

THE HOUSING MARKET AND THE HOUSING CRISIS
IN URBAN PENINSULAR MALAYSIA

BY

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Abstract

Submitted in partial fulfilment of the requirements for the degree of Master in City Planning at the Massachusetts Institute of Technology, May 24, 1979.

Since 1957, the year of independence, the urban housing situation in Peninsular Malaysia has deteriorated. Today the problems of housing shortage, overcrowding, slums, squatting and the persistence of residential segregation have reached "critical" proportions. How did this "housing crisis" develop? How is it to be properly understood? What is the relation of the housing market to the crisis? These are the questions that form the subject of this study.

Conceptually it is argued that the root of housing problems must be located in the fundamental conflict between the requirements of the labor and the housing markets. On the one hand, the tendency of the labor market is to keep wages as low as possible in order to maximise profits. On the other hand, the tendency of the housing market is to keep the costs of housing as high as possible - also for profit maximisation. Since wages are for most people the only source of access to housing, so long as this basic discrepancy between the requirements of the two markets remains, so will the problems of housing.

This link between labor and housing is explored by first examining the post-colonial changes in the labor utilisation process which have led to an increase of poor urban households in the largest towns. It is also shown that these changes have also resulted in an ethnic convergence in the urban occupational structure which might be expected to lead to a corresponding convergence in the urban housing system. In the post-colonial period, a "modern housing submarket" emerged rapidly which engages in providing housing strictly as a commodity to be rented or sold for a profit. Through a typology of housing submarkets, it is shown that the modern submarket has reached a position of dominance in urban housing.

The relation of the housing market to the housing crisis is then approached by analysing two things: the coincidence of a housing "boom" and deterioration together, and residential segregation by class and race. It is demonstrated that the modern housing submarket contributes to both "boom" and deterioration by building housing only for those who can pay for it. By "resolving" the conflict between low wages and high housing costs in this manner, the modern submarket "prices out" the poor who have recourse then only to older submarkets; the increase in the "demand" for this older housing has led to its deterioration. At the same time, the "pricing out" has also worked to lead more people into older residential patterns, and hence intensified the ethnic segregation associated with them.

Finally, some implications of this approach to housing problems in Peninsular Malaysia are drawn. The relation of the older submarkets to housing in general and "labor reproduction" in particular is also analysed, and it is found that they play an indispensable role in keeping down the costs of labor reproduction. Some comments on various schemes for improving the housing situation are also offered. Of these, the most important is the stress on housing problems as actually responses by low income groups to the low wages which force them to obtain cheap housing in order to reproduce themselves at levels affordable by the wages.

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Theses are rarely finished; they are usually abandoned. This one would have been abandoned long ago were it not for the great amount of help I received from various people. So, it is time to "settle some accounts."

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This thesis is for my parents whose knowledge of housing problems long preceded mine, and it did not need to be acquired within the confines of a university.

Boo-Teik Khoo
May 24 1979

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CHAPTER 1

INTRODUCTION: LABOR AND HOUSING

Introduction: Background on the housing situation
in urban Peninsular Malaysia

The urban housing situation in Peninsular Malaysia has in recent years attracted much attention from commentators concerned with urban issues in the country. There appears, moreover, to be a tacit agreement among many that the housing problems have grown more serious in the post-colonial period (that is, since 1957). Indeed one of the latest and most comprehensive studies on "public policy and housing needs" in Peninsular Malaysia has warned that "without considerably greater commitments and performance on the part of Government the coming housing crisis in Malaysia will not be avoided."^{1/} Another study, too, refers to a "crisis and prospective crisis in low income housing and settlement."^{2/} Does the urban housing situation in post-colonial Peninsular Malaysia in fact deserve such grave pronouncements? If so, how have the housing problems grown to such a critical point?

A brief review of the main features of the urban housing crisis will be in place here. First, there is a severe housing shortage measured by the difference between "housing needs" and the "effective demand" for housing.^{3/} The latest estimates of this shortage indicate that it has increased substantially owing to the "backlogs" in the provision of housing that have not been previously met by the pace of construction.^{4/} Second, in the face of this shortage, the concomitant problems of overcrowding, dilapidated conditions

and the lack of proper facilities have also been exacerbated.^{5/} Overcrowding, for example, has on the whole steadily become worse since 1931, and the situation with respect to low income housing is even grimmer.^{6/} Third, housing costs have escalated, especially during the last decade, and further widened the gap between housing costs and the incomes of urban families. Whether one measures the housing costs in terms of the sale prices of new housing, on the one hand, or in terms of squatter housing rents, on the other, the tremendous increase in housing costs is quite unmistakable.^{7/}

Perhaps the clearest manifestation of the housing crisis is to be seen in the growth of urban squatter settlements in just about every major city of the country, and most prominently in the capital city of Kuala Lumpur. Poor housing conditions, lack of public facilities, the insecurity of "tenure" - all these mark the squatter settlements inhabited by mostly very poor families. The proliferation of squatting despite eviction and "clearance" only attests to the immensity of the housing crisis.^{8/}

The overall severity of the housing situation can yet again be seen from the attempts by the public authorities to intervene in the situation by implementing various "public low cost housing schemes". Several writers have suggested that in the main the intervention has not been far-reaching enough; many of the schemes have either been insufficient to meet the needs of low income families, or some have even turned into "modern concrete slums".^{9/} Of late, it seems that the "concept" of public low cost housing schemes itself has been questioned as to its viability.^{10/} In its place, various

"second best solutions" have instead been proposed. "Upgrading", "sites-and-services" and other projects have in their turn become almost catchwords for politicians and planners dealing with the problems of low income housing.^{11/}

A final aspect of the housing situation in Peninsular Malaysia must be mentioned here although it is only occasionally thought of as being part of the "problems". This is the rather rigid pattern of residential segregation of neighborhoods along racial lines. It is not suggested here that the residential segregation has produced the degree of racial tension that is so familiar to Peninsular Malaysia. The latter is the product mainly of historical and social forces dating back to the colonial development of the country that for the most part suited the requirements of British colonialism. However, when the racial tension has since then been heightened, not lessened, by other issues facing the people of Malaysia, the continued racial segregation seems to stand somewhat in the way of resolving that tension. It is possible that so long as the current housing problems persist in their present form the conditions for reproducing and exacerbating the racial conflict may exist. And in that sense, it is important to recognise the persistence of the residential segregation by ethnicity as very much a part of the housing crisis.^{12/}

How the crisis has developed, and how it should be perceived, form the subject of this thesis. Our aim is to provide an explanation of the development of this crisis in the hope of correcting some mistaken notions about the roots of housing problems, and in that sense, perhaps contribute to an eventual solution of the problems.

Section 1.1: Review of some existing approaches to housing

Conventional analyses of the housing situation in most of the underdeveloped countries have offered various explanations of the situation; and perhaps they have offered an even broader array of solutions to the problems. To date most of the solutions have largely failed to bring about more than piecemeal patching-up. The very failure suggests that there may be some problems in the analyses themselves which we can profitably review here.

The main reasons for the housing problems, according to these analyses can be listed thus: a lack of national resources to provide adequate housing due to the "less developed" character of the Third World countries, the "population explosion" that has added an intolerable strain on the national economy, a longstanding inattention paid by governments to the importance of housing and the benefits that may be derived from it, and finally, the inequities in the income distribution that prevent the most deprived sections of the population from gaining access to decent housing.

At a glance, these arguments have each a certain degree of validity. The question of housing is primarily a question of the provision of housing on the one hand, and the access to it on the other. It is therefore relevant to consider the level of resources of the countries to determine in general the national capacity to provide adequate housing as well as the range of access available to the population. However, housing problems, as is obvious, does not affect all income groups within a country equally. Almost by definition, housing problems are synonymous with the problems of housing shortage,

overcrowding, lack of amenities, etc. faced by the low income groups. Hence it is doubtful that the above analyses, without considering fundamentally the issue of inequality in housing, can adequately explain the incidence of "housing crises" in so many of these underdeveloped countries.

To an extent it is true, for example, that the level of national resources in these countries has placed constraints on adequate housing provision for the majority of the population. But that cannot be the main reason considering that the western countries - presumably neither "less developed" nor lacking in resources - suffer from what appears to be urban and housing "crises". A recent essay on the subject has this to say of the European and North American cities:

The urban crisis is neither isolated nor symptomatically limited to a few unlucky administrations. In all the advanced countries, cities appear to be suffering similar strains of this disease. In the United States, not only New York, but Detroit and San Francisco - to pick only two examples - are echoing with the reverberations of the crisis. In Italy, not only Naples and Rome in the South but also Milan and Venice in the North are feeling the effects. In Germany, cities as distinct as Munich and Hamburg seem equally afflicted. And the list goes on. If there are social problems "common" to the advanced countries, the "urban crisis" certainly seems to be the most dramatic. 13/

When even as affluent a country as the United States has encountered rather critical problems in housing, surely it is very difficult to maintain that the Third World countries have their problems mainly out of a scarcity of resources. 14/

The "scarcity of resources" argument is usually presented together with "neo-Malthusian" reasoning that covers not only housing

but other basic human needs, food primarily. Proponents of this line of argument customarily claim that "overpopulation" in the Third World has outstripped "scarce" national resources - a claim that has been refuted by several writers.^{15/} Charles Abrams, for instance, significantly begins his classic on housing by referring to the "population surge that has more than doubled the world's numbers in a century." The "world's numbers" may have increased, but to trace the problems of housing to some kind of a "demographic explosion" is extremely misleading. One could for a start point out the problems faced by "zero growth" countries and ask why "zero growth" has not helped to solve those problems. More to the point, as Portes and Walton have remarked, it is not enough to present "numbers" and demographic data, show the occurrence of rapid urban population growth, and conclude that it is demographic considerations that basically account for housing shortages or other kinds of imbalances. They write that

what the demographic literature accompanying such data has not stressed sufficiently is that massive movements giving rise to these trends are not determinants but largely consequences of previous historical and economic imbalances. ^{16/} (emphasis added)

Nor can the "previous historical and economic imbalances" be assumed to have been caused by "overpopulation". McGee makes it clear when he says that

migrants from the countryside in the South and Southeast Asian region are moving to cities where the rates of growth are higher than that of the national population, unemployment (is) high and poverty and squalor a major part of city life. Yet still they continue to move to the cities, being dislocated by processes which are the consequences of the pattern of capitalist penetration. The introduction of individual land

ownership, the development of cash crops for exports, the increased monetisation of the South and Southeast Asian countryside, technological changes and the marketing of the cheap industrial products manufactured in the developed countries have all led to new patterns of social and productive relationships in the countryside. This has marginalised some groups forcing them to migrate and created affluence among others who have also migrated to the cities in a process of upward mobility. 17/

In contrast Abrams stretches the demographic argument, and nowhere do we find him making a similarly careful examination of social changes that themselves affect population growth to begin with. Instead, Abrams writes that

with the frittered farmlands no longer yielding enough food for the growing number of mouths, and with escape to frontier countries shut off, the cities within each country have become the most obvious prospect for distributing the human surplus. The first problem for the people who swarm into the cities is to get a roof over their heads; land and housing are therefore assuming a new importance in the struggle for subsistence. 18/

Obviously any sudden and massive increase in urban population through either natural increase or in-migration would tend to create problems for the housing situation. Cut clearly no amount of allusion to "human surplus" escaping "frittered farmlands" only to "swarm" into cities can substitute for a rigorous analysis of the historical and social changes that we have mentioned above. Short of that, "population explosion" arguments are, like the example from Abrams, likely to gain only in metaphor what they lose in understanding. 19/

It may also be argued that a previous record of inattention to the importance of housing on the part of the governments of the

Third World countries constitutes the main problem. This certainly cannot be discounted. Still, if past and, on the whole, present policies as well have been implemented to promote patterns of economic "growth" that have essentially bypassed the provision of adequate housing for the majority of the population, then those patterns of growth must be scrutinised more carefully. It cannot be demanded that an abrupt volte-face be made so that the same growth now produce the "redistributive" results that they were not meant to produce in the first place.

Of course this is related to the argument that inequities in income distribution constitutes the chief problem. In a sense, that is more plausible than the others because it at least admits that there is something systematic about the exclusion of a large part of the population from gaining access to decent housing. The World Bank's Housing: Sector Policy Paper mentions that "income is the most important determinant of housing".^{20/} Likewise, Abrams recognises that "low income is one of the more troublesome obstacles" to "progress in housing".^{21/} But neither provides a satisfactory explanation of how low income has become so widespread.^{22/} Instead the argument typically leaps "forward" to propose a solution: that is to say, it exhorts the governments to implement various schemes to "redistribute" income or wealth more "equitably". Decades of development have proceeded leaving many of the underdeveloped countries with even worse records of income and housing disparities. With the "redistribution" nowhere nearer in sight, it is perhaps safe to say that neither the exhortation nor the intervention has really worked to date. It only remains to be

seen what new "solution" will be imagined.

As housing problems in the Third World have persisted, at least one relatively new approach to housing has emerged. Represented chiefly by Turner, the "self-help" or "freedom to build" approach has criticised the more conventional solutions such as massive governmental intervention via low cost housing schemes (high rise flats, for example). The main obstacle identified by this approach is the impersonal bureaucratic stance adopted by governments, agencies, and planners who ignore the particularistic character of low income housing and actually impose their own unsuitable ideas of what kind of housing is really required. Turner emphasizes the centrality of varying and particular needs of individual family units, and largely proposes that the "freedom to build" can help to satisfy their individual needs for housing-cum-workplace.^{23/} In a way this approach has something to commend it especially in its insistence that local participation be a key factor in the housing provision process. But, as Harms argues, what this approach generally does is to abstract the issues of housing out of their broader socioeconomic and political context.^{24/} Housing "autonomy" for the low income families, that Turner recommends, "used in contrast to dependency implies an actual freedom of choice."^{25/}

However,

in fact people in the popular sector are forced by necessity to provide for themselves in order to survive while others who have more cash, power and knowledge in society are not forced to do so. They have "freedom to build" but do not build for themselves unless they are architects, construction workers or doing it for other reasons like self-fulfilment which they may not find in an alienating work situation. 26/

In other words, as Harms adds, as far as most underdeveloped countries are concerned, "to suggest that the building activities are autonomous or independent of its context is confusing the term autonomy with exclusion."^{27/} In the end, Turner's analysis, by focusing on individual and particularistic needs and problems loses sight of the general plight that will persist without broader social approaches to the housing situation. By "confusing autonomy with exclusion" and thus lauding the "autonomous" aspect of poor housing, it makes a virtue out of what after all is only a "necessity".²⁸

Finally, it might be suggested even that rather than focus on a few fundamental "causes" of the housing problems, it would be better to treat housing as a "complex" subject. Hence what is called for is a consideration of a plethora of "relevant factors" - building standards and codes, costs and availability of materials, social values, etc. - and an analysis of their linkages with one another. Although housing is definitely no "simple" subject, the mere lumping of "multivariate" factors together cannot itself amount to a sufficient explanation of the underlying causes of housing problems. At best, that can only explain particular issues. Such an approach to housing (or to any social issue as broad in its implications) would only represent a retreat from developing a theoretical framework within which it becomes meaningful to consider specific and often varying factors.^{29/}

Section 1.2: An alternative conceptual framework

In the preceding discussion, we suggested that if we regard the existence of widespread housing problems in the Third World as a systematic problem of inequality in the access to housing, then the roots of the problem should be sought in the very structure of the society and economy with which housing problems are bound up. Here we will provide an alternative conceptualisation of housing problems based on the fundamental link between labor and housing that obtains for most of the underdeveloped countries.

We can begin by considering the issue of labor absorption. There are two dimensions to it - the one of "labor utilisation" for purposes of economic production and other activities, and the other of labor absorption in the form of partaking in the consumption of the wealth that is produced. The latter dimension can be termed "labor reproduction" insofar as it consists in gaining access to the necessities for sustaining life and, therefore, reproducing the capacity to work. Housing as shelter, in this respect, forms a major part of the necessities for labor reproduction.^{30/}

The relationship between labor utilisation and labor reproduction is not a mechanistic one, even at this general level. Labor utilisation clearly constrains labor reproduction to the extent that different kinds of employment permit greater or lesser access to the necessities for labor reproduction (the type or "amount" of housing, say). Conversely, unequal access to those necessities (food, education, health care, etc.) itself can significantly limit the access to certain types of employment. To suggest that there is this basic link between labor utilisation and labor reproduction, therefore, is not to

suggest that the two consistently complement each other in a smooth manner. Inasmuch as housing problems occur on a large scale, when they occur, one might even suspect that the two dimensions of labor absorption tend to conflict with rather than complement each other. This possibility arises all the more because whereas labor utilisation operates mainly within the labor market, labor reproduction (that is, housing, here) takes place within the domain of the housing market. There is a possibility, therefore, that the separate operations of the two markets may not complement each other.

The "modern" labor and housing markets as we know them today have their origins in the historical development of capitalism. That development yielded three important consequences that are relevant here. In the first instance, the emergence of wage labor as the dominant type of labor utilised in economic activity was the precondition for the existence of a labor market; but it also meant that the wage became for most people the chief if not the only source of access to the necessities for labor reproduction. Second, the separation of the "offering of employment" from the "furnishing of housing"^{31/} which manifested itself in the physical separation of the workplace from the home, made it such that the burden of obtaining housing fell upon those who worked, and their families. Third, it was this separation of workplace from home, coupled with the fact that commodity production became the hallmark of the economy, which led to the rise of housing as a commodity to be built and sold or rented for a profit. Hence, housing as an area for investment led to the rise of a "generalised" housing market just as a labor market had emerged.^{32/}

These two markets, among the most important institutions in the economy, operate independently as it were despite the close link between labor and housing. The level of the wage can vary with time depending on such factors as the "supply and demand" of labor, the extent of collective bargaining, and so on. It is in the interests of employers to keep wages as low as possible so as to maximise profits. However low the wage can be though, in the long run it cannot be lower than what it takes for subsistence if labor reproduction is to continue. The "subsistence level", biologically as well as socially defined, is determined by the cost of the necessities for labor reproduction. Among these is of course housing which plays a major part. Hence, if housing or "shelter" costs are high, wages would have to be at a sufficiently high level to accomodate the shelter costs.^{33/} Or if the shelter costs rise, then wages must rise, too, to meet the increase. Similarly, the housing market dynamics decide the costs of housing (either for rental or sale). But contrary to the tendency of the labor market to keep wages low, the housing market tends to keep the costs of housing as high as possible, again to maximise profits. There is also a limit to how high the costs of housing can actually go; for even though people must pay for high costs or increased costs of housing in the short run, they obviously cannot pay more than what their wages permit them to.

The underlying cause of housing problems can thus be traced to the difference in the requirements of the labor and housing markets. Whereas housing as a necessity must be low in cost for most people to

obtain it, housing as a commodity has to be high-priced for it to be a profitable area of investment. In the particular situation that obtains for most underdeveloped countries, wages tend to be low while simultaneously housing costs remain very high. How then can the two be reconciled? Conceivably, one way is to raise wages or effect a real redistribution of income so that high housing costs may be afforded by most people. The other way is to lower housing costs to accommodate the low wages of most people. But in an economy which by and large depends on low wages, any significant trend in wage increases would threaten the viability of the labor market.^{34/} On the other hand, to lower housing costs substantially would tend to lead to the collapse of the housing market. In reality, this fundamental conflict between the requirements of the two different key institutions remains irreconcilable.^{35/} And hence the persistence of housing problems - and predominantly for those with low wages at that.

The above discussion outlines a theoretical framework that we think must form the point of departure for an informed understanding of housing problems faced by many underdeveloped countries. The framework itself, however, cannot predict the specific forms in which housing problems can and do arise. That properly belongs to an analysis of the housing situation and, as has been suggested above, the ways in which the labor and the housing markets operate and actually conflict with each other in the context of the social conditions which prevail in a particular period. To take one example, the intervention of the governments in the housing sector can be understood essentially as an attempt to resolve the problems created by the irreconcilable difference between the requirements of the labor and housing markets.

Housing clearly is too crucial an area in the society for its problems to be left unattended for long.^{36/} But short of an analysis of the housing situation, it cannot be determined a priori what steps will constitute the "intervention", or for that matter, how successful it will turn out to be.

As will be shown in subsequent chapters, this framework which presupposes a market in housing (taken as a commodity) is applicable in the case of Peninsular Malaysia only to the "modern submarket". But the more general relation of housing markets to labor reproduction will be shown in the Conclusion when we deal with the role of the "older submarkets" in the economy as a whole. Where mention of a "housing market as a whole" is made, both the "older" and "modern" submarkets are referred to together.

Section 1.3: The scope of this study

It is within this context then that the main concerns of this thesis can be stated. Post-colonial Peninsular Malaysia, like many other underdeveloped countries, has undergone a process of economic development that has incurred significant shifts in sectoral activity from the "primary" to the "secondary" and "tertiary" sectors. In the same post-colonial period there has been substantial urbanisation.^{37/} The influx of people from both rural and smaller urban areas into the major towns has created the conditions for a profitable housing market that is organised and managed by real estate agencies, private developers, and financial institutions (this is what will be referred to as the "modern" housing submarket in this thesis). The rise of this "modern" housing market is a recent but rapid one; today it occupies a preeminent position in the business of housing provision. Yet while the increased demand for housing has created a "boom" in housing, this "boom" takes place in the midst of a sharp deterioration in the housing situation in terms of increased shortages, overcrowding, proliferation of squatter settlements, etc. At a time when the modern housing market has built more houses than ever before, various writers have warned of an impending housing crisis.^{38/} Is there any relation between these two seemingly contradictory trends of "boom" and deterioration? How are they to be explained?

