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Social housing in Europe: legacies, new trends and the crisis

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Introduction

This special issue, edited with József Hegedüs, Martin Lux and Kathleen Scanlon, has been developed as a joint initiative of *Critical Housing Analysis* and of the research project *Redesigning Social Housing against Poverty in Europe* (RESHAPE), funded by the Free University of Bozen-Bolzano. The main rationale for this issue on *Social Housing after the Global Financial Crisis: New Trends across Europe* is to contribute to our understanding of social housing in two directions: (a) investigating countries that are less represented in the international literature; (b) updating previous findings and monitoring the effects of the global financial crisis (GFC).

RESHAPE partners and several other acknowledged experts on social housing were invited to contribute the special issue in late 2016. The electronic format of the journal has made it possible to speed the publication process - enabling a significant number of up-to-date peer-reviewed contributions to be brought together well within a year. This special issue provides critical analysis of social housing policies and their most recent development across fourteen European countries together with an overview of longer term trends. We wish to thank the contributors, our co-editors and the journal for making this possible.

Social housing in Europe

What is considered social housing varies across Europe. The most common definition is focused on the social rental segment, i.e. on – directly or indirectly – subsidised dwellings let out at below pure-market rents and allocated administratively. After World War II, during the development of welfare states, housing was considered to be an important pillar of the contract between the state and its citizens in Western Europe. It was also an acknowledged entitlement in the socialist Central and Eastern European countries. Social housing was seen as an effective means of overcoming shortages arising from war damage and rapid urbanization. Large scale housing schemes also helped re-build construction industries and increase employment (Harloe 1995).

Thereafter, social housing systems have evolved quite differently across Europe (Hegedüs, Lux and Teller 2013; Scanlon, Whitehead and Fernández Arrigoitia 2014). They now differ in size and in the degree to which they target specific groups: typically, low-income and socially vulnerable households (although often not the most vulnerable ones) and sometimes key workers. Ownership and institutional settings vary as does the relative importance of different levels of governance – state, region, municipalities – and their degree of cooperation. Furthermore, social rented housing is one instrument within a toolbox for housing policy, which – in turn – is one element of national welfare systems and the broader economy. One particularly relevant element – although not a focus in this special issue – is represented by country variations in how supply and demand subsidies are balanced in national housing policies.

Social housing, in the mainstream sense of rented below market value exists in each of the countries represented in this collection. In some, however, it only provides a minimal share of the housing stock and is really a residual tenure. In many cases homeownership has clearly been favoured against social rented housing: as for instance in the recurring right-to-buy schemes implemented in Italy, as in the UK. Although it is true to say that the scale of social housing has declined in almost all European countries since the 1980s (Scanlon, Fernández Arrigoitia and Whitehead 2015), many different trajectories can be observed across the countries reflected in this special issue. They range from the universalistic and highly egalitarian social homeownership model to be found in Norway (Esping Andersen 1985), to the development of a familial and highly ascriptive model in Southern Europe (Poggio 2012), not to mention the large scale privatization and restitution schemes to be found in some of the Eastern European countries, after the transition (Hegedüs, Lux and Teller 2013).

Overall, European housing policies have generally moved towards more market-oriented models since the late 1970s. Liberalization of both rental and credit markets together with the privatization of social dwellings has occurred in most of the countries discussed here. Investment in social housing declined and large scale schemes became less sustainable in economic, political and ecological terms. Targeting has become a core theme, linked to a shift towards income related subsidies. Universalistic models have been questioned, and reoriented towards more targeted approaches.

Christine Whitehead's paper *Social Housing Models: Past and Future* traces some of these trends in more details, to try to address questions around the sustainability of existing social housing models and possible future developments.

The Global Financial Crisis (GFC) and more recent changes

European countries covered in this special issue have different experiences of the GFC. On the one hand, there are countries, like most of Scandinavia or Switzerland, which were only marginally affected by the crisis. There are also countries, like Belgium, where the GFC had a limited direct impact on the housing system, even if the crisis affected the broad socio-economic context. On the other hand, there are nations – especially in Southern Europe – where the crisis had a large impact, worsening households' economic circumstances and further reducing the capacity for public spending. Some changes have affected almost all European countries. Notably, affordability problems have worsened in all the countries considered here at least to some degree - and not only in the ones affected the most by the GFC. All in all, the crisis has exacerbated pre-existing housing problems while sometimes stimulating new policy instruments.

Before moving to the details of individual countries we would like to highlight several cross-country relevant topics. These are not new findings but a recapitulation in a comparative context.

