

## HOUSING THE NIGERIAN URBAN LOWER INCOME GROUP: A Panacea for Industrial Growth

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**ABSTRACT:** The paper studies housing Prospects for the Urban Lower Income Group in Nigeria, from the conceptual framework of Mass Housing and Public Private Participation (PPP) initiatives. Housing is an integral need of man and has a great impact on his psychological safety, health, social welfare, and productivity. Mass Housing and Public, Private Participation, in house delivery in Nigeria is, viewed by many scholars and researchers as objective measures to deal with shortfall in housing availability and affordability. What is the implication on the urban lower income group's need for housing? Drawing lessons of success of developed nations, the paper thus, identifies the legislation, administration and policies of Governance in response. The achievements of governance and inherent factors inhibiting effective Public Housing delivery are a central theme of discussion. Paper suggests innovations for success and in conclusion affirms in strong term that the much-desired socio-political, economic and industrial growth of Nigeria is a de facto subject to availability and affordability of housing for its 'teeming' urban populace.

**KEYWORDS:** Affordable Housing, Income, Urban Employment, Public Housing.

### 1 INTRODUCTION

Housing is an important means of man's survival, and contributes in no small measure to the attainment of physical, health and psychosocial need of a nation. It also stimulates the social stability, work efficiency, and the development of individuals in the community. This is also a major indicator of an individual's standard of living and socio economic status in the society. Housing is a key component of the physical environment.

The Nigerian housing problems manifests and expresses itself in both quantitative and qualitative figures. Discussions and debates on Nigeria's housing condition have always centered on the need for a continuous government intervention in public housing provision. A key factor in housing affordability is household income.

The Household in the context of purchasing power is grouped along three main strata, i.e., low- income, middle –income and high-income group. This grouping is, based on commonly defined international standard parameter of the income earned by a household relative to an Area Median Income (AMI). A Household that earn less than 50% of the AMI are generally grouped in the very low-income group, 50 – 80% represents the low- income group, and 80%-120% represent the middle- income group, while those that earn over 120% are, group in the high-income strata. Housing availability to the high-income group is, almost certainly guaranteed due to economic strength. The low and middle-income groups are the more susceptible groups in the issues of available and affordable housing. The paper studies the severity of the housing problems experienced by these two lower income groups. For purpose of clarity, only lower income group forms the basis of discussion.

Housing availability in this study includes both the qualitative and quantitative supply of housing, considering the cost of housing in relation to household income. The capacity of private and public investment in housing, accounts for 15% -35% of cumulative investment nationwide (NPC, 2009). The production and delivery of affordable housing has great implications on the local economy, and affects developmental goals as well as environmental sustainability.

## **2 NIGERIA'S URBAN HOUSING PROBLEMS**

Adiukwu (2014) affirms that Poverty, as index of underdevelopments has a social dimension which evident in the culture of livelihood reflects in the poor quality of housing and the living environment. Housing embraces all the social services and utilities that make a community a livable environment (National Housing Policy, 1991). The Draft National Housing Policy (2004) defined housing as "the process of providing a large number of residential buildings on a stable basis with adequate physical infrastructure and social services in planned, decent, safe, and sanitary healthy neighborhoods to meet the needs of the population".

Nigeria's urban housing problems manifests in several forms amongst overcrowding, slums, and shantytown. The housing problems in Nigeria vary from inadequate quantity and quality of housing to the attendant impact on the psychological, social, environmental, and cultural aspects of housing. Housing is capital-intensive. The cost of adequate housing is currently beyond the reach of most Nigerians. The challenge therefore is to provide not only houses but also to make the houses affordable to the urban lower income group.

Housing in the 21<sup>st</sup> Century is widely affirmed by scholars and researchers as having a multi-dimensional package of services, which seeks to satisfy the basic human need for privacy, aesthetic ideals, comfort, and compliance to statutory values, fiscal economy and other correlated issues of significance in a modern society.