Furthermore, the housing market is not an undifferentiated and monolithic one even though we have so far only referred to one market. In reality several housing "submarkets" may be distinguished

on the basis of criteria such as costs, type of housing, tenurial status of residents, income of residents, and the ethnic composition of the groups that each submarket caters to. The modern submarket that we will be emphasizing is no doubt the latest one in the history of housing provision in the country, but it appears to be rapidly overshadowing the others. Such a rapid rise by the modern submarket must certainly have had important repercussions on the other submarkets, and for the housing situation in general. What specifically has been the impact of this rapid penetration of the modern submarket into the housing sector on urban low income housing? Have low income families been able to gain access to the houses provided by this submarket? If they have not, have the other submarkets been able to accommodate their housing needs?

A treatment of the operations of the different housing submarkets will allow us to determine the "residential circuits" traversed by low income families in the search for housing that can meet their housing needs. The issue of residential circuits is an important one that requires some elaboration here. Unlike other commodities needed for labor reproduction, housing carries with it the consequence of residential and community location and formation among other things. Insofar as the residential circuits through which labor is absorbed into the urban housing system are clearly and rigidly divided by income considerations, the phenomenon of "divided cities" is likely to occur - that is, the spatial location of neighborhoods and the neighborhoods themselves are differentiated by the income levels of their inhabitants.^{39/}

The situation can be more complex: in the case of Peninsular Malaysia, not only are neighborhoods segregated by the income levels of their residents, they are frequently segregated ethnically as well. This pattern of segregated residential location poses a major problem for the country with its record of racial conflict. This situation of racially segregated housing is often commented on but it remains to be satisfactorily accounted for. Prior to 1969, the situation, as many writers have rightly pointed, can be attributed to the colonial development of the country whereby the Chinese formed the most urbanised section of the population while the Malays formed the least urbanised section. Theoretically, and concretely, this can be explained by earlier process of labor absorption which largely utilised Chinese labor in the urban sector of the economy and essentially confined Malay labor to the rural agricultural sector. Given that in general labor utilisation and labor reproduction spheres have to be spatially close to permit a daily alternation between the two, it can thus be explained that a differentiation by ethnicity in the sphere of labor utilisation led to a corresponding differentiation in the sphere of labor reproduction.^{40/} Especially after 1969, and with the implementation of the New Economic Policy^{41/} the government has made a concerted attempt to break down the ethnic differentiation in the sphere of labor utilisation. There has subsequently been an increasing convergence of labor of different races in the urban economy at virtually all levels, for example, in the professions, commerce and manufacturing. The question that we are interested in here is whether

this convergence in the sphere of labor utilisation has been accompanied by a corresponding convergence in the sphere of labor reproduction - in other words, whether there has been an increasing inter-racial "mix" in the composition of urban neighborhoods. If indeed the racial segregation of neighborhoods has persisted, among which groups (by income) is it most pronounced? How can the segregation or its persistence be explained in terms of the residential circuits we have mentioned briefly? And, finally, what has been the role, if any, of the modern housing submarket in lessening, maintaining, or exacerbating the pattern of segregation?

In the face of an overall deterioration of the housing situation it would be pertinent to ask what practical implications can be drawn out of our understanding of the housing situation. These implications, whatever they may be, it seems to us, must be related to the ways in which the low income families respond to the deterioration since they are the ones most directly affected by the situation. In a sense, the problems of housing -overcrowding, slums and squatting - are actually responses to the situation, not problems in and of themselves. (For instance, the proliferation of squatting in the urban areas of the Third World has gradually been recognised as a response to housing and land shortages and not, as previously thought, some "social disease".)

Finally, the thesis will attempt to draw out some major implications for improving the housing situation. At the outset, it is necessary not to confuse this with concrete proposals for intervening

in one or another of the stages in housing provision. We will merely try to emphasize various issues in housing that we think must be resolved if an improvement in the housing situation is to be attained.

Section 1.4: Organisation of the thesis

In order to deal with the major questions posed above, the thesis will attempt to do the following:

- i. trace the post-colonial urban labor utilisation process, and focus on the distribution of employment by economic sectors, and the occupational structure of the major towns in Peninsular Malaysia;
- ii. analyse the income distribution in the urban areas to ascertain the level of resources available to different occupational and income strata among the urban population, and thus determine the differential access of these strata to urban housing;
- iii. examine the employment and occupational structure in terms of its ethnic composition to see if an ethnic convergence has taken place in the post-colonial period;
- iv. analyse the urban housing system in terms of housing provision by the different housing submarkets, and hence construct a typology of submarkets based on the criteria mentioned earlier;
- v. discuss the changes in housing stock and the dynamics involved, and thus determine the number and types of houses built or otherwise made accessible by the submarkets;
- vi. compare the costs of housing with the income levels of urban households to see what the differences between them might be, and also determine if other means of access to housing are available;
- vii. show the position of the modern submarket in relation to other submarkets, and,

viii. show the various residential circuits that operate and determine if changes have occurred among them that have direct relevance to the issue of residential segregation.

Chapter 2 will deal with issues raised under i., ii., and iii., while the rest of the issues will be treated in Chapter 3. Based on the findings in Chapter 2 and Chapter 3, Chapter 4 will then attempt to answer the questions that have been raised above. It will assess the impact of the rise of the modern submarket on the overall housing situation, and focus on the following, providing an explanation for each:

- i. the coincidence of a housing "boom" and a deterioration in urban housing;
- ii. the impact of the modern housing submarket on low income housing in particular, and,
- iii. residential segregation by income, and especially by ethnicity, and the role of the modern submarket on earlier patterns of segregation.

In the final chapter, Chapter 5, the practical implications of our analysis will be drawn out. The emphasis will be on the responses by low income families to the housing situation, and how perhaps those responses can help to improve the situation.

Conclusion: Some limitations

There are some limitations to the scope of this thesis that should be clarified from the outset. Although we realize the importance of the role of the government in attempting to solve some of the major problems in urban housing, this thesis will not deal with the issue of governmental intervention in any depth at all. Data and other kinds of limitations do not permit a detailed and concrete analysis of the policies involved. Where relevant, reference to these policies and the ensuing implementation will be made. But the vastness of this subject makes it fairly certain that any analysis that is not able to draw out specific insights into the politics as well as other social considerations that underscore the governmental policies and programs is not likely to offer any informed understanding of the government's role in housing. This analysis should form the subject of another essay altogether. It is hoped that this thesis itself will indicate some direction for research into governmental policy in the housing sector.

The necessity for a historically specific analysis of the housing situation has been stressed in Section 1.2, and to the degree that available data allows us, this will be carried out in this thesis. For parts of the thesis, necessary data is lacking, and broad analyses will have to be undertaken as a substitute. In particular, information on the operations of the modern submarket is still very scanty given its recent importance. Moreover, the only census on housing to have been undertaken in Peninsular Malaysia was conducted in

1970, and data on previous periods is not quite as systematic. In several instances, then, estimates are used to substitute for more precise figures that are not obtainable.

. . . This last point is important, for the thesis makes no pretension to being the last word on housing in Peninsular Malaysia. Its main purpose is to provide an understanding of the problems from the theoretical perspective stated primarily because we think that an alternative conceptualisation of the housing situation is much needed. Despite the limitations mentioned, therefore, an attempt will be made to show that the conceptual framework developed in this thesis makes ample sense.

CHAPTER 1: FOOTNOTES

1. Rabiayah Mat (1978:285). This thesis includes perhaps the most comprehensive analysis of the 1970 Population and Housing Census of Malaysia and other data on housing in Peninsular Malaysia.
2. Kamal Salih (1976:21). "The statistics presented above and the dimensions of the housing situation which they describe suggest the emergence of a crisis in housing for the poor. It is a crisis caused by the discrepancy between needs and provision of adequate housing at the standards which the low income can afford to pay. It is further aggravated by the inability of the private and public sector to fill the housing gap. If the structure of socially provided housing, through both public and private means, persist in patterns outlined above, the gap may even widen."
3. Chander (1977:1). The Department of Statistics (Malaysia) defines housing needs as "the number of units of housing that would be required to provide housing to the population." This takes into account requirements due to: i. the backlog or shortages that existed in the base period, ii. replacement of sub-standard or inadequate units, iii. requirements to meet growth in population, and, iv. normal replacement of units which are destroyed or units which have reached the end of their life. On the other hand, the effective demand for housing takes into account the households' "ability to pay" for purchased or rented units. Thus, between 1970 and 1975, for example, the "housing needs" were estimated at 505,000 units (if the current average density of 1.08 households per living quarter is to be maintained) while the "demand for housing" for the period was estimated at 303,000 units. That is, the market demand for housing really belies the larger needs for it. The housing shortage can further be seen from the fact that for 1971-75, only 259,000 units were actually constructed for the whole of Malaysia.
4. The backlog for 1970 alone came to 113,000 units. See Chander (1977:28). By 1975, this backlog more than doubled to a figure of 252,000 units - this despite the fact that the five years saw a "housing boom" (see Chapters 3 and 4 below).
5. For a summary of housing conditions, especially the lack of proper facilities, see Table 3.17 in Rabiayah Mat (1978:133).
6. The following table indicates average density for Peninsular Malaysia, 1931-75. The persistence of overcrowding, indeed its deterioration, can be seen. (Overcrowding in urban areas are generally higher than in rural areas; and for the low income areas, the conditions are very much worse. The average densities here do not reflect the tremendous overcrowding in shophouses for instance; for an account of that, see Kaye (1960), the most detailed study of

a "Chinatown" area. A description of urban densities in Kuala Lumpur is provided in Sidhu (1978:47-53))

Average density, Peninsular Malaysia
1931-1975

Year	Persons per housing unit
1931	4.8
1947	5.2
1970	6.1
1975	7.0

Source: Rabiayah Mat (1978:100); figure for 1975 comes from Malaysian Business (March 1976)

7. See Table 3.11 below (Chapter 3) for costs of housing Georgetown from 1968 to 1976. Refer to Wegelin (1978:10-11) for increases in squatters' rents in the Klang Valley area.
8. For information on squatting, and the problems of poverty and housing associated with it, see Wegelin (1978), Ishak Shari (1976), Pirie (1976). Friel-Simon and Khoo (1976) provides a historical perspective on the issue.
9. Abraham (n.d.:20) gives a good description of the conditions at the Rifle Range Flats in Georgetown. For an analysis of public housing policy, see pp. 2-12. This study observes that "public housing has been a pawn in the political chess game of the political powers." (p.13) Dwyer (1975:98-99) suggests that "Malaysia is a very good current case" illustrating how only "token amounts" are devoted to public and low income housing.
10. Wegelin (1978). A recent study is found in Lim (1979): a critique of the "existing public housing program and its ineffectiveness to house the urban poor" can be found in pp. 43-64
11. See, for example, The National Star (Nov. 1978:7) on "sites-and-services" ("New System of Cheap Homes"). Also Lim (1979) on squatter upgrading, and Kamal Salih (1976:36-40) on "second-best solutions".
12. Mention of the ethnic segregation problem is made in Sidhu (1978). See Chapter 2 of Sidhu's study on Kuala Lumpur-
13. Research Planning Group on Urban Social Services (1978:71). Also see especially pp. 72-73 on "the inadequacies of prevalent interpretations".
14. Harms (1972:73-94), and the essays by Marcuse, Piven and Cloward, Hartman, and Stone in Pynoos, Schafer, and Hartman (1973)

15. For a critique of Malthus' theoretical assumptions and his method, see Harvey (1974:258-62). See also Collins and Lappe (1977), and George (1976) for a closer look at the "myths of scarcity", and "the real reasons for world hunger. A review of these two books is found in Bulletin of Concerned Asian Scholars (vol 10, no. 1, Jan.-Mar. 1978); the review is by S. Lowentin.
16. Portes & Walton (1976:36). On migration, they have this to say: "It is not excessive ambition or perverse instinct that makes masses stream into cities, as so many journalistic reports have suggested. Rather, it the absence of alternate channels for survival in the existing economic structure. This structure is not a product of the poor but has been framed for them by the results of industrial and commercial investments, which, in turn, fit the particular characteristics of capitalism in the region." (pp. 32, 44)
17. McGee (1977:198).
18. Abrams (1964:2).
19. See Harvey (1974) for an analysis of the "ideological" aspects of Malthusian arguments about "overpopulation" outpacing resources.
20. World Bank (1975:12)
21. Abrams (1964:52). To say that "low income is one of the more troublesome obstacles" is really to understate the problem.
22. Explanations of "low income" that are based on arguments about the "low productivity" of workers are essentially faulty. See Wong (1979) for empirical evidence refuting such arguments in the case of Peninsular Malaysia.
23. Refer to essays by Turner, and Fichter, Turner & Grenell, in Turner & Fichter (1972).
24. Harms (1976:230-31). Harms's conclusion in this essay states that "finally, the social perspective of the self-help advocates rests on the idea that the actions of the state should be minimised and the actions of the individual maximised - which only underlies how simplistic much of the self-help argument is." Roweis (1972) makes similar and equally pointed criticisms of the "self-help" premises.
25. Harms (1976:231).
26. ibid.
27. ibid., and Roweis (1972:1-3).
28. ibid.

29. Massey (1974:229) writes that, "constantly we read of 'the city as a complex dynamic system', and 'the complex system that is the city' as if acknowledgement of complexity could substitute for its analysis." The remark pertains to the "city" but is equally applicable to "housing".
30. Note that the "necessities for labor reproduction" are not a static quantity for all societies in all periods. In its broad sense "labor reproduction" is historically and socially specific. An interesting essay on labor reproduction is found in Macfarlane (1978:100-20).
31. Vance (1971:112-13). Vance characterises the "capitalist system of housing as being founded upon the following "practices and attitudes":
 1. the separation of the offering of employment from the furnishing of housing
 2. the establishment of the concept of rent-paying ability as the determinant of the quality and location of housing
 3. the transformation of society so that the traditional guild and civic distinctions were submerged and replaced by ranking along lines of the ownership of capital
 4. the increasing awareness of a need for class ascription to be furnished in part by the location of residence
 5. the combination of sorting by rent-paying ability and the need for class ascription indicated the necessity for homogenous housing areas based on economic status
 6. the tendency of a district's ascription to tarnish with age joined by inflation of construction costs to cause a shift in the cachet of cost to successive increments to the housing supply
 7. this generational shift in the area of maximum esteem led to the generational abandonment of housing by those with the highest rent-paying abilities
 8. under the notion of proportion in the city, only the higher income groups would be furnished with new housing, leaving the lower classes to secure housing through a filtering-down process
 9. thus, there arose the notion that the edge of the was the most desirable area and its core the home of the lower classes; only where unusual circumstances maintained a high quality ascription for a central area was this rule varied
 10. so long as it was thought that filtering down was a sufficient system to provide lower-class housing any scalar increase in production and trade could not fail to produce a shortage working-class housing, an increase in its cost and a severe deterioration in the quality for the mass of urban dwellers. At that point the capitalist system of housing provision reached its most unrelieved expression, with its grim qualities most strongly revealed. (pp. 112-13)

32. Vance (1967). "Generalised housing" is described as one "wherein the controls are those of a housing market rather than a work relationship" (p. 97). The linkage between labor and housing markets' emergence is seen from Vance's statement that, "the creation of a proletarian was accompanied by the creation of the residential quarter as distinguished from the mill village. This was the watershed of housing generalization." (p. 126).
33. See the essay by Stone in Pynoos, et al, (1973).
34. This is most clearly seen in the restrictions on unionization and collective bargaining imposed by governments on workers in MNC factories attracted first of all to the Third World because of the extremely low wages. The movement of United States MNCs from USA to the Third World more than amply demonstrates the significance of low wages as a factor in the "stimulation" of the manufacturing sector in these countries.
35. Stone, op. cit.
36. Wegelin (1978:56-57); Edel (1971:76-89) shows the widespread conflicts in American cities over housing and land-use changes, and the involvement of state and local governments in such conflicts.
37. See Chapter 2 for elaboration.
38. Cf. fn. 1, 2 supra.
39. Vance (1971:112-13).

CHAPTER 2

URBAN GROWTH, POVERTY, AND ETHNIC CONVERGENCE
IN THE OCCUPATIONAL STRUCTURE

Introduction

The term "pseudourbanisation" has been employed by McGee to characterise the development of Third World cities that have grown "despite their failure to industrialise, not because of industrialisation as they did in the Western countries."^{1/} Third World cities have failed to industrialise mainly because they have been developed as administrative centers and as links between the colonies and the colonizing countries in order to facilitate the maintenance of "dependent" relations between the. But because of the massive rural-urban migration, itself the product of the colonial penetration into and transformation of the countryside (see Chapter 1, Section 1.1) a majority of the urban population was forced to look for employment in non-agricultural as well as non-industrial sectors of the economy. Hence, the expansion of the "tertiary" sector "greatly in excess of what is required" with the result that "hawkers, vendors, trishaw drivers, shop assistants and government employees proliferated in the cities of the Third World."^{2/}

This is not the place really to review McGee's concept of "pseudourbanisation" in any depth. Suffice it to say that apart from the unfortunate use of the word "pseudo"^{3/} his concept has the merit of linking urban growth (and problems, too,) with the issue of changes in the sphere of labor utilisation, that is, employment. In this respect, it can be made use of as a starting point for this

section, because within the framework that we have developed for analysing the urban housing situation in Peninsula Malaysia, it is logical that we start with the sphere of labor utilisation in the post-colonial period.

Briefly, the sphere of labor utilisation, and specifically, the post-colonial changes in the process of labor utilisation, may affect the housing situation by:

- i. expanding employment opportunities in the cities, and drawing labor to urban areas with the consequence that increased urbanisation (growth in population) will place a greater "demand" on housing facilities,
- ii. differentiating the employment structure into various occupational and wage groups which possess unequal access to housing, and,
- iii. utilising labor in such ways as to affect the ethnic distribution in the urban economy.

To take into account all the above, our discussion in this chapter will focus on the sectoral changes in the post-colonial economy, the urbanisation trends associated with them, the income distribution, and the ethnic distribution in employment and the urban occupational structure.

Section 2.1: Sectoral shifts in employment and urbanisation

Like most other Third World countries, the post-colonial development in Peninsula Malaysia has undergone a shift in emphasis - where labor utilisation is concerned - from the agricultural to the non-agricultural sectors of the economy. The reasons for this sectoral shift and particularly the decline in employment within the agricultural sector have been dealt with in other studies, and need not be repeated here.^{4/} The overall sectoral shift in employment for Peninsula Malaysia has been significant though not very dramatic. Between 1957 and 1975, the agricultural sector's share of total employment declined from about 60% to 46%.^{5/} This decline represents a shift in employment to the secondary and tertiary sectors. Within the same period, the former's share of employment grew from 13.6% to 19.4% while the latter's increased from 24.2% to 31.4%.^{6/}

For our purposes, the real significance of this sectoral shift lies in the rapid expansion of the secondary and tertiary sectors in the largest towns which have consequently absorbed more labor than other urban areas. In metropolitan areas (population over 75,000) the secondary sector accounted for almost 35% of total employment (with manufacturing alone taking up 20.4%) in 1970, and the tertiary sector had more than 56%.^{7/} Generally, the higher the degree of urbanisation (that is, size of population), the higher is the share of employment in the secondary and tertiary sectors. What this suggests is that on the whole the largest urban centers have expanded more rapidly than other areas. This can be shown for manufacturing in the largest towns.

Table 2.1: Manufacturing Employment in Metropolitan Towns 1962-1970

Town	No. Employed in Manufacturing (000's)		Average Annual Increase (%)
	1962	1970	
Kuala Lumpur & Petaling Jaya	18.3	46.3	12.3
Klang	3.5	10.3	14.4
Georgetown	15.5	5.7	-11.8
Ipoh	8.2	13.3	6.2
Johore Bahru	6.9	15.9	11.0
TOTAL	52.4	91.5	7.2

Source: Adapted from Ahmad Sidek, "Urbanization in Peninsular Malaysia" (Part II: Employment Patterns and Structural Changes, not dated).
Table 3.2 (p.25), Table 4.1 (p.27)

periods in which these trends in migration have taken place.

