

The urban housing issue

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Contents

Foreword

The author

- 1. Introduction**
- 2. Objectives of housing policy**
- 3. A developmental framework to guide policy formation**
- 4. The purpose of housing policy**
- 5. Policy instruments**
- 6. Conclusion**

References

Foreword

The purpose of FMF *Monographs* is to use the analytic method of political economy to shed light on how best the promotion of free markets will improve the workings of the South African economy. In particular, authors are urged to apply the microeconomic approach of studying how individuals, firms and households behave in response to either naturally occurring or regulatory induced incentives. This requires that they display a sound, institutional knowledge and understanding of their theme. Where macroeconomic aggregates are introduced into the discussion, FMF authors analyse them from the market perspective, namely from the foundation stones of economics itself, supply and demand, the interactions of countless individuals with differing preferences and intentions. This approach also requires that authors pursue their analysis in a logical fashion to policy proposals unencumbered by preoccupations as to what is or is not politically practicable at any given time. They should not be tailored simply to gain the approval of pre-existing (but from a historical perspective transient and ephemeral) vested interests or political groupings.

The author of this *Monograph*, David Dewar, writes within this framework. Professor Dewar is both academic and practitioner. He writes with an understanding of both the institutional realities and the analytic framework of how housing markets operate. His knowledge of the unique South African issues runs deep.

Few issues have more potential to arouse heated discussion in this country than land. To an economist land is not only an asset, it is a personal asset. It is worth more to the owner than to a stranger. In African culture (and perhaps elsewhere too) it can be argued that land ownership gives a sense of satisfaction that does not always accompany ownership of other assets. Furthermore, land can be regarded as proprietary wealth. That is, it is worth more to society when it is owned by private persons with an interest in it than when it is owned by the state or its agencies. Then no one enjoys the benefits of ownership. Ownership becomes so widely dispersed among citizens in their capacity as voters that the benefit is diluted to nothing.

This argument is readily transferred from land to housing. Yet few commentators are willing to apply it. The common fault made by many is to examine the bad conditions in which so many live, the deprivation and poor quality of much of the housing stock and conclude that there is a maldistribution of that stock. The faults are more correctly attributed to a maldistribution of income.

Dewar does not make this error and suggests instead several novel ways of meeting the challenge. These range from the provision by the state of housing vouchers for the indigent which can be used “as flexibly as possible” to permit recipients to obtain anything from building materials through to complete houses (possibly even by consortia of voucher receivers).

Dewar argues for encouragement of the private rental market. He cites the “old” South African example of public sector rental housing where no proprietary (private) interest was held in the rented housing stock. The incentives to motivate an improvement of that stock were minimal. Its allocation was politicised and its location had little to do with consumer preferences.

Government has changed and government, bureaucratic and political preferences have also altered in the period since the 1994 election. However, examination of how the stock of public housing and land has been managed elsewhere in the world - in countries where a universal franchise has been in force for some decades - does not alter the analysis. Only the institutional framework has differed. The underlying truth remains that land and housing, when treated as personal assets and proprietary wealth are better utilised and more efficiently located, designed, built and maintained for the needs of their occupants (and potential occupants) than if they are publicly provided. Public provision in a place chosen by bureaucrats and politicians, to a design selected by third parties results in a stark homogeneity (with a potential for discrete error) which does not match the unknown and unknowable heterogeneous wants of occupants nor the technologies of providers.

Dewar writes in his private capacity. The views are not those of the FMF (which has no corporate view), nor of its Council Members or Directors. But the broad sweep of his proposals draws on a wide range of experience and scholarship. As such the FMF believes it is an important contribution to the current debate within South Africa on how and by whom our population should be housed, and who should decide how that question be answered.

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1

Introduction

It is common cause that there is a serious housing problem in the towns and cities of South Africa: indicators such as the need to create a million units within five years to remove the backlog of homelessness are widely quoted. However, the issue of housing is more complex than simply the need to provide shelter. Indeed, interpretations which focus exclusively on the issue of shelter provision may well lead to policy responses which are developmentally negative.

This *monograph* seeks to outline a policy approach to housing which is appropriately located within a developmental framework. It is important to stress from the outset that the focus here is on urban housing. The rural housing issue is significantly different and requires a somewhat different approach; for reasons of time and space, this is not dealt with here.

2

The objectives of housing policy

It is impossible to over-emphasise the importance of creating decent living environments for all South Africans. Housing, broadly defined, impacts on almost all dimensions of an individual's and a family's life. From a societal perspective, widespread conditions of inadequate housing contribute significantly to social instability, as witnessed by the tragic violence in black townships, and to general attitudes of despair and desocialisation.

The factor that makes the issue of housing complex is that "housing" does not simply relate to the provision of shelter. In obtaining "a dwelling space" the individual in fact gains access to a number of different products. These products all have the potential to contribute to an improved quality of life and thus generate a range of objectives which should direct the formulation of a housing policy. The main products associated with a housing decision, and the objectives which should be associated with them are as follows:

(i) *Access to land*

Two sets of objectives should govern this consideration. The first is maximising the environmental quality of the site. Different land parcels have different environmental characteristics which suggest different developmental treatment. The issue is particularly important since the land outlasts any one generation of users. Inappropriate action at any point in time can, in a real sense, destroy the legitimate heritage of future generations.

