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THE SOCIAL AND NON-PROFIT RENTAL SECTORS IN PORTUGAL AND DENMARK: ISSUES OF SUPPLY, HOUSING QUALITY, AND AFFORDABILITY¹

SÓNIA ALVES*, HANS THOR ANDERSEN**

Summary

1. Introduction. 2. On the Relationship Between Political Ideologies and Housing Systems. 2.1. Kemeny on Rental Housing Markets. 3. Housing policy and markets in Portugal and Denmark. 3.1. Housing affordability: a comparative analysis. 4. Non-profit housing in Denmark: Main problems and challenges. 4.1. The case of Copenhagen: Declining affordability in the non-profit sector. 5. Social housing in Portugal: Main problems and challenges. 5.1. The case of Lisbon: decreasing affordability of housing for low and middle-income families. 6. Conclusion.

Abstract

Contrasting the characteristics of housing markets between countries and cities highlights not only various social, economic, and political structures and circumstances but also different ideologies regarding the role of de-commodification in housing access. By discussing the main concepts and theoretical claims of Kemeny's theory of rental systems (1995), and the characteristics of the housing system in Portugal and Denmark, two countries that are at two ends of a spectrum when it comes to the organizing of the welfare state and housing system, this paper aims to unravel divergence

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between them, with a specific focus on the capitals Lisbon and Copenhagen. The paper is based upon a comparative methodology that involves statistical and qualitative data analysis at national and local scales. Comparison of the cases of Lisbon and Copenhagen serves two purposes. First, it emphasizes very different approaches to social and/or non-profit housing provision and its relative weight within the housing stock. Second, it correlates the mode of providing this housing with processes of tenure segmentation, spatial segregation, and housing affordability. We conclude that, as income inequality has steadily increased in Denmark, and the idealistic claim regarding the equality of housing provision irrespective of income and social position has declined over the last decade, affordability problems have increased considerable. In Portugal, where problems of inequality remain deeply embedded in the country's social and institutional structures, housing provision and consumption has become more the concern of markets and families than of governments, reinforcing inequality.

1. Introduction

The objective of this chapter is to develop an empirical comparative study of the social and non-profit rental sectors in Portugal and Denmark with a focus on Lisbon and Copenhagen. Portugal and Denmark have been chosen because these countries lie at opposite ends of a spectrum with respect to their welfare and housing systems, while Lisbon and Copenhagen concentrate the main socio-economic and urban problems related to housing affordability and inequality in their respective countries. Whilst Portugal is characterized by modest levels of economic redistribution and high levels of economic inequality, and Denmark by low levels of inequality and high levels of de-commodification, both capitals have undergone important and contradictory transformations over recent decades with implications for the respective housing markets. Thus, the chapter contributes to a comparison of the Nordic and Southern European countries that has been largely neglected in international housing studies, envisaging that the international comparative analysis (e.g. on issues of financing, the role of institutions, management etc.) might contribute to new avenues of discussion and of advancement of policy formulation and delivery. From a longitudinal perspective, this chapter aims to unravel the political, cultural, and economic circumstances that led to divergence between the social and non-profit rental sectors in Portugal and Denmark, but also the factors that have led to processes of change and convergence in recent decades.

In this chapter, we decided not to use the 'catch-all' concept of 'social housing' to cover "all housing where rents are not set by market criteria and allo-

cations are made by administrative criteria”², but instead retain the concepts of ‘private non-profit rental’ and ‘social housing’ as they are usually used, respectively, in Denmark and Portugal. This distinction can be justified on two main grounds. First, the legal nature of the providers, that is, private without the purpose of making profit in the case of Denmark, public in the case of Portugal and, second, the rent regime and allocation mechanisms, that is, the set of eligibility and allocation rules which determine who has access to this housing. In Portugal, access to social housing is means-tested, and restricted to families with high levels of ‘social needs.’ Whereas the national government provides the funding instruments, the financial regulations and generic guidelines, the local authorities take the responsibility for providing the land, the planning/ implementation of the projects and the management of social housing (directly or indirectly through a public housing company)³. In Denmark, provision of decent and healthy accommodation for non-profit housing associations is an integral part of the Danish welfare system. The non-profit sector is based on ‘cost-rents,’ i.e. rents are set accordingly to costs of producing and running the housing units. The sector is financed by mortgages on market terms (cover 88% of the construction costs, including land), and by local government subsidy both on 10% of costs of construction (with an upper limit for the building costs being regulated annually) and 2 % by tenants. Low-income households are entitled to housing benefits.

The chapter is structured as follows. The first part offers a review of the concept of ‘housing affordability’ and of several concepts and theories developed by Kemeny⁴, as they are useful to understand the long-term structuration of rental markets in Portugal and Denmark. The second part, offers an empirical comparison of Lisbon and Copenhagen that is covered in separate

² R. Ronald, “Housing and welfare in Western Europe: Transformations and challenges for the social rented sector”, *Journal of Land, Housing, and Urban Affairs*, IV (2013), p. 2.

³ S. Tulumello, A. C. Ferreira, A. Colombo, C. F. D. Giovanni, M. Allegra “Comparative Planning and Housing studies beyond taxonomy: a genealogy of the special programme for rehousing (Portugal)”, *Transactions of the Association of European Schools of Planning*, II (2018), pp. 32- 46.

⁴ J. Kemeny, *From public housing to the social market: Rental policy strategies in comparative perspective*, London, Routledge, 1995.

sections. It includes the discussion of macro and micro-level housing circumstances that have led to specific policies (the eradication of *barracas*, conversion of tenures, etc.), and to specific outcomes (lack of funding, shift in policy priorities etc). The concluding section presents a systematic cross comparative analysis that aims to highlight the rationales and modes of organization of the rental systems in Lisbon and Copenhagen with reference, for example, to housing affordability and quality challenges over recent decades.

2. On the Relationship Between Political Ideologies and Housing Systems

Regarding similar social needs (e.g. education, health care, social protection, housing etc.), societies develop different responses in terms of the division of responsibilities between the three pillars of the welfare triangle (government, families, and markets). Government intervention varies not only in terms of volume among the above-mentioned domains or sectors (e.g. education, health care etc.), but also in terms of the purposes and forms that investment takes. Besides, the investment (or lack of investment) in one domain can influence investment in other domains. Through international comparative studies, Kemeny⁵ has predicted that the expansion of home-ownership leads to the increasing privatization of other spheres of life. As explained by van Gent⁶, Kemeny argues that in societies: “where owner-occupancy has been the norm, the high costs of purchasing a house, especially during young adulthood, will lead to voter resistance among the cash-strapped owners against extensive welfare provisions because of the (extra) taxation required to fund welfare”⁷; as well, that an increase in working class home-ownership leads to a decrease in political radicalism. The relationship between the expansion of home-ownership and state spending on pensions has also been scrutinized, the argued run-

⁵ J. Kemeny “Corporatism and Housing Regimes”, *Housing, Theory and Society*, XXIII (2006), pp. 1-18.

⁶ W.P.C. van Gent, “Housing Policy as a Lever for Change? The Politics of Welfare, Assets and Tenure”, *Housing Studies*, XXV (2010), pp. 735-753.

⁷ W.P.C. van Gent, 2010, pp. 737.

ning that the expansion of home-ownership, a crucial component in a household's economic budget, can have a palliative effect on public expenditure in later life phases⁸, as less housing costs demand less state spending⁹.

The two-sided relationship between welfare regimes and housing systems has been scrutinized¹⁰, becoming evident that whilst the welfare regime "defines the parameters within which housing systems and housing policies operate"¹¹, the housing system exerts an independent influence on the welfare regime.

In this regard, Malpass¹² argues that housing policies are contingent not only upon wider political and economic circumstances (e.g. the development of real estate and finance capital) but can also be used as a deliberate tool to re-define priorities and practices, and to influence further housing privatization generally¹³.

In this chapter we claim that housing systems can be used to measure the temper of a welfare regime as well as general level of social inequality in society. Although Portugal and Denmark are good representatives for a Mediterranean and a Social democratic welfare regime, respectively¹⁴, they are far from unalterable; as in both countries the state has reduced its financial obligations to the housing market and in particular to the lowest income strata. This policy change is partly due to external circumstances such as growing financial squeeze and competition; however, a change in priorities has also influenced

⁸ J. Kemeny, Comparative housing and welfare: Theorising the relationship, *Journal of Housing and the Built Environment*, 16 (2001), pp. 53–70.

