

## Thoughts on Expanding Uses of the Housing Provident Fund - Based on Survey on Uses of the Housing Provident Fund in Anshan City

Haoyue Yang, Yunli Ling

The School of Economics and Law, University of Science and Technology Liaoning

### Abstract

After analyzing the survey on uses of the housing provident fund in Anshan City, the authors find that there are many problems related to payment and application scope in the current housing provident fund system. The authors suggest expanding uses of the housing provident fund, including payments for house rents, house decoration costs, property costs, and medical expenditures, from the aspects of current resident requirements and the medical insurance system.

### Keywords

Housing provident fund; central provident fund; housing provident fund loan.

### 1. Introduction

The housing provident fund refers to the long-term housing funds deposited by state organs, state-owned enterprises, urban collective enterprises, foreign-funded enterprises, urban private enterprises, other urban enterprises, public institutions, and their incumbent employees. The housing provident fund system can realize monetization, institutionalization and legislation of housing provident fund distribution. The housing provident fund system is featured by coerciveness, interaction and supportability. It is specified in Regulation on the Administration of Housing Provident Fund, the deposit ration of the housing provident fund by both the employees and the enterprises shall be no less than 5% of the average monthly salary of the employees in the previous year. The housing provident fund system relieves to some extent fund difficulty of people buying houses. The three-level housing provident fund information disclosure system established recently has greatly increased people's trust in the transparency of the system. Both the enterprises and employees shall pay the housing provident fund according to law. The housing provident funds paid by the employees and enterprises shall be stored in specific accounts and belong to the employees.

On December 28, 2015, on the National Housing and Urban-Rural Development Working Conference, Mr. Chen Zhengao, Minister of Ministry of Housing and Urban-Rural Development of the People's Republic of China (MOHURD). pointed out that, based on the reform of the housing provident fund management system in 2015, more efforts will be made for management of the housing provident fund in 2016. It has become the focuses of expanding uses and use groups of the housing provident fund to continue to release the balance of funds and support housing consumption in 2016. It is related to the housing of urban citizens, but also related to the healthy development of the real estate industry and even the macro economy.

### 2. Survey on Uses of the Housing Provident Fund in Anshan City

#### 2.1 Basic information about the questionnaire survey

To better understand the basic information of development of the housing provident fund system in Anshan City, the authors have issued questionnaires to citizens of Anshan city at random, and analyzed the survey results. In the survey, a total of 300 copies of questionnaires are issued, and 296 copies are returned, among which 285 copies are valid questionnaires. The return rate is 98.7%, and the validity rate is 96.3%. An Excel is created for data in valid questionnaires based on the data statistics principles. The data are analyzed, and relevant figures are made.

Among respondents of the 285 valid questionnaires returned, 137 are males, and 148 are females (slightly more than the males). The ages of respondents are varied. There are more than 90 respondents with an age of 41 to 50 years (accounting for 32.60% of the total), 82 respondents with an age of 31 to 40 years (accounting for 28.80%), 4 respondents with an age of 20 years or below, 43 respondents with an age of 21 to 30 years, and 66 respondents with an age of 51 years or above.

## **2.2 Analysis of survey results**

### **2.2.1. Respondents' knowledge about basic information of the housing provident fund system**

According to the questionnaires, the number of respondents having no knowledge about the system is 112 (accounting for 39.36%), and the number of respondents having little knowledge about the system is 105 (accounting for 36.8%), which is highly more than the number of respondents (67) with good knowledge about the system.

### **2.2.2. Analysis on the level of helpfulness of the system on housing situation of respondents**

The initial purpose of the housing provident fund system is to help middle-low income communities to solve their housing demands. The system plays an important role in the deep reform of the housing system reform in China. However, the actual situation is not satisfactory. In the survey, about 59% respondents select that the system is helpful. 59 respondents are not sure whether the system is helpful (accounting for about 21%). The number of respondents who think that the system is very helpful or is not helpful at all is 32 and 25 respectively. However, during survey on respondents' knowledge about the system, respondents with no knowledge about the system are the most, accounting for about 39.36%.

### **2.2.3. Analysis on wills about expanding uses of the housing provident fund**

Within respondents of the returned 285 valid questionnaires, 200 wish to expand uses of the housing provident fund, 40 do not wish to expand uses of the housing provident fund, and 45 do not care about it.

According to statistics, 70% of respondents wish to expand uses of the housing provident fund. According to a further survey, among the aforesaid 200 respondents, 50% of them wish that the housing provident fund can be used for pension, 34% of them wish that the housing provident fund can be used for medical purposes, and 16% of them wish that the housing provident fund can be used for emergencies.

## **3. Analysis on Main Problems in Uses of the Housing Provident Fund in Anshan City**

### **3.1 Low deposit rate of the housing provident fund**

The deposit subjects of the housing provident fund are narrow and the deposit procedures are complicated. The deposit subjects include state organs, state-owned enterprises, urban collective enterprises, foreign-funded enterprises, urban private enterprises, other urban enterprises, public institutions, and their incumbent employees. However, the housing provident fund system is rarely implemented in the actual situation. In China, the major contributors of the housing provident fund are enterprises. If the enterprise profitability is poor and thus the enterprise cannot deposit the housing provident fund, applications for housing loans of the employees of the enterprise will be influenced. Besides, it is too complicated to apply for the housing provident fund loans.

