INTRODUCTION TO HOUSING

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This lecture notes paper is prepared as a support to the sessions conducted for the 64th International Course on Housing Planning and Building held at the Institute for Housing and Urban Development Studies-IHS, Rotterdam, The Netherlands. The paper summarises the 3-hour lecture. It makes a historical review about the importance and understanding about the role of housing in urban development and outlines a systematic and normative view of Housing. It is argued that this is required in order to move away from conventional housing delivery systems and centralised processes where governments have the predominant role.

1. Different views and perceptions & the concept of housing
From artifact to economic asset

2. The multidisciplinary character of housing
Different fields of study and activities

3. The complexity of housing
Political, technological and economic facets

4. Convergent and Divergent interests in the housing sector
Various actors involved in housing production and consumption

5. From housing to shelter
A multi-sectoral profile: land, infrastructure & location (site), finance, labour.

6. The importance of housing: a historical background
First appearance of housing as an important point in government intervention
The industrial revolution in Western Europe
The CIAM city and housing
Concepts and ideas exported to developing countries
Brasilia, Chandigarh, Abuja, Dodoma, Gaborone, etc.

7. Housing and development policies
The United Nations development decade
Housing & development models: Modernization and Industrialization
Basic Needs & Redistribution with Growth
The UN Habitat Conference in Vancouver (1976)
From conventional housing to slum/squatter upgrading and sites & services
The international agendas & the role of bilateral and multilateral development agencies

SAP-Structural Adjustment Programmes

8. The World Bank
Concepts and ideas exported to developing countries

9. Some preliminary evaluation and general trends
Effects on the housing sector
Replicability
From project lending to policy lending

10. Trends and question marks
Are we going in the right direction ?

11. From "housing as a product" to "housing without houses"
New roles assigned to governments and policy innovation (or degeneration ?)

12. GSS-Global Strategy for Shelter to the Year 2000
Enabling Strategies

13. The World Bank-UNCHS Housing Indicator Program
Recent attempts to understand and monitor the performance of the housing sector
Housing Demand & Housing Supply
Consumers, producers, finance institutions, local & central governments
Comparative basis for policy formulation

1. THE CONCEPT OF HOUSING

It is a broad and complex issue. There are different views and interpretations depending on the professional, ideological and political background of the one who is studying it.

In urban development processes we can identify a number of actors whose interests are convergent and sometimes totally divergent. Public sector agencies are known to have peculiar approaches to housing problems which are contradictory to one another although they belong to the same governmental structure and should, in principle, follow the same policy and guidelines. They often have their agenda and their hidden agenda while negotiating or exposing their views to other actors.

Even within a particular neighbourhood or community, it is also possible to identify different interests among groups of residents, individuals and community organizations. It is likely that political, economic and even religious differences influence their perceptions and views about the housing problems and the best approaches to solve them.

The same phenomenon is verified when we look at the way the various professional categories operate in the process of policy making, planning, design and management of urban development programmes. Very often, their attitudes are so much identified with the ones of the organizations they belong to that it is possible to make parallels.

It is very dangerous to make stereotypes but let's assume that some of these professionals have a peculiar way of looking and understanding what housing is all about. It is not a black box since there are variations according to the degree of engagement and commitment of each professional in efforts to solve the crux of the problem.

ENGINEER

Looks at the building and production process, with certain emphasis to quality and stability control. He has a strong technological discourse. Housing is an artifact composed of five elements that form an enclosure covered by a roof. It is a standard shelter where people live and feel safe.

The inhabitant is treated as a user.

ARCHITECT

Looks at housing as the product of a spatial residential planning and maybe as a process whenever the user's involvement is considered. It is the spatial condition through which human beings will realize and fulfil their biological, spiritual and material needs.

The inhabitant is probably a resident, a user and maybe a partner in the spatial

planning.

ECONOMIST

Looks at housing as an economic asset or just a sector within a macro development process. It is a capital good to be produced and consumed, it has implicit and explicit costs and can generate both the financial resources and employment. Housing is related to productivity.

The inhabitant is a consumer, a beneficiary or a client.

SOCIAL WORKER

Might look at housing as a pre-condition for human development. Housing has a catalytic role because it aggregates the community to work together for accomplishing better living conditions. Housing has the potential to create conditions for social changes, specially when the inhabitants are involved in the process.

The inhabitant is a human being who is struggling for his basic needs.

PLANNER

Looks at housing as a component in a development strategy with a strong policy perspective for launching and guiding urban development processes. His view is broad and multidisciplinary.

The inhabitant is part of the group of beneficiaries of public policies. His target is the whole population, stratified in classes or social-economic groups.

LEGAL ADVISER or
MUNICIPAL OFFICER

Looks at housing as an important asset in revenue generation through efficient property tax and land ownership registration system.