Currently in Nigeria, the increasing housing demand is not commensurate to production of housing units. What are the underlining indices? There is a need to adopt a more realistic and efficient system of housing production and delivery. The solution can be an evolution of a productive capacity designed for a sustainable industrialized production, methods of construction i.e. (ecofriendly and low energy use), and adoption of low carbon building materials on a large scale. Most Nigerians are constricted by economic pressure, especially the lower-income individuals and those with uncertain access to secure land. Urban hubs like Lagos, Port Harcourt, Kano and Abuja, are constantly at the pressure of the effects of urbanization as people migrate to these cities in search of better life. The next section understudies urban employment, income and the perceived implication on affordable housing.

## **2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK**

### **2.1 URBAN EMPLOYMENT, INCOME, AND AFFORDABLE HOUSING**

In Nigeria, more urban residents live in poor quality housing and in unsanitary environments. This problem of inadequate housing has been increased by the rapid rates of urbanization and economic growth. Housing difficulties is more serious for the lower-income groups, where problems have been complicated by, inflated real estate values, speculative activity, and influx of poor immigrants and lack of planning. According to Struyk (2005a), "Affordable housing is the ability to purchase a dwelling of the appropriate size and minimum physical and sanitary standards and still have sufficient income to enjoy at least the minimum consumption of other essential goods and services". Affordable housing is housing acquired through legitimate incomes without forgoing any of the other basic needs of the family. In Australia, Canada, United Kingdom, and the United States of America, a commonly accepted principle for housing affordability is a housing cost that does not exceed 30% of a family's gross income (Struyk, 2005b). Housing availability in this study is a subject of the qualitative and quantitative supply of housing, considering the cost of housing in relation to household income.

Housing is a major employment and income generation segment of any Nation. A dormant housing sector, thus, translates to poor employment opportunities. The involvement of public and private sectors in affordable housing provision strengthens capacity of housing production and also generate employment opportunities and stimulate activities in all other sectors of the economy. A good way to understand the potentials available in housing as a job creator is to identify the huge number of housing units required by the nation annually to meet housing needs. A recent study based on the salary structure of public servants in Nigeria confirmed that no public servant in Nigeria below salary grade level 13 in the Federal Civil Service and salary grade level 16 in a State civil service can afford a property costing N4.75million on a 25 year mortgage at 6%, if he devotes 50% of his salary per annum to housing (Onyike, 2007a). At 18% mortgage rate, only a Federal Permanent Secretary or his equivalent on grade level 17 can afford the same house. Factors which influence or contribute to housing affordability include current and lifetime household income, house prices and rents, nominal and real interest rates, labor market conditions which determine security of employment and income, mortgage and rent payments, and the housing supply constraints which may affect the ability of the market to respond to excess demand for housing (Onyike, 2007b; The Treasury New Zealand, 2008).

### 3 GOVERNANCE INTERVENTIONS

Since the colonial era in Nigeria, several efforts have been, made by successive governments to improve housing availability and affordability. An example of a successful housing scheme, aimed at addressing inadequacy in public housing is, the experience of Singapore, in 1964, the government in response to solving housing needs introduced the “Home Ownership” program aimed at giving citizens financial security. The effort eventually helped in the overall economic, social, and political stability of the nation. According to the HDB, an estimated 80-90% of Singapore's population currently lives in HDB housing and majority of these people own their homes. Most of the residential housing developments in Singapore are publicly built.

Thus, public housing in Singapore is not considered a sign of poverty or a lower standard. As a fact only very few people in Singapore live below the poverty line. That such *no easy* goals were achieved echo the dependability of the strategy adopted in the approach to public housing, which proved effective in Singapore’s housing crisis.

