The solution or part of the problem?

Social housing in transition. The Danish case
Scanlon, Kath J.; Vestergaard, Hedvig

Published in:
ENHR 2007 International Conference 'Sustainable Urban Areas'

Publication date:
2007

Document Version
Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

Citation for published version (APA):

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

Users may download and print one copy of any publication from the public portal for the purpose of private study or research.

You may not further distribute the material or use it for any profit-making activity or commercial gain.

You may freely distribute the URL identifying the publication in the public portal.

Take down policy
If you believe that this document breaches copyright please contact us at vbn@aub.aau.dk providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from vbn.aau.dk on: July 20, 2019
W12 - Housing Market Dynamics

The solution, or part of the problem?
Social housing in transition: the Danish case

Kath Scanlon
K.J.Scanlon@lse.ac.uk

Hedvig Vestergaard
hev@sbi.dk
The solution, or part of the problem?

Social housing in transition: the Danish case

Kath Scanlon
London school of Economics and Danish Building Research Institute
University of Aalborg, K.J.Scanlon@lse.ac.uk

Hedvig Vestergaard
Danish Building Research Institute
University of Aalborg, hev@sbi.dk

Keywords: Social housing; Affordable housing; tenant democracy; housing associations; housing policy

Abstract
The position of social housing is currently changing in many European countries. In this connection this paper describes Denmark’s social housing provision, and analyses recent developments in Danish social and affordable housing. Social housing has retained its formal position in the housing system, despite remarkable changes in who is served and its current inability to deliver affordable housing in pressure areas. The paper discusses how political and other stakeholders are approaching the housing issue, and how commentators are thinking about the future. It evaluates recent developments in the plan to build 5000 new affordable housing units in Copenhagen (in fulfilment of the mayor’s electoral promise).

Questions:

- Why has housing become a ‘no-go’ area for politicians?
- Who lives in social housing now, compared to ten (?) years ago?
- Why is (new?) social housing unavailable in pressure areas like Copenhagen?
- What is Danish tenant democracy, and is it worth protecting?
- Why can’t housing associations provide the cheap homes that politicians want?
- What is the argument for new affordable homes in Copenhagen?
Introduction
The position of social housing is currently changing in many European countries, but as of 2007 this trend had not yet reached the not-for-profit social housing sector in Denmark. However, the sector’s minimal contribution to solving the affordable housing problem has increasingly become an issue since 2001. Plans to introduce a general right to buy in the social housing sector have not been realised. There is no blueprint for the future development of the sector, even though income from social housing is used to keep taxes down. The unchanging nature of Danish social housing reflects politicians’ unwillingness to promote controversial housing policy initiatives, particularly any that could undermine those who currently enjoy a privileged housing situation. This includes established and aspiring homeowners, as well as households living in rent-regulated dwellings. The losers are that minority of newcomers to tight urban housing markets, among them young households and key-workers, who cannot find affordable housing. Housing is a pawn in the formation of coalition governments at the national as well as the municipal level.

European trends in the total supply of social housing
In most European countries the social housing stock has been declining, at least in proportional terms, according to a recent survey (Scanlon & Whitehead, 2007). Here Denmark is the exception, as output continues to keep pace with total provision. In the period 1996 to 2006 the share of social housing went up from 19% of occupied dwellings to 21%. In some other countries the numbers have fallen very significantly—this is notably the case in England, where the total supply of social housing has fallen by over a million units from a high of 5.1 million in 1979, mainly as a result of the Right to Buy.

In most countries demand for social housing is generally high and growing, with long waiting lists at least in major urban areas. This is in part an outcome of increasing house prices across most of Europe, which has made entry into owner-occupation more difficult; in part a result of demographic factors, notably increasing migration, which tends to put additional pressure on the private rented sector; and in part a function of worsening income distributions in many countries.