From 1957 to 1970, rural-urban migration did not approach the extent that has occurred in other Third World countries. The agricultural sector's share of employment, as we have seen, did not decline very dramatically, and the main part of the expansion in manufacturing had not taken place until about 1970. For this period, it has been suggested that displaced labor from rural areas was to some extent absorbed into the armed forces (Malay labor), repatriated (Indian labor) or even drawn to Singapore (Chinese labor).^{10/} The rest of the displaced labor from agriculture probably accounted for the small extent of rural-urban migration that did not occur. After 1970, however, rural-urban migration certainly accelerated. Comprehensive data to support this is not available but virtually all impressionistic reports attest to this. With the further decline in the agricultural sector's share of employment - in part checked by rural land development schemes - rural labor has migrated into larger urban areas to be absorbed into the emerging industrial sector, and the tertiary sector. This has prompted a massive influx of rural migrants into major industrial areas, the Kuala Lumpur-Petaling Jaya conurbation being the most important. That this rural-urban migration was becoming important at about the end of 1969 can be seen from the fact that rural in-migrants to the Selangor metropolitan area between August 1969 and September 1970 almost doubled the corresponding figure for August 1968 to August 1969.^{11/} Further evidence to support this observation comes from studies on new factory recruits in the metropolitan areas; a large proportion of them were of rural origin.^{12/} It is very likely that

rural-urban migration after 1970 would have shown an even greater increase were it not for a substantial migration of rural labor to Singapore.^{13/}

The absence of substantial rural-urban migration in the period between 1957 and 1970 does not discount the possibility of other trends of migration. On the contrary, it raises the question of migration from smaller towns to larger ones. Table 2.2 suggests as much. It shows that the average annual increase in population for towns with population below 20,000 was substantially less than that for Peninsular Malaysia as a whole. More importantly, the population growth for the small urban areas fell considerably behind that for larger towns, suggesting in fact a migration of labor from the former to the latter. In some cases, small towns have been found to have had absolute decreases in population.^{14/} The migration trends might have even been more skewed in favor of a few large towns with migration out of some large towns actually taking place.^{15/}

At least one important reason for this inter-urban migration can be attributed to the decline of the "small capitalist" sector that has been the chief basis of non-agricultural economic activity in the small urban areas.^{16/} This decline stands in contrast to the expansion of the public service and corporate sectors located primarily in the metropolitan areas. Consequently, it is probable that labor displaced from the "small capitalist" sector has migrated into the metropolitan centers. There is no evidence for us to decide whether this trend in inter-urban migration continued after 1970. To the extent that the decline in the "small capitalist" sector has not been offset by equiva-

Table 2.2: Population Changes by Size of Urban Center, Peninsular Malaysia, 1957-1970

Size of Urban Center (1970)	Population		Average Annual Growth Rate (%) 1957-1970
	1957	1970	
ABOVE 100,000	882,136	1,412,873	3.57
50,000-100,000	437,962	727,809	3.98
20,000-50,000	251,540	339,335	2.33
10,000-20,000	242,125	305,663	1.81
PENINSULAR MALAYSIA	6,267,995	8,819,928	2.66

Source: Narayanan, "Patterns and Implications of Urban Change in Peninsular Malaysia", Table 4, p. 60

lent expansion in other sectors (as for example, land settlement schemes in rural areas) the out-migration may well have persisted. But it is possible though that the population of small towns may increase in the near future with the creation of new urban areas as part of large regional development schemes.^{17/} This would nonetheless not be the case for the older small towns.

Section 2.2: Occupational stratification and income distribution

The sectoral shift and the urbanisation trends related to it together represent a significant movement of labor into the largest towns. But the in-migrant as well as the non-migrant labor in these towns do not form a homogenous mass because just as the process of labor utilisation is differentiated by broad economic sectors, so can it be differentiated by broad occupational groups. It is important, therefore, to distinguish the urban population by occupational groupings, and the wages associated with them in order to arrive at a picture of the socioeconomic groups found among the urban residents.

The occupational structure for urban areas of different sizes is shown in Table 2.3. Broadly two main groups may be distinguished: a "white-collar" group comprising "administrative, managerial, professional, technical and clerical" personnel, and a "blue-collar" group made up of most of the rest of non-agricultural workers. The table indicates that as the urban size increases, so do the percentages of both white-collar and blue-collar occupational strata. This trend is seen most clearly in the case of Petaling Jaya which, with Kuala Lumpur, forms the most highly urbanised area in the country. (The high proportion of white-collar workers in Petaling Jaya has given this town the reputation of being a "middle-class" town.)¹⁸ By matching this data with the previous information on the expansion of the non-agricultural sectors in the large towns, it can reasonably be said that there has been an increase in both white-collar and blue-collar workers in these places, with the latter accounting for more than half of the

Table 2.3 Employment distribution by occupation and urban size, 1970

	P.J. town	Rural (1,000)	Small urban (1-10,000)	Medium urban (10-75,000)	Metrop. (75,000+)	Metropol. Selangor only
Admin. and Managerial	7	0.3	0.7	1.3	2.0	2.4
Profess. and Technical	19	2.5	5.8	9.3	9.0	9.5
Clerical	19	1.8	3.8	8.2	14.3	17.2
Sales	13	4.3	12.6	16.7	16.2	13.9
Service	18	4.2	9.9	13.8	18.0	19.3
Production	22	13.2	22.6	32.3	34.1	32.5
Agriculture	1	68.7	40.4	14.3	2.7	1.7
Inadequately described	1	5.1	4.3	4.1	3.6	0.4
All	100.0	100.0	100.0	100.0	100.0	100.0

Source: Wong (1979), Table 5.35

occupational distribution for metropolitan areas. The increase in both these groups and a "polarisation" between them has been suggested by other studies on occupational stratification in urban Peninsular Malaysia.^{19/}

The distribution between these broad occupational groups is further shown by the income differentials between them. It will be observed, from Table 2.4, that for all the years shown, substantial differentials in earnings exist. And if we look at the change in average earnings over the years during which the surveys were conducted, we find that while earnings for the white-collar groups have risen to some extent, the same does not hold for the blue-collar workers. What this suggests is a relatively stable division between the two broad groups in the post-colonial period.

The above data should already convey a general picture of a rather uneven urban income distribution, and this is borne out by data presented in Table 2.5. Of all urban households in 1970, 57% had monthly incomes of less than \$300 while only 8.2% had over \$1000 per month.** Since the income categories are not further disaggregated, it is not possible to arrive at a finer income distribution which would show in greater detail the urban income inequality that exists. For the two largest towns in Peninsular Malaysia, Kuala Lumpur and Georgetown, the percentages of households with monthly incomes below \$300 were found to be 53% (1968) and 70% (1971) respectively.^{20/} The incidence of urban poverty, moreover, may be increasing instead of diminishing. One study estimated the average annual increase of poor non-agricultural households to be 3.3% as compared with 0.7% for poor agricultural households.^{21/}

**The figures given, and subsequent ones, are in Malaysian dollars.

Table 2.4 Average monthly earnings by occupation (at the 1-digit level)

	1966/7 West Malaysia Family Survey (married men only)	1967/8 SESS (cash income of principal earner of household)	1970 PES (all income of earner) Av. Mthly. earnings	Gini Coeff.
Managerial/admin.		527	669	0.5291
	357			
Professional/tech.		388	424	0.4176
Clerical	309	312	272	0.3742
Sales	217	206	220	0.5277
Service	208	193	169	0.4590
Production & related	n.a.	n.a.	160	0.3979
- production & crafts	(179)	(151)	(n.a.)	
- gen. labourer	(108)		(n.a.)	
- transport & commun.	(152)	(183)	(n.a.)	
Agricultural worker	67	83	n.a.	
- farmer	(n.a.)	(n.a.)	(101)	(0.4234)
- farm labourer	(n.a.)	(n.a.)	(87)	(0.3339)

Source: 1966/7 - Hirschman (1975): Table 3.2, 1967/8 - Table 6.2, 1970 - Anand (1978): Table 6.6
Cited in Wong (1979) Table 6.1

Table 2.5: Urban Income Distribution by Households, Peninsular Malaysia, 1970

Monthly Household Income (\$)	Number of Households	Percentage
less than 300	253,275	56.9
300 - 499	90,805	20.4
500 - 999	64,543	14.5
1000 and above	36,500	8.2
TOTAL	445,123	100.0

Source: Post-Enumeration Survey -

More precise data on the trends in urban income distribution is unavailable, but it is reasonably certain that the urban income distribution remains fraught with inequality, and has not seen any marked improvement.^{22/} To that extent, it can be said also that broad socioeconomic distinctions are observable among the urban population - a low-income blue-collar group, and a middle- and upper-income white-collar group. (It is difficult to be more accurate in our distinction for reason already mentioned but presumably a lower-middle-class exists in this distribution.)

There are, furthermore, particular urban households which experience the highest degree of poverty, and they may usefully be indicated here. One obvious group is made up of squatter households. In one survey conducted in Kuala Lumpur, over 90% of the employed squatters were found to be "petty traders, industrial, manual, and transport workers, semi-skilled and unskilled workers, part-time workers, etc."^{23/} Given that the wage rates for these occupational categories are among the lowest, it is hardly surprising to find that the preponderant number of squatter households are indeed very poor. Table 2.6 confirms the persistence of poverty among the squatter families, over 80% of whom have incomes below \$300 per month. The three surveys are remarkably consistent in this matter.

The other major group of urban poor is to be found among the tenants of public low cost housing (rumah pangsa). These tenants are sometimes thought to be better off than the squatters considering their ability to pay higher rents and utilities costs. In fact, the results

Table 2.6: Percentage Distribution of Monthly Household Incomes of Squatters in Kuala Lumpur

Monthly Income (\$)	Kampung Kelantan Survey (1974) (%)	Wegelin/UDA Survey (1973) (%)	Kuala Lumpur Municipality Survey (1966/1968) (%)	All Urban Households P. Malaysia (1970) (%)
below 100	6.83	5.4	9.2	10.7
100 - 200	58.23	52.1	51.5	26.0
201 - 300	21.69	26.3	25.4	20.2
301 - 400	7.23	11.1		12.6
401 - 500	2.01	2.5		7.8
501 - 600	1.61	2.3	13.9	4.8
601 and above	2.40	0.3		17.9
TOTAL	100	100	100	100
Mean Income (\$)	216	213	203	428
Sample size	250	2202	13565	-

Source: Adapted from Ishak Shari (1976), Table 4

obtained from two surveys, presented in Table 2.7, tend to disclaim that. The incidence of poverty here is strikingly similar to that for the squatter households: the overwhelming majority, too, have incomes less than \$300 monthly. Abraham's survey of tenants at the low cost Rifle Range Flats in Georgetown yields results that conform to the overall pattern of poverty among these groups. 75% of the households surveyed by Abraham had less than \$300 per month; of these 63% had less than \$200.^{24/}

Table 2.7: Percentage Distribution of Monthly Household Incomes of Rumah Pangsa (RP) Tenants, Kuala Lumpur

Monthly Income (\$)	Ceras Survey (1974)	Dewan Bandaraya Record Office Data				
		RP Jalan Ceras	RP Jalan Shaw	RP Jalan Perkeliling	RP Tun Razak	TOTAL
0 - 100	1.7	2.79	2.93	2.59	1.93	2.46
101 - 200	21.7	45.49	29.19	31.73	40.37	38.38
201 - 300	35.9	38.30	59.22	50.69	44.29	46.41
301 - 500	28.6	11.54	8.52	13.79	10.99	11.14
501 - 700	7.5	1.30	0.14	1.03	1.64	1.17
701 - 1000	3.9	0.48	0.0	0.17	0.64	0.36
1000 and above	0.7	0.10	0.0	0.0	0.14	0.08
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ishak Shari (1976), Table 5

Section 2.3: Increasing ethnic convergence in the occupational structure

Ethnic segmentation in the sphere of labor utilisation in Peninsular Malaysia is much too complex for us to cover adequately in this thesis. For our purposes, and within the framework of our discussion of the labor utilisation process, we are interested in only a very specific issue: that is, whether there has been an ethnic "convergence" or "desegmentation" in labor utilisation during the post-colonial period.

Basically, two dimensions to ethnic segmentation are relevant to our study. First, there was an ethnic segmentation in employment during the colonial period based on the utilisation of predominantly Malay labor in the agricultural sector, and the utilisation of mainly Chinese labor in the urban economy. Second, within the urban economy itself, the following pattern of ethnic segmentation in employment also prevailed:

In the foreign-dominated corporate sector, absorption into white-collar and middle managerial positions was based on English educational attainment. To the extent that non-Malays had better access to English education than Malays (due to concentration of English schools in the cities) they tended to dominate access to these occupations.

A similar situation also applies to white-collar occupations in the public sector. However, due to explicit colonial policy to integrate the traditional Malay aristocratic elites within the system of colonial rule, a special system of selection of Malays from aristocratic backgrounds for admission into the colonial administrative bureaucracy was instituted. This had therefore resulted in a sizeable presence of Malays in public administrative occupations also.

On the other hand, absorption into the small capitalist sector is based strongly on ethnic and even subethnic preferential selection criteria. The reason for this has to do with the mode of employment of the small capitalist enterprises. Huang Tze Lian (1972), among others, has described the widespread use of the "apprenticeship" system of employment in the smaller Chinese enterprises, and noted the "semi-feudal" nature of the informal "labor bondage" relationship involved. The apprenticeship system of recruiting and retaining control over labor was historically necessary during the early colonial days when a "universalized" free-wage labor system had not yet developed, and much of the labor was drawn directly from fresh immigrants from China. Selection based on clanship and even kinship networks was therefore important in such a system. The majority of these small employers and proprietors were either uneducated or mainly educated in their own vernacular languages; the big push of spreading a common national language (Malay or Bahasa Malaysia) through the school system since the 1960s may affect the younger generation, but had little effect on those already out of school. The need to employ workers who can speak the same language or dialect is thus crucial for these proprietor-employers.

Because of the predominance of Chinese in terms of ownership and control over enterprises in the small capitalist sector, wage employment in these enterprises tend also to be predominantly Chinese. Unskilled or manual workers of Malay or Indian origins therefore tended to be excluded from such employment, and this had partly contributed to their relative concentration in the protective services or their tendency to become general laborers in the public services (public works, railways, public utilities, etc.) 25/

The main question that concerns us is how these patterns of ethnic segmentation might have changed in large part owing to the changes in the post-colonial process of labor utilisation that we have seen. This raises, on the one hand, the issue of the increasing urbanisation of the Malay population, and, on the other, a convergence of labor of

all ethnic backgrounds in the urban economy.

From 1957 to 1970, there was an appreciable increase in the urbanisation of Malays, as Table 2.8 shows. By 1970, 28% of the urban population was Malay as compared with 21% in 1957. Although metropolitan areas showed a lower Malay population of total population, it was nonetheless in these areas that the Malay population was increasing most rapidly. In Kuala Lumpur, the Malay proportion of the population grew from 15% in 1957 to 25% in 1970.^{26/} After 1970, with the rapid pace of rural-urban migration the proportion of Malays among the urban population has accelerated although accurate estimates are not available. The Third Malaysia Plan, however, estimated that Malays formed 30% of the population in the urban areas in 1975, and further projected that the proportion would rise to 33% in 1980.^{27/} The official policy of the government has been to encourage the entrance of mainly rural Malay into the urban sector of the economy. An indirect indication of the extent of rapid urbanisation among Malays, especially the in-migration to the largest towns, can be seen from one observer's comment that "the government....has to reconsider very seriously its policy of urbanising the Malays."²⁸ The comment was made in a study of urban poverty among especially squatter families of whom rural in-migrant Malays formed an important proportion. It is probable that the Malay proportion of urban population will continue to increase with the development of "new towns in large regional agri-complexes" by the government on the less urbanised east coast of Peninsular Malaysia. On the whole, therefore, it is likely that a

Table 2.8: Ethnic Distribution of Population by Urban Size, 1957 and 1970

Size of Urban Area	Malay		Chinese		Indian	
	1957	1970	1957	1970	1957	1970
I. <u>Ethnic distribution (%)</u>						
10,000 - 20,000	37.9	43.9	50.5	47.2	9.6	8.1
20,000 - 50,000	15.7	20.0	72.1	68.0	10.3	11.7
50,000 - 100,000	29.4	33.3	56.6	55.2	10.4	10.2
100,000 and above	15.4	22.6	65.4	60.0	14.9	15.7
All 10,000 and above	21.0	27.6	62.6	58.4	12.8	12.7
II. <u>Average annual growth rate (%)</u>						
10,000 - 20,000	2.93		1.28		0.38	
20,000 - 50,000	4.20		1.85		3.29	
50,000 - 100,000	4.38		3.24		3.31	
100,000 and above	5.42		1.87		2.88	

Source: Narayanan (1974)

combination of active government encouragement of Malay urbanisation, the sectoral shift from agriculture to non-agricultural sectors, and rural-urban migration has begun and will continue to break down this particular aspect of ethnic segmentation.

With increase in Malay urban population under these circumstances, it can reasonably be expected that an increasing convergence of all ethnic groups in the urban economy would take place. Indeed, that this has already happened can be seen from Table 2.9 which shows the increasing Malay participation at all occupational levels of the urban economy. It is instructive to note that while the ethnic distribution is the most even for the "production and related" category, the increase in Malay participation at the "managerial, administrative, professional, technical and clerical" category has also been very rapid. Official estimates of the post-1970 trend suggest that the increase has been maintained: from 1970 to 1975, the Malay proportion of professional/technical occupations rose from 47.2% to 48.5%, administrative/managerial from 22.4% to 32.4%, clerical from 33.4% to 38.7%, sales from 23.9% to 25%, production from 31.3% to 37%, and service and others from 42.9% to 48.3%.^{29/} In manufacturing alone, it has been found that the Malay proportion grew at virtually every occupational level, but the pace of increase was highest in the white-collar category.^{30/}

Further evidence of the trend of ethnic convergence is seen from Table 2.10 which shows the occupational structure by ethnic group and urban size from 1957 to 1975. For virtually every urban size,

Table 2.9: Ethnic Composition by Occupation - 1957 and 1970

	1957			1970		
	M	C	I	M	C	I
Managerial & administrative:						
Govt. admin. & executive ^{1/}	59.3	18.9	5.9	65.6	19.5	11.4
Managerial ^{2/}	6.6	73.7	14.0	14.0	74.5	7.6
Professional & Technical	41.0	38.1	11.0	45.8	39.0	12.8
Teachers	49.2	36.0	8.9	53.5	34.4	10.5
Clerical	27.1	46.2	19.8	34.1	49.7	14.9
Sales:	15.9	66.0	16.8	22.8	66.4	10.5
Managers, wholesale & retail trades				7.3	77.2	13.8
Proprietors, wholesale & retail trades	24.4	59.8	14.1	31.9	58.1	9.7
Salesmen & shop-assistants	7.3	71.5	20.3	16.1	74.5	8.9
Hawkwers ^{3/}	7.4	66.0	15.5	20.2	64.7	14.9
Service:						
Managers, catering & lodging services				8.6	76.9	13.1
Proprietors, catering & lodging services	16.5	61.2	21.6	31.3	55.3	13.1
Protective	79.0	8.4	9.2	78.4	9.3	11.5
Armed services ^{4/}	88.6	7.2	4.3	89.1	6.0	4.9
Others	17.4	61.7	19.7	28.7	55.3	16.9
Production & related: ^{5/}	26.2	53.9	18.9	34.0	54.9	10.9
Supervisors	24.6	45.6	22.8	28.4	50.9	18.8
Transport	42.0	41.7	15.5	42.9	42.9	13.8
General laborers	28.2	43.4	27.7	47.4	33.8	18.6
Agriculture - manager/supervisor	7.9	40.6	31.7	28.0	36.6	33.4

(Source and notes are given on the following page.)

Table 2.9 (continued)

Source: Wong (1979), Table 7.10, pp.497-98

Notes: Figures do not add to 100% because of the presence of "others".

- 1/ The 1970 Population Census includes government executives in the "clerical" category. Here they have been separated out and put in the "government administrative and executive" category to ensure compatibility with the 1957 classification.
- 2/ Excludes managers in distribution trades, catering and lodging services, and agriculture.
- 3/ The 1970 Population Census figure on "hawkers" is too small because it apparently left out many who are hawkers in the unclassifiable category. Interpretation of the figures here needs some caution.
- 4/ Since the presence of "others" is significant in the armed forces both for 1957 and 1970, the ethnic composition figures given here exclude the category "others" from the total.
- 5/ In the 1957 Population Census, miners, transportation and construction workers were classified separately from the "production and related" category. These categories have been included to ensure compatibility with the 1970 classification.

(The above notes were given in the "source" because the figures were calculated from the 1957 and 1970 Population Censuses.)

Table 2.10: Occupational Structure by Ethnic Group and Urban Size - 1970

	1,000			1,000-10,000			10,000-75,000			75,000+		
	M	C	I	M	C	I	M	C	I	M	C	I
Adminis. & managerial	0.2	0.7	0.2	0.7	0.7	0.5	0.9	1.6	0.9	1.3	2.2	1.2
Prof. & technical	2.6	2.2	2.4	10.7	3.6	7.3	11.9	7.3	11.9	10.0	7.9	10.7
Clerical	1.4	2.9	2.8	6.2	2.6	6.2	10.2	7.0	9.4	18.0	12.7	16.2
Sales	3.0	10.0	3.5	7.0	14.7	13.8	9.4	20.6	17.2	5.0	20.0	16.2
Services	4.1	4.2	4.6	14.7	6.6	16.7	17.9	10.5	19.0	29.3	14.4	17.9
Production	10.0	24.9	14.4	19.9	23.2	23.0	25.9	36.5	28.9	29.8	36.9	30.0
Agriculture	73.6	50.2	67.2	36.7	44.2	27.2	20.1	12.2	8.5	2.9	2.5	3.8
Others n.a.	5.2	4.9	4.8	4.1	4.3	5.3	3.9	4.2	4.2	3.8	3.5	3.9
TOTAL	- all 100.0 -											

Source: Wong (1979), Table 7.14, p. 497

the occupational breakdown for the different ethnic groups is rather similar. This suggests that no stark ethnic differentials exist in the occupational structure in the urban areas as far as ethnic criteria are used.^{31/} But the ethnic convergence is still not as complete as might be thought. In particular,

a substantial decline in vertical occupational segmentation between ethnic groups has occurred for the urban economy as a whole, but.....this has been achieved through an uneven pace of absorption of Malays across different production organisation sectors. The expansion of Malay employment at all occupational levels were found to have been concentrated within the public sector or in large enterprises,

and consequently,

a situation of one ethnic group predominating the white-collar or management staff positions in an organisation with members of another ethnic group being concentrated in the blue-collar occupations in the same plant has not occurred. ^{32/}

The concentration of expanded Malay employment in the "public sector and large enterprises" is not surprising since these are the ones that have undergone the most vigorous growth and account for a significant extent of the sectoral shift. Besides, these are more likely to be able to avoid the need (as in the small capitalist sector) to depend heavily on the employment of one particular ethnic group. Nonetheless it is fairly clear that the colonial pattern of ethnic segmentation in labor utilisation has been significantly altered.