The inhabitant is just a tax payer, he is a citizen who contributes to municipal development.

POLITICIAN

Housing is an important affair of the state that should be extended to the whole population. It is a visible, tangible artifact and must be within reach of the majority of the population, specially if elections are bound to take place.

The inhabitant is seen as part of the population and beneficiary of public intervention. A potential voter.

THE INHABITANT

Housing has different dimensions. It basically involves the house as a building artifact, a plot and the provision of basic infrastructure such as water, electricity and sewerage. Accesses and roads and community services and building materials loans might be included as part of housing. There is a variety of perceptions which depends on the type of settlements (legal and illegal), the

living conditions, the location within the urban fabric of the city and obviously the individual ability of the inhabitant to capture this various dimensions.

These different views and perceptions leads us to the conclusion that housing has a multidisciplinary scope which forces us to search for a broader definition of the term than can establish an integrated view.

HOUSING PRODUCTION
HOUSING TECHNOLOGY
HOUSING DESIGN
HOUSING FINANCE
HOUSING ECONOMICS
HOUSING DELIVERY SYSTEMS
HOUSING POLICY
HOUSING EXPENDITURES
HOUSING TAXATION
HOUSING NEEDS
HOUSING DEFICIT
HOUSING RIGHTS
HOUSING SUPPLY
HOUSING DEMAND
HOUSING SECTOR
SELF-HELP HOUSING
CONVENTIONAL HOUSING
HOUSING FUND
HOUSING PROGRAMMES
LOW INCOME HOUSING

Housing involves the problem of LAND which by itself involves the complexity of its location, its value, its accessibility, legal status.

Housing involves obvious linkages with INFRASTRUCTURE development like water supply, drainage, sewerage, electricity, roads and even community services like schools, health centres, transportation. This meas that housing has a multi-sectoral profile.

Housing involves LOCATION and its relationship to employment opportunities, commercial opportunities and income generation.

Housing involves social welfare and uprise in the social economic pyramid of a society.

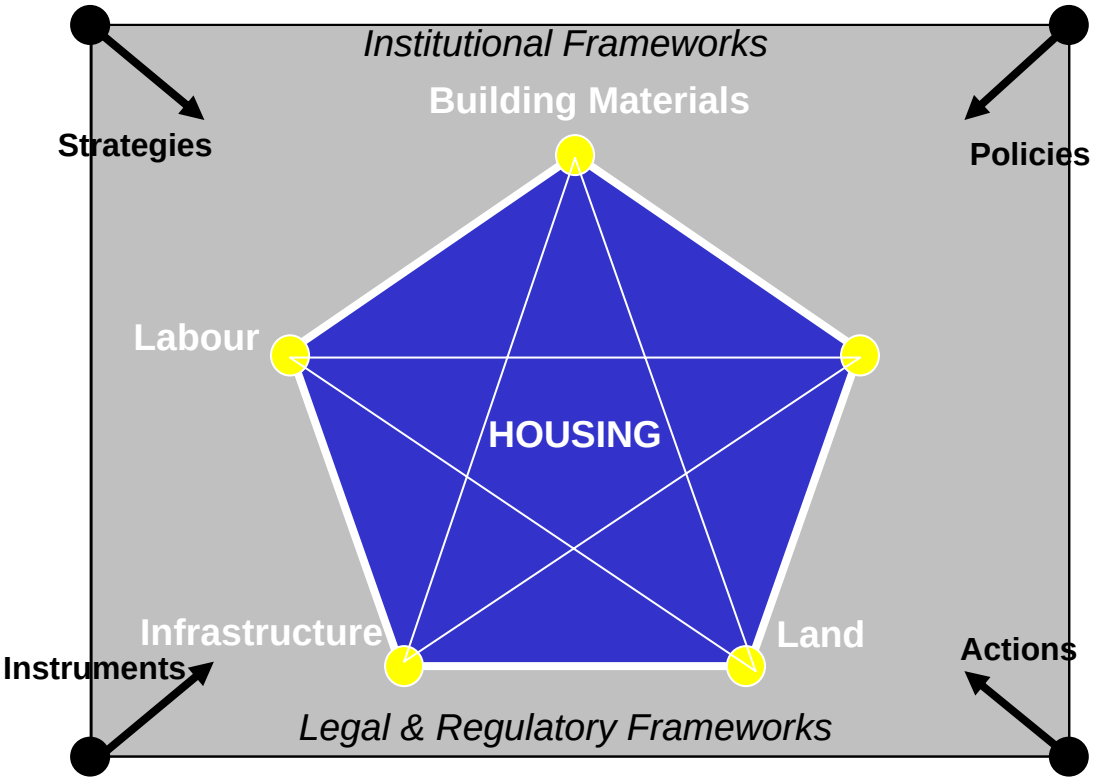


Figure 1: Normative View of the Housing Sector, by the author.

