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# The Future of Public Housing

Ongoing Trends in the East and the West

 Springer

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# Chapter 6

## Public Housing Policy in Taiwan

Chin-Oh Chang and Shu-Mei Yuan

**Abstract** This chapter introduces public housing policy in Taiwan after the Kuomintang (KMT) retreated from China and took over Taiwan. The government has never put much thought into public housing policy. As a consequence, the housing rights of low- or middle-income households and minority groups were not taken seriously by the Taiwanese government. This chapter suggests that the purposes of public housing policy should be simplified and political intervention should be minimized to not confuse the essence of public housing. Furthermore, new directions for public housing policy in Taiwan are proposed.

**Keywords** Taiwan • Public housing • Housing policy

### 6.1 Introduction

There are two types of public housing concepts in Taiwan. One type refers to physical building construction by the government. The characteristics of this type of public housing are as follows: (1) very low numbers of dwelling units for disadvantaged households, (2) for sale, not for rent, and (3) loosely-defined application criteria. In Taiwan, as long as households had income lower than the median price, applicants were deemed qualified. The other type of concept refers to housing policies that spend national resources on socially or economically disadvantaged households to improve their housing well-being, such as re-settlement after natural disasters, housing for civil servants, housing for dependents of servicemen and subsidies for mortgage interest rates.

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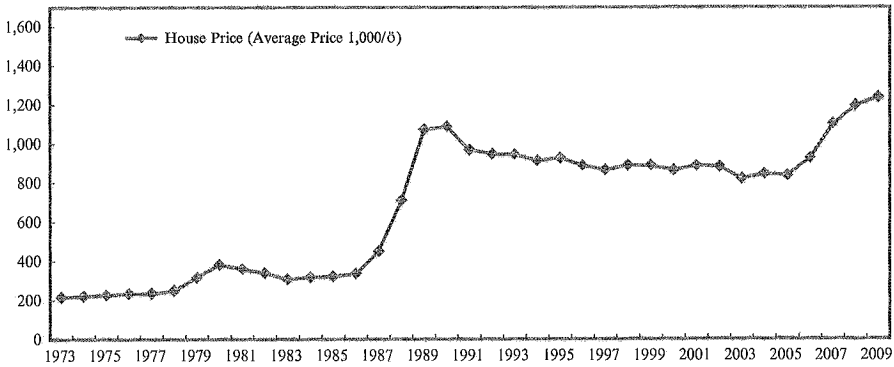
Taiwan's public housing policy has been neglected by the government. Compared to other countries, Taiwan's government does not put much effort into public housing. There are only approximately 6,000 dwelling units of social housing (0.08 % of Taiwan's total housing stock) provided for socially disadvantaged individuals and approximately 170,000 dwelling units of public housing (2.27 % of Taiwan's total housing stock) provided for economically disadvantaged individuals; even though the government is currently actively promoting an affordable housing policy and there will be an estimated 8,000 public housing units (0.10 % of Taiwan's total housing stock) in 2014, the total public housing stock is currently still less than 3 %. This low public housing share does not mean that the housing market in Taiwan is functioning robustly such that the government does not need to intervene. On the contrary, Taiwanese housing problems are serious. According to the "social housing demand survey" conducted by the Ministry of the Interior in 2011, the socially disadvantaged needed 330,000 dwelling units, a number that was much higher than what the government has supplied. In addition, the price/income ratio (PIR) of housing has increased to above 10 in metropolitan areas, and low- or middle-income households suffer from high financial pressure when buying houses in the market-oriented housing system.

Non-government organizations (NGOs) call for the provision of more public housing. However, the government only pursues short-term regime stability or political propaganda; it appears that the government has not taken the housing problems of the socially disadvantaged individuals seriously and has not considered providing public housing for economically disadvantaged individuals as an approach to lower their housing costs. To date, the public housing issue in Taiwan has not been significantly improved.

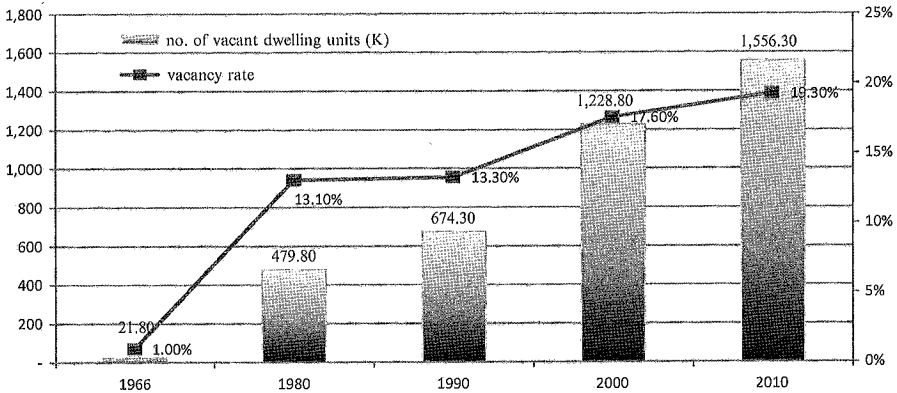
The rest of the chapter is organized as follows. In the following section, we introduce the housing market in Taiwan. In Sect. 6.3, we describe the historical context of the public housing policy. In Sect. 6.4, we discuss two current public housing policies. In Sect. 6.5, we explain why there are so few units of public housing in Taiwan. Finally, in Sect. 6.6, we offer some concluding remarks and propose new directions for the public housing policy for Taiwan.