Nevertheless, there is oversupply in some areas (for example, eastern Germany and Northern England), which has led to policies of large-scale demolition and restructuring. Even in pressure areas like Dublin and Amsterdam, substandard 1950s, 1960s & 1970s high-rises are being demolished. Large estates that are demolished (in whole or in part) are often replaced by mixed-tenure housing (France, England), sometimes at higher densities aimed at providing mixed communities and greater sustainability. There is also a movement towards mixed-use development, in part to allow the land asset to be more effectively recycled.

Privatisation has tended to remove the better-quality stock from the social sector. Some countries (Ireland, the UK) have allowed sales for decades; others since late 1990s (Netherlands); still others (Denmark) are only now taking tentative first steps to introduce a right to buy. In the particular case of Germany, where for many years there have been time-limited subsidy arrangements, about 100,000 units of social housing per year move to the private sector as rent restrictions expire.
The current position of social housing in Denmark

The Danish social housing sector is comprised of housing owned by non-profit housing associations (20% of the total housing stock in 2005) and a very small amount of public stock (about 2%), which is mostly used for short-term emergency housing. (Note: In Denmark the term almen boliger, usually translated as ‘social housing’, is used to mean only the housing association stock.) There are about 700 housing associations, which own 8000 estates with a total of 511,000 dwellings (mostly family-sized apartments). The housing associations vary enormously in size, ranging from those with over 30,000 units to those with fewer than 10. Municipalities supervise the housing associations and must approve certain of their decisions.

Figure 1: Rented housing by ownership, per cent of total housing stock, 1960-2005

![Graph showing rented housing by ownership, per cent of total housing stock, 1960-2005. Private rented housing includes official residences and free quarters. Source: Det økonomiske Råd, Formandskabet, 2001, p. 234 and own estimation for 2005.]

In the 1940s and 1950s, social housing consisted of small, centrally-located estates. From the 1960s to the end of the 1970s, larger estates, often with high-rise buildings, were constructed on the outskirts of cities. Many of these estates now have social problems. Since then, most new social housing has been on smaller, low-rise (tæt lav) estates (Vestergaard, 2004).

Until the early 1970s, Danish social housing was housing for couples, especially young families with children and above-average incomes. This group of tenants has since moved on to single-family housing. In the 1980s single people (including single parents) and immigrants moved in, and jobless households became numerous on new estates, which had become hard to let. By 2000 single persons, single parents and immigrants without jobs, all on low incomes, were increasingly concentrated in social housing and segregated from the rest of the housing market. Now the elderly have also become an important group, as special-purpose housing for the elderly is increasingly built as social housing (Skifter Andersen et al 2001, pp37-48).
Financing of social housing

Since 1994, decisions about the construction of new social housing have been approved by local authorities. Various studies have found that municipalities are often reluctant to permit the construction of new social housing, because they do not want an influx of residents with social problems who will cost them money. Currently they are often more willing to allow housing associations to build special-needs housing, such as dwellings for the elderly or handicapped—in fact, such special-needs housing now makes up more than 50% of new-build social housing.

Most of the cost of building new social housing (currently 84%) is financed by a mortgage loan. The responsible minister announces at the end of each year which type of loan will be used the following year. The municipality pays 14% (increased from 7% in January 2007) of the cost up front in the form of an interest-free ‘basic capital loan’ (grundkapitallån). The remaining 2% is covered by tenants’ deposits. The municipality guarantees that part of the mortgage that is above 65% of the initial building costs. In the last couple of years new social housing has partly been financed by the National Building Fund for Social Housing (Socialministeriet, 2006 p223). (See below for further details.)

The financing system has undergone several changes over the years. Social housing built in the period 1982-98 was financed with a form of loan whose term was extended when interest rates increased. (Thus, in effect, future tenants would pay the subsidy element.) Between 1975 and 1982, construction was financed by so-called nominal loans, where interest subsidies from the state were reduced as the indexes of wages and prices rose; the full cost of the loan was thus gradually passed to the tenants (the idea being that, having enjoyed wage increases, the tenants were better able to service the loan themselves). Many estates from this period were later permitted to remortgage in connection with refurbishment programmes.

