

ADDRESSING HOMELESSNESS IN EUROPE

**The Changing Role of the State:  
The State and the Housing Markets of Europe**

***Joe Doherty, Pascal De Decker,  
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European Federation of National Organisations Working with the Homeless

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# Introduction

A working group<sup>(1)</sup> of European Observatory on Homelessness correspondents came together in 2002 to consider the changing role of the state in relation to housing and homelessness intervention strategies. The agreed work programme of this group identifies three stages in a defined timetable:

- > First (2002-03), an examination of the changing role of the state in Europe in relation to welfare and housing;
- > Second (2003-04), a specific examination of state interventions in the housing market, and
- > Third (2004-05), building on the findings of the two previous stages, the role of the state in relation explicitly to homelessness.

The results of the first year of research have been published as a special issue of the *European Journal of Housing Policy* (Vol. 4, No. 3, 2004). The present report details the findings of the second stage of the research; a further report in 2005 will bring together conclusions from the final stage.

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<sup>(1)</sup> Chaired by Joe Doherty (Co-convenor European Observatory on Homelessness), the working group comprises Pascal De Decker (Belgium), Volker Busch-Geertsema (Germany), Eoin O'Sullivan (Ireland), Ingrid Sahlin (Sweden), Antonio Tosi (Italy). The group was joined by Johu Patari from Finland for this report.



# Background: the changing role of the state

Talk of the triumph of globalising neo-liberalism suggests that, across Europe, the role of the state in relation to social policy has changed utterly during the course of the latter part of the 20th century (Peck and Tickell, 2002). A simplified model characterises this change as a shift from a dynamic and expanding, redistributive welfare state to a shrinking, 'hollowed-out' state, 'rolling back' from direct intervention, surrendering the field to the agents of the market and civil society. Such a characterisation can of course be challenged, particularly when it is applied willy-nilly to the entire range of social policy and across the gamut of European nations and regions, without concession to place-specific complex histories and cultural traditions. However, it may be that in relation to housing, and in particular to homelessness, the model (in more nuanced formulations, undoubtedly) has some validity. By the mid 1990s, evidence of the withdrawal of the state from direct involvement in the provision of housing was plentiful: the privileging of owner occupation through 'right to buy' programmes and the promotion of low cost homeownership schemes, the reduction and cessation of social housing construction, the switch from 'bricks and mortar' to targeted household benefits; all seemed to confirm the legitimacy of the roll back thesis. However, such changes, while tangible and concrete, were not uniformly characteristic of all EU member countries and need to be evaluated in the light of new roles and responsibilities taken on by states, both locally and centrally. An examination of national and regional narratives concerning the relationship between the state and homelessness, which take into account both place specificities and the uneven impact of globalising neo-liberalism, will allow some judgement to be made on the claims of the model to enhance our understanding of the societal problem of homelessness in present day Europe.

The first thematic report of our working group (EJHP 2004) revealed for each of the countries considered (Belgium, Ireland, Germany, Italy and Sweden) a range and variety of change which demonstrated the differential effects of neoliberal globalisation. That neo-liberalism has had its effects in the form of deregulation, privatisation and public/private partnerships and through the push for a new moral agenda (individualisation) was acknowledged in each of the five reports. However, it was also apparent that the changes in any one country can only be understood in 'contextual specific ways' and that they hinge upon 'the path-dependent interaction of neoliberal programmes with inherited institutional and social landscapes' (Brenner and Theodore, 2002; 344; see also Sykes, et al 2002). These reports demonstrate that, contrary to the expectations of some interpretations of the 'roll back' thesis, the overall impact of the adoption of neoliberal policies has not everywhere led to a diminution in the role of the state. In Germany, a combination of planned evolutionary changes (the withdrawal of state subsidies for housing) and a process of regulatory restructuring involving the targeting of welfare has to be seen in the context of increased state engagement with area regeneration policies and programmes. In Belgium, the picture is one of reorganisation (or restyling) together with new, though modest, interventions in social housing within the context of continuity of historic interests. In Ireland, a pragmatic state has taken a direct interest in housing and welfare payments have increased, while in Italy a complex regional picture emerges as municipalities take on more responsibility and geographic unevenness becomes further established. In Sweden, where the withdrawal of the state has been perhaps most marked (from a very high level of intervention), state control is still retained and exercised through the less concrete but nevertheless influential realm of discourse. The terminology employed in these 2003/4 reports (EJHP, 2004) - 'restyling', 'restructuring', 'reordering' - reflects an attempt to capture the complexity of the present state of play as well as the nuances of on-going processes.



# The state and the housing markets of Europe

Keeping in mind that the final objective of the working group is to produce an enhanced understanding of the role of the state in contributing to solutions to the problems of homeless, this, the second of the working group reports, has as its explicit focus the role of the state in the operation of the housing market. The report, compiled from the 2004 national reports<sup>(2)</sup> of the correspondents of the European Observatory on Homelessness, considers three interrelated issues:

- 1 issues of governance (the relationship between the state, the market and civil society);
- 2 issues of provision, tenure and access (the provision of housing in meeting demand and needs);
- 3 affordability issues (how these are being addressed especially for those in housing need and at risk of homelessness).

## 1. Observations on governance

Models of governance refer to the balance between the state, the market and civil society in respect to welfare delivery. Theoretically and simplistically, models of governance can be located along a continuum (mediated by the involvement of civil society) from 'state control' at one end to 'market control' at the other. European models of governance, almost without exception since the 1970s have been moving towards the market end of the continuum, but this movement (as last year's reports clearly demonstrated; EJHP, 2004) has not been cumulatively linear, rather it has been erratic, shifting 'left' and 'right' on the continuum, albeit inexorably towards more market involvement. The chronology and configuration of this movement along the continuum has differed from country to country and indeed between welfare segments within each country. Having been only partially de-commodified in the post-war period, housing, arguably, has drifted further towards the market end than either health or education. Some more recent developments, however, such as the state provision of new social housing in both Ireland and Belgium, might suggest that this process may have run its course, but it is far too early to make a judgement in this respect.

In *Belgium* it has been argued (De Decker, 2004) that after the severe economic and budgetary crisis of the 1980s, the basics of the country's welfare state were restyled. As a consequence, we cannot speak about state withdrawal from welfare, but we can talk about a pragmatic adaptation to new circumstances. This argument does not imply that no privatisation has taken place. It has, but without affecting core welfare policy issues, e.g. budgets and institutions of health care, pensions, social benefits and education. Overall, these alterations, albeit at the margins, reflect a policy of 'safeguarding' welfare provision, and as a consequence - despite high unemployment levels (hidden and open) - poverty has remained stable and, when compared to other countries, relatively low. In the eyes of Belgian policy makers, the welfare safety-net is still working, there are no growing pressures for new initiatives or interventions (De Decker, 2004a).

In relation to housing, while the severe economic crisis of the 1970s and the 1980s saw a curtailment in programmes, including a moratorium on the construction of new social rental dwellings in Wallonia and Brussels, and a severe drop in new construction in Flanders, the 1990s also saw a revival of housing policies with the introduction of new instruments (e.g. the Flemish Housing Code) and the recognition of new institutions (e.g. the Brussels Housing Fund). And even more recently, the federal state has increased its involvement in housing, constitutionally a responsibility of the regions. Although this revival is generally welcomed and gets popular attention, its significance should not be overestimated. Housing policy shows an historical continuity in its fundamental trends. Belgium, in common with several other, indeed perhaps the majority of European countries, is caught up in a 'path-dependency', preserving the 'ways' of the past and displaying little inclination to learn from domestic or foreign experiences. Overwhelmingly a country of owner occupation, the vast majority of transactions on the Belgian housing market are individual transactions between households and suppliers with little or no significant interference from the government.

