



— CECODHAS —  
EUROPEAN SOCIAL HOUSING  
OBSERVATORY

First colloquium

**CURRENT DEVELOPMENTS IN HOUSING  
POLICIES AND HOUSING MARKETS  
IN EUROPE: IMPLICATIONS FOR THE  
SOCIAL HOUSING SECTOR**

Brussels, 13 September 2006

Colloquium proceedings  
Edited by Darinka Czischke

Series of colloquia  
**THE FUTURE OF SOCIAL HOUSING  
IN THE EUROPEAN UNION**



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## ORGANISERS AND SPONSORS



### The European Liaison Committee for Social Housing (CECODHAS)

[www.cecodhas.org](http://www.cecodhas.org)

CECODHAS, established in 1988, is the European network for the promotion of the right to decent housing for all. In its membership it has 46 regional and national federations which together represent over 39.000 public, voluntary and co-operative social housing enterprises in 19 countries. Together they provide over 21 million homes across the European Union. CECODHAS aims at reinforcing the European social model and promoting the values, successes and the vital future role of its members within that model; promoting integrated approaches to sustainable urban development, stressing that the work of social housing providers is the backbone of social cohesion in European cities; and protecting fundamental rights and fight for quality social services, accessible to all. It is funded by membership fees.



CECODHAS  
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### CECODHAS European Social Housing Observatory

[www.cecodhas.org/observatory](http://www.cecodhas.org/observatory)

The Observatory is the research branch of CECODHAS. Its main aim is to identify and analyse key trends and research needs in the field of housing and social housing at European level. Its role is to support policy work for the delivery of social housing by providing strategic and evidence-based analysis in the field.



European Economic and Social Committee

### European Economic and Social Committee (EESC)

[www.eesc.europa.eu](http://www.eesc.europa.eu)

The EESC is a consultative body that gives representatives of Europe's socio-occupational interest groups, and others, a formal platform to express their points of views on EU issues. Its opinions are forwarded to the larger institutions - the Council, the Commission and the European Parliament. The 344 members of the EESC are drawn from economic and social interest groups in Europe. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office.

OSIS project  
Funded by  
DG Research  
European Commission

**The OSIS research project:** Origins of Security and Insecurity: the interplay of housing systems with jobs, household structures, finance and social security

[www.osis.bham.ac.uk](http://www.osis.bham.ac.uk)

OSIS has benefited from a grant from the European Union under its Framework 6 programme (CIT-2003-506007) and from the support of the OSIS scientific officers in DG Research.



Building and Social Housing Foundation

### Building and Social Housing Foundation (BSHF)

[www.bshf.org](http://www.bshf.org)

The Building and Social Housing Foundation (BSHF) is an independent research organisation that promotes sustainable development and innovation in housing through collaborative research and knowledge transfer. Established in 1976, BSHF works both in the UK and internationally to identify innovative housing solutions and to foster the exchange of information and good practice. BSHF is committed to promoting housing policy and practice that is people-centred and environmentally responsible.



## FOREWORD

In 2004, CECODHAS decided to re-launch the European Social Housing Observatory in order to cover the gaps in data and analysis on housing and social housing policies in the European Union. Within this remit, a further aim of the Observatory is to identify the growing interdependences between EU policies and national and even regional housing policies.

The European Economic and Social Committee has given us its support by hosting the first colloquium and I would like to thank in particular Angelo Grasso, a member of the EESC who gave the opening speech at this first colloquium, for his commitment to social housing in Europe.

The Observatory colloquium 2006 is the first of a series of at least three colloquia which will cover successively the economic, social and urban dimensions of the context in which social housing will evolve in the future. I would like to specially thank the British Social Housing Foundation whose support made possible the publication of the proceedings of the whole series of colloquia.

The questions addressed at the colloquium on growing trends of home-ownership policies and the sale of social housing stock

were illustrated by academic presentations mainly from the OSIS project – a trans-national European research project supported by the European Commission through its DG Research – as well as by social housing practitioners from different member states presenting their reactions to the academic presentations. We believe that to ask researchers to present cross-borders and comparative analysis of these trends has been a way to initiate the debate with practitioners and, last but not least, it represents a valuable opportunity for our sector to develop strategic thinking on the future of social housing.

The success of the first colloquium 2006 was not only visible through the high participants' satisfaction, but also by the quality of the debates. Furthermore, CECODHAS has already included many of the key findings and conclusions of this colloquium into its statements and positions. We are indeed looking forward to the thought-provoking ideas and debates that our next colloquium will bring in September 2007.

I wish you an enjoyable read,

**Paul-Louis Marty**  
*President of CECODHAS*



## INTRODUCTION

Housing is not a competence of the European Union. However, the increasing recognition of the diverse and significant interactions between housing policies and trends at member state level and the EU policy goals calls for an open and evidence-based debate about these developments. Nonetheless, despite the existence of data and research related to social housing in Europe, the lack of co-ordination between the different sources at European level means that input to the decision making process at EU and Member State level is often lacking. The CECODHAS European Social Housing Observatory aims to ensure that relevant data and analysis is taken into consideration before the implementation of any policies that will have an impact on housing sectors in Europe. With this aim, the series of colloquia on “The future of social housing in the European Union” organised by the CECODHAS European Social Housing Observatory seek to fill this gap in evidence-based reflection and exchange between all relevant actors.

### Aims and themes

The colloquia aim to mark the public launch of the CECODHAS Observatory as a platform for reflection and exchange between practitioners, academics and policy-makers working in the field of social housing in Europe. These series of colloquia will stretch over an initial three-year period. Each colloquium will focus on a different dimension of the topic: economic, social and urban.

The core aim of the CECODHAS Observatory colloquia is to bring academics and practitioners together to reflect on the key challenges for social housing provision in Europe over the coming years. The main objectives of the colloquiums are to:

- Have an open and in-depth debate on the future of social housing provision in Europe, looking at the different dimensions of the problem (economic, social, urban, etc.)
- Discuss the place of housing in the European social model: a prospective discussion on the future role for social housing providers in the European Union in general, and in the EU member states in particular.

- Discuss the role of social housing in the city of tomorrow and in the sustainable urban development EU agenda.

Unlike similar events on the topic, these colloquia have an added value by:

- Their pan-European approach
- Direct exchange between scholars and social housing providers.
- Focus on key issues affecting the sector and on finding new approaches and solutions.

The three colloquia will focus on the following themes, respectively:

**2006:** “Current developments in housing policies and housing markets in Europe: implications for the social housing sector.”

**2007:** “Welfare transformations and demographic change in Europe: challenges for the social housing sector.”

**2008:** “Urban change in Europe: the place of social housing in the city of tomorrow.”

This document contains the full papers of the presentations given by the keynote speakers, as well as those of the discussants and practitioners who intervened at the first colloquium.



## SETTING THE SCENE

### Social housing in the European Union: Overview of key approaches, trends and issues

*Darinka Czischke*

#### I. Introduction

This first colloquium brought together a number of high-level scholars and distinguished practitioners to debate the current policy and market developments affecting the provision of social housing across the European Union. These speakers were drawn from a wide variety of European countries, and therefore represent and are knowledgeable of an equally diverse range of welfare models and economic and political contexts which necessarily reflect a variety of perceptions and assessments of different modes of social housing provision. While on the one hand this diversity entails a wealth of opportunities for cross-learning, it also represents a challenge. To start with, the very concept of “social housing” is not a straightforward one, as its meaning varies across EU member states, as we will see later. Hence, in this introductory chapter we aim to “set the scene” of the debate by outlining the different conceptions of social housing across member states and by providing an overview of the consequently different approaches in this field. At the same time, however, we considered relevant to provide the reader with a brief overview of the main trends and issues affecting social housing provision across the EU.

Following this background, this introductory chapter will outline the two key themes that appeared to be particularly relevant to delve into in this first colloquium, namely: the links between current trends in home-ownership policies and social housing provision (covered in the articles by Professor John Doling, Dr. Joseph Hegedus and practitioner Mr. Joao Carvalhosa), and the implications of the privatisation of former social/public housing stock for the social housing sector across the European Union (examined by the contributions of Professor Christine Whitehead, Dr. Marja Elsinga and practitioner Mr. Michael

Sachs). Both themes are indeed examined in depth through the articles presented in this volume, covering different aspects of these phenomena in a variety of national contexts across the EU. A final article by Dr. Michelle Norris aims to summarise all contributions and to draw concluding remarks in such a way as to visualize what the main challenges and possible scenarios for the social housing sector in Europe are.

#### The concept of social housing: what do we mean when we talk about social housing in the EU member states?

A striking feature of what we call “social housing” in the European Union is the wide diversity of national housing situations, conceptions and policies across member states and thus, the lack of a common definition of social housing at European level. This fact makes it difficult to establish meaningful comparisons, given the disparity in terms of indicators, methods and cycles of data collection. However, there seems to be consensus on that *Social housing is housing for those whose needs are not met by the open market and where there are rules for allocating housing to benefiting households.*<sup>1</sup> As we will see later on, the legal, financial and institutional mechanisms to fulfil this overarching aim vary greatly across EU Member States.

<sup>1</sup> See [www.cecodhas.org](http://www.cecodhas.org)



## II. The social housing sector in the EU today: a brief overview

### 1. Legal and institutional frameworks of social housing in the European Union

Despite the uniqueness of the institutional framework in each country, there are similarities in much of Europe in the broad allocation of responsibilities for providing social housing between the state, the private sector, voluntary organizations and households. Historically, social housing was created in most European countries as a response to the emerging housing needs brought along by massive industrialisation and urbanisation in the early 20<sup>th</sup> century. It is worth noting that social housing was then developed at the own initiative of the private sector, both by associations and by enterprises. Later on, in order to face the pressing housing needs of the post second World War period, many national States across Europe took over those private initiatives with the aim to generalise them to a wider scale.

Nowadays in most European countries the trend is to come back to the involvement of private and not-for-profit initiatives towards meeting these objectives through a wide range of social agencies, albeit with continuing large scale government subsidies and financing housing programming and sectoral regulation. Nonetheless, what could be called “social housing” in Europe nowadays is a combination of public housing stock (owned and managed by central or local governments, depending on the country) and a range of, voluntary or not-for-profit associations and foundations, public or private no-for-profit companies, co-operative organizations and private investors that provide social housing. It is worth noting that, although social housing is generally equated to social rental, social housing also comprises the provision of affordable dwellings for sale to households for ownership.

Overall, what characterises the social housing sector across Member states is its *diversity* in terms of: *size of the sector* (i.e. share of social housing stock in the total stock in the country); *legal and organisational forms* (as mentioned above, operators range from public companies to co-operatives and not-for profit organisations, amongst others); *forms of ‘social*

*tenures*’ (rental housing, affordable ownership, co-ownership, co-operative housing, shared ownership, etc.) and, last but not least, the *overarching housing policy framework* (national, regional and/or local) within which they operate.

With regards to this last point—namely national or sub-national policy frameworks which determine the provision of social housing—the following classification developed at the CECODHAS European Social Housing Observatory<sup>2</sup> allows us to visualise commonalities and differences between the different approaches in each country. This classification takes two axes of analysis: 1) Allocation criteria; and 2) Size of the social housing stock.

**1) Allocation criteria:** Two main approaches can be distinguished in this axis: we will call them ‘universalistic’ and ‘targeted’ approach.

The ‘**universalistic**’ model of social housing provision (also called ‘housing of public utility’) stems from a particular conception of social welfare which aims to provide the whole population with housing of decent quality at an affordable price. Therefore, in this model, housing is considered a public responsibility and is delivered either through municipal housing companies (e.g. Sweden) or through not-for-profit organisations (Austria, the Netherlands). In order to guarantee that the whole population has access to quality and affordable housing, social housing has a market-regulating role (e.g. through rent control). Furthermore, a key objective of housing provision in this model is to ensure social mix, i.e. to try and avoid the formation of ghettos of lower-income groups or ethnic minorities as a way to prevent spatial segregation and to foster social cohesion. It is worth noting, however, that these policy aims do not necessarily exclude the actual occurrence of social segregation in practice.

The ‘**targeted**’ approach, on the other hand, is based on the assumption that the objectives of housing policy will be met predominantly by the market (i.e. through the allocation of the

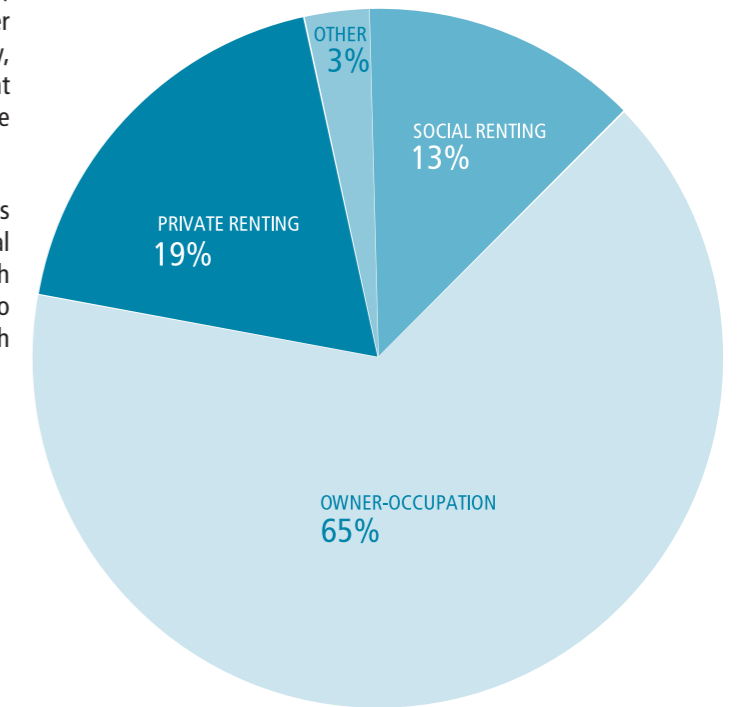
<sup>2</sup> It is worth noting that this classification is still under development and therefore should not be taken as a static or definitive way of defining social housing in each member state. It is rather an analytical tool to help visualize commonalities and differences on two key (but not exclusive) categories of analysis of the sector.

of variations in terms of the type and size of the social housing sector, as well as with regards the criteria to allocate this type of housing. Therefore, it is possible to distinguish two sub-types, namely: ‘**social housing for the employees/working classes**’ and ‘**social housing for the most vulnerable**’. While the former follows the original tradition of social housing in Western Europe (i.e. housing for middle-income groups, which includes a contribution from their employers), the latter corresponds to a much more restricted category of beneficiary, usually very vulnerable households who are heavily dependent on state benefits (e.g. unemployed, disabled, elderly, lone parents, etc.).

**2) Size of the social housing sector:** This axis of analysis is based on data available on the size of the social rental housing stock<sup>3</sup> in each Member state (see figure 1 and graph 1). It is possible to distinguish three main groups, according to their relative size in relation to the total housing stock in each country.

<sup>3</sup> As we have explained above, although “social housing” is frequently equated to “social rental housing”, in reality there is a range of other “social tenures”—such as affordable housing for sale for ownership - which, due to limitations in data availability and collection, are not taken into account to characterise the size of the sector. Hence, we would like to acknowledge this limitation in the data presented in this article.

Figure 1: Tenure split in the EU-15.

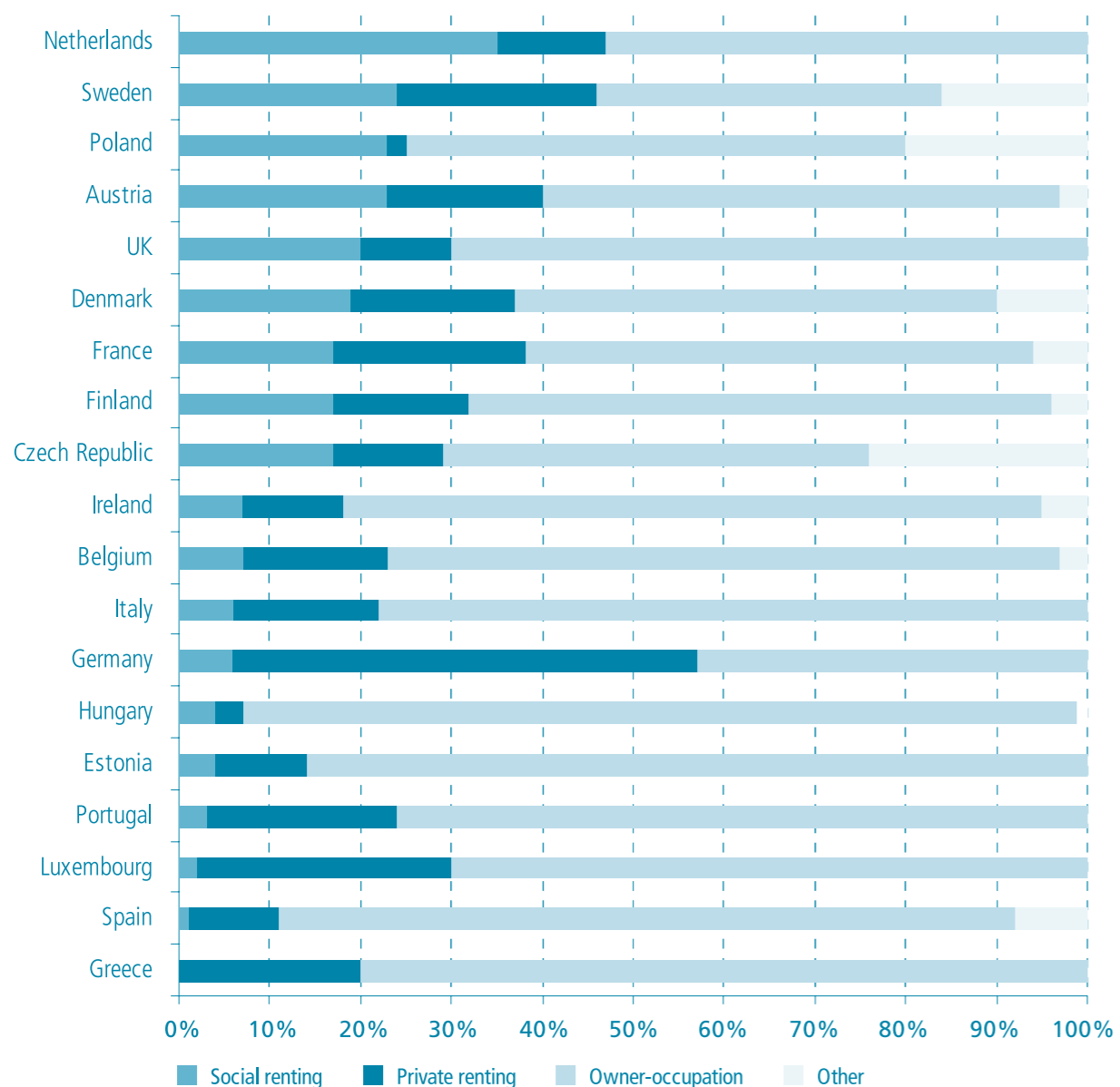


Sources: CECODHAS General Survey 2005 and Housing Statistics in the EU Report 2005





Chart 1: Tenure structure in EU Member States represented by CECODHAS members



In sum, table 1 shows how social housing provision takes a vast array of forms across the EU. However, despite this diversity, the sector is currently undergoing a number of cross-cutting trends which pose several common challenges, as the next section

shows. It is worth noting, however, that this classification does not reflect ongoing processes of change in either size or allocation policies in the respective countries. We will refer to these processes in more detail in our next section.

Table 1: APPROACHES TO SOCIAL HOUSING PROVISION IN THE MEMBER STATES OF THE EUROPEAN UNION

| ALLOCATION CRITERIA<br>SIZE OF THE SOCIAL HOUSING SECTOR | UNIVERSALISTIC                                  | TARGETED  |  |
|--|---|---|--|
|  |   | 'WORKING CLASS' OR 'EMPLOYEES'                      | MOST VULNERABLE  |
| >= 20 %  | Sweden<br>The Netherlands<br>Austria<br>Denmark | Austria<br>Poland                                   | United Kingdom   |
| 11 % – 19 %  | Finland   | Czech Republic<br>Finland<br>France                 | France   |
| < 10 %   |   | Belgium<br>Germany<br>Greece<br>Italy<br>Luxembourg | Belgium<br>Estonia<br>Germany<br>Hungary<br>Ireland<br>Portugal<br>Spain |

Source: CECODHAS European Social Housing Observatory (2006)

## 2. Major cross-country trends and evolutions of social housing

The following are the main cross-cutting trends that the social housing sector is facing across the EU Member states:

### Trends in housing markets and policies

As part of the gradual retreat of the welfare state in large parts of Europe, provision of social housing has declined in most countries -except for those where the increase in supply of social housing is a key priority, such as Spain, France, Hungary, United Kingdom and the Republic of Ireland, amongst others. Supply subsidies to social housing have been complemented in many countries by demand-side subsidies through housing benefits and vouchers. Overall, housing has become more market orientated, competitive and opened up to economic pressures (UNECE 2006; Priemus et al 1993). Investment in new social housing in many countries has decreased in real terms

(Priemus et al 1993), and there has been a trend towards the sale of the public rented stock either through right-to-buy-type policies to sitting tenants -started in the 1980s by the Conservative government in the UK and followed by some other countries, and most recently seen in the massive sale of housing to sitting tenants in Eastern European countries- or through stock transfer operations (e.g. devolution of social housing stock to the *corporaties* in the Netherlands; stock transfer from local authorities to housing associations in the UK; etc.). In addition, it is worth noting the recent large-scale selling of local public housing companies in Germany to foreign private pension funds as a way to contribute to cover the budget deficit of local authorities.

In order to face increasing housing costs in the market, there has been a growing emphasis on **targeting** the provision of social housing at certain groups with special needs (e.g. disabled,



elderly, young families, etc.) or on the basis of their relatively low-incomes. In addition, the **shortage of supply** in many countries (Ireland, United Kingdom, France, the Netherlands, etc.), the generalised trend towards **rent liberalisation** and the increase of house prices above the price of inflation (e.g. France, Spain, Ireland) are some of the factors which conspire against housing **affordability** – thereby putting pressure on governments to devise effective policies to provide for this shortage of affordable supply, even for “key workers” and the middle classes. In this context, social housing organisations are facing greater demands in those cases where they keep a predominant role to fulfil this mission, and in cases where there is a weak social housing sector (e.g. Hungary, Czech Republic, Spain, etc.) discussions are in place amongst government, social and academic actors to establish such a sector.

### Changing demand

Historically, social housing organizations have been charged with the mission to provide adequate dwellings to workers and to people with special needs, such as young households, the elderly or people with disabilities. Demographic change in Europe is leading to an ageing population with an increasing need for social care. In the European Union the current trend is towards **smaller households** and it is predicted that in 2010 around one third (32%) of the EU-15 **elderly population** (aged 65 and over) will be living alone (European Communities 2004). These groups need homes adjusted to their special conditions as well as access to good services and extra support to allow them to remain independent in their own homes. Moreover, **support services** and shelters are needed to enable people who have experienced personal breakdown to reintegrate into community life. In addition, the difficulties experienced by an increasing number of **young households** in the housing market (whether rental or owner-occupied) are making this one of the key target groups of social and housing policies in many EU Member states.

### Residualisation of social housing and spatial concentration of poverty

In those member States where policies of sale of public and / or social rental housing have been implemented in a large scale (such as in UK), privatisation processes have caused the share

of social housing in the total housing stock to be reduced. As a consequence, social housing has tended to become increasingly targeted at narrower sections of society (UNECE 2006), i.e. a process of ‘residualisation’ of this tenure is taking place. While some actors believe that targeting lower-income groups is a more efficient way for the social housing sector to operate<sup>3</sup> evidence shows that, by focusing on low-income groups, this type of housing becomes increasingly stigmatized (Priemus et al 2002; Kingsley et al 1993; Stewart 1982). Thus, in order to prevent **stigmatization** and **spatial segregation**, some believe that it is advisable to have a broad-based social rental sector with a diverse dwelling stock and a differentiated resident profile (Priemus et al 1997) – an approach which is now reflected in the ‘universalistic’ model of social housing provision explained above. However, as we pointed out earlier, in practice this approach does not necessarily guarantee the absence of segregated communities.

### 3. Changing and emerging role(s) for social housing providers across the EU

In line with the above trends, social housing providers across the EU are facing new challenges, specifically with regards to increasing their efficiency in order to face up to staggering budget cuts. In particular, there is the need to cater for changing demands and needs arising from a new profile of the social housing tenants: as mentioned above, the traditional model of nuclear family is no longer the ‘typical’ tenant but rather so called ‘patchwork’ families (product of higher rates of diverse and re-composed families), lone parents, large or extended families of immigrants and ethnic minorities. Most frequently, young families and elderly people are amongst the key target groups in most EU countries, as well as so called ‘key workers’ (nurses, teachers, policemen, etc) who are not able to find decent and centrally-located accommodation at an affordable price near their workplaces. The latter poses a severe problem for other areas of policy, for example health, education and safety, especially in large cities where these services are in shortfall.

<sup>3</sup> See, for example, FEANTSA (2005)



In addition, social housing operators are expected to work in partnership with other local and regional agencies to deliver efficient neighbourhood management in the face of demands for the effective social inclusion of tenants via the facilitation of access to training and to the job market for these residents. In many parts of Europe, social housing providers are expected to take the lead in this field (e.g. the Netherlands, UK, etc.). Moreover, as some of the authors in this volume will refer to in more detail, in order to be able to fulfil their social obligations to provide homes for the most vulnerable groups, many social housing organisations are increasingly diversifying their portfolios and undertaking so-called non-landlord activities as a means to cross-subsidise their social dwellings via the development of profitable activities (e.g. building of commercial properties).

