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**HOUSING POLICY IN
THE EU MEMBER STATES**

Social Affairs Series

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CONTENTS

	<u>page</u>
<i>Summary</i>	<i>i</i>
Introduction	5
1. European Housing: An overview of policies	7
1.1 Housing concerns	7
1.2 A spectrum of intervention	8
1.3 Diverse approaches, common strands	9
1.4 Helping home-owners	10
1.5 Assisting private renting	13
1.6 Supporting social renting	15
1.7 Major trends reviewed	21
2. Policy outcomes and challenges	22
2.1 Affordability	22
2.2 Improving conditions	23
2.3 Access to housing	26
2.4 Homelessness	27
2.5 What to do now?	29
3. National experiences	30
3.1 Denmark	30
3.2 Finland	33
3.3 France	36
3.4 Germany	39
3.5 Greece	42
3.6 Ireland	45
3.7 Italy	48
3.8 Netherlands	51
3.9 Portugal	54
3.10 Spain	58
3.11 Sweden	60
3.12 United Kingdom	63
4. The European role and housing	66
4.1 The status quo	66
4.2 European structural funds	67
4.3 Community initiatives and programmes	68
4.4 Should the EU do more?	72
4.5 Breaking down barriers	73
4.6 An enlightening role	74
References	77

SUMMARY

This report addresses three questions:

- What do housing policies contribute to the well-being of poorer Europeans?
- Are new innovations improving policy and practice; and
- What has been the European Union's influence on housing outcomes?

Overview of housing policies

Over the past century, the following trends have been apparent in most European housing policies:

- regulations for minimum standards of housing;
- private sector rent control (declining in north west Europe after 1960);
- the provision of social rented housing, especially in the 1950-80 period (except in the Mediterranean countries and Belgium); and
- subsequent shifts in emphasis towards housing quality and individual subsidies, as crude shortages and resources have diminished.

However, these common strands disguise diversity in the levels and forms of intervention. The housing policies of the Member States may be placed into four groups:

- The Netherlands, Sweden and the UK are characterised by much state intervention. These countries have the largest social rented sectors in the European Union and their governments spend more than 3 per cent of GDP on housing policy.
- In Austria, Denmark, France and Germany there has been less market displacement and large private rented sectors have been retained. Public expenditure on housing policy typically lies in the range 1-2 per cent of GDP.
- Ireland, Italy, Belgium, Finland and Luxembourg form a disparate group, but all have large owner occupied sectors and relatively small social rented sectors. Government expenditure on housing is usually limited to around one per cent of GDP.
- Portugal, Spain and Greece have particularly large owner occupied sectors, minimal social rented sectors and (until recently) declining low quality private rented sectors. Government expenditure on housing policy is less than one per cent of GDP.

This brief analysis points to two conclusions regarding the provision of housing for low income households in the Member States of the EU:

- routes to good housing differ sharply, and
- levels and varieties of support vary greatly.

Housing policy exhibits far greater diversity between the Member States of the European Union than between the constituent States of the USA.

The following analysis examines housing policy in the European Union by tenure.

Owner occupied sector: This is the largest tenure in fourteen of the fifteen Member states and now accounts for 56% of housing in the EU, although the levels vary greatly. The most commonly available form of assistance for owner occupiers is tax relief on mortgage interest payments, although this has been diminishing in some countries. Others provide explicit support for owner occupation, with measures ranging from the provision of additional support for first time buyers to support for the purchase of municipally owned units. Social problems within this tenure are most likely to arise when ownership expands.

Common problems found in the owner occupied sector include:

- poorly adapted units for the rising numbers of elderly home owners;
- poor standards of maintenance, especially among low income home owners;
- rising mortgage arrears and repossessions in north west Europe, especially in the UK and Finland;
- a rising number of home owner families splitting through separation or divorce, so generating demands for short-term rental housing.

Private rented sector: This was in long-term decline until around 1990, but still houses about one-fifth of households in the European Union. The private rented sector tends to be larger in, especially capital, cities. Its decline is attributable to rent controls, demolition programmes and support for other tenures. Germany was unusual in maintaining a large quality private rented sector, due to relatively generous fiscal support. However, even in some Mediterranean countries, rent control is in decline and the private rented sector is showing signs of revival in half of the EU Member States.

Problems commonly found in the private rented sector include:

- now elderly low-income households living in poor quality housing;
- young households (often single) who, for a variety of reasons, have left the parental home and live in low quality rental units in multiple occupation; and
- poorer households (often with families) who are unable to afford owner occupation, but as yet are unable to gain access to the social rented sector. Recent migrants, ethnic minorities and asylum seekers are usually disproportionately housed in private lets.

Social rented sector. This sector also houses about one-fifth of households in the EU. Typically, social landlords are housing associations, co-operatives, or municipal housing companies. Only in Austria, the UK and Ireland is direct ownership by local authorities prevalent. Typically, this sector is supported by interest subsidies, except in the UK where recurrent income subsidies were used in the local authority sector and one-off capital subsidies are used in the much smaller housing association sector. Supervision of social landlords is typically carried out by local authorities, except in the UK where housing associations are supervised by government agencies. This sector has been in decline as investment fell in the 1980s. In Ireland and the UK tenants were also given financial incentives to purchase their homes from the councils. Only in Ireland and Germany has there been a renewed priority given to investment in social housing in the 1990s. Shifts from investment to personal subsidies have resulted in growing housing allowance bills, which also have the effect of encouraging people with jobs to leave the sector to escape the poverty trap associated with means-tested benefits.

Some of the budget constraints may be temporary, as countries attempt to meet the Maastricht convergence criteria. But in the UK, the Netherlands and Sweden the restructuring of the social rented sector is fundamental. This reflects in part ideological shifts, but also the growing association

of the sector with social exclusion. This is especially true in those countries where the sector is large and has housed a larger proportion of the poor, including the unemployed, single parent families, ethnic minorities and migrants.

Nevertheless, it is important not to blame social rented housing for the social and economic problems of the households which it houses. The sector has many recent achievements, including:

- more resident participation in housing management;
- a greater emphasis on housing the homeless as fairer allocation systems have been developed;
- new priorities and resources have been devoted to housing the elderly, disabled and other groups with special needs;
- management and staff quality have improved;
- sometimes attempts are being made to mix housing tenures and income groups on smaller, more balanced estates; and
- crucially, there have been successful examples of programmes to rehabilitate rundown estates.

Seven generalisations can be made:

- There is a long-standing recognition that good housing is necessary for social cohesion.
- Affordability in the private rented sector has often been achieved through rent control which has had undesirable effects, including reducing quality and investment. The removal of rent control and renewed support has caused the sector to expand, although problems remain for particular groups.
- Owner occupation has been the fastest growing tenure, aided by tax subsidies, inflation and rent increases in other tenures. There has been a growth in disrepair among houses owned by the elderly and poor, and rising repossession in northern countries. A few have introduced special measures to help poorer and elderly home owners. Tax subsidies are in decline.
- The social rented sector, after growing greatly, is in decline in north and western Europe, and is increasingly associated with the 'new poor' and social exclusion. Recent policy developments have been positive, including more progressive allocation policies, better quality management and estate regeneration.
- Rising poverty and rising rents have led to a greater reliance on means-tested housing allowances which can create poverty traps (work disincentives) and can even encourage the inefficient use of the stock. Governments are concerned about the cost of allowances and are seeking to reduce them;
- There is a growing recognition that housing policy must be integrated with other policies in health, education and urban regeneration.
- In north and west Europe (Ireland and Germany excepted) fiscal support for housing appears to be falling. In southern Europe, the much smaller government support appears to be stable. While efficiency in policy delivery could increase, but the chances are that housing policy efforts will fail: poor conditions on rundown estates will be perpetuated, inner city rehabilitation will slow and the private rented sector will face new low income pressures. Sharing and homelessness will, at best, not fall.

Policy outcomes and challenges

The report also examines four areas of housing policy.

Affordability: Social housing and housing allowances are designed to make rents affordable, but there are some countries (particularly in the south) with minimal social rented sectors and some groups do not have access to social housing even where it exists and others do not have access to housing allowances (e.g. young people or illegal immigrants). Further, some groups have incomes just above the levels that allow them to qualify for assistance, while owner occupiers in some countries receive little assistance in the event of job loss and where variable rate mortgages are prevalent, owners are vulnerable to rapidly rising mortgage rates.

Improved conditions: The highest space standards are found in Luxembourg, the Netherlands, Sweden and the UK; the lowest in the southern states. Single family dwellings are most common in the Benelux countries, Ireland and the UK, and least common in Greece, Germany and Italy. The largest proportion of pre-1919 houses is found in Finland, Sweden, Spain, Italy and the Netherlands. Amenities such as baths, showers, central heating are most common in the northern countries, although they vary between tenures. In much of north and west Europe, upgrading of the private rented sector combined with the demolition of slum housing has left the private rented sector with amenity levels similar to those found in other tenures; but in the Mediterranean countries amenities in private rented dwellings are markedly poorer than in the owner occupied stock.

Access: Access to owner occupation has improved, especially in those countries (the UK, Finland, Spain) where deregulation has led to a decline in mortgage rationing. However, reductions in tax subsidies may reduce access. Affordability in the private rented sector may have been helped by rent control, but at the cost of diminishing supply and therefore access, especially in the furnished sub-sector. Rent decontrol and support for landlords should improve access, although some groups, such as immigrants, still face difficulties. Access to the social rented sector diminished in the 1980s as unemployment and household formation rates rose and investment fell. This led to 'queuing' in poor standard temporary accommodation for two to four years in some countries. The acute pressures facing Germany since the late 1980s have been alleviated by large investment programmes. The pressure on the social rented sector may diminish somewhat as household formation rates fall. Special programmes in the 1980s in some countries have aided access for special needs groups, such as the elderly or people with disabilities.

Homelessness: Homelessness is the most acute manifestation of social exclusion. Estimating the numbers of homeless is problematic. Rooflessness is usually experienced by males, but also by a rising proportion of women. Street children can be found in Portugal and Greece. Estimates suggest that there are 150-200,000 shanty town dwellers in southern Europe. There are also in the region of 200,000 homeless immigrants and 200,000 living in caravans or tents. These figures do not include the 'hidden' homeless living in insecure accommodation, such as sleeping on friends' or relatives' floors. The causes of increased homelessness are various, but include high rates of household formation and sudden immigration, rising levels of family breakdown, higher unemployment (especially among the young), poorly constructed social security systems in the south and reduced coverage in the north, and the deinstitutionalisation of psychiatric patients. Homeless people are disproportionately represented by the following groups: men, those aged 30-39, the unemployed, those who fail to receive social security, those in poor health, substance abusers, those who have spent time in institutions and recent immigrants. There are no direct legal rights to housing for homeless people except in France and the UK, and these rights have recently been reduced in

the UK.

National experiences

The report provides brief summaries of the structure of housing policy, trends in housing policy, key challenges, responses to these challenges and examples of the role of the European Union in thirteen of the Member States. Being summaries, these are not amenable to further summary here.

The role of the EU

In line with the principle of subsidiarity, the EU has no competence to legislate in housing matters. This has been interpreted to mean that the EU cannot fund housing projects, even if the policy is formulated by a Member State or at a lower tier of government. Nevertheless, EU programmes recognise the importance of housing and it is clear that the EU has no housing role, only if that is interpreted narrowly to mean the direct financing of housing investment. As housing policies become more integrated with other strategies, such as urban regeneration, they become more compatible with EU programmes.

The European Structural Funds will grow to represent one-third of the EU budget by 1999. They are the equivalent of 0.3% of EU GDP, but the principle of concentration ensures that they will represent about 3% of GDP in Spain, Greece, Portugal and Ireland.

Recent research conducted by the University of Glasgow indicated four types of project that confirm the linkages between the Structural Funds (predominantly the European Regional Development Fund and the European Social Fund) and social housing organisations:

- projects without an explicit housing component, but targeted on areas of housing deprivation;
- projects where housing organisations have diversified their work into activities which are eligible for EU funding;
- projects with non-housing objectives where funds 'leak' into housing;
- projects where European funds are used to lever in additional funding into housing investment.

Further developments since that date, of housing interest, include:

- the Clean and Efficient Energy Technology (CEET) initiative, includes THERMIE II which will support energy efficient housing solutions and has a budget of one billion ECU for the 1995-99 period;
- the HELIOS II programme is aimed to assist the disabled through rehabilitation, education and training (including for providers) and has a three year budget of 37m ECU;
- the TIDE and Telematics for Elderly and Disabled People programmes aim to promote the provision of new technologies in training and service delivery and support and have an obvious relevance to special needs housing providers.

Recommendations

Measures could be taken at European, national and local levels to promote a more cohesive understanding of housing-related EU activities.

At the European scale, the Union could

- provide a single, focal point for the reception of national reports and statistics relating to housing in general;
- provide a single, focal point for access to audits and evaluations of projects funded by the Community;
- encourage national governments to prepare, and disseminate to housing providers, a review of housing related Community projects and explicit guidance on how to access such programmes;
- develop a suite of 'best-practice' projects and disseminate them by video and inter-net means;
- consider developing a well publicised award scheme for outstanding 'integrated' projects;
- encourage the formation of a cross-tenure forum, involving CECODHAS, EMF and others, to discuss housing developments in Europe;
- promote the development of networks of providers and practitioners, even community groups, involved in integrated projects; a start could be made by requiring all successful Community initiative bidders to participate in such networks; professional bodies for housing practitioners, such as the Chartered Institute of Housing in the UK, SABO in Sweden and NWV in the Netherlands, should be encouraged to network and exchange staff and information.

At the national level, Member States could strengthen the process of mutual understanding by

- preparing an annual report, brief in nature but including key statistics and policy developments;
- developing an audit of EU funded initiatives in their own country, related to housing, with advice notes on programme relevance, procedures and contacts;
- favouring, in project selection, resource bids which had integrated approaches and an intention, where relevant, to seek European funding;
- requesting sub-national levels of government to develop European components in housing and planning strategies for which public funding support is sought.

INTRODUCTION

HOUSING: A QUESTION FOR EUROPE?

Mixed progress

The recent UN Habitat II meeting in, by drawing attention to the appalling housing conditions facing billions of households in the poorer half of the globe, served to emphasise the relatively high average quality of housing within the European Union. At the same time there is a widespread view that housing and neighbourhood conditions for the poorest third of Europeans are neither as intolerable nor as socially divisive as for Americans, especially in the inner cities. In the Union as a whole, but with considerably more emphasis in northern and western Europe, governments have long promoted active housing policies, frequently absorbing from one to four per cent of GDP. And in every Union country, with two exceptions, there is an over-riding policy objective that adequate, affordable housing should be available to all, MacLennan and Williams (1990), McCrone and Stephens (1995).

The reality is, however, that almost every European government fails to achieve their laudable objective. This may reflect resource constraints for public spending, changing socio-economic patterns to which policy only responds slowly, demographic pressures and shocks (such as the vast, post-1989 influx of refugees into a ring of countries from Greece to Germany) or the inherent failure of, sometimes, expensive policy solutions. At the level of the individual the 1990s growth in homelessness and the apparent backlog of provision for the elderly, the disabled and a range of special needs are cause for concern. At neighbourhood and city level the recorded expansion, in many countries, of the economically and socially disadvantaged in both older, over-crowded and low amenity central city areas and in post war social housing estates is heightening concerns about the causes and consequences of social exclusion. At the national level housing market instability has, in the 1980s and 1990s, created particular difficulties for less wealthy home-owners in Britain, Sweden, Finland, Spain and regions of other countries. And in some countries the priority given to curtailing public spending has prompted reductions in capital spending and led to major re-orientations of housing policy; for example, in Sweden, the Netherlands, the UK and most recently France. The same policy imperatives are now questioning support systems for rental payments. Much of Europe is uneasy with its housing policies and outcomes, Dieleman (1996).

Changing responsibilities

Responsibility for housing policies lies at the national level and the Union has no direct competence in the field of housing policy, at least as it is conventionally defined, Priemus et al (1993). Indeed, within countries there has been a shift throughout the 1980s to expand sub-national and municipal competences in housing (though not always available resources) both in countries with historically strong housing policies, such as Denmark and France, and those developing a new emphasis in housing policy, such as Spain and Ireland. In many countries, following the recognition that the methods used to plan housing investment or control social rental management may contribute to active citizenship and community participation, there have been significant attempts to devolve decision taking powers to neighbourhood communities.

However, the adequacy and efficiency of national and local housing systems must also be a concern, indeed policy question, for the European Union. The over-riding objectives of the Treaty of Maastricht include encouraging further European economic integration and promoting social cohesion. Economic questions are not the focus of this report but it is clear that different housing

market instabilities, which housing policies can shape if not cause, hamper convergence and that stressed, fragmented rental systems and differentially taxed home-ownership are not conducive to cross-national labour mobility. Housing systems will influence both the overall levels and patterns of the costs and benefits of monetary union. At the same time it is well recognised that housing markets and social housing systems are key integrative systems within any city or nation. Social and economic disadvantage will be reflected in housing patterns and increasingly there is a view to that emergent pattern of social segregation, based on ethnic as well as age and income groupings, may erode the cohesion and the competitiveness of neighbourhoods, cities and ultimately nations. Housing systems and their outcomes really matter in relation to the Maastricht objectives, see Maclennan and Stephens (1996).

This disparity between concerns and competences may raise some dilemmas for the Union. But even with present patterns of subsidiarity there are two, at least, areas of competence in which actions at Strasbourg and Brussels could be expanded. First, as the subsequent sections of this report demonstrate all too evidently, there is a lack of coherent, centralised, current information on housing needs and policies within the Union. Researching housing issues for EU countries requires more the skill of patient detective work rather than analytical rigour. Secondly, and more positively, housing policy is changing significantly in many countries. It is no longer exclusively about adequate shelter and its affordability. It has become, increasingly, integrated with social security systems, holistic environmental and regeneration policies and the mobilisation of communities. In consequence, housing policies are increasingly inter-facing with policy areas in which the Union has competence and programmes. And this means that well designed social, urban and environmental interventions will have to take cognisance of local housing systems and, of course, that European spending may have significant leverage within such approaches.

Housing policies and their outcomes are, arguably, valid areas of concern for European level politicians and policy-makers. This report provides an introductory, Europe-wide analysis of three related questions. First, what do housing policies contribute to the well-being of poorer Europeans? Secondly, are new innovations improving policy and practice? Finally, what has been the European Union influence on housing outcomes?

The report contains four main sections. Chapter 2 briefly outlines housing contexts and policies for low income households and summarises changing approaches. Chapter 3 assesses European housing outcomes in the 1990s. Chapter 4 provides brief sketches of specific country experience and is largely based on contribution by country consultants. Policy structures and organisation, emphasis, current challenges and innovative responses are summarised. Chapter 5 concludes with an overview of the European Union Funds and Initiatives which interface with housing-related activity and outlines ways in which the Union could further assist integrated policy developments involving housing providers.

1. EUROPEAN HOUSING: AN OVERVIEW OF POLICIES

1.1 Housing concerns

The home impacts on the social and economic well-being of households in a multiplicity of ways. It is, most basically, shelter from the elements; it is security and privacy from the outside world; it is space in which to relax, learn and live; it is access to more or less comfort. But the home also places the household in a specific neighbourhood context which may influence accessibility to relatives, friends, shopping, leisure, public services and employment. And, where households purchase their homes, housing debt and wealth are also critical concerns for the household.

Since the home touches upon the quality and feasibility of so many household activities then it is unsurprising that housing is relatively expensive, absorbing 15-20 per cent of average European incomes and, in the absence of subsidies, double that proportion for the lowest income households. It is also unsurprising, given the importance of housing, that most European countries have had some form of housing policy for the last hundred years. In broad terms housing policies have been traditionally concerned with

- accessibility, that is access to adequate housing, and management and maintenance services, for lower income households
- affordability, involving restricting the burden of housing payments for lower income households
- quality, including raising the standards of new construction or promoting maintenance and rehabilitation to ensure adequate homes for poorer households.

A number of recent comparative reviews, McCrone and Stephens (1995), Balchin (ed), (1996) and Priemus (1997, forthcoming) emphasise that accessibility, affordability and quality have been at the core of European housing policies and they remain important concerns. Sometimes, as indicated below, they may be mutually exclusive objectives with particular policy choices. In the 1990s, arguably, the growing recognition of the multi-faceted role that housing plays in social and economic cohesion is adding a new, important concern, namely the 'integrability' of policy measures. For example, it is increasingly important to understand how housing design and management interact with health care and social service provision in providing for the disabled and the elderly. In addressing Europe's homelessness 'housing only' solutions are now de-emphasised and social and employment links are stressed. Housing programmes which were, 20 years, ago, initially conceived of as a means to install toilets and baths in poor houses have evolved into large-scale, integrated policies to revitalise neighbourhoods, even whole cities. In all of these important areas of policy, housing actions may be necessary to secure progress but it will seldom be sufficient by itself, Maclennan and Bannister (1996). Contemporary policy concerns usually require a co-ordinated multi-sectoral approach. 'Integrability', as public budgets tighten and, (hopefully), crude housing shortages continue to lessen, will become a dominant concern in future European housing policies.

Before examining the future, it is important to summarise how European Union countries address the policy concerns of affordability, accessibility and quality of housing for citizens. This is a rather complex task. Countries weight or select these objectives differently. Further, they have chosen different means to achieve similar ends and both objectives and means have changed markedly over time. Since both housing and policy influences endure over time then it is impossible to understand present patterns without reference to the past. In the remainder of this section the main methods for delivering housing support are described in principle and then brief overviews are provided of major housing policy patterns across groups of Union countries and of recent, major trends.

1.2 A spectrum of intervention

The history of European housing policies illustrates the full range of housing policy instruments. Direct control of housing quality, by the state, is one means. By the end of the nineteenth century, West European governments had already undertaken demolition programmes and introduced building standards legislation to address the adverse public health effects of slum housing. However, demolition and higher standards do little to improve access and affordability for low income households. Rent controls, essentially suspending the market mechanism, introduced in some countries during World War I, were extended more widely in the 1930s and became near ubiquitous throughout Europe after 1945. They were 'softened' in north and western Europe from the 1960s onwards, but not in the Mediterranean states, and largely removed in the second half of the 1980s, at least for newly let tenancies. Rent controls, may have ensured affordability objectives but at the same time, by reducing landlord investment often led to lower housing quality and diminished accessibility (though impacts have varied from country to country), Maclennan (1997).