Conclusion

We have now established that the sectoral shifts in the economy had led to a movement of labor from rural and small urban areas to the largest towns. Because of the particular changes in the labor utilisation process, this has led to an inequitable income distribution as well as an ethnic convergence in the occupational structure. What are some important implications of these developments for the housing situation?

It would be reasonable to imagine that the urban population growth would have some impact on the housing situation. But theoretically, any demographic expansion of the proportion that has happened in Peninsular Malaysia cannot really explain the deterioration in the housing situation, let alone a deterioration that takes its form in the ever prominent inequalities in housing provision and conditions. When the access to housing is essentially determined by the ability to pay for it, it is not the number of urban residents that decides the housing situation. Rather, it is the number of people who need housing but cannot pay for it that is ultimately the issue.

The first implication for the housing situation that can be drawn, therefore, is that the increased urban growth (quite apart from the increase in "native", that is, non-migrant, population) has meant the growth in the number of people who need housing as separate from their workplace. In contrast to the metropolitan areas where the separation of housing from workplace is already more or less complete, the socioeconomic situation in the rural and small urban areas was still

one that combined to a high degree the "furnishing of housing" with the "offering of employment". The movement of labor from these latter areas to the large towns thus increased the need for housing in this particular sense, and not simply in some vague "demographic" terms.

Second, under such circumstances, any analysis of the urban housing situation must essentially recognise that wages or incomes have fast become the chief, if not the only, source of access to housing. And hence our discussion of the urban income distribution has distinguished between different income and occupational groups possessing fairly divergent access to housing based on the inequities in the incomes. For us to decide whether the wages and incomes of these different socioeconomic groups can adequately cover the costs of decent housing, we will have to turn to an analysis of the housing market (to be dealt with in Chapter 3); and a comparison of the costs of housing with the wages or would then have to be carried out (in Chapter 4).

A final implication centers on the issue of residential segregation by ethnicity. We saw above that the influx of Malays into the urban economy has led to an increased ethnic convergence in the sphere of labor utilisation. This has increasingly broken down an earlier pattern of residential segregation whereby the Malay population formed only a small part of all urban residents. What we wish to find out, and will show in Chapter 4, is whether another pattern of residential segregation by ethnicity - within the urban housing system itself - has similarly been broken down. To the extent that for Malay

labor, as for labor of other ethnic groups, the access to housing depends on its financial resources, the operations of the housing market will be a crucial determinant of the type and location of its housing. In that sense, our analysis of residential segregation will continue with our discussion in Chapter 3.

CHAPTER 2: FOOTNOTES

1. McGee (1967:18)
2. ibid.
3. There seems to be no good reason why social and historical developments should be characterised as "true", "false", or "pseudo", etc.; the implication being that some particular development can serve as a "norm" by which to measure the others. Abu-Lughod and Hay (1977), in their Introduction, shows that urbanisation in the Third World has existed in an important way historically, and cannot be seen as something emerging only in the colonial period.
4. The most detailed account is by Wong (1979) which covers both rural and urban labor absorption.
5. Wong (1979:280), Table 5.1
6. ibid.
7. ibid., Table 5.2, p. 281
8. Ahmad Sidek (n.d.:30-31), Table 4.2. See also Snodgrass (1974a)
9. Wong (1979:284-309)
10. Wong (1979:263-67)
11. Narayanan (1975), cited in Ishak Shari (1976:2). Also, Appendix Table 1
12. See Jamilah Ariffin (1978), and Lim (1978)
13. Wong (1979:265)
14. Saw (1972:117). Temerloh in 1970 had only half its 1957 population.
15. Soon (1977:7-8)
16. Wong (1979: 292-309)
17. See for example Mohd. Iwaz bin Abdul Karim (1976), paper presented at the Conference on Human Settlement for the Rakyat in the Low Income Group, Kuala Lumpur, May 2-8, 1976.
18. Refer to Chapter 3 (Section 3.3), below, for McGee's comment on Petaling Jaya

19. See especially Wong (1979), "Conclusion".
20. cited in Rabieyah Mat (1978), Appendix V, Table 1
21. Ishak Shari (1976:2). "This relatively rapid increase in the number of urban poor in the last five years has been partly due to the government policy to increase the Malay share in the modern sector of the economy.....Since the modern sector of the economy is predominantly urban-based, this policy implies accelerated urbanisation of the predominantly rural Malay population.
22. Snodgrass (1974b:31-32) compared the income distribution shown by five different surveys from 1957 to 1973. Three important conclusions reached in this study are:
 - i. there has been a trend of imcreasing inequality in the distribution of personal income (and still more of total private income) since 1957
 - ii. size inequality is greater in urban areas than in rural areas: it is increasing in both areas, and,
 - iii. the share of households living below the poverty line did not change signigicantly between 1957 and 1970: the absolute number of such households thus rose.
23. Sen (n.d.:23), and Wegelin (1978)
24. Abraham (n.d.:41)
25. Wong (1979:477-78)
26. Sidhu (1978:13)
27. Third Malaysia Plan (1976:150), and also the Mid-term Review of the Third Malaysia Plan (1979:41)
28. Ishak Shari (1976:29)
29. Third Malaysia Plan (1976:80-83), Table 4.15
30. Wong (1979:496)
31. Wong (1979:502)
32. Wong (1979:519)

CHAPTER 3

THE RISE OF THE MODERN HOUSING SUBMARKET

Introduction

The effects of the labor utilisation process, as observed in Chapter 2, may be said to affect the urban housing situation from the "demand" side of housing. But insofar as a market in urban housing provision exists, it clearly constrains the situation through its "supply" of housing. In the most apparent instance, if the "supply" of housing falls way below the "demand" for it, a shortage is bound to occur with other possible ramifications for the housing situation.

Given the issues we wish to investigate in this thesis, some aspects of the urban housing market have to be examined in detail. First, there is the question of the supply of housing strictly in terms of the number of housing units constructed for sale or rental, or otherwise provided to those in need of housing. However, because the supply of housing can fluctuate in different ways (Section 3.2, below) it is necessary for us also to consider the dynamics by which housing stocks change. Third, the housing provided has again to be analysed in terms of the types of housing available since the quality of housing is closely related to its costs, location, etc.

To facilitate the treatment of the urban housing market in this chapter, we will construct a typology of urban housing submarkets, and, then, within the framework of this typology, discuss the above aspects of the housing market. This, methodologically, will permit us to show the position of the "modern" submarket vis-a-vis the others (Section 3.3), and examine the effects of the rise of this submarket.

Section 3.1: Typology of urban housing submarkets

The urban housing market is neither simply the modern housing market publicised and advertised in real estate sections of the business papers nor just the undifferentiated market "as a whole" that it is often taken to be. One would expect the actual picture of the housing market to be quite different from either of the two indicated above, given the social stratification and income distribution inequality that exist fo Peninsular Malaysia. It is, therefore, more accurate to conceive of a "fragmented" market in housing, fragmented, that is, into "submarkets" that can be distinguished by certain criteria. On the one hand, each housing submarket largely provides housing that is fairly uniform in terms of its costs, location, and conditions. On the other hand, different urban households, with their varying needs, resources, and priorities, do bring to bear upon their selection of housing certain characteristics such as the ethnic composition of heighborhoods, location of housing relative to sources of employment, the means of access to the housing, etc. As such, one can expect that certain groups, defined by either of both income status and ethnicity, will realistically only attempt to obtain housing through one or a few of the submarkets; in any case, not all of them. Thus it is sensible to construct a typology of housing submarkets both according to the characteristics of the housing they provide as well as the major characteristics imputed to housing by households determining what kind of housing to obtain. Those characteristics, the criteria by which we distinguish housing submarkets in urban Peninsular

Malaysia, can be summarised as follows:

- i. ethnic composition of neighborhood (Chinese, Indian, Malay, or "mixed"),
- ii. income status of neighborhood (lower-, middle-, or upper-class),
- iii. costs of housing, and the means of access and finance to it),
- iv. location of housing relative to source of employment,
- v. tenure or security, and,
- vi. condition of housing and availability of public amenities.

The above list is not meant to indicate a "ranking" of the criteria in terms of their importance for all households. Middle-class households, for example, may consider the "income status of the neighborhood" and the condition of housing to be the primary factors in their housing choice. Squatter families may have a need to locate near to the workplace in order to minimise transportation costs. But based on the above characteristics, the following major housing submarkets can be identified for the large urban centers of Peninsular Malaysia. (This typology is generally valid for the large towns, but where a housing submarket is peculiar to one town, it will be specified so.)

1. Rooming in mixed residential-commercial shophouses: almost exclusively inhabited by Chinese, these usually two or three-storeyed shophouses tend to be among the oldest and most dilapidated, located in or near to the central business districts of the towns. The houses provide a "shop front" on the ground floor, and rooming on the top floor(s), having very high density and overcrowding through repeated subdivision into cubicles that are rented or sub-rented out.^{1/}

2. "New Villages": these are usually wooden-walled, zinc-roofed detached houses which were initially established in the early 1950s as a result of the "Emergency" to enforce the relocation and concentration of Chinese squatters and resident market-gardening farmers living at the rural fringe of the towns. "New Villages" are especially extensive in towns like Ipoh and in and around Kuala Lumpur. The housing is probably under a severe population pressure now because while the population may have doubled since the 1950s the available land and housing have not increased. Many suffer from a lack of public facilities even though in Kuala Lumpur the population residing in these houses may be as high as 12-15% of the total population of Kuala Lumpur.^{2/}

3. Kampong Bahru rental housing: historically established by the colonial administration as a "Malay reserve" in 1899, it remains the most important (and symbolic) residential area for Malays in Kuala Lumpur. The residents in Kampong Bahru account for about 15% of the Malay population in Kuala Lumpur. Until recently, Malays migrating into the city have traditionally passed through this submarket. Overcrowding is also a problem here. And many of the houses are stilted to avoid monsoon floods, possibly giving the "rural appearance" of this area.^{3/}

4. Government labor lines: first established by the colonial administration to house Indian labor employed at the railways and other public works, this form of barrack-like housing continues to be inhabited by predominantly very poor Indian laborers. In Kuala Lumpur, the labor lines are mostly situated near to the railway workshops and

"godowns" (warehouses). Heavily overcrowded, this housing, for all purposes, fits the description of slums.^{4/}

5. Squatter settlements: these "illegal" settlements are fairly widespread in all the major towns, but they are concentrated in and around the Kuala Lumpur-Petaling Jaya-Klang area where the estimated squatter population is 400,000 persons.^{5/} The squatters in Kuala Lumpur form about 30% of the city's population. Denied public facilities and characterised by generally quite poor conditions, squatter housing nonetheless forms a very important source of housing in Kuala Lumpur, especially for in-migrating families. Except for a few mixed settlements, all the settlements are overwhelmingly of one ethnic group. Squatter settlements in Kuala Lumpur tend to be located near to railways, river banks, disused tin mining pools, and in outlying fringe areas. The Chinese settlements tend to be the oldest, while the Malay ones the most recent. The former also tend to be the sites of "a multiplicity of tiny workshops". The housing is both self-owned and rented, and there appears to be an increasing incidence of renting in the more established settlements but among the more recent and poorer in-migrant families.^{6/}

6. "Rumah pangsa": these high-rise (or multi-storey) public low cost housing schemes have appeared only relatively recently although they are expected to increase as one solution to the squatting problem and the massive needs of low income families for housing. In point of fact most of these "low cost" housing is still beyond the means of squatter families and many poor households. Some flats are operated on a "hire-purchase" basis while others are only rented out.^{7/} There have been

several cases of evicted squatters being promised resettlement in this housing but not actually obtaining it. The conditions of much of this housing vary, but some have rapidly deteriorated such that they have even been described as "modern concrete slums".^{8/} Most of the low cost housing are ethnically mixed though there is a tendency for the majority of the tenants to be Malay families.^{9/}

7. Factory housing: some large companies or factories have begun to rent out this densely populated housing to their employees. These "housing estates" may be owned, leased, or managed on a profit basis by the companies. Although this housing is not significant as yet for Kuala Lumpur, it is on the rise in places like Georgetown (Penang) where the factory labor force has been drawn from rural migrant population. Located near to the factories, this housing often packs up to six persons into small rooms suitable essentially for only one person.^{10/}

8. Middle-class housing estates: usually semi-detached, terraced or "linked", suburban, and located in uniform blocks in more peripheral areas, this is the modern housing referred to earlier. Increasingly popular and representative of the homeownership aspiration of the white collar, professional and commercial strata, middle-class housing estates are the main cause of much of the "residential sprawl" because they are developed almost entirely by housing developers and real estate agents who resort to "leap frogging" towards peripheral areas where large contiguous pieces of land can be assembled at lower costs. For the residents, the ownership (often on mortgage) and the conditions of the house as well as the status of the neighborhoods may be the most

important criteria for choosing this type of housing. The trend is also towards ethnically mixed housing estates of this kind.^{11/}

9. Upper-class housing and "bungalows": these consist of both housing in the traditional residential area for colonial administrators, foreign businessmen and executives, and top civil servants. Newer upper-class suburbs are included in this category. The costs of this housing are the highest in the country, whether for sale or rental. These upper-class neighborhoods are the most evenly mixed ethnically.^{12/}

There may be other less prominent housing submarkets in operation but for our purposes the above major ones will suffice for an analysis of the "housing market". In the following sections, the "modern submarket" will always refer to the last two categories of housing, while the others will sometimes simply be lumped together as the "older" or more "established" submarkets.

Section 3.2: Changes in housing stock

Having constructed a typology of the major housing submarkets, it is possible now to analyse the changes of the housing stock for the different submarkets, and the dynamics involved. What will be of particular importance are the actual changes in housing stock - additions or reductions - associated with the submarkets.

Basically there are three ways by which housing stock changes in urban Peninsular Malaysia, within each submarket and between different submarkets. The first is the process of "filtering" - change in housing stock from one submarket to another without accompanying change in the physical form of the housing. Second, there can also be a change in housing stock within a submarket through demolition and replacement. The third, and most obvious, way by which housing stocks change is the construction of new housing units within one or more submarkets.

In terms of the first process, two types of filtering can be distinguished: the transition from "middle-class" housing into lower grade housing with the latter increasingly assuming the form of rental housing; and the transition of newer owner-occupied squatter housing into owner-occupied-cum-renting squatter housing. This transition takes place in more established squatter settlements. Although some middle-class housing has probably "filtered" to lower middle-class families, it is not very significant as far as changes in housing stock go. One can conceive of the type of "factory housing" described above as one form of "filtered" housing. A certain amount of filtering of the

second type (that is, in squatter settlements) has occurred. It has been observed that renting takes place more frequently in older squatter settlements where a considerable proportion of squatters are in fact tenants.^{13/} More recent squatters, especially in Kuala Lumpur, largely build their own homes or commission their construction although the poorest among them are likely to be found in the tenant category.^{14/} Precise data on the extent of this form of filtering among squatter settlements is unavailable but it is altogether possible that should the trend of rural-urban migration continue unabated, the incidence of squatter renting in relatively more established settlements will increase in importance.

The reduction of existing housing stock through physical demolition is seen most clearly in the case of periodic and often massive squatter "clearances" by the public authorities. There are no comprehensive estimates of the extent of demolition of squatter settlements. It is known, however, that the more centrally-located settlements on private land (rather than public land) tend to be subject to more demolition and eviction. Between the end of November, 1969 and the beginning of February, 1971, for example, 2261 squatter households were evicted in the Kuala Lumpur area.^{15/} Among the more recent evictions was the one carried out by the Penang State Government where 230 squatter houses were demolished, and the families evicted.^{16/} These "clearances" of squatter settlements became more prominent after 1969 or so as land marked for urban development was "recalled" for construction on it. As shall be seen soon, the reductions in squatter housing may be more than offset by the spate of new squatter house construction

that occurred especially after 1969-70.

There is also hardly any data available on the number of houses demolished for any period. But in Penang and elsewhere, centrally-located shophouses have been systematically demolished to be replaced by new commercial complexes that do not combine residential with other non-residential uses. This change in housing stock has often happened when state "urban re-development" plans have been implemented. Without the backing of the state government, it has often proved difficult for private developers to actually carry out any large scale demolition of this type. Since the pace of the urban re-development programs is likely to increase in the future, the problems encountered by the residents in the shophouses are also likely to increase seeing that most of them are simply left to find alternative housing on their own. In this respect, their problems bear similarity to those of evicted squatters.

It is evident from the above considerations that the first two processes of change in housing stock have not on the whole generated much addition to housing stock for these submarkets; more likely, net reductions in existing stock have resulted. Squatter construction may have checked the reduction in squatter housing, but this can at best be regarded as only partially "stable" housing. Apart from new construction of squatter housing, most construction of new housing has been undertaken by federal and state authorities (public low cost housing schemes) and private developers (middle- and upper-class housing estates).

Although low cost housing has become more important, it still falls considerably short of low income housing needs, and, clearly, short of the construction of middle and upper-class housing. Table 3.1 shows the number of public low cost housing for urban areas from 1953-74. The total number of housing units constructed annually is rather low, with the number of units highest for 1968 and 1969. It has been suggested that "the effort of the Housing Trust was intensified in the wake of the 1969 election"^{17/} and probably the same can be said of the pre-election year of 1968^{18/} and perhaps of election year 1974 as well when low cost housing construction rose again after having fallen sharply from 1969 to 1973. No exact figures for urban public low cost housing construction are available for the period 1971-75. The Third Malaysia Plan stated that "of the total public sector performance about 50% consisted of low income housing in urban areas."^{19/} If this figure were correct, that would mean that about 43,050 low cost housing units were constructed between 1971 and 1975. But from Table 3.1, the total number of urban low cost housing units add up to only 6,699. Even assuming a substantial number of housing units unaccounted for, it is still virtually impossible that public low cost housing construction for 1975 alone has been so great as to make up the vast difference. In fact the Third Malaysia Plan gives a figure of only 13,200 units built under "public low cost housing schemes" (unspecified as to the rural and urban proportions);^{20/} possibly this figure should be higher allowing for a proportion of the State Economic Development Corporations' and other state projects being low cost urban housing. Nonetheless, a figure of 43,050 units remains a gross overestimate.

Table 3.1: Estimated Supply of Urban Public Low-Cost Housing, Peninsular Malaysia, 1953 - 1974 (Number of Units Completed Annually)

Year	Source of Funding		
	Federally Funded	State, SEDC or Municipally Funded	Total
1953	120	n.a.	120
1954	-	n.a.	-
1955	161	n.a.	161
1956	283	n.a.	283
1957	722	n.a.	722
1958	821	n.a.	821
1959	592	n.a.	592
1960	114	60	174
1961	306	391	697
1962	872	101	973
1963	1,945	284	2,229
1964	1,207	222	1,429
1965	1,361	22	1,383
1966	693	374	1,067
1967	490	-	490
1968	2,108	1,282	3,390
1969	6,788	1,683	8,471
1970	2,286	420	2,706
1971	2,037	887	2,924
1972	400	286	686
1973	160	180	3 340
1974 ^{1/}	2,260	489 ^{2/}	2,749
TOTAL	25,726	6,681	32,407

Source: Wegelin, (1975), p. 13

^{1/} Completed and expected to be completed before 31st December, 1974

^{2/} Selangor State Government and P.K.N.S. only

The period of the Third Malaysia Plan (1976-80) is the one for which low cost housing was stressed and a large increase in its construction projected. A total of 56,800 public low cost units was targeted, but between 1976-78, however, only 11,395 of these had been completed (for the whole of Malaysia) with another 30,923 units "under various stages of implementation."^{21/} Hence it is not possible to have an accurate estimate of the low cost units constructed up to this point though the number is likely to exceed that for the period of the Second Malaysia Plan (1971-75).^{22/}

Even with the increase, it is not certain that all "public low cost housing" caters in fact to low income and the poorest urban families. The families living in these low cost housing schemes include a significant proportion of lower middle-class families, and on the other hand some of the poor families are discouraged from participating in them because of the regular payments required. More importantly, the housing itself may not be "low cost" as some cost as high as \$15,000 or more.^{23/} The number of applicants for low cost housing meanwhile has mounted - in the Kuala Lumpur area alone, more than 20,000 applicants are still waiting to obtain low cost housing. Elsewhere the figures are just as high.^{24/} Thus there is clearly an increase in existing stock of the public low cost housing submarket, but it is a long way off from solving the problems associated with low income housing.