<sup>(2)</sup> De Decker (2004a); Patari (2004); Busch-Geertsema (2004a); O'Sullivan (2004a); Sahlin (2004a) and Tosi (2004).

Path dependency with regard to housing policy is less apparent in *Finland*. During the last 10-15 years Finnish housing policy has gone through major changes with housing becoming more and more private market-oriented. The support for social housing has been reduced and social housing production has fallen considerably, especially since the end of the 1990s. However, path-dependency is more apparent in relation to the continued commitment of the Finnish state to the housing loan system 'arava', which was initially set up in 1949 in response to the huge demand for housing resulting from rural-urban migration after the war. Amongst its many other functions (the provision of grants and loans for the construction and renovation of property to co-operatives, local authorities, NGOs and occasionally insurance companies), Arava has provided, and continues to provide, cheap state loans for owner occupation. The programme contributed greatly to the shift of tenure away from private renting, which predominated in the pre-war period, to the present predominance of owner occupation.

Programmes for social housing were created in the 1960s and the 1970s, but - despite the rather large-scale production compared with today - housing production proved insufficient to meet the demand. The deregulation of the financial market in the mid-1980s was an attempt to deal with this problem.

Today the Finnish housing market can roughly be divided into the private market and the 'arava' market. The tenure structure in Finland is owner-occupancy oriented. The proportion of rental housing is small compared to many other European countries, especially private market rental housing. In 2001 there were 2, 544, 016 dwellings in Finland. About two thirds, 64%, of the housing stock was owner-occupied housing, 17% was social rental housing, 15% was private market rental housing, and 1% was right-of-occupancy housing. The roles of right-of-occupancy<sup>(3)</sup>, co-operative, and part-ownership housing in Finland have traditionally been very small.

*German* housing policy has always included strong market elements and clear limitations on interventions and regulations by the state. The (West-)German system of social housing is an example of implementing the principles of 'social market economy' and 'subsidiarity'. Strong state intervention in the first decades after the war never aimed at creating a sector of hous-

ing provision exclusively controlled by the state and completely protected from market forces. Housing construction under direct control of municipalities has been, to a great extent, avoided and private, as well as profit-making, investors have been accepted and funded as social landlords. Social obligations for dwellings which were subsidised as social housing (control of rent level and income ceilings for allocation; nomination rights for municipalities) were time-limited from the beginning so that the shrinking of social housing stock (and the transfer of dwellings from social housing to the privately rented sector) in Germany during recent decades can be seen as a quasi-automatic consequence of the funding system.

In the field of provision of social housing, non-profit housing companies played a certain role until the 1980s, but all of them lost their non-profit status in 1990 and are now treated as profit-making organisations. Because an increasing part of their housing stock has ceased to receive social subsidies, their privately rented stock has been expanding. The involvement of public organisations (municipalities, unions, public railway and mail companies etc.) in the ownership of big housing companies has been reduced through privatisation of a large number of these companies.

Investors in privately rented housing have profited from favourable tax treatment, while private sector tenants have had the benefit of strong legal tenancy protection and have been able to access housing benefit. The balance of state intervention and market forces in the private rental market seems to have favoured this type of tenure. The private rental housing sector in Germany, as a proportion of total housing stock, is by far the largest in the EU and is exceeded in Europe only by Switzerland (Ball 2004: 63).

The 'model of governance' for the provision of housing in Germany, in terms of the balance (or imbalance) of state, market and civil society, indicates that non-profit organisations and intermediate agencies play a minor role (contrary to other fields of welfare provision). There have been some small-scale local attempts to create social rental agencies and to procure access to housing for homeless and other disadvantaged people, but these initiatives have not developed a significant dynamic and no attempts have been made to expand and regulate such approaches on a regional or national level. Cooperative housing exists in Germany, but plays a minor role - only 2.1 million of more than 38 million dwellings in Germany are owned and let by cooperatives (see Busch-Geertsema, 2004a).

While the market is the dominant force in the housing arena, moderate state control plays an important role. Examples of

<sup>(3)</sup> "asumisoikeusasunto" in Finnish; this is a relatively new form of tenure in Finland. It grants the holder the right to permanent occupancy without time limits. The occupant pays 15% of the costs of building the apartment, usually acquired through a private housing loan.

market regulations by the state are: the tenancy law, including the regulations for control of rents in existing tenancies; the remaining state subsidies for social housing policy and for homeownership; the remaining (albeit shrinking) mechanisms for influencing the allocation of housing (by nomination rights in social housing, by municipal shares of housing companies); the different systems of housing benefit and housing allowance for tenants with low incomes; and the increased efforts to subsidize area-based initiatives and to foster urban restructuring.

With the achievement of political independence in 1921, *Ireland* had a precociously large public rented sector, primarily in rural rather than urban areas. The private rented sector dominated in urban areas, but was in poor structural condition, and appalling conditions were widespread. During the 20th century, a tenure revolution occurred, whereby owner-occupation has become the dominant tenure in Ireland. This was achieved through substantial state support for owner-occupiers, both via the tax system, and through direct grants. Additionally public rental housing has traditionally provided a mechanism into home-ownership, rather than an alternative to it, as a result of the long standing policy of allowing tenants to purchase their homes at below market rates. This policy of selling public rental housing originated in rural areas and as a consequence, by 1946, 69% of housing units in rural areas were owner-occupied, compared with only 23% in urban areas.

The reasons underpinning this early development of public rental housing and the subsequent right to buy in Ireland are complex. Primarily they owe their origins to the desire by the colonial powers in Westminster to curb agrarian unrest in Ireland and pacify certain social groups. Although Papal social encyclicals have also repeatedly stressed the primacy of private property and the necessity of the State to safeguard this principle, basic political pragmatism rather than either Catholic or liberal ideologies have shaped Irish housing policy. This adaptable pragmatism remains an essential element of housing policy in Ireland, and while predominantly geared towards supporting and facilitating home-ownership, also incorporates a range of social and affordable housing options, which have come on stream over the past 10 years or so, in addition to regulating private landlords and ensuring greater protection for tenants. The diversification and expansion of the role of local authorities in meeting non-market housing demand does not easily fit with those who claim that neo-liberalism dominates social and political thought and policy in Ireland.

While it is true that expressions like 'retrenchment of the state' do not take account of the complexity of the changes that have occurred in the *Italian* welfare system in recent years, in the

special case of housing, a number of pervading characteristics would seem to justify recourse to 'retrenchment of the state' rhetoric. From this point of view, housing policies represent an exception with respect to the evolution of the welfare system in general. If we look at the role of the state in social welfare as a whole, it has been characterised by contradictory trends which have also implied important advances with respect to the traditional welfare model. This has not happened with housing policies, at least not yet; housing has experienced a reduction in direct public sector involvement and, for the moment, is characterised by little innovation (Tosi, 2004).

However, two points must be made with regard to this assessment. First, the state has only intervened in housing on a massive scale for limited periods in the history of Italian housing policies (the most important was the INA housing programme in the 1950s). From this viewpoint, the current low level of public sector intervention can be considered a historical trait of housing policies. The recent decrease in direct public intervention, however, consists primarily of the disappearance of permanent funding (obligatory financial contributions made by companies partly deducted from wages) on which public sector housing was based for several decades. The second point is that this 'trend' does not mean that the prospects for housing must always be different from those in other areas of welfare policy. At present, there are already interesting elements of innovation in regional and municipality policies to indicate that these actors are taking up the responsibilities placed on them by devolution and that they are attempting to deal with the worsening problem of housing in the absence of central government initiatives.

