



## 29 THE INFORMAL HOUSING PRODUCTION PROCESS IN LATIN AMERICA: CONNECTING THE POOR TO THE CITY

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**T**oday, of course, millions of people live in self-help housing and more than half of the population of many Latin American cities live in self-help neighborhoods.”

Alan Gilbert, *The Latin American City*

### Introduction

Forty years ago, Latin America was a rural continent; at present, around 75 percent of its population is urban. The mixture of two housing production processes, a formal and an informal one, created and expanded Latin American cities. The former is shaped by the laws of market and protected by the laws of the formal society; they articulate labor and capital, generate a final product to be sold, and constitute the formal urban system. The latter, generated by forces and methods outside the regular frame, provides shelter to rural migrants and poor urban inhabitants.

This informal housing production process consists of the individual or collective occupation (usually invasion) and acquisition of land; the construction of shelter and its constant improvement; and the progressive connection of the dwelling to the public utilities of the city. Building a house is a process that develops at the same pace as the “owner’s” progress, and in the majority of the cases implies a lifetime of housing consolidation and improvement. Latin American cities were built, half-and-half, by these two methods: the formal and the informal.

This paper will describe and analyze, from theoretical and multidisciplinary perspectives, the process of informal housing production as a means for understanding the characteristics and dynamics of the “other half” of the housing system. The objective is to expose how developing Latin American cities were built. This paper explains the process of building informal housing, from land invasion and its legalization to full connection to the public utilities and city amenities. This paper attempts to highlight how Latin American people become “formal inhabitants,” connecting themselves to urban society which, at present and contrary to other developing areas, constitutes the majority of the continent.

### Background and Justification

#### *Urbanization and Informal Housing in Latin America: The Big Picture*

Countries of Latin America share a common culture and a common process of development. There is no other region in

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the world where the social, economic and political variables present the degree of similarity that Latin America exhibits, and in which the behavior of the different segments of the population is determined by such common needs and interests.

Starting with the Pre-Columbian cultures—with respect to which there have been established several physical, social and economic links—and including the conquest and colony baton—mainly from Spain and Portugal, but also from France, England, and to a less extent the Netherlands—countries from Latin America have a common past. After independence and the establishment of autonomous political systems during the nineteenth century and in some cases after 1900, countries maintained a similar path and kept the different new nations and their people linked. The Spanish language is perhaps the most valuable asset of the Latin American unit, and even though several nations do not share it—Brazil, for instance—the culture, a mixture of indigenous, black and Iberian elements, is a constant throughout the continent.

In the near past, Latin America faced several waves of international occupation and neo-colonialism, military regimes, Communist influence and its incorporation into the international economic system. In this system, Latin America was a producer of primary goods and later as a provider of manufactured goods.

Today, Latin American countries confront similar challenges and problems. Politically, Latin America is leaving an era of military power, is struggling to establish and consolidate democracy and is implementing a deep decentralization process to transform an inefficient public sector. Economically, Latin America is facing the globalization of the world economy from a disadvantaged position. It faces the challenge of building internal and external markets and at the same time maintaining or constructing macroeconomic stability and steady growth. Socially, Latin America faces deep inequity, revealed by the existence of a “world-class” elite simultaneously with the presence of tens of millions of people without access to health, education, employment and housing.

This situation is evident when an analysis of the physical structure is performed; in forty years Latin America changed from being a rural continent to being an urban one and the Latin American cities that grew are a reflection of politics, economics, social issues and culture. For instance, the capacity of local governments to respond to the demand for utilities from new inhabitants, and the growth of community polity which is able to use the city political actors, reveals the link between housing and politics. On the other hand, the incorporation of new labor force into the urban economy, the increase of urban infrastructure propelled by new settlements, and the change in household well-being after achieving home ownership, shows how macroeconomic and microeconomic variables are molded by the growth of the city. Additionally, the class conflict behind land invasion and the fact that settlers become entitled to claim the benefits of being part of the modern society reveal the social transformations of Latin American societies caused by the urban explosion. Finally,

the existence of a strong network of community cooperation, which made possible the establishment of insurmountable numbers of homes and neighborhoods around the continent, is evidence of the presence of cultural forces able to transform society.