#### 3.1 Mass Housing Initiative

In accordance with the pressing issues confronting mass housing, Nigeria’s Federal Housing Authority was established to directly construct housing units. In 1972 and 1973, 54,000 housing units were planned for construction, 4000 units in each of the 11 state capitals with Ten thousand units in Lagos. The housing volume was distributed as 60% for the low-income groups, 25% for the middle-income and 15% for the high-income social strata. In 1976, a review of the housing policy and the numerical dimension of the construction program was made and incorporated into 1975 –1980 National Development Plan. A total of ₦1.83 billion was allocated to housing during this plan period. It stated that:

- Government would build 202,000 housing units per year; 46,000 in Lagos, 12,000 for Kaduna, while 8000 units would be built in the state capitals. The State Government would be directly involved and FHA would provide the necessary infrastructure.
- A Ministry of Housing, National Development and Environment with sole responsibility on housing was created. (For the first time, housing is accorded a separate status and liberated from the bureaucracy and financial inadequacy of the ministry of works, to which it was subordinated).
- The additional financing of the Federal Housing Authority in order to directly construct and develop housing estates in various cities of the nation. (This is different from the initial policy line. It recognizes the need for qualitative housing development in the larger secondary but no-primate cities).

The Federal Government, during the 1981 –1985 plan period, was to embark on the provision of 2000 housing units yearly in each of the 19 states of the Federation with the allocation of about ₦1.6 billion to housing. With change of government through a Military Coup in 1986, the public housing exercise was terminated. The Military Government claimed to no longer provide housing for Nigerians on grounds of limiting economic state. House ownership was left to Nigerians although efforts were made by the Government to reduce costs of building materials and control land speculations. With the enormity and nature of housing problems facing the Nation, Government reformed the policy on Housing in 1991. This was aimed at “ensuring that all Nigerians own or have access to decent housing accommodation at affordable cost by the year 2000 A.D.” This goal is in order with the United Nations resolution of Housing for all by the year 2000 A.D; and this required that 700,000 housing units, subsequently be constructed annually in order to meet the target of 8 million units by the target year (2000A.D) in Nigeria. It is over fourteen years since 2000 A.D; yet the Nation is a long way from accomplishing this noble target. This policy had provided for an encouragement and promotion of active participation in housing delivery by all tiers of government; strengthening of institutions within the system to render their operation more responsive to demand; emphasizing housing investment which satisfy basic needs; and encouraging greater private sector participation.

#### 3.2 Public-Private Partnership (PPP)

Public-Private Partnership is a policy, which cedes majority of housing delivery to the private sector. The role of the government in this context is to provide an enabling environment of site and services for the private sector to invest and operate in an open free market economy. The program is structured to attract private capitalist investors, and includes innovations like Build, Operate and Transfer (BOT) and Repair, Operate and Transfer (ROT). The problem with this initiative in the opinion of the authors and shared by many scholars and researchers is comparing housing need to housing demand. When housing is included among the production of goods, it becomes a product. The next section and subsections mirrors the financial effects of housing as a product in Nigeria’s urban system.

### **3.3 Housing Financing System**

Government, in recognition of the importance of facilitating the flow of funds from the investors/depositors to those seeking to purchase houses, established a two-tier housing finance structure, with the Federal Mortgage Bank of Nigeria (FMBN) as the apex institution and a decentralized network of Primary Mortgage Market institutions such as building societies, housing co-operatives, home savings and loans associations. This structure aims to streamline processes and organizational relationships within the housing finance system and encourage expansion in private initiative. In addition, to encourage more depositors, likewise increase the mortgage obligations.

In the arrangement of loans scheme, a worker is, made to contribute 2.5% of monthly salary to housing Fund. Contributors are entitled to a N5 million loan at an interest rather of 6% for a longer period of 30 years after six months of contribution. The legal framework for the organization and implementation of the apex role of FMBN is, defined by the Mortgage Institutions Decree No.53 of 1989. The capital base of Primary Mortgage Institutions (PMIs), which are charged with the responsibility of disbursing loans funded by the NTHF to the borrowers, was again increased to N100 million. Various reforms were, undertaken in other sectors of the economy to encourage private investment in mortgage securities through institutional pension funds, and bank consolidation. It is instructive to note that despite this restructuring a large proportion of people cannot secure loan from these institutions. According to FMBN's report, individual loan secured stood at N9.9billion, out of N26.9billion collections, while estate developers drew N18.6billion, to finance 13,117 housing units (The Nation, 2007). Transaction charges and the cumbersome process of registration of titles makes the perfection of legal mortgages difficult are some of the major factors responsible for this low patronage (NPC, 2009). The cumulative charges of consent fees, capital gains tax, stamp duty and registration fees cost as high as 40% of property value in some states of the Federation. Other reasons adduced for the scenario include inability of a borrower to provide a reliable guarantor, low monthly income, are among others inhibiting factors.

