

A close-up photograph of a person's hands holding a large, silver, metallic trophy cup. The cup has a wide rim and a handle on the right side. The person is wearing a dark suit jacket. The background is a plain, light-colored wall.

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# What Motivate the Property Management Practitioners Stay in the Market

## What Motivate the Property Management Practitioners Stay in the Market?

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## Introduction

The property management business is a different or somehow strange business when compared to other businesses— it serves their customers but sometimes has more autonomy over their customers; the business is claimed to be a profession governed by a government ordinance but there is no sound and solid public acknowledgement. And, withdrawal from the industry is prescribed as relatively low while high mobility among different companies is frequent and common practice. The management companies, however at the same time, are less likely to keep up a constant team but seemingly encourage the mobility. Based on the conceptual framework of several theories on motivation and job satisfaction and multi-dimensional approach on organisational commitment, the hidden causes for the two phenomena mentioned above — the high mobility of the practitioners and the low intention of the employers to retain their staff, are looked into this project.

## Literature Review

Motivation is considered as the driving force within individuals by which they attempt to achieve some goals so as to satisfy some needs or expectation (Mullins, 1993). Content theories try to identify the needs that people will strive to satisfy and to direct people to work. Four of the well-known content theories namely Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's two-factor theory and McClelland's achievement theory are thus focused.

### Maslow's Hierarchy of Needs

Maslow's theory (Maslow, 1943 & 1954) stated that people have five types of needs including Physiological, Safety, Social, Esteem and Self-actualization needs in a hierarchical manner. Unlike other traditional works stressed on economic rewards and work conditions (Taylor, 1947), it mentions the existence and importance of higher-order needs in work situations. It has drawn the attention of administrators to the psychological aspects of needs (Westwood, 1992).

But the Maslow's theory has limited empirical support. Schneider and Alderfer (1972) found it difficult to operationalise Maslow's categories of needs in organisations in their empirical studies because the initial orientation of Maslow's theory was not specifically aimed towards organisational settings. Hall and Nougaim (1968) also found that there was only a low statistical significance between need strength and need satisfaction in their longitudinal study whereas suggested that needs changed because of developing career concern instead. And Mullins (1993) opined that some people do not necessarily satisfy their higher level of needs through their work. An individual could have no interest in his job but could only work for security or social affiliation but not for self-actualisation in Maslow's high level of hierarchical needs.

Besides, self-actualization reflects the individualism of Western cultures to some extent (Westwood, 1992) but may not for different cultures and value system. Ouchi (1981) mentioned that Japanese companies were more concerned with psychological aspects of employees, social affiliation and high priority on collectivism than American companies. Therefore, the Maslow's theory is culture-bound and may not be suitable in the Hong Kong culture.

#### Alderfer's ERG theory

Alderfer (1972) then modified the Maslow's model and proposed ERG theory, which includes Existence, Relatedness and Growth needs.

Their major difference is that Maslow's needs occur in a hierarchical manner and the ERG needs are not necessarily activated in any specific order. While the Maslow's theory stresses that a person focuses on one need at a time, the ERG theory contends that more than one need may be activated at the same time. The ERG theory suggests that lower level needs do not have to be satisfied before a higher level need emerges, which are more a continuum than hierarchical levels.

#### Herzberg's Motivation-Hygiene Theory

Herzberg's Motivation-Hygiene theory (Herzberg, et al., 1959) makes another way. It categorises two different sets of factors affecting work motivation: hygiene factors and motivators. Job dissatisfaction is caused by absence of Hygiene factors; and Motivators, if present, lead to work satisfaction and better performance. It suggests that administration should give attention to both motivating factors and hygiene factors to ensure effective management, and importantly, improvement in hygiene factors such as salary and work conditions would not lead to a more highly motivated working team.

Sergiovanni (1967) made use of it and found that Motivators tended to focus on the work itself and hygiene factors tended to focus on work conditions. Armstrong (1971) discovered that satisfaction with content factors (i.e. recognition, responsibility, advancement, achievement and work itself) made the greatest contribution to the overall job satisfaction.

However, there are some criticisms towards the Herzberg's theory. House and Wigdor (1967) concluded that the Herzberg's theory oversimplified the sources of job satisfaction and dissatisfaction. And Mullins (1993) criticized that Herzberg's theory applied least to people with unskilled jobs or monotonic work who made more concerned with works as a mean of earning to support and secure their livings. Hoy and Miskel (1991) suggested that the most fruitful approach to the Herzberg's theory was to rather use the knowledge to develop better conceptualisations than accept or reject it totally.

