Housing Subsidy Criteria and the Housing Backlog in South Africa

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Housing backlog in South African Housing rhetoric, which refers to the persistent shortfall in housing delivery, seems to have come to stay despite various government interventions to overcome its occurrence. As a targeting tool the subsidy criteria is falling short in reaching the intended poorest of the poor as spelt out in the Housing White Paper. The initial Reconstruction and Development Program (RDP) of 1994, the Breaking New Ground (BNG) initiative of 2003, have

The paper argues that the current housing subsidy criteria is falling to efficiently reach the poorest of the poor and more alarmingly creating an exponential growth in the housing backlog. The paper starts out by review the intention of South African Housing Policy. It then outlines a theoretical framework based on Beckerman’s targeting scheme, household life cycle, and structure. Within this framework the housing subsidy selection criteria is discussed, and argues that the selection criteria, while careful not to subsidies individuals more than once, has loopholes which allows for ‘beneficiaries’ to become primary applicants over time. An empirical survey is carried out in the Umhlathuze Village North of Kwazulu Natal using the questionnaire, interviews with municipal housing officials.

The paper concludes by calling for a review of the selection criteria by clearly defining target group, and developmental vision for the state funded human settlements.
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Introduction

The right of every South African to access adequate housing is enshrined in section 26 of the South African Constitution. Meeting this target has been one of the obligations of the state, especially in post-apartheid years (Wilkinson 1998). The initial Reconstruction and Development Program (RDP) of the first democratically elected government in 1994 took on the task and made huge strides ‘investing R29.5 billion in state assisted housing and delivering 1.6 million housing opportunities in the first ten years in office’ (DoH 1994). The concern was not only to address what officially is termed as inadequate shelter in form of squatter settlements and hostel accommodation (Wilkinson 1998), but also to reduce the ‘housing backlog’ reported as 1.5 million urban informal units in 1994 (DoH 1995). The DoH reported that delivery of urban informal housing units reached a level in excess of 120,000 units per annum over the three year period prior to 1995.

The debates have since shifted from the quantity to quality in the last decade when the Breaking New Ground (BNG) policy was put in place in 2004. The BNG pinpointed some unintended outcomes of the housing policy which included the increasing housing backlog; slowdown in delivery; poor quality products; lack of community participation; corruption and maladministration; and the continued growth of informal settlements (Tissington 2011). The BNG policy was however met with critics from some sectors, and soon after in 2009 the Department of Housing was reshaped and took on the name Human Settlements. All these efforts by the government were aimed meeting the mandate of the constitution ie the right to access adequate housing for all. However the housing backlog persists and it is estimated that by 2016 an amount of R253 billion will be needed to clear the housing backlog (DoH 2007). The DHS reports that ‘the backlog has grown exponentially since 1994, and continues to grow due in part to household structure, rapid urbanization, migration to the cities and large towns, lack of opportunities in rural areas, structural unemployment, more households falling into the subsidy income band and less access to housing finance (DHS 2009). This prompted the then Human Settlement Minister Tokyo Sexwale to express concerns that it is not the states intention ‘to create a beggars culture….but the states effort are just a safety net for the poorest of the poor, but cannot go on forever’ (Tokyo Sexwale 2009).

This position paper argues that continuing with the current housing subsidy qualification criteria is leading to the exponential growth of the demand for state funded housing and a review of the housing subsidy qualification criteria in South Africa is long overdue. The efficiency of the qualification criteria is therefore question in real terms as to where it is reaching the targeted poorest of the poor as spelt out in the policy document. A target efficiency analysis model is discussed alongside the definition of poverty, household characteristics and household cycle models. In order to understand the impact of the subsidy criteria on the housing backlog, a field survey is conducted using interview and focus group discussions with residents of the Umhlathuzi housing village in Northern Kwazulu Natal. Respondents were asked how they were able to access their dwelling unit. This settlement was chosen as it was one of the housing settlements rolled out in 1996 post apartheid. Interviews were also conducted with housing practitioners in the local municipality. The research reviews the housing subsidy criteria and discusses the subsidy qualification criteria, outlining various impacts on the number of households that are eligible for state housing assistance. A literature review of past housing policy and strategic policy objectives is undertaken alongside other housing documents.

