

FEATURES

Urban Housing for the Low Income Groups

C. H. de Tissera and S. Ganesan

With the new emphasis on housing and the recent decision to build 100,000 housing units over the next six years to ease the current shortage the issues connected with the housing problem assume greater urgency. Both C. H. de Tissera and S. Ganesan who worked with the former Ministry of Housing and Construction, and who are now abroad, presented the results of this study at a session of the SLAAS in December 1976 and sent us this article based on their study. Their views are of much relevance in the present situation, particularly their references to the pitfalls of earlier policy from which present planners could benefit. They emphasise, however, that if significant results are to be achieved in housing policy it must be accompanied by real growth in incomes and employment.

Urban development is a process closely integrated with national economic development. Urban housing development takes place within this context. Over 40 per cent of the housing stock in urban areas belong to the categories of semi-permanent and temporary houses. The number of such houses is steadily increasing. Planners are aware that the deteriorating urban housing situation of the low income groups is a reflection of some of the conditions of their living, of which, the following can be easily identified:

- (1) Continuing low per capita incomes,
- (2) Increasing unemployment and under-employment trends,
- (3) Increasing cost of living,
- (4) Escalating land prices and construction costs.

The data presented in Table 1 illustrates the co-relation between the deteriorating urban housing conditions and the adverse trends in employment, in incomes, in the cost of living and in costs of construction during a period of two decades. Clearly, the development of housing should be integrated with an overall urban development plan, which in turn should be accommodated within a viable national economic plan.

Before one attempts to develop a planning strategy, particularly in regard to the development of resources, it is worth reviewing the broad trends in the past on this question. Past trends can be categorised into three. The first has been to ignore the problem or not to see it. The second has been

to promote substantial resources into urban housing programmes but confine the benefits to the affluent sections of the urban community. This was often simply dictated by the character of the existing financial, administrative and economic institutions which could not touch the problems of the lower income groups, even where a favourable political commitment towards such groups apparently existed. Under this strategy they have often burnt slums and thrown the occupants out or tried to re-plant them elsewhere. Slum lands once cleared are used for upper class houses or commercial purposes or for entertaining tourists. However, most of these slum dwellers trickle back to other or new slum locations adjoining their former premises, thus aggravating the overall problem.

The trend is to make a serious effort to deal with the low income sections of the urban community particularly those who are productively employed. Under this strategy, planners have diverted considerable resources for the benefit of the low income groups but these resources have been found to be totally inadequate for anything beyond touching the symptoms and making "a dent into the problem". The current urban strategy in Sri Lanka can be broadly identified under the third trend. Even when a successful effort is made to solve the housing problem of a section of the urban poor, the overall social benefit from such an effort is limited partly because the rest of the economy does not at the same time make its contribution towards solving their problems. Shel-

ter after all is only one of their problems. This is the case of people from the slums who are rehoused in flats. A case study of this problem is dealt with later.

Resources

Is substantial investment in housing, particularly into low income urban housing, compatible with national development in a developing country like Sri Lanka? The case against investment in housing in general hinges on a single tenet — alternative claims on scarce resources (both monetary and non-monetary) are more beneficial to the economy as a whole. A standard house for Sri Lanka can be designed and built without drawing scarce non-monetary resources from other sectors of economy. People in developing countries are prepared to save for investment in housing, which they are not prepared to do for other forms of investments. Indeed, there emerges a strong case for government policies towards stimulating investments in housing. For this purpose, one must develop a dual strategy of a correct technology for the housing sector coupled with an effective savings mobilisation programme. However, the mobilisation of savings is normally possible only in respect of house-holds who are able to pay for their houses or pay back their loans. A majority of the urban population are in the low income groups. They cannot be willing and able partners in such a strategy. This takes us to the crucial question of subsidies and the degree to which the State can subsidise. There are alternative uses to these subsidy funds. There is also a limit to these subsidies, imposed in practice by the taxing system.

