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## THE ROLE OF SOCIAL HOUSING IN HOUSING POLICIES

### MIESTO SOCIÁLNEHO BÝVANIA V BYTOVEJ POLITIKE

#### Abstract

The role of social housing should not be seen to be limited to the provision of affordable housing to those who need it. Social housing should be integrated with other policies, notably employment, urban planning, transport to contribute to social inclusion. It should be developed with a long-term perspective, taking into account demographic trends and should be integrated with other forms of housing to prevent segregation in housing areas.

#### Key words

Social housing, Housing policies, Housing

In any discussion of social housing it is also necessary to deal with general housing policy goals to be able to determine what role social housing can play in achieving these.

#### 1.1 Housing policy goals

The basic goal of housing policy is to provide the whole population with good, adequately equipped dwellings of suitable size in a well-functioning environment of decent quality at reasonable cost. To make this overall goal more tangible, and also to include recent new dimensions in housing policies, it is worthwhile drawing up a list of important questions:

How is it possible efficiently to ensure that the underprivileged section of the population has access to a dwelling? This may be rendered in brief as “access to housing;”

What instruments can be used to ensure that low-income households can also live in dwellings of a reasonable size, so that housing expenditure does not form an unreasonably large proportion of their disposable income? This is “affordability;”

What instruments can be used to ensure that the quality of the present housing and of any new building will correspond to changing needs now and in the future? This concerns the quality of both buildings and the housing environment. These are “qualitative targets;”

In addition to economic factors, it is important to pay attention to the special needs of different groups of the population. These include the need for housing care: sheltered and supervised housing for disabled, elderly and homeless people. This is “special needs.”

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In addition to these basic goals there are many other important issues to consider, such as:

1. How to avoid social segregation in residential areas. This means “combating social exclusion” and supporting “social mix;”
2. Sufficient protection against eviction: “security of tenure;”
3. Ways and means of participating in decision-making relating to the building and the immediate neighbourhood. This particularly relates to multifamily housing stock in general, and to the rental housing stock in particular. This is “tenant participation;”
4. An increasingly important issue is energy saving in dwellings, which should be incorporated into the qualitative goals for dwellings.

At this point, we should like to state three things. The first is that we cannot achieve everything immediately and simultaneously. This makes it necessary to decide on an order of priority in goal setting.

Secondly, we should like to stress that the higher the income, the more easily the housing policy goals can be realized. This means that housing policy instruments should include special support for improving housing conditions for low- and medium-income groups. This provides the justification for assessing the efficiency of housing policy on the grounds of how well it supports improved housing for those living under the most difficult conditions: “social effectiveness.”

Third point is that there is no single housing policy instrument that will solve all the problems. Instead there is a range of potentially useful instruments, and combinations of them, which are suitable for use in different situations. The efficiency of these instruments and combinations of them may be assessed by checking them against goal achievement. Here, we may particularly focus on how the goals can be implemented at the least public cost: “economic efficiency.”

It should also be pointed out that all instruments tend to have unintentional negative side effects. For example, if support for consumers intended to lower housing expenditure leads to increased demand and a rise in prices or rents, it will worsen the situation for others in need of housing. This is “capitalization of support.”

Naturally, it is also important that in overall terms the housing market functions smoothly. The following are some of the points that should be considered in this context:

1. In growth centres there must be enough dwellings, in order to avoid any unreasonable rise in rents. At the same time, every effort should be made to avoid a situation in which dwellings in areas with declining populations are abandoned and their prices plummet. This is “to strive for a balanced housing market;”
2. The housing production system must be as efficient as possible so that the quality/price ratio for new construction and renovation can be kept as high as possible. This requires continued research input, experimental construction and real competition in the construction sector. This is “high productivity;”
3. The business cycle is one of the factors that creates substantial variation in the volume of housing production and renovation, and this affects the efficiency of the housing production system. This is “to smooth the impact of business cycles in housing production;”
4. It is also important that the housing production system is sufficiently flexible so that it can respond to an upsurge in demand as quickly as possible. Flexibility depends on factors such as the supply of building land and the ability of the construction companies to respond to increased demand. This is “elasticity of supply.”

Social housing is just one housing policy instrument. Therefore, this instrument should be compared to others that are available.

## 1.2 What is social housing about?

The concept of social housing is difficult to define accurately, particularly as its content varies to some extent from one country to another.<sup>2</sup> Usually the term “social rental housing” is used as a synonym for it even though there are countries in which cooperative housing and even certain parts of the owner-occupied housing stock meet the criteria of “social housing”. In this publication, social housing generally refers to social rental housing, unless specified otherwise. Many countries have incorporated the definition of “social rental housing” into their legislation. There are differences in national legislation; however, similarities between laws in different countries are sufficient to justify statistical comparisons.

