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## **The Changing Nature of South African Housing Demand**

### **Element Three of the Department of Housing's Programme to Develop a New Policy And**

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## Abstract

Element 3 was intended to 'unpack the changing nature of South African housing and shelter demand in response to social, economic, demographic, spatial, and environmental trends and pressures'. This was undertaken through reference to the demographic database that underlies demand (and government's housing policy), and also the foremost economic and social forces driving the demand for housing. The consequences of effective demand for the creation sustainable settlements were also considered. The report was concluded through the findings and recommendations chapters. The report is different to the other elements because it had less to do with trying to make existing policies work better than exploring and shaping the research agenda for an alternative demand-led policy. Finally, it was concluded that a demand-led policy will sometimes be inappropriate and that it is better to refer to need. The case Aids orphans is an obvious example.

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## **EXECUTIVE SUMMARY**

### **Chapter 1. Introduction**

Element Three is intended to 'unpack the changing nature of South African housing and shelter demand in response to social, economic, demographic, spatial, and environmental trends and pressures'.

### **Chapter 2. The Demand For Housing**

The demand for housing can be interpreted to be effective demand or the need for housing defined according to some criteria and a policy framework. In the case of effective demand, the concern is with households being able to express their preferences for alternative types of housing. In the case of need, the policy framework prescribes what households will receive.

Conceptions of effective demand have helped to shape international housing policy and best practice. Effective demand has been described as '... simply housing need backed up by the ability and willingness-to-pay.'

Effective demand is not always a useful concept. An example is that the shelter needs of an Aids orphan cannot be represented as demand. In the light of extreme hardship notions of effective demand must give way to conceptions of need.

In regard to the notion of a housing "backlog", this follows directly from the Constitution, wherein 'Everyone has the right to have access to adequate housing.' The need for housing becomes based on housing standards – what constitutes adequate housing – coupled with eligibility criteria for access to a housing subsidy. The conception of adequate housing excludes, inter alia, (the rapidly increasing) informal housing, freestanding and in backyards, and informal renting in houses and rooms.

In the Housing White Paper of 1994 the estimate was that the housing backlog in 1995 would be 1,5 million units. The Department of Housing's estimate of the housing backlog in 2003 has increased to 2.2 million households. If inflation is taken into account, between 1996 and 2001 the R3 500 eligibility criterion increased to R4 750. Using R4 750, an additional 1 342 526 households would meet this criterion.

The Department of Housing has estimated that the housing backlog in Gauteng is 850 939 units. The Gauteng Department of Housing estimates that the number is 499 823 units. The difference is 351 116 units. Neither measure equates with municipal waiting lists, which is about 100 000 units above that of the Gauteng Department of Housing.

Conceptions of "backlogs" are misleading and of 'little value because they produce magnitudes that can never be achieved in practice'.

These calculations can also be to the detriment of low-income households because 'they fail to establish the fact that housing deficits are more pressing than unsatisfied needs for other of life's essentials including food, medical care, schooling and jobs.'

One researcher has identified a regularity between gross domestic product per capita and the proportion of the national income that is spent on housing, regardless of whether the expenditure is undertaken by the public sector or the private sector. This means that if the public sector subsidises low-income housing, it will by and large displace private sector construction.

If this is correct then it is possible that government's housing subsidies may slow the construction of new dwelling units. It is rational, if there is a prospect of receiving a subsidy, of not constructing or improving one's present accommodation. To the

extent that this is correct, the consequence is to reduce national spending on housing and to increase the housing backlog.

There is no indication of what effective demand might be. It is also apparent that the notion of a “backlog” is rather flawed. These would be key research areas if there were any anticipation that there might be credible results, which there are not. One might instead argue that the issue is better expressed as allowing effective demand to take its course, for example, through ‘Facilitating speedy release and servicing of land.’

### **Chapter 3. Demographic Forces Shaping the Demand for Housing**

From government’s point of view, there are two key drivers of the demand for housing – the housing backlog and the increase in the number of households that are eligible for the housing subsidy. Effective demand for housing is measured differently, in terms of the number of, and the increase in the number, of households and what they can afford. Chapter 3 seeks to inform both approaches and, based on the relevant data that can be extracted from the 2001 census and comparing it with the 1996 census, provides information on population and household growth, the location of this growth, changes in household incomes, changes in housing stock and changes in access to services.

(In a number of cases the attempt was made to assess the data through looking at secondary sources. The consultants came to the view that the only credible national data set available is the 1996 census and the limited release of the 2001 census.)

Between 1996 and 2001, the South African population increased by 2.09%. This represents a total increase of just more than 4.2 million persons. Gauteng has a significantly higher population growth rate, growing at twice the national average. The Western Cape, KwaZulu Natal and Mpumalanga also have population growth rates above the national average. The Northern Cape is the only province with a negative growth rate, but there is still an increase in the number of households! Virtually no growth is occurring in both the Eastern Cape and the Free State.

The household growth rate is 4.69%, more than double the population growth rate. This divergence is due to the sharp and still unexplained decline in household size. In 1996 the average household size was 4.47. In 2001 it was 4%. To illustrate the impact of this change, if the household size had remained constant at the 1996 average, the increase in the number of households would have been 947 595. The actual increase was 2 130 811 households, a difference of 1 183 216 households.

There is no apparent correlation between the decline in household size, the increase in population and the increase in the number of households. It appears that the relationship between these variables depends on the province concerned.

It is presently impossible to provide an overall assessment of what this might mean for the demand for housing and for government allocation of resources. The reason is that we do not understand the dynamics underlying the structural changes evident in the changing household size. There are no projections of the increase in the number households that take account of the household size and HIV/Aids, and also that consider the possible impact of making ante-retroviral drugs available.

Population growth is occurring in three main axes:

- Around the Cape Metropolitan area, to the north and south;
- Along south-west to north-east axis through the northern parts of the country roughly from Kimberley to Polokwane; and
- A similar axis cutting across northern KwaZulu Natal: from the border of Mpumalanga (Utrecht, eDumber and uPhongola), through the northern midlands

in Enambithi, Umtshezi, Msinga and Mooi River municipalities;

Population growth is either declining or negligible in:

- The central Karoo area of the Northern Cape – the greater Central Karoo is growing below the national average. Five municipalities in the Northern Cape are depopulating.
- A cluster in the northern and Central Free State – this includes the areas of Parys, Kroonstad, Bothaville and Viljoenskroon which are very high grain-producing areas.
- A small cluster in the North West, extending towards the Northern Cape; and
- A belt along the coast and adjacent inland areas of the Eastern Cape.

The City of Johannesburg and Ekurhuleni are the only metropolitan municipalities experiencing high rate population growth. In part this is because growth pressures on the metropolitan areas are not necessarily directly within the metropolitan areas, but on the municipalities bordering them.

In regard to household incomes, the number of households with an income of less than R800 p.m. is declining. This is especially the case in the Eastern Cape. The opposite is true of Gauteng and the Western Cape, in particular. However, the number of households with an income below R3 500 is increasing. This is especially the case in the Eastern Cape and Limpopo. Again, the opposite is true of Gauteng and the Western Cape, where there has been a significant decrease in the number of households earning less than R3 500 p.m.

The context for these trends is the social grants from government, and increasing unemployment. It is hypothesised that the rapid increase in social grants explains the decrease in households having an income below R800, and also that the increase in unemployment explains the increase in households having an income below R3 500.

In regard to housing stock, in all provinces the growth rate in formal housing exceeds household growth. However, the growth rate of informal housing also exceeds household growth. The biggest increase in informal housing is Gauteng. Surprisingly, informal backyard shacks have decreased by almost 3%, but the decrease has been marginal in Gauteng. Traditional housing is a significant housing type in only three provinces - the Eastern Cape, KwaZulu Natal and Limpopo. The Eastern Cape and KwaZulu Natal saw an increase in this form of housing and Limpopo province experienced a strong decline in traditional housing.

In regard to services, measured in terms of net access (the difference between the growth in access to the services and household growth), conditions have improved markedly in the case of electricity and declined slightly in the case of sanitation. Other changes have been marginal.

In the case of electricity, increases focused on the Eastern Cape and parts of the far Northern Cape, North West KwaZulu Natal and Limpopo Province. The whole Western Cape, parts of the Free State and the Northern Cape as well as all the metropolitan areas showed a negative growth in access – backlogs are increasing in these areas.

In the case of water, the biggest improvements were in the Eastern Cape and KwaZulu Natal. All major urban areas show a real decline, which means that backlogs are growing in these areas.

In the case of sanitation, access is worsening throughout the country.

The primary implications for demand arise from the rapid growth in the number of

households, the location of the increase, in relation to household incomes and the availability and types of housing where the increase is occurring.

In sum, there appears to be a north-south divide, in certain instances excluding the Western Cape, with growth and circumstances improving in the north and declining in the south.

#### **Chapter 4. Economic Forces Driving the Demand for Housing**

Chapter 4 provides the economic considerations that help to explain increasing unemployment and declining household incomes and, hence, increasing poverty and limitations on the ability of households to express their housing preferences.

The issue is whether a household's housing preferences are enhanced as a result of improving incomes or diminished as a result of declining incomes. International best practice presumes that the former is the case.

Urbanisation in South Africa has proceeded with few economic opportunities for those falling outside sectors that are competitive in the global economy. In 1999 36.9% of the black and coloured population had formal employment, 9.6% are employees in the informal sector, 1% are self-employed in the formal sector, 7% are self-employed in the informal sector, and 45.5% are unemployed.

The circumstances that have led to such adverse trends started in the late 1980s, largely due to sanctions, increased sharply after 1994 with the advent of a democratic government. In the five years following the introduction of GEAR, 800 000 formal sector jobs were lost.

'This scenario of jobless growth became especially poignant in 2000, when growth reached a four-year high while formal sector job losses accelerated.'

The ability of low-income households to express their housing preferences is by going "down market", which by and large means locating in informal settlements. As opposed to the optimistic scenario for international housing best practice, what one is seeing are circumstances where a low-income household's ability to invest in housing is declining. A key role for government policy is to expand these options.

#### **Chapter 5. Social Forces Shaping the Demand for Housing**

Chapter 5 provides information on HIV/Aids, which is the major health/social determinant of the demand for housing. HIV/Aids is reducing the rate of increase in the number of households; reducing the incomes of affected households; reshaping the expression of the demand for housing, most obviously for orphans, and falls "between the cracks" of housing policy.

The Centre for Actuarial Research at the University of Cape Town has estimated that in 2002 6.5 million were living with HIV/Aids. This is considerably more than the Ten Year Review, but probably more accurate than the 4.7 million reported in the Review.

HIV/Aids gives rise to specific housing needs as a result of the age at which death occurs, the duration and chronicity of the illness, increasing family expenditure, asset reduction and declining incomes, the gender of the person that dies, the scale of the syndrome, the role of shelter and services in care and prevention, the shelter and services conditions of the family, the characteristics of the illness and stigma.

But after priorities such as medical care and food, it is unclear that households with a member who is sick from an Aids-related illness, prioritises shelter. It appears that families afflicted with the circumstances described above will be more concerned with the availability of services, especially of water and sanitation.

There are two sets of issues. One has to do with changes in shelter needs during the period from infection to death, and then to household reconstitution, or the

possible disappearance after death with only individuals surviving. During the process of changing household needs, what is called for is services that ease the circumstances of affected households. Improved access to water and home-based care are examples. At later stages in the process, specific group needs emerge, for example, for orphans, HIV+ orphans, for child-headed households, and so on.

In both cases the nature of the housing response is called into question. What stands out from all these examples is that in the case of HIV/Aids there is no issue that can be viewed as primarily a housing issue. It is apparent that effective programmes involve shared responsibilities with other departments and involve services as simple as food parcels and school uniforms, and also that governments will depend on community, faith-based and non-governmental organisations to provide the services.

In regard to effective demand, HIV/Aids accentuates the impact of increasing unemployment and declining household incomes. Together with declining household incomes, HIV/Aids means that a large number of households will be unable to invest in housing or, indeed, even view housing expenditure as a priority.

Due to the instability of households and individuals affected by HIV/Aids, and their inability to afford adequate shelter of some sort and to pay for municipal services, water and sanitation and waste removal in particular, governments will have to ensure some form of shelter service, as part of a social safety net.

### **Chapter 6. Sustainable Settlements?**

Chapter 6 interprets the implications of the above material for the evolution of sustainable settlements.

Definitions of sustainable settlements in South Africa do not mention whether people want to, and can afford to, live in the settlement. The demand for housing is not determined by whether a settlement is sustainable. The demand for housing determines whether a settlement is sustainable.

Using the 'asset vulnerability framework' it is apparent that the availability of housing does not imply that households will want the house. This desire will be determined by, inter alia, the location of the house and the implications for household expenditure, the opportunities provided by the house (e.g. rental), the disruption of social support networks, and so on. There are many determinants of why a household will want to live in a particular settlement and these will change as the household's needs change. Using criteria such as these, in the case of RDP projects, the turnover of the houses is estimated to be between 20% to 40%.

Another measure of sustainability is whether households maintain and invest in housing. It appears that this is generally not the case.

### **Chapter 7. Findings**

Chapter 7 provides the key findings of the research undertaken for Element Three, their relevance for the next ten years and where the research emphasis should lie. Where appropriate, the attempt is made to differentiate circumstance in 1994 from those prevailing in 2003.

This exercise was undertaken in the context of the issues raised during the Sigodi, Marah, Martin consultation and the log frame processes.

The key findings were:

1. Household size and the sharp increase in the number of households identified in the census, and in the light of the effects of HIV/Aids, the absence of projections of the increase in the number of households

2. Conceptions of effective demand and the manner in which they might be included in a revised policy
3. Conception of housing “backlog”, which prove to be of little value.
4. Declining household incomes and the ability to express effective demand as well as the implications for sustainable settlements
5. Increasing unemployment and declining household incomes among those who qualify for the housing subsidy
6. There are critical issues arising from HIV/Aids that remain unexplored.
7. The need to manage the informalisation of housing processes
8. Uncertainty regarding census reports that there is a declining incidence of backyard shack rental.
9. A policy vacuum that does not enable the Department of Housing to address housing demand

The results generated by Sigodi, Marah, Martin and the log frame processes are at such a level of generality that they have little application to the research findings. The demand for housing research findings lie “outside the box”, whereas the two processes did not.

### **Chapter 8. Recommendations**

Chapter 8 provides the recommended issues for research, suggested areas of policy development and a commentary on the way forward.

All of the key findings present research requirements, albeit to differing degrees. Certain findings have their rationale in informing the policy vacuum and the possibility of revising the existing policy. Other findings represent a gap in the understanding of what is needed for the availability of housing and also form part of addressing the policy vacuum. Last there is a finding that is open to doubt and needs to be verified.

It is suggested that the immediate area of research pertains to HIV/Aids.

The process of addressing the policy vacuum should begin in the short term. Most of the key findings form part of this process and research into the findings should therefore be in the short term.

All of these items require either a change in, or an adaptation of, housing policy. Should housing policy be reviewed and a revised housing policy be out in place, then there will be implications for relevant legislation and mechanisms, but the implications will only become apparent in the light of the contents of, or the revisions to, housing policy.

Government now talks of the desirability of moving away from a supply-driven to a demand-led housing policy and of using housing as a means of creating assets among the poor. Certain recent initiatives may lead the way in this respect. The ‘own contribution’ initiative does filter out people who are disinterested in the RDP housing product.

Notwithstanding minor initiatives (in the number of households served) such as social housing, the standardisation of the RDP housing product sort is inherently problematical, for example, when the upgrading of informal settlements is taken to mean participating in the people’s housing process at locations that often are distant from the informal settlement and that disrupt social support networks. Ultimately, standardised products are intrinsically inimical to a demand-led housing policy.

The strategic gaps emanating from the Sigodi, Marah Martin process and the result areas emanating from the log frame process can only support or undermine the

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recommendations if they are accorded a significant role in determining the direction of housing policy research and if they are taken forward with a level of specificity that presently is not apparent

Recent expressions of the desired direction of housing policy in favour of a demand-led housing strategy are not to be found, either in substance or in practice.

## INTRODUCTION

### Chapter 1. Introduction

#### 1.1 Background

The broader project of which Element Three forms a part is intended to assist the Department of Housing enhance the process of formulating a policy and research agenda and to motivate the direction to be taken in the future. There are eight elements and these fall within three broad categories.

##### *Review/Problem Statement*

- Element One:

##### *Redefining the Contemporary Context*

- Elements Two to Five

##### *Synthesis document and a policy and research agenda.*

- Elements Six to Eight.

#### 1.2 Objectives

The Department's objectives for the source papers are to:

- Review relevant information and source new data so as to set out an empirical basis for the way ahead;
- Validate the consultation and log-framing processes by testing the issues raised and priorities developed against contemporary positions in specific topic areas;
- Align existing and new policy elements in a coherent manner so that a comprehensive agenda can be framed; and
- Provide clear recommendations based on an empirically sound argument to inform the policy and research agenda.'

In this light, Element Three is intended to 'unpack the changing nature of South African housing and shelter demand in response to social, economic, demographic, spatial, and environmental trends and pressures'.

#### 1.3 The Terms of Reference

The substantive interpretation of the Terms of Reference was presented at the Work Plan Meeting on 12 September 2003 and in a subsequent Work Plan document. The document included 'Items to Consider' and a summary of the contents of the chapters that will be included in the report. In the items to consider there was discussion regarding the definitions of demand and the availability of, and the constraints to, the available data.

Subsequent to acceptance of the Work Plan and, based on a review of the Progress Report, discussions and other communications were held with the client (represented by Mark Napier), the structure of the Progress Report was changed, with certain material being added and also areas where greater detail is provided. The consequence has been the preparation of a report based on the interpretation of the Terms of Reference contained in the Work Plan, and then additional material added, with the agreement also that the document can exceed the 50 pages specified in the contract. The overall changes are reflected in the revised chapter outline, which is presented below.

## 1.4 Chapters

The background chapter, chapter 2, introduces the concepts of need and demand. This chapter includes detailed examples of the calculation of housing “backlogs”, with the issue not being taken further as housing need calculations (except in the case of households and individuals affected by HIV/Aids), which form the basis for determining “backlogs”, are shown to be of limited value. The analysis chapters, chapters 3 to 5, reflect the key determinants of the demand for housing:

- Increasing numbers of households;
- Household incomes, which essentially is a measure of a household’s ability to reflect housing preferences;
- Areas where the numbers of households is increasing, remaining static, or declining;
- Major shocks economic and social shocks that are causing changes to these variables; and
- Household behaviour (livelihood strategies) in the light of these shocks.

Chapter 3 provides the relevant data that can be extracted from the census. This includes population and household growth, the location of this growth, changes in household incomes, changes in housing stock and changes in access to services.

In a number of cases the attempt was made to assess the data through looking at secondary sources. This data proved to be partial, sometimes confusing, and sometimes contradictory. A key example centred on the role of circulatory migration and its role in multiple livelihood strategies, versus urbanisation taking its course and families splitting along urban and rural lines with few remittances and little or no movement back to the rural areas upon retirement. The various authors again and again cautioned against drawing general conclusions and argued for particular interpretations at particular sites. This is a constraint for a national study and team is of the view that the only credible national data set available is the 1996 census and the limited release of the 2001 census.

Chapter 4 provides the economic considerations that help to explain increasing unemployment and declining household incomes (below R3 500) among the poor and, hence, increasing poverty and limitations on the ability of households to express their housing preferences.

Chapter 5 provides information on HIV/Aids as the predominant shock to household incomes, survival strategies and the consequent impacts on the demand for housing.

Chapter 6 interprets the implications of the above material for the evolution of sustainable settlements.