Social housing is exempt from income tax and real-estate tax. A cap on construction costs (including land costs) was introduced in 2004; this limited the ability of social housing providers to build new dwellings in high-land-cost areas such as Copenhagen. Recently projects for the elderly have also run into difficulties.

Each of the 8000 housing estates (or afdelinger ['member sections'], as they are known in Danish) must balance its books—there is not supposed to be any cross-subsidisation between housing associations, or between estates that belong to the

---

1 In the past there was a quota system, through which the state allocated how many new social housing units each municipality could build every year; one civil servant in the ministry of housing managed it single-handedly. When he retired, a mathematical model based on ‘objective criteria’ was developed. Under this model, many rural municipalities, which hitherto had not considered building social housing, suddenly were required to build small estates with 2-10 units. The local housing associations in the urban municipalities would often compete with each other for part of this local quota. In some places, e.g. Aarhus, the associations had to agree between themselves who could build, then inform the council.

2 In 2006 the type of loan was 30-year variable-rate loan. Earlier loan-types have been index linked or fixed-rate loans. See [http://www.social.dk/Boliger/Boliger_i_tal/index.aspx?id=3ce4930f-0ae1-4fa7-b92f-3d0f740d9e1b](http://www.social.dk/Boliger/Boliger_i_tal/index.aspx?id=3ce4930f-0ae1-4fa7-b92f-3d0f740d9e1b) for a rundown of financing systems since 1994.
same association. The municipalities must approve housing associations’ as well as
the individual estates budgets and accounts.

By law, social housing must be rented at cost rents, which are based on historic costs;
rents do not respond to market forces. There have been occasions in the last 68 years
(such as in 1951 and 1966) when politicians have decided to allow rents to rise above
cost levels. Private-sector rents (for buildings built before 1991 in older urban areas)
are also regulated and based on historic costs; in 2005 90% of all private rented units
were located in regulated municipalities – i.e. all major urban areas.

On average, housing-association rents are probably below the market-clearing level
and can vary widely between estates depending on standards, improvements and the
level of services.

Table 1: Rents for social and private rented housing, start 2005

<table>
<thead>
<tr>
<th></th>
<th>average rents</th>
<th>10% lowest</th>
<th>10% highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social housing</td>
<td>595</td>
<td>447</td>
<td>764</td>
</tr>
<tr>
<td>Private rented</td>
<td>611</td>
<td>415</td>
<td>838</td>
</tr>
<tr>
<td>% difference</td>
<td>+3%</td>
<td>-8%</td>
<td>+10%</td>
</tr>
</tbody>
</table>

calculations

A 2005 survey (Table 1) indicated that housing-association rents were on average
about 3% lower than private-sector rents (most of which were also controlled, of
course). The differences were greatest at the top and bottom of the market.

The cost-rent system means that older (and often more attractive) housing has very
much lower rents than newer housing. Households that will never be in a position to
pay their own housing costs can be trapped in the most expensive housing in the
social sector. Vulnerable residents who depend on social benefits end up
concentrated on unpopular large estates with high rents and low housing quality,
because those who could afford to pay those rents on their own prefer to live in
owner-occupied housing.

Debt repayments (and therefore tenants’ rent) on estates built after 1999 are by law set
at 3.4% of initial building costs plus bank charges. This money goes to the
government, which services the mortgages. The level of payment is, however,
independent of the actual interest rate. Given current low nominal interest rates, the
estates/tenants actually pay more than the mortgages cost, so the state at the moment
makes a profit from social housing built after 1999 (Socialministeriet, 2006 p223 and
416 fig 11.3).

The ‘profits’ from social housing: what should they be used for?

It is not only newly-built social housing that is producing a financial surplus. Older
estates are also increasingly producing a ‘profit’, as their mortgages are repaid. The
government and the non-profit housing movement, organised in Boligselskaberne
Landsforening (BL), are locked in conflict over how this money, which is held in the
National Fund for Non-Profit Housing Associations, or *Landsbyggefonden* (LBF), will be spent.

