

# **Social Housing in Europe II**

## **A review of policies and outcomes**

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## Preface

This is the second book to be produced by a multidisciplinary group of housing experts that was set up as a result of an initiative by a number of French academics based at different Paris universities. The group was organised through the GIS Réseau Socio-Economie de l'Habitat network, which receives support from the PUCA (Plan Urbain Construction Aménagement, the Research Office of the Ministry of Capital Works and Housing). Since publication of the first book, *Social Housing in Europe*, the group has met three times. In November 2007 a major international conference was organised in Paris, by the GIS. The papers presented there, together with a great deal of further input by authors, form the basis for this text. Since then the group has met in Vienna and in Dublin to discuss a range of issues core to the continued development of social housing and will work further on issues of both principles and policy over the next year. We are extremely grateful for all those who have supported these meetings and for their interest in ensuring the work can continue.

We would like to thank the authors of the reports for their hard work and patience and those who participated in our discussions, offering helpful comments and advice. They included Benoit Filippi, Hedvig Vestergaard and Darinka Czischke as well as civil servants and other researchers who took part in one or more of the meetings.

We are grateful to the Higher Education Innovation Fund (HEIF), which helped to fund this publication through the LSE London Research Centre and sponsored a seminar bringing out the issues for large cities and notably London. We are also grateful to the Department for Communities and Local Government (CLG) for their continued interest and support in enabling the dissemination of our findings. We would like particularly to thank Gill Wedlake for all her help, and Ben Kochan for putting up with the difficult timetable, designing the publication and bringing it to fruition.

The cover photo is of the mixed tenure housing development at Crown Street, Glasgow which has replaced 1960s tower blocks. Credit: Urban Practitioners

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## 1. Introduction

***Kathleen Scanlon, LSE London***

This book is a sequel to and builds on *Social Housing in Europe*, published in 2007 by LSE London. That first book was descriptive, and aimed to give an overview of the social housing sector in nine European countries, in a format accessible to the non-specialist. This second book explores in more depth some of the themes that emerged from the first. Like the first book, this publication was partly funded by the UK's Higher Education Innovation Fund, which aims to increase collaboration between universities and practitioners.

### **Findings from *Social Housing in Europe***

The first book sought to give an overview of the social housing sector in (mainly western) Europe. It contained reports prepared by housing specialists in nine European countries. These reports followed a common framework, and generally covered

- Tenure split and the supply of social housing in each country
- Ownership of the social sector
- Involvement of the private sector in social housing
- Decision-making and rent-setting
- Access to social housing
- Provision of housing for the most vulnerable: 'very social' housing
- Demographics and ethnicity in social housing

In the countries studied – Austria, Denmark, England, France, Germany, Hungary, Ireland, the Netherlands and Sweden—social housing as a percentage of the housing stock ranged from a high of 35% in the Netherlands to a low of 4% (after mass privatisation) in Hungary. In most countries this percentage had fallen over the last ten years as the provision of social housing had not kept pace with overall building, and/or social units were privatised or demolished. In the last decade or so many countries

had seen a revival of interest in social housing, as it offered one way for governments to meet the increasing overall demand for housing that stems from demographic and income pressures. So far, however, there had been no step change in the amount of money available for construction of new social housing.

The profile of the social housing stock differed across countries, in terms of the age of units, the housing type, and the percentage located on estates. In many countries the problems of social housing were almost synonymous with post-war industrially built estates.

Social housing served different client groups in different countries—in some it was a tenure for the very poor, while in others it housed low-waged working families or even the middle classes, while the very poor lived elsewhere. In a few countries the social sector housed a wide range of income groups. Even so, it was generally true that the social sector accommodated a disproportionate number of single-parent families, the elderly and the poor.

New social housing was generally being built on mixed-tenure sites. Efforts were also being made to introduce greater tenure and social mix into existing stock, and to use public assets more effectively.

Several countries were exploring the potential for public/private partnership. This could mean that private finance funded provision by traditional social owners; less commonly, private developers themselves could become involved in operating social housing.

Housing providers and funding regimes varied by countries. In general, subsidies for social housing were becoming increasingly tightly targeted, partly because of European Union rules. There were worries that this targeting was leading to further residualisation of the social stock; there was already concern about segregation in many countries.

Ethnic minorities lived disproportionately in social housing, often on large estates—mainly because of poverty, household composition, and restricted access to other tenures. The residential pattern of minorities had become a political issue in some countries, with concentrations of particular groups being seen as problematic. There was increasing recognition of the tension between providing social housing for long-time local residents and providing it for those in greatest housing need (often immigrants with few local ties).

In the tight housing markets that characterised most European countries in the first part of this decade, the gap between the usually inexpensive social rented sector and an increasingly expensive owner-occupied sector widened. As a result there were few affordable housing options for those households with incomes too high to qualify for social housing, but too low to pay for market housing. In the UK this is known as the 'key worker' problem, although it did not only affect public-sector workers. Countries where social housing did cater for employed households on reasonable incomes were coming into conflict with the European Union, which held that government funds could only be used to subsidise housing for the poor.

The 'very social' sector, which offered temporary accommodation with little tenure security, was growing in several countries. Housing associations and charities often played an important role.

### Themes

Within each country there is an ongoing debate about social housing policy. These debates usually centre on the particular national experience, with little reference to developments even in neighbouring countries. But as *Social Housing in Europe* showed, the social housing sectors in all European countries are facing similar pressures: from immigration and demographic trends, from European regulation, from increased aspirations and the rise of owner-occupation.

Discussions within the group of researchers that contributed to *Social Housing in Europe* showed that there were several topic areas we wanted to investigate further that could contribute to the European discussion. This book thus looks again at social housing in the same nine countries, but it is organised thematically rather than by country. The sections are entitled *Perspectives* - historical, economic and legal background to social housing; *Transformation* - tenure change, innovative forms of social housing and shifts in financing; *Regeneration* - social housing and its role in urban renewal; *Impacts* - empirical work on the effects of particular social-housing policies in particular cities and European policy. Finally, there is an *Overview*.

### *Historic, economic and legal backgrounds of European social housing*

Each of the papers in the first book describe the current social housing system in one European country. These papers clearly reveal that the term 'social housing' encompasses a tremendous variety of housing types, demographics and systemic procedures. But it is not only the concrete details that differ: the ethos of social housing, and the connotations of the term vary from country to country.

Inevitably, when we look at another country's system it is through the prism of our own; even the most scrupulous observer filters information through a raft of assumptions and preconceptions that may hinder understanding of another system. Similarly, we all approach the issues from the perspective of our own disciplines — among the authors of this book are economists, sociologists, lawyers and political scientists. Robertson recognises that both profession and national origin influence our views, pointing out that he himself uses a 'housing policy/sociology lens, which will be further distorted by my distinct Scottish cultural perspective.'

In order to understand better the observed variations between social housing systems as well as the preconceptions that shape our own thinking, we took a closer look at the historic, economic and legal backgrounds of European social housing.

One of the most obvious divides in European social housing is between the mass, or universalist, model of social housing, characteristic of the Scandinavian countries and the Netherlands, and the residual model, seen in the UK and many southern European countries. Recent EU rulings call into question the viability of the universalist model; this is discussed in more detail below.

This division has its roots in the infancy of European social housing early in the last century, and in the mid-century development of the welfare states. Malpass explores some of the academic literature on this subject, and several of the other papers discuss the path dependency evident in the development of social housing in particular countries. Historical roots of this type affect our views about what is normal or desirable. For example, Sweden has a long universalist tradition of public housing; such housing is available to all, regardless of income. Turner's chapter examines the level of segregation of vulnerable households in municipal housing company accommodation in Sweden; this issue is of special importance in Sweden given its particular housing culture.

Of course, not everything can be reduced to path dependency — the most important developments often represent a complete break from historical tradition (Taleb, 2007). Hegedus describes the rapid transformation of the Hungarian housing system from one in which the state was the major provider, to one where the owner-occupation rate is about 95%. Such a change could hardly have been foreseen by forward-looking analysts in the mid-1980s, precisely because it was such a radical break.

Turning to economics, Tutin points out that the original rationale for social housing in Europe was more social and political than economic: it was a way to provide housing for the workers streaming into rapidly industrialising cities, and to alleviate the hous-

ing problems there. Subsequently economists developed the tools for analysing state intervention in markets. Most mainstream economists agree that market failures justify government intervention in the housing market—possibly (though not necessarily) by providing or financing social housing. Other economic rationales for social housing are also adduced in some countries—for example, it is expected to 'influence' or 'lead' the private rented sector in France and Sweden.

Looking at the legal background to social housing provides surprising insights. Ball's chapter compares the legal framework around altruism in France and the UK and makes the point that the French legal system relies heavily on the concept of solidarity—that is, that individuals and firms bear some collective responsibility towards each other. Thus it is seen as fair in France that private employers are obliged to contribute to funds for construction of new social housing—and in return they have a say in how such housing is allocated. In contrast, the UK private sector has no implicit responsibility for housing the poor. Recent moves to involve the private sector in social housing in the UK are justified on efficiency grounds rather than because the private sector 'ought' to help.

#### *The role of social housing in urban regeneration and the creation of social mix*

One of the questions addressed in the first book was whether social housing providers had broader functions or responsibilities than just the provision of housing. Such functions included things like provision of neighbourhood management or influencing market prices. The one non-housing function they have taken on in all nine countries studied was an involvement in urban regeneration. This is not surprising: run-down social housing estates are often the targets of urban regeneration, and even in mixed-tenure areas, social housing providers often control large parts of the housing stock. In most countries they participate in designing and implementing urban regeneration schemes—which may consist largely of refurbishing and re-shaping existing social housing.

In the Netherlands they have a further role: they provide funding. Unlike their counterparts in most other parts of Europe, Dutch housing associations control large amounts of money; the factors behind this anomalous situation are described in two of the chapters in this book - the chapter written jointly by Reinprecht, Levy-Vroelant and Wassenberg, and one written by Wassenberg alone. Because of their financial power, Dutch housing associations have a great deal of influence over the shape of entire neighbourhoods—even those not made up entirely of social housing.

Apart from the fact that they own much housing in renewal areas, social housing providers are key participants in urban regeneration because of the search for ‘social mix’. Historically, those countries with a universalist tradition in social housing have sought to achieve social mix within the social housing sector. This approach for the moment appears doomed. Recent EU rulings on the permissibility of state subsidies for social housing have stated that governments can only subsidise housing for the poor, not for all income groups (see Boccadoro and Ghekiere). These rulings are being challenged by Sweden, among others, but if they are upheld it will mean the end of social housing as housing for all.

If social mix cannot be achieved within the social housing sector, it means either that higher-income households must be attracted to predominantly social housing areas, or that social housing (and its low-income residents) must be inserted into wealthier areas. Both approaches have their problems. Large single-tenure social housing estates have become, in many countries, areas with a high concentration of poverty and social exclusion. The policy response has been to try to reduce these concentrations by introducing other social groups. One method has been to privatise individual dwellings, thus creating a tenure mix — although as Murie points out, this does not necessarily create a social mix. If dwellings are sold to existing tenants then the social composition of the estate does not change at all on the first iteration, as the same people still live in the same dwellings. The social composition may change when the dwellings are resold—but not necessarily in the direction of improved social mix. Robertson concurs, saying that ‘within what was the mass provision of council housing, pre-existing social hierarchies changed only slightly with the advent of Right to Buy.’

Another method for introducing social mix is to demolish some existing units and build new, mixed-tenure housing, to bring in owner-occupiers. This has been done in several countries; the long-term success of such projects will probably depend on their location within the urban space.

At the other end of the spectrum, there are plenty of areas with no social housing—Schaefer points out that 73% of French communes have none. In France, policymakers believe that building new social housing in such communes can foster better social mix. Recent laws offer French communes strong incentives to permit construction of enough social housing so that it makes up 20% of their housing stock (see the chapter by Droste, Lelevrier and Wassenberg). However some communes have flatly refused to participate, despite financial penalties. Across Europe, NIMBYism often

greet attempts to build new social housing in prosperous areas, although there may be less opposition if it is termed ‘*key worker housing*’.

Tenure and building-based efforts have not always been successful in creating functional communities with a good social mix. Turner raises the question of scale—at what level should ‘social mix’ be measured? In her case study of Helsingborg, in southern Sweden, there appears to be a reasonable social mix at city or even neighbourhood level, but within neighbourhoods ‘micro-segregation’ can be identified.

The secondary effects of urban regeneration have become apparent in countries such as France and the Netherlands (see Droste, Lelevrier and Wassenberg). Urban renewal in one area can simply displace problems to the next neighbourhood. If sub-standard dwellings are demolished and their vulnerable residents decanted to other areas, this may improve the social and environmental qualities of the target area, but worsen the situation elsewhere. The question then arises: Is it better to treat the place or the people?

Social housing has always been largely about ‘the place’ (for better or worse). Now it is also about ‘the people’. Wassenberg says that contemporary urban renewal in the Netherlands aims to ‘look behind the front door’ by not only improving the living conditions of deprived households, but also addressing individual problems such as lack of knowledge of the Dutch language, unemployment and loneliness among the elderly, as well as social problems such as lack of cohesion in the neighbourhood. Reinprecht and Levy-Vroelant describe the trend in provision of housing for the most deprived in Paris and Vienna. Access to this dedicated ‘very social’ housing is controlled by social workers, and residents often must agree to meet with social workers, and make efforts to find a job, as a condition of their stay.

Such approaches attempt to address the problems of the client group—but social housing clients can also be the focus in a more positive way. Knorr-Siedow discusses some innovative (though still small-scale) programmes in Germany, where residents are given significant control over the design and management of new or refurbished social housing.

#### *Locational issues*

Historically social housing has not been spread uniformly across the urban or national space, but concentrated in particular areas. Typically it has been located in older industrialised cities (reflecting its origins as housing for low-paid wage earners), and

within them in certain areas—for example, the ‘zone’ of Paris, formerly occupied by the city’s defences.

The spatial pattern of social housing underlies many of the problems now facing the sector. It may not be located where demand is, leading to demolitions and vacancies in areas of oversupply and long waiting lists in areas of undersupply. Large single-tenure areas make it hard to achieve a social mix. And if social housing is to influence private rents, as is expected in some countries, it must be spatially dispersed (see Tutin’s chapter).

Germany faces its own issues in terms of location (see Knorr-Siedow). There was oversupply of social housing in low-demand areas of eastern Germany, leading to large-scale demolitions. In West Germany, though (and now throughout the country), social housing was supplied by private providers in return for tax breaks. The housing remained ‘social’ for a limited time—usually 30 or 40 years—after which it could turn into normal market housing. There is now a large flow of social housing out of the sector as the tax breaks expire, but there is not a corresponding amount of new construction. In high-demand areas there is an acute shortage of social housing. Other locational issues have arisen in Hungary (see Hegedus). A government scheme to subsidise house building by poor households led, perhaps predictably, to construction in areas with relatively high unemployment and bad earnings prospects, rather than in high-demand areas.

Another issue related to location is that of the appropriate scale for comparison. The chapters in the first book described the national characteristics of social housing systems: tenure splits, policy trends and financing systems. But readers of both books will notice that the emphasis has shifted somewhat in this one. As Robertson points out, cities and regions can have their own very particular housing systems and policies, and it is perhaps more informative to examine developments at a municipal or even neighbourhood level. This approach is exemplified here by Turner (writing about Helsingborg), Murie (Birmingham), Reinprecht and Levy-Vroelant (Vienna and Paris) and Robertson (Glasgow). Each of these cities has its own housing history and culture.

#### *European Union regulation and its implications for broad-based social housing*

In 2005 the EU defined social housing as ‘housing for disadvantaged citizens or socially less advantaged groups’ who for financial reasons could not get market housing (see Boccadoro and Ghekiere). Recent EU rulings held that governments may

subsidise only that housing that met this definition. A 2007 decision that Sweden was allowed to subsidise housing for the elderly suggested, however, that target groups did not necessarily have to meet all the criteria in the definition, as it did not stipulate that elderly people had also to be poor to be eligible for such housing (see Ghekiere).

Even so, the rulings would appear to have sounded the death knell for the universalist tradition of social housing, at least in those countries where it relies on state support. Even the Dutch system would be affected, although its housing associations no longer receive financial subsidies; the tax breaks and public guarantees they benefit from are considered a form of state aid. As Ghekiere points out, these rulings were not inevitable. It can be argued that the provision of social housing for all does in fact contribute to the achievement of several overarching community objectives, including social protection and improved standards of living. But the various objectives and treaty provisions of the EU are not necessarily mutually consistent, and the EU authorities relied on other provisions in making their determinations. If the rulings stand (they are being challenged by affected countries), it may merely accelerate a trend that others have already identified; Harloe (discussed in Malpass) regards the residual model of social housing as normal during normal times.

#### **Conclusion**

This raises the interesting question of whether, given current conditions in the financial and housing markets, we can be said to live in ‘normal times’. How will the current crisis affect social housing? Will the number of poor and vulnerable households increase because of the global economic slowdown? Will falling prices in the owner-occupied market lead to a widespread change in housing tenure preference? Will it be easier, or more difficult, to create neighbourhood social mix in the new circumstances? And how will the impacts of the financial crisis on social housing vary by country and by city?

This book cannot provide the answers to these questions, but the information in it will help readers to form their own judgments.

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## 2. Histories of social housing: a comparative approach

*Peter Malpass, University of the West of England, Bristol*

### Introduction

The aim of this chapter is to concentrate on conceptual and analytical frameworks for comparative research on the histories of social housing. Across the European Union social housing accounts for no more than 35 per cent of all housing in any one country, while in every country owner occupation accounts for a larger share of total supply than does the social housing sector. This has led to the claim that Europe is now a 'union of home owners' (Doling and Ford, 2007: 113).

*...anywhere we look at the dynamics of the housing market, we see the share of owner occupation on the rise. Everywhere, the (social) rented sector is on the defensive (Priemus and Dieleman, 2002: 191).*

The fact that the average level of home ownership in Europe is now in excess of 60 per cent highlights the subordinate position of social housing in the present period and strengthens the view that it must be understood in the context of housing systems dominated by home ownership. Nevertheless, the majority of countries in the European Union retain some sort of social housing provision, ranging from less than 2 per cent of the total stock in Spain, Greece and Estonia to 35 per cent in the Netherlands (Czischke, 2005). The housing system in each country has developed its own distinctive character, reflecting local historical circumstances. Thus there are many different histories of social housing in Europe, and in some cases particular cities (eg Vienna) or sub-national components of countries (eg Scotland) stand out from the national narrative. Even if we confine ourselves to the affluent democracies of north west Europe with a relatively long and similar history of industrialisation and urbanisation, still have quite diverse social housing. The starting point for this paper, therefore, is recognition of the observable differences in social housing provision across Europe today, in terms of the size of the social sector, its trajectory of change (growth or decline), organisational forms, methods of financing and role in the hous-



ing system as a whole. The key questions, therefore, are how history can help to explain these current differences (and similarities). And what can history tell us about the direction of travel in the future?

### Perspectives on the history of social housing

One of the problems for comparative analysis is where to place the emphasis, on difference or similarity. In general it can be said that the more detailed the analysis the more likely it is that difference will emerge as the dominant feature. And the further away you stand the more the small-scale differences fade away and the larger scale similarities emerge into view. So, in a sense, the distinction between difference and similarity is methodological. But it is also theoretical, reflecting deep differences in perceptions of what forces shape society and drive (or suppress) change.

A key debate in the context of research on comparative social housing concerns not just difference and similarity but the direction of travel: are we looking at convergence or divergence? Different analyses reflect different perceptions of underlying causality which is a topic to be considered in a moment. First, though, we need to consider what it means to refer to differences between social housing systems. If we say that social housing systems are different are we referring to mere variations on a theme, or do we mean categorical differences? That is, are there different types of social housing systems or just different versions? This becomes important in relation to the debate about convergence or divergence, which are also terms that demand some thought. A strong convergence approach would suggest that there is a tendency in the present period for social housing systems in broadly similar affluent democracies with market-based economies to move towards a residual, safety-net role, underpinning the dominant owner-occupier market. This goes beyond saying that different countries will find their own ways of coping with the pressures of globalisation, suggesting that the power of footloose and highly mobile capital controlled by multi-national corporations is such that national governments will be constrained to follow increasingly similar policies. Divergence approaches, on the other hand, also go beyond saying that each country will find its own way forward: theorised divergence is not a vision of a starburst pattern. Instead the weight of explanation lies not with the local impact of global capitalism but with deeply embedded cultural structures and practices. A key feature of divergence approaches is the claim that there are different 'families of nations' (Castles, 1998) or different 'worlds of welfare capitalism' (Esping-Andersen, 1990). For present purposes an important distinction in this literature is between the so-called Anglo-Saxon, or English-speaking, nations and continental Europe. According to some writers in this school, the differences between countries are sufficient to pro-

duce categorically different, and theoretically predictable, social housing systems that will become more different over time.

### The convergence school

Perhaps the most coherent and clearly structured contribution to the convergence school is Michael Harloe's book *The People's Home?* (1995), in which he develops an account based on a political-economy approach, emphasising the politically influenced character of national responses to the long-term dynamics of capitalism. Harloe builds his analysis around earlier work (Block, 1987) which argued that each phase of capitalist expansion creates a particular set of social arrangements (social structures of accumulation), including provision for social housing. According to this view, there have been three phases of expansion, the first two ended in crisis:

- **liberal capitalism**, from the emergence of industrialism through to the world economic recession of the early 1930s. This period was characterised by limited state intervention in the economy and low levels of public provision for individual wellbeing.
- **welfare capitalism** (sometimes referred to as Fordism), which became more dominant after 1945 but which went into a period of decay in the 1960s and ended in another global economic crisis in the mid-1970s. In this period, although there were variations between countries, there was generally more intervention in managing national and international economies, and considerably more development of public services and social protection.
- **post-industrialism**, or post-Fordism, the current phase, which emerged out of the crisis of the 1970s. Now governments are less confident of their ability to manage national economies in the face of globalisation, and are inclined to cut back and modify welfare state arrangements developed in the previous era, hence references to 'post-welfare states'.

Harloe also draws on the long established debate about what social housing is for: is it primarily to accommodate the least well off in society, those for whom the market never provides decent affordable housing? Or is it to provide subsidised homes for the rather better off, whether they be the skilled working class of the past or people now described as key workers? This leads him to adopt the idea of two predominant models of social housing, the mass and residual. The residual model implies a focus on minimalist provision for the least well off as a safety net service. The mass model on the other hand implies a better standard of provision embracing 'a range of lower- and

middle-income groups, not just or even mainly the poor' (Harloe, 1995: 72). Using the rise and fall of structures of accumulation as a backdrop, Harloe builds his account of the history of social housing around the notion of an early phase up to 1914, followed by the claim that there have been four phases of development since 1919:

**Before 1914**, when social housing began in a number of European countries, primarily as a form of voluntary, philanthropic activity targeted on helping the least well off.

**The period immediately after 1918**, during which, according to Harloe's analysis, the mass model of social housing dominated for a short while during the post-war recovery.

**From the later 1920s to 1939**, when the residual model was reasserted.

**1945 to mid-1970s**, the period of post-war reconstruction, the golden age for social housing, when output levels were high and the mass model dominated, alongside attempts to tackle 'slum' housing.

**Since the mid-1970s**, the mass model has been challenged and has retreated as residualism has advanced.

A key part of Harloe's argument is that the residual form is the normal form of social housing in normal times, and that the mass model only emerges in abnormal times:

*...housing will normally be provided in capitalist societies in commodified rather than decommodified forms and ...it is only when adequate provision in commodified form is not possible (even with state support) and when this situation has some broader significance for the dominant social and economic order, that recourse is made to large-scale, partially decommodified, state subsidised and politically controlled mass social rented housing (Harloe, 1995: 6).*

Harloe's approach has a number of attractive features because it is coherent and has a long historical sweep, reaching back into the nineteenth century to offer an account of the origins of social housing. His approach to periodisation is also useful. Most writers agree on the importance of the 30 years after 1945 in terms of post-war reconstruction, economic growth and a 'golden age' for European welfare states, including social housing. There is also a good deal of consensus around the significance of the mid-1970s as a turning point, after which growth rates declined, unemployment and inflation increased and 'big' government came under sustained criticism (Castles, 1998:7). Others may argue that for the countries of central and eastern Europe 1989

was a more important turning point, but for most countries in western Europe the mid-1970s crisis retains its salience and utility in the analysis of the history of welfare states and social housing in particular.

Harloe's approach also purports to offer an explanation for the development of social housing in capitalist countries in general:

*To understand the development of social housing in the six countries with which we have been concerned (the USA, the UK, France, Germany, Denmark and the Netherlands), it was as important to identify and trace the significance of some general political and economic changes in all advanced capitalist societies as it was to grasp the nationally specific circumstances in which these changes were experienced and which shaped the responses to them (Harloe, 1995: 528).*

However, it suffers from a number of problems, the most obvious of which is that the attempt to link trends in social housing policy to phases of capitalist development is not fully explicated. Harloe's reading of events links the emergence of the mass model of social housing to post-war reconstruction and the associated political settlements, rather than to the economic crises of the 1930s and mid-1970s which marked the transition from one phase to another. Indeed, according to Harloe, in Europe these economic crises were associated with retreat from mass social housing. As a theory of housing under capitalism Harloe's approach has a real problem of explaining the USA, where the mass model hardly made an appearance and where it is admitted that the residualised form has predominated almost throughout. Nor, according to critics such as Kemeny (1995), does its emphasis on the emergence of a residual role for social housing apply to most countries in continental Europe. It is possible, therefore, to argue that Harloe's attempt to produce a general statement about the development of housing in capitalist countries turns out to apply only to the UK. A further criticism is that the two 'models', mass and residual, are not really models at all (Malpass, 2001). Nevertheless, Harloe's conclusions are shared by a number of other writers who have adopted a similar convergence orientation, without necessarily adopting the same analytical framework. For example, Edgar et al. (2002), Whitehead (2003) and Whitehead and Scanlon (2007) have reached conclusions that are broadly consistent with the view expressed by Harloe about the trend of the last thirty years:

*Since the mid-1970s the shift back towards a contemporary version of the restricted, residual model of social housing provision, targeted on the poor, has become evident in (the USA, the UK, France, Germany, Denmark and the Netherlands)...in country after country the period was marked by a common pat-*

*tern – deep cuts in new investment; moves, on the one hand, to privatise sections of the stock and, on the other hand, to narrow the socio-economic profile of those whom the sector accommodated; policies of decentralisation and attempts by government to reduce its political and financial responsibility for the sector (Harloe, 1995: 498).*

### The divergence school

An important feature of Harloe's book is that although he discusses the differences between the social housing systems and policies in his chosen countries, his approach is not well equipped to explain those differences. He neither recognises the existence of distinct categories or groups of countries, nor does he fully engage with those who do, such as Esping-Andersen (1990), whose notion of three worlds of welfare capitalism has become very widely referenced. Esping-Andersen has also been widely criticised, not least for his lack of consideration of housing (Matznetter, 2002, Groves et al, 2007). Within housing studies the divergence approach is most closely identified with the work of Jim Kemeny (1981, 1995, 2005; 2006, Kemeny and Lowe, 1998, Kemeny et al, 2005). To some extent Kemeny's work may be said to compensate for Esping-Andersen's failure to pay attention to housing.

Before outlining the main elements of the divergence thesis it is worth noting Kemeny's critique of convergence thinking, which he sees as the product of an Anglo-Saxon bias in housing research. In particular he attacks the notion that there is an inevitability about the rise and rise of owner occupation, and the corresponding decline of renting. Moreover, he argues that even if it can be shown that there are similar empirical tendencies, for instance in relation to the decline of rental housing, it does not follow that the causality is the same everywhere.

Over many years Kemeny has argued for the divergence position on the basis of social and cultural heritage, contrasting the housing systems of what he calls the home-owning Anglo-Saxon countries with countries on mainland Europe. (He also acknowledges that some non-English speaking nations have dual rental markets: Iceland, Norway, Finland (Kemeny, 2006).) He has sought to explain the apparent preference for owner occupation in the English speaking nations and to contrast it with persistently higher levels of renting in Europe. In Kemeny's explanatory framework there is no room for the dynamics of international capitalism; instead he places his emphasis on two main factors shaping rental housing: policy and financial maturity. In contrast to the implicit fatalism (structural determinism) of convergence writers, who tend to see economic forces as beyond control, Kemeny stresses the idea that mar-

kets are social constructs, subject to political influence; this leads to the view that countries can choose (and have in the past chosen) different policy strategies. According to Kemeny, a number of continental European countries have been influenced by the idea of the social market which emerged in Germany in the 1930s. His thesis is that whereas in Anglo-Saxon countries the pursuit of a profit-driven private rental market has condemned social housing to a residual role, this is not the case in countries that have adopted a unitary rental housing strategy based on the social market approach, in which social housing competes directly with a more regulated, and supported, private rental sector (Kemeny, 1995). The Anglo-Saxon countries have chosen to promote an unhindered profit rental market, which, he argues, inevitably leads to growth in owner occupation and the need for a residual public rental sector (Kemeny, 1995: 18). At the heart of Kemeny's work is the contrast between the dual rental market and the unitary rental market. In a dual rental market quite different rents policies are adopted in the social and private, profit seeking sectors. In contrast, most continental European countries have adopted a unitary rental market, in which governments have, in various ways, sought to minimise differences in rents, quality and social attractiveness between the social and private parts of the rental sector. This means forms of rent regulation but also a degree of subsidy for private landlords. In more recent work Kemeny has distinguished between unitary and integrated rental markets. An integrated rental market is seen as a development from a unitary market and exists when 'the non-profit rental stock mirrors that of the profit rental stock with which it competes' (Kemeny, 2006, Kemeny et al, 2005).

The next aspect of Kemeny's thesis is the importance attached to the notion of financial maturity. This refers to 'the growing gap between the per-dwelling outstanding debt on existing stock and the average new debt per dwelling that is either built, acquired, or renovated' (Kemeny, 1995: 41). The importance of maturation is that at some point (depending chiefly on rates of inflation and levels of investment) the rents necessary to cover costs will begin to fall, making cost renting (social renting) competitive with profit renting and owner occupation. Kemeny argues that maturation demands a policy response, and that countries with different rental systems make different strategic choices. Dual rental countries opt for policies to reduce the competitiveness and attractiveness of social renting, boosting instead the rhetoric around the advantages of owner occupation. In contrast, unitary rental countries adopt what Kemeny calls a process of rent harmonisation, in which rent controls are gradually relaxed in a context where it is the cost rent levels set by the large and attractive social sector that predominate and act as a brake on what profit-seeking landlords can

charge. The further the harmonisation process develops the more the rental market moves from unitary to integrated.

This, then, is at the heart of the notion of divergence. Kemeny is offering an explanation for the continuing differences between the housing systems in different European countries, and providing reasons for predicting that dual rental countries will diverge further from unitary rental countries in the years to come. However, he also hints at the vulnerability of unitarist policies: "The hegemonic position of such market based unitary rental strategies in countries like Sweden, the Netherlands, Germany and Switzerland is much less strongly entrenched than the command economy model is in the English speaking countries (Kemeny, 1995: 145)."

One final point to make about Kemeny's work is that he argues for the importance of research to drill down to underlying causes, accusing convergence theorists of drawing false conclusions from superficial evidence. He admits that,

*A rising rate of owner occupation and tendencies towards increasing concentrations of low income earners and social security recipients in public or cost renting can be identified in many, if not most, countries including at least some of those with unitary rental markets (Kemeny, 1995: 138).*

However, he goes on to stress that although such appearances may persist for "even the medium term" the causes will be different underlying processes (Kemeny, 1995: 141).

As with the convergence thesis there are also difficulties with Kemeny's divergence perspective. Firstly, the idea that there is a family of Anglo-Saxon countries glosses over the very real differences between the housing systems and welfare states of the UK and the USA. In terms of the size of its social rented sector Britain is much more like its continental European neighbours. Secondly, as mentioned above, Kemeny does not give much attention to the impact of external forces, such as globalisation. Thirdly, nor does he offer the sort of structured view of history that is apparent in Harloe's book. Kemeny has little to say about the early development of social housing in different countries, which is understandable given his interest in how policy makers respond to the process of financial maturation. However, he hints that there must have been some background to those key decisions, and there is plenty of scope to fill in the historical detail. Fourth, although Kemeny confidently categorises Austria, the Netherlands and the UK, he is clearly uncertain about where to place France (Kemeny, 2006).

### **Comparative housing histories: a new approach**

Having reviewed these two approaches to comparative housing analysis it is apparent that each has strengths and weaknesses. Is it possible to move towards some kind of synthesis? It is common ground that social housing across Europe had diverse origins in the late nineteenth century and that little progress was made anywhere in terms of the scale of provision. Nevertheless, it was then or in the early part of the twentieth century that some fateful decisions were made, for example about the kinds of organisations that would provide social rented housing. These decisions had significant but unforeseen implications for the future. In the period between the two world wars levels of investment tended to be higher, but it was only after 1945 that large scale provision of social housing was achieved. The sheer scale of investment in the construction of social housing in the thirty years after 1945 is one very good reason for a focus on this period. Another is that there appears to be much that is common to both Harloe's mass model and Kemeny's unitary rental market. Even in dualist Great Britain, in the period 1945-65, when half of all council houses were built, the social rented sector was competitive in terms of price, supply, quality and social appeal. There were even measures that attempted to establish uniform criteria for rent setting across rental housing as a whole (the 'fair' rents policy of the early 1970s (Malpass, 1990)). There is clearly scope for detailed empirical research to establish the extent to which the mass model and unitary rental markets coincide in this period.

The two approaches also appear to agree about the importance of the mid 1970s, though for rather different, but not necessarily incompatible, reasons. Whereas Harloe tends to see the mid-1970s' economic crisis as a turning point in global capitalism, Kemeny sees it as the point when financial maturation began to demand a policy response. Financial maturation was hastened, at least in some countries, by the way in which the economic crisis led to cuts in new investment, while high inflation (also a feature of the economic crisis) helped to reduce the burden of debt. This suggests a focus on comparative research into different responses to the circumstances of the 1970s. When did financial maturation become apparent, if, indeed it did, and how did governments respond? A provisional hypothesis would be that there were indeed categorically different (rather than merely diverse) responses to the situation that emerged at that time, but that over time there has been a tendency for global economic forces to override national policy and to establish a general tendency towards a more residual role for renting as a whole. In this context it is necessary to acknowledge the importance of the secular trend towards higher levels of owner occupation across Europe as a whole. The appeal of home ownership to a growing proportion of

the population as living standards rise is undeniable and is not denied by either Harloe or Kemeny. The effect of increasing levels of home ownership will be both to reduce the share of rental markets and to narrow the social mix within renting as a whole. To this can be added the argument that governments in many countries are increasingly attracted to strategies that place greater reliance on individuals to provide for themselves services that were previously the responsibility of the state, and in this connection ownership of housing wealth assumes considerable significance (Malpass, 2008, Groves et al, 2007). To the extent that this becomes more widespread and entrenched then it implies a more residual role for social housing.

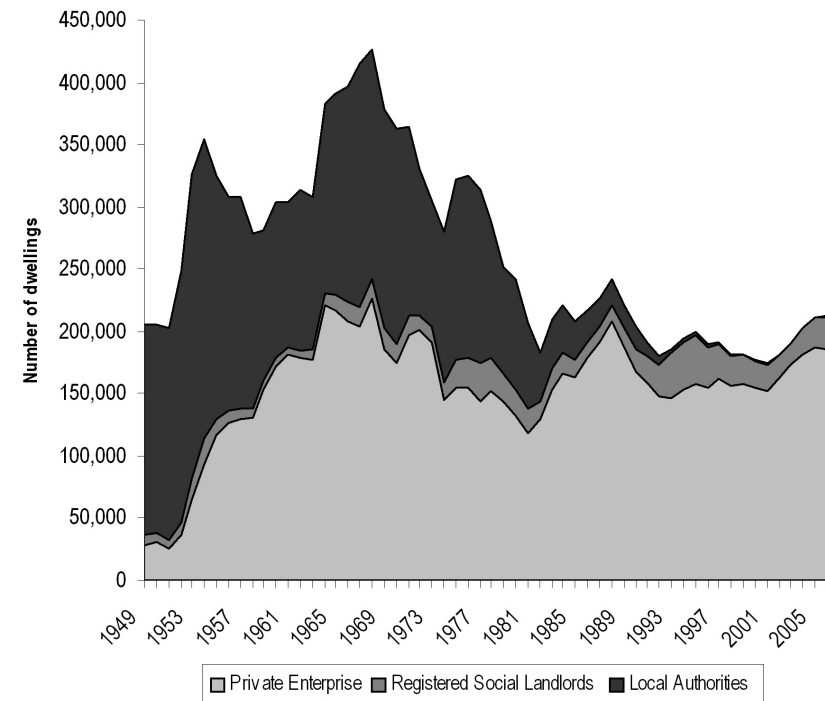
Turning from the theoretical to the empirical, a way forward is to recognise that Kemeny and Harloe effectively agree about the UK. We can therefore use the UK experience as a kind of template against which to interrogate and interpret developments in the other countries. The justification for this approach is that, according to Harloe, we would expect all advanced capitalist countries to be experiencing the same sorts of pressures and to be responding in similar ways. And according to Kemeny, too, we might expect to find superficial evidence of similarity and a vulnerability to the advancing hegemony of the neo-liberal economic model.

In terms of what history can tell us about the future of social housing, it is appropriate to concentrate on the more recent past, essentially the period since the 1970s crisis of welfare capitalism. In that context it is possible to identify in the UK six important transformations within social housing, which can then be used to examine the experience of the other countries.

First, the transition from growth to decline: the social rented sector as a whole grew every year from 1919 to 1980, and has shrunk every year since then. The social rented stock in Great Britain has fallen from 6.5 million dwellings (over 31% of the total) in 1979 to 4.8 million (18.5%) in 2006 (Wilcox, 2007, 102-3). There are two main reasons for the decline of social housing in both numerical and proportionate terms. First, as shown in Figure 1, new building by local authorities slowed from the late 1960s, and had effectively stopped by the mid-1990s. Housing associations, as the non-municipal part of the wider social rented sector, were unable to compensate for the huge loss of investment in new construction by local authorities, and although they continue to build, it is at levels below those achieved by local authorities as recently as 1985. Secondly, as figure 2 illustrates, the introduction of a statutory right for tenants to buy their council houses meant that the municipal sector lost over 1 million dwellings during the 1980s, and although rates of sales have fallen off in more recent years the right to buy continues to have an impact. The upshot of the right to buy is

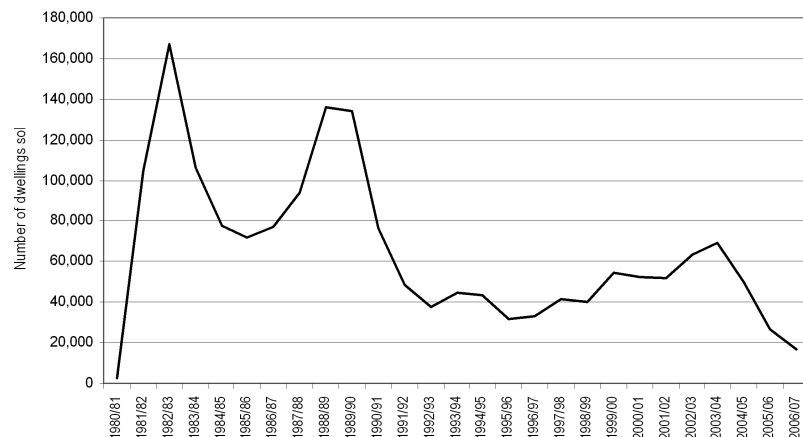
that it is no longer appropriate to talk of 'council estates', for they have all become mixed-tenure neighbourhoods, some of which now include former council houses that have gone through a period in owner occupation and are now let by private landlords.

**Figure 1. Housebuilding in UK: permanent dwellings completed by tenure**



Source: DCLG

Secondly, social housing has changed from a broadly based tenure accommodating a range of income groups, to an increasingly residual sector for the poor. This process has been underway for at least 30 years, but it reflects a debate that is as old as social housing itself about who is this housing for. For at least fifty years after 1919 the question was generally resolved in favour of the better-off working class. The politics of housing then were such that it was the better-off, skilled workers who were able to secure themselves a supply of affordable rented housing provided by local authorities, leaving the less well off to make do with the declining and generally poorer quality private rented sector. As the politics of housing shifted to home ownership as the tenure

**Figure 2. Local authority stock sold under right to buy 1980/81-2006/7 (England)**

of aspiration so social housing was turned towards a safety net role. More recently the trend towards a residual sector has become more entrenched as a decade of rising house prices have made home ownership irresistible for those who can afford it. In 1970 only 11% of social rented sector tenants had no paid work, but now it is 65%. SRS tenants are more likely to be disabled, single parents or members of minority ethnic groups. Social sector tenants in 1980 had average incomes approximately equal to 47 per cent of the incomes of home owners with mortgages; by 2005 the figure had fallen to 30 per cent (Wilcox, 2007: 134).

After at least thirty years of residualisation there are questions about how much further the process can go, with some commentators suggesting that;

...the UK housing system has moved beyond an active residualisation phase into a phase in which the trend associated with residualisation is no longer progressing rapidly...In the next phase of development, the demographic profile is likely to change as the older cohort of tenants departs and the new tenant population are younger and less likely to remain as tenants. This change in demography may mean a more transient role but not a more residual role in terms of income or economic status (Murie, 2006: 29).

Nevertheless, whatever view is taken about the possible slowing down of residualisation in British social housing, no one argues that the process is likely to be reversed. British government policy seems to accept a residualised social rented sector as permanent. Ministers talk of social housing as a 'spring board into ownership', which reveals that they want to encourage those who can leave it to do so, but of course this also implies that social housing will continue to have a safety net role for those unable to survive in the open market.

Thirdly, the pattern of ownership of social housing has changed. As mentioned above, British social housing used to be overwhelmingly owned (and directly managed) by local authorities, but differential rates of new building, the sale of council houses under the right to buy since 1980, and the transfer of council housing to housing associations since 1988 have transformed the pattern of ownership. In 1981 local authorities in Great Britain owned 6 million dwellings, compared with just 470,000 in the housing association sub-sector. Thus the municipal stock amounted to about 93 per cent of the social rented sector as a whole. By 2006 the local authorities owned just 2.6 million properties, while the housing associations had 2.2 million, giving them 46% of the total social rented sector, and their share seems certain to go on rising. The main reason for the relative growth and decline of the two sub-sectors is the transfer by local authorities in England of 1.1 million council-built homes to housing associations. Activity in Scotland and Wales has been on a much smaller scale so far, and in Northern Ireland there are no local authority homes. The transfer of local authority housing to housing associations began as a local response to policy initiatives by central government, but was soon taken over as mainstream policy, and local authorities have been under considerable pressure, both financial and rhetorical, from central government to give up their landlord role (Malpass and Mullins, 2002).

Fourthly, social housing providers, both municipal and non-municipal, enjoyed considerable autonomy of action for most of the 20th century, but in the last thirty years there has been a transition to a situation in which they are more tightly constrained by central government. For example, until the late 1970s local authorities had effective control over most aspects of their housing activities, including capital expenditure, rent setting and allocations. Each of these has become much more regulated by central government. In the case of housing associations the key was the introduction of Housing Association Grant in 1974: the quid pro quo was that they became instruments of housing policy, having to register with and submit to regulation by the Housing Corporation (a body that was administratively separate from the central government department responsible for housing, but which always had close links with

central government and little scope for independent action). Somewhat later the Housing Corporation shifted from being a relatively passive or reactive provider of financial support to independent organisations and became an organisation actively pursuing an investment programme through a number of developing associations. In recent years the Housing Corporation began to refer to its responsibility for managing the 'national affordable housing programme', a clear sign of centralisation. In late 2007 the government published a Bill designed to split the Corporation's investment and regulatory functions and to create two new bodies, the Homes and Communities Agency and the Tenants Services Authority, to take over these duties. Reaction to the proposed legislation from the National Housing Federation (the trade body for housing associations) has been hostile, arguing that the Bill represented the 'greatest threat ever' to the independence of associations.

A fifth transition can be identified which is linked to the decline in new building and to residualisation. This is the change from general supply-side subsidies to personal, income-related, forms of assistance. Associated with changes in subsidy systems there have been changes in rent-setting policies. From 1923 to 1972, all central government subsidies took the form of £X per dwelling for Y years; X and Y were regularly altered, but never retrospectively. In 1972 a specific rent rebate subsidy was introduced and this has developed into the main form of government assistance. Supply side subsidies to local authorities always took the form of annual revenue payments in support of loan charges. However, since 1974 housing association subsidies have taken the form of capital grants. Until 1972 local authorities had more or less complete freedom over rent levels, which generally reflected costs of provision and management. Since 1972, governments have favoured forms of current value pricing, but in most parts of the country, especially high demand areas, rents remain significantly below open market levels. The reforms of 1972 were short-lived but subsequent developments have pursued broadly the same objective (ie, keeping rents moving in line with prices, incomes and property values) by different means. Kemeny was quite correct to identify a maturation crisis in British council housing in the 1970s, and it clear that successive governments have moved in the direction of preventing social housing competing with the private market, both by insisting that rents rise beyond levels necessary to cover outgoings and by limiting the sector's ability to compete by constraining supply and denigrating social housing as a less desirable tenure than home ownership.

Finally, the sixth transformation is that for most of the 20th century social housing was seen as part of the solution to problems with private housing; now it is seen as part of the problem – to be solved by resort to the private sector.

The majority of these transitions are about adjusting social housing to its residual safety net role, as predicted by both Harloe and Kemeny. The challenge now is to examine the history of social housing in the other countries with the aim of determining, first, the extent to which they display the same kinds of changes, and, second, the underlying reasons for the observable trends.

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### 3. Learning from history: changes and path dependency in the social housing sector in Austria, France and the Netherlands (1889-2008)

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#### Introduction

The history of social housing in Europe began more than a century ago. Under most of 'old' Europe's governments social housing became a key element of local and national welfare policies, after the 'social warfare' that marked the first stage of industrialisation<sup>1</sup>. Now much of Europe has a common history of social housing with shared roots, a shared philosophy, and a large variety of experiences. But fundamental questions are being asked about the role of a social sector in the housing supply, and probably about its (changing) nature itself.

Our thesis is that European social housing history can be interpreted through the combination of two complementary notions: path dependency and change. We argue that socio-political experiences and practices at the national, regional or municipal level are potentially powerful determinants of historical developments—an idea known as path dependency. However, they do not stop unexpected and sometimes rapid change. Change is produced by the combination of inherited experiences and mutations in specific demographic, political, social and economic circumstances. Different institutional contexts in different countries, and the varying interplay of actors in each, means that the history of social housing reflects a complex patchwork of disparate legislative, financial and architectural realities rather than a linear evolution. Our paper will therefore not offer a chronology of social housing but a descriptive and analytical view of the main historical sequences in which the fundamental ideas of social housing were implemented and the most significant configurations of actors and institutions that emerged.



The title of our paper, 'Learning from history,' does not mean learning about the future through studying history. This 19th-century socio-technological planning approach (famously expressed by Auguste Comte as '*Savoir pour prévoir, afin de pouvoir*') was a key ideology of industrial modernity. Instead we take a socio-historical approach, which can illuminate the dynamics of change and the reconfiguration of the social housing system and allows us to formulate questions for further investigation.

The article's general thesis is backed up by a specific examination of three countries where the social housing sector has traditionally been large, and where it still accounts for a significant percentage of the whole housing supply: Austria, France, and the Netherlands. France has the largest stock in absolute numbers (4.2 million units), the Netherlands has the highest proportion of social housing (35 per cent of dwellings are in social rental), and Austria has the biggest rental sector (45 per cent of dwellings are rented, 27 per cent in social rental). All three countries share a strong tradition of municipal power in their biggest cities, where social housing makes up a huge percentage of the total housing stock (e.g., 40 per cent in Vienna and 52 per cent in Amsterdam). The development of social housing is deeply rooted in the political history of each country and its development of the modern welfare state. The comparative approach thus offers an opportunity to observe the different administrative and geographical layers of social housing policies, and the changing structure of social propriety produced by the actors' interplay.

We start by identifying five main periods in the history of social housing. We then set out to analyse the processes that helped create the fascinating patchwork of social housing which 'affirms its originality and its singularity' (Guerrand, 1992). A selection of issues for further research is presented at the end of the article.

### **From the origins of social housing to the present: a patchwork of practices and experiences**

#### *The origins: housing reshaped by utopia, philanthropy and industry*

During the 19th century industrialization attracted masses of job-seeking people to the urban areas where new industries were concentrated. This migration happened early in some countries and regions, later in others. The cities were not equipped for these large flows of migrants: Poverty, overcrowding, poor hygienic conditions, disease (e.g., the 1832 cholera epidemic in European cities) and other misery became more and more evident. Speculators, factory owners and investors built high-density estates with poor heating and sanitary provision, or even none at all, to house the

newcomers. The demographic development was indeed impressive: In Vienna, for example, the population quintupled from 400,000 to 2 million over the second half of the 19th century. The masses were housed in badly equipped blocks ('caserns') or barracks; according to the 1869 census, 10 to 20 percent of the population (depending on the district) could be classified as *Aftermieter* or *Bettgeher* – inhabitants who had access to a bed only during a couple of hours, and often had to share it with somebody else. A similar situation could be found in most European cities. In Paris, according to Jacques Bertillon's analysis of the 1891 census, dwellings were not overcrowded as in other big European cities such as Berlin or Vienna. Nevertheless, the population of Paris reached one million in the middle of the century, and had grown to more than 2.9 million by the eve of the First World War.

During this period of rapid industrialisation and urbanisation there was an absence of regulation and planning of housing for the emerging working class. The first 'social' housing initiatives were taken not by local or state authorities but by private actors such as companies, factory owners and philanthropists. Such initiatives took place all over Europe; some notable early French promoters include Schneider at Le Creusot, Menier at Noisiel, Godin at De Guise and Dolfus in Mulhouse. In Austria as well, the first working-class housing estates were built by factory owners starting in the middle of the 19th century (e.g., the Krupp estate in Berndorf). In Amsterdam, many dwellings were built under the influence of Florentinus Wibaut. This 'social entrepreneur', a member of the Catholic gentry was an important figure in social democratic Amsterdam of the first decades of the 20th century. The early history of social housing is rich in such proactive bourgeois personalities.

At the same time private foundations emerged, funded by the aristocracy and bourgeoisie. These foundations (like those of Rothschild or Rowston) were especially active in countries with a strong tradition of religious social commitment, like Great Britain and the Netherlands. In their conception, housing was at the core of the organisation of the inhabitant's entire life. The most ambitious projects controlled and supported residents 'from cradle to grave'. Regardless of whether the funds were collectivistic or libertarian, whether they supported private ownership or renting, their aim was always to organise the relationship between workforce and capital in the most profitable way for the latter. However, the numbers of dwellings in these new forms of 'social housing' were negligible; most of working-class people continued to live in extremely poor housing conditions. Although the dwellings were only for a 'happy few', the ideas behind them pointed the way towards the concept of social intervention.

A combination of motivations led to the passage of housing acts in all European countries at the end of the 19th century: social (combating injustice), economic (protecting profits by keeping the workforce healthy), public health (diseases don't stop at the borders of wealthy neighbourhoods) and the fear of uprisings. Belgium, with its 1889 Act, was the first in the world; Britain came second in 1890 with the passage of the Housing of the Working Class Act. In France, the *Loi Siegfried* (1894) was followed and completed by the *Loi Ribot* (1908) and the *Loi Bonnevay* (1912), which created the Public Offices of Habitations à Loyer Modéré (HLM). In Austria, the 22 December 1910 Act created a banking system that would channel money from taxes to housing construction, and allowed the State to support housing construction initiatives by guaranteeing the funds. In the Netherlands, the *Woningwet*, passed in June 1901, laid the foundations for an organisation of land that subordinated private owners' interests to those of the community: in that sense, it implemented 'social municipalism'.

Although local and national situations differed greatly across Europe, the start of regulated social housing was similar in many countries. By 1914 the conditions for combining private and public initiatives were in place, even though there were as yet few concrete initiatives. National policies emerged from a broad consensus across the political spectrum. They generally included such elements as tax changes, direction of savings towards housing construction, tentative moves towards tenants' protection, support for home ownership, creation of housing associations and the adoption of administrative instruments to combat housing misery. The fundamental ideas of social housing, and the key elements of a regulatory housing policy, were basically in place by the eve of the First World War. Of course, the implementation of this regulatory housing policy was conditioned by specific national contexts and traditions. These included the degree of urbanisation and other social or cultural (including religious) characteristics, as well as the specific form of the emerging nation-state and the structures of its political system, society and political parties. The founding ideas of social housing were put in practice across Europe by different but inter-related actors. Social housing became a key element of the social welfare system in industrial societies, leading to a patchwork of practices and experiences that cannot be explained adequately only by theories of divergence and convergence.

#### *The period of municipal commitment to social housing*

Writing about the 'needs of the working class', French sociologist Maurice Halbwachs pointed out in 1912:

*La classe ouvrière n'a pas encore pris conscience de l'importance sociale du logement. Il est permis de voir là un des effets les plus certains de l'affaiblissement chez ses membres, par suite des conditions anormales de leur travail, des sentiments et des désirs sociaux<sup>ii</sup>.*

Reformers from different political backgrounds would commit themselves to awakening this consciousness.

The social question, which became more pressing at the end of the 19th century in the context of the class struggle between labour and capital, required concrete political answers. The legislative framework set up around the turn of the century in almost all European countries represented an important first step in providing such answers. However, these housing acts did not immediately stimulate the provision of social housing; not until after the First World War was social housing built in significant quantities. This relatively long time lag between intention and implementation was due to the fundamental socio-political changes that had taken place. Old European empires were defeated and had to make a new start, new nations were created, new conceptions and ideologies of mass education ('bio-politics') gained currency. In addition, the war had caused serious damage and shortages. It was in this context that public authorities (mainly municipal) and other political and societal actors entered the social housing system. These included political parties, trade unions, associations and cooperatives, some of which were created far earlier but had so far not yet played a very important role.

In Austria, after the declaration of the First Republic (1918) and the administrative independence of Vienna as a proper province (1922), Vienna's social democratic government began to be very active in the field of social housing. Outside the capital city, however, social housing activities remained marginal. The 'Red Vienna' social housing policy was a key element in the creation of a local welfare state. Between 1919 and 1934 about 64,000 dwellings were built to high architectural standards, with innovative equipment. Radical new for those days was the development of dwellings with a modern functional kitchen system (e.g. that of the Viennese architect Margarete Schütte-Lhotzky).

In the Netherlands – neutral during World War I – the national government intervened heavily from 1916 onwards. Large subsidies were provided to stimulate housing construction. The years up to 1930 were an important period in Dutch social housing. Many estates were built; they were characterised by high architectural quality and spacious dwellings (for those days), and were often set in Garden City-like environ-

ments. The so-called Amsterdam School gained international fame: more than 30,000 housing units were built there between 1915 and 1921. The underlying idea was to uplift the material and moral condition (according to the views of the time) of the population. These kinds of social housing areas were built not only in the major cities, but in towns all over the country. Most of them are still highly regarded and many are now protected as historic buildings.

In France over the same period, companies still provided the bulk of housing for their workers. At the municipal level, Habitations à Bon Marché (HBM) societies, set up to build and manage housing with public support, start to develop. So-called Public Offices were set up to collect funds, build and manage houses for wage-earners. The first was created in La Rochelle in 1913, and the Public Office of the Seine department was created in 1914. By 1920 France had 38 public offices for HBM, 452 private societies of HBM and 82 societies for real-estate loans. In Paris and Lyon pioneers such as Henri Sellier and Lazare Goujon were fighting to enlarge the social housing stock and tackle the slums (50,000 dwellings were constructed on the 'zone', the former military circle around Paris, and 1,500 in Lyon's Villeurbane centre), but such concrete activities were the exception.

With the increase of municipal commitments, often accompanied with the establishment of a local welfare state, social housing became a central tool not only for combating the housing-related misery of the working and popular classes in the aftermath of World War I, but also more broadly for stimulating mass educational and moral reform. The newly-established system of social housing was therefore strongly selective and systematically linked to a system of control. This can be seen in Dutch municipal initiatives such as *Woonscholen*, houses where people were taught how to use a dwelling properly, and *Control-Woningen* where those judged unable to behave decently in a 'normal house' were extra supervised. In both the Netherlands and France there were for a long time housing inspectors or *visiteuses à domicile*, whose role can be considered ambiguous since they (sometimes) collected rents or distributed social allowances, but at the same time inspected the properties. Similar types of control were also implemented in Vienna with a special emphasis on social hygiene.

In all three countries, municipal authorities mainly selected social-housing residents on the basis of membership of unions or socialist or communist parties, according to the political 'colour' of the municipality. In the Netherlands *verzuiling* (polarisation), the compartmentalisation of society along religious or socio-political lines, could be seen in unions, schools, neighbourhood centres, cultural organisations and housing. There were housing associations for Catholics, Protestants, socialists, generalists, etc.,

resulting in streets or neighbourhoods of like-minded people. This compartmentalisation would last until at least the 1970s and its effects are still visible in Dutch society.

#### *The great depression and its effects on social housing*

The destruction caused by the First World War led governments (in particular local authorities) to adopt a more interventionist attitude. The world economic crisis of 1929 caused huge economic and political disruption everywhere, but the effects on social housing policy differed. In the Netherlands, government subsidies for housing were frozen from the mid-1920s onwards. The private sector took the lead in housing construction, building mostly private rented housing. Meanwhile, high and increasing unemployment rates made it hard for tenants to pay their rent, leading to evictions and vacancies. In Austria, the economic crises provoked a radical fall in construction activities after 1931, and the civil war ended in 1934 with the defeat of Red Vienna. The period from 1934 onwards was characterised by local (Austro) fascism and, after Austria was incorporated into Germany 1938, the Nazi regime. Some social housing activities, strongly coloured by fascist and racist ideologies, did continue during this period but were rather marginal (especially in the Nazi period). France was different. Whereas in Austria and the Netherlands much urban housing was provided by the social sector or the market rented sector (apart from owner-occupied housing for the better-off), in France employers had a major role: most new housing for working-class people was still provided by entrepreneurs. Just before World War II public involvement was still very modest: the number of houses provided by employers was double that built with the help of public funding (900,000 units versus 1.8 million). Private rental housing, or *maisons de rapport*, remained the mass accommodation for working class people.

#### *Towards housing for all? The mainstreaming of social housing after World War II*

The three decades following World War II are often considered to be the golden age of social housing — *les trentes glorieuses*, the French call it. Indeed, this was the period that the largest numbers of social dwellings were built, but there was a boom in construction of housing of all types. In a general context of housing shortage, social housing — which was generally well designed and well equipped, even if not always optimally situated — was attractive not only to working-class people but also to employees belonging to the middle-class, key workers and civil servants. It was also generally restricted to citizens. In Austria the law kept foreigners out of social housing, while in France and the Netherlands immigrants from former colonies had (theoretically) access to social housing as well. This 'mainstreaming' of social housing

owes much to the functionalist notions of modern society and the implementation of the post-war welfare regime. Accessibility, functionality and uniformity were the guiding concepts of social housing policy, which aimed to supply affordable housing for workers and their families. And in fact social housing did provide millions of households with a generally very much appreciated improvement in their housing situation.

This mainstreaming of social housing did not actually start immediately after World War II, when much of Europe had descended into social, physical and economic chaos. In both the Netherlands and France about 20 percent of all housing had been destroyed or damaged; in Vienna, 13 percent of housing was destroyed. In France, where interwar housing production had only been half that of Germany and Britain, the war's depredations aggravated the shortages that were already evident in the 1930s. The immediate post-war priority for many countries was to rebuild their economy. By the 1950s, however, family formation and the post-war baby boom had created even greater demands. During the 1950s and the 1960s, the provision of sufficient housing became a top political priority. In France, colonial wars and industry came first on the agenda, but the formation of what has been called a 'techno structure' of banks, construction companies, architects, urban planners and engineers belonging to the Modern movement finally led to new dynamism in the construction sector. Big estates (more than 1000 dwellings) came to dominate, and there was a consensus around building specific collective accommodation for migrants (foyers). Government and industry came to an agreement that culminated in the passage of the '1% Law' (1953), which stipulates that every company with more than 50 employees must invest in social housing construction. Thus the private sector continued to play an active role in providing housing, as it still does today.

In Austria, social housing appeared for the first time on the national agenda of the post-war corporatist welfare regime. While the municipality of Vienna continued its construction activities, the historical milestone in Austria's social housing history at national level is the Subsidised Housing Act of 1954, which led to the construction of hundreds of thousands of dwellings. In the Netherlands, housing production gradually increased, reaching a peak in the early 1970s of over 150,000 dwellings per year, about half of which were in the social rented sector. In all three countries these high production levels were reached through a combination of technological improvements, series production and uniform designs.

In the three decades following 1950, social housing fostered upward mobility for the working class on the one hand, and consolidation of the position of the middle class on the other. Broad access to social housing was an important element of the 'eleva-

tor effect'<sup>iii</sup> that allowed the majority of the population to share the wealth of the economic boom. Social housing policy was a key factor in establishing and consolidating the national welfare state, following Scandinavian example. Governments supported housing directly with high bricks-and-mortar subsidies. Big cooperatives and non-profit housing associations were created, sometimes still linked to (local) government, and became important actors in the housing system.

#### *Individualisation and fragmentation: Social housing at the turn of the 21st century*

The period from the mid-1970s onwards was characterised by a gradual withdrawal of state-related actors from housing. Housing, like other pillars of the welfare state, became more and more individualised — that is, oriented towards the needs of the different milieus of working and middle-class people. At the same time social housing ceased to be a major government issue. Decentralisation of responsibilities on the one hand (the retreat of national actors and the increasing influence of local and private ones), and ideological individualism on the other (the notion that each person should look out for him or herself) are two sides of a coin. Owner occupation was further encouraged, and in almost all European countries, except Austria and the Scandinavian welfare regimes, bricks-and-mortar subsidies were reduced in favour of personal subsidies like housing allowances and tax deductions. The disengagement of central government agencies strengthened the position of the non-profit sector (associations and corporations) and private actors.

In the Netherlands, the retreat of central government led to higher levels of owner occupation and more powerful social housing organisations with increasingly professional management. Local housing associations improve their organisation and have a say not only in the provision of housing for popular classes, but also in the design of the local environment, the quality of the neighbourhood and the well-being of their tenants. Housing associations play an increasing and powerful role in urban renewal, both because they own most of the housing stock in renewal areas, and because their professionalism and financial means make them obvious leaders. They see themselves as policymakers, implementers, and social engineers: improving their housing stock, the local environment, social cohesion and tenants' individual potential.

In Austria, the weakening of the post-war corporatist regime was accompanied by a strengthening of market principles in the rental sector (the 1981 tenancy law deregulated rents) and a general decentralisation of the social housing system (1988). As a consequence of these reforms and of socio-demographic changes (a greater pluralism of household forms and family patterns, the ageing of the population, new immi-

gration), the social housing sector became more diversified. It was also marked by increasing inequalities between the different housing sectors, different practices in the country's nine regions, and construction of dedicated units for different target groups. But the messages are contradictory: Public discourse now elevates private property and contributes to the stigmatisation of municipal housing in particular, but the system of public subsidy, still oriented towards bricks and mortar, remains a highly regarded part of the normative welfare consensus.

