Social Relations
Rental Housing Markets
& the Poor in Urban India

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The social relations that underpin the emergence and operation of rental housing markets in two Indian cities – *Bangalore*, the capital of the southern state of Karnataka and *Surat*, the second largest city in the western state of Gujarat – is the subject of this report. More often than not, housing tenure is viewed as a binary entity – landlords the exploiters and tenants the exploited. As a result, the main thrust of urban housing policies in poorer countries has consisted of attempts to confer ownership rights on the poor by way of sites-and-services projects and settlement upgrading programmes. In reality, the social relations underpinning housing markets in general, and rental housing markets in particular, are complex - they are at the interface between poverty, employment, politics, social obligations, gender, age, exclusion, inclusion and identity.

Rental housing markets benefit both landlords and tenants. Rent receipts secure landlords from vulnerabilities associated with precarious employment, ill health, foreseen consumption expenditure and old age. The availability of affordable and appropriately located rental accommodation provides tenants with the opportunity to pursue urban livelihoods and make plans for the move to ownership. This dialectic has given rise to thriving rental housing markets – especially at the lower end - in Bangalore and Surat. However, the subject of rental housing is shrouded in insecurity - landlords hesitate to talk about their rental activities fearing the impact of government regulations and taxes; tenants for fear of antagonising landlord-tenant relationships; and government agencies for fear of being accused of being on the side of landlords. This situation does not help – it increases the vulnerability of tenants by instigating landlords to take on pre-emptive protective measures.

The central question is how should multi- and bilateral development agencies, and national and local governments formulate and implement a housing policy that has a balanced tenure outcome. There is no easy answer. However, there are three considerations that can form a starting point. First, is the recognition that that owner-occupier housing can only be a distant goal with a short to medium term vision recognising the role that a diversity in tenure can play in reducing the vulnerability of individuals and households. Second, that extra-government relationships in housing provision, exchange and consumption are varied and complex and therefore require flexible policy frameworks. Third, that governments will find it impossible to successfully 'clone' these extra-governmental mechanisms on their own and therefore need to consider forms of working together with these 'outsider' development forces. All these require a constructive dialogue to be put into place – one based around the idea that a housing policy that supports a balanced tenure can provide the much needed 'room for manoeuvre' for all the stake holders concerned.

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Executive Summary

INTRODUCTION

Cities in poorer countries are home to a heterogeneous mix of tenures: owners, landlords, tenants[1] and sharers jostle for residential accommodation in pursuit of urban livelihoods and social well-being. Although academic interest in housing tenure has grown since the 1980s, more is known about the reasons why households become tenants in comparison to why they become landlords. However, an interest in tenure is absent from housing planners and policy makers. National housing policies show little sign of deviating from their primary objective – the conferring of ownership rights.[2] Policies are superimposed on a varied residential mosaic in stark contrast to the ways in which different tenures impact upon changing individual and household socio-economic needs and priorities. In short, a uni-dimensional policy response to the multi-dimensional nature of urban poverty resulting in a mismatch between policy and lived reality. The few attempts to encourage rental housing[3] have been indirect. In the 1970s and 1980s, for example, World Bank and USAID funded sites-and-services projects in Asian and African cities encouraged allottees to build rooms for rent to ease the burden of loan repayments. Such attempts were reluctantly accepted by national governments who were yet to be convinced of the concept of 'incremental housing'. Completed housing units was what counted, evidenced by the fact that a key condition of allotment was that the beneficiary construct a dwelling of a certain size and quality within a specified time frame. This was justified on the grounds that those who did not do so were speculators.

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[1] There are problems in English usage of the term landlord and tenant where gender issues are concerned. The *Oxford Encyclopedic English Dictionary* (1991) defines a *landlord* as "a **man** who lets land, a building, part of a building, etc., to a tenant. A *landlady* is defined in a similar manner with the word 'man' being replaced by the word **woman**. To the contrary, *the Concise Oxford Dictionary* (1982) defines a *landlady* as "a **woman** having tenants" while a *landlord* is defined as a "**person** who lets land or (part of) a building to a tenant. In the first definition, the person renting out accommodation is given a sexual identity where as in the latter definition the sexual identify is confined to the word *landlady* whereas a *landlord* is a person who can be of either sex. Both dictionaries define a *tenant* as a **"person** who rents land or property from a **landlord**". Thus a tenant can be either a man or a woman but the sexual identity of a landlord will depend on which dictionary definition is used. This report uses the word *landlord* to mean a **person** who lets land or accommodation (rooms, a whole building or buildings). Specific reference to the sex of the landlord (male landlord or female landlord) will be made only when gender issues are relevant (as in the relationship between women and men as landlords or tenants).

