

## **The Affordable Housing Stress among Middle-Income Group**

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**Abstract:** *This paper estimates the impact of various factors on housing stress among middle-income group in Malaysia. It projects that if issues on affordable housing were increased the rate of housing stress would also increase. Differences in disposable income, unsafe houses, poor repair, staying far from work, family or other supports, high rent price, remaining far from doctor/healthcare, children school/University/college, living in a house that is too crowded or shared with others, and the needs to spend more money on transports are considered the main causes for housing stress. This paper reinforces the conclusions of previous studies of a range of rules to tackle the housing affordability problem, and emphasises on the need for more affordable housing that is sustainable and liveable at the same time, so that there will be no housing stress among people.*

**Keywords:** *Affordable Housing, Housing Stress, Stress among Middle-Income Group, Sustainable Development*

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### **I. Introduction**

Everyone shares the right to a decent standard of living. The essential to achieve this standard is through accessing to adequate housing. Housing is a basic human need that provides the safety and stability that enables individuals and families the opportunity to thrive. Housing is of immense psychological importance since it is an integral part of our definition of what is a desirable quality of life and social status. In the history of psychology Maslow explained the hierarchy of needs as important needs for all human being. Mainly, in order to achieve the higher stage of need the individual must possess all the other four needs in the bottom. Housing considered the second level of need after food and drink; people need security of a home and family. Without these basic needs, one cannot achieve the higher need "self-actualization" (Martin & Joomis, 2007).

According to Quigley & Raphael (2004), People concerns over the affordability of housing arise from two factors. First, housing is the single largest expenditure item in the budgets of most families and individuals, small percentage changes in housing prices and rents will have large impacts on non-housing consumption and household well-being. Second, many large metropolitan areas have experienced recent and well-publicized increases in housing prices and rents. Because of these two factors, housing is very fundamental to the welfar, survival and health of individuals, with that in mind, the common feeling these days is that houses are increasingly becoming too expensive. For that reason, many more studies need to be conducted on this area, particularly affordability from the low-and middle-income group perspectives.

### **II. Literature Review**

#### **The Affordable Housing Concept**

There are many viewpoints regarding the affordable housing concept, one such view suggests that affordability needs to have a larger meaning in its coverage, like, does it mean people get a house where they want, or does it mean they get a house at price they want or they are getting a house at a place and price, which they deem appropriate. Furthermore, there is no standardization as far as the concept of affordability is concerned. In the backdrop of above information, it is evident that defining affordable housing is very difficult, however, it has to be done in a holistic way, as "housing of an adequate basic standard that provides reasonable access to work opportunities and community services and that is available at a cost which does not cause substantial hardship to the occupants" (Disney, 2006, p. 4).

According to Bhatta (2010) "affordable housing is housing deemed affordable to those with a median household income as rated by country, province, region or municipality by a recognized Housing Affordability Index". Milligan et al (2007) identified it as "housing that is appropriate for the needs of a range of low to moderate income households and priced so that low and moderate incomes are able to meet their other essential basic living costs". The Canada Mortgage & Housing Corporation (2008), identify 'affordable housing' as shelter which costs no more than 30% of one's total income. Affordable housing is broadly defined as housing that can be provided at a reasonable cost when compared to income, typically that which can be provided at no more than 30% percent of gross household income for households with very low to moderate incomes. More

generally, housing affordability relates to the ease by which households across all income groups can access housing (SGS Economics and Planning, 2012).

More recent definitions are broader, and include that by Maribyrnong City Council (2008): “The well-located energy efficient housing, appropriate to the needs of a given household, (including access to transport, goods and services and employment) where the cost (whether mortgage repayment or rent) is no more than 30% of that household’s income. Housing costs exceeding this percent creates ‘housing stress’, particularly for people in the lower 40% of the income distribution scale”.

### **Housing Stress**

Over the past decade, there has been a large and steady increase in the housing prices in Malaysia. This upward trend has occurred in all parts of the country and there has been no sign that the trend is reversing (Zainal Abidin Hashim, 2010). In the context of the upward trend in the housing prices, more and more people find it difficult to purchase a house, and consequently have to rely on rental properties for their accommodation. This situation also has an effect on increasing the demand for rental homes and rental charge. However, the increase in the rental rates has caused “affordable housing problems”.

