The Future of Social Housing
Learning from Europe
by
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Acknowledgements
The IPPR forum would like to thank the Paul Hamlyn Foundation for funding the writing and publication of this report. We would also like to thank our other funders for their support of the work of the forum. These include the Housing Corporation, National Housing Federation, Chartered Institute of Housing, Pinnacle Housing Ltd, Council of Mortgage of Lenders, Barclay Card Services and the Crown Estate.

The author would like to thank the following people for supplying information that assisted in the preparation of this paper: H. Skifter Andersen, P. Boelhouwer, F. Dieleman, A. Golland, M. Haffner, M. Keller, A. Thomsen. The author, of course, remains responsible for any errors.
Preface

IPPR established an independent forum on the Future of Social Housing in July 1999. The forum has been set up to promote an open and inclusive national debate about the future of social housing, its role, its financing, its structure and its ownership. By focusing on a process of consultation and research, the forum aims to reach a consensual way forward for the social housing sector which is visionary yet practical.

*Lessons from Europe* is the fifth in a series of papers commissioned by the forum to encourage discussion and debate. The views expressed are not necessarily shared by either IPPR or members of the Forum.
Introduction

This paper is strongly influenced by the belief that examining social housing policy and practice in other countries has most value in the ways that it can challenge insular conceptions about the purpose and form of social housing. It can also lead one to challenge the methods by which housing policy objectives are promoted. The examination of purpose is something which is undertaken in Housing: Who Decides (King and Oxley, Macmillan, 2000). Some material from Housing: Who Decides is adapted here in an attempt to link ideas and overseas practice. The views of King in this text provide a contrasting perspective to that presented here.

Social housing is housing with a social purpose. This social purpose needs to be defined. If one purpose is to ensure that people on low incomes are able to occupy housing of a minimum standard or above we should be clear on the arguments for providing housing verses providing money. Then we should be clear on why one form of provision, say by local authorities, housing associations, co-operatives or private companies, is preferred to another. A wide variety of approaches are used throughout Europe and examining aspects of this variety can inform decisions on policy choices. An examination of circumstances in other countries should allow one to reconsider the arguments about the very existence of social housing as well as the form of social housing.

The paper begins with an examination of the case for social housing. It then presents an overview of the housing policies practices in western Europe and the place of social housing within these policies. Twelve key points on the provision of social housing, based on the experience of other countries are set out. Finally, some conclusions about the future of social housing in the UK, based on the experience of other countries, are presented.
If housing conditions are inadequate, it might be concluded that this is because some households are unable to demand housing of an acceptable standard. If this inability is due to a lack of resources, then resources might be redistributed to those who lack effective demand. The redistribution could take the form of additional income or housing supplied at sub-market prices. In this analysis, a lack of effective demand due to a given distribution of resources is seen to be at the centre of a housing problem which should be resolved. Housing policy should then be orientated towards the resolution of this problem.

This is a view of housing policies that sees a lack of effective demand and the relationship between demand and need as a key concern of policy. Housing need is often poorly understood and ill defined. The term housing need is used in a variety of ways which adds to the confusion. Here the following definition is adopted:

Housing need may be defined as the quantity of housing that is required to provide accommodation of an agreed minimum standard and above for a population given its size, household composition, age distribution etc., without taking into account the individual household’s ability to pay for the housing assigned to it (Robinson, 1979, pp 56-57).

This is a definition of aggregate housing need. The ‘agreed minimum standard’ should be such that housing above this standard, which we may call ‘decent housing’, is the only housing which is acceptable. Decent housing would provide adequate shelter to households and produce no negative externalities. That is, it would impose no external costs on the community in terms of, for example, adverse effects on crime and health. Individuals have unmet housing need when they are unable to exercise effective demand for decent housing. Effective demand involves a willingness to buy or to rent. There is no necessity to ascribe to decent housing the status of ‘merit good’, as is sometimes done, for any lack of effective demand may not be due to individuals failing to recognise the benefits of decent housing but rather a lack of resources. With merit goods the concept of consumer sovereignty is suspended. The case for society satisfying housing need is not essentially one of over-riding individual choice in a paternalistic fashion but rather of empowering individuals so they can occupy decent housing irrespective of their ability, but not their desire, to pay for that housing.

Viewed in this way, housing problems are essentially problems of a lack of effective demand for decent housing. Markets work on the basis of effective demand. To have effective demand for decent housing, an individual must have the desire and the ability to acquire such housing. The tenure arrangements are not of any great significance here. It could be an ability to rent or an ability to purchase in the housing market which is under consideration. It will be useful to identify ten types of response that governments, in principle, might have to the problem of a lack of effective demand for decent housing. Each involves a redistribution of
resources but each involves the use of different policy instruments and thus different distributional means and consequences.

1. **Increase household incomes**

The first response involves trying to increase effective demand by raising the incomes of selected households or individuals with low demand. This means using some sort of income supplement. With the extra income, individuals may choose to purchase more housing but they may choose not to do so. The extent to which extra income results in extra housing demand depends on the income elasticity of demand for housing. That is, it is a matter of individual choice and preferences for housing compared to other items. The extent to which the extra demand is effective in increasing the supply of decent housing depends on the price elasticity of supply of such housing. Whether or not supply is very responsive, that is elastic, and a large volume of additional decent housing results, is dependent on the conditions in the housing market and the institutional arrangements for organising supply.

2. **Provide housing vouchers or housing allowances**

The second response involves increasing the demand for decent housing by subsidising its consumption. This means tying additional income to the consumption of housing. There are several variants of how this can be done in practice. It could be done by using housing vouchers that can be used to purchase certain types of housing. This was the essence of the section eight housing allowance programme in the USA, although it is an approach that has not found favour in Europe (Howenstine, 1986 & Oxley, 1998a and 1998b). Here, the common variant is the use of some form of housing allowance, like housing benefit in the UK, which meets part of the cost of housing consumption. Some of the benefits of subsidy will, as with the first approach, end up with housing suppliers: how much depends on supply elasticity.

