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Social Housing in Europe

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Preface

The idea for this book came from a multidisciplinary group of French academics based at different Paris universities that was organised by the GIS Réseau Socio-Economie de l'Habitat network, which receives support from the PUCA (Plan Urbain Construction Amenagement, the Research Office of the Ministry of Capital Works and Housing). Over the course of the last 18 months, the group has met five times (in Brussels, Paris, London and Berlin). Each meeting was devoted to discussion of different issues related to social housing, and local organisations or government bodies often provided some financial support. One of these seminars, generously supported by the Department of Communities and Local Government, was held in London in September 2006.

We would like to thank the authors of the reports for their hard work and patience. We would also like to thank all those who participated in the events who offered helpful comments and advice. They included: Jane Ball, Nathalie Boccadoro, Nick Bulloch, Claire Carriou, Darinka Czischke, Benoit Filippi, Laurent Ghekiere, Christine Lelevrier, Peter Malpass, Alan Murie, Jean-Pierre Schaefer, Maxime Chodorge, Marc Uhry and Mark Stephens.

We are grateful to the Higher Education Innovation Fund (HEIF) which helped to fund this publication through the LSE London Research Centre together with a seminar bringing out the issues for London. Finally, we would like to thank Ben Kochan for putting the final touches to the publication and bringing it to fruition.

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Foreword

John Hills

The debate around the future of social housing in England is currently more active than it has been for many years. Demand pressures on housing in general - and on social housing in particular - are intense. Concerns have grown about the concentration of much social housing in particular disadvantaged areas, and about the low levels of economic activity amongst tenants.

But much of this debate has been insular, while - as the papers in this collection reveal - other European countries are grappling with similar problems, suggesting that we could have much to learn from the approaches they are developing to tackle them.

Strikingly, issues of polarisation and segregation are common, even between countries where the scales of social housing are very different. Equally - with the exception, for fiscal reasons, of Hungary - social housing is the focus of renewed policy attention across the group.

This collection provides a very welcome account of recent trends and debates within a consistent framework, which in itself sets England's position in context. But it also highlights new policies that may suggest lessons: Denmark's new law to allow housing associations to sell property to improve social mix; France's difficulties in meeting ambitious targets for new social house-building; Germany's approach of establishing a 'socially integrative city'; or the debate in the Netherlands about the potential uses of the considerable surpluses accumulated by its housing associations.

This volume offers a rich range of ideas as to how the UK and its fellow European countries might consider addressing one of their most pressing issues in terms of managing their social housing stock, ensuring adequate housing for all and achieving mixed sustainable communities. The timing of this publication is particularly appropriate gven the emphasis the new UK government under Gordon Brown is giving to affordable housing.

John Hiills is Director of the Centre for Analysis of Social Exclusion and Professor of Social Policy at the LSE. He recently conducted a review into the future role of social housing for the UK Government. His publications include: A More Equal Society: New Labour, Poverty, Inequality and Exclusion (co-editor) (2005) and Inequality and the State (2004).

1. Introduction and Key Findings

Social Housing in Europe

Introduction

This booklet aims to give an overview of the social housing sector in Europe. The intention is to identify general patterns and important trajectories, that are likely to impact on future policy. Our goal is not to provide detailed descriptions of the sector in every country, but to understand its key attributes and to clarify major trends. In particular we hope to convey a feel for political and other pressures for change in each country. This book is made up of a comparative analysis of the trends in nine European countries alongside individual reports provided by housing specialists from those countries. The first section by Kathleen Scanlon and Christine Whitehead brings together the main strands from the national reports and aims to provide some comparative insight. The papers about nine european countries and the transition countries follow a similar structure but stylistically are very different reflecting the variations in institutions and priorities in each country and the experts' differing views.

The focus is mainly on western European countries that have some tradition of governments treating housing as an element of social policy. Hungary and other eastern European countries are briefly included for comparison.

Key findings

- In the countries studied (Austria, Denmark, England, France, Germany, Hungary, Ireland, the Netherlands and Sweden), social housing as a percentage of the housing stock ranges from a high of 35% in the Netherlands to a low of 4% (after mass privatisation) in Hungary. In most countries this percentage has fallen over the last ten years as the provision of social housing has not kept pace with overall building, and/or social units have been privatised or demolished.
- There is no single definition of social housing across Europe. There are definitional issues particularly around the position of co-operatives, time limited subsidies, and the role of private suppliers.
- The profile of the social housing stock differs across countries in terms of age, housing type, and the percentage located on estates. In many countries the prob-

lems of social housing are almost synonymous with those of post-war industrially built estates.

- Social housing serves different client groups in different countries - in some it is a tenure of the very poor, while in others it houses low-waged working families or even the middle classes while the very poor are accommodated elsewhere. In a few there is a wide range of income groups. Even so, it is true to say that the social sector generally houses a disproportionate number of single-parent families, the elderly, and the poor.
- There has been a revival of interest in social housing as one way in which governments can meet the increasing overall requirement for housing that stems from demographic and income pressures. In many countries there is interest in increasing new supply - although so far not much in the way of action or money.
- Housing providers and funding regimes vary by country. Housing providers are increasingly separate from local authorities; at the same time in most countries there has been a shift towards more local decision-making.
- New social housing is generally on mixed-tenure sites. Efforts are also being made to introduce a greater mix in the existing stock and to use public assets more effectively.
- The potential for public/private partnership is being explored in several countries. This can mean that private finance funds provision by traditional social owners, or private developers themselves becoming involved in operating social housing.
- Increasingly highly targeted subsidies are seen as leading to residualisation - and problems of segregation are a matter of concern across all types of social rented sectors.
- Ethnic minorities live 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 is becoming a political issue in some countries, with concentrations of particular groups being seen as problematic. There is 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).
- There is no agreement about the best way to set social rents. Rents linked to tenant incomes have particular disadvantages: they normally do not cover provider

costs, and they do not reflect the relative attributes of individual dwellings. Equally linking rents to actual expenditure on investment is seen as generating major issues of affordability and segregation.

- In tightening housing markets there is a widening gap between the usually inexpensive social rented sector and an increasing expensive owner-occupied sector. As a result it is becoming more difficult for employed households and those households with incomes too high to qualify for social housing, but too little to pay for market housing, to find affordable options.
- Some countries promote intermediate tenures such as shared ownership, as well as subsidised owner-occupation, for households that would otherwise live in social rented housing. This can be part of an explicit policy to introduce or improve tenure mix in deprived areas.
- The 'very social' sector, which offers temporary and sometimes precarious accommodation, is growing. Housing associations and charities are playing a greater role here.
- Countries where social housing caters for employed households on reasonable incomes are running into problems with the EU for subsidising the undeserving - only housing for the poor is considered to be ‘a service of general economic interest’.
- Overall the tensions and pressures across Europe are surprisingly similar, whatever the original role of the social sector in each country. The emphasis is very much on partnership and mixed communities with particular concerns about segregation and the position of vulnerable households. While there is, if anything, a growing commitment to social housing in the political rhetoric, few countries have identified new funding streams to ensure that the investment necessary to meet the need for affordable housing will actually occur.

2. Social Housing in Europe

Kathleen Scanlon & Christine Whitehead, LSE

Definitions of social housing

In a number of the countries included in this survey there is no single formal definition of social housing. Definitions may relate to ownership - notably non-profit organisations and local authorities (e.g. the Netherlands and Sweden); who constructs the dwellings (e.g. Austria and France); whether or not rents are below market levels (e.g., Ireland and England); the relevant funding and/or subsidy stream (e.g. France and Germany); and most importantly, in almost all of the countries included, the purpose for which the housing is provided. In some countries social housing is formally available to all households (e.g. Austria and Sweden) but in most it is actually directed at those who cannot serve their own housing needs (e.g. Netherlands and England).

The supply of social housing

The varying definitions of social housing mean that it is impossible to provide strictly comparable figures on the supply of social housing - rather we must use each country's own definition which reflects their own views of the nature and importance of social housing. Table 1 gives the latest figures for tenure split and the number of social housing units in each country. The percentage of social housing ranges from a high of 35% in the Netherlands to a low of 4% (after mass privatisation) in Hungary. France has the highest number of social housing units, with almost 4.25 million dwellings in the social sector. England lies second even after the significant decline as a result of privatisation.

Trends in the total supply of social housing

In the majority of countries included in the survey the social housing stock has been declining at least in proportional terms - the exception is Denmark where output continues to keep pace with total provision. In some countries the numbers have fallen very significantly - this is notably the case in England, where the total supply has fallen by over a million from a high of 5.1 million in 1979, mainly as a result of the Right to Buy.

Table 1: Housing tenure/size of social sector

	Owner occupation	Private rental	Social rental	Number of social units
Netherlands	54	11	35	2,400,000
Austria	55	20	25	800,000
Denmark	52	17	21	530,000
Sweden	59*	21	20	780,000
England	70	11	18	3,983,000
France**	56	20	17	4,230,000
Ireland	80	11	8	124,000
Germany	46***	49	6	1,800,000
Hungary	92	4	4	167,000

*Sweden: owner occupation includes cooperatives
**France: Does not include 6.1% 'other'
***Germany: owner occupation includes shared ownership/equity 'Genossenschaften'.
Sources:
France: from www.union-hlm.org/gp
Hungary: from Housing Statistics in the European Union 2004
Germany: from Scanlon & Whitehead (2001), Intl trends in hsg tenure & mortgage finance
Netherlands: www.cbs.nl; www.vrom.nl
Not otherwise stated: from experts' country reports

Across the countries, demand for social housing is seen as being 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 have 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 the worsening distribution of incomes in many countries.

Nevertheless, there is oversupply in some areas (for example, eastern Germany and northern England), and increasing emphasis on policies of large-scale demolition and restructuring. Even in pressure areas like Dublin, Amsterdam and the Paris area, social housing from the 1950s, 1960s and 1970s (not all of which is substandard) is being demolished.

Large estates that are demolished (in whole or in part) are often replaced by mixed-tenure housing (France, England and the Netherlands), 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 used more effectively.

Privatisation has tended to remove the better-quality stock from the social sector. Some countries (Ireland and the UK) have allowed sales for decades; others since the late 1990s (the Netherlands); still others (Denmark) are only now taking tentative first steps. In some countries (England and Ireland), tenants have a right to purchase, while in others, landlords can decide whether or not they wish to sell (the Netherlands). 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.

New social sector output

The majority of countries are still building social sector housing, although in most countries there has been a significant decline in output over the last two decades. In some countries (Germany, Hungary and most other transition countries) the means of increasing supply through national subsidy no longer exist, so provision depends on local initiatives.

Since the turn of the century there has been growing interest in expanding social sector provision in a number of countries --notably because of the political pressures arising from increased problems of access and affordability as well as concerns about overall levels of output. Austria has been particularly effective at expanding the output of social housing. In England the government has committed to providing a net increase of 200,000 units in total and more than doubling social housing output, in part through the use of planning obligations. Ireland is looking to implement similar policies. Copenhagen has committed to a large increase in the numbers of affordable units, while in France the lack of affordable housing was a major political issue in the 2007 elections. Overall there is some acceptance that the growing issues of affordability can only be met by expanding the provision of affordable, if not social, housing. However there are few new sources of funding being identified.

Social Housing in Europe

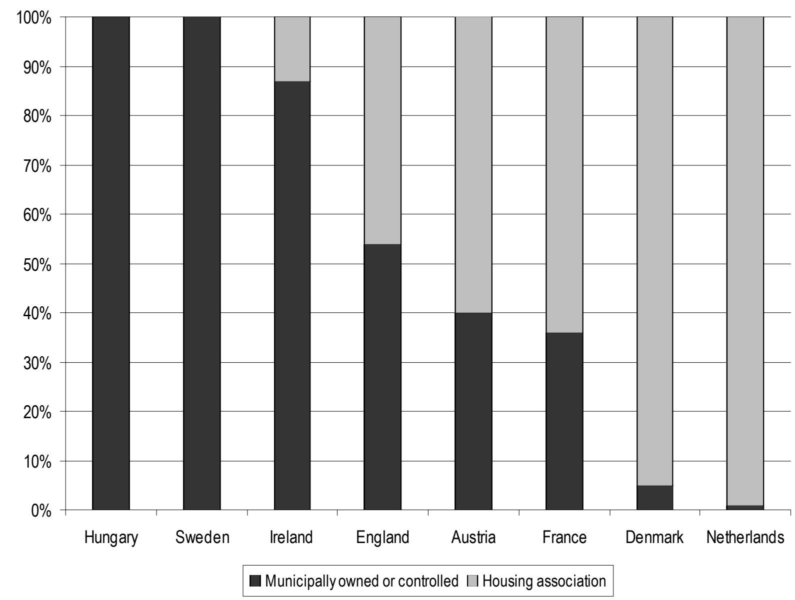
In terms of dwelling types, there is increasing emphasis on the construction of sustainable buildings or those with zero carbon emissions (Germany, France, the Netherlands, Denmark, and now the UK).

Special needs housing takes up an increasing percentage of new build in many countries. In Denmark, for example, over 50% of new social housing is special-needs, while the Netherlands prioritises housing for homeless people and people with mental problems. The definitions of special needs differ, but include housing for the elderly, the disabled, and sometimes for large families.

Ownership

Figure 1 shows the ownership of social housing in the countries studied (excluding co-operative rented housing). All social housing in Hungary is municipally owned, while in the Netherlands nearly all is owned by housing associations, although these have

Figure 1 Ownership of social housing



traditionally been guaranteed by municipalities. England is in the middle, with close to a 50/50 split.

The general trend is towards declining municipal involvement and increasing diversity in the range of actors involved in social provision - notably through public-private partnership. Issues of ownership are closely linked to issues of government subsidy and the potential to fund social housing at least in part through private finance.

Investment and involvement of the private sector

The private sector is becoming increasingly involved (willingly or not) in the provision of social housing. Government subsidies for new provision and regeneration are increasingly targeted and limited. In the Netherlands, for instance, the housing association sector now funds all its own investment; in Sweden the sector actually makes a positive contribution to government; in the transition economies and in Germany there is no longer any appetite for national funding. More generally, EU monetary requirements and other constraints have reduced available funds. In this context, it is hardly surprising that there is growing emphasis on the role of the private sector, not only in undertaking investment but also in funding that investment.

Private-sector provision has long been the norm in the German system, where housing is 'social' only for a limited period, then moves onto the free market unless owned by the municipality. An important new development here has been that some cities in Germany e.g. Kiel and Dresden, have sold off their whole municipal stock to private equity owners. Private participation is also a core element in the Austrian system, where subsidies for the construction of social housing are available to private individuals and companies who are becoming increasingly important providers. There is also growing use of public/private partnership, especially in Vienna.

Several countries have introduced initiatives to supply social and intermediate housing with more shallow subsidies and private involvement (England, Denmark, Ireland, the Netherlands and Germany). These often depend on local government or developers supplying free or cheap land and the use of the land use planning system to enable provision. Specific examples include:

France

- In many ways France was the country that originated public/private partnership: almost all social provision in the 19th century was by private and charitable providers. There is considerable concern within the current political environment about the possibility of privatisation, even though a wide variety of providers are involved in social housing and financial streams are available to non-profits that use private finance.

Ireland

- In Dublin, it is the local authority's policy that private developers must transfer 20% of new dwellings on large sites, or the equivalent, to the city for use as social or affordable housing. The details of this new policy are still being developed. Public-private partnership arrangements have been used to finance and implement the regeneration of a small number of social rented estates in Dublin.

Germany

- Cities such as Munich are requiring private developers to include a certain percentage of social housing in new developments, but these are entirely local initiatives.

England

- Between 20% to 50% on larger new and regeneration developments must be affordable housing - this is currently enabling about half of all new social provision. There is also a new initiative to allow private-developer social housing, but the vast majority of provision will continue to involve housing associations.

The Netherlands

- Recently a private developer has for the first time purchased land at a 'social' price and built affordable housing. This is seen as an important demonstration project.

In terms of provision, the most important distinctions are therefore still between those countries where the owners and managers of the stock remain formally in the social sector but use private finance to fund additional provision (usually with the help of subsidy) - that is, England, the Netherlands and Ireland - and those countries where purely private developers and construction firms are significantly involved in development and ownership. Germany and Austria are clearly the most representative countries using this second approach. Other countries, including notably many transition and southern European countries, are simply dipping a toe into the water.

Social Housing in Europe

Table 2: Who makes decisions regarding social housing

	Central/federal	←→	Local/ provincial	←→
Austria	R		ANC, LNC, €	
Denmark	R, €			ANC, LNC
England	R, ANC, LNC, €			ANC, LNC
France	R, LNC, €	ANC		LNC
Germany	R		€	ANC, LNC
Hungary				R, ANC, LNC, €
Ireland	R, €	ANC, LNC		ANC, LNC
Netherlands	R, €			ANC, LNC
Sweden	R, €			ANC, LNC

←→ = in negotiation with
ANC = amount of new construction R = system for rent determination
LNC = location of new construction € = definition of financing/subsidy system

Decision-making

Who makes decisions about social housing? Table 2 shows where decisions are made about the amount and location of new construction, rent levels, and subsidies. The system by which rents are determined is nearly always national (except in Hungary and some other transition countries, and in Ireland until the early 1980s); other matters are usually decided by local authorities, or in negotiation with providers.

Over the last 20 years, several countries have seen formal shifts from national to more local decision-making. These are usually the result of specific legislation - including

Austria in 1987/88; the Netherlands in 1989; Denmark in 1994; Hungary in the 1990s; France in 1982; 1991; 2000 and 2004 and Germany in 2006. In other countries there is a shift from municipal to independent and partnership providers, which may reduce local democratic input.

Social rent regimes and comparison with private rents

Table 3 provides some detail on how rents in the social sector are determined across the survey countries. In most of these countries rents are cost-based - that is, they must cover financial outgoings (less supply subsidies where these are available). In many of these countries rents are set at the level of the estate, and relate to historic costs from when the estate was built or renovated. Thus older, often larger and better located estates frequently have lower rents than newer, smaller, less well-located units. Estates that undertake large-scale renovation may be forced to increase rents beyond the capacities of the tenants to pay. In these circumstances, renovation and even maintenance may not take place. Denmark is a particularly relevant example here, although there is a national fund that can subsidise renovation costs on needy estates.

In most other countries, rental income has to cover the costs incurred by the owning organization. In some countries these organization-based rents are the same as the estate-based rents found in Denmark. In France rents may be estate or owner-based, depending on the funding regime. Rents cannot, however, be increased to cover maintenance and minor improvements, which creates an incentive to carry out larger-scale renovations, which allow rents to be increased. In other countries it is permissible to pool rents across the whole stock or even across owners (the Netherlands and England). In general, the greater the capacity to pool rents the easier it is to undertake investment on particular estates.

The way that rents on individual dwellings are determined also differs between countries. In most countries they vary according to the attributes of the units. In the Netherlands, rents are directly related to value, as they are in England but in both countries this is modified by income factors. In Ireland, and to a lesser extent some parts of Germany, rents are related directly to tenant income.

A rather different issue, however, is how rent increases are determined. These may be decided by governments (England, France and Hungary) or by negotiation between landlords and tenants (Sweden). In these circumstances, political pressures

Table 3: Social and private rent determination

	Social	Private
Austria	Cost-based.	Also cost based; private < 10% higher (in post-1953 buildings there is de facto no regulation)
Denmark	Cost-based. 3.4% of building cost + bank charges. Average 2005 €6.67/m^2/month	Private rents also regulated. Average €6.83/ m^2/month
Germany	In some regions rents vary with household income. €4-7/ m2/month	Rent on new leases free, but rises regulated
France	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.
Sweden	Set by annual negotiation between landlords and tenants.	Private rents limited by social rents; private slightly higher.
Netherlands	Rent based on utility value of dwelling and target household income level. Average €353/month.	Also controlled; average rent €419/month.
Hungary	Set by local authorities	Market based
Ireland	Tenants pay % of income in rent. Average rent €155/month.	Rent control abolished 1981 now market determined.
England	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

may intervene to affect rental income and therefore the landlords' capacity to maintain and improve stock.

In many European countries, private as well as social rents are by law related to costs; in others private rents are set by a mirror process linking private to social; in still others rent increases are constrained. Table 3 also summarises information about these controls. Even in countries where similar rules apply to all rented housing, private rents are higher than social rents; but the scale of the difference depends on the specific regulatory framework. At the other extreme, where private rents are market-determined the differences between private and social rents may be very large indeed, especially in pressure areas (England and Ireland).

There is no agreement about the best way to set an equitable and efficient rent for social housing. Cost rents by definition cover historic costs, but have no direct relation to market forces, and so produce important distortions. Some housing experts in cost-rent countries thus advocate moving towards a more market-oriented system (e.g. Denmark).

Rents related to income also fail to reflect market forces. In addition, they generate inadequate revenue streams and make it more difficult to employ private finance in the sector. Experts generally argue against this system. Even rents based on 'utility value' (size and standard) do not necessarily reflect the relative desirability of individual dwellings and can lead to vacancies as well as excess demand.

Countries where rents are related to income also tend to have small social sectors (Ireland, and outside our remit the USA and Australia). Countries with low average rents (Hungary and Ireland) have affordable housing in that sector, but receipts do not cover costs. This also tends to lead to major problems of management and maintenance. Finally, rent systems are generally bound up with housing benefit or rent allowance systems. These do not exist in some transition economies, generating major affordability/maintenance tensions.

Access to social housing

In most but not all countries there are income limits for households who wish to live in social housing. The formal limits may, however, be so high that most of the population is eligible (Austria and France). Table 4 summarises information about income limits and social housing.

Table 4: Access to social housing: income limits

	Income limits at entry		% of population eligible at entry	What happens if income later exceeds limit
	Formal	De facto		
Austria	Yes	Yes, but rather high	80-90	Rent unchanged
Denmark	No	Yes	100	NA
England	No	Yes	100*	NA
France	Yes	Yes	Varies by housing type: Highest 80.7 Middle 65.5 Low 30	Tenant should pay small supplement (does not always happen in practice)
Germany	Yes	Yes	Probably 20%, but lower availability	The municipality has the right to raise the rent for people above the limits (Fehlbelegungsabga be). However rarely done, as it drives people with social capacity out of social housing estates.
Hungary	Yes	Yes	Very limited	
Ireland	Yes	Yes	No data but very limited	Rent rises
Netherlands	Yes, for affordable housing stock**	Yes	<40	Rent unchanged
Sweden	No	Yes	100	NA

* But access based on housing need

**Housing associations also provide more expensive dwellings that are available to all.

Countries with traditionally near universal access to social housing (Sweden and Denmark) must take care not to run foul of European Union rules. Under EU legislation, only Services of a General Economic Interest (SGEI) may receive state subsidies and housing for middle and higher-income groups does not qualify. These countries have had to 'Europe-proof' their social housing sectors by creating a clear division between services that are eligible for government subsidy and those that are not. At the other extreme is England where, although technically everyone is eligible (e.g. if the dwelling burns down or the house is compulsorily purchased), in practice allocation is on the basis of priority housing need - not income as such.

In countries with income criteria, what happens if household income subsequently exceeds the ceiling for initial entry? In several countries the rent remains unchanged (Austria and the Netherlands) - although the household will generally no longer be eligible for housing allowances. In France, tenants pay a small supplement, and in Ireland the rent rises because rents in Ireland are linked directly to household income. Central governments usually make the rules about who is permitted to live in social housing, while local governments or landlords determine whether individual households fulfill those requirements, and assign them to appropriate dwellings (Table 5).

Table 5: The allocation of social housing

	Sets rules for eligibility	Determines eligibility of individual house-hold	Assigns household to dwelling
Austria	CG	LG/LL	LG/LL
Denmark	CG	LG/LL	LA 25% / LL 75%
England	CG	LG/LL	LL
France	CG	LL	LL/O
Germany	LG (Regional)	LG	LL
Hungary	LG	LG	LG
Ireland	CG	LG	LL
Netherlands	LG LL	LL	LL
Sweden	LG/LL	LL	LL

CG = central government LG = local/regional government
LL = landlord O = other

Eligibility rules often include special treatment for key workers, or indeed, as in the case of Denmark, for anyone in employment, because it is felt that estates should house a substantial percentage of employed people in order to have the right social mix (Table 6). This concern with social mix has increasing resonance across Europe, as issues of segregation rise to the surface and up the political agenda. Equally it raises difficult trade-off issues, especially in the context of growing problems of affordability, about how to provide for the very poor, the excluded and those with special needs.

Table 6: Priority for key workers

	Types of workers who may receive priority for social housing
Austria	Key workers/in employment
Denmark	In employment (not only key workers)
England	Key workers (only in intermediate housing)
France	Employees of any firm that contributes to the 1% housing tax.
Germany	Key workers are a de facto target group (necessary income)
Hungary	Key workers
Ireland	None
Netherlands	None (except for employed in some areas of Rotterdam)
Sweden	None in principle, some in practice

Housing for the most vulnerable: 'very social' housing

Social housing is used in many countries, though not all, to accommodate the vulnerable and those in most extreme housing need, for example, homeless people, ex-psychiatric patients, ex-addicts and female victims of domestic violence. Housing for these groups is sometimes known as 'very social' housing and may be provided by different types of landlord - quite often the municipality but also charities concentrating on specific groups. In most countries, because of the history of past provision and separate funding streams, there appears to be a distinction between responsibility for homelessness in general, and provision for specific groups who need additional care. This is a particularly difficult area to make comparisons. In political terms it is directly linked to the more general issue of who is seen as the main client group for social

housing: low-income working households, or the poorest members of society. This in turn links to wider issues of the scale of the social sector and the availability of other tenures to accommodate lower-income employed households.

Table 7 gives some indication of where particularly vulnerable households live in each country. Although some normally live in the social sector, the private rented sector is also often an important source of accommodation - in which case it is sometimes provided as 'quasi-social housing' (Table 8).

Table 7: 'Very social' housing: where the vulnerable live

	Private rented sector	Social sector in general	Concentrated in municipal	Concentrated in independent social landlords
Austria	Yes (migrants)	No (exceptions at regional level)	Partly (Vienna: emergency dwellings in municipal housing)	Partly (e.g. asylum seekers, homeless people housed by charities)
Denmark	Easy access means the private rented sector functions as acute housing provider more than social renting or owner occupation	The municipality can use its 25% allocation for social cases - households in need according to locally defined criteria	By tradition this sector has had a high concentration of very vulnerable people	Asylum seekers yes. But they are not recognised as residents. There are also institutions for temporary housing for the homeless
England	Yes - partly in partnership with HAs and local government, partly simply easy access and Housing Benefit	Yes - local authority has responsibility to house homeless families and determine priorities	Joint allocation processes between LAs and HAs. In LAs that still have stock higher concentrations in municipal housing	Special needs housing and hostels concentrated in independent sector because of history of provision. Homeless and priority allocated by LA

France	Yes, but the sector has shrunk.Hotels and private furnished accommodation used.	Yes, but only in low-demand areas. New housing types such as residences sociales receive public funding	No, although departments are supposed to facilitate accommodation of excluded households	No. Asylum seekers are supposed to be housed in CADA but their number is highly limited. Temporary housing of homeless is increasingly provided by charitable associations.
Germany	Yes		Yes, responsibility lies with municipality	
Hungary			Almost entirely made up of very vulnerable but very limited provision	
Ireland	Yes with some LA involvement especially in determining individual based subsidies	Most of those housed		Most of those housed
Netherlands	5%	65% (housing associations own many dwellings which are managed by a special organisation for homeless, etc.)	None	30% (with buildings of their own)
Sweden	Younger single people		Poorest families tend to live in municipal housing	

Table 8: Quasi-social housing

	Does part of the private rented sector function in practice like social housing?
Austria	Because there is no access to social housing for very poor people and it is highly difficult for immigrants, the 'cheap' and badly equipped private sector serves as a kind of social housing. However, it is overpriced and precarious.
Denmark	Private rented sector is the most important tenure for provision of emergency housing for those who do not meet local criteria for social housing.
England	Private rented sector with housing benefit provides for a significant proportion of homeless households, especially among single people. It also disproportionately houses new inmigrants and the mobile poor.
France	Traditionally 'de facto social housing' accommodating the vulnerable has been provided and owned by the private sector, with the social sector concentrating on employed households. However demolitions and gentrification are reducing the availability of privately provided units.
Germany	Municipalities contract with the private sector to house very vulnerable people where limited social housing
Ireland	About 1/3 of private tenants receive an income-related housing allowance. It was originally envisaged as a short term, 'emergency' support, but in practice about 1/3 of recipients receive it for eighteen months or longer. These households will now be transferred to a new scheme, under which local authorities will lease accommodation for them from private landlords; the tenants will pay the local authority an income-related rent as mainstream local authority tenants do.
Netherlands	It depends on the definition of social -- about half of the private rental sector is affordable for lower income groups. However the social sector provides the majority of special needs housing.
Sweden	No - only through housing allowances.

Individual subsidies for housing

In practice the working of the social housing system in most countries is inextricably bound to the social security system, and in particular to individual housing subsidies (known by various names such as housing benefit, rent allowance, rent supplement, etc). It is not within the scope of this report to cover this very complicated topic thoroughly, but Table 9 gives an overview of who is eligible for individual housing subsidies in the countries studied.

In all the Western European countries both social and private tenants are eligible for such subsidies, except in Ireland, where social rents are directly related to income. In Hungary and other transition countries there are no national arrangements and most cities do not have funding to provide individual subsidies. Owner-occupiers also receive subsidies in some countries - notably those where housing assistance has been based on tenure neutrality principles such as the Netherlands, Sweden and Denmark. In the majority of such countries social security is generous enough to ensure that relatively small proportions of tenants require individual assistance.

Table 9: Individual subsidies

	Available to	Eligibility	Amount
Austria	S, P, O	3 types, related to incomes rent levels or rent increases	
Denmark	S, P, O*	Low income households with children and pensioners	Pensioners maximum €410/month; others €398
England	S, P	Based on rent of specific property and household income and characteristics (pilot based on local rents in private sector)	Maximum 100% of rent and eligible service charges - but rarely full in private sector
France	S, P, O	Depends on income and household size, but all tenures eligible	All households must pay a minimum of about €30/month; thereafter a % of 'eligible rent' (which varies by area and is lower than actual rents) is covered. This percentage varies- up to 100% for the very poor.
Ireland	P	Private renting tenants in recipient of social security benefits or participants on return-to-work or education schemes	90% of rent subject to ceiling
Netherlands	S, P	Households who meet income criteria, and rent below €541/month	Maximum €300/month
Germany	S, P, O	a) Wohngeld - rent subsidies related to income and (cold) rent (or mortgage payment). Lower medium income group. (Federal subsidy)b) within limits (space and rent level), receivers of social benefits get the full rent as part of the benefit system (Hilfe zum Lebensunterhalt, long-term unemployed)	According to complex formulas
Sweden	S, P, O	Families, pensioners, some young adults	Depends on income and rent - up to full rent.

S = social tenants P = private tenants O = owner-occupiers
*Only pensioners

Demographics

Everywhere - even Sweden and Denmark where there is a tradition of universal access to social housing - social tenants have a particular demographic profile. Social housing tends to house the young and the old, as well as single parents and larger households (Table 10). Middle-income two-parent families prefer owner-occupation, and many countries have positive policies to promote it, supporting the departure of the middle class from social housing. This can be seen as a positive development - these households achieve their aspirations and the subsidies that go to provide social housing are better targeted. However, it also leads to income and tenure polarisation. In many countries commentators identify concerns about increasing income and

Table 10: Demographics of social housing

	Age/household type	Income
Austria	Young families (on new estates) older people/singles (on older estates	Municipalities: working class/ disadvantaged. HA: middle class
Denmark	Children and young people, households with one adult	Low-income and households receiving transfers
England	Young and old; single parents, single persons	Low incomes - <half owner-occupier income
France	Single-parent families and couples with children	Average household income 74% of national average
Germany	Older people	Lower income
Hungary		Low income and social status
Ireland	Single parent families and couples with children	62% have incomes <60% of median (vs 22% overall)
Netherlands	Older/smaller than average	Lower than average and falling
Sweden	Single parents, elderly single	Lower than average

social segregation, especially on unpopular estates. This affects even those countries with large social sectors such as the Netherlands and Denmark, which generally house a broader spectrum of the population.