2. THE IMPORTANCE OF HOUSING: tracing back its history.

In order to see where we stand at the moment, lets make a quick historical review in order to see when an how housing became an issue for researchers, policy makers, planners, politicians and so forth.

Housing became an important issue when west European countries started to industrialize and to urbanize themselves in the second half of the last century. It is interesting to note that some of the solutions put forward during this period was going to be transplanted to many developing countries decades later.

Cities were booming and migration from rural areas turned the living conditions in the cities very bad. Existing buildings were suddenly transformed in overcrowded slums subject to health hazards, the appearance of Tuberculosis, etc. Slum clearances and sanitary campaigns accompanied by vaccination programmes were focused on the terrible living condition found in many urban centres of that time e.g. London, Paris, Frankfurt, Rotterdam, just to mention some. In this period, more precisely in 1972, a very important publication appears called "The housing Question", written by Frederick Engels. Based on the economic theories formulated by Karl Marx, he makes a clear linkage between the housing question and the reproduction of the labour force.

Some industrialists realized that indeed to improve his production and to keep high standards in the production output, it was important that his labour force could live in good accommodations. The issue of productivity of the labour force was linked with better housing conditions. Better housing More profit, for some, that was the slogan.

The appearance of the "working class villages" in England, Germany, Austria and in the Netherlands as well is related to that. These were settlement or housing schemes built by some industries or companies to accommodate their employees. The houses were mostly rented occupied, with the rents already discounted in the salary slip and housing occupation fully depended on his permanence in the company.

This was transferred to Latin American countries that were industrializing during the first half of this century. It earmarks the first "momentum" of transfer of knowledge and experience, or models if you like. That was the moment when the parallel between urban policy practices in Europe and USA and those undertaken in developing countries started to become visible.

The second "momentum" came when the garden cities movement and the CIAM, International Congresses of Modern Architecture, became the forum of discussion and conceptualisation about the future of the industrial cities. The new dogma was to stratify the cities according to its most important functions: working, living, leisure and circulation. Housing should be separated from working places through safety green belts and both functions should be articulated through efficient circulation axis. We

were now living the machine age and the rise of the automobile. The post-war period showed a number of examples during the reconstruction of Europe. Some important publications of this period was the "Garden Cities of Tomorrow" and a series of manifestos coming from the CIAM movement and that was later synthesised by Le Corbusier.

The British new towns movements and a series of plans of satellite cities to alleviate the pressure over the housing stock in London. In Rotterdam, for example, new southern neighbourhoods like Pendrecht, Zuidwijk were constructed. It is interesting to note that English industrialists were pressing the government to launch housing programmes in order to cut down industrial production and labour reproduction costs.

3. HOUSING AND DEVELOPMENT POLICIES IN LDCs

In 1990, we completed the third UN development decade with more poverty than ever before, more illiteracy and many of the development goals and predicted growth unachieved.

It is not necessary to go into statistics to show you the total percentage of the world population that is leaving under poverty line and whose housing conditions are beyond human standards.

3.1 MODERNIZATION AND INDUSTRIALIZATION (1930s to 1970s)

During the pre World War II period, Latin American countries started to launch modernization programmes which were thought to create conditions for changing an agrarian society to an urban industrial society. Import substitution policies and transfer of technology from the Industrialized World was the trademark of this model.

What housing is concerned, a major quantitative approach based on conventional housing programmes and the total eradication or slums (tenement housing) and squatter settlements. It was the policy of the bulldozer. In some cases, housing was more a police problem rather than a policy issue. Throughout the developing world, we registered scenes of brutal slum clearance actions, tackling the symptoms of the problem and leaving untouched its main causes.

Housing was seen as the motor of development and employment generation, stimulating the development of domestic construction sector, in some cases with relevant participation in the growth of the GNP. National housing policies were formulated, state bureaucracies were created (Housing corporations, Housing finance systems, housing banks, etc.). The most representative case of this strategy is Brazil with its BNH, and impressive economic growth during the 70s.

Self-help housing appeared in the scenario. Firstly implemented during the great depression of the 30s in the USA and later introduced in Puerto Rico by the National American Housing and House Finance Authority. Those were more isolated experiments with a pilot and demonstrations status.

3.2 BASIC NEEDS & REDISTRIBUTION WITH GROWTH (1970s-1980s)

There is a critique in the former development model, basically because the growth of GNP reached by many countries was not sufficient to eliminate poverty. The capital surplus was mostly accumulated by a small elite of society. There is now a focus on poverty, unemployment and inequality, a stimulus to private investments. There is attention to the poor's needs.