3. **Housing consumption credit support**

Given that the majority of house purchase decisions rely on borrowed money, the demand for home ownership can be raised by making this credit cheaper and/or more easily available. There are several ways to do this. Borrowing costs from private sector institutions can be subsidised, borrowing from such institutions can be guaranteed and thus risk and interest rates reduced, or borrowing could be made available at sub-market rates from public sector providers of finance. If the objective is only selectively to enhance effective demand, the benefits of cheaper finance should be targeted at households with inadequate demand and the arrangements for credit subsidisation and supply orientated to this goal.
4. **Addressing non-financial factors which impede effective demand**

It is usual for economists to assume that lack of income is the cause of insufficient demand. In addition, the significance of interest rates is sometimes acknowledged. It is rare in economic analysis for additional personal factors to be recognised as constraints on demand, for their recognition tends to violate the assumption of rational decision-makers. However, in practice, individuals may be unable to demand decent housing not because they lack the financial capacity, but because they are constrained by other personal attributes including mental and physical incapacity. It has, for example, been suggested that at least 30 per cent of the homeless population suffer from mental illness:

Generally rates of mental illness are twice those of the domiciled population and are of a more severe nature. The rate of alcohol misuse is about 3 - 5 times higher amongst homeless people. At least a fifth of hostel residents can be expected to have both alcohol-related problems and mental illness. Drug misuse is becoming more frequent, particularly amongst younger hostel users. About 1 in 5 homeless people have both a mental illness and a drug problem.

(Leicestershire Health Authority, 1999, p. 72)

Many households fail through ignorance or the complexity of provision to claim financial benefits to which they are entitled. This is a case of not being able to cope with the way a system works. For those who cannot cope with the complexities of housing markets, simply providing them with cash to enhance their effective demand may be inappropriate or insufficient. They may need other help if they are to exercise effective demand.

5. **Subsidise supply without price and allocation conditions**

The fifth approach subsidises supply directly, rather than demand. Thus housing suppliers receive incentives to increase supply and to reduce the price of decent housing so enabling more households to afford the commodity and to exercise effective demand. A variety of subsidies which reduce house builders’ and landlords’ costs are possible in principle. The consequences of this approach are dependent on the effectiveness of the subsidy in reducing the price of decent housing and the reaction of consumers to the lower price. The price elasticity of demand is therefore influential in determining how much more housing will be supplied and the price at which it will be made available to consumers.

6. **Subsidise supply with price and allocation conditions**

A sixth approach, like the fifth, subsidises suppliers, be they housing developers or landlords, and encourages them to reduce prices and increase supply. However, rather than leaving the degree of price reduction and the degree of supply increase only to the consequences of market demand and supply, the subsidy is conditional on specified rent levels and production levels. The subsidy can also depend on the personal circumstances, including the income, of
those who occupy the housing. Through subsidising supply conditionally governments may
thus influence the allocation of the housing and thus suspend market-determined allocation.

7. **State supply with market allocation**
The previous approaches involve working with market processes: there are still individual
consumption decisions. There is individual choice in housing consumption but the constraints
on choices are moderated. There is also choice by housing suppliers. They can take the
subsidies on offer but they do not have to. A seventh approach rejects reliance on the market
and replaces market supply by state supply. This means that the state or an agent of the state
becomes directly involved in the supply of housing. In principle this could be state supply of
an amount sufficient only to bridge the gap between what households can effectively demand
and what they are deemed to need or it could be all of the supply of housing. The state-
supplied housing will have to be allocated in some way. In principle it could be assigned
prices and allocated according to ability to pay. This would, in effect, mean a state supply and
a market allocation process. Ability to pay should be enhanced if the net effect of the extra
production is lower prices. If effective demand is appropriately expanded through lower
prices, housing need will be met.

8. **State supply with non-market allocation criteria**
Governments could decide to supply housing directly or to use some sort of agent of the state
(a local housing authority?) to supply housing and it could seek to determine the allocation of
this housing according to some sort of needs criteria so that ability to pay is not a barrier to
access to decent housing. The volume of housing which the state supplies, directly or
indirectly, could be either an amount to bridge the gap between market demand and social
need or it could be total housing supply if the government determines that it wishes to
eliminate private sector production.

9. **Change the definitions of housing need and decent housing**
A more cynical approach by government involves trying to change the volume of housing
which is needed. This volume is, as the definition of housing need used above makes clear, a
function of acceptable standards of housing. What is acceptable and what thereby constitutes
decent housing is a matter of public policy determination. Governments may simply try to
reduce total need by lowering the standard and may seek to make need correspond more
closely, or ultimately to coincide, with market demand and supply.
10. *Use a mixture of approaches*

Rather than taking any one of the nine approaches set out above, governments could combine elements of two or more of these approaches to produce some sort of mix of approaches. This is, in reality, what European governments, and indeed most governments throughout the world, have done. Governments in practice do not stand to one side and leave housing entirely to the individual decision making of markets.

Governments may take any of these approaches with a housing policy objective in mind, not a redistributional aim, but the consequences of the policy will involve redistribution. In fact, if governments have a housing objective which requires that housing need is satisfied, and there is an inadequate supply of decent housing, they must by means of the approaches above engage in redistribution. If the aim is redistribution, consequences for housing provision will follow. There is, in short, inevitably a very significant set of relationships between housing provision and redistribution.

Some approaches (1 and 2) involve essentially redistribution in the form of income transfers and others (4 and 8) involve a transfer of goods. The question is often posed 'which in principle is best: income transfers or transfers in kind?' This is a general question in social policy but one which has particular importance for housing policy because it is of relevance to issues such as should there be state-provided housing (such as council housing) or should there be only extra cash for those in need? Before examining some of the pros and cons that have been identified in the policy literature it is worth making the point that many housing policy actions (see 3, 4 and 5 above) do not readily fit one of the usually polarised alternatives of cash or housing.

The case for cash transfers rests mainly with the notions of consumer sovereignty and consumer choice. It is argued that by leaving individuals to decide how they wish to spend money they can make choices which best promote their welfare and so such transfers are likely to increase utility more than will transfers in kind such as the direct provision of housing (Robinson, 1979, pp. 117-120). Why, if this is correct, should governments ever do anything more than make cash transfers? Why in particular should they get involved in the provision of housing?

It may be desirable to override consumer sovereignty if individuals lack information which may push their preferences in favour of housing and improving information is too costly or too impractical an option. In practice these circumstances are unlikely. More persuasively, consumer sovereignty may not prevail if the recipients of redistributed resources lack the competence to make optimum decisions. Thus if there is a link to policy response type 4 above, provision in kind may be more efficient. Without violating consumer sovereignty, there is an argument for provision in kind if the utility of the provider of the redistribution as well as the recipient is considered. If the provider considers more housing consumption is better than, say, more alcohol consumption because of the wider benefits to society from
more housing, the provider will be happier with housing provided in kind if this reduces the risk of more alcohol consumption being the main result from an income transfer. The provider may therefore gain more satisfaction from a housing transfer of a greater money cost than an income transfer. More taxation spent on housing may be preferred to less spent on income transfers. Recipients may reach higher levels of satisfaction with generous housing transfers than less generous money transfers. As it has been succinctly put, ‘Social welfare might be higher with in-kind transfers, despite the absence of any efficiency reasons for public production or allocation, simply because both rich and poor prefer it that way’ (Barr, 1998, p. 90).