The second is security of tenure. Access to land must be secure access. Security of tenure has a profound effect on satisfaction, psychological health, the degree to which land and housing can be used as an economic asset, and so on. It follows that the greater the security of tenure within the housing system, the better the system operates, regardless of the legal form of tenure (e.g., whether it is owned or rented, etc.); all forms of tenure should be as secure as possible.

(ii) *Access to location*

Each land parcel not only has different site characteristics, it also has unique relationships with other land parcels and with the opportunities and facilities of the city. "Good" location, in the sense that the household has easy access to economic, social, commercial, cultural and recreational opportunities, significantly affects peoples' sense of satisfaction and their costs of living. Different locations impose different sets of costs, particularly, though not exclusively, transport costs.

(iii) *Access to utility services*

Access to utility services, particularly potable water, energy and sewerage but including other services which extend beyond the confines of the individual erf (stormwater and garbage removal) significantly affects health and levels of comfort. These services can be supplied in a variety of forms and levels, utilising different technologies and reflecting different cost parameters, and the range of effective options available is affected by natural conditions such as climate, soil, drainage and so on.

(iv) *Access to shelter*

The dwelling unit itself impacts on the life of the individual and family in a number of ways. It impacts on physical health (adequate air circulation, space, protection from damp, from temperature extremes and so on, as well as adequate safety from fire and attack, are all important in this regard); psychological health (e.g., via overcrowding and a lack of privacy); social conditioning (particularly through adequate privacy and space for positive social interaction); economic health (particularly according to the degree to which the cost of shelter represents an unaffordable drain on family

resources, its effect on education and learning and the degree to which it may be used as a locus for economic activity); and it affects, by its design and the amount of space available, the extent to which the unit facilitates and enriches household activities.

(v) *Access to an external social and physical environment*

Every dwelling unit is affected by, and contributes to, the broader environment within which it is located, and the quality of this environment affects levels of satisfaction of the household to a considerable degree.

From a social perspective, the central issue relating to access to an external environment is that of community: access to a reinforcing and stable social environment. This is a critical dimension of housing choice in any low-income situation, where time and monetary constraints are tight, institutional back-up is limited and informal social reinforcement is almost the only type of help that people can obtain. It is particularly important in low-income areas in South Africa, where applications of the Group Areas Act shattered community ties in many situations and where tentative new social bonds are just beginning to re-emerge.

All of the factors mentioned have some relevance in any housing decision. They do not represent a sequential list of priorities which can be satisfied on a one-to-one basis: all must be present to some degree. They represent a package. If all were present, and all of the objectives satisfied, the situation would be “optimal”. In low-income situations, which are characterised by limited household financial resources, a situation of trade-offs pertains. The critical policy issue is the level of access to each component of the equation.

It is apparent that the decisions facing individuals in the arena of housing are complex and priorities will vary widely with individual circumstances. It follows from this that no single ideal approach or package exists and that centralised, external agencies cannot decide on priorities. The clear implication is that the more individuals can determine their own priorities, the better the situation and the greater the range of choices available to people, the more they are assisted.

In any major city, there are many forms of housing stock through which people seek shelter. Common forms in South African cities include private sector-produced housing, catering to a range of income groups; public sector housing of various forms, frequently housing more than one family; shacks in areas which are both “legal” and “illegal”; garages; backyard shacks in formal housing areas; shacks in the relatively undeveloped landscape; single quarter migrant hostels, and so on. In assessing “the housing problem” it is more useful to apply performance criteria than to attempt to determine cut-offs based on arguments about which forms of housing stock are acceptable and which are not. The use of performance criteria recognises that there is no one “housing problem”: there are many problems with different causes and they frequently apply across housing types. The main criteria of inadequate housing are:

- inadequate location;
- conditions negatively affecting individual and family health (physical, psychological, social and economic health) and safety;
- insecurity;
- inadequate facilitation of individual and family activities;
- unacceptable environment quality.

It is clear that, in terms of these criteria, the housing problem in South Africa is massive; it is far greater than suggested by commonly used statistics which relate to inadequate shelter only.

It is clear, too, that housing policy formulation requires a framework which locates the housing issue within its broader urban context - a framework of broader issues which should inform the direction of housing policy in the specific context of South Africa, characterised as it is by high levels of poverty, inequality, unemployment and scarce resources.

3

A developmental framework to guide policy formation

There are four issues of this kind which are paramount.

(i) *The need to reconstruct South African towns and cities*

Three spatial patterns mainly characterise South African towns and cities. The first is their *sprawling, land-extensive form*: gross densities are far lower than those found in most cities internationally. A number of processes contribute to this situation. One is speculative sprawl involving higher-income people in search of privatising amenity. Another is the crisis-driven search for land by public authorities, in order to accommodate urban expansion of lower-income groups. Historically, the major factors informing the choice of land have simply been ease of acquisition and racial and class separation. Accordingly, both factors have tended to lead to the release for land for urban development continually beyond the existing urban fringe.

Within these lower-income housing developments, too, a pronounced anti-urban ethos is evidenced. The large plot is seen by planners and decision-makers as the basis of the “good” urban life, even though people frequently cannot afford the capital and maintenance costs associated with this form, and society certainly cannot afford the indirect costs which result.

A third, increasing, process is squatting. One of the primary locational motives informing the pattern that this takes is the desire of people to avoid harassment. Again, this has meant that informal settlements tend to form beyond the main urban edge. *In toto*, therefore, the pattern of growth of the major cities is largely out of control. The cities are exploding outward in a sprawling, amorphous, low-density form. It is not uncommon for people to commute to work 60-80 kilometres daily in each direction.