South African Housing Policy

Internationally, the purpose of Housing Policy is to allow the largest number of families, or ideally every family to obtain a suitable dwelling in terms of location, quality dimension and price (Iommi 2009). It acknowledges the importance of housing as a primary asset, in terms of their qualitative characteristics (location, dimension, state of preservation, facilities, equipment, etc.) and economic burden have strong repercussions on the quality of life and household budgets (ibid). Housing policy statements in line with the UNMG recognizes the right of all to access adequate housing in individual country context. While this is the case in South Africa Housing policy has also been used as a political tool.
Historically housing policy in apartheid South Africa was used as a systematic tool of control and racial segregation. Efforts in state housing were reported to be in response to ‘plague spots’ and ‘half hearted’ initiatives at housing the targeted group ie the segregated African group (Wilkinson 1998). Post 1994 housing policy has been used as a political tool to win votes by targeting much the same segregated African group who now constitute the poorest of the poor. So while the right to access to housing is of concern, the approach was a continuation of the housing policy of the apartheid era and focus was on clearing the over 1.5 million urban housing backlog created by the apartheid government. With little (or no) redefinition and appraisal of the housing problem towards a strategic approach, the same housing typology and settlement patterns of the apartheid era have been carried through to the post apartheid era (Frescura & Riordan 1986). The use of housing delivery as a political tool was evident at the onset of democracy when focus was on quantity of units delivered with little regards for qualitative characteristics as described above.

**Target efficiency Measurement**

The target efficiency scheme developed by Beckerman in 1979 is a means of measuring efficiency of targeting with regards to allocation of income allowances to fight. Iommi (2009) explains how this model measures the impact of assistance on the levels of poverty, thereby indicating if the assistance either from (private or public sector) shifted poverty levels from a relative point to a predetermined acceptable point. Beckerman’s scheme allows for measuring not only efficiency of policy intervention but also the effectiveness (Iommi 2009).Iommi further explains that efficiency is based on a predetermined poverty line related to the context to which it is apply. The scheme supposes that a state assistance can assist four types of beneficiaries:
- Those who are beyond the relative poverty line
- Those pass the relative poverty line thanks to the state assistance
- Those who reach the relative poverty line thanks to state assistance
- Those who do not reach the relative poverty line in spite of state assistance.

The definition of relative poverty is key in measurement of targeting efficacy and efficiency. Relative poverty is the falling behind by a certain degree from the average income and life style enjoyed by the rest of society where one lives (Townsend 1979, Davidson 2002). It recognizes that income and consumption are necessary but not adequate measures in defining poverty (World Bank 1990). Unlike absolute poverty which refers to the inability to meet basic needs over a period long enough to endanger life, relative poverty measures a level in relation to that of others. Beckerman’s tool for measuring efficiency therefore requires this relative poverty line and measures levels of improvements based on the improved expenditure of the household.

**Household and Household life cycle**

The Statistics South Africa manual for OHS 1996 defines a household as consisting: “of a person or a group of persons who: eat together and share resources; and normally resides at least four nights a week at the specific visiting point “the survey however did not include live in domestic workers as part of the households (statistics SA1996).”

In the debate on household headship organised by the Stats SA, it recognises that all the above definitions of household (and family) are messy. One problem with this definition is the possibility of multiple household memberships by a person who shares the pot in more than one unit. This would include, for example, a polygamous situation when one male shares one wife’s pot the one night, another wife’s pot the following, and so on (Stats SA 1996).

Each household grows and evolves with changing household members and changing relationships between members (Wilkes 1995). It sees the typical household changing from familism to careerism and then to consumerism (Kahn 1971), or as otherwise described follows a typical development path leading from a single young adult stage through marriage or co-habiting and having children to the single elderly state (Neulinger, Simon 2011). This model has been acknowledged as a theoretical framework which does not always exist in the real world. It ignores the extended family notion of more than one nuclear family living under one roof therefore making up a household. The October Household Survey (OHS) of census 1995 most (73%) of all children under seven years said to be
living with neither parent were reported to be the grandchild of the household head. Thus a household may not necessarily evolve from the familism to the careerism and then to consumerism, but remain at one development stage over generations. For instance where the household is close to a place of employment opportunity, those that are given the privilege to stay there will be those who can gainfully get employed and thus others will be relegated to other homes away from the city, ie if the option exists.

