

economic transformation



The Coping Strategy in Globalised Economy

Rental tenure is a consumption substitute and the preferred strategic response. Under the globalised economy, the rental tenure is a choice of the solution. The investigation results show that 36% of the respondents would choose renting a flat in the long run under the influence of a precarious economy if they are offered a choice again. Such a response is contradictory to their past housing behaviour as 94% of the respondents are owner-occupied and most of them had acquired their homes before the financial crisis. Private renting is traditionally unpopular among the middle class as it is traditionally undermined by the government. Upon deregulation in private renting sector, renting can be a substitute to longstanding distortion of housing tenure market. Renting as a form of housing consumption can be a flexible strategy to avoid risk in a fluctuating economy. Negative equity, unstable economy and unstable job all add up to affect homeownership decision in near future whilst unstable

job is the authoritarian factor. Renters will have more flexibilities to suit their housing plan, be it the job mobility, short term jobs, risk in housing price or liability in mortgage loans in a globalised economy.

New Labour Market Engendered New Pattern of Housing Market

Economic downturn always characterized the homeownership sector with mortgage arrears, foreclosures, stagnant or falling housing prices, negative equity, and so on. Structural changes in the labour markets shattered the home owning confidence in housing market. The phenomenon had whether or not caused attitudinal changes to homeownership lies at the subtle switch between the two tenures as a strategic response. J Doling & J Ford (1996) has found that there is attitudinal shift from home owning in

Britain after the downturn happened in 1991 against the peak in 1989. These structural changes are those relating to labour market opportunities and rewards. Labour market changes are significant because mass homeownership has been predicated, explicitly, upon the security of the property and implicitly, upon future income. But the large changes in the labour market had greatest implications in spite of economic recovery. Maybe we have entered into a new housing market influenced by new pattern of labour opportunities by which mortgagors will have different nature of employment and precarious incomes. The globalisation shapes the new economy and in particular the labour market. The phenomena of the global squeezed labour market are marked by re-structuring of job opportunities, losses of male, manual and full-time jobs, gains of both the full time (though it may come later) and the part-time jobs and rising women at work. The change in the labour structure is resulted from global competition, technical change and the implementation of government policies to secure greater deregulation and so flexibility in the labour market. Despite

the increase in job opportunities for women and net job gains in the economy, the new labour situations tend to drive a conservative housing attitude and behaviour. So a prolonged term recession may be a turning point to the mortgagors who have reassessment of their attitudes to owning and hence a new housing market develops in a new economic form. The new housing market although arguable, will not return to its previous glory supported by universal norm of owner-occupation. But what will the new housing market look like? There may be predictions in some respects characterized by frequent switches of housing consumption patterns, frequent changes of their owned flats, that made unavoidable by the instability of household incomes. People may take a longer fixed term lease depending on their stability of future income against their predictions of the housing market. It then comes forward the resurgence of mass rental demand. When housing price does not outperform the inflation, home buying is a less attractive investment. Households will not want to trade up so frequently. Mortgage maximization will become less frequent with households wishing to place capital in other forms of investment. The long term homeownership risk,

long term
Investment



breakdown of sustainability and frequent changes of tenure preferences would characterize the new housing market and develops its new way in a globalised economic context.

Conclusion

The 1997 financial crisis cast a new socio-economic landscape in the society and re-shaped the homeownership aspiration. The negative impacts of the crisis would have trembled the investment value, shrunken the middle class size and dampened their status. The questionnaire results revealed that the inherent value on investment focus within homeownership has declined to a certain degree. But the importance of the fundamental consumption motive is re-assured. Renting would gain popularity as a tenure choice as it can be used as a flexible strategy to avoid the housing risk in a fluctuating economy. Renting cannot contest with homeownership but higher ratio of renters will enable the society to pick up new momentum in the next homeownership market cycle more rigorously.

Essentially, the study is centered at the investigation into relations between the homeownership drive and labour market. Homeownership drive is dominated by the labour market. Employability in the labour market is basically the convergence of goal and aspiration of the middle class homeownership. The new development features of the labour market would therefore influence the middle class in re-evaluating

and re-shaping their versatile homeownership aspirations in some different ways. In the new age where Hong Kong starts with the transition from a regional city to a global one and a vital node of the Pearl River Delta Region (Wong, 1999), the change brings forward the new features in labour market and new cyclical trend in housing market. In these circumstances, the middle class housing interests tend to be more short-lived. Renting therefore has its economic footing and meets this rising demand.

The Paradigm Shift

The rise and fall of the middle class cannot lever on the increasing risk of homeownership which is susceptible to the everlasting economic fluctuations in a globalised setting. As globalisation forces add more uncertainties to the local economy, the middle class need to enhance themselves more knowledge and techniques to cope with the increasing demands on human talents in order to maintain their employability in the new labour market. Hence, it is a new era for the middle class to approach the notion of homeownership with a focal shift from consumption to production and from homeownership specific to occupation specific.

The Way Forward

It is an attempt of my study to suggest relationships to exploring new paradigm of homeownership in the middle class. Homeownership wealth is regarded as a stake in the society where the middle class are the biggest gamblers. To avoid over-commitment in homeownership in the globalised economy, the middle class should individualize their housing plan and customize their consumption against the increasing risk in homeownership sustainability arising out of sector shift, property market cycles, downsizing, job loss and so forth. Addressing to this situation, it is arguable that Hong Kong has no urgency to achieve a high owner-occupation rate pre-maturely in the society. Now Hong Kong is navigating to the niche of the globalised world where the success of a global city largely depends upon a healthy local economy, within which a balanced tenure structure develops its requisite resilience capable to withstand risks and shocks.

Footnotes

Note 1

In my study, I refer to the service class incorporating the professionals, managers and administrators as the scope of the middle class according to Goldthorpe. They are employees. They are selected because they are the higher income group with no

housing assistance by any policy initiatives of the government. They are different from the sandwich class without being coerced into home buying by the government. In policy implementation, the government set the family income limit for the sandwich class as \$60,000. (Home Starter Loan Scheme, 2000) In this study, the income criterion is therefore fixed above the sandwich class so that they were being expelled from the collectivized mode of housing consumption.

Note 2

The investigation is based on a questionnaire survey conducted in September 2003. 69 returns were screened and 33 were eventually selected for acceptance. Each questionnaire reply is designed as informative as a case study. 54 questions are set against the family background, housing experience, employment situation and their housing attitudes towards various hypothetical scenarios under economic and social considerations. The distribution is deliberated as randomly as possible to avoid bias. They are issued through the social network of the writer and hence distributed largely through the second tier of the network so that respondents are unknown to the writer to avoid manipulation of results. Respondents are requested to give their fictitious name and the criterion of salary income is not articulated beforehand so that private and personal information will be obtained with highest degree of authenticity.

References

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