Multiple endogenous and exogenous variables affect the informal housing production process; capturing the complexity is beyond the scope of this paper. Similarly, the consequences are even more complex, especially considering that the process is still evolving and that consequences might extend decades into the future.

Considering the limitations, this paper presents the characteristics of the informal housing production process. It establishes the various steps that a family takes, from the moment of arriving to a city into an “inquilinato” (rooming house) to achieving the ownership of a house with full connections to urban services. From this analysis, focused on the physicality of housing, the paper will develop conclusions about the economic, political and social implications of informal housing.

### *Formality and Informality*

To inquire about the characteristics of the informal housing production process, a first conceptual step must be taken: to analyze the so called “informal housing production process”. This requires a revision of the concept of informality. A wide set of definitions of, and approaches to, the concept have been used. The one that is chosen determines the scope of the performed analysis. Additionally, considering the various components of housing and informal housing, the perspective from which informality is conceived determines the agents and forces that should be incorporated into an analysis and, of course, the outcomes.

Simplistically and traditionally, informality has been seen as subsidiary, as complementary and as opposite to formality; such approaches limit the analysis of informality to comparison and implicate that every element of one side must have its analogous element on the other. In a Manichean manner and loaded with evident social and political values, formality has been identified as good and informality as bad; formality has been seen as stability and informality as change. An alternative is to decipher the formal and informal characteristics of a particular fact or situation, recognizing the presence of both everywhere. Thus, informality is understood as a reality not totally separated from the formal system, but rather linked to and shaped by it. Informality might be conceived as a structure of action that contains both harmonious (adaptation) and contradictory (resistance) relationships; as a site of power in relation to external disciplinary and control power. These approaches broaden the concept and give light to the present analysis.

Informality has been conceptualized depending on whether it is conceived of as a separate reality or as a part of formality. On one hand, the informal system is sometimes conceived of as an alternative system; it implies that it is a separate reality.

On the other hand, based on the dualistic nature of an urban economy, informality has been divided into two systems: upper and lower circuits, traditional and modern, factory and non-factory, capitalist and subsistence; this approach uses production as the major criterion for the distinction. From a juridical perspective, informality is related to illegal and formality to legal. Finally, formality and informality are regarded as representing the poles of a continuum.

In conclusion, a definition of informality must take into consideration a large number of variables. These include: its origin, either as preceding the formal system or as growing from it; its juridical condition; its relation to the formal system; the participation of its actors in the formal system; time and space factors; the meanings of everyday practices; and the structural location of informal practices in relation to other practices. In this paper further analysis of the informal housing production process attempts to incorporate these variables.

## The Informal Housing Production Process

### *Moving to the City*

The first step that a rural migrant makes after arriving to the city is to rent a room in a house or share the dwelling with family members that arrived earlier. Popularly known as “inquilinos”, these multi-family shared houses abound in the medium-low and low-income sections of the Latin American city. They are, as it will be explained later, an important source of income for those already-established families that decide to share their dwelling.

Typically, the *inquilinos* consist of several rooms, on some occasions, more than ten if it is an old house or if new stories or divisions have been built. They have communal kitchens, bathrooms and laundries. *Inquilinos* are the lowest step in the social ladder, after homelessness. The physical and sanitary conditions are far from good. However, *inquilinos* are a bed for nurturing communitary relationships and cooperative efforts. For instance, in *inquilinos*, childcare is commonly provided informally at home by neighbors or family members.

New migrants use “*inquilinos*” as a place to stay while they learn how the city works and what they have to do to earn a living. The adaptation to the city dynamics is not easy. It depends on the educational level of people and their ability to find a job. The period in which a family or an individual stays in an *inquilino* varies, and sometimes people never change their housing status.

### *The Big Step: Owning a “Home”*

Considering that the rent represents an important proportion of the family income, there is always an incentive to move and own a home. Definitely, the housing offered by the formal urban developers is not among the choices which a low-income family has. It is estimated that, at present, the cheapest house available in the market surpasses 100 monthly minimum

wages; only middle-income families can afford them, if they manage to save for the down payment. Additionally, the availability of credit is scarce and the requirement to access it—which is usually to already own real estate—is ridiculous.

