

Review of Club Theory in Context of Effective and Efficient Security Management in Malaysian Gated and Guarded Communities

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Abstract- The popularity of the gated communities in Malaysia and around the world has grown on the ecology of fear and the desire of consumers for security of their life and properties in their homes and around. Reports of break-ins in such communities however are appearing in local media from time to time. This paper looks at this issue and examines the evidence indicating the ineffectiveness and inefficiency of security services provided in some gated communities. This apparently provides a counter argument against the rationale justifying self managed or club owned goods under neo-liberal economic system.

Keywords: Club Theory, Security Management, gated, guarded community

I. INTRODUCTION

Gated communities are 'walled or fenced housing developments to which public access is restricted, often guarded using CCTV and/or security personnel, and usually characterised by legal agreements (tenancy or leasehold) which tie the residents to a common code of conduct' (Blandy et al., 2003, Musterd et.al, 1999). These communities have swimming pools, private bars; children's play areas and a full accompaniment of care-taking staff and security forces (Blakely et.al, 1997; Hook and Vrdoljak, 2002). All streets, sidewalks, and other amenities are enclosed by barriers and entrance gates operated by a guard or opened with a key or electronic identity card (Low, 2003).

In Malaysian context, Azimuddin Bahari (2007) defines gated communities as a cluster of houses or buildings that are secured by a wall or fences or a perimeter with access of houses or building controlled by certain measure or restrictions such as guards, ropes, strings, booms gates, chain or blocks which normally include 24-hours security, guards patrol, Central Monitoring Systems (CMS), Closed Circuit Television (CCTV) and facilities (Wong 2005, Lim, 2007, Norazmin, 2007, Hasmah and Ahmad Ariffian, 1993). These communities are managed by a management corporation, joint management body (Wong, 2010), which are elected by the residents. The titles to the properties in gated communities are strata (including landed strata (Guidelines for Gated Community and Guarded Neighbourhood by JPBD 2010). This applies to a gated and guarded residential community, whether high-rise or landed.

All gated communities are not guarded and not all guarded communities are gated. Some of them are developed as such while others are retrofitted. All of them share the common characteristic of providing common properties, private governance and private maintenance, and private security services paid for by the residents.

The gated communities' concept initially derived out of concern for safety and security (Elan Perumal, Salina Khalid, Stuart Michael and Lim Chia Ying, 2007). It has today grown into an attractive marketing tool for housing developers, adding a premium to the price of properties.

Both in Malaysia and outside, gated communities have been subjected to various types of criticism. The proponents of the gated communities, however, have supported them for reasons such as the weakness of the state, problems with raising local taxes, a revolt against high local taxation, an ideological shift towards lean government, problems with accountability, transparency and responsiveness of municipal governments, the superior knowledge of the private sector in supplying capital, the superior knowledge of communities in organising and evaluating demand for shared goods and services, and the active divestment of state responsibilities (McKenzie, 2003). Few writers (Bowers and Manzi, 2006), (Webster, 2001 & 2003) have defended gated communities on the basis of club good theory as a reason why 'households seek out membership of such residential forms'.

Among the above supportive reasons, this paper focuses on the examination of club theory in the context of Malaysia. The aim of the paper is to scrutinise the veracity of claim that gated communities provides effective and efficient security services. It is to be noted that the significance of the club theory to convince the legislature or regulatory bodies so that they can allow these communities be built in future is not the concern of this discussion. The discussion in this paper is a prelude to a wider study of how best one can get the designated utility from the existing gated communities at minimum cost.

The paper therefore will explain the basics of the club theory, followed by the analysis of a set of imperial data obtained by this and other writers. The paper will end with a conclusion.