A second spatial characteristic resulting from the urbanisation process is *fragmentation*. The grain of the cities is coarse, primarily since development occurs in relatively discrete pockets or cells, frequently bounded by freeways or buffers of open space. The primary reasons for this are fourfold: the relatively unquestioned planning belief in the introverted ‘neighbourhood unit’ or ‘urban village’ concept, in which housing areas focus inwards on community facilities embedded at their geographical centres, in terms of planned housing developments; the tendency to undertake new housing developments as large programmes on discrete, consolidated sites; the dominant locational need to avoid or combat harassment, and thus a tendency for people to group, in the case of squatter settlements; and the historical pursuit of racial separation through the use of spatial “buffer-zones” between the housing areas of different race groups.

The third pattern is *separation*: land uses, urban elements, races and income groups are all separated to the greatest degree possible. In particular, the separation of places of work and residence is deeply entrenched in the philosophy of urban management. The dominant urban land use pattern resembles a series of relatively homogeneous “blobs” of different mono-uses, tied together by high-speed transport routes.

In combination, the costs of these patterns on the lives of the majority, the urban poor, are savage. The system generates enormous amounts of movement at great cost and massively aggravates the major developmental issues of poverty, unemployment and inequality facing the society; it results in environments which are desperately inconvenient and which generate few opportunities to which small-scale economic operators, in particular, can respond; it makes the provision of basic utility services difficult and expensive; it wastes society’s scarce resources such as land, energy and finance; and it is leading to extensive environmental destruction.

In the face of this, one of the greatest challenges of the next decade is to use housing policy to reconstruct the South African city so that it yields qualities of “city” as opposed to those of townships or housing estates.

There are a number of inter-related reasons why compaction policies are essential in the current economic and political climate in South Africa.

(a) *Employment and income generation*: Employment and income generation is probably the most important priority in South Africa. Particularly, a climate needs to be created in the urban areas which maximises the growth of small-scale enterprises. There are a number of reasons for this.

- Growth in larger, formal enterprises is failing to match the growth in the labour force: many people will have no option but to seek survival in self-generated enterprises, particularly in the informal sector;
- Measures to stimulate growth in this sector constitute a direct attack on poverty, for many operators engaged in this type of activity are poor;
- International precedent indicates that the greatest growth in employment occurs in small firms (characteristically those employing 5 - 12 employees).

The single most important condition for maximising employment and income generation opportunities, particularly for small-scale enterprises, is a large, easily accessible local market. It is this condition which promotes maximum economic diversification. Significantly, such conditions also result in greater efficiencies for larger-scale economic enterprises.

(b) *Reducing inflation*: Sprawling, dispersed urban forms, such as those characterising the major South African cities, are highly inflationary. It has been estimated, for example, that on average collection and distribution costs for industries in Cape Town account for 54% of total costs - an inordinantly high figure. These costs are largely passed on to the consumer.

(c) *Making efficient use of services*: Denser, more compact, areas make better, more efficient, use of social and utility infrastructure and therefore reduce overall developmental costs.

(d) *Reducing transportation costs*: The sprawling form of South African cities is significantly aggravating the inter-related developmental issues of poverty and inequality and is placing growing financial pressures on the state. Two examples can be used to illustrate this.

First, the sprawling form makes it almost impossible to provide efficient, viable public transportation systems, and the majority of people are largely forced to use motor vehicles. Apart from the huge indirect costs which this generates (for example, in road infrastructural costs, seriously escalating air pollution, loss of time in traffic jams and so on), the direct costs are sobering. If, through location of a household close to places of work and urban facilities, a head of household is saved 15 kilometres of car travel each working day to and from work, and the saving is amortised over the period of a bond (20 years), the total saving is R48 000 at today's prices. In reality, of course, transportation costs are escalating dramatically and are likely to continue to do so. This saving, if realised, represents the equivalent of a direct grant to the household but at no cost to the state.

Secondly, if the present sprawling system continues, the costs to the state in terms of transportation subsidies is likely to become intolerable. In 1988 the subsidy per commuter on the Khayelitsha-Bellville bus route in Cape Town (one of the most intensively utilised routes) was a staggering R1 300 per annum. Again, if this figure is compounded at 16% over the period of a bond (20 years), the net true cost to the state is R173 960 per commuter. Subsidies are even higher on train trips.

Clearly, this magnitude of costs, escalated nationally, is placing a huge burden on the national fiscus: the country cannot afford them. However, the political and human cost of removing these

subsidies, under the existing proto-typical urban form, would be awesome. Indeed, a limited withdrawal of subsidies is currently threatening to cause the collapse of the public transportation system in some cities. The concept of South African cities doubling or trebling in size without efficient viable public transportation is truly frightening.

Large savings achieved through a better relationship between places of residence and urban opportunities opens up the possibility of massive injections of capital into the urban systems in far more productive forms.

The key to achieving this compaction is to channel or “implode” new growth towards smaller residual land parcels within the existing urban fabric, as opposed to seeking land continually further out: to use new growth to improve the performance levels of existing areas. Considerable land exists within the existing fabric for policies of this kind.