The suspension of rental market mechanisms, for low income housing provision, led, in many countries, to the displacement of market provision by non-market housing (referred to below as the social housing sector). Social housing provision in Europe commenced in Sweden, Denmark, Austria, Germany, France, the Netherlands and Britain at the beginning of this century. In some countries, such as Denmark, Germany and France provision was always dominated by a diverse set of not-for-profit providers. In the UK and the Netherlands, municipalities were then given the key roles in social housing provision. The sector grew steadily, except in the Mediterranean area and Belgium, through the first half of the century and then expanded markedly, with reconstruction and welfare state provision from 1950-1980. The social sector mechanism in Europe, until then, relied on deep dwelling tied subsidies (commonly 30-50 per cent of capital costs) for new dwellings, which were then let at below market rents. Unit quality was ensured by building standards (though 'neighbourhood' quality was often disastrously, de-emphasised) and accessibility for low income households was ensured by below market rents and housing allocation according to social priorities, Priemus (1997).

Social housing provision, and the displacement of the market, is not the only means by which to ensure low-income accessibility, quality and affordability. Nor indeed are deep capital, or dwelling-led, subsidies the only means by which to support the social housing sector. Some countries, most notably, in the Mediterranean area have sought to pursue social objectives in housing through market enhancing, or enabling, measures. For instance, there is no social housing in Greece but rather state support, via subsidised loans and tax-breaks, to low income home-owners. Some countries, such as Germany, whilst developing social housing also adopted a more tenure-neutral view of how to pursue social objectives in housing and also supported low-income home-owners from the 1950s onwards, as did Finland and Belgium, Maclennan and Stephens (1996). Since the start of the 1980s programmes to support low income home-owners, not least in housing rehabilitation and area regeneration, have become more widespread, partly in response to dissatisfaction with the long term outcomes of social housing solutions. Market provision of lower income (subsidised) housing has become more important in Europe in the last decade.

Social housing, like market provision, can be made more affordable to residents either by providing capital subsidies, to enhance supply and restricting rents, or by subsidising the incomes of residents (usually in relation to their rent payments). Again, since the mid-1970s, north and west European countries with large social housing systems have typically switched the pattern of support from 'buildings' to 'households' (with the objective of targeting scarce resources to poorer households

within the social sector, see further below).

Demolition, specification of standards, rent controls, social housing provision, enabling and subsidising home-owners and income related housing supports have been the main means for promoting better, affordable housing for low income Europeans. The previous paragraphs have hinted at how policy approaches have varied across countries and evolved over time.

1.3 Diverse approaches, common strands

Housing policy approaches, in broad terms, are reflected in housing tenure structures (e.g. strict controls reduce private renting and suspension or displacement of the market is associated with large scale social sectors) and in public expenditure shares devoted to housing policies. On the basis of tenure patterns and public expenditure ratios a broad classification of policy systems for meeting social policy objectives in housing can be made. It should be stressed that this classification is only one of several possibilities, it is simplistic and it is based on data relating to the very start of the 1990s. It is not intended to imply good or bad approaches but to illustrate broad differences. The estimated tenure balances of countries and public spending commitments to housing are approximated in Table 1.

Table 1: Tenure & public spending in housing

Country	Tenure				Cost of Housing Policy (% GDP)
	Owner Occupied	Social Rented	Private Rented	Other	
Belgium	62	6	30		0.24 (1988)
Denmark	50	18	24		1.02 (1988)
Germany	38	26	36		1.4 (1991)
Greece	70	0	26		
Spain	76	2	16		0.98 (1990)
France	54	17	21		1.8 (1993)
Ireland	80	11	9		
Italy	67	6	8		
Luxembourg	67	2	31		
Netherlands	47	36	17		3.20 (1990)
Portugal	66	4	28		
UK	66	24	10		3.3 (1993)
Austria	41	23	22		
Finland	72	143	11		1.48 (1987)
Sweden	43	22	18	16*	4.10 (1992)
EU	56	18	21		

* co-operative sector

Source: Tenure: ECODEHAS; Costs: Stephens (1996)

Three EU countries, the Netherlands, Sweden and the United Kingdom stand out by virtue of having large social or not-for-profit sectors shares and policy costs exceeding 3 per cent of GDP per annum. They are also the countries in which the traditional roles of and approaches to housing policy have most changed since the 1980s, in the sense that traditional welfare state roles have been challenged. They also display important differences. Whilst both the UK and the Netherlands, as the result of past rent controls and extensive slum clearance policies, have extremely small private rental markets The

UK, especially since 1980, has vigorously promoted home-ownership. Sweden has had a more tenure neutral approach.

Austria, Denmark, France and Germany (prior to 1989) have had, arguably, less market displacement. Private rental sector policies, whilst retaining controls in some form, have permitted a significant private landlord sector to remain and, particularly in France and Germany, facilitated upgrading of the sector. They have also built social sectors on a significant scale and with reunification Germany now has a social sector share second only to the Netherlands within the EU. But to a greater extent than the first group, prior to the 1990s, these countries met more low income housing needs in privately provided rental homes (and, in the case of Germany, also in home-ownership). Annual policy costs appear to lie in the range of 1-2 per cent of GDP per annum.

Ireland, Italy, Belgium, Finland and Luxembourg form a rather disparate group of countries characterised by high shares of home-ownership and small social housing sectors, and policy costs of around 1 per cent per annum. Finland and Ireland (when account is taken of the fact that Irish municipalities have built, and then largely sold at a discount, a third of the nation's housing stock) have some similarities to the UK. Belgium and Luxembourg are the two western European countries in which the state has de-emphasised the pursuit of social policy objectives via social housing and emphasised solutions within home-ownership. Italy's overall pattern reflects a decentralised housing policy in which sharp regional differences in wealth (which exist also in other countries, e.g. between the old and new Lander in Germany and North and South in Britain) have produced social housing in more affluent northern cities, e.g. Milan, and seen more private rental reliance in the South, e.g. Naples.

Portugal, Spain and Greece have particularly high home-ownership rates, traditions of support for owners, minimal social housing provision and large, but declining and low-quality private rental sectors. Policy costs in these countries usually fall below 1 per cent of GDP per annum.

Looking across Europe this diversity of approaches means two important things for low income households seeking adequate, affordable housing. First, within the policy intensive countries routes to good housing differ sharply across national systems. Dutch citizens, for example, face very different opportunities from their Belgian and German neighbours. Secondly, the levels of support, and varieties of support, differ markedly from Sweden in the north to Greece in the south. In relation to European integration issues, housing systems and support levels differ much more across countries than do policies across States and regions in the USA.

Measures to help households with housing costs, and improve housing conditions, are generally organised and differentiated by housing tenure. The following three sections present a brief overview of the main kinds of assistance according to tenure sector.

1.4 Helping home-owners

Home-ownership, at the start of the 1990s, was the largest tenure sector in 14 of the 15 Union states and was the most rapidly growing in all. In Europe as a whole, some 56 per cent of the housing stock is in owner-occupation.

The broad pattern of support for home-owners in Europe is indicated in Table 2. The mainstream form of support arises because tax relief is available on mortgage interest payments and because tax

is either not levied on assessed rental income or levied at a low rate on outdated valuations. In the majority of countries the non-taxation of selling gains reinforces this fiscal advantage. In addition to general tax support there are also specific measures targeted to achieve particular social objectives. For instance, in Spain and Finland young buyers receive extra support and the UK and Ireland pursue a variety of measures to boost low-cost home ownership (in addition to active policies to sell municipal units). Home improvement grants, often targeted at the elderly or disability conversions, is promoted in a range of countries. Further, housing allowances are available to poorer home-owners in Denmark (pensioners only), Finland, Sweden, Germany and the UK (where their generosity has been greatly reduced since 1995). With the exception of the UK, Ireland, Denmark and Germany, high turnover taxes act as a deterrent on home-owner mobility.

Until recent years home-ownership would have been de-emphasised in any overview of the 'social policy' effects of housing policies. However, such an omission would have been inappropriate in the past and is seriously misplaced now. Although home-owner sectors are, in general, characterised by more affluent, two-adult families living in larger, high amenity homes (*vis-à-vis* the rental sector) national averages conceal more specific difficulties. These difficulties, which have become more apparent as sectors have expanded and matured, plus the reliance of the Mediterranean countries, Finland, Ireland, Belgium and the UK on large home-owner sectors, need to be addressed by housing policies. They include

- the increasing proportion of the elderly living in home-owner units which are poorly adapted to their needs;
- deteriorating housing conditions, due to low maintenance as elderly owners on low incomes confront other spending priorities;
- a rising proportion of home-owners, most notably and recently in Britain and Finland, who face sudden loss of employment and are confronted with rising arrears and repossessions; mortgage arrears have been at record levels in much of north and western Europe in the 1990s;
- a rising number of home-owners families being split through separation and divorce, often generating urgent demands for, at least, short-term rental housing.

Responses to these problems in particular countries, are discussed in the next chapter. There is also a more general concern that past tax policies to promote home-ownership have been socially divisive. In general, support has been regressive; it has been most valuable to the more affluent. At the same time, inflation and taxation (prior to the 1990s) have encouraged the more affluent to become home-owners and, often, to suburbanise well away from lower-income, rental areas. Home improvement and area regeneration policies have, since the mid-1980s, begun to counter the geographic separation trend, particularly for younger households, for instance in Britain and Denmark. Of even greater importance, however, is the emerging trend in the 1990s to follow Denmark's lead of a decade earlier and to reduce tax-subsidies for home-owners, Maclennan and Meen (1993).

This marked shift in policy (in Sweden, the UK, the Netherlands, France, Finland, Italy and, to a lesser extent, Ireland) is an important new development in the 1990s. It has been largely prompted by desires to reduce government deficits. On the positive side, it does offer more scope for rental housing initiatives. On the negative side, it also reflects a reduction in support for housing which is also apparent in other tenures. Detailed statistical evidence is not yet available but it is likely that housing in Europe, because of reductions in the north and west and static positions in the south, is becoming less subsidised than at the end of the 1980s. With housing costs rising as fast as inflation, and often ahead of incomes, this implies a likely increase in European housing affordability - problems.

Table 2: Approaches to supporting home-owners in European Countries (circa 1993-94)

	1993					1994		1995	
	VAT on Repairs	VAT on New Homes	Stamp Duty	Rental Value Tax	Interest Relief	Relief on Maintenance	Tax on Selling Gains	Targeted Measures	Current Change on Tax Support
Netherlands	17.5	17.5	6	Y	Y		Y	Low Income	Reducing
Sweden	25.0	25.0		Y	Y	Y	Y	Home Improvement Housing Allowance	Reducing
UK	17.5	0	1	N	Y			Home Improvement Low-cost Owners	Reducing
Denmark	25	25	1	Y	Y		(P)	Elderly Improvers	Reduced
Germany	15	-	2	N	Y		(P)	Low Income	Stable
Austria	10-20	10-20	-	N	Y		(P)	Low Income	Stable
France	18.6	18.6	7.0	Y	Y	Y		Home improvement	Reducing
Belgium	6/19.5	12/17.5	12.5	Y	Y		Y		NK
Luxembourg	15	-	-	Y	Y		Y		NK
Finland					Y			Young First-time Buyers	Reducing
Ireland	12.5	12.5	0	N	Y			Variety of Measures	Reducing for higher income
Italy	4/19	4	8	N	Y	Y		Improvers	Stable
Spain	15	6/3	-	Y	Y	Y	Y	Low Income; Young Improvers	Reducing
Portugal	5/16	-	10	Y	Y	Y			Stable
Greece	18	-	10	Y	Y		Y	Loan Subsidy to Low Income	Stable

Y = yes; N = 0; (P) = if resold in a short period

Sources: Hedman (1993), ENHR Housing Finance Working Group (1995).

1.5 Assisting private renting

Private landlords provide 21 per cent of European Union citizens with homes. Within the Union, only in Germany (prior to 1989) has it been the largest sector in modern European housing systems. The relative significance of the sector was declining (from 1980-1990) in all countries except Greece, France and Sweden. However, there are two important caveats to this depiction of decline. First, in most countries private rental housing has remained disproportionately more significant in larger urban areas (often twice the national rate) and capitals (at treble national rates). Secondly, as discussed below, after half a century of sustained decline in share there are mid-1990s signs of rental sector revival in more than half of EU countries.

Private rental housing decline, to a significant extent, reflects past emphases in policy. Decline in provision has been most marked (in the UK and the Netherlands, for example) where rent controls were strict, slum clearance extensive and subsidies directed at other sectors. In Germany, by way of contrast, fiscal support to landlords maintained a large, adequate quality sector whilst in Portugal deep rent controls (until the late 1980s) and no slum clearance/social rehousing left a large-scale and poor quality sector. There is now extensive empirical evidence that Europe's long run attempts to solve affordability problems through controlled rents have resulted in deteriorated housing quality and entry/access difficulties for the low income households that such policies were intended to benefit.

Research across a range of countries suggests that the average incomes of private sector tenants fall below those of home-owners but exceed social renters. Resident ages, for adults, are similar across tenures. However, these averages conceal the fact that private rental sectors are usually comprised of at least four segments, the first three of which still raise acute social concerns. These are:

- now elderly households who entered the sector in the 1950s and 1960s who face low incomes and exceptionally poor dwelling conditions,
- younger households, again often single persons, who live in low quality, multiple person accommodation and who have low incomes or are unemployed or have had to leave violent or 'dissolving' parental homes;
- poorer households, often with families, who are unable to afford owner-occupation and who have, as yet, been unable to gain access to social housing; asylum seekers, recent migrants and ethnic minorities are usually disproportionately housed in private lets;
- younger households, often single persons, who have jobs and incomes, who live in better quality rental housing and who, in due course, are likely to become home-owners.

Policies for private rental housing have often, in Europe, been predicated upon the imperfections of the housing market dominated by private landlords. But this view is misplaced and mythological; the inadequate housing now prevalent in parts of every European private rental sector is now primarily a reflection of policy failure, either by suppressing landlord investment or by failing to target subsidies to acutely needy households. Even worse, if cutbacks in policy provision are indeed occurring then they will inevitably produce their social consequences in residual private rental sectors.

However, there are some signs that Union countries have begun to have some positive policy impacts in private renting. As private lets are low quality and concentrated in central city areas (in the main) they have been positively impacted by housing rehabilitation policies. In some countries, such as Denmark, the Netherlands and the UK, area regeneration often involves not-for-profits purchasing and improving (and adapting for special, elderly and disabled needs) poor quality private lets. In other countries, for instance France and Germany, grants and tax aid (respectively) have improved

living conditions for millions of private tenants. There are more isolated examples of such progress in southern Europe, for instance in Lisbon and Oporto, but resources for older rental renovation have been on a very limited scale and it is precisely in countries such as Spain, Portugal and Italy where such programmes are badly needed to improve homes and neighbourhoods. In northern and western Europe, there are typically no more than 5 per cent of households living in unimproved private lets. In the south this proportion is typically closer to 15 per cent and this is a major European inequality.

Countries, both north and south, have recently been relaxing controls on new investment or tenancies. And in seven northern countries new fiscal support measures for private landlord investment have been developed in the 1990s. These measures are a recognition that changing demography, lower inflation, increased need for young person mobility, expansion of higher education and post boom-bust changes in attitudes to early housing career ownership are all raising demands for renting. Young person demands for independent living are also rising in Greece and Italy but there has been little policy response to the shift. In consequence, if rental housing supply does not expand, poorer renters will be displaced into poorer properties or, even worse, homelessness.

As rent controls have been removed and 'softened', private sector rents in Europe have risen at above inflation rates since the late 1980s, though in southern Europe rent increases to 1993 fell below general inflation. Even with 'soft' controls, governments have had to pursue policies to mitigate the rent burdens.

The general pattern of assistance, around 1990, is indicated in Table 3. After support related to incomes, the average European tenant pays in private renting around a fifth of their incomes in rent. This proportion is lower in the poorer countries, where 'controls' are still important and housing quality is often poor. In other countries different burdens reflect different sector composition and the different benefit systems. The proportion of tenants receiving support varies from around 25, 21 and 20 per cent, respectively, in Britain, France and Denmark through 13 per cent in the Netherlands to 10 per cent in Sweden and Germany. These average figures do not suggest any crisis in paying for rental housing (they are not unduly high by OECD standards) but they may mask real difficulties encountered by the 'socially excluded'. Undoubtedly the rental sector, even as it re-expands, will be the locus of some of the most acute housing difficulties concerning costs and conditions within the European Union.

Table 3: Housing allowances and net rental burdens for private tenants in European Union countries, around 1992

Country	Tenant Support Mechanism	Proportion of Private Renters Receiving Support	Average Net Rental Income Burden (after Support)
Portugal	Tax Relief on Rent	n/a	10 (old), 30 (new)
Ireland	Tax Relief on Rent	n/a	16
Greece	Tax Relief on Rent	n/a	n/a
Spain	Tax Relief on Rent	n/a	18
France	Housing Benefit	20	17
Denmark	Housing Benefit	19	20
Netherlands	Housing Benefit	13	20
Germany	Housing Benefit	10	21
UK	Housing Benefit	25	22
Sweden	Housing Benefit	9	27
Luxembourg	Housing Benefit	n/a	29

Source: Hedman (1993)

1.6 Supporting social renting

Just under a fifth of Europeans live in social rental housing (and here the term 'social' is applied to provision by public bodies and not-for-profits with no implication that all residents are poor). As noted above, in some countries the sector was developed on an extensive scale, for instance in the Netherlands, Sweden and the UK, to meet social objectives and housing needs. In other nations, for example Greece and Belgium, this approach attracted no or little support, see Table 3.

Habitations à loyer moyenne

Social housing covers a wide range of providers and roles. The European norm is for not-for-profits, such as housing associations, co-operatives and the *Habitations à Loyer Moyenne* (HLM) in France, to be the main providers. Direct provision by municipalities has been historically important in the Netherlands, the UK, Ireland and Austria (with smaller roles in Portugal and Italy). However, these countries have increasingly switched (in 1963 in the Netherlands, in 1980 in the UK and 1991 in Ireland) to shift investment and stock into the not-for-profit sector. This change partly reflects fiscal pressures to move spending out of public sector budgets; but it is also a recognition that not-for-profits have been able to display diverse innovative capacities, deliver more effective, decentralised management and maintenance and, in some countries, to involve citizens and communities in the design and management of their homes. Tenant involvement has varied in significance, for instance associations are resident-controlled in Denmark and Scotland but much less so in the French HLM and there are concerns that recent financial reforms have reduced tenant roles in the Netherlands and England.

Typically, in Europe, not-for-profits rely upon private sector loans with interest subsidies provided by central government with the UK a major exception by relying on capital grants. Supplementary funds (often small grants) from regional or local authorities are also common. Not-for-profits, except in the UK, are supervised by local authorities. There has, since 1980 been a marked increase in the share of loan finance drawn from private sector lenders and (in contrast to home-ownership) there is a European market in funds for social housing emerging.

Until the late 1970s, in those countries which had adopted the model as the solution to 'social' problems in housing, social housing was expanded as extensively as public funds would allow. And in many countries there was no explicit income level limiting eligibility for social housing - for instance in the UK, Sweden, and the Netherlands (and in France it was set two-thirds of the way up the income distribution). Indeed, in all of these countries social landlords still house significant, if declining, minorities of households in the upper half of the income distribution. The intent, although not always the reality as social separation occurred in many local public housing systems, was that social housing should support socially and economically diverse populations. Other countries, often but not always with smaller sectors, had explicit income rules limiting entry, for example Germany and Ireland.

These patterns began to change in the 1980s, see Table 4, when Belgium, Ireland, West Germany (prior to unification) and, especially, the UK began to curtail investment in new social housing. With subsidised sales policies in both countries the shape of the sector then contracted rapidly in Britain and Ireland. Through the 1980s some countries continued a strong commitment to social housing investment, including the Netherlands and Sweden, and in France, Austria and Germany (facing a sudden, massive increase in needs) the investment share of the sector increased. In the early 1990s relative decline of the sector became apparent in Sweden and the Netherlands and, more recently

budgets have declined in Denmark and France. Only Ireland and Germany have given a new priority to social housing in the 1990s.

Some of this retrenchment may be temporary, reflecting recessionary public budget pressures as countries seek to meet the Maastricht convergence criteria. There are signs, however, that in Britain, the Netherlands and Sweden that there has been a more fundamental shift against reliance upon social housing investment on a large scale. This may mirror shifting ideologies, but it also reflects a growing unease with the outcomes of past policies in relation to subsidy-targeting, social segregation and dwelling quality. In some countries large scale social housing is now seen as being as much a problem as a solution.

Whilst many areas of social housing have remained well organised and liveable, there are significant shares of social housing that have come to constitute (sometimes within 10 years of their construction) areas of poor housing, poor people and poor living conditions. In north and western Europe, social exclusion is often now just as apparent in municipal and not-for-profit housing as it is in older, central city homes provided by private landlords. This observation is self-evident in Dublin or Paris or London or Copenhagen or Berlin and in a host of other cities. The key issue is whether this is a set of problems inherent to or manifested within social housing systems.

The answer to this question, in most places, is both. When social housing was constructed and let the priority applicants were generally poorer but employed families, usually with two adults and children. Over the last two or three decades the employment prospects of these households have fallen rapidly, they are precisely the most affected groups in economic restructuring. At the same time, residents have aged in situ. Hence the resident composition of these areas became older and poorer. Arguably these effects would have occurred regardless of tenure or location.

The quality of homes and estates also deteriorated, and in this the nature of social housing policy did have a negative role. In France and Britain, for example, homes were under-maintained. There, and elsewhere, high-rise and other modern dwelling forms were unpopular with residents and eroded commitment to neighbourhoods. And this commitment waned even faster where tenants, such as in British council housing and numerous French HLM, had little direct influence on estate management.

As these estates became less popular they generated higher turnover rates, destabilising communities, and increasing vacancy rates. The nature of local housing allocation schemes then meant that the new poor of the 1980s, for instance single parents and the young homeless people, then filled the vacancies. Residents with jobs and rising incomes left, often to subsidised home ownership. These processes have been well established for social housing estates in Dublin, Glasgow, Lyon and Amsterdam. Clearly, adverse economic and social trends occurring outside the housing sector changed the client flow for social housing but arrangements within the sector sometimes reinforced social separation and exclusion consequences.