Included within these chapters are location considerations, both to and within metropolitan areas considerations, and also, among the destitute, household survival strategies.

The final two chapters, chapters 6 and 7, report the findings and the recommendations. These are presented in the context of the issues raised during the Sigoid, Marah, Martin (SMM) report consultation process and also the log frame process. It will be seen that the SSM report and the log frame processes seldom address the issues identified in this report because they with how to make existing housing policy and programmes work better, whereas housing demand represents a different policy.

There are two annexures. The first provides detail regarding how housing “backlogs” are calculated. The second provides a brief look at whether the National Spatial

Development Perspective has much bearing on housing policy and the demand for housing.

### **1.5 Methodology**

The methodology has comprised extensive reading, including “core” and other documents, interviews, communications via e-mail and phone, and extracting from the 1996 and 2001 censuses information that informs changes in the demand for housing.

## **BACKGROUND**

### **Chapter 2. The Demand for Housing**

#### **2.1 Introduction**

The demand for housing can be interpreted to be effective demand or the need for housing defined according to some criteria and a policy framework. In the case of effective demand, the concern is with households being able to express their preferences for alternative types of housing. In the case of need, the policy framework prescribes what households will receive from government, that is, unless they choose seek alternative housing that falls outside the policy framework. An understanding of this divergence underlies the rest of the report.

#### **2.2 Effective demand**

Conceptions of effective demand have helped to shape international housing policy and best practice in housing (Tomlinson, 2001). To the extent that South Africa's housing policy can become demand-led rather than supply-driven, it is necessary to begin with what one means by effective demand.

##### *2.2.1 Historical backdrop*

Until the early 1970s it had been conventional wisdom that only the public sector could provide accommodation for low-income groups. Public sector housing objectives had been to defend public health objectives by providing sanitary and "decent" accommodation, generally to a high physical standard. This housing required a large subsidy and, as a consequence, housing was built only for the welfare of a few who, due to the allocation procedures and the influence of the recipients, generally were key constituencies such as government officials and petit bourgeois groups (Tomlinson, 1990).

However, in the 1970s, the perspective changed to the view that individual households benefit from housing not only as shelter, but also as a response to changing household life stages and, most importantly, as an investment. It was believed that housing creates opportunities for profitable long-term investment and an outlet for personal savings and that, with security of tenure and the public provision of services, households are both willing and able to make significant personal investments in building houses and undertaking improvements.

Based on the adoption of these new policies, site and service housing schemes became the norm, a key aspect of which was pushing down services levels, plot sizes and construction standards, in an attempt to reach low-income households and in order to make entry into the housing market more affordable.

Research into this approach led to agreement that such projects have a positive impact on the national housing stock, both in terms of quantity and quality. However, it was also found that most projects did not serve the poorest households, but rather benefited the lower middle class. Indeed, globally there are few instances where housing actually was targeted at the lowest income groups and, when it was, downward raiding<sup>1</sup> by better off groups occurred. This process was facilitated by the fact that more formal accommodation is not a priority when the household struggles

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<sup>1</sup> 'Downward raiding' refers to a process where middle-income families, themselves poorly housed, purchase or rent or by other means acquire the housing intended for low-income groups. Nowadays, with a more positive attitude to the secondary housing market, the expression is 'upward trading'.

to pay for food and prioritises, in addition, health services and school fees, and who view the serviced sites allocated to them as an opportunity to generate income by selling or renting the property.

The projects also almost always failed to achieve full cost recovery from beneficiaries, required ongoing public subsidy and, due to the need for subsidy, could not be replicated by private housing markets. For this reason, in the absence of subsidy, site and service schemes could not deliver shelter at scale.

In a context of tremendous urban growth, increasing poverty in urban areas and constrained public resources, the response contained in the Habitat Agenda (1996) was that (1) national governments should decentralise responsibility to regional and local governments (p. 18) as (2) it is these levels of government that should assume responsibility for managing, operating and maintaining infrastructure and services (p. 21), and (3) government should adopt an 'enabling approach' that 'supports people's efforts to develop their own housing and communities' (p. 17).

In sum, it is believed that governments have neither the resources nor the capacity to meet all the needs of low-income households. New policies must aim at the development of viable and flexible shelter production systems based on the comparative advantage of the public sector, which lies in institutional and regulatory support as well as in infrastructure investment, and of the private sector, including the informal sector, which lies in the production of housing and the provision of financial services. The key responsibility of local government became the delivery of serviced land (Mayo 1987).

The commitment to this view of housing policy is apparent from the fact that the last remaining outpost for USAID support to the housing sector is in South Africa. Nowadays the focus is on local government capacity, service delivery, and the role of public-private partnerships in delivering services, and so on.

### *2.2.2 Underlying conceptions of effective demand*

"Housing demand" ... is simply housing need backed up by the ability and willingness-to-pay.' (Mayo, 1987, p. 62) The ability to pay has often been calculated as 20% to 25% of household income. This is incorrect and should be the subject of (a rather complicated) research. For example,

Studies of the effective demand for housing attempt to relate actual spending patterns to a number of measurable influences on spending, e.g., household characteristics such as income and family size, the relative price of housing compared to other goods and services, ... the general level of economic development, inflationary expectations and the influence of government policies ... (Mayo, 1987, p. 62).

Nonetheless, reporting World Bank and other research, Mayo has found regularities in relation to household income, expenditure on housing and a country's level of economic development. As income increases housing expenditure generally increase less than proportionately, i.e. higher income households spend a smaller proportion of their incomes on housing. In economic terms, this means that income elasticity of demand is less than one. However, despite this, the total amount spent on housing increases as household income increases. That is:

In the short run, housing is treated as a necessity, with lower income households willing to spend a higher fraction of income for housing than are higher-income households. As economic development proceeds, however, the share of household budgets allocated to housing increases among households at all income levels (p. 65).

It is probably not quibbling to note that this finding can be disputed since there comes

a point where a household is destitute and housing does not represent a necessity, in comparison with food and clothing and nowadays, in the context of HIV/Aids, medical care. (Indeed, there is a point at which to refer to demand is wholly inappropriate. The shelter needs of an Aids orphan are an obvious example.) It would appear that it is only when the increase in household income reaches a certain point that housing becomes a necessity and only then that Mayo's generalisations hold.

In sum, notions of effective demand decay, not as might be expected when people live in slums, but when the ability of households and individuals (e.g. homeless and orphans) to provide shelter for themselves is found to be in a structure so rudimentary that it provides no protection against the elements. It is clear that effective demand, expressed in this manner, does not comprise the basis for a 'pro-poor' housing policy (Khan, 2003).

### **2.3 Housing need and the "backlog"**

#### *2.3.1 Initial conceptions of the "backlog"*

In the Housing White Paper of 1994 the estimate is that the housing backlog in 1995 would be 1,5 million units and that the average household size would be 4,97.

The policy was crafted for individual families, a point which is picked up in the Public Service Commission (2003, p. 17). For example, aged parents staying with children is viewed as representing two households and the need for an additional housing subsidy. In effect, the conception of the backlog is that of a Western nuclear family, albeit with larger families. This perspective is wholly inappropriate in Africa, the consequence of which is to overstate the need for housing.

#### *2.3.2 Conflating need and demand*

The intention of the Department to move from supply-driven to demand-led housing calls into question the notion of a "backlog". The "backlog" is determined by criteria emerging from a policy framework. In South Africa this follows directly from the Constitution, wherein 'Everyone has the right to have access to adequate housing.' (26. (1)). The need for housing becomes based on housing standards – what constitute adequate housing – coupled with eligibility criteria for access to a housing subsidy.

The minimum housing standards are:

Subsidised housing must meet at least the following minimum standards. They must offer secure tenure and access to basic services to the occupant (at minimum access routes, on site water, waterborne sanitation and electricity) and a minimum 30m<sup>2</sup> top structure.

Therefore categories such as informal housing, freestanding and in backyards, informal renting in houses and rooms, those in tents and caravans are all seen as part of the backlog by government.

The eligibility criteria are:

Citizenship: Beneficiaries must be citizens or permanent residents of South Africa

Age: Subsidy beneficiaries must be over 21 years old

Dependents: Beneficiaries should be married ... or co-habiting as if they were husband and wife, and/or should have one or more dependents (in which case preference will be given to widowed, divorced or single people)

Income: Household income must be below R3 500 per month

Previous subsidies: Beneficiaries must not have received benefits from a previous government housing subsidy programme

Registered title: Beneficiaries of housing subsidies must acquire registered title to the subsidised property in the form of ownership, leasehold or Deed of Grant

It is immediately obvious that the criterion of a monthly household income of R3 500 or less to qualify for a subsidy can be taken to understate the housing backlog! Can households with a monthly income of R3 800 better house themselves? Similarly, the number of households with incomes falling below R3 500 p.m. is affected by the inflation rate. The housing backlog is seen to be arbitrary and fluctuating, with the size of the backlog being, in part, dependent on monetary policy and inflation targets set by the Reserve Bank!

The Department of Housing's estimate of the housing backlog in 2003 is 2.2 million. The backlog has therefore increased, despite the achievements in delivery. If inflation is taken into account, then the backlog in respect of the income criterion for eligibility changes quite markedly. In 1996 6 442 147 households fell below R3 500 p.m. Taking inflation into account, the 1996 income equivalent in 2001 is R4 750. In 2001 7 784 773 households fell below the R4 750 p.m. level. This represents a difference of an additional 1 342 526 households that meet this eligibility criterion.<sup>2</sup>

Such calculations are of little value, firstly because they 'produce magnitudes that probably can never be achieved in practice' (Burns and Ferguson, 1987, p. 285). Almost amusingly, since the declaration of the Millennium Development Goals and the undertaking to improve the lives of 100 million slum dwellers, the number of slum dwellers has increased by more than 100 million.

### 2.3.3 *"Backlogs", the misallocation of resources and expressions of demand*

These calculations can also be to the detriment of low-income households because 'they fail to establish the fact that housing deficits are more pressing than unsatisfied needs for other of life's essentials including food, medical care, schooling and jobs.' (Burns and Ferguson, 1987, p. 285) From the point of view of the poor, housing subsidies may represent a misallocation of resources.

In this regard Mayo (1987) has identified a regularity between gross domestic product per capita and the proportion of the national income that is spent on housing, regardless of whether the expenditure is undertaken by the public sector or the private sector. 'Thus massive government investments in housing appeared to have little overall effect on the ratio of housing investment to GDP.' (p. 70). This means that if the public sector subsidises low-income housing, it will by and large displace private sector construction.

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<sup>2</sup> The Public Services Commission report projects the difference between 1994 and 2003 and indicates that the subsidy amount of R3 500 in 1994 is equal to R6 000 now, which would increase the level still further. However, the reliability of the household data for 1994 is open to question.

If this is correct then it is possible that government's housing subsidies may slow the construction of new dwelling units. This is because it is rational, if there is a prospect of receiving a subsidy, of not constructing or improving one's present accommodation. Huchzermeyer (2003) explains how the process works.

By requiring the eventual replacement of informal settlements<sup>3</sup> with fully standardised layouts and housing units, the capital subsidy framework discourages gradual popular investment in permanent structures. (p. 592)

The entitlement to a product-linked capital subsidy, and the anticipation of an orderly, standardised intervention, continues to encourage households to postpone consolidation or household investment in permanent construction. (p. 605)

If correct, this leads one to the view that subsidies shape household expenditure on housing, which now becomes expressed in waiting lists – 'waiting, waiting, waiting for subsidised housing' (Gardner, 2003b, p12.). To the extent to which this is the case, the consequence is to reduce national spending on housing and to increase the housing backlog. Indeed, according to the Department of Housing, a suggestion emanating from the National Treasury is that the increase in the supposed backlog may also be shaped by households nominally "splitting" in order to obtain more than one subsidy. (This view is questioned later in the report.)

## **2.4 Mixed signals – need, waiting lists and backlogs**

### *2.4.1 National estimates to estimate the need for housing*

Conflating need and demand leads to mixed signals. As it turns out, there are a number of sources where the demand for housing is calculated: national, provincial and integrated development plans. Here the calculations undertaken by the national and the Gauteng Department's of Housing are examined.

The national Department's estimate of a "backlog" of 2.2 million is based on the following categories of 'inadequate accommodation'.

- House/flat/room in a backyard
- Informal dwelling/shack in a backyard
- Informal dwelling/shack elsewhere
- Room/flatlet on shared property
- Caravan/tent
- None/homeless
- 'Other' and 'unspecified'

The housing backlog is simply the summation of all of these categories of inadequate housing and is broadly indicative for the national Department. It forms one component of the formula used to allocate Provincial housing funds. The allocation formula is a weighted percentage based on provincial population, households earning less than R3 500 per month and the housing need.

The Department does try to determine housing need. The housing need is the backlog figure referred to above, but weighted according to the priority that the

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<sup>3</sup> The expression "slum" has resurfaced. The United Nations (2003) refers to inner city slums, slum estates, squatter settlements, illegals settlements and subdivisions, and points as well to the diversity of slum's spatial forms and associated opportunities. While the identification of different types of slums is appropriate, it is rather demanding in the context of this report.

category of housing may have in terms of requiring a housing subsidy. The following factors are used:

- House/flat/room in a backyard: 0,5
- Informal dwelling/shack in a backyard: 1,0
- Informal dwelling/shack elsewhere: 1,2
- Room/flatlet on shared property: 0,5
- Caravan/tent: 1,25
- None/homeless: 1,0

For example, the assumption is made that all informal dwellings or shacks in backyards constitute a housing subsidy need because they fail to meet the minimum housing standards and should be replaced. It will be seen that this is wholly inappropriate. Another example is that it is assumed that a half of all households living in a room or flat or house in the backyard of a property will require a house.

In this way the Department seeks to accommodate certain needs and preferences in attempting to determine a total housing need, which is then calculated as a percentage for each province. The housing need calculation forms 50% of the allocation formula, those with incomes below R3 500 comprises 30% and the population percentage forms the remaining 20%. This measure can be considered a composite calculation and is used for standardising across provinces in order to determine subsidy allocations. The total weight for each of these three components of the formula comprises the allocation percentage for each province.

#### 2.4.2 Gauteng's attempt to estimate the "demand" for housing

Composite indices of demand such as those used by the Department have been criticised for not being useful in setting targets for delivery<sup>4</sup>. The Gauteng Department of Housing has therefore developed a multi-dimensional approach to determine what they call housing demand. Gauteng also saw the need to develop a comparative indicator, as many municipalities had not determined housing needs or calculated in many different ways, making it impossible for the province to make comparisons between municipalities in the province.

The Department 'filters' housing need through three filters to arrive at an estimate of housing demand in the province. The first is latent need, by which is meant households from the general population who could be potential seekers of new housing. The second is expressed need, which applies a filter to latent need in terms of proportions of households likely to be desirous of a house. The qualified need is the proportion of the expressed need that will qualify for housing subsidies.

The default proportions used to convert latent need to expressed need are based on scenarios projected by a Department project team workshop where the percentages were debated and agreed upon based on experience of municipalities. The default percentages can be changed to different values, in accordance with the alternative scenarios. The relevant calculations are contained in Annexure A.

From looking at Table 1, which is based on Annexure A, it is apparent that the supposed need for housing is for 1 059 221 units, that expressed need is 675 436, 64% of the latent need. Further, that when a factor representing a 'realistic' percentage likely to represent need, is applied, the number is 499 823, 47% of the latent need and 74% of the expressed need. In comparison, the national

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<sup>4</sup> See Gauteng Municipal Housing Development Plans.

## Housing Demand in South Africa

Department's calculations leads to a housing need for Gauteng of 850 939, difference of 351 116 houses.<sup>5</sup>

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<sup>5</sup> See the 'VerdelingsFormule, Department of Housing.

**Table 1. Various conceptions of housing need**

	Households per inadequate dwelling type				New Household formation (2001)	Rental Housing (2002/3)	Hostels upgrading (2002/3)	Servcon / Thubelisha (2003)	Total (2002/3)
	Informal / backyard shack	Informal / shack elsewhere	Caravan / tent	None/ homeless					
<b>Latent Need</b>	171 274	351 372	2 839	537	402 378	108 866	11 915	10 042	1 059 221
<b>Expressed Need</b>	102 764	281 097	2 839	537	160 951	108 866	8 340	10 042	675 436
64% of total latent need									
<b>Non Qualifiers</b>									175 613
26% of expressed need									
<b>Qualified Need</b>									499 823
74% of expressed need									
47% of latent need									

Table 2 provides a comparison with current housing waiting lists. The municipal and provincial waiting lists do not coincide and both exceed the qualified need, with a magnitude of the order of 100 000 units.

**Table 2. Housing waiting lists**

<b>District/Metro Council</b>	<b>Municipal backlog / waiting list</b>	<b>Provincial waiting list</b>	<b>Calculated Qualified need</b>
Johannesburg	21 7000	219 215	175 357
Ekhuruleni	12 2566	150 050	130 405
Tshwane	12 8023	65 377	64 232
West Rand	6 3500	57 123	42 071
Metsweding	9800	5 580	14 210
Sedibeng	5 2300	54 252	71 442
Gauteng	593 189	551 597	499 823

## **2.5 The way forward**

It is apparent that there is no indication of what effective demand might be. It is also apparent that the notion of a “backlog” is rather flawed. Instead, the “true” housing “backlog” arises from government’s constitutional obligation to provide “adequate” housing. But here again there can be no clarity as to what this number might be. These would be key research areas if there were any anticipation that there might be credible results, which there are not. One might instead argue that the issue is better expressed as allowing effective demand to take its course, for example, through ‘Facilitating speedy release and servicing of land.’

What is the way forward? The next chapter, chapter 3, provides the demographic database for the balance of the report and for estimating both backlogs and demand. Then, in chapters 3 to 6, the attempt is made to assess what is driving the demand for housing. It should be kept in mind that the focus is on the ability of a household to express its housing preferences and not on the supply of housing alternatives.

## ANALYSIS

### Chapter 3. Demographic Forces Shaping the Demand for Housing

#### 3.1 Introduction<sup>6</sup>

From government's point of view, there are two key drivers of the demand for housing – the housing backlog and the increase in the number of households that are eligible for the housing subsidy. Effective demand for housing is measured differently, in terms of the number of, and the increase in the number, of households and what they can afford. In this chapter the focus is on the demographic forces that are shaping the demand for housing and services and also the location thereof.

The chapter shows:

- Population and household growth, both the absolute number and rate of increase;
- The location of the increase in the population and of households, assessed in relation to provinces and municipalities;
- Trends in household income, especially in respect of households having incomes below R800 p.m. and below R3 500 p.m.;
- Changes in access to basic service as basis for housing delivery and
- The implications for the housing backlog.

#### 3.2 Understanding the data

The data is based on the 1996 and the still limited release of the 2001 censuses. The national information base is limited and the ability to draw some comparisons is limited by these constraints. It would have been desirable if information on an urban rural distinction as well as data on household composition and gender were available. This is unfortunately not the case and it was not possible to address these matters.<sup>7</sup>

The following should be noted regarding data and the way in which it was used. It is first necessary to explain how the census data is used.

**Data integrity:** The integrity of the census data was accepted. There might be problems with measurement that distort comparisons between 2001 and 1996.

**Data categories:** There were significant changes in data categories between 1996 and 2001. More detailed breakdowns of service categories are an example of this. Adjustments were made in order to allow comparative assessments.

**Level of detail:** Information was analysed on municipal level. The information is displayed as tables, bar charts and maps where possible.

