

The Impact of the Housing Provident Fund System on Housing Security for Low- and Middle-Income Groups

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Abstract:

This study focuses on low- and middle-income groups, aiming to analyze the security function of the Housing Provident Fund System for this group, identify its existing problems and put forward improvement suggestions, so as to strengthen the system's role in housing security for low- and middle-income groups. The research conclusions show that the Housing Provident Fund System can be improved and its security efficiency can be fully exerted by expanding coverage, optimizing the contribution mechanism, relaxing usage conditions, coordinating regional policies and improving the level of management and services. These measures help solve the housing problems of low- and middle-income groups and achieve the goal of "adequate housing for all".

Keywords:

Housing Provident Fund System, Low- and middle-income Groups, Housing Security

1. Introduction

Meeting the housing needs of low- and middle-income groups is of great significance for narrowing the wealth gap and building a harmonious socialist society [1]. The Housing Provident Fund is a long-term housing fund deposited by employers and on-the-job employees, and it is one of the most influential and widely applicable housing security systems in China's housing security system, mainly used for purchasing, constructing and renovating houses. As an important housing security system in China, the Housing Provident Fund plays a vital role in housing security for low- and middle-income groups [2]. Solving the housing problems of these groups is an important channel for the Housing Provident Fund to exert its fairness [3]. Therefore, this study analyzes the positive effects of the Housing Provident Fund System in enhancing the home-purchasing ability and reducing the loan pressure of low- and middle-income groups, and further explores the existing problems such as limited coverage and unfair contributions on this basis, hoping to provide effective suggestions to promote the improvement of the housing security system.

2. Positive Impacts of the Housing Provident Fund on Housing Security for Low- and Middle-Income Groups

2.1. Enhancing the home-purchasing payment capacity of low- and middle-income groups

Low- and middle-income groups with relatively low income levels accumulate housing purchase funds at a slow pace. In recent years, housing prices in China have been on the rise, with a more drastic growth in first- and second-tier cities. Despite a series of national policies to stabilize housing prices, purchasing a house remains unaffordable for many low-income residents. Such high housing prices mean that low- and middle-income groups have to overdraw most of their disposable income to buy a house, which brings enormous living pressure [4]. The Housing Provident Fund System requires employers and employees to deposit a certain proportion of the salary into the Housing Provident Fund account every month. Through the joint contribution of employees and their employers, the account balance of low- and middle-income groups continues to increase, realizing the long-term accumulation of housing funds. Employees can withdraw the full balance of their Housing Provident Fund account at one time to pay the down payment for a house, which not only eases the down payment pressure of low- and middle-income groups to a certain extent, but also effectively lowers the financial threshold for home purchase, enabling them to implement their self-occupied housing purchase plans.

2.2. Reducing the housing loan burden of low- and middle-income groups

Housing Provident Fund loan interest rates have obvious advantages over commercial loan interest rates. Starting from May 18, 2024, China adjusted the personal housing provident fund loan interest rates. The annual interest rate for the first set of personal housing provident fund loans is 2.350% for a term of less than or equal to 5 years and 2.850% for more than 5 years; the annual interest rate for the second set is no less than 2.775% for a term of less than or equal to 5 years and 3.325% for more than 5 years. These rates are much lower than commercial loan rates. The relatively low loan interest rates significantly reduce the repayment pressure of low- and middle-income groups, allowing them to maintain a basic living standard while repaying housing loans and reducing the risk of declining quality of life caused by high housing loans. In this way, the system lightens their housing loan burden and ensures the stability of family finance.

2.3. Promoting the improvement of housing conditions for low- and middle-income groups

Most low- and middle-income groups who already own houses live in poor housing conditions, and the Housing Provident Fund plays an important role in improving their housing conditions. In order to enhance the safety and comfort of their living environment, employees can withdraw the Housing Provident Fund in accordance with relevant regulations for housing renovation and reconstruction. For example, repairing the roof waterproofing of old houses, replacing aging water and electricity lines, and improving the thermal insulation performance of houses can effectively upgrade their housing conditions and extend the service life of houses. It helps meet the high-quality housing needs of low- and middle-income groups, enhance their living experience and improve their sense of housing happiness.