⁹ A.B. Azevedo, J. López-Colás, J.A. Módenes, "Home ownership in southern European countries: Similarities and divergent patterns," *Portuguese Journal of Social Science*, XV (2016), pp. 275-298.

¹⁰ A. Venter, L. Marais, J. Hoekstra, J. Cloete, "Reinterpreting South African Housing Policy through Welfare State Theory," *Housing, Theory and Society*, XXXII (2015), pp. 346-366.

¹¹ A. Venter, L. Marais, J. Hoekstra, J. Cloete, 2015, p. 351.

¹² P. Malpass, "Path dependence and the measurement of change in housing policy," *Housing, Theory and Society*, XXVIII (2011), pp. 305-319.

¹³ J. Kemeny, "Home ownership and privatization. *International Journal of Urban and Regional Research*, IV (1980), pp. 372-388.

¹⁴ S. Alves "Welfare State Changes and Outcomes: the Cases of Portugal and Denmark from a Comparative Perspective," *Social Policy & Administration*, XLIX (2015) pp. 1-23.

the policy considerably. In Denmark the dominant trend regardless of government or majority in parliament is lower taxation and more market dependency (Andersen 2017¹⁵). In Portugal economic crisis and austerity policies, have provided an alibi for neoliberal narratives, grounded on the virtues of the market¹⁶. In both cases has the outcome been severe possibilities for low-income households to find decent accommodation in larger cities.

2.1. Kemeny on Rental Housing Markets

Whilst there is no single theory that fully explains processes of permanence or change in structures of national and local housing provision (in terms of institutional arrangements, models of finance, promotion, and management), Kemeny's theories of rental housing markets are an useful tool to explain trajectories of divergency of housing systems in the context of wider changes (social relations, politics etc.)¹⁷. Kemeny emphasizes the importance of ideology and power relations (e.g. between different interests, social, and political structures) to explain the way in which housing systems are formulated and change over time¹⁸. For Kemeny, "ideologies are not merely abstract systems of thought, but both reflect and can be used to transform existing social relations, institutions, and organisations"¹⁹, constructing a system of relationships that simultaneously generate path-dependent processes.

Kemeny is inspired by two concepts that underpin Esping-Andersen's theory of welfare regimes²⁰ and help to explain different types of welfare pro-

¹⁵ H.T. Andersen, *Copenhagen. The costs of urban renewal*, 2017 pp. 138-154 in R. Cucca, C.O. Ranci (eds), *Unequal cities. The challenge of post-industrial transition in times of austerity*, London, Routledge.

¹⁶ R. Branco, S. Alves "Urban rehabilitation, governance, and housing affordability: lessons from Portugal", *Urban Research & Practice* (2018) DOI: 10.1080/17535069.2018.1510540.

¹⁷ J. Kemeny, *From Public Housing to the Social Market: Rental policy strategies in comparative perspective*. London, Routledge, 1995.

¹⁸ J. Kemeny "Comparative housing and welfare: Theorising the relationship", *Journal of Housing and the Built Environment* XVI (2001) pp. 53-70

¹⁹ J. Kemeny, *Housing and Social Theory*, London, Routledge (1992) pp. 106.

²⁰ M. Stephens, "Using Esping-Andersen and Kemeny's welfare and housing regimes in comparative housing research", *Critical Housing Analysis*, III (2016), pp. 19-29.

vision across societies. First, 'de-commodification' which refers to the ability of individuals or households to enjoy an acceptable standard of living independent of market participation, that is, without relying upon income earned in the market sphere. Second, of 'stratification' as the welfare state is not just a mechanism that intervenes in the structure of inequality, but "it is, in its own right, a system of stratification"²¹.

He distinguishes: i) high levels of de-commodification in access to social resources and low levels of social segmentation in the social-democratic regimes; ii) high reliance upon the market and low levels of de-commodification in liberal regimes, in which access to social resources is restricted to individuals with greater and means-tested needs, and iii) the intermediate level of de-commodification in corporatist regimes in which the level of social protection is based essentially on the history of paid contributions, with the exception of social assistance. Alves²² adds a fourth typology, that is, the Mediterranean countries which are also characterized by low levels of de-commodification and high levels of stratification along class and professional lines. These countries are, however, characterized by higher levels of inequality between social classes, with families performing a crucial role in compensating state and market failures²³.

Regarding the structuration of rental markets, Kemeny distinguishes the ideologies of 'privatism' vs of 'collectivism', explaining that, whilst in one philosophy the state takes upon itself the direct responsibility for providing rental housing, in the other the state is either not a major provider itself and access to such housing – often provided on a non-profit basis – is not limited to households in need. Kemeny describes the integrated rental model as a 'social market model', one in which the state encourages cost rental housing to compete directly with the private-rental sector to dampen rents and to pro-

²¹ G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press and Princeton, NY: Princeton University Press, 1990, p. 23.

²² S. Alves, "Welfare State Changes and Outcomes: the Cases of Portugal and Denmark from a Comparative Perspective," *Social Policy & Administration*, XLIX (2015), pp. 1-23.

²³ J. Hockstra, "Two Types of Rental System? An Exploratory Empirical Test of Kemeny's Rental System Typology," *Urban Studies*, XLVI (2009), pp. 45-62.

vide good-quality housing on secure tenancy terms. Thus, it is seen as “a third way between two extremes of capitalism (liberalism) and communism,” one in which the state “would neither be subservient to the market nor try to determine and dominate it”²⁴, and can support a large stock of good quality housing that is not targeted by income limits in which rental is seen a good alternative to owner- occupation.

Azevedo, López-Colás and Módenes²⁵ claim that the southern model of housing is distinct from the European context according to five indicators: high rates of home-ownership across all social strata; high rates of second homes; deficient rental markets and social housing stock, and the role of the family in housing provision and self-provision. Whilst mortgage over-indebtedness is not a distinctive characteristic of the southern countries, the availability and accessibility of mortgages from the 1990s (when subsidized loans and tax subsidies pushed families into owner-occupation), have had major social and economic effects in Greece, Portugal, and Spain.

3. Housing policy and markets in Portugal and Denmark

The objective of this section is to provide the background and starting point for the empirical analysis of the cases of Lisbon and Copenhagen, which is presented in subsequent sections. Therefore, it discusses the overall challenges related to housing and urban development in the two countries in order to compare the specific experiences of the two cities.

Whilst the area and demographic size of Denmark is about half that of Portugal (the Danish population is 5.6 million, and the Portuguese is 10.4 million, in 2011), the Danish GDP per capita is almost double that of Portugal²⁶. Whilst the Danish welfare state was created during a long uninterrupted boom of high growth and low unemployment that began in the late 1950s, the creation of the welfare state in Portugal was postponed by a fascist regime until the mid 1970s when a socialist revolution took over in a context of in-

²⁴ J Kemeny, 1995, p. 16.

²⁵ Azevedo, López-Colás and Módenes, 2016, pp. 275-298.

²⁶ S. Alves, 2015, p. 8.

ternational economic crisis (1973–74). Whilst the secondary sector has never achieved a leading position in Portugal, the shift from the primary to the tertiary sector led to processes of urbanization that in turn led to increasing housing shortages in major coastal cities. In the following decades, with the integration of Portugal into the CEE in 1986, the Portuguese economy began to recover. Unemployment fell from 8.4%, in 1986 to 4.7% in 1990, and labour market-led development generated an increase in real wages and the purchasing power of households. In the 1990s Portugal had one of the lowest unemployment rates in the EU (equivalent to 3.9% in 1991), leading to a reduction in interest rates, enabling many Portuguese to invest in their own homes. The real estate sector (construction, promotion, and acquisition), boosted the share of credit in GDP in the Portuguese economy from 60% in 1986 to 150% in 2009 and 140% in 2013²⁷. Between 1992 and 2002, the number of homes built annually for family housing rose from 52,000 to a record 126,000, while the number of urban buildings transacted rose from 166,000 to over 254,000. New building was directed at occupant-owners who took out mortgage loans for the purchase of their houses. Portuguese families fell into indebtedness, with the weight of housing loans rising from 13% (1986) to 90% of disposable income (2011). Today owner-occupancy is, by far, the dominant tenure in Portugal, equivalent to 76% of total housing stock, and covers all strata of the population²⁸.

Known to be one of the most egalitarian countries in the world, with high levels of universality of state benefits, and one of the highest standards of housing²⁹, Denmark enjoyed a sharp rise in welfare during the 1960s and early 1970s. However, a good deal of this welfare expansion was financed by foreign loans and with an increasing interest rate this caused a rising imbalance in national economy. Consequently, the crisis of the mid 1970s triggered a re-

²⁷ Mateus, A. (coord.), *Três décadas de Portugal Europeu - Balanço e Perspectivas*, Lisboa, Fundação Francisco Manuel dos Santos, 2015, p. 177.