Notwithstanding the increases in low cost housing stock, middle- and upper-class housing dominates as far as new construction is concerned. The latter housing stock is built exclusively by private developers in the modern submarket. The increase in this type of housing

began in the 1960s, and most rapidly after 1970. It is best for us to consider the proportion of new construction of housing stock of this type in the context of the emergence of the modern submarket organised by private developers, real estate agents, and the financial institutions providing housing finance and credit. This will be done in the next section.

Section 3.3: The rise of the modern housing submarket

The emergence of the modern submarket in Peninsular Malaysia can roughly be traced back to the mid-1960s when western-styled suburban, middle-class housing estates began to make their appearance in the largest towns like Georgetown and Kuala Lumpur-Petaling Jaya. By 1967, McGee had already observed that Petaling Jaya was fast becoming a "middle-class town":

The majority of the town's inhabitants are middle-class bungalow dwellers, largely engaged in white collar occupations such as banking, business, government service and schoolteaching. 25/

But even then, scarce mention of the role of the private developers in housing provision was made. One of the very few references to the emergence of the modern housing submarket comes indirectly from a comment by McGee and McTaggart on the residential growth of Petaling Jaya:

Most of the residential lots were sold off for bungalow development, to individuals, contractors and such institutions as the Malaya-Borneo Building Society, usually at prices well below what the market would have stood. 26/

Apparently, "private developer" was some way off from being the catchword in the housing sector as it is now. As late as the end of 1974 there were only about 200 private developers in Malaysia. Two years later, this number increased fourfold to 892 and it is currently estimated at 1000.^{27/} These general remarks about the relatively recent emergence of the modern housing submarket are supported by the information presented in Table 3.2. While in the period, 1955-65, the modern housing submarket was evidently still not significant enough to warrant a separate category ("private developer") in the table, between

Table 3.2: Estimated Number of Houses Built in Peninsula Malaysia
By Various Agencies, 1955 - 1970

Agency	Type of houses	1955 - 1965		1966 - 1970	
		No. of houses	%	No. of houses	%
<u>Government:</u>					
Housing Trust	Low cost public	8,938	2.1	21,790	6.4
	Government quarters	23,236	5.5	19,764	5.8
Others	Others	14,502	3.4	12,486	3.6
<u>Private:</u>					
Private Developers	Private housing			22,381	6.5
MBSB	Private housing	18,317	4.3	14,836	4.3
<u>Others:</u>	Others	360,883	84.7	251,420	73.4
TOTAL		425,876	100.0	342,677	100.0

Source: Rabieyah Table 2.7 (p. 71), Table 2.10 (p.87)
Mat (1978)

1955-65 and 1966-70, this submarket provided 22,381 housing units. This was 6.5% of all housing built, and the submarket's share of urban housing must have been considerably higher though no exact estimate can be made here. This development within the housing sector is all the more significant coming in the midst of a considerable decline in housing provided by the Malaysia Building Society Berhad, and even more, the rest of private housing ("others") which declined by a third of its number for 1955-65. Since the Malaysia Building Society Berhad and some "small time contractors" were fairly important sources of urban private housing during this period, their combined decline was to have an important effect on the housing situation which showed a severe shortage, among other problems, by the time of the 1970 Population and Housing Census. The role of this rapidly emerging modern submarket in housing provision from this period onwards is therefore to be stressed.

The growth of "private developer" housing increased even more rapidly after 1970 as can be observed from Table 3.3. Between 1971-75, the total number of housing units constructed by private developers stood at 64,900, almost three times the number built in the previous period. At the same time, private developers now accounted for one quarter of all housing construction, and 37% of all private housing. The decline in other private sector housing is equally dramatic - from 266,256 units in 1966-70 down to only 108,900 units by 1975. Aside from the private developers, the more obvious categories of urban housing are the State Economic Development Corporations (SEDC's) and public housing. Together they provided only 19,800 units. Considering that an

Table 3.3: Number of Houses Built in Peninsular Malaysia, 1971 - 1975

Category	No. of Units built	% <u>1/</u>
Public sector:	(86,100)	(33.1)
- public housing schemes (Ministry of Housing and Village Development)	13,200	5.1
- State Economic Development Corporation and other state projects	6,600	2.5
- FELDA rural settlers' housing	15,900	6.1
- other Federal agencies' housing projects	26,200	10.1
- Federal institutional quarters (mainly for army and police personnel)	24,200	9.3
Private sector:	(173,800)	(66.9)
- private developers	64,900	25.0
- co-operative societies and individuals	108,900	42.0
Total	259,900	100.0

Source: Wegelin (1978), Table 3.4, p.67

Note: 1/ calculated from figures obtained from above.

unknown but probably quite large proportion of housing by "co-operative societies" and individuals really consists of rural housing^{28/} the modern submarket has clearly reached a dominant position in urban housing provision.

By 1978, it is obvious that the modern submarket has become the most important source of urban and private housing. Table 3.4 shows the number of units completed or "under implementation" for 1976-78. In these three years alone, 81,628 housing units were completed by private developers as compared with 64,900 units built during 1971-75. The data also indicates that alone of all the agencies listed in the table, private developers have not only met their target for the Third Malaysia Plan, but exceeded it. In contrast, the other agencies have fallen short of their targets. The situation is consequently one where the modern submarket wields a great degree of control over the provision of urban housing. Unfortunately, the data in Table 3.4 is for the whole of Malaysia so that the total number of housing units constructed in Peninsular Malaysia alone is not known. But it is unlikely that Sabah and Sarawak would account for more than a fraction of the total private sector housing.^{29/}

It may be useful to compare the "performance" of the private developers in the housing sector with the total construction and the private sector construction of houses in the post-colonial period. Table 3.5 shows the steady and quite dramatic increase in private developers' share of private sector, and total construction of new housing. The slower growth rate in the construction of housing by private developers between 1975 and 1978 is attributable to the previous rapid expansion

Table 3.4: Public and Private Sector Housing Performance, Malaysia, 1976-78

	Number of units planned (1976-80)	Number of units completed	Number of units under various stages of implementation
<u>Public Sector</u>			
Public housing schemes <u>1/</u>	62,200	11,395	30,923
Federal agencies & regional development authorities housing programs	53,100	19,574	11,571
Institutional quarters & other staff accomodation	41,300	18,600	13,807
Sarawak & Sabah Land Develop- ment Boards & <u>Jabatan Orang Asli</u>	6,900	1,846	559
SEDCs' housing projects and programs <u>2/</u>	57,300	14,521	11,191
Sub-total	220,800	65,936	68,051
<u>Private Sector</u>			
Private developer <u>3/</u>	100,000	81,628	33,300
Co-operative societies	12,000	2,470	1,759
Individual and groups	150,000	45,600	15,200
Sub-total	262,000	129,698	50,259
TOTAL	482,800	195,634	118,310

Source: Mid-term Review of the Third Malaysia Plan (1979), Table 15-1, p.212

Notes:

1/ includes the provision for SEDCs' low-cost housing program

2/ excludes the SEDCs' joint-venture housing program

3/ includes the SEDCs' joint-venture housing projects

Table 3.5: The growth of private developers' housing construction, Peninsula Malaysia, 1955 - 1978

Table 3.5a: Private developers' share of housing construction, and growth rates, Peninsula Malaysia, 1955 - 1978

Period	Private Developers			
	No. of houses built	% of total private sector construction	% of total construction	Average Annual growth rate (%)
1955 - 65	n.a.	n.a.	n.a.	n.a.
1966 - 70	22,381	7.8	6.5	23.7
1971 - 75	64,900	37.3	25.0	8.0
1976 - 78*	81,628	60.0	42.0	

Table 3.5b: Average growth rate in total housing construction and private sector construction, Peninsula Malaysia, 1955 - 1978

Period	Private Sector		Total Construction	
	No. of houses built	Average Annual growth rate (%)	No. of houses built	Average Annual growth rate (%)
1955 - 65	379,200	-5.3	425,876	-4.3
1966 - 70	288,637	-9.6	342,677	-5.4
1971 - 75	173,800	-9.3	259,900	-8.2
1976 - 78*	129,698		195,634	

Source: computed from Tables 3.3, 3.4 and 3.5 above

Note: * figures and percentages are for Malaysia as a whole

between 1971-75 which left a considerable (surplus) "backlog" of private developer housing after 1975.^{30/} Nevertheless, the share of private developers in housing has increased tremendously, a trend that is explained by the increase in private developers' construction even as the construction of housing by the private sector and the housing sector as a whole have both diminished. And though the data does not allow distinction between rural and urban housing to be made accurately it can be inferred from our discussion earlier that the private developers have consolidated their control over urban housing within only about a decade beginning with the mid-1960s.

Section 3.4: Some effects of the rise of the modern housing submarket

Now that the growth of the modern housing submarket has been established, it is necessary to discuss some of the consequences this rapid growth has brought about. Like all other housing submarkets, the modern submarket affects the housing situation through the ways in which it provides housing and the types of housing it provides. Specifically, the modern housing submarket provides housing by developing housing estates on large pieces of land that private developers and realty companies are able to purchase and assemble. It has also developed an elaborate system of "means of access and finance" to the housing development and purchase of houses primarily in the form of mortgage, and housing loans. And the submarket has also affected the housing situation in terms of the types and the costs of the housing that it has constructed. Each of these will be discussed below.

It is common knowledge that in the last decade or so private developers and realty companies have bought up enormous pieces of land, some used for commercial-industrial development, and others for residential development. Both the demand for urban land, and the speculation it helped to spawn, caused the urban land prices to rise very sharply. Only very recently have studies been carried out on the land market from the 1960s onwards as the effects of the brisk business in urban land are beginning to be felt in the major urban centers. One study of Central Georgetown land ownership patterns showed the sharp rises in prices of urban land in the city especially in the late 1960s and early 1970s. In one middle-class residential area, six miles from

Central Georgetown, for instance, the price of land rose by two and a half times within the same year, 1973.^{31/} The same study, as well as others,^{32/} also showed that it was not infrequent for prices of land within a city to rise by two to three times during a one- or two-year period.^{33/} Indeed, speculation had become so widespread in the urban land market that an effort to control it was implemented in the form of a capital gains tax.^{34/} With the prices of land having been so driven up, just about the only agencies that could afford the purchase of urban land were the real estate companies and private developers. The Selangor Properties Berhad, to take a prominent example, has a "land bank" of some 1,000 acres of freehold land in Damansara Heights, a fast expanding , middle-class residential area in Petaling Jaya. It also owns substantial pieces of land elsewhere in Kuala Lumpur and Petaling Jaya.^{35/} Other large developers, like the Island and Peninsular group, own sizeable tracts of residential land in places like Georgetown.^{36/}

Partly because the growth of the modern housing estates required "bridge finance" to clear and prepare residential land lots, and partly because of the need for "end finance" to help house purchasers buy the houses, the financial institutions have entered the housing market in a very important way. Prior to 1965, the most important institutional sources of housing finance were the "building societies" and the Malaysia Building Society Berhad (MBSB). During the period, 1966-70, the MBSB made out housing loans totalling \$152.8 million for the purchase of 14,800 houses.^{37/} Important as the MBSB was then, the amount lent out was by no means a very big one, and certainly it was not sufficient for the expansion of the modern submarket to take place.

The amount of housing loans steadily increased until by the end of 1976 the total sum owed by mortgagers to MBSB stood at \$250 million. By then, however, the single most important source of housing finance had become the commercial banks. Commercial banks started making out housing loans in 1965 at a slow pace - in 1968 only 7 out of 32 banks participated in housing finance.^{38/} But at the end of 1975, 37 banks throughout Malaysia had engaged in the provision of housing loans, joined by 30 "borrowing companies" (finance companies) as well as 59 "building societies".^{39/} The penetration of these financial institutions into the housing sector can be seen from the fact that housing loans to private housing increased from \$300 million in 1970 (end of year) to about \$1.5 billion in 1975 (end of year).^{40/} An estimate of the required housing finance to be provided by these financial institutions for 1976-80 put the figure at \$5,146.8 million.^{41/} Among these the banks have gained a clear lead in housing finance as shown in Table 3.6. By 1973 the banks had accounted for almost two thirds of all housing loans. It is instructive to observe that the ascendance of the banks began essentially in 1970 - about the same time that the housing built by private developers began to rise. There is little doubt that the banks were necessary to and have become an important "partner" in the modern housing submarket. From the position they now assume in housing finance, the degree of control they have over the urban housing situation can well be imagined. The implications of the entrance of the financial institutions, particularly the banks, into the housing market will be discussed more fully in the next chapter.

Table 3.6: Percentage Distribution of Housing Finance By Various Sources, 1970 - 1975

Year	Sources				Total
	MBSB	Commercial banks	Borrowing companies (%)	Life insurance companies	
1970	52	29	9	10	100
1971	48	33	9	10	100
1972	38	46	9	6	99
1973	27	59	10	4	100
1974	24	62	11	3	100
1975	22	64	11	3	100

Source: M.H. Lee, cited in Malaysian Business, (March 1976, p. 10)

As the housing typology in Section 3.1 suggested, the housing submarkets provide housing of a fairly uniform character in terms of the types of houses available and the costs of those houses. Both these aspects of the modern housing submarket will be analysed now in some depth.

There are of course some variations in the types of houses constructed by private developers. Within a certain range, however, these types apply rather uniformly throughout the whole of Peninsular Malaysia. Here, it is thus sufficient to look at the types of houses built by private developers in Kuala Lumpur between 1972 and 1976. A breakdown of the total number of houses built, under construction, or scheduled for construction in those years is given in Table 3.7. The data shows that within the period covered, there was "a distinct trend towards better quality housing" - detached, semi-detached, and double-storey terrace houses. Single-storey terrace houses formed the largest single category of houses because they were (and are) the least expensive within that range of housing types. It cannot be verified whether the "shops" built provide the kind of commercial-cum-residential uses that characterises the shophouse renting submarket described in Section 3.1. Similarly the "flats" cannot be assumed to be low cost housing because elsewhere, in Georgetown for example, the "flats" are nowhere within the reach of low income families. The "flats" built by private developers in Georgetown were virtually all high-rise "luxury apartments".^{42/} This trend "towards better quality" - that is, more expensive - housing is likely to continue for some time to come.

Table 3.7: Number of Houses Built in Kuala Lumpur By Type of House, January 1972 - June 1976.

Type of houses	Period							
	units (completed) Jan. '72 - Jun. '73	%	units under construction June '73	%	units scheduled for construction June '73 - June '76	% 5	Total	%
Single-story, Semi detached	410	3.9	1860	15.9	4190	15.6	6460	13.2
Double-story, semi-detached								
Bungalow (detached)	760	7.3	1730	14.8	3400	12.6	5890	12.0
Single-story terrace	5420	52.0	1510	12.9	7920	29.5	14850	30.3
Double-story terrace	1440	13.8	4100	35.0	8710	32.4	14250	29.1
Shops	580	5.6	610	5.2	1030	3.8	2220	4.5
Flats	1820	17.4	1910	16.3	1630	6.1	5360	10.9
TOTAL	10,430	100.0	11,720	100.0	26,880	100.0	49,030	100.0

Source: calculated from Malaysian Business Survey, Malaysian Business (November 1973), pp.16 - 17.

Malaysian Business (July 1977) reported that though "there is still good demand for single-storey terrace houses.....developers prefer to concentrate on double-storey units which show better profits."^{43/} Likewise, in Penang and Johore, the proportion of "double-storey" units remains high.^{44/}

What is conspicuous in all this is the virtual absence of low cost housing. There appears to be some beginning state government legislation requiring private developers to build some low cost housing.^{45/} Whether that will change the distribution of the types of private housing built in future remains to be seen. In the period under consideration, that was certainly not the case, as the data in Table 3.8 shows. During the period 1969-74, there was an extremely rapid expansion in the provision of houses costing between \$25,000 and \$60,000, an expansion at the expense of houses costing less than \$25,000. Significantly, the number of houses costing over \$60,000, too, increase from 1972 onwards after a decline from 1969-71. Three quarters of the houses provided in 1974 cost over \$25,000 but even then it is very unlikely that low cost housing could have accounted for the one quarter of houses less than \$25,000. As is evident from Table 3.9, perhaps only houses costing less than \$10,000 could be reasonably regarded as low cost housing in that five-year period. In 1972, the number of houses costing less than \$10,000 was a mere 352 or 1.7% of all private sector housing. At this level of selling price, the estimated monthly repayment suggest that the houses would remain beyond the means of the overwhelming majority of urban low income families. The preponderance of houses costing over \$20,000 confirms the trend of increasing proportion

Table 3.8: Housing Production, 1969 - 1974, Private Sector

Cost Price Per Unit	1969		1970		1971		1972		1973		1974	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
less than 25,000	1165	83.0	5929	87.2	7424	77.1	564.3	49.1	4214	52.1	1915	26.1
25,000 - 60,000	81	5.8	466	6.9	1728	17.9	5312	46.2	3347	41.4	4580	62.3
over 60,000	157	11.2	397	5.9	478	5.0	534	4.7	533	6.5	852	11.6
Total*	1403	100.0	6792	100.0	9630	100.0	11489	100.0	8094	100.0	7347	100.0

Source: Statistics Department, Social Statistics Bulletin, Peninsular Malaysia, 1969 - 71, 1972; unpublished data 1973, 1974.

*Excludes the "unknown" categories

Table 3.9: Distribution of Private Sector Housing in Peninsular Malaysia by Selling Price and Repayment Categories of Housing, 1972.

Selling Price Per Unit (\$)	Estimated Monthly Repayment (\$) ^{1/}	No. of units	%
less than 10,000	70.00	253	1.7
10,000 - 15,000	177.00	1337	9.1
15,000 - 20,000	248.00	3198	21.7
20,000 - 30,000	354.00	3896	26.4
30,000 - 45,000	531.00	4288	29.0
45,000 - 60,000	743.00	906	6.1
over 60,000	1132.00 ^{2/}	880	6.0
TOTAL		14758 ^{3/}	100.0

Source: Statistics Department (1972), Kamal Salih, (), p.15

Notes: 1: Estimated at 11% average commercial interest rate for an average repayment period of 10 years

2: Calculated at \$80,000

3: Based on approvals, not actual construction; excludes "unknown" category

of "better quality housing" mentioned above.

The implications of the above trend for the costs of housing in the modern housing submarket can be judged from the following table, Table 3.10. On the whole, the selling prices of the different types of private developers' housing in the towns shown are very high, even for the least expensive category of single-storey terrace houses. Moreover, in the largest towns -Kuala Lumpur, Petaling Jaya and Georgetown - the prices appear to be highest. The prices given in the table are for 1976 and 1977; they had certainly fluctuated in the period considered, due to factors such as the increase in building material costs, shortages of housing for most years (1973 being an exception) and speculation as rife as that for the urban land market. Comparative data on selling prices of houses for different years in Georgetown is shown in Table 3.11. The consistent and large increases in the prices of the houses is readily observed. The prices of houses in the modern submarket seem to be escalating still. In January, 1979, it was reported that "a double-storey link house today costs nothing less than \$90,000 compared to about \$55,000 a few months back."^{46/} With this kind of increase in housing costs, it would be risky to predict the costs in the near future even; suffice it to mention that housing costs in the modern housing submarket will remain very high.

As the data in Table 3.10 shows, rental housing in this submarket has also been very expensive. The rentals, too, have risen, and there is no reliable data for comparison. The information is essentially an indication of the rentals charged from the 1960s onwards. What is known from recent accounts and newsreports is that these

Table 3.10: Average Costs of Houses by Type of House in Selected Towns, Peninsular Malaysia

Type of house	Average Selling Price (\$)					
	Malacca	Johore	Perak (Ipoh)	Penang (Georgetown)	Selangor	
					Kuala Lumpur	Petaling Jaya
Single-storey terrace	22,450	30,000	32,900	30,000 (200)	34,500(150-200)	36,000(250-300)
Double-storey terrace	46,500	45,000	50,000	55,000	56,500(250-400)	61,500(300-400)
Single-storey semi-detached	37,000					
Double-storey semi-detached		50,000	68,000	75,000 (400)		
Detached		70,000	85,000			(450-600)
Bungalow		180,000	190,000		175,000	122,500

Source: Perumahan, Oct., Nov., 1976
Malaysian Business, June, July, 1977
 Goh (1977), p.14

Note: i. Figures in parantheses show the range of monthly rentals
 ii. Average selling prices are obtained by taking the mean of range prices given

Table 3.11: Simple Price Index for Houses in a Middle-class Residential Area in Georgetown, 1968-76

Year	Selling Price (\$)		A + B	Simple Price Index
	Double-storey Terraced (A)	Double-storey Semi-detached (B)		
1968	23,000	25,000	48,000	100
1969	24,000	27,000	51,000	106.3
1970	25,000	30,000	55,000	114.6
1971	26,000	32,000	58,000	120.8
1972	30,000	34,000	64,000	133.3
1973*	42,000	40,000	82,000	170.8
1974	45,000	60,000	105,000	218.8
1975	50,000	65,000	115,000	239.6
1976	55,000	75,000	130,000	270.8

Source: Goh (1977), p. 14

Note: Data based on appraised value of houses at time of transactions

*There is a possible discrepancy here between the prices of the two different types of houses; conceivably, the price of semi-detached houses should be higher even for this year.

rentals are much higher than rentals elsewhere, in the shophouse renting submarket for example (and this itself has increase).^{47/} Often the rentals in the modern housing submarket are two to three times higher than the rentals obtained in the other submarkets. Rentals in the newer housing estates, particularly in Kuala Lumpur-Petaling Jaya are the highest. Rental housing incidentally includes the renting of "luxury bungalows" to foreign executives, and the costs may range well over \$1500 to \$2000 per month. This rental portion of the modern submarket is limited, but by no means insignificant. It was reported at the end of 1976 that "the rental market received better support with the news that oil companies had reached agreement with PETRONAS, thus indicating that in the early part of 1977 there would be a large number of oil company executives returning to Malaysia."^{48/}

Conclusion

In the preceding sections, we have documented the housing stock changes of the various urban housing submarkets. The overall situation may indeed be characterised as one of uneven development of the submarkets whereby the older submarkets have suffered reductions in housing stock or gained only slightly in sharp contrast to the greatly expanded housing provided by the modern submarket.* One exception to the older submarkets, squatter housing, can hardly be comforting, it being the unmistakable symptom of a lack of appropriate housing for the poor rather than a solution to their problems. Combined with the above, the inability of most urban residents to compete with the real estate agents in the urban land market has now given the modern submarket an undisputed position in urban housing.

