scotland, Wales and North Ireland have different social housing policies, thus, this thesis mainly focuses on the English housing sector.

China has experienced a different path of social housing development. Before the Reform and Opening-up in 1978, welfare-based housing was the dominant form of housing tenure in urban China, i.e., housing units based on work units that were provided by the state and the state-owned businesses for their employees. Welfare-based housing was seen as an important pillar of the welfare system at that time (Wu, 1996). However, the welfare-based housing system was formally abolished in 1998. The privatised process of welfare-based housing was started and subsequently, commodity housing ownership has been the dominant form of housing tenure after 1998. Large-scale welfare-based housing has been sold to sitting tenants of state-owned enterprises through the massive privatisation process, which has led China to be one of the countries with the highest rates of homeownership in the 21<sup>st</sup> century. At the same time, the substantial decline of welfare-based housing stock and insufficient new forms of social housing supply, have led to a more marginal role of social housing (Chen et al., 2010).

The Chinese government has failed to pay enough attention to the privatisation and marketisation process of housing, which pushed almost all urban residents into the real estate market without sufficient social housing provision in the post-reform era. The boom in commodity housing markets was at the expense of the decline of the welfare-based housing sector which had been regarded as the important embodiment of the superiority of socialism (Lim and Lee, 1990). According to Li (2012), it was estimated that only about 25% of the total housing stock was social rental dwellings in 2005 (it was expected to occupy 70% of the total housing provision in the 1998 document). The target group of low and middle-income groups for social housing remained small scale and no more than 5% of urban households benefited (Wang and Murie, 2011). Criticisms have been made of housing policy for deviating from a social-oriented approach with a dual housing system towards a relatively

pure commodity housing market, making housing affordability one of the most acute social issues in China (Lee, 2000; Chen et al., 2010).

Since the early 2000s, the privatisation and marketisation of social housing, and its production and consumption have been core features of housing policy (Deng et al., 2011). Nevertheless, policy changes in the past 10 years have reflected the intention of the Chinese government, to rebalance social equity with economic growth, attempting to get rid of the neoliberal, development-driven approach to defining the country's housing system (Fang et al., 2019). Even though since then, large-scale social housing programmes have been implemented in many urban cities, the mixed funding of private and public finance and more market-oriented activities in this sector, have led social housing to be less pure welfare goods for people who are in housing needs. China's urban housing reform resembled the global trend of neoliberal housing policy even though they have been in distinctive political and socioeconomic contexts since the 1980s (Liu and Deng, 2022).

Accordingly, both the UK and China have experienced the privatisation process of social housing, with more market-oriented activities and mixed funding models. These common trends provide theoretical and practical possibilities for housing researchers to explore similarities and differences in the privatisation of social housing in the UK and China. Furthermore, the hybrid and changing pattern of housing regimes would also possibly challenge and extend existing housing regimes or typologies of national housing systems in the international context, even influencing more housing experiences in the local contexts.

## **1.4 Statement of Problem**

Housing systems and housing policies are sometimes interplayed by other factors, such as monetary policies, urban planning strategies or infrastructure development even though it is seen as a welfare good (Kemeny, 2001). However, European approaches to understanding welfare have largely neglected housing as it functions as both social and private goods in welfare systems (Groves et al., 2007). There are limits to entirely social housing systems, i.e. that it is not efficient for the state to provide all housing. Equally, fully capitalist housing markets are unfair and inefficient, and can become hugely overheated and distorted, causing social problems like homelessness (Kenna and Simón-Moreno, 2019). Kemeny (2001), and Ronald and Doling (2010) also emphasise that housing embodies both social and private

goods within the welfare systems, the boundary of social and private sectors in housing therefore becomes a key to explaining differences between welfare regimes.

Since the 1980s, the state has shifted its direct provider role of housing in many countries and implemented privatised policies of social housing, such as in the UK and China. Based on these shifts at the global level, the flows of comparative housing studies have risen again with profound economic and political changes of the 1990s, but with little reference beyond Europe and North America (e.g., Kemeny, 1995a; Bengtsson and Ruonavaara, 2010; Wang and Murie, 2011; Jacob, 2019). East Asian countries are usually excluded from the mainstream of comparative housing research (Wang and Murie, 2011). However, it is worth mentioning that neoliberalism and global trends have been reshaping housing systems in many countries, which challenged existing housing theories that are dominant discourses in Western countries, but these theories have not kept pace with the speed of ongoing change in housing systems. For example, some argue that social housing in the UK has no longer been seen as ‘a residual role’ for the least-off (i.e., the consistent evidence of convergence shows that over the 1990s, 2000s and 2010s between social tenants and the English national averages in terms of not only income but also employment status and class), which refutes Esping-Andersen’s welfare regimes in which the UK is classified as a liberal welfare state regime with its residual role of welfare services and maximal functions of the market (Tunstall, 2021). In China, changes in housing systems show a market-oriented trend, that a dual housing system of commodity housing and social housing has been established in a socialist state. Crucially, the boundaries of public and private sectors of social housing (such as the responsibility of social housing supply and delivery, or the hybrid organisations for social housing developments) are blurring, which also offers opportunities for housing scholars to redevelop existing housing theories in exploring and interpreting contemporary housing systems cutting across traditional geographical and ideological lines.

Among existing literature on comparative housing theories, there are few studies that examine and explore comparative studies on social housing privatisation in the UK and China (e.g., Wang and Murie, 2011; Wang and Horner, 2012). However, the question is in China, which on its own has 17% of all the people on Earth, receives far less attention than the UK, European and North American housing markets and systems from international scholars? In fact, China as one of the largest housing markets (and social housing systems) in the world is not getting enough attention from comparative research and is not being explored enough. However, the lessons from Chinese housing systems could be important for UK and

European practice and policy. These are the core questions that this research will answer. The core research question and other associated questions address this gap, aiming to understand and interpret the convergent and divergent trends of the privatisation of social housing in the UK and China.

## **1.5 Research Aims, Objectives, and Questions**

With the above ideas, the following research aims, objectives and questions are formulated.

### ***Research aims***

*To compare and explore the convergent and divergent trends of the privatisation of social housing in the UK and China*

### ***Research objectives***

- 1. To review the historical process of the privatisation of social housing in China and the UK and explore its similarities and differences.*
- 2. To identify the current conceptualisations of the privatisation of social housing in China and the UK and examine their similarities and differences.*
- 3. To test the reliability and strength of the current evidence base on the privatisation of social housing and critically assess the strength of comparative housing theory as the basis for understanding the differences between countries in China and the UK.*
- 4. To provide new evidence for re-developing a theoretical and methodological framework for comparative housing research in the two countries.*

### ***Research questions:***

- 1. To what extent do the existing typologies of housing regimes explain the convergent or divergent trends of the privatisation of social housing in the UK and China?*
- 2. To what extent can the comparison of social housing be understood and interpreted in terms of selling off the social housing sector, the financing of the social housing sector and contracting out public services?*

3. *What factors have influenced the practices of the privatisation of social housing in each country?*
  
4. *To what extent do comparative typologies of housing regimes capture contemporary UK and Chinese housing systems?*

## 1.6 Research Comparison and Significance of the Study

One of the greatest confusions in housing research within several countries arises from the work of ‘comparative’ (Oxley, 2001). The purpose of comparative housing research is not the comparison, rather it should be a better understanding of complex phenomena based on a wide range of evidence (*ibid*). The debates in research on comparative social housing systems and policies are concerned with both differences and similarities, or they are similar or dissimilar, in other words, they are going in the same direction or opposite. A widely used comparative analysis therefore is whether social housing systems tend towards convergence or divergence. A convergence perspective generally refers to the idea that all housing systems are moving in a similar direction. A divergence perspective is based on typologies of housing systems derived from cultural, ideological, economic, and political dominance and other theories for understanding the differences in housing systems in different countries (Stephens, 2020).

A cross-national comparison is a widely used approach in housing studies to make contributions to policy and practices, the direction of which often implicitly goes towards convergence or divergence. However, there might be limits to what can be learned from looking at some countries if their similarities or differences are marked and if the context within which housing policy is considerably varied. The importance of the transfer of housing policy in different contexts is highlighted (Dolowitz and Medearis, 2009) but there are also some examples of policies and practices being transferred from one country to another with unsatisfied outcomes. For example, several attempts were made to introduce Scandinavian-style housing co-operatives to the UK with little success due to distinctions in social practices, legal structures, and cultures among countries (O’Hara, 2008). In China, a few attempts made to introduce affordable housing styles from some Western countries (provided by local governments at 80% of market price) to some big cities were failures due to

ambiguous regulations of provision and allocation, as well as political corruption (Zou, 2014).

Despite some failures, convergent or divergent trends in housing systems in different countries may serve as new possibilities to identify theoretical and practical lessons that can be learned (Clapham, 2020). This is because they could help to understand social phenomena under some pressures such as neoliberalism and globalisation, which may lead countries to choose different or similar pathways. Nevertheless, the direction of convergence or divergence is under-explored as theories in international comparative housing research are rare and are repeatedly employed within different contexts, according to Oxley (2001). For example, Esping-Andersen's welfare regime theory is widely used to generate labels such as Social Democratic, Corporatist, and Liberal as clusters of categories, providing theoretical ideas for a wide range of comparative housing policy analysis, though it is also criticised for ignoring distinctions of each country and not applicable to housing analysis (Stephens, 2016).

Nevertheless, advanced economies are the mainstream of the discussion of housing theories, while Asian countries are excluded from this discussion, and Western housing theories are geographically and historically limited to understanding and exploring changes in other regions. However, it is admitted that it is not sensible to establish a grand, total theory of housing, as external factors, such as the Global Financial Crisis, or COVID-19 might be critical junctures influencing established frameworks and bringing more uncertainties. Thus, this thesis provides new evidence to explore a comparative housing framework based on the UK and Chinese cases to better understand their similarities and differences, cutting off the traditional lines of comparative housing theories in Western countries.

In this section, in terms of comparative housing studies in the UK and China, it presents a detailed comparative study of social housing privatisation, which very few studies in the past have done. More importantly, influenced by neoliberalism and global trends in housing systems, this study offers significant insights into how housing systems can be compared in the UK and China. The aim is not to provide a generalisation of how the privatised process of social housing changed. Instead, the focus is to explore the extent to which convergent or divergent trends of social housing privatisation can be explored. This exploration goes beyond existing housing theories under changes in a range of factors, including neoliberalism and globalisation, in relation to different ideological, economic and socio-cultural contexts. Lastly, this study also aims to provide important implications of the comparative study, which

could be new evidence for proposing new comparative housing frameworks that have not been addressed in existing literature.

## **1.7 Structure of the Thesis**

The rest of the thesis is shown as follows,

**Chapter 2** reviews existing literature on comparative housing theories, and proposes a conceptual framework of social housing privatisation.

**Chapter 3** reviews the historical process of social housing privatisation and evaluates its impacts, including in the UK.

**Chapter 4** reviews the historical process of social housing privatisation and evaluates its impacts, including in China.

**Chapter 5** reviews the key research paradigms and methodologies and proposes a proper research strategy to select for this thesis.

**Chapter 6** draws on the case study of Hangzhou, to examine and explore how the privatisation process for social housing is being interpreted and enacted in Hangzhou.

**Chapter 7** draws on the case study of GM to examine and explore how the privatisation process for social housing is being interpreted and enacted in Greater Manchester.

**Chapter 8** explores how three conceptualisations of social housing privatisation can be compared in Hangzhou and Greater Manchester.

**Chapter 9** presents theoretical and empirical contributions to the thesis. Implications, limitations and further research directions are also drawn.

# Chapter 2: Schools of Comparative Research on Social Housing

## 2.1 Introduction

Comparative research seeks to explore the similarities and differences between different systems and processes, often looking at two or more countries. Generally, the analysis is more detailed, the differences would be the dominant features. The further way the researcher stands, the smaller differences would fade away, and rather larger similarities would appear (Malpass, 2014). In this way, the distinction between differences and similarities is likely to be levels of analysis. A more detailed analysis will generate a greater sense of differences. Research in great detail may miss wider similarities and differences. The distinction between similarities and differences can therefore be methodological, i.e., one of the aims of comparative analysis is whether to place the emphasis on difference or similarity. It can also be theoretical, which reflects deep differences in perceptions of what driving forces shape society changes (Malpass, 2014).

The debates in research on comparative housing are concerned with both differences and similarities, and whether housing systems tend towards convergence or divergence. A convergence perspective generally refers to the idea that all housing systems are moving in a similar direction. A divergent perspective is based on typologies of housing systems derived from cultural, ideological, economic, and political dominance and other theories, going in different directions and understanding the differences in housing systems among countries (Stephens, 2020).

Different analyses tend to identify different causal relationships. In terms of comparative social housing systems, a convergence approach often refers to a tendency towards a residual and safety net role in advanced industrialised countries with market-oriented economies, underpinning the dominant market of owner-occupation (Caruso, 2017). Different countries are following similar policies due to the powers of globalisation, neoliberal thinking, and other external ideological factors (Hoberg, 2001). Divergence approaches suggest that each country will find its own way embedded in cultural and social structures and practices. The key feature is that divergence approaches may be embedded in different ‘worlds of welfare capitalism’ (Esping-Andersen, 1990) or ‘families of nations’ (Castles, 1998). This distinction in the literature is to distinguish between Anglo-Saxon, English-speaking countries, Europe

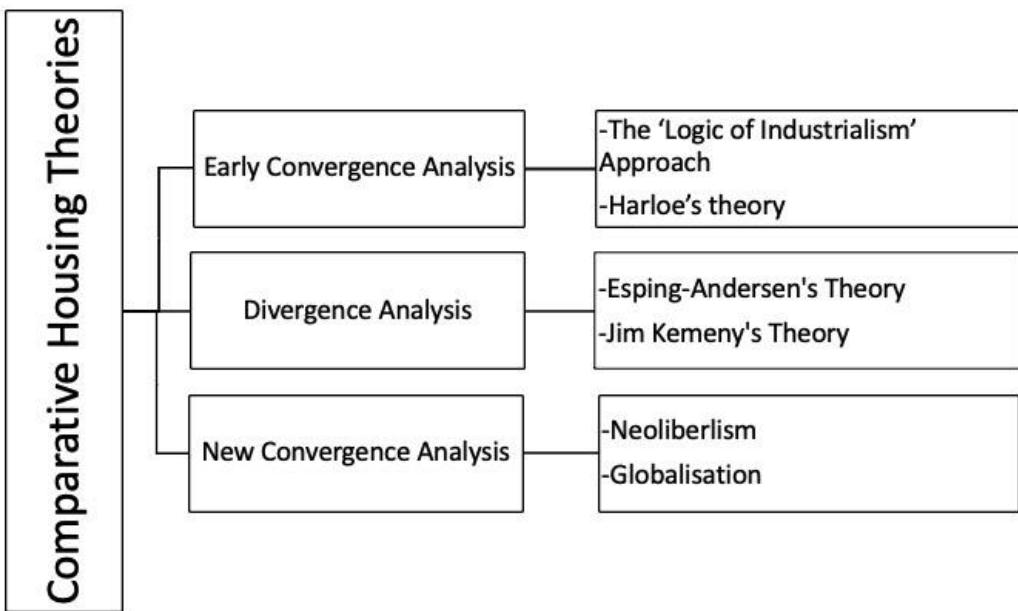
and some East Asian countries. Sometimes the differences between countries are sufficient to interpret and predict social housing systems over time (Malpass, 2008).

Indeed, the approaches of convergence and divergence have been dominated by comparative housing studies in Anglo-Saxon, English-speaking countries and Europe over decades, however, recently, this methodological research has been criticised accompanied by a radical reorientation in the approach itself (Beswick et al., 2019). Peck (2015) argues that Western cities have 'hogged the explanatory limelight' of comparative housing studies, and cities in the Global South (for example, countries in East Asia, Latin America or Africa) have been relegated. Western cities have established patterns and paradigms undertaken comparative research, shaping and influencing housing studies; however, housing in the Global South, such as China, has been excluded from this mainstream of comparative study. Hence, in terms of comparative housing studies between the Global North and Global South, a new paradigm and theoretical pattern should be established by collecting experiences and scholarship from across the globe within different contexts, leading to less Anglo-centric housing studies.

Some factors (neoliberalism and globalisation) are drivers of new convergence studies adapting to changes, aiming to propose a preliminary framework of comparative housing studies. Neoliberalism starts to shape the nature of housing systems and in practice, this means those systems are privatised and marketized, hence a shift in convergence, towards privatisation, occurs in parallel with the emergence of much wider attempts at privatisation. Prior to comparing the privatisation of social housing in the two countries, the conceptual framework of privatisation has further been established.

Overall, this chapter reviews existing literature on comparative housing theories, including early convergence analysis, divergence analysis and new convergence analysis, applied in housing systems, see Figure 2.1. A conceptual framework of social housing privatisation is also presented.

Figure 2.1 Summaries of Three Different Schools of Comparative Housing Analysis



## 2.2 Early Convergence Analysis

The early convergence approach is based on the premise that societies have experienced a similar process from pre-industrialization to post-industrialization, in which social policies are becoming necessary and realistic with social bonds (households, churches, markets, for example) having been broken through industrialization and urbanisation. It is grounded in the assumption that universal characteristics can be generated in social phenomena without specific contexts. In other words, this kind of generalisation can be extracted from the observation of social processes in a given cultural, national or social context. These industrial societies undergo the same process and ultimately converge (Kemeny and Lowe, 1998).

All countries are driven by the same overriding imperatives under universalistic approaches, driven by the logic of industrialism, capitalist market failures, increasingly comprehensive welfare states or Marxist political economy, much of which implies a tendency of ‘unilinealism’ that countries are converging and share a common trajectory of change (Kemeny and Lowe, 1998). These underpinning driving forces explain why all countries are becoming subsequently similar, which indeed are universalist approaches based on the form of convergence analysis.

### 2.2.1 The ‘Logic of Industrialism’ Approach

The ‘logic of industrialism’ and the Marxist political-economic approach are two representative viewpoints towards the convergence of housing policy. The ‘logic of industrialism’ is concerned with social changes in industrialisation and emphasises the importance of economics in welfare states (Wilensky et al., 1985). The convergence theory is based on the premise that societies have experienced a similar process from pre-industrialisation to post-industrialisation, in which social policies are becoming necessary and realistic as social bonds (households, churches, markets, for example) have been broken through industrialization and urbanisation. This kind of generalisation can be extracted from the observation of social processes in a given cultural, national or social context. These industrial societies undergo the same process and ultimately converge.

Marx was considered to establish the analysis of the internal logical contradictions of the capitalist system and his conclusion was that the inexorable tendency for capital to accumulate and become concentrated in fewer hands without any limitations in the process of this capital accumulation, led to an apocalyptic end to capitalism (Krier and Amidon, 2017).

In this process of accumulation, governments have become the important providers of social protection to face potential risks and sustain necessary social resources to carry out new policies (Wilensky, 1975). A typical example of the convergence theory based on the logic of industrialisation is Donnison’s (1967), Donnison and Ungerson’s (1982) work. According to this logic, Donnison (1967) identifies three types of housing models: ‘embryonic’, ‘social’ and ‘comprehensive’ in the book *The Government of Housing*, claiming that the continuum development of housing policies and almost all the countries are likely to successively go through these phases, of which the role of governments play is highlighted as solutions to housing systems, and in the process of industrialization and marketization in capitalist countries, governments tend to play key roles in the dynamics in housing systems (Wilensky et al., 1985).

Donnison (1967) identifies some cases as embryonic types in Spain, Greece and Portugal. In these countries, housing is seen as a subject of consumption and investment in the housing sector would be likely to hinder expenditure on fundamental areas of the economy. The state plays a passive role in fulfilling housing needs. In the comprehensive housing models, housing investments are an important factor in economic growth. The state plays a significant role in supporting almost all citizens to meet their housing needs (e.g., the Netherlands,

Germany and Singapore). ‘The middle of range’ type is the ‘social’ housing model, in which countries’ housing systems consist of commercial housing and social housing. Market conditions are decisive for satisfying housing needs and people who are unable to meet housing needs are funded by public support (e.g., the USA, the UK and Australia). The UK is considered at the stage of social type, and the market plays a key role in resolving housing problems, and the UK has accelerated towards market-led approaches since 1980. In the Chinese context, according to Kang et al (2014), China is described as a country type at the stage of the embryonic model and in the transition to the social type.

Governments listed by Donnison and Ungerson (1982) tend to play an overall role in leading to the convergence of housing situations, no matter the different processes in the different phases of the single countries, and industrialisation and urbanisation are considered as their driving forces. However, in the post-industrial process, Donnison and Ungerson realised that housing problems had become more complicated, hence, it was difficult to recognize the specific role governments play in solving social problems (i.e., governments tended to adjust different policies towards the influences of factors, for example, internally ideology or economic changes, and externally neoliberal thinking or globalisation, rather than just follow the logic of industrialism). In this case, Donnison and Ungerson’s typologies have largely failed to explain and interpret housing changes in the post-industrial era. Later work by Donnison (1993) also has some limitations in that it lacked the universality to apply their typologies in other countries, such as countries like India and Turkey, which were found to sit outside the original taxonomy of embryonic, social and comprehensive housing policies.

## **2.2.2 The Marxist Political-Economic Approach and Harloe’s Theory**

From the perspective of Marxist political theory, the most famous and influential practitioner of convergence analysis on comparative social housing systems perhaps is Michael Harloe. In his book *The People’s Home?* (1995), he establishes a Marxist political approach to emphasise the political characters of national responses in the long-term dynamics of capitalism. The Marxist theory applied to comparative housing analysis is better understood by stating some propositions of the Marxist-housing theoretical practices. According to Lund (2006), working-class labourers are exploited, and their wages are less than the exchange value of the built houses in the building industry. Furthermore, even though the controllers of different capitals in the housing sector such as industrial capital, land capital and

development capital, possess their own short-term interests, they have a common long-term interest in ensuring sustainable capitalism. Governments, in alliance with various groups of capital interests, attempt to ensure the long-term profitability of the capital class and also reconcile short-term interests. Housing policy is such a governmental instrument to secure a stable source of labour to conform to the interests of the capital class (Woolcock, 2001). From the perspective of a structural Marxist political-economic approach, this deductive inference is the foundation framework of Harloe's typologies, and this is also one aspect of convergence theory, the idea that housing systems tend to develop in the same direction to enable stable capital accumulation by the ruling class (Barton, 1977).

Harloe (1995) builds his analysis within the tradition of Marxist political economy and claims that housing is a commodity characterised by its right to private property. The decommodification of housing is not allowed by various interests of capital for its threatening wealth capital accumulation. Hence, Harloe (1995) adopts the Marxist political approach linking the functions of social policy with capital accumulation in advanced industrialised countries, and it does have some relevance to understanding cross-national similarities.

In Harloe's (1995) work, each stage of the capitalist expansion could create a particular set of social arrangements including the social housing provision. He therefore classified that there are three phases of expansion of capital accumulation. In the early 1930s, liberal capitalism was dominant with limited state intervention and low levels of public provision due to the emergence of industrialism and the world economic recession. From 1945 to the mid-1970s, more intervention and development of public services emerged and had been dominant in the 1960s but ended in the global economic crisis. Since the 1970s, in the period of post-industrialism, governments were less confident to manage economies and modified their welfare state arrangements faced with globalisation. This kind of modification generally takes the form of retrenchments like making the scale and the scope of welfare systems smaller.

Based on the statement of the trajectory of capital accumulation, Harloe (1995) develops two predominant models of social housing: the mass model and the residual model. The residual model implies that the housing provision is regarded as the 'safety-net' service for people who are in most need in the UK. The mass model indicates a better standard of the provision targeted at lower and middle-income groups, not just for the least well-off, usually in the Netherlands (but not only in the Netherlands) (Harloe, 1995). Social housing models are built on the account of social housing history from the perspective of capital accumulation. Social

housing on a massive scale of provision has functioned as the restoration of the status quo after the First World War.

From the late 1920s to the 1930s, the residual model was reasserted. From the 1940s to the mid-1970s, the period of post-war reconstruction contributed to the revival of large-scale social housing provision, during which output levels were higher, and the mass model came back again. However, since the 1970s, the mass model was replaced by the residual model due to successive recessions and high unemployment. The housing sector has started to be residual, and social housing is aimed at narrower low-income groups, leading to a return to the neo-liberal policy until today.

The residual model is the standard form of social housing in normal times and the mass form only emerges in abnormal times, for example, in the war periods. Housing would be a form of commodity in capitalist countries if adequate provision is available. However, when social and economic disorders have swept countries, the state has to play an important role in situations when large-scale and decommodified housing should be controlled and provided by the state (Harloe, 1995).

### **2.2.3 Evaluation**

Harloe's approach is coherent and has a long historical sweep, identifying periods in the emergence of capitalism and convergence that are discernible in changes in housing systems. In Harloe's theory, the economic structure of capital accumulation plays an essential role in housing systems, which means governments function as the main provider of a relatively large scale of the social rental sector when there is a market failure. Hence, the residual model is the standard form in post-industrial capitalist countries while the mass model is a temporary variant.

However, Harloe's theory has some critics, the most obvious of which is that it does not fully explain the links between housing especially social housing with phases of capitalist development (Malpass, 2014). Harloe's theory of events links the mass model of social housing to reconstruction in the post-war and political settlements; it neglected external factors such as financial crises. In fact, the economic crises of the 1930s and mid-1970s in Europe were associated with the retreat from mass social housing. Harloe attempted to have a general statement in terms of the trajectory of housing, which turns out to only apply to the

UK because in the US, the residual model has been almost predominant throughout all the phases under capitalism (Castells, 1979).

Although Harloe's convergence approach emphasizes the importance of a long-term developmental process, where differences among countries are attributed to their stages of economic development, it lacks sufficient empirical studies in post-industrial societies. Consequently, Harloe's typologies fail to empirically support the connection between specific housing types and stages of economic development (Doling, 1990). From the perspective of Marxist theory, it has been criticized for its unrealized potential (Piketty, 2014). In the housing sector, it faces criticism for failing to account for the dynamic and organized actors responding to diverse interest groups (Heo, 2012). For instance, Marxist theory struggles to explain certain radical changes that contradict capitalist principles, such as the introduction of post-war rent controls in capitalist countries, which infringed on private property rights. Therefore, the application of the Marxist approach in convergence analyses within comparative housing research remains contentious due to its lack of empirical validation.

The convergence theory attaches importance to a long-term development process, in which differences between countries are attributed to the phases of economic development. It indeed indicates some 'leaders' and 'laggards' in the same phases of economic development, implicitly assuming that the 'laggards' would eventually follow the same routes as the 'leaders' (Van der Heijden, 2013).

Furthermore, Harloe (1995) discussed differences between social housing systems and policies in some countries, and overemphasised the increasingly significant role governments play in this trend. In other words, he (1995) predicted that the state would be expected to continue to expand its role (or retain a major role) in housing policy as part of a wider focus on social protection and other social services. However, it is argued that the state would not be expected to continue to expand its role (or retain a major role) in housing policy as part of a wider focus on social protection and other social services, but it does shape markets, taxes, finance, which can favour the market and homeowners over others, and is not just responsible for direct interventions.

Milanovich (2001) argues some convergence trends that characterise the development of housing policies in Western European countries from the 1980s, and Central and Eastern European countries in the 1990s. Specifically, in Western Europe, housing policies show a shift from general to more selective welfare policies with the tendency towards the

withdrawal of state support for public rental housing. In Central and Eastern Europe, housing policy reforms shift from ‘state paternalism’ to privatisation, which is the general tendency as the direct result of ideological and political changes. In many Northern and Western European countries, social housing is generally backing away from its residual roles for people who are in most housing needs, rather it is usually for low- and middle-income households and 70% of people who are in housing needs have access to it (Ronald, 2013). The state (particularly in the UK and arguably even more so in countries like the US) began to back away and advocate free-market solutions, beginning with the *Right to Buy* and expanding into privatising the finance of social/affordable housing (Dianati, 2022). Nevertheless, Kleinman (1993) argues that housing policy shifts from the Anglo-Saxon model towards a more ‘European’ type of system without placing it into a simple and explicit comparative housing theory.

Harloe’s residual and mass model of social housing is not sufficient because it only refers to the consumption side (Malpass, 2014), i.e., who are the target groups living in social housing. In terms of other sides, such as allocation, provision, or providers, Harloe failed to provide a more rounded picture to explain how social housing directs towards convergence. Furthermore, Harloe also failed to anticipate the rise of something beyond neoliberalism, the alt-right, globalisation, and critical junctures like the financial crisis, for example, the principal force for convergence could also be the diffusion of knowledge, or associated institutions (Piketty, 2014). In this case, Harloe’s statement and convergence analysis have limitations in fully understanding and interpreting differences and changes in social housing systems today, rather new comparative housing theories are required to explain similarities and differences in social housing.

## 2.3 Divergence Analysis

Housing systems may be moving in the same direction, or they could be moving in the opposing direction. It points out weaknesses in the application of convergence theory in a crude and overarching way as housing systems are not always moving toward convergent trends. If broader theories are deterministic, there is a need to examine housing systems in a different way. Therefore, the second school of comparative housing theory is labelled ‘divergence’ theory, which is the reverse of convergence theory, emphasising that housing systems may direct towards divergent trends with the distinctions in political ideologies, and

cultural and social institutions. Harloe oversimplifies the typologies of social housing and fails to recognize some differences that can be linked with the typologies of distinct categories or groups of welfare regimes. The divergence approach allows the consideration of some differences in some distinctive welfare regimes (Stephens and Fitzpatrick, 2007).

### **2.3.1 Esping-Andersen's Theory and Its Application to Different Contexts**

Countries with distinctions of characteristics are able to be placed within some clusters of regime types. Esping-Andersen's (1990) typologies of welfare regimes are such clusters of welfare regimes and have been widely discussed. The typologies have often been underpinned by theories developed for welfare states as a whole and Esping-Andersen's welfare regime theory was seen as one of the most significant theoretical contributions towards developed welfare states (Wang and Murie, 2011). Andersen (1990, 1999) differentiates three types of welfare states based on the analysis of three dimensions of de-commodification (the removal of welfare services from the market), stratification (the uneven distribution of goods and statuses among different groups) and the market-state-family relationships associated with societies in welfare states: social-democratic, conservative and liberal, see Table 2.1.

In social-democratic welfare state regimes, welfare services are dominantly provided by the state. A large proportion of the population has access to high levels of welfare services. This kind of regime is characterised by being highly de-commodified with low stratification, the income differences are relatively low (Hoekstra, 2003). Family costs are often socialised, and the market plays a small role. Denmark, Finland, Norway and Sweden are examples.

In conservative welfare state regimes, state intervention is fairly weak in the provision of welfare services and does not result in income redistribution. Rather, the preservation of the existing hierarchy is based on class and status, consolidating divisions among income gaps. Conservative regimes have low levels of de-commodification and relatively high levels of stratification. Different groups are entitled to different welfare services and families with higher class and social status are often explicitly favoured. It is often shaped by the church and committed to the traditional role of family. Austria, Belgium, France, Germany, Italy, the Netherlands and Switzerland are examples (Andersen, 1999).

The liberal welfare state regime is characterised by the small role of governments and the provision of welfare services targeted at the most vulnerable groups. The policy regime often seeks to maximise the functions of the market. There are thus low levels of de-commodification and a high degree of stratification. Australia, Canada, Ireland, New Zealand, the UK, and the USA are examples.

Esping Andersen's housing regime has been applied into the Chinese context. According to Gencer (2017), the Chinese welfare state is most likely to be a hybrid of three regimes: liberal in the sphere of healthcare, conservative in the sphere of social insurance, and social-democratic in the sphere of population coverage. Specifically, a socialist market system has been replaced by neo-liberal, and productivist regimes (i.e., in which regime economic growth and political legitimisation are included as two subjects of policy objectives, especially social policy objectives). To a large extent, economic objectives define social policies, and social security is priorly considered to target groups with economically important interests, and this regime usually fits in five East Asian welfare states, Hongkong, Japan, Singapore, South Korea and Taiwan) since economic reforms in 1978, including a new health insurance system for rural and urban residents, the urban pension system and the extension of the overall coverage of social insurance (*ibid*). However, in a broader term, Clapham (2018) discusses six housing regimes in six countries (the UK, the USA, Australia, Sweden, Argentina and China. He claims that China has been categorised as having a productivist welfare regime but the discussion about it has not been introduced so far. Thus, whether China is considered a productivist welfare state still has been questioned and needs further research.

Table 2.1. Three Types of Welfare Regime Theory by Esping-Andersen (1990)

Welfare regimes	Degree of decommodification	Degree of stratification	The main provider
Social democratic	High	Low	State
Conservative	Medium	Medium	Family
Liberal	Low	High	Market

Esping Andersen's housing regime theory has been criticised in some ways. One of the main criticisms is the neglect of the application of welfare regimes into the housing sector, in other words, Esping-Andersen's typologies fail to understand how social housing operates as a welfare element in welfare states (for example, Doling, 1999; Lennartz, 2011; Stephens,

2016).<sup>1</sup> In this case, to what extent can Esping-Andersen's typologies be linked with housing systems? Researchers who try to employ Esping-Andersen's typologies in the study of housing systems face the question of whether they could apply it to their subjects.

Barlow and Duncan (1994) employed housing in Esping-Andersen's regime typologies. In the social democratic type, various forms of rental housing are an alternative to owner-occupation, and everyone has access to housing. State intervention is aimed at the provision of housing at cost and not allowing huge profits from housing development. In the liberal regime, only the poorest households have access to social housing provided by the state. Covert subsidies for the better off, almost all owner-occupiers are considerable. State intervention is aimed at housing consumption through income transfer. In the corporatist regime, owner-occupation is favoured, with households promoting and partly producing their own dwellings, which avoids the enlarging of the public housing sector and uses family-based networks to produce owner-occupied dwellings.

Hoekstra (2003) proposed a modified welfare regime model in the housing sector in the Netherlands in the 1980s and 1990s, and this model in the Netherlands was defined as a conservative regime type, based on the three criteria of welfare state regimes (de-commodification, stratification and the relationship among state, market and family). According to Hoekstra's (2003) statement, de-commodification can be defined as the extent to which households can provide their properties independent of the income acquired from the labour market. Governments accomplish the de-commodification of housing by subsidisation and price regulation. Stratification is the way the uneven distribution of welfare services in welfare states has consequences for the hierarchy in society and it can be divided into economic stratification and social stratification. Economic stratification often refers to income level. Social stratification in the housing sector refers to the process of housing distribution. Governments aim to allocate social housing to lower-income households and also preserve status differentials. In terms of the relationship of the state, market and family, organisation of the production of new buildings and the way in which actors participate in this process. Welfare services can be provided by the state, the market or the family. The differences among the three actors might be so-called 'decision units', for the state, 'decision units' are public bodies, for the market, 'decision units' are suppliers and buyers, and for the family, 'decision units' are small groups including family members, friends or associations. In

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<sup>1</sup> Note: Jim Kenemy used to say that he had worked as Esping Andersen's researcher and had collected data on housing, but that Esping Anderson could not make his welfare regimes work if housing policy was included, so he left it out.

this modified model of housing systems, it is emphasised that households can access a home regardless of labour market earnings or other income because the building is shielded from the market

Hoekstra (2017) concentrated on the most recent changes after the central government has retained the control of social housing over the housing associations in the Netherlands. He (2017) suggested that the social housing model transitioned from a universal one to a more targeted approach, i.e., new central housing policies direct the sector into the direction of residualisation (the sector becomes smaller and there is a larger concentration of low-income households). The model of social housing in the Netherlands showed some liberal traits, but it was still considered a corporatist type of welfare regime.

Stamsø (2009) applied a similar housing-welfare regime framework to Norway, in which it was defined as a social democratic type, but she argued that the social-democratic characteristic of housing systems in Norway has been largely replaced by liberal traits. In the 1980s, housing policy in Norway was defined as a social-democratic type. Policy objectives were implemented by regulated rent, sale and interest rates, with wide subsidies which affected a large owner-occupied sector. A high rate of homeownership was seen as a feature of the social democratic regime type in the 1980s (Stamsø, 2009), while it was considered as the characteristic of the liberal type, according to Barlow and Duncan (1994).

Doling (1999) explained that the argument of homeownership and the private sector were a feature of the commodification of housing, social rental housing was the feature of the de-commodification of housing, but they may not fit into the political regime. Commodification should be determined by the extent to which access to housing is governed by market criteria and low subsidies. In Norway, despite high rates of homeownership, the housing market was strictly regulated with wide subsidies to homeowners. Most households were able to purchase properties at below-market prices, leading to a high degree of decommodification. Therefore, high rates of homeownership in Norway can be seen as a feature of social democratic regimes.

The application of Esping-Andersen's housing regime theory to the housing sector, has generated various interpretations of variations and dynamics in the housing systems, and also helps to understand and explain the relationships between welfare states and housing systems to some extent, however, the current literature does not provide a comprehensive answer to this question: how far are welfare regimes and housing systems linked (Stephens and

Fitzpatrick, 2007)? Housing has sometimes been described as the wobbly pillar of the welfare state (Torgersen, 1987) because it has not always been provided by the public sector, rather in many countries, social housing has been provided by the private sector or non-profit organisations. Additionally, Esping-Andersen's typologies have been criticised for only considering the degree of de-commodification of housing, without the consideration of consumption, allocation and building development of housing (Stephens, 2020), though Barlow and Duncan's (1994), and Hoekstra's (2003) work looked at housing allocations and house buildings in different countries. Therefore, it is important to say that the prerequisites of housing being provided by the public sector and emphasising its degree of de-commodification are not insufficient to understand distinctions in social housing systems within different contexts.

### **2.3.2 Jim Kemeny's Theory**

In light of this, Jim Kemeny established an alternative framework. He developed divergent theories of housing systems based on the trajectory of the rental sector in capitalist countries. In the book (1995), *From Public Housing to the Social Market*, Kemeny (1995b) creates a whole housing system taxonomy with the rental sector and variations of national contexts. He (1995b) suggests that the nature of the rental sector is shaped by the organisation of cost-rental housing, which influences the nature of the whole housing system. Kemeny's typology of rental markets illustrates the emergence of two types of rental systems. One is the dualist model. In this model, the public housing sector is seen as the provider of the safety net service to satisfy the needs of the most vulnerable households. Another one is the unitary rental model. It is an alternative to the Anglo-Saxon model of the homeownership society and the non-profit sector plays a significant role in competing with the private sector.

Dualist rental systems were found mainly in Anglo-Saxon countries, where homeownership is a social norm, and the public housing sector was often separated from the commercial rental market. These systems were designed with the assumption that government involvement in markets undermines fair competition. Nevertheless, the state acted as the main provider of public-sector safety net services for people who were unable to buy properties from the market. The state subsidised rents to make them lower than the market rents to prevent direct competition with the commercial market, this safety net service was set apart and runs as a residualised state sector. The public rental sector was restricted to households with lower

income and the private rental sector usually charged higher rents. Hence, it was argued by Ronald (2004) that dualist rental systems push households into the homeownership sector and that was why homeownership became a social norm, and the homeownership rate was relatively high in dualist rental systems. The UK, the USA, Australia and New Zealand were examples of the dualist models.

The unitary model was defined as a mixture of subsidies provided to non-profit providers, and the regulation of rents in the profit rental sector. The non-profit housing sector was subsidised by the state, and the for-profit sector was provided by the market. However, most households had access to the non-profit rental sector provided by subsidised housing organisations. Therefore, the non-profit rental sector could compete with the for-profit rental sector in the free market, and this competitive relationship might create a unitary rental market. This direct competition between the profit and non-profit sectors could benefit households in the rental market because the non-profit rental sector usually ensures a steady supply of new housing. When the for-profit rental sector exerted downward pressure on private rents, the state would intervene in the rental market to some extent. It also ensured that the nonprofit and for-profit rental sectors were less influenced by economic cycles. Kemeny (2005) defined it as ‘an integrated rental market with remaining state intervention’. The integrated market was characterised as a social market with ‘demand sensitive’ rents in the non-profit sector, as a result, the nonprofit sector was accessible to a wide range of households (Stephens, 2020). Germany, Sweden, and the Netherlands were examples of the unitary model according to Kemeny (1995b). However, it is worth mentioning that Germany, Sweden and the Netherlands have all undergone changes since 1995, so Kemeny’s examples of the unitary model described past situations.

Kemeny uses the term ‘maturation’ to describe the position the non-profit or profit sectors acquire in a housing system through time (Heijiden, 2013). The extent to which maturation indicates the competitive position of the non-profit rental sector on the housing market, for social landlords with high degrees of maturation can accept lower returns. These situations would emerge when the sectors can compete independently with other sectors. In the dualist rental systems, governments tend to repress and counteract the maturation process of the public rental sector. Social rental landlords are required to rent their dwellings at large discounts. However, in the unitary rental systems, the social rental sector is allowed and encouraged by governments to continually compete with the for-profit sector. The importance

of maturation is that the extent to which the rents cover all costs will decrease, making the non-profit rental sector compete with the for-profit rental sector and owner occupation.

Housing policy that reflects those countries with different rental systems tends to have different strategic choices (Kemeny, 2001). Countries with dualist rental systems reduce the competitiveness and attractiveness of non-profit renting to boost the rhetoric around the advantages of owner-occupation (Malpass, 2008). Countries with unitary rental systems tend to loosen the control of the non-profit rental sector, in which cost rental levels are set by large-scale and competitive non-profit rental sectors. At the same time, Kemeny saw this higher degree of maturation of the non-profit rental sector was seen as preventing profit-seeking landlords from entering the rental market. Generally, the higher the degrees of maturation of the non-profit rental sector, the more the rental systems move from dualist to unitary ones (Elsinga et al., 2008).

### **2.3.3 Evaluation**

Kemeny's two rental models reveal that the key point of the divergence approaches is to provide insight into an explanation for the differences between housing systems in Europe. However, Kemeny's predictions of the evolution of the housing regimes have not been proven, and housing regimes in many countries have developed in different ways from the directions that Kemeny predicted (Clapham, 2020). For example, Stephens (2020) argues that countries with unitary rental models are moving towards dualist rental ones. The unitary systems in Sweden and Germany are breaking down, which, according to Stephens (2020), means Kemeny's theory was mis-specified. Ruonavaara (2020) also argues that the development of the unitary rental market countries has not followed Kemeny's predictions since the 1990s. Thus, whether a rental system is seen as dualist or integrated, seems to matter little, and countries have successively moved away from these ideal typologies (e.g., Stephens, 2016; Blackwell and Kohl, 2019; Stephens, 2020).

Furthermore, Kemeny's typologies have also been criticised because the dualist rental systems in Anglo-Saxon countries are different. For example, in the UK, the social rental sector should be characterised by an apparent residual role. Conversely, in fact, the size of the social rental sector is more like that in Western European countries (Heijden, 2002). Social housing in England still represents almost one-fifth of the housing stock and a higher proportion in Scotland, Wales and North Ireland. Hence, as Tunstall (2021) said, the

argument that social housing was residualised is flawed. Even within the UK, different social housing regime types exist within the same nation-state. Kemeny's two models look at the question in terms of whether countries always the same sort of social housing regime have, hence if they have several kinds within the same country, as Stephen (2020) pointed out, it might also make Kemeny's argument look simplistic.

As with the convergence thesis, the divergence analysis lacks considerations of some external factors, such as neoliberalism and globalisation. Hence, Harloe's and Kemeny's arguments are often criticised for predicting trajectories and they need to be adapted to any changes (Stephens, 2016). Stephens (2020) later contends that Kemeny's housing-regime theories broke down and the relationship between housing systems and the wider regime was misunderstood because it refused to accept the levels of forces of convergence with the power of globalisation and unorthodox monetary policy. Hegedus (2020) highlights the importance of wider social and economic contexts. In response to Stephen's argument, he (2020) claims that comparative housing research has been dominated by Kemeny's housing regime theory, while the approach to the structure of housing provision by Harloe's research has emphasised the embeddedness of the housing sector in the capitalist economics, but Kemeny's theory broke with the housing provision and explored the housing systems in developed market society from the perspective of the rental sector. Stephens et al (2015) rethink this theory and test its validity based on housing systems in three countries, and this test has been supported and agreed by other scholars (e.g., Hegedűs, 2020).

However, in light of the impact of globalisation and neoliberalism, Hegedus (2020) concludes that Esping-Andersen and Kemeny's typologies in the earlier stages of economic and social development cannot be interpreted and extended to the mainstream of housing regime theories. Elsinga (2020) states that the extent to which public funds are integrated over the short-term and long-term into the rental sector cannot be demonstrated by simplified models of the power structure and political ideology, as Ruonavaara (2018) states that it is not sensible to seek 'a grand, total theory of housing', rather the Global Financial Crisis or even COVID 19 could be critical junctures influencing changes in housing systems. Furthermore, it is argued that the discussion on housing systems should also turn to Asian countries over decades with the exception of the mainstream of the housing theory in advanced economics, including China. Although housing regime theories are geographically and historically limited and the validity of housing regime theory in Asian countries is questionable, even China has a distinctive institutional framework in the housing sector (though there are

variations among European countries) (Stephens, 2010). As Stephens (2016) said, Jim Kemeny's typologies are not applicable in China as the subsidised housing programmes are not conceived in terms of cost rental systems, rather subsidised homeownership plays a more important role. A new framework is required to fit in China and it is still believed that as one of the largest housing systems, China's experiences in transition economic and housing reforms are important lessons for further policy practices in the rest of countries in the world as discussed in [Section 1.6](#).

## **2.4 New convergence analysis Influenced by Neoliberalism and Globalisation**

Housing systems differ considerably, but some common features of housing policy are evident across Europe and other countries. The logic of industrialisation and Marxist interpretations have a different basis, they are really about markets and now the influence of markets is being discussed. Here is a third point of view or framework for comparative analysis around welfare states that might be a better basis for comparative analysis. Over the last three decades, social housing has undergone profound restructuring in liberal welfare states. Housing systems based on market reform have been core to recent changes, involving a series of interconnected policies, discourses, and financial tools that are undermining the legitimacy of social housing whilst promoting the private sector into housing provision and model for institutional management (Power and Bergan, 2019). As Lee et al., (2022) said, housing provision has shifted to be dominant via the market in advanced economies, and a large amount of existing housing stock has been privatised.

A shift in convergence, towards privatisation, occurs in parallel with the emergence of much wider attempts at privatisation (particularly in the UK). The privatisation occurs, progressively making it harder and harder to develop social housing at any sort of scale and leads to the rise of 'affordable' housing development by social landlords, as well as general promotion of (largely unregulated) free market 'solutions' to increasing housing supply in which the State plays a minimal role. The market is therefore playing an increasingly important role in the housing provision, encouragement of homeownership, the increasing involvement of the free market in the social housing sector and the deregulation of housing

finance markets (Stephens, 2007). These changes in housing systems are often associated with mass neoliberal reforms and globalisation, prompting the revival of the convergence studies in comparative housing and social housing analysis (e.g., Hegedus, 2020; Stephens, 2020; Elsinga, 2020).

