



The enabling strategy and its discontent: Low-income housing policies and practices in Asia



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ABSTRACT

Over the past few decades, Asia's urbanization has been driven by rapid economic growth, while also making economic growth possible. These developments have allowed millions of people to escape income poverty and led to the emergence of an expanding middle class. Its ambition for home ownership and its paying capacity, reinforced by a vibrant housing finance sector and supported by enabling housing policies, have motivated private-sector real estate developers to supply housing affordable for large sections of the urban population. This has improved housing conditions in urban areas. However, like elsewhere, free-market economic policies have also resulted in growing income and access inequalities between those with the entrepreneurial spirit, knowledge and skills to seize new economic opportunities, and those who, for various reasons, have not been able to do so. So, despite economic growth, the demand for informal housing has not declined. At the same time, globalization and foreign direct investments have increased development pressure on urban land, as investors see real estate as a safe investment.

The housing problems of the urban low-income population cannot be solved unless the urban poor have access to urban land, but this requires urban planning and government intervention in the urban land market. Most governments are unwilling to do this, as it runs counter to their free-market economic policies. Urban planning, within a free-market economy, is critical, not only to address the low-income housing shortage, but also the impacts of climate change, two issues which converge in the future of informal settlements in the disaster-prone coastal areas of the Asia–Pacific region.

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1. Introduction

Since the late 1980s, the UN-Habitat has promoted an enabling strategy for its global goal of adequate housing for all. The strategy contends that markets should be the primary housing delivery mechanism and that the public sector's role is to introduce incentives and facilitate housing actions by other actors, through partnerships of local government, the private sector and non-governmental and community-based organizations (NGOs and CBOs). The strategy accepts the limitations of the market for housing the poor and stresses the need for government to recognize and upgrade informal settlements and to develop innovative approaches to low-income housing (UNCHS, 1991: 12–62; UNCHS, 1997: 37).

Today, most governments in Asia adhere to the enabling strategy, as it has proven to be effective in delivering adequate housing to large sections of the urban population. The strategy was not an

isolated initiative, but part of a broader agenda of national and global market liberalization which has brought rapid economic growth in Asia and an expansion of its urban middle class. Without economic growth, the enabling strategy may not have been as effective. Yet, millions of urban poor still remain without adequate housing despite a host of innovations, because rapidly rising land values and policies to optimize land use blunt any attempt to secure land for housing the urban poor.

2. An expanding middle class

Neo-liberal policies have worked well for many cities in Asia. Economic growth has lifted millions of families out of income poverty, although many have remained “near-poor”. Over the past three decades, the number of workers in middle-class households (i.e. those who *can afford non-essential goods and services*) in Asia and the Pacific grew from 65 million to 671 million, while workers in households in extreme poverty declined from 715 million to 238 million (Huynh & Kapsos, 2013: 26–27). Middle-class workers have

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not only higher incomes, but also more stable employment. This enables them to invest in health and education and be more productive and afford formal housing. It brought homeownership within reach, but also increased borrowing to finance consumption and raised household debt.

Economic growth also brought about socio-demographic changes. Higher income and improved health reduced child mortality and increased life expectancy. With better education and more economic opportunities, women delay marriage and have fewer children or do not marry at all. In some cities, fertility rates are well below replacement level: Hong Kong: 1.0; Seoul: 1.01; Bangkok: 1.16; Singapore: 1.28 (Jones, 2011) and populations have started to age. Whereas the extended family used to be the norm, households increasingly consist of a nuclear family of just 1–3 persons, due to increased migration and high housing costs.

The private sector which used to supply housing only to upper-middle- and high-income families, responded to these trends by moving down-market through smaller units, mass production and simplified finishes (Angel and Chuated, 1990; Mukhija, 2004: 2236), including “shoebbox units” of 25 m² or less. Between 2010 and 2020, growth in the urban population, in the number of households and in affluence is projected to generate demand for 16.5 million additional units with a total market value of US\$1 trillion in six major Asian countries (Table 1).