In France, after social housing construction peaked in 1971 it stagnated at the lowest levels as a result of policy changes and the shift from bricks-and-mortar to personal subsidies. In addition, the structure of the product changed: less was built for the lower income groups, while more was provided for medium and upper-income households. All forms of 'very social' housing (targeted at the most deprived) were again expected to fill the gap. At the end of the 1990s, the problem of so-called 'sensitive urban areas', or very run-down neighbourhoods, led to urban renewal programs that featured the demolition of big social housing estates. In France, state intervention was late compared to other countries, technocratic and centralised (carried out according to national plans, with no development of bottom-up initiatives), productivist (focused on big estates) and 'Modernist' (collective not individual). The current situation is paradoxical: the housing sector as a whole (construction and transactions) is active and profitable<sup>v</sup>, but many households are poorly housed or homeless (in total about 3 million)<sup>v</sup>. The sector now faces three main issues: location (social housing was originally built where industries developed, then in the suburbs of cities, and is now becoming dilapidated), reputation (the image of social housing is getting worse), and function (the sector is asked to carry out contradictory missions such as fulfilling the right to housing and fostering social mix).

The rise of neo-liberalism in nearly all European welfare states in the late 20th century has meant that individualisation and fragmentation now increasingly characterise the social housing system. Whereas individualisation relates both to socio-demographic changes and to neo-liberal ideology, it is also strongly linked to the increasing fragmentation of the social housing sector. This fragmentation reflects structural changes in the economy and the labour market, which have had negative effects on living standards, job stability, and equality of opportunities. These growing inequalities leave strong marks on the social housing system.

### An analytical view of history

The question now could be: is social housing still social? Underpinning social housing has always been a (relative) consensus on the definition of the common good. Social housing in Europe developed as a utopia and a collective project for modern industrial society. Emerging from the antagonistic relationship between labour and capital, the project was implemented by a power triangle of state, market and societal actors. Like other elements of the modern welfare state, social housing fulfilled important economic, social, cultural, and integrative functions. How is this collective project, based on a surprisingly stable normative consensus, faring now? An analytical view of history can offer some insights. The following attempts to model such a view:

We have inherited a patchwork system of social housing. Its heterogeneity stems from the fundamental idea animating its development: that a solution had to be found for the terrible housing situation of working-class people. For various reasons—fear of physical, moral and political contagion—the housing of the working class became an essential dimension of the social question that emerged from industrial modernity. The relationship between capital and labour, and its regulation, which were at the core of the social question, became the core of the housing question itself. This relationship has been a key to defining common wealth and welfare for more than a hundred years with changing figures of the power relation between labour and capital and its different kinds of institutionalisation (trade unions, governments, social landlords, companies interplay). According to this analysis, social housing developed as a compromise between different or even opposing philosophies and political understandings of the common good. Even so, some periods were positively consensual—for example, at the beginning of the 20th century, and after World War II. But what about today?

As long ago as the Middle Ages, some enlightened rich people provided good housing for deserving workers and their families. The Fuggerei, founded at the beginning of the 16th century by Jacob Fugger, one of the first worldwide capitalist financiers, is often regarded as the first 'social housing' initiative. But this was purely private. Social housing as we understand it started as a collective political expression at the end of the 19th century. One incontestable reference point is the first European congress of HBM, which took place in Paris in 1889. It is interesting to note that this first congress decided to renounce the old name of *Habitations Ouvrières* in order to target a wider range of social classes. The significance of housing as 'social' is therefore structurally linked to the emergence of the modern nation-state, which defines the common good in the interest of social cohesion, and demonstrates its potential of intervention. Social housing was from the beginning seen not only as an aid for poor people but

also as an instrument to address the specific economic, social, cultural and integrative concerns of modern society.

Since this 'founding event' in Paris, social housing has developed in complex and variable patterns that reflect different configurations of ideas and architectural conceptions; norms; and financial, judicial and administrative decisions. These shaped the concrete forms of housing estates and the types of inhabitants who lived in them. Obviously, these patterns relate to specific local traditions (i.e., the character of civil society) and contexts (the level of industrialisation, economic crises or prosperity, wars and their consequences). We have seen that war, political change and economic growth introduce new possibilities into the usual (path-dependent) patterns. The compartmentalisation of society in the Netherlands, the tradition of associations in France, and political polarisation in Austria are among the historic forces that have framed successive developments.

These patterns are based on shifting balances of power among the relevant actors: companies, unions, banks, governments, local authorities, societies, non-profit organisations, corporations. Social housing was never dominated by one actor for a long period. Private and public interests, central governments and local authorities, left-wing and right-wing ideologies, individualism and collectivism, big estates and single-family units, renting and ownership – all could be found in social housing. The heterogeneous (patchwork) character of the system may explain its exceptional capacity for adaptation and innovation. It is also the source of its remarkable pluralism - the actors are continuously reconfiguring, establishing new alliances and 'techno-structures' to adapt the fundamental ideas to new needs and circumstances and the structural characteristics given by path dependency.

Consequently, the question of change is central – change in the sense of the capacity of societies to find solutions for the problems they face. Social housing itself was the solution to a problem: employers and politicians had to deal with labour-force instability, with overcrowded houses and unhealthy cities, with social disintegration and the emergence of 'dangerous classes'. At the origins of social housing there was a convergence of interests around what became a dominant political position. Innovations in administration, management, financing, architecture and technical issues were made—and still are. The question today is: what are the dominant patterns now, and what are society's needs and demands?

To an increasing level, society's needs don't fit with individual needs. The big concern today is individual social security, and our societies seem to be unable to ensure it in

a collective way since the labour market is so drastically changed. Rather, solutions are individualistic since social problems receive privatised answers. Social housing and social intervention more generally, seem to be losing their communal and social character and becoming more individualistic and private.

### **Concluding remarks and suggestions for further research**

Social housing had its beginnings in the antagonistic relationship between capital and labour, and was therefore linked to the definition of the social project as a common or collective one. If this structuring force is weakened it brings into question the social project in general and the idea of social housing in particular. The question, 'Is social housing still social?' leads us back to the integrative forces of modern industrial societies: labour-market participation, family attachment, inclusion in the welfare system. There are important indications that societal integration is undergoing profound transformation: the instability and precarity of the labour force, the questioning and transformation of traditional family patterns, the regression of the welfare state.

Since the origins of social housing, almost all those parameters which defined it as a social project, and which contributed to collective well-being and social cohesion, have changed. The population living in social housing and their social milieus have changed, as have the standards, needs and conceptions of good housing. The relations between housing and the work force have changed. The forms of collective financing and the collective welfare or protection systems have changed. Path dependency is still evident in the development of social housing in the three countries, but changes can occur very quickly if the conditions allow it. And above all, one could hardly claim that a good balance between demand and supply has been reached.

Where is social housing heading in the future? Housing needs have been replaced by the increased housing demands of the many (not all) with growing wealth. Housing experts often ask whether social housing is now seen as the problem rather than the solution. This question is systematically linked with the tendency towards an economisation and privatisation of the social as a collective good—that is, the retreat of state actors and the dominance of private stakeholders and interests. But this does not take into account the privatisation of 'the social' itself. As the review of social-housing history shows, housing was defined as a social issue under specific historical circumstances. The earliest social housing was provided by merchants (e.g. Fugger), but it later became an integrative part of the general social agenda in the context of the serious market malfunctions of industrial society. The actors at the time viewed the struggle between labour and capital and the establishment of the modern nation as

crucial in the implementation of a social housing regime. In late modern societies the notion of the social itself is changing again: The social is no longer identified with the common good, but with the concept of personal assistance for those who are not able to provide for themselves. In this sense the issue of social housing is again becoming privatised and individualised. The privatisation of social housing units – a process that is just starting in our three countries – is consistent with this ‘social privatisation’ of policies, and is probably irreversible.

A general interpretation of change in late industrial society would be too speculative. We therefore would suggest that case studies be undertaken to test the hypothesis that a new patchwork is emerging from the interplay of path dependency and innovation in the social housing system. Ideally the approach would be global, taking into account such parameters as economics (the place of social housing in overall supply, markets and price formation), sociology (who is housed, what needs social housing is supposed to fulfil, the philosophical basis on which it developed), politics (the interactions between actors and leaders in the political decision-making process) and culture (the predominant style of architecture, the mobilisation of socio-cultural symbols). We would like to suggest some possible small pieces of work: The following research ideas, while not exhaustive, could extend the present analysis.

*Continuity and change in the architecture and planning of social housing (big estates vs. garden cities?)*

Garden cities, invented and promoted by Ebenezer Howard, have left a glorious legacy, but today the idea of sustainable development has made us recognise the virtues of density. More generally, builders have to deal with technical and urban planning requirements and people’s preferences. Social housing providers compete with other builders to innovate. This question would allow researchers to go beyond the current ideological struggle and deeper into the contradictions of the patchwork heritage.

*Continuity and change in local-authority leadership (the end of municipalism?)*

The recent tendency towards decentralisation has created opportunities not only for local government but also for private actors. There is growing tension between the aggressive speculative market and collective propriety, and decentralisation is one factor in this conflict. Municipalities have to find a way between growing financial constraints and more political responsibilities, and this contributes to delineate new objectives and partnerships (as in the social care sector).

*Continuity and change in the role of state (retreat or transformation of the state’s role?)*

Social housing started as a way to meet the needs of the working classes and so solve the social question. The state was actively involved in making housing part of the welfare state. Should the government be responsible only for the least well off, which could lead to the residualisation of social housing? The historical overview shows that both private and public actors have always been involved in social housing. This may be a starting point for redefining the current changes in terms of funding, and the general principles for state action. What roles do state actors actually play now, particularly in the context of urban renewal and urban development policy?

*Continuity and transformation in the tenure orientations and ‘targeted populations’ (towards the dominance of ownership?)*

Considering the history of social housing from the point of view of tenure, it is clear that social housing is not, and was not, exclusively rented. Most European governments promote owner occupation as a central goal of housing policy. This has led to the redefinition of tenures and targeted populations for social housing. Who is now the targeted clientele for rented social housing, and for possible acquisition of the dwellings? The emergence of a category of ‘poor owners’ in the Central Eastern European countries is interesting to observe in that context. Is the competition between workers in the public and private sectors, between national and local, going to increase? Should social housing be for the traditional working class or for so-called ‘key workers’ and ‘disadvantaged people’?

*Continuity and change in the organisation of neighbourhood life*

Much social housing is intended for collective use. This stems from both financial considerations (sharing costs makes facilities available for all) and ideological ones (it promotes the pacification and socio-political integration of working-class people). The former integrative collectivist character of social housing, which was reinforced by its architectural design and urban planning, has disappeared, while communitarian practices are now more evident in low-cost private neighbourhoods. How can common spaces, especially in social housing neighbourhoods, adapt to the contradictory needs of individualism and social support? What are new forms of collectivism or communities? The image of these neighbourhoods, and perhaps of the whole social housing sector, should be re-evaluated in this context.

*Social housing: a European issue or a global one?*

This question could figure as an additional sixth area for future research, but it covers many fundamental issues which are not only of academic interest. Has social housing, whatever its form, become a globalised issue? The history of social housing is deeply embedded in the history of European industrial modernity. Social housing played a key role in consolidating social cohesion in the process of rapid industrialisation and urbanisation, and the current patchwork of social housing provision is unique to Europe. But the issue of social housing is now also crucial in non-European countries (e.g. China, the Maghreb, Latin America, South Africa), and should be studied there. These countries have experienced powerful economic development, and mass migration from poorer peripheral regions to cities has led to explosive urban growth. The story has not reached its end, and examining the issues from a global perspective can only benefit European studies of social housing and welfare.

**Endnotes**

<sup>i</sup> In his study of working class living conditions in England, Friedrich Engels wrote: "Everywhere barbarous indifference, hard egoism on one hand, and nameless misery on the other, everywhere social warfare, every man's house in a stage of siege, everywhere reciprocal plundering under the protection of the law, and al so shameless, so openly avowed that one shrinks before he consequences of our social state as they manifest themselves here undisguised, and can only wonder that the whole crazy fabric still hangs together." (Engels, 1845)

<sup>ii</sup> Maurice Halbwachs, *La Classe ouvrière et les niveaux de vie. Recherche sur la hierarchie des besoins dans les sociétés industrielles contemporaines*. Paris, Alcan 1912. "The working class is not yet aware of the social importance of housing. It is permitted to see this as one of the most certain effects of the weakening among their members, due to the abnormal working conditions, of feelings and social bounds." (Free translation)

<sup>iii</sup> see Ulrich Beck, *Risk Society, Towards a New Modernity*. London, Sage 1992

<sup>iv</sup> This analysis does not take in consideration the new context of the severe financial crisis and its possible impacts on housing construction.

<sup>v</sup> According to the Fondation Abbé Pierre Annual Report 2007

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**4. Social housing and private markets: from public economics to local housing markets**

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**Introduction: Social housing under fire**

Social housing as a particular segment of the rental housing stock, supported and /or owned by public or non-profit bodies, has long been a mainstream approach to housing provision in most north west European countries, including France, Denmark, Great Britain, the Netherlands and Sweden. Since 1945 its legitimacy has not really been questioned, although it rested mainly on social and political arguments, rather than a strictly economic rationale: it was part of the general understanding of the overall welfare system.

This strong historical legitimacy has become increasingly contested. Since the 1970s, economic criticism has been growing, based on arguments about efficiency, cost, and even equity. At national level, tighter budgetary constraints since the mid-70s and the general move towards state withdrawal from housing has led to reduced support for social housing. At the European level, single-market regulations being introduced by the Commission are pressuring countries towards more restrictive or residual systems of social housing, where access is limited to the poorest groups of households with the rationale that more general assistance is anti-competitive. Yet there is also evidence of a rather different legitimacy beginning to emerge.

Starting from public economics fundamentals, this chapter addresses the issue of the role of social housing by discussing the economic rationale for social housing; why commitment to such housing has been weakening in the last three decades; and where social housing might go in the near future.



### The economics of social housing: an old-fashioned grammar

As with any other form of public intervention in markets, public support for housing provision may be analysed with reference to the three missions assigned to the state in traditional public economics (Musgrave, 1959 and Samuelson, 1954). These are:

- Income redistribution;
- Resource allocation;
- Stabilisation.

To this might be added the idea of housing as a merit good — which raises the question of whether we continue to accept that society's values with respect to certain social goods may differ from the values held by individuals within the society.

#### *Redistribution*

Distribution is the field in which public intervention is least controversial, and the debate has focused on how to realise it: through price regulation (rent control), housing allowances, or supply-side ('bricks and mortar') subsidies. Rent controls are considered by most economists to be inefficient and to worsen the situation by reducing supply. Even so, it has been argued that in conditions of imperfect competition (notably where there are informational asymmetries — see Arnott, 1997), regulated rents can help. And in any case the reasons for dismissing a rents freeze do not hold for rent-regulation procedures.

The extreme view — that it is undesirable to redistribute through housing policies at all because it is always better to redistribute income so individuals can choose what they want to consume — has recently been developed further in the literature (Thalmann, 2003). But in fact there is practically no experience in Europe of a government abandoning all forms of housing support and the theoretical underpinning remains weak.

Supply-side policies are considered less equitable and efficient than demand-side subsidies since it is difficult to be sure that supply goes to those with the greatest need, and they are less responsive to individual choices, they are commonly rejected by market economists. Some suggest that demand subsidies will not just improve consumers' housing situation within a given stock, but will also support more effective-

ly improve the existing stock, leading to better basic standards for everyone (Galster, 1997).

A major argument against demand subsidies is that the efficiency of personal housing benefit is highly dependant upon supply responsiveness (elasticity), which in recent years has proved to be very low in most European countries (and increasingly in other post-industrial societies). In particular, there is evidence that personal support can be captured by landlords through price rises (for France, see Fack, 2005 and Laferrère & Leblanc, 2002), so that housing allowances can be both very costly and ineffective. Equally, it has been argued that the most effective choice is path-dependent and determined as much by existing legal and administrative frameworks as by markets. Further supply-side subsidies may be a necessary part of achieving goals where housing is seen as a merit good — as has been the case in most North European countries (Yates & Whitehead, 1998).

In fact, most countries have chosen a policy mix of personal grants and direct (land, interest-rate) and indirect (fiscal) subsidies to producers, either private or social. Even so, in most countries there has been a shift towards demand-side policies over recent years — often accompanied by a cut-back in assistance overall.

#### *Resource allocation*

Public support to the social rented sector affects income distribution (and social welfare) insofar as it allows social landlords to offer dwellings for lower rents than they would do in the private sector. But they are not purely redistributive as they also involve resource allocation.

Historically, the development of a large social rented sector in countries such as Britain, France, Germany and the Netherlands was a response to massive post-war shortages; lack of private initiative; and lack of private saving. Apart from these extreme conditions, is it economically efficient to invest public funds in housing delivery?

The three most important efficiency justifications commonly accepted by economists for public involvement in supplying goods correspond to different kinds of market failure:

- Natural monopolies, as in network industries such as railways, electricity, etc.;
- Public goods, which cannot be produced at optimal levels by the private profit-maximising sector; and

- Externalities — costs to or gains by parties not involved in the transaction— which lead to a divergence between social and private costs and benefits, equilibrium multiplicity and/or indeterminacy.

Housing is clearly not a natural monopoly, nor is it a public good. It is certainly imperfectly divisible, but there is no peculiar difficulty in identifying its consumers, and charging for it. But it can be thought of as a complex good, supporting social and urban externalities: helping to produce neighbourhoods. Its quality depends upon its environment, which depends in turn upon housing quality. And the evolving structure of urban space – which in turn determines the spatial preferences of individuals – is the result of complex interplays between the spatial distribution of housing supply, individual location choices and urban policy decisions, including housing development programs.

Underlying these specific market failures are other more general efficiency issues relating to asymmetric information, risk and intergenerational resource allocation (Whitehead, 2003). Informational deficiencies, notably asymmetries, regarding product attributes and quality, and the capacity to trust the contractor (tenant or agency) are particularly important sources of risk and dysfunction in housing markets. Housing and infrastructure are inherently dependent on imperfect finance markets – and raise issues of specific risk. More generally, any imperfection of competition means results will be sub-optimal. In the context of the ‘new welfare economics’ introduced by Stiglitz’ work, authors have studied rental market inefficiencies. Arnott and Igarashi (2000) developed a model of a monopolistically competitive housing rental market. In this model severe rent controls are harmful, but mild rent controls are welfare improving because they prevent landlords from exploiting their market power by pricing over cost.

But housing involves social externalities beyond urbanity. As a necessary good, it affects the conditions under which the economy, and the whole society, can be ‘reproduced’. From the beginning of the first industrial revolution, the supply of decent housing for the working class has been a matter of social reproduction, fundamental to the very origin of European social rental housing sectors. In the context of traditional analyses of resource allocation this function has often been treated as evidence of externality. Housing has also been seen as contributing to the general good: good housing conditions, including security of tenure, were regarded as a key element for health, social cohesion, education and the nature of society (see Malpass & Levy-Vroelant & Reinprecht in this book).

Housing is thus properly seen as a private good, but one that involves significant market failures. A large social housing sector under public control can contribute to overcoming these problems, particularly in the context of urban planning, and especially urban renewal, where risks can be too high for private providers alone.

Historically, the challenge has not been put in these terms; rather, the question has been how to reconcile industrial profitability and private ownership of land with housing affordability for workers. In most north west European countries, social housing was invented to address this contradiction (see Topalov, 1992), thus ensuring workers’ health and physical capacity to work. In recent years, the decline of the social rented sector has been partly the result of a fall in the numbers of permanent salaried workers in need of stable rented accommodation and the rise of new middle-class groups, with more diversified housing needs and preferences.

This ‘reproductive’ dimension of housing, emphasized in the Marxist literature on the subject (Castells, 1972), has not disappeared with the rise in living standards. Lately it has regained importance because of growing problems of access to affordable housing. The new questions are how can professional and personal needs for residential mobility be met; how young cohabiting people or migrants can be assured of decent homes. These needs cannot be satisfied by home ownership, and the private rental sector is not responsive enough. Deutsch (2007) argues that in a world of growing instability and risks to welfare and job security, with high degrees of mobility, the existence of a large social rental sector that houses a wide spectrum of the population, including middle-class households, is a key to economic performance and social mobility.

#### *Stabilising unstable markets*

Economic instability has two different meanings: at the macro level, it refers to ‘excessive’ fluctuations in prices and quantities; at the micro (and more complex) level, it refers to the capacity of a system of inter-dependent markets to find their way to equilibrium positions through gradual price adjustments. There is no clear understanding in pure (general equilibrium) economic theory that a market system is always spontaneously self-adjusting, so disequilibrium could be regarded as a normal and permanent state with no certainty that a tendency towards equilibrium is always operating. In this case the current state of the market would at all times be sub-optimal.

As pointed out by Whitehead (2003, p. 83), ‘one can argue for accepting these consequences as temporary phenomena which are of little lasting significance, or one

can see them as serious impediments to the acceptability of market processes'. If one takes the latter view, another important challenge to market operations and to their atomistic decision-making processes is posed'. As regards housing markets, there are some strong arguments in favour of long-lasting sub-optimal situations.

The specificities of housing as a durable good and a capital asset mean that housing markets adjust slowly and, with their strong inertia, have a propensity to overreact. This in turn causes both excess prices (speculative processes) and under-production. Moreover, as housing systems have become more market-oriented over the last 25 years, real-estate cycles appear to have become more intense (Catte et al, 2004; Renaud, 1997).

These fluctuations in house prices, rents and availability not only generate long-term under-investment in housing; equally important is the fact that the lack of stability worsens the impact of other market failures, and most obviously generates negative redistributive outcomes.

In this context, even if a Pareto-optimal equilibrium is reached – that is, where utility cannot be increased for some individuals without decreasing utility for others – it does not necessarily mean that a social optimum has been obtained. There may be other Pareto-optimal situations that can be reached for other distributions of wealth that would be regarded as preferable for the general interest. Offering social housing can be seen as a way to 'redistribute' housing wealth and obtain new resource allocations which society as a whole would prefer to market-led ones. In particular, society may view as unacceptable the consumption of housing as that arises through market mechanisms. Public provision, which deliberately 'distorts' resource allocation, may be necessary to reach housing goals.

With respect to stabilisation, therefore, the role of the social rental sector can be to reduce pressures on prices, to ensure a minimum level of supply in general and to individuals, and to compete with the private sector in terms of quality and productive efficiency.

### **The future of social housing: new missions, new challenges**

#### *The rise and decline of mass social housing*

Since the mid-70s, when most European countries experienced a historic peak in construction of social housing, the necessity of a large social housing sector as a permanent segment of the stock has become less evident.

Four factors have contributed to this questioning of the political consensus of the 1950s and 60s:

- the end of quantitative shortages and the improvement in the capacity of the construction sector, which have increased household choice;
- a rise in incomes, which has increased demand for housing that is above minimum acceptable standards;
- public policies to provide incentives for home ownership; and
- financial deregulation in the 80s and 90s, which enabled both higher consumption and increased owner-occupation.

As a result of these factors, social tenants have become poorer and the social rented sector has lost part of its traditional role. Both the nature and the scale of this role therefore need to be reassessed.

There are other important pressures to reassess. Firstly, the architectural and urban qualities of many housing estates from the 1960s have become less and less attractive, in part because of easier availability of housing and generally higher aspirations. Large social housing estates have frequently themselves become deprived neighbourhoods. As such they no longer provide the high-quality accommodation that is necessary to meet the objectives set for them.

Secondly, the efficiency of public social housing was strongly questioned in the 1970s on redistributive grounds, as well as for reasons of both productive and allocative efficiency. These pressures were seen earliest and most obviously in the UK, where the 1979 Conservative government introduced a wide range of privatisation policies (Stephens et al, 2004). However, the same analysis and tensions can be found across northern Europe (Turner & Whitehead, 1992).

All over Europe, the 1980s and 1990s were years of growing doubts and uncertainties about the role of the social rental sector. In most European countries, the social rented sector has not disappeared, but it has become more and more selective (or targeted) and less and less supported by state subsidies. Britain and Germany have experienced the most drastic changes. However, even in Austria, France, the Netherlands and Sweden, important changes affected the funding and management, if not the scope and ownership of the sector (Scanlon & Whitehead, 2007).

*Towards a new legitimacy?*

On the other hand, recent developments in housing, in other markets and in the distribution of resources have raised new housing issues:

- In some countries the general worsening of the income distribution has generated a class of 'working poor' unable to afford housing of a minimum standard;
- Areas and neighbourhood deprivation (associated with urban riots in France in October 2005, and more recently in Denmark and the Netherlands) require large-scale regeneration policies;
- Growing price volatility in the housing market is linked with financial deregulation and the rise in home ownership;
- Housing affordability for lower-income employed workers (notably 'key workers' in public-sector jobs) has become a growing concern in most European countries, given house-price levels in capital cities and other metropolitan areas;
- Housing shortages have arisen due to the lack of a large rental sector, partly as a result of the incentives for home ownership but also because of market failures in the rented sector.
- Last but not least, the increasing importance of sustainability requirements for housing offers a new mission to the social rental sector: as a pioneer in technical and social experiments. This is underpinned by strong economic efficiency arguments, notably with respect to intergenerational externalities.

It is clear that the private sector cannot address all these challenges on its own. The social rented sector still has an important place in fighting exclusion, promoting desegregated residential patterns, supporting sustainability, shaping urban space and limiting price discrepancies.

But given the economic and political pressures in favour of home ownership and against supply-side housing policies, it is not clear that social housing will survive the 21st century as a specific segment of housing supply. In most European countries social housing is becoming residualised. The ongoing crisis in housing markets might offer an opportunity for the social rental sector to make its case, if public debate were to clarify its missions.

*Reassessing scope and missions: new challenges for the social rental sector*

The social rented sector has to meet at least three challenges. The first is to clarify the meaning of 'social' housing, its legal status and relationship with the state. Of course, there are ways other than direct social ownership of increasing housing output. However, if 'social' housing policy means using that policy to reach societal goals for economically disadvantaged populations, and not only to meet strictly housing needs, then that policy must have a permanent basis. Non-profit owners are more likely to make a long term commitment, with no prospect of immediate profitability. This leaves unresolved the question of ownership: should it be public sector (state or local authorities), associations, or other non-profit (or low-profit) entities? For good economic and political reasons, state ownership of housing has almost disappeared in Europe, but all other forms of social ownership exist.

Another problem is to know how large and targeted the social housing sector should be. Limiting the scope of social rental housing to a very narrow segment of the market could make it difficult for social landlords to fulfil any other mission, and to achieve economic viability and financial autonomy. In the long run, residualisation may endanger urban and social cohesion.

A third challenge for the social rented sector is to address the question of socio-spatial segregation. Here the situation is rather paradoxical: the social rented sector is often perceived as being at the root of the deprivation, which is largely unfair; lack of maintenance and weak management did play a role in a number of cases, but governance quality is not the main problem. Deprived social estates are the product of a crisis with many dimensions: urban, social (decline of the working class) and ethnic. But what is very clear is that public housing, just like private housing, can lead to segregation.

These three sets of questions must obviously be dealt with together: the scope and institutional design of social housing cannot be defined independently of the missions assigned to it. The desired mix between social, urban and environmental objectives of housing policy must be determined.

**A role for economic theory**

Economic theory can help clarify these debates and make them more 'rational'. As explained above, market failures do not tell us anything about public efficiency. The mere existence of a social rental sector does not guarantee a better social mix, more

balanced urban development or more stable markets. To achieve these, a number of conditions, both external and internal, must be fulfilled.

Internal conditions relate to the governance of the social rented sector. Administrative failures may generate social losses and economic inefficiencies which could be greater than market failures. But given the policy advantages of social housing, it can be reasonably argued (see Maclennan & More, 1997 and Walker & Murie 2004) that adequate institutional arrangements and managerial rules can enable social landlords to be as efficient as private producers can be.

External conditions relate to the broad housing-market system and urban context of which social housing is a part. First, the size of the social rented sector must be large enough if some impact on private-sector prices is to be expected. But beyond this minimum condition, two other requisites must be satisfied: a certain diversity of tenants, and dispersion in the urban space. The more targeted and spatially confined the social rented sector is, the less efficient it will be, both in its social/urban 'reproductive' role, and in its 'regulatory' role of affecting markets. It is very difficult to assess this role without a precise analysis of local housing-market conditions.

#### *Assessing social benefits and costs*

A crucial aspect of the economic debate on social housing is the valuation of social benefits arising from the existence of a public rented sector. What are they, and how can they be measured? More generally, traditional cost-benefit analysis has not fully acknowledged the non-monetary benefits of social delivery, which involve a long chain of indirect consequences on labour markets, education, crime, etc. As regards monetary benefits, what might be hypothesised is that given the existing system of prices, those currently in the social sector would pay substantially more for similar dwellings in the private stock and/or would obtain housing of a substantially lower quality for the same price. But nobody can be sure that if new building in the social sector were to disappear there would be a corresponding increase in private supply, and even less that prices would remain the same. The historical experience is that free-market housing leads to chronic underproduction of standard dwellings (for 'average' salaried workers) and excessive prices. At the very least, without social housing the structure of the stock would be different, and some segments of the market might be absent, such that slums and informal housing would partly take the place of the social stock. In this context it is interesting to observe what is happening in those Eastern European countries such as Hungary and Slovenia, where almost the entire stock of public housing has been privatised (see Hégédus, 2007), and which are now experi-

encing growing problems of maintenance and affordability. A first issue is that taking actual house prices as equilibrium prices, and using them as a basis for valuing the social stock (as Olsen & Barton, 1983, do for New York city) is a simplification that is only just acceptable for residual social housing, but which cannot be applied in housing systems where the social rental sector represents a significant part of the stock.

#### *The need for models of mixed housing markets*

A second challenge for economic theory is to understand how and to what extent social rented housing influences market house prices and housing supply. At the moment, economic theorists are rather badly equipped to deal with this issue. What we need is a conceptualisation of the existing diversity of institutional settings and urban contexts, but what we have is a very abstract theory of both urban space and market adjustments. The relationship between private and social rents differs from one country to another: in France, the difference between rents in the two sectors is very high (30% on average, but up to 200% in inner Paris), but in other countries, such as the Netherlands and Sweden, social rents can be higher than private rents.

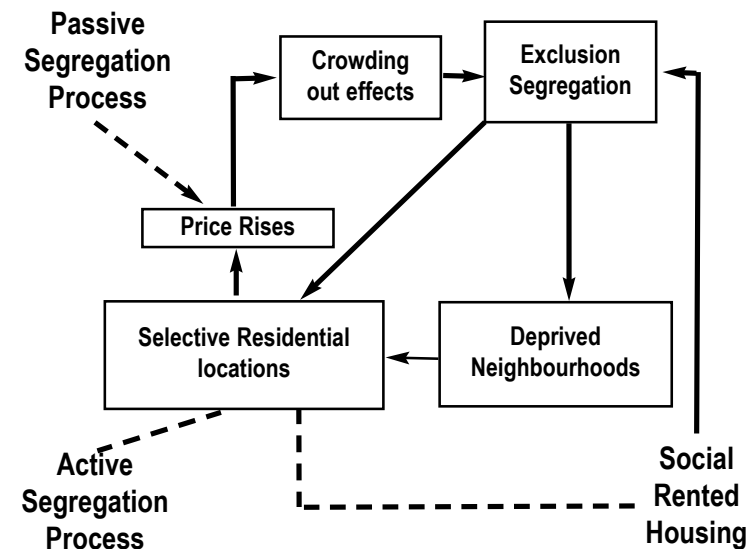
Social housing can exercise both direct and indirect economic effects on private housing. In theory, social rents could directly influence private rents, and even eventually, lead the rented market, if the social housing is a good substitute for private rental housing. This condition only holds in particular institutional and economic conditions (see below). Social housing can also affect private housing indirectly by changing the demographics and social geography of the city, which in turn influences the geography of house prices. In this way social housing influences not only the rental sector, through rent formation, but also the owner-occupied sector, through price formation and households' locational choices. Depending on its characteristics (dwelling types, resident demographics) and distribution in the urban space, social housing can either reduce or reinforce trends towards segregation.

Segregation processes can be active or passive. Active (or voluntary) processes are those in which people deliberately behave in ways that lead to locational segregation-gated communities are an extreme case of such behaviours. But spatial segregation generally comes about through a passive (or involuntary) market process in which households are filtered by house-prices or rent levels. Nobody explicitly excludes anyone from any particular place, but poorer households are de facto excluded from some neighbourhoods because they cannot afford housing there.

The social rented sector can be used as an instrument to achieve more social mix in both cases (as illustrated by the figure below). It can be used to counter active segregation processes (those resulting from deliberate locational choices) through discretionary intervention in pressure areas. Social housing can be introduced into high-value areas - through land-use regulations and urban planning - in order to maintain some social mix. It can be used to counter passive segregation processes resulting from spontaneous price movements, if there is a 'universal' allocations policy that avoids too much differentiation between social groups and market segments.

Spatial dispersion of the social stock is the key to success in either case. Provision of social housing is costly, and state and local authorities must weigh the costs (in terms of public subsidy) against the social benefits of reduced segregation and price discrepancies.

A first step towards conceptualising different housing-market systems, with different proportions and forms of social housing, was made by Jim Kemeny (1995). He introduced a distinction between 'dual' and 'unitary' housing markets, which was further developed in Kemeny, Kersloot & Thalmann (2005). Dual rental markets are those where the private and social sectors are completely separate, due to 'intrusive state intervention' (Kemeny et al, 2005), whereas unitary rental markets are those where no 'regulatory barriers' impede the social landlords from competing with private 'profit-rental' providers. In unitary markets, social (non-profit) rental housing has a capacity to lead or even dominate the private rental sector. But for such a competitive situation between the two rental sectors to occur, according to the authors, the non-profit sector must 'provide good market coverage and be of sufficient magnitude' to offer 'a mature stock of a broad range of dwelling types and size catering for all social groups' (Kemeny et al, p. 861). It also depends on the relative weights of home ownership and private rental housing. This analysis is highly macroscopic, and describes only the 'direct' relationships between social and private housing. Theorising the indirect relationships, through population moves and changes, requires an understanding of the relationship between social housing and the spatial structure of the city, and of demographic patterns within social housing. Developing more precise models of local (dis-aggregated) housing markets that would allow for non-temporary disequilibrium situations remains a challenge for economists—and one they need to solve if they want to contribute to decisions whose results depend crucially on particular conditions of time and place.



**Conclusions**

In the 1950s and 60s, the legitimacy of the social rental sector rested on strong historic factors: the lack of private finance, huge unsatisfied needs and a preference for renting. Social renting brought in more resources – particularly in the form of land and finance – than the private sector could provide. The end of massive housing shortages in the 1970s, the deregulation of housing finance, and the shift towards home ownership – based on the general rise in wealth, and strongly supported by public policies – put the role of social housing in question. However, in recent years a new legitimacy has started to emerge, arising from growing house-price volatility, increasing socio-spatial segregation and concerns about neighbourhood renewal; and latterly the need to 'maintain' housing investment.

Social housing will certainly not return to its former position as a standard tenure for salaried workers, but it still has to meet a variety of needs. These include addressing urban planning problems (including reshaping deprived neighbourhoods), providing for needs in a world of growing professional and familial instability, and ensuring basic standards. Deciding what proportion of housing should be in the social rental sector and how it will be governed are matters for political deliberation and judgment. Economics has a role in helping with the better assessment of its social value and its long-run function.

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## 5. Property, altruism and welfare: how national legal conceptions affect allocation of social housing to the disadvantaged

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Political and economic ideas have often swept across several countries in Europe simultaneously. Most western European countries moved to provide welfare benefits for citizens after the 2nd World War. Many also have social landlords who play a role in welfare. However, the legal mechanisms by which welfare is implemented differ considerably from country to country. Probably the largest difference is between civil law countries and those with common law systems. Only the Irish Republic and the United Kingdom are common law countries, isolated within Europe although not isolated globally. This excludes Scotland, which is a mixed common law and civil law system (David, 1992, Zweigert and Kötz, 1998, Glen, 2006).<sup>1</sup>

The ways welfare is implemented in the different legal systems may have an effect on whether social housing is distributed to disadvantaged people. There are many political, procedural and local factors governing who is housed, but in the UK and Ireland it may be easier to insist that the most disadvantaged should be housed than within a civil law system. The reasons for this may relate to different national concepts of property and to the legal basis for welfare and altruism. The connection to concepts of property is indirect and to do with social relationships around property.

In France, solidarity is a collective response to a narrow individual concept of property. Solidarity is not just voluntary practical or moral support as it tends to be understood in England, but the legal basis for a kind of compulsory collective contract for mutual aid to weaker members of society. Promoting welfare using the concept of solidarity produced a negotiated social security system in France, as well as negotiations between tenants, landlords and other interested parties concerning social housing allocation. Local people, workers and existing tenants may be strongly represented in the allocation process. These people can have an interest in excluding prospective tenants who might be unable to pay the rent or might be difficult neighbours. There



can thus be a conflict between the rights of local stakeholders and the rights of the disadvantaged.

In this chapter we look first at the types of people accessing social housing in Europe, before looking specifically at policies in the UK and France in favour of the disadvantaged and taking a long view about how legal differences in property regimes, dating from the French revolution, may have affected this. This chapter is substantially based on an English-French comparison, and its application to the rest of Europe, where solidarity is a common basis for welfare, is to some extent speculative and may be partial elsewhere. It draws on an in-depth study of social housing allocation in three regions in France by an English lawyer (Ball, 2008).<sup>ii</sup>

### Housing the disadvantaged

Many European countries have social housing that is not primarily intended to house the most disadvantaged. Ghékière (2006)<sup>iii</sup> surveyed the first 15 EU member countries and concluded that countries north of the Netherlands, including Scandinavian countries, had universal housing policies intended to provide 'housing for all.' Countries south from Germany and France aimed to house workers, whilst the UK and Ireland housed the poorest people. In fact social housing allocation in the UK is based primarily on what is termed 'housing need', with reasonable preference<sup>iv</sup> being given to vulnerable groups such as the homeless,<sup>v</sup> although there is a high level of poverty amongst such tenants (Stephens, Burns and Mackay, 2002).<sup>vi</sup>

Most countries, which had social housing after the Great War, had private social housing provided primarily for the middle classes (UNECE, 2006).<sup>vii</sup> After the 2nd World War, northern Europe moved away from this model to house the original middle classes, or workers plus everyone else, whilst some countries retained the original model. In the UK the focus changed completely, towards housing those most in need.

More detailed information on allocations shows a more complex picture. The UK is the only European country with a large social housing stock (around 18% for England<sup>viii</sup>) where need has primacy in social housing allocation. Some countries with a much smaller amount of social stock also allocate on the basis of need: Estonia, Hungary, Portugal, Spain and significantly Ireland, the other common law country in Europe. Other countries allocate partly on the basis of need: France, Belgium, and Germany (Czischke, 2007).<sup>ix</sup>

Why did UK policy change so much compared to that of other countries? France and the UK have similar explicit priorities in their social housing allocation criteria: these favour those in need in the UK<sup>x</sup> and disadvantaged people in France.<sup>xi</sup> Target groups specifically include the homeless, those in hostels and the poorly housed in both countries. Even so, the disadvantaged do not form a majority of those housed in France, despite the fact that they have since 1990 had the right to housing:

*Every person or family experiencing particular difficulties, particularly by reason of insufficiency of financial resources or their conditions of existence, has the right to an aid from the government,<sup>xii</sup> in the conditions fixed by the present law to obtain access to a decent and independent home or to maintain themselves there ...<sup>xiii</sup>*

This law was reinforced in 2007, allowing some disadvantaged groups to take legal action against the state in administrative tribunals to seek social housing.<sup>xiv</sup> This procedure gives access to at most 30% of social housing allocations, and then only after an arduous procedure which still allows social landlords to refuse to house a successful litigant.<sup>xv</sup> There are many other factors contributing to this contrasting situation. For example, housing the disadvantaged is a more recent concern of French social housing than English<sup>xvi</sup>, and historically most social housing in the UK was directly owned by local authorities, facilitating control of allocations. However, there are also other forces at work.

Perhaps surprisingly, the property systems in England, Wales and Ireland, which are very different from those in the rest of Europe, influence the type of law promoting altruism in social housing—that is, requiring social housing to accommodate the most disadvantaged members of society. Altruism here is used in a non-technical sense without any legal significance, primarily in order to avoid use of the word 'social', which in France is closely associated with collective action and particularly with labour movements.

### Property and the imprint of feudalism in England

England differs from civil law countries in having continuously reformed its feudal property law systems rather than abolishing them as did most other European countries.<sup>xvii</sup> Scotland fully abolished feudalism as late as 2000.<sup>xviii</sup> This chapter generally refers to the law of England, because the law of Scotland is very different; there are also some differences in housing law in Wales and Northern Ireland.

The development of tenants' collective rights, which might have been expected to affect allocation of social housing, was limited in England. English property law dif-

fers from that of civil law countries in that tenants' rights are legally conceived of as property rights. In France, in contrast, the rigid definition of property means that tenancies are mere contracts. The fact that English tenants have property rights make it harder to argue that landlords are capitalist property owners whose interests directly conflict with those of tenants. In France, where tenants' and landlords' interests were seen to be in opposition, tenants made common cause with workers from the late 19th century against capitalist employers and landowners. It is doubtful whether English campaigners for tenants' rights were ever aware of this distinction, but the fact remains that collective representation of tenants was never as successful in the UK as in France, except electorally. At the time of the Great War, rent strikes gave rise to protracted rent freezes on both sides of the channel. However, UK tenants were never granted the sort of bargaining rights that are common, even fundamental, in a system based on solidarity (explored in the next section). The term 'solidarity' has no legal importance in the UK for welfare; it is necessary to look further into feudalism to understand the organisation of welfare in England.

Feudalism, formerly common across Europe, was a system of social relations as well as a form of land-holding. Topalov (1987)<sup>xxx</sup> described the nature of the feudal relationship as one of hierarchy and of mutual duties between feudal tenants and their lord. English property law is in no way feudal today. It resembles continental property law with a dominance of tenancies and ownership as tenure types. There is no important significance of feudal lords, except for the presence of the Queen, who performs a very similar function to the State in France, at the head of the pyramid of land ownership.

Even though this system has passed into history in the UK, the whole legal system retains historic ways of doing things. These methods include a preference for delivering welfare by the imposition of duties on actors rather than the grant of rights, the hierarchical delegation of power to local authorities rather than the grant of autonomous powers, and an altruistic concern for weaker members of society in both private and public law. All of these to some extent involve command rather than negotiation of welfare with sectoral representatives. No advantages accrue to workers<sup>xxx</sup> (privileged access to social housing, for example) or tenant representatives through bargaining (of which more will be said below). In fact, English mayors, councillors, existing tenants and workers are excluded from the implementation of social housing allocation.

English property law is extremely flexible in that property rights can easily be manipulated to create new forms of financial instrument. This has been a major basis for

the modern UK financial services industry and has a huge number of uses in public and private law.<sup>xxi</sup> The law of equity and trusts also developed innovative ways of reducing injustice, and this is generally treated as part of property law. Equity is a Roman law concept which is considerably more important in England than in France. This English branch of justice was primarily the creation of judges; such judicial activism is held to be undemocratic in France.<sup>xxii</sup>

A trust is an arrangement where ownership rights are split.<sup>xxiii</sup> Property is held and controlled by trustees, a small group of people who are under a duty not to make a profit and to promote the interests of the trust. The trustees hold the property for another group of people, the beneficiaries, who enjoy the benefit of the property, such as receiving income or occupying land. Its success is such that France has recently moved to create the *fiducie*<sup>xxiv</sup> to imitate some of the trust's uses, although it is formal, very limited and is a species of contract, not part of property law.

Trusts were originally hierarchical property-holding devices developed within feudalism to pass family wealth through a family. Trust law is still regarded as part of property law, even though it is also an organisational model for relations between people holding property, which features a rather useful and practical concentration of managerial powers in trustees' hands. Trusts in England are extremely widespread and used for many purposes—for example, a trust is automatically created by statute<sup>xxv</sup> every time there is more than one owner of land. As a consequence, seven out of ten English homes are automatically held in a trust.<sup>xxvi</sup> A co-owning husband and wife act as trustees, holding their home for themselves as beneficiaries. This dual role is also found in companies where one person might be both director and shareholder. Husband and wife may not even be aware that the arrangement exists, but the trust imposes altruistic duties and governs the management of the property. Being a trustee is also an office imposing powerful basic duties on the trustee to act in good faith for the benefit of the trust without profit or conflicts of interest. These duties are generally stronger than the duties of good faith imposed by French contract law.<sup>xxvii</sup>

Trustees' special duties are also useful in facilitating management of property for the disabled, children or people generally unable to fend for themselves. The existence of a trust can allow the courts to impose a delay—sometimes a long one<sup>xxviii</sup>—on the sale of a home if there are children occupying it. This is a feature of property law, not social or contract law, and is an imposition on individuals based on fairness. In other circumstances as well, English law tends to impose duties on individuals to be 'fair.'

The English legal system uses the effective imposition of duties to achieve socially desirable tasks; there is little perceived connection between collective action and the provision of welfare. The imposition of duties for altruistic purposes in England is found in both private property law and in public law, and is thus not so closely associated with the public sector and collective devices as in France. There is no conception of collective rights as a legal mechanism in England as there is in France, even though the provision of welfare in the two countries might be comparable. Partly as a consequence of the long historic development of property law in trusts, the English legal system readily facilitates management and imposes duties of altruism on individuals in private law. Compliance with these duties can be imposed by the courts.

In public law too, imposing duties is the preferred way of granting access to social homes to the disadvantaged. English local housing authorities have a duty to house people in need, but such people have no explicit legislative 'right' to housing. National legislation on social housing allocation can be adapted by local councils, provided they respect the primacy of national need criteria.<sup>xxx</sup> A whole series of duties has been imposed on local authorities for their area. From 1977,<sup>xxx</sup> local housing authorities have had to provide people who appear to be unintentionally homeless and in 'priority need' with accommodation immediately, pending enquiry and awaiting something more permanent - although today this duty can be satisfied by providing private rented housing.<sup>xxx</sup> Those in priority need include single parents, old people and those with health problems.<sup>xxxii</sup> This duty is often loosely referred to as a right, particularly since an individual can ask for an internal review if refused, and then review by the courts on a point of law.<sup>xxxiii</sup>

The status of UK local authorities is emphasised in their name, 'authority', whereas their French counterparts are known as communes or collectivités, which underscores their legitimacy as a collective voice. Local authorities in the UK have enjoyed considerable decentralisation of responsibilities, but the legal basis of this has been by delegation (Sharland, 1979).<sup>xxxiv</sup> Although local authorities might have practical freedoms, they have had to follow central dictates, such as that requiring compulsory sale of social housing stock to tenants at a discount. Central government control has increased over the last 20 years.

Local housing authorities do not have a right to receive a refund from central government of the costs of housing disadvantaged individuals, although housing benefit is presently<sup>xxxv</sup> more likely to cover the whole rent than in France. Part of UK central government funding is in fact directed to assisting local authorities to meet their duties. In

contrast in France, recent decentralisation meant that the constitution was amended to provide that local authorities exercising a competence transferred by the central state, such as housing, had a right to be compensated for the extra expense.<sup>xxxvi</sup>

Providing welfare by hierarchical command mechanisms in England is not necessarily inconsistent with equality between citizens. The English system is a kind of managerial hierarchy which can ensure the administration of assets for the benefit of people less able to provide for themselves, whether through the administration of trusts in private law or in the allocation of social housing. Those on behalf of whom property is managed have remedies against those doing the management. These managerial duties bring responsibilities for impartiality. Consequently social housing allocation decisions in the UK are made by a single housing officer with extensively defined duties<sup>xxxvii</sup> acting disinterestedly to make quasi-judicial decisions, and no mayor, councillor or other local person should be able to interfere with their enquiry.

Allocation criteria based on need were previously implemented across all social housing stock. However the UK is now moving closer to France, since much social stock has been privatised. The new non-for-profit registered social landlords can in some cases refuse candidates sent to them by local authorities, because the duties imposed on them are not as onerous as those imposed on local authorities themselves.<sup>xxxviii</sup>

Of course, altruism in the form of housing the most disadvantaged in social housing can also be implemented by command mechanisms in France, primarily by statute. Yet the entrenched rights of people who currently live in social housing may carry more weight than the needs of the disadvantaged, despite apparently clear legislative statements that the disadvantaged should have priority.<sup>xxxix</sup> The history of property law has a role in this.

### The relevance of property law to altruism in France

National legal mechanisms supporting altruism have a role in helping disadvantaged people into social housing. In France, unlike in the UK, such altruistic conceptions tend to be embodied in collective contractual legal devices. Development of these mechanisms was strongly affected by the French system of property laws. Pauliat (1998)<sup>xl</sup> said the history of housing was closely bound up with the revolutionary French right to property. In 1789, the French abolished feudal property law in favour of an enlightenment concept of absolute property and declarations of the rights of all citizens. At the same time the country rejected feudalism, which in France was an

impossibly complex, unfair and hierarchical system. Many hierarchical legal concepts, such as duty, altruism in favour of the weak, such as through charity, and feudal mechanisms allowing private joint ownership of property were also rejected (Ball, 2008).<sup>xii</sup> Feudal payments to hierarchical superiors were abolished early in the revolution. Church lands were forfeited and charities abolished, and the loss of tithe income by churches impacted on their work with groups such as the poor. When Napoleon I came into power in 1799, he sponsored radical reform and codification of the law, drawing on earlier work by enlightenment jurists.<sup>xiii</sup>

Fragmentation of property ownership among multiple feudal owners was a cause of inequality, lack of mobility and difficulty in selling land. The French simplified the system by adopting the unitary conception of property — that an individual owner would be sole owner of all the rights in a given piece of land.<sup>xiiii</sup> This was described by Pauliat as a proud and egotistical absolutism.<sup>xv</sup> The new Civil Code of 1804 described ownership as the right to dispose of property in the most absolute way possible provided the use of it was lawful.<sup>xvi</sup> The logical counterpart to this sole ownership of rights was that tenants had only contractual rights, whilst before the revolution some would have been tenanciers, or holders of feudal rights under their lord.<sup>xvii</sup> This contractual status tended to affect urban tenants displaced from the land, as many tenant-farmers effectively became landowners in the revolution. In the 19th century neither France nor the UK was particularly hospitable to tenants in towns swollen by migrants during industrialisation. However, new types of law filled the gap left in France by the abolition of feudal relationships, particularly using the law of contract which is much more prominent than in England.<sup>xviii</sup>

The new property law also lacked mechanisms to regulate relationships between joint private land owners, such as the trust in England. The French *fidei commissum* shared a common Roman law ancestor with the trust but didn't develop to regulate ownership in the same way as England, and in any case was radically truncated in the revolution. The new law governing joint ownership was covered by only one article in the Civil Code.<sup>xviii xlix</sup>

Contract law in France provided the new model for many kinds of social organisation, including, today, social housing allocation. Two enlightenment lawyers, Pothier and Domat,<sup>1</sup> prior to the revolution conceived a new law of contract, which was later embodied in the Civil Code and was also influential in the development of UK contract law in the 19th century. Private contract law is closely associated with equality in France, involving as it does a lack of hierarchical relationships, personal autonomy and freedom to contract (Bell, Boyron and Whittaker, 1996).<sup>ii</sup> Contracting is also influ-

ential in public law. Rousseau characterised government as a collective contract, where individual men give up an element of their rights in favour of government and public order.<sup>iii</sup> Other types of organization are also collective contracts, including companies and voluntary organisations.<sup>iii</sup> It was the contract rather than the trust that was to come to dominate private and public law in France.

The modern French welfare state has also been implemented by collective contracts between employers and labour and between landlords and tenants. From the 1870s, protests were organized against both employers and landlords by socialists, Marxists and anarchists, in a traditional alliance between tenants and workers against property (Guerrand, 1967).<sup>iv</sup> Cochon, an anarchist and carpetmaker, protested against evictions from 1911. He founded a local union for workers and tenants in 1912, and a national tenants' union in 1919 with 100,000 members. It worked with the *Confédération général du travail*, a major revolutionary trade union, and then with the communists. This organisation was to become the *Confédération nationale du logement* of today (DAL, 1996).<sup>v</sup> There are now five major organizations in France, each with between 17,000 and 100,000 members,<sup>vi</sup> representing tenants in negotiations with landlords and the government. This collectivisation of tenant representation never happened to the same extent in the UK.

There is striking similarity in the bargaining mechanisms used by workers and tenants in France. Tenants have the right to elect representatives, who are entitled to receive information and negotiate within a national structure which co-ordinates dialogue between landlords and tenants locally and nationally. Such representatives can sign agreements that are binding on their members, even on those who disagree (known as *erga omnes*). National negotiations or pressure can produce agreements that become law, as in the case of the negotiations preceding the tenancy law of 1990.<sup>vii</sup> These collective rights empower tenants more than in England, and it will be seen that this affects allocations.

Solidarity is associated with trade unions and has a legal meaning in France, unlike in England. It is derived from *solidaire*, a contract term meaning 'joint and several liability.' This means that any individual in a group can be pursued by a creditor for the whole debt, which in real terms means that a creditor can pursue the richest debtor. The solidarists at the turn of the last century sought to modify Rousseau's idea of the social contract, to reflect obligations owed to other citizens and to society. This compulsory social contract allowed impositions such as taxes for social purposes. Thus solidarism was an organizational model involving saving, insurance, and a regard for the weak. Because it represented an agreement it did not offend equality, which

would otherwise require that all should be taxed and enjoy benefits equally. It also represented a third way between the extremes of left and right by collective agreement. The preamble to the 1946 Constitution (still part of the current constitution) included duties of solidarity. The French right to housing is based on solidarity, and in turn the access of disadvantaged people to social housing depends on this legal principle.<sup>lxviii</sup>

After the 2nd World War, the political left increased the scope of the welfare state in both the UK and France. The French welfare state was implemented by a series of collective agreements between employers and employees and by mutual companies, so that now there are nine social security regimes for different worker-types (Dupeyroux, 1998,<sup>lix</sup> Dutton, 2002).<sup>lx</sup> Some benefits are effectively compulsory in all regimes, but schemes can provide extra benefits for members. This system was at one time considered to be private law, but increasing government involvement in funding and regulation means that it is generally now considered to be public law.

France has a clear division between public and private law, with cases litigated in different courts. Public law status particularly brings in state obligations for rights because it is not possible to take action against the state (or its agents) in the private courts. Public law is characterized by public service activity. Social housing allocation is public law regardless of whether the social landlord is public or private, and thus is subject to judicial review.

The French benefit system includes housing benefits and minimum non-contributory benefits for the uninsured. Representatives of unions and employers are involved in the administration of the system to promote their interests. In this way the social rights guaranteed in the 1946 Constitution were advanced. Altruism is thus closely associated with public action in the promotion of rights and with collective action, rather than with individual rights such as property. Private property rights, on the other hand, have been used as a rallying point for landlords to resist social measures such as security of tenure for tenants.<sup>lxi</sup>

### Limitations to the right to housing in France

The right to housing is the legal basis for priority access to social housing for the most disadvantaged and for security of tenure for tenants. This right is a general principle of law and a collective right. The right to property, however, which is seen as in opposition to the right to housing, is a full constitutional right and therefore has higher status (although this is disputed [Ball, 2008]).<sup>lxii</sup> One practical consequence of this is that

breach of the right to housing can be referred to the administrative courts, but probably not to the higher Constitutional Council.<sup>lxiii</sup> There is also the imponderable question of the relative weight given by the courts to the landlord's right to property versus the tenant's or social housing applicant's right to housing. This opposition between property and the right to housing is still said to be fundamental (Radigon and Horvath, 2002).<sup>lxiv</sup> The invocation of the right to housing to provide access to social housing for disadvantaged people runs up hard against other rights of people in positions of strength within the legal system.

In practice this affects the operation of the social housing allocation system. Social landlords are heavily regulated, and this regulation includes duties to house the disadvantaged.<sup>lxv</sup> However they are also the owners of social homes, and as such they can turn down applicants. This is due either to their right to property or their public duty to manage their stock.<sup>lxvi</sup> Social landlords take into account the concerns of existing tenants and whether the applicant can pay the rent. The final allocation decision is taken by the social landlord's allocation commission, which has seven members, including a tenant representative and the local mayor. The majority on private social landlords' committees is held by landlords' representatives, whilst public social landlords have more political representatives. Most of these people have an interest in peaceful neighbourhoods and in limiting the intake of people who might have expensive needs (Ball, 2008).<sup>lxvii</sup>

A recent study of allocation found that allocation commissions rejected generally only between one and five percent of applicants. Altruism was present in good measure but often did not provide sufficient access for people on the lowest incomes and with the greatest needs. This was in part due to the funding of the system, which provided landlords with upfront loans for construction but no funding to meet tenants' social needs later. In order to service these loans landlords depended on rent income from tenants, and benefit was often insufficient. Extra support for the most disadvantaged had to come from outside sources and was in short supply, so social landlords helped these applicants less than they would have liked (Ball, 2008).<sup>lxviii</sup>

Social landlords tended to re-house existing tenants when they could, particularly in cases of divorce, as they viewed this as a lower-risk option than housing outsiders.<sup>lxix</sup> Tenant representatives had collective bargaining rights with social landlords and sat on company boards and on the allocation commission itself, and they also advocated giving preference to existing tenants. Since tenants' rights were analogous to compulsory trade-union bargaining rights, these promoted the rights of existing tenants locally and nationally.<sup>lxx</sup>

There was also a pre-allocation process through which local groups such as mayors could reserve up to 20% of spaces in social housing in exchange for contributions (in cash, land or other) to building or improving it. In this way social housing places are often contracted for, rather than having tenants imposed on them as with council housing in the UK. Those who administered the reserved places received and processed initial applications, and could in practice limit access for the disadvantaged to social housing.

In a recent study, most mayors were said to refuse access to local social housing for people who were not local and who might consume costly local services.<sup>lxvi</sup> This was unlawful and had serious consequences for disadvantaged outsiders, because social housing is unevenly spread across France and might be unavailable in many places.<sup>lxvii</sup> Some interviewees suggested that this local preference was a way of assisting voters, occasionally to the point of corruption.

The Mayor's autonomy was constitutionally protected<sup>lxviii</sup>; they enjoyed rights, which meant they were theoretically not inferior to the central government. They influenced the allocation process not only by contributing to new construction but also by providing guarantees for loans, granting planning permission, sitting on allocation commissions and sometimes on the boards of social landlords.<sup>lxix</sup> One social landlord put the problem thus: "Everyone agrees with housing families with behavioural difficulties ... but in the next commune, not in my home." Lind (2007)<sup>lxx</sup> found similar exclusionary behaviour by mayors in Sweden.

The *Comités interprofessionnels du logement* also held allocation rights. These organisations collected funds compulsorily deducted from the incomes of employees under national legislation. The funds could be used either to contribute to new social housing or to upgrade existing housing; in return, a proportion of the resulting spaces, up to 50%, was reserved for the *comités* to propose workers for allocation. Some of these workers were poor and in difficulties, but they were not generally the most disadvantaged people.<sup>lxxi</sup>

Workers were also often favoured by the goal of social mix that was imposed on social landlords in 1991 to try to prevent the emergence of sink estates.<sup>lxxii</sup> 'Social mix' was not defined in legislation and those involved in social housing allocation had varying understandings of what it meant. The principle was often used to try to ensure that new recruits to the poorest estates had a job.<sup>lxxiii</sup> This arrangement represented an intrusion of workers' bargaining power into social housing.

By statute, 25% of vacancies in social housing were reserved for the most disadvantaged. The prefect, as the local representative of the central state, was meant to administer them, but in most places they were not used at all or were delegated to mayors.<sup>lxxiv</sup> In Lyon, an active prefectural unit struggled to cope with very high demand which it could not satisfy. People in hostels tended to be passed over as they already had a roof over their heads.<sup>lxxv</sup> Under this system housing the disadvantaged was formally the responsibility of the central state, but it was a responsibility the state was not in a position to discharge.

The rights and welfare of existing tenants, local people and poor workers are legitimate concerns of the social housing allocation system, but the collective rights and vested interests of these groups are entrenched in the French process of social housing allocation in a way that tends to exclude disadvantaged outsiders. Consequently, the right to housing is less a simple statement of entitlement than a bargaining position, which may not deliver what it promises in the face of other rights. The legal basis for French welfare is solidarity: collective groups standing together and contracting to look after their own interests and those of people suffering misfortune in life. However, representatives of local interests in the allocation process tended to look after local interests in such a way that housing the disadvantaged did not affect them negatively. In contrast the UK system of allocation did not empower representatives of collective interests in the same way.

French social housing allocation is a bargained process with active participation by representatives of local interests in which the ultimate decision taken by a representative committee which is in no sense disinterested. This illustrates the primacy of contractual approaches rather than command approaches. One advantage of collective participation in the social housing process may be that the local community is involved in improving living conditions in social housing. However, provision of social housing is a public service, which under French general principles should be administered impartially, ensuring equal treatment of all citizens. The current process often does not meet these criteria because of its lack of transparency, fragmentation and susceptibility to influence by local representatives.<sup>lxxvi</sup>

### Rights and duties in housing

The difference between the French system, which secures the supply of housing for the disadvantaged by the use of rights, and the English, which secures it by duties, is not always entirely clear-cut. There is considerable cross-border influence. The UK is moving towards taking more explicit account of rights with the enactment of the

Human Rights Act 1998. Scotland has adopted the continental notion of unitary property rights (as in France),<sup>lxxxii</sup> taking their property law closer to that of Europe.

There are increasing European similarities. French mayors already have many duties—for example, there is an enforceable right to education.<sup>lxxxiii</sup> Mayors have a duty to maintain public order, and if there are children living on the street they are in breach of that duty.

A new French law<sup>lxxxiv</sup>, passed quickly by Parliament in 2007 during a housing crisis, created a right to housing. Individuals can now sue the state for failure to provide housing. Many local actors I interviewed in the course of my research had supported and worked towards this law; they felt the right to housing should be an individual right to be offered a home, not just a general principle providing a framework for housing legislation. In this way France and England may be converging.

However, the French and English understanding of rights is still different. The new French right, said to be ‘opposable’ because someone can be sued to enforce it, is not the same as a ‘remedy’. This English term, which has no precise French translation, means that there is the prospect of obtaining what is promised. Generally speaking an English person is only considered to have a right if there is also a remedy. The new opposable right to housing may not provide this. There is little extra money dedicated to housing the most disadvantaged, and the right does not allow access to the parts of the housing stock earmarked for mayors, workers and existing tenants. It imposes no duties on local actors and makes no change to the allocation process itself. The opposable right is a supplementary procedure for a small amount of stock. Interested parties, mayors, workers, social landlords, and existing tenants are all still represented in the process and can resist access to their social housing by outsiders who might represent a risk either by non-payment of rent or their behaviour.

### Conclusion

Both French and English parliaments have legislated to give priority access to the social stock to homeless people and those in housing difficulty. The way these rights are implemented shows the continuing influence of social relationships governing property and altruism. These relationships are characterised by the imposition of duties in England, and by bestowing rights in solidarity in France within a predominantly contractual environment. The imposition on English local authorities of duties to house the disadvantaged is more effective across the entire social housing stock than bestowing housing rights in France, as these are only weakly accompanied by

funded and effective obligations on local actors. The rights of the disadvantaged in France run up against the rights of other local people. Local negotiating rights within a solidarity model of altruism prevent full realisation of the right to housing for the disadvantaged.

Social housing may be a special case in welfare, because advances in provision for the disadvantaged necessarily mean that there will be less social housing for other politically influential groups of local people, including workers and existing tenants. The normal European conception of social rights is that of *acquis*. This French term, in use across the European Union, means acquired rights and social progress, which should not be retreated from. Yet if the rights of disadvantaged people to social housing are advanced, others must give up allocation rights because of the limited nature of housing stock.