The original idea behind Danish social housing was that estates and housing associations should be economically self-contained, and that public funds allocated to social housing should stay within the system and, eventually, support the construction of new housing. Thus all housing associations maintain a building fund.

LBF, the national fund, was set up in 1967 to collect money from politically-determined rent increases on the older housing stock. The plan was to use this money for future renovation and modernisation of contributing estates, for general purposes in individual housing associations and for a common fund to support in needy estates and new building. When the issue of troubled estates came up in the early 1980s, however, the common resources in LBF began to be used to improve and renovate the existing stock, especially that from the 1960s and 1970s.

From the late 1940s onwards, there was a boom in social housing construction, financed by 50-year construction loans. Many of these loans are now paid off (or soon will be), but the cost rents are still calculated as if there were a loan to be serviced. It was anticipated years ago that these funds would start to grow massively as the original loans were paid off, and in 1998 the government decided to allocate part of the surplus to LBF. From 2000, 50% of the money corresponding to paid-off loans on existing stock has gone to LBF, while local funds keep the other 50%. (For construction undertaken in 1999 and later, 2/3 of the payments will be collected by LBF--equally divided between the central/joint disposition fund [*Landsdispositionsfonden*] and a new special fund for new house building--and 1/3 will stay in the local disposition funds.)

In 2002 the LBF began to take out loans, which will be repaid from future income streams, to cover public expenditure on new social housing. Thus the capital balance in LBF is currently negative. The LBF has not yet accumulated any uncommitted central funds (*Landsdispositionsfonden*), but from 2009 its surplus will balloon (see Figure X). The housing associations would prefer to use this money to upgrade the
older housing stock, but in late 2005 the government announced that the LBF should refund 50% of government expenditure on construction of new social housing in 2005 and 2006, so as to reduce the burden on the state budget. The fact that current social renters thus subsidise the construction of new buildings remains controversial, and the organisation of Danish housing associations has characterised it as ‘confiscation’. In late 2006 a political agreement reduced the refund to 25% until 2008.

**Tenant democracy**

A key feature of social housing in Denmark is the high degree of tenant involvement. This is one of the most important remaining manifestations of the widespread cooperative movement that started in the mid-nineteenth century in Denmark. The legal framework for tenant democracy in the running of estates and associations has its roots in the beginning of the 20th century. (Jensen 2006a and 2006b). Tenant democracy can be viewed either as a down-to-earth way of organising everyday housing life in a democratic framework where all tenants are partners, or as an ideological project designed to promote social housing as a Social Democratic bastion.

Each housing estate (afdeling) has its own Estate Board (afdelingsbestyrelse), which is responsible for decisions on maintenance, approval of the budget, improvements and repairs, house rules, running of common rooms, social initiatives and leisure activities. An estate board usually consists of five members elected by the tenants. Some of the larger housing estates operate with sub-area boards as well as a main
board having the budgetary control of the whole estate. The budget and other
decisions which affect rents are approved by a general meeting.

A housing association typically an eleven-member board, of whom seven or all eleven
are tenants. Non-tenant board members are often representatives of employees, the
local municipal council or special experts. Housing associations consist of one or
more estates. The HA boards are usually elected at a general meeting of all tenants or
of all members of estate boards in the association. The 700 HAs are members of a
national interest organisation: The National Federation of Non-Profit Housing
Associations/ Boligselskaberernes Landsforening (BL). BL has a long track record of
influencing housing and participating in the formulation of programmes and policies.

In all more than 20,000 tenants hold an elected post; in addition volunteers participate
in special activities and committees. A 1999 study showed that around one third of
tenants participate in the general meeting at their estate. Tenant democrats are
different from mainstream political activists as they are often low income, unskilled
as well as outside employment. The elected members are often older white men, while
women and non-ethnic Danes are more involved in specific tasks and activities
(Jensen et al 1999).

