

MEASURING THE LOW- INCOME EARNER ON HOUSING ACCESS IN INDONESIA AND MALAYSIA

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MEASURING THE LOW-INCOME EARNER ON HOUSING ACCESS IN INDONESIA AND MALAYSIA

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ABSTRACT

The ratio between demand and availability of affordable housing is increasingly limited. Indonesia and Malaysia, as populous countries, face problems related to housing access, especially for low-income earners. The research was undertaken for two reasons. First, problems related to housing access for low-income earners should be solved as soon as possible. Second, it is necessary to conduct a study in order to analyze and compare these two countries in measuring low-income earner's access to housing. Accordingly, the present research aimed to identify and compare low-income earners' access to housing in Indonesia and Malaysia. To this end, the normative legal approach was applied. The materials used in this study were relevant statutes, rules, regulations, journals, articles, thesis, seminar papers, and electronic materials. The result showed that the fulfillment of housing access highly depends on the state's developmental goals. It is also associated with principles of development that each country adheres to. The government is expected to provide a unified standard regarding beneficiaries of the housing access program. The government must exhibit goodwill to consistently enhance the quality of human resources to solve problems related to the provision and fulfillment of housing access.

Keywords: Housing Access, Housing Affordability, Housing Policy, Low-income Earners

INTRODUCTION

Housing access is pivotal for enhancing life quality, especially for low-income earners. Indonesia and Malaysia share some similarities in facing this issue. The people's low affordability is one of the factors that make demands on housing cannot be properly addressed. This is worsened by the fact that house price keeps increasing and going far beyond the community's average income. A question then arises, is the fulfillment of access to housing belongs to the individual's or the state's responsibility? Another question is how does the state define its role in identifying people who need housing access while it also functions to provide flexibility and balance in the property industry for the public interest.

Discussion on the provision of affordable housing is endless. Up to now, the meaning and definition of affordable housing is still a challenge and debate among the public, especially for housing researchers. To make it easier to understand the concept of affordable housing, there are things that must be mutually agreed upon and defined in advance, such as the definition or characteristics of affordable housing (Noralfishah Sulaiman, 2014). If we see in United Kingdom and the United States, affordability is often expressed in terms of "affordable housing." Affordability is not a characteristic of housing, it is a

relationship between housing and people. For some people, all houses are affordable, no matter how expensive it is; whereas for others, no housing is affordable unless it is free. (Tighe & Mueller, 2013)

Discussing on housing access is not a new issue for Indonesia and Malaysia. Several discourses, research, and legal products have been issued to address the fulfillment of housing access. The Indonesian government handles this issue through its National Medium-Term Development Plan, while the Malaysian government has its The Malaysia Plan. Both programs involve discussions related to the fulfillment of housing access in every development plan every five years. It is necessary to evaluate the underlying problems of acceleration of housing access fulfillment.

Developments that are less attentive to the low-income earners' interests make these people face difficulty to own a proper, affordable house. Besides, the affordable housing program should not only target those categorized as low-income earners given that many people in the middle economic class also find it difficult to own a house. The key to solving these people's problem is the successful criteria identification of the program beneficiaries. Therefore, the present study attempted to focus more on the problems related to the fulfillment of housing access as a person's right, especially individuals categorized as low-income earners.

The present study aimed to investigate and measuring the low-income earner on housing access in Indonesia and Malaysia. Regarding the limitations of the research, this study only examines the literature review sources of the research that focused on Java-Bali Indonesia and Peninsular Malaysia. This study is expected to depict the development of the regulation and measuring the low-income earner on housing access, who needs it, what types of programs could be effective, which is associated with the challenges and obstacles met.

COMMUNITY BASED LOW-INCOME EARNERS IN INDONESIA

Indonesia is the most populous Southeast Asian country. Its economy is the largest in the region (Hossain, 2012). According to the data from Indonesia Statistics, this country is 1,916,906.77 km² large and has 16,056 islands with approximately 268 million citizens. Indonesian government's vision for 2045 is to be a sovereign, fair and prosperous country, and to move from middle- to high-income status. An inclusive, efficient social protection system is essential to achieve that goal (The World Bank, 2019).

²⁰ Article 28H paragraph 1 of the 1945 Constitution asserts that ¹² each person has a right to a life of well-being in body and mind, to a place to dwell, to enjoy a good and healthy environment, and to receive ¹³ medical care. Furthermore, in paragraph 2 of the article explain that each person has their right to

facilities and special treatment to get the same opportunities and advantages in order to reach the equality and justice.