It should be pointed out that “social housing” and “social housing policies” are not synonyms, as “social housing” is only one instrument for implementing “social housing policies”. Likewise, the proportion of social housing in the overall housing stock does not in itself reveal how much attention is given to social considerations in the country’s housing policy.

Given the variety of shapes social housing can take across the ECE region, agreement on one single, clear-cut definition is difficult. However, while a definition remains debated the following are the most important factors enabling a distinction to be made between social rental dwellings and other types of dwellings:

First of all, it should be pointed out that in international housing statistics, rental housing stock is often divided into “private rental” and “social rental” dwellings. In such a division the ownership base is not the only important consideration because, as shown below, social rental housing stock can also include privately owned rented dwellings.

The nature of operations and their basic objectives are important, however. In dwellings belonging to the “private rental” group, the rent is usually determined on the basis of profitability and no consideration is given to social factors when residents are selected.

Administrative considerations play a role in the defining of social rental dwellings. After all, they are usually constructed with public sector support which means that it is necessary to determine criteria for granting such support. However, this does not mean that all rental buildings that are eligible for such support come under the social rental category. There are also other matters which must be taken into account.

Public sector support for social rental housing corporations may be in the form of loans granted by the government, interest subsidies, grants, guarantees or tax reductions. The support may in certain cases be granted by local authorities. Different types of support can also be combined. For example, a market loan may receive a government guarantee, while interest subsidies can be used for lowering interest payments. Production support may be granted to both new construction and major repairs in existing buildings.

Production support has helped to increase housing production and improve the quality of dwellings, to promote renovation and to lower capital costs. As part of production support, many countries also regulate rents and keep them below market levels so that tenants also benefit from lower capital costs.

Cost-pricing is a widely used model. In it, capital costs and all operating expenses paid by the owner, such as administration, maintenance, heating and repairs, are included in

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<sup>2</sup> Priemus - H: Recent Trends in European Social Housing, in "Social Housing in Europe 2000" International Workshop, Prague, October 2000

the rent. This makes it easier for the owner to run a social rental housing corporation as all cashflow needed is paid for by tenants or, in exceptional cases, by public authorities.

Cost-price rents can, however, also include a reasonable interest on the capital invested by the owner. In that case, one can talk about rents on a “limited profit” basis. A cost-price rent can be building-specific but the owner often applies the principle to his entire rental dwelling stock, in which case he can use rent pooling to ensure that the rents are in accordance with the utility value of the dwellings.

Allocating dwellings to the neediest population groups is often a more important objective in social rental buildings than in other types of housing. This can be done using the selection criteria set by central and local government, which can be on the basis of income ceilings and/or an explicit or implicit points system in which various factors affecting housing needs can be emphasized.

In some countries, such as Austria, Denmark and France, local authorities can also select residents for certain social housing units on the basis of social criteria, even though the dwellings themselves are not municipally owned.

In addition to such general resident-selection criteria, there are also systems in which an owner of a social rental building specializes in offering housing for certain special groups such as students, the elderly or the disabled.

In many countries, the ownership basis of social rented housing is subject to restrictions so that the government can guarantee that the support it grants actually serves its housing policy aims, some of which are detailed above. The most common ownership arrangements are systems in which buildings are owned by local authorities or non-profit organizations. A municipally owned building can be directly owned by a local authority or, more commonly, belong to a municipally owned company.

Most non-profit organizations are housing associations.<sup>3</sup> However, other types of ownership are also possible. Social rental housing is generally characterized by the fact that the operations are based on legislation and supervised by the authorities.

Social rental buildings are also characterized by the fact that their residents usually enjoy better protection against eviction than residents in ordinary private rental dwellings. However, particularly in countries with high levels of protection against eviction in general, there may not be clear differences between the two groups.

There is no common definition of social housing in the countries in transition. In many countries it is understood that publicly supported rental housing is targeted above all at low income and generally disadvantaged households. This interpretation usually comes close to the “narrow definition according to which only the sector of rental housing designated for the lowest income households with the highest social need (unemployed, ethnic minorities, handicapped) is considered”. This rather narrow definition of social housing is understandable due to the general situation (poor economic conditions and strong social housing problems, especially homelessness) which pressures governments to help only the most needy households.