#### McClelland's Achievement Theory

McClelland (1961 & 1988) developed the achievement theory, which differentiates four types of needs: affiliation, power, achievement and avoidance which correspond roughly to Maslow's love, esteem and self-actualisation needs respectively.

Hofstede (1984), however pointed out that the word "achievement" was hardly translatable into many languages other than English and was not universal. Hofstede indicated that countries (e.g. Anglo-American countries) with strong masculinity and weak uncertainty avoidance followed the high achievement motivation pattern and vice versa (e.g. Chile and Portugal).



### Three Organisational Commitments

Other than the traditional studies on motivations, more recent researches had reported a significant association between organisational commitment and turnover intention (Ferris and Aranya, 1983; Mowday, Steers and Proter, 1979; Steers, 1977). Other studies on comparing the organisational commitment between public and private employees found out that public sector managers express lower organisational commitment than managers from private sector (Perry and Rainey, 1988; Rainey, 1979) that we observed that housing management staff somehow alike. This applies that public managers expressed weaker identification with the goals of their organisation than private sector employee. This unique situation can be examined through multi-dimensional organisational commitment and other aspects since “the relationship between any component of commitment and behaviour will be complicated by the fact that all three components can exert independent effects on particular behaviour” (Allen & Meyer, 1990, 68).

In order to conceptualise the ideas of organisational commitment, they can be referred as different approaches such as value, identification, effectiveness, continuance, etc. The relationships of these theories somewhat piece together and form a sound and solid explanation to the grand picture of organisational commitment scenario as commented by Allen and Meyer (1991) as well as O'Reilly and Chatman (1986).

The three components model of organisational commitment consists of Affective, Continuance and Normative Commitment.

The Affective Commitment is generally accepted as the basic attachment to the organisation as Kanter defines this commitment as “the willingness of social actors to give energy and loyalty to the organisation” (1986, 499) and “the attachment of the individual's fund of affectivity to the group” (1986, 507). Stable job position indicates another notion of positive relationship to the affective commitment. Morris and Sherman (1981) interpret the similar findings as the employee will become committed to the organisation

to certain extent provided that their job status is stable and has growth.

The meaning of Becker's (1960) “side-bet” theory of Continuance Commitment is the investment which employee contributes in the organisation such as time and effort. This will ultimately lead to further development and involvement of current workplace and constitute sunk costs that decrease the attractiveness of external employment alternatives. The assumptions for the continuance commitment are based upon two factors: the magnitude and the number of investment each employee makes and the also lack of alternatives (Meyer and Allen, 1990). The essence of this hypothesis is those employees are investing their time and effort in their field so that they will be paid off some day. The lack of employment alternatives also increased the opportunity with leaving the organisation (Farrel and Rusbult, 1981).

And Normative Commitment can be defined as the degree to which the individual is psychologically attached to the organisation, which is a sense of obligation, through internalisation of its goal, values and missions. When compared to affective commitment, normative commitment shows employee's sense of duty but not emotional attachment to the organisation. By hypothesis, it is logical for employee to behave in such organisation goals that meet with their expectation since they believe that it is right and normal to carry out such action.

In order to hypothesise this model into housing management area, it suggested employees with strong and positive affective commitment will choose to remain in the organisation since he or she will exert effort to the organisation when compared to the others with relatively weak affective commitment.

In order to compare the turnover rate in this field, it is possible to conceptualise and measure three distinct forms of organisational commitment. To further address the situation, questionnaire was drafted based on the concepts from these aspects. The questionnaire designed for collecting the practitioners' opinion was divided into 5 sections: Demographic

Data, Employment History, Elements to stay in the Current Employment, For a Good Career and For considering the Future Employment. Those elements are categorised as Motivators and Hygiene Factors as Herzberg suggested. A total of 17 questions were asked and 600 questionnaires were dispatched to the practitioners and 130 questionnaires returned. Some Year-two students and Year-one students of this Master Degree course and their colleagues were the interviewees through snowball sampling.