Furthermore, if we see in Article 3 of Law no. 5 of 1960 on Basic Agrarian Principles, it is stated that the relationship between the Indonesian nation and earth, water, and airspace within the territory of the Republic of Indonesia is eternal. The state, as the power organization, receives a mandate from the people to regulate, manage, and determine the legal relationships related to earth, water, and airspace, including the natural riches therein.

However, Indonesia has experienced a shift of natural resources control when natural resources are privatized by capitalists, turning the sources of the state's natural rich into commodity objects. As a result, 2020-2024 medium-term development plan reports that only 54.1% of Indonesian households live in livable house. Another data published by Indonesia Statistics showed that 3 out of 10 Indonesian households buy a house through KPR (Housing Ownership Loan), with 47.78% of them pay in installment for 11-15 years.

Access to housing is crucial since it supports the fulfillment of other rights, including religious, education, and cultural rights. Indonesia does not regulate a unified standard on income level in identifying its citizens. However, in housing access, the government recognizes the term *Masyarakat Berpenghasilan Rendah* (low-income earners). Article 1 paragraph 24 of Law no. 1 of 2011 on Housing and Residential Area defines low-income earners as individuals with limited purchasing power so that they need to receive the government's support to purchase a house. Considering the statistical data presented above, low income earners should not only be defined as those who are living on poverty line because the fact shows that people who are deemed above the poverty line also find it difficult to obtain housing access.

Through existing regulations, it has been regulated some requirements to obtain easiness to housing access by Regulation of Minister of Public Works and Public Housing no. 10/PRT/M/2019 on Criteria of Low-Income Earner and Requirement of Easiness to Obtain House for Low Income Earners, are as follow:

- a. An Indonesian Citizen
- b. Registered as a citizen in a regency/city.
- c. Have never received any housing-related aid.

However, the criteria above are considered not providing a clear description of beneficiaries since each citizen faces unique cases and problems. Low-income earners are different from a poor citizen who

lives in the poverty line. Low-income earners, based on their ability to access housing ownership, could be divided into three segments as follow: (Direktorat Jenderal Anggaran Kementerian Keuangan, 2015)

- a. Low income earners who already have a land or a house but are not able to build or repair them.
- b. Low income earners who are able to buy a house but their ability to pay the installment through Housing Ownership Loan are low
- c. Low income earners who are not able to buy a house.

Regarding these three segments, Law no. 1 of 2011 has guaranteed easiness through its article 54, which regulates the easiness of developing and acquiring a house. Further, article 126 of the law stipulates that the central and local government should provide easiness related to funding for developing and acquiring a house. However, this law could not work optimally if the property price keeps increasing while the government has not finished identifying the beneficiaries of the easiness.

Article 13 paragraph f and g of Law no. 1 of 2011 obliges the government to allocate development funds to support housing programs and to facilitate the provision of houses for low-income earners. When the classification of low-income earners is too low, the government will find it difficult to execute the program because low-income classification is incomparable with increasing house prices. Otherwise, when the classification of low-income earners is too high, those with high income stands greater opportunity to follow the program. (Kementerian Komunikasi dan Informatika Republik Indonesia, 2020)

Equal development could overcome gap among the community. Efforts in fulfilling needs of housing could be realized through developing apartments. (Kurniati, 2014). However, in Indonesia, apartment (Indraningrum, 2016) is not popular among the community. People views apartment less comfortable due to limited space. Indonesian citizen tends to prefer stand-alone house.

Considering this phenomenon, an initiative collaboration of academicians, business sectors, community, and government (ABCG) is expected to bring new hope of housing access for low-income earners. ABCG collaboration could develop community-based housing as an alternative to solve housing backlog. Involving the community may bridge academicians, business sectors, and the government to identify the low-income earners. This is important given that the majority of Indonesian people work in informal sectors. Meanwhile, financing institutions require some criteria for their debtors in order to ensure that they meet 5C (Character, Capacity, Capital, Collateral, and Condition). This issue is worsened by the fact that only 60% of Indonesian people possess a bank account (Detik, 2019)

However, Indonesian people characteristic who like to gather in a community can be used to bridge those who are not able to access banking facilities individually. Community-based housing development could be carried out through guidance, starting from creating a group, establishing a partnership with a bank, releasing land, applying for the program, building the house, to repaying the installment.