The best term to describe affordable housing problems is housing stress. Households, which pay more than 30% percent of their income on housing and are in the lowest 40% percent of the income distribution range, are considered to be in financial housing stress (National Housing Strategy, 1991). They may have difficulty having enough money to buy other necessities such as food, clothing, transportation, medical care and education (National Housing Strategy, 1991; United States Department of Housing and Urban Development Affordable Housing, 2003).

In recent years, there has been a series of studies that have attempted to identify the correlation between housing affordability and stress. Many studies have exploited the financial hardship variables on housing stress. Eventually, they conclude that housing stress is highly correlates to financial hardship (Rowley & Ong 2012). Yates (2007) and Hulse et al. (2010) studied the financial hardship indicators on household expenditure; include inability to pay utility bills on time; inability to heat one’s home; having to seek assistance from family and friends; and so on. Yates (2007) defined that a household as being in housing stress according to the 30% percent rule; a household was defined to be in some (high) financial stress if they reported one or more occurrence of any of the financial hardship indicators in the household expenditure.

Based on the above, housing stress refers to the financial burden for a household arising from high housing costs relative to their income. While the housing stress indicator has a number of variants, we used a variant known as the 30/40 rules. This variant of housing stress has been found to be less sensitive across tenure types and choice of income types (Nepal et al., 2010). According to this measure, a household is defined to be in housing stress if it spends more than 30% percent of its income on housing costs and is also in the bottom 40% per cent of the income distribution (Vidyattama, Tanton, and Nepal, 2011)

However, there are several reasons why housing stress could occur in many countries. First, although it can be confirmed that, on average, housing costs are getting higher and higher especially in capital cities, it can also be shown that the average income is also getting higher as well. However, the housing costs are rising faster than incomes (Darebin City Council, 2010). The other fact is that, the quality of the houses and the so call affordable housing is not liveable at all. According to Animashaun (2010), the problem of inadequate supply of residential housing and rising cost seems to be very serious issue in many countries. In addition, the housing problems vary from inadequate quantity and quality of housing to the attendant impact on the psychological, social, environmental and cultural aspects of housing.

Based on this study, the housing stress not only focuses on the households who pay more than 30% on housing cost but also on other factors related to the house that affect the entire family. For instance, safety, poor repair, house that costs a lot to heat and/or cool, staying far from work, family or other supports, doctor/healthcare, school/University/college, living in a house that is crowded or shared with others, spending more on transport, childcare and/or energy, and finally, the house isn’t suitable for the disable or old people. All those are important factors that create stress to whole family members.

### **Studies on the Number of Middle-Income Group in Malaysia**

Since this study is concerning to identify the real number of middle-income group (MIG) in Malaysia, different literature is highlighted. According to Jabatan Perangkaan Malaysia (2012), the population of middle and low-income group in Malaysia is 60% percent, whereas the other 40% percent are high-income group, as shown in the diagram. However, the government aid for MIG is too little and not all people are realizing about the scheme that is available for MIG in Malaysia.

Kumpulan Pendapatan	Jumlah		Bumiputera		Cina		India	
	2009	2012	2009	2012	2009	2012	2009	2012
Tertinggi 20%	9,987	12,159	8,976	10,666	12,152	15,254	9,774	13,127
Pertengahan 40%	3,631	4,573	3,272	4,123	4,560	5,836	3,569	4,589
Terendah 40%	1,440	1,847	1,300	1,686	1,897	2,455	1,547	1,937

Figure 1: The average of household income in Malaysia

Moreover, Wan et al (2010) indicated that most of the Kuala Lumpur populations are the middle-income group. Even though it is not representative of actual population, but this shows that among the respondent of his study in Kuala Lumpur area, 66.7% percent are middle-income group. Wan et al (2010) also reported that the MIG in Kuala Lumpur only afford to buy a house between RM180,000 and RM200,000 and classified that as the affordable price for them. However, the housing prices are far from the affordability of the MIG, especially in Kuala Lumpur. It can be signified that the housing price in Kuala Lumpur is approximately 40% percent more expensive than other areas in Malaysia.

In the Tenth Malaysia Plan (10MP), the government focuses on building houses in a suitable location and more conducive environment. They have targeted 78,000 units of affordable houses to be built under the People’s Housing Programme (PHP); it tries to meet the needs of the low income groups and squatters (National Housing Policy). However, many households may not be covered by the housing assistance program, because there are many people who stuck in the middle-income trap, they are not qualify for low-cost housing and yet, cannot afford to buy even the “medium cost” residential projects. The middle-income group which consist of 40% percent of Malaysia population were left on their own to face the challenge in getting their own house (Chiali & Choon, 2014).