It is desirable for local people to be involved in social housing provision, and many in the UK would look with envy at the extent of tenant involvement and representation in France. Whether it is preferable to deal with housing need by granting social housing to those with the greatest need, or to cater for a variety of local occupants, is to some extent a matter for national decision. Nonetheless there are two important issues in France. The first is that disadvantaged people find it even more difficult to find private housing than social housing, so they might have nowhere else to go. The second is that people who obtain access to social housing also gain a public subsidy not granted to those outside social housing, which is significant in a country that places a high value on equality.

Despite inadequacies in the new French legislation, the two countries are still tending to converge in provision for the disadvantaged in social housing. New French social tenants are increasingly poor.<sup>lxxxv</sup> There is national, and in many places local support for the right to housing. At the same time the UK is moving closer to Europe by implementing European Union directives such as that on disability.<sup>lxxxvi</sup> The UK privatisation of social landlords created autonomous companies more similar to French social landlords, which contract to provide housing and might be less willing than local authorities to accept the most difficult applicants. Different basic national methodologies for welfare are likely to produce new and interesting mixes of law. National ways of doing things are still extremely entrenched. They explain why the disadvantaged make up a higher percentage of occupants of English social housing than of French. The survival of command mechanisms in English public and private law permits effective management and imposition of altruistic duties, which the grant of rights does not. It may be that altruism towards the disadvantaged requires compulsion. Resistance to

housing the disadvantaged seems to be a characteristic of the solidarity model of welfare, or of any system providing housing to the disadvantaged under contracts and giving allocation powers to local interests.

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- <sup>ii</sup> Jane Ball (2008) *The Limitations to the Right to Housing for the Poor and Disadvantaged in France: Insiders and Outsiders in Social Housing Allocation 2005-6*, Ph.D Thesis, Sheffield, Sheffield University, studying allocation in Lyon, le Nord and les Hauts de Seine
- <sup>iii</sup> Laurent Ghékière (2006) *Social Housing as a Social Service of General Interest: A Need for a Sectorial Directive* presented in Paris, 12th May 2006, at a seminar of the ENHR Special Project on Social Landlords
- <sup>iv</sup> This wording is from s.167 of the Housing Act 1996, and is a national requirement for allocation schemes
- <sup>v</sup> See Parts VI and VII of the Housing Act 1996 for the detailed mechanics of this
- <sup>vi</sup> Mark Stephens, Nicky Burns, and Lisa MacKay (2002), *Social Market or Safety Net*, Bristol, The Policy Press, pp.7-12
- <sup>vii</sup> UNECE (Economic Commission for Europe) (2006) *Guidelines on Social Housing, Principles and Examples*, Geneva, the United Nations, p. 4
- <sup>viii</sup> From Steve Wilcox (2008) *The housing review* at <http://www.york.ac.uk/res/ukhr/>. Scotland and Northern Ireland have more social housing and Wales less
- <sup>ix</sup> Darinke Czischke (2007) *Social Housing in the European Union: Overview of Key Approaches, Trends and Issues*, pp.7-16 at p.11 in Czischke (ed.) (2007) *Current Developments in Housing Policies and Housing Markets in Europe: Implications for the Social Housing Sector*, Brussels, CECODHAS European Housing Observatory
- <sup>x</sup> Parts VI and VII of the Housing Act 1996
- <sup>xi</sup> Particularly by article L441-1 of the Code de la construction et de l'habitation
- <sup>xii</sup> La collectivité indicates the people acting together through central or local government
- <sup>xiii</sup> Article 1 of the loi Besson, no. 90-449 du 29 mai 1990 and confirmed by decision of the Constitutional Council
- <sup>xiv</sup> By Loi n° 2007-290 du 5 mars 2007 instituant le droit au logement opposable et portant diverses mesures en faveur de la cohésion sociale
- <sup>xv</sup> See Jean-Philippe Brouant (2008, forthcoming) *Un droit au logement ... variablement opposable*, AJDI
- <sup>xvi</sup> Broadly a concern in the UK from the 1930s, although more effective later, whilst in France people of little fortune were included from 1954, but the most explicit provision for the disadvantaged dates from the loi Besson statute no. 90-449 of 29th May 1990, article 1
- <sup>xvii</sup> This section refers to the law of England, Wales and Northern Ireland, referred to as England, with apologies, for brevity
- <sup>xviii</sup> By the Abolition of Feudal Tenure etc. (Scotland) Act 2000, s.1
- <sup>xix</sup> Christian Topalov (1987) *Le Logement en France – Histoire d'une marchandise impossible*, Paris, Presses de la Fondation nationale des sciences politiques, pp.38-43

<sup>xx</sup> See Ball (2008) above note 2, chapters 5 and 8

<sup>xxi</sup> See Ball (2006) "*The Boundaries of Property Rights in English Law*", (UK Reports to the XVIIth International Congress of Comparative Law -Utrecht, the Netherlands), 16-22 July 2006) vol. 10.3, *Electronic Journal of Comparative Law*, December 2006 at <http://www.ejcl.org/103/art103-1.pdf>

<sup>xxii</sup> Although the public law in France is essentially the product of jurisprudence, or principles contained in case law.

<sup>xxiii</sup> The French term for this is *démembrement* or *fractionnement*

<sup>xxiv</sup> By loi no. 2007-211 du 19 février 2007

<sup>xxv</sup> S.34(2) and s.36(1) of the Law of Property Act 1925

<sup>xxvi</sup> Information from the Land Registry

<sup>xxvii</sup> This is difficult to demonstrate as good faith is not defined in French law. Good faith in contract doesn't preclude personal profit unlike good faith in trusts. French duties of good faith in contract are imposed by article 1134 of the Civil Code

<sup>xxviii</sup> S.15(1)(c), Trusts of Land and Appointment of Trustees Act 1996.

<sup>xxix</sup> Found in s.167 of the Housing Act 1996 and other legislation. People in need categories within s.167 have to be given "reasonable preference"

<sup>xxx</sup> By the Housing (Homeless Persons) Act 1977, now the Housing Act 1996, Part VII

<sup>xxxi</sup> Sections 175-204 of the Housing Act 1996

<sup>xxxii</sup> *Ibid.* s.189

<sup>xxxiii</sup> *Ibid.* s.204

<sup>xxxiv</sup> John Sharland (1979) *A Practical Approach to Local Government Law*, London, Blackstone Press Ltd, Chapters 1 and 7

<sup>xxxv</sup> Housing benefit is to be reformed making it more likely for an element to be paid by a tenant on a low income

<sup>xxxvi</sup> Article 72-2 of the Constitution

<sup>xxxvii</sup> There is a considerable amount of case law concerning the detail of social housing allocation practice and much less in France. The English principles involved are not conflictual in the same way that the right to housing for the disadvantaged conflicts with other allocation principles such as social mix in France

<sup>xxxviii</sup> There is a duty to co-operate with the local authority under s.170 of the Housing Act 1996 and an agreement for nominations by the local authority under Part VI of that act

<sup>xxxix</sup> Particularly by article 1 of the loi Besson no. 90-449 du 29 mai 1990 and a new enforceable right (note below)

<sup>xl</sup> Hélène Pauliat (1998), Pauliat, H., (1998) *Logement et propriété: un aperçu historique*, p.11-19, at p.12 in Ségaud, Bonvalet et Brun (1998) *Logement et habitat, L'Etat des savoirs*, Paris, Éditions de la découverte, p.11

<sup>xli</sup> pp. 29-33

<sup>xlii</sup> Such as Pothier and Domat, see below note.

<sup>xliii</sup> Subject to the rights of the State (article 455, Civil Code) and to the regulation of relationships between neighbours in that code.

<sup>xliiv</sup> *Ibid.*, at p.11, quoting Patault, (1989) *Introduction historique au droit des biens*, Paris, PUF

<sup>xliiv</sup> Article 544

<sup>xliiv</sup> See Jane Ball (2003) "*Renting Homes: Status and Security in the UK and France – A*



*Comparison in the Light of the Law Commission's Proposals*, The Conveyancer and Property Lawyer (2003), Vol. 67, January/February, pp. 36-58

<sup>xvii</sup> There was a gap because joint private property was abolished, and replaced by a single article in the Civil code on indivision, the default method of multiple ownership. There was also a single article on co-propriété the law of flat ownership, now extensively regulated by statute

<sup>xviii</sup> The indivision was and is the default method of joint ownership. There was also one article covering copropriété, multiple ownership which has developed today into a sophisticated of statutory flat ownership

<sup>xix</sup> Except for some very detailed provisions on relations between neighbours

<sup>i</sup> After his work *Traité des obligations* in 1761. There were 6 further works on special contracts to 1767

<sup>ii</sup> Particularly, *Lois civiles dans leur ordre naturel* (1789)

<sup>iii</sup> John Bell, Sophie Boyron, and Simon Whittaker (1996) *Principles of French Law*, Oxford, Oxford University Press, p.306

<sup>iiii</sup> Turpin (1994), chapter 1 particularly pp.13 and 23 referring to Rousseau. The sexist term is used deliberately reflecting the climate of the times

<sup>v</sup> By a statute of 1st July 1901, still in force, as amended

<sup>vi</sup> Roger-Henri Guerrand (1967) *Propriétaires et locataires, les origines du logement social en France (1850-1914)* Paris, Quintette

<sup>vii</sup> DAL (1996) *Le logement un droit pour tous*, Paris, le Cherche midi éditeur, Pp.20-23

<sup>viii</sup> Confédération Nationale du Logement, L'Union nationale des associations familiales, La Confédération de la consommation du logement et du cadre de vie, La Confédération syndicale des familles and L'Association Force Ouvrière Consommateurs

<sup>ix</sup> The loi Besson, above note 14, preceded by the accords Delmon following a protracted dispute. See Ball (2008)

<sup>x</sup> For all the information in this paragraph see Ball (2008), section 2.2.4

<sup>xi</sup> Dupeyroux, Jean-Jacques (1998) *Droit de la sécurité sociale*, 13th edition, Paris, Dalloz

<sup>xii</sup> Paul V. Dutton.(2002) *The Origins of the French Welfare State*, Cambridge, Cambridge University Press, pp. 220-225

<sup>xiii</sup> For example in an application to the Constitutional Court in 1994 to resist the right to housing resulting in Décision no. 94-359D, 19 janvier 1995C, j.o. 22 janvier 1995, p.1166 which held that the right to housing was of constitutional value, provided the right to property was not thereby denatured.

<sup>xiv</sup> Section 3.2., See above note 2

<sup>xv</sup> Despite this the right to housing, originally expressed by statute, was confirmed and supported by the Constitutional Council in referrals for other reasons

<sup>xvi</sup> Radigon, Jean-Louis, and Horvath, Sylvie (2002), *Expulsion et droit au logement*, Paris, Delmas at p.16

<sup>xvii</sup> Ball (2008), chapter 3

<sup>xviii</sup> Interviewees in the case study were divided as to what the basis for refusal was

<sup>xix</sup> Chapter 7, see above note 2

<sup>xx</sup> Chapter 6, above note 2

<sup>xxi</sup> Ibid. section 8.3.2.

<sup>xxii</sup> Ibid. section 8.2.3.

<sup>xxiii</sup> By the provision of schools, playground and social services. Ball (2008) above note 2, section 8.3.3.

<sup>xxiv</sup> From EPLS (2005) - Direction des études financières et économiques (2005), *Le parc HLM au 1er janvier 2004*, Paris, Union Sociale de l'Habitat

<sup>xxv</sup> Title XII of the Constitution of 4 octobre 1958 ("The Constitution")

<sup>xxvi</sup> Ball (2008) above note 2, section 5.1.4.

<sup>xxvii</sup> Hans Lind (2007) *The municipal housing companies in Sweden: Current situation and future prospects*, paper delivered at the ENHR conference in Rotterdam on the 25th-28th June 2007 available online at <http://www.enhr2007rotterdam.nl/pages/papersdownload.htm>

<sup>xxviii</sup> Ball (2008) above note 2, sections 5.1.7. and 8.3.5.

<sup>xxix</sup> Particularly Article L441-1 of the Code de la construction et de l'habitation, governing allocations

<sup>xxx</sup> Ball (2008) above note 2, sections 7.1.4. and 8.3.1.

<sup>xxxi</sup> This is a new provision since 2005 and at the time of the study delegation of State allocations to groups of communes (communautés) was not yet common, although in les Hauts de Seine the prefect was delegating allocation of his contingent to individual mayors who were willing to do it

<sup>xxxii</sup> Ball (2008) above note 2, s.7.2.2.

<sup>xxxiii</sup> A general conclusion in Ball (2008), see note 2 above

<sup>xxxiv</sup> See above p.7

<sup>xxxv</sup> Mayors are only responsible for primary education with other levels managed by other levels of government

<sup>xxxvi</sup> See note 10

<sup>xxxvii</sup> From the survey *Occupation du patrimoine social* (2006), See also Ball (2008) above note 2, section 4.1.1.

<sup>xxxviii</sup> The EC Disability Directive – EC Directive 2000/78/EC

## 6. Financing Social Housing in Europe

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### Introduction

There are three ways of funding social housing – or indeed any rented housing:

- rental income from current tenants;
- borrowing, which both incurs current interest costs and has to be repaid in the future; and
- payments from others – including other tenants past and present; owners of housing and/or land; employers; and particularly government.

The relative importance of these three elements depends on many different but interactive factors including how rents are determined; the capacity of owners to borrow on the market; the extent of past capital gains embedded in the housing stock; regulatory structures; and instruments to ensure contributions, particularly from landowners; and the extent of government commitment to social housing.

An important issue in the context of funding social housing is the relationship between financing and subsidy. There are two distinct definitions of subsidy – financial and economic. Financial subsidies include cash flows to social sector landlords and to tenants. Payments to social landlords can be either in the form of revenue subsidies (i.e. annual payments) or capital grants from central and local government. They also include subsidies to interest rates and other costs of production as well as the use of public sector borrowing at below market interest rates. Government guarantees also reduce the costs of finance. In addition, cash and contributions may come from landowners and developers, particularly in the form of support to new building and regeneration, further reducing direct costs. The effect of these direct and indirect subsidies to production and the maintenance and improvement of the stock is to reduce the costs that have to be covered by rents and borrowing.

Economic subsidy is defined in relation not to financial flows but to current values. Thus it is best measured by the difference between actual rents for the properties in relation to the rents these properties would attract on the private market. These economic rents therefore relate to the location and attractiveness of the dwellings and the efficiency by which they have been developed as well as the extent of subsidy.

Economic subsidies may therefore be less than financial subsidies where the finance has been used badly, because costs have been too high or the dwellings do not adequately satisfy consumer demand. In particular they can be below financial subsidy if there is an excess supply of housing in an area – e.g. because of economic decline or changes in the types of dwelling provided.

More usually economic subsidies are likely to be greater than financial subsidies, particularly when rents are set in relation to costs. This is because financial subsidies are measured in historical cost terms. In a generally inflationary world current values will be higher – especially when house prices are rising faster than general prices (and costs).

An important link between financing and subsidy in this context comes from how the values of the social housing stock are determined. If these are measured in historic terms (as with most financial measures), cost rents are usually held down well below market values. Only if capital values have to reflect current prices either through current accounting principles (or mark to market) and costs include a rate of return on these values will financial subsidies take these into account. The most usual way for this to happen is through privatisation, when the capital values at the time of sale are funded by borrowing.

Only in efficient equilibrium would the economic subsidy be equal to the correctly measured cost subsidy. Equally no actual system is fully efficient in terms of location, type and costs of production and maintenance. In practice most systems of financing and subsidy are hybrid with some elements relating to cost and some to value.

In some countries (notably the UK) the definition of social housing includes that actual rents should be held below market levels and therefore implies the existence of economic subsidy. The more general definition across Europe relates to the existence of financial supply subsidies.

Under both financial and economic definitions of subsidy there are, in addition to rent subsidies, income and household circumstance related subsidies paid to the tenant.

These may be based directly on the rent of the occupied property or they may relate to area-based rents or some form of standardised provision.

### Rent determination

Rents in social housing in Europe are set by a wide range of methods, which include cost based (after supply side subsidy); value based – relating to consumer demand and/or values in other sectors; and income based. Moreover rents may be set in relation to the dwelling; the estate; the area; and/or the owner. All of these different types can be found somewhere in Europe.

Central governments generally determine the basic principles by which rents in the social sector should be determined. However they have varying levels of involvement with respect to the individual property and area. At one extreme, notably in England and the Netherlands, property rents are related to the valuation of the individual property as well as to area based incomes. At the other, as in Denmark, they may be determined by the managers of a specific estate in relation to the costs to be covered for that estate.

Governments are generally looking to ensure a financial framework, which puts pressure on owners and managers of the social rented stock both to operate efficiently and to provide effectively for target groups. The most usual approach is to require providers to break-even or to achieve a target rate of return on assets (whether valued at historic or current cost). These financial constraints may operate at the level of the social sector as a whole (the Netherlands); the provider (England); or the estate (Denmark). Each approach generates its own tensions, notably with respect to the capacity to cross subsidise between areas and cohorts of investment.

It is important to recognise the distinction between rent structures and rent levels. The majority of government regulation across Europe concentrates on levels; determination of relative rents is left to the owners to be based on values, needs or other criteria.

Rent levels depend upon the interaction between the government regulatory framework, the source of funds, the extent of subsidy and the timing of part investment. Over the last few years, where investment has declined, the pressure to increase rents has also usually lessened. In some countries, notably Sweden, the Netherlands and France, rents are set well below market levels but access to social housing is available to a large proportion of the population. This has become a matter of concern for EU Competition policy which is discussed elsewhere in this book. In other coun-

tries notably Ireland and the UK where rents are often far below market levels access is much more restricted, targeting assistance on poorer households.

#### *How are rents set?*

There are four basic principles by which social sector rents can be set: in relation to costs; to value; to incomes; and to rents in other sectors.

The major benefit of cost based rents is that they are most directly related to the subsidy provided – because the cost of production and running the stock less subsidy equals rents required. The most obvious problems relate to inefficiency as there is nothing to ensure that costs are at their minimum. There have been many instances, notably in Denmark, Germany and Austria, where costs have clearly been inflated. More complex issues arise when costs become disconnected with values so the economic subsidy may become vary large. Then governments may wish to increase rents so that they are more in line with true opportunity costs of provision. This has been a major source of political tension in many countries with cost based systems.

The benefit of value based systems is that they relate to what consumers regard as important. However there are then no direct links either to the subsidy that government has provided or to the actual costs of maintaining the social sector stock. Most importantly government generally requires that, given subsidy has been produced, rents should be held below market values and bear a clear relationship to affordability among the target groups of households. There is thus inherently excess demand and few of the allocation benefits that flow from relating rents to value can readily be realised. Both England and the Netherlands have developed systems that set rent structures in relation to capital values but modify the rents actually charged in relation to income.

Income related rents raise major issues with respect to financial viability, especially if the households accommodated are particularly concentrated among lower income groups, and if their incomes are rising more slowly than the costs of managing and maintaining the stock. Ireland provides a particular example of these issues within Europe, as do parts of Germany. There are many other examples across the world – notably in Australia and New Zealand.

Finally there are examples where rents are related to those in the private sector rather than directly to capital values. This approach is particularly prevalent in countries where private rents are also controlled. The most important example of this approach has been Sweden and to a lesser extent the Netherlands and Germany. In this con-

**Table 1. Social and private rent determination**

	Social	Private
<b>Austria</b>	Cost-based.	Also cost based; private < 10% higher (in post-1953 buildings there is de facto no regulation)
<b>Denmark</b>	Cost-based. 3.4% of building cost + bank charges. Average 2005 €6.67/m <sup>2</sup> /month	Private rents also regulated. Average €6.83/ m <sup>2</sup> /month
<b>Germany</b>	In some regions rents vary with household income. €4-7/ m <sup>2</sup> /month	Rent on new leases free, but rises regulated
<b>France</b>	Central government decrees maximum rents (vary by region). Cost based related to estate or owner	Rent on new leases free, but rises regulated. 30-40% higher than social rents
<b>Sweden</b>	Set by annual negotiation between landlords and tenants.	Private rents limited by social rents; private slightly higher.
<b>Netherlands</b>	Rent based on utility value of dwelling and target household income level. Average €353/month.	Also controlled; average rent €419/month.
<b>Hungary</b>	Set by local authorities	Market based
<b>Ireland</b>	Tenants pay % of income in rent. Average rent €155/month.	Rent control abolished 1981 now market determined.
<b>England</b>	Rent restructuring regime based on local earnings and the dwelling price; increases RPI plus 0.5/1%. HAs and LAs must cover outgoings.	Market determined for properties let since 1988

Source: Whitehead & Scanlon, 2007

text there is usually an understanding among those who set both social and private rents as to the expected relativities but these are usually a matter of negotiation rather than related to specific formulae. For instance, in Sweden, the role of the unions has continued to be at the heart of the negotiation process.

Table 1 (drawn from our earlier publication) provides some details on how rents are set both in the social and the private sectors. It reflects all four types of approach to rent setting as well as different ways of addressing the issues of historic versus current cost. In some countries, rents together with available subsidies provide social sector revenues that are more than adequate to enable owners to build reserves and to make contributions to additional provision. This is particularly true of the Netherlands where the housing associations are expected to be self-sustaining; but it is also the case in parts of the HLM sector in France and the HA sector in England. In other countries the revenues are inadequate effectively to maintain the stock, let alone support new investment, notably in Eastern Europe and in Ireland but also in parts of Germany. In cost based systems the intention is often that developments should be able to pay their way rather than depend upon cross subsidy from earlier investments. In these contexts new or improved dwellings may have very much higher rents even though their value to tenants (often because of their location) may be lower.

What is perhaps most obvious from this quick review is that there is no convergence between countries in the ways that rents are set. Each depends upon a long history of financing and regulation, which help determine both feasibility and viability. History also often affects the role that rents should in determining both levels of provision and allocation as well as the levels of rent that are regarded as acceptable by tenants and governments alike.

### **The Increasing role of debt finance**

The traditional role that debt finance has played in the social sector has been to enable new investment to be undertaken, usually with the help of subsidy. Over the last twenty years, as financial markets have been deregulated and opportunities for borrowing have increased, there have also been movements to privatise the existing stock and thus use the equity capital as collateral for further borrowing either for housing purposes or to reduce public borrowing elsewhere (Turner & Whitehead, 1993: Urban Studies, 1999)

In many European countries the traditional form of debt finance was either through the public sector, enabling funding to be provided at 'risk free' interest rates, or through interest rate subsidies to independent social landlords enabling investment to be undertaken at lower cost (Whitehead, 2003; Turner & Whitehead, 2002). In many cases additional guarantees from either local or central government were provided, further to reduce interest rate costs. This was particularly the case in Scandinavian countries, the Netherlands and France. But in almost all European countries social housing was very much dependent on special circuits of finance where costs were significantly below market levels.

Over the last decades this special treatment has been much reduced. Interest rate subsidies have been removed and providers have more and more been expected to borrow on the private market (although often with explicit or implicit guarantees in place as well as the security of rental income achieved with the help of income related support).

The markets for large scale borrowing by social landlords undertaking new or improvement investment has been most developed in the Netherlands and England. In both countries risk premiums have been reduced to minimal levels and there have been many providers of debt finance. Whether this situation will be maintained in the face of the current financial crisis is as yet unclear. But asset values are generally high and rental revenues relatively secure so perhaps the longer term future is reasonably secure.

More generally, the capacity to raise debt finance depends heavily on the certainty of the rental stream, on the one hand, and the capacity to realise capital values on the other. Where these rights are restricted it may be difficult or impossible to raise debt on the private market. Some countries, notably France, have continuing sources of guaranteed and/or subsidised borrowing which enables development to be maintained by those HLMs who wish to do so. Others, notably in the Netherlands and to a lesser extent in England funding can be supported on the basis of landlord reserves, discussed below.

### **Equity finance for social housing**

The other major source of funding for social housing comes from the equity tied up in the existing stock, reserves and other assets owned by social housing providers. Large parts of the social housing sector hold unencumbered capital assets on which no return is required. They also own land and other assets, which could, at least in principle, be used to increase provision. The use of such existing assets is often

involved in regeneration projects, especially those that involve increasing the density of provision. Finally many social sector providers have significant reserves built up from part subsidies and from rental income. These assets enable rents to be held down. They also present opportunities to enable additional investment, particularly by providing internal subsidies in the early years, which can be reimbursed as rents rise in the longer term and surpluses are made.

The most usual approach to increasing the use of equity finance however has been through the sale of homes to sitting tenants, often at a discount. The objective is usually to enable tenants achieve owner-occupation while, at the same time, funds can be recycled to extend social provision (or to other uses). The Right to Buy in England has been the largest such programme, involving the transfer of over 1.6m units to tenants. These transfers involve a proportion of equity and debt finance put in by the tenant as well as subsidy from government. Other countries have similar programmes, although the extent of subsidy is usually less than was originally involved in the Right to Buy. Ireland has had a long standing programme which has enabled large scale sales. The Netherlands has had a significant programme for a decade or more. Both France and Sweden are looking at extending their programmes. More generally, supporting owner-occupation is seen as a cost effective way for government to subsidise provision of housing for those able to make a larger contribution to their housing costs than the majority of those in social housing. Linked to this has been a growth in interest in programmes to support low cost home ownership where purchasers are able to purchase part of their homes under a wide range of specific schemes that fit the legal and institutional arrangements of individual countries. The cooperative home ownership schemes that are prevalent in Scandinavia are perhaps the best established of such schemes. Community Land Trusts are also important in a number of countries, notably Germany. A wide range of new approaches are being developed in most Northern European countries. Most involve the introduction of individual equity and debt finance.

The latest, and arguably the most drastic, initiatives involve bringing private equity into the ownership of the existing stock of social rented housing. Up to the present Germany provides the only working example of large-scale private equity involvement in the existing stock. There have been two main approaches: the sale of the whole municipal stock in a small number of large cities, notably Dresden and Kiel in the East; and far more limited sales of parts of the stock across a range of smaller municipalities, mainly in what was West Germany.

The principles involved are straightforward. A license is specified, clarifying the conditions under which tenancies are to be provided, including how rents may be set, when evictions may take place etc. It also clarifies the rights of the new owner to sell properties, demolish and redevelop them, and their responsibilities with respect to management, maintenance and improvement. These conditions help to determine the price at which the properties are sold – so there are difficult incentives/disincentives when determining the license. A second issue is whether it is simply a way to enable the municipalities to get out of housing (although their responsibility to house the vulnerable remains). More positively it can be a way of increasing the efficiency of social housing provision and the better use of public resources.

In England and the Netherlands, these transfers have been made to the independent sector; in England through large scale voluntary transfers and in the Netherlands simply by ring fencing the sector. In neither country has there been true private equity finance. However, in both countries there are significant initiatives to undertake public private partnerships for development and regeneration, which could lead to both developer and institutional equity finance.

### **Subsidies to social housing provision**

The incentives and capacities for social providers to expand supply must ultimately depend upon the extent of subsidy available. This is because regulated rents generally do not cover the current costs of provision of adding to the stock and therefore, if subsidy is not made available, providers must reduce their reserves and their financial viability or depend heavily on increasing rents to existing tenants within the relevant regulatory framework.

Social housing has always involved large-scale subsidy both capital and revenue. However, the general trends across Europe have been first to move away from revenue and interest subsidies, particularly because these can be open ended, toward capital grants that can both be cash limited and targeted more effectively at particular groups and localities.

Most local authorities have also found it difficult to maintain contributions to additional housing as their responsibilities increase and property taxes have not kept pace with costs. In some cases, notably England, additional constraints have been put on local authorities, limiting their involvement. The more general trend is for lower levels of involvement by municipalities, in part because of the growth of independent social landlords.

A further trend has been away from supply side subsidies to income support for poorer tenants. These may make it possible to use the existing stock, especially that in the private sector, more effectively, but generally provide few incentives to additional investment. As a result output levels have declined significantly in many countries. The most extreme example was Sweden in the 1990s when the removal of interest rate subsidies stopped building across almost all sectors (Turner & Whitehead, 2002)

Overall therefore the pressures have been to reduce investment unless other forms of subsidy can be developed. The exception here is undoubtedly France where the continued supply of subsidised debt finance has enable development to be maintained. In the Netherlands social landlords also have considerable capacity to increase investment without recourse to subsidy but the incentives to do so are limited, especially given their increasing responsibilities with respect to regeneration and local area management.

The most important alternative source of potential supply subsidy comes from land values – both in the form of the use of public land for social housing at below opportunity cost and of contributions by landowners and developers to social and affordable housing. The very large post-war growth in social sector supply across Northern Europe was often supported by the provision of free or cheap public sector land. Over the last few years there has again been increasing emphasis on this source of funding, often because the transactions may not appear on public sector borrowing accounts because the ownership of land is not transferred. As a result, the land does not have to be valued at current opportunity cost. Initiatives in this context are in place at least in Denmark, the Netherlands, some parts of Germany, France and England. They often involve significant regeneration projects where land use restructuring can provide very large gains in value.

A rather different approach is to require contributions to affordable housing from developers, usually through ensuring that a proportion of affordable housing is included at least in major developments. England's Section 106 policy is probably the most developed, currently supporting well over 50% of new affordable housing provision (Whitehead, 2007). Similar initiatives and related public private partnerships to ensure mixed communities are in place in Ireland, the Netherlands, and some parts of Germany.

### Conclusions: financing social sector housing

Overall social sector housing is becoming more self-sufficient. This situation is most transparent in the Netherlands where the housing associations have received no direct supply side subsidies for almost twenty years. In Sweden housing makes a net contribution to the public purse. In England the realisation of social housing assets helped to contain overall public expenditure and borrowing. More generally, increasing capital values and deregulated private finance markets have enabled lower government subsidies and the restructuring of housing finance away from public to private debt. Rents have been increased and initiatives have been introduced to provide incentives to better off tenants to transfer to other tenures.

Other general trends include:

- significant shifts from supply side to income related subsidies;
- significant reductions in the availability of direct government subsidy to new investment;
- the substitution of debt finance for subsidy;
- to a lesser extent, the substitution of subsidy from government to contributions by other actors, notably land owners both private and public but also employers; and
- growing interest in the introduction of private equity into social housing, both through public/private partnerships and direct private purchase of existing stock.

Although one can identify certain trends, the picture is not straightforward. There are many differences between how countries are responding to basically similar pressures. Often these differences reflect distinct institutional frameworks and opportunities. In particular many of the countries studied continue to have strong regulatory frameworks affecting both the social and the private sectors. Equally in many countries the government is still regarded as the main source of funding with private finance seen as something of a threat to the nature of social housing. Experience in some countries, notably the Netherlands, England and now Germany, however, show that private funding without direct subsidy, although usually with explicit or implicit guarantees, can be employed both to fund the existing stock and to some extent to enable new investment.

The trends with respect to rents are even less clear because the principles applied vary so greatly between countries. On the one hand the extent to which the sector is concentrating on poorer households makes low rents a sensible option (Hills, 2007). On the other hand it puts pressure on viability and reduces new provision. This is an area where there is no general agreement.

Over the next few years, assuming the financial crisis is overcome, private finance is likely to grow in importance – first through increasing use of tenants' own equity as they purchase or part purchase their homes; second through public/private partnerships implementing regeneration and new investment programmes; and third through private equity involvement in the ownership of the existing stock.

Most importantly, in many of the countries studied there appears to be a new commitment to social housing, supported by land allocations and to a lesser extent new public funding to increase the provision of affordable housing for lower income employed households. This tendency may well be strengthened by the current financial crisis.

Much of the interest lies in developing new ways of providing housing which involves only shallow subsidy – and therefore significant proportions of private debt or equity finance. The provision of more traditional social rented housing at rents well below market levels must inherently involve far higher levels of direct government subsidy. Here the commitment for additional long-term provision is much less clear cut.

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## 7. The demand for and supply of social housing in France: hopes and fears

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### Introduction

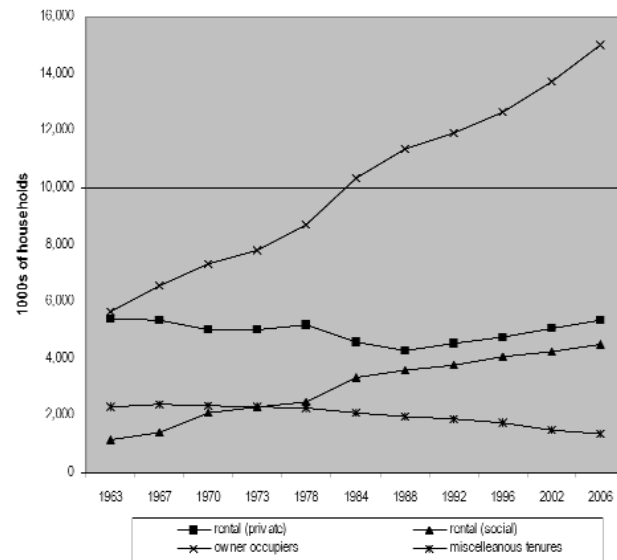
This chapter highlights the contrast between the housing situation in France, which appears relatively good according to various economic, social and technical criteria, and the general and oft-quoted feeling of many households that there is a continuing housing crisis.

Many of the economic indicators relevant to housing have never been so high: housing supply, new construction, the owner-occupation levels, the supply of rented housing (private or social), quality and level of comfort and—until the current financial crisis—the flow of mortgage loans. On the other hand, demand has been too strong for available supply, prices and rents are high, homelessness is visible, and public policies for housing are under financial pressure. The immediate financial crisis affects supply and particularly demand, although not as much as elsewhere in Europe. Whatever happens in the short term, the structural issues will remain the same.

### Overview of French housing stock and new construction

The housing stock in France consists of 26.9 million principal dwellings (57% houses and 43% flats), plus 3.18 million second homes and 1.9 million vacant units, bringing the total to 32 million dwellings. Compared with the European average, the number of dwellings per inhabitant is high (500 dwellings per 1000 inhabitants), although it comes closer if we consider only principal dwellings (416 per 1000).

Figure 1 shows how the tenure structure in France has developed since the 1960s. Both owner occupation and social renting have roughly tripled over the period. Currently, 57% of households are owner-occupiers (one-third mortgagors and two-thirds in full ownership). This figure refers only to owner occupation; the overall rate of residential property ownership is higher (about 60%), as 4% of tenants own other dwellings (either rental, second homes or vacant).

**Figure 1. Housing tenure in France**

The private rented sector includes 24% of principal homes. It is larger than the social rented sector, which accounts for 19% of the stock, a very similar proportion to England.

Altogether, the housing market in France appears to be reasonably consistent with tenure preferences. Nevertheless, the tenure structure restricts the choice of housing: for instance, rented flats are more common than rented houses (26% of the rented stock consists of houses).

The social rented sector is owned and managed by specialised organisations known as HLM public offices and companies. HLM stands for Habitation à Loyer Modéré and is shorthand for social rented housing; the rough equivalent in England is Registered Social Landlords. There are 563 such bodies managing 4.2 million dwellings. HLM bodies enjoy a private, non-profit-making status. Other organisations involved in social housing are non-profit associations and semi-public companies (Entreprises Publiques Locales) with the local authorities as main shareholders; these manage around 0.5 million dwellings. With an average size of 7,400 dwellings per HLM body, the social housing sector is managed on a professional basis, with long-term commitment.

Rents in the social rented sector are determined by formulas linked to the original cost of construction and the way the building was financed. Older buildings may have cheaper rents, reflecting the fact that before 1977 the government gave high bricks-and-mortar subsidies. Rents for dwellings financed under the PLUS scheme range from €4.73 to €5.81 per m<sup>2</sup>, depending on area. The average rent for the HLM stock is €5/m<sup>2</sup> (2007 value).

The rate of new construction (in terms of housing starts) has been over 400,000 units per year for the last three years (54% houses, 46% flats). This is equal to about 1.3% of the stock. The average during the last ten years has been 350,000 p.a. Annual output is expected to decrease and stay around 380,000 dwellings during 2008-2009. Such output figures are still among the highest in the EU.

Under the national programme for social housing (Plan de Cohésion Sociale or PCS) and the National Programme for Urban Renewal (Agence Nationale pour la Rénovation Urbaine, or ANRU), the production of social rented housing in 2007/08 was nearly 70,000 units (17% of total output). The numbers should be similar in 2008/2009. This construction programme is financed through off-market loans from a special financial body (the Caisse des Dépôts) and through grants or loans from the employers' fund (a 1% tax on wages paid by any company with 20 or more employees). Loans are easily available, the main constraint being the limited equity capital of the HLM companies and the reduction in state grants in relation to the increasing cost of construction and land (down 35% in the four last years).

The annual level of transactions within the existing housing stock (including principal homes, second homes and investments) is about 750,000 dwellings but it could fall to 600,000 in 2008. Over last six years, mortgage lending has increased tremendously—from €60 billion in 2000 to €154 billion in 2007—reflecting the increase in the number of properties sold and the associated increase in prices. This figure will probably reach €120 billion in 2008: one-third for new construction and two-thirds for existing dwellings. The financial crisis makes it difficult to forecast mortgage lending for 2009, but it will probably be under €120 billion.

Half of purchasers are first-time buyers. The average dwelling price of €140,000 corresponds to 4.3 times the average first-time buyer's income, up from 3 times income just six years ago.

Total household mortgage debt stands at €700 billion, double that in 2000. Nevertheless, by international standards the mortgage debt/GDP ratio is not particu-

larly high (although the current financial crisis may affect these ratios in many countries).

#### *National housing policy: subsidies and taxes*

The housing sector receives state subsidies in the form of housing allowances for households and bricks-and-mortar subsidies for new construction; it also pays various taxes (VAT on new construction, transaction taxes on sales, land taxes, etc).

Housing benefit accounts for €14 billion and covers 6 million low-income households (85% of which are tenants, 8% mortgagors and 7% others). Bricks-and-mortar subsidies are shared between homebuyers (low and middle income) and the social rented sector; some €5 billion is distributed in the form of subsidised loans and direct subsidies to the social sector. Income tax rebates worth €9 billion are granted to private rented investors. For the last ten years, more and more public aid has been channelled through tax rebates. Although they have a limited effect on the government's annual budget, they are a burden on budgets in future years. The social rented sector pays VAT at a special low rate; there is also lower VAT on refurbishments and building repairs.

Recent strong activity in the housing market has had a powerful economic effect, with the revenue brought in by various taxes to state and local authorities rising from €36 billion in 2000 to €51 billion in 2007. A decrease in housing sales taxes will have a significant effect on local-authority income in 2008 and 2009.

#### **Concerns about a comprehensive housing crisis**

The above figures suggest that the basic housing situation is rather good. Other developments, such as increasing levels of comfort and living space per inhabitant (30 m<sup>2</sup>/inhabitant in 1984, 40 m<sup>2</sup> in 2006), are also positive.

Nevertheless, even before the current global financial crisis there was a general feeling that

- the housing stock was not located where it is most needed;
- households had increasing problems finding affordable housing;
- people with low or irregular incomes found it difficult to find and keep a home;

- middle-class groups had faced rapid increases in rents or prices in many large cities, leading to sprawl with new homes being built far into the outskirts of urban areas;

- young people could not find a rented dwelling unless they could provide guarantees;

- there was still too much poor-quality or inadequate housing; and

- homelessness was evident in the streets of major cities.

The gap between a positive view of the situation, based on reliable data, and the feelings of the public, echoed in the media and at meetings, poses a problem for housing specialists and advisers. One way to approach the matter is to categorise issues by theme. Some of the major themes are as follows:

#### *Does the social rented sector house the right tenants?*

The social rented sector accounts for 19% of the market, but the income ceiling for tenants, which depends on the minimum wage, includes a much higher share of the population. Recent changes increased the eligible population to 70%, while the next lowering of the ceiling, planned in 2009, will reduce it to 60%.

Traditionally, France's social housing sector has been classified as meeting general needs with a social mix of low-income and lower middle class tenants (CECODHAS 2007), but social housing organizations say their tenants are getting poorer and poorer. This may be considered normal: social housing is better targeted towards people in need, while the owner-occupied market caters for better-off households. But it is problematic if social mix is considered desirable.

Classifying the tenants in social housing is difficult, and is the subject of various debates. Conclusions depend on whether we study flows or stocks. Currently most HLM property is occupied by low-income households, and the proportion of very low-income tenants is on the increase. The Union sociale pour l'habitat (USH), the umbrella organisation for French registered social landlords, suggests that one-third of low-income households in France are housed in the social sector, up from one-quarter ten years ago. More generally, the largest proportion of older, low-income people is in owner-occupation, while students and young low-income employed households more often live in small private rented flats. HLM dwellings are targeted at families.

Households whose incomes rise above the income ceiling after they become tenants are entitled to remain as long as they pay their rent. The proportion of such households within the social rented sector is estimated at less than 8% of the housing stock. This figure could rise to 12% in 2009, after the income ceilings are lowered.

The average rent nationwide in social rented housing is €325, and in the private rented sector €508. In large cities, social rents are much lower than private rents: €6 compared with €15 per m<sup>2</sup> in the Paris area, €5 compared with €8 in other cities. (The gap can be narrower in lower-demand markets, where an old private rented dwelling might cost as much as a brand new social dwelling.) This, and the larger living space available in the social rented sector, explains its low rate of turnover compared to the private rented sector.

Advocates for homeless people point out that the supply of homes (new or existing) is still far from enough, especially in high-priced markets.

*Are social rented dwellings located where they are needed?*

The social rented housing stock is concentrated in large cities, as its history roughly parallels the country's industrial and economic development. The rate of HLM provision is high in old industrialised areas, notably around Paris and in the Seine and Rhône Valleys, the north and east. It is low in the south east and western parts of the country.

Ninety per cent of the HLM stock is located in fewer than 2,000 communes, which have 60% of the population. In these communes, a quarter of the housing stock is in the HLM sector. Ten per cent of the HLM stock is scattered among 13,000 communes, which have 28% of the population. Here HLM stock accounts for just 7% of the local housing stock. The remaining 21,300 communes, with 12% of the population, have no HLM housing at all. Thus 40% of the population has a restricted choice of housing tenure and a very limited or non-existent stock of HLM property.

HLM housing tends to be located in large communes (those with above 2,000 inhabitants) and not in small communes, even if they are in urban areas. Communes with fewer than 2000 inhabitants house one quarter of the population but account for only 5% of the total HLM stock. Of these communes with fewer than 2000 inhabitants, 45% are in urban areas; they account for 15% of the population and 3% of the HLM stock. Scarcity of social rented housing is particularly acute in tourist areas (the seaside, in mountain resorts, etc.). In these areas there are serious problems with housing for the tourist-industry workforce.

Under recent legislation, HLM provision must account for at least 20% of the total housing stock in some 1,691 communes with over 3,500 inhabitants (or 1,500 inhabitants in the Paris area). These communes have 56% of the country's population. Of them, 731 communes (with 20% of the population) do not fulfil this requirement and must build social rented housing. This is part of the general programme to diversify HLM supply and to avoid the historic concentration in some suburbs and towns. Diversification of the supply is in progress, but it will be many years before there is a truly balanced supply throughout the country.

*How does demand for social housing compare with supply?*

The HLM sector has a turnover rate of 10% and production rate of 1.5%, meaning that fewer than half a million units are available for allocation yearly. Demand for HLM housing is estimated to be above 1.2 million units. This is a national figure, measured as a stock of applications. It does not reflect local problems, and different areas face very different pressures in terms of the flow of new applications. The worst problems occur in high-cost areas, where tenant turnover can be under 5%.

*Is urban renewal policy doomed to fail?*

A regular criticism of the current situation is that urban renewal and upgrading of housing cannot improve the situation in deprived and derelict social housing areas. The riots that occurred in 2005 despite years of (technical) refurbishment are often cited. In fact, they occurred in a wide range of places including 'quiet' small towns, which suggests that the problems were (are) linked more to high rates of unemployment among young people than to housing conditions. Riots or day-to-day trouble in HLM areas reflect the fact that these areas house people with serious financial constraints.

Broader urban policies, including better transport systems, local economic development, special education programmes and so on, require time. The time horizons of urban planners, developers and builders are not the same as those of the local population, including young people, who cannot wait for 'better days'. Only after several years will it be clear whether social mix, new construction and local economic development, together with improvement in the existing stock, can reverse negative trends.

*Is the social housing finance system efficient?*

Construction of social rented housing is financed by long-term off-market loans (with terms of 40 to 60 years), state and local authority subsidies, employers' grants and the contribution of equity capital from HLM bodies. Loans are financed through the

Savings Funds (up to €140 billion) and channelled through a specialist financial body called the Caisse des Dépôts, which can lend €4 to €7 billion annually for social housing and urban renewal. This is a very large regular capital injection – much higher than in most other western economies.

The average new social rented dwelling (P.L.U.S.) in 2007 cost €104,000, of which 80% was financed by off-market loans, 13% by grants from the state and local authorities, and 7% by equity capital from the HLM body. The proportion of equity capital needed is much higher (up to 25%) in expensive areas or if the social housing is targeted at very low income households which pay lower rents (below €5/m<sup>2</sup>).

The increase in production planned for the next three years will put HLM bodies under increasing financial pressure, especially because the growing number of poor tenants will make it difficult to increase rents. The share of equity capital contributed by each HLM depends upon its own financial position. There are some relatively prosperous social housing companies that own old buildings in urban areas—such buildings are ‘cash cows’ for HLMs after their loans are amortised. Others still have large debts to pay off. Those bodies with plenty of equity capital at their disposal or large subsidies from local partners may be in a position to finance expensive projects. Cooperation between HLM bodies and strong backing from the Caisse des Dépôts and local authorities (as central government provides less and less subsidy) will be necessary over the next few years if output levels are to be maintained and expanded to help meet the demand for social rented dwellings in France.

#### *Are housing policies managed at the right level?*

The monitoring of social housing is shared between central government and local authorities. For a long time, local authorities have been responsible for urban planning. They provide collateral for social housing (€85 billion in outstanding loans) and allocate a significant share of social rented dwellings (allocation is shared between the State and/or local authorities, the employers’ fund [1%] and HLM bodies). The decentralisation process initiated by central government in the last twenty years in France has increased local authorities’ powers in the field of housing. About half of new social housing dwellings are a direct result of local authority decisions.

Management of social rented housing is inherently a local function. Whether there are adequate governance structures in place to bring the necessary partnership together to provide the range of housing required is a more complex issue. Equally, the role of

central government cannot be just to provide a policy framework; it must also enable adequate market and social housing.

#### **Meeting fundamental requirements: outlook for 2009/10**

In 1989, the ‘right to housing’ was made a fundamental right by law, and a wide-ranging set of legal and administrative measures was put in place, targeted at people in need. This led in 2007 to the *droit au logement opposable* (DALO), or the enforceable right to housing with a legal right of appeal (see the chapter by Jane Ball in this book). This at present only applies to the social housing sector.

It is not yet clear at which point the new legal framework will guarantee housing to people in need. A wide range of assistance is required, from helping people find ‘ordinary homes’ at affordable prices to overnight shelters and logements d’insertion (where residents receive social worker help—see the chapter by Reinprecht and Levy-Vroelant in this book). The general feeling is that the number of all types of dwellings should be increased, and at the same time, more social work support should be provided.

To uphold the basic principles of freedom of choice and the right to housing for people in need requires a sufficient overall supply of housing. They cannot be achieved without a diversity of tenures. There should be a reasonable balance between owner-occupation, private and social rented accommodation, ideally in a pattern that permits social mix.

A slowdown of housing prices could help first-time buyers if the banks manage to provide loans, but it might decrease supply in the market for existing homes. The economic slowdown forecast for 2009 might help to increase the supply of social rented housing. A lower private construction rate would lessen competition for land and reduce construction costs. However, support from local authority budgets might be harder to obtain. Building housing for low-income groups still requires strong financial and political backing.

#### **Endnote**

<sup>1</sup> 1.5% without basic comfort, 5% without adequate heating, new criteria for measuring comfort are under study.

#### **Reference**

CECODHAS (2007) Développement du logement social

## 8. The privatisation of social housing: three different pathways

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### Introduction

Germany, the Netherlands and the United Kingdom each built up significant social rented sectors in the 20th century, especially in the decades following 1945. Each developed its own model of social housing. Almost all social rented housing in the UK was provided by local authorities, which owned and managed the stock. In the Netherlands housing associations became the major providers of social rented housing rather than local government. In Germany a rather different concept of social housing led to a much more diverse range of providers that included municipal housing companies, co-operatives and private landlords.

Since the 1980s in the UK, and the 1990s in Germany and the Netherlands, measures have been adopted that can be characterised as the privatisation of social rented housing. Privatisation is a relatively new concept – emerging in the UK in the 1980s as the government sold state owned companies to the private sector. While the sale of public assets to the private sector is an important (and probably also the most robust) characteristic of privatisation, the term is also applied more widely to include any process that reduces government influence over socially-orientated activities or aims to make greater use of the market to achieve social ends.

This chapter examines the privatisation of social rented housing in the UK, the Netherlands and Germany. The nature of the privatisation process in each of these countries is examined in turn, and is followed by a comparative analysis.

### Privatisation in the UK

#### *Introduction*

The first subsidies for social housing in the UK were introduced for local authority housing in 1919. By the late 1970s, one-third of the British population lived in hous-

ing owned and managed by the state, overwhelmingly in the form of the local authority. The size of the sector peaked in Scotland at more than 50 per cent.

Since 1980, the tenure map of Britain has changed, largely due to privatisation, but also because the share of new build accounted for by social housing fell to low levels. By far the most important form of privatisation has been the sale of council houses to sitting tenants at a discount under the Right to Buy policy. However, we also consider the transfer of local authority housing to non-profit housing associations, mostly under a system known as 'large scale voluntary transfers' (LSVTs).

*The Right to Buy*

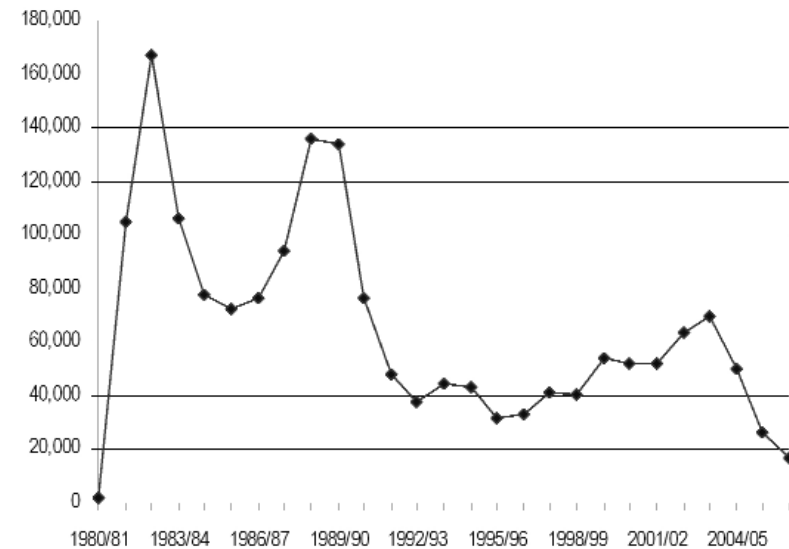
The Right to Buy was introduced by the first Thatcher government in 1980. The principal motivation was to promote owner-occupation, rather than to cut public spending. Although the government made claims that it would save money, the policy remained uncostered until after 2000 (see Munro 2007).

Nearly all council tenants could exercise the Right to Buy provided that they had been tenants for three years. It was backed with strong financial incentives. Qualifying tenants could purchase a property with a minimum discount of 33 per cent from its open market value, and this rose by one percentage point for each year of tenancy up to a maximum of 50 per cent. Over time the terms were made more generous; in 1984 the minimum residency requirement was dropped to two years and the maximum discount raised to 60 per cent. More generous terms for tenants living in flats were introduced in 1986 with a minimum discount of 44 per cent rising by two percentage points for each year's residence to a maximum of 70 per cent.

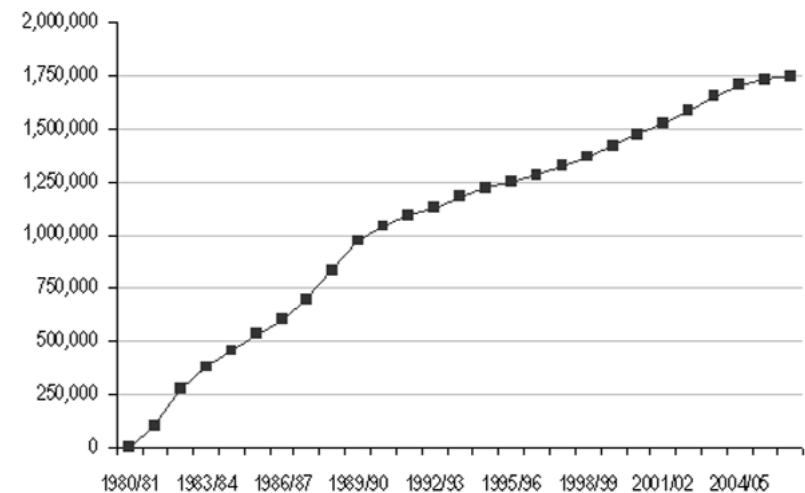
Figures 1a and 1b show the phenomenal success of Right to Buy in terms of privatising properties and promoting home-ownership.

An underlying reason for this success was that the local authority sector was relatively mature. Much social housing had been built in the 1930s and the high levels of inflation experienced in the 1970s helped to erode the real value of debts even on relatively recently built housing. The equity that built up in the sector financed the discounts without the need for any additional financial subsidy in the system. Indeed the capital receipts helped to reduce the level of government borrowing (Gibb and Whitehead 2007).

**Figures 1(a). Right to Buy Sales (England) 1980/81-2006/07**



**Figure 1(b). Right to Buy Sales: Cumulative Total (England) 1980/81-2006/07**



Source: Communities & Local Government: Live table 670 (1b calculated from the table)

The transfer itself was probably on average 'progressive' in the sense that assets owned by the community as a whole were transferred to people who were mostly less well off than the average. But in the longer term, the limitation on using capital receipts for constructing new social housing eventually led to shrinkage in the availability of social housing.

The Right to Buy clearly contributed to the process of residualisation in the social rented sector because it was on average the better-off tenants who exercised the right to buy, leaving the poorest occupying the less attractive properties. But RTB was by no means the only factor; in housing terms, it coincided with a shift in allocation policies towards prioritising people who were most in need, and this was reinforced by the 1977 Homeless Persons Act and its successors, which gave local authorities across Great Britain the duty to find permanent accommodation for priority categories of unintentionally homeless people (Stephens et al 2005). This contrasts with many other European countries where sub-sectors are used to house very poor and vulnerable groups who are excluded from mainstream social housing (Fitzpatrick and Stephens 2007).

Moreover, the Right to Buy coincided with the huge restructuring of the British economy that led to very high levels of unemployment in the 1980s and again in the early 1990s. Although employment levels have since risen, and unemployment fallen, there has been a polarisation in the labour market between dual income or work rich households and no income, work poor, households (Holmans et al 2007). The latter are concentrated in social rented housing and this is now a major object of official concern (see Hills 2007).

More recent analyses of RTB have suggested that its impacts have been quite complex. For example, the government has claimed that "... it has encouraged more affluent tenants to remain in the neighbourhood they have lived in for many years, helping to create stable mixed income communities" (DETR, quoted in Stephens (ed.) 2005). But the evidence is complex, and it is clear that RTB has probably impacted in different ways in different areas (see Munro 2007).

The policy – at least in its traditional form – has run its course, as sales have been running at much lower levels than before, partly because of the introduction of maximum discounts. A maximum discount of £24,000 was introduced in Wales in 1999, then reduced to £16,000 in 2003, when regional maximum discounts ranging from £16,000 to £30,000 were also introduced in England. The 2004 Housing Act lengthens from two to five years the period before a tenant becomes eligible to exercise RTB

and extends the period during which the discount must be repaid from two to five years in the event of a re-sale. Moreover, the social landlord is given the right to repurchase the property if it is sold within ten years of the RTB being exercised. Cash limits on discounts for new (post-1997) tenants have been introduced in Scotland and 'pressurised area status' has allowed several rural local authorities to suspend the RTB (on post-2002 tenancies) (Wilcox 2006). The new minority Scottish Nationalist government has proposed to end the Right to Buy for new tenants (Scottish Government 2007).

While RTB may have run its course, another form of housing privatisation has gained importance.

#### *Large Scale Voluntary Stock Transfers*

In contrast to the Right to Buy, the policy of transferring council housing to other landlords arose from the bottom upwards (Stephens [ed.] 2005). This was in response to changes by central government in the system of state subsidies to English local authorities, which led to many receiving 'negative' subsidies. It was this situation that prompted the first transfers to new landlords. These were formally non-profit housing associations, but in reality they were the old local authority housing department with a different legal status.

The government did not oppose these transfers. It did introduce a charge, the Treasury levy, to gain some compensation for the loss of savings relating to housing allowance subsidy, but as long as tenants were balloted and voted in favour of the transfer it went ahead. Normally, tenants were offered guarantees about limits on future rent rises. They retained their rights, such as security of tenure as well as the right to buy, and were often attracted by the prospect of improvements to the stock.

This process had its limits. Transfers could only take place if they were financially viable — that is, if the transfer value of the stock matched or exceeded the outstanding housing debt. In many urban areas with higher proportions of newer properties and with greater repair needs, this was not possible. The value of the stock was based on the tenanted market value model, which involved calculating the net present value of future rental incomes over 30 years.

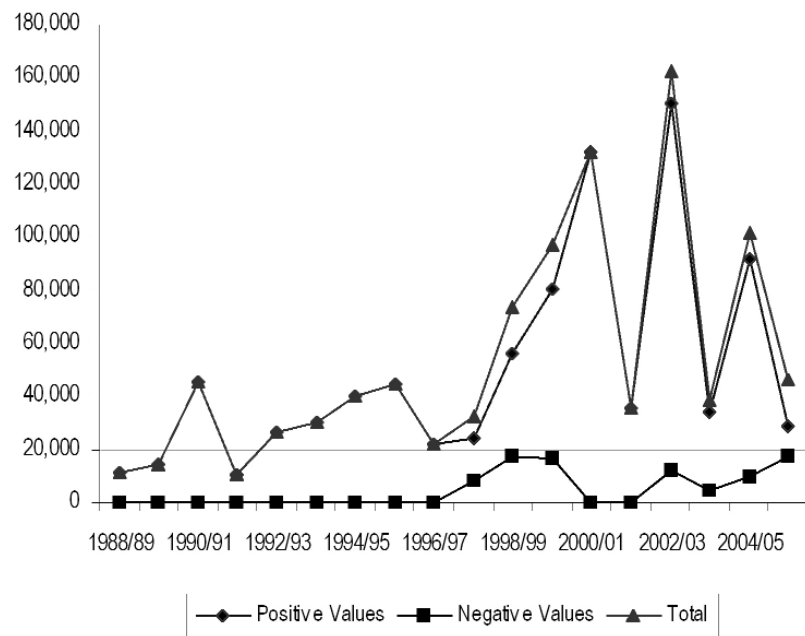
A central government grant scheme was established in the mid 1990s to facilitate the transfer of particular estates whose stock value was not sufficient to repay debts. However, the Labour government elected in 1997 more actively promoted stock transfer to leverage in private finance to renovate the stock (Gibb & Whitehead, 2007). A



Green Paper issued in 2000 suggested that 200,000 units per year might be transferred over the next ten years, and a wider range of instruments was developed to facilitate negative value transfers.

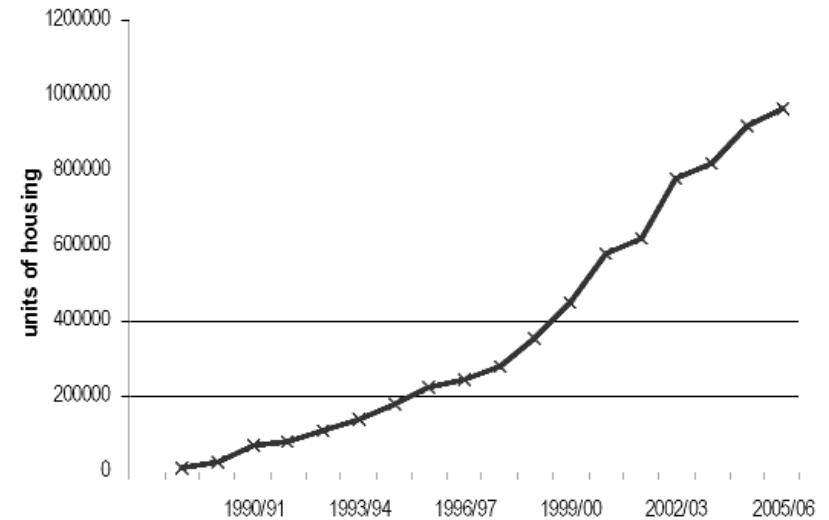
As Figure 2 (b) indicates, stock transfer has led to the privatisation of something like one million council dwellings in England. While the policy has been successful in leveraging in private finance for renovation, it has been controversial and not as successful in the urban form promoted by central government. Particularly controversial was the government's willingness to write off debt only if tenants voted to transfer the stock to a new landlord. The reasons for this lie in public spending rules and a political preference for local authorities exercising a strategic role rather than being a direct provider.

**Figure 2(a). Large Scale Voluntary Transfer of Local Authority Housing (England) 1988/89- 2005/06**



Source: Wilcox (2006), Tables 68a, 68d, 68e

**Figure 2(b). Cumulative total of Large Scale Voluntary Transfers (England) 1988/89-2005/06**



Source: Wilcox (2006), Tables 68a, 68d, 68e

In Scotland, attention focused on whether Glasgow tenants would vote for stock transfer. Glasgow's stock was the biggest in the UK at around 90,000 units, and the government pledged to write off nearly £1 billion (€1.4 billion) of housing debt. The ballot was won, but other big city bids, notably in Birmingham and Edinburgh, it failed, and in Glasgow much controversy remains over the so-called second-stage transfers that were supposed to see the stock broken up among a wider range of landlords (McKee 2007).

Negative value stock transfers have therefore become generally limited to partial transfers of problematic estates in urban areas. Policy has begun to shift towards acceptance of a wider range of models that stop short of privatisation, some of which again involve new investment—and even new building—by local authorities themselves.

*Conclusion*

Privatisation has reduced the number of state-owned houses in the UK from 6.3 million to 2.7 million since 1981 (CLG live table 101). Within the diminished total of social

rented houses, the local authority share has fallen from 93 per cent in 1981 to just 55 per cent in 2006. So today, 70 per cent of the housing stock is owner-occupied, about 18.5 per cent belongs to 'social' landlords, and the remainder to private landlords. Within the social rented sector, local authority ownership has fallen from near monopoly levels, 93% in 1981, to 55 per cent in 2006, with the balance shifting to housing associations. Nonetheless the UK still possesses a relatively large stock of social rented housing. Almost one-fifth of households still live in houses whose rents are set below market levels and which are allocated on the basis of need.