There are two aspects of the modern submarket housing that have yet to be discussed - its costs compared with the urban income distribution, and its location. We will deal with these in the next chapter as we assess the impact of the modern submarket's expansion on the urban housing situation.

* To avoid unnecessary repetition, a more detailed summary of the findings in this chapter will be provided in Chapter 5 rather than here.

CHAPTER 3: FOOTNOTES

1. Kaye (1960) gives a detailed study of the housing and living conditions in a "Chinatown" area in Singapore. Also see Jackson (19) for a study of the "Chinatowns of Southeast Asia".
2. An account of the origins of the "New Villages" and the resettlement program carried out by the British colonial administration is found in Sandhu (1964).
3. Perhaps the most detailed study of Kampong Bahru is found in Provencher (1971) which interestingly compares the setting there with that in a Malay rural village.
4. Not much has been written about the labor lines, but some information is given in Sidhu (1978:16-19). As far as the ethnic composition is concerned, Sidhu writes that "the Indian concentrations in these.....localities are being gradually diluted by the immigration of Malays who have in recent years replaced the Indians as the largest ethnic group employed by the railways. Despite this the Indians continue to form approximately half the total population in Sentul and Brickfields." (p.19)
5. The literature is quite extensive. For a historical study that ties the origin of urban squatting in Malaya to the gravity of the food situation in the immediate post-World War II period, see Friel-Simon & Khoo (1976). Other studies are Chan, Lim & Shamsul Bahrin (1977), Ishak Shari (1976), and Pirie (1976). Often studies on squatting include proposals for improving the situation as in Lim (1979) and Wegelin (1978). The estimate is from Wegelin (1978).
6. See the Malay Mail (Nov. 20, 1978) for reference to "squatter syndicates" and Ishak Shari (1976:9) on "opportunist squatters" and their role in renting.
7. Abraham (n.d.:19-20) on hire-purchase plan in Penang. A survey of the Cheras Road Flats was carried out by Toh (1977).
8. Lim (1979:64) describes the flats as having rapidly turned into slums.
9. For example, see Abraham (n.d.:34).
10. Studies on specifically factory housing are virtually non-existent. But studies on factory tend to contain some reference to the very congested conditions. Some houses even operate on a "rotation" basis: workers on different shifts occupy the rooms at different times of the day. See Jamilah Ariffin (1978) and Lim (1978). The former found two main problems with factory housing in Penang: a high degree of overcrowding ("in a small house consisting of three rooms, it is very common to find not less than 15 occupants"), and no proper household amenities. (p. 18)

11. This is helped in part by government-fixed quotas for Malay home-ownership; see for example New Straits Times (Dec. 20, 1978) on the Johore State Government's stipulation of 40% of all private developer housing to be allocated ("set aside") for Malays.
12. "By 1970, the zone embracing Kenny Hill, Damansara Heights, and Lake Gardens was occupied by Chinese (35%), Malays (35%) and Indians (17%), while the European element accounted for (about) 13% of the total." Sidhu (1978:19). He adds that "irrespective of race, English is the lingua franca, and the life-style is uniformly sophisticated and westernised."
13. Pirie (1976:10-11). Kamal Salih (1976:30-31) estimates that squatters who rent are about 58% of all squatter households in Kuala Lumpur.
14. ibid.
15. National Operations Council, Malaysia (1969:10)
16. National Star (July 29, 1978) includes a statement by the Chief Minister of Penang to the effect that "the government would not tolerate illegal housing on state land."
17. Rabieyah Mat (1978:85)
18. See Abraham (n.d.:13-14) for an account of the "politics of public low cost housing" in Penang just prior to the 1969 elections.
19. Third Malaysia Plan (1976:332)
20. ibid.
21. Mid-term Review of the Third Malaysia Plan (1979:212)
22. ibid. See Tables 3.3 and 3.4 below.
23. New Straits Times (Jan. 18, 1979) reported on a program of "low cost" housing, around \$15,000 per house.
24. ibid.
25. McGee (1967:154). Description of Petaling Jaya is in pp. 151-54.
26. cited in Dwyer (1975:100)
27. New Straits Times (Jan. 18, 1979)
28. Wegelin (1978:67)
29. An arbitrary figure of 10% is given in Wegelin (1978:68)

30. Malaysian Business (Mar. 1976): "Private developers chalked up a backlog of 21,500 housing units at the close of 1975."
31. Goh (1977:13)
32. See Goh (1976, 1977) and Goh & Evers (1976).
33. ibid.
34. A Land Speculation Tax was passed in 1974 imposing a 50% tax on profits of \$200,000 and above; profits from land dealings after two years were exempt. In 1976 this tax was replaced by the Real Property Gains Tax; see Goh (1977:39)
35. For a report on the Selangor Properties Berhad, see "Stock of the Month" in Malaysian Business (July 1977)
36. For a report on Island & Peninsular, see Malaysian Business (June 1977)
37. Jegatheesan (1976:52)
38. Rabieyah Mat (1978:84-85)
39. Jamal Mohamed (1976:4)
40. Malaysian Business (Mar. 1976)
41. Perumahan (Dec. 1976/Jan. 1977)
42. Malaysian Business (June 1977)
43. See also Perumahan (Aug. 1976, Dec. 1976/Jan. 1977)
44. ibid.
45. Cf. fn. 11, supra.
46. New Straits Times (Jan. 18, 1979)
47. Goh (1977:18-19)
48. Malaysian Business (June 1977)

CHAPTER 4

THE IMPACT OF THE MODERN SUBMARKET ON
THE URBAN HOUSING SITUATION

Introduction

The preceding chapter has established that the modern housing submarket has been able to rise to a position of dominance and control over the urban housing market within only a decade or so of its emergence in the post-colonial period. That rise has brought on a spate of new construction by the modern submarket which has increasingly assumed an even greater proportion of private sector housing in the urban areas. Some of the effects of this rapid rise, such as the increase in land prices and land speculation, have also been examined.

In this chapter, we wish to assess the impact of the rise of the modern submarket on the urban housing situation. The main issue that concerns us here is really how the modern submarket has altered the housing situation, or in fact contributed to its deterioration. The specific components of this impact will be spelled out in the following sections, and need not be stated here. No conclusion will be provided in this chapter since a summary of the results of our analysis in this chapter will be given in the conclusion of this thesis.

Section 4.1: Housing "boom" and deterioration

At the same time that the spate of construction by the modern submarket has produced something of a "boom" in its housing provision, there has also been a steady deterioration of the urban housing situation. How is this seemingly paradoxical occurrence of both a housing "boom" and deterioration together to be understood? This is the question that we will deal with in this section, and it is through an examination of this particular issue that the impact of the modern submarket can perhaps be best grasped.

The obvious way to begin such an analysis is to determine who or which income groups have managed to gain access to the housing built by private developers, and through what means of access. Thus it is necessary first to compare the urban income distribution with the costs of housing. In 1970, recall, 57% of the urban households in Peninsular Malaysia received monthly incomes of less than \$300, and a further 20.4% had between \$300-499.^{1/} The proportion of households in the largest towns with these levels of income was just as high: 53% in Kuala Lumpur and 70% in Georgetown. Only 14.5% of all urban households had between \$500-999 per month while a mere 8.2% had monthly incomes exceeding \$1000.

To obtain an idea of which groups can in fact afford the costs of housing (for rental as well as homeownership) we can look at the average rents that these different income groups currently pay. Table 4.1 provides some data on the average household rents by different income categories. It will be observed that though the lowest

Table 4.1: Household Expenditure on Housing by Various Income Groups,
Urban Peninsular Malaysia, 1973

Income group(\$)	No. of households	%	Average Exp. on rent (\$)	Total Av. Expend.(\$)	% of Expend. on rent
below 300	1118	47.4	38.70	304	12.7
300-499	601	25.5	65.20	548	11.9
500-999	425	18.0	102.12	1057	9.7
1000 and above	215	9.1	247.42	1963	12.6
TOTAL	2359	100.0	75.91	606	12.5

Source: Department of Statistics Household Expenditure Survey, 1973
(Preliminary figures), cited in Rabieyah Mat (1978), Table 5.16, p.232

Note: Rent here is "gross rent" and includes fuel and power costs.

income groups obviously pay the lowest absolute rents, their expenditures already represent the highest proportion of household budgets. It is very probable that the actual rents paid (and hence the proportion of household budget allocated to rent) are much higher. For one thing the survey (see Table 4.1) does not indicate tenurial differentiation within each income group. Thus the presence of households who pay no rent, owner-occupiers for example, may have lowered the rents on the whole. Moreover, the proportion of household income spent on rent appears to be unduly lower than the usual estimates by other studies on housing which put the figure closer to almost 20%.^{2/} In Georgetown, for instance, the 1977 rents in shophouses were estimated at \$70-80 per month per room which would be almost 25% of a household income of \$300. ^{3/} An unusually high proportion was estimated by the Malayan Trade Union Congress when it recommended a "minimum wage rate" of \$229 for a worker heading a five-member family; of this wage, \$89 or 38% was marked for rent (utilities included).^{4/}

Precise estimates of different groups' "ability to pay for housing" are not obtainable, but it is fairly safe to think that the lower income groups cannot pay much more than what they currently allocate to housing expenditures. One study has cited a survey of industrial workers in Penang which claimed that more than 50% of the workers could afford a rent of only \$45 or less per month. (But it is not known to us on what basis this figure of "affordability" has been arrived at.)^{5/} Indirectly, though, the level of ability to pay of low income groups can be assessed from the "poverty-line income" concept

adopted by the Malaysian government. The poverty-line income is essentially the amount that a household requires to satisfy "minimum nutritional and non-food requirements"; in other words, for "minimum subsistence".^{6/} For a six-member family in the urban areas in 1973, this subsistence level income was estimated to be \$225.^{7/} However, it has been argued that the poverty-line income should realistically be closer to \$60 per capita per day in the larger towns.^{8/} Here we cannot ascertain what the exact subsistence level income should be even though it does appear that \$225 per month for a six-member family (an average-sized family) is somewhat underestimated. Be that as it may, the poverty income presumably allows for housing that is "minimal" and surely nowhere near the quality, and hence the cost of modern submarket housing. The majority of the urban households, as we have seen, have less than \$300 per month, not substantially above the poverty-line income. It can reasonably be suggested that most of the low income groups cannot afford much higher rents than what they are already paying. One can in fact conclude that based on income as the only source of access to housing, almost all of the modern submarket housing is completely beyond their reach.

Indeed, judging from the urban income distribution and comparing it with the extremely high costs of modern submarket housing, it would be reasonable to think that only the highest income group (over \$1000 per month and 8.2% of all urban households) can really afford homeownership in the modern submarket without incurring great financial burden. This being the case, how has the modern submarket managed to expand as rapidly as it did?

Clearly, however, monthly incomes are not the sole means of access to this housing. As we noted in Section 3.4, the growth of the modern submarket was aided by the corresponding expansion of the role of financial institutions in housing finance. As one observer put it, these institutions act as "financial intermediaries" between housing developers and purchasers: in other words, between costs of housing and the incomes. Even though the expansion of these financial intermediaries suggests the importance of their role, the full implication of the mortgage and housing loan system has seldom been stressed. Nevertheless, there is no question as to their importance, as the following statement shows:

The Government, through Bank Negara Malaysia, introduced guidelines to commercial banks and finance companies effective October 1976 to ensure that adequate financing on reasonable terms is available to housing buyers. Under these guidelines commercial banks and finance companies are required to channel at least 10% of their net increases in their loans and advancing as housing loans to individuals. For loans not exceeding \$200,000 the maximum interest chargeable is 10% per annum. From May 1977, interest rate on new loans was further reduced to either 9.0% or 1.5% per annum above the prime rate. These measures resulted in a significant increase in the amount of loans approved by commercial banks and finance companies which rose from \$642 million outstanding at the end of 1975 to \$1.5 billion at the end of 1978. _9/

Government "guidelines" to financial institutions on the matter of housing loans date back to 1965 but it is beyond our scope to analyse them in any detail. Suffice it to mention here that in the main those guidelines have aimed at expanding credit opportunities for potential homeowners.

The mortgage and housing loan system has permitted homeowners to purchase houses on a low-down-payment, moderate- to long-repayment basis. Usually the down-payment amounts to one-third of the selling price of the house, and the repayment schedule about 10 years or more. Such a system allows income groups of at least \$500 monthly (probably significantly higher) to purchase houses. The growth of the secondary and tertiary sectors in the urban centers, as we have seen in Chapter 2, effected an increase in white-collar, professional and middle-class groups among the occupational and income groups in the urban population. Their higher "ability to pay", aided by the mortgage and loan schemes, has therefore permitted them to buy the houses provided by the modern submarket. For these groups the financial institutions can indeed be seen as "intermediaries" between housing costs and monthly incomes. Hence, a conjuncture of government policy, expansion in the role of financial institutions, and increase in the middle and upper income strata has essentially succeeded in producing a "boom" for the modern submarket in post-colonial Peninsular Malaysia. In this context, one can thus understand the tremendous growth in the modern housing submarket.

If the expanded loan and mortgage opportunities have in fact managed to bridge the gap between costs of housing and incomes for the middle and upper classes, it is pertinent to ask whether those same opportunities have reached the low income families. Assuming that a low income family (household income at \$300 monthly) attempts to purchase a house costing \$20,000 (the cheapest type), a down-payment of about \$7000 would have to be made, and a loan of

\$13,000 taken out. The difficulty faced in trying to make a \$7000 down-payment is virtually insurmountable for such a family. On top of that, repayment of the loan would constitute an immense problem. If for instance, we take the interest to be just an average of 5% per annum (between 0% and 9%), to be repaid over 20 years (the longest period shown in Table 4.2) a \$13,000 loan will necessitate a monthly repayment of close to \$100. For the majority of low income families, this repayment represents between at least one-third to one-half of their monthly incomes. The repayments might in fact be higher because the financial institutions certainly do not make interest-free loans and more likely charge nearer 9% than 5%. Comparing this with the rents currently paid by these low income families, it is quite evident that any repayment at that level would constitute an intolerable strain on them, and can be sustained only at the expense of other necessities required by the.

The difficulty of taking loans of this amount for low income families can be demonstrated in another way. One survey has found that the "hire-purchase" plan operating for "low cost" flats in Penang requires only monthly payments ("rents") of \$40 for the first two years, and \$32 for the next twenty-three years.^{10/} This plan was to facilitate the ownership of flats among the tenants over 75% of whom had household incomes of less than \$300 per month. Recently, it has been reported that over 60% of these tenants were in arrears of payments, financial difficulty being the prime reason.^{11/} If such a plan as this, with virtually no mortgage and interest repayments involved, has been unable to work because the tenants are unable to pay

Table 4.2 : Monthly Repayment Scale on Housing Loans at Various Interest Rates and Years of Repayment

	0%			5%			9%			11.5%	
	10 yrs	15 yrs	20 yrs	10 yrs	15 yrs	20 yrs	10 yrs	15 yrs	20 yrs	10 yrs	15 yrs
41.67	27.78	20.83	53.96	40.14	33.43	64.93	51.69	45.64	72.30	59.60	
58.33	38.89	29.17	75.54	56.20	46.81	90.90	72.37	63.90	101.20	83.40	
83.33	55.56	41.67	107.92	80.29	66.87	129.85	103.38	91.29	144.50	119.10	
166.67	111.11	83.33	215.84	160.57	133.74	259.70	206.77	182.58	289.00	238.20	
250.00	166.67	125.00	323.76	240.86	200.61	389.55	310.15	273.87	433.50	357.40	
333.33	222.22	166.67	431.68	321.14	267.48	519.40	413.53	365.16	578.00	495.60	

: Rabieyah Mat (1978), Appendix VI

the relatively low rents, it can well be imagined what great difficulty low income families will encounter in availing themselves of housing loan "opportunities" offered by the financial institutions.

And, finally, the extent to which credit opportunities serve very limited purpose in helping low income families to purchase houses can be seen from a recent program of the government's to try to place low cost homes within the reach of one income group - those with monthly incomes of about \$500. The program plans to provide a source of both down-payments and loans for purchasing houses costing about \$15,000. While the down-payment can be drawn out of the Employees Provident Fund (EPF), "at a monthly repayment of \$148 the whole loan can be settled in 15 years."^{12/} Not only is \$148 one-third of \$500, it is more than twice the current average rent paid by families in the \$300-499 income category (Table 4.1). The viability of the program is at least questionable. Furthermore, the condition that the down-payment be drawn out of the EPF makes certain that a large number of families (or workers) not covered by the EPF do not qualify. For those who do, however, the implication of drawing out sizeable sums from the EPF for their future has to be regarded quite seriously.

In much the same way, rented housing in the modern submarket is closed off to low income families. The "luxury bungalows" were of course not built with them in mind. But the rentals for the cheaper housing remains prohibitive for these families, and rented housing is consequently no alternative to homeownership. The rents charged are typically at least three to four times as high as rents in other

submarkets. Here the issue of "financial intermediaries" does not even arise. And in the absence of subsidies from the government or some other agency, the low income families are simply unable to afford rentals that may even exceed their entire incomes.^{13/}

The prospects of homeownership in the modern submarket for low income families are not bright, to say the least. At their current income levels, housing costs would have to be reduced to about one-third or so of the costs of the cheapest type of houses for ownership to reach the low income groups in any meaningful way. Needless to say, reductions in cost of this kind and this magnitude are rarely ever made. The trend "towards better quality housing" appears to be continuing, and, if anything, the costs of housing provided by the modern submarket have escalated. Perhaps about 1% of all housing built by private developers is all that is within the reach of low income families. For all purposes, this 1% is "negligible" in the face of low income housing needs.

How can these considerations help to explain the deterioration of the urban housing situation accompanying the "boom". First, it is clear by now that the low income families are completely "priced out" of the modern housing submarket. Unlike the higher income groups who have found in mortgages and loans the mechanism that enables them to purchase houses, the low income groups, at their subsistence or near-subsistence level incomes, can afford neither rental nor homeownership. Second, in its rise to dominance in the urban housing market as a whole, the modern submarket simply "resolved" the difference between low incomes and high costs of housing by not constructing

houses for those who cannot pay for it. To the modern housing submarket, housing appears as a commodity - not necessity - and in that sense, unlike some of the other submarkets, the modern submarket engages in housing development and construction exclusively for the realisation of profit, and maximum profit at that. Finally, having been so completely priced out of the modern submarket, the low income families have recourse only to more established and older submarkets in their search for housing.

For those families already residing in the older submarkets, being "priced out" largely means that most will remain in their current residences. But those families beginning their search for urban housing either as in-migrants or because demolitions, for instance, have rendered them homeless, also must turn to the older submarkets. We have seen from our discussions on housing types and the changes in the housing stock that not only are the older submarkets usually more dilapidated, their housing stock has also suffered net reductions or else increased only marginally. Besides, most of the new housing construction in the urban areas has been undertaken by the modern submarket. The increase in the number of low income families seeking housing in the older submarkets have thus caused (in an immediate sense) the problems of overcrowding, slums, squatting and housing shortage to worsen. It is in this context that the effects of the urban growth in population can be best seen - not as fundamental demographic causes of the deterioration in the housing situation as such but only as factors which have compounded a severe problem that was already existing.

Section 4.2: Residential segregation by class and race

The housing crisis in urban Peninsular Malaysia is not confined to problems of shortages, overcrowding, slums and squatting, but includes as well the persistence of residential segregation by ethnicity as we have suggested from the outset. The problem of a fairly rigid pattern of residential segregation by ethnicity dates back to the colonial period in Peninsular Malaysia when a distinct differentiation by race in the sphere of labor utilisation led to a corresponding differentiation in the sphere of labor reproduction, that is, in housing.