Informal housing systems was seen as a resourceful provider of housing for a vast majority of the urban poor. Research findings were bringing evidences of the potential economic function of housing and its importance in social and economic development.

What housing is concerned, there is a rise in self-helping housing, advocated by international agencies. Squatter upgrading and sites & services projects became key elements in urban development policies. There is an increase in the World Bank participation in poverty oriented projects.

By the end of the 80s, it was possible to make an evaluation of the results achieved with the involvement of the Bank.

EVALUATION AND SOME IMPORTANT INDICATORS

a. Some estimates reveals that only 9 million people has been reached by sites & services projects in LDC (Williams, 1984).

b. The lending of the Bank was concentrated in semi-peripheral countries like Brazil, Mexico, Indonesia.

c. The poor did not get access to the sites & services and were expelled from upgrading project by economically stronger groups.

d. There is a strong rationality in project design which has lead to the reduction of technical and social standards (minimal services, minimal norms, high densities, smaller plots, etc.) in order to make products more accessible.

e. The idea of affordability was introduced with the principles of full cost recovery, based on a fixed proportion of income, but it did not pay much attention to maintenance problems and the capacity of the poor to cope with further improvements and complementation of the minimum package.

f. Self-help housing was stimulated and implied the condition to be employed in order to become eligible for projects. But this self-help was artificial because

the beneficiary preferred to contract informal sector labour at a lower rates than his own in case he would have to invest his hour of labour on his house.

The 1990s started with a four important indicators after three development decades:

1. There is a clear and unresolved debt crisis.

2. There is a low rate of development, with exception for China and some southeast Asian countries.

3. The key word is urban poverty alleviation, with poverty reaching figures never seen before.

4. There is a chronicle inflation.

5. SAP is an attempt to put order in the institutional and financial situation of the countries.

EFFECTS ON THE HOUSING SECTOR

There is an increase in the costs of housing, land and infrastructure.
There is an increase in building materials, very often caused by the import of fuels.
There is a constraint and shortage in housing supply.
There is a rapid decrease in subsidies for housing which makes access more difficult.
There is more obstacles to have access to housing mortgages.
Many important housing finance institutions in LDCs have collapsed (BNH, INFAVIT).
There is an increase in tax related to housing and infrastructure.
The difficulties in access to housing finance is creating a competition for housing in informal settlements (the appearance of middle income groups in this market).
There is a rapid increase in land prices.
Renting is increasing and many cities are experimenting the phenomenon of overcrowding.
Second generation urbanization migrants are facing much more difficulties to move from rental to home ownership, with the result of incredible rates of housing occupancy (overcrowding).
The government is increasing the control over illegal settlements.

SOME TRENDS

There is tendency to replace capital by labour and a reorientation of demands towards labour intensive processes.

This emphasis to labour intensive processes is bound to produce certain patterns of underdeveloped technology, simply to guarantee certain levels of employment.

There has been no redistribution of existing incomes but of income increments derived from the phenomenon of growth.

The international agendas are advocating a shift from PROJECT/PRODUCTS to PROCESSES/CITY WIDE LEVEL, covering the whole population.

The linkage with poverty groups is less defined and explicit in terms of lending and financial resource allocation.

Social urban movements and CBOs are forced to organize themselves in order to guarantee the allocation of financial resources in their localities or to shift political decision and policy measures towards their interests.

There is an obvious increase in the tax base and full effort to revenue collection and full cost recovery.

Replicability becomes a key issue. From affordability, cost-recovery and replicability, a line is drawn by bank and donors which shifts from project lending to policy lending. As a prerequisite, it must occur an institutional reform and decentralization.

Decentralization implies:

- DEMOCRACY
- RATIONAL DISTRIBUTION OF GOVERNMENT EXPENDITURES.
- INCREASE IN TAXATION
- HANDLING POLITICAL POWER TO OPPOSITION
- PRIVATIZATION

Where are we going to ?

electricity urban environmental management
employment generation solid waste
water informal sector
incremental land development sewerage

housing disappears

We are going to HOUSING WITHOUT HOUSES.