First, *residualisation* of social rented housing is highly relevant almost everywhere. On the one hand, it occurs in countries such as Denmark and Italy, where mid-income households largely tend to prefer – and can afford – homeownership. It is inherent in countries where policy directly targets low-income and vulnerable households such as the UK but is also occurring in traditionally universalist systems such as Sweden. In countries with a small social housing sector this trend reflects increased – and perhaps welcome – effectiveness in the allocation of scarce housing resources.

This increased residualisation raises issues of economic sustainability for social landlords: unless income related allowances are particularly generous, the lower the income of the tenants, the lower the rents that can be charged and the higher the risk of insolvency. Concentrating allocations on vulnerable, or 'problematic', tenants raises similar issues of social and political sustainability.

A second – and related – issue reflected in a number of the country studies (e.g. Belgium, Italy, the Netherlands), is the *trade-off between targeting and keeping a social mix* in the sector. The more the allocation of social dwellings is targeted, the more difficult it is to maintain a certain degree of social mix in social housing estates, and to avoid building social and economic ghettos by policy design.

Thirdly, in several countries (e.g. England, Italy, Spain) public policies have increasingly supported the development of an '*affordable housing*' sector. This is something – not completely new – in-between rented social housing and the private rental market, in terms of rent levels and security of

tenure. Younger, middle class households are often the beneficiaries and private investors are usually involved. In Spain and Portugal, banks, which have found themselves with plenty of empty homes, are participating in these type of schemes. It goes without saying that this type of provision may be in direct competition for public support with traditional social housing and may increase residualisation while limiting resources for low-income and vulnerable households.

Fourth, the relative importance of *different tenures* is changing. Homeownership is still dominant, even though homeownership rates are falling in many European countries. The GFC worsened both access to credit and job security making entry more difficult. This tenure remains a lodestar in many European countries (Belgium, Norway, the Southern European countries) but its dark side is now more visible and private renting is increasingly important.

The importance of the *local level of governance*, and its relationship with the central and meso-level authorities, is a fifth recurring topic. Local government is generally crucial for the social and political sustainability of social housing. It usually has legal responsibility for meeting housing needs of their populations - and this can be particularly important where national government does not provide well-developed policy structures (e.g. Switzerland). But it is also the local level – which is more permeable to local stakeholders’ interests – that sometimes inhibits the developments of new social housing - or allocates in ways that do not help the poorest and most vulnerable.

Finally, most recent migration waves and the *refugee crisis* have also contributed to increasing housing demand in the social sector in many countries. This further raises issues of economic, social and political sustainability.

England and the Netherlands

England and the Netherlands are ‘benchmark’ countries in international literature. Their social rented housing sectors still serve a large share of households by European standards, despite large scale privatisation schemes, especially in England.

Kathleen Scanlon in her paper *Social housing in England: affordable vs ‘affordable’* discusses the most recent Housing and Planning Act, which aims to develop new public and social privatisation schemes and further to increase targeting. Social housing stock is likely to be reduced in high demand areas and funds transferred to cheaper areas in order to increase overall social sector provision - raising concerns about spatial concentrations of economic and social problems. Social landlords are also being encouraged to play a much larger role in providing market housing for sale and rent as well as to increase their role in ‘intermediate’ markets.

Joris Hoekstra’s paper *Reregulation and residualisation in Dutch social housing: a critical evaluation of new policies* concentrates on the most recent changes in the Dutch social housing sector, which is switching from a universalistic model towards a more targeted approach. Both European Commission regulations and national policy support the explicit aim of making social rented housing a smaller and more targeted sector. Housing associations have also been subjected to more stringent budgetary control, after a number of financial scandals and evidence of serious mismanagement. The accumulation of economic and social problems amongst social tenants, inherent in this more targeted approach is (and indeed has been for some time) a matter of concern: as are increases in residualisation and risks of spatial segregation among low-income and vulnerable households.

High owner-occupation countries: Belgium and Norway

The GFC heavily impacted on both Belgian households' economic conditions and government expenditure. However, the housing system was not much affected, thanks especially to a quite conservative mortgage market. Under the heading *Crisis? What crisis? Social renting in Flanders (Belgium) beyond the financial crisis*, Pascal De Decker, Jana Verstraete and Isabelle Pannecoucke discuss the paradoxical expansion of the social housing sector in the region of Flanders, during the crisis. The Federal State had allocated housing funds to Flanders for long-term large-scale investments just at the beginning of the crisis. The regional government was able to use these funds to support social housing in an environment where homeownership was increasingly seen as unaffordable to younger households and growing public hostility towards long waiting lists in public services, including social housing. The trade-off between targeting low-income and vulnerable households and avoiding spatial concentrations of economic and social problems remains unresolved.

