

# LINKING INCREMENTAL SETTLEMENT DEVELOPMENT AND JOB CREATION

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*We as a country are fast realizing that the existing approach of trying to build our way out of the housing problem is not working. We need to do things differently.*

The housing backlog as well as unemployment, poverty and inequality all continue to rise in South Africa.

With regards to the housing backlog, despite the South African government providing 2.5 million housing opportunities between 1994 and 2014 the housing backlog increased from 1.5 million to 2.1 million units over this same period (Tomlinson, 2015). As a country we do not have the resources to build enough RDP<sup>1</sup> houses quickly enough. According to calculations by the National Upgrading Support Programme, it will take 32.5 years to build new RDP houses for the 1.3 million households living in informal settlements in 2017 with the budget available<sup>2</sup> (National Upgrading Support Programme, 2019). This excludes any new household formation over this period. We as a country are fast realizing that the existing approach of trying to build our way out of the housing problem is not working. We need to do things differently.

A different approach to addressing the housing backlog is one where government focuses on the provision of tenure secure land and basic services as a first step towards addressing peoples land, services and housing needs (Eglin, 2014; Afesis-corplan. no date; Afesis-corplan. 2018). Government then needs to find ways to help people to build their own houses on this land (Eglin, 2017c). A name for this 'new' approach to housing development

is incremental settlement development (Incremental settlement, No date).

There are two forms of Incremental settlement development, each depending on the starting conditions. Upgrading of informal settlements occurs where people have already occupied land without authorisation and then government comes in and finds ways to improve the living conditions of the people where they already live. Managed land settlement, in contrast, occurs where government identifies and prepares land ahead of need, puts in the basic services and then allows people to settle on this land in a managed and organised way so they can start building their own houses. Incremental settlement development approaches need to be accompanied by a government driven housing support programme so that those households that obtain access to basic services and tenure security are not left on their own to find ways to house themselves (Eglin, 2019). Government, as per section 25 of the Constitution, is obliged, in a phased manner and within the resources available, to progressively introduce measures to ensure that people have access to adequate housing.

This new approach of incremental settlement development and housing support is good for helping to address the challenge of land and housing (Eglin, 2014, Eglin, 2019), but can it in any way help address the triple challenge of poverty, inequality and unemployment that

"remain[s] deeply etched in South African society" (High Level Panel on the Assessment of Legislation and the Acceleration of Fundamental Change. 2017:32)?

According to Statistics South Africa, the official number of people who are unemployed in South Africa is 6.7 million, which is 29% of everyone who could be working. However the expanded definition of unemployment (which also counts those who do want jobs but are not actively seeking employment) is more than 10 million people, which is 38.5% of those that could be working. Long term trends show that the expanded definition of unemployment has risen by 8.8 percentage points since 2008 indicating that unemployment has been on the increase over the last decade (Webster, 2019). Poverty and inequality is also increasing over time. According to Oxfam's inequality report released in January 2019 "the number of persons in the country [South Africa] living in what is extreme poverty - that is, people living below the 2015 Food Poverty Line of R441 per person a month - increased from 11 million in 2011 to 13.8 million in 2015, which represents 25.2% of the population" (Koko, 2019). The World Bank notes that inequality in South Africa has been a persistent challenge, with a Gini coefficient<sup>3</sup> which increased from 0.61 in 1996 to 0.63 in 2015 (World Bank, no date).

This article explores how a shift from a housing approach that focuses on

the provision of the full RDP housing product, including a top structure, to one that focuses on incremental settlement development (like the upgrading of informal settlements and managed land settlement) will help contribute towards reducing unemployment, inequality and poverty. The article pays particular attention to how job creation and economic development can help address this triple challenge. The article looks at the job creation and economic development potential of incremental settlement approaches in comparison to the RDP approach from three perspectives:

1. The process of settlement development
2. The type of physical environment developed
3. The development support provided

### ***Perspective 1: The process of settlement development and job creation***

The general argument made in this article is that through incremental settlement development approaches, more people, compared to the RDP approach to housing development, gain access to land and basic services in a shorter period of time (Eglin, 2017a). Access to land comes with increased land tenure security, and as a result of this tenure security, more people are willing to invest their own resources in their own home construction (Eglin, 2017b). They make this investment primarily because they do not face the threat of eviction and the demolition of their houses.