### III. Key questions arising

In this context, what are key questions arising? From our background discussion, we see that, while on the one hand there are diverse ways of organising housing provision across EU member states, on the other hand there are a number of common challenges that providers share, irrespective of their legal status, organisational forms or institutional frameworks. Therefore, for this first colloquium we decided to focus on what appear to be two main market and policy trends with significant impact on the provision of social housing across the EU: on the one hand, the current trends in home-ownership policies, and on the other, the privatisation of formerly public or social housing stock. As we will see throughout the contributions presented in this volume, there are a number of links between both phenomena which bear considerable impact on the future of the social housing sector.

#### a) Home-ownership trends and social housing in Europe: where are the limits?

Over recent decades there has been an increase in the proportion of households of most EU member states who are home owners, with associated decreases in the proportion of people renting – from both private and social landlords. In some

of the member states policy makers, particularly those of a neo-liberal persuasion have welcomed these trends. Indeed, there is a widely held view that given the challenge of globalisation further expansion of home ownership sectors is both desirable and inevitable: it is only in this way that taxes and social spending can be reduced. Moreover, many policymakers see home ownership as making direct and indirect contributions to economic growth and the targets established by the Lisbon agenda.

Such views, however, are highly contestable. As Professor Doling will argue, there are other possible responses to globalisation and it may be that, in any case, some of the negative aspects of increased marketization of housing systems may force alternative policy directions. For example, many studies show that too much home ownership can have a negative influence on mobility. Low mobility is a determining factor in the creation of “poverty traps”: on the one hand, it means that there is less inclination to change jobs, thereby reducing the scope of a household to take advantage of opportunities to improve or secure income levels; on the other hand, reducing housing costs by moving into cheaper accommodation can be an important individual strategy for absorbing temporary or permanent reductions in income.

In addition, there is already evidence that increasing levels of insecurity for European households, particularly insecurity arising from labour market developments, are placing limits on the ability of households to sustain housing loans. The further expansion of home ownership cannot therefore be assured.

For these reasons, it is necessary to open the debate. More specifically, in this colloquium, Professor John Doling presented empirical data on the extent of growth of home ownership in EU member states, including examples where it has decreased along with the reasons for that decrease. Furthermore, he looked at the relationships between home ownership and economic growth in member states (i.e. some of the ways in which home ownership contributes to growth and some ways in which it detracts). Overall, this empirical analysis sheds light on how the sector might develop and the possible implications for the social housing sector. In response to Professor Doling’s



paper, Dr. Hegedus reflects on the opportunities and constraints for social housing in transition countries – a region where most countries feature the highest proportions of home-owners amongst EU member states, largely as a result of rapid large-scale privatisation of former public housing stock. As Dr. Hegedus points out, there are a number of problems that have arisen over the last decades following this process of privatisation, which call for urgent and effective policy intervention. Lastly, the practitioner discussant Mr. Joao Carvalhosa addresses the situation in Portugal, also a country which is characterised by a large proportion of home-owners, while currently undergoing a shift in policy towards increasing the provision of social housing. Interestingly, Mr. Carvalhosa contends the univocal link sometimes established between neoliberal policies and policies encouraging home-ownership.

## b) Privatisation of housing in Europe: challenges for the social housing sector.

As we have seen earlier, privatisation of former public and/or social housing stock sometimes has gone hand-in-hand with the promotion of home-ownership policies. However, there are a number of associated effects to housing privatisation, which the colloquium speakers addressed. These include, on the one hand, the concomitant process of “residualisation” that social housing is undergoing in a number of European countries, as explained above. On the other hand, when talking about privatisation, the debate on the relative merits of social versus private providers is not just unavoidable, but necessary to address in order to openly reflect on the future of the social housing sector as we know it – including its national and regional variations.

Historically, social housing organizations have become social service providers in order to provide adequate dwellings to people with special needs, such as young households, the elderly or people with disabilities. As we argued earlier, the changing profile and needs of people in social housing often require of a number of customised responses, such as care and support services which help them to lead an independent life and / or re-integrate into the community, just to name a few. Hence, a key question is to what extent are private providers able to cater for

such special needs of vulnerable groups. For some, it is unlikely that for-profit developers will cater for these groups, as the relative small size and high risk of the latter make this unprofitable. As the fundamental task for social landlords is to respond to the needs of vulnerable households, they are not allowed to engage in negative risk selection of tenants. Private landlords, on the other hand, will tend to give priority to families who do not pose a risk, which is detrimental to vulnerable groups. However, the decrease of subsidies as well as the implementation of competitive tendering in many countries are increasing the pressure on social landlords to become more efficient and business-like, leading to tensions between this ‘entrepreneurial’ approach and their traditional social role.

Thus, relevant questions addressed by Professor Whitehead are: how do social landlords differ from private landlords? What is the ‘added value’ of social housing providers vis-à-vis market operators? What are future possible scenarios of housing provision which can meet social objectives? How can access, standards and affordability be ensured while avoiding tenure polarisation? While Dr. Marja Elsinga will add to this reflexion from a Dutch point of view, practitioner Mr. Michael Sachs from Hamburg will provide a concrete example of a municipally owned social housing company which aims to deliver added-value to the city and its inhabitants by adopting a longer-term housing management strategy which, in his view, has a number of societal and economic advantages compared to the short-term perspective of a real-estate investor.

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## FIRST SESSION

### Home-ownership trends and social housing in Europe

#### Keynote speech: Home-ownership policies in Europe: limits to growth?

John Doling

#### Introduction

While, in a European context, private and social rental housing sectors have continued to be important, their size and nature has both been heavily influenced by the long term growth of

home ownership sectors. Indeed, the general picture across the member states of the European Union has been of the increasing popularity of home ownership, growing to its present position as the statistically-dominant form of housing tenure. This is not to suggest that the tenure proportions and dynamics have everywhere been the same; from one member state to another, the percentage sizes of both home ownership and social housing sectors have varied and continue to vary greatly (see table 1). With very approximately a tenth of European households living in social housing, almost two thirds are now homeowners. In the case of many of the newer member states the growth in home owning has occurred particularly since 1990, whereas in many of the older member states it has been a long term trend stretching back over at least the last 50 years. Notwithstanding one or two countries where in recent decades the relative size of the sector has been more or less static and in some - Finland and Ireland for example - has actually declined, the general picture is one of the inexorable rise of home ownership.

Table 1: THE POST WAR GROWTH OF HOME OWNERSHIP AND THE PRESENT SIZE OF SOCIAL HOUSING SECTORS: % SHARE OF TOTAL STOCK BY (APPROXIMATE) YEAR.

|                | Home owning 1960 | Home owning 1970 | Home owning 1980 | Home owning 1990 | Home owning 2002 | Social housing 2003 |
|----------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| Austria        | 38               | 41               | 48               | 55               | 56               | 14                  |
| Belgium        | 50               | 55               | 59               | 67               | 71               | 7                   |
| Czech Republic | -                | -                | -                | -                | 47               | 20                  |
| Denmark        | 43               | 49               | 52               | 51               | 51               | 20                  |
| France         | 41               | 45               | 51               | 54               | 55               | 18                  |
| Finland        | 57               | 59               | 61               | 67               | 58               | 17                  |
| Germany        | -                | -                | -                | 38               | 42               | 7                   |
| Greece         | -                | -                | 70               | 77               | 83               | 0                   |
| Hungary        | -                | -                | -                | -                | 92               | 5                   |
| Ireland        | -                | 71               | 76               | 81               | 77               | 8                   |
| Italy          | 45               | 50               | 59               | 67               | 80               | -                   |
| Lithuania      | -                | -                | -                | -                | 84               | 3                   |
| Netherlands    | 29               | 35               | 42               | 44               | 53               | 35                  |
| Norway         | -                | 53               | 59               | 59               | 77               | 5                   |
| Portugal       | -                | -                | 57               | 58               | 64               | 3                   |
| Slovenia       | -                | -                | -                | 68               | 82               | 7                   |
| Spain          | -                | 64               | 73               | 76               | 85               | 1                   |
| Sweden         | 36               | 35               | 41               | 42               | 42               | 21                  |
| UK             | 42               | 49               | 56               | 68               | 69               | 20                  |

Sources: Catte et al (2004); Scanlon and Whitehead (2004); Housing Statistics in the EU 2004; UNECE (2006)

In recognition of the inter linkage of the fortunes of home owning and social housing sectors, the present paper has two main objectives. The first questions the extent to which the growth of home ownership sectors could and should continue: what are the limits to the growth of home ownership? The second concerns what the impact of home ownership sectors might be on the long run economic growth in the member states: what are the home ownership limits on economic growth?

Though different, the questions are linked. Firstly, attempts to answer them are beset by deficiencies of information and knowledge. Of information, because, on the one hand, there remains a lack of consensus about definitions of some basic concepts, so that across Europe we do not even agree what is meant by home ownership and by social housing, and, on the other hand, as table 1 indicates, not all countries have collected relevant measures in all time periods. Despite some recent improvements there remain large differences in the measures that are available as between the older and the newer member states. Of knowledge, because scientific research on many key issues has often been exploratory or not pursued at all. Although there is a large, European research community investigating housing issues there is much that we simply do not know.

Secondly, underlying both questions are policies, based on particular responses to globalization, which promote less state provision and regulation, and increasing marketisation. These policy approaches can be seen to conform to the conventional wisdom about politics in the EU that views discussion about the Third Way, representing a compromise between social democracy and neo-liberalism, as actually being a cover for the whole-hearted embrace of the latter. Further, the conventional wisdom is that Europe will progress only by cutting taxation and increasing flexibility - there being no alternative, viable policy options - and that this has been accepted in all member states (Bale 2005). On this view, neo-liberal policies are the only ones that can be sensibly pursued, the growth of home ownership and the removal of housing system rigidities will continue to be pursued.

Whereas the conventional wisdom may be questioned from the point of view of both the logic of its foundations as well

as the universality of its acceptance, the answers to both questions are also informed by what might be referred to as the socio economics or the market outcomes. These throw up contradictions that do not fully match with apparent policy objectives.

It is here that the underlying argument of the present paper is located. A consequence of the apparent ideology-policy-socio economic mismatch is that increasingly policy makers may be forced to accept that their objectives are not achievable and, indeed, not necessarily desirable. Much will depend on emerging trends and research that identifies significant relationships between tenure and economic and social objectives. But, as policy makers become better informed, the apparently unconditional support for home ownership may give way to a more complex model of housing systems in which private renting and social housing play a more favoured part.

With respect to each of the two questions, in turn, the paper presents an understanding of the foundations and objectives of current policies along with recent scientific evidence of the actual impact of current developments.

#### The limits to the growth of home ownership

#### The benefits of owning

The switch toward a home owning Europe has had some significant impacts on the budgets and economic expectation of European households. Households have incurred higher levels of debt. Increasingly, access to home ownership is achieved with the help of a loan from a financial institution so that, overall, outstanding housing debt has come to be equivalent to a larger share of national GDP (table 2). To that extent, a home owning Europe has also become an indebted Europe.

For both borrowers and lenders, the rationale for indebtedness is embedded in the financial value of home ownership. The geographical pattern is far from uniform with owners in southern and Western Europe – Spain and Ireland, in particular - tending to have enjoyed higher real house price gains than those in central and northern Europe – and in Sweden has actually fallen (table 2). Nevertheless, those households that have gained ac-





cess to home ownership have, on average, acquired an appreciating investment, so much so that there is considerable wealth held by European households in the form of their homes. The net value of home owned properties in Europe that is the gross value less outstanding loans or equity, has been estimated at around 13 million Euros in the old member states, and almost 2 million Euros in the new member states (Doling and Ford forthcoming). Overall, this equity is some 40 per cent higher than the total GDP of all the member states so that the financial potential of Europe's home owners is enormous.

From the point of view of financial institutions this equity provides business expansion opportunities. Not only can they lend money to households wishing to enter home ownership, but increasingly they have developed products that allow home owners to realise equity. In this respect the position still varies

greatly across member states (see table 2).

From the point of view of individual households it forms the basis of a division: for those who rent, their house is somewhere to live, for those who own it is both somewhere to live and a store of wealth. One consequence is that those responsible for planning housing provision are thinking of housing not simply as an issue of consumption, of achieving minimum space and comfort standards for example, but also about its investment potential. There is a citizenship dimension to this: in so far as home owners are increasingly able to access that wealth, home owners are offered consumption opportunities that may be denied to those who do not have an equity stake in their homes. In that sense housing tenure may increasingly constitute a divide in European societies, providing the majority with benefits that are denied the minority.

Table 2: MORTGAGE DEBT RATIOS AND HOUSING WEALTH

| Country     | Mortgage debt to GDP (%) | Change in mortgage debt to GDP 1996-2002 | Real house price growth rate | House equity release products available and/or permissible |
|-------------|--------------------------|--|------------------------------|--|
| Austria     | 27                       | 6  | 1987-2001 3.5                | -  |
| Belgium     | 28                       | 6  | 1981-2001 1.2                | No   |
| Denmark     | 82                       | 18                                       | 1980-2001 1.0                | Yes  |
| Finland     | 32                       | 1  | 1981-2001 0.9                | Yes  |
| France      | 19                       | 1  | 1980-2001 1.4                | Not used   |
| Germany     | 51                       | 2  | 1980-2001 0.5                | Yes  |
| Greece      | 15                       | 11                                       | 1994-2001 3.4                | Yes, but of very limited use                               |
| Ireland     | 37                       | 12                                       | 1980-2001 3.7                | Yes, but so far limited to certain uses                    |
| Luxembourg  | 18                       | -7                                       | 1980-2001 2.6                | Not used   |
| Netherlands | 88                       | 35                                       | 1980-2001 2.3                | Yes  |
| Portugal    | 50                       | 28                                       | 1988-2001 0.4                | Legally permissible, but not marketed                      |
| Spain       | 38                       | 23                                       | 1987-2001 4.2                | Yes, but unusual   |
| Sweden      | 48                       | -8                                       | 1980-2001 -0.2               | Yes  |
| UK          | 62                       | 1  | 1980-2001 3.1                | Yes  |

Sources: Mortgage debt - Hyostat 1992-2002, European Mortgage Federation, Brussels; house prices, equity release - ECB (2003).



## Globalisation and the neo liberal approach

Whereas, the investment potential of home ownership may have made this an attractive option to many European citizens, and thus contributed to the growth of home ownership sectors, growth has also frequently been enhanced by state policies. The European Central Bank has concluded that member state governments have set in place a number of interventions that "are directed explicitly at promoting home ownership, in many cases explicitly for low-income households" (ECB 2003: 35). These interventions include tax breaks on housing related investments, such as relief from tax on imputed rental value of owner occupied housing and reductions on loan interest. But, there are also examples of privatisation of social housing stock. In fact, even if the numbers involved are not always large, most EU member states now allow the sale of social housing (Norris and Shields 2004), while in some of the newer member states the sale of former state-owned housing has often taken place on a massive scale (UNECE 2006). The overall effect of these and other pro-owning policies has been to boost the size of home ownership sectors.

The view is widely held that such moves toward pro-ownership policy regimes, particularly as they characterise the older EU member states, are part of a general restructuring of welfare systems brought about by the imperatives of globalisation. Peter Malpass has provided a succinct statement of this:

Different countries have distinct welfare states, and each is responding in its own way to the pressures arising from globalisation and the collective loss of confidence in the power of nation states to protect their populations from international economic competition. In general, however, we can say that there is a tendency to cut back on universal public services funded by taxation, and to emphasise instead the virtues of low taxation, coupled with individual choice and responsibility. Housing as the least decommodified of the services usually identified as components of welfare states has been at the leading edge of reform (Malpass 2006)

This can be seen to reflect the orthodoxy that, given the desire of western, democratically-elected governments to want to hold on to jobs, they are forced to adopt business-friendly policies: a low taxation, low social overheads regime as well as flexible labour markets in which workers have fewer rights vis-à-vis their employers. This "strong" version of globalisation is thus one in which nation states, and even the European Union as a whole, have less autonomy over social programmes than they did in the past. Rather, the primacy of economic forces means that, in Nicola Yeates' words, "states are deemed to have become instruments of global capital" (Yeates 1999: 175).

In an era in which policy makers enter the arena behind the neo-liberal flag to take part in a race to provide the most business-friendly regime, it is easy to see the attraction - arguably the inevitability - of reducing commitments to social housing and encouraging home ownership. In those countries in which social housing has mainly met the needs of lower (including the unemployed) income groups, providing them with an amount and quality of housing that exceeds the ability to pay from their own resources, there may be a perception of a heavy call on taxation to meet either production and/or consumption subsidies. Moreover, the more unemployment rises - with all member states experiencing rising unemployment in some years in recent decades - the more the income of the poorest groups in society drops and the greater the subsidies and the redistribution may appear to be. Combining this with the fact that even large construction programmes only add small increments to the existing stock each year so that cutting social housing construction will have limited impact on votes in the next election, it is clear that a government, seeing itself compelled by the challenge of globalisation to make welfare and tax savings, would be tempted to focus cuts on social housing.

Of course this does not mean that home ownership is necessarily unsubsidised. It is true that the UK government has phased out the mortgage interest subsidy, but, in contrast, the Dutch government, for example, has continued with such large subsidies as to provoke a recent challenge from the European Union (European Commission 2006). But home ownership offers, particularly to neo-liberal devotees, the prospect of market provision, consumer choice and self-reliance. Moreover, home



ownership offers a possible key to a more general reduction in social protection spending through the promotion of the idea, imported from the USA, of asset-based welfare (Sherraden 1991). The argument is that, as means of providing compensation for low incomes, social security payments do not themselves lift people out of poverty, while leaving them powerless or dependent; such systems should thus be replaced by facilitating the acquisition of assets that would give individuals the ability to make their own decisions about how to secure their well being. The point here is that home ownership can be seen as a means whereby individuals may build up a sort of personal provident fund which can be called upon when needed. For example, one response to the perceived, European-wide problems of ageing populations and the sustainability of state pension schemes is to encourage more people to become home owners and to see their homes as a form of personal pension provision. In that way, forced, personal saving in the housing market substitutes for tax and public spending.

So, one view of national housing strategies promoting home ownership is that they reflect a wider context in which processes of globalisation are forcing policy makers – whether they are willing participants or not – to pursue policies that involve cutting taxation and social spending. Moreover, since globalisation will not go away (at least under most scenarios), pro-owning policies and the expansion of home ownership sectors look set to continue; a mono –tenurial Europe seems credible.

### Alternative policy approaches

But the view that globalisation is an irresistible force, which provides policy makers with no choice, is contestable. As Colin Hay has put it: “The confidence with which orthodoxy is expressed is no token of the strength of the evidential basis on which it is founded” (Hay 2005: 203). The point is that Hay and others (e.g. Mosley 2003; Traxler and Woltech 2000; Weiss 1998) have provided evidence that denies some of the basic foundations of the globalisation orthodoxy. For example, some forms of investment are positively attracted to regimes in which there is high taxation-high social spending as well as strong labour rights. Moreover, with respect to social housing

the reality is also that some countries have maintained high production levels (Norris and Shields 2004). This does not mean that globalization is not an issue, nor that governments are unconstrained by international competitiveness, but rather that the neo-liberal, knee-jerk reaction to social spending is an over-simplification, both in terms of what policy responses are appropriate and what policy responses are actually made throughout Europe

On this view - what has been termed the “weak” model of globalisation - governments are not without choices; they do not have to rush headlong down the retrenchment path. Indeed, it is possible, as Weiss in particular has argued that some politicians knowingly use the spectre of globalisation and the loss of competitiveness as a convenient justification – a cover story - for what they seek to do, in any case, from ideological conviction. The lesson for the politics of tenure is that the continuation and indeed strengthening of pro-owning policies, whether or not tied to anti-social housing policies, may not be inevitable. Moreover, the more that some of the costs of travelling further in the direction of mono-tenurial systems are exposed, the more the basis of the present policy orthodoxy may be undermined.

### Affordability and loan repayment difficulties

One area of cost involved in increasing rates of home ownership, which indicates a limit to sector growth in its own right as well as fuelling the case for alternative policy regimes, concerns issues of affordability and loan repayment difficulties.

The argument that home ownership sectors will inevitably keep increasing because European households are becoming more prosperous, is a statement of cause and effect that sits somewhat at odds with the observation that there is a significant, negative correlation between national GDP per capita and home ownership rates: put simply, the richest countries tend to have least home ownership (Balchin 1996). A more revealing observation, however, may be that there is growing evidence (generated particularly by EU-funded research) that paying for housing, specifically servicing housing loans, has become problematic for large numbers of European households (Doling



Table 3: HOUSING REPAYMENT DIFFICULTIES: SELF REPORTED EXPERIENCE GROSSED TO NATIONAL TOTALS (2001)

|                | Numbers reporting that they experience housing costs as a heavy financial burden | Numbers reporting mortgage arrears | Mortgage arrears as percentage of all mortgagees |
|----------------|--|------------------------------------|--|
| Belgium        | 311 933  | 52 822                             | 3.8  |
| Denmark        | 110 211  | 6 823                              | 0.5  |
| Finland        | 89 355   | 47 831                             | 7.5  |
| France         | 1 066 764  | 111 410                            | 1.7  |
| Germany        | 1 005 300  | 195 349                            | 2.6  |
| Greece         | 107 933  | 57 666                             | 17.3   |
| Ireland        | 64 578   | 16 579                             | 3.7  |
| Italy          | 1 105 732  | 72 772                             | 3.2  |
| Netherlands    | 35 810   | 25 208                             | 0.8  |
| Portugal       | 207 530  | 8 487                              | 1.3  |
| Spain          | 1 178 223  | 102 074                            | 3.4  |
| United Kingdom | 544 894  | 89 988                             | 0.9  |

Source: European Community Household Panel

and Ford 2003; Doling and Horsewood 2003; Horsewood and Neuteboom forthcoming)

Europeans often acquire home ownership with the assistance of a loan from a financial institution. During the repayment period, there is sometimes financial hardship in repaying the loan, and even default. Where loan default is persistent, under national legal systems, banks are generally able to pursue their claim through the courts, seeking possession of the house. While such outcomes have long been a feature of housing markets, there is evidence - albeit non systematic - that, taking account of variations over national economic cycles, they have become more common. There also appear to be wide variations across member states, where in 2001 arrears were particularly high in Greece and Finland, and low in the Netherlands, Denmark and the UK (table 3).

Statistical analysis using data from the European Community Household Panel to relate the experiences of individual households with their personal characteristics shows that, across all countries in the survey, arrears are more likely where the household:

- Is low income
- Has recently experienced unemployment
- Has low educational levels
- Has other debts
- Is a single parent
- Is young

Some of these factors, such as unemployment, will vary across the economic cycle, but our research shows that once this and the other characteristics of individual households are taken into account, there remains for each country some unexplained variation. In other words, some countries appear to have “natural” levels of arrears that are higher and some that are lower than the personal characteristics of their home owning households would suggest. Statistical analysis at the country level shows that overall rates of arrears are related to:

- Home ownership sectors. Where these are large, more people who are economically marginal are attracted or forced to buy.
- Finance markets. Differences in the housing finance markets between European countries also have some influence, particularly important being the balance between variable and fixed interest rate loans.



- Labour markets. The volatility of unemployment is significant in raising the overall level of arrears, whereas high income growth tends to lead to lower levels.
- Social security. The greater the generosity of systems of social security, the less frequent are mortgage arrears.

The available evidence indicates, then, that the level of risk may be exacerbated by policies across a number of areas. In much of the post war period, home ownership had been part of a coherent institutional framework: financial institutions were generally conservative in their lending practices, while the ability of households to repay was supported by a secure labour market and underwritten by effective social protection measures. But, the more that homeownership has expanded the more it has drawn in people who financially, and perhaps in other ways, are marginal to the tenure. Moreover, the level of risk faced by home owners in general is increased where governments have weakened worker protection in order to create more flexible labour markets, financial markets have been deregulated, and welfare safety nets reduced. The point here is not that the policies in each area are necessarily good or bad, likely to meet their stated aims or not, and so on - those are other debates - but that together they transform some of the key aspects of home ownership.

This analysis of the processes giving rise to risk for home owners also opens a window on what might be referred to as the extent of sustainable home ownership. One view of mortgage default is that it is a measure - at any one time and given the institutional structure, and the level and distribution of incomes and of housing costs - of the margins of home owning: additional tranches of home owners are likely to experience higher levels of default and possession. In turn, this focuses in part on issues of affordability. In so far as home ownership imposes costs of purchase, maintenance, heating and taxation it requires a minimum income.

The problem is seen very starkly in some of the newer member states where the conversion of much of the former rental housing stock to home ownership has resulted in large numbers of people who even with low purchase costs are struggling to pay for repairs and heating. In the older member states the

affordability limits to home ownership growth might be seen in the relationship between house prices and income distributions. Given the general tendency for house prices to increase (table 2), in many metropolitan areas, especially those incorporating capital cities, they have grown to particularly high levels (EMF 2005). In contrast the incomes of younger people - the next generation of home owners - are tending to fall relative to those of older people, for reasons partly of longer periods of education and partly delays of getting into relatively secure employment (Esping Andersen 2002).

