

## **Social housing in a globalising world**

**Geoffrey Payne  
Geoffrey Payne and Associates  
gkpayne@gpa.org.uk**

### **ABSTRACT**

As the world's economy becomes increasingly integrated and the application of market forces extend their remit ever further, the role of social sectors, such as health, education and housing, have all come under increasing pressure to justify their funding. The paper briefly reviews the evolution and role of social housing and some of the key factors driving current policy. It notes that following an initial idealism in providing 'homes for heroes' following World War 1, social housing in more developed countries such as the UK has tended to become a residual form of housing provision as policy favoured home ownership. In rapidly urbanising developing countries, social housing was inherited by many countries from the colonial administrations which had used it to house their administrative staff. Pressure from international donors has resulted in housing and other social sectors being starved of resources, so that the supply of conventional social housing has also been severely constrained. However, the high costs of land and conditions imposed by existing regulatory frameworks have made it almost impossible for those on less than middle income levels to become owners, forcing them into cramped private rental or a range of unauthorised settlements. The paper concludes with some suggestions for reviving the concept of social housing in a world where needs are increasing, but public resources remain constrained.

**Key words:** Housing, social, public, globalisation, rental, policy

### **INTRODUCTION**

This paper reviews the evolution of social housing policy and practice in a wide range of contexts. It seeks to explain some of the reasons for changes in the contribution of this form of housing since its introduction nearly a century ago. As one of many social sector activities of government, together with responsibility for ensuring that all people have affordable access to basic services, education and health, housing is vulnerable to changes in government policy and particularly the macro-economic context within which national policy priorities are formulated.

Globalisation has become a key issue in international development and one which has profound implications for the role of national and local governments in all sectors, especially urban areas, where much investment is concentrated. This has had a corresponding

impact on housing and land management. Nowhere can the link between housing and the macro-economy be seen more clearly than in the way that a failure to manage, or regulate, the housing market in one country, the USA, was sufficient to trigger a collapse of global financial markets and contribute substantially to the current global recession.

The implications of the 'sub-prime' housing crisis in the USA will take some years to resolve, though it is now self-evident that market economies are prone to instability and occasional collapse without effective regulation. Similarly, many centrally determined economic and political systems for balancing needs and resources have been shown to be vulnerable to long term inefficiency and abuse as they struggle to meet diverse and changing needs.

It will take some time for the dust to settle and a new economic order to emerge. However, some

elements can be identified which are offered for consideration in developing a more appropriate and sustainable approach to meeting ever increasing housing needs in a world where resources are finite and competition for them is frequently contentious.

## **Objective and method**

The objective of the paper is to provide policy makers with a conceptual framework for assessing the role of social housing in a range of urbanised and urbanising countries. It is therefore intended as a modest contribution to the ongoing debate about the role of the state in meeting the legitimate needs of low and lower income groups for safe, secure and affordable shelter.

The paper consists of a desk review which draws on a range of published and web-based sources, plus forty years of teaching, research and consultancy experience working on issues of housing for low income groups in rapidly urbanising countries in most parts of the world. Many comments are based on personal experience, for which diplomatic considerations prevent the provision of some details. Given the immense scope of the subject, the paper seeks only to contribute to the debate on how to bridge the large and increasing gap between needs and resources.

## **ANALYSIS AND FINDINGS**

### **The birth and decline of social housing in the West**

Social, or public, housing is an umbrella term referring to rental housing which may be owned and managed by the state, by non-profit organizations, or by a combination of the two, usually with the aim of providing affordable housing for those on low incomes unable to pay the full market cost of housing. It is normally designed according to officially determined layouts, standards and norms.

In Great Britain, the first recorded example of social housing dates from the tenth century when almshouses were established on a charitable basis to provide homes for the poor, elderly or vulnerable. The pressure for decent housing increased in the nineteenth century

when overcrowding and inadequate sanitation in the large industrial cities caused outbreaks of cholera and other environmental diseases. Many social commentators, notably Engels<sup>1</sup> reported on the squalor that existed in Manchester, where life expectancy in 1841 even for the affluent merchant class was short and for the factory workers a meagre 17 years<sup>2</sup>. Later in the nineteenth century, philanthropists such as Peabody provided housing in tenement blocks in London, while some factory owners in the industrialised northern towns built entire villages for their workers such as Saltaire (1853), Bournville (1879) and Port Sunlight (1888).

The real surge in social housing came after the First World War. In 1919, the British Parliament passed the ambitious Housing Act which promised government subsidies to help finance the construction of 500,000 houses within three years. As the economy rapidly weakened in the early 1920s, however, funding had to be cut, and only 213,000 homes were completed, though local councils built a total of 1.1 million homes between the two World Wars<sup>3</sup>. Later, owner occupation became the dominant tenure in England, increasing from just 23 per cent in 1918 to 70 per cent by the end of the twentieth century. The increase in proportion of households that were social renters was also considerable, from just one per cent in 1918 to a peak of over 30 per cent by the early 1980s.