The situation regarding the definition of social housing can in some cases be quite confusing. There are on the one hand countries where social housing is defined in different acts and programmes but in reality hardly exists. On the other hand there are countries where part of the housing stock can be labelled as social housing, but the term social housing is not used at all (this is the case with the Czech Republic or Slovakia). Municipal rented housing seems to be the most common way to define or label social rental housing in countries in transition. This approach can be recognized also in Slovakia.

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<sup>3</sup> Gibb - K: Trends and Change in Social Housing within the European Union: Financing the New Challenges, in Social Housing in Europe 2000

It is also appropriate at this point to refer to the social housing definition of the European Liaison Committee for Social Housing (CECODHAS), which is widely used in the region. CECODHAS considers that “despite the great diversity of forms of social housing in the Member States [of CECODHAS], the primary role of social housing is to help households with problems in gaining access to decent housing on the market to find accommodation in an adequate social and urban mix. The common feature of social housing in the Member States is the existence of rules of allocating housing to benefiting households. Defining these rules for allocating housing is the responsibility of the Member States and their public authorities. They are aimed at overcoming the problems of the system of allocating the supply of housing on demand through the free working of the market, problems that result from a structural deficit of decent and affordable housing”

### **1.3 Social housing and other housing policy instruments**

When considering the need for additional social rental housing, we should first examine how well the existing housing stock and the present tenure models, such as owner-occupied housing, cooperatives and ordinary private rental dwellings, can satisfy the housing needs and requirements of the population.

First of all, it must be pointed out that the need for new social rental housing declines as market rents and housing prices fall and as people with middle and low incomes become more satisfied with ordinary owner-occupied, cooperative and rental dwellings. This is the situation in many areas outside growth centres, all over Europe. The situation is much more interesting in areas in which there is a serious shortage of housing and dwellings are expensive.

A widely held view is that there should be dwellings with different types of tenure so that different types of demand can be met. A certain number of rental dwellings is necessary for both social reasons and for employment policy reasons to facilitate labour mobility. The number of rental dwellings can be increased by building more private or social rental dwellings or by acquiring them from the existing housing stock.

Social housing may be needed if the rent level of ordinary privately owned rental dwellings is so high that people on low incomes cannot afford them. Here, an alternative means is housing allowances, which make it possible to lower the effective rent level to what residents can afford, even in private rental dwellings. A relatively high level of housing allowances would, however, lead to a higher demand for housing and would also result in higher rents, particularly if the supply of housing, for various reasons, were unable to respond to rapidly rising demand.

Another problem with housing allowances is that, particularly in countries with a large grey economy where the authorities do not know enough about the actual income level of the population, it may be difficult to build a sufficiently effective and fair housing allowance system. Likewise, housing allowances are not particularly effective when the main objective is to increase housing production and renovation. On the other hand, housing allowances may be an efficient way of targeting the support needed for lowering housing expenditures, particularly in countries with sufficiently reliable tax registers.

Experience in West Europe suggests that production support should be used when the need to increase housing production and renovation is at its peak, and that it should be gradually lowered and the proportion of housing allowance increased as the overall housing market situation changes. The role of housing allowance in social rental buildings is



demonstrated by the fact that in some countries, as many as 50 per cent or more of all households living in them are receiving this form of support.<sup>4</sup>

Where production support is low or non-existent, there is less need to favour low-income groups in the selection of residents than in a situation where production support is the most important way of lowering rents. Where there is no production support, rents can be higher and most of the affordability problems of low-income groups can be solved by means of housing allowances. Solutions like this help to diversify the resident structure and to prevent segregation in housing areas.

A gradual increase in housing allowances would probably boost the construction of ordinary private rental dwellings. However, it is possible that, even if housing allowances were introduced, most of this production would be relatively high-rent dwellings. Even if this were not the case, the process of selecting residents in ordinary private rental dwellings would be biased as landlords would usually like to have tenants who are able to pay the higher rent.

Social rental buildings usually apply different resident selection criteria, targeting the neediest. Even though these are probably exceptionally high figures by European standards, the basic difference is that in social rental buildings it is possible to give a higher priority to social considerations than in ordinary private rental or owner-occupied housing.

In this respect the situation in many Central and East European countries is worrying because, if up to 95 per cent of all housing is in private hands, there are no actors who are genuinely concerned about the neediest population groups. This alone makes it essential to have a debate about the need for social housing in these countries. The necessity to boost the countries' economies by promoting labour mobility is an added factor necessitating rented housing.

The system of social rented housing also has other housing policy advantages. One of these is the previously mentioned fact that the surpluses and profits of social rental housing companies stay inside the organizations and can be reinvested in, for example, repairs and improvements.