**Statement of the problem**

The purpose of this study is to identify the real causes for housing stress faced by the middle-income group in Malaysia. There are several problems apart from the house price faced by the middle-income group, for instance, unsafe houses, poor repair, far from work, family or other supports, far from doctor/healthcare, children school/University/college, too crowded or shared with other, and etc. Thus, the question is which one of those factors cause more stress and how it can affect the psychological wellbeing of middle-income group.

**Objectives of the study**

This paper has two aims. The first is to review relevant literature on affordability issues and discuss some of the main methods of measuring housing stress among middle-income group. The second is to inform a discussion on how housing stress is a big issue that needs an urgent intervention from the government. To achieve the overall aims, this paper has a number of specific objectives:

- To group the housing price-to-income ratio
- To measure different causes of housing stress
- To determine the main cause of housing stress for MIG
- To identify the number of middle-income respondent on the current research

**III. Result And Finding**

**Housing Affordability/Housing Price-to-Income Ratio**

The information presented on this research explained the correlation between housing price-to-income ratios. The ratio of house prices to income is a key indicator of the relative affordability of householder-occupation. This note provides data on the affordability of houses in Malaysia. Data Reduction was conducted to measure the correspondent analysis, as shown in the following figure:

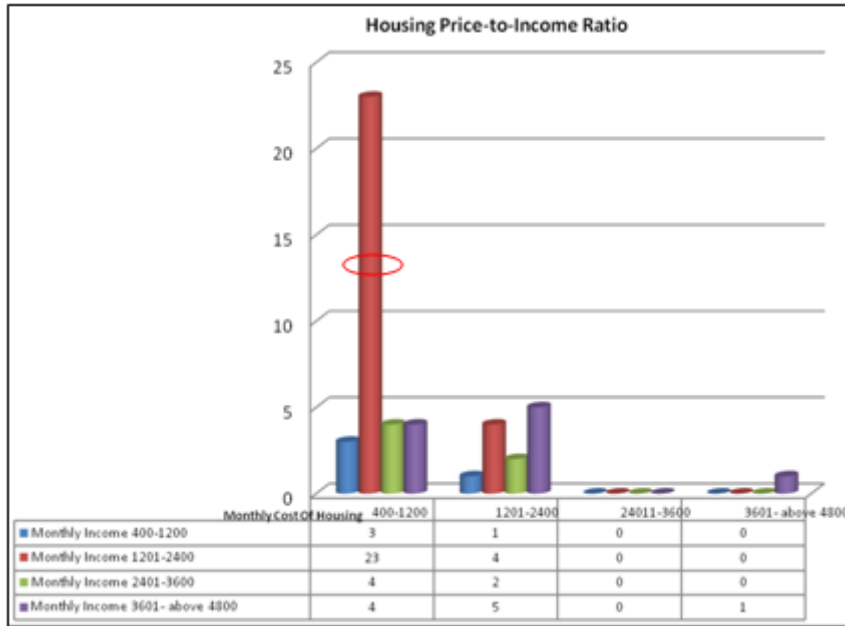


Figure 2: Housing Price-to-Income Ratio

The above figure 2 gives vital information on the housing price-to-income ratio of respondents. It shows that the majority pay rental between 400-1200 per-month in a house or in a room, however their income level is between 1201-2400. The lowest housing price-to-income ratio is almost more than 30% of the householder income. This indicated that there is a housing stress caused by the amount paid to rent a house or even a room. As stated in NCOSS (2014), that low and moderate income households are generally considered to be in housing stress when they have to pay more than 30% of their gross income on housing. Similarly stated by Darebin City Council (2010), that individuals and households who earn less than 80% of median income and who pay more than 30% of income are said to be in housing stress.