## 6.2 Housing Market in Taiwan

Some reasons for the implementation and failure of the public housing policy relate to the development of the housing market. Taiwan's housing market has been quite volatile, with four booms over the past 40 years (Fig. 6.1). The first cycle was approximately between 1972 and 1974. The rise was commonly understood as caused by the oil embargo. The sudden increase of oil prices led directly to high inflation in most commodities. This increase also led to a sharp rise in the cost of construction and capital on the supply side and triggered the expectation of housing price increases. The second cycle was between 1978 and 1980. The factors that stimulated the increase in housing prices were similar to those that caused the first boom. Inflation caused by oil price increases again resulted in higher costs on the supply side and expectations of price increases on the demand side. The third cycle was between 1987 and 1989. The main cause of the housing price increases during this boom was the rapid expansion of the money supply. The primary reason behind

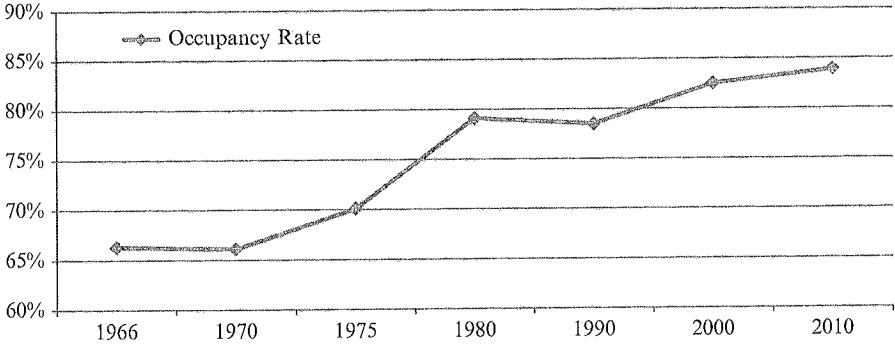


**Fig. 6.1** Taipei's housing price from 1973 to 2010 (in Real Terms) (Source: Taiwan Real Estate Research Center, National Chengchi University)



**Fig. 6.2** Number of vacant dwelling units and vacancy rate in Taiwan (Source: Population and Housing Census 1966, 1980, 1990, 2000, 2010; Directorate General of Budget, Accounting and Statistics, Executive Yuan)

the increase of the money supply was the consistently high economic growth rate of approximately 12–13 %. The fourth cycle was between 2004 and 2010. This cycle differs from the previous cycles in that it occurred in the major metropolitan area, Taipei, but was not widespread in Taiwan. This phenomenon is fundamentally related to the unbalanced resource distribution in Taiwan's regional development because Taipei is the political and economic center and has more job opportunities than other cities. Another difference is that this cycle has lasted much longer in terms of expansion and contraction compared with the previous cycles. This cycle is basically fueled by low interest rates, which give business conglomerates and speculators leverage to play the market. Over the last 40 years, Taiwan's government passively watched the failure of the housing market. This permissive management toward the housing market contributed to rocketing housing prices, high PIR, high vacancy rates and high ownership rates (Figs. 6.2 and 6.3).



**Fig. 6.3** Ownership rate in Taiwan (Source: Population and Housing Census 2010; Directorate General of Budget, Accounting and Statistics, Executive Yuan)

### 6.3 Historical Context of the Public Housing Policy

Different political systems come with different philosophies of public housing policy. The different schemes of public housing that were in place in Taiwan are listed in Table 6.1. We identify three periods in the history of the public housing policy as follows:

#### 6.3.1 *From the KMT<sup>1</sup>'s Takeover to the Enforcement of the Public Housing Act, 1940s–1970s*

Since the KMT retreated from China and came to Taiwan in 1949, after World War II, the party limited social activities by martial law and put most of Taiwan's resources into national defense.<sup>2</sup> Regarding economic policy, the government focused on economic growth and tried to escape poverty. Taiwan was considered a springboard to retake mainland China and a temporary place to stay after the retreat. The public housing that the KMT actively planned and constructed only included residences and dependents' dormitories provided for officials, congresspersons and officers, and the party did not provide public housing for the general public.