The high point of social housing in the UK was possibly reached in 1961 with the publication of the influential Parker Morris Committee report '*Homes for Today and Tomorrow*'. The Committee recommended space standards which were set out in the Ministry of Housing's "Design Bulletin 6 - Space in the Home". In 1969, these were mandatory for all council housing (but not for private housing), making conditions in social housing in some respects actually better than those in private housing. However, in 1980, the standard was scrapped by the Conservative government under Margaret Thatcher.<sup>4</sup>

Since then, the proportion of households occupying social housing has fallen almost 50% to around 18 percent of the housing stock<sup>5</sup>. This was largely as a result of another part of the 1980 Housing Act which enshrined the 'Right to Buy' for tenants of social housing. By enabling social tenants to buy their dwellings at a

discounted rate, large swathes housing were lost to public ownership and helped create the 'property owning democracy' beloved of the Thatcher government. "Getting on the property ladder" became the name of the game in housing and, as demand for home ownership increased, so did prices, generating a self-perpetuating demand. The subsidies provided to transfer housing from public to private ownership had a serious consequence for those remaining in social housing. It would appear that they were those on the lowest incomes, who could not afford the inducements on offer, or those in the poorest quality housing, for which the market value was so low and the costs of maintenance so high, that it made no sense for tenants to purchase their dwellings.

As the social housing stock shrank, so allocation focused increasingly on how many 'points' on the waiting list a household scored, with priority being given to single-person headed families, the unemployed, or those receiving welfare benefits. The result was that many social housing areas had high levels of unemployed and disaffected young men and became known increasingly as 'sink estates.' This reinforced social and economic division physically and spatially to the point that even living in such an area would indicate to potential employers that a person was possibly not the sort of applicant likely to be selected. In this way, social housing in the UK, a country which partly pioneered the concept and had a record to be proud of after 1919, became sullied to the point it where it was a last port of call for those unable to obtain anything else, rather than homes for heroes.

Of course, the UK was not the only affluent country which established large-scale social housing programmes. Japan, which is often included within the economically developed West, despite its location, has historically languished far behind that of its closest economic rivals in terms of social housing. This has been a source of much national chagrin and soul-searching in the post-war period, when Japan's cities were being rebuilt. The most pressing task was the provision of basic housing in enormous quantities. Successive governments have largely been concerned with the number, rather than the quality of dwellings built, as this was regarded as an index of the success of economic policies. For many years, this kind of housing was referred to as 'rabbit

hutches'. Site planning in the 1950s and 60s was based on the configuration of rows of middle-rise slabs, designed to provide a bare minimum of sunlight to each unit. The exorbitant cost of land in urban areas only exacerbated the problem, with land often more costly than the buildings occupying it.<sup>6</sup>

Most urbanized and relatively affluent countries developed their own approaches during the early twentieth century, some of which became substantial components of total housing supply. The role of such housing varied considerably from one country to another, though a few broad themes can be identified.

A key consideration in classifying the difference is inevitably the nature of the political and economic structure of a country. For those countries where economic management was based on the primacy of market forces, such as the USA, social housing was a 'residual' category<sup>7</sup> of housing, accommodating only about 5 percent of the population and providing a 'safety net' for those unable to meet their needs within the wider market. Not even all of this small amount was strictly social housing as some was owned by profit-making companies whose tenants received some form of subsidy. According to Falvo,<sup>8</sup> Government-assisted housing in Canada has traditionally been directed at the working poor, the middle class (in the case of co-operative housing), seniors, low-income families (specifically those on social assistance) and the disabled. Aggravating this problem is the fact that very little government-assisted housing at all has been created in Canada in the past 15 years.

In mixed economy countries, especially in Scandinavia, social housing had previously been a viable tenure choice for middle, as well as lower-income, households as there was no social stigma involved and a range of equally attractive options were available. Similarly, in Germany, Lei Qu<sup>9</sup> notes that the rental market is marked by a variety of ownership forms of rental housing, so that the non-profit based and profit-based are not distinguishable. This has enabled the middle-low income groups to find affordable housing within the private rented sector. Such a diverse range of options helped to minimize any social stigma associated with welfare dependency in social housing.

However, during the 1990s, many countries began to follow the path favouring owner-occupation and market economics pursued in the previous decade by the UK<sup>10</sup> and sold off or demolished parts of their public housing stock. Subsidies were reduced or withdrawn and the social housing stock declined to about 20 percent of total stock, making it only slightly more than a residual category.