In concert with most European countries, although from a higher level, the central state in *Sweden* has reduced its involvement in housing production and allocation and handed over the responsibility for housing provision to local government, which, in turn, to a greater or lesser extent, has left housing to the market. Sweden is arguably among those countries of the EU which demonstrate most clearly the impact of neo-liberal policies, exhibiting a major change in the role of the state. A combination of deregulation of local authorities, plus budget cuts, recurrent reorganisation of local state agencies and increased administrative pluralism, reflect a growing market orientation everywhere in Sweden. These processes have been manifest in housing in the dismantling of social housing programmes, in the promotion of home ownership and the growth of homelessness; the abolition of the Ministry of Housing in 1993 being deeply symptomatic in this context. However, as elsewhere in Europe, liberalisation and deregulation at one level may be accompanied by renewed control

at the another (Sahlin, 2004 and 2004a). As the state retreats from the traditional forms of control and intervention, it takes on new powers and new forms to compensate. In Sweden, the state retains considerable power and influence through indirect means, especially through the control it is able to exercise over decision-making and funding. These processes are perhaps less substantial than the processes of legislation, regulation and subventions that they replace, but nonetheless powerful for that. Through control of the decision-making apparatus, the state can obviate legislation by warding off committee recommendations; through project funding, it decides on national and local priorities; and through control over political discourse, it effectively determines social and political trajectories and strategies. State roll-back in Sweden does not mean that the Swedish state relinquishes control or its power to govern.

## 2. Provision, tenure and access

In this section we review the trends in housing policy in each of the six representative European states considered in this report. We attempt an examination of the extent to which the supply of housing meets the demand for housing, identifying possible gaps in terms of tenure and in terms of geographic distribution. While explicit coverage of affordability is left until the next section, we examine in passing the question of access and how well the market addresses the needs of marginalised and vulnerable groups.

Starting in the 1970s, the *Belgian* state underwent a process of devolution of responsibilities to the regions. According to the National Constitution, housing is the responsibility of the regions. Nevertheless, important matters like private renting and fiscal policies, have remained federal. The devolution of the Belgian state did not, however, lead to a divergence of housing policies in the three regions. On the contrary, the three regions have followed the same path, with only small differences in tenure distribution between them, the most notable of which is the higher proportion of rental stock in the Brussels Capital Region and hence the non-preponderance of owner occupation which characterised the rest of the country (over 70% in Flanders and Wallonia and less than 45% in Brussels).

In *Flanders* the overall trend is that housing quality is improving in relative terms. Housing quality, housing equipment and size of the dwellings have improved considerably in recent decades. The percentage of owners has also risen steadily, while relatively few people are confronted with payment problems. The regulation of the mortgage market and the substantial safety net of social security are related to this. There is, however, another side to the coin. In relation to both quality and affordability, a number of population categories are clearly lagging behind. They are: young families with high living costs (mainly for the repayment of a mortgage loan) and (elderly) tenants who combine high costs of living with a very low quality of housing and tenure insecurity. In addition, the number of incomes per household has become very important. Families with two incomes are housed in dwellings of good quality with few payment problems, while single-income families and households living on welfare, especially single parent families, often occupy expensive and poorly equipped privately rented housing.

A crucial fact is that the extension of the housing stock and owner-occupation today is almost exclusively accounted for by the increase in two income households. However, this type of family is no longer increasing in absolute numbers or in relative terms. Together with low construction activity on the part of the government and investors, these factors explain why, for some time, new production in Flanders has not been sufficient to ensure the necessary extension of the stock and to compensate for the replacement of older housing nearing the end of its life cycle. The consequences are noticeable. A hard-core of 300,000 poor quality dwellings remain in use out of necessity. The prices of poor housing, in both the buying and letting sectors, are rising strongly. Marginal forms of housing (furnished rooms, caravans, and mattress hire) are flourishing. A new phenomenon, forced purchase, has appeared. In order to escape the arbitrary nature of the private letting market, low income families buy poor housing, knowing that they will probably never have the financial means to do it up.

*Wallonia* has been hit severely by unemployment as a consequence of deindustrialisation; poverty levels are high. With respect to housing this situation is translated into the incapacity of the social housing stock to house households in need. At the same time the private rental stock has decreased and access to property has become more difficult. Wallonia has 1,334,324 dwellings (2001), of which nearly 30% present some quality problems. The region has 100,000 social rental dwellings (7% of the stock), with more than 40,000 households on the waiting list.

3 In Wallonia app. 6% of the dwellings are in the social rental sector; in the Brussels Capital Region, this is 7%.



According to Mertens (2004) the Walloon region is polarised. The contrast is between a north-south axis (Brussels-Arlon) with high and rising housing prices and an east-west axis (the old industrial region) which is faced with a housing renewal need. In order to deal with these problems, the government defined priority zones in 1994. With the Housing Law of 1998, the government harmonised existing systems, implying a confirmation of existing interventions (e.g. grants) and introducing new ones.

The Walloon government has progressively enlarged housing policy goals in order to deal with new issues since 1980. To a large extent, these deal first with the Bruntlandt report and the implementation of the notion of sustainable development. A second issue is urban renewal - a large share of the increase of the budget for social housing goes to renewal programmes. Resolving the Walloon housing crisis is a priority for all political parties. Given the fact that due to budget constraints a substantial rise of social rental dwellings is not expected, efforts need to be targeted at the creation of affordable private rental dwellings.

The housing market of the *Brussels Capital Region* is, in contrast to Flanders and Wallonia, dominated by tenants (55%). Their share is decreasing, but only slowly since increases in owner occupation are inhibited by the very high costs of dwellings, the relative poverty of sections of the population, the high proportion of people living alone and the fact that Brussels functions as a transition location and temporary residence for many households. Households looking for affordable housing for owner-occupation leave Brussels for Flanders or Wallonia, where property is generally cheaper. More than 28,000 households are on the waiting list for the 38,000 social dwellings of the region. Social rental housing comprises 8% of the market. Given the enlargement of the European Union, the pressure on the Brussels Capital Region housing market will increase.

As elsewhere, satisfactory access to housing in Belgium is determined largely through the availability of earnings which can match the vagaries of prices in the housing market. However, since direct housing subsidies are small and direct, state intervention in the form of social housing construction has been negligible. There is perhaps a more direct link between housing production and the performance of the national (perhaps regional) economy than in some other European countries. As a consequence, since the Second World War, when compared to other countries, housing production in Belgium has been limited. Older housing - much dating from pre-war days - still performs an essential function in meeting housing demand

and need. A further consequence has been a tendency to house price inflation as a consequence of the fact that more money enters the housing market than can be expected on the basis of the performance of the economy. Since the 1950s, all housing price indexes (purchase prices and prices of plots of land) have risen faster than the index of consumption. A consequence is that over time home ownership has become - although not exclusively - more and more a matter of two income households. The problems of housing scarcity and the high price of housing have been compounded by the trend for the overwhelming majority of the (tax) money invested in housing going to the upper-middle and middle groups. This "misuse" contributes to the existence, and perhaps growth, of transitional or "grey" housing (mattresses, camp sites, furnished rooms...), since the vast majority of poor households do not get any assistance (in the absence of allowances). The promotion of the single-family house, preferably in a suburban, detached or semi-detached form has resulted in great popularity of this form of housing, and, as a consequence, in the unpopularity of collective and social housing. Following from this, under changing market conditions, urban social estates have started to be marginalised. These trends, together with the absence of a housing or urban renewal policy, have led to the concentration of poverty in the older industrial areas of Wallonia, in the cities of Flanders and in Brussels itself.

