

THE SUPPLY OF AFFORDABLE URBAN HOUSING, SQUATTER UPGRADE AND LAND READJUSTMENT

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Abstract

Rapid urban development has made it virtually impossible for housing especially for the low income person to be located at strategic and desirable locations within the urban areas. This is because most often than not housing has to compete with more profitable landuses for sites within the urban areas and by virtue of its nature housing for the "poor" would either loose out or be relegated to other less appropriate locations. It is important to realise that to a low income person where he lives is more important than the house he lives in. It is vital for him to be close to his work and most important, he has to be in the city so that his family can help earn the family income. Hence, if the low income person is to survive economically he will need to live near the job opportunities. Nevertheless, the most prevalent form of affordable housing available to the low income person in the urban areas are in the squatter settlements. However, a typical reactionary response to these settlements has been to relocate the squatters without realising that relocation generally tends to ignore the already limited resources available for the provision of housing and more important, it illegitimatises most, if not all of the existing low income housing stock. The principal effect has been to reduce on an already insufficient housing stock. It fails to see the opportunities and potentials for real improvements and upgrading in the existing housing conditions of the urban poor through land readjustment. There is already in existence a system which has provided a great number of housing solutions to the urban poor, namely the squatters' housing sub-system. It is however, recognised that these settlements are not without problems. Nevertheless, considering the relative size of the population that they shelter, the dwelling units are obviously not without value either. This paper will attempt to highlight the need for squatter upgrading possibly through the application of land readjustment within the urban areas as an alternative to relocation and as a means of ensuring the supply of affordable housing.

1.0 Introduction

Housing is universally recognized as one of the basic human needs and ranks second only to food. The Malaysian Government, in recognition of this fact, has formulated ambitious public housing programs in order to meet this need. In spite of all these programs, Malaysia's performance is far from satisfactory, especially in the provision and delivery of affordable housing for low-income households. In contrast, the provision and delivery of houses for middle and high-income groups have posed no problem. At times there has been a surplus in the production of luxury housing. The rising cost of housing, which has increasingly been

greater than household income, has not only adversely affected the housing delivery system for the poor, but also the capability of the poor to bear the expenses of purchasing affordable housing unit. The presence and growth of squatter settlements in major urban areas is an indicator of the poor households' housing dilemma: a high demand for affordable housing by too many poor people and the insufficient supply of low-cost housing units.

2.0 Roots of the Malaysian Urban Low-Income Housing Problem

Rapid urbanization, industrialization of towns and cities, and massive migration from rural to urban areas have all contributed to the rapid growth of the urban population in Malaysia. The Malaysian government estimated that by 1990, approximately 50 percent of the population in Peninsular Malaysia lived in urban areas. The massive population migration from the rural to urban areas has been due to low agricultural productivity, lack of employment opportunities, lack of social and community facilities, and the general belief that employment opportunities are plentiful and living conditions are better in the urban centers. The sharp population increase has generally outstripped the rate at which housing can be expanded. For all but the middle and the high-income groups, housing costs usually far exceeds the people's income and the quality of dwellings available is low. Thus, the most prevalent method of housing development available to these migrants is the formation of squatter settlements in the major urban areas. The presence of these squatters is a sign of the inadequate supply of affordable housing for them.

The overriding urban low-income housing problem is the inability of the households to pay for the ready-built dwellings in cash, and/or the inability to raise down payments for loans to finance the purchase. The level of household income, its distribution, the price of available housing, household size and costs of other goods and services are important influences on the decision of how much to spend on housing. (Frequently, households will assign a priority to housing and, coupled with the amount they are willing to pay in relation to other items in the household budget, will determine the level of housing available by the household). Per capita income, its distribution among households, and the price of housing are among the major criteria that establish the type of housing a household can afford.

The inability of low-income households to pay for the ready-built dwellings in cash, and/or the inability to raise the down payments needed for loans to finance the purchase are often overlooked by housing authorities. Instead, housing authorities at the federal, state and local levels have often translated low-income housing problems into a target for investment, without adequate appreciation of

the cost element or of how they compare with household income.

There are simply too many low-income people and not enough affordable houses. Since the low-income households are not in the position to own houses at formal market prices and the government does not have sufficient financial resources to further subsidize the housing needs of these households, other approaches with a view to enabling the low-income households to own a decent shelter have to be formulated. What is therefore needed is a housing delivery system that would make home ownership among low-income households possible and at the same time would be sensitive to the needs and limited financial resources of both the low-income household and the government.