Ethnicity

Minorities tend to live disproportionately in social housing (Table 11) for three main reasons: they often have low incomes, they tend to live in cities, and they may prefer to live in their own communities - which may be easier in social housing than in other tenures. The question of the ethnic makeup of social housing residents is an issue coming to the fore in many countries. In some, it is framed in terms of citizenship (Austria and to some extent Denmark), elsewhere in terms of immigration (Ireland) or ethnicity and integration (the Netherlands). Statistics about ethnicity of social tenants are unavailable for some countries. In France it is not permitted to collect information

specifically on ethnicity and religion. Equally in Austria official statistics only refer to citizenship - there is therefore no information about ethnic background. The following snapshots give an overview of the residential patterns of ethnic minorities in each country, and the focus of local debate about ethnicity or citizenship.

Table 11: Ethnicity

	Ethnic minorities/immigrants in overall population %	Immigrants/ minorities living in social housing %	Social housing residents who are from a minority or immigrants %
Austria		20+*	6
Denmark	6.6 (Oct 06) 8.7 including descendants	60	20
England	7.9	28	10
France		30% of foreign-born	2x share in population
Germany	9 Inmigrants	Varies between regions and cities	Particularly high in West Berlin and Munich
Hungary			
Ireland	10% born abroad	figures to come	figures to come
Netherlands	25% of households have non-Dutch head	51% of immigrants	34
Sweden		Varies between regions	>30 in metropolitan areas; 15 elsewhere

*In Vienna 33%. Until 2006 only Austrian citizens had access to municipal housing.
Sources: country experts' reports

Austria

- An influx of naturalised immigrants into social housing in the 1990s led to tensions on some estates. It is difficult for immigrants to become citizens; they are eligible to apply only after 15 year of permanent residence. Until recently only citizens were eligible to live in social housing in some federal states; the EU forced a change in this policy in 2006.

Netherlands

- There are concentrations of ethnic minorities on postwar estates with low-rise flats; in high-rise flats (like the well-known Bijlmermeer in Amsterdam); and in some old pre-war neighbourhoods. There is concern about ethnicity and the segregation of housing, urban neighbourhoods, and schools. Areas with a high percentage of minority residents have higher crime rates, higher unemployment rates, and their residents face job discrimination. Citizenship per se is not an issue, in part because, for instance, most Surinamese (one of the three biggest groups) have Dutch passports, while many Moroccans have two passports.

Ireland

- Immigrants are largely concentrated in urban areas, particularly greater Dublin, and in the private rented sector. In Ireland until about 2003, the debate focused largely on applicants for asylum (application rates grew significantly from the mid 1990s). Applications have now fallen and the labour market is the key driver of immigration. So far the debate has revolved around the need for government to take action to help immigrants integrate (particularly to learn English) and to tackle their exploitation by some employers. Recently the debate has grown more negative, and the issues of immigrants displacing native workers and high crime rates among immigrants have been raised.

Sweden

- The pattern is similar to that found in Denmark. In addition there has been a policy of allocating refugees and asylum seekers to low demand areas across the country where they can obtain housing but are often unable to find employment and end up in the most unpopular estates.

Denmark

- Immigrants are concentrated on large urban estates. This is seen as generating a problem of segregation and deprivation, and some of these estates have been labeled 'ghettos' by the media and government.

Germany

- On some large estates in Berlin and western Germany, 35-40% of residents are immigrants. Migrants from Russia (with German citizenship) are also highly concentrated on large eastern German estates.

France

- There are large immigrant populations in some estates on the peripheries of cities, and growing political concern about these concentrations. Illegal immigrants have no access to social housing, and tend to be accommodated in the worst parts of the private rental sector. Ethnic minorities, particularly black Africans, sometimes face discrimination from private landlords. Official data are limited because of government restrictions on collecting such information.

England

- On many large urban estates there are high concentrations of ethnic minority households - both relatively new migrants and those who have lived in the country for two or more generations. There have been increasing concerns about the tensions between 'entitlement' and need, notably in pressure areas, as well as about social cohesion more generally. Some important ethnic groups with generally low incomes are underrepresented in the social sector, particularly South Indians and Chinese. The increasing diversity of current immigrants, especially to London, is helping to generate a situation where 'we are all minorities now' - but competition for housing is perhaps the most important area of tension between established households and new migrants. A new and growing issue is the impact of migration from the eight countries that joined the EU in 2004, and the further 3 in 2007. This type of inmigration is spread more widely across the country.

Across Europe

- it is seen as unlikely that moves to mixed communities and tenure integration will significantly reduce levels of ethnic segregation, unless income distribution and levels of migration change.

The broader roles of social housing

Social housing and its providers are being asked to take on a variety of responsibilities in addition to purely supplying housing (Table 12). These can include local roles such as the provision of special needs housing and neighbourhood management services (heating, neighbourhood wardens, etc.); and more nebulous roles in the society as a whole, such as promoting social cohesion, leading neighbourhood initiatives and even setting rents in other tenures. As a result, in some countries, the rents in social housing have a direct effect on rents permitted in the private sector which in turn affects the ease of access and mobility to rented housing in general.

Table 12: Broader roles of social housing

	Special needs housing	Neighbourhood management services (e.g. heating)	Regeneration	Affecting market rents	Social cohesion
Austria	H C	H C	H C	H	H C
Denmark	C	H C	C	H C	
England	H C	H	H C		C
France	H C	Only since 2000 in some areas (ZUS)	H C	H C	C
Germany	H C	H C	H C		
Hungary					
Ireland	C		C		
Netherlands	H C	H C, but limited. No heating.	C	H	H C
Sweden	H C	H C	H C	H C	

H = historically   C = current

Current debates in social housing

Social housing has risen up the political agenda in most of the countries surveyed. The following topics are being debated in the political and housing circles in some or all of these countries:

Social Housing in Europe

Supply

- In the majority of the countries surveyed, the requirement for housing of all types is increasing. There is therefore a revival of pressure to expand supply - both overall and social. Meeting these demands often involves using public sector land and includes the provision of social housing. The main exception is in the shrinking cities of the old East Germany, where there is large-scale excess supply of poor quality social housing and in some lower demand areas across Europe notably in Sweden and England. However pressures are growing almost everywhere.

Segregation

- This is a concern in all the countries in our study. The extent of problems varies, but all countries report concentrations on particular estates and all see it as a growing issue associated with social cohesion and often immigration.

Politics

- Is social housing now seen to be the problem, rather than part of the answer? In Austria in particular, social housing is seen as a sustainable tenure that should be nurtured. In France, the Netherlands and Denmark social housing is seen as mainstream. In many countries, though, the growth of owner-occupation has reduced social mix and in some cases social housing is beginning to be seen as an inferior good. This situation is exacerbated by concerns about the extent that crime and anti-social behaviour are concentrated on social estates.

The social contract - entitlement versus need

- Traditional allocation processes gave priority to housing local residents and their children. With greater mobility and in-migration, the emphasis has often shifted to accommodating those in greatest need - who may not have strong ties to the locality.

Location

- How can a mismatch between the location of social housing (often in old industrial areas where demand is now low) and the demand for affordable housing (which is concentrated in pressure areas) be addressed? This is particularly an issue in the UK and Germany, although it is also of growing importance in Sweden and (outside our survey) Finland.

Tenure and use mix

- Is it preferable to provide social housing in separate, monofunctional areas, or in areas with mixed tenure and use? The general position now is that the emphasis should be on mixed communities with improved access to services and jobs. Mechanisms to achieve this often involve restructuring land use to increase values and to provide funding. This approach is perhaps most developed in England, but is of increasing interest across Europe.

Special needs

- The need to provide services in association with housing for older people as well as for vulnerable groups is increasingly recognised. However many of the traditional providers may not be well placed to expand their role and activities into these areas. Provision tends to involve partnership with specialist stakeholders, an approach which is well developed in Scandinavia, the Netherlands and France.

Broadening the role of social housing

- What new roles should social housing/housing associations be asked to fulfil? Growing concerns about neighbourhood management and the need for large-scale regeneration are putting pressure on independent social landlords and private developers to expand their role and expertise, as well as to provide a wide range of services to promote social cohesion.

Funding

- Many countries have recognised that if the social sector is to be sustainable, there is a need for additional provision, better maintenance and improvement, regeneration and a wider range of services. However, almost no additional streams of funding have been identified. The majority of investment schemes involve either using existing assets more effectively, selling property on the market, or mechanisms by which land values can be used to cross-subsidise development.

Rents

- In countries with either estate-based cost rents or income-based rents there are particular problems in ensuring adequate maintenance and improvement. Across Europe, there is discussion about moving to more value based systems as in the Netherlands and England.

Overall

Although there are very considerable differences between the social rented sectors across Europe, there are similar trends and tensions. In the main, 'pure' social rented sectors are declining and varying forms of public/private partnerships are becoming more important. Improving and modifying the existing stock to meet rising aspirations, and to reduce concentrations of poor quality housing and deprived households are seen as priority issues in most countries. However in the majority of countries there is increasing discussion of the need for affordable housing particularly for migrants and the most vulnerable.

Additional funding is increasingly limited to private finance, public land and recycling existing assets. The commitment to provide for lower income employed households but using shallower subsidy remains strong, in part because of growing affordability problems among younger households. However it is often being addressed through non-traditional means such as low-cost homeownership schemes. The commitment to provide for the most vulnerable is generally becoming more person specific, and depends increasingly heavily on income related allowances and private and charitable providers. The immediate policy emphasis is on initiatives for providing new housing and supporting broader regeneration projects. But what is perhaps more optimistic than say a decade ago is the expectation that social housing should play a positive role in solving emerging problems.

3. Social Housing in Austria

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1. The current position of social housing

About 55 percent of the Austrian housing stock is owner-occupied (45 percent houses and 10 per cent flats). Private rented dwellings are of relatively high importance (20 percent). Social housing accounts for the remaining 25 percent -- the non-for profit sector (housing associations) own 15 percent of dwellings, while 10 percent are publicly owned (most of them municipal housing).

The structure of the housing market differs greatly between Vienna and the rest of the country. Whereas social housing accounts for 25 per cent of dwellings in the country as a whole, in Vienna this figure is 48 per cent. And whereas in all of Austria 10 percent of the dwelling stock is publicly owned (most by municipalities), in Vienna this is 26 percent.

Amount and location

Austria has some 800,000 units of social housing. Housing cooperatives or associations own 53%, 40% is municipal, 3% is owned by states or provinces, and 4% by other owners.

There has been a significant fall in the amount of new state/municipal construction (see Table 1). Between the 1950s and the beginning of the 21st century, state/municipal housing as a percentage of new housing construction fell from 35 to 1 percent. (Even the municipality of Vienna, which has traditionally played a key role in the local

Table 1: New housing construction by type of owner 1970 - 2002 (%)

	1970	1990	2002
Private	50	62	55
Housing associations	34	27	26
State/municipal	7	2	1
Other	9	9	18

housing market, has withdrawn from new construction due to financial pressures and a neo-liberal turn in housing policy). There has been a corresponding increase in the construction of owner-occupied homes (from 22 to 42 per cent of new construction over the same period). Housing association construction as a percentage of new construction remained more or less steady over the period.

2. Historical development

At the federal level, social housing was a product of the period after World War II, which initially focused on the reconstruction of war-damaged urban areas.

The particular position of social housing in Vienna goes back to the early 20th century after World War I. Vienna's social democratic local government at the time created a local welfare state, whose aim was to promote better housing and living conditions as well as better health and education for working-class people. Among the various programs developed in this 'Red Vienna' period, the construction of municipal housing was the most ambitious and most prestigious. The Viennese municipality played a key role as both developer and owner. Social housing was built throughout the city, and thus had a long-term anti-segregation effect.

During the 'Red Vienna' period (between 1918 and 1934), municipal housing was financed by a housing tax (which all tenants have had to pay since 1923; it covered 40% of costs), a luxury tax and some funding by the state. (This was typical in the early 20th century; other types of funding were invented only after World War II.) Today, a quarter of the Viennese population lives in dwellings which are built and owned by the municipality.

In the last decades, the responsibility for funding and housing promotion schemes was gradually transferred from central government to the federal provinces. This process was completed at the end of the 1980s and has led to a territorial fragmentation of social housing policy. Today, regional governments play a key role in (the implementation of) social housing policy, whereas local authorities have reduced their activities, particularly in terms of new construction.

Since 2000, when a new right-wing government took office, the housing debate has been influenced by pro-market and pro-privatisation arguments. There was a strong political push for privatisation of publicly owned dwellings. This policy was mainly aimed at state-owned flats; Vienna's municipal housing was not a target. Funding for social housing began to be channelled not only through housing associations, but also through private builders and real estate investors; at the same time the municipalities' role was shrinking, as they withdrew from new construction. Public-private partnership has become important, particularly in Vienna.

Social housing traditionally was based on the principles of a leading role for not-for profit developers, direct subsidies from the state, rent control for the old stock and cost renting for new construction. These principles still generally apply, although the system has gradually become more market-oriented. The rent-setting system is now diluted and social rents are closer to market rents (except for older tenancies). Cost renting and cost selling are still the dominant principles for subsidised new construction, but the non-profit sector has lost market share to the for-profit sector (which has access to construction subsidies but does not directly operate social housing). All in all, social housing is confronted with deep changes, the Austrian post-war model of social housing has been better preserved than in many other European countries.

3. How social housing is provided

Housing in Austria is embedded in a complex system of interactions between national, regional and local authorities, building contractors and owners, the construction sector and credit institutions. This is true not only of social housing -- there is also a comparatively high level of regulation of owner-occupied and private rented housing. In Austria, 50 per cent of homes and flats receive some public subsidy-half of these are social dwellings, the other half private rented and owner-occupied housing. (In Austria, about 40% of all rented dwellings and 60% of owner-occupied are subsidised.) Public support is mostly in the form of direct construction subsidies -- Austria and Sweden are the European countries that make the most use of these. Direct subsidies to consumers and tax concessions are of less importance in Austria.

Financing

Today in Austria social housing is financed by a fixed, earmarked proportion of income tax, as well as corporation tax and 'housing contributions' (paid by all employees). The housing sector is subsidised in three ways: direct subsidies for construction and renovation (which make up approximately 70 per cent by value); individual subsidies for low-income households (approx. 5-10 per cent), and tax incentives (15 per cent). Housing subsidies accounted for an average of 1.7 per cent of GDP over the period 1995-2000 (approximately €3 billion per annum).

Austria's states have developed a variety of subsidy schemes for new social rented housing (both municipal and housing association), combining grants and subsidised loans. Rents in new social housing are related to the cost of new construction; in some cases tenants are also asked to contribute a proportion of the construction cost.

There are three major types of housing allowance available. Details of which are eligible for them and how much they may receive differ by province.

Housing allowance

- This is of increasing importance, and acts to balance the decreasing funding for low-income households. Owner-occupiers can also receive housing allowance if their housing costs are too high as defined by provincial legislation.

Rent benefits

- These are paid by the social welfare authorities to tenants whose rent causes their disposable income to fall below the social welfare threshold.

Rent allowances

- These are paid to low-income tenants faced with large rent increases because of renovation work.

Housing providers

Social housing is provided by municipalities and limited-profit housing associations. In the 1980s, responsibility for housing policy shifted away from the central government and municipalities to the federal provinces. (This had relatively little effect on Vienna, however, because it is both a city and a federal province.) Nevertheless, the central government is still responsible for the regulation of home ownership and laws governing the rented sector. Central government also continues to be responsible for raising funds for new construction, although distribution of these funds is through the federal provinces.

Privatisation

Since 2000, the (right-wing) government has pushed the privatisation of state-owned dwellings. This affects mainly those dwellings owned by the federal government (a very small percentage of all social housing). In 2004, the BUWOG federal housing cooperative (which was created in 1950 and manages 19,500 dwellings) was sold to the Immofinanz investor group.

At the same time, national legislation allowed cooperatives (and states) to sell their stocks at market value. So far demand has been low, with only a few units sold, but the potential commodification of the public housing stock represents a crucial change in public/ urban governance.

Since 1994 the sale of housing association dwellings to residents has been permitted (residents must have lived in the dwelling for ten years). However, housing providers are not obliged to sell, and some do not.[1]

4. Access and demographics

Access

There are formal income limits for access to social housing, but these are high enough to cover 80-90% of the population, and subsequent salary increases are not taken into account. In Vienna, income ceilings for housing association homes are 20 per cent higher than for municipal housing.[2] Eligibility rules are set by central government, and municipalities or housing providers determine if households are eligible and assign them to individual units. Priority is given to key workers and those in employment.

Those in extreme housing need have access to emergency dwellings in the municipal housing stock. There is no central definition of extreme need but in Vienna such housing is targeted at households who are in imminent danger of homelessness, whose health is very impaired in their current accommodation, and/or who have very low incomes or on social allowance.

Because of barriers to access to social housing for the very poor and immigrants, cheap and poorly equipped units in the private rented sector serves as a kind of quasi-social housing for these groups. These dwellings are overpriced and there is little security of tenancy.

Demographics

In Austria, the different segments of social housing target different groups. Municipal housing focuses primarily on working-class and disadvantaged people, while the not-for-profit private sector (housing associations) and the publicly funded private sector are mainly middle-class oriented. As a consequence of the structural change in the working class, however, municipal housing has gradually lost its function of housing traditional working-class people. There is increasing demand from disadvantaged people, including those with immigrant background (working immigrants who arrived in the 1960s and 1970s and their descendents).

Only Austrian citizens had access to municipal housing in some states until 2006, when an EU ruling forced changes. Citizenship is difficult to acquire, and can only be applied for after 15 years of permanent residence. In Vienna, the region with the highest percentage of immigrants in Austria, a liberal local naturalisation policy (municipalities are responsible for naturalisations in Austria) and a system of emergency flats had already opened access to municipal housing for an increasing number of immigrants.

Today, 19 per cent of Austrians and 21 per cent of non-Austrian citizens live in social housing. The official statistics only contain information about citizenship; there are no data about ethnicity. Most non-citizens come from the former Yugoslavia and Turkey.[3] There are important differences between the federal states. Whereas in Vienna, with its prestigious tradition of municipal housing, 53 per cent of Austrians and 17 per cent of non-Austrian citizens live in social housing, in Upper Austria the respective figures are 19 per cent and 37 per cent. Overall, 6 per cent of social housing units are occupied by households with an immigrant background, but in Vienna the figure is one-third. They are not equally distributed across the stock, however. They tend to live in older buildings from the inter-war period, and some of these blocks house increasing concentrations of immigrants and disadvantaged people. This has led to an increasing number of conflicts between established residents and newcomers, and the municipality has set up local conflict-mediation institutions to minimize and civilize the disputes.

Newer municipal housing, in contrast, is inhabited mostly by younger middle-class families. Young families tend to live on the new estates, while older people and singles live on older estates. The municipal stock is becoming polarised, with an old stock that houses the elderly, very poor and disadvantaged, and a new stock that is similar to that of the housing associations.

5. Rents

In principle both social and private rents are regulated and cost-based in Austria; in practice, however, rents for buildings built after 1953 are not regulated.

Permitted rents for older buildings depend on the quality of accommodation. Category A dwellings have bathrooms and central heating; Category D dwellings have no inside toilet or even none at all. A maximum rent per square metre applies in each category.[4]

6. The debate about social housing

In Austria, the public debate about social housing is embedded in the strong corporatist tradition of the country (known as 'social partnership'). This corporatism is undergoing a process of economic and political restructuring; European integration and globalisation have weakened its traditional structures, but it remains an important framework. The housing debate also reflects Austria's well established conservative welfare regime (per Esping-Andersen's typology). There is a general political consensus that society should be responsible for housing supply, and that housing is a basic human need that should not be subject to free market mechanisms; rather, society should ensure that a sufficient amount of dwellings are available.

One important feature of the corporatist tradition is that the state, special-interest organizations (i.e. trade unions, chambers of commerce), and political parties each have a role to play in policy formation. Each of these actors sees itself as representing a social client group. Social housing policy is now mainly the responsibility of the nine provinces and the municipalities, and subsidies and dwellings are distributed on the basis of regional and local bargaining between political parties and other actors.

The current academic debate about social housing focuses on three issues:

The ongoing liberalisation of the housing market

Housing policy is increasingly dominated by neo-liberal concepts. Recent policy changes include a weakening (or abolition) of rent regulation, privatisation of publicly owned dwellings, and subsidies for private as well as public developers. As the private sector's involvement grows, that of the public sector shrinks, particularly with a continuing fall in municipal construction. The concepts of 'public-private partnership' and 'new governance' have strong resonance among Social Democrats and Greens.

Immigration and the risk of increasing segregation

The shrinking role of local authorities aggravates the risk of segregation and concentration of immigrants. The Viennese example demonstrates the results of a failed housing policy for immigrants (increasing segregation outside and within the municipal housing sector). It is important to open access for immigrants not only to municipal housing but also to housing association and other social housing sectors (where there are restrictions in some provinces). At the same time, long-term participation and integration strategies must be developed, which should include the creation of local mechanisms for conflict management and interest bargaining outside the traditional corporatist system.

Risk of increasing polarisation

There is an increasing gap between Austria's 'winners' and 'losers' in terms of income, employment, access to the labour market and housing. These differences and inequalities are not only accelerating distributional conflicts, but are also leading to the spatial exclusion of marginalized groups, and increasing the risk of creating a vicious circle of deprivation.

In sum, the social housing debate in Austria is dominated by themes of market liberalisation, privatisation of public housing, the retreat of corporatist governance traditions, and immigrant and social exclusion issues. Those characteristics are specific to the Austrian system, such as the territorial fragmentation of housing policy, the influence of political parties, and the pattern of the conservative welfare state (in particular the strong family orientation) and will help determine the future political and public discourse on social housing.

7. Five key milestones in Austrian social housing

1981 Tenancy Law - The first step towards rent deregulation.

1984 Housing Promotion Law led to urban renewal, shrinking stock of low-cost dwellings in private sector.

1988 Decentralisation of social housing policy led to increased inequality between and within the federal states, increased role for private builders, decreased importance of bricks-and-mortar funding.

2000/01 (new right-wing government) Privatisation of state-owned dwellings.

2005/06 Access for non-Austrian citizens to municipal housing due to European law and directives.

Endnotes

[1] Donner (2000) p. 104
[2] Donner (2000) p.103
[3] Donner (2000), p.93
[4] Donner (2000), p.98, p.104

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4. Social housing in Denmark

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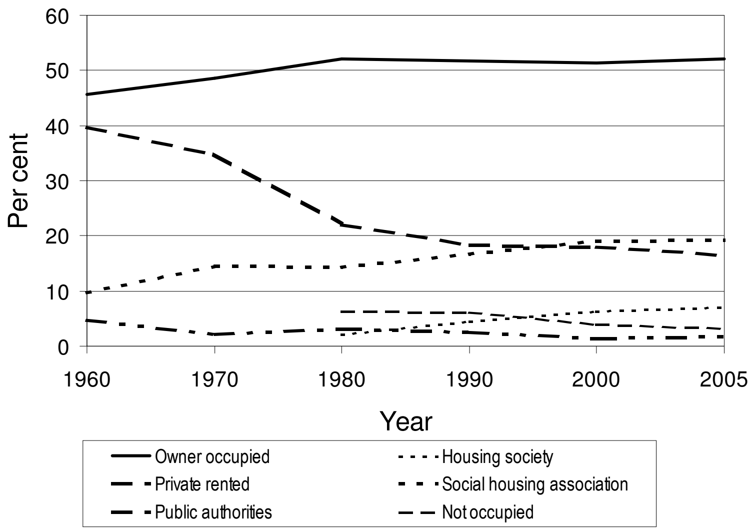
The current position of social housing

The Danish social housing sector comprises housing owned by non-profit housing associations (20% of total housing stock) and a very small amount of public stock (about 2%), which is mostly used for short-term emergency housing. (Note: In Denmark the term almene 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

Figure 1: Housing by tenure and owner, 1960-2005



Private rented housing in 1960 and 1970 includes employer-provided and free housing.
Source: Det økonomiske Råd, Formandskabet, 2001, p. 234 and own estimates for 2005

over 30,000 units to those with fewer than 10. Municipalities supervise the housing associations and must approve certain of their decisions.

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.

As Figure 1 shows, owner-occupation is the majority tenure in Denmark, with over 50% of dwellings. The importance of private rented housing has fallen markedly since 1960, while the percentage of housing-association dwellings has nearly doubled over the same period.

Provision 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 (at the moment a 30-year variable-rate loan). The minister of business affairs announces at the end of each year which type of loan will be used the following year. (For 2006 it was a 30-year variable-rate loan; earlier loan types have been index-linked or fixed-rate loans.) The municipality pays 14% of the cost up front in the form of an interest-free loan for base capital (grundkapitallån) - this is up from 7% in 2006. 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.

*Previously a national quota system, managed by a single civil servant, determined how many new social housing units could be built annually in each municipality. When he retired, an 'objective' model was developed. Under the new model-based system, many rural municipalities were for the first time allocated small amounts of social housing (estates with 2-10 units). Housing associations in urban municipalities would often compete with each other for a share of the local quota. In some places, such as Aarhus, the associations would agree between themselves who could build, then informed the council.

In the last couple of years new social housing has partly been financed by the National Building Fund for Social Housing (see below). The fund does not have any reserves yet and has taken out loans on the basis of income forecast for 2009 and beyond.

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 paid the subsidy element.) For social housing built from 1975-82, interest subsidies were linked to wage and price indexes, and as these increased the subsidies fell, thus passing the full cost of the loans on to tenants. Many estates from this period were later allowed to remortgage to index or other loans in connection with refurbishment programmes (laws passed in 1985, 1993 and 2000).

Social housing is exempt from income tax and real-estate tax. A cap on construction costs was introduced in 2004; in that year the average permitted building cost per m^2 was DKK 15,075 (€2024). This limits where housing associations can build, given the high land prices in the Copenhagen area.

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 is making a profit from social housing built after 1999. (see pages 223 and 416, and fig 11.3, in Den almene boligsektors fremtid).

By law, social housing must be rented at cost rents, which are based on historic costs; rents do not respond to market forces. On average, housing-association rents are probably below the market-clearing level. This 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.

Each of the 8,000 housing estates (or '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 same association. The municipalities must approve housing associations' budgets and accounts.

Since 1984, tenants have a right to the majority of seats on housing association and estate boards, and the Danes are proud of this tenant democracy. Some critics say, however, that the multiplicity of boards, combined with the municipality's input, makes the decision-making process unwieldy.

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 was a loan to be serviced. Some 50-66% of this surplus has gone since 2000 into the National Fund for Non-Profit Housing Associations, or Landsbyggefonden, which was set up in 1967. (The rest goes into local funds.)

The fund's resources have so far been used for renovation and repairs of existing social housing (particularly of unsatisfactory stock from the 1960s and 1970s), but its income is set to grow greatly in the next few years. The government and the non-profit housing have recently been engaged in a debate about how these funds will be used. The government wants to allocate more resources for the financing of new building, while the housing associations want to use the money for upgrading and renovation of the older stock.

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, 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. They (and the housing associations) do not necessarily do so on the basis of need. Many local authorities give priority on troubled estates to people working in the local area in order to improve their social composition by introducing residents with jobs; 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 -- in greater 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 50% non-ethnic Danes.

Changing needs

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 a 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.

Rent levels

Private-sector rents are generally regulated, and are in principle also cost-based, so comparison with them is not a good measure of subsidy. (Some 90% of private rented dwellings are located in municipalities with rent control.) In high-pressure areas such as Copenhagen, housing association rents are below (notional) market rents,

while in some rural areas, it is cheaper to buy a house than to rent social housing. A rent survey carried out in 2005 showed that social housing was on average about 2% cheaper per square metre than private housing (Table 1).

Table 1: Average rents 2005 (DKK and €/m2/year)

	Average rents	Lowest 10%	Highest 10%
Social housing	595 (€80)	447 (€60)	764 (€103)
Private rented	611 (€82)	415 (€56)	838 (€112)

Source: Den almene boligsectors fremtid (The future of social housing), Socialministeriet 2006

Other forms of affordable provision

Paradoxically, social housing in Denmark is not necessarily synonymous with 'affordable provision'. Copenhagen's new mayor was elected last year on a promise of providing 5000 new homes at a rent of DKK 5000 (approximately€670) per month. However, there was no question of housing associations building these homes - the building standards they must comply with are so costly that rents would necessarily be much higher than that, particularly considering the very high cost of land in Copenhagen. Copenhagen's city administration is still trying to work out whether and how a private organisation could build these homes, perhaps by using innovative financial instruments.

The political debate

No party that wants to win an election dares to announce any change in housing policy. 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 power of this group dissolved, and social housing advocates have been looking for new ways of communicating with and influencing the government and the Folketing. They have found a partner in the right-wing 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.

Recently, more outspoken politicians have demanded reform of social housing and simplification of the very complicated legislative and regulatory structure surrounding it. Some see the upcoming local government reforms (in which the number of local authorities will fall from 272 to 98) as an opportunity for reorganising. Others 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 on the future of the social housing sector, including its role and financing, has paved the way for an agreement between the government, the Danish People's Party and the Radical Left (Det Radikale Venstre). As well as more self-financing, the agreement sets up a structure of negotiations about the future management of the sector.

The experts' view

Social housing insiders have indicated that they are willing to discuss changing the cost-rent principle to move towards a more market-based system. What should be done in places like Copenhagen and Aarhus, with very high-pressure housing markets? Here the housing associations do not have any demand problems and it might be logical to move to more market-based rents for all rented housing, including social housing. Any sudden move could, however, be destabilising for the whole housing market in these pressure areas.

The National Organisation of Local Authorities (Kommunernes Landsforening) has proposed a reduction in the number of housing associations from 700 to about 250, in order to reduce the number that the 98 new local authorities have to deal with when local government reform is implemented in 2007.

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

Social Housing in Europe

- Sale of dwellings to achieve a better mix of residents (the law has only allowed 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.

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5. Social Housing in England

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1. Tenure structure

Originally, as in most Western European countries social housing in England was provided by charitable non-profit organisations with well-specified objectives looking to address the problems of particular groups, including for instance employees, those living in insanitary and unsafe accommodation, and women. Subsidies to the supply of rented housing by local authorities started to be made available in the late 19th century, although to a very limited extent. Between the wars, tenure neutral supply side subsidies (in the form of £X per unit) were made available to expand the total housing supply. However it was after the second world war that social housing started to play a major role in provision, with around one half of all new output concentrated in the subsidised local authority sector. At this stage the role of non-profit providers was very small - and not separately identified in the statistics.