²⁸ INE - Instituto Nacional de Estatística, *Recenseamento da População e Habitação* (2011) Accessed: <https://www.inec.pt/>

²⁹ I. Borg I "Housing deprivation in Europe: On the role of rental tenure types," *Housing, Theory and Society*, XXXII (2014), pp. 73-93.

structuring of the welfare policies that included a state retreat from hitherto housing policy: The generous financial support to housing construction was stepwise reduced in order to rebalance the national economy. This change included lower support to non-profit housing as well as reduced subsidies to ownership housing by reduction of tax rebate. Late 1970s and throughout the 1980s was marked by a stagnating economy and relatively high unemployment level (about 10% in average); in particular the regulation of mortgage in the mid 1980s triggered a stagnation at the housing market. Construction industry crumbled and demands was kept at a minimum for several years; first by a new and more expansive financial policy in the early 1990s managed to improve the economy with more available jobs, rising investments, a bigger demand for housing and increasing property prices. The government did invest massively in infrastructure, education and science as well as in housing, including the non-profit sector in order to fuel the overall economy. The policy was successful as unemployment was drastic reduced, economic growth boomed, housing demand increased together with property prices and the country in general enjoyed a period of growth and optimism until the crisis from 2007/8. During this period, the national government reduced its engagement in housing policies in general in favour of market solutions and in particularly stepped back from the financial burdens. These were left to private owners and to the *Landsbyggefonden*, i.e. fund for non-profit housing, to cope with.

3.1. Housing affordability: a comparative analysis

This section develops a brief review around the topic of housing affordability and issues of housing supply that have arisen around the crisis of affordability in both countries and specifically in the capital cities.

Affordable housing is often been described in terms of the relation between housing expenditure and household income. Van den Nouwelant *et al.*³⁰ defines the concept of 'affordable housing' as housing that is appropriate for the needs of a range of low to moderate income households and priced

³⁰ R. Van den Nouwelant, G. Davison, N. Gurran, S. Pinnegar S. B. Randolph, "Delivering affordable housing through the planning system in urban renewal contexts: converging

so that low and moderate incomes are able to meet their other essential basic living cost. Affordable housing includes both social rented housing provided by local authorities/governments, and low-cost home ownership usually provided through housing associations.

The definition of thresholds of the housing cost-to-income ratio has been the object of some debate. Whilst some claim that an affordable rent is one that should not exceed 30% of income, others define it as 40% of the net income of a household³¹.

As expenditure relative to income has increased in many housing markets, especially in capital cities, housing costs have come to be seen as a cause of poverty, even for households that statistically are above the official poverty thresholds³². In the debate over housing-induced poverty, Kutty makes an interesting point about the importance of geography to explain the large disparities in housing prices and rents: “while poverty thresholds are different for different-sized families, they do not vary by location; that is, they are not adjusted to reflect differences in the cost of living in various parts of the country”³³. Statistical evidence shows that in 2015 households in the European Union devoted nearly a quarter of their total consumption expenditure to: housing, water, electricity, gas and other fuels³⁴. The highest proportion of household expenditure on housing was registered in Denmark (25.9%), whilst at the opposite end of the scale, the lowest proportion was registered in Malta (10.1%), with Portugal registering 18.8%.

To measure differences in housing affordability across the EU-28 countries, the Eurostat services use the ‘housing cost overburden rate’ indicator that shows the share of population living in households that spend 40% or more of disposable household income on housing. In the EU-28 the housing cost

government roles in Queensland, South Australia and New South Wales, *Australian Planner*, LII (2015), pp. 77-89.

³¹ C. Dewilde and P. De Decker, “Changing Inequalities in Housing Outcomes Across Western Europe, *Housing, Theory and Society*, XXXIII (2014), pp. 121-161.

³² N. Kutty, “A new measure of housing affordability: Estimates and analytical results”, *Housing Policy Debate*, XVI (2005), pp. 113-142.

³³ N. Kutty (2002), p. 115.

³⁴ Eurostat, <http://ec.europa.eu/eurostat/>, 1 March 2018.

overburden rate was about 11% in 2012. Whilst the housing cost overburden rate was very high in Denmark, equivalent to almost one-fifth of the total population (18.2%), in Portugal this was equivalent to 8.3%. The housing cost overburden rate varies by tenure status. Statistical data shows that, on average, affordability is more of a problem among tenants than among owner-occupiers. This is especially true in Portugal, where the social housing sector is reduced (2%) and the private rental market accommodates around 18% of all Portuguese households. In Portugal, the proportion of the population for which housing costs exceeded 40% of disposable income was highest for tenants with market price rents (35.9%), and lowest for those in owner-occupied dwellings without a loan or mortgage (2.8%). Problems of housing affordability are especially severe in Porto and Lisbon where, according to the 2011 Census, the rental sector represents 44% and 42% respectively, a substantially higher share than the national average (20%) and is becoming more severe owing to an abrupt transition from a rent freeze to liberalization of the rental market, and expectations of high profitability associated with tourism.

In Denmark about 50% of tenants who pay a so-called 'reduced price/fee' (usually associated with non-profit housing), pay rents that exceed 40% of disposable income, which demonstrates that tenants in the Danish non-profit sector face affordability problems. This is not the case in the social housing sector in Portugal, where only 6% of tenants report housing costs that exceed 40% of their disposable income. In the case of tenants in the private rental market, the rate of housing cost overburden is practically the same in both countries, equivalent to 34%. In both countries affordability problems (as a percentage of net income) are associated with new contracts (signed after 1990), whilst the stock of pre-1990 contracts, which have been more regulated, still play an important role in providing affordable housing in both countries.

The considerable difference between the value of rents in the private rental sector and the value of mortgages that homeowners have to pay explains the preference in Portugal, as in other southern countries, for owner-occupation. As explained by Palomera³⁵, the idea that it is cheaper to get a mortgage and buy

³⁵ J. Palomera, "How did finance capital infiltrate the world of the urban poor? Homeownership and social fragmentation in a Spanish neighbourhood", *International Journal*

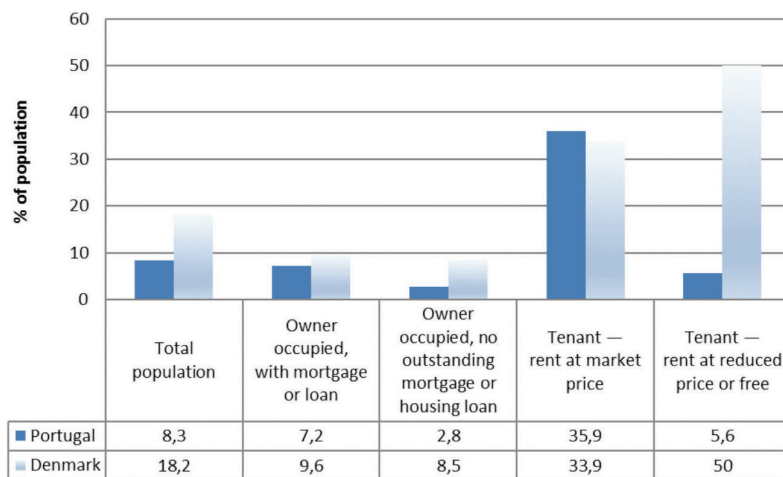


Figure 1. Housing cost overburden rate by tenure status, 2012 (% of population)

Source: Eurostat. 2014. Living conditions in Europe. Luxembourg: Publications Office of the European Union.

an apartment rather than rent an apartment in the southern context justifies the idea that renting is equivalent to throwing money away.

Besides affordability, general data regarding housing quality should be considered. Whilst in Denmark housing conditions are quite favourable (in terms of the availability of sufficient space inside the dwelling, the presence of an infrastructure of basic comfort), in Portugal informal routes of self-provision (namely the expansion of illegal settlements) and strict rent regulation that kept rents very modest in the private rental sector have led to suboptimal housing outcomes (in terms of poor building standards, lack of maintenance of old buildings). According to Alves³⁶, based on census data from 2001, in Portugal of all buildings built before 1919 only 38% do not show repair needs, and 11% of these are in very poor condition. Humidity or leaking roofs affect

of *Urban and Regional Research*, XXXVIII (2014), pp. 218-235.

