



The housing provision system in Malaysia

Syafiee Shuid

International Islamic University Malaysia, Malaysia



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ABSTRACT

Since Habitat I in 1976, the housing provision system in Malaysia have gone through various phases to keep pace with country's political economy changes and globalization as promoted by the international agencies such as the World Bank and International Monetary Fund (IMF). Malaysia have made tremendous progress to address severe housing shortage, substandard housing and slums in the urban areas since independence in 1957. The Structure of Housing Provision (SHP) framework will be used to analyze the changes of housing provision system in Malaysia since 1970s. The housing provision in Malaysia since 1971 can be divided into four phases namely Housing the Poor (1971–1985), Market Reform (1986–1997), Slums Clearance (1998–2011) and State Affordable Housing (2012-to date). Unique country's population and economic background require different approach of policy and programs to address housing problems. Nevertheless the state and market continue to play an important role in housing provision since 1970s regardless of country's political economic changes. As a result more than 1.3 million low cost housing units has been built by both private and public sector from 1971 to 2010 to address housing need for the poor throughout the country and reduced significantly the number of people lived in slums. To address housing need for growing middle income group and changing people lifestyle another 1 million of affordable housing units are planned to be built in the next 5 years until 2020 mainly through the state affordable housing programs. Finally, the paper also will highlight the challenges and problems faced by the state and market in the implementation of various housing programs in Malaysia since Habitat I.

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1. Introduction

The shelter issues particularly in developing countries has been under continuous debate in in housing policy-making circles since 1970s. During HABITAT I (1976), the focussed was on redistribution with growth for basic needs with the State support to self-help ownership on a project-by-project basis. It was done through recognition of informal sector; squatter upgrading and sites-and-services; subsidies to land and housing. In 1980s, however there was an almost universal acceptance of reducing the role of the government in direct provisory roles in the economy and increase reliance on the private sector (World Bank, 1988). The expansion of the role of the private market in the field of housing provision in developing countries including low income housing also became increasingly the focus of attention during the 1980s and 1990s. This was particularly advocated by the World Bank with enabling strategy for private market activity in housing provision in

developing countries (World Bank, 1988). Meanwhile HABITAT II (1996) pointed out that the provision of adequate housing for all requires action not only by government but by all sectors of society including the private sectors, non-governmental organisations (NGOs), communities and local authorities as well as partner organisations and entities of the international community (United Nations, 1996).

Four decades since HABITAT I, many developing countries including Malaysia have undergone social, economy and political transformation. Globalization, demography changes and rising income level since 1970s clearly had influenced housing provision system in Malaysia. Malaysia has experienced rapid economic development with rising per capita income and urbanisation since 1970s. Thus, the pressure on housing is enormous, particularly among people with a low income. More people are demanding a better quality of housing in line with rising income. The social and economic changes experienced by the people necessitate improvements in housing conditions. Furthermore as a multiracial country, housing provision has played an important role in nation building and political stability in Malaysia since independence in

E-mail address: ssyafiee@iiu.edu.my.

1957.

In order to get better understanding of housing provision system in Malaysia since 1970s, the Structure of Housing Provision (SHP) thesis is used in this paper. Ball (1986, p. 147) defines housing provision as “a physical process of creating and transferring a dwelling to its occupiers, its subsequent use and physical reproduction and, at the same time, a social process dominated by the economic interest involved”. A social relationship is part of a structure of provision if it is a component of the physical process of production, allocation, consumption and reproduction of housing including the roles played by both state and market. According to Ball and Harloe (1992 p.2), SHP can accurately summarise the main forms of housing provision in countries at particular points in time.

The paper will be divided into four sections to discuss on literature review, Malaysia in general, housing provision system and conclusion.

2. Literature review

The studies examining the role of the state and the market in housing provision in East Asia since 1970s has shown a mixed results. China, India, Thailand and Taiwan demonstrate the increasing role of the market especially during the 1990s (see Zhang and Sheng, 2002). The governments of those countries are shifting their role from one of direct intervention, control and order to that of enabling and steering. The governments restrict their role to that of providing assistance to low income groups. Despite maintaining a developmental approach to housing policy and the implementation of housing programmes during the early 1990s, there is a tendency among East Asian countries to move towards a relatively less state oriented system of housing provision (Doling, 1999 p.185). Since the early 1990s, the system of housing provision and consumption in East Asia has been increasingly deregulated, with greater emphasis on market mechanisms (Hirayama & Ronald, 2007, p.4).