The size of the social rented sector in England reached its height in 1979 when there were over 5.5 million social rented units, 31% of the English housing stock of 17.7 million units (table 1). At that time private renting (including non-profit provision) accounted for perhaps 12% of the stock, and the vast majority of this sector was then either

Table 1: Dwelling Stock and Tenure 1951 - 2005

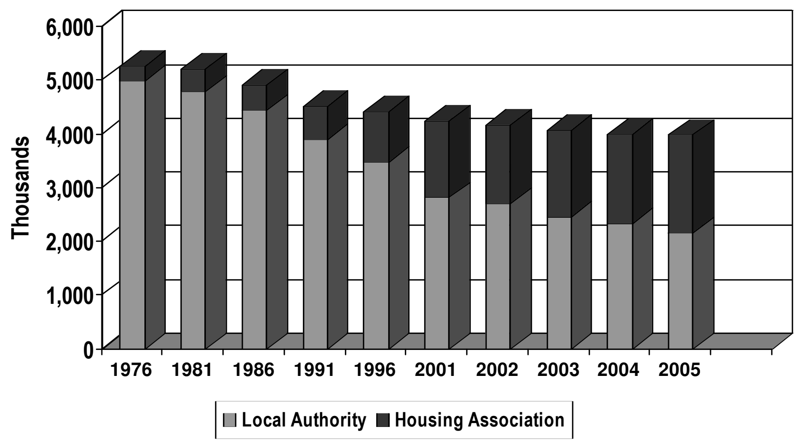
	Owner occupied		Private rented		Rented from HA		Rented from LA		Total
	000s	%	000s	%	000s	%	000s	%	ms
1961	6068	44	4377	32			3382	24	13.8
1971	8503	53	3122	19			4530	28	16.1
1979	10019	57	2168	12	368	2	5140	29	17.7
1981	10773	60	2044	11	410	2	4798	27	17.0
1991	13237	67	1927	10	608	3	3899	20	19.7
2001	14818	70	2152	10	1424	7	2812	13	21.2
2005	15352	70	2469	11	1817	8	2166	10	21.8

Source: Table 1.6c Communities and Local Government Housing Statistics 2006

regulated or rent free. Owner-occupation was running at about 57% of the stock, having become the majority tenure in the late 1960s.

From that time not only has the size of the social rented sector declined significantly but the ownership has also been massively restructured, increasing the role played by non-profit Housing Associations at the expense of local authority (council) housing (figure 1). The most important reason for the declining importance of the social sector has been the large and continuing expansion of owner-occupation. By 2005 owner-occupation accounted for around 70% of the much larger stock of 21.8 million units. Private renting was measured at 11% (although there was some belief that this was an underestimate, especially in London). Social renting thus only accounted for 18% of the total stock - some 4 million units, a net reduction of 1.5m units since 1979. Within this total 53% was provided by local authorities and 47% by Housing Associations.

Figure 1: Decline in stock of social rented housing: sales and other losses outstrip new building



Source: Housing Statistics, ODPM

During the first three decades after the war the social sector accounted for rather less than half of all new building (table 2). Thereafter new building in the social sector has declined in both absolute and proportional terms. Since 1979, new build in the social sector has fallen from almost 45% of the total output of over 200,000 to 11% of fewer than 130,000 units in 2002. However, over the last few years social sector output has

Table 2: Housing Completions by tenure

	Private		Housing Associations (RSLs)		Local Authorities		Total
	000s	%	000s	%	000s	%	000s
1961	163.3	64	1.6	1	91.2	36	256.2
1971	170.8	58	10.2	3	113.7	39	294.7
[1979	118.4	57	16.3	8	74.8	36	209.5]
1981	99.0	58	16.8	10	54.9	32	170.6
1991	1311.2	85	15.3	10	8.1	5	154.6
2001	114.6	89	14.6	11	0.2	0	129.3
2005	141.7	89	17.5	11	0.2	0	159.4

Source: Table 2.4c Communities and Local Government Housing Statistics 2006

risen roughly in proportion to total output - accounting for 17,500 units out of 160,000 in 2005.

The major losses from social rented housing have been through the Right to Buy. Nearly 1.8 million dwellings have been sold to sitting tenants since 1980 with sales concentrated in the first decade, but still running at between 30-70,000 a year through the 1990s and 2000s. However, sales fell to an historic low of under 27,000 in 2005/6 mainly as a result of both smaller discounts and rapidly rising house prices especially in the south of the country, which have made purchasing unaffordable.

Although social sector output is expected to rise over the next few years in line with total output, on current trends social renting as a proportion of the housing stock is likely to continue to fall, to perhaps 15% of the total stock by 2011. This will occur in part because of continuing sales into owner-occupation through Right to Buy, Right to Acquire and Social HomeBuy but also because of increased demolitions often associated with higher density, mixed tenure redevelopment.

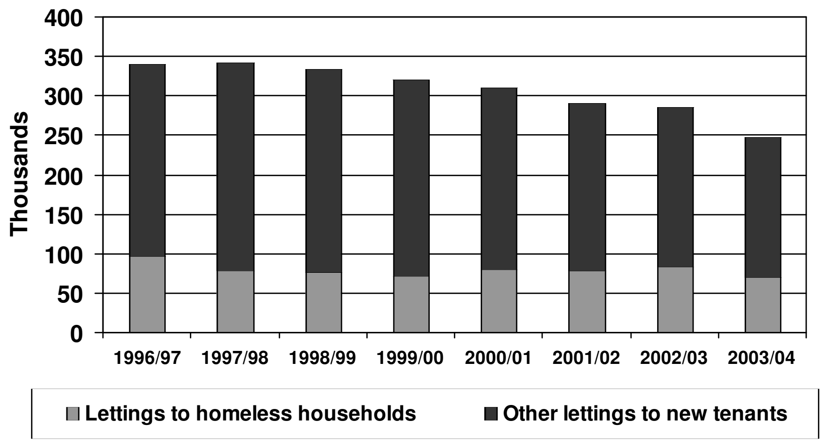
Overall, government subsidised new build is currently running at around 30,000 units a year and is expected to increase quite rapidly, at least half of these subsidised units will probably be in the form of low cost home-ownership rather than social renting. Thus while the provision of affordable housing will increase the proportion of social rented housing will fall.

2. The Structure of the Social Sector

In 1979, 93% of social rented housing was owned by local authorities and New Towns corporations. The Conservative government restructured the subsidy system for both local authorities and housing associations. As a result, and especially since 1988, almost all new social rented housing has been provided within the Housing Association (HA) and particularly the Registered Social Landlord (RSL) sector (table 2). HAs are non-profit independent landlords with the responsibility to provide for particular groups of mainly lower income households. RSLs are registered with the Housing Corporation - the regulatory authority which also allocates government subsidy - and must operate within their guidelines.

In addition to new building being concentrated in the HA sector since the mid-1980s there has been a policy of large scale voluntary transfers (LSVTs) from the local

Figure 2: Decline in new social housing lettings in England



Source: Housing Statistics, ODPM

authority sector to HAs. These transfer all or part of a local authority's stock through a privately funded management buyout to a newly formed HA. As a result of both new build and transfers the HA sector, which accounted for only 1% of the total stock in 1979, had by 2005 quintupled in numbers terms and now accounts for 8% of the total stock. Local authorities, either directly or through Arms Length Management Organisations (ALMOs), owned only 10% of the stock in 2005 and, unless policy is modified, this proportion is likely to continue to decline in both absolute and proportional terms. There are indications of some change in that ALMOs in particular are seen as successful.

Although at the present time only HAs can add to the social sector stock, with the assistance of central government subsidy, the current government is looking to enable certain local authorities, mainly through their ALMOs, to build, using public land and their existing assets. There is considerable political impetus behind this policy development. However the regulatory and administrative constraints are such that it will take some years before there could be significant output from local authorities and their management organisations.

Ownership of the social sector stock is thus now spread among some 2000 HAs of which nearly 10% are LSVTs, together with around 200 local authorities which have not transferred all of their stock to HAs. Local authorities only own property within their own boundaries. Among HAs the majority own only in one or two local areas, but a small proportion hold dwellings across the country. Within this total around 250 associations build the vast majority of new social sector accommodation, while at the other extreme some only manage stock for other organisations. HAs are increasingly organised in group structures which bring together LSVTs, traditional HAs providing for general needs, those providing for special needs, and subsidiaries operating in the intermediate market.

3. Financing the Social Sector

Since 1988 funding for new social sector building in the HA sector has come from a mix of debt finance (raised on the open market against future rental income) and capital subsidies provided by central government. When the system was first put in place subsidy rates ran at over 90%. However, through both increases in rents and competition between HAs for subsidy, the proportion of costs paid for through subsidy fell to under 60% in the mid 1990s - and now varies around 50%. Technically the subsidy is a loan which is subordinated to the borrowing from private financial institutions, repayable only on sale of the property (which requires special permission). This technicality reduces the costs of private borrowing and also potentially gives central government the capacity to claw back subsidy (as indeed was done in the 1980s).

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Funding from the private sector comes from a relatively small number of financial institutions involved in the provision of mortgages across the housing sector. The risk premium is relatively small (between 30 and 70 basis points over LIBOR) in part because of the safety net of Housing Benefit; in part because of the comfort provided by the Housing Corporation's regulatory powers and in part because of the capital subsidy. The Corporation was set up in the 1960s and took on additional responsibilities after the sector was opened up to private finance in 1988. The Corporation now both regulates the HA sector and allocates central government funding.

Subsidies to local authorities are revenue based and cover any difference between deemed rental income and deemed expenditure. As new output declined in the 1980s outstanding debt also fell, and the reduction in outgoings has been reinforced by declining interest rates in the 1990s and 2000s. As a result, the vast majority of local authorities are in a position to use rental income to pay for rent rebates for lower income tenants, even so many are in 'negative subsidy' - i.e. make a contribution to central government, which is reallocated to areas still eligible for subsidy.

Supply side subsidies to local authorities have risen in the last few years because of investment in the existing stock to bring dwellings to the decent homes standard. Authorities or ALMOs that achieve efficiency targets are enabled to borrow to undertake this necessary investment and the amount of such funding has increased very considerably over the last few years.

LSVT HAs are funded 100% through the private sector except to the extent that they undertake new investment when they may bid for capital subsidy. The valuation of the stock at the time of sale takes account of the investment necessary to bring the stock up to the decent homes standard and the expected rental income based on regulated rents. In some cases the value of the stock is estimated to be negative. In these cases a dowry is paid to enable the transfer to take place.

Overall supply subsidies measured in terms of financial flows to social housing have fallen very significantly since the 1980s but have risen again over the last few years (table 3). Subsidies overall are concentrated more on helping lower income tenants who are eligible for Housing Benefit through rent rebates and allowances.

Income related rental assistance has been available since the early 1970s and has had basically the same structure since 1988. Within the social rented sector, tenants

Table 3: Government Funding: Supply and Demand Subsidies in England (£m)

	2001/02	2002/03	2003/04	2004/05	2005/06
Capital					
LA	1,549	2,334	2,028	2,611	2,951
HA	775	921	1,599	1,719	1,626
LA Revenue	95	-55	-60	770	
Total Supply	2,419	3,200	3,567	5,100	
Rent rebates	4,296	4,379	4,213	4,376	4,502
Rent allowances	5,644	6,441	6,431	7,041	7,867
ISMI	427	280	267	265	291
Total Demand	10,367	11,100	10,911	11,682	

Source: Wilcox, S (2007) UK Housing Review 2006/07, CIH and CML

receive help up to 100% of their rent plus eligible service income and charges, depending upon their income and household circumstances (table 4). The scheme is technically the same in the private rented sector but there are additional constraints on payments so that most tenants pay some rent. The government is currently piloting a Local Housing Allowance by which private tenants will receive an allowance based on average relevant rents in the local area rather than on their individual property. It is not yet envisaged that this will be extended to social tenants.

4. Nature of the Social Sector Stock

Within the total stock of social housing, not far short of sixty per cent is in the form of houses and bungalows. This compares with over 90% in the owner-occupied sector and over 80% in the stock as a whole.

Space per person, measured in terms of median floor area per person, is lower in the social than the private sector. In 2004 it was running at about 31.6m^2 per person (only 28.2m^2 in London) as compared to 37.6m^2 in the private sector (34.2m^2 in London).

Table 4: Rents before and after Housing Benefit (2004/5)

	Median Rent before deduction of Housing Benefit	After Deduction of Housing Benefit	Net Rent as % Income
	£ per month	£ per month	%
Local Authority	230	0	3
HA	270	0	5
All Social Sector	250	0	4
Rented Privately	430	30	25

Source: Family Resources Survey

Moreover space per person in the social sector has been falling, from 32m^2 (London 30.0m^2) in 1996. In the private sector, on the other hand, space per person has increased, if only by an average of 1m^2 per person over the same period.

Vacancy rates are relatively low across the social sector (table 5) although they rose significantly in the late 1990s when there were growing problems of low demand

Table 5: Vacant Dwellings (%)

	Local Authority			Housing Association		
	England	North West	North East	England	North West	North East
1996	2.3	2.8	2.6	2.5	2.8	3.2
2001	2.9	4.7	4.0	2.8	4.9	3.7
2006	2.1	2.8	2.8	2.0	2.9	3.4

Source: Table 1.7 Communities and Local Government Housing Statistics 2006 especially in older industrial areas. As housing pressure has increased, and policy has concentrated on managing social sector stock more effectively, vacancy rates have fallen. They still remain higher in lower demand areas especially in HA dwellings, but the improvement suggests that there is potential demand even in the least desirable areas.

Overcrowding is concentrated in the social sector, with 5.5% of households overcrowded in social housing in the early 2000s as compared to 2.5% across all tenures (defined as one bedroom or more below the bedroom standard). In London the percentage is 12.2% as compared to 6.6% across all tenures. The overall rate of overcrowding has not changed much over the last decade - but has risen significantly in both rented sectors and especially in London.

There have been very considerable improvements in the standard of existing social dwellings over the last decade. Even so, some 37% of local authority and 27% of HA dwellings do not currently meet the decent home standard which the government intends to achieve by 2010. The main reasons why they do not meet the standard relate to insulation and energy conservation.

New build housing is increasingly concentrated in flats and therefore smaller units. In 1995/6 HA completions included 71% houses and 29% flats. By 2005/6 these proportions had changed to 42% to 58% respectively. At the same time the proportion of 3+ bedroom units fell from 35% to 25%.

Allocations to local authority lettings have fallen from 415,000 in 1995/6 - roughly the rate for the two decades before - to 189,000 in 2005/6. This is partly a result of lower levels of output together with some increases in demolitions associated with regeneration but it is also because out movement has fallen as a result of reduced opportunities elsewhere and changing demographic patterns. Of the total lettings in 1995/6, 60% went to new tenants, one third of whom were homeless families. In 2005/6 70% went to new households, within which a slightly smaller proportion, at 22%, went to homeless families.

In the HA sector lettings rose consistently from around 40,000 per annum to 160,000 in 2002/03 - roughly in line with the growth in the HA stock. Since then, lettings have fallen to below 145,000 in 2004/5. About 80% go to new tenants, and a further 11% go to existing social tenants moving from local authority properties. Of the total lettings to new tenants 20% go to homeless families. This proportion rises to 40% in London.

At the same time the number of statutory homeless households in temporary accommodation has risen from 45,000 in 1997 to over 100,000 in 2004. An increasing proportion of these households are being placed in private rented sector housing often leased by the local authority. Problems of homelessness are particularly concentrated in London (22% of total acceptances in 2005/6 and 65% of those in temporary accommodation) but it is a significant and increasing problem across all regions.

5. Rent Determination

Historically, social sector rents were based on historic cost so that rental income was expected to cover financial outgoings less subsidy. In the local authority sector it was also permitted to subsidise rents from the general rate fund. In the HA sector, rents were directly regulated on the same principles as the private rented sector.

During the 1970s local authority rents were controlled as part of general incomes policies, leading to major difficulties in funding basic repairs and maintenance. In the 1980s it became illegal to subsidise rents from local taxation and deemed increases in rents, which determined the subsidy provided, were set by central government. This regime continued throughout the 1990s with rents rising slightly faster than inflation.

The financial framework under which HAs operated changed dramatically in 1988 when rent controls for new lettings were abolished in both the HA and the private rented sectors. The 1988 Act gave HAs the power to set their own rents so as to cover costs and build reserves to enable them to borrow at relatively low risk interest rates. This resulted in rent rises significantly above inflation, and indeed the rate of growth of tenant incomes. By 1997 the vast majority of rental income arising from these increases was being paid for by central government through Housing Benefit. Rent rises were then regulated, restricting average rises to inflation plus a small percentage.

The government decided to introduce a rent restructuring regime in 2002 across the whole of the social sector, so that by 2012, individual rents will be determined on a formula based on local manual worker earnings, dwelling size and property values.

For the first time therefore, at least in principle, there will be coherent rent setting across the sector unrelated, as in the past, to the original funding mechanisms. However these rents will still bear little direct relationship to tenant valuation of the stock because of additional constraints. These tend to mean that those in smaller dwellings pay relatively higher rents, while those in large dwellings and in high priced areas are disproportionately protected from market pressures.

Rents in the local authority sector have risen from around £40 per week in 1990 to £55 per week in 2005, about in line with inflation. In the HA sector they have risen from £44 per week to £62 per week over the same period - somewhat above inflation, but well below average income increases. Rents in London are perhaps 20 - 25% higher than the national average, as compared to a 40% differential in the owner - occupied sector (not allowing for differences in size and quality).

Overall the gap between average social and private rents (again not controlling for quality, location etc) is measured at about 40% in the HA sector and nearer 50% in the local authority sector. However the size of the gap varies enormously between regions and areas. In some parts of the North, the gap is relatively small; in pressure areas, notably London, it is well over 60%. If the gap is measured by economic subsidy, taking account of rates of return on capital values, the differences are even greater.

6. Who lives in the social sector?

The make up of the social sector in terms of household characteristics is very different from that in other tenures - which is hardly surprising as the emphasis has been on housing those in priority need since the 1980s. Those in the social sector are disproportionately young and old, lone parents, retired or economically inactive (table 6). In part this is an outcome of the Right to Buy which has particularly enabled couple economically active households to buy their own homes.

Of concern at the present time is not just the extent to which unemployment is concentrated in the social sector - 6% among social tenants as compared to 2% among all households - but the fact that almost two thirds of household reference persons are outside the labour force, including 30% of all social tenants of working age compared to 10% overall. Moreover 63% of social sector households include no working member as compared to 35% overall. It is also important to note that some 42% of households include someone with serious medical conditions or disability, almost double the rate for all tenures taken together.

About 8% of all households in England include a household reference person from Black and Minority Ethnic (BME) groups. In the social sector that proportion rises to an average of 12.5%. However this still reflects an under-representation once poverty, employment status and household structure are taken into account. Proportions

Table 6: Household Characteristics (2004/5)

	Owner occupation %	Social Renting %	Renting Privately %	All %
Couples with and without children	81	10	9	100 (58)
Lone Parents	37	46	17	100(7)
One person households	61	27	13	100 (28)
Economically Active	68	38	74	63
Retired	27	33	11	26
Median Income	£26,000	£10,200	£17,400	£21,000

Source: Department of Works and Pensions, Family Resources Survey

vary enormously between ethnic groups - with relatively few Indian and Chinese households and relatively large proportions of Caribbean and Pakistani households in the sector. BME households are concentrated in urban areas and particularly in London. They also tend to be concentrated in particular localities within these urban areas.

Tenants in social housing are significantly poorer than those in the private sector, whether tenants or owners. Almost 50% of social tenant households have incomes below £10,000 per year as compared to 17% overall. In part this reflects the numbers of older and inactive people in the sector; but it also reflects lower earnings among employed social tenants.

Social tenants are generally satisfied with their accommodation, although the proportion dissatisfied at around15% is higher than in the private sector. The pattern of satisfaction with the neighbourhood is similar and in both cases it is younger households that are dissatisfied.

A final issue is the proportion of income, including benefits, which social tenants spend on housing. Across all tenures, mean expenditure per week in 2004/05 was

£79; while social tenants spent significantly less than half of this (table 7), partly as a result of lower rents but mainly because of the prevalence of income related assistance among social tenant households. Two thirds of HA tenants are in receipt of Housing Benefit and the proportion in the local authority sector is even higher. In addition social tenants pay only between £7 and £8 per week for utilities as against an average of £11 per week. In general therefore being a social tenant enables households to avoid housing poverty.

Table 7: Housing Expenditure by tenure 2004/05

	Owned Outright	Buying with a mortgage	Local Authority tenants	HA tenants	Private tenants	All
Median expenditure as a % of disposable income	11	26	14	16	23	19
Median Expenditure £ per week	£36	£151	£31	£28	£105	£79

Source: Expenditure and Food Survey

7. The Future

Over the last few years government attitude to the importance and role of social housing have changed significantly. First, on the existing stock there has been considerable emphasis on subsidising the improvement of the existing stock in order to meet the Decent Homes standards by 2010. This may well not be fully achieved by this date, but major progress has been made. Policy has also concentrated on renewal and regeneration particularly in low demand northern urban areas. This often requires significant demolition with higher density replacement. Within this higher overall total, the proportion of social housing is often much lower with greater emphasis on intermediate market housing and developing mixed income communities.

Secondly, government has become increasingly concerned by the extent of tenure polarisation and concentrations of poverty, particularly in the social sector and in specific neighbourhoods and estates. Regeneration is one way of addressing this issue, but within the existing stock the main way is through changing allocation principles. The introduction of choice based lettings has provided some freedom of choice for tenants but there are inherently major tensions between meeting priority needs and

enabling a greater mix of tenants. A new policy in this context is to try to enable social tenants to purchase part of their home through Social HomeBuy, where Right to Buy is unaffordable. However the emphasis on increasing home ownership - either full or partial - will necessarily reduce the size of the traditional social rented sector.

Third, there is an important shift towards the provision of intermediate housing. This aims to assist those in lower income employment but unable to afford owner-occupation through the provision of shallow subsidies and access to finance. Such provision is also part of the mixed communities agenda, as a proportion of new housing is aimed at the intermediate market ensuring that employed households will take up a significant element of new and regenerated developments.

The government is attempting to address the shortfall of housing in total by increasing output to perhaps 200,000 net additional units per year by 2016, including around 30% affordable housing (including both social renting and low cost home ownership). Over the next two years they are committed to producing around 40,000 new affordable homes per year - but only around 60% of these will be social rented dwellings.

Finally in the context of very vulnerable households there has been a shift away from direct provision to person specific assistance through Supporting People. Initiatives to reduce homelessness have included prevention measures, access to temporary housing leased from the private sector and assistance into the private rented sector rather than the provision of secure social rented accommodation.

There has just been a more fundamental review of social housing undertaken by Professor John Hills. This stresses the importance of ensuring adequate, affordable housing for all - including provision at sub-market rents. However it also raises concerns about the extent of worklessness and immobility among social tenants as well as apparently increasing dissatisfaction with their housing. It suggests that the value for money currently being achieved is inadequate and that government should look towards a wider range of affordable housing and incentives to tenants both to move up the property ladder and to move into work. He suggests that initiatives such as the Local Housing Allowance and choice based lettings show that it would be possible better to integrate social housing into the wider housing system.

Overall social housing has moved from a tenure of choice to one where those in the tenure are mainly getting a good deal but where social housing is often seen by many as inferior to private provision, especially owner-occupation. The government's current emphasis on increasing owner-occupation to at least 75% of all households is likely to reinforce this attitude.

8. Some key milestones in English social housing

1975 Housing Rents and Subsides Act This completely restructured the financing and rent regimes for both local authorities and housing associations. It was intended to support a large scale building programme but inflation and economic depression meant that instead investment was heavily constrained and rents were controlled to the point where it was difficult to maintain property in the local authority sector.

1977 Housing Homeless Persons Act (with many later amendments). This required local authorities to house all those defined as homeless in their area. The definition included all family and couple households as well as vulnerable single people.

1980 Housing Act This introduced the Right to Buy by which local authorities were required to sell to sitting tenants at a discount.

1988 Housing Act This introduced a mixed funding regime for Housing Associations by which associations received capital grants for new investment but funded the rest of the capital costs by borrowing from the private sector. They were also given the power to set their own rents.

1989 Local Government and Housing Act This constrained local authorities by ringfencing the Housing Revenue Account and reinforcing central government control over rents. It also provided the framework for large scale voluntary transfers of local authority property to housing associations.

2000 Quality and Choice: a Decent Home for All This green paper set in place much of the framework for rent restructuring to make rents consistent across the social sector as well as the Decent Homes programme by which funding has been provided to bring rented housing up to acceptable modern standards.

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6. Social Housing in France

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1. Introduction

The earliest social housing was built by philanthropists and more "enlightened" entrepreneurs to accommodate salaried workers and employees who were unable to find accommodation in the existing stock. The stock grew significantly only after WWII. Its mission then was to house the homeless and poorly housed -- the majority of the population, given the tremendous shortage of housing. In the 1960s the social sector was a normal stage in the middle-class residential career. Selective mobility, encouraged after 1977 by initiatives aimed at developing homeownership, has since then changed the landscape, and social housing has become increasingly (though not exclusively) a tenure of the poor. But at the moment no process of residualisation can be observed, as in some other European countries.

2. Stock and location

In 2004 the French social rented sector had 4.2 million units, making up 17% of the country's housing stock (not counting vacant units and second homes).[1] France also has a large private rented sector (about 20%). With 69 units of social rented housing per 1000 inhabitants, France is in an intermediate position compared to other European countries, between the Netherlands (with 155/1000) and the UK (106/1000) on the one hand, and Germany (30/1000) and Italy (16/1000) on the other.

Table 1: Social housing stock

Housing stock 01/01/2005	Individual (%)	Multi-unit (%)	Number of units per 1000 habitants	1 or 2 rooms (%)	3 or 4 rooms (%)	5 rooms or + (%)	Vacancy rate (%)	Mobility rate (%)
4,290,133	13.6	86.4	69.2	24.1	66.5	9.4	2.5	10.0

Source : SG-DAEI-SESP, EPLS au 1er Janvier 2005, et RP rénové 2004

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Some 55% of the stock was built before 1976, including 29% (1.12 million units) between 1966 and 1975, a period which saw the construction of many large peripheral estates. More than 110,000 units per year were built during this decade. Post-1995 units make up 10% of the total social stock, and pre-1956 units only 7%.

Some 56,000 new units per year were introduced during the 1990s, falling to fewer than 44,000 per year between 2000 and 2003. New construction is more than keeping up with sales (less than 5,000 per year), but the growing number of demolitions, along with the declining number of purchases, makes the annual net addition to the stock more or less constant, approaching 40,000 units per year since 1995. Despite governmental will, the construction of new social units has not reached the symbolically important threshold of 50,000 units/year.

Structural characteristics

About 86% of the existing units are flats, rising to 97% in the Paris area. Buildings or estates with more than 100 units make up 31% of the stock but 56.5% around Paris. The large estates (grands ensembles) of more than 500 dwellings represent less than 6% of the stock at the national level, but up to 12% in the Paris area. Two-thirds of social housing units have three or four rooms.

There is no significant difference between the distribution of population and that of social housing in France. Social housing is predominantly urban: 62% is located in towns or cities with more than 100,000 inhabitants, but 14% is in towns with fewer than 10,000 inhabitants, or even in rural areas.

There are, however, huge discrepancies in the intra-urban location of social rented housing, between the 'peripheral' stock, where estates are often dilapidated, and the much more desirable 'central' stock. The most deprived neighbourhoods have been designated as 'sensitive urban zones' (zones urbaines sensibles, or ZUS). The 752 ZUS contain nearly 1 million social dwellings (about 25% of the social stock). Of these neighbourhoods, 120 are located in three departments: Nord (Lille), Rhône (Lyon) and Seine St Denis (north-eastern suburbs of Paris).

The biggest metropolitan areas can contain municipalities without any social rented sector as well as those whose housing stock is up to 70% social rented programmes. This spatial polarisation is particularly great in Paris, Lyon and Marseille - in the wealthy Paris municipality of Neuilly, for example, social housing makes up only 1.2% of the housing stock. The contrast is less acute in cities like Lille or Rennes.

There are three broad types of social housing, corresponding to the three types of government loan used to fund them. These are known as standard (currently funded by the PLUS loan), upper and lower (or 'very social') social housing.

Before 1977, standard social housing amounted to 81% of the total, but this has fallen to under 70% in recent years. Since 2000, as shown in Table 2 below, state policies have favoured upper social housing, despite government statements about the need to provide for people's right to be housed. In the last five years (2000-2004), 26% of state subsidised loans went to upper social housing, compared to 7% before 1977, and 12% between 1977 and 2003. This change in emphasis has been criticised as one of the causes of an increasing lack of affordable housing (Fondation Abbé Pierre [2005]).

With the ageing of the stock, many of the standard social units built before 1977 have turned into deprived estates, whose quality is now far below that of lower or 'very social' housing. Those estates are presently the target of demolition and urban renewal programs.

Table 2: Categories of social housing*

	Pre 1977		**1977-2003**		**2000-2004**	
	Number of units	**%**	**Number of units**	**%**	**Number of units**	**%**
Lower social housing	186,977	7.9	106,567	7.6	26,690	9.0
Standard social housing	1,930,580	81.3	1,014,568	73.3	194,899	65.5
Upper social housing	92,244	3.9	94,228	6.8	76,171	25.5
Other	164,422	6.9	169,736	12.3		
Total	2,374,223	100.0	1,384,098	100.0	297,760	100.0

*These categories refer to different types of subsidised loans - see background table B for detail.
Source: PLS 2004 and DGUHC

3. How social housing is provided

Social housing is generally known as 'HLM housing' in France (for habitation à loyer modéré, or housing with moderated rents). There are two main types of social housing provider:

- Public agencies (offices publics): public bodies funded by local authorities.
- Social firms for housing (entreprises sociales d'habitat): private, non-profit social builders.

Both deliver standard housing, which represent 80% and 78% of their stock respectively, but the former deliver a higher proportion of lower (or very social) housing (10% of their stock, against 7% for ESH) and the latter a higher proportion of upper social (or intermediate) housing (8% of their stock, against 4.5% for the Offices).

In 1977 a system of contracting (conventionnement) between the state and social builders was introduced. These contracts give builders access to specific subsidies and types of financing. In return they accept certain duties as social landlords (income ceilings for tenants, limited rents, etc.). The tenants of 'conventioned' programs are eligible for housing benefit (aide personnalisée au logement, or APL). A program may be 'conventioned' prior to construction, when it is purchased by the social housing provider, or when state-financed improvement works are carried out. It has even been possible since 1988 to 'convention' an existing property without improving it. There was a rapid 'conventioning' of existing stock rapidly during the 1990's, and 'conventioned' dwellings made up 93% of the social stock in 2004.

Social housing providers obtain 'conventioned' loans from a public bank (the Caisse des Dépôts et Consignations), funded by deposits in the house-savings scheme (Epargne logement), which is currently under attack by the European Commission.

Changes in social housing governance

The political and legislative context of social housing provision has changed in various ways in the last 10 years, and those changes are accelerating. The state continues to guarantee loans given through the Caisse des Dépôts et Consignations, and it still defines housing needs, approves projects, and decides on the amount of subsidy given to social housing. Nevertheless, local authorities play a growing role: they supervise social landlords, co-finance social housing programs, and are in charge of urban planning. The most recent change was the Second Decentralisation Law of August 2004, which allowed groups of local authorities to take responsibility for distributing state grants for social housing. These grants represent only 5% of the construction cost, but they can leverage in other financing. So far 66 local authority groups have signed an agreement with the state, and this number is expected to grow rapidly in the next years, despite many cities' fear that the state will also transfer the financial burden of social housing to them.

Financing for social housing is provided by the state, social developers and local authorities. Employees also contribute through a 1% 'housing tax' on wages. The total amount of state subsidy to social housing providers has sharply decreased in the last 20 years (see appendix 5 for details): it was €1.8bn in 2004, down from €2.8bn in 1984. Fiscal subsidies have increased (from €298m to €440m), but interest-rate subsidies have been cut from €2.2bn in 1984 to only €329m in 2004 (mainly due to the current low level of market interest rates). Direct grants are more or less unchanged, from €442m in 1997 to €455m in 2004. At the same time, personal subsidies for housing have risen from less than €5bn in 1984 to more than €14bn in 2004, representing more than 55% of the total cost of housing policies.