³⁶ S. Alves, "Poles Apart? A Comparative Study of Housing Policies and Outcomes in Portugal and Denmark", *Housing, Theory and Society*, XXXIV, (2017), pp. 221-248.

one-third of the Portuguese population, and the proportion of buildings in need of major repair stood at 4.4%, a value that increased in Lisbon to 7%³⁷.

In sum, whilst statistical data confirms that subsidies for rent reduction make social housing very affordable for low-income groups in Portugal, in Denmark the high quality of non-profit (or cost rental housing) is not necessarily synonymous with affordable homes which, as we will emphasize, is especially true in the case of Copenhagen where the context of high land costs and high demand for rented housing has pushed housing prices up.

4. Non-profit housing in Denmark: Main problems and challenges

The non-profit sector in Denmark has grown throughout its existence; founded in the 1920s and 1930s, the sector nowadays make up a fifth of the housing stock³⁸ (Statistics Denmark, 2018). Most of it concentrated to the cities, but also present in rural districts. The sector has its roots in former building societies, which were independent of government although they received some support in order to provide decent and healthy accommodation for the working class. The Danish non-profit sector has remained independent, but has close links to local as well as central government: The sector is regulated in details by central government policies and directives, e.g. waiting lists, democracy and so on. The financial base is the principle of non-profit business; the sector provides modern and well maintained dwellings at the cost of construction, operation and maintenance but no profits. This is the cost-related principle, which differs from the market principle where rents follow demand and supply. Non-profit housing is financed first of all by mortgages on market terms; the mortgages cover 88% of the construction costs (including land), the local government 10% and tenant's deposits 2%. Each estate is considered an independent economic unit, i.e. there are no transfers between estates.

³⁷ INE (2011).

³⁸ Statistics Denmark. Statistikbanken, BOL101. 2018.

An upper limit for the building costs of non-profit housing is regulated annually; for 2018 the cap is 23,280 DKR for Greater Copenhagen and 18,720 DKR for rural districts and smaller towns³⁹. Local governments guarantee the part of mortgages above 65% of building costs. However, in cases where rents are considered too high for tenants to afford and the tenant is eligible for housing benefit, the local authorities provide rental support to assist low-income household. They typically take account of household income, household type/size, the size of the housing unit and the rent charged by the provider (it is not restricted to non-profit housing alone, but apply to all forms of rental housing). Cole and Etherington⁴⁰ stipulate that housing benefit covers around 32% of households in the sector⁴¹. Newly constructed dwellings will normally be too expensive for people on public benefits despite eligibility of housing benefits. Moreover, recent upgrading of the older stock of non-profit housing has led to raising rents and thus makes it highly difficult for low-income household to afford the refurbished dwellings.

The main rule of housing allocation is that vacant dwellings are allocated to people according to time spent on the waiting list. Families are usually allocated in neighbourhoods with vacant units from which other families move out. They are usually less attractive areas in which rents are not so high. The waiting lists for the most popular estates can be several decades. In return of their co-funding of non-profit housing, local governments have the right to assign people in acute need of housing to 25% of vacant dwellings (in City of Copenhagen 33%). In this way, local governments are able to fulfil their obligation for solving housing problems instead of producing their own stock of housing reserved for social related issues. The backside of this rule has been an increased concentration of society's marginal groups, cf. below.

³⁹ Transport, Bygnings- og Boligministeriet (Ministry of Transport, Building and Housing): *Regulering af maksimumsbeløb for støttet boligbyggeri* 2018.

⁴⁰ I Cole and D. Etherington, "Neighbourhood renewal policy and spatial differentiation in housing markets: recent trends in England and Denmark", *European Journal of Housing Policy*, V (2005), pp. 77-75.

⁴¹ I. Cole and D. Etherington, 2005, p. 79.

A major political decision on housing policy in Denmark was done in 1966⁴², which included the establishment of *Landsbyggefonden* (The National Fund for Non-profit Housing Associations). This fund will receive the mortgages payments after the mortgages, which financed the building of an estate, have been paid back. The purpose of this fund is to co-finance major refurbishments and special efforts in deprived neighbourhoods⁴³.

The non-profit sector has through most of its existence been used as an economic regulator; in times of recession, the state has fuelled the construction activities within the sector by providing special financial support. More recently, the main activity has been refurbishment of the existing stock and area based programmes with a broad spectre of initiatives (both social and physical efforts). Nevertheless, the need for more non-profit housing has been challenged politically; in the 1980s a right-wing government set up an audit commission on Danish housing policy. The commission⁴⁴ recognised the important shift of the non-profit sector from provider of high quality housing for all to housing primarily the weakest group of society. This was considered as an outcome of various exclusionary process and the report can be taken as a first step towards an area based policy in Denmark.

Until at least the late 1970s, the non-profit sector had the reputation of high standard housing; all modern amenities, spacious dwellings, good maintenance and well-kept outdoor spaces gave the sector a positive reputation. Furthermore, in the 1960s and 1970s in particular, the sector made new and unconventional housing forms in order to support new ways of living; the low-dense semi-collective living in some suburban districts around Copenhagen were extremely popular during the 1970s.

The non-profit sector ran into a serious image problem by the 1980s; in the first place an unlucky combination of construction problems and rising

⁴² H. m.fl. Vestergaard, (2001): Det danske boligmarked - udvikling i boligforsyning og boligønsker. Statens Byggeforskningsinstitut og Amternes og Kommunernes Forskningsinstitut.

⁴³ Velfærdsministeriet 2009: Den almene boligsektors finansiering. Anden rapport fra udvalget om den fremtidige styring af den almene boligsektor. København.

⁴⁴ Boligministeriet, *Den almennyttige boligsektors rolle på boligmarkedet*, København, 1987.

rents due to use of new materials during the building boom of the 1960s and early 1970s caused a need to rebuild and reconstruct parts of the newest and more costly estates. As the only source for financing this repair were rents from tenants, they started to protest against the situation and rapidly growing rents made a lot of families move to private owned detached housing. In return, the loss from vacant units had to be covered by the remaining tenants, who again saw their rents increase. The vacant dwellings, many in newly build estates at the edge of the larger cities, then became target for immigrant labour who brought their family to Denmark; the Vejleåparken in Ishøj, 20 km south west of central Copenhagen, consisted of a large number of quite large dwellings. The housing association managed to attract a large group of Turkish workers; the outcome has been the largest concentration of immigrants with Turkish background in the country. A similar process went on in other large estates with a comparable background.

The non-profit sector ('Almen', i.e. general/ for all) had originally a socially broad composition of tenants: skilled and unskilled workers, clerks, public servants among others, many families and few retired people. The working class populations formed the majority of the tenants, but in social terms they represented an average of the population. During the relatively short period of 1970s and 1980s, this picture was dramatically changed. Still fewer tenants were employed and the households became marked by marginal groups: People on early retirement, long term unemployed, immigrants, singles and disabled; instead of a mixture of various social groups⁴⁵. The non-profit sector became avoided by a growing share of the population and turned into social housing sector despite many attempts to prevent this. Despite major efforts since the early 1990s, a number of estates have seen the share of particularly people with a third world background grow substantially and have both raised debates on 'ghettoisation' and rise of 'parallel societies'.

The non-profit sector expanded during the 1990s and has in general been stagnating in numbers since then; recently City of Copenhagen has started a new wave of construction of non-profit housing in order to be able to main-

⁴⁵ B. Madsen and M. Hornstrup, *Analysen af situationen på boligmarkedet. Boligselskabernes Landsforening*, København, 2000.

tain a social balance in new development sites in the harbour. After the major expansion to the 1980s, the sector has primarily spent its resources on refurbishment of existing stock, in particularly those estates with social challenges, and the area based plans for underprivileged neighbourhoods. Moreover, the sector experiences a growing decline in demand in regions outside the larger cities; a part of the reason is the combination of a declining housing market and the cost-related non-profit sector: While private owned housing is forced to reduce prices in order to attract demand, the non-profit sector has to keep the existing rent level as it is based on the costs of building and operate the housing units. As a consequence, a gap between costs of living in non-profit rented and private owned housing has developed during the last decade.

Finally, the share of non-profit housing differs among municipalities; some have more than 50% of the housing stock in this sector, others less than 5%. As there is a strong social gradient between different housing forms, this difference has a major impact on the social and economic situation in the individual municipalities. Those with the most favourable income and employment situation have the smallest share of non-profit housing and conversely. In Greater Copenhagen, the oldest part of the suburbs to the north developed as the upper and upper middle classes left the inner cities in the early 20th century attracted by the beauty of the landscape and easy access by train. The urban development of the western suburbs took place from WWII as a huge demand for housing, and in particularly better housing, had accumulated since the crisis of the 1930s. However, after World War II urban planning was introduced as a municipal obligation and central government promoted the rise of affordable housing for ordinary people by supporting the non-profit associations. The outcome was a series of planned suburbs and a high share of non-profit housing.

