



Residents build a shack in Makhaza, an informal settlement in Khayelitsha, Cape Town where, just like in the rest of South Africa, informal housing and homelessness are the results of structural exclusion, coupled with burgeoning unemployment and poverty.  
**Photo:** Ashraf Hendricks/GroundUp (CC BY-ND 4.0)

# Housing as economic policy:

## The role of housing in addressing SA's biggest challenges

What can housing contribute to inclusive economic development in South Africa? This is the key question that a new HSRC project, Housing as Economic Policy, aims to address. **Andreas Scheba, Ivan Turok** and **Justin Visagie** discuss how this work could help to unravel the role of housing in addressing South Africa's biggest economic challenges.

**H**ousing is a much-debated topic in South Africa, and often hits the headlines, but it is rarely discussed from an economic perspective. Yet its embeddedness in the economy is conspicuous. Stark differences in housing conditions, especially between the leafy suburbs and overcrowded townships in our cities, reflect longstanding socio-economic inequalities. Growing levels of informal housing and homelessness are the result of structural exclusion, coupled with burgeoning unemployment and poverty. Meanwhile, private property has become a major investment vehicle and a means of growing wealth for middle-income and rich households: owner-occupied housing is South Africa's single largest asset class worth more than R3 trillion. Activating housing's function as an economic and financial asset for the poor has also become a feature of recent government initiatives like [Operation Vulindlela](#).

While most people have experienced the intricate relationship between housing and economy, especially during pandemic-induced government lockdowns, the linkages between the two are not always well understood. There is a lack of systematic data and critical research on the economic aspects of housing in South Africa, especially from a political-economic perspective that recognises the country's deepening economic, social and institutional crisis. While many housing scholars neglect the economic and financial dimensions of housing, economists tend to ignore housing's various roles in wealth production and distribution. Policy debates on housing are dominated by social justice and human rights concerns without adequate connection to economic policy discussions.

A new HSRC project, Housing as Economic Policy, aims to bring housing scholars/practitioners and progressive economists together in a constructive dialogue to interrogate the contribution that housing could and should make to promoting more inclusive and equitable economic development. What is the role of housing in our current economic crisis and what opportunities does it offer to spur economic recovery that benefits those most in need? At the heart of this endeavour are three public dialogues where state-of-the-art knowledge and evidence will be discussed. These will take place during the latter part of 2022, each focused on a critical economic issue:

### **Dialogue 1: Housing for economic recovery**

South Africa suffers from extremely high unemployment and extensive poverty. It also has an unprecedented housing backlog. Housing could play a central role in the economic recovery because of its many linkages to different industries and the latent demand for better accommodation, particularly in cities. The construction sector is also labour intensive, with low levels of import penetration, and many opportunities for SMEs. For households, their premises could be used to generate income (e.g. home-based enterprises and rental accommodation), particularly in well-located urban areas. New financial products and services are penetrating the low-cost housing market to stimulate growth and investment. In this dialogue, we discuss how the production and consumption of housing can accelerate inclusive growth, both in formal and informal sectors, and what measures are needed to mobilise increased investment in housing that create shared prosperity. Key questions are:

- How can housing production and consumption trigger inclusive growth?
- How can we maximise the economic spinoffs of low-cost and informal housing?
- What are the opportunities and risks involved in extending housing microfinance to poorer communities?

### **Dialogue 2: Housing and inequality**

South Africa is reputed to be the most unequal country in the world in terms of income and wealth, yet the role of housing or property in contributing to wealth gaps remains poorly explored. Inequalities in housing reflect historical and contemporary inequalities related to the structure of the economy (e.g. ownership of land) as well as at the household level (e.g. employment, income and education). But housing, as an economic and financial asset, also contributes to and amplifies these economic inequalities in various ways. Some analysts view the growing financialisation of housing – prioritising housing as a financial asset to generate wealth – as a major contributor to rising economic inequalities and housing poverty. Through their investments in and management of neighbourhoods, governments directly influence inequalities in house prices. Much of the value in housing lies in its location rather than the attributes of the physical premises. In this dialogue, we aim to shed light on how housing assets reinforce wealth inequalities and discuss policy levers to promote a more just and equitable society. Key questions are:

- What is the contribution of housing to wealth inequalities in the country?
- Which places and social groups benefit most from property wealth and why?
- What is the government's role in directly or indirectly influencing property wealth inequalities?
- How can housing policy reduce inequalities and contribute to shared prosperity?

### **Dialogue 3: Alternative economies off/for housing**

The economic and financial crisis facing South Africa means that traditional formal sector driven approaches to housing provision have become increasingly constrained. Precarious incomes exclude poor people from accessing housing via the formal market. Declining public sector delivery rates of subsidised housing have resulted in long waiting lists and rising backlogs. Consequently, alternative modes of housing provision are increasingly important. In this dialogue, we discuss alternative approaches to housing, including social housing, housing commons and cooperatives, and their connection with wider efforts to promote solidarity or human rights enhancing economies. Key questions are:

- What are the key economic principles and practices of housing alternatives?
- How are they implemented and transformed in practice?
- What are the opportunities and risks of alternative housing approaches within wider efforts to promote a solidarity economy?



Reclaim the City supporters hold a picket during the 4th annual Affordable Housing Africa conference at the African Pride hotel in Cape Town in 2017. Photo: Ashraf Hendricks/ GroundUp (CC BY-ND 4.0)



Reclaim the City supporters occupy the Woodstock Hospital in 2017. The occupiers were demanding clarity on affordable housing on the Helen Bowden and Woodstock Hospital sites. Photo: Ashraf Hendricks/GroundUp (CC BY-ND 4.0)

**Conclusion: Housing as economic opportunity**

In many countries around the world, housing has moved to the centre of public debates about a post-COVID-19 economic recovery. Parallel crises of growing poverty, wealth inequalities and housing unaffordability have resulted in calls for more research and action on the links between housing and inclusive economies. In South Africa, the connections between housing and the stagnant, racialised and unequal economy are conspicuous but ill-understood. This project – focused on three evidence-based dialogues between housing scholars/practitioners, economists and the government – will shed more light on this topic. Those interested in contributing to making these events a success should contact Dr Andreas Scheba at [ascheba@hsrc.ac.za](mailto:ascheba@hsrc.ac.za)

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