The collaboration of ABCG should be enhanced to reach the community in the rural area to understand the detail of beneficiaries of low-income earners housing facilities. It is expected that community-based development can provide a checks-and-balances mechanism between the beneficiaries and the interesting parties. Furthermore, data related to the beneficiaries of the housing program for low-income earners should be properly managed so that the government possess valid, measurable data on the needs of housing access in the future.

INCOME CLASSIFICATIONS BY HOUSEHOLD IN MALAYSIA

Malaysia consists of two distinct geographical area separated by the South China Sea, Peninsular (or West) Malaysia in the west and East Malaysia in the east. It is located in the center of Southeast Asia, being an extension of the Asian land mass as well as part of the wider Malay Archipelago. (Institute of Southeast Asian Studies, 2007) With 32.5 million of population, Malaysian citizens still find it difficult to obtain access to housing. The rate of increase in house prices has differed across housing types and location. Between 2000 and 2016, house prices in Malaysia have more than doubled. (Khazanah Research Institute, 2019)

In Malaysian housing industry, one of the housing problems includes the abandoned housing project (Dahlan, 2011). Such a problem arises as a result of a number of factors, including private developers, housing contractors, the government or authorities, financial institutions, economic crisis and politics (Mumin & Zainol, 2016). In other hand, the issues in affordable housing have increased in recent years, indicating the impact of government measures owing to weaknesses in the design, sustainability and implementation of public housing schemes (Muhammad Bilal, 2019). Ministry of Housing and Local Government is responsible for the housing policy. Under this ministry, there are several departments that are directly involved in the implementation, approval of public housing development and also providing the guidelines and planning standards for the State and Local Government (United Nations Human Settlements Programme, 2008).

Access to housing is a basic need for every community. Governments need to ensure that individuals have equal opportunity to own or lease homes. Up to now, the need and access to housing is still limited, especially for low-income groups. The private sector need to continue providing affordable houses for

sale or rental especially for the low-income group and also the disable, senior citizens and single mothers³ (National Housing Department Ministry of Housing and Local Government, 2016). Related to low-income earner, each State have a housing division department in function to monitor implementation of low cost housing and low medium cost projects developed by the government and private sectors.

In Malaysia, the⁵ definition of low-cost housing varies from State to State. Under the Federal Constitution, land is a State matter. (United Nations Human Settlements Programme, 2008) It is vital for States to evaluate the number of households that qualify for their social housing sector based on local conditions. Need-based assistance is already differentiated at the state level and, under the current framework, states can decide their own qualifying criteria. However, it is not clear whether the eligibility criteria are tied to the state income level. (Khazanah Research Institute, 2019)

² Malaysians are categorized into three different income groups – Top 20 percent (T20), Middle 40 per cent (M40), and Bottom 40 per cent (B40). The T20 group is defined as the median household income of at least RM 13,148 while the M40 and B40 group's median household income have moved their bars up to RM 6,275 and RM 3,000 respectively, according to the Household Income and Basic Amenities Survey 2019 research findings from the Statistic Department (Leong, 2019). However, as occurs in Indonesia, whether or not the basis to fulfill the housing needs have been fit and measurable when using income classification per household is still questioned. The question arises because citizens have different characteristics in fulfilling their housing needs, let alone most of them prefer to own a house, not rent. In Malaysia, it was found that those who have ability to buy a house do not have cost to keep. Different actions to take related to housing access through purchasing or leasing scheme becomes more complex for the government. The government has limited ability related to cost to keep. Besides, people's income is also affected by cost of other needs, such as medical care, foods, and basic amenities.

¹⁹ Low-cost housing in Malaysia aimed specifically to improve the life quality of low-income earners (Zaid & Graham, 2011).¹⁶ Malaysia has experienced rapid urbanization, bringing much prosperity in the urban areas, however there is another side of the city where the urban poor and B40 lives, which needs urgent intervention (Jayasooria, 2020).

⁸ Key housing challenge in Malaysia is mostly related to mismatch in demand and supply for affordable housing. Supply side initiatives need more attention in Malaysia, especially areas related to cost of effective housing development measures, maintenance and operation cost, and regulation related matters (Samad, Zainon, Rahim, Lou, & Karim, 2016).⁸ In addition to mismatch in demand and supply, there is also mismatch in desire and supply, which can be viewed from the decision that low income

earners who work in the city could not afford to live in urban area, thus making them to live far from their workplace and face risk of longer distance and high transportation cost.