More opportunities are also created for small scale local builders to obtain work, as households, who are incrementally improving their living conditions, using resources at their disposal, are more likely to contract and employ local small builders living in the area who are willing and able to undertake the small scale work contracts that residents require. Money paid to local small contractors and builders is then more likely to circulate within the local community, being spent in local shops and local service industries, increasing economic opportunities in the communities concerned. Over time, as the community gets to know more about the different builders offering their services in the community, those builders who offer a more cost effective and better quality



product and/ or service will become more in demand in that community.

People who gain access to tenure secure land will have managed to get one foot on the property ladder. They can start buying and selling property and moving up the property ladder. There will be much more property on the market at the lower end of the property ladder, as many properties will only have rudimentary shelters constructed and therefore not be very expensive to buy. This will mean that it will be much more affordable for lower income households to buy into the property market. Households can also start to use their property as a form of collateral to leverage and obtain further bonds and loans which they can use to start their own business ventures.

Another argument in favour of more incremental settlement approaches is that households who gain access to the (basic) serviced and tenure secure land will be more able to approach a variety of stakeholders to assist them in accessing additional resources to improve their housing and

settlement conditions. This includes, for example, employers (local businesses and employers of domestic workers, etc.) who will be more willing to provide their workers with affordable loans and donations to help them. Charitable organisations will also be more willing to make donations of building material etc. as they will know that the material will be used for building structures on tenure secure land.

One could try to argue that less people will get top structures in the initial phases when following more incremental approaches to settlement development and that as a result we will lose employment opportunities in the building of these top structures. But the counter argument is that this loss in employment in building a few RDP houses will be more than made up for in the opening up of opportunities for people to get jobs in helping households build their own houses on land to which they now have tenure security and access to basic services.

The challenge with the RDP approach to settlement development is that only relatively

few people get a house each year compared to the demand. This is good for those lucky few households who get a house, while the rest have to remain in informal settlements, back yard shacks and other overcrowded conditions. The RDP approach is also good for the few more established builders who get the contracts to build the houses. The construction of RDP housing is more geared towards larger contractors as they are able to secure the larger contracts associated with building a larger number of RDP houses as part of single contract housing projects. Government (and other developers) finds it easier to enter into a contract with one or a few contractors to build the houses.

These more established builders are usually from outside the local community and many are even from outside the broader area where the houses are being built. These larger contractors may or may not employ local labour. As much as some jobs are created in the manufacture of the building materials and the construction of the RDP houses, it is proposed in this article that the number of jobs created and economic development promoted through the more incremental approaches to settlement development far outnumber this. Thus there is greater value in spreading government's human settlements budget across more serviced sites compared to using these funds to deliver fewer RDP sites and top structures.

Opportunities for increasing the number of local small builders involved in incremental settlement approaches can be further enhanced if government breaks up larger settlement projects into smaller sub projects and allocates responsibility to different small builders to put in the basic infrastructure like roads, paths, toilets, etc. in different areas. Labour based construction methods, drawing on experiences gained in the Expanded Public Works Programme can also be used to install this infrastructure.

By making land available through incremental settlement approaches one unleashes opportunities for many local builders to get involved in helping all the additional people who now have land to start to improve their living conditions. These local builders then spend more of the money they earn in the local community.





## *Perspective 2: The type of physical environment developed and job creation*

The type of environment created can also positively contribute to job creation if the following issues are taken into account. Settlements that are built at higher densities mean that more people are living closer to each other and there are more customers able to frequent and utilise the services of local businesses (shops, hair dressers, etc.) in a given area. A wider variety of businesses can be accommodated as there are more people in a given area that can access and make use of these businesses.