### Analysis

#### The High Mobility of the Practitioners

For the high mobility of the practitioners, the frequency and habit of the practitioners to move are gathered from data comparisons on different categories and some findings are highlighted:

- in the last 5 years, 43.85% of the samples changed their jobs twice, only 1.54% didn't change their jobs in the period;
- on the duration of their employments for the current jobs and the last two jobs, the same result of "Above 1 year up to 3 years" sought;
- in their last two employments, only 18 persons, or 14.17% of the samples left the field for some time. For the reasons they left, the "Better monetary reward" and the "Difficult working relationship with team-mates" got most of the votes;
- choices of a "Good Career" are consistent with the reasons that the "Good salary package" scored the first rank while the "have a competent supervisor", "pleasant work peers" scored the second;
- a same trend that the "salary package" for all samples is mostly chosen that it scored the first rank for a "Good Career", and is the most concerned item for "factors considering leaving the current job";

- for the factors mostly concerned for staying in the current job, however, the "Good relationship with your peers" had the first rank and the "Good Remuneration package" only counted the fifteenth place;
- 48 persons from the sought samples considering leaving their current jobs chose "Good salary package" the highest score for a Good Career, and the "Poor Salary package" is also mostly concerned for factors; while the "Working Relationship" is less important that only got from the fifth and the twelfth place.

#### The low retention of the employers to retain their staff

The data of retention from their previous employers are compared that:

- 60 samples or 46.88% from the findings showed their employers did try hard to retain them from leaving; while 68 samples or 53.13% showed their employers did not try hard to retain them from leaving;
- depends on "Age", the age groups of 25-30 counts 54.39% and the age group of 35-40 counts 53.85% are more likely to have been retained;
- depending on "Educational Level", those who were from the "University or above" are more likely to have been retained, whom counts 45.00%;
- depending on "Frequency on changed jobs", those who changed their jobs twice within the last 5 years are more likely to have been retained, whom counts 52.63%.

To sum up, Lee (2008) had commented that the average employment tenure of the Real estate industry in U.S. is 3.5 years. In this study, most of the practitioners (over 70%) changed their jobs twice or three times within five years and their job duration is





mostly fallen between “Above 1 year up to 3 years”. Thus their employment tenure should be less than 3.5 years in general. The practitioners themselves at the same time are fond of changing their employments that only 1.54% of interviewees didn’t change their jobs in the last five years. The mobility of the field practitioners is, therefore, HIGH.

Moreover, over a half, i.e. 53.13% of the collected samples was not experienced a keen effort from their employers to retain them. Though the cost of staff turnover is relatively expensive, indeed, as stated in some Human Resources studies (Bernthal and Wellins, 2001), the intention of staff retention in our study is still LOW.

## Discussion

The model of the organisational commitment (Allen and Meyer, 1990) did explain some of the situation regarding the turnover rate of housing management industry. Affective commitment did rise out the issue of the peer cohesion and relationship of subordinate. The peer cohesion scores the highest among the others, which indicates the high degree of interaction and makes subordinates feel responsibility within the members of the organisation (Welsch and LaVan, 1981). The relationship with supervisor and subordinates also scores the second highest. This suggests a good relationship also enhances the employee’s affective attachment to the organisation.

In housing management field, alternatives are the main factors which affect an employee to switch as the costs associated with leaving is relatively low. Finally, the lack of the evidence upon the normative commitment widens the gap between the theory and empirical evidence, thus there is a need to further analysis of normative commitment.

Low normative commitment could be reflected by their employer’s low intention to retain them. It is true for over 50% of the samples. This may be the fact that the post usually is not entertained conscientiously. The findings suggest that normative commitment is

very weak in the field of housing management. The findings only indicate more realistic approaches upon the issues such as salary package and promotional prospect. There is no association with cultural congruence. The lack of cultural congruence leads to weak moral obligation, however, this may vary by other factors like, organisation structure, career advancement and personal achievement.

In reality, the deliberation of unwillingness to retain operation staff was also one of the company strategies commonly practiced in Hong Kong property management sector. As from our interview with a senior and experienced practitioner from CITIC Pacific, the labour supply for the industry is never a problem and on-job training performed by the site superiors is a usual practice. Company size does matter but not the retaining of a constant team who requires more monetary rewards than the new comers.

The general prediction for this hypothesis on continuance commitment is that each individual makes it more difficult to leave his job and may build the employee’s psychological attachment to the organisation (Mowday, 1982). The differentiation of continuance commitment in housing management field may lead to another availability of the alternatives, nearly 43.85% of the samples changed their jobs twice and the mobility is moderate in this field of work. Thus increase in job opportunities would lead to negative attitudes to the organisation because the perceived costs associated with leaving the organisation decrease accordingly (Farrel and Rusbult, 1981; Mowday, 1982). Lack of data for those aged 35 and above could not let us interpret the relationship for the mature employees who may perceive that they have less employment opportunities than the younger competitors and thus the cost of leaving their organisation is high for them.