### Privatisation in the Netherlands

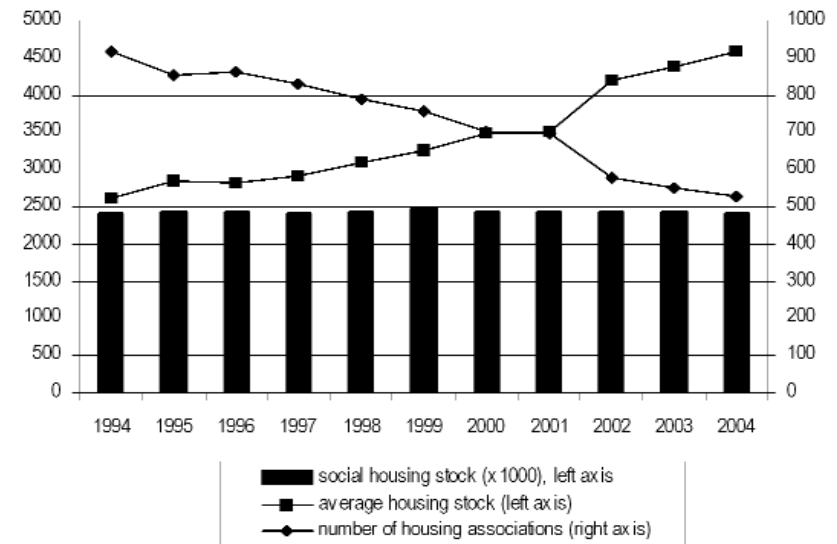
#### Introduction

At 35 per cent, the Netherlands has the largest share of social rental housing in Europe. It is almost all owned and managed by housing associations, which also manage some non-social housing. The Dutch housing associations were originally of three types: Catholic, Protestant, and general. This reflected the 'pillars' into which Dutch society was formerly divided (Van der Schaar, 1987). The first two had strong ties with the Christian Democrat party, and the latter with the Social Democrats. Alongside these non-governmental associations, local authorities also provided social housing from 1901 onwards. Municipal housing companies housed the most vulnerable households who did not qualify for housing association tenancies. Housing associations were associations of tenants and were free to determine their own allocation policies.

In the past few decades, municipal housing companies have turned into housing associations, and the housing associations have become more professional and larger as the result of numerous mergers. Many have changed their legal status from associations to foundations. This has reduced the influence of members and tenants and increased the power of directors. Currently there are around 500 non-profit housing associations, but the number continues to fall as mergers occur. The average association owns 4,500 units, but the largest associations have 50,000-80,000 dwellings, spread over a number of municipalities and regions (Elsinga & Wassenberg, 2007).

In this section we discuss three main forms of privatisation: the transformation from municipal housing companies into housing associations, the increasing independence from government of the social rented sector and the sale of dwellings to individual households.

**Figure 3. The social rental housing stock, the number of housing associations and the average size of housing associations**



Source: Central Fund for Social Housing (2006)

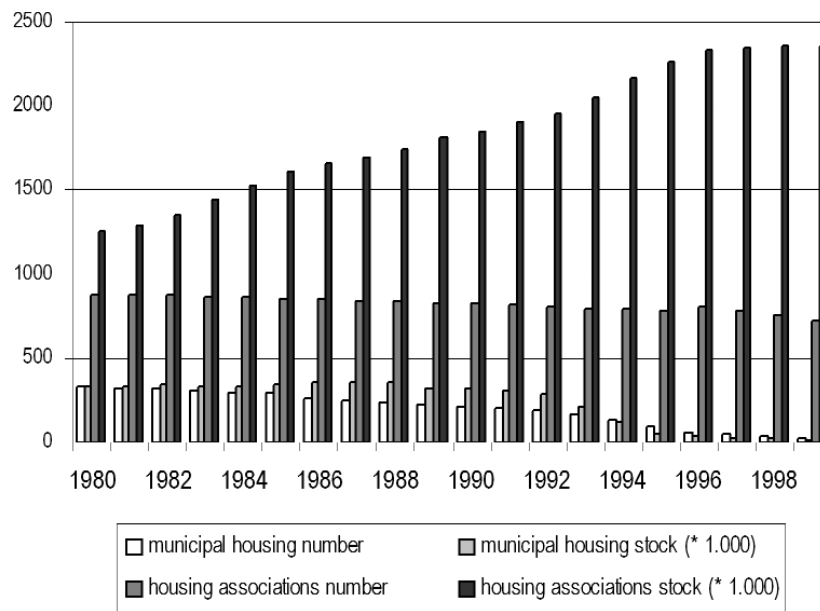
#### Municipal housing companies became housing associations

Municipal housing companies played an important role in solving the Dutch housing shortage after the Second World War. After addressing the most urgent needs, the Dutch government gave priority to housing associations over municipal companies in distributing subsidies for the production of social housing. Part of the compromise between Dutch Social and Christian Democrats in the decades since the Second World War was that non-profit organisations should be relied on for welfare provision. This implied a steady decrease in municipal housing, which was encouraged in the 1960s and 1970s. In the late eighties a White Paper on housing marked a switch to more market housing. This policy also implied a transfer from municipal housing companies to housing associations. Some companies opposed this transfer and stressed the need for municipal housing as a safety net. Those who supported the transfer argued that in towns without a municipal housing company, housing associations fulfilled the safety net function just as well. They won the argument and it became nation-

al policy to reduce the number of municipal housing companies to zero by 1996. However, some municipalities refused and about 20 small companies continued until after this date (Brakkee, 1997); few or none are now left.

In many cases the housing company became a housing association; in others the municipal stock was sold to an existing housing association. Where the municipal companies were healthy, the municipalities gained from the transfer. However, this was not the case everywhere and there were financial problems in particular with companies in large cities (Haffner, 2002).

**Figure 4. Number of municipal housing companies and housing associations and their housing stock**



Source: Haffner (2002)

*The growing independence of housing associations*

By the 1990s the Dutch housing association sector was already owned predominantly by housing associations. However, the post-1995 disengagement of government

from their activities represents a form of 'privatisation'. It was partially motivated by the government's wish to limit its recorded budget deficits, as they were a part of the Maastricht Treaty's convergence criteria for membership of the new European single currency.

The 'grossing and balancing operation' in 1995 was key to establishing the financial independence of Dutch social housing from government (Priemus, 1997). Under this operation, government subsidy to housing associations ceased and in exchange, the government wrote off all outstanding loans to the associations. This meant that no more bricks and mortar subsidies would be provided to housing associations.

Although the 'grossing and balancing' operation established the housing associations' financial independence, they are nonetheless subject to regulation. A housing association's status requires approval under the Housing Act, and their functions and other operating conditions are laid down in a separate government order drawn up pursuant to the Housing Act, known as the Social Rental Sector Management Order (Dutch abbreviation: BBSH). The BBSH, which came into force in 1993, stipulates that approved housing associations have the task of providing good, affordable housing for those who are unable to find a dwelling in the market. The Order stipulates that housing associations should take local government policy into account. One way to achieve this is through performance agreements between local authorities and housing associations that set out how associations will contribute to fulfilling local government objectives. In practice, however only one third of housing associations make these agreements (Conijn, 2005). The BBSH also obliges housing associations to appoint an internal supervisory board, although the quality of their supervision has been questioned (CFV, 2006).

A further supervisory organisation is the Central Housing Fund (CFV), a statutory, non-departmental public body funded by the housing associations themselves (Conijn, 2005). It has three roles: to exercise financial supervision of housing associations on behalf of the Minister, to take remedial action if housing associations find themselves in financial difficulties, and to redistribute equity for special purposes. This new role was introduced in 2001. The CFV can provide money to housing associations, which lack funds for particular investments and it can impose a levy on associations for this purpose.

Housing associations are also supervised by the Ministry of Housing with the Minister as the final external supervisor of their performance.

Housing associations still receive certain types of government support. In exchange for performing a social role, they receive exemption from corporation tax on their social activities. In 2006 this exemption was abolished for commercial activities such as building owner-occupied dwellings which were carried out by separate legal entities, and the exemption for social activities will be abolished in 2011. A second form of government support is the Guarantee Fund for Social Housing (WSW). The WSW is a private body backed by central and local government, which guarantees loans at below market interest rates to housing associations. Finally, the associations are often subsidised by land policy; most local authorities charge less than market price for land on which social rental dwellings is to be built.

The outstanding features of the Dutch social rental sector are its financial strength and high level of autonomy from government. The sector currently has considerable surplus equity. It increased from 11 per cent of the total balance sheet in 2001 to 16 per cent in 2005 (CFV, 2006). This surplus is one reason the sector is the subject of political discussion at the moment. Two key issues are whether the housing associations do enough to justify their special financial position and the associated question of who actually owns the associations' assets whether it is the associations themselves or the government.

#### *Sale of social rental dwelling to individual households*

Privatisation, in the form of the sale of social dwellings, has also become a feature of the Dutch system. In 2004 housing associations sold around 17,500 dwellings with 15,100 being bought by individual households for owner occupation and 2,400 by others. Dwellings are sold at market price or slightly below, with price reductions of 5 or at most 10 per cent. Annual sales, at about 0.5 per cent of the total housing stock, are rather limited and are roughly equivalent to the yearly production of new social housing.

#### *Social home ownership schemes*

There are three principal schemes that facilitate 'social home-ownership' through the sale of housing association properties.

The first form consists of local initiatives that allow tenants to purchase their homes at reduced prices, but also under restricted conditions. Only a few thousand dwellings have been sold under these programmes so far but interest is increasing rapidly, partly because such sales are seen as a way of advancing urban renewal especially on post-war estates owned by housing associations. Selling part of the social housing

**Table 1. The sale of social rental dwellings, 1995-2005**

	<b>Total housing stock (thousands)</b>	<b>Social rented stock (thousands)</b>	<b>Sale of social rented dwellings for owner occupation</b>
<b>1995</b>	6195	2432	8158
<b>1996</b>	6283	2442	13108
<b>1997</b>	6366	2410	16511
<b>1998</b>	6441	2434	18214
<b>1999</b>	6522	2475	15880
<b>2000</b>	6590	2439	12789
<b>2001</b>	6649	2440	11395
<b>2002</b>	6710	2436	14057
<b>2003</b>	6764	2420	15795
<b>2004</b>	6810	2412	15103

Source: CBS, Statline

stock makes neighbourhoods more mixed by enabling households who are attached to the neighbourhood to enter home-ownership without having to leave the area. Moreover, revenues from sales can be invested in improving the neighbourhoods. Discounted sales also help to promote home-ownership - house prices are very high, so it is difficult or impossible for many people to buy market housing. Social home ownership enables them to buy and it contributes to the success of the housing associations' sales programmes.

The second form of social home ownership is known as the Koopgarant. Currently 125 housing associations are connected to the foundation of the same name. It provides support to housing associations wishing to implement a new form of social home-ownership (see Elsinga, 2005; Gruis et al, 2005; Costa & Schaefer, 2006). A special contract governs the ownership of the dwelling. This contract gives a discount

of between 25 and 30 per cent on the purchase price of a property and in return, profits or losses on resale are shared 50-50 between the homeowner and the housing association. The arrangement is based on the principle that housing associations do not subsidise social home ownership as the dwellings are sold at what is considered to be market price.

The Sociale Koop scheme is the third form of social home-ownership and the one that most closely resembles traditional home purchase on the open market. The buyer buys a part-share of the physical structure of the building whilst the land element (which is leasehold) is provided for free. The mortgage is for a minimum of 50 per cent of the value of the dwelling, excluding land value. When the property is sold the owner has to pay back the share of the dwelling he did not buy including the increase in price of his share of the dwelling.

One housing association has come up with an innovative approach to using these intermediate tenures. The programme, which started in 2000, is called Clients' Choice. It gives the housing consumer a choice between renting, owner occupation and one or more intermediate tenures (often Koopgarant—see Gruis et al, 2005). This initiative can be called revolutionary since it completely changes the position and organisation of social housing associations, transforming social landlords into providers of owner-occupied dwellings.

#### *Current discussion*

Current discussions fall into three areas.

#### *Efficiency*

The social rental sector is the subject of political discussion at the moment. The key issue is whether the housing associations, which possess large amounts of capital, do enough to justify their financial position. One recurrent question in this connection is who actually owns the associations' assets, the associations themselves or the government.

#### *Supervision and self-regulation*

There is a political debate about the relationship between housing associations and government. One view is that there should be more hierarchy and stronger supervision by government to safeguard performance. The housing associations themselves say that as private non-profit bodies with social tasks and responsibilities they can be trusted to regulate themselves.

#### *The benefits of selling social rental dwellings*

A third topic is the effect of the sale of social rental dwellings, and in particular whether home ownership empowers people. What should be the role of housing associations - whether the sale of dwellings or especially Clients' Choice should become their core business and whether they should become providers of affordable owner-occupied housing, as some leading housing associations suggest.

### **Privatisation in Germany**

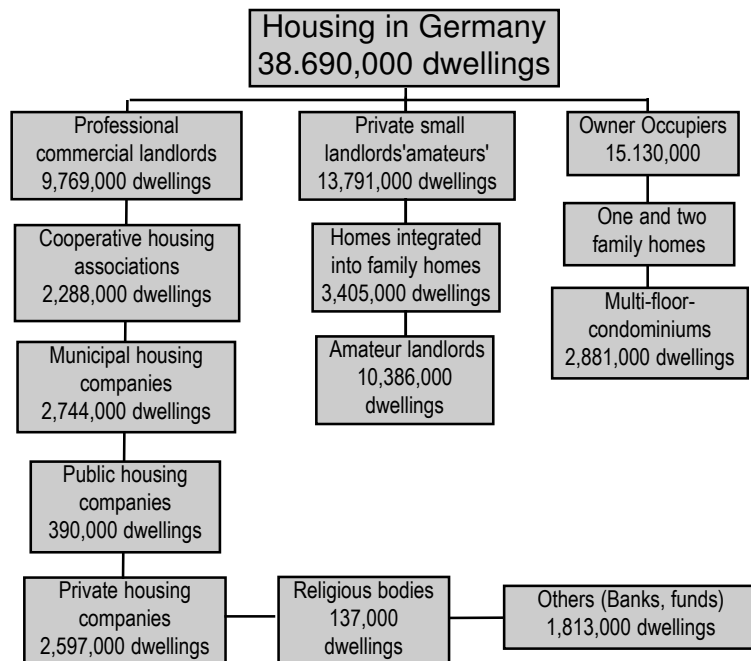
#### *Introduction*

Social rented housing is a rather different concept in Germany than in the Netherlands or the UK, where ownership and social status go hand-in-hand. In contrast, the German de jure concept of social housing relates to a methodology of funding (subsidy) that leads to social obligations for a limited period—a minimum of 12 years, but generally between 20 and 35. Such housing has been provided by a wide range of providers, including co-operatives, municipal and state-owned housing companies such as the post office and railways, as well as larger institutional investors including insurance companies and banks and small-scale private landlords.

The large programmes of earlier decades have dwindled in recent years. There has been a dramatic fall off in social housing from around 4 million units in 1990 to fewer than 1.5 million in 2006, amounting to less than 5 per cent of the housing stock. Each year another 100,000 dwellings are losing their social status, while only 30 – 50,000 new social dwellings are likely to be built. With the federal state withdrawing from housing policy entirely under the 2006 federal-state reforms, the construction of new social housing is restricted to some active municipalities, mostly in the extremely expensive southern states. Others, like Berlin and other eastern states, have abandoned new social housing altogether.

The current ownership structure of German housing is outlined in Figure 4. However, the scale of housing that is de facto 'social' is rather larger than that which is legally social. Whereas private landlords and institutional investors usually move immediately to charging market rents after the social lock-in period ends, cooperatives are institutionally bound to respect their residents' decisions about rent revenue and thus usually continue to charge mid-level social rents. Moreover, the municipal housing companies (before privatisation) were often obliged by their public shareholders to continue treating their post-lock-in stock as 'quasi-social housing'. The municipalities give up maximum financial profits in favour of social benefits (Sozialrendite). This was

**Figure 4. Housing provision by owner typology**



Source: GDW statistics 2006/tks

often seen as the only justification for municipalities continuing to own housing companies because they help limit public expenditure on housing allowances and contribute to local policies for socio-spatial cohesion. In addition they take some pressure off de jure social housing, as individual residents receive social security payments that enable them to remain in market housing that they would otherwise be unable to afford.

The sale of social housing to tenants has not played a major role due to rent regulations favouring renting. The next section therefore focuses on the more recent phenomenon of housing privatisation through the sale of publicly-owned housing to investors.

*The sale of social housing*

The sale of public assets, including municipal housing, can be attributed to both philosophical and practical reasons. Beginning in the mid-1980s, a strong neo-liberal undercurrent influenced policies across the political spectrum. The costs of unification and the ongoing economic and labour-market crisis (which lasted from the mid-1990s to around 2006) put the public sector under constant financial stress. Since 1999 German public owners have sold around 1.5 million dwellings in approximately 150 larger deals (Holm 2007). Experts (Vetter 2007) estimate that overall, 7.5 million former non-profit dwellings could be on the market in the near future in Germany.

*Federal sales*

Well before 2000, the conservative-liberal government of Helmut Kohl started the privatisation of federally owned homes by selling off around 230,000 apartments belonging to the railway housing company at extremely low prices. The bargain sales prices, which were understood to intentionally favour the private buyers, contributed much to the debates about corruption in this government. However, the following Social Democrat/ Green coalition continued with sales, usually in conjunction with the privatisation of the parent companies, such as the post office and state mining companies. Sales only ended under the current CDU-SPD coalition after nearly all federally owned housing had been sold. The portfolio included the housing companies of large state-owned industrial enterprises like Krupp housing, whose 48,000 dwellings were sold to Morgan Stanley/Corpus.

*Municipal sales*

Asset sales were prompted by the poor state of German municipal finances from the late 1990s. Previously these assets had been regarded as 'family silver' not to be sold. But after many municipalities sold off their gas and water companies, they were left with only their housing companies. These were sold, often as a last resort, either in small tranches or in large bundles.

Robust overall figures about sales of municipal housing are hard to find due to the structure of data collection in federal Germany. Only bundles of more than 800 dwellings are seriously counted, while many piecemeal sales go unnoticed except by the residents of the dwellings concerned. Estimates are that so far some 730,000 municipal dwellings have changed owners (Holm 2007). Berlin, which has sold 150,000 units, and Dresden, which has sold its entire stock of 48,000 public dwellings, are amongst the largest sellers, but western cities have also sold large numbers of

**Table 3. Bulk sale of former public or non profit housing 2001-2005**

Transaktions- objekt (Real estate sold)	Anzahl Wohn- einheiten (Number of dwellings)	Verausserer (Seller)	Erwerber (Purchaser)	Kaufpreis (Purchase price Euros million)	Kaufpreis je Wohneinheit (Purchase price per dwelling) Euros	Jahr (Year)
Viterra	138,000	EON	Terra Firma	7,00	50.750	2005
Gagfah	82,000	BfA	Fortress	3,50	42.700	2004
GSW	66,000	Land Berlin	Cerberus/ Goldmann S	2,11	31.950	2004
Eisenbahner- Wohnungen	64,000	Deutsche Bahn	Terra Firma	2,10	32.800	2001
ThyssenKrupp Wohnimmobilien	48.000	ThyssenKr upp	Morgan Stanley/ Corpus	2,10	43.750	2004
WCM	31.000	WCM	Blackstone	1,39	44.850	2004
NLEG	28.500	Nord LB	Fortress	Ca 1,50	Ca 53.650	2005
Viterra (Teilbestand)	27.000	Viterra	KGAL/Mira	1,00	37.050	2004
Baubecon/BGAG	23.000	BGAG	Cerberus	n/a	N/a	2005
Gehag	18.000	HSH Nord	Oaktree	0,55	30.550	2004

Source: Müller, UniDo

their dwellings. During the early years about 100,000 social and rent-controlled municipal dwellings changed owners annually but by 2004 this number had risen to over 314,000, according to the Institut für Stadtforschung und Strukturentwicklung. Moreover, since then the number of secondary sales has gone up sharply as the first new owners have in turn sold their properties on, either to other investors or residents. There have been 340,000 secondary sales in the last three years.

The federal ministry for housing suggested early on that municipalities should consider direct privatisation to tenants, and provided financial support for tenants to purchase their dwellings. Nevertheless, the majority of sales in competitive locations have been to very large institutional investors. For example Fortress, Cerberus, Blackstone, Oaktree and Lone Star have each bought at least 1000 flats, and some have bought tens of thousands. Smaller investment companies are picking up the crumbs.

#### *The strategies of the new landlords*

So far, institutional investors seem to employ one of two strategies. In some cases, where the new landlords have agreed to continue social management for a certain period (Dresdner-Sozial-Charta; Alexe 2006), little change in management can be noticed so far.

However, most seem to follow what might be called the 'cherry-picking strategy'. Bundles of good, saleable dwellings are upgraded and sold to individual investors at much higher prices, more than double what was paid originally. Investors can often realise the original cost of the whole stock after only three years by selling less than 50 per cent. A good deal of the privatised stock is well managed but there is an increasing tendency to exclude problem-prone tenant groups. Consequently, ethnic minorities, large families and residents with socio-psychic problems increasingly depend on the reduced municipal social stock, worsening the often precarious situation there. The new owners of the remaining stock are reducing maintenance considerably, in effect leaving the dwellings to residualisation. According to the IfS, maintenance investment has been almost halved by private investors (Holm 2007).

Upgrading dwellings to a point where their cost is beyond the means of lower-income residents leads to a clustering of 'social' cases and a deepening of socio-spatial segregation. Municipal companies have often been key actors in implementing qualitative 'Social Integrative City'-type policies. However, almost all cities that have privatised their stocks – as well as the remaining municipal companies – claim that investor-

managed companies hardly participate in any socio-spatial programmes, and communicate less with the social, health and educational services.

Another consequence of the cherry-picking strategy and the increase in rents of former public housing is that the new private owners benefit directly from the individualised benefit system of German 'virtual' social housing. The taxpayer pays dearly for increased individual housing subsidies in the form of housing allowances, especially in the case of sitting elderly residents and large families who cannot find other appropriate social housing. In the long run, this increased expenditure on housing benefit consumes all or large part of the municipal profits earned by selling in the first place – as has already occurred in several cities.

It should be recognised, however, that privatisation has had some beneficial effects. Sales to cooperative housing associations have been held up as examples of how privatisation might benefit both city and residents. However, these cases—which include everything from sales to self-organised tenant organisations to establishing cooperatives—only account for about one per cent of all municipal privatisations. They are individually beneficial but quantitatively negligible. There has also been some re-municipalisation of housing where privatisations have failed. In some cases, municipalities have bought back rapidly run-down privatised dwellings from bankrupt investors in order to curb negative local effects. In Munich, a large bundle of privatised, former social homes was bought back from Fortress, which did not make profits quickly enough even though Munich is one of Germany's housing boom towns.

#### *The debate in Germany*

The privatisation of municipal housing and other social housing has provoked debate across the media, from the tabloids to serious papers. For example, a story in *Die Zeit* newspaper entitled 'When the investor rings – the end to the dream of humane housing in Germany' (Kirbach 2005) described the fear, especially among elderly residents, of being priced out of housing by luxury rehabilitation or the residualisation of the remaining municipal stock. In policy and research circles there are three strands of debate. Neo-liberals demand that the public sector withdraw faster from any housing support, others want to slow privatisation down, and still others demand partial re-municipalisation of the privatised assets (Häussermann 2006).

The neo-liberal claim that privatisation will lead to a trickle down of wealth remains unsupported by evidence. The results of research about the effects of privatisation are beginning to emerge, for example the VHW's (Bundesverband für Wohneigentum und

Stadtentwicklung) so-far unpublished review. The privatisation of other housing has not yet been researched. Indications are that privatisation of the former municipal stock has led to:

- a professionalisation of housing companies in terms of asset management, although the withdrawal of some investors suggests that it is not so simple to make easy profits from social housing;
- a tendency towards polarisation between the potentially profitable stock, which is benefiting from private investment at the cost of social segregation, and the rest which comprises the residualised privatised and remaining municipal stock;
- a streamlining of tenant-oriented services and a reduction of the social initiatives that had been valued as a 'social dividend' of public investment;
- a reduced willingness on the part of privatised companies to respond to government and municipal socio-spatial policies of the 'Socially Integrative City' type, which leaves the municipalities with reduced room for manoeuvre and further overburdens the remaining social housing stock;
- higher public subsidies for low-income residents facing increased rents in the privatised housing stock; and
- a significant change in the typology of sales: in earlier privatisations the public sector sold stock to large private investors, but increasingly secondary speculative sales of the privatised stock take place within the private market.

Only recently has this evidence had any impact on the public debate. But public discontent has rarely changed ideological decisions. In Freiburg privatisation was averted through a referendum, but public protest could not prevent an astonishing coalition in Dresden, whose members ranged from the neo-communist 'Left' to the Liberals, from privatising the entire municipal stock.

While much of Germany's 'physical' social housing is being sacrificed to the market in a probably short-sighted attempt to relieve municipalities of their debts, there seems to be little alternative but to reconstruct social housing policies. There are undoubted socio-spatial benefits from the 'virtualisation' of social housing, which uncouples residents' opportunities from a strict – and often discriminatory – typology of social housing. But as the social rented sector shrinks there is a danger that Germany will move from a leading position in the European league tables, with a diversified and socially as well as spatially responsive social housing system, down to the bottom. The future



of social housing must be seriously debated, and the discussion must go beyond 'the common liturgy of checking alternatives like privatising in smaller chunks, founding cooperatives and better tenant protection' (Holm 2007).

### Evaluation and conclusions

These descriptions of housing privatisation in the UK, the Netherlands and Germany allow us to explore the nature of privatisation further. We can identify four different ways of transferring the housing asset from a public or social entity to a private entity. It is notable that the transfer of publicly-owned housing assets to the commercial sector is a feature only of the German system. This is especially important because other forms of privatisation (such as the transfer to housing co-operatives or resident associations) are generally rare.

The transfer of housing from local-authority ownership to non-profit housing associations is an historic feature of the Dutch system, and more recently has become a very

**Table 4. Different ways of privatising of social housing**

Country	Housing acquired by			
	Private social providers	Private commercial landlords	Owner occupiers	Social owner occupiers
UK	From local authorities to housing associations (Large Scale Voluntary Transfers)***	--	From local authorities and housing associations to home owners (Right to Buy)***	Very limited shared ownership/ equity ('Social Homebuy' in England) *
Netherlands	From local authorities to housing associations***	--	From housing associations to home owners *	Social owner occupation *
Germany	From public social to cooperatives*	Sale of municipal housing to private equity funds ***	From public social owners to residents*	From public social owners to co-operatives*

Key: \* = very limited; \*\* = extensive; \*\*\* very extensive

important feature in the UK. By far the most extensive sales to sitting tenants have occurred in the UK under the Right to Buy scheme. The sale of housing into 'social' homeownership in various forms has occurred in each country, but is probably most developed in the Netherlands. However, this typology does not capture the more general retreat of the state that is the defining characteristic of housing privatisation in the Netherlands, as housing associations were 'set free' in the mid-1990s via the 'grossing and balancing' operation.

While forms of privatisation vary across the three countries, in all of them the policy has been driven by concerns over public expenditure. This is most clearly the case in Germany, where some municipalities have sold their housing stocks to improve the state of their finances. The 'grossing and balancing' operation in the Netherlands was motivated in part by the need to meet EU rules on government deficits (though it implied an increase in the stock of government debt). Although the Right to Buy in the UK was not motivated by public spending concerns, the transfer of local authority housing to the housing association sector was attractive to the government, as housing association borrowing does not count as public spending.

There is widespread concern that Right to Buy in the UK and the sale of municipal housing stocks in Germany contribute to a residualisation of the remaining publicly-owned housing. However, the longer experience of Right to Buy suggests that its impacts have been more complex and they vary locally, often reflecting wider regional economic and demographic development.

One common feature to all three countries is that the political systems appear to have little positive commitment to social rented housing. This is of special concern given the lack of an evidence base to support its demise. Nonetheless, it is clear that there is a wide variety of options that lie between full marketisation and traditional social housing.

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## 9. Innovations from below? A new concept for social housing in Germany

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### Introduction

A major element of the recent changes in German housing is the turn from state to market as a driver of innovation. This has accelerated over the last decade, and is a result of the massive privatisation of publicly owned housing. However, the privatisation to large institutional investors is only the tip of the iceberg of a paradigm shift in the philosophy and practices of housing in this country. One of its consequences is that social housing, publicly funded and managed by municipal, other public or non-profit owners, is no longer a leading innovator in housing and social development, as it had been for almost a century. Whereas the large private and remaining public housing providers are becoming more professionalised, streamlined and profit-oriented, new socially sensitive housing models are emerging from various sectors of civil society. Since the state has all but withdrawn from any direct intervention in housing provision, innovations in housing have been coming from a wide range of other actors and are now, after more than a decade, filtering into the public housing policies of individual states and municipalities. However, some questions remain. As the alternatives have mostly been developed first in an unsupported market environment—i.e., outside the traditions of German social housing—will they benefit only those new middle-class lifestyle groups that can meet their needs on the market? Or does the fact that the alternatives are filtering into normal housing policies signal an opening towards a new form of social housing? Will these models of collaborative building and living satisfy a substantial part of the housing needs that formerly were provided for in social housing? Can they fulfil some of requirements of a changing post-fordist society and its dynamics, especially in precarious neighbourhoods?

### Innovations in German social housing: the history

For over a century, German social housing and its predecessors were a driving force in physical and social innovations in housing. Under Reich's law on cooperatives (*Reichsgenossenschaftsgesetz*) of 1889 and other social policy regulations (Duvigneau 2006), a wide spectrum of new housing was opened up by a variety of actors ranging from left-wing workers' cooperatives to philanthropists of all denomina-

tions and different self-help groups. Before 1918 many high-quality but small-scale experimental projects were erected; these 'reform blocks' and garden-city estates contrasted with the deficiencies of the notorious 'tenement barracks'. Although affordable only for the lower middle classes rather than the poor, they had a strong influence on housing production in general, showing that 'air, light and sunshine' could be made less costly.

After the defeat in World War I, the state increasingly entered the arena as an active player. The Reich as well as individual states and active municipalities supported the provision of new dwellings, often in direct partnership with cooperatives and labour unions (Harlander 1995). An outstanding period of housing experimentation and large-scale construction began, which resulted in the building of over three million quality new homes throughout the Reich up to 1933; many of them are highly regarded even now. The 'modernist' architecture of the Taut brothers (Berlin), Scharoun (Berlin and the East), May (Frankfurt), and many others became emblematic of the early post-war years '... that were the birth-hour of social housing' (Duvigneau 2006). During that period, technological innovations, such as the partial industrialisation of construction to reduce costs and building time, played an important role. Technical innovations were seen as instruments of social change—for example, Schütte-Lihotzky's innovative '*Frankfurt-kitchen*' was meant to assist in changing family work structures. The provision of childcare in each estate and many blocks of flats, and the introduction of serviced flats for single people and young couples, reflected changing family patterns and increased job mobility. Infrastructure like cooperative shops (*the 'Konsum'*) integrated into the projects helped provide residents with healthy, cheap, good-quality products. However, new forms of socially inclusive governance were possibly even more important. In the Weimar Republic, social housing and the different forms of self-governance were seen as a way of providing societal education for a democratic and modern industrial society.

Many medium-sized and large towns established municipal housing companies or formed partnerships with the rapidly growing cooperative housing and building sector and trade-union housing companies. Adopting social housing as a prime policy target, the aim was to link the production of better homes to income generation in an overall attempt to enhance social cohesion and to deepen local democracy (Blomeyer/Tietze/Hellweg 1987). The large non-profit housing companies that were founded by municipalities, trade unions and cooperatives were under strict political supervision; this was countered locally – especially in the cooperative sector – by strong resident organisations and participation. Neighbourhood self-organisation, like

resident participation in the setting of budgets, was a counterweight to the threatening, anonymous, distant management of the large-company model.

However, the innovative peak of the 1920s and early 1930s was shadowed by a fundamental criticism about access to this housing sector. The regulated rents were always above the affordability level for poorer workers, and the initial down payments required for access to public housing or housing cooperatives meant that social housing mainly served what today we would call key workers and their families, not the masses of the unemployed and the poor. This led both the communist left and, after 1931, the fascist right to denounce the model as anti-social and benefitting a workers' aristocracy (Büsch/Haus 1987). On the other hand, the social cohesion of many of the neighbourhoods created pockets of social democrat, communist and Christian control that resisted the forced fascist unity that dominated housing from 1933 until 1945. But generally, the then, emancipatory participatory innovations of the first third of the century were subsumed into the 'entourage' (Gefolgschaft) of mass housing during the fascist period.

In the early years after World War II, social experimentation was forced on the actors by overwhelming demand and the desire to recreate a democratic structure for a renewed social housing system. 'Organised self-help' in the production of new homes – publicly funded and assisted by churches, trade unions and especially the iron and steel industry – and the repair of war damage was common to both eastern and western zones, as was the reestablishment of the cooperative housing sector and municipal and trade-union-owned non-profit housing companies. After 1949 the GDR's building policy turned towards a strict state-plan system, while in the Federal Republic the involvement of both private and public players in building subsidised and rent-controlled homes led to the social housing laws (I. and II. *Wohnungsbaugesetz* in 1950 and 1956) that were in force until 1990.

During the following decades and up to the mid-1980s, innovations in German social housing were dominated by the wide range of providers that have since taken part in building social housing (see the article on privatisation in this book). Even after the first waves of post-war social housing, dwellings were always scarce and mass production dominated the political agenda. Many of the experiments of the first third of the century were reproduced on a larger scale, however with less of an educational impetus. Social innovations were tightly bound to the ideology of an industrial moderne and the concept of an egalitarian middle-class society (*nivellierte Mittelstandsgesellschaft*), a term coined by Schelsky in 1953 (Schelsky 1953). This idea encompassed the loosening of socio-spatial links and the dissolution of 'pre-

modern' large families (Bahrth 1961, 1968), and the trend towards individualisation was reflected in the mass production of 'box' structures. The mass production of dwellings and the spatial division of the functions of production, culture and housing in the city culminated in the large social housing estates, which were hardly criticised until Mitscherlich (Mitscherlich 1965) called not only for a fundamental reappraisal of the urban moderne's inhospitality (*Unwirtlichkeit der Städte*), but even suggested that, from a psychoanalyst's perspective, civil disobedience was the only means of reforming the urban agenda.

As long as high post-war demand meant that housing of almost any quality everything and quantity could be let (or sold), innovations were mainly self-referential and technological. Architectural and technological innovations became a guiding rule for the production of social housing. There was meticulous improvement in the layout and efficiency of flats, but innovations with direct social consequences were mainly restricted to the neighbourhood and transport infrastructure. The car increasingly became a major planning element, and the innovative concepts of the 1920s and 30s were somewhat perverted. The ideas about 'light, air and sunshine' were – partly – turned into repetitive rubber-stamp plans of blocks on 'distance-greenery' (*Abstandsgrün*), lacking a robust social infrastructure. The late 1960s and even more so the 1970s saw an increasing institutional division into two pathways. Quality homes were provided on large estates (many of which soon proved problematic) for working class families, while increasing numbers of smaller-scale family homes of an 'elevated' social housing type were built for the lower middle classes. These homes were built by smaller enterprises, usually with no background in traditional social housing. Access to the particular subsidy that funded such houses was soon opened to individual households building their own homes under market conditions, which changed owner-occupied social housing into a just a means of special funding for families. Now any citizen with an income under a certain ceiling (up to double the income of social renters) could contract with state housing banks for a subsidised loan. Eligibility was limited to certain household types, particularly those with children.

From the 1970s onwards, more and more private builders entered the realm of social housing as individual landlords or institutional investors, and German social housing in general changed from a highly value-oriented social activity to primarily a means of funding decent homes – and with hundreds of thousands of homes provided, this strategy paid off very well. However public housing, now a special market sector, became a bureaucratic oil tanker that turned only very slowly. Often under the limited professional management of displaced older politicians, this housing no longer drove

innovation but rather, by the end of the 1980s, was fending off social demands. Where there were social innovations, like the early 1980s attempts by trade-union housing company '*Neue Heimat*' to make social ownership available through rent-buy models, they often backfired due to residents' lack of interest. Unable to fulfil its social goal or to raise needed funds through this early form of privatisation when public money for social housing was cut, '*Neue Heimat*' went down in 1986, resulting in the first scandalous privatisation – for the price of one deutschmark – of tens of thousands of social flats.

Thus it is not surprising that large parts of the municipal as well as the cooperative non-profit housing industry, engaged in building and managing massive stocks of social housing at that time, happily agreed to the conservative government's abolition of tax benefits for non-profit housing. The lifting of the profit restriction of 4 per cent per annum and the more liberal approach to lending were seen as keys to a financially viable future – not in mass social housing production and management but rather in profitable market participation. However, this change was not initiated by the social housing actors alone. With public and especially municipal poverty growing, municipal treasurers asked public housing providers to produce revenue – and often to put much of the social endeavour aside.

#### *The emergence of alternative housing models and their filtering into the mainstream of German social housing*

In Germany there have always been socially motivated housing alternatives, though they were not usually targeted at or organised by the typical customers of social housing and played only a marginal role. They had little impact on housing policies until they started filling the gap left when the state withdrew from massive funding of social housing early in the 21st century. These projects, mostly on a small scale, were privately funded by wealthier end-users in collaboration with their architects. The owner-occupied housing that resulted provided space for linked special communicative and collaborative uses. Most often, this was common space in addition to the privacy of the small family dwelling: large common kitchens, reading rooms, etc., which provided added value particularly to wealthier households. Increasingly there was provision for persons with special needs or elderly parents, and every now and then new communicative forms of housing were opened up for a mix of '*normalos*' and the disabled, or groups across ethnic boundaries. Up to the 1980s, these new homes were rarely built in inner cities, but more often located on the outskirts of urban agglomerations (Schröder 2002) or as individual projects in rural regions. Paradoxically enough, it was the failure of a fundamental innovation in German social housing that started one of

the most important strands of alternative housing—one that is now seen as a strong root of the emerging new concept of social housing.

A new form of quasi-social housing was introduced during the late 1970s urban renewal programmes. After it became obvious that covering every west German city including west Berlin with a carpet of newly built social housing was neither affordable nor socially desirable, public funds were increasingly allocated to refurbishing late 19th and early 20th century blocks. In return for public investment, rent and access controls were introduced for a limited lock-in period, turning these blocks into a special type of ‘as if’ social housing without fully incorporating them into the then still large social housing stock. But in many cities the process of rehabilitation – particularly the relocation of residents and the acquisition of public funds to start modernisation – happened with a stutter. During the early 1980s, for instance, well over 150 Berlin tenement blocks were vacant awaiting refurbishment. In a grass-roots political movement, students and young home-seekers took about 100 blocks, containing some 3000 flats, ‘into custody’ (*instandbesetzen*) (Laurisch 1981). Similar developments occurred in Hamburg, Cologne and many other west German cities, and vacant old barracks were taken over in university towns where student housing was scarce. The public view, in Berlin and elsewhere, was that leaving hundreds of flats empty and available for speculation was a political scandal that required political resolution rather than harsh policing and eviction (a view that was, however, contested by conservative politicians and many bureaucrats). Finally, a conflict over embezzled funds and forcibly cleared squats in Berlin left 40,000 tenants on the street and some municipal councillors in prison, and opened a new city government to new ideas.

Berlin in particular became a ‘self-help city’, adopting the 1984-87 International Building Exhibitions approach to ‘carefully repairing the urban structure’ (*Stadtreparatur und behutsame Stadterneuerung*). The city decided to provide squatters with public funds for repair and ecological modernisation, on condition that they contracted with the owner for at least 15 years, or leased or bought ‘their’ squat. Up to 2004—particularly during the early 1980s and again in east Berlin after unification—over 350 blocks of probably 7,500 apartments were converted into nonprofit housing and then refurbished; residents were required to supply labour (called a ‘muscle mortgage’) worth at least 20 per cent of the rehabilitation cost. Over two decades the programme turned out to be the major experimental programme of the Berlin city government as an alternative to traditional social housing. The ‘Housing Political Self-Help Programme’ thus responded to changing lifestyles by employing underused urban assets in the revitalisation of often socio-economically problematic neighbour-

hoods. Many other German cities engaged in similar processes, also following a carrot-and-stick strategy. Appeasement of radical squatters was and is paralleled with the offer to develop resident-organised housing within the legal framework—for example, when residents took on responsibility in Hamburg’s Hafenstrasse squatters’ project; in a large unused historic chocolate factory in Cologne; and in old military barracks in Tübingen and Constance, otherwise known as silent places of academic learning.

The character of these projects soon changed from radical student squats to more complex developments. Often the groups started with going through an energetic early phases based on very high esteem and rigid social and environmental goals. They incorporated a wide variety of residents from young single persons and families to young unemployed people and punks, from the disabled to high-earning professionals – not necessarily on each individual plot, but over a range of self-help buildings. Later, when the building phase had given way to the occupancy phase, many self-help projects became more or less normal owner-occupied housing with a close social relationship amongst the residents (although some did continue to follow a social model permanently). With hindsight, the Berlin programme of ‘Housing-Political Self-Help’ (Knorr-Siedow 2000) contributed to housing provision for problematic households, provided vocational training for young unemployed people, and fostered the job and income generation of over 50 small and medium-sized companies in the services and building sectors. In addition, the blocks provided space for social infrastructure for children and disabled persons, as well as neighbourhood centres that the city would not otherwise have been able to finance; they thus contributed to the careful upgrading of neighbourhoods. Sadly, while other cities continued with these experimental programmes aimed at particular target groups, Berlin’s near bankruptcy in 2004 led the former pioneer to stop its scheme.

Apart from these projects with a strong political and often dissident character, a wide variety of resident-organised urban housing projects developed, especially after 1990. They are increasingly responding to special life situations and lifestyles. Providing affordable homes in a low-to-medium price range is one goal, but environmental issues and providing housing space within an ageing society score higher. Linking up with social and environmental networks, generation-spanning or car-free projects have sprung up in inner-city gaps or converted factories. Some are pioneers in the use of low-emission technologies; often there is a conscious effort to provide what might be called social space in the compact city. Other projects have included live-work units and special housing for women; since the early years of this century immi-

grants have also become active as builders or members of newly founded cooperatives.

*The infrastructural interplay supporting social housing innovation*

The early days of regularising squatted neighbourhoods required political and administrative conflict management. That and subsequent periods saw the development of infrastructures which play a major role in the present capacity of the alternative housing sector to become a new type of social housing. Beginning with Berlin's non-profit tenant consulting offices and the (more or less) independent but publicly financed urban development trustees (*treuhänderische Sanierungsträger*), the public sector supported resident organisations in housing. This led, however, to the accusation that the state was 'domesticating' grass-roots initiatives and 'channelling' them into dependency. Indeed, if residents managed to acquire their building or plot without government support, they were eligible for up to 80% state funding for rehabilitation. The programme thus trod a thin line between encouraging political housing alternatives and luring dissidents into dependency.

In Germany, three infrastructural strands help resident organisation in housing to become a social initiative in its own right. The first two strands are the public and private: government support comes mainly from individual states and municipalities, but also the federal state, while private support comes from values-oriented providers of private funds and professional bodies. In addition, since the late 1990s the resident-organised projects themselves have generated offspring. These were at first mere mouthpieces of the 'movement', but have since developed into robust cores of knowledge management and strategic policy organs.

At a government level there is a long tradition of public infrastructure supporting innovation in social housing. The Berlin 'Interbau' of the mid-1950s (Durth 2008; Roost & Schulz 2008), one of a long line of International Building Exhibitions in Germany, showed German social housing to be at the forefront of many developments of modern urbanism, including funding procedures and a highly sustainable quarter in central Berlin, the Hansaviertel. Resident self-organisation had no role in this concept of societal modernisation. The following Berlin IBA (*Internationale Bauausstellung*) of 1984/87 had two distinct parts: the 'IBA-Neu' produced cutting-edge traditional social housing, and the 'IBA-Alt' carried out experimental conversions of existing buildings and neighbourhoods. It focused on including residents and extending resident-oriented rehabilitation to all strands of activity, from information to resident organisation (lit IBA 1984-87). The IBA Emscherpark, which ran from 1989 to 1999, adapted this form

of innovation and knowledge management to housing, particularly social housing, in an old industrialised region. It deliberately included an enabling mode of governance, and incorporated many lower priced new-build self-help projects. While public funds to support building went down over the decades, following national trends, networking and knowledge sharing led to considerable success in spreading innovations in housing.

A second government strand of knowledge management for innovation in housing can be seen in the federal programme known as 'Experimental Housing and Urban Development' (see ExWoSt in the literature list). For decades government housing policy focused on technical innovation, but since 2005 the Social Democrat/Green coalition has shifted the focus towards experiments and innovations in the cooperative sector. One project, 'Models of Cooperative Housing', helped link the traditional field of cooperative social housing to new building initiatives and more general social policies, like the possibility of households building equity in cooperative housing to draw on in old age (ExWoSt 2006). The ExWoSt strategy is to support a number of model projects on the ground, and to link up actors across Germany through thematic workshops and well-publicised congresses documented on paper and on the internet. This has built up communities of knowledge and action that often continue to function even after the end of the formal ExWoSt programmes.

Government support for social housing has been drastically reduced—or even eliminated entirely—in some federal states. It has been replaced to an astonishing degree by private initiatives. Funds with a social lock-in are being made available by values-oriented private banks and organisations such as GLS Bank, Germany's first 'ethical and ecological' bank. (Its name, *Gemeinschaftsbank für Leihen und Schenken*, translates as 'community bank for loans and gifts'.) Other initiatives deriving from the alternative housing sector include the *Mietshäusersyndikat*. (The 'Rental homes syndicate' of former self-help projects provides collateral to help finance new projects.) It combines innovative funding strategies for collaborative builders and renovators with an intensive consultation and servicing system. This helps newcomers master the complexities of coalition building, as well as teaching them about the tax and benefits schemes still available from the reduced German welfare state for those providing accommodation for households in housing need. In recent years networks have emerged which include dedicated groups of architects, and a new quality of resident organisation in housing has developed. In many cases, lower-middle-class households who previously would have focused only on their own housing needs are being given the information tools to enable them to include accommodation for 'spe-

cial needs' groups—and increasingly they include others that belong to the traditional clientele of social housing – often young families with a secure lower-medium income. The groups included in the new resident-organised housing projects include many who 'would not otherwise be able to cater for themselves on the market' (the phrase in traditional social housing law describing the target group), such as single-parent families, old people. These groups have also proved to be highly responsive to new demand groups such as the aged and AIDS victims.

However, knowledge sharing cannot overcome the shortage of plots and buildings that characterises the growth regions of Germany in particular. Federal influence on social housing declined drastically with the 2006 reform of the federal system; now municipalities are attempting to solve this problem with initiatives that combine knowledge and information with the provision of material assets and the to self-organised groups of builders and projects.

The so-called '*Munich Model*' was probably the first, and Hamburg followed with a comprehensive approach. These municipal programmes, which involved socially sensitive strategies of selling land at reduced prices on condition that certain social housing targets were met, have helped to overcome the reduction of public funds. In Munich, 'social plot management' means that purchasers of below-market-price public land are required to provide housing for social housing target groups. If builders meet this condition they have access to the remaining municipal social housing funds, linked up to making the model attractive to prospective owner-occupiers as well as to traditional housing investors and innovative groups. The *Munich Model*, which like the one in Hamburg is supported by a strong information policy, has seen the emergence of highly innovative projects, and the inclusion of social-housing demand groups in 'normal' private building. Other cities are increasingly following Munich's lead—for example, Berlin's new consultancy project for 'Building Initiatives' does not provide funds, but promises affordable land and brownfield opportunities.

### Conclusion

Over less than the last quarter of a century, German social housing has changed dramatically. While the privatisation of large lumps of former publicly owned social housing companies has changed the scene for all actors within traditional social housing, a new strand of what might be called 'informal' social housing has appeared, driven by initiatives from various sectors of civil society. Whereas the sector's overall turn towards the market has reduced its ability for social innovation, the initiatives from civil society have responded to societal changes including increased individualisation and

a deconstruction of traditional societal structures. Because of diversification and the rise of patchwork jobs and families, housing careers have sped up and stopovers have shortened. Other developments, such as the ageing of the population, have changed housing demand more generally. Occupying a more and more visible sector in German housing, especially in the urban agglomerations, resident-organised building groups of various types, new cooperatives and other forms of collaborative housing with their post-fordist strategies – and their built solutions to individual and collective housing demand – might be creating 'something entirely new that could be the turning point for the urban social and housing crisis' (Uhlig 2007).

Paradoxically, the current lack of debate about housing amongst social scientists could be a positive sign. In the 1960s, Habermas called for a discussion of urban conditions and Mitscherlich presented his psychoanalytical interpretation of urban change—but few professionals questioned the housing solutions of the industrial moderne. Today, the thoughts of Beck or Giddens (Beck 1986/2003; Giddens 1991) about the roles of and opportunities for individuals in a reflexive moderne have filtered deeply into social science. The old 'one-size-fits-all' solutions are now generally rejected in favour of targeted and differentiated ways of managing people's everyday lives in cities, neighbourhoods and housing. Thus even though the new projects have been the subject of little theoretical debate, they are grounded in a body of thought about what social housing should achieve.

In order for the former alternative niche projects to enter the mainstream further, they must continue to develop strong supportive infrastructures and networks with municipal and other public housing actors. Through these infrastructures, knowledge and funds are made available for those interested in such collaborative housing models. Targeted projects for various demand groups are increasingly interesting for municipalities and other public actors. They help serve housing political needs at a time when traditional social housing is unresponsive to newly emerging demand, and often fails to deliver the new neighbourhood policies of the 'Socially Adaptive City' that have largely replaced many cities' social housing strategies. Even though some of the older self-help projects have turned into more middle-class blocks – students and young workers have become professionals – the alternative projects usually have proved robust cores of self-consciousness in otherwise often endangered neighbourhoods and become hubs of social attraction preventing a downturn around them.

By individualising social housing using targeted subsidies linked to the household rather than to the social dwelling, Germany has responded to the individualisation in society. This system may even provide a way of fighting the clustering of 'cases' in



problematic social housing areas. The system of housing allowances and individual support for households to build or refurbish their rental homes also allows many less-wealthy households to enter the sector of new housing initiatives. Individuals as well as municipalities can enter into partnerships if the builders include special social goals and target groups into their projects.

The traditional social housing sector has largely lost its innovative power (except, possibly, in the financial realm – although some of these innovations are proving highly risky for residents and municipalities), and the competition from alternatives might offer a much-needed incentive for it to adapt to the changes in society and demand. The multitude of projects shows that resident organisation and participation can be a strong asset in solving problems affecting individuals, neighbourhoods and society in all types of housing stock. Where these projects are supported by infrastructures of knowledge management and carefully placed supportive funds, they seem to be relieving the public sector of some responsibility (for which the residents themselves are grateful). The cooperative sector of German housing – still dedicated to social goals and the idea that profits should be reinvested for the benefit of the members/residents – may provide a model for the remaining municipal social housing providers to follow in order to avoid the marginalisation that threatens their stocks. If they do not respond to the demands of an individualising and diversifying society, traditional social housing providers will over time be in danger of losing the remaining active part of their residents to the alternative sector – just as they lost the most affluent households to the market since the 1970s and '80s. By opening some of their often high-quality stock, built between the 1920s and 2000, to more self-governance and experimentation, they would attract residents who have the desire and the social capacity to manage their own 'homes'.

The alternative sector is not yet large, although in Berlin the new building groups are producing a noteworthy number of new apartments in a city that has abandoned new social housing altogether. And Leipzig has invested much effort in a homesteading programme, inviting building groups to take over high-quality vacant inner-city blocks of the late 19th and early 20th centuries. The building groups acquire them for almost negligible prices, in return for promising to refurbish them and to follow a policy of social inclusion. In Hamburg and Munich – and in some other cities like Tübingen – the policy shift towards self-governance in new housing has so far had only marginal effects on quantity, but has shown what is possible if civil and political actors collaborate.

However, the alternative sector in housing should not be understood as an easy way for the state or other social housing actors to shed responsibility. Demand is growing throughout the country for housing for particular groups – especially the aged and large groups with an immigrant background. This is the case both in areas with high demand and those with an oversupply of housing. Efforts to widen access to such housing should be increased, and traditional stocks should be opened up to active resident participation. Policy integration is needed throughout the political realm—the policies of the 'Socially Integrative City' (*Soziale Stadt*) should be paralleled by a new strand of a social housing closely linked to target groups and governance modes throughout the country. It should be a federal obligation to resume a limited funding strategy for a type of social housing that reflects an individualising society and the notion that collaboration does not contradict individual freedom.

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## Social housing in transitional countries – the case of Hungary

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### Introduction

After the political changes of 1989/1990, governments in eastern Europe worked under constant fiscal pressure caused by the social and economic costs of the bankrupt socialist economy. As a consequence, the state had to “withdraw” from the housing sector. It cut subsidies for new public and private construction, privatised the building industry and the industry for building materials, liberalised prices for housing services, privatised public housing and the banking sector, etc. The economic restructuring during the transition had some negative consequences in terms of regional and social inequality, declining living standards, affordability problems, etc. These have highlighted the need for a new approach to social housing. This chapter analyses these issues in Hungary in three different areas — housing affordability, the public rental sector and support for homeownership. The conclusion of the paper is that the development of housing policy has to be conceived within the framework of social policy (and, in a broader sense, within the framework of the welfare regime).

### *Social housing and transition*

In the East European Housing Model (EEHM), social housing had a special meaning: it was ‘state’ housing. The state, in the broad sense, controlled both the demand and the supply side of the housing sector and did not allow the market to act as an integrating social mechanism. The vast majority of housing services were provided in kind or at below cost or market price. New and vacated homes in the state-controlled sector, which included both the public rented and the controlled owner-occupied sector were allocated according to ‘merit’ rather than housing need. Because of the artificially low, subsidised housing prices there were enormous shortages, which led to the emergence of a dual housing market. Alongside the state-controlled sector a range of private transactions emerged including self-build housing, private purchases of tenancies in the rented sector, private real-estate market transactions, a market for sublets, and a small entirely private rented sector (Hegedüs-Tosics, 1996). There was no special sub-sector or sphere which could be called ‘social housing’, because state housing incorporated different tenures - public rented, several forms of cooperatives

and owner occupation. These had a universal character in the sense that different social groups all had access to these housing forms, though the outcomes in terms of waiting time, individual financial contributions and the quality of housing differed.

The East European socialist countries were fairly egalitarian societies, with limited differences in income and consumption. They provided during the period of political consolidation a kind of security, e.g. full employment. However, the nomenclature and bureaucrats as a social class had several non-monetary privileges such as access to housing and other consumption goods.

In Hungary, according to Daniel (1985), housing inequality was greater than income inequality, which supports the view that the inequalities were basically caused by state rationing (Szelényi, 1983). However, our empirical research in the 1980s found quite a close correlation between housing inequalities and existing income inequalities, because in both the state and the private submarkets, higher income groups had better access to housing (Hegedüs, 1987). Thus the social housing sector, state housing, could be called 'universal', but in a very different social and political context to the way the term is used in the literature (Kemeny, 1995, Kemeny-Lowe, 2001).

After the political transformation of the region, governments worked under constant fiscal pressure caused by the social and economic costs of bankrupt socialist economies. As a consequence, the states had to withdraw from the housing sector: they cut subsidies for new construction (both public and private), privatised their construction and building-material industries, liberalised prices for housing services, privatised public housing and the banking sector, etc. The social consequences of this economic restructuring which included regional and social inequality, economic insecurity, declining living standards, emergence of unemployment, etc changed the nature of housing problems. Vulnerable social groups increasingly confronted the problems of homelessness, housing affordability, lack of access to housing finance, increasing spatial segregation and a generally deteriorating housing situation. These problems had been unknown in the socialist systems.

New and intensifying housing problems have heightened demands for a new housing policy approach, but housing policies in the region were (and still are) subordinated to economic policies aimed at macroeconomic stability and to sector policies with higher priorities like energy, the banking sector, etc.. As a consequence, housing programs have been stopped from time to time. After 2000, several countries in the region initiated housing programs, which have had varied results. But more than 15 years after the transition, the housing policies of transition countries are still in flux

(Hegedüs, 2007). Policies affecting Hungarian social housing, which is the theme of this chapter, are no exception.

### **Social changes and housing policy in the early years of transition**

As a consequence of the transitional recession, the macroeconomic situation deteriorated in the first part of the 1990s. There was high inflation, above 20%, falling GDP, increasing unemployment, and, more importantly, a low level of employment because of early retirement, etc. In 1985 the number of employed persons in Hungary was 5.4 million, and by 1995 it had fallen to 3.8 million. The unemployment rate, which was around 10%, did not express this dramatic change. GDP did not regain the level of 1989 until 2000.

In the 15 years, regional and income differences have grown and place a heavy burden on the emerging welfare system. The uneven social and regional development of the economic recovery has been a central feature of the early post-socialist period. Regional differences in development have risen; with the ratio of the GDP of the most developed region to the least developed one increasing from 2.05 to 2.52 between 1995 and 2003. The ratio of the per capita income of the highest income decile to that of the lowest increased from 4.8 (1987) to 7.6 (2004).

Changes in housing policy and the emerging housing market were not only a consequence of macroeconomic changes, but in turn contributed to social and regional differences. Housing privatisation and the consolidation of the 'bankrupt' housing finance system, two major housing policies of the early 90s, had a regressive effect on wealth distribution. Moreover, they contributed to increasing regional differences as poorer households moved to cheaper accommodation.

In the Hungarian housing system before transition, the state rented sector had a 25% share of dwellings. Its role was decisive in urban areas. Housing privatisation removed 20% of the total housing stock from state ownership to the owner-occupied sector. The Law on Housing (1993) introduced the 'right to buy' principle, with the exception of buildings which had already been designated for rehabilitation or were defined as culturally or historically significant. It became common for all those tenants who could afford it to buy their flats rather than rent them. The effective price was about 10-15% of the market price. As a consequence, in 2000 the estimated share of the rental sector was 8%, of which 4% was public (CSO, 2003). Hungary's housing sector had become dominated by owner occupation. The regressive allocation of capital gains has been demonstrated by surveys (MRI, 1992, 1994), which concluded that

40% of the total capital gains - the difference between the notional market price and the actual sale price - went to the highest income quartile, and 17% to the lowest (Hegedüs et al, 1996). Even if privatisation was counterproductive from the point of view of housing policy, it had a positive fiscal effect in the short run, because the government saved a huge amount of subsidy - at the end of 1980s, 2/3 of the revenues of the public rental sector came from state subsidies.

The consolidation of what was known as the 'old loan stock' also had an important effect on wealth allocation among different income groups. In the communist period, highly subsidised long-term loans, with interest rates of only 1 to 3%, were available for buying new flats that were built by the large state-owned companies and allocated by the "state" and for constructing new houses, typically self-built. Financing housing investments through loans became very important in 1980s. (Hegedüs, 1989) The ratio of outstanding loans to GDP reached 15% in 1989 - one of the highest in the region. As inflation rose above 20%, the subsidy on these loans accounted for more than 2% of GDP. The present value of the subsidy on the old loan portfolio, 274 billion forints in December of 1988, was equivalent to 13 percent of 1988 GDP.

In 1991, the Hungarian government offered the borrowers of pre-1989 loans two options; either they could pay off half their loan (or turn it into a market-rate loan), and the other half would be written off; or the loan could be converted to one bearing an interest rate of 15 percent. 78 percent of borrowers chose the first option, but poor households, who did not have the resources to pay half of the loan back in cash, were at risk.

It was not only the programs for state housing that had an effect on social inequality, but market liberalisation as well. Because of economic - and demographic - decline and uneven economic recovery in the second part of the 1990s, regional house-price differences increased in the country. This had two effects in terms of social housing; firstly, the housing stock in the countryside, which was developed mainly in 1970s and 1980s, became less valuable as demand fell and maintenance costs rose. Secondly, the position of housing estates, which constitute 20% of the total housing stock and 40% of the urban housing stock, changed as the price of housing-related services increased to the cost-recovery level. Residents of the prefab housing estates had less flexibility to adjust their consumption to suit family incomes. Poor families increasingly were forced to move to cheaper housing to make ends meet, but often ended up in an unacceptable housing situation. Social segregation has become an important social issue.

The institutional structure of housing policy has been radically changed as a consequence of decentralisation. Both housing and welfare policy have become shared responsibilities of central and local government - central government provides the financial and legal framework for the programs, and local government implement them. However, local government enjoy substantial autonomy in the area of housing services - planning, enforcement of building regulations, local public rental sector, restructuring utility companies, setting the user fees etc. Electricity and gas services remained under central government control, but other public services such as water and sewage, garbage collection, district heating, rents, etc.—that is, most housing service provision—became the responsibility of local government (Hegedüs, 2003).

### **Housing affordability and the safety net**

The housing affordability became an important issue after the transition. The ratio of housing expenditure to household income increased from 11% to 21% between 1990 and 2003 (CSO, 2004), while real per capita household income decreased by 30 to 35% between 1989 and 1997 (CSO, 2003) and did not reach the pre-transition level again until 2000.

According to the 1997 household survey, 15.4% of households had real difficulty paying utility costs and rent (HHP, 1998). As a response to unemployment, low income, and increasing housing costs, the government introduced social benefit programs in the early 1990s (1993 Social Law). The programs have gone through a major transformation in the last 15 years, but after the regime change of 1989/90 income redistribution is carried out in four ways through tax advantages - family tax allowances; price subsidies - public transportation grants, medicine price subsidies; non-means-tested benefits - family support, benefit for purchasing lecture notes; means-tested benefits - medicine, special in-kind assistance, housing allowance.

Tax allowances and price subsidies represent more than half of the welfare redistribution; see Table 1. Non-means-tested benefits account for more than four times as much expenditure as means-tested benefits (of which housing allowance is one).

The development of different housing allowances should be placed in the context of the whole welfare redistribution system, as cash and in-kind benefit programs free up resources for housing costs. In Hungary, the housing allowance scheme was introduced in 1993 as a part of the new Social Act. Local authorities had to introduce housing allowances for households whose housing expenditure was higher than 35% of household income<sup>2</sup>. The detailed conditions were to be defined by local authorities in their local ordinances: the size of the allowance, maximum household income, and

**Table 1. Structure of social welfare benefits programs in 2004**

	Billion HUF	Share
<b>Tax allowances</b>	398	22%
<b>Price subsidies</b>	542	29%
<b>Non-means-tested benefits</b>	746	40%
<b>Means-tested benefits</b>	162	9%
<b>Total</b>	1 847	100%
<b>As a % of GDP</b>	9.0	

Source: Benedek et al, 2006, table F3; own calculations

allowable housing consumption. They enjoyed wide autonomy in defining the beneficiaries' target group, but the system they introduced is an entitlement scheme.

The housing allowance program has been quite modest in terms of budget expenditure due to its financial structure. Local government social programmes were and are financed through two types of grant. One is a formula-based general-purpose grant, which is based on 'need' indicators. The grant is not earmarked, and local governments in principle can also spend it on other areas. The second grant type is a beneficiary-based grant with central government financing a percentage of the cost of the programme.

Housing allowances were financed through the first type of grant, while other benefit programs were financed through the second scheme. Local authorities were generally more interested in giving assistance through programmes where central government's contribution was secured with beneficiary or earmarked matching grants, and as they administered the benefit programs they had a certain room for maneuver. In 2003, the cost of the housing allowance programme was 3.5 billion HUF, accounting for 1-2% of the social benefit programme, and take-up was 5% of households - although surveys indicated that some 10 to 15 per cent of households had difficulty paying their housing costs.

Realising the deficiencies of the local-government-run housing allowance program in 2004, the government introduced a central housing allowance program. The target group for the normative allowance scheme was households with a per capita income below 150% of the social minimum, in 2006 25,200 HUF, or approximately €110 per month, and a ratio of 'normative' housing cost<sup>3</sup> to household income of over 20%. The programme was administered by local authorities and 90% of the cost was covered by central government. As a consequence of the new program, the number of beneficiaries increased from 150,000 households to 350,000, and the cost from 3.5 billion to 16.7 billion HUF (Table 2).