**The Causes of Housing Stress**

The scale used on this study focuses on different sources of housing stress, as, safety, poor repair, costs a lot to heat and/or cool, far from work, far family or other supports, far from doctor/healthcare, school/University/college, crowded or shared with others, spending more on transport, childcare and/or energy, and finally, it's not suitable for the disable or old people. Frequency was conducted to calculate the number and percentage of respondents' answer to "Yes" and "No" questions. The results were highlighted as followed:

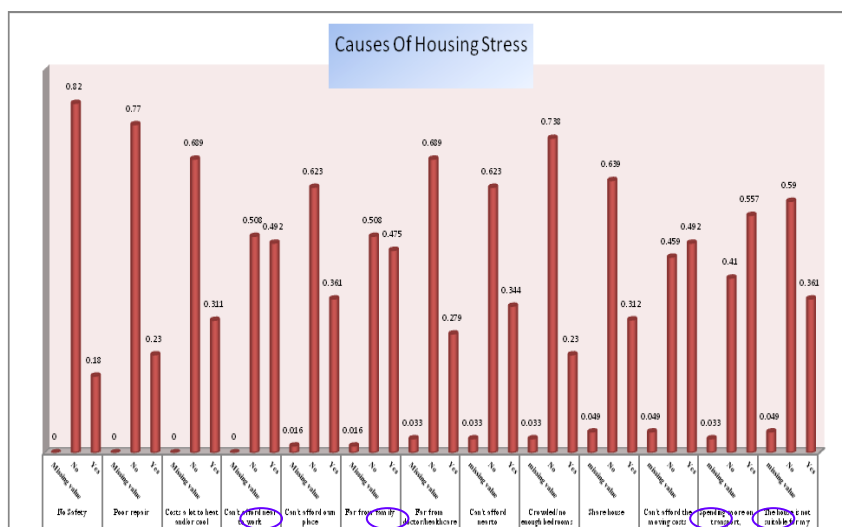


Figure 3: Causes of Housing Stress

Figure above identifies causes of housing stress. This is obvious as most of the respondents complained about their unaffordability to live near to workplace, staying far from family or other supports, not afford the

moving costs, and spending more on transport, childcare and/or energy because of where they stay. To be more accurate table (1) highlighted the exact figure and the percentage of respondents' answers to "Yes" or "No" questions as followed:

**Table 1: Causes of Housing Stress**

		Percent	Frequency
<b>No Safety</b>	Missing value	0%	0
	No	82%	50
	Yes	18%	11
<b>Poor repair</b>	Missing value	0%	0
	No	77%	47
	Yes	23%	14
<b>Costs a lot to heat and/or cool</b>	Missing value	0%	0
	No	68.90%	42
	Yes	31.10%	19
<b>Can't afford near to work</b>	Missing value	0%	0
	No	50.80%	31
	Yes	49.20%	30
<b>Can't afford own place</b>	Missing value	1.60%	1
	No	62.30%	38
	Yes	36.10%	22
<b>Far from family</b>	Missing value	1.60%	1
	No	50.80%	31
	Yes	47.50%	29
<b>Far from doctor/healthcare</b>	Missing value	3.30%	2
	No	68.90%	42
	Yes	27.90%	17
<b>Can't afford near to school/Uni/college</b>	missing value	3.30%	2
	No	62.30%	38
	Yes	34.40%	21
<b>Crowded/ no enough bedrooms</b>	missing value	3.30%	2
	No	73.80%	45
	Yes	23.00%	14
<b>Share house</b>	missing value	4.90%	3
	No	63.90%	39
	Yes	31.20%	19
<b>Can't afford the moving costs</b>	missing value	4.90%	3
	No	45.90%	28
	Yes	49.20%	30
<b>Spending more on transport, childcare and/or energy</b>	missing value	3.30%	2
	No	41.00%	25
	Yes	55.70%	34
<b>The house is not suitable for my disability</b>	missing value	4.90%	3
	No	59.00%	36

The above table shows that the majority have no problems with safety, poor repair; house costs a lot to heat and/or cool, far from doctor, crowded, and sharing issues. However the big issue was on moving and transport costs. Moreover, the affordability to live near to work and living far from family were problem to only half of the respondents. Similarly was stated by Lloyd-Jones C, & Halcrow J. (2013), that housing stress is a complicated matter, and some households may, for example, be paying less for housing by living in a cheaper area, but more for transport costs as a result, perhaps keeping the household out of housing stress but not solving the financial stress problems.