If the incremental settlement areas are developed in well located areas, such as closer to existing settlement areas and on main public transport routes, this means that more people are more able to access other areas where they may be able to get jobs and employment or find markets. They spend less on transport costs so they have more disposable income to spend on other goods and services. Outsiders to the community are also more able to access the area making it more likely that local residents

will be able to find a broader market if they start their own business. The businesses, facilities and services available to the incremental settlement neighbourhood are not just used by the people in that particular settlement but are also used by people from neighbouring settlements.

The basic services at the household level and at the neighbourhood level, provided at the start of the incremental settlement process, do not have to be restricted to basic water, basic toilet facilities, pedestrian paths, storm water, refuse removal, pre-payment electricity and public lighting, but also can include (to name just a few) fire walls, access to free wifi services, storage units, post office facilities, CCTV<sup>4</sup> cameras, and street trading facilities (like covered hawkers facilities). All these basic services make it easier for people to operate small businesses.

The provision of water and sanitation, pedestrian paths and storm water drainage, as well as refuse removal, create an environment where people are more willing to visit and stay. This makes it easier for households to open and maintain a local small business. Access to electricity also allows people to operate fridges, cooking facilities and other business related equipment. Fire

walls allow people to incrementally develop at higher densities, wifi access allows people to start and run businesses, and people can use storage units to protect goods and equipment needed for running a business. Post office facilities allow people in that neighbourhood to have direct access to the outside world and CCTV cameras mean that people live in a more secure environment and are thereby more willing to invest in that area. Street trading facilities provide spaces where people are able to operate small business activities. All these basic services mean that people are able to undertake small scale economic activity close to where they live.

Many of the issues listed in perspective 2 apply to both RDP housing development approaches as well as to incremental settlement approaches, but when they are taken into account in more incremental approaches to settlement development they have the potential to make a larger difference to job creation opportunities as the number of households benefiting from more incremental settlement approaches will be far larger than those that benefit from an RDP package each year.

### **Perspective 3: The development support provided and job creation**

Incremental settlement development is not just about providing people with access to tenure secure land and basic services and incrementally upgrading the tenure and services over time. Households also need to be supported, through a housing support programme, to use their own resources to improve their own housing and living environments. Housing support also needs to be seen as part of a broader development support programme that includes small business support, social support, and organisation development support (Eglin, 2017c).

Housing support includes, for example, government helping people save and get loans to improve their houses and living environments. This support could be in the form of training in how to improve existing stokvel clubs, set up saving and loan schemes, as well as grant funding for NGO's that support these savings and loans schemes. Once people start to save, this opens up opportunities for people to use their savings track record to motivate for additional loans. Households will then be able to access both their savings and additional loans to spend on home improvement, meaning they can employ more local small builders. The experience and track record that people gain in savings and loans schemes for housing development can then also be used to save and take out loans for small business activities.

Other elements of housing support includes supporting communities and households, that form part of an incremental settlement development project:

- to work together as part of bulk buying schemes to access cheaper building materials and construction services;
- by providing a community managed and curated data base of active builders and material suppliers in a particular community; providing skills training in construction skills; and
- by providing households with information on how to build and/ or manage the building of their own houses.

All these forms of housing support make it easier for households to organise the building of their own houses by approaching local small builders and service providers.

There is also a strong link between incremental settlement development approaches and the Community Work Programme (CWP). The CWP can be used to lay pavements, to upgrade the water and sanitation systems (lay pipes and build ablution blocks), and upgrade tenure arrangements (by recording and maintaining a list, linked to a geo-referenced data base, of who is living in the area). Participation in any CWP should not be seen by community members as a permanent employment opportunity, but it should rather be seen as a safety net for many people who don't have access to formal employment. Special attention will need to be given to ensure that the type of jobs that are provided through the CWP do not negatively disrupt opportunities for small business entrepreneurs to undertake these same jobs. The CWP provides a platform where people can get training in life skills, different craft skills (plumbing, pipe laying, brick laying, electrical, carpentry, etc.) and small business development skills. CWP beneficiaries are then able to use these skills and the work experience they gain to start their own businesses and obtain more formal employment.