## **Neoliberalism**

Neoliberalism has shaped the nature of housing systems and in practice, this means those systems are privatised and marketized. Neoliberal thinking has been widely dominated in the social housing sector in different countries. Housing policies in European countries have changed in different times and ways during the last two decades. Some common general characteristics of current housing issues can be identified, i.e., a series of social housing policies becoming convergent in Europe, a growing variety of social groups who are in huge housing needs, a diversification in the range of places with housing hardship, and the decline of public expenditure on the social housing sector (Clapham, 2006). Furthermore, the difference between domestic neoliberalism at a national level and what has happened in international markets. So, a difference between housing and some other sectors is that the housing markets are open to international money, in some cases (London is an example) international capital buying up housing has an effect on the housing market. It may be what neoliberal/monetarist or neo-classical economics is doing at the global level that has some effect on how housing systems work.

Some earlier studies identified the emergence of neoliberalism in UK housing. One of the early comparative studies on the convergence hypothesis was Ball et al., (1988)'s book *Housing and Social Change in Europe and the USA*. Ball et al., (1988) examined the impact of neoliberal thinking on housing and they concluded that the social housing sector was influenced by neoliberalism, which led to less state involvement of the state and the shrinking role of the social housing sector. These neoliberal changes in the social housing sector are often termed 'residualisation' (the marginalisation of social housing, i.e. it becomes a tenure only for the very poor) (Malpass and Victory, 2010) or 'privatisation' (the social housing sector is sold off through right to buy etc., which is seen as causing residualisation as most of the tenants who had larger incomes bought their homes so that only poor people were increasingly concentrated in social housing) (Forrest, 2011), with the withdrawal of the state and the decline of the social housing sector.

The most recent theories have a common feature of the changing role of the state from the welfare provision, which strengthens the role of governments proposed by the neoliberal ideology. Neoliberal thinking plays a key role in reshaping the social housing sector and some new policy changes and debates appear. In terms of earlier studies on the withdrawal of the state under neoliberal agendas in the housing sector, the recent studies focus on the strengthened roles of the state, i.e., despite the perceptions of a weakening state in the housing sector, the conceptive role of the state remains strong. Neoliberal housing policies have brought new institutional forms that rely on market-oriented models for understanding welfare (Dodson, 2006). Blessing's (2016) work offers empirical evidence for Doherty's (2004) and Dodson's later statements. Blessing (2016) claimed that in the UK, the national policy shifted from dualist and residual models to so-called 'affordable rental housing', which is not minimum levels of security for the vulnerable excluded, instead, affordable housing provides limited 'opportunity' to fit in low and middle-income working households; and key professionals and essential labour (teachers, nurses, police officers). This scheme encourages the non-profit sector to cooperate with private business partners, which enables housing provision to be a co-production. The boundaries between the social housing sector and the profit sector are ambiguous with the emergence of an increasing number of hybrid organisations (HAs are examples) (Mullins et al., 2012; Kay, 2018; Manville and Greatbanks, 2020; Cornforth, 2020), and the affordable rental scheme is a moderate outcome between these extremes.

Neoliberal thinking at the local level, has been criticised as flawed because they do not adequately account for its geographical contingency or internal contradictions, or its implementation is locally contingent to be an ideal ideology for further research (Forrest and Hirayama, 2009). Even though, it is politically and analytically significant to understand ideal-type neoliberalism despite its obvious conceptual flaws. In interpreting neoliberal agendas and housing policy practices at the local level in China, studies have primarily explored forms of neoliberal governance through the lenses of 'market operation' (He and Wu, 2009), 'land commodification' (Lin and Zhang, 2015), and 'entrepreneurial local governments' (Jiang et al., 2017). Most literature critically highlights the role of the local state, the state control over land, and the interactions of various levels of government. However, it is worth mentioning that the same as neoliberal agendas at the central level, the application and verification of neoliberal governance at the local level should be exercised with caution, requiring theoretical treatment and empirical evidence on the deregulation of

market-oriented growth. On the contrary, neoliberal shifts are found to be prevalent in cities, particularly in parts of Latin America and Europe, where the neoliberalisation of access to housing is considered as one of the most important political economic (Beswick et al., 2019), in the privatisation of access to housing and deregulation markets.

Despite these disputes and debates in housing systems, the comparative theory of housing and ideas about social housing have almost always been built on ‘Western’ (i.e., European, North American and Australian) experiences, whereas, social, economic, political and policy trajectories are different in Asian countries and elsewhere in the world (Hirayama, 2021). By thinking across cities, and across theoretical divides, comparative research can bring together urban experiences from across the globe, leading to less Anglo-centric urban studies.

## **Globalisation**

Globalisation is the most recent manifestation of convergence theory (Stephens, 2003). Globalisation is a process through which national economies are becoming more open and easier to be influenced by supranational economies, which may lead local economies to lose national control (Mishra, 1999). Globalisation is widely discussed but there is an important concern to review here to what extent the interplays between neoliberalism and globalisation can be explained to understand housing systems in the UK and China. According to Clapham (2006), globalisation plays a significant role in the financial markets and the housing finance systems in the UK are more integrated into global flows, with neo-liberal values. Steger (2005) argues that these changes highlight the inevitability of capital flows and globalisation is becoming a ‘strong discourse’. In some cases, neoliberalism has also been reinforced by globalisation, and this combination causes further significant changes in housing policy (Clapham, 2006). They reinforce each other, neo-liberalism is pro-free, open markets and anti-state/taxation/welfare, but a country can be highly globalised in how its economy works but also not necessarily neo-liberal in outlook or social or housing policy (Denmark, Norway, Finland, Netherlands, France etc).

Research on the influence of globalisation on housing systems focuses on two streams in this thesis. The first one of which is the re-orientation of governments in deregulating housing systems. Stephens (2003) argues that debates over the importance of globalisation have given

a new lease of life to convergence theory, hints the state plays a role in deregulation of housing systems, and the opposing divergence approach suggests that governments retain considerable capacities to shape housing policies and systems (Kemeny, 1995). Clapman (2006) agrees that in the UK, the regulation and monitoring of the global economy are becoming difficult at the national level. The activities of multinational companies and the financial market are hard for national governments to control, and the economy of a single country has to be determined in light of flows of finance and jobs.

Despite these disputes and debates in housing systems, the comparative theory of housing and ideas about social housing have almost always been built on ‘Western’ (i.e., European, North American and Australian) experiences, whereas, social, economic, political and policy trajectories are different in Asian countries and elsewhere in the world (Hirayama, 2021). However, neoliberalism and globalisation has brought more countries within different ideological contexts together, which leads them to be convergent cutting the traditional lines of ideology and socio-economic circumstances during the process of social housing privatisation. Existing neoliberal theories do not necessarily fit all countries. It has been argued that as Stephens (2020) states ‘neoliberalism is too loose a shirt to understand housing systems, even though the role of social housing in housing provision has been deeply influencing and restructuring by Neoliberal thinking and global trends. However, the definition of privatisation is ambiguous and complicated to be applied into distinctive contexts. It is crucial to understand and explain the extent to which neoliberal thinking and global trends has influenced convergences in housing systems with a unified and underlying understanding of privatisation in the UK and China.

## **Conceptualising Privatisation**

The conceptualisation of social housing privatisation should be explored and discussed as a unified foundation to compare housing systems in the UK and China in a consistent way. A variety of terms have been employed to understand and interpret change processes in social housing since the 1970s, including residualisation (Forrest and Murie, 1987), privatisation (Forrest and Murie, 1988), restructuring (Pawson, 2006) and modernisation (Malpass and Victory, 2010). According to Malpass and Victory (2010), these all variants on what might be

called a discourse of decline, the discussion of which on social housing has dominated as the social housing sector has shrunk, becoming a more residual role on housing the least well off and people who are in most housing needs. A large number of recent contributions to the housing literature have focused on typologies of the housing changes (e.g., Malpass and Mullins, 2002; Malpass, 2011; Aalbers, 2017; Goulding, 2017), many of which have suggested the era of social housing changes is declining, while privatisation can be considered as a natural and appropriate term responding to variations of housing changes (not just the decline of the social housing sector) in the wider contexts for the future.

In terms of classifications of privatised forms, Starr (1988) summarised that privatisation was taken to describe a shift from public to private in four types of government policies: the cessation of public services and the withdrawal of government from responsibilities; the transfer to private ownership of public services; the financing of private services through contracting out public services; and the deregulation of private companies. Morris (1999) summarised four classes of privatisation: denationalisation (selling off public services or industries and the withdrawal of the state provision); substitution (charge fees from users of public services rather than taxation); liberalisation (deregulation of the state control) and contracting out (public services are contracted out to private companies). Keywords of 'privatisation' were summarised as 'selling off complete or proportional parts of the state enterprises, deregulation, the withdrawal of state provision and encouragement of private substitution, contracting out' by Forrest and Murie (1988).

However, a wave of privatisation is unfolding in the wake of the financial crisis, but it has not received serious academic attention (Mercille and Murphy, 2016). The global financial crisis began in 2008, there is now an ongoing intensification of privatisation activity globally (Megginson, 2017). Privatisation has been given narrow and broad meanings in the literature. Broadly, Savas (2008) defines privatisation as 'relying on the private institutions of society and less dependent on governments to meet people's needs.' Conversely, narrow definitions often refer to sales of public assets to private sectors (Hermann and Verhoest, 2012). This section adopts a middle-ground position. Drawing on Starr (1988) and Heard and Morris (1984) prior to the global financial crisis, as well as Mercille and Murphy (2016), Megginson (2017), based on the history of privatised practices of social housing in the UK and China. It defines privatisation as encompassing the following processes:

- (1) The transfer of authority-owned housing to private ownership, through the selling off public land, infrastructure and enterprises
- (2) The withdrawal of the government from financing services and increased reliance on private capital in the housing sector
- (3) The withdrawal of government from the maintenance and management services of social housing, through contracting out and contracts

#### **2.4.1 The Right to Buy**

Privatisation, which involves selling off state-owned assets to the private sector, is seen as a measure that enables the private sector to run more effectively like a business due to the profit motive. Privatisation was a relatively new concept in terms of the social housing sector in the 1980s, in the UK and China, since then the governments have initiated selling state-owned housing to the private sector. As Elsinga and Wassenberg (2014) said, selling off public services (selling off the social housing sector) to the private housing sector is one of the most important characteristics of privatisation.

In the UK, in 1979, the Conservative Government initiated a fundamental reform of the state's role in the public housing sector by shifting the nature of housing from that of a social good to that of a private asset (Disney and Luo, 2017). Furthermore, the UK government sought to accomplish the objectives of reform through its privatisation agenda, and the sale of council housing to their tenants (called Right to Buy policy) was the preferred mechanism of privatisation (Linneman and Megbolugbe, 1994). The sale of council housing was subsequently encouraged to extend to private landlords and non-profit HAs, but it was not in practice (Morrison, 2016). Furthermore, there are some variations in different regions, for example, London usually has unique social housing policies. Regions within the UK have different discounts for the RTB, and some places intend to suspend the RTB such as Greater Manchester, and some places intend to expand the RTB in London. Accordingly, exploring housing systems under the RTB policy at the national level might neglect some characteristics within different regions.

Similarly, in 1980, the Chinese Government approved the document *Report Outline of the National Working Meeting on Capital Construction*, establishing the purchase of private buildings and houses, and experiments on the sale of public housing to the private sector were allowed. This pioneering policy was implemented in some pilot cities such as Hangzhou,

Huaian, in which the sale of welfare-based housing was almost fully completed while some western and southern cities in China had different levels of completion of the transfer of welfare-based housing.

In this study, selling off public services and the withdrawal of the state provision is considered one of the privatised forms in the social housing sector. In the UK and China, the sale of social housing during the pre-reform era was initiated in the 1970s as the majority of former housing owned and managed by the state was sold to their tenants and the private sector, and the responsibility for the provision of social housing has shifted from the state to profit and non-profit organisations through the design and implementation of related policies, such as the RTB in the UK and the sale of welfare housing in China. Nevertheless, the sale of the social housing sector does not mean the transfer of responsibility has completely been shifted from the state to the private sector, rather the state or LAs would remain an important source of social housing. In other words, increasing participation of the private sector in the social housing system does not imply the transfer of ownership from the public service to the private sector, and the privatisation policy includes the sale of public services alongside a wide range of interacted policies aimed at targeting subsidies and management by introducing private owners, or financiers (Linneman and Megbolugbe, 1994).

#### **2.4.2 Large Voluntary Stock Transfer (LSVT) in the UK**

LSVT (Large-scale Voluntary Transfer) is an important practice of the privatisation process of the council housing sector in the UK and stock transfer has been transformed from a local initiative into a national government policy in the housing sector (Malpass and Mullins, 2002). The sector has grown due to the LSVT policies that are underpinned by private borrowing, which led council housing stock to be directly transferred to new or established associations (Mullins and Pawson, 2010b). In the 1980s a LA initiative was established to support stock transfer under the Housing Act 1985, and it was increasingly formally adopted by central government and more local councils in the 1990s. The LSVT process was almost completed in the 2010s and by 2013 approximately 43% of the association's stock was held by LSVT practices (Homes England, 2025).

In this thesis, stock transfer cannot be seen as a simple form of privatisation because it has also been a political process from 'balloting arrangements, governance and accountability through the post-transfer arrangements' (Jacobs and Manzi, 2014). However, stock transfer

represents a gradual process towards more marketized forms of social housing provision. In this thesis, the term privatisation in the process of the stock transfer is interpreted as stock transfer marks a shift from public-owned services towards the private sector, with the responsibility and accountability of LAs transferring to for-profit organisations. Social housing is driven by the commercial interests of landlords, albeit with regulatory bodies and partnerships with LAs (Mullins and Pawson, 2010). Essentially, it fits in the conceptualisation of privatised forms, i.e., the removal of the council housing sector from LAs to private and voluntary sectors. The stock transfer has been in accord with the privatisation process and the discourse of the privatisation here is not used to debate whether it might bring negative consequences for tenants (for example, a hard-nosed approach to housing management, the eviction of tenants or commercial goals).

There was no LSVT process in China as the ownership of welfare-based housing was transferred to sitting tenants instead of housing organisations or institutions, LSVT therefore is a distinctive form of social housing privatisation. However, rather the extent to which the stock transfer process in the UK can be seen as a similar transfer of the authority-owned housing sector from LAs to private sectors, compared to China's housing systems should be highlighted.

### **2.4.3 Financial Shifts in the Social and Affordable Housing Sectors**

It is widely considered that housing has been a significant sector for commercial activities and reforms as governments have initiated a series of financial policies to privatise social housing, extend homeownership and shrink the role of the state since the 1980s (Malpass and Victory, 2010). After the financial crisis in 2007, the concept of financialization was extended to explain the increasing dominance of financial actors, markets, measurements, or practices, leading to a structural transformation of economic entities and firms (Aalbers, 2017). Fiscal austerity was seen as an important factor, influencing the financialization of affordable and social housing after the crash since the government seeks to cut the budget and raise revenues through financialised means (Wijburg and Waldron, 2020), including the new financial investment techniques and instruments (Fields and Uffer, 2016); the direct privatisation of public housing assets (Jacobs and Manzi, 2019) and changes in social housing policy (Van Gent and Hochstenbach, 2020).

In the UK and China, financialization is still alongside policy shifts from public to private or hybrid financing of Housing associations and city construction companies, particularly with respect to the finance market, the tax system, and greater subsidies towards people who are low-income or vulnerable households. This section aims to respond to present and interpret the financialization forms of housing with the involvement of governments and stakeholders in various financial means.

#### **2.4.4 The Changing Roles of the State in the Financialization of Housing**

Housing has become a central component and object of financialization (Aalbers, 2017). Most governments are changing policies in the housing sector and newly implemented policies that are designed to create a stronger and larger market-based housing finance system. Generally, the global financial markets are systematically linked with the restructuring of the domestic housing markets (Heo, 2012). The market actors participate in the housing construction and purchasing dependent on long-term loans from banks and other financial institutions and housing systems have to respond to the demands of profit-seeking capital. Therefore, housing systems are under substantial pressure to meet huge demands of maximised profit capital by multinational companies in the process of restructuring, which leads to changed roles of the state towards the regulation of the housing finance markets.

Research on the influence of financialization on the changed roles of the state in regulating housing systems is divided into three streams. The first one is that the changed roles of the state in regulating housing finance markets have been reflected in the aspect of the deregulation housing market. For example, Clapham (1995) claimed that the removal of the regulation system and stabilisation in the 1980s was one of the factors which caused the volatility of housing prices in England. The only policy instrument governments use to control this is the general interest rate set by the Bank of England, and the set interest rates often reflect conditions across the whole economy (Clapham, 2006). In the global context, the provision of credit created by the cross-border transactions of the property and the deregulation of the intermediation systems for housing finance, resulted in the steady growth of homeownership and soaring housing prices (Raviv, 2008).

Therefore, the argument of these activities of the deregulation of housing finance systems and the restraint of public investment in the social housing sector led to the convergence of the overwhelming homeownership and residual role of social housing in many advanced

industrialised countries, have been widely debated (e.g., Malpass, 1983; Malpass and Victory, 2010; Pearce and Vine, 2014; Xu and Luo, 2021; Mo et al., 2024). The deregulation of finance systems has been partly right over the years, for example, in the UK, mortgage markets were indeed deregulated in the late 1980s.

However, housing systems in the UK were ostensibly re-regulated in 2004. That was a failure as the regulation was only put in the statute book, and the lenders' own voluntary code of practice was not changed as a result of the 2004 regulation. It even failed to curb the excesses driven by the 2008 financial crisis. More strident mortgage market regulation was implemented in 2014 (Nield, 2015). Thus, the deregulated finance systems might track the convergent trends at the international level, while there are still some variations within the domestic contexts.

The second one is the increasing academic interest in the assetisation of housing. The assetisation of housing has become an important episode of the economic restructuring during the 1980s, which has elicited much attention in recent years (e.g., Gallent et al., 2018; Wu et al., 2020; Adkins et al., 2023; Stirling et al., 2023). In China, Wu et al (2020) argue that the assetisation of housing is one of the outcomes of the financialization of housing, i.e., the transformation of owner-occupied housing into a financial asset for household wealth accumulation in the context of the state-controlled financial environment. While in the UK, the assetisation of housing was pursued through housing policy reform before the 1980s and was supported through shifting policy discourse around the consumer subject (Stirling et al., 2023).

Researchers with an interest in housing financialization have recently turned their attention from the private sector to the social sector within the wider contexts (e.g., Wijburg et al., 2018; Byrne, 2020). For example, Belotti (2021) analyses the financialization of social housing by multiscale state crafting in Italy. Aalbers (2016), Wijburg and Aalbers (2017) reveal the behaviours of purchasing public housing driven by an influx of private equity and hedge fund activity, which fosters innovative public-private partnerships in the Netherlands and Germany. Studies also focus on how local governments undertake speculative developments, often termed financialised urban entrepreneurialism (Beswick and Penny, 2018). The increased permeation of finance into the public housing sector through variegated funding models (Wainwright and Manville, 2017).

The third one is the changes in the financialization of housing driven by global events including the subprime crisis in 2007 and later the global financial crisis in 2008 as critical junctures. After That, these events have restructured the housing sector, and neoliberal priorities such as fiscal constraint, free trade, reduced welfare expenditure and lower taxation have been endorsed by governments after the global financial crisis (e.g., Rolnik, 2013, Caruso, 2017). Kennett et al., (2015) argue that the collapse of mortgage lending after 2007 was a clear illustration of the heavy reliance on accessing credit from international wholesale markets, with financial deregulation and shifts in housing asset values. Neoliberalism is considered the driver to accelerate this collapse maintained in the reform of housing policy, and the global financial crisis has changed the meaning and economic role of housing that policies designed and implemented to create stronger and larger housing-based financial markets, to include low and middle-income groups (Rolnik, 2013). The commodification of housing and housing used as an asset in a globalised financial market has detrimentally affected the affordability for low and middle-income households (Kadi and Ronald, 2016).

A number of regional, country-level and cross-country studies have explored the impacts of macro policies on the housing sector (e.g., Kannan, 2012; Arslan et al., 2015; Rubio and Carrasco-Gallego, 2017; Zhang et al., 2017). The responses of macro-prudential policies by national governments to the global crisis were aimed at the financial systems and housing systems. In the UK, Whitehead and Williams (2011) tested the current British governmental policies responding to the financial crisis and found that policy solutions have ameliorated, but not fully resolved these pressures. Nevertheless, the later policies have been promised and turned to in favour of ‘affordable’ rents whilst the *Right to Buy* was enhanced. In China, a policy response of a package of 4 trillion Yuan financial stimulative plan and local government intervention for the global financial crisis was termed a crisis of crisis management mode (Zhang et al., 2017).

However, the implementation and evaluation of these policies might be different at the local levels as local governments have more or less autonomy to design and implement local housing policies, thus, when comparing macro housing policies in the two countries, it is important to consider variations within each country in a detailed way, and subcases might be necessary to capture more characteristics within this comparative study.

## 2.4.5 Public-Private Partnerships Models (PPP models)

Housing associations and City Construction Companies are important actors in the financialization process of the housing sector in the UK and China. They are the main providers of social housing. There is a call that various levels of government be required to play an important role in funding higher levels of socially rented house building by making a strong government commitment, but this call for more government support might overshadow the fundamental changes that have taken place in the core funding models of HAs and CCCs over the years (Williams et al., 2024). Some main adjustments and financial shifts in HAs (especially English HAs) and CCCs have been driven by the need to secure more funding for social and affordable housing delivery. It can be explained that the process has been continually changing in terms of issues about who provides funding and how it could be provided.

Ideologies and financial factors are two important motivations contributing to the changes in the roles of HAs (Mullins and Pawson, 2010), and CCCs. Non-profit HAs and state-owned CCCs have traditionally been involved in the delivery of public services, with more increasingly hybrid models of mixed public and private funding as well as cross-subsidy of social goals than heavily reliant on public funds. Though they have still been regulated by the state and partly received public funding. The budget from public or private finance has been used to maintain existing housing units or finance new homes rather than for the personal benefits of stakeholders. Due to these hybrid characteristics, HAs and CCCs are concluded as social landlords who may act as property managers and sometimes developers of new homes, at the same time, they are also welfare providers of social housing that aim to fulfil housing policy goals (Alves, 2022).

The global financial crisis has been the driver to accelerate their financialization process. In the UK, a large number of affordable housing units are provided by some ‘traditional’ HAs (MHCLG, 2019), but financialised privatisation may transform the third sector as revenues generated from affordable and social housing units can be capitalised for broader purposes of financial profit-making. The global financial crisis in 2007/08 has deepened these trends, with national austerity policies driving associations to commercialise their development agendas, which in turn drives the financialization of this sector (Williams et al., 2024). Similarly in China, many CCCs have been established responding to the 2008 global financial crisis and the 4 trillion stimulus package by the massive-scale basic infrastructure, even though they were originally positioned as non-profit state-owned enterprises, funded by

public finance and bank loans. CCCs subsequently have been partnerships with private investors and invested in commercial housing programmes, deviating from its non-profit sector (Feng et al., 2022a).

HAs and CCCs are becoming incorporated into wider trends of ‘financialization’, particularly after the 2007/08 financial crisis, the transformation of housing into a financial asset has drawn growing attention (e.g., Goulding, 2017; Feng et al., 2021). Changing modes of funding HAs and CCCs, inevitably, have been criticised in some ways. On the one hand, they are empowered to expand their financial policies through ‘regulated deregulation’ (Aalber, 2016b) with often ambiguous and poorly defined rules, regulations and institutions, creating opportunities for the financialization to design and implement their financial policies and use their financial reserves. On the other hand, they are becoming interested in the development of products for debt-related risks and interest rates. Many HAs and CCCs develop dwellings for profits and some of them even employ more complicated financial techniques, for example, some HAs in England even borrow from global capital markets and lend loans to other HAs. Credit Rating Agencies (CRAs) play the role of gateway constructor of HAs by embedding the priorities and logic of private capital into social housing providers (Smyth et al., 2020).

It has been an important time point when the blurring of boundaries between private and public sectors increased, reflecting the organisational challenge that hybrid housing organisations had to face due to privatisation and they have been able to maintain their access to capital through institutional investors in the bond markets, creating new relations between providers and lenders to reshape the sector (Rhodes and Mullins, 2009). Though there still exists some traditional HAs and CCCs, consisting of small-scale and locally oriented, most of whose incomes come from rents paid by their tenants in the UK (Raco et al, 2024) and most of whose incomes come from government funds (Lam, 2017).

The shifts of financial logic within HAs and CCCs have been a long-term historical process, with the neoliberalisation and denationalisation of state-owned housing (i.e., council housing in the UK and welfare-based housing in China) since the 1980s. Over decades many large HAs and CCCs have become commercially diversified, developing lands and houses for market sales and renting, and longer-term products such as low-cost homeownership (Heywood, 2016). In this case, HAs and CCCs are expected to formulate their own financial policies on investment, rental policies and homes for target groups. Land and housing are

increasingly seen as financial assets for HAs and other housing providers. They have increasingly been involved in land and development and also developed owner-occupied dwellings and commercial real estate as they recognise that there would be more considerable uncertainty in the housing market which has led to rethinking business models and reliance on bank debts or loans, particularly CCCs in China. The land is crucial in the local finance system and used to be collateralized bank loans for preliminary land development for local CCCs (Liao, 2015). Differently, an increasing number of HAs are involved in activities of shared ownership schemes, private or rental sectors, diversifying their business models, but China has not seen the dominance of CCCs and other financial investors in financial profits (Guironnet et al., 2016), the central government still maintains great power in the national financial market.

Overall, mixed-funding models will be the core for a large number of HAs and CCCs over the next decade, even though they are inherently different (HAs are independent organisations and CCCs are government-owned enterprises), and it is complicated to define HAs and CCCs as non-profit or profitable organisations. Nevertheless, governing financial risk still remains a basic element of the conversion of them into an asset class, alongside the need to secure social housing assets a major priority for the regulators, in which private finance has been a significant instrument, enabling them to lever in capital for development and refurbishment in exchange for interest repayments in the long term, and creating interactive relationships in which private debt is achieving social policy goals while social policy acts as a source of accumulation for private entities (Dowling, 2017). There emerges a group of large-scale financial actors, engaging in real estate development and other commercial activities to generate revenue to cross-subsidise social housing activities, selling shared ownership and building homes for market sales, not just about private borrowing. In GM, Greater London in the UK, and large cities such as Shanghai, Shenzhen and Hangzhou, this funding model has been widely used. Essentially, the financialization of HAs and CCCs can be seen as a profoundly social and political process, implicated in broader tendencies of accumulation through dispossession as housing assets to enable the circulation of capital through the built environment (Goulding, 2017).

#### **2.4.6 The Emergence of For-Profit Providers in the UK**

The emergence of for-profit providers is one of the important elements of the financialization of housing, and this only happens in the UK. An important change emerged under the Housing and Regeneration Act 2008, which indicates that it was the first time to allow for-

profit social housing providers to enter the affordable market. Thus, not just management and residual rights and funds can be transferred from the public sector to the private sector, as Wijburg and Waldron (2020) said at early times, the income streams can also be shifted, indicating the affordable housing units can be capitalised for financial profit-making. The limited appetite for lease structures might have persuaded a number of investors and funds to establish their own for-profit registered providers, to directly own, fund and operate affordable housing programmes. For example, Legal & General Affordable Homes and MAN Group's Habitare exemplify the shift from being a lender to an owner-operator (Legal and General, 2023). These equity firms /pension providers etc are interested in long-term low yield low-risk index-linked investments, so social housing and shared ownership rents are ideal as rent rises index linked too.

At the same time, the rapid rise of local housing companies (LHCs) has been another important signal for for-profit housing providers. Essentially, LHCs are defined as private companies set up by a council to buy or build housing for sale or rent (Greater Manchester Housing Action, 2021). They are often owned by the council, but they in fact are not part of the council, rather they are an independent private legal entity, governed by a board of directors. LHCs are set up to generate income to fund general services, and to be a source of profit to replace streams lost to austerity; LAs are becoming private housing developers to generate profit (Davis and Bernstock, 2023). It is worth mentioning that CCCs in China have been set up by local governments, they are not classified as for-profit providers as LHCs as they have been initially established for non-profit social housing programmes even though they have partnerships with private investors during the financialization process of housing.

Overall, the researcher proposes that the emergence of for-profit housing providers, including investors, specialised funds and LHCs, essentially represents a further step in the financialization of social housing. The rapid rise of LHCs, and socially rented homes being controlled by private finance (e.g., through the Private Finance Initiative (PFI) scheme), etc, indicates social housing is gradually being captured by private finance and being held as a financial asset. To some extent, CCCs in China and LHCs in the UK are similar despite LHCs are not popular financial vehicles in social housing supply, alongside more profound privatised practices. The involvement of pension and insurance funds, private equity funds and other types of funds, is a clear case of the financialised process of social housing. The emergence of LHCs does represent councils attempting to be private developers to offset the loss of social rented homes and income by the RTB, and strict HRA restrictions over a

decade. It might be concluded that LHCs would be an important feature of financial policy by LAs, especially in the broad context of the deep austerity in the UK.

#### **2.4.7 Types of Partnerships Among Stakeholders**

There is an increasingly wide range of partnerships among actors during the financialization process of housing. Over-prescriptive top-down regulations and controls have a corrosive influence on the capacity of delivery agencies, and the mechanism of bureaucratic accountability and control has been broadly discredited (Du Gay and Lopdrup-Hjorth, 2016). Therefore, the inclusion of multiple partners is the governance form that is able to deal with current complicated problems, beyond the established formal structure of state bureaucracies and territorial boundaries (Raab and Milward, 2003). After the global financial crisis in 2008, many governments have reduced their budgets for LAs. Multiple institutions are required to fill the financial gaps by attracting private capital to meet public needs, particularly the housing sector, alongside the provision of affordable and social homes failing to meet growing demands.

Some HAs have attempted to allocate and sell some of their development pipelines to an investor but maintain the development management role to deliver the new homes and manage properties (Partridge, 2023). Investors finance the developments, creating more opportunities for HAs to invest in other elements of their business plans.

There are still some practices in which the development management and maintenance of affordable and social homes by HAs are contracted out to for-profit providers and investors (Inside Housing, 2024). For-profit providers and investors seek partnerships with HAs, bringing their expertise to help HAs deliver services and offer experience and a track record. This type of management agreement is usually short-term and there is a split of risks and rewards between the parties. For HAs, it is necessary for them to grow their management services at a time.

Corporate investors have also attempted to lobby for policy transformations to support their financial interests in the housing sector (Haughton and Allmendinger, 2016). For example, in the UK, they have access to policymakers and convey their prescriptions for housing systems and policies in order to seek profits. It is argued by Beswick and Penny (2018) that this kind of contact could help to the relaxation of planning regulations on constraints on land supply and provide opportunities for land and housing policies. However, it is also criticised how

institutional investors can bypass affordable and social housing obligations (less commercialised and target low-income and vulnerable households) against their for-profit characteristics and pursuit of financial interests, which has become a concern. In China, CCCs have attempted to lobby for policy preferences through land finance, while land is treated as inventory, collateral and a cash contributor (Feng et al., 2022a). As a response, local governments have injected land into CCCs, which CCCs heavily rely on. Some CCCs debt is structured through financing channels of shadow-banking systems, including securities and insurance companies, but it is not a widely used financing approach in some small cities.

The involvement of institutional investors in the affordable and social housing sector demonstrates the restructuring of state-capital relations, and it is another form of financialised privatisation (Wijburg, 2020). There are diversified ways of partnerships among actors in the UK, while land finance has still been dominated in the CCCs partnerships with other actors. The role of the state has shifted from the social housing provider to the facilitator that seeks to reshape the housing sector through corporate interests. The affordable and social housing sector is seen as quasi-financial assets, with partnerships between HAs and capital markets, institutional investors and capital markets by designing new financial policies and creating new financial mechanisms (Kertesz et al., 2009). It might be too early to indicate whether this shift toward a polymorphous housing sector will remain the dominant pattern of the next decades because they are popular in particular regions in China and the UK without being a general practice in the whole country, but various types of partnerships among stakeholders within the public and private sectors are relatively well-established.

#### **2.4.8 Contracting Out Public Services**

Contracting out is seen as a part of the public sector strategy, in which governments engage a private or non-profit entity to provide a set of specific services (Maurya, 2018). In this study, contracting out public services often refers to the contraction of the social housing sector through selling off and reduced investment to market forces (Forrest and Murie, 1988) and the government has experimented with private management of council housing as one of the other mechanisms of housing privatisation except for the sale of council housing dwellings. It is worth mentioning that this is the privatisation of delivery through contracts (which at least

in theory should regulate private sector companies), but it is not the privatisation of ownership of social housing.

Contracting out services at the local level can take many forms, depending on the local context. However, scholars often group together and juxtapose ‘public’ and ‘private’ bodies, without precisely specifying what type of bodies they investigate (Voorn et al., 2017). This lack of clear and uniform terminology complicates research into forms of contracting out (Van Genugten et al., 2019). The orthodoxy ties it to the New Public Management (NPM) reforms of the 1980s and onwards (for example, Dunleavy et al, 2006). A central point of the NPM reforms is that public organisations should import managerial processes and experiences from the private sector (Keen and Murphy, 1996). Critics of NPM argue that differences between public and private organisations are huge so private practices should not be transferred to the public sector (Boyne, 2002).

Similarities and differences between the public and private sectors have frequently been debated in the literature, one of the main conventional distinctions is their ownership, alongside public agencies being funded by taxation and the private sector being paid by customers (Rainey et al., 1976). Public organisations are controlled by political forces, not market forces (Boyne, 2002). However, if political authority is absent, ownership and reliance funding will count for nothing. According to Boyne (2002), compared to private sectors, public organisations are more bureaucratic, less materialistic and have weaker organisational commitment.

Based on NPM theory, contracting out the maintenance and management services of social housing fits in the central element of NPM reforms, i.e., the private sector is imported into the LA sector. In terms of ALMOs, they appeal to government elites as a way of realising private sector ideals of specialisation and efficiency in the administration of public services. An alternative narrative situates the New Public Management account within a broader context about socio-political forces, and in this view, New Public Management has simply been a manifestation of a broader shift towards depoliticisation (Roberts, 2011). This broader narrative involves contentious issues from the public domain to the realm of experts or the market, hence, the typology of ALMOs is fitting for politicians who aim to detach themselves from problematic political matters (Boswell, 2018).

It can be explained that ALMO models are desirable in principle as this model clearly separates strategic functions (the maintenance and management services of social housing)

from landlord ‘delivery’ functions. However, from the LA side, the attraction of ALMOs is allowing them to access more public funds, and when achieving the initial goal of the Decent Homes Standard (DHS), LAs take the maintenance and management services back in-house from ALMOs. ALMO models therefore are not just a form of NPM reform that LAs import managerial processes and behaviour from the private sector. Essentially, this model is more conceptualised into the boundary work that provides new explanations to track the complicated and dynamics of legitimisation of these practice changes.

In this section, the maintenance and management services of social housing were LA’s matter, but it was contracted out to private property management companies and ALMOs (in the UK), without transferring the ownership of social housing. In China, prior to housing reforms, the maintenance and management services of social housing were provided by local governments and state-owned enterprises. After that, the maintenance of social housing has been mainly tendered by private property management companies from the open market, a very small scale of social housing whose maintenance and management services remain authority-owned. In the UK, contracting out may entail the letting of a contract to groups like Meers, or ENgi to undertake construction or repairs and maintenance of services previously undertaken by the council or HA staff (Cram, 2013). In the 1980s/1990s there was talk of private firms bidding to manage social housing properties but that didn't really take off. Only in maintenance and perhaps estate grounds maintenance etc. Some LAs had and still do have public works departments or Direct labour organisations (DLOs) so do not use private contractors for repairs and maintenance (Clarke, 2014). Most do contract their repairs and maintenance though nowadays. The construction was also often undertaken by DLOs but even at the height of council housing in the UK large private building firms delivered the new homes (*ibid*). Whether contracts are tendered by private sector firms or are retained in-house by LAs, the form of competitive tendering and the tight fiscal control of local government spending, have had an adverse impact on local and regional economic development (Savas, 2008).

In the UK, LAs and ALMOs have developed a wide range of different relationships and models based on their own local circumstances. For example, some ALMOs have developed considerable independence from their local authority, while others have a closer management arrangement. Some ALMOs have maintained a tight focus on housing management and relative services, like Six Town Housing, while others have diversified into services delivered

to meet other local authority strategic outcomes, alongside some ALMOs having their own property portfolios and services, like Stockport Homes (NFA, 2021).

In China, the management and maintenance of social housing is contracted out to most private property management companies with few companies owned by local governments. On the one hand, the government-led model is a direct one in which the maintenance and management services of social housing units are provided by local governments. The sub-district office where the social housing community is located recruits' staff and establishes a non-profit property company to provide services to social housing residents. In fact, the government-led property company is not a company, rather it is established as a property management agency under the leadership of the sub district office with the dogmatic administrative regulations. The government-led model of the maintenance and management services of social housing has been gradually replaced by the market-led model as local governments are increasingly dependent on land transfer for revenues and transfer the responsibility of social housing development to real estate developers.

On the other hand, the market-led model is more popular (Wu, 2018). Due to the responsibility of the construction and development of social housing being transferred from local governments to real estate developers, social housing tenants tend to have the same service team of maintenance and management as those of commercial housing in the same communities. This is because private property management companies bid for the maintenance and management service of the mixed communities of commercial housing and social housing units, providing for-profit and professional services at market prices (ibid).

Table 5.1 Three Conceptualisation Forms of Social Housing Privatisation in the UK and China

Classes of Privatised Forms	The UK	China
Selling Off Social Housing	Mainly the Right to Buy (the RTB) since the 1980s	The Sale of Welfare-based Housing Since the 1990s
Financing the Social Housing Sector	<ul style="list-style-type: none"> <li>• HA Housing Finance</li> <li>• Large Voluntary Stock Transfer (LSVT)</li> <li>• The Emergence of For-Profit Providers</li> </ul>	<ul style="list-style-type: none"> <li>• The Emergence of For-Profit Providers</li> <li>• Partnerships with Stakeholders</li> </ul>

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	<ul style="list-style-type: none"> <li>• Partnerships among Stakeholders</li> <li>• Pension and Insurance Funds</li> </ul>	<ul style="list-style-type: none"> <li>• Government-Led Investment</li> <li>• CCCs Housing Finance</li> </ul>
Contracting out public services (i.e., maintenance and management)	<ul style="list-style-type: none"> <li>• Authority-owned</li> <li>• ALMOs</li> </ul>	<ul style="list-style-type: none"> <li>• Government-led</li> <li>• Private property management companies</li> </ul>

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## 2.5 Conclusion

This chapter reviews existing literature on comparative housing theories, including early convergence analysis, divergence analysis and new convergence analysis, applied in housing systems. Some factors (neoliberalism and globalisation) are drivers of new convergence studies adapting to changes, aiming to help propose a preliminary framework of comparative housing studies. The convergence perspective often refers to housing systems moving towards a similar direction, but the convergence perspective in the earlier decades-i.e., ‘structural Marxist political-economic approach’ or Harloe’s typologies lies, has lost its explanatory power. The new convergence analysis has been more persuasive because there is a similar direction of the deregulation of housing finance systems and the privatisation of social housing in many countries influenced by neoliberal ideology and globalisation. The conceptual framework of the privatisation of social housing has therefore been established as a foundation of the comparative study based on market logics. Prior to comparative research on social housing privatisation in the UK and China, it is required to clarify the meaning of privatisation in the context. The next chapter therefore describes and explores privatisation experiences in the UK and China, in accordance with the historical process, current practices and future plans.

# Chapter 3: The Privatisation of Social Housing in the UK

## 3.1 Introduction

The relationship between housing and welfare states is sophisticated even though it is considered one of four fundamental key social services with health care, social security, and education (Clapham et al., 1990). However, housing is more complex within welfare states because when looking at housing, the market is becoming the main vehicle of supply and provision rather than the state or governments in a broader view of the welfare state. A wide range of metaphors has been employed to understand and interpret the specificity of housing. Harloe (1995) argues housing has retained an ambiguous and changing status on the margin of welfare states. These metaphors have been widely used since the 1940s. Since the 1970s in the UK, housing kept changing in ways that one of the most profound housing policies and reforms was the privatisation process of social housing.

In the UK, the privatisation of social housing is different from the normal process in the private sector because it is policy-driven rather than market-oriented (Forrest and Hirayama, 2015), even though, through this process, a wide range of opportunities have been created for the private sector to pursue profits from social housing (Malpass and Victory, 2010). In different times, the forms of privatisation of social housing have been expressed in different ways. Originally, the privatisation of social housing aimed to seek an alternative to an ever-growing council housing sector, after which it has gradually turned to the market, such as the Right to Buy (RTB), the Large-Scale Voluntary Transfer (LSVT) and later the private investment in HAs. These policies have been extended and developed while some policies were abolished (for example, Choice-based tenure and Housing Action Trusts) (Malpass and Victory, 2010). Changes and dynamics in these housing policies and practices are important to track back and review the privatisation process of social housing in the UK.

This chapter will review the history of social housing in the UK, especially the privatisation of social housing including some main forms of how social housing has been privatised, providing a broad view of social housing privatisation from a historical and critical perspective for further establishing a conceptual framework in the UK.

### 3.2 British Social Housing: Historical Context Before the 1980s

In the late 19<sup>th</sup> century, almost all housing was private. The poor lived in private rented housing that was often in very low-quality conditions, in urban housing that had been cheaply and badly built, was overcrowded and poorly maintained, and was called the slums.

Philanthropists (rich but socially liberal people) and some charities began to campaign to improve urban housing conditions and replace the slums. There were also some called cooperative housing movements, worker-led and owned coalitions, effectively a socialist model (the socialist model often refers to one of the state ownerships, allocation of housing and related services implemented by governments and employers) (Birchall, 1991). By the end of the 19<sup>th</sup> century, these organisations had been on a larger scale without any real cooperative basis or strong connections with working-class groups (Harloe, 1995).

In 1890, the UK Parliament gave legislative authority to LAs to develop local housing for the working class but without any financial assistance though, at that time, many LAs were comparatively rich and had greater local tax-raising powers, particularly in the major cities. The *Housing of the Working Classes Act 1890* was issued to permit LAs to establish 'council housing', and to demolish slum dwellings and replace them with council (and other) housing, though this became more widespread in the 1920s/30s. The commercial return was limited to no more than 5% (Morton, 1991). Authorities were expected to increase the decent housing supply for the working class. It was estimated that approximately 24,000 units had been built by 1914 (Merrett, 1979) and around 90% of households still lived in private rental housing. Although the scale of social housing was limited, the experiences have established the principles of social responsibility for housing provision in the UK and provided insight into practice capacity in delivering such social housing.

For most of the decades before 1914, the level of housing construction and provision had been limited, and new buildings continued to fall during the war. By 1918, it was evident that there was a severe housing shortage that private enterprises could not solve effectively. The social housing sector during this period served rather better-off working-class households and the least well-off were excluded (Malpass and Victory, 2010).

After World War I, reconstruction of new homes was given priority and social housing programmes in British cities were accelerated. The document *Housing and Town Planning Act 1919* made it mandatory that LAs should compile plans to meet local housing needs and granted central subsidies in supporting the non-profit sector (Jing, 2009). In the 1920s, large-

scale social housing projects included the scheme *Homes Fit for Heroes* and later slum clearance programmes in the 1930s (Finch and Kelly, 2021).

By the mid-1930s, the outbreak of the Second World War had effectively suspended new housing construction for a second time. Britain faced the most severe housing shortage in the 20<sup>th</sup> century as the war came to an end. Thousands of houses in the big cities had been destroyed and badly damaged by heavy bombing. The severe housing shortage subsequently re-emerged after the Second World War in British cities. The war badly damaged and destroyed approximately 700,000 housing units (Lund, 2006). According to the *Office for National Statistics*, it was estimated that more than 2.9 million dwellings were developed by LAs over the last two decades in response to this enormous vacancy as a significant component of the welfare state. At the same time, some big British cities have experienced a fast growth of population driven by the post-war ‘baby boom’. Between 1951 and 1971, the total population increased by over 5% decade (Jeffries, 2005). Additionally, slum clearance development has created an increasing number of the working class to be re-accommodated. LAs, therefore, had great economic and political pressure on re-launching social housing projects. Central subsidies were at a higher rate for local social housing development than ever, which stimulated the local social housing sector to rapidly increase.

The housing shortage was reduced to a large extent in the 1960s, with public expenditure on the council housing sector kept higher. According to the *Office for National Statistics*, social housing development continued at scale until the late 1970s, councils built 115,840 homes in England in 1977 (although this was less than in the 1950s it was still very high compared to the 1980s onwards). Most of this housing was outlying, greenfield areas with semi-detached houses. The working class was seen to deserve this kind of high quality because they suffered from the war and had political influences. It led the Labour Party to come into power after the War II because the vote was extended to most working-class people for the first time in 1946, they elected a Labour government, which at that time was a workers’ party (Malpass and Murie, 1999).

Council housing was the main form of housing for the working class, but with some exceptions. In the late 1960s, the construction of council housing expanded in cities, as an essential part of slum clearance. There was a small increase of low-income and non-white households accommodated in such housing, leading to the start of stigmatisation and marginalisation of great swathes. To some extent, it represented a social divide between an

expanding white-collar middle class and blue-collar counterparts. It also represented a divide between the working class and poor people (Jones, 2010). It was developed to meet the general housing needs of the labour rather than the lumpenproletariat (the underclass devoid of class consciousness).

Council housing can also represent a form of decommodification of housing that incorporated and fragmented the working class, in order to reproduce a healthier and more productive workforce (Jones, 2010). Critiques of council housing might focus on the privilege of the working class and the market exclusion of the poorest. Council housing, in fact, was intended to be a working-class tenure rather than a tenure for the very poor. It was estimated that 20% of the richest tenth of the population in the UK lived in council housing (Hills, 2007). A large number of poor households were left to low-quality and insecure private rental sectors.

### **3.3 Housing Privatisation in the UK After the 1980s**

In 1979, the proportion of council housing tenants was at a peak in the 1970s when approximately 50% of households were owner-occupiers, 31% were council housing tenants and 19% of households lived in the private rented sector (MHCLG, 2012). In Scotland, the size of the council housing sector peaked at more than half (Elsinga et al., 2014). In the 1970s, some detailed regulations were launched corresponding to the shift of political alterations, such as the 1974 act which gave money to these housing organisations (the predecessor of housing associations) to refurbish some of the slum areas of poor private rented housing. An expansion of their role into housing policy. This was when they were first offered grants, while the basic framework of the social housing provision by the state remained unchanged (Kertesz et al., 2009).