In 2007 the government, having postponed an increase in the gas price for several years, increased it to the world market price. The flat-rate subsidy applied between 2004 and 2006 was replaced by a means-tested benefit program, with different income groups receiving different levels of price subsidy between 15% and 30%; the

**Table 2.. Housing allowances 1995-2006**

	Total number of beneficiaries (households)	Housing allowances (in 1000 HUF)
<b>1995</b>	234 727	2 331 706
<b>1996</b>	236 559	3 004 129
<b>1997</b>	296 280	3 698 197
<b>1998</b>	268 721	3 881 190
<b>1999</b>	211 876	3 654 433
<b>2000</b>	197 032	3 550 882
<b>2001</b>	183 220	3 586 817
<b>2002</b>	175 055	3 762 148
<b>2003</b>	148 232	3 538 595
<b>2004</b>	196 619	5 767 570
<b>2005</b>	302 893	12 062 534
<b>2006</b>	349 088	16 668 368

Source: CSO, 2007

highest income group was ineligible. The cost of the program was 110 billion HUF, seven times more than the housing allowance, and the number of beneficiaries was 2.1 million, which demonstrates the close relationship between social benefit programs and the housing allowance structure.

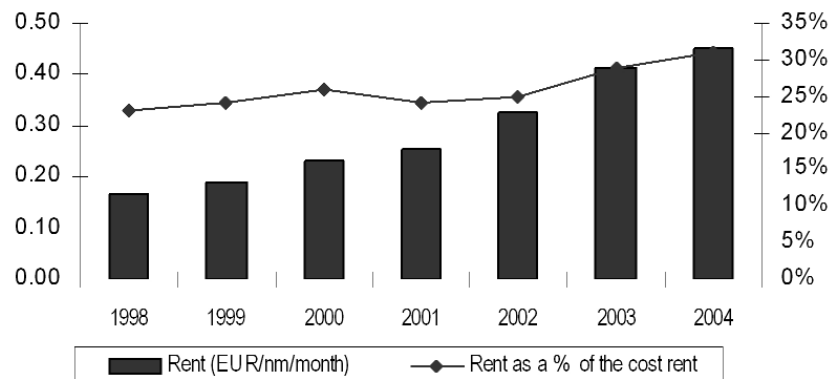
**Attempts to revitalise the social rental sector**

As a result of give-away privatisation, the percentage of the housing stock in the public rental sector fell from 20% in 1989 to 4% in 2003. The households trapped in the public sector were typically the neediest, who could not afford to pay even the discounted price or who did not consider it worthwhile to buy their apartments because they were of such low quality.

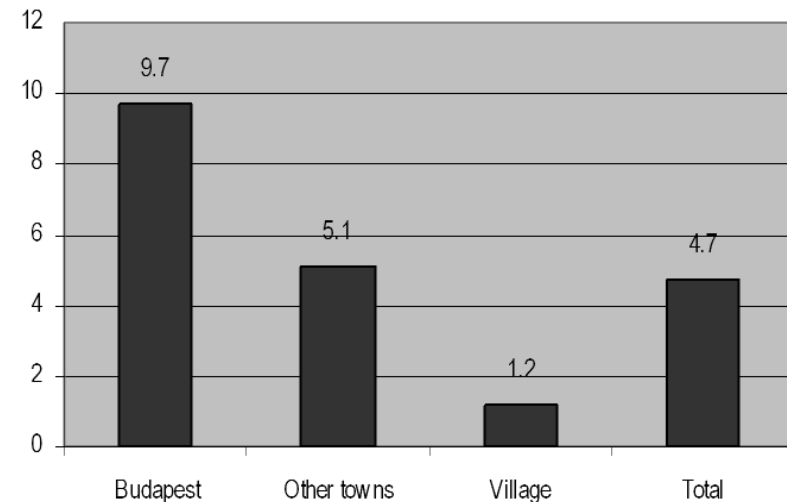
In cities with more than 50,000 inhabitants, the proportion of dwellings owned by local governments is between 4 and 10%. In total, 58% of municipal flats are in cities with populations over 100,000, whereas only 20% are in the towns with populations of less than 50,000. The size of the private rental sector remains limited as well but the statistics are unreliable.

Local authorities were heavily involved in the decision-making processes concerning the regulation of their rental housing stock. They could freely determine rents, allocation procedures - whether to use waiting lists or case-by-case tenders for vacant units - and the organisation of the housing maintenance company. They could choose

**Figure 1. Residential rents (EUR/m<sup>2</sup>/month) and the ratio of residential rent revenue to costs**



**Figure 2. % Homes owned by the local authorities by settlement type**



Source: CSO

which type of rental contract to use - fixed or open term; social or cost-rent or market rent. They could introduce and finance special rent-allowance schemes. After 2001 they could also freely decide when and whether to sell dwellings.

Rent levels in the public rented stock have not increased substantially, despite fears that a lack of national rent control would lead to escalation of rents. Public-sector rents are very low and have not increased much; the sector is a loss-generating service for local government. Of course social housing does not have to produce a profit but the amount of subsidy required and other financial incentives help determine local government strategies. Rents cover approximately 30-40% of actual costs. Moreover, the vast majority of tenants have difficulty paying even these rents, and many are in arrears. According to a housing survey of 2003 (CSO, 2003), 22% of households in the public sector are in arrears, while in the private sector the figure is 5%.

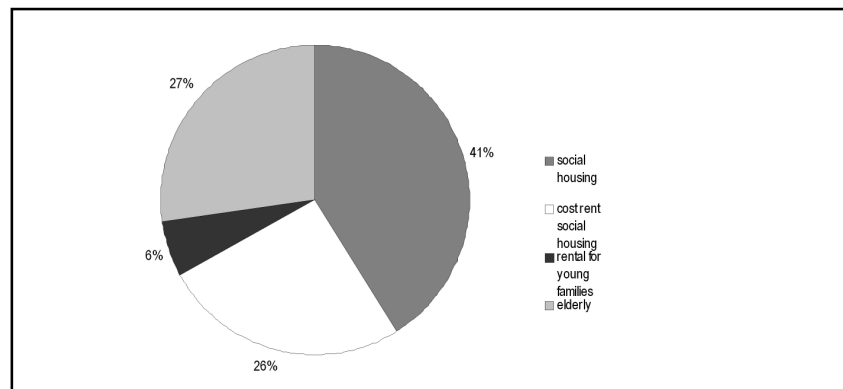
Due to financial disincentives and their own limited resources, local government has under-invested in the maintenance of their housing stock, which continues to deteriorate. It is estimated that the public housing sector requires 300 billion HUF for renewal and rehabilitation of the stock—30 times the yearly rent revenue of 2004.

Local government can only allocate vacated and newly built rental units. As there is very little new construction they have to rely on the vacated units, so access to public rented housing is very limited. According to our estimates only 1-2 % of the total stock comes vacant per year, which represents only 4-5 % of all housing market transactions including buying and renting. On the other hand, according to our need assessment study of 2001, the stock of potential unmet demand for rental housing is around 750,000 units, including about 500,000 social units — approximately 2.5 times the stock at the time (MRI, 2001).

The 2000 housing scheme included a grant programme for local authorities which supported five housing areas: the rental sector, energy-saving renewal, rehabilitation, land development, and renovation of housing owned by churches. The most important element was support for the public rental sector. Local authorities could get a grant of up to 75% of the cost of investments for social rental, cost-based rental (see below), housing for young families and elderly homes. Between 2000 and 2004, several hundred local governments took part in the programme. Total investment amounted to 60 billion HUF and close to 13,000 units were established.

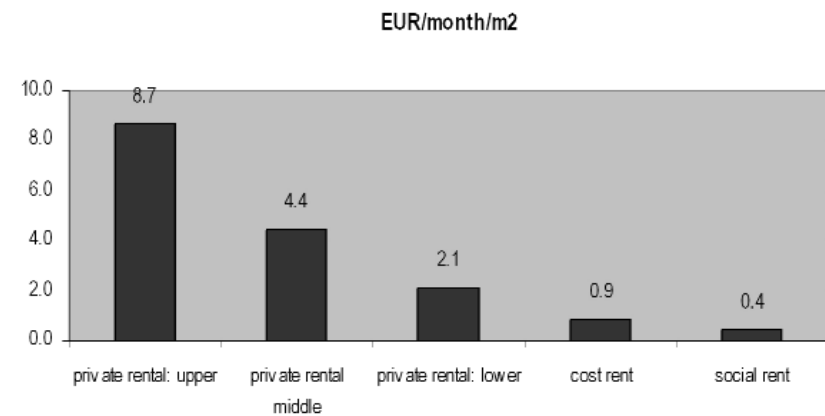
The cost-based option aimed to ensure long-term cost recovery in the sector, with rent levels higher than existing social rents but lower than market rents. The regulations set the minimum annual rent at 2% of the construction cost. Although this cost rent approach did not guarantee long-term cost recovery, in the first years the actual operational and maintenance cost of the units was considered to be lower than the rent. The cost rent is about 40-60% of the market rent.

**Figure 3. The composition of the rental program 2000-2004**



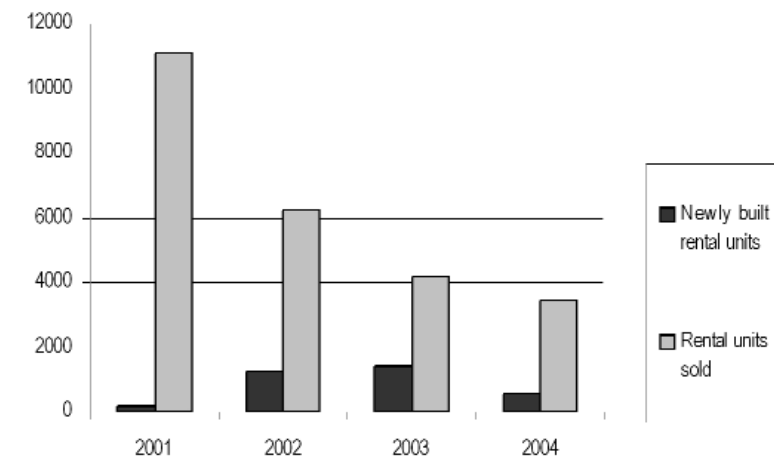
Source: NHO

**Figure 4. The residential rent structure, 2001**



Source: MRI estimates

**Figure 5. New units built by local government and sold units**



Source: CSO

The high level of interest in the rented sector program is an indication of the commitment of local authorities to solving the housing problem. Before the programme's launch, the Hungarian Government's Housing Policy Committee was concerned that local authorities would not be able to participate because most would not be able to

**Table 3. Results and cost of the rental programme in 2000-2004**

	Number of tenders by local government	Number of units established	Total subsidies (million HUF)
<b>Social rental</b>	313	5 729	26 093,4
<b>Cost rental</b>	228	3 188	16 386,1
<b>Homes for young couples</b>	44	909	3 639,2
<b>Elderly homes</b>	127	2997	17 210,1
<b>Total</b>	712	12 823	63 328,8

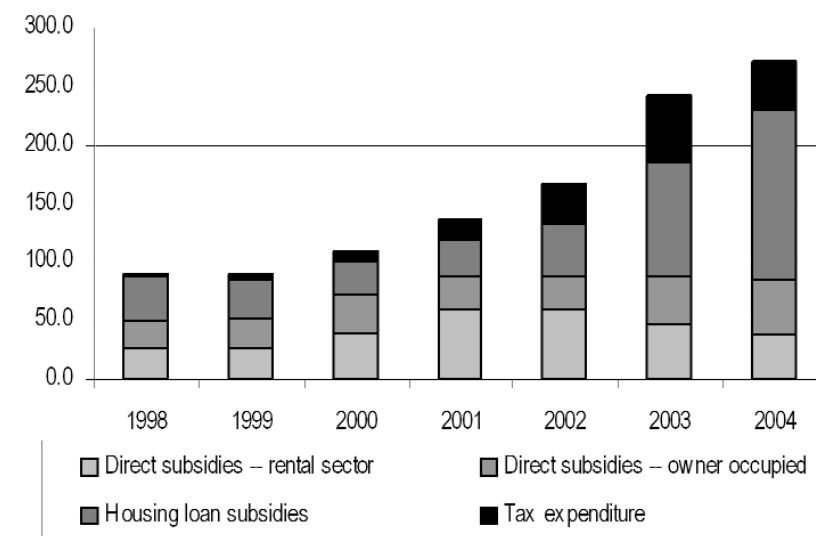
Source: Housing Office

afford the 25% contribution required from them, but in fact only 45% of the amount requested by local authorities could be funded.

The programme had some weaknesses. Average costs were considered to be very high, although one of the most important selection criteria was the average cost per square metre. Allocation criteria for the new tenancies were not regulated, and local politics played a role in discretionary allocation. The cost rent was considered to be too high for poor people, but not enough for long-term cost recovery. Moreover, during the period of operation of the scheme, local authorities privatised 25,000 units but built, bought or renewed only 8,800.

In 2004, the government stopped the social rented program because of fiscal pressure, citing the high cost per unit. The government proposed a rent allowance programme as a substitute for the budget-financed rental programme. The proposal was that local governments would enter into long-term contracts with private investors to use newly built rental units for social use. Central and local government would jointly provide a rent subsidy which would bridge the gap between the affordable rent and the market rent - cost plus profit. The proposal failed because the guaranteed rent level required by investors was unacceptably high - twice the actual market rent. However, the importance of the social rented sector was never questioned in the government documents.

**Figure 6. Housing subsidies**



Source: NHO: National Housing Office

In 2005 a new rent allowance program was finally introduced, which aimed to use the private rental sector for social purposes (MRI, 2006). Local government could apply for rent allowance for low-income families with children who had private rental contracts. Central government would pay a maximum of 30% of the rent or €25-30/month, and local government would contribute at least as much again. The programme was a failure: very few local authorities put forward a proposal. One reason for this was that the programme required that landlords be registered with the Tax Authority. The majority of private landlords do not pay tax, and they did not change their approach for the sake of participating in this programme. A second problem was that the income limit, under about €180 per capita per month, was so low that eligible households were not able to pay the rent.

In 2006, another new loan programme was launched, giving local government access to subsidised loans from the Hungarian Development Bank for investment in the public rental sector. However, the interest by local government has been very limited.



### Supporting low-income households in the owner-occupied sector

In a society where more than 95% of the housing stock is owner occupied, policies in favour of social rented housing cannot be further weakened. State housing policy before the transition was very much based on building, financing and subsidising new owner-occupied housing, but these programmes stopped immediately after 1990.

Housing output diminished drastically after 1990 (except for the short period between 1995 and 1997) and did not rise again until after 2000. The relative boom in 1995 was triggered by changes in the housing construction assistance system. To offset the effect of eliminating the VAT allowance, the government raised the amount of support for new construction. This was earlier known as 'social policy support', and the amount depended on the number of children in a family.<sup>4</sup> The volume of housing construction grew temporarily; interestingly, growth was concentrated in less developed regions and counties. This was because the ratio of support to construction cost was higher in these areas. A separate programme<sup>5</sup> enabled over a period of two or three years, large families to acquire new, albeit poor quality and badly located, housing without the need for their own capital resources. One positive aspect of this program was that it benefited – though not intentionally – large, low-income households many of whom were Roma. Its regional impact, however, was controversial, as housing was built in areas with relatively high unemployment and bad earning prospects<sup>6</sup>. Some experts advocate the opposite policy of demolitions in depressed areas, to ensure that relative differences in prices do not increase (Isoda, 2003).

The second construction boom came after 2000, when the interest subsidy for housing loans was increased. This subsidy targeted the middle class, and accordingly surplus demand shifted to more prosperous regions (Hegedüs-Somogyi, 2006).

In the period of socialist housing policy, a programme called 'housing with reduced amenity' aimed to eliminate Roma slums, which provided a kind of low-cost housing. After 2000, the problems of the Roma population have become striking. They have very high unemployment and new types of Roma settlement have emerged with segregated parts of cities or villages<sup>7</sup> being occupied by Roma people (Teller, 2007). A new Roma programme was started in 2004 which aims to upgrade or eliminate the Roma settlements through a multifaceted approach which targets not just housing but also education, health, employment and social elements (Somogyi-Teller, 2007).

The rehabilitation of owner-occupied post-1960 prefabricated housing estates has been one of the government's most successful programmes. It started in 2000, and picked up speed after 2004. Under this programme, a third of the rehabilitation costs were paid

by central government, a third by local government, and third by owner occupiers themselves. Owners also had access to special loans and even to another indirect subsidy through housing saving banks. In the six years from 2000 to 2007, 22% of the stock of this kind was renewed, at least partially (Zolnai, 1998).

### Conclusion: the future of social housing in Hungary

Social housing policy is often considered to have three elements; providing housing allowances for families with difficulty meeting housing costs; strengthening the social rental sector and supporting low-income households in the owner-occupied sector. There is no overall social housing policy in Hungary with the different programmes only loosely and accidentally interrelated. One of the most important elements of social housing policy is the tenure security guarantee, which implies that households in hardship because of unemployment, illness, divorce, etc should receive financial support with their housing costs. This guarantee can only be provided through the integration of the different income and in-kind benefit programs related to housing. For example, it would be sensible to incorporate the present gas-price subsidy programme into the existing housing allowance system. This would help the 10-15% of households on the lowest incomes to keep their housing costs below 30% of income.

The demand for the rental tenure is largely residual, caused by the crowding-out of households from the owner-occupied sector. The insignificant role of the rental sector in the Hungarian housing system can be explained partly by privatisation and partly by financial - through taxation and subsidies - and legal regulations. In general, those households choosing the rental option are financially disadvantaged compared to owner occupiers. They are not eligible for the same grants as those in the owner-occupied sector, and in the rental sector both the tenant and the landlord have to pay taxes which is not the case for the owner-occupiers. The lack of proper legal regulations makes both the tenant's and the landlord's situation unpredictable.

Social rental housing policy faces two financial challenges - to compensate for the general financial disadvantages of the rental sector, and to compensate for the financial disadvantages of vulnerable, low income groups. Thus without substantial government support the social rented sector will not be sustainable.

The third element of social housing policy is support of needy households in the owner-occupied sector. This may take the form of grants for home renovation - the renovation of housing estates is especially important. In addition, financial assistance to access owner occupation can be justified in rural areas, where there is no public rental housing but it would be very expensive.

## Endnotes

<sup>1</sup> The state included not only central government and local councils, but state-owned enterprises as well. These constituted the majority of the economy and were integrated into the economy through the communist party.

<sup>2</sup> After 1 January 1997, the housing-cost-to-income ratio was set at 20% for heating costs and 35% for total housing costs. The aim was to compensate low-income households for high district heating costs. Total housing costs included water, garbage collection, rent, mortgage payments, electricity, etc.

<sup>3</sup> „Normative” cost is calculated by multiplying the eligible size of the flat in square metres by a fixed sum (400 HUF in 2003, 425 HUF in 2007). The eligible size depended on household size: 35 m<sup>2</sup> for one person, 45 m<sup>2</sup> for two; 55 m<sup>2</sup> for three; 60 m<sup>2</sup> for four, etc.

<sup>4</sup> An earlier scheme did not really target the neediest, who were less likely to enter the market for new housing. Paradoxically, the subsidy became available to lower-income households when it was changed. Because the share of households with three or more children in the population is small (around 5%), policymakers assumed that raising the subsidy would not have a large effect on expenditure. However, while in 1996 HUF 12 billion was budgeted, actual spending was HUF 31 billion; in 1997 the figures were HUF 16 billion and HUF 30 billion.

<sup>5</sup> The National Roma Minority Council and its Social Constructions company were allocated HUF 20 million in 1996, HUF 20 million in 1997 and HUF 300 million in 2001 to help Roma families with several children and without their own resources to build homes. The basic aims of the project were to enhance the enforcement of means testing in the use of the social policy subsidy for home building, to make the use of the subsidy transparent and to control abuses related to construction without adequate resources.

<sup>6</sup> Subsidised housing was often built in settlements where it could not be sold even for as little as 50 to 60% of the amount of the subsidy.

<sup>7</sup> In the last 15-20 years the rural population has fallen especially in areas far from urban centres. House prices become affordable for Roma people as well, which contributed to this new type of Roma segregation.

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## 11. Urban regeneration in European social housing areas

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*Frank Wassenberg, OTB Research Institute, Delft University of Technology*

### Introduction

Many European countries have policies to renew cities and neighbourhoods. This paper examines the policies of France, the Netherlands and Germany. In these, as in most Western European countries, the social housing sector forms an important part of regeneration schemes. Social housing is both actor and subject to urban renewal. Housing associations are key actors because they own much of the housing stock, and social rented housing neighbourhoods are the target of the renewal process. Since World War II, urban regeneration processes in Europe can be divided into three major periods. Each period contained policy turning points, which differed according to country and political context. At these turning points policy swung from more *physically* oriented strategies towards more *socially* oriented ones or vice versa. This chapter sets out to describe these periods and to demonstrate the strong relationship between urban regeneration and social housing. It describes the challenges posed by the various policy swings for the future supply of affordable housing for the less well-off, differentiation and segregation, quality of life and social cohesion in the social housing stock, and sustainable neighbourhoods.

The aims of this chapter are to reveal the differences and similarities among current urban regeneration approaches as they affect the social housing stock of the three countries, to set out trends and future challenges, and to identify questions for future research in this field.

### Social housing and urban regeneration in comparative perspective

Whereas other chapters of this book deal with the history and transformation of the social housing stock, this chapter focuses on the strong relationship between social housing and urban regeneration in France, the Netherlands and Germany. Despite the fact that social housing and regeneration are to some extent specific to each national and local context (Couch, Fraser, Percy, 2003), some European trends in social housing regeneration policies can be identified.

#### *Social housing in the three countries*

Social housing in France is managed by housing companies and regulated by the State, and is generally located on large housing estates, most of them in the suburbs. In the Netherlands, social housing is both more widely available and more often located within cities. Most social housing is not on large housing estates: only 11% is high-rise housing, and about half of the units are ordinary single-family houses with gardens. The well-known Bijlmermeer high-rise area is an exception in the Netherlands, but there are plenty of areas like it in France. Because of the large proportion of households living in social housing and the mixed housing stock, social-housing dwellers in the Netherlands are not stigmatised as they are in France.

In Germany, social housing in the western part of the country is owned by municipal housing companies, private owners and housing cooperatives, and is located both in large housing areas and inner-city urban regeneration target areas. It differs from other European countries in that apart from a small share owned by the German railways (which was recently sold), social housing in Germany is not and was never state owned, but is based on a partly state-subsidised market model. Non-profit (municipal, cooperative) or other developers are provided with government subsidies to build housing. In return this housing must be used as social housing with controlled rents for a certain period; the length of this period depends mainly on the level of subsidy. Many of the subsidised developers are municipally-owned but legally independent housing companies, which often also have private shareholders or administer private housing stock. Until recently, they generally continued to operate their units as “quasi-social housing” even after the lock-in period. In the new, previously east German, Länder, former GDR state-owned stock on large housing estates was transferred from government ownership to that of municipal housing companies. After rehabilitation it also became, due to the non-profit status of the municipal housing companies, quasi-social housing. Because of the good quality of the majority of the stock living in social

housing generally carries no stigma, except in areas of the large housing estates with social problems.

Social housing in France and the Netherlands emerged from similar political and historical backgrounds. Both countries are characterised by a comparatively large stock of post-war social housing built, and an integrated policy approach from the 1980s onwards. Contemporary urban renewal focuses mainly on post-war social housing. In France, there are 4.2 million dwellings in the social housing sector, which represents 17 per cent<sup>1</sup> of the total housing stock. In the Netherlands there are 2.4 million, 35 per cent of the housing stock. In Germany on the other hand the social housing stock is small and decreasing, mainly because of the particular characteristics of its funding system and increasing privatisation. The sector, which never served the real poor, now has fewer than 1.5 million dwellings (less than 5 per cent of the housing stock). The country suffers from increasing regional differences, with population decline and an oversupply of housing in the East. The legacy of history means that issues and policies differ between the eastern and the western parts of the country.

#### *The various meanings of ‘urban regeneration’*

Both ‘social housing’ and ‘urban regeneration’ have historically had various meanings, and have meant different things in different countries. They may have different objectives in different places, and regeneration projects that address the same objectives can employ different local approaches. And a particular approach may go under different names in different places. These contextual differences make generalisations difficult, if not impossible (Van Kempen et al, 2005, p. 11). Nevertheless, we will try to make some generalisations about urban regeneration in social housing areas.

Use of the term ‘urban regeneration’ in comparative research requires precision. Just as the English term has evolved over time with variants such as ‘urban reconstruction’ and ‘urban renewal’, so have the equivalent terms in Dutch, French and German. Moreover, policy changes over the years have led to changes in the local terminology. Usually, these changes emphasize a new political strategy. In France, *renovation urbaine* was used during the 1960s and 1970s, *rehabilitation* in the 1980s, *renouvellement urbain* at the end of the 1990s and most recently *renovation urbaine* since 2003. In the Netherlands, the *stadsvernieuwing* of the 1970s and 80s, which involved the physical improvement of old housing for low-income people has a slightly different meaning from the *stedelijke vernieuwing* of the mid-1990s and 2000s; the latter refers to integrated renewal of mainly post-war areas for mixed incomes. In Germany, *Stadtсанierung* was followed by *behutsame Stadterneuerung* ‘refurbishment of old

buildings', in the 1980s, then by *integrierte Stadtentwicklung*, a term which implied the inclusion of social and economic issues in the 1990s and finally by *Soziale Stadt* and *Stadtumbau* 'Socially Integrative City' and 'Urban Regeneration East and West' - terms used for both the present approach to urban regeneration and the relevant funding programme from 1999/2000 onwards.

In this chapter we will not dwell on these terminological differences but will use the English term 'urban renewal' in a broad sense, defining it as 'all activities, physical and otherwise, intended in the local context to renew existing urban spaces.'

In terms of methodology, comparative research can focus either on differences or on similarities. International comparative research into urban developments might find differences in local circumstances, national policies, political and cultural contexts and historical paths. A focus on differences tries to explain *peculiarities*. Research may also focus on *similarities*: these could be the result of global trends, parallel reactions to economic or political forces or historic developments. This type of research tries to explain similarities. Both approaches have their advantages: see Malpass' chapter for further elaboration. In this chapter we try to do both.

#### *Five categories of urban regeneration area*

Urban regeneration focuses on various types of area, with different policies, interests and actors involved in each. The EUKN report (Wassenberg et al., 2007, p. 22) distinguishes five categories:

- Central urban areas and city centres
- Old deprived urban areas around the city centre
- Post-World War II areas
- Large high-rise estates
- Old industrial, harbour, military or railway areas

Urban regeneration of social housing is not an issue in all of these areas. In the three countries investigated here, the areas with most social housing are the post-war housing areas (Category 3) and large (often high-rise) housing estates (Category 4), especially in France and the Netherlands. Urban regeneration is also an issue in pre-war housing stock (Category 2), particularly in Germany and to a lesser degree in the

Netherlands. This chapter therefore focuses mainly on these three categories of regeneration.

In Category 5 regeneration areas (urban brownfield land and former industrial zones), the aim often is to support private investment. The goal of government involvement is to encourage re-use of land, to increase its value and improve its image. The same goals apply in city centres (Category 1), with an additional aim of upgrading the city's image in the global urban competition. If social housing is involved, the question is often how to provide affordable housing for poor people in those areas after property values rise. In Germany relatively more social housing stock is located in city centres because of the amount of war damage; there is also much social housing located near the commercial centres of smaller cities of the former GDR. Private investment, property-price rises and gentrification have led to price-related displacement of social housing tenants in both east and west.

#### *Social versus physical regeneration*

Broadly speaking, there are two types of regeneration policy applied to urban regeneration areas with significant amounts of social housing.

- Socially oriented, area-based programmes for disadvantaged neighbourhoods - *Politique de la Ville* in France, *Soziale Stadt* in Germany, *Grote Steden Beleid* and more recently *wijkaanpak* in the Netherlands. These programmes often cover areas that include large housing estates, so the cooperation of housing associations is required. Goals include increasing residents' satisfaction with their housing situation as well as increasingly supporting them socially by helping with schooling and jobs, for example and reducing the negative effects of spatial concentration or segregation. The criteria for selection of target areas in each of the countries include having a high concentration of poor, immigrant or unemployed people as well as other social problems — rather than deficits in the quality of housing itself. In general the main problem with the housing stock in these areas is that it is mono-functional and architecturally monotonous.

- National programmes of physical regeneration, which often focus on social housing areas. They support the demolition of buildings and the rebuilding and reshaping of the local environment. The main aim is to improve and upgrade dilapidated buildings and local environments. Such programmes are generally found in areas where the original construction quality was low - social housing in the former western part of Germany was generally of better original quality than that in the east

or in France or the Netherlands. Often the main problem is not the physical quality of the buildings but their outdated floor plans and the small size of the dwellings. Another goal of physical programmes can be the reduction of the social housing stock to deal with oversupply caused by de-industrialisation, emigration, or population decline, for example the north of France and eastern Germany. These programmes may also aim to increase housing diversity and social mix (France).

### The three main periods of urban regeneration in social housing

We can identify three major periods of post-war urban regeneration across most of Europe, including in France, the Netherlands and Germany. The first two periods ended with rather clear changes of policy. The length of the periods, and the timing of the shift from one to the next, differed by country, as did the transition between the phases.

#### *Period 1: Area clearance (1950 - early 1970s)*

In all three countries, the years immediately after the Second World War were devoted to overcoming war damage. During the decades following those few years, the central parts of the existing cities were completely rebuilt and remodelled for future use. In France and the Netherlands, social housing was provided in newly built neighbourhoods - the then-suburbs - in order to provide housing for displaced inhabitants of the old derelict slums near the city centres. In Germany, social housing was built both in the destroyed city centres and on their periphery, as in the other two countries. It was an important symbol of success in the competition between the two German states. The record housing production achieved at the end of the radical scrap-and-build phase gave this period its French nickname, *les trentes glorieuses* - 'the glorious years' for social housing. In each of the countries social housing was a major element of the new welfare state, helping to solve the social question by providing housing for the working classes (see the chapter by Levy-Vroelant et al).

#### *Main actors: national governments and housing cooperatives*

National governments played the predominant role during this first period, providing the political framework and major subsidies for implementation at the local level. The main exception during this period was Germany, where housing cooperatives played an important role in social housing provision though this decreased in the 1980s as municipal housing associations invested more. In this chapter, we focus on the turning points that are relevant for understanding the following periods.

#### *The turning point: popular demand and the criticism of high-rise buildings*

In the late 1960s, all across the world, there was a reaction against the establishment, with slogans like 'flower power', 'power to the people' and 'small is beautiful,' and movements including the student revolts and demonstrations against the Vietnam War. In the field of urban policy, urban regeneration as just the remaking of the existing city thus came under pressure in the early 1970s. In each of the three countries, prestigious large-scale road development and new city-centre plans more or less suddenly stopped. The construction of high-rise housing estates almost stopped as well, just as abruptly as it started ten years before (Turkington et al. 2004). The wave of anti-establishment thinking led to a new focus on popular demand and social needs: urban regeneration became more demand-oriented and focused on provision of social infrastructure, including social housing. This change in priorities marked the end of the first period of urban regeneration.

#### *Period 2: Housing renewal (mid-1970s – mid-1990s)*

The remodelling of city centres stopped rather suddenly in the early 1970s. Large-scale top-down plans were replaced by smaller-scale renewal of urban neighbourhoods, based - to a greater or lesser extent in the three countries - on bottom-up processes. Urban regeneration had been led by urban planning, but now it was led by social housing. The focus was on renovation of old houses in old neighbourhoods, or, where this was not possible, on demolition and new construction on the same spot. The large-scale squatting of vacant property, which started in the late 1970s, supported housing as a bottom-up process to fulfil demand for low-priced housing. In those years, socially engaged squatters were involved in small-scale urban renewal processes. For example, in Berlin, some of the early 1980s International Building Exhibition (IBA) projects in Kreuzberg were former squats that were then legalised and partly rehabilitated by the residents. The squatters were some of the drivers of resident and owner participation linked to the IBA planning processes, and helped promote the inclusion of community-use spaces and ecologically oriented projects.

In the early 1970s Rotterdam was one of the first cities in the Netherlands (and Europe) to implement these new ideas in an urban renewal policy (*stadsvernieuwing*). The target groups were existing local residents and the strategy was called *bouwen voor de buurt* ('building for the neighbourhood' and its people). The participation of inhabitants was considered essential, while the role of social housing associations was limited. Germany and France followed the same path somewhat later during the 1970s, with similar programmes aimed at housing renewal.

During the 1980s, the theme of urban regeneration broadened from housing alone to the overall residential environment, in order to address problems of pollution, vandalism and safety. As the residential environment proved to be worst on recently built high-rise estates, the schemes also targeted these areas. Both the dwelling strategies and the environmental strategies were mainly physically oriented. Even so, while France spent a lot of money on improvement of buildings, there were also experiments in combined social and physical policies developed in association with residents.

*Actors: from national to local governments*

During this second period, responsibility for urban renewal moved gradually, and only partially, away from national government toward sub-national governments. Early in the period, national governments sponsored urban renewal with major schemes and matching subsidies for physical improvements. The size and number of municipalities is important, since the political power and resources of a local government are partly a function of its size.

In West Germany the influence of the federal government gradually declined and municipal steering functions increased, but in the East the centralised national government kept overall power. After unification in 1989, the East followed the western pattern and the municipalities, which total more than 13,000 in all of Germany, assumed leadership of urban regeneration. France has even more municipalities, with 36,000 communes. Here too urban regeneration was decentralised in the early 1980s, but power generally passed to the regions and *départements* (districts), rather than right down to the municipalities themselves. The Netherlands has far fewer municipalities, 443 at present, half the number there were 40 years ago. Moreover, they are merging for efficiency reasons all the time, a process unique in Europe. These municipalities do have the resources to handle urban renewal issues.

In all three countries in these years, urban regeneration was still a top-down issue, with the national governments formulating the goals, the policies and providing the money. Increasingly, however, lower governments, particularly the German *Länder*, were allowed to make their own decisions about implementation. In countries with more municipal power, local governments also gained in importance, while in decentralised models, like France, intermediate levels of government were more powerful (Wassenberg et al, 2006).

*The turning point: recognition of the limits of physical measures*

The focus of urban renewal policy evolved from the improvement of housing in the 1970s to the improvement of the residential environment in the 1980s. By the late 1980s/early 1990s, even earlier in France, the idea took hold that more social and socio-economic measures were necessary. The early 1990s saw the introduction of programmes that were more social in nature (*Politique de la Ville* in France, *Armutsbekämpfungsprogramm* in Germany, *Sociale Vernieuwing* in the Netherlands). These policies had a new aim which was to integrate deprived people and to increase social relations between different groups in society. Following experiments in the 1980s, the French introduced *Regies de Quartiers*, a sort of neighbourhood management, in the wake of the Lyon riots and an atmosphere of increasing segregation. These blazed the trail for subsequent Dutch and German policies and can be seen as the beginning of the third period in all three countries.

Key urban regeneration initiatives mid-1970s to mid-1990s	
France	
<b>1977 onwards</b>	<i>Programme Habitat et Vie Sociale</i> ('Home and social life programme') An experimental programme combining social and housing policies.
<b>1981-89</b>	<i>Développement Social des Quartiers DSQ</i> ('Neighbourhood social development') 148 areas selected in 1984. Focus on physical rehabilitation in disadvantaged zones. The programme included socio-economic development and help for residents to attain qualifications.
<b>1989-91</b>	<i>Programme Développement Social Urbain (DSU) and politique de la ville</i> ('Urban social development programme and urban policy') Formalised and enlarged the DSQ programme with 500 neighbourhoods. Experimental contracts with 15 cities.
	<i>Loi d'orientation sur la ville (LOV)</i> ('City orientation law') July 1991: This first national law attempted to force municipalities with less than 20% social housing to build new social housing. The aim was to combat segregation and avoid new 'ghettos'.



<b>Netherlands</b>	
<b>Early 1970s</b>	<i>Stadsvernieuwing</i> ('Urban renewal') Focus on refurbishment or replacement of old dwellings by social rented housing for the benefit of local tenants.
<b>1985-1995</b>	<i>Stadsvernieuwingsfonds</i> ('Urban renewal fund') Decentralised urban renewal fund combining 19 subsidies, to be spent by local authority. Definition of urban renewal broadened from physical housing to include the local environment and liveability issues.
<b>Late 1980s</b>	<i>Probleem Cumulatie Gebieden Beleid</i> ('Social oriented policy for areas with a accumulation of problems') Social policy aimed at mitigating social segregation. An addition to <i>Stadsvernieuwing</i> .
<b>ca. 1990</b>	<i>Sociale Vernieuwing</i> ('Social renewal') Intensification of the social policy; another addition to <i>Stadsvernieuwing</i> .
<b>Germany</b>	
<b>1980s</b>	Rehabilitation of large housing estates, physical action.
<b>1984-87</b>	<i>Internationale Bauausstellung Berlin</i> , IBA (Berlin International Building Exhibition) "12 Principles of Careful Urban Renewal". Physical action, first attempts at resident participation, in new building and rehabilitation of old buildings.
<b>1989 onwards</b>	<i>Plattenbausanierungsprogramm</i> ('Prefab panel building rehabilitation programme') Resident participation gained importance at the level of information and consultation: 'Planning for Real' and 'Community Planning' approaches <i>Wohnumfeldverbesserungsprogramm</i> (WUM) ('Improvement of housing environment/public space')
<b>1992</b>	<i>Hamburger Armutsbekämpfungsprogramm</i> ('Poverty prevention programme') Urban regeneration including projects to combat poverty in deprived areas

### *Period 3: Integrated policy (mid-1990s – present)*

In the three countries there was an increasing mismatch between the labour market and the urban structure: the working (middle) class commuted each day from the suburbs to the cities, while the people who lived in the city had no jobs, as low-wage jobs had moved towards the outskirts. The emphasis thus shifted on renewing the entire city (Richard Florida's ideas [2003] were welcomed) and expanding job opportunities. Urban regeneration became (in most European countries) gradually an integrated policy, focusing at the same time on physical, social and economic goals and strategies: the *Politique de la Ville* in France, *Grote Steden Beleid* in the Netherlands and the *Socially Integrative City (Soziale Stadt)* in Germany. These territorial and integrative programmes increasingly tried to keep the residents in the urban regeneration areas and the dominant model was sustainable development.

The three countries had different approaches to implementing integrated policies, but the main feature was an attempt to combine physical, economic and social strategies.

In France, 'city policy', which was introduced in the early 1980s and formalised at the end of the decade, was updated and extended in the 1990s. It focused on physical, social and economic action. In the early 2000s, in the context of increasing segregation in 'sensitive urban zones' (deprived areas), policy developed in a new way: towards the goal of social mix. There were two main approaches: the first was to increase the percentage of social housing in areas without much of it, and the second was to reduce the proportion of social housing in areas that had a lot.

In 2000 the solidarity and urban renewal law was passed; its goal of distributing social housing over the urban space was the same as that of the 1991 'City orientation law'. As in 1991, municipalities where social housing made up less than 20 per cent of the housing stock - the average in France is 17 per cent - were required to build more until it reached 20 per cent, there were more constraints and financial disadvantages for municipalities that did not favour the construction of social housing. The hope was that diversifying the housing stock at the lower end would force the population of rich urban areas to mix with low-income people. The application of this national law in a decentralised political framework has met municipal resistance, despite the high financial penalties the municipalities must pay if they do not build enough social housing.

In 2003 the urban renovation law was passed, aimed at reducing the amount of social housing in disadvantaged areas and encouraging social diversity by creating housing diversity. The 750 target areas, known as *Zones Urbaines Sensibles* ('sensitive urban zones'), house 8 per cent of the French population (4.7 million people). In them

250,000 social housing units will be demolished and rebuilt, and another 400,000 improved. The two laws have the same objective: to achieve a better social mix in cities by balancing the location of social housing and creating a more diversified and attractive housing stock.

In the Netherlands, the *Grote Steden Beleid* (GSB) ('big city policy') was developed in the mid 1990s. This policy aimed to integrate three pillars: physical renewal - *stedelijke vernieuwing* was the successor to *Stadsvernieuwing* — both can be translated as urban renewal, social renewal - a continuation of the 1990 initiative, aimed at improving schooling, safety, liveability and social care and economic renewal - an increased focus on work and the economy in cities. The GSB has been updated and adapted three times so far; the last tranche runs until the end of 2009. Gradually the physical pillar, based on the *Stadsvernieuwingsfonds* urban renewal fund, founded in 1985 and later evolved into ISV, *Investeringsbudget Stedelijke Vernieuwing*, has been integrated into the GSB. The programme is targeted at the 30 largest cities, which spend the money as part of overall city programmes. In the Netherlands, physical and social policies seem to be more integrated than in both other countries, although differences between the sectors keep the debate alive.

In 2003 the ministry felt that the policy needed greater focus, and 56 neighbourhoods were chosen in consultation with the 30 GSB cities; the areas chosen were those where the best results were expected. These were problematic areas with prospects for improvement, not necessarily the worst areas. In 2007 a new minister selected yet more target areas, this time the 40 worst neighbourhoods in the country based on 'objective' criteria. These 40 overlapped the existing 56 only partially. In both sets of areas social housing is dominant, as in almost all urban renewal areas in the country. In these 40 selected neighbourhoods a new policy known as *wijkaanpak* ('neighbourhood approach') is being developed at the moment.

In the early to mid 1990s, the first phase of physical urban renewal in West Germany was more or less finished; it consisted of improvements to 1960s social housing. The current urban regeneration programmes are *Soziale Stadt* ('Socially integrative city'), with a socio-spatial programme with very little investment in the built environment; *Stadtumbau-Ost* ('Urban regeneration east'), a mainly physical programme; and *Stadtumbau-West* ('Urban regeneration west'), which targets both the physical environment and urban/economic integration. Despite the fact that their local target areas and policy goals partly overlap, these programmes function more separately than those in the two other countries.

The *Stadtumbau* programmes in eastern Germany principally target social housing. Depopulation there has resulted in huge vacancies, leaving the authorities little choice but to employ physical measures to reduce the housing stock and upgrade what remains. In addition, most of the former east German housing stock is *Plattenbau*, or concrete prefab housing. This has lost much of its appeal, even to the east German population, and is general only attractive if renovated to a high standard.

In west Germany, in contrast, *Stadtumbau* interventions combine both physical and socio-economic measures. This is the first time since the 1960s that the physical aspects of social housing in western Germany have been the focus of attention. It is not clear what proportion of the housing stock in *Soziale Stadt* target areas is social housing, but there are two types of target area where social housing is important. One group consists of those areas with large social housing estates in both east and west. Another consists of older inner-city areas; here it is difficult to determine the share of social housing because of the wide variety of owners, and the fact that units cease to be social housing when the subsidy period expires.

The overall number of *Soziale Stadt* target areas has increased from 161 target areas in 124 towns in 1999 to 498 target areas in 318 towns in 2007 (Difu 2007). It is expected to increase still further, even though the first set of target areas has already come out of the programme. The number of municipalities with *Stadtumbau East* projects areas increased from 197 in 2002 to 360 in 2006 (BMVBS 2006, p.20). A further increase is expected from 2009, based on new subsidy regulations and a currently ongoing evaluation of the previous funding period. *Stadtumbau West* started in 2002 in 11 pilot municipalities, which increased to 16 until 2006. Overall, from 2004 to 2007, 280 municipalities realised *Stadtumbau West* projects (Forschungsagentur Stadtumbau West, 2007). Also here, the increase is expected to continue. However, the methodology of the projects, particularly as concerns resident participation, is currently being critically discussed.

*Actors: National, regional and local governments share responsibility*

In Germany and the Netherlands, national governments lost their leading role in social housing issues. The municipalities grew in importance, while in Germany the political responsibility for social housing passed entirely to the *Länder* in 2006. However, responsibility for urban regeneration programmes in terms of budget and policy development is still shared by national government, *Länder* and municipalities. German housing associations are currently re-defining their social role, a role which goes beyond physical measures.

There is a similar debate in the Netherlands, where housing associations are among the most powerful actors in urban renewal, not least because of their large housing portfolios and strong financial position. The debate is not about whether housing associations should implement (and pay for) social policies, but to what extent they should do so (see Wassenberg's chapter in this book).

In France, the role of housing associations has grown, as has that of private partnerships, but the role of the *Agence Nationale pour la Rénovation Urbaine* (ANRU) is particularly remarkable. ANRU is a national government-funded agency that works on local physical development; it marks a shift in France from socio-economic development back to more physical investments designed to create social diversity. Formal partnerships between municipalities in which they share strategies and funds (known as *intercommunalité*) have also increased during this period, due to a specific law implemented in 2000. This law was not really directed at urban renewal but to rather at urban policy generally, and tried to address the specific French situation of having more than 36,000 municipalities. The law offered financial incentives to those municipalities that formed partnerships for urban management and projects.

*The turning point: how to deal with increasing segregation ?*

In this period to date, the 'turning point' has been a continuous process rather than a single point in time. After the ambitious attempts to develop integrative policies in the early 1990s, it gradually became clear at different speeds in the three countries that urban problems could not be solved by physical improvement alone, nor was the addition of social and economic measures enough. It was recognised that socio-spatial segregation, or the spatial concentration of deprived households in small areas, was a problem. Neither hostile housing design, nor bad housing quality, nor management deficits were sufficient to explain social problems in large housing estates (see for example van Kempen, 2002). Further policy development was influenced by EU comparative studies of deprived housing areas (e.g. URBEX: Musterd/Murie 2002; NEHOM: Droste/Knorr-Siedow 2002, RESTATE: Van Kempen et al, 2005; Wassenberg et al, 2007; De Decker et al, 2003).

The 1990s experience also led to the insight that even if both physical and social approaches were successful on the neighbourhood level, the city as a whole would still end up segregated: lower-class people would live in social housing in sober and inexpensive neighbourhoods, while the middle classes, including families with children, would have moved to suburbs with detached family houses or to neighbouring towns. The least popular areas proved to be not the old pre-war neighbourhoods with

their central location and improved housing stock, but the post-war areas dominated by standardised mass housing. Urban sociologists labelled this the doughnut city (Schoon, 2001): an expensive core in the city centre surrounded by poor neighbourhoods, with wealthy areas surrounding the city.

All over Europe, socio-spatial segregation is increasing not only in large cities but in all cities. This is most evident in areas with much social housing. In places with low-density housing and an oversupply of dwellings, like eastern Germany, the poorest concentrate in certain parts of the social stock. With social differences increasing between regions, cities in high-pressure areas face conflicting demands: they must provide attractive housing for key workers, which has to be subsidised affordable housing, and at the same time they must house immigrants, who tend to settle in the least attractive parts of the housing market, including social sector housing in postwar areas, large housing estates and old inner-city neighbourhoods.

While increasing spatial segregation has been a gradual process, in each of the countries the turn of the century saw the beginnings of a re-examination of urban planning and its leadership. There was a period of reflection after nearly two decades of public intervention to improve the built environment, the image of poor and degraded parts of cities, and the daily life of their inhabitants. That segregation continued to increase despite these local policies and brought into question the effectiveness of public action, at least in its hitherto practiced forms. In France, the political view is that demolition is an efficient way to change the image and the social composition of these areas. In Germany, by contrast, demolition undertaken through the *Stadtumbau* programmes is an instrument to solve market problems in regions where demand is shrinking. In the Netherlands demolition is used both to solve market shortcomings and to diversify the housing stock.

<b>Key urban regeneration initiatives mid-1990s onwards</b>	
<b>Netherlands</b>	
<b>1995-1999 (I)</b> <b>1999-2004 (II)</b> <b>2005-2009 (III)</b>	<i>Grote Steden Beleid I</i> (GSB-I, GSB-II and GSB-III) (Big City Policy I, II and III) Start of integrated policy in 30 major cities, based on three pillars: physical, social and economic renewal. In GSB-II reinforcement of urban policy. Coordinating city-wide programmes are subsidised rather than separate projects. GSB-III more or less continues the integrated policy.
<b>2000-2004 (I)</b> <b>2005-2009 (II)</b>	<i>Investeringsbudget Stedelijke Vernieuwing</i> (ISV-I and ISV-II) ('investment budget for urban renewal') ISV gradually develops into physical pillar of GSB, the Big City Policy.
<b>2003</b>	<i>56 wijken aanpak</i> ('56 districts approach') 56 areas within the 30 GSB cities are designated for more focus.
<b>2007</b>	<i>40 Krachtwijken</i> (40 'strong districts') Policy for 40 areas chosen using a combination of social, physical and livability indicators.
<b>Germany</b>	
<b>1996 onwards</b>	<i>Integriertes Handlungskonzept für Stadtteile mit besonderem Entwicklungsbedarf</i> (Northrhine-Westfalia, 'planning integrated action in neighbourhoods needing specific development') Addressed the urban quality of life by targeting housing and public space, poverty, educational qualifications and social integration.
<b>1999</b>	<i>IBA Emscher Park</i> (International Building Exhibition Emscher Park) New housing models, including projects aimed at enhancing social inclusion and educational qualifications.
<b>1999 onwards</b>	<i>Soziale Stadt</i> ('socially integrative city') Area-targeted programme
<b>2000 onwards</b>	<i>Stadtumbau Ost/West</i> ('Urban regeneration East/West') Area-targeted programmes.
<b>2007</b>	<i>Nationale Stadtentwicklungspolitik</i> ('national policy for urban development / local action level') Marks a new orientation for urban development, with development and collection of good practice and models for integrated urban and neighbourhood development.

<b>France</b>	
<b>1994-1998</b>	<i>Contrats de ville</i> (215) and <i>Grands Projets Urbains</i> (GPU, 15) ('city contracts' and 'large urban projects') Larger scale intervention, contractual form, integrated action. Urban projects focus on links to city centres (e.g. public transport).
<b>1996</b>	<i>Loi sur le pacte de relance</i> Created 750 Sensitive Urban Zones (ZUS) et 44 Tax-exempt Areas (ZFU). Measures to create social mix and employment .
<b>1998</b>	<i>Programme de renouvellement urbain: contrats de ville, Grands Projets de Ville</i> (GPV), and <i>Opérations de Renouvellement Urbain</i> (ORU) ('Urban renewal programme': 'City contracts', 'big city projects' and 'urban renewal operations') There are 250 city contracts, 50 GPV and 70 ORU. Measures included demolition and construction of new houses and urban spaces, but the programmes also followed an integrative approach with social measures and resident participation.
<b>2000</b>	<i>Loi "solidarité et renouvellement urbain"</i> ('solidarity and urban renewal law') Article 55 obliges municipalities in which social housing makes up less than 20 per cent of the stock to build new social housing until the 20 per cent level is reached. Penalties for those who do not are strengthened.
<b>2003-2013</b>	<i>Loi d'orientation et de programmation sur la ville et la renovation urbaine</i> ('urban renewal programme') Sets out measures including demolition, rehabilitation, and construction of new social housing units (urban action focuses on housing).
<b>2006-2012</b>	<i>Contrats Urbains de Cohesion Sociale</i> (CUCS) ('urban and social cohesion contracts') 500 contracts are agreed in Sensitive Urban Zones. They target improvements in socio-economic variables (school results, access to jobs, health, anti-discrimination measures).

### Current trends and debates in urban regeneration policies

Experts in all three countries agree that increasing segregation and social exclusion are a 'public issue' (Musterd & De Winter, 1998, Droste & Knorr-Siedow 2006). The historic overview shows that urban regeneration has over time, and most recently around the turn of the century, changed from a technical discipline to a complex

process, integrating more aspects and involving more actors. More activities are carried out on different scales, and more strategies and methods are used. Several authors identify different features of the resulting changes in governance, contents and organisation of policies (Droste/Knorr-Siedow 2008; Murie et al. 2003, Musterd et al. 2006, Van Kempen et al. 2005, Wassenberg et al. 2007). There are many commonalities across the three countries in their diagnosis of urban problems, in policy goals and often in methodology. The following three dimensions are particularly relevant:

- The *territorial* (area-based) approach, targeting disadvantaged areas is based on the idea of negative neighbourhood effects, and aims to 'reach large groups of people who are unemployed, or have other socio-economic problems, through the designation of target areas for concentrated allocation of resource' (Musterd & De Winter, 1998).

- *The global or integrated approach*, combines physical with social, cultural and economic targets, and requires a shift from sectoral to cross-departmental work. In each of the countries there has been one or more swings in the focus of urban regeneration among three objectives: socio-economic, socio-cultural or physical-economic (Verhage 2005). These have occurred at different times depending on local political priorities.

- *The shift from government to governance*. The increasing trend towards public-private and other partnerships, cooperation of different actors, local contracts and the inclusion of citizens in decision-making processes means that participants must be given the opportunity to learn through governance and capacity-building exercises. Strong elements of governance are found when power is devolved to the level where problems actually occur, when new forms of service-oriented local or on-site agencies replace old bureaucracies, and when outdated laws are replaced by action-oriented ones or more process-oriented legal frameworks for action (cf. Droste/Knorr-Siedow 2005).

Despite the many similarities across the three countries, each has adopted its own approach to solving local problems. These are described below.

## France

*Territorial issues: how to deal with residential mobility?*

Successive evaluations of urban policy have identified two main questions. The first is the issue of territorial scale. Even if social, urban and economic problems are concentrated in specific zones, the processes that create them occur at a larger level. At

the end of the eighties, it was seen that local and neighbourhood action was needed to improve local management and life conditions, and that this was the right level for citizen participation. However, such neighbourhood policies failed to reduce segregation or provide jobs for people. Even worse, taking action in particular neighbourhoods could lead to new concentrations of poor and unemployed people and problems elsewhere—for example, in the case of residentialization<sup>2</sup> (where drug traffic was displaced after enclosure), or possibly when residents were relocated following demolitions. This insight led, at the end of the 1980s, to larger geographical contracts and the adoption of policies at the level of cities or groups of cities, as well as to national laws to try to counteract segregation processes: the 1991 city orientation law and the solidarity and urban renewal law of 2000, which tried to ensure that social housing made up at least 20% of the housing stock in all municipalities.

The second issue is whether the identification of ZUS (neighbourhoods selected for urban renewal) led, perversely, to stigmatisation of these areas and the people who lived in them (Tissot, 2007). At the end of the 1990s, the zonal policies of 1996 were criticised. It was proposed that policies singling out particular areas should be stopped, and that regional and sectoral policies on transportation, housing and economic development be better linked to urban regeneration policy.

The government chose a middle path. A small number of zones was selected, and a balance was struck between intermediate-level development strategies (with participation of both municipalities and regions) and self-contained neighbourhood-level interventions for the residents. But although the number of zones has fallen, they have been kept as an element of the renewal programme and of the social cohesion contracts. This has allowed the national government to continue to support certain programmes (which tend to be small and inexpensive) and allows municipalities to get some subsidies from the State to manage these neighbourhoods.

So the debate about whether territorial policy should be employed to combat neighbourhood effects is still alive. Should we treat the space or the people? Would it be more efficient to promote social mobility (Donzelot, 2006/ Maurin, 2004)? In any case, area-based policy must recognise residential mobility. It is commonly believed that residents in these areas are stable, but in the period between 1990 and 1999, 60% of residents had moved, and about 40% had moved out of the ZUS. Territorial indicators of segregation are therefore insufficient to evaluate the impact of these policies in terms of improving people's life conditions and trajectories (Lelévrier, 2006).

*The end of the integrated approach?*

France implemented the integrated approach at the beginning of the 1980s, announcing that global action would be a new and basic principle underlying urban regeneration policy. But recently this focus has weakened. There have been significant changes in urban policy at national and local levels (described above), and physical urban renewal has again become a focus not only for social housing, but also for the future of cities. There are high hopes both for its effects and for value for money. The biggest change is that social and physical action have recently been separated at both national and local level. After twenty years of integrated policy, responsibility for socio-economic and physical intervention was split in 2006. The two types of intervention are now managed by two different national agencies (the renovation agency and the social cohesion agency), using two different contracts. Even though physical interventions may be motivated by socio-economic problems (Verhage, 2005), the shift from socio-economic to physical renewal is now much stronger and is evident in the organisation of the work and networks around it.

The new physical programme is still in its infancy, so it is too early to consider its social and urban effects. But looking at the first results (that is, demolitions) does raise some questions. The new orientation follows 25 years of urban and social development policies, which are now seen to have largely failed to improve the situation. The aim of these policies was increasingly to reduce social differences between the sensitive urban zones and surrounding areas. But despite years of intervention, the concentration of poor people and social problems increased in these zones. Does that demonstrate that socially orientated urban regeneration failed? That is questionable and needs to take into account at least residential mobility and the wider socio-economic context. These area-based programmes have their limits.

The focus on physical change is also related to goal of social mix. Rather than attracting the middle class, which was the goal in the 1980s, urban renewal policies are now expected to keep workers in the area by offering them better-quality housing.

The main issue for the future will be the social changes in these social-housing neighbourhoods. The first results of relocations after demolition show that families want to stay in their neighbourhoods and that those who do leave are the most 'socially advantaged'—a paradox of renewal (Lelévrier, 2007). But the long-term effects will depend on local market dynamics and the regional position of the large social housing estates concerned. The result could be gentrification, an increase in poverty and social polarisation, as well as a sort of residential and social fragmentation of the large

housing estates into different residential areas created by the process of rehabilitation, residentialisation and demolition/rebuilding. This creates a type of social mix at city level, but with micro-segregation inside neighbourhoods. The question of social mix is then no longer a residential issue, but one of public spaces. If urban renewal leads to the creation of dwellings where households of different social types live, then the challenge is to create spaces where these inhabitants could meet together.

*From contractual management to a more centralised and “distant governance”*

City contracts, with their emphasis on partnership and participation, can be seen to represent a new model of policy governance. Until 2003, the pattern was that the national government set general guidelines, central or regional governments agreed contracts with municipalities giving them a local framework for action, and projects were implemented by local management teams under the direction of the mayor. By 1996 this way of working had evolved so that rather than enter into contracts, central government defined the actions it desired and imposed them on subordinate levels.

But in 2003, the renovation programme introduced a bigger change in methods of public action and the relationship between central and local governments. The urban renovation programme is now managed by a national agency, the Urban Renovation National Agency (Agence Nationale de Rénovation Urbaine, ANRU), at the central level. Mayors present projects, but the agency decides whether they fit with the national rules and framework. Even if the ANRU uses the mayor as 'project manager', this model is more a form of 'distant governance', far from local areas (Epstein, 2006) than a 'renewal of urban renewal' (Verhage, 2005). Now social housing associations must integrate demolition and rebuilding into municipal projects, rather than asking for ANRU subsidies on their own (as was the case under the old rehabilitation programmes). Nevertheless, the expensive rebuilding programme gives social housing associations more involvement in urban renewal, as financial and technical partners. They also use urban renewal as a way to advance their own 'patrimonial strategies': to improve their buildings, get rid of parts of their stock, build more attractive dwellings, and change the image of their housing stock. The other change is that the participation of the private sector is much greater than in the older programmes: private housing companies known as La Foncière logement are a tool used to build private rental housing for workers.

So, in France, urban renewal has increasingly become reduced to physical interventions in the service of social mix. The aim of social mix accords with the idea of a social housing sector open to all workers and not only the poorest. But the renovation

process responds to the current main challenges: to keep part of the stock affordable for low-income people and adaptable to large families' needs, and to avoid segmentation processes in social housing itself. There is a lack of strategic housing policy and management at the regional level.

### The Netherlands

*Territorial issues: the neighbourhood as target, the city as the strategic level*

In the Netherlands, as in most European countries, there has been a long history of area-based policies, as described above. A recent aim of such policies is to increase the possibilities for resident to improve their lives in a range of areas, from housing situation to facilities and jobs. The various policies have somewhat different aims, but some similarities can be distinguished.

The most recent territorial approach is based on the 40 problematic areas (*wijken*) selected by Ella Vogelaar, the Minister for Housing, Communities and Integration. These are located in 18 cities, mostly the biggest, with Rotterdam top of the list. The official name for these areas is *Krachtwijken* ('strong districts'), which is felt to be a non-stigmatising term, but unofficially they are known as *Vogelaarwijken*. The 40 areas were selected objectively on the basis of 18 neighbourhood-level criteria; the process was based on the methodology for the indices of deprivation used in England. There have been debates from the start: why employ these particular criteria? why use the administratively-based but rather rough zip codes? why choose 40? why select another set of areas? what about other cities and other areas?

More recently there has been a debate about the position of these neighbourhoods in a wider spatial context. Any neighbourhood-level intervention may have consequences for nearby areas as well as for the city, or even the region, as a whole. Demolition of low-cost housing on a large scale causes migration to other neighbourhoods, creating instability in those formerly stable areas. Anti-drugs programmes in one neighbourhood lead to junkies and trouble in another. Any successful area approach will lead to these so-called 'waterbed effects'; the challenge is to solve as many problems on the spot as possible. The conclusions of a recent survey looking at negative waterbed effects (Slob et al, 2008) are illustrative. After looking at six areas, the researchers concluded that the target areas themselves had improved, as had the housing situations of those rehoused. However, the receiving areas, which were often adjacent to the renewal areas, experienced the arrival of the newly removed households as a signal that their area was deteriorating. The researchers

suggested that more attention be paid to those areas adjacent to renewal areas and the effects they experienced.

The solutions to some problems can only be found at city or even regional level. Neighbourhood unemployment problems cannot be solved by creating jobs within the area's boundaries, because most people do not work locally but travel to work outside their neighbourhood. Marlet & Van Woerkom (2008) calculated that only 1% of all jobs created in an area go to local unemployed people. Stimulating the economy and creating jobs will reduce unemployment in general, but will not help all those who are unemployed. Some need to be led into employment, literally brought into a job, with all the effort that entails.

Provision of social housing is also a regional question. All major urban renewal schemes have focused on areas where most of the housing is social housing. Most schemes will result in areas with better but more expensive housing, often owner-occupied housing that is unaffordable for those on the lowest incomes. One solution is to provide affordable housing in suburbs or surrounding municipalities, creating a social mix there as well, and to make it easy for residents to move. This sort of accessibility differs by region in the Netherlands.

*An integrated approach with three permanent pillars*

The historical overview shows that there has been a gradual increase in the number of issues that urban renewal deals with. At the moment the emphasis is more on socio-economic than physical issues, although the latter are not ignored entirely. In the 40 'strong districts' mentioned above, there are five themes in the urban renewal programmes:

- Living (housing and the local environment)
- Working (in a regular job or training)
- Learning (schooling, minimum job qualifications, language programmes)
- Integration (social mix of people from different ethnic groups, ages and incomes)
- Safety (crime, drugs, nuisances, safe spots).

These issues are specific manifestations of the three general pillars of urban policy: physical, social and economic. The overall policy framework is the 'Large City Policy' (*Grote Steden Beleid*), which was introduced in 1994. The current programmes are part of the policy's third tranche, lasting from 2005-2009. There is a debate about

whether and how to continue this urban policy from 2010 onwards: urban professionals are committed to its continuation (with some amendments), but will have to secure funding from parliament.

The issue of social mix deserves discussion. There is more or less general agreement that large concentrations of problems of deprivation are unacceptable. Moreover, there has been a general tendency for increasing polarisation within society, including between and within cities. Taking into account the waterbed effects, it is preferable to solve problems on the spot. Urban restructuring programmes involve changing and diversifying the housing stock in order to upgrade the neighbourhood, to promote social mix and to attract middle-class incomes to an area. It is remarkable that some ten years ago, local policy documents talked about 'attracting middle classes', while more recently the focus is on 'keeping the people within the area who want to move up the ladder'—the 'social climbers'.

In some areas hardly any dwellings are demolished or refurbished to such an extent that residents must move, while in other areas whole blocks or streets are. Such radical plans are made in consultation with residents, who sometimes support the plans and sometimes do not. Any restructuring of this kind includes a social plan: residents' removal costs are paid, and they have first choice of other housing in the area or in the region. They are often guaranteed the right to return after the neighborhood is finished, but in practice most stay in their new situation. Of course, compared to most other countries the Netherlands has a large amount of social housing—35% of all dwellings are owned by housing associations—and therefore even in tight housing markets, other affordable dwellings will come on the market.

