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Trends in Dutch Housing Policy and the Shifting Position of the Social Rented Sector

Peter Boelhouwer

Summary. The housing system of the Netherlands has acquired an international reputation because of its special nature and the way it has evolved. In this contribution, we explain how the Dutch social rented sector came to have this specific character. We establish that the position of the social rented sector is strongly influenced by developments in society at large. In particular, its specific position may be explained with reference to the emergence and transformation of the Dutch welfare state. In the Netherlands, the development of the social rented sector coincided with the vigorous build-up of the welfare state. That sector continued to grow in the Netherlands for a longer period than in most other west European countries. Ultimately, the share of the Dutch social rented sector reached its highest point—41 per cent of the stock—at the beginning of the 1990s. The current position of the social rented sector in the Netherlands is determined not only by the structure of the Dutch welfare state and the country’s distinct housing policy. It is also the result of the shifting balance of supply and demand in the national housing market. Compared with other countries, the particular historical development of the Dutch social rented sector makes the adjustment of the housing system to a more market-orientated policy—in which more attention is devoted to the freedom of choice of the housing consumer—an unprecedented activity to say the least. This process will require the present housing associations to show a large measure of creativity and flexibility.

1. Introduction

The housing system of the Netherlands has acquired an international reputation because of its special nature and the way it has evolved. Many other countries that have been attempting to transform their housing system are taking their cue from recent developments in the Netherlands. Over the past few years, the Dutch housing system has been a source of inspiration for policy-makers far and wide, including scholars and officials from some of the former socialist states in eastern Europe and several Asian nations. Researchers and policy-makers in those countries have shown keen interest in the way social rented housing is operated in the Netherlands. In particular, they are intrigued by the strong position of social housing in this country: 41 per cent of the total housing stock of the Netherlands was in this sector at the beginning of the 1990s. The Netherlands clearly stands out in this sense; the share of this sector in most other west European countries rarely reaches 20 per cent. The strong position of Dutch social housing has its roots in the long period during which housing was influenced by national govern-
ment. Of course, public intervention had been common practice throughout the region for decades. However, the Netherlands eventually came to steer its own course. Whereas most other west European countries veered toward privatisation in the early 1970s, the Netherlands did not start to move in that direction until the 1990s.

The objective of this contribution is to explain how the Dutch social rented sector came to have the specific character for which it is renowned. To place this social institution within its societal context, section 2 focuses on how the Dutch welfare state has grown and blossomed. When the welfare state was in its prime, public intervention in housing was at its peak. During this period—which lasted several years—there was a high level of new construction, predominantly in the social rented sector. In this connection, section 3 elaborates on the direction in which Dutch housing policy developed and the role that the social rented sector played in that overall policy. It will be shown that there are clear links with the transformation of the welfare state, as described in the preceding section. This also clarifies the special position of housing as a policy field between the state and the market, or, as Harloe (1995) and Torgersen (1987) had characterised it earlier, “housing as the wobbly pillar under the welfare state”. The current position of the social rented sector in the Netherlands is determined not only by the structure of the Dutch welfare state and the country’s distinct housing policy. It is also the result of the shifting balance of supply and demand in the national housing market. In that vein, section 4 expands on the current position of the sector in the housing market, drawing out the specific issues and challenges that come from that position. The contribution concludes with an exploration of the future of housing in the Netherlands. This sketch is specifically concerned with the development options for the social rented sector in the next few years. In that light, it emphasises the strategic decisions that will have to be made soon. We return to the central question of the paper in the final section. There, we explain the specific position of the social rented sector in the Dutch housing system.

2. The Growth and Transformation of the Dutch Welfare State

As argued above, both the development and the future position of the social rented sector in the Netherlands are intimately connected to developments in the country’s social institutions in general and to the role of the welfare state in particular. Therefore, this section elaborates on the development of the welfare state in the Netherlands since World War II. A recent review of 25 years of social development in the Netherlands appeared in a special publication issued to mark its anniversary, the Social and Cultural Planning Agency (SCP, 1998, p. 10). According to that review, the Dutch welfare state reached its zenith in the early 1970s. Since then, its development trajectory has taken the form of a parabolic curve; the turning-point was reached during the years 1980–84 (SCP, 1998, p. 10).

The system of welfare provisions was introduced later in the Netherlands than in most other west European countries. Compared to the surrounding countries, the Netherlands had only a rudimentary system in place by the outbreak of the Second World War. Partly to rectify this situation, the German occupation authorities introduced a number of collective arrangements. In its review of a quarter of a century of social policy, the SCP expresses the opinion that this initial lag may well explain why the Netherlands was able to move ahead of most of the other countries in the 1960s and 1970s. It took the lead in terms of the outreach of the social programmes, their accessibility and the level of the benefits. The capstone of the system was fitted into place in the early 1970s. That happened when the social benefits were pegged to the development of the wages, so that the system was no longer exposed to inflation. Consequently, compared with many other Western countries, the Netherlands had achieved a large measure of egalitarianism by the early 1970s. Generally
speaking, the social contrasts were low key and the national social conscience was fairly well developed. According to the SCP (1998, p. 13), the organisation of Dutch society in ‘pillars’—constructed of ideologically compatible organisations and the commensurate political organisation—might possibly have facilitated the incremental growth of a structure composed of central European and Scandinavian elements. In Esping-Andersen’s (1990) classification of welfare states, the Dutch model contains characteristics of both the conservative-corporatist and the social-democratic types. Depending on the field under consideration, welfare-state experts classify the Dutch system as belonging to either the one type or the other.

Like its counterparts elsewhere in the world, the Dutch welfare state sustained some damage during the economic recession that followed the 1973 oil shortage. Initially, the crisis was fought by the government on the basis of trusted Keynesian prescriptions, such as increasing social benefits. But this was followed by a first hesitant step towards cutting back on expenditure for collective provisions. The first cuts, which were meant to bring back some stability in the time of crisis, proved to be futile (SCP, 1998, p. 27). After 1983, the job of trimming back the welfare state was tackled more seriously. The next steps included lowering the social benefits and severing the links between wages and benefits. Contrary to many other western European countries, this change in the course of action was implemented without causing severe upheaval in the labour market. An important element in the attempt to achieve a stable situation was the “Wasse-naar Accord” (1982). This was a contract between the government and organised labour in which the latter accepted long-term constraints on wage increases in return for cuts in the number of hours in the working week. It should be mentioned that the unions only agreed to be signatories under the threat of a general moratorium on wage increases. This somewhat forced co-operation between the government, the employers and labour was at least partly based on Dutch corporatist traditions. Since its inception, this negotiated harmony has gained international acclaim and is known as the ‘polder model’. Given its widely recognised success, the polder model is becoming a true export product. It has gone on to exert influence on the modern European perception of the corporatist welfare state. To put this achievement in perspective, it might be noted that, as recently as the 1980s, many viewed the ‘columnised’ corporatist welfare state as hopelessly outdated. The pillars were seen as the main