The relationship between non-profit associations and the hosting municipality has changed over the last decades. The decision to construct new housing units has been transferred to local governments, who in return have to finance 10% of the building costs and from 1994 new constructions of housing demands accept from local government. The impact on local social and economic conditions in individual municipalities are influenced by the social composition of tenants in the non-profit estates; in order to make both

associations and local governments more attentive on current tendencies and to become more proactive, the government introduced in 2010 a new principle of management dialogue which commits all non-profit organisations and local governments to at least once annually to discuss state of social affairs in the non-profit estates and possibly agree on specific actions. The housing associations will usually present their budgets and planned, major improvements and related efforts.

4.1. The case of Copenhagen: Declining affordability in the non-profit sector

Copenhagen differs in many senses from the rest of the country; it is the only true metropole in the country, it has passed through a deep industrial transformation decades before it began in the provinces and it has a much tighter housing market. The oldest part of the city had traditionally a high share of private rental housing (around 80%); however, due to a variety of reasons this share has declined to now around a sixth of the housing stock. Since the 1960s a good deal of the private rentals have been transferred to home ownership or housing cooperatives. This has of course had impact of the access to housing in central Copenhagen and had slowly changed the socio-economic composition of the population. However, a large part of the housing units are relatively small dwellings (2 or 3 room flats) and not considered decent accommodation to families.

City of Copenhagen includes only the oldest and most central parts, all together about 80 km², of the wider metropolitan area and today around 600.000 inhabitants against 2.0 million in metropolitan region. Copenhagen grew steady after WWII, but was severely hit by industrial restructuring from the 1960s and onwards: From hosting almost 250.000 jobs in manufacturing, workshops and construction industries, the employment declined quickly during the 1960s and 1970s and by the end of the 1980s less than 30.000. The outcome was a major recession, which furthermore hit the city as central government followed a strong regional decentralisation policy. As a result, Copenhagen became a city of low incomes, unemployment, obsolete housing stock and rising share of people on public benefits. Moreover, the stock of old

and small dwellings made the new families flee the inner cities in favour of the modern suburban districts; during the period 1950 – 1980 Copenhagen lost nearly 300.000 inhabitants or nearly 2/5 of its population. Not average population, but the young, well-educated and medium to high income families.

The fiscal gap due to rising demands for public welfare and declining incomes through taxation eventually forced the city to finance its running costs through loans – despite service reductions. In fact a good deal of the local politics revolved around the balance between investments in a better future and rising demand for services. It became clear at the end of the 1980s that the financial situation of the city was highly critical. In March 1990, the Danish parliament debated the situation and the need for central government initiatives.

Central government launched a plan for economic recovery of Copenhagen; a plan which had substantial social implications as well. In the first place, central government decided to invest massively in its own cultural institutions as well as in higher education. Moreover, a plan was presented for general upgrading of public transport, new infrastructure, which included both a bridge/ tunnel to Sweden, rail line to Sweden via Copenhagen airport, general renewal of suburban train services and the construction of a new metro system⁴⁶. Finally, central government agreed to invest in a major transformation of the abandoned harbour spaces, which in turn triggered a round of private investments. However, the agreement between the city and central government did also demand something from the city: A new urban policy, which had to be much more proactive than hitherto; a policy with a stronger focus upon promotion of private business interests rather than general welfare issues. Finally, the city had to transfer some of its properties to central government in return of the infrastructure investments, including some 20.000 cheap dwellings.

City of Copenhagen transferred its stock of municipal owned housing to a new company, TOR, which should prepare the housing units for privatisation. This operation took several years as Danish legislation demands that a

⁴⁶ H. T. Andersen and L. Winther, "Crisis in the resurgent city? The rise of Copenhagen," *International Journal of Urban and Regional Research*, 34 (2010), pp. 693-700.

rental property for sale first have to be offered to the tenants if they should have the interest to form a housing cooperation. Due to specific conditions such an offer will normally be of economic benefit for the residents. However, usually they have to finance the purchase of the housing property by expensive loans in a bank.

City of Copenhagen made a major change in its policy from around 1990; a real turn-around which included a change of the mindset of the employees. A careful check on existing policies and opportunities made the city government focus on two strategic areas: Urban planning and housing policy. A study showed that hitherto policies of building non-profit housing only increased the financial burdens of the city as the average new tenant would be eligible of both housing and social benefits and thus would cost more than they would pay to the city. Furthermore, the relatively high inflow of new citizens did not improve the overall fiscal situation as the vast part of the new citizens left again as they finalised their education and began to work. Thus, it would be necessary to find ways of keeping the new, well educated citizens inside the municipal borders in order to benefit from their rising incomes. Yet, the vast majority of the city's housing stock consisted of small and obsolete dwellings.

The outcome was a coherent strategy, which for the city and its fiscal situation proved successful in the long run: From 1995 the city government stopped construction of non-profit housing in central Copenhagen and demanded that new dwellings made for home ownership or by housing cooperatives had to be at least 95 m². The latter would provide a critical mass of family suitable dwellings which could support the objective of having more middle class families in the city.

Additionally, the improvement of run down neighbourhoods, especially in the inner cities, was fuelled by a huge sum provided by the city and the state together. The result surpassed all expectations as the slum almost disappeared within a decade and transformed some of the former slum districts into highly attractive and expensive neighbourhoods. Vesterbro is a case in point; from being the district with the worst living conditions and hosting a large share of third world immigrants, abusers, criminals, prostitutes, the district became the trendiest place to live with some of the highest property prices. The transfor-

mation of the inner districts continued as the economy improved and a rising number of young, highly educated people working in creative businesses search for accommodation. The difference between the present and the past in social terms is striking.

Moreover, the city planners began a systematic screening of existing land use and the chances for shift in land use in the near future. The result was surprising and overwhelming; huge parts of abandoned manufacturing land were or would be ready for redevelopment within a short time and similar did the harbour areas – of which some were located in the middle of the city – contain huge opportunities for redevelopment. A gently estimate made it clear that available land could offer space for at least 100.000 more inhabitants. And that estimation did not include some of the larger but active parts of the harbour nor the rail land next to the city centre.

The shift in housing policy soon triggered a strong and lasting criticism of forcing through a gentrification at the costs of the poor citizens⁴⁷. Voices claimed that the city government had launched a class cleansing of the inner cities and in particularly among students was the transformations received with protests and political opposition. However, with a population of just 460.000 and a housing stock marked by years of underinvestment the 1990s saw major improvements without the feared escalation of rents. Substandard housing in inner city districts could still be found at moderate rents.

Affordability has become a major political issue in Copenhagen; it appeared firstly at the election campaign for local governments in 2005. The social democratic candidate, Mrs. Ritt Bjerregaard, former minister of the Danish government and former member of the European Commission, launched a programme for construction of 'Billige boliger', i.e. affordable housing⁴⁸. The programme was soon labelled '5 x 5' as it promised to deliver 5000 dwellings at 100 m² at a rent of 5000 DKR monthly. The years before that election ex-

⁴⁷ H.G. Larsen and A.L. Hansen "Gentrification-Gentle or Traumatic? Urban Renewal Policies and Socioeconomic Transformations in Copenhagen", *Urban Studies*, XLV (2008), pp. 2429-2448.; I. Jørgensen and M. Warming, *Hvem skal bo i byen? Salt no 1*, marts 2000.

⁴⁸ H.T. Andersen, S. Kofod-Svendsen, *Billige boliger – europæiske erfaringer*, Geografisk institut, Københavns Universitet, 2006.

perienced a sharp increase in housing prices and rents and at the same time began the population of the city to grow with one thousand new inhabitants monthly. Thus, rising demand and stable supply indicated rising costs of living. Although the new lord mayor cancelled the ban on non-profit housing, the increasing land values made it difficult to provide affordable housing even in the non-profit sector. Many at the margins of labour market found it difficult to cope with the rents of new dwellings.