Tenant democracy is valued as a national treasure and the boards have in recent years
gained new importance as partners in regeneration projects. When this partnership
works it leads to better quality of life and development possibilities for residents.
However, tenant involvement in such projects can sometimes be more apparent than
real. (Vestergaard et al 1997;Christensen et al 2003).

Tenant democracy faces both external and internal challenges. This mirrors and
magnifies what is happening in society at large – and social housing can be cast as the
problem.

Social and ethnic segregation began rising on social housing estates long before it
became a general political issue in Denmark in the early 90s, culminating in the
announcement of a "Ghetto problem" in 2004. Increasing individualism and demand
for free scope have transferred the focus in social housing from community and
(local) merit goods to individual housing standards. In an Anglo-Saxon society where
homeownership is an aspiration, social housing will always be seen as second-rate. In
2001, while all political parties promised to protect the welfare state, the new liberal-
conservative government saw a chance to add to its constituency by introducing a
right to buy. While they could not change the rent laws and lift regulation dated from
1939, they transformed tenants into homeowners with individual mortgages.

The need for a generational change among tenant democrats is a long-term challenge.
Declining participation in traditional association activities (so-called 'Association
Denmark'/Forenings Danmark) like political parties and traditional trades unions has
limited the number of training forums for the 'classic' tenant democrat. Also he (for it
is more likely to be 'he') probably left social housing and become a homeowner more
than a generation ago. The tenant democrat today has often left the labour market or
has never been in it. Or this person is one of the 'old timers' that built the social
housing movement. To be part of this movement and active in tenant democracy is a
lifestyle and an identity.
Over the last generation there has been a general professionalisation of politics at all levels, and an elected post in tenant democracy is no longer an obvious stepping stone to a political career or a job opportunity in professional housing management. The new generation of tenant democrats will be different, and will have to work with a new generation of professional housing managers coming from outside the social housing movement and the tenant democracy lifestyle. The most important internal challenge for Danish social housing will be to reinvent democracy at the local level – to give residents renewed possibilities to enhance the quality of life where they live. The trend towards centralisation, with larger municipalities and mergers of housing associations, makes this challenge more acute.

Since 1984, tenants have had the right to the majority of seats on housing association boards. The Danes are proud of this tenant democracy, and the influence of local tenants through budget control, general meetings and estate boards is taken for granted. Some critics say, however, that the multiplicity of boards, combined with the municipalities’ input, makes the decision-making process unwieldy. Tenant democrats are being pushed to join the general centralisation trend as seen, for example, in recent structural reforms of municipalities and counties.

Access to social housing

The majority of vacant units are assigned by the respective housing associations on the basis of time on the waiting list and household size. There are no restrictions on who may join a waiting list, apart from a minimum age of 15 years (until 1993, in fact, children could be signed up at birth). In pressure areas like Copenhagen and Aarhus waits can be long (10-20 years in the Copenhagen area), but this is not the case everywhere. Those on the waiting list pay a small annual fee, and when tenants move in they have to pay a deposit that corresponds to 2% of the original construction cost of their unit. Housing associations also operate internal waiting lists, so tenants can move up the housing ladder within a housing association, e.g. from an expensive dwelling to a cheaper and more attractive one.

Municipalities have the right to assign tenants to at least 25% of vacant housing association units and they have in some cases, in agreement with the housing association, reserved a right to approve all assignments. They (and the housing associations) do not necessarily assign on the basis of need. Many local authorities try to improve the social composition of troubled estates by giving priority to people working in the local area; this is also justified as a way to reduce environmentally damaging commuting. These so-called ‘green assignment schemes’ must be approved by the state and the local authority. Municipalities are obliged to offer refugees who move to their area a permanent home within three months. In addition, municipalities assign all tenants requiring special-needs housing for the elderly and handicapped.

Tenancies can be passed on to children when the parents die, if the children lived in the dwelling. Tenants also have the right to trade dwellings with other tenants in the same housing association, different housing associations, and indeed in the private sector. Tenants may also sublet their dwellings for a limited period if they work temporarily elsewhere.
Social housing used to be considered a tenure for all, and in general there is still no stigma attached to living in social housing. However, it has since 1970 increasingly become a tenure for marginalised groups and those with special needs.