[2] See for example, housing policy in South Africa.

[3] The term 'rental housing' is used to denote the totality of the process of the letting of accommodation by landlords and the payment of rent for rights over the use of the accommodation that is rented by tenants. The 'rental housing market' refers to the various rental housing sub-markets – such as those by income group, production and exchange systems, or by type of settlement and provider.

Rental housing[4] has both opponents[5] and proponents with their stances influenced by the comparative perception of tenants and landlords. By and large, opponents consider tenants to be disenfranchised individuals and households whose social and economic mobility is hampered by their tenure.[6] Landlords are viewed as exploitative accumulators of capital, in the form of landed property. Proponents, are generally in support of greater tenure choice but have had little impact on housing policy. These stances raise two issues that need resolving. The first relates to landlords. The view that landlords are by definition exploitative accumulators of capital is far removed from reality - research indicates that a large proportion of landlords are as poor or even poorer than their tenants. The production and provision of urban rental accommodation is primarily undertaken by individuals and households with large-scale landlordism an exception. Landlords are often fearful of disclosing that they are involved in the letting of accommodation for a number of reasons. This pushes rental housing markets underground and increases the vulnerability of tenants and landlords alike. Notions of exploitation also implicitly equate rental housing with poor quality. While some rental housing may be of poor quality, it is important to question why this is so. Is it primarily the result of exploitative landlordism? Or, does it reflect a combination of unsympathetic urban regulations and the specificity of local demand. Clearly, an understanding of the dynamics of how rental housing markets operate and the role they play as productive catalysts is needed. The second relates to policy. Why does support for rental housing and its inclusion in the housing policies of national governments remains rhetorical? Is it primarily due to the politicisation of rental housing – namely, a fear by government that support for rental housing would be construed as siding with the owners of private property. Or is it related to a lack of understanding of the complexity that underpins the production of rental accommodation. The broader issue is to find ways of getting tenure onto the policy agenda of national and local governments.

Pitting landlord against tenant is unproductive. A more constructive approach is to examine the role that rental housing plays in the livelihood responses and strategies of tenants as well as landlords. This study does this by examining the operation of low-income private rental housing markets in two Indian cities – Bangalore (capital of Karnataka state) and Surat (the second largest city in the state of Gujarat) – with an emphasis on landlords. The premise of the research is that the traditional tenure classification of ownership and renting is limited to the final product - the dwelling - and does not encompass the social processes embedded in the interconnected relationships between the tenures and the agents and institutions which delineate frameworks of production and consumption. It argues that the private rented sector is embedded in factors exogenous to it (the local economy, politics, land and finance systems and varied social networks) as well as those that are endogenous to landlords and tenants. It also emphasises that rental housing acts as a 'hub' for a number of cross cutting social themes: migration, changes in individual and household life courses, changes in employment

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[4] The term 'housing' encompasses the elements that combine to produce the dwelling (land, finance, building materials and labour for construction) and the physical (water, sanitation, drainage, electricity, roads) and social (health, education, parks, police etc) infrastructure. 'Housing Policy' refers to the frameworks (put into place by national or bi- and multi- lateral development agencies) which seeks to address issues of access to housing. Housing policy thus includes a number of housing strategies (for example, sites-and-services and upgrading), institutional initiatives (such as reform of housing finance, the building materials and construction industry) and mechanisms for delivery (for example through non-governmental organisations or public-private partnerships).

[5] Opponents are drawn from the public sector as well as civil society.

[6] See for example the collection of papers in *Environment and Urbanisation*, 1997, 9(2) on the theme – 'Tenants: addressing needs, increasing options'.

patterns and opportunities, gender, age, intra- and inter- generational transfers and social networks.

The key findings of the research are set out below followed by issues that are of concern to planners and policy makers at the local, national and international levels.