Other factor addressed in the findings is the ‘Feel of accomplishment from work’ that accomplishment will increase the commitment, sense of recognition as well as self esteem of the employee. Furthermore, employee may also have better understand the

association between their performance and the rewards they most desire (Moorhead and Griffin, 1995).

### Conclusion

This study indicates that employee dissatisfaction with various aspects of their jobs forms parts of the major driving force behind turnover and makes some recommendations for the management to consider.

Reward seems to be a critical factor. This finding supports those previous research studies (Porter and Steers, 1973; Price, 1977; Lai, 1988) that there is direct link between pay and turnover. There is no significant difference in rewards to good and bad performed property practitioner, in general. Laser (1980) and Mok and Finley (1985) reported that rewarding employees in an equitable manner and competitive salary scale is an effective and valuable tool in promoting employee commitment and reducing turnover. The Hong Kong employees value cash rewards as an important role (Chau, 1977; Lai, 1988). Management efforts should be made to ensure that the pay schemes are fair and competent.

Supervisory skills and fairness were the other areas of concern as expressed by the leaving group. The employees who have supervisors high in human relations ability are less likely to leave, and there is a negative relationship between satisfaction with superiors and turnover (Skinner, 1969; Fleishman and Harris, 1962). It was generally felt in property management by the practitioners that supervisors were not fair enough and had no clear measurement criteria to perform. In other words, the cohesion force is weak amongst practitioners. Since most of the practitioners are young and modestly educated to at least secondary level, they expect to have more than simple work instruction.

Lack of promotion opportunities and career development was another reason for practitioners to

leave their jobs. Pettman (1975) reported that poor promotion opportunities were associated with high rates of turnover. Davis and Luthans (1979) indicated that effective training programs designed to help employees develop their career were considered as important. In property management, it may be able to change if a series of on-job-training procedure can be revised so that the importance of the mentor system can be largely reduced so that it would not rely solely upon the mentor but a rather systematic training program.

Flippo (1984) stated that a career is a sequence of separate but related work activities that provides continuity, order, and meaning to a person's life. Kanter (1977) also noted that employees who see few opportunities for upward mobility tend to be less committed to the organisation and may be more likely to leave. The availability of external alternatives of new work sites has been developed to provide job opportunities, together with the management does not discuss much with staff members on their future career paths, which resulted in employees lower intention to stay.

The often inadequate estate facilities are sources of frustration for all staff and a wasted opportunity. Previous studies (Mowday, 1984; Mok, 1988) concluded that there is a significantly negative association between the working environment and turnover. A small amount of investment in facilities or amenities for staff rest room like air purifier, foot massager, microwave, fridge, toaster, tissue etc could provide a much more positive atmosphere for staff members to relax in and meet their needs, which could result in disproportionately large increase in staff morale and thus fewer turnovers.

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# Should a Home Ownership Policy be Re-introduced to Hong Kong

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## Introduction

During the past decade, the Hong Kong Government's policy on promoting home ownership has gone through dramatic changes. In 1997, the Government believed that home ownership was good for both the community and individual and also helps to foster social stability and a sense of belonging. The government had encouraged wider home ownership through expanding the Home Ownership Scheme (HOS), launching the Tenants Purchase Scheme (TPS) and providing loans to home buyers. Its target was to increase the home ownership rate from 52% that time to 70% by 2007.

The economic conditions in Hong Kong had become worsened and the housing market was also adversely affected after the Asian Financial Turmoil in 1997. Housing prices had dropped significantly starting from 1998 to 2003. With the drop in housing prices together with the problems of negative equity and unemployment, people were reluctant to become home owners. As private housing units became affordable in 2002 to 2003, the demand for HOS flats plummeted. The downward price adjustments in the private residential flats in these few years caused the overlapping of the HOS and private residential market, which made HOS flats become less attractive.

Pressure from the major property developers and the public to revive the property market by halting the HOS schemes had led to the re-positioning of housing policy in 2002. The Government believed that it should focus its resources on providing subsidized rental housing for lower income families and should withdraw from its role as property developer by halting the production and sale of HOS flats. Subsequently, the Government halted the TPS scheme and home purchase loan schemes. All these were thought to be measures to boost the property market in order to recover the economy of Hong Kong.