<sup>1</sup> KMT is the abbreviation of Kuomintang via the Pinyin transcription system, and translated as the Chinese Nationalist Party. KMT was founded in 1894 and established the Republic of China in mainland China in 1911. After World War II, the Communists controlled almost all of mainland China, as by the end of 1949 the KMT retreated to Taiwan.

<sup>2</sup> Earlier national statistics were not public; however, according to the accessible and earliest data "Government Finance Statistics Yearbook (IMF) 1987" it was estimated that more than 40.7 % of the governmental budget was used for national defense in the beginning of the KMT's takeover.

**Table 6.1** Different schemes of public housing

Scheme (Responsible authorities)	Details
Housing for Civic Servants (Human Resources Bureau)	<p>Eligibility</p> <ul style="list-style-type: none"> <li>• Employees of the central government and public schools for at least 1 year</li> </ul> <p>Modes of Subsidy</p> <ul style="list-style-type: none"> <li>• Subsidized interest loans (varied with ranks)</li> </ul> <p>Output</p> <ul style="list-style-type: none"> <li>• Up to 2000, 88,385 loans and housing units were provided</li> </ul>
Housing for Dependents of Servicemen (Ministry of Defense)	<p>Eligibility</p> <ul style="list-style-type: none"> <li>• Servicemen's families who own no private properties</li> </ul> <p>Modes of Subsidy</p> <ul style="list-style-type: none"> <li>• Subsidies for sitting tenants in former Estates for Dependents</li> <li>• Mortgage interest subsidy scheme to purchase private homes</li> </ul> <p>Output</p> <ul style="list-style-type: none"> <li>• Up to 2000, 55,153 loans were rendered</li> </ul>
Public Housing for Sale	<p>Eligibility</p> <ul style="list-style-type: none"> <li>• With ownership of housing units</li> <li>• Holders of local resident registration for more than 6 months</li> <li>• Lower income household (standard set by Executive Yuan – below median household income)</li> </ul> <p>Modes of Subsidy</p> <ul style="list-style-type: none"> <li>• Reduced interest mortgage</li> <li>• Exemption on transaction tax</li> </ul> <p>Output</p> <ul style="list-style-type: none"> <li>• Up to 2000, 165,545, units were directly constructed by the government</li> </ul>
Mortgage interest subsidy for home purchase (Public Housing Departments)	<p>Eligibility</p> <ul style="list-style-type: none"> <li>• Same as that for Public Housing for Sale Scheme</li> </ul> <p>Modes of Subsidy</p> <ul style="list-style-type: none"> <li>• Subsidized interest rate</li> <li>• Limit on the maximum floor area that can be purchased</li> </ul> <p>Output</p> <ul style="list-style-type: none"> <li>• 117,110 loans from 1990 to 1999</li> </ul>

Source: Yip and Chang (2003)

### 6.3.1.1 Settlement of Military Dependents' Villages

The government and millions of military forces and people moved to Taiwan from China in 1949, and the population increased rapidly and significantly; it was not possible to immediately build a large amount of housing for these people; thus, Taiwan was flooded with buildings constructed without licenses. Furthermore,

other public constructions were not ready and land use was inefficient; hence, Taiwan had a serious post-war housing problem. However, the government was eager to stabilize military and domestic affairs and was too preoccupied to deal with the housing problem (Chang 1990).

In 1946, Taiwan's population was approximately 6.1 million and suddenly increased to 7.45 million; most of that increase was due to new residents coming from China. To solve the housing problem for these 1.5 million people, the government began to build houses or arrange dormitories; the government also made these people live together according to their armed service types and occupations in so-called "military dependents' villages". The statistics of the National Women's League of the R.O.C. of 1982 indicated that there were a total of 879 military dependents' villages and 98,535 households, not including buildings constructed without licenses.

In earlier times, most of the land used for building these villages was that of Japanese immigrants' villages from the period of Japanese Rule, and most of the houses were built after the war, except for some old buildings. In 1950, the common simple houses had a straw roof and bamboo-mud wall. There were four size types of these houses: (A) 41 square meters, (B) 33 square meters, (C) 28 square meters, and (D) 25 square meters; however, not every village had houses of all four types. The houses were distributed according to their official ranking via lottery drawing in which military servicemen, civil servants, teachers and congressmen participated; the residents had no property rights. From 1960 to 1970, the main parts of these houses were made of bricks and included facilities such as a household toilet, bathroom, kitchen, primary beam, tile and electric wire after the military repaired and built the houses.