1. RENTAL HOUSING IS INTEGRAL TO WELL FUNCTIONING CITIES

Despite government inaction and an implicit hostility towards the letting of accommodation, rental housing markets continue to flourish in both Bangalore and Surat. Rental housing provides the much needed 'room for manoeuvre' for individuals and households in the context of rapid urbanisation. It is also responsive to changes in individual and household life-cycles and is an asset for tenants as well as landlords. Three outcomes are particularly significant. First, access to affordable and well located rental housing is influential in determining the extent to which new migrants are able to secure an economic foothold in the city and consolidate their urban status. Second, a majority of individuals and households progress from renting to owning, with a significant proportion going on to produce accommodation for rent. In doing so, landlords are not only putting their assets to productive use but are also providing a service to tenants. Thirdly, rental accommodation is critical for those who do not intend being permanent urban residents. It is clear, therefore, that tenure has to be viewed more broadly than it has been. An urban housing policy which does not recognise the multiple role of rental housing and fails to incorporate support for it acts to the detriment of poorer individuals and households. It limits choice and increases the vulnerability of households – both landlords and tenants. The core objective of housing policy should be to enhance the productive contribution that housing makes to the lives of individuals and households by ensuring the availability of a healthy mix of tenures. At the same time, it should discourage the development of monopolistic forms of landlordism and strive to ensure that a range of appropriate rental housing standards are in place.

2. RENTAL HOUSING IS AN IMPORTANT PART OF THE PORTFOLIO OF INDIVIDUAL AND HOUSEHOLD LIVELIHOOD RESPONSES

It is now widely accepted that housing plays a productive role in the life-course events of individuals and households. In both Bangalore and Surat, the renting out of accommodation is an important part of the portfolio of the livelihood responses and strategies of landlords. For most landlords, rents supplement other income generating activities. Although it is difficult to isolate the final destination of rental income streams, its uses include: a safety net against precarious employment, meeting household expenditure, housing improvements, a regular source of income when moving from waged employment to own account forms of employment, capital investment and rotation in business, as a form of pension after retirement and old age and as investment for the next generation. Reasons for investing in rental housing vary and are influenced by a combination of factors. In Surat, it is the combination of short working lives in the textile industry combined with limited opportunities for economic mobility. In Bangalore it is more to do with precarious and low-paid work. Although access to institutional housing finance is problematic in both cities, social networks in Surat increase access to interest-free finance, making finance less of a problem than in Bangalore. In both cities, investment in rental housing is also determined by planned (for example, weddings) as well as unforeseen (for example, medical expenses) consumption expenditure. In all, the

fluidity and multiplicity of these factors not only influence the destination of rent receipts but also decisions relating to the form and nature of accommodation that is produced.

In both cities, the availability of rental accommodation also helps tenants pursue livelihoods. It enables new migrants, especially in the diamond and textile industries in Surat, to meet their multiple economic and social obligations. In Bangalore, the bulk of migrant young educated professionals employed in the computer and software industries are initially dependent on rental accommodation as are a number of poorer households in own account occupations. The fact that a majority of landlords in Bangalore and Surat were once tenants is testament to the 'waiting-room' function that rental housing plays.

Rental housing can thus contribute to poverty reduction by reducing the vulnerability of landlords as well as tenants. This is particularly the case for older and women headed or managed landlord[7] households as it also provides a source of psychosocial security. It is also important for tenants who are newly married, women headed or elderly.

3. RENTAL HOUSING MARKETS ARE INFLUENCED BY AND RESPOND TO LOCAL CONDITIONS

Well functioning rental markets are those that are articulated with local employment and provide affordable and well located accommodation. Thus a successful enabling housing policy is one which ensures the co-existence of all forms of tenure with much greater attention paid to the links between local employment and housing.

In both Bangalore and Surat, the emergence, extent and nature of rental housing markets are locally determined. In the main, they reflect demand resulting from local employment opportunities. Changes in the nature and form of local employment have a 'domino' effect on rental housing markets resulting in either its upgrading to fetch higher rents, peripheral relocation or conversion to ownership.

The issue of local politics also needs to be given consideration. In both cities, local councillors influence housing policy and local development indirectly. However, it seems that local politics in Bangalore influences access to land and housing for the poor more than it does in Surat. One possible explanation for this is that there are many more lucrative avenues through which economic status and political power can be gained in Surat than is the case in Bangalore. Thus, local councillors and land developers did not object to their client groups renting out accommodation. In Bangalore, local councillors and un-elected leaders had much more of a say as to whether accommodation, particularly in squatter settlements, could be rented out. This is possibly because they see themselves as patrons of those that they have helped to squat and fear that if accommodation were rented out to tenants they would not have control over this secondary group. Although the buying and selling of land in the squatter settlements of Surat are pervasive, these transactions tend not to involve local leaders as much as they do in Bangalore. Moreover, since the main agent of housing provision in Surat – the developer and (or) organiser – is involved in renting out accommodation they are more supportive of their customers doing the same.