With the recovery of the economy starting from 2005, the property market became active again and the housing prices had been increasing until the global economy was hit by the financial tsunami in late 2008. The sale transactions of residential units in 2007 had increased sharply and the vacancy rate had also been dropped. With the sharp drop in negative equity and low interest rate, people's desire to become home owners were much stronger in the past couple of years. The prices of private housing in 2007 had increased to twice as much from the bottom in 2003. Private housing prices became less affordable and the public urged the Government to relaunch the HOS policy. The demand for HOS could be referred to the sales of the first 3 phases of surplus HOS flats in 2007 and 2008 which all recorded high over-subscription rates.

Although Hong Kong economy was hit by the financial tsunami in late 2008 and the private housing prices in Hong Kong dropped about 20-30% from the peak in early 2008, the needs for subsidized home owning is still considerable. It is of great interest to evaluate the situation and the reintroduction of subsidized home owning policy in Hong Kong since home-owning has always been a controversial issue in Hong Kong.

## Goal

The goal of this study is to critically review the re-introduction of a home ownership policy by the Government and to make recommendations.

## Literature Review

### Benefits of Home Ownership

Benefits of home ownership to individual housing users include financial benefits, physical and psychological well-being, and increased life chances. Home ownership can lead to wealth accumulation and home owners can gain access to less expensive credit through home equity loans. Home-owning also provides security after retirement as homeowners usually have paid off all their mortgages before retirement. Home owners usually have a stronger sense of ontological security since home owners usually have more control over their home than renters. It also helps to build the personal identity and provides perceived status. Home owners usually take more care of their homes than renters and enhance the physical quality of the home environment, which in turn has positive effects on both physical and psychological health and hence positive effects on residential satisfaction.

From the societal point of view, home ownership helps to foster a greater sense of belonging among citizens. It brings neighborhood stability through homeowners' social participation in and attachment to the local community and helps to foster socially desirable behaviours among both adults and youth.

### Disbenefits of Home Ownership

For individual housing users, home ownership can lead to heavy financial burden of repaying mortgage. Home owners, who have financial difficulties to repay mortgage or maintain their homes, may have negative psychological impact. They also have to face the risk of suffering from capital loss due to falling housing prices. In addition, home ownership may restrict individual mobility and stunt the ability of home owners to escape neighbourhood of poor quality.

From social perspective, the decreased mobility associated with home ownership may perpetuate the kinds of social problems in distressed neighbourhoods. Home ownership may imply negative connotations towards renting and exacerbate an existing social class separation on the basis of tenure resulting in widening divisions among people in the society. Moreover, scarce resources may be shifted toward assisting home ownership rather than rental assistance. This may also reduce yields on other financial investments and home owners may stay highly leveraged in their home, increasing household risk profiles that led to rising default rates.

### Choice of Housing Tenure

Housing tenure choice is a very complex decision and housing preferences are an important element of housing tenure choice (Cirman, 2006). Cirman (2006) quoted from literature that housing tenure preferences are multi-dimensional construct influenced by feasible choices and constraints on those choices, and general cultural norms and characteristics of the social, economic and political environments affect preferences for a specific tenure. He proposed several factors which would influence housing tenure choices. For example, household's family and financial stability can influence housing preferences. Variables that measure family stability usually include age, marital status and the number of dependent children in the household while variables measuring financial stability include income and job security. Moreover, household wealth also plays an important role in a housing tenure decision. He suggested that when households forming their preferences, they weigh up the characteristics of renting and owning and consider the constraints that apply to them due to the characteristics of the property and financial market and their own economic position.



### Housing Affordability

Housing affordability is one of the most important factors that affect the decision on housing tenure. Three approaches for the measurement of housing affordability were identified by Lau (2001), namely the normative, behavioural and subjective approaches. Normative measurement defines the limits or norms of housing affordability in terms of certain threshold values. Rent-to-income ratio (RIR), mortgage-to-income ratio (MIR) and housing-cost-to-income ratio (affordability ratio) are the commonly used indicators for measuring housing affordability. For behavioural approach, one way is to focus on normal housing decisions (i.e. how many households choose to spend on housing with their respective incomes and characteristics). In subjective approach, survey is used to collect the subjective evaluation of the respondents' own affordability situation and such qualitative assessments are checked against their financial positions as well as other quantitative indicators of the respondents for any anomalies between the subjective assessments and objective evaluations of affordability. The subjective assessment data is used to determine the threshold level of their housing affordability.