It is difficult to see the shift from one idea/model to the other. There are some peculiarities of each country in the three continents LA, Asia, Africa and very often, there are still vestiges of the older model while other views are carried out, even within the same country. The trend is that governments and policies are moving away from conventional housing schemes because of different reasons: no resources to invest in housing development, other priorities, costs are high, previous policies and programmes did not meet those really in need,

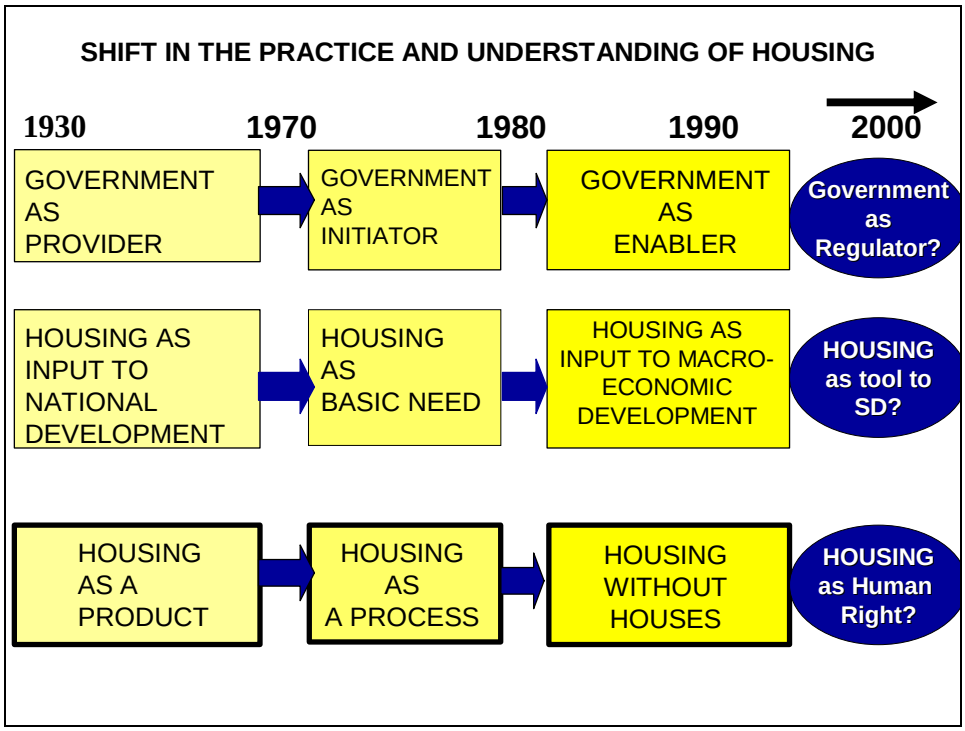


Figure 2: Housing in a Timeline. Source: Acioly, C.

The problem is becoming a management/institutional issue and not a political problem.The relationships between housing and macro economic policies and SAP are becoming more evident.

Everything is argued as government failures and never as market failures. The first one is known already to be far from being perfect but about the latter, nothing much is done to respond this question. We are living on a hang over from the neo-liberal revolution and it will take a little while for us to wake up and realize that we should look for another way.

Global Strategy for Shelter to the Year 2000-GSS (UN general assembly in 1988)
The establishment of the idea of enablement: governments should strive to implement policies that will facilitate, energize and support the activities of the private sector, both formal and informal, in housing development.

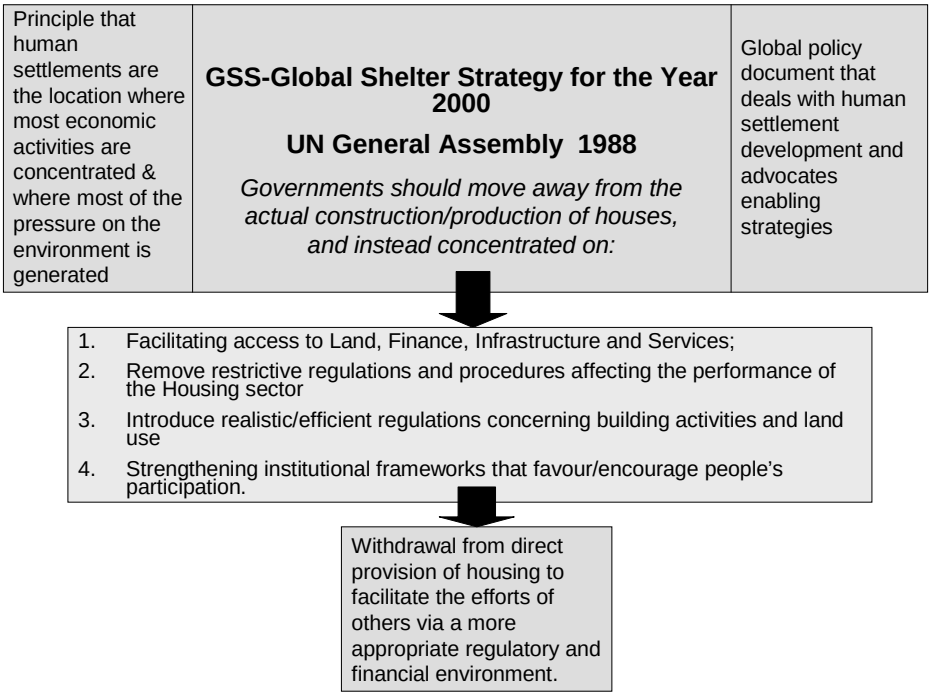


Figure 3: Global Shelter Strategy for the Year 2000, source UN-HABITAT 1988.