Norway has one of the highest homeownership rate in Europe with policies aimed at ownership for almost all. Here Hans Christian Sandlie and Lars Gulbrandsen clarify *The Social Home Ownership Model – the Case of Norway*. Developed after WWII to enable all households to become owners, it provides a mix of policy tools – dedicated housing banks, supply- and demand-side subsidies, a regulatory framework for land and house prices – to make this possible. Social rented housing was thus a residual tenure targeted to – genuine – special needs. The progressive deregulation of the housing market has modified this model, re-orienting housing policy towards more targeted subsidies and assigning a new role to the small residual social rented sector. The GFC itself had little direct effect. However, the post crisis environment, notably house price inflation caused in part by the low interest rates induced by the GFC has resulted in stricter mortgage regulations and less generous subsidies both of which negatively affect first-time buyers and especially young adults.

Germany and Switzerland - where private renting dominates

Stefan Kofner's paper *Social housing in Germany: an inevitably shrinking sector?* Points out that most social housing in Germany is provided by private landlords who have been subsidised to provide it for defined periods. The shrinking of the social housing sector comes from a decline in these temporary subsidies provided to private investors. However this has occurred in a relatively benign environment characterised by a regulated rental market, high levels of tenure security, and generous household subsidies for low-income households. The main problems are in high-demand cities, like Munich and now Berlin, where rents are unaffordable and where dwellings are in short supply. As a result there are pressures to regulate rents more heavily and to increase new investment in social housing in a growing number of cities.

Marie Glaser discusses *The situation of social housing in Switzerland* where social provision is generally limited - but important in some urban areas where it serves mainly low income and vulnerable households, including migrants. Local level governance and initiatives are particularly important in Switzerland. Non-profit landlords include housing cooperatives, foundations and municipalities. They own an important share of dwellings in major cities, acting as a stabilising factor for the whole rental sector. Housing cooperatives are major actors: operating on cost-rent principles without public subsidies, although some local and cantonal governments provide conditional support. Other non-profit organizations operate as social rental agencies, aiming to empower vulnerable households in the private rental market.

Former socialist countries

Martin Lux and Petr Sunega, in their paper *Social housing in the Czech Republic: the change of a trend?*, critically discuss post-transition housing policy in the Czech Republic, and its most recent

changes. Increasing interest in social housing is reflected in the new Social Housing Act currently being drafted. The role of municipalities is of particular importance but local governments are highly permeable to local interests. The majority of the social housing stock was privatized by local authorities at discounted price and sitting tenants expect to buy the dwellings they live in. Special schemes supporting the development of dwellings for rent by cooperatives have been transposed into speculative homeownership initiatives when implemented at the local level. More generally, municipalities tend not to take risks such as allocating social dwellings to the most vulnerable households. The Social Housing Act that is being drafted provides for a re-centralization of many functions now managed at the local level, including means-testing. However, there are doubts about the possibility of effective implementation.

József Hegedüs contribution *Social housing in post-crisis Hungary: a reshaping housing regime under 'un-orthodox' economic and social policy* covers economic policy in post-transition Hungary as inspired by attempts to maximise transfers from the EU and to externalise the tax burden by levying special taxes on foreign companies. The middle class is the explicit and strong beneficiary of, mainly regressive, economic and social policies. The Hungarian economy and housing system were strongly impacted by the GFC. Policy responses have been in line with these 'un-orthodox' policies. Affordability, a major issue after the transition has worsened since the crisis. Rental social housing is not a priority investment for the government. Municipalities continue to privatise the existing stock and tend to exclude poor families. NGOs and small-scale EU-funded projects provide some limited housing to homeless people and other excluded social groups.

The paper from Andreja Cirman addresses the issue: "*Just another*" or a "*genuine*" change in the Slovenian social housing strategy? After the transition, most social housing was privatised. A not-for-profit social housing sector was developed but with very limited resources while rents are set below cost-recovery thresholds – a model unsustainable for social landlords. Until recently, tenants had lifetime security. Reforms in 2003 led to a more targeted model. Housing allowances were introduced and have been subsequently extended to private tenants. Notwithstanding high demand for social housing, austerity measures have limited the capacity of the National Housing Fund to invest in this sector. Most recent plans seek to provide the Fund with more adequate resources to play a direct role in housing provision as well as a rental agency.

(Western) Mediterranean Europe

Housing policies in the Western Mediterranean countries have historically been biased towards sustaining homeownership rather than developing a large social rented sector. However, whether homeownership may fit all households in these countries, even if heavily subsidised, has recently been questioned. Housing problems have worsened for many during the past decade and rental housing is now more in focus. A new orientation towards social rented housing, although not necessarily with a comprehensive, sustainable and consistent strategy seems to be emerging in a number of countries.