### Methodology and Data Collection

In order to achieve the goal of this study (i.e. to critically review the re-introduction of a home ownership policy by the Government and to make recommendations) an analytical framework was drawn out as shown in Figure 1.

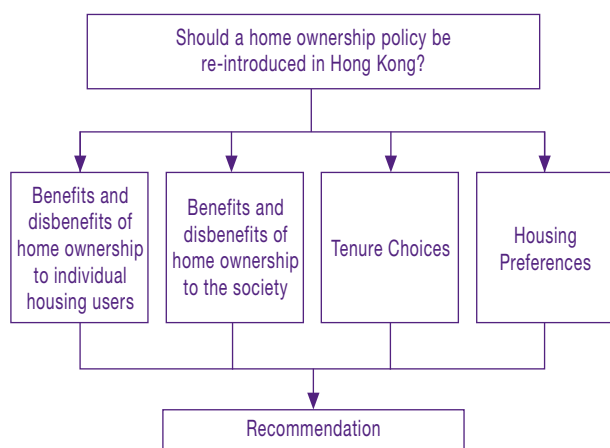


Figure 1. Analytical Framework

The benefits and disbenefits of home ownership to both individual housing users and the society in Hong Kong will be investigated to see whether the Hong Kong government should be responsible for helping people to become home owners. Factors affecting the choices of tenure in Hong Kong including demographic factors, financial factors and bundle of services will also be investigated to see what the most important factors in determining tenure choices in Hong Kong are and whether the Government can offer assistance in these areas. Moreover, the housing preferences of Hong Kong people will also be investigated to see what kind of housing they prefer and their opinions on home ownership subsidy.

Primary data from a questionnaire survey and secondary data from government statistics will be adopted to analyze the different benefits and disbenefits discussed in the literature review. The housing tenure choices and housing preferences of Hong Kong people will be obtained from the questionnaire survey. Normative approach (mortgage-to-income ratio) will be used to measure housing affordability in Hong Kong and the actual views from people on housing affordability will also be obtained from the survey to complement the results from the normative approach.

### Analysis

#### Perceived Benefits and Disbenefits of Home Ownership to Individual Housing Users in Hong Kong

The benefits from home ownership as stated in the literature always applied to Hong Kong and were agreed by the respondents in the questionnaire survey. Wealth accumulation due to house price appreciation, security after retirement provided by home-owning, stronger sense of ontological security by home owners, building personal identity through home ownership and greater control over homes by home owners were benefits of home ownership agreed by the majority of the respondents in the questionnaire survey. All these benefits of home ownership were directly related to the psychological well-being of home owners or could benefit home owners financially. They could be easily recognized and were usually experienced by the respondents.

Majority of the respondents agreed that heavy financial burden of repaying mortgage, negative psychological impact of repaying mortgage and risk of suffering capital loss due to falling housing prices were the disbenefits of home ownership in Hong Kong. All these disbenefits of home ownership in Hong Kong are related to the financial aspect of home ownership and can usually be seen during economic downturns.

In Hong Kong, heavy financial burden of repaying mortgage is directly related to the high housing prices in the private housing market. However, renters in the private rental sector in Hong Kong also faced heavy financial burden due to the high rental costs. Thus, heavy financial burden on housing expenses is not a disbenefit restricted to home owners only but also to renters in Hong Kong. Besides, renters did not enjoy wealth accumulation through home-owning while house price appreciation in the past two decades in Hong Kong had created substantial wealth to many home owners. Moreover, renters cannot enjoy the psychological benefits such as greater sense of ontological security, higher perceived status and building of personal identity and may lead to decreased residential satisfaction. In addition, the disbenefits of negative psychological impact of repaying mortgage and risk of suffering capital loss due to falling housing prices are usually associated with economic downturns. During the past two decades except the economic downturns in 1997, 2003 and 2008, housing prices in Hong Kong were generally in an upward trend. If the effect of the financial tsunami and economic situation is not as worse as predicted, the economic situation and housing market in Hong Kong may start to recover soon. The disbenefits of negative psychological impact of repaying mortgage and risk of suffering capital loss due to falling housing prices may be have a much less impact on the home owners in Hong Kong.