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[7] Women managed households are those households where the male is present but does not contribute to household income due to ill health, personal injury or forms of addiction (alcoholism being the main form of addiction in Indian cities). Women headed households are those households where the male is absent as a result of death, divorce or desertion.

4. RENTAL HOUSING MARKETS ARE BOTH INCLUSIONARY AND EXCLUSIONARY

Rental housing markets are both inclusionary and exclusionary. Exclusion occurs along both economic (rents and deposits) and social (religion, caste, regional association, gender and age) lines.

In Surat, a long standing social practice which accepts the multiple occupation of accommodation by a group of people (usually single male migrants) has substantially reduced economic exclusion from rental housing because it allows the initial deposit and the recurring rent burden to be shared. Exclusion here is social in nature – kinship networks and ethnic association determine access to housing, especially ownership. In Bangalore, the reverse is true. This difference in the exclusionary tendency of rental housing markets can be explained by the fact that Bangalore is a third generational city and the significance of social networks has been replaced by economic capabilities, which might also explain why sharing accommodation is not common. Surat, on the other hand, is a city of first generation migrants where access to employment and housing is still strongly mediated on the basis of kinship networks and ethnic association. In such cases, while landlords are constrained in how much they are able to charge their 'fellow' tenants it also provides them with the opportunity to cater for tenants that are comparatively 'strangers'. Both cities, however, indicate a tendency to exclude and include along religious lines. As recent events in Surat and tensions in Bangalore have indicated, communal tension built on religious or ethnic cleavages can make the ownership of housing a liability rather than an asset as it provides a fixed target for violence and vandalism.

Inclusion and exclusion on the basis of gender assumes different dimensions depending on whether one is a tenant or a landlord and the way in which the female household is constituted. Two broad themes arising from the research on the way in which the female household is constituted are: women managed households and women headed households (see footnote 7). In general it is easier for women managed households and women headed households with older male working children to gain access to rented accommodation in patriarchal social systems such as those that exist in Bangalore and Surat. Gender issues in relation to rental housing assume greater importance in Bangalore than in Surat because of the nature of the constitution of the population of each city. The key seems the ability to convince male landlords of the ability of the women to pay rent. However, and in addition, a number of cases from both types of female households reported that being 'introduced by a mutual contact' was what ultimately secured them the accommodation. In Bangalore, there were a few instances of women headed households with young or no children accessing accommodation provided by female landlords.

Social planners need to be aware of the exclusionary tendency of rental housing markets and act to encourage producers – individuals and organisations - to cater for tenants excluded from renting.

5. RENTAL HOUSING MARKETS ARE SHROUDED BY INSECURITY AS A RESULT OF GOVERNMENT POLICY

Rental housing markets are rendered opaque by a fear of government legislation and its responsiveness negatively influenced by oppressive planning policy and processes. The former includes issues such as property tax and rent control while the latter encompasses issues of location, plot sizes and what is allowed to be built.

In Bangalore as well as Surat, the burden of an 'ad-hoc' and inequitable property tax regime treats landlords as an undifferentiated category in terms of their absolute and relative poverty. As a result, landlords responses range from labelling tenants as relatives to taking down temporary partitions between rental units when the tax collector calls. Not only does this drive rental housing underground but more importantly results in poorly serviced units with landlords, for instance, refusing to build kitchens as they are the clearest indicator of multiple occupancy. Added to this is the fear of rent control by landlords, despite the fact that the poor in both cities have seldom used this avenue to seek redress through the due process of law. Disputes between tenants and landlords are often resolved through the particular social networks that initially brought them into contact with one another.

Policies relating to the intra-city resettlement or the re-housing of the poor have a major impact on development of rental housing markets and therefore on the livelihoods of the poor. In Surat, an implicit aim behind resettlement projects containing sites of 15 square metres is to prevent the construction of rooms for rent. Such attitudes are anti-poor on two counts. First, it is only the better off who benefit as they have the capacity to invest savings in the construction of an upper floor with units for rent. Second, it adversely affects those who depended on a rental income in the past to sell and relocate. Such displacement is often of the poor by the better off, the latter now being presented with an opportunity to increase the size of their landed holdings and consequently the number of units they can let. Such 'predatory' forms of landlordism are of concern not solely because they provide the opportunity for local monopolies to develop but also because they increase inequalities.

In short, such anti-poor policies (which are the result of a myopic perception which equates renting with exploitation) actually provide the fertile ground for corruption and an increase in clientelist opportunities available to local councillors and other power brokers. Bribing tax inspectors and collectors is not an uncommon activity in both cites.