The outcome of this changing political and economic approach resulted in a steady increase in home ownership in most urbanised, developed economies during the 1990s to the point where it became the most common form of housing tenure in all European countries except Germany<sup>11</sup>. Government subsidies in the UK switched from supporting social housing to supporting home owners and one study<sup>12</sup> found that “there is a continuing significant fiscal bias in favour of home-ownership relative to renting”. Another study<sup>13</sup> noted that “Inequality between tenures is found in both income and wealth. Income (after housing costs) of social tenants is £204 per week compared £390 for owner-occupiers with a mortgage. There are major differences in wealth between tenures. Households in social housing have a median average household wealth of £18,000 compared to £411,000 for those who own their property outright”.

International support for home ownership led to calls in many countries, from Germany, Russia, China and a large number of urbanizing countries, to promote ownership at the expense of social rental. This helped to generate the property bubble which burst in the USA in 2008 with massive global consequences, leaving large numbers of people, and municipal governments to renegotiate or default on their loans. Those who chose to retain property frequently had to accept that the loans they were repaying were for a much larger amount than their properties were now worth. Massive cuts in public expenditure inform projections for a decline in home ownership in the UK and possibly many other countries, forcing many to accept possible economic exploitation in under-regulated private rental housing<sup>14</sup>. There is no talk of compensating homeowners for this colossal failure in economic management by increasing social housing. The prospects for many millions of people in urbanized and affluent countries look bleak.

### **Social housing in transition or ex-socialist countries**

Under Communist and Socialist regimes, the State has provided virtually all housing. Whilst this is an impressive achievement in terms of scale, quantity has often been achieved at the expense of quality. From Berlin to Beijing, buildings were mass produced for the masses, producing large areas of standardised, faceless units allocated according to officially determined criteria over which citizens have little, if any, control.

Such housing has been a massive economic burden. Perhaps only China, with its sustained levels of economic growth, has been able to afford such a burden. Other countries were often unable to maintain dwellings so that whole urban areas deteriorated.

Following the collapse of the Soviet Union, newly independent states moved towards a market economy system and started to privatise this vast housing stock. However they often retained ownership of the land, so that residents were unable to raise a loan to refurbish their properties. Even when this was not the case, the cost of maintaining structures was beyond the means of many residents and in areas vulnerable to earthquakes, the costs of retrofitting often exceeded the market value of the newly privatised units. At the same time, those with good political connections were able to ensure that they obtained the best apartments in the best locations, thereby undermining even the modest achievements of providing housing for all.

Whilst the intention of providing universal housing may have been honourable, the outcome of such a paternalistic approach resulted in a state of dependence.

### **Social housing in urbanizing or developing countries.**

At the same time that UK governments were promoting the concept and practice of social housing after 1919, British colonial administrations were building large numbers of public housing throughout the empire, especially in major Asian urban centres such as New Delhi, Calcutta (now Kolkata) and Lahore, mainly to accommodate colonial civil servants. These

ranged from modest, but decent, dwellings for junior clerks, to palatial mansions for senior administrators. Such housing was developed during the 1920s through to the end of World War II. Allocation was according to rank, with the best properties on the largest and best located plots and lower status staff with more modest housing further from the central areas, reinforcing racial as well as social segregation.

On independence, this relatively large public housing stock was taken over by government officials, replicating the colonial social structure, but without the racial segregation. Lower value units were allocated to lower-income groups, those who qualified for state benefits, or those who knew somebody in the agencies administering such housing.

This colonial inheritance still exerts a powerful impact, particularly in some smaller countries, where access to social housing is a privilege captured mostly by those at the top levels of the public sector rather than those lower down – a reversal of the progressive intentions of social housing. In these cases, housing becomes a means of social control. Under authoritarian regimes, of which there are sadly many, civil servants dare not fail to meet the demands of their political masters, even if these involve breaking official norms. To do so could entail losing both their jobs and their homes. For those at the top, social housing is a powerful form of patronage and is used to reward or punish those the State seeks to control.

The fact that it took the UK about a hundred years to evolve a coherent form of social housing, despite its economic success and relatively small population, helps to explain why the governments of currently urbanizing countries, with far fewer economic resources and much higher populations, have struggled to provide housing for all those in need in the relatively short time since most became independent. It may also help to explain the very different paths that countries have taken in meeting such needs.

In those countries where the public sector has exerted a strong influence on economic management and resource allocation, such as China, Hong Kong, Singapore, the previous Soviet Union and its constituent states and, of course, Cuba, governments assumed a major

responsibility for housing their populations and privately owned housing was either reserved for a minority or was banned altogether. In some cases, governments nationalized all land and most of the housing stock. For example, at one time, all land in forty countries in sub-Saharan Africa was state owned, partly to offset the perceived failings of market forces.