4. Demographics

The French system of social housing belongs to the family of generalist systems, as opposed to residual or targeted systems -- but new tendencies have appeared over the two last decades.

Households applying for a social housing unit must have qualifying incomes. The income ceilings depend on the type of housing product in question (standard, upper or lower), and are fairly high (for a standard social housing unit in 2006, the limit is nearly €40,000 for a household with two children). The result is that 35% of households have incomes that make them eligible for lower social housing, 71% for standard social housing, and 80% and 89% for the two types of upper social housing. (Chodorge, 2006) These are historically high levels.

Overall, however, social sector tenants have lower incomes than tenants as a whole, and much lower incomes than owner-occupiers. The overall average household income in France (excluding students) was €1,449/month in 2001. Social tenants received €1,062, private tenants €1,410, and owner-occupiers €1,606. Half the households living in the social sector receive housing benefit. The concentration of impoverished households in the social sector has been growing over the last decades (see Table 3). One recent study showed that a quarter of new tenants had household incomes of less than 20% of the ceiling.

Table 3 Households in social housing: income distribution in quartiles, 1973 - 2002

Year	1st quartile	2nd quartile	3rd quartile	4th quartile
1973	12	29	35	24
1978	17.2	30.9	33.2	18.9
1984	25.7	33.5	27.9	12.9
1988	30.2	32.6	25.1	12.1
1992	31.8	32.9	24.6	10.7
1996	33	32.7	24.8	9.5
2002	35.6	32.3	22.9	9.2

Source: INSEE, Enquêtes Nationales Logement (ENL), quoted in Frédéric Gilli, 'Vingt ans de dépenses publiques de logement', in Données Sociales-la société française, édition 2006

In terms of household structure, the social sector houses more single-parent families (19% of tenants in 2006, versus 15% in 1997) and couples with children (27% in 2006, versus 32% in 1997) than does the private rented sector, which has more single people. The proportion of households headed by foreigners is twice as high as in the country as a whole -- 30% of foreigners living in France are housed in the social sector.

There is increasing socio-spatial segregation within social housing. The poorest households in social housing live in disadvantaged neighbourhoods, while higher-income social tenants live in neighbourhoods where a quarter of heads of household are executives or own their own businesses.

Immigrants

Immigrant households made up 9.5% of the total population in 2002, but they occupied 22% of the social rented units. Some 29% of immigrant households live in the social rented sector, compared to 14% of non-immigrants. But for populations from Turkey, Maghreb and black Africa, this percentage is far higher: 44%, 48% and 38% respectively. The average immigrant household size is larger than that of non-immigrants: in the social sector, the average number of persons per household is 3.5 for immigrants and 2.4 for non-immigrants.

Table 4: Households by nationality and tenure, and average household size, 2001

	Owner occupation		Social tenants		Private tenants	
Household type	% in tenure	Average household size	% in tenure	Average household size	% in tenure	Average household size
Non-immigrants	58	2.5	14	2.4	21	2.0
Immigrants	40	2.9	29	3.5	22.5	2.6
Overall	56	2.5	16	2.6	21.5	2.1
Portugal	53	3.2	21	3.0	18	2.4
Spain	52	2.4	22	2.0	17	2.1
Italy	69	2.1	12	2.1	12	2.0
other EU	57	2.4	10	2.1	21	2.1
other Europe	44	2.0	16	2.5	26	2.0
Turkey	28	4.4	44	3.9	22	2.8
Maghreb	23	3.7	48	3.9	22	2.9
other Africa	18	3.5	38	4.1	34	2.9
Cambodia, Vietnam, Laos	43	4.4	28	3.8	20	2.6
Other countries	38	3.2	12	3.3	38	2.4

* Percentages do not total 100%, as other tenures are not included.

** Source : DEEF/USH, d'après ENL-INSEE

Significantly, almost 70% of immigrants in the social sector (versus only 55% of the whole population of sector) are housed on estates built between 1949 and 1974, where the shrinking estates are concentrated. Only 5% live in the oldest (pre-1949) and newest (post-1990) housing.

As shown in Table 5, since 1996 an increasing percentage of immigrants have become social sector tenants or home-owners (nearly 40% in 2001). This is probably partly due to the growing difficulty that foreigners, especially those of black and Mediterranean origin, face in securing housing in the private rented sector. It should be noted these figures do not include people coming from 'Dom-Tom' (Départements and Territories d'Outre-mer), who are generally black or coloured people.

Table 5: Tenures of immigrants and non-immigrants, 1996 and 2001

	1996			2001		
	Overall	Non immigrants	Immigrants	Overall	Non immigrants	Immigrants
Owners	54.3%	55.9%	37.0%	56.0%	57.7%	39.6%
HLM tenants	15.7%	14.6%	27.9%	15.6%	14.2%	28.9%
Non-HLM tenants	21.0%	20.7%	24.5%	21.3%	21.2%	22.3%
Other tenures	9.0%	8.9%	10.7%	7.1%	6.9%	9.1%

Source : DEEF/USH, d'après ENL-INSEE

5. Changes in housing needs and expectations for the future

The housing sector in France is being called on to respond to new demands, both with regard to individual aspirations and with regard to environment quality and sustainability. The government has recently introduced incentives for the construction of sustainable dwellings, and some social developers are focusing on using sustainable materials and innovative energy systems, but momentum is just beginning to grow.

More difficult is the question of needs and aspirations-and for the mainstream, the aspiration is owner occupation. Social housing suffers from an increasingly degraded image except in some favoured areas of inner cities (like Paris). Better maintenance and management would go some way to restoring its attractiveness, as would better urban services.

Demographic changes will obviously have a big impact on housing demand. The number of households will continue to grow faster than the population as a whole. The number of households is forecast by INSEE [the National Institute for Statistics and Economic Studies] to increase by 275,000 annually, and possibly more. Divorces imply a requirement for two housing units instead of one - and in addition, both must be large enough to accommodate children. Half of the new households will be single people, elderly persons and students. These latter categories need specific types of housing: small units that are well located, with good services closeby. With this idea, we are back to the importance of local markets. As the pressure on dynamic areas will increase, there is a need to ensure territorial equity.

At the end of the 1980s the most visible housing problem was homelessness. This problem still exists, but different types of 'emergency product' have emerged, operated by specialist associations and charities. With the recent boom in house prices, a new and broader concern has emerged: the lack of affordable housing for working families. The social rented sector is thus facing growing demand, fuelled by evictions due to the sharp rise in private rents and prices, and increasing job insecurity in the labour market.

Vacancy rates and the length of queues offer two measures of unsatisfied needs for social housing. Vacancy rates are much lower in the social stock than on average in France (around 2.5% versus 6.9%), but they vary by region, from less than 2% in Ile-de-France (Paris region), Nord-Pas-de-Calais, Picardie and Brittany, to nearly 5% in Bourgogne (Dijon area). One way of measuring geographical variations is the so-called 'abnormally long delay' (that is, the time between the first application for social housing and allocation of a dwelling); this ranges from three months in some departments to four years in others.

6. Rents

The level of rents in the social sector is much lower than in the private sector. The difference is 30% to 40% on average, but can be much higher in some bigger towns (notably in Paris, where the ratio of social to private rents is 1:2 or 1:3) and areas with bullish housing markets. The advantage thus obtained by social renting households is several billion euros per year (Laferrère [1999]). The discrepancy between private and social rents has increased rapidly with the growth of house prices since 1997.

This has made it impossible for the majority of tenants to leave the social sector for the private sector, thus reducing turnover in the social sector.

The dispersion of rents is much lower in the social sector than in the private sector. This reflects both the regulation of social rents and the relative homogeneity of the social stock. Rent variations have little to do with location, the only significant geographical difference being between Paris and other cities: rents average €60/m^2/year in the Paris region, compared to €49 to €51 in other cities.

Social housing rents depend mainly on the age of the buildings and the type of initial funding (see above). Rents tend to be lower for buildings financed under previous funding regimes. Rents for 'very social' housing are well below average.

Expressed in monthly euros per square metre, the rents in the social sector range from less than €4 to more than €8, depending on the location and type of social housing - €3.92 for "very social" housing in the cheapest areas, and €8.65 for "upper social" housing in Paris. For "standard" social housing, rents range from €4.40 to €5.76. Those levels of rents have to be compared with those in the private sector: €11.20/m^2 on average, but €20.20 in Paris in 2005.

Tenants, particularly the poorest, also benefit from housing allowances: for the poorest 10% of households, 60% of the rent is paid by personal housing grants, which brings their average expenditure on housing down from 33% of income to 10%.

Table 6: Average social sector rents by type of area (€/m^2/month), 2005

Type of housing	**Zone I (Paris area: population 10 million)**	**Zone I-bis (Paris inner-city and 29 surrounding suburbs)**	**Zone II (other urban areas of more than 100,000 population)**	**Zone III (rest of France)**
Very social (PLAI)	4.82	5.14	4.22	3.92
Standard(PLUS)	5.43	5.76	4.76	4.42
Upper social (PLS)	8.14	8.65	7.19	6.63

7. Social housing and other forms of affordable provision

Besides the traditional social housing sector (mainly what is known as HLM, or habitation à loyer modéré), there are other forms of 'affordable housing'. There are private rented dwellings offering poor living conditions and lower prices, which have been termed 'de facto social housing', and are elsewhere known as quasi-social housing. The 'very social' sector includes non-traditional types of housing such as shelters. Social ownership is another form of affordable housing, and recently tax incentives have been introduced to stimulate private investment in affordable rented housing (the Borloo populaire programme).

'de facto' social housing

About 19% of all units in the rented sector (mainly in the private sector) are seriously substandard (lacking, for example, baths, toilets or heating). From 1993 to 2002, the National Agency for Improvement of Habitation (ANAH) financed the renovation of 1.2 million such units. These were put on the market with controlled rents. The agency would like to widen this programme, but its funds are insufficient. In addition ANAH is relatively powerless in areas where the market is very strained.

The private rented sector accommodates about one million poor households (those with incomes below 30% of HLM ceilings). It accommodates a large number of mobile households and young people in their first independent homes. The degree to which it serves as quasi-social housing depends on the pressure in the local housing markets, which in turn is linked to the size of the social housing stock. To give an example, in Paris and in the Mediterranean region, less well-off households are often tenants in the private sector, while in rural areas similar households are more often owners. Where social housing is less developed, poor households and migrants have to find accommodation in the least desirable part of the private rented sector, where rents can also be very high.[2] Finally, among the 5.5 million households living in the private rented sector, only 200,000 still benefit from rent control under the so-called loi de 1948. Since 1986 this stock has been returning to the free market (except for that still occupied by the original elderly tenants).

'Very social' sector

While the stock of 'de facto social housing' is shrinking drastically, a 'very social' sector has emerged besides lower social housing of the "formal" sector (financed by PLAI loans). (This does not include emergency centres and shelters, which are not formally considered housing.) This sector encompasses several forms of provision; the

things they have in common include the mode of access (regulated by social workers and conditioned on need) and restricted rights for tenants. In 1994, a new provision allocated public money to social landlords to construct, buy or rehabilitate dwellings in order to create this new type of housing, situated somewhere between shelters and standard housing. Old foyers and dilapidated furnished hostels have thus been renovated. Policymakers intended this housing to be transitional, helping the tenants move on to 'normal' social housing; however in fact in tight housing markets, people tend to stay, trapped permanently in 'temporary' housing. In 2006, the cost of this 'informal' social housing sector amounted to nearly €1 billion.

It is very difficult to know the exact number of beds or dwellings in this sector, because their creation depends on local initiatives even if there is a quantitative objective at national level. There may be over 150,000 units, and the number is increasing.

Social ownership and "Borloo populaire"

Since 1977 (see below), many attempts have been made to develop social home ownership. One home-ownership loan programme collapsed in 1995 (the PAP system), and was replaced by the PTZ, or 'zero-interest loan.' After its extension in 2004, it was expected to increase the number of subsidised new homeowners from 100,000 to 200,000. The objective is to enlarge freedom of choice between old and new construction, and guarantee to low-income households a better benefit than the original

Table 7: Expenditure on housing

	Gross expenditure on housing as % of income		**Net expenditure on housing (after benefits) as % of income**	
Household type	**All households**	**Social sector tenants**	**All households**	**Social sector tenants**
Poorest (decile 1)	40.1	33.4	16.1	10.0
Low-income (deciles 2 and 3)	24.9	21.2	16.7	13.1
Others (deciles 4-10)	16.9	14.4	16.1	13.4
All tenants	19.7	17.7	16.2	13.0

Source: ENL INSEE

PZT of 1995. The goal to encourage families to become homeowners for the first time; the outcome is not yet clear.

Finally, a new tax incentive known as 'Borloo Populaire' (2006) (named after Jean-Louis Borloo, Minister of Employment, Social Cohesion and Housing) is aimed at stimulating investment in construction for the intermediate rental market. In exchange for a tax deduction[3], the investor must rent the dwelling for at least nine years to households whose income is under the ceiling for 'upper' social housing (which is rather high - see above - and can hardly be considered 'social'). The rent must be 30% below the market rent. The objective (together with the related 'de Robien incentive') is the construction of 60,000 new units in 2007 and after; however it is not yet possible to predict the outcome.

8. Social housing in the political debate

What is the future of French social housing? Will it turn into a tenure for the poorest, or maintain its traditional regulating role on the housing market? Successive governments have intervened in the housing market in different ways - some favouring the private sector and some the social sector. Although politicians have repeatedly declared that the social rented sector is a priority, this has not always been reflected in their actions. From the mid-1990s until 2004, the construction of new social housing was a low priority for French governments. In 2004, Borloo's urban renewal program and social cohesion plan were launched. Now social housing has returned to centre stage, thanks to the lack of affordable housing (house prices and rents have risen sharply since 1997) and the riots in French suburbs during autumn 2005.[4]

As Table 8 shows, housing policies have been reoriented in the last 20 years towards the private rented sector, which is now absorbing more subsidy (direct and indirect) from the state than the social rented sector. This has, however, had little effect on the production of such housing: there are now 15,000 fewer private rented housing units than in 1984.

In 2004 the French government announced a Social Cohesion Plan. It included a significant boost to social housing: demolition of 200,000 units, construction of 200,000 new units, and rehabilitation of 200,000 existing units. This increase would go some way to addressing the supply crisis created by a strong rise in demand and a historically low vacancy rate; however, the objective of the Plan was to deal with spatial segregation problems, not to satisfy unmet housing needs.

Table 8: Government expenditure on housing by tenure category

Tenure	**Grants, subsidies and tax expenditure 1984**	**Grants, subsidies and tax expenditure 2004**		**Construction subsidies 2004**	
	(%)	**billions of €**	**%**	**billions of €**	**%**
Private rented	11	3.05	28	0.4	8.7
Social rented	41	2.83	26	1.9	41.3
Owner occupied	48	4.9	45	2.3	50.0
Total	100	10.9	100	4.6	100

Source : INSEE [2006], Compte du logement 2004

The government's official target to create 500,000 new social dwellings in five years (2005-2009) is far from being met, with 39,000 units built in 2004, 43,000 in 2005, and fewer than 50,000 in 2006. This was below the 56,000 expected, and far from the 80,000 that would be necessary to implement the plan. The quantitative shortage is particularly high in the Paris area, where social housing has fallen from 37% to 15% of new dwellings - a number which itself fell from 45,000 to 40,000 between 1995 and 2005. Another matter of concern is the limited proportion of 'normal' social housing in the plan's objectives: only 62%, the remainder to be 'upper' social housing.

Analysis of social housing occupation shows that it is heterogeneous (not only low incomes) and at the same time it enables working class people, low incomes and migrants to have a home. However, the growing impoverishment of households living in the social sector is a matter of concern. One of the effects is a low turnover rate (about 10% per year, and only 5% in Paris).

The political debate

The political right, including the UMP (Union pour un Mouvement Populaire), the main conservative political party, believes that home ownership offers families security, and supports the sale of part of the social housing stock. Party leader Nicolas Sarkozy has proposed the sale of 1% per year of the stock (about 40,000 units). His slogan is: 'against precariousness, enable everybody to become a homeowner'.

Table 9: New housing construction, 2004 - 2006

	2004	2005	2004 - 2005 % change	2006*	2005 - 2006 % change
Total construction starts	363,003	410,488	+13.1	434,436	+5.8
of which social	39,052	42,840	+9.7	51,322	+19.8
%	10.76%	10.44%		11.81%	
Total new permissions	457,338	511,193	+11.8	534,036	+4.5
of which social	49,909	50,069	+0.32	55,040	+9.9
%	10.91%	9.80%		10.31%	

* Estimated

Source : Activités et emploi dans le BTP, N°46, June 2006, DAEI, Ministère de l'équipement, Paris

The left, on the other hand, believes that only a strong public sector can provide security, the constitutional right to housing and social cohesion. At the national level, left-wing parties support the construction of 120,000 new social units per year. They also have demanded that the provisions of the Solidarity and Urban Renewal law (2000) be respected: that at least 20% of the housing stock in all urban municipalities over 5,000 inhabitants should be social. This would force rich municipalities to take a share of low-income households, something that many of them have so far avoided.

Under the new national program for urban renewal, social housing is being demolished, rebuilt and rehabilitated. The program aims to foster social mix by diversifying the supply of housing in deprived areas, in order to attract middle class households. Demolished social housing units often are not replaced with social housing, so displaced tenants must move to other areas.

Possible future scenarios

The number of social housing units is still growing. Is the prospect of residualisation credible? No, for several reasons: First, France has a culture and long history of social housing (although this may not be relevant in future). Second, the market is obviously not able to meet society's housing needs -- the proportion of the private rented sector devoted to affordable housing is falling. Third, the cost of ownership is very high, and the capacity for growth in this sector may be low without costly new incentives. Fourth, municipalities feel they need to provide housing for their own employees and service providers. Last but not least, residualisation would necessarily lead to a higher spatial concentration of deprived residents on certain estates, and could accentuate the ongoing suburbs crisis.

More probable will be the growing fragmentation of the social housing stock in a context of increasing decentralisation, in which the local authorities will be increasingly responsible for programming social housing construction, even if regulations and resources remain national. It seems clear that if social housing providers are to resist residualisation they must find a way to reduce socio-spatial segregation.

9. Milestones since 1975

1977 The Barrot Act brought about a shift from construction subsidies to personal subsidies, and a change in emphasis from rented housing to home ownership. The Act also introduced a system of contracts (conventionnement) for the supply of social housing.

1981 The first urban riots occurred in the "3V" (Vaulx-en-Velin, Venissieux and Villeurbanne, near Lyon).[4] The so-called "politique de la ville" started in the following years, and became a major issue after 1988 under Michel Rocard's government.

1982 Mayors got the right to issue building licences. This was the start of a decentralisation process, which continues.

1990 The Besson Act was passed in response to the growing problem of homelessness and inadequate housing. It stated that 'guaranteeing the right to housing is a duty of solidarity for the whole society.' It required local authorities to develop schemes for those in need of housing, and to create special funds to help the poor pay for moving expenses or rental deposits.

1991 Local housing programmes (PLH) were introduced. The financing of social housing is still done at a national level, but planning is becoming more and more a local responsibility.

'Sensitive neighbourhoods' were introduced. This was a response to what is known as the 'suburb crisis', which began as a question of the (urban/technical) decline of big estates, and has gradually turned into a debate about the social and ethnic mix in social housing.

1995 'Sensitive urban zones' introduced; there are now 752. Demolitions started to occur in the second half of 1990s.

2000 SRU Act. Section 55 of this act required towns with more than 5000 inhabitants to have 20% social housing. This was an attempt to fight spatial segregation through social mix.

2004 The Raffarin Act of August 2004 eliminated central government interference in the allocation process, and gave to multicommunal authorities the capability of programming social housing constructions..

Borloo introduced a national plan for urban renovation, aimed at "breaking the ghettos".

Endnotes

[1] 4,180,662 in the metropole (continental France) and 109,471 in the outre-mer (French West Indies). Source : Enquête PLS (Parc locatif social) au 1/01/2004. Ministère des Transports, de l'Equipement du Tourisme et de la Mer.

[2] See: ANAH, Atlas 2004, de l'habitat privé. Fonctions, enjeux, évolutions.

[3] Investments under the programme can be amortised at 6% for the first 7 years, then 4% for 2 years and 2.5% for 6 years; in all, 65% can be amortised over 15 years.

[4] Earlier riots, in 1981 in Les Minguettes (Lyon), led to the establishment of national urban renewal programmes.

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Background tables

Table A: Total housing stock (thousands of units)

	1984	1990	1995	1999	2004	2005	2005 %
Owner-occupiers	10,710	12,100	12,837	13,584	14,788	15,007	56.7
With mortgage	4,945	5,514	5,261	5,236	5,274	5,266	19.9
Outright owners	5,766	6,586	7,576	8,348	9,514	9,741	36.8
Tenants	9,830	9,949	10,554	10,890	11,387	11,456	43.3
Private sector	3,555	6,044	6,053	6,181	6,494	6,540	24.7
Social sector	3,275	3,905	4,501	4,710	4,893	4,915	1.,6
Total permanently occupied dwellings	20,540	22,048	23,391	24,474	26,175	26,463	100
Second homes	2,472	2,840	2,893	2,930	3,040	3,074	
Vacant dwellings	1,897	1,940	2,010	2,040	1,927	1,948	
Total number of dwellings	24,911	26,828	28,294	29,444	31,142	31,485	

Source : INSEE [2006], Le compte du logement, Compte provisoire 2005

Table B: Social rental stock by funding type

	Pre-1977		1977 and later		
Programme	**No. of units**	**%**	**Programme**	**No. of units**	**%**
HBM	25,758	1.1	**PLA-I**	18,281	1.3
PLR/PSR	186,977	7.9	**PLA-LM/PLAT-S/PLA-I**	87,286	6.3
HLMO	1,904,822	80.2	**PLA/PLUS**	1,014,568	73.3
ILM	62,624	2.6	**PLS/PPLS/PLA CFF**	34,933	2.5
ILN	29,620	1.25	**PLI/PCL**	59,295	4.3
Others	164,422	6.9	**Others**	169,736	12.3
Total	2,374,223	100	**Total**	1,384,098	100

Source: PLS 2004 and DGUHC

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Table C: Effective government spending on housing (billions of euros)

	1984	1995	2000	2003	2004	2004 %
Grants and subsidies	9.61	14.96	17.66	18.76	18.99	75.85
to consumers	4.84	11.33	12.90	13.87	14.39	57.44
to producers	4.76	3.63	4.76	4.89	4.61	18.41
Tax expenditures	2.32	3.85	6.07	6.11	6.05	24.15
for owner occupiers	0.99	1.62	1.00	0.43	0.32	1.28
for landlords	0.72	1.21	1.88	2.00	1.93	7.71
Exemption from property tax (TFPB) for social housing	0.30	0.60	0.61	0.70	0.73	2.92
Exemption from VAT on renovation of social housing			2.20	2.63	2.73	10.90
Total	11.93	18.8	23.73	24.87	25.04	100

Source : INSEE [2006], Compte du logement 2004

7. Social Housing in Germany

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1. Background

German social housing is market-based. Historically the public sector has subsidised private firms to develop new social housing, or rehabilitate existing housing. In exchange for subsidies (grants or tax relief), these firms are required to operate the housing as 'social' - that is, enforce income limits, rent ceilings etc - for a certain period. The public sector meets the gap between the amount received in rent or mortgage payment and a cost rent. The length of this lock-in period depends on the type of programme and the extent of subsidy, and has ranged from 40 years or so in the 1970s and 1980s to 12-20 years now. After its expiry, the owners of the dwellings are free to rent or sell the dwellings at market prices. In practice, however, many of the developers are municipally-owned companies that continue to operate the units as de facto social housing.

The legal framework has developed since the early 20th century, and is closely related to German non-profit law and subsidy regulations. From the 1950s, the legal foundation of social housing in the Federal Republic was the Second Home-building Law (II. Wohnungsbaugesetz, or WoBauG). The goal was the production of dwellings that by their size, equipment, rent level or mortgage repayment and maintenance cost were suitable for a wide range of social groups of the population. In addition to the provision of rented dwellings, the II. WoBauG also supported the acquisition of owner-occupied properties.

This law was replaced in September 2001 by the Law on the Reform of Housing Regulations (Gesetz zur Reform des Wohnungsbaurechtes), which includes the Law on Social Housing provision (WoFG). Although the new law still regulates the production of rented housing (including cooperative housing) and owner-occupied housing, as well as other measures to support households unable to provide for themselves on the market, it marks a turn away from the funding of specific types of dwelling towards personal subsidies, and from socio-spatial policy to individual care.

German housing policy previously centred on massive direct and indirect subsidies to builders (grants and tax relief). These have been cut since the 1980s, on the grounds that the generally high housing standards made state interference obsolete, except for small special-needs groups. Since the late 1980s special emphasis has been placed on specific groups rather than general policies, with a focus on providing for the aged, single parents and larger families. However, as new urban problems have emerged - including regional economic disparities, demographic changes, urban polarisation and over a million vacant homes - a debate has started about the need for and the appropriate forms of social housing in the reformed welfare state.

2. History of social housing provision: East and West

Starting from the traditions of the reform of housing and public building during the Weimar Republic and the impressive quantity and quality of Modern Building (1918 - 33), two strands of development emerged after World War II.

East German Mass Housing provision

In the GDR, the state's economic plan funded 'Mass Housing'. Produced by a state monopoly, more than two-thirds of all new dwellings were managed as rentals by municipal administrations. Approximately 25 per cent was organised by workers' housing cooperatives, and about five per cent of public funds went into home ownership for privileged groups. Mass Housing, as the name implied, housed everyone - the families of professors as well as workers, not least because the state monopoly provided for no other type of quality housing.

Towards the end of the 1980s, the east German housing stock was dominated by the products of three post-war building periods. The first, in the 1950s, was 'working-class palaces'; this was followed by a short phase of the International Moderne during the 1960s, when housing quality was comparable to that of western social housing. Third, in the 1970s massive industrial production of panel buildings began in peripheral New Housing Areas (Neubaugebieten) in the 1970s and later spread to east German inner-cities. The focus was on satisfactory flats, while the urban dimension was neglected. Dormitory quarters were erected for a fully employed and egalitarian society.

However, as popular dissatisfaction with urban neglect and the housing conditions grew, the working class 'privilege' of living in the large new housing areas lost its attraction, particularly as a quality housing market emerged after unification in 1990.

Since new and refurbished housing of all types has become available, many areas of municipal buildings from the GDR period have increasingly been abandoned by better-off social groups. Older and poorer residents remain, and young transitory groups with limited financial resources move in.

The GDR's mass housing, converted from 'people's property' to municipal housing on reunification, was not then social housing in a legal sense. In the east, the legal strictures relating to social housing only apply to rented and cooperative flats and many single family homes built under the new legislation after 1990.

Social housing provision in the West

In contrast, social housing in the Federal Republic consisted both of highly subsidised rented and cooperative flats in urban blocks, as well as a considerable amount of owner-occupied housing in smaller peripheral developments and single family homes. Social rented housing was originally built in areas of war damage and only later moved to the urban periphery, returning again to the cities with the advent of urban renewal.

Municipal and cooperative housing companies (which were often closely entangled with the municipalities) were the most important actors. From the 1980s, the federal states' programmes were increasingly opened up to individual and institutional private investors. This embracing of the private sector was both an attempt to secure more private funding and a response to public protests against misguided urban renewal strategies and financial scandals. Private investors, who often belonged to the wealthier German middle classes, received generous tax relief in return for co-financing the construction of social housing.

In Germany social housing has never been especially targeted at the poor or built specifically for them. In fact, the cost of social housing (whether rent or mortgage repayment), was usually beyond the means of the poor; the sector aimed at providing decent homes for key workers and the lower middle classes. Apart from a quality slump during the mass-production period of the 1970s, west German social housing was always a leader in architectural and urban design. Flat sizes, which were and still are, regulated, were generous. The dwellings thus were never stigmatised as lower-class homes. Especially since the mid-1980s, providers have striven to build attractive homes to high ecological standards, partly to serve as models for market housing.

3. Social housing in post-unification Germany

Amount and location

Due to Germany's particular system for financing social housing, the number of social homes will continue to shrink drastically over the coming years. While the 1987 census counted 3.9m social dwellings, by 2001 there were only about 1.8m. About 100,000 dwellings per year lose their status as social housing. In the 1980s it was commonly understood that social housing should make up about one-third of all housing; this consensus has now gone. In Berlin in 2006, only 9% of dwellings in the west, and 24% in the east of the city, can still be categorised as social or quasi-social housing -- and the city's government is considering further privatisation. Dresden recently sold all its municipally-owned housing stock to foreign investors, and an average of only 8% of housing is municipal in cities with over 200,000 inhabitants.

German housing estates tend to be large compared to those of other European countries. More than half of social housing in eastern Germany was on estates of more than 5000 units (see Table 1), whereas in many countries 500 units would be considered large. Most of these units are now 'quasi-social housing' - that is, they are the property of municipal housing companies who are no longer contractually obliged to operate them as social housing.

Table 1: Size distribution of housing estates in western and eastern Germany

	Number of units on estates	
Estate size in units	**Former West Germany**	**Former East Germany**
> 10,000	100,000	590,000
5,000 - 10,000	240,000	880,000
< 2500	460,000	1,140,000

Source: Bundesforschungsanstalt für Landeskunde und Raumordnung 1999

Policy framework

In 2001, the former social housing legislation and programmes were replaced by a comprehensive housing political support structure, which is characterised by several levels of action, funded by the federal government and the German states. The new legislation provides for support to both private investors and municipal housing companies in providing affordable rented or owner-occupied dwellings for households with access problems on the open market. Due to high vacancy rates in some regions, emphasis is placed on refurbishing existing property, and on the municipal acquisition of social housing rights for a limited period on the open housing market. The goal is to limit the build-up of potentially discriminatory clusters of homogeneous social housing. Those states and municipalities with relatively few households in need of public housing assistance are following this strategy.

Within the federal system, the federal government provides the general legal and institutional foundations and sets targets for the social provision of housing. It also provides financial assistance to the states, which have the constitutional responsibility for housing and administer their own particular housing policies.

Financing and price mechanisms

Over the past decades, the focus of German housing policy has gradually changed from the supply of dwellings to support for individual households. The housing allowance, which is part of the social benefits system, provides well-financed support for satisfactory homes, but lacks any spatial or regional element.

Because individual German municipalities and states have a great deal of responsibility for housing policy, and because policies and funding methods have evolved over time, presenting a comprehensive picture of funding of social housing is virtually impossible. Nevertheless, all funding regimes have been influenced by the following principles:

- The principle of subsidiarity holds that matters should be dealt with at the most local level possible. Municipalities therefore develop their own programmes for social housing. State and federal governments only intervene as and when the municipalities are overburdened.
- The principle of shared contributions requires end-users (usually residents) to pay their share (rents, mortgage payments), in addition to municipal, state, and/or federal contributions.
- The principle of local primacy requires that no housing be created as the property of the state or federal government. All social housing in Germany is legally private; even municipal housing companies are private entities governed by commercial law (Wirtschaftsgesetzgebung), whose shares are held by the municipality.

Social Housing in Europe

Allocation

Access to all types of social housing was and is regulated through a system that takes into account individual household needs, subject to regularly adjusted income ceilings. Eligible applicants are issued access permits (Wohnberechtigungsschein) by the municipality. Public and private landlords can select tenants from this group and allocate the successful candidates according to their judgement. Often this leads to a satisfactory social mix, but there are problematic instances of segregation, particularly in estates with bad local images.