According to the initial design of the housing provident fund system, the system shall cover all incumbent employees of enterprises, except for retired employees and foreign employees of joint venture enterprises but including migrating workers. However, actually, the current deposit ratio of the housing provident fund in Anshan City is 52%, which is far lower than the national average level. The deposit ratio in the rural areas in Anshan City is still 5%. In particular, there are rare enterprises which deposit the housing provident fund for migrating workers. The functions of the housing provident fund system have not been made full use of.

### **3.2 Low use rate of the housing provident fund**

The use rate of the housing provident fund is low, and the asset is depreciating. Since the housing provident fund can only be withdrawn for house purchase purposes, the use rate of the housing provident fund is very low, and a large amount of funds are idle and depreciating, which, in the long term, not only cannot benefit the public, but also will result in a situation that the income of the housing provident fund can't cover the outlay.

The housing provident fund has characteristics of credit funds. The central government requires that the housing provident funds deposited by the enterprises and employees shall be managed by an administrative organ directly under the local government, so as to ensure that, in the premise that the incumbent employees can withdraw the housing provident fund, the balance can be used to provide loans for employees urgently needing to solve their housing difficulties. After implementing the housing provident fund system, the government of Anshan City carried out housing provident fund loan pilot projects in part of counties (cities, districts) of the city level, and thus accumulated some experience and made some achievements. Anshan City has provided many housing provident fund loans for employees, and the loan balance now is RMB 820 million. However, there is still a great gap with the national and provincial average level. The roles of the housing provident fund in solving housing difficulties and conflicts of depositing employees have not been made full use of.

### **3.3 The use scope is narrow but the withdraw conditions are many.**

According to the questionnaire results, most of respondents think that the housing provident fund is rarely helpful for housing purchase. The root cause is that the use scope of the housing provident fund is too narrow in China. The aging problem is more obvious in China, but the social insurance system in China is not perfect. The "two children+ four parents (including parents in law)" mode presents great pressure for people born in 1980s and 1990s. The problem of high medical expenditures and difficult pension cannot be ignored any longer. We can learn from the central provident fund system of Singapore. The central provident fund system provides diversified social insurances for Singapore citizens, but also provides great funds for national construction and development of Singapore. Besides, it not only strengthens the government's capability of macro regulation and helps to improve the citizen qualification, but also cultivates the citizens' spirit of self-reliance, which is profoundly significant to the social and economic development. China can learn from the system to some extent according to its actual national conditions.

## **4. Suggestions for Expanding Uses of the Housing Provident Fund**

Expansion uses of the housing provident fund can improve use rate of the fund, and benefit more depositing subjects, the middle-low income communities in particular. Besides, it can also solve such problems as depreciating of the fund, and withdrawal until housing purchase or retirement. To make the public have confidence in the housing provident fund, withdraw the fund conveniently and use the fund to solve their living difficulties, the authors have put forwarded some suggestions for expanding uses of the housing provident fund:

### **4.1 Allow tenants to use the housing provident fund to pay their rents**

For the most middle-low income communities unable to purchase their own houses, even though they deposit the housing provident fund, they still cannot improve their living conditions using the housing provident fund due to income considerations, which will not only influence their enthusiasm to deposit the housing provident fund, but also influence the realization of the purpose of "using the fund provident fund to improve the living conditions of citizens". The government shall allow those depositing the fund but having no their own houses to use the housing provident fund to improve their living environment and conditions, which conforms to the benefits and demands of vulnerable groups, and enhance their enthusiasm to deposit the housing provident fund.

#### **4.2 Allow people to use the housing provident fund to pay their house decoration costs**

With higher living standards, the human beings are requiring diversified living environments. It is a necessity to decorate the house after buy it. However, people have already invested a great amount of money in buying a house, and those can hardly afford to the decoration costs. It is suggested to allow families which have bought houses without using the housing provident fund loans to withdraw their housing provident funds in a certain proportion, and use the funds to pay the decoration costs.

#### **4.3 Allow people to withdraw the housing provident fund periodically to pay living-related costs**

In recent years, almost each new community has its own property management company. Residents shall pay the property management costs and the elevator use fees (about RMB 0.5 to 2 per square meter) to enjoy the services provided by the property management company. Residents in the north have to pay the heating costs (about RMB 20 per square meter) in the winter. These costs influence the living requirements of the residents to some extent. The housing provident fund centers can contact with the property management companies and heating suppliers and directly transmit part of the housing provident fund to the accounts of the property management companies and the heating suppliers to cover some property management costs and heating costs of the citizens.

At the same time, the housing provident fund centers can open a channel on their websites to use balance of the housing provident fund to pay relevant costs for citizens.

#### **4.4 Allow people to use the housing provident fund to pay their medical costs of serious illness**

As a kind of social welfare, the housing provident fund system shall combine with other social insurance systems. We can learn from the central provident fund system of Singapore about the specific practice. For employees who have bought the medical insurance and catastrophic supplementary medical insurance, when the amount they have paid has exceeded the limitation of guarantee, the employees shall be allowed to use their or their direct relative's housing provident funds to pay the unpaid part.

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