In recent years housing policy in *Finland* has been strongly emphasised in the national government's agendas. When interest rates are relatively low, loan-taking from the private market has commonly been significantly more active than from the 'arava' market (the government established mechanism for the provision of grants and loans for the construction, renovation and acquisition of housing). During and immediately after the recession (1993-1998) state-subsidised production was at its highest, being almost the only form of production at that time. In 1997, the number of state-subsidised start-ups was about 22,500 dwellings. A year before, the private market production had plunged to under 5,000 dwellings. Since 1996, Finnish private housing production has, however, increased considerably in relation to state-subsidised production. According to the information given by the Finnish construction industry in 2004, 34,000 dwellings will be built, 28,500 of those being funded by the private market, and 5,000 being state-subsidised.

There are considerable regional variations in the availability and accessibility of housing. Throughout Finland, in 2003 there were some 4,900 empty 'arava' rental dwellings, almost 4,500 of them, however, outside the major growth centres. In the greater Helsinki area, however, the housing market is much

tighter; in recent years housing production has been around 9,000-10,000 dwellings per annum, while the estimated need is for 12,000-13,000 dwellings. The main reason for the shortfall is the insufficient supply of the building sites. While there is already an over supply of expensive, larger-size dwellings in Helsinki, the specific need is for small rental dwellings. A variety of reasons contribute to the on-going shortage, including the profitability of construction of owner-occupied housing for development companies and the traditional favouring of owner-occupation by the Finnish tax system. In addressing this problem, it is the expressed intention of Finnish government to take appropriate measures regarding both land and zoning policy; additionally, interest rates for 'arava' loans were made more competitive in early 2004, when they were set below the private market rates.

Another kind of problematic situation prevails in the depopulating areas: the over supply and under-utilisation of 'arava' rental dwellings, caused by net emigration, were noted above. The worst situation is in Lapland, where there were over 700 empty 'arava' rental dwellings - over 5% of the total 'arava' stock. Besides emigration, under-utilisation is caused by the low quality of the old housing stock, especially when considering the needs of the elderly. Under-utilisation creates economic difficulties for the municipal companies who own these empty rental dwellings. By renovating the old housing stock, so-called "service houses" for the special groups can be created without producing new stock. It may be possible to transform rental dwellings into owner-occupancy or right-of-occupancy dwellings as well.

At the end of 2002, a total of more than 38 million dwellings was reported for Germany. In the European Union, Germany remains the country with the lowest share of owner occupied housing, despite the increase of this share from 38.7 percent in 1993 to 42.2 percent in 2002. The differences between West and East Germany are still significant, but have diminished in the last decade. In 1993, owner-occupied housing made up 41.6 percent of the West German and 26.3 percent of the East German housing stock: in 2002 the respective percentages were 44.1 for West Germany and 30.8 for East Germany.

Seen from a long term perspective, the German housing stock has grown and improved steadily, but the output of new housing and the balance of demand and supply has been highly cyclical during recent decades. The number of completed constructions rose until 1995, when almost 500,000 new dwellings were completed in West Germany alone (plus 104,000 in East Germany). This was the highest output since the mid 1970s in West Germany. But since 1995 the comple-

tion of dwellings has been shrinking again. The proportion of one and two family houses among the newly constructed units in Germany has grown from 39 percent in 1995 to 68 percent in 2001, which - for Germany - is a clear indicator, that the share of housing for owner occupation has dominated new construction in recent years.

Dominating recent public discussion, has been the high numbers of vacancies in East-Germany. In the "new" *Bundesländer* more than 1.1 million vacant dwellings were counted in 2002. The main reasons for these vacancies were the massive loss of population by both migration (to the West) and a falling number of births in the 1990s after German unification. In addition, many households moved to new owner-occupied housing or renovated stock and the less attractive stock, which they left, remained unoccupied. The highest share of vacant housing exists in old stock which was built between 1870 and 1918 and which has not been modernized. The quota of vacant dwellings range from 20.8 percent to 10.7 percent in the five East German *Bundesländer*, while it ranges from 1.6 percent to 5.2 percent in West German regional states.

The current situation on the German housing market is relatively relaxed. Regional disparities have grown and are expected to grow further. The future development of demand and supply remains unclear, however. The cyclical movement in the past, the decrease of new construction after the mid 1990s and the prognoses for a further increase of the number of households in Germany for more than a decade, all point to the probability of new housing shortages in the near future. Recent case studies on homelessness and on local housing markets show signs of a trend reversal in some regions - especially in the more prosperous large West German cities. After a period of decreasing numbers of homeless people reported in most German local authorities, cities such as Munich, Stuttgart, Karlsruhe, Berlin and Hamburg report a recent increase in homelessness. Significant rent increases in a number of economically dynamic West German cities point to new tensions in these local housing markets. But the shrinking population in regions with structural problems and long term prognoses about demographic development raise doubts as to whether the cyclical movement of the past will continue for these regions as well. The main issues discussed for these regions (but also on the national level in the context of the long term prognosis for Germany as a whole), are: the adjustment of housing provision to a decreasing demand; problems with housing stock which is "difficult to let"; and the general need for "restructuring cities". On the other hand, the reliability of long term prognoses may well be questioned. A number of influential factors like the level of immigration, the economic

development and changes in fertility, mortality and cultural norms are very difficult to predict, and unforeseeable events can of course change the picture substantially.

In relation to the issue of barriers to access, a number of studies show that there are large groups of households facing discrimination on the housing market because of their demographic and social characteristics and their nationality (foreigners, the unemployed, families with several children, single parents) and that there is a smaller group of households which faces much stricter exclusion because they are seen as “problem groups” and “troublemakers” or as persons “unable to live independently” and in obvious need of social support. Another specific barrier for access to housing are constructional requirements, especially for disabled persons and frail elderly people. In a recent survey, 42 per cent of German municipalities defined households in need of special constructional requirements as difficult to supply with housing. With the rapid aging of the German society, the need for housing which is adequate for such households will increase substantially. In addition, a recent survey on social support for formerly homeless people in housing in Germany, shows that the shortage of small, affordable dwellings is one of the reasons why such support for formerly homeless people is still provided in about a quarter of all cases in shared dwellings.

A substantial increase in the number of households (25%) was recorded in *Ireland* in the most recent (2002) census and interesting tenure patterns have emerged. Just over 15 per cent of the total number of housing units were built in 1996 or later reflecting the unprecedented output during the ‘Celtic tiger’ period. Owner-occupation remains the most significant tenure in Ireland at over 74% of total private dwellings (more or less evenly split between outright ownership and those who are still paying a loan or mortgage), but as a share of total stock, has declined slightly. This decline was evident in both urban and rural areas.

However, the most significant change was the reversal of the long-term decline of the private rented sector. The recorded increase in the private rented sector, (74%) to 141,500 units in 2002 from 81,400 in 1991, reflected new demands on the sector and the belief amongst investors that housing produced high levels of return, boosted by generous tax treatment of private landlords. The substantial increase in the private rented sector was not matched by the public rented sector, despite real increases in output in recent years. Just under 7% of the Irish housing stock was recorded as publicly rented, although substantial doubts exist over the accuracy of this data.

The number of new houses completed by the end of 2003 reached a historic high of nearly 70,000 (the ninth successive year of growth), with a further increase in completions predicted for 2004 (somewhere in the region of 80,000 completions). In per capita terms, over 17 new houses / apartments were completed in 2003 per 1,000 population (some six to seven times the per capita output in most other countries) and for the key household forming age cohort 25-34, the output per capita was 109. However, less than ten percent of this output was in the form of social (local authority or voluntary and co-operative sector) housing - a trend consistent from the mid-1990s.