**Net growth:** Net growth between 1996 and 2001 was used throughout the analysis when access to services was assessed. Net growth represents real growth. It implies that population and/or household growth was deducted from total growth in a specific service, for example, if a municipality's households grew by an average of 5% per annum and water services connections grew by 6%, the net growth equals

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<sup>6</sup> During the course of this chapter the data presented will differ from that contained in the *Ten Year Presidential Review*. On occasion, it appears that 1996 census data used in the review are incorrect and also that some of the calculations are wrong.

<sup>7</sup> Secondary sources on this material are partial, confused and confusing, and sometimes contradictory.

1%. The 1% indicates a net gain or improved access of 1% per annum. A negative growth indicates that backlogs were in fact increasing.

**Income:** It is not possible to do a direct comparison between income in 1996 and 2001 because the income brackets were changed between the two censuses. In order to make them comparable, the 1996 categories were matched with the 2001 categories through interpolation and 1996 values of income were escalated to 2001. Income figures use 2001 as base year.

### 3.3 Population and household growth

#### 3.3.1 Population growth

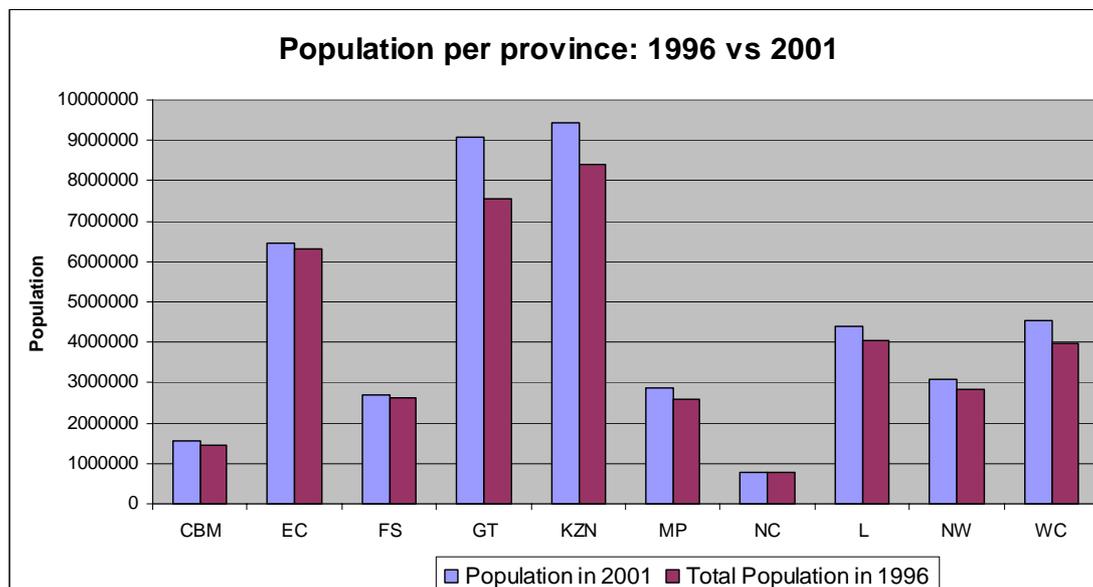
As is apparent from Table 3, between 1996 and 2001, the South African population increased by 2.09% per annum, which represents a total increase of just more than 4.2 million.

**Table 3. Population increase between 1996 and 2001**

Province	1996	2001	% Increase p.a.
Cross border municipalities	1 464 810	1 565 026	1.37%
Eastern Cape	6 302 453	6 436 697	0.43%
Free State	2 633 503	2 706 722	0.56%
Gauteng	7 554 532	9 072 909	4.02%
KwaZulu Natal	8 417 091	9 425 857	2.40%
Mpumalanga	2 578 729	2 865 215	2.22%
Limpopo	4 060 222	4 382 362	1.59%
Northern Cape	788 350	76 8502	- 0.50%
North West	2 827 004	3 071 752	1.73%
Western Cape	3 956 876	4 524 276	2.87%
<b>South Africa</b>	<b>40 583 570</b>	<b>44 819 318</b>	<b>2.09%</b>

In regard to the provincial growth rates, the respective growth rates are more easily understood through looking at Figure 1.

**Figure 1. Population per province, 1996 and 2001**



It is apparent that:

- Gauteng has a significantly higher population growth rate, growing at twice the national average.
- The Western Cape, KwaZulu Natal and Mpumalanga also have population growth rates above the national average.
- KwaZulu Natal still has the largest population of all the provinces but it is growing at just over half the rate of Gauteng.
- The Northern Cape is the only province with a negative growth rate but, as will be seen, there is still an increase in the number of households!
- Virtually no growth is occurring in both the Eastern Cape and the Free State.

### 3.3.2 Household growth

When Tables 3 and 4 are compared, it is striking how the growth rate in the number of households diverges from the population growth rate. Nationally, household growth is occurring at more than twice the population growth rate. To illustrate the actual impact of this, if the household size had remained constant at 1996 averages (4,47), the increase in the number of households would have been 947 595. However, the actual increase in 2001 is 2 130 811 households. This is a difference of 1 183 216 households.

The *Ten Year Review* (2003, p. 17) indicates that 'large-sized poor households are unbundling into smaller households.'

**Table 4. Household increase between 1996 and 2001**

Province	H'holds in 1996	H'hold size in 1996	H'holds in 2001	H'hold size in 2001	% Increase in no. of h'holds	Change in h'hold size
Cross border municipalities	297 653	4.92	353 243	4.43	3.74%	-1.99%
Eastern Cape	1 333 823	4.73	1 512 641	4.26	2.68%	-1.99%
Free State	626 339	4.2	733 285	3.69	3.41%	-2.44%
Gauteng	2 014 876	3.75	2 705 201	3.35	6.85%	-2.11%
KwaZulu Natal	1 665 338	5.05	2 086 233	4.52	5.05%	-2.12%
Mpumalanga	557 657	4.62	676 978	4.23	4.28%	-1.69%
Limpopo	812 381	5	994 052	4.41	4.47%	-2.36%
North West	609 362	4.64	779 528	3.94	5.59%	-3.01%
Northern Cape	174 483	4.52	191 095	4.02	1.90%	-2.20%
Western Cape	985 490	4.02	1 175 957	3.85	3.87%	-0.84%
Total for SA	9 077 402	4.47	11 208 213	4.00	4.69%	-2.11%

There is no apparent correlation between the decline in household size, the increase in population and the increase in the number of households. It appears that the relationship between these variables depends on the province concerned.

### 3.3.3 *What is causing the rate of increase in the number of households?*

The change in household size and the increase in the number of households have striking implications for housing policy. Possible explanations for these changes include 1 to 6 below.

1. Cross (2001) reports a change in migration patterns is underway. Instead of circular migration, while many householders still talk of returning "home" to rural areas, in practice what is happening is that families are, de facto, separating into urban and rural households.
2. The impact of HIV/AIDS on households is unclear. Aids deaths are only now beginning to rapidly increase. In addition, for example, if mothers die and the children become orphans and are cared for by grandmothers, then the consequence is to reduce the number of households.
3. South Africa has a very young population base and the rate that younger people enters the housing market exceeds the general populations growth rate leading to smaller average household sizes.
4. in regard to the influx of people from across South Africa's northern borders, people might come in as individuals and not necessary as families and thus reduce the average household size.
5. According to the Department of Housing, the National Treasury has suggested that the availability of the subsidy has led to the increase in the number of households. While this would be a rational response to the availability of the subsidy, there is no reason why responses to the census should cause people, who are part of the same household, to answer the census as if they are two or three households.

### *3.3.4 Implications and projections*

The rapid increase in the number of households and the likelihood that the majority have incomes below R3 500 indicates that the backlogs calculated by the Department of Housing will increase more rapidly. There are also marked shifts in where the growth is occurring. In the past formulae for development assistance were largely built on a static picture. The functional and spatial dynamics of growth will have to be accounted for in future resource allocation.

Irrespective of the differences between the population and household growth rates, it will have significant implications for housing and service delivery. It will lead to an increased demand for capital. More houses and services will be required. The impact on operating expenditure will also be important since smaller households and lower population growth will imply lower average consumption and usage level per household. This will have a direct impact on free basic services and the norms used for providing free basic services and other forms of assistance to poor households.

However, it is presently impossible to provide an overall assessment of what this might mean for the demand for housing and government allocation of resources. The reason is that we do not understand the dynamics underlying the structural changes evident in the 2001 census and there are no projections of the increase in households that take account of the household size and HIV/Aids, and also that consider the possible impact of making ante-retroviral drugs available.<sup>8</sup>

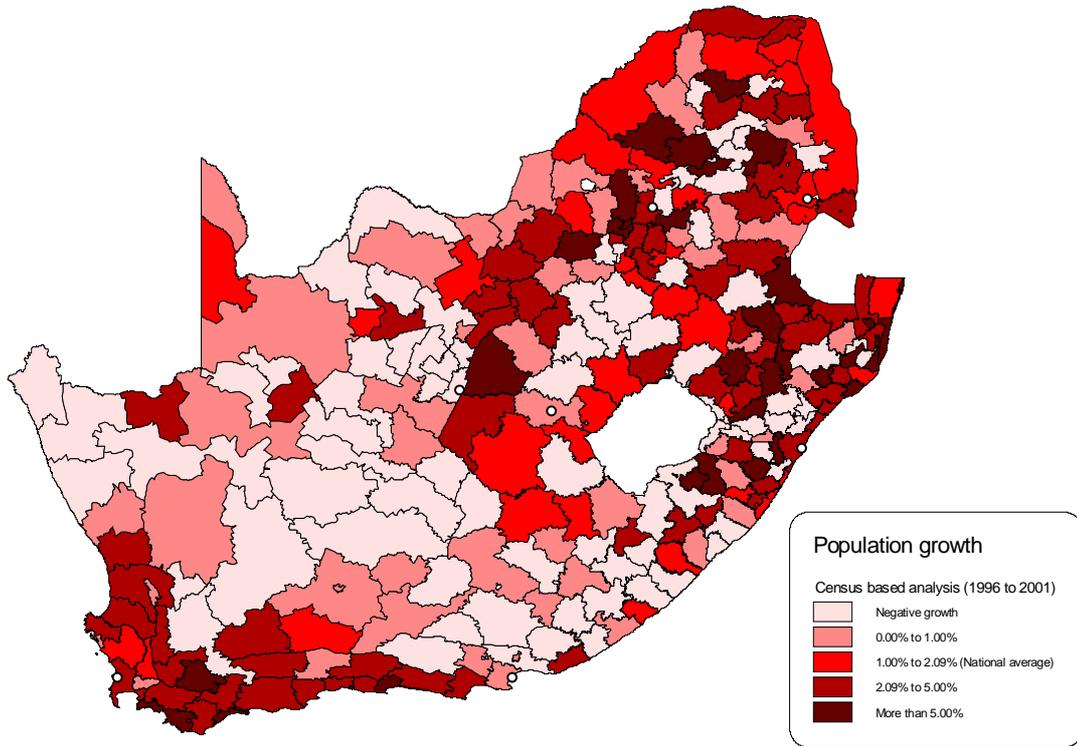
### **3.4 Spatial features of the population and household growth**

The examination of the spatial location of the population and household is based on Map 1 and Map 2.

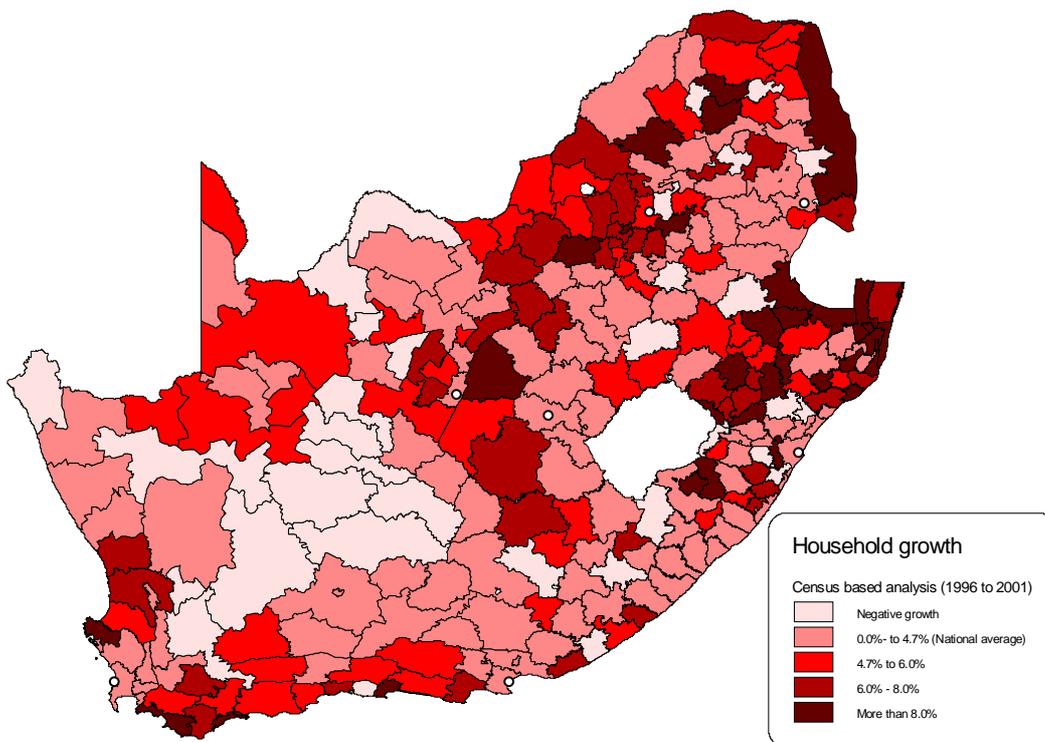
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<sup>8</sup> This conclusion is based on e-mail correspondence with Professor Robert Dorrington of the Centre for Actuarial Research (CARE) at the University of Cape Town and Dorrington and Stephen Jurisich of Quindiem.

**Map 1. Population growth between 1996 and 2001**



**Map 2. Household growth between 1996 and 2001**



Insofar as it is possible to draw clear trends, the following appears to hold.

#### 3.4.1 *Provincial spatial patterns of population and household growth*

At a broad level, Maps 1 and 2 indicate that high population growth is occurring in three main axes:

- Around the Cape Metropolitan area, to the north and south;
- Along south-west to north-east axis through the northern parts of the country roughly from Kimberley to Pietersburg (Polokwane); and
- A similar axis cutting across northern KwaZulu Natal: from the border of Mpumalanga (Utrecht, eDumber and uPhongola), through the northern midlands in Enambithi, Umtshezi, Msinga and Mooi River municipalities;

There is also some strong growth in the northeastern border areas that might point to people entering from Zimbabwe, Mozambique and Swaziland.

Population growth is either declining or negligible in the following four areas predominantly:

- The central Karoo area of the Northern Cape – the greater Central Karoo is growing below the national average. Five municipalities in the Northern Cape are depopulating.
- A cluster in the northern and Central Free State – this includes the areas of Parys, Kroonstad, Bothaville and Viljoenskroon<sup>9</sup> which are very high grain-producing areas.
- A small cluster in the North West, extending towards the Northern Cape.
- A belt along the coast and adjacent inland areas of the Eastern Cape<sup>10</sup>.

A trend that has impact on the Western Cape is the low and negative growth pattern across the entire central parts of the Northern Cape from Frasuwil to Towerberg, the Central Karoo to Priemaday. All adjacent Western Cape municipalities from Beauford West to Plettenberg Bay have experienced growth, possibly due to in-migration from the depopulating Karoo. In addition, municipalities along the west coast from Saldanha Bay to Matzikama are growing. Similarly, Overstrand and Theewaterskloof to the south of the Cape Metro and Stellenbosch have experienced greatest growth.

In Gauteng a large arc of municipalities to the west and south of Tshwane are experiencing high growth. In Cape Town and Durban the municipalities to the north and south are growing faster than the metro itself.

Broadly put, with the exception of the Western Cape, the map shows a divide between the low/no-growth southern half of the country versus the higher growth northern half.

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<sup>9</sup> The five municipalities that are not growing are: Masilonyana, Matjhabeng, Moqhaka, Ngwathe and Nketoana.

<sup>10</sup> The municipalities with no growth are: Sundays River, Nkonkobe, Amahlati, Intsika Yethu, Mnquame, Mbhashe, Engocho, Elundini and Umzimvubu.

### *3.4.2 Metropolitan areas*

The City of Johannesburg and Ekurhuleni are the only metropolitan municipalities experiencing a high rate of population growth. However, some interesting spatial trends are evident from Map 1. The growth pressures on the metropolitan areas are not necessarily directly within the metropolitan areas, but on the municipalities bordering them. This is particularly noticeable with Cape Town and Johannesburg. Growth near Johannesburg occurred in a half moon shaped band to the south of the metro. The same applies to Durban, but not the Nelson Mandela Metropolitan Metro, where growth has been below average.

### *3.4.3 Municipal patterns of growth*

There are very few municipalities that displayed high rates of household growth and high rates of population growth. Most are concentrated in northern KwaZulu Natal. Other municipalities with both high population and high household growth include Kungwini in Gauteng, Molemole and Greater Tzaneen in Limpopo (north of Polokwane); Ventersdorp municipality in the North West and Plettenberg Bay and Overstrand in the Western Cape

In Mpumalanga there is an interesting concentration in growth in the municipalities to the northeast of Mpumalanga around the Greater Tubatse and Greater Groblersdal and Thaba Chweu areas, while the local municipalities adjacent to these two concentrations have experienced negative growth rates, indicating possible in-migration from these mostly former homeland areas.

In KwaZulu Natal, municipalities that have not experienced growth are generally in the interior, former homeland, rural poor areas (Ndwedwe, Maphumulo, Ulundi, Umvoti, Impendle, Vulamehlo and Hlabisa) whereas the adjacent municipalities have experienced highest growth, suggesting out-migration into the adjacent municipalities, many of which included former white towns with superior services (Cross, 2001).

Growth in the southern Drakensberg area along the Eastern Cape boundary where former areas of Kokstad and Matatiele have grown at much higher rates than the surrounding municipalities (especially the adjacent Eastern Cape municipality of Umzimbuvu;

## **3.5 Changes in households having an income below R800 and R3 500**

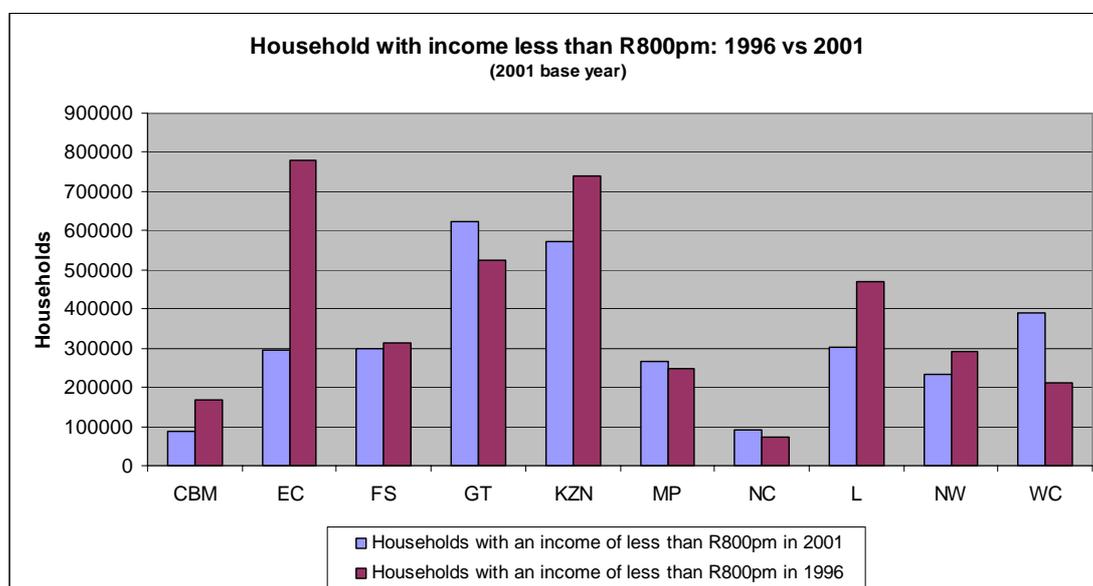
Household income is the main qualification criterion for access to the housing subsidy and obviously also the maintain determinant of the ability of households to express their housing preferences. Table 5, Figures 2 and 3 and Map 3 shows households with incomes below R800 p.m. and households with an income of less than R3 500 p.m. It should be remembered that 2001 is the base year. The Table, bar charts and maps show very important structural changes that took place between 1996 and 2001.