The other choice is to self-build a house. Most planners would probably agree that the distinctive characteristics of self-help housing is that it always begins as a rudimentary form of shelter lacking all kinds of service and is developed on land which either lacks planning permission or which has been invaded. In a broader perspective, self-help implies that the occupier has built some or all of the accommodation, and in this paper we will use this definition.

Even though the Latin American population has been accommodated through individual efforts historically, self-help shelter has become an increasingly important element in the housing solution. The reason for this trend is, as mentioned earlier, that the poor have no option. With migrants pouring into the cities and with urban populations doubling every ten or fifteen years, the existing housing stock could not cope. Given generalized poverty, the highly skewed distribution of wealth, a land market that is often controlled by private monopolies and a building industry geared to formal construction methods, a proper house is clearly beyond the reach of most poor families. On the other hand, the development of mass transportation, the changing attitude of the state towards informal methods of land occupation, and the growing ability of most governments to provide services and infrastructure, have fostered self-help housing production. The next step towards owning a house after deciding to self-build is to find a plot, and the decision between buying or invading is taken based on the resources available and the assessment of risk.

### *Land Acquisition*

Probably the main element of analysis with respect to land acquisition for informal settlers is the actual structure of land property. Latin America is characterized by large landowners; it knows that a minority of the population owns the majority of the land. Considering that the cities are growing towards the countryside, the urban land has the same structure. In several cities it is common to see large plots of land waiting for a rise in land prices: the popularly known “*lotes de engorde*” (plots being fattened).

As a general rule, rich and poor live in different areas of the Latin American City. The rich choose their preferred locales and the poor occupy the land that is left over, usually the less attractive parts of the city. If the general pattern of land acquisition is similar between the cities, there has been a great deal of variation. In one city, the poor would be allowed to invade land, in another, invasions would be vigorously opposed. In one city, land could be obtained without cost and elsewhere it would be sold by private developers at a price equivalent to un-serviced land in the more prosperous part of the city.

The particular form of land occupation that has developed

depends upon the local pattern of land ownership, the price of peripheral land, the attitude of the political authorities, the political organization of the poor, the physical nature of the terrain and the pace of urban growth. The most critical element has been the reaction of the state. In some places, the authorities were fully prepared to tolerate invasions or illegal forms of settlement. In other situations, the authorities did not share this attitude.

In addition to those who manage to buy a plot in the formal market, there is a semi-legal (semi-illegal) mechanism to acquire land which is in the hands of those popularly known as "urbanizadores piratas" (pirate urban developers). These "entrepreneurs" are dedicated to "selling" land possession, an intermediate stage among invasion and ownership. Their business consists of invading huge plots of land that they detect as "free" (public, in a legal dispute, owned by foreign people or not looked after) and wait until "bona fide" possession is given to them. Following, they sell the rights to people that only have to wait the legal term to achieve tenure and who are at no risk of eviction. Another "business" of these urban developers is to sell those legal lands that are not destined for housing, protected by the incapacity of the city to design and control land zoning, or by the "approval" of political forces. The presence of these developers is remarkably large, and it shows the economic interests that the informal housing production process inspires. As a complement, and considering that invaded land has a market, it is also common to see "professional invaders", who are dedicated to obtaining land and starting the legal process on a reduced (unitary) scale.

Finally, the people have the option to invade land. In this case, they might be "lucky" and find a plot which is free and where they can settle with the intention to stay, or they can find a way to gather political support from a local public leader or face the police and its force. Once violence is surpassed—often leaving behind deaths and the destruction of the built and household goods—land invaders must start a legal process to acquire the property.

### *Legalizing the Plot*

A legal problem is generated when lands are invaded. Different norms give access to property by different modes, and a long and specialized process is needed in order to solve such problems. Most of the time, the solution is inaccessible and the law protects landholders; sooner or later, some families are evicted and obligated to go back to an *inquilinato* or to occupy another plot and start the process again.