### The home ownership limits on economic growth

Whether or not home ownership sectors look likely to continue to increase, and irrespective of their size, what impact do they have on economic growth? The view from the EU appears to be that more home ownership would be good from this point of view. But is it?

### The Policy Framework

First of all, the policy background. The Lisbon Agenda was a response by the EU ministers to the changing economic environment resulting from globalisation, the new knowledge-driven economy and the competition from the US and increasingly China. In 2004, a mid-term report of the progress towards the Lisbon Agenda, undertaken by Wim Kok, recommended the reorientation of EU policy towards increasing economic flexibility, with emphasis placed on factors affecting growth and employment. Although concerned with increased labour market participation and with enhanced entrepreneurship, the refocusing of the Lisbon Agenda led to policy recommendations that included housing outcomes:

*Facilitating the integration of retail financial markets is a natural follow-up to the FSAP to ensure lower costs, greater efficiency, more access to credit on more competitive terms and more consumer friendliness — and also to help SMEs have better access to finance. In particular, reducing restrictions on refinancing mortgage debt and offering improved possibilities to finance a larger proportion of the purchase price of property via more generous and*

*cheaper mortgage loans could extend home ownership and also boost consumption. Transaction costs on housing are too high in most Member States. More flexible housing markets would encourage labour mobility and the development and efficiency of the financial services sector, empower home-buyers and support more consumer spending.*

*(European Commission 2004: 25-26)*

This seemed to be a recognition, then, that the housing market has a significant impact on economic activity. Home ownership would be extended by an increase in cross-country integration of mortgage markets. Increased competition in housing finance was viewed positively as it could be expected to reduce the costs of borrowing money, increase the variety of products and reduce the size of the deposit; all effects that - in theory - should increase home ownership rates. An increase in the proportion of home owners was believed to be beneficial as it would increase aggregate demand while increased flexibility in terms of labour mobility could also be achieved.

### Housing tenure and economic growth

One reading, given the emphasis placed in the Lisbon objectives of the need to catch up, economically, with the USA, in particular, is that what was envisaged was a housing system much more like theirs that is predominately home ownership and market renting with a residual role only for social housing. But, even if this is not the case, the relationship between housing tenure and economic growth is undoubtedly complex. An assumption that higher rates of home ownership will necessarily benefit economic growth in member states, however, is particularly questionable. Even in the absence of comprehensive analysis, research carried out as part of the OSIS project and elsewhere indicates some ways in which the contribution may be positive and other ways in which it may be negative (see Doling 2006; Horsewood and Neuteboom forthcoming).

### Labour force participation.

One way in which economic growth can be achieved is by increasing labour force participation rates that is the number of people in an economy who are involved in paid employment. It



is for this reason that the Lisbon and Kok reports recommended the importance of achieving high levels of participation for all people of working age.

Some of the targets have been specifically aimed at raising the participation rates of women to the levels achieved by men. In general, men and women, up to their mid or late twenties, demonstrate similar participation rates, but thereafter, rates for women tend to fall away, the obvious reason being related to family formation and child care responsibilities. In this, there are significant differences between member states: for example, participation rates for women tend to be low in the Mediterranean countries and high in the Nordic countries (table 4). An important question for those charged with devising appropriate policies is what is it about different countries that

Table 4 Labour force participation rates 2004 (% of those aged 15-64)

|                | Males | Females |
|----------------|-------|---------|
| Austria        | 75    | 62      |
| Belgium        | 68    | 54      |
| Denmark        | 80    | 71      |
| Finland        | 71    | 67      |
| France         | 69    | 58      |
| Germany        | 71    | 59      |
| Greece         | 75    | 46      |
| Ireland        | 76    | 58      |
| Italy          | 70    | 45      |
| Netherlands    | 80    | 66      |
| Portugal       | 73    | 62      |
| Spain          | 75    | 52      |
| Sweden         | 75    | 71      |
| United Kingdom | 77    | 66      |
| EU15           | 73    | 58      |
| EU25           | 71    | 56      |

Source: Eurostat

result in different propensities to work. Statistical analysis has indicated that the causes are complex and include:

- Labour market conditions (wage levels for women, availability of family friendly work, unemployment)
- Tax systems (single or double worker)



- Family policies and child care provision
- Divorce rates
- Housing opportunities

Of note here is that the nature of national housing systems is important: specifically, in countries in which the alternatives to home ownership are limited and housing is expensive, young women – whether mothers or not - appear to be forced to remain in the labour market. In other words, high housing costs ensure that many women do not have a non wage earning option, and, on this analysis policy makers should be reducing non home owning options.

Whereas home ownership appears to increase participation rates for younger workers it appears to facilitate the early exit from the labour market – that is before the formal age of retirement - of older workers. The incidence of early retirement also varies considerably across member states (see table 5).

Here, statistical analysis also shows that a number of factors are important, including:

- Labour markets (including unemployment)
- Availability of state benefits
- Divorce, life expectancy
- Home ownership

The importance of housing may lie in the fact that once housing loans have been paid off, that is the house is owned outright, and under the tax-subsidy systems operating in many member states, the owner is offered the opportunity to live rent free. This income in kind in effect enables people to get by on smaller pensions than they would otherwise need in order to enjoy an acceptable standard of living. In addition, where it is possible to sell the home and move to a cheaper one, or there are equity release products the older person may be able to create an income in cash. Overall, then, high rates of home ownership seem to contribute to high rates of early retirement.

#### Entrepreneurship.

Home ownership may also give the individual more opportunities for entrepreneurship, in the form of either becoming self-

Table 5 **Labour force participation rates 2004**  
(% of those aged 55 -64)

|                | Males | Females |
|----------------|-------|---------|
| Austria        | 39    | 20      |
| Belgium        | 38    | 21      |
| Denmark        | 67    | 53      |
| Finland        | 51    | 50      |
| France         | 41    | 34      |
| Germany        | 51    | 33      |
| Greece         | 56    | 49      |
| Ireland        | 65    | 34      |
| Italy          | 42    | 20      |
| Netherlands    | 57    | 33      |
| Portugal       | 59    | 43      |
| Spain          | 59    | 25      |
| Sweden         | 71    | 67      |
| United Kingdom | 66    | 47      |
| EU 15          | 52    | 33      |
| EU 25          | 51    | 32      |

Source: Eurostat

employed or setting up a small business, which in turn will contribute to economic growth. Again, there are wide differences between countries with northern member states tending to generate much fewer small businesses than southern member states. And, again, there are a number of factors that explain the cross country differences:

- Unemployment rates
- Industrial structure
- Tax system
- Home ownership

The significant relationship with home ownership here does not seem to be the amount of home ownership in each country. Indeed, it appears that in countries with high rates of home ownership, in which younger people have fewer non-home ownership options and entry costs are high, meeting housing needs may be considered relatively risky. Since setting up a small business is also generally perceived as entailing a high level of risk, the need to incur housing risk may deter people



from adding employment risk. People may tend to protect themselves against risk in housing with security in employment. In other words, more home ownership seems to result in less entrepreneurial activity. On the other hand, in countries where house prices have risen faster than the rate of inflation so that individuals have built up considerable equity and the size of repayments relative to incomes has decreased, levels of entrepreneurship increase. Housing has both become less risky and households have equity that can be used as collateral against a loan to support small business formation.

#### Mobility

It has been argued that home ownership is a cause of unemployment in that home owners are relatively immobile so that if an individual home owner loses a job their they are less likely to move to a region in which there are more or better job opportunities. This may arise, according to Oswald, either because the transaction costs – taxes, legal fees and so on – involved in changing one house for another, are high, or because high price to income ratios make it difficult for people, particularly those who are young and unemployed, to move away from the parental home (Oswald 1999). However, the relationship between tenure and mobility is complex. Transaction costs are clearly very variable across member states (EMF 2006), but there are also important cultural differences: for example, in Germany and Belgium buying a house is often viewed as a once-in-a-lifetime experience. It is certainly not the case therefore that more home ownership and lower transaction costs would necessarily significantly increase mobility of labour

The results reported here are certainly not conclusive, many constituting only initial findings; nor are they comprehensive - geographically or in terms of the range of effects. But they do indicate that the nature of housing systems has relevance to economic growth. And even though it is not fully understood, it is clear that this relevance is complex. In some ways home ownership appears functional to economic growth. Home ownership may fuel domestic demand, encourage higher labour force participation rates among younger people, facilitate investment including small business formation and expansion. Yet, in other ways, home ownership may be dysfunctional to economic growth. It may facilitate the early withdrawal of

people – particularly highly paid, and highly skilled people - from the labour market, and dampen the propensity of workers to be geographically mobile.

Yet, there is another interpretation of the significance of home ownership for economic growth, quite different from its possible impact on the length and nature of labour force participation. It is possible that the Kok committee actually see home ownership, or rather the large equity embedded in home ownership, as a means of achieving economic and social goals, without recourse to public expenditure. Given the difficulties experienced by at least some member states in keeping within the strictures of the growth and stability pact, and given the demands for funds to meet the needs of the poorer member states and regions, housing equity may be considered as offering an alternative to increased public spending. Put bluntly, the argument may be: why do member states need more public spending to solve their problems when further liberalisation of financial markets would allow them to tap into the wealth contained in their housing sectors.

#### Concluding remarks

##### What then of our two questions?

In a mind set that sees neo-liberal policies as essential responses to the challenges of globalisation, continued expansion of home ownership sectors may be deemed inevitable and indeed necessary; under this scenario, the role and size of market and social renting sectors would be further squeezed. But whatever the ideological position, trends in affordability mean that it is by no means certain that demand for home ownership will be sustained. Policy makers may thus be forced into a re-assessment of the cost of pro-owning policies as well as of the appropriate contribution of other housing tenures.

But whereas, for reasons of demand, the further growth of home ownership is not assured, it is also possible that expectations about the positive economic benefits of home ownership will also not be realised. Home ownership appears to be favoured, at the EU level at least, as a means of achieving some of the Lisbon and Kok targets. However, the scientific findings reported in this paper, though exploratory and incomplete, suggest that home



ownership may in some ways contribute to, and in some ways detract from, economic growth. It is at least possible that as we learn more about the complex housing-economy linkages that support for home ownership will weaken.

In the light of these answers, perhaps the questions can be usefully recast.

Firstly, should the housing policies of member states continue, as much as they have done, to promote home ownership? The corollary to this question is of course: should the promotion of other forms of tenure be enhanced? The answers are clearly complex. One dimension – as we have shown – lies in the possibility that, in the light of the evidence of affordability difficulties, the past growth in demand for home ownership may in any case not hold up, so that continued growth might require further (and high public expenditure) policy measures. Another dimension, concerns the extent to which policy makers view home ownership primarily as a means of providing people with a physical shelter or as a vehicle for investment. And, if it is the latter, then, on the one hand, how should the wealth, as represented by housing equity, be used, and, on the other, what does this mean for other tenures and for non home owners? Embedded in these considerations are some important social issues.

Secondly, should the EU have a housing policy? Part of the answer to this depends on whether national housing systems are deemed to be a neutral factor having no bearing, one way or the other, on progress towards the Lisbon and Kok objectives. The evidence reported in this paper, for example the links between home ownership and labour force participation rates, indicates that the effects may not be neutral. On that basis, housing should, more explicitly and on a more informed basis, be incorporated into EU policy objectives. But, there is another level at which the question can be considered. Given that there is a wide variety of housing systems across the member states, the position could be taken that the economic objectives will be more (easily) achievable given prior changes to at least some of the national housing systems. Insofar as the economic performance of one member state has consequences for the economic performance of all other member states, it could also be said that any impediment to economic performance arising from a particular housing system, will have consequences for all other

member states. On this basis, should the amount and nature of home ownership, private renting and social housing in each member state be matters in which the EU should have a legitimate interest?

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## DISCUSSANT'S RESPONSE

### Opportunities and constraints in social housing in transition countries<sup>4</sup>

József Hegedüs

The aim of this paper is to give an overview of the social housing policies in transition countries. First, we will identify the starting point of the process (East-European Housing Model) and establish the framework of the analysis. The second part of the paper will analyze the process and consequences of privatization. The third part of the paper will overview the developments in three areas of social housing: housing allowances, public rental development and low income ownership programs. In the concluding part we summarize the constraining factors to the development of an efficient social housing sector.

The paper will focus on trends and conflicts of different solutions in the area of social housing; however, it does not aim to give a systematic overview of the social housing programs and housing sector developments in individual countries.

### A framework of transition – market creation, market compensation and “retaining” factors

The main characteristics of the East-European Housing model (Hegedüs-Tosics, 1996) were the one-party political control over the housing sector, the subordinate role of market mechanisms, the lack of market competition among housing agencies (bureaucratic coordination), and a broad control over the allocation of housing services (huge, non-transparent subsidies). However, under this model several “sub-models” (versions) emerged as responses of the individual countries to challenges in the process of the development of the socialist economy. (Turner et al, 1992) While the main characteristics of the model could be interpreted as structural explanations, the divergences of the model were considered theoretically

<sup>4</sup> 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.

as “policy options” taken by the individual governments.<sup>5</sup> The structural conflicts (“cracks”) were managed by different methods, including strict control mechanism (Bulgaria, Russia, East-Germany), or allowing quasi market processes (Yugoslavia, Hungary). The differences in tenure structure (state-owned rental, cooperative housing and owner occupation) and in different financial schemes (cooperative, state bank financed owner-occupied, etc) were not relevant from the point of view of the operation of the housing sector. Different sub-models under the EEHM could be explained partly by exogenous factors, such as the organizational development of the communist party and the state, the economic and social policy, and partly by the endogenous development of the housing institutions. The outcomes of different policy options – even among countries with the same level of the GDP – were quite different in terms of the quality and quantity of housing. Again, there were common typically “East-European” elements of the different sub-models or versions, e.g. the housing estates, the under-maintained public sector, and rationed “elite” houses for the nomenclature, which justify the use of the term “East-European Housing Model (EEHM)”.

It is not evident, however, how we can define **social housing** in the EEHM, because of the existence of a “dual market”. The state (in a broader definition<sup>6</sup>) 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 an under-cost/market price, allocated according to “merits”. As a consequence of the artificially low, subsidized housing prices, an enormous shortage emerged leading to a dual housing market. The presence of “dual housing market” meant that aside from the state controlled housing sector there were informal parts: self-help buildings, private transactions in the rental sector, private real estate market transactions, a market for sub-ten-

<sup>5</sup> This approach is closely connected to the “soft structural” approach (Doling et al 2003), which could be effectively used in the interpretation of variations in the East European Housing Model. This approach combines a “rational choice” (policy choice or agency choice) type of explanation with structural elements. In his earlier work Hegedüs followed this argumentation, for example, in the explanation of “self-help” housing in Hungary. (Hegedüs, 1992).

<sup>6</sup> The State meant not only the central government and the councils, but the state owned enterprises as well, which constituted the majority of the economy and which were integrated into the economy through the communist party.

ancy, and a small entirely private rental sector. (Hegedüs-Tosics, 1996) The state housing included the housing provisions of different tenures (rental, cooperative and owner-occupied), which were under strict state control (investment, housing standards, costs and prices). There was no special sub-sector or sphere which can be called “social housing”. Thus, in the formal housing market, there was no need for housing assistance (because of the subsidized, low housing services). At the same time, the informal market was not officially acknowledged, and thus, no income support was applied.

The last more than 15 years of experience has shown that the process of transition from a planned economy to a market-based society was influenced by two main – in many respects competing – political trends: neo-liberalism and social democracy. The governments in transition countries worked under the constant fiscal pressure caused by the social and economic costs of the bankrupted socialist economy, although individual countries followed different tracks (i.e. type, method and speed of the privatization, the speed of the price liberalization, the degree of the decentralization, the scope of the welfare programs, etc.). The process could be described with the help of the “weak” globalization theory (see for example Doling, 2005), which states that beyond the basic structural changes transitional countries could follow different paths. However, the “choices” made were rarely results of a cautious preparation and decision, but rather results of the short-term reactions to the economic and social crises.<sup>7</sup>

The housing sector is embedded in the economy, thus economic and social reforms inevitably have effects on the housing sector, that is, the housing sector is formed not only by housing specific measures. Three main types of factors can be differentiated in the analysis of the transition: (1) strategies aimed to create new market mechanisms and (2) policies to compensate (or lessen) the negative social effects of the new market mechanisms, and (3) the social forces interested in retaining the traditional modes of provision (“path dependences”).

<sup>7</sup> The actual housing policies in the region could be characterized as „muddling through” (Tsenkova, 2003).



The **market creation strategy** could be implemented without difficulty in certain sectors, where there were no basic social barriers to major changes (construction industry, production and trade of building material), but in the area of housing services (water, heating, etc.) and housing finance (enforcement), the introduction of the market mechanism created many social tensions and conflicts arising from price liberalization, enforcement of foreclosure law, eviction rule-related non-payments of the rents, and user charges.

The most important **market correction strategy accompanying the market creation strategy** was the social benefit programs which aimed to help households hit by the economic crises (unemployment) and price liberalization. Because of the low public administration capacity, however, the lack of reliable information on households’ income information, and the significance of the informal economy, the efficiency of the income benefit programs was very low in the beginning. Social housing programs – as a market correction mechanism – had a low priority until the end of 90s.

The **retaining factors** are believed to play an important role in decreasing and postponing the social conflicts of the transition. In housing, which has been liable to social conflict, the temptation to maintain the traditional structure (using implicit “across the board” type subsidy through inefficient public companies) was very high. Maintaining the rent level below the actual cost of rent, rent control of the private rental market, public management companies, price control of energy costs, neglecting the mean-tested benefit programs, and forgiving the “non-payments” (eviction evasions) were typical answers given by the state to the social conflict caused by the transition.

In the process of transition, the economic restructuring initially dominated by market-making reforms has gradually been constrained by state intervention and control, and negative consequences (regional and social inequality, declining living standards) of the market system have raised the need for the **welfare mechanism** – for example, the old benefit programs have to be modified or replaced by new programs that fit into the new situation. These processes have been carried out at different speeds and in various ways in different countries and



in different sectors. These differences are understandable given that the development of the housing policy has to be conceived within the framework of social policy (and in a broader sense within the framework of welfare regime).

The structural changes in other sectors of the society have also been formed relying on three types of the strategy: introducing market elements (privatization, price liberalisation etc.), correcting for the hardships caused by the new market mechanism, and maintaining elements of the traditional structures. Because in most of the public sector these processes have not been fully implemented, it is very difficult to draw clear conclusions about the new welfare regimes. (Cerami, 2006) Even countries with relatively successful transition strategies (Hungary, Czech Republic, and Poland) postponed the comprehensive structural changes in the public service sectors such as health and education, and in the social sector, where the political risk of abandoning the traditional structures was high. After 15 years, most areas of the welfare system (education, health, social provision etc.) in transition countries are still in flux.<sup>8</sup>

### Housing privatization and restitution: are there different models?

Policy choices regarding housing privatization and restitution (one of the favourite topics of housing policy discussions in the region) should be conceived in the framework of the transition. Privatization (and restitution) was not a choice between the “unitary” or “dual” model, as the unitary model was not a feasible option. To turn the socialist rental sector into a unitary model would have involved several difficult policy steps, which were not realistic under structural constraints (fiscal pressure, new political system, privatized economy, public sector reformed etc.) faced by the countries. Our conclusion is that there was no real alternative to the mass-privatization (market creation strategy), because of the retrenchment of the state/public sector against the structural changes. In order to create a social housing sector from the ex-state owned rental sector basic changes were needed including the introduction of allocations based on social need, income-related (mean- tested)

<sup>8</sup> Thus it is not incidental that there are conflicting interpretations (Deacon, 1998, 2000, Ferge, 2001, Lendvai, 2005, Manabu 2004)

housing allowances, cost-based user charges and the reduction of tenants’ property rights. Typically the political cost of enacting these changes was high and the incentive structure was not in place to achieve them.

Table 1: Housing privatization (%)

|                       | public rental % in 1990 | public rental, after 2000 | % privatized |
|-----------------------|-------------------------|---------------------------|--------------|
| 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

As a result of the privatization of the **public rental** stock, most of the countries in transition sold 75-95 % of the public stock of housing to the sitting tenants, basically under the “give away” financial scheme. (See Table 1). “Give away” privatization meant that the price the sitting tenants paid was typically less than 15 % of the market price, and in some cases free of charge (e.g. in Russia, Georgia, etc.). Countries introduced different financial schemes including the use of vouchers (Czech Republic, Latvia, etc.), compensation shares (Hungary), special loans, advance payments scheme, etc. Privatization (“market creation” strategies) has been carried through without a clear (and efficient) legal framework of the operation of multi-unit buildings. Most of the countries (at least in the beginning) maintained the traditional structures (state ownership of the structural elements of the building, keeping the monopoly of the state maintenance companies, price control over the housing-related services). The consequences were painful (fast deterioration of the buildings), and very costly (fragmented, unprofessional maintenance companies). (Hegedüs-Teller, 2004).

In some countries privatization was based on the national law, which introduced a right to buy regulation (Hungary, Russia, etc.), but in other countries the local governments (the new social landlords) had the right to make a decision.

However, in 2001 there were countries with a relatively large public rental sector after the privatization process: Czech Republic (17 %), Poland (16 %), Russia (29 %), and Latvia (16 %). The question for these countries is whether they are just “slow” in privatization or whether they represent another rental model. This paper argues that these countries will continue privatization and it is less probable that they will be able to convert their “post-socialist” rental sector into a “unitary public rental sector”.

The rental sectors in these countries are under pressure of privatization, partly because households expecting rent increases would like to buy their homes, partly because the local governments are under fiscal pressure and are interested in selling homes. However, there were factors which slowed down the process, like the low ability of households to pay, lack of the financial incentives for local governments and households,



and some procedural rules (land registration, requirements that minimum 75% of the tenants have the intention to buy, etc.). In the Czech Republic, 17% of the stock is still public rental after the privatization (in 2001). However, local governments plan to continue the privatization, which will speed up because of the recently introduced rent liberalization. In Pardubice, for example the plan is to keep the status of 2500-3000 flats of 12 5000 public flats, that is 75-80% of the stock will be privatized.<sup>9</sup> In Prague by 2003 54 % of the stock was sold, and the city – according to its housing policy paper – planned to continue privatization of the flats under a strict rent control policy.<sup>10</sup> The share of the public rental sector will be below 10% once the city has completed its plans. In Poland, 11.4% of the stock is owned by local governments, and 4.6 owned by the state companies. The privatization trend is continuing, as the privatized state firms tend to sell rental apartments. Local governments continue privatization, but it is a slow process. (Uchman and Adamski, 2003) Latvia also plans to continue privatization and to sell 80 % of the public rental stock to the sitting tenants (495 thousand from 600 thousand). In Russia, as well, the privatization has not been completed.

**Co-operative housing** – in principle – represents a tenure form between public rental and owner occupation in Eastern Europe, but there were only slight differences between living in a co-operative and a state rental, as the construction, allocation, and financing were managed by the organizations under direct state control<sup>11</sup>. Cooperatives had an important role in Czechoslovakia (17%), Poland (24%) and the Soviet Union (4%) before 1990<sup>12</sup>. In legal sense there were several types of cooperatives, such as tenants’ cooperative, owners’ cooperative or building cooperative<sup>13</sup>.

<sup>9</sup> Source: Strategic Plan of Pardubice ([http://www.mesto-pardubice.cz/en/administration2/strategic\\_plan2/profile2/prof\\_human2/prof\\_living2/](http://www.mesto-pardubice.cz/en/administration2/strategic_plan2/profile2/prof_human2/prof_living2/))

<sup>10</sup> Appendix number 1.to the resolution of ZHMP number 19/12 from 24.6. 2004, The new housing policy concept for the capital city Prague for the year 2004 and afterward

<sup>11</sup> The cooperative members could typically sell their flats independently, the co-operative being obliged to admit the buyer to co-operative membership, and these flats could also be inherited.

<sup>12</sup> Source: Clapham, 1996

<sup>13</sup> Building cooperatives in Bulgaria or in Hungary, cannot be considered as tenure forms, because the cooperatives existed only in the construction period, and ceased to exist after the rights of use were issued by the Building Authorities.





After 1990, countries with a relatively high proportion of cooperative housing used different policies. In Georgia, for example, in 1997 the cooperatives were transformed into “Home Owner Associations” (basically into condominiums) by the force of the law. Practically the same solution was implemented in Russia and other FSU republics. The cooperatives in these countries are not the owners of any part of the buildings or housing estate; all the dwelling units and common spaces are owned by the residents. However, the cooperative – in some countries – survived as management companies, from which the individual building could not be separated. In the Czech Republic, the transformation of the cooperatives was more gradual, as most of them had loans, which had to be paid back before privatization.

“Within transition, co-operative housing has acquired an ambiguous character...cooperative member shares could be traded quite freely. Currently, there is hardly any difference in ownership right between the co-operative and owner-occupied housing” (Donner, 2005, 72-73 p.)

In Poland, where the cooperative housing had a more than 100 years history, the sector share had even increased after 1990 from 24 % (1990) to 29 % (2002). However, the rental cooperatives were transferred into the owner cooperatives, which are a form of owner-occupation.<sup>14</sup> The same happened in Slovenia and Slovakia (Donner, 2005). The conclusion is that the cooperative sector disappeared or got transferred into an owner cooperative, which is basically a form of owner occupation. There is no reason to consider them as forms of social housing, however – as we will see – from time to time there are attempts to re-introduce new cooperatives in transition countries.

