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Home-based enterprise in social housing: enhancing the quality of life of residents?

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Abstract

The housing plan known as “Breaking New Ground” (BNG) promotes the use of the house as an asset for wealth creation and empowerment (Dept of Housing, 2004). An assessment of social housing developments in South Africa indicated that some of the residents support the inclusion of home-based enterprises (informal sector) in the development by the housing authorities. While South Africa emphasises the importance of a policy to reflect its context, it is essential to assess to what extent the inclusion of such businesses will enhance the residents’ quality of life. It also raises questions about possible implications including affordability and neighbourliness. This paper will discuss whether allowing home-based enterprises in social housing will enhance the quality of life of the residents. The findings are based on an in-depth research project carried out by the CSIR in South Africa in 2008.

1. Introduction

A comprehensive plan for the development of sustainable human settlements known as “ Breaking New Ground” (BNG) supports the use of the house as an economically productive asset, offering considerable opportunities for income generation and poverty alleviation (Dept. of Housing, 2004). Correspondingly, the house plays a key role as an incubator for emerging business or home-based enterprises (HBEs). This was confirmed by the findings of a study conducted by Finmark Trust, which indicated that most of the successful entrepreneurs used their houses during the development of their HBEs in their infancy stage (Finmark Trust, 2006). These HBEs are crucial in generating and

augmenting the household income, particularly for those who are unemployed and poor. The South African government has a mandate to halve unemployment and poverty by 2014 (Department of Public Enterprise, 2005; SA Government Information, no date). To achieve this, the government has to identify ways of creating employment. The mandate is in line with the Millennium Development Goal No 1 of eradicating extreme poverty and hunger by 2015 (UN, 2000). Among other benefits associated with the use of the house for HBEs include the reduction of cost of the business activity, contributing to the neighbourhood gentrification, as well as enhancing the asset value of the property (Finmark Trust, 2006).

The rate of unemployment has risen from 23,1% in the second quarter of 2008 to 23,6% in the second quarter of 2009 (Gauteng Business News, 2009; Polity, 2009). This could be attributed to factors such as retrenchments resulting from the global economic climate.

Based on increased unemployment, it is necessary for people to be able to utilise the opportunities for HBEs, but it is not always clear if everyone will be in agreement and what the implication of this will be. This paper defines the key concepts, provides an international overview of HBEs and discusses certain findings of the South African study of medium density mixed housing (MDMH).

The next section aims to provide an understanding of what is meant by HBE, social housing and quality of life.

2. Home-based enterprises as an integral part of the dwelling

This section is divided into two subsections. The first provides definitions of key concepts, and the second, an International overview of HBEs.

2.1. Definition of key concepts: home-based enterprise, social housing and quality of life

2.1.1. Home-based enterprise

Lipton, (1980:204 in Kellet and Toppel, 2000) describes home-based enterprises as “family mode of production enterprises whose characteristics are as follows:

- The family controls most of the land and capital to which its labour is applied;
- most of the family's land, capital and labour are used in the enterprise; and
- most of the labour applied is provided by the family”.

Strassman (1987) defines a home-based enterprise not just as a small business in a small structure but also a family operation in a home. He further sees it as “a functional and organizational unit of production, generative reproduction, and consumption within the social formation of the ganze Haus”.

Finmark Trust (2006) has identified three types of HBEs in South Africa, namely, “service-oriented (e.g. hair salons, mechanics, traditional healers, taxi owners, shebeen operators); retail-oriented (e.g. spaza, frozen food retailers); and production-oriented (e.g. fence and gate manufactures or welding, clothes makers, preparing food)”.

2.1.2. Social housing

According to Priemus (1997), social housing or social rented housing has the following characteristics: “housing built with assistance of state funding, subsidised by the national government, managed by either the local council or a non-profit organisation operating under the watchful eye of the government, its rental fees were held below market levels and its dwellings were planned for and largely occupied by the low-income households”.