Three strands of social housing

Over time, three strands of social housing developed, of which two still exist:

The first strand

Federally regulated (1. Förderweg), this consists of social rented housing in the narrow sense. There are strict income limits and rent ceilings. Rents start at about €4/m^2 and then rise over time as credit subsidies fall.

The second strand:

Found only in some states, this consists of 'elevated social housing'. Dwellings are of slightly better quality, and have more lenient eligibility rules - permitted incomes can be 60% higher than for the first strand, and rents are higher and regulated for a shorter period. Rents start at about €5/m^2 in Berlin, the east, and old industrialised areas of the west, and €7/m^2 in the south, and rise over time.

Developers of this type of housing (either new-build or rehabilitation) normally do not get subsidy in the form of grants, but rather receive a subsidised mortgage. The interest rate on such mortgages starts low (at, say, 3% below market) and gradually rises over several years to a market rate. The majority of the incentive is in the form of tax reductions (up to 2005).

This strand has almost completely disappeared in most states, to be replaced by

The third strand: Owner-occupied social housing.

Developers receive similar subsidies but households purchase rather than rent the units.

Comparing private and social rents is not a meaningful measure of subsidy, since private rents are also regulated in Germany.

Critics of the former funding system claimed that new social housing usually cost more than market housing of similar quality. Builders were permitted to spend up to certain regulated cost-ceilings. Tenants then paid subsidised rents or mortgage payments, and the difference between them and the so-called cost rent was met by the public sector. The theory was that the social resident's rent or mortgage payment would increase steadily during the lock-in period and the public subsidy would fall correspondingly until, at the end, the dwelling was 'released' onto the market. The system thus burdens the public sector with the cost of social housing for decades, while direct building grants, though more expensive at the start, have only a short-term effect on the public purse. In some cases, municipalities and states found it extremely hard to extract themselves from these financing regimes. Because of serious misprojections of future inflation rates, final cost rents towards the end of the subsidy period were unaffordable to social residents, and the states either had to prolong payments, or bear the secondary consequences of overpriced social housing.

The public sector's role in reducing the cost gap between social and market housing has helped to prevent social housing from becoming stigmatised as housing for the poor. However, the higher the cost of social housing, the higher investors' tax rebates were. This was clearly not an incentive for low-cost housing production, and in the 1990s cost ceilings were introduced for all three strands of social housing.

In addition to direct subsidies, social housing has benefited from German tax regulations that favour any investment in rented housing. Until recently, all housing received indirect subsidies in the form of high depreciation rates (100% over ten years). In addition, the KfW (German development bank) handed out funds indiscriminately to all who built or modernised their buildings under its special housing political programmes. This has contributed to the remarkable overall quality of German housing.

An increasing number of special needs homes have been built over the last two decades. They include experimental live/work units, mixed-generation housing and homes for groups like the aged or disabled. Emergency dwellings for the homeless, refugees or other marginalised groups were never a general focus of German social housing. These groups were provided for by social or health programmes, rather than through the housing finance system.

'Quasi- social housing'

'Quasi-social housing' is a special feature of the German system. There are large parts of the municipal housing stock that are no longer legally social housing. In many cases, however, municipal political leaders have decided to continue to operate them as de facto social housing in terms of rents and access. The largest chunks of this stock are 50 per cent of the former GDR complex housing, and those former social dwellings in the west that have passed out of the period of direct rent and access control. However, since the beginning of the 21st century, stock of this quasi-social municipal housing has shrunk as a result of privatisation. Municipalities in both western and eastern Germany, in difficult fiscal shape, have sold tens of thousands of public homes to international institutional investors, particularly US, British or Japanese pension funds.

The second largest group of quasi-social dwellings are those private rented flats or dwellings that were refurbished under urban rehabilitation programmes; public subsidies given to the landlords carried conditions requiring limited rent-control for tenants.

Social housing providers

Over several decades, social housing was dominated by three major groups of institutional providers. They contracted with public banks (the states' investment banks or the federal KfW) to receive grants or subsidised mortgages, in exchange for which they accepted certain rent limits. Rules about rent ceilings and permitted rent increases have changed often over the decades.

Public housing companies and housing cooperatives make up the traditional non-profit housing sector (the third non-profit organisation, the trade union-owned housing agency Neue Heimat, quit the sector after numerous financial scandals in the mid-1980s). Under the control of local politicians or cooperative members, these housing companies managed their social housing stock in a relatively predictable way, even after it was no longer subject to social housing law. The privatisation of some major municipal and federal housing companies (predominantly railway and army housing), which has changed this stable scenario, will be described below. The public housing companies and co-operatives have considerable political influence and contribute to the development of housing policy through their association, the GDW.

Private owners of single rented buildings and private institutional landlords have come into social housing since the late 1970s and provide a considerable proportion of formal and quasi-social housing. They build and manage social housing in return for a secure but limited profit, providing financial contributions and sharing investment risk.

Over the last four years the composition of institutional owners has shifted radically from small and medium-sized German companies to international investors, as the latter have purchased large chunks of housing stock from its former public owners. The purchasers assume any remaining contractual obligation to operate the unit as social housing. The four largest private owners now are all companies which had virtually no presence in the German housing market five years ago.

Owner-occupiers have benefited from the programmes of social and quasi-social housing and many have now become outright owners. Owner-occupied social housing was introduced in the 1950s in small amounts, but now about 70% of new social housing belongs to this strand.

Municipalities have recently begun to act directly in the social housing market, alongside their ownership of municipal housing companies. Municipalities have entered contracts with property owners under which the latter agree to provide a limited proportion of social housing (as little as a single flat), which is integrated into normal rented or ownership housing. These contract forms are particularly prevalent in medium-sized and smaller towns in southern Germany, where the states now limit their intervention to providing funds for individual municipalities to develop their own social housing strategies. Under such contracts the municipalities have no influence on the management of the dwellings, other than setting a framework for letting to eligible households.

The individual housing allowance and Hartz IV

Housing allowances enable the beneficiaries to rent or own housing at market rates and prevent them from being dependent on a specific narrow low-cost segment of the market. Since 1965 in the Federal Republic and since 1990 in all of Germany, households with low incomes have received financial help to acquire adequate, family-oriented homes. Housing allowance is a legal right, as long as certain income conditions are met. Although this is formally part of the social support system and not the housing finance system, it should also be considered a type of housing benefit.

Interactions between the social security system and housing payments have recently become more complicated. In 2005 new legislation (known as 'Hartz IV') came into effect which significantly tightened the rules on benefit for the long-term unemployed and reduced the rent that is fully paid by the state. Formerly, recipients of certain

types of state support also had their rents paid in any social housing. Now, however, the state will not pay for benefit recipients' rents in certain types of housing. The new legislation also makes it illegal for municipalities to subsidise rents on dwellings over a certain size or rent level. Paradoxically, this has led to increased segregation and the concentration of deprived households in low quality neighbourhoods, which makes them even more vulnerable and more difficult for the housing companies to manage.

From January 2005 onwards, housing allowances have only been paid to those who do not receive other forms of income transfers, including particularly long-term unemployment benefits (Arbeitslosengeld II) or basic social security benefits which is paid to those who are old or unable to work (Grundsicherung). These already include an element for housing cost.

4. Changing demographics

During the first half of the 20th century, social housing projects were deliberately located so that they would change the socio-spatial layout of cities or neighbourhoods. They were targeted at what we would now call 'key workers', and internally they were very similar, suited for a socially highly homogeneous group of lower-middle-income households rather than for a social mix. The idea behind post-war social housing, in contrast, was that it should provide for a 'majority of the population', and that the public sector might have to intervene to maintain the correct profile of residents. The assumption was that the dwellings and the built environment would remain attractive even to those who no longer were eligible for social housing. Because many residents would stay even though their incomes had risen or their children had left, the fear was that non-eligible residents occupying space suitable for young families and special needs groups would prevent the estates from providing for the needy.

This was indeed the case on estates in good urban locations and in economically strong regions. However, this did not materialise on other estates, especially those built from the late 1960s to the end of the 1970s or in peripheral or otherwise undesirable locations. After the first German residents moved out, supported by state benefits for owner-occupiers, large parts of traditional social housing were only desirable to lower-income social groups and immigrants, for whom moving from neglected old housing to vacant social housing meant a rise in quality and status.

Social housing reflected the general increase in socio-spatial segregation, and for some time the application of social housing laws acted to deepen segregation further.

Disproportional rent increases of up to a quarter of the basic rent were introduced for those whose incomes were above social-housing ceilings in order either to induce them to leave subsidised homes, or to collect funds to feed back into social housing programmes. As social housing was already becoming less attractive for the middle classes, the levying of this special rent surcharge (Fehlbelegungsabgabe) was highly counterproductive. Market housing, especially tax-subsidised owner-occupied single family units, cost the same as or even less than the surcharged rents paid by these residents. They tended increasingly to move out, leaving the social housing to those who could not otherwise provide for themselves on the market. The elderly were the only group who put up with these cost increases; low income groups and immigrants moved into the less attractive social housing estates, overburdening them with problematic social cases.

Many cities lifted the surcharge in the late 1990s and introduced free letting for all income groups. This did not reduce segregation, but led to an estate-specific segregation separating the 'better' from the less advantaged estates even more. The lifting of the surcharge attracted higher-income groups only to those estates with good image, location and housing quality, but nothing changed in the lower-status estates. In the end, introducing and lifting the surcharge contradicted the political aim of using social housing as a means of relieving certain neighbourhoods and residents from the forces of the market and proving a 'secure market segment' for special-needs groups. Today, some up-market former social housing areas, often in good inner-city locations, have only a minority of residents legally eligible for social housing; stigmatised areas, on the other hand, battle to deal with increasingly problematic residents and intercultural communication problems.

Placement policies were seen as a means of preserving the existing social mix, rather than creating a new one. Owners of social housing could generally choose their residents from among several eligible applicants, and many demonstrated bias towards 'desirable' social tenants. In high-demand areas, landlords often preferred tenants from the two groups with secure incomes: the employed and those with transfer incomes. Within these groups, families with more than two children, immigrants with foreign cultural backgrounds and those expected to display anti-social behaviour were filtered out. However, those landlords who had placement contracts with the municipality (Belegungsverträge) could not generally reject problem cases, turning some of the lower-quality estates into 'social dumps'.

Immigrants

There are no figures on the percentage of immigrant or minority households in social housing. Germany has some 7.3m immigrants (not including German-Russian migrants or those who have adopted German nationality), about 96% of whom live in west German cities or in Berlin. The concentration of immigrants is highest in high-density, often poorly-rehabilitated areas. In some cities-for example, Bremen, Hamburg, Dortmund and Berlin-immigrant households have moved increasingly to large housing estates as better-off German families moved out and rents were cheap. Examples at the estate level include Bremen-Tenever, with a 27% immigrant population, Munchen-Neuperlach 26%, Hamburg Kirchdorf-Sud 35%, and Koln-Chorweiler about 40%.

5. Recent trends in social housing

In the past, Germany was one of the quantitative and qualitative strongholds of social housing in Europe. In the last 20 years, though, the importance of social housing as an instrument of urban and social policy has diminished considerably. Beginning in 1988 with the end of the privileges and obligations connected to non-profit social housing, federal and state governments have steadily reduced their influence on the supply side of the housing market, turning instead to personal rent and acquisition subsidies which are spatially blind. Only a few towns and cities, often those with highest house prices, have maintained production of new social housing.

Hardest hit by the fall in the amount of social housing are low- and middle-income groups (including key workers) in growth areas, which broadly comprise the Munich-Stuttgart-Cologne triangle and a few other tight housing markets. In such areas affordable housing is almost unobtainable or only found in peripheral neighbourhoods. Munich has attempted to address this by requiring a certain proportion of social housing in new housing projects - even expensive ones - in exchange for public subsidies to lower rents.

Many municipalities have changed their housing policies in a way that could backfire on them. In the past, municipal housing companies kept rents low, even for those dwellings no longer covered by social housing regulations. This has changed with the increasing privatisation of the public housing stock. Buyers, often foreign institutional investors, usually apply a cherry-picking strategy: they upgrade good stock to sell at high prices to individual investors.[1] They can thus often recoup the price paid for the whole stock by selling 50% of it after three years.

Lower-quality dwellings are not sold, but continue to be rented. Poorer and less advantaged households depend on a shrinking amount of social housing (in terms of both number and size of units), or need to move to smaller, often neglected private dwellings, many of which are in bad neighbourhoods. The new private owners of former public housing have increased the rents, so taxpayers are paying for higher personal housing subsidies. In the long run, these higher subsidies will consume all or most of the profits the municipalities realised through sale of social dwellings. Another damaging effect of this policy is that separating the profitable from the unprofitable stock furthers socio-spatial polarisation.

6. Current issues in Germany

German social housing is currently facing a set of urban and housing dilemmas, which are most dramatic in its shrinking cities.

The fall in the amount of social housing means it is more difficult to use housing as an instrument of social policy. As the number of units falls, so does the interest of the states and the municipalities in what is left. The remaining pockets are seen as nothing but a municipal financial asset, which can easily and without any additional social repercussions be privatised in order to reduce public debts. The small amount of social housing left tends to be burdened with problematic households, for whom no other alternatives are available. This raises the risk of social stigmatisation of residents and neighbourhoods.

The related issue of socio-spatial polarisation can be seen in the fact that a surplus of about one million dwellings in some regions (mostly eastern and depressed) exists alongside a high and rising demand for affordable housing in the growth-oriented areas (in the south and west of the country and in hotspots of economic development along the northern coast). Housing shortages have had serious effects in these prosperous areas, despite the fact that incomes are higher there; those most affected by price rises are low-income groups, and increasingly key workers. The result is a socio-spatial exclusion that affects an increasing proportion of the residents. Paradoxically, this socio-spatial segregation and exclusion also occurs in housing surplus regions. In these low-demand markets, often with falling housing costs, those with reasonable incomes have a wide choice of better homes and neighbourhoods. On the other hand, low-income households (the aged, unemployed and socially stigmatised groups) are either trapped in derelict housing environments or have to leave the few neighbourhoods where prices rise due to their desirability.

The demography and lifestyle dilemma of social housing is related to the rapid change in lifestyles, and resulting housing demand, over the last decades. In particular, the large mass-housing estates in the shrinking cities of the former GDR have become residualised. This stock, built for the 'average households', does not respond to new demands for communicative housing, new services, and combinations of home with work, leisure, learning, entrepreneurship or care.

The major urban policy initiative known as the Socially Integrative City (Soziale Stadt - Städte mit besonderem Erneuerungsbedarf), started in 1999, was set up to address the problems of deprived areas, including segregation. However, it lacked any housing element. Evaluations agreed that the programme has had strong socio-cultural effects but it has failed to improve local economic networks and job creation. The programme also has not been effective in providing affordable homes and neighbourhoods.

Any new approach towards social housing must be both locally responsive, and allow the state to influence conditions by investing in new housing and the demand-oriented rehabilitation of existing housing. Thus the approach of the Socially Integrative City, which supports specific local development and empowers local civil society, should be joined with the investment-oriented, socio-spatially sensitive approach of traditional social housing. There are indications that politicians are beginning to accept this. Support for the creation of non-profit housing cooperatives, new approaches to urban regeneration (Stadtumbau) as a cross-departmental and locally based state programme in Germany, and the proposal to put neighbourhoods and cities on to the agenda of the next German European Union presidency are all encouraging changes. Keeping the preventive elements of the wider programme alive, while reviving some urban elements of traditional social housing, could be a solution for the revitalisation of cities, not least those that are shrinking.

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8. Social Housing in Hungary

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Overview of housing policy since 1990

The housing system in Hungary changed dramatically after 1990. The pre-1990 Hungarian housing system could be described as a typical example of the East-European housing model (Hegedüs-Tosics, 1996): there was one-party political control over the housing sector, subordination of market mechanisms, bureaucratic coordination of housing agencies, and broad state control of housing services via huge, non-transparent subsidies. These subsidies were spent on the maintenance of the public housing stock and on new construction. Construction subsidies were given not only for public housing but also for owner-occupied housing, which was, as in other socialist countries, under strict state control. State-owned housing accounted for 23% of the overall national housing stock, but 54% in Budapest and 25% in the cities generally.

From the 1970s, but more radically from the 80s, market or quasi-market forces were allowed to play a more significant role in the housing system. Though housing policy was primarily a central government responsibility (through the State Planning Authority), local councils had an increasing say in housing policy in the 80s. Social housing was allocated by local councils through waiting lists, but social groups with greater influence and income had access to subsidized housing as well, and in fact the social composition of households in the state rented stock was not very much different from that of those in owner occupation. In the late 1980s housing privatization became possible (although it did not occur on a mass scale), and cheap, low-interest, long-term subsidised - loans became available to finance private house building as well as state controlled housing investment. By changing the subsidy system the government kept housing investment at a high level during a period of economic recession; the increasing level of subsidies eventually led to a crisis. Total housing subsidies were about 3.3% of GDP in 1989; of a total in 1990 of HUF 64 billion in home-ownership subsidies, more than two-thirds was interest subsidies on these loans.

After the political changes at the end of the 1980s, three stages of the housing policy in Hungary can be identified. In the first (1989-1994) the government tried to manage the housing crises that stemmed from economic decline and the "deep subsidy" system of the socialist period. With the Law on the Rented Sector (1993) and the Social

Law (1993) the government moved out of the housing sector, decreasing subsidies and reducing its direct role. Decentralization was one element of this process, and local governments were given the task of managing a housing allowance program partly financed from their own resources. The housing policy of this period could be characterized as crisis management. While policymakers had not yet accepted the idea of targeting, the idea was increasingly proposed.

In period from 1995 to 2000, new institutions were established and the legal framework improved. Meanwhile, the level of subsidies gradually fell as a result of declining house construction.* Two sorts of financial institutions were set up to regularise lending to owner-occupiers: contract savings banks and mortgage banks.

The third period began in 2000, with the initiation of a new housing programme, made possible party by a fall in 'old loans' subsidies. The new program had two priorities:

1) to support new construction and the purchase of private homes through subsidised housing credit, and

2) to support the public rented sector through targeted programs (Hegedüs-Somogyi, 2005).

General trends in the public rented sector in the 1990s

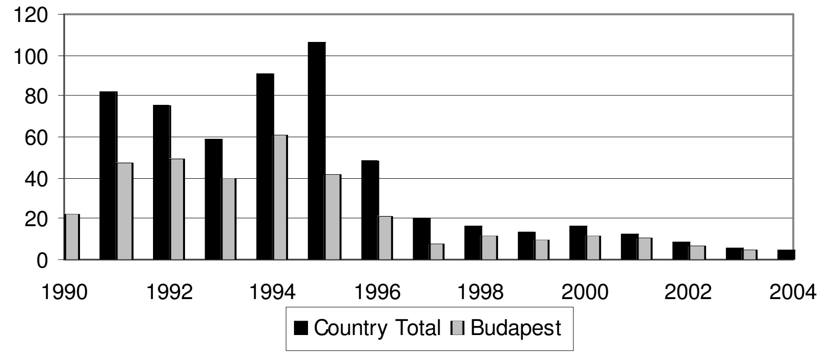
After the privatisation of public housing on virtually give-away terms, the public rented sector fell from 20% of the housing stock in 1989 to 4% in 2003.** The 1993 Law on Housing introduced the 'right to buy' principle, except for buildings which had already been designated for rehabilitation or were defined as being culturally significant. Sitting tenants who could afford it generally bought their flats, at an effective price of about 10-15% of the market price. The remaining public rented sector therefore housed families with low incomes and social status. The households 'trapped' in the public sector were typically the neediest ones.

The same process took place in 'enterprise housing', which represented around 3-5% of the housing stock in the 1990s. The Hungarian Railway Company (HRC), for example, privatised 50% of its stock; those units that were poor quality or had unclear legal status typically remained in its ownership. Rent revenue from them covers only 30 % of the total cost related to the stock. (MRI, 2004)

* Most of the subsidies were tied to new construction, but there were two other types: 1) subsidies to the public rental sector, which decreased as well as the dwellings were privatized, and 2) the so-called 'old loans' subsidy, given to certain owner-occupiers with pre-1989 loans.
**The number of dwellings in the public rented sector fell from 850,000 in 1990 to 190,000 in 2001.

Social Housing in Europe

Figure 1: Privatisation of the public stock 1990-2004 (000s of units)



Source: Central Statistical Office

The privatisation law was in force until 2001. Since then owners have had the right to decide whether to sell and under what conditions.

As a result of decentralization, local governments gained a wide range of responsibilities related to housing, including responsibility for the local public rented sector. In cities of more than 50,000 inhabitants, the proportion of dwellings owned by local governments is estimated to be approximately 4-10%. 58% of municipally owned flats are concentrated in cities with populations over 100,000, whereas only 20% of the units are to be found in the towns with populations of less than 50,000.

Local government has been given a fairly free hand in managing its housing stock. They may:

· set rents,

· decide on allocation procedures (for example, operating a waiting list or allowing case-by-case bids for vacant units),

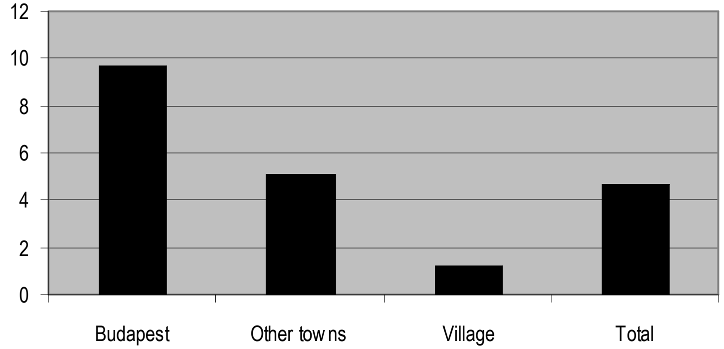
· decide on the organizational form of the housing maintenance company,

· choose from among the different types of rental contracts (fixed or open term; social, cost or market rent),

· introduce (and finance) special rent-allowance schemes, and

· set conditions for the sale of dwellings (after 2001).

Figure 2: Public rented units by settlement type



Source: Central Statistical Office

Nationwide rent control was abolished in 1990. There were fears that this would lead to the escalation of rents in the public sector, but this has not happened -- the average rent was, and still is, very low. Housing is a 'loss-generating' service for local governments - rents cover only about 30-40% of actual costs. Moreover, even this low rent is unaffordable for the vast majority of tenants, and many have arrears. According to a 2003 housing survey, 22% of the households in the public sector have arrears, compared to 5% in the owner-occupied sector.

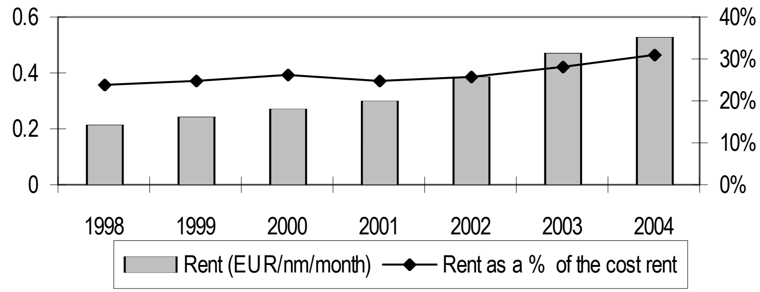
Because of the limited resources of local government and financial disincentives, there is under-investment in the maintenance of the public stock, which has been deteriorating. It was recently estimated that 300 billion HUF investment needs to be invested in renewal and rehabilitation of the public stock - or 30 times the yearly rent revenue in 2004.

Local government can allocate vacant and new units. Access to public rented housing is very difficult; experts estimate that only about 1-2 % of the stock becomes vacant each year, which represents 4-5 % of the transactions A housing needs assessment carried out in 2001 indicated a requirement for about 500,000 social dwellings, which is approximately 2.5 times more than the present stock. (MRI, 2001)

From the public sector towards a social rented sector

As a consequence of decentralisation, different approaches to social housing have emerged in local government housing policies. The principal question is whether the local governments are willing to transfer their housing stock from public ownership to

Figure 3: Average rents in public rented sector (EUR/m²/month), and ratio of rent revenue to the total operational cost



Source: Central Statistical Office

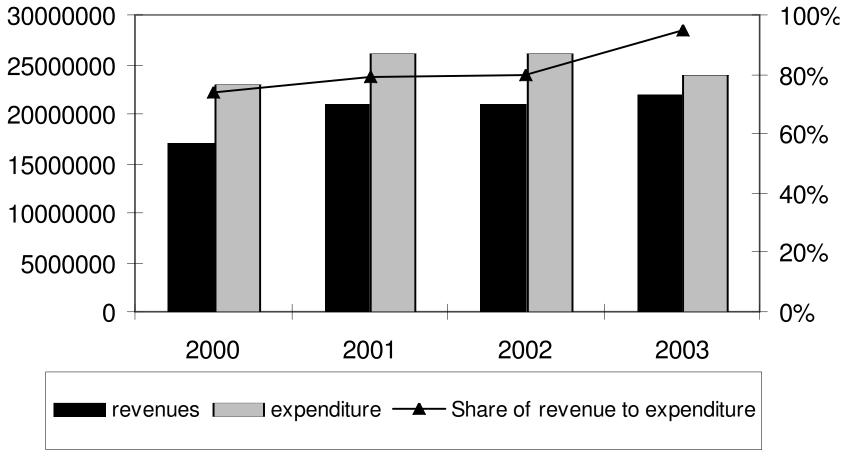
another form of social provision. Public housing has been characterised by across-the-board rent subsidies, extended tenancy rights (such as the right to trade and inherit tenancies), flexible allocation processes, and poor quality services. Another form of social provision would ideally ensure a clearly regulated, transparent allocation process, rents that provide basic cost recovery, and a targeted (means-tested) rent allowance that would guarantee affordability for low-income households.

Different local authorities hold very different views about housing, both at the level of elected officials and municipal departments (which are very influential). The level of social commitment varies, and in general the poorer the area, the stronger the local authority's social (and housing) policy. Because the intergovernmental grant structure does not compensate for the cost of the loss-making public rented sector, local authorities would be financially better off if they privatised all their stock.

Local government in middle-class areas has been accused of 'exporting the poor', offering special grants to poor, problematic or Roma households to move into other districts. In Budapest, rich districts have bought housing for their poor in other districts. Urban reconstruction and rehabilitation programs have until recently generally displaced existing poor residents, although now some 'social rehabilitation' programmes include a declared target of keeping the poor in the rehabilitated area.

The other important actors are the "social landlords", which are typically local-government-owned limited-liability companies. These were formed from existing public housing maintenance companies, which were restructured and given other tasks.

Figure 4: Operational rent revenue (thousands of HUF) and expenditure on residential and non-residential units owned by local authorities



Source: Ministry of Finance

They now often subsidise their public rented units with revenue from other activities, which may include rentingf non-residential units. However, the solutions vary a great deal with the the local authority.

Social landlords are under pressure from local government politicians to improve the financial performance of their public stock, but they are formally responsible only for managing it - they can make no decisions regarding allocation, rent levels, etc. However, informally these companies are much more important. Sometimes they operate as advisors to local government in making proposals for the rent structure and rent allowances, and proposals for national tenders. They have a strong incentive to improve rent collection, decrease arrears, and get rid of 'problematic tenants'. Non-paying tenants, typically very poor households with large debts, have few housing options; if evicted they are moved by the local authority to worse housing, particularly a kind of Eastern European poor settlements. Evictions, both 'voluntary' and legal, take place on a large scale. Local authorities try to avoid publicity about evictions because they are politically very unpopular, and attract protest by local activists. To get around this, some local governments sell their housing stock (with sitting tenants) to private developers, who then evict the tenants without political problems.

The rent level, as we have shown, is relatively low (even considering the poverty of the tenants and the poor state of the housing), but there are huge differences among towns. Some innovative local authorities have increased rents and protected low-income households by introducing rent allowances. However, this can be done only for housing stock which is in acceptable conditions and where the majority of the tenants are not in arrears. The poorest social housing estates (typically not the 'new' estates built after WWII) have become segregated and have deteriorated socially and physically, due to local authority policies of moving non-paying tenants into worse housing conditions.

Several innovative local authorities have introduced rent-allowance programmes to make it possible to increase rents, improve cost recovery in the public rented sector and provide safety for the low-income households. It is important to note that local rent allowance programmes are independent initiatives of the local authorities, neither regulated nor financially supported by the central government. The rent-allowance programmes were typically introduced after the privatisation wave in different cities. Nyiregyháza (one of the 21 county seats in Hungary) introduced the rent allowance system in 2003.* Rents were increased from 136 to 299 HUF (€0.50 to €1.20) per m^2. Those households who paid more than 10% of their income in rent after the increase received rent allowance. However, this system was not applied to the poorest units (30% of the stock), where the rent was not changed, or to inner city apartments (10% of the stock), which had market rents. The case of Nyiregyháza exemplifies a move towards a public housing system with three sub-sectors: market, cost-based (with rent allowance) and 'emergency housing'.

There are no national regulations in respect of housing allocation procedures -- these processes are codified in local housing legislation. There are irregularities in the allocation process, whereby households with positional advantages have easy access to good accommodation. Local authorities give high priority to key workers.

Public rented programmes after 2000

As part of the housing programme launched in 2000, a grant programme for local authorities was introduced, which supported five housing areas: the rented sector, energy-saving renewal, rehabilitation programs, land development, and renovation of housing owned by churches.

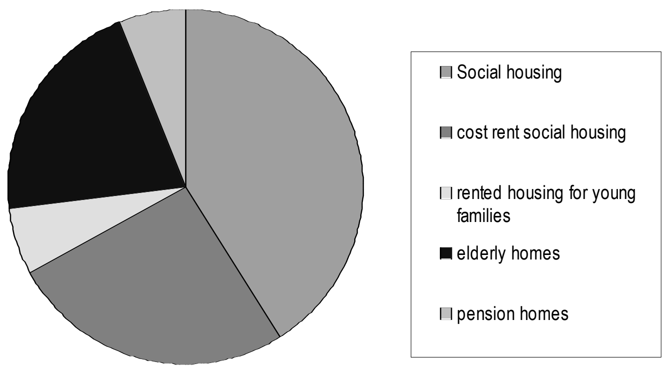
* Rent allowances were introduced in Szolnok (also a county seat) in 1993, but the programme was cancelled in 1995, partly because the cost was considered too high, partly because privatization seemed to solve the problem.

The most important element was support of the public rented sector. Local authorities received grants covering up to 75% of construction costs of various types of dwelling: social rented, housing for young families, the elderly, and pensioners. From 2000-2004 several hundred local authorities took part in the program, investing about 60 billion HUF in 13,000 units.

The programme also supported construction of 'cost-based' rented housing, with the goal of ensuring long-term cost recovery in the sector. This implied setting rents at a level higher than existing social rents, but lower than market rent. The regulations required a minimum annual rent of 2% of construction cost (which is about 40-60 % of market rent). Although this cost rent approach did not guarantee long-term cost recovery, in the first few years actual operational and maintenance costs for these units were below rental receipts.

Before the progamme's launch there was concern that few local authorities would have the resources to make the required 25% contribution, but in fact interest was high. Applications far exceeded the funds available, and only 45% of the money applied for could be granted -- this was despite the fact that social housing can be a drain on local government finances and a source of political controversy. Nevertheless, local authorities consider housing a key area of welfare policy; in addition, they were attracted by the 25/75 % matching ratio, which was very favourable compared to other investment programmes which typically had a ratio of 40/60%.