The highest proportion of social housing is found in urban areas build up after 1950--in the outer ring of the Copenhagen area (the former County of Copenhagen), social housing makes up about 1/3 of the housing stock. Nevertheless, there are shortages of social housing in the cities, particularly Copenhagen and Aarhus, and surpluses in rural areas, particularly Jutland.

From 1994 to 2002, the share of ethnic minorities in the social housing sector increased from 12% to over 20%. These immigrants are not uniformly distributed across housing associations; some estates house only ethnic Danes, while others are occupied by more than 60% non-ethnic Danes.

Other forms of affordable provision: the case of Copenhagen

Danes generally prefer owner-occupation to living in private rented or social housing, and access to this tenure has become easier because of innovations in the mortgage market (although in some areas, such as Copenhagen, this has been outweighed by strong increase in house prices).

Unmet needs are concentrated in high-cost areas, where waiting lists are long. Key workers such as teachers, nurses and firemen have complained that they cannot afford decent housing, and young working households often have housing difficulties.

Paradoxically, social housing in Denmark is not necessarily synonymous with ‘affordable housing. By law social housing providers must charge rents that cover their costs, and the cost of building new housing in Copenhagen (particularly the acquisition of land) is such that cost rents for new housing are high. One result of this was the campaign promise of Copenhagen mayor Ritt Bjergaard in 2005 to provide 5000 new homes at a rent of DKK 5000 (approximately €670) per month. Copenhagen has experienced a 210% increase in house prices in the last five years, and house prices and rents are no longer affordable for many wage earners.

The city first proposed to sell building land at below-market prices to developers in order to enable the target rents to be met. However, the courts decided in early 2007 that such a sale would be unlawful; they also ruled that the city would not be permitted to use household incomes to limit access to such housing.

The city joined forces with several charitable organizations to create the nonprofit Fund for Cheap Housing (Fonden for Billige Boliger), which took over the programme. Since savings could not be made on the land element, they had to come from the cost of construction. The Fund has ordered 800 modular, prefabricated units from Estonia, where they can be built for 30-40% less than it would cost in Denmark. The units are to be delivered to Denmark by ship and erected on various sites around Copenhagen. Another 7200 prefabs will come from producers in Sweden, Norway and Denmark. Only 5000 of the total of 8000 units will be let at low rents; the
remainder (which will be larger and better-equipped) are to be sold at market prices and the profits used to subsidise the low-rent units.

Although the fund states that its aims are to provide housing at rents that are affordable to key workers such as teachers, policemen and nurses, the formal eligibility criteria do not limit access by profession. Households with qualifying incomes (rather high—DKK 700,000 or £63,700 for couples and half that for singles, both in 2005 prices) may enter a lottery; those who are currently living in inadequate accommodation have an extra lot drawn. The DKK 5000/month rents will apply to the smallest flats, which will have a gross floor area of 85m²; larger units will cost more. It is expected that the first 12 apartments will be ready for occupation in early 2008. Rents will be scaled up to reflect inflation (that is, the units will cost DKK 5000 in 2005 kroner, which will be about DKK 5544 in 2008.)

The political debate

Along with the Danish royal family, housing is a topic that no Danish politician wants to touch. On the one hand, reformers want to reduce the welfare state’s very high tax levels and the direct and indirect subsidies they finance—and in housing their aim is to move to a system in which households are subsidised according to their social needs rather than the type of tenure they happen to occupy. However, any politician who explicitly expresses this goal risks losing the next election.

Politicians’ level of knowledge about social housing is generally low; it is an insiders’ issue. This situation was fostered by many years of close direct cooperation between social democrats, trade unions and the national social housing organisation. However, after the 2001 election the influence of this group dissolved, and social housing advocates have been looking for new ways to lobby and influence the government and the Folketing. One partner is the centre-right Danish People’s Party (Dansk Folkeparti), which has strong support among residents of social housing and is a key political ally of the current liberal-conservative government. They might well become the strongest political advocates for social housing.