When these questions are considered in depth, it becomes clear that the urban low income housing problem can be treated only by developing an interated strategy covering the three areas of —

- (1) Urban employment creation,
- (2) Income re-distribution,
- (3) Provision of a basic need — shelter, to a large part of the urban population, at least to those who are productively employed though at low incomes.

TABLE I
ECONOMIC FACTORS INFLUENCING URBAN HOUSING STOCK

Year	1953	1963	1971	1975
All Sri Lanka Population m.	8.1	10.6	12.7	13.6
Per capita income (Constant 1959 prices) Rs.	620	650	670	820
Unemployment Nos.	n.a.	230,000	550,000	n.a.
Percent of workforce	n.a.	7.5	13.9	n.a.
Income per income receiver per month (current values) Sri Lanka Rs.	105	135	145	n.a.
Urban only Rs.	n.a.	n.a.	257	n.a.
Urban Areas Population m.	1.2	2.0	2.8	0
Unemployment Nos.	n.a.	60,000	116,000	n.a.
Percent of workforce	n.a.	9.7	17.8	n.a.
Housing No. of semi permanent and temporary houses	67,000	122,000	164,000	n.a.
Percent of total stock	15%	38%	39%	n.a.
Cost of living index (1952=100)	101.6	108.8	141.9	198.3
Poverty line of monthly income for new house building	105	160	210	300
Percent Urban income receivers below poverty line	n.a.	n.a.	51	n.a.

Note: 1. Unemployment recorded is for the age group 15 — 59.

2. Figures given for unemployment against 1971 are obtained from the Socio-Economic Survey for the period 1969/70. Subsequently urban unemployment has been reported at 223,000 or 23% of the Urban work force in 1971.

National unemployment has been estimated at 749,000 or 18% of the national work force for the same year. Source No. (1) below.

Sources:

1. *Census of Population 1963 and Volume 2 1971; and Socio-Economic Survey 1969-70. Department of Census and Statistics.*
2. *Consumer Finance Survey 1963 and Annual Reports of Central Bank of Ceylon.*

The amount of immediate subsidies can be minimised by

- (1) regulating urban land prices
- (2) constructing low rise buildings instead of high rise structures wherever this is possible and
- (3) promoting site and services schemes, aided self-help housing schemes, and providing land security.

It is also worth noting that no other investment would maximise urban employment creation to the same extent as housing investment. It is also becoming clear that in

our present economic state in Sri Lanka the expansion of the housing sector, including servicing the urban low income sector, may be a key to making optimal use of labour and also other indigenous resources freely available. The development of housing and other sectors of the national economy are also not mutually exclusive.

Analysis of Specific Problems

The magnitude of the housing problem of the lower income groups in the urban areas is of such a proportion that development of a

comprehensive strategy is a complicated one. Statistics for the period 1961-71 reveal that this group of people had put up about 8,000 semi-permanent and temporary houses each year. This was probably less than half of their minimum requirement. There were a few permanent type houses put up by them. A large portion of the houses put up did not meet the minimum hygienic standards. In this background, the task faced by the Ministry of Housing and Construction was enormous. At least around 15,000 units of acceptable standard had to be constructed directly or substantial assistance provided for their construction. The resources available to the Ministry of Housing and Construction were less than Rs. 25 million in 1970. This was just about doubled to Rs. 50 million per year approximately, by 1976. It was necessary to make optimum use of these resources and distribute the most benefits to the largest number of families possible. This was attempted through several approaches, of which the following are noteworthy.

- (1) Developing standards for minimum space requirements, Standard types of houses A, B and C having floor areas of 300, 500 and 700 sq. ft. respectively. At present most of the houses built are of 500 sq. ft.
- (2) Optimum use of land, with due regard for availability, location, cost, etc. For example, in the Wekande Scheme, 114 units were constructed in land in extent 0.75 acre at a density of about 150 units per acre. On the other hand, in outstation Schemes, the number of units per acre were sometimes as low as 5.
- (3) Development of the Aided Self Help Housing Programme. The cost of building a unit was around Rs. 5,000, mostly for the purchase of materials. Labour was supplied by the prospective occupants on a self help basis.
- (4) Formulation of a comprehensive strategy both in the field of policy making and implementation by means of type plans, materials, architectural services and loans to home builders, cooperative housing, low cost housing research, development of building sites with services etc.