The **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<sup>15</sup>, but it was possible in most of the countries (except Hungary and Russia). Restitution has not created a substantial “sub-market”, but it had a huge influence on the opera-

<sup>14</sup> “The rental associations or cooperatives are required to provide 30% equity, the Fund financing up to 70% of the project. This down payment may derive from the tenants, who as a result consider themselves as quasi owners and are selected through this qualification.” World Bank, 2006, p 22.

<sup>15</sup> In the Czech Republic the restitution led to a quite 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)

tion of the sector through the uncertainty of property rights. The only exception is the Czech Republic, where the flats restituted account for 7 % of the stock. Typically, restitution caused several social tensions because the position of the sitting tenants had become uncertain. For example, in Croatia, tenants living in units owned by other physical persons have a “protected tenants” right. In some countries, the government helped to solve the problem of the “trapped” tenants and the governments obliged themselves by law to provide housing for these tenants, e.g in Lithuania:

“In addition, in 1991 the Law on Rehabilitation (Restitution) of Citizen Rights to the Remained Real Property was enacted. Those with claims of restitution for property confiscated after the war could receive that property or cash or claims on state property. Since then, 9021 applications for restitution of ownership rights to residential property have been submitted, of which 4942 received awards and 2061 cases remain to be resolved. Of those who received awards, 3724 of the properties were returned in kind, while 1218 claims have been compensated in equivalent payment in kind, allocated plots, paid compensations, etc. In the process, 3303 tenant families have been evicted from residential houses restituted to owners, of which 2453 were accommodated in dwellings provided by municipalities and 850 were solved in some other way. In total, LTL 50 million of budget allocations have been used for eviction of tenants, from which 1818 dwellings were bought or constructed.” (Brzeski, 2002)

In Romania, the law made the restitution possible, but it had not been enforced because of the “opposition” of the sitting tenants. As Dawidson (2004) showed, in Timisoara (Temesvár) – county seat of Timiș (Temes) -- “although the restitution law gave people, who lost private property due to Communist confiscations, the right to reclaim their property, it also entitled sitting tenants to buy the dwellings they occupied. Hence, private property rights have become distorted due to vague delimitations between the ownership rights of former owners and tenants, in the most urbanized areas in particular”.

The dispute over rent regulation seems to be solved after the decision of the European Court of Human Rights. It declared

rent regulation un-lawful, which means that the sitting tenants will lose their legal protection against rent increase in the private rental sector. The decision will have an effect on rent regulation in the Czech Republic and Poland.

### 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 privatization in the short run freed some of the reserves in the sector, and even helped households in the adjustment to the new economic conditions. (Buckley et al, 2003) However, the future model of the housing systems of the transitional countries depends on the policy and institutional options these countries are going to take as a response to the market creation policies. The development of social housing is an important element of the market correction strategies. In the discussion of social housing programs we differentiate three types of interventions: 1. housing allowance program, 2. creating new social rental sector, 3. supporting access to housing of low-income households in the owner occupied sector.

### Housing allowances: an element in social benefit programs

An analysis of the housing allowance programs in the region indicates that they were rather income supports for paying housing costs than demand side housing subsidies as in the western countries. The allowance programs aimed primarily to help paying the utility (energy, water and sewage, etc.) costs for low-income households, thus the income support element of the housing allowance program was dominant. Housing allowance programs aimed to correct the social effects of the price liberalization in the housing- related expenditures (an element of the market creation strategy). Consequently, **the housing allowance programs in the region did not assist providing access to housing.** (Hegedüs-Teller, 2005)

In the five new European countries, housing allowance programs reach 4-8 % percent of the households, and in Poland, Slovakia,



and the Czech Republic the average size of the housing allowance is between 25 to 37 Euro per month. The allowances are typically well targeted, even though the household incomes are poorly measured. Because of the privatization, typically households both in the owner occupied and the rental sector are eligible for the subsidy. Slovenia uses rent allowance for a relatively small group (around 2,700 households). In the Czech Republic and Slovakia the program is managed and financed through the de-concentrated administrative units of the central government, while in other CEE countries it is administered by local governments. In Poland and Hungary the 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 emphasize that housing allowance systems are changing, and almost in every transition country the housing allowance systems are under “pressure”. For example, the 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 the central budget according to centrally defined criteria and formula), and the total amount of the housing allowance increased from 11 million EUR (2004) to 30 million EUR (2005).

The housing allowance programs should be an integrated part of the social benefit programs. The money transferred through any benefits is fungible, thus we can suppose that a substantial part of the income benefits is spent on housing. For example, in Estonia 79.4 % of the total benefit program was spent on housing allowance in 1994, and it decreased to 20.1 %.(Kahrik, et al) In Croatia, where housing allowances reach 2 % of the households, its share among the welfare cost was 7 % in 2004. (Bezovan, 2006)

In Hungary, because of the politically popular flat gas price control, the central government had to maintain a huge amount of the gas price subsidy (paid to the service companies). However, in 2006 because of the budget deficit, the government was forced to move from across-the-board price subsidy, which cost 800 million EUR, to a price increase accompanied with a special



energy price (gas price) allowance scheme. The total cost of the program is estimated to be 400 million EUR, which is 12 times more than the cost of housing allowance. This demonstrates clearly that housing allowance programs are part of the social benefit programs, and that the programs are not related to access of housing.

### Promoting a new social rental sector

At the end of the 90s most countries in the region recovered from the transitional recession and realized that housing is an important and neglected area of public policy. National housing programs were prepared (Slovakia: 1999, Hungary: 2000 etc.) in which the role of the rental sector had a high importance. Two types of rental program were proposed and partly introduced: 1. expanding the existing – but shrunken – municipal housing stock; 2. introducing or expanding rental housing of the non-profit housing institutions.

### Local government programs

The mainstream approach was the use of **local governments**: Slovakia, Czech Republic, Romania and Hungary chose this solution. The programs typically used a matching financial structure, where the central government subsidized the construction; in return the government imposed certain conditions in terms of rent setting, allocation and construction. The conditions were not only different in the various countries, but changed in time as well.

One of the conditions dealt with rent regulation. The government set a ceiling to the rent for public rental units as a percentage of the “replacement value”. It was 3 % in Slovakia and Poland<sup>16</sup>, and 5 % in the Czech Republic. The actual rents were set by the local governments, and they were much lower than the ceiling, as local government were uncertain about the tenants’ ability to pay. 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 percent 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

<sup>16</sup> The rent ceiling was planned to be abolished in 2004.

% of the net family earnings. Interestingly enough, the rationale for the regulation was to impose an upper limit on the rents, because the legislators supposed that the local governments would like to increase the rent above this level. In Hungary, the rent regulation aimed to force the local governments to charge a rent for the newly established cost rental units, which is close to the rent level ensuring cost recovery.

In Hungary the rental housing program was launched in 2000. The program gave an investment grant to the local governments up to 75 % of the investment costs for various purposes: social rental, cost based rental<sup>17</sup>, young family housing, elderly homes, and pension homes. In the years between 2000-2004 several hundred local governments took part in the program. Between 2000 and 2004, the total grant amounted to 240 million EUR and close to 13 thousand units were established including 5.7 thousand social rental and 3.2 thousand cost rental.

The program designers were concerned with the construction costs. In Hungary, the local governments had to compete for the close-ended grant, and one of the most important criteria of selection in the program was the construction cost. In Slovakia, the matching grant depended on the construction cost. To give incentive for lowering the construction costs, the grant was higher in the case of lower cost projects. In the Czech Republic the projects with higher costs than the ceiling were rejected. In Croatia the government defined the maximum construction cost and land value for their program. (Cacic, 2003) In Romania the National Housing Agency (ANL) manages the construction of the flats, and then transfers the completed flats to local governments, which are responsible for owning, operating, and maintaining them.

The central government defined the criteria for allocation, e.g. young families, income brackets, etc. In Slovakia the maximum income level was set. In Hungary it is the responsibility of local governments to decide about the criteria. In Romania, in the allocation process local governments use their own scoring system. Because the program is subject to the laws governing social housing, local administrations must enforce a maximum

<sup>17</sup> The cost based rental was allocated according to the locally defined procedures (typically by social criteria), and forced the local governments to charge minimum 2 % of the investment cost per year.



income limit. The law, however, does not specify the basis for calculating this limit. In the Czech Republic mean testing was introduced after 2002.

An important question was whether the new units were eligible for privatization. In Tallinn, a public housing program was made possible for tenants coming from restituted apartments to buy their home after 5 years. (Kahrlik et al, 2003) In the Czech Republic, the new rental homes functioned the same way as cooperatives before 2002:

“Until 2002 subsidized new municipal housing rents were limited by state guidelines and were not to exceed cost rent (up to the three times the prevailing regulated rent). Therefore, a financial contribution by the future tenants toward the construction cost became almost inevitable (usually 30 % of the cost). As a rule, a joint venture was formed by the local authority, a building company, and the prospective tenants. The local authority contributed the land, and if needed, infrastructure. It applied for the necessary state grant and for complementary market loans, and it issued building permits. When all dwellings were allocated to tenants participating in the scheme, the building company recovered its investment and some profit. During the following 20 years, the tenants were recovered the capital and running cost, and would finally become owners at no extra cost.” Donner, 2005, 72.p.)

The size of the programs is planned to be substantial. In Poland and the Czech Republic the share of the municipal housing is considerable: 15-25 % of the new construction. In Romania it is planned to reach 40 thousand units in 4 years (30 % of the new units), but actually the number of the new rental units built between 2000 and 2004 was 19 thousand, which represents less than 10 % of the new construction. In Hungary, the program was stopped after 2004, and the actual rental construction was under 10 % of the total new construction.

### The non-profit housing associations, co-operative sector and PPP programs

The co-operative sector is in crisis in most of the transition countries, because this tenure is considered as a version of pub-

lic ownership. This form has lost most of its privileges (grants, subsidized loan, free access to land, etc.), and has to compete with the private sector. However, there were several attempts, frequently supported by European donor agencies, to establish new non-profit (or “limited-profit”) organizations providing apartments for rent.

The most successful attempt was Poland’s TBS (housing association) program, which was based upon a French HLM model. The program 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 even the controlled rents were too high for many poor households. (Zavislak, 2003) 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 they cannot make profit. The majority of the TBS-s are set or initiated by the local governments. The rent for TBS housing is set by the Municipal Councils as a cost rent; but the rent cannot be higher than 4 percent 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 repayment of the qualified loan from the National Housing Fund (cost rent). The explicit rules for allocating new rental flats and income ceilings were introduced by a special act. (Lux, 2003)

The conclusion is that the non-profit housing associations (TBS) provide good standard housing with controlled rents, but this type of housing is too expensive for the lowest income households (“affordable” sector). Meanwhile, the existing social stock is insufficient to bridge the supply gap in the “true social” sector. Expanding this sector would make it socially acceptable and politically viable to relax rental regulations. The size of the program depends very much on the Housing Fund resources. In 2001 10 thousand TBS dwellings were built, which is 10-15 % of the new construction.



In Slovenia, as a replacement of the “solidarity housing” till 2006 65 limited-profit housing organizations were set up by municipalities and construction companies. They constructed around 2500 units between 1991 and 2004, which represent less than 5% of the new construction. (Donner, 2005)

In the framework of the Netherlands’ Matra grant program, a non-profit housing organization was created in the Slovak city of Martin. The grant was given to the city of Martin as technical assistance to improve the management of public housing, which has 4% share in the local housing stock. The non-profit organization Matra was established in 2005, which is owned entirely by the city, and manages 678 municipal dwellings. According to the plans, during the first five years of the activity of the non-profit housing organization will be subsidized by the city, but after this period it is expected that the organization will be self-financed. (L’ubomira, 2005)

The reform of the housing sector in Serbia has been initiated through the transformation of Solidarity Funds for Housing Construction into Municipal Housing Agencies, as the basic implementing instruments of a new social housing system in the country. The model of MHA is introduced at wider national level through the draft Social Housing Law, The final goal is to establish quality management at MHA level, which will be the basis for setting the regulatory framework for licensing non-profit housing organizations in the country, as defined by the Draft Social Housing Law. CHA 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. The City of Kragujevac provided adequately serviced land for this construction, while CHA Kragujevac financed the preparation of project documentation and the obtaining of appropriate building permits. This should mark the beginning of the formation of the city rental housing stock. (SIRP, 2005)

The possibility to use the private sector for social housing is open in the countries of transition. A version of PPP was brought about in Bosnia-Herzegovina. An Austrian non-profit organization invested in a social rental building on the basis of a long-term (30 years) lease agreement with the government of Sarajevo Canton. The annual rent defined as 5% of the project

value is being paid by Sarajevo Canton as a leaseholder from the budget revenue of Canton. (The monthly rent paid by the tenants per m2 will be 2,5 EUR, and the average rent 125 EUR per apartment. (Dzepar-Ganibegovic, 2003)

In Hungary, the government decided to launch a rent allowance program through PPP schemes for rental investment. (Hegedüs-Teller, 2005) According to the proposal, the local governments would make a long-term contract with a private investor for using the newly built rental units for social use; the central and local government would jointly provide a rent subsidy which would bridge the gap between the affordable rent and the market (cost plus profit) rent for the private sector. The proposal failed because the guaranteed rent level (basically asked by the investors through the proposal) was unacceptably high (twice the existing market rent). However, the importance of the social rental sector was never questioned in the government documents.

Finally in 2005 finally a new rent allowance program was introduced in Hungary, which aimed to use the private rental sector for social purposes. The local governments could apply for a rent allowance for the low-income families with children, who have a private rental contract. The rent allowance paid by the central government could be maximum 30 % of the rent or 25-30 EUR/month, and the local government has to contribute minimum with the same amount as the central government. The local governments can apply for 3 years. The program was a failure: only very few local governments put forward a proposal. One reason for this was that the program expected the landlords to be registered at the Tax Authority. The majority of the private landlords do not pay tax, and they did not change their behaviour for the sake of participating in this program. The income limit (lower than 180 EUR per capita per month, which includes only the lowest two income deciles.) was an important other constraint.

#### Supporting home owners – can it be targeted?

After the large scale privatization programs in the region the social housing policy had to find techniques to help households to access owner occupation. Since the institutional structure of

the public rental sector has not yet been developed, the social housing programs – if there are any – have to support the access of the needy households to the owner occupied housing as well. This is a **second best option**, but could be justified either in rural areas or in respect of the lower middle class, who need just minor help to get or to remain in the owner occupied market. The task was to design programs targeted to low-income groups to access owner occupation or to help low-income households to improve their housing conditions through renewal and reconstruction. However, most of the countries in the region had to deal with the problems of middle and even upper-middle income households as well. Because of the collapse of the housing finance system in the region, even these groups had an affordability problem. (Hegedüs-Struyk, 2005)

From the middle of the 90s, the housing policy in the region aimed to develop a housing finance system. The most important task of the housing policy was to offer affordable loans for middle-income households. **Mortgage programs** aim to reduce the effective interest rate paid by the borrower from a market rate.

Mortgage programs used interest rate subsidies to reduce the effective interest paid to a private bank. One typical solution was using a *special fund* to issue loans at a below-market rate of interest. Different solutions were used including the revenues from privatization (Estonia, Slovenia). In Slovakia, the Housing Development Fund issues loans for the eligible clients at the discount rate of the National Bank in Slovakia (Zapletalova et al, 2003). In Poland, the National Housing Fund gives loans for TBS at an interest rate equal to 50% of the discount rate. In principle, the “solidarity fund” in Serbia belongs to this category, which is based on a wage tax. However, the typical solution is offering funding from the general budget at below-market rates.

In Hungary between 1994-1999 3% buy-down was used in the first 5 years of the loan, or some proportion of the interest or repayment (interest and amortization) due (e.g. 50% in condominium rehabilitation loan in Hungary) or down to some specific rate (for example, 6% for mortgage loans in Hungary after 2001.) (See Hegedüs-Somogyi, 2005)



Another technique to reduce the effective rate is the introduction of tax advantages. The personal income tax can be reduced by the amount of interest (or other payment) paid on a loan used to finance the purchase or expansion of a dwelling occupied by the taxpayer.

To introduce an efficient housing finance system, the role of the mortgage insurance is critical. However, setting up a government-sponsored agency to manage the risk could be dangerous if it supports “perverse” financial or moral hazard behaviour. In Estonia, after abolishing the Housing Fund, the self-managing guarantee fund, the KredEx, was established in 2000 within the administrative field of the Ministry of Economy. It guarantees housing loans for the purchase by special groups and loans for condominiums. (Kahrlik, et al, 2003)

**Tax allowances** can be used beyond supporting the mortgage loans for decreasing the transaction cost of the mobility, or property tax payment, etc. In Poland, for example, eligibility is defined very broadly, so the tax can be reduced by expenditures connected with a purchase or construction of a new dwelling (land cost included) and with renovation and modernization of buildings, and by savings for special housing account. (Uchman and Adamski, 2003)

Among the homeownership programs the state support to saving was very popular in the region. The **contract saving schemes** are designed after the German models. The households receive a bonus based on the amount saved in each year, but it can only be withdrawn after a minimum number of years. This scheme was introduced in Slovakia (1993), Czech Republic (1994), Hungary (1997), Croatia (2000), Romania (2003), Bulgaria (2004), but not in Poland.

**Lump sum subsidy** is a grant of cash applied to housing investment by individual households. Typically used for new investment, but can be given to reconstruction or even supporting transaction. The lump-sum grant is used in Hungary



for supporting families with children (new construction)<sup>18</sup> and it is given to the condominiums for rehabilitation, especially for “thermal rehabilitation”. In Poland, the National Housing Fund can give up to 10% of the investment cost a lump sum subsidy for the TBS investment.

These programs are typically aimed at households facing affordability problems in the housing market without efficient targeting methods. Targeting is critical in the housing programs especially, and even if means testing was implemented, the efficiency is questionable in countries where the size of the informal economy is more than 30% of the GDP. The proxies to substitute or supplement the income test used to constrain the potential beneficiaries of the program either related to family (like number of children, “first time buyer” and age “young families”) or related to the size and value of the housing unit subsidized. Most of the home ownership programs are used for new housing, which could have a regressive income effect. In rental programs targeting is very important as well, however, it can be improved in time, while if the program on owner occupation has not been targeted, the grant is lost for the social sector.

The introduction of the support for saving banks, interest rate subsidies, tax allowances not only served first of all the higher income groups, but created a huge fiscal burden for the governments.

### Constraints on the efficient social housing policy

In transition countries, the disintegration of the EHM 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. In the concluding part of the paper we try to summarize these factors.

<sup>18</sup> In Hungary, between 1994 and 2000 a special program was launched to help Roma people to have access to a lump sum home ownership grant required to organize the construction. The local governments provided the land, an NGO organized the project, and the central government supported the NGO by giving the lump sum grant to the beneficiaries.

Privatization 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 the public rental was considered as “safe” tenure in terms of both transferability (right to swap from private ownership to public and vice versa, as well as the right to inherit tenure from relatives), and predictability of the rent burden (rents were typically around 5-6% of average income). The transition changed not only the structure of tenure (through privatization, see previous chapter), but the meaning of it as well. The uncertainty created by this pressure was one of the most important among the factors influencing the willingness of residents to become home-owners during the process of privatization. However, the uncertainty accompanying the transition intensified the impact of this factor and the public rental became a non-preferred tenure, representing the “residual” solution for households that could not buy their own homes or had no access to owner occupation arrangements. (Hegedüs-Teller, 2006)

The privatization drive seems to be over, but in most of the countries it is an existing option even today. Due to financial incentives and being under pressure of the sitting tenants, politicians tend to support privatization. Moreover, in the restituted sector it is very difficult to achieve a long-term compromise among the groups with conflicting interests.

The basic problem is that the remaining municipal housing sector has not been stabilized institutionally and financially. In the decentralized local government system, the **local municipalities** have the responsibilities to manage the social housing stock, which represents the most dilapidated part of the housing stock and concentrates the poorest households. The rents typically do not cover the operating and maintenance costs. Thus, on the basis of economic rationality, it is not in the interest of local governments to expand the social rental sector, since this sector involves considerable losses. Furthermore, they have to face the related serious political tension (for example, the tenants’ protest against the increase of rents, or against the creation of social rentals in their neighbourhood). As a



consequence, the process of demolishing continues (no proper maintenance), household willingness to pay rent is low (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 privatization and restitution, and partly by the financial (taxation and subsidies) and legal regulations. In general, the **households choosing** the rental option are at a disadvantage in terms of their financial situation compared to owner occupation. They are not eligible for the same grants as those in the owner occupied sector, and in the rental sector both the tenant and the landlord have to pay taxes after the rental fees or revenues. The lack of proper legal regulations make the tenant’s and the landlord’s situation unpredictable. The demand for the rental tenure is largely residual caused by the crowding out of the households from the owner occupied sector.

The governance of social housing was a critical element in social housing programs. The collapse of the centrally planned economy led to the collapse of the institutions providing social housing. New institutions have to be set up, or the behavior and the operation of the old institutions have to be changed. There is huge pressure on governments to provide sustainable social housing. Different institutions have interest in developing or revitalizing the social housing sector. There are different options in the region. One element of the institutional models is the governance of social housing. The models supported by different technical assistance programs could be important but their effect will be isolated, if there are no real political and business interests behind social rental programs. Any models which are not supported by real political and social forces are transient. Several donor agency programs in the region have been facing the constraint that their programs are missing support and are therefore not sustainable.

There are different solutions in the region, but the typical one is to **set up a government agency**<sup>19</sup> something like a national housing <sup>19</sup> Housing is quite a complex area of public policy, so it is not easy to put all the tasks under one ministry or agency. Thus the cooperation among the ministries related to housing issues (from building law till banking regulations) is crucial, which again can be the task of this agency or department. In Hungary, the housing issues floated among various ministries, and are now settled at the Ministry of Interior as an independent section. However, the housing allowance is under

fund, such as in Slovakia (1996), Romania (1999), Poland (1993), Estonia (1994, restructured in 1998) etc. However, the social programs are run through the “window” institutions in other countries (in Hungary, public institutions are set up under the department responsible for managing housing programs). The agencies or public institutions are under the executive control of the ministries, but they could have other roles as well. The preparation of housing programs, financial management of the programs, monitoring the results and controlling the operation could be their responsibility. The agencies in the region have a potential to develop from the stage of being “de-concentrated” units of the government towards being semi-private institutions competing or cooperating with the private sector, which issue and/or guarantee mortgage bonds as primary source of funding and lend them to the costumers backed by the collateral.

Thus local governments typically play an important role in running social housing programs. They have a significant role in the so called non-profit models (like TBS, and cooperatives). The successes of the programs are the incentives built in the grant structure. As a consequence of the decentralization, a significant part of the housing responsibility has been transferred to the local governments, and they have relatively broad expenditure autonomy. The local governments in the region developed different models towards an efficient social housing policy, some of them related to the central programs, some of them are on their own responsibility. We should emphasize here that some of the countries in the region had a very fragmented system of local government (Czech Republic, Slovakia, Hungary, etc.). The non-profit organizations could give a new impetus to the social housing efforts. Especially the social care institutions have stakes in the future of the social sector. They are very underdeveloped as yet, but represent an alternative.

To sum up, the development of an efficient social housing sector demands changes in several fields:

1. As a legacy of the socialist housing system, municipal housing is not identical to social housing. Social housing is not clearly defined, and no proper means testing is applied to the sitting and new tenants in the sector. It is a good sign, that recently several countries have

the Ministry of Social Welfare.



introduced income-related eligibility criteria to the allocation of the centrally subsidized new rental sector. Social housing policy needs a well-targeted subsidy system. However, on the basis of our experiences, targeting is not politically feasible without the support of the middle class. If housing is not affordable for the middle- and even upper-middle-income groups, subsidy programs will become regressive – helping higher income groups more than low-income groups

2. Another condition for sustainable social housing is the guarantee of long-term interest of the social landlords and the relative security of the tenants. On the one hand, the financial conditions of the social rental sector have to be changed in two respects. Firstly, the general disadvantages in the tax and housing subsidy system have to be changed, and the sector neutrality has to be assured. It is true for both the private and public sector. The financial advantages tied to owner occupation make renting relatively expensive, supporting the common sense approach that it is “cheaper to buy than to rent”. Secondly, local governments with more social problems should partially be compensated for keeping the social rental units. The central government should build up the capacity to standardize the procedures (rent regulation, allocation, management etc) and monitor the operation of the social rental sector. The intergovernmental subsidies should be connected to the performance of the public sector. On the other hand, the privatization drive from the tenants’ side should be reduced by increasing the security of the rental tenure. Security includes the predictability of rents and housing related costs, and trust in the income benefit programs (“welfare regime”) in the case of individual hardship.
3. The most common constraint of the social rental sector is considered to be the budget resources. There is no lack in rhetoric, and in the government’s declaration for the need of social rental housing. There are several policy decisions prior to any conclusion on the desired size of public resources. The European experiences have proved that the social rental sector costs,

especially in the beginning, a lot. Policy makers should face this fact, and put a lot of emphasis on guaranteeing the efficient operation of the sector to get the best value from the public investment.

4. The message from the recent European experiences is that social rental housing should be integrated into the housing system (and into the economy). This means that the potential capacity of the private rental sector should be utilized as much as possible.