2.1.3. *Quality of life*

The Global Development Research Center defines quality of life as “the degree to which a person enjoys the important possibilities of his/her life. Possibilities result from the opportunities and limitations each person has in his/her life and reflect the interaction of personal and environmental factors. Enjoyment has two components: the experience of satisfaction and the possession or achievement of some characteristic, as illustrated by the expression: "She enjoys good health." Three major life domains are identified: Being, Belonging, and Becoming” (<http://www.gdrc.org>).

2.2. **International overview**

Throughout the world, the emerging markets are moving towards privatization of parastatals, with the intention of creating free and competitive markets (Green, 1995, cited in Kellet and Tipple, 2000). This could impact negatively on poor households, especially in the current economic climate. To overcome added financial burdens, the poor sought alternative methods of income generation, and the most common mechanism to sustain their livelihoods is HBEs (Gough *et al*, 2003).

In most parts of New Delhi, it is an acceptable practise for HBEs to operate in residential areas, as they contribute towards the quality of lives of household members. This is also allowed by the Master Plan of Delhi (2001) under the “Mixed Use Regulations” and the Municipal Corporation of Delhi. HBEs’ owners have to fulfil certain requirements prior to operating their business. Among reasons cited as a motive for starting HBEs, poverty came out strong (Jain, no date). Due to institutional measures, HBEs in residential areas are seen to be operating at a more formal level, although the regulatory mechanism of the institutions is ineffective. This raises a concern for authorities to ensure that rules and regulations are implemented and adhered to.

In many countries, the dwelling or a house is used for a range of activities such as shelter/accommodation, production place, market place, entertainment centre, financial institution and retreat (Kellet and Tipple, 2000; Laquian, 1983 cited in Kellet and Tipple, 2000). There is a strong relationship between housing and home-based enterprises, as dwellers are able to consolidate their dwellings and make ends meet through the income earned. In addition, many households would not have a dwelling without their home-based enterprise and many enterprises would not exist without the use of a dwelling. Thus, housing is crucial for the operation of HBEs in most countries. Poverty alleviation has been cited as the main objective towards the establishment of home-based enterprise, since many people are unemployed. The findings of the study conducted in New Delhi, India revealed that home-based enterprises were a source of income for 75% of the sampled households (Kellet and Tipple, 2000:207).

The location of HBEs varies in different residential areas in New Delhi. In some, the commercial activities are restricted to the ground floor to the extent of 25% of the total ground floor coverage or 50m², whichever is less. In certain instances, they are operated from houses facing the main roads. In terms of the procedures to be followed, the business should be run by the owner of the house and they have to pay permission and/or conversion charges, so as to get a municipal licence to operate the business and the right to convert the unit to suit the needs of a particular business (Jain, no date). In some areas, certain types of HBE activities are prohibited, e.g. retail shops selling building materials; repair shops for motor mechanic functions and workshops; as well as service shops such as welding and flour mills (Jain, no date).

HBEs as part of the informal sector provide many of the jobs needed by the growing workforce, and compensates for much of the formal sector’s failure to provide goods and services (Gough *et al*, 2003). Lipton, (1980) cited in Kellet and Tipple (2000) outlined a number of advantages of HBEs, which include the fact that they can be converted swiftly, conveniently and without loss from one use to another. The time spent on domestic activities can be converted into time spent on home-based enterprises as the ebb and flow of domestic work allows, and space can be used for a range of

activities which may change throughout the day as well as seasonally (ibid). All these changes can be made with minimal cost and inconvenience.

Despite these advantages, it has also been reported that owners of HBEs employing external people have a tendency of exploiting them through inadequate wage levels, long working hours and lack of safety, security and the right to organize. Inadequate space has also been cited as a constraint on the freedom of movement of the dwellers (Kellet and Tipple, 2000). A number of challenges were also highlighted regarding HBEs in the residential areas in New Delhi, including parking demands (an indication that outside people have access to these business ventures); putting undue strains on services (electricity, water supply and solid waste management); tenancy disputes; revision in property tax and electric tariffs etc (ibid). It is reported that the regulatory machinery is ineffective and the law breakers take advantage of this (Jain, no date).

