

## Public housing policy in Singapore

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### An exceptional public housing system

Housing is one of the most intractable policy challenges facing many countries and large cities. Where housing is in shortage, housing costs can quickly become a problem. For instance, across the European Union, a tenth of the population spend more than 40% of their disposable income on housing (Pitini, Ghekière, Dijol, & Kiss, 2015). This percentage of spending is even higher among poorer persons. Governments often respond by offering social housing at subsidised rents. These have led to concerns about poverty concentration and, where there is insufficient public investment, problems with basic housing quality and neighbourhood deterioration. In the post-crisis environment of fiscal austerity, pressures on public housing systems have grown and cities such as London now face acute housing shortages and long wait lists for social housing. When housing problems coincide with other forms of vulnerability, they may also result in homelessness and other forms of social exclusion.

Singapore's public housing landscape offers a dramatic contrast. The sheer scale of the housing programme is remarkable. Some 80% of Singapore's population live in flats built by the Housing and Development Board (HDB, 2016). At the same time, the mix of public and private is also distinctive. While planned, built, and allocated by the government, HDB flats are sold to the public on 99-year leases rather than rented, and thereafter may be traded on the resale housing market largely in the manner of private housing. In terms of policy design, the public housing system is unusual in that it also performs a range of secondary policy functions that are quite unrelated to housing. This article reviews the context of this exceptional approach to public housing, the complex policy goals and instruments it involves, and the emerging challenges.

### Policy context

Public housing policy in Singapore reflects three considerations. The first is universal homeownership as an overarching policy principle. The public housing system inherited from the British colonial administration was not oriented towards ownership at the outset, but sought to deliver basic public housing at an affordable rent to as many people as possible in order to replace widespread slum

dwellings. In the late 1960s there was a shift in policy direction towards selling public housing and, by the 1980s, homeownership rates were growing so steadily that the housing minister at the time declared a national goal of universal homeownership. Although that policy goal is no longer explicit, there remains a distinct policy preference for ownership over social renting. Only 6% of the public housing stock caters for poorer households on a rental basis (HDB, 2016), performing the function of social housing in other countries. There is recognition that rental housing must continue to be available for the oldest and most vulnerable tenants who have little realistic opportunity of purchasing housing. But for younger households, renting is considered to be a stepping stone to ownership. Various schemes subsidise housing purchase or provide social interventions that are thought to address the behavioural factors behind social renting.



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Second, the extensive coverage of purchased public housing must also be understood in relation to other social policies in the country. Social protection in Singapore remains fairly lean. There is no minimum wage protection, although a few occupations are now governed by regulations that stipulate wage increments alongside skills training. There is no unemployment insurance. Instead the general approach is that of workfare or work activation. Out-of-work persons may receive financial assistance by demonstrating effort to find work with the support of career advisors and social workers. Healthcare at the tertiary level is paid for through a mix of public subsidies, insurance, individual savings, and out-of-pocket payments. Formal education comes closest to universal provision but, even so, universalism only applies from age seven onwards while pre-school education is left to private providers. In this context of minimal social protection, the availability of subsidised public housing becomes critical to maintaining social peace and meeting social needs, since it is often one of the largest items of expenditure. Public housing serves as a form of social wage to defray living costs and mitigate the individual's exposure to labour market uncertainties.

This social wage assumes even greater significance in old age, when work income starts to fall. At this stage, purchased public housing is an asset that can be converted into cash to meet income needs. Most old-age pension systems are built around the presumption of steady accumulation during working age followed by payouts in retirement. Singapore takes a different approach in that individuals are required to save at a very high rate but are also allowed to make large pre-retirement withdrawals, often leaving very little cash savings for retirement. Under the rules of the Central Provident Fund (CPF), which started out as a pension scheme in the 1950s, all workers make mandatory monthly contributions of up to a fifth of their wages while their employers contribute up to

another 17% of wages. These contributions go into personal accounts that were originally meant to fund retirement spending. However from the 1960s, the rules were gradually relaxed to allow withdrawals for purchasing housing. This proved to be an extremely popular measure and the only practical way for many families to pay for housing, making the CPF in effect a housing saving scheme. Housing now accounts for the largest portion of annual CPF withdrawals, rather than retirement income (Ng, 2011). One of the fundamental principles governing housing policy is therefore that the equity in housing assets must be released in old age to compensate for low pension savings.