In the 11th Malaysia Plan (11MP), accesses to housing has been discussed. It is stated that the government will continue to uplifting B40 households towards a middle-class society. Government also ensure that affordable homes are available to B40 households. One of the program that mentioned in 11MP, a special interest rate loans, with a 10-year moratorium on sale of the property, will be provided to B40 households to enable them own houses. In order to that, the level of financial literacy and financial management capability from an early age will also help to prevent high indebtedness among B40 households. Hence, data transparency and proper classification identification of B40 in Malaysia is important to determine the beneficiaries of access to housing.

However, this classification needs a number of improvements so that it can be integrated with the needs of housing access. Besides, there must be a clear definition of affordable housing in Malaysia because it may be different for each individual or income group. Affordable houses should be built within the people's affordability, which focuses on low and medium-income groups. Moreover, government should revise the ceiling price for affordable house (Jamaluddin, Abdullah, & Hamdan, 2016).

HOUSING POLICIES OPTIMISATION FOR LOW-INCOME EARNERS

Since issued in 12 January 2011, Indonesia has already had a law that regulates housing and residential area, i.e., Law no. 1 of 2011. This law represents the state's effort and responsibility of protecting Indonesian people through the provision of housing and residential area. Article 5 of Law no. 1 of 2011 on Housing and Residential Area stipulates that the state is responsible for the provision of housing and residential area, in which the guidance is carried out by the government. Guidance, as meant in Article 5 involves planning, regulating, controlling, and monitoring.

In line with that responsibility, Article 105 paragraph 1 of Law no 1 of 2011 Housing and Residential Area stipulates that the Central and Local Governments, based on their authority, are responsible for the availability of land to build houses and residential areas. Housing access is a mandate the state must fulfill. In its implementation, central and local government can use a set of policies and other instruments for affirmation, such as obliging the private developers to build non-commercial houses in addition to their private/commercial houses, etc. Considering the current number of private housing, there should be already many non-commercial houses built by private developers to fulfill such an obligation. The regulation obliges the property developers to provide a public apartment of at least 20% of the commercial houses they have built. However, data on non-commercial houses are still limited, resulting in difficulty to find out the result or achievement of this policy. Although the regulation applies

generally to the type of housing built by developers, the regulatory article in law no. 20 of 2011 only stipulates about apartments.

The government, which holds a supervisory function, should actively collect the data related to non-commercial houses built by the developer, whether or not it meets the requirement and standard for the beneficiaries (i.e., low-income earners). Further, innovation can also be made by the regional governments by obliging property business sectors (e.g., hotels) to contribute to the development of the residential area for low-income earners. Ease of doing business and investment should come along with the business' contribution to the regional government.

An obstacle that should be faced by home buyers is the fact that most low-income earners work in the informal sector with uncertain income. To date, the fund available in banking and financing institutions is categorized as short-term fund and expensive, while house financing needed by low-income earners should be long-term and inexpensive. Accordingly, it is necessary to have a special mechanism to turn these non-bankable low-income earners into bankable individuals. (Mangeswuri, 2016)

Indonesian government, through Minister of Home Affair, has issued Circular Letter no. 648/1062/SJ regarding acceleration of housing development for low income earners. Such acceleration includes three instructions consisting of removing required permits, permit merges, and acceleration of permit processing duration. These instructions are expected to minimize complains from the property developers who complain about time-consuming, costly permit processing. For low income earners, this circular letter may not give significant effect, considering that they need innovative, rational, and affordable funding scheme to buy a house.

Housing loan requires thoughtful consideration. As stated above, since housing loan for low income earners should be long-term and inexpensive, both countries (i.e., Indonesia and Malaysia) needs to consider the urgency of a financing/banking institution that specifically aims to serve people with characteristics of low-income earners. In Thailand, there is a bank called National Housing Bank, an apex financial institution for housing. The study conducted by (Jeevandam & Veerappan, 2019) found that National Housing Bank enhanced the affordability of housing facilities to the urban and rural poor. National Housing Bank predominantly regulates the entire financial system of housing by its regulations. Further studies and consideration are necessary to find out the effectiveness of such a bank when it is applied in Indonesia and Malaysia.