Since the 1980s, the housing tenure of Britain has substantially changed largely due to the privatisation of social housing, and the share of new social housing units has also fallen. So far, the most significant form of the privatisation of social housing has been the sale of council housing to sitting tenants at a discounted price under the policy of the *Right to Buy*. Furthermore, the transfer of council housing owned by LAs to non-profit HAs under the policy of the *Large-Scale Voluntary Transfer* (the LSVT), and the restructuring of HAs were also two essential forms of the privatisation of social housing, as important elements in this chapter.

### 3.3.1 The Sale of Council Housing: the RTB

Policy not only influenced the housing systems but the election of a conservative government in 1979 brought about significant policy changes in the UK since the 1970s, especially during the Thatcher period (Malpass, 2004).

By 1979, approximately one-third of all dwellings in the UK were council housing, totalling 6.5 million units (Jones and Murie, 2007). The Conservative Party came to power in 1979, and the provision of new social housing construction significantly declined. The new and influential scheme '*Right to Buy*' was established through the privatisation of existing council housing stock and it was seen as a cornerstone of Thatcher's housing policy (Beswick et al., 2019). In the UK, privatisation is a relatively new notion that emerged with the RTB policy in the 1980s, which refers to the government selling state-owned companies to the private sector. In the UK context, the sale of state-owned properties to private owners is probably the most important feature of privatisation, characterised by reducing the state intervention in the social-oriented sector or emphasising the use of the market to achieve some social goals, such as financing social/affordable housing (Elsinga et al., 2014). Malpass and Rowlands (2010) argue that the sale of council housing came onto the agenda in the 1970s partly for political reasons because council estates were considered enclaves of Labour voters, and the Conservatives believed that the opportunity for these Labour voters to buy homes might be more likely to vote Conservative. The promise of the sale of council housing to better-off working tenants indeed succeeded in persuading them to vote Conservative. Additionally, the housing market in the UK continued to recover from World War II, which led to the growth of living standards and aspirations of the better-off working class to own their homes (Malpass and Rowlands, 2010).

The RTB aimed to give people what they wanted and to reverse the trend of the increasing dominance of the state over the lives of individuals (Boyfield and Greenberg, 2017). They (2017) also argue that homeownership is a deeply rooted desire for people, and the government should encourage homeownership to improve and modernise people's homes, enabling parents to accumulate wealth for their children and stimulate the traits of independence and self-reliance (ibid). Conservative governments emphasised homeownership as a means of wider wealth distribution and some LAs regarded their council housing stock as a burden on local taxpayers due to cost rents and maintenance costs. Hence, LAs were

permitted to sell off existing council housing stock with subsidies even though it was resisted by the Labour Party and some architects (Disney and Luo, 2014).

Furthermore, a series of global events also had a profound impact on housing policy in the 1970s. The oil shock of late 1973 and the 1976 sterling crisis, forced the government to borrow from the International Monetary Fund and led to the great pressure of inflation rising to 25% in 1975. Glennerster (2014) claims that the economic crisis in 1976 has broken the continuity in the social policies of the post-war era. The burden of the economy could no longer carry in welfare states and debate shifted from expansion to retrenchment (Malpass and Rowlands, 2010). Housing as a market-based welfare service in welfare states was at the forefront of change towards retrenchment, i.e., the non-profit welfare housing sector is implied to be smaller and different.

The RTB policy was issued by the *Housing Act 1980* in England and Wales and the *Tenant's Rights (Scotland) Act 1980*. It was seen as one of the legal rights established for secure tenants rather than for local discretion (Murie, 2016). The so-called RTB scheme provided sitting tenants with substantial financial discounts to buy homes they live in. Social housing tenants with sufficient money could exercise the RTB premise that they had been tenants for more than three years and almost all the properties where the landlords were councils, non-charitable HAs or other public sectors were accessible. Qualified tenants could purchase the property at a minimum discount of 33% of housing at market prices and its discount increased by 1% per year of tenancy up to a maximum of 50%.

The *Housing and Building Control Act 1984* was issued to strengthen the RTB. It added some technical details, closed loopholes, shared ownership lease and shorter tenancy for tenants who want to purchase properties. The tenancy period dropped to two years and the maximum discount reached 60% for 30 years. The Act also offered more dwellings for the disabled and was extended to councils and tenant successors. The later *Housing Act 1985* and the *Housing and Planning Act 1986* consolidated and made small changes in the RTB scheme. It was estimated that the sales of flats were much less than the sales of houses, the 1986 Act was therefore introduced to significantly increase the rate of discount for flats to a higher maximum. Discounts for flats were at 44% for two years and increased by 2% for each additional year to a maximum of 70%. Furthermore, the Act reduced the discount repayment period from 5 years to 3 years through the RTB and established a framework for stock transfer, a delegation of estate management and the preservation of tenants' rights. In

practice, purchase prices and applied discounts varied depending on where tenants lived and when they bought. In some cases, mortgage repayments would quickly fall below the levels that tenants paid in rent (Murie, 2016).

In 1988, the *Housing Act* introduced assured tenancies and HAs were told to invest in rental housing by using mixed funding. HAs, as a part of the non-profit sector since then, became an increasingly important and attractive alternative as later the 1996 *Housing Act* established some new steps to provide a right for HA tenants. Additionally, the 1988 Act was also introduced to compensate tenants whose landlords did not effectively carry out their duties with respect to the legislation, the maximum cash discount was £50,000. These tenants were allowed to resale social housing units after five years into the speculative market without price limitation or repayment requirements (Forrest and Murie, 1988).

The Labour government in 1997 continued to express a strong commitment to encourage sustainable homeownership and the RTB continued with tenants having a chance to purchase the properties at considerable discounts. However, it was also concerned with increasing the value of this purchase and other projects. The government in England made slight changes in terms of the discount arrangements. Changes came into effect in 1999, and until this point, a maximum discount of £50,000 was proposed (Disney and Luo, 2014). After that, it was reduced to levels that varied across different regions for tenants who exercised their RTB. For example, the highest discount was in London (£38,000) and the lowest was in the Northeast (£22,000), the Southwest at £30,000, the Northwest and West Midlands at £26,000 and Yorkshire & Humberside at £24,000 (Murie, 2016). The proposals to increase value for money resulted in modifications of the cost floor rules including repair, maintenance and other costs over a ten-year period.

The Global Financial Crisis in 2007/08 has been such an impetus, which has led to the sudden decline of ownership (homeownership decline prefigures the global financial crisis, as it peaked in 2003) (Pawson and Milligan, 2013), the revival expansion of the private rented sector and the restricted access to credit for purchasing homes. In response to situations of the credit crunch, economic recession and budget deficit, the UK government embarked on an austerity agenda to reduce the role of the state. Reinvigorating the RTB under the Coalition government in England has been such an important approach in the housing sector since 2010 (Elsinga et al., 2014). The housing packages included curtailing capital expenditure on

investment in new social housing programmes, housing renewal, regeneration activities and regulatory arrangements.

Reinvigorating the RTB Scheme in 2012 was launched accompanied by an impact assessment (DLUHC, 2012). Reduced rental income and increased housing benefit expenditure were assessed, however, increased supply and construction activities were emphasised. These activities were referred to as the replacement of sold dwellings on a one-for-one basis. In terms of discount levels, their assessment was not referred to and it was asserted that reduced discounts resulted in reduced sales of dwellings. Increased discounts were therefore seen as the measure to increase sales. The assessment of the relaunched scheme was highlighted by The National Audit Office (2016) whether the delivery of one for one basis was positively and successfully exercised.

Nevertheless, the influence of these measures was challenging to assess. The number of sales by LAs in England grew from no more than 3,000 per year in 2008/09 and 2011/12 and doubled in 2012/13, almost doubled again in 2013/14. The sales in 2010 were at relatively low levels due to the effects of the economic crisis and restrictions on mortgages while after 2012, the discounts of the RTB were at the highest level with the impacts of the economic crisis weakening. There were 3,046 replacements funded in 2023-24 through receipts from eligible sales, a decrease of 16% compared with 2022-23. Of these, LAs started or acquired 3,037 properties and Homes England or the Greater London Authority started or acquired 9 properties (MHCLG, 2024). Overall, the sales through the RTB were still at a considerably low level. Small increases in sales attributed to the reinvigorating RTB or deregulation of market constraints remain uncertain. A key argument is that the limits of the RTB had been reached, and despite attempts to make it stronger, the people who had wanted and been able to buy their socially rented homes had done so. In the meantime, the entire housing system had become damaged and dysfunctional, there was a massive and sustained shortage of housing supply.

In 2015, the Conservative government provided the political opportunity to extend the RTB to HA tenants in England (even though it has not been put into practice). David Cameron's government claimed that they were determined to ensure that homeownership was a reasonable aspiration for working people (MHCLG, 2015). However, at the same time, the Scottish and Welsh governments were moving in a divergent direction to abolish the RTB. Governments in Scotland are trying to find more effective and alternative ways to support

homeownership while the Conservative government in England believed that the RTB could help to address the housing crisis and slow down the decline of homeownership (Pattison and Cole, 2019). Since the start of the RTB scheme in 1980, until 31 March 2024, there have been over 2,026,893 sales to tenants through the RTB scheme (MHCLG, 2024).

The conclusion is that the RTB scheme had clear implications in the immediate aftermath of its development, and it was also a policy legacy that embedded itself in UK housing politics. It will likely continue to do so in the future (Naqvi et al., 2021). The stock of council housing has declined to half in England, even though only around one-third of this was attributed to the RTB, with the remaining stock being demolished and transferred to HAs. The sale of the RTB has been mainly concentrated in better stock, which reduced the opportunity to get access to council housing and had a disproportionate impact on the availability of stock to the existing and new council tenants (Jones, 2010). A large number of households benefited from the RTB as it has increased choices to own their homes and redistributed benefits to tenants who wanted and were able to purchase, ‘benefited them in the right place at the right time’ (Jacobs, 2019). The policy of the RTB has also been criticised in that it has undermined the capacity of LAs to build and manage new housing stock. The introduction of the RTB was considered to achieve the goal of owning homes, however, the reason for its introduction was primarily to secure political electoral interest. The economic woes in the 1970s were attributed to a large public sector crowding out the private sector by the Conservative Party, and the responses from LAs were described as ‘autocratic’ and ‘unresponsive’. Nevertheless, these beliefs of the Conservative Party were not based on empirical evidence, at least there were not any practical experiences in the UK, rather the party overlooked the historical failures of the market that have led LAs to play a crucial role (Murie, 2016).

The recent influences the RTB scheme has brought are it has contributed to the expansion and reinforcement of a landlord class due to its induced privatisation of housing, with a greater share of private rental properties, and more power to HAs in the private rented sector. More partnerships and policies among housing actors, such as LAs, HAs, and private investors are formed to expand their influences through the RTB (Naqvi et al., 2021). On the other hand, the historically crucial role of council housing was diminished, allowing for private and non-state actors to gain greater traction in the housing sector (*ibid*), and this kind of restructuring of the social housing sector will last into the future.

### 3.3.2 Shifts in Housing Providers: The LSVT

In this context, the decline of council housing has attracted the interest of scholars to focus on the changing role that shifted towards a residual and safety-net role for most vulnerable households. Another trend in the form of privatisation has also run alongside the residualisation of council housing, the large-scale transfer of council housing stock to HAs and other new owners since the 1980s. The scale of housing stock transfer has been the largest in England but transfers also emerged in Scotland and Wales.

The RTB was seen as the most extensive practice in which working tenants could afford mortgages and live in better-quality housing in relatively desirable locations and a lot of the larger homes were the ones sold, limiting the scale of the social stock that was suitable for families. Additionally, the *Local Scale Voluntary Transfer Act* was introduced, and some other housing units were transferred to HAs or similar organisations and these organisations were partly financially supported by private investment and granted public finance (Lund, 2006). Initially, a ‘voluntary’ response to a policy environment for LAs, and stock transfer have been the main driver for the growth of the independent sector of social housing. The LSVT process started in 1988 when Chiltern District Council transferred over 4,650 council housing to Chiltern hundreds of HAs. More than 130 councils had followed the voluntary suit totalling approximately 1 million council housing transfers to HAs. In this way, LAs could secure council housing stock without public expenditure, but it also attracted concerns about decreasing ability to steer the council housing sector (Mullins and Pawson, 2010).

Although LAs have transferred estates or packages of estates to HAs, LAs have remained on a small scale. It was a political choice, the government chose for that to happen so that investment was off the public government books and placed on private balance sheets, and municipal housing authorities were seen to be diminished. The transfer portfolio is treated as a concern in continual use, i.e., setting the income level from rents and investing in property management and maintenance. The rent fees of these social housing units were set not closer to market prices (but HAs rents were higher than council rents as there was more debt finance and less pooling of debt across portfolios), and some qualified tenants who found it difficult to afford rental costs could get *Housing benefits* and other financial subsidies.

More than 75% of the funds generated by the sale of social housing to tenants were used to repay some of the remaining debt on social housing programmes (Oxley, 2009), rather than being accessible to local governments for helping to finance replacement housing. With the

reduction of subsidy for social housing supply, local housing production significantly reduced from 100,000 units in the 1970s to fewer than 30,000 units by the mid-1980s and by 1993, it had reached essentially zero (Golland, 1998) even with the support of HAs.

In England, the social housing stock transfer programmes would eventually reduce the potential of the RTB because council housing was transferred to HAs and tenants entitled to the Preserved RTB (If tenants were living in council homes when it was transferred from the council to another landlord, like a housing association, they may have a 'Preserved' Right to Buy) were replaced by tenants with neither the RTB nor the Preserved RTB (Murie, 2016). Nevertheless, there was no evidence that the Preserved RTB was aimed to encourage the stock transfer, rather, the aim was to increase investment in the social rental sector by private finance and transfer ownership to HAs. Additionally, capital receipts of the RTB would be reinvested in new rental housing construction and the maintenance and improvement of the public sector stock. The new *Decent Home policy* was also involved in the investment to retain the public sector stock and continued investment in social housing through the Housing Corporation (The Housing Corporation was the non-departmental public body that funded new affordable housing and regulated housing associations in England. It was abolished in 2008 with its responsibilities being split between the Homes and Communities Agency and the Tenant Services Authority.). The stock transfer was seen as a 'delivery mechanism' to meet the target of the *Decent Home Policy* (Mullins and Murie, 2006). However, it is also criticised that Decent Homes' money to HAs was essentially bribed by new labour so tenants would vote for stock transfers (Child, 2024). Sitting tenants were thus given a vote, they had to agree to stock transfers and did so often, as there was £1.8bn underinvestment in council housing by 1997, so people wanted their homes brought up to standard (decent homes) but not all tenants agreed and thought LSVT was a thin end of a wedge and feared that it may be fuller privatisation over time.

The LSVT is a process of privatisation. The stock transfer involves the housing ownership handover of former assets owned by the state, to non-profit associations outside the public housing sector (Pawson, 2006). Even though non-profit HAs have been considered social landlords and are heavily regulated by central government and LAs, they are still likely to extract the maximum profit from the transfer of council housing stock which are newly required assets. According to Mullin and Pawson (2010), stock transfer in the UK indicates a shift towards private landlordism, with public control and accountability fading away over

time. Hence, the LSVT is another important form of privatisation of council housing besides the RTB since the 1970s.

Central government has proposed a new approach as an alternative to stock transfer in the form of an ‘Arm’s Length Management Organisation’(ALMO), in order to address the concern of accountability and privatisation (because HAs were unaccountable as they were often distant, did not have elected councillors on the boards etc. ALMOs therefore had 1/3 councillors, 1/3 tenants and 1/3 people, including accountants, developers, other housing professionals etc., usually on HA boards). It refers to semi-autonomous established bodies by LAs that contract out management of their housing stock but not the ownership transfer (Pawson, 2006).

In the UK, Arms-Length Management Organisations (ALMOs) are important bodies in charge of the maintenance and management of services of social housing, except for LAs. They were initially created for the delivery of the Labour Government’s Decent Homes Programme, gathering momentum and a distinctive identity (Cole and Powell, 2010). The first ALMOs were launched in 2002 afterwards, to provide an alternative option for LAs that were not determined to transfer stock to HAs. The ‘ALMOs model’ is seen as an improvised hybrid between LAs and registered social landlords, while LAs retain ownership of the council housing stock. It is a ‘third way’ in the social housing sector that LAs are keen to see develop, even though it may be considered a rather unfortunate connotation of that term in recent years (Cole and Powell, 2010). The practical manifestations of austerity including funding costs, withdrawn universal entitlements and the opening of public services to for-profit organisations, forming part of an ongoing process of neoliberalisation since the economic crisis of the 1970s in which market relations have been extended to the broader sectors of social life (Peck and Tickell, 2002).

The subsequent global financial crisis of 2007/08 has resulted in more austerity measures than previous rounds of spending cuts, with fiscal retrenchment providing more opportunities for public services to be privatised and outsourced, including the establishment of a number of ALMOs in LAs in 2011. However, some principles desired to be preserved behind ALMOs, including community involvement, a shared ethos, and neighbourhood focus, have been threatened by reversion to council-retained stock or the stock transfer to social housing providers partly due to its poor management and maintenance of council homes (Joseph Rowntree Foundation, 2009).

### 3.3.3 Shifts in Housing Providers: The HA Sector

In the late 19th century, almost all housing was private. The poor lived in private rented housing that was often in very low-quality conditions, in urban housing that had been cheaply and badly built, was overcrowded and poorly maintained, and it was called the slums.

Philanthropists (rich but socially liberal people) and some charities began to campaign to improve urban housing conditions and replace the slums. There were also some called cooperative housing movements, worker-led and owned coalitions, effectively a socialist model (the socialist model often refers to one of the state ownerships, allocation of housing and related services implemented by governments and employers) (Birchall, 1991). By the end of the 19th century, however, these organisations had been larger scale without any real cooperative basis or strong connections with working-class groups (Harloe, 1995). From the mid-1930s, the term housing associations (HAs) gradually became established as the generic name for a variety of HAs (Malpass, 2011).

In the 1960s, the government launched a pilot study to explore new types of housing tenures based on Scandinavian models (mainly refer to cost-rent and co-ownership housing, even though these models were little success) (O'Hara, 2008). HAs were brought in as a pragmatic solution by LAs when the builders and lending institutions were unenthusiastic about this project. It could be seen as the momentum of the reinvigoration of HAs in the 1960s but it was brought to a halt in the early 1970s due to the *Housing Act*. This is because it was a key decision point that the Housing Association Grant (HAG) was introduced as a new form of assistance, in return HAs had to register with the Housing Corporation (a public body for funding and regulating HAs, but it was abolished in 2008). HAG was introduced to finance HAs, which was a deficit subsidy and applied to the improvement conversions of new housing units. It was managed and administered as a capital grant, not an annual contribution to debt charges (Edwards and Lomax, 2017).

In the 1980s, some large HAs began to explore the scope of private funding as a supplement to HAG. Therefore, these developments proved to be important when private finance was adopted by the government and extended across the sector from 1989 onwards (Malpass, 2011). At the same time, another important decision point was Thatcher's government turned to HAs as the instruments of one strand of the rental housing policy (the other strand was a deregulation of private renting).

The investment funding including grants and loans of HAs was entirely public, however, in order to reduce their reliance, they were required to seek private finance by the 1988 *Housing Act* via Section 106. The *Housing Act 1988* where grants for social housing shifted from LAs to HAs, and where private rents were deregulated. S106 is a planning law not to do with finance. It is where private developers have to provide local communities with roads, new schools or new social housing as compensation or as part of the gains they make from the local authority granting them planning permission (Brownill et al., 2015). It has been a significant source of new social housing supply. LAs were encouraged to play the role of ‘the enablers’ rather than landlords and HAs became the main builders of new affordable houses from 1990.

Planning obligations under Section 106 are a mechanism, enabling LAs to negotiate with developers to provide affordable housing on new developments (Houses of Common, 2024). Hence, an increasing amount of private investment was involved in the public housing sector, which took the form of policy support for HAs in the UK, enabling public funds to be transferred to these associations and establishing the original framework for its operation and further development (Pawson, 2006). Since then, private finance has become increasingly important for HAs in England.

The *Housing Act 1988* has led to what was termed ‘re-privatisation’ (Hodkinson, 2020) through a funding regime that treated HAs as non-public bodies, and private finance has subsequently played a major role in shaping this housing sector since the 1988 *Housing Act* formalised the private borrowing of HAs, driving an initial series of consolidation and commercialisation later (Pryke and Whitehead, 1993). HAs have subsequently undergone neoliberalisation, and the powers of the regulators have been eroded as lenders were becoming a major interest group within the social housing sector (Goulding, 2017).

The sector of HAs began to grow in 1989 through the use of private finance (referred to as mixed funding), and also through the stock transfer of council housing. They claimed that they should not be mandated to sell or charge special rents as independent social landlords because lower rents and the extension of the RTB tend to negatively influence their development capacity. Approximately £38.5 billion in rental income might be lost; hence, this lost income would prevent more than 27,000 new affordable housing units from being built (The Guardian, 2015). In this case, HAs accepted a Minister’s invitation that they would enter a voluntary arrangement to launch the scheme.

Private enterprises have been registered as social housing providers with the regulators since 2004 but HAs in the UK were still classified as non-profit associations. They have operated on a non-profit basis, under half of which are charitable status. HAs that seek public grants for projects must register with the agency of LAs (they are responsible for funding and supervising HAs), in England, which was the Housing Corporation (Scottish Homes in Scotland and the Welsh Assembly in Wales) (MacLennan and More, 2001). Therefore, social housing providers are not suggested to be labelled as private companies, and their surpluses are retained within the organisation rather than distributed to shareholders (Goulding, 2011). However, some critics argue that the commercialisation of social housing stock through HAs is an important component of the privatisation process of social housing, which would create the chance to deregister from the regulator and float themselves on the stock market (Wainwright and Manville, 2017). HAs are predicted to become commercial property companies from social housing providers (Ginsburg, 2005).

After 2004, the housing sector restructuring was triggered by reforms that concentrated the development funding on the 70 'best developing associations', with a number of 'mega' merging between large associations, alongside other forms of collaboration, including joint ventures, shared services and public-private partnerships (Stephens et al., 2020). By 2007, nearly half of the transfer associations operating as subsidiaries had established or joined together with other traditional associations, widening associations' geographic base and scope, as well as bringing new land and financial capacity (*ibid*).

The perceived hegemonic role of the financial institutions from which transfer HAs source their funds has been emphasised by some scholars, for example, Glyn (2007) claims that HAs are in hock to private finance, thus, the interest of financiers is placed ahead of those of tenants. Even though HAs are argued by Glyn (2007) to be non-profit organisations, they are providing second-hand profits. More recently, HAs have been classified as hybrid organisations, and they can choose between a range of logical institutional logics (Morrison, 2016). Specifically, HAs pursue both social and market goals, hence they have to handle the tensions between them. However, its logic of hybridity does not precisely explain shifts of emphasis between non-profit and profit, even though HAs have embraced more private sector activity.

Governments recognised the significance of HAs with the expansion of HAs that adopted private finance, assured tenancies and further stock transfer policies. HAs played an

increasingly important role in accessing private finance and facilitating private lending for further development, which was also the result of the government policy. Essentially, governments could benefit from higher levels of new housing programmes for rent if any given level of capital grants to HAs. This funding could be available to LAs that had difficulties in private loans and lending (Murie, 2016). The governmental policies aimed to maximise the role of the market in housing provision and minimise the provision of social housing, which would benefit HA tenants who did not exercise the RTB and turn into a more acute issue of increasing investment in affordable housing programmes. Central government subsequently encouraged LAs to transfer social housing stock to HAs to pay off the public sector debt.

Private borrowing has become the dominant source of finance for the acquisition and development of existing and new homes and private debt is a necessary financial tool for achieving public policy goals as a source of the accumulation of private entities (Beswick et al., 2016). HAs are considered to play an important role in providing affordable and social housing, they also have retained their market position in various financial ways.

### **3.4 The Impacts of Housing Privatisation**

The RTB and the LSVT policy have benefited a large number of households and promoted homeownership as most units of previous council housing were bought by private owners with better economic status, who preferred semi-detached houses rather than flats, as well as the ones in good locations rather than the ones without considerable accessibility, but it also caused uneven spatially and socially impact on individual households, leading to residualisation of the social rental sector (Merrett, 2021). Therefore, the RTB was criticised for inflating the demand for homeownership and encouraging the transfer to the private rental sector to meet its higher rents rather than providing affordable housing (Jones and Murie, 2007). It was explained that the stock of social housing units was substantially reduced and transferred to owner-occupation, a small amount of which was developed by private investment and HAs. The remaining social housing was established in large urban states with lower quality and maintenance, targeting poorer and less white (Forrest and Murie, 1988). These tenants had to suffer much lower living conditions than others.

The residualisation of social housing has been debated by scholars for decades, and it is an established fact that social housing is seen as the preserve of the poor and vulnerable (e.g., Burrows, 1999; Clarke and Monk, 2011; Pearce and Vine, 2014; Tunstall, 2023). Council housing has been a tenure for the social mainstream since the 1940s. However, the privatisation of council housing through forms of the RTB, the LSVT and changes in HAs since the 1970s has led social rented housing to be a symbol of failure and a sign of social exclusion (Taylor, 1998). The residual role of social housing has continued to employ the same idea and people who have choices are not likely to choose social housing even though government policies give social housing tenants more choice at the letting stage. A package of policies (the RTB, the LSVT, private investment in HAs, etc.) that crowd the better-off out of social housing and rent debates that focus on more affordable rents for low-income households, both of which have reinforced the trend towards the residual role of social housing, and there is no sign of any changes of policies reversing the direction of travel (Malpass and Victory, 2010).

Housing has remained a good focus for the Conservatives since the 1980s as they promoted the privatisation and deregulation agenda. At that time, social housing was still a large component of housing in the UK even though it reduced from nearly one-third of the total housing units in 1981 to no more than a quarter in 1996 (Malpass and Murie, 1999). The sales of social housing units have remained an important alternative source for governments to finance policy rather than hypothecate on housing, but it was still impossible for LAs to build new social housing at the sort of scale seen in the 1950s-1970s (Murie, 2016). This is because, under the Thatcher government and subsequent governments that followed the same political and ideological ideas, there was a belief that public sector systems were always less efficient than markets (despite many public sector systems having been established because of free market failures, including social housing, and that LAs under the control of the opposition party were undermining the central government's housing, economic and social policy). In terms of housing, this meant continuing to build social housing when the central government wanted most housing to be in the owner-occupied or privately rented sector. Hence, the central government did not like LAs that opposed its policies and tried to maintain or implement other policies.

The RTB and later the LSVT experienced a huge restructuring of the economy in the UK, which like China, saw the UK move from a country where the public sector was very large and present in many aspects of life at a large scale (including housing) to a situation where

the state was much smaller, and many more services (and housing) were provided by the market. There was polarisation in the labour market between better-off households and poor households, and the latter groups tended to concentrate on the social rental sector with poor living conditions (but there were relatively more poor people in social housing, they were also in other housing).

However, recent studies show that the impacts the privatisation of social housing brought have been complicated. In terms of the RTB, governments claimed that it has encouraged richer tenants to remain in the communities they had lived in for several decades and helped to establish mixed-income communities. However, some evidence suggested that the RTB, in fact, had different influences on areas (e.g., Jones and Murie, 2007; Kleinhans and Van Ham, 2013). The reinvigorated RTB and other reforms have led housing researchers to refer to the ‘demise’ of social housing (Tunstall and Pleace, 2018). The government was questioned about the commitment to replace properties because only 2712 new units were newly established by LAs and HAs from 2012 to 2013 and the third quarter of 2014-15 (Murie, 2016). The UK government has put in place incentives for local governments to invest in new housing that should conform to the new affordable housing model (rental fees are at 80% of market prices). LAs that resist the investment in new social housing units would lose the national special fund. The argument for the residualisation of social housing, as one of the most profound consequences of social housing privatisation in the UK has been challenged. This is because the current role of social housing and related policy response has revealed changes in the welfare states, for example, Tunstall (2021) argues that the residualisation of social housing has been suspended and the de-residualisation of social housing has been on the way as discussed in [Section 2.4.1](#). Nevertheless, the argument for the de-residualisation of social housing needs more empirical evidence and the debate on the residualisation has currently remained in the academic mainstream.

The stock transfer and changes in HAs, as well as other profound reforms of council housing in the UK, are also the expression of the privatisation of council housing, as LAs retain no control of the stock (Centre for Public Services, 2004). It can also be understood as the characteristic of ‘asset-stripping’ (including land transfer and buildings). The hegemonic role of the financial institutions where transfer HAs, and other non-profit organisations source their funds was also an important element of the privatisation process (Glynn, 2007). HAs might not be defined as the private sector, but they relate to private finance. Historically, LAs had to borrow funds from private finance to invest in council housing, hence, banks and other

private sectors would play a key role in policy design and shaping the future council housing management. Nevertheless, HAs, as non-profit organisations, would be required to operate as for-profit associations to ensure that banks and other private finance believe in a healthy return on their loans (Mooney and Poole, 2005).

A reduction of council housing stock through the RTB and LSVT from LAs to social landlords (most of the social landlords are HAs, have been in a more prominent place during the process of privatisation of social housing in the UK than many other homeownership societies) (Mullins and Pawson, 2010), In terms of HAs, they have increasingly been exposed to the capital markets, and it is seen as an approach of financialization. In fact, changes in HAs have also acted as a stimulus to introducing a privatisation regime in the UK context as discussed above. Even though, any direct comparison of similar housing policies within different contexts is ill-judged. Further discussion needs to emphasise the embeddedness of institutional frameworks, ideologies, and policy practices when it comes to restructuring neoliberal projects (i.e., the RTB and the LSVT).

### 3.5 Conclusion

This chapter looked into social housing privatisation in the UK from a historical and critical perspective. The UK has experienced a large-scale privatisation process of social housing through the RTB and the LSVT since the 1980s. The financialization of the HA sector is also an important element of privatisation, which has restructured the relationships among the state, LAs and the market with a wide type of private finance. Some other privatised forms are presented in its out contracting management services of social housing to private property companies with some administrative arrangements in the LA sector (i.e., ALMOs). The next chapter will review the social housing privatisation in China in historical and critical accounts, providing the policy background for the Hangzhou case.

# Chapter 4: The Privatisation of Social Housing in China

## 4.1 Introduction

This section will provide a broad view of social housing privatisation from a historical and critical perspective for further establishing a conceptual framework in China. In the past 20 years, the housing system in China has been transformed from the socialist system of welfare-based housing in the pre-reform era (from 1949 to the 1980s) to a market-based system of commodity housing in the post-reform era, and social housing in the post-reform era has been residualised to meet the basic needs of low-income households. Since the 1970s, the Chinese government has attributed housing affordability issues to the failure of the socialist housing system in failing to provide adequate housing, which also was the main driving force behind the initiation of the privatisation of social housing (Lee and Zhu, 2006). Privatisation of the public sector was key to the economic goal of the 1978 Open and Reform agenda, so housing was at the frontline of urban reform.

In recent decades, China has achieved unprecedented economic growth. Meanwhile, neoliberalisation and deregulation of the financial market in China have restructured interactions among the state, the market and LAs. This allows LAs to withdraw land supply free of charge and finance for social housing provision, in order to facilitate the prosperity of the real estate market. This chapter will review the history of social housing in China, especially the privatisation of social housing including some main forms of how social housing has been privatised.

## 4.2 Welfare-Based Housing: Historical Context Before the 1980s

During the early 20<sup>th</sup> century, most Chinese cities were formed of traditional neighbourhoods where households lived in owner-occupied dwellings. In the 1920s and 1930s, central and local governments launched ambitious plans in some cities (e.g., Nanjing and Shanghai), which included some slum clearances and housing redevelopment programmes (Jing, 2009). However, none of them was realised due to the shortage of public financial support and later turmoil in periods of war (Jing, 2009).

The massive scale of housing programmes started after the Chinese Communist Party came into power in 1949, at which time the housing stock in urban China was predominantly privately owned. However, this form of housing provision was against the ideology of socialism, in which housing should not be a commodity property, rather housing supply and provision were the responsibility of the state as a type of social welfare service (Wang and Murie, 1999). Private-owned housing and housing markets were not permitted, and the majority of properties owned by big landlords were nationalised. Nevertheless, a small amount of privately owned housing continued to exist because of political and economic resistance (Wang et al., 2012). New housing provision was all from the public sector and private properties were in the continual process of nationalisation. In the late 1950s, the Chinese government carried out the large-scale nationalisation of the ownership of private properties in urban areas (Wu, 1996). By the end of the 1970s, the private-owned housing stock declined to approximately 20% of the total urban housing stock while housing stock that was state-owned took the dominant position, comprising 74.8% (Hou et al., 1999).

The welfare-based housing was the dominant tenure during this period, including state-owned housing provided by the state, and work units-based housing provided by state-owned enterprises (Wang and Murie, 1999). The cost of housing construction and maintenance owned by the state came from the public funds directly. In terms of work unit-based housing, the funding came from the state-owned enterprise employers, and they also had the autonomy to decide the allocation of funding and units. The tenants only needed to pay nominal rent as the state and the state-owned enterprises covered almost all the costs of the whole process.

Welfare-based housing has been an important feature in the pre-reform era in China and it was probably considered to relate to the traditional clan culture (Zhao and Bourassa, 2003). The integration of work and living sought to help facilitate the reproduction of labour, promote high productivity and ensure social stability (Wu, 1996). Additionally, the urgent need for the construction of urban cities called for an increasing number of workers. In this case, the allocation of work units would help to accommodate more urban residents at a lower cost and ensure their health and productivity (Huang, 2004a). This work units-based housing model successfully accommodated the majority of urban residents during the 1950s-1960s.

However, urban residents were the only targeted groups of welfare-based housing provisions due to the *Hukou* system. The *Hukou* system was introduced in 1958, which was a household registration system that officially categorised citizens into urban or rural residents at birth. It

was designed to ensure that populations remained in rural areas and there was enough labour for farming, stopping uncontrolled internal migration to the cities (Young, 2013). Rural peasants were excluded from working and living in the urban cities, which means welfare-based housing was only accessible to urban registered residents (approximately 20% of the national population during the 1960s) (Zhang et al., 2003). The housing inequality between rural and urban areas has therefore emerged (Zhou and Logan, 1996). The *Hukou* system was a controversial institution design, and it has caused equity and efficiency issues in housing provision (Zhou and Logan 1996). Furthermore, the allocation of welfare-based housing in urban areas was biased. Better-quality state-owned housing and work units-based housing were allocated disproportionately to party leaders, government officers, and directors of the state-owned businesses while the quality of allocated welfare-based housing for workers or underclass labourers was far behind. The results of welfare-based housing provision varied according to the different working statuses of tenants (Huang, 2012).

During the pre-reform era, the welfare-based housing programme in urban China was at a limited scale and public finance failed to support a sufficient supply to meet the huge housing demand, as the tenants paid only a nominal rent, and welfare-based housing was solely funded by the state without any financial return. Hence, the investment in the housing sector was constantly low before 1978, with an average percentage of about 6.7% of the total housing investment of fixed investment during the 1950s and 1980s, far smaller than the world average (20-30%) at the same period (World Bank, 2024). As a result of the financial shortage of welfare-based housing construction, the housing shortage has subsequently been acute. The first national housing survey conducted in 1985 illustrates that more than 28% of urban households have experienced housing problems and 870 thousand were classified as homeless people who have no places to live after marriage, live in non-housing buildings or live with relatives (State Statistics Bureau, 1989). Welfare-based housing was subsequently seen as the main obstacle to economic growth due to their nonreturnable profits, and the Chinese government began to search for alternative approaches as a response (Wang and Murie, 1999).

### **4.3 Housing Privatisation in China after the 1980s**

Welfare-based housing being seen as the main obstacle to economic growth, caused the Chinese government to shift its goal through restructuring housing systems, and housing

privatisation has been the core of Chinese urban policy. As Rana and Paz (1994) said, the restructuring of housing systems under the socialist system in China has been more complicated than that in other developing countries. This is because the transformation of the socialist system to a market-oriented system in the housing sector has been absent from basic institutions, and familiarity with concepts and operations of a market system in advanced developed countries. It has led to policy inconsistency and uncertainty that is expressed in Chinese urban policy even now. The Chinese reform experience was similar to that of the former Soviet states because the dominance of state socialism in planned economies has led to the similarity in housing models, the characteristic of which has been widely discussed (for example, Clapham, 1995; Parsell et al., 2019), i.e., public ownership; low cost of welfare-based housing tenants, overwhelming dependence on the state investment and the exclusion of the market.

Since the 1970s, the Chinese government has attributed housing problems to the failure of the socialist housing system in failing to provide adequate housing for households, which has been the main driver for housing privatisation even though the reason is likely to be ideological and political rather than economic (Zhang, 1999). According to Zhang (1999), if tracked back in time, socialist ideology and political consideration have played an essential role in the formulation of housing policies in China. However, after the 1978 reform, the Chinese government shifted its goal from politics to economics in the housing sector. Housing privatisation has been seen at the forefront of urban policy by restructuring the socialist system and emphasising the importance of ownership. Housing privatisation in China focuses on the disposal of welfare-based housing stock, the withdrawal of the state provision, and the established relationship between the state, the market, and individuals, all of which have interplayed within housing reforms.

#### **4.3.1 The Sale of Welfare-Based Housing**

Before 1978, all land was publicly owned (Barth *et al*, 2015). It was explained by the Chinese Constitution that no organisations or individuals could buy, sell or lease land or otherwise engage in the transfer of land by illegal means. The state provides the right to use land without time restriction when deemed appropriate, but the right cannot be transferred to other users. Criteria have changed with the Reform and Opening-up Policy that began in 1978. The Chinese government has started to launch a series of massive scale market-oriented projects

and housing was an essential component of China's radical reform from a planned economy to a market-oriented economy.

In 1980, the State Council and Central Committee approved the document *Report Outline of the National Working Meeting on Capital Construction*, which established that the purchase of private buildings and houses, and experiments on the sale of welfare-based housing were allowed. Later, in 1983, *Regulations on the Management of Urban Private Housing* was issued that the ownership of private-owned housing was protected by the state in urban areas. This step was evaluated as a theoretical foundation for later deepening housing reform and a breakthrough over rigid doctrines that houses must be publicly owned in a socialist society (Xu, 2010). From 1979 to 1984, the experimental trade of apartments and houses was permitted in Xi'an, Liuzhou, Wuzhou and Nanning, which was a fundamental modification of the socialist system as a price was attached to the use of land. This policy was an important signal that policy now supported the privatisation of land and housing (Xu, 2010).

The sale of welfare-based housing is seen as an ideological reversal as socialism advocates for public ownership and the elimination of private rights (Yu, 2020). Therefore, the sale of welfare-based housing is also explained as the pursuit of possible economic benefits rather than the correctness of political ideologies of the privatisation policy, even though some scholars attempted to prove that the ideology of the sale of welfare-based housing accords with the Marxist theory (Yu, 2020). Overall, the sale of welfare-based housing might be initiated for political or economic reasons; it has been used to raise substantial funds in diverse ways to build more new units to solve the problem of the housing shortage.

The sale of welfare-based housing started in 1979. In order to encourage people to purchase properties and ease the burden of supply from the state-owned enterprises, the construction and demand for new housing dwellings rapidly increased in the 1980s (Zhang and Rasiah, 2016). A large amount of welfare-based housing nationwide was subsequently sold at low prices to tenants over a short period. Individual purchasers who were employers of work units were required to pay only one-third to two-thirds of the unit cost, and the rest of the cost was paid by their employers. Self-employers or the unemployed had to pay full prices without any discounts from state-owned enterprises. However, this kind of heavy subsidy approach was considered as the reversal of the primary goal of privatisation and the discounted sales have increased the economic burden on them. In other words, the sale of welfare-based housing at

discounted prices might be seen as the continuity of the welfare system rather than an instrument of the privatisation process (Yu, 2020).

A series of housing reforms were first introduced in 1984. Since then, housing has been seen as a commodity with market values. A series of experimental housing reforms were introduced in several cities, which mainly focused on rent reform and the sale of welfare-based housing (Wang and Murie, 1996). However, the housing market has not been fully established, and housing prices set by the housing bureau have not reflected the construction cost of the building. The reforms were criticised that there were neither carefully planned steps nor detailed regulations (Chen and Wills, 1997). These housing reforms in 1984 were found to fail to generate significant housing sales because the rents were substantially low, and households were unable to purchase housing even through subsidies.

Hence, the Chinese government determined to stop the subsidy on housing sales and established an experiment toward a market-based housing provision system. The *Implementation Plan for a Gradual Housing System Reform in Cities and Towns* in 1988 was published and the Chinese government subsequently carried them out in all cities in 1992. In 1994, a more comprehensive strategy *Decision in Deepening Urban Housing Reform* was mapped out with the aim of establishing a new urban housing system formed by a dual housing provision system, which combined social housing supply (so-called new version welfare-based housing during the post-reform era) for low and middle-income households and high-income groups were allowed to purchase commercial housing in the open housing market. The housing reform in 1994 was a turning point as the government announced to stop all discounted sales of welfare-based housing and proposed a more privatised approach to housing investment (Gao, 2010). According to the 1994 document, three different pricing schemes were aimed at three groups. Home purchasers who purchased properties at the market price were able to have full ownership and full property rights; home purchasers who purchased properties at the cost prices were able to have full ownership but limited property rights (i.e., properties cannot be sold until five years); home purchasers who purchased properties at the standard prices (that was lower than the cost prices) would have shared ownership and shared property rights with work units or the state.

From 1991 to 1997, the commercialisation and marketisation of housing were promoted by housing policies, which were characterised by increasing rents and subsidies, new policies for different-income households, as well as new combinations of lending and sales (Dong and

Hansz, 2015). Housing provision has gradually changed from a socialist welfare society characterised by the public sector ‘work units’ to a market-oriented system with commercial property (Wang and Murie, 2011). Homeownership in urban cities has significantly increased from 20% in the 1980s to more than 80% in 2010, in which a large proportion of property ownership was generated through the privatisation of work-unit dwellings (Huang, 2004b; Wang et al., 2005; Wu, 2014). Nevertheless, the original intention of this housing reform plan made it clear that, while the market-oriented housing system has been supported, the basic housing needs of low-income households were guaranteed (Mostafa et al., 2006). In other words, the policies imply that housing was seen as a commodity in most cases, but it can also be used as a welfare service for low- and middle-income households provided by the market.

The milestone document of housing reform was introduced in 1998, called *Notice of Further Deepening Housing System Reform and Speeding up Housing Construction* (the State Council, 1998), which officially ended the welfare-based housing distribution and ordered that new social housing construction should be managed by LAs. Central government had effectively relinquished the ownership of state-owned housing. In terms of work units-based housing, the in-kind allocation to employers and workers, i.e., direct provision of housing was suspended, and they were provided with monetary subsidies, i.e., help with paying rental costs, instead.

According to Chen et al., (2013), the primary goal of the transformation of housing policy is to meet economic growth needs. Based on the observations of the dynamics in housing policy, state intervention in housing markets is regarded as a significant economic impetus rather than social needs (Wang and Murie, 2011). For example, policymakers would expect social housing to mediate the conflicts between the profitability requirements of developers and the wide housing affordability of urban workers and also promote urbanisation by the provision of social housing to retain skilled and semi-skilled workers in big cities. Chen et al., (2014) argue that there was no evidence showing policy makers intended to reduce the importance of the real estate sector, rather they were interested in maintaining the housing investment in size through the expansion of the housing sector. Although the massive-scale privatisation of welfare-based housing turned out to be a significant step in the process of housing reforms in China, the marketisation of housing has been the core of housing policy. This is not only a means of economic growth but also a crucial alternative to building an asset-based welfare system in direct and indirect ways (Stephens, 2010).

In this case, according to Jing (2009), the boom in the housing market made the initial target of the 1998 housing reform unrealistic. The stock of welfare-based housing in urban areas was significantly reduced by the radical privatisation process. In 1981, the proportion of welfare-based housing was over 82% of urban properties (53.5% owned by work units and 28.7% owned by the state) (Li, 1984). In contrast, by 2003, over 82% of housing had been privately owned (Liu, 2003). Furthermore, China has experienced rapid urbanisation since 2000, which has fuelled huge demands for new housing with the shrinking of the welfare-based housing sector and subsequently heated the housing market in large cities (United Nations, 2010). The boom in housing markets was at the expense of the social housing sector with only about 25% of the total housing stock being social housing dwellings (it was expected to occupy 70% of the total housing provision in the 1998 document) from 2004 to 2008. At the same time, new housing supply for low and vulnerable groups remained on a small scale and no more than 5% of urban households benefited (Wang and Murie, 2011).

### **4.3.2 Reinvigorating Social Housing Programmes after 2008**

During this period, housing issues have been highlighted, such as the urban poor who live in urban villages and migrants from rural areas being excluded from housing markets. Underdeveloped private rental markets provide a less effective solution for accommodating vulnerable households. The Chinese government realised that social housing was a necessary vehicle to fulfil the basic housing needs of low-income urban households (Lee, 2000). Additionally, social housing is also seen as a key instrument to promote urbanisation and long-term development strategy (Li and Zhang, 2011). Besides, some political reasons are important for the strong push for social housing programmes. This is because the massive scale of new social housing programmes could bring a large number of new residents into big cities, as one of the most significant strategies to maintain social and political stability (i.e., new residents can settle down in urban areas with stable jobs and living places) (Naughton, 2010).

In 2008, a major housing policy document named *Some Suggestions on Promotion of the Healthy Development of Housing and Property Market* (Gov.cn, 2008) was formally published, aiming to re-launch social housing programmes with stronger support from public finance. The Chinese government promised to increase the investment in new social housing construction and slum clearance programmes. LAs were required to increase social housing

stock and ensure the land supply for new social housing projects. Commercial banks were encouraged to increase their lending to support social housing expansion.

The official document in 2008 was thought to be a turning point in the post-reform housing trajectory, essentially reversing the downslide trend of social housing since the privatisation process in 1998 (Shi et al., 2016). Additionally, the Chinese government has set out a key goal of achieving a ‘harmonious society’, shifting the priority from economic growth to social development and establishing housing as a fundamental human right (Zhou and Ronald, 2017). In response to the problem of housing affordability, the Chinese government has put forward an ambitious plan named *Guidelines on the Construction and Management of Social Housing* to provide 36 million units of middle and low-income housing in a five-year plan from 2011 to 2015, constituting 20% of the total housing stock. However, the acceleration of social housing development is criticised as the ‘great leap forward’ (refers to only paying attention to increasing output, ignoring quality and setting targets too highly) as an ambitious plan for a new social housing supply was proposed (e.g., Chen et al., 2014; Chen, 2018). However, many scholars question the feasibility of the target and the capability of the government, because of the great pressure of the need for the revenue and profits brought by real estate developers and LAs would be the obstacle for boosting social housing developments (Chen, 2018).