Table 4: Key features of social rental housing in European Union countries

	Tenure Share		Share of New Completions 1990-92	Provider Types	Estimated New Construction Subsidy 1993	Rehabilitation Programmes 1992 x 100 dwellings	Special Needs Subsidies 1993 ¹	Present Trend (Share)
	1980	1990						
Netherlands	34	36	28	LAs 1963 then HAs	35-50% (now none)	57.4	D,E	Liberalisation, No Capital Subsidy Investment Down
Sweden	32	31	21	NHCs	50		D,E,Y A	Investment and Subsidies Reducing
UK	34	26	17	LAs, HAs, make new investment since 1980	60	267	D,E	Investment in New Falling, Rehabilitation Increasing
Austria	16	21	18	Co-operatives, Municipal	66, 88		D,E,Y A	Small Reduction in Investment
Germany			15	HAs in West, Former State Now Municipal in East	35-50		D,E,Y A	Increased Output Since 1989 to meet Immigrant Needs
Denmark	17	17	38	HAs	35-50	0.5	D,E,Y R,A	Investment Reduced in 1992, Static Since
France	14	15	19	HLM	60	171	-	New Investment Reduced in 1995
Finland		15		Co-operatives			n/a	
Ireland	13	11	9	LAs, HAs also in 1990s	90-100		D,E	New Priority, Investment up Since 1993
Italy			7	Co-operatives, Las	100		D,E	Static
Belgium	7	6	2	Societies	60-100		D,E	n/a
Portugal	4	4	-	Municipal	66	1.3	D	n/a
Spain	0	1	-	Co-operative	45		-	Housing Budget Reduced in 1995

1. Key: D = Disabled; E = Elderly; Y = Youth; R = Immigrants; A = Other groups

Sources: Hedman (1993) and Country Reports

These difficulties were, in turn, exacerbated by changes in rent policies. Towards the end of the 1970s, with still modest unemployment rates in social housing, a majority of countries de-emphasised dwelling subsidies in favour of housing allowances. It was argued that this would target assistance more effectively to needier households and, sometimes, in a tenure neutral fashion. In consequence, see Table 4, rents then rose ahead of inflation in countries with housing allowance systems and this pattern has continued into the 1990s. The Mediterranean countries, with no housing allowance systems, have, in contrast, had rent increases below inflation rates.

This near-universal shift in approach, albeit with markedly different increases in real rents (highest in the UK and least in Germany) has had mixed effects. Poorer tenants have received more assistance and net (after benefit) rent to income ratios lie in the range of 12-15 per cent in most countries. But more affluent tenants have been encouraged to leave the sector and in higher rent countries or cities it is often only benefit dependent households who can afford to enter higher rent, new and rehabilitated houses. The characteristics of allowance schemes differs across countries, see Table 6, but often where benefit replacement rates are high (that is rent allowance, and other benefits, fall as employment income increases) a deep poverty trap is formed. This problem is most acute in the UK, with a relatively low level of basic social security and high withdrawal rates; recent research suggests that in the UK an unemployed adult with two children would have to secure a wage above the average manual workers salary before escaping the poverty trap. The interaction of housing and social security policies is reinforcing social exclusion in such circumstances. It is also likely that low net rents contribute to the under-utilisation of larger social housing units, thus leading to stock misuse.

The rise in European rents, rising unemployment and pensioner status of social sector tenants and recession have contributed to a growing sense of alarm at housing allowance bills within the Union. In Britain, France and the Netherlands housing allowance bills roughly doubled over the five year period 1988-93. There, and in other countries, there are continuing policy reviews to contain the growth in spending. But the problem is sufficiently intractable that no obvious solutions have yet emerged which reach to the heart of the problem. In the meantime rent rises are being moderated but, as noted above, investment budgets are being reduced.

The larger social rental sectors in Europe have, over the last decade, come to house a larger proportion of the poor, including the unemployed, single parent families, ethnic minorities and migrants. In some senses this is a positive achievement but, at the same time, also negative as they have increasingly come to dominate the sector. Tenure is a major contour of social exclusion. Within the tenure, social segregation appears to have increased. But social housing has also been characterised by positive achievements in many countries

- resident participation has been encouraged;
- it has played an increased role in housing the homeless;
- new priorities, and resources, have been committed to housing the elderly, the disabled and other groups with specific needs;
- management systems and staff quality have been improved;
- fairer and less social divisive allocation systems have been developed;
- attempts are being made to mix housing tenures and income groups on smaller, more-balanced estates.

Table 5: Incomes, inequality and rent increases in Union countries

	Real Income 1992	Income Share of Poorest 40%	Unemploy- ment Rate	Unemploy- ment Rate Males Under 25	Social Security Benefits as a % of GDP	Proportion of Population Over 65	Social Rent/ Price Index Ratio	% of All Households Receiving Housing Allowances
	US \$	1992	1993	1993	1993	1990	1980-1992	1992
Netherlands	17.8	21.3	7.5	11	18.1	12.8	1.42	16
Finland	16.3	18.4	17.7	25	4.4	na	na	na
France	19.5	17.4	11.6	15	17.7	15.0	na	21.4
Spain	13.4	22.0	22.7	27	11.3	13.8	0.70	16.8
Sweden	18.3	21.2	8.2	12	18.5	17.8	1.25	9.0
Belgium	18.6	21.6	9.3	-	15.2	15.2	1.02	
Austria	18.7	na	3.4 ¹	19	12.4	15	1.34	nr
Germany	21.1	18.8	8.2 ²	4	16.1	15	1.12 ²	25
Denmark	19.1	17.4	12.4	11	17	15.6	1.12	20.2
UK	17.2	14.6	10.2	-	57	15.7	1.92	18
Ireland	12.8	na	15.6	23	6	11.4	na	nr
Italy	18.1	18.8	11.5 ¹	26	11	14.3	0.93	nr
Greece	8.3	na	8.7 ¹	na	11.4	13.6	nr	nr
Luxembourg	21.5	na	1.6 ¹	na	na	13.4	na	nr
Portugal	9.9	na	5.5	8	na	13.6	1.57	nr

1. 1992 data

2. FRG area

Sources: Hedman (1993), OECD Country Reports

Table 6: Income related assistance for rental housing costs

Country/Benefit	Who is Eligible	How Many Get It	How Benefit Varies at the Margin	Trend
Britain Housing Benefit: mortgage interest	Low-income tenants, owners on poverty line	5.1 million: 59% of tenants 3% of owners	HB falls by 65% of extra income: rises by 100% of extra rent	Number of claimants: rising Size of claims: rising fast
France Aides a personnes	People on low incomes from all tenures: influenced by size of family and of home and how home was financed	16% of all tenants: 39% of social housing tenants	Variable	Rise in rents exceeds rise in allowances, leaving tenants with less disposable income
Germany Housing allowance	Anyone in any tenure whose income is too low relative to housing costs	1.5 million = 10% of tenants: 1% of home owners	Falls by 15-30% of extra income: rises by <66% of extra rent	Number of claimants: stable Size of claims: stable
Netherlands Housing allowance	Tenants with low incomes	One million = 30% of tenants	Rises 100% with rent to 1st ceiling taper steepens up to 2nd absolute ceiling	Tighter eligibility rules contain a rise in size of claims
Sweden Housing allowance	Pensioners: low-income families	40% of pensioners 30% of families with children	Pensioners: falls by 35-40% of extra income rises by 85% of extra cost	Number of claimants and expenditure rising

Sources: Hedman (1993) and research by Peter Kemp

The major, positive breakthrough has, however, been the development of large scale programmes to rehabilitate rundown social housing estates, see Table 4. Extensive programmes already exist in Britain, France, the Netherlands and Sweden and have developed in the 1990s in Ireland and Denmark. Where they do take place they have a fundamental effect on the lives of the European poor. Such initiatives are increasingly partnerships between the public sector, the community and the private sector. Housing investment and management changes are integrated with social, health and environmental actions and much emphasis is placed on raising resident employability through a series of measures ranging from increased child-care to training. Recent successes in cities such as Dundee, Rotterdam and Lyons illustrate that real progress can be made in tackling the causes as well as the symptoms of social exclusion. But for further progress resources will be required plus a new emphasis on 'integrability' in housing policy thinking and funding.

1.7 Major trends reviewed

It was noted above that housing policy approaches differ across countries and that policy objectives and means may change over time. In the previous sections discussion of cross-country contrasts has inevitably meant mention of changes. It is, however, pertinent in this section to briefly summarise the recent major trends in European housing policies.

There are seven noteworthy areas of generalisations

- There is a longstanding recognition that good, affordable housing is central to achieving social cohesion in European countries; policy objectives and approaches have evolved over time and differ over countries; in the Mediterranean countries policies directly impact 15 per cent of households and 50-60 per cent of households in more affluent northern countries.
- Affordability in private rental housing has, until recently, been achieved by rent controls which have reduced investment and quality; reduced inflation and emerging labour market flexibilities are boosting demands from more affluent young households and fiscal incentives and deregulation are facilitating a re-expansion in the sector; however, acute difficulties remain for elderly households in depreciated homes and poorer, often young households excluded from other tenures; the greatest difficulties exist in the Mediterranean states.
- In recent decades, owner-occupation has been the fastest growing tenure and this has been aided by tax subsidies, inflation and rent increases in other sectors; the sector contains problematic as well as prosperous residents and the 1990s has witnessed a growth in low income elderly in under-maintained homes as well as high levels of mortgage arrears and repossessions in northern countries; many countries are now reducing general tax concessions for owners but there is, in a minority of countries, growing use of special measures to assist poorer and elderly owners.
- After four decades as the 'engine' of low income housing policies in north and western Europe, the share of social housing investment is reducing in most countries although needs are not obviously falling; since the start of the 1980s the sector has largely absorbed the unemployed and 'new poor' of northern Europe and has become a critical locus of social separation and exclusion; internal problems of poor design and management, which became apparent in the 1980s are being addressed with efforts to raise tenant involvement; letting policies and priorities have become more sensitive to specific requirements for the disabled and elderly as well as

ethnic minorities, special needs groups and the homeless.

- Increased incidence of renter poverty and rising rents, at least in northern Europe, in all rental tenures are increasingly being met by housing allowances and other income-related rent measures; however, although affordability issues are generally being met, allowances create poverty traps and may lead to inefficient stock use; burgeoning benefit bills are now being scrutinised by governments with a view to reduction.
- There is a growing recognition of the need for 'integrability' in housing policies; as more specific housing needs are met then housing becomes only one element in packages of, for instance, health, security and social support measures to assist the frail elderly and the handicapped; in the regeneration of older central-city and social housing neighbourhoods, housing is a necessary but not sufficient policy channel to achieve change and linkages to social, economic and environmental measures are required.
- In north and western Europe, with the exceptions of Germany and Ireland, fiscal support for housing policies appears to be falling; tax subsidies are falling; social sector investment is reducing and only benefits are growing; in southern Europe the fiscal efforts is stable but proportionately smaller; efficiency in policy delivery could increase but the likelihood is that housing policy efforts will fail; poor conditions on rundown housing estates will be perpetuated, inner city rehabilitation is likely to slow and the private rental sector face new low income pressures whilst 'sharing' and homelessness will, at best, not fall.

Before turning, in Chapter 3, to consider recent experience in individual Member States it is relevant to ask what past policies have achieved and what challenges remain.

2. POLICY OUTCOMES AND CHALLENGES

Housing policies, as noted above, have to be concerned with 'affordability', 'accessibility', 'quality' and 'integrability'. 'Integrability' is a new theme in housing actions and there is little systematic knowledge on progress to date. This section, therefore, concentrates on 'affordability', 'quality' and 'accessibility'. It should be stressed, however, that there is limited cross-national, comparable information on these topics. Housing policies, say in contrast to health and education, have been rather sloppily monitored by many national governments.

2.1 Affordability

Affordability is a broad measure of the burden of housing costs in relation to incomes. The discussion above on rental housing systems and housing allowances suggests that, in most countries, households who have access to rental housing and some form of tenant support generally face 'affordable' rents in Europe. The discussion is not repeated here.

However, there are particular categories of Europeans, both in renting and owning, who have to make housing payments without ready recourse to allowances. They include

- younger households who have chosen or been forced into independent living and have no access to social housing (e.g. Dutch youth under 25, or all Greek youth) or income related allowances

(students and under-18s in Britain, or illegal immigrants in the Mediterranean area);

- households, with modest incomes, who lie just above housing allowance limits but who rely on rental housing subject to policy-induced rent increases; such households have been adversely affected by recent changes in the UK and the Netherlands;
- younger, and sometimes poorer, home-owners with variable interest mortgages and limited income support upon job loss, for example in Britain and Ireland.

The first of these difficulties is most acute in southern Europe, and will become more acute as younger persons seek earlier independent living, related to career mobility and higher education as well as family tensions. The other two issues are most acute in northern Europe. Unfortunately no precise, comparable figures are available on the extent of these specific problems or the distribution of housing costs in relation to household types.

2.2 Improving conditions

National statistics on the quality of housing tend to be restricted to relatively simple measures of size, number of rooms and the presence or absence of 'standard' amenities such as baths, showers, inside toilets and central heating. Statistics for the 15 Member States indicate that housing quality (so measured) has been improving steadily since at least the 1960s. However, they also indicate marked disparities in amenity across the Member States.

Cross-country differences in amenity are indicated for the Member States in Table 7. The figures presented are deviations from the EU country average for each indicator. For the indicators on persons per room, space per person, single family dwellings, proportion of good units and central heating positive scores record higher amenity. However, for the indicators of proportion of homes pre-1918 and per cent of units without bath or shower above average scores imply higher disamenity. An overall quality index, based on these indicators was then calculated.

A number of conclusions can be drawn from the figures

- individual housing space and privacy is lower in the Cohesion States (Ireland, Portugal, Spain and Greece), Italy and Austria and most generously provided in Luxembourg, the Netherlands, Sweden and the UK;
- single family dwellings are most prevalent in the Benelux area, Ireland and the UK and least extensive in Greece, Germany and Italy;
- the countries with the largest proportions of pre-1919 dwellings are Finland, Sweden, Spain, Italy and the Netherlands;
- in relation to amenities such as baths, showers and central heating, the Scandinavian countries, the UK, the Netherlands and Germany have high amenity levels; Greece stands out from the other cohesion states as also having adequate amenities.

The overall composite indicator emphasises the high amenity/quality levels of housing stock in the Netherlands, Sweden, Denmark and the UK and the poorer quality of housing in the Cohesion States. Historic patterns of urbanisation, wartime damage and income levels all help to explain the patterns of amenity indicated in Table 7. But it is also no accident that the high performers have been those with the most active policies for housing and those with the lowest (with the recent exception of Ireland) the least.

Table 7: Indicators of housing quality (around 1990); performance of individual countries relative to EU averages

	Persons Per Room	Space Per Person	Single Family	% of Dwellings Pre-1918	% of Units Without Bath/Shower	Proportion of Good Units	Central Heating	Average of All Indicators
Belgium	0.19	na	0.16	-0.29	na	-0.21	-0.14	-0.06
Denmark	0.15	0.49	0.01	-0.02	+0.25	+0.21	0.86	0.21
Finland	0.01	-0.10	-0.11	0.38	-0.13	na	0.40	0.12
France	0.12	-0.03	-0.08	-0.39	-0.38	na	na	0.00
Greece	-0.18	-0.24	-0.32	0.57	+0.100	na	-0.80	-0.33
Ireland	-0.16	-0.21	0.44	-0.38	na	na	-0.74	-0.21
Italy	-0.12	-0.12	na	0.14	na	-0.39	-0.23	-0.14
Luxembourg	0.25	0.15	0.11	-0.10	na	0.11	0.26	0.12
Netherlands	0.22	na	0.11	0.38	-0.88	0.11	0.43	0.36
Portugal	-0.39	na	-0.05	-0.24	+0.175	0.07	na	-0.47
Spain	-0.10	-0.27	na	0.29	-0.25	-0.32	-0.105	-0.24
UK	0.20	-0.18	0.27	-0.38	-0.88	0.19	0.49	0.21
Sweden	0.26	0.42	-0.27	0.38	-0.88	na	na	0.33
Germany (BRD)	0.16	0.06	-0.21	0.05	-0.50	na	0.29	0.18
Austria	-0.45	-0.18	na	na	+0.50	0.14	0.26	-0.15

Source: Hedman (1993)

In countries where detailed research studies have been conducted, the pattern of standard amenities (of the types listed above) tends to vary by resident income and age. Higher income households have, inevitably, more amenities whilst the poor reside in low amenity housing. Forty years of housing policies may have weakened the low-income/low-amenity relationship but they have not removed it within or across countries. For given income levels, the elderly often have poorer amenity provision.

The provision of standard amenities also vary across housing tenures

- in northern and western Europe upgrading and demolition programmes (often targeted on houses without standard amenities) have resulted in private rental homes having similar amenities to other sectors though there is an unimproved 'pocket' of around five per cent of homes in most countries;
- in the Mediterranean countries amenities in renting are markedly poorer than in owned homes;
- in all countries older units have poorer amenities than new; countries or sectors with soft/supportive regimes for private rental provision have higher amenity levels; for instance in the Netherlands, 44 per cent of older private rental homes had central heating but the equivalent percentage for the newer commercial sector was 81 per cent (about the same as home-ownership).

The presence or absence of standard amenities is not, however, a very precise guide to housing quality. Over the last fifteen years or so national governments in the Union have collected more detailed statistics on house condition and categorised units into 'good', 'unfit', etc., see Table 7, though definitions differ across countries. More systematic work is required in this area, but a number of illustrations make the point

- in France, at the end of the 1980s, the amenity (and condition) level of rent controlled stock was significantly poorer *vis-à-vis* than new rental homes and home-owning;
- in Spain, whilst 8.3 per cent of owner occupied units were classed as 'poor', 20.2 per cent of rental homes were 'poor' (in 1991);
- house condition surveys in the Netherlands and Britain (around 1990) indicate the disproportionately heavy incidence of required repair expenditures in older rented housing, the Dutch figures (similar in magnitude to England) indicated that older rental units required around 7,000 ECU per unit, owner occupation 3,300 ECU and commercial renting 2,000 ECU.

The major exceptions (to the pattern of poor quality private renting *vis-à-vis* other tenures) appear to be Greece and Germany. Of course, high quality rental segments exist in most countries. Equally, poor quality is also evident in segments of both social renting and home-ownership.

These housing quality issues and measures are important, not just because they are concentrated in particular locations but they are closely associated with lower income groups. But, for modern 'integrated' housing policies they understate the potential problem. National housing censuses, and even special house condition surveys, do not usually record the extent to which dwellings are adapted for the elderly or the disabled. Nor do they record the neighbourhood conditions of poor housing (often in social housing which meets amenity norms), such as the incidence of vandalism, abandoned properties, fear of crime, and so on, which influence resident perceptions of housing quality. European housing statistics are locked into a 1950's perception of housing quality and problems. With an emerging emphasis on the 'integrability' of housing policies new statistical information is required to shape national housing policies in all but a few of the Member States.

New perceptions may be required which match emerging concerns with social exclusion. At the same time, however, with policy support levels stagnating, it is all too apparent that millions of Europeans live in homes which fail to meet widely accepted norms of 'decent' housing and the problems are most acute in Europe's poorer countries, cities and neighbourhoods. Even worse, as the paragraphs below reveal, there are significant numbers of Europeans who have no access even to poor homes of their own and countless more who wait long periods to secure decent homes.

2.3 Access to housing

Homelessness is the key accessibility issue in European housing systems but it is by no means the only one. In a more general sense, accessibility is an issue where households are either denied a 'right' or 'expectation' or where households are denied or excluded from housing which they could afford to pay for.

At the less acute end of the spectrum of accessibility questions, there has been growing accessibility to home-ownership across Union countries in the 1980s as incomes have grown and policies supported the tenure. Two particular policy changes have facilitated access to home-ownership, though with lesser impacts in Italy, Greece and Portugal. First, financial deregulation has reduced mortgage rationing, most obviously in Britain, Finland and Spain. Secondly, inner-city rehabilitation programmes have significantly increased home-ownership in central cities, especially in the UK. As noted above, reductions in tax subsidies may reduce accessibility to the sector in the coming years but few of those excluded are likely to be denied adequate rental housing.

Accessibility to private rental housing, with the exception of Germany, Belgium, Luxembourg and Sweden, has been a longstanding difficulty of Europe as policies have precluded the 'fast-access' characteristics of rental housing. In controlled, declining sectors unfurnished rental homes have often been unavailable, thus forcing more affluent households into owning and poorer households into social renting or, in its absence, unsatisfactory sharing. For younger households, long searches and sharing outcomes have been commonplace in much of Europe. However, 1980's deregulation of new tenancies and 1990's moves to support private landlords via tax breaks, have apparently eased access in such sectors though immigrants, ethnic minorities and benefit dependent households (especially single parents) still face, reportedly, access problems.

Social rental housing, in northern and western Europe, copes (more or less adequately) with the bulk of flows of low-income households seeking housing. Once again there is no systematic, comparable data on households seeking to enter or move within European social housing. In the country overviews, in the next chapter, some specific experiences are reported. There is evidence to suggest that as household formation rates and unemployment rates rose in the 1980s, entry queues for social housing lengthened in Britain, Ireland, France, Germany and Austria (in the latter cases particularly because of high and sudden immigration from the east). Queuing times of 2-4 years, in poor housing or difficult household circumstances, for general applicants were not uncommon. Waiting times vary by geographic area, often being most acute in growing metropolitan areas, but not exclusively so as rural areas also encounter difficulties. In northern Britain, for example, where growth is slow and council housing vacancies are high, waiting times seldom exceed one year. In growth areas, in the south-east of England, waiting periods of seven years have been reported. Of course, waiting times also vary within cities; applicants willing to live on the worst estates in Britain can have, often, near immediate access. But then one form of social

exclusion is often merely swapped for another, say domestic violence for a poor quality, inaccessible neighbourhood.

In some countries 1980's actions to meet the requirements of 'special needs' groups have reduced specific queues. For instance in Sweden, the UK, Denmark and the Netherlands new programmes for the elderly and disabled have, reportedly, reduced waiting times for specialised housing. There are also some signs that in western and northern Europe that the passing of peak waves of household formation, by the early 1990s, has now reduced entry pressures. Massive investment in German rental housing, since 1989, is now alleviating access problems also.

In most countries with large social sectors or investment programmes, the rapid growth in homelessness in the 1990s also led to a higher prioritisation to such groups, *vis-à-vis* 'housed' applicants. Wider evidence is not available on the impacts of this shift but the UK experience may be illustrative. As the proportion of council housing lets rose, in the late 1980s, to over 50 per cent, 'normal' applicants and tenants seeking transfers faced longer waits (though this problem was avoided in countries such as Denmark where transfer applicants are allocated homes ahead of other priority groups). The UK government's response to charges of homeless people 'queue jumping' has been to increase temporary housing and propose temporary tenancies thus eroding the rights of the statutorily homeless to be housed in the local authority sector. Arguably these measures merely redistribute limited housing opportunities between 'needy' and 'very needy' households. This brings us to the difficult issue of homelessness in Europe.