In October 1990, the HOUSING INDICATOR PROGRAM (UNCHS and World Bank).
The programme conducted an extensive survey covering 52 countries and an intensive survey in selected countries (Hungary and the Philippines). Data from household surveys conducted by the World Bank in the past and additional data from UN sources were also included.
A series of regional meetings were organized: hosted by the Government Housing Bank of Thailand (nov/91), hosted by UNCHS in Nairobi (Jan/92), hosted by Ecuador Housing Bank (Feb/92). The program is financed by UNCHS, World Bank, Finnish International Development Agency, USAID, with a total of US$1.054 million.

1. A comprehensive conceptual and analytical framework for monitoring the performance of the housing sector.
2. Formulate practical tools for measuring the performance of the housing sector.
3. Provide empirical information related to policy making through the result of the Extensive Survey.
4. New institutional frameworks that will be more appropriate for managing the housing sector.
5. Stimulate research and disseminate findings.

Housing is increasingly viewed as a commodity with an exchange value, even in centrally or formerly centrally planned economies.

Housing policy must be sufficiently differentiated to deal with particular submarkets. Prices and affordability by different income groups are determined in the market by demand and supply.

Housing demand: determined by demographic conditions, rate of urbanization, rate of new household formation, macro-economic conditions affecting household incomes.

Housing supply: affected by availability of resource input like land, infrastructure, construction materials, organization of the construction industry, availability of skilled and productive labour and dependence on imports.

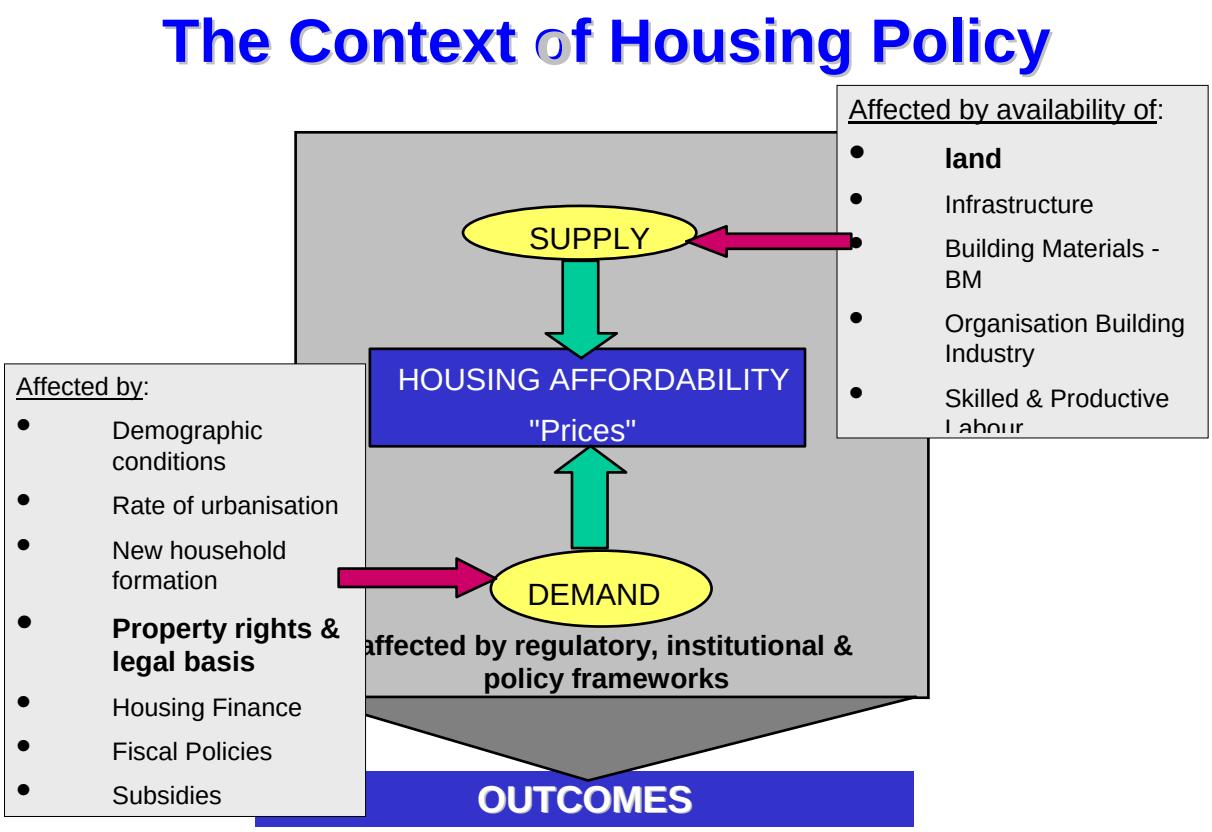
Supply & Demand: affected by regulatory, institutional and policy environment.

