

Links Between SA Housing Policy and the Economy

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Introduction

Housing is a crucial issue for the economy, yet the links between housing and economic progress are generally neglected. Housing policy has tended to stand apart from economic objectives and disciplines, sometimes by design and sometimes by default. As a result, it has often hindered rather than helped to improve the prosperity of people and places. The problem has recently come back to bite, with R12 billion cut from the national housing programme in the 2020 Budget. This followed mounting evidence of its deteriorating performance (SACN, 2014; GTAC, 2016; Turok, 2016a, 2016b). Meanwhile, the private house-building industry is in deep distress and bank lending to homebuyers is at an all-time low. Since 1994 neither the public nor the private sectors have proved sufficiently responsive or adaptable to meet the prodigious demand for affordable housing from the expanding urban population. Consequently, the scarcity of decent shelter has become a major source of frustration and protest among low income communities, particularly in townships and informal settlements. Social unrest is now actually blocking the progress of many projects, compounded by financial difficulties facing contractors and inadequate basic services.

Yet, there are signs of more dynamic and more adaptive developments outside the formal housing system. Many poor households have been investing whatever resources they can muster to satisfy the need for low cost accommodation by building flats in their backyards. They have been generating an income for themselves and proving that there is a viable market for cheap rental housing. Backyard dwellings are also enabling urban densification and creating multiplier effects by boosting the demand for building materials and labour. Emerging builders are helping to diversify established housing products and producers with more affordable rental options. These positive features mean that backyard dwellings are the fastest growing segment of the housing market, with more than 200% growth in Gauteng over the last 15 years (Hamann et al, 2018). Yet, their very success is creating other problems, including overloaded urban infrastructure. Despite the opportunities and challenges of backyarding, the phenomenon is almost completely ignored by housing policy, which remains stuck in a paradigm of top-down state provision.

This short article contrasts the government's prevailing housing policy with the organic development of backyard dwellings. It reveals a striking gap between the rigidities and inefficiencies of the state's formal approach and the flexibilities and adaptability of informal modes of provision. The basic message is that government policy needs to be more responsive to the reality of people's housing needs, and more sensitive to the role of housing in the economy. Decentralisation of housing responsibilities from national and provincial authorities to municipalities could help to adjust and tailor housing policy to local conditions and thereby improve its impact and effectiveness.

The national housing programme

The democratic government's housing policy originated in a context of immense social pressures and public demands for improvement. The apartheid government had denied black people the right to own property in the cities and had deliberately stopped building homes for them in order to discourage urbanization. This caused serious overcrowding within the existing housing stock and mushrooming squatter settlements in places where people could evade eviction. The 1994 government saw decent housing as an important way of reducing squalor and deprivation. The Constitution defined housing as a fundamental human right that could help to restore people's dignity (Turok and Scheba, 2019). As a result, housing came to be treated as part of the 'social wage', along with social grants, free basic services and free schooling. In fact, the Constitution referred to the *progressive realisation* of the right to housing. It did not say that the state was obliged to provide everyone with a free house. The urban housing 'backlog' was estimated at 1.3 million units in 1994, or closer to 3 million if people living in hostels and rural areas were included (DPME, 2019).

The government's chosen policy instrument gave it maximum control over the quantity and quality of housing delivered. An aspirational target was set to build at least a million 'RDP' houses in the first five years. Direct government provision meant that the rate of production was predictable and would not be jeopardised by shifting market conditions or fluctuating private sector involvement. Yet, placing the full burden onto the state let the banks, private developers and indeed employers off the hook (Savage, 2014). Government finances were in a precarious position at the time, so each house was limited to 15 square metres at the outset and conceived of as a starter unit. Very little was budgeted for the land or basic infrastructure to service the units. Qualifying households with an income below R3,500 per month (roughly half the population) were gifted these units, without them having to pay any share of the costs or even to contribute their own labour power in construction.