#### *The debate about the role for housing associations*

Dutch national urban policy is implemented through contracts between central government and municipalities. These contracts contain targets for measurable improvements. This is the case for both the overall Large City Policy as well as locally for the 40 districts. However, implementation of urban renewal takes place at local level, and here the most important actors are the municipalities, the housing associations and residents.

For the last decade, local government and housing associations have debated the question of who should initiate and control urban renewal programmes. In fact, housing associations, as the largest property owners, increasingly dominate the process. The question is not whether the government should pay for better housing schemes,

but whether housing associations should pay (more) for urban renewal, and pay for liveability and social issues as well. The questions also concern whether housing associations should play a lead role in urban renewal projects, invest and take risks, and pay for public sector investments. If housing association money is to be used, should they pay it themselves (with financially strong housing associations supporting their weaker colleagues) or should the State cream the top off their financial reserves? Tax measures have made the latter option possible; after a long public debate, in early 2008 the central government decided to tax the profits of housing associations - although formally they are not even allowed to make profits. Despite the controversies about finances it is clear that the role of housing associations in urban renewal is increasing, and that they are involved not only in physical improvements but also in dealing with neighbourhood social issues.

#### **Germany**

In the context of a shrinking social housing stock, public and research debate centres on the impacts of the privatisation (and thus internationalisation) of large parts of this stock and its effects on the future supply of affordable housing, long-term housing policies and urban and neighbourhood development. The trend is to keep a considerable part of the stock in municipal ownership, both to protect social supply and as a way of advancing urban and housing policy (cf. Knorr-Siedow in this book). In some of the *Länder* there is discussion of implementing a legal right to decent housing.

#### *Territorial issues in the context of federal states and a shrinking social housing sector*

The short verdict on the territorial approach might be 'a successful model in need of further development'. As described above, the number of target areas for the integrative Soziale Stadt programme is constantly increasing. Berlin in particular has developed a more differentiated system for designating target areas and related local partnerships, and is currently developing a strategic framework to enhance the process quality (*Rahmenstrategie Soziale Stadt*, implemented through new cross-sectional pilot projects amongst others). The projects of both *Stadtumbau* programmes are also area-based. Due to demographic and market developments in regions that are losing population, the Federal Ministry for Transport, Building and Urban Affairs just announced their continuation from 2009. Regardless of the criticisms of the methodology and efficiency of the so-called learning programmes, the territorial approach has proved successful at the local level. However, segregation processes have continued despite these integrated approaches, and there is increasing discussion of the need to develop parallel strategies, addressing internal neighbourhood development on the one



hand but embedded in city-wide strategies on the other. This is a concern in both *Soziale Stadt* and *Stadtumbau* areas. In the latter in particular there is a need for better integration of physical intervention and activities aimed at enhancing social cohesion.

Another important aspect of the territorial perspective is that Berlin and other *Länder* with an oversupply of housing are no longer receiving subsidies for construction of social housing. Social housing providers are thus losing importance as actors in urban regeneration. However in practice the municipal housing associations as well as private owners with current (not former) social housing in their portfolios are increasingly active in renewing and re-organising their stock and in engaging with social problems.

Other *Länder* such as North-Rhine Westphalia, Hamburg and Bavaria do still have active policies for building social housing. These are based on different instruments. NRW and Hamburg employ direct subsidies (and Hamburg practices a specific allocation strategy aimed at increasing social mix). Bavaria has the Socially Equal Land-use Programme (*Sozial gerechte Bodennutzung*), which aims to reduce the shortage of social housing in Bavaria, targeting both home-ownership and the building of rental housing and cooperative housing. The key element is that building permits (or the extension of existing permissions) are conditional on the use of up to two-thirds of the increase in land value for provision of infrastructure and enhancing sustainability. In the *Länder* which are still building social housing, the relation between such housing and urban regeneration may in future be stronger than in those who are using the *Soziale Stadt* and *Stadtumbau East* and *West* programmes to address this stock.

The city of Munich has implemented the four-pillar Munich Model (*München Modell*), which aims to achieve a mix of subsidised and privately financed house building for middle- and low-income groups in all locations of the city and even within single development projects. The four pillars are

- the principle of socially equal land use;
- the München-Modell Miete ('Munich model for rental housing') enabling young families in particular to live in affordable and attractive tenement flats, through the provision of reduced-price (public) plots and loans to private and public investors;
- the München-Modell Eigentum ('Munich model for ownership'), attracting middle-income families especially to buy good-value properties in the inner city;
- the reduction of real-estate prices — the municipality sells plots for a fixed price (far below the market level) that depends not on location but on buyer's income.

Prominent examples of Munich's housing policy include the Munich-Riem housing project on the former airport area, whose units are differentiated in terms of quality, lifestyles and affordability; the 'New West End' area in the inner city; and a large housing development built by a railway-related developer in the vicinity of the main train station.

#### *Integrated action and the ageing society*

The privatisation of social housing inevitably influences the aims of urban regeneration in Germany, which are the avoidance (or at least reduction) of gentrification and its poverty-migration effects, support for socially mixed urban neighbourhoods, and improvement of the (increasingly inner-city) urban quality of life for a multicultural, segregated and ageing society. Especially in areas where the density of social housing is high because of the housing typology, but also in areas with predominantly older buildings, the integrated approach of the *Soziale Stadt* is clearly necessary. The key issues to be integrated in local policies are education, the inclusion of the poor/unemployed in the primary and secondary labour markets, the provision of decent affordable housing, and increasingly ethnic integration, health care and the effects of demographic change.

In this context, the roles of the various actors and the methods used are now being re-examined – not least within the housing sector itself. The key issues are participation and residential mix in public housing areas, and the so-called 'social yield' (*Sozialrendite*) of public housing associations (which is required by the municipalities, municipalities and considered by the housing associations to be an asset and resource). Public housing associations, because of the size of their stock and the social problems concentrated there, received (and in some regions continue to receive) more in urban renewal subsidies than smaller private owners; they were also more active in organising social activities and measures to improve the socio-spatial environment. The 'social yield' of these activities has gained considerable importance during the last years. There is a turn towards more family-oriented and generation-spanning housing quality and services, focusing especially on the socio-spatial and housing requirements for the reconciliation of family life and professional work. The actual demand for housing adapted for elderly people's needs cannot yet be determined, but this is the subject of ministerial research starting in late 2008; we can assume that social housing will play an important role.

*Governance: partnership in action and knowledge*

German housing, urban and social policies have during the last decade been evolving slowly towards a governance model, with a public debate between state actors, the urban and social professions and housing providers—and researchers as consultants. The urban and housing experiments initiated by the ExWoSt programmes are still playing an important role; the lessons learned are now reaching the wider community. The ‘National Urban Development’ programme (*Nationale Stadtentwicklung*), implemented in 2007 and based on the Leipzig Charter on Sustainable European Cities, tries to foster governance-oriented, cross-departmental partnerships in order to achieve socially coherent development at the urban and the neighbourhood level. The goal with such structures is to promote joint learning and knowledge management of both successful and failed practice (awareness of the need for this is slowly developing). Funds were available to finance this process, which sustained it for a long time. But now that the federal state governments have entrusted the Länder with responsibility for housing policy and the municipalities face financial difficulties in co-financing urban regeneration programmes, money and other resources (personnel, social capital) are becoming scarce, especially at local level. Persuasion based on shared knowledge, rather than top-down regulation, seems to motivate changes in local practice in Germany. Compared to more centralised states such as France and the Netherlands, however, Germany has sometimes been astonishingly slow in disseminating good practice. Meaningful, sustainable change only happens when all three levels of government/governance agree on what sort of change should happen and build it into institutional arrangements, which then must be accepted by public and private housing markets and other relevant actors.

As German public and (to a certain extent) private housing associations become increasingly aware of their changing role and the benefit of the so-called ‘social yield’, they may in future be more open to attitudes towards partnership in local urban governance processes. The privatisation of social housing thus may have a detrimental effect on governance structures and integrated approaches to urban regeneration, alongside its other negative effects (c.f. Knorr-Siedow in this book). Neighbourhood managers have complained increasingly about the often-difficult negotiations with foreign investors; long negotiations, particularly with owners of a small amount of housing stock, can affect schedules (and budgets) of Stadtumbau measures considerably (Holstein, 2007). On the other hand, a recent study of the transformation of housing markets where there was sufficient supply or oversupply found that new investors would be just as dependent on efficient allocation/social management strategies, local

market and rent-price development and quality management as former public owners (Hallenberg, 2008). In order to achieve the highest returns possible, they tend to house more ‘difficult’ households than other owners, regardless of the social problems this might occasion. Thus even this market segment will sooner or later need access to integrated local strategies.

**Conclusion and outlook for the future**

Urban renewal policy aims to create better neighborhoods in strong and vital cities, and can be regarded as part of the broader policy for cities and housing (in France and the Netherlands particularly ‘social housing’). But in fact it is the absence of over-all housing debate that determines current urban renewal policy. Other chapters elaborate more on this, but the lack of such a debate – there is a kind of political moratorium on discussions of both rental allowances and mortgage-interest deductions – has major consequences for urban renewal at present. There is increasing imbalance and tension in the housing market: prices are high in the commercial sector (owner-occupied and private rented housing), while social rented housing is inexpensive. This makes it very difficult to enter the market: waiting lists for social housing are long and property prices are high. As a result, there is little movement in the housing market. Urban renewal that involves refurbishment schemes or demolitions has slowed down, despite the intensive social plans for inhabitants. Rehousing schemes are delayed by the lack of available housing. These delays bring urban renewal itself into disrepute and raise questions about whether it is better to continue with intensive neighbourhood-upgrading schemes or leave the neighbourhoods as they are.

In the three countries discussed in this chapter there is a consensus that problems are concentrated in certain ‘hot spots’. There is less agreement about whether urban renewal policies should be area-based or focus on supporting residents, and recently priorities have been changing. German policies in the eastern part of the country differ from those in the west. Due to the differing urban and social contexts and the differing tensions in the housing markets, the eastern Länder carry out far more physical measures than the western Länder. In France a more physical approach is becoming increasingly popular, while in the Netherlands the movement is away from the physical and towards more social and economic measures (see Wassenberg & Verhage, 2006). The countries also differ in the compositions of partnerships (even though public actors retain their central and crucial role in urban renewal [Verhage, 2005]), in the relations between central and local governments, in the form of citizen participation and in the aims of urban renewal. In Germany the focus is on integra-

tion of the individual, in France on improving social mix as a condition for social cohesion, and in the Netherlands the goal falls somewhere between these two.

Finally, we focus on the key issues in the debate: the relevance of the territorial and integrative approaches and the role of governance in steering these processes – in particular the process of relocation.

#### *The territorial approach*

The spatial scale of public action is an issue in all three countries. The area approach is a way to focus several activities and connects policymaking more directly with implementation. The neighbourhood seems the natural, logical scale at which to assemble the actors in the urban renewal process, both those within the area (residents and other users) and those with wider responsibilities (municipality, police, social care, housing associations, etc.). Area-based approaches can be successful when judged on results within the area itself: many problems are solved, the environment looks better, property prices increase and residents are happier in their improved houses and improved environment – at least immediately after the interventions (Wassenberg et al, 2007). These effects depend, of course, on local market dynamics and the intensity of social problems. However, evaluations have shown that area-based approaches often produce negative side effects: not all problems can or will be solved on the spot. Problems are often transferred to adjacent areas. These may originally have enjoyed somewhat more favourable conditions than the target neighbourhood but then get pushed into a downwards spiral of socio-structural development. Any area-based approach thus should take account of side effects on nearby areas. It may be useful to incorporate plans for 'fringe areas', or at least communicate actively with adjacent areas and their planning and housing actors. The smaller the renewal area and the more intensive the renewal activities, the larger these so-called 'waterbed effects': pushing down problems in one spot increases them elsewhere. Where side effects are large, comprehensive spatially extended policies are needed. These should explicitly include social housing actors.

#### *Integrated approaches*

In summary, then, integrated urban regeneration policies differ in France, the Netherlands and Germany. In Germany, social renewal and urban renewal tended in practice to be more separate than in the Netherlands and France, although lately they are increasingly separate in the latter these countries as well. Integrated approaches raise different debates in the three countries and are linked to different extents to ter-

ritorial approaches and/or physical action. They have developed a strong dynamic and, to various degrees and at different speeds, are starting to change the thinking and acting of administrators, policymakers and housing actors. Social housing providers in particular are becoming more concerned about their role in this process and thinking about how they can best act and carry out their responsibilities. These integrated practices have led to new ways of territorial management in social housing associations. Housing associations increasingly split work between back offices and fairly independent local front offices, which handle all kinds of neighbourhood issues. In France, social housing associations share the territorial management with the municipalities and the inhabitants to try to clarify the responsibility of each party and attain a higher level of property maintenance.

#### *Governance*

The role of the actors in urban regeneration has changed considerably in the three countries over the last decades. National governments have lost influence, but this has not necessarily led to a governance model, even though the results of European comparative urban research indicate that this is crucial to successful implementation of integrative policies. Given the limited success of even integrated policies in combating segregation in urban areas in general and in social housing in particular, the effectiveness and management of integrated approaches are still a matter for research and political debate.

Furthermore, there are a number of open questions about urban regeneration processes. France and the Netherlands face the problem of rehousing residents during publicly funded demolition and rebuilding programmes. Rehousing can be difficult in areas with tight housing markets, and may lead to delays in urban regeneration schemes. In Germany, rehousing is a problem only in those areas that are shrinking severely. In such areas people are often forced to move several times, which requires them to re-form their social networks and links to social infrastructure. In each of the countries deprived populations often re-concentrate because of gentrification, or sometimes even because of successful integrated projects in neighbouring areas.

The debate about the ageing population is most lively in Germany. What do the elderly require, physically and socially, at the level of the city, the neighbourhood, the dwelling? In the Netherlands as in France, the main issue is the relation between the social and the physical approaches. Physical renewal upgrades the area, but offers no guarantee that residents' daily life will improve. The second issue is the paradoxical relationship between territorial action and residential mobility. Socio-economic

measures improve residents' personal situations, but if these people move out of the area it stays deprived. The challenge is to use the governance model to find the right balance between the two approaches, given the particular context of each area.

### Will evaluation results be shared across Europe?

The issues of social housing, urban regeneration and segregation are linked, particularly in France and the Netherlands; they also reflect ongoing worldwide processes. The hope that urban segregation could be solved by urban regeneration policies belongs to the 20th century. Now the question is how to limit this process at the levels of the city, the neighbourhood and the social-housing stock. It is more or less generally agreed that concentrations of deprived people have a negative effect on quality of life. But analysis of the policies described here shows that there is significant resistance to the development of social mix in currently deprived neighbourhoods. We can discuss the limits of existing urban regeneration policies, but we should also think about future developments. What is the right balance between physically and socially oriented approaches, how can this be linked to a city-wide strategy to limit segregation, and which actors should be involved?

Despite different points of departure and political frameworks, developments in the three countries show similar trends over the past decade. Problems are addressed by neighbourhood or area; physical and social measures are increasingly combined, and top-down government steering is being replaced by cooperation of several partners. It is important that experiences and results from these and other, countries are shared and that national policies and situations are analysed and compared. Often such comparisons take the form of field trips or conference presentations—but they need to go further. Experiences and results need to be analysed more thoroughly so that general trends can be identified among the local particularities. This makes it easier to learn from each other. It remains to be seen how the three countries (and other European nations) will share the evaluations of their recent and upcoming territorial urban regeneration policies, particularly in the context of EU funds for urban regeneration.

### Endnotes

<sup>1</sup>Unless otherwise stated, the sources for all statistics are the most recent releases from national statistical offices.

<sup>2</sup> In France, *résidentialisation* is the process of changing social housing into more private and secure residences. The social housing estates are split into little housing units, which are enclosed so that the limits between private and public space are clearer. The goal is to create better conditions for management and to improve the image of the areas.

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## 12. Key players in urban renewal in the Netherlands

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The social housing sector in the Netherlands is the largest in Europe. Social housing dominates in many urban neighbourhoods, and contemporary urban renewal in the Netherlands focuses on areas where housing associations own the majority of the stock. At the same time, urban renewal means more than just renewal of housing; rather, it is characterised by an integrated approach. Unlike in other European countries, or in previous years, housing associations have an important, even leading, role in urban renewal and this role is expected to grow. This chapter describes the tasks of the major players in urban renewal in the Netherlands, particularly housing associations.

#### *Social housing as the basis of urban policy*

Nowhere else in Europe does social housing dominate the housing market as it does in the Netherlands. Over one-third of all households rent a social-sector dwelling. There are 2.4 million social rented dwellings, that has been stable over the last decade. The social rented housing stock in the Netherlands is one of the largest in Europe, exceeded only by those of France and the UK. Almost all social housing is owned by housing associations. As owners of 35 per cent of all dwellings, and 75 per cent of all rented housing, they are important players in the local housing arena, including urban renewal. Moreover, housing associations are more independent in the Netherlands than in most other European countries. (For the position of Dutch social housing see Elsinga & Wassenberg, 2007.) Social housing has been and still is more of a driver of urban renewal and other urban issues in the Netherlands than elsewhere. Before turning to the roles of individual players in urban renewal, we consider Dutch housing policy as the basis of urban policy in general.

#### *General characteristics of Dutch urban policy*

What makes Dutch housing and urban planning special? There are three factors.

Firstly, unsurprisingly, is the country's high population density, which, at 456 inhabitants per sq km, is the highest in Europe. Population growth has been strong -15 per

cent in the last 25 years -, and this growth rate is expected to continue for the next 25 years. Coping with this population increase is a major issue for housing policy. Housing has been the central concern for urban planning for the last 60 years. The housing shortage was consistently one of the top five political issues on the national agenda during the post-war decades, and only lost importance in the 1980s.

Scarcity defined urban policy, and still does. The Netherlands is a small country, and tight planning restrictions ensure continued scarcity. Market forces in other nations dictate that more houses are built in times of scarcity and rising prices, but in the Netherlands planning restrictions prevent the construction of large numbers of dwellings. The most recent edition of the IMF World Economic Outlook illustrates this (2008, p.113). Following the housing crisis in the USA, the IMF calculated the 'house price gap' in a range of countries. This gap is defined as that part of house price increase that cannot be explained by 'fundamental' variables such as interest rates, income growth, credit growth and demographic trends. The Dutch house price gap is second only to that of Ireland, and Dutch professionals attribute this to restrictive planning policy and a generous but inflexible system of mortgage interest deductions.

The second special feature of the Dutch housing system is its characteristic housing stock. Despite the country's dense population, single-family houses dominate, even in medium-sized cities. Only in cities like Amsterdam and Rotterdam does multi-family housing make up a large proportion of the housing stock. Overall, 70 per cent of houses are single-family dwellings, most in rows with a small front and back garden. Almost half of all social rented dwellings are single-family units. The row house has been called the evergreen of Dutch housing, having been built over decades, in all price classes. These houses are popular with generations of new households.

Moreover, the housing stock is remarkably young with 80 per cent of all dwellings built since the second world war - a much higher percentage than in surrounding countries. The years of greatest housing production were in the 1960s and production peaked in the early 1970s at over 150,000 dwellings per year - double the current rate of production. A large proportion of these dwellings were in multi-family complexes now owned by housing associations. Contemporary urban renewal policies focus on areas with high concentrations of 1950s and 1960s social housing.

The final special feature of Dutch urban planning is its grounding in the consensus society. Decisions usually involve many players. What Healey called collaboration in planning is one of the foundations of Dutch society (Healey, 1997; Hall & Rowlands, 2005). What is known as the 'polder model' gained worldwide recognition in the late

1990s; this term refers to the fact that consensus is needed to make a polder. A polder is a low lying piece of land, that is flooded by high water. A dike is created around it for protection. All land owners had to cooperate to make the polder complete. The contemporary consensus society is both a strong and a weak feature: decision making usually takes a long time, but otherwise there is always public support by coalition partners - nevertheless long processes often create time for plenty of opposition. This insistence on consensus is both a strength and a weakness of Dutch society; decision-making usually takes a long time, but on the other hand the partners involved always support the decision publicly.

In summary, Dutch urban planning has been driven by housing issues for decades. Population growth and planning restrictions have kept housing shortages on the political agenda, and single-family houses dominate the country's housing stock in all price classes. Housing associations own most of the stock in urban renewal areas, and both urban renewal and planning questions are decided on a consensual basis.

#### *Sixty years of urban renewal policy*

There have been several major periods in urban renewal policy. In the years immediately after the second world war, urban renewal meant repairing war damage as almost one fifth of all dwellings were destroyed or badly damaged during the conflict.

This period was followed by a period of urban renewal in the form of city expansion, urban reconstruction, slum clearance, traffic schemes and high-rise construction. Social housing was provided in newly built neighbourhoods. As in many other countries, local governments developed major schemes to build large motorways into and through old neighbourhoods, right into the heart of the city. In many cities the results of these urban reconstruction schemes are still evident in the high-rise blocks and car parks in the middle of towns and unfinished motorways leading into city centres.

However, these developments stopped rather suddenly in the early 1970s. The focus of urban renewal policy moved from large-scale programmes to small-scale renewal of urban neighbourhoods. Rather than being driven by planning issues, urban renewal was now led by social housing. The focus changed to renovation of old houses in old neighbourhoods or, where that was not possible, the redevelopment of existing sites. The target groups were existing residents, so up to 100 per cent of the existing low cost social housing was rebuilt. Sometimes the municipality bought old private rented housing, improved or replaced it, and offered it as social housing. The role of

residents was important and their participation was considered essential but the role of housing associations was limited.

During the 1980s, greater attention was given to environmental issues including pollution, vandalism and safety. The theme of urban renewal broadened from just housing to encompass the overall living environment. However, both the dwelling and the environmental strategies were mainly physical in nature. Around 1990, more social measures came on to the agenda. The social renewal policy aimed to include deprived people and to improve social relations between different groups.

During the 1990s, the idea took hold that neither physical improvements alone, nor social or socio-economic measures alone, were enough. Even when both physical and social approaches were successful, cities ended up with lower-class working people in improved but sober and inexpensive neighbourhoods, while the middle classes, including families with children, had gone, some would say 'fled', to suburbs or neighbouring towns. The least popular areas were not the old pre-war neighbourhoods, with their central location and improved housing stock, but the post-war areas, dominated by standardised mass housing. This characteristic pattern was described as a 'doughnut city' - an expensive core in the city centre, surrounded by poor neighbourhoods, with wealthy areas outside. Moreover this led to a labour-market mismatch - the middle class commuted each day from the suburbs into the cities, while the people who lived in the city had no jobs, as the low-skilled jobs near the city core had disappeared. The emphasis changed to the creation of a complete city with middle-class inhabitants and job opportunities. Urban renewal gradually became an integrated policy that encompassed physical, social, and economic goals and strategies. This trend can be seen in most European countries (Wassenberg et al, 2007).

In summary, Van der Pennen (2006) has identified three major changes in the 60 years of Dutch urban renewal since the second world war:

- from a physical approach to an integrated approach
- from central to local-government policymaking
- from government to governance

#### *Contemporary urban renewal*

The goals of contemporary Dutch urban renewal policy are differentiation, social mix and housing mix. Integrated policy is a key term, meaning that physical, social and economic issues are considered, as well as issues of integration and safety.

Contemporary urban renewal is not only aimed at achieving better housing, healthier environments and stronger cities, but also on improving the position of individuals. Urban renewal should lead to social improvements for residents, according to one influential report (VROM-raad, 2006; van der Pennen, 2006), particularly in the field of education, work, leisure and housing. Area-based approaches are used to identify households in trouble. The approach of contemporary urban renewal is to locate the deprived households and to improve not only their physical housing and living situations, but also to attack individual social problems, which is known as 'looking behind the front door' (Vogelaar, 2008). And the particular problems of individual residents should be addressed in a combined, integrated, individual approach, which requires the cooperation of all relevant players.

Contemporary urban renewal policy involves many local players, from the municipality to police officers, from inhabitants to social workers and from shopkeepers to housing associations. Urban renewal is no longer just a government issue or even a municipality issue, but an issue for everyone. This is the oft-mentioned change from 'government' to 'governance'. Integrated policy requires the active participation of all relevant stakeholders whenever necessary. This makes urban renewal a complicated process. I will focus on the three most important stakeholders: the state, local government and the housing associations. They are the most important policy makers, and together with residents are the most important players.

#### *The state's role in urban renewal*

During the first three decades after the second world war, the state ordered, planned, controlled and paid for urban policies, including urban renewal. The current national scheme is known as the Big City Policy (see previous chapter). It was introduced in 1994 and has gradually been developed since then (for a policy review see Priemus, 2004). The last phase, called Big City Policy 3, is now being implemented. It will last until 2010, and policymakers are debating whether to continue the City Policy, and if so how, after that.

The Big City Policy addresses physical, social and economic issues. The physical pillar consists of one fund per city, which local governments can use to improve the physical condition of mainly the local environment. This Big City Policy is directed at the 30 biggest cities in the country. However, in 2003 it was decided that a more spatial focus was required, and within these 30 cities 56 areas were chosen 'where urban renewal processes take place'. Altogether these areas have some 500,000 dwellings.

In early 2007, a new centre-left government came to power. It formed a new department for urban renewal with its own minister, Ella Vogelaar. This government introduced some new initiatives. On top of the existing policy, the 40 worst areas were designated to receive extra attention. These areas, with about 350,000 dwellings, were selected using objective criteria similar to the method used for identifying deprived areas in England. About half of these areas overlap with the 56 areas targeted by the Big City Policy, while the other half are new. Of the 30 cities covered by the Big City Policy, 18 include one or more of the 40 areas. This policy change has led to some confusion about the national government's intentions for neighbourhood policies. Some areas are selected 'twice', some only under the old scheme, others just in the new scheme.

It is interesting to note that at first the 40 areas were called 'problem areas'. After the new minister visited them all, the name was changed to 'power areas'. The minister drew up an overall action plan for them and asked municipalities to draw up concrete plans. The state supports these 'power areas' with some financing channelled through local municipalities. It provides information and support and has agreements with municipalities about improvement programmes (see below).

#### *Local government's role in urban renewal*

The municipalities agree with the state about how to improve the 40 'power neighbourhoods'. These agreements increasingly include quantifiable targets at the level of individual neighbourhoods; for example, 'unemployment should fall by 20 per cent', or 'crime rates should decrease by 40 per cent', or 'the share of owner-occupied housing should increase by 25 per cent' within a certain time frame. These plans often focus on social issues, both at the individual level such as a lack of knowledge of the Dutch language, bad schooling, unemployment, loneliness among the elderly, etc. and at group level including social cohesion between neighbours, social groups, ethnic groups (Nicis, 2008; Vogelaar, 2008).

During the 1950s and 1960s, local government had a strong role in achieving national goals, including those related to housing. Local government decided on housing schemes, developed plans and built houses. They gave the keys to residents and the housing associations at the same time, leaving the associations to manage the stock.

In recent decades many other players have grown in importance. Each has its own interests, needs, knowledge, possibilities and constraints. The role of the municipality has been reduced to that of 'safeguarding the public interest', whatever that may

be. Processes of governance and collaboration between players have grown in importance, and these are necessary for urban renewal. Thus local government has a new role. No longer the decision-maker, it is now the mediator between local interests.

#### *Housing association's role in urban renewal*

Housing associations own almost all social rented housing in the Netherlands. One in three people in the country lives in a housing-association dwelling. Although housing association residents are generally below the welfare average (on many points on the scale), they are not on the whole poor, deprived or stigmatised.

There are about 500 housing associations in the country, owning between 200 and 70,000 dwellings. There are small associations which serve a local area, while large ones are often regional or even national. With hundreds of specialised employees, the large housing associations are professional and powerful organisations. They are often better equipped to deal with housing issues than their local government counterparts, especially outside the major cities. Housing associations position themselves as hybrid organisations, social entrepreneurs, market investors with a social or non-profit aim. This hybrid role feeds debates about their responsibilities.

Since 1995, housing associations have officially been independent of state subsidies. No government money goes to housing associations, and since 1995 the government has not paid for any new social housing. Overall, the financial position of the housing association sector is strong. Since gaining financial independence their economic position has improved. This is due to the general rise in house prices, which increase the value of their stock and sound financial management, in particular securing cheaper loans.

Government interferes only if housing associations infringe the rules that govern their behaviour. They are not allowed to engage in financial speculation and they must carry out their housing tasks well, etc. Housing associations are allowed to make profits, but only if they are reused for housing purposes.

It is assumed that housing associations will participate in urban renewal particularly as they have the property, the power and the money. Housing associations are the lead agency in most contemporary urban renewal areas. Often they initiate the process, deciding the measures that are needed, and implementing and paying for them. Improvements, upgrades, new construction and other urban renewal measures can range from 10,000 euros up to more than a hundred thousand euro per dwelling. In addition there are the costs of compensation for displaced tenants and arranging



new accommodation for them, loss of rent and depreciation. Any new housing will probably be more expensive, but will maximise social rents. The housing associations can sell housing to realise revenue; this housing need not be located within the urban renewal areas themselves. The key role of the housing associations is illustrated in The Hague, the third largest city in the country. It contains four major urban renewal areas of the forty mentioned earlier. The three housing associations involved in these areas intend to invest €2.7 billion, of which a quarter cannot be recovered from the rent. This has to come from other revenues of the housing associations, which are mainly generated by selling property.

However, the housing associations need to provide not only better housing, but also an improved environment and a better social milieu for the residents. Improving the neighbourhood will increase the value of all houses within it, including those owned by the housing association. This move from housing stock policy to area development has increased support for giving housing associations a wider role.

The increasing importance of housing associations must be seen in the context that the Netherlands always has been, and probably always will be, a consensus society. A housing association can never make and implement policy on its own. Decisions about renovation, upgrading, demolition or improving the neighbourhood are always made in consultation. The local government has to agree major changes in the housing stock, and will only do so after adequate consultation with tenants and approval of plans. Housing associations are powerful, but only within limits.

Housing associations play a major role in urban renewal, so what happens in areas where they are not present? Housing associations have a presence in all the renewal so this question is relevant in some non-renewal areas. In some older urban neighbourhoods, private property causes problems, as poor owners cannot afford to maintain their dwellings. Other problems arise in neighbourhoods developed in the late 1970s and early 1980s, which have too much uncontrollable public green space. There are also the recently developed areas, where social housing is relatively scarce. However, over the next couple of years attention will focus on the current urban renewal areas, where most housing is social rented.

### **Debates about urban renewal agencies**

For the last decade, local government and housing associations have debated which organisation should initiate and control urban renewal programmes. In fact, housing associations, as the largest property owners, have come to dominate the process in

many cases. It is more a question of whether housing associations can contribute more towards urban renewal, and whether they can pay to improve liveability and social conditions as well.

There are questions about how active the housing associations should be. Should they be very active, taking the lead on housing issues in general and urban renewal projects in particular? Should they invest, take financial risks, and make financially unprofitable investments? What should their role in society be? How far should their social responsibilities reach?

The housing associations control a tempting amount of money. This money is not in the form of large bank balances, but in the form of housing equity. The strong financial position of housing associations makes politicians hungry and national political parties across the spectrum would like to lay their hands on some of these assets. Their aspirations are supported by negative commentary in the media about wealthy housing associations. Politicians would like to skim the fortunes of housing associations by making them liable to pay taxes, although officially they are not even allowed to make profits and any excess income must by law be re-invested in housing.

Another suggestion is that their tasks should be broadened and that they should for example be forced to contribute to the national housing allowance budget, or contribute more to renewal of sectors other than housing. New roles suggested for housing associations include caring for the environment around their dwellings, providing houses for groups other than their traditional clients, which might include the homeless, handicapped, elderly, students or higher income groups and providing facilities like schools and shops.

There is also a policy debate about the position of housing associations (see Czischke and Pittini, 2007). Their present hybrid position as non-profit organisations with a social aim, which operate like businesses, is unclear and raises legitimacy questions (Boelhouwer, 2007). These questions become more pressing when housing associations develop commercial activities like the sale or construction of owner-occupied houses to raise capital to invest in affordable housing elsewhere. Profits by housing associations are only allowed when the revenues are reused within the housing sector. The definition of what is permissible can be rather arbitrary. Just building 20 villas is not allowed, but building 20 middle-class owner-occupied houses within a project of 50 dwellings is allowable, if the profits go to lowering the rents of the social rented dwellings or renovating old flats across the street.

An active broad social sector attracts the interest of those who enforce European Union competition policy. Elsinga et al. (2008) call this one of the threats to the future of broad social housing. One of the key questions is who actually owns a housing association, as most of them don't have members any more, and who should decide about the use of their capital and housing stock.

The minister of urban renewal allotted €2.5 billion over ten years to support the 40 'power areas'. But the funding of the plan was highly controversial, as the funds were supposed to come from housing associations. After a series of discussions, they agreed in principle, but then were surprised to learn of new plans to tax their activities. These taxes would cost them significantly more than the €250 million per year they were supposed to pay towards urban renewal. Moreover, the associations disagreed among themselves about whether all should support, for reasons of solidarity, those associations with assets in the 40 power areas. Some associations not present in the power areas own considerable property in other problematic areas. There have also been debates about which plans the extra money should support. For these reasons housing associations have protested, and these unresolved issues are delaying urban renewal schemes on the ground.

### **Differences between housing associations**

The role of housing associations in urban renewal has grown, which is in line with the three key features of Dutch housing and urban planning described earlier. Housing associations do more than provide housing participating as active local partners. However, housing associations vary widely, and not just in terms of size. They have different policies towards urban renewal, despite operating within the same legal framework. These differences are evident in the following areas:

#### *Mission*

Some housing associations actively maintain their dwellings as well as possible. They invest in high-quality housing to provide pleasant dwellings for their tenants. At the other end of the scale are housing associations that try to serve the whole local housing market. They want to be 'flow' organisations building, selling and buying houses. These organisations want to use their capital and skills to move the housing market.

#### *Activities*

When carrying out urban renewal, some housing associations tend to refurbish and maintain their existing housing stock, while others with stock in similar condition

demolish it and replace it with new homes. These decisions are influenced by financial considerations ('new stock lasts longer'), perceived attitudes ('people prefer new') and cultural heritage ('historical value of the existing stock').

#### *Issues*

Some housing associations concentrate on providing housing services to their residents, focusing on housing quality, rents and maintenance. Others see their role as broader, and also provide schools, day-care centres, shops and shopping centres and other kinds of buildings. Some housing associations also provide services such as internet facilities, insurance, help with removals, or discounts in shops. At the neighbourhood level, some housing associations provide play facilities for children, neighbourhood wardens, environmental maintenance and neighbourhood centres, particularly where local authorities can't afford or don't want to. Housing associations justify these investments as a way to improve quality of life for the tenants in their neighbourhoods and to maintain the value of their property.

#### *Role*

Some housing associations see themselves as providing a safety net for poor and underprivileged people by offering them shelter and care. Others associations see their role as a trampoline that can empower people and help them cope with their problems.

#### *Philosophy*

In a similar vein is the question of philosophy. Should a housing association promote collectivity (and approach housing as a collective good), or should it encourage people to take responsibility for themselves and view social housing as something for individuals?

### **The future role of housing associations in urban renewal**

Urban renewal is a collective activity in which many stakeholders work together on the various issues. Housing associations are among the most important players, and their importance is growing. In the Netherlands, housing associations own most of the housing stock in virtually all urban renewal areas. The vast majority of urban renewal projects are situated in areas where social housing dominates. Government policy is to create a better tenure mix, offering opportunities for people to buy a house in their neighbourhood, or attracting newcomers. Contemporary urban renewal means that housing associations take forward these policy objectives, and to a growing degree

initiate and lead the process themselves. However, this all should be seen within the Dutch context, in which all policy processes are always based on consensus and collaboration between players.

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## 13. Housing the poor in Paris and Vienna: the changing understanding of 'social'

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What is 'very social housing', and why is it interesting? The present chapter tries to answer these questions by comparing very social housing in two capital cities that adopted social housing policies early on: Vienna and Paris. Social housing took different forms in the two cities, but both saw an important development of social housing even in the early 20<sup>th</sup> century, with a range of actors involved. Demographically the cities have developed in different ways, but have both committed themselves in the issue of providing good housing for all. In the last decades, housing shortages and the increasing poverty of some groups and in some neighbourhoods have led to the emergence of new tools, policies and actors.

The two cities have different stories, but these stories have many similarities. They may well reflect more general policy European trends, and more broadly changes in European welfare regimes. Social intervention in housing matters means something different now than when social housing began—and even than two or three decades ago. 'Very social' housing policies, and their principles and objectives, have moved from the margin to the mainstream. We elaborate on this near the end of the chapter.

This chapter describes the historic and current housing conditions of the poor or so-called 'disadvantaged', and the social policies that supported them—or failed to do so. The form and the discourse of public intervention have changed; the state's role is only one aspect, and perhaps not the most decisive one. Our hypothesis is that the paradigm of social intervention has changed, with new actors using new moral and political principles: traditional welfare-based options have been replaced, and as a consequence the nature of the intervention in the housing conditions of the working class. Social programmes aim to link 'insertion' (entry or re-entry to the labour market) to housing. *Insertion* has become a leitmotiv—'Housing is not enough' could be the new slogan of housing policy. In Paris as in Vienna, many associations and civic organisations, belonging to a vast emerging 'third sector', are active in the field of insertion. Social workers are supposed to introduce applicants to the norms of the

world of employment and in a broader sense to personal responsibility, and support them in their 'insertion career'.

The first part of the chapter describes and analyses the very social housing sector; the second part examines the roles of the various actors and the social effects of these new principles and measures. We address such questions as: where and how are poor or 'disadvantaged' people accommodated now in the two capitals? Have these accommodation forms changed over time? Who are the landlords and more broadly the new actors involved in the process of '*loger le peuple*' (per the title of the book by Flamand, 1989)? Finally, what do these changes in public housing policy mean?

### Social and 'very social': the concepts

#### *Social housing as a tool for incorporation in society*

Social housing was devised principally to house the working class and key workers' families, but only to a small extent the very poor. Social housing policy has traditionally been seen as serving the need of industrial society for a solid labour force in stable private reproductive conditions. The reference point of social housing policy therefore was the blue-collar worker, and later more generally the key worker or salaried employee. Historically the poorest have been housed thanks to private initiative: the commercial sector and charities - including those who benefited public money (see the chapter in this book 'Learning from history'). Those marginalised in the labour market are also marginalised in the housing market. 'Very social' housing therefore is aimed at housing as well as incorporating those people excluded from or marginalised in the labour market.

The structure of labour has changed profoundly since the early days of social housing, and thus the notion of the social and very social has changed. Stable, durable incorporation of the poor into the labour force has become more and more unrealistic: the poor are no longer marginalised but are simply excluded. This includes people with no longer a place in the labour market, and no hope of regaining one. We no longer ask, 'How shall we house the poor?' but 'How shall we house the disaffiliated?' (Castel, 2006). This is the reason why 'very social' can be seen as a new paradigm.

#### *Very social as a (growing) sector of social housing*

The emergence of the very social sector is linked to a global tendency towards less stable labour relationships. It also responds to specific social issues such as the

increased number of mental-health patients needing housing, which is linked both to institutional reforms (the increased use of outpatient psychiatric care) and weakened social ties within neighbourhoods. These changes also have consequences for the capacity for residential mobility. In Paris, the turnover rate in social housing is very low (about 5%). In Vienna, new social estates are available, but not for the poorest which are accommodated in sub-segments of the housing market. Young people who cannot find or afford housing on their own increasingly continue to live with their parents; squatting is developing. Last but not least, housing policy, in the form of price liberalisation and higher building standards, has contributed to dramatically increasing the number of households in need of affordable housing.

What differentiates very social from social? Very social housing is financed by special funding streams. In France there is a mix of private and public money; the public money comes from a loan scheme known as PLAI (Prêts Locatifs Aidés d'Intégration), which subsidises low-cost housing provided together with programmes to integrate people who are suffering various sorts of difficulties and need support from social services (*accompagnement social*). In Austria very social housing is mainly funded through the social services budgets of municipalities and provinces, supplemented by private donations. Social services are the responsibility of the nine *Länder* - which means there are nine different sets of standards and practices. Very social housing is not part of the national action plan against poverty, which is mainly labour-market oriented.

In addition to its particular funding, very social housing is characterised by the following: Construction standards, in terms of amenities and finishes, are low; there is less tenure security (temporary contracts instead of normal leases); social workers control access; it is hard for residents to leave and join the 'normal' social sector; the dwellings are often in disadvantaged locations. Thus in general the sector has a bad image, which stigmatises and handicaps people living there.

In both Austria and France, very social housing often takes the form of 'social residences' or 'social hostels'. In France, social residences have been created by law in 1996. Residents can live in them for a maximum of two years, and must agree to participate in their own 'integration process'. In 1999, Louis Besson, the socialist former French housing minister, said that very social housing aimed to provide a 'housing solution' for the vulnerable, easing the social integration process through housing. He described his vision as follows:

*If in each big city, in each district of Paris, there were at least one social residence, well located within the urban fabric, a lot of housing problems would be solved. And people's housing careers would be much more fluid – shelter, social residence, ordinary housing – thanks to the good relations local authorities can often develop with social landlords. (...) But let's not kid ourselves! Production of this specific type of housing is only a small part of the whole supply needed to meet current needs. **It cannot be a substitute for necessary HLM housing construction** (emphasis added).<sup>i</sup> (Besson, 1999)*

But 15 years later, it seems difficult to say that this sector has not become a substitute for standard social housing. On the contrary, we argue that it has been growing steadily, while at the same time the frontiers between ordinary and extraordinary (temporary, transitional etc.) housing have become blurred. In other words, even if mainstream construction continues to be standard social housing, more and more people are accommodated in the very social sector just because there is a shortage of 'normal' supply.

### Accommodating the poor then and now

Where can one live if one is poor, without powerful relations or support, and in need of a roof? Urban hospitality obviously differs by place and era. In the nineteenth century, workers paid by the day or the week, who had moved from the countryside to expanding cities, suffered terrible housing conditions, and these conditions have not consistently improved; in early 20th century, housing conditions remained extremely uncomfortable, although politicians were starting to take an interest and some social housing had been built for the working class. Slowly, governments and parliaments adopted laws and began to deal with the problem—to '*loger le peuple*'. But how did this come about?

In Paris there were, and still are, two categories of rental dwelling: furnished and unfurnished. To rent an unfurnished dwelling, households needed to have furniture and to be able to pay three months' rent in advance. Poor people and recent arrivals were housed in the private rental sector in hostels and pensions. There were very many one-room units; these were only rarely shared by more than one household (Bertillon, 1891).<sup>ii</sup> Charities took care of the poorest. The 'social' sector was incredibly comfortable in comparison to the private rental sector (*maisons de rapport*, tenement houses; or *garnis* boarding houses; *pensions* or furnished hostels), but not sufficient: while about 400,000 households were living in single rooms – most of them in the *garnis* – only 60,000 social housing units had been built up to the end of the 1920s, main-

ly in the former zone of fortifications around Paris. It is not surprising, then, that shanty town settlements sprang up on the outskirts of Paris, creating precisely the environment that politicians such as Henri Sellier, the French garden-cities promoter and mayor of Suresnes, wanted to eliminate.

In Vienna, the mainstream was different: sub-letting - of a part of the dwelling or even of a bed – has been a very common practice. From the end of the 19th century to the first decades of the 20th, the high population density pushed people to invent housing arrangements: a single bed in Vienna could successively be occupied by several *bettgänger*. But the situation changed after 1923, when the municipality decided to build a significant amount of new housing. The local 'social state', known as Red Vienna, built homes for working-class people—wage-earners and their families. The poorest—the unemployed or those not in regular work—were excluded from the social sector, and took their place in the accommodation left behind by solid members of the working class when they entered Red Vienna's social sector.

In summary, there was a big change around 1920. In both cities, social housing was provided by local authorities. About 120,000 *habitations à bon marché* (low-cost housing units) were built in Paris between 1928 and 1939; in Vienna, 64,000 social homes were built between 1923 and 1933. But the local authorities intended to provide housing not for the poorest, but for skilled workers and employees.

In both Paris and Vienna, the very poor and newcomers are still concentrated in sub-standard dwellings in the old private rental sector, where they have little security of tenure. This sector, known in France as *logement social de fait* (de facto social housing), has shrunk, largely because of urban renewal. In Paris, there were more than 150,000 furnished rooms in 1950, a bit more than 80,000 in 1970, and there are perhaps 20,000 now (Lévy-Vroelant, Faure, 2007). This phenomenon is not limited to Paris: from 1985 to 1995, more than one million units from the lowest part of the private rental sector have disappeared in France. As a consequence, one housing alternative was drastically reduced while the poorer and newcomers were not welcome in the social housing dwellings—they had to stay in the less comfortable houses left by the employees and skilled workers able to access social housing. Demolition of badly-built buildings and areas considered 'unhealthy' began, increasing the pressure on the sector. Landlords' profits tend to be higher in the subsector catering to poor households than in that catering to the better-off; the social sector became more and more desirable but less and less accessible for the poorest.

What about migrants? In Paris after the Second World War, most immigrant working people and families had to live in slums, mainly on the outskirts of Paris in an area called *la zone* – that would later on become ‘the red banlieue’. They rarely entered social housing; if they did so, it was only after a long stay in so-called *cités de transit* (temporary housing). Working men living alone were housed in dedicated residences called *foyers*, provided by societies like Sonacotral (société nationale pour le logement des travailleurs Algériens), founded in 1956 in order to tackle the expansion of the slums.

In Vienna, urban renewal programs have reduced the proportion of low-standard flats (those without bath or toilet) from 25% of the housing stock to 5% over the last thirty years. This very badly equipped private housing, mostly dating from the late 19th century, did and still does serve as shelter for newcomers and immigrant workers. This was the case also in the context of the post-war labour migration of the 1960s and 70s; access to social housing was limited to Austrian citizens until 2006. In France, the immigrants made their way into social housing only in the 1970s. Despite differences in law and practices, in both Paris and Vienna social housing was mainly reserved for nationals and ‘*salariés vivant de leur travail*’, and preference has always been given to ‘locals’.

### From social to very social

#### *Post-war mass social housing and ‘unsatisfied needs’*

In both cities, post-war housing policy—whether national or local—was to encourage social mix. In the Paris area, big estates were being built. Politicians and others wanted to create the ‘new man’, and the expectation was that class differences would vanish because of spatial proximity.

After the Second World War, Vienna also implemented a big estates policy (and experienced its negative consequences). But Vienna had a social housing sector (mainly municipal housing) that was large enough and dispersed enough to avoid the social fragmentation that occurred between Paris and its suburbs. It also housed a wider social mix: in particular, the middle class went into social housing. Certain minimum income levels were required to enter social housing, which meant the poorest were excluded, as were non-nationals. Spatial concentration was not so pronounced in Vienna; there was rather a so-called *Unterschichtung* (‘under-segmentation’)—that is, the poor and migrants were not concentrated in particular neighbourhoods, but in the dilapidated private rental sector, where tenure was not secure. Today Vienna’s

municipal sector, with 220,000 units, represents a quarter of the city’s housing stock; together with the dwellings of the limited-profit housing associations social housing makes up 40% of the total housing stock. Social housing buildings can be found everywhere in the city, in contrast to Paris where municipal action was not so decisive or long-lived.

Bad housing and homelessness are again big issues today. There is a permanent shortage of affordable housing in big cities such as Paris and Vienna: the inner cities are attractive for poor people because they offer social networks, good transportation, public facilities and ease of access for those who work during the night.

In Paris, the stock of social housing is increasing but is still only around 170,000 units, or about 15% of all dwellings. There are more than 110,000 on the waiting list for social housing, of which about 14,000 (or 13%) are housed every year. More than 15,000 people live on the streets. Despite much new construction, in Vienna more than 20,000 are on the waiting list for social housing, and about 5,000 people are living on the streets. According to EU Statistics on Income and Living Conditions, 17% of Viennese households are considered to be at risk of falling into poverty, and they are mainly housed in the private rental sector. Family resources (housing adult children, providing solidarity and support for temporary solutions) cannot fill the gap: in the Paris region, more than 3,000 evictions for the rental sector were carried out annually over the last few years, and in Vienna the number was about 2,500. Charities that support the homeless and offer services such as showers, hot meals and clothes are asking for more funding, since they have more and more ‘clients’.

#### *Public and private responses: Very social’s (new?) norms and actors*

Our hypothesis is that the ‘very social’ system is combining, in a contemporary way, the traditional principles that were at the very origins of social housing: the alliance between private actors in the broader sense (including profit and non-profit sectors) and forms of public funding. As a result a new third sector has been emerging between traditional public and private spheres; this has gained legitimacy and power through positioning itself at the junction of social action (promoting integration, working against poverty) and housing (from construction to management). New logics and new modalities are taking place, in which norms are personal responsibility and merit versus collective solidarity and rights. This is for instance obvious in the contract the resident have to subscribe – and that implies personal commitment to search for a job - when entering a social residence.

Traditional social housing is, as we have seen, partly being transformed into new 'very social' forms<sup>iii</sup>. Access to these shelters, social residences, foyers, etc. is through the social services, the right to stay is conditional, and mediators such as associations, NGOs and charities are financially responsible for the tenant, they can even take the lease in their name. 'Very social' policies include support and counselling. Whether such interventions are considered constructive or intrusive, they always reflect a lack of equality between the tenant and those in authority.

Social programmes give certain poor people priority for 'ordinary' social housing in both cities. The *Soziale Schiene* ("social track") in Vienna was created in 1993. The scheme provides dwellings for people who are homeless or at risk of becoming homeless, as well as for people already supported by very social housing programmes and social services. Since its inception the programme has allocated more than 22,000 dwellings in the social housing sector. In 2000 it was supplemented by the 'urgent accommodation' scheme, which primarily targeted non-Austrian citizens (who at the time had no access to social services and consequently access neither to very social housing nor to social housing generally). In Paris there is a similar programme known as *Accords collectifs* (part of a national policy: *Plans départementaux pour le logement des personnes défavorisées*). These agreements are managed by social workers and give access to housing only to those people who are already participating in a social programme. In Paris, they have to show that they are committed to their own professional and social integration (*parcours d'insertion*). These two programmes are characterised by intensive local networking between key local actors, both private (charities, NGOs, etc.) and public (municipality, region, State).

In Paris, the shortage of affordable housing, both private and public, has led to a political decision to establish new social residences and shelters (known as CHRS—*Centres d'hébergement et de réinsertion sociale*, or 'Centres for social housing and inclusion'). This policy was initiated by socialist former housing minister Louis Besson and has been continued by Jean-Louis Borloo a member of Sarkozy's Union pour un Mouvement Populaire). There are probably about 2,000 to 3,000 units of this very social accommodation in Paris, but it is difficult to be precise because, although they benefit from public subsidies, they are privately owned and managed. For example, the private firm EFIDIS owns eleven social residences that house persons in a state of 'social emergency' who are capable of undergoing the so-called *parcours d'insertion*. These establishments are managed in partnership with associations that specialise in integration and employ social workers to assist and monitor the residents. Residents are offered—or required to accept—counselling (*accompagnement social*)

from associations like Emmaüs, or the Association for Young Workers Housing (ALJT), or communitarian and/or religious organisations such as the Centre for Protestant Social Action (CASP), Secours Catholique, etc. One could argue, however, that the need for 'social integration' reflects the shortage of housing and employment more than the failings of individuals.

As noted before, these new housing 'products' are meant to help convey residents from the street to normal housing. Ideally, the process would be as follows:

- (1) at the very beginning, emergency shelter for a few hours to at most few days;
- (2) the individual takes up a more stable place in a foyer or CHRS;
- (3) with the help of the social worker and his own efforts, the person can enter a social residence; and
- (4) finally, gains access to social housing – or, rarely, the private rented sector.

This theoretical housing career is just that—theoretical. In Paris, these housing 'products' are not always occupied by those they are supposed to house precisely because of the shortage of 'normal' social or affordable dwellings. According to one resident, "I get the impression that I am stealing somebody else's place".

The amount of public subsidy to 'very social' housing is growing, but even so the small and medium-sized associations are financially insecure, as—unlike the large associations—they do not receive long-term funding.

In Vienna, the local authorities responded to the increased housing misery of poor and disadvantaged people since the 1980s, a consequence of the shrinking low standard rental stock, by setting up insertion programmes for the homeless and those in inadequate housing. These programmes included various types of temporary and long-term housing for the most vulnerable (homeless people, the mentally ill, etc.), as well as improved access to better housing, particularly in the municipal sector. There are now more than 40 establishments offering a total of nearly 3000 places and 280 urgent beds. They are mainly run by private welfare organisations and financed by public funds. Most of the housing is temporary (only about one-quarter is permanent), but the authorities are planning to increase the amount of permanent housing, particularly for those who are not part of the labour market (the elderly or chronically ill). According to the programme's internal statistics, one-third of clients can successfully be re-integrated into the regular housing system; most of them go to the municipal housing sector. Those most successful at (re)integration are those who previously suf-



ferred from poor housing conditions but who are employable (among them many immigrants); formerly homeless people are much less successful. In Vienna very social housing policies are still generally connected with labour market integration: integration into the labour market is seen as the key factor. At the same time, permanent accommodation for those who cannot participate in the labour market is becoming more crucial, since it has become more unstable and the state-protected segment (public sector in industries and services) has almost disappeared.

In summary, then, both Vienna and Paris are developing a range of intermediate products that lie somewhere between traditional social housing and emergency shelters. These are characterised by the three principles of mediation (introduction of a third person between the landlord and the tenant or resident), dependence, and prescription through social services (Ballain and Maurel, 2002) but also negotiation. Generally speaking, funding comes not from housing policy money but from money allocated for social policies. Very social housing is run as a highly integrated collaboration between private and public. Social landlords of all types sub-contract with private social-service associations. In consequence, the social sector as a whole can no longer be considered a public enterprise (if it ever was one), but it is certainly a public service or at least a service of general interest.

**The very social as a consequence of global changes**

Tables 1-3 list the transformations from social to very social, set them in political and economic contexts, and describe their social effects. They show three historical phases:

**In the industrialisation phase**, the pre-welfare state (Table 1), the first social housing is provided for working class people. The high labour mobility caused by the industrialisation process saw the poor housed in the most deprived parts of the private rental sector (including in temporary housing such as hostels, furnished rooms, and charity asylums for the poorest).

**During the second phase**, the welfare state (Table 2), social housing is further developed and social mobility increases. The poor (and immigrants) are housed in deprived (urban) areas, but even though they are affected by the process of social mobility.

Finally comes **the ‘post-welfare governance’ phase** (Table 3), in which housing policy becomes fragmented between privatisation and social services policy. The poor have become *surnuméraires* (surplus or disposable); they are housed in specific very social elements of the stigmatised social or private sectors; some have

become squatters. The responsibility for looking after their housing and social needs is shared between different organisations, in networks dominated by NGOs and local authorities.

The three tables try to describe the complex interpenetration of general social change, specifically in the structure of cities, and the development of social housing by reflecting the changing meaning of the ‘social’ and the ‘very social’. This socio-economic and historical contextualization shows the profound shift of the notion of the ‘social’ from a collective to an individualistic approach; from class mobilisation to individual responsibility; from redistribution to individual safeguarding. But even the notion of the ‘very social’ has changed: from the pauper to the dispensable, from assistance to integration, from charity to social work. Thus, the socio-historical comparison reveals that the function, aim and target groups of social housing have profoundly altered over time.

**Table 1. Industrialisation, pre-welfare state**

Characteristics of social change	Structure of cities	(Social) housing	Actors	Notion of the social	Notion of ‘very social’
Industrial production, ‘wild capitalism’	High density and socio-spatial divisions along class cleavages	New workmen: barracks; sub-letting; furnished rooms; boarding houses	Private entrepreneurs, philanthropists, foundations	19th century: benefaction, dependency, and social utopia	Pauperisation
High population mobility and population growth	Overcrowded working-class districts, housing shortage, and epidemics	The poor: spontaneous shanty towns	Cooperatives and settlements	20th century: Mass emancipation, mobilisation, and socio-moral education of the working class	Demonisation of the ‘lumpen-proletariat’ as dangerous classes
Dominant conflict line between wage labour and capital	Public space as arena for class struggle (‘dramatic cities’)	Stable working class: in 19th century factory-dependent housing estates; early 20th century: Social housing with collectivistic pedagogic approach, high architectural and construction quality; social control & family orientation	National governments, local authorities and municipalities		Charity
Formation of social classes					

**Table 2. The welfare state**

Characteristics of social change	Structure of cities	(Social) housing	Actors	Notion of the social	Notion of 'very social'
Fordistic mass production and economic prosperity	Extension of urban sprawl, suburbanisation	Functionalist paradigm: Big estates, standardised, high-speed construction, often to a low standard	Central government	Collective social upward mobility towards middle-class position	Marginalisation and stigmatisation
Establishment of national welfare regime	Functionalism	Target groups: Key workers, state employees and their families, (mostly) nationals and locals	Limited profit housing associations and corporatist organisations	Inclusion and redistribution	The poor as a 'social problem'
Institutionalisation of class struggle ('corporatist regime', 'social partnership')	Urban reconstruction and renovation	Immigrant and poor households: substandard rental sector	Municipalities and provinces	Paternalist clientelism	Assistance
Population stagnation, labour migration and post-colonial migration	Gentrification and socio-spatial differentiation				

**Table 3. Post-welfare state governance**

Characteristics of social change	Structure of cities	(Social) housing	Actors	Notion of the social	Notion of 'very social'
Tertiarisation and post-fordism, (flexible capitalism)	Increasing socio-economic polarisation	Diversification and fragmentation; privatisation of part of social sector	Retreat of state and public authorities	Individualisation and individual responsibility	Vulnerable dispensable, invisible
Globalisation of economy	Accentuation of socio-spatial fragmentation	Gated and hybrid; post-modern eclecticism and pluralism in planning and architecture (including new forms of housing for the mobile/flexible workforce)	Emergence and strengthening of private actors (builders, investors), and of the Third Sector (charities, voluntary, nonprofit organisations, NGOs)	Risk pooling towards individual	Poverty as 'delinquency'
Structural change in labour markets (more flexible, atypical, and precarious jobs; working poor)	Socio-cultural diversification	Immigrants and precarious groups: informal sector, parts of the 'old' social stock, suburban estates	Safeguarding social status	Safeguarding social status	Insertion (from welfare to workfare; key role for social work)
Weakening of collective and corporative actors	Enlarging of urban agglomerations	'Social residences' for the very poor			
Ageing and increasing migration/ mobility	'Fractal and fluid cities'				

### Conclusion: 'very social', or the paradox of integration

In an era characterised by insecurity of both housing and employment positions and increasing mobility and migration, both embedded in general socio-economic changes, housing has become a key issue for both collective existence and individuals' social status. The fragmentation of cities and its increasing socio-spatial inequality that has resulted from these trends cannot be solved just by providing housing. Although individuals need housing to achieve social integration, that alone is not sufficient.

Today the 'very social' concept tightly links housing provision and social work. It targets the vulnerable groups, the so-called dispensable, by requiring them to help themselves—the leitmotif of insertion is 'workfare instead of welfare'. But far from facilitating integration, it often hampers autonomy. Marginalisation leads to stigmatisation, stigmatisation to vulnerability, vulnerability to dependency, and to a loss of self confidence, while the goal of social work and public policy seems to be the opposite: capacity to act, empowerment, labour market integration. But this is a false paradox. Regarded as individual delinquents, the poor must be rehabilitated by demonstrating their capacity for work, sometimes under 'deregulated' or even irregular conditions, often for the community. With regard to Sweden, Ingrid Sahlin has written: "The structure of available shelter and housing for the homeless in Sweden resembles a staircase. The higher an individual climbs, the more privacy and freedom he/she is awarded and the more 'normal' that individual's housing becomes, a regular rental flat typifying the ultimate goal. Despite growing evidence that this approach to housing, training and reintegrating the homeless fails to reduce homelessness, it is in fact expanding." (Sahlin, 2005). It seems there is no exit from this spiral of dependency.

### Endnotes

<sup>i</sup> *Si chaque grande ville, chaque arrondissement de Paris disposait d'au moins une résidence sociale, bien située dans le tissu urbain, beaucoup de problèmes de mal logement seraient résolus et la fluidité de l'itinéraire - hébergement, résidence sociale, logement ordinaire - serait mieux assurée grâce aux liens privilégiés que les communes entretiennent souvent avec les bailleurs sociaux. (...) Mais ne nous trompons pas! la production de ce type de logements particuliers ne constitue qu'une petite partie de l'offre de logements qu'exigent les besoins connus. Elle ne se substitue en rien à la nécessaire production de logements HLM, - aujourd'hui facilitée par le PLUS - et encore moins à la production de PLAI qui reste la priorité.* (Besson, 1999)

<sup>ii</sup> *On voit que le nombre de logements composés d'une seule pièce est incomparablement plus grand à Paris que dans les autres capitales. Cela tient surtout à ce que le parisien, même très pauvre et isolé, ne se soumet pas à la promiscuité fâcheuse des "Schlafrente" (locataires de lit) ; ceux-ci n'existent pas à Paris. L'homme le plus pauvre préfère vivre seul, afin de vivre chez lui.* (Bertillon, 1891)

<sup>iii</sup> This doesn't exclude the long term tendency of social housing bodies to provide lower standard housing for the poorest. But as a more detailed historical review would show, this tendency was not consensual and was the subject of huge discussions inside the sector itself.

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## 14. Social housing and market residential segregation: the case of municipal housing companies in Sweden

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### Introduction

For decades, Sweden's housing policy has been known as 'social'. Historically, municipal housing companies played a central role in housing construction and in fulfilling the political goal of good housing for all, regardless of income. From the 1940s onward, politicians aimed to establish a society without socio-economic classes, and municipal housing in Sweden has always been a tenure form for diverse groups, including vulnerable families. However in recent years housing policy has become less social and now no longer provides an alternative to policy in the rest of Europe. Sweden now follows the market-oriented mainstream, having cut tax benefits, interest subsidies and allowances. In Michael Harlowe's framework of two principal models of social housing provision (see Peter Malpass' chapter in this book), Sweden is moving away from the mass model towards the residual model (Harlowe 1995).

Sweden is also moving from a general to a more selective housing policy. The Swedish liberal/conservative government decided in 2007 to allow tenants in municipal housing companies to buy their apartments (as cooperatives). By phasing out subsidies and selling public housing, the present government hopes to reduce segregation and create a better functioning housing market. The government has a strong belief in owner-occupation as a way to reduce social exclusion, and from 2009 will introduce a new tenure form to Sweden: condominiums in multifamily houses. This is expected to stimulate housing construction in tight housing markets, and to increase the supply of affordable rental dwellings for economically weak households, as landlords buy them to rent out.

In recent years the concentration of vulnerable households in municipal housing has been increasing. If the larger municipal housing companies were to be privatised, most of the remaining ones would house high concentrations of vulnerable households. This would be at odds with the welfare-state vision of public housing-although ironically, it would be in line with EU regulations (discussed in other chapters of this

book). The EU has held that the current Swedish housing system, with its municipal housing companies, does not conform to EU competition rules (SOU 2008:38).

#### *Concentration of vulnerable households in the public sector*

Over the last year the share of dwellings owned by municipal housing companies has decreased due to right-to-buy legislation, which since 2007 has given sitting tenants in municipal housing companies the right to buy their apartments and establish housing cooperatives.