Business support programmes and centres also form part of a broader development support programme. This includes the establishment of incubator spaces where small and emerging businesses (be it construction related or any form of business) can access shared office and manufacturing spaces. These business incubators also provide skills training in how to start, expand and manage small, medium and micro businesses, as well as providing access to start up loans. The housing and business support centres can work closely by sharing information, spaces, services and clients to provide more cost effective services to homeowners and small business practitioners. Once again this broader development support goes a long way to helping people to build and arrange the building of their own houses, and helping people to start and grow their own business ventures from the ground up.

All the above support functions and services go a long way towards developing a supportive environment at the local level for the emergence of small businesses and development of the local economy.

### **Recommendations and conclusions**

This article advocates an intersectional approach to housing development, one that not only looks at the provision of shelter alone, but the creation of living environments where people have opportunities to thrive. This is especially important in South Africa today in the context of a shrinking government revenue base, and in a situation where we as a country are looking for ways to address the increasing demand for land and housing and to address the triple challenge of poverty, inequality and unemployment.

It is recommended that government needs to increase its incremental settlement programmes (including the upgrading of informal settlements and managed land settlement) and introduce a new housing support programme that forms part of a more comprehensive development support programme. In effect this means that government needs to reduce the amount of national budget funding going to top structure construction and use these funds to rather obtain new land and develop far more serviced and basic serviced sites, provide some form of basic tenure recognition, and introduce a new housing support programme.

Pursuing a more incremental approach to settlement development will address unemployment in that more people will have the opportunity to get involved in small business development for all the reasons listed in this article. As more people have opportunities to be involved in local small businesses there is a reduction in economic poverty. Material poverty will be significantly reduced as more people will also have access to basic services, like water, sanitation and electricity. Inequality will also be reduced as the gap between those that have in the past been 'lucky' enough to get a full RDP housing package and those who had to live in informal settlements (and backyard shacks and other

inadequate conditions) will be reduced as more people will have access to basic services and basic tenure recognition.

As a country we have been fixated on building housing top structures and have been blind to the damage this is doing for those that are not getting top structures quickly enough and have to live in informal settlements without access to basic services and tenure security. We have been blind to the advantages of incremental

approaches in helping us address our land and housing needs as well as our employment and job creation needs. This article is not suggesting that by shifting to more incremental settlement approaches this will automatically solve all our land and housing as well as employment and economic challenges, but it is suggesting that by making this shift this will make a significant impact in these two areas.

In conclusion, not only are incremental

approaches to settlement development (like managed land settlement and the upgrading of informal settlements) good for helping to address the land and housing challenges of the country, but they are also good for helping to address the triple challenges of poverty, unemployment, and inequality. Government needs to take the lead and make a bold decision and shift from an emphasis on RDP housing towards an emphasis on incremental settlement approaches combined with a new housing support programme.

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<sup>1</sup> RDP stands for Reconstruction and Development Programme. In the context of housing it refers to a form of housing product that includes a serviced site with title deed and at least a 40m<sup>2</sup> top structure. In the recent past some people refer to these houses as BNG, or Breaking New Ground, houses, in line with the Breaking New Ground housing policy that came into effect in 2004.

<sup>2</sup> About ten billion rand was set aside for the upgrading of informal settlements in 2018/9.

<sup>3</sup> The Gini coefficient measures inequality in an area, with a number closer to 1 indicating higher inequality and a number closer to 0 indicating more equality.

<sup>4</sup> CCTV stands for Closed Circuit Television.