The pressure to deliver at scale resulted in a rapid acceleration from around 60,000 units in 1994/95 to around 230,000 in 1998/99. The target of one million was reached within seven years rather than five – still a notable physical achievement. By 2020, between three and four million units had been built altogether, with considerable uncertainty about the precise figures (GTAC, 2016). The quality of life of most beneficiaries improved as a result of having greater protection from the elements, improved safety, internal municipal services and a place to raise children (DPME, 2019). Households were given these units on condition that they did not sell them for at least eight years. The whole policy bore the hallmarks of a social welfare programme to alleviate deprivation through paternalistic state provision. It was not designed as a developmental intervention to unlock people's energy, strengthen their capabilities and create a progressive pathway out of poverty. The implicit assumption was that the housing problem was caused by indifference and neglect on the part of the apartheid state, so this could be compensated for with more state investment. The problem was not understood in terms of weaknesses in the economy (the high incidence of unemployment and its effect on housing affordability), a housing market completely skewed towards affluent groups, or people's limited skills or physical inaccessibility to jobs.

Within a few years, the first major drawback of the RDP programme became apparent – poor project locations (SACN, 2014). The desire to fast-track delivery meant using land parcels that could be developed relatively quickly. This meant taking advantage of sites that were already earmarked for low cost housing by the previous government. Such sites were invariably on the urban periphery, far from jobs, training colleges and amenities. As RDP houses were built on them, additional greenfield sites were identified beyond their outer edges, where the cost of land was low. Over time this has resulted in the extension of dormitory settlements on the city margins, isolated from opportunities for labour market access and upward mobility (GTAC, 2016; Hamann et al, 2018). This has locked the sprawl and fragmentation inherited from the apartheid city into the urban landscape. Many people have been effectively trapped in distant locations unable to sell their homes because of the eight-year moratorium and 1.3 million backlog of title deeds. In many cases the value of their properties has been marked down to below what the government had paid to build them (Savage, 2014). The policy of building in marginal locations has ended up destroying value rather than creating more vibrant and valuable places, where economic and social outcomes improve over time (Turok, 2016b).

A second weakness of the national housing programme has been its divisive character and apparent unfairness. The state simply cannot satisfy the ever-increasing number of households who qualify for free homes. Some system of rationing is required, which takes the form of waiting lists or registers of people in need. The government has also allowed inflation to erode the qualifying income threshold, thereby eliminating many people from eligibility. Rationing combined with a lack of community education and awareness-raising has created false hopes and grievances because many households have had to wait a decade or more. No less than 1.9 million households are still in need of decent housing (DPME, 2019). The allocation system also lacks transparency and provokes suspicions that there is political interference in the process and that some people engage in queue jumping by exploiting loopholes. The lack of trust and emergence of winners and losers has become a source of serious social tension and conflict within poor communities, and a major contributor to unrest and disorder. In some places it has resulted in disaffected individuals invading and ransacking the new houses earmarked for officially-approved beneficiaries.

The promise of a free house has also had unintended consequences for other housing programmes. The viability of some social renting schemes has been threatened by tenants embarking on rent boycotts after rumours were spread that they were entitled to own their homes and need not continue paying the rent. Presenting people with gifts can encourage a belief or mindset that they inherently deserve certain privileges and have no responsibility to make a contribution themselves. It does not enable or empower people to be more employable or productive by investing in building their competencies. In fact, the income threshold deters some people from looking for work - or a better job - because they lose their eligibility for government housing if they succeed in finding a job. So the increasingly selective targeting of government housing undermines the life chances of people in need. The outcome must be to further marginalise the poorest sections of the population. Many of those fortunate to receive a free house end up struggling to pay for their ongoing services, property upkeep and everyday family consumption needs (Turok, 2016a).