If the objective of policy is more housing consumption and production, this may be achieved more cheaply with public supply if there is significant inelasticity in the supply of housing. In such circumstances, income transfers which lead consumers to choose more housing consumption may raise house and land prices, provide economic rent to landlords and landowners and provide very little extra housing. There might in specific supply conditions thus be an efficiency reason for public provision. A significant expansion in council housing took place in the UK in the 1950s under a Conservative government largely because public sector production was seen as the most efficient way of quickly reducing a considerable housing shortage. Public production, it must however be stressed, does not necessarily mean public allocation. There are many ways of allocating housing which do take account of need whilst allowing significant elements of consumer choice.

Empirically, there are clear links in the UK between poor housing conditions and low incomes. A Report published by the Joseph Rowntree Foundation compared the connections in 1974 and 1990 and suggested that ‘housing conditions have improved for all income groups, but remain worse for those with low incomes’ (Hills, 1997, p. 68). It was found that low-income households were more likely to lack basic amenities and to live in over-crowded conditions. Improving the quality of housing consumed by those on low incomes should be an aim of housing policy.

**Housing policies in practice**

Western European housing policies were geared in the aftermath of the Second World War to reducing housing shortages. Housing production was clearly an aim of policy in most countries in the 1950s and 1960s. Social housing systems developed in response to shortages. It has been argued that:

The social housing systems that were developed in the 1950s and 1960s have some common features. First, social housing was seen primarily as a construction rather
than a management responsibility. Secondly, policy was mainly concerned with the number of units built; quality and variety were minor issues. Thirdly, the development perspective focussed on housing estates. Little attention was devoted to the residential environment or any linkages with the local economy, the local community or existing amenities. Last but not least, the market did not come into the picture. Social housing was predominantly a matter of bureaucratic planning and allocation processes.... [and] .... there was a general tendency to finance and subsidise property rather than give direct support to individual households who need help in paying their housing bills. (Priemus and Dieleman, 1999, pp. 624 - 626)

Subsequent developments put increasing emphasis on improving the quality of the stock and on improving the distribution of subsidies so that they were 'better targeted'. In the 1990s most governments tried to reduce public expenditure on housing in the light of improving housing conditions and budgetary pressures related to the control of inflation and compliance with European Monetary System convergence criteria. There is growing evidence of increased concern with allocation processes and the need to make these more responsive to consumer preferences. This is an area where new initiatives are required in the UK if social housing is both to contribute to a continuing inability of some households to occupy decent housing and is to be fully utilised.

There are wide differences between countries in institutional arrangements and housing subsidy systems but the governments of all European Union countries have adopted and continue to apply, even in times of strict public expenditure constraints, much influence on the provision of housing. In no country has a free market approach with much reliance on individual determination of the demand and supply of housing been allowed to prevail. Nowhere do we find governments relying on a general increase in household incomes as the means for raising effective housing demand. There are, however, many examples of governments, especially from the 1970s onwards giving considerable emphasis to housing allowances to relieve household budgetary pressure and to support housing demand. There was a decisive switch in favour of housing allowances in a period in which supply subsidies were being reduced and more emphasis was based on market forces. It is important to recognise that the systems in several countries were trying to ameliorate the consequences of rising rents and inconsistent pricing where rents varied widely without any clear association with housing quality (Oxley, 1987).

Support for the costs of housing consumption costs has typically taken the form of tax allowances for interest payments. The once very generous mortgage interest tax relief in the UK has now been phased out but variants of this form of subsidy continue in many European countries. As a means of supporting housing demand such measures have been heavily criticised on both efficiency and equity grounds. Large benefits, without appropriately designed systems, can go to those on high incomes. As a means of promoting home ownership tax exemptions usually fail to target marginal purchasers.
Supply subsidies have most usually been given with conditions attached. Such 'conditional object subsidies' have been a principal means by which social housing has been promoted in western Europe. A significant distinctive feature of the UK is that such subsides have gone in large measure to support local authority housing and thus large municipal landlords have been the main supplier of social housing. The emphasis in the last two decades, on housing associations as the key social housing developers has not greatly depleted the predominance of local councils as owners of the social rented stock.

In Germany, in contrast, social housing subsidies have been available to a variety of private and public sector landlords who have been prepared to meet rent and allocation criteria. In several countries including Greece and Spain social housing subsidies have supported owner occupation not social renting. An article entitled 'General trends in financing social housing in Spain' (Pareja Eastaway and San Martin, 1999) is entirely about specific forms of subsidised home ownership. It is shown that ‘One of the characteristics of social housing programmes in Spain is that they have historically encouraged the buying of a house as a means to get access to housing’ (Pareja Eastaway and San Martin, 1999, p. 710).

The European Union has no direct responsibility for housing provision. There cannot, according to the principle of ‘subsidiarity’, be a European housing policy and responsibility for housing issues rests with the member states. There is thus supposed to be no European housing expenditure and the only budgets for housing should be national, regional or local.

However, where housing investment, which improves the quality and quantity of the housing stock, also promotes economic growth, urban regeneration and increased prosperity there is no reason why such support should not, in selective cases, come from EU funds. This would not amount to abandoning the principle of subsidiarity but it would amount to a pragmatic recognition of the very significant links between housing investment and wider aspects of well-being. This would however require a change in the rules regarding EU finances (Stephens, 1999) and the probability is that there will continue to be no explicitly European housing budget and national government will continue to bear the responsibility for housing issues. The actions which national governments take and the degrees of freedom they give to individual choice in housing matters will continue to be significant policy issues.

National policy actions have involved a range of redistributive options. Support for housing demand, relative to housing supply has increased in recent decades and the emphasis has been on the financial rather than the non-financial impediments to effective demand. Supply side subsidies, which have been used as the principal means of supporting the development of social housing, have had more explicit price and allocation conditions attached in countries such as Germany, France and the Netherlands than has been the case in the UK. A greater reliance on direct state provision in the form of local authority housing has also been a distinguishing feature of the UK’s institutional arrangements. It is the allocation mechanisms
for social housing which are now receiving fresh attention in several countries, including the UK.

