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Housing Overcrowding : An Insight

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The problem of housing overcrowding is a result of the interplay of a vast array of economic, sociological, and demographic factors. It is an end-product of the severe housing shortage in the Philippines, wherein public and private provision of housing has lagged behind additional housing demanded by a rapidly growing population. Concrete proof of this problem is the existence of doubled-up households in areas with many economic and social opportunities.

This essay will explore the different dimensions of demand for housing starting from the time potential need for housing arises with household formation, to the time a new house is purchased or leased. It will trace the causes of housing overcrowding by looking into its demographic underpinnings and by correlating it with housing attributes which make households conglomerate in certain localities.

To attain this objective, the essay will put together the results of previous studies on housing demand so that a more coherent and deeper insight into the decision-making process of acquiring a house is attained. Attention will be focused initially on the choice of optimal household grouping, then shifted to the choice of highly-desired housing attributes. Selected housing attributes will then be related to the choice of residential location.

The first step in analyzing housing demand is understanding household formation decisions. Ideally, once a household is formed, a housing unit should be provided. By knowing therefore the factors which govern

household formation, an estimate of housing needs can be made. A study by Ermisch (1981) indicated that income changes and pure demographic changes accounted for a large part of growth in the number of households. There is an inverse relationship between income and household size which reflects the desire for privacy at higher income levels, and the existence of economies of scale at lower income levels. On the demographic aspect, the size and composition of the household and the age and sex of the household head are basic considerations in making a housing decision. Usually, households headed by persons 35 to 64 years old are less likely to contain grown-up children due to the desire for increased privacy by the younger ones. While living arrangements of persons as they move through their life cycle determine the propensity for household formation, it is basically the economic ability of a family to be self-reliant which will prevail in the decision to split into a smaller family group.

Kuznets (1976) attributed differences in household size to the relative contribution of two factors: (1) difference in number of children under 15 years per household largely reflecting fertility and natural increase (NIC factor) and (2) difference in number of adults per household, reflecting different propensities of adults to live together or apart, known as jointness or apartness of adults factor (JAA factor). The NIC factor attributes change in household size to demographic change, and the JAA factor attributes change in household size to economic and social changes. The number of adults would be more significant in housing decisions since they are income-earners and therefore have a voice in major

economic decisions as in buying a house. Kuznets focused his attention on the extreme ends of the life cycle as these indicate the propensity to live together with the nuclear family. In the Philippines, 17.8 percent of all household heads belong to the brackets below 25 years of age, and 65 years and above. The concentration of household heads is in the middle life cycle stage (with ages of 35-44 and 45-54 years). This demographic fact further inflates housing demand since people usually set up separate houses at the middle-stage life cycle.

With the aforementioned explanation of the process of household formation, housing decisions are placed in proper context.

After household formation decisions are made, the corresponding type and value of housing will be chosen. The housing choice, however, is affected by rigidities and dualistic or segmented housing markets in developing economies. The following economic factors are considered by the household head -- the household's income, assets and savings accumulated, the employment condition, intra-family transfers and amount of loans. As the household moves from one stage of the life cycle to another, there is an intertemporal adjustment of housing decisions. Households rent out and share space to extract all income-earning opportunities from different tenurial arrangements.

Housing demand has four basic elements: 1) tenure; 2) housing services; 3) derived demand for land; and 4) derived demand for structure assets. As for tenure, one can trace various levels of ownership as the household moves to a better economic position. Renaud (1981) devised the following stylized transition. Initially, only one room is rented by a new household. With higher income, a complete unit is rented. The next stage is when the household owns the structure built on the site which he does not own (squatting). A better economic position would enable the household head to lease the site and own the structure. At high income levels, the household owns both structure and

site and subleases part of it. Finally, the household owns and occupies the unit and the land. Doubling-up usually occurs in the first tenurial arrangements. The tenurial arrangement which maximizes income will be the one implemented.

The second component of housing demand is the set of services derived from shelter. This may arise from the basic need of shelter to the provision of sanitation and amenities, to the possession of a favored location. There is a hierarchy of characteristics which an individual household follows in deciding the type and location of residential location. Wilkinson (1973) used the idea of a utility tree which viewed housing as a hierarchy of potential services which are available from housing. He grouped the services into the physical and social aspects of residential location and the external and internal features of its structures. Each set of services may be provided at different levels of quality and the number of services itself may be an index of housing quality. Given that the dwelling unit is fundamentally a collection of housing attributes or potential services, a household may opt for a different bundle of services within a given price range. As an example, congestion occurs due to an increase in the physical consumption of housing at the expense of quality with the level of expenditures remaining constant.

The most important set of attributes which consumers are willing to purchase are access, space, tenure, and on-site services. If households double-up, this means that they do not give much priority to space as compared to other attributes. Space determines the extent of privacy enjoyed and could be a constraint on shelter structure. The ranking of housing attributes could be affected by household size and composition. The greater the household size, the more value will be placed on space relative to other attributes. If there are many adult members of the household, stress will be laid on location as these are income-earning members of the household. In the Philippines, low-income households trade off lot size for level of on-site

servicing. There seems to be a minimum amount of on-site services demanded before other attributes are considered. In the Philippines, there is a basic core in housing which all types of households demand. Then as income increases, additional housing construction is undertaken.

There is progressive investment in housing and housing is upgraded through a staggered process depending on the availability of funds. In a study by Kain and Quigley (1975), a systematic pattern of substitution in demand among components of housing services in the US was determined. They concluded that households with large income and higher educational attainment chose higher quality dwelling units located away from the central business district. These households put greater preference on neighborhood quality and prestige, and slightly larger physical units.

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In contrast, at the same income level, larger households put more emphasis on dwelling unit size and less on dwelling unit quality and amenities. Mohan (1976) acknowledged the existence of a three-tiered market structure of the residential sector in developing countries like the Philippines. These are the high income group, the middle income group and the lowest income sector. Each income group would have a different preference structure for housing attributes. The poorest would be mainly interested in location since they are concerned with the proximity of the house to place of employment. The middle income group is concerned with security of tenure. This group will trade off location for security of tenure. The third group, which is in the highest income bracket, would be more interested in amenities, since they have a stable source of income.

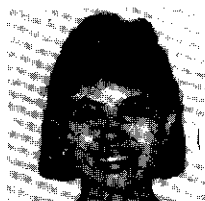
This discussion has attempted to trace the causes of housing overcrowding by looking into the causes of doubling-up of household and correlating them to the process of decision-making regarding housing. Studies on housing demands were made to find out housing attributes received the highest priority. This hierarchy of values regarding housing attributes could explain why households crowd in certain localities. Attention then shifted from choice of housing attributes to choice of residential location. While income levels greatly determined the pattern of housing consumption, the demographic characteristics of households also had significant effects on an important economic decision like acquiring a house. The life cycle stage of the household, its size and composition, and the age and sex of the head are the basic considerations in making a housing decision. The value of residential location, for instance, depends on the labor force characteristics and economic activities of adult household members. Overall, there seems to be an optimal level of residential density for households at different stages of the life cycle. Generally, it can be said that households at the middle life cycle would opt to live in areas with many opportunities for employment. They opt to live under cramped conditions with good access to job sites and markets, rather than in relatively roomy houses which are located away from income-earning opportunities.

Given the aforementioned discussion, housing policy should therefore consider the demographic underpinnings of housing demand in relation to the prioritization of demand for different housing attributes as dictated mainly by economic factors. This could then be related to choice of residential location. Together, this could give policy makers a deeper insight into the reasons behind the existence of housing overcrowding.

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