### 6.3.1.2 Post-disaster Settlement

Taiwan is often afflicted by typhoons and earthquakes. In earlier times, house structures were not very solid and concepts such as urban disaster prevention systems and land capacities were not popular; thus, natural disasters always caused great losses of people's lives and properties, and the government embarked on a strategy of post-disaster settlements through temporary shelters. For example, a typhoon hit Taiwan's middle and southern parts on Aug. 7, 1959, and floods were caused by torrential rain. A total of 667 people died, 27,466 houses collapsed completely, and 18,303 houses collapsed partially. The government resettled 300,000 victims; this typhoon was Taiwan's most serious disaster after the war. The government mobilized the military and called millions of civilians to assist with the rescue and reconstruction and also established temporary shelters at public sites, schools at higher terrains, and public buildings. Chiayi had an earthquake  $ML = 6.1$  on Jan. 8, 1964; this earthquake caused 106 people to be declared dead or missing, the complete collapse of 10,502 houses, the partial collapse of 25,818 houses, and big fires in the city area; moreover, 174 houses burned down. The government set up temporary shelters to settle the victims.



There was no public housing policy in the early period of the KMT's takeover. Nevertheless, the KMT government still put some efforts into public housing projects such as the "Settlement of military dependents' village", the "post-disaster settlement project" and the "public housing loan". Such policies were passively implemented by the government due to the events of emergent disasters and pressure from the U.S. government; to consolidate the regime, the KMT started to passively and temporarily enforce a public housing policy.

### ***6.3.2 From the Enforcement of the Public Housing Act to the Presidential Direct Election, 1970s-1990s***

In 1975, the government published the "Public Housing Act" and claimed that the policy could help achieve multiple purposes. First, this act could be the indicator of economic development. The policy was swiftly adopted into national economic development projects as the "6-year public housing construction project", and it was estimated that 100,000 units could be built from 1976 to 1981. This policy would imply 12 major construction projects, and it was estimated that 600,000 units could be built from 1980 to 1989. Second, this act could help reach the goal of "home ownership", the principle of people's livelihood. Furthermore, the act could counteract the speculative real estate business; the government could build a large amount of cheap public housing to take care of people with low or medium incomes. Third, these public houses could be the "model house", remove the image of low quality of public housing and enhance people's living and environmental quality. The government pacified people's feelings, improved the country's ability and image, intended to suppress the real estate market and supported economic development by promoting the public housing policy.

The implementation results differed greatly from the stated objectives for the following reasons: First, the progress of this project was slow. The public housing department was not well organized, and manpower and funds were not yet ready; moreover, land was not easy to obtain<sup>3</sup> (Mi 1988; Yip and Chang 2003) and therefore only 68,347 units were constructed through the end of 1985 (Table 6.2). Second, there were not many units that were allocated and open for civilians to buy. The distribution and selling processes were not open; households of military dependents and households relocated due to demolition often had first priority, and others had to line up and draw lots.

Third, the percentage increase in the provision of loans was lower than the rise in prices; thus, low- or middle-income households could not afford to buy houses.

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<sup>3</sup>Taiwan used an ownership system for lands, most of which were owned by civilians, and public lands were limited. It was difficult to expropriate lands.

**Table 6.2** Public housing directly constructed by Government in Taiwan

	Dwelling units		Dwelling units	
1976–1981	68,347	1992	8,208	
1982–1985	26,472	1993	2,862	
1986	1,830	1994	6,010	
1987	60	1995	11,092	
1988	818	1996	9,478	
1989	500	1997	6,035	
1990	14,097	1998	6,043	
1991	3,605	1999	88	

Source: Construction and Planning Agency Ministry of the Interior, Executive Yuan

When Taiwan's economy boomed from 1978 to 1980, house prices also rose gradually. Take the prices of public housing and the provided loans in 1980 as an example: the selling price was NT 700,000–800,000, which was more than a million NT less than the prices of housing units in nearby private market neighborhood; however, people could only obtain a loan of 30 % of the housing price, and this low number was set according to applicants' economic conditions. Nevertheless, the government failed to consider that low- or middle-income households could not afford to pay the remainder. Hence, those people who finally bought public houses were not the ones that the government originally intended to take care of.

Fourth, the planning, design and construction quality of public housing, as one project of public construction, was of low quality because of the corruption and fraud of some local politicians or factions. Following a decade of severe recession in the real estate market, the situation of excess supply of public housing deteriorated. The program gradually slowed down after 1985. However, a short boom in 1987 increased the housing demand and accelerated public housing construction (Grange et al. 2006).