This massive increase in housing output is largely the consequence of the unprecedented demand for housing in Ireland since the commencement of an economic boom in the mid-1990s (the ‘Celtic Tiger’). The decline in the share of ‘social housing’ housing (from 28% in the mid 1980s to about 9% today) should not, however, necessarily be interpreted as reflecting the decline of the state in the provision of non-market housing; rather it reflects the unprecedented high output from the private sector and development by the State of a range of ‘social housing’ options other than of direct build.

Real expenditure on social and affordable housing grew from the late 1990s, as did the number of mechanisms by which households were provided with housing without recourse to the pure market. The number of local authority houses completed or acquired declined slightly from 5,074 in 2002 to 4,972 in 2003. However, taking the ongoing policy of selling local authority housing to sitting tenants at discounted rates into account, the net addition to the local authority housing stock was only 3,405 (4,972 completions / acquisitions less 1,567 completed sales) compared to 3,879 in 2002. The voluntary and co-operative housing sector maintained its recent impressive output, with a 19 percent increase in output, from 1,360 to 1,617 completions between 2002 and 2003. Between local authority completions / acquisitions, casual vacancies and voluntary / co-operative completions, some 10,300 households were provided with first time lettings in 2003, up 12% on 2002. Broadening out the definition of social and affordable housing beyond these traditional categories (ie shared ownership, not for profit housing) 22, 345 households were assisted by local authorities in meeting their housing needs. Expenditure on direct social and affordable housing provision was € 1,375m in 2003 compared to € 800 in 2000.



These data suggest a substantial ongoing role for the state in both the direct provision of accommodation and assisting households to remain in their existing accommodation. Data collated by the Department of Environment, Heritage and

Local Government on the number of households recorded by local authorities as having a housing need that they are unable to satisfy *via* the market showed substantial increases during the 1990s and early 2000s (from 23,242 in 1991 to 48,413 in 2002), but considerable doubt should be cast on the veracity and reliability of this data. The structure of 'social' housing provision in Ireland has a built-in incentive to maximize the number of applicants for local authority housing, above the other options, due to the comparative advantages of this form of accommodation above all other social housing options. Households, not illogically, aim to enhance their capacity to access this form of housing and the points allocation system operated by many local authorities provides the mechanism to do this. To counteract this difficulty requires considerable changes in treatment of the different social housing options to bring about greater equity; the development of unitary rental housing systems and experimentation with different models of social housing allocation.

Despite this increase in new lettings by the local authorities and the voluntary / co-operative sector, during the 1990s and continuing into the 2000s, an increase in both the number of households requiring a rent supplement (subsidy) in the private rented sector, and an increase in the cost of these supplements was evident.

In *Italy* housing has always remained on the margins of social policies, not just financially, but also symbolically: public intervention in this sector has consisted of successive cycles of regulation (of land, rents, markets, etc.), accompanied by a plethora of micro-distributive measures, rather than by any policy characterised by relatively consistent and recognisable objectives. The limited commitment to public spending on housing is accompanied by extensive recourse to regulatory measures with "social" objectives, especially as regards the rented market.

The policy system as a whole has been marked by a number of characteristics: its "diffusionist" approach (a lack of selective measures and public sector assistance granted for the most part according to corporatist criteria); a constant orientation towards increasing home ownership, and towards the problems of the medium to low socio-economic groups; little market regulation; limited direct public sector commitment; distributive policies consisting mainly of regulatory measures (e.g. action on the rented market of a constraint type: fair rents, etc.).

The policies to encourage home ownership have not been accompanied in Italy, apart from a few exceptions, by strong social housing building programmes. Also, even at times when

a maximum effort was made, state intervention has provided only the minority of the investment and building. For example public sector intervention in the INA housing programmes in the 1950s (9 million housing units) accounted for only 20% of the housing compared to the planned 50%

Today the welfare limitations of this system are clearly evident, as demonstrated by the scarcity of affordable rented housing, and the low percentage of social housing in a pathologically small rented housing sector. While the quantity of private rented accommodation is similar to that in France for example, at around 20%, public sector housing stock (which in France is at around 18%) stands at around 5%.

In August 2004, there were exactly 9 million people living in *Sweden* and more than one million of these were born abroad. Of the approximately 4.3 million dwellings, 42 per cent are owner-occupied single-family houses, 40 per cent rental flats and 18 per cent TOS-flats. The latter form of tenure means that the building is owned by an economic association - Tenant Owners' Society - in which the residents are members, and to which they pay a monthly fee to cover heating, exterior maintenance, management, and the association's costs for interest and mortgage. As is the case with rental flats, the great majority of these dwellings is located in multi-dwelling houses. A TOS may reject a specific buyer as a member, but in general the right to dispose of a certain flat is sold on the market to the highest bidder. In the current situation of urbanisation, growing numbers of rich people and a general shortage of rental flats, prices on TOS-flats have become very high in the densely exploited inner areas of the big cities. Low-income people cannot compete for this kind of dwelling, except in some periods of crisis, when prices are suddenly reduced and the demand for owner-occupied homes is very low.

Private companies or persons own almost half of the rental housing in *Sweden*, while the other half belongs to the close to 300 municipal housing companies (MHCs) that comprise the public housing sector. While changes on the aggregated level are rather slow, the proportion of rental flats is decreasing. This is due partly to demolition, but mostly to the (irreversible) conversion of rental flats into TOS dwellings. The small share of ordinary rental flats among the new-built homes in the past decade has added further to this tendency. The tenants in a rental building for sale have the right to buy it in the first place if they have established a TOS and declared their interest in buying the property to the authorities, provided that at least two thirds of the tenants have signed a declaration that they want this conversion to happen. Due to tax legislation, converting rental flats into TOS ones is in general

profitable for the landlord, as well as for the sitting tenants, who afterwards may sell their flats at a much higher price than the one they bought them at.

The share and absolute number of MHC-dwellings are also decreasing. Besides the fact that most demolition and many TOS-conversions target MHCs, some municipalities have sold parts - or all - of their public housing to private companies. According to the National Board of Housing, Building, and Planning (NBHBP), 58,000 MHC-flats were sold 1999-2003 and another 8,000 are planned to be sold during 2004-2005 (NBHBP 2004, p. 65). Since 1 April 2002, such transactions, including conversions to TOS, can be stopped by the county administration (*länsstyrelsen*) if they imply that there will be no substantial public housing sector left in the municipality or district. However, a number of municipalities in the Stockholm region have already sold all their municipal housing companies and today have no public housing at all.

During the past decade, an average surplus of dwellings has been converted into a shortage of especially rental dwellings in the city regions. The urbanisation process has resulted in a considerable surplus of dwellings - single-family houses as well as rental homes - in some regions and municipalities, especially in the North; and a serious shortage of rental flats and very high prices on owner-occupied homes and TOS-flats in other parts of the country, especially in the big cities and their neighbouring municipalities. While the proportion of empty flats was only 0.1 per cent in the two biggest city-regions (Stockholm and Gothenburg) in 2003, two small municipalities had more than 20 per cent vacancies.

The balance in the housing market varies also with the general and local unemployment rate. In periods with high unemployment, the effective demand on housing decreases since many cannot afford the rents of available housing and are not trusted with loans from the bank. When unemployment goes down, more people (especially youth) apply for housing, which results in increased demand.

Since the beginning of the 1990s, the level of housing construction has been very low. In the years 1994-1998 only 12,000 new dwellings/year were built, but the building activities have currently increased somewhat and in 2003, the production of 23,000 new dwellings was started and NBHBP expects the production of new dwellings to amount to 25,000 in 2004 and maybe 29,000 in 2005.