The collapse of the Soviet Union in 1991 encouraged many in the West to conclude that market capitalism, as exemplified in the untrammelled application of liberal, free-market economic policies, had finally triumphed over communism, socialism and other forms of state-guided systems of economic management<sup>15</sup>. From then on, with a brief pause for the global financial crisis, globalisation has been driven by large international corporations, investing vast sums wherever the investment climate yielded the quickest returns with the lowest risk. To attract such investment, governments were encouraged, or pressurised, to review their fiscal and regulatory environments and remove any perceived obstacles to international investment. Countries receiving loans from international donors, such as the IMF or World Bank, were given little choice but to adopt market oriented approaches through structural adjustment programmes (SAPs) which were enforced as conditions for granting loans. SAPs diverted economic policy away from any expenditure which could not directly be seen to promote economic growth in the short term. Many countries were therefore forced to reduce budgets for 'non-productive' programmes such as education and housing, rendering it extremely difficult to build new social housing units, or even properly maintain the existing stock.

Another factor which influenced government economic and social policies during the 1990s was combined pressure to focus on *productive sectors* - a euphemism for promoting private sector interests – as well as to review existing regulatory frameworks in order to ensure that returns on private business investment were maximised. In order to promote these parallel objectives, the 'Doing Business' project was established by the International Finance Corporation and the World Bank in 2002 to provide objective measures of business regulations for small and medium-size local firms in 183 economies and selected cities at the sub-national level.

As a means of encouraging governments to review and remove, or reduce, barriers to local investment, the project has been extremely helpful. However, by publishing a ranking of 183 countries, in terms of their "ease of doing business", there is a significant risk that international investors will use the data as a means of deciding whether or not to invest in a given country. Developing countries desperate for foreign investment may therefore feel obliged to reduce regulations that protect the public interest of marginal groups, such as indigenous communities in resource-rich areas, in order to attract such investment. Similarly, Ireland has insisted that it maintain its low rate of corporation tax when negotiating a bail-out loan from the European Community, despite the fact that the countries which funded the bail-out consider that Ireland is undercutting tax rates elsewhere in Europe from which the loan is being financed. The issue is that if attractiveness to investors is measured in terms of low taxes and a relaxed regulatory regime, vulnerable countries may be induced into a 'race to the bottom'. In any such case, welfare programmes such as social housing, are likely to figure prominently among the initial victims.

In some cases, more market sensitive economic policies have been very successful. For example, in India, which had previously been managed through quasi-socialist economic policies, the weight of bureaucracy inherited from Britain was 'perfected' by Indian civil servants to create the 'licence raj', which endured up to their negotiated IMF bail-out in 1991. The introduction of market friendly policies triggered the sustained growth rates that have led to the country's emergence as a major economic power. However, widespread concerns have been expressed about the relatively small proportion of the population who have benefitted from recent growth. The housing sector has been particularly sensitive to such changes as land and housing prices have reached astronomic levels. One of the main options for lower and low-income households in the capital city has been through the Delhi Development Authority (DDA) which is responsible for providing affordable housing for the poor. However, the DDA has provided only a minute proportion of Delhi's estimated 100,000 unit housing shortfall<sup>16</sup>, despite having acquired large reserves of land through land banking at agricultural prices<sup>17</sup>, of which large sections have been kept vacant in areas of housing need

in peri-urban Delhi. This shortfall has contributed to house price inflation and excluded the city's poor from formal housing. Meanwhile, much of the city's older social housing stock has not been adequately maintained, resulting in slum-like conditions little better than informal settlements.

In other countries, the situation is far worse than in India as budgets for social housing have been slashed, forcing many households to fend for themselves in various types of unauthorised housing settlements. Official attitudes to these developments have varied from pragmatic acceptance and selective upgrading, to widespread forced evictions and demolitions. In India and elsewhere, the political, administrative and commercial elite regard slums and informal settlements as a national embarrassment and some dream of providing the sort of "modern" high rise solution adopted in city states such as Hong Kong and Singapore. Their ideal can perhaps best be described as 'Dubai in Mumbai'. However, these official preferences fail to take into account a number of important factors.

In Hong Kong, the government provides public housing through rental flats and through the Home Ownership Scheme. Under both approaches, units are rented or sold below market prices. These are built and administered by the Hong Kong Housing Authority and the Hong Kong Housing Society. Nearly half of Hong Kong's 7 million population lives in public housing, with discounted rates charged to low-income residents. In 1973, the Government introduced a ten-year plan to provide all low-income households with permanent, self-contained housing and in 1975, the Oi Man Estate was opened. This included flats housing 46,000 people and complete with commercial amenities ranging from markets and barber shops to banks. This represented an innovation in that the commercial premises serving the estate paid a market based rent determined by public tender. Banks, restaurants, and other large premises were let out on 5 year contracts, competing on monthly rental offered, whilst tenants for smaller premises competed on premiums paid based on fixed monthly rentals. This combination of social and market-based approaches represents a genuinely innovative approach in that the economically productive

activities provide a surplus available for reinvestment to meet social needs.

Due to high land costs in Hong Kong, public housing estates are typically built in remote or less accessible parts of the territory, though urban expansion has left some older estates now deep within the inner city. The vast majority of projects consist of high-rise buildings, and the recent developments usually contain 40 or more floors, something that would not be culturally acceptable or cost effective in many countries.