The public housing policy could not produce the effects that the government promised. Not only were minority groups and low- or middle-income households unable to afford to buy houses, but the ever-increasing house prices also became a serious social problem that led to the "homeless campaign" on Aug. 26, 1989. People who were not able to afford to buy houses established the "United association of the homeless" and slept on the Zhong-Xiao East Road, a street in the Taipei metropolitan area, to protest against skyrocketing house prices and unsound housing policies. Tens of thousands of people covered themselves with quilts and were lying shoulder to shoulder on Taipei's most expensive central land; they called for reasonable house prices and protested against the rocketing real estate prices due to the housing speculation of conglomerates.

The "Homeless campaign" received attention from the government and the mass media, and the government evaluated the feasibility of "rental and price control"; however, as the news faded, the government did not provide any policy to address the skyrocketing house prices.

### **6.3.3 From the Direct Presidential Election Until Now, 1990s–Now**

During this period, Taiwan faced the problems of political wrangling between the KMT and the DPP,<sup>4</sup> economic stagnation and the decline of the GDP growth rate, a recession of the real estate market, and high business risks for real estate developers. Meanwhile, the government had failed to provide a large amount of public housing. Therefore, the government decided to postpone building public houses and return to a policy of considering housing needs. Consequently, the government pursued a public housing policy of mortgage interest-rate subsidies and tax reform. The policy of mortgage interest-rate subsidies was important during this period.

For the mortgage interest-rate subsidies, the government would subsidize interest rates to assist people to buy houses. For the public, the government allotted a total of NT\$ 1,080 billion (US\$ 36 billion) for this policy. House buyers older than 20 years, regardless of the purchasing purpose or type of house, could apply for a mortgage, and the limit was NT\$ 2 to 2.5 million per household. Regarding the interest rate subsidy, in the overall subsidy provided to the public, for the first NT\$ 400 billion, the yearly interest rate was fixed at 0.85 %; for the next NT\$ 200 billion, the yearly interest rate was fixed at 0.425 %; and for the remaining subsidy, the interest rate was 0.25 %. In addition, there were other mortgage interest-rate subsidy plans for laborers, public servants and teachers, which were also subsidized interest rates; however, the maximum credit line and interest rate were different.

The mortgage interest-rate subsidy policy undoubtedly increased the short-term demand for housing and stimulated the real estate market. House prices and quantity reduced the business risks of real estate developers; furthermore, for 1 year in 1999, the government subsidized the interest rate for those buying the real estate developers' inventory of new buildings. At the beginning of the enforcement, the real estate market had boomed slightly; however, the effect of this policy later diminished because the overall interest rate decreased to a level even lower than that of this policy.

This policy appeared to boost the economy and stimulate people to buy houses. The government claimed that this policy would lead to a decrease in the supply of public new houses and the vacancy rate, assist people in changing houses and enhance the living quality, boost the construction industry, assist households of lower income and youths with stable jobs in satisfying their wishes to buy houses, promote the safety of the financial system, and advance the development of middle and southern Taiwan's public constructions and industries.

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<sup>4</sup> DPP is the abbreviation of Democratic Progressive Party. It was founded in 1986 in Taiwan to counter KMT. The first members of DPP related to outside-the-KMT movement. Most of them were political prisoners, defense lawyers of the political prisoners, and their families. Taiwanese sovereignty is the first and most prominent issue on the party's platform.

After the policy was enforced and the results were examined, it became clear that the results that the government claimed this policy could achieve had not been realized; thus, the government changed the claim in its policy propaganda and emphasized that the implementation costs of this policy were much lower than the costs of building public houses and moreover that real estate developers, house buyers and banks would benefit. This policy allowed the government to avoid inefficiency and waste in building public houses and to flexibly use funds to reduce the cost of policy implementation because the interest rate subsidy was more flexible and could be adjusted according to the interest rate. For those people receiving the subsidy, they could more easily afford housing and freely choose their living area and product. For the banks, the house prices reflected the value of guarantees, and the possibility of recognizing bad debts would be reduced because house prices would not be too low.

Nevertheless, what the government did not explain was that this policy increased the national poverty gap. First, this policy provided subsidies without selecting applicants; hence, better-off consumers would be subsidized and the poverty gap between people with real estate and people without real estate would thus be larger. Consequently, consumers who temporarily could not afford to buy houses did not really increase their wealth due to the appreciation of assets. The loose review standard allowed house buyers who did not need the subsidy to obtain it; the excessive provision of the subsidy indirectly reduced the provision of other mortgage interest-rate subsidy projects because the government's resources were limited. Second, the salary level of public servants and teachers was above the average in Taiwan (not people with low or middle income); however, the government provided these people with housing subsidies, which would seize the rights and interests of the relatively disadvantaged people. Moreover, officials with higher ranks obtained more subsidies, a situation that did not conform to the original intention of providing the subsidy. Third, the low-interest loans made households with low income or youths who could not afford to buy houses in advance worse off; their monthly payment increased their living burdens and excluded other consumptions, and their living quality decreased.