Chinese labor, which was the earliest to be absorbed into the urban economy, found its residence chiefly in the oldest sections of the towns. There the "shophouse renting" submarket grew to accommodate its needs. Similarly the utilisation of Indian labor in a lot of the "public works" led to the housing of Indian workers in the labor lines provided by the colonial administration. The bulk of the Malay labor force was at this time largely confined to the agricultural sector, and the entrance of Malays into the civil service was only in its beginning stages in the later part of the colonial period. In a city like Kuala Lumpur, the Kampong Bahru "reserve" became the most important residential area for Malay families. Towards the latter part of the colonial period, upper-class mixed enclaves began to appear with their residents being mainly members of the foreign and local elites.^{15/} In short, as McGee pointed out,

"the end product of the colonial period was to freeze the various communities in distinct quarters; and it is this basic pattern which persists until this day."^{16/}

But in the post-colonial period a major development took place which might have been expected to alter the residential segregation pattern in the large towns. This was the influx of Malays into the large towns, especially after 1969, and the utilisation of their labor in virtually every level of the urban economy - from the top civil service positions and white-collar occupations down to the blue-collar occupations. While the first two absorbed the Malays in increasing numbers, it was nevertheless the last occupational category that took in the largest number of Malays (as is the case with all other communities, excepting non-Malaysian residents). This development led essentially to an increasing convergence of the three main racial communities - Malays, Chinese, and Indians - in the sphere of labor utilisation. This has, however, not led to a corresponding blurring of ethnic differentiation in the sphere of housing to any significant extent.

It is the aim of this section, then to account to the persistence of racial segregation in urban housing in post-colonial Peninsular Malaysia. Moreover, since the modern submarket has featured so prominently in the housing crisis, it would be useful to see if it has had a considerable impact on the pattern of residential segregation by race. Hence this section will extend on the previous discussion and attempt to assess how the rise of the

modern submarket might have affected the residential segregation.

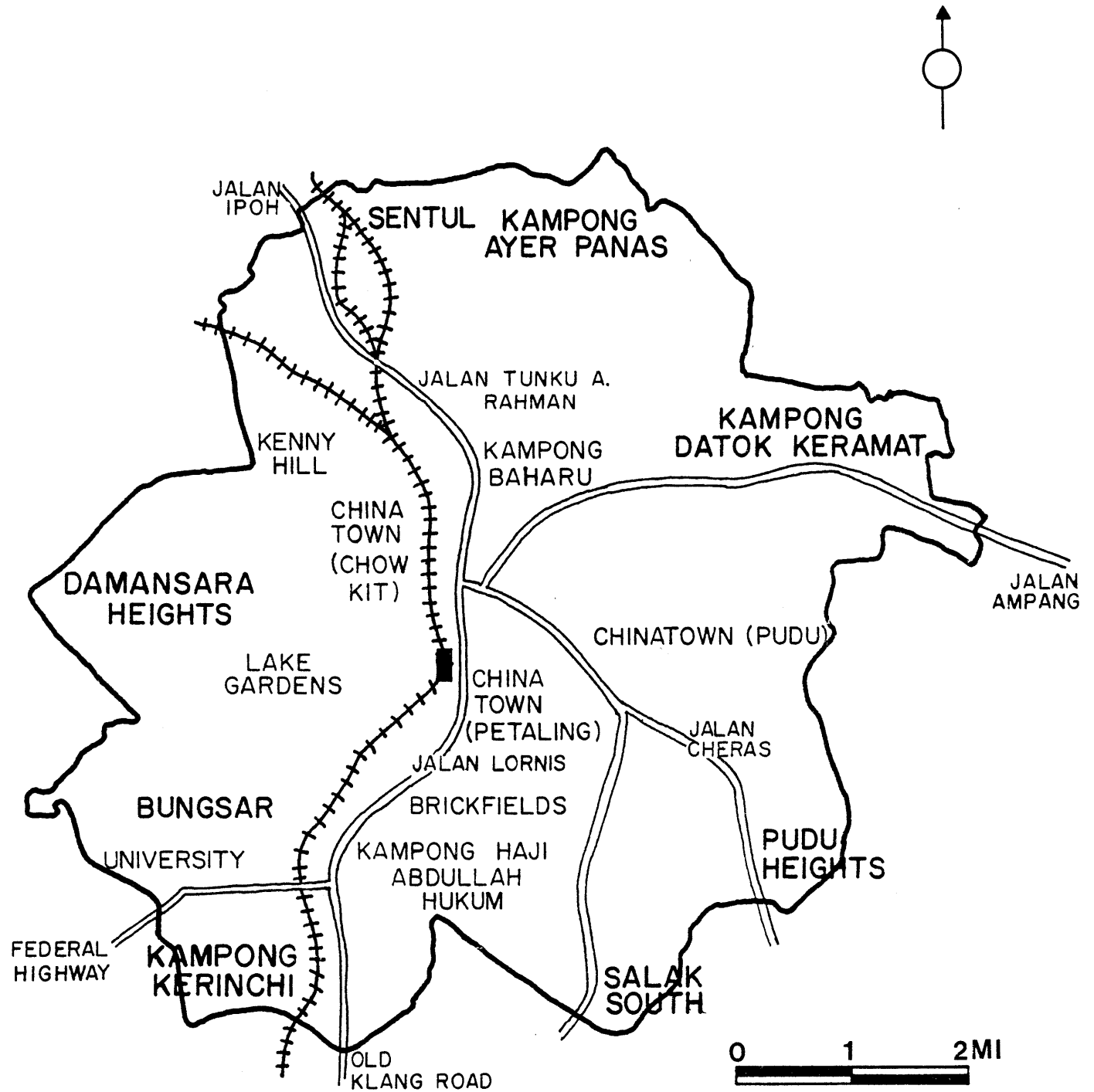
Our focus will be on three things:

- i. the spatial location of housing built by the modern submarket in relation to other submarket housing,
- ii. the residential circuits of different income ethnic groups through the various submarkets, and,
- iii. the role of the modern submarket in lessening, maintaining or exacerbating the pattern of residential segregation by race.

Although the following discussion will make use of data on primarily Kuala Lumpur, where the problem is perhaps the most severe, it will be applicable to urban Peninsular Malaysia as a whole.

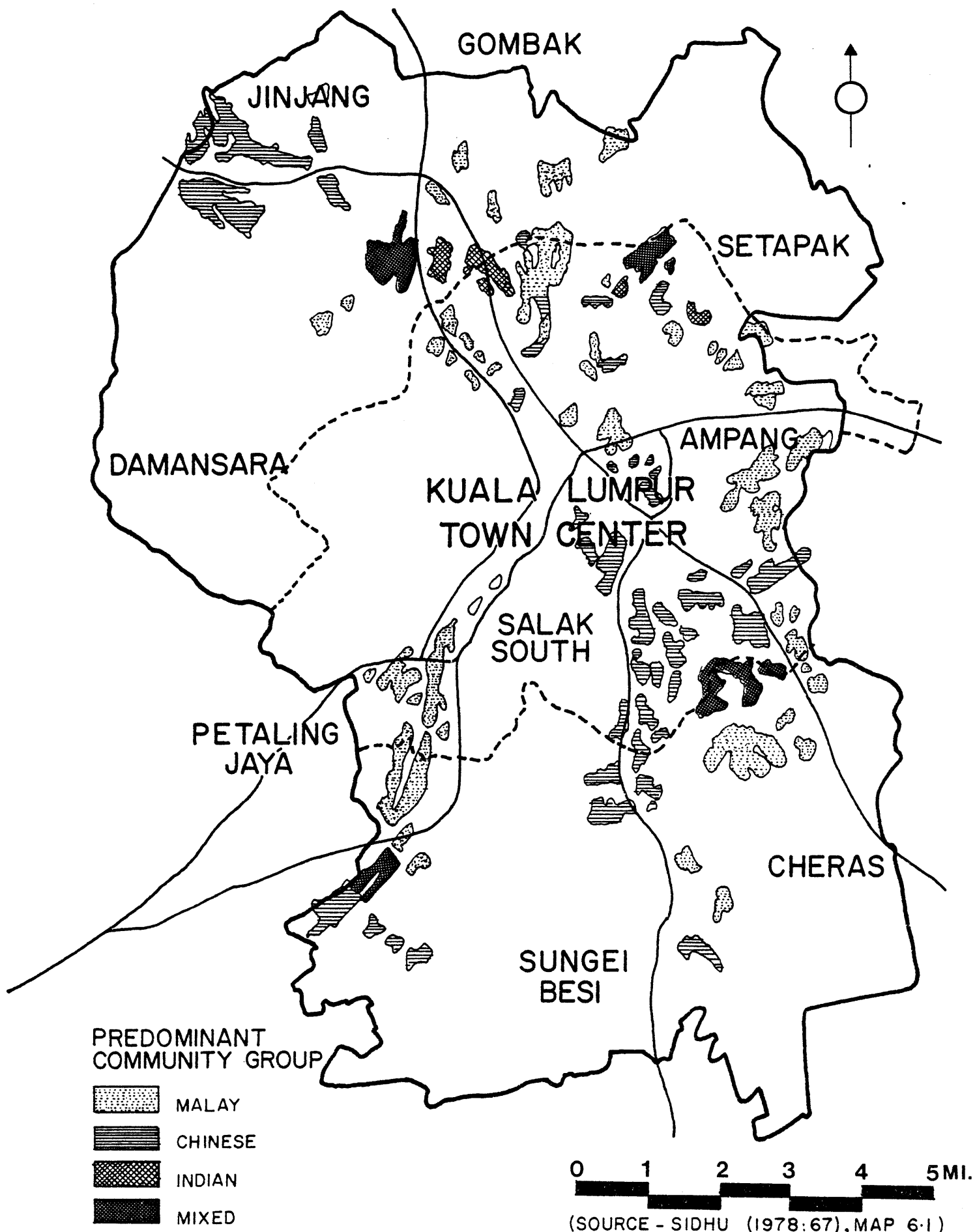
The location of the more established housing in Kuala Lumpur is shown in Map 1. The map shows that the housing provided by the different submarkets tend to be spatially separated - the shophouses in the "Chinatowns", the labor lines for Indian workers in Sentul and Brickfields, the Malay residential areas of Kampong Bahru, Kampong Dato Keramat, and Kampong Kerinchi, and the upper-class housing around the Kenny Hill-Damansara Heights-Lake Gardens triangle. Kampong Ayer Panas is a predominantly Chinese "New Village"; other "New Villages" lie on the outskirts of the city not shown in the map. The squatter settlements, both older and newer ones, are shown in Map 2. The more centrally located settlements tend to be older (and predominantly Chinese) while the newer ones are further away from the center of the city. The distinction between older and newer ones is, unfortunately, not made in the map. Low cost housing

MAP I : KUALA LUMPUR - MAJOR RESIDENTIAL AREAS



(SOURCE - SIDHU (1978:11), MAP 2.1)

MAP 2 : KUALA LUMPUR - SQUATTER AREAS, 1970

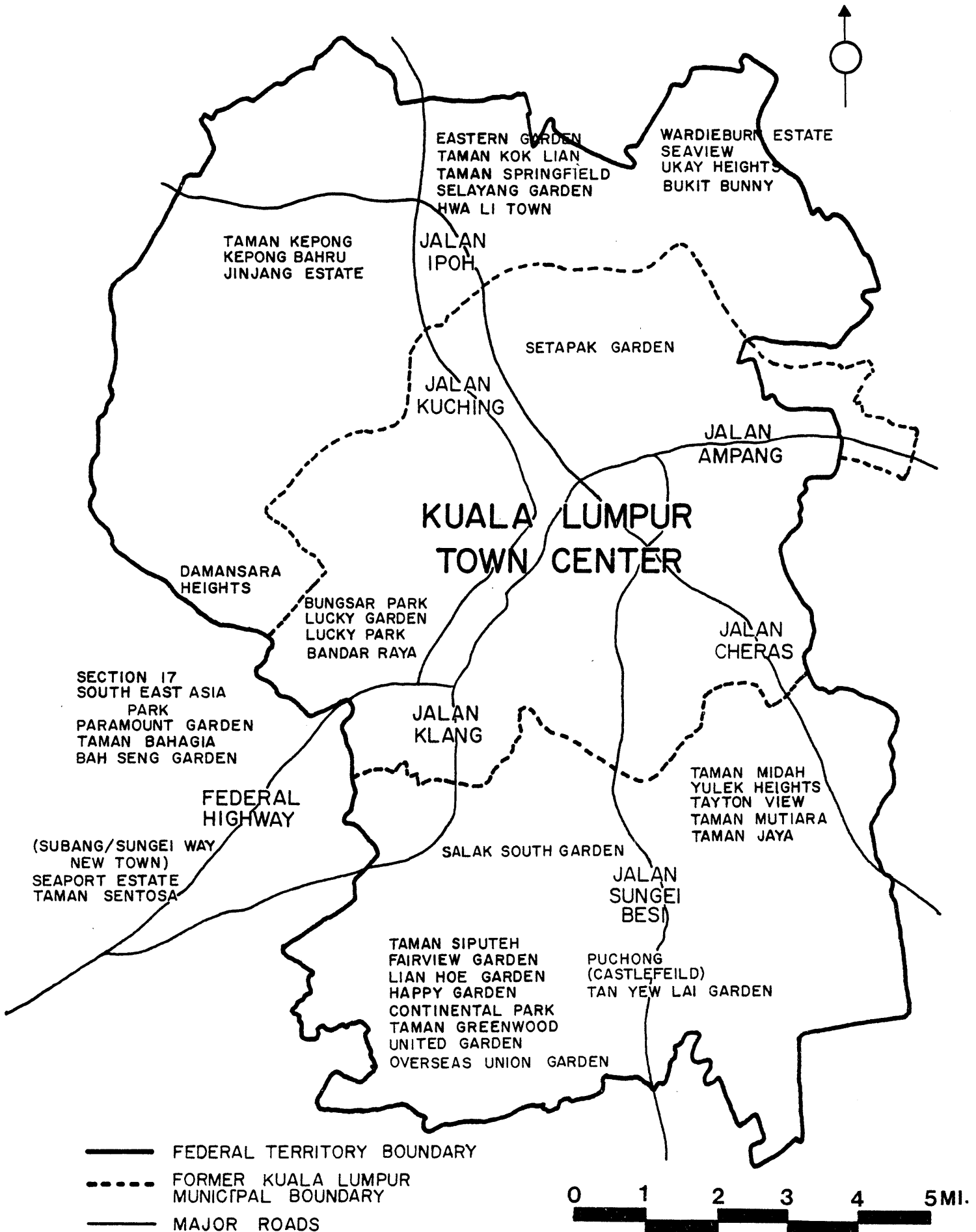


has tended to occupy fringe areas like Ampang and Cheras.^{17/} (In Georgetown, low cost flats, too, are found several miles out of the central district - Rifle Range, for example.) The two maps together describe more or less the "basic pattern" of residential segregation referred to by McGee.

Where does the modern submarket housing stand in relation to housing provided other submarkets in terms of its location? The answer is given in Map 3. Here it can be seen that middle-class housing estates built by private developers are almost without exception some distance away from the main town center, and from other housing. Since the housing estates require large contiguous pieces of land to be developed, it is not surprising that private developers have chosen to construct new housing some distance away from the central areas where land prices are the highest. Most of the new housing estates are in fact located in Petaling Jaya (often considered Kuala Lumpur's "satellite town"). Dwyer may have caught the essence of the pattern of housing location in the city when he observed that "a situation.....arose which was the very antithesis of rational planning: workers moving each day from Kuala Lumpur to factory jobs in Petaling Jaya and executives and civil servants travelling in the opposite direction, from their residences in Petaling Jaya to offices in Kuala Lumpur."^{18/} (A similar expansion of new housing estates on the outskirts of cities continues to take place in Georgetown, Ipoh, Malacca, etc.)^{19/}

Thus we find that hardly any overlap has occurred among submarkets in the location of the housing that they provide. There

MAP 3 : KUALA LUMPUR - HOUSING ESTATES



(SOURCE - MALAYSIAN BUSINESS, NOV. 1973, p.19)

seems to be no particular and necessary reason, conceptually, why different submarkets cannot provide housing that overlap spatially. But in the case of urban Peninsular Malaysia the distinct pattern of segregation among different submarkets is largely explained by historical reasons - in particular the colonial labor utilisation process.

In order to get a fuller picture of residential segregation, it is necessary to consider the residential circuits of different income ethnic groups. The housing submarket typology, based to a large degree, on two criteria - income and ethnic characteristics of neighborhoods - suggests that the circulation of urban families in the housing system fragments along first class (or income) lines. This fragmentation can be drawn primarily between middle- and upper-class housing on the one hand, and lower-class housing on the other, mainly because the former consists of homeownership as the chief tenurial category while the latter is much more restricted to renting (and even sub-renting). As we have shown in the earlier section, the "pricing out" of the lower income families from middle- and upper-income housing submarkets has been almost total; consequently, there is good reason for drawing the class segregation fairly rigidly. As far as the middle- and upper-classes are concerned their residential circuits are essentially confined to middle-class and upper-class residential areas. There is very little of any circulation of these classes into or within the other submarkets.

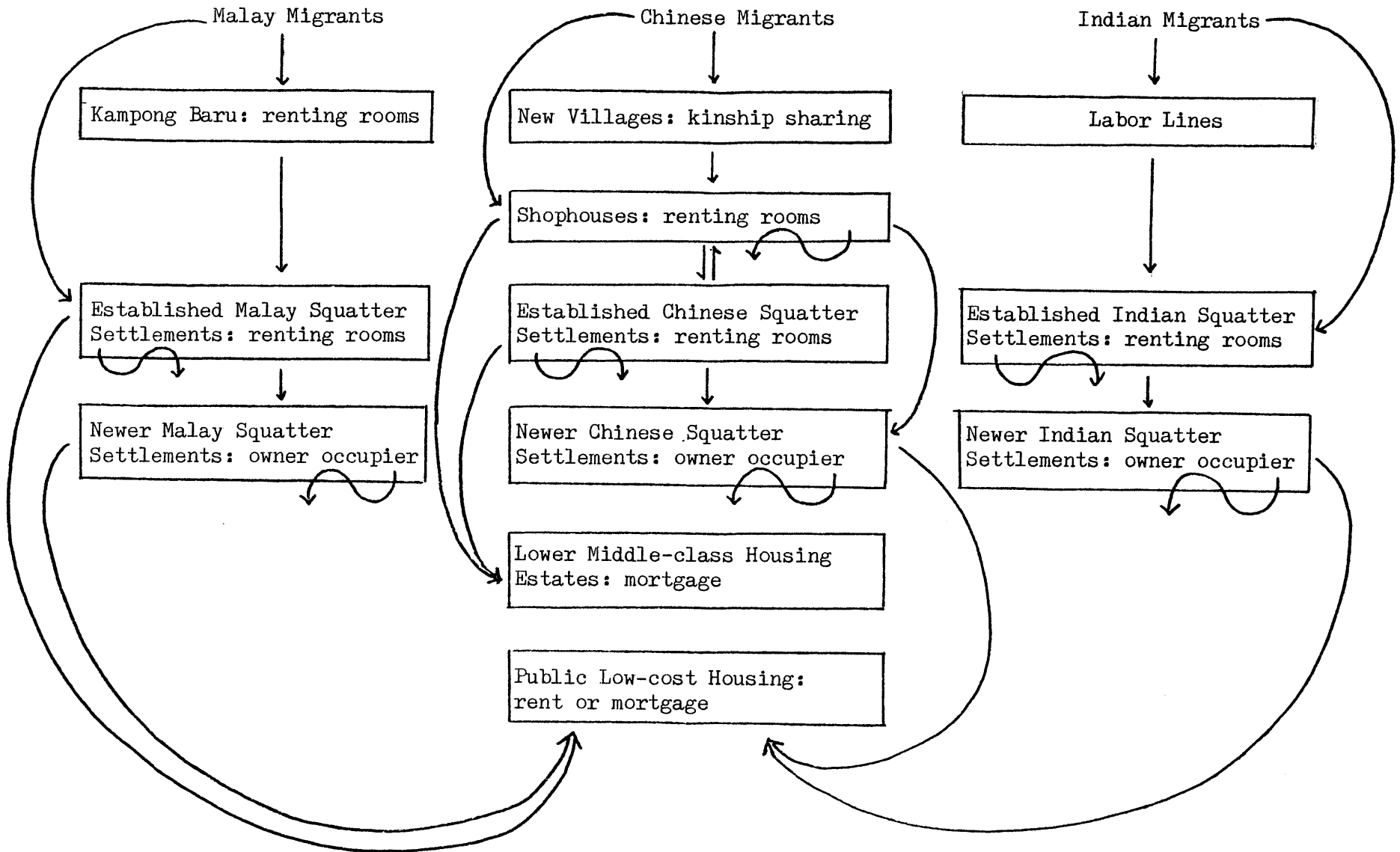
The converse also seems to hold true. Lower income families

in search of housing traverse the older submarkets and newer ones such as public low cost housing and squatter settlements, and are basically confined to them. Some intergenerational mobility certainly must have occurred that has allowed some low income families to move into middle-class housing. There is no evidence for believing that this trend has been significant at all.