A lack of effective demand is most usually associated with a lack of income. There is little doubt that those in the worst housing circumstances are on low incomes and that there is a high degree of association, throughout Europe, between low incomes, poor housing and homelessness. In these circumstances, one policy instrument to be used is an appropriately constructed and operated housing allowance system. This should be tenure neutral. It should be payable to households in all tenures and should be a function of household income, household size and housing costs. It should promote maximum choice by households in the type, tenure and location of the housing they occupy. Its structure should minimise any ‘poverty trap’ effects. The main points to question are the link between the payment of a housing allowance and housing costs and who receives the payment, the consumer or the provider? Whilst the link exists, there is a good case on practical grounds for relating payments to house price indicators. This will avoid the problem of determining housing costs for homeowners when some have bigger mortgages than others and some have no mortgages. Given the tenure neutrality objective, one cannot discriminate between home owners’ and tenants’ costs, and house prices provide an approximate regionally variable indicator.

Why have any link at all with housing costs? One reason is that the subsidy is designed to promote housing consumption not consumption generally. The other is that without this link, the allowance would, in practice, be much more generous in low housing cost than in high housing cost locations. The first reason highlights most clearly the individual choice verses promoting housing consumption dilemma. If housing consumption can be promoted effectively through other measures including supply side reforms it might be possible to give preference to maximising the choice as to what the household does with extra income. The acceptability of this notion is, then, contingent on these other measures. Similarly, if other changes eventually bring about large reductions in regional housing cost differentials one can imagine a cogent case being made for the abolition of housing allowances in favour of an income supplement which could be used for any purpose.

Whilst housing allowances, as opposed to general income supplements, remain in place the issue of who in the rented sector should they be paid to, tenant or landlord, is important. Ideally all tenants would be responsible and use their housing allowance or income related housing supplements to pay the rent but what should be the reaction to either irresponsibility or to the inability to manage personal finances? If rent arrears grow and evictions follow should the response be that this is the acceptable consequence of handing more responsibility to tenants or should we be more cautious? A good deal of help and advice may be necessary to promote responsibility and much more may be needed to overcome inabilities related to a lack of personal management capacity. The reality may be that a long term shift towards payment to individuals, with much short term continuation of payments direct to landlords,
and considerable support and advice in understanding the processes of coping, may be needed for a limited set of households.

The reality of consumer choice in housing is related partly to how the housing is priced and how it is supplied. The pricing of rented housing, especially social rented housing, does not follow consistent principles in the UK. It has been shown (Oxley, 1987) that housing allowance systems in western Europe have developed not only as a reaction to low incomes and high rents facing some households but also as a reaction to 'inconsistent pricing' where rents vary arbitrarily as a consequence of historical costs, political decisions and financing oddities. Any change in housing allowances should be linked to addressing the question, 'What should rents represent and how should they be determined?' They are likely to promote individual choice better if they reflect the value that households place on the attributes of dwellings. This means that rents will be higher for popular dwellings and lower for less popular dwellings. In short, consumer demand will have an influence on rents. Reforms which promote this objective would form part of a desirable agenda for change but this does not mean that all rents and all house prices would immediately be determined by unregulated forces or crude demand and supply. Housing pricing reforms for all sectors would need to be related to a major appraisal and transformation of public policy with respect to housing supply.

Providing reformed income-related assistance across all sectors, as the main instrument of housing policy, would correctly acknowledge that housing issues are income distribution issues that need to be addressed by redistributive measures. However, the real consequences will depend on the supply of housing. This means both the physical aspects of the housing and the terms on which access is available. It also means the responsiveness of supply to changes in demand.

The objective of decent housing will not be achieved simply by giving people more money, hoping they spend some of it on housing and hoping that the supply-side response to more demand is increases in the quantity and quality of dwellings available. The inability of individuals to express effective demand for decent housing is partly a function of the lack of such housing. Problems of damp, poorly insulated, badly designed and poorly located housing for rent and sale will not disappear because of more individual spending power. Eventually, in a market situation with good information and the impediments to inelasticity removed, this is predicted to happen in equilibrium. The adjustment to equilibrium may be long and painful.

The supply side of housing policy should be geared to increasing the quantity and quality of decent housing. It should thus be a housing investment policy and a quality assurance policy. It should be geared to improving the efficiency with which housing is supplied. It should involve using the power of the state to regulate and to encourage.
Some regulations to promote minimum standards in the production and supply of housing already exist through, for example, building and planning controls and public health legislation. There is a case for more action to improve standards in rented housing generally by the use of improved and strengthened legislation. In an ideal situation, with a more even balance of power between landlord and tenant, one can imagine standards being forced up by poor quality being rejected. In the absence of this situation, landlords of all sorts can usefully be required to supply a product that conforms to basic requirements. Standards should be enforced.

The supply of housing can be promoted by government supporting a variety of housing suppliers. These do not need to be the local authorities or housing associations that have dominated the traditional institutional arrangements for the supply of social rented housing in the UK. There is much that could be learnt from adopting the German approach that treats social housing as a form of finance rather than a form of tenure. Thus a variety of providers including private sector firms, individuals and non-profit enterprises have been able to receive subsidies in return for complying with quality standards, keeping rents within specific limits and adopting allocation policies which give preference to households with low incomes. There can be housing with a social purpose without social ownership. Variations of this approach can be found in other European countries but the clearest expression is in Germany (Oxley, 1995). This form of provision has, with the complementary use of housing allowances, been adopted in Germany and rationalised using this sort of argument:

Housing markets are in a state of imbalance or at least experience recurring periods of supply deficits. Market power is tilted towards the suppliers of housing services; disadvantaged are those consumers with small resources relative to their consumption needs or those with socially stigmatised traits (minorities, immigrants, etc.). These outcomes of a purely private housing service system seek to correct these equity deficits by giving the disadvantaged consumer groups a ‘second chance’ through special markets with a subsidised supply, through income supplements designed to improve individual purchasing power, or through other policy instruments. These policies are designed to correct the equity outcomes of private market transactions and server a redistributive purpose. (Konukiewitz, 1985, p. 185)

The range of social landlords in the UK is expanding but there is still a case increasing the variety of housing, and housing suppliers, from which consumers might choose (Oxley, 1999a). Such developments could go much further than the creation of new arms-length companies to manage local authority-owned housing as envisaged in the recent housing green paper (DETR, 2000). They could, more radically, result in a profile where there was less state owned housing but more privately owned housing with a social purpose. Such changes would make the UK's institutional arrangements more like those in several other western European countries (Oxley, 1999b).
Landlords are likely to require some form of subsidy if they are to perform a social purpose. Subsidies may be defined widely to include a variety of mechanisms which reduce the cost of producing or consuming housing below what it otherwise would be (Haffner & Oxley, 1999). Thus support could take the form of tax concessions rather than the direct provision of funds from public expenditure. In the context of UK private landlords, there is one particular form of tax change which would stimulate supply and would put residential landlords more on a par with commercial property investors and incidentally make their fiscal arrangements more like those in several European countries. This would involve providing depreciation allowances that reduced landlords' tax bills and increased their rate of return. Landlords would need to sign up to a 'social housing contract' in order to get the concession. The contact would require them to agree to minimum standards and agree to promote specified access policies.