At the same time, the global financial crisis was a critical juncture for central government to seek solutions in the housing sector as a response. In 2008, central government pledged to increase the housing supply for 7.47 million low-income and housing-poor urban households by the end of 2011, which was also released as a key component of the 4 trillion RMB economic stimulus plan in response to the widely negative influences brought by the global financial crisis. In 2009, the Ministry of Housing and Urban-Rural Development (MHUD) published a more detailed plan for the period of 2009-2011 and the Chinese government aimed to provide housing supply for 15.4 million urban households, which was twice as much as in 2008. By the end of 2010, 5.9 million units had been constructed, including 3.3 million units of social housing and 26.5 million low and middle-income households had lived in various forms of social housing, representing 11% of the total urban residents (Xinhua, 2012).

Hence, the reinvigorating social housing programmes after the 2018 global financial crisis have met the housing needs of lower-income households to some extent, but they failed to

last for a long time. Later rescue programmes since 2009 have expended 4 trillion Yuan (estimated £0.45 trillion) which has increased housing market demand and led to a loosening of credit conditions and renewed housing price inflation, further aggravating affordability (Cao and Keivani, 2013). Since the financial crisis, the growth rate of housing prices has averaged around 10% per year (Wu et al., 2014) and the trading volumes have remained high from 2009 to 2010 (Zhang et al., 2015).

More attention has been focused on the large-scale construction of social housing in recent years, but the development of social housing has remained at a minimal level. The Chinese approach to housing policy is unique in that the social housing programme is regarded as a residual safety net, while the driving force of social housing development is the economic growth in China. Policymakers believe that housing problems are closely linked with the level of urbanisation and industrialisation. Specifically, urbanisation is seen as an important step for further development and the main driving force of economic growth. The reorientation toward social housing policy is considered the return of the socialist system in some sense, representing a long-term strategy to maintain political stability (Wang and Murie, 2011). Basic housing rights are therefore a significant departure from the market-oriented housing policies. On the other hand, an increasing number of urban residents, especially youngsters and newcomers are excluded from the commercial housing market due to rocketing housing prices (Wang et al., 2017). Commercial housing development is less focused on providing homes than it is used by the rich as a form of investment and capital accumulation (Wang et al., 2012).

In 2014, the State Economic Working Conference emphasised the policy in support of security of tenure, which points out that *houses are for living in, not for speculation* (People.cn, 2014). The Chinese government has subsequently insisted on this strategy on important occasions. In 2018, *Interim Measures for the Management of Social Housing Assets* (Gov.cn, 2018) was published by the Ministry of Finance and Ministry of Urban-Rural Development, which claims that LA housing departments are not allowed to use social housing as financing collateral or assets for guarantee. According to NBSC (2019), the general public budget expenditure for housing security was a total of £ 7.65 billion in 2019, consisting of £ 0.56 billion from central government and £ 7.09 billion from LAs. At the end of March 2018, the number of units of newly built social housing units was 0.83 million, continuing to increase in recent years. The Chinese government has seen social housing as a solution after almost three decades of housing reforms and privatisation. However, the

outcomes of the social housing programmes have failed to be assessed due to the missing data from official documents.

Overall, the privatisation of social housing was launched in the 1980s, and China has transitioned from a socialist model of housing systems to a dualist housing system, but the current housing system has been criticised for failing to accommodate low-income households (Man et al., 2011; Huang, 2012). The changes and inconsistencies in social housing policy indicate that the Chinese government has become cautious about potential market failure and direct control of resource allocation (Naughton, 2010). Some rash advances and mistakes have emerged, however, the push for social housing construction should not be seen as another ‘great leap forward’. Instead, it represents the increasing recognition of central government of the complexity of social housing programmes and the increasing response capacity of LAs to the implementation of massive-scale social housing programmes.

### **4.3.3 The Financing of the Housing Sector**

China has undergone a long pathway toward the privatisation of housing since the 1980s through various financial means. An important step was allowing foreign investors to establish factories in some special territories and these foreign enterprises were charged for land occupancy. Foreign investment is therefore another important feature of the privatisation of housing in China and one of the main purposes of Open and Reform from 1978 was the attraction of foreign investment, particularly in the real estate market. In 1992, foreign investment accounted for 30% of the total investment in basic infrastructure (Tseng and Zebregs, 2002).

Since the 1990s, a general market-based housing system has been established. The state-owned enterprises would not directly provide their employees with housing units, and they were replaced by independent housing providers (most are real estate developers) and financial intermediaries in the market-based system. The sale of housing without subsidies in the market would help developers recover almost all costs over the economic life and positively invest in new housing construction. Additionally, the costs of housing assets are huge compared to the income, savings or rental receipts of homeowners, therefore, long-term

credit is an important ingredient of a functional housing market (Chen and Wills, 1997). Financial institutions need to offer competitive returns on deposits and interest rates that cover the cost of funds and their administration, and different types of investors should be allowed and encouraged to enter secondary mortgage markets through a wider range of institutional channels and financial arrangements (*ibid*).

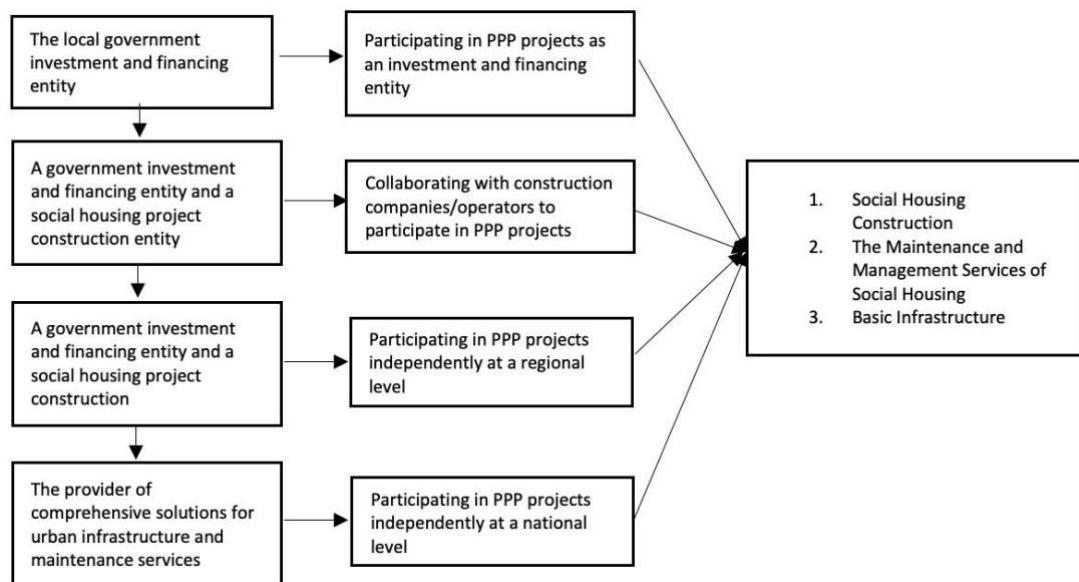
During the financialization process of housing in China, the multiple and divergent roles of different actors are unpacked. Since the 2008 global financial crisis, the main objective of the state and LAs has shifted from ‘wealth creation’ (Jessop, 2002) to surviving in austerity (Peck, 2017). Financial tools have been invented and innovated as financial strategies, and LAs seek external finance. Generic funding is a widely used approach for LAs, and another tactic is the emerging local government financial vehicles. The establishment of City Construction Companies (*Chengtou*) (CCCs) is such a practice, that aims to minimise the role of LAs in financing the social housing sector (Feng et al., 2022b). CCCs are financial intermediaries that connect the state, LAs and the financial market in the post- the global financial crisis era. CCCs are state-owned enterprises specialising in urban housing development and investment. In the long term, CCCs as a government-owned platform company, has implemented major government special projects as its basic function. Its core role is to raise funds for project construction and undertake a large number of urban infrastructure programmes and supporting facilities construction tasks commissioned by the government. The success or failure of projects is not heavily dependent on the performance of the enterprise, rather the relationship between the government and CCCs is governed by a clear contract, and the respective rights and responsibilities are more defined (Yan et al., 2019). Specifically, the government must assume the specific obligations stipulated in the contract, and its financial payment capacity needs to undergo third-party evaluation, with fund allocation included in the fiscal budget. The enterprise needs to assess overall project risks and returns based on its own strategies and capabilities and make decisions on whether and how to participate accordingly.

The PPP (Public-Private Partnership) model aims to better serve the government through market-oriented operations, leading to a significant change in the relationship between the government and enterprises, i.e., this change involves shifting the focus from government tasks to market benefits and giving equal importance to both, moving from passive acceptance of tasks to proactive action, and transitioning from government-directed investment to market-based allocation of resources (Zhang and Gao, 2018). Actively

participating in contract-based PPP models is beneficial for clarifying the relationship between CCCs and the government and accelerating the transformation of CCCs into modern corporations. Due to socioeconomic variations in different regions, the development levels of CCC vary widely. Zhang and Gao (2018) classified four types of CCCs, see Figure 4.1:

- The government investment and financing entity.
- A government investment and financing entity and a major project construction entity.
- Government-owned investment companies and large conglomerates that combine government investment and financing, major project construction, and urban security operations.
- The provider of comprehensive solutions for urban infrastructure and public services.

Figure 4.1 Four Types of City Construction Companies



*Drawn by the researcher*

The dominance of the state in facilitating the financialization of housing in China has been widely argued (e.g., Rolnik, 2013; Wu et al., 2020), and the changing roles of the state, LAs and financial institutions should be emphasised. CCCs have been established after the global financial crisis as instrument tools to solve fiscal insufficiency, which echoes 'state entrepreneurialism', i.e., in which market instruments are mobilised for state policy goals

(Wu, 2018). The development of CCCs not only demonstrates state-led financialization but also reveals the policy inconsistency of the state over the years. The Chinese government may retain control over the financial market, and financialization reshapes relationships among the state, LAs and financial actors, even though the deregulation of the financial market after the global financial crisis.

## 4.4 The Impacts of Housing Privatisation

### 4.4.1 The Failure of Housing Reforms

The 1988 housing reform proved disappointing without any substantial solutions to housing issues because experimental policies failed to generate sales of new housing due to low levels of income and savings of households created by low rents (Chen and Wills, 1997). The rent increase did not create a true rental market, and income and increasing housing prices did not create more supply of new housing. In this case, the limited demand for purchase properties also resulted in fewer resources for new housing construction, which led to a shortage of housing. Additionally, financial instruments for housing loan repayment have still been rudimentary to encourage households to purchase properties. Only households with high household saving rates had access to housing in the open market.

A new concept of ‘Economically Affordable Housing (EAH)’ was proposed in later housing policies, the prices of which are determined by LAs. The EAHs are usually sold at 80% of market price and targeted at low and middle-income families while commercial housing is purchased or rented at prices determined by the market (Barth et al., 2015). Approximately 70% of urban households were expected to live in the EAH, 15% of the least off were planned to live in low-rental housing, both of which were supported by public finance while 15% of urban households with middle and high-income were encouraged to enter the real estate market (Wang and Murie, 2011). At that time, the EAH was designed as the main form of post-reform housing provision.

However, because of the poor administration such as low quality of buildings, bad design, poor facilities and political corruption, and the government’s emphasis on economic growth and pressure from real estate developers and LAs, the outcome of the EAH has been rather limited and the actual importance rapidly waned that very few households would benefit from this scheme (Zhu, 2014). A large number of households were forced into the open market

(Zhu, 2014). For example, in Beijing, the proportion of EAH housing dropped from over 16% in 1999 to around 6% in 2006 (Wu et al., 2016) and in Guangdong province, its stock only accounted for 0.5% of the total housing supply (Zhou et al., 2013). The EAH programme was criticised as neither ‘economic’ nor ‘affordable’ (Dushi Kuaibao, 2013).

The failure of housing reforms, what we have found in the 1988 housing reform and the EAH experiences is troubling. LAs fall neatly into the relentless pursuit of marketisation and dramatic intensification of coercive, disciplinary forms of state intervention to impose market rules in the housing sector (Lee and Zhu, 2006). Policy changes over the last two decades reveal that housing inequality was deeply embedded and could hardly be redressed by a single policy. Central government and LAs are more interested in how the housing sector is marketized than considering the consequences of over-marketisation, i.e., market failures. The housing privatisation scheme, in fact, has resulted in an increasingly polarised urban society, social housing programmes are therefore a tool of neoliberal instruments, rather than a policy to improve housing conditions and to address inequality issues (Lee and Zhu, 2006). It is needed to recognise social housing policies within a broader neoliberal urbanisation framework, i.e., understand the interactions amongst different actors from a global neoliberalisation framework (Peck and Tickell, 2002). Housing reforms cannot be constructed from an economic-led framework, even though it is admitted housing reforms have been undertaken under neoliberal agendas. The failure of housing reforms and the EAH experience, reveal that the rights and interests of urban households are increasingly eroded and the marginal role of social housing during its process of privatisation and marketisation. As Wu (2018) said, the Chinese government has moved too far in the direction of neoliberalism, and China needs to restructure its social housing sector to learn lessons from policy failures. Social housing provision should be embedded in larger socio-economic agendas than market-oriented ones and demonstrate a growing emphasis on an enabling approach (Chiu-Shee and Zheng, 2021), even though it still reveals that the relationships among the state, the market and households are changing, but the state remains central in enabling housing reforms.

#### 4.4.2 Social Housing and Land Finance

A series of housing reforms have been implemented since the 1990s, and alongside the tax sharing reform being introduced later, the financial budget was largely allocated to central government, which placed LAs in a weak position to bargain for their tax share. However, the fiscal expenditure on LAs did not reduce correspondingly, instead, it increased, even though they play an essential role in shaping and financing social housing programmes but are often constrained by economic objectives. Central government plays a dominant role in general policy formulation and guiding principles. It has participated in the decision-making process of long-term and annual plans for social housing in each province. LAs are required to formulate annual plans for social housing, land use, and development. Public finance and revenue are the main financial sources of social housing (Jin and Choi, 2019).

LAs are not interested in expanding social housing provision because it is just a heavy financial expenditure rather than revenues or budgets. Central government has withdrawn or minimised housing subsidies, which has transferred a great financial burden to LAs that had to rely on the market to invest and manage social housing. Under a centralised state system like China, a top-down approach is feasible, but it is not always put into practice in the field of public policy, especially in the social housing sector in Western countries (Chen et al., 2014). The decentralisation of tax revenue has overburdened LAs regarding social housing provision. Furthermore, the performance evaluation system for Chinese government officials has encouraged LAs to pursue their immediate goals and economic targets like GDP (Gross Domestic Product) growth (Xu, 2011). This has inevitably undermined the administrative control of the implementation of social housing programmes, with LA officials often ignoring the requirements of social housing provision due to a small amount of the total budget and short-term goals for individual political promotion (Zhou and Ronald, 2017).

The conflict of interests between central government and LAs has forced central government to rely on its central power to ensure social housing provision. In response to the state ‘unfunded’ mandates, LAs often overtly agree but adopt some ‘perfunctory’ ways to exaggerate the scale of social housing. Requiring real estate developers to supply 5-10 percent of commercial property areas used for social housing construction is a widely used strategy. In this case, social housing and commercial housing are constructed within a gated community, and the maintenance and management services of both types of housing are contracted out to private property companies through government tenders (Wu, 2016).

It is worth mentioning that central policies of social housing are introduced through inconsistent documents issued in a fragmentary approach without a clear framework, LAs thus have the autonomy to set the plan for social housing programmes based on local fiscal objectives, political responsibility and resources from the state (Chen et al., 2014). Economic decisions have been decentralised to LA levels with greater discretion and LAs are allowed to design social housing policies based on varied situations (Wu et al., 2014). Specifically, LAs have mediated commercial housing and social housing provision through land finance (Jin and Choi, 2019). LAs serve as the suppliers of administrative allocation and compensated transfer of land that is owned by the state. This mode of regulation has shown the tendency of rising entrepreneurialism, transforming LAs from 'regulators' to 'market agents' (Wu, 2018). Land for urban infrastructures and public services is usually provided free of charge while land for industry and commercial housing is supplied by compensated rental transfer (i.e., is charged for) (Jin and Choi, 2019). The revenue generated by land transfer is the main financial source of social housing developments. The revenue used for the supply of the construction of social housing varies from cities, usually lower than 10% of the total local GDP in most cities. In fact, the proportion of the expenditure on social housing has turned out to be less than 2% yearly while compensated transfer by selling industry and commercial land has increased to be a larger portion of the expenditure of land finance (Ministry of Finance, 2010). For example, the Ministry of Finance released a detailed document of the national land transfer revenue and expenditure in 2010 that the national land transfer income increased to 1,491.4 billion yuan (£161.8 billion) in 2009, and the public expenditure on public rental housing was 195.4 billion yuan (£21.2 billion), accounting for no more than 1.5%.

However, LAs have become more dependent on land finance in recent years, which has led to an imbalanced relationship between social housing and commercial housing. To pursue urban development and GDP growth, LAs rely excessively on land finance through the transfer of land use rights. They are more willing to sell to industry and commercial land for more revenue. LAs are also internally motivated to incite the land transfer prices, which means developers have to bid for land at higher prices and impose it into pushing the housing prices. Social housing is seen as a competitor of commercial housing rather than a substitute because LAs cannot benefit from social housing programmes that do not generate land transfer fees. Under financial pressure, they make the land available for commercial activity, through which they get revenue from land transfers and have huge budgets. According to Lin and Yi

(2011), land for residential and commercial use has been capitalised. The official statistical data from the *National Bureau of Statistics of China* show that the average price of land use rights purchased by developers increased from 371 Yuan (£41.7)/ m<sup>2</sup> to 12,486 Yuan (£1403)/m<sup>2</sup> between 1998 and 2018. The revenue of sales of land use rights has grown at a soaring speed reaching 6.5 trillion (£0.73 trillion), comprising approximately 25% of local government's total income in that year. By the end of 2020, the revenue from selling the land reached over 8 trillion Yuan (£0.9 trillion) (ibid).

Land prices are largely attributed to LAs' actions, and the determination of housing prices is likely to be the negotiation of the supply-demand side of LAs, developers and purchasers (Wang and Zhang, 2014). LAs tend to take advantage of the differentiations in land prices to strategically manipulate the land transfer rent to pursue profit and tax revenue via land and housing (re) development by building a basic safety net of social housing provision through involuntary displacement (i.e., the massive scale of shanty-town redevelopment by moving inhabitants to suburban areas and replaced by high-price commercial housing communities), as well as the construction and speculation of real estate (Zhang and He, 2018). This policy, indeed, achieves the goal of providing more commercial and social housing units for households, but it does not help to improve housing affordability issues (Wang and Li, 2024).

Overall, more directly controlled by the state like in many market-oriented economies, social housing policy is still neoliberal in nature and social housing has been substantially residualised. Social housing is not the resurgence of welfare-based housing that targeted wide numbers of the working class in the pre-reform era, rather it is a new approach of safety-net service for the most disadvantaged households and special functions for particular groups. LAs have not effectively attempted to resolve the affordability issues by providing sufficient social housing units for more households due to the low financial returns. The restructuring of housing provision reveals that central government has attempted to adjust its governance mechanisms and policies to face housing inequalities and people's discontentment. However, local tax revenue heavily relies on land prices and the construction industry, social housing programmes are regarded as a political strategy tool for retaining investment in the built environment and easing the conflicts of housing affordability for vulnerable groups (Shin, 2014).

## 4.5 Conclusion

This chapter looked into social housing privatisation in China from a historical and critical perspective. China has experienced a large-scale privatisation of social housing through the sale of welfare-based housing since the late 1980s. The establishment and financialization of the CCC sector are also an important element of privatisation, which has restructured the relationship among the state, LAs and the market with innovative financial strategies and a wide type of private finance. Some other privatised forms are presented in the maintenance and management services of social housing contracted out to private property companies. The following chapter therefore describes the typologies of social housing privatisation in the UK and China and establishes three conceptualised forms of social housing for a better understanding of their similarities and differences in the two cases.

# Chapter 5: Research Methodology

## 5.1 Introduction

As this study explores specifically how social housing privatisation can be compared in the UK and China, a qualitative case study approach is employed. This chapter will lay down the foundation of the research approach and justify and detail the research design strategy. The chapter will outline the research philosophy and paradigms, followed by detailing the research design including qualitative and comparative case study approach. The rest of the chapter will focus on explaining and justifying data collection methods, including document analysis, sampling methods and semi-structured in-depth interviews, and lastly the ethical consideration.

## 5.2 Research Philosophy

A research philosophy is a belief about the way in which data from a phenomenon should be collected, used and discussed (Wahyuni, 2013), thus, research philosophy is embedded in the academic groundwork for data collection and analysis (Collis, 2009). In order to highlight different research philosophies and find out the knowledge that is suitable for the statement of decision-making and problem-solving, it is worth concerning what are the limits and preferences regarding the research. Researchers often have different philosophical perspectives to understand different philosophical situations in different traditions of research (i.e., qualitative, or quantitative) (Becker et al., 2012). Thus, it is important to point out what these research philosophies are before determining which to use in this study.

There are four philosophical assumptions are often considered to influence the research process (Yin, 2014):

- *Ontology* It is associated with the nature of reality and how the world operates.  
Quantitative studies, highlight the key issue of realism.
- *Epistemology* It is the theory of knowledge, it is about how much we can understand about the World and how much we cannot understand, the limits of what we can know about reality.
- *Axiology* It is the philosophical study of value and includes questions about nature and about kinds of things that have values.

- *Methodology* It refers to the techniques or tools for asking and answering questions, rather than being a philosophy, but the ways in which different types of methodology are shaped by philosophy.

Natural scientists are traditionally oriented toward positivism and realism because positivism and realism point to the same belief that only a single reality exists, which can be generated from objective scientific and experimental methodology, independent from the researcher's perspectives (Moon and Blackman, 2014). Whereas social scientists are interested in studying human interactions in particular cultural groups, are likely to believe bound realism, holding the belief that reality is subjectively shared within particular cultural groups (ibid).

Based on the assumption of bound realism, this study explores the privatised mechanisms of social housing at the national and local levels in the two countries, particularly how social housing systems can be compared in the three forms of privatisation, with the belief that there are variations in the implementations, interpretations and explorations in different contexts, the following shall focus on the details of the ontological and epistemological positions, as well as the philosophical perspective underpinning this study.

### **Ontological, Epistemology perspectives and Philosophical perspectives**

It is claimed that the selection of the research philosophy perspective is determined by approving the research questions (Clark and Monk, 2011). According to the research questions, on the ontological level, this study lies on bound realism, in other words, the study is based on the assumption that one single reality is shared by certain particular groups, defined by informal rules or norms, with 'truth' or 'reality' being constructed subjectively. Narrowing the understanding of three forms of privatisation can be a suitable way of achieving this goal. On the epistemological level, this study lies on social constructionism in the objectivism and subjectivism continuum (Moon and Blackman, 2014). The following unpacks the details of epistemological positions and social constructionist perspectives.

### ***Justifications for the Adoption of the Social Constructivist Paradigm***

On the epistemological level, this study leans towards social constructionism in the objectivism-subjectivism continuum (Moon and Blackman, 2014) because this research

philosophy maintains that human beings construct their perceptions of the world (Glesne, 2016). Pinker (2022) argues that social policy has developed as an empirical tradition without any substantial body of explanatory theory. Even though the policy debate with respect to the theoretical issues has been developed over decades, theoretical frameworks applied to housing have still been rare (Jacobs and Manzi, 2000). As discussed above, the absence of housing theories is the main characteristic of mainstream housing studies, hence, the conceptualisation of housing is considered to construct for a better understanding of the comparisons. It might be argued that the absence of theoretically informed housing studies does not necessarily mean that other researchers have not adopted certain ontological or epistemological positions about how they see the world and what constitutes knowledge (Furlong and Marsh, 2007). Nevertheless, this study does not intend to do this, rather based on social constructionist epistemologies, this study makes an attempt to broaden the scope of housing studies (Jacobs and Manzi, 2000). A social constructionist epistemology here purports that an individual's experience is a positive process of interpretation by establishing a proper theoretical framework of understanding and interpreting the privatisation policies of social housing in the two distinctive countries rather than a passive material comprehension of an external real world.

Whereas a lack of broader and comprehensive housing theories applied within wider contexts, it calls for a proper theoretical framework to explore the similarities and differences of social housing systems by using the social constructivist perspective. However, it is worth mentioning that the responses to the comparison in constructive ways will fit in the two countries rather than in the wider contexts. Furthermore, the comparison of social housing systems in this study should be constructed within a relatively new theoretical framework as the housing systems in the UK and China are distinctive. European countries have fruitful theoretical and practical experiences regarding comparative housing theories, whereas the UK and China are distinctive in political, economic, and social ways, it is of greater significance to propose a theoretical framework for the comparison on the basis of existing housing theories.

Nevertheless, there are several criticisms of social construction, and it is concerned about its philosophical applicability to the comparison of social housing in the UK and China. The first one is that social constructionists tend to deny the existence of an objective reality, in some sense it is independent of human agency, and it is often called 'subjectivist fallacy' (Somerville and Bengtsson, 2002). Social constructionists hold the view that humans are the

reality, and this reality moves in discourses that are credible for certain people at certain times. The problem with this form of social constructionism is that it is likely to be a recognition of the conclusion constructed through discourses (subjectivist fallacy), while objectivists hold the view that societies independently exist of human agency (i.e., subjectivist fallacy), from which the researcher realises that dualism of subjectivism and objectivism, or ontological inclination of social construction, is not a reasonable position in social research. As a response, it is argued that the comparison of social housing systems in the UK and China has located in the position of social construction that social housing exists in the social reality, however, similarities and differences in social housing policies are constructed and interpreted by the researcher, i.e., as a human actor. Hence, reality is a social construct, and it is important to understand the policy itself as a socially constructed attempt to determine what reality and rules govern the function of social housing, connected to a broader social context.

The second criticism is that social constructionism does not appear to lead to convincing substantive explanations of social relations (Haslanger, 2012). However, conceptualisations are required to help determine empirical variation, explaining and interpreting social interaction between actors in reality and conceptual settings. As a response, the theoretical framework is necessary to be introduced to explain and interpret such interactions in the UK and China, even though the establishment of such a framework may not be accessible to provide general and substantive explanations in wider contexts with the exception of the comparison of the two countries.

Overall, this section aims to provide a research philosophical foundation for understanding and interpreting privatised mechanisms of social housing systems in the two countries. It presents to what extent the privatisation of social housing can be compared in the given frameworks: these are the subjective interpretations of the privatised forms among different actors, which in turn guide policy practices and share the privatised process in the two different contexts. Thus, relativism and constructivism are two pillars of ontological and epistemological perspectives supporting the research objectives, and shaping the research strategy, which will be discussed in the next section.

## 5.3 Research Strategy

A research strategy often refers to a step-by-step plan of action that is directed towards research ideas and efforts (Dinnen, 2022). Yin (2014) suggests three main considerations with respect to research strategy design:

- To identify different types of research questions to be answered
- To highlight how the research can be conducted and extended
- To examine how the research project relates to historical events

Even so, the design of the research strategy should also consider other factors that empirically explore the research questions and complex responses in the fields of social science.

According to the research questions, the research would be conducted through the comparison of social housing in the UK and China, thus, a case study design is employed to explore unique ways to approach research topics and research methodology in the two countries. The researcher is allowed to review a wide range of systematic literature and focus on the privatisation process of social housing in rich discussions, and case study design is often applied as an extension of interpretive research in a descriptive, exploratory, or explanatory mode (Saunders and Lee, 2017).

### 5.3.1 Research Type: Qualitative Approach

To find out what the interpretations of privatised forms of social housing and how social housing systems can be compared in the UK and China, the research method of both depth and breadth is required, which enables the researcher to better understand the issue through contextualisation. To fulfil both the ontological and epistemological assumptions mentioned above, the qualitative method would be a better option. The qualitative approach is employed based on words, photos, videos and other media rather than on numbers (Gesler, 2023), aiming to address questions concerned with developing and understanding the meanings and experiences of human actors. The researcher often conducts the research with a small number of participants in order to explore research questions.

In this study, the qualitative approach is selected to describe the interpretative process of study to discover convergent or divergent trends of the privatisation process in the two countries because using qualitative methods means that they can be open, agile and flexible. The researcher can explore complex issues and questions in depth and ask additional

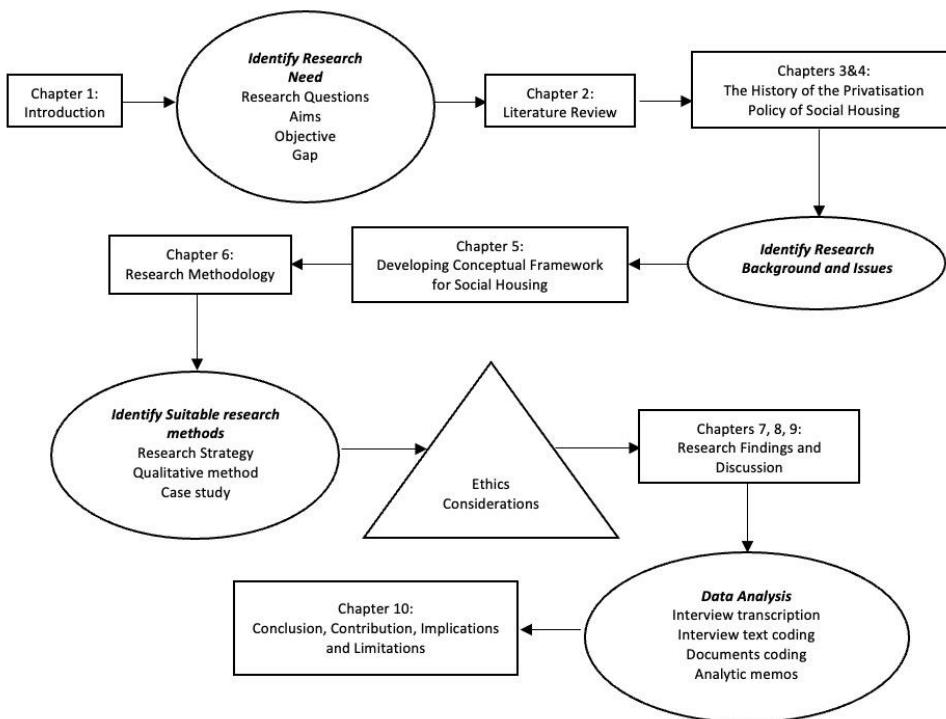
questions as the researcher can also discover new areas of interest. Quantitative research can (with the right sample design) be representative of a population, but its questions are limited and fixed (Katz, 2015), i.e., there is a survey that cannot be altered, so it can be less effective for exploring complex, detailed subjects (like policy history and policy formation around the privatisation of social housing).

Several reasons are further explained as to why the qualitative method is the most appropriate for further justifications. Firstly, the interpretative mechanisms of privatisation are presented through constructed housing theories or evaluative comparisons rather than numbers or variables. The inductive analysis rather than deductive analysis is adopted because the inductive approach is to develop a theory out of empirical data and is often in accordance with the qualitative method, whereas the deductive approach is to prove the existing theories through empirical data and is often associated with quantitative methods (DeCarlo et al., 2018). Secondly, the aim of the study is to achieve a comprehensive understanding with respect to how the privatisation policy of social housing can be compared in the UK and China. The qualitative approach provides an opportunity to understand and interpret social and political economic backgrounds by developing qualitative insights by establishing a method of data collection and analysis for systematically examining official documents and developing qualitative insights by building a strong methodological foundation for qualitative in-depth interviews.

### **5.3.2 Research Diagram for This Thesis**

The research design refers to the research strategy in that the researcher chooses to integrate different components of the study in a consistent and logical way (De Vaus, 2016). This section will discuss the strategy and structure of the research for data collection and analysis, see Figure 6.1. The researcher will employ a case-study approach (the UK and China and sub-cases of Manchester in the UK and Hangzhou in China), developing a qualitative systematic review of official documents and developing a set of qualitative semi-structured interviews. The researcher will make some justifications for the components of the research strategy and study design in order to develop a sound plan for further fieldwork, and some components will be deleted if they are not appropriate for the study. Thus, the researcher can track the progress of the fieldwork and adjust the plan according to the actual situation.

Figure 6.1 Research Diagram for the Thesis



*Research Diagram (Drawn by the Researcher)*

## 5.4 Case Study Overview

A case study is a research design defined as the intensive study of a single case to understand and elucidate features of a larger class of cases or population (Gerring, 2009). According to Yin (2003), a research design is a plan that guides the specific study from research questions to conclusions, including steps for collecting, analysing, and interpreting evidence based on pre-established propositions, a logic to link with the data and a set of criteria for interpreting findings.

The case approach is seen as a ‘robust research method when a holistic, in-depth investigation is required’ (Hammad et al., 2018), while quantitative statistical results are limited to provide a better understanding of phenomena. Researchers are more aware of the limitations of quantitative methods in providing in-depth and holistic explanations of social issues and a case study can be a better alternative. Likewise, the case study approach will also allow for the exploration of the difficulties and complications within a specific phenomenon through a series of documents and communication with people as the interviews. As mentioned above, this study aims to compare the privatisation of social housing systems, details such as varied forms of privatisation, the way stakeholders interact with each other, as

well as how policy practices change in specific incidents, which is better captured by qualitative methods. The case approach, with the richness of details, is more suitable to further offer foundational and targeted descriptions arising in local situations and is also able to answer the research questions of how social housing systems can be compared in the three forms of privatisation in the UK and China.

### **5.4.1 Case Study Research Questions**

Case study research is considered one of the most significant aspects of the research project, and research questions will help to appropriately guide the case study research. Comparative research might require different research sub-questions for different reasons because research questions generate a series of sub-questions for the semi-structured interview in the two countries. Furthermore, the research questions of the project aim to reflect the enquiry at the case level, and the research questions in this section are recalled for the data collection procedure, in order to answer the research questions.

### **5.4.2 Case Study Limitations**

There might be some limitations of case studies. First, case study locations may be difficult to access because some organisations in local places feel hesitant to contribute to research projects. Furthermore, the accessibility of backgrounds of case studies may be limited, because some participants are in high political positions and some official documents in locations may not be available to explore the specific phenomena by using single or multiple cases. There is another limitation with relation to the generalizability issues of using cases for illustration and interpretation, particularly using one single case (Meyer, 2011). However, the findings of the two case studies are sufficient to challenge and explore housing regime theories because the comparative project is carried out in China and the UK, not attempting to generalise it into a broader framework globally.

### **5.4.3 Multiple Case Study Required for this Research**

Case study research may incorporate several cases. The emphasis of a study shifts from a single case to a series of cases, which is a cross-case study (Gerring, 2009). In this study, a multiple case-study design is adopted according to research questions that highlight the comparison of the privatisation of social housing within two cases (the UK and China). It can be convenient to pick a small number of examples to study in detail within their own contexts, and make assessments and comparisons (William et al., 2016). The multi-case research study is beneficial for a more in-depth understanding of the cases as a unit, through a comparison of similarities and differences of the individual cases embedded within the quintain. Furthermore, using a case study approach, no claim is made for generalizability even though the researcher emphasises the limitation of generalizability issues in relation to case studies, rather it is about the quality of theoretical analysis and how well theory can be generated and tested using both inductive and deductive reasoning. This method allows the researcher to take a complex and broad topic and narrow it down into manageable research questions (Ahmed et al., 2022). Evidence generated from multiple cases is often stronger and more reliable than from single-case studies (*ibid*).

### **5.4.4 The Adoption of Case Study in This Research**

Case studies can take multiple forms, such as a person or an organisation, as ‘a specific, complex and functioning thing’ (Stake, 1995). However, not every phenomenon is suitable for case-study research, and the researcher must consider the criteria for selecting a case to maximise understanding. In collective or multiple case studies, selecting the case is therefore a significant step and should be carefully considered. This provides the advantage of allowing comparisons to be made across several cases. Even findings generated from a ‘typical’ case enable the further findings to be generalised to the theory or to test hypotheses in a second or a third case.

As discussed in [Section 1.6](#), few comparative housing studies set out to comprehensively compare the whole society. In order to conduct a tractable and reasonable cross-national comparative study, the researcher aims to select the appropriate national and social contexts for the comparison, without falling into the excesses of universalism or culturalism (i.e., place great emphasis on social and cultural contexts with their distinctiveness or uniqueness). Ambrose (1991) argued that on the grounds the differences among countries are limited,

which implies that the number of different cases needs to be considered necessary as the representatives and coverage of variability. The two-case comparison does not enable the researcher to conclude that one case presents an aberrant case, rather such a two-nation study helps to investigate a large number of contextual variables.

In terms of comparison of social housing privatisation in the UK and China, the selection of cases depends on whether the researcher is interested in similarities and differences. A group of countries are selected as they have reached a similar stage of economic, political or social development, such as financialization or, de-financialization, privatisation or social exclusion, the analysis of which tends to be the interest of the understanding of the process. A group of countries are selected as they are distinctively different within social, economic or cultural structures, the analysis of which tends to draw any lessons from the comparison by less advanced nations. The researcher believes that there is no single or best way for cross-national comparisons. Cross-national studies reveal whether similar and different processes of a particular phenomenon may lead to similar findings or convergence trends, or similar and different processes may lead to different results or divergence trends. It requires the researcher to carry out a wide range of social, political, and national factors to interpret and evaluate the findings in spite of the cultural bias.

In this study, the selection of national cases is complex because China and the UK are distinctive countries within social, economic and political contexts, nevertheless, the comparison of the two countries tends to focus on a similar phenomenon (i.e., the process of privatisation). In this way, countries are selected to explore the extent to which they differ from one another in terms of a particular phenomenon, the aim of which might be to understand and interpret the differences and whether any common can be identified at the national level. Furthermore, as discussed in [Section 1.1](#), neoliberalism and global trends have been reshaping housing systems in many countries, which challenged existing housing theories that are dominant discourses in Western countries. In China, changes in housing systems show a market-oriented trend that a dual housing system of commodity housing and social housing has been established in a state where the Chinese Communist Party has managed a market-oriented economy. The boundaries of public and private goods of social housing are blurring in many countries, which also offers opportunities for housing scholars to redevelop existing housing theories in exploring and interpreting contemporary housing systems cutting across traditional geographical and ideological lines. Among existing literature on comparative housing theories, there are few studies that examine and explore

comparative studies on social housing privatisation in the UK and China (e.g., Wang and Murie, 2011; Wang and Horner, 2012). Hence, this section also explains why the UK and China are selected as cases to understand and interpret the convergent and divergent trends of the privatisation of social housing.

### ***The Adoption of Subcases (GM in the UK and Hangzhou in China)***

Prior to the comparative study of social housing privatisation, it is worth mentioning that it has been designed at the national level, which is not entirely precise because there are variations and differentiations within each country (e.g., Wang and Murie, 2011; Stephens, 2020). The UK and China have significant regional disparities in privatised practices of social housing, by focusing on cities, it can be accounted for understanding intra-country variations and avoiding generalisation that might obscure important local dynamics.

Furthermore, cities are more detailed units of comparative analysis. There might be some variations and differences in different regions or cities due to their historical uniqueness, urban planning strategies or even leader preferences. They allow for an understanding of localised factors, including selling off practices, funding models or contracting out forms. Cities are also sites of policy experimentation, and it is important in this thesis because privatised policies of social housing are designed through national programmes, but they may adapt these programmes to local needs in diverse ways. Therefore, the comparison at the national level may overlook valuable findings and cities may generate different trajectories, even interviews at the country or city-region levels can generate distinctive conclusions or implications. Subcases are therefore introduced to carry out a more detailed comparative study.

In this section, GM in the UK and Hangzhou in China are selected as sub-cases for several reasons. Firstly, due to their similar positions in terms of population, economic, political and social characteristics, thus, relevant data and proportion of social housing supply and delivery for the comparison are more persuasive. GM refers to the Greater Manchester Combined Authority Area, which had a population of 2.91 million in 2022, and Hangzhou refers to Hangzhou consisting of urban districts, which had a population of 12.3 million in 2022. GM and Hangzhou are ranked as first-tier cities or regions, see Table 6.1. It might be argued that city sizes or populations in GM and Hangzhou are different, it exists as a parallel problem. However, in this study, the researcher emphasises that the two sub cases are administratively

comparable to large cities due to their similar geographical, political, economic or social positions in their countries.

Table 6.1 Comparison of Geographical, Administrative and Economical Positions in the GM and Hangzhou

	GM	Hangzhou
Population	2,911,744 in 2022 (the third most populous urban area in the UK)	12,376,000 in 2021 (the fifth most populous urban area in the UK)
Areas	1,277 km <sup>2</sup>	6,495 km <sup>2</sup>
Administration Positions	Combined Authority	Sub-provincial City
Administration Arrangements for Housing	Local Boroughs and ALMOs	Hangzhou Housing Security and Real Estate Administration Bureau
Economical Positions (GDP)	£90,78 Billion in 2022 (ranked 5 <sup>th</sup> in the UK)	£199,67 Billion in 2022 (ranked 9 <sup>th</sup> in the UK)

Second, GM and Hangzhou can be seen as representative of homogeneous urban cities or regions as they do not have unique housing policies and systems deeply influenced by political performance, which may hinder the comparison of social housing privatisation in the two countries. Both city regions are broadly representative of urban spaces. For example, Hangzhou is not a unique city, to overemphasise the role of social housing in handling affordability issues like Chongqing. Social housing programmes in Chongqing are widely discussed as they were the massive scale of ownership-oriented provision and have been regarded as the main political contribution of the leader at that time (Zhou and Ronald, 2017). Similarly, GM is an urban area that is not as unique as London (London has unique social housing policies). Rather, it can be representative of other big urban cities such as Birmingham, Liverpool, or Leeds, while social housing policies in some small towns are varied with different characteristics in local areas.

Third, in some respects, it might be considered that both Hangzhou and GM have neoliberal housing policies and policy intentions embedded in local political and economic situations. Social housing in GM and Hangzhou has experienced its privatisation process since the 1980s, and they were pioneer cities for these neoliberal practices. For example, a pilot project

of large-scale LSVT was initiated in GM, northwest England. Hangzhou is a pilot city in national housing reform. There has been large-scale social housing stock in GM and Hangzhou, and both city regions face multiple and not dissimilar challenges around social housing even in a broad sense, such as insufficient social housing supply, private finance in the social housing sector (it may bring for-profit market-oriented activities, deviating social housing from meeting people's housing needs to be financial assets), ambiguous governance and accountability in contracting out, etc.

Last, as a PhD student, I have very limited time and resources (access to numerous documents and interviewees) to broadly conduct the research at the country level, the selection of subcases is a realistic scale for a meaningful comparative study. Therefore, GM and Hangzhou are selected as sub-cases for comprehensively understanding and interpreting the theoretical and practical intentions with respect to the privatisation policy of social housing at the local level.

Overall, qualitative research is not representative of the same standard as quantitative research, is not generalisable in the same way and cannot necessarily be replicated. The weakness of qualitative research in a social scientific sense is when it is about people, situations or systems that are not the same as most of the rest of a country. Hence, Hangzhou and GM are different in their histories and scale of social housing, as well as the implementation of privatisation, there are inherent limits to how far the lessons from the case study comparison might have broader applicability. Nevertheless, GM and Hangzhou are typical mid-tier cities (do not like megacities such as London and Shanghai) in similar geographical and social situations as discussed above, thus, the comparison between Hangzhou and GM might have some wider lessons to some extent.

In this thesis, the subcases of Hangzhou and GM offer several unique insights and values to the comparative research of existing housing theory in contemporary housing systems. First of all, they provide a detailed understanding of specific contexts at the city-region level, such as localised factors that influence policy outcomes. They reveal some implications that quantitative methods might overlook (for example, privatised policy might be abolished according to the unsatisfied outcomes of policy practices, but it might be mentioned in interviews rather be published and recorded in official documents), offering a richer and underlying understanding of phenomena. Second, subcases help illustrate how policies are implemented in real-world settings, showing the complicated interactions among

stakeholders, housing institutions and policy environments. Subcase studies may capture the complexity and interdependencies among stakeholders including their trade-offs, conflicts and comprise that might not be visible in broader contexts. Third, they are used to test the applicability and validity of conceptual frameworks in practice, which is also one of the research questions to answer. They allow me to refine or propose new theories based on Hangzhou's and GM's privatised practices.

## **5.5 Data Collection and Analysis**

Data collection often refers to the process of collecting, measuring and accurately analysing insights for research by adopting standard validated techniques (Elliott and Timulak, 2005). In a case study, various sources of data collection methods can be employed to achieve the goal of an in-depth understanding of comparisons of social housing systems, such as participant observation, oral histories, interviews, and document analysis. In this study, document analysis and in-depth semi-structured interviews are the two main methods of data collection. This section shall lay down some reasons and rationales for why they are employed.

### **5.5.1 Rationales and Uses of Official Documents as a Source of Data**

Document analysis is defined as a systematic procedure for reviewing and evaluating documents, helping to provide contexts, generate questions, supplement other types of research data and track textual changes over time (Bowen, 2009). Document analysis can include both quantitative and qualitative components, but I will adopt the qualitative one here because this study aims to socially construct interpretations inherent from the three conceptualisation forms of social housing privatisation in a holistic way. To answer the research questions, documents from various levels of authorities and other stakeholders are chosen as the main source of the data. Several reasons are explained why documents in the two countries are adopted here. The first one is to construct a preliminary background of the two cases. Secondary data would be collected and analysed to get a brief description of the two countries, to obtain background information on existing policies, to identify the possible stakeholders, as well as to be familiar with the interactions between these stakeholders.

It is determined what stakeholders should be involved in the privatisation process of social housing systems (i.e., three forms of privatisation). First of all, the policy decision of selling off public services has been outlined in official documents in the two countries. Thus, official documents published by levels of government are important data sources. Second, the financing of the social housing sector has been presented through written documents and official policies, such as financial policies at the central and local levels, the data of the public and private finance published by local HAs, LHCs, corporate investors etc. Third, the management and maintenance of social housing dwellings (i.e., contracting out public services of social housing) are transferred to some private property companies and ALMOs, documents or reports published from ALMOs, or private property companies are selected.

### **5.5.2 Adopting Documents as a Source of Data**

It is necessary to determine what kinds of documents will be employed. Document selection should be guided by practical and strategic considerations (Elise and Richard, 2013). Researchers can identify the changes by accessible documents, reflecting substantive developments in the study (Yin, 2014). Furthermore, documents also offer a means of tracking changes and development. It is important to note that document analysis can be adopted to verify findings or evidence from other sources.

Official documents are an effective method to obtain stakeholders' attitudes towards social housing programmes. In terms of longitudinal dimension, the modification of social housing policies should be addressed as the comparison of new contents and old contents can provide a vital angle to understand and evaluate the dynamics of government policymaking; policies focus on the theme of housing and social housing, as well as types of official documents are named laws, regulations, notices, measures and intentions. Researchers can examine and track documents and related reports to get a clear picture of programmes over time.