#### Perceived Benefits and Disbenefits of Home

##### Ownership to the Society in Hong Kong

As discussed in some literature, home ownership can bring both benefits and disbenefits to a society. From the survey, just about half of the respondents

thought that home ownership helped to foster a sense of belonging among the public and brought neighborhood stability through homeowners' social participation in and attachment to the local community. This may be explained due to the ideas of these two benefits are quite abstract and not as concrete as those individual benefits such as wealth accumulation and security after retirement provided by home-owning, the respondents might not see the relationship between them and home ownership as stated in the literature and so not many respondents considered them as benefits to the society in Hong Kong. In addition, just a minority of the respondents considered home ownership helped to foster socially desirable behaviours among both adults and youth a benefit of home ownership to the society in Hong Kong. However, secondary data of crime rates and home ownership rates in different districts in Hong Kong showed the opposite. Higher ownership rates are correlated to lower crime rates in Hong Kong and suggested that home ownership helps to foster socially desirable behaviours among both adults and youth in Hong Kong.

In the survey, about half of the respondents believed that home ownership reduced yields on other financial investments — a disbenefit of home ownership to the society in Hong Kong. However, most of them did not agree that home ownership would imply negative connotations towards renting and exacerbate an existing social class separation on the basis of tenure resulting in widening divisions among people in the society. The majority of them did not think that the decreased mobility associated with home ownership would perpetuate the kinds of social problems in distressed neighbourhoods in Hong Kong. This showed that the disbenefits of home ownership to the society in other countries like the U.S. were actually not found or as serious as in Hong Kong. Moreover, secondary data showed that promoting home ownership through the sale of HOS flats did actually generated revenue for the Housing Authority and this can help to sustain its large expenditure on providing public rental housing. Besides, we can see that the delinquent mortgage is not a serious problem in Hong Kong as compared with the United States and the home ownership rate does not have a direct relationship to the delinquency ratio.





We can see that most of the disbenefits of home ownership to the society in other countries as argued in the literature are not found in Hong Kong or have quite little effect to the society in Hong Kong. Although the benefits of home ownership to the society in Hong Kong are not very obvious, I would argue that home ownership do benefit the society in Hong Kong in the long run. Home-owning is a very good long-term investment tool and home owners usually enjoy wealth accumulation due to house price appreciation. In Hong Kong, house prices were always in an upward trend in the past two decades except during the economic downturns and many home owners in Hong Kong did benefit from house price appreciation. With increased wealth and security provided by home owning, home owners usually have a greater sense of belonging and this will foster social stability. Apart from this, the promotion of the formation of Owners' Corporation by the HKSAR Government in recent years increases home owners' social participation in their local community and brings neighbourhood stability. Besides, Lee (2003) also argued that in the absence of a comprehensive social security system, Hong Kong stood to gain from a mature HOS system since a stable HOS system did provide middle-income groups with a long-term asset which could be liquidated in old age for retirement. He suggested that HOS could be used to counteract the irrationality of the imperfect private housing market in Hong Kong. Chiu (2003) also argued that home ownership scheme could intensify the rationalization of housing subsidies through the provision of more opportunities to PRH tenants to move to home ownership. Housing resources can be more rationalized since well-off tenants in PRH are encouraged to move to subsidized sale flats and the recovered PRH units can be allocated to people in need.

## **Housing Tenure Choices and Housing Preferences**

### **Housing Tenure Choices**

In the questionnaire survey, majority of the respondents considered home owning as the preferred type of housing tenure. Financial factors such as economic situation, housing prices and affordability are the most important ones that affect their decisions to become home owners or not.

The respondents also expressed that the private housing in Hong Kong was difficult to afford and the private housing price in Hong Kong should be decreased by 20% or more to become reasonable to purchase. They also expressed that the reasonable percentage of household income spent on repaying mortgage should be around 21% to 30%. However, statistics from the government showed that the average mortgage-to-income ratios in 2009 were about 64%, 47% and 38% for flats in Hong Kong Island, Kowloon and the New Territories respectively far exceeding the desired level as expressed by the respondents. Besides, the house price-to-income ratio in Hong Kong was quite high. This reflected that the private housing in Hong Kong is very unaffordable, especially to the lower to middle income families.