While it can be argued that housing has both micro and macro economic benefits, if it fails to meet its target it remains an inefficient tool according to Beckermans efficiency scheme. At a macroeconomic level, housing has the ability to improve productivity of those employed and on the long run improve GDP. At a micro economic level it provided construction workers with income and an opportunity for households to picking up skills during the construction stage. But in the delivery of housing at scale, does not allow endeavors such as inclusion of sweat equity in subsidy qualification criteria to be sustainable. Root and Wahira (2009) argue that engagement of beneficiaries in the construction of their own homes does not necessarily make then employable in the construction industry. As such they remain unemployed citizens who have no means of improving the GDP, nor are they given the opportunity of employment elsewhere as was the practice of old in poorer communities (Rapoport, 1969, Frescura 1998).

The Housing Subsidy Criteria

The qualification criteria for accessing housing is outlined in the revised National Housing Code as follows

- The individual must be a South African citizen
- Competent to contract ie Must be 18 years of age
- Not yet benefited from government funding
- First time property owner; Never owned a property before
- Must be married or living together with a dependant
- Must monthly household income not exceeding R3500.00
- Single Military veterans
- Persons classified as aged
- Persons classified as disabled

The above criteria will be discussed as follows – nationality, competent to contract, first time beneficiary, first time owner, household structure and income, vulnerable.

Citizenship

The selection criteria respond to the Bill of Rights, and it limits access to state funded housing to the South African citizens, despite the overwhelming demand for housing from non South Africans either legally or illegally in the country. In recent times the media have reported the attacks by South African indigenes on foreigners dwelling in low cost settlements. These attacks have been characterized by looting and even killing of fellow Africans. This raises the question of how foreigners were able to access housing in this area. During the survey at Umhlathuzi it was found that housing units are not occupied by the beneficiaries, but have been rented out to others and in some cases to non South Africans. The reason for this was not investigated but some tenants indicated that the owners live in other provinces where they work, and so have rented out the housing unit. No indication was given as to where the owner is renting elsewhere or has bought a property there. Beckermans target efficiency scheme is not tested here but this ability to rent out the unit thus commanding extra income will have an improved impact on the beneficiaries household income. However further interviews with municipal authorities revealed that renting out of the unit is illegal.
A case within the settlement is that of a disabled South African lady, who rented a unit for a monthly rental of R500. She reports that she was able to pay the rent from her disability grant initially, but due to circumstances beyond her control she fell behind on payments. She then approached the councilor and informed him that she could not pay the rent, only to be told that she must not pay as the units are not supposed to be rented out. With the help of the councilor and police intervention she has been promised her own unit and instructed not to pay any rental for as long as she has to stay where she is. This means that the owner is deprived of rental income, and either had to buy or rent elsewhere. According to Beckerman’s theory the assistance has not been efficient.

**Competent to Contract**

This criteria indicates that the beneficiary is going into a legally binding contract in accessing housing. Thus there will be responsibilities expected of the applicant and documentation required for application. These include the south African ID of applicant, dependents, salary slip (if employed). A number of child headed households are excluded from accessing housing, but able to access institutional subsidies. On coming of age these children cannot apply for state subsidies housing as they are considered to ‘have previously benefited from government subsidy’. The 2012 statistics report that children without parents are on the increase along with child headed households. Given other government strategies such as education it is hoped that children in institutional homes do not need further state support, but a certain percentage will end up unable to meet their housing needs.

**First Time Beneficiaries**

The next set of criteria states that applicants may *Not [have] yet benefited from government funding* and must be *First time property owner*; These are silence on the standing of beneficiaries who are included in their parents application as children. For instance, a child who benefited in 1994 can apply for state assistance now (in 2013) as the primary applicant since he is now of age, and have not owned property previously, even though he has benefited indirectly through his parents/ or guardians. While the *first time owner* criterion attempts to guard against repeated application from those that have previously benefited and lost their housing. It describes the owner as *the applicant or spouse*, but does not touch on the stance of *financial dependents* either as owners or beneficiaries. This allows a financially dependent beneficiary to apply for housing once of age and if other criteria are met.