II. CLUB GOOD THEORY

The theory of club goods was developed by Buchanan 1965 and 1968; Cullis and Jones, (1992) to explain collective consumption. Buchanan examines how a 'given' population working in an 'existing' system of property rights will maximize benefits and minimize costs with reference to a range of goods either as private consumers, public consumers or via membership of a 'club' providing a good. According to Buchanan (1965), the club theory focuses only on members of organization where exclusion is achievable. To him it is, in one sense, a theory of optimal exclusion, as well as one of inclusion. Optimal exclusion is needed so that the "free rider" problem will not arise.

Giddens (1998) has linked the club theory to gated community where he stated that they increase 'the voluntary exclusion of the elites' and 'the involuntary exclusion of the excluded'. Later, Webster (2001; 2002) defended gated residential development based on the theory of club good economics. He provided a robust way of understanding the attractiveness, efficiency and effectiveness of gated developments for their residents. He considered cities to 'fragment into many small publics, each of which may be thought of as a collective consumption club'. They serve 'particular publics and are better conceived of as club realms'. Bowers and Manzi (2006) and McKenzie (2003) explained further. To them gates have two functions: firstly, among other, they provide increased security (maximum utility function) to its members. Secondly the gates secure the limited divisibility of the goods to members and their guests. The purpose of the club is to capture and maximize the utility function for its members.

Webster (2005) thought that gated communities offer 'more secure and sustainable method of delivering a set of "standard of living" rights. Others alleged that these communities provided both more efficient (Turner, 1990) and more effective (Ward, 2004) utility.' These two claims apparently can be contested in view of the media reports about crimes against person and property in the Malaysian gated and guarded communities as explained in the next session.

III. GATED COMMUNITIES IN MALAYSIA

The application of club theory, in terms of effectiveness and efficiency of security services, to Malaysian gated communities may not be easily accepted, considering the level of security offered by the developers or management corporations vis-à-vis the costs of gated communities, and recurrent expenses borne by house owners.

A. Effectiveness of security services

Crime is committed in gated communities despite many policy makers, lawmakers, judiciary, and developers in Malaysia insist on the security and safety in gated communities (Grace Xavier, 2008). Life and property are said to be much secured behind the gates. Living in the ecology of fear, members of public as well as some homeowners cite security as the main reason for buying or residing in this type of housing. It is however reported that

residents from gated communities are not comfortable with the level of security that is provided by the law enforcement agencies and other quarters (The Star, 2008). There are reports of break-ins in gated communities in local media from time to time even though the rate of crime may not be as high as that in normal residential communities (Lim, 2007). For this reason the myth of security provided by gated communities is contested by some. They consider such a claim part of developers' marketing strategy (Elan Perumal, Salina Khalid, Stuart Michael and Lim Chia Ying, 2007). Whether or not it is a myth will need scientific research. The report of several cases by media and two researchers in few gated communities, however, provide good reason for doubting such claims. Some examples are provided below:

On national level, it is reported that a woman and her three-year old son were found murdered at their condominium unit, (The Star 2007). The condominium had only a CCTV system at the guardhouse and despite the presence of guards at the guardhouse, visitor's car registration numbers or identity card details were not noted. A nine-year old girl was found brutally murdered after she was raped. She lived in a posh condominium, gated and guarded, (The Star, 2007). A Singaporean woman was found raped and stabbed in a condominium (The Star, 2007). In the last two cases the culprits had access to the community.

An exclusive gated community in Johor Baharu in spite of security has become the target of masked robbers. The first break-in at the housing area located in a resort in Senai happened on Valentine's Day, at about 3am, when four robbers wearing masks broke into a German engineer's home and two days later, on Friday, two robbers broke into the house of a South African couple, by smashing the front sliding door at 2.50am (The Star, 2007).

Empirical Research confirms the above reports, which means the security management in some of such communities is ineffective and inefficient (Jiva, (2010); Noredayu (2006). Noredayu, (2006) has studied the effectiveness of security provided within community 1 and 2 (see Table 1). She has concluded that although security system helps reduce crime within the scheme, it does not however guarantee the safety of residents and their properties. She reported that within two years (2004 to 2005) there were five reported cases which involved theft, burglary, and vandalism. This did not include those cases which were not reported to police.