**Table 5. Changes in household income**

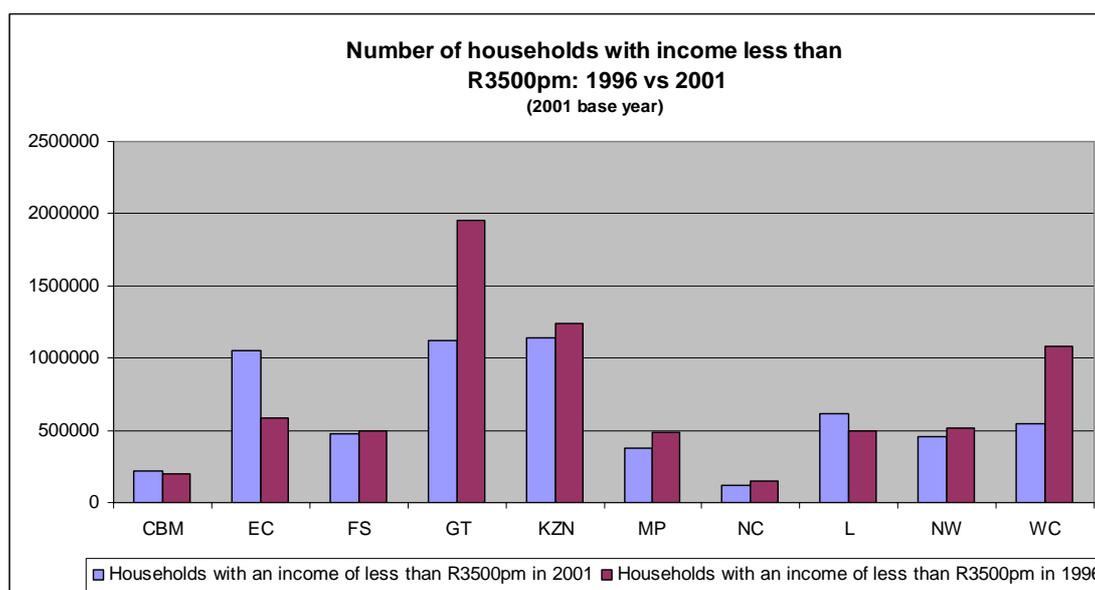
Province	H'holds with an income of less than R800pm in 1996	H'holds with an income of less than R800pm in 2001	% change h'holds <R800	H'holds with an income of less than R3500pm in 1996	H'holds with an income of less than R3500pm in 2001	% change h'holds <R3500
Cross border municipalities	88 639	165 863	-9.30%	222 936	201 375	-1.93%
Eastern Cape	294 760	780 316	-12.40%	1 049 972	587 182	-8.82%
Free State	299 318	312 113	-0.80%	472 840	494 533	0.92%
Gauteng	622 447	526 475	3.60%	1 124 657	1 954 995	14.77%
KwaZulu Natal	573 244	739 378	-4.50%	1 139 110	1 235 728	1.70%
Mpumalanga	265 140	249 022	1.30%	380 620	488 098	5.65%
Northern Cape	90 208	72 866	4.80%	123 476	153 066	4.79%
Limpopo	303 361	468 735	-7.10%	618 454	495 960	-3.96%
North West	231 468	291 367	-4.10%	455 232	513 637	2.57%
Western Cape	391 299	210 107	17.20%	546 079	1 085 132	19.74%
<b>Total for SA</b>	<b>3 159 884</b>	<b>3 816 240</b>	<b>-3.40%</b>	<b>6 133 377</b>	<b>7 209 706</b>	<b>3.51%</b>

It can be seen that the number of households with an income of less than R800 p.m. has declined. The most important changes was in the Eastern Cape where the number of households earning less than R800 p.m. declined by an average of 12.4% per annum. In the Western Cape the situation has worsened significantly in the sense that the number of households in the lowest bracket increased on average by 17.2% per annum.

**Figure 2. Change in household incomes (<R800)**



**Figure 3. Change in household incomes (<R3 500)**



Contrary to the changes described in the previous bar chart, the same did not happen when household below the R3 500 p.m. mark are assessed.

- There has been a significant decrease in the number of households earning less than R3 500 per month in both the Western Cape (539 053 fewer or almost 20% less) and Gauteng (815 885 fewer households or a decline of almost 15%). However, these provinces also showed an increase in households earning less than R800 per month.
- The situation has also improved (that is, there are fewer households earning less than R3 500 p.m.) in Mpumalanga and the Northern Cape and to a lesser degree in the North West. The Free State has shown little improvement.
- Two provinces stand out as being in a worse situation. The numbers of households earning less than R3 500 has increased in both the Eastern Cape and Limpopo. It is most significant in the Eastern Cape where there are now 462 790 more families within this income category, an increase of almost 9%. In Limpopo there are 122 494 more families. It is interesting to note that in these two provinces the number of households earning less than R800 per month declined. This may be due in large part to social services grants lifting households out of the 'below R800' category into the 'below R3 500' category.

It is hypothesised that the rapid increase in social grants explains the decrease in households having an income below R800, and also that the increase in unemployment explains the increase in households having an income below R3 500. (The data underlying the hypothesis are provided in Chapter 4.)

### **3.6 Changes in housing stock**

The numbers underlying the description of the changes in housing stock are contained in Table 6. Table 7 shows net changes in housing types, remembering that net change is the difference between the growth in housing types and household growth. Figure 4 provides an indication of the mix of housing types per province. The ensuing maps are used to portray patterns of change per housing type. When comparing, say, Tables 6 and 7, it is important to keep the numbers in mind. For example, Table 7 shows that traditional housing in Gauteng has grown very rapidly, whereas Table 6 shows that there is very little traditional housing and that this is not a significant trend.

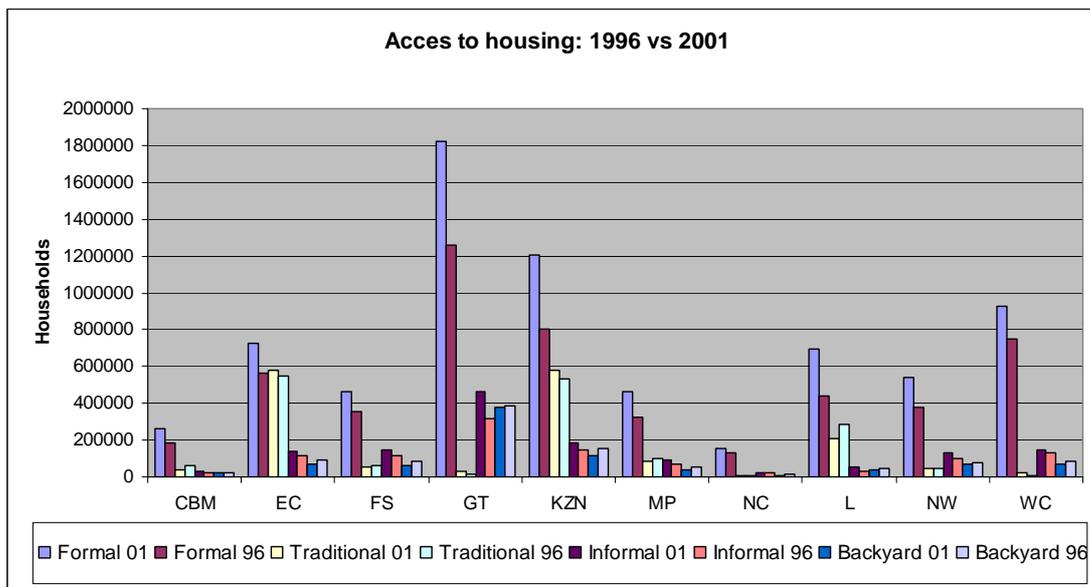
**Table 6. Types of housing**

Province	Formal 1996	Formal 2001	Traditional 1996	Traditional 2001	Informal 1996	Informal 2001	Backyard 1996	Backyard 2001	Other 1996	Other 2001
Cross border municipalities	184 558	261 966	61 322	42 221	22 051	28 247	25 467	20 701	4 261	95
Eastern Cape	561 337	727 734	547 624	576 679	117 796	138 819	94 340	69 153	12 719	214
Free State	356 841	466 818	63 981	52 675	112 833	148 956	84 141	64 634	8 537	227
Gauteng	1262 118	1825 485	15 049	34 292	319 458	464 971	386 280	379 262	31 957	1 175
KwaZulu Natal	805 929	1 207 994	530 217	581 411	143 903	184 225	156 702	114 557	26 114	586
Mpumalanga	327 829	461 399	99 512	87 012	68 460	90 398	53 053	38 025	8 784	176
Northern Cape	130 498	155 679	7 015	6 291	22 099	20 527	12 487	8 519	2 319	73
Limpopo	438 896	696 593	282 569	204 677	29 669	54 274	47 372	38 179	11 787	346
North West	377 306	537 432	45 556	44 117	98 847	130 678	78 802	66 946	8 877	385
Western Cape	748 448	929 025	8 656	25 768	131 690	146 224	83 974	71 907	12 720	358
<b>Total for SA</b>	<b>5 193 760</b>	<b>7 270 125</b>	<b>1 661 501</b>	<b>1 655 143</b>	<b>1 066 806</b>	<b>1 407 319</b>	<b>1 022 618</b>	<b>871 883</b>	<b>128 075</b>	<b>3 635</b>

**Table 7. Net changes in housing types**

Province	Net change in formal housing	Net change in traditional housing	Net change in informal housing	Net change in backyard shacks
Cross border municipalities	4.65%	-9.96%	1.88%	-7.48%
Eastern Cape	3.25%	-1.62%	0.89%	-8.02%
Free State	2.75%	-6.95%	2.99%	-8.05%
Gauteng	2.08%	18.72%	2.26%	-7.22%
KwaZulu Natal	4.92%	-3.12%	0.55%	-10.43%
Mpumalanga	3.87%	-6.79%	2.13%	-9.94%
Northern Cape	1.96%	-3.97%	-3.33%	-8.26%
Limpopo	7.27%	-9.99%	12.11%	-8.35%
North West	2.90%	-6.22%	0.86%	-8.59%
Western Cape	0.96%	35.67%	-1.66%	-6.74%
<b>Total for SA</b>	<b>3.30%</b>	<b>-4.77%</b>	<b>1.69%</b>	<b>-7.64%</b>

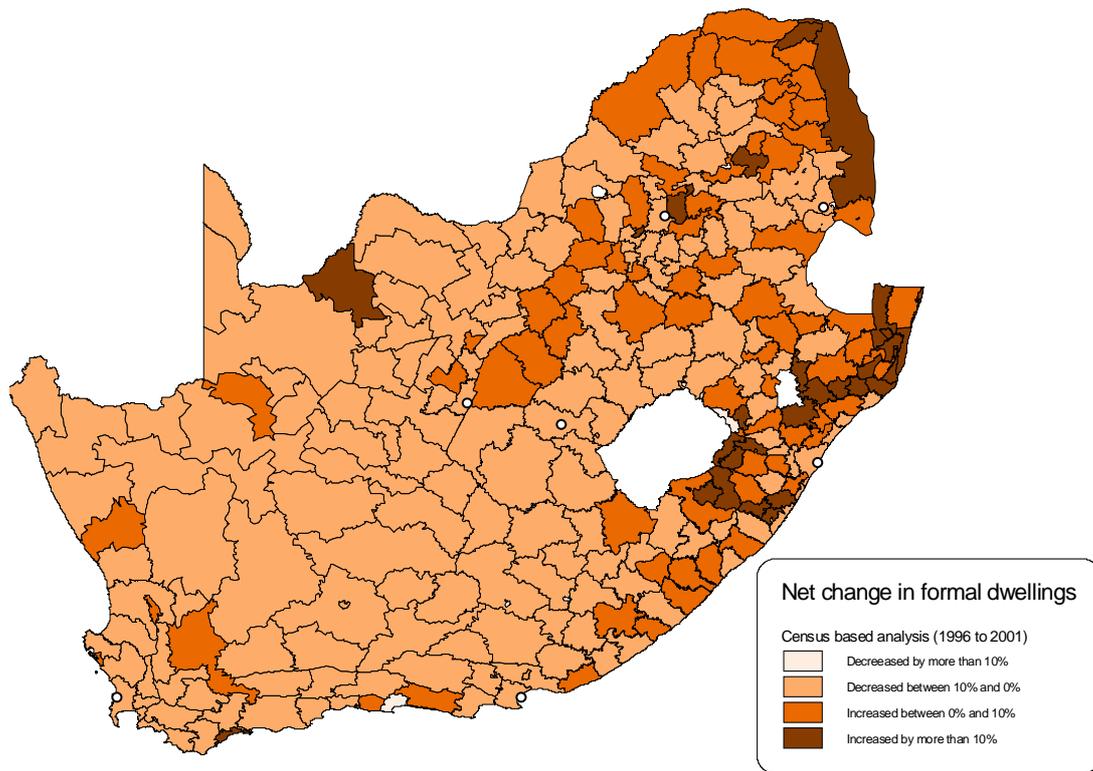
**Figure 4. Housing stock and housing mix per province**



When looking at the maps it is advisable to keep in mind the earlier reading of where population increase is occurring, namely

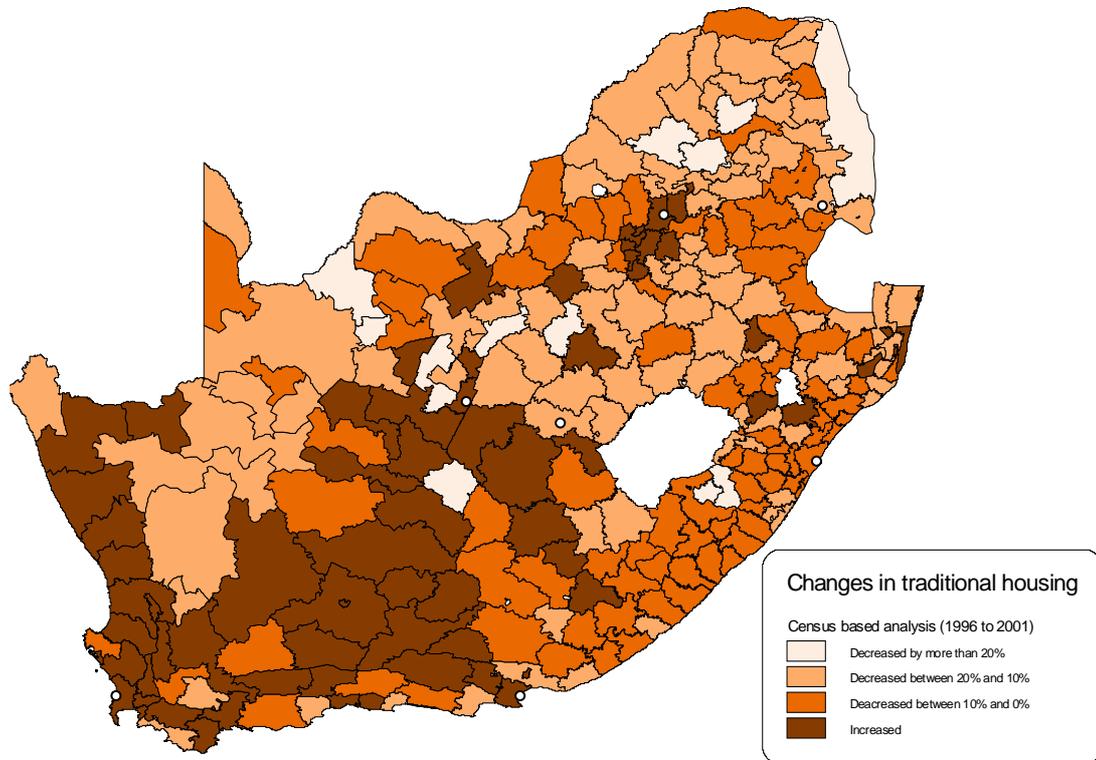
The City of Johannesburg and Ekurhuleni are the only metropolitan municipalities experiencing high rate population growth. However, some interesting spatial trends are evident from Map 1. The growth pressures on the metropolitan areas are not necessarily directly within the metropolitan areas, but on the municipalities bordering them. This is particularly noticeable with Cape Town and Johannesburg. Growth near Johannesburg occurred in a half moon shaped band to the south of the metro. The same applies to Durban, but not the Nelson Mandela Metropolitan Area. Growth in the Nelson Mandela Metropolitan Municipality has been below average. The whole Western Cape grew very strongly. This includes the coastal band to George and Knysna.

**Map 3. Changes in formal housing**



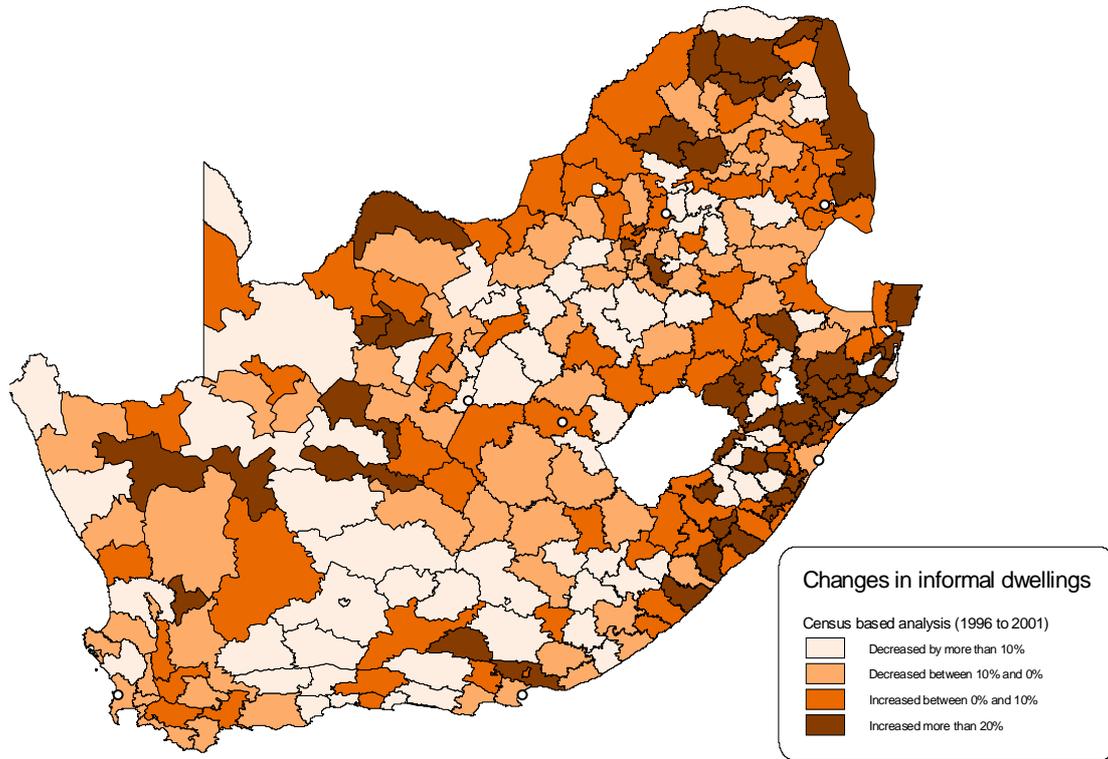
South Africa has seen a rapid increase in formal housing, with a striking increase in Limpopo, with KwaZulu Natal following behind. In general, the most rapid increase was in the eastern and northern border areas. The strong growth in the northern parts of KwaZulu Natal comes off a very low base of formal houses. Likewise the high increase in parts of the Eastern Cape also comes off a very low base of formal houses.