Among the new dwellings, only a minority was ordinary rental flats in the 1990s. In order to secure the supply of housing for

people with special needs, and to make higher education possible, special subsidies for the building of housing for the elderly, disabled and students were introduced. This is why the majority of the rental dwellings built in that decade targeted students or the elderly, while the production of ordinary rental dwellings practically ceased. 70 per cent of the new rental dwellings in 2001, and about 50 per cent in the following two years, were actually special housing for these target groups.

In 2001, the Government introduced a limited subvention for the building of rental dwellings of reasonable size on sites where there was a shortage of housing. This is available for projects started before the end of 2006 and, by the end of 2003, it had been allocated to approximately 7,300 dwellings, of which about half were public housing. Of all dwellings to be started in 2004, 29 per cent will be special housing, about the same share is expected to be TOS-flats and owner-occupied houses, while 39 per cent is planned as regular rental housing.

Shortage of housing, especially rental flats, is now reported in a growing proportion of the municipalities, and most of them - including all the bigger cities and towns - suffer today from deficient supply of small rental dwellings in particular. Still, one third of the municipalities has a surplus of dwellings. The general tendency is demonstrated in the statistics on vacancies, which is gathered by Statistics Sweden every year (public housing twice per year, private rental once per year).

### 3. Affordability

While the pattern of steeply rising house prices is not true everywhere (Germany being one notable exception) and is characterised by considerable regional variability even within individual countries, the problems this causes in terms of access to adequate and affordable housing are all too manifest for certain sections of Europe's population. We are here referring not just to the poor and low paid in insecure jobs, but increasingly young middle-income families, including key workers. Rising house prices - in conditions where there is no surplus of housing above demand - exercise a downward pressure on the market, pulling hitherto low or reasonably priced properties into higher brackets and further increasing the pressure on the poor and low paid and exposing them to the vulnerabilities of homelessness.

In relation to *Belgium* we have already highlighted the problems associated with the high cost of housing and the predominance of owner occupation. While the condition of property is on the increase especially in Flanders, the continuing

high housing costs have inhibited access of even moderately paid households to adequate housing and created problems for those without dual incomes. Additionally, the absence of clear and adequate alternatives to owner occupation in many areas - reflecting the low level of social housing provision - especially the larger urban centres has resulted in the emergence of informal housing solutions in the form of multi-occupancy, mattress renting and campsite dwelling. From the mid 1980s it was recognised that a growing number of households were increasingly unable to acquire adequate housing, either by themselves or with support from the government or social housing companies. In response to this situation welfare organisations (predominantly but not exclusively from the homeless sector) started to look for new solutions and set up 'social rental agencies' for the provision of an entirely new type of housing; latterly legislatively labelled 'Recognised Renting Initiatives'. Recognition of these and other problems led in the early 1990s to a 'rebirth of housing policy' (De Decker, 2004a) under the Flanders coalition governments of 1992-95 and 1995-99. First and foremost, this 'rebirth' led to an injection of investment in the building of social housing. The purpose was to construct 10,000 additional, mostly rented, social dwellings. This goal was eventually achieved, albeit slightly less quickly than had originally been envisaged. Admittedly, the rate of construction of social (rented) homes was significantly higher than it had been during the 1980s. However, these figures are less impressive if one considers them in the longer term. The higher rate of construction of social dwellings in the 1990s did not result in a significant increase in market share; after all, 10,000 new homes still represents a 'mere' 0.5% of the housing market.

One of the significant achievements of this period was the establishment of the Flemish Housing Code. The primary purpose of the Housing Code, which was passed through Flemish Parliament in mid-1997, was to provide some consistency between, and coordination of extant laws and regulations. A secondary purpose was to provide a legislative foundation for a number of recent innovations in quality standards and institutions (for example, the social rental agencies). The idea was to enhance the right to decent housing, established as a constitutional right in 1993. While a broad range of new and useful tools has been created by this code, budgetary incapacity remains the Achilles' heel, as the sums earmarked by the Flemish government for housing are still not proportional to need. Consequently, many under-privileged households remain condemned to poor housing conditions.

From the perspective of the underprivileged, there is another notable negative trend; a trend that is contrary to the 'social'

logic pursued under previous policies. It concerns the expansion of the policy target group through systematic increases in exclusion thresholds in general and in the social rental sector in particular. The fact that the extension of the target group is not compensated for, at least by a proportional increase in the resources for investment, implies a reduced likelihood that the underprivileged will benefit from government funding in general and social rental housing in particular. Although the impact cannot be assessed, a consequence may be that housing policy joins labour market policies in the creation of social exclusion.

In Wallonia, all municipalities are obliged to draw up a three year housing programme in conjunction with relevant housing partners. These programmes are designed to identify needs and blockages in the market and propose solutions or interventions. Following these assessments, the construction of 6,645 social dwellings is proposed. In December 2002, the minister asked the umbrella organisation to take stock of the quality and the renovation needs of social housing. It was found that 35,874 or 35% of the social rental dwellings had serious technical deficiencies. Within 5 years time, the problems should be dealt with. The minister also wants to strengthen the social cohesion and the social mix in the neighbourhoods in general and in the social housing estates in particular. For that, a voluntary policy of sale of social rental dwellings has been introduced. Social housing companies are entitled to sell up to 15% of their stock. Sitting tenants have the first choice and can enjoy cheap mortgages.

In addition aid has been provided to households for renovation, purchase and even construction of houses. Since not all households have access to homeownership and social renting is plagued by long waiting lists, the Walloon government intervenes in the private rental sector. A first measure is the introduction of housing quality criteria. They are implemented by two mechanisms: (1) the permit to let and (2) the obligation of the mayor to follow up report on bad housing. In order to sustain people, who want or have to leave a bad house, a moving and rent allowance (ADEL) is foreseen under certain conditions. Since 1997, the number of applications is rising. In 2004, approximately 4,000 households received an ADEL.

Belgium and its regions show an intensification of housing policies. But what are the effects on the ground? That picture does not look so bright. There are, for instance, severe indications that the amount of hard-core-worn-out-dwellings-in-use is not decreasing. Moreover, new forms of bad housing have emerged. One can think of letting rooms to vulnerable persons and permanent living on campsites. Beyond that

affordability remains a problem for different population groups who are caught with low and insecure incomes. This problem is reported for all regions and is becoming very problematic in the nearly unregulated private rental sector of the larger cities. This phenomenon is linked to the low, new, post-war construction level, which has as a consequence that - given the ongoing increase of households - the old stock has to remain in use. Although it is difficult to prove, there are indications that a filtering down process is putting pressure on the lower segment of the market, which implies higher costs for lower income households.

A further important feature concerns the length of the waiting lists for social housing in all regions. New construction does not yet meet demand. This has at least two consequences. One is that homeless persons cannot move up to social housing (or social rental agencies). The second is that if homeless people have to leave services, they move to marginal housing with often-problematic quality-to-rent-ratios and housing insecurity.

In *Finland*, affordability problems are clearly demonstrated in the continuous rise in rents and in the price of housing, a problem especially for the high pressure areas of in-migration such as Helsinki. As elsewhere in Europe, sufficient income, especially if associated with two income households, assures access to adequate housing. Various attempts have been made by successive governments to control price rises through adjustments to the 'arava' loan and grant system, making resources more available at favourable rates for a range of projects and programmes. The absence or scarcity of affordable, small, rental apartments is having a negative effect on the pursuit of solutions to homelessness, in that it makes resettlement and independent living more difficult. In such conditions the continuing availability of funds through NGOs and organisations such as the 'Slot machine association', for tackling the problems of homelessness and those at housing risk and those with housing support needs, will remain a crucial and necessary part of the programme for affordable housing. In Finland the maintenance of the 'arava' market is seen as central to the success of housing policies in catering for the needs of all sections of society.