Scanlon and Vestergaard⁴⁹ observed that key workers, such as teachers and nurses, cannot afford the new social non-profit apartments in the city and between 2000 and 2005, housing speculation was responsible for an average increase in property prices close to 45% in Copenhagen⁵⁰. This situation has partly been related to the effects of globalisation and rising levels of social polarisation⁵¹; although the Nordic countries have managed relatively well, they have not been unaffected⁵². These rising costs did drive many young families to settle in the urban fringe of Copenhagen in order to find an affordable housing suitable for a family. As the property prices peaked around 2006/7 a net migration from central Copenhagen to suburbs and rural districts took place and thus threaten to undermine the recovery policy of the city. However, as the credit crunch appeared in 2007 rising rents turned into decline and many properties lost up to a third of their values; suddenly a large number of housing became affordable for larger groups of society. Nevertheless, the affordability is still an issue as rents is felt strongly by new households on the housing market and current upturn seems to be a repetition of the period ten to fifteen years ago.

⁴⁹ K. Scanlon, C. Whitehead and M. Fernández Arrigoitia (eds.), *Social housing in Europe*, Wiley-Blackwell, 2014.

⁵⁰ H. Kristensen, *Housing in Denmark*, Centre for Housing and Welfare, Realdania Reserch, Copenhagen, 2007.

⁵¹ H.S. Andersen, H.T. Andersen and Ærø T, "Social Polarisation in a segmented housing market: Social segregation in Greater Copenhagen", *Geografisk Tidsskrift / Danish Journal of Geography*, C (2000), pp. 71-83.

⁵² H. T. Andersen and E. Clark, "Does welfare matter? Ghettoisation in the Welfare State", in *Voices from the North*, ed by J. Öhman and K. Simonsen, Ahsgate, Aldershot, 2003, pp. 91-102.

There will always be a demand for inexpensive accommodation and the present situation in Copenhagen has several implications. The relatively low rents during the 1970s and 1980s reflect to a large degree the many small and obsolete dwellings: Many did not have their own bath facilities and a good deal had to share toilet with other tenants. Besides, central heating was missing and many were heated by petroleum. The slum has fortunately disappeared thanks to a huge investment made by taxpayers in the whole country and in the city of Copenhagen. Yet, a part of the costs of this upgrading have to be paid by those who benefit from it, i.e. the tenants of the refurbished housing. And as the improvements went on the number of worn out and therefore cheap dwellings are reduced in numbers. This makes it of course difficult to provide low cost housing in a number that can satisfy all demands.

The city of Copenhagen has together with other larger cities in Denmark managed to convince the government that rising prices is a threat to the intentions of providing non-profit housing in central cities. A new act allows a local government to pay up to 25% of the costs when constructing new non-profit housing had recently passed the parliament. It has become an official ambition for city of Copenhagen to provide at least 20% non-profit housing in the new development areas. With the new act, the non-profit associations are able to purchase and build in some of the more expensive districts of the city. The first units will be built in the north harbour area 2015/16. Earlier the city considered the chances to get a pendant to the English planning rules and force private investors to provide a certain share of new dwellings as affordable housing. However, this has been rejected politically at national level.

The former rule of demanding housing units suitable for families, i.e. the claim of at least 95 m², has been seriously criticized since the largest part of all households in Copenhagen consists of one person. Consequently, the city will allow smaller housing units to be build just as the reduction in social benefits for younger people has triggered to test projects for small dwellings (around 25 – 30 m²) as contemporary accommodation.

5. Social housing in Portugal: Main problems and challenges

Harloe⁵³ claims that social housing is a way of measuring the extent to which housing is de-commodified or provided in a subsidized manner. Analysis of levels of public expenditure on social services as a share of GDP, and of the share of social housing in Portugal, demonstrate that housing has been a distinctly weak pillar of public welfare provision in Portugal. Whilst expenditure on health care, education, and social security as a percentage of GDP has increased rapidly⁵⁴, the percentage of state expenditures on housing has decreased since 2002 and is now equivalent to 0.1% of GDP. In Portugal, there are about 120,000 social housing dwellings, representing 3.3% of the total housing stock of permanent residences. This is public property owned and managed by municipalities or by municipal housing companies, while a small share of this housing stock is owned by the Institute of Housing and Urban Renewal (IHRU), a government-run body responsible for supporting and implementing government policy in the domain of housing. While the average monthly national IHRU rent is € 30, in Lisbon, where the Institute owns about 2,600 dwellings, it is of € 76 per month. Regardless of the type of contract and landlord, the average rent of a social housing dwelling in Portugal was € 60 per month in 2012⁵⁵.

Social housing in Portugal is relatively new, that is, around 60% of the total housing stock built since 1980 and 24% since 2000, and it is concentrated in the municipalities of Lisbon and Porto. Regarding the aims, beneficiaries, and models of production, five different periods can be identified: i) social selectivity and hierarchy during the fascist regime (1933–74); ii) occupation and self-construction during the ‘Carnation Revolution’ (after April 25, 1974); iii) eradication of shanties during the PER rehousing Programme (1993); iv) financialization and government assistance to encourage homeowners; and v) stock transfer and alienation of public housing stock.

⁵³ M. Harloe, *The people's home? Social rented housing in Europe & America*, Oxford, Blackwell, 1995.

⁵⁴ A. Santos, N. Teles and N. Serra, *Finança e habitação em Portugal*, Lisboa, Cadernos do Observatório, 2004.

⁵⁵ INE, *O Parque Habitacional e a sua Reabilitação: análise e evolução 2001-2011*, Lisboa, INE/LNEC, 2013.

Praising “the little house, independent, inhabited and fully owned by the family” as opposed to what he called “big phalansteries, or colossal buildings for housing workers,” Oliveira Salazar promoted a residual percentage of social housing and mostly to the main supporters of the regime. As emphasized by Ascensão⁵⁶: “the provision of public housing under Salazar’s fascist Estado Novo served mostly its ideological aims, as it was tied to social selectivity and hierarchy”⁵⁷. For instance, in its most important programme of public provision of ‘Casas Económicas’ (Economic Houses, from 1935-1965) the regime built detached houses with gardens that were usually allocated to lower-middle class state employees with secure and relative high incomes. The houses were paid for through monthly rents and over a period of 25 years, eventually becoming the property of the family. These subsidized houses, which were relatively de commodified in the spheres of production, were significantly stratified in the sphere of consumption, and totally commodified after a period of 25 years when they entered the free market. Another important housing programme of the regime, was ‘Casas de Renda Económica’ (Houses of Affordable Rent), which from 1959 to 1969 supported the construction of new suburbs, helped the consolidation of the urban fabric in major cities, such as in Lisbon. The majority of low-income householders who did not have access, or were not able to afford these houses, turned to the illegal market or self-built. In the largest cities, this led to widespread illegal construction in the suburbs, while in the inner cities overcrowded dwellings with a lack of basic amenities (electricity, sanitation, piped water) meant very poor housing conditions for families and the rapid degradation of buildings. In 1966 there was an estimated housing shortage of 500,000 dwellings, which led to the creation, in 1969, of the ‘Fundo de Fomento da Habitação’ (Housing Development Fund), an agency which would be widely criticized for promoting the development of mono-functional and segregated housing projects, in peripheral areas without adequate public services (e.g. transportation, commercial) as other amenities.

⁵⁶ E. Ascensão, “Following engineers and architects through slums: the technoscience of slum intervention in the Portuguese-speaking landscape,” *Análise Social*, CCVI (2013), pp. 154-180.

⁵⁷ E. Ascensão, 2013, p. 158.

In July 1974, three months after the revolution, the socialist government created a programme of assisted self-building which sought to respond to severe housing shortages through urban renewal in situ (by occupation of land and self-construction). This bottom-up programme supported by architects and other activists: “was a powerful idea because it moved to ideas of direct democracy, it showed how democratic engagement with urban poor populations could be made [...] when encountering informal settlements and urban poor populations”⁵⁸. However, owing to issues of property and expropriation, the self-build solution encountered political and administrative resistance, being dismissed in 1976 owing to limited results. Ascensão claims that: “In total, there were 174 operations planned, involving around 40,000 families; some in small, some in larger shanty towns. Of the estimated 40,000 dwellings, however, only 7,000 were completed”⁵⁹.

The proliferation of illegal settlements became especially problematic in the metropolitan areas of Lisbon and Porto where large shanty towns of poor and unsanitary condition expanded dramatically. Pressured by social movements, the central government launched a massive programme for the eradication of shanties in the metropolitan areas of Lisbon and Porto, and the constructing new social housing to rehouse them. O PER (The Special Relhousing Programme) enabled the construction of 50,000 housing units between 1995 and 2002⁶⁰, mostly of large low-cost and high-density housing estates, often located in suburban areas and lacking equipment and infrastructure⁶¹. Whilst the programme provided alternative solutions to the construction of new buildings, either through the acquisition and rehabilitation of homes or via renting of vacant buildings (e.g. in city centres), this latter option was rarely

⁵⁸ E. Ascensão, 2013, p. 161.