Until 2001, housing and housing policy questions had long been rather neglected subjects in the Danish policy debate. Instead the focus was mainly on urban and urban policy questions. Housing was little discussed during the parliamentary election campaigns of 2001 and 2005, thanks to a promise to tenants that rent-setting rules would not be touched. However, the increasing difficulties faced by households seeking affordable housing in economic pressure areas such as Copenhagen have brought housing back to the agenda. The non-availability of private rented housing, the long waiting lists for social housing, and increased house prices in the owner-occupied sector have increased the pressure for new affordable housing.

Recently, some outspoken politicians have begun to demand reform of social housing and simplification of the very complicated legislative and regulatory structure

---

3 This was most recently demonstrated in May 2007 when a new splinter party, Ny Alliance - launched itself. An initial promise to cut the marginal income tax from 60 to 40 per cent was overnight followed up with a promise not to raise property taxes.
surrounding it. A local government reform implemented in January 2007 (in which the number of local authorities fell from 272 to 98) is seen as an opportunity for reorganising. Other political voices now demand speedy deregulation and reform of the housing subsidy system, abolishing so-called bricks and mortar subsidies in favour of direct subsidies to needy people and a higher degree of self-financing in the social housing sector. A recent white paper (Socialministeriet, 2006) on the future of the social housing sector, including its role and financing, has paved the ground for an agreement between the government and other political parties on more self financing and a new committee/negotiations on how the sector is going to be managed in the future.

Recent initiatives

Concentration of socially deprived and ethnic communities on social housing estates has been on the political agenda for over 20 years. Solutions have included

- Improvement of physical conditions by renovating and modernising buildings, in most if not all cases with a subsidy from the Landsbyggefonden
- Social initiatives—employment creation, promotion of integration, crime prevention
- Subsidies for rent reduction, in order to make high-cost estates more attractive to high income groups/tenants with high incomes
- Sale of dwellings to achieve a better mix of residents (the law only allows this since Jan 06; no sales yet)
- Extending the right to demolish buildings to improve the general environment
- Letting local businesses rent premises as a way of creating more varied and interesting neighbourhoods

In July 2004 a three-year trial scheme started to allow social renters to buy 5000 units. The purchase is not as of right; the board and the general assembly of the tenants of each housing estate must decide that it will offer its units for sale. Tenants receive a discount of 30% of the market price. As of March 2006 only about 800 units had been approved for sale, as the boards are generally opposed.

Table 1 lists some of the important problems and challenges that faced the Danish housing market in 2000 (Vestergaard, 2001, p. 7), together with an indication of what has happened since. These were the main housing policy issues confronting, respectively, the Social Liberal Nyrup Rasmussen government in office until November 2001, and the Conservative Liberal Fogh Rasmussen government that took over and is currently in power.


<table>
<thead>
<tr>
<th>Problems and challenges in 2000</th>
<th>The state of the art in 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing concentration of socially deprived and ethnic minorities on social housing estates.</td>
<td>The problem has continued to increase, and a ‘Ghetto Programme’ was launched in May 2005 in order to improve a large number of estates, neighbourhood schools and institutions and to give residents incentives to move into other residential areas. A specially appointed Programme Committee is advising the Government.</td>
</tr>
<tr>
<td>Inefficient house construction; low technical and architectural quality.</td>
<td>Still on the agenda. Building prices going up owing to demand pressure.</td>
</tr>
<tr>
<td>Poorly functioning rental market and utilisation of the housing stock. Not an open market for private rented housing from before 1991 in most urban areas, and waiting lists for social rented housing.</td>
<td>Limited sale of social housing (see above). Non-profit housing projects are not realised due to excessive costs, especially for land. This also affects housing projects for the elderly.</td>
</tr>
<tr>
<td>Lack of maintenance, depravation and decay.</td>
<td>Still on the agenda, especially in relation to deprived housing estates and housing in low-demand fringe or rural regions.</td>
</tr>
<tr>
<td>Low equity in the owner-occupied housing stock.</td>
<td>Price increases in high-demand areas, conversion of loans and decreasing interest rates have made first-time buyers and others with low equity potentially vulnerable to market changes. Prices have been stagnating/falling since end-2006. Speculative investors are leaving the market.</td>
</tr>
<tr>
<td>Lack of political initiative.</td>
<td>The first Fogh Rasmussen government abolished the Department of Housing and Urban Affairs and distributed housing issues across various government departments, in particular the Ministries of Economic &amp; Business Affairs, Social Affairs, Refugees, Immigration &amp; Integration Affairs, the Environment and Finance.</td>
</tr>
</tbody>
</table>