The residential circuits show fragmentation along ethnic lines as well although again there are differences between middle- and upper-class housing and lower-class housing. Within the upper-class housing interracial mix is basically the norm while for middle-class housing, the trend is towards more mix. However, due to historical reasons that have been mentioned, the older and more established submarkets (also low income) have been rather rigidly fragmented along racial lines. The circulation of low income families, confined as it is to these submarkets, has therefore been subjected to a greater degree of racial fragmentation. Based on the above considerations, a likely picture of lower income residential circuits is shown in Figure 1. Public low cost housing appears then as the one important area of racial convergence, but for the most part, the residential circuits of different groups do not overlap.

We are now in a position to assess how the rise of the modern submarket has affected the pattern of residential segregation. In general it is new housing - middle-, upper-class, and public low cost housing - that has had a considerable degree of racial

Figure 1: Residential Circuit of Low-income Groups



"desegregation". The more general point can be made that the new housing, because it is not simply an increase in older submarket housing stock, has been able to break out of the older pattern of residential segregation associated with the colonial labor utilisation process. Among the new housing submarkets, though, the modern one is the one that has undergone the most vigorous expansion. The upper-class housing remains limited, and public low cost housing has yet to show any sizeable growth. If any alteration in the pattern of residential segregation is to take place in a significant way, it would clearly have to occur through the modern submarket.

The modern submarket has brought about a considerable degree of residential interracial mix in the middle-class housing estates precisely because access to it is based almost entirely on the financial means of its residents. The housing that the modern submarket has constructed is in no way predicated upon factors such as the proximity of residence to workplace (within city limits). As Dwyer has already pointed out, middle-class housing estate dwellers generally live quite far from their workplaces (by choice). The fact that the financial means of residents overshadow all other factors in determining access to the housing has allowed the modern submarket not to be ethnically bound. Consequently the influx of Malay white-collar workers into the major urban centers has also resulted in their entrance, along with others, into the middle-class housing estates. In this respect, and with particular reference only to the modern submarket, Vance's observation is correct: "capitalism

develop(s) a geography of residence emphasizing the notion of the ethnic melting-pot but with economic segregation."^{20/}

But whereas the modern submarket has brought about a lessening of residential segregation by ethnicity in the housing it provides, it has affected the pattern of segregation in other submarket housing in the reverse manner. To begin with, the modern submarket might be said to engage in and promote an extremely rigid segregation by class. The expansion of middle- and upper-class housing at the expense of other urban housing, and the subsequent "pricing out" of low income families have resulted in an increase in residential segregation by race in the other submarket housing - if only because low income families have been forced to overcrowd existing older submarkets to obtain their housing. It can be argued that "priced out" families could have essentially crowded into neighborhoods different in ethnic composition from their own background. But given the history of racial tension in the country, it is not surprising that cultural and ethnic criteria assert themselves more strongly in these families' choice of housing when the possibility of entering middle-class housing is virtually non-existent.

The "desegregation" in middle-class housing estates is likely to continue, perhaps at a faster pace, in part due to recent governmental stipulations that private developers "regulate" the ethnic composition of the housing estates through "racial quotas" in the allocation of housing sales to different ethnic groups.²¹ But inasmuch as the expansion of the modern submarket means in fact the continued segregation by class, possibly a greater degree of

residential segregation will result elsewhere in the urban housing system. This will all the more be the case if the continued growth of the modern submarket occurs at the expense of other urban housing. Under such circumstances it would not be fortuitous to suggest that residential segregation by race will persist as part of the housing crisis.

CHAPTER 4: FOOTNOTES

1. See Table 2.5 in Section 2.2, above.
2. See, for example, Goh (1977:18-19), and Kamal Salih (1976:25)
3. Goh (1977:19). But \$70-80 per room per month may itself be over-estimated.
4. Arudsothy (1977:93). The breakdown of the "minimum wage rate" is as follows:

Food	\$94.11
Rent (utilities included)	86.13
Education	25.20
Other	24.13
TOTAL	229.57
5. cited in Rabieyah (1978:228)
6. Third Malaysia Plan (1976:160)
7. The estimate is made in Wegelin (1978:103), based on an estimate of 16% increase in consumer prices between 1971-73. The poverty-line income was estimated at \$33 per capita per month in urban areas.
8. Ishak Shari (1976:11-12)
9. Mid-term Review of the Third Malaysia Plan (1979:215)
10. Refer to Abraham (n.d.:19-20)
11. Reported in National Star (Feb. 1977)
12. New Straits Times (Jan. 18, 1979). The newsreport mentioned that "2.6 million - half the total working population - do not have any contribution to fall back on."
13. Refer to costs of rentals shown in Table 3.10 in Section 3.3.
14. Wegelin (1978:67)
15. Sidhu (1978:19). Also-see Abdul Samad Hadi (1975:31-41) for a study of elite residential location in Kuala Lumpur.

16. McGee (1967:141)
17. Malaysian Business (Mar. 1978:33)
18. Dwyer (1975:100)
19. For a "spatial analysis of Penang State", see Georgulas (1972)
20. Vance _1971:118)
21. Cf. fn. 11, in Chapter 3.

CHAPTER 5

CONCLUSION - SOME IMPLICATIONS
OF THIS STUDY

In this last part of the thesis, the issues that we begin with can now be restated, and the major findings from our analysis in the previous chapters summarised. Our aim has been to explain how the housing crisis in urban Peninsular Malaysia has developed over the post-colonial period, and what role the modern submarket had played in that development. In this respect, two central issues needed explanation. The first was the coincidence of a "boom" and a deterioration in the urban housing situation. Second, there was also the intensification or rigidification in the pattern of residential segregation by ethnicity.

To deal adequately with these issues, we first proposed a conceptual framework based upon the concept of labor reproduction. This enabled us to focus upon the link - rather, the conflict - between the requirements of the labor and housing markets as the underlying cause of the housing problems. But in order to analyse the specific and concrete urban housing situation in Peninsular Malaysia we provided a method of analysis that had two parts to it: the first concentrated on the process of labor absorption in the urban economy, and the second was based on a typology of housing markets. The former allowed us to examine the growth of urban population in the post-colonial period, the convergence of labor of all ethnic backgrounds in the sphere of labor utilisation, and the urban income distribution. By constructing our typology of submarkets, we could then analyse the dynamics of change in housing stock for the various submarkets, the

residential circuits of different income and ethnic groups, and, most important of all, the position of the modern submarket vis-a-vis the others.

With the above in mind, we can summarise the major findings below, and then utilise them to give an explanation of the housing crisis, and the role of the modern submarket in its development. The findings were:

- i. the post-colonial sectoral shifts in the urban economy resulted in the growth of urban population in the major towns, a substantial portion of which was due to in-migration from rural and small urban centers;
- ii. this urban population growth comprised the growth in both white-collar and professional groups as well as blue-collar occupational groups, of which the latter was predominant;
- iii. the ensuing income distribution was such that while there was an increase in the middle- and upper-income groups, there was a greater incidence of poor, low income groups; the urban income distribution thus indicated a majority of the urban population (by households) living at or marginally above the "subsistence level";
- iv. at the same time, and via the labor absorption process, there occurred an increasing convergence of labor of all ethnic backgrounds in the urban economy to a large degree due to the government's efforts to speed up the absorption of Malay labor into all levels of the occupational and income structure;

- v. in urban housing provision, the proportion of housing provided by the modern submarket grew rapidly and tremendously in contrast to the overall decline of housing provided by other submarkets, thus making the modern submarket the most important and dominant submarket;
- vi. the growth of the modern submarket, too, signified the expansion of housing estates that for the most part provided more expensive housing to middle- and upper-income households based solely on their ability to pay for the housing;
- vii. the expansion of this form of housing was greatly aided by the expansion of the mortgage and housing loan system which worked mainly to the benefit of middle- and upper-income families;
- viii. the absence of adequate subsidies, and the failure of the mortgage and housing loan mechanism to bridge the difference between subsistence or near-subsistence incomes of poor families and the high costs of housing brought about an almost total "pricing out" of poor families from modern submarket housing;
- ix. being therefore "priced out" the poorer urban households could only fall back on the older submarkets which had themselves experienced either net reductions in housing stock or only marginal increases which in any case were insufficient to accommodate the increased low income housing needs;
- x. the growth of the modern submarket enabled an increasing number of middle- and upper-income households to purchase homes in the housing estates, leading to an increased ethnic convergence or interracial

mix in these housing estates;

- xi. the residential circuits of different income and ethnic groups fragmented prominently first along class lines, and next along racial lines; the class fragmentation was pronounced between the middle- and upper-class housing, and low-income housing, whereas the ethnic fragmentation was most rigid for low-income housing.

The above findings can now be synthesized to formulate an overall argument and explanation of the issues mentioned at the beginning. The observed "boom" in urban housing has essentially been the expansion of middle- and upper-income housing as the modern submarket rose rapidly to meet the increased housing needs of these groups. The "boom", however, has been accompanied by a deterioration as increased numbers of poor families, "priced out" of the modern submarket housing, were forced to increase their demand on older submarkets that had seen little growth in their housing stock. Thus the occurrence of even worse overcrowding is explained by the growth of poor households seeking shelter in already crowded housing such as the shophouses. On the other hand, where the public housing has been insufficient to meet the low income needs, the housing shortage can also be seen. And, further, in the face of such developments the squatter settlements have proliferated due to the difficulty or inability of poor (especially in-migrant) families in obtaining housing through even the older submarkets.

The role of the modern submarket in all this can thus be accounted for by its character of being a submarket that provides housing as a commodity to be sold or rented exclusively for profits, and

maximum profits at that. As such its tendency has been to build more expensive housing for those who can afford it; its "achievement", on the other hand, has also been to deny almost all its housing to poorer families. This effective "pricing out" has led to the deterioration in the pattern of residential segregation by race as well. The residential by class which the modern submarket has accentuated has subsequently resulted in more rigid residential segregation by race within the more established submarkets. Here again, the immediate factor is traceable to the "pricing out" - itself nothing more than the working out in practice of the basic conflict between the requirements of the labor and housing markets.

It might be worthwhile to pursue this argument further. Superficially, it is possible to contend that the rise of the modern submarket should properly be regarded as a service to the urban housing sector just in terms of the numbers of houses it has managed to build. One would not, in reply, deny the expanded provision of housing by this submarket. But precisely because there is nothing inevitable about housing provision having to expand via the modern submarket's route, the impact of the modern submarket has to be assessed more seriously. What is after all the coincidence of "boom" and deterioration if not the manifestation of urban inequality which, in the final analysis, provided the basis for the modern submarket's expansion? Or again, as we saw, the modern submarket's rise can be seen as growth at the expense of other submarkets. Here it is surely not a question of "housing performance" by each submarket whereby the modern submarket has simply proven

itself more dynamic and more efficient. If it has been both dynamic and efficient in this narrow sense, ultimately it is again because it caters to a "clientele" that enjoys a comparatively privileged socio-economic position. Perhaps at this point it makes ample sense to mention that the poor, in Wegelin's phrase, have not been able to "convert their needs into effective demand".^{1/} As Cornelius has shown for the case of Mexico City, "a private real estate and housing construction industry geared primarily to the creation of housing opportunities for upper-income families in 'luxury' subdivisions, rampant land speculation, and the very limited amount of credit made available to would-be low income land purchasers or home builders have also contributed powerfully to the acute shortage of conventional low-cost housing opportunities."^{2/} Not incidentally then do we speak of the modern submarket's rise at the expense of other submarkets. In the narrow and specific context of a "competition for resources", therefore, it is reasonable to say that the modern submarket has largely "outbidden" all other submarkets: its control over the urban land market, credit facilities, and housing development has ensured that it would effectively have a dominant position in urban housing provision.

But, as we have emphasized, the rise of the modern submarket - seen as the growth of housing as a generalised commodity - has brought to the fore the fundamental conflict between the requirements of the labor and housing markets; that is, between low wages and high housing costs. It is entirely possible that with the continued rise of modern submarket, it may "meet" the needs of low income families either by building more "low cost" housing (perhaps for rent first as in the

western countries) or even by supplanting the other submarkets - as has happened to some extent in certain Latin American countries. The latter course might take the form of a brisk business in "illegal" land subdivision and housing construction undertaken by agents quite similar to real estate agencies, housing developers, and even financial institutions. At the point of its inception in Peninsular Malaysia the modern submarket "resolves" the conflict between low wages and high costs of housing by simply not building houses for those who cannot afford them.

If the general line of conceptualisation and analysis that we have pursued is basically valid, some practical implications might usefully be drawn that are relevant to housing problems and certain attempts to solve them.

To begin with, from our standpoint, there is hardly any "housing problem" to speak of independent of the responses of various groups to the housing situation. Two such responses have been stressed in this thesis - the modern submarket's "pricing out" the poor families and the latter's response to it. To be exact, all the problems of shortage, overcrowding, slums and squatting can be seen as the result of these responses.

This is emphatically no trivial semantic quibble for its own implication is that any attempt to solve the problems of housing must be informed by such a perspective. For example, if the proliferation of squatter settlements constitutes a form of response by certain low income groups to the poor housing conditions and opportunities, then insofar as the housing situation remains substantially unremedied, so

can squatting be expected to persist. In this light it would make little sense to advocate or implement "squatter clearances" in the hope that that will "deter" other families from setting up new settlements. Unless viable housing alternatives are first made available to present and potential squatters, any such advocacy or policy is unlikely to succeed merely by depending on viewing squatting as a problem closely bound up with the "legal ownership of land". Ample evidence from other countries - Kenya, for instance ^{3/} - support our contention. So long as poor families are forced by circumstances to look to squatting as an important route to shelter not obtainable elsewhere, they will continue to try to build their settlements. Demolition of this type of housing will only lead to its re-emergence - and the two will become interlocked in what conventional wisdom terms a "vicious circle".

In much the same way, so should one see the problem of overcrowding and slum housing. One would not encourage the maintenance of poor and insanitary housing at all costs, but closing it down or demolishing it "to make way for urban re-development" or even because of its violation of "building standards" would only exacerbate the problem. It may be removed from immediate view within the central urban areas, but it would likewise re-emerge in some other place. The point is that one must either improve the housing conditions (if the concern with living conditions is genuinely felt) or provide better alternatives (in the case of demolition for urban re-development); otherwise, in all probability, the incidence of overcrowding and congestion will become more acute.

Finally, in this regard, we see the same issue in residential segregation by ethnicity. One might need to emphasize that there is also nothing inevitable about its existence or intensification. But the response of low income groups to residential by class leads them to a more rigid pattern of segregation that was historically established. Short of actually providing adequate incentives for low income families to reside in mixed neighborhoods - in general, much better and cheaper housing than currently available - no amount of rhetoric or exhortation on the merits of interracial residence can prevail. These would simply run counter to the actual responses in large part forced upon low income groups by their extremely limited options.

But in a sense, all that has been described above can actually be characterised as the "immediate" responses of the low income groups to the phenomenon of "pricing out" that they face. What lies at the crux of the matter - and should not be obscured - is that fundamentally the response is to the low incomes or wages that they obtain which force them to reproduce themselves and their capacity to labor only at levels affordable by the wages. In this case, their level of labor reproduction is low indeed, close to subsistence level, as we have seen. Consequently, to the extent that housing as shelter constitutes a major portion of the requirements for labor reproduction (and hence its costs) low income families must resort to only perhaps the cheapest housing that they can obtain. This, of course, leads them into the older submarkets where the cheapest housing and the poorest conditions are to be found.

And, now, conversely, we perceive properly the important role of the older submarkets. Although we have chosen to focus on the modern submarket, its rapid rise should not imply that the other submarkets play only a "marginal" role in urban housing. Their accommodation of poorer households which constitute a majority of the urban population certainly makes it impossible to overlook or underestimate their importance. A remark from Abraham would help to place the role of the older submarkets in clearer light:

It is of course interesting to read that the Chief Minister thinks that the electronic industries being established in Penang is the most "glamorous" result of the industrialisation policy of the Government, but it would be more interesting if he would be able to spell out how housing can be provided to workers who start off with \$2.60 per day and who may earn up to a maximum of \$4.50 per day. Is there any form of minimum standard housing commensurate with this wage structure? 4/ (emphasis added)

Surely there is none. That is why the older submarkets must be conceived of as having an important role in urban housing and in the economy as a whole. The older submarkets together form a vast network of sub-standard housing provided at costs precisely "commensurate" with the wages of the low income groups. In particular, from the standpoint of the labor market, the older submarkets perform the indispensable function of keeping wages down by holding down the costs of labor reproduction.

Such being the case, it would appear logical that so long as the operations of the labor market continue to depress wages, or so long as wage levels are incommensurate with the costs of decent housing, the problems of housing are likely to worsen, not diminish. Any serious

attempt to resolve these problems in the long run must therefore try to provide for substantial wage increases to levels where they can cover the high costs of housing. How that is to be done lies more in the realm of the labor market, and an analysis of it would take us far beyond the confines of this thesis. What appears certain, though, is that the current policies of the government with regard to the labor market do not seem likely at all to ease the situation. As Abraham has remarked,

The industrialisation policy of Government is geared towards attracting foreign investment (by setting up as) one of the main incentives offered for foreign investment not only cheap labor but also a disciplined labor force that cannot seek higher wages through industrial action.....as reflected in the Labor Legislation of the country whereby trade unions generally must function within the avowed industrialisation policies of Government. 5/

While this may satisfy the requirement of the labor market, in the long run it will only maintain its conflict with the requirement of the housing market with consequences that are already familiar.

In the midst of such a socioeconomic situation, most of the attempts to solve the housing problems can only really be regarded as trying to prevent them from getting even worse, not getting rid of them altogether. But the severity of the housing crisis in Peninsular Malaysia makes it imperative that such attempts be sustained in the short run. In particular, until the urban housing submarkets - excluding squatter settlements - expand their housing stock substantially and offer it at rates affordable by low income families, any attempt to reduce the existing housing stock - now including squatter housing -

by physical demolition is essentially indefensible. As the record of past years indicates, each period has tended to accumulate an even greater "backlog" in housing than the preceding one. Given such circumstances existing housing stock should definitely be preserved, and improved.

Besides, short-term "solutions" to the housing crisis must also be considered. These would include "self-help", "sites-and-services", "upgrading" and rehabilitation programs. However, it must still be recognized that these programs may contain their own problems. Consider "squatter upgrading" for instance. While in the short run, projects of this nature may help to install much needed facilities, in the long run it may further consolidate and freeze the existing settlements into an even more rigid pattern of residential segregation by ethnicity. Let it not be mistaken that we propose that upgrading should not take place, or, worse, that squatter settlements should be "cleared". Nothing of that sort, but what is certainly called for is a serious consideration of the development of the incentives we spoke of earlier as an effort to tackle the issue of residential segregation. These incentives, provided they take into account the "responses" of the families involved might go some way in motivating breakdown of ethnic segregation by the low income groups themselves. To this end, centrality must be accorded to local and particular needs and problems; large-scale "social engineering" or "legislative/bureaucratic procedures" would have to be avoided.

If we are right, moreover, that wages have been kept low

while housing costs are high, then "self-help" programs can indeed be regarded as trying to have low income groups subsidise their own costs of labor reproduction partially through their labor - and thus enable still the maintenance of low wages. To what extent then these projects can be made to work in the long run for the benefit of low income families without substantial increase in wages or reductions in housing costs is by no means a settled question.

That perhaps brings us back to our theme: "the housing market and the housing crisis". It is often pointed out that because of high costs of labor, materials, etc., housing costs within the modern submarket have to be high for any profits to be made at all. In all probability, given the housing situation as it is, this is true to some extent. But, then, from a social point of view, and particularly if one adheres to any "scarcity of resources" argument at all (we do not), the continued growth of expensive housing cannot but be considered as a waste of badly needed resources. And with the massive low income housing needs being what they are, this continued expansion of the modern submarket's high-priced housing can hardly be justified on virtually any ground - except if one accepts the existing state of very obvious housing inequality. Housing as shelter, as a necessity, and as part of labor reproduction - if all this is to be made available to those most in need of it, then it seems logical to question the unchecked growth of the modern submarket's provision of what has been euphemistically called "better quality housing". A "better housing situation" would necessitate the channeling of housing resources in a much more equitable manner.

By way of concluding this thesis, it is instructive to observe that the literature on urban problems and planning in especially the Third World (but not exclusively) has been increasingly pervaded by a tone of alarm. Just about any problem of any significance tends nowadays to be described as something of a "crisis" the proportions of which are thought to have "exploded" beyond controllable bounds. In the wake of such a development, it would be prudent to make no easy assumptions about the "housing crisis" in any country - certainly not in Peninsular Malaysia. Whatever the extent of the housing crisis may be in reality, the alarm reveals at least a confusion, and possibly a "crisis" within conventional understanding of housing issues. After all most of the solutions to this crisis have hitherto been derived from that understanding. And most have failed. It is with the recognition that conventional approaches to the housing problems of the Third World can be uncritically accepted only at considerable risk that this thesis has been undertaken. We think that its main aim is still valid: to show that if housing problems have reached a critical stage, then the roots of those problems must be sought deep in the fundamental structure of inequality in the economy and society. As someone once pointed out succinctly, "whether there is meat in the kitchen is never decided in the kitchen." With equal validity, one might conclude that the issue of housing is not decided in the home.

CHAPTER 5: FOOTNOTES

1. Wegelin (1978:96)
2. Cornelius (1976:260-61).
3. Kobiah (1978). See the chapter, "Origins of squatting in Kenya" especially.
4. Abraham (n.d.:16)
5. ibid., p. 81

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