3.0 Current Housing Delivery System

The conventional approach undertaken by the Government of Malaysia in its attempt to address the housing needs of urban low-income households has been to build new housing i.e. low-cost housing. This is a typical reactionary response where existing low-income housing are assessed against some kind of established minimum standard for housing. The minimum standard then created a severe housing shortage since most of the existing low-cost housing do not meet this standard (Angel, 1977). However, the program has realized little success because these houses were still beyond the financial reach of intended households. It has been widely acknowledged that the conventional approach has not been successful and is not sufficient to meet the overwhelming shelter needs of the urban poor (Angel, 1977).

The current low-cost housing delivery system is essentially a centrally administered system. It assumes that the 'professionals' and the authorities are in the best position to know what the residents need, and most important, resources required for the delivery of the homes are controlled by them. Turner (1982) asserts that a centrally-administered system cannot effectively satisfy low-income residents' basic housing needs. Instead, he argues that all resources necessary for the delivery of homes are either in the hands of the users or depend on their will (Turner, 1972).

4.0 What is the Alternative?

The emphasis on 'new' construction tends to ignore the already limited resources available for providing housing and illegitimizes most if not all, of the existing low-income housing stock. The principal effect has been to reduce the already insufficient housing stock. It fails to see the opportunities and potentials for real improvements in the existing housing conditions of the urban poor through upgrading. Upgrading basically involves the provision of the necessary basic infrastructure and social facilities to ensure a more decent human settlement.

5.0 Is Upgrading Desirable?

In the larger urban centers such as the capital city of Kuala Lumpur, a large majority of the low-income households are squatters. A recent estimate (1996) by the Ministry of Housing and Local Government indicates that there are about 400,000 squatters excluding "foreign squatters" in the urban centres throughout Malaysia. This estimate is however considered low as information on squatters for some of the states were not available. It was further estimated that approximately 35 percent of these squatters are found in Kuala Lumpur. Being the leading administrative, commercial and financial center in the country, Kuala Lumpur naturally attracts large numbers of rural and smaller towns migrants. This has resulted in the growth of squatter settlements. In order to alleviate the shelter problem and at the same time provide a more decent living environment for low-income households, the government has adopted two basic approaches, one of which is squatter upgrading.

There is already in existence a system which has provided a great number of housing solution to the urban poor, namely the squatters' housing sub-system. It is however, recognized that squatter settlements are not without problems. For example, the main physical and environmental problem faced by these squatter settlements fall under the gambit of urban planning. There is generally a lack and absence of planning. The settlements are overcrowded and development were carried out without regard of planning standards and requirements of the local authorities. The settlements areas generally lack or do not have adequate infrastructure and utilities to cater to the needs of

the community. On the other hand, given the relative size of the population that they shelter, the dwelling units are obviously not without value. Furthermore, social scientists have begun to dispel the traditional notion that squatter housing units are more than temporary, valueless structures which are shoddily built on vacant land (Pearlman, 1976). For example, in Kuala Lumpur where about 35 percent of the total population are squatters, only about 2 percent of their housing units have been classified as "dilapidated". Jimenez (1982) has shown that squatter dwellings like those in the established housing sector, are economic goods and can be characterized by a market value. Hence, it would seem that squatter housing markets appear to behave as economically rational entities which value the dwelling units similarly to conventional markets and therefore should be accounted for in housing market analysis.

It is unrealistic to assume that any government for that matter can hope to obtain the massive financial resources required to successfully meet the housing needs of the urban poor. In Malaysia, for example, budget allocation for housing expenditures has been drastically reduced over the past two decades i.e. by about 60 percent.

It should be recognized too that there are other important development priorities which compete for public funds. Furthermore, as subsidized housing is extremely vulnerable to budget cuts in the face of competing demands for funds, it is therefore an unrealistic source of low-cost housing. In addition, as housing usually represents relatively large investments and long term commitments, it is rarely given a high priority. In addition the production of new housing is extremely sensitive to interest rates, the state of the economy and national demographics meant that new construction as a source of housing for the urban poor is not promising in the near future. The urban poor housing delivery system is likely to be largely depending on the peoples' own resources and resourcefulness.

Since a large majority of squatters work in the "informal" economic sector, (for example, in Kuala Lumpur, about 89 percent of them work in business such as petty traders, hawkers, labourers, etc.) their current locations are considered ideal. This is because the "informal" economy benefits most from an arrangement of mixed land uses

where the mixture of different income classes is at a maximum and where the low income groups have maximum access to a wider variety of job opportunities. Reciprocally, the rest of the population in the city requires their services. There is a general consensus that the "informal" sector which flourished in the squatter settlements throughout the city co-exists with the city's modern "formal" sector (McGee, 1976). It is therefore unrealistic and unreasonable to destroy this relationship.