2.4. Stabilizing the housing consumption expectation and boosting the housing consumption confidence of low- and middle-income groups

The introduction of the Housing Provident Fund System makes the housing consumption planning of low- and middle-income groups more clear and provides them with more housing consumption options. For these groups, they clearly know that with the increase of working years and the continuous deposit of the Housing Provident Fund, they can obtain financial support for future house purchase or housing improvement. This stable expectation gives them more confidence in housing consumption, prompting them to make rational personal financial planning and save in advance for their housing goals. This not only promotes the housing consumption of low- and middle-income groups, but also contributes to the stable and healthy development of the real estate market.

3. Problems of the Housing Provident Fund in Safeguarding the Housing of Low- and Middle-Income Groups

3.1. Limited coverage of the Housing Provident Fund System

At this stage, most of the people who deposit the Housing Provident Fund are civil servants, public institution staff and state-owned enterprise employees. The contribution ratio of private enterprises, micro and small enterprises and flexible employees is relatively low under the current Housing Provident Fund contribution system [5]. This is because many private enterprises have insufficient understanding of the Housing Provident Fund and fail to deposit the fund for their employees in strict accordance with laws and regulations, or even refuse to make the deposit, in order to reduce operating costs and obtain higher profits. Statistics show that the housing provident fund contribution coverage rate of private enterprises in some economically underdeveloped areas is less than 50%. The proportion of flexible employees participating in the Housing Provident Fund deposit is even lower due to their unstable and flexible employment characteristics, as well as the unclear contribution mechanism and policy guidance. As a result, a large number of low- and middle-income groups cannot enjoy the housing welfare brought by China's Housing Provident Fund System.

3.2. Significant differences in Housing Provident Fund contribution amounts

There are obvious gaps in Housing Provident Fund contribution amounts among different industries and employers. Well-performing and high-income employers such as state-owned enterprises, public institutions and large financial enterprises usually deposit the Housing Provident Fund for their employees at a relatively high contribution ratio (12% or even higher) based on a high salary base, with the monthly contribution amount reaching thousands of yuan or more, enabling employees to enjoy higher housing subsidies. In contrast, small and medium-sized enterprises where low- and middle-income groups are concentrated usually adopt a low contribution ratio, mostly between 5% and 8%. Some enterprises even take the minimum wage standard as the contribution base, resulting in the monthly contribution amount of employees being only a few hundred yuan. Such a huge gap in contribution amounts leads to the slow accumulation of account balances and limited loan limits for low- and middle-income groups when using the Housing Provident Fund to buy a house, putting them at a distinct disadvantage in the housing market and making it difficult for them to improve their housing conditions with the help of

the Housing Provident Fund. This reflects the unfairness in the type of employer and the level of sharing the fruits of development [6].

3.3. Strict usage restrictions on the Housing Provident Fund System

There are relatively harsh conditions for the withdrawal and loan of the Housing Provident Fund. In terms of withdrawal, it is difficult for employees to withdraw the fund for other housing-related needs except for a few specific situations such as purchasing, constructing, rebuilding and overhauling self-occupied housing, repaying the principal and interest of housing loans, and renting housing. Some low- and middle-income families need urgent funds for barrier-free housing renovation to take care of family members with serious illnesses, but they cannot withdraw the Housing Provident Fund because they do not meet the existing withdrawal conditions. In terms of loans, housing provident fund management centers in various regions generally have strict requirements on contribution years, account balances and repayment capacity. For example, some cities stipulate that applicants for housing provident fund loans need to have made continuous deposits for more than 12 months, and the loan limit is linked to the account balance. This results in some low- and middle-income groups who have just started working, with short contribution time and small account balances, being unable to obtain sufficient loan limits or even failing to apply for housing provident fund loans, making it difficult for the Housing Provident Fund System to play its role in housing security for low- and middle-income groups and increasing the difficulty of its implementation.