Take an example of the selection of official documents at the national and local level, it is important to determine what kinds of documents are selected for comparison at the relatively parallel level in both countries. First, the comparison of social housing is at the national and local levels, which determines the selection of documents that are from central government, LAs and other stakeholders. For example, in England, the Department for Levelling Up, Housing and Communities is mainly in charge of housing affairs. In China, the State Council (the chief administrative authority of the People's Republic of China) and the Ministry of

Housing and Urban-Rural Development are mainly in charge of housing affairs sometimes in partnership with other departments, such as the Ministry of Construction, National Development and Reform Commission, Ministry of Supervision, Ministry of Finance, Ministry of Land and Resources, People's Bank of China, State Administration of Taxation. Second, governmental documents are primarily selected because they are official representatives of governmental intentions. Furthermore, Documents and financial reports from HAs, investment institutions or other stakeholders are also included. However, every housing document produced since the 1980s in the UK and China would take a long time to read, therefore, documents at the national level and local levels that closely refer to social housing policies or specialised social housing programmes are target selected, as Table show (part).

Table 6.2 Documents at the National Level (Part)

<b>Date</b>	<b>Documents in the UK</b>	<b>Authority-National level</b>
2024	Social rented housing in England: Past trends and prospects	House of Commons Library
2022-2023	Local Authority Housing Statistics	Ministry of Housing, Communities and Local Government
2021	Social Housing Reform in England: What Next?	Commons Library Briefing
2020	White Paper: The Charter for Social Housing Residents Social Housing	Ministry of Housing, Communities and Local Government
2020	Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing	Parliament by the Secretary of State for Housing, Communities and Local Government
2018	Social Housing Evidence Review	University of York
2018	Local authority housing statistics: Year ending March 2018, England	Ministry of Housing, Communities and Local Government
2018	Green Paper: A new deal for social housing	Ministry of Housing, Communities and Local Government

2017	White Paper: Fixing our broken housing market	Ministry of Housing, Communities and Local Government
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Date	Policy Documents in China	Authority-National level
2024	Guiding Opinions of the State Council on Planning and Construction of Social Housing	The State Council
2023	Accelerate the Construction of Social Housing: The New Round of Construction is Divided into Two Types: Rental Type and Sales Type	People Daily (Official Central Newspaper)
2021	Opinions of the General Office of the State Council on Accelerating the Development of Affordable Rental Housing	The State Council
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	The Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the Ministry of Finance, and the Ministry of Natural Resources
2018	The Interim Measures for the Management of Public Rental Housing Assets	The Ministry of Finance and Ministry of Urban-Rural Development
2017	Guiding Opinions of the Ministry of Housing and Urban-Rural Development and the Ministry of Finance on Doing a Good Job in Urban Housing Guarantee Household Rental Subsidies	The Ministry of Housing and Urban-Rural Development and the Ministry of Finance

Table 6.3 Documents at the Local Level (Part)

Year	Documents in Manchester, the UK	Authority-Local level
2019-	Greater Manchester Housing Strategy	Greater Manchester Combined Authority (GMCA)
2024		
2022	Greater Manchester Housing Strategy Implementation Plan 2022	Greater Manchester Combined Authority (GMCA)

2022	Manchester Housing Strategy (2022-2032)	Manchester City Council
2021	Greater Manchester Housing Strategy Implementation Plan 2021	Greater Manchester Combined Authority (GMCA)
2020	Greater Manchester Housing Strategy Implementation Plan 2020	Greater Manchester Combined Authority (GMCA)
2019	Greater Manchester Housing Strategy Implementation Plan 2019	Greater Manchester Combined Authority (GMCA)

<b>Date</b>	<b>Documents in Hangzhou, China</b>	<b>Authority-Local level</b>
2023	Notice on Further Standardizing the Revocation and Re-examination of Approval for the Sale of Welfare-based Housing in Hangzhou	Hangzhou Housing Security and Real Estate Administration
2021	Notice of the General Office of the Hangzhou Municipal People's Government on Printing and Distributing the Administrative Measures for Housing with Common Property Rights Guarantees in Hangzhou	General Office of Hangzhou Municipal People's Government
2021	Notice of the General Office of the Hangzhou Municipal People's Government on Printing and Distributing the Implementation Plan for Accelerating the Development of Indemnificatory Rental Housing in Hangzhou	General Office of Hangzhou Municipal People's Government
2019	Supplementary Notice on Further Regulating the Adjustment of Public Rental Housing in Hangzhou City	Hangzhou Housing Security and Real Estate Administration
2019	Special budget for urban housing in Hangzhou in 2019	Hangzhou Housing Security and Real Estate Administration
2018	Implementation Opinions of the General Office of Hangzhou Municipal People's Government on Further Strengthening the Management of State-owned Real Estate	General Office of Hangzhou Municipal People's Government

Table 6.4 Documents of other Stakeholders in the UK

<b>Year</b>	<b>Documents in the UK</b>	<b>Other Stakeholders</b>
2022	Delivering more, together, across Greater Manchester	Greater Manchester Housing Providers
2021		

	Community Investment Strategy 2020-2023	Southway Housing Trust
2021	Future Strategy 2020-2025	Southway Housing Trust
2021	Building Homes, Supporting Communities NFA Annual Survey Results 2021	National Federation of ALMOS (NFA)

Year	Documents in China	Other stakeholders
2022	May 2022 Financial Information Announcement	Hangzhou City Construction Company
2022	Hangzhou City Investment 2022 Annual Report on Government Information Disclosure Work	Hangzhou City Construction Company
2021	Property Management Service Tender Announcement	Hangzhou Jianqin Real Estate Development Co., Ltd.
2021	Narada Property Service Group Co., Ltd. 2021 Semi-Annual Report	Narada Property Service Group
2020	Narada Property Service Group Co., Ltd. 2020 Annual Report	Narada Property Service Group

### 5.5.3 Rationales and Uses of Semi-Structured Interviews

After obtaining brief information on the two cases through initial document analysis, interviews are adopted to collect inside information about the current situation, for example, whether the findings from document analysis are aligned with interview findings or interviews could provide more in-depth information that would not be published through documents.

The design of the process of Interviews seeks out how participants understand what they have seen, experienced and thought (Owen, 2014). Essentially, the goal of interviews is to explore the perception of people on occurrences or objects and the meaning they attribute to them (Rubin and Rubin, 1995). The purpose of the interview is to explore the views, experiences or thoughts of individuals who are stakeholders of the project on specific matters (Gill et al., 2008). As a type of qualitative method, interviews are considered to provide a deeper

understanding of social phenomena than obtaining some information in quantitative ways (such as questionnaires and surveys).

There are three fundamental types of interviews: structured, semi-structured and unstructured. Structured interviews, in which a list of predetermined questions is designed without any follow-up questions or further elaboration (Gill et al., 2008). Hence, structured interviews are allowed for limited participant responses and little use of deep exploration. Unstructured interviews do not reflect any theories and are conducted with little or no organisation (ibid). This type of interview is difficult to manage and participate in because the lack of pre-organised Interview questions fails to provide guidance or information, and nothing is known about the element of research projects. Semi-structured interviews involve several key questions that help to define the areas to be examined but also allow participants to provide ideas or responses in detailed and diverse ways.

Interviews can be organised in different ways; I will select the most appropriate way to conduct interviews in this study. Semi-structured interviews are employed, and they allow interviewers to bring up new ideas with the exception of only answering the interview questions designed in advance. Again, some key questions that are referred to in the theoretical framework of the privatisation process are defined (i.e., three forms of privatisation), which led to the basic structure of interviews. Interviewees in the UK and China would be asked questions that help to better understand the design, implementation, and outcomes of privatised housing policies; furthermore, the aim of the interview is to provide more details or ideas about privatised practices rather than repeat the content of policy documents. Some open questions also need to be designed and answered to capture the thoughts and understanding of participants that would not be presented in official documents.

Thus, the use of semi-structured interviews is proper for this research, and it is a well-developed method in qualitative research (Patton, 2002). This kind of interview would help to collect basic information, and open-ended questions are applied to explore the interviewees' unique knowledge, for example, the interviewees of policymakers in this study. According to Signal et al., (2018), policy-maker interviews can help in piecing together relationships and interactions in a complex world of policy change and provide access to the narrative about policies and the roles played in the policy process. Policymakers are sometimes key informants who can provide sensitive information and institutional knowledge. A potential disadvantage of a policymaker's interview may privilege some viewpoints and miss other

opinions (ibid), but this problem can be solved by other sources of data, such as document analysis.

Semi-structured interviews are also in-depth. Depth refers to the point of view that is distinctly based on enough knowledge of different histories or contexts (Owen, 2014). Hence, seeking depth of interviews is seeking participants who come from different backgrounds or hold different opinions, especially in this comparative study. Opinions or thoughts from government officers and other stakeholders in China and the UK can provide insightful thoughts on the design and implementation of policy for a better understanding of the similarities and differences from the perspective of the three forms of privatisation. In-depth interviews include various ideas and themes, some answers are not covered as planned, allowing the researcher to unravel the complexity of problems and issues. As Blaikie (2018) said, the qualitative in-depth interview can get close to meanings and interpretations of social actors, and their accounts of the social interaction in which they have been involved. In this study, in-depth interviews help to capture personal opinions of outcomes and evaluation of housing policies collected from the individuals in a personal way rather than in an official way (the data from policy documents are collected in an official way as discussed above). In other words, participants' responses and ideas can also help better understand the meanings and interpretations of the privatisation forms from the perspective of individuals.

### ***Sampling the Interviewees***

Sampling is an important component of qualitative research design that has been given attention in methodological studies when the interview is employed as data collection (Robinson, 2013). Sampling is seen as the process of exploring the range of views. In some studies, factors such as lack of resources, inadequate equipment and population dispersion, would prevent the researcher from studying the entire population. In a case study, sampling methods and sampling units should be identified.

Sampling is often performed in two general ways: probability and nonprobability. In probability sampling methods, each sample has a chance to be selected to reduce any bias. Probability sampling is usually employed in quantitative methods and involves the random selection of subjects. Nonprobability sampling methods are often associated with case study design and qualitative research. Case studies tend to focus on small samples and aim to explain a phenomenon in social sciences rather than making statistical inferences in relation

to the entire target population (Yin, 2003). Hence, not everyone has an equal chance to be selected, and sample participants do not need to be random or representative, but a clear rationale is needed for the inclusion of some cases instead of others.

In this section, according to the research questions, it is preferable to employ nonprobability sampling methods in qualitative case study research. First, it is preferable to focus on a part of the population. A common strategy of sampling is to select the sampling areas and identify participants from these areas (Bryman, 2012). In this study, interviewees are identified, i.e., policymakers or government staff, and representatives of participants will be selected. Prior to examining the types of sampling methods, it is important to make it clear why the researcher is likely to select a sample. Sampling can be used to make generalisations of the existing theory or make inferences in relation to a target population (Gobo, 2004). Essentially, it is determined by choices of sampling techniques. Interviewees are carefully selected if they are eligible to help to answer research questions. In this context, this study employs purposive sampling as the sampling technique.

### *Purposive sampling*

Purposive sampling is the deliberate choice of a participant who is eligible to answer research questions (Tongco, 2007). It does not need underlying theories or a large number of participants, rather the researcher decides what needs to be known and examined, as well as searches for people who are willing to provide the information based on the virtue of knowledge and experiences. It is used in qualitative research to identify and select cases for proper utilisation of available resources, involving the identification and selection of individuals or groups that are well-informed about a phenomenon of interest (Patton, 2002). Essentially, the aim of purposive sampling is to concentrate on people who are able to help answer research questions in order to better assist with the relevant research. In this section, government officers and other stakeholders who are involved in the privatisation process of social housing in the two countries are determined to be involved as interviewees because they are particular groups rather than representatives of the general phenomena research, and they are intentionally selected by the researcher in order to answer questions.

### **5.5.4 Conducting Semi-Structured Interviews**

Before conducting interviews, the researcher would make it clear who are interviewees and why they should be interviewed. According to the conceptual framework of privatisation forms I have established above, actors involved in each form of privatisation should be identified. First, policymakers and government officials are directly involved in the process of privatisation because they are the key actors in the initiatives of policies. Second, during the shifts of the financing from the state to different institutions and finance agents, staff from HAs, CCCs, LHCs, and other social housing provider partnerships are also involved. Third, ALMOs and private property management companies are involved because they are the main transfers of contracting out management services of social housing programmes from the state and LAs.

In total 21 semi-structured interviews were conducted over the course of 2021-2023; six with governmental officers, seven with housing providers and relevant organisations and eight with ALMOs and private property companies. In each case study, ten interviewees were from the UK and eleven interviewees were from China. Interviewees were recruited via a two-step process. First, a callout was made by using network contacts and the internet to identify key government and housing personnel. Relevant staff members were invited to participate and explain the purpose of the project via email. Staff who were interested in this project subsequently emailed the researcher directly. Secondly, if the number of participants was insufficient from step one, interviewees who accepted the invitation provided a list of names and contact details for relevant staff, whom I then approached directly.

During this period, the COVID-19 pandemic significantly influenced the research methodology of the fieldwork, particularly in conducting interviews and potentially impacting the results. First of all, due to restrictions on in-person interactions, all interviewees in the UK were conducted online via Zoom and Teams (but interviewees in China were conducted in person), which may have affected the depth of rapport-building and non-verbal communication, hence video interviews were conducted, and topic guides were sent to interviewees for them to prepare for some potential answers. Second, the pandemic's disruptions to daily life and work meant that scheduling interviews required more flexibility to adapt to participants' challenges. Hence, the interview time was organised ahead of one or two months, which made the timeline longer than expected. Third, willingness to participate in interviews may have been affected, as those experiencing severe pandemic-related

challenges might have been less likely to engage, or even the pandemic might change their minds affected by travel restrictions. Therefore, by addressing these aspects, efforts were made to adapt to the research design, by ensuring accessibility through multiple interview platforms and document analysis to mitigate gaps in collecting data.

Table 6.5 Interviewee List

The UK

<b>Councils &amp; Organisations</b>	<b>Roles</b>	<b>What are mainly covered</b>
Local Council 1 in GM	Councillor	<p>It does not have any council housing stock, so it provides very limited information about transfer and ALMOs. He mentioned a HA had acquired Local Housing Trust.</p>
Local Council 2 in GM	Councillor	<ol style="list-style-type: none"> <li>1. RTB policy- GM wants to suspend.</li> <li>2. Financialization in HA- HAs are losing their focus of providing social housing and GM needs truly social housing not affordable housing.</li> <li>3. ALMOs- some poor-managed ALMOs should be taken control back to LAs</li> <li>4. Some partnerships with private developers in local boroughs</li> </ol>
National Federations of ALMOs	Former Chair	<ol style="list-style-type: none"> <li>1. ALMOs were NOT privatised form of social housing</li> <li>2. ALMOs well perform in GM, shutting down ALMOs is a political decision</li> </ol>
National Federations of ALMOs	Policy manager	<ol style="list-style-type: none"> <li>1. the funding model of ALMOs are introduced</li> <li>2. Need more funding for ALMOs and not close them down</li> </ol>
Housing Association 1	Financial manager	<ol style="list-style-type: none"> <li>1. Funding models</li> <li>2. Partnerships with LAs and private developers</li> <li>3. Future plans in GM</li> <li>4. What they want LA side to improve: new rent agreement; remove housing benefits cap; more investment in infrastructure</li> </ol>
Housing Association 2	CEO	<ol style="list-style-type: none"> <li>1. Funding models</li> <li>2. Partnerships with LAs</li> </ol>

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		3. Future plans. It still locally focuses on its business in GM, merger with Equity
Housing Association 3 (2 staff)	Assistant Director Neighbourhoods/ Executive Director	<ol style="list-style-type: none"> <li>Building plans about affordable and social housing units</li> <li>Cross-subsidy models</li> <li>Shutting down ALMOs in GM is a political decision but some ALMOs are indeed poorly managed, which should be taken controlled by LAs</li> <li>They want LAs to invest more infrastructure in local boroughs, such as trains</li> </ol>
ALMO 1 (2 staff)	Head of Assurance	<ol style="list-style-type: none"> <li>Funding models</li> <li>Focus on current issues of management and maintenance of social housing, such as damp and mould</li> </ol>
	Head of Development	

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## China

Councils & Organisation	Roles	What are mainly covered
Local District 1 The Hangzhou Government	Director of Housing and Social Security	<ol style="list-style-type: none"> <li>The sale of welfare-based housing (because it diminished before 2000, its interview information is limited.)</li> <li>The current social housing policy, i.e., the housing stock, target groups and property management companies)</li> <li>There does not exist city construction company in this district, hence the social housing is built and owned by local government</li> </ol>
Local District 2 The Hangzhou Government		

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The Hangzhou Government	Director of Housing and Social Security	<ol style="list-style-type: none"> <li>1. Some legacy problems caused by the sale of welfare-based housing reform, i.e., vague property rights, property management companies.</li> <li>2. The current social housing policy, including the housing stock and target groups, as well as the calculation of rents per capita.</li> </ol>
Local District 3, Hangzhou Government	Director of Housing and Social Security	<ol style="list-style-type: none"> <li>1. The staff knows little about the sale of welfare-based housing</li> <li>2. The current social housing policy</li> <li>3. The future plan of building more social housing units</li> </ol>
Hangzhou City Construction Company	Director of Investment Development	<ol style="list-style-type: none"> <li>1. The introduction of the history of Hangzhou CCC</li> <li>2. Its investment plan (bonds, private financing plans)</li> <li>3. It might be cross-subsidy model, because some of its business lose money, for-profit programmes such as real estate investment, good sales cross subsidise these programmes.</li> </ol>
Hangzhou City Construction Company	Director of Property Management	<ol style="list-style-type: none"> <li>1. The current plan of social housing building</li> <li>2. The construction of social housing, including its tender plans, building materials and its deliver</li> </ol>
Property Management Company 1 (2 staff)	Director of Customer Service	<ol style="list-style-type: none"> <li>1. The current situations of maintenance and management of social housing in Hangzhou</li> <li>2. The problems of social housing management</li> </ol>
Property Management Company 2 (2 staff)	Director of Operation	<ol style="list-style-type: none"> <li>1. The current management system of maintenance and management of social housing units</li> <li>2. The daily matter of service</li> <li>3. The partnerships with local government, i.e., contracting out maintenance and management services through bidding.</li> </ol>

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Stakeholder interviewees provided an overarching perspective on three conceptualised forms of social housing privatisation and were recruited from various institutions, including LAs, HAs, CCCs, LHCs, property companies, and chartered institutes, see Table 6.5. Bespoke

interview schedules were produced for each interviewee, informed by the findings of the document analysis and the researcher's knowledge of relevant questions given each interviewee's respective role and organisation. Interview schedules focused on the purpose and practices inherent to each interviewee's role, how they interpreted their relationship to other actors in the social housing sector, and their perspectives on privatised housing policies, funding models and maintenance governance. All interviews in the UK took place online via video call, and all interviews in China were in person, in their offices as requested by interviewees.

In this section, interview questions should be properly designed. It is difficult to directly introduce the concept of privatisation and ask participants related questions as this notion is vague and varied. The privatisation of housing can be divided into several components so that various forms of privatisation are accessible and understandable for participants to answer. According to the conceptual framework in Chapter 3, privatisation forms could be explained into three elements, including selling off the public housing sector, financing the social housing sectors and contracting out public services, a topic guide of which can be found in Appendix [1](#) and [2](#).

### 5.5.5 Triangulation

In this chapter, two qualitative methods of document analysis and interviews were employed. They are more likely to be considered a mixture of data collection complementary to each other rather than two research phases. Qualitative methods are sometimes challenged by reliability and validity issues. This section aims to critically test the validity of existing comparative housing theories (largely Northwest European and North American) in relation to those in Hangzhou (China) and GM (the UK), to see how useful and applicable they are. In other words, this thesis is to examine and explore whether there need to redevelop existing comparative housing theories to explain social housing privatisation in the UK and China, as well as to test how effectively that theory works through this comparison. Thus, it is necessary to have a multi-dimensional perspective with less bias, and triangulation is an appropriate method for capturing a better picture and generating a richer dataset (Turner et al., 2017).

Triangulation often refers to using more than one particular method to get richer and fuller data for the confirmation of the research results (Wilson, 2014). It can help to increase

confidence in research data, creating better ways of understanding a phenomenon, exploring unique findings and also providing clear innovative approaches to the problem (Thurmond, 2001). The researcher agrees with the statement of the advantages of triangulation; however, it can be problematic when two methods of data sources are inconsistent or conflicting, even leading to a more complicated set of understandings (Olsen, 2004). According to Perlesz and Lindsay (2003), triangulation is used to disguise problems by compensating for the weaknesses of one approach with the strengths of another. Thus, triangulation should be carefully employed, and it is not a panacea, and its value might be overestimated.

In this section, two methods of data collection (document analysis and interviews) are adopted, so methodological triangulation was used here. Specifically, documents selected from governments, HAs, CCCs and other stakeholders can provide basic information about three forms of privatisation, such as financial policies and institutional financial reports. As discussed above, documents help to provide a brief idea of policy background but fail to reflect the updated changes about the implementation and evaluation of privatised practices. Interviews, therefore, can offer feedback on some practical policy changes that documents are not yet to be published and supplement a few missing dots. Furthermore, policy practices are sometimes not the same as published policy documents, for example, the implementation of affordable and social housing programmes in Liverpool has not conformed to the housing policies the state designed and published. Sometimes, LAs may resist national policies, rather their practice experiences are in accordance with local situations. Thus, interviews of research participants who practically implement housing policies are suitable to better understand the comparison of privatisation together with document analysis in a socially constructed way.

### **5.5.6 Data Analysis Method for the Research: Thematic analysis**

Both document analysis and semi-structured interviews were thematically analysed to provide a loose structure, whilst retaining flexibility for emergent themes. Thematic analysis is adopted, and it refers to a research tool to determine the presence of certain words, themes, or concepts with some given qualitative data. Berelson (1952) defined it as a research technique for the objective, systematic description of the content of the communication. The researcher should analyse the text with an open mind to identify meaningful subjects and answer the research questions. The primary and secondary data have been collected and then need to be coded and analysed.

One distinctive feature of thematic analysis is that it is not tied to any theoretical, ontological or epistemological frameworks, allowing it to have great flexibility to be employed in a wide range of research paradigms (Braun and Clarke, 2006). Nevertheless, Joffe (2011) suggests that thematic analysis is suitable for the constructivism process of wide-scale data analysis (Kiger and Varpio, 2020). Thus, thematic analysis fits into the current research as it presents how the privatised forms of social housing can be understood and interpreted by interactions among different stakeholders and operationalised in different geographical, political and social-economic contexts. In qualitative thematic analysis, data might be presented in words and themes, which helps to draw some interpretation of the results. Thematic analysis is commonly applied as a method of identifying, analysing and reporting themes within data (Braun and Clarke, 2006). Furthermore, the choice of thematic analysis method relies on how deep within the analysis the researcher attempts to reflect the informants' statements about a subject. Thematic analysis was used as the content of documents was read and examined for the researcher to extract important themes to ensure small units of themes of further discussion. Therefore, identifying themes is an important procedure for document analysis and helps to create some indices for the researcher.

### ***Articulating key areas of analysis***

The researcher should articulate key areas of analysis. The method of document analysis from the lens of a social constructivist, involves interview transcripts and relevant documents. Prior to analysing data, it is necessary for the researcher to familiarise herself and understand the content of documents and transcriptions of interviews. Documents and transcription of interview notes are helpful in generating the initial themes. According to Agar (1980), the researcher is suggested to read documents and transcriptions several times and get a sense of the whole process of document collection and interview conduct. Furthermore, some observations were adopted for further analysis, for example, some communities and buildings of social housing where tenants live.

The researcher organised and coded themes related to the dimensions of categories of the conceptual framework and used NVivo software as a supplementary tool. Some data that shared similar codes would be extracted into groups that logically connected. According to Saldaña (2009), a code or theme is often defined in qualitative research methods as 'most often a word or short phrase that is saliently, essentially and conclusively attributed for a

language-based or visual data'. However, it is noted that coding is not a precise science, rather it should be an interpretation of the content of documents. The next step is to collate these initial codes into potential themes.

Developing the themes of these findings took some time. Documents and interviews were coded with codes being iterated upon many times. During this process, I have used three levels of iterative categorisations. 'Codes' were the levels of common experience identified, often being identified within a single individual's interview or a single document as important components that have been frequently mentioned. There are some academic terms or policy names that often reappear in multiple documents and interviews, manifesting in different ways. These were elevated to the 'concept' level, at which point a name was developed for each that attempted to encapsulate. Lastly, three conceptualised forms of social housing privatisation were the core of the study, these were grouped as 'categories' and then titled. To explicitly define each level of iterative coding as below,

- *Code*: A frequently repeated topic, often within one participant's interview and a piece of document, and it might span between the narratives of multiple documents and interview transcriptions. Some example codes were 'funding', 'landlords', 'demands', etc.
- *Concept*: An academic term or a policy name or other relevant concepts. Some example codes were 'Right to Buy', 'tenure', 'affordability', 'LSVT', etc.
- *Category*: A group of categories that are three conceptualised forms of social housing privatisation (selling off public services, financing in the social housing sector, contracting out public services), and which have been grouped together under a broader name. These privatised forms were presented in many documents and interviews and often expressed in written or oral ways. These formed the basis of the findings of this research, arising from iterative coding of documents and interviews, and will be discussed in subsequent chapters.

### *Analytic memo writing and review the themes*

The researcher needs to consider whether the themes adequately and explicitly convey the complete tale contained in the data (Braun and Clarke, 2006). The analytic memo can be employed to search for and record patterns and themes when new ideas and insights arise during the act of writing. Reviewing themes is a vital step in determining if a consistent

pattern has been shaped. Specifically, the consistency of themes is a critical point at this stage. Themes that do not shape a coherent pattern of the data, should be reconsidered or discarded. Even though themes incorporate into a coherent pattern, the individual unit of themes should also be tested for validity and thematic map (ibid). Therefore, reviewing the themes can reveal that these themes are independently precise and are linked with others as a coherent pattern.

### **5.5.7 NVivo Software Package Used for this Research**

NVivo software is considered one of the best qualitative data analysis software for researchers. It is a reliable software package for qualitative data examination, helping with the conceptualisation and coding of data for an entire project (Myers, 2009). According to Azeem and Salfi (2012), NVivo software can assist in manipulating data records, coding and interpreting them, enabling the researcher to extract ideas and link them with data to express their understanding of research questions. In this study, the researcher aims to use thematic analysis as a method for data analysis. The sources can be coded, where portions of the collected materials are indexed and can be classified. Each theme contains a central meaning and is coded by levels (codes, concepts and categories). Each document and interview transcription is analysed to determine the extent to which policies or papers describe or consider the identified themes. Based on the meaning, relevance and context of documents, themes are extracted from texts. Coding themes is an interpretive act, aiming to be the transitional process between data collection and extensive data analysis.

### **5.5.8 Ethical Considerations and Limitations**

Ethical considerations in research are a set of principles that guide research designs and practices (van Deventer, 2009). The researcher must adhere to a certain code of conduct when collecting data from participants when employing a qualitative research approach. This study employs two types of data collection, of which documents as a source of data is primary data, whilst collecting secondary data does not need to consider ethical issues. The semi-structured interview is a qualitative method to collect primary data from people, which needs ethical considerations because ethical considerations during the research process are required to

protect the rights of the research participants and ensure the safety of research participants (ibid).

Officials or stakeholders' key informants are part of policy networks, and it is their job to talk about policy and strategy so they will not get upset. Their personal information will be pseudonymised in the first place. In order to avoid the situations in which participants would be identified, the description of positions and workplaces of participants would be ambiguous. The researcher won't be using direct quotes that could identify the participants if such quotes disclose locations, names etc. At the outset of the interview, the researchers will make sure that the participants are comfortable with the setting and feel encouraged to speak freely. During the online interviews, researchers will be on campus in their own offices, or at home in rooms where no other household members are present. In the case of in-person interviews, given that they will take place at the respondents' workplace this should be a familiar setting for them but if something intervenes, the interviews will be paused or terminated as appropriate.

The data for each participant will be stored in a secure location (the University Server). Audio data will be deleted from the audio device as soon as possible, encrypted, password protected and stored safely. Transcription will be carried out in a private environment. All personally identifiable information will be deleted or changed during the transcription process. After the transcription is completed, it will be handled with care and stored in a safe place. Researchers can only access complete transcripts. The digital copy of the file will be encrypted, password protected and stored securely. The interview data will be captured using Zoom, comprising audio files (.wma. mp3 format) that will be translated into transcriptions (Word. Docx format). Transcriptions will be checked and pseudonymised. The original recordings will be destroyed. All data generated during the interview will be held in password-protected secure University of York servers that are backed up daily. No names of research participants will be used in the writing up of the project, and governmental officers will be identified by numbers, such as interviewee 1, interviewee 2.

The nature of the research at the start of the sessions like the aims and objectives mentioned were fully explained above. If participants have any further questions the contact details of the researchers are available on the information sheet. Participants will be requested to return a copy of both their own completed consent forms whilst retaining their own second copy for reference.

There are some limitations in the data collection and analysis. Firstly, the structured interviews and questions were designed and conducted in English, but some interviewees were Chinese. In this context, the interview topic guides were translated into Chinese in order to make questions precise and accurate so that the researcher could collect information from Chinese participants. The translation of interview questions should be in a way that enables participants to understand and accurately answer. There might be some misunderstandings in the translation process. Pilot interviews were therefore adopted to test the efficacy of interview questions if they were precise and accurate in delivering intended meanings. Any misunderstandings during the process of the interview would be amended for later formal interviews.

Second, documents are also sources of data collection. Some formal written work will be translated into English. However, some challenges would emerge that some words have a wide range of meanings, or do not have exact translations. For example, social housing in Chinese official documents is often named ‘indemnificatory housing’; affordable housing is called ‘economic and cheap housing’, or ‘comfortable housing projects’. Therefore, the translation of documents might fail to transfer the exact meanings in this study, nor deliver accurate intentions of interviewees and policies. The review of documents was therefore called back to check the consistency of the meaning of social housing over the years.

## 5.6 Conclusion

This chapter mainly offered a comprehensive understanding of the research methodology that was applied to the current research. The philosophical assumptions of relativism and social constructivism led to the data collection. Alongside a social constructionist epistemology, it purported that individual experiences were a positive process of interpretation by proposing a proper conceptual framework of understanding and interpreting the privatisation of social housing in the two countries rather than a passive material comprehension of an external real world. The qualitative research method was employed to evaluate the case study design by establishing a method of analysis for systematically examining official documents and building a methodological foundation for qualitative in-depth interviews with their stakeholders. Additionally, the case study design was employed as the foundational

comparison of social housing in the two countries and sub-cases (GM in the UK and Hangzhou in China) were adopted according to the research questions. Ethical considerations and limitations were also drawn.

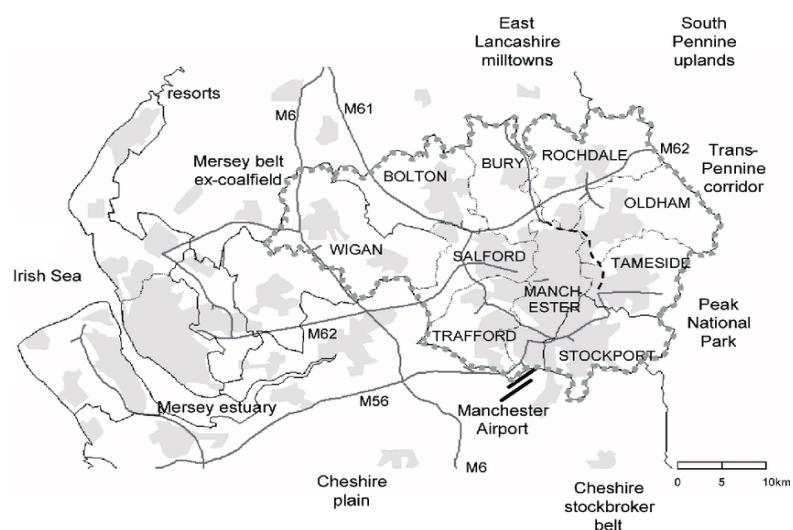
# Chapter 6: The Privatised Forms of Social Housing in Greater Manchester

## 6.1 Introduction

This chapter draws on the case study of GM, to examine and explore how the privatised process of social housing is being enacted and interpreted in GM. Being recognised by the region that experienced the privatisation of social housing in the UK, GM has a fruitful history of privatised social housing activities. Councillors in GM and other stakeholders who are involved in the privatised process of social housing are selected based on the research evidence collected and analysed from documents and interviews, thus, how interactions of the privatised process of social housing among stakeholders will be further explained and it is found that the case study is suggesting a slightly different story from the official narrative. In this chapter, I will look into how the three main forms of privatisation of social housing are performed and practised at the local level in GM.

According to ONS (2024), GM is hugely diverse with 2.8 million residents living in 1.2 million homes across ten districts (Manchester, Salford, Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford and Wigan, see Figure 7.1). It is a large city region covering almost 500 square miles, accounting for one-fifth of the population in the North of England. GM sits at the heart of the Northern Powerhouse, and it generates an estimated £59.6 billion Gross Value Add in 2023.

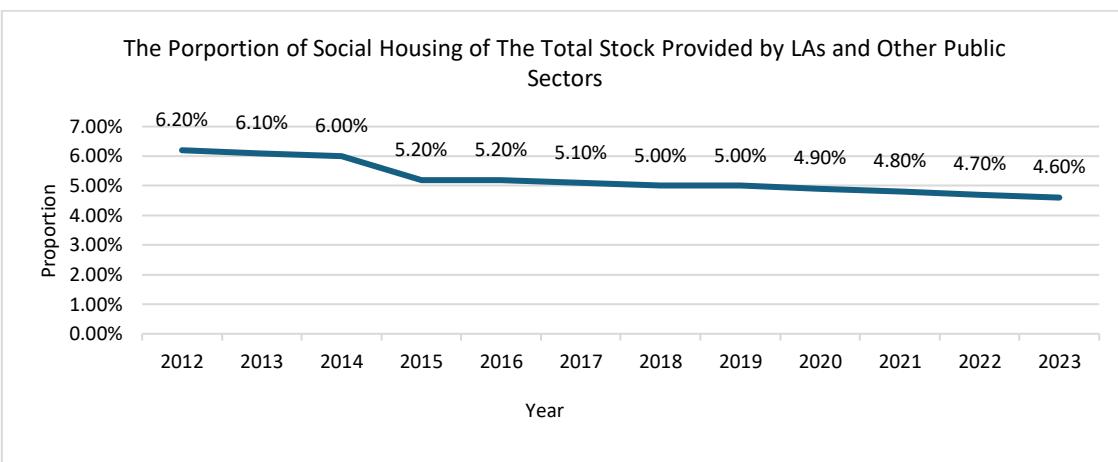
Figure 7.1 Map of Greater Manchester Region



Source: DCMS Libraries of the UK government

According to the 2019-2024 *Greater Manchester Housing Strategy Report*, however, since the 2008 financial crisis, GM has not been delivering enough new homes even though it is gradually recovering (housing delivery increased by 55% in GM in 2021-22, reaching 2,362 new build homes by Greater Manchester Housing Providers (GMHP), but they promised to develop 18,000 new homes over the next five years). In order to meet local housing needs, Greater Manchester Combined Authority (GMCA), which is run jointly by the leaders of the ten councils and the Mayor of GM, needs to continue and accelerate the pace of delivery and help to reduce the pressures that contribute to overcrowding, rough sleeping and homelessness. Since 1971, home ownership has been the dominant tenure in GM, but it has declined over the years. It is estimated that approximately 58% of homes are owned outright and 33% are owned with a mortgage or loan (GMCA, 2023). Levels of ownership are relatively low in the regional centre Bolton, Oldham and Rochdale), while the outer areas of the conurbation have higher levels of homeownership (notably semi-rural areas of Wigan, Trafford, Oldham, Rochdale and Stockport). Since 1981, the proportion of social housing has been declining, standing at 22%, with approximately 95% of those rented at social rents. The conversion of socially rented homes to 'affordable rents' (generally rented at 80% of market price) has also contributed to the decline of the proportion of social housing stock, meaning that in 2018 there was 5% less social housing stock in GM in 2012/13 (ibid), and data on its recent years are shown, see Figure 7.2,

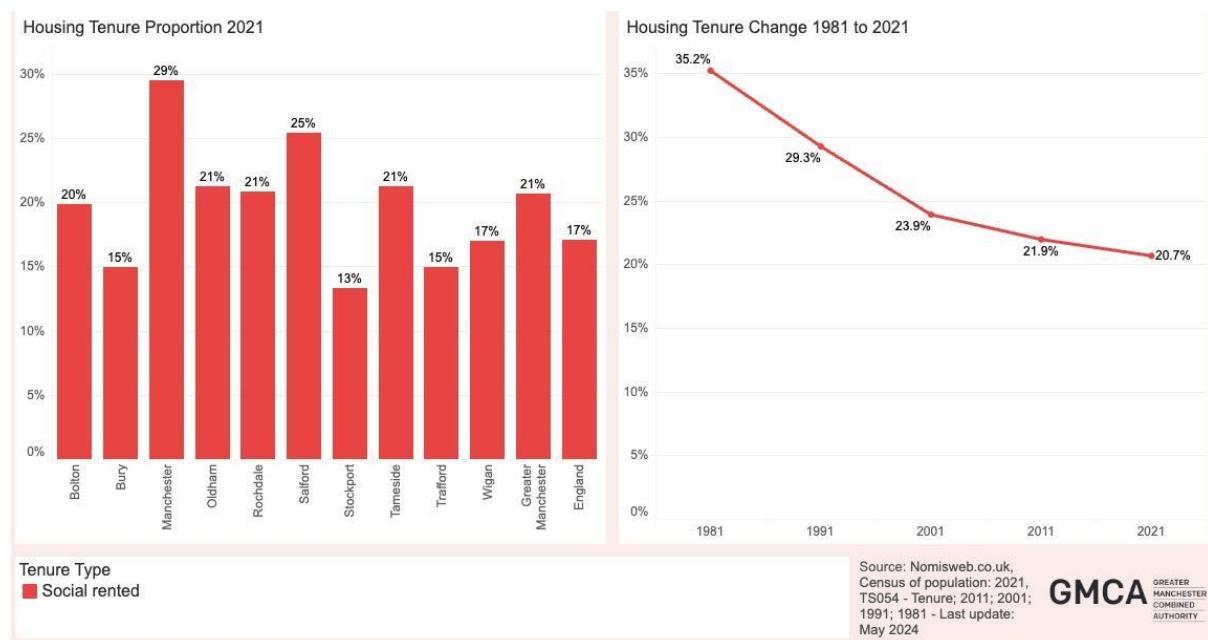
Figure 7.2 The Proportion of Social Housing of the Total Stock Provided by LAs and Other Public Sectors in Greater Manchester



Source : <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales>

Even though, there is still a small 0.8% increase (there is an overall increase of 2,243 units in affordable rent units and 365 units in social rents) in over housing stock since 2022 (Housing Market Monitor, 2024). The decline in the proportion of households in the social rented sector has been evident over the years in GM, see Figure 7.4.

Figure 7.3 Social Rented Housing Tenure Proportion in 2021 and change from 1981 to 2021 in Greater Manchester



Source: *Housing Market Monitor in GM*

(<https://www.gmttableau.nhs.uk/t/GMCA/views/HousingMarketMonitor-Tenure/AllTenureHousingStock?%3Aembed=y&%3Aiid=4&%3AisGuestRedirectFromVizportal=y>)

According to the 2022 annual report published by GMHP, which combined 24 housing providers, including LSVTs, HAs and ALMOs, in partnership with GMHP at the end of 2022. It is estimated that there are approximately 260,000 homes in management and 500,000 residents live in GM homes owned or managed by GMHP members. During the financial year to March 2022, GMHP built 2,362 new homes, an increase of 55% from the previous year (ibid).

Private renting has been the fastest-growing tenure in GM. According to Census 2021 Briefing (2023), it is calculated that housing in the private rented sector (PRS) increased the most, i.e., there were 60,939 households in the PRS in 2021 in GM compared with 45,477 households in 2011 (a 34% increase). Conversely, the share of people who live in social

housing has steadily declined, accounting for 22% now, and 96% of social housing is rented at social rents that are predominantly lower than private rents. At least 70% of households in the social rented sector in GM are in receipt of Housing Benefit or the housing element of Universal Credit (ibid).

## 6.2 Selling Off Public Services: the RTB in GM

According to *Greater Manchester Housing Market Monitor (2024)* since the 1980s, over 107,000 social homes have been transferred or sold due to the RTB policy. The proportion of social housing has been diminished from 35.2% in 1981 to 20.5% in 2021, and approximately 95% of them are rented at social rents (generally substantially below private sector rents). The decline of the social housing sector is seen as a consequence of the RTB policy combined with growth in other tenures (GMCA, 2022).

Prior to the report of *Greater Manchester Housing Strategy 2019-2024* published in 2018, GMCA had partnerships with local councils, and promised ‘one for one’ replacement for homes sold off, however, the total £27m generated from the sale of social homes failed to contribute to new homes built (Stephens et al., 2020). This failure of ‘one for one’ agenda is blamed on government red tape for the insufficient RTB replacements, with severely limited on how LAs can allocate funds they get from the sales, and a large chunk has to be returned to the Treasury (ibid). Specifically, due to a large amount of money generated from the sales handed back to the Treasury, the need to repay attributable debt, and the restrictions on how LAs can use the remaining, all hinder the implementation of ‘one for one’ replacement.

The failure is also attributed to heavy discounts on the sales for tenants. Due to the reinvigorating RTB policy since 2012, tenants have larger discounts to purchase social homes, meaning that less cash is left over to build new homes (House of Commons Library, 2022). For example, in some parts of GM, a discount could be up to £78,000, leaving LAs very little leftover in sales. It is found that approximately 5,700 social homes have been lost in GM since 2012, and no replacements were generated through RTB receipts (Stephens et al., 2020). Thus, heavy discounts and funds handed back to the Treasury have led to the fall of social housing. In some regions in GM, there has been a substantial overall loss in authority-owned housing stock (ibid).

The 2017 White Paper was published by the Department for Communities and Local Government, which started the point that central government was faced with the task of ‘fixing our broken housing market’ at the national level, alongside the tragedy of the 2017 Grenfell Tower fostered renewed interest in social housing in the UK. The broken housing market is having an important impact on the lives in the UK, and is having a direct impact on people in GM. Over 85,000 households are on the waiting list for social housing and a large number of homeless people need to be properly accommodated in GM, thus, housing should be a priority agenda for governments, as GM mayor Andy Burnham (2018) said, ‘Tackling the housing crisis is one of the top priorities in GM and it is the time for the government to focus on the need for providing more council and social housing.’

However, the housing crisis has not been tackled since 2018, rather it has been a more severe issue as GM mayor Andy Burnham re-emphasised in 2023:

*‘You know, the Westminster thing is you want a housing policy, always promote home or help first-time buyers. You know, build many thousand new homes and whatever. But actually, none of that actually solves the housing crisis. The housing crisis has to be addressed.’ (Andy Burnham’s Question Time on 30<sup>th</sup> June 2023)*

The consequence of the RTB failing to provide or help to provide more council and social housing for people who are in housing needs, conversely, it is worth considering to what extent the RTB helps to alleviate existing housing crisis or makes it worse. In fact, the RTB policy in GM constrains the supply of social housing, and there are insufficient new homes replacing over 90,000 sold social homes since the 1980s (discussed above), which leads social housing to be more residual for the least well-off. In addition, over 100,000 ex-social homes have been lost through the RTB to the private rented sector since 2015, deviating from its initial goal of helping people to be homeowners (New Economics Foundation, 2024). The decline of authority-owned social housing stock without sufficient ‘one for one replacement’ also resulted in an increasing number of homeless people in GM. For example, according to statistics published by MHCLG in 2023, Manchester ranks first highest in GM for around 1,314 households experiencing homelessness, followed by Salford (828 households), and Bolton (711 households) this year.

Even though, the state still chose to extend RTB to HAs, they thought it was a good thing to promote homeownership, although the plan has now been shelved. This is because they couldn’t find the money to compensate HAs, which are private entities, and the state’s

direction regarding what they can do with their stock might also threaten that private status. This section argues that underlying trends of sustaining mass homeownership have been obscured, and they have been broken by the ‘relentless logic of commodification’ (Forrest and Hirayama, 2015). It might regard homeownership as a ‘social ideal’ and its role in promoting neoliberal ideologies. However, LAs in GM are not willing to follow central orders.

*‘If I could, I would suspend the right to buy in Greater Manchester because that just keeps making the stock even smaller. And for anyone who grew up in a council, you kind of...kind of know that is a public good, that could be a platform for other people and actually take you out of the circulation. In the end, does it make us all better off? It can make us all or worse off.’ (Andy Burnham’s Question Time on 30<sup>th</sup> June 2023) (Manchester, 2020)*

An Interviewee from Local Council 2 criticised that the RTB was ‘unacceptable’,

*‘It is a very totemic issue for a lot of people because the RTB cost us hundreds, thousands council homes but we have unable to replace them...the RTB is disastrous and a major driver of housing crisis. A council home is sold, the council loses actually loses two or three times as much.’*

However, Prime Minister Boris Johnson gave a speech in 2022, announcing to deliver on the long-standing commitment to continue the RTB extension policy, made by several governmental departments (GOV.UK, 2022). It can be understood that there is a balance of powers at the state and the local level of government. The main authority lies with the central government, which gives authority to local governments through the process of devolution. Further, this balance can be a delicate one even though it differs depending on local circumstances, and conflicts might arise when central and local governments expand, restrict or overlap (Houses of Commons, 2009).

This kind of resistance between central government and LAs can be partly attributed to the influence of neoliberal ideologies and devolution policies (political tensions and conflicts are also the reason the government was Conservative during that period but there are largely Labours in GM). It is argued in Chapter 2 that neoliberalism is described as an all-powerful and colonising force whilst the practical implementation of neoliberal logic is ambiguous, reflecting local conditions, policy practices and transfers, and bringing the freedoms of individual actors (Larner, 2003). The freedoms may also bring unruly behaviours for

individual actors to adopt or resist new governmental logic, alongside resistance being explained as a diverse set of political possibilities (Power and Bergan, 2019).

Resistance thus can be simple acts that provide an alternative to current governing practices, and some resistant behaviours sometimes cohere into broader and powerful acts but sometimes they do not necessarily engender broader changes (Bevir et al., 2017). Flint (2002) metaphorized this kind of dissatisfaction among central and local housing officers as ‘howls of outrage’ in early times. Dufty (2011) emphasises that actors who have experienced the restructuring of social housing tend to adopt subtle resistance and coping strategies, as a means of managing situations that they are not able to control. In this case, this kind of resistance can also be explained between central government and local housing officers in GM.