Figure 5: The composition of the rental program 2000-2004



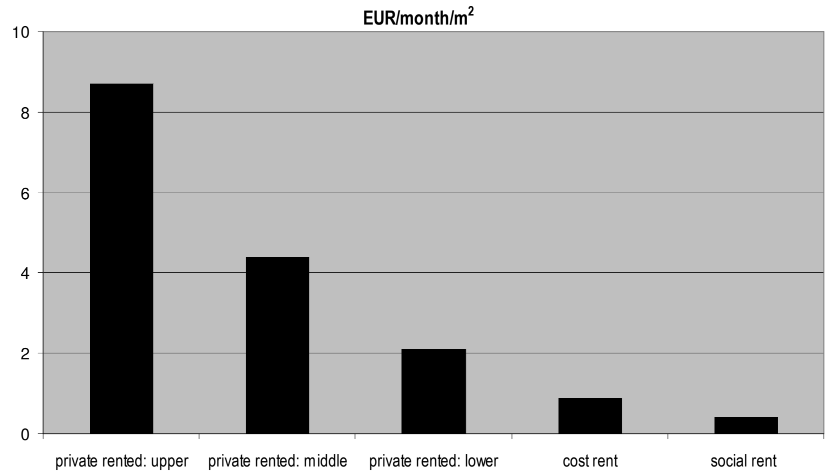
Source: NHO

There were some weaknesses in the programme. Average costs were high, even though cost was one of the most important selection criteria. Programme administration was very weak (administration cost was about 0.5%), and there was no real monitoring and enforcement system built in. The selection of schemes was somewhat arbitrary. Cost rents are too high for many poor people to afford, but still not enough for long-term cost recovery.

Finally, the programme has not been enough to stem the long-term decrease in the size of the public sector - during the course of it, local authorities privatised 25,000 units and created (built, bought, or renovated) only 9,826 (not counting those for the elderly).

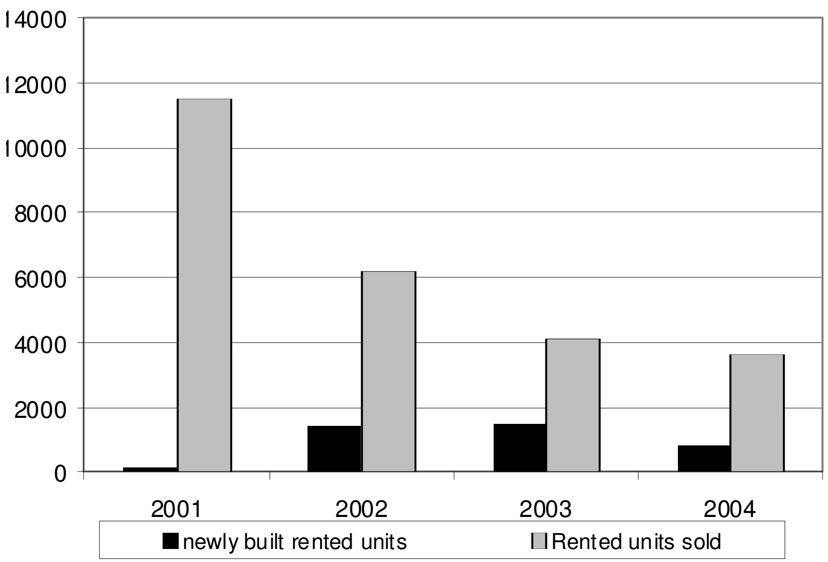
After the change in government in 2002 (when a coalition led by the Hungarian Socialist Party replaced the right-wing government of the Federation of Young Democrats-Hungarian Civic Party, or FIDESZ), there was a shift in housing policy as well. The new government was reluctant to change policy right after the election, partly because the socialists had promised to keep the 'home creation' programme of the FIDESZ. In 2004, however, they cut the social rented program, arguing that the unit cost was too high.

Figure 6: Residential rent structure, 2001



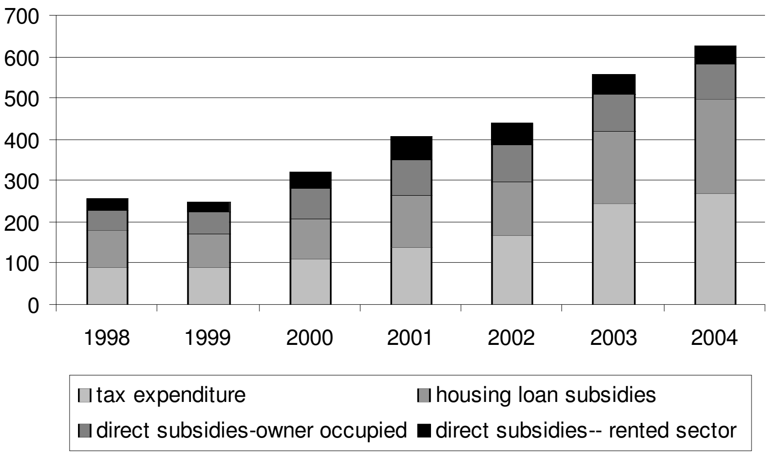
Source: MRI estimates

Figure 7: New local government construction and sales



Source: CSO

Figure 8: Housing subsidies



Source: National Housing Office

Table 1: Costs and outcomes of the rented housing programme, 2000-2004

	Local government tenders	Units established	Total subsidies (million HUF)
Social rental	313	5729	26,093.4
Cost rental	228	3188	16,386.1
"Homes for young couples"	44	909	3,639.2
Elderly homes	100	2287	13,410.9
Pension homes	27	710	3,799.2
Total	712	12823	63,328.8

Source: Housing Office

The government proposed to launch a rent allowance programme together with a public-private partnership scheme for rental investment (Hegedüs-Teller, 2005). Under this proposal, local authorities would sign long-term contracts with private investors for the construction of social rented units. Central and local government would jointly provide a subsidy to the developers which would bridge the gap between the affordable rent and the market rent (which was defined as cost plus profit). The proposal failed because developers demanded a guaranteed rent level about twice the existing market rent.

In 2005, a new rent allowance program was introduced, which aimed to enable use of the private rented sector for social purposes. (MRI, 2006) Local authorities could apply to central government for a rent allowance for low-income families with children living in the private rented sector. Central government would pay a maximum of 30% of the rent or €25-30/month; local authorities would contribute a similar amount. The program was a failure: only very few local authorities put forward a proposal. One reason for this was that landlords had to be registered with the tax authority, which few of them are. Also, the upper income limit was very low -- at €180 per capita per month, it covered only the lowest two income deciles.

In 2006 the government launched another new loan program for local authorities, giving access to subsidised loans from the Hungarian Development Bank for investment in the public rental sector. It is too early to judge the level of interest of local governments.

Conclusion: The future of social housing in Hungary

The Hungarian public rented sector is evolving and has not yet reached its final form. Local authorities and their housing companies are the major social landlords, and enjoy broad autonomy to position themselves in the rented housing market. The bulk of privatisation has been carried out, but some local authorities still see it as an attractive option. One of the richest local authorities in Budapest sold 28,000 units after 1990, and in 2006 they plan to sell a further 500 of their 2,000 remaining units. In the 2002 election campaign, one candidate of the winning party campaigned on a promise to privatise the rented units in the historic Castle district of Buda. Some politicians have called privatisation a mistake, but when in office they usually end up supporting it, both because of pressure from would-be purchasers and because it reduces pressure on the government purse.

Experts argue that one of the conditions for sustainable social housing is the long-term commitment of social landlords. The financial operation of the system must therefore be changed: first, the tax and housing subsidy system must be reformed to ensure tenure neutrality. At the moment, the financial advantages associated with owner occupation make renting relatively expensive, supporting the adage that it is 'cheaper to buy than to rent'. Second, local authorities with more social problems should receive some financial support for their social rented units.

Budget pressures are a serious constraint on the development of the social rented sector. These pressures are partly a legacy of the huge subsidies that were channelled to the well-off under previous regimes. In trying to change the system, policy-makers have had to go back to fundamentals, asking: What is the extent of income and (wealth) inequality in the society, for which the welfare system should compensate? What is the right balance between income subsidies and provision of housing? What are the income effects of existing housing subsidies - could it be enough just to restructure them? Targeted programmes are frequently criticised for being more costly and complex to administer than universal entitlements. This is true, particularly given current management and information shortcomings, but targeting is unavoidable and both central and local government need to develop the capacity to administer targeted programmes

In the final analysis, however, European experience shows that the social rented sector is expensive, especially in the beginning. Policymakers should accept this fact, and put their effort into getting the best value from public investment.

The other messages from recent European experience is that the capacity of the private rented sector should be utilised as much as possible. The half-hearted attempt to introduce rent allowance for private sector tenants was a step in the right good direction, but required more determination. The insignificant role of the rented sector (public and private) in the Hungarian housing system can be explained partly by privatisation, and partly by the financial and legal factors. In general, renter households are at a financial disadvantage compared to owner occupiers. They are not eligible for the same grants, and do not receive the same favourable tax treatment. The lack of proper legal regulations makes both tenants' and landlords' situations unpredictable. Tenants would be less desperate to buy if there were greater security of tenure. This would include predictable rents and housing-related costs, and a reliable benefit regime to deal with cases of individual hardship. The rules governing rent increases should be clear, although there is no need for a reimposition of rent control.

One important constraint on the development of the social rented sector is lack of central government capacity. There is no lack of rhetoric, but central government needs more information and better monitoring of the sector, so that it can link subsidies to local government performance.

There has been little mention in this paper of other types of social landlords, such as NGOs, churches, etc. They are bit players in Hungary, but they could play an important role, especially by housing members of social groups which tend to be discriminated against by local governments.

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9. Social Housing in the Republic of Ireland

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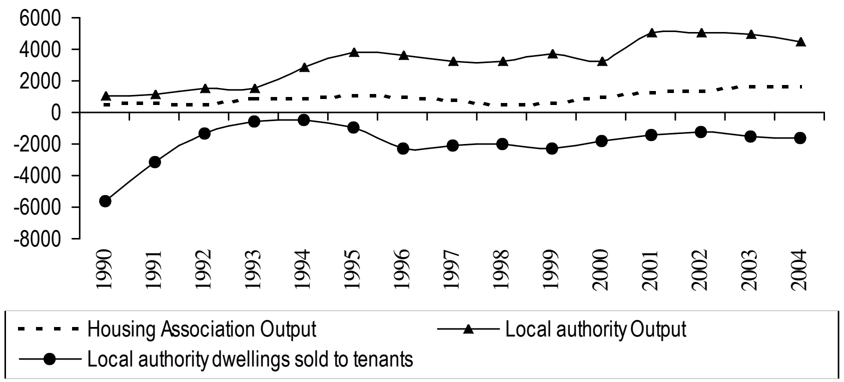
1. The current position of social housing

Social housing in the Republic of Ireland is provided by local authorities (borough, city, county and town councils) and non-profit housing associations. Central government statistics indicate that local authorities let 108,496 dwellings in December 2004. No definitive figures are available for housing association rented dwellings. However, the Irish Council for Social Housing (ISCH), which is the representative body for the sector, estimates that landlords of this type currently let approximately 15,500 homes. Thus the social rented sector accounts for eight per cent of the total Irish housing stock of 1.5 million dwellings.

In absolute terms the size of the social rented sector has increased slightly since 1990 as construction in this sector has grown over the period to an average of 6,000 units per annum since 2000 (see Figure 1), and although sales to tenants have varied since 1990 they remain relatively low compared to the historic norm.

Figure 1: Social Housing Output and Local Authority Dwellings Sold to Tenants, 1981-2004



Source:Department of the Environment, Heritage and Local Government (Various Years)
Note: data on voluntary and co-operative dwellings completed prior to 1990 are not available

Social Housing in Europe

Table 1: Housing Tenure, 1946 -2002

Tenure	1946	1961	1971	1981	1991	2002
Local authority rented	Nav	18.4	15.9	12.7	9.7	6.9
Private rented	42.6	17.2	10.9	8.1	7.0	11.1
Owner occupied	52.7	53.6	60.7	67.9	80.2	77.4
Other	4.7	10.8	12.5	11.2	3.0	4.6

Source: Central Statistics Office (2004)
Note: Nav means not available

However as Table 1 demonstrates, viewed over the longer term, the local authority-provided social rented sector has contracted radically in relative terms (no historical data for the housing association sector are available). This development is the result of the following factors:

- Between the 1930s and the 1950s, local authority output matched or exceeded private sector output. Although local authority construction remained steady in absolute terms in the 1960s and 1970s, private sector output increased radically.
- The 1980s saw marked cuts in central government capital funding for local authority house building and a resultant fall in output. This has never returned to the levels of preceding decades, but private sector output continued to expand.
- Currently housing association dwellings cannot be sold to tenants. Rural local authority tenants (tenants of county councils) have, however, enjoyed the right to buy their homes since the 1930s, and this right was extended to their urban counterparts (tenants of borough, city and town councils) by the 1966 Housing Act, (see: Fahey, 2002 for a full discussion). Fahey (1999) estimates that over two-thirds of the social rented stock constructed by local authorities has been sold to tenants.

2. Mechanisms for the provision and funding of social housing

As mentioned above, some 90 per cent of social housing in Ireland is provided and managed directly by local authorities. Currently 102 local authorities are social landlords, but 36 per cent of the stock in this sector is provided by five city councils. Mullins et al (2003) estimate that the housing association stock is distributed among 470 organisations, although only 330 of these are currently actively developing new housing schemes. They report that the bulk of the general-needs housing provided by this sector is owned by six large organisations, whilst the majority of housing associations manage fewer than ten dwellings and these smaller bodies usually cater for special-needs groups. As a result of the growth of local authority provision in the 20th century, coupled with the lack of designated state funding for housing associations, relatively few new dwellings were developed by housing associations for most of the 20th century. This has changed since 1984, when the first designated state funding scheme for this sector was established (Norris, 2005).

Although the details of arrangements for funding local authority and housing association social housing vary, the mechanisms are broadly similar. They are relatively unusual in the western European context.

The capital costs of the construction and acquisition of land for social housing are almost 100 per cent funded by central government, in the following ways:

- In the local authority sector, costs of construction are met mainly by central government grants. Although local authorities can and do contribute to costs from their own resources, these resources are limited due to the lack of a system of local taxation in Ireland. The maximum grant per dwelling varies regionally, and grants are allocated on a three-yearly basis to enable each local authority to construct a specified number of dwellings. Land acquisition is financed via low-interest loans from the Housing Finance Agency, a statutory intermediary lender. Interest charges on these loans are financed by central government and the loans are repaid by central government once housing construction has commenced on site.
- Housing associations that wish to access government funding must be granted 'approved status' by the housing ministry; this requires that they are limited companies registered as charities, and agree to let their dwellings as social housing. Most land for housing association construction is provided by local authorities, who also administer government loans to housing associations. (Although 2002 legislation granted housing associations the right to borrow directly from the

  Housing Finance Agency, these arrangements have not yet been implemented in practice.) The construction of most special-needs housing association dwellings is funded by the Capital Assistance Scheme (a grant scheme) which provides up to 95 per cent of the capital cost of dwellings for the homeless and 90 per cent for other dwellings. The construction of most general-needs housing association dwellings is funded by the Capital Loan and Subsidy Scheme (technically a non-repayable loan from the Housing Finance Agency), which covers 100 per cent of the capital costs of construction and provides a fixed annual subsidy towards the management and maintenance of each unit. Brooke (2001) and others argue that these bureaucratic financing arrangements and land acquisition difficulties (stemming partly from the fact that local authorities prefer to allocate land for their own social housing programmes) are a significant impediment to expediting housing association output.

The revenue costs of social housing provision are met mainly by rents. Rent determination arrangements in Ireland are distinctive; rents in both the local authority and housing association sectors are related to the income of tenants (an arrangement which is colloquially termed 'differential rents'). Poverty and unemployment traps inherent in local authority rent determination schemes have been subject to significant criticism over the years (e.g. Blackwell, 1988). However, recent research indicates that these problems have been largely eliminated (Coates and Norris, 2006), in part because the rent formula has been changed from a 'banded' one (e.g., all households with incomes up to €300/week pay 6% of income, those with incomes from €301 to €500 pay 7%, etc.) to a simple percentage system(e.g. all household income below €100 per week is disregarded for rent assessment purposes but rent is levied at 3% of all income above this). The combination of the lack of a housing allowance for the social rented sector and income-related rents remains problematic, however. Because the average incomes of social tenants are low, rented income is also low. In 2002, the latest date for which data are available, local authority rented income amounted to only 75 per cent of management and maintenance expenditure. Although local authorities make up this shortfall by cross subsidizing from profit-making services, and housing associations use other government grants and charitable donations, Treadwell Shine and Norris (2006) argue that this revenue-expenditure imbalance has led to underinvestment in housing maintenance in the local authority sector and overuse of (mainly central government funded) refurbishment schemes.

3. Who is served by social housing?

Social housing in Ireland is targeted directly at the poorest households. Only households with incomes below a specified level can apply (currently circa €40,000 per annum for a single income household) and the 1988 Housing Act specifies that local authorities must decide the order in which applicants gain access to social housing using a 'scheme of letting priorities' which must give priority to certain groups. (Each local authority can determine its own rank-order of priority, but waiting lists are so long in high-demand areas that the priorities are meaningless in practice, and waiting time is the key factor.) The priority groups are:

- persons who are homeless,
- persons living in accommodation that is unfit or materially unsuitable
- persons involuntary sharing accommodation,
- persons living in overcrowded accommodation,
- young persons living in institutional care or without family accommodation,
- persons in need of accommodation for medical or compassionate reasons,
- persons who are elderly,
- persons with a disability
- persons leaving residential care,
- Irish Travellers (indigenous nomadic minority),
- persons unable to afford suitable accommodation.

Depending on the scheme used to fund construction of their dwellings, housing associations are required to allocate most or all units to households on local authorities' housing lists.

Waiting lists for social housing are currently relatively long (see Section 4 below), so only the neediest households gain access to social housing, while wealthier existing local authority tenants can exit the sector by purchasing their dwelling. Consequently the tenant profile is extremely residualized, particularly in urban areas (Norris and Murray, 2004). Sixty-two per cent of social renting households had incomes below 60 per cent of median in 2000, compared to 22.1 per cent of all households (Fahey et al, 2004).

4. How needs have changed and are expected to change

The 1988 Housing Act requires local authorities to conduct an assessment of housing needs every three years. The results of these assessments indicate that need grew by 76 per cent from 1996 to 2002, although it has fallen marginally since then (see Table 2). When conducting these assessments local authorities are required to group households in need of social housing into the scheme of letting priorities categories (see Section 3 above). Analysis of these data reveals that the fastest growing category of housing need is households unable to afford accommodation. This development reflects the considerable increases in house prices and rents in the private housing sector in Ireland in recent years. House prices increased from an average of 7.7 per cent per annum between 1990 and 1993 to 22 per cent per annum between 1996 and 2002; private rent inflation jumped from 3 per cent per annum between 1990 and 1996 to 14.6 per cent in 2000/2001 (Downey, 2005). House-price and rent inflation has been higher in cities, particularly in Dublin, so affordability difficulties and social housing needs are concentrated here. Even if price inflation does stagnate, in the absence of a significant correction in house prices, these affordability difficulties will persist for many years, and social housing need in turn will remain high. Wider demographic trends underlie both growth in social housing need and housing market pressures. Between 1991 and 2002 the Irish population increased by 11 per cent and the number of households expanded by 25 per cent and these trends are expected to persist in coming decades.

5. Comparison of social rents with private rents

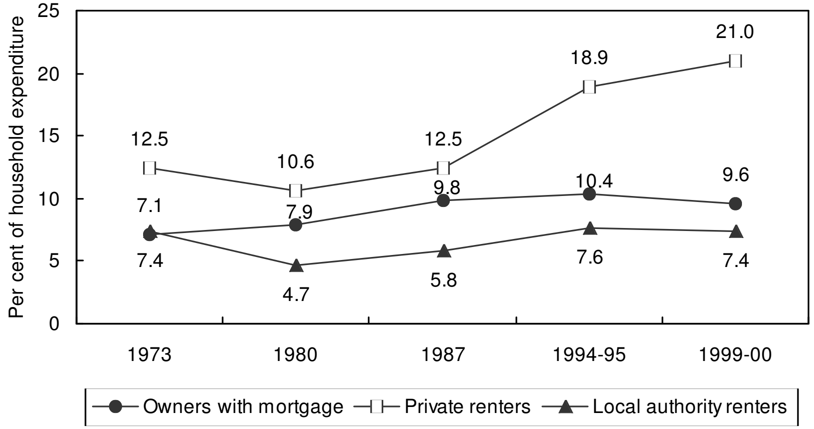
Social housing rents in Ireland are linked to tenant's incomes, and due to the residualisation of the sector, rents are relatively low. In 2004 the average weekly household rent in the local authority sector was €35.75. Figure 2 below compares the proportion of income which households in various tenures devote to rent or mortgage costs. It shows that households accommodated by local authorities spent 7.4 per cent of their total household expenditure on rent in 1973, and that in 1999/2000 that proportion was roughly unchanged. As a result, Fahey et al (2004) report that expenditure on rent has little or no impact on income poverty among local authority tenants. However, in the case of private sector tenants, the proportion of household expenditure devoted to rent payments doubled between 1980 and 1999/2000, despite the fact that 38 per cent of tenants in this sector claim housing allowances. Fahey et al (2004) argue that the key housing affordability problems are located here, rather than among social tenants and home owners.

Table 2: Social Housing Need (Households) by Category of Need and Location, 1991-2005

Category of Need	1991	1993	1996	1999	2002	2005
Disabled persons	131	194	241	236	423	408
Homeless persons	1,342	1,452	979	2,219	2468	2,399
Involuntarily sharing accommodation	860	3,345	3,120	4,086	4421	3,375
Medical/compassionate reasons	1082	1,861	1,762	2,347	3400	3,547
Older people	1674	2,191	2,140	2,363	2006	1,727
Overcrowded accommodation	4654	7,075	5,912	8,328	8613	4,112
Traveller	531	884	749	1,406	1563	1022
Unfit / unsuitable dwelling	3617	5,122	4,799	4,796	4065	1,725
Young persons leaving care or without family accommodation	41	68	66	67	82	262
Unable to afford accommodation	2429	6,432	7,659	13,328	21452	25,046
Location						
Borough Councils	976	995	1,045	1,539	1616	1,602
City Council	6,718	8,094	6,604	10,014	12,210	11,640
County Council	10,846	14,438	13,885	20,636	24,682	21,220
Town council	4,702	5,097	5,893	6,987	9,905	9,222
Total social housing need	**17,564**	**28,624**	**27,427**	**39,176**	**48413**	**43,864**

Source: Department of the Environment, Heritage and Local Government

Figure 2: Weekly rent and mortgage payments as a percentage of total household expenditure, 1973-2000



Source: Norris and Winston (2004)

6. Pressures to shift away from social to other forms of affordable provision

The escalation of house prices over the past decade, and the attendant affordability problems that this has generated, has led to the development of a number of new schemes directed at first-time buyers. Technically there are three such 'affordable housing' schemes; the common element is that land costs are either controlled or subsidized, thus enabling sale prices to be set at below market value. Politically at least, these affordable housing schemes have been given strong support by government, as problems for first-time buyers are most acute in the major urban areas and in particular Dublin. While not representing a major shift from the social rented sector to affordable provision, in that they can be seen as quite distinct sectors, it can be argued that as local authorities have to implement these schemes there is a tension over how to allocate resources, especially land and sites, between social rented housing and affordable housing.

7. The future of social housing in Ireland

A recent report by the National Economic and Social Council (NESC) (2004) recommended a major expansion of social housing output in the years 2005 to 2012. It argued that, given the increasing demand for social housing, a net additional 73,000 social rented dwellings should be provided over the period leading to a total social rented housing stock of approximately 200,000 units. However, it is probably fair to say that the current government has been slow to endorse fully this position, and that the prospect of the social rented housing stock rising to 200,000 units by 2012 is slim. While significant resources have been invested in social rented housing in recent years, there is a reluctance to undertake a fundamental step change in the sector. Given the buoyancy of the economy and the health of government revenues, this probably reflects a view that traditional models of social rented provision have their limits. However, the government has not articulated any fully worked-out alternatives; the most that can be said is that it prefers social rented housing to be provided through a plurality of mechanisms. This preference for a plurality of mechanisms is seen clearly in some regeneration projects in Dublin. A number of old social rented flat complexes in need of demolition and regeneration are to be redeveloped as mixed-tenure estates. The government has opted for a public-private partnership approach, in which private developers are given some of the site to develop private dwellings for sale on the open market. In return for receiving the land for free, the developer delivers social rented and affordable-purchase units. While innovative, this measure has been controversial, engendering debates over the appropriate tenure mix and over the transfer of public land to developers. Nonetheless, this is the preferred option for government.

8. Specific initiatives

With respect to new initiatives on social housing, Part V of the Planning and Development Act 2000 has been one of the most interesting and innovative (see Norris, 2006 for a full description). In 2000 the government introduced what has turned out to be a controversial and complex piece of planning legislation which imposes on private-sector developers an obligation to subsidise social and affordable housing on sites they wish to develop. Developers are now required, as a condition of planning permission, to transfer to local authorities up to 20 per cent of their sites for use as social and/or affordable housing and, crucially, to transfer the site to the state at existing use value. There are a number of ways that developers can comply with this requirement. They can:

- Transfer up to 20 per cent of the land to the local authority at existing use value,
- Transfer 20 per cent of the completed dwellings to the local authority. In return the developer receives construction costs, builder's profit and existing use value of the land, or

- Transfer up to 20% of developed sites to the local authority,
- Transfer a financial equivalent of the land value (market value minus existing use value), or
- Transfer an alternative site to the local planning authority.

Developers can also offer a mix of these measures. The rationale for this legislation was twofold. First, it was aimed at allowing local authorities to access development land cheaply, thereby enabling them to build either social and/or affordable housing at below market cost. Local authorities and other social housing providers have had serious problems accessing land in urban areas, especially in competition with private developers. While developers have the option to pay the local authority the financial equivalent of the land cost, many local authorities, especially in urban areas, are seeking to obtain completed and subsidised dwellings from developers. Typically in Dublin City, for example, for every 100 apartments a developer builds, 20 will be transferred to the local authority for use as social and affordable housing (normally 10 for social renting and 10 for discounted affordable purchase). The new planning legislation has another, more social aim. In ensuring that social housing is built alongside or integrated with private market housing, it aims to reduce levels of what is termed 'undue segregation', and increase social mix and social interaction.

Progress in implementing this measure has been relatively slow with an array of implementation issues inhibiting progress. The recent report by Focus Ireland (2006) summarises the difficulties.

- Pre-planning delays and complex pre-planning discussions over which mechanism to use for the transfer of the social and/or affordable housing from developers to local authorities
- Planning delays over design and transfer options
- Valuation and development-cost issues
- Limited local authority resources and capacity

Despite these implementation issues the government seems committed to the retention of this measure and its successful implementation.

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10. Social Housing in the Netherlands

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Introduction

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, a number that has been stable during the last decade.

Almost all social housing is owned by housing associations. These have to act on a commercial basis, but are required to use their profits for meeting general housing need - that is, for housing those people who are not able to find decent housing themselves. Housing associations are able to operate in a very flexible (or arbitrary) way. Much of the current discussion in the Netherlands surrounds the use of this flexibility.

1. Position of social housing

Of a total of 6.8 million dwellings in 2005, some 2.4 million were social rented dwellings owned by housing associations. Housing associations own almost all social housing; there is only a tiny number of municipally-owned dwellings. The social rented housing stock in the Netherlands is one of the largest in Europe, after France and the UK.

Housing associations own 35% of the total housing stock, while 11% is owned by the private rented sector and 54% is owner occupied (2005). These figures mean that over three-quarters of all tenants rent a dwelling from a housing association. While the total amount of social sector dwellings has remained constant since 1995, their share in the total housing stock has slowly decreased from 39% 35% at present.

Although social housing is more common in urban areas, all municipalities and provinces in the country contain a significant amount. In cities such as Rotterdam and Amsterdam, about 55% of all dwellings are social rented, while even in remote and less populated provinces like Drenthe and Zeeland, over 25% of housing is social rented.

Social Housing in Europe

Developments in the social housing sector

In the last decade, the number of dwellings built and purchased in the social sector has more or less equalled the number sold and demolished, and the overall number has remained stable at about 2.4m. During the five-year period from 1998-2002, housing associations added some 140,000 dwellings to their stock (building 80,000, purchasing 60,000), and lost 150,000 dwellings to sale (105,000) and demolition (45,000). The predictions for the four years 2004-2007 show a similar picture, with slight rises in new construction (150,000) and demolition (80,000).

Unlike in some countries, where social housing landlords do not tend to purchase housing, housing associations in the Netherlands freely buy and sell their dwellings. They may buy from or sell to individual households or other landlords for a variety of reasons - in particular to improve their own financial position or to spur urban renewal. Housing associations can sell vacant properties on the open market; tenanted

Table 1: Changes in the social rented housing stock

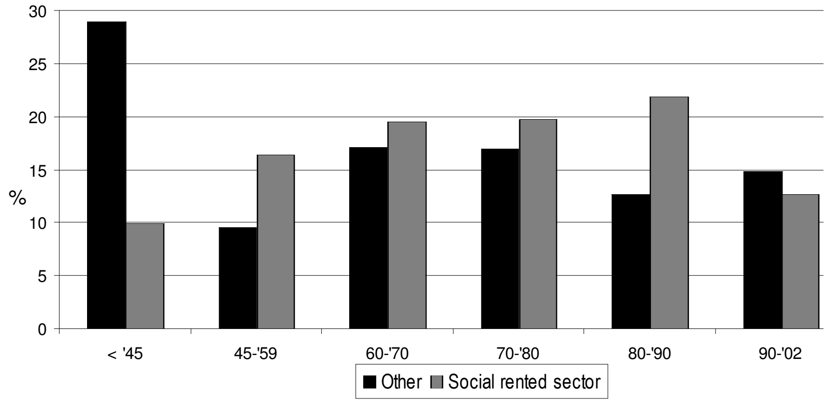
	Total housing stock (000s)	Social rented stock (000s)	Total new construction	New construction social rented sector	Sale of social rented dwellings	Demolitions
1995	6195	2432	93836	29090	8158	13691
1996	6283	2442	88934	31079	13108	11513
1997	6366	2410	92315	25876	16511	12527
1998	6441	2434	90516	21454	18214	13098
1999	6522	2475	78625	17651	15880	14354
2000	6590	2439	70650	15209	12789	13528
2001	6649	2440	72958	14089	11395	15555
2002	6710	2436	66704	12654	14057	12738
2003	6764	2420	59629	12974	15795	12633
2004	6810	2412	65314	14140	15103	15910
2005	6859		67016	17000		13907

Source: CBS, Statline

properties must be offered to tenants, who can choose to continue renting. There is no right to buy.