When the effects that the government claimed the policy could achieve and the results were examined, it became clear that the government appeared to choose and exaggerate the positive effects and hide the flaws of the policy implementation. The government provided low-interest-rate loans to allow people to buy houses and to uphold house prices. The government was even concerned that the house prices of real estate developers' remaining houses could not be upheld and that they might have tied-up risks; hence, at some point, the government provided interest rate subsidies for those buying the remaining houses. In fact, the greatest beneficiaries of this policy were real estate developers and banking institutions that provided their loans. The consumers receiving the subsidy indeed bought houses at low interest rates; however, they paid higher house prices. Among these consumers, low- or middle-income households and youths who had a lower income assumed that they were taken care of by the government that paid for lower interest rates to buy houses; however, the prices could actually have been lower. When these consumers received the subsidy and bought houses, the living costs would be higher than what they could afford and make them sacrifice their living quality and assist

in upholding house prices; however, these consumers could not feel the actual losses. For the consumers who did not meet the subsidy qualifications, it was more difficult to buy houses because house prices should have declined but did not, which would enlarge the poverty gap.

The nature of public housing was for rental; however, the government ignored the rental housing market policy. Taiwan's rental market was not popular because house owners were unwilling to release their houses for rental due to low rental prices, incomplete regulations related to renting, and the difficulty of maintenance and management. Thus, housing demanders could only buy houses to obtain housing services. Nevertheless, facing a high vacancy rate in Taiwan's housing market, high house prices and low rents, the government should promote the house rental market and make house owners willing to release their vacant houses for rental through a system. In addition, the government should implement related measures such as establishing a rental management system or introducing the third sector to be the rental manager to allow those who could not afford to buy houses and those who had difficulty renting houses, such as some minority groups including the elderly and women who experienced domestic violence, to have a good living quality. The government should not let house demanders buy houses to obtain housing services due to an unsound rental market.

## 6.4 Current Public Housing Policy

In January 2012, Taiwan had a presidential election. The government administration of the KMT for the past 4 years did not lead to a rapid growth of Taiwan's economy; in contrast, people were deeply dissatisfied with the rising house prices in the Taipei metropolitan areas. Among people's top 10 complaints in a survey conducted by The Executive Yuan in 2010, "high house prices and that people couldn't afford to buy houses" was listed on top. The mortgage interest-rate subsidy policy was no longer a policy to win votes. A group of people who did not receive the mortgage subsidy and who could not afford to buy houses because of past incorrect housing policies on March 23, 2010, formed a homeless association<sup>5</sup> that protested against the overly high house prices and claimed that there was no justice. Furthermore, 12 social welfare groups established the "Social Housing Advocacy Consortium" in 2010 to protest against the fact that the government had been ignoring the minority groups' housing rights for a long time. Facing the pressure of the upcoming presidential election in Jan. 2012, the KMT government "efficiently" launched the public housing policy before the election to ease the pressure from people's dissatisfaction about the overly high house prices and the ignorance of social groups' housing rights.

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<sup>5</sup>This association was different from previous homeless activity; in addition to the general public who could not afford to buy houses, other social groups and NGOs also joined in.

### **6.4.1 Affordable Housing**

The "Affordable housing policy" was the government's immediate response to people's complaints about high house prices. In the year of the protest, the government swiftly planned to release public land around the airport and MRT stations that was not completely developed for real estate developers to bid and then build houses; the price would be set by the government. This policy regulated that buyers had to be low- or middle-income households with no house and that the selling price of real estate developers should be fixed at a level set by the government, which was approximately 70 % of the local market price. After the Executive Yuan examined and ratified the policy, the government sold four public plots in the suburbs of New Taipei City by open bidding in 2011, and the companies winning the bids constructed and sold these affordable housing units according to the construction standard and selling price regulated by the government. It was estimated that there were a total of 8,241 units in these 4 sites, of which 7,594 units were for sale and 647 units were for rental.

The affordable housing policy was exposed widely in the mass media before the election. Officials expressed concerns for the overly high house prices and indicated that the government had just initiated a trial and that later the government would develop a public housing policy to control the high house prices. Before the public learned about the content and actual progress of this policy, the public housing policy of the KMT government, which actively responded to people's complaints and took care of minority groups, had made some contributions to KMT's triumph in the presidential election. Nevertheless, although affordable housing is still under construction, the effects of implementing the policy have not been obvious. It is highly questionable whether this policy can achieve the effects of controlling housing prices and taking care of minority groups. First, the affordable housing project only provides 8,241 units, and in reality it is impossible to suppress house prices with this low quantity of housing supply. After the KMT's candidate was elected as president, the new minister of the Ministry of the Interior announced the suspension of the affordable housing policy. Second, this policy only released 647 units for rental to low- or middle-income households and will not be very helpful for the minority groups.