These considerations are tightly intertwined. If social policy is designed on the understanding that homeownership will offer protection from social risks, including lower incomes in old age, then universalism in the sense of even and widespread access to public housing becomes critical. The next section will consider the policy instruments used to enact these principles.

### **Policy goals and strategies**

Singapore's public housing policies can be interpreted through two pairs of objectives. The first is affordability and quality. The second is community and income security.

#### *Affordability and quality*

Affordability is a basic goal in all public housing systems. This means both that governments must be able to finance building programmes to ensure housing supply, and that people must have the means to purchase it. In Singapore, this is managed through a set of financial mechanisms built around the CPF (Phang, 2007). These begin with individuals paying into their personal CPF accounts. The government sells bonds to the CPF Board in order to access CPF savings, which are in turn used to finance the public housing building programme through various loans and grants to the HDB. The HDB both sells flats to families and issues loans to help them pay for it. These loans are eventually repaid through further CPF savings. There are also a range of grants to help first-time buyers of public housing. These have expanded in scope and generosity in recent years. But as public housing may be traded on the resale market after the initial purchase and a minimum period of occupancy, housing prices are subject to market fluctuations. In the late 2000s, for instance, the increase in public housing prices outpaced income growth, triggering public concern about affordability. In these circumstances, policymakers have been able to manage prices by calibrating the rules that determine the eligibility, and therefore demand, for public housing.



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As living standards rose in Singapore in the past few decades, the emphasis of housing policy gradually shifted towards the quality of the living environment. Larger flat sizes were introduced, while the building of smaller flat types ceased. Flat designs reflected changing lifestyles. For example, a small balcony was included in some flats as a laundry area and for housing air-conditioning units. Quality often implied exclusivity and distinctiveness. Uniform block designs and long common corridors became less common, while neighbourhood landscaping took into account the local identities in different new towns. New housing schemes responded to the aspiration for private housing within the public housing sector. In selected building projects, the HDB partnered with private housing developers. A premium category of public housing came with similar facilities as private condominiums and assumed the legal status of private housing after an initial occupancy period. The result of these developments was an expansion of choice at the top end of the public housing market to cater for upward housing mobility. In parallel, there has been significant investment in the refurbishment and redevelopment of older estates, such as by installing lifts, improving features within flats, as well as upgrading neighbourhood facilities. This explains why even older public housing precincts do not generally show signs of neglect and decay.

Affordability and quality may not always be compatible goals. For one, flats of better quality cost more. More importantly there has been a fundamental reorientation of the public housing system from a model of decent housing for the masses towards a greater emphasis on diversity and choice. Housing today is no longer uniformly affordable and accessible across the public housing sector, while housing experiences too have become much more varied depending on what one can afford. Universalism can only be asserted in the narrower sense of coverage – that most Singaporeans live in public housing of some sort.

#### *Community and income security*

Given the size of the public housing sector in Singapore, it almost inevitably plays a part in shaping daily living environments and social ties at the neighbourhood level. Strategies to build and manage social relationships in public housing estates operate across several domains. In terms of design, there are no housing units on the ground floor. Instead the ‘void deck’ is left vacant to allow space for community activities and daily social interactions. Social amenities such as playgrounds, hard courts, and outdoor fitness equipment cater for different age groups. There are a wide range of planned social activities led by resident committees that each oversee a few blocks of flats. Organisationally these

resident committees are subordinate to precinct-level committees and connected to community centres that serve as social hubs where residents may access public services and an even wider range of social programmes.

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From early on, policymakers have been keen to avoid the emergence of ethnic enclaves in residential neighbourhoods. They therefore implemented strict ethnic quotas that stipulate the maximum proportion of representation of each ethnic group at the neighbourhood and block levels. Flats may not be sold on to buyers of a particular ethnic group if they have reached their quotas. This form of social management is just as explicit when it comes to the composition of households. While public housing is seen as a form of public provision for citizens, the level of access to public housing depends on marital status, age, and income. These factors combine to determine *eligibility* – whether and when someone qualifies to purchase public housing; *priority* – whether their applications are considered sooner than others’; and *subsidy* – the types and amounts of housing grants given. Housing policy states that public housing caters for ‘family units’, defined in a way that is most favourable to married couples. Widowed persons are regarded as family units if they have children. Single persons living on their own may only purchase flats from 35 years old and must choose from a narrower range of flat types. Unmarried persons, even if they have children, are treated as singles. In these ways, housing policy attempts to incentivise certain household forms and discourage others.