Homeownership cannot be achieved without housing finance. Banks used to consider housing finance commercially unattractive, but this has changed with the growing middle-class ambition for homeownership and the expanding real estate sector. In Southeast and East Asia, mortgage markets have grown rapidly and housing loans in the above six countries are projected to grow to US\$3.7 trillion by 2020 (DBS, 2011: 15). In South Asia, the state of the financial markets still constrains the growth of the sector despite government support (Zhu, 2006: 59–60). In India, deregulation in the 1990s led to an expansion of the sector, but it targets the upper-middle-class and applies stringent eligibility criteria (Sengupta, 2010: 325). The principal source of housing finance in Bangladesh is still household savings and loans from relatives and friends (Rahman, 2009: 101–102).

Countries have experienced not only rapid economic growth and poverty reduction during the last decades, but also rising income inequality. Between the 1990s and 2000s, 11 countries including China, India and Indonesia (Table 2) which account for over 80 percent of the population in developing Asia saw a rise in inequality of per capita income or expenditure (ADB, 2012: 38). Income inequality between rural and urban areas, between coastal and inland areas and between countries in the region has generated massive internal and international migration across the region.

3. Informal settlements

As governments and employers keep wages low to maintain

Table 1
The residential property market in selected countries (2010–2020).

	Annual sale (units)			Sales value (US\$ millions)		
	2010	2020	CAGR (%)	2010	2020	CAGR (%)
China	9,300,000	15,600,000	5.3	647,059	1,029,411	4.8
Hong Kong	12,504	16,000	2.5	16,560	24,501	4.0
Indonesia	280,000	564,000	7.3	4700	15,600	12.7
Malaysia	72,837	96,003	2.8	5000	9700	6.9
Singapore	35,256	42,507	1.9	21,267	28,536	3.0
Thailand	95,840	150,000	4.6	322	513	4.8

Assuming constant US\$; CAGR: compound annual growth rate.
DBS, 2011: 34.

Table 2
Gini coefficient of selected countries (1992–2010).

	China		India		Indonesia	
	1992	2010	1992	2010	1992	2010
Urban	0.2462	0.3535	0.3433	0.3926	0.3535	0.3805
Rural	0.3248	0.3948	0.2863	0.2937	0.2605	0.3138
National	0.3350	0.4480	0.3098	0.3284	0.2979	0.3529

Chotikapanich et al, 2014: 15, 19, 24.

competitiveness in the global economy, the poor rely on the informal sector for goods and services. The sector was expected to decline with development, but is actually growing, as companies informalize employment through outsourcing and temporary contracts. The labour force consists partly of migrants who lack the entitlements of the local population, because they are not registered in the city or live in informal settlements. Low wages, irregular employment, lack of entitlements and high costs of living force them to leave their non-earning family members behind and remit a substantial share of their income to support them. This reduces their already small disposable income and forces them to live in informal settlements where they join the city-borne poor.

For most cities, accurate data on informal settlements are unavailable or unreliable, as the settlements are hard to find, too small to be counted, excluded from censuses or avoided by enumerators. Recent estimates show a growth of the slum population in absolute terms, but a decline as a share of the urban population (Table 3).

The poor used to invade vacant land to build their house disregarding landownership and building regulations, but this option is no longer available in many cities due to a high demand for urban land. Ownership of informal housing has become expensive for the poor, as gatekeepers guard vacant land and informal housing. Access is only possible at a price which pays for protection against eviction and the use of services such as water and power supply. In Karachi, the poor rely for housing on informal entrepreneurs who develop public land and bribe officials and politicians for their support (Budhani, Gazdar, Ahmad Kaker, & Mallah, 2010: 25). In

Table 3
Urban slum population at mid-year by sub-region.

Sub-region	Urban slum population (thousands)			Proportion of urban population living in slum (%)		
	1990	2000	2010	1990	2000	2010
East	154,175	191,563	197,529	43.7	37.4	28.2
South	181,667	194,364	190,647	57.2	45.8	35.0
Southeast	68,852	78,246	76,540	49.5	39.6	31.0

Slum population: persons living in households that lack improved water, improved sanitation, sufficient living area and/or durable housing.
UN-Habitat, 2012: 127.

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