Four types of implosion policies suggest themselves:

- *One is structural implosion:* increasing unit densities around strategically significant parts of the cities, in order to maximise their potential (e.g., the inner city areas, around stations and along fixed line public transportation routes);
- *A second is economic implosion:* facilitating intensification by encouraging people (within certain performance constraints) to sub-divide large land parcels they own, thereby benefiting themselves in the process - creating a “world of ten thousand developers”;
- *A third form is social implosion:* encouraging existing communities (e.g., in hostel areas) to identify residual land within their areas which can be used to reduce the chronic overcrowding which exists within housing units, while maintaining community ties;
- *A fourth form is surgical implosion:* strategically inserting higher density units into the fabric in order to give a sense of scale and enclosure to currently ill-formed, unscaled and dangerous public spaces.

(ii) ***The need to stimulate the emergence of qualitatively decent total living environments***

A feature of low-income housing policy over the past few decades is that its purpose has been narrowly defined as being simply the provision of shelter - the need to provide dwelling units. Analysis of the environments which have resulted reveals that they are almost unfailingly sterile and monotonous: they are desperately poor places in which to live, even where levels of shelter are reasonably high. A major reason is that the quality of urban environments is not determined primarily by the quality of individual buildings. It is mainly related to the quality of the public spatial environment. The public spaces and places are the arenas through which people experience the city and engage, both formally and informally, in its collective life. When the public spaces are humanly scaled, enclosed social spaces, the entire environment is positive, regardless of the quality of individual buildings. Conversely, when the public spaces are unformed and poorly scaled, the entire environment is sterile, again regardless of how well individual buildings are designed or made. Despite the self-apparentness of this, and the considerable historical precedent to support the observation, there is no tradition of public space-making in South African cities. Almost no design is evidenced in the mono-functional housing estate which make up the greatest part of South African cities: they essentially comprise poorly integrated elements such as utility services, roads, plots and, at best, some essential services such as schools or clinics. A drive through Delft or Blue Downs in Cape Town chillingly underscores the extent of environmental desolation, even in formal housing areas.

The significance of the issue goes well beyond aesthetics. The basic assumption of the housing estate approach - that almost the full range of a family's needs can be met within the individual house - simply does not hold when people are poor. In these cases, the public spaces are of vital importance. If properly made and celebrated, they enable poverty to be tolerated with some dignity, since poverty does not become a badge, identifying particular individuals who happen to be worse-off than others. Thus, many of the activities and social experience which in more wealthy contexts may be carried out in the home are played out in lower-income communities in the public

spaces. In effect, they act as extensions to the private dwelling unit: they are urban social rooms and are the places where people meet, children play, lovers court, teenagers read and study when the house is overcrowded, and so on. The way in which they are made profoundly affects the performance and the enjoyment of these activities.

The provision of good public spaces is probably the most significant form of necessary social infrastructure in urban areas, and their emergence needs to become a non-negotiable part of housing policy. The clear implication of this is that low-income housing areas need to be spatially designed and not simply subjected to a process of land sub-division as, ubiquitously, is the case at present. Design is not less important in low-income areas: if anything, it is more important. Without it, the settlements formed today will still be poor environments decades hence. It is important to remember that, internationally, many of the environments which are admired and revered today originally began as low-income areas. The primary issue in making qualitatively fine public environments is not the amount of investment which is required: It is the application of thought and creativity.

This need to focus attention on the collective dimensions of life also needs to extend to community facilities. There are a number of dimensions to this.

- Firstly, it is becoming increasingly impossible, in terms of costs, to satisfy the full range of poorer households' needs within individual housing units. Faced with this reality, the appropriate policy response is to give more attention (and investment) to the collective, or public, environment. It is apparent that, when viewed from the perspective of individual households, housing policy can never be equitable: some households will gain access to policy benefits while others will not. It is perhaps necessary therefore to view, initially at least, the issue of equity at the level of the collective: to think in terms of a minimum public infrastructural set or "kit of parts" (comprising a social space or square, a water point - made not as a nuisance-generating engineering solution but as a social facility like the traditional village well - and a bath-house) to which all communities are entitled;
- Secondly, community facilities need to be used consciously as primary structuring elements of urban environments. Among others, they need to be far more integrated into, and become part of, community life; the principle of sharing to obtain greatest efficiencies (e.g. sharing halls, libraries, playing fields and so on between schools and communities) must be entrenched; and facilities need to be locationally integrated with public transportation systems to make the facilities as accessible and convenient as possible.
- Similarly, the form of social facilities needs to be rethought. New forms, which do not currently occur in a conventional "basket" of urban facilities, but which are potentially highly positive in terms of their impact on the lives of the poor, should become essential ingredients of housing programmes. Ingredients of this kind includes really positively made public spaces which can become the locus of community social life and of informal urban events, such as markets; reception centres, accommodating advice offices, child-minding centres, housing offices and so on; information and communication kiosks which use public television to increase levels of developmentally - related information; building materials caches which market building materials at wholesale prices, and so on.

While the above is generally true, there are three operational issues that need to be raised which affect the degree to which community facilities are integrated into community life and are "owned" by the community:

- The first is that the priorities of communities with respect to community facilities will vary. The important thing is not pre-determining the form of all facilities but determining the spatial structural positioning of social institutions which are valued by the community: it is necessary to

make provision at significant structural places for important community facilities. The precise nature and form of many of these facilities can be determined over time by the affected community. The implication of this is that the principle of lump-sum funding should be adopted in financing new settlement formation: that is, funds should not be allocated in pre-determined line allocations (x amount for roads, y for community halls, etc) but should be allocated as a lump sum to allow for negotiated trade-offs within the planning process;

- The second point is to ensure that there is respect for the taste of the local community as to style: the community must be the client. The danger that public amenities become an arena in which professionals, whose taste may be very different from those of the local community, engage in monument building is a real one and may lead to rejection of the facility;
- The third is that user bodies should be actively involved in the administration of facilities and should gain both direct and indirect advantage from them. On the one hand, the administration should be clearly under the control of representative local bodies (e.g., an elected community committee, representatives of established sports clubs, a group of schools, etc). On the other, revenues raised from the facilities should be transparently accountable and should be clearly earmarked for approved purpose (e.g., profits after maintenance costs could be paid into a community trust fund for facilities development; it could be shared between local schools; and so on).