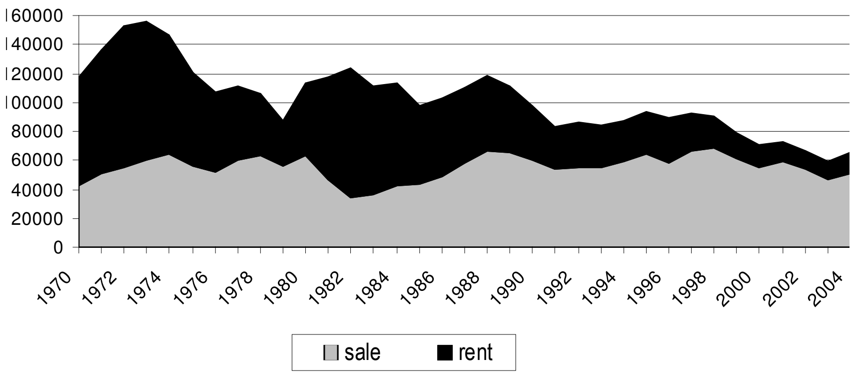
The construction of social housing first was allowed by the1901 Housing Act. It was not until the 1920s, however, that municipalities or housing associations built social housing on a relatively large scale. Most social housing was built between 1945 and

Figure 1: Housing stock by building period for the social rented sector (2.4 m dwellings) and other housing tenures (4.3 m), 2002



Source: Housing Demand Survey, 2002

Figure 2: Housing construction



Source: CBS, Statline

Social Housing in Europe

Table 2: Dwelling stock and ownership in the Netherlands, 2002

Type	High-rise flats	Low-rise flats(1-4 floors)	Single family houses	Total
Social rented	269,600 (62.9%)	1,017,000 (62.2%)	1,153,100 (25.3%)	2,439,600 (36.8%)
Commercial rented	64,900 (15.1%)	285,000 (17.4%)	245,400 (5.4%)	593,300 (9.0%)
Owner occupied	94,300 (22.0%)	331,800 (20,3%)	3,165,900 (69.4%)	3,592,000 (54.2%)
Total	428,800 (100%)	1,633,700 (100%)	4,564,400 (100%)	6,626,900 (100%)

Source: Housing Demand Survey, 2002

1990. In the period after WW II, housing shortages led the government to take a leading role in the planning and construction of new housing. The peak in housing construction was in the early 1970s, during the heyday of high-rise housing. From the 1990s on, total yearly housing production has fallen, especially in the social sector.

The Netherlands is a country dominated by single family houses, not only in the countryside, but also in medium sized cities. Almost half of the social rented stock is single family houses, often terraced. The rest are low-rise flats (42%) or high-rise flats (11%). Dutch social housing is not generally built in distinct estates; most neighbourhoods consist of a mix of housing types.

2. The provision of social housing

Housing Act 1901 as a legal base

The legal base for social housing is the 1901Housing Act, which laid down the duties and responsibilities of housing associations. The Social Rented Sector Management Order (known by its Dutch abbreviation, BBSH), the most recent version of which came into force in 2001, states that approved housing associations have six duties:

· to house those people who are not able to find an appropriate dwelling themselves

· to maintain decent-quality dwellings

- to consult with their tenants
- to run their financial affairs responsibly
- to contribute to liveable neighbourhoods (added in 1997)
- to provide housing (but not care) for the elderly and handicapped (added in 2001)

In exchange for performing these duties, the associations are granted exemption from corporation tax, can have their loans guaranteed by the Guarantee Fund for Social Housing (Dutch abbreviation WSW), and can buy council land at reduced prices for the purpose of building social housing.

The WSW was set up in the 1980s, initially to guarantee loans for housing improvement, and later for all social housing loans. This guarantee fund is funded by the associations themselves and backed by the government, which delivers a triple-A rating. This fund enables non-profits to guarantee their loans, thus assuring access to the capital market and low interest rates.

Financial independence

After many years of deregulation of the social rental sector, housing associations became financially independent in 1995 through the so-called "grossing and balancing operation" (brutering in Dutch). The government wrote off all outstanding loans to the sector, and at the same time cancelled its subsidies. Housing associations no longer receive government subsidies. They are funded by rents and sale of properties, supported by prudent financial management.

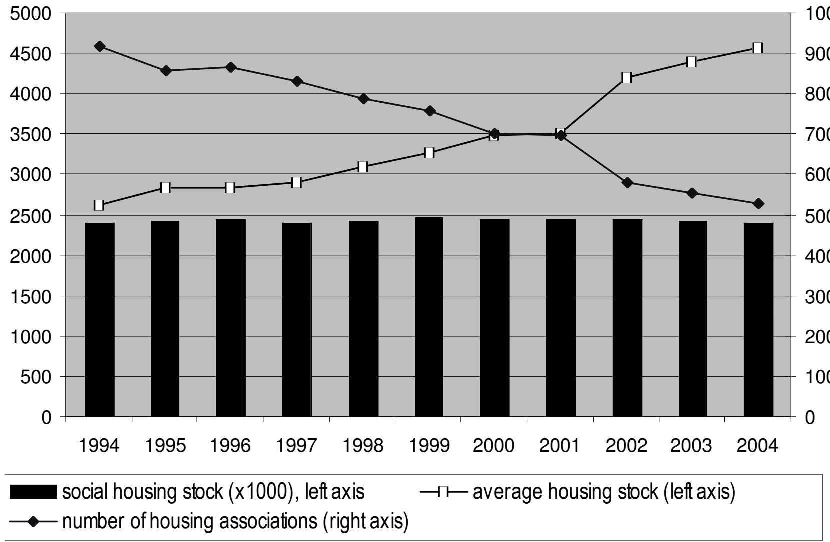
Although the associations have been completely independent in financial terms since 1995, they still require approval under the terms of the Housing Act. This also allowed for the abolition of supply-side subsidies to social rented housing. At the same time, the government liberalised rents, allowing non-profit associations to raise rents by different amounts under an overall government maximum. (The maximum applies to each association; the rent on individual dwellings may rise by different amounts.) Since 2001, non-profit and for-profit landlords have been treated differently. The government limits the rent increase per dwelling for both sectors, and for the social rented sector also imposes a maximum average rent increase for the organisation as a whole.

Housing associations

At present, there are about 500 housing associations. The number has been falling as associations have chosen to merge -- mainly for reasons of efficiency and economies of scale. Ten years ago there were about 860 associations, and in 1990 more than 1000. These figures include municipally-owned housing associations, the number of which has fallen from 213 in 1990 to a mere 23 in 2000, all of these in smaller towns. As the number of associations falls, the number of dwellings owned rises. At present, the average association owns 4.500 units, but the largest associations possess 50.000-80.000 dwellings, spread over a number of municipalities and regions.

Housing associations are supervised by the Ministry of Housing. They are obliged to sign performance agreements with the local government(s) where they operate, covering development of housing stock, neighbourhood liveability, and allocation rules (who qualifies for which dwellings, and what are the priority criteria). In practice, however, many housing associations and municipalities never made formal agreements.

Figure 3: The social housing stock, the number of housing associations and the average size of housing associations



Source: CBS, Central Fund for Housing (CFV)

3. The inhabitants of social housing

Tables 3 and 4 provide information about social housing tenants. Compared to the average household, those that live in social housing are

- older
- live in smaller households
- have lower incomes
- are less likely to be in employment and more likely to be on benefit
- are more likely to be of non-Dutch origin, and
- live in smaller houses.

Most neighbourhoods in the country are fairly mixed, although in areas with a lot of social housing the lower middle class often predominates. There is no stigma attached to living in social housing, unlike in some other western countries -- many Dutch people live at some point in social housing.

Some 34% of social rented housing is occupied by non-Dutch households, compared to 25% of the overall housing stock. (Non-Dutch is defined as those born abroad, or with one or both parents born abroad. About half of non-Dutch households are 'western' and half 'non-western'.)

Table 3: Some characteristics of the social rented sector in the Netherlands, 2002

	Social rented housing stock	Whole housing stock
Number of units (thousands)	2,440	6,627
Rent (€ /month)	€353	€365
Number of rooms in dwelling (mean)	3,55	4,23
Family houses*	47%	69%

*including row houses and (semi) detached houses: all dwellings that are not multi-storey
Source: WBO (Housing Demand Survey), 2002; arrangement authors

Social Housing in Europe

Table 4: Some characteristics of tenants of the social rented sector in the Netherlands

	Social rented housing stock	Whole housing stock
Size of household (mean)	1,9	2.3
% single	47	32
% with children in household	28	38
% complete families*	17	31
% over 65 years	29	22
% working**	48	65
% two-job households**	28	45
% on benefit	21	11
% in the two lowest income deciles***	35	20
% non-Dutch****	34	25

* two parents with children; the row above also includes single parents

** head of the household or partner works at least 12 hours per week

*** up to about €14,000 per year

**** according to the broad definition of CBS (Statistics Netherlands): person is born abroad (first generation) or one or both of the parents are born abroad (second generation)

Source: WBO (Housing Demand Survey), 2002; arrangement authors

Table 5 shows that non-Dutch households, particularly those from non-western countries, are much more likely to live in social rented housing than non-minority households. However, as Table 6 shows, this effect becomes less pronounced after the first generation of residence in the Netherlands.

Table 7 shows that most social housing tenants, like those in other tenures, are satisfied with both their dwelling and its surroundings, and are not planning to move. Some 8% of all households, and 12% of social tenants, are not satisfied with the surroundings; complaints about safety and vandalism are also more common in the social sector.

Table 5: Non-Dutch households, Western and non-Western, and housing tenure

	Home ownership	Social rental	Private rental	Total households
Non-Western	23,4%	67,7%	8,9%	565999
Western	52,7%	36,4%	10,9%	735055
Unknown	36,6%	52,8%	10,6%	341784
Non minorities	59,1%	32,3%	8,6%	4984040

Source: Housing demand survey, 2002

4. Changing tenure and needs

Table 6: Non-Dutch households, first and second generation, and housing tenure

	Home ownership	Social rental	Private rental	Total households
First generation	33,4%	56,6%	10,0%	1184277
Second generation	54,3%	35,2%	10,4%	458561
Non minorities	59,1%	32,3%	8,6%	4984040

Source: Housing demand survey, 2002

Table 7: Propensity to move and satisfaction in the social rented sector in the Netherlands, 2002 (in %)

	Social rented housing stock %	Whole housing stock %
Planning to move*	32	25
Satisfied with dwelling	80	89
Dissatisfied with dwelling	8	4
Satisfied with surroundings	77	84
Dissatisfied with surroundings	12	8
Graffiti	24	18
Fear of harassment or robbery in neighbourhood	14	9
Many contacts within neighbourhood	40	45
Fear of harassment or robbery in neighbourhood	14	9

* Definitely or possibly together
The percentages of those satisfied and dissatisfied do not add up to 100, because those that are neither dissatisfied nor satisfied are not included in the table
Source: WBO (Housing Demand Survey), 2002; arrangement authors

The share of owner-occupation has been growing in the Netherlands since WWII; since 1997 owner-occupier households have been in the majority. House prices have increased considerably in the last 20 years, leading to affordability problems, particularly for first-time buyers. Bridging the gap between the rented and the owner-occupied sector is now a key concern of policymakers, including the minister of housing. In June 2006 she announced a proposal called 'Vision for the Housing Market', which included subsidised loans to first-time buyers (Dekker, 2006).

5. Rents in social sector compared with private sector

Since 1995 social housing providers in the Netherlands havein principle no longer received explicit government subsidy . Rents for social housing are lower than for private housing, but since both are controlledm it is difficult to measure the difference between social and free-market rents.

Rents have been controlled since WWII. Since the introduction of housing allowance in 1975, the government has been allowing rents to move slowly towards market levels, but rents for 95% of the total rental stock are still regulated (the cut-off is €615/month-rents over this level are generally not controlled). Government sets a maximum annual percentage rent increase for existing contracts, as well as a maximum rent level for new contracts. The average actual rent level was in 2002, while the average maximum rent was €508, which suggests that there was room for rent increases within the system. The average social sector rent is €353/month, whereas the average level in the private rented sector is €419. Some 44% of the social rented stock is classified as having a cheap rent (up to €337) and 4% is expensive (over €541). In the private rented sector, 36% is cheap and 21% expensive.

Table 8: Average rents (€ per month) in the social and private rented sectors, share (in € of total housing stock) of cheaper, mid-priced and expensive rental dwellings (2002)

	Social rental	Commercial rental
Average rent (in € per month)	353	416
% cheaper dwellings (< € 337)	44	36
% mid-priced dwellings (€ 337- € 541)	52	43
% more expensive dwellings (>= € 541)	4	21

Source: Housing Demand Survey, 2002

6. Shifts away from social housing

Rent liberalisation

Although the government, housing associations and private landlords agreed to deregulate rents, tenant organizations and left-wing political parties in parliament were strongly opposed. A compromise was reached whereby rents on 25% of the rented stock will be deregulated in 2008, if housing shortages have decreased by then. The whole plan was rejected in the upper chamber in December 2006.

The government has loosened regulation by allowing more generous yearly rent increases. This has led to a considerable increase in rental income for landlords (both social and private), and an increase in the government's bill for housing allowance. The government recently proposed that landlords should pay part of this increased bill; as of mid-November 2006 the proposal passed the lower house of the Dutch parliament and was in the upper chamber.

7. Other current issues in the Netherlands

The Dutch model has clear advantages. The financial burden of housing on the government budget has been eased. Social housing is decentralized. Housing associations can focus on activities that have priority at a local level. They are able to develop their own policies because they are in general financially healthy.

Strong financial position

The financial position of housing associations is the subject of political discussion at the moment, the key issue being 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. The amendment of the BBSH and the many questions about the future of the social rental sector have given rise to various studies and advisory reports, e.g. from the Scientific Council for Government Policy (Dutch abbreviation WRR) and the Social Economic Council (Dutch abbreviation SER) (see WRR, 2004, SER, 2005, Conijn et al., 2005, Commissie de Boer 2005).

In her December 2005 response to these, the minister chose to emphasise self regulation. She has encouraged the social rented sector to improve internal supervision and to develop benchmarks and control instruments to safeguard the performance of housing associations. The document also states that housing associations will henceforth be forced to make clear agreements at the local level and to invest their surpluses in housing rather than accumulating large reserves.

New tasks

The housing associations control a considerable amount of money. Due to prudent management, low interest rates and a steady rise in property prices, their financial position has improved over the last decade. Political parties across the spectrum would like to lay their hands on some of their funds. However Aedes, the umbrella organization of housing associations, claims that the pot of money is illusory, as most of the resources are locked up in the houses themselves.

Politicians have proposed to simply skim the fortunes of housing associations, or to broaden their tasks - for example, by forcing them to contribute to the national housing allowance budget (see section 6). Other new roles suggested for housing associations include caring for the environment around their dwellings; providing houses for groups other than 'traditional clients', ranging from the homeless, handicapped, elderly and students to higher income groups; and providing facilities like schools and shops.

Some housing associations do offer extra services like insurance, help with removals, or discounts in shops. At the neighbourhood level, housing associations often provide play facilities for children, neighbourhood wardens, environmental maintenance and neighbourhood centres, particularly where local authorities can't afford or don't want to do so. Housing associations justify these investments as a way to improve the quality of life in their neighbourhoods and maintain the value of their property.

Urban renewal control

One major challenge in the coming decades is the renewal of the housing stock, much of which was built in the post-war period. Depending on the condition and age of the housing, it may be refurbished, enlarged, demolished and replaced, or upgraded. All of these options are expensive, at least in the short run. 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.

For the last decade, local government and housing associations have debated which organisation should initiate and control urban renewal programs. In fact, housing associations, as the largest property owners, have come to dominate the process. This reflects both capacity and financial shortages in local government, and the growing power of the associations.

EU regulation

According to European Union rules, housing is a Service of General Economic Interest (SGEI), for which member states are allowed to provide financial support. The EU, as well as many in the Netherlands, thinks that it is not appropriate to treat all dwellings and activities of housing associations as SGEI.

In December 2005, the Minister for Housing proposed to clarify the definition of SGEI for the Netherlands. She proposed to define the target group for social housing as those households with an income of below €33,000 (2005) (of which there are around 2m in the Netherlands, or 30% of households). In an effort to make Dutch social housing 'Europe-proof', she proposed that housing associations should distinguish between provision of housing for the target group, and activities in which associations compete on the open market, in order to prevent state aid being used for the latter. The distinction is supposed to ensure there are no cross-subsidies. In concrete terms this means that the following activities may be regarded as social activities:

- The construction, letting, maintenance, renovation and possible sale of dwellings with regulated rents;
- Enhancing the quality of the living environment in as far as it relates to the possession of dwellings with regulated rents;
- The construction, letting and maintenance of social property

The following activities of housing associations are regarded as being in competition with the open market:

- The construction, letting, maintenance, renovation and possible sale of dwellings with unregulated rents;
- Enhancing the quality of the living environment in as far as it relates to the possession of dwellings with unregulated rents, or where dwellings are owned by third parties;
- The construction, letting and maintenance of property with a commercial function;
- The construction and sale of dwellings for owner-occupiers;
- Activities for people other than the association's own tenants, such as maintenance for Owners' Associations.

The Minister would like to see a legal, rather than administrative, separation between social and commercial activities of housing associations. Subsidies for social housing and activities may not be used for the benefit of commercial activities, although transfers in the opposite direction are permitted. The social parent organisation is supposed to act as a shareholder of the commercial entity.

Equal treatment of private and social landlords

The housing minister has proposed to create a level playing field between the housing associations and private landlords insofar as private activity is concerned. Housing associations would only be able to receive support from the Central Fund for Social Housing (CFV)* and guarantees from the Guarantee Fund for Social Housing (WSW)** for loans that relate to their social obligations. The private, commercial activities of housing associations would be subject to corporate income tax (Dekker, 2005). A decision on these proposals will be taken by the new government, elected on 22 November.

8. Initiatives towards or away from direct provision

Intermediate tenure

In 2004, housing associations sold around 17,500 dwellings, of which 15,100 went to individual households for owner occupation. Annual sales are about 0.5% of the total housing stock, which roughly equals the yearly new production of social housing. Most houses are sold at market price or with a small discount (5-10%). However, some of the dwellings are sold into what could be termed social owner-occupation. These are sold at discount of 25-30%, into a new intermediate tenure known as tight ownership. In return for the price discount, the purchaser must share any future price increases (or falls) 50-50 with the housing association. The dwelling cannot be resold on the open market, but must be sold back to the housing association (see also Elsinga, 2005). Various local programmes exist, under which only a few thousand dwellings have so far been sold.

Another initiative linked to intermediate tenure is the 'Client's Choice' programme, started by one housing association in 2000. The housing consumer is offered a choice including renting, owner occupation, and one or more intermediate tenures. The programme is known as Te Woon, in Dutch-literally, 'for living'. There are now 12 housing associations participating (see Gruis et al, 2005).

*The Central Fund for Housing associations (CFV) maintains financial supervision on behalf of the Minister of the housing associations and may restructure financially weak associations.
**The Guarantee Fund for Social Housing (WSW) provides guarantees that result in lower interest rates for loans.

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Social owner occupation

In the Netherlands, the term 'social housing' generally means rented housing. However, there is also something called social owner occupation, consisting of inexpensive owner-occupied houses (often targeted at first-time-buyers). This is popular with major centre and left-wing political parties, who see it as a means to fill the gap between cheap social renting and expensive owner occupation. The dwellings are built by both housing associations and private investors, for whom they are sometimes part of a 'package deal' with market housing. Prices can be low because local authorities offer the land at below-market prices. Sometimes the purchase contract contains conditions limiting resale in an attempt to prevent speculation, but the many exceptions have made enforcement difficult.

9. Five key milestones in Dutch social housing

1974 *Introduction of housing allowance.* This was intended to enable more market-oriented rents while safeguarding affordability for those on lower incomes. It marked the start of a shift from bricks-and-mortar subsidies to means-tested allowances. Not until the 1990s were bricks-and-mortar subsidies abandoned completely.

1989 *The white paper on housing ('nota Heerma').* This white paper introduced a new approach to social housing and the role of government. It proposed the retreat of central government and the delegation of power to local government, housing associations and other actors -- an important step towards the independence of housing associations. Government subsidies for urban renewal would henceforth be targeted at a limited amount of old pre-war housing stock which had been neglected in the post-war decades. Maintenance of all other dwellings would be entirely the responsibility of the owner (the housing association, in the case of social housing).

The issue of skewness (higher income groups living in social rented dwellings) was first identified as a problem in this white paper. This was an important step in targeting the social rented sector for lower income groups. Moreover, this white paper introduced the sale of social rented dwellings as a normal activity of housing associations. Finally, the white paper recommended the transfer of municipal housing to housing associations. Since the 1990s almost all social housing in the Netherlands has been owned by private housing associations.

1995 *The grossing and balancing operation ('brutering').* This major event made housing associations financially independent from central government. Future subsidies and outstanding debts were allowed to cancel each other out.

1997 *The white paper on urban renewal* From the beginning of urban renewal work and throughout the 1970s, central government took the lead. In 1989, the role of central government was limited to renewal of old stock, but in 1997 a new policy was introduced for the transformation of less popular areas, which were dominated by social housing from the 1950s and 1960s. Larger municipalities got funds, but the main implementation of housing-related work was to be done by the housing associations.

2005-present:

Criticism of the performance of housing associations by those who thought they had too much money and were not using it wisely. Led to political discussion and many reports on the position and future of housing associations in the Netherlands; the government is now threatening housing associations with taking away part of their money. The housing associations have countered by offering to increase their investment in urban renewal, and drop rents for lower income groups. The liberalisation of rents and the creation of a level playing field with commercial providers are also important issues in this ongoing discussion.

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11. Social Housing in Sweden

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1. The current position of social housing

Table 1 gives a broad overview of the tenure composition of the Swedish dwelling stock. These figures are estimates, but should be roughly correct.

Table 1: Tenure 1945-1990 (%)

Year	Home ownership	Tenant-owner	Municipal rental	Private rental	Total
1945	38	4	6	52	100
1960	34	9	14	43	100
1970	34	13	23	30	100
1980	41	14	24	21	100
1990	40	15	25	20	100
1995			21		
2004*	40	19	20	21	100
2005			18		

Source: The Housing Census, Statistics Sweden, various years. After 1990: rough estimates
* 2004 is based on the Housing and Rent Survey 2004

The number of municipal housing company dwellings, most of which are flats, fell from 880,000 in 1995 to 780,000 in 2005, and the tenure share fell from 21% to 18%. This fall came about for several reasons. First, the government subsidized the demolition of obsolete units in some of the less successful parts of Sweden - very often old industrial cities. Second, some units were sold to tenant cooperatives (mostly in prosper-

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ous areas) or private rental landlords. The tenants have very little say in these sales; they can influence court decisions, but only to a limited extent. Third, some units were purchased by their tenants under a right-to-buy policy, in spite of a law that aims to prevent sales which could jeopardize the functioning of the fair rent system in Sweden. The right to buy also applies to private rented dwellings in Sweden.

In terms of new construction, the municipal sector is doing rather well. Its share of new construction roughly corresponds to its share of the total housing stock (about 20 per cent).

The size distribution of MHCs is much skewed (Table 2), with 2% of companies owning 23% of the stock.

Table 2: Size distribution of municipal housing companies 2005

Number of dwellings per company	Number of companies	%	Number of dwellings	%
- 199	9	3	1,208	0
200 - 499	49	17	18,309	2
500 - 999	66	22	49,273	6
1000 - 1999	75	26	104,443	13
2000 - 4999	55	19	170,987	21
5000 - 9999	22	7	149,211	18
10,000 - 19,999	11	4	142,798	17
20,000 -	7	2	186,498	23
Total	**294**	**100**	**822,727**	**100**

Source: Swedish Association of Municipal Housing Companies (SABO) home page

About 60% of MHC units have been built since 1965 (Table 3). 70% have one or two rooms.

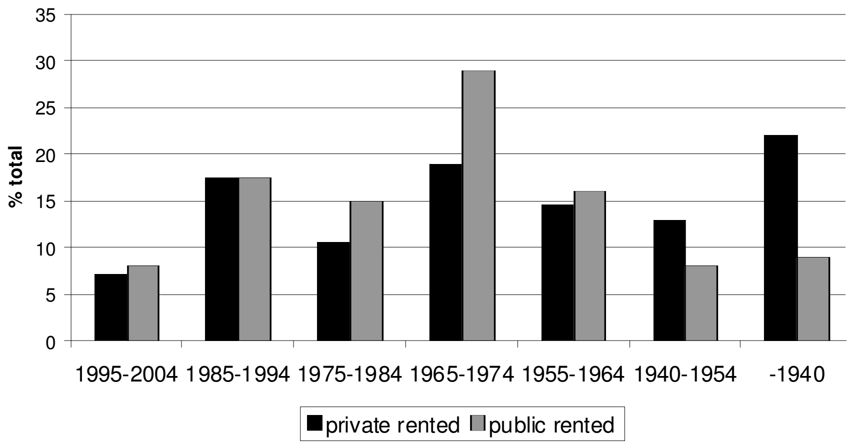
The social rented stock in Sweden is somewhat younger than the private rented stock. About 30% of Swedish social housing units were built in the period 1965-74 (Figure 1), and social sector construction has been slightly ahead of private rented construction since then.

Table 3: Age and size distribution of MHC dwellings 2004

Year built	1 room	2 rooms	3 rooms	4 rooms	5 or >	Other[2]	Total	%
-1940	6,000	11,600	6,700	2,100	700	1,300	28,500	4
1941-65	34,200	111,900	85,300	19,900	4,100	21,700	277,100	37
1966-70	14,100	39,500	48,600	15,700	2,900	8,300	129,000	17
1971-75	13,600	41,800	43,900	12,200	1,500	9,700	122,700	16
1976-80	3,500	15,300	15,000	6,700	1,200	2,000	43,800	6
1981-85	2,200	17,700	13,900	7,800	1,500	1,200	44,300	6
1986-90	4,000	21,700	15,100	7,200	1,400	1,800	51,200	7
1991-	5,500	24,100	17,000	7,900	1,500	3,200	59,200	8
Total[1]	83,100	283,700	245,600	79,600	14,700	49,100	755,800	
%	11	38	32	11	2	7		

[1] not including specialty housing
[2] dwellings without a kitchen
Source: Swedish Association of Municipal Housing Companies (SABO) home page

Figure 1: Age distribution in private and public rented sector in 2004



2. Mechanisms for provision, ownership and funding

Municipal housing companies have always been a municipal responsibility, but since the early 1950s they have been run as independently as possible from wider municipal budgets. MHCs can be organised either as foundations or limited companies. However, most that were foundations have been transformed into limited companies over the last decade, so that municipalities can get a return on their historic investments in municipal housing.

New construction is always funded on the open credit market, with loans sometimes backed by municipal guarantees. For a typical project, 80-90% of building costs will be covered by long-term loans (with a maturity of 40 years or more); the rest will be covered by the MHC's own resources.

The economic situation of municipal housing companies has improved over time, even if regional differences have escalated. For example, net worth (total assets less total liabilities) averaged 20% in 2005, and return on total capital was 6.1 %. Net worth has increased by about 1% over the last decade, and the rate of return on total capital or assessed real estate values is between 6 and 7 per cent. This is a solid economic situation but which varies considerably across the country. Many municipalities receive 6-8 per cent return on capital contributed by the municipality to the company.

During the last few years, the question of subsidies has reached the top of the agenda. The European Property Federation has filed two complaints with the European Commission, most recently in May 2005, alleging that the MHC sector is subsidised by its owners. The main argument is that the rent charged by the MHC does not include a proper return. The tenants' association, however, claims the opposite: that MHCs are subsidising their owners through different channels, for example by paying excessive fees for services rendered.

The source of tension is the rent-setting system in Sweden. Rents in the MHC by law form the upper limit for rents in comparable (i.e. local) private rented stock. This rent setting is against the interests of private landlords, and any subsidies to the MHC functions de facto like old-fashioned rent control.

MHC rents are set by negotiation with the local tenants' association. The starting point is an overall rent level - and increase - based not on profit but on cost recovery. This is complicated, as the zero-profit condition is arguable. Rents are then distributed through the stock, with adjustments for location, quality etc. There is a second round of negotiations between the local tenants' association and the association of property owners, through which the MHC rent level forms the upper limit for rents in private properties. This second round of negotiations, and the rent ceiling, are highly unpopular.

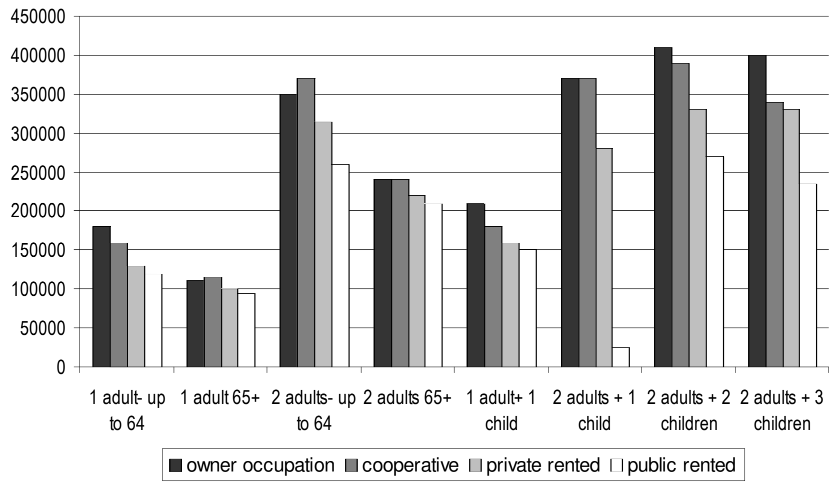
The Swedish system, is in principle goes against European Union legislation on state support which seeks to ensure that the public sector competes on equal terms with the private sector. This would probably be the case, even if it were proven beyond doubt that no subsidies were moving between the owner and the MHC. It is also worth noting that the sectors are in many ways alike - MHC construction is generally funded on the open capital market (although some MHCs use bulk borrowing though the association for Swedish municipalities). New legislation will also force the MHC to tender new projects competitively. The principal differences between the private and public rented sectors are the age structures of the stock (the private rented stock tends to be older) and differences in social responsibility.

3. Demographics

All households are eligible to live in the MHC; dwellings are allocated on the basis of waiting lists. There is no upper income limit, but it may be complicated for vulnerable households - for example, those with rent debts - to be accepted as tenant. In such cases, the municipality may step in as a guarantor. Although the MHC is available to

all households, the social profile of MHC tenants differs from the overall Swedish average.

Figure 2: Household types by tenure, 2004 (number of households)



Single parents with children, as well as elderly singles, are overrepresented in the MHC (Figure 2, Table 3). Household income is lowest in the MHC (Figure 4), and the sector houses the highest percentage of families below the poverty threshold.

Immigrant families occupy an important share of MHC dwellings -- they make up over 30% of MHC residents in metropolitan areas, but only about 15% in small towns and rural areas. Immigrants from poor countries are particularly likely to live in MHC housing (Figures 4 and 5).

