

Have Housing Prices Affected Residents' Level of Social Integration?

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Abstract. In recent decades, most cities in China have experienced a large number of population movements, and the local integration of mobile populations has become a new challenge, not only in relation to their own quality of life, but also in relation to the development potential of the cities. While urban housing prices have soared, real estate has gradually become the main economic industry in China, and high housing prices have brought enormous housing pressure to this group. This paper analyzes the negative impact of house prices on social integration by combining labor market discrimination theory.

1. Introduction

Since 1978, China's urbanization process has undergone a steady rise and a rapid rise (Zhang & Song, 2003)¹. According to the World Bank, China's urbanization rate has increased significantly from 17.9% in 1978 to 61.43% in 2020, and Kojima (1995)² argues that China's urbanization development is hyper-urbanization, especially in the 1980s, when China was even the fastest urbanizing country in the world. However, such urbanization inevitably leads to a series of problems, one of which is the rapid increase in housing prices. Figure 1 shows the price increases for different uses of houses in China over the past 20 years. We are more concerned about the price of residential housing for China's mobile populations, and the graph shows that although residential prices are lower than business and office housing, they still have increased significantly, with the average residential house price in China rising from RMB 1,948/m² in 2000 to RMB 9,980/m² in 2020. The real estate industry is booming, with its added value rising from 414.1 billion yuan (2000) to 7.5 trillion yuan (2020) and its share in GDP rising from 4.13% to 7.34%, making as one of the most important reasons for pulling China's economy. The mega-cities formed as a result of policy support and urbanization, such as Beijing and Shanghai, have seen their average residential prices rise 8 to 10 times in 20 years.

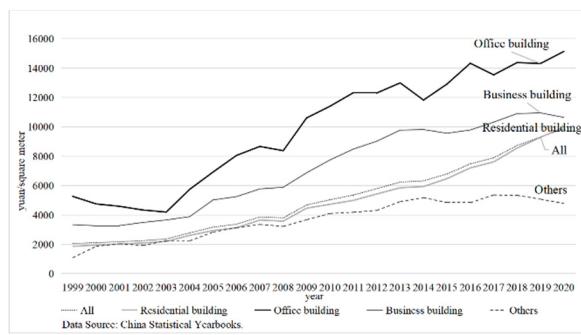


Fig. 1. Average house price by use in China. Data Source: China Statistical Yearbooks.

The other problem that comes with urbanization is the massive movement of people, especially those with rural household registration, to the urban areas. For decades, China's household registration system (hukou) has been deeply entrenched, and even after a comprehensive reform of the household registration system in 1990, it is still very difficult to switch and relocate hukou, and wage discrimination, employment discrimination, and education discrimination based on hukou are common (Song, 2014)³. Wu (2011)⁴ demonstrates that hukou status affects educational achievement, with rural hukou inhabitants receiving fewer years of education than urban hukou residents. Liu (2005)⁵ argues that rural populations have difficulty accessing schools in urban areas or they are unable to access the high cost of education to pay for urban education because the system becomes less accessible to urban employment.

The social bonds of human interaction are essential for maintaining individual psychological well-being (Turner & Turner, 1999)⁶, and the economic, social and cultural exclusion of mobile populations is not only painful for them, but also a waste of social resources for the society as a whole, as the talents and strengths of these mobile populations are not fully utilized, and group conflicts are

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caused. As a result, urban development will be slowed down or suffer from problems (Madanipour, 2015)⁷. Eraydin et al. (2010)⁸ argue that immigrants contribute to production and services, bringing cheap labor and new social relations. The discrimination brought by household registration is a manifestation of economic and social exclusion, and such inequitable treatment and outcomes clearly reduce social integration significantly.

Soaring housing prices in China have highlighted the issue of social integration, which plays a significant role in urban development, and cities with higher levels of social integration have greater urban development potential. Therefore, this paper investigates whether house prices have an effect on social integration. Since existing studies related to house prices are mainly related to the economy, this finding fills the existing gap in regard to house prices and social integration and provides theoretical support for future exploration of the field.

2. Labor market discrimination theory

The existence of different degrees of discrimination between different groups in the labor market is a common phenomenon in all countries. In addition, compared to the discrimination that exists in other countries, household registration discrimination is a special but very common discrimination phenomenon in China. Discrimination theory provides a theoretical basis for studying urban settlement and willingness to social integration.

The discussion of discrimination can be traced back to the early 20th century when Fawcett (1918)⁹ inspires subsequent research in this area by discussing the phenomenon of unequal pay between men and women for equal work. He believes that the cause of gender discrimination is due to social conventions and employer bias. Women are perceived to be incapable of performing technical work, even though they can actually do it well. Myrdal (1996)¹⁰ studies the problem of discrimination against blacks by whites in the United States, which led to a vicious cycle of discrimination against blacks, and argued that if discrimination against blacks by whites was reduced, the situation of blacks would be improved, and he also proposed the principle of cumulative causation to explain this vicious circle, that is, the stronger the discrimination of whites against blacks, the lower the standard of living of blacks, and the lower the standard of living of blacks, which in turn will strengthen the discrimination of whites against blacks.

The modern theory of discrimination was developed by Becker. Becker (2010)¹¹ delves into unexplored areas of early discrimination economics, suggesting that the roots of discrimination stem from personal biases and developing an economic model that can be quantitatively analyzed. The individual bias model includes discrimination by employers, discrimination by employees, and discrimination by customers. Different employers may prefer to hire groups with certain types of characteristics, they prefer to pay higher employment costs and prices, and perhaps even the employees in that category are less productive or profitable than employees in other categories. Employee discrimination occurs when

employees with certain characteristics exclude another group of employees they do not like, causing employers to pay them more or to segregate them professionally in order to retain them. Customer discrimination refers to the preference of customers for service workers, which causes those discriminated against to lower their wage demands or work harder.