Only when communities “own” facilities in this way will their value be protected and enhanced and their utilisation maximised.

In summary, the primary housing issue is the performance of the total environment which results from the application of policy. Here it is the public environment which is critical. Any approach to housing policy which views the issue narrowly as the provision of shelter, and which focuses primarily on the individual unit as opposed to public events as the basic building block of urban settlements (as is the case in South Africa at present) is doomed to failure.

(iii) *The need to use housing policy to promote employment generation*

Given the dynamics of population growth, poverty, unemployment and inequality facing South Africa, it is not sufficient to view the products of housing policy simply as dwelling units; policy must be consciously viewed as an instrument to generate employment. The related issue of poverty and unemployment are the most serious developmental problems facing South Africa. It is estimated that between 25% - 40% of blacks are unemployed (Wilson and Ramphela, 1990) although there are considerable regional and local variations: in places the rate exceeds 70%. In the face of this, it makes considerable sense to use housing policy to stimulate employment generation, particularly since the construction sector is relatively labour-intensive. The role of the state should be to inject substantial and sustained amounts of capital into the housing process, broadly defined. It also has a major role to play in stimulating the organisational and institutional changes necessary for capital to circulate as widely as possible (e.g., large-scale training programmes to develop extensive networks of small builders; the promotion of labour-intensive public works programmes to provide and maintain infrastructure; the use of sub-contracting to promote small business - for example, making school furniture or uniforms; the establishment of wholesale building materials caches; and so on).

(iv) *The need to stimulate a range of housing initiatives*

A fourth informing issue is the need to stimulate a broad range of housing initiatives. A major problem of housing policy historically in South Africa is that it has always promoted overly simplistic “either-or” approaches to housing provision (e.g., either heteronomous, mass housing approaches which dominated until the 1980’s or self-help approaches have dominated since then).

The housing problem is complex: it exists in relation to many different life circumstances - for example, pensioners, young couples trying to enter the housing system, large extended families, and so on. Moreover, it does not only exist in relation to the destitute. Indeed, a disturbing feature of the current housing problem is that the affordability gap is worsening: an increasing number of families, headed by people with regular employment and who could not be defined as “poor” in the strict sense of the term, are having to live in appalling conditions simply because there is no external assistance to enable them to bridge the (frequently not huge) gap between their earnings and the cost of suitable accommodation.

The long-term social costs of this tendency are serious. The fact that the demographic and financial circumstances of homeless people varies significantly denies a single approach to housing delivery. Similarly, different forms of housing provision - informal housing upgrading, site - and services, wet-cores, conventional housing, inner city redevelopment, upgrading single-sex hostels, the transformation of these into family housing, rented apartment accommodation, and so on - all have different cost implications and institutional requirements, and they require different forms of state assistance.

(v) ***The need to stimulate social cohesion***

An important part of housing policy is stimulating the emergence of cohesive social environments with strong communities. This has two particular implications for policy:

- The first is the need to avoid relocations as far as is possible. It is important to stress that the negative consequences of relocation occur regardless of the intent underpinning the relocation. Any relocation should only occur if there is a high degree of consensus among those potentially affected by the proposed move about its desirability and if communities or groups are relocated *en - masse*;
- The second is the need create choice in the selection of living environments: a climate needs to be created in which there is considerable choice about where people live and with whom they live. In this way, important social criteria, such as kinship and friendship ties, can inform locational decisions of households. This means that at any point in time there should be numerous housing initiatives under way in any town or city. In situations where single projects are the “only show in town” and where entire allocations occur through waiting lists or other artificial mechanisms, social problems almost inevitably arise.

4

The purpose of housing policy

In the face of this complexity, the primary purpose of housing policy should be to unblock and unleash all potential energies and resources, from a wide variety of sources, which can play a role in improving living conditions.

Obviously, a level of equity in the award of policy assistance is a real policy issue. However, two implications flow from an approach to policy which is focused on unleashing energy.

Firstly, policy instruments should be as flexible as possible, in order to be applied to a wide range of situations. It is fatal to try and force different kinds of problems to fit a single standardised solution.

Secondly, there is a strong case to be made for not committing all financial resources available for housing assistance in pre-determined forms. There is little experience in dealing with a number of housing problems in South Africa (e.g. inner-city housing or the problem of single-sex hostel upgrading). While certain lessons can be learnt from monitoring the experiences of other countries, the only real way to promote learning is through action - through experimentation. Housing policy should accordingly encourage housing agencies in the field to work and think innovatively and help them find ways to reach lower target markets by removing obstacles which emerge in relation to particular projects.

5

Policy instruments

Three forms of housing problems can usefully be distinguished, in order to identify main policy instruments: home-ownership housing, rental housing and hostels upgrading.