Jiva (2010) studied the security situation for the early part of year 2010 in 20 gated communities in Johor Bahru Tengah including those covered by Noredayu (2006). The former confirmed crime is still being committed in the given communities some of which were reported and others were not (see Table 1). While Noredayu thought the unreported cases were minor offences, Jiva on the other hand asserted that the reason was to protect the reputation of the given gated communities.

TABLE I. REPORTED AND UN-REPORTED CASES OF CRIMES IN JOHOR BAHRU TENGAH GATED COMMUNITIES 2010

Community	Reported Cases	Un-reported Cases
1.	1	2
2.	0	1
3.	1	0
4.	0	2
5.	0	0
6.	1	2
7.	0	3
8.	2	7
9.	3	1
10.	1	0
11.	0	2
12.	2	1
13.	2	0
14.	0	2
15.	2	4
16.	1	0
17.	1	3
18.	0	3
19.	1	0
20.	0	2
	18	35

Source: Jiva (2010)

It is clear that the main commodity (i.e. security) allegedly wished by house buyers when opting for homes in the Malaysian gated communities is not as effective as one would presume. This gives raise to another question about Malaysian gated communities: do these communities provide goods efficiently? This is discussed below.

B. Costs and efficiency of security services

Despite no empirical study on the issue, every layman understands that a house owner will pay higher purchase price for a lot located within gated community compare to one that is not gated. A proper study, it is presumed, will prove this point after several factors affecting property value are isolated.

The higher expenses for maintaining a house in Malaysian gated communities are empirically studied by Wong (2010). She found that local authority and Management Corporation, with the exception of security, often provide the same services. These services include cleaning services, landscaping, and maintaining common facilities. Nevertheless, homeowners pay taxes to the Local Authority for the services listed above and they also pay maintenance fees which include service charges for the above listed activities as well as the security service provided by the developers and management corporations. Wong (2010) concludes that the residents of gated community pay for the services twice. She considers extra financial burden. As an example, the details of maintenances fees collected by developers and the rate of taxes paid monthly to the Local Authority by the residents of the same communities are tabulated below. The names of the communities are given in numerals for the sake of confidentiality.

TABLE II. TOTAL AMOUNT OF MAINTENANCE FEE COLLECTED BY DEVELOPERS

Community	Unit Houses	Monthly maintenance fee (RM)	Total amount of maintenance fees (RM)
1	120	150	18,000
2	430	75	32,250
3	141	105	14,805

The monthly maintenance fees collected by the developers can be compared with the taxation fees paid by the same owners in the same communities (Table 3).

TABLE III. ASSESSMENT FEES AND MAINTENANCE FEES

Community	Gated Community	
	Assessment Fees (RM)	Maintenance Fees (RM)
1	401 and above	150
2	201-300	75
3	301-400	105
Total		75-150

Source: Wong, (2010)

As shown above the residents will pay to the developers or Management Corporation for services that would be rendered by local authority. Homeowners in gated communities will pay taxes to local authority the same as any other homeowner will pay. Such taxes are imposed on basis of services provided by local authority and are determined based on several types of holding and their use according to the location where they are situated.

TABLE IV. MONTHLY EXPENSES OF THE MANAGEMENT OF GATED AND GUARDED

Community	Cleaning Streets (RM)	Grass Cutting/Landscaping (RM)	Staff Cost (RM)	Forging	Security	Total Expenses
1	1,250	1,700	3,000	150	7,000	13,100
2	2,500	1,900	6,000	300	9,000	19,700
3	1,250	850	3,000	150	7,000	12,250

Additionally, it is pertinent to note that transparency is lacking at the moment. It is not clear why the local authority and the developers or management corporations both claim to have provided similar services. The list of some services and the surplus is provided in table 4. The lack of clear reason for spending the surplus which can accumulate further as time passes by, has caused Wong (2010) to question it. She is silent on the provisions of sinking fund though.