In Malaysia, housing strategies and program outlined in the housing sector are stipulated in the National Housing Policy (NHP) which is drafted every five years (Ministry of Housing and Local Government Malaysia, 2020). One of the issues faced by Malaysia concerns with access and the community's ability

in choosing dwelling. The affordability problem arises because of housing being too expensive. (Asek, 2012) For a country with huge territory like Indonesia, attempt to provide access and affordability by opening new areas for dwellings. However, in Malaysia, due to smaller area (compared to Indonesia's), the government pay special attention to the regulation, organizing availability, and the spatial plan to adjust to the state's goals.

A clear and measurable approach is needed to reduce poverty in Malaysia in terms of definitions, measurement, policies and programs (Nair & Sagar, 2015). Based on Ministry of Housing and Local Government definition, housing provision in Malaysia are divided into several categories according to selling price, namely high, medium, low medium and low-cost housing (Shuid, 2010). Housing affordability indexes are important for stakeholders (e.g. the government, banks and developers) to determine the affordability of the housing market and help them take corrective measures to ensure affordability of housing in the market (Zamri, 2019).

¹ Affordable housing is the federal as well as the state matter. According to the Federal Constitution of Malaysia, at the federal level, the federal government is responsible of providing grants or loans and technical expertise to undertake the development of affordable housing, while the state level, the government is responsible in identifying suitable location for affordable housing project (Woo, 2018).

¹ Affordable housing is a federal and state affair. According to the Malaysian Federal Constitution, at the federal level, the federal government is responsible for providing grants or loans and technical expertise to undertake the development of affordable housing, while at the state level, the government is responsible for identifying suitable locations for affordable housing project (Woo, 2018).

Consistent and harmonious laws and regulations are important to ensure the fulfillment of access to housing is developed in an orderly, timely manner and is carried out according to established specifications. The fulfillment of housing access will be affected and disrupted when the existing laws, policies and regulations overlap and are not implemented effectively. In the Malaysian context, until now there is no 'umbrella act' related to housing and residential area. The presence of this law can provide legal guarantees and certainty for all interested parties.

Since housing ownership has not emerged as a popular solution possibly due to limited land availability, rent option could be viewed as a wise decision. Considering that urban and industrial area in Malaysia have offered a range of options of house rent, it is also necessary for the Malaysian government to issue Residential Tenancy Act in order to protect both the landlord and tenant under residential tenancy agreements.

Income classifications play a critical role determining the beneficiaries of welfare provisions in Malaysia. At present, most forms of social welfare aid are disbursed to households in the B40. (Joshi, 2020) In addition to social welfare aid program, the increase of salaries can directly improve the ability to own affordable housing. However, income growth on the other hand depends on too many factors and it is difficult to improve in a short period of time. (Zamri, 2019) It serves as a challenge for the government to see whether the existing law manages to decrease disparity between housing prices and increase of salaries among the community in B40.

Research shows that almost half of the housing finance schemes require high costs, while the general public need a low or medium home financing scheme (Tobi, Jasimin, & Rani, 2020). The availability of affordable housing, especially for low-income earners, must be recognized, especially for housing developers as housing providers. Access to affordable housing can be achieved at a low cost even though it still meets the eligibility standards. To achieve objective of national housing policy in Malaysia, it is important for the government to provide a house with a good quality so that they can live in comfortable way (Mohd-Rahim, et al., 2019).

CONCLUSION

Policy can make a difference only if we make the right choice. As law functions to protect the public interest, the provision of housing access should be thoughtfully considered not only for the current generation but also for the future generation. Providing housing access, especially for low income earners is not an easy business since it requires multidimensional and cross-factor solutions. The increasing birthrate due to better health quality, environment, food, and access to medical facilities also contribute to the increasing populations. It could be concluded that the state's strategy and role in fulfilling people's access to housing ownership highly depends on the state's development goal. It is also associated with principles of development that each country adheres to. Indonesia and Malaysia currently use income classification by household to determine people who needs housing access. Although the standard is still considered relevant to identify the community's need of housing access, more measurable, specific standard in identifying the beneficiaries of housing access program is required. Besides, discussion on regulation that provides a legal certainty on fulfillment of housing access is also necessary. Regulation on housing access through law can be effective with the presence of supervision and enforcement that are carried out by clean, accountable, and transparent institutions. Without an accurate measurement, it is difficult to identify people and families who needs housing access. Identification of beneficiaries based on classification may provide policy makers with ease during taking affirmative measures. For academics, study on housing access for low-income earners is

important to dedicate and to contribute to the state related to what steps need to be taken as the holder of the people's mandate and the housing provider.

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