**Map 4. Changes in traditional housing**



Traditional housing is a significant housing type in only three provinces - the Eastern Cape, KwaZulu Natal and Limpopo. While the Eastern Cape and KwaZulu Natal saw an increase in this form of housing, Limpopo province reported a very strong decline. Alternatively, it is Limpopo that saw the most rapid increase in formal housing. The north-south divide is again apparent where the southern areas (Karoo, Northern Cape, Southern Free State, small parts of Eastern Cape and northern Western Cape) have shown an increase in traditional housing whereas areas to the north generally have shown a decline in this form of housing. This might be a local response to adverse conditions being experienced in these southern areas.

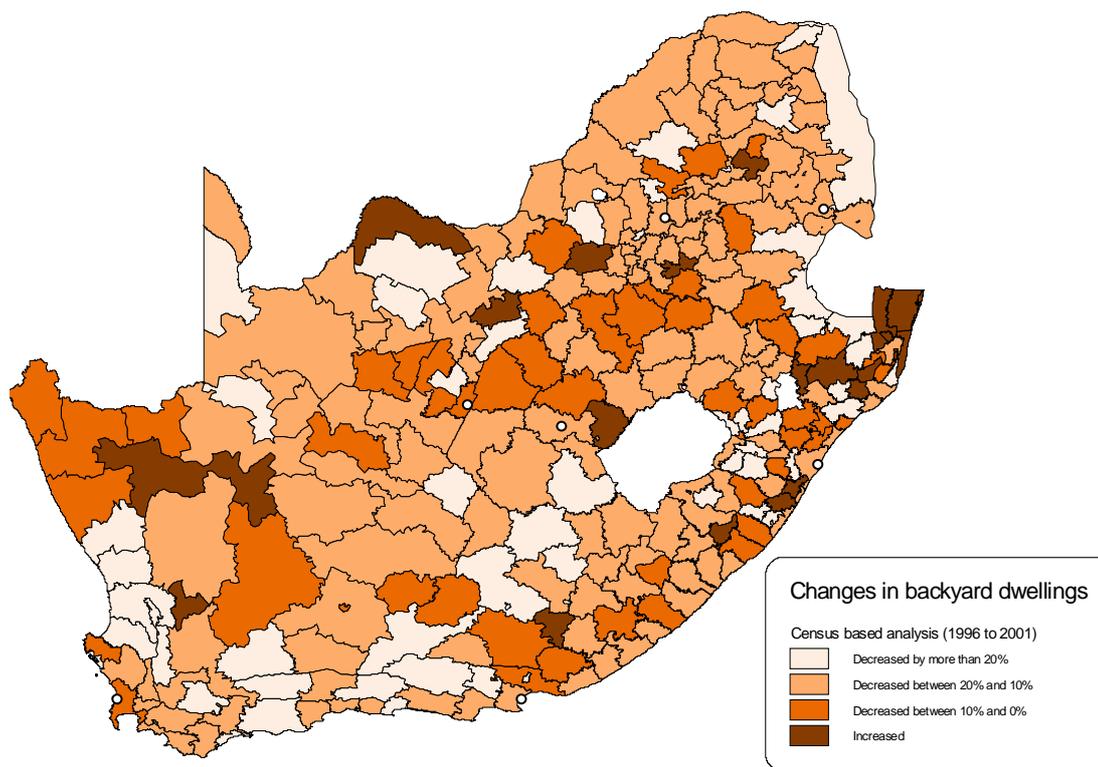
**Map 5. Changes in informal housing**



The rate of increase in informal housing is not as rapid as one might expect, with the net change being a half that for formal housing. In Gauteng the increases are concentrated to areas south and east of the City of Johannesburg. Interestingly, some municipalities in the Northern Cape that are experiencing negative population growth are also showing increases in informal housing<sup>11</sup>. This increase is off a very low base and is relatively insignificant. Strong increases along all borders, especially most of the municipalities bordering on Lesotho.

<sup>11</sup> Areas include Frasuwil, and the demarcated areas to the north and south

**Map 6. Changes in backyard dwellings**



There is a strong pattern of declining numbers of backyard households throughout the country. This is a surprising finding,

### 3.7 Changes in access to services<sup>12</sup>

It is self-evident that housing and services go together! Services connections are made to houses, stands, flats, and so on. The primary source of funding for services is the housing subsidy. However, as apparent from Chapter 2, there is some debate about whether the appropriate housing policy consists of the delivery of serviced sites and not the delivery of top structures as presently is the case. It is to be expected that a demand-led housing strategy would pay greater attention to the availability of serviced sites. But housing “backlogs” and services “backlogs” differ, and the “backlogs” between different services also differ.

While the definition of a services “backlog” is more credible, being based on World Health Organisation standards regarding the services level that will ensure health and safety. Nonetheless, as is the case with the definition of the housing backlog, so too the services backlog involves delivery to the conception of a nuclear family.<sup>13</sup>

Table 8 shows the net changes in access to services.<sup>14</sup> Set against the rate of increase in households, conditions have improved markedly in the case of electricity

<sup>12</sup> As noted above, here and elsewhere the figures differ from those contained in the *Ten Year Presidential Review*.

<sup>13</sup> During the preparation of the Municipal Infrastructure Investment Framework, an ongoing and unresolved problem concerned how to assess services needs and the availability of free basic services when the dwelling unit also had backyard shacks, additional families, and the need for higher services levels.

<sup>14</sup> These data refer to services connections. The actual availability of the service might be less due to damage and disconnection.

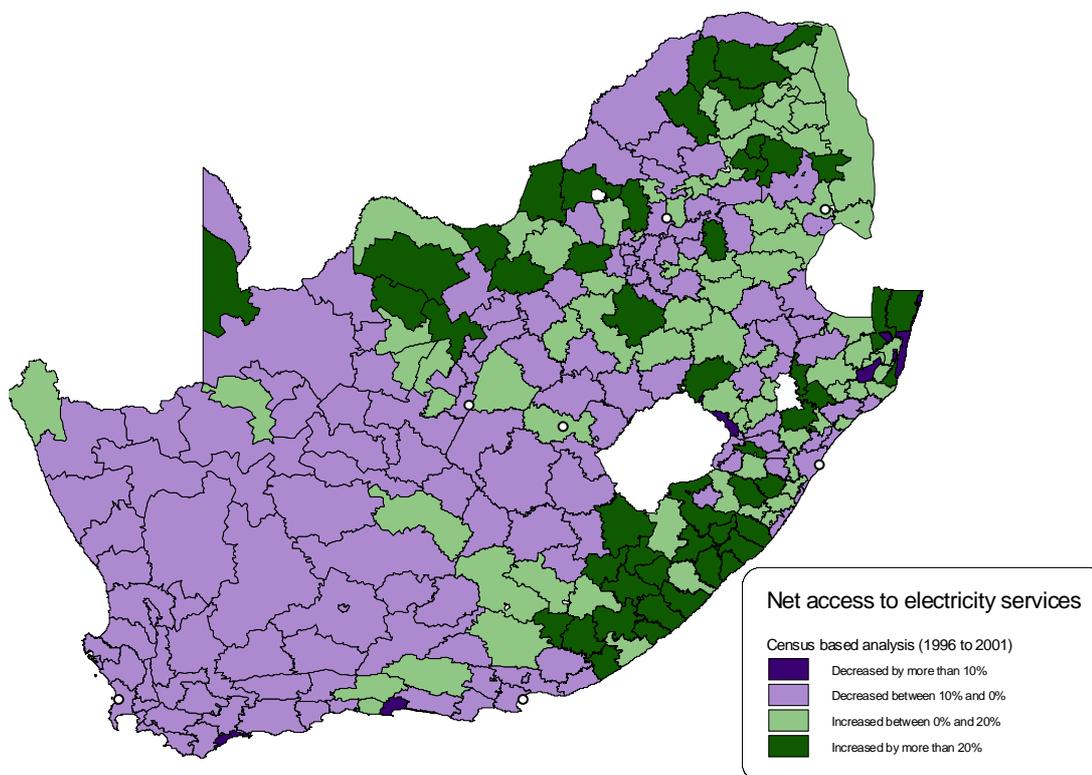
and slightly in the case of water and refuse removal. The exception to the overall improvement in all services is sanitation, which has shown no growth other than in the Northern Cape. This might be attributed to the resistance by municipalities to accept on-site dry systems. The alternative water-borne systems are very expensive and not supported as a basic level of service in government's subsidy scheme.

**Table 8. Changes in access to services**

Province	Net gain in access to electricity	Net gain access to water	Net gain in access to sanitation	Net gain access to refuse services
Cross border municipalities	13.49%	0.63%	-0.41%	4.45%
Eastern Cape	12.70%	3.79%	-0.21%	1.84%
Free State	7.04%	0.42%	-0.15%	-0.99%
Gauteng	0.44%	0.40%	-0.11%	0.50%
KwaZulu Natal	3.67%	2.63%	-0.17%	4.10%
Mpumalanga	5.52%	1.39%	-0.05%	0.43%
Northern Cape	1.70%	1.24%	2.00%	0.91%
Limpopo	15.98%	1.04%	-0.48%	5.05%
North West	18.35%	0.00%	-0.19%	1.05%
Western Cape	-1.88%	0.32%	-0.57%	1.11%
<b>Total for SA</b>	<b>4.76%</b>	<b>1.44%</b>	<b>-0.05%</b>	<b>1.62%</b>

The following maps illustrate the position at municipal level. No further mention will be made of refuse removal, where there has been a slight improvement.

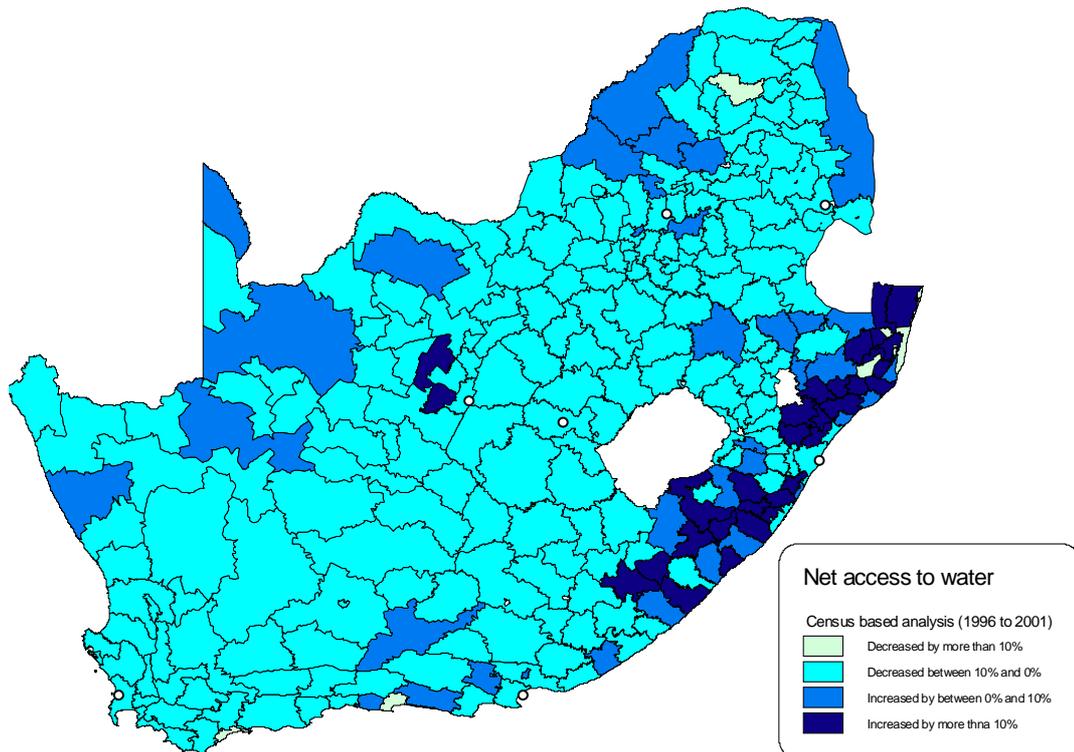
**Map 5. Changes in respect of electricity**



Although there was significant increase in access to electricity, it was focused on specific parts of the country. The Eastern Cape shows the highest increases to access as well as parts of the far Northern Cape, North West KwaZulu Natal and Limpopo Province. All these improvements were in former homeland areas, where historically access to services was very limited.

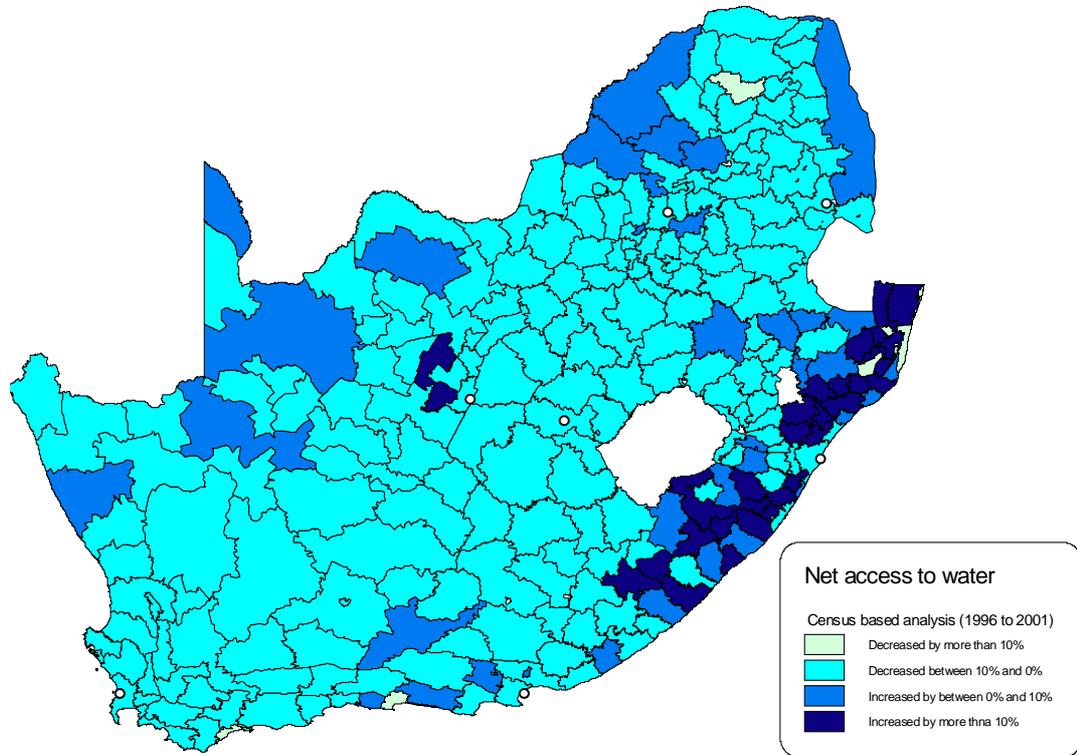
The whole Western Cape, parts of the Free State and the Northern Cape as well as all the metropolitan areas showed a negative growth in access – backlogs are increasing in these areas.

**Map 7. Changes in access to water**



The improvement in access to water is to be expected, as it is a high government priority. Overall improvement in access slightly positive, but all major urban areas show a real decline, which means that backlogs are growing in these areas. The biggest improvements were in the Eastern Cape and KwaZulu Natal. These are areas specifically targeted by the Department of Water Affairs and Forestry and other support programmes.

**Map 8. Changes in access to sanitation**



Sanitation backlogs are increasing throughout the country. All metropolitan areas showed a decline of more than -10% per annum. Nationally the same dividing line south of the Orange River and Bloemfontein that was previously identified present substantial differences with the provision of sanitation services. The Southern parts performed substantially better than the northern part of the country. The exceptions are the Western Cape and the areas around the Nelson Mandela metro.

**3.8 Implications for demand**

Chapter 3 has identified fundamental issues for the demand for housing. Especially important is that together with a decline in household size, the number of households has increased sharply. The *Ten Year Review* views this trends as contributing to poverty, for example, when a large low-income households unbundles, leaving behind two or three still lower income families. From government’s point of view this leads to a sharp increase in the need for housing subsidies. From an effective demand point of view, the increase in household numbers, when accompanied by lower household incomes, leads to ever more constrained housing options.

A major surprise has been the decline in the number of backyard shacks. If this is correct, then it will affect the conception of housing demand and needs. For example, does it mean that members of the household are indeed leaving the households, as the unbundling phenomenon takes place? Does it mean that demand for rental accommodation is declining? If so, does it mean that there are fewer persons who view their stay in the cities, however long term, as temporary?

Finally, it is evident that there are sharp differences between areas where population is growing and, even, declining. The dynamic nature of this change suggests that static allocations of housing subsidies need to be given some consideration.

## Chapter 4. Economic Forces Driving the Demand for Housing

### 4.1 Introduction

The issue is whether a household's housing preferences are enhanced as a result of improving incomes or diminished as a result of declining incomes. It is apparent from Chapter 2, section 2.2, that international best practice presumes that the former is the case. This represents an optimistic scenario, based on the presumption that the incomes of most households are increasing. Is the optimistic scenario appropriate in Africa at this time?

The following vignette is illustrative. The backdrop to the period during which urban migration in, say, South America was at its height, was increasing household incomes in urban areas. Increasing household incomes were taken to be the primary determinant of urbanization. This is not the case in Africa, where urbanization diverges from world trends and is occurring in the midst of collapsing economies (Fay and Opal, 1999). Under such circumstances, there is little likelihood that conceptions of best practice that are premised on the optimistic scenario will prevail.

Is the optimistic scenario appropriate in South Africa at this time? In this chapter attention is paid to the macro-economic trends that are shaping the incomes of households in South Africa, the micro-economic implications of these trends and the means employed by low-income households to cope with their material circumstances. This last part of the chapter is based on the sustainable livelihoods approach, but with some misgivings. South Africa is different from the circumstances that prevailed earlier on other continents during periods of increased employment opportunities and higher incomes, and different also from the rest of sub-Saharan Africa<sup>15</sup> elsewhere in Africa. While unemployment is increasing, there is less of a shift to the urban areas, possibly due to the availability of social grants and to services in small towns. The conclusion reached is that the optimistic scenario has somewhat mixed application to South Africa.

### 4.2 Macro-economic trends

The circumstances that have led to such adverse trends are by now well known. Summarising Borhat and Hodge (1999) and other sources, Tomlinson (2001) reports the following trends and causes.

The trend towards shedding jobs that started in the late 1980s, largely due to sanctions, increased sharply after 1994 with the advent of a democratic government, South Africa's joining the World Trade Organization and the rapid drop in tariff protections against imports. In the five years following the introduction of GEAR, 800 000 formal sector jobs were lost (Aliber, 2003, p. 476). Estimates vary as to the numbers over long periods. It was reported in *Business Day* (26 September 2000: 2) that a million mostly unskilled jobs were lost between 1993 and 1997, offset against 60 000 new skilled jobs and about a million informal sector jobs (77% of which earn less than \$140 per month (*Business Day*, 3 October 2000)).