TABLE 2

PUBLIC SECTOR INVESTMENT INTO NEW HOUSING (DIRECT CONSTRUCTION AND LOANS FOR PRIVATE HOUSING)

Year	Rs. (M)	No. of new units
1971	45	3,800
1972	51	3,900
1973	72	7,100
1974	86	8,400
1975	79	10,500

Note:

This includes direct construction under the National Housing Department and Houses constructed by individuals with the assistance of loans granted by the following institutions:—

1. National Housing Department
2. National Savings Bank
3. People's Bank
4. Bank of Ceylon
5. State Mortgage Bank
6. Insurance Corporation of Sri Lanka
7. Loan Board
8. P.S.M.P.A.

In addition, during the period 1971-75 these same institutions have provided a sum of nearly Rs. 9 M for repairs and extension work on approximately 30,000 units.

Review of Housing Policies

Housing policies and activities in Sri Lanka in recent years have been reviewed by Dr. Joachim and others in the *Economic Review* (August, 1976); here, current policies and the institutional framework for implementing them are also discussed. Broadly, the efforts of the Ministry of Housing and Construction since 1970 can be classified under two categories.

- (1) Those dealing with improving the conditions related to the existing stock of houses.

(2) Attempts to increase the housing stock through construction.

A number of far reaching legislative measures covering rent control, protection of tenants and ownership of houses and maintenance of houses have been adopted together with the establishment of the necessary institutions for implementing them. Resources have been diverted on a significant scale for direct construction and also for construction of houses through aided self help housing pro-

grammes, through loans to individuals, incentives to private developers, through tax concessions for investments in housing and through development of the building material industries.

Actual Performance 1971 - 1975

Table 2 presents data on the contribution of the National Housing Department, the leading banks, etc. towards construction of new houses during this period. Their contribution is of the order of Rs. 65 million per annum, for the construction of nearly 7,000 units. A significant part of this effort is through the system of loans for house building. A loan-recipient often supplements the loan provision by borrowing from other sources together with his own private savings. A majority of the above houses are in urban areas. This represents a significant share in all new urban houses built. The average number of permanent housing units constructed in urban areas each year for the period 1966-1971 is around 7,700 (Housing Census 1971). The number of "permanent" houses constructed each year during the years 1966-1971 through out the country was reported by the same census as about 26,000. Data on private sector house building activities during this same period are not yet available. However, it is clear that the direct contribution of the State to urban house building during 1971 - 75 is indeed significant.

Planning of Housing Schemes

From Table 3, a wide variation in unit cost as well as in density in different types of housing schemes can be noticed. The Table also indicates the substantial investment required to house a low income family, particularly in multi-storey flats, in land - scarce localities. However, in the Wekanda Housing Scheme the land cost per unit was only Rs. 3,500/- while a perch of land alone cost Rs. 3000/- indicating a benefit from high density housing. The relation between density, land cost and construction cost for single storey - multi storey construction is a complex and constantly changing one.

Review of Special Problems

Space permits us to review only two problem areas, where a cost benefit evaluation in an isolated fashion is certainly not to be

TABLE 3
UNIT COST OF URBAN LOW INCOME HOUSING

Name of Scheme	Date of commencement of construction		Gross floor area per unit sq. ft.	No. of unit per acre	Cost of const. & services per unit Rs.
1. Wekanda (5 storey)	August 1971		320	152	14,800
2. L.C.H.S. Maligawatta Stage I (Single storey)	July 1971		385	53	7,900
3. Madiwela Stage I - Aided Self Help (Single storey)	August 1973		250	15	3,900
4. L.C.H.S. De Soysa Pura (2 storey)	April 1973		300	47	8,600
5. Sanchiarachchige Stage I & II (5 storey)	February 1974		535	60	32,200
6. Wanathamulla (Single storey)	July 1971		320	38	8,500

recommended:

- (1) Slum clearance.
- (2) Recovery of investments in urban low income group housing.