Third, the national housing programme has been insulated from economic disciplines and divorced from other parts of the housing system. Unit costs have escalated from the initial R15,000 subsidy towards R150,000 (or R250,000 including the costs of infrastructure services) because of the pressure from beneficiaries for larger houses with better specifications. Yet no effort has been made to define the social return expected from this additional investment. Instead the programme has become vulnerable to shoddy construction, fraudulent tendering practices and corruption (GTAC, 2016; SACN, 2014; Savage, 2014). The negative effect has been to reduce the number of houses that can be built within the budget, adding to the unfairness. Annual production is now less than half what it was in 1999 (DPME, 2019), so the urban housing backlog has actually increased (Turok and Borel-Saladin, 2014). The government has also failed to use its resources in a creative way to lever additional private sector investment into housing (Savage, 2014; GTAC, 2016). Instead of complementing and reinforcing private investment, the RDP programme has tended to crowd this out because developers cannot compete with give-away housing in the affordable sector of the market.

Summing up, the state's housing model has become monolithic – a machine driven by the short-term politics of construction, i.e. crude numbers. It has not evolved in the light of changing economic circumstances and governance challenges, and it has not adapted to new household demands, such as better access to jobs, livelihoods and social advancement. The programme has carried on regardless of the many criticisms levelled against it (SACN, 2014, Savage, 2014; GTAC, 2016), with the result that it exhibits increasing economic, social and environmental deficiencies and is arguably becoming moribund. This helps to explain why the housing budget is now being cut back substantially.

Backyard rental housing

The burgeoning backyard rental sector presents a striking contrast to the national housing programme. It is much more dynamic and responsive to household needs for accessible and affordable flats. People are drawing on their own agency and resourcefulness to construct suitable accommodation. This is empowering for them and creating a new cohort of small-scale developers and landlords (Scheba and Turok, 2020). The state still has a vital role to play, but as an enabler through supplying basic infrastructure and managing the public realm, and less as a direct provider of housing. Backyard growth is being driven by genuine socio-economic requirements rather than arbitrary targets. The quantity of new units being built is very substantial because of the incentives available to emerging entrepreneurs and landlord-developers from meeting real needs and demands.

In many townships, homeowners are showing considerable initiative by replacing makeshift shacks with bricks and mortar structures offering internal toilets and washrooms (Turok and Borel-Saladin, 2016). Other go-ahead individuals with some savings are also buying up properties informally and replicating this model of backyard apartments, sometimes after demolishing the original freestanding houses. Several private companies, including Indlu, Bitprop, Isiduli, TM Group and After 12, have recognised the commercial potential by offering these people modest amounts of capital and some expert help to construct the flats in return for a share of the rent. Several of the major banks are also involved as ultimate funders of some of these companies.

The booming supply of better-quality rental property meets the needs of many young working people who can't afford to buy their own homes and who don't qualify for RDP housing (Scheba and Turok, 2020). It is also much more sensible and flexible for them to rent than to buy. Backyard flats offer more secure and dignified living environments than shacks for those who can afford to pay a modest rent (between R1,500-3,000 a month), but far less than what's normally required in the formal rental market. Backyarding is also beneficial in creating valuable work for local builders, labourers and hardware suppliers, as well as supporting an emerging group of estate agents and rental agents. And it helps to improve the vibrancy of public spaces and the viability of public transport and community facilities in relatively well-located areas that are being densified.

These positives are offset by some risks and pitfalls. Most important, more intensive backyard development is happening in a policy and regulatory vacuum without any formal safeguards and protections. The preoccupation of government housing policy with home-ownership rather than renting is only part of the problem. Backyard units are generally built without adhering to municipal bylaws or building standards because of the complexity and cost of these procedures. Non-compliance means there is no formal oversight of the structural integrity of the flats, including their foundations, reinforced walls and roofs, and basic design quality. This poses obvious risks to residents' health and safety and compromises the long-term resale value of the properties (Turok and Borel-Saladin, 2016).

Ignoring land-use planning and zoning controls means developing beyond the capacity of the municipal water, sanitation and electricity infrastructure. When a dozen or more households occupy township plots designed for single families, there are serious consequences for sewage spillovers, electricity breakdowns, water shortages and the spread of fires. Informal backyarding offers little or no protection to the rights of tenants, who are vulnerable to arbitrary evictions and inflated rents. Some land invasions are caused by disgruntled backyarders struggling to pay the higher rents being demanded by landlords. Homeowners are prone to manipulation and unfair practices themselves. Unscrupulous building contractors and money lenders can take advantage of their financial illiteracy and poor knowledge of construction techniques to provide inferior services and swindle them.