Recent European comparisons show that Austria and *Germany* are two countries which differ considerably from most other EU countries in respect to the recent development of house prices and housing market developments. House prices have remained static or have fallen slightly in recent years and the housing market has been much less dynamic than in most other EU countries. When other European housing markets were depressed in the early to mid 1990s as a

reaction to house price booms in the late 1980s Germany had its "real estate boom" stimulated by the reunification and by the massive immigration wave. The peak of the house price boom in Germany was reached in the mid 1990s when prices were beginning to rise in other EU-countries. According to this logic of house price cycles a new boom is to be expected soon for Germany, but it seems probable that it might be restricted to metropolitan and economically dynamic regions. Seen from a long-term perspective the proportion of net household income spent on rent has grown substantially. In West Germany the average rent burden has increased from 10.5 percent in 1965 to 24.5 percent in 1998. Even more important, the share of all households in West Germany who had to spend more than 30 percent of their income on rent increased from 5.9 percent in 1965 to 38.7 percent in 1998. In 1998, 19 percent of all West German households and 11.1 percent of all East German households had to spend at least 40 percent of their net household income on rent (without heating costs).

In East Germany a number of specific regulations should lead to the transition of rents to market levels without creating unrest among the population. It was decided that rents for dwellings constructed or completely modernized after 1990 should not be restricted. The very low basic rents for existing dwellings were increased 1991 and 1992 (*erste und zweite Grundmietenverordnung*) by fixed percentages and differentiated according to location, quality and recent renovation. Recent reconstruction works could lead to further increases. A law in 1995 (*Mietenüberleitungsgesetz*) allowed for further increases of basic rents by 15 percent in August 1995 and by 5 percent in January 1997. Further differentiations were introduced and it was stipulated that all remaining restrictions should be abolished in January 1998. Today the mechanisms of restrictions against rent rises for sitting tenants (maximum limit within three years, level of comparable dwellings) are the same in East and West Germany.

The mechanisms of rent control in West German social housing were different from those in the privately rented sector in the past. But a stepwise change of these mechanisms during the last decades has led to a situation where the rent level of more and more social dwellings is only slightly below market rents and in some areas and some social housing estates is even above this level.

In Germany, like in many other European countries, the main emphasis of public interventions concerning the problem of affordability has shifted from subsidies for dwellings and the control of rent levels in social housing, to individual subsidies for households in need of financial support. Two different systems are of particular importance in this respect: the basic income schemes covering the full costs of housing and

heating for people with no or very low own income, as far as the costs are 'appropriate' (housing assistance as part of social assistance); and the system of housing benefit (*Wohn-geld*) providing individual subsidies for households with low incomes under a certain ceiling.

While the costs of housing benefit are shared by national government and the regional states (*Bundesländer*), the municipalities are responsible for housing assistance as part of social assistance (*Sozialhilfe* and from 2005 onwards *Arbeitslosengeld II*). But in the past, part of the housing costs of social assistance recipients were covered by housing benefit as well, so that municipalities only had to bear an average of 52 per cent of these costs from their own budgets.

In 2001 the total number of households in receipt of housing benefit in Germany was 1.83 million plus 991.000 households, whose social assistance for housing costs was subsidized by housing benefit (2.82 million households altogether; 7.3 per cent of all households in Germany). The average rent burden (rent as percentage of disposable net income) of recipients of housing benefit in 2001 would have been 41 percent without the benefit. It was reduced to 28.6 percent by housing benefit.

One of the problems of the housing benefit system has been that adjustments to increased general levels of income and rent have been delayed again and again. Before the last reform of the housing benefit system in 2001 income and rent ceilings in West Germany had remained unchanged for more than ten years. Another problem has been lack of take up. Although there is a legal claim on housing benefit, it is only granted on the application of the entitled household. Up to 50 percent of those households entitled to housing allowance do not realise their legal claims.

From 2005 onwards due to the Hartz reforms (Busch-Geertsema 2004a), the number of recipients of housing benefit (*Wohn-geld*) will diminish considerably, because social assistance recipients and all long-term unemployed people receiving financial support under the new regulations of *Sozialgesetzbuch II* (SGB II) will cease to be entitled to housing benefit. The regulations and the level of financial support under SGB II will basically be the same as under social assistance. Housing costs will only be covered by local authorities as far as they are accepted as 'appropriate'. The upper limits for 'appropriate' rents will usually be fixed by municipalities, but SGB II also provides that national government can pass by-laws to define 'appropriate' rent levels or flat rate systems for covering the housing costs of the long term unemployed. In cases where the rent is above these limits the real costs can still be covered up to a maximum of six months. Thereafter only the 'appropriate' part of it will be covered if the household did not succeed in lowering its housing costs (by sub-letting or by moving to a dwelling with lower rent).

For most of the three million long-term unemployed persons who were entitled to earnings-related *Arbeitslosenhilfe* in the past (and many of them to additional housing benefit as well) the new system will lead to serious financial losses. The rigidity of means testing and the low level of the new subsistence benefit for all long term unemployed, called '*Arbeitslosengeld II*', under the new law, were much debated issues in Germany in late summer 2004. According to recent estimates of early September 2004 the number of recipients of the new benefit will be up to 6 million persons in 2.9 million households.

The most important consequence in our context will be the increased competition for affordable housing. We don't know how many households who currently receive *Arbeitslosenhilfe* live in dwellings which do not meet the municipal criteria for 'appropriate' rents and sizes. But we know that even after the last reform of housing benefit in 2001 almost 60 percent of recipients paid a rent which was higher than the maximum limits foreseen by housing benefit. We also know that many municipalities take the housing benefit limits as an orientation for their criteria for 'appropriate' rents. It will largely depend on these municipal criteria, to what extent former *Arbeitslosenhilfe*-recipients will have to move to another dwelling or - alternatively - bear the 'excessive' part of their housing costs from their subsistence income. On the one hand, municipalities will be interested in smoothing the transition into the new system, in order to prevent an increase of homelessness and to counteract a tendency towards increased segregation (which could be done, for example, by accepting higher rent levels as appropriate for existing tenancies); on the other hand, the costs for housing assistance for the long term unemployed and other poor people will be among the largest budget items of municipalities in the future. It is more than probable that the pressure on low-cost housing will increase sharply and that the debate about appropriate levels of rents and about the availability of affordable housing will gain in importance.

In *Ireland* new and second-hand house prices, according to the averages produced by the Department of Environment, rose rapidly in 2003 after two years in which it appeared that the rate of house price inflation was showing some moderation. New house prices rose by 13.4 percent nationally and 13.9 percent in Dublin, while second-hand houses rose by 16.3 percent nationally and 19.5 percent in Dublin. However, second-hand house prices for the March Quarter 2004 fell by 1.3% nationally and by 2.7% in Dublin on the December Quarter 2003. Utilising a more sophisticated methodology, the Permanent TSB / ESRI House price index reports growth of 3.8% in first five months of 2004 - down from 5.8% over same period in 2003.

As the price of both new and second-hand houses continued to grow, commentators were divided on the question on whether or a not a 'bubble' existed in the housing market. However, rather than focusing on measurements such as the house price to income or house price to rent ratios, commentators have focused on the broader issue of 'affordability', on the basis that the main causes of the housing boom in Ireland were that there were very many more young adults, with more money to spend, and with access to large loans at very low interest rates. Many argue that these fundamentals explain much of the recent increase in house prices and, thus a collapse is unlikely.