## **4 PUBLIC HOUSING**

Public housing refers to a type of housing provision that emphasizes the role of the State (government and its agencies) in helping to provide housing, particularly for poor, low-income and more vulnerable groups in the society (Van Vliet, 1990). Two broad approaches to public housing have been identified: Government-provided housing and Government-sponsored housing (Power, 1993). The former involves large-scale direct local authority production and ownership of housing that is further from market rents, more strictly allocated according to need, and more directly managed by government. The latter approach is one that is nearer market rents, and various kinds of independent landlords – such as housing associations, cooperatives and private landlords – build, allocate and manage them. In many developed and developing market economies, where private housing rent levels are set to make a profit, and decent and affordable housing is exorbitant for citizens with lower income, there exist a modest level of affordable housing for these lower income residents, this is because market rent and price levels often cannot be afforded by these individuals who, without having access to affordable housing will need some welfare. Unfortunately, Nigeria does not have such a welfare system in place that can benefit citizens who lack access to not only adequate housing, but the funds to finance such housing.

### **4.1 FACTORS AFFECTING PUBLIC HOUSING DELIVERY IN NIGERIA**

Although there has been significant progress in the design and implementation of public housing policies, many constraints still in effect, hinder progress in housing development in Nigeria, particularly the lower income earners and other vulnerable groups. As is the current trend now in Nigeria, due to the influx of immigrants with capital moving to Nigeria, and constant economic, social and political migrations within the Nation to large urban hubs possess challenge for developing new private housing for rent. House Prospectors usually set rent levels high to make enough profit, after allowing for both development costs and running costs -but their high rents generally limit demand from the majority of the populace who are unable to afford rent and feed their families at the same time. The current trend accompanied by more than three decade of economic trauma has worsened slum living in Nigeria as widespread across Africa. According to a UN-Habitat report, sub-Saharan Africa hosts the largest proportion of the urban population residing in slums (71.9 per cent); the region has the second largest slum population in the world after South-central Asia. These constraints include but are not limited to the following indices:

- Lack of effective implementation strategies
- Poor promotion of security of tenure

- Inadequate supply of affordable land
- Lack of Infrastructure and services
- Poor economy

Financing and facilitating infrastructure to meet basic needs of many urban communities have been difficult for the majority of government and local authorities. This is, in most cases, due to the high standards that make provision of infrastructure very costly. Too often, infrastructure services are unnecessarily subsidized and frequently the subsidies are wrongly directed. As public authorities have not been able, in general, to provide infrastructure to the growing number of urban communities, individual households, community groups and informal enterprises have increasingly taken over this task. The next six subsections suggest measures applicable in tackling public housing.

#### **4.1.1 Local Building Materials and Technology**

Der- Petrossian (2000) affirms that building materials constitute about 70% of the actual cost of housing in developing nations. Building materials often constitute the single largest input to housing production in most developing nations. Despite the fact that there is abundant natural resources that can meet needs in building production, Nigeria depends greatly on imported building materials and technologies. The local building materials usage needs to be refocused and emphasized, in reducing cost.

#### **4.1.2 Housing Finance Mechanisms**

Housing finance institutions in most developing nations provide services only to a small fraction of the populace. Financing of housing mostly comes through informal sources of credit. This is an outcome of national policies that are not successful in encouraging domestic savings and the development of domestic financial institutions and instruments. Lacking collateral, the guarantee of regular and recorded income, almost all the lower income groups depend solely on informal credit sources, which most times are expensive and short-term.