2.4 Homelessness

Homelessness represents perhaps the most acute manifestation of social exclusion in Europe, Fitzpatrick (1996). However, although the European Federation of National Organisations Working with the Homeless has done much to clarify the meaning and extent of homelessness, there is still much debate on how 'homelessness' should be defined and the problem(s) measured. Lack of an agreed definition and firm measures cannot, however, disguise the fact that homelessness grew worryingly in Europe from the mid-1980s onwards and in all countries. Nor can there be any dispute about the wretched conditions in which different groups now exist.

A variety of dystopian existences face those widely regarded as homeless. Rooflessness, usually single males but with a growing share of women, exists not just in large north European cities but in smaller towns and some rural areas. In southern Europe homeless families and 'street children' are increasingly evident difficulties in Portugal and Greece. Illegal shanty towns built from impermanent materials such as cardboard and corrugated iron now house 60,000 people in Portugal and in Spain they have reappeared to house gypsies and immigrants. All told there may be 150-200,000 shanty town residents in southern Europe and a further 200,000 homeless immigrants, spread more widely. FEANTSA also estimate, throughout the Union, a further 200,000 people living in caravans and tents. Homelessness also absorbs those leaving institutions such as psychiatric homes and prisons, with no place to go. Homelessness totals also include those living in insecure housing and in overcrowded homes with friends and relatives (referred to as the hidden homelessness) as well as those in hostels and bed and breakfast accommodation.

FEANTSA estimated, in 1993, that there was a minimum of 2.5 million homeless households in Europe and at least 3.5 million if shanty/illegal, tent/caravan and homeless immigrants were included. But with measures largely based on counts of those receiving or seeking support this

figure probably remains an under-estimate. Similar factors also influence the observed cross-country patterns, see Table 8, which suggest the highest incidence rates at 10 per thousand people in France, Germany and the UK and the lowest rates, at less than 2 per thousand in Portugal, Spain, Greece and Ireland. As the country sketches (in the next chapter) indicate, policy action and reducing demographic pressures (in some countries) are now leading to reductions in homelessness in the UK, Ireland and Denmark. Overall totals remain worryingly high but it should be stressed that the quality of the data reported in the last two paragraphs is poor.

Table 8: Extent of estimated homelessness in the early 1990s

Country	Year	Population (Millions)	Estimated Homeless	Homeless per 1,000
Belgium	1993	10.0	26379	2.6
Denmark	1992	5.1	2947	0.6
Germany	1992	80.4	1030000	12.8
Greece	1993	10.3	10000	1.0
Spain	1990	39.1	29659	0.7
France	1992	57.5	627000	10.9
Ireland	1993	3.5	5000	1.4
Italy	1992	56.9	152000	2.7
Luxembourg	1992	0.3	608	2.0
Netherlands	1990	15.2	30000	2.0
Portugal	1993	12.8	2870	0.2
UK	1992	57.9	642980	11.0

Source: Second and third reports of the European Observatory on Homelessness

Homelessness, and the implied failure of housing policies to meet housing needs, has grown because of rising pressures on the supply of adequate, affordable housing. Different factors, varying across and within countries, have contributed to these emerging imbalances. These include

- high rates of household formation in most countries and in Germany, Italy and Greece rising immigration from the east and north Africa;
- a growing incidence of family breakdown, more recently emerging in Mediterranean countries;
- rising levels of European unemployment, especially for young people;
- poorly developed social security systems in southern Europe and reductions in welfare state assistance in the north;
- growing policies of deinstitutionalising psychiatric patients without adequate provision for community based care.

The elements of this list of structural and personal factors often interact. Many of the homeless experience a devastating amalgam of several of these factors and homelessness is not a problem simply requiring housing investment solutions. Policy 'integrability' is again critical in dealing with the issues. This is well illustrated by listing the general characteristics of Europe's homeless

- the majority are men and the most common age group is 30-39 though the average age is falling with growing teenage homelessness;
- most are unemployed, with typically 5 to 15 per cent in employment; even worse a significant proportion receive no benefits, for example 20 per cent of hostel dwellers in Belgium and 71 per cent in Italy;
- health is poor, with 30-40 per cent typically with a health problem; in Germany the average life

expectancy of the homeless is a decade less than the average and in London the street homeless die 30 years earlier than average;

- substance abuse rates are high, involving more than half of Denmark's homeless;
- spells in institutions, either as children or adults, form a common background, involving 75 per cent of cases in Ireland, 60 per cent in Belgium and 42 per cent in Italy;
- commonly immigrants are over-represented, forming 10-20 per cent of the homeless population.

And these homeless people only have direct rights to housing in France and the UK, though in the latter case they are now weakening. Policy responses in the 1990s have been relatively swift and, in some countries, extensive and innovative. But they are still inadequate. The previous section indicated how, in countries with large social housing systems, higher proportions of lets were directed at the homeless. Social housing investment programmes targeted at the homeless have been boosted in range of countries including France, Ireland and Denmark. New emphasis has been given to the provision of reception centres and complementary social support, including facilitating the difficult transition to permanent living. Private and charitable agencies have made important contributions in this reception, integration process and in southern Europe it has reflected a near absence of government action.

2.5 What to do now?

Homelessness is the most obvious consequence of how European housing policies are failing to cope with social and economic changes. The increasing concentration of poor households in poor neighbourhoods, in both social and private rental sectors, is another failure which is likely to threaten both social cohesion and economic competitiveness. These acute issues are by no means the complete set of European housing difficulties. Gaps in 'affordability' measures, show progress in meeting special housing needs in some places, inequitably distributed subsidies and other issues are still of significance.

Not all of these difficulties are resource problems, better planning and management have a role to play in improving outcomes, but many are. Yet the general, but not ubiquitous, trend is for reducing support for housing. The case for housing has to be remade but this case is no longer simply about shelter and affordability but about recognising the benefits from linking housing more effectively to other financing, management and investment measures.

But what should countries do, and how can Europe help without transgressing agreed lines of subsidiarity? In the next chapter, brief reviews (developed by a number of national experts) of pressures, policies and innovations are presented for selected Member States. Countries, even those with fewer resources, are doing a lot and new styles of housing policy are emerging in the 1990s. In the final chapter the potential roles of the European Union in facilitating such change are examined.

3. NATIONAL EXPERIENCES

In this chapter we provide outlines of housing policy in thirteen of the fifteen Member States. Unfortunately, insufficient information was available to include Austria and Luxembourg. We have followed, as far as possible, a standard formula. First, we outline the structures and trends in housing policy, then policy organisation and emphasis. We also aim to cover the key challenges facing the Member States and how policy has adapted to meeting them. Where available we provide information on EU programmes in the Member States.

3.1 Denmark ¹

Mature policies, older population

Since the mid-1950s, as economic prosperity has grown, the Danish state has made a major commitment to housing policy expenditure, often spending 2 per cent of GDP per annum on policies. At the same time, individual Danes have been prepared to pay, on average, high proportions of their incomes (typically 30 per cent) on housing. In consequence, Denmark now has both mature policies and high quality housing so that though housing problems persist they are much less acute than in poorer EU countries. At the same time, Denmark has a relatively 'aged' demographic profile and social changes favouring single person living are particularly evident. In 1991, 15.6 per cent of the population were aged 65 years or over, 34 per cent of households were single persons and average household size, at 2.2 persons, was amongst the lowest in the European Union. Past progress and present dynamics give Danish housing policies a distinctive quality-oriented emphasis.

Structures and trends

Demographic maturity and a relative reduction in tax support for home-owners has meant that the share of owner-occupation in Denmark marginally declined from 52 to 51 per cent between 1981 and 1991. Indeed, amongst the West European/Scandinavian economies Denmark was almost unique in avoiding a damaging boom-bust in the housing market and in securing real (but not nominal) reductions in house prices. Private rental housing, largely older flats, has been relatively static in scale (26%) and social housing (18%) has marginally increased its share into the 1990s.

Policy organisation and emphasis

The emphasis, over the last decade, in Danish policy has been to recognise the major role of housing markets but also to stress social housing as being essential to meet necessary housing requirements not satisfied by the market.

The Danish social housing sector comprises almost 700 housing associations (not-for-profits) of varied size spread across urban areas and rural districts. Investment financing is distinctive within the Union; 91 per cent is a private, index-linked loan; 7 per cent is from the municipality and 2 per cent is from tenant deposits (which may be financed by local authorities for low income households; 80 per cent of dwelling subsidy is from central government and 20 per cent from

¹ This country review was prepared by Duncan MacLennan from sources provided by the Danish Ministry of Housing (which provides an exemplary set of statistical and policy reviews).

municipalities. Personal, or housing allowance subsidies are available to renters in all rental tenures. There are no income limits on entry to social housing and young people aged 15 and over can register on waiting lists, these are extremely open social housing systems. A further distinctive feature of Danish associations is their role in civil society and in the promotion of social participation and integration through the pervasiveness of tenant control. Since the 1970s, each association has had a Management Board with a tenant majority (an emphasis now disappearing in England and the Netherlands and never present in France); each estate owned by an association is treated as a separate financing entity and has its own tenant committee; majority votes of tenants are required for major changes.

Local authorities provide capital, guarantees and subsidies to housing associations. They also approve rent schemes, administer rent subsidies, organise the production and maintenance of schemes and have a key role in monitoring and regulating associations. Aside from their major planning roles, including assessing housing needs, local authorities have the statutory responsibility of ensuring that all households are adequately housed.

Policy stability has been a feature of Danish housing policy for the last twenty years, policies evolve rather than shift. Sustaining past progress and refining the 'edges' or interconnections of housing with other activities have been key features of the 1990s. The main emphases apparent have been

- maintaining tax subsidies to owners at the lower levels achieved in the second half of the 1980s;
- reducing from (10,000 to 4,000 per annum, between 1990 and 1993) the number of new social housing starts (as needs have fallen);
- increasing the discretion of local authorities about levels and patterns of investment;
- doubling the budget for housing regeneration activities, from 1990 to 1995, to Kr6.4 billion per annum and spreading programme participation to 200 of the 276 Danish municipalities;
- placing a new emphasis, after 1992, on the revitalisation of rundown social housing estates;
- emphasising, in funding and planning, the interconnections between housing, social and environmental policies;
- continuing to adapt and improve the quality of housing for the elderly, disabled and young persons;
- developing distinctively high levels of policy relevant information on the housing markets, housing needs and house conditions.

Key challenges

Although Danish housing is plentiful, diverse and high quality, specific problems of neighbourhood quality (in older areas of private renting and in 1960s multi-storey estates), access and affordability remain. And general social trends (ageing, for instance, and splitting households) and economic outcomes (specially rising unemployment near the EU average rate) has posed new problems. The major issues now facing Denmark include

- the relatively reducing socio-economic status of social housing tenants *vis-à-vis* society as a whole; between 1970 and today the sector has come to house a disproportionately high share of very young and old households, the unemployed and single parent families;
- the increasing concentration of these disadvantaged households in post 1960s social housing estates;
- the existence of a stock of 250,000 older homes (usually private rental flats in city core tenements) with sub-standard amenities and poorer tenants;

- a growing dependence of tenants on housing allowances; in social housing half of tenants receive allowances which with rents increasing above inflation, mean that they now pay a quarter of the rental bill;
- ageing of population is increasing demands and needs for barrier free homes and the sharply increasing total of frail elderly requires security/alarm systems and support services;
- although homelessness rates are low, there is a growing demand for independent living by young people;
- linking housing policies to strongly emphasised environmental/ecological policies.

Denmark has responded to all of these issues in a positive, innovative fashion.

Responses and innovations

Recent developments in Denmark have focused innovation in two main policy areas, namely housing in area renewal and housing for the young and old.

In relation to urban renewal

- longstanding measures to promote the revitalisation of old homes have, since 1993, been boosted by private sector led urban renewal projects with state assistance to defray increased costs for tenants; municipalities also retain allocation rights in relation to private rental units with subsidised improvement;
- the new priority to renovate post 1960s estates with multiple deprivation, after 1992, led to 6 Ministries working together to pursue truly integrated national actions; the powers of municipalities to act were strengthened and resident groups in distressed areas were provided with special advisers to promote regeneration;
- housing investment was closely linked to social projects (for example, initiatives to integrate immigrants, criminal youths and drug abusers) and to ecological strategies promoting mixed tenure and service provision, energy improvement (for example, in pilot projects in Kolding, Egebjerggard and Aalborg); the evolving Danish housing policy ethos is that housing policy builds communities and not just homes and that urban environmental improvement requires social cohesion to succeed and promotes cohesion when it does.

Denmark is, along with other countries such as the Netherlands, the UK and France, at the forefront of European practice in housing-led regeneration. However, along with Sweden, it makes particular efforts to deal with 'age-related' housing issues and also integrates policies for the disabled into such strategies. Most elderly Danes live in mainstream housing with municipal provision of support care and alarm systems but there are still a significant number of unadapted or insecure units. Prior to the 1990s the policy approach was to move frailer, elderly households into sheltered housing or subsidised nursing homes. In the 1990s the emphasis has altered

- the aim of policy is now for households to remain as long as possible in their own homes with more adaptation, home-care provision and 24 hour supervision of alarm systems;
- government has promoted the design and development of 'pensioner dwellings' combining private spaces with communal facilities; innovation in design and building standards has moved provision towards barrier free standards and the installation of elevators in flats;
- central government provides special subsidies for elderly provision in all tenures and municipalities have rights to allocate subsidised, adapted homes in all rental tenures; elderly tenants pay a maximum of no more than 15 per cent of their income on rent;

- Denmark now has a stock of 100,000 homes suitably adapted for the poorer elderly (2.5 per cent of the stock) and a similar volume of housing for the young (students and young singles); disabled and mentally handicapped households also have access to adapted homes;
- since 1993 new collective co-operatives have been developed to house over 55s, the handicapped and senile dementia sufferers (500 units per year) as well as experimental housing for the homeless (200 per year).

Policy success is reflected in forward thinking urban regeneration, suitably housed young and old and a falling, relatively low level of homelessness.

3.2 Finland²

Tenure structure and trends

Finland underwent urbanisation in the 1960s - much later than most other western European countries, and this is reflected in the very high rates of housing production, which typically exceeded 10 units per 1,000 inhabitants in the 1970s and 1980s. Even in the economically stringent 1990s, new production continues at about five units per 1,000 inhabitants.

The tenure structure is:

Owner occupation:	72%
Social rented:	14%
Private rented:	11%

The long-term trend has been for owner occupation and the social rented sector to grow, while the private rented sector has shrank.

Both owner occupation and rented sectors have been underpinned by state subsidised loans since the 1940s. One-third of dwellings built in the 1960s were state supported, and this proportion rose to 50% in the 1970s and remained at 40% in the 1980s, and rose back to 60% in the mid-1990s, although this reflects the depressed state of the private sector. These subsidies go predominantly to supporting rented housing.

The private rented sector is now being targeted for growth, as a means of providing housing for groups, such as young people. This sector has been in long-term decline, and in the 1980s was attracting virtually no new investment, having operated under the burden of rent control. However, rent control on new tenancies was dismantled in all parts of the country by 1992.

Policy organisation and emphases

Housing policy has been driven centrally, although it is now becoming more fragmented. The temporary housing agency (ARAVA) which gave its name to state subsidised housing loans was wound up in the mid-1960s, and replaced by the National Housing Board (NHB). The Ministry of the Environment, advised by an all-party Housing Council, was responsible for general housing legislation and the housing budget, while the NHB was responsible for implementing a wide range

²

This paper is based on information provided by Simpa Tulla, the Ministry of the Environment, the National Housing Board and the OECD.

of measures, including the distribution of the housing budget (subsidised loans and housing allowances) among local authorities.

In the 1980s, the administration of housing policy was decentralised, with the NHB losing functions to the Municipal and Provincial Councils. At the end of 1994, the NHB was disbanded, its loan portfolio being transferred to a separate Housing Fund under the Ministry of the Environment, and the responsibility for housing allowances to other agencies, such as the National Pensions Institute.

Local authorities are active in local planning and are major players in land markets. They are responsible for drawing up annual housing programmes, purchasing and disposing of land for construction, and to some extent financing housing production. Local authorities are also responsible for administrating applications for housing loans, including those which finance the large renovation programme.

The cost of housing policy is quite low by northern European standards. In 1994, it amounted to FIM 8.9 billion in 1994, the equivalent of about 2% of GDP. By far the largest components are mortgage interest tax relief for owner occupiers (47%) and housing allowances (43%). About 10% of households receive housing allowances (double a decade ago) and of these about half have at least one member who is unemployed. The remainder of the budget is accounted for by:

- interest subsidies on housing loans:3.5%
- interest subsidies for distressed owner occupiers:0.9%
- housing-savings scheme for young:5.3%
- subsidies for homeless and refugees:0.2%

Key policy challenges

Finland's housing policy has operated in a climate of economic crisis. The early 1990s were marked by the collapse in trade with the former Soviet Union and a banking crisis, which required large government subsidies (amounting to almost 8% of GDP per year in 1992 and 1993). Unemployment, which had been 3.5% in 1989 (among the lowest in western Europe), spiralled up to 18.4% in 1994. Following devaluation in 1992, the government has pursued tight fiscal policies and Finland, which joined the European Union in 1996, is expected to meet Maastricht budget deficit convergence criteria.

These problems have put general pressure on the housing system, while reducing the budget available for housing (it was expected to fall by 6% between 1994 and 1996).

Specific housing policy challenges in the 1990s have included:

Distressed owner occupiers: the housing market boomed in the late 1980s and then crashed in the 1990s, placing many owner occupiers in negative equity. The Government has introduced schemes to allow distressed owner occupiers to remain in their houses, and has also established a relatively small fund to help a limited number of owner occupiers with their interest payments.

Affordability: the house price boom placed severe pressure on the housing market, while the recession has created a lack of confidence. There has been a shortage of rental housing, especially in the free market sector. The Government has established a housing-savings scheme to help

young people gain access to owner occupation and has deregulated rents on new tenancies which has helped increase the supply of rental housing.

Social cohesion: Finland has always attempted to provide socially mixed housing. This was to a large extent achieved by providing subsidies across tenures and maintaining high design and construction standards in the social rented sector, which set the norm for the bulk of the free market sector, too. The planning system was used to ensure that developments were small scale and mixed. Hence Finland was freed from the easily identified and stigmatised social rented housing estates common in other European countries. At the same time a policy balance had to be maintained between producing socially mixed developments while housing people in need. Hence subsidised housing was allocated on the basis of housing need, income and assets. The rise in unemployment is creating new challenges on some estates which now have very high levels of unemployment.

Special needs groups: Finland tends to deal with the needs of particular groups by earmarking funds especially for them. There is a separate housing allowance system for the elderly, and a special renovation budget for the adaptation of houses. Although there is no statutory obligation for local authorities to house homeless people, there are special funds to meet their needs, recognising that there may be a social support element to solutions, in addition to the visible housing needs element (see below).

Unemployment: Finland has responded in part to the unemployment problem by promoting a large scale renovation programme. In 1994 almost one in ten houses were improved with the help of state funds. The logic in terms of creating employment is that renovation creates more jobs than new build, because the latter is highly industrialised in Finland.

Policy responses and innovations

Homelessness is increasingly recognised as a significant component of social exclusion across the European Union. The Ministry of Housing in Finland does not claim to have solved the problem, but measures taken have increased understanding.

Definition:

Finland has measured homelessness systematically since 1986, using a broad definition:

- rooflessness
- communal wards or casual lodgings
- temporary accommodation by friends and relatives
- family members living separately due to lack of housing.

Overall, homelessness in Finland is relatively low by international standards (to the limited extent that they are comparable). There are about 18-20,000 single people measured as being homeless each year and another 1,000-1,200 homeless families. Together they represent about 0.03% of the population. By far the largest category is those living with friends and relatives.

Measures:

(i) Homelessness as a housing problem

Since 1987 (the United Nations International Year of the Homeless), the Government has provided loans to local authorities and other organisations for the construction or purchase of housing for the homeless. About 1,000 homeless people are housed each year through this scheme.

(ii) Homelessness as a social welfare problem

Social welfare agencies are involved in tackling homelessness:

- welfare boards lease flats from housing authorities to provide 'supporting apartments' for homeless people
- health care authorities provide differing levels of support for psychiatric patients undergoing rehabilitation in 'rooming houses', ranging from fully supported living to more or less independent living.

(iii) Statutory rights

The following groups have statutory rights to housing:

- client families of child welfare and young people undergoing rehabilitation; and
- people with disabilities.

Effectiveness

Policies contribute to reducing homelessness, but only by about 1,000 per year. There remains a lack of knowledge about the process of homelessness, - for example some homeless people who are housed under government schemes may become homeless again. Research suggests that policies can have adverse side-effects, such as the stigmatisation of homeless people who have been housed together.

Nevertheless, the Ministry of the Environment points to three positive aspects of the programme to combat homelessness since 1987:

- attitudes have changed, and homeless people are no longer stereotyped as being only middle aged male alcoholics;
- homeless people themselves have been given funds to find their own housing solutions; and
- there has been much closer co-operation between housing, social welfare and health authorities in tackling the problem.

EU actions

There has been little time since Finland joined the EU in 1996 for these to be reported.

3.3 France³

Tenure structure and trends

Predictably, France faced severe housing shortages in 1945, but the house-building programme did not really get underway until the 1950s, somewhat later than elsewhere. It peaked in the 1970s and in 1977 policy shifted away from construction subsidies. New build fell throughout the 1980s, but pressures on the housing system in the 1990s, resulting from immigration, high unemployment and a slump in the building industry provoked increased state subsidies for a revival in the house building programme.

Each sector has enjoyed public subsidy in France, although not on a tenure-neutral basis. Owner occupation is the largest tenure, representing 54% of the stock. Politically, it is favoured for further expansion, partly because its expansion is seen as a way to take better off tenants out of

³ This review was prepared by Mark Stephens.

the social rented sector, so freeing tenancies for lower income households. The private rented sector has undergone long-term decline and in the 1990s was still shrinking at a rate of 50,000 units per year. At 21% of the stock it is still somewhat larger than the social rented sector (17%). But if the decline of the private rented sector continues, then the position of the rented sectors will be reversed.

Policy organisation and emphases

The social rented sector is dominated by the *Habitations à Loyer Modéré* (HLM):

- HLM-OPs and HLM-OPACs are established by local authorities. Together they own about 60% of the HLM housing stock. Each has local authority representatives on their boards, although OPACs tend to be larger, and are more independent
- HLM-SAs are non-profit limited liability companies, which tend to be smaller than other HLMs, but their areas of operations are not restricted geographically.

The remainder of the social rented sector is owned by:

- Société Civile Immobilière, the property arm of the Caisse des Dépôts et Consignations (CDC, see below). It is one of the largest single landlords in the EU, with some 180,000 units, most of them in the Paris area
- Sociétés d'Economie Mixte (SEMs) generally provide higher quality housing at higher rents to people whose incomes are too high for them to qualify for HLM housing.