Underlying the lost jobs are broader structural trends in the economy (Borhat and Hodge, 1999). On the one hand, due to the restructuring of the economy resulting from changes in the local and global demand for goods and services, investment has shifted out of agriculture, mining and manufacturing into the services sector. On the other hand, changes in production methods resulting from capital deepening have led to a change in the skills mix of the labor force towards more skilled labor. The speed of this shift in South Africa has been

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<sup>15</sup> This generalisation excludes Botswana and Namibia.

accentuated by relatively cheap capital coming up against (in global terms) relatively expensive unskilled labor as well as increasing productivity among skilled workers due to advances in information technology.

The structural changes are a stronger determinant of labor demand shifts for Africans and “coloureds”, as they are mostly employed in the primary and secondary sectors, and the changes in the production methods play a larger role for Asians and whites, as they are mostly employed in the tertiary sector. Whereas between 1970 and 1995 total employment increased by 13.8%, employment opportunities for non-Africans increased by 45% and those for Africans, 77% of the population, decreased by 3.8% (Bhorat and Hodge, 1999: 371/2).

The upshot of global changes in the structure of demand for goods and services and global competition that has hastened capital deepening and the adoption of the latest information technology has been to marginalize different components of the labor force in direct proportion to their skills and ability to find employment in sectors that are competitive in the global economy. This marginalization is made all the worse due to the decoupling of employment opportunities for these workers from cyclical fluctuations in the national economy (Wacquant, 1999: 1642). Indeed, when it comes to cyclical fluctuations, HIV/AIDS will reduce the economic growth rate/accentuate the decline, with the result that despite the high death rate, unemployment will not decline (Lewis and Arndt, 2000).

### 4.3 Micro-economic implications

Based on the 1999 October Household Survey, Aliber (2003, p. 478) reports the following employment circumstances in 1999.

**Table 9. Incidence of employment and unemployment by race and sector, 1999**

	African and Coloured		White	
	Millions	Percentage	Millions	Percentage
Employee, formal sector	5.4	36.9	1.5	69.4
Employee, informal sector	1.4	9.6	0.1	2.4
Self-employed, formal sector	0.1	1.0	0.3	14.3
Self-employed, informal sector	1.0	7.0	0.1	5.4
Unemployed	6.7	45.5	0.2	8.5
Total	14.7	100	2.2	100

These really are quite extraordinary statistics. Of the black and coloured labour force, 63.1% are without formal employment opportunities, and the number and percentage of those without formal jobs is increasing. Thus, Aliber (2003, p. 476) observes that ‘This scenario of jobless growth became especially poignant in 2000, when growth reached a four-year high while formal sector job losses accelerated.’

The implications for household incomes were presented in Chapter 3. There has been a 3.4% decline in households with an income of less than R800 p.m. and a 3.5% increase in households with an income of less than R3 500.

The statistics from Chapter 3 are summarised as follows.

Households with an income of less than R800pm in 1996	3 816 240
Households with an income of less than R800pm in 2001	3 159 884
% change households with an income of less than R800	-3.40%
Households with an income of less than R3 500pm in 1996	7 209 706
Households with an income of less than R3 500pm in 2001	6 133 377
% change of households with an income of less than R3 500	3.51%

In regard to the data pertaining to the R800 figure, it is likely that this is due to the increasing availability of social grants. In Table 10 it is apparent that whereas social grants reached 2.6 million beneficiaries, in 2003 it reached 6.8 million beneficiaries.

**Table 10. Access to social grants**

Social grants	1994	2003
Expenditure	R10 billion	R34.8 billion
Beneficiaries	2.6 million	6.8 million

These data explain the earlier hypothesis that the improvement for household with incomes of less than R800 p.m. is due to social grants, especially in regard to households in the eastern Cape, and that the decline for households earning less than R3 500 is due to increasing unemployment.

In sum, it is self-evident that the ability of low-income households to express their housing preferences is going “down market”. This is unless they receive a housing subsidy.

#### 4.4 Livelihood strategies

##### 4.4.1 Backdrop

it is at this point that the analysis usually turns to livelihood strategies. How are households getting by?

Perhaps the leading intellectual in this regard is Caroline Moser. In a recent publication on *To claim our rights: Livelihood security, human rights and sustainable development*, Moser and Norton’s (2001, p. 16) describe a ‘sustainable livelihood’ approach as follows.

The Sustainable Livelihoods approach is a framework that incorporates concepts of assets, capabilities and entitlements in recent analytical work around this issue. Here livelihoods are commonly defined as comprising the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is identified as sustainable when it can cope with and recover from stresses and shocks and maintain or enhance capabilities and assets both now and in the future, while not undermining the natural resource base (Moser and Norton (2001, p. 16).

What is so striking about their 85-page report is that there are four passing references to housing, and only as social right.

It is as if housing and location are not central to a household’s livelihood strategy. It is argued below that this is mistaken.

#### 4.4.2 *The significance of housing, type of settlement and tenure*

Smit (2000) provides an initial, and the usual, assessment of how the design of settlements, housing and informality contributes to multiple livelihood strategy when he compares the advantages of living in slums and in RDP houses. He concluded that

In informal settlements, the spatial arrangements can greatly facilitate social support networks. Households which are part of the same social network can build their shacks next to each other and extended families can build larger shacks. In the Marconi Beam settlement many shackowners had large shacks with rooms for "tenants". Most tenants in the Marconi Beam informal settlement did not pay rent - there was more of a reciprocal relationship in which both landlord and tenant helped each other out. For example, the tenants helped out with domestic chores and child care or contributed to buying groceries when they were able to.

Cross et al. (n.d.) dig deeper. Cross et al. demonstrate that the opportunities available to women depend, inter alia, on the ability to work at home and on the type of settlement.

The key factor seems to be the level of local cash flow in relation to the size of the accessible consumer population, against how consumers see the priorities for their spending. Not surprisingly, the poorest concentrated in the informal settlements put basic needs first, while relatively better off communities in the townships support businesses aimed at discretionary spending.

... other things being equal, formal work outside the home does not necessarily compete well against home-based informal work. (emphasis in original)

... probably for most, although not all, home-based operators, running a successful business from home represents first prize, and is something they will fight to defend. This holds true particularly for women.

In discussion, Cross mentions that the constituency for informal settlements comprises people who have a home elsewhere, people who want to take up the subsidy elsewhere, people whose income depends on the informal market and whose own resources circumscribe what they can sell e.g. a cigarette, and people who are unable to compete in formal settlements in respect of the pressure to engage in conspicuous consumption, especially in respect of white goods (e.g. fridges, stoves).

In contrast, the constituency for RDP-type settlements comprises people with higher incomes who are able to consolidate over time, the availability of services, and persons who seek tenure. In the case of tenure, this represents a pre-emptive move to being forcibly removed from an informal settlement (Cross, in conversation), which is a consequence of the housing policy and informal upgrading (Huchzermeyer, 2003). In other words, according to Cross, tenure, especially for women, provides protection against government and cannot be taken to represent the desire to invest in housing.

In effect, the type of housing and the location thereof are closely linked to a household's material circumstances and this also provides insight as to why certain groups will want formal housing and others not. The particular significance of this perspective is that RDP housing serves households that seek to consolidate their circumstances, which includes a house, and that in informal settlements, households seek to safeguard their livelihoods, and housing constitutes a vehicle towards this end.

#### 4.4.3 *The significance of regional shifts in location*

Data pertaining to, and interpretations of, regional shifts in location are confusing. Two authors will be used for comparative purposes. On the one hand, Cox and Todes (n.d.) present these shifts as part of a multiple livelihood strategy that includes migrants to

the cities sending remittances home and, at certain life stages, returning home. On the other hand, in her survey of migration in the coastal provinces, Cross (2001, p. 117) reports that rural and urban populations may be separating'. In both cases the authors point to the complexity of the issue and urge against generalisations.

However, both authors find that a great deal of the migration is rural-to-rural, albeit with rather generous definitions of rural. Quotes taken from Cross (2001) report of her migration survey illustrate the motivation for this migration pattern.

In the first place, it is still the case that

... the key factor in migration appears to be the differentials in incomes and employment between source and destination areas. (p. 115) [But] urban and rural unemployment have reached levels where there may be little advantage in moving to the city to look for work. (p. 114)

In such circumstances,

The cluster of secondary factors which influence migration decisions includes access to sites live on and to land for cultivation, security of tenure, business opportunities, transport and services infrastructure including schools and clinics, basic needs infrastructure including water and electricity, natural resources free of charge, and personal safety. ... water, electricity, telecommunications and mass transport ..[are] perhaps most critical.

It is these services that influence 'second best' rural-to-rural migration decisions are made. Cross does not address whether the possibility (probability?) that the ability to sustain livelihoods in rural towns may depend on and be sustained by social grants.

#### 4.4.4 *The significance of intra-metropolitan shifts*

Based on extensive research in Gauteng, in an article in *Business Day* (26 September 1997), Tomlinson wrote that

... "Compact cities", "densification", and "integration" are typical of the new goals of urban policy. ... the preoccupation with compact cities is misdirected. We should rather explore how best to improve the circumstances of low-income households in conditions of urban sprawl.

This seems an inevitable conclusion, a belated recognition of reality, due to two trends.

First, the jobs that are being created in Gauteng – there are not many – are mostly being created for relatively skilled people along the M1/N1 between Johannesburg and Pretoria; and also in Kempton Park around Johannesburg International Airport.

These are jobs whose linkages with other manufacturers, transport, research and business services require them to be where they are. They are not amenable to being redirected to the south of Johannesburg. Second, the vast majority of new households in Gauteng are settling in southern Johannesburg and on the East Rand. They are settling in and on the edges of existing townships, most often on their outer edges.

Many people are heading outwards. This is true of informal housing and government's subsidised housing. This is a phenomenon that requires an explanation.

The most obvious answer lies in economic trends. On the one hand, land values, rents, and house prices are much higher the city [unless prices per individual if household can be brought down through overcrowding]. It costs more to live in the city.

On the other hand, there is high unemployment. New unskilled entrants to the labour force find it especially hard to get jobs. The economy is shedding low-wage labour. People settle where they can afford to; urban policy is contradicted by economic reality.

People settling where they is anyway a natural extension of expanding family networks moving out, but not away. For the poor, support networks are an important means to economic security.

The decisions of people settling in or close to the townships are also inadvertently being structured by government policies. For example, the transport subsidy reduces the cost of commuting to work. Of course this is true only for people who use subsidised buses and trains, not for people using taxis.

Also, government- subsidised low-density housing goes to the township edge owing to the housing subsidy structure; R15 000 does not allow much money for land and developers are driven housing to the urban periphery.

This is anyway a response to political opposition to low-income housing closer to middle- and high-income suburbs. The holding costs of a loan while political and legal struggles play out are enormous. It might also be noted that government-subsidised housing is being supported by infrastructure grants. Government infrastructure grants are also going to locations that infringe government policy, but do facilitate rapid delivery and achievement of spending targets.

Thus, while government may aim to promote compact cities, it does the reverse. Is this bad? What would reverse the trend?

The answer, most likely, is that it would require coercion. It may also require a lot of money, although this is debatable. In the first instance, relative to the number of households living in and around the townships, the limited extent of land invasions seems to validate that argument people are settling where they want to. If this is true then government would have to act against the wishes of low-income communities.

Coercion, of course, would also have to be directed against middle- and high-income households opposing low-income neighbours.

In regard to money, the argument for high density is that:

- It costs less to provide municipal services when people are living close together;
- The transport subsidy can be sharply decreased in high-density urban environments;
- High densities concentrate the market and increase small business opportunities; and
- High densities enhance access to opportunities such as day jobs, information about jobs, social services, and a larger retail market and power prices.

These points are irrefutable. Yet one has to consider that it would cost a great deal more than the R15 000 subsidy to settle low-income households in the city because of the higher land costs and the higher level of services and better top structure appropriate to high density living, and that anyway would be demanded by irate neighbours.

The ultimate irony would be that the “winners” would not be low-income households, since if government actually supplied well-located relatively decent supposedly to low-income housing, it would go to better-connected political constituents. It would be naïve to expect otherwise.

And if, by chance, the houses actually were to be allocated to low-income groups, they would be driven out by the high cost of rates and services and through a process of “downward raiding” arising from the housing market’s appeal to higher income groups. The low-income households would end up where they came from, albeit with a capital gain from the sale of the house. Both processes are well known would wide.

In conversation, Cross corrected one aspect of the article. Where households are able to do so, location also becomes matter of life stage. Younger persons live as close to jobs as possible. Families with children who are able to consolidate move further out.

It is believed that this article correctly describes the motivation for intra-metropolitan shifts in the location of households, and also that it the value of the description is decaying due to the impacts of HIV/Aids.

#### **4.5 Implications for demand**

On the one hand, members of an increasing number of destitute households receive a social grant that reduces the pressure simply for survival. On the other hand, an increasing number of households have a monthly household income of less than R3 500 per month. It would seem that while an increasing number of households are able to elevate the relative priority of housing within the household budget – households above R800 p.m., the housing options available to them are declining. Together with a declining rate of delivery of subsidised housing, this might help to explain increasing informalisation of housing in South Africa’s cities.

This perspective has to be interpreted in the light of the views expressed above. Households seeking to *consolidate* their circumstances see housing as one aspect of their doing so. In such cases location is an important, but not a key determinant of where they locate. Households seeking to *safeguard* their livelihoods, view the type of house, the settlement and the location thereof as means of their doing so. Certain households seeking to safeguard their circumstances also see tenure as a means of doing so, but here safeguard has a different meaning. All of this has to be interpreted in relation to the arguments in Chapter 2 and the data contained in Chapter 3, especially as in Chapter 3 much of the location of informal settlements is on the periphery. Is this because there are so few jobs in the centre, it is cheaper to live in the periphery, and much of the market for those in informal settlements comprises households that are consolidating on the periphery?

More broadly, as opposed to the optimistic scenario that underlies international best practice for housing, what one is seeing are circumstances where a low-income household’s ability to invest in housing is declining. International best practice and the presumption that households will seek to invest in housing are called into question.

## Chapter 5. Social Forces Shaping the Demand for Housing

### 5.1 Introduction

The major health/social determinant of the demand for housing is HIV/Aids. HIV/Aids is:

- Reducing the rate of increase in the number of households and might, in a worst case scenario, reduce the number of households;
- Disrupting social support networks, the incomes of households dependent on the support and the incomes of households that now are called upon to provide support;
- Reshaping the expression of the demand for housing, most obviously for orphans, and
- Falls “between the cracks” of housing policy.

In this chapter the questions asked are:

1. What is it about HIV/Aids that leads to shelter and services needs that are distinct from illnesses and death that are due to other causes, for example, from malaria?
2. Are these needs best served by housing responses?<sup>16</sup>
3. What are the numbers involved?

### 5.2 Backdrop

South of the Sahara, about 30 million people have either HIV or Aids and, according to UNAids, in 2002 about 2.2 million Africans died of Aids-related illnesses. In seven southern African countries (Botswana, Lesotho, Namibia, South Africa, Swaziland, Zambia and Zimbabwe) at least a fifth of the adult population has the virus. The incidence of HIV/Aids is more than proportionately to be found in low-income households and, then again, more than proportionately to be found in slums.

Using the ASSA (Actuarial Society of South Africa) model, the estimate provided by the Centre for Actuarial Research (CARE)<sup>17</sup> is that in 2002 6.5 million persons were living with HIV/Aids. This is considerably more than the *Ten Year Review* report of 4.7 million persons. In order to interpret the data, it should be understood that HIV infections are reaching their peak, but the number of people dying from Aids-related illnesses is only now starting to increase and will peak at about 2010 (Dorrington et al., 2002).

Turning to orphans, the projections are that:

... the number of orphans is likely to peak at about two million in 2015 – at roughly two million in the case of maternal orphans under the age of 15 and at roughly three million under the age of 18. ... The total number of children having lost one or both parents will be at its highest in 2014, at a level of 5.7 million. (Johnson and Dorrington, 2001, p. i)

It is noted that the figures may be an underestimate as paternal orphans are often not cared for due to the absence of the father.

The number does not indicate shelter requirements. Many orphans will be cared for by the extended family and some by the community. (Of course, the extended family

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<sup>16</sup> Much of this chapter is drawn from Tomlinson (2003a).

<sup>17</sup> [www.commerce.uct.ac.za/care](http://www.commerce.uct.ac.za/care)

members might have shelter requirements that are exacerbated as a result of taking in orphans.) Some orphans will be able to take care of themselves. The scale of the issue for shelter is not directly apparent from these figures, but this is not especially relevant. The issue involves immediately putting in place the means of providing shelter, all the while knowing that whatever is provided will be insufficient to meet the need.

### 5.3 What it is about HIV/Aids ...?

A frequently asked question when it comes to looking at shelter and services needs what's so special about HIV/Aids that leads to different needs? For example, why do the housing needs resulting from illness and death due to an Aids-related illness differ from a death due to malaria? Looking at the ensuing text, it becomes apparent that there are aspects to HIV/Aids that do create special shelter needs.

The differences result from various combinations of the:

- Age at which death occurs
- Duration and chronicity of the illness
- Increasing family expenditure, asset reduction and declining incomes
- Gender of the person that dies
- Numbers involved
- Role of shelter and services in care and prevention
- Shelter and services conditions of the family
- Characteristics of the illness
- Stigma

The reason for writing 'various combinations' is that it might be argued that some of the items discussed below, when considered in isolation, may not set apart the shelter and services needs arising from a death due to an Aids-related disease and death due to, say, a car accident. This is especially likely to be the case in respect of gender, but gender combined with other issues does lead to an interpretation that is based on HIV/Aids impacts.

In regard to **age**, in the case of malaria, for example, most deaths occur among young children. In contrast, most deaths from an Aids-related illness occur among young adults. Age is important because the death of a child will have little impact on a household's ability to pay for shelter and services, whereas the death of the main income earner has a major, even catastrophic, impact. The death of adults, men in particular, causes a shift in the family budget away from shelter and services. The family may lose rented and mortgaged properties, may be unable to invest even in shacks and may also be unable to pay for services. Reference to rental includes informal circumstances since often land in slums is rented and so too are backyard shacks.

Of course, age is also significant because it is young adults in their 20s and 30s who are most likely to leave behind dependents, and the age of the dependents itself differentiates between the shelter and services needs of orphans, older children and the aged.

The severe impact on a household's income is especially likely as a result of the **duration and chronicity** of the illness. Again using malaria as foil, the period from onset of malarial illness to death or cure can be several days. The period for HIV/Aids health care needs can be a number of years. The significance of the point lies in extending the years during which a family experiences **increasing expenditures**,

**asset reduction and declining incomes.** Costs of HIV/AIDS illness are often increased by its terminal, mysterious and stigmatised nature that leads to major expenditure in search of cures. The combination of the two is to exhaust the family's ability to address its shelter and services needs.

In regard to **gender**, all too often the most vulnerable orphans result not from the death of both parents, but from the death of the mother. Then again, all too often, it is a grandmother who takes care of orphans, or women in the community. It is in these cases that one might say that these impacts are not unique to HIV and Aids, which no doubt is correct. But then when one combines these impacts with scale of HIV/Aids, it is often the case that the normal extended family and community support for orphans can no longer sustain the number of orphans needing care.

In regard to the **numbers involved**, and in repetition, it has become clear that traditional support systems often become overwhelmed. This outcome is exacerbated when combined with the fact that it is most often the primary income earner who dies. An additional impact of the numbers involved is to render unavoidable issues that hitherto had been ignored; inheritance rights for women being a case in point.