Siti Hajar et.al (2010), has recently pointed out that the assignment of property rights over neighbourhood common resources are unclear. She questions that 'if guarded neighbourhoods are economically efficient and successful,

why only some neighbourhood choose to enclose while others did not change? An answer to this question may be sought in a different section of economics. What one has to agree with her on is that the club theory in terms of security seems to have failed the Malaysian homebuyers both on point of effectiveness and efficiency.

A rational house buyer may consider living in Malaysian gated communities unnecessarily expensive. He may not focus on security service alone; because it is clear that the cost of security provided by the collective of the community is less expensive compare to an individual house owner. When he looks broader, he may find that just like a normal house purchaser, the member of gated communities in Malaysia pay normal taxes including those payable to local authority. He will also find that the member of gated community also pays for maintenance charges imposed by developers and management corporations. In addition, he pays a higher purchase price for a house in the community. Consider together all these payments and the possibility that crime can be committed in the community a given house purchaser may think that living in gated communities is more expensive and therefore inefficient. Efficiency of security service in fact should be considered secondary to its effectiveness, for the lack of effective security may equal to the lack of security in the eyes of a house buyer. Therefore, the house buyer may not be persuaded even to consider the cost of security if he comes to the conclusion that gated communities do not provide security. On the flip side, if the communities can provide effective security service the same purchaser may still opt for a house in the gated community. There are signs that things can be improved in order to make security in gated communities effective.

Both Noredayu (2006) and Jiva (2010) indicated the causes of breach of security in the gated community. The former asserted that the reason crime was committed because the guards on duty did not properly carry out their duties. Jiva confirmed the above finding. She found that lax attitude of security guards and lack of functioning security devices and the lack of mechanism that combined human resources with electronic devices were the main reasons for crimes committed in the given gated communities.

To improve on the above one can presume things may change in future.

IV. CONCLUSION

Regardless of being at minimum or otherwise, the risk to security does exist in Malaysian gated communities. This therefore raises the question about the validity of the club theory particularly when security and safety of the residents is to be one of the utilities provided by these communities.

The main elements of club goods theory i.e. the effective provision of security at a minimum cost, if taken on their face value, may justify the growth of gated communities in Malaysia. A broader view of these elements, however, will suggest otherwise. Observing the failure of provision of security in the Malaysian gated communities at comparatively high cost make the theory less persuasive at least at the Malaysian context.

The above conclusion would be misleading if no further examination of the club theory in the context of Malaysian gated communities is conducted. But before such a study is undertaken one has to affirm the hierarchy between effectiveness and efficiency of security services in the Malaysian gated communities. Priority must be given to effectiveness of the security services. Without prejudice to the significance of it, efficiency will make sense only if the effectiveness is achieved. This is significant because the justification for the existence of gated communities depends on it. At the same vein, efficiency is significant; it is not the reason for making gated community more marketable but also because the lack of it may make gated communities less sustainable and in danger of dissolved.

In order to achieve effectiveness of provision of security services, the mechanism or the means whereby security is provided must be examined. Relevant to this point is the management of security in the gated communities. Empirical study of such a mechanism is needed. The study shall not include only the management mechanism but also must focus on other factors such as, for example, the size and quality of fences, the accuracy and effectiveness of equipments and the attitude as well as the cooperation of residents with management corporations.

Gated communities are here to stay in Malaysia and elsewhere. It is therefore imperative to search for ways how to make them work best for the residents of these communities. The need for the study, evaluation and enhancement of the framework for the security management as well as the institutional structure of security services management companies and homeowners associations is urgent.

ACKNOWLEDGMENT

The writers are grateful to Universiti Teknologi Malaysia for providing the opportunity and funds to study and complete this work as well as sponsoring the expenses involved in this conference. The writers also acknowledge the support of all those who give support in any respect during the completion of this paper.

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