If the conditions to obtain the title are given, the complicated legal structures that must be utilized to achieve the property rights generate additional requirements. Professional services from a lawyer are needed in order to start and feed the legal process; the high costs of such services, but principally, the accessibility of the low socioeconomic strata to the people who might (or are willing to) help is limited.

### *Improving the Shelter*

Although basic shelters clearly exist in large numbers, they are hardly representative of the bulk of Latin America's self-help housing. The shack is the first attempt of a family to house itself and is normally put up during the first days of land invasion when the settlers have to demonstrate their presence to the authorities. Evidently, some shelters are not improved for several years, although those are the ones located in conflict areas or where the authorities have harassed settlers. Rudimentary shelters are frequent when tenure is uncertain; residents do not improve their dwelling when there is high risk of having it destroyed by the police. A few settlements are always under threat in Latin America.

On the other hand, the majority of self-help homes improve over time. Once the settlers know that they will be left alone, they begin to consolidate. Titles are not absolutely necessary, and signs of authority approval are enough to propel improvements. The offer of electricity or water, the removal of a police barrier from the roads going into the settlement, and even the visit of a local politician suffice to start settlers working on the house.

Wooden or corrugated iron shacks may front some plots but a concrete and brick room is usually under construction behind. The owners spend their spare time constructing the permanent home, and if they do not have enough expertise, neighbors and kin offer expertise. When the owners do not know how to undertake some task, external work is hired; plumbing and electric installations are placed that way. Some tasks require several simultaneous workers, and neighbors usually perform those jobs in a cooperative manner. Installing a concrete roof over the weekend is a regular practice.

The result of the settler's work is that whole settlements are gradually transformed from ramshackle structures into consolidated neighborhoods. Some families develop much faster than others, the critical variable being the availability of money to buy construction materials and hire labor. Families with savings can consolidate their homes rapidly, and those who lack funds remain in a basic hut or fail to move into the settlement at all, continuing to share or rent accommodation somewhere else.

### *Connecting the House to the City*

Adequate shelter requires utilities and initially, a community may steal what it needs. Tapping into the water lines is a regular practice and linking a transformer to the electricity mains is an easy task for a local electrician. Such solutions are unsatisfactory, not long-term sustainable and even dangerous. Provisional electricity networks are easily overloaded, provide low voltage and are likely to be damaged during storms. Informal water networks operate at low pressure and are therefore likely to leak and allow impurities into the system. Such solutions are unpopular with the utility companies who lose revenue and often have to clear up the damage caused by the improvised connections; sometimes, the companies demolish illegal connections or at best come



to an agreement with the settlement to provide the service and charge for the required infrastructure. The local governments are not likely to provide services to these settlements for several reasons. First of all, scarcity of resources, second, in several occasions the areas are not included in the local jurisdiction, and finally, the cities do not have the administrative, technical or physical capacity to cope with the demand.

By any manner of means, the settlements acquire water, sewerage and electricity. One alternative is to obtain investment from the public sector to build infrastructure and receive regular services, the second option is to negotiate sharing the costs and having credit to fund the infrastructure, the third solution is to maintain the illegal connection, and the final alternative is to raise political support. If the city government is weak, if a settlement can manage to obtain political protection from a strong council member, if there is an emergency situation (a flooding or an epidemic case, for instance), people are likely to strike against the city to obtain what they need. Sewerage, water, electricity and access are the principal physical services that the new residents require from the city; however, these are not the only ones. Health, education and employment as well as social and cultural incorporation to the "formal" society are also needs of the disadvantaged population. Those services are not guaranteed by the achievement of housing, and must be searched for elsewhere.

### *Investing in the House*

The process of upgrading the house is slow and long. Considering the poverty levels of these citizens, the pace at which savings are gathered corresponds to their income, which rarely surpasses the minimal wages and sometimes is below it (when people work in the informal sector). However, it is clear that the house is the major destination of investment in the household.