In regard to the role of shelter and services in **care and prevention**, poor quality shelter increases the risk of viral and bacterial respiratory infections, including pneumonia. The risk of tuberculosis is particularly threatening in overcrowded conditions. In the case of services, if the infected person and their households cannot wash easily and do not have access to hygienic sanitation, there is greater risk of diarrhoeal organisms and skin infections. Clean water is also necessary if mothers with HIV or Aids are to be able to bottle feed their children.

The absence of adequate water and sanitation is reported to cause families to institutionalise ill family members, where this is possible. Alternatively, the availability of water improves the efficiency of home based care workers who can visit more patients – it has been claimed perhaps twice as many.

Turning to prevention, in general, without adequate water and sanitation there is a greater risk of HIV and other infection through contact with body fluids during care of people with later stages of the disease. This would usually be through direct contact with weeping sores and blood. However, it is questionable whether this represents a significant source of infection.

In regard to the **characteristics of shelter and services**, it is apparent that care and prevention considerations especially prevail in slums where there poor access to services. This point gains in significance in the light of reports that the incidence of HIV infection is greater in slums than in other forms of shelter.

In regard to the **characteristics of the illness**, the implications of the lengthy period from infection to death have already been mentioned. A further characteristic is that HIV infection tends to be concentrated within families. This together with the age of those dying obviously increases the number of uncared for dependents.

In regard to **stigma**, it has been suggested that a person's having Aids might cause others in the community to prevent that person from having access to shared ablution facilities.

#### **5.4 Are these needs best served by housing responses?**

After priorities such as medical care and food, do households with a member who is sick from an Aids-related illness prioritise shelter? Based on anecdotal reports, it may be that they do not. It appears that families afflicted with the circumstances described above will be more concerned with the availability especially of water and sanitation.

However, it seems that there are two sets of issues here. One has to do with changes

in shelter needs during the period from infection to death, and then to household reconstitution, or the possible disappearance after death with only individuals surviving. The means by which this might be conceptualised are process needs and group needs. During the process of changing household needs one refers more to programmes that ease the circumstances of affected households. Improved access to water and home-based care are examples. At later stages in the process specific group needs emerge, for example, for HIV+ orphans, for orphans, for child-headed households, and so on.

In both cases the nature of the housing response is called into question. For example, does home-based care represent a housing policy? Or, does a foster care programme for orphans represent a housing response or a social services response, or both? What about a hospice?

It would seem that services are important due to the needs of the family during the period of transition, due to the fact that availability of services enables home-based care providers to see more patients, and due to the possibility that the availability of services reduces barriers to the adoption of orphans. The role for housing programmes is less apparent except, perhaps, for providing grant funding to families that adopt children to enable them to, say, add on a room.

The position might be advanced that orphan shelters should be built and, indeed, there are much publicised examples of such facilities. However, interviews with professionals in the area are sharply critical of such facilities (CASE). They cannot deliver at scale and as a result divert funds and they remove children from their communities.

What stands out from all these examples is that in the case of HIV/Aids there is no issue that can be viewed as primarily a housing programme. It is apparent that effective programmes involve shared responsibilities with other departments and involve services as simple as food parcels and school uniforms, and also that governments will depend on community, faith-based and non governmental organisations to provide the services. Over used words are relevant here. Integrated programmes are needed and they necessarily will have to be taken forward in the form of partnerships.

### 5.5 What are the numbers involved?

An illustrative assessment of the implications of the numbers involved is provided by the Gauteng Department of Housing. Table 11 shows low and high impact assessments, but not projections when ante retroviral drugs are available.

**Table 11. Change in Qualified housing needs of Gauteng Province based on Low and High HIV/Aids impact on population**

Current Qualified Need (2002/03)	Projected year	Low HIV/Aids impact	High HIV/Aids impact
499 823	2006	509 268	505 013
	2014	506 222	498 916
	2020	506 173	496 615

Up to 2006 the projected qualified need is still growing from the current base figure for both low and high HIV/Aids impact scenarios. By 2014 the numbers have declined for both the low and the high scenarios and it is expected that in 2020 they will be much the same as they were in 2014. These would be significant numbers for anybody putting together a housing programme and even suggest that subsidised housing might catch up with need but, as already noted, these calculations were made without taking into account the availability of ante retroviral drugs.

## 5.6 Implications for demand – from demand to need

In regard to effective demand, HIV/Aids accentuates the impact of increasing unemployment and declining household incomes. Together with declining household incomes, HIV/Aids means that a large number of households will be unable to invest in housing and, indeed, even view housing expenditure as a priority.

Due to unemployment and Aids-related illnesses, a significant proportion of the target population for housing policy described in Chapter 2 will fail the test of housing orthodoxy. The first reason is that these households will seek to minimize housing expenditure and not undertake the investments anticipated by the policy. The second is that the recipient of a housing subsidy will become less defined. In the past the beneficiary was typically viewed as the head of household who would take ownership of a serviced site and/or dwelling unit on behalf of the family. In the future persons requiring housing services will include HIV-infected heads of households, adults and children expelled from the family due to the stigma and/or cost of being HIV-infected, child-headed households and AIDS orphans. Since, not taking ante-retroviral drugs into account, many of these recipients will die within a few years of receiving the housing subsidy, if housing subsidies are provided in their present form then they will become transient and informalised as title passes on to children and relatives and to unrelated persons who, by legitimate or underhand means, acquire the property.

The question therefore turns to what actually constitutes the demand or, in this case, more appropriately the need for housing. It is argued that it is due to the instability of households and individuals affected by HIV/Aids, and their inability to afford adequate shelter of some sort and to pay for services, water and sanitation and waste removal in particular, that governments will have to ensure some form of shelter service, essentially one that might be described as part of a social safety net. Indeed, the fact that many recipients of the housing subsidy will die within a few years is one reason for calling for a housing service rather than a once off housing subsidy to affected households or individuals.

The character of the shelter will vary depending on the circumstances of the recipient, but for many affected households and individuals the nature of the assistance will largely comprise welfare grants that include some form of shelter (as part of an HIV/Aids management program including prevention, control and care.) (Opolot, 2000). This is in contrast to the recommendations of the Habitat Agenda (1996: 15) since it is most unlikely that government will be able to 'make the market accessible for those excluded from participation by providing subsidies and promoting credit and other institutions.' Will the market negotiate with an 11-year-old head of household?

Last, in the preceding chapter close attention was paid to intra-metropolitan shifts. It was noted that extended family support networks were a reason for some members of the family to live in informal settlements. As these networks decay, there will be less and less of a "fix" to where people live. Is it inconceivable that one will see movement into areas where there is some economic refuge, central cities in particular, and that for housing purposes this might lead to the occupation of buildings, and contestation surrounding property rights (Tomlinson, 2003b)?

## Chapter 6. Sustainable Settlements?

### 6.1 Introduction – sustainable is fashionable

‘Sustainable settlements’ is a fashionable concept.

In the 1996 Habitat Agenda sustainable settlements were viewed as having the following characteristics:

- The quality of life that is offered to each citizen;
- The interaction between the settlement and its biophysical environment and whether this interaction will continue to support an adequate quality of life; and
- The ability of the institutional systems responsible for creating, operating and maintaining the settlement to continue providing an adequate quality of life.

Whether a settlement can be considered sustainable is viewed as depending on the interaction of four elements, according to Habitat. These are:

- *The physical structure* – how the settlement sits within the natural environment and therefore responds to the topography; the spatial relationship between the different parts of the city; and the form and performance of the built environment.
- *The use patterns* – the way the settlement uses its resources as described by the infrastructure and services provided.
- *The social patterns* – how people live, learn and work in, and relate to, their settlement; the opportunities provided by the settlement for meeting these social needs.
- *The operational patterns* – how the settlement functions institutionally.<sup>18</sup>

In the same vein, emerging from the Log Frame undertaken by the Department of Housing, the central goal was that of:

*People, especially those most in need, are living in sustainable human settlements.*

As South Africa is a signatory to many international protocols and conventions, especially Agenda 21, the 1996 Habitat Agenda and the Johannesburg Declaration and Plan of Implementation, it has accepted responsibility and commitment to sustainable development. However, the Department of Housing (2002) indicates that sustainability should include:

- Delivering housing of good quality;
- Delivering vibrant living environments - well located and integrated economically and socially;
- Encouraging participation in housing;
- Ensuring that housing is affordable (now and in the future); and
- Ensuring that settlements enhance the natural environment.

Presuming some clarity regarding what is meant by sustainable settlements, housing policy in South Africa has shifted from quantity to quality, with the added implication

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<sup>18</sup> As outlined by C. Du Plessis and K. Landman in the *Sustainability Analysis of Human Settlements in South Africa* (CSIR Report BOU/ C368 for Department of Housing), quoted in the Ekurhuleni Municipal Housing Development Plan.

that the “backlogs will increase ever more rapidly. Subsidies are now to be viewed as an asset building tool (Gardner, 2003).

These factors tend to focus on the housing product and the environment in which it is located. There are three obvious shortcomings. The first is that there seems to be no awareness of the fact that the greater the asset value of a house the less affordable it becomes. The policies are contradictory. The second is that it does not address the financial sustainability of settlements for households or for local governments. Even the definition of adequate housing in the Housing Act, 1997<sup>19</sup>, while comprehensive in addressing the physical aspects of housing, does not directly address financial sustainability. The third is that there is no mention of people wanting to, and being able to afford to, live in the settlements. This item is the subject of the balance of the chapter.

## 6.2 Why do people choose to live where they do?

The world's landscape is dotted with settlements that were built but remain vacant because the potential tenants preferred to stay where they were, even if their present dwellings were qualitatively inferior to the new house because the newly developed settlements were poorly located with respect to jobs, because moving required sacrificing secure tenure (whether real or only perceived), or because relocation meant forsaking an established network of supportive friends and contacts for an undefined social structure.

There are settlements too where the people live unhappily. Unobtrusive indicators register the extent of their dissatisfaction. Individual units show the signs of neglect and rapid deterioration. Public areas go under-maintained and unused. Crime rates run high and neighbors organize their communities only in the even of crisis. The settlements show little evidence of upgrading, and overall there hangs a pall of apparent indifference to the quality of the environment.

Thus, whether legislation got enacted, programs funded, projects built, or dwellings occupied tells only a part of the whole story. (Burns and Ferguson, 1987, pp. 288 – 299, emphasis added).

Remarkably, missing from definitions of sustainable settlements is whether people want to live in them. And whether people can afford to – which takes one back to the effective demand. The demand for housing is not determined by whether a settlement is sustainable. The demand for housing determines whether a settlement is sustainable.

The Burns and Ferguson quote draws attention to settlements where people do not want to live and settlements where people do live, but without commitment and do not maintain their properties and the public spaces. Sustainable settlements are settlements where people want to live. Why do people choose to live where they do?

There are two approaches to answering this question, both of which are described and to some degree evaluated below. One has to do with the ‘sustainable livelihoods’ or

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<sup>19</sup> "the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to:

- Permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements;
- And potable water, adequate sanitary facilities and domestic energy supply."

multiple livelihood strategies' referred to in previous chapters. The other is informed by post-occupancy surveys. The interesting question is whether they tell the same story. The context for both approaches is the increase in the number of households needing accommodation

The measures used to assess demand are whether beneficiaries remain in the unit allocated to them, whether they add formal and/or informal rooms to their houses and whether they maintain their properties.

The emergence of a secondary market is not included as a measure because, based on international comparative experience, the uncertainty regarding the emergence and relevance of such markets means that one cannot presume a negative interpretation if such markets fail to emerge in low-income settlements in South Africa (Gilbert 2002). Moreover, South African housing policy, with its ban on a household selling a property within eight years of receiving the subsidy directly contradicts notions of an asset, and one presumes, the consequences of HIV/Aids.

### **6.3 Context**

It has already been observed that the context for the demand for housing and the type of housing depends on many factors. The most obvious are a housing "backlog", new household formation, increasing or declining households incomes and the manner in which housing demand is channelled to waiting lists, and alternative housing options. These factors are interdependent. Accepting that the demand for housing has been shaped by waiting lists, the issue becomes one of why households seek rental housing, to locate in informal sector, to wait in some type of accommodation for an RDP house, and so on.

The many and varied forms of housing supply are beyond the scope of this projects, but accepting this, and accepting as well the limited research into the topics addressed below, one rather cautiously proceeds to asset vulnerability and post occupancy surveys.

### **6.4 Asset vulnerability**

The terminology provides a "moveable feast". Allowing that the context may vary to some degree, the various expressions used include household expenditure priorities, survival strategies, coping strategies, multiple livelihood strategies, livelihood strategies, asset vulnerability and sustainable livelihoods (which seems to be the latest). The recent relevant South African literature employs asset vulnerability.

Assets comprise, inter alia, labour and human capital such as health and skills, productive assets such as land and housing, extended family support networks, community support and reciprocity that include trust and social ties, natural assets such as wood and water, financial assets, and access to, for example, jobs and social services. A household evaluates poverty in relation to all these items and their changing relative balance and, at certain times, housing other than a rudimentary informal structure, often built from scraps, may not be a priority.

Baumann (2003, p. 95) observes that government 'assumes that the publicly provided housing asset has a positive value, but that the beneficiary either lacks an adequate money income or [may not know enough to assess] what is best for him or herself in the long run.' Baumann's concern is why a household chooses to abandon or sell a house – why leaving a house may be a positive outcome for the household. Referring to the asset vulnerability framework, it is apparent that a household's poverty has more aspects than monetary income and, conversely, that a household's vulnerability to income or other shocks is not a simple function of income or savings (p. 96). Once it becomes apparent that a household's assets include social support from the extended family, proximity to existing or potential jobs, and the like, it is clear that circumstances

will arise when leaving a RDP house adds to the assets available to the relevant households.

Looking at RDP houses, the topics Baumann addresses are:

- The impact of changed location;
- The economic reconstitution of communities;
- Changes to the status of housing assets (e.g. adding rooms for rental purposes);
- Limitations on freedom of movement (e.g. building materials of informal settlements are easily relocated and unfettered by costly and slow procedures to change legal title);
- Reduced savings capacity (resulting from increased costs e.g. transport or payment for rates that arise from moving into the RDP house);
- Disruption of social networks;
- Increased insecurity (e.g. children travelling to school across unfamiliar territory);
- Increased vulnerability to crime;
- Inability to absorb or support the extended family;
- Reduced capacity to invest in social capital; and
- Disruption of solidarity networks and institutions.

All of these points are familiar, although generally not cast within the asset vulnerability framework. Smit (2000) explores them at some length through contrasting informal and RDP housing and Gardner (2003) can be read for the same points through contrasting informal rental with other housing options, including RDP housing.

But how significant are the comparisons? To what extent are beneficiaries leaving their RDP houses? Is the phenomenon increasing or decreasing? If so, why? Can one generalise and say that it is certain types of households that are most affected?

Bauman suggests that the number is between 20% and 40%. This is a wide range. During a policy and programme review undertaken for Gauteng one of the consultants was informed that there is a project where every beneficiary had left the project, but also that 'quite a few' were renting their properties. Rental is a rational, even a desirable, response on the part of poverty-stricken families to use public subsidy to maximise their incomes.

If one concedes that the phenomenon is widespread, is it likely to be increasing or decreasing? In the consultants' view it is proposed that the phenomenon is likely to be increasing. The reasons come from the "top" and the "bottom".

From the top, it was demonstrated that the rate of household formation considerably exceeds the delivery of new RDP houses and PHP sites and that the experience globally is that most such projects do not benefit the really poor and that, in the few circumstances that the really poor do receive a subsidised house, they soon find it advantageous to sell or rent the unit. Sites that bring with them secure title and services are attractive to those who can afford to overcome constraints such as distance to work and who can afford to consolidate their dwellings. With a view to creating sustainable settlements, this phenomenon is less one of downward raiding and more one of upward trading. In other words, it is desirable. This position contradicts government's policy or requiring that beneficiaries retain their house for eight years.

From the bottom, it was demonstrated that increasing unemployment and now also the disastrous affects of HIV/Aids are causing there to be an increasing number of

households with incomes below R3 500. It surely is reasonable to assert that as a household's income declines and as its vulnerability increases, the issues listed by Baumann gain in relevance.

Whether these views are correct will only be revealed over time. Do current circumstances suggest that they might be true?

## **6.5 Post occupancy surveys**

As a reminder, the measure of demand, which is viewed as a precondition to a settlement being sustainable, is whether beneficiaries remain in the unit allocated to them, whether they add formal and/or informal rooms to their houses and whether they maintain their properties. Insofar as the data are reliable, it has already been found that a significant proportion of beneficiaries do leave their RDP house. Information is not available on the characteristics of the settlements and the households where this occurs.

Turning to the measures of whether households invest in their properties, it is difficult to imagine more contradictory "evidence". On the one hand, the Public Service Commission 2003 'Report on the Evaluation of the National Housing Subsidy Scheme' reports that, despite the fact 'Beneficiaries' perceptions of the market value of subsidised houses was generally less than the actual cost of the house and site' (p. 90),

Seventy-three percent of the [project-linked subsidy] households interviewed had made improvements, with a median total cost of R965. The most common improvements (for 20% to 30% of the households) were electricity connections, floor coverings and burglar bars/safety gates.<sup>20</sup> The next most common improvements (for between 10% to 20% of the households) were internal plastering, adding rooms, putting up a fence or wall around the plot, putting paving or an apron around the house, and planting a vegetable garden. ... The main problem people faced in making improvements was lack of money. (p. 89)

On the other hand, in their 2003 study funded by the Housing Finance Research Programme, Zack and Charlton found that

### **4.3.8 Incrementalism**

While some respondents claim otherwise, many accept that the top structure provided is a starter house and that they are responsible for extending this over time, and many more indicate a wish to extend their houses. Yet relatively few beneficiaries say they have already extended or improved their houses, or have begun to do so. Some express despair – and others indignation – at the assumption that people can afford to extend their housing:

How dare they compare you with people who can afford to do those things themselves? – Galeshewe Tswarangano, Kimberley, 28/01/03.

In at least seven - or one quarter - of the focus groups, members have lived in their houses for more than five years, yet members of only one group have undertaken any improvements. (p. 39)

It is possible that some of the difference arises from households being forced to repair defective products.

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<sup>20</sup> This is interpreted as meaning that the proportion of households undertaking each of these improvements was 20% to 30%.

#### **4.3.7 Responsibility for housing maintenance**

Many focus group members report that they were told that they themselves would be responsible for maintaining their houses after construction. Attitudes to this vary. While many respondents say it is appropriate for them to maintain houses that now belong to them, others say they have been given poor products, and that they are *required to pay for repairs to defective houses rather than the wear and tear on good houses.* (p. 37, emphasis added)

Yet it is difficult to believe that the need to repair defective dwellings explains a significant proportion of the findings between the sets of findings.

The upshot is that one has no idea to what extent improvements are being undertaken. The way forward on this issue is to review all findings in this area with type and location of settlement in mind, and also the characteristics of households that are leaving their houses and others who are living in their settlements, but failing to do so. It would be appropriate as well to examine whether the RDP product is a part of the problem and also the design and location of the settlement.

### **6.6 The demand for land**

The demand for land is a dependent variable, with government standards, the supply of land, land prices, the roll out of housing projects, the price of land and so on all helping to determine how much land is needed for new housing developments. It is doubtful that the figures to which this give rise are meaningful. For example, in order to address the "backlog" with the 250m<sup>2</sup> standard, 137 500 000 km<sup>2</sup> (2 200 000 x 250m<sup>2</sup>) are required. Then too, were it possible, one could project the forward the number of additional households that will be eligible for households by 2010, the likely roll out of housing to 2010, and engage in the same calculation, or perhaps a calculation with a reduced stand size, but such projections would lack credibility. Alternatively, assuming a mix of housing forms, including informal, RDP, PHP, social housing and so on, one might again seek to calculate the demand land, but again the calculations would lack credibility.