(i) *Home-ownership*

The promotion of home-ownership should form an important, but not the only, dimension of urban housing policy. If successful, it results in high degrees of security of tenure and plays an important role in capital accumulation and individual economic empowerment. The primary mode of delivery of housing for ownership must be incremental housing, as opposed to a mass housing approach which is focused on the large-scale delivery of completed products. There are a number of reasons for favouring an incremental or self-help housing approach.

- It is financially the only viable option: given the scale of demand, problems of affordability and the cost of building units, the public fiscus simply cannot bear the burden of providing completed units for every household in need. Attempts to do so result in “island of privilege” which cause severe social cleavages;
- Self-help approaches (the term “self-help” used here does not equate with self-build - rather it relates to a situation where the household manages the delivery process) are frequently cheaper. There are three main reason for this: one lies in the possibility of using household labour (sweat equity); another lies in the possibility of using unconventional, cheaper, building materials or accessing cheaper sources of supply; the main one, however, is that, commonly, building occurs over an extended time period, in stages. This enables the household to obtain smaller loans, thus lowering the cost of capital;
- There is considerable international precedent to show that levels of satisfaction with the housing product are higher when the household has been involved in housing decisions and in determining priorities than when these have been imposed by an external agency;
- These approaches, which are dependent on many relatively small projects, frequently result in better and more complex environmental conditions than centralised mass housing approaches which are inevitably technocratically driven and environmentally monotonous and sterile.

A number of policy actions are necessary for vigorous incremental housing approaches to flourish.

Financial

(a) Entry subsidies: Given very severe problems of affordability, many people who wish to enter into ownership are unable to gain an initial foothold into the housing market. There is, therefore, a case for state assistance to do this. The most common forms of such assistance internationally are soft interest loans on bonds or a one-off capital subsidy. Both have advantages and disadvantages. However, since many households, for a variety of reasons, are unable to gain access to end-user credit, there is a case in South Africa for implementing a once-off capital grant system for poor households. The level should be fixed at the price of obtaining a serviced site plus one room. The form should be a voucher system, which should be used as flexibly as possible: it should be transferable to developers on delivery of a housing product; it should be transferable for building materials; a number of households should be able to pool vouchers for social housing initiatives, and so on. The award of housing voucher should be consciously used to a number of ends,

particularly: to reconstruct the towns and cities by promoting infill programmes, mixed-use developments, housing projects which are well-located in terms of housing, and so on; to make efficient use of land - grants should apply to maximum plot sizes of 100 square meters; and to promote a culture of repayment and social responsibility.

(b) Bridging finance: If the housing problem is to be tackled at scale, communities themselves, assisted by housing-related Non-Governmental Organisation, will have to become developers. A major lack in this regard is access to bridging finance which should be state-provided.

(c) End user credit: Conventional private sector financial institutions should be encouraged to lend as low down the housing market as possible: the mortgage guarantee system is a useful instrument in this regard. However, given existing risk factors, the externalities associated with investing in low-income housing in South Africa and the fact that private sector institutions are not structurally geared to housing investment in low-income areas, it will in all probability be many years (if at all) before the private sector fully services the bottom end of the market. Accordingly, there is a case to be made for creating a dedicated state housing bank which specialises in lending to the bottom end of the housing market. At the same time, the state must throw its full weight behind returning the rule of law to the housing market, in order to promote private institutional involvement.

(d) Tax concessions: Employers contributing to employee housing should qualify for tax concessions. This is a relatively cheap way for the state to mobilise additional finance for housing.

(e) Public spaces grants: Given that fact that for many years only a small proportion of household in need of state housing assistance will receive it, a dedicated public spaces fund should be established to assist organised communities to improve their public environments. This is the most efficient way to impact positively on the living environments of large numbers of households quickly. The fund should be institutionally linked to the Department of Housing to create a recognition that this is an important part of housing assistance. The development of multi-functional spaces (e.g. social space, play space, market space, etc) should be prioritised.

Materials

Policy should actively promote the use of local building materials and the use of small-scale technologies to mobilise these (e.e. hand-powered brick - and block-making technologies). A specialised division of the Small Business Development Corporation should be established to supply credit, and research into building material technology development should receive a priority rating.

Networks of wholesale building materials caches, made up of consortiums of formal sector suppliers, supplying materials that cannot easily be manufactured on-site, should be encouraged in low-income areas.

Capacity building through training

A major policy issue is increasing capacity within South Africa society to maintain an ongoing vigorous housing programme. Training is, therefore, vital dimension of housing policy.

A number of types of training are necessary. In terms of *building skills* a vigorous incremental housing programme is dependent upon the emergence of networks of small-scale building contractors and sub-contractors. These skills need to be taught, in conjunction with entrepreneurial and business skills.

Creating and dramatically increasing *community-based institutional capacity* to undertake housing programmes must be an essential dimension of housing policy. This is dependent upon training strong leader in community organisational skills, business and administrative skills and in housing-related issues.

An important dimension of self-help approaches to housing is encouraging self-build activity among and between households. The transmission of advice, conveniently accessed as and when it is required, is an important dimension. This requires a network of community-based field workers and they, in turn, require training in building skills, knowledge of housing policy and processes and organisational skills.

Clearly, many of the skills required overlap in different combinations. Therefore a system of sub-regional building training and advice centres, transmitting a range of these skills, needs to be established nationally.