As with Hong Kong, Singapore is a small city-state with a well established and highly centralised administration managing a developed market economy based on trade. Even before independence in 1965, it was one of the richest states in East Asia due to its strategic location as a port. At the same time, its continued high ranking in terms of attracting inward investment and providing financial services has made it the world's fourth leading financial centre enjoying the fourth highest GDP per capita in the world. Its total population is currently 5 million people and these residents live at what amounts to one of the highest density levels anywhere, making high rise housing a logical option. More than 80% of Singapore's population live in apartments developed and allocated by the Housing Development Board (HDB), with 95% of them owning their flat on 99 year leases. As such, the impact of social housing as generally understood is actually negligible, though extensive government subsidies make housing units affordable to all.

In contrast to India and Hong Kong, housing in Singapore is regarded as a public duty and the government's core policy is one of providing homes for the people at costs they can afford. The difference between income and housing expenditure is covered by a grant from the state. In the early and mid-1990s, Singapore enjoyed a sustained property boom, when people regarded real estate as a risk-free investment. This came to an abrupt end with the outbreak of the Asian financial crisis in 1997. The years of economic volatility that ensued had a severe impact on both the structure and performance of the public and private sector residential markets. Although Singapore recovered from this, it has been adversely affected by the current global

recession and it remains to be seen what impact this may have on social housing programmes.

The combination of high GDP, relatively small populations and constrained land area, highly centralized and efficient administration and populations adapted to high density urban living, all militate against the widespread applicability of the Singapore or Hong Kong models to developing countries where these conditions do not apply<sup>18</sup>. However, the combination of market based and socially determined criteria for developing urban areas is deserving of the urgent and sympathetic consideration of governments of all political or ideological persuasions.

While both Hong Kong and Singapore were sufficiently affluent societies that they could afford to landscape the areas between high-rise housing blocks, this is often not the case in rapidly urbanizing countries with less resources. Sadly, social housing developments invariably consist of standardized, barrack type blocks organized in repetitive layouts, with excessive areas of unused land in between. Where funding constraints apply, poor maintenance results in buildings and entire developments deteriorating to a condition that is little, if any, better than many of the slums they were intended to prevent or replace.

## CONCLUSIONS AND IMPLICATIONS

This paper has found that the conventional approach to meeting the housing needs of lower and low-income households has failed. In more affluent, urbanized countries, social budgets have been dramatically reduced in attempts to restore public finances, leaving nothing to increase the stock, or even maintain the existing stock to a reasonable standard. The degree of social, economic and environmental deprivation characterized by many public housing estates in the UK and elsewhere is storing up problems, of which recent riots in cities from Manchester to Mumbai may be a harbinger of worse to come.

In less affluent urbanising countries, the cost of maintaining a significant proportion of social housing is high and increasing. The unit costs have prevented public agencies in all but a few countries from building more than a token

proportion of units compared to those in need and rental income in some cases does not even cover the costs of collection. In South Africa, the African National Congress (ANC) had campaigned for a rent boycott when in opposition, but naturally expects tenants to pay up now that they are in power. However, some households cannot even afford the costs of services and transportation to employment areas and have sold their heavily subsidized housing units for less than the cost of construction. This is to a large extent because land costs and availability have led to many social housing developments being located on the urban periphery, well away from locations where the poor are able to earn a living. Whilst innovative approaches do exist, such as converting and refurbishing empty office buildings and decaying inner city slums into social housing, these schemes are not addressing the scale of the challenge. The irony is that a welfare approach is both unnecessary and uneconomic compared to approaches which include a more participatory approach and put residents in the driving seat on decisions about their own housing. The fact that informal settlements now account for a large proportion of urban housing in the world's fastest urbanising countries is witness to the ingenuity and efficiency with which the urban poor invest incrementally as long as they enjoy basic security of tenure in a reasonable location. Such housing has become many times more numerous than conventional social housing projects because it is based on economic realities and needs as expressed by the users, not those determining supply, whose understanding is based on very different experience. What is more, for all their limitations in terms of overcrowding, poor sanitation and poor buildings, such developments often contain a vibrant community spirit which provides mutual support similar to the sentiments generated by pioneering social housing programmes in the UK. They are also built close to areas which provide opportunities for employment, even if this entails living on land nobody else wants, such as steep slopes, or along railways or river banks. Such areas may be environmentally vulnerable, but insecurity is a price the poor are forced to pay in return for access.

This suggests that the objectives of social housing need to be redefined and policies revised. New approaches are urgently required which can learn from settlements developed on

a more participatory basis and in ways which offset the demands of markets that the poor must live well away from prime locations.. This will require a major reorientation in the assumptions of politicians, administrators and many professionals, most of whom have been trained to regard unauthorized settlements as a blight upon the urban landscape and a challenge to the authority of the state and its laws, rather than as the logical response to a failed approach, which is invariably the case.