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## PRACTITIONER'S RESPONSE

### Home-ownership and social housing: a practitioner's perspective

Joao Carvalhosa

#### Introduction

This paper is the consequence of an invitation for a presentation at the first CECODHAS Observatory Colloquium on the future of social housing in the EU, held in Brussels on the 13<sup>th</sup> September 2006. The aim of this paper is to react to the keynote speech by Prof. John Doling on home-ownership policies and social housing in Europe and contribute with a practitioner's point of view to the better understanding of this issue. Besides this intervention also corresponds to a Portuguese point of view and shows clearly that the Portuguese reality, as one of the many realities represented at CECODHAS, is a more or less unique case, which does not fit perfectly, if at all, in the overall picture described by Prof. Doling.

#### A practitioner's point of view

##### Concepts and their applications – the case of neo-liberalism

A first and central criticism to the academic view refers to the adopted concept of neo-liberalism and more particularly its meaning for the social/public housing sector. Concepts, such as the one of neo-liberalism, are a way to organize ideas and categorize realities and thoughts and should not be used in a "direct" way, i.e. without taking into account the variations of the reality. This may lead to misunderstandings and erroneous interpretations and judgements. The case of Portugal proves that it is not the politics of neo-liberalism that lead to selling the public housing stock.

Concepts are very often used when talking about politics and policies, but one should be very cautious about that. The concept has to be analysed by its variations of applications, by how people interpret it in their political and sociological

context. When we talk about neo-liberalism, we are thinking about an ideological concept that tends to reduce the state to the basics needed to ensure its survival. But in reality it might be a hard task to categorize countries as neo-liberalist, even if the official denomination of the governing party is such. One should analyse politics in a bottom-up perspective instead of top-down and thus look at the policies. Only by looking at the practical consequences of politics one can categorize a government. Very often governments belonging to different ideologies implement similar or even the same policies.

Regarding the issues of social housing and home ownership, there is not a scientific analysis that clearly leads to the conclusion that an ideological political orientation has well defined consequences for those sectors. It is perfectly possible that in a country or in a municipality managed by communist or socialist parties home ownership is encouraged while this is not the case in some neo-liberal or neo-conservative political system.

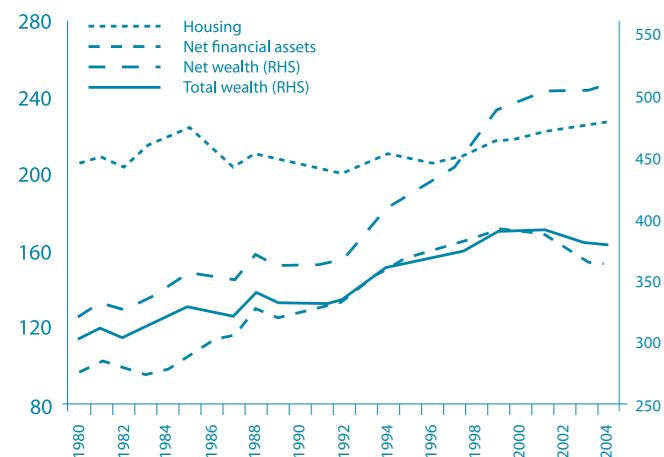
#### Some figures about Portugal

Portugal, as many other countries, used to have a controversial policy what concerns social housing. During the "New State" dictatorship (1928-1974), the so called "economic neighbourhoods" which were targeted to some specific professional classes or some sociological groups (like big families, etc.) were introduced. Again in this period, the first "social neighbourhoods" for low income people were built, as well as such where to reallocate people from areas where a bridge, a road, etc. should be build. But in this period, the first mistakes were made, such as gathering of hundreds of low income families in the same neighbourhood and thus creating big city ghettos. Another big problem, which has tremendous consequences nowadays, and which led many families to ask help from the state was the so called "rent frozen policy". Landlords were not allowed to raise rents for about 40 years, while some other tenant-protection laws were adopted. The consequences of this were catastrophic. The landlords did not receive enough money from rents to promote the buildings' rehabilitation. The state never compensated the landlords for this (e.g. giving subsidies to them to diminish the gap between very low rents and increasing construction prices). Many landlords



even preferred not to rent their dwellings because of the strong position of the tenants and their legal demands which led to thousands of empty buildings and dwellings. When the rents were “unfrozen”, there were limits to the landlords to raise them for the sitting tenants. But the rents for new tenants were not limited, so they were very high in order to compensate for the others. The tenants were so heavily protected that eviction was almost impossible, even if the landlord could justify this. It was and still is less expensive to buy a house with a bank loan than to rent one in the market. New construction grows and the new buildings are sold while the old ones which were not renovated due to lack of resources have been abandoned.

### DEVELOPMENTS IN WEALTH (As a percentage of disposable income)



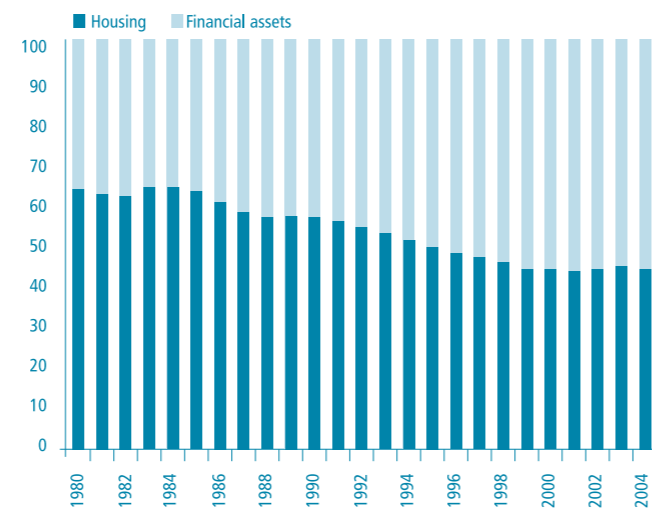
The *post revolution period* allowed the country to develop rapidly, and this had consequences also for the housing and construction sector which was growing until the end of the nineties (fig. 1).

In 2004 the Social Democrat Party (in coalition with the conservative Christian-democrat party – Popular Party) proposed a new legal framework on housing which made an increase of rents and convergence of the market prices possible and which gives also more responsibilities to the landlords for rehabilitation of houses and abandonment. The proposal was not ap-

proved due to elections. With the elections of 2005 and the new socialist government, this legal framework suffered some changes, but retained the general orientation – develop the rental market (instead of stimulate home ownership), promote investment on rehabilitation, give tenants and landlords legal tools etc. Despite the different ideology of the governments, the policy remains the same, which contradicts the orthodoxy of top-down analysis.

Another major change in orientation in the housing policy should also be mentioned – the more targeted social housing sector has been broadened and involves now a more universalistic target group. The movement to the suburbs, especially by mid-class and young couples, caused an important decrease in population in the big cities and increase of so called ‘sleeping cities’ (poor quality, traffic problems etc). In order to invert this situation and restore the cities population, municipalities like Lisbon emphasize housing policies for all, in an inclusive way. It is striking that in the composition of wealth, housing has been losing ground in favour of the financial assets (fig. 2). This development might be caused by the lack of interest in the rent market due to its historical distortion.

### COMPOSITION OF WEALTH (As a percentage of total assets)



When comparing to other countries, like Spain, Italy, USA, etc., we can conclude that the relation between liberal or neo-liberal policies is not always a direct one, when having in mind housing and other assets. In these countries, so as in Portugal there is a trend towards liberalism instead of socialism, but the policies

are not always the same (fig. 3). Other phenomenon that usually affects development countries led to an increase of home ownership supported by three factors: decreasing interest rates and inflation and increase of supply. In ten years, interest rates in Portugal decreased from about

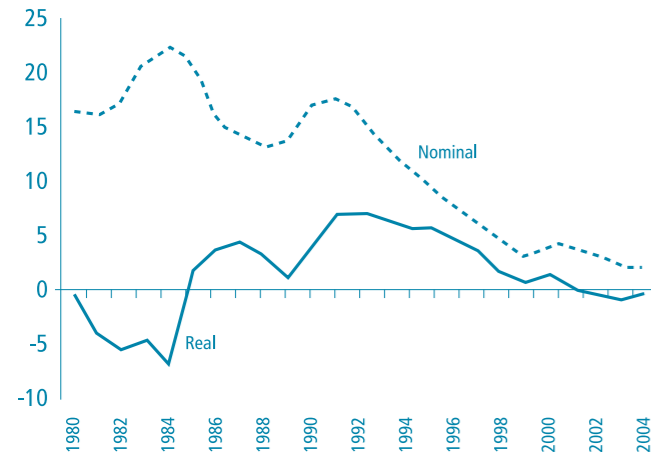
### INTERNATIONAL COMPARISONS – HOUSING WEALTH

|                       | HOUSING |      |      | FINANCIAL ASSETS |      |      | LIABILITIES <sup>(A)</sup> |      |      |
|-----------------------|---------|------|------|------------------|------|------|----------------------------|------|------|
|                       | 1995    | 2000 | 2003 | 1995             | 2000 | 2003 | 1995                       | 2000 | 2003 |
| Portugal              | 209     | 219  | 226  | 212              | 276  | 279  | 54                         | 106  | 124  |
| Belgium               | -       | -    | -    | 362              | 468  | 398  | 63                         | 69   | 67   |
| Denmark               |         |      |      | 279              | 365  | 308  | 175                        | 225  | 214  |
| Germany               | 271     | 276  | 268  | 218              | 256  | 262  | 94                         | 107  | 104  |
| Spain                 | 371     | 437  | 635  | 198              | 252  | 247  | 61                         | 86   | 105  |
| France <sup>(b)</sup> | 234     | 270  | 318  | 243              | 328  | 290  | 64                         | 72   | 74   |
| Italy                 | 437     | 385  | 477  | 237              | 333  | 308  | 29                         | 40   | 44   |
| The Netherlands       | -       | -    | -    | 411              | 560  | 465  | 108                        | 175  | 201  |
| Austria               | -       | -    | -    | 181              | 203  | 210  | 52                         | 72   | 75   |
| Finland               | -       | -    | -    | 100              | 185  | 177  | 65                         | 60   | 70   |
| Sweden                |         |      |      | 211              | 295  | 262  | 95                         | 101  | 117  |
| United Kingdom        | 218     | 301  | 381  | 378              | 471  | 397  | 107                        | 113  | 140  |
| Europe (6)            | 291     | 314  | 378  | 251              | 332  | 303  | 75                         | 88   | 95   |
| Europe (12)           | -       | -    | -    | 238              | 308  | 289  | 72                         | 87   | 91   |
| USA                   | 146     | 157  | 184  | 391              | 460  | 411  | 94                         | 103  | 118  |
| Japan                 | 262     | 240  | 216  | 367              | 407  | 424  | 119                        | 115  | 113  |



17% to around 4%. Combined with a very aggressive campaign by banks competing for the first place in the mortgage field interest rates fell to about 0,6-1,5%. This consumer-attractive environment combined with a high cost-rental free market led to the increasing of home ownership (and, as a consequence, of

### SHORT-TERM INTEREST RATES



mortgages). (See fig. 4 & 5)

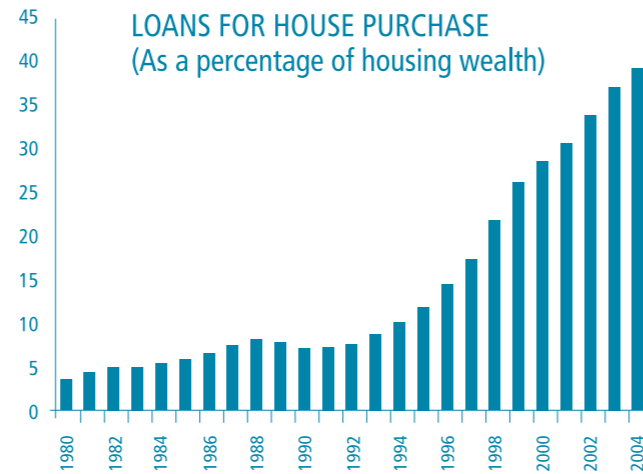
The relationship between GDP and home ownership is again not a direct one and we can not argue that a more liberal policy necessary implies more home ownership. For example, from 1995 to 2001 the country was ruled by a socialist party and at the same time home ownership increased. In Lisbon, the municipality government was until 2001 left wing but its policy was to sell dwellings. (see fig. 6).

### The Lisbon / GEBALIS case

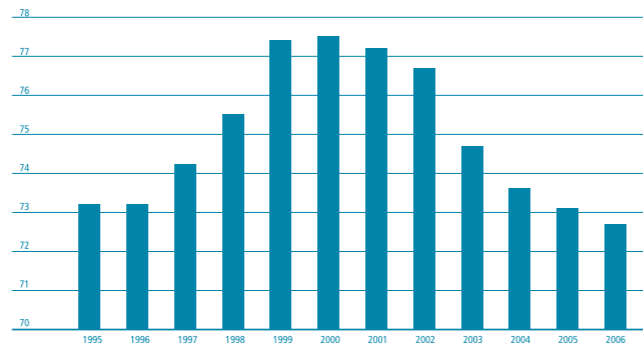
The municipality of Lisbon has about 32.000 social dwellings 24.000 of which are managed by its municipal-owned company GEBALIS – Management of Lisbon Municipal Neighbourhoods. The municipality decided to decrease the housing stock by selling it to the tenants, but it did so only considering its own financial purposes, with no strategic concern and with no previous study of similar processes in other countries. The tenants' reality

was also not taken into account. The selling company - another municipal-owned company, did not cooperate on this with the managing one, i.e. GEBALIS, which had critical consequences for the management of the rental stock that was left over. Most of the situations which were hard to manage concerned the fact of only one sold dwelling in a building or an almost completely sold out building with one dwelling to rent left. The law says that when there is more than one owner in a building it is mandatory to establish a condominium. But the owners are not always capable of doing that and GEBALIS has to enforce it. Another problem is that when a condominium is constituted, there is a fee to be paid every month. Sometimes this fee is

### LOANS FOR HOUSE PURCHASE (As a percentage of housing wealth)



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higher than the rent that the social tenants pay. The increase of condominiums implies the allocation of staff to deal with this reality. When few dwellings in a building are sold and there is some construction problems, GEBALIS has to cover the costs for that if there is no condominium.

Selling the dwellings to the tenants in the buildings managed by GEBALIS led to loss of scale economy and income, increase of non-payment and new bills to pay, increase of services, uncontrolled buildings and social management. If one has in mind the average rent of the dwellings managed by GEBALIS (66€), everybody would agree that effective management is only possible if there is a huge number of units to manage. Nowadays, with the amount of dwellings that were sold, GEBALIS has an annual loss of income of 2m€, which is about 10% of its budget. The tenants who buy the dwellings are those who usually pay the rents. In addition, the average rent of the buyers is 103€, about 56% more than the total average rent. As a consequence of the increased number of condominiums a structure with capacity to manage them is needed which increases the costs of the company. As the condominiums rise from 40 to 450, the costs also increase from 25.000€ to more than 300.000€. In the buildings with a condominium where GEBALIS does not have the majority, the control of it is out of GEBALIS hands. The same happens in the buildings without a condominium. The social concern that GEBALIS incorporates in the management of the buildings is affected, because buyers get out of this 'system'. Those people are difficult to reach when they need support.

Despite the management problems of GEBALIS, it is also necessary to look at the consequences for the ex-tenants, new owners, by questioning some issues. One of the goals of a selling strategy is the provision of autonomy and the increase of self-esteem of the tenants. But do they really 'change' after they become owners? Are they more aware of the houses and public spaces? Do they organize themselves for maintenance or to solve a problem? Do they organize in a legal way? Can they afford other goods when they have to pay off a loan? Even if the dwellings are sold at very low prices comparing to the market, it is possible that they can not afford to pay the loan, so there is a high risk of losing the houses and go back to the list of home-seekers.

### Conclusion

Having in mind the case of Portugal, it is highly questionable that the political orientation of a government or municipality determines the home-ownership policy. This consideration is also valid for GDP and other indicators. The case of GEBALIS shows that sales policy can cause serious damages to the management unit, especially if it is carried out without strategy or specific guidelines.







## SECOND SESSION

### Privatisation of housing in Europe: Challenges for the social housing sector

#### Keynote speech: Privatisation of Housing in Europe: Challenges and Possible Scenarios.

Christine Whitehead

#### 1. Introduction: the question

The political agenda across Europe increasingly emphasises privatisation and particularly owner-occupation. This is in part because of general pressures towards building markets and competitive economies, which have been particularly effective in the context of the development of global finance markets, directly increasing access to housing finance; in part because of the need to reduce public expenditure and concentrate on core governmental activities; in part because asset ownership is seen as helping to fund lifestyles of the increasingly long lived population; and in part simply because it is politically popular.

To understand the implications of these pressures towards privatisation of housing in Europe on the role of social housing we need to understand:

- what is the rationale of social housing and how this has been changing over the years;
- the different ways in which the objectives of 'a decent home for every household at a price within their means' has been realised in different ways across Europe; and
- the factors which determine the need for change in the means used to achieve fundamental housing objectives into the new century.

The commitment in Europe to ensuring adequate housing for all, for instance through Human Rights legislation, is increasingly transparent. However there is if anything less commitment to fund that goal directly and all mechanisms for ensuring provision must be seen to be cost effective. Social housing is only one

way of organising housing provision to ensure that these fundamental housing goals are met. It is therefore important to clarify what are the reasons why social housing has been a predominant policy mechanism across much of Europe since 1945; why the model might need to change; and what role it can effectively play into the future.

#### 2. Rationale for social housing

The economic rationale for government intervention to achieve housing goals comes down to three fundamentals:

Redistribution – depending on the ease of housing supply and house prices in relation to the prices of other goods and services the misdistribution of incomes and wealth mean that varying proportions of households across countries will not be able to afford adequate housing. Moreover housing may be a much easier means of redistributing income than direct payments, which are often politically difficult to achieve.

Housing as a social (or merit good) – in many countries housing is seen as an important element in the social contract that binds the society together. Ensuring that everyone is well housed meets broader aims of social cohesion and equity separate from simple redistribution of income. In the main this implies ensuring that everyone can achieve minimum standards of housing while still being able to pay for the other necessities of life (Whitehead, 2002; 1998).

Efficiency - housing can be provided through a wide range of instruments and governance arrangements; moreover housing is only one possible use of scarce resources. Markets for housing are inefficient for a wide range of reasons including spill over effects, monopoly powers; problems of asymmetric information and incomplete contracts; finance market imperfections and the impact of risk. Left to themselves, markets will under-invest in housing as compared to the optimum level. It is therefore important that government intervention works to produce the necessary housing at the least cost to society both in terms of the resources used and the allocation of what is available.

The economic rationale points to the need for government intervention to ensure the best use of resources to meet individual and social goals. However it does not inherently

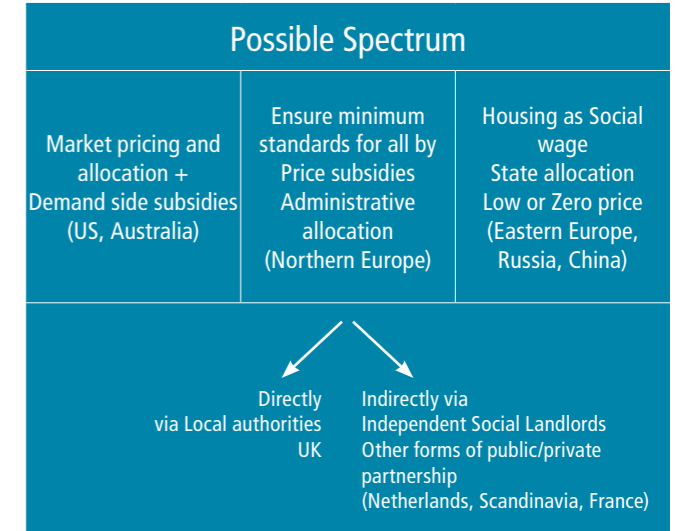
point to the need for social housing, which is simply one of many mechanisms that could be employed. As a result in part of more general privatisation and partnership programmes and instruments which can deliver some of the same attributes. Most fundamental therefore is the governmental choice between providing households with the purchasing power to obtain the housing they require through demand side subsidies and providing suppliers with subsidies to provide housing at lower cost to those in need. Second is the political emphasis put on societal versus private demands and the achievement of basic standards rather than individual choice. Third is the factors which determine whether market imperfections are better overcome through direct provision – i.e. traditional social housing – or by developing more effective incentive and regulatory systems within a basically market approach.

A final issue of principle is the definition of the term social housing. Traditionally it has involved the provision of subsidised rental housing owned by non-profit or governmental organisations and let to those in particular need. In some countries this inherently means that social housing should be provided at sub-market rents; in others that the role of social investment is to bring down the price of housing until it is accessible to the vast majority of households without requiring additional demand side subsidy. Over the last few years there has been growing doubts as to whether that provision must include social ownership and there are growing numbers of affordable housing programmes involving low cost home ownership or private ownership of rented housing accessible to low income groups.

#### 3. European housing policies – different means of achieving the same ends.

Housing is treated very differently across Europe, reflecting more general attitudes to the role of the state and the extent of government intervention in welfare provision as well as the development of housing specific policies since the Second World War.

Figure 1: Approaches to providing adequate housing



A typology for analysing different approaches to the provision of welfare was set out by Esping-Andersen (1990). This distinguished three groups of countries - liberal (market oriented) – including particularly the UK which stress choice and aspirations – and the inefficiencies of administrative provision; social democratic - notably Scandinavia which stress general subsidies and equal access across tenures; and corporatist states; including Germany and France where the emphasis has been strongly on partnership between public and private stake holders. Kemeny (1995a and b) added an additional complexity in the context of housing by stressing a two fold classification distinguishing unitary and dualist systems while at the same time bringing out the importance of different forms of governance for achieving welfare aims. Figure 1 provides a simplified picture of the spectrum of approaches. Obviously categories are changing rapidly and to some extent merging (Esping-Andersen, 1996). Notably the new transition economies can now be seen as transferring from a version of state corporatism into strongly market oriented systems.

Developing this approach Whitehead (2003) identified four major stages of development in housing policy in northern Europe since 1945 (Figure 1): meeting the post-war housing shortage





through government subsidy and particularly provision until the 1970s; managing, maintaining and allocating the resultant stock as levels of investment declined and targeting increased in the 1980s; the growing importance of privatisation with increasing emphasis on choice and reducing government direct involvement in housing for the majority of the population in the 1980s and 1990s; and the 're-involvement' of government and its agencies as regeneration of both housing and other urban infrastructure comes to dominate the investment agenda.

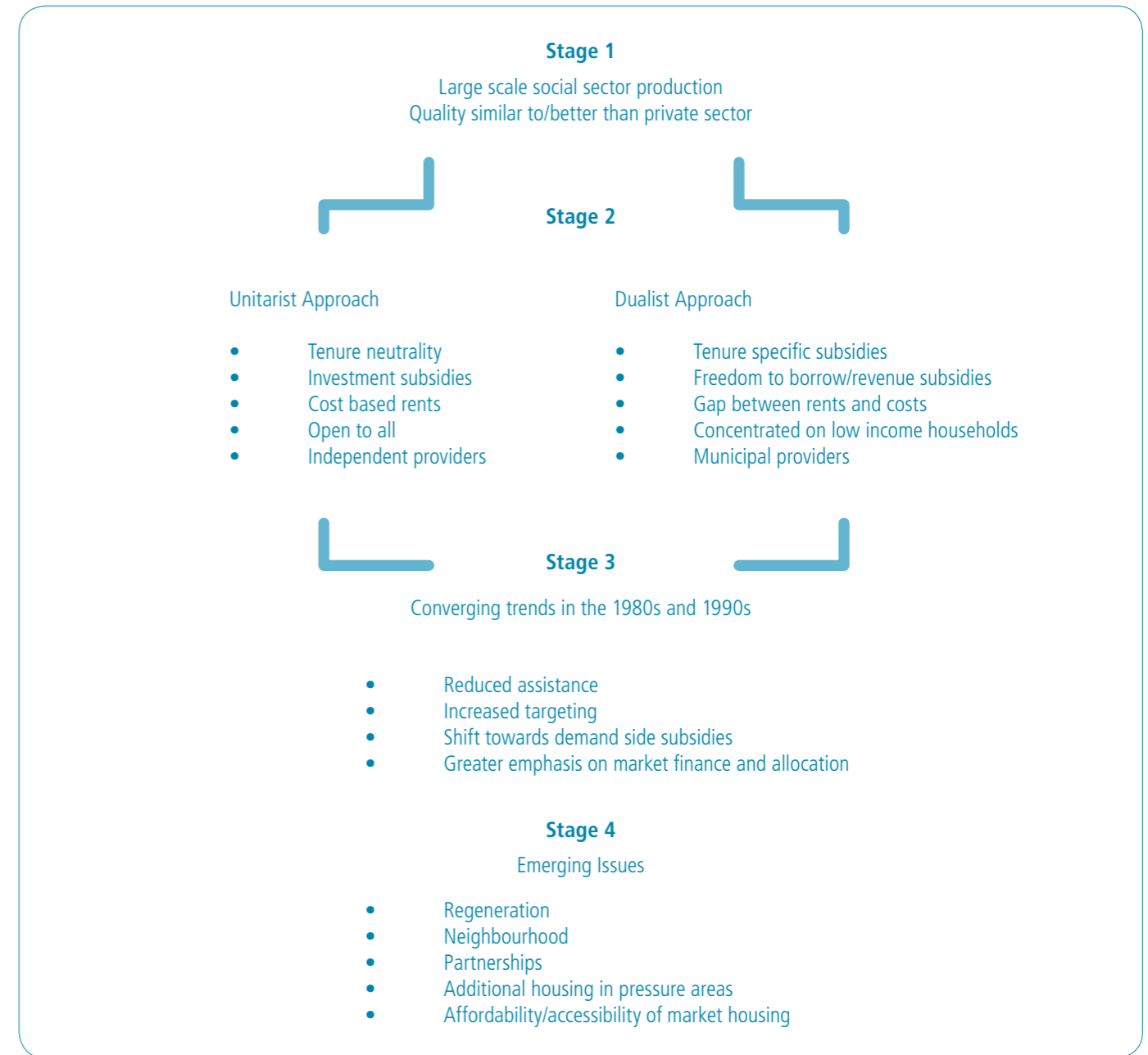
What this helps to clarify is that the fundamental problems are relatively consistent across the industrialised countries of Europe but that the means used to achieve these ends differ in relation to the economic and political imperatives of the relevant period; the distinct styles of governance, regulation and subsidy specific to each country; and the changing nature of housing needs as Europe has become richer and better housed overall.