⁵⁹ E. Ascensão, 2013, p. 162.

⁶⁰ S. Tulumello, A. C. Ferreira, A. Colombo, C. F. D. Giovanni, M. Allegra, “Comparative Planning and Housing studies beyond taxonomy: a genealogy of the special programme for rehousing (Portugal)”, *Transactions of the Association of European Schools of Planning*, 2 (2018), pp. 32-46.

⁶¹ M. Allegra, S. Tulumello, R. Falanga, R. Cachado, A.C. Ferreira, A. Colombo, S. Alves, *Um novo PER? Realojamento e políticas de habitação em Portugal*, Lisboa, Observa Policy Briefs, 2017.

taken. This model led to the spatial concentration of individuals with similar traits of vulnerability in peripheral areas, deepened trends of social and spatial segregation and processes of stigmatization across the city. Over recent decades, many of these housing estates have degenerated into problem areas.

The period between the 1980s and the economic recession in 2008-10 corresponded to an era of stock transfer and alienation of public housing stock in Portugal. Between 1980 and 2007, the IHRU reduced its housing stock from 39,197 to 12,549 units by transferring it to municipalities (42%) and through sales to sitting tenants (26%). The massive stock transfer to municipalities (n=16,435), and sitting tenants (n=10,213) would have been greater were it not for the municipalities refusing to accept the transference of low quality housing stock (with an average age of 28 years in 2007) made up of low rents and vulnerable families without the allocation of more resources at the local level. The strategy to increase home-ownership among low-income households has been followed by right and left wing municipalities with apparently similar motivations, as a mechanism for reducing municipality debt and to increase revenue for housing rehabilitation. Whilst right wing municipalities have advocated the benefits of reduced state intervention, public debt, and increased family responsibilities, municipalities dominated by left wing parties have emphasized that poor households also have the right to own a property and that home-ownership in Portugal represents an important safety net in periods of income loss (unemployment, retirement, etc.).

The proportion of sales varied between municipalities. In the case of Lisbon, 25% of the total housing stock was transferred to sitting tenants (representing 7,666 units). In total, council housing was reduced from 30,934 units in 2011 to 23,268 in 2015. It is worth noting that neighbourhoods with no sales are generally the most recent quarters, where there is still a burden as a result of financing contracted for construction by the municipality, usually neighbourhoods constructed by the O PER programme in the 1990s.

Many housing estates that are largely inhabited by low income families are now divided in terms of housing regimes, which has generated new challenges. On the one hand, the residualization of social housing has created a larger concentration of low-income households in the worst part of the rental stock.

On the other hand, the sale of the most attractive units at discount rates to tenants in more stable economic situations has increased the rate of non-payment, in turn threatening the economic viability of housing companies. In official reports, the impact of the residualization of social housing has begun to be recognized from the perspective of decreased revenues and public budget cuts (factors that make it more difficult to ensure the financial viability of some neighbourhoods), but also from the perspective of management and problems of maintenance⁶². Thus, the system of social housing in Portugal has been organized in such a way that it has withdrawn its social and economic support base. The residualization of the sector has led to the over-representation of low-income families in neighbourhoods where problems of social stigmatization tend to increase, and where low-income earners are unable to maintain their houses. In many neighbourhoods, poor maintenance has reinforced wider processes of physical and social degradation and urban decline that already seem difficult to reverse. The lack of urban quality, economic sustainability, and governance are the main problems in such areas.

5.1. The case of Lisbon: decreasing affordability of housing for low and middle-income families

As in other cities, especially other southern Europe cities with fragile welfare states and in which there is intense economic interest on the part of commercial banks and real estate activities, housing policy in Lisbon has been formulated and implemented in a reactive, non-comprehensive, and unsuccessful manner.

Analysis of the tenure structure of housing markets in Lisbon shows a well-adjusted structure with a similar proportion of renters and owners, which has, however, been the result of, on the one hand, a sharp decline in the total number of renters (between 1981 and 2011 the number of renters decreased from 614,076 to 252,148), and on the other, an increase in the total of home-owners (from 146,239 to 284,711). Of the total residential housing stock of 237,247 dwellings, about half are occupied by landlords, the other half by tenants.

⁶² IHRU, *25 anos de esforço do orçamento do estado com a habitação 1987-2011*, Lisboa, Instituto da Habitação e da reabilitação urbana, 2015, p. 45.

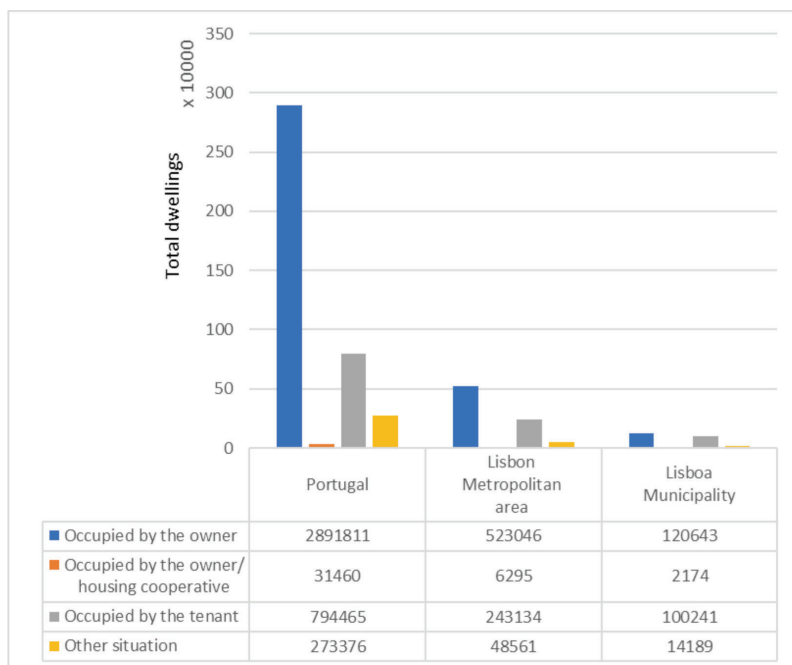


Figure 2. Tenure structure of housing markets (units of total dwelling stock) in 2011.
Source: INE, 2011.

As mentioned earlier, the purchase of dwellings through bank loans has been actively promoted by the government through subsidized interest programmes and tax exemptions. In Lisbon, the local authority also used various local initiatives to both promote home-ownership in an attempt to attract high-income groups to the city, tackle the economic crisis of the local public budget and the dereliction of old public buildings. A paradigmatic example in this regard was the *‘Programa Reabilita Primeiro, Paga Depois/ [Rehabilitate First, Pay Later]* consisting in the sale (by public auction) of municipal buildings and municipal fractions that were unoccupied and in a poor state of conservation. The programme allowed the deferral of payment of the price until the completion of renovation work and the placing of the property in the market.

In 2011 the resident population of the municipality of Lisbon was 536,859, a figure which has declined over time. Between 1981 and 2011, the Muni-

pality of Lisbon lost approximately 250,000 residents, equivalent to 32.5% of the population. In the 1990s nearly 100,000 residents left the city for suburban locations where land-use planning decisions and government incentives supported the construction of new housing. Owing to housing policies that mainly supported the production of new buildings, and land-use planning policies that favoured the expansion of urban sprawl to the peripheries (through the transformation of rural areas into built-up areas), Lisbon, in which the implementation of the so-called 'first generation of rent controls' was prolonged over time, saw an increase in the number of vacant dwellings⁶³.

Of a total housing stock that consisted of 322,865 dwellings, in 2011 15.5%, or 50,209, were vacant. Of this, a small portion was accessible for purchase or rent, but most of it was unavailable due to high levels of deterioration (a situation that was predominant in buildings constructed before 1919)⁶⁴.

Together with the phenomenon of vacant housing which increased until the 1990s/2000s, the period saw the phenomenon of temporary (owned or rented) houses as they are only used for the purpose of temporary residence (during weekends, holidays).

In the context of deregulation of rent controls (Urban Lease Act Law nr. 31/2012) aiming the transition from the old (pre1990) lease contracts to a new regime of rents, and of public incentives to attract foreigner's investment to the real estate (e.g. Golden Visa program that offers Residence Permit of third-country nationals in case they buy expensive houses), sitting tenants have been exposed to various forms of displacement⁶⁵.