### **The macro-economic context**

At a macro-economic level, a key issue facing all countries under changing conditions at a time when external circumstances are placing pressure on local finances is how to stimulate investment and growth whilst at the same time identifying and protecting the public interest. For concerned with urban planning and development, this means formulating strategies that can both stimulate domestic investment and attract inward investment, while also ensuring that the benefits of such growth are equitably distributed.

Apart from a few countries such as China, where government controls over economic activity are pervasive and plans are implemented using the full authority of the state, most governments, especially during the current recession, have had to accept that it is not possible to simply prepare master plans or zoning plans and assume that investors, developers or land-owners will oblige by doing what planners expect or want. In fact, countries and cities are all competing within a global market economy for increasingly fluid resources and billions of dollars are moved around the world every day.

Attracting a share of such fluid, investment is taxing the imagination and skill of politicians, administrators, professionals and communities worldwide. The success of a country and city will therefore be determined increasingly by its ability to respond to ever changing opportunities. Such changes and opportunities cannot be anticipated far in advance, which renders the challenge facing municipalities and planners different from everything they have come to regard as their area of competence. In fact, planning in the old sense of predicting the future is ineffective and may even be counter-productive. We simply cannot know what

pressures we will need to face and therefore cannot seek to control them.

The current situation therefore has profound implications for urban management and housing for the poor. Experience shows that the state has generally been unable to control the decisions of investors, or finance the provision of social housing for all those in need. At the same time, the private sector has proved itself unable or unwilling to address the needs of the lower-income and other vulnerable groups. Even the informal sector, which has helped to bridge the gap by providing housing and generating employment for large sections of the population in many countries, does so only by ignoring or failing to conform to official norms, standards and official procedures. Such informality also has a price in that it makes communities vulnerable to exploitation and bribes.

Changes are therefore needed in the approaches available to the state in all countries to manage the processes of urban development, land management and housing provision. In particular, a 'twin-track' approach is needed to improve existing substandard housing and to ensure that the supply of new land and housing developments are increased in line with the nature and extent of future needs. This will be essential to reduce the growth of unauthorised settlements, and to provide a basis for sustainable economic growth for the world's urban majority who are struggling to make ends meet.

### **Implications for urban management**

Within the housing sector, member governments signed up to the UN Habitat Agenda<sup>19</sup> which endorsed a move away from the direct provision of housing by governments towards an enabling strategy in which other suppliers in the private and civil society sectors would play an active role. Government action would be needed to ensure that each of the different suppliers could compete on equal terms. They would also be incentivised to improve access to affordable and adequate housing by all sections of the population, including the poor, women and other vulnerable groups, such as Internally Displaced Persons (IDPs).

Such a strategic change of approach has not, however, so far been implemented at a sufficient scale or speed to reduce the growth of informal

settlements. As a result of this failure, it is possible that the total world population living in unauthorised housing may actually increase from about 1 billion in 2005 to a massive 1.4 billion people by 2020 and even 2 billion by 2030 – nearly one in three of the world's population.

A key question is therefore what sort of regulatory role should governments adopt in order to meet the increasing needs for housing, given acute economic constraints? The first and most important part of the answer is to ensure that regulatory frameworks which govern the process of granting official permissions for housing are based on existing realities, not idealised aspirations. All too often governments maintain the fiction that planning and building standards once imposed on them by colonial regimes meeting the needs of a small foreign elite are appropriate for their present situations.

While national pride understandably discourages governments and professionals from wanting to reduce standards, norms and procedures once imposed on them, the fact is that these are often completely inappropriate to the needs of their populations and the resources required for enforcement are unavailable. Research in six countries<sup>20</sup> has shown that unrealistically high planning and building standards, unduly restrictive regulations and overly complex, time consuming and expensive administrative procedures constitute a major reason for many people to bypass the official norms completely and build what they want and can afford.

The research found that whilst planning and building standards in India are among the most realistic and affordable in the world, (the minimum official requirement for residential plots is 25 square metres), regulations and administrative procedures are in some cases unduly restrictive and cumbersome. A regulatory review may be able to identify options for reducing the need for informal development. Any reforms which can reduce the time, cost and uncertainty in processing development applications will help to improve investment and increase public sector influence over land and housing markets.

This suggests that regulatory frameworks should focus on identifying key elements which should be protected at all costs, such as public health and safety, and those which are less critical and

on which some flexibility is possible. An equally important consideration is the ability and willingness of the relevant authorities to enforce such regulatory requirements efficiently, since any failure or abuse will only bring the whole regulatory system into disrepute.

It is important that the process of determining acceptability be made as efficient and responsive to needs and market trends as possible. Under conditions where the primary role of government is to regulate the activities of others in order to protect the environment and those less able to protect themselves from the rigours of the market, a review of the relevant regulatory framework which includes a broad range of stakeholders, including representatives of low-income groups, is a sound place to start.