Finance, in the form of subsidised loans for new build or renovation, is directed through the Caisse des Dépôts et Consignations (CDC), a government-owned intermediary. By controlling the subsidy system, housing policy is fairly centralised: loans are granted only if properties conform to certain space and amenity standards, and rent levels must also be set at approved levels. However, local governments enjoy nomination rights, and of course influence in the operational management of the HLMs which they sponsor.

Although the French social rented sector is smaller, overall it is more socially diverse than the UK's larger stock of social housing, partly because some HLMs have run restrictive allocation policies. Although access to HLMs is restricted by income, 60% of the population would qualify and one-fifth of tenants are in the top half of income distribution. Rents are set at about 40% of their unsubsidised free market equivalents; and about half of tenants receive housing allowances. However, the tenant profile is changing in response to new challenges (see below).

The other tenures also receive subsidies. Owner occupiers have been able to gain low interest loans with the aid of another Government intermediary, the Crédit Foncier de France (CFF), regulated loans from the banks, and grants for improvements. There is also a state supported housing-savings scheme. Private landlords have also had access to similar low interest loans via the CFF.

The emphasis of policy shifted away from subsidies for new construction and towards more targeted subsidies and subsidies for improvements in 1977, when a new housing allowance was introduced. In 1993, the cost of French housing policy was FFr131 billion, the equivalent of 1.8% of GDP, although this may not include some hidden subsidies within the financial system. Only about 12% of this was accounted for by bricks and mortar subsidies. Personal subsidies were the most significant single item, representing nearly one half of costs, while tax reliefs accounted for about one-third of costs. However, policy has shifted somewhat since 1993.

Key policy challenges

France faces several policy challenges. The HLM sector itself faces severe problems on some estates, especially those built on the periphery of large cities, constructed using systems building techniques. These estates have come to house poorer people as higher income tenants have moved away. They often suffer from high levels of unemployment and social exclusion has a racial dimension, as they are often the home of ethnic minorities. The main minority group is people either from North Africa or North African origin. The peripheral estates in France have had a history of violence, dating back to the early 1970s and as a result have been the subject of reactive programmes to bring about improvements. However, the lack of progress led M. Chirac to make the peripheral estates around Paris an election issue in 1995, and to tour a project in Glasgow in 1996 in search of good practice.

France also experienced limits to the reduction in state involvement in housing in the 1980s. By the early 1990s there were indications that social rented housing was coming under pressure. In 1993, 60% of new entrants to the sector were classified as being acutely distressed, vacancy rates fell to less than two per cent and there was evidence of shortages. Further, the building industry was in severe recession with high levels of unemployment.

Unemployment is a further contextual problem for housing provision in France. France has pursued vigorously anti-inflationary economic policies since 1983 and in particular has been anxious to protect the value of the franc, the policy known as *franc fort*. Unemployment in France has been high, and although it fell from more than 12% in 1994, it began to rise towards the end of 1995. Unemployment among young people has been recognised as a particular problem for some time.

Policy responses and innovations

In 1993, the government announced a programme to revitalise the construction industry, largely by expanding existing subsidy instruments. The programme for 1993 consisted of:

- 100,000 new units in the social rented sector
- 55,000 new units in the owner occupied sector.

For 1994:

- 90,000 new units in the social rented sector
- 55,000 new units in the owner occupied sector
- 200,00 units renovated.

But the French government is operating within a very tight budgetary environment, and housing needs remain unmet. Homelessness is estimated at 200,000-400,000, and in 1995 the Housing Minister has resorted to cost-free proposals, such as the creation of 10,000 places in emergency shelters by requisitioning empty buildings under legislation dating back to the immediate post-war period.

EU actions⁴

France has a long tradition of providing foyers for young people as a means of aiding the transition to independent living. There are 450 members of the Union des Foyers des Jeunes Travailleurs (UFJT), which together have a capacity of 45,000 beds, used by up to 150,000 people a year.

While the concept of foyers is not new (UFJT was founded in 1955), they provide the opportunity for other services to be provided, and some provide a link with the labour market.

The FJT 'Edit de Nantes' project is supported by the European Social Fund and provides an example of an attempt to link housing provision for young people with labour market access. This Foyer has 61 beds, but the project also provides:

- establishment of a skills profile, to help find employment
- information provision on employment rights and access to training
- skills for job search, such as locating job advertisements
- skills for job application, such as writing letters, CVs, responding to job advertisements
- training in interview techniques
- employment training within the Foyer, including courses in catering and English language studies.

3.4 Germany⁵

Any discussion of the housing situation in the new Germany must necessarily distinguish between the western and eastern parts of the country. This is of course because the development of housing policy and provision from the second world war up to re-unification were rather different in each of these two parts of the country. However, re-unification has had a major impact on the west as well as on the east. On the one hand, a key aim of federal housing policy since 1989 has been to re-integrate the eastern Laender into the legal, policy and market framework of the west. On the other, the influx of migrants from the east of Germany as well as from elsewhere following the collapse of communism in central and eastern Europe has placed significant pressure on the west German housing market and helped to create a new housing shortage there. Moreover, the financial costs of unification, combined with rising welfare expenditures consequent upon the relatively high level of unemployment, have added to the fiscal pressures faced by the federal government. At the same time, the federal government is seeking ways to reduce public spending in order to meet the economic convergence criteria for monetary union.

Tenure structure and trends

In western Germany, owner occupation is of increasing importance but nonetheless remains at a lower level than in many other countries in the European Union. In 1987 (the latest date for which figures are available) owner occupation accounted for 42 per cent of the dwelling stock. To some extent the relatively low level of home ownership is accounted for by the urban planning system, which has constrained the supply of land for building and resulted in high land prices. In addition, the system of loan finance for owner occupation in Germany requires borrowers to have a

⁴ This sub-section is based on the Joseph Rowntree Foundation report "Innovations on Social Housing No 1" (1991), The Foyer Project Part I.

⁵ This review was prepared by Professor Peter Kemp.

relatively large down payment (often 25%) and this constrains the effective demand for home ownership. By EU standards, west Germany has a relatively large private rental sector: in 1987, it accounted for 45.2 per cent of the dwelling stock, the great majority of which (41.7%) was market rent housing and only a small proportion (3.5%) was let as 'social housing' at regulated rents. Housing associations accounted for 12.8 per cent of the dwelling stock. Some housing associations are owned by local authorities but others are sponsored by churches and trades unions. In 1989 housing associations lost their tax exempt status and became, in effect, private landlords.

The housing tenure situation in eastern Germany is rather different from that in the west. In 1990, approximately two fifths (41%) of the dwelling stock in the east was in private ownership, a similar proportion (42%) was in the form of public rented housing, and the remainder (17%) was owned by co-operatives. However, the ownership status of private property in the former GDR was not always clear, in part because many of the land registers were closed or had fallen into disuse, while many owners had abandoned their property. The restitution of property ownership rights (rather than financial compensation) is one of the basic principles of the treaty of unification and, since 1990, approximately one million claims have been lodged which affect housing; these claims refer to about one in every seven dwellings in the east.

Policy organisation and emphasis

The dominant philosophy underlying economic policy in western Germany since the war has been to promote the *soziale Marktwirtschaft* or 'socially responsible market economy'. In housing, this has been reflected in a policy of encouraging both owner occupation and private renting. It has also involved, especially in the early post-war years when there was a substantial housing shortage, the promotion of social housing, mainly via the private sector. Since 1965 and especially since the early 1980s the emphasis in policy has been on income-related housing allowances (*Wohngeld*). About six per cent of households in the west currently receives a housing allowance.

In western Germany, direct subsidies in the form of low interest loans as well as tax relief have been provided to owner occupiers, private landlords, and non-profit housing associations (*Gemeinnuetzige Wohnungsunternehmen*) in order to encourage new construction and latterly rehabilitation. The direct subsidies were given to private landlords and housing associations on the condition that they agreed to operate the dwellings as 'social housing', originally for 60 years but this was later cut to 30 years. In return for these subsidies, rented housing had to exceed a certain minimum standard (while owner occupied dwellings on which social housing subsidies had been received were not to exceed a certain maximum standard). In addition, tenancies were restricted to certain income groups and rents were regulated to below market levels.

An important element of this strategy has been that the dwellings should be aimed at a broad spectrum of the population rather than just at the poor. This is one reason why social housing in western Germany has not suffered from the stigma which surrounds social housing in other EU countries such as the UK. Another is that the dwellings were often built or rehabilitated to relatively high standards.

In recent years, the federal government has encouraged the repayment of social housing loans. Once the loan is repaid, the owner is no longer bound by the regulations governing social housing and may relet the dwellings at market rents. Consequently the supply of social rented housing is now decreasing.

The housing situation in eastern Germany is very different from that in the west and, not surprisingly, reflects the legacy of nearly half a century of communist rule. The central emphasis of federal housing policy for eastern Germany since unification has been to revitalise the housing market, mainly by means of privatising and marketing housing provision and integrating it into the legal framework which exists in the west.

The housing allowance scheme and other social security benefits (at temporarily enhanced levels) and the tax arrangements that apply in the west were extended to the east of Germany following reunification. The enhanced rates of housing allowance were intended to compensate for the lower incomes in the east and for the rent increases that are being made as the housing market is moved onto a more economically rational footing.

Key policy challenges

New housing shortage in the west. Since 1989 the housing market in western Germany has been under considerable pressure as a result of increased immigration from three sources: (i) east Germany, (ii) ethnic Germans from central and eastern Europe, and (iii) asylum seekers from elsewhere. The population of the former west Germany has consequently increased, by well over 2 million since the Berlin Wall came down. This has helped to create a 'new housing shortage' (*neue Wohnungsnot*) and has increased affordability problems as rents have risen faster than earnings.

Housing conditions in the east. The housing stock in eastern Germany is older than in the west, with 40 per cent of dwellings having been constructed before the 1939 and many of these before 1914. Post-war housing is mainly in the form of system built blocks of flats, often having a uniform or monolithic appearance. Much of the eastern German housing stock is in very poor condition, having been poorly managed and maintained. In addition, many pre-war dwellings are unmodernised and in poor condition.

The local housing companies and the co-operatives have begun the process of modernising their housing stock and by the end of 1992 1.8 million dwellings had been improved according to figures released by the federal government. However, the average cost of works per dwelling has been fairly low, which suggests that much of the improvement work has been relatively superficial. Housing construction fell to a very low level in 1990 and has not yet recovered to a significant extent.

Low rents, low incomes in the east. Prior to unification, rents were very low and on average covered only about 20 per cent of the running costs. While rents are very low, so too are income and savings. Rents have been increased across the board on several occasions but, even so, average rents are still less than half those in western Germany. Moreover, the rent increases have led to rent arrears as some tenants found it difficult to afford the higher level of rents and service charges. By 1993, rent arrears had reached DM 340 million in the east.

Barriers to capital investment in housing in the east. Following unification, the federal government had insisted that the large, inherited loan debts (*Altschulden*) from the GDR should be repaid by the local housing companies, but following the 'solidarity pact' reached with the Social Democrats and the Laender in March 1993, it was agreed that nearly all of the debt would be written off. However, the local housing companies possess hardly any capital and cannot borrow from the banks until they have a secure title to their property.

The housing co-operatives in eastern Germany find it difficult to borrow money from the banks because they own the housing but not the land on which it lies. As a result they are negotiating land purchase from the local authorities, but in many cases the 'market' rate is prohibitively expensive, though some have obtained concessionary prices from their local authority.

3.5 Greece⁶

Housing policy at crossroads

Tenure structure and trends

In 1991 76 per cent of the Greek households were owner-occupiers, 20 per cent were renting privately, and 4 per cent were free occupiers gratis (usually relatives of the owners) These percentages represented an 18 per cent increase in owner occupation, a 20 per cent decrease in private renting, and a 22 per cent increase in gratis occupation, since 1981. In 1981 about 9 per cent of owner occupying households (or 6.3 per cent of all households) were in the process of repaying a mortgage; in 1996 the respective figures were about 20 per cent and 15 per cent.

In 1991 1449 dwellings corresponded to 1000 households against 1337 in 1981. The total stock of dwellings was 4643 thousand, of which 51.63 per cent were owner-occupied, 13.79 per cent were rented privately; 2.67 per cent were occupied gratis, 20.49 per cent were secondary homes, and 11.42 per cent were vacant and/or ruined (although the distinction between secondary and V/R is sometimes moot). Nearly one million of the total housing stock were estimated to be unauthorised, one way or another (eg. outside a formal city plan, or in breach of building regulations etc). There are no shanty towns in Greece, and the general quality of housing is good

There is no public-rented housing in Greece either, whether at central or local government level. The public-sector Workers' Housing Organisation (WHO, or, in Greek, OEK) does build a few dwellings for poor workers, and also buys them apartments for large workers' families, which it then makes available to them for the purpose of owner-occupation either through repayment over 30 years at no or token interest rates, or through a lottery.

Policy organisation and emphasis

The WHO is the main state housing policy instrument in Greece, followed by five public-sector specialised credit institutions and assorted housing credit and tax measures. Most important of the latter are (a) government subvention of interest rate in case of a loan for one's first owner-occupied dwelling. (Only the state-controlled Housing Bank and Mortgage Bank, and the small private Aspis Bank, offer subsidised loans of this type; commercial banks do not, even though they do advance housing loans). (b) income-tax deductibility of interest part of a loan for one's first owner-occupied dwelling.

These are general measures, aimed at helping all become owner-occupiers, irrespective of income. (Up to very recently, a significant part of housing policy was government regulation of the rented sector, but nearly all remaining controls were removed on 1 July 1996). To these one should perhaps add the tolerance shown to unauthorised building,

⁶ This section is based on a paper by Nicholas Pirounakis, Consultant.

and avoidance of repossession of the dwellings of WHO-nominated Mortgage Bank borrowers who have been long overdue. (The practice had resulted in heavy losses for the Mortgage Bank by 1993, forcing the government to assume the relevant outstanding debt in exchange for government bonds (worth 46 billion dollars, or £122.7 million) given the Mortgage Bank.

There are, however, more specific measures, offering assistance for the purpose of owner-occupation to low-income households who have been paying contributions to WHO, or to civil servants irrespective of income, or to large workers' families. Civil servants, in particular, receive government-subsidised loans from the Post Office Savings Bank and the Loans and Consignments Fund, whilst peasants receive such from the Agricultural Bank of Greece. Finally, the WHO hands out rent benefit to renting households meeting government-designated criteria (about 40,000 households in 1995), and, in co-operation with the Housing Bank and the Mortgage Bank, grants housing loans to workers, and also subsidises loans granted to workers by these two banks (out of their own funds and, nowadays, on the basis of banking criteria).

Part of the cost of these arrangements is difficult to calculate as it involves (a) tax foregone in the case of people borrowing for their first owner-occupied dwelling (since the interest part is income-tax deductible); (b) return of tax charged on interest earned on bank deposits in the case of savers with the Housing Savings Departments of the Housing Bank and the Mortgage Bank, who eventually use their accumulated savings in order to take out a loans towards their first owner-occupied dwelling; (c) ad hoc payments like the bonds given the Mortgage Bank by the government in 1993-94, which nevertheless reflect accumulated losses for 'social' purposes over many years.

Another part, involving most of the WHO budget, results from workers' contributions rather than the state budget. Still, taxes are taxes no matter what their form. From this point of view it is appropriate to include the entire WHO budget in the cost of this policy. For 1995, that was 100 billion dollars. Together with 3.3 billion dollars towards government subvention of interest rates on peasants' housing loans, it makes 0.4 per cent of Greece's GDP for 1995 (at current market prices, post-review). Along with the rest of the interest rate subsidies, and the indirect subsidies mentioned, the total should be in the range of 0.8 per cent of GDP. To that, one should perhaps add 32.6 billion dollars towards public investment in infrastructure, and 47.7 billion dollars in water supply and sewer works.

Policy challenges

There are five main policy challenges, of which only the first three are about narrowly defined social housing policy. First, since 1991 there have been anything from 400 to 600 thousand economic refugees in Greece from the Balkans and the ex-USSR, the vast majority illegally. At 600 thousand, their number represents 5.8 per cent of Greece's population as of 1991, or 13.5 per cent of the economically active population (a more appropriate measure since most of them are of productive age). Again the vast majority of them are in the private rented sector (sharing often an unknown number sleep rough or occupy vacant and/or ruined dwellings illegally, and some live in-house as domestic servants. Their presence is likely to show up as a dramatic increase in the number of renting households in the 2001 census, and as deteriorated housing conditions, regarding eg. the frequency of sharing. In the meantime, they are likely to put upward pressure on rents, particularly for low-quality dwellings. The Greek government needs to decide soon what it is going to do for these immigrants, not only in the context of housing policy, but also in regard to social security, minimum wage laws, education, and general assimilation. So far it has done

nothing.

The second challenge is about redefining social housing policy. Traditionally, the words 'homeless' and 'tenant' in Greece have been used interchangeably, not only in the press but, more seriously, in government. However, and to a large extent precisely because of the problem of so many economic refugees, the time has perhaps come to redirect social housing policy to securing shelter for those who are truly homeless, whether Greek (a very few) or foreign, rather than to turning tenants into owner-occupiers.

The third challenge is about making housing policy more transparent in cost terms (who pays what), which means, among others, taking the politically sensitive decision in the future to repossess the dwellings of WHO borrowers who have been long overdue (or else assigning the resultant costs to the state budget), and, more generally, making the legal framework governing repossession faster and stricter.

The fourth challenge involves a necessary tax reform, at a time of severe fiscal constraints. Presently Greece has very high property transfer tax rates - 11 per cent up to the first four million dollars (£10,667) and 13 per cent thereafter, payable by the buyer. Inheritance taxes are also very steep, involving, for example, 15 per cent for values from 15 to 60 million dollars (£40 thousand to £160 thousand) - and that's for first degree relatives alone. Since the Greek population is, along with the economy, stagnant, exhibiting an ageing trend, the time is rapidly approaching when a lot of young people will be inheriting dwelling wealth without the wherewithal for the tax; alternatively they will be forced to sell some of the inherited properties (which in practice will mean ceding the properties in question to the Inland Revenue which will auction them in turn), but since a lot of properties will be coming on the market in this way at the same time, there will be downward pressure on prices. In the end, prevailing standards of dwelling wealth, and standards of living also, are going to suffer.

The fifth challenge is about introducing order in the planning sphere. The recent orientation of many households to the acquisition of second homes has been possible, among others, first because of the unabated practice of unauthorised building, second because of deliberate and illegal burning of woodland around Athens and in other parts of Greece (which frees land for unauthorised building), third because public utilities illegally supply power, water etc. to unauthorised buildings, and fourth because there is no Land and Property Register in Greece. Obviously the environment has been suffering, causing deterioration of housing conditions broadly defined. Demolishing unauthorised buildings, however, has never been pursued widely for fear of social and political repercussions.

Policy responses and innovations

Very little has been done (other, that is, than the organisational and institutional arrangements already in place and described above). The only positive developments have been, first, launching in 1996 the campaign to establish Greece's Land and Property Register (Law 2308/95), forecast to finish in 2015, and giving the WHO in 1993 greater freedom to negotiate building contracts with third parties, or loan and subsidy arrangements with the Housing Bank and the Mortgage Bank. Public finances being in dire straits, no significant increase in state spending on housing is forecast in the foreseeable future, whereas decisions to assimilate economic refugees will probably not be taken either on account of the political sensitivity of the issue.

The EU contribution

There is none as yet in Greece (except for funds meant to finance part of the Land and Property Register cost). It might need to come in the form of funds for programmes meant to house Greece's economic refugees, but Greece's lack of policy on the matter plus well-known problems regarding her technical ability to absorb EU funds (eg. for disabled people no less than for public works) might deter the European Commission from earmarking funds for such programmes.

3.6 Ireland⁷

New commitments

The story of Irish housing has been one of high rates of new construction (six units per 1000 people per year) and of progressive quality improvement since the 1970's. For much of the 1980's, and particularly in the second half of the decade when public spending restrictions squeezed down government housing spending, progress stemmed from the more general benefit of European Union membership to the Irish economy. Housing conditions, which had been poor by European standards improved enormously

Structures and trends

Home ownership, which was already high in the 1970's (around 70 per cent of households) grew rapidly to 81 per cent by 1991. A significant part of this growth was due to the extensive take-up of long-standing discounts on the prices of local authority homes (up to 30 per cent of purchase prices). By 1991, although the municipal housing sector had built a third of the nation's housing stock its current tenure share was only 11 per cent. And prior to 1991, unlike the UK and the Netherlands which also reduced the municipal sector share, there had been no significant promotion of housing associations/voluntary sector involvement. The private rental sector had declined and by 1991 provided a static, eight per cent share of homes.

Housing policies were, at the start of the 1990's, still primarily driven by central government, both in relation to financing and policy planning. Local authorities had generally weak roles in policy development and investment choices and were not regarded as innovative providers.

The pre 1991 emphasis has now altered significantly. This partly reflects the growing aggregate prosperity of the country but also a recognition that current housing needs fell from 1983 to 1987, but as new social trends and inequalities became apparent, then grew again to 1993 (back to their 1983 level, and involving three per cent of households). There is also an awareness in Ireland that the country has a relatively youthful demographic profile and faced a (minimum) likely expansion of 6.1 per cent in housing requirements over the decade to 2000. This realisation has led to a new emphasis on social housing provision during the 1990's and the development of new policy commitments.

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This review was prepared by Professor Duncan MacLennan based on extensive material provided by the Department of Environment, Dublin.

Policy organisation and emphasis

Whilst continuing to support the growth of home-ownership, the key emphasis in Irish housing policy since 1991 has been the development of a strategy for social housing. It is that sector which is seen as the key locus for the disadvantaged and excluded in Irish society. The post 1991 policy has had the following key features

- the budget for the social housing programme has been increased from £80 million to £260 million (by 1995)
- social housing output has been increased by 40 per cent per annum
- social housing provision has been diversified as there is a new emphasis on engaging the voluntary sector and promoting associations (which in 1996 aim to produce 1000 units and local authorities 3500); these associations have been given a key role in providing homes for the elderly and homeless
- complementary measures to promote low-cost home ownership have been developed which either house residents from social sector waiting lists or encourage social tenants to vacate their home; the programme, similar to UK initiatives, involves shared equity ownership (1000 units in 1996) or grants to tenants moving to home purchase (600 plus units)
- increased social housing investment and complementary home-ownership schemes have raised the annual flow of social sector vacancies from 3500 in 1990 to a planned 10,000 in 1996
- there has also been a targeted programme of modernisation of rundown municipal units and an aim to provide higher heating and insulation standards (only 39 per cent of all homes had central heating in 1990)
- value for money in housing management has been given a new emphasis as have tenant participation and service decentralisation
- whilst there has been a de-emphasis of non means tested home improvement grants continuing support has been given to the Task Force, established in 1982, which has improved unfit or insanitary homes for the elderly, with 2000 actions planned for 1996
- a new priority has been given to addressing the housing needs of the homeless and travelling people
- social segregation in urban areas came to be regarded as a serious difficulty especially in Dublin.