The central supply side issue should be the delivery on an acceptable quantity and quality of housing to meet the preferences of households and to provide housing with positive externality effects. The quality dimension should encompass design, location and, in the case of rented housing, management aspects. If private sector suppliers were able to meet all of these requirements, possibly with the help of some regulation and subsidy from government, better than other landlords, an important question would be 'why do we need local authorities and housing associations as landlords?' There are two aspects of the response to this question. One, we do not know that private firms could do the job better and secondly 'social' landlords do more than supply 'bricks and mortar' housing and alternative arrangements would have to be judged with respect to the desirability and the ability of landlords to deliver on the wider issues. Taking these issues forward is at least as much an issue of empirical evidence as a matter of principle.

It is clearly wrong to group all social landlords together as a single form of supplier. There are a variety of organisational forms and practices not just between countries but within countries. As forms of non-profit enterprise, we know very little of the motivations and behaviour in practice of UK housing associations. We have 'theories of the firm' and theories of the way that government might work but there is very little theorising on the way that non-profit organisations work. With a lack of empirical information and a lack of theory it is difficult to surmise on the decision making processes of social landlords, the extent to which they exercise degrees of freedom and the extent to which they act as agents of the state. There are likely to be many organisational forms in practice with varying amounts of power exercised in a discretionary fashion by management boards, executives, tenants and regulatory authorities (for a related discussion see Maclennan and More, 1997).

Whatever the organisational form there are two central decisions that have to be made. These are the production decision and the allocation decision. Efficiency can be promoted by making these decisions responsive to household preferences. Effective means for the
expression of preferences should thus be an important part of the institutional arrangements for the supply of housing.

Social housing does not have to be housing which is allocated on the basis only of needs criteria which pay little attention to the type of housing and the locations which consumers desire. The Dutch are experimenting with social housing allocation procedures which give much more weight to personal preferences than is the norm in the UK. The ‘Delft Model of Allocation’, of which there are in practice many variants that have been developed since it was first used in Delft, involves vacancies in the rented stock being advertised and expressions of interest being registered by interested applicants. There is then an attempt to allocate, taking into account the characteristics of the dwelling and the applicants’ preferences. It is a system which has proved popular with municipalities and tenants (Kuelberg, 1997). An allocation unit covers more than single social landlords and does in several instances attempt to match dwellings and households over several municipalities on a regional basis. There is a case for exploring the transferability of variants of the Delft Model to the UK and, indeed, some testing of this is underway (DETR, 2000, p 86).

Changes in allocation procedures need also to take account of the findings of a Joseph Rowntree Foundation Inquiry that stated that:

The increasing polarisation of council and housing association housing, combined with the way in which much of it takes the form of large estates, is one of the major causes of the gradual increase in polarisation between areas which is taking place on the ground, with disturbing social consequences. For existing estates, local authorities should review allocations procedures to avoid allocations to a particular estate consisting overwhelmingly of those dependent on benefits. New developments should avoid large estates, and where possible there should be a mix of tenure types to ensure that even if most of the social tenants have low incomes, there are others in the same neighbourhood in different circumstances. (Joseph Rowntree Foundation, 1995)

Alternative forms of provision should be considered. The use of a ‘state agent’ model has been mooted by Maclennan and More (1997). The model combines market production and state allocation:

The ‘state agent’ model leaves the production and pricing of homes and services to market producers. The ‘state agent’ would then be responsible for securing market vacancies, of an acceptable quality, and matching them to qualified waiting list applicants. Subsidies would then be calculated in relation to household incomes and requirements and be paid directly to the landlord. A contract, for an agreed duration, would govern landlord-tenant relations. (Maclennan & More, 1997, p. 540-541)
Maclennan and More suggest that this system could generate market signals and allow subsidies to be well targeted. They acknowledge, however, that in periods of shortage suppliers could extract scarcity rents. One way of tackling this, it is suggested, is to combine ‘social agent’ and ‘not-for-profit’ models. The ‘social agent’ would contract with not-for-profit providers who would be limited in their desire and ability to charge scarcity rents. However, the problem that would remain is efficiency and it is argued that ‘the main challenges concern how not-for-profits can be made to behave as efficiently as possible.’ (Maclennan & More, 1997, p. 541).

Efficiency can be promoted through competition. This competition could be between a variety of housing providers both profit and non-profit making. If these providers are setting rents which reflect consumer preferences these rents also provide the signals for the new production that is required. In such a framework what would be the essential roles of government? Firstly, government would be helping consumers to express their preferences better by means of income related assistance. Secondly, it would through regulation ensure that the quality of supply is sufficient to provide and sound safe shelter. Thirdly, it would through regulation and supply side subsidy ensure that housing was supplied in sufficient quantity and quality combinations to ensure that positive externalities were promoted and negative externalities were avoided.

Would it be possible for this to be achieved without any non-profit suppliers? Ultimately, if regulation and subsidy are adequate, yes. However, one needs to consider all the ‘no-bricks and mortar’ services which social sector landlords currently provide in the UK. Registered Social Landlords are now involved in a wide range of services including, for example, training through foyers, care with sheltered accommodation, and information dissemination to help tenants get access to services to which they are entitled. One needs also to consider the scope of the activities that registered social landlords contribute to which may be broadly called ‘combating social exclusion’ and ‘promoting urban regeneration’. The community involvement which these involve may be encouraged in the private sector but it will not necessarily be part of the operating ethos which will prevail amongst profit makers. The value of the externalities implicit in these wider activities points again to the case for a diversity of suppliers.

To stress and elaborate on an important point, access to decent housing requires a supply side response with new measures to promote housing investment. This investment is needed to replace poor quality and unpopular housing in both the rented and owner occupied sectors. It is also desirable in order to promote the positive health, education and possibly crime reduction externalities.

It would take a major change in emphasis in UK housing policy for increased housing investment to be a major policy aim. With such a change, much could be achieved through
new financial and institutional arrangements. These would be geared to increasing the rate of return from investing in housing and widening the range of housing suppliers.

Given the economic and political constraints on more direct housing expenditure to support supply side subsidies, emphasis could be put on tax concessions of the sort that have been effective in promoting housing investment in other counties, especially Germany. The specific measures to be considered include depreciation allowances, capital gains tax concessions and changes in tax relief for rental income and operating costs.