Whereas community-building strategies are concerned with promoting meaningful local social ties and identification with place, another set of policies carry the message that housing is also a valuable financial asset that will provide income security in old age. This has gained prominence as the population ages and households become smaller over time. The implication is that more elderly people in future will not have financial support from working-age children who have traditionally been their main source of income. Older residents are encouraged to sell their flats and move to smaller ones after their adult children leave the family home, sublet spare rooms in their flat, or trade in the remaining lease on their flat to the HDB in exchange for a monthly cash payout in a scheme akin to reverse mortgage.

These have met with varying success. As in other countries, some older Singaporeans are hesitant about selling their flats as they see housing as precautionary saving, bequest for the children, or something of sentimental value. From a wider economic perspective, there are concerns about the extent to which housing can be depended on for old-age income security, considering the volatility of housing prices and the possible consequences on the housing market should elderly homeowners put their properties up for sale in large numbers. More basic questions have also been asked about the compatibility of housing strategies that promote community and belongingness, with policies that regard housing as properties to be acquired or disposed of in step with the life cycle.



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## **Managing diversity and change**

The challenges facing Singapore's public housing system derive from its sheer scale and how quickly it has developed, in other words, the same factors that characterize its distinctiveness and apparent success.

The first difficulty confronting a public housing sector of this size is the need to cater for diversity. When four-fifths of the population live in public housing, the housing system must necessarily provide for households of different sizes, financial means, social needs, and housing expectations. At the top of the range, the public housing system has excelled at innovations in design and provision, greying the boundary between the most expensive public housing and private housing at the bottom end. But provision for lower income households has been more problematic. In the 2000s, as the supply of smaller flats declined and housing prices grew, the main option available to these households was public rental flats. Yet the public rental sector had itself not expanded over the years and was governed by strict eligibility rules. The resulting pressure on the public housing system led to a significant change of heart by policymakers and the building of new rental flats for the first time in years. They have set a target to increase the total number of rental units by some 40% over ten years (*Hansard*, 2016). At the same time, social trends are challenging traditional definitions of the family unit, with a greater number of singles and single parent families. Politically it will be difficult for housing rules to continue treating these groups as exceptions. There has been some compromise, such as the liberalization of rules regarding singles' eligibility to purchase flats. But in other areas, reform has been slower.

The second challenge is related to wide-ranging changes in the society and economy since the public housing system started. The public housing sector matured at a time of rapid economic development with broad-based social gains and low levels of inequality. In that context, public housing was the pillar of an asset-based approach to social development that redistributed incomes across the individual's life stages, from working years to retirement years, rather than between income groups in

society. For this strategy to work, access to purchased housing had to be more or less universal. Cost, often the most significant barrier to access, had to be contained. But economic development and higher living standards were accompanied by expectations for housing experiences that would fit with more refined lifestyles, generating a policy momentum that focused on upward housing mobility and deemphasized the provision of basic, affordable housing options. This coincided with slower economic growth and wage stagnation at the bottom of the income distribution.

Lately, the growing prevalence of flexible work and income insecurity during working age, especially for lower-skilled workers, raises deeper questions about the homeownership model premised on individuals' ability to keep up regular mortgage payments over a significant length of time. Acknowledging these pressures, recent housing reforms have introduced smaller housing types and shorter leases. These are unlikely to be the final adjustments to ensure the accessibility of public housing because the stakes are very high. In a social policy setting that depends on housing as a social wage, housing problems are by necessity also problems of social well-being, from the years of young adulthood and family formation through to retirement.

## Conclusion

Singapore's public housing system is remarkable in many ways. Observers are often struck by the scale of public housing, which accommodates four out of every five persons in Singapore. This reflects the overarching commitment to homeownership, which is better understood in the context of a social welfare system that prefers individual saving and asset-building over direct social spending and income redistribution. What may be less obvious are the ways in which housing policies have sought to harmonise a complex range of policy objectives that may not always be compatible or related to housing. There are unavoidable trade-offs, such as between affordability and quality. Income inequality will make this tension more apparent and require policymakers to stretch the range of housing options to meet diverse means and tastes. The public housing system has also been gearing up for the ageing population in a society where family forms are evolving. Economic changes that contribute to labour market insecurity will make basic services such as housing even more important, but also call into question the viability of Singapore's homeownership model. For all these reasons, public housing is likely to be a domain of significant and continued innovation in the years to come.

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