It is apparent that although HBEs can facilitate many opportunities, there are also some concerns that need to be taken into account. This also raises questions about the relevance of HBEs in the South African context and whether these are similar to the international context, specifically in terms of the contribution of HBEs to the quality of life of residents in social housing projects.

3. Home-based enterprise in the South African context

This section outlines the background of the medium density mixed housing research project conducted by the CSIR. It also highlights the findings of the study on the residents' perceptions regarding the opportunities of HBEs.

3.1. The project background

This paper looks at HBEs in social housing developments and assesses their impact on the quality of lives of the residents. The social housing developments to be discussed are among the seven case studies selected for the CSIR multi-year research project on medium density mixed housing (MDMH) project. They are Hull Street (in Kimberley) and Amalinda (East London). The overall aim of the research was to determine the appropriateness and applicability of medium density mixed housing developments in South Africa (Landman *et al*, 2009; Landman and du Toit, 2008; Landman *et al*, 2007).

Opportunities for HBE constitute part of the findings of the study, and were a sub-component of one of the critical success factors identified for the project, namely, "management and maintenance".

3.2. Findings regarding home-based business

There has been a combination of views in relation to the relevance and value of home-based business in these social housing developments. Some of the respondents favoured facilities within the complex, and others were against this for various reasons.

The following sub-themes were identified in both case studies based on the quotes of the interviewees:

3.2.1. Income generation.

Some residents were optimistic about HBEs, as they were perceived to be creating opportunities to enhance their quality of life.

"The value of home based business is good and will allow people to generate income. People are not working at the end of the day." (Male respondent aged 37, Hull Street).

“Facilities inside the complex would be great, as these can be run by tenants and owners living in the complex and it could generate an income”. (Female respondent aged 27, Amalinda).

HBEs have evolved to a point where residents view them as part of their daily lives. They fill the gaps within communities that chain stores or established dealers cannot meet. Furthermore, they offer convenience of accessibility after hours; they are more often within a reasonable distance; credit trading can be negotiated (mainly based on trust) and safety is established since most communities operate as a close knit system (i.e. most residents know each other). The income generated through HBEs is used towards fulfilling household's needs such as groceries, rentals, school fees, transport etc. Further benefit for operating a HBE in the house is that the rental for the household unit also cover the business (2-in-1 facility), which in the long run would be economically viable for the owner.

In spite of the opportunities presented by HBEs, it was found that some residents were pessimistic about them.

3.2.2. Resistance

The resistance was mainly based on the type of HBEs to be permitted and the concern around safety in the development. Some of the residents were against permission of certain types of HBEs (e.g. those selling liquor), and others were not in favour of them at all, citing safety in the development as their concern. These concerns were reflected in the following quotes:

“Not all forms of home based businesses are good, for instance liquor stores, etc, but others are fine.” (Female respondent aged 34, Hull Street)

“Businesses should not be run from home as this creates the problem of non residents accessing the complex, makes it unsafe. Should be strict house rules to prevent people from running businesses from their homes”. (Female respondent aged 44, Amalinda)

As much as HBEs are necessary, they could pose a threat to safety, as they are associated with increased levels of human traffic mainly in instances where liquor is sold (e.g. shebeens and taverns). HBEs selling liquor are commonly linked to high levels of noise and related incidences of violence. Other types of HBEs that could contribute to problems are welding, motor mechanic etc., mainly due to the hazards associated with their operation (such as environmental pollution). One way to control such hazards is to have strict rules to regulate HBEs and to identify those that could be permitted, such as spaza/informal shops, hair salon, clothes making etc. It is imperative for residents to participate in the formation of such rules. Moreover, control measures should be imposed to limit access of HBEs only to residents. This could impact positively on the safety aspect within the development.