As indicated earlier, a large majority of the squatters have occupations in the "informal" economic sector. Thus they are regarded as not credit worthy by almost all of the financial institutions. It is often difficult for them to secure mortgage loans to purchase the low-cost houses even if they are interested to do so. On the other hand, there are evidences to suggest that the average earnings of those in the "informal" sector are significantly higher than those of unskilled workers in the "formal" sector jobs, both within the public and private industry (Waldorf and Waldorf, 1983). Furthermore, there was no involuntary underemployment, as nearly all worked for very long hours. The few who worked for shorter hours, ie. 48 hours or less per week, did so their own by choice (Waldorf and Waldorf, 1983). In this instance, it would seem that even if the squatters could afford the low-cost houses currently on the market, they cannot obtain any banks loans because of their association with the "informal" economic sector.

Squatting invariably implies the general lack of security of tenure. As a result, squatters understandably do not invest in relatively expensive housing as long as there is a threat that their houses may be bulldozed (Linden, 1981). Squatters upgrading programs, on the other hand, frequently connote increased security of tenure and imply more user control of the environment. Burns and Shoup (1981) have found that owners made improvements to their housing because they have greatest security of tenure. Increased user control in return will bring pride and appreciation which inevitably would give rise to improvement and development by the squatters themselves (Martin, 1977).

In Malaysia, because of budget constraints the government has turned to the private sector as the new source of new construction for the urban poor. However, evidence indicates that private developers are not willing to

undertake the tasks because the price of each low cost unit at RM25,000 virtually eliminates any profit, (Leong, 1985). Hence, the construction of low-cost houses is not "attractive" to private developers. The notion of cross-subsidization of new construction of low-cost housing units, (ie. to build and sell the high and medium cost units first in order to subsidize the cost of building low-cost houses) is not promising either. This is especially true in light of the present lull in real estate market.

Squatter upgrading through the application of land readjustment could reflect a more realistic and affordable approach to the provision of housing for low-income households. It would allow households to organize their own home building independent of the public or the private sector. It also permits the home building process to be closely tied to the availability of financial resources of the households.

6.0 What is Land Readjustment?

Land readjustment has been successfully practiced in many advanced countries such as Australia, Canada, Italy and the United States. It is however most popular in West Germany and Japan where more than one-third of the existing urban areas in Japan have been developed through land readjustment. This technique has been introduced in developing countries such as Indonesia and Thailand with varying degree of success. It is a land development technique in which landowners cooperate in the amalgamation and redistribution of land in accordance with the land value and approved layout plan for the provision of the necessary infrastructure community facilities as well as enhancement of utilities. Landowners may stay in the area without being relocated. As a consequence existing communities remain under much improved living and socio-economic environment. Those disrupted due to the construction would be adequately compensated.

One of the prerequisite for the successful application of land readjustment is land

ownership. However, being squatters, the land on which their houses stand do not belong to them. Nevertheless, it is envisaged that temporary occupational license (TOL) be granted to these squatters depending on certain requirements such as nationality,

duration of stay in the squatter settlement and absence of impending development proposal for the area. The other prerequisite necessary for the successful application of land readjustment is the willingness of the landowners to participate and contribute to the development of their community. As indicated earlier, the squatters are more than willing to participate and contribute to the development of their community if security of tenure is guaranteed.

Land readjustment is normally undertaken in an already inhabited area with substandard infrastructure and irregularly shaped lot boundaries. It could also be undertaken in deteriorating urban areas where if nothing is done, the area would deteriorate further. In other words, land readjustment entails the comprehensive development of the settlement/area where necessary infrastructure would be provided, land be organised and the community could stay in the area and share in the benefits and costs of the project equitably. It integrates the social and human elements skillfully into the urban development system.

7.0 Is Land Readjustment Feasible in Malaysia?

A feasibility study on the introduction of land readjustment in Malaysia undertaken in 1993 indicates that land readjustment as an urban development method is socially, economically and institutionally feasible in Malaysia. Considering the development scenario of Malaysia in the 21st century is that of a developed country with a high quality living environment, high quality of life and standard of living, land readjustment would provide an effective and sound model for building better cities with special emphasis on the optimum use of land and minimum disruption to existing communities.

8.0 Conclusion

There is no denying that rapid economic growth has brought about prosperity to Malaysia generally and the major urban areas specifically, resulting in the formation of squatters settlements in these areas. Considering the relative size of the population that they shelter, these settlements are not without value. Squatters upgrading through land readjustment would be a feasible alternative to meeting the demand for

affordable housing in these major urban areas.

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