According to the statistics through July 2012, a total of 4,009 units were provided for distribution by drawing lots, and 25,000 consumers met the qualifications. The public was very excited about the prospects of obtaining cheap affordable houses; thus, the mass media and most of the public opinion did not focus on the high house prices. The serious problem, that low- or middle-income households could not buy houses, was ignored by the mass media and public opinion due to the launch and implementation of the affordable public housing policy. The KMT government was the greatest beneficiary of this policy; it quickly launched this policy before the election to shift the focus; people's complaints about the government's incompetence were relieved, and the KMT government also won a second appointment for the president.

### 6.4.2 *Social Housing*<sup>6</sup>

Groups of the socially and economically disadvantaged, suffering from high house prices, gathered in 2010 and formed the “Social Housing Advocacy Consortium” and asked the government to take the housing rights of minority groups seriously. The initiators included 12 groups related to the elderly, women’s domestic violence, laborers, parents of the mentally retarded, and the disabled. These groups protested against the fact that the government’s public housing policy was only provided for those who “could afford” to buy houses; minority groups could not afford to buy houses, and it is always very difficult for these groups to rent houses due to discrimination. The groups required the following: (1) The government should list “social housing” as a necessary and significant item in its housing policy and set 5 % of the total housing amount as a present goal. (2) Social housing should be considered a public investment in social welfare, and the government should not prioritize financial profit or the problem of whether there is private investment; therefore, the government should assume the responsibility of leading the promotion and construction of public housing. (3) Social housing is to satisfy the housing rights of the socially and economically disadvantaged; hence, the government should establish appropriate standards (such as the recognition of objects, rent standards and evaluations of continuous residence), combine care and the subsidy system of social welfare, and introduce the NGO to build a model of sustainable management. 4. The government should institutionalize a social housing policy and promote the legislation of the “Housing Act” and a local “Housing Autonomy Regulation” as soon as possible.

Facing the pressure of the presidential election of January 2012, the KMT government “highly efficiently” passed the “Housing Act” on Dec. 30, 2011. It was the first time that Taiwan protected the housing rights of minority groups through a housing policy and legislation and the government could provide more social welfare than just rent subsidies. The “Housing Act” required that social housing should be built by the government or that the government could encourage the private sector to build social housing; these houses were only for rental, and 10 % or more should be provided for persons with special circumstances or identities. The act also included “Anti-discrimination clauses” to ensure the fairness of housing rights, and people should not prevent housing users from doing necessary repairs (including public space), letting guide dogs get in and out, and using public space, facilities, equipment and related legal services.

By 2012, social housing had become an important housing policy in other advanced countries; in comparison, Taiwan’s social housing units made up only 0.08 % (around 6,000 units) of the total housing stock, which was much lower than the demand of 330,000 units; 2.27 % of general public housing was provided for the residence of the economically disadvantaged (approximately 170,000 units). Compared to Taiwan, the

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<sup>6</sup>Social housing refers to housing to be rented by social groups; affordable housing refers to housing sold to low- or middle-income households.

percentages of social housing of other countries were all far higher than Taiwan's 0.08 %: Netherlands 34 %, England 20 %, Denmark 19 %, Finland 18 %, Sweden 18 %, E.U. 14 % on average, the U.S. 6.2 %, Japan 6.06 %, Hong Kong 29 %, and Singapore 8.7 %. Even if the Housing Act was passed, Taiwan still has a long way to go to catch up with the social housing development of advanced countries.

## 6.5 Why So Few Public Housing Units in Taiwan?

Why is the stock of public housing so low? Why did the government not put much effort into improving the housing situation of disadvantaged households? We believe that the answer is related to the political system. After the KMT took over Taiwan in 1945, Taiwan was under an authoritarian rule, of which the suppression of civilians by the armed force in 1947 was the symbol.<sup>7</sup> Since the KMT retreated from China in 1949, it, on one hand, restricted the social activities by martial law and, on the other hand, started to enforce local autonomy and allowed limited democracy to lessen civil pressures. After 38 years of martial law, the Democratic Progressive Party (DPP) was established in 1986 and the KMT announced the abolishment of martial law in 1987, which signified the end of authoritarianism. Since then, Taiwan's democratic thoughts that were formerly restricted started to develop, and Taiwan gradually entered the democratic political system of alternation of the ruling party. Nevertheless, Taiwan's "public housing policy" has never been a public housing policy, but a tool used by the administrators to seize or distribute political interests in the development process of Taiwan's political systems.