Table 4: Household types by tenure, 2004

Type of household	Tenure form (%)				Total
	Owner- occupied single family houses	**Cooperative dwellings**	**Private rented sector**	**Municipal housing companies**	
Single, up to age 64, no children	9.1	35.3	46.7	40.0	29.3
Single, 65 and over, no children	8.4	19.9	14.9	18.5	14.5
Couple, up to age 64, no children	23.8	15.8	12.7	10.1	16.6
Couple, 65 and over, no children	13.8	8.8	4.8	5.4	9.2
Single with children	2.5	5.4	7.8	9.4	5.5
Couple, 1 child	9.7	5.6	4.6	5.5	6.7
Couple, 2 children	17.2	4.7	4.2	3.7	9.0
Couple, 3 or more children	7.4	1.6	1.7	2.8	4.0
Other households	8.0	2.9	2.6	4.6	5.1
Total	100.0	100.0	100.0	100.0	100.0

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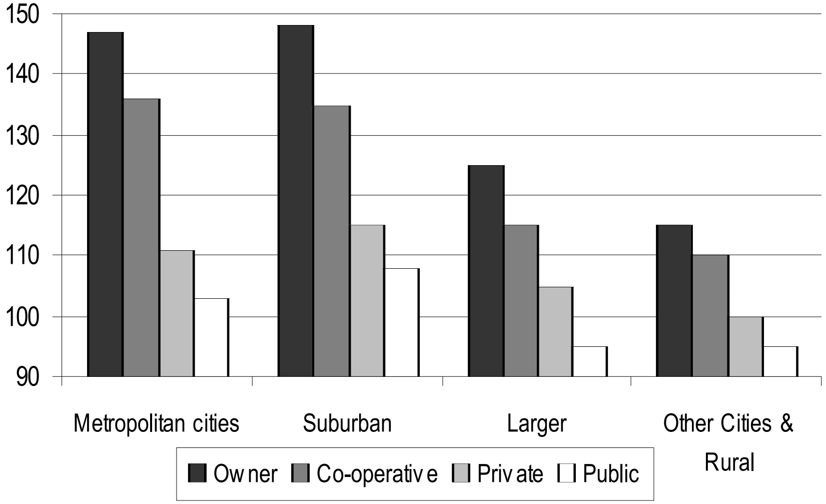
Figure 3: Median disposable income per person (100s of SEK) in different tenures and city types, 2002



NB: Metropolitan cities: Stockholm, Göteborg, Malmö
Suburban areas: smaller municipalities surrounding these cities
Larger cities: other cities of over 80,000 inhabitants

Figure 4: Share of immigrant families in different tenures and city types, 2002

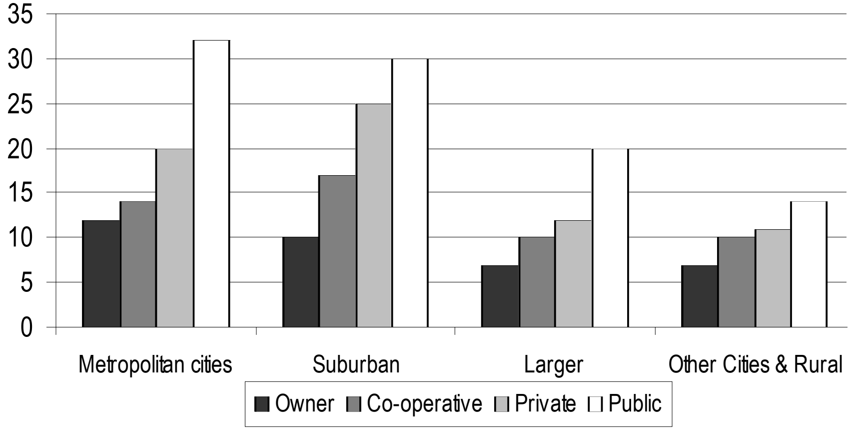
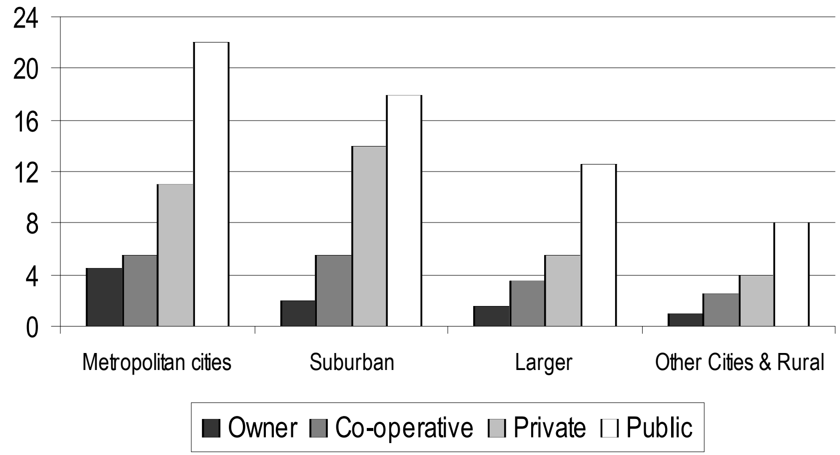


Figure 5: Share of immigrant families from poor countries in different tenure forms and city types in 2002



At a regional level, there are large differences in access to public housing. In broad terms, there is a surplus of vacant MHC dwellings in smaller and less successful areas, and a shortage in larger cities. Table 5 demonstrates a dramatic development since 1995. Vacancies disappeared in larger cities, but still exist in smaller and more rural municipalities in spite of widespread demolitions from 1995-2000 (or sale in a few cases).

The table highlights the regional diversity of the MHC in Sweden. The sector acts very much like social housing in weak areas of Sweden, while it competes with the private sector in economically strong areas.

4. Changing needs

Housing preferences have not changed much in Sweden over the last decade. There is still a general preference for owner-occupation and cooperative dwellings. Increasing house prices has made it more complicated to move away from the countryside or out of the rented sector. This is problematic, as the rate of urbanization is rather constant.

Table 5: Share of vacant dwellings in municipal housing companies in 1995 and 2005

Type of municipality	Average number of dwellings in the MHC	Vacancies 1995	Vacancies 2005	Loss of dwellings since 1995 (%)	N (1995)
Large cities = municipality > 200 000 inhabitants	66,132	2.2	0.3	2.5	3
Suburban municipalities	3,402	2.3	0.3	15.7	36
Other larger cities	9,462	4.1	1.2	7.1	26
Medium-sized cities	2,925	6.3	2.9	10.8	40
Industrial municipalities	1,291	8.8	5.6	14.2	53
Rural municipalities	909	6.5	3.9	6.9	27
Low-density rural municipalities	684	8.8	6.6	2.0	29
Other larger municipalities	1,786	7.1	4.0	7.2	31
Other smaller municipalities	697	7.6	3.7	5.1	39
Total	3,096	6.5	3.8	9.2	284

Because of this house-price rise, households with few resources avoid high-priced regions (even if that is where the jobs are located) or move into more crowded accommodation. Previously, the state supported construction of low-cost housing to rent by offering an upfront grant for rented housing, preferably with a low rent in high-price areas. It was partly successful, but did not reach the really unaffordable cities and districts. A second form of support was the VAT exemption given to all forms of construction.

Both these programmes were stopped by the current government. This removal of subsidies has led to a fall in new construction in the rented sector. Instead, the government puts much trust in vacancy chains, which it expects will appear with the construction of dwellings for better-off households.

5. Rent levels

The Swedish rent setting system links the negotiated local rent structure in the MHC to the rent structure in the private rented sector (see above). In principle, the rent level in comparable municipal dwellings acts as an upper limit for rents in private sector. This rule is now under heavy criticism because, according to the private property owners association, it forces the private landlords to adapt to a rent level, which might be blurred by subsidies in the MHC sector (and a non-profit regime).

Table 6 are the results of a housing and rent survey from 2004. It compares rent per square meter by year of construction for the private and MHC sectors. This is just a partial control. It would also be appropriate to control for location within a city and type of municipality. In general, private rented houses are better located within a city, and they are better represented in larger cities, where rents tend to be somewhat higher. The higher private-sector rent levels shown in Table 6 are thus partly misleading.

Table 6: Private and MHC rents, 2004

Year of construction (all Sweden)	Rent/m^2 in private rented sector	Rent/m^2 in municipal housing companies
1995 -- 2004	1085	1001
1985 -- 1994	899	870
1975 -- 1984	840	787
1965 -- 1974	801	749
1955 -- 1964	765	793
1940 -- 1954	792	799
-- 1939	803	796

Source: Housing and Rent Survey 2004 (own calculations)

Table 7 gives results just for the largest cities. Differences still exist, but they are partly explained by the better location of private rented dwellings and the fact that private rents are allowed to be up to 5% higher than municipal rents.

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Table 7: Private and MHC rents in metropolitan cities, 2004

Year of construction	Rent/m^2 in private rented sector	Rent/m^2 in municipal housing companies
1995 -- 2004	1233	1156
1985 -- 1994	1082	993
1975 -- 1984	914	877
1965 -- 1974	905	814
1955 -- 1964	848	868
1940 -- 1954	953	855
-- 1939	1001	929

Large cities = municipality > 200 000 inhabitants

Housing allowances can reduce spending on rent by households with children or elderly households. Eligibility is not dependent on whether the landlord is private or public.

6. Moves to other forms of affordable provision

There have historically been few initiatives to encourage low-income households to move away from the rented sector, but the current right-wing government has introduced two. First, the government wants to help young and poor families enter the owner-occupied sector (single-family houses), mainly through supplying improved credit guarantees. The second initiative, which just is being discussed, is a 'let-to-buy' programme to help poor households when their rented flat is up for sale. Such households are often unable to pay the down payment required to transform their dwelling into a cooperative. The present law requires that at least 2/3 of tenants vote in favour of the formation of a cooperative. When the cooperative is formed, and it is time to buy the property, it can happen that those households who need to finance their purchase with loans do not qualify for bank loans. The government's proposal is to give these households a credit guarantee that will enable them to get a loan. The MHC can then sell the unit at market or cost-recovery price (rather than offering a lower price to low-income households), which protects its financial position.

7. How politicians are thinking about the role of social housing at the present

Right-to-buy schemes, through which rented units are transformed into cooperatives (which have many of the characteristics of owner-occupation) have always been popular in the more attractive parts of the larger cities and where existing rent-control schemes have resulted in excess demand. These schemes were limited by a partial moratorium on sale of MHC property, put in place 1 April 2002, but the new conservative government intends to revive them, rejecting arguments that the MHC sector is good in and of itself, and that the rent-setting system requires a large MHC sector to function properly. The government says it is particularly important to transfer rented units into cooperatives in socially unattractive high-rise neighbourhoods. The aim is to fight segregation and to stabilize the areas by making them mixed-tenure. The government is obliged to sell only to sitting tenants. So far, these tenants have not been convinced that such a transfer is in their interest - at least, not at a price which compensates the MHC for loss of future cash flow. Tenants receive no discount on the market price in these unattractive areas, but dwellings tend to be sold with a de facto 50 per cent discount in attractive areas, as the market value of these dwellings far exceeds their "book" value to the MHC. MHCs are also hampered by the obligation to sell only to sitting tenants - of whom some may be poor. Subsidies and extended credit guarantees are being discussed.

8. Future Issues

The housing policy debate in Sweden is currently focusing on the future of municipal housing companies. There are several components in this discussion. The November 2006 discussion focused on the removal of upfront grants and the remaining interest subsidies, as these made no distinction between the private and public parts of the rented sector, and thus were seen to be too general to be efficient - from a market perspective.

The municipal housing companies had just started to increase their construction activity, as a very late response to increased demand. The discontinuation of government subsidies may increase first-year running costs by 10-15 per cent, which, according to a survey done by SABO (the association of municipal housing companies), could reduce planned construction by fifty per cent. Commentators argue that the cost sensitivity is very high and new construction is easily decreased or replaced by new cooperative construction. This turned out to be an exaggeration, but the number of new starts within the municipal sector has decreased by approximately 30 per cent (as of January 2007).

The second line of discussion concerns privatisation. The government promise to repeal the law that placed a (conditional) moratorium on the sale of MHC dwelling to sitting tenants started an intense discussion in many municipalities. Decisions on the sale of local stock are taken on a municipal political level, and they follow political lines. Conservative local authorities are more willing to sell than social-democrat-run municipalities. It is still too early to project the magnitude of sales, but there is certainly a heated debate going on.

These discussions at local and central level have been stimulated by the present EU policy on competitiveness and the complaint from the Swedish property association. Local politicians have become more aware of the EU attitude towards municipal companies that compete with the private sector, using taxpayers' money. The situation is particularly complex, given the clause in Swedish rent legislation that ties the private-sector rents to negotiated rent levels in comparable municipal dwellings.

The response, judging from a number of local debates, will either be to sell part of the municipal housing stock and/or to make the remaining part more socially responsible (see Magnusson & Turner, 2006). EU legislation on state support accepts sheltered companies (i.e., those subsidized by taxpayers) if they have a social mission, such as accommodating vulnerable households or acting in a low income region.

The question not yet touched upon in Sweden is whether a right-to-buy scheme can be implemented without the discounts that have been used in other parts of Europe. The general feeling is that heavy subsidies are not needed, especially since MHC housing attracts very little of the stigma that might justify a discounted selling price.

9. Recent initiatives

The new right-wing government, driven by ideological arguments, has discontinued investment grants and interest subsidies and placed more emphasis on housing allowances. The government also argues that market-driven new construction will result in vacancy chains, which will benefit less-well-off households. Supply-side subsidies have thus been fully abolished, leaving housing allowances as the only remaining subsidies. These benefit mainly the elderly poor and poor families with children. The funds will, however, be spent on special dwellings for the elderly. Programmes have also been proposed to help young people enter owner-occupation using credit guarantees or rent-to-buy schemes.

10. Milestones in Swedish social housing history

1930 MHCs were allowed to take up state loans. At that time, MHCs built for retired people and poor families with children.

1946 New housing policy which set out the framework for MHCs. The MHCs were given a strategic role as the main provider of housing for "ordinary" people

1974-1975 New legislation gave the municipalities the major influence over MHCs; the boards were elected on political grounds. MHC influence on rent setting in the private sector was also reconfirmed.

1991 All differences in borrowing conditions were equalised, and most of the subsidies were phased out over a five-year period.

2002 Allbolagen introduced: a moratorium on the sale of MHCs, if it would jeopardise rent setting.

2007 A possible removal of Allbolagen, MHCs' rent-setting hegemony, further removal of remaining subsidies and a possible discussion with EU à la Holland.)

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12. Social Housing in Transition Countries[1]

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The aim of this paper is to give an overview of social housing policies in transition countries; it does not, however, aim to give a systematic description of social housing programs and housing sector developments in individual countries.

In the East-European Housing Model (EEHM), social housing had a special meaning: it was 'state' housing. The state (in the broad sense)[2] controlled both the demand side 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 services were provided in kind or at below cost or market price, and new and vacated housing units (apartments) were allocated according to 'merit' rather than housing need. As a consequence of the artificially low, subsidised housing prices, an enormous shortage emerged leading to a dual housing market, where, alongside the state-controlled sector, which included both public rented and the controlled owner-occupied sector, a sphere of private transactions emerged: self-help buildings, private transactions in the rented sector, private real estate market transactions, a market for sub-tenancy, and a small entirely private rented sector (Hegedüs-Tosics, 1996). There was no special sub-sector or sphere which could be called 'social housing'.

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, 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, liberalized prices for housing services, privatized public housing, privatized the banking sector, etc. The negative consequences of this economic restructuring (regional and social inequality, declining living standards, affordability problems, etc.) have heightened demands on the welfare mechanism. These processes have been carried out at different speeds and in various ways in different countries and in different sectors, which is understandable, given that the development of the housing policy takes place within the framework of social policy (and, in a broader sense, within the framework of the welfare regime). After 15 years, most areas of the welfare systems (education, health, social provision, etc.) of transition countries are still in flux.[3]

In this overview, firstly, we deal with the processes and consequences of privatisation and restitution, then we summarise programmes targeted at the rental and owner-occupied sectors, some of which are for low-income households, and at the end of the paper draw some conclusions about the future of social housing in the region.

Housing privatisation and restitution

Policy choices regarding housing privatisation and restitution, one of the central topics of housing policy discussions in the region, should be analysed within the framework of the transition. The decision about whether to privatise (and restore dwellings to their original owners) was not a choice between the 'unitary' and the 'dual' model, as the unitary model was not a feasible option. To turn the socialist rented sector into a unitary one would have involved several difficult policy steps, which were not realistic under the structural constraints these countries faced - fiscal pressure, new political systems, privatised economies, reformed public sectors, etc. To create a social housing sector from the ex-state-owned rented sector would have required basic changes, including the introduction of allocation based on need, income-related, means-tested, housing allowances, cost-based user charges and the reduction of tenants' property rights. Typically the political costs of enacting these changes were high and the incentive structure was not in place to achieve them.

Most of the countries in transition sold 75-95 % of their stock of public housing to sitting tenants (See Table 1), usually at give-away terms-that is; these tenants typically paid less than 15% of the market price, and in some cases received the dwellings free of charge (e.g. in Russia, Georgia, etc.). Various financial schemes were employed, including vouchers (Czech Republic, Latvia, etc.), compensation shares (Hungary), special loans, advance payment schemes, etc. In some countries privatisation was done under national laws, which introduced the right to buy (Hungary, Russia, etc.), but in other countries local governments (the new social landlords) had the right to decide.

Privatisation was undertaken even in the absence of a clear and efficient legal framework for the operation of multi-unit buildings. Most countries, at least in the beginning, maintained the traditional structures: the state owned the structural elements of the building, state maintenance companies had a monopoly, and there was price control for housing-related services. This led to rapid deterioration of the buildings, and fragmented, unprofessional maintenance companies (Hegedüs-Teller, 2004).

Social Housing in Europe

Table 1: Housing privatization (%)

	public rental as % of all dwellings		
	1990	**after 2000**	**% privatised**
Albania	35.5	1.0	97.2
Lithuania	60.8	2.4	96.1
Romania	32.7	2.7	91.7
Serbia and Montenegro	22.2	2.8	87.4
Croatia	24.0	2.9	87.9
Bulgaria	6.6	3.0	54.5
Slovenia	31.0	3.0	90.3
Hungary	23.0	4.0	82.6
Armenia	52.5	4.0	92.4
Estonia	61.0	5.2	91.5
Republic of Moldova	21.0	5.5	73.8
Slovakia	27.7	6.5	76.5
Kazakhstan	66.1	6.8	89.7
Latvia	59.0	16.0	72.9
Poland	31.6	16.1	49.1
Czech Republic	39.1	17.0	56.5
Ukraine	47.3	20.0	57.7
Russian Federation	67.0	29.0	56.7

Source: UN-ECE 2002, Hegedüs-Struyk, 2005

In 2001 there were still some countries with a relatively large public rented sector: Czech Republic (17%), Poland (16%), Russia (29%), and Latvia (16%). These countries will probably continue to privatise; it is less likely that they will be able to convert their post-socialist rented sectors into unitary public rented sectors, because they are under both political and financial pressure to privatise: households expecting rent increases would like to buy their homes, and local governments are under fiscal pressure and would like to sell. The privatisation process has been slowed by several factors, including households' lack of resources, a lack of financial incentives for local governments and households, and certain procedural rules (land registration, the requirement that at least 75% of tenants intend to buy, etc.).

Co-operative housing in Eastern Europe represents, in principle, a tenure form between public rental and owner occupation. In fact, however, there were only minor differences between living in a co-operative and a state rental unit, as the construction, allocation, and financing were managed by the organizations under direct state control.[4] Cooperatives had an important role in Czechoslovakia, where they made up 17% of the housing stock, Poland (24%) and the Soviet Union (4%) before 1990.[5] In a legal sense there were several types of cooperatives, including tenants' cooperatives, owners' cooperatives and building cooperatives.[6] In most of the countries, the cooperative sector has disappeared or been transformed into owner cooperatives, which are basically a form of owner occupation. There is no reason to classify them as a form of social housing, although there have from time to time been attempts to re-introduce new cooperatives in transition countries.

Restitution, when former owners of property reclaim assets that were expropriated from them or which their families had been forced to sell, played an important role only in the Czech Republic, where about 7% of dwellings were restored to their former owners[7], but it was possible in most of the countries except Hungary and Russia. Restitution did not create a substantial sub-market, but it had a huge influence on the operation of the sector because it led to uncertainty about property rights. It also caused social tensions because the position of the sitting tenants was unclear.

New trends in social housing

Economic recession in transition countries had a huge impact on housing: housing output decreased severely, state housing subsidies were cut and prices of housing-related services (energy, water, waste management, etc.) were liberalized. Housing privatisation in the short run freed some of the reserves in the sector, and even helped households adjust to the new economic conditions (Buckley et al, 2003). However, the future housing model in transition countries depends on how these countries respond to the situation brought about by market creation policies.

The development of social housing is an important element in market correction strategies. In this discussion of social housing programs, we identify three types of intervention:

1. housing allowance,

2. creation of a new social rented sector,

3. support for low-income households to access owner occupation.

Housing allowances

Housing allowance programmes in the region were a form of income support for paying housing costs, rather than demand-side housing subsidies as in western countries. The allowance programs were aimed primarily at helping to pay the utility costs (energy, water and sewage, etc.) of low-income households. They aimed to correct the social effects of the liberalisation of prices for housing-related expenditures (an element of the market creation strategy). Consequently, the housing allowance programs in the region did not help to provide access to housing (Hegedüs-Teller, 2005).

In the five new EU countries, housing allowance programmes reach 4-8% of households, and in Poland, Slovakia, and the Czech Republic the average size of the housing allowance is €25-37 per month. The allowances are typically well targeted, even though household incomes are poorly measured. Because of privatisation, households both in the owner-occupied and rented sectors are typically eligible for the subsidy. Slovenia uses rent allowances for a relatively small group (around 2,700 households). In the Czech Republic and Slovakia the program is managed and financed through decentralised administrative units of central government, while in other CEE countries it is administered by local authorities. In Poland and Hungary, costs are shared between the two levels of government. In general, the housing allowance program is most significant in Poland and the Czech Republic, and less significant in Slovenia.

However, it is important to emphasise that housing allowance systems are changing, and are under pressure in almost every transition country. New rent regulation in the Czech Republic will force the government to introduce a rent allowance program. In Hungary the share of housing allowances was less than 4% in 2002. In 2004 a new national program was introduced (90% financed from by central government according to centrally defined criteria and formulae), and total housing allowance paid €11 million (2004) to €30 million (2005).

Promoting a new social rented sector

At the end of the 1990s, most countries in the region had recovered from the transitional recession and realised that housing was an important and neglected area of public policy. National housing programs were prepared (Slovakia 1999, Hungary 2000; Romania 2000; etc.) which emphasised the role of the rented sector. Two types of rental programme were proposed and partly introduced:

1. expanding the existing - but shrunken - municipal housing stock;
2. introducing or expanding the amount of rental housing owned by non-profit housing institutions.

Local government programs

The mainstream approach was the use of local authorities: Slovakia, Czech Republic, Romania and Hungary chose this solution. The programs typically used a matching financial structure, where the central government subsidised construction and imposed conditions with regard to rent setting, allocation and construction.The conditions were not only different in the various countries, but have also changed over time.

In regulating rents, some governments set annual rent ceilings that were related to the replacement value of the dwellings. This ceiling was 3% in Slovakia and Poland[8] and 5% in the Czech Republic. Actual rents were set by local authorities at levels well below the ceilings, because they were uncertain about tenants' ability to pay - interestingly enough, these ceilings were imposed because legislators assumed that local authorities would like to increase the rent above these levels. In Poland, for example, the average rent is around 1.5% of the replacement cost (Uchman and Adamski, 2003). In Romania, the rent is limited to 25% of net family income or the net average wage, whichever is less (Pascariu and Stanculecu, 2003). In the new rental program the maximum rent is 10% of the net family earnings. In Hungary, the rent regulation aimed to force local authorities to charge a rent for the newly established cost-rental units that would be close to cost-recovery level.

Some central governments defined allocation criteria, prioritising young families, households in certain income brackets, etc. In Slovakia a maximum income level applies, and in the Czech Republic means testing was introduced after 2002. In Hungary, however, local authorities may set their own criteria. In Romania, local governments use their own scoring system. Social housing law requires that they apply an income ceiling, but does not specify the basis for calculating it.

An important question was whether the new units were eligible for privatization. In Tallinn, the public housing program permitted tenants whose previous dwellings had been restored to their former owners to buy their home after five years (Kahrlik et al, 2003). In the Czech Republic, the new rental homes functioned the same way as cooperatives before 2002 (Donner, 2005, p72).

The planned size of the new social housing programmes is substantial. In Poland and the Czech Republic, municipal housing is set to make up 15-25% of new housing construction. In Romania 40,000 units were planned over four years, which was 30% of new construction. The number of new rented units actually built between 2000 and 2004, however, was only 19,000, which represented less than 10% of new construction. In Hungary, the program was stopped after 2004, and the actual rental construction was under 10% of total new construction.

Non-profit housing associations, co-operatives and public-private partnership

The co-operative sector is in crisis in most of the transition countries, because this tenure is considered to be a version of public ownership. The form of ownership has lost most of its privileges (which included grants, subsidised loans, free access to land, etc.), and now has to compete with the private sector. However, there have been several attempts, frequently supported by European donor agencies, to establish new non-profit (or limited-profit) organizations providing apartments for rent.

Poland

The most successful attempt was Poland's TBS (housing association) programme, which was based on a French HLM model. A key subsidy element is provided by the state in the form of a low-interest loan. Other financing sources can include tenants, local government, and the non-profit entity. The TBS can take different legal forms: limited liability company, joint-stock company, or cooperative of legal persons, but it cannot make profit. The majority of the TBSs are set up by local authorities. TBS rents are set by municipal councils as cost rents, but cannot be higher than 4% of the construction cost (replacement value) of a unit set by the voivoda (head of the Regional Council) in its quarterly edicts. The total income from the rent payments for all dwellings owned by a TBS must cover all maintenance and repair costs, as well as the payment on the loan from the National Housing Fund. Detailed rules for allocating new rental flats and income ceilings were introduced by a special act (Lux, 2003).

The programme has received some criticism not because of its performance, but because it has diverted resources from municipal housing construction. One analyst concluded that the TBS program was able to provide good quality housing, but that even the controlled rents were too high for many poor households (Zavislak, 2003). Meanwhile, the existing social stock is insufficient to supply demand in the 'true social' sector. Expanding this sector would make it socially acceptable and politically viable to relax rent regulations. The size of the programme depends very much on Housing Fund resources. In 2001, 10,000 TBS dwellings were built, which was 10-15 % of new construction.

Slovenia

In Slovenia by 2006, 65 limited-profit housing organizations had been set up by municipalities and construction companies as a replacement for "solidarity housing". They built around 2500 units between 1991 and 2004, which represented less than 5% of new construction (Donner, 2005). Under a Dutch grant programme a non-profit organization called Matra was established in 2005; this is owned entirely by the city, and manages 678 municipal dwellings (Cervenová, 2005).

Serbia

The reform of the housing sector in Serbia started with the transformation of Solidarity Funds for Housing Construction into Municipal Housing Agencies, which are seen as the basic implementers of Serbia's new social housing system. The City Housing Agency of Kragujevac was founded as a public non-profit housing organization for the implementation of the city housing policy in the field of social housing (SIRP, 2005).

The private sector

Some countries have explored the use of the private sector to provide social housing. Bosnia-Herzegovina has employed a version of public-private partnership: an Austrian non-profit organization purchased in a social rental building and leased it on a 30-year lease to Sarajevo Canton, which pays an annual rent of 5% of the project value out of normal tax revenue. Tenants will pay a monthly rent of €2.5/m^2; the average rent per flat is €125 (Dzepar-Ganibegovic, 2003).

3. Support for owner occupation

After the large-scale privatisation of the region's housing, a way had to be found to help households access owner occupation. The institutional structure of the public rental sector had not yet been developed, so any social housing programmes had to support needy households' access to owner-occupied housing as well. This is a second best option, but it may be justified either in rural areas or in respect of income groups who only need minor help to enter or remain in the owner occupied market.

The task was to design programmes to help low-income groups access owner occupation or improve their housing conditions through renewal and reconstruction. However, even middle and upper-middle income households often faced affordability problems because of the collapse of the housing finance system in the region (Hegedüs-Struyk, 2005).

From the middle of the 1990s, the region's policymakers focused on developing a housing finance system, particularly one that could offer affordable loans for middle-income households. Special schemes including subsidised mortgages and tax allowances or grants for housing-related expenditure were introduced. Versions of the German contract savings scheme were employed in some countries, including Slovakia (1993), Czech Republic (1994), Hungary (1997), Croatia (2000), Romania (2003), Bulgaria (2004), but not in Poland (Uchman and Adamski, 2003).

These measures primarily benefited higher income groups, and in addition created a huge fiscal burden for the governments. The programmes are typically aimed at households facing affordability problems, but they are not well targeted. Even if means testing were implemented, however, it would be difficult to administer efficiently in countries where the informal economy may account for more than 30% of GDP. Countries therefore have used proxies to substitute for or supplement income limits; these proxies related either to other characteristics of the recipient household (number of children, first-time buyers, young families) or to the size and value of the housing unit subsidised. Most of the home ownership programmes are used for new housing, which could have a regressive income effect.

4. Conclusions

In transition countries, the disintegration of the EEHM did not lead to a new housing regime. Developments in the social housing sector were a, sometimes unintended, result of the social forces defining the transition from the centrally planned economy to the market economy. In this process, several institutional, social and economic factors constrained the development of the social housing sector.

Privatisation and restitution had a dominant effect on the transformation, not only because of the dramatic change in the tenure structure, but because of the uncertainty it created. The social meaning of tenure under the socialist housing system developed according to special legal, economic, social and cultural factors influencing the housing system. In the socialist system, public rented housing was considered to be a 'safe' tenure: it was transferable (tenants could move from private ownership to public and vice versa, and could inherit units from relatives), rents were predictable (they were typically around 5-6% of average income).

The transition changed not only the structure of tenure, but its meaning as well. The uncertainty created by the transition process was an important factor in residents' desire to become home-owners. Public renting became a non-preferred tenure, representing the residual solution for households that could not buy their own homes (Hegedüs-Teller, 2006).

The privatisation drive seems to be over, but in most of the countries privatisation still exists as a legal option. Due to financial pressures and support from sitting tenants, politicians tend to support privatisation. In the case of restitution, however, it is very difficult to achieve a long-term compromise among the various interested groups.

The basic problem is that the remaining municipal housing sector has not been stabilised institutionally and financially. In many decentralised systems local municipalities are responsible for managing social housing, which is the most dilapidated part of the housing stock and where the poorest households are concentrated. Rents typically do not cover operating and maintenance costs. It is not in a local authority' economic interest to expand the social rental sector, since it makes considerable losses. The sector can also be the source of political tension -- for example, tenants' protests against increased rents, or other residents' opposition to new social rental units in their neighbourhood. As a consequence, the process of demolition continues, because proper maintenance is not carried out; household willingness to pay rent is low leading to arrears, and the local municipalities have disincentives to maintain and develop the sector.

The insignificant role the social rental sector plays in the transition countries can be explained partly by privatisation and restitution, and partly by the financial and legal framework. In general, those households choosing the rental option are at a financial disadvantage as compared to owner-occupiers. They are not eligible for the same grants, and neither tenants nor landlords receive tax concessions. The lack of proper legal regulations makes both tenants' and landlords' situations unpredictable. The demand for the rental tenure is largely residual, caused by the crowding out of the households from the owner occupied sector.

Endnotes

[1] The paper uses the results of the research undertaken in the EU 6th Framework Program OSIS (Origin of Security and Insecurity of Homeownership) Project's relevant work packages (Contract no: CIT2-CT-2003-506007), and the following publications: Hegedüs-Struyk, 2005; Hegedüs-Teller, 2005, 2006a, 2006b, 2006c, Hegedüs-Somogyi, 2005. This is a shorter version of the paper of Hegedüs, 2006.

[2] The state included not only the 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.

[3] Thus it is perhaps natural that there are conflicting interpretations (Deacon, 1998, 2000, Ferge, 2001, Lendvai, 2005, Manabu 2004).

[4] The cooperative members could typically sell their flats independently, the cooperative being obliged to admit the buyer to cooperative membership, and these flats could also be inherited.

[5] Source: Clapham, 1996

[6] Building cooperatives in Bulgaria or in Hungary were not a separate tenure, because the cooperatives existed only during the construction period, and ceased to exist after the building authorities granted the right to use the building.

[7] In the Czech Republic restitution led to quite a substantial regulated private rental sector. By the end of 1993 the process had finished, and only a small number of cases were waiting for court solution. (Sykora, 1996).

[8] The rent ceiling was to be abolished in 2004.

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