Key challenges

These policy emphases, commencing in 1991, were reinforced in a review of social housing policy in 1995. They appear to be appropriate to the key challenges facing Ireland. Key housing difficulties now include

- still high levels of poor housing conditions, 1990 census data indicate that 5.5 per cent of homes were unfit, eight per cent were without a bath or shower, 6.4 had no inside toilet and 2.3 per cent had no internal water supply; they have been reduced since 1990 but remain serious difficulties
- there were 28,000 households, in 1993, with a registered need for social housing, implying a three year average wait for homes
a quarter of those registered were single persons, and seven out of 10 were families with children
- a quarter had serious affordability problems (with no housing allowance scheme)
- almost a half lived in unfit, unsuitable or overcrowded accommodation.

There were also significant numbers of households in specific needs categories

- there were 1,500 (five per cent) literally homeless persons, mostly young; past research suggests that around a quarter of homeless cases have been rough sleeping and that half of those housed lived for more than a year in temporary accommodation
- there were over 2,000 elderly applicants, three-quarters of them single
- there were 200 disabled/handicapped applicants.

Policy action, particularly after 1991, had slightly reduced the numbers of special needs applicants. New policy innovations and emphases, with the expanding budget, should further reduce these totals.

Policy responses and innovations

Ireland now has a modern housing policy, using diverse means to achieve social objectives. The major innovations over the last five years have been to

- raise management quality in social housing through staff education and training, pilot good practice projects and the requirement for each council to produce an annual performance report to the Environment Department
- require each municipality to examine local patterns of social segregation and to prepare a strategy to address these difficulties; for instance there is now a priority that single class, large scale new developments should be de-emphasised and that social housing should expand in small developments (80 per cent of new starts since 1993 have been in developments of less than 30 homes) or by purchasing existing homes (14 per cent of the 1995 programme)
- promote more community and tenant participation in housing and regeneration activities through tenant training and information and encouraging community initiatives such as the Finlglas Enlivement Project
- develop more integrated approaches, involving housing, social and employment programmes, in estate modernisation, for instance the community-led regeneration of the Ballymun estate; action is now occurring on 150 poorer estates spread throughout Ireland
- continue to improve older housing areas, usually in private hands, through targeted tax incentives for private landlords, means-tested loans to home-owners in 34 urban centres and similar incentives to re-utilise vacant homes above business premises; housing policies in such areas have also been linked to multi-sector partnerships such as the Dublin City Partnership
- promote special needs oriented housing associations with deep capital subsidies; affordability is ensured by an income related rent subsidy, with few tenants paying more than 20 per cent of income; social mix is facilitated by having an upper income limit of £9000 for 75 per cent of tenants and £11,000 for 25 per cent; conformity with local needs registration is achieved by councils having nomination rights to 25 per cent of vacancies and 75 per cent of tenants housed being eligible to register for council housing
- address affordability issues in the private rental sector by giving tax relief on rent payments to tenants, enhancing tenant rights and requiring private landlords to register lettings (enhancing monitoring of the rents and housing services of often low income tenants)
- develop an expanded supply of suitably adapted homes for the disabled and handicapped by giving capital grants (up to £8000) of 100 per cent to local authorities and 66 per cent to private owners (though the upper limit does seem low to produce barrier free homes for the more profoundly disabled).

However, perhaps the most important of all these positive innovations has been the vigorous and multi-faceted approach to attempting to remove, by the year 2000, homelessness and travelling people needs. The imperative is to provide reception centres, temporary accommodation and permanent homes for the homeless and serviced, attractive caravan bays for travellers

- capital provision for voluntary bodies has been increased; homeless provision has expanded but associations could do more to provide for travellers; specialised provision for disturbed or drug dependent clients is expanding
- local authority homeless lets have grown significantly and some, but not all, have expanded caravan bay provision
- there is improved co-ordination and liaison between providers, councils, health boards and central government
- referral services have been strengthened, especially in the larger urban centres
- permanent provision has grown by 500 units since 1991 and there is more support in the transition process to settled living, though there is still a dependence on temporary accommodation for seasonal peaks and emergencies.

In consequence, by 1995, the estimated numbers of homeless persons and travellers living by the roadside are beginning to fall steadily.

Ireland has taken large, but measured, steps to use rising levels of national prosperity to provide more and better homes for the socially disadvantaged.

European Union contribution

The Cork Urban Pilot Project was initiated in 1993 with a budget of 270 thousand ECU, a third of which was provided by the EU. The project, managed by the City Corporation, is a public-private partnership formed to promote the re-utilisation of vacant, upper spaces in commercial buildings in the city centre (this problem occurs in a number of Union countries). The intention is to re-use vacant spaces as homes, prevent further dereliction, and encourage upgrading which will make the city centre more attractive and, in turn, strengthen its regional functions.

3.7 Italy⁸

New patterns, new problems

Different regions, changing times

In all but a few of the Union States, regional differences in social and economic well-being are reflected in different housing patterns, for instance in Britain declining older industrial regions usually have double the national rate of social housing tenures. And there are widespread rural/urban differences in most States, usually with rental housing above national rates in larger urban areas. Throughout this century, regional differences have been particularly marred with wealthier northern regions having higher quality homes and larger rates of social housing provision. In the Mezzogionno poorer quality and owner occupied homes often dominate provision and over-crowding of low quality rented homes is all too apparent in cities such as

⁸ This review was prepared by Professor Duncan Maclennan, based on published sources.

Naples.

Traditional problems remain, especially in the south, in spite of high new construction rates from the early 1960s to the late 1980s. Population growth shaped housing policy concerns for much of that period and family, more than state, support was critical in meeting needs. Now there is a new emerging demography, particularly in the North. Overall population growth is now low and falling. But new pressures are becoming apparent. The elderly (more than half living alone) now comprise 16 per cent of the population and this is set to rise to 20 per cent a decade ahead. Immigration from the east and North Africa of low income households has grown sharply. And, perhaps most important of all, there are signs that the traditional pattern of large families (with relatively small amounts of space per capita) is beginning to change with younger people seeking independent living at earlier ages than previously. These new trends are layered upon and reinforcing traditional problems of over-crowding and poor conditions for less affluent Italians.

Tenures and trends

The share of home-ownership in Italy rose from 61 to 67 per cent between 1980 and 1990 and is continuing to expand. With high inflation rates, home-ownership has been a vital "hedging" asset for Italians though real house prices have risen less rapidly and in a more stable fashion than in northern Europe. Home-ownership in Italy is also distinctive in the extent to which it is financed within the family, and mortgage credit comprises less than six per cent of GDP; home-owners in that sense are also protected from high nominal interest rates.

Private rental housing has been declining in relative significance, as ownership has grown, but in 1990 still housed 26 per cent of the population. After 1978 all private tenants were protected by the *Equo Canone* rent controls with rent increases limited to three-quarters of the increase in the retail price index. These measures protected the rent burdens of renters, usually with lower incomes, but have reduced the supply of rental investment and vacancies and contributed to stock and neighbourhood deterioration.

Social rented housing, often located on the edge of larger cities, provides six per cent of homes (but as much as 18 per cent in Northern cities such as Milan). At the national level the Residential Building Construction Committee allocates limited funds to the 20 Regions. The Regions then allocate resources to local Institutes for Social Housing who may support not-for-profit co-operatives or municipal housing. The municipal rate in providing, planning and enabling housing is extremely weak by European Union standards.

Policy organisation and emphasis

Until the late 1980s the obvious emphasis of Italian housing policy was to expand production, usually of larger homes, to cope with a growing population. However state support for doing so was both extremely restricted and, at the local scale, poorly organised. Special subsidies, including financial assistance for the disabled but not the elderly and other 'special needs' groups, have housed around 15 per cent of the population, with less than half of this being provided through the social sector. In many instances the task of providing for special needs has remained within the family or charitable sectors.

Production policies favoured new construction over rehabilitation of older units and, by 1990, more than two million homes had been illegally constructed since the 1960s.

The main measure of low income renter support was the Equo Canone rent control though within the small social sector, intended to house the poorest families, rent allowances were available to the worst-off households.

Policy challenges

The essential difficulties now facing Italian housing policy stem from the inappropriate nature, in terms of unit size and condition, of the housing stock in relation to new patterns of poverty and family living. These include

- recent, impoverished immigrants contributing to rising homelessness and slum over-crowding as they have no recourse to family support
- the deterioration of older homes in private rental neighbourhoods in central cities, and historic districts, with these areas becoming increasingly over-crowded whilst also housing disproportionately large numbers of the elderly
- an obvious shortage of smaller rental units, for younger and older households, in urban areas
- a need to develop more local competence in housing provision and planning.

At the State level, these emerging difficulties have been recognised. For instance, for the 1992-95 period, government initiated a special needs programme for the elderly, large families, students and immigrants. But these programmes have not yet generated the scale of positive policy responses observed, for example, in Ireland. But important innovations, often inadequately resourced, are being made at the local level.

Policy innovations

Innovations have included developments in housing design, a traditional area of strength, and government has facilitated this process, since 1989, by raising required housing standards. The development of new approaches in land-use planning have also been significant.

Recent developments in policies for housing the elderly have demonstrated the capability for innovation when resources are available. Of the one in six Italians who are now elderly some three-quarters live in owner occupied units, often in flats without elevators and without adequate heating facilities. One in eight of the elderly are permanent invalids. They, and the disabled, can request limited financial support for unit conversion. Resource shortage have slowed progress but policy and practice have evolved in encouraging ways

- overall policy has evolved; from 1970-1979 the emphasis was on the provision of residence hotels for the self sufficient; in the 1980s social housing units were produced with municipalities having nomination rights to 30 per cent of units for young and old applicants (usually on ground-floors of mainstream provision; the 1992-95 programme then encouraged not-for-profits to provide suitably designed homes for the elderly
- the aim of policy is now that the elderly should be facilitated to remain as long as possible in their own homes
- limited housing measures have been linked to the 1992 National Health and Elderly Initiative with frail care and Day Centre provision
- innovation in Information Technology has been used to design more 'intelligent' homes for the elderly and teleassistance, to increase resident security, has been provided in half of the Regions (supported by 50 billion live annually off State money) for the over 75s

- housing upgrading for the elderly is now being linked to rehabilitation and historic conservation innovations.

A post 1990 development in Rovigo combines all of this good practice. A rehabilitation project created over 90 'granny annexes' complete with communication systems, appropriate internal and external design as well as support services. Essentially these innovations are similar to those emerging in Denmark (see the Danish report) but they contrast sharply, and adversely, in the scale of national resources available and the localised organisations of housing policies.

3.8 The Netherlands⁹

Tenure structure and trends

The housing system in the Netherlands is undergoing radical change. It is shifting from having one of the greatest government interventions in housing policy to having one of the least, and is moving from having one of the most expensive housing policies to one of the cheapest.

This change comes after decades of housing policy which led to the emergence of the largest social rented sector in the European Union. Since the war, the private rented sector has been in consistent decline - it formed 60% of the stock in 1947, but is now down to 11%, with further decline most likely. The social rented and owner occupied sectors grew to about 40% each by the mid 1970s. Since then the social rented sector has remained static, while the owner occupied sector has continued to grow (to 48% by 1994) at the private rented sector's expense. On current construction trends the owner occupied sector will continue to rise proportionately, and the social rented sector will decline proportionately.

Of the member states, The Netherlands had the highest level of construction in the post war period. More than 75% of dwellings have been built since 1945, which is not surprising given that the Netherlands also has had the largest population growth (60%). The stock therefore relatively new and of high standards, although the number of dwellings per 1,000 inhabitants remains among the lowest in the EU.

Standards vary between tenures, with owner occupied dwellings tending to have the highest levels of amenities and the private rented sector the lowest. Owner occupied dwellings are also much more likely than are rentals to be single family dwellings.

The large size of the social rented sector means that it houses much wider social groups than in most other member states, but as owner occupation grows the tenures are likely to become more divided socially. Within the social rented sector, the small local authority sector (4% of the housing stock) has a reputation for housing the poorest people and its dwellings tend to be older than those managed by the dominant social landlords, the housing corporations (36%). A much smaller arm of the social rented sector is made up of other non-profit landlords which often cater for special needs groups, such as students and elderly people.

⁹

This section is based on McCrone and Stephens (1995) and Peter Boelhouwen's chapter in Paul Balchin (ed) (1996).

Policy organisation and emphases

Although construction subsidies have been available to the owner occupied and private rented sectors, the bulk of direct subsidies have been directed at the social rented sector. The housing corporations are the dominant form of social landlord. There are more than 850 such landlords with an average stock of 2,500 dwellings, although 24 have stocks which exceed 10,000 units. Local authority landlords have on average much smaller stocks - about 1,300 units.

The government has been able to exercise very tight control over the social rented sector by controlling the subsidy system. The concentration of subsidies on housing corporations, rather than local authorities, accounts for the dominance of the former within the social rented sector.

But Dutch housing policy has been very expensive. The cost of policy in 1990, including tax reliefs to owner occupiers, was FL16,716, the equivalent of 3.2% of GDP. Policies adopted since the publication of the Heerma Memorandum in 1989 to cut housing costs are having important consequences for the organisation of Dutch housing:

- finance for social housing developments is now sourced from the private sector, whereas previously it had come predominantly from the Government;
- establishment of Central Fund and Guarantee Fund to protect financially weaker corporations and to limit risk on free market loans;
- regulation by Government weakened and replaced by post hoc assessment of performance by housing corporations;
- all local authority housing to be transferred to housing corporation sector by 1997;
- 'grossing and balancing operation': from 1995 outstanding debt of housing corporations will be written off, but no new subsidies will be available.

Key policy challenges

Taken together these financial reforms mean that the social rented sector is largely free of government control, but must also stand on its own feet. The housing corporations now face tough challenges:

- rents have been rising and this will continue
- the sector is expected to become less attractive to people on modest incomes
- tenants will become more dependent on housing allowances
- management might be expected to become more difficult
- financial viability will be severely tested by the markets if development programmes are to be undertaken.

The new policy seems to be based on the calculation that the social rented sector does not need to house 40% of the population, and by encouraging them to move to the owner occupied sector, relatively cheap properties will be freed in the social rented sector, without the need to subsidise large programmes of new construction. Those tenants attracted to the owner occupied sector will enjoy generous tax reliefs: mortgage interest tax relief remains unrestricted, although (unusually) it is balanced by a tax on imputed rental income.

Policy responses and innovations/EU actions: the Groningen urban pilot project¹⁰

One of the main areas in which Dutch policy has been innovative is in urban policy. As in other countries, the Netherlands has concentrations of poor quality housing whose residents suffer disproportionately from unemployment and the other forms of deprivation that characterise social exclusion.

The Netherlands has had an active urban regeneration policy although it is now being run down, following the Heerma Memorandum. However, it has created the opportunity to run domestic programmes alongside those funded by the European Union. As in other member states, EU actions relating to housing have been restricted by the rules governing the structural funds, but the Urban Pilot Projects have provided an example of European funds playing a role in urban policy.

The Groningen Urban Pilot Project is one of two such projects in the Netherlands, the other being in Rotterdam. The Groningen Urban Pilot Project's main objective is to integrate the primarily residential area of Kooreweg/Oosterpark in the north east of the city into the wider economy, as part of a larger project known as SEND (Social-Economic Network Development).

There are two parts to the Urban Pilot Project:

(i) Training Project in the Field of Housing Environment: this project aims to train long term unemployed people from the district as specialists in the housing environment. By matching perceived needs with skills, the project aims to:

- create employment for the long-term unemployed; and
- improve living conditions in the area.

The project trained a total of 12 people and guaranteed them a permanent job at the completion of their training. The training programme lasts for two years (1994-96). In the first year participants received their social security benefits; and in the second year they receive a salary from project funds.

(ii) Improvement of Rear Courtyards: This part of the project is run along similar lines to the one described above. Its aim is to train unemployed residents within the framework of redesigning and preserving rear courtyards. The project is being carried out jointly with a private company and Groningen District Council. The residents were also involved in its conception.

Both parts of the project involved partnership working. The District Council is involved in both as is private enterprise, where the trainees are guaranteed a job within a private company at the end of their two years.

¹⁰

This sub-section is extracted from a paper by Fiona Smith and Alison Urquhart.

3.9 Portugal¹¹

Minimal past policies, poor housing

In the past, good housing has not been at the top of the political agenda in Portugal and, in consequence, housing problems have tended to perpetuate themselves. In 1966 the Portuguese shortage of decent housing was estimated in 500,000 dwellings, the same figure estimated in the *White Paper on Housing Policy* almost 30 years later (1993). The Portuguese housing shortage is not merely cyclical but persistent, structural in its nature. The numerous shanty-towns, particularly in the metropolitan areas of Lisbon and Oporto where there are more than 42,000 *barracas* (huts) affecting about 162,000 people, are its most obvious manifestation. Significant and persistent migration from low-employment regions of the “interior” and from the former Portuguese African colonies has added to urban housing pressures. “Street children” and roofless families are evident in the streets of the two main cities, Lisbon and Oporto. Rooflessness, at an estimated rate of about 0.3 per 1,000 people (a low level by European standards), is in Portugal a complex social problem rather than simply a housing problem. A national programme against poverty (since 1991) and the experiment now being launched by the government of a minimum guaranteed income are intended to tackle this issue.

At the same time, a significant part of the housing stock (about 240,000 dwellings) is in serious disrepair. Other not so visible problems exist. The last Census (1991) indicates that

- 23 per cent of households living in over-crowded dwellings
- 3.5 per cent sharing their homes with one or more families
- 5 per cent of dwelling with none or just one of the following basic amenities: electricity, WC or piped water

Tenures and Trends

Unable to produce effective changes in the private rental housing market (strictly controlled from the 1940s to the 1980s), Portuguese governments since 1976 have tended to base their housing policy almost exclusively on a subsidised credit scheme for the acquisition or building of owner-occupied housing. Private rented housing, which is concentrated in urban areas, constituted a dual market (older, low-rent tenancies versus recent, scarce and high-rent ones) and a declining alternative. Its weight in 1981 was 39 per cent of the total stock but has decreased 23 per cent in 10 years, representing 27 per cent of the stock in 1991. Owner-occupation, instead, has increased 26 per cent between 1981 and 1991 passing its share from 57 per cent of the stock in 1981 to 65 per cent in 1991, one of the highest increases in the EU.

Policy emphases

The Portuguese constitution states in its article 65 the right to appropriate housing for everyone and requires the government to design and execute a housing policy to make that right effective. Yet this constitutional rule has not been met and the commitment of successive governments to solve the housing problems has been sufficient. Housing policy is designed at the national level, with the definition of objectives and instruments an exclusive competence of the central government. Meanwhile, in spite of the scrapping of the national institution responsible for the development of social housing in 1982, local governments and co-operatives have been called to

¹¹ This section is based on a paper by Vitor Neves, University of Coimbra.

act an increasing role in the development of social housing production. This change, however, has not had a counterpart in terms of increasing funds available to local governments for that purpose. This, in conjunction with the indebtedness limits legally imposed on them, has restricted their ability to act. Policy, in the past, emphasised rent controls and credit support for home-owners.

Policy challenges

Aside from the condition problems noted in the introduction, there are other major policy challenges. Although supported by the subsidised credit system, low-income households hardly have had access to the owner-occupied sector. Evidence on affordability, although scarce, suggests important problems faced by Portuguese households. An official study estimated house price/income ratios for an average dwelling in 5.8 minimum annual wages in 1987, 6.3 in 1988 and 6.8 in 1989.

The supply of "low cost" (or "social") housing is insufficient and the sector represented in 1991 just about four per cent of the housing stock. Hardly finding a solution in the formal sector, low-income households have had to search for housing solutions such as construction of *barracas* in the shanty-towns or self-construction of low cost houses without legal permits. However there has been a recent increase in the importance of social housing production through co-operatives: in the 1986-93 period co-operatives produced almost six per cent of the total new dwellings (legally built), with central and local governments adding 3.5 per cent and social solidarity private institutions just 0.2 per cent.

In line with the housing policy priority given to the access to owner-occupation, there is a special more favourable credit scheme for house acquisition by disabled people. There are no special housing regulations intended for elderly.

Policy innovation

Following a "National Meeting on Housing", where complaints about the neglect of the housing sector by the government put the public authorities under pressure, the government launched in 1993 a broad package of initiatives¹. This was the "Housing Plan of 1993", again stressed in the "Strategic Options for the Development of Portugal in the period 1994-1999"². The announced goals were to increase the housing supply, improve its condition and to eliminate housing in serious disrepair. The global investment for the execution of the Plan was initially estimated by the government in 270 milliard of *escudos* (PTE), distributed over six years. A sum of 150 milliards was provided for the elimination of shanty towns in the metropolitan areas of Lisbon and Oporto³. From the actions included in the Housing Plan of 1993, given the magnitude of the housing shortage in the metropolitan areas of Lisbon and Oporto, reference will be made here to the two programmes particularly intended for them: the one for the elimination of shanty towns and the other for the construction of "low cost" housing.

The government had launched a national programme for the re-accommodation of poor households in 1987⁴, through the construction of dwellings at "controlled costs" by the municipalities, supported by the central administration through the concession of grants up to 50 per cent of the construction value and reductions of 60 per cent in the interest rate. Indebtedness limits of local governments and the magnitude of the problem in the metropolitan areas of Lisbon and Oporto made this programme insufficient. A special programme for the elimination of the shanty towns in those two metropolitan areas and the re-accommodation of households in

dwellings at “controlled costs”, the PER⁶, was then launched aiming at the total and definitive elimination of shanty towns. For this purpose general agreements between the central administration and the local governments have been established, by which local authorities benefit from funding for the acquisition or building of the dwellings needed, against the compromise that new shanty towns will not be established again in their jurisdiction areas. The central administration finances local authorities through the concession of grants up to 50 per cent of the cost of land and house construction or of the price of acquisition of dwellings already built and provides loans with a subsidy of 75 per cent of the contractual rate of interest (which is fixed for periods of 5 years) to local authorities up to 50 per cent of the cost of land and construction or of the acquisition price of houses. Grants and loans could not exceed 80 per cent of the total value of the project⁷. For the determination of the indebtedness limits of local authorities, loans under this Programme are counted by half of its value. Central administration may transfer to local government (free of charge) its housing stock. The programme is also extensive to “Social Solidarity Private Institutions (IPSS) in the same conditions as for the local governments.