#### **4.1.3 Sustainability of Small-Scale Construction**

Small-scale building construction operatives should be supported by government by the formulation of realistic planning and building standards, reducing administrative procedures to obtain permits and licenses. Developing credit mechanisms for small construction entrepreneurs; promoting cooperative arrangements to operate and particularly acquire construction equipment; provision of training and advisory assistance; facilitating participation of smaller firms in larger public sector projects.

#### **4.1.4 Amending Standards for Building and Land Subdivision**

In many countries, standards for building and land subdivisions do not consider affordability issues and have a general nature. In Nigeria, standard land subdivisions are often based on regulations of the pre-independence periods prescribing large plots and banning building next to plot boundaries. This results in large plot sizes and high infrastructure costs. Building standards are also high, urging and encouraging needy groups to get involved in informal building activities. These regulations and standards should be adjusted also in consideration of affordability criteria.

#### **4.1.5 Community Participation and Self-Help Projects**

Policies and practices of provision of ready housing units by governmental agencies to the needy households have failed almost everywhere in Nigeria. The urban poor have demonstrated that they can effectively participate in the housing process if assisted. Most rural migrants bring with them a self-help tradition for the construction of dwellings. Self-help and community participation however does not necessarily develop by itself. Successful community involvement requires support from Government in training, credit facilitation and technical support in housing production for the urban resident.

#### **4.1.6 Initiation of Pilot Schemes**

Pilot projects aimed at developing innovative approaches will be very useful. These approaches can, for example, involve housing cooperatives and may be centered on projects, which practice cross subsidies, land sharing schemes and utilization of local building materials. The view of the authors in pilot scheme, and shared by many researchers and scholars is evolving an experimental models with new standards for subdivision and building materials with semi-serviced and non-serviced plots can be initiated. The provision of housing has for long been seen as a government concern and the Federal Government has tried in different ways to tackle the nation's housing problems. The synthesis of government activities reveals that during the past few years, a series of constructive program and far reaching actions were taken by the government to combat the housing problem.

### **5 RECOMMENDATIONS**

According to Ogunshakin and Olayiwola (1992) the collapse of mass housing policy in Nigeria to the contradictions, is unconnected with the failures in institutional mechanisms of decision making and implementation. This singular fact is shared in opinions by many scholars and concurred by author. Corruption is a major setback in the provision of public housing. Public housing provision is a social and environmental necessity with a political and economic dimension needed to support socio-economic growth of the nation. Thus the following is suggested for effective result

- Develop and implement innovative city, regional and national housing strategic plans
- revitalizing housing finance institutions to encourage the investment of private capital in residential housing through the use of public financing to stimulate the construction of residential housing, and facilitate the purchase of affordable housing
- Strengthen public-private sector partnerships to address pressing housing development needs, by fostering increased collaboration between the private development sector, local and national government, and international and community-based non-for-profit organizations (NGO).
- Strong government support in the form of political and financial commitment.
- An exclusive agency in charge of public housing will enable more effective resource planning and allocation; making it possible to secure land, materials and manpower for large-scale construction to optimize results.

### **CONCLUSION**

Housing is perceived as low priority for social expenditure in Nigeria. Efforts at providing affordable housing by Government though commendable but minimal in success, despite effort of the Federal Mortgage Bank of Nigeria. Governments needs to refocus on providing favorable investment climates, infrastructure and mortgage facilities to empower low-to-middle income families (Akeju, 2007). The lack of adequate housing is a growing crisis that cannot be ignored, especially with the population influx of people migrating into an already congested major cities like Lagos, Abuja, Kano, Kaduna and Port Harcourt. The author acknowledge the efforts made by government of Nigeria in recent time, but more still needs to done to effectively achieve affordable housing. The author strongly believe that support for housing can inject and increase industrial economic activities in Nigeria, if the government is committed to using locale technology, locale employment, and local material innovatively where feasible, this in strong term may be a most needed panacea for industrial growth..

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