To develop a normative view of the housing sector, one must look at how the sector performs from different perspectives:

1. Housing consumers
2. Housing producers
3. Housing finance institutions
4. Local governments
5. Central governments

In general, housing markets are neither properly understood nor adequately monitored by policy makers. We need to understand the playing field of housing markets and how smart policy choices can make a difference in mobilising some of the fundamental inputs that affect supply while boosting others that affect demand. There is no single policy with the principle that all fits one. Macro-economic conditions, institutional and regulatory frameworks and the overall urban population growth can all affect the market prices of housing. This is where housing policy matters and make a difference. We

will elaborate on each one of the inputs which availability or scarcity will immediately affect the supply or demand side of the market.



1930 1960 1970 1980 1990

M O D E R N I Z A T I O N

BASIC NEEDS AND REDISTRIBUTION WITH GROWTH.

From Agrarian to Urban Industrial Societies
State sponsored Self-help Housing.

Alliance for Progress in LA.

Rise of Self-Help Housing (int. agencies)

Squatter Upgrading.

Eradication and Slum Clearance.

Establishment of State organizations to implement National Housing Policies.

Critique on former Modernization model

Conventional Housing Programmes.

Focus on Poverty, Unemployment and inequality.

Housing investments as the motor of development and employment generation.

Capital intensive industrialization.

Expand public investments, reduce taxation and stimulate private investments through incentives.

Distribution of income increments, labour intensive measures to increase productivity output and employment for the poor.