Research based on 2002 data showed that as the size of the public housing sector fell, the concentration of vulnerable households within the sector increased (Magnusson and Turner 2008). This chapter repeats that analysis using 2005 data to see whether the same patterns hold. It also looks at residential patterns among vulnerable families in municipal housing companies, using the southern Swedish city of Helsingborg as a case study. The hypothesis is that if municipal housing companies are required by EU rules to provide a return or profit to the municipality, residential segregation among vulnerable households will increase.

#### *Data*

The empirical basis for this study is data collected by Statistics Sweden (SCB) and stored in a unique database called Geosweden. The database is longitudinal, based on individuals and covers the entire population of Sweden over the period 1990 - 2005 (2006). The variables in Geosweden relate to individuals (home municipality, age, sex, education, occupation, country of birth, citizenship, income from work, disposable income, etc.), housing (type of building, type of owner and tenure, geographical location, etc.) and families (composition and economic resources). Geosweden includes data for selected variables for the period 1990-2006 for all 10 million-plus individuals who at some point during the period resided in Sweden and registered with the Swedish social security system. Given its geographical variables, it allows the characterisation of the physical and social residential environment of particular individuals and families, and permits creation of 'neighbourhood' variables suitable for analysis of the issues addressed here.

#### *Municipal housing companies in Sweden*

In Esping-Andersen's classification of welfare regimes (1990), Sweden is characterised as the basic model of a social democratic welfare state. Its strong public sector distributes welfare services, such as work, housing, childcare, etc., to all families

who need them. One of the ideological cornerstones of the Swedish welfare state is that all families are equal, despite demographic, socio-economic, ethnic and geographic differences. Another key concept is that welfare policy is comprehensive—that is, it covers everyone (in contrast to residual welfare regimes).

Swedish municipalities are responsible for housing their residents. Sweden has no specific 'social housing' sector; the problems solved in other countries by social housing are in Sweden addressed by the municipal housing sector (referred to here as 'public housing'). The difference is that Swedish public housing is comprehensive, whereas social housing is residual, i.e. only for poor and vulnerable families. The opposing concepts of comprehensive and residual social housing are of course closely linked to those of general and selective welfare.

In 2002, the social democratic government's stated goal for housing policy was 'to end social, ethnic and discriminatory segregation, thereby working for equality and equal opportunities in terms of living conditions for inhabitants of the big cities' (Ministry of Industry 2002). Equality of living conditions was also one of the aims of the recent restructuring of Swedish metropolitan regions. Previously the government had aimed to create a mix of population in residential areas; the thinking now is that improvements should be made for existing populations, rather than moving people with problems around (see discussion in Musterd, Ostendorf and de Vos 2003; Musterd and Andersson 2005).

The Swedish housing system deals with problems of segregation partly through housing allowances and other area-based subsidies. In terms of allocation, the public housing sector is expected to be open to all types of families, especially those vulnerable families with less access to other parts of the housing market. The companies - normally one in each municipality - are thus expected to house a mixed population, not too different in terms of social composition from the private rented sector or the cooperative sector (Turner 2004, Turner and Whitehead 2002).

The municipal housing companies vary in relative size, mostly for historic reasons (Strömberg 1989). Much of their development can be explained by path dependency (Bengtsson 2006). The differing sizes of the public housing sectors in various municipalities do not reflect differences in social ambitions.

Municipal housing companies are caught between two conflicting goals: economic efficiency and the accommodation of vulnerable families (see Turner, 2004). Although the basic pattern is that relatively smaller housing companies have larger shares of

vulnerable families, the interplay of these goals means that this pattern does not hold for all public housing companies. The conflicting goals may also result in segregation within a public housing company. Companies often own residential areas labelled 'unattractive' or distressed; they allocate weak households to these areas in what may be a form of self-segregation intended to solve the dilemma of conflicting goals. This is particularly the case in greater metropolitan areas like Stockholm, Gothenburg and Malmö.

Even though Swedish housing policy officially aims to be integrated and inclusive, the outcomes in different municipal housing companies may be very different. This tension is the focus of this chapter.

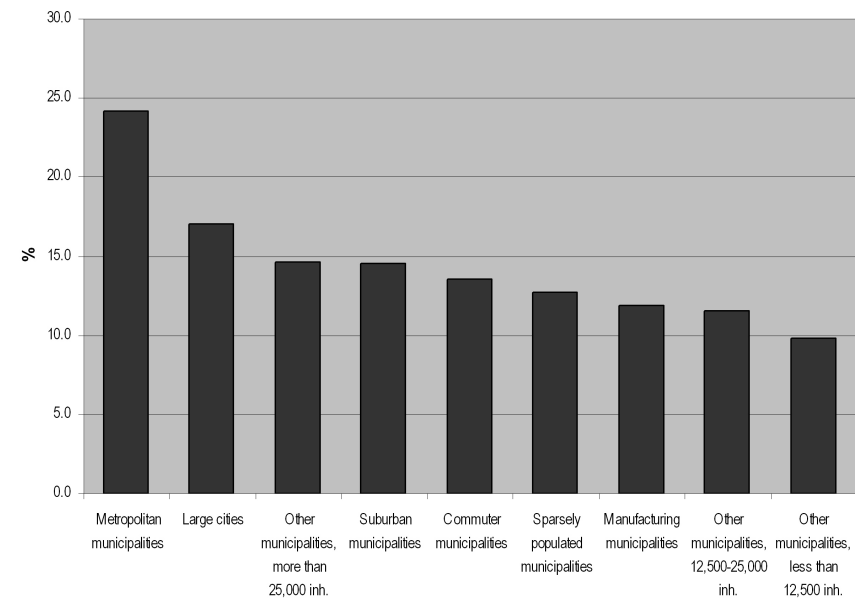
#### *The Swedish housing market*

The structure of local housing markets varies across the 290 Swedish municipalities (Figure 1). On average, the share of public housing is slightly less than 16% - highest in larger cities and lowest in rural municipalities. A low proportion of public housing, as in sparsely populated and commuter municipalities, is normally associated with a high proportion of owner-occupied single-family houses (approximately 70%). On the other hand, municipalities with a high proportion of public housing usually have more mixed housing markets, with owner occupation and cooperative dwellings competing with a sometimes-dominant rental sector. This is the pattern in Sweden's three metropolitan areas.

Since 1990 the share of rented dwellings in Sweden has fallen and the share of cooperative dwellings has increased, both because of changes of tenure of public and private rented dwellings and new construction. The housing market in Stockholm has been transformed, especially in attractive inner city areas: from 1990 to 2001, about 13% of all dwellings in Stockholm were changed from rented to cooperative dwellings. In 2002 the social democratic government banned the conversion of public dwellings; the ban lasted until 2007, when the new liberal/conservative government overturned it. Stockholm's local government again gave high priority to conversion of public dwellings to cooperatives.

So far it has been easy to sell public dwellings to sitting tenants in central locations, but more problematic in suburban areas. In some suburbs public dwellings have been converted to private rented dwellings against tenants' wishes. A case study of the socioeconomic and demographic effects of conversion from rented to cooperative housing in Stockholm from 1995 to 2004 showed that converted estates had signifi-

**Figure 1. Share of public housing in different types of municipalities in 2005**



Source: Geosweden 2008

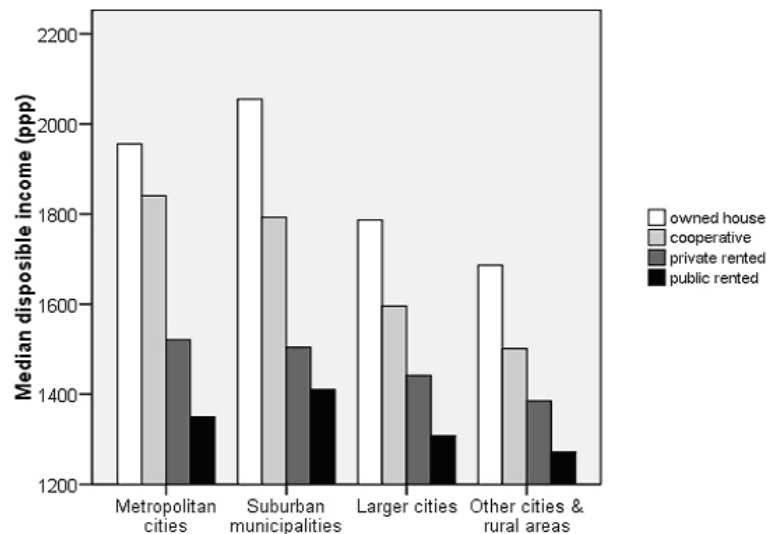
cantly higher rateable values than those not transformed (Magnusson and Andersson 2008). Most converted estates are either newly constructed or built before World War II, probably because these estates are located in inner city areas - the most attractive parts of Swedish cities. The study also showed that conversion initiated a gentrification process; individuals moving into converted properties had higher disposable incomes, and higher educational levels, than those who moved out or stayed.

#### *Socioeconomic patterns across tenure forms and regional markets*

In an article published in 2008<sup>i</sup>, Magnusson and Turner looked at the housing situations of economically weak groups and groups with difficulties in the housing market, particularly poor families, single parents, elderly families, immigrants, immigrants from poor countries and families on social benefit. It was evident that municipal housing companies in Sweden, like social and municipal housing companies in the rest of Europe, were housing poor and vulnerable families to a greater extent than other sectors of the market.

Figure 2 shows median disposable incomes (purchasing power parity) of households in different tenure forms and types of municipality in 2005. Median disposable income (ppp) is used as an indicator of economic conditions and power among families.

**Figure 2. Median disposable incomes (ppp) in different tenure forms and municipal type in 2005**



Source: Geosweden 2008

Incomes were lowest for households in municipal housing companies, then private rental housing, then cooperatives; owner-occupiers had the highest incomes in all types of municipality. There were considerable differences in income between different types of municipality and tenure forms. The smallest variation was found in the private rented sector. The largest variation between tenure types was found in suburban municipalities. The data from 2002 showed similar patterns.

#### *Concentrations of vulnerable families in 2002 and 2005*

Analysis of the 2002 data showed that overall, vulnerable families as defined above were overrepresented in public housing compared to other tenure forms, especially in metropolitan areas and larger cities-largely because there are more vulnerable

households living in such areas. That pattern was less pronounced in other cities and in rural areas. This overrepresentation increased with diminishing relative size of the municipal housing company. This effect was particularly strong for families on social benefits and immigrant families from poor countries. For the elderly, single parents, immigrant families in general and families below the poverty threshold there were found to be no significant correlation between the share of municipal housing and the degree of concentration in public housing. The relative size of the public housing sector in the municipality determined how diluted these vulnerable families would be. There was also evidence that the political regime in a municipality was correlated to the degree of concentration of vulnerable families in public housing.

The original analysis used data from 2002. Geosweden now contains 2005 data, allowing the analysis to be repeated with more recent figures. The aim was to determine whether vulnerable families live dispersed or concentrated in some neighbourhoods. An index was constructed to measure the share of vulnerable families within municipal housing, while controlling for the share of vulnerable families within the municipality as a whole. This index was used as a dependent variable in a regression analysis, covering all Swedish municipalities.<sup>ii</sup> An index value of about 1 suggests that the public housing company has the same share of vulnerable families as the entire municipality. A higher value implies concentration in public housing.

The index is calculated on the municipal level and can be calculated for all types of vulnerable families. The focus here is on immigrant families from poor countries and families living on social benefits. Table 1 gives data for 2005. On average, in 2005 the share of immigrant families from poor countries and families living on social benefit in municipal housing companies was three times their share in the population as a whole. The concentration index was lowest in the metropolitan cities and highest in commuter municipalities, i.e. municipalities in which over 40% of the night-time population commutes to work in another municipality. Since 2002 the values of the index have risen in most type of municipalities - except in metropolitan municipalities, where the values of both fell by 15%. In general, the index for poor countries rose 32% and the index for families on social benefit by 7%. This indicates that the concentration of vulnerable families increased in most types of municipality from 2003 to 2005; the metropolitan municipalities Stockholm, Gothenburg and Malmö were the exception.

The 2002 analysis showed that the concentration indexes increased as the relative size of the municipal housing company fell. Analysis of the 2005 data showed the same pattern.

**Table 1. Concentration index for families from poor countries and families living on social benefit by type of municipality, 2005 (mean)**

Index value			
Type of municipality	Families from poor countries	Families living on social benefit	Number of municipalities
Metropolitan	1.99	2.09	3
Suburban	2.74	3.27	38
Large cities	2.88	2.74	27
Manufacturing	3.22	3.14	40
Commuter	3.34	3.16	41
Other: pop'n > 25,000	3.15	2.87	34
Other: pop'n 12,500-25,000	3.21	2.88	37
Other: pop'n < 12,500	3.22	2.80	31
Sparsely populated	2.84	2.32	39
TOTAL	3.07	2.90	290

*Case study: Segregation in the municipality of Helsingborg*

Even if the concentration index is relatively low, there may still be residential segregation within the municipality and the public housing company, but there can be methodological problems in identifying that hidden segregation. This section attempts to address them.

The academic discussion of segregation/integration has focused largely on how different households live, and in which residential areas. The residential area is of key importance for the household's welfare (Wilson 1987, Friedrich 1996). The dwelling and the surrounding area is the basis for activities of daily life: journeys to work, school and shopping, meetings between people - in short, all the activities that foster integration in a society. It is in these local environments that value systems, expectations for the future and human capital are created.

In this section we analyse the segregation pattern for vulnerable families in Helsingborg, a municipality with low concentration-index values for both families liv-

ing on social benefit and immigrant families from poor countries. With 122,000 inhabitants Helsingborg, located in the south of Sweden, is one of the larger municipalities in the country. About 20% of the total housing stock is public housing, which is similar to the share in other large cities. Helsingborg belongs to the Öresund region and even though it is in Sweden--the greater Copenhagen area.

Around 4% of families in Helsingborg live on social benefit; this is similar to other large municipalities on average. The share of families from poor countries in Helsingborg is 9%, compared to 5% on average for other large municipalities. Nevertheless, the share of these two groups of vulnerable families living in public housing is the same in Helsingborg as in other large municipalities (social benefit 2.5% on average; poor countries 2% on average).

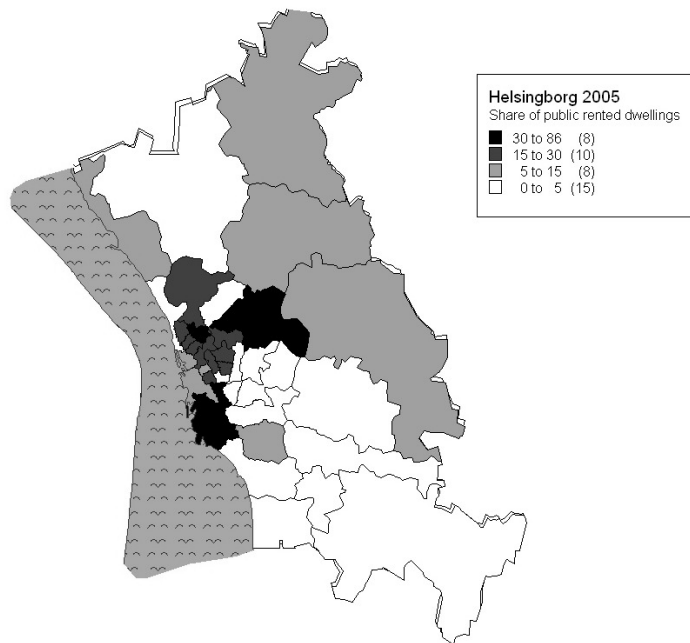
The following analysis is based on residential areas, defined as Small Area Market Statistics (SAMS) areas. Statistics Sweden devised these areas with the intention that a SAMS area should be equivalent to a neighbourhood. Overall there are 41 residential areas in Helsingborg, each with an average of 1500 families. The smallest area, with 400 families, is dominated by owner-occupied housing; the largest area, with 2800 families, is dominated by private rented dwellings and cooperatives. Compared to other municipalities Helsingborg has a large private rented housing sector (32%).

The map below (Map 1) illustrates the proportion of public housing in different residential areas in Helsingborg. That proportion ranges from 1% to 86%. The central and coastal residential areas have a fairly high share of public dwellings. That type of location is highly attractive in Sweden and willingness to pay for cooperative dwellings follows that value.

The share of families from poor countries living in public housing follows a clear pattern: it increases with the share of public dwellings in the residential area. Figure 3 illustrates this. A similar pattern is seen for families on social benefit-see Figure 4.



**Map 1. Share of public housing in different residential areas in Helsingborg 2005**

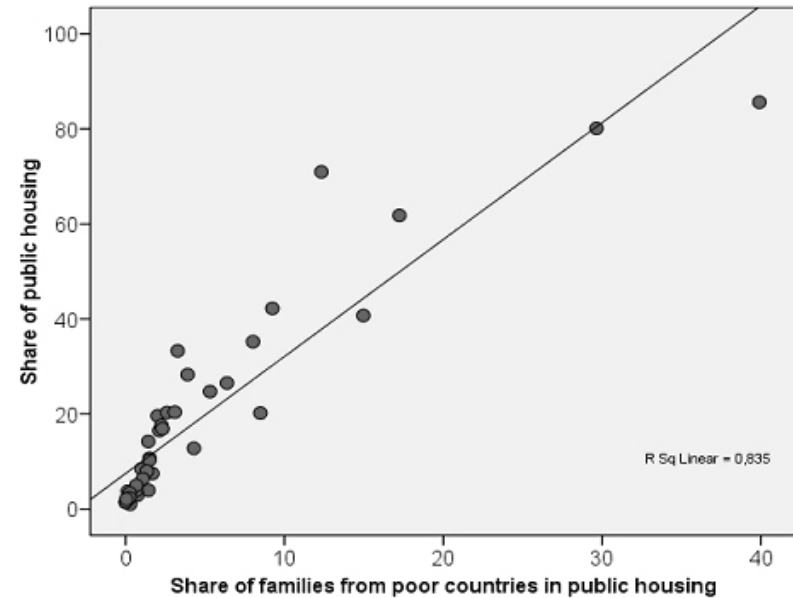


Source: Geosweden 2008

Segregation indices reflect the extent to which a subgroup of the total population is clustered within certain geographical subareas. One of the most commonly employed segregation measures in population research is the index of dissimilarity D (Plane and Rogerson 1994). The D value provides information on the equality or inequality of spatial distribution. At the same time the index is 'aspatial' in that it does not measure the spatial patterns of segregation, just the relative degree of segregation. The index value is the fraction of either of two subgroups' population that would have to be moved to obtain an equal distribution of the subgroups in all areas. If the fractions of majority and minority group populations in each subarea are the same, D equals 0; if there is no commingling of the two demographic subgroups, D equals 1.

Here we want to determine whether vulnerable families are concentrated in the public housing of particular areas, or distributed over a number of subareas. The 48 residential areas in Helsingborg are the subareas; the demographic groups are families

**Figure 3. Share of public housing and families from poor countries in residential areas in Helsingborg 2005**



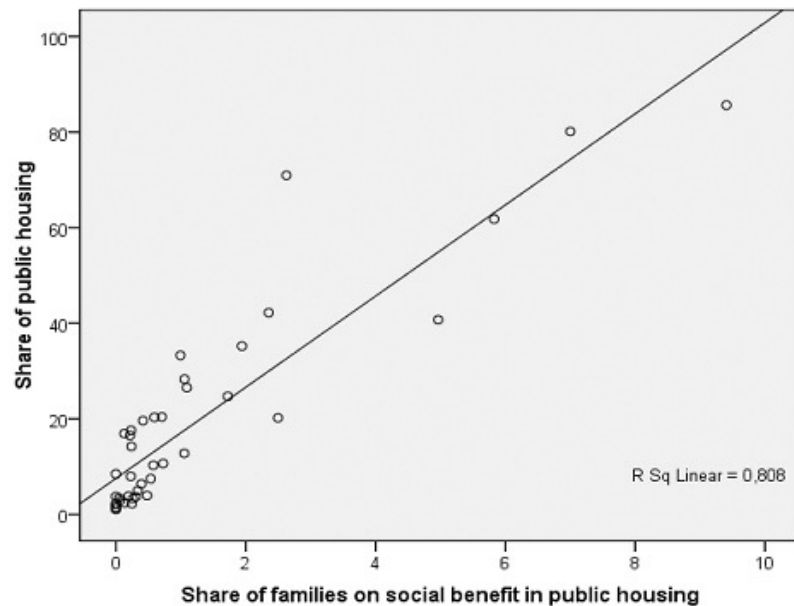
Source: Geosweden 2008

living on social benefit, families not living social benefit, families from poor countries, and families not from poor countries.

About 12,000 families live in Helsingborg's public housing. Of them, only about 700 (6%) live on social benefit, and 2,800 (23%) are from poor countries. The index of dissimilarity D has a value of 0.28 for families on social benefit, and 0.27 for families from poor countries. This means that in both cases, slightly more than a quarter of the total population of one of the subgroup would have to be relocated to other areas to achieve the areawide ratio of 1 family on social benefit to 15 not on social benefit, or 1 family from a poor country to 3 not from poor countries.

The index of dissimilarity D for public housing areas in Helsingborg is modest in relation to that of other cities. Musted, Ostendorf and Breebaart (1998) calculated indices of dissimilarity for six cities in Europe. The highest values were found for nationals versus North Africans in Brussels (0.60) and Manchester (0.50); the lowest values for

**Figure 4. Share of public housing and families on social benefit in residential areas in Helsingborg 2005**



the same groups were found in Frankfurt (0.20) and Düsseldorf (0.25). Andersson and Bråmås (2008) calculated a dissimilarity index at neighbourhood level for 20 different immigrant groups in Stockholm in 2006. They found a vast variation in spatial concentration. The D value for immigrants from Somalia versus nationals was 0.77, compared to 0.19 for immigrants from Finland, Germany and Norway versus nationals.

The concentration index calculated above indicated that vulnerable families in Helsingborg are dispersed. However, the segregation indices' D values modify that image - on a smaller geographical scale, some public housing areas are more social than other and thus also more segregated. These areas are generally public housing built during the 'Million Program' period from 1965 to 1974, when 1 million dwellings were built. Residential areas from that era are generally considered to be less attractive than others, and at higher risk of becoming areas of social housing. This study confirms a well-known residential pattern in Sweden-a pattern that a long tradition of social-mix policy was intended to combat (Bergsten 2008).

## Conclusion

One of the major questions in Sweden now, for both politicians and researchers, is what are the effects of the new housing policy? Apartments can be sold only to sitting tenants and the boards of many municipal housing companies, dominated by liberal/conservative politicians, are eager to sell. In general, tenants in inner-city areas are very interested in buying their apartments, while purchase is less attractive for suburban tenants. For city dwellers, the mortgage payments on a purchased cooperative dwelling could be significantly lower than rent payments. In fact, wealth is being transferred from the public sector to sitting tenants, and the fortunate ones gain significantly.

Unfortunately, this trend will also lead to a fall in the amount of affordable housing in Sweden. At present, private landlords are not interested in producing rented apartments since they are prohibited from charging market rents. Instead, cooperative dwellings dominate in new construction. But the increasing lack of affordable dwellings has extensive effects on social and economic sustainability. In growth regions, the formation of new households, the functioning of the labour market and the long-term conditions for economic growth are affected. A shrinking public housing sector affects the labour market: it makes it hard for households to move between municipalities, and those with low ability to buy cannot gain access to decent apartments.

As this chapter shows, public housing in Sweden is a tenure form for diverse groups, including vulnerable families, but the reduction in the numbers of public dwellings can create more segregation. Indeed, the relative size of the public housing sector will determine how diluted these vulnerable families are. If a relatively large proportion of public housing is sold, the remainder will have a strong social profile. This development is in direct conflict with the welfare state ideal of public housing, but the present government is convinced of its ability to reduce segregation.

## Endnotes

<sup>i</sup>This was part of the project entitled SOCOHO (The Importance of Housing Systems in Safeguarding Social Cohesion in Europe), financed by the EU.

<sup>ii</sup> In Magnusson and Turner (2008) the index was called the Social Responsibility Index; here we have used the term Concentration Index.

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## 15. Social housing privatisation in England

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### Introduction

This paper considers the impact of the sale of council houses under the right to buy in the context of debates about social mix. In particular it includes estate-level analysis that adds evidence related to how far privatisation of public sector and social rented housing addresses the problems of the concentration of deprivation. There is a substantial literature demonstrating and explaining the increased concentration of lower-income households in social housing in the UK and England. At one time this appeared to be untypical of the rest of Europe and the product of a weaker welfare state and more market-oriented housing policy. It is now evident, however, that there is a trend towards residualisation across all European countries that have developed significant public or not-for-profit housing. Britain may have gone further in developing low-income public housing than Sweden, Germany, France, Denmark or the Netherlands, but these countries are all experiencing the same phenomenon: neighbourhoods that were built by the state to house affluent working-class groups or a mix of income groups have become less attractive to middle-income groups and increasingly house a high proportion of lower-income, benefit-dependent or unemployed households, and people who switch between employment and unemployment.

While public and social rented housing is increasingly associated with deprivation, mixed-tenure neighbourhoods are assumed to have a greater mix of incomes, because home ownership is less associated with the lowest income groups. In this situation one possible reaction to the question, 'How do we deal with the problems associated with concentrations of deprivation in areas of public and social rented housing?' is simply to privatise some of the housing. This introduces mixed tenure and solves the problem! However flawed this logic is, and whatever other reasons apply, privatisation of housing is at least partly justified in a number of countries as a way of reducing concentrations of deprivation and introducing greater income mix.

This paper sets out some of the experience in England that enables consideration of whether privatisation achieved through sales to sitting tenants does introduce social mix into neighbourhoods and whether it reduces the tendency towards segregation.

The impact of council housing sales to sitting tenants is partly explained by the framework of policy provided by central government. However, it is not possible to draw conclusions about the impact of policy only by knowing what the policy is. Indeed, some of the mistakes made in Britain grow from an assumption that a national policy (the Right to Buy) has the same impact everywhere. It does not. The impact of the national policy depends upon how it is received by the people it is aimed at and the extent to which sitting tenants choose to exercise their right to purchase the dwelling they live in. It is further affected by how right-to-buy properties are absorbed within the wider housing market and the way in which properties become available to different groups of the population on resale. At this point it becomes evident that the final outcomes are determined at a local and neighbourhood level and through market processes rather than through the devices and regulations produced by central government. Accounts of housing policy, which summarise national legislation and regulations, are not likely to tell us very much because what happens on the ground transforms the regulations and legislation.

A second initial consideration relates to an understanding of the nature of public sector housing. Britain (and other countries) has a highly differentiated public sector housing stock with both very good housing and housing that is not so good. Some of the very good housing is relatively old. It was built between the wars and in the early post-war period - large, well-built traditional houses with gardens with three or more bedrooms, built at low density with very high specifications in terms of amenities and space standards. Other housing is much less attractive, including walk-up flats, medium and high-rise blocks of flats consisting of one or two bedrooms with much less generous space standards and amenity provision. If we overlay on these aspects, differences in dwelling type and size, the standard of housing and estate management and maintenance, differences in the neighbourhood and the wider environment, the location within the city, the sub-regional and regional economic environment, we have estates which are all labelled as 'council estates' but which bring very different connectivities, qualities and life chances to their residents. This paper offers a polarised presentation of good estates or good housing, versus the worst estates or the worst housing. This is done in order to highlight differences but acknowledges that in reality there is a much greater continuum of quality and different dimensions of quality.

Against this background, the rest of this paper sets out some key characteristics of the council housing sector in England and the policy of privatisation associated with the right to buy. It then describes the impact of this policy, referring briefly to different spatial scales, but ultimately focusing on different estates within the city of Birmingham. The original material in the paper refers to these estates and discusses three key issues that emerge from the evidence. The essential argument is that there has been a divergence in the experience of estates, and that the impact of the same policy (the right to buy) on the same part of the housing market (the council housing estate) has been highly differentiated. The impact may have been benign in some cases, but at least in a minority of estates, privatisation will make the problems of the concentration of deprivation and of segregation more pronounced.

### **Privatising social housing in England**

The social rented sector, and the council housing sector in particular, has formed a very large part of housing in England. In 1980 some 31% of the housing stock in England was social rented (compared for example with 34% in the Netherlands at the same time). England was one of the countries with the highest levels of social renting (Scotland had even higher levels). The social rented sector had developed over the previous 60 years particularly in the larger cities, housing more affluent sections of the working class and white-collar workers whilst the poorest sections of the population continued to live in the private rented sector.

The municipal housing sector in England grew largely as a high-quality sector but in some phases of growth the quality of the housing that was built was not so good. This in particular applied during periods of slum clearance re-housing. In these periods the sector also began to house increasing numbers of poorer people. Council housing in Britain moved from being a sector for the affluent working class to a sector housing the poor (see e.g. Mullins and Murie, 2006). This is principally explained by two factors. Firstly, households that were initially housed as families with young children, because this gave them priority in allocation policies, aged in place. As they became older, so their incomes fell and the relatively low state pensions in Britain meant that retired persons living in the council housing sector tended to have low incomes in retirement, even when they previously had relatively high incomes in employment.

The second factor is the changing competition with other tenures. Council housing was initially the replacement tenure for private renting. As the latter declined, especially under the influence of tenure transfers to owner occupation and of slum clearance, the poorest sections of the population who used to look to the private rented

sector for affordable housing found that sector decreasing in size and turned to the council housing sector. At the same time, middle-income groups who previously found council housing an attractive option increasingly looked to owner occupation. As the middle-income groups began to favour owner occupation rather than council housing, the lowest income groups began to favour council housing rather than private renting. So council housing changed from a sector housing new affluent younger households in work to a sector housing a mixture of older, retired households and of younger households who were less prosperous or less likely to be in work.

Other factors speeded up the trend. For example the right to buy enabled tenants who wanted to stay in the house that they lived in to transfer from the council sector to the owner-occupied sector without moving. Some accounts of residualisation emphasise allocation policies and the increased formal priority given to homeless persons in allocation policies after 1976. But by the time homelessness became important, the preferences of the middle-income groups were already established as preferences for home ownership. The proportion of households housed from the waiting lists increased in the 1970s compared with the earlier period when slum clearance was at its height. So while local authorities began to house more homeless households, they were also housing more people from the general waiting list in direct contradiction to what is asserted in some influential accounts (see e.g. Hills 2007).

The council housing sector in 1980, at the time that the right to buy was introduced, was a large but differentiated sector. There was a much greater concentration in larger urban areas and in some regions. There was also a differentiation within these cities and regions depending upon the dominant types of council housing built. Some cities had a very large proportion of poorer quality housing while others had very little high-rise or flatted accommodation. It is also important to recognise that there were discretionary sales of council houses before 1980. Some local authorities consistently refused to sell under these discretionary policies but others were very enthusiastic sellers and these were not only or always Conservative-controlled local authorities (Murie, 1976; Jones and Murie, 2006).

The right to buy did not operate in isolation. It was introduced following the election of the Conservative government in England in 1979. Alongside it, were financial and other encouragements for people to access home ownership, including tax relief. There were also policies that made social renting less attractive (increased rents, restrictions on new building and on expenditure on management and maintenance). These meant that the gap between the attractiveness of council housing and that of other tenures became greater. The objectives of the right to buy were not principally

about social mix. The policy was a populist electoral gambit building on the attractiveness of home ownership (Jones and Murie, 2006).

It is possible that ideas of social mix were minor additional considerations in the introduction of the right-to-buy policy, but it would be wrong to over-emphasise this as a key intention. The right to buy required local authorities to sell properties to qualifying sitting tenants who applied and who were able to exercise the right. Sitting tenants were entitled to buy the house that they occupied as long as they had been tenants for a minimum (initially) of three years. They could purchase at discounts of up to 50% of market value (initially) and would be able to sell the dwelling on the market after five years without incurring any penalty. The details of eligibility, discount, purchase price and repayment all changed over the next 20 years. However, discounts remained significant and substantial right through until 1998 when new maximum discounts were introduced - and even then they were generous. It is only after 2005 that the attractiveness of the right to buy began to be eroded. Details of these policies can be obtained elsewhere (Jones and Murie, 2006).

### **The impact of the right to buy**

The immediate impact of the right to buy is evident from statistics that show national and regional patterns of sale. Between 1979 and 2004 there were 1,658,769 right-to-buy sales in England – representing almost 1 out of every 3 properties in the stock. (Jones and Murie, 2006; 60). The same policy produced different impacts in different regions and sub-regions, with the highest levels of sales in the eastern region (35%) and the lowest in Yorkshire and Humberside (below 25%). There are a group of local authorities that by 2005/6 had sold well in excess of 40% of their stock. There are others that had sold less than 30% of their stock. The highest selling authorities were outside the big industrial cities and London. Large scale voluntary transfers after 1986 complicate the pattern, but all the evidence demonstrates that the same policy varied in its impact over time and place. The variations related to differences in housing stock and housing-market considerations, but also in local and regional economic performance. They were affected by policy changes in housing but also by the buoyancy of the local economy and housing market.

There is much less analysis of what happened at an estate or neighbourhood level. To fill the gap, this paper refers to new evidence for Birmingham. It is important to emphasise that the data used is either from the population census or from local-authority sources. It is not without problems and the material is presented more to

raise questions than to provide definitive answers. However, it provides a clear picture that is consistent with other evidence related to the right to buy.

Birmingham is a good city in which to carry out this research; it was and is the largest local authority and landlord in England. It had a stock of some 68,000 properties in 2006 and it had sold 41,903 dwellings between 1979/80 and 2005/6. A further 13,510 dwellings had also been sold between 1945 and 1979/80 and some additional properties were sold in the inter-war period. So it is a very large landlord with a very varied housing stock and a very high level of sales of properties. Sales of properties included 5,839 flats and the differential rate of sale between different property types can also be identified. It is also important to recognise the context of Birmingham, as a large manufacturing city undergoing economic restructuring and with a large black and minority ethnic population (some 30% of the population in 2001).

The work carried out for this paper initially involved identifying (from a local authority database) the properties that had been sold by the local authority. It also involved referring to the existing research on the right to buy in Birmingham (Murie, 1976; Forrest and Murie, 1976; Forrest and Murie, 1990a; 1990b; Jones and Murie, 1999). The early research on council-house sales in Birmingham showed the purchasers of council housing as disproportionately middle aged and middle income. They had longer periods of tenancy as council tenants, reflecting their age, and they had often transferred to the better properties in the stock. Both because of who was living in them and because of what the properties were, it was the better properties that were sold - the properties in more attractive estates. Fewer sales were located in flatted estates. Over time the purchasers had become somewhat younger, partly because the middle-aged cohort of tenants had disproportionately exercised the right to buy and partly because of changes in discount entitlements in the housing market. Discounts had increased with changes in legislation but subsequently began to fall with younger purchasers and with lower maximum discounts.

### **Social mix**

The initial question that is critical to this paper is: 'What was the immediate impact of the right to buy on social mix?' In discussing this we need to distinguish between what is most usually referred to as the tenure level, and what is less often referred to as the neighbourhood level. At the tenure level within the social rented sector, the impact of the right to buy was to contribute to the established trend towards the residualisation of council housing and social rented housing. Middle and higher income groups and middle-aged groups were disproportionately likely to buy their homes and the

tenure therefore became more uniformly of lower income and either a very young or a very old population.

The more important question is: 'What was the impact at a neighbourhood level?' and the answer to this can be much clearer. The right to buy had no immediate impact at a neighbourhood level. Tenants who bought were sitting tenants and they bought the property they already lived in. They changed their tenure label but there was no change in who lived in the house. Most tenants bought because they liked the house that they were living in. They did not buy speculatively and the evidence suggests that very few moved, even when they would not incur a penalty (initially after five years). If they had been tempted to move earlier they would have incurred a penalty but very few did so. It is possible that some potential leavers (people who would have left the estate in order to buy) stayed because they could now become a home owner without leaving; but the likelihood is that this effect was relatively small. At one level then it is reasonable to conclude that the short-term impact of the right to buy on social mix and on the profile of neighbourhoods was zero. It made no difference whatsoever and there was no adverse consequence.

The next question that arises is more important: What happens to social mix when properties are resold on the market? All of the properties sold under the right to buy will, in the course of time, be resold. Some will be resold earlier because tenants decide to move – perhaps to retire to the seaside, to go and live with family or to trade up in the market. Some owners may see out the rest of their lives in the house that they bought under the right to buy, but at some point the property will be resold. At that point the allocation process is no longer a bureaucratic one. It is no longer the local authority that decides who becomes the next tenant, but a market process that determines who becomes the next owner and occupier.

The evidence from other studies shows that the impact of the right to buy on resale varies according to the type of property involved and according to the market within which it is located. In some cases the households that access the property through the market are very similar to those that would have done if the property were still in the social rented sector. In other cases the households are different: they are less likely to be families with children and they are more likely to have higher incomes. In these cases there could be some argument that there is an element of gentrification: that working-class family houses are bought by middle-class professional couples.

It may be argued that in all areas there is likely to be higher turnover and more young and employed households than would apply if the dwellings had been allocated

through the local authority. More of those who buy on the open market will move on if and when their financial circumstances improve. If they had been allocated houses as council tenants they would be less likely to move on within the council sector if their circumstances improved, and they would not have the resources to access better housing within the private market. Having said this, in lower priced areas there are less likely to be significant numbers of higher-income gentrifiers and the purchasers of properties are more likely to be manual workers and self-employed workers, perhaps with families. In the high-house-price market, purchasers are more likely to be young professionals with two earners and the estates become gentrified. The final possibility applies to a relatively small part of the market, to flats and leasehold properties, which in some cases have proved unsaleable or unsaleable at a price that would give the vendor the chance of moving to a better home. These properties are more likely to prove difficult to sell or to be sold at very low prices.

The initial conclusions are then that the variations in sales at neighbourhood level reflect the popularity of properties and the preferences of tenants. High rates of sale to sitting tenants are experienced in the best areas where the most affluent long-standing tenants lived. This further residualises the least popular estates because the applicants for council housing have fewer opportunities to move to the better estates. However, at this stage it is less clear what happens on resale, although it is likely that the divergence in populations relates to the differences between the best and the worst estates, depending on the market context.

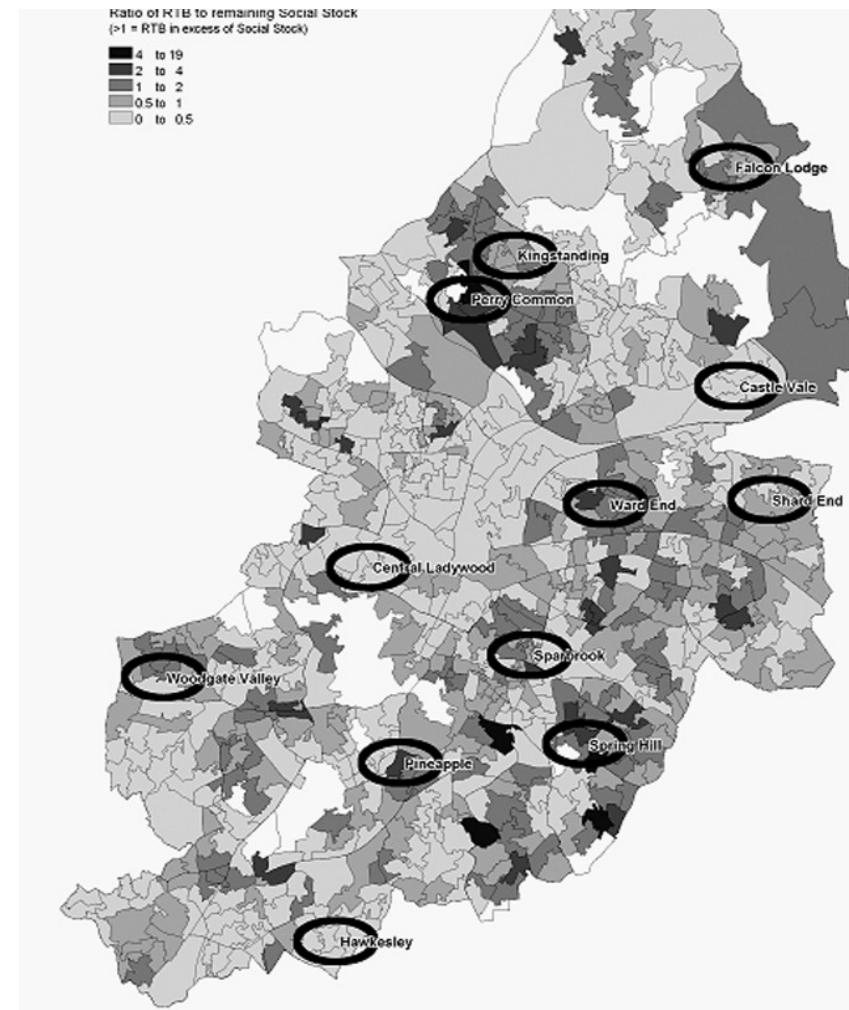
### Estate-level analysis

The story can be taken further by looking at twelve estates in Birmingham through the lens of the 1981 and 2001 censuses of population (Figure 1). We have selected estates which date from different phases of council-house building and have different qualities and types of council housing within them. So we have:

- four less attractive estates built in the 1960s, almost uniformly containing council accommodation and with a very high proportion of flats;
- four estates built earlier in the post-war period, with a lower proportion of flats and a higher proportion of houses with gardens;
- four estates of houses built in the inter-war period in more mixed areas.

The analysis compares the profiles of these twelve estates in 1981 at the outset of the right to buy, and in 2001 after twenty years of the right to buy (Table 1). We have

Figure 1. Right to Buy Sales and remaining council stock 2001





**Table 1. Change in the share of social rented housing: Birmingham 1981-2001**

	Social Housing 1981 %	Social Housing 2001 %	Difference
<i>Large 1960s estates</i>			
Ladywood	96	69	-27
Hawkesley	86	57	-29
Woodgate Valley	81	54	-27
Castle Vale	80	50	-30
<i>Large earlier post-war and inter war estates</i>			
Shard End	79	45	-32
Kingstanding	77	45	-34
Falcon Lodge	64	33	-31
Pineapple	47	33	-14
<i>Council housing in mixed areas</i>			
Sparkbrook	44	36	-8
Ward End	43	30	-13
Perry Common	39	22	-17
Spring Road	27	17	-10
<b>Estates</b>	<b>61</b>	<b>39</b>	<b>-22</b>
<b>Birmingham</b>	<b>39</b>	<b>28</b>	<b>-11</b>

checked whether the numbers of properties in these estates is dramatically different between the two time periods and whether the picture of change is distorted by the growth in the number of properties. Two estates (Castle Vale and Perry Common) have experienced demolition and new building and although we have included them

in the analysis for the full picture to be presented, less attention is given to these two estates. This paper focuses on three dimensions outlined earlier.

### Leakage to private renting

The language of the right to buy was about introducing a mix of home ownership into council estates. It was about meeting the desire to own and providing opportunities for home ownership. The policy itself did that: it enabled people to buy the property they lived in. However, by 2001 each of the twelve estates had very considerable amounts of privately rented property (Table 2). In some of the estates this could have involved the transfer of other properties, rather than the right-to-buy properties, into private renting. However, at least some portion of the growth of private renting is attributable to transfers of right-to-buy properties into that sector. The extreme case in our data is Ladywood, where the decline in the social rented sector was 27 percentage points but where the private rented sector had grown by 43%. There is no other possible source of the growth of private renting other than from the stock that had been sold through the right to buy.

While the initial sales of council properties were to sitting tenants, and generated growth in home ownership, subsequent sales did not retain all of those properties within the home ownership sector and did not sustain the growth of home ownership. Indeed, in these estates home ownership declined. Some properties became privately rented, the pattern of ownership and the rights of tenants changed in a way that was not anticipated by policy makers. Rather than creating mixed social-rented/home ownership estates, what has been created is mixed social-rented/private-rented or social-rented/private-rented/home ownership estates.

This is an important difference for two reasons: firstly it is not the stated intention of the policy. It means that one generation benefited through a transfer to home ownership but that those properties do not remain in the sector and may not continue to provide opportunities for home ownership. Perhaps more importantly, it means that the estates themselves have a fragmented pattern of rental ownership, that tenants living within the estates have different rights, and that the dynamics of the estate and the problems of managing the estate become very different. There are some extreme stories that can be constructed in this. For example we know that the least desirable properties for home owners may be flats within high-rise blocks, and partly because of this, their prices tend to be lower. They become attractive targets for private landlords who buy the properties and may sub-divide them by converting them into three bedsits with shared use of a toilet and a kitchen. So a two bedroom flat with a living

**Table 2. Private Housing in Birmingham: Changes 1981-2001**

	Net Change 1981-2001				PRS growth as % of All private growth
	Stock	Owner Occupied	All Social	Private Rented (PRS)	
<i>Large 1960s estates</i>					
Ladywood	18	327	-558	249	43.2%
Hawkesley	-22	768	-1039	249	24.5%
Woodgate Valley	0	601	-842	241	28.6%
Castle Vale	-836	777	-1,830	217	21.8%
<i>Large earlier post-war and inter war estates</i>					
Shard End	-76	383	-591	132	25.6%
Kingstanding	120	1355	-1642	407	23.1%
Falcon Lodge	137	545	-515	107	16.4%
Pineapple	3	67	-93	30	30.9%
<i>Council housing in mixed areas</i>					
Sparkbrook	144	222	-228	151	40.5%
Ward End	94	519	-642	216	29.4%
Perry Common	-253	833	-1423	337	28.8%
Spring Road	162	374	-360	148	28.4%
<b>All Estates</b>	<b>-524</b>	<b>6445</b>	<b>-9573</b>	<b>2474</b>	<b>27.7%</b>
<b>Birmingham</b>	<b>34,042</b>	<b>48,446</b>	<b>-29,585</b>	<b>15,181</b>	<b>23.9%</b>

room becomes three bedsits, generating three rent payments. The use of the flat, the noise associated with comings and goings, the amount of activity affecting neighbours will be very different than was intended in the design of these properties. The management problems, rather than becoming less are likely to become greater.

The contention in this paper is that this kind of phenomenon is most likely to occur in the least desirable estates. In the worst estates we are more likely to see the emergence of much higher levels of private renting alongside social renting. It is reasonable to hypothesise that as the resale process works through, over a period of thirty or more years, the worst estates may see the decline of home ownership down to a very low or even zero level. This will partly be because the higher the concentration of private tenants and social rented tenants in an area, the less attractive it becomes to home owners. The scenario then is that the worst estates will revert back to rented estates while the best estates will remain mixed tenure, but the mixed tenure will include private renting as well as social renting. The differences in tenure mix will not be associated with the rate of privatisation or the initial tenure structure but are more likely to relate to the initial attributes of the estate, whether it is popular and attractive to live in or not, and the nature of the market that exists in the area: whether there is high demand for properties from owner occupiers or whether that demand is met and can be met elsewhere.

### Ethnicity

The second issue we addressed relates to ethnicity. Is there more ethnic mix following privatisation? The old history of council housing in Birmingham was that ethnic minority households were largely excluded. Black and minority ethnic groups were disadvantaged in gaining access to the tenure because of residential qualifications and a variety of other allocation policies and practices. However, over time that situation has changed. Policies and practices have changed; problems of allocation and application have changed. The emerging pattern is one of segregation between estates rather than exclusion from the tenure. There are some estates in the city that have very high proportions of black and minority ethnic households in them and some that have very small proportions. Some of the twelve estates included in this study are predominantly white and some house much higher numbers of ethnic minority households.

How has this been affected after twenty years of the right to buy? If we take the estates as a whole they show a pattern very similar to that of the city as a whole, so the twelve estates added together show a growth in BME households, reflecting the growth in the city as a whole (Table 3). In considering patterns of change in ethnic mix in the 12 estates we refer to census data for 1991 and 2001. (The wording of the question in the 1981 census referred to the respondent's country of birth, not what they considered their ethnic origin to be.)

**Table 3: Ethnic change in Birmingham estates 1991-2001**

Estate	1991 White %	2001 White %	Difference
Birmingham	78	70	-8
<i>Large 1960s estates</i>			
Ladywood	68	55	-13
Hawkesley	94	91	-3
Woodgate Valley	94	89	-5
Castle Vale	95	92	-3
<i>Large earlier post-war and inter war estates</i>			
Shard End	95	90	-5
Kingstanding	94	91	-3
Falcon Lodge	98	96	-2
Pineapple	91	91	0
<i>Council housing in mixed areas</i>			
Sparkbrook	24	14	-10
Ward End	69	48	-21
Perry Common	92	87	-5
Spring Road	76	61	-15
All Estates	81	71	-10

The non-white population of the city as a whole grew by 8 percentage points between 1991 and 2001. One estate, Pineapple, had insulated itself from these changes and showed exactly the same proportion of white households in 1991 as in 2001. Six other estates showed a lower rate of decline of the white population than the city as a whole: these were the estates that already had the highest white populations. The four estates with a much higher rate of growth of non-white households were those which already had higher non-white populations. These data fit with a polarisation or

segregation thesis. They also fit with a view that the effect of privatisation in these areas has not introduced greater mix or reduced the trend to segregation.

Overall the evidence suggests that different tenures located in the same estates develop similar ethnic profiles and reflect common drivers and patterns of demand. While the different policy and access processes at work do not generate opposite outcomes, there is some limited difference in outcome. The evidence suggests that following privatisation the polarisation between the estates runs a little bit more rapidly than it would have done otherwise. However, it is important to stress that this is not a dramatic difference because, whether or not privatisation had taken place, polarisation tends to occur. The impact of the social rented sector was to moderate that process in some estates but not to prevent it.

#### *Property values*

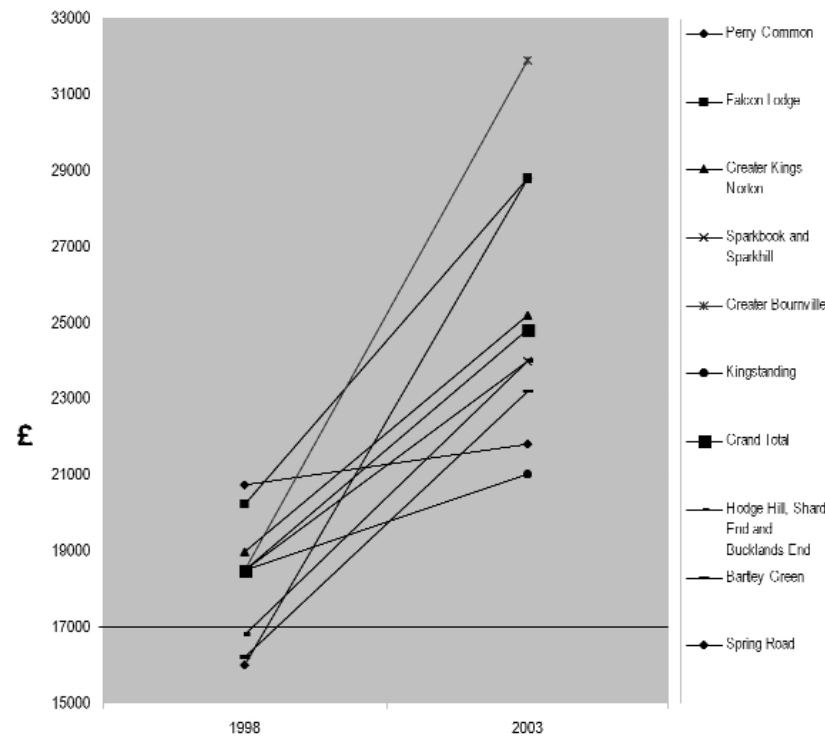
Both the evidence about leakage to the private rented sector and about ethnicity is a picture of differential patterns. It is not the same pattern affecting all estates. The final category of evidence we look at relates to property values. We have drawn on data on the sale prices of properties in the estates in the year concerned. We can be certain that it relates to council properties and is largely unaffected by particular features of individual dwellings such as improvements or extensions. The values are net of discount, so the trend is of interest rather than actual values. Although there will be differences in discounts and property sizes in each year there is no reason to expect these to be sufficient to distort the results significantly.

The evidence shows that sale prices of council properties in the twelve estates in Birmingham have diverged over time (Figure 2). The data understates actual prices but demonstrates divergence. The estates studied have different property types and sizes. They also exist in higher and lower priced segments of the market within the city of Birmingham, and the most obvious explanation of the emerging pattern is that the estates begin to be absorbed in the adjacent market. If the estate is next to a low-value area, the appreciation in values is much less than where adjacent areas are relatively high value.

#### **Conclusions**

This paper has presented an account of the operation of the right to buy in England and its differential take-up by sitting tenants at estate level. The evidence presented is not perfect and should be treated with some caution, however the direction of the argument is consistent with other evidence and we are confident that the broad indi-

**Figure 2: Council dwelling valuations 1998 and 2003**



valuations of this analysis are robust. Although the process of resale of properties following their initial privatisation through the right to buy has not yet fully worked through, the evidence provides a basis for assertive hypotheses about the eventual longer term outcome.

We can summarise the conclusions from this. Firstly, privatisation does not immediately change the position of estates but changes their dynamics in the longer term. It does not mean that estates that were unpopular become popular or estates that were extremely popular to live in become unpopular. Over the longer term this hierarchical difference will be associated with different property values and there is likely to be a divergence of property values. The estates are exposed to processes that are likely to speed differentiation and segregation. They are also exposed to processes,

which are likely to expose them to the growth of private renting and the different dynamics associated with that sector.

The most important conclusion emerging from this relates to the worst estates. Privatisation through the right to buy will rarely revitalise the least attractive estates or increase diversity and it will make the regeneration of these estates more difficult.

The second conclusion involves stepping back from this immediate policy debate and relates to how we perceive the social rented sector. It suggests that rather than portraying the social rented sector as a rationed sector, driven by a completely different decision-making framework to the market, we should think of it as operating within a market and with internal processes similar to the market. The hierarchy of quality and choice within the social rented sector is essentially the same as the hierarchy of quality and choice in the market. While price may be added in the market, the price will reflect the hierarchy that existed within the social rented sector. And within the social rented sector the bargaining power of individuals or the negotiating capacity within choice-based letting schemes affects who gets what. Whether or not the estates are in the social rented sector or the private sector, there is a differentiation between them. The poorest households move to the poorest estates and the most affluent to the most affluent estates. The differentiation between social rented estates carries over into market difference.

In this sense we would be wise to argue that privatisation will not break the continuity of the historical position of these estates within the housing market hierarchy of the city. The worst estates will remain the worst estates and the issues associated with those will re-emerge within the market. The more worrying thing is that within the market some of the differentiation between estates is uncontrolled and some of the moderating influences, especially on the worse estates, are taken away. So the tendency for polarisation between estates in terms of their social profile, their ethnic profile, or how attractive they are to live in, will actually become greater. Housing choice is less managed within the market. Without the social rented sector lettings distorting the market, housing is wholly commodified and solely reflects choice and ability to pay. The investment in property within the market will also relate purely to market position, so estates with more affluent households and with better prospects of achieving a higher sale price are likely to be better maintained and to attract more investment. Within the social rented sector, that would not always be the case. Investments in maintenance and repair and refurbishment would be more likely to be politically controlled or on some planned maintenance cycle. Turnover and turbulence will reflect the role in the market and again, without the bureaucratic processes associated with

the social rented sector, the instability of the worst estates is likely to get worse rather than better. Finally, within the market there will be a weaker direct management of the neighbourhood. The fragmented ownership of property will mean that however poorly the local authority or housing association previously managed the neighbourhood, now there is no landlord responsible for managing the neighbourhood as a whole.

These differences are significant. They will not generate change everywhere but they are likely to result in divergent trajectories for estates and to mean that the worst estates do not improve. It is important to emphasise that these conclusions are most problematic in relation to the worst estates. The questions raised about the advisability of the policy are greatest for these. At a neighbourhood level it is perfectly reasonable to argue that the best estates will become better. They may have a greater mix of households, there may be more investment in them. The downside of this is not at a neighbourhood level, but in the consequences for the households who are now no longer to access these estates unless they have higher incomes. We need to distinguish in this between debates about social mix and neighbourhood dynamics and those about opportunities for individual households. This paper is not denying that the privatisation of the better estates has adverse consequences on the opportunities of lower income households; it is merely saying that we cannot establish adverse neighbourhood effects in these estates but we can identify them for the worst estates.

Stepping back one step further still, the evidence presented in this paper shows that housing tenure interacts with economic, demographic and social factors to shape social mix. Privatisation itself neither creates nor preserves social mix but works in combination with other influences. There is an important conclusion, however: that social-mix strategies based on manipulating housing tenure are unreliable. If this is true in the context discussed in this paper it is equally likely to be true elsewhere. Building private housing on new council or housing association estates will not necessarily mean that a mix of income groups emerges. Some of the private housing may become privately rented and be occupied by very different households. In some market contexts the consequences will be very different than in others. We cannot read off from some initial tenure categorisation a certain pattern of social mix.

Finally, the problems associated with the least attractive estates are not addressed by the sale of individual dwellings. They require policies to address regeneration, neighbourhood dynamics and management. The logic of this account is that it is better to start by looking at the problems on the worst estates and develop a strategy for these estates. The consequences of privatisation are affected by re-investment and if the resources released through privatisation were re-invested, especially in the worst

estates, it is conceivable that privatisation could provide a mechanism which would help set off a process that would improve more estates and have positive outcomes. One of the problems with the right-to-buy policy in Britain is that this opportunity was missed. National policy should enable locally sensitive policies to develop, rather than impose a common policy and trust that it will not produce locally damaging effects.

## Endnote

<sup>1</sup>The detailed analysis of data for Birmingham was carried out with Rob Rowlands and Andy Tice at CURS, University of Birmingham

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## 16. The impact of EU rules on the definition of social housing

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### Introduction

This chapter discusses one aspect of the influence of European Union law on the housing sector in Europe: its impact on the definition of social housing. Housing is not a EU competence, which is logical since the original objectives of the European Union were to maintain peace and develop the economy. But important changes have occurred since the EU was founded, and the housing sector is now directly or indirectly affected by EU rules.

There have been two parallel developments. On the one hand, EU law is affecting the social housing sector, although this was not the intention in the beginning; on the other hand, housing issues are influencing EU law.

Having become aware of the opportunities opened by EU regulation, the various actors in the housing sector – builders as well as social housing providers – are trying to influence or even force decisions. Worried about diminishing state finance, the housing sector has realised that European recognition of the specific mission of social housing would guarantee not only a minimum level of state finance also the stability the sector requires.

EU member states as well as European institutions have also come to the conclusion that housing is a very important aspect of the social exclusion process, and it is now taken into account within the Open Method of Coordination (a formalised method of European policy co-ordination). It seems, then, that there is a growing consensus that the EU should be involved in the social housing sector. In a market based on competition law, what would legitimise EU intervention in this area, and what EU mechanisms could make the future of the social housing sector secure?

### *Early EC intervention in social housing*

The goal of the European Community of the 1960s was to prevent wars by encouraging the exchange of goods, services, money and people. It was soon clear that if peo-

ple were to move, they needed houses to live in. Regulation 1612/68 thus ensured the mobility of the labour force within the Community by requiring the elimination of any discrimination based on nationality as regards employment, remuneration and other working conditions, access to accommodation, and the worker's right to be joined by his family. Equal treatment between people also covered access to social housing.

Article 9, Regulation 1612/68, October 15th, 1968, states:

*1. A worker who is a national of a Member State and who is employed in the territory of another Member State shall enjoy all the rights and benefits accorded to national workers in matters of housing, including ownership of the housing he needs.*

*2. Such worker may, with the same right as nationals, put his name down on the housing lists in the region in which he is employed, where such lists exist; he shall enjoy the resultant benefits and priorities.<sup>1</sup>*

This position was confirmed by a European Court of Justice decision prohibiting member state members from limiting access to rented social housing to their own<sup>ii</sup>.

In housing more than in any other field, EU law is still under construction. Because of this, member states are forced to examine their own housing policies, and in particular to elaborate their definitions of social housing. There is no common definition of social housing and national conceptions can be very different — for instance, in Germany a dwelling qualifies as social only during the period in which its owner receives a government subsidy. After 30 or 40 years the dwelling is no longer 'social'. Social housing is therefore less stigmatised because less visible, but the amount of such housing could fall drastically if new construction were to stop.

In France there was no debate on the definition of social housing before 1998. Social dwellings were those built and/or managed by the social housing organisations (Habitation à loyer modéré, or HLMs). The only criteria for access to the sector was that household income had to be below a certain ceiling; some 70% of the French population was eligible. But the sector has had to distinguish itself clearly from the private sector in order to justify the important (mainly financial) privileges it receives.

The French social housing sector is also grappling with the issue of social home ownership and what counts as social housing. A law passed in 2000 (Loi du 13 décembre 2000 relative à la solidarité et au renouvellement urbain) imposed a quota of 20%

social housing on local authorities. They would like to be able to include socially-assisted home ownership towards meeting this quota. At the moment this is not permitted, but a law being prepared might change this and allow certain social home-ownership programmes to be included.

Twenty years ago, there was no question of a European definition of social housing. Today there are several, sketched by various directorates of the European Commission when faced with the need to use a common language. This need for a common definition first became evident during the debates on VAT (see section 1, below), then those on state aid (section 2), the services directive (section 3) and the structural fund (section 4). Housing has even been discussed as a fundamental right.

### Housing and the EU debate on VAT

Since 1958 the European Commission has wanted to complete the internal market<sup>iii</sup> by harmonising the different rates for reduced value-added tax (VAT) (European Commission, 1985). The Sixth Directive on VAT authorises reduced rates for housing 'as part of a social policy' (European Economic Council, 1992)<sup>iv</sup>, but these reduced rates differ from one state to the other (ranging from 0% in the United Kingdom to 25% in Sweden, with total exoneration in Maltav) (Ghekier, 2007).

The European Commission has decided to be particularly flexible on the issue of reduced VAT for housing; it is for each member state to define what housing 'as part of a social policy' is<sup>v</sup>. The Commission has even accepted the wide definition adopted by the Czech Republic, which for the purposes of VAT classifies as social any apartment with a floor area under 120 m<sup>2</sup> and any house under 350 m<sup>2</sup>.

On 8 July 2008, the European Commission suggested changing VAT Directive 2006/112/EC so as to provide member states with the flexibility to apply reduced VAT rates for certain specific services on a permanent basis. In the housing sector, reduced VAT would no longer be limited to services linked to a social policy, but could also apply to the supply and construction of all housing, as well as all services related to the housing sector (including renovation, maintenance, cleaning, etc.).

Although the issue of defining social housing may no longer be linked to VAT, it is still relevant to other areas of EU law such as the directive on state aid.

### State aid: social housing as a social service of general interest

Three important issues concerning social housing emerged at about the same time in different directorates of the Commission. These were the issue of the obligation of



member states to notify the EU of state aid, the directive on services in the internal market (see section 3) and the question of the specificity of social services of general interest. All three led to the recognition that social housing is a social service of general interest. The Commission had no deliberate intention of interfering in the housing sphere, but the implementation of EU rules raised some very tricky questions that required political resolution. The question of who defines social housing and who controls this definition remains.

All companies based within the EU that carry out economic activity are subject to competition law. Article 87 of the EU Treaty prohibits state aids that distort competition, unless the help is granted in exchange for a public-service activity (non-profit making bodies). In most EU countries, social housing providers had a social mission but were not necessarily non-profit making bodies and were therefore subject to competition law. This implied that member states would have to notify the Commission of all state aid to social housing bodies, or strictly respect the four criteria imposed by the European Court of Justice in what is known as the Altmark case.<sup>vii</sup> The criteria were that the recipient of the aid must be made responsible for performing a clearly defined public service; that there should be objective criteria for calculating compensation; that the level of compensation should not be excessive; and that it should be in line with what well-run firms in the field would charge. If they did not, the risk was that the aid would have to be repaid if there were a complaint.