From 1945 to 1975, the KMT ruled Taiwan based on authoritarianism.<sup>8</sup> In the beginning of its rule, all social resources were used in national defense and hence public housing only included dormitories for officials and their relatives and post-disaster settlement programs. In 1954, the KMT allowed the direct election of a province councilor, and the government allowed limited democracy and enforced local autonomy. To consolidate its regime, the KMT government developed clientelism and traded economic resources for the political loyalty of local factions; the KMT did not interfere with the graft and corruption of local factions

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<sup>7</sup> On the evening of February 27, 1947, an agent from the Alcohol and Tobacco Monopoly Bureau struck and injured a woman illegally peddling tobacco on Yenping Road in Taipei City, which led to another member of the public being shot and killed. On February 28, citizens of Taipei protested at the relevant organizations but were met with machine-gun fire from the Governor's Office. The situation escalated and spread across the island because people rose up in every place and rioted all across Taiwan. The KMT government sent troops to Taiwan and began to quell the unrest; this event turned into a massacre and continued as what became known as "country sweeping", an island-wide program of arrest and slaughter. The elite of Taiwanese society was sacrificed almost in its entirety, and there were heavy civilian casualties, with a death toll between 10,000 and 20,000.

<sup>8</sup> Authoritarianism denotes any political system that concentrates power in the hands of a leader or small elite that is not constitutionally responsible to the body of the people; this concept was first introduced by Adorno et al. (1950).



and some local politicians and also used judicature as a tool to protect or punish them.

From 1975 to 1996, clientelism<sup>9</sup> became increasingly popular. In 1975, Taiwan started to enforce the Public Housing Act, and public housing units were built in all areas. On one hand, the government showed its concern for public housing quality; on the other hand, public housing, as one project of public constructions, also became a channel for graft for local factions and some local politicians. After Taiwan entered into a democratic political system in 1996, the public housing policy became a tool for political parties to win election votes and to provide favors to the real estate developers who greatly assisted them during the elections.<sup>10</sup>

Taiwan's public housing policy was captured. Taiwan was not a democratic country and had no control over interest groups' lobbying and political donations.<sup>11</sup> As one of the interest groups, real estate development associations related to the housing field continued to use their interpersonal networks and operating experiences accumulated from the clientelism period to "kidnap" the government. The enforcement of the public housing policy appeared to take care of disadvantaged nationals; however, the prerequisite of the government's administration was to satisfy the interests of those groups or at least to not conflict with them. The regulations thus serve the interests of the special interest groups instead of the public (Stigler 1971; Etzioni 2009).

However, instead of the political system, some suggest that the situation whereby there are few public housing units relates to the protection of property rights in the Constitution (Chen 1995; Grange et al. 2006). These authors believe that public housing provision problems relate to land acquisition and finance. Therefore, the government adopted short-term measures, such as loans for house purchases or enabling the private provision of public housing with state facilitation. Although land acquisition appeared to be a reason, we did not see an improvement in the housing situation of socially or economically disadvantaged individuals.

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<sup>9</sup> Clientelism refers to exchanging finances or services for political support. In the exchange process, there are roles of "patron" and "client"; the patron obtains clients' political support through 3 mechanisms, including material, normative and coercive mechanisms. Material exchange is the most basic foundation of the alliance between a patron and a client (Lande 1977; Clapham 1982).

<sup>10</sup> Real estate developers financially aided candidates in elections. The real estate developers not only financially aided the candidates but also offered other resources. For instance, the KMT and DPP were provided with commercial buildings in Taipei metropolitan areas as campaign offices in the presidential election of 2012.

<sup>11</sup> A series of Acts related to the "Sunshine Law" were enforced one by one after 2000, including (1) the "Act on Recusal of Public Servants Due to Conflicts of Interest", effective on July 12th, 2000; (2) the "Political Donations Act", effective on March 31st, 2004; (3) the "Act on Property-Declaration by Public Servants", effective on October 1st, 2008; and (4) the "Lobbying Act", effective on August 8th, 2008.

## 6.6 Conclusions

This chapter introduces the public housing policy in Taiwan after the KMT retreated from China and took over Taiwan. The government did not put much thought into public housing policy. All these causes led to a serious public housing problem in Taiwan: the housing rights of low- or middle-income households and minority groups were not taken seriously by the government in Taiwan. Under the agenda of winning votes, these groups were ignored by the government.

We expect that the government can address Taiwan's current public housing problems and move the policy toward the following directions: (1) Strengthening the house rental market. According to the housing census of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan in 2010, Taiwan's vacancy rate reached up to 19.4 %, equal to 1,560,000 units. These empty houses represent the mistakes of the past housing policy, which caused resource allocation errors and waste. Using these vacant houses for rental would be helpful to solve the problem whereby the economically disadvantaged cannot buy or rent houses. (2) Introducing the power of "The Third Sector", i.e., NGOs. Public housing should feature "rentals", and the power of "The Third Sector" should be introduced in the future to assist the government in managing public housing.

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