3.4. Unbalanced security caused by regional policy differences

China has a vast territory with great differences in economic development levels and real estate market conditions among different regions, and the regional differences in housing provident fund policies are also quite obvious. Economically developed regions have high housing prices, but their housing provident fund contribution bases and loan limits, which can better meet the housing needs of low- and middle-income groups, are also relatively high. In economically underdeveloped regions, although housing prices are relatively low, the contribution bases and loan limits are also low, and the scale of housing provident fund funds is small. As a result, some low- and middle-income groups may fail to obtain full loans or even any loans despite meeting the loan conditions due to insufficient funds. Such regional policy differences lead to a strong imbalance in the housing security of the Housing Provident Fund for low- and middle-income groups, affecting the fairness and inclusiveness of the system.

4. Suggestions for Improving the Role of the Housing Provident Fund in Housing Security for Low- and Middle-Income Groups

4.1. Expand coverage

China should further strengthen the whole-process supervision over enterprises' housing provident fund contributions and establish a long-term regulatory mechanism to ensure the standardized implementation of the housing provident fund system. It is essential to accelerate the improvement of relevant laws, regulations and supporting policies, so as to clearly define the legal responsibilities and mandatory obligations of enterprises in paying housing provident fund for their employees. Meanwhile, the country needs to significantly raise the illegal cost of enterprises that refuse to pay or

underpay the housing provident fund in accordance with regulations. Strict legal penalties shall be imposed on violating enterprises, including monetary fines, mandatory rectification orders within a specified time, and public notification of their illegal behaviors to enhance deterrence. Furthermore, the performance of enterprises in housing provident fund contributions should be fully integrated into the national social credit system. Enterprises with poor credit records and continuous violations shall face strict restrictions in project approval, government bidding, corporate financing, bank credit loans and other business activities. At the same time, the government should actively and steadily promote the coverage of flexible employment groups in the housing provident fund system. Targeted contribution policies should be formulated to adapt to the employment characteristics of flexible workers, such as allowing independent choices of payment ratios and contribution bases, supporting quarterly or annual payment methods, and simplifying handling procedures. Appropriate financial subsidies and tax incentives should also be provided to enhance their willingness to participate, thereby continuously expanding the universal coverage and guarantee effectiveness of the housing provident fund system.

4.2. Optimize the contribution mechanism

To narrow the contribution gap among different industries and types of employers, China should establish a fairer and more rational housing provident fund contribution mechanism that balances efficiency and social equity. It is necessary to set reasonable upper and lower limits for the contribution ratio and strictly restrict excessively high contributions from high-income groups and well-paid industries. This will prevent the housing provident fund from becoming an exclusive welfare for a small number of people and enhance the overall fairness and public trust in the system. For low- and middle-income groups, who are mostly employed in small and medium-sized enterprises, private enterprises, or labor-intensive industries, stronger policy support should be provided. The government can offer targeted financial subsidies, tax reductions, or incentives to encourage employers to appropriately increase their contribution ratios and ensure that employees receive stable and adequate housing provident fund benefits. Such measures will effectively improve the housing security capacity of low- and middle-income groups and reduce the inter-industry and inter-enterprise contribution gap. At the same time, the contribution base should be dynamically adjusted in line with changes in wage levels and regional economic development. The base should truly reflect employees' actual income rather than being fixed at an unreasonably low level for a long time. By improving the accuracy and standardization of contribution base management, the accumulation efficiency of individual housing provident fund accounts will be enhanced. In this way, the housing provident fund system can better support housing consumption, reduce inequality, and provide more inclusive and sustainable housing security for employees across all sectors.

