

Submission to Legislative Council Panel on Housing Special Meeting 8 March 2004
on public rental housing waiting list income and asset limits for 2004-2005

The Context

1. It is the policy objective of the Hong Kong Housing Authority to provide rental housing of decent standards to those who are in genuine housing need and this is also a consensus of the community.
2. Genuine housing need is interpreted in a number of ways, as reflected by the entry routes to public rental housing: those who are affected by clearance and under the risk of becoming homeless, those who have special personal need as assessed by social workers, others with emergency needs, junior civil servants, the last group, which is also the biggest, are those who cannot afford high rent in the private sector. Households in the last group join public rental housing by registering themselves in the General Waiting List. It is the route most public tenants got through.
3. Unaffordability to private renting housing, as implied by the formula in calculating the waiting list income limit, is the inability to enjoy a decent living standard after housing cost is paid for. To operationalise such calculation, it is assumed that a household would not be able to enjoy decent living standard if income of the household, after paying for a reasonable level of rent, is lower than the average expenditure level of the poorer half of private tenants who are in work. Hence, roughly the poorest one quarter of private tenants would be expected to be included in the public housing sector. The reasonable rent level takes the assumption that the household would be renting a flat at average market rent and at a size as big as the public rental flat the household would be allocated.
4. Income limits are obliged to adjust annually. Yet the important reference, namely expenditure level of private tenants, are only measured every five years in the Household Expenditure Survey (the latest is 1999-2000). Thus CPI is used to adjust such expenditure levels and the rents in the private sector are adjusted by taking reference of the continuous survey on rent conducted by the Rating and Valuation Department.
5. Some minor technical adjustments have been introduced in recent years. These include the introduction of asset limits which aims at tapping potential income generated by such assets, taking into account the higher rent level small households may have to pay in the private sector, including only the working households in the reference of income after paying housing costs (effectively pushing up the income limits) and making allowance for MPF contribution. Yet the basic principle of assessing housing affordability remains unchanged.

My comments

6. Given the volatility in the housing market, fluctuations in private sector rent would inevitably affect the waiting list income limits (and asset limits). As housing rent also constitutes a substantial weight in CPI, its consequentially further amplifies the impact of rent on the waiting list income limit. The level of rent has been dropping in the past few years. Hence, waiting list income limits have to be downwardly adjusted to reflect such downward movement of rent. It is merely a mechanical adjustment under the formula. Yet any downward adjustment of the income limit would inevitably disappoint some households who are at the boundaries of the income limits as they are excluded from public housing under the revised income limits.
7. Some commentators worry that households who are in need may be unjustly excluded from the public housing sector. In fact, with reference to the estimation carried out by the Statistical Section of the Housing Department based on the 2001 Census data, waiting list income limits at 2001 would have allowed between 41% of the poorest single-person households to a quarter for 9-persons households (note 1) be included in the waiting list. The figures may have changed in the past few years but I reckon the degree of change would not be big. Thus, on the average, around one third of the poorest households would be covered under the waiting list income limits.
8. My research also indicates that the profile of private tenants has also undergone changes in the past two decades – the private rental sector is only half its relative size two decades ago, the poorest households (the bottom one tenth in the income spectrum) have also reduced to half of its size but the richest households have instead increased by 60%. As the waiting list income limits set reference to the distribution of expenditure of private tenants, this may in the medium term push up the income limit viz-z-viz changes in the income distribution of other tenure groups.
9. In addition, with a long waiting queue of 90,000, a formula based allocation policy may help to improve efficiency as well as transparency of the allocation process. Unless an alternative policy is in place, it may be unwise not to adhere to the agreed formula in fixing the waiting list income limits. Of course, pending the application of the formula may be one option but at the same time, the search for new policy has to begin.
10. However, the current concern of the public in the downward adjustment of waiting list income limits may reflect the worry of the public of a possible entrenchment of public housing. This would have a negative impact on the long term prospect of households who may be in need of housing.
11. Hence, we need a reiteration of the policy objectives of public housing particularly on how “genuine policy need” is being interpreted in the allocation policy (and rent policy as well). The community has to debate on who are the genuinely needy, how waiting list income limit should be fixed and in fact, whether income is a good indicator of housing need.

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Note 1 – quoted in Lau K. Y. (2004) Targeting the Needy in Public Rental Housing in Yeung, Y.M and Wong, K.Y.T. (ed). Fifty Years of Public Housing in Hong Kong, Hong Kong: Chinese University Press.