Information diffusion

An aggressive information campaign must be an essential ingredient of policy. This should address a number of issues, among which are:

- The rights, advantages and responsibility of ownership. Until fairly recently (1986), ownership was denied to the black population and in many places the implications of ownership, and the possibilities within it, are not fully understood;
- Rights and responsibilities in terms of service and housing payments;
- The availability of policy benefits and how to access these;
- The issue of expectations. The biggest single obstacle to vigorous incremental housing processes taking root is expectations that greater benefits may be around the corner (particularly the expectation that the state will provide completed units). Policy consistency is therefore essential and people must be persuaded that the benefits which are available are the only ones they will get.

Deregulation

Massive deregulation is required to speed up housing delivery processes. The Development Facilitation Act is a step in the right direction relative to land assembly but an equivalent slashing of red tape is required with respect to planning and building approvals. At the same time, a consumer protection programme is required in terms of developer-delivered housing.

(ii) Rental housing

The Need: That there is a considerable need for rental accommodation is beyond doubt. On the one hand, there are large numbers of households which cannot afford the costs associated with home-ownership. On the other, there are indications of large numbers of urban dwellers who do not wish to take up home-ownership in the towns and cities. The extent of this must be seen in the context of the phenomenon of circulatory migration.

Numerous surveys have indicated that circulatory migration between rural and urban areas is very large and is deeply entrenched (Mabin 1990; Dewar, Watson *et al* 1991; Gaffane 1990; Royston 1991). Large majorities of labour migrants stress the importance of rural values and connections and visualise retirement in the rural areas, while minorities express a desire to live with their entire families at their place of work (Gillomee and Schlemmer 1985; Smit *et al*, 1983). Some household heads maintain two complete households, one in the rural areas and one in the urban areas. Time cycles of migration, too, vary from very short-term to generational intervals. Although most circulatory migration occurs among Africans, there are indications that it is by no means confined to this group.

The question of the duration of this phenomenon of large-scale circulatory migration obviously has important policy implications. The future cannot be predicted with any certainty, but evidence from elsewhere in Africa indicates that such migration has persisted for several decades (Ferguson 1990).

The conclusion that must be drawn is that very large numbers of lower-income households have two different sets of housing needs (permanent and temporary). Since the country clearly

could not afford to subsidise both sets of needs (nor would this be equitable), it can be anticipated that a significant number of these households would prefer to take up ownership and more permanent housing policy benefits in the rural areas, while making do in the towns and cities, primarily through renting.

The Issue: Given that there is a demand for rental accommodation the central policy question is whether the demand be met through the public or private sectors. There is a long history of low-income public rental housing in South Africa and its record provides an overwhelming case for not repeating the policy in a “new” South Africa.

- The capital costs associated with providing urban public rental housing on a scale commensurate with probable demand would be enormous: indeed, it could not be met and would totally derail other policy instruments aimed at promoting ownership. In effect, at today’s prices it would require a capital subsidy in the order of R40 000 per household, as opposed to the maximum of R15 000 currently available on ownership schemes. To illustrate the impact of this, the Government’s stated intention of building one million units over five years (or 200 000 units a year) can be used. If it is assumed that 30% of this was rental accommodation, the annual cost of the rented portion would be R2,4 billion, compares with the R2,2 billion total budgetary allocation for 1994;
- Rents could not be fixed at cost-recovery levels, since the majority of households in need could not afford these. In effect, therefore, rents would have to be bureaucratically determined around some notional interpretation of “affordability”. this has two consequences. On the one hand, capital costs would never be recovered: indeed, rents are unlikely to even cover the costs of administration and collection - in effect there would be an ongoing subsidy on top of the capital subsidy. This raises serious questions of equity. Secondly, the system would act as a direct disincentive to ownership and would create an ongoing climate of dependence;
- Rates of obsolescence of building stock would be very high, since tenants would have little or no interest in maintaining the stock: again, in all probability, rents would be insufficient to cover the costs of maintenance by public agencies.
- Costs of administration and rent collection would be very high: in a study of the old rental system in Cape Town, it was found that administrative costs accounted for more than 60% of the total rent charge (Dewar *et al*, 1982);
- The application of bureaucratically-defined means tests as criteria for access have proven to be impossible to administer fairly: they promote a climate of corruption - downward-raiding is a common outcome in these situations;
- In reality, the supply of stock could not match demand and allocation procedures would become politicised: the tendency for housing to be used as an instrument of political patronage would be intensified.

An Alternative: Hints about an alternative way of viewing the issue can be found by reviewing the housing experience in countries such as Zimbabwe and Kenya. A feature of the urban housing system in Zimbabwe, for example, is the tangible display of energy contained within it. Even in 1992-1993 when, for a variety of complex reasons, building societies were not lending at all, there were very high construction levels in low-income residential areas: at any time, building materials line almost every street and owners of almost every unit seem to be adding on (Dewar 1994).

The financial motor behind this energy is the lodging system. The common practice is for new households entering the housing market to live in one room while renting out another. Profits

are then ploughed back into the construction of other rooms for rent, and so on. Over a longer period the household has the choice of occupying the (larger), completed unit itself or continuing to rent out rooms in order to finance other household expenses or to save. The extent of this activity is such that it is building society policy, when assessing bond applications, to add on \$100 a month to assessed household income, as a matter of course, on the assumption that the unit will be yielding rent.

Similarly, when analysing a number of self-help schemes in Nairobi, Jorgensen (1971) found that low-income households were repaying their mortgages, at market-related interest rates, on average in seven years, because of the lodging system.