However, this kind of resistance sometimes cannot be put into practice, in this case, local councils might subtly resist the central order or strategies. In fact, local councils have to abide by central orders and try to find more political or financial approaches to replace the continuing lost stock. As Sage (2012) indicated, it is amidst evidence that the Conservative government does have support for the policies of the Labour Party, but Labours has struggled to maintain a separative narrative in welfare fields, particularly within the social housing sector.

*‘I think Andy Burnham would like us to have our own policy at the moment. He doesn't have the powers for that. So, it's a national government policy and we have to abide by that. And I think he would like more devolution on the right to buy. And so, he's kind of, as Andy Burnham does in a good way, trying to get more local powers for Greater Manchester so we can do things differently. And at the moment we have to abide by central government policy.’*  
(Councillor 1 from Local Council in GM)

According to the 2019-2024 Housing Strategy Greater Manchester, GMCA continued to seek campaigns to terminate the Right to Buy in GM. A different model with control over discounts to ensure ‘one for one’ replacement would be employed as an alternative, preventing sold RTB properties into privately rented and protecting new units via HRA generated from further RTB plans. However, the problem is where governments can generate the money to replace the stock.

*And the problem around today is that you don't get the money to replace that stock. So, someone wants it sold. It's very hard to replace that. We're not against people owning their*

*own homes, but it's about getting the money to replace those social housing...you know, there isn't that in the current legislation the ability to replace that stock. So yeah, we've seen a massive reduction in social housing and the right to buy we continue to lose about 250 homes a year. (Councillor 2 from Local City Council in GM)*

Again, the model of ‘one for one replacement’ still had a long way to go. The replacement policy was initiated in 2018; however, the outcomes are far from satisfactory, attributed to insufficient funding raised from heavily discounted sales. The privatisation of council housing/social housing has been encouraged and driven by central government. However, it has not been welcomed by LAs in GM due to insufficient funding for replacement policies. The privatised form of selling off public services through the RTB has been carried out for a long time and has now been challenged in GM. The RTB has contributed to promoting homeownership in GM, however, the insufficient replacement of new homes has failed to relieve housing shortages. Therefore, the RTB in GM is criticised to be a failure and called for suspending.

During this period, HAs and LHCs in GM have therefore been the main providers of social housing partnerships with other stakeholders in a wide range of financial approaches and the next section will lay down this evidence. Under the New Labour Government from 2024, Suspending the RTB will remain a strong call for the GM Mayor, it can be seen as a positive signal for increasing social and council housing supply, and slowing the decline of social and council housing stock in political and financial ways.

## **6.3 The Financing of Social Housing Sectors in Greater Manchester**

The financing of social housing sectors and the financialization of social housing have been another privatised form of social housing. In GM, there is a wide range of policy practices among actors, including LAs, HAs, and private sectors. This section will explore these financial practices in GM.

### 6.3.1 Financial Policy

In the long term, housing benefits have been the core for government ministers to reduce public expenditure on housing, with a series of contracting out programmes and minimal public provision, through *the Localism Act 2011* and *Welfare Reform Act 2012*. These acts were considered ‘the most radical reform of social housing’, reshaping the British welfare system and marking the ‘death of social housing’ (Jacob and Manzi, 2014). This agenda was also endorsed by many HAs, being seen as a ‘new Conservatism’ (Booth, 2009). At the same time, a diminished role for central government was emphasised in the government announcement of an end to new direct grants for social housing in England, alongside LAs forced to rely on self-funding mechanisms even though there is still some grant funding. Thus, the LAs have begun to design and implement financial policies to seek financial support for social housing delivery in GM.

LAs have strengthened their roles in local political decisions, as *the 2022 Levelling Up White Paper* shows, ‘local decision making has tended to generate better economic performance, as local policies are tailored to local needs.’ Thus, the case for stronger decentralisation when it is related to the potential for local improvement that fails to be achieved, by central direction, increases local accountability (*ibid*). According to GMCA (2024), a new Housing First Unit will bring a plan by the end of 2024 that will deliver 10,000 new council homes and they will be built at least 1,000 in each borough by 2028. As a part of this offer, GM is proposing a new partnership with the Government that would have greater flexibility over funding and capacity to accelerate the supply of new homes-including new social homes.

There is some financial support for housing investment by LAs in GM. Since 2012, the existing Local Investment Plan (LIP) has been approved by GM and the Home & Communities Agency (the HCA), providing the HCA, LAs, private developers and registered housing providers funds and valuable guidance. This demonstrated enhanced value, acceleration of delivery and the coordination of investment to support LAs (Greater Manchester City Deal, 2012). For example, an additional £41.3 million generated by GM was a direct result of the LIP, resulting in 981 additional new homes. The HCA, LAs, private developers, registered housing providers and other stakeholders partnered with each other, to monitor take-up and ensure an additional reserve of deliverables. The LIP emphasised empty homes as a vital local strategy, which led to a combined Greater Manchester bid for £7.5

million and a return of 574 homes (the document does not clearly classify housing tenures) into use again.

A Housing Investment Fund (HIF) was established later to set up a specialised investment fund (it was established later until now). National investment streams and local resources were utilised to develop new housing units. These housing units were for the market sale and affordable rents (generally rented at 80% of market price) based on land in public ownership, and the empty homes strategy would offer more opportunities to bring homes back into reuse (Manchester City Deal, 2012). The land would be invested for the first 10 years of the establishment of the fund to enable the recycling of receipts to support further development.

The use of LIP and HIF aims to provide flexible development finance to support housing growth for developers who can still get a loan to kick-start housing projects. However, it can be found that GMCA offers financial support for developers to build more homes, not only for social homes or affordable homes. As councillor 1 in Local Council said,

*'The Housing Investment Fund has been at the moment tailored more towards the private. So, sale and run, and I have been really successful in delivering thousands of homes. I think we would like it to be able to focus a bit more on helping deliver more affordable housing... i think at the moment there hasn't been a huge amount of delivery of affordable housing. And I think the way that the money was set up with the government hasn't been able to do that.'*

*(Councillor 1 in Local Council)*

The establishment of housing-led special funds indeed contributes to building more homes, but GMCA has not established special funds for social and affordable homes and is unable to extract extra funds from central government. The case for increasing the supply of social

housing has been outlined and GMCA plans to deliver at least 50,000 additional affordable homes by 2037, with at least 30,000 units being rented at social rents or affordable rents (GMCA, 2019) and the latest plan is to provide at least 10,000 council homes by 2028.

However, LAs and HAs have numerous obstacles in the delivery of social housing due to insufficient funding sources, especially the RTB and potential RTB extension to housing association tenants (even though it is suspended), which compromises the asset security to justify investment in new homes. The decline of the social housing stock can therefore be attributed to insufficient funds from central and local governments. Its privatisation process is accelerating this trend and LAs have sought more approaches to get rid of this dilemma, actively changing their roles of direct providers to a more enabler or strategic role.

To be specific, GMCA attempts to create new approaches through legislation and financial environment to ensure the supply and delivery of social housing, working with housing providers, city councils, Homes England (the key arm of Government charged with ‘making homes happen’) and other stakeholders, including the strategic partnership with investors such as Great Places and government agencies such as DLUHC. For example, the devolved institutional structure of the Homes and Communities Agency, has been joint working with Homes England since the City Deal in 2012. The subsequent investment includes the Greater Manchester Housing Investment Fund, some elements of the Housing Infrastructure Fund, as well as investment in affordable homes and supported accommodation. Overall, GMCA has ambitions to provide more social and council homes in local boroughs in the near future and have partnerships with a wide range of actors. However, the funding for social or council homes is still an issue, and house-building developments in GM are the main responsibility of HAs and other private actors (sometimes the use of funds for commercial or social housing is unclear).

### **6.3.2 Financial Shifts in Housing Providers**

There is a wide range of different types of housing financialization but some of the most prominent finalised forms of the experience in the GM city-regional centre is the emergence of financial actors, including developers, LHCs, private equity funds, corporate investors, pension and insurance funds (Silver, 2018). However, so-called ‘non-financial’ actors like social housing providers, tend to operate in more financial ways, particularly local HAs in GM and some national HAs investing in GM. After a series of interviews with various stakeholders such as local councillors, HA officers, local ALMO staff and National Federation of ALMOs (NFA) staff in GM and document analysis, the researcher has revealed some financial shifts in housing providers among LAs, HAs and other organisations.

#### **6.3.2.1 LSVT in GM**

Social housing has been positioned by the government for the purpose of expanding the market since the 2010 general election, through ‘a radical resurrection of Thatcherite agenda’ (Hodkinson and Robbins, 2012). A restriction on the maximum borrowing capacity that the LAs invest in its housing stock through *the 2011 Localism Act*. This resulted in several LAs relinquishing their remaining social housing stock and transferring them to other

organisations at a large scale, and shifting to a housing association via LSVT means that they have additional borrowing capacity to invest in the refurbishment (decent homes work) of existing stock and new homes (LSVT was an initiative established by some LAs at a small scale and was adopted by more LAs and central government in the 1990s, and 2000s to meet decent homes standards). Early examples of this practice in the case study of GM, include Bolton, Oldham, Rochdale and Salford, where a total stock of over 50,000 council-owned homes was transferred away from these boroughs due to the introduction of the new borrowing cap before the large-scale of stock transfer in GM in 2011 (Cauvain et al., 2018).

*'We did stock transfer. Local councils didn't want to manage their housing stock themselves anymore, so they transferred all of their housing stock to us in that locality, but obviously that was just part of what we did see. So, when they transferred to us, we're already sort of 40,000 homes of our own, and then we just added those stock transfers into it, so our experience has been in particular local authorities of taking over their stock into our existing management.'*  
(Interviewee 4 from a HA in GM)

Table 7.1 provides details of housing stock size and institutional arrangement by 10 boroughs in GM so far.

Table 7.1 Local Authority Housing Stock and LSVT in Greater Manchester

Local authority	Institutional arrangement	Housing associations	Approximate transfer stock size	Housing stock size retained in local authority
Bolton	Stock transfer in 2011	Bolton at Home	18,000	0
Bury	ALMO since 2005	Six Town Housing	8,000	0
Manchester	Stock transfer in 2007-2009, merger in 2015	Northwards Housing, Southway Housing Trust, One Manchester	48,750	12,500 (Manchester City Council has taken the housing stock from Northwards Housing in 2021)
Oldham	Stock transfer in 2011	First Choice Oldham	12,000	2,000
Rochdale	Stock transfer in 2012	Rochdale Boroughwide Housing	13,750	0
Salford	Stock transfer in 2015 and 2018	Salix Homes, City West Housing Trust	14,800	0
Stockport	ALMO since 2005	Stockport Homes	12,000	12,000
Tameside	Stock transfer in 2000, 2008 and 2017	New Charter Housing (North and South)	20,000	0

Trafford	Stock transfer in 2005	Trafford Housing Trust	9,000	0
Wigan	ALMO since 2002	Wigan and Leigh Housing	22,000	22,000 (Wigan Council regained direct control of the stock in 2017)

*Note: Bury Council has taken over responsibility from Six Town Housing since February 2024*

*'We've grown really through three routes. We've merged or taken over other housing associations. We've had some stock transferred from local authorities to us and we built our own homes, so we've grown through that route. We haven't done much stock transfer for about 10 to 15 years and things like that, so you don't see as much stock transfer.'*

*(Interviewee 5 from a HA in GM)*

Stock transfer has been one of the key elements in the privatisation of social housing (council housing) (Smyth, 2012) even though it was almost completed in the 2000s. LSVT in GM in the 1990s and 2000s, as Ginsburg (2005) said, represents a decisive shift towards monopolistic private landlordism, which is true privatisation. The LSVT was almost completed in the 2000s, but it has remained a significant and continuing impact on council housing stock in GM as it has transferred almost all the housing stock to HAs, even though there have been some improvements by new housing-built developments in the condition of the stock since the 2010s. Some local councils in GM have attempted to take the housing stock back from HAs in the past years. Andy Burnham, the GM Mayor called for repossessing substandard homes if landlords fail to upgrade them to a proper standard (GMCA, 2018). Under this model, private landlords fail to provide decent homes and risk losing their investment, with homes brought into social ownership. Even though it has not applied to social landlords, it might imply that LAs in GM, have attempted to shift from the initiator of the privatisation of social housing back to owners of social housing stock. Or at least, LAs in GM are still actively involved in local housing affairs, being a regulator in regulating the management of council housing stock, expanding their roles from a direct provider of council housing in the 1980s, to an enabler role in the LSVT process (when stock transfer was conceived it was always the idea that the role of LAs was as an enabler of the local housing system, i.e., they work in partnership with the private and voluntary sectors. LAs would produce local housing market assessments and local housing market strategies to guide public investment and steer HAs and private developers' work in order to achieve the mix and condition and affordability of homes locally) (Goodlad, 1994) and now turning to a strategic agent of participating in market-oriented activities.

### 6.3.2.2 Section 106

Planning obligations under Section 106 are a mechanism, enabling LAs to negotiate with developers to provide affordable housing on new developments (Houses of Common, 2020). Developers are encouraged by LAs in GM, including Manchester City Council and Salford City Council to build more homes by increasing these contributions since the financial crisis. LAs began to rely on the private sector for new social housing supply but the private sector has resisted it (Morphet and Clifford, 2020). Specifically, this reduction is mirrored in development proposals for the provision of affordable and social housing units by developers. In the past years, developers have been required to build affordable and social housing partnerships with LAs, based on 20% of the total units (this share may be different based on each LA planning regulations in GM) (*ibid*). However, it is now common for developers to be more flexible in determining the share of affordable housing units because LAs forgo their building programmes as part of Section 106 on new and market-based development in city centres. The *2011 Localism Act* brought in the viability get-out clause for developers to say the finances no longer stack up if they have to provide social housing so the numbers they are supposed to provide are routinely negotiated downwards (Morphet and Clifford, 2020). Some charitable HAs are also involved in this shift.

*'In planning terms, you'll try to achieve a planning agreement section 106 that basically says that you have to provide a proportion of affordable housing. You would normally get a HA on board to provide that affordable housing, and they can receive grants to provide that that housing to cover the cost of it, but it is a small proportion of the total cost, so this kind of minimum levels and then we might seek to provide more housing. In GM, you might find normally on any one development you probably would only get about 20 or 25%, so if there were 100 homes 25 would be social homes. ' (Interviewee 3 from a HA)*

It is also found that S106 has in fact enabled LAs to lose the capacity to resolve some public issues, more than housing issues. They cede development to the market; they thus have less control over the outputs in other places. Precisely, this is because most of the councils in GM are no longer owners of social housing in the long term (except Manchester and Wigan). Local authority ownership has declined by more than half as a direct consequence of the RTB and LSVT, rather LAs are increasingly involved in public issues, such as climate change and sustainability issues (Betsill and Bulkeley, 2007). In fact, this reveals the conflicts of interest

between the privatisation process of social housing and the increasing reliance on LAs to handle environmental issues. It is worth noting that there is increasing pressure to deal with climate change and sustainability issues because LAs are losing control of housing building development that is important to deliver a net zero carbon neutral city region through local and subregional governance (GMCA 2019-2024, 2018), rather developers and other housing providers are more willing to provide market-based homes without restrictions on carbon emission, which leads local councils in GM to have a weakened capacity to achieve this.

Therefore, despite GM's status as something of a prototype of devolution deals has resulted in a more expansive settlement than in most deals, the Mayor of GM, however, as Greater London Authority (GCA) and other combined authorities, lacks the executive power (Walker, 2020), and the privatisation of social housing has accelerated this. Housing has been the domain of the hybrid field of national policymakers and the private sector. The privatised reform in the social housing sector is considered to create 'ideal' market conditions to increase efficiency and lower prices with less state intervention, the outcomes of which have been mixed (Cauvain et al., 2018).

Market-based housing development has been welcomed by LAs in GM. Through S106, approximately 76% of the total housing units (19,532 units) at the GM city-region level are provided by 13 developers, showing large developers come to be dominant in the supply of new properties with partnerships with LAs (Silver, 2018). HIF provided by GMCA has committed over £420m to build over 5,150 units across GM. HIF has provided a series of loans to developers over the last two-and-a-half years, which reveals that LAs at regional or sub-regional levels have encouraged market-based housing (GMCA, 2024). In other words, a large-scale housing development in GM has been provided by private developers who are seeking profits and do not aim to build affordable/social homes. In fact, GMCA cannot develop social housing at scale, because if they need financial support from Homes England, that will come with an expectation that only a small proportion of any homes developed can be socially rented.

Besides, based on regulations from S106, a viability assessment should be supposed to show the rate of return and the amount of contribution provided by developers through affordable housing programmes and Section 106 agreements. However, many assessments from the developer side and S106 reports from the LA side remain inaccessible, alongside new housing units in GM having been further curtailed (Silver, 2018). The lack of contributions

(the increase of new housing supply) provided by S106 and the lack of transparency of financial reports provided by developers and LAs in GM on the delivery of affordable and social housing, which may lead to more profitable activities due to this ambiguity, such as lead housing units to fall in the risks of being as financial assets or being as collaterals for mortgage loans. In fact, some HAs, and private companies have these practices, in which social housing units could also be collaterals for financing (Goulding, 2017).

Overall, in GM, the levels of new housing including affordable and social housing remain dependent upon the successful output of market housing, and more so than affordable and social housing were built exclusively receiving government capital subsidies in the past (Morrison and Burgess, 2014). S106, this creation of market-based governance networks and the ‘roll-back’ of direct levers of state provision is considered as being a political project of government structuring (Clegg and Farstad, 2021). However, these networks are commonly viewed beyond direct influence from political actors, rather S106 is better understood to present visions of ‘a neoliberal state of limited government by third-party proxies’ (they often refer to the private sector) (Clegg and Farstad, 2021). Despite S106 being tied to market-oriented activities, with developer contributions, it remains an important policy instrument in securing or increasing affordable and social housing supply.

### **6.3.2.3 The Funding Models of HAs in GM**

HAs usually have cross-subsidy models that invest or reinvest in social housing by using multiple financing tools in GM. HAs now have significant financial assets in the form of housing stock (most of the stock is market sales, and the remaining stock is social or intermediate market rent, or shared ownership) with a substantial part of income from rents and sales. Thus, this sector is unsurprisingly attracting much attention from the private sector, which makes social housing a new cash cow for investment funds (Riddy, 2018).

*‘A private house builder that is there to make profits. You know, and I think they have a part to play in the market, especially in the profitable housing market.’ (Councillor 2 in Local Council in GM)*

The involvement of for-profit registered providers in the housing sector has contributed to providing appropriate 6,000 homes, 45% of which are shared ownership housing (Regulator of Social Housing, 2019). The active market activities in GM of for-profit registered

providers have squeezed on the resources of non-profit or charitable HAs like Great Places Housing Groups, Stockport Home Group and other local HAs. This is because for-profit sectors are more capable of collecting funding in investing new homes but charitable HAs are more dependent on government funds and grants (for example, resources are tied up in pre-sales development activities) (Riddy, 2018). However, this is not always true as private investors are more interested in new housing units at market sale rather than social rents (ibid). Nevertheless, HAs have to search for more financial tools and partnerships with other stakeholders due to the reduction in government grants, for subsidising social housing units.

Furthermore, the funding models from HAs are also welcomed by LAs. The Affordable Homes Guarantee Scheme was introduced in 2020, providing loans to support the delivery of new-build and additional affordable housing. Loans are funded by capital markets bond programmes by the DLUHC. It is estimated that these government-guaranteed bond-financed loans would be a fixture of housing association funding and the government's approach would perpetuate the mixed-funding and cross-subsidy models for housing HAs in GM (Stephens et al., 2020). However, this scheme is criticised by a councillor in local councils, 'they (HAs) are losing focus of building social housing units',

*'For HAs, I think that is the core of providing affordable housing, good services for their residents rather than making profits, but I think HAs sometimes get a bit confused then about what they should be doing, and they can get distracted, I think so. We have seen examples of where HAs lose focus and then they get into problems because usually they keep their existing stock at an affordable social level. But that needs a lot of looking after investment and maintenance and repairs. So yeah, we are seeing the entrance of more for-profit HAs.'*  
*(Interviewee 4 from GMCA)*

A staff from a HA claim that 'yep, social housing or affordable housing units are financial assets for us.' The private sector is playing an increasingly important role in affordable and social housing sectors,

*'They are financial assets because they are an asset base that we use to borrow against. There are rules around it, if I do sell it, there are rules around those funds that need to be reinvested in social housing. They are captured in social housing equity, so there's really strong governance and rules around there, but it is a financial asset because effectively we secure our loans against that property and by growing, enables us to secure more loans and build more affordable housing.'* *(Interviewee 3 from Local HA in GM)*

In GM, the increasing involvement of financial actors in housing and the changing financial patterns of HAs, have been the crucial characteristics of housing financialization. The financial structures and business models of HAs in GM have evolved over the years. They focus on long-term arrangements that partner with other stakeholders (such as LAs, banks or bond markets) to continue their financing approaches for new-build social housing units and not expose their tenants to potential financial risks. Overall, HAs have moved forward since the 1980s with increasing market activities, through more mix-funded and cross-subsidy models. In GM, the sector here has grown more mature, with diminishing grants and growing asset-based housing units. GM has also been a huge potential housing market for more HAs that bring private equity or funds to GM, thus, mixed funding tends to be a core financing model for most large HAs in GM over the next decade.

During this process, the relationship between LAs and HAs has been restructuring and LAs have changed their roles in the council and social housing sector while HAs are playing increasingly important roles in building and providing new housing units as they have access to private finance. However, the increasing involvement of private finance and investors, driven by profitability, has inevitably led to higher housing prices, reducing affordability and the social aspect of housing. One of the consequences of Thatcherism policies is that it has deviated social housing sector from the LA sector. LAs as the changing relationships between housing providers were a result of deliberate policy decisions by central government. LAs are losing the capacity to act directly as the housing provider (or they positively choose to lose), thus, they are searching for alternatives of effective and multilevel governance mechanisms to establish networks of actors across different stakeholders for new social housing supply and delivery (Betstill and Bulkeley, 2007).

## 6.4 Contracting Out Public Services

In GM, the maintenance and management services of social housing have mainly contracted out to private property companies, such as Housing Social, Jigsaw Support. This is an apparent privatised form of social housing in contracting out public services through private contracts. It is a common practice of NPM in GM.

On the other hand, there is another not very popular practice among LAs in GM, ALMOs, rather than city councils, have assumed responsibility for the management and maintenance

of social housing and council homes. It is worth mentioning that ALMOs themselves are not privatised forms because social housing they manage is still authority-owned, thus the maintenance and management services of social housing are out-contracted and privatised, not the ownership of social housing.

*'It's not a privatised organisation and all the money that we make is not called profit, it is called surplus. We will reinvest that in helping residents with living, with employment, with furniture.' (Interviewee 5 from an ALMO in GM)*

In GM, the introduction of ALMOs aims to ensure that LAs can deliver the best possible service and standards for tenants. It was a good practice since the establishment of ALMO models in GM and they indeed completed a partial or full transfer of stock from LAs, delivering management and maintenance services for their tenants. However, there might be a political compromise, that the Labour government knew many Labour councils would not be in favour of stock transfer and their tenants may vote against it anyway, but it shifted governance away from LA councillors to a broader body that included a local tenant voice and councillors, rarely present on HAs that were seen as distant and unaccountable. By undertaking a shift to ALMOs they were still entitled to some decent home funding as discussed above.

*'13,000 homes went to an ALMO called Northwards Housing. And an ALMO is not a full stock transfer. So, the council-owned the stock. The Northwards is a kind of managed it as a sort of a new organisation. Part of that was because the condition of the stock wasn't as good as other parts of the city. So, they couldn't do a full stock transfer because the stock, the condition of the stock wasn't good enough. So ALMO was seen as a better model.'*

*(Councillor 1 from Local Council)*

There are other options than hanging on to the ALMO structure. Some LAs with ALMOs that have completed the Decent Homes task are seeking to take the maintenance and management of council housing back in-house (for example, Six Town Housing in Bolton and Northwards Housing in Manchester). These practices are considered due to some unsatisfied feedback about the performances of ALMOs from the LA side.

It has resulted in new plans to take back in-house social homes from ALMOs in GM. In 2021, Manchester Council decided to take 13,000 homes back in-house in the north of the city, where social homes are managed by Northwards Housing on behalf of the council as hundreds of people in this region were not satisfied with the way repairs and anti-social

behaviours. Furthermore, it was estimated that the takeback of ALMOs in-house would save £77 million over 30 years, and it would be reinvested back into housing programmes (Bint-Kazam, 2021). In response, Manchester City Council Housing Services now has managed social homes in North Manchester, while Southway Housing Trust has still managed council homes in South Manchester. A councillor from a local council responded to this action and thought it was the tenants' choice.

*'After about ten years, ALMOs had some challenges around capital spend, anti-social behaviour and repairs. And the council did what was called an expression of interest, like a referendum attendance. We were responding to the level of response from our tenants, really, that they wanted to be directly managed by the council again. In July 2021, it brought all that social housing back into the council. And so, the last two years we owned it before, but now we directly manage it.' (Councillor 2 from a Local Council)*

Two types of causes are explored for the establishment, and it's taken back in-house of social housing from local ALMOs in GM: economic and political causes. ALMOs have been established since 2002 (Insight, 2012), partly resulting from fiscal issues and budget restrictions which induce governments to externalise (Andrews et al., 2019). Market organisations and ALMOs deliver more efficiently than government organisations, and particular tasks, i.e., the maintenance and management of council housing are not a core government responsibility and therefore can be transferred to the market. The introduction of competition or economic scales is also an important motive for some LAs, coping with scarce local financial resources and cutbacks (Van Genugten et al., 2019), which was discussed in [Chapter 3](#). In this section, the take back in-house social housing in local boroughs is considered for economic incentives from the LA side, in order to cut budgets for additional ALMOs funding as an interviewee claimed.

It is interesting that activities that the establishment and the closing down of ALMOs have been performed for economic causes, there are other issues that trigger the debate causing these circumstances in practices at the local level. The closing down of some ALMOs (for example, Six Town Housing owned by Bury Council has closed down since January 2023), is considered to be a political choice by the NFA and an ALMO staff.

*'It's always a political decision. Political people just feel that it's not the right model. For the moment, I think people from some councils believe that they can save money by closing their ALMOs down. I would question that, I think the ALMO model has shown that they can be*

*more efficient and can deliver better quality services with a lot less money.' (Interviewee 6 from the NFA)*

Thus, political motives might be another cause. The rule of left-wing political parties can be linked to public delivery, while right-wing political parties are found to be related to contracting out and privatisation (Gradus et al., 2014). This argument fits in this context that under the Conservative Party, contracting out the maintenance and management of council housing and its privatised process is the mainstream in the housing sector (Laffin, 2019). Even though austerity came to be a defining feature and has been becoming a common trend for the Conservative-Liberal Democrat Coalition government since 2010, no matter the left or right wings. Housing has been an area to experience an early manifestation of austerity, with the volume of grants available dramatically reducing to HAs for the construction of homes rented at below-market prices (Clegg, 2019). Housing still remains to be an area to experienced austerity from central government, rather LAs have been increasingly concerned about the problems associated with the private sector delivery of housing (Clifford and Morphet, 2024). Thus, the political party issue could be an important cause, but it is more like a political choice for all, a dramatic cut in funding is the common issue LAs have faced. A staff who has been in the housing sector for more than 20 years, has a more detailed argument for this shift,

*'I think it's political, some of it because some political parties want a council. So, I think, stand with a political decision, Northwards it was more about performance with repairs. So, I think if there is a reason that the council will say, we'll take it back and we'll manage it better. I think if they got a reason, it could be political. It could be a performance with Six Town, it was political and in terms of Northwards, it was performance, so they weren't performing well on repairs.' (Interviewee 7 from an ALMO in GM)*

ALMOs are institutional arrangements during the special period such as for meeting the standards of the decent home scheme since the early 2000s. There is a small number of ALMOs in England and fewer in GM, they are not popular choices for LAs and not the main forms of contracting out the maintenance and management of social housing services. The so-called contracting out and privatisation of ALMOs did not increase efficiency as much as originally presumed (Bel and Warner, 2008) as councillors said, and there has been limited success of contracting out and privatisation. LAs have attempted to search for new alternatives to incorporate market pressures in housing service delivery. Private property

management companies still remain the main providers of these privatised contracting out services (i.e., the maintenance and management services of social housing) in GM. Private property management companies that take the responsibility of services of social housing, i.e., contracting out housing maintenance which can be reversed, by ending the contract and taking service provision back into LAs.

Local public service delivery has introduced novel forms of service delivery, often relying on the market or business patterns in some ways (Argento et al., 2010). In GM, such forms include ALMOs, LHCs and mixed firms, see an ALMO of Stockport Homes. Nevertheless, it is complex to evaluate the performance of ALMOs and private companies in GM, whether the creation of which has led to a more effective and efficient system is not evident. This is because both private property management companies and ALMOs are blamed for '*their poor management services*' (An interviewee from Local Council 2). Some ALMOs are taken back in-house and do not necessarily take place for the delivery of the maintenance and management of housing, it could be seen as a way for political representatives to shift responsibilities for poor management to the directors of ALMOs, or traditional privatised forms of private companies.

The performance of public service delivery bodies is frequently studied, often to contrast public and private bodies, however, this section has illustrated the main forms of contracting out services in GM, mainly including private companies and ALMOs. In GM, the maintenance and management services of social housing have mainly been the responsibility of LAs, but there have been some privatised practices under NPM agendas, transferring it to the private sector through fixed-term contracts.

Even though ALMOs are not widely used practices, this institutional rearrangement (i.e., taking social housing in-house) by LAs in GM can generate insight into new political adjustments. This is because nuanced insights can usefully flesh out an understanding of how actors do the work of enactment and coordination in so-called boundary organisations (i.e., they act as institutional arrangements for enacting and coordinating boundary work), and the factors that explain their successes and failures. It is not simple to say whether the practices of ALMOs in GM are successful or failed, as the circumstances at the local level are complex, i.e., some ALMOs have good performance in delivering management and maintenance services, while the back in-house and closing down of some ALMOs is largely attributed to political and economic decisions by LAs.

It is a category of public policy for contracting out services that central government has set out its objectives, as well as a legal and administrative framework for implementation.

Private property companies and ALMOs are the privatised forms through their maintenance and management services of council housing, but not their ownership. During this shift, LAs still play crucial roles in being owners of council housing or being employers of private companies through contracts.

## 6.5 Conclusion

This chapter looked into three main conceptualised forms of social housing privatisation in GM and also showed some evidence of these practices. The first form of selling off public services is presented mainly through the RTB in local boroughs. A large number of council homes were sold or sitting tenants without sufficient ‘one for one’ replacement, leading to the decline of council housing stock. Thus, the call for suspending the RTB is a local political decision in GM. The second form is funding models of social housing. Council housing was transferred to HAs through LVST, during which period, there has been a wide type of private finance in the social housing sector, partnership with various stakeholders, such as HAs, LAs, LHC, or some private investors via S106. During the privatised process of social housing in GM, it can be found that LAs are changing their roles in the social housing sector, from a direct provider to a strategic agent or a more complex ‘regulatory’ entity, partnership with a wide range of private finance. As the main provider of social housing, cross-subsidy and mixed funding for HAs tend to be a core financing model in GM. The financialization of HAs and other actors is presented under neoliberal agendas such as S106. The reliance on the private sector was problematic in that s106 did not deliver as desired or that public finance was still required but not forthcoming. The third form of contracting out public services is out contracting maintenance and management services of social housing to private companies and ALMOs. It is emphasised that the maintenance and management services of social housing are privatised, but social housing is still authority-owned. However, based on findings in GM, it is concluded that three privatised forms have brought more or less negative consequences, including fewer new replaced homes, increasing cost of housing construction and the loss of control of LA power, etc. The next chapter will provide evidence of three forms of social housing privatisation in Hangzhou.

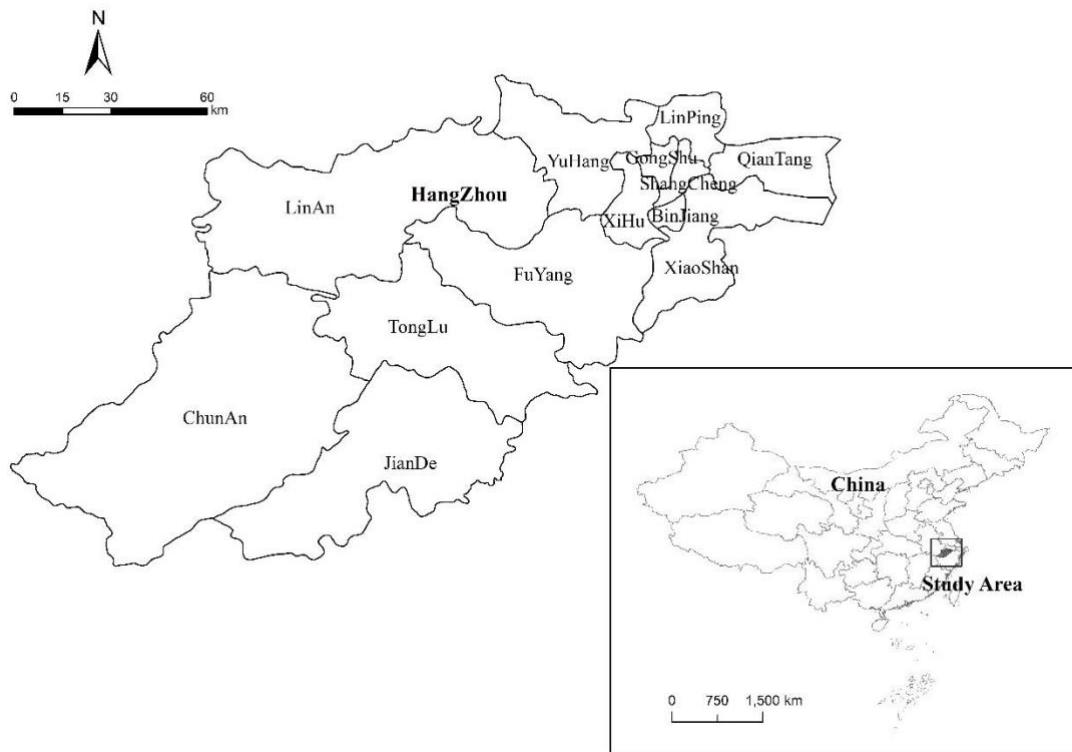
# Chapter 7: The Privatised Forms of Social Housing in Hangzhou

## 7.1 Introduction

This chapter draws on the case study of Hangzhou, to examine and explore how the privatisation process for social housing is being interpreted and enacted in Hangzhou based on three conceptualisation frameworks of social housing privatisation. Hangzhou was one of the earliest examples of social housing privatisation in China, and it has been the place of a pilot study of affordable and social housing programmes over decades. Governmental officers in Hangzhou and other stakeholders who are involved in the privatised process of social housing are selected as discussed in [Section 6.5](#) based on the research evidence collected and analysed from documents and interviews, thus, how interactions of the privatised process of social housing among different actors will be further explained. In this chapter, I will look into how the three main forms of privatisation of social housing are performed and practised in Hangzhou.

Hangzhou is a sub-provincial and new first-tier city in China, located in the affluent east-coastal province of Zhejiang, see Figure 8.1. Hangzhou is a typical Chinese mid-tier city in the centre of the Yangtze River Delta City Group. According to the 2020 Hangzhou census, it had a total population of 11,936,010 inhabitants and its GDP reached RMB 1,610.6 billion (approximately £183 billion) in 2020, growing 3.9% year-on-year, 1.6% higher than the national average; the per capita disposable income of permanent residents in Hangzhou was 4.4% increase year-on-year to 61,879 yuan (approximately £7,031.7) in 2020, with the average for urban residents being 68,666 yuan (approximately £7,802.9) and for rural residents being 38,700 yuan (approximately £4,397.7) (the Hangzhou Census, 2020).

Figure 8.1 Map of Hangzhou



Source : <https://www.chinadiscovery.com/hangzhou-tours/maps.html>

Hangzhou is a commercial city with headquarters of world Internet industry leaders such as Alibaba Group and a large number of small businesses. The entrepreneurial-type urban policy has resulted in large-scale construction of urban building development and population displacement within urban areas since 2000 (Zhang, 2015). A large scale of new commodity housing units has been built, with older urban areas of cities being redeveloped and upgraded through a series of slum clearances and redevelopment programmes. Such a large-scale construction of commodity housing and the real estate market has led to profit-driven behaviours such as speculation, the inefficiency of welfare services and income-based housing inequalities (Zhang et al., 2017). Most housing was state-owned before the wider reforms and then declined and only recently social housing has been built and provided again by the Hangzhou government to meet the housing needs of households who are unable to afford homes in the open housing market, but it is on a small scale. For example, in 2017, it was calculated over 25,000 households were on the waiting list, however, there were approximately 2,000 units social housing units (Yue, 2018), while the rest of the households who met the criteria but did not have access to housing units were able to get some monetary subsidies (usually 10%-15% of average disposable income). Four forms of social housing are classified, see Table 8.1.

Table 8.1 Some Characteristics of Four Forms of Social Housing in China

	Target groups	Subsidies	Tenure	Provider
Public Rental Housing (PRH)	-Graduates -Talents and skilled workers -Low-income households	-Monetary subsidy -In kind subsidy	-Rental level	Local governments
Cheap Rental Housing (CRH)	-Low-income households -The disabled -Elderly	-Monetary subsidy -In kind subsidy -Rental rebates	-Rental level	Local governments
Economic and Affordable Housing (EAH)	-Middle and lower-middle income households -Middle-income urban employees	-Below market-price level (usually 80% of market price) - Monetary subsidy	-Purchase at the government guidance price	Real estate developers
Shantytown Renovation Projects (SRP)	-Urban households relocated due to building demolition	-Monetary subsidy -In kind subsidy	-70-year leasehold	Local governments

Source: Deng et al (2011), The Emerging Housing Policy Framework in China

Hangzhou is an experimental city of social housing policy introduced in 2011. It is estimated that the Hangzhou government has planned to provide 30,000 units of social housing before 2025 and in 2019, there were 78,400 households benefited from the provision of social housing in multiple ways, including in-kind and monetary subsidies but there is still a huge gap between households who are in housing need and social housing provision (hz.gov.cn, 2023). In this thesis, social housing is defined as renting at below market-price levels owned by the Hangzhou governments and targeting low-income and middle-low-income households. It includes Cheap Rental Housing and disproportionate Public Rental Housing (target groups of new graduates and skilled workers are excluded).

## 7.2 The Sale of Welfare-based Housing

Before 1998, the main form of social housing in Hangzhou city was welfare-based housing (i.e., provided by government agencies and state-owned enterprises, as well as resettlement housing provided by the government for the demolition and redevelopment of old city areas). In this section, social housing was called welfare-based housing units before housing reforms. Prior to housing reforms in 1998, these welfare-based housing units were scattered, with small-scale developments and simple unit layouts. Different enterprises and institutions developed projects in various regions of the city, such as "Electric Power New Village" and "Higher Education New Village," taking advantage of the city's road network and relatively sound supporting facilities (these villages were built for employees of High Education Universities, or Electric Power Factories). Due to financial pressures (welfare-based housing units were benefits of state-owned enterprise employees, thus there were almost no financial returns), these projects had limited investments in supporting facilities (Ren et al., 2015). This housing allocation is criticised for its low financial returns and political corruption.

*'Welfare-based housing allocation varies depending on different state-owned enterprises. Some do not charge at all. Due to the limited rental income, these state-owned enterprises need to have a large amount of funds to subsidise maintenance and management services. These state-owned enterprises obtain huge monopoly profits through their dominant position, while weaker state-owned enterprises get much fewer resources, leading to potential conflicts over time and fostering corruption.' (Interviewee 3 from the Hangzhou Government)*

The milestone document of housing reform was introduced in 1998, called *Notice of Further Deepening Housing System Reform and Speeding up Housing Construction*, which ended the housing distribution by welfare-based work units and ordered that new social housing construction should be managed by local governments (ggj.gov.cn, 2000), including Hangzhou. Central government had gradually relinquished the ownership of welfare-based housing units, alongside the in-kind allocation to employers and workers, i.e., direct provision of housing being suspended, instead, some state-owned enterprises (such as Hangzhou University, pesticide factories) in Hangzhou have taken the responsibility of rent and management costs, while a large number of welfare-based housing units were purchased by state-owned enterprise employees at heavy discounts (Zhou and Ronald, 2017).

Housing reforms in the 1990s in China, as one of the largest privatisation programmes in Chinese cities, gradually transformed the housing system from the public-oriented system of

social housing in the pre-reform era to a market-based system of commodity housing in the post-reform era. Hangzhou was a pilot city for housing reforms, which has experienced a rapid marketisation process. A large scale of new commodity housing units has been built, with older urban areas of cities being redeveloped and upgraded through a series of slum clearances and redevelopment programmes. State-owned enterprise employees lost the housing benefits due to the marketisation of the welfare-based housing system, so they had to pay for rent at market prices instead of living for almost no charge (Zhang and He, 2018). The housing function of welfare-based units is expected to be gradually taken over the market, but this policy is premised on a problematic assumption that the belief in the capability of the market to resolve housing problems. Even the importance of the market in the social housing sector is emphasised but some market failures, such as the financial crisis, and the detrimental influences on homeowners and property bubble, may make housing issues worse, as discussed in [Chapter 2](#). The marketisation of welfare-based housing in urban areas is considered evidence of practising neoliberal agendas (Lee and Zhu, 2006). Welfare-based housing policies in Hangzhou are essentially part of the neoliberal turn.

Since the 2000s, social housing has been provided at a small scale by the Hangzhou government to meet the housing needs of households who are unable to afford homes in the open housing market. The social housing system in Hangzhou has subsequently been established at a limited scale (no more than 100 units per year). In this context, social housing constitutes an in-kind welfare safety net and ambulance service for the least-off (Fitzpatrick and Pawson, 2007). At the same time, the ownership of welfare-based housing units remained uncertain as some state-owned enterprises were privately owned, while private-owned enterprises were unlikely to take responsibility for governments or state-owned benefits. In response, in 1999, *Notice of the State Council on Further Deepening the Reform of the Urban Housing System and Promoting the Development of Housing Construction* (called Notice) was introduced to standardise the listed transactions of purchased welfare-based housing units and promote the development of the real estate market, in accordance with the Ministry of Construction's *Interim Measures for the Administration of Purchased Public Housing and Economically Appropriate Housing for Listing and Sale* in 1999 and relevant regulations, this trial method of the sale of welfare housing has been specially formulated.

Specifically, units that would be sold through the housing reform in Hangzhou, mainly refer to three types:

- Welfare-based housing purchased by employees and residents at the cost price stipulated in housing reform policies.
- Affordable housing purchased by employees and residents in accordance with the relevant preferential policies stipulated by the local government.
- Houses that are supported by the state, subsidised by work units, and funded by individuals.

Prior to the Opening-up reform in 1978, nearly 95% of the urban workforce in Hangzhou was from governments and state-owned enterprises (Bray, 2005), and most of them lived in communities with welfare-based housing units. In 2004, nearly 65% of urban residents resided in welfare-based communities (Feng et al., 2004), with its gradual decline in recent years. In 2022, almost 99% of welfare-based housing units were transferred or sold to private purchasers, with few housing units classified as public rental housing for particular target groups (ibid). During the process of welfare-based housing reform, some state-owned enterprises in Hangzhou were bankrupted and were completely reformed into private companies, such as Hengshan Steel and Iron Works, Jiande Cement Factory, etc. The previous welfare-based housing units have been transformed into commercial housing and were allowed to be purchased by their employees.

*'In Hangzhou, there is no longer a welfare-based housing allocation system, which ended around the year 2000. Before 2000, housing owned by state-owned enterprises was sold to sitting tenants at about half the market price. After 2000, state-owned enterprises largely ceased providing housing allocations to their employees. Essentially, those who bought houses generally made a profit, so there was little refusal. We can't judge this policy since it's a national matter.'*

*'For individuals, it was considered a housing benefit and generally positive, but it also led to institutional rigidity. Reforming the welfare housing allocation system put an end to the distribution of welfare and facilitated the privatisation of housing property rights. This reform had a certain driving effect on the subsequent real estate market.' (Interviewee 2 from Local Council 1 in Hangzhou)*

Briefly, this reform process was labelled as the ‘socialisation of housing’, i.e., the housing allocation system had to be delinked with state-owned enterprises gradually through the rising rents and the allocation of rent subsidies (Ye et al., 2010). For large high-income

enterprises with larger housing stock, there might be a surplus from the difference in income between rent increases and rent subsidies, for example, East China electricity grids and Hangzhou tobacco companies. While some small and low-income enterprises with small housing stock, might suffer from a deficit of subsidies over rent increases, including Zhongce rubber factories and Hangzhou copper mine companies. It has led to a greater determination to push the process of selling welfare-based housing (Lee, 2000). Housing reforms have been widespread across large cities, including Hangzhou. However, there do not exist directly applicable laws, with only some non-legislative normative documents, judicial interpretations and indirectly related legal restrictions for the sale of welfare-based housing units (Yu, 2023).

*'Like Zhejiang University of Technology New Village, in which housing units were allocated to teachers from Zhejiang University of Technology in the 1980s. The sizes of these dwellings were between 60 to 90 square meters. Now, the market price is nearly 40,000 yuan per square meter. At that time, the central policy by state provided a general guideline, and each state-owned enterprise or work-unit decided independently on the selling price to their employees. Some units with good profits basically gave houses to individuals at little or no cost.'*

*(Interviewee 3 from the Hangzhou government)*

Housing reforms in the 1990s (i.e., the sale of welfare-based housing) have been driven by two major changes. On the one hand, housing resources under direct state control have been dispersed to the hands outside the planned system. Market elements have been introduced into the planned system that welfare-based housing is no longer allocated, rather they could be purchased by sitting tenants at heavy discounts (usually at 20% market prices) and thus these housing units could be transacted in the real estate markets at normal market prices (Ye et al., 2010). On the other hand, welfare-based housing stock has been decentralised to state-owned enterprises in Hangzhou, so enterprises have been able to respond to this privatised housing policy in more diversified and market-oriented ways through land transfer and transitional private investment (such as urban private businesses, town and village enterprises) (Fu, 2015).

At the same time, China's joining in the process of economic globalisation dates to the invention of the 'open-door' metaphor, which literally opened the planned economy to foreign investment. Foreign investment began to flow into Hangzhou's real estate markets after 1992, and its direct investment provides an important source of urban development. The indirect use of foreign capital through the reform of the financial sector has accelerated the

process of the sale of welfare-based housing (Fu, 2015). This is because state-owned enterprises and the Hangzhou government were able to get rid of the heavy pressure of housing benefits with the deregulation of housing mortgages to access some external capital sources.