The increase in the demand for buildings aimed at activities related to tourism, has increased market values. Based on administrative data related to real estate transactions for housing between 2016/2017, the national statistical institute has shown that the average price of housing in the Municipality of Lisbon is of € 2,231/m², much higher than what average families can afford.

⁶³ R. Branco, S. Alves "Urban rehabilitation, governance, and housing affordability: lessons from Portugal", *Urban Research & Practice*, (2018) DOI: 10.1080/17535069.2018.1510540.

⁶⁴ S. Alves, P.M. Ferreira, A. B. Azevedo, "Arrendamento privado em Portugal: uma leitura a partir da regulação das rendas," *XI Congresso da Geografia Portuguesa: As dimensões e a responsabilidade social da Geografia*, Porto, 2017, pp. 315-318. ISBN: 978-989-54030-2-8.

⁶⁵ R. Branco, S. Alves, 2018.

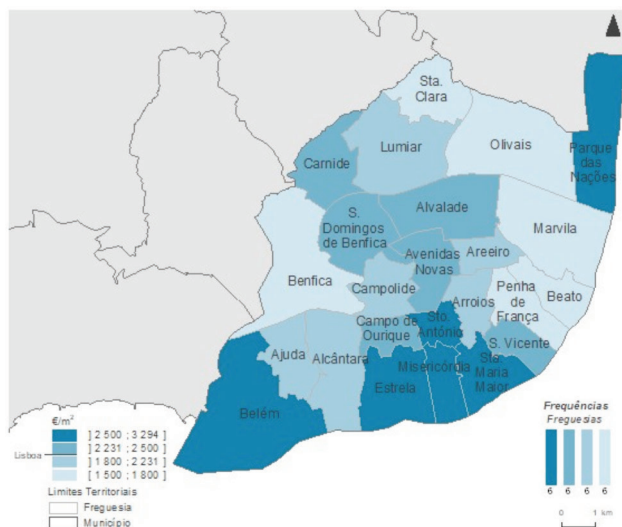


Figure 3. Average value of sales per square metre, Lisbon.

Source: Housing statistics, INE (2017).

The interconnectedness of global capital and neoliberal policy has provided favourable conditions for market-led interests to gentrifying Lisbon, while there are strong pressures of displacement of former sitting tenants and working-middle class population⁶⁶.

Whilst the Municipality still owns a stock of social housing amounting to 25,000 units (23,000 in large social housing estates and 3,246 housing units that are geographically dispersed across the city), where 75,000 thousand people live, it is now confronted with other challenges. First, to renovate housing that was built decades ago for the rehousing of a population living in tents (barracas), (e.g. the PIMP programme in 1987; the PER programme in 1993, and PROHABITA, 2004) the majority of this housing consists in large social housing estates and is managed by the municipal housing company

⁶⁶ S. Alves, R. Branco, "Models of urban rehabilitation under neoliberalism and austerity: the case of Porto," *Spaces of Dialog for Places of Dignity: Fostering the European Dimension of Planning*, Lisboa, 30th annual AESOP 2017 Congress, 2017, pp. 1839-1851.

GEBALIS. Second, to support housing re-qualification and the provision of affordable housing options for the middle class. The programme *Reabilitar para arrendar* (Rehabilitate to rent), which uses EIB funds, aims at reducing the costs associated with housing development. The funding methodology is to provide a long-term loan for a wide range of providers, including co-operatives and municipal and state-owned housing companies that seek to finance the rehabilitation of buildings aged 30 years or more, which after the rehabilitation will predominantly be used for housing and leased for a limited period of time under supported or conditional income (30% below market values). Third, to launch new programmes to deal with clandestines/barracas, where there is a large concentration of families in insalubrious accommodation, and to continue with the programme BIP/ZIP programme designed to promote several forms of public participation and partnership with third sector organizations. Given only a modest budget (€ 1M per year, a maximum of € 50,000 per project), the programme, which targets critical areas has enabled the development of meaningful projects of urban regeneration and social inclusion. Finally, Lisbon has not used land-use planning regulations and/or agreements to compel or persuade private developers to make social contributions in the form of affordable housing. The lack of planning requirements to enforce mixed-tenure developments, and the provision of different types of affordable housing for low- and middle-income households, has led to increasing levels of residential segregation by race or class, with the concentration of less resourceful families in low-value locations associated with problems of low accessibility to public transport and centres of employment.

6. Conclusion

Even though Denmark and Portugal belong to two distinct and different welfare and housing regimes, with a tiny proportion of social housing in Portugal and a more balanced structure between the rental and owner-occupancy sectors in Denmark, they seem to converge to an equivalent situation, as in both cases housing is increasingly seen as a commodity that should be allocated by market pricing. This is especially true in Lisbon and Copenhagen, where policies have fostered the marketization of housing. For example, in

Copenhagen, where the cooperative housing sector makes up a third of all dwellings (which are neither rental nor privately owned) and the economic (speculative) interests of insiders have prevailed, the sector is no longer a form of affordable housing.

Where owner-occupancy is established as the norm, decommodification of housing is a rare phenomenon. Low-cost housing is limited to a social sector for the poorest groups in society. Thus this type of tenure is stigmatized. Where welfare states have managed to equalize wealth, housing systems are often balanced and a sharp distinction between rental housing for all and for poor people is avoided. This is also expressed by: i) the responsible agent for providing housing for the lower income groups. In Denmark non-profit organizations take care of this task, while in Portugal the state takes direct responsibility for providing and managing it, and ii) by definition of the groups who are eligible for the housing. Whereas the Danish non-profit sector can be characterized as universal, as it does not target any specific income group, the social housing sector in Portugal is not only means-tested but also restricted to the very poor, as it only comprises 3% of the total national housing stock.

Decisions of disinvestment and shrinkage have elevated problems of supply in both cities. In the Copenhagen housing market, where parts of the middle class are unable to become homeowners and find it difficult to cope with rents in the new dwellings of the private rental market, the non-profit sector has once again become an attractive tenure, but high land values make it difficult to provide affordable housing for all.

Attempts to develop new forms of housing with more modest rents lay behind the Billige Boliger policy, which never delivered as expected, but also Almen⁶⁷ housing, which has managed to provide new family dwellings at a lower price than most non-profit housing. However, the reduction in social benefits for, especially, younger people has in turn produced a new form for housing labelled *Basis boliger*, i.e. 'Basic Housing' targeted at young people and at a quite modest rent. The size and amenities of these units reflect a need for cheaper housing, which in turn has led to a debate on the need for substandard

⁶⁷ http://www.3b.dk/boligsoegende/almenbolig/hvad_er_almenbolig/.

housing in order to provide affordable housing. Is the still massive pressure on moderately priced units a result of a rise in poverty, cf. the share of households who spend more than 40% of their net income on rent/ housing costs, a substantial change in social and welfare policies (towards a less generous system), changing household composition (still more people live alone), more young people in education, immigration of non-labour active people, or a regional population shift (from rural to urban, especially big cities)? Or a combination thereof?

While welfare state and housing regimes have distinct features, they also transform over time and some of their hitherto special characteristics are fading if not disappearing. In the Danish context has the non-profit housing sector moved towards a social sector, a change that began with the exit of lower middle class and working class with stable employment? Further shifts in welfare policies have left their marks on housing needs and policies, triggering the demand for affordable housing and encouraging ideas of substandard housing for the poor?

In the Lisbon housing market, a speculative bubble in housing prices, related to the increasing demand for seasonal housing, and to public incentives to attract foreigner's investment, is reinforcing housing costs for all tenure groups, particularly for renters in the private sector. In a context of deregulation of rent controls, in which sitting tenants have been exposed to various forms of displacement, housing policies are reinforcing the very high levels of inequality in society. A situation that cannot be explained by the lower economic affluence of the country, but by more ideological and political factors, related to the way the right to a decent and affordable housing is seen, in terms of who should provide it (the state, market and the informal sector) and how. It is generally recognized that in Portugal government subsidies for home-ownership have benefitted disproportionately the well-off, and the investment in social housing has been insufficient.

While the generosity of the welfare state in terms of social rights protection (e.g. in circumstances of sickness, unemployment,) has affected aspects of housing consumption, earlier policy choices in the field of housing (e.g. in terms of institutional arrangements, and aspects of provision and allocation)

have reinforced inequality between different social groups on different spatial scales. If the early twentieth century was an era of optimism regarding better housing standard at affordable rents, the present situation seems less so: even the non-profit sector faces rising difficulties in meeting the needs of the poorest part of the population and substandard housing for this group is now on the agenda.