By July 1995 all municipalities and one IPSS had celebrated the general agreements with the central administration, by which the local governments and the IPSS compromise to build 35,366 dwellings plus the acquisition of more 13,025, giving a total of 48,391 dwellings. The majority of local governments would complete the programme before the year 2000 although five overcome that deadline, being 2009 the most extended one. The total investment amounts to PTE 343.7 milliard, being 45.1 per cent credit funded through the CGD⁸, 46 per cent granted by the central administration and 8.9 per cent self-financed by the promoters (municipalities or IPSS).

Dwellings built or bought will be property of the local authorities and subject to strict conditions on rents and transmission rules.

Meanwhile, the programme for the re-accommodation of poor households launched in 1987 has been directed to solve the problem of shanty towns in the rest of the country.

Land is expensive in Portugal. Through the programme for the construction of “low cost” housing in the metropolitan areas of Lisbon and Oporto⁹ the central administration - that owns a vast amount of lands - aims at stimulating private builders to construct social housing of quality by making available land at under-market prices in those areas and through fiscal and financial incentives. The goal was the construction of 15,000 “low cost” dwellings. For this purpose, international contests would be launched until December 1996 to sell lands to firms proponents of projects of construction. The maximum price of the dwellings built is pre-determined by the government and announced at the launching of the contest and their quality had initially to be guaranteed through a certification by the *Laboratório Nacional de Engenharia Civil (LNEC)*, a condition left behind in the meantime. These dwellings are intended for low-income households; nevertheless, everyone can buy them although for rental or for permanent owner-occupation purposes. After being commercialised dwellings are subject to certain rules in terms of rents and transmission. Builders may reserve up to 35 per cent of the total area for housing or other purposes sold without any limitation of prices.

Until now, only three projects summing together proposals for the construction of less than 1,500 dwellings in the metropolitan area of Lisbon have been awarded (10% of the programme) and none of them had started by late 1995 (at best house completions foreseen for the last semester of 1997)¹⁰. According to the news, there have been lots of problems with this programme and there are fears that housing prices actually might not be significantly different from the ones practised in the free market¹¹.

There are other housing programmes being now implemented in Portugal that deserve mention. It is the case of RECRIA - a programme launched in 1988 to provide financial support through grants for the rehabilitation of the rented housing stock, undertaken by landlords or, if they do not, by their tenants or the municipalities - and the IAJ - a programme launched in 1992 to stimulate house renting by young people¹² through the concession of a rent subsidy for working people up to 30 years old (single or married), depending on the income and the size of the household and that cannot exceed 75 per cent of the rent. It is awarded for a maximum of five years (consecutive or not) and has been designed in parallel to the young borrowing scheme for housing acquisition so that it would be tenure neutral.

Meanwhile, recent declarations of the Minister responsible for the housing policy suggest that the socialist government - aware that the benefits of the important financial support to owner-occupation have not primarily been to low-income households - intends to make changes in the system of credit for house acquisition and redirect government support more towards subsidising people to access the privately developed rental market. However, there are no concrete measures yet.

The European contribution

At the moment, Portugal - being one of the four European countries of the so-called "cohesion" group, with a GDP in 1995 representing 67 per cent of the European average - benefits from several European funds in a significant amount for the necessary modernisation of its productive structures and to face the challenge of integrating the *euro* area. It is the case of the Cohesion Fund and the structural funds, mainly the ERDF and the ESF. Funding under the URBAN Community Initiative is one of the most closely linked to housing issues. However, in line with the EU subsidiarity principle, programmes directly intended to social housing provision are not supported by the European funds. This is hardly understandable, at least in the Portuguese case. The obligation of a national contribution in the projects funded by the EU and the need to achieve the Maastricht convergence criteria - such as the reduction of the public deficit - lead to a bias in the national government financial effort towards the projects funded by the EU in detriment of those which were supposed to be an exclusive national responsibility. So the European subsidiarity principle is being an obstacle to the resolution of the Portuguese problem of shanty towns. The cohesion principle stated by the Single European Act should then lead to the consideration of actions intended to eliminate shanty towns and to improve housing conditions as fundable by the EU.

¹ "Diário da República", nº 106, I Série - A, 7 de Maio de 1993

² *Opções Estratégicas para o Desenvolvimento do País no período 1994-1999*, Lei nº 69/93, de 24 de Setembro.

³ AECOPS, *Relatório AECOPS da Construção*, 1994.

⁴ *Decreto-Lei nº 226/87*, 6 June 1987.

⁵ Dwellings whose prices are limited to a certain maximum amount established by the central government.

⁶ *Programa Especial de Realojamento nas Áreas Metropolitanas de Lisboa e Porto (PER)*, established by the *Decreto-Lei nº 163/93*, 7 May 1993.

⁷ Having in view a more effectiveness in the application of the Plan, it is possible to widen the limit of the loans conceded to the totality of the price of acquisition not covered by grants in case of dwellings at "controlled costs" that were in construction or already built in July 1994 (*Decreto-Lei nº 199/94*, 22 July 1994).

⁸ Caixa Geral de Depósitos, the most important Portuguese bank.

⁹ *Programa de Construção de Habitações Económicas*, established by the *Decreto-Lei nº 163/93*, 7 May 1993.

¹⁰ Newspapers reported conflicts between the parts involved in the first project approved (IGAPHE, LNEC and the builder) mainly associated with the certification of quality of the project by the LNEC (see *Público*, May 23, 1995).

¹¹ See *Público*, October 2, 1995

¹² *Incentivo ao arrendamento por jovens*, *Decreto-Lei nº 162/92*, 5 August 1992.

3.10 Spain¹²

Tenure and trends

Spain has one of the highest home-ownership rates of the European countries, largely at the expense of private renting which now houses a fifth of households. Although long term rent controls have been relaxed, ?? new units, with three out of four households in the sector. Ownership has been growing for the past few decades. There is no evidence yet of a change in its trend. The new rental laws aim to back the rental sector, by assuring five year contracts at an annual increase rate equal to the general consumption price index. Social rental housing provision, through a range of not-for-profits, provides around five per cent of homes.

Low income households access the lower part of both rental and ownership markets. For both, there are some local authorities that provide a limited number of social housing at below market price/rates. Otherwise, the private market *filters down* older and lower quality housing toward this segment of the market.

While there is a large volume of houses not used as main residence (5.3 million dwellings due out of 17 million), many families cannot afford to buy a house in many areas of the country, the rental sector being insufficient. The mismatch is twofold: territorial, because there is an excess of supply in places of decreasing population; and social, because some segments of demand face prices which are too high for their income.

Policy emphasis

Traditionally, the main issue of the Spanish housing policy has been “affordability”. However, this term is used in a rather broad sense. Rather than being limited to the socially excluded, the disabled, the elderly, refugees/asylum and seekers and the homeless, it is meant for the lower-middle income people in general.

Overall levels of fiscal support for home-ownership are limited and the main “affordability” policy was rent controls. The mean Spanish family devotes some 28-29 per cent of their income to housing. The figure may be much higher for lower income people, but no specific statistics are available.

Under the 1978 Constitution, the regions of Spain were recognised as Autonomous Communities. Thus, the administrative system was organised in three tiers: central, regional and local. In the following years, 17 Autonomous Communities passed their own Constitutional Chart and claimed most of the responsibilities that the Spanish Constitution allowed at regional level, taking at the same time some power from local authorities. Housing and planning were among the responsibilities the central government had to decentralise to the Autonomous Communities.

The only responsibilities for housing policy remaining at central level are the preparation and approval of a financial framework programme and the regulation of the urban housing rental sector. Also, the central administration has full responsibility on fiscal policy and, therefore, establishes the fiscal exemption levels, if any, for housing buyers and renters.

¹²

This section is based on a paper by Pere Rieva

The Autonomous Communities undertake the actual management and part of the implementation of the financial housing policy designed by the central government. They can develop their own legislation to meet the regional housing needs.

The local administration can play an active role in housing supply, although in practice the limited budget they manage constitutes a major handicap. Nevertheless, some local authorities, in partnership with the private sector or on their own, become major developers of social housing.

In 1992, a four year housing programme was implemented in co-ordination with different administration levels. In 1996, the programme has continued with minor changes, for four more years (1996-1999).

Key challenges

Since the first four-year programme, affordability issues have figured less prominently in the public debate. Instead, planning and land speculation have gained importance, reflecting the belief that the origin for the higher cost of housing lies in the lack of cheaper land. Accordingly, several local governments have been providing land at below market cost in order to build social housing.

Social housing take the form of blocs of apartments of several storeys (between 5 and 10, typically), and of limited size (typically under 80 square meters). This has not caused any controversy, due to the traditional location in high blocs of apartments for most of the middle and upper middle income people. For the social housing built in the last two decades, quality has not become an issue either, since materials are fairly good and local authorities tend to commission the project to younger architects with new and attractive ideas.

The problems of poor dwelling conditions remains in the older housing market in older and/or marginal neighbourhoods, with rehabilitation policies progressing slowly.

Policy responses

Besides the two four-year programme, which embraces people earning less than 2.5 (or even 5.5) times the Minimum Official Wage (i.e. middle and lower income people), there are no general or large scale policy actions oriented toward the most disadvantaged.

In the older and marginal neighbourhoods, most local authorities have implemented programmes of urban renewal. Typically, they provide new open spaces (squares) and restore older houses. When the older neighbourhood is located in the central area of the town or city, prices go up very sharply, since they add the new look value to the centrality of its location, which is much appreciated in Spain, especially in comparison with central, and northern European countries. In consequence, gentrification or displacement of lower income groups takes place.

EU contribution

Several EU programmes are used to complement regional and local policies, specially as far as urban regeneration is concerned.

3.11 Sweden¹³

Tenure structure and trends

Compared with many other countries in the European Union, Sweden is relatively unusual in that there are four distinct housing sectors: owner occupation, private renting, social renting, and housing co-operatives. In 1990, owner occupation accounted for about two fifths of the housing market, private renting and social renting each accounted for a fifth, while co-operatives accounted for about a seventh of the total.

In the post-war period, owner occupied homes decreased slightly as a proportion of the total housing stock, from 38 per cent in 1945 to 35 per cent in 1970, but then slowly increased to 40 per cent. Private renting has fallen from 51 per cent in 1945, while social renting has increased from two per cent and co-operative housing has risen from four per cent at the same date. Both private and social renting have remained at about a fifth of the stock each since 1980.

In 1990, just over half of the four million dwellings were single family houses while the remainder were multi-family dwellings. About nine out of ten single family units were owner occupied, while most multi-family dwellings were rented or part of a housing co-operative. The housing stock in Sweden is relatively new: three quarters of the stock was built after 1940. About a quarter of the housing in the three largest cities was built as part of the so-called Million Programme (1965 to 1974) when the aim was to construct a million dwellings over ten years.

Policy organisation and emphasis

When the foundations of post war housing were laid down in 1946-47, the goal for social housing was 'good dwellings for all'. Hence, in principle, social rented housing is open to all households and no income tests are used to decide upon eligibility. A further key principle of Swedish housing policy since 1974 has been the goal of tenure neutrality in terms of financing and subsidies.

Social rented housing in Sweden largely takes the form of municipal, non-profit housing companies. These companies are controlled by and operate within single municipalities. Some municipalities have more than one company, which may be in competition with each other. They range in size from a hundred or so to more than 50,000 dwellings. The management boards of these companies are composed of members of the municipal council.

In the private rental sector there are a small number of very large owners and a large number of very small owners. Thus about a third of the sector is owned by landlords who have just one apartment block, while another third is owned by only one per cent of landlords. Like social housing landlords, private landlords have been eligible to receive state housing subsidies, though on slightly less generous terms. The rental housing market has been described as a unitary one in the sense that the rent setting rules, security of tenure and to some extent even allocation of tenancies are the same in both the private and the social housing sectors.

In Sweden, there is in principle, if not exactly in practice, a unitary system of rent determination which applies to both the private and the social rented sectors. In this system, the municipal housing stock is priced according to the principle that it should not generate a profit, which in

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Review prepared by Professor Peter Kemp based on material provided by Bouerket, Karls Krona.

practice means a cost-related rent setting system. The rents for dwellings owned by the municipal non-profit housing companies are then used as a yardstick for privately owned rental housing. If there is a dispute between the landlord and the tenant over the rent to be paid, then the rent shall be determined at a level that is comparable to that for dwellings in the locality which have a similar utility value.

There is a high level of organisation among landlords and tenants representatives in Sweden. The municipal housing companies are organised into a national umbrella organisation known as SABO, which is involved in the national rent negotiations. Private sector landlords are represented by the Swedish Federation of Rented Property Owners. Tenants are also highly organised and there is an organisation of building contractors.

Bricks and mortar subsidies in Sweden have taken the form of interest subsidies for the construction of new housing and the rehabilitation of the existing stock. For rental dwellings built by the municipal housing companies, the subsidised loan covers 100 per cent of the approved cost of construction. For co-operatives, the subsidised loan covers 99 per cent of the approved cost, while for private landlords it covers 92 per cent of the cost. For owner occupiers, it covers 95 per cent. The non-subsidised portion and any costs in excess of the approved amount have to be covered by a market loan. The subsidised portion of the costs are covered by two loans: a loan equal to 70 per cent of the approved cost has to be obtained from a mortgage bank, while the remaining subsidised share (30%, 29%, 22% and 25% respectively of the approved cost) is covered by a loan from the state. The amount of the interest subsidy is gradually tapered off until the market level is reached.

These interest subsidies are being phased out as part of a radical reform following the election in 1991 of a non-socialist coalition government. The new administration outlined four goals: (1) to integrate Sweden into the European Union, (2) to tackle the economic stagnation of the country, (3) to increase 'free choice' in welfare and social care, and (4) to lay the foundations of a more sustainable society. As part of this reform, housing policy is to be made more market oriented and cutbacks made in housing subsidies. In 1992/93, housing subsidies accounted for an estimated eight per cent of total government expenditure.

Among the changes that are being made, the interest subsidies are to be gradually reduced and completely phased out by the year 2000 or thereabouts. The interest subsidies on dwellings built between 1978 and 1992 are also to be run down. The Ministry of Housing was abolished in 1991, with responsibility for housing being divided among seven ministries. However, a year later it reappeared in another guise, when an inter-ministerial delegation was established with the job of co-ordinating government housing policy.

A radical reform of the Swedish tax system was also introduced in 1990 and 1991, the stated objective of which was to increase the efficient functioning of markets. Housing was central to this reform. Income tax rates were lowered but the tax base was broadened: housing investment and property management ceased to be exempt from VAT, the property tax was increased, and the rate of mortgage interest tax relief was lowered.

The position now is that nominal capital gains are taxed, but imputed rental income is not. Owner occupiers receive tax relief at a rate of 30 per cent on the first 100,000 SEK per person in mortgage interest costs and 21 per cent on interest costs above that amount.

As a result of these changes to housing and taxation, housing costs rose by about 20 per cent in real terms between 1989 and 1991. In order to alleviate the effects of this marked reduction in housing subsidies and tax expenditures, the housing allowance scheme was enhanced, which in turn resulted in an increase in its cost. Housing allowances have consequently increased as a proportion of total housing subsidies, from 22 per cent in 1990 to 32 per cent in 1993. The Social Democrats returned to power in September 1994 as part of a coalition government. The perceived need to reduce the relatively large budget deficit has led the government to propose wide ranging cuts in benefit expenditure. As part of these proposals, it is planned to reduce expenditure on housing allowances by 20 per cent.

Key policy challenges

High public sector deficit. Sweden has a very high public sector budget deficit. In 1994 it was around 10%, the largest deficit among the OECD nations apart from Greece. This level of deficit is well above the 3% required by the economic convergence criteria agreed in the Maastricht Treaty. So far as housing is concerned, this high level of deficit means that interest rates are higher than they would otherwise be. In part, the high deficit also accounts for the pressure to cut spending on housing subsidies including housing allowances. Sweden spends a higher proportion of GDP on housing subsidies than most EU countries, but this high level of expenditure is set to fall. In turn, reduced housing subsidies imply higher housing costs, which are likely to impact most adversely on lower income households.

High unemployment. The unemployment rate in Sweden is relatively high and this is of course one reason for the high public sector deficit. The relatively well-developed welfare state in Sweden means that the risk of social exclusion arise from high levels of unemployment is much less than in many other EU countries. However, the rising cost of the welfare state has led to some rethinking about the future of welfare in recent years and steps have been taken to trim social security costs and to place rather more reliance than previously on the private rather than the state sector in the provision of services. However, there has been considerable opposition to this, especially from women as they have benefited considerably not merely from the provision of state services (e.g. for child care) but also from employment in the public sector.

Empty homes. In Sweden there has been a dramatic switch from a shortage to a surplus of dwellings in the housing market. This trend began in 1991 and by the beginning of 1994 nearly 70% of municipalities stated that they had a surplus of homes. Not surprising, housing construction has fallen considerably and by 1994 was at its lowest level since the second world war. The refurbishment of existing dwellings has also declined substantially. The value of credit losses by mortgage lenders increased significantly in the early 1990s.

3.12 The United Kingdom¹⁴

Regeneration amidst restraint

Structures and trends

Home-ownership is the dominant tenure in the UK, with heavily subsidised sales of municipal homes accounting for two-fifths of the rise from 55 to 68 per cent between 1980 and 1995. The private rental market, with new investment finally freed from controls in 1989 but relatively unsubsidised, has shown signs of growth in the 1990's as inflation remains low and younger households either stay longer at home or live longer in market rentals prior to ownership. But it remains small, at less than 10 per cent of the stock.

The non-market sector, comprising municipal housing and housing association stock, is the major vehicle for delivery of 'social' objectives in UK policies. The sector has contracted and changed significantly in structure over the last decade. In contrast to 1980, when municipalities and associations, respectively, provided 31 and 2 per cent of homes, the 1995 figures record that councils now provide 19 per cent and associations 4 per cent of homes. That is, there has been a major reduction in municipal stock and new investment and a shift of new investment to the association sector. This shift primarily reflects central government investment limits.

Policy organisation and emphasis

Tax policies, which have become less important since 1990 (with home owner tax breaks falling from £7.7 billion to £2.8 billion, and Housing Benefit, which is universally available to renters only and has expanded over the same period from £5.6 billion to £12 billion, are both national, UK wide policies. However, especially in relation to local authority and housing association sectors, there is administrative decentralisation of policy separately for England, Scotland, Wales and Northern Ireland. Within these areas, respectively The Housing Corporation, Scottish Homes and Tai Cymru are quasi-autonomous non government organisations responsible for funding, supervising and monitoring housing associations. Municipalities have key planning powers, statutory obligations to house the homeless and are often large scale providers of homes (especially in urban areas exceeding half a million population where they often still provide half of homes).

Housing policies in the UK now absorb about three per cent of GDP, a reduction from five per cent of the 1970's but still a large proportion by EU standards. In recent years the dominant, clear policy themes of the 1980's have altered markedly in many respects. Fiscal support for home-ownership has been reduced and council house sales have slowed markedly. The sector is still growing but the difficult boom-bust of 1985-1993, which resulted in half a million home repossessions (putting new demands on the social sector) and has still left just under 10 per cent of owners with negative equity has changed consumer and lender attitudes. The private rental sector receives minimal support.

Whilst local authority capital spending on in Great Britain housing remains at record low levels, £2.8 billion in 1995 in contrast to £6.2 billion in 1980, the 1980's rental policy of rents rising, often, at two or three per cent above inflation has now come to an end. As two-thirds of council tenants receive housing benefit and as rents enter the consumer price index, it is now recognised

¹⁴ Review prepared by Professor Duncan Maclennan.

that steep rent increases raise the public deficit and deepen poverty traps. Similar comments apply to housing association rents. Whilst housing associations received major increases in grant aid (and new capacities to attract private finance) from 1988 to 1993 to promote affordable rental homes there is now a worrying reduction in their funding and a diversion of their output towards low-cost home ownership. Gross rent to income ratios (for 'cold rents') are commonly 25-30 per cent for the private tenants and 20-25 per cent for association and municipal residents. Net rent burdens are, on average, lowered by Housing Benefit to, respectively, 20 and 11 per cent.

Rent increases, recession and social change have all added significantly to the Housing Benefit bill. It is now widely recognised that, with relatively low levels of basic social security, Housing Benefit covering 100 per cent of housing costs in many cases, high rents and steep withdrawal rates as households increase earnings, the UK Benefit system does not promote efficient use of the rental housing stock and creates deep poverty traps. Housing policies may often exacerbate social exclusion for the poorest fifth of households.

Policy challenges

Despite high levels of policy expenditures (including tax concessions) the UK still faces a range of critical housing issues, though they relate primarily to access and quality rather than affordability

- although now shortening, waiting times to enter council housing are commonly of the order of three years, though this varies from seven years in the pressured south to several months in northern cities;
- although rough sleeping is relatively low and falling (around 2,900 according to the government, and up to 20,000 according to voluntary agencies) the number of statutory homeless housed by local authorities in 1994 ran at 126,000 (a drop of 20,000 since 1990); in the same period the proportion of homeless housed in temporary accommodation (bed and breakfast) has risen from a quarter to a third; there are now legislative proposals to remove the statutory obligation of councils to provide permanent tenancies for the homeless;
- public spending limits now allow the production of around 75,000 'affordable' homes annually, chiefly through housing associations though independent estimates suggest a need of closer to 120,000 units;
- there is extensive disrepair and lack of modernisation in council housing, with an estimated backlog of £30 billion;
- there are growing quality problems for elderly and low income home-owners, with 6 per cent of homes 'unfit';
- research indicates a significant growth and spread in the concentration of low income, unemployed, dependent and single parent families within local authority housing, in large and small towns and in central city and peripheral housing schemes; there is growing socio-economic segregation within council housing and between social renting and the market sectors; in the council sector as a whole less than one household in three has an employed member and in poorer estates this figure often falls below 10 per cent.