Depreciation allowances could allow the initial cost of housing investment to be written off over say twenty years. A generous rate in the early years, tapering over time would ease the problem of the ‘front end loading’ of the costs of housing investment. The allowable initial costs would include any scheme that created new housing from new build or conversions or brought about significant improvements in the quality of existing housing. The provision of some form of depreciation allowance for housing would make the UK more like other European countries such as Germany and France and put housing more on a par with other forms of investment in productive assets. Special concessions on capital gains and rental income would go further and give housing an enhanced status compared to other investment activities.

Given the indexing of capital gains tax provisions, any changes for housing would have to be very generous to have a significant effect. Thus more emphasis on net rental income might be more effective. A simple approach that allowed maintenance and management costs as standardised proportions of gross income could be implemented.

The main purpose of these changes would be to enhance the net return from housing investment. These changes should be accompanied by major reforms in the institutional arrangements that govern the division between the private and public rented sectors. The lack of a clear division in some other countries is in marked contrast to the UK. The implication is the creation of privately owned housing organisations with a social purpose. These ‘social housing enterprises’ would be a new form of rented housing supplier. Taxation privileges would be given in return for agreements that governed the quality of accommodation and the terms on which it was allocated. The operations of such institutions would demonstrate that social housing need not be publicly owned or non-profit.

New housing providers could work alongside housing associations both as developers and suppliers. The development potential of housing associations could be enhanced by learning from the funding arrangements applicable elsewhere. In The Netherlands and France, loans to associations can be underwritten by some sort of guarantee scheme. In both countries, associations pay a premium for insuring their loans. This amounts to a pooling of risks. The Dutch system, with a combination of a Social Rented Sector Guarantee Fund and a Central Social housing Fund provides the most sophisticated model. Loan guarantees reduce risks to
the lender and consequently rates of interest are lower. If such a system was adopted in the UK the state need not act directly as a guarantor, although it could, as in the Netherlands, act as the underwriter of the guarantees funds.

A reduction in land costs could promote more housing investment. If land costs are high because of the premium associated with planning permission, there is a case for extracting some of the ‘excess profit’ of the landowner. There does, however, need to be sufficient incentive for the developer to supply land for development. This is the problem of taxing economic rent or betterment. The Dutch have the most comprehensive ‘solution’ in Europe. It involves most housing development land being acquired by municipalities and passed on to developers. This gives them considerable control over prices and surpluses. Such an approach would not be politically acceptable in the UK. It can be argued that in the UK planning agreements and obligations allow local authorities to negotiate away some betterment and use in for low cost housing. A more comprehensive and certain approach is however necessary to provide sufficient land at low prices. A tax like Development Land Tax, targeted specifically at increases in value resulting from planning permission could achieve this purpose. Housing investment would be further promoted if the proceeds of the tax were dedicated to housing.

Changes in land taxation could be used to promote more brownfield and less greenfield development. This would be in line with the present government’s target of 60 per cent of new housing development on brownfield sites. The positive externalities from such development include environmental and sustainability advantages. Taxation on greenfield sites could be used to promote brownfield developments including conversions of non-residential property into dwellings. There could be different tax rates for different types of development in different locations. These points on housing development and land supply reforms are given only as illustrations of the sort of measures which could, with a change in demand side measures, bring a fresh approach to both the production and allocation of housing. The product of housing policy, if these demand and supply side reforms were implemented, would be an improvement in the quantity and quality of housing and enhanced access to this housing. It would be a policy based on social action to address social problems but without unnecessary social ownership or restrictive bureaucracy.

**Key Points based on experience in other countries**

1. **Social housing can be ‘owned’ by a variety of organisations other than the state, local authorities and non-profit housing associations.**

The range of social housing providers in Europe is vast. For example, Danish Social Housing Organisations (SHAs) are owned collectively by the tenants. They are legally private organisations raising private finance and competing with other housing providers. They are
not however independent of the state for they receive significant subsidies. They obtain
genral subsidies for site acquisitions and mortgage repayments and individual subsidies that
support households ability to pay the rent, that is, a form of housing allowance. It has been
argued that ‘In an international context the Danish social housing system is distinctive. Social
housing provision in Denmark had never been a task for either state or local authorities. Since
the turn of the century the SHAs have been semi-autonomous bodies; economically
subsidised and legally regulated by the state, but owned and organised collectively by the
association members themselves and always living with the threat of economic fluctuations
on the finance market’ (Jensen, 1996, p 122). In Germany a variety of private and public
organisations can be social landlords as long as they adhere to given allocation principles.
The receipt of preferential funding is tied to the delivery of housing for people on low
incomes at rents below specified thresholds. The financing is for a given time period after
which the dwellings cease to be social housing and can be allocated according to market
criteria.

In Germany, Social Housing has not been linked to ownership. It has been rather a form of
finance. In return for preferential loan arrangements private and public sector bodies have
agreed to provide housing which meets given quality requirements, is available at rents below
specified thresholds, and is rented to households with incomes below particular levels. The
difference in approaches in Denmark and Germany has been characterised as a Welfare State
model on Denmark and a Social market Economy approach in Germany. In the former the
public sector is used to work towards a more egalitarian society and in the latter market
forces are used more extensively to promote overall prosperity with redistribution being
targeted at low-income groups (Skifter Andersen & Munk, 1994).

A study of who occupies social housing in the two countries revealed that despite income
limits in Germany but not in Denmark, social housing in Germany was dominated by middle
income groups. Denmark had a stronger representation of poor people, but also of households
with higher incomes. There is also evidence of a lower relative representation of immigrant
households in German social housing. The differences, it has been suggested, are linked to
the different allocation systems in the two countries. In Germany, the private landlords
usually chose their social tenants in accordance with rules that vary from Lander to Lander.
In some Lander, landlords can choose between three households. ‘It is to be expected that
private landlords in the German social sector are less inclined to accept households with low
incomes or social problems, or immigrants, because it might be expected that these groups
could make maintenance costs increase and keep away households with better incomes’
(Skifter Andersen & Munk, 1994, pp 17-18). Although there are no explicit income criteria in
Denmark it is a formal objective of non-profit housing associations to solve housing
problems for the poor and local authorities have a right to select 25 per cent of new tenants
with a view to addressing social issues. The differences between Denmark and Germany may
be seen primarily as a function of allocation rules and not of ownership. Clearly it would be
feasible to require private landlords in receipt of subsidies to be more responsive, in their allocation practices, to meeting specific needs.