The neo-liberal transformation in East Asia accelerated faster following the Asian financial crisis in 1997–1998. Countries worst affected by the crisis were expected to adopt neo-liberal housing policies, particularly South Korea, Thailand, Indonesia and Malaysia (Agus, Doling, & Lee, 2002). Housing investment by the public sector in East Asian countries since the crisis has reduced significantly. The housing sector is also expected to be more transparent and better regulated in line with neo-liberal policy. The allocation of finance for the housing sector became less the responsibility of the state and more of the market (Doling, 1999, p.186). Most East Asian states instead focussed on stabilising the housing market after the crisis and, at the same time, encouraged the private sector to get involved in housing provision.

However for Malaysia, despite government efforts towards market reform in housing provision, it still remained inadequate. Zhang and Sheng (2002), described “Malaysia is an exception to broad-based trend of market-orientated reform, since there is a strong reluctance to relax state control and promote market mechanisms.” The state, according to them, “maintains its tradition of strong intervention in housing and providing housing not only for low income groups but also for medium and high-income groups”. The state even restricts the distribution of low income housing developed by the private sector, which is an unusual practice in the region. Similarly, Agus (2002, p.49) explained, excessive state control over housing hindered the development of the market, while the potential of the private sector's capacity was under-utilised. However, the political economy and housing provision system in Malaysia have changed significantly since 2009 under the new leadership of Prime Minister Najib Razak. Najib's tenure as Prime Minister has been marked by economic

liberalisation measures, such as cuts to government subsidies, loosening of restrictions on foreign investment, and reductions in preferential measures for ethnic Malays in business.

3. Malaysia in general

In 2010, the population of Malaysia was 28.3 million comprising 61.4 percent Bumiputera, 23.7 percent Chinese, 7.1 percent Indian and 7.8 percent others/non-citizens (Department of Statistics Malaysia, 2010). The population had increased by almost 174 percent from 1970 with 10.3 million people (see Table 1). Bumiputera literally means ‘son of the soil’ (Roslan, 2001, p.2). Malay are the main Bumiputera in Peninsular Malaysia, meanwhile in Sabah there are Kadazan, Bajau and Murut. In Sarawak they are Iban, Malay, Bidayuh and Melanau. Therefore, Malaysia has one of the most complex ethnic mixes in South East Asia (Funston, 2001, p.160). Urbanization level also had increased significantly from 34.2% in 1980 to 71% in 2010 (see Fig. 1). It is expected the urbanization rate will increase to 75% by the year 2020. The Federation of Malaysia consists of 14 States including Federal Territory with special authority over land and housing provision under the Federal Constitution.

The mean monthly household income also has increased substantially between 1970 and 2012, especially among the Chinese from RM394 in 1970 to RM6,366 in 2012 (see Table 2). The income disparity between the ethnic groups and between rural and urban areas is still present despite various efforts by the government to improve the situation. The widening monthly household income gap between urban and rural area is also one of the contributing factor for rural-urban migration which put more pressure for housing provision in major cities especially for the low income people since 1970s. Bumiputera remain the lowest income earners with RM4,457 in 2012 and the majority still live in rural areas. This situation justifies various government efforts to reduce the income gap between ethnic groups and between urban and rural areas.

Political stability has been the key factor behind Malaysia's continuous economic growth since independence from Britain in 1957. The most important achievement is in terms of its economy success in transforming the country from a commodity-based economy into one based on manufacturing; this change has occurred since the 1970s. Malaysia's economic growth since independence has been remarkable, with an annual Growth Domestic Product (GDP) of more than 5%, except for the economic crisis periods of 1986–1987 and 1997–1998 which show negative growth.

4. Malaysia housing provision system

Important to explain here is the role played by different level of government, namely Federal, State and local especially in low cost housing provision in Malaysia. Federal government generally responsible to formulate the policy, laws and regulations governing housing especially for the private sector. However for low cost housing the Federal government also involved directly in housing production and allocation system with the cooperation of the State governments. Funding for public low cost housing programmes usually come from Federal government, the State governments are only responsible to identify the available state's land for housing construction and selection of eligible low cost house buyers. The local government generally did not involve directly in housing production, except approving the planning permission and building plans for housing construction by both public and private developers. However in major cities such as Kuala Lumpur and Petaling Jaya, local governments are also involved in administration and maintenance of public low cost housing with the Federal and state funding. Meanwhile private sector generally operated with

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