Data on the response to a slum clearance effort of the Ministry of Housing and Construction in Sirimapura in Colombo during 1971-73 shows that the cost of resettling a family in this scheme was around Rs. 9,000/-, yet a number of families in this scheme remain dissatisfied on some account or other. However, all the families surveyed in this scheme appreciate the better sanitary conditions and environment which the slum clearance effort has provided them with. Dissatisfaction

There is a sharp increase in construction cost (excluding land) as people are housed at higher elevations. For example the cost of a sq. foot of "living" area in a multi-storey complex can be 100-200% more than that in a single storey house. A criticism on this basis is justified. But, quite often, in practice, the number of storeys is determined by availability and cost of building urban land. If the concrete staircases are found to be dirty or if building fixtures are missing, in high-rise flats, can the community conditions of similar people in single storey slums be any better?

The second is the vexed question of recovery of investment on

are used to the maximum possible extent in the design and construction of these houses. It has been shown that nearly 75% of the cost of construction of conventional type houses is generated as wages for people employed in the construction, the building materials and the ancillary industries. By appropriate designs, the foreign exchange content can be reduced to the level of 5 to 10% for urban housing. This is discussed in some detail elsewhere (Ganesan, 1976). Besides, one must evaluate the return on this investment in terms of the broad strategy for urban low income housing which was spelt out earlier.

TABLE 4
RECOVERY OF INVESTMENT IN LOW INCOME HOUSING

Type of Dwelling	Urban low income multi-storey Wekanda H.S.	Urban low income single storey Maligawatta Stage I	Aided Self Help low income Hendala Hekitta	Aided Self Help middle income Kalubowila
Actual Case				
Investment per Unit				
Land Rs.	2,600/-	Crown	4,400/-	6,000/-
Construction Rs.	12,500/-	7,900/-	1,400/-	10,200/-
Principal occupant's monthly income	160/-	310/-	150/-	350/-
Monthly Recovery Rs.	40/-	40/-	15/-	15/-
As a % of monthly income	25	13	10	21
Recovery Rate	3.4%	6.0%	3.1%	5.5%

Note: The rates may be compared with the interest rates charged on loans granted by the National Housing Department given below:

Upto	4,000/-	6%
Upto	10,000/-	6%
Upto	15,000/-	7%
Upto	40,000/-	9%

arises from their inadequate incomes to pay even the subsidised rental as well as from the limited living space. Ideally then any effort to improve the housing conditions of the slum dwellers should also be accompanied by national economic upliftment. But this position does not in any way negate the validity of and the benefits arising from any effort to provide better environment to slum dwellers through similar projects provided these are undertaken within a rational regional development plan.

It is worthwhile mentioning that recent criticisms by sociologists and others, both here and abroad, of high-rise housing construction are not well balanced.

urban low income houses. Heavy and recurring subsidies are likely to interfere with any attempt to increase and maintain investment in low income housing at a high level within the present context of Sri Lanka. Table 4 indicates that the recovery rate is in the region of 3-6%. In multi-storeyed low income flats located in the more populated districts of Colombo, the recovery is around the lower limits. In financial terms this amounts to a substantial subsidy. However, in terms of real non-monetary resources, this can be looked upon largely as valuable capital formation, if one ensures that the hitherto unused labour and local raw material resources

Significant efforts have been made during the period 1971-75 in the area of urban low income housing. Such efforts would be more beneficial if they are simultaneously associated with real, national growth in the areas of employment and incomes. In the present situation one is justified in continuing to make investment in urban low income group housing, despite the element of subsidy involved. The benefits from this policy are numerous. Perhaps, the most important are the economic benefits from the construction process itself.