The owners of social rental dwellings may also play a positive role in the housing market in other respects. Experience in many West European countries shows that they are often highly professional landlords who, partly as a result of the size of their housing stock, have been able to introduce sophisticated systems in a number of areas. These include rent collecting, daily maintenance and repairs, tenant participation, energy saving, organization of tendering in construction projects and the consideration of life-cycle aspects in the planning of new investment.

Thus, well-organized and efficient but at the same time "socially oriented" housing organizations may well be able to contribute significantly to the present housing policy by offering useful new instruments. Experience gathered from different countries shows that competition in the housing market is always beneficial. In practice this means that social rental housing should be seen as just one of several types of housing. Furthermore, housing policy support can be targeted efficiently only if the relationship between production support and housing allowances is continuously assessed.

The implementation of social rental housing projects always involves compromises, and these are sometimes difficult. One concerns the extent to which it is necessary to incur low housing costs at the expense of quality and to what extent new construction should be used for the continuous modernization of the housing stock so that it can meet the ever-increasing requirements.

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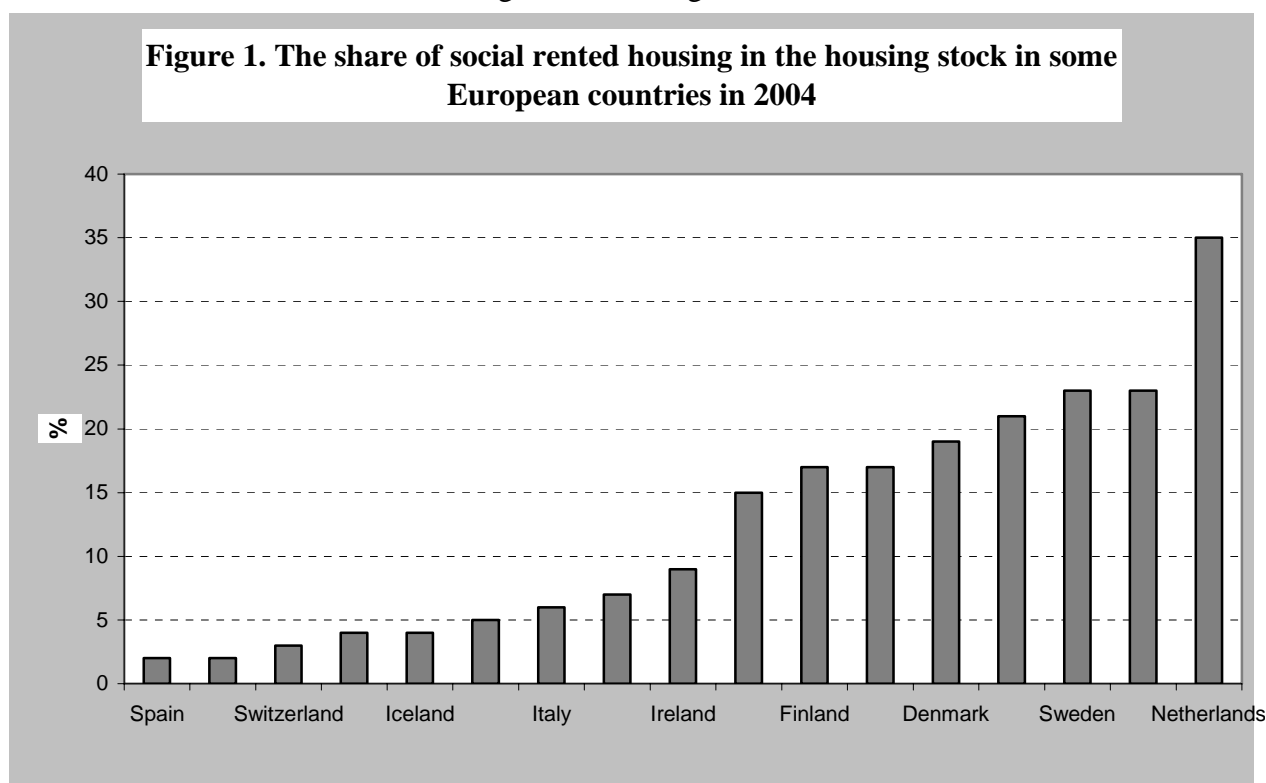
<sup>4</sup> Priemus - H, Dieleman – F: Social rented housing, Recent changes in Western Europe, Carfax Publishing 1997

Many experts are inclined to select the latter. Consideration should be given to such matters as, for example, targets regarding the mix of different types of housing, energy saving and the matter of providing dwellings that meet the requirements of the growing numbers of elderly people. One possible option, particularly for Central and Eastern European countries, might be that new social housing units should be of relatively high quality and supplement the existing range of housing types. At the same time, however, the existing housing stock should also contain low-cost dwellings available for low-income households.