The reasons are, first of all, that "real estate" is the safest investment in the minds of those who prefer "tangible" assets. Second, low-income populations do not have access to regular financial institutions to save and obtain interests (or if they do, the conditions are not optimal, considering the small amounts they are able to save). Third, the upgrading of the house provides a feeling of belonging to the city and the neighborhood in better conditions. Fourth, once the family satisfies its needs, the household focuses its efforts towards the construction of additional rooms that can provide extra income and receive other family members. The construction of additional stories and rooms for rent closes the informal housing production cycle; several families start the business of "inquilinos" to receive new comers and extra income.

## **Conclusions**

The understanding of this process, where "marginal" people (because of their social economic status, not because of their character of minority considering their proportion among the

society) achieve a dwelling, provides information about the relationships between the citizens, the private sector, the political powers and the city administrations. The relationships are informal, but considering the extension in which they take place, it is clear that they are the majority. From the perspective of the people, the process of obtaining a house contributes to incorporating them into society. Additionally, the way in which this population has obtained its housing—in a cooperative manner following each of the steps—shows the people that they are not powerless.

With respect to the political forces, the process shows that poor families have not been passive bystanders in the game. By pressuring the authorities they have been able to improve their chances of obtaining land. Their leaders had to be well-organized and had to understand the local political situation. The invasion of peripheral land might well be permitted in general and sometimes even private land could be occupied, but the results depend on the relationships between the leader and the authorities. Since the authorities would often be divided in their reactions to an invasion, success might well depend on the leader's contacts. The local politicians are also major players in the scene, and after they understood that informal inhabitants also vote, the settlements became a "gold mine" for their purposes.

On the other hand, in the informal housing production process, the "urbanizadores piratas" play the role of the private sector in charge of profit maximization. This shows that behind the informal housing, there is a lot of money, even though each settler individually does not possess significant assets. Additionally, the legal landowners take great advantage of the informal settlements, because once a new neighborhood is established in the outskirts of a city, and its inhabitants have managed to obtain public utilities, the surrounding land prices are multiplied exponentially.

Finally, today, the administrations of Latin American cities are widely aware of the existence of self-built housing, land invasion, illegal connection to public services and political demands from the inhabitants of those settlements. What is more important, the majority of the cities face the situation as a fact to be solved and not as a criminal act to be punished.

A second set of analyses might be generated from the informal housing production process, as observed from multiple disciplines. Economics, politics, planning and public policy all have a say in the topic. From an orthodox economic perspective, the opinion might be that the "irrational" behavior of these urban developers contradicts every law of economics. For example, high risks are taken without proportional expected gains (constructing in invaded or inadequate lands); enormous amounts of resources are incorporated when not needed (using excessive construction material or wasting labor due to lack of knowledge about efficient methods); and disproportional amounts of family income are directed to house improvement, leaving other basic needs unattended.

However, if the production function is adjusted for the scarcity of financial resources and analyzed over a longer period of

time (a lifetime, in some cases), the process is rational. The capacity to invest, pool labor resources and reproduce the cycle, shown by the informal settlers, points towards different paths of study. In a macroeconomic perspective, the effect that these new urban inhabitants have over the city's economic growth is important. First of all, the incorporated labor force nurtured the Latin American industrialization process and participated in the construction of the existing infrastructure. Second, this population consumes and pays direct taxes. From a political point of view, perhaps the major point is to consider the existence of a right to housing, which "normalizes" every mean to achieve it. If a democratic society considers housing as an entitlement of its citizens, a homeless society needs to act against the violation.

In the informal housing production process, planning and public policy acquire the responsibility to incorporate the settlements and to design future incorporations according to the expected growth of new inhabitants. And what is more important, the task of solving the causes of homelessness: poverty and discrimination. It is also important to avoid the abuse of informal settlers from the pirate urban developers, and an urban land reform might be the most expeditious mechanism to take them out of the game, or stop their monopolistic profits.

Once it is socially recognized that informality is a fact, and is not marginal, and that it is a public responsibility to cope with the causes of it, the conclusion will be that intervention is needed. Contrary economic and political trends might respond that the solution is the opposite, but the answer to that position is that deregulation of public institutions and mechanisms is not an alternative because this process has never been regular.

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