Government involvement

All spheres of government currently have a hands-off approach to backyarding (Scheba and Turok, 2020). Having installed the physical infrastructure and built many of the original houses, officials expect to manage these areas through rules and procedures that aren't fit for purpose. The controls were devised in a different context and are unrealistic in the prevailing circumstances. Some officials try to enforce these norms and standards but quickly back off in the face of community resistance and violent threats. Most just ignore what is happening on the ground instead of engaging with the process. A cautious auditing culture, weak relationships with communities, and limited political support discourage a hands-on approach.

This risks a downward spiral in due course as population densities rise, services get overburdened, infrastructure decays, environmental conditions deteriorate, social trust

diminishes and the state's capacity to enforce standards declines. Municipalities raise very little revenue from property taxes or service charges in the townships, despite the sizeable rents collected by some landlords. Municipal leaders are reluctant to continue investing public funds in communities that can afford to pay something, but won't.

It's possible to envisage a positive scenario offering broader benefits. Public bodies could strive to contain the negative effects of intensive backyard development and create a more productive dynamic with better outcomes all round. One element would be to simplify the system of land registration so that households have greater security of tenure and can exchange property safely without risking their investments. A simpler transfer process would encourage people to go the formal route rather than sell property informally. This would reduce uncertainty and opportunism, and support longer-term decision-making. Having collateral would make it easier for property owners to raise external finance so as to construct better buildings.

An up-to-date land registration system would also assist property valuation, and the municipality could start collecting taxes on properties above a certain threshold. More tax collection would help to pay for enlarged infrastructure urgently required to accommodate the growing population. In addition, regulatory reforms could help to attract more investment in rental housing. Rules governing the built environment should be streamlined to ensure that standards are appropriate for low-income dwellings and that administrative procedures can accommodate inexperienced applicants. Health and safety considerations should take precedence over cosmetic factors, such as external finishes. Official mindsets need to shift from indifference towards an enabling approach that makes positive things happen. Local advice centres staffed by multi-disciplinary teams could offer people very practical assistance to achieve minimum building standards and formal approvals. Simplified systems to oversee landlord-tenant relationships are also worth considering to protect tenants from exploitation.

The fundamental principle is to create more responsive ways of regularising informal rental housing in order to develop the sector into a robust and integral part of the urban housing system. A gradual upgrading approach in line with rising household incomes should enable people to adjust to the improvements with minimal displacement. Shifting from a cautious mentality to a developmental disposition requires public officials to engage actively with informality to encourage more investment in better rental properties and fairer rental practices.

Conclusion

There is striking contrast between the rather staid, formulaic character of the national housing programme and the more dynamic attributes of backyard rental property. The former has lost impetus and requires major reform, while the latter is more vigorous and expansive. Backyard development resonates with the requirements of residents for more flexible accommodation and the needs of poor homeowners for a regular income. In harnessing the energy of communities it is helping to diversify the housing choices available in cities and demonstrate the existence of a viable market for low cost rental units. With government support, the current small-scale backyard suppliers could perhaps evolve into

more substantial producers of affordable housing and thereby make a larger contribution to tackling the housing crisis.

One of the essential requirements is to shift the stance of government entities from merely reacting to events on the ground towards planning ahead and engaging in a more pro-active manner with backyarding. Instead of just putting out fires, fixing electricity breakdowns and unblocking sewers, municipalities should be investing in higher capacity infrastructure. They should provide constructive advice and support to small developers and introduce simpler bylaws and procedures to govern the process of backyard development. This means shifting the focus from the internal features of the dwelling to managing the neighbourhood context, including safeguarding open spaces and public amenities. By playing a positive role rather than a policing function, responsive municipalities could start to collect property rates and service charges. The revenue stream they generate could help to pay for the reinvestment in township infrastructure. In short, government needs to create the conditions in which the process of urbanization taking place is more productive, is creating more liveable settlements, and is generating jobs, skills, livelihoods and taxes.

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