**The Respondent Income Level**

The information presented on this part explained the respondent income level. Frequency was conducted to calculate the number and percentage of respondents' income level, as shown in the following figure:

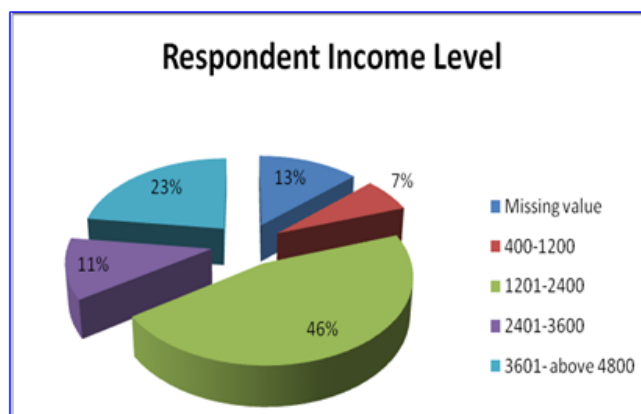


Figure 4: Respondent Income Level

The above outcome established that the median household income is between RM 1201-2400, being the majority (46%), RM 3601-4800 and more (23%), RM 2401-3600 (11%), RM 400-1200 (7%) and missing value 13% percent (Figure4).

#### IV. Discussion and Conclusion

Although much remains to be learned, as stated above the current research offers strong support for the view that if issues on affordable housing were increased the rate of housing stress would also increase. Affordability expresses the challenge each household faces in balancing the cost of its actual or potential housing, on one hand, and its non-housing expenditures, on the other hand, within the constraints of its income. Thus the main reasons for housing stress based on the current research are in areas as followed: differences in disposable income, unsafe houses, poor repair, far from work, far from family or other supports, high rent price, far from doctor/healthcare, children school/University/college, too crowded house or shared with others, and the needs to spend more on transports.

Indeed, and according to the outcomes of this research, housing stress often occur not only in family who always pay more than 30% percent of their income on housing. But also in those who stay in place that is not safe, far from their families, shared with others and so on. Therefore, the objective of this study was to analyze the main cause of housing stress. The findings clearly indicate the followings: (a) majority of the respondents were median household income, they earn between RM 1201-2400; (b) there is a housing stress caused by housing price-to-income ratio; (c) the big issues related to housing stress were moving cost and transportation. However, the affordability to live near to work and/or family was a problem to half of the respondents. Therefore, the present research findings can be used to tackle the housing affordability problem, and emphasises on the need for more affordable housing that can be sustainable and liveable to all family members. In conclusion, rising cost of living with the income being kept to be constant along the time, will create lots of problems to people who tends to live in a condition whereby most of their expenses are going up every single year. In contrast, affordable and suitable home has been linked with improving health and economic outcomes for the entire families. As proved by Powell (1999) that Stable housing is both a foundation for well-being as well as a platform for connecting people to services and resources that include health care, schools, community, transportation to and from work and quality day care services. In conclusion, affordable housing that is sustainable and liveable is needed for societal wellbeing.

#### Limitations of the Study

The study has the following limitations. First, it has restricted itself to the issue related to middle income group; therefore, no claim of its validity across the spectrum of other income group level. Secondly, the study has relied largely on quantitative methodology of data collection. Therefore, more of qualitative methodology of data collection should be undertaken in future to provide wider perspective to the issue related to housing stress. Finally, the questionnaire has limited itself only on thirteen items; therefore more questions should be expected in future to provide broader understanding to the feeling of middle-income group.

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## Appendix

### HOUSING STRESS ASSESSMENT (HSA) 2014

This study aims at understanding your belief and opinion concerning various aspects of housing stress. There is no right or wrong answers, but it requires your honest opinion. Please go through this questionnaire. All questions contained in this questionnaire are strictly confidential. Thank you in advance

Gender

Female

Male

Other

Prefer not to specify

What is your age? \*What is your age?

Weekly Cost of Housing (e.g. board, rent or mortgage)

Weekly Income (before tax)

I am living somewhere where I don't feel safe

- No
- Yes

I am living somewhere which is in poor repair

- No
- Yes

I am living somewhere which costs a lot to heat and/or cool

- No
- Yes

I can't afford to live near enough to work

- No
- Yes

I'm still living at home because I can't afford my own place

- No
- Yes

I live too far from my family or other supports

- No
- Yes

I live too far from my doctor/healthcare

- No
- Yes

I can't afford to live near my school/Uni/college

- No
- Yes

My home is crowded, there aren't enough bedrooms

- No
- Yes



I live in a share house but would rather live alone/with fewer people

- No
- Yes

I want to move but can't afford the moving costs

- No
- Yes

I am spending more on transport, childcare and/or energy because of where I live

- No
- Yes

My house isn't suitable for my disability, the disability of the person I care for or for when I age.

- No
- Yes