**Household Structure**

The criteria *married or financial dependent* refers to a group of people who are financially dependent on each other and may or may not be married or contractually bound in anyway. The criteria falls short of prescribing how many persons may make up this group. However the housing product which is a 40 sqm house with two bedrooms with separate shower and toilet, can accommodate four people (ie assuming two people per bedroom). This may however not be so clearly defined taking into consideration gender and household life cycle. Theoretically there is a development progression of households, ie from familism, to careerism and then consumerism. This is however not the case in the Umhlathuze settlement, where some households, were made up of more than one generation. The household lifecycle theory assumes a nuclear family and for which the housing product will be appropriate. Such could be the case of a household where there is a single mother competent to contract, with three dependents (eg two girls and one boy child). This presents problems as the children approach maturity, and more space within the dwelling. With constraints in ability to extend the units as noted by Adebayo 2011, puts additional pressure on the space within the dwelling, with some household members having to sleep in the kitchen or in the lounge.

The criteria is therefore ignorant of life cycle changes, meaning that while a household maybe with one person competent to contract, over the years, say 18years the next generation will be able to contract and thus become eligible to access housing assistance based on this criteria. Thus increasing the numbers of persons eligible for state assisted housing exponentially, with no corresponding increase in the pace of delivery the housing backlog will persist. Statistics South Africa reports that
13.5% of RDP residents have at least one household member on a demand data base or the waiting list (stats SA 2009). This finding concurs with the timing of eighteen years since 1994 and will be on the increase as more household beneficiaries come of age.

Household Income

On another note the income criteria, which addresses poverty, opens up access to housing to over 79% of the South African population who earn a monthly income of less than R3500 (Rust Finmark 2006). This situation is overwhelming but rightfully so as financially speaking the any household with income less than R3500 is excluded from participation in the housing open market which basically caters for those with minimum monthly household income of R7500 (Ojo-Aromokudu 2009). The income criterion specifies that adequate proof of income must be submitted. The conventional means of providing proof of income is the salary slip, but how is income measured if there is no formal employment. Beckermans efficiency schemes suggests that in measuring improvements in homes, if the household assets improved due to the assistance from state, such that the level of poverty rises above the relative poverty line then the intervention is said to be effective and efficient. But if it takes poverty level to that level far above the relative poverty line then it becomes wasteful. During the survey household assets are noted to include such gadgets as TV, DVD players, fridge, expensive lounge suit, an average of 3 cell phones per household, electric stove, microwave. The survey was done in the morning while many units were locked up, and thus those that were present in the survey were unemployed households yet with surprisingly substantial household assets. Many did indicate other state funding sources such as pensions, child support and disability grants as primary sources of income. In one instance a respondent on pension was out at work as a domestic worker and had her 32 years old daughter living at home cleaning the well-furnished state housing. This is an indication that the state assistance has pushed level of poverty way above a relative level of the society, and as such may be inefficiently spent.

There are minimal requirements on households either prior to accessing or after accessing state assistance. Furthermore attempts to participate in the market or take on self help endeavors are reported to back fire. This is the case in the umhlathuζi housing village, where any additions to the basic dwelling is considered an improvement in household income and the consequence is that the household forfeits electricity subsidy from the state.

So state funded housing is taken as an effortless way towards home ownership and as such households that have the capability of earning higher income remain comfortable claiming less than R3500 household monthly income thus increasing the housing backlog. This is the case in hand in the UK where three generations able to access state assistance for housing, food, health and education, have never worked but live a somewhat better life than those who toil daily ( ).

The income criteria specify that adequate proof of income must be submitted. The conventional means of indicating level of income is with the use of bank statements, and how is proof of no income substantiated? Interviews with residence at the Umkhluζuzi village revealed that the local councilor has to write a letter confirming that the applicant is known to him and unemployed, therefore qualifies for sate housing assistance. This practice was confirmed by the municipal housing office. Based on the word of the councilor, the household income criterion is determined, and as a political tool the councilor scores political points by the numbers he assists in accessing housing, thus the higher the number, the larger the backlog.