It is proposed that calculations regarding the demand for land become meaningful at a finer scale, and even then the imponderables will be wide-ranging.

### **6.7 Implications for demand**

As noted, settlements become sustainable when people want to, and can afford to, live in the settlement. Increasing unemployment, declining household incomes, and the impact of HIV/Aids all suggest that people will be able to afford less, that this will limit their housing options and, in all likelihood, that these trends will propel many into informal settlements. In Chapter 3 the trend towards increasing informalisation was noted. The relative balance in the demand for low-income housing appears, inexorably, to be shifting in favour of informal settlements. Government's present informal sector upgrading strategy seeks to relocate inhabitants of informal settlements into, say, PHP settlements. This is ill suited to addressing the needs of those living in informal settlements and in promoting investment in housing.

## **FINDINGS AND RECOMMENDATIONS**

### **Chapter 7. Findings**

#### **7.1 Introduction**

Chapter 7 provides the key findings of the research undertaken for Element Three, their relevance for the next ten years and where the research emphasis should lie. Where appropriate, an attempt is made to differentiate circumstances in 1994 from those prevailing in 2003.

As it turns out, most of the key findings are linked to the policy vacuum. As such they are relevant to the next ten years.

This exercise was undertaken in the context of the issues raised during the SMM consultation and the log frame processes. In the SMM report, the items that were considered are:

- Limited integrated development;
- Housing not regarded as an asset;
- Limited participation of the financial sector; and
- Underspending of housing budgets.

In the case of the log frame exercise, the desired results that were considered are cast as:

Development goal: People, especially those most in need, are living in sustainable human settlements.

Purpose: All role-players involved in housing effectively and efficiently render services and mobilise resources meeting progressively housing demands within the context of national priorities.

Result 1: Housing demands, as a result of accelerated informal urbanisation and rural agglomeration, are addressed by coordinated planning, funding and capacity building efforts at different spheres and sectors of government, under the leadership of NDoH and in consultation with DPLG.

Result 2: Government housing programmes respond to the needs of diverse groups of beneficiaries.

Result 3: Role-players, other than government, take on increased responsibility for meeting housing demands.

Result 4: The viability of the social housing sector is enhanced and sustained.

Result 5: Houses are regarded as assets in every conceivable way.

#### **7.2 Key findings**

The key findings can be classified as those that are already well known, those that are new, and those that present uncertainties that were unearthed during the research process.

##### *7.2.1 Household size and housing projections*

In the light of the household size and the sharp increase in the number of households identified in the census, and in the light of the effects of HIV/Aids, there are no projections of the future growth in the number of households. Neither the demand for housing nor the need for housing can be assessed in the absence of such projections.

This item is relevant for the next ten years and is a research priority.

#### *7.2.2 Conception of effective demand*

The conception of effective demand is fairly simple. It reflects what people want and can afford. However, effective demand is an inappropriate concept during periods of extreme hardship, which is especially the case with HIV/Aids and orphans. There comes a time when perceptions of need to replace a concern with demand.

This item forms part of the policy vacuum and is a research priority.

#### *7.2.3 Conception of housing "backlog"*

The calculation of the housing "backlog" produces inconsistent results and a scale of need that surpasses government's ability to meet the need. In contrast to the confidence of 1994, conceptions of the housing backlog are of little value.

This item forms part of the policy vacuum and is a research priority.

#### *7.2.4 Increasing unemployment and declining household incomes among those who qualify for the housing subsidy*

The housing options available to low-income families are increasingly constrained by declining household incomes. The deliberations of the National Housing Forum and the presumptions contained in the Housing White paper of the time were based on optimistic scenarios regarding improving household incomes. This has not proven to be the case and there is little possibility of seeking to implement international best practice housing programmes.

The possibility of creating sustainable settlements depends on whether people want to, and can afford to, live in the settlements. Declining household incomes delimits the nature of the settlements that can become sustainable.

The Department of Housing cannot address the causes of the issue alone nor exclusively through shelter provision and has to help resolve the effects inter-departmentally. This item forms part of the policy vacuum and is a research priority.

#### *7.2.5 HIV/Aids*

HIV/Aids was not a consideration in 1994 and, although there is now considerable attention to HIV/Aids, it has still to be provided for in the policies of the Department of Housing. Critical housing needs are emerging from HIV/Aids, especially in the case of orphans. It is clear that HIV/Aids represents a welfare issue, within which housing should represent a component of the welfare programme.

The Department of Housing cannot address the causes of the issue and has to help address the effects. This item forms part of the policy vacuum and is a research priority.

#### *7.2.6 Informalisation*

Along with declining household incomes and the demand for housing considerably exceeding the supply of subsidy housing, the cities are experiencing increasing informalisation.

This item forms part of the policy vacuum but, with so much known about how to manage the process, the needed research should centre on translating this knowledge into a South African context, especially on how the subsidy can be effectively used to support informal processes. How to manage the process is a research priority.

#### *7.2.6 Rental of backyard shacks*

It is a surprise that the census should reveal a declining incidence of backyard shack rental.

The validity of these findings should be researched. It is an important area of research, but as a research priority does not extend over ten years.

#### *7.2.7 Policy vacuum*

Issues that are central to the availability of shelter and an effective shelter policy are presently unexplored. The confidence of 1994 confronts the complexity of 2003, together with fewer resources to address the complexity.

### **7.3 The SMM and the log frame processes**

The fundamental difficulty with reviewing this report in the light of the SSM and log frame processes is that both are oriented to making the existing policy work better. A demand-led policy is a different policy, one not catered for in the two processes.

Then too, there is also the point that the results generated by both processes are at such a level of generality that they have little application to the research findings. This is in contrast to some of the detail to be found in the reports. For example, in the SMM report there is repeated mention of HIV/Aids, but it did not survive to the final stages of the report and is mentioned only once in the executive summary. There is no investigation of the validity of the conception of a housing "backlog". The log frame process did pay attention to HIV/Aids, but again this did not reach the final stages of the report. Like the SSM report, in the log frame report there is no review of whether there is any value to be attached to conceptions of the housing "backlog".

Indeed, it is difficult to imagine that the above key findings can be used to evaluate whether they have been sufficiently addressed in the key result areas. Even the 'remedial interventions' appear to have no link to the above findings. Again the problem of generality arises.

## **Chapter 8. Recommendations**

### **8.1 Introduction**

This chapter is intended to provide the recommended issues for research, suggested areas of policy development and the policy/legislation/mechanisms that should be assessed as part of the 2003 challenges, and provide a detailed commentary on policy shifts since 2000, the four strategic gaps identified by the SMM process, the five result areas in the log frame, and the broad policy directions indicated in the terms of reference.

As just mentioned, this demand-led policy review represents lays the basis for an alternative policy. The consequence has been that for most of the key finding there is a policy vacuum and that the findings represent the issues that should form part of the recommended research agenda.

### **8.2 Recommended issues for research**

All of the key findings present research requirements, albeit to differing degrees. Certain findings have their rationale in informing the policy vacuum and the possibility of revising the existing policy. These findings concern the concepts of effective demand and “backlogs”, how best to manage the process of informalisation and the implications of increasing unemployment and the strictures this imposes on housing policy and programmes. Other findings represent a gap in the understanding of what is needed for the availability of housing and also form part of addressing the policy vacuum. HIV/Aids is critical in this respect. Last there is a finding that is open to doubt and needs to be verified. This concerns the declining role of backyard shacks in housing rental. Whichever way the verification leads, the knowledge generated is important for the preparation of a revised housing policy.

### **8.3 Short and medium term areas of policy development**

It is suggested that the immediate area of research pertains to HIV/Aids. In the case of HIV/Aids, it is inappropriate to refer to demand. Housing needs arising from HIV/Aids must be central to the Department’s housing policy.

The processing of addressing the policy vacuum should begin in the short term. As part of this process, the following need to be addressed:

- The lack of credible household projections;
- The conceptions of effective demand and a housing “backlog”;
- How best to manage the process of informalisation;
- Clarity regarding the role of rental in backyard shacks; and
- The affect of declining household incomes on household options.

All of these items require either a change in, or an adaptation of, housing policy. Should housing policy be reviewed and a revised housing policy be out in place, then there will be implications for relevant legislation and mechanisms, but the implications will only become apparent in the light of the contents of, or the revisions to, housing policy.

### **8.4 Commentary**

#### *8.4.1 Policy shifts*

Government now talks of the desirability of moving away from a supply-driven to a demand-led housing policy and of using housing as a means of creating assets among

the poor. Certain recent initiatives may lead the way in this respect. The 'own contribution' initiative does filter out people who are disinterested in the RDP housing product and who do not qualify for the people's housing process.

But, at the same time, the lack of interest may reflect the nature of the housing product, for example, the minimum stand size and the location of the projects. Standardisation of this sort is inherently problematical, for example, when the upgrading of informal settlements is taken to mean participating in the people's housing process at locations that often are distant from the informal settlement and that disrupt social support networks. Ultimately, standardised products are intrinsically inimical to a demand-led housing policy.

In addition, government's recent initiative that bars beneficiaries of the housing subsidy from (formally) selling the product for a period of eight years presumes that government knows better than the poor do regarding what is in their self-interest and directly contradicts the conception of a demand-led housing strategy and the use of housing as an asset.

#### *8.4.2 Strategic gaps (SMM Report)*

The four clusters or strategic gaps emanating from the SMM process can only support or undermine the recommendations if they are accorded a significant role in determining the direction of housing policy research and if they are taken forward with a level of specificity that presently is not apparent from the four clusters. For example, if one reaches down to 'ADDENDUM 2: SUMMARIES OF WORKSHOP FINDINGS', then there is mention of the need to 'Review required of impact of HIV/AIDS on policy and instruments'. HIV/AIDS is seen as a crosscutting intervention, along with others<sup>21</sup>. Some aspects, such as HIV/AIDS or the urbanisation of poverty may have such fundamental implications for housing policy. The way the Department addresses these crosscutting issues, as well as the strategic gaps, will determine the extent of the reform required for policy to take us beyond 2003 into the next 10 years.

#### *8.4.3 Result areas*

Much the same considerations apply to the result areas. The log frame process paid attention to relevant institutions and planning "within the box".

#### *8.4.4 Broad policy directions*

Recent expressions of the desired direction of housing policy in favour of a demand-led housing strategy align with the Terms of Reference for Element Three. The desired policy direction is not to be found, either in substance or in practice. This report will contribute to filling some of that gap in how one might begin to conceptualise demand and what needs consideration for a demand-led strategy.

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<sup>21</sup> Awareness and communication, urbanisation of poverty, role of housing in urban/rural economy, capacity building/training are the other cross-cutting issues.

## **Annexure A. Latent, Expressed and Qualifying Housing Need in Gauteng**

### **Definition of Latent Need.**

The first filter is used to extract households from the general population who could be potential seekers of new housing due to factors of:

- Being currently inadequately housed in terms of both type of dwelling and overcrowding (measured in terms of number of households per unit)
- New household formation
- Hostel upgrading with associated de-densification which means that the upgraded hostels can no longer accommodate the numbers they used to
- Rental housing
- Servcon/Thubelisha bond housing where bond holders can no longer pay the repayments

Domestic workers who live in backyard accommodation have been excluded from latent need due to the assumption that their household need would be picked up at the place of their associated main household accommodation, with the result that it would be double counting to include them as a potential household seeking a house. Traditional units are not considered as inadequate housing and have thus also been excluded from latent need.

### **Definition of Expressed Need**

Expressed need is the proportion of the latent need that is likely to translate into a desire for housing

<b>Component</b>	<b>Description</b>	<b>Proportion likely to translate into desire (Default %)</b>
<b>Inadequately housed households</b>	"Over-occupancy" - more than 1 household per dwelling	70
	Inadequate housing structure	60 (informal/backyard shack), 80 (informal/shack elsewhere), 100 (caravan/tent), 100 (none/homeless)
<b>New Household formation</b>	Life-cycle stage reached when may be needing a separate house	40
<b>Public Rental housing right-sizing</b>	Rental transfers of Council-owned units into private ownership	100
<b>Servcon/Thubelisha right-sizing</b>	Bond defaulters who now require subsidised housing	100
<b>Hostel upgrading</b>	De-densification as part of upgrading results in too few upgraded units to accommodate all original occupants who then need new accommodation	70

The default proportions used to convert the latent need to expressed need were obtained by means of a project team workshop where the percentages were debated and agreed upon based on experience of municipalities. It is generally lower than a similar application by the National Department of Housing.

**Definition of Qualified Need**

Qualified need is the proportion of the expressed need that will qualify for housing subsidies. . According to Province, 27% to 33% of those that want subsidies will not qualify, so a default of 26% is applied.

The composition of latent need is as follows.

<b>Component</b>	<b>Description</b>	<b>Measure</b>	<b>Calculation</b>	<b>Data Source</b>
Inadequately housed households	"Over-occupancy" - more than 1 household per dwelling	Household dwelling occupancy	No. of households - No. of dwellings	1996 Census updated to 2002 using DIB growth rates
	Inadequate housing structure	No. households per inadequate dwelling type	Sum of: Hhlds in informal/ shack in backyard, informal/ shack elsewhere, none/homeless, caravan/tent	1996 Census updated to 2002 using DIB growth rates
New Household formation	Life-cycle stage reached when may be needing a separate house	No. of new households formed	No. of people in age group 20-24 divided by 2 (need at least two to form one household)	1996 Census updated to 2002 using DIB growth rates
Public Rental housing right-sizing	Rental transfers of Council-owned units into private ownership	Rental stock to be transferred	No. of rental units (less old age, welfare, hostels, employee – assume 30%)	MHDP Status Quo
Servcon/Thubelisha right-sizing	Bond defaulters who now require subsidised housing	No. of defaulters	No. of defaulters	NDoH
Hostel upgrading	De-densification as part of upgrading results in too few upgraded units to accommodate all original occupants who then need new accommodation	No. of pre-upgraded hostel hhlds accommodated less the no. of post-upgraded hhlds	The difference between the original number of hhlds accommodated in hostels and the no of hhlds accommodated in upgraded hostels. Beds are converted to hhlds using a factor of 4 beds per hhld.	MHDP Status Quo

The default proportions used to convert the latent need to expressed need are shown in the following table.

<b>Component</b>	<b>Description</b>	<b>Proportion likely to translate into desire (Default %)</b>
Inadequately housed households	"Over-occupancy" - more than 1 household per dwelling	70%
	Inadequate housing structure	60% informal/backyard shack 80% informal/shack elsewhere 100% caravan/tent 100% none/homeless
New Household formation	Life-cycle stage reached when may be needing a separate house	40%
Public Rental housing right-sizing	Rental transfers of Council-owned units into private ownership	100%
Servcon / Thubelisha right-sizing	Bond defaulters who now require subsidised housing	100%
Hostel upgrading	De-densification as part of upgrading results in too few upgraded units to accommodate all original occupants who then need new accommodation	70%

The qualified need is the proportion of the expressed need that will qualify for housing subsidies. This proportion is applied as an average applicable to whole province. According to Province, 27% to 33% of those that want subsidies, will not qualify. By applying a default of 26% of non-qualifiers, the Qualified Need totals are as follows:

<b>District/Metro Council</b>	<b>Expressed Need</b>	<b>26% Non-qualifiers</b>	<b>Qualified Need</b>
Ekhuruleni MC	176 223	45 818	130 405
Tshwane MC	86 800	22 568	64 232
West Rand DM	56 852	14 782	42 071
Metsweding DM	19 203	4 993	14 210
Sedibeng DM	96 543	25 101	71 442
<b>Gauteng</b>	<b>675 436</b>	<b>175 613</b>	<b>499 823</b>

## **Annexure B. National Spatial Development Perspective (NSDP)**

The consulting team have been asked to look at the implications of the NSDP for the demand for housing and the location thereof. It is argued below both that it is likely to have little, if any, impact.

It is intended that the NSDP should be used to 'focus the bulk of fixed investment of government on those areas with the potential for sustainable economic development.' (p. 4) Such areas are contrasted with, for example, large centres whose economic basis has declined and small towns in rural areas. The perception is that people living in them are 'currently "locationally disadvantaged"' ... (p. 27). Thus while the location of investment intended 'to address past inequalities should focus on people and not on places. ... In localities with low development potential, "government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market intelligence."' (p. 22)

The intention underlying this text is that while the basic needs of persons should be met, the skills of people should be enhanced and so too should their knowledge of employment opportunities. In other words, the objective is to promote a more mobile labour force and relative de-population in areas with little development potential.

In this light it would seem irrational to invest in housing in such areas. In this regard, when in the NSDP there is repeated mention of the need to provide basic services, it is assumed that this includes housing that is the main conduit for funding for basic services. This accords with government's constitutional obligation in this regard, but this itself creates difficulties. For what is one to make of the Northern Cape whose population is declining while the number of households is increasing?

Then too, there is the possibility that what people want may conflict with the underlying premises of the NSDP. An example is the construction by households of substantial houses in rural areas without a subsidy being available. Although the scale and rationale of this phenomenon have still to be fully explored, the phenomenon should give rise to some reflection.

A most positive feature of the NSDP is that it makes provision for social grants "people, not places", which is important given the fact that the multiple livelihood strategies of low-income households often involves members of families locating in small towns, and also that the impact of HIV/Aids also often those stricken returning to areas where there is family and community support.

Nonetheless, the intended role of the NSDP is implausible when it comes influencing the location of investment in housing and related services.

One reason for this is that the intention to steer government investment to areas with economic potential presumes that government is able to do so. The context for government expenditure on housing and services, in particular the housing subsidy and the Consolidated Municipal Infrastructure Programme, is that of government's inability to spend the funds available. Resources flow to areas that have the capacity to apply for funds and to implement projects. The distribution of housing subsidies around South Africa, especially the allocation to many small towns in rural areas, suggests that capacity and areas with economic potential are not fully aligned.

The second reason is that the NSDP is based on a concept long familiar to planners in South Africa, namely urban insiders and rural outsiders. This leads to a process of assigning development categories to regions within the national economy. But aside from the former "homelands", the spatial impacts of apartheid are most dramatically revealed in urban areas. Development potential within the large, newly demarcated

municipal borders is highly spatially differentiated, and in some there areas that are integrated into the global economy and others areas that constitute isolated pockets of poverty. This means that IDPs have to reflect the vastly different development potentials and economic and social conditions within their borders. In other words, the attempt to reverse spatial apartheid needs to be more fine grained than that envisaged in the NSDP.

The third reason is that 'The NSDP is an indicative guideline that will encourage creative interaction and co-ordination between department and spheres of government. It will function as the basis for discussion and negotiation.' (p. 38) This wording is indicative of a perspective (not even a strategy) that has little "muscle" and, for that reason, one that will easily promote seeming consensus among national departments.

The fourth reason is that rather than encourage cooperative governance, the greater likelihood is that the NSDP will promote conflict. For example, when investors sought to invest in Ermelo, the provincial economic development agency re-directed the investment to an area targeted within the spatial development initiative programme. At the same time, Ermelo was most particularly at obtaining housing subsidies. The contradictions are self-evident and the conflict that arises entirely predictable.

In principle, a NSDP makes sense, although the substance of a NSDP is open to debate (Cross, 2001). In practice, the NSDP in its current format is unlikely to have much of an impact on the location of investment in housing. Were it to do so, and were the consequences to deprive households in certain areas of a housing subsidy, it is believed that this will run counter to the constitution.

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