The social housing sector protested strongly, and a Commission decision<sup>viii</sup> subsequently absolved governments from notifying aid to 'social housing undertakings that carry out activities involving services of general economic interest'. The social housing sector saw this as an important achievement, in that social housing was recognised by the European institutions as a service of social interest. In its decision the Commission defined social housing in terms of the people it housed, stating that member states did not have to notify aid to bodies 'providing housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market conditions'<sup>ix</sup> (Editor's note: should read 'solvency constraints'; error is present in original EU translation.) The wording of the decision, in its description of eligible residents, is very broad; the target group for social housing is not limited to the very poor.

It is unclear from the decision why aid to social housing was exempted from the notification requirements. Was it because of the non-commercial nature of the activity, because of the nature of the providers (particular organisations or management struc-

tures), or did it depend on the identity of the consumers of the service ('disadvantaged citizens or socially less advantaged groups', as the decision put it)?

#### *Social services of general interest*

Partly in response to the issue of state aid notification, and also because the modernisation of services of general economic interest had been under discussion for several years, the European Commission in April 2006 adopted a communication explicitly stating that social housing was a social service of general interest<sup>x</sup>. It also said member states were 'free to define what they mean by services of general economic interest, or in particular by social services of general interest'<sup>xi</sup>. But the general interest obligations and missions of these services were to be defined at national level, and had to comply with Community rules.

The communication states that social housing provides 'housing for disadvantaged citizens or socially less advantaged groups', but makes no mention of the market conditions as to the decision on state aid. This suggests that the Commission may view social services of general interest, including social housing, as fundamental rights, which are safeguarded in the introduction of the Commission's decision and in the 2001 Charter on Fundamental Rights<sup>xii</sup>.

There was an important debate within the Commission about whether it was necessary to have a directive specifically on social services of general interest, as opposed to a directive on services of general economic interest. After the adoption of the protocol on services of general economic interest, annexed to the Lisbon Treaty in 2007, which recognises 'the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users', the Commission considered that a directive on social services of general interest was no longer necessary. Many social housing organisations disagree.

#### **The services directive and social housing**

The services directive, adopted in December 2006 as part of the effort to establish a real internal market in the EU, aimed to facilitate the free flow of services by forbidding legal and administrative barriers limiting the development of these activities. Such measures could also have affected organisation of the social housing sector.

After strong lobbying from social housing representatives, and with the support of the European Parliament, 'social services related to social housing' were excluded from

the scope of the directive<sup>xiii</sup>. However, in order to profit from this exemption social housing providers had to be 'mandated by the state'; this is not the case in most countries. In France there is no clear state mandate for many associations (including insertion associations) and charity organisations working in the field of housing, and no precise definition of social housing as such. However, French legislation gives HLMS a specific mission of general interest<sup>xiv</sup>.

The directive is now in the process of being implemented in several countries.

### The ambiguous position of the European Commission

At first glance the position of the European Commission does seem a little ambiguous. On the one hand, in conformity with the protocol on social services of general interest annexed to the Lisbon Treaty, it acknowledges that the definition of services of general interest, and thus of social housing, is a matter for member states. In the case of VAT, for instance, the Commission has indeed accepted the very wide definitions used by certain member states. But on the other hand, the Commission has defined social housing in several decisions and is controlling state aid on the grounds of the 'manifest errors of assessment' and is ready to challenge them before the European Court of Justice.

Member states are exempted from notifying the Commission of state aid decisions in the case of 'undertakings in charge of social housing providing housing for disadvantaged citizens or socially less advantaged groups, which due to (solvency) constraints are unable to obtain housing at market conditions'<sup>xv</sup>. This formulation seems to imply that social housing must be provided where and when market forces have failed to produce houses for all. Moreover this definition also excludes those who cannot find a dwelling for non-financial reasons such as handicap or racial discrimination.

This approach to social housing is however in contradiction with the social housing organisation of certain countries such as the Netherlands or Sweden, where there is a tradition for providing social housing for all income groups. In 2005, the Commission told the Dutch government in response to a state aid notification that 'the possibility of renting dwellings to groups with higher incomes or to companies must be considered as a manifest error of assessment of general interest'<sup>xvi</sup>. Indeed, the Commission considered that 'the general interest has a social aspect; the activities of housing cooperatives must therefore maintain a direct link with the socially most vulnerable households...'<sup>xvii</sup> It concluded that the Netherlands should not have more social housing than was needed to house the most vulnerable, and that any extra

social housing must be sold<sup>xviii</sup>. The Netherlands and Sweden plan to challenge this decision, and are currently in a pre-litigation phase.

### Conclusion

Housing is not an EU competence, but EU laws and regulations have developed in such a way that they now affect the social housing sector. Member states are obliged to explain and specify their own notions of social housing not only at European but also at national level.

For the European Community institutions, the fact that the social housing sector existed was not in itself evidence that it was necessary. Their assumption was that, in a market-driven society, supply and demand would resolve housing problems. But now they accept that there are market failures in the field of housing: some people are not adequately housed, as the market has not produced enough acceptable housing.

The position of the Commission with regards to social housing has changed and is still changing. It is recognising that state intervention in the housing market is necessary. Most of the confusing attitude of the Commission can be explained by the fact that housing issues are tackled by different directorates, with no coordination to make sure their various decisions and positions are coherent.

Social housing has been recognised as a social service of general interest, which permits certain exonerations or derogations from competition law. Moreover, the protocol on services of general economic interest annexed to the Lisbon Treaty in 2007 recognises that member states have the right to define such services.

The right to housing aid, which is recognised in the Charter of Fundamental Rights, also protects state subsidies in that field. Even in a market economy there is space for state intervention in the field of social housing. Competition law does not and must not control everything.

But many questions remain. What is social housing? Is it just building houses at an affordable price, or must it also encompass social services, security issues, spatial planning, resident participation? What is the state mandate that the EU requires, and what is the counterpart of a service of general interest? Should social housing be targeted only at low-income households, as the Commission suggested?

The developments of recent years provide opportunities to go further to clarify definitions and concepts, and possibly to move towards a directive on social housing in the years to come.

## Endnotes

- <sup>i</sup> Regulation (EEC) n° 1612/68 of the Council, 15 October 1968, on freedom of movement for workers within the Community, English special edition, Series I Chap. 1968(II), p. 475, (J.O.C.E., n° L 257 du 19.10.1968, p. 2).
- <sup>ii</sup> CJCE, n° 63/ 86, 14 January 1988, Commission c/ Italian Republic, Rec. 1988, p. 29.
- <sup>iii</sup> Completing the Internal Market: White Paper from the Commission to the European Council (Milan, 28-29 June 1985), COM(85) 310, June 1985.
- <sup>iv</sup> Council Directive 92/77/EEC of 19 October 1992 supplementing the common system of value added tax and amending Directive 77/388/EEC (approximation of VAT rates), point 9, annex H "Supply, construction, renovation and alteration of housing provided as part of a social policy" can be subject to reduced VAT rates.
- <sup>v</sup> Figures from *Le développement du logement social dans l'Union européenne. Quand l'intérêt général rencontre l'intérêt communautaire*, L. Ghekiere, Dexia, September 2007, p.42.
- <sup>vi</sup> Poland, Slovakia and the Czech Republic managed to negotiate special derogations in order to apply reduced VAT to most housing.
- <sup>vii</sup> CJCE, 24 July 2003, Altmark, C-280/00.
- <sup>viii</sup> European Commission Decision, 28 November 2005, on the application of Article 86 of the Treaty to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.
- <sup>ix</sup> *Ibid.*, point 16 : "[...] undertakings in charge of social housing providing housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market conditions, should benefit from the exemption from notification provided for in this Decision, even if the amount of compensation they receive exceeds the thresholds laid down in this Decision, if the services performed are qualified as services of general economic interest by the Member States".
- <sup>x</sup> Communication Commission COM (2006) 177 final, 26 April 2006.
- <sup>xi</sup> *Ibid.*, p. 3.
- <sup>xii</sup> *Charter on Fundamental Rights of the European Union*, December 2000, article 34 § 3 recognises a "right to housing aid". For more details see G. Braibant, *La Charte des droits fondamentaux de l'Union européenne*, Seuil, point, 2001.
- <sup>xiii</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, JO, 27/12/2006, n° L 376, p. 36.
- <sup>xiv</sup> *Article L 411-2 Code de la Construction et de l'Habitation* (French Construction and Housing Code) : "[...] Les organismes d'habitations à loyer modéré [...] bénéficient d'exonérations fiscales et d'aides spécifiques de l'Etat au titre du service d'intérêt général".

<sup>xv</sup> European Commission Decision, 28 November 2005, on the application of Article 86 of the Treaty to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, point 16 : "[...] undertakings in charge of social housing providing housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market conditions, should benefit from the exemption from notification provided for in this Decision, even if the amount of compensation they receive exceeds the thresholds laid down in this Decision, if the services performed are qualified as services of general economic interest by the Member States".

<sup>xvi</sup> Point 30, State aid n° E 2/2005 (Ex – NN 93/ 02) on financing of housing cooperatives in the Netherlands.

<sup>xvii</sup> Point 34, same decision.

<sup>xviii</sup> Point 40, same decision, « La surcapacité structurelle n'est pas nécessaire pour l'exécution du service public et représente un obstacle à la concurrence sur le marché immobilier. Une surcapacité excessive et structurelle des logements sociaux doit donc être évitée par la vente de ces logements, et la surcapacité doit rester limitée à un pourcentage réduit de l'ensemble de ceux-ci ».

## 17. Social housing as a service of general interest

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### **Introduction: Social housing and the objectives of the Community**

The development of social housing in the EU conforms undeniably to numerous of the community objectives, namely:

- the promotion of the harmonious, balanced and sustainable development of economic activity in the entire European Union,
- a high level of employment and social protection,
- sustainable and non-inflationary growth,
- a high degree of competitiveness and convergence of economic performance,
- a high level of protection and improvement of the environment,
- raising the standard of living and quality of life.

Community interest is strengthened by the provision of social housing. But it does not essentially conform with the rules of competition and the Single Market. It aims to correct the negative effects of cyclical or structural market failures.

Although the local character of the activity and the low level of distortion of competition are issues taken into consideration in Community law, the whole issue is ultimately a question of political decisions about the definition of a hierarchy between the various objectives entrusted to the European Community by the Member States.

Some objectives support the development of social housing, whilst others are less supportive, as illustrated in the following chart. Figure 1 illustrates the many ways in which social housing contributes to the Community's numerous objectives, but also the obstacles and derogations relating to the rules of operation of the EU (from the point of view of the rules of competition and the Single Market).

**Figure 1 Social housing and Community interest—a balance of interests**

Contributions to EU objectives	Departures from EU objectives
<p>• <b>Promotion of the harmonious, balanced and sustainable development of economic activity in the entire European Union</b> (Article 2, European Community Treaty [ECT]): social housing has always accompanied economic development. It can be considered productive infrastructure, as it contributes to the accommodation of employees in locations economic activity.</p> <p>• <b>A high level of employment and social protection</b> (Article 2, ECT): social housing provides considerable employment in the building and service industry. It is one of the policies of social protection that aims to meet fundamental social needs.</p> <p>• <b>Tackling discrimination</b> : social housing accommodates persons suffering from discrimination in the housing market.</p> <p>• <b>A sustainable and non-inflationary growth</b> (Article 2, ECT): social housing can combat real estate speculation and moderate its effects on house-price growth, which affects families' purchasing power.</p> <p>• <b>A high level of competitiveness and convergence of economic performance</b> (Article 2, ECT) : social housing is a factor influencing the competitiveness and attractiveness of nations.</p> <p>• <b>A high level of protection and improvement of the environment</b> (Article 2, ECT) : social housing contributes to the improvement of the environment, particularly energy efficiency.</p>	<p>• <b>Freedom of establishment and pursuance of activities</b> (Article 43, ECT): the development of social housing to meet general interest objectives relies on public service obligations imposed on social housing providers (characterised by their non-profit orientation, reinvestment of profits in social housing, limited territorial competence, etc.) and on the specific mandate of a competent public authority, both of which constitute an obstacle to the freedom of establishment and pursuance of activities.</p> <p>• <b>Freedom to provide services</b> (Article 49, ECT): the provision of social housing as a service of general interest is based on an official act mandating an enterprise located in the country where the service is provided, in order to guarantee continuity of service and of the social housing infrastructure. This requirement affects the freedom to provide services.</p> <p>• <b>Free capital movement</b> (Article 56, ECT): the provision of social housing as a service of general interest is based on the imposition of public service obligations regarding the use of housing and its allocation. This affects the free movement of capital, including the freedom to purchase real property and land.</p> <p>• <b>Conditions of imposing and maintaining exclusive and specific rights</b> (Article 86§1 ECT): Exclusive rights imposed to fund the general interest objectives and / or specific rights designed to impose organic public service obligations on social</p>

Contributions to EU objectives	Departures from EU objectives
<p>• <b>Raising the standard of living and quality of life</b> (Article 2, ECT) : social housing contributes to improving quality of life by providing housing and high-quality services.</p> <p>• <b>Economic and social cohesion</b> (Article 2, ECT) : social housing is in line with the objective of strengthening economic and social cohesion.</p> <p>• <b>Acknowledgment of the right to housing benefit</b> (Charter of Fundamental Rights of the European Union): social housing is a valid type of state subsidy for housing.</p> <p>• <b>Respect of the right to housing</b> (Social Charter of the Council of Europe; international commitments of Member States; common constitutional tradition): social housing is a tool for the effective implementation of the right to housing. · Combating social exclusion (Articles 136 and 137§2, ECT): social housing helps combat social exclusion of its residents.</p> <p>• <b>Monetary integration</b> (Articles 87, 98 and 105, ECT): social housing helps to reduce real estate speculation and thus contributes to monetary stability.</p> <p><b>Service of general interest</b> (Articles 16 and 86 §2, ECT): social housing should be considered a service of general interest, and thus a key value of the Community.</p>	<p>housing undertakings by means of official authorisations may be contrary to the Treaty, but tolerated as long as they are necessary for the effective provision of social housing as a service of general interest.</p> <p>• <b>State aid issues</b> (article 87§1 ECT): State aid granted to social housing undertakings in the form of compensation for services of general interest is a priori compatible with the rules relating to state aid and the exemption from the general restrictions on state aid in the Treaty. The compatibility depends, on the principles of transparency and appropriate compensation, and specifically on the official entrustment of social housing undertakings through an official act of a responsible public authority.</p>

In terms of competition rules, derogation from the Treaty's prohibition on state aid is permitted if individual member states classify social housing as a service of general interest. The derogation itself has been accepted and justified by Community interest and the role of social housing as a service of general interest. The question remains, though, how to define the scope of application of the service of general interest. The Commission's ruling that the Dutch government made a 'manifest error' in qualifying

social housing as a service of general interest illustrates the Community's capacity to impose its own vision of social housing on that of the Member States. This question is presently awaiting final settlement by the authorities of the European Commission and the Dutch government.

According to the European legislature, the provisions of Community law must not affect social housing as a service which is essential for the effective implementation of other objectives of the European Community, i.e. respect for fundamental rights, the preservation of social cohesion and the principle of solidarity. The European legislature has also stated that: "this Directive (the services directive) does not deal with the funding of, or the system of aid linked to, social services. Nor does it affect the criteria or conditions set by Member States to ensure that social services effectively carry out a function to the benefit of the public interest and social cohesion. In addition, this Directive should not affect the principle of universal service in Member States' social services". The last part of this sentence contradicts the European Commission's position in the case of the Dutch notification.

These differences in the approaches of the European legislature and the Commission illustrate the present balance of power. The European Commission was opposed to the exclusion of social housing and social services in general from the Services Directive. This struggle for power between the executive and the legislature reveals how problematic this issue is for the Community.

### **The balance between general and community interest**

Until now the balance between general interest and Community interest has been defined by default on a case-by-case basis and by derogation from those provisions of Community law which would have obstructed the development of social housing in the European Union. These derogations have not been obtained spontaneously; they are the result of lobbying by CECODHAS, the organisation of European social housing providers. The Community framework for social housing is the result of successive derogations from the general rules of the Treaty and therefore is not necessarily internally consistent.

The European Commission has published a specific communication<sup>1</sup> about social services for general interest, including social housing<sup>2</sup>. The Commission recognises in it the specific objectives entrusted to these social services, their integration in the objectives of the Community and the objectives of the Lisbon Strategy, as well as their

organisation and regulation. In this communication the Commission also announced a consultation about "the need and legal possibility for a legislative proposal".

However, the fundamental questions are how to balance sometimes conflicting objectives, how to reconcile general interest and Community interest, and how to codify the informal Community framework. The European Parliament supports this process of providing greater certainty for social services, but it is not clear how the internal power struggle in the Commission will play out and what the next "European strategy for social services" will contain.

Litigation on these issues continues and will most probably end up in painful and irreversible decisions regarding the definition of social housing in the Netherlands, state aid to local housing enterprises in Sweden and the abolition of tax-favoured status for private savings used to finance social housing in France.

### **Increasing Community litigation and legal uncertainty**

The social housing sector has not been subject to the European legal framework that otherwise regulates the entirety of economic activities. Housing seems to have slipped through the meshes of the process of European economic and monetary integration. Only at the end of the Nineties and in the first half of the year 2000 did certain Member States begin reporting their systems of funding and state aid for social housing to the European Commission, in the light of growing uncertainty about Community law in terms of state aid. The Republic of Ireland, the United Kingdom, Italy, the Netherlands, Germany, Sweden and the Czech Republic deemed it necessary to report their state aid systems for social housing to the European Commission to obtain the legal certainty required for their development and modernisation. The suits filed by the European Property Federation against state aid granted to municipal housing enterprises in Sweden and a consortium of French and Dutch banks against specific rights relating to public funding of social housing in France have also contributed to raising awareness of social housing actors, i.e. not only the competent authorities, but also the social housing providers regarding the legal uncertainty of the systems presently existing in the Member States.

Community litigation in connection with the definition of social housing in the Netherlands, the justification of state aid granted to the municipal housing enterprises in Sweden, or the proportionality of specific rights linked to public social housing funding in France can actually jeopardise the way social housing is defined, organised

and financed in the European Member States and affect the conditions for its development.

A restrictive and rigid definition of its scope would no longer allow the Netherlands' social housing system to meet the needs of its increasingly diverse population and it would affect future development. It would also jeopardise the cross-subsidies necessary for new social housing and the economic viability of the sector. Challenging the state aid granted to municipal social housing enterprises would contribute to a further destabilisation of the regulatory tools for the Swedish housing market, in particular the institutionalised negotiation of rents between municipal housing enterprises and local tenants' associations. It would affect the special right to collect savings used for the public social housing funding system in France and could jeopardise the entire funding allocation system, increasing the financing costs for social housing and reducing the present efforts and commitments in connection with the National Cohesion Plan.

These preliminary infringement procedures will result in Community decisions in the near future, and in the event of appeals they may lead to judgments by the Court of Justice of the European Communities resulting in amendments to Community legislation. Such legal decisions will not be neutral for the future development of social housing in the European Union.

### **Criteria for assessing the permissibility of national aid to social housing**

What dispute led the department of the European Commission in charge of competition to determine whether current systems are compatible with Community legislation? What corrections were suggested to render national systems EU compatible?

#### *The Swedish case*

The most recent example of an answer to a Member State regarding social housing was the Commission's decision dated 7 March 2007 authorising Sweden to allocate annual subsidies of EUR 54 million per year until 2011 to the construction of social housing for the elderly. Neelie Kroes, the Commissioner responsible, stated that "This aid, which is available to all investors, will help provide appropriate housing for elderly people in Sweden. Public intervention is necessary because currently the Swedish housing market is not able to cope with demand in this sector." The Commission stated that "due to the general lack of housing on the Swedish market, building houses with special facilities for elderly people is currently not a priority for the private sector... (T)he incentives proposed by Sweden adhere to the principle of social equity without unduly distorting competition in the Single Market." According to Kroes, "this aid,

which is available to all investors, will help provide appropriate housing for elderly people in Sweden. Public intervention is necessary because currently the Swedish housing market is not able to cope with demand in this sector."

This decision gives some indication of the criteria for assessing whether state aid for social housing complies with Community competition rules. The decision relies on the general principles of the Treaty regarding necessity, proportionality, equality of treatment and non-discrimination, as well as on assessment of how the subsidy may affect competition.

**Necessity** The decision recognised the structural failure of the housing market to meet the specific needs of the elderly. The acknowledgment of a 'general housing shortage in Sweden' suggests that the market failure is not limited to accommodation for the elderly, but extends to the entire housing market. State intervention is therefore considered necessary to combat this cyclical housing market failure, especially in light of the objective of social equality.

**Proportionality** The decision confirmed that the aid was proportional for the following reasons: it was limited to 10% of construction costs, profit margins in the sector were narrow, the subsidy period was capped at five years, and the housing was allocated exclusively to elderly people.

**Equal treatment and non-discrimination** The aid was available to all investors who accept the public authorities' allocation of flats to the elderly.

**Distortion of competition** The effects were considered limited, given the local character of the activity, the limited state aid and its availability to any investor.

#### *Other Swedish cases - the legality of state aid to local housing enterprises*

A second Swedish case, brought by the European Property Federation, contested the legality of state aid to local housing enterprises. This aid was given for restructuring enterprises in depressed regional markets and construction of new housing in regions with tight markets, such as the Stockholm area. According to the plaintiffs such aid was incompatible with competition rules and should be reimbursed. The Commission decided that the case was admissible.

Sweden has a universal concept of public housing: it is by definition open to anyone, and is used as a means of regulating the housing market and preventing real estate speculation. Because of this, Sweden does not qualify local housing enterprises explicitly as social housing undertakings. It is therefore constrained in its defence of

its system. The new government recently appointed an ad hoc commission to develop the country's official reply to the European Commission. It has come up with three possible options:

- To shrink the scope of the local housing system to that permitted by the European Commission in its decisions regarding Ireland and the Netherlands—that is, to limit it to serving the disadvantaged.
- To introduce a mixed system of social housing/public open housing, limiting state aid to the social housing sector.
- To maintain the open system of public local housing that is fully integrated with the market, and to discontinue state aid in line with the principle of equal treatment. This would require reimbursement of such aid granted illegally since Sweden joined the European Union.

A consensus seems to be forming around the third option, as the EU definition of social housing is inconsistent with the Swedish universalist tradition. This third option is actually the closest to the current role of public local housing enterprises in Sweden.

The European Property Federation's complaint had two elements. The first questioned the legitimacy of occasional state aid by Swedish local authorities to those housing enterprises in difficulty because of population decline and low demand—particularly in the north and centre of the country. The EPF argued in this case that, unlike in the one concerning elderly housing, state aid could not legitimately be given because Sweden has not qualified public local housing as a Service of General Interest.

The second questioned the lawfulness of giving state aid on a long term basis to local public housing enterprises in the form of public loan guarantees, which it alleged distorted competition. The EPF also opposed the current system of rent regulation in the private housing sector. Swedish regulation of the local rental market is based on a public housing sector that is fully integrated with the general housing market, rather than dedicated to meeting the needs of the disadvantaged. Rents in the private sector are based on agreements between tenants associations and the public local housing enterprises. These rent agreements are used as a reference by courts in litigation in the private market. The public service obligation imposed on the public housing companies includes the duty to implement this rent policy, to allocate dwellings through waiting lists rather than selecting the most risk-free tenants, and to allow local authorities to allocate a certain percentage of vacancies to those in need — and thus

the public housing companies do in fact house some disadvantaged tenants, although this is not their only mission.

It could be argued that the Swedish system of public housing meets the definition of social housing as a service of general interest because of the specific public service obligations imposed on it. However, Swedish law does not refer to the concept of services of general interest, and the historical concept of social housing has given way to that of a universal housing service. The new Conservative government wishes to find an internal solution based on a compromise between all stakeholders (tenants' association, the federation of local public housing enterprises and the Swedish Property Federation).

The European Federation finally agreed to withdraw its legal action if its call for modifications to the rent regulation system is considered. Yet this conditional withdrawal of the suit does not affect the procedures started by the European Commission, which feels itself exploited in a struggle for power intended to result in rent deregulation and likely to trigger considerable rent increases which could be attributed to its decision. Even if both suits were withdrawn, the European Commission would have to deal with the dossiers of illegal state aid. As there is no explicit condition that state aid is allowed as compensation for public service obligations, it will be judged on the basis of the extent of distortion of competition and of the respect of the principles of necessity, proportionality, non-discrimination and equality of treatment.

The Swedish case illustrates that social housing can be considered a service of general interest because it meets social needs, but also because it provides accommodation that complements that available in the general housing market. It is interesting to note that neither the government, which aims to support the private housing market and boost the values of the existing housing stock, nor the public local housing enterprises, which wish to maintain their freedom to manoeuvre, want housing formally to be qualified as a service of general interest in Swedish law. Only the tenants' federation considers this desirable.

The capacity of the various Member States to adopt the reference framework of services of general interest differs, leading to mutual incomprehension. This is regrettable, because public local housing enterprises in Sweden and other Member States such as France, the Netherlands and the United Kingdom, have to cope with the same social realities and challenges. When the Commission acts or is forced to act, it mechanically applies the rules for a given sector. It is sometimes ignorant of the work-



ings of the sector, which can lead to fairly brutal decisions, e.g. in the case of the Netherlands.

*'Manifest error': the Dutch case*

In reply to the notification by the Dutch government, the European Commission considered that the Dutch social housing funding system should comply with the principles set out in 2001 for Ireland<sup>9</sup>. It stated that “when allocating their dwellings, the housing corporations are under the obligation to grant priority to persons with difficulties to access decent housing due to their income or other circumstances”. But, it continued, “(...) their housing activities are, nonetheless, not limited to socially disadvantaged persons. In cases of overcapacity, the housing corporations also let their social dwellings to persons with relatively high income, whereas private landlords do not benefit from state aid and are, therefore, disadvantaged.” The Commission concluded that “the possibility of allocating social housing to high income groups or to enterprises has to be considered as a manifest error in qualifying Dutch social housing as a service of general interest”. Given that a service of general interest must have a social character, “the definition of the activities of the Dutch housing corporations therefore has to have a direct link to socially disadvantaged persons and not only to the maximum value of the dwellings”. Therefore, the European Commission determined “that letting dwellings also to other persons who are socially not disadvantaged cannot be considered as a service of general interest”. It directed the Netherlands to sell all rented social housing that did not comply with that definition of a service of general interest; this was considered by the Commission to be “overcapacity”. This decision is also significant because the state aid in this case takes the form of public guarantees and tax concessions, rather than flows of funds.

The European Commission's analysis of the 'social nature' of the service of general interest is at odds with the principle of universal access to social services as defined by the Member States and, in a wider sense, to services of general interest in the European Union. It is also in conflict with the principle of subsidiarity and the freedom of Member States and their public authorities to define services of general interest.

However, there is nothing in Community law that prevents organisations from managing both social housing that meets social needs and private housing that does not meet any specific obligation, as long as its operations are transparent, with separate accounting for both activities, and state aid goes only to help those in housing need. The obligation to sell dwellings is unjustified and disproportionate. Because direct subsidies for social housing have been abolished in the Netherlands, cross-subsidies

between private and social housing are necessary to ensure the continuity of social housing as a service of general interest and the development of new social housing.

The European Commission concluded that the housing corporations could let on a share of their social dwellings on the private market, if the profits were reinvested in funding the social share. These profits would have to be deducted from the state aid. Although the Commission did not state precisely how the proportion disposed of at market rents or for sale was to be calculated, this option introduces new room for manoeuvre in the definition of the scope of social housing as a service of general interest and in defining the boundary between activities relating to a service of general interest and private activities.

**The proportionality and necessity of derogation: the French case**

In response to repeated suits filed by French banks and one Dutch bank with the European Commission, the Commission notified France that the tax-favoured treatment granted to the Livret A savings scheme, which finances social housing in France through a single national public bank, was incompatible with Community law. France holds that it is necessary for providing general services such as social housing funding. France refers to article 86§2 of the EU-Treaty which stipulates that “undertakings entrusted with the operation of services of general economic interest (...) shall be subject to the rules contained in this Treaty, in particular to the rules on competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Community”.

The European Commission's White Paper sets out a principle of primacy to fulfil general interest objectives in compliance with the rules of the Treaty from this key article of the EU-Treaty. However, the criteria for the effective implementation of this principle of “non-failure” have been left to the discretion of the stakeholders and culminate in a judgment that is by definition subjective and set within the context of proportionality and necessity.

In its decision relating to the special treatment of public social housing funding, the Commission considered that this was not necessary to fulfil the general interest mission of the provision of social housing and that there was no evidence of a risk of destabilising the French system of social housing funding. On the contrary, the Commission considers that its abolition was “likely to provide for more transparent and more efficient objectives of bank accessibility and social housing funding”. It

therefore requested that France put an end to this treatment within nine months. France can appeal against this at the Court of Justice of the European Communities, and the government of Prime Minister Fillon announced on 19 June 2007 that it would do so. The government has also announced that it will study the reform of the Livret A to make it compatible with Community rules and to preserve its function of funding social housing.

#### **State aid in the new member states<sup>4</sup>**

A reassessment of neighbourhoods with large-panel prefabricated buildings is a priority in the new Member States. The ten Heads of State and Government teamed up in the Council to obtain the eligibility of such neighbourhood renewal programmes under the cohesion policy 2007 to 2013. In most of the new Member States, these large neighbourhoods with public housing were privatised in the nineties, but to different degrees in each country. These large prefabricated housing estates and tower blocks had been sold to their tenants at token prices, so that the municipalities transferred to tenants, often of modest means, the heavy burden of refurbishing and maintaining badly constructed buildings which had not been maintained for nearly 30 years.

The buildings, which are now managed by commonholds or cooperatives, need thorough modernisation, both structurally and energy-wise. The Czech Republic reported its modernisation programme to the European Commission on 6 July 2005. The programme consisted of the refurbishment, improvement of energy efficiency, urban renewal and ghetto-prevention in these areas, as well as preservation of the existing social mix. The state aid of EUR 63 million over the period from 2005 to 2009 consists of subsidised loans and bank guarantees for the co-owners to enable them to finance the refurbishment. The European Commission holds that this state aid, granted to private commonholds, cooperatives and municipalities is subject to the control of state aid. Indeed, although this aid is in fine granted to owner-occupiers, nothing prevents them from renting out their dwellings, which would be an economic activity. The same applies to municipalities which refurbish their own public housing stock. The Commission also holds that the funding of large prefabricated housing estates affects intra-Community exchanges, as the European real estate market is open to competition and exchange. Nevertheless, based on the analysis of the proportionality and necessity of the aid, the European Commission concluded that the aid is compatible with the provisions of the Treaty, as the impact on exchange would not conflict with the interest of the Community. However, maximum amounts of state aid were specified, which considerably reduce the capacity of the new Member States to develop

large-scale renewal schemes with the support of the Structural Funds which they used to implement before they joined the European Union. Paradoxically, their entry into the European Union has diminished their capacity to intervene to improve poor co-ownership housing, due to Community state aid rules.

These examples illustrate the sometimes seemingly Kafkaesque bureaucratic procedures and the importance of the principles of necessity and proportionality for appraising the compatibility of state aid granted for social housing or even private or privatized housing, regardless of its qualification as a service of general interest. The mechanical application of the general rules prohibiting state aid to the housing sector leads to reduced capacity for Member States to prevent urban and social decay and to avoid increased long-term costs

The definition of Community interest is also essential, as long as any public intervention in run-down neighbourhoods in the “European real estate market” necessarily has an impact on intra-Community exchange, according to the European Commission.

#### **Limited to what is necessary: the proportionality rule is challenged**

The application of the principle of proportionality to the arrangements used for organising and funding social housing is a complex exercise. The judgments of the Court of Justice of the European Communities relating to such matters in other fields<sup>5</sup> seek to demonstrate that the objectives of a particular measure can be accomplished in a manner which is less harmful for the Community interest and comply with Community law if it is in conflict with Community interest. In other words, the measures taken must be disproportionate considering the intended objective, which means that their effects have to be limited to what is strictly necessary for the protection of the interests that they strive to guarantee.

#### *Social housing funding in France*

In the French case, the Commission judged that special tax treatment of Livret A savings was incompatible with the provisions of the Treaty. It held that the scheme was not indispensable to ensuring funding for social housing without considerable additional costs to public finances, and asserted that funding for social housing could be ensured by numerous fiscal and budgetary means. Although it acknowledged that the use of national savings with a special untaxed savings book was a helpful tool, it said this did not require specific exclusive rights. In effect, it rejected the French argument that the abolition of these specific rights was likely to result in decreasing savings and increased costs for social housing.

This purely theoretical and judicial approach omits any economic assessment of the potential impact of the scheme's abolition. In its decision, the Commission failed to consider the context: the tremendous housing shortage in France, the programme for construction of 500,000 new social dwellings in the next five years, the ambitious urban renewal programme for disadvantaged neighbourhoods. The Commission also failed to take into account the possible impact of its decision on the funding of activities and social housing enterprises. Nor did it consider the often irreversible nature of the abolition of tax-favoured treatment.

The judgment of proportionality was not backed up by any assessment of alternative hypotheses, but based on a simple assumption that an alternative was envisageable. However, there is a limit to that mode of decision-making when an issue is as complex as the funding of social housing. The decision could affect financing for five million social dwellings and their rent levels. Challenging the Livret A risks seriously affecting the economic viability of the system of funding social housing in France. This system relies on long-term loans of funds collected by the untaxed Livret A. The tax treatment is intended to guarantee the steady and accessible provision of funds. And it enables a few large accounts to cross-subsidise a large number of small saving accounts with fairly high management costs, often held by disadvantaged families. Jeopardising this form of savings would inevitably put an end to the cross-subsidies, as the large account-holders would move their money to alternative savings products. This would threaten the viability of the entire system and make social housing less affordable.

French law relating to solidarity and urban renewal imposes on each and every local authority the obligation to provide for at least 20% of social housing. This legal obligation is intrinsically linked to the funding mode of social housing. In addition, the Social Cohesion Plan and the National Urban Renewal Program both have significant inputs from social housing. These activities require long-term stability of financing conditions.

### Conclusion

The development of social housing can only contribute to the implementation of the objectives of the Community and its general principles: guaranteeing fundamental rights and the right to housing, maintaining a high level of social protection, improving the quality of life, combating social exclusion and promoting economic and social cohesion. In both new and old Member States, social housing will have to cope with new challenges in terms of sustainable urban development, occupational mobility, the

increasingly insecure and inequitable distribution of income, competition between territories, mitigating the impact of real estate speculation, and housing affordability. It thus contributes to the Community's mission of harmonious development of economic activities, sustainable and non-inflationary growth, stability of the Eurozone and a high level of competitiveness.

Above all, however, the sustainable development of social housing in the European Union requires that all Member States understand the Community legal framework as it relates to social housing. Such a framework should not be based merely on successive derogations from general provisions. A stable framework would allow Member States to:

- define the scope and specific role of social housing, adapt it to individual needs and develop their local housing market in coordination with other providers and stakeholders
- define and impose public service obligations relating to the nature and quality of the service, i.e. its financial affordability, priority households, and tenure issues;
- define and impose public service obligations regarding the operation of social housing providers—for example, that they be non-profit specialised organisations rooted in the local community; that they re-invest profits; that they operate on a partnership basis with participatory governance.
- ensure funding for social housing and the economic viability of the sector in the long run;
- guarantee the effective continuity of the service at local level and its universal access as a service of general interest.

### *The choice of instrument*

How can this framework be implemented in a coherent way? Do we have to continue with derogations? Is a framework directive needed to cover all services of general interest? Do we need a sector-related directive covering social and health services of general interest, similar to the regulations that protect vulnerable consumers in matters of basic social needs? Do we have to revise the Single European Act? Should we review the Treaty and complete it with a social dimension that reflects life in the 21st century rather than that of the past?

The choice of the instrument is one for Council—that is, the Member States, their governments, the ministers responsible for social housing and their informal Council. Then it will pass to the European citizens, with the new European referendum on institutional reform that succeeds the failed Dutch and French referenda on ratification of the constitutional Treaty. Only a clear mandate from the Council can secure the future of social housing and its contribution to Community interests.

## Endnotes

<sup>1</sup> cf. specifically the Commission's White Paper on Services of General Interest, COM 2004 374 final version dated 12 April 2004

<sup>2</sup> Communication from the Commissions : Implementing the Community Lisbon programme: Social services of general interest in the European Union {SEC(2006) 516} Brussels, 26 April 2006 COM(2006) 177 final

<sup>3</sup> European Commission, GD Competition, Brussels, 14.07.2005, 0 / 55413, COMP H1FSP / Ic (2005) A / 30854 D / 1001

<sup>4</sup> State Aid N 343/200

<sup>5</sup> cf. specifically the Judgment Bond van advertterrders, 1988

## 18. Drawing out the issues

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### Introduction

In trying to predict the future of social housing in Europe a number of the papers in this book and its precursor seek to find the 'Holy Grail' — to locate an all-embracing, all-explaining, overarching theory that helps explain the dynamics of current changes. Malpass set about this task through examining the history of social housing, questioning whether European social housing was in a period of convergence or fragmentation. Addressing this question threw up debates about the phases of capitalism, the notion of dual rental markets, and the role and function of what was previously termed 'working class' housing.

In the first book in this series, *Social Housing in Europe*, Scanlon reviewed the statistical evidence (Whitehead and Scanlon, 2007). Again this revealed a number of similarities, if not convergences, at this point in time. But what exactly was the situation in the past, and what have been the respective motors of change? And what exactly do the national figures actually represent, given the high degree of intra-national variation that is evident from most of the papers?

Whitehead offered a useful critique of the current economic context, and again she presented evidence of convergence. Core amongst this was the relationship between public expenditure and private finance, and the agreed accounting conventions for public expenditure under the EU public expenditure and convergence rules. This was shown not to affect all countries in the same way, given different public finance arrangements, but nonetheless it does mean that public expenditure on social housing can be reclassified as private through the simple act of transferring the landlord from a public to a private or charitable one.

In his detailed contribution about one aspect of privatisation, the 'Right to Buy', Murie provided a comprehensive overview of its impact within one major English city, Birmingham. The long time frame adopted illustrated the sales pattern associated with deep discounting. It also revealed the close relationship between social renting, low cost owner occupation and the re-emergence of private renting in what had previously been the social rented stock. The juxtaposition of local economic and personal

financial circumstances at a particular point in time largely determined this outcome. The actual houses, and the people residing in them, may stay the same, but tenure classifications alter. This evidence helpfully demonstrated that any research, which tries to explain housing change through the use of tenure figures has severe limitations.

Another aspect of privatisation, this time the process of stock transfer, was dissected by Stephens, via a comparative study of UK and Germany. With transfer from public authority to housing association or company, the landlord's name changes, but what else does? The new investment expenditure on the stock is not accounted for as public spending, but otherwise, it's the same houses, the same tenants and the same staff. The only real tangible change for many has been the new sign on the landlord's offices. Although in broad terms the policy of changing the landlord from public to private appeared the same in both national contexts, how it actually operated on the ground and its long-term outcomes were noticeably different. So there was certainly convergence, but again at the same time difference.

Ghekiere provided a fascinating insight into the EU's perhaps reluctant influence in respect of bringing about convergence. He challenged the presumption that social housing was exempt from EU competences because it was unaffected by the all-embracing competition rules. The issue of general interest national opt out, in relation to social housing, was very usefully critiqued. His review of specific national legal cases illustrated clearly that the preservation of national differences is at odds with the pressures for wider integration, thus reinforcing policy fragmentation. It was also evident that there is strong resistance to convergence, as for example when national interests ensured an inconclusive Leipzig Charter.

All this raises the question: should explaining policy convergence, if not actually helping to facilitate it, be the 'Holy Grail' for housing researchers and practitioners? When once a Marxist analysis of capitalism would have satisfactorily explained both patterns of convergence and divergence, now it appears the only agenda is convergence, and the only explanation is the operation of global capital. That, however, is not good enough. The parameters of this debate appear, on the evidence presented here, to be somewhat hazy, and I would question whether framing the research question in this way is the best way to improve our understanding of what the future holds for European social housing.

### International comparisons

There is an inherent problem with much comparative research in that it tends to be descriptive and largely devoid of analytical content. The goal of this book was to seek out explanations for what appear, at face value, to be overarching trends, and then seek to explain the specifics. Nevertheless, it contains more empirical description than robust analysis.

There are clear benefits from conducting such international comparisons, not least for UK housing academics, who are in high demand to tell the tales of woe that have befallen our housing system as a result of privatisation. Such comparisons may be particularly useful from a French perspective, as similar woes could well be on the way in France. But analysis that derives solely from broad descriptions of what is happening nationally in one country or another in terms of housing policy or tenure change is of limited value.

Over the last 30 years we have all witnessed a move from public to private provision. This was pioneered by the UK and until recently was less pronounced within the rest of Europe, but clearly that has been changing. So there would appear to be a very clear and obvious trajectory of change occurring within European housing. Decades ago another tenure shift occurred across what was then western Europe, namely the change from private renting to owner occupation, but again the pace of change differed in diverse national (or more accurately sub-national) contexts. The then eastern bloc had a very different experience, which was also not uniform.

The recent change reflects the growing dominance of individual 'private' solutions to what were previously conceived of as collective 'public' problems. It reflects increasing individual affluence and ready access to the broad array of financial products designed specifically to facilitate this consumption. In its wake has come residualisation of the remaining social housing stock. But can this be described as something new? It has been occurring throughout Europe, albeit at different speeds in different places, for the last three decades. France may have come late to this particular party with the recent election of Sarkozy, whereas the UK and what was formerly known as eastern Europe underwent radical change 30 and 15 years ago respectively.

Now, although the pace of change in individual countries still differs, it appears to be accelerating throughout Europe. Consequently, there is great interest in the drivers of this process, and the likely individual national consequences. There are also very strong vested producer interests in this debate.

What the papers in this book also illustrate is that although the general trends may be similar, and the broad-brush descriptions suggest similar patterns, the actual nature of the process of change and its localised impacts vary markedly from place to place. How do these differences help explain the nature of both convergence and fragmentation?

### Explaining difference

The papers in this book reveal profound differences in the nature and working of social housing in each of the countries under consideration. Although there are undoubtedly similarities, often on closer examination these appear rather superficial, given the nature of the differences that exist. So should we not take as our starting point these differences, rather than content ourselves with a convergence agenda? Would it not be more productive to start trying to explain properly why such differences exist, and to understand the factors that help promote and produce similarities, as well as those that reinforce difference? This would give us a much better understanding of the drivers and suppressors of change operating within European housing systems.

Macroeconomic forces are undoubtedly similar across countries, as are the EU convergence criteria (which are themselves influenced by macroeconomics). But the fiscal and social policy responses of individual national states are not uniform. These differences reflect the structure and complexity of power relations within different societies. Different national histories, cultures, religions, politics, economics, ethnicities and the resulting power structures should be the future focus of comparative research in the field of housing. Understanding and explaining difference should be core to such an endeavour.

A useful example of this is provided by Esping-Andersen's seminal work *The Three Worlds of Social Capitalism* (Esping-Andersen, 1990). Many of the differences in European national welfare structures can be explained by differences in the Catholic and Protestant conceptions of the family. So, was the growth of the post-war social-democratic welfare states in northern Europe a response to the demise or restructuring of the traditional family as much as a political response to communism? Or is this just too general and simplistic?

While we can see markedly different methods of welfare provision between different European countries, marked differences also exist within individual countries at regional and sub-regional levels. Why, then, does comparative housing research always focus on presumed national norms? Through explaining sub-national or

regional divergence we could better understand the spatial distortion of national power structures.

Let us look, for example, at how the different nations within the UK sought to address home improvement policy. Although they shared similar policy ambitions, the approaches pursued were very different. The main reason for this difference was the composition of their respective housing stocks. The flatted accommodation predominant in Scotland demanded a collective improvement mechanism, whereas the traditional brick terraced house of England and Wales favoured an individual approach to renovation, as seen in English and Welsh improvement legislation throughout the 1970s and 1980s (Robertson, 1992).

On closer examination of Scottish renovation policy, further internal divergence is evident. The interplay between local politics, culture and policy meant that although Scotland's two largest cities, Edinburgh and Glasgow, utilised exactly the same legislative framework, they pursued markedly different renovation strategies. Edinburgh focused on the individual in order to preserve private property rights, whereas Glasgow employed a collective, community-based approach to tenement renewal, creating locally based housing associations to ensure that the existing community benefited and such neighbourhoods were not gentrified (Robertson and Bailey, 1996).

Similar differences can be found in other countries. Take the Swedish approach to urban regeneration, pursued throughout the 1960s and 1970s. Örebro pursued its regeneration ambitions through the municipal housing company, which was created by the local Social Democratic Party, and in the process created a distinct physical, managerial and subsequently political outcome. By contrast, Norrköping, which adopted an approach that favoured the co-operatives that had long been part of the local housing and political scene, produced a markedly different local managerial and political outcome, although on the surface the physical outcome looks quite similar (Elander, 1999).

Such differences are discernable in all European countries. Might it not therefore be better to argue there are no national norms, but rather regional variations of national ambitions?

### Future questions

One way to take forward this strand of research would be to detail why and how different countries choose to house the poor, minorities, the disadvantaged, the disabled, single parents, migrants, asylum seekers and refugees. Power attempted this

in part in her 1993 book *Fromhovels to Highrise* (Power, 1993). To do this properly, however, requires a historical overview, detailing which groups were originally earmarked for social housing, and how this has altered and changed over time. The work of both Linquist (1991) and Ball, Harloe and Martens (1988) is of relevance here, as they made convincing cases for comparative research to embrace both social relations and the historic context of individual countries. It is now time to reconnect with this thesis and move away from a focus on the assembly and analysis of tenure and housing statistics (Stephens and McCrone (1995). While Linquist focused on the production of housing, Ball, Harlow and Martins cogently argued that production and consumption needed to be considered together, and I consider this is to be the correct approach.

These are certainly not new questions, but they have rarely been answered in a systematic comparative context. Further, there would be great value in adopting a blend of historical, sociological, economic, cultural and public policy perspectives when addressing this question. Each perspective would help provide a distinct lens, adding greatly to our understanding of the dynamics of social housing. Such a multi-disciplinary and systematic comparative approach is the only way to start to isolate the forces that create and sustain difference, as well as those that encourage and produce similarities within European social housing. By better understanding the past, we would also be in a far better position to predict the future.

I will start this process by offering a few observations and insights about the development of social housing in Scotland at both a national and local scale. I also hope to challenge a few unhelpful myths about the history and function of social housing. I will use a housing policy/sociology lens, which will be further distorted by my distinct Scottish cultural perspective. Clearly, the addition of other perspectives would help improve and refine this analysis.

In Scotland in 1975, some 70 per cent of households resided in the social rented sector. But by 2005, a total of 65 per cent of households were owner-occupiers. Some projections now suggest that by 2025, the social rented sector will be but 8 per cent of the total housing stock, given that the elderly population now living in social housing will not be fully replaced by new younger tenants (Newhaven Research, 2006). Social housing is no longer a tenure of choice, and as such it is stigmatised. So it is clear we are only part way through a process of change, or perhaps it would be more accurate to say that while change is a continuous process, it takes time to notice it has happened.

How did this change occur in Scotland's largest city? Glasgow in 1975 had 180,000 units of council housing. Glasgow Council had by 1970 become the majority provider of housing in the city, and at various times had sought to become the sole provider. Unfortunately the resulting housing department was just too large and unwieldy and the quite abysmal housing management service produced persistently squalid housing conditions for many tenants.

Over the last 30 years, like all Scottish local authorities, Glasgow has undergone massive tenure change. By 2002 the council owned some 80,000 houses, the stock having been reduced through the Right to Buy, small-scale transfers to community-based housing associations and demolitions, which had gained pace in the last 15 years. Then in 2004, the council transferred its entire housing stock to a specially created housing vehicle, Glasgow Housing Association. In return for this, the UK Treasury agreed to write off the £1 billion of accrued council debt on the stock.

But by and large, those who reside in what were Glasgow's council houses have not changed. Tenants who bought under the Right to Buy generally stayed on in their purchased homes. However, with this population now starting to die off, their housing is being sold to younger people who see such housing as the first step on the home-ownership ladder, or as an alternative to rented social housing. So over time the population profile will change.

With the stock transfer, the council landlord was re-badged as a housing association, but for all intents and purposes nothing else changed. The same poor quality of housing management service continues unabated, as was clearly detailed in the recent regulators report (Communities Scotland, 2007). The same tenants pay the same rent to the same landlord - or almost. With the abolition of the £1 billion debt, what had been a debt-ridden council landlord is now a cash-rich housing association. This has allowed a substantial refurbishment programme to take place. It has not been funded via new private borrowing, as was planned, but rather from the rental stream, 70% of which comes directly from government as rent subsidies. The original plan — to transfer this stock on to the successful community-based housing associations—has stalled completely.

So in Glasgow as elsewhere in Scotland, although Right-to-Buy changed the tenure profile it did not change the make-up of those who resided in the stock, at least not initially. This fuels my concerns about research that focuses solely on tenure change and does not dig deeper, given that a change of landlord might not actually represent a socio-economic alteration.

That said, it would be very wrong to assume that the population resident in what was council housing is uniform or stable over time: that has certainly not been the case. Over the last 50 years the profile of social housing tenants has altered significantly. Owner occupation has become the tenure of choice for the majority of the population, and now most people consider council housing to be unacceptable. Whereas council housing was long the preserve of the working class family— skilled artisans and, to a lesser extent, unskilled manual workers — it has over the last 40 years been opened up to those previously excluded from this tenure.

I recently bought a copy of Ferguson's *The Dawn of Scottish Social Welfare* in a second-hand bookshop in London. Published in 1948, the book provides a sharp reminder of the long-standing and clear distinction between 'deserving' and 'undeserving' poor made by those charged with implementing social welfare policies over the centuries. According to Scots' Presbyterian values, the changes of tenant profile described above mean that the 'deserving' moved out and the 'undeserving' moved in. And such terminology is not culturally specific to Scotland. Karl Marx made a similar, if not identical distinction, in his case between the 'working class' and what he termed the 'lumpen proletariat', or what he noted, approvingly, the French called 'la bohème' (Marx, 1852). Social status and identity is a crucial consideration when it comes to discussing the future of the social rented sector, something I will return to later.

Why exactly did this dramatic social transformation occur? It was not solely the inevitable consequence of privatisation; it is a bit more complicated than that. Broader changes within society have had a cumulative impact, and have in turn influenced and been influenced by subsequent social legislation. There was a reaction from the late 1960s against the collectivist uniformity that emerged from the austere immediate post-war period. As European society dusted itself down after the war and became far more affluent, the desire of both consumers and capital was for far more individuality. One consequence of this was the growth in home-ownership. Another social policy repercussion was the demand for equality of access to the broad range of social assets, one of which was social housing.

A good UK example of this was the passing of the Homeless Persons Act of 1977, which ensured that certain types of homeless families gained access to council housing, a tenure form they had previously been denied. Similarly, the Matrimonial Homes Act of 1982 required councils to separately house both people who had previously shared the family home if the marriage broke down. Given shared childcare responsibilities and access, this also meant that single parents with permanent or partial

childcare commitments were now re-housed. As a result, the long-standing norm that council housing did not house single people (with the exception after the war of so-called spinsters) was breached.

Council control of housing allocations also came under greater scrutiny and regulation by central government, which emphasised specified housing needs. Local connection, which had long been used as an exclusionary device by local authorities, was challenged in an effort to open up access to council housing. Today, all social housing allocations are based on need, so the poorest and most deprived now get housed. This also has a downside, in that those in greatest need get allocated to the least desirable stock because that is most accessible. Moreover, thanks to the introduction in 1982 of housing benefit, a universal rent allowance system, those allocated this housing could now pay for it. Previously, councils used high rents as a means to exclude the poorest.

So now those long excluded from council housing gained access to a shrinking stock, thanks to the impact of Right to Buy, the Thatcher government's flagship policy of 1980. As poorer tenants moved in, wealthier tenants moved out, or, more accurately, bought their better quality council homes. It is critical to remember that there was always marked social segregation within council housing; it was never a uniform utopia. Throughout history, certain areas have been deemed more socially acceptable than others (Robertson et al, 2008). The stigma of slum living has been a fact of life for centuries, not just in recent decades. Within what was the mass provision of council housing, pre-existing social hierarchies changed only slightly with the advent of Right to Buy. In general, wealthier tenants with higher social status and the financial means to purchase already lived in the better housing, while the poorer tenants who resided in the poorer quality stock not only could not afford to buy, but were also put off doing so because of the low social status of the housing they occupied (Damer, 1989). The tenure may have been the same, but in terms of social status, the Right to Buy changed little.

Recently completed research in Stirling illustrates this very clearly. The good-quality council estate built under the banner of 'Homes Fit for Heroes' immediately after the First World War, and designed along Garden City principles, was originally allocated to the families of the artisan skilled working classes and some bourgeois white-collar workers in managerial positions. Since the Right to Buy the vast majority of this housing has been bought by sitting tenants, and the area now constitutes a distinct, affordable and vibrant part of the Stirling housing market. By contrast, the slum-clearance estate build to rehouse skilled and unskilled manual workers (mainly miners) from the



medieval slums surrounding the castle was always socially stigmatised. This estate witnessed very few house sales and is now, relatively speaking, more deprived than it was in the past. What is quite shocking is that this area, known as Raploch, can be shown to have been socially stigmatised since at least 1550 (Robertson et al, 2008).

In the past, gaining access to a council house represented a major improvement in personal living conditions, if not social status. This is no longer the case. There is now a social stigma attached to what we call—pejoratively, unfortunately, social housing. Previous work looking at low-value, low-demand private housing in England found that individuals preferred to stay in poorer quality private rented accommodation than move to council housing, as no one would be sure whether they were owner-occupiers or private renters. As council tenants, by contrast, their social status was clear (Robertson, 2003).

Society's increasing wealth and the focus on the individual and consumers has had major repercussions for the role and function of social housing. As the rights of individuals within society have been enhanced to the detriment of previous collective arrangements, the socio-economic profile of social housing has changed markedly. Socially segmented mass public housing has given way to a far smaller and more socially polarised provision, which now houses those long denied access to such housing. This, of course, merely reflects the ever-widening gap within contemporary society between the rich and poor, between the haves and have-nots. So although privatisation has undoubtedly contributed significantly to these changes, it also reflects other broader societal changes. But it most certainly does not provide the whole story in explaining change within Scotland's social rented sector.

### Future research issues

Some questions for future housing research are: who exactly lives in social housing? Why do they stay there, and for how long? Does such housing represent a lifetime housing choice, as was the case in the past, or is it a housing option for a particular period in their life?

Scottish evidence indicates that once a household gains a social housing tenancy it can easily become trapped, because the interaction between high rents, low wages and housing benefits encourages welfare dependence. It is ironic that the operation of social housing adds to or reinforces poverty, rather than helping to alleviate it.

The relationship between social housing costs and tenants' capacity to engage with the labour market needs far more attention. This is a significant issue, especially for

the very vulnerable, who are obliged to pay high accommodation costs because of the care packages attached. This issue has been brought into sharp focus with the recent influx to the UK of accession state migrants who are mainly Poles, Latvians and Estonians in Scotland. How is it that they find low-skilled work, while unemployed Scots living in social housing cannot?

This issue also raises challenging questions about the power of producer interests. Is the cost of housing management now too high? The requirement to cover its costs effectively locks tenants into housing benefit and welfare payments.

Future research should also focus on understanding the organisational and governance structures that have been developed by social housing landlords to ensure public accountability. It is critical to protect consumer rights and ensure producer compliance with a wide range of rules and regulations, but how much does the administration of such compliance systems add to the overall cost of providing housing services? Should we not weigh carefully before adding to the detailed regulations and requirements that impact on social housing, given the very direct implications for rents, welfare dependence and labour-market engagement? Why should tenants of social housing now be expected to pay for extra policing or cleansing as additional charges on their rents? It is not enough simply to say that most tenants do not in fact pay these charges because their rent is paid by housing benefit. Should housing management not be more about housing and less about managing, if not controlling, poor people?

An examination of who lives in social housing might also provide evidence to refocus current debates on social housing. For too long in Scotland we have assumed that the poor who live in social housing have a tendency to become ill. Could it instead be the case that people who become ill can very quickly become poor, and thus have no choice but to move into social housing? If this were the case for a significant proportion of tenants, then the whole nature of the debate surrounding social housing would greatly alter.

The analytical focus should also move beyond social housing alone to include those living in the private rented sector and the bottom end of owner occupation. Only then can we properly appreciate how those on very low incomes, and who are often welfare dependent, access different tenure options at different points in time.

But to gain a better understanding of the actual dynamic of housing, and the role of social housing within this dynamic, we would be better able to decide whether to support those unable to afford entry level owner-occupation, but who either reject or are

rejected by social housing landlords. This 'sandwich class', as they are termed in Hong Kong, have again become a focus of Scottish housing policy, as they were for short periods during the 1960s and 1980s. The initial development of the housing association movement was very much focussed on addressing the housing needs of what was then termed the 'indigent middle class'. Co-ownership and cost rent schemes were developed, and later shared ownership and Improvement for Sales ventures. But should state subsidies again be used to help them up, while leaving others more deserving to sink? Why is it that some people merit a hand up, while others can only expect a hand out? Are 'key workers' of concern mainly because they serve the needs of the more affluent and powerful within society?

Refining our analysis and understanding of social housing would also help us decide what types of regeneration and renewal policies should be pursued in future. Renewal policy for the last 30 years has been reminiscent of the movie *Groundhog Day*: the approach has been to say, "this is a run-down deprived neighbourhood, let's renew it". Then a decade or so later, the same problems re-emerge and the exact same statement is repeated. And so it goes on, to the benefit of the construction industry and housing professionals, but not necessarily the residents of such localities. Initially the focus of renewal was on the architecture and planning, addressing what was seen as their collective failings. Over the last 20 years changes to local management arrangements have also been made. But it is the same localities that are continuously subjected to the same processes of renewal. More recently, there has been much discussion about the merits of developing more 'mixed communities' as part of the regeneration process. This recalls the failed social engineering undertaken in the 1950s and 1960s with mass housing developments, which was equally well intentioned. Only by properly understanding the broader social, economic, cultural and political dynamics of social housing in a specific locality will we be able to know if this is the correct approach.

The Holy Grail should be to better understand the actual dynamics and drivers of change. Then we would be better placed to predict what the future holds for social housing. Counting the houses, slotting them into tenure packages and then tying the changing numbers to an analysis of national housing policies represents a very constrained and limited means for improving our understanding of the future role of social housing, either in Scotland or Europe as a whole.

Critically, we need to better understand power relations within our respective societies and how these act to influence, orientate and re-orientate the operation of the local housing market within individual housing systems, and then show how that impacts upon different groups of people. We also need to re-acquaint ourselves with how

power interfaces with the poor. After all, there is an irony in that those who would never choose to reside in social housing and thus are never subjected to its rules and regulations – which probably includes most of the readers of this book - debate and then decide its future, while excluding from such decision-making those who are actually resident in this housing. Housing is political, as Engels convincingly illustrated in 1848: the rich get well housed, the poor do not, and we could all start by acknowledging that fact (Engels, 1975).

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## 19. Postscript: lessons for English housing policy

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In many ways the core conclusion we might take from this second volume of *Social Housing in Europe* is that most European systems face very similar problems but that the way they address them is quite diverse. Issues of affordability have dominated the agenda over the last few years but there are very different views about whether this should be dealt with within social housing. The more fundamental problems of how to accommodate very vulnerable households and to limit the extent of social exclusion are everywhere acknowledged, but in some countries they are seen as an outcome of social housing policies while in others social housing is seen as the solution. Equally social housing is sometimes seen as the way forward with respect to regeneration; in others it is seen as a major reason why such regeneration is necessary. Financial viability and the need for subsidy are both central to how social housing owners and managers can achieve their objectives – but in some countries providers are expected to find their own way forward, while in others secure flows of government funding are available. The acceptable form of organisation ranges from ‘it must be the municipality’ through ‘it must be an independent landlord’ to ‘it can be a private landlord’. In almost all countries social housing is seen as a necessary part of ensuring a decent home for all – but in some that means housing very few households directly; at the other extreme the scale of provision can be as high as one in three households.

So are there lessons for England – other than that we should use our institutional, financial and social structures as effectively as possible to achieve the fundamental objectives of a decent home for every household? We argue ‘yes’ both in terms of what can be made to work and what almost certainly cannot. Here we list a few of the most important areas where European experience is relevant:

- How big should the social rented sector be? The evidence suggests that there is no ‘optimal’ size – and that at all scales there are problems of exclusion and

concentrations of vulnerable and minority households. The appropriate scale depends on more general safety net and regulatory fundamentals. There are two distinct questions:

- which types of household need or want to rent?
- do they have to rent from a social landlord?

- There is undoubtedly government pressure to increase the owner-occupation rate in many countries — and most people aspire to the tenure — but a rate much above 60% appears either to require some element of subsidy, such as entry discounts, or strong regulations which constrain alternatives. If there is a well-operating income support system and well-defined licensing arrangements, the owner can be anyone from the municipality to a private landlord. But it should be noted that these prerequisites often go hand-in-hand with a strong commitment to social landlords.

- How should the very vulnerable be accommodated? The evidence across Europe shows that the responsibility normally lies with the municipality. However in many countries the private rented sector actually houses larger proportions of these households — often very poorly — because traditionally the social sector has been more concentrated on what might be called the deserving poor. Independent social landlords also have incentives to avoid the most expensive tenants. The consensus among commentators is that social housing should play the core role at least with respect to longer-term provision. But there is no consensus that social landlords are particularly good at the direct provision of additional services.

- Should there be full security of tenure? There is discussion in many countries on whether social tenants should have full security of tenure, especially when many other similar households are excluded from the sector. The European Union's concern about subsidising employment on the one hand and the need to accommodate many households in acute but not necessarily long-term need represent the two extremes of the argument. There is some consensus that the better way forward is to identify when lifetime security can support people's lifestyles, but to provide opportunities for households with the capacity to move out to do so. There is general agreement that it would be a retrograde step to require households whose incomes exceed the threshold for social housing to move out — and anyway it would not work because of the perverse incentives involved.

- How should rents be set? Security and rent determination are inherently linked, because rents are part of the package that sets the incentives to move in and out if circumstances change. This is a policy area which appears stuck in history. It is also perhaps the most political issue in most countries. Moreover, its wider importance in setting constraints and opportunities is rarely discussed. In a number of countries the tensions are mitigated because comparable rent controls apply in the private rented sector. But this does not solve the fundamental problem of viability and allocation, and often results in a poorly operating and limited private rented sector. The shift towards income-related benefits has not generally led to more flexible rent-setting systems as was expected. Yet the benefits of bringing rents more in line with values are considerable, and moving closer to longer-term market rents would allow security of tenure to be treated better as an issue in its own right.

- What quality? Again this question links financial capacity and the standards regarded as acceptable. General rises in incomes and demand have resulted in major tensions between, on the one hand, trying to provide increasing levels of service in the social sector and, on the other, simply ensuring adequate levels with an associated incentive to move for greater choice and quality. In most countries with significant social provision there are estates with admirable housing but massive problems of social exclusion, segregation and anti-social behaviour. In response, some countries are looking to social landlords to act not just as housing but also as area managers. So far, though, there is little evidence that the two functions are inherently best provided together.

- The most immediate question is whether additional investment in social housing can be a key element of fiscal policies to help limit recession. Probably far too much is being expected, especially because in most countries there have been continual reductions in incentives to build and much greater emphasis on regeneration, whose impact is too long-term for the current political environment. But the current situation has lifted the question of how to develop a sustainable 21st century social rented sector much higher up the agenda. As a result, the opportunities for the social rented sector are probably greater now than they have been for at least three decades. We need to support these initiatives through our research.

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