As discussed above, the challenges of marketisation and globalisation have forced the Hangzhou government to adjust urban policies, i.e., commercial housing systems replaced the centrally allocated housing investment with self-raised funds of state-owned enterprises for housing benefits. The responsibility for welfare provision was transferred from central government to the Hangzhou government and local state-owned enterprises. Welfare-based provision has been gradually abolished, and equity is no longer considered as the objective of economic growth. Urban households have been forced to enter the open housing market, and low-income and vulnerable households who are unable to afford commodity housing, facing acute affordability issues, without being secured by mature social housing systems in urban China.

Housing reforms have brought multiple sources of investment. State-owned enterprises used to be owners and managers of welfare-based housing units, but they subsequently became the decision-makers in housing investment. Housing reforms thus have not cut off the link between housing provision and enterprises, instead, they have strengthened the function of investment capacity, and state-owned enterprises (such as CCCs) have become significant participants in developing the housing market (Logan et al., 2009). From the case of state-owned enterprises, it can be found that the division between private and public sectors has been blurred, and housing reforms under the neoliberal agenda and globalisation play an important role.

## 7.3 The Financing of the Social Housing Sector in Hangzhou

### 7.3.1 Local Financial Policies

Since 1978, the Hangzhou government's market-oriented reform and a series of relevant financial ways have actually promoted the local development and rapid expansion of the real estate market. It is a step-by-step process of welfare-based housing reforms by separating land ownership and its property rights. In 1999, the Hangzhou government took the way that welfare-based housing units were sold to employee tenants at a low price, and in principle,

allowed free market transactions (Wu, 2014). Specifically, in 1999, the Hangzhou government introduced *Hangzhou City's Trial Measures for the Management of Listing and Transactions of Welfare-based Housing in Urban Areas* in 1999. State-owned enterprise employees can purchase welfare-based housing units at the cost prices and sell the property at the market prices. Forms of welfare-based housing listing transactions include transfer (including sale, exchange, gift or other legal means), mortgage and leasing. Sellers shall not purchase or rent cheap rental housing and public rental housing, or other housing types provided by the Hangzhou government. Sellers must pay the taxes and fees in accordance with regulations,

- Land income payment. Temporarily 1% of the transaction amount (if it is lower than the appraised price, the appraised price, is the same as below) will be paid by the seller.
- According to the current tax law, business tax, urban construction tax, and education surcharges are 5.55% of the transaction amount (referred to as the comprehensive tax rate) and shall be paid by the seller.
- Deed tax. The tax is calculated as 3% of the transaction amount and is paid by the buyer.
- Stamp duty. Based on 0.1% of the transaction amount, the buyer and the seller each bear 50%.
- Transaction fees will be waived for welfare-based houses listed for the first time.

The social and economic contexts of social housing policy changed as the sale of land at high prices and high property prices have led to increased costs in social housing construction and developments. Since 1998, in Hangzhou, commodity housing programmes have been launched, and welfare-based housing has been able to be purchased from the open market. Hangzhou was the first city where land was granted by listing, however, from 1995 to 1999, the supply of land for trade was very limited with a small number of 708.3 acres. The limited scale of land supply has resulted in the slow construction of new commodity housing units and increasing prices of welfare-based housing awaiting purchasing under the high housing demands by urban residents. According to Hangzhou Statistical Bureau (2005), the housing price in Hangzhou was average 5,800 yuan/m<sup>2</sup> (approximately £660/m<sup>2</sup>) in 2002, at the same time, the housing price in Shanghai was average 4,500 yuan/m<sup>2</sup> (approximately £511/m<sup>2</sup>) and in Beijing was average 4,000 yuan/m<sup>2</sup> (approximately £455/m<sup>2</sup>).

The prosperity housing market has produced speculative and profit-driven behaviours afterwards. In early 2004, Hangzhou was an experimental city to levy taxes on second-hand housing transactions, the reason for cooling the overheated housing market. However, at the end of 2004, this taxation policy was imposed to be suspended. According to Tu et al. (2014), the policy failure was largely attributed to the lack of expectations of market changes by the Hangzhou government. This is because the rising housing prices, and the loosened control of real estate markets, have led to a ‘release’ for inflation by purchasing properties. In particular, both investment and speculation in the Hangzhou housing market have created the illusion that ‘demands exceed supply’. As a response, the Hangzhou government has implemented this taxation policy. Conversely, this policy was regarded as a ‘booster’ for housing sellers that they have passed 20% of the tax onto buyers, marking the transfer price as a ‘net price’. As a result, practices have deviated from the original aim of the taxation policy and have shifted the cost of housing from sellers to purchasers, speeding up the increase of housing prices.

As a response, in 2011, the Hangzhou government initiated the implementation of social housing programmes for households who are unable to afford homes in the open market, the so-called new version of welfare-based housing in the post-reform era. Prior to 2015, the construction of social housing had remained on a very limited scale as the real estate industry had been a vital booster for the local economic growth of the Hangzhou government during this time. From 2011 to 2017, there were a total of 24 social housing programmes completed, and the total building area was estimated to be 319,000 m<sup>2</sup> (Chen and Jin, 2021). Central government has implemented an innovative policy to maintain the provision of social housing, i.e., the tie-in construction of social housing. Since 2015, as a response to the policy of the required proportional tie-in construction of social housing by central government, the Hangzhou government has required real estate developers to provide at least 10% of the building area for the construction of social housing at large scale at the city level, while at non-city level (towns and counties), the proportion is at least 5% (Hangzhou Government, 2021). The national policy explicitly addressed the proportion of social housing building areas, and the outcomes showed that the proportional building area has substantially increased. In Hangzhou, it was estimated that there was a total of 105,3000 m<sup>2</sup> and the proportion of social housing ranged from 1.65% to 30% from 2017 to 2020 (the Hangzhou Government, 2021).

According to the Hangzhou government report (2023), to 2023, the Hangzhou government had provided 199,000 units (2.9 % of total urban households), 45,000 units of public rental housing (0.9% of total urban households) and 154,000 units of economic and comfortable housing (2 % of total urban households), and the overall coverage rate of urban household housing security had reached 5%. There will be a supply of approximately 86,000 newly built housing units within 5 years, and about 5,000 households will have access to in-kind dwelling units per year. These social housing projects are funded by government agencies (for example, government-led city construction companies) or local private real estate developers. Thus, there is a new emphasis on social housing, i.e., the mode of social housing finance and delivery has changed from direct state funding and provision to a hybrid way and the transition from national to local government responsibility, reflecting financialised practices and market delivery, like S106 in GM. Social housing programmes are both funded by public finance and the private sector, while the private sector plays an increasing role in funding social housing, particularly by city construction companies through public-private partnership models.

Overall, privatised policies and practices in welfare-based housing reforms and social housing programmes in the post-reform era in Hangzhou, are essentially driven by neoliberal agenda and global flows. As discussed above, one of the characteristics of neoliberalism is that it prevents state control of the economy based on older laissez-faire models which emphasise a minimal role for governments. However, from Hangzhou's experience, it is not a 'neoliberal' model, rather it is more like a planned free-market capitalist model, as the Hangzhou government continues to exercise extensive control over three privatised practices. Furthermore, neoliberalism aims to create a pure free market for Capitalism which just wants to maximise profit and trade. However, policies designed and implemented by the Hangzhou government do not follow the logic of neoliberalism, rather they are also influenced by external factors such as globalisation. Large-scale social housing programmes and basic infrastructure are responses to the global financial crisis. Policies and practices are therefore influenced by some critical junctures and international markets, in which the role of the local government and its relevant policies can be seen as a moderator to avoid market failures and pure capitalism in a socialist society.

Land finance is an important element in the privatisation process of housing, and social housing is inevitably influenced by private actors. Precisely, land finance has become a significant part of the revenue source of local governments since the financial reform of the

‘tax-sharing system’ was introduced in 1994, characterised by the intergovernmental restructuring of finance (Jin and Choi, 2019). A great deal of financial pressure has been shifted to local governments by centralising taxation and decentralising the expenditure at the central level on the provision of public infrastructure (Wang and Zhang, 2014). In light of the requirements of the provision of social housing from the central government, local governments have established an effective approach to increase their budgets by land finance and have regarded the revenue from the transfer of land use rights as an extra-budgetary source without the control of the central government.

Local governments have become more dependent on land finance in recent years (Cheng et al., 2022), which has led to an imbalanced relationship between social housing and commodity housing. To pursue urban development and GDP growth, local governments rely excessively on land finance by transfer of land use rights. They are more willing to transfer the industry and commercial land for more revenue. Local governments obtain land revenue through the transfer of state-owned land use rights (Wang et al., 2021), i.e., the GDP growth is a key component of political performance for local government officers, which is subsequently an important factor in pushing housing prices.

*“Infrastructure spending will be one of the most affected areas. In the past, about one-third of land transfer fees were used for local infrastructure investment. This may lead local governments to rely more on land transfer, to provide funding for capital expenditures. ”*  
*(Interviewee2 in the Hangzhou Government)*

Social housing is seen as the competitor of commodity housing rather than a substitute since local governments are unable to benefit from social housing programmes (no land transfer fees). Thus, social housing can be seen as quasi-financial assets because to some extent, it has increased the costs for developers. Developers have subsidised social housing developments by transferring the costs onto purchasers or reducing the costs of commercial housing developments funded by bank loans, bond markets and financial tools, social housing is thus influenced by privatised practices and financial models, even though they are not direct financial assets that can be seen as collaterals for further mortgage loans.

The Hangzhou government has taken advantage of the differentiations in land prices to strategically manipulate the land transfer rent to pursue profit and tax revenue via land and housing (re) development by building a basic safety net of social housing provision through involuntary displacement (i.e., the massive scale of shanty-town redevelopment for urban

households), as well as the construction and speculation of real estate (Lopez-Morales et al., 2019). More directly controlled by governments like in many market-oriented economies, Hangzhou's social housing policy is still neoliberal in nature and social housing tends to be substantially residualised due to the wider gap between an increasing number of households on the waiting list and the limited scale in-kind housing provision). The new version of welfare-based housing, i.e., social housing is not the resurgence of welfare-based housing that targeted a wide population in the pre-reform era, rather it is a new approach of safety-net service for the most disadvantaged households and special functions for particular groups (such as new graduates, skilled-workers or self-employed).

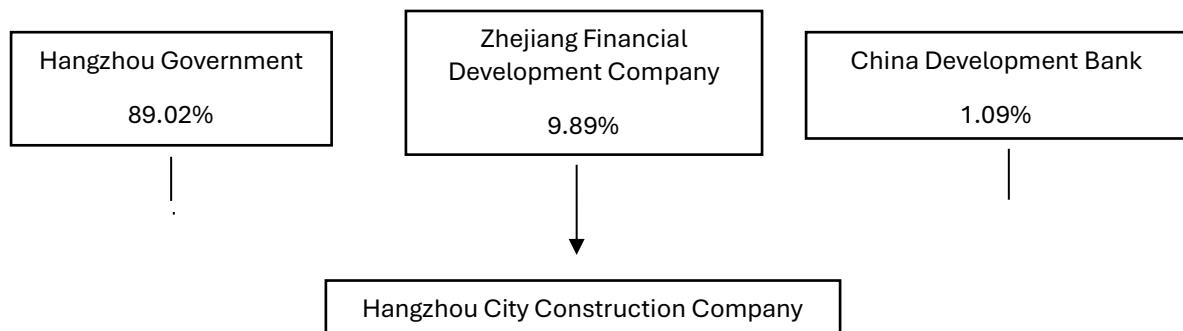
*'The more the Hangzhou government relies on land finance, the more they will drive up housing prices in order to obtain greater revenue from it. The Hangzhou government is not willing to build social housing units because a larger share of social housing units means that less commercial housing would be built and sold. But they have to abide by the central orders of social housing provision' (Interviewee 3 in the Hangzhou Government)*

The role of the Hangzhou government has changed during the transition. The Hangzhou government has begun to play a critical role in the abolishment of a welfare-based housing policy, in encouraging private finance into the reform and real estate market. The Hangzhou government has relied on private investment in the housing sector and in subsidising social housing programmes through active land transfer. Land finance has been a principle for the Hangzhou government; fiscal dependence on land reached as high as 140% (land transfer revenue and general public budget revenue) during the '13<sup>th</sup> Five-Year Plan' period (2016-2020) (The Paper, 2024). The Hangzhou government has essentially changed its role of owners and direct providers of welfare-based housing to a complicated and strategic role (providers of social housing and gainers of housing investment). The privatised process of welfare-based housing was almost completed in the early 2000s, housing systems have currently been more diversified with market-oriented housing and social housing, but there remain some legacy problems after housing reforms in the 2000s.

### 7.3.2 Public-Private Partnership Models (PPP Models)

Hangzhou CCC was established in June 2003. In 2023, the actual controller of it is the Hangzhou government, and it holds over 50% subsidies in 244 companies (Hangzhou CCC, 2023). It has gradually evolved from its initial role in state-owned asset management, capital operations, and urban investment and financing construction to become a large state-owned enterprise with six major business segments: public transportation, urban water services, urban energy, urban construction, urban environment, and real estate development. It owns over 44,000 social rental housing units.

Figure 8.2 Hangzhou City Construction Company Ownership Structure Chart



Source: Tianyancha APP drawn by the researcher

According to Zhang and Gao (2018), Hangzhou CCC is in the third stage of development as mentioned above. It not only fulfils the government's investment and financing functions but also undertakes the responsibility for the construction and operation in Hangzhou, i.e., the construction and supply of social housing units in this section. Currently, funds from urban infrastructure have remained a stable source as the real estate market in Hangzhou has become less prosperous.

*'Real estate development is one of the financing channels for the Hangzhou CCC. As a local financing platform, the current housing projects are all losing money because houses cannot be sold, and there is not high demand in the market for houses. Consequently, such land cannot fetch high prices. The most stable source of funds comes from the water supply business, which is a monopoly enterprise—each locality has only one such company. For example, there are eight water companies including 7 districts and 1 city centre region. Therefore, part of the profits from the water company is used to repay the debts incurred from real estate development. '(Interviewee 4 from the Hangzhou CCC)*

The enterprise foresaw the trend towards market-oriented urban infrastructure construction early on, placing significant emphasis on the opportunities brought about by the government's strong promotion of the Public-Private Partnership (PPP). Hangzhou CCC has shifted from relying solely on government financing models to optimising its own loan models for funding, such as stocks, policy bank loans, assets, private capital participation through PPPs, attracting private capital, corporate trusts, industrial investments, and special government funds. The financing mechanism of Hangzhou CCC is explored in three aspects, focusing on its capital flows. First, the use of different financial resources (mainly bank loans and bonds) will be tracked. Second, the extent to which Hangzhou CCC relies on land leverage. Third, the restructuring of Hangzhou CCC has maintained its financial functions.

First, in terms of financial channels, Hangzhou CCC has adopted financial approaches from bank loans to bonds. Hangzhou CCC has to seek finance for two duties, develop under-serviced land and infrastructure. The land is sold by the Hangzhou government after CCC's land development, and a large portion of the land conveyance fees is paid back to Hangzhou CCC. However, the Hangzhou government usually pays for the projects after completion, and Hangzhou CCC has to get funds first. The most used funding source is bank loans. In 2022, the asset liability ratio reached 65.48% (Shanghai Stock Exchange, 2023). such a high debt demonstrates how the leverage was used in a local CCC.

In 2008, central government removed the constraints on local government financial platforms, i.e., local CCCs, to issue enterprise bonds. Hangzhou CCC thus issued a 10-year bond of 2 billion yuan (approximately £0.21 billion) in 2013 (Shanghai Stock Exchange, 2023). This bond was for further infrastructure and social housing developments, as well as to pay back previous bank debts. Issuing a bond for Hangzhou CCC in 2013 was literally a trial in borrowing from the bond market and was experienced in financial activities. The Hangzhou government was the backbone of this financing model by capital injection and credit enhancement. In Hangzhou, it was a successful attempt.

*'In Hangzhou, a rich region, buying bonds from CCCs is like buying bank stocks, because it is apparently gainful and reliable. '(Interviewee 7 in Hangzhou CCCs)*

After 2008, the debt level continued to increase on the massive scale of urban construction projects though Hangzhou CCC was supported by the Hangzhou government in capital injection. This is because local governments were encouraged to invest in urban infrastructure for economic recovery through the package of the 4 trillion-yuan stimulus plan after the

global financial crisis. Nevertheless, such large-scale construction and investment still left substantial financial burdens for the Hangzhou government and Hangzhou CCC, leading them to fall short of earnings to repay the bond. As a response, Hangzhou CCC turned to further loans. They raised funds mainly through loans, pledged by equity or mortgaged by existing buildings. In 2023, the leverage ratio reached over 80% (Sina, 2023).

Second, land finance is a vital tool for Hangzhou CCC to seek more finance (Feng et al., 2022a). The land is treated as inventory and collateral. Land premiums are used to cover the cost of land development and infrastructure (Ong, 2014). Hangzhou CCC heavily relies on state-owned land as inventory to enlarge its asset size. It is estimated that from 2017 to 2021, Hangzhou's reliance on land finance was 142.6%, 133.8%, 139.5%, 124.8%, and 140% respectively (The Paper, 2024). However, land shows insufficient in other aspects, including land as collateral and as a cash contributor (Feng et al., 2022a). On the one hand, land collateral became less important in Hangzhou CCC in 2012, and it largely attributed to regulations of CBRC (China Banking Regulatory Commission), i.e., the expected income from the land without legal land user rights should not be accepted as a mortgage or pledge (CBRC, 2011). Hangzhou CCC subsequently seeks mortgage loans for buildings and other fixed assets. This led to an increase in the leverage ratio after 2012, causing them to take risky financial approaches (Feng et al., 2022b).

*'We currently have mostly mortgaged land reserves financed by banks. If we sell them at low prices now, the balance sheets of our urban investment subsidiaries in other regions will deteriorate because land prices have fallen, reducing net assets. In this case, we either repay the loans or increase collateral. We cannot do this now. Anyway, the government is indeed lowering land sale prices to supplement cash flow and strive to reduce a hard landing.'*  
(Interviewee 8 in Hangzhou Chengtou)

On the other hand, as for land as a cash contributor for Hangzhou CCCs, land conveyance fees are less important for funding infrastructure and construction projects. This is because around 80% of land conveyance fees are paid back to Hangzhou CCC from the Hangzhou government, which are mainly from non-operational income and construction in process. The non-operational income is crucial for Hangzhou CCC as it contributes nearly 83% of the total profit, and the rest of the profit comes from fees generated from construction in process in 2023 (Hangzhou CCC, 2023). Thus, the debt issue of Hangzhou CCC has been highlighted.

Third, Hangzhou CCC has been regrouped for further financing. Hangzhou CCC was incorporated into the Hangzhou CCC group in 2019. Hangzhou CCC group has been an enterprise without direct financial responsibility for the Hangzhou government, but it still closely connects with the Hangzhou government by undertaking governmental projects and repaying loans to offset construction costs (China Lianhe Credit Rating Corporation, 2021). CCCs in Hangzhou have been empowered in more social housing projects, and they are becoming more private with fewer financial links to the Hangzhou government. The restructuring of Hangzhou CCC group enables it to be more open to the financial market as they are able to operate more for-profitable projects for more income. The group's revenue primarily comes from four major sectors: public utilities, real estate development, urban infrastructure, and merchandise sales. From 2018 to 2020, the revenue scale of real estate development has continued to grow, from 20.11% in 2018 to 35.55% in 2020 (ibid). Thus, the restructuring of Hangzhou CCC group is a financial strategy to have more access to financial markets.

Hangzhou CCC was treated as a financial vehicle for local governments to invest in social housing programmes with a series of basic infrastructures. However, it might be more like a local housing company, '*a company for profitable activities*' and '*a financial platform of local governments, and most of the profits would be returned to governments.*' What is more, as a local organisation, '*local governments are responsible for their profits and losses, or as a backbone; the central government will not provide a bailout.*' The financial pattern in the social housing sector highlights the importance of Hangzhou CCC but the sole dependence on CCC also brings risks and challenges.

Overall, it is observed that housing systems become more entangled with the financial market when using financial instruments (local CCCs), but it would also lead to unexpected risks (high debt levels, high leverage ratios, etc.). Financial practices, impacts and risks should be understood in the institutional context (Christophers, 2019). Hangzhou CCC has attempted to seek enormous funds in diversified ways, but financial institutions and other actors have not been dominant in the housing sector, the Hangzhou government has played an important role in regulating and monitoring Hangzhou CCC and financial activities. In terms of the financial operations of Hangzhou CCC, even though land finance is the main funding source, it cannot offset previous costs due to government regulations. Therefore, the operation of housing construction and development by CCCs might be risky (facing challenges in completing projects on time or managing costs effectively) based on financial CCC situations without a

strong backbone from LAs. Housing prices may experience fluctuations and creating an unhealthy housing market. Hangzhou CCC has restructured and merged into the Hangzhou CCC group, which gives them more freedom to self-raise funds. The restructuring has extensively developed its financial functions. The changing roles of the Hangzhou government in the financialization of the housing sector and the broader government-finance relationship can be understood. Even though the relationship between the Hangzhou government and Hangzhou CCC tends to be more strategic and cooperative, the Hangzhou government may retain control over the financial market.

## 7.4 Contracting Out Public Services

In Hangzhou, the models of contracting out public services of social housing are more hybrid, with government-led and market-led patterns. On the one hand, the government-led model is a direct one in which the maintenance and management services of social housing units are provided by local governments. The sub district office where the social housing community is located recruits staff and establishes a non-profit property company to provide services to social housing residents. In fact, the government-led property company is not a company, rather it is established as a property management agency under the leadership of the sub district office with administrative regulations. The government-led model of the maintenance and management services of social housing has been gradually replaced by the market-led model as local governments are increasingly dependent on land transfer for revenues and transfer the responsibility of social housing development to real estate developers.

The market-led model is more popular in Hangzhou. Due to the responsibility of the construction and development of social housing being transferred from local governments to real estate developers, social housing tenants tend to have the same service team of maintenance and management as those of commercial housing in the same communities. This is because private property management companies bid for the maintenance and management service of the mixed communities of commercial housing and social housing units, providing for-profit and professional services at market prices. It is a large-scale privatised practice under NPM agendas.

The Hangzhou government has partnerships with private companies to improve the maintenance and management services of social housing in mixed communities. In 2014,

Hangzhou initiated the establishment of an intelligent management system for public rental housing. It installed a three-level intelligent access control system in municipal-level public rental housing communities and later equipped them with facial recognition facilities.

Methods such as publicity and guidance were adopted to help residents adapt to the management of intelligent access control systems. Through modern technologies such as access cards and visual capture, the system is able to achieve comprehensive, real-time, and systematic management of information collection, access control card swiping, rent arrears reminders, intelligent payment, and lease termination. It has also worked out in preventing post-rental breaches and violations.

In 2015, the housing management department of Hangzhou City promoted the transformation and upgrading of the housing security management service system. It issued the *"Implementation Opinions on Strengthening the Socialised Management and Services of Public Rental Housing,"* which clearly defined the participation of other stakeholders to achieve comprehensive and multi-level social security and services for the target beneficiaries. In addition, Hangzhou City tended to select property brand enterprises to undertake property management services in public rental housing communities. This is to meet the requirements of providing specialised services for affordable housing and to promote the establishment of a comprehensive social management mechanism for affordable housing communities based on the coordination among the housing management department, community, and property enterprises. Government departments, social organisations, and public welfare organisations are encouraged to participate together.

However, there are some issues private property management companies face in the social housing communities. Difficulty in charge of fees in maintenance and management services from social housing tenants is a common problem. As most of the residents in these communities are low-income groups and their economic situation is relatively tight, they are very sensitive to charging standards and are prone to resistance. Rather residents have their own understanding and expectations of the establishment of property charging standards. Based on interviews below, some residents may feel that the services provided by the property management company do not meet their expectations and therefore are unwilling to pay maintenance and management fees. Other residents may be unable to pay property fees on time due to financial reasons, which will bring difficulties to the normal operations of the property company. Secondly, some residents may default on property fees for various reasons, which will have a great impact on the day-to-day operations of the companies.

Figure 8.3 Jiangcun Xixi Renjia



Source: Photo taken by the Researcher

Property management companies provide management and maintenance services for collectively owned areas, shared facilities, and associated areas within a residential area (it is always called a gated community), but its scope of service is based on the distinction of ownership rights. However, in some communities with welfare-based housing units, the unclear ownership rights of collectively owned areas among homeowners result in unclear boundaries for management and maintenance services.

*'Welfare-based housing units were often managed by state-owned enterprises themselves acting as property management companies, and employees who purchased welfare-based housing were not charged for property management services. After the transformation into "privately owned housing", most properties no longer belong to state-owned enterprises. As a result, many state-owned enterprises no longer take the responsibility for the property management of these buildings. ' (Interviewee 3 in the Hangzhou Government)*

It is estimated that there are approximately 200,000 welfare-based housing units, most of which do not have management and maintenance services (Xie, 2011). Homeowners of welfare-based housing are unwilling or unable to pay management and maintenance fees at market prices. For example, Zhalongkou New Village in Hangzhou was the residential area for workers of Hangzhou Steel and Chemistry enterprises, in which utilities such as water, electricity, management and maintenance service fees were covered by employers. The expenses of management and maintenance services are transferred to homeowners who purchase welfare-based housing units.

*'Many homeowners are retired or laid-off workers, whose living standards are not high, making it difficult for them to afford the fees charged by property management companies. A low property management fee can result in companies running deficits, forcing them to maintain operations by reducing labour costs, thus creating a vicious cycle. '(Interviewee 7 from a Property Management Company in N community)*

It can be seen from the case of the N community that the conflicts among N community residents (former employees), and property management company are largely attributed to the ambiguous national policies of welfare-based housing units and the controversial characteristics of these enterprises during the post-reform era, i.e., are they still state-owned or private after market-oriented reforms. Housing reforms in Hangzhou have been a long process, accompanied by controversies and conflicts of interest. As one of the benefits of the socialist system in China, welfare-based housing in Hangzhou has been privatised from state-owned assets to individual goods. Due to the lack of regulations and restrictions at the national level, the Hangzhou government has taken measures to make up for this and also balance the interests of all parties. The consequences of these migration solutions are yet to be explored.

Some legacy problems would be generally solved due to the introduction of regulations, including maintenance and management service fees of former welfare-based housing units. However, there are still some sophisticated problems as communities with welfare-based housing units have their own historical issues. There are still some problems with maintenance and management services in the pre- and post-reform era although welfare-based dwelling units and social housing are distinctive forms of housing types. In the post-reform era, it is not controversial to define the ownership of social housing units as they are all government-owned and only rent for below market-prices. However, there exist some complicated issues in maintenance and management services. In Hangzhou, the speed of social housing construction has slowed down. This is because there are some conflicts among social housing tenants and commodity homeowners in a gated community in terms of the maintenance and management service fees (homeowners have to pay fees at market prices while social housing tenants are likely to receive subsidies from the Hangzhou government at below 50% market prices), the policy of the mixed communities with social housing tenants and commodity homeowners has been abolished since 2022.

Overall, in Hangzhou, the privatised form of contracting out the maintenance and management of social housing has been more profound and on a larger scale than in GM under the NPM agenda, however, some problems generated by housing reforms and social housing management during the post-reform era are yet to be resolved. However, the private sector fails to resolve these legacy problems in the maintenance and management services of former state-owned housing, which causes complicated issues in day-to-day matters of private management companies. The issues of the ambiguity of maintenance and management services in welfare-based housing communities should be resolved by coordinating the relationships and interests of multiple stakeholders. Although the maintenance and management services of social housing have largely been contracted out to private property companies, these companies can only deal with the day-to-day matters when receiving contracts from the Hangzhou government. In the short term, the Hangzhou government can solve legacy problems at the local level by classifying them into social housing or transferring them into former state-owned enterprises, however, in the long run, it is necessary for central government to implement national policies to clarify ownership and maintenance issues of welfare-based housing units. In fact, it has been over 20 years since the welfare-based housing reforms, central government did not intend to introduce relative and clear regulations to resolve these legacy issues at the national level, rather they were dealt with by relying on different solutions implemented by LAs.

## 7.5 Conclusion

This chapter looked into three main conceptualised forms of social housing privatisation in Hangzhou and also showed some evidence of these practices. The first form of selling off public services is presented mainly through the sale of welfare-based housing in Hangzhou. Almost all welfare-based housing units were sold to sitting tenants who were former state-owned enterprise employees, with a small number of units merged into social housing during the post-reform eras. The second form of financing social housing mainly refers to the establishment of the Hangzhou CCC as it is the main funding platform for social housing finance. PPP models are widely used and there have been various types of private finance such as bank loans, bonds and private investment in the social housing sector. The Hangzhou government has been changing its role from a direct provider and manager of social housing to a more strategic and regulator role, and the responsibility of social housing provision has

been transferred to Hangzhou CCC and developers. The third form of contracting out public services is contracting out the maintenance and management services of social housing to private property companies. There are some legacy and current issues regarding its maintenance and management, but the ownership of social housing in government and private sectors has remained the dominant form. The next chapter will demonstrate how the three conceptualisations of social housing privatisation could be compared in GM and Hangzhou.

# **Chapter 8: A Comparative Discussion of GM's and Hangzhou's Cases**

## **8.1 Introduction**

Hangzhou's case has shown how welfare-based housing in the pre-reform era has almost completed its privatisation process whereas on the Western front across the globe, GM highlights the privatisation of social housing is ongoing with new challenges and practices. How similarly and differently are the processes being played out? Does the privatisation process of social housing explain convergent or divergent trends? These are questions to be answered in this chapter through the comparison of the two cases.

The purpose of comparative housing research is not the comparison, according to Oxley (2001), rather it should be a better understanding of complex phenomena based on a wide range of evidence. The comparison of what different kinds of governments they each have and how the culture may differ by comparing different countries, especially when the economic, cultural and political globalisation may lead from convergence to divergence, or divergence to convergence in social policies and practices. Comparisons at the national level have been undertaken (Chan, 2001; Jing, 2009; Chen et al., 2011; Wang and Horner, 2012), but little has been discussed about its privatisation process between the UK and China, not alone at the local level, particularly at the region level. Thus, this chapter aims to present evidence of how three forms of social housing privatisation are carried out and compared in GM and Hangzhou, and this is the gap that this study hopes to fill.

## **8.2 Selling Off Public Services: The Transfer of Ownership from Public to Private**

### **8.2.1 The Privatisation Process of Social Housing? Ongoing or completed?**

Due to political or economic reasons, the privatisation of council housing in the UK and welfare-based housing in China in the 1980s is seen as an essential instrument for political aims and economic goals, allowing governments to relieve the financial burden of the provision of welfare services and seek the success of political vote. The privatisation policy

was designed and implemented regarding similar driving rationales, resulting in a large number of authority-owned housing being sold and transferred to the private sector, which can be considered a neoliberal approach to housing toward a convergent trend in the two countries under different ideological contexts.

In the two sub-cases, social housing has been transferred from public-owned to private-own, which might be one of the most important characteristics of the privatisation process. GM and Hangzhou even had a similar timeline of the privatised reforms of social housing since the 1980s. The large-scale privatisation of council housing has been almost completed through LSVT since the 1980s in GM, while the authority-owned social housing stock has continued to decline. In Hangzhou, the privatisation of social housing in the 1980s, i.e., the sale of welfare-based housing units, had been completed in the 2000s. Thus, in Hangzhou, there no longer exists any welfare-based housing stock, and a very limited number of housing units with ambiguous ownerships were converted into public rental housing after the 2000s. During the post-reform era, social housing units owned by the Hangzhou government for renting at below-market prices have been alternatives to welfare-based housing units. However, more precisely, social housing units are not legacy products of welfare-based housing, nor housing benefits or privileges, during the planned-economic era for privileged groups, rather they are rental housing for low and middle and low-income households. In the area of social welfare, the term privatisation might be taboo, however, it cannot be denied that what has evolved since the 1980s in Hangzhou reflects detectable signs of similar leanings (Wong, 1994).

Both GM and Hangzhou experienced large-scale privatised processes of social housing in the 2000s, moreover, there are convergent trends in the two cases in general, but there still exists tiny differences. In Hangzhou, welfare-based housing units were completely transferred to former state-owned enterprise tenants or turned to social rental housing through housing reforms, but welfare-based housing units in the pre-reform era and social housing in the post-reform era are considered as different types of housing in Hangzhou as they target groups (for privilege groups in the per-reform era and for low-income groups in the post-reform era). Conversely, in GM, a small scale of council housing is still authority-owned and has yet to experience the privatisation process.

However, this section argues that this kind of large-scale privatisation of social housing i.e., the RTB and the sale of welfare-based housing is a failure. More precisely, it represents a

setback for a welfare state. This is because the shift from public to private homeownership, is inherently irreversible, and housing units would be concentrated on fewer and richer people, leading more people to depend on the private rental sector or government housing benefits. Some severe social issues subsequently emerge, such as an increasing number of homeless people in the UK and concentrated-poverty urban villages in China. Furthermore, China goes further towards this kind of privatisation process as China had completed the privatisation of welfare-based housing in the 2000s, while the RTB is still on the way in the UK. Thus, there is a more thorough privatised practice in a socialist society in terms of the sale of authority-owned housing, which hints that privatisation or even neoliberalism is an instrument tool for the state to stimulate economic growth or political needs and not based on ideological contexts of capitalism or socialism. Nevertheless, it is admitted that there are some problems generated by comprehensive welfare states or socialist states such as system ossification, lacking market competition, and dependence on benefits that might hinder the economy and bring political supremacy. It therefore triggers a new reflection, i.e., to what extent can welfare provision and privatised reforms be balanced to achieve goals of the protection of vulnerable groups and economic growth? In other words, how they can be complementary rather than in conflict. The evidence in GM and Hangzhou shows that both goals are not necessarily balanced and to some extent a failure. Thus, it might be a policy implication for further research on it or some case studies might be explored to keep a better balance of welfare provision and privatised practices.

### **8.2.2 The Main Providers of Social Housing**

In the two sub-cases, the main providers of social homes have been different, with a wide range of HAs in GM being the main housing providers and LAs being the only providers of social housing in Hangzhou. In other words, during the privatisation process of social housing, the main provider of social housing has been transferred from LAs to HAs in GM, while LAs in Hangzhou have remained the owners of social housing. In light of this, there is a divergent trend towards social housing privatisation in terms of housing providers, besides HAs, there is a trend of the shift from the LA to non-profit HAs in social housing supply while in Hangzhou, social housing is considered a kind of welfare and security has to be controlled by the state and governments and cannot be transferred to private or for-profit providers under the socialist system.

In GM, social housing owned by HAs is more subject to the market logic, at least they straddle and uneasy divide between the social sector and the market. In other words, council homes owned by LAs tend to be cheaper than those of HA properties, as HAs set their rents at social rents (approximately 50% of local market rents) or affordable rents (approximately 80% of local market rents). However, more social housing units have been built under the HA sector since the 1980s through LSVT and new housing supply (via s106 and the mixed public-private funding) to HAs. Thus, it is hard to say the one-side consequences the privatisation process of social housing has brought, i.e., its privatised process has resulted in the higher rents of social housing stock under the HA stock, but it has also increased social housing stock through a wide range of public and private funding models.

However, the UK, particularly England, is in a housing emergency and millions of people are being let down by a failing housing system (NHF, 2024). HAs as key partners of LAs, focus on long-term investment in communities; however, it does not mean HAs are required to take the entire responsibility of housing supply, rather increased grant funding and other incentives by governments enable HAs and other sectors to build more social and affordable homes to meet housing need, which is frequently emphasised by interviewees from local HAs in GM. The challenge for the HA sector is to absorb the impact of welfare reforms and government cutbacks, and at the same time, fulfil the evident potential to be a significant contributor to tackling the housing crisis in England (Williams and Whitehead, 2015).

In Hangzhou, LAs are the only providers of social housing, with various approaches to access to social housing. Based on findings in [Chapter 8](#), the cover groups of the number of households who meet the eligibility criteria have increased over the years, which led to a long waiting list for housing needs. There is a wide gap between an increasing number of individuals/households on the waiting list for access to social housing and an insufficient supply of social homes.

As main providers of social housing, HAs in the UK and CCCs in China are inherently different. HAs are independent organisations and own social housing stock, but CCCs are local government financial vehicles alongside social housing being owned by local governments. It is also a significant characteristic of the difference through the privatisation process of social housing. HAs in the UK are the main housing providers and have long been seen as the 'third arm' of UK housing policy, filling the gap where the state or the market is unable to provide for households in need, even though they are considered to face a stark

dilemma about whether to continue a strategy of ‘for-profit purpose’ or to embrace a clear commercial ethos (Manzi and Morrison, 2017). The situation is the same in Hangzhou. In Hangzhou, LAs are the only housing providers, though they are inevitably influenced by the market logic, and are more exposed to a wide type of private finance, including the establishment of CCCs, and the involvement of developers or other private stakeholders.

Nevertheless, the common trajectory in the two cases would be the increasing market activities in the social housing sector, which tends to increase the risk and vulnerability of the housing market. In the longer term, the attempt to reconcile social and commercial logic within more hybrid housing organisations would have wider and more profound consequences for the legitimacy of the sector. It also brings a reflection on whether the nature of social housing providers generates any differences in new social housing supply and delivery. The evidence in GM and Hangzhou provides an answer is ‘NO’ as they are more influenced by market logic and private finance, rather than they are authority-owned or impendent.

## **8.3 The Financing of Social Housing: The Increasing Diversification of the Involvement of Stakeholders**

### **8.3.1 Diversified Funding Models of Main Providers (HAs and CCCs)**

In terms of the social housing sector, financial structures and business models have evolved over time. In the UK, HAs are the majority providers of social housing and are increasingly exposed to market activities and financing models with mixed-funded and cross-subsidy arrangements. Mixed funding is likely to retain the core financing model over the next decade, and partnerships with LAs and other stakeholders. In China, LAs are the only providers of social housing but more private finance has been involved in the investment and development of social housing, with the establishment of local CCCs and land finance with real estate developers. Thus, more private finance and diversified private investors in the social housing sector have become an inevitably convergent trend in the two countries by the similar rationales of neoliberal agendas.

At the local level, housing financialization has been more noticeable in many large regions and cities, these dynamics are expanding to the social housing sector in a traditional welfare field in the two cases. When it comes to the financialization of social housing in GM and

Hangzhou, we are talking about the tendency to treat social housing as a ‘financial asset’ rather than as homes for people, particularly in GM.

The common characteristic is the increasing involvement of private finance in the social housing sector in the two subcases. In GM, HAs have become most housing providers in the last few years. The financialised process of housing in HAs evolved from those who were reliant almost entirely on borrowing and public funds to one which is the mainstream of a wide range of market activities (for example, bond and debt finance) with HAs and other stakeholders in GM. As William and Whitehead (2011) said, the market has grown rapidly and become an important segment of the UK housing finance market, with some critical junctures, including the global crisis, the austerity policy and the financial restricting package brought in (*ibid*). This evolution has gone further with HAs raising finance via the private sector, such as bank borrowing, insurance, pension and bond, and new cross-subsidy models being employed.

In Hangzhou, the most evident example should be the establishment of Hangzhou CCC with private financing activities. It is necessary to further clarify the responsibilities of Hangzhou CCC as it is set up to finance the construction and development of social housing programmes and has a close relationship with the Hangzhou government, however, there has been a lack of clear identity of this company, and they are not properly comparable with HAs in GM. Within this context, it is classified as a hybrid of public institutions and commercial enterprises or state-owned investment companies. There do not exist HAs in Hangzhou even in China, rather social housing units are all owned by governments, thus CCCs in local areas are established to finance the construction of social housing programmes, to some extent, they are similar LHCs set up by LAs in GM. The financing sources of the Hangzhou CCC are also diversified, most of which come from bank loans and bonds to invest in basic infrastructure, social rental housing programmes and shanty town redevelopment. They also have actively expanded other financing channels, including commercial banks, insurance, and other shadow banking models.

Nevertheless, current common concerns in the two subcases are exacerbated by a number of outstanding issues around the future development of HAs and CCCs and their financial environment. On the one hand, the introduction of the RTB to HA tenants in GM and Hangzhou government reducing the financial support for debt repayment for local CCCs, the policies of both will threaten these financial institutions’ status as private bodies and whether

the private funds they have raised will count as public debt (Williams and Whitehead, 2015). This is because there have been many times in the past when HAs, CCCs, and other financial institutions have warned that increasing reliance on private finance would lead to more market activities or even enable social housing to be collaterals or quasi-collaterals. On the other hand, another concern is whether the value for money for these financial institutions is for continuing the development of social housing programmes or simply generating sales, in other words, whether the receipts generated by market sales can help to build more social homes. Within this context, almost no current evidence shows that the sales of the policy of the sector have substantial financial impacts on the flows of receipts that might generate additional social homes. It also highlights the policy risks that surround this sector, driven by its conflicts between the reliance on public funds and the continually decreasing funds from LAs.

At the same time, HAs and CCCs have shown their considerable resilience by building up a significant asset base in various financing ways, though they are far away from targeting the least-off and moving towards the financial activities in the housing market. The increasing diversification of financing channels from a wide range of stakeholders is a common characteristic in the two subcases even under distinctive political, economic and social. Thus, in terms of the financialised process of social housing in the two cases, it can be concluded that although there is an increasing involvement of diversified private stakeholders in financing social housing development and they both cross-subsidise social homes, social housing is more likely to be considered as 'financial assets' in GM, while social housing in Hangzhou, may be quasi financial assets even though the financing channels of it has been more private.

Overall, broadly speaking, from GM's and Hangzhou's experience, this kind of privatised form (the financing in the social housing sector) is also a failure though HAs and CCCs contributed to the new social housing supply. However, most of the newly built homes by HAs are affordable housing. Affordable housing is not the replacement for social housing as its rents are near market prices, and households who are in housing needs can access it but may find affordability challenging. Furthermore, the transfer of the responsibility of social housing provision from the LA sector to HAs and CCCs are hybrid organisations mixed with public and private finance. The combination of public and private finance has changed the trajectory of pure social good provision, as private actors seek profits and make social housing become 'financial assets' or 'quasi-financial assets' as the evidence shows in

Chapters 7 and 8. Housing should be the place for people to live in (NHF, 2023), not be financial assets for wealth accumulation, but social housing provision in the UK and China deviates from its original goal as a welfare good for vulnerable groups, thus, the financialization of housing and the financing in the social housing sector is a failure of privatised practice, and social housing should be reconsidered and repositioned for what it is really for.

### **8.3.2 The Mergers and Restructuring of Housing Providers**

One important issue tied up with the capacity to fund financial institutions' own investments is that of mergers and restructurings. In terms of the social housing sector, the development of its finance market has still been the biggest privatisation in GM and also changed considerably with a number of mergers and takeovers from the sector (William and Whitehead, 2015). For local boroughs in GM, it is not unusual that there has been considerable restructuring and partnerships with dozens of different sizes of HAs. However, the scale economies of these mergers are not being realised, and more systematic restructuring of the sector has been called for by the Regulator of Social Housing, subsequently this call is likely to be reiterated in the new financial environment (Michael, 2023).

It is more popular that mergers emerge among HAs in GM. However, mergers among HAs have been doubted whether these business plans are motivated to generate more communities, social and affordable housing programmes, increase their borrowing capacity, or generate more market-oriented models. As an interviewee from X HA said, 'We are very heavily concentrated in Manchester. It is a growing market with lots of new build development. we acquire them and we can then have a base in Manchester.' Thus, this concern has been reiterated in terms of mergers and takeovers of HAs that these business plans of HAs might lead to a convergent trend towards market activities with private finance rather than the provision of more social and affordable homes.

In Hangzhou, the mergers and takeovers of CCCs are different from those in GM, they tend to merge into a large Hangzhou CCC group. Mergers and takeovers have occurred among state-owned enterprises and housing development companies, with private investors involved in the financing channels of social housing programmes. Local governments have become more dependent on land finance in recent years, which has led to an imbalanced relationship

between social housing and commodity housing. To pursue urban development and GDP growth, local governments rely excessively on land finance by transfer of land use rights. They are more willing to transfer the industry and commercial land for more revenue. Local governments are also internally motivated to incite the land transfer prices, i.e., the GDP growth is a key component of political performance for local government officers, which is subsequently an important factor in pushing the housing prices. Social housing is seen as the competitor of commodity housing rather than a substitute since local governments are unable to benefit from social housing programmes (no land conveyance fees). Thus, the involvement of developers and private finance in the social housing sector in Hangzhou is not just a market choice, it is also driven by the Hangzhou government's intention.

Overall, in terms of mergers and restructures of HAs in GM and CCCs in Hangzhou, it can be concluded that the involvement of private investors and more hybrid financing channels of private and public finance in the social housing sector have been an inevitable trend in the two subcases. Moreover, from GM's and Hangzhou's cases, it can be found that these practices tend to be profit-driven in market-oriented economies. Even in Hangzhou, the Hangzhou government has strengthened its role in having partnerships with private developers. Social housing in GM and Hangzhou, is deviating from its original goal and is more like a 'financial asset' as discussed above. Nevertheless, the privatised process of social housing and relevant policy framework have weakened this consensus in GM and Hangzhou since the late 1980s, transforming this sector in exposure to market risk under conditions of neoliberalism and heralding new business models in the two cases. From Hangzhou's and GM's experiences, the role of LAs is highlighted as the financialization trend of the social housing sector is not necessarily the consequences of neoliberal agendas, rather LAs have intervened and accelerated its financialized trend, the failure of this privatised form is partly attributed to LAs' policy practices.

## **8.4 Contracting Out Public Services: The Divergent Trend in Two Cases**

In terms of contracting out public service, there are some processes of privatisation of services, i.e. contracting out housing maintenance to a private company which can be reversed, by ending the contract and taking service provision back into LAs. This form of conceptualisation of social housing privatisation (i.e., contracting out private services) is

debatable as contracting out public services and the establishment of ALMOs in the UK is not considered as the privatised form of social housing, rather it is a set of administrative arrangements and social housing that ALMOs managed are owned by LAs. In China, the maintenance and management services of social housing have been outracing private property management companies, which can be seen as the privatised form of social housing.

GM and Hangzhou have experienced large-scale privatisation process of social housing, there is a convergent trend during the post-privatisation era in terms of their contracting out services, as the maintenance and management services of social housing are contracted out to private property companies except some maintenance work is still under the direction of LAs and HAs. Further, there exists a divergent trend in GM and Hangzhou. In GM, an increasing number of social housing units are taken back in-house from ALMOs to LAs, which hints at a ‘political choice’ from the LA side. For several decades, it has been said that outsourcing, privatisation, public-private partnerships or financing schemes, in the UK, are the only options for LAs, however, evidence in GM is growing that LAs are looking to bring social housing stock back in-house, which would be reinvested back into council housing (Manchester Evening News, 2021), even though it is not a popular practice in GM. In China, the maintenance and management services of social housing have been outracing private property management companies, which can be seen as the privatised form of social housing.