It has to be admitted that such regulatory reviews, or audits, are rarely undertaken and that when they are the necessary changes are not made. We do not have to look far for one of the reasons, as it is the professional community, architects, planners, engineers, urban designers and surveyors, who are often the most vocal critics of any change. Given that most elements of the regulatory frameworks for planning and building were formulated by professionals, it is our collective and individual responsibility to promote reform.

It should not be assumed that the public sector is powerless to achieve social objectives within a market economy. For example, a recent mayor of London stipulated that all commercially based residential development should provide 50% of all units at costs affordable to key workers, such as nurses, school teachers and firemen. All these groups had previously been unable to afford to rent, let alone buy, a modest dwelling near their places of work. However, the new rule meant simply that developers had to factor in this requirement in order to get planning permission. The policy led to some imaginative socially mixed developments, but was sadly abandoned by the current mayor.

### **Implications for social housing**

If such reforms take place, how is this likely to affect the future of social housing?

It may be considered reasonable to assume that governments in both affluent and developing countries are unlikely to be willing or able to

invest in the conventional forms of social mass housing that have characterised the sector to date. This is perhaps because previous developments failed to calculate the full opportunity cost of the land and capital and interest subsidies, each of which can on their own represent major costs to the local and national economy even before the recurring costs of maintenance and servicing, plus administration and rent default levels are included. A further consideration is the type of housing and urban development commonly associated with large areas of social housing. Experience in the UK has demonstrated that public housing estates can create ghettos of deprivation in which poverty reduction measures, involving further public expenditure, are routinely frustrated.

It is for these reasons that many countries at different stages of economic development have sought to reduce public sector social housing to the minimum and develop a range of other approaches. It is important to accept that none of these options is without limitations. However, this situation can be addressed by ensuring that a wide range of options is provided so that the limitations of one can be offset by the advantages of others. Among the options worthy of consideration in replacing conventional social housing estates with more innovative approaches are the following:

- Equity sharing, in which a household pays part rent and part mortgage. This is relatively common in the UK and provides participants with a stake which can be adjusted according to a household's budget.
- Homesteading, in which a local authority provides grant funding and technical assistance to households willing to restore or repair damaged or derelict buildings and bring them up to a habitable standard
- Co-operatives, a form of housing that exists in many countries.
- Sites and services projects, as introduced by the World Bank in the 1970s to enable households to obtain a plot on which they can construct a basic dwelling, to be improved and extended over time as resources permit.
- Community Land Trusts (CLTs), which are non-profit, community-based

organisations run by volunteers who develop housing or other assets at permanently affordable levels for long-term community benefit. CLTs accomplish this by separating the value of the building from the land that it stands on and, in the case of shared-equity homes, fixing the resale percentage, thereby enabling occupiers to pay for the use of buildings and services at prices they can afford<sup>21</sup>.

- Physical extensions to existing social housing units, as reviewed by Tipple<sup>22</sup>
- Co-housing, as developed in Sweden and reviewed by Vestbro<sup>23</sup>
- Housing allowances or vouchers, to enable households to afford private rental accommodation
- Communal land rental, in which a community signs a short term lease from a private landowner to live in an area they could not otherwise afford until the landowner decides to develop it, at which point, the community moves to another site, following the tidal growth of urban expansion<sup>24</sup>.

All these innovations offer possibilities for reviving the concept of social housing in a world suffering from both restricted public resources and a lack of commitment to helping the poor. They do, however, require public agencies responsible for meeting social needs to be flexible, market-sensitive and open to participatory ways of operating. For professionals educated to work around state-sponsored forms of social housing, such approaches may be difficult to adopt, though the benefits are considerable.

---

<sup>1</sup> Engels undertook the research for his classic analysis 'The Condition of the Working Class in England in 184-3 at the age of 24. The work was first published in Leipzig in 1845 with a preface and dedication in English. The first English version appeared in 1887 (American edition) and 1892 (British edition). The most accessible version is possibly that by Panther Books, in 1969

<sup>2</sup>

[http://wiki.answers.com/Q/19th\\_century\\_living\\_conditions](http://wiki.answers.com/Q/19th_century_living_conditions)

<sup>3</sup> <http://www.parliament.uk/about/living-heritage/transformingsociety/towncountry/towns/overview/councilhousing/>

4

<http://homesdesign.wordpress.com/2009/01/04/pace-standards-for-new-homes/>

<sup>5</sup> Ben Pattison with Diane Diacon and Jim Vine (2010) 'Tenure Trends in the UK Housing System: Will the private rented sector continue to grow?' Building and Social Housing Foundation.

<sup>6</sup> Chow, Phoebe (2001) 'Kitagata Garden City - social housing project', Architecture Review.