3.2.3. Location.

The idea of the location of HBEs was also raised as a concern.

“It is important that [a] home based business is located at its specific area not within the community. This will inconvenience others and bypass municipal laws”. (Male respondent, aged 45, Hull Street)

To address this, it is important for such business ventures to be located in zoned business or mixed use units. This could minimise complaints from the neighbours and ensure adherence to municipal by-laws.

3.2.4. Rules and standards

The implementation of rules and standards plays a key role in promoting effective operations of HBEs in any development.

“It is necessary too have certain rules when people open businesses in the complex... otherwise you will invite all from outside and this leads to criminal activity.” (Male respondent, aged 40, Amalinda)

“If one is allowed to open a business, there should be a certain standard, otherwise it will look bad.” (Female respondent, aged 41, Amalinda)

Given this, it is important for social housing associations to put in place a management structure (in a form of resident association/committee) that will oversee the operational matters of the housing development. Such structures could be a custodian of the rules and standards that govern the HBEs.

4. Discussion or the implications for South Africa

HBEs could play a crucial role in improving the quality of life of some of the residents in social housing developments. There are several benefits that could be derived from the relationship between HBEs, social housing and the quality of life. The incorporation of HBEs in social housing developments can play a significant role in improving and/or augmenting the income of the households, thus sustaining the livelihoods of the households' members. For example, the household will be able to fulfil the financial obligations such as buying groceries, paying transport costs, school fees and rental to avert eviction. Furthermore, HBEs could be easily accessed by the residents in terms of distance and operation schedules set by either the managing company or the residential committee/association (body corporate). By virtue of HBEs operating until late, the residents coming home late from work (when major supermarkets and shops have closed) will enjoy an opportunity to purchase basic necessities. This will, in turn enhance the level of safety of residents, as it will minimise possible criminal activities (for example, mugging and robbery). Safety of children is also improved since they frequent these HBEs and they do not need to go to shops outside the development.

The formation of a body corporate can have a positive spin-off in that rules are reviewed and evaluated from time to time to suit situations as they arise. However, not everyone may be pleased with high levels of human traffic concentrated in one point, and this may lead to some residents not supporting the HBEs. The negative connotation might result in profit margins of the HBEs being affected, since they only service residents. A buy-in mechanism therefore needs to be instituted to ensure that all residents participate in the decision-making process, dealing with the nature and operation of HBEs in social housing projects. Those who feel threatened by such initiatives should be engaged to ensure that their fears are sufficiently addressed. This could also address issues such as delivery vehicles that may pose additional challenges regarding taking up space or in terms of security. Issues such as these should be communicated with the suppliers and the body corporate with an intention to resolve the matter.

For the HBEs to be successful, a trial and error programme period could be allowed in social housing projects in South Africa to improve on the current systems.

5. Conclusion

There is wide recognition of informal sector activities running from home in most parts of the underdeveloped countries. This is also reinforced in the South African housing policy that supports the use of the house as an economically productive asset. Therefore, the house is seen as an essential asset for most entrepreneurs. The existence of HBEs plays a key role in addressing a range of development challenges, including unemployment. That is, HBEs are instrumental in generating the household's income, which in turn contributes towards improvement of the lives of members/residents. Despite the disadvantages of HBEs, a number of reports have attested to the positive effects of HBEs in terms of improving the livelihoods of the households' members. There are some similarities between the local

experience of the residents and the international literature, in terms of their views that HBEs are significant towards improving the lives of individuals. Despite that, lack of safety was identified as a concern in both the local and international contexts. Regulatory measures are therefore necessary to ensure optimal functioning of the HBEs, at the same time ensuring that tight security measures are put in place to address the issue of lack of safety. Social institutions should therefore consider incorporating HBEs in their policy (social housing policy) provided clear rules and standards are put in place.

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