From the findings, most of the people in Hong Kong preferred owning to renting. One of the most important concerns to housing users in Hong Kong when they decided their type of tenure was housing affordability. However, the high housing prices in Hong Kong have made housing become unaffordable, especially to the lower income families. Without the subsidized home ownership policies, it becomes much more difficult for the lower to middle income families to become home owners. The benefits of home ownership bring to both the housing users and the society in Hong Kong. As discussed previously, the Hong Kong Government should consider bringing back the subsidized home ownership policies to help these lower to middle income families to fulfill their aspirations for home ownership.

### **Housing Preferences**

From the result of the questionnaire survey, private housing was the preferred type of housing in Hong Kong and the general public did agree that the government should provide housing subsidy for home ownership. They would like to have home purchase loans from the government to buy flats in the private housing market. However, due to the financial constraints, some may choose subsidized sale flats as the preferred form of subsidy for home ownership over home purchase loans. If the Hong Kong Government is going to re-introduce home ownership policy, it should make a balance between providing home purchase

loans for home buyers and building subsidized sale flats. This should be very cautious since re-introducing home ownership policy, both in the form of home purchase loans and subsidized sale flats, could have certain impact on the private housing market, thus in turn to the overall economy in Hong Kong.

### Conclusion and Recommendations

#### Conclusion

Home ownership is the preferred type of housing tenure as discussed by the authors in some literature. It can bring benefits both to individual housing users and society. Although the costs of home ownership may sometimes be of great impact on both the individual users and the society, these disbenefits are usually associated with economic downturns due to falling house prices. In Hong Kong, home ownership is also the preferred type of housing tenure among the public. Financially, home ownership can bring wealth and provide security after retirement to home owners. It can also benefit home owners psychologically with a stronger sense of ontological security and personal identity. The greater control over homes by home owners can increase their residential satisfaction and improve their physical and psychological health directly and indirectly. Satisfaction from home owners can lead to a stronger sense of belonging among the public, and can enhance social stability and socially desirable behaviours among both adults and youth.

After the change of sovereignty in 1997, the HKSAR Government recognized the benefits of home ownership and promoted home ownership as means to foster social and political stability. However, the prolonged economic downturn after the Asian Financial Crisis had made worse the private housing market. Private housing prices continued to drop in the period from 1997 to 2003 and this diminished the advantage of HOS. The HKSAR Government ceased the HOS in late 2002 and redirected its housing policy in a hope to rescuing the housing market and general economy in Hong Kong. In the past few years, the economy and housing market in Hong Kong has been gradually recovering and house prices have again become unaffordable to many lower to middle income families. Their dreams of becoming home owners

are once again became hard to reach for and may lie in the hands of the HKSAR Government to provide assistance for home ownership. Their desires to own are attributed to the benefits brought by home ownership and can be seen from the requests for bringing back HOS by the public in the past couple of years.

Having seen the situation in Hong Kong, we can argue that the negative impacts of home ownership brought to both the housing users and the society in Hong Kong are not so obvious as compared with other countries such as the United States. In view of this and the benefits of home ownership brought to Hong Kong together with the housing market situation, re-introduction of a home ownership policy by the HKSAR Government to assist the lower - to middle - income families fulfilling their aspirations of becoming home owners is favourable.

#### Recommendations

In the present situation, it is recommended that a home ownership policy should be re-introduced to Hong Kong by the HKSAR Government. However, the re-introduction of home ownership policy by the HKSAR Government should be proceeded with great caution as the housing market is a major pillar to Hong Kong economy and a home ownership policy will definitely have impact on the housing market. The HKSAR Government should implement a home ownership policy having minimum negative impact on the housing market.

From the past experience, the approach of providing HOS flats for sale has an effect to counteract the irrationality of the housing market (Lee, 2003) and prevent the housing market from going uncontrolled. However, this approach may dampen the development of housing market and affect the economy in Hong Kong if there is an oversupply of subsidized sale flats. The HKSAR Government should use an approach that can maximize both the public and private sectors to promote home ownership. This can be done by re-launching the sale and production of HOS flats together with the provision of home purchase loans for eligible households to buy flats in the private market. However, the target families of these two schemes



should be in different strata to achieve a better performance. The HOS should be targeted to families with lower income, who are not eligible for public rental housing to provide an opportunity for them to fulfill their home ownership aspiration while the home purchase loans scheme should be targeted to middle income families that are marginal to enter the private housing market on their own. Moreover, the quantity of the HOS flats for sale should be kept in an optimal level to avoid oversupply which may have a negative impact on the private housing market.

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