4.3. Relax withdrawal and loan conditions

It is crucial for China to moderately relax the withdrawal conditions of the Housing Provident Fund to better meet the actual needs of employees, especially low- and middle-income groups. On the basis of the existing withdrawal scenarios, the scope of application should be further expanded to cover more practical and urgent situations. For instance, residents who suffer from natural disasters, serious illnesses of family members, or other unexpected major emergencies should be permitted to withdraw

housing provident fund for emergency housing renovation, medical treatment, or other housing-related necessary expenses. This measure will enhance the security function of the fund and relieve the economic pressure on vulnerable groups in special circumstances. In terms of housing provident fund loans, relevant policies should be optimized to lower the threshold for applicants. The requirements for contribution years and minimum account balances should be reasonably reduced to enable more employees to qualify for loan services. Meanwhile, a diversified and scientific loan limit evaluation system should be established, which comprehensively takes into account employees' monthly income levels, actual repayment capacity, family total liabilities, and housing demand. Finally, the debt-to-income ratio can be set as the core evaluation indicator to replace the single standard that only focuses on account balance. By adopting this multi-dimensional evaluation method, low- and middle-income groups can obtain loan limits that match their real repayment ability, which will greatly improve the accessibility and feasibility of using housing provident fund loans to purchase houses. Such policy optimization will strengthen the inclusiveness of the housing provident fund system and better support families in improving their living conditions.

4.4. Promote the coordination of regional policies

To ensure the fairness and consistency of the Housing Provident Fund System nationwide and strengthen the regional coordination of housing provident fund policies, China should establish a national unified policy framework for the Housing Provident Fund, clarifying the basic policy standards and principles. At the same time, local governments should be allowed to make appropriate adjustments and targeted innovations according to local economic development levels and the actual situation of the real estate market under the unified framework. For economically underdeveloped regions, the central government can ensure the sufficient supply of housing provident fund funds in various regions through transfer payments, fund adjustment and raising loan limits, enhance the housing security capacity of the Housing Provident Fund for low- and middle-income groups, and narrow the gap in housing security among different regions.

4.5. Improve the level of management and services

Strive to realize the online and intelligent handling of businesses, simplify the handling procedures and improve work efficiency by applying modern information technology and promoting the information construction of housing provident fund management. Establish a transparent information disclosure mechanism for the Housing Provident Fund, regularly publish the deposit, usage and income of the fund to the public and accept public supervision. At the same time, strengthen the professional training and professional ethics education of the staff of housing provident fund management institutions, improve their service awareness and professional capabilities, and strive to provide higher-quality and efficient services for low- and middle-income groups, ensuring that the Housing Provident Fund System better benefits the majority of low- and middle-income groups.

5. Conclusions and Summary

Through analyzing the impact of the Housing Provident Fund System on housing security for low- and middle-income groups, this study has the following theoretical and practical values. Theoretically, based on the actual development of China's

housing security system and focusing on low- and middle-income groups as the core security objects, this study systematically analyzes the security mechanism of the Housing Provident Fund System, provides a research perspective on the fairness and inclusiveness of the system, and offers targeted theoretical references for subsequent research on relevant housing security systems. Practically, this study points out the practical problems of the current Housing Provident Fund System in terms of coverage, contribution, usage and regional coordination, and puts forward suggestions such as expanding coverage, optimizing the contribution mechanism and relaxing usage conditions, which are in line with the actual needs of low- and middle-income groups such as employees in small and medium-sized enterprises and flexible employees. These suggestions can provide feasible practical references for government departments to improve housing provident fund policies and enhance the level of management and services.

The limitation of this study is that it does not carry out empirical analysis combined with micro survey data of different regions and income levels, and the research conclusions lack corresponding data support. Future research can further conduct empirical and comparative analysis combined with micro survey data of different provinces and cities, quantitatively analyze the security effect of the Housing Provident Fund System on groups of different income levels. At the same time, combined with new trends such as new urbanization and the expansion of the scale of flexible employment groups, continuous exploration should be made on the reform and innovation direction of the system, so that the Housing Provident Fund System can better adapt to the development of the times and people's livelihood needs, and truly realize the housing security goal of "adequate housing for all".

Conflicts of Interest

The author declares that there is no conflict of interest regarding the publication of this article.

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