Some important drivers, such as neoliberalism, global flows or widening inequalities have brought the importance of local public service provision to the forefront of government attention, and LAs are increasingly choosing to take back in-house public services as a privatised alternative (Cibrario, 2022). This practice in GM, is considered beyond the monolithic and one-sided neoliberal dogma that has dominated public policymaking since the 1970s of Thatcher policy and brings the ‘public’ back into development discourse by winning the support of tenants and leaseholders (Jones, 2014; Manchester Evening News, 2021).

The market-led model is dominant in Hangzhou. During the shift of the responsibility of the maintenance and management services of social housing transfers from local governments to private developers and private property management companies, it seems to be the same situation in GM that the role of local governments plays in the process of its privatisation and contracting out has been blurred. Specifically, the lines between the public and private sectors are blurred and local governments in Hangzhou have become the formal agents of social without being owners.

Overall, it is concluded that in terms of the maintenance and management of social housing services, GM and Hangzhou show a convergent trend in general but with small differences. Private companies are the main providers of maintenance and management services of social housing. However, in GM, social housing managed by ALMOs has been taken back in-house in some boroughs even though it cannot be simply considered as a single case or a future direction, while in Hangzhou, social housing owned by LAs, and its maintenance and management services have mainly been the responsibility of for-profit private property management companies. Thus, this privatised form of contracting out public services in the two cases shows an interesting and opposite trend in some ways, which is beyond its ideological context that local boroughs in GM have brought social housing in-house while the maintenance and management services of social homes in Hangzhou are still market-oriented.

This privatised form of contracting out the maintenance and management services of social housing, is a successful practice of privatisation in GM and Hangzhou. This is because the introduction of market competition in the maintenance and management services would improve efficiency and bring better services for tenants (for example, private property management companies can solve legacy issues housing reforms left in Hangzhou), but social housing should be authority-owned to avoid falling into the dilemma of being financial assets.

## 8.5 Conclusion

This chapter looks into the comparison of the case studies of GM and Hangzhou based on the national comparison of the two countries and the findings discussed in Chapters [7](#) and [8](#). A comparison was made around three key conceptualisations of social housing privatisation, selling off public services, the financing of the social housing sector and contracting out public services, see Table 9.1.

Table 9.1 Three Forms of Privatised Forms of Social Housing in GM and Hangzhou

Types of Privatised Forms	GM	Hangzhou
Selling off public services	A large scale of social housing was transferred to HAs through the LSVT and sold by social housing tenants.	Welfare-based housing units were almost sold to state-owned enterprise employees.

	Local boroughs in GM have remained an important size social housing stock	Very few units being transferred and combined to social housing in the post-reform era
Financing of housing sectors	<p>There is an increasing involvement of diversified stakeholders with more private finance.</p> <p>Mix-funded and cross-subsidy models of HAs are dominant forms in investing in social housing.</p>	<p>The establishment of local CCCs with active market activities of mergers and restructures, investing in social housing programmes.</p> <p>Real estate developers are becoming the main body for social housing developments as the provision of social housing is the prerequisite when they bid for land from local governments.</p>
Contracting out public services	<p>Private companies are the main providers of services, alongside some political practices, i.e., LAs have taken back in-house social housing from ALMOs</p>	<p>The maintenance and management services of social housing are contracted out to private property companies.</p>

Essentially, this section argues that social housing privatisation in GM and Hangzhou has been directed towards the convergent trend in general, but both are also failures in the social housing sector. During the process of social housing privatisation, LAs are playing an important role in defining social housing, in other words, how LAs consider what social housing is for reveals the future of social housing. From GM's and Hangzhou's experiences, accordingly, social housing privatisation in this thesis proposes the state and LAs actively lose control of welfare goods even though the state and LAs changed and strengthened their roles in the new social housing supply. LAs have lost their focus on social housing for vulnerable groups. This has led to severe shortages in social housing, homelessness and concentrated-poverty issues. HAs and CCCs are given more freedom to seek a wider type of private finance and profit-making activities. There are different mechanisms, accountability and transparency of LAs in GM and Hangzhou, social housing privatisation shows convergency. This implies that despite ideological differences, both LAs tacitly endorse and encourage privatisation, resulting in a vague stance of supporting social housing being 'financial assets', ultimately leading to the 'demise' of social housing and privatisation failures.

# Chapter 9: Conclusion

## 9.1 Introduction

The aim of this thesis is to understand and explore three conceptualisations of social housing privatisation, and how it directs toward convergent or divergent trends in the UK and China. The previous empirical chapters presented the two case studies of Hangzhou and GM, to understand their privatised processes of social housing. The two cases show that the new convergent analysis has been more persuasive and driven by neoliberalism and globalisation in GM and Hangzhou. This chapter has answered the research questions and presented some contributions. All the findings discussed in the previous chapters have some implications on how social housing privatisation could be compared and understood. Considering this, the chapter aims to discuss these implications. Limitations and further research directions are also drawn.

Based on findings of Hangzhou's and GM's privatised practices in the UK and China, research questions are answered. Housing regime typologies, including Esping-Andersen's (1990) welfare regime framework later applied to housing studies, Harloe's (1995) and Jim Kemeny's (1998) typologies, offer a framework for comparing the role of housing with broader welfare systems. Their explanatory power varies depending on how well the typologies capture the historical, political and socio-economic specificities of the UK and China. Privatisation of social housing as a convergent trend in the UK and China, reflects a shift from state-led provision to market-based models, even though there are distinctions in political systems and welfare structures.

This convergent privatisation trend has been conceptualised and characterised by three forms, including selling off state-owned housing, financing in the sector, and contracting out maintenance and management services. A sharp emphasis on promoting private ownership as a market-oriented pathway, and LAs are increasingly playing a strategic role instead of being a direct welfare provider. There are increasing interactions and partnerships among LAs, HAs, private developers and institutional investors, which contributes to increasing numbers of new homes but also makes homes less affordable and less social. Contracting out the maintenance and management services of social housing to private property companies has been a common trend in the UK and China.

Typologies can partially explain these convergences because broader trends such as neoliberalism and the commodification of housing, transcending regime-specific factors and point to structural pressures from globalisation, market reforms and fiscal constraints. However, considering these external factors and divergence in political and institutional contexts, existing typologies fail to explain these changes and dynamics. Though the UK and China have experienced similar privatisation processes of social housing, the consequences of which are different, i.e., the UK faces a housing affordability crisis and reduced social housing stock, while in China, privatisation has contributed to urban property booms and wealth disparities.

Existing housing typologies have inherent limitations in explaining the UK-China comparison, as many housing regime frameworks are derived from European experiences and may not apply to non-Western contexts like China. They often underemphasise the role of political ideologies and governance structures, as well as oversimplify complex and dynamic policy environments, failing to capture hybrid models or transitional economies. To better understand trends, a broader framework is necessary to incorporate global influences (neoliberalism, globalisation and financialization in shaping housing policies), historical and cultural contexts (path dependencies and cultural factors unique to each case), and political economy (the interactions among the state, the market and LAs).

While existing housing regime typologies provide some insights into the privatisation of social housing in the UK and China, their explanatory power is limited. Within subcases of GM and Hangzhou, there exist inherent limitations in explaining their convergence of the privatisation process and divergence of privatisation outcomes. Therefore, convergent trends are better understood through global and structural pressures, while divergent outcomes require a nuanced analysis of political, historical, and institutional factors. It is suggested that a more flexible and context-sensitive framework is essential for a comprehensive understanding of these dynamics.

## **9.2 Contributions of Thesis**

### **9.2.1 Theoretical Contribution**

This thesis has provided new evidence for proposing a new comparative housing framework in the UK and China based on existing housing theories. Early convergence theories, such as

the ‘logic of industrialism’ approach, Donnson’s typologies or Harloe’s theory are of great importance in explaining early convergent trends in housing systems. For example, the ‘logic of industrialism’ approach emphasises social changes in the process of industrialisation and the importance of economics in welfare states (Wilensky, 1975). Donnson’s typologies highlight the role of governments as solutions to housing systems. Harloe discussed some differences between social housing systems and policies in different countries, however, his argument is proven to be outdated in understanding changes and dynamics in the social housing sector even though he (2013) realises that new structures and changes are emerging, which influences the restructuring of housing systems. These early convergent theories have provided fundamental theoretical contributions to explaining variations in different housing systems in different countries. However, some changes are not predictable, which causes housing systems to deviate from anticipated directions. Hence, they are out of date or lack generalisation to wider contexts, failing to explain and explore contemporary housing systems in GM and Hangzhou. These studies identify neoliberalism as driving convergence in housing systems, so that they become marketized and commodified (Clapham, 2018).

Besides, divergence theories, including Esping-Andersen’s welfare regimes, Jim Kemeny’s typologies, and Schwartz and Seabrooke’s (2008) theories, make them a suitable lens through which to analyse housing system changes in divergent approaches. Esping-Andersen’s theories help to understand and explain the relationship between welfare states and housing systems even though housing elements are not included in his welfare regime types, which implies that housing is a ‘wobbly pillar’ of welfare states (Malpass, 2003) and makes it a challenging area for social policy. Jim Kemeny’s theory is part of a body of work which is now recognised as ‘housing-welfare regime approaches, in which there is a dynamic relationship between the housing and broader welfare regime’ (Blackwell and Kohl, 2019). However, Kemeny rejects convergence theories whereby ‘all modern societies are developing in a particular direction’ (Kemeny and Lowe, 1998), which fails to theoretically support GM’s and Hangzhou’s cases. Thus, based on the findings, these theories lost their explanatory power to understand new changes in housing systems in GM and Hangzhou. Schwartz and Seabrooke (2008) made a substantial effort to develop Aalbers’ work on financialization, explicitly adopting elements of welfare-regime theory. It provides a solid theoretical foundation for analysing the financialization of housing in GM and Hangzhou.

It is time to seek contemporary housing theories to fit in different countries, even though there are substantial differences in housing systems, but it is arguably the case that common

phenomena can still be identified. As discussed in [Section 2.2.1](#), the logic of industrialisation and Marxist interpretations have different bases, they are about the market logic and influences, and it is what is discussed as the fundamental framework for comparative analysis. Market-based reforms are the core to recent changes in social housing in GM and Hangzhou since the 2000s, involving a series of interactive decentralised policies, neoliberal discourses, and hybrid financial tools, which are undermining the legitimacy of social housing and promoting the private sector into its financing and contracting out services. As Lee et al., (2022) said, housing provision has been market-dominant, and a large scale of the social housing stock is privatised, which is proven by the GM and Hangzhou cases. The privatised process of social housing in the two cases reflects the influence of neoliberal philosophies and practices, and governments are turning to restructuring to meet the housing needs of market-oriented economics. The market-oriented convergent trend in housing systems, is, to some extent, beyond the boundaries of ideological factors and socio-economic contexts, sweeping across many countries, including advanced economies, and some large countries in the world.

Changes in housing systems are often associated with neoliberal reforms and global trends, promoting the revival of convergence studies in social housing analysis, while market-oriented activities are practices of neoliberal thinking in the social housing sector (Hegedus, 2020; Stephens, 2020; Elsinga, 2020). The findings in Chapters 7, 8, and 9 show evidence that the market is playing a significant role in the housing provision, selling off social housing to the private sector, encouraging homeownership, increasing involvement of market activities and various financing models throughout the whole privatisation process of social housing in GM and Hangzhou.

Neoliberal ideologies are widely considered as a predominant driving force of the convergent trends of social housing privatisation in the two cases, thus, neoliberal thinking should be accounted for in the discussion of housing. Housing systems have varied ideological underpinnings, but neoliberal reforms involving privatisation, market orientation, and the commodification of housing policies and practices—like reducing public spending and promoting homeownership—are prominent factors. Privatised practices, such as the RTB, LSVT, ALMOs in the UK or the sale of welfare-based housing in China, are neoliberal agendas, designed to transfer the provision and management of social housing to the private sector. These neoliberal practices would find ways of governing that might reduce public

expenditure and subordinate state activities to the logic of the market, at the same time, as well as stimulate the accumulation of capital (Kerr, 1998).

This section claims that it is acceptable to say the convergent trends in GM and Hangzhou are driven by neoliberal thinking. The shift towards neoliberal economic policy has been a shift in macroeconomic policy, particularly when faced with economic recessions in GM and Hangzhou influenced by the 2008 global financial crisis. Even though the short-term policy responses to local economic recovery, there has been a move away from Keynesian demand stimulus (for example, a policy spillover of the national 4 trillion-yuan plan in Hangzhou, a new policy commitment to deliver at least 30,000 social homes in GM), to a resurgence in private investment in the long run (Blyth, 2013). Governments in GM and Hangzhou have increasingly turned to financial markets rather than financial expenditure under the pressure of maintaining 'market confidence' in their creditworthiness (Streeck, 2014). This shift has played an important role in the development of social and economic policy. As the evidence shows LAs in the two cases focus on maximising the opportunities for capitalism, having partnerships with a wide range of hybrid organisations and mixed funding sources, rather than a planned or communist economy which narrowly focuses on inequality and fairness. The mixed funding and increasing influence of private finance (financialization of providers, especially HAs in GM) is part of the shift towards neoliberalism. Thus, social housing privatisation in GM and Hangzhou has been influenced by neoliberal thinking, and it does follow the traditional routes of neoliberalism (but not completely so), alongside the state and local governments increasingly playing a strategic role instead of direct provider role in the social housing sector (Blessing, 2016).

The findings in GM and Hangzhou prove that they show a tendency towards neoliberalism housing policies even though they have different ideological contexts. Specifically, some common characteristics of current social housing issues can be identified, including a series of market-oriented policies becoming convergent, a growing variety of households who are huge housing needs, the decline of public expenditure in the social housing sectors, and the strengths of their roles of governments driven by neoliberal ideology. Ball (1988) concludes that the social housing sector, shaped by neoliberal ideologies, has diminished in scope, resulting in its marginalization and an increased concentration of poverty within it. Doherty's (2004), Blessing's (2015) and Tunstall's (2021) arguments prove that the UK, particularly GM, neoliberal thinking is no longer playing a key role in shaping social housing a residual role. Rather there are more market-oriented activities in the social housing sector under

neoliberal agendas, which results in the potential risks of being considered ‘financial assets’ for some HAs, but market-oriented activities in HAs also create more opportunities to increase new social housing supply.

Neoliberalism though is too loose a shirt to understand housing systems in GM and Hangzhou (Stephens, 2020) because critical to the analysis is an understanding of neoliberalism in the social housing sector compared to other welfare services. Neoliberalism has been the consensus for the housing system trajectory in GM and Hangzhou, but it cannot fully help understand and interpret some trends, such as its de-residualisation process under neoliberal agendas. Nevertheless, it cannot be denied that changes in the social housing sector are deeply influenced by neoliberalism even though HAs and CCCs are sometimes forced into legal and regulatory changes by central orders, which means that governments can still make political or policy choices to shelter some housing from market forces for the development of social housing. On the other hand, the neoliberal reframing of social housing has played an important role in the financial market experienced by GM and Hangzhou in recent years. However, the relevant policy changes have not taken shape in the form of either a coherent ideological context or a coherent suite of policy measures. Instead, they have taken shape through the kind of piecemeal, temporary and pragmatic processes. These neoliberal housing policy practices, in fact, have built on and extended existing features of housing policy and political decisions, showing a shift of neoliberal governance from a direct provider, or a withdrawal role to a more agent and strategic role in social housing delivery, far from representing a rupture with Keynesian regimes. Thus, the privatisation of housing systems is the process that interplays with, works through and reshapes existing institutional structures and welfare regimes, as Aalbers (2017) said, neoliberal policy transformation interacts with housing systems embedded in the financial logic and processes.

Besides, housing systems are also easily affected by globalisation trends as international capital is becoming more important in financial markets. Globalisation is a process through which national economies are becoming more open and easily influenced by supranational economies, leading local economies to lose national control (Mishra, 1999). In this section, cases are at the city-region level, thus, local housing markets are influenced by global financial activities but are limited. Nevertheless, housing finance systems are integrated into domestic and global flows, with neoliberal values. A strong element of neoliberalism is the idea that lower taxes and deregulated economies can compete more successfully in global markets; it is intended to produce these effects, to reinforce global free trade. This section

does not aim to provide evidence that the exact amount of international capital investment in local housing markets in GM and Hangzhou should be compared. It is an effective approach, but this section here mainly focuses on the influence of globalisation, i.e., deregulated economies or governments' responses to local housing markets in GM and Hangzhou.

There is a large international capital investing in local housing markets, and changes in housing systems highlight the inevitability of capital flows, making globalisation a 'strong discourse.' Under some circumstances, globalisation reinforces neoliberalism, and both bring significant changes in housing systems. They reinforce each other and encourage open markets, which leads housing and social housing to be direct or indirect financial assets. Housing plays a significant role as collateral for debt. The share of housing finance has been rising in overall financial assets, which demonstrates the crucial role of the built environment in the expansive phase of finance (Fernandez and Aalbers, 2016). Nevertheless, international investment in housing markets has funded much social housing in GM via s106 without which buildings would have slumped in the period after the global financial crisis. In GM presumably all that development has produced developer contributions to be used for social housing on different sites.

The long-term effects of dependence on housing finance to boost growth have emerged since the global financial crisis. As Fernandez and Aalbers (2016) said, housing has actually become a political drug, highly addictive as it temporarily increases revenues through land transfer and housing finance and stimulates private consumption of housing units. Social housing has inevitably become a tool for collaterals or even direct assets for transactions influenced by global flows. This is because the question is how sustainable housing financial policies are as housing finance ultimately relies on growing private debt levels. Besides, the impact on the repositioning of government roles influenced by globalisation is revisited based on findings in Chapters 7, 8 and 9. The regulation and monitoring of the global economy are becoming difficult at the national level. Thus, governments have to control public sector borrowing in the social housing sector which is influenced by global flows in the UK (Clapham, 2006). However, it does not mean that governments are less involved in the public expenditure on housing and its privatisation. Rather, local governments are actively involved in market-oriented activities with other stakeholders, and the financing of the social housing sector is a convergent trend in GM and Hangzhou.

Overall, the terminology of new convergence on comparative housing analysis is adopted in GM and Hangzhou, with neoliberal ideology and globalisation as two important causal factors affecting a wide range of changes in housing systems, especially neoliberal thinking that are not captured in earlier typologies in the 1960s or 1970s, nor conceptualisations of housing regimes. Neoliberalism has directly or indirectly resulted in the financialization of social housing, turning it into more hybrid assets with a mix of public and private finance. Globalisation generates substantial influence on single countries' national housing policies as a whole, however, at the local level, the findings in Chapter 8 show little evidence that globalisation has significantly influenced social housing systems in Hangzhou while in GM, decommodification of housing via LAs and registered providers shelter social homes from globalisation led market pressures to some extent.

Nevertheless, changes in housing systems in GM and Hangzhou do not fully explore or predict existing new convergence analyses, i.e., neoliberalism and globalisation are leading to this trend. These trends in GM and Hangzhou are generally convergent but have conflicts with theories of new convergence analysis and current housing systems in other countries or regions. Neoliberalism leads to the convergent trends of more involvement of private finance in the social housing sector, but it does not cause the residual role of social housing. Globalisation leads to the deregulation of financial markets in many Western countries, however, based on the findings in GM and Hangzhou, the power of the state and local governments is reinforced rather than diminished through financialization, as Feng et al (2022b) said. Therefore, neoliberalism and globalisation are important but political choices can still be made within these constraints. In other words, neoliberalism and globalisation are two main drivers of the new convergence analysis for comparative housing research, governments can still intervene in this neoliberal and global process by making political or policy choices to prevent some housing from market forces, therefore it is not inevitable that neoliberalism and globalisation would create a more market-oriented system and reduce social housing supply and deliver.

Housing systems have not completely converged yet and they are not predicted to completely converge in the future. Neoliberalism influences housing policies in many countries, but traditional neoliberal theories fail to capture and interpret changes in contemporary housing systems. Housing systems are directed toward a unique pathway among different countries driven by ideological factors (capitalist or socialist regimes) and external factors

(neoliberalism and globalisation) with some variations, reshaping different housing systems again.

### **9.2.2 Empirical Contribution**

The findings in this thesis have extended the empirical knowledge of the comparative study of social housing privatisation by updating the limited evidence including more recent data, as well as collecting and analysing primary interview data at the local level.

Firstly, more updated data has been generated as new evidence to help understand and interpret changes in housing systems in GM and Hangzhou. The evidence shows that there are some common elements in analysing local housing systems, such as local governments' strategic roles as agents, and the emergence of hybrid organisations (i.e., HAs in GM and CCCs in Hangzhou) that can be further explored. Some empirical evidence has not been presented in current academic publications that may support or refute my arguments, which could be empirical contributions for further comparative research. For example, in the UK, Andy Burnham (Mayor of Greater Manchester)'s successful re-election may continue his calling for 'suspending the RTB' in GM and ask for Westminster to 'give us the powers to free ourselves from the grip of the housing crisis's (BBC, 2024). In China, the speed of social housing construction has been slowed down in Hangzhou and the policy of the mixed communities with social housing tenants and commodity homeowners has been abolished since 2022 due to some conflicts among social housing tenants and commodity homeowners.

Secondly, there has been limited literature on social housing privatisation at the local level. A large amount of literature focuses on country levels, and research at the local level has been scarce, particularly primary interview data. There are some interesting findings from the interview analysis. For example, in terms of taking ALMOs back in-house in GM, LAs and ALMOs have opposing opinions, i.e., from the LA side, it is a money-saving behaviour and tenants' voting choice, but from the ALMO side, they consider it a political decision. In terms of vague discourses from LAs in Hangzhou, Hangzhou government officers have not explained and interpreted the policy of the sale of welfare-based housing in a detailed way, including the welfare-based housing stock size, transaction prices of welfare-based dwellings and policy rationales of the welfare-based housing privatisation. Regarding some policy decisions unpublished by official documents in Hangzhou, the policy of mixed community of social housing tenants and homeowners has been abolished since 2022, without being

published through official documents or websites. These findings are not the focus of the comparative study of social housing privatisation in GM and Hangzhou, but they were written down as analytical memos and could provide some evidence for further political discourse analysis or practices in NPM approaches. In this case, the study contributes to the depth and breadth of empirical knowledge of this comparative study by collecting primary interview data on privatised practices and expanding existing research (narrowly concentrating on privatised forms of social housing privatisation) in GM and Hangzhou.

### **9.3 Limitations and Possible Future Research Directions**

In this thesis, I aim to provide an expansive account of the comparative study of social housing privatisation in the UK and China, but there are inevitable limitations with the research that I discuss below. The first limitation relates to the connection between how existing housing theories are interpreted and subsequently analysed. The last limitations are inherent to methodological choices. In all cases, these limitations might result in gaps in knowledge produced, and useful areas of further research are also pointed out.

The first is to understand how social housing privatisation can be compared in the UK and China embedded in socio-economic contexts based on existing housing theories. This thesis does not aim to establish a new comparative housing theory, nor generalise it to other countries. Instead, it aims to explore convergent or divergent trends of social housing privatisation influenced by neoliberalism, global trends, and other factors in two city regions to enrich the knowledge, beyond existing housing theories. There might be more new evidence to support or refute the argument generated in this thesis, further research would therefore be conducted to enrich existing housing research with more theoretical and practical evidence.

Based on the findings from GM's and Hangzhou's cases, it is concluded that existing housing theories including early convergence analysis and divergence analysis, both of which fail to fully understand and explain contemporary housing systems in GM and Hangzhou, rather they contribute to pointing out possible theoretical directions to explore or predict the trajectory of housing systems in the application of broader welfare regime theories. Although the new convergence analysis, which is proven to examine different housing systems in GM and Hangzhou in the modern society driven by neoliberalism and globalisation, some

variations such as political decisions, the influence of international capitalism and local policy changes cannot be fully explained within the redeveloped comparative frameworks. Attempts to globally establish or redevelop comparative housing frameworks would therefore be inherently limited, within different ideological contexts and unpredictable changes. It might recall a basic question of how significant of comparative housing theory it can generate.

Existing models of comparative housing research are limited to capturing contemporary housing systems in GM and Hangzhou, even the most recent thinking from Mark Stephens, fails to interpret how GM and Hangzhou have developed such differences in social housing policy. It is admitted that neoliberalism and globalisation have shaped housing systems and are directed toward general convergent trends in GM and Hangzhou. However, such differences in housing systems have also been shaped partly due to their ideological or local contexts. For example, the call for suspending the RTB in GM, might be driven by neoliberal agendas, and it could also be a political slogan for winning the GM mayor vote. The abolition of social housing policy in Hangzhou, might be unforeseen circumstances for policymakers as they have not predicted the conflicts between social housing tenants and homeowners, which cause policy shifts. Therefore, the redevelopment of comparative housing theory in this thesis still fails to explore the overall picture of housing systems in GM and Hangzhou. Instead, this thesis has drawn some lessons that can be learned as policy practices in the two cases as discussed in [Section 10.3](#), rather than only filling the theoretical gap in the comparative housing research in the UK and China.

In terms of methodological limitations, the qualitative method approach employed has attempted to provide a balance between breadth and depth, expanding the sample of analysis to the sector-wide scale in [Section 6.5.8](#). However, largely due to time and resource constraints, the interview collection and analysis mainly focused on interviewees at the local level. Based on the research design, it would be good to approach potential interviewees in the social housing sector at the national level, such as politicians or officers from the Westminster government or housing officers from the Chinese government. This is because scrutiny of policy would render important wider conclusions and provide a broad account of social housing privatisation and policy directions for further reforms. Nevertheless, interviewees at the local level have still provided fruitful and detailed information about social housing privatisation in GM and Hangzhou. Furthermore, interviews are collected from very few local councils and organisations, which means that viewpoints may not stand

for broader stances, causing possible bias in answering interview questions (but in most cases, whether there is bias has nothing to do with the number of interviews). Nevertheless, they are not designed to be representative but help to highlight a key range of issues. Further research could therefore cover a wider population of LAs and other stakeholders in the social housing sector, providing a more comprehensive explanation of the privatised process of social housing.

There is also a limitation to the depth provided by the qualitative methods adopted. Qualitative methods employed in this thesis, documentary analysis and semi-structured interviews, cannot probe case studies to the extent afforded by more intensive methods, such as ethnography (Marshall, 2023). However, it is not inherently problematic as each method has its pros and cons, which depend on the research questions designed. In this thesis, documentary analysis and semi-structured interviews could explore how China and the UK have experienced social housing privatisation within a broader context and also in detailed ways in particular city regions. Nevertheless, it does suggest that the findings could be expanded upon by further research employing alternative methods. For example, a HA or a CCC could be further explored as a subcase to track back from its establishment at the beginning of the privatised process of social housing through a historical account, reflecting a story of social housing privatisation in microcosm. Further research could therefore be explored and expanded based on a sole case of a local housing association or a local city construction company to provide more details on social housing privatisation.

Finally, the documentary analysis is necessarily reliant upon national documents and limited in collecting and analysing documents at the local level. There are some constraints in having access to historical documents from archives centres and local online libraries because most of them are not available, particularly in Hangzhou. Further research could therefore be explored, for example, deeper exploration in comparing social housing privatisation in GM and Hangzhou, or similar comparative projects in other homogeneous city regions, if more statistics are available.

## 9.4 Final Word

This thesis answered the question of how exactly social housing privatisation can be compared and explored in the UK and China, through the case studies in GM and Hangzhou.

This is not an easy question to be answered. Nevertheless, this international comparative study provides a new understanding of social housing privatisation, with a level of detail that was rarely captured in existing literature in the past. Social housing in GM and Hangzhou has been proven to experience more or less privatisation processes, and neoliberalism and globalisation are two important drivers that direct them towards convergent trends. This thesis reformulated existing understanding of privatisation by establishing a conceptual framework of three privatised forms and applied it to a comparative study of social housing policies. This study further reinforces the importance of neoliberal rationales in which the market is playing an increasingly significant role in shaping housing systems. Besides, given how different the world has become over the decades, there needs to be further comparative research done on the privatisation processes in GM and Hangzhou, or even in different countries that better capture the changes and dynamics reflected in the global shifts in political, economic, and social ways of life.

When it comes to the most fundamental question of this thesis, how can the privatisation of social housing be compared and evaluated in the UK and China? Based on the GM's and Hangzhou's experiences, social housing privatisation has been a failed practice of housing reforms since the 1980s. This is because although social housing privatisation in both city regions has converged, it has also revealed they have been directed towards failure. In other words, during the privatisation process, a wide range of actors have accelerated this failure with market-oriented activities, private finance, and the changing role of LAs have all contributed to making social housing less 'social.' Housing should be a basic human right and just a place for people to live in (United Nations, 2024) (even though it is not written into English law), and everyone should have access to safe, adequate, and affordable housing regardless of their economic status. However, the commodification of housing has transformed it into a financial or quasi-financial asset, deviating from its original welfare goal. Based on GM's and Hangzhou's privatised practices and outcomes, it has been proved that the commodification of housing shifts its role from a social good essential for human dignity to an economic asset aimed at generating profit, which creates significant social and economic challenges.

Even though social housing privatisation has been underway for almost half a century, it does not mean this trend cannot be reversed. The housing crisis has become an urgent social issue in both the UK and China, which is one of the negative consequences that privatised practices have brought. It is not necessary to have optimistic expectations for LAs' actions because

market-driven behaviours are not always reversible under neoliberal agendas and are often accompanied by path dependency. The privatisation processes in the UK and China provide an insight that the privatisation model of social housing is a failure, and it is time for LAs to choose alternative approaches.

In fact, the findings provided certain insights into the understanding of a comparative study of social housing privatisation, the more details this study attempted to dig into, the less deemed possible to provide a comprehensive framework to explore the similarities and differences of housing systems in the UK (particularly in England) and China. Regularly reviewing and reflecting on existing practices with the ever-changing circumstances within broader contexts, are thus needed for further comparative housing research. In recent days, the New Labour Government has brought more uncertainty to the formulation and changes in social housing policies. It is certain that the RTB remains at the core of housing policy, and there will be increased investment in social housing. Various types of private finance and partnerships will be continually involved in social housing supply and development. However, in Hangzhou, social housing programmes still primarily rely on developers and for target households, monetary subsidies are the priority. Social housing systems in the two city regions have similarities and differences, but they will not be the same. However, the common failure of social housing privatisation in the two countries leaves a sophisticated question of what the future of social housing during the ongoing process of privatisation is.

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## Glossary of Terms

There is no single statutory definition of social housing council housing, social homes, affordable housing, ex-council homes, etc. This may lead to a degree of ambiguity. Different terms are sometimes used for the same thing or the same term for different things, particularly in comparative studies. Thus, this glossary sets out how we can understand and use each term.

Social housing used in the thesis title is a widely accepted term in the UK and China, referring to housing units that are provided by the state or housing organisations, the aim of which is to satisfy the basic housing needs of people who meet the eligibility criteria. In this comparative study, social housing and a series of housing terms are different in the UK and China.

In the UK, **social housing** is the most used term for rented homes at below market prices (usually below 50% of market prices) managed by Local Authorities (LAs) or housing associations (HAs), for people who are on housing waiting lists. **Council housing** refers to social housing provided by LAs. **Affordable housing** is defined as housing units provided by HAs and other private registered providers, usually renting at 80% market prices, and includes homeownership. **Shared ownership housing** refers to housing units that purchased by paying a mortgage on the share they own and paying a subsidised rent to a housing association on the remaining share. **Social homes** can be low-cost homeownership but is used for rented housing in the thesis. **Ex-council homes** refer to council housing owned by LAs that was transferred from LAs to HAs, ex-council housing tenants may have a 'Preserved' Right to Buy.

In China, **social housing** is the most used term for homes that are only rented at below market prices (usually below 50% of market prices) managed by the state or local governments, for people who are on housing waiting lists. **Affordable housing** refers to housing units that are provided by the state or local governments and sold to middle-income households at 80% of market prices. **Public rental housing** refers to housing units provided by the state or local governments and rented at 50%-80% of market prices for middle-low-income households, new graduates and skilled workers. **Cheap rental housing** refers to housing units provided by the state or local governments and rented at below 50% of market prices for low income and vulnerable households.

# Appendices

## Appendix 1 Topic Guide (the UK)

### For LAs

#### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised forms of selling off public services and partnerships with other stakeholders. i.e., the rationales and mechanisms of the RTB in recent years, ALMOs, etc.
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 30-60mins).

#### **Questions Related to Three Forms of the Privatisation**

- ***Selling off the public services: The RTB***
  1. Obstacles to implementing the RTB policy.

*Do you feel any obstacles or resistances during the implementation of the RTB policy, including voluntary RTB, and the extension of the RTB to HA tenants?*

*Why does the extension of the RTB to HA tenants suspend? (Question for Greater Manchester: do you think the RTB should be suspended? Why?)*

*Do you think the RTB should be suspended for a better supply of social housing (because it is not ideal that the sold properties are replaced at a one-to-one rate)?*

2. Any plans for continuing the RTB policy? Central government expect to continue the RTB policy, but local councils call for its termination, like Manchester, Liverpool or Birmingham. How do you understand this resistance or conflict?

- ***The financing of social housing sector: the partnerships with stakeholders***

3. What kind of partnership do you have with other stakeholders in the affordable and social housing sectors? Such as types of funds, borrowing or grants? Do you think the introduction of private finance would indeed help build more homes for people who need?
4. How Housing Investment Fund and Local Investment Plan are allocated and used for affordable and social housing programmes? Do you think the units of new-built affordable homes to be calculated into the total numbers of social housing programmes?
5. Whether the Government's current arrangements strike the right balance between providing grant funding for housing associations and Housing Revenue Account borrowing for local authorities?
6. There are more partnerships with other sectors, for example, the partnership with Home England and Greater Manchester. How do you think this kind of partnership, what can be brought by Home England or other agencies for local regions (funds/professional training/resources/corporation), and what kind of partnership between the central and local levels is expected in the housing sector?
7. What do you think about how the financing of social housing has changed over time, for example. What have been the advantages and disadvantages of different moves, RTB, LSVTs, Private finance, for-profit providers, cross-subsidy model etc
8. There might be a trend that more councils start to set up local housing companies to build more homes. Do you think it is a good way to build more affordable and social homes?

- ***Contracting out the public services: ALMOs***

9. Is the current framework for local authorities to hold management organisations, such as ALMOs to account sufficiently robust? If not, what more is needed to provide effective oversight of these organisations?

10. Some councils have taken control of social homes from ALMOs, how do you think this action? Do you think it is necessary to set up ALMOs to manage homes or it should be the responsibility of a part of local councils?

### **Some Factors Influencing the Privatised Practices & Critical Junctures**

#### Neoliberal thinking

11. Do you think the introduction of private finance into public bodies will have any impacts on the social housing sector, making it more unaffordable or more affordable, such as different policies (the RTB, LSVT or contracting out)?
12. Do you think local authorities should play a more active role in the provision of council housing, in ways of the increasing involvement of related affairs and what might need to happen to get things working better?

#### Globalisation

13. Do you think some international practices or experiences are influencing your decision-making and the design of related strategies?
14. Do you think some essential events are influencing your governance in the housing sector? For example, like the 2008 Global Financial Crisis, the 2017 Grenfell Tower Fire or COVID-19?

### **Future Plans**

15. Can I ask how you see the challenges that you face and how you plan to overcome them, or what additional support (funding) do you require to achieve what you want to achieve?

16. What do you think of landscape of special housing now and how it has changed over time and how do you think it may change in the future. What would you like to see happen if your hopes differ from what you see happening in the future?
17. What do you want to see in any improvements from the LA side in the near to middle-term future, and what would you like to see happen?

*A new longer-term rent policy for all social landlords/An increase in the Affordable Housing Programme/An additional pot of funding (cross-subsidy models, borrowing or investors)*

## **For HAs**

### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised form of the financing of social housing providers except local authorities i.e., mainly the rationales and mechanisms of housing associations and local housing companies, etc.
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 50-60mins).

### **Questions Related to Three Forms of the Privatisation**

Basic Information: What sort of organisation are you, what is your history, how were you formed, who did you merge with and what were the motivations behind the shifts if possible?

- ***The financial policy shifts: LSVT***

1. The financing in the process of LSVT

*Has your organisation experienced the process of LSVT?*

*If no, ignore it.*

*If so, how is money generated through the process of LSVT? Do you think the amount of money generated by the process of LSVT can help invest, reinvest and improve of housing for the least well-off?*

- ***The financial shifts in housing providers***

2. How do you finance the new dwellings of social housing?

*If public finance, how much can you receive from local authorities or other public bodies?*

*If private finance, what kind of source of finance do you have to receive enough funding, such as equity funds, pension and insurance funds, borrowings or any bonds?*

*What are the impacts of or how has your organisation responded to having to be more reliant on private debt finance rather than grant?*

*Do you think social housing or affordable housing can be seen as financial assets?*

*Do you have a cross-subsidy model for affordable and social housing programmes, if so, could you please give some details about this, such as its advantages and disadvantages?*

3. How can you generate a surplus that can be used to help fund your social investment services? In other words, what is your plan for strong financial controls and any commitments for efficiencies?
  
4. How do you know ESG investing in the affordable and social housing programmes? How housing finance can be related to ESG issues and its future?

- **The financial partnerships with corporate investors**
- 5. Have you been in partnerships with local authorities, other public bodies, or some corporate investors, such as Trust, for-profit companies or Funds? If no, ignore it. If yes,

*How do you think affordable and social homes can be better funded by partnerships with other stakeholders?*

## **Some Factors Influencing the Privatised Practices & Critical Junctures**

Neoliberal thinking

6. Do you think the introduction of private finance into public bodies will have any impacts on the social housing sector, making it more unaffordable or more affordable, such as different policies (the RTB, LSVT or contracting out)?

## Globalisation

7. Do you think some international practices or experiences are influencing your decision-making and the design of related strategies?
8. Do you think some essential events are influencing your practices and plans? For example, like the 2008 Global Financial Crisis, the 2017 Grenfell Tower Fire, Awaab Ishak's tragedy or COVID-19?

## Future Plans

9. Can I ask how you see the challenges that this organisation faces and how you plan to overcome them, or what additional support (funding) do you require to achieve what you want to achieve?
10. What do you think of landscape of special housing now and how it has changed over time and how do you think it may change in the future. What would you like to see happen if your hopes differ from what you see happening in the future?
11. What do you want to see in any improvements from the LA side in the near to middle-term future, and what would you like to see happen?

*A new longer-term rent policy for all social landlords/An increase in the Affordable Housing Programme/An additional pot of funding (cross-subsidy models, borrowing or investors)*

## **For ALMOs**

### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised form the contracting out public services. i.e., the rationales and mechanisms of ALMOs
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 20-30mins).

### **Questions Related to Three Forms of the Privatisation**

- ***Contracting out the public services: ALMOs***

1. Can I ask about motivations for setting up ALMOs, and are there any moves to bring it back inhouse in the council or for it to become a HA?
2. How do you do on regulating social housing units (council housing units), in terms of its management and maintenance?
  - *Keeping properties in good repair*
  - *Maintain building safety.*
  - *Effective handling of complaints*
  - *Respectful and helpful engagement*
  - *Responsible neighbourhood management*
3. Do you think ALMOs are independent organisations, or they are partnerships with local authorities? Some ALMOs have various functions, such as Stockport Homes, which has responsibilities to manage council homes, and it also builds and develops new homes. Do you think ALMOs can achieve this kind of balance between social needs and for-profit interests?
4. Some ALMOs have own property, portfolios and services, can I ask for their financing models? Any cross-subsidy model or institutional investors?

5. Some ALMOs were taken back control by local authorities. Why do you think it happens? Do you think ALMOs should be a part of council or an independent organisation in charge of management and maintenance affairs?

*In other words, how does their experience compare to local organisations that may have stayed with the council or transferred to HAs via LSVT. What were the options at the time and what arguments are there for these options nowadays?*

6. Are you building new housing, if not, why, what are the constraints? If yes, how are you financed, are you using a local housing company? What are the advantages and disadvantages of the different options here?

## **Future Plans**

7. There is a latest news that there is no funding for removal of RAAC in social housing, and social landlords will be expected to cover the costs of removing any potentially dangerous concrete found in their properties.

Can I ask how you see the challenges that this organisation faces and how you plan to overcome them, or what additional support (funding) do you require to achieve what you want to achieve?

8. What do you think of landscape of special housing now and how it has changed over time and how do you think it may change in the future. What would you like to see happen if your hopes differ from what you see happening in the future?
9. What do you want to see in any improvements from the LA side in the near to middle-term future, and what would you like to see happen?

*A new longer-term rent policy for all social landlords/An increase in the Affordable Housing Programme/An additional pot of funding (cross-subsidy models, borrowing or investors)*

## Appendix 2 Topic Guide (China)

### For LAs

#### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised form the selling off public services and partnerships with other stakeholders. i.e., the rationales and mechanisms of the sale of welfare housing, etc.
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 50-60mins).

### **Questions Related to Three Forms of the Privatisation**

- ***Selling off the public services: the Sale of Welfare-based Housing***

1. Basic Information of LAs

2. Obstacles to implementing the social housing policy.

*Do you feel any obstacles or resistances during the implementation of the social housing policy, such as the termination of the Economic and Affordable Housing Programmes, the allocation of Public and Social rental Housing or the management and maintenance of Public and Social rental Housing?*

*Do you think the sale of welfare housing help to handle affordable issues? Or existing social housing programmes are feasible for a better supply of social housing (The measure that the sold properties are replaced at a one-to-one rate is planned to be done in the UK, but it is not properly carried out, how do you think in China)?*

- ***The financing of the social housing sector: the partnerships with stakeholders***

3. Would there be interest in a programme to promote the transfer of ownership of local government housing, particularly to a City Construction Company?

4. Whether the Government's current arrangements strike the right balance between providing grant funding for City Construction Companies and Housing Revenue borrowing for local authorities?
5. What types of sources of funds do you have for public and social rental housing, such as investment funds from developers, borrowing, bonds or equity funds?
6. Should we introduce a new criterion to the Social Housing Programme to best practice and deter the worst, including for those providers that do not fully use Government funding to build, like real estate developers?

- *Contracting out the public services: Private Property Companies*

7. Can you briefly tell me the overall performance of private property companies in terms of the management and maintenance of social housing in local areas?
8. How can you [X Government] ensure tenants have more choice over contractor services, while retaining oversight of quality and value for money?
9. Is the current framework for local governments to hold private property companies for better accounting sufficiently robust? If not, what more is needed to provide effective oversight of these companies?

## **Some Factors Influencing the Privatised Practices & Critical Junctures**

### Neoliberal thinking

10. Do you think the introduction of private finance into public bodies and the tie-in construction of social housing programmes will residualise the social housing sector, or make it more unaffordable?

11. Do you think local authorities should play a more active role in the provision of social housing, in ways of the increasing involvement of related affairs, such as strengthening the censorship of access mechanism?

#### Globalisation

12. Do you think some international practices or experiences are influencing your decision-making and the design of related strategies, such as affordable housing programmes from the UK?

13. Do you think some essential events are influencing your governance in the housing sector? For example, like the 2008 Global Financial Crisis, or COVID-19?

#### Future Plans

14. Do you think there might be some challenges in your sector, such as the supply of public and social rental housing programmes, the monitoring of tenants or enough funding to support programmes?

*What are the drivers behind these issues? Or if some implications?*

15. Where do you see the housing sector in the near to middle-term future, and what would you like to see happen?

## **For CCCs**

### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised form of the financing of City Construction Company i.e., mainly the rationales and mechanisms of local housing companies, etc.
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 50-60mins).

### **Questions Related to Three Forms of the Privatisation**

- **The Financial shifts in city construction companies**

1. How do you finance the new dwellings of social housing?

*If public finance, how much can you receive from local governments or other public bodies?*

*If private finance, what kind of source of finance do you have to receive enough funding? In other words, how do you implement Social Housing Programmes partnerships with private investors or landlords, such as some Investment Management Companies or developers?*

2. How can you generate a surplus that can be used to help fund your social investment services? In other words, what is your plan for strong financial controls and any commitments for efficiencies?

- **The financial partnerships with corporate investors**

3. Have you in partnerships with some corporate investors, such as Capital, for-profit companies or Funds? If no, ignore it. If yes,

*Do you think social housing or affordable housing can be seen as financial assets?*

*Why are you involved in the investment of social housing programmes, for profit or charitable?*

### **Some Factors Influencing the Privatised Practices & Critical Junctures**

Neoliberal thinking

4. Do you think the introduction of private finance into public bodies will residualise the social housing sector, or make it more unaffordable?
  
5. Do you think local authorities or other housing providers, like you, should play a more active role in the provision of social housing?

Globalisation

6. Do you think some essential events are influencing your practices and plans? For example, like the 2008 Global Financial Crisis, or COVID-19?

### **Future Plans**

7. Do you think there might be some challenges in your sector, such as enough funding for programmes, the relationship between you and governments?

*What are the drivers behind these issues? Or if some implications?*

8. Where do you see the housing sector in the near to middle-term future, and what would you like to see happen?

## **For Private Property Management Companies**

### **Preliminary matters**

- Brief overview of study. Looking to understand the privatised form the contracting out public services. i.e., the rationales and mechanisms of private property companies
- Waiting for confirm consent.
- Waiting for confirm permission to record.
- Check timing (approximately 20-30mins).

### **Questions Related to Three Forms of the Privatisation**

- *Contracting out the public services: private property management companies*
  1. How do you do on regulating social housing units, in terms of its management and maintenance?
    - *Keeping properties in good repair*
    - *Maintain building safety.*
    - *Effective handling of complaints*
    - *Respectful and helpful engagement*
    - *Responsible neighbourhood management*
  2. Do you think local authorities should play a more active role in the provision of council housing, in ways of the increasing involvement of related affairs, such as the strengthening the censorship of access and exit mechanisms?

### **Some Factors Influencing the Privatised Practices & Critical Junctures**

#### **Neoliberal thinking**

3. Do you think the pattern of the tie-in construction of social housing programmes will residualise the social housing sector, or make it more unaffordable?

#### **Globalisation**

4. Do you think some essential events are influencing your practices and plans? For example, like the 2008 Global Financial Crisis, or COVID-19?

## **Future Plans**

5. Do you think existing management and maintenance policies benefit tenants and vulnerable groups, and in which ways?
6. Do you think there might be some challenges in your sector, such as charge management fees or the regulation of a mixed community with commercial housing and social housing tenants?

*What are the drivers behind these issues? Or if some implications?*

7. What do you want to see in any improvements from the local government side in the near to middle-term future, and what would you like to see happen?

*A new longer-term rent policy for all social housing tenants/An increase in the Social Housing Programme*