


# Policy Approaches in Affordable Urban Housing for Low-Income Earners

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## ABSTRACT

This study provides a variety of theoretical approaches that have been used worldwide in the provision of affordable housing for low-income groups in society. Most housing initiatives for low-income groups have failed because of a lack of a systematic administrative and legal framework with little involvement of the beneficiaries. One of the reasons for such failure has been a communication gap between beneficiaries and the housing providers. In most countries, banks and formal housing agencies do not have adequate knowledge about the financial ability of the urban poor. This means that the low-income urban households are excluded from benefiting. Therefore, this study focuses on four main policy approaches that have been used by stakeholders in the provision of urban housing. These are statist, World Bank, mixed social market, and collaborative policy approaches.

## KEYWORDS

Affordability, Collaborative, Decent Housing, Low-Income, Mixed Social Market, Policy, Statist, Urban Housing, World Bank

## INTRODUCTION

A number of previous researches on affordable housing experiences across the world provide a generalized understanding of various policy approaches that have been used in the provision of affordable and decent housing to low-income households (Bater, 1979; Kabir, 2012; Heywood, 2011). These approaches included state interventions in communist and post-communist states, welfarism in Eastern and Central Europe, market interventions and social approaches in western European countries, and market approaches in America and Asia. It can be argued that these policy approaches vary across developed and developing countries. In most developing countries the most policy approaches are targeted toward low-income urban households. Most of the countries have revised their approaches to cater to the changing needs and priorities of low-income urban households and the increasing demand for urban housing. Relying exclusively on state interventions has failed in some countries while market-based approaches have also failed in other countries (Heywood, 2011). Most African governments have partnered and collaborated with the private sector and Non-Governmental Organizations (NGOs) in the provision of decent and affordable housing. These

collaborative approaches have been hailed as they involve all the stakeholders with an interest in urban housing and the urban poor (Heywood, 2011).

Kabir (2011) has argued for the involvement of the consumers in low-income housing project implementation. She argued that lack of community participation affects people and the target groups in the planning and implementation phases. Lack of community participation acts as a barrier to gaining access to housing projects for the targeted groups. Kabir (2011) mentioned that for housing projects to be successful there is a need to promote networks that will help low-income people to enter into the projects and have a sense of security. Thus both Nahiduzzaman (2012) and Kabir (2011) argued that most policy approaches to current practices on housing do not meet the real needs of the low-income urban households. They argued that there is a need to come up with innovative ways to ensure collaboration and coordination among various housing stakeholders and the beneficiaries.

Beneficiary participation in housing projects is considered an important factor for better project outcomes and empowerment of marginalized communities (UN-ECOSOC, 2007). In most countries, there are two broad strategies to affordable housing provision. These are *Universal* and *Targeted* (ADB, 2009). The Universal approach mainly includes the welfare nations such as Sweden, The Netherlands, Denmark, and Singapore. These aim to provide affordable housing to all people. Targeted approaches assume that the market plays a primary role in housing provision and therefore special programs should be implemented to address the needs of the low-income or vulnerable groups excluded from the market distribution system. Countries that have used the targeted approach include Canada, Malaysia, the United States of America, and the European Union. Within these two approaches, there are set policies for making housing accessible and affordable to low-income earners. These policies can be supply-side, demand-side, or a combination of both. The supply-side policies aim to augment housing supply whereas the demand-side policies consider increasing the affordability of people to rent or own houses (ADB, 2009). The intensity and form of state involvement depend on the broad strategic goals of the government.

## HOUSING AFFORDABILITY

While there is no single agreed definition of housing affordability, the term refers broadly to a person's ability to pay for their housing (O'Flynn, 2011; Bujang et al. 2010). It is a tenure-neutral term. By this, it means that it relates to both home-ownership affordability and rental market affordability. In this study, however, the term is used within the context of homeownership affordability. According to Gabriel et al. (2005), one of the most helpful statements about what housing affordability entails was provided by MacLennan & Williams (1990) who argued that; affordability is concerned with securing some given standard of housing (or different standards) at a price or rent which does not impose, in the eyes of some third party (usual government), an unreasonable burden on household incomes. O'Flynn, (2011) considered housing affordability as an expression of the social and material experiences of households, in relation to their individual housing situations. Affordability expresses the challenge each household faces in balancing the cost of their actual or potential housing, on the one hand, and their non-housing expenditures, on the other, within the constraints of their income. Yates et al. (2007) define affordability as the notion of reasonable housing costs in relation to income that is, housing costs that leave households with sufficient income to meet other basic needs such as food, clothing, transport, medical care, and education.

Affordability is, therefore, expressed as the relationship between housing expenditure and household income and establishes a standard in respect of which the amount of income spent on housing is deemed unaffordable. The standard is defined in terms of an absolute residual income once housing costs have been met, or as a ratio measure specifying the acceptable proportion of household income to be spent on housing. It is difficult to have a precise definition of housing affordability. Incomes and expenditures on houses vary among the political and socio-economic contexts of different countries. The housing affordability problem starts where urban populations

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