The starting point for almost the whole of Europe after the Second World War was a shortage of housing arising from the destruction of or damage to significant proportions of the existing housing stock and the lack of new investment throughout the war years. The result was that large scale resources were mobilised for housing production but along three distinct lines: the dualist framework which concentrated on subsidising social rented housing; the unitarist systems which subsidised investment across all types of provision but which stressed independent non-profit forms of governance; and the state corporatist systems of Eastern Europe which provided government owned rental housing to the exclusion of market provision. Initially the emphasis was all on additional housing. Later the issues became more complex. In particular as it became obvious that the vast majority of households were well housed, other priorities particularly health but also macro economic stability and the need to decrease public expenditures and therefore to target assistance started to dominate housing policy (Turner and Whitehead, 1993; 2002). More fundamentally growing incomes and wealth both gave people more opportunity to pay for their own housing at the same time as reducing the impact of market failure on provision and access. It was from this scenario that the increasing emphasis on privatisation emerged.

There were however other pressures emerging. During the 1990s problems of low demand and particularly of obsolescent stock, in part arising from changing economic conditions and the decline of manufacturing became of increasing concern as did issues of social exclusion and neighbourhood management. The idea of housing began to be more broadly defined to include not just the attributes of shelter and security but also a range of neighbourhood, environmental and service attributes not all of which were readily provided by the private sector.



Figure 2: **The Development of Housing Policy since 1945**





## 4. The Current Role of Social Housing

So what role is social housing playing now and is that role consistent across Europe?

Table 1 provides some evidence on tenure patterns across a range of European countries. It does not permit precise comparisons because of widely differing definitions; property rights associated with tenure; and methods of data collection. However it gives a general flavour of how European systems have developed<sup>1</sup>. It shows that the importance of social housing per se varies enormously across countries and not necessarily in ways that reflect underlying economic pressures.

For instance, over one third of households in the Netherlands

<sup>1</sup> The author is grateful for the CML's permission to quote from this report. The research report itself is available on the CML website at [www.cml.org.uk](http://www.cml.org.uk)

Table 1: Households by tenure (%)

| Country        | Year    | Owner occupation | Social renting | Private renting | Others |
|----------------|---------|------------------|----------------|-----------------|--------|
| Austria        | 2001    | 57.0             | 23.0           | 17.0            | 3.0    |
| Belgium        | 1999    | 74.2             | 6.6            | 16.4            | 2.8    |
| Czech Republic | 2001    | 46.8             | 18.6           | 10.0            | 24.1   |
| Denmark        | 1999    | 53.3             | 19.3           | 18.3            | 9.1    |
| Finland        | 2001    | 64.0             | 17.0           | 15.0            | 4.0    |
| France         | 2002    | 56.0             | 17.2           | 20.7            | 6.1    |
| Germany        | 2001    | 40.5             | 6.0            | 49.0            | 4.5    |
| Greece         | 2001    | 80.0             | 0.0            | 20.0            | 0.0    |
| Hungary        | 2003    | 92.2             | 3.9            | 3.0             | 0.9    |
| Iceland        | 2003    | 78.2             | 1.8            | 4.5             | 15.6   |
| Lithuania      | 2002    | 84.0             | 4.0            | 5.0             | 7.2    |
| Netherlands    | 1998    | 53.0             | 35.0           | 12.0            | 0.0    |
| Portugal       | 1999    | 76.0             | 7.0            | 15.0            | 2.0    |
| Slovenia       | 2002    | 82.3             | 6.5            | 2.6             | 8.7    |
| Sweden         | 1997    | 55.0             | 21.0           | 24.0            | 0.0    |
| UK             | 2001/02 | 70.0             | 20.0           | 10.0            | 0.0    |

Source: All tables are compilations of data from tables in the country chapters of the Appendix in Scanlon and Whitehead, 2004. For explanations of definitions, unusual or missing data, refer to the accompanying footnotes in that Appendix.

which might be typified in terms of international standards by high incomes and relatively even distribution of those incomes, both of which are reasons to expect greater privatisation. Germany and Austria are also worth comparing in that economic and social factors might be expected to be relatively similar

while the proportions of social renting are completely different. In other words tenure structures across Europe are probably currently more a function of past financial and governance regimes than they are a coherent approach to meeting fundamental housing objectives. In the main countries fall into three groups – those which still have quite significant social housing sectors mainly as a result of an historical emphasis on social housing as the means of achieving policy goals; those with quite limited social housing sectors which consist both of those which always used a different approach to achieving policy aims and those which never regarded housing as a priority; and those with almost non-existent social sectors which again are made up of two groups – those which never got involved – and therefore have nothing to privatise and those which took a one-off all pervasive approach to privatisation as part of transition from socialist to market oriented states.

Table 2 helps to clarify some of the changes in the role of the sector that have been occurring particularly how the proportion of social as compared to private renting has been modified. The widespread trend towards more market-orientated provision of subsidised housing has generally resulted in a move away from

publicly-owned dwellings towards increased use of vouchers and allowances that can be spent on privately owned accommodation. This reflects both the objective of increased targeting – so those whose circumstances improve are no longer subsidised and the need for greater flexibility in the housing market as compared to traditional social housing offering long term security.

Even so social housing continues to play a relatively large role in accommodating younger, newly forming households (Table 3) certainly as compared to owner-occupation and often in countries with larger social sectors relative to private renting. As people settle down and are more able to access owner-occupation however the role of the social rented sector declines and in most countries settled midlife households will own their own home.

Table 2: Change in social renting as a percentage of all renting, all households (All renting = 100%)

| Country        | Social as % of all rental | (year)  | Social as % of all rental | (year)  | annual % change |
|----------------|---------------------------|---------|---------------------------|---------|-----------------|
| Denmark        | 48                        | 1990    | 51                        | 1999    | 0.33            |
| Finland        | 58                        | 1992    | 53                        | 2001    | -0.56           |
| France         | 38                        | 1990    | 45                        | 2002    | 0.58            |
| Germany        | 26                        | 1987    | 11                        | 2001    | -1.07           |
| Netherlands    | 78                        | 1993    | 74                        | 1998    | -0.80           |
| Slovenia       | 97                        | 1991    | 71                        | 2002    | -2.36           |
| Sweden         | 49                        | 1991    | 47                        | 1997    | -0.33           |
| United Kingdom | 70                        | 1994/95 | 67                        | 2001/02 | -0.43           |

Table 3: Young Entrant and Mid-life households by tenure (%), most recent year

| Country        | Year    | Young Entrant households |                |                 | Mid-life households |                |                 |
|----------------|---------|--------------------------|----------------|-----------------|---------------------|----------------|-----------------|
|                |         | Owner occupation         | Social renting | Private renting | Owner occupation    | Social renting | Private renting |
| Austria        | 1999    | 48                       | 26             | 26              | 64                  | 18             | 17              |
| Belgium        | 1999    | 33                       | 1              | 64              | 89                  | 2              | 7               |
| Czech Republic | 2001    | 29                       | 22             | 13              | 48                  | 14             | 8               |
| Denmark        | 1999    | 20                       | 80             |                 | 64                  | 36             |                 |
| Finland        | 2001    | 39                       | 20             | 37              | 85                  | 6              | 7               |
| France         | 2002    | 17                       | 23             | 53              | 71                  | 15             | 11              |
| Germany        | 2001    | 49                       | 5              | 45              | 49                  | 7              | 44              |
| Hungary        | 2003    | 95                       | 3              | 3               | 96                  | 3              | 1               |
| Iceland        | 2003    | 70                       | 5              | 10              | 90                  | 3              | 4               |
| Lithuania      | 2002    | 61                       | 9              | 30              | 90                  | 5              | 5               |
| Netherlands    | 1998    | 44                       | 41             | 16              | 77                  | 20             | 3               |
| Slovenia       | 1994    | 46                       | 10             |                 | 78                  | 10             |                 |
| Sweden         | 1997    | 46                       | 39             | 15              | 85                  | 8              | 7               |
| UK             | 2001/02 | 61                       | 17             | 22              | 71                  | 24             | 4               |





In table 4 we compare the expenditure on housing in different countries, we compared payment for housing across tenures *within each country*, calculating the ratios of the expenditures on housing in the private and social rental sectors relative to owner-occupation, which was set to 100%. This allows comparisons of the relative costs of different tenures *within each country* to be made *between countries*.

What is clear from the table is that social rented housing in most countries is often not that much cheaper for younger households than private renting and in some instances is actually more expensive – and that as compared to earlier in the 1990s social renting in particular has become more expensive. Equally for more mature households the financial costs of renting tend to be much closer to, or even higher than, the costs of owner-

Table 4: Relative expenditures on housing in latest year (owner-occupation = 100)

|                          | Year    | Young Entrant  |                 | Mid-life       |                 |
|--------------------------|---------|----------------|-----------------|----------------|-----------------|
|                          |         | Social renting | Private renting | Social renting | Private renting |
| Belgium                  | 1999    | n/a            | 73.7            | 88.2           | 110.2           |
| Czech Republic           | 2001    | 77.1           | 78.0            | 114.3          | 101.2           |
| Finland                  | 2001    | 63.5           |                 | 96.7           |                 |
| France                   | 2002    | 65.4           | 87.9            | 71.3           | 108.3           |
| Germany                  | 2001    | 74.5           | 84.1            | 50.3           | 56.5            |
| Hungary                  | 2003    | n/a            | n/a             | 94.7           | 103.5           |
| Netherlands              | 1998    | 65.8           | 66.7            | 94.7           | 104.4           |
| Sweden                   | 1997    | 74.6           | 72.7            | 79.2           | 90.0            |
| United Kingdom           | 2000/01 | 70.5           | 123.9           | 80.5           | N/A             |
| Average from 1996 Report |         | 51.6           | 74.0            | 64.8           | 88.9            |

occupation because renting costs increase with time while for many owners costs are loaded on to the earlier stages of the life cycle.

Finally, figures 3 and 4 provide some evidence on the very different roles that the social rented sector continues to play in different countries. Figure 3 shows that one extreme how concentrated on poor and excluded households Britain's social sector has become, while at the other in the social sector in France poorer households are hardly over represented at all. Figure 4 relates tenure to overall distribution of income and again shows very differing patterns across countries. While this again shows how concentrated on poverty Britain has become it also suggests that the situation is not that different in Sweden and Finland except that relative poverty is spread across the whole of the rented sector rather than specifically in social housing.



FIGURE 3: CONCENTRATION OF POVERTY IN THE SOCIAL SECTOR  
Representation Of Income Deciles In The Social Rented Sector

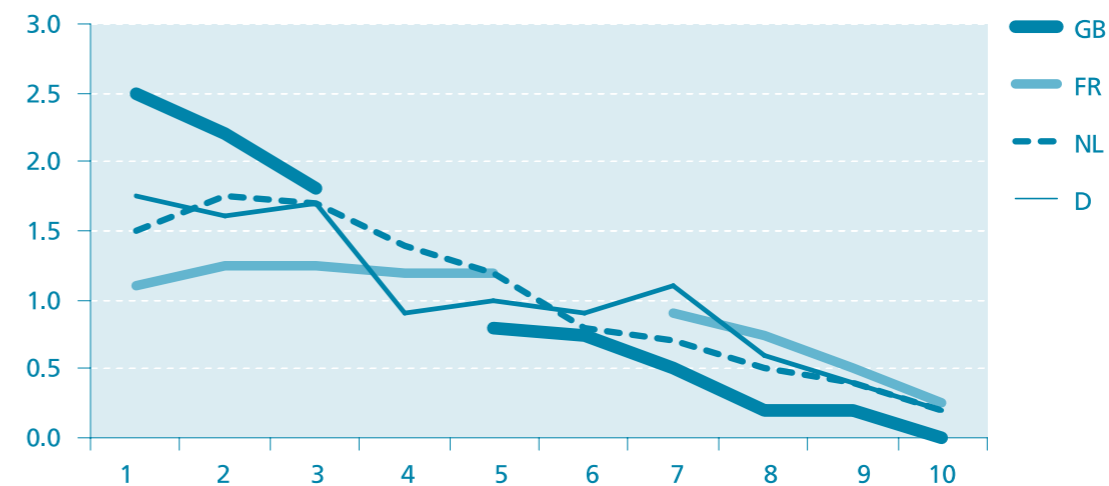
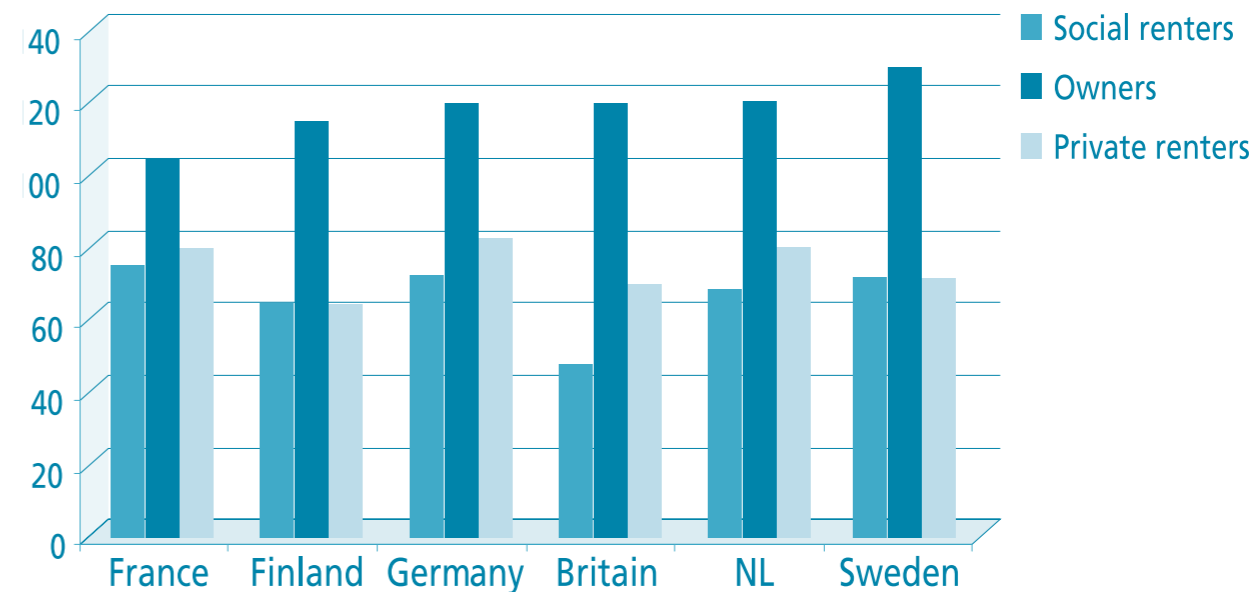


FIGURE 4. THE RELATIVE POSITION OF THE SOCIAL RENTED SECTOR  
Tenure polarisation combines with income inequality to produce the widest gap between owners and social renters





Thus the evidence on the role of the social sector over the last few years shows first that the size of the sector is on average declining and current size is more a matter of the history of finance and governance than of fundamental issues about the nature of social renting; second that its role is changing so that in many countries it is no longer a tenure for traditional settled households; and third that subsidies to social renting have been declining while alternative more targeted assistance has increased the role of private housing in accommodating poorer households.

The evidence shows that while across Europe poorer households are indeed located in the social sector, the extent of targeting varies enormously depending on countries specific attitudes to ensuring adequate housing for all. This raises important policy issues, reinforced by European Union concerns about the implications for competition policy of subsidised provision, about whether in the future assistance should be heavily concentrated on the poorest through social supply or whether social housing should be part of the mainstream of provision.

Most importantly it is clear that there is nothing sacred about the link between ensuring a decent home for everyone at a price within their means and the direct provision of public and social housing. It is in this context that we turn to examine why privatisation has tended to dominate policies towards social housing over the last decades.

## 5. Privatisation – rationale and experience

### Why privatisation

The reasons why privatisation has emerged across many different countries in many different ways as the way forward for the future are both a matter of principle and of practice.

First and most fundamentally is the nature of housing as a private good. The value of housing to an individual depends on how the attributes of the dwelling matches with their own values and needs. Because housing is such a complex good – defined by location and neighbourhood as well as the physical attributes of the dwelling the benefits of individual choice

above a certain basic minimum standard are very great. Social housing tends to be bureaucratically provided and allocated and so cannot readily take full account of individual preferences. For this reason alone many more traditional approaches to social housing, which involve administrative allocation and provision, do not match the needs of the twenty first century.

Secondly increasing incomes mean that on average households are able to demand more housing in the market sector and more can afford to be in that sector. Aspirations in many countries point towards increasing owner occupation or at the least greater control over their own home. While this may mean that social aspirations for poorer households also rise, it is unlikely that there will be the continuing political will to provide housing significantly above basic necessity levels in the face of other priorities.

Thirdly, deregulation of finance markets in general and housing finance in particular has enabled many households who were traditionally unable to afford owner-occupation to borrow to achieve the housing that they want. Equally deregulation of the private rented sector and better operating housing allowance schemes have both made it possible for poorer households to rent privately and made it profitable for investors to buy into the private rented market. There are thus more alternatives to social renting available. As importantly the integration of housing finance into a global market has helped reduce the cost of financing and to spread the risks across institutions better able to diversify against these risks.

Most fundamentally, across Europe the quantitative shortage of housing has long gone – and with it the overwhelming need to use public sector resources to provide additional housing. Private sector construction is the norm and affordable housing can therefore be more readily provided by the private sector with shallower subsidies than in the past.

There are equally important reasons for privatisation arising from political and economic imperatives to limit the role of the state and to ‘sweat’ public sector assets more effectively. First, there is wide ranging literature which suggests that public provision will tend to be productively inefficient – ie it will cost

more per unit to provide accommodation through public and probably also no profit organisations than it will through market mechanisms particularly because the incentives to reduce costs are less well defined while the monitoring processes are costly and incomplete. Obviously there are trade offs to be made particularly in the context of social/merit goods objectives, where there are shortages or other monopoly pressures.

Most practically the long-term investment that many countries have put into their public sectors has built up massive housing assets which can be more effectively recycled by transferring them to the private or at least the independent sector. Transferring housing often in the form of large estates to private ownership means that the new owners can borrow against the potential value of the asset and restructure that asset to increase its value – eg by densification and by mixed use developments. Such opportunities can in principle be equally available in the social sector but there are often constraints on the range of activities in which public and social institutions are enabled to take part as well as borrowing constraints and skill limitations.

### Approaches to Privatisation

Privatisation takes many forms. To analyse particular policies it is helpful to distinguish the different elements that make up the process which include not only legal ownership per se but also management, finance, risk and residual value. It is possible to transfer all elements in the same package – and some lawyers argue that it is not privatisation unless all these elements are located in the same hands. But housing is complex and the objectives of privatisation varied – so it is not surprising that there are many examples of models of partial privatisation. Even when privatisation appears to be complete there are usually licenses, regulations and subsidies which mean that elements practically remaining the public sector.

In many ways the UK has been the most comprehensive example of how the role of social housing has changed – with examples of full privatisation and a range of partial transfers involving separating ownership, management, finance and risk. Immediately after the war the emphasis was on meeting need through traditional social rented provision at subsidised

rents. However, during the 1980s the UK led the move towards the withdrawal of the state from the provision of mainstream housing through their emphasis on privatisation and liberalisation as well as reduced public expenditure (Whitehead, 1993). From a position in 1979 when around a third of all housing was provided by municipalities at subsidised rents, the UK moved to a position at the turn of the century when less than 15% of housing was municipally owned and owner-occupation had risen from around 55% to almost 70%. This was achieved by financial deregulation and a generous tax regime as well as by pro-active policies of the Right to Buy and the transfer of municipal housing to independent social landlords. A second strand of privatisation has been of large scale voluntary transfers from municipal to independent social landlords. These have clear social objectives but are enabled to borrow on the private market to undertake a management buyout and to support new building and regeneration – as such they are subject to certain market incentives and constraints. Subsidies have become more closely targeted on lower income households as well as on deprived areas often dominated by social housing provision and economic decline. This has led to a growth in area and neighbourhood specific policies aimed at increasing both individual opportunity and the incentive for the private sector to invest in regeneration.

Sweden and the Netherlands can be regarded as two examples of the unitarist approach which have also been subject, to a greater or lesser extent, to privatisation pressures. In both countries the traditional emphasis has been on tenure neutrality in terms of subsidy concentrated on investment in housing. In both countries there are good social security systems which enable poorer households to pay reasonable costs of accommodation. And in both countries non profit independent landlords, but with very strong links to local authorities have provided the majority of affordable rented homes. This has meant that finance has always technically been privatised – but with additional guarantees and constraints which have tended to be relaxed over the years.

In the late 1980s and 1990s traditional subsidies have come under growing pressure as a result of the requirement for public expenditure cuts within the European monetary as well as the





fact that most households are already well housed. Perhaps most importantly the value of the existing stock of social housing has increased massively over the years so that there is an unencumbered asset which can be used to provide additional investment and upgrading. In the Netherlands the restructuring of subsidies included ring fencing the social rented sector and gave housing associations as a group clear responsibilities and powers to act independently – but still with a remit to house people across the income scale. In the 2000s however the political pressures to encourage owner-occupation have increased. In Sweden the ‘mirror’ approach to social and private rent setting has been maintained but investment subsidies have been completely removed – leading to massive cutbacks in new provision (Turner and Whitehead, 1993 and 2002).

German policy over the last two years provides the most extreme example of privatising finance through the sale of social sector assets to private equity companies. These sales include no obvious guarantees to continue to maintain social objectives with respect to rents and allocations. Again the intention is to lever in large scale funding to enable regeneration and restructuring of large estates to increase value added in an environment of low demand and the need to transfer land to other uses. It is thus seen as a means of financing future investment and of freeing the state from long term commitments to maintaining the stock. However it locates many of the risks with respect to adequate and affordable housing in the hand of current and potential tenants.

### **The pressures against privatisation: a different but growing role for the social sector?**

The most obvious problems that have been emerging from the process of privatisation relate on the consumer side to accommodating those with special needs who cannot readily house themselves even with access to reasonable funding. Obviously a more fundamental issue relates to inadequate subsidy to make housing affordable – which applies particularly in countries without appropriate demand side allowance schemes.

On the supply side the major emerging issues relate to market failures with respect to neighbourhood management; increas-

ing concentrations of socially excluded households in poorer neighbourhoods; and the growing difficulties of undertaking large scale regeneration and improvement schemes in areas with mixed tenure and multiple owners.

In traditional large estates good social managers had both the responsibility and the capacity to manage neighbourhoods by allocation policies; the integrated provision of services; and economies of scale in management and maintenance. Where privatisation involves, as it usually does, multiple ownership and market allocation there is very little incentive for the cooperation necessary to ensure services are in place. Commodification processes have therefore left gaps in the least cost provision of safe, secure neighbourhoods. These gaps are being filled in many countries by schemes such as neighbourhood wardens as well as the development of management companies linked to developers and the ownership of non – housing property assets. Such systems are difficult to put in place and to fund. On the other hand if there are continuing, and often increasing, constraints on funding in the social sector privatisation may be the lesser of two evils.

On social exclusion there is much debate about whether social or private market allocations tend to produce the greatest concentrations of poverty. Three issues are of particular importance – the scale of social provision, its spatial concentration, and the extent to which social housing allocation has been directed at meeting the needs of the poorest. Figures 3 and 4 show some evidence on this issue – reflecting the extent to which in the UK in particular a declining social sector combined with increasing emphasis on housing the most needy and giving opportunities for owners occupation has led to social renting almost mirroring the bottom end of the income distribution.

Finally the issue of regeneration and the effective use of existing assets raises particularly important tradeoffs between the flexibility of market processes and the need for master planning and for the capacity to enforce change on a wide range of owners. New instruments such as urban development corporations are being across Europe to enable this type of redevelopment to take place – but these can often involve the public sector in taking a core coordination role which is increasingly difficult in a frag-

mented environment.

But in some ways the most important current pressure is how to generate adequate additional housing in the face of growing demands arising from in-migration, the continuing decline in household size and increasing problems of affordability newly forming households. In many Northern European countries these demands have not been satisfied by the private sector, leading to an increasing role for public bodies and social landlords to ensure the provision and financing of large scale new production and particularly affordable housing. As such the role of the social sector appears to have come full circle but in a much more complex, multi agency environment.