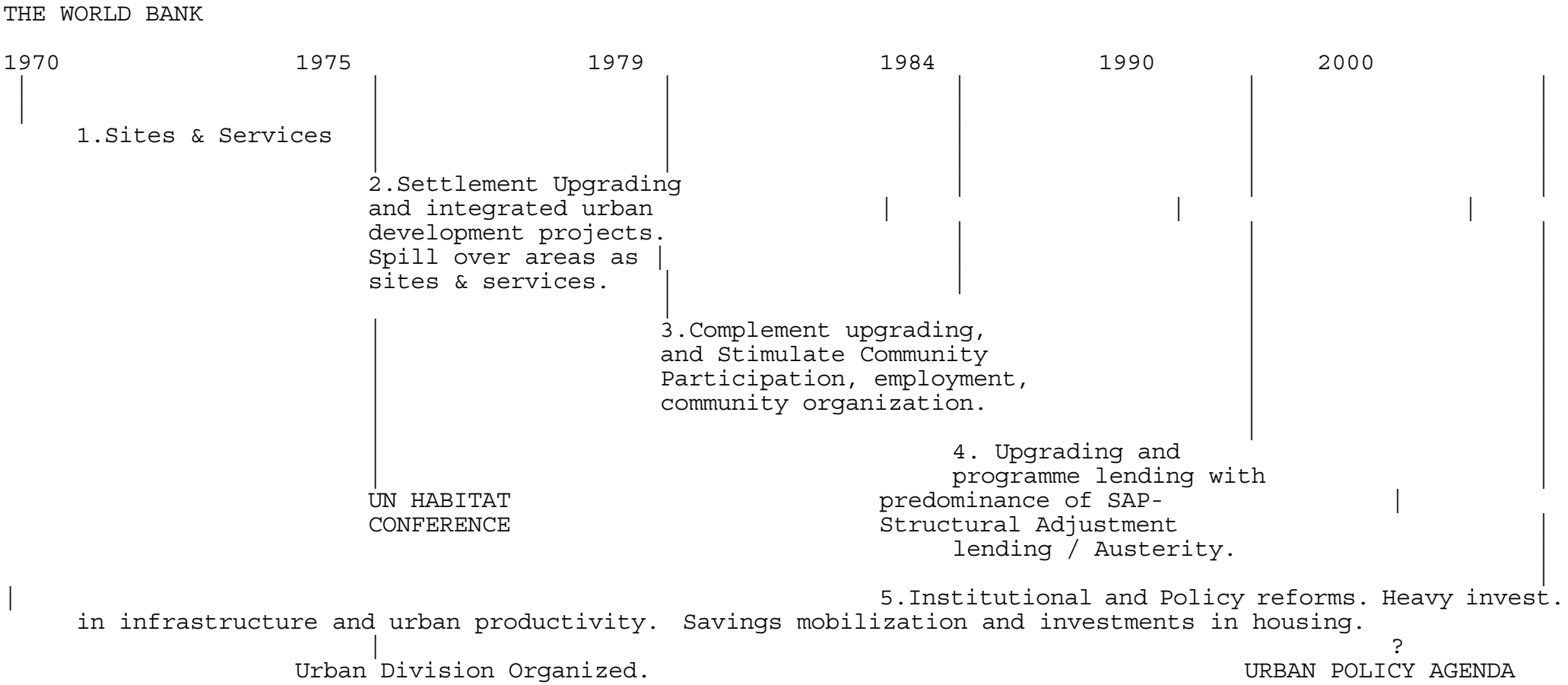
Export Oriented Industrialization

Structural Adjustments Programmes and Austerity.

(1930s) Self-help housing and in Puerto Rico in 1950s.

(1968) John Turner & Abrahams

GSS,1988(UNCHS),Agendas(WB, UNDP)


THE WORLD BANK
1970
1975
1979
1984
1990
2000
1.Sites & Services
2.Settlement Upgrading and integrated urban development projects. Spill over areas as sites & services.
3.Complement upgrading, and Stimulate Community Participation, employment, community organization.
4. Upgrading and programme lending with predominance of SAP-Structural Adjustment lending / Austerity.
UN HABITAT CONFERENCE
5.Institutional and Policy reforms. Heavy invest. in infrastructure and urban productivity. Savings mobilization and investments in housing.
Urban Division Organized.
?
URBAN POLICY AGENDA

TYPE OF INDICATOR	KEY HOUSING INDICATOR	MEANING	LOW	MEDIAn	HIGH	INTERPRETATIONS
PRICE INDICATORS	1. The house-price-to- income ratio	Ratio of the median free market price of a dwelling unit and the median annual household income.	0.9	5.0	14.8	It measures housing affordability. If high, system is restricted. If low, insecurity of tenure.
	2. The rent-price-to-income ratio	Ratio of the median annual rent of dwelling unit and the median annual household income of renters	0.03	0.18	0.38	Also a key to check housing affordability. If low, rent control measures. If high, rental housing failing to meet demand.
QUANTITY INDICATORS	3. Housing production	Total number of housing units (formal & informal) produced last year per 1000 population.	2.0	6.8	14	Measures the importance of housing sector to broader economy. Ability of the delivery systems.
	4. Housing investment	Total investment in housing (formal & informal), as percentage of gross city product.	0.009	0.04	0.088	Reflects quantities produced and prices. A given value may reflect either high unit costs and low volumes or low costs and high volumes of production.
QUALITY INDICATORS	5. Floor Area per person	The median usable living space per person (m^2) last year.	4	33	69	Low value is sign of overcrowding.
	6. Permanent structures	The percentage of housing units located in structures built of permanent materials.	0.43	0.90	1.0	Measures quality of housing, durability. Primitive measure of housing adequacy.

	7. Unauthorized Housing	Percentage of the total housing stock that is not compliance with current regulations.	0.0	0.24	0.78	Unauthorized housing decreases sharply with economic development.
DEMAND-SIDE INDICATORS	8. The housing credit portfolio	The ratio of total mortgage loans to all outstanding loans in both commercial and governmental institutions.	0.01	0.18	0.44	Measures the relative size of housing finance sector and its ability to provide households with $ to purchase housing.
SUPPLY-SIDE INDICATORS	9. The land development multiplier	Average ratio between the median land price of a developed plot at the urban fringe in typical subdivision and the median price of raw, undeveloped land in an area currently being developed.	1.1	5.2	16.6	Measures premium for providing infrastructure and converting raw land to residential use on the urban fringe.
	10. Infrastructure expenditures per capita	The ratio of total expenditures (operations, maintenance and $), by all levels of government on infrastructure services (roads, sewerage, drainage, water supply, electricity, garbage collection) during the current year to the urban population). Median is $73. Median for low income countries is $15. Median for high income countries is $814 or 54 times as high. It is equivalent to the factor that per capita incomes differ across income groups.	0.98	318	2,201	Is an indirect measure of the supply of infrastructure for residential development. If low, land-supply bottlenecks and higher prices of land and housing.

Source: Data extracted from "The Housing Indicator Program. A report on progress and plans for the future". By S.Angel, S.K. Mayo and W.L.Stephen, Jr. in Netherlands Journal of Housing and the Built Environment, Vol. 8 (1993), no. 1. The survey covered 52 countries divided in 5 different income groups and 6 regions: (1)Africa, (2)South Asia, (3)East Asia, (4)EMENA (Europe, Middle East and North Africa), (5)LAC (Latin America and Caribbean) and (6)Industrialized countries.