China's household registration system is based on geographic and family member relationships and is directly linked to land and housing. The household registration disparity in China's labor market is an economic discrimination based on the household registration system, and it is the unequal treatment suffered by the disadvantaged groups of household registration in relation to labor market related employment resources, social security, etc. Although the household registration system is being reformed, the negative effects have not been eliminated on a large scale, such as the wage discrimination generated in the labor market. The Analysis and Forecast of Social Situation in Guangzhou, China (2011) reports that, according to a citywide sample survey of rural household registration migrant workers in 2010, 79.1% of migrant workers earned less than RMB 2,000 per month, with 16% of the respondents even earning an average monthly salary of less than RMB 1,030. More than half of the rural-named workers said they received unfair treatment, including discrimination in the labor market and discrimination in welfare resources, such as different pay for the same work, unreasonable fees for labor groups coming to the city from outside, and Companies do not pay social insurance for them. According to Fan (2020)¹², peasants who migrate to cities and towns but find it difficult to obtain urban hukou are considered as outsiders in the urban society, disadvantaged in the urban labor market, working in undesirable or even dangerous jobs, but with low or even below-average wages and not enjoying the benefits they deserve.

3. How do housing prices affect social integration?

a. High housing prices increase regional discrimination and thus reduces social integration. Regional discrimination is mainly due to the wealth gap, and high housing prices exacerbate this wealth gap.

In fact, the common residents rarely have the extra money to afford the cost of purchasing a property. According to China Statistical Yearbook 2021, the national per capita annual disposable income in 2020 is only 32,188.8 yuan, and the per capita consumption expenditure alone reaches 21,210 yuan. People who cannot afford housing keep their money in the bank, take out loans or rent, but the low interest rates on savings do not outweigh the price of housing, and the price to wage ratio is getting larger, shrinking wealth in comparison.

Fig.2 shows residential prices by region, and cities in the south have higher average prices and faster rising house prices, at RMB 13,085.8/m² in 2020. The high average house prices are due to higher house prices in Xiamen, Guangzhou and Shenzhen. Cities in the

southwest and northwest regions have lower average house prices, at RMB 5512.5/m² and RMB 5343.4/m² in 2020, respectively. Thus, we can see that the regional appreciation of house prices varies.

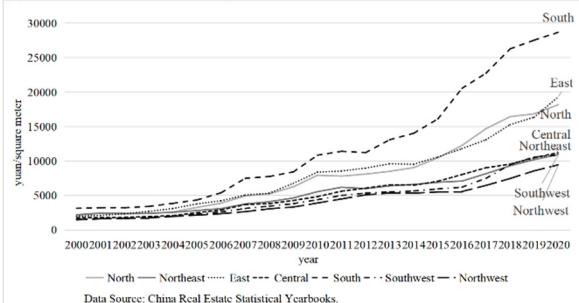


Fig. 2. Average house price (residential building) by region in China. *Data Source:* China Real Estate Statistical Yearbooks.

Wealthy people buy property because they have sufficient funds, and accumulate more wealth through rent collection, housing appreciation and resale, and reinvestment, the property premium will bring solidification of interests. In addition, there are already different degrees of regional discrimination in different cities, especially in some provinces and cities with advanced economic development, such as Jiangsu and Shanghai. And the rising property prices have become the material basis for their bragging rights, creating a sense of superiority among the locals. In these cities, the aborigines have an inherent advantage, not only the house prices have risen much more than most other cities, but also the wealth has skyrocketed due to housing demolition and other reasons. Then, the wealth gap has increased, regional discrimination has become more serious, and it has become more difficult for mobile people to integrate locally.

b. High housing prices make household registration conversion more difficult, thereby reducing social integration.

Due to the scarcity of social resources, the household registration system has become a screening mechanism for resource allocation in China. Policies vary from city to city; in some areas, people can only register in the city if they buy local property, and in others, they can only buy local property if they have a local household registration. Regardless of the policy regime, the bundling of property and household registration means that mobile populations must endure unfair treatment, even though they may have lived there for a long time. Sato (2006)¹³ finds that rural populations come to the city and a new housing poverty emerges. After the Chinese government issued a policy of privatizing housing and providing subsidies to purchase housing, it was still difficult for them to own a house of their own, even though they had migrated to settle and work in the city for a long time. This is not only because of their low wages, but also because these people have difficulty qualifying for low-cost housing programs and subsidized home purchases, from which they are excluded. Inequality in social resources relates to maternity, education, health care, social protection welfare, etc. For example, children of mobile people who are not registered in the area cannot attend nearby quality schools because they are not "locals" with local registration, and there are schools of relatively low quality or for migrant or migrant

workers, and they may only be allowed to attend these schools or return to their place of registration, or they may have to pay higher tuition fees in advance (Song, 2014)¹⁴.

4. Conclusions

This paper analyzes the negative impact of housing prices on social integration in the context of labor market discrimination theory, both in terms of regional discrimination and household registration. Housing prices exacerbate the gap between rich and poor in society and the difficulty of switching household registration, further making the mobile populations unfairly treated, which comes from wages, social resources, etc. China has been committed to urbanization, and the migration of the population has led to the existence of a large number of mobile populations. Although the urbanization rate has increased significantly, the urbanization rate of the household registration population is much lower than the urbanization rate of the resident population against the background of high housing prices, and a large number of mobile people do not choose to settle in the area and cannot integrate into local life, which will also further affect the quality and efficiency of urban development. Therefore, the Chinese government should adopt a series of property price regulation measures or provide more government-subsidized housing projects to solve the housing problem of the mobile populations.

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