Some Advantages: There are a number of major advantages that flow from this system, over that of the public rental option.

- Finance invested in housing (via rentals) automatically flows back into increasing effective housing stock;
- The beneficiaries of rents paid are themselves low-income households: the system promotes economic empowerment;
- The system is equitable. To ensure this, qualifying households who do not wish to take ownership benefits in either the urban or rural areas should still qualify for the once-off capital subsidy, which could be invested to contribute to rental. Assuming that amount is R12 500, at a notional rate of 10% per annum, this would yield a monthly rental contribution of R104 per household - an amount which would inject considerable energy into the private housing sector;
- The system encourages entrepreneurial initiative;
- Public capital outlays are very much lower;
- Housing stock is far better maintained since there is much closer control on the ground;
- There are no administrative overheads and no bureaucratic control;
- The system would lead, over time, to a spontaneous compaction of towns and cities, with considerable secondary advantages in terms of efficiency.

The Policy Issue: The central policy issue is how to unleash this level of energy into the South African low-income housing market. There are two major blocks which, on a policy front, need to be overcome. One is the initial capital barrier to entry: it may be difficult for households newly entering the housing market to find the capital to build the first additional room. To overcome this, part of the national housing policy package should be a “soft” (low interest or no interest) room loan, to be repaid over a period of three years, to cover the cost of the first rental room (at today’s prices, this loan should be in the order of R3 000). In real terms the only cost to the state is the opportunity cost of forgone interest: at a notional rate of 10%, this is equivalent to some R300 a year over three years for participating households.

The second is creating a widespread awareness of the possibilities of such an approach. In places like Zimbabwe and Kenya, there is a long tradition of ownership and of using housing as an income-generating asset in low-income communities. It is not quite the same case in South Africa. The possibility of ownership for African households is a relatively new phenomenon in South Africa. Although there is already considerable evidence of households using land for revenue-generating purposes (particularly through the less desirable form of backyard shacks), it cannot be assumed that its income-generating possibilities are self-evident. An important part of housing policy, therefore, should be an aggressive campaign to market these possibilities.

Four points emerge from this argument:

- There is, and will continue to be, a significant demand for urban rental accommodation among low-income households;

- The demand cannot be met by state-provided rental accommodation. It is simply too expensive and partial provision (provision meeting only a small part of demand) will be inequitable and will cause undesirable knock-on consequences;
- By creatively channelling that demand towards low-income ownership units, an enormous amount of energy can be unleashed into the private housing sector and can lead to large-scale consolidation of formal housing stock over short periods of time;
- There is a case of a small amount of subsidised state-owned rental accommodation to house indigent old-age and disable people.

(iii) *Hostels upgrading*

There issue of upgrading hostel accommodation is vexed. That there is a need for upgrading living conditions of many hostel dwellers is not in doubt: in many cases hostels represent among the worst living conditions in the country. However, the issue is a complex one, confused by many lines of variation.

One important difference relates to ownership, with the main distinction being state-owned and private company-owned hostels. Among the most complicated cases are situations where the land is state-owned and the improvement is privately-owned. A second relates to duration of tenure. Some hostels house temporary workers; for others the accommodation is full-time. A third relates to conditions of upgrading: in some, the demand is for conversion to family accommodation; in others, their single-sex status is vigorously defended. A fourth relates to tenure: in some the demand is for ownership; in others rental; and in most cases there is a demand for both. A fifth relates to condition of hostels. Some are structurally sound and could be renovated fairly quickly and easily; others are in very poor condition and could only be upgraded at considerable cost - an issue which raises serious questions of equity. A sixth relates to their degree of integration. Some are integrated into the surrounding residential fabric; others have been deliberately designed to keep them as isolated, special events. A seventh relates to socio-political circumstances. Some are relatively conflict-free; others are riven by severe cleavages.

In the face of this complexity, it is impossible to prescribe a neat, uniform policy position. each case needs to be addressed on its merits. What is required is a series of pilot projects which will inform emerging policy guidelines. A few principles, however, are clear.

Firstly, some hostels are not worth upgrading, on either financial or social grounds. It is not sufficient to argue that because that are there, they must be upgraded. The primary issue to be addressed is whether they are a resource or a liability.

Secondly, any upgrading needs to be part of a broader infill project: almost all hostels are badly overcrowded, and any conversions will result in displacements which must be rehoused as part of the same scheme.

Thirdly, any assessment and planned upgrading needs to be driven by the issue of integration. The central issue is integrating hostel dwellers into their surrounding communities and making hostel accommodation just one form of a varied supply of housing stock.

6

Conclusion

This *Monograph* has outlined a number of legs upon which housing policy should rest. The most important point to stress in conclusion is that the central objective of housing policy must be the stimulation of environments which give dignity to people's lives: it is not simply the provision of shelter. Against this criterion, the record of housing policy in South Africa in recent decades has been extremely poor. Thousands of millions of rands have been spent on housing but the environments which have resulted are almost unfailingly sterile, monotonous, hostile and inconvenient. They will never become facilitative places in which to live. In a real sense, the money which has been invested has been wasted. In no small part this is the result of the way in which the "housing problem" has been defined. A narrow focus on the individual housing unit and the provision of shelter, which is the prevalent disposition, gives rise to a particular mind-set and approach which ensures the generation of poorly-performing, sterile environments.

Significant improvement demands a paradigm shift: a shift which places not the individual unit but collective spaces, institutions and facilities at the centre of "the housing issue".

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