Policy responses/innovations

There have, against a bleak background of resource levels, been important innovations in the UK social housing sectors over the last ten years

- housing management has become more professional and competitive and a new performance culture has emerged;
- the promotion of decentralisation and tenant involvement has increased tenant roles in service provision;
- the emphasis on housing associations has challenged municipal monopoly and enhanced tenant involvement in development as well as service provision whilst new local authority-housing association-private sector partnerships have developed;
- housing associations, whilst playing an increasing role in housing the homeless (25 per cent of lets in 1995) have also played a major and innovative role in providing for the elderly, the disabled and disadvantaged; for instance associations have promoted 'barrier free homes', ethnically appropriate homes and (in Southern Britain) black-led housing associations; associations have played a leading role in implementing care-in-the-community policies to house residents being encouraged to leave institutional care;
- there has been a wave of innovations in identifying, receiving and housing the homeless involving social providers and voluntary organisations; these have included better equipped and staffed 24 hour reception centres, improved temporary accommodation, support mechanisms through the transition to permanent housing and 'foyers' for young homeless; policy innovation in relation to asylum seekers has become more negative;
- government has promoted Care and Repair/Staying Put Schemes, whereby voluntary agencies and not-for-profits assist the elderly, through grants and organisational support, to improve and remain in previously sub-standard homes.

British housing policy has, arguably, not been lacking in creative ideas, from central government to local volunteers, but in resource levels. There has, however, been a significant increase in resources directed towards the regeneration of rundown social housing estates, now amounting to over £3 billion annually. The conception and implementation of these programmes has really been the 'flagship' of UK housing policy in the 1990's and there has been a continuing evolution in the approach

- the management improvement emphasis of the early 1980's (Priority Estates Project) has been supplemented by major increases in government financial support as well as private investment;
- projects have moved from a housing only emphasis to integrate social, employment and environmental concerns (e.g. the Scottish Partnerships, such as Whitfield in Dundee and Castlemilk in Glasgow and English Housing Action Trusts);
- a new competitive bidding process for 'integrated' funding (the Single Regeneration Budget) has encouraged strategic and partnership approaches in England;
- community involvement in the programmes is high and plays a key role in rebuilding citizen and community confidence (for instance, the Hume Project in Manchester).

In short, housing-led regeneration programmes have done much to reduce social exclusion in some of Britain's worst social housing estates. Doubts persist, however, as to the sustainability of the changes given the continuing low incomes and high unemployment rates of the residents involved.

The EU contribution

In Glasgow, the Strathclyde European Partnership channelled European Social Fund support in the 1990s to the pre-existing WISE Group. WISE is a not-for-profit organisation which works closely with other regeneration agencies and trains formerly unemployed workers through projects upgrading housing insulation, environmental and street quality as well as land reclamation.

Funding sources have changed over time but in 1993 the European Social Fund financed a quarter of the annual 13m ECU budget. The WISE Group has now begun to 'franchise' their approach and is setting up new ventures in two English cities. Independent evaluations have praised the effectiveness and innovative features of WISE activities.

4. THE EUROPEAN UNION ROLE AND HOUSING

4.1 The status quo

In line with the principle of subsidiarity, the European Union has no powers to pass housing legislation. The Commission also does not allow European Structural Funds to be spent directly on housing investment projects, partly because these funds are designed to meet economic, rather than social, objectives, and partly because these funds should not be used to replace national governments' expenditure (the principle of 'additionality'). Hence some regulations, notably those governing the URBAN Community Initiative, acknowledge that areas of housing deprivation can qualify for funds, but specify that they may not be spent on housing. The low cost housing loans for coal and steel areas, which are administered by the European Commission, come under the 1952 Treaty of Paris which established the European Coal and Steel Community. The Treaty expires in 2001.

This overall clarity is, however, somewhat illusory. There are EU actions, such as in agriculture and labour market policies where Union actions complement national programmes. And, of course, financial assistance from a higher level of government does not preclude lower levels of government being able to decide how it is best spent. Indeed within nations such measures have become more commonplace in housing policies in recent decades. Since the Single European Act of 1986, with the adoption of the goals of promoting economic and social cohesion, the European Union needs to look again towards housing.

In the previous Chapter it was apparent that specific European Union actions sat comfortably within 'integrated' local approaches to housing policy. That is, European Union support does assist what are regarded by residents, providers and local governments as 'housing-led' or 'housing-related' actions. But the old-fashioned view of housing policy implied in European Union thinking (perhaps capital support to provide new, affordable homes) means that the Union's real contribution to contemporary policy actions often remain unrecognised. It is quite wrong to conclude that the European Union does nothing in housing.

The specifics of what the Union promotes in housing related projects are, however, not very clear. This may stem from the fact that housing-related support arises from the Structural Funds, particularly the European Regional Development Fund (ERDF), and the European Social Fund (ESF), a range of at least a dozen small Community programmes and initiatives as well as finance from the European Investment Bank. A second consideration is that it is usually difficult to identify the housing related element of European Union supported projects unless each project is analysed in detail. As most Member State governments do not appear to have a published record and audit of EU supported schemes within their own country, broken down by programmes and purpose it then becomes extremely difficult to identify, in exercises such as this, the Union's record of support and achievement. There are two member states where the national Housing Ministry does have such a record and audit. Other states could be encouraged to follow this approach and to establish the housing benefits from EU supported 'integrative' projects. EU

successes in supporting such initiatives are not as transparent as they should be and the vast majority of citizens remain unaware of EU support for Europe's worst neighbourhoods and poorest citizens.

In the paragraphs which follow there is no quantitative assessment of how European Funds and programmes help in housing. The absence of published data and evaluations makes that task impossible. Instead, the report provides qualitative illustrations of the kinds of programmes and projects which facilitate local housing change. Structural Funds are examined first and then Community Initiatives and other programmes.

European structural funds

Structural Funds play key roles in promoting social and economic change to meet social and economic cohesion objectives. They have grown in importance within the Budget, their share rising from a fifth to a third for the period 1988-1999, and by 1999 will have a likely value of 30 billion ECU. For the Union as a whole they comprise 0.3 per cent of GDP, but a higher share, around three per cent, in the Cohesion States (Ireland, Portugal, Greece and Spain). In that respect, they benefit most the countries with relatively poor physical housing conditions. Housing-related measures are most relevant in relation to the ESF and the ERDF. The detailed objectives of these Funds are reported elsewhere (Stephens, et al. 1996).

Recent research (1996) conducted by CHRUS for the Housing Corporation (the government's supervisory and funding body for housing associations in England) illustrates the ways in which European funds could be used either by housing associations as part of wider community activities or in relation to housing. Six examples from Germany and Scotland illustrate the main points, and they are summarised in Table 9.

These examples illustrate four principal types of project which demonstrate the linkages between the Structural Funds and social housing organisations:

- projects without an explicit housing component, but targeted on areas of housing deprivation
- projects where housing organisations have diversified their work into activities which are eligible for EU funding
- projects with non-housing objectives where funds 'leak' into housing
- projects where European funds are used to lever in additional funding into housing investment.

Table 9 indicates that these properties of projects are not mutually exclusive. For example, the Hamburg Eimsbüttel Poverty 3 project used EU funds for non-housing objectives and also to lever additional funding for housing-related investment. One of the project's strands was to carry out environmental improvement in this area of high-rise dwellings. The co-operation of local housing companies was required and was used to lever in funds from the Construction Department of the local authority to finance the environmental improvements. More clearly, the Bremen Tenover Urban Pilot Project involved the establishment of a concierge service as a means of providing employment and training for local residents.

Of these examples the closest a project came to using European funds for housing investment was the Munich Poverty 3 project. WOHNforum was established as a limited company with funding from the EU, the local authority and local charities as a vehicle for conducting the Poverty 3 project. WOHNforum was used to establish a demonstration project, providing training for local

people and participation for future tenants in the renovation of 22 flats and workshop space. WOHNforum thus provided 50 per cent of the cost of renovation (an example of European funds leaking into housing). The local authority provided the remainder from its renovation programme (an example of European funds being used to lever in additional investment to housing).

In Glasgow, Partick Housing Association's use of the European Regional Development Fund to convert the lower floors of an old building into workspaces enabled the remainder of the building to be converted into flats using funds from the national housing programme and the private sector.

The other examples each involved the use of the European Social Fund to provide training for people carrying out housing-related activities, such as the insulation of social housing, the improvement of back courts and housing management

Community initiatives and programmes, 1994-1999

The European Union uses 9% of the ERDF and ESF budgets to finance Community Initiatives. These programmes are intended to provide solutions to problems which have a particular impact on the Community. A further 1% of the ERDF and ESF budgets are devoted to Pilot Projects and Innovative Measures. These are the only projects funded by the Structural Funds which are allocated and administered by the Commission itself, rather than the Member States. Outside the Structural Funds, the Poverty 3 programme was intended to promote multi-agency approaches to tackling poverty and helped to develop the concept of social exclusion. Poverty 3 ended in 1994, and its successor programme (EXCLUSION) has yet to be agreed.

The projects supported by these programmes have been diverse in nature and are not per se to support housing. However, the Urban Pilot Projects almost invariably involved integrated area regeneration with housing providers as partners or lead agents. The Poverty 3 supported a wide range of housing-related projects, from improving shanty towns in Perama (Greece) to promoting regeneration of rundown social housing areas in Edinburgh (Pilton) and providing training for street children in Lisbon. More systematic research of the POVERTY 3 programme, indicates that housing action was involved in three-quarters of the projects supported.

The range of Community Initiatives at the start of the 1994-1999 period are indicated in Table 10. Further developments since that date, of housing interest, include

- the Clean and Efficient Energy Technology (CEET) initiative, includes THERMIE II which will support energy efficient housing solutions and has a budget of one billion ECU for the 1995-99 period;
- the HELIOS II programme is aimed to assist the disabled through rehabilitation, education and training (including for providers) and has a three year budget of 37m ECU;
- the TIDE and Telematics for Elderly and Disabled People programmes aim to promote the provision of new technologies in training and service delivery and support and have an obvious relevance to special needs housing providers.

As noted above, there is not presently available a country by country summary of housing-related projects supported by these European Programmes. But from British experience it is apparent that a wide range of projects matter and are being proposed in increasing numbers. The City of Glasgow, where this report was written, illustrates the point well. As Integrated Development Operation (involving ERDF and ESF funds) led to the Strathclyde European Partnership (with

400m ECU). This Partnership promoted environmental and infrastructure actions which facilitated neighbourhood restructuring helping public and private housing investment. In the same city, the not-for-profit WISE Group have used EU Funds to provide training for unemployed people by promoting energy conservation and environmental improvement actions in poorer housing programmes. The City Council used THERMIE I to develop innovative housing heating solutions; Partick Housing Association used the RENEVAL programme to provide business spaces in an integrated development and to make streets safer and more attractive; in nearby Paisley, an URBAN initiative has facilitated the formation of a significant area regeneration partnership with 5m ECU of EU money likely to leverage a further 15m ECU of housing and related spending.

Similar actions exist in other UK cities. Merseyside has an Integrated Operation programme; Hackney in London, has developed an explicit strategy of how Objective 2 areas can use European Union funds; Foyers, combining housing and training for young homeless, have been promoted by the ESF and ERDF in seven English cities; housing associations have also been active users of programmes, with SHAPE using EMPLOYMENT, HORIZON, Hastoe involving THERMIE support and Hanover, specialised in providing for the elderly, the TIDE programme. Housing Associations also participate in the European network for the Care and Health of the Elderly.

Table 9: Examples of the Use of European Funds

Case Study	European Funding	Agencies Involved	Project	Use of EU Funds
1. WOHNforum (Munich)	Poverty 3	- charities - local authority	training & participation in design & renovation of building for flats & workspaces	- to 'leak' into housing investment - to lever additional funding for housing investment
2. Hamburg Eimsbüttel	Poverty 3	- voluntary sector - state ministries	multi-dimensional project to tackle social exclusion, including environmental improvements	- for non-housing purposes, but concentrated on particular housing estates - to lever additional funding for housing-related investment
3. Bremen Tenever	Urban Pilot Project	- regional partnership - housing companies	multi-dimensional project to tackle social exclusion, with focus on skills upgrading, including establishment of concierge service	- for non-housing purposes, but concentrated on particular housing estates - to leak into housing-related activities
4. Partick Housing Association	RENEVAL (ERDF Community Initiative)	- Partick HA - Scottish Homes - Glasgow Development Agency	provision of workshops	- by a housing association diversifying into activities eligible for EU funding - to support non-housing activities which make a housing development financially viable
5. Wise Group	European Social Fund	- local authorities - training agencies - government departments	training activities using socially useful projects. eg. house insulation	- to 'leak' into housing-related projects
6. SHARE	European Social Fund	- SHARE - Scottish Homes	training for housing qualifications	- to 'leak' into housing-related projects

Source: Stephens *et al.* 1996

Table 10: Community Initiatives 1994-1999 (start of period)

Community Initiative	Description	Qualification	Funds (ECU bn, 1994 prices)
INTERREG	Cross-border & transitional co-operation & networks	All internal border with Objective 1, 2 or 5 (b) status; external borders	2.9
LEADER II	Rural Development	Objective 1 and 5(b) regions	1.4
EMPLOYMENT	Labour market integration	By scheme	1.4
- NOW	Integration of women into labour market	Not region-specific	[0.37]
- HORIZON	Training & job creation for disadvantaged groups	Not region-specific	[0.73]
- YOUTHSTART	Combat unemployment for under 20s, especially those without qualifications	Not region-specific	[0.3]
INDUSTRIAL CHANGE	Adaptation of workers & regions to industrial change	By scheme	4.7
- ADAPT	To help workers adapt to industrial change	Not region-specific. Projects must be transnational.	[1.4]
- RETEX	Aid to areas heavily dependent on the textiles industry	Textile regions in Objective 1, 2 and 5(b) regions Ends 1997.	[0.5]
- RECHAR II	Aid to areas affected by rapid decline of coal and lignite mining	Declining mining areas in Objective 1, 2 or 5(b) regions	[0.4]
- KONVER	Aid for areas heavily dependent on defence industry. Ends 1977	Regions heavily dependent on defence industry in Objective 1, 2 or 5(b) regions	[0.5]
- RESIDER II	Aid for areas affected by decline of steel industry. Ends 1997	Declining steel areas in Objective 1, 2 or 5(b) regions	[0.5]
- SME	Encourage development of small and medium size enterprises	SMEs in Objective 1 regions	[1.0]
PESCA	Aid to areas affected by decline in fishing industry	Declining fishing areas in Objective 1, 2 or 5(b) areas	0.25
URBAN	Labour market and infrastructure measures to tackle urban problems	Urban areas with populations over 100,000	0.6
OTHERS & RESERVES			1.0
TOTAL			13.45

* Excludes ECU 0.4 billion for the Portuguese textile industry, included under 'Others & Reserves'

Source: European Information Service, March 1994

The country reports, above, have provided illustrations of similar projects in other EU countries. But these examples are only the tip of the iceberg of EU support for housing related activities. It is clear that European Union support already plays a significant role in providing 'the mortar' for integrating nationally funded 'building-blocks' in neighbourhood and social renewal projects. Moreover these actions have helped promote national level policy developments around the notion of 'social exclusion' and reinforced the shift to integrated policy solutions.

Should the EU do more?

Clearly the Union does need to do more to audit and articulate the housing-related impacts of Structural Funds including the Community Initiatives. It is also apparent that as Community funding interacts with national housing policies, it would be helpful if there was better, regular, annual statistics and information regarding housing within the European Union. European wide research and comparative knowledge on national housing systems remains underdeveloped, especially in southern Europe, perhaps because housing is not an area of EU competence. At the same time European level representations on housing issues are split by tenure; the European Liaison Committee for Social Housing (CECODHAS) speaks for much, but not all, of the social housing sector; the European Mortgage Federation reviews national mortgage markets. But they speak with uncoordinated voices and there is no body representing private rental providers who house a fifth of Europeans. Unless the EU takes a lead this unsatisfactory position is likely to remain.

Better auditing and information on national housing systems raises no fundamental issues about subsidiarity. Nor would efforts to promote operational networks across housing providers and community groups involved in integrated policy development and implementation. In 1995 the European Network for Housing Research, which receives no support from the EU, set up a cross-national group for research commissioners in EU countries to facilitate cross-national discussion on housing research. Similar initiatives are needed at the operational level, involving housing practitioners. All of these developments are potentially useful to the Union because housing providers often take the lead in promoting integrated policies and in many instances are the major investors involved. The housing sector has to know about European Union initiatives and conversely the Union has a need to know about housing.

But would such developments in information and co-ordination be enough? The earlier parts of this report stressed that national housing policies are now operating in a more adverse context

- higher levels of unemployment and, in some countries, increased inequality are exacerbating affordability and benefit dependency for the poor ;
- homelessness remains a serious difficulty in most countries and poor housing conditions are extensive difficulties in the Cohesion states;
- social changes are creating new needs, such as those arising from ageing and family breakdown;
- there are growing concentrations of the socially excluded in rundown social housing and older, central-city neighbourhoods.

At the same time national levels of policy support for housing investment are declining or static in Union countries, with the exceptions of Ireland and Germany. This reduction in support clearly does not reflect a resolution of housing difficulties. It may reflect temporary reductions in support, until GDP grows more rapidly, as countries struggle to meet the Maastricht criteria on public expenditure and debt. But in some countries, such as the UK, Sweden and the Netherlands a more

sustained reduction in support is planned. Unless support is also effectively re-targeted to the poorer third of households in these countries the prospect that the poor will be well housed and re-integrated out of exclusion is diminishing. Some countries, such as Portugal, would like to see the European Union develop programmes allowing direct (and matched) expenditures on housing. This may well make sense in relation to specific actions, such as regeneration and special needs. Such action would not require European laws but is more likely to be ruled out by budgetary politics.

This still leaves the Union, if aims in relation to social and economic cohesion are to be attained, in a real dilemma. And this dilemma will grow as monetary union proceeds. Within a single currency area it is important that labour can migrate with minimal frictions. And it is also likely that adjustment will require the unemployed and lower income workers to move. It is difficult to see how present policies, sharply segmented at local authority let alone national boundaries, facilitate such moves. Private rental systems are often disorderly and social housing queues are long. Property market instabilities, with different national cycles in house prices, also complicate beneficial economic integration.

Such economic consequences of national housing systems have been hardly raised at all in the debates surrounding monetary union, and this is a culpable omission. At the very least the European Union should have a working knowledge of European housing systems and a clear view on the kinds of policies which facilitate economic adjustment and social integration. Housing systems and policies are too central to both of these processes for the Union to continue to ignore them. At the very least a European Housing Systems Observatory, with a much broader remit and competence than the existing Laboratoire Logement, is required.

There is, then, much that can be done to improve European-wide understanding of housing issues and the important, supportive role of Union actions, even without a new European competence in housing provision. The concluding section of the report sets out possible actions.

Breaking down barriers

Throughout this report there has been an emphasis on the inadequacy of research, information and statistics of housing in general in Europe but more particularly in relation to European funded initiatives. This over-arching sense of mystery may also occur in practitioner communities. In one of the few published audits of the housing relevance of European programmes, the Housing Corporation (1995) in England noted, 'Europe is a bit like that. Where do you begin? The whole process seems so complicated, the initials, the jargon and the acronyms unintelligible, the experts insufferable'. The report, published in 1996, further recommended 'use your MEP's shamelessly, they like to feel wanted'. Clearly experts and MEP's alike are set to face new bottom-up challenges from housing providers! In reality European programmes are no more complex than many national efforts nor the experts and acronyms really any different. Routes for accessing programmes are improving. However more efforts are needed to familiarise investors with new opportunities.

That report also stressed the lack of knowledge that housing organisations, especially smaller not-for-profits have of Community Programmes, a serious consideration given their role in policy. Not-for-profits which have experience in seeking European support also stress the costs of preparing bids to Europe (particularly as staff resources are threatened by other cutbacks), and they comment adversely on slow decision-taking, exacerbated by dual scrutiny (as national

governments also have to approve all bids), and the complex monitoring requirements involved.

Measures could be taken at European, national and local levels to promote a more cohesive understanding of housing-related EU activities.

At the European scale, the Union could

- provide a single, focal point for the reception of national reports and statistics relating to housing in general;
- provide a single, focal point for access to audits and evaluations of projects funded by the Community;
- encourage national governments to prepare, and disseminate to housing providers, a review of housing related Community projects and explicit guidance on how to access such programmes;
- develop a suite of 'best-practice' projects and disseminate them by video and inter-net means;
- consider developing a well publicised award scheme for outstanding 'integrated' projects;
- encourage the formation of a cross-tenure forum, involving CECODHAS, EMF and others, to discuss housing developments in Europe;
- promote the development of networks of providers and practitioners, even community groups, involved in integrated projects; a start could be made by requiring all successful Community initiative bidders to participate in such networks; professional bodies for housing practitioners, such as the Chartered Institute of Housing in the UK, SABO in Sweden and NWV in the Netherlands, should be encouraged to network and exchange staff and information.

At the national level, Member States could strengthen the process of mutual understanding by

- preparing an annual report, brief in nature but including key statistics and policy developments;
- developing an audit of EU funded initiatives in their own country, related to housing, with advice notes on programme relevance, procedures and contacts,
- favouring, in project selection, resource bids which had integrated approaches and an intention, where relevant, to seek European funding;
- requesting sub-national levels of government to develop European components in housing and planning strategies for which public funding support is sought.

At the more local scale, and within housing provider organisations, it would be helpful

- to encourage partnerships and networks around organisations who have secured European support in order to appraise similar organisations of how to proceed,
- to assess the 'European' competence of the organisation, including staff interests and language competences;
- to involve community groups in the process, for instance encouraging tenants groups to interact with similar groups in other countries, reinforcing the approaches of networks such as Quartiers en Crise.

An enlightening role

Some of the required national and local actions noted above already take place but they are the exception rather than the rule. But if housing-related European actions are to be properly recognised, their potential understood and bids generated where they are most needed then they have to become part of the normal practice of European housing policy-makers and providers.

And at the European level, knowledge of housing policies has to move on from partial, retrospective, detective work to better informed, up-to-date statistical overview. Neither of these changes for the better will occur without leading action from the European Union.

The European Union should be open about and encouraged by the ways in which its actions have helped housing providers to develop better integrated policies and projects pursued by housing providers. It can do so without remaking subsidiarity patterns. And it will have to do so as long as the actions of housing providers not only meet acute housing needs but also contribute crucially to economic adjustment and social cohesion. If it does not do so, Members of the European Parliament will be exposed to growing pressures for action from housing providers and community groups aiming to reduce social exclusion. Without a clear view of housing policies and priorities and clear routes for linking such interests with European Union programmes they will be left without appropriate responses.

The Habitat II Conference confirmed that, in global terms, Europe is well housed and the policy effort in many countries is forward thinking and significant in scale. But this report emphasises that old problems remain and new challenges are emerging in a difficult resource climate. The changing nature of housing problems and policies, requiring more integrated responses, has brought the strategic and operational concerns of housing providers closer to the roles of European Union programmes. European providers and the European Union need new knowledge, if not new formal competences, to secure the most effective responses to some of the most acute problems now facing poor European citizens. It is time for housing to have a place in the major discussions shaping the new Europe.

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