## **6. Conclusions and Implications**

Housing systems across Europe are showing increasing signs of pressure as a result of increases in demand; changes in the pattern of that demand; difficulties in adjusting supply; and major changes in the ways in which governments are intervening in the provision and allocation of housing across Europe. They are also showing signs of increasing volatility as the housing market becomes more open to global pressures at the same time as labour markets become more cross national and migration becomes a more important source of demand for housing. Finally while affordability overall has probably improved as a result of both increasing affluence and better operating markets, the capacities of those at the bottom end of the (usually worsening) income distribution to access good quality accommodation is often worsening. Similarly, while more mature owner-occupiers have usually gained considerably from being able to purchase newly forming households are finding it increasing difficult to enter the property market – resulting in inter-generational inequities as well as increasing problems of access to adequate accommodation and a growing mismatch between aspirations and reality.

### **How are these challenges likely to be addressed in the future?**

First, while ensuring increase supply and access to adequate housing remains high on many government’s agenda achieving

these aims is more and more likely to have to be funded out of land and existing housing assets rather than general taxation. Second, the potential for higher levels owner-occupation to help people fund their ever longer retirements is being increasingly recognised by governments across Europe. Third, there are continuing wider pressures across Europe which emphasise reducing the proportion of GDP that is allocated by government in this context housing is seen to be one of the successes. For all these and many other reasons privatisation pressure will undoable continue.

So will social housing survive? The most obvious answer is only where there are clear benefits and cost savings specific to social provision arising from underlying economic, financial and regulatory realities. In other words social provision is not inherently necessary for social objectives to be achieved.

The areas where social housing will have comparative advantage include:

- providing for vulnerable groups although probably in partnership with independent suppliers;
- ensuring effective neighbourhood management, especially in poorer, multi tenure neighbourhoods;
- taking the lead in land assembly and large scale mixed use and mixed community development; and
- similarly, taking the lead in regeneration including in particular the break-up and restructuring of large scale single tenure estates into higher density higher value uses.

The main messages are therefore:

- the need for affordable housing is likely to grow into the future but this can be provided in many different ways that do not need to include social housing;
- important distinctions should be made between social ownership as a means of ensuring that the physical fabrics of housing and neighbourhood are developed and maintained most effectively both for individuals and the community as a whole and as a means of helping low income and other vulnerable households





to obtain a decent affordable home;

- social housing can survive in a privatised world, but only in partnership with a range of other organisations, and, only where it clearly represents value for money for tenant and government alike; and
- achieving the objective of ‘a decent home for everyone at a price within their means’ is not a function of specific governance structures but of overnment’s continue commitment to providing adequate resources and a regulatory framework which supports efficient provision and allocation.

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## DISCUSSANT’S RESPONSE

### Social housing: definitions, ends and future; remarks from a Dutch perspective

Marja Elsinga

#### Introduction

Christine Whitehead presents a clear overview of the rationale and history of social housing in Europe and unravels the challenges for the future. Her conclusion is that social housing can survive in a privatised world, but only in partnership with a range of other organisations, and only where it represents clear value for money. She sees a role for housing associations in neighbourhood management, mixed housing and the regeneration and restructuring of housing estates. I will reflect on this and continue exploring Whitehead’s line of reasoning by presenting the case for the Netherlands and the dilemmas faced there.

#### Social housing and privatisation: definitions

Before drawing conclusions I feel that it is necessary to clarify the discussion arena. There are different histories, models and, probably, different futures of social housing, but what exactly *is* social housing? What is the difference between social housing and non-social housing? There are different ways to define social housing, as pointed out by Oxley (2000), for example.

Does social housing mean housing owned by a public landlord, or might it also refer to housing owned by not-for-profit private landlords? Does that make an expensive rental dwelling, owned by, for example, a Dutch housing association, a social dwelling by definition? With regard to the discussion on EU competition rules this definition would appear to be untenable.

Does social housing mean government-subsidised housing? This is the definition for social housing in Germany. In Germany, subsidies are accompanied by an agreement on rent regulation and housing allocation for a certain period of time. In the

Netherlands, subsidies for social housing have been abolished. Such a definition implies that there is no longer any social housing in the Netherlands. This might solve some problems, but will surely cause others. Below-market rents and below-market prices for homeowners might be an alternative definition.

Does social housing mean housing allocated outside the mainstream market, or housing allocated according to need? This would include agencies like the ‘Sociale verhuurkantoren’ in Belgium and the ‘Sociedad pública de alquiler’ in Spain and other kinds of public private partnerships. These three definitions involve completely different pictures of current social housing and thus for future social housing.

There is another word that requires further attention: privatisation. Privatisation implies a shift from the public to the private. In housing literature the term privatisation is used to describe different happenings in the housing market. In the UK, the term privatisation is used to describe the Right to Buy programme, which turns public housing into privately owned households, as well as the transformation from municipal housing to private registered social landlords. The first transformation can be called a transformation within social housing; the second, the end of social housing.

#### The Dutch case: background

The Dutch social housing model is a particular model covering 35% of the housing stock which is unique in Europe. It is a broad sector providing housing to many groups and delivering more services and products than affordable housing. Therefore this model, its particular features and current discussions on the model might provide an interesting contribution to the discussion on the future of social housing in Europe.

Before exploring future developments it is important to be familiar with the background of the Dutch model. Christine Whitehead categorises Dutch social housing as part of a unitary rental market in a tenure-neutral policy environment. The first is almost true (Elsinga et al., 2005) but the tenure-neutral environment is entirely absent. Since the 1950s, the government has encouraged development in all tenures as



a kind of compromise and as a means to stimulate housing production, but there was never any attempt to treat housing tenures equally, as was the case in Sweden, for example.

Social housing started at the end of the nineteenth century as a private initiative. These were associations and cooperations funded by the members themselves and perhaps by employers looking to improve the living conditions of their labourers. In 1901, the State introduced the Housing Act, which allowed associations to register and thereby qualify for subsidies. Until the Second World War the social rental sector accounted for only a few percent of the housing stock. The housing shortage was a turning point for social housing in the Netherlands. Housing associations were given an important role in addressing the enormous housing shortage. They were heavily subsidised and regulated by the central government and constructed many social rental dwellings. By the mid 1980s, social housing covered 42% of the total housing stock. Over the course of the 1960s, 1970s and 1980s social housing was deregulated step by step. The turning point was 1995, when housing associations became financially independent of the central government. This 'grossing and balancing operation' involved the writing off of all government loans against the current subsidy obligations.

This does not mean that ties between housing associations and the government were severed. Housing associations still have an arrangement with the government as described in the Social Housing Management Order. Housing association tasks and other operating conditions were laid down in a separate government order drawn up pursuant to the Housing Act. The Social Rental Sector Management Order (Dutch abbreviation BBSH), a new version of which came into force in 1993, stipulates that approved housing associations should provide good-quality, affordable housing for those who are unable to pay market rents and must concern themselves with the liveability of neighbourhoods and housing and care. In exchange for this, associations are granted tax benefits, they can have their loans guaranteed by the WSW (Social Housing Guarantee Fund) and they can purchase council land at reduced rates for the construction of social housing.

### The Dutch case: current discussion

The Dutch model has clear advantages. The government is no longer faced with the financial burden of housing. Moreover, social housing is decentralised. Housing associations are able to prioritise their activities at the local level. They are able to develop their own policy because they are, in general, financially healthy. There is still a tie to public policy and justification, however. Housing associations are obliged to enter into an agreement with local government bodies and internal and external supervision is conducted by the internal supervisory board and Ministry of Housing respectively.

The social rental sector is once again the subject of political debate, the key issue being whether housing associations, which possess large amounts of capital, do enough to justify their financial position. One recurrent question here 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, such as those by 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 response to this advice the minister has presented several proposals aimed at improving the safeguarding of satisfactory standards of performance by social housing associations. There was a call for stronger regulation by the central government. However, the minister chose in her proposal of December 2005 to prioritise the self-regulation of social housing. She encouraged the social rental sector to improve internal supervision and to develop benchmarks and control instruments to safeguard the performance of housing associations. Moreover, in this proposal the minister forced housing associations to make clear agreements at the local level and to invest their surpluses in housing.

Another discussion centres on the affordability of social rental housing. At present, 95% of the rental sector, social as well as private rental, is regulated. The government, housing

associations and private landlords aim to deregulate rent regulation in the rental sector. However, this policy has been heavily debated by tenant organisations and left-wing political parties in parliament. A compromise has been reached, under which 25% of the rental stock will be deregulated in 2008 on the condition that housing shortage has decreased by then. In the regulated part the aim is to achieve a shift towards more market rents through less strict rules for yearly rent increases. The result of this arrangement is a considerable increase in rental income for housing associations and private landlords and an increase in expenses for housing allowance to the central government. There is currently a proposal from the government to share the bill for housing allowance between the government and social and private landlords. The proposed financial contribution of landlords has been discussed by private as well as by social landlords.

Another issue is the EU regulation on competition. Housing is considered as a Service of General Economic Interest. Member States are allowed to provide financial compensation for these services. Many in the EU and in the Netherlands are of the opinion that it is not appropriate to label all housing association dwellings and activities as SGEIs. A clear definition of the SGEI is therefore necessary.

### Major shifts in social housing

Earlier social housing models differed, as described by Christine Whitehead. But they had many characteristics in common. In general, social housing was subsidised and provided by social housing associations at below-market rents and allocated separately from the market. Housing associations were an instrument in housing policy. This model has shifted over time. The introduction of housing allowance in the social rental sector in many countries reduced the affordability role of social housing. Housing allowance became more of a key instrument in safeguarding housing affordability in the social rental as well as in the private rental sector.

Housing associations have become more and more instrumental in *social policy* when they are involved in policies aimed at reducing anti-social behaviour, or in implementing foyer projects

to house young people and provide support for their successful reintegration into society. Moreover, housing associations are becoming more and more of a vehicle in *fighting segregation*. They are able to build affordable housing in better areas and expensive dwellings in regeneration areas. They provide affordable rents and their allocation policy enables those on lower incomes to live in better areas. Housing associations can also be considered as an instrument in physical policy, with a responsibility towards *urban renewal and neighbourhood management* in neighbourhoods where they own a considerable part of the housing stock. Lastly, housing associations may play a role in economic policy by producing dwellings where and when commercial developers are unresponsive because of expectations on return on investment.

The question is how can housing associations, regarding these shifts, prove their added value? What part do they intend to play in which policy?

### Confusion about social housing: focus and performance

At first sight it seems so obvious: social housing is affordable housing for lower income households. It might be tempting to downgrade 'what is the focus?' and 'when does a housing association perform well?' to mere hair-splitting, but it will appear highly important when thinking about the future of social housing. There is a strong link with the different models that Whitehead described; a safety net model, as applied in the UK, has a different focus than the corporatist model, as applied in Austria and southern Europe, which focuses on decent housing for decent members. This historical background in combination with new challenges is shaping people working for housing associations, the structure and culture of organisations, and their policy.

We can distinguish at least three focus points: people and their needs, the neighbourhood and the portfolio. How do the strategic actors in social housing think, in terms of portfolio, vulnerable households and their needs? When focusing on the portfolio aspect, technical and financial experts are at the forefront and social actors focusing on social needs can do their work as







long as they fit within the rules of the game of the portfolio. When focusing on vulnerable people and social needs, these needs would appear to be not only housing needs, and social housing is just one of the needs that can be satisfied. Meeting the social needs of vulnerable people is the primary aim and providing dwellings is merely an activity. When focusing on the neighbourhood, cooperation with the municipality, the police and social workers is key and housing should meet the needs of the neighbourhood.

How about combining these different focuses in, for example, social housing in Sweden or the Netherlands? Professionalisation is often interpreted as more professional portfolio management and more attention to the return on investment. At the same time these organisations are encouraged and are more or less obliged by law or their bylaws to house vulnerable groups. The most logical approach is to focus on both. But this can conflict in practice and in regulation.

In a run-down area there may be one affordable housing estate with a number of households that are considered anti-social by some of their neighbours. The housing association is willing to deal with this problem and weighs up a number of considerations. From a portfolio management point of view, it seems logical to reduce vacancy as a result of problems and to safeguard the value of the real estate. In this case, removing troublemakers from the flat at lowest cost might be a good solution. From a social point of view, the focus is on solving the problems of people disturbed by anti-social neighbours. The focus is on mediation and arranging supervision or a new and adequate housing situation. From the neighbourhood point of view, it is most important that problems in the environment are solved. Demolishing affordable problem housing and replacing it with more expensive dwellings for middle income housing might be the best option. This option shows that different focuses lead to different outcomes. In proving the added value of housing associations the aim and focus needs to be clear.

Social performance of social housing used to take the form of affordable rent for households in need. Moreover, social performance could be measured by rent level. Is the social product of social housing associations merely loss in rent: the difference

between market rent and social rent? Or does it also cover services to problem households and the arranging of mediation, care or counselling in the event of problems? Or does it also imply neighbourhood management and urban renewal services?

Different focuses and perspectives will impact on the definition of the service of general economic interest as is relevant for EU competition rules. Are activities such as neighbourhood management, social supervision and risky investments in urban renewal areas, for example, considered as activities that qualify for state compensation or not?

### The end of social housing?

In his recently published book 'Choice and the End of Social Housing' Peter King criticises the UK social housing model. He advocates a new system of housing benefit and the abolishing of social housing. By 'abolishing' he means the privatisation of public housing. He states that such a system offers choice to tenants and landlords and also adequate housing for lower income groups. He depicts a paradise-like future for tenants and landlords without social housing. He emphasises some important conditions for this system to work: landlords should not discriminate, they should support tenants and see to fair allocation (King, 2006).

These conditions could be considered as a definition of social housing. Practice dictates that these conditions are not automatically met by the market. Stronger private landlords can survive and meet their return on investment requirements if they select tenants and focus on return on investment. 'Social allocation' therefore will be necessary in the future to enable affordable and adequate housing for those who cannot arrange this by themselves under market conditions. What is termed 'privatisation' and the 'end of social housing' by King for the UK can be compared with the privatisation of Dutch social housing in 1995. The difference is that in the Netherlands this privatisation is not considered as the end of social housing, but as the start of a new social housing model.

Social housing is no longer only a means in housing policy; it may be more important as a means in social or urban policy.

We should stop believing or not believing in social housing and instead focus on services and products that deserve the label 'social housing'. A decent society cannot do without. I think that neither privatisation trends in Europe nor EU competition rules signal the end of social housing. They simply represent a challenge to elaborate on what should be considered social housing. Therefore I fully agree with the conclusion of Christine Whitehead that there is a future for social housing in a privatised world, under the condition that both the benefits and coalitions in housing policy, social policy and physical policy are clear.

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## PRACTITIONER'S RESPONSE

### Value oriented Management in Municipal Real Estate Companies: From business profits to rate of return for the city

Michael Sachs

#### Introduction

This paper is meant as a practitioner's point of view on privatisation of social housing in Europe presented at the first European Social Housing Observatory Colloquium. What is more, this contribution will talk about a German experience which is undoubtedly very relevant as the case of privatisation of the public housing stock in Germany is one of the most extreme. One should note however that housing markets are very different in the different parts of Germany – there is a huge disparity between north and south Germany but also between rural and urban areas of the country. The importance of policy also varies greatly in the diverse parts of the market. This differentiation makes it very difficult to talk about the social housing sector in Germany as a whole.

The underlying paper deals with the value oriented management of a public housing company in Germany using the example of SAGA GWG in Hamburg.

#### About SAGA GWG

The city of Hamburg has about 1.8 million inhabitants and at the same time it is a German Land and a commune. It sees itself as a business company and as a 'Growing City' in the context of a nationwide population decrease. The corporate group SAGA GWG is a municipal real estate company that manages about 135.000 apartments in the city of Hamburg. It contributes considerably to the municipal budget (consolidation) by paying dividends and realising real estate developments but it also improves the quality of the city of Hamburg. The business-concept 'SAGA GWG 2010' is based on a strategy of

sustainable and qualitative growth to ensure the company's financial performance and the social balance within districts and neighbourhoods. These are the economic prerequisites for its business model as owner and developer. The real difference between housing companies lies namely not in the fact whether they are private or public ones but whether they are a real estate owner and developer or simply a real estate trader. SAGA GWG is a real estate company and a strategic investor focusing at long-term accumulation of value and sustainable development of districts, neighbourhoods and the city as a whole. It is definitely not a real estate trader which would mean a real estate company having as primary interest cash flow generation and profit maximization in short term planning cycles.

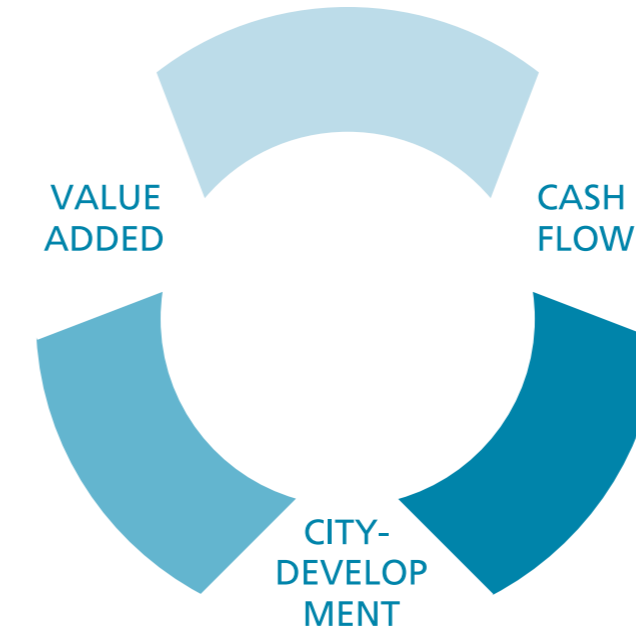
Business-models, frameworks and perspectives for city development in Germany are changing radically now because of the massive entrance of financial investors into the real estate market. The 'asset class'- real estate is defined by cash flow generation and not by social aspects and quality of life. This concept is exciting but risky. One can try to imagine how real estate markets will look like in five years. If a company wants to achieve the maximum on equity for financial investors in LBO (Leveraged Buy-Out) it can decrease the equity capital and raise the external financing (in times of low interest rates) or generate high cash by asset stripping which means privatisation and en bloc-sales. It also can reduce costs (and increase income) by driving back investments in maintenance and modernizing and cutting administration and personal costs. Last but not least it can try to get an exit after 3 or 5 years.

SAGA's strategic position as municipal public housing company is to be considered as a partner for city development and a real estate professional, a cash cow in the city portfolio, an investment driver and economic supporter and as a provider of underlying equity or security for pension funds of the city of Hamburg. It is quite striking that a considerable housing stock in Germany has been sold to the Private Equity Fund of the US that wanted to buy housing stock in order to secure pension funds.

The business objectives of the shareholders of SAGA are cash dividends and contributions to the city budget (f. ex. purchase

of public buildings, heritable building rights etc.), value conservation and enhancement, power to invest to support city development, quality of live, business und em ployment (investments vs. dividends).

Diagram 1: Our Value-added Strategy: From Business Profits to Return for the city



The company's guidelines lie between partly conflicting priorities. The first one is the support of the political aim of the 'growing city', it serves namely as a strategic instrument to stimulate housing, economy and employment. In the second place SAGA is further improving its assets and city development, and continues to assure the quality of live and social balance in the neighbourhoods. Thirdly, it seeks profitability, performance and dividends. And last but not least, the company tries to optimise the structure and pattern of finance, value security and capital increase. SAGA GWG aims at optimising the economic results, increasing the company value,

reaching a better market position and supporting the political goals of the city. The mission that is defined in the statutes of the company is to ensure social responsible housing for a broad range of people in Hamburg at reasonable prices. The business model includes owners, developers and residents for middle-class residential buildings, the conversion of rental units to condominiums and sale to tenants but also management of social balance in neighbourhoods in order to be successful within the model. Probably the most important element is neighbourhood development and assurance of city-life quality which is definitely a part of SAGA's economic success. The company targets at lower and middle class people and socially and economically underprivileged. If one should then question how it is possible to be economically successful having in mind the above mentioned target group, he has to recall the example of ALDI to realise that it is achievable.

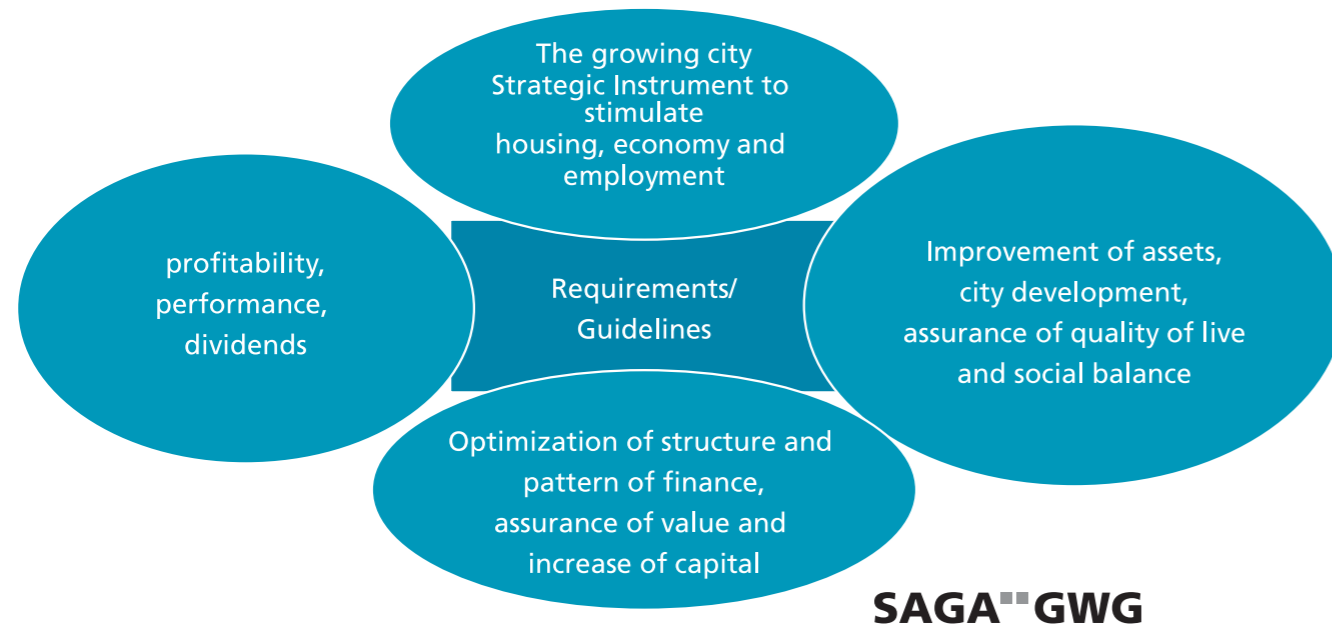
The product-and price-segment of SAGA GWG consists of well kept middle-class residential buildings and residential communities in vital neighbourhoods. The price-policy is based on the weighted average of rents within the city of Hamburg. SAGA also sells dwellings to tenants or builds dwellings for owner occupation – together nearly 300 dwellings per year.





## From Business Profits to Return for the City

### Our Requirements, our Guidelines



#### The case of privatisation

The issue of privatisation is quite complex and as such it has positive and negative aspects. Becoming owner/s can lead to commitment to and stabilization of the neighbourhood, more responsible use of the environment, improving the standard of living and the economic status of younger people but also a guarantee for all that for the period of retirement. But at the same time the new owner must also be able to pay

for maintenance and repair as more often people buy old homes rather than new ones. Thus sometimes one has to accept and to bear a fall in value of the dwelling because of the downgrading of the neighbourhood.

Regarding privatisation to private investors (very often foreign companies), this might have clear disadvantages for the general interest. Those companies have namely a quite short-term vision – they only aim at selling those dwellings when their

value increases but do not invest in them in the meantime. They do not have any social obligations and are only interested in the asset aspect and profit maximising. On the contrary, the social landlord is there to stay, he has a more long term vision, and besides investing in the stock, he also provides social services, with other words – he fulfils a social mission of general interest. (See the distinction made above between real estate owner and developer on the one hand and a real estate trader on the other hand) The good thing about the sales of public housing to private companies is that municipal companies are forced to compete with them and to change their strategy. However, the economic pressure by private equity funds is supposed to decrease after 3 or 4 years. This area will not be interesting anymore for someone who does not know the business and local governments will realise that they need housing as a tool to deal with social problems in the city e.g. unemployment, decreasing social security etc.

#### Conclusion

As already explained above SAGA's self-conception is to be a real estate owner and developer by a value oriented business management leading to business profits in favour of the city which makes the real difference to real estate traders and private equity companies. One could easily find this conception in SAGA's long term investment in quality, its portfolio strategy, value oriented management based on social balance in mixed communities, stabilized and integrated neighbourhoods, attractive districts, payable rents and affordable prices. The social balance in the neighbourhoods is the key economic success factor of this business model.



## CONCLUSIONS

Michelle Norris

During the colloquium there were very interesting keynote presentations by Professor John Doling of the University of Birmingham who examined the growth in home ownership in Europe and the limits of this growth and by Professor Christine Whitehead of the London School of Economics who examined the privatisation of social housing in Europe. Two academics discussed these presentations - Dr Jozef Hegedüs of the Metropolitan Research Institute, Budapest, and Dr Marja Elsinga of Delft University of Technology. They also reflected on the implications of the issues raised by Doling and Whitehead in the post-communist European Union members and in the Netherlands respectively. In addition, two social housing practitioners, namely Michael Sachs from SAGA GWG in Hamburg and João Carvalhosa from GEBALIS EM in Lisbon, discussed the key note presentations from the practitioner's perspective.

These conclusions to the colloquium proceedings aim to draw together the key themes which were identified by the various speakers and to identify the issues arising for the social housing sector.