<sup>7</sup> Stone, Michael E (2003). 'Social Housing in the UK and US: Evolution, Issues and Prospects' <http://www.gold.ac.uk/media/Stonefinal.pdf>

<sup>8</sup> Falvo, Nick (2009) 'Homelessness, Program Responses, and an Assessment of Toronto's Streets to Homes Program' CPRN Research Report | February 2009,

[http://www.cprn.org/documents/50981\\_EN.pdf](http://www.cprn.org/documents/50981_EN.pdf)

<sup>9</sup> Lei Qu (2010) 'Social Housing Provision in Germany'. Paper presented at the '22nd International Housing Research Conference ENHR 2010, 4-7 July, ISTANBUL on 'URBAN DYNAMICS & HOUSING CHANGE - Crossing into the 2nd Decade of the 3<sup>rd</sup> Millennium'. [http://enhr2010.com/fileadmin/templates/ENHR2010\\_papers\\_web/papers\\_web/WS07/WS07\\_373\\_Qu.pdf](http://enhr2010.com/fileadmin/templates/ENHR2010_papers_web/papers_web/WS07/WS07_373_Qu.pdf)

<sup>10</sup> Scanlon, K and Whitehead, C. (2004) LSE 'International trends in housing tenure and finance' Page 112) note (page 112) that in the Netherlands, "The overall level of owner-occupation rose in the Netherlands from 47% in 1993 to 53% in 1998. a rise of nearly six percentage points in only five years. This proportion has been rising continuously since the end of the Second World War, when only 28% of households were owner occupiers. ([http://www.urbancenter.utoronto.ca/pdfs/elibrary/CML\\_Inter-Trends-Housing-Te.pdf](http://www.urbancenter.utoronto.ca/pdfs/elibrary/CML_Inter-Trends-Housing-Te.pdf)).

<sup>11</sup> It may be no coincidence that Germany's lower level of home ownership and more diversified range of options has prevented it from suffering as much as other countries from the global economic recession. It has never regarded home ownership as a speculative investment and its banks are far more conservative than those of the UK and USA.

<sup>12</sup> Wilcox, S. (2008) UK Housing review 2008-09, p 71, <http://www.ukhousingreview.org.uk/>

<sup>13</sup> Ben Pattison with Diane Diacon and Jim Vine (2010) 'Tenure Trends in the UK Housing System:

---

Will the private rented sector continue to grow?' Building and Social Housing Foundation. Page 9.

<sup>14</sup> As this paper is being prepared, press reports show that illegal 'shed housing' has been discovered by local authorities in the back gardens of London homes. Some have no sanitation and are no better than found in many informal settlements around the world.

<sup>15</sup> The sense of triumphalism is perhaps best encapsulated in the paper by Francis Fukuyama (1989) 'The End of History' published in National Interest journal.

<sup>16</sup>

<http://www.indrealty.in/knowledgebase/Shelter-Policy-Draft-Master-Plan-Delhi-2021>

<sup>17</sup> On this basis, farmers were indirectly subsidising urban development and the DDA allocated nearly a quarter of recent units for middle or high income groups.

<http://www.theteamwork.com/articles/2016-101-delhi-development-authority-dda-housing-scheme-2010.html>

<sup>18</sup> According to Lo (1976) 'Urbanization and psychiatric disorders - the Hong Kong scene' there is evidence that high-density living increased has incidence of mental illness:

<sup>19</sup>

[http://www.unhabitat.org/downloads/docs/1176\\_6455\\_The\\_Habitat\\_Agenda.pdf](http://www.unhabitat.org/downloads/docs/1176_6455_The_Habitat_Agenda.pdf)

<sup>20</sup> Payne, G., and Majale, M. (2004) 'The Urban Housing Manual: Making regulatory frameworks work for the poor' Earthscan, London.

<sup>21</sup> See

<http://www.communitylandtrusts.org.uk/what-are-clts-for-details>.

<sup>22</sup> Tiple, G. (2000) 'Extending Themselves: User Initiated Extensions to Government-built Housing in Developing Countries' Liverpool University Press.

<sup>23</sup> Vestbro, Dick Urban (2010) 'Saving by Sharing – Collective Housing for Sustainable Lifestyles@ Paper presented at the Second Conference on Economic Degrowth for Ecological Sustainability and Social Equity, March 26-29th 2010, Barcelona, <http://www.degrowth.org/uploads/media/Vestbro-housing.pdf>

<sup>24</sup> For an example in Thailand, see, `Mohit, Radhika, Savant (2002) A Level playing field: security of tenure and the urban poor in Bangkok, Thailand' in Payne, G. (Editor) Land, Rights and Innovation: Improving tenure security for the urban poor' ITDG Publishing.

---

## ACKNOWLEDGEMENTS

The author acknowledges with gratitude the support received from Professor Dania Gonzales-Couret in making it possible to contribute to this important conference. The help provided by Hamish Stewart and Boris Zerjav in research and editing is also much appreciated, as are the constructive comments received from Judith Eversley and Tony Lloyd-Jones. As always, the author takes full responsibility for any errors or omissions.