Although it appears that supply of private new dwellings has yet to satiate demand, as evidenced by the ongoing increase in house prices (part of the explanation for this situation is the relatively high number of new houses / apartments purchased by investors for the purposes of renting, thus limiting the supply for first-time buyers), demand has probably exceeded supply in the private rented sector. Arising from the increased supply of private rented housing, increases in rent, which rose much faster than overall consumer prices in the latter half of the 1990s, slowed in 2001 and then decreased from mid-2002.

Despite this decrease in the cost of privately renting and the ongoing increase in house prices, data from the Quarterly National Household Survey (2004) indicates that those privately renting nationally have higher housing costs than those who recently purchased their first homes. Of those households who purchased their first homes post 1996, only 11% had mortgage repayments in excess of € 800 per month (a staggering 13% had no repayments at all) compared to 33% of privately renting tenants. In Dublin, 57% of private renters were paying more than € 800 per month compared to 24% of post 1996 purchasers. A similar pattern emerged from the Irish National Survey of Housing Quality (2003) with 28% of privately renting tenants spending more than one-third of their net income on housing costs compared to 11% of recent first-time buyers.

As the cost of rent allowances escalated during the 1990s and the duration of payments increased, a number of attempts were made to curb the financial cost; integrate recipients of the allowance into mainstream social housing and to ensure administrative efficiency. In 1999, it was agreed that the scheme of rent allowances would be transferred from the Department of Social, Community and Family Affairs (effectively, the Department of Social Security) to the local authorities. An implementation group was established in 2000 to bring about this change, but ultimately, rather than transfer-

ring the scheme *in toto*, a more coherent allocation of responsibilities between the various stakeholders was agreed upon. In essence, local authorities will now formally take housing responsibility for households in receipt of a rent supplement for more than 18 months (at this point, the household is deemed to have a long-term housing need, rather than a short-term income insufficiency). A new initiative will be undertaken by local authorities to meet long-term housing needs of rent supplement claimants through private rented accommodation, involving long-term arrangements with the private rented sector. In addition to this new initiative, measures will be taken to ensure adequate access to social housing for rent supplement claimants with long-term needs.

This is a very significant development in Irish housing policy as prior to the initiation of this scheme, those provided with accommodation through the rent allowance system were effectively relegated to a secondary social housing market, and the likelihood of being offered a more permanent tenure through the local authority social housing allocation system were relatively slight. This largely reflected the fact that the majority of those in receipt of the allowance were single person households under the age of 40, who are given a low priority by local authority social housing allocation policies. The 'mainstreaming' of these recipients does not fully deal with the various anomalies with the social housing system, but it is certainly a move in right direction. Further, the utilization of the private rented sector by the local authorities should ensure that better value for money is achieved and that it adds to the increasing range of options that local authorities have for housing households.

Regulation of the private rented housing market by the Irish State was, until recently, minimal. The first comprehensive legislation since the foundation of the State relating to the private rented sector was only signed into law in July 2004. The Residential Tenancies Act, 2004 spells out minimum obligations that will apply to landlords and tenants. Significantly it provides greater security of tenure, whereby if a tenant has been in occupation for 6 months, the landlord will only be able to terminate the tenancy in the following three and a half years, where one of 6 grounds specified in the Act apply. After that, a new 4-year tenancy cycle will commence. Tenants will be entitled to longer notice periods linked to the length of their tenancy. Landlords will not be entitled to seek a rent greater than the market rate and rent reviews (whether up or down) may not occur more than once a year unless warranted by substantial change in the accommodation. The Act puts the Private Residential Tenancies Board on a statutory footing which will provide a State-subsidised dispute resolution serv-

ice for private sector tenants and registered landlords. It will also operate a new tenancy registration system and perform a range of monitoring, research, information and policy-advice functions.

A series of Parliament decisions in *Sweden* at the beginning of the 1990s resulted in rising rent levels in the country. Through the so-called Tax Reform, VAT was applied to rental housing, and in order to comply with the criteria for being accepted in EMU, Sweden drastically reduced its state subsidies to the construction of new dwellings. The average share of the net income spent on housing grew from 17-18 percent in 1982 to about one third in 1997.

A precondition for the tax reform was that increased housing allowances would compensate low-income tenants. However, since 1995 the number of recipients of housing allowances, as well as the total cost for this benefit, is steadily decreasing. Altogether, only 205,243 households - as compared with more than 550,000 in 1995 - received housing allowances in 2003 to a sum cost of 3,427 million SEK. About 86 per cent of the recipients are tenants, and 68 per cent of them are single parents. For pensioners with low income, there are special housing allowances.

In 1997, the criteria for being eligible for housing allowance were altered and it became impossible for households without children and very difficult for couples, even if they had many children, to get housing allowance. A bottom line and a ceiling for the rent level, as well as a ceiling for the size of the dwelling, were determined and the maximum income level was lowered. Most of the reduction of the number of recipients is due to these radical changes of the eligibility criteria, although the National Board of Social Insurance has suggested that it may also indicate a reduced number of poor families with dependent children. Others believe that an undermined trust in the right to keep allowances once received may have deterred some eligible households from applying, since the calculation system is difficult to understand and the final result - including the risk to have to repay the allowance next year - is hard to predict. Another problem with the complicated rules and the uncertainty of their application is that landlords may doubt that low-income families' ability to pay the rent.

In the absence of general building subventions, the way the

rental market functions becomes an obstacle to the production of the necessary new homes. From the point of view of the building companies, rents are too low to make new construction profitable, while tenants find them too high. For the same reason, property owners hesitate to invest in maintenance and rebuilding. During the past decade, building companies have solved the problem through constructing either dwellings with very high standards on extremely attractive sites for high-income people ready to pay rents that often exceed the whole net income of ordinary full-time workers. Or they have established TOSs before they start constructing the houses, to ensure that the building will be sold as soon as it is ready. In addition, many municipalities have no economic incentives to provide new rental houses through their own housing companies (Gov. Prop. 2000/01:26, pp. 31-32). It seems as though either market rents, reduced taxes or general building subsidies are needed as incentives for construction of new rental homes, and the choice between these solutions is a genuinely political one.

# Conclusions

The role of the state in the housing markets of Europe has changed, the nature of that change varies from country to country. Where states were 'providers' they now increasingly adopt the role of 'enablers', where they had little history of involvement, their new roles take on, largely, a 'support the market' function. The 'surrender' of housing to the market (with and without the intervention of civil society organisations) is well illustrated in the declining and changing role of social housing provision. Traditionally social housing provision has offered a solution to - or at least an alleviation of- the problems of affordability. In the general context of the increasing commodification of housing throughout Europe (see Edgar, Doherty and Meert, 2002, chapter 3) and demands for a reduction in state expenditure there has been a curtailment in the provision of and support for social housing especially by state authorities. Additionally, the problems of curtailed supply have been compounded by the increasing commercialisation of housing associations and housing companies and their consequent adoption of financial 'risk-avoidance' strategies which have the effect of drawing social housing away from a focus on the most deprived and at-risk households; the vetting of tenants for 'reliability' and the use of eviction orders are symptomatic of this process. The emergence and expansion of 'innovative' schemes such as 'shared' and 'low cost' home ownership - all invariably involving some private market 'partnership' - provide only a limited alternative to social housing for those with some equity to invest, and no alternative to the most vulnerable. The targeting of welfare and the extension of means-testing for access to benefits further marginalise and make access to affordable and adequate housing for some vulnerable households more difficult. In the polarisation of Europe between the 'included' and the 'excluded', access to affordable and adequate housing is critical.

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- The changing role of the state
- The changing profiles of homeless people
- The changing role of service provision

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