### Key Themes

The key themes of the various presentations made to the conference are summarised in Figure 1. This diagram demonstrates that the over-riding theme which unites all of the presentations is the marked growth in home ownership in Europe and the associated decline in the proportion of households that live in the social rented sector. John Doling's presentation reveals that the extent and timing of this development varies across the continent. In the 'old' European Union members – the mainly Western European countries that were members of the EU prior to 2004 - home ownership levels have increased slowly since the 1950s. In this part of Europe the extent of the growth in home ownership and decline in social renting has also generally been smaller than in the 'new' European Union members – the mainly former communist Central and Eastern

European countries that acceded to EU membership in 2004. Moreover in the latter countries this development has taken place over a relatively short period – since the economic and political re-organisation of these countries in the early 1990s. Christine Whitehead John Doling's presentation to the conference identifies three drivers of this rising home ownership and declining social housing.

Firstly, the actions of government: governments in most European countries have significantly cut back capital subsidies for social housing construction and as a result output in this sector has fallen dramatically (Gibb, 2002). They now actively promote the growth of the owner occupied sector by encouraging the construction of new dwellings in this sector, subsidising the purchase of dwellings for home ownership and selling social rented dwellings to tenants. The latter development, which has been particularly widespread in the former communist new EU members, has also reduced the size of the social rented sector in absolute terms. This government action was driven by a wide range of factors, including: a view that ownership is the preferred tenure of most households; the economic and political imperative of reducing state expenditure on social housing and 'sweating' or generating income from state owned assets; a negative view of social housing driven by well publicised problems on estates in this sector; and the need to encouraging households to accumulate assets during their working life so these can be sold pay for social and health care, the imperative for which is increasing as average life spans lengthen.

Secondly, the deregulation of housing finance markets has also had an impact in this regard. It has enabled more households to access mortgage finance and the deregulation of the private rented sector has made investing in this sector more attractive for investors and living in the sector more attractive for households. So low income households now have a wider range of housing options than was the norm the past and are no longer so heavily dependant on social housing.

Thirdly, increased government support for home ownership and wider availability of mortgage finance has enabled more households to exercise their preference of owning their own home. However several colloquium speakers and delegates

questioned the extent to which ownership is the true preferences of most household in most European countries, and suggested that in some cases households are keen to access social housing this preference is not reflected in state housing policies.

### Issues Arising

Figure 1 also explains that the implications of the increasing home ownership for the social rented sector was a key theme in all of the colloquium presentations. The various presenters and discussants examined three aspects of this issue.

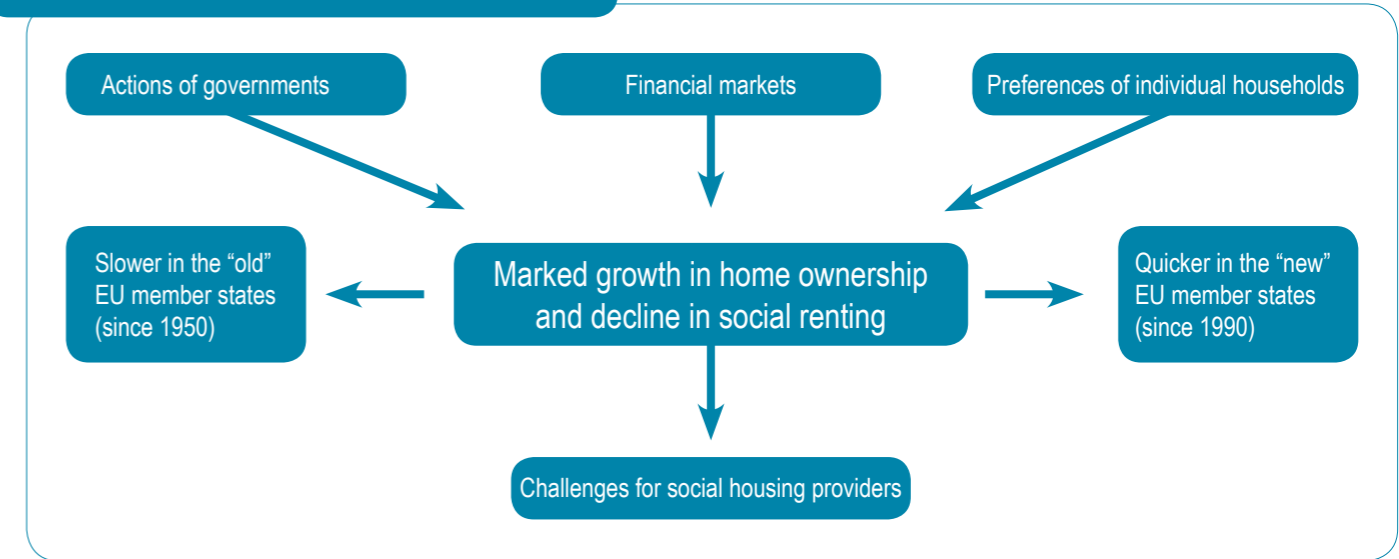
### Will Social Housing Continue to Play a Role?

Mixed views were expressed by colloquium presenters and participants on the potential future role of social housing. Christine Whitehead's presentation emphasised that political and economic pressures mean that there is little appetite for increased government spending in most parts of Europe. This is particularly so in the case of social housing which in most countries targets the needs of the lowest income households rather than a broad section of the electorate. In the longstanding

EU member states at least, poor housing conditions and housing shortages have been largely (although not completely) eliminated thus there is a widespread view among governments that the market can meet most future housing needs and the need for social housing is limited. In the handful of new EU members, such as the Czech Republic and Poland, where a large social rented sector remains Jozef Hegedüs argued that this stock will inevitably be privatised in the near future. As mentioned above there is also a consensus among governments that most people aspire to own their own homes at some stage in their lives. Furthermore, John Doling's presentation revealed that owning a dwelling is increasingly important to households because of the additional economic and social benefits it incurs. Home ownership is the principal means of saving and asset accumulation for many households, dwellings can be used as collateral to raise loan finance for instance or equity can be released or the dwelling can be sold to fund expenses associated with ill health or old age.

However the majority view was that social housing will continue to play a role on the following grounds:

Figure 1: Key Themes of Colloquium Presentations





- Several colloquium participants emphasised that there is continuing demand for housing in this tenure and that rising demand for home ownership is not universal to all European countries and sections of the population.
- In addition the point was made that the private sector cannot meet all housing need. Jozef Hegedüs's presentation highlighted a range of market failures in housing provision in the former communist new EU members. He revealed for instance that housing output in these countries has fallen very dramatically since marketisation of the housing system, many households that bought their dwelling from the state often for a very low price under the privatisation scheme cannot afford to pay for maintenance and the management and maintenance of many privatised apartment blocks is problematic.
- John Dowling also highlighted several economic disadvantages are associated with large home ownership sectors, such as mortgage arrears and inflexible labour markets as home ownership may reduce the incentives to move locations in order to secure employment and increase the incentives to exit the labour market once home loans are paid off.
- In addition governments in an increasing number of European countries have found the main replacement for capital subsidies for social housing provision – income related housing allowances which low income households can employ to subsidise their housing costs in either the social or private sectors – are increasingly problematic (Kemp, 2000). Expenditure on housing allowances has risen dramatically in recent years and these increases are difficult for governments to control, particularly during periods of growth in unemployment (Priemus, 1990).
- Although population growth is stagnant or negative across most of Europe, continuing decline in average household size and growth in household numbers is likely to fuel demand for social housing as is immigration and the need to meet special housing needs.

### *What Role Should Social Housing Play?*

The preceding discussion raises the issues of what role social housing should social housing play in the future, it is to remain relevant to the needs and wishes of governments and communities. The various papers presented to the conferences identified three potential roles for the sector.

Firstly, several presenters emphasised the need for social housing to continue to fulfil its traditional role of housing low income families, providing housing for younger households and providing sheltered housing for those with special housing needs. Several conference participants, who worked in social housing providers in various parts of the EU, emphasised that this work is vital because the private sector is generally not interested in addressing these types of needs. Jozef Hegedüs's presentation revealed that as a result of lack of social housing provision young households in the new EU members often have great difficulty in accessing accommodation.

Secondly, there is a need for the social housing providers to re-orientate the focus of some of the work in which they have traditionally engaged. Thus Christine Whitehead pointed out that social housing providers have considerable expertise in the regeneration of their own estates and that they should consider employing this expertise to regenerate mixed tenure inner-city and peripheral areas. Improving these areas is a key concern of governments in many European countries, but government agencies and private often lack the requisite experience and or interest to carry out this work effectively. The available evidence indicates that successful regeneration requires a mixture of economic as well as social and housing management interventions and achieving this will require that social landlords establish partnerships other social agencies and also with the private sector (Lupton, 2003). In addition, Whitehead also suggests that social housing providers could use their estate management skills to carry out neighbourhood management work for local government and employ their housing development skills in the development of mixed tenure areas rather than solely social rented estates. Developing neighbourhood governance structures and mixed tenure neighbourhood are currently key concerns of governments in many parts of the EU.

In addition, there was a consensus among the various presenters to the colloquium that social housing providers will have to develop a new focus if their work is to remain relevant to the priorities of citizens and governments. In Ireland and the United Kingdom for instance, social housing providers are involved in working to extend home ownership by selling social rented dwellings to tenants and thereby using the tenure as a stepping stone to home ownership and by establishing co-operative ownership schemes and building dwellings for sale at below market value to low income families. In addition it is likely that social housing providers will increasingly be forced to consider economic as well as social objectives. In recent years, Michael Sach's organisation - SAGA GWG - has increasingly had to take account of the former goals. It contributes a significant amount of finance to the municipal budget in Hamburg by means of dividends and real estate development, while at the same time working to achieve the social objective of improving the quality of the city. The economic aims of his organisation are achieved by a variety of mechanisms, including: raising external finance, privatisation of individual dwellings and entire apartment blocks and reducing costs by cutting expenditure on management and maintenance. More broadly as a result of the severe cutbacks to state capital funding for social housing, social landlords across Europe will be forced to utilise alternatives to government funding if they wish to carry out housing development or refurbishment works. These cuts in capital funding have generally driven up rents in the social housing sector as landlords have been forced to rely on incomes from tenants rather than government to fund their activities. Thus, Christine Whitehead's presentation revealed that social renting is currently more expensive for households than it was in the early 1990s. Although low income tenants have generally had their rents subsidized by income related housing allowances, high rents have created poverty traps in some cases as tenants have no incentive to move into jobs in case their allowances are cut. Thus social landlords may be forced to examine how to reduce rents in order to attract a range of income groups as tenants and enable existing tenants to access the labour market.



### *What are the Key Challenges Facing Social Landlords?*

Finally the various colloquium presentations examined the key challenges facing social landlords. The challenges identified can be grouped into three categories.

Firstly, a range of management challenges face social landlords. These include:

- Managing mixed tenure areas: sales of social rented dwellings to tenants coupled with increasing emphasis on the development of new social housing in estates which include several housing tenures in many European countries mean that the management of mixed tenure areas is a challenge facing social landlords. This will require them to develop skills for consulting with private renters and owner occupiers as well as their own tenants and for working with condominium managing agents where such organisations are in place.
- Managing a dispersed social housing stock: sales of social rented dwellings and the fashion for tenure mixing have also resulted in the increasing dispersion of the social housing stock in many countries. João Carvalhosa's presentation revealed that this development makes effective housing management more difficult in most cases.
- Higher support needs among tenants: as a result the increasing residualisation of the social rented stock in many EU countries remaining social tenants may have higher support needs than was traditionally the case.

Secondly, social landlords also face several critical financial challenges. The various inputs to the colloquium have raised more questions regarding these challenges than answers. For instance, as was mentioned earlier in this summary, cutbacks to government capital funding has reduced levels of social housing output, this highlights a need for social housing organisations to access alternative sources of finance. However, private sector finance is already heavily exploited by social landlords in Western Europe and the availability of this source of finance in Eastern Europe is uncertain. Although the recent extension



of EU structural funding to cover housing projects in the latter group of countries, raises the possibility that the EU will help address this funding deficit in part of Europe at least.

Finally, there is no doubt that the greatest challenges facing social landlords in Europe are political. Marja Elsinga's presentation revealed that in some European countries such as the Netherlands, social landlords may have to deal with EU interference in national government's housing subsidy systems which are deemed to be 'anti-competitive'. Across the vast majority of European Union members social landlords face a critical political challenge – to convince government, the general public, tenants and potential tenants of the value of the sector. Unless this challenge is met it is likely that the social rented sector will continue to decline in size.

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## ABOUT THE AUTHORS

### John Doling



John Doling is professor of housing studies in the School of Social Sciences, University of Birmingham, UK. He has published numerous books and papers about housing systems and housing policy in the economically advanced countries of the world. These include: *Comparative Housing Policy: Government and Housing in Advanced industrialized Countries* (1997); *Housing Policy Systems in South and East Asia* (2002); and, *Globalisation and Home Ownership* (2003). He has led a number of cross national studies funded by the European Union, including the OSIS project.

### József Hegedüs



József Hegedüs is one of the managing co-directors of the Metropolitan Research Institute, Budapest, a think tank established in 1989 providing research and consultancy in the areas of housing policy and urban development as well as local government finance. Dr. Hegedüs carries out research in housing policy, urban economics and municipal finance. He has worked in several technical assistance projects in emerging countries. He has taught academic courses at various universities of Budapest and conducted training courses for professionals in the region. His current research focuses on public housing finance including issues of housing policies for vulnerable groups, social housing in Central and Eastern Europe.

### João Carvalhosa



João Nuno Farmhouse de Castro e Athayde de Carvalhosa is Advisor of the Board of GEBALIS – Lisbon Municipal Neighbourhoods Management, EM, a municipal-owned company that manages about 25.000 dwellings in Lisbon, where is responsible for urban social revitalization, the management of about 1.000 commercial areas in the neighbourhoods, the internal reorganization and the international relations. He has represented CECODHAS.P (Portuguese Liaison Coordinating Committee for Social Housing, where he is Member of the Board) and GEBALIS, EM to international organizations such as CECODHAS, IFHP – International Federation for Housing and Planning, ENHR – European Network on Housing Research, etc. At CECODHAS.P he was also responsible for the coordination of the 1st National Congress of Social Housing amongst other initiatives at national and international level. He is also Advisor of the Board of APHM – Municipal Housing Portuguese Association.



## Christine Whitehead



Christine Whitehead is an internationally respected applied economist whose research is well-known in both academic and policy circles. She has conducted an extensive programme of research on various aspects of the housing market, with special reference to housing finance and subsidies, social housing provision and land use planning, as well as on urban, industrial policy and privatisation issues. Major themes in her recent research have been an analysis of the relationship between planning and housing, notably with respect to the S106 policy; housing needs assessments; the role and financing of social housing; and particularly the application of economic concepts and techniques, including cost-effectiveness and cost-benefit analysis to questions of public resource allocation with respect to housing, education, policing and urban regeneration.

## Marja Elsinga



Dr. ir. Marja Elsinga works as a senior researcher at OTB Research Institute for Housing Urban and Mobility Studies of the Delft University of Technology. She is leader of the research program Housing Systems and is specialised in housing policy, risks of home ownership and developments in social housing. In the period 1997-2001 she worked for a housing association in the Netherlands and was responsible for strategic policy. She has 12 years of experience in supervisory boards of housing associations.

## Michael Sachs



Michael Sachs' experience in the field of housing ranges from housing management to local politics and research. Since 1999 Mr. Sachs has been Member of the Board of Directors of SAGA GWG (Housing Corporation managing 133.000 publicly and privately financed dwellings in Hamburg). Mr Sachs has acted as Managing Director of a number of Hamburg-based housing companies: GWG - Gesellschaft für Wohnen und Bauen GmbH (Housing Corporation managing 40.000 dwellings, 1995 - 1999); HWC Hamburger WohnConsult (Consulting Corporation for housing policy and management in the former Soviet Union, 1992-1995); and WVN, Wohnungsverwaltungsgesellschaft Nord, 1989-1992). Between 1978 -1986 Mr. Sachs was a Member of the Hamburger Bürgerschaft (Hamburg Parliament). From 1975-1989 he was a researcher at the GEWOS Gesellschaft für Wohnungs- und Siedlungswesen – Institut für Stadt-, Regional und Wohnforschung GmbH, Hamburg (research institute for housing).



## Michelle Norris



Dr Michelle Norris is a lecturer at the School of Applied Social Science, University College Dublin. She has conducted a wide range of research on Ireland's housing system and on housing across Europe. In the last number of years she has published research on: the use of planning gain legislation to achieve tenure mixing in Ireland, cost and claim inflation in the principal housing allowance available to private renting tenants in Ireland and supports for low income home buyers in this country. She is currently conducting research on private sector involvement in social housing estate regeneration in Dublin and on the housing needs of recently arrived migrants. In 2003 she was commissioned by the Department of the Environment, Heritage and Local Government to carry out a study on housing developments in European Union member States. She is currently working on an analysis of structural drivers of housing inequalities in the EU for the European Foundation for the Improvement of Living and Working Conditions.

## Darinka Czischke



Darinka Czischke is the Research Director of the European Social Housing Observatory at CECODHAS. A sociologist and urban planner (MSc Regional and Urban Planning at the London School of Economics and Political Science, Distinction) since November 2004 Darinka has been in charge of re-establishing and developing the Observatory. In this role, she monitors trends in housing policies and carries out policy- and practice-oriented research on strategic themes for the sector, such as: characterisation of the social housing sector in the EU; management models of social housing organisations in Europe; the role of social housing for social cohesion and for the integration of immigrants, etc. Her international experience includes working on policy-oriented research and project management in the urban, social and environmental fields for a number of institutions, including: the LSE Cities Programme; the ESRC Research Centre for Analysis of Social Exclusion (CASE); the Greater London Authority (GLE); the Environmental Planning and Research Centre (CIPMA) in Santiago, Chile; and the Institute of Sociology at the Universidad Catolica de Chile.



## Annex 1: List of participants

| Name                   | Institution   | Country        |
|------------------------|---|----------------|
| Adsbol, Keld           | Boligselskabernes Landsforening                       | Denmark        |
| Amaducci, Giulia       | European Commission, DG Research                      | EU             |
| Bauer, Eva             | GBV   | Austria        |
| Blazewicz, Dorota      | Banque de Développement du Conseil de l'Europe        | France         |
| Blomqvist, Paula       | CECODHAS  | Belgium        |
| Boelhouwer, Peter      | Société wallon du logement                            | Belgium        |
| Bopp, Karl-Friedrich   | Council of Europe, Social Development Department      | France         |
| Boulmier, Muriel       | ESH   | France         |
| Brownie, Shane         | Department of Communities and local government        | UK             |
| Carlsson, Sven         | International Union of Tenants                        | Sweden         |
| Carvalhosa, Joao       | CECODHAS – Portugal                                   | Portugal       |
| Cechvala, Dusan        | SCMBD   | Poland         |
| Craig, Jill            | RICS  | Belgium        |
| Czischke, Darinka      | CECODHAS  | Belgium        |
| De Decker, Pascal      |   | Belgium        |
| Dijon, Julien          | CECODHAS  | Belgium        |
| Dilles, Andy           | VMSW  | Belgium        |
| De Jong, Rudy          | AEDES   | Netherland     |
| Diacon, Diane          | BSHF  | UK             |
| Dujols, Dominique      | Union Sociale pour l'Habitat                          | France         |
| Edwards, Sorcha        | CECODHAS  | Belgium        |
| Frey, Joe              | Northern Ireland Housing Executive                    | Ireland        |
| Fotakis, Costantinos   | European Commission - DG EMPL/ E J27 2/21             | EU             |
| Ghekière, Laurent      | Union social pour l'habitat (UE CEEP)                 | Belgium        |
| Grabmullerova, Daniela | Ministry for Region Development of the Czech Republic | Czech Republic |
| Grisewood, Aidan       | Development Department of the Scottish Executive      | Scotland       |
| Hachmann, Claus        | GdW   | Germany        |
| Huet, Maryse           | European Commission - DG EMPL J27 02/15               | EU             |
| Kore, Juri             | University of Tartu Tiigi, Estonia                    | Estonia        |
| Laurent, Luc           | Fonds du Logement Wallon                              | Belgium        |

|                        |  |             |
|------------------------|--|-------------|
| Laurila, Pia           | European Commission - K3 Social and Human Science research | EU          |
| Rhodes, Mary Lee       | Trinity College, Dublin                                    | Ireland     |
| Lemmens, Yves          | SLRB   | Belgium     |
| Libin, Daniel          | Société wallon du logement                                 | Belgium     |
| Lindencrona, Tomas     | c/o ByggherreForum   | Sweden      |
| Lugger, Klas           | GBV  | Austria     |
| Lyben, Hubert          | VHM & Vlabinvest   | Belgium     |
| Mertens, Charles       | MRW DGATLP   | Belgium     |
| Mullins, David         | CURS   | UK          |
| Murray, Tom            | CECODHAS   | Belgium     |
| Newey, Michael         | Broadland Housing  | UK          |
| Nieboer, Nico          | Delft University of technology - OTB Research Institute    | Netherlands |
| Nikolova, Mariya       | CECODHAS   | Belgium     |
| Noelle Rosenweg, Marie | SONACOTRA  | France      |
| O'Brien, Ronan         | European Commission - K3 Social and Human Science research | EU          |
| Ode, Johanna           | Ministry for Sustainable Development                       | Sweden      |
| Perista, Pedro         | CESIS  | Portugal    |
| Polacek, Richard       | Social Platform  | Brussels    |
| Polak, Arthur          | Polish Ministry of Construction                            | Poland      |
| Poussou, Didier        | Les entreprises sociales pour l'habitat                    | France      |
| Pozzo, Anna            | FEDERCASA - ANIACAP  | Italy       |
| Pujol, Carine          | Union social pour l'habitat                                | Belgium     |
| Quilgars, Deborah      | Centre for Housing Policy University of York               | UK          |
| Rosenoer, Alain        | Société wallon du logement                                 | Belgium     |
| Roumet, Claire         | CECODHAS   | Belgium     |
| Ruonavaara, Hannu      | University of Turku  | Finland     |
| Schreel, Yves          | VMSW   | Belgium     |
| Sak, Barbara           | CIRIEC   | Belgium     |
| Spada, Sabine          | CECODHAS   | Belgium     |
| Stanken, Jiri          | SCMBD  | EU          |
| Svensson, Stefan       | Ministry for Sustainable Development                       | Sweden      |
| Toussain, Virgine      | Union social pour l'habitat                                | Belgium     |





|                       |   |                |
|-----------------------|---|----------------|
| Tutin, Christian      | Universite Paris 1                                    | France         |
| Van Bortel, Gerard    | Delft University of technology                        | Netherlands    |
| Van Dijk, Rene        | AEDES   | Netherlands    |
| Voborilova, Alexandra | Ministry for Region Development of the Czech Republic | Czech Republic |
| Winters, Sien         | Hoger Injstituut voor de Arbeid (HIVA)                | Belgium        |
| Ziudervaart, Tineke   | AEDES   | Netherlands    |

## Annex 2: Colloquium programme

### Colloquium: “Current developments in housing policies and housing markets in Europe: Implications for the social housing sector”

**Organises:** CECODHAS European Social Housing Observatory  
**Date:** Wednesday 13<sup>th</sup> September 2006, 9:30 – 17:30  
**Place:** Room BEL 63, European Economic and Social Committee (ECOSOC), 99 rue Belliard, 1040 Brussels

#### PROGRAMME

|       |   |
|-------|---|
| 09:30 | Coffee and registration   |
| 09:50 | <b>Welcome</b><br><i>Angelo Grasso</i> , Member of the ECOSOC<br><i>Paul Louis Marty</i> , President of CECODHAS                    |
| 10:10 | <b>Introduction: setting the scene</b><br><i>Darinka Czischke</i> , Research Director, CECODHAS European Social Housing Observatory |
| 10:40 | First panel:<br>Home-ownership policies in Europe: where are the limits?  |
|       | <b>Keynote speech</b><br><i>Prof. John Doling</i> , University of Birmingham / OSIS research project                                |
| 11:30 | Coffee  |



|       |   |
|-------|---|
|       | <b>Responses:</b>   |
| 11:50 | <b>Academic discussant:</b> Prof. Jozsef Hegedus, Metropolitan Research Institute, Hungary                    |
| 12:10 | <b>Practitioner discussant:</b> Mr. João Carvalhosa, GEBALIS, Lisbon, Portugal                                |
| 12:30 | Open discussion   |
| 13:15 | Lunch   |
| 14:15 | Second panel:<br>Privatization of social housing in Europe: challenges and possible scenarios.                |
|       | <b>Keynote speech</b><br><i>Prof. Christine Whitehead</i> , London School of Economics / Cambridge University |
| 15:15 | Tea   |
|       | <b>Responses:</b>   |
| 15:40 | <b>Academic discussant:</b> Dr. Marija Elsinga, Delft University of Technology, the Netherlands               |
| 16:00 | <b>Practitioner discussant:</b> Mr. Michael Sachs, Board Member SAGA, Hamburg, Germany                        |
| 16:20 | Open discussion   |
| 17:00 | <b>Conclusions</b><br><i>Dr. Michelle Norris</i> , University College of Dublin                               |
| 17:30 | Closure   |



This document has been edited by:

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*Series of colloquia*  
**THE FUTURE OF SOCIAL HOUSING  
IN THE EUROPEAN UNION**