Vulnerable: Military Veterans, Aged, Disabled Persons

The acknowledgment of the vulnerable in the subsidy qualification criteria is laudable. It however has been an overlap of government assistance in its welfarist approach. The following discussion will look at the military veterans, the aged and the disabled, who are herein classified as vulnerable.

From the onset of the post apartheid policy in South Africa, the housing subsidy qualification criteria includes military veterans who took part in the struggle against apartheid (DoH 1996). Reports have it that veterans have however been neglected despite their sacrifices (the Atlantic Philanthropies 2011). The article reports that many veterans who were injured both physically and psychologically, have waited for years in democratic South Africa but have not been assisted by the state. This has been attributed to difficulties in ascertaining the authenticity of the claim of being a veteran as many took
up fake names, and their commanders who can authenticate them are no more, and also due to bureaucratic process involved in approval (van der Merwe 2011). As such it is reports the over 57,000 veterans were sidelined up until the approval of the military veterans Bill in 2010. The new Bill clarifies veterans as

‘a South African who rendered military service to any of the military organizations, which were involved on all sides of South Africa’s liberation war between 1960 and 1994; those who served in the Union Defence Force before 1961 and those who became members of the South African National Defence force after 1994, and has completed his military training and no longer performs military duties and have not been dishonorably discharged from the military organization’.

If however the provision is unknown to the affected, it remains inefficient, and if unaccessible to the redundant veterans due to disabilities it remains in effective.

Aged and disabled persons are eligible for a subsidy, but very often they will not be able to live alone due to the age and inability to care for themselves and therefore needs to be linked to other social assistance subsidies.

Conclusions

The continuous use of the term backlog gives the impression that a quantifiable short fall in the delivery of housing is known. In the housing arena the backlog has been a spillover from the past apartheid era, when housing started out as an attempt to fix the substandard housing of the past. Areas known black spots, which were identified within local areas were targeted for upgrade. With much the same approach the democratic government continued to deliver housing. The old continued in the new dispensation. The policy has no provision for catering for foreigners, as a result the study shows that foreigners are renting the units for where possible and where it is not one wonders if they are not part of those who start up informal squatter camps (this has not been investigated).

Beckerman’s targeting Scheme show that the efficiency of the assistance can be measured, but the need for a relative poverty line is essential for this exercise. While the subsidy criteria makes mention of income level targeted, it has no clear definition of the minimum poverty level to be targeted. Does it refer to the vulnerable, the abled body unemployed citizen, who once employed has the capability of breaking out of poverty? The need to define what ‘the poorest of the poor’ refers to becomes important, and what levels state housing interventions is aiming to get households to. Should it include by definition the those who cannot fend for themselves- the disabled, the aged, the military veterans? In other words a clear vision and time frames are required not only for the construction of the homes, but also for the physical, socio-economic development of the settlement.

Household composition in the typical South African Low income household is peculiarly different from that of other western cultures which take on the nuclear family structure. The study has shown that households do not necessary cater for only one generation but three generations; the parent(s), children and grandparent(s), and in some cases two generations which excludes the middle generation. Therefore the provision of a 40sqm house with insufficient interior privacy for the household implies an ineffective intervention. Household life cycles do not typically move from familism, to careerism, to consumerism, but in actual sense may have all three developmental stages at play from inception. The household product needs therefor to accommodate the household cycle dynamics, for the development of a sustainable settlement.

Household income is increased with the household size. But the study shows that household income is from three main sources; grants, informal trade, child maintenance, and gainful employment. The most common being grants. But the subsidy criteria states that ‘Must not have benefited from government funding’. These wordings need to be corrected.

The current subsidy qualification criteria creates loop holes its selection process by not spelling out the modalities around children beneficiaries who come of age in State housing. Are they to be considered as ‘having benefited previously’ or are the considered to be ‘owners’ of their parents homes?

The paper has raised a number of unanswered questions, and concludes that it is time to revisit the housing subsidy selection criteria in South Africa.
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