ISSUES FOR SOCIAL PLANNERS AND POLICY MAKERS

Although landlords may not always treat tenants equitably for the reasons noted above, the organisation of rental housing markets provide a much needed service and fills a vacuum in state provisioning. It is impossible to imagine the state being able to successfully 'clone' the range of options and opportunities provided by private landlords. Thus, a key concern for policy makers and planners is to identify ways in which the state can enhance the operation of rental markets without destroying the core of its success – namely, the supply of accommodation at various locations, of varying quality and levels of services and at varying rents – responding quickly to local contexts. This needs to take place at different levels (regional, national and international) and within different timeframes (short, medium and long). Therefore, a central plank of any enabling housing strategy should be greater openness and debate on the role and significance of tenure diversity. There is urgent need to move from a preoccupation with ownership based rights to the institutionalisation of locally responsive mechanisms which ensure security of tenure. This means treating landlords and tenants equitably with each being made aware of their respective rights and responsibilities.

The differential basis through which factors of production are accessed needs closer scrutiny. The research findings indicate that in Surat, kinship and ethnic ties are more influential whereas in Bangalore a demonstration of economic ability predominates. One policy implication of this, for example, is a rethink about how housing finance is made available and accessed. What works in Bangalore will not work in Surat. Not only are needs different but

the way in which finance is accessed is also different. Similarly, in relation to land, the supply mechanisms in Surat are very different from Bangalore. How the cities are constituted in terms of population characteristics, economic opportunities and local politics influence rental housing markets. Thus, for example, greater co-operation between land developers and the municipal authorities is needed in Surat whereas in Bangalore, the role of the Bangalore Metropolitan Development Authority and its planning processes and procedures need to be examined.

Legislative reform is needed in areas of property taxation as well as rent control. The research findings indicate that the impact of rent control legislation is minimal at the lower end of rental housing markets and where it does impact is mostly on inner-city rented accommodation. At the lower-end of the rental housing market, disputes between landlord and tenant are settled by networks through which they were brought into contact in the first place. Property tax, however, impinges on the activity of all landlords and does not differentiate between those for whom it forms an income supplementing activity and those for whom it is a business.

India's National Housing Policy, adopted in 1994, only provides a broad framework and direction within which state governments may act. This is because the Indian Constitution stipulates that housing is a state subject and therefore it is the responsibility of individual states to formulate housing policies. The conundrum is in linking the national to the state, and more importantly the state to the local level. A rental housing policy which does not contain the flexibility to be moulded by intra-city differentials is not likely to respond to the priorities of either landlords or tenants. Emphasis is often placed on local government and local governance in managing urban change. However, not only do Municipal Administrations have little influence on policy formulation but more importantly have little say in why a particular policy (or parts of it) are not suitable to local realities. It is anticipated that the 1993 Nagar Palika Act[8] will change the balance of state-local decision making[9]. However, this is unlikely to happen unless there is greater devolution financial and policy making powers. It is also important that these powers be institutionalised if participatory decision making is to lead to power sharing.

With housing policy in India being a state subject, little can be achieved if the dialogue between research, international development agencies (both bilateral and multilateral) and governments remain at the national level. This might explain why support for rental housing in policy and practice still proves elusive, despite the importance attached to rental housing in the numerous publications of the World Bank and United Nations Centre for Human Settlements (UNCHS – Habitat). Bilateral development agencies such as the UK government's Department for International Development (DFID) and multilateral agencies such as the World Bank can influence changes in policy and practice through their pro-poor agendas. UNCHS, on the other hand has the potential to create awareness, especially through the instruments of its dual ca[1]mpaigns on 'housing rights' and 'governance'. However, both

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[8] 74th Constitutional Amendment which attempts to accord a greater participatory decision making role for local representatives.

[9] In Surat, for example, 98 of the 99 councillors belonged to the same political party governing the state of Gujarat. In such a situation, it is comparatively easier for policy dialogue to take place as a result of which neither the sate government or the Surat Municipal Corporation are likely to raise the issue of changes to the policy role of the Municipality. Bangalore, in contrast has councillors from a range of political parties and, from a different standpoint – one of conflict, are unlikely to bring about changes in the policy making role of the Bangalore City Corporation.

avenues must be locally grounded and dialogue established with appropriate levels of government if the role of rental housing as 'service provision' for tenants and a 'livelihood response' for landlords is to be transformed from rhetoric to reality.