Finally, there should also be some concern about the rapid increase in social segregation. The population of the present housing stock in central and eastern Europe comes from a wide variety of social classes, and the substantial problems that have resulted from this excessive social mix may well lead to difficulties in such matters as the administration of privatised owner-occupied dwellings. On the other hand, experience in a number of West European countries shows that residential areas with little variation in the type of buildings and population structure can develop into costly trouble spots and thus every effort should be made to prevent them from emerging.

#### 1.4 Statistical analysis

To understand the role of social housing in overall housing policy it is justified to first describe the share of social housing in the housing stock.



Source: UNECE 2004, [www.unece.org](http://www.unece.org)

As can be clearly seen from this graph, there are great differences among different European countries. On the one hand, in many West and North European countries, namely, the Netherlands, Austria, Sweden and the United Kingdom, the share of social rented housing is high. On the other hand, in most South European countries and in countries in transition this share is much lower.

This situation can be explained firstly by the fact that in many South European countries housing policies have traditionally been focused on owner-occupation, which means that the social rented housing sector has played a less visible role. For countries in transition, public rented housing used to play a major role in the socialist system. At present an overwhelming part of the public housing stock has been privatised, mainly sold to sitting tenants. The previously huge public rental sector has nearly disappeared<sup>5</sup>, and so there are only a few publicly owned rental flats which could be used for social purposes. As a result of this process, the owner-occupation rate is as high as roughly 95 per cent in many countries in transition, which clearly exceeds levels of Western Europe, where it is generally 60–70 per cent and in very rare cases over 80 per cent.

Also the share of social rented housing in newly completed dwellings differs greatly. The statistics show that the share of social housing production in 2002 was high in Denmark (44 per cent) and 10–25 per cent in Ireland, France, the Netherlands, the United Kingdom, Sweden and Finland.<sup>6</sup>

In countries in transition the drastic reduction in State support for new housing construction caused a drop in housing construction output. Although public financial resources have recently been more or less replaced by private investment, private investors concentrate only on ownership home construction for well-off households. Construction of affordable/social rental flats is very low and limited or does not exist at all since public support intended for this purpose is scarce.

### 1.5 Housing policy and social housing

The most difficult issue in housing policy is how to ensure, in the most purposeful way, satisfactory development of the housing of low-income and generally disadvantaged households. Many West European countries consider social rented housing as a main instrument in this context, next to, for instance, the housing allowance system.

The extent to which social rented housing is needed depends basically on how the rest of the housing stock can satisfy social housing needs. In addition to social housing, the stock includes owner-occupied dwellings, cooperative housing and ordinary rental dwellings. When there is little rental housing at reasonable prices available, this is a particular reason for making social rented housing available.

Experience in many West European countries shows that those undertaking social housing are often highly professional landlords who, partly as a result of the size of their housing stock, have been able to introduce sophisticated systems in a number of areas. These include rent collecting, daily maintenance and repairs, tenant participation, energy saving, organization of tendering in construction projects and the consideration of life-cycle aspects in the planning of new investment.

It should be stressed that the role of social housing is not limited to concerns regarding the quantitative shortage of housing or affordability problems, but there are many other factors in relation to social housing. These are, for instance, the professionalism of landlords and developers and the need to enhance the quality of buildings and housing environments, to promote energy savings, to combat segregation, to increase the productivity of the building sector and to smooth out business cycles in housing production.

The role of social housing should not be seen to be limited to the provision of affordable housing to those who need it. In designing social housing policies, due

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<sup>5</sup> Valentová - B: A paper presented to the UNECE Task Force

<sup>6</sup> Housing Statistics in the European Union 2003



consideration should be given to how social housing projects could benefit the housing sector as a whole – for example, through the build-up of management expertise.

Social housing should be integrated with other policies, notably employment, urban planning, transport to contribute to social inclusion.

Social housing should be developed with a long-term perspective, taking into account demographic trends and should be integrated with other forms of housing to prevent segregation in housing areas. For this reason the architectural quality of social housing should also be emphasized.

In choosing different instruments for supporting the socially disadvantaged in meeting their housing needs, the overall housing situation in a country should be taken into account. For example, experience in Western Europe suggests that production subsidies should be used especially when the need to increase housing production and renovation is at its peak, and that they should be gradually reduced and the proportion of tenants receiving a housing allowance increased as the overall housing market situation changes.<sup>7</sup>

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<sup>7</sup> The role of social housing in housing policies, UNECE Social housing conference, Vienna 2004, page 1-4