**Conclusions**

Danish social housing is in many respects the envy of the rest of Europe. The stock is well-maintained, financially sound, and generally popular; tenants take an active part in running it; and politicians are loathe to interfere with it. The problems of social
and ethnic segregation and run-down estates are present (and have been increasing), but to a much less severe degree in Denmark than in much of Europe.

But the rigid regulation of the system, in particular the operation of the cost-rent principle, and the allocation system, mean that social housing is less and less able to perform one of its most important functions: to provide affordable housing. In areas with high housing costs (which, in Denmark, is most of the country), new social housing cannot be provided at affordable rents. Politicians have therefore had to look outside the social housing system to provide ‘cheap housing’ in the country’s capital.

This is a great failing, but it is little discussed in Denmark, where the social housing system is considered to be one of the country’s beacons. The insider-outsider divide is very marked: those who are housed in the social sector are generally very well housed, and these ‘winners’ far outnumber the ‘losers’ who cannot find affordable housing: young families, newcomers to big cities, key workers.

Would these ‘losers’ be satisfied if they had access to affordable social housing? Many of them would not—because young households increasingly aspire to owneroccupation. And this is another long-term challenge facing Danish social housing: that no matter how high-quality and well-run it is, the percentage of the population that is happy to live in it is falling. The very high house-price increases experienced in Denmark in the last ten years have led to a popular belief that home ownership is a sure route to wealth. Whether this attitude will change if (or when) house prices fall remains to be seen.

**Bibliography: English-language**


Consolidation Act on Social Housing, etc.: http://eng.social.dk/index.aspx?id=98a6010b-285b-4d2f-a3b1-6a6e9c2aaa2f

Danish-language

Boligselskabernes Landsforening is the umbrella group for Danish housing associations. Its website, www.bl.dk, provides much information (Danish only).


Information accessible on the internet:

Socialministeriet (2006). Den almene boligsektors fremtid
Statistics
http://www.dst.dk/HomeUK.aspx

Rents in private and social housing in 1999:
http://www.ft.dk/Samling/20012/udvbilag/BOU/Almde_l_bilag56.htm

General about social housing/almene boliger:
http://www.social.dk/Boliger/Almene_udlejningsboliger.html

http://www.social.dk/Boliger.html

Financing until 2003:
http://www.social.dk/Boliger/Boliger_i_tal/index.aspx?id=3ce4930f-0ae1-4fa7-b92f-3d0f740d9e1b

Max m² prices from 2004 and onwards:
http://www.social.dk/Boliger/Boliger_i_tal/Maksimumbeloeb.html

Evaluation of the system of max m² prices:
http://www.social.dk/Boliger/Boliger_i_tal/index.aspx?id=53adc0e0-cec2-47b0-b4dc-5656989d25c8

Consolidation Act on Social Housing, etc.:
http://eng.social.dk/index.aspx?id=98a6010b-285b-4d2f-a3b1-6a6e9c2aaa2f

Fordeling and incitamenter 2004, finansministeriet:
http://www.fm.dk/1024/visPublikationesForside.asp?artikelID=6644

Website for Ritt Bjerregaard, www.ritt.dk :: Spørgsmål og svar

The fond for affordable housing (Fonden for Billige Boliger):
www.billigeboliger.dk