The paper by Teresio Poggio and Dmitri Boreiko *Social housing in Italy: old problems, older vices, and some new virtues?* clarifies the role of the crisis in developing rental policy instruments in Italy. A new system of mixed public-private funding for investment in 'affordable housing' is being developed as a distinct sector, targeting especially at mid-income households. At the same time the traditional – publicly owned – social rented sector has been left with insufficient resources for the upkeep of the existing stock, let alone its expansion. It remains unclear, therefore, which organizations are going to be able to take responsibility for housing low-income and vulnerable Italian households in the future.

Under the title *More social housing? A critical analysis on social housing provision in Spain*, Montserrat Pareja-Eastaway and Teresa Sánchez-Martínez provide an overview of recent changes taking place in Spain. The crisis, and the thousands of evictions for mortgage default, have led to a degree of stigmatisation associated with homeownership. There has been some policy refocusing towards the rental sector: indeed the latest housing plan concentrates almost exclusively on subsidising housing for rent. Banks have also found themselves managing thousands of empty dwellings because of the evictions and are participating in a Social Housing Fund, aimed at letting these units at below-market rents supported by some guarantees from regional governments.

Teresa Costa Pinto discusses the state of social housing in Portugal in her paper *Moving to a new housing pattern? New trends in housing supply and demand in times of change: The Portuguese case*. The social rented sector – as in other Southern European countries – is small, quite concentrated in major cities and often stigmatised in public debate. The crisis worsened households' economic conditions and led to drastic reductions in public welfare spending, especially with respect to housing, to the point where already approved projects could not be implemented. A Social Rental Market policy was established in 2012 as an emergency measure which makes it possible for empty bank-owned real estate to be let out at sub-market rents. It targets households not eligible for social housing but not able to afford housing prices or rents in the private market. Other recent policy instruments include conditional subsidies for rehabilitation, aimed at bringing empty dwellings into the social rented housing.

The traditional Scandinavian model

Denmark and Sweden are still champions of a near- universalistic social housing model, entitling all citizens to good quality subsidised housing with below-market rents. The crisis did not significantly affect these countries. However, during the past decade a number of changes have taken place redesigning the role of social housing in the future.

Rikke Skovgaard Nielsen and Christian Deichmann Haagerup discuss the de-facto decline of universalism in the Danish social housing sector in their paper *The Danish social housing sector: recent changes and future challenges*. The universalistic principle had not been under discussion, until recently. However in practice, the sector has evolved into a more targeted model. Middle-class households largely quit the rental sector for homeownership and the political discourse now favours targeting social housing to those who cannot afford homeownership or pay private sector rents. Equally, some policies work against low-income and vulnerable households. Housing associations must set cost-rents but may not equalise revenues between estates. As a result, relatively cheap old dwellings are concentrated in centrally located estates and more expensive new ones in suburban or rural areas. Only well-off households can afford to queue for several years so lower income and vulnerable households end up in suburban or rural areas. Social mix policies directed at 'vulnerable housing estates' with high concentrations of poorer households mean that municipalities may limit allocations to more vulnerable households in favour of higher income households.

Hans Lind discusses *The Swedish housing market from a low-income perspective*, focusing on how Sweden is departing from its traditional universal model of housing provision with regulation across the rental market. Cost based rent levels depend on the age of the dwellings. The results mirror the Danish system with similar social and spatial outcomes. The political debate looks to a more targeted model but how to manage the trade-off between efficient targeting and developing mixed social housing estates is still an open issue. Targeting by design – i.e. providing more basic apartments in suburban areas that would not attract demand from high-income households – may represent an alternative to means-testing. But this approach still disadvantages low-income households.

A concluding comment

The countries covered in this special issue cover the whole spectrum of European countries - from some of the highest owner-occupation rates in the world to countries where informal sector housing remains important; from high average incomes to low and from those with large traditional social rented sectors with countries with almost none; and countries with social owner-occupation as well as social renting.

Two main models (with many variations arising from past experience and current pressures) appear:

- countries with a long tradition of social renting have generally seen the sector decline as other housing opportunities develop; to become more dependent on private finance and to move more consciously towards housing the very poor;
- countries with little tradition of social housing and/or where public finances have been particularly constrained have seen conditions in what remains worsen for many with perhaps even less commitment to targeting the most vulnerable household.

Yet there are signs - however limited - of some resurgence based on post GFC opportunities where failed owner-occupation has led to some empty homes being made available at sub-market rents; some measures to integrate the overall rental sector as private renting becomes more important (at the same time as universalism is dying); as well as pressures to increase the effective use of social housing capital. There are also signs of greater political commitment - although this has often not yet led to significant additional resources.

Overall the Western European model, where there is embedded capital, appears to be quite resilient with the potential to play a greater role in meeting housing needs. However, countries where there is little capital face a much more uphill task. Even so, there are the beginnings of more forward looking models which may be able to thrive in the future.

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