2. Social housing does not have to be non-profit housing

From 1950, subsidies in Germany were available to profit making firms and to non-profit housing associations and co-operatives. Until 1990 the non-profit organisations were subject to special legislation which limited their returns. This legislation has now been abolished and the associations can, if they wish, behave as private firms. A large proportion has in fact chosen to continue to operate as non-profit enterprises (Skifter Andersen & Monk, 1994). The exact meaning of non-profit could be debated in differing institutional contexts (see Oxley, 1995). However, the availability to landlords of some sort of surplus does not necessarily impede their ability to house low income households. This is more a function of rents, housing allowances and allocation policy. Non-profit does not necessarily mean lower rents. ‘Danes in social dwellings have to spend a larger proportion of their incomes on rent than Germans’. (Skifter Andersen & Monk, 1994, p 19).

3. Non-profit housing associations can operate in an entrepreneurial manner and apply market principles

Dutch housing associations that own and administer over 90 per cent of the social rented stock, which comprises 37 per cent of the total stock, now operate as ‘private entrepreneurs with a social task’ (Flier & Thomson, 1998). The strong ties between the associations and central government have been considerably weakened by changes in housing policy that occurred from 1993 onwards. The Decree on the Subsidised Rented Sector (BBSH) which came into effect in 1993 gave housing associations increased administrative independence and shifted responsibilities for key housing decisions from central government to the municipalities. In 1995 the Dwelling-linked Subsidies Order (BWS) ended generic property subsidies for newly built rented dwellings. Under the ‘grossing and balancing agreement’ of 1995 housing associations repaid all their outstanding government loans and at the same time received a lump sum equal to the estimated present value of all government subsidy obligations. The financial ties with central government, and the interdependency of the associations and the government, have thus been ended (Dieleman, 1999). This entrepreneurial approach in the Netherlands provides a clear example of the opportunities for essentially private and non-profit organisations to perform a social role.
4. Social housing does not have to be rented housing. It can be a particular form of owner occupation

Social housing in Spain, for example, is subsidised housing intended for owner occupation. The development, which may be undertaken by public or private enterprise, is assisted through sub-market interest rates. Eligible dwellings must be smaller than 90 square metres and meet various quality requirements. The price must be below thresholds that vary with location and are set by central government. The housing must be occupied by households with incomes below specified thresholds. Under traditional system the subsidy can go to developers or purchasers. Since 1992 a ‘housing under controlled prices’ scheme assistance has been given to purchasers of new and second hand houses which meet size, quality and price conditions. The assistance, in the form of low interest loans is dependent on household income. Low-income households are thus helped to become homeowners by a combination of reduced house prices and low interest rates.

There are other examples of owner occupied social housing elsewhere in Europe. This has been the tradition in Greece and the Dutch have tied subsidies for specific categories of dwellings for home ownership to price limits and income levels of the purchasers.

5. It is social housing allocation policies that crucially define and distinguish social housing from other forms of provision

The key feature that makes social housing different is not ownership, or tenure or whether or not it is organised on a profit-making basis. It is rather the basis on which the housing is allocated. Housing which is not ‘social’ is allocated through markets on the basis of ability to pay and consumer choice. Social housing allocation brings social considerations to the allocation process. A criticism is that socially based allocation systems can deny individual choice. This is not necessarily the case.

It is instructive to look at ‘choice orientated’ models that are being used in other countries. In The Netherlands the allocation of dwellings is determined by individual associations. However, where there is a housing shortage local authorities can require that a residential permit be issued before an applicant can move into a rented or owner-occupied dwelling. ‘It is only issued if the prospective tenant meets certain income requirements, an possibly requirements about family size and age. In certain areas, such as the more rural regions, the local authority can also require a familial (relatives) or economic (work, school) relationship with the region where the municipality is situated (Brazlinton, 1999, p42). The central government has decided that a residential permit is only necessary for homes with rents below a certain limit (1,085 guilders per month in 1998) or purchase prices below a given maximum (300,000 guilders in 1998).
Many municipalities are now adopting a variation of the Delft allocation system (after the town where it was developed) for social housing. This does not use waiting lists. Instead vacancies are advertised and prospective tenants complete a form indicating their preference. If there are several first time applicants for a property preference is given the eldest applicant. In the case of those seeking to upgrade their accommodation, preference is given according to length of current tenancy. Emergency cases can obtain priority and a guarantee if housing within a specified period. The system is designed to promote choice and to give signals about the relative popularity of dwellings.

6. In virtually all western European Countries the future, purpose, and form of social housing are being questioned

Within the re-examinations the central issue remains the long-standing ‘subsidise building or subsidise people’ debate. Supply subsidies, which have directly supported social housing, have generally declined in importance relative to demand subsidies largely as a reaction to changing perceptions of the housing problem that is being addressed. The more housing has been seen as a problem of distribution and low incomes, rather than as a problem of production, the more has been the emphasis on housing allowances and the less has been the emphasis on object subsidies. It has been shown that in western Europe ‘There has been rapid growth in targeted assistance in the form of housing allowances and housing benefits since about 1980. That development entails a dramatic shift away from property subsidies towards income linked subsidies’ (Priemus and Dieleman, 1999, p. 627). However, this has been seen to have serious drawbacks ‘First and foremost, housing allowances have much less impact on the supply side of the residential construction market and the housing market. If the main goal is to mobilise the supply, property subsidies would be more effective than housing allowances’ (Priemus and Dieleman, 1999, p 627). In the light of this, support for housing supply is still important in several counties and is likely to remain so as long as there is a lack of confidence in the ability of consumer subsidies to fully deliver affordable housing of an acceptable quality. Governments have thus in practice tended to rely on a variety of approaches that redistribute resources through subsidising both housing producers and consumers.

6. The subsidy/regulation relationship is being scrutinised in several countries

How to regulate and control to achieve social purpose? This is a common concern particularly when control has been linked to subsidies. The Dutch 1993 BBSH Decree gave municipalities considerable freedom to define local housing policy objective and to agree the role of housing associations in meeting these objectives. Performance agreements between
local authorities and associations developed as a way of clarifying what was expected of associations. These were formalised in a new Decree in 1998. They are seen as a way of reducing uncertainty and risk through specifying intentions. They are not however legally binding documents.

A reduction in subsidies tends to weaken the leverage that governments have over the operations of social housing providers. If social housing is to assist in the delivery of policy objectives, some political influence on allocation policies is a minimum requirement.

7. Is the important current issue providing 'housing' or providing 'social welfare'?

In Denmark, as housing need has fallen, the purpose of Social Housing Organisations (SHAs) has increasingly been in question and it has been claimed that ‘It has become more difficult to come up with a clear answer to the question of why we need social housing organisations’ (Jensen, 1996, p 117). In order to have political legitimacy it has to be clear that SHAs have a purpose and they can achieve specified outcomes better than alternative organisations. As they attempt to redefine their role, it has been argued that ‘Their force and resources are to be found in their considerable ability to contribute to solutions to social problems at the local level at the one hand and strengthen the capacity for local democratic governance on the other’ (Jensen, 1996, p 128). Such a strategy involves SHAs relating more closely to social policy and defining their task as the provision of social welfare in a broad sense at a local level. This approach recognises that the majority of socially excluded people are living in social housing estates and utilises the democratic traditions of SHAs to tackle issues. It has been claimed that ‘Today the Danish social housing sector has one of (if not the) world’s most decentralised and formally empowered tenants’ participation systems’ (Jensen, 1996, p 123). By combining democratic processes with a capacity to tackle broad social, as opposed to narrower housing problems, social housing organisations might be able to reclaim political significance in an era when crude housing shortages are seen to have been eliminated.

8. Low demand and low quality in particular locations are common problems

This is related typically to the age structure of the social housing stock and rising incomes. The structure, size and quality of early post-war estates are seen as particular problems (van der Flier & Thomsen, 1998). An additional major issue for Dutch social housing is the rising popularity of home ownership and the fact that some dwellings are becoming difficult to let. It is expected that housing associations will, overall, need to reduce rather than expand their stock (Deileman, 1999, p 258). In carefully defined situations of low demand for renting associations may obtain consent to sell dwellings but there is no general right to buy. Socially
rented stock is not necessarily in demand from owner-occupiers because of its location and configuration: 'Problems may arise when housing associations in cities like Amsterdam and Rotterdam have to sell part of their stock into owner occupation. That will be difficult when much of the stock of housing associations in cities is multi-family structures' (Dieleman, 1999, p 258).

9. The sources of finance for new developments and improvements have changed considerably in most European countries

Less direct subsidy and the use of more private finance are recurring themes. There are examples of the use private finance combined with insurance and underwriting agreements. In The Netherlands more financial independence for the associations followed a gradual weakening of the links that was facilitated by the Central Housing Fund (CFV) set up in 1987 and the Social House-building Guarantee Fund (WSW) which was established in 1988. The WSW provides guarantees for the loans taken out, by the associations, on the private market. WSW conducts annual checks on the credit worthiness of associations and registers acceptable associations. The security for the fund comes from the municipalities and the national government as well as the associations themselves who make contributions to the fund. If an association is unable to meet the financial criteria set by CFV, and thus have its borrowing guaranteed, it can apply for support from the CFV. It will in return for financial support be required to reorganise to attain long term financial stability. CFV was given start up capital by central government. It now receives annual contributions from housing associations. It provides a form of self-help and is sometimes referred to as the 'solidarity fund'.

CFV also performs a monitoring function for the central government. It reports on the financial situation of individual associations and of the sector as a whole. The government can issue directives to associations or appoint a supervisor if they are not performing adequately. The CFV and WSW work together to provide a strong guarantee structure for housing associations. With the largely theoretical underpinning by the municipalities and central government the very small of risk attached to lending to housing associations allows them to ‘attract loans at interest rates about 1 per cent lower than other bodies such as hospitals, which also have to borrow on the financial markets’ and the criteria applied by CFV and WSW ‘work seamlessly to enable all associations including those which are financially weaker, to gain finding’ (Bazlinton, et. al., 1999, pp 35-36). Of the new less subsidised, more commercial framework it has been argued that ‘Housing associations appear to be functioning successfully under the new regime. In fact, the social rented sector has risen remarkably well to these new challenges, and the associations are quite optimistic about their future’ (Dieleman, 1999, p 255).
Some associations support other associations by financing their borrowing. This ‘mutual financing’ is on terms more generous than to be found from other sources. It involves either a direct or an indirect relationship with the other association. With direct mutual financing an association extends a loan to another association and the association receiving the loan secures it by guaranteeing it with the WSW. With the indirect form an association invests with a financial institution at a sub-market rate of interest. Another association takes out a loan with the financial institution for the same period and the same interest rate.

10. Varying principles and practices operate in setting social housing rents in other countries

A key issue that is raised is: what is the function of rents? The principles by which social housing rents are determined vary within and between countries. Rent levels are variously related to costs, the size, quality and location of dwellings, market demand and supply and household incomes. Governments exercise varying types and levels of influence over rents. Europe is rich in a variety of rents determining models. There is no consensus on what rents are supposed to do. If they are to be part of an allocation system which has a degree of individual choice there is merit in rents having some relationship to the desirability of the dwellings as perceived by tenants and prospective tenants.

11. The relationship of social housing organisations to the land market and the means by which the organisations acquire land varies

The provision of subsidies to social housing thorough the land market is a continuing feature of provision in many countries. The supply of land at low prices can be a way of supporting social housing without direct budgetary consequences. In Germany, municipalities are legally required to provide low cost land for housing, especially for low-income groups. Polices vary with location and include intermediate land ownership by municipalities who can then sell the plots at a reduced price. The Bund and Lander and the municipalities sell land that is surplus to requirements at reduced prices for low-rent housing. Private developers may effectively cross subsidise from high profit uses to social housing provision.

Conclusions

Examining the social housing experience of other countries does not reveal shining examples of how to do everything better than we do in the UK. There is no ready-to-use best policy and practice model that can be transferred to this country. Many of the problems encountered by the sector are similar irrespective of country, ownership and regulations. However, some
features of the German, Dutch and Danish systems do provide ideas that can usefully influence policy debate in the UK.

The German private enterprise associations work alongside other organisations that have retained a non-profit ethic in delivering housing that is designed to meet social objectives. The Dutch have shown how changes in subsidy arrangements can be coupled with an injection of entrepreneurial spirit to promote a more independent social housing sector. In the use of the Delft model, many municipalities in the Netherlands have provided a clear example of how to promote more choice in social housing allocation. The Danes have shown the value of meaningful tenant participation, and of acknowledging a wide social purpose, in maintaining a significant role for social housing organisations.

An important lesson is that ownership of the social housing stock matters much less than how the stock is allocated. Privately owned organisations that supply housing that meets social objectives can usefully compete with organisations which are owned co-operatively, mutually, municipally, charitably or communally. Allocation systems that promote choice and use rents as signals for what tenants want to pay for dwellings, and reflect how they compare one dwelling with another, are likely to promote greater satisfaction than bureaucratic ‘take it or leave it’ models.

Better allocation has to be combined with better investment if social housing is to provide a better service. Some of the investment to improve run-down estates and enhance supply can come from private sources if there is an appropriate rate of return. That rate of return will be a function of rents and housing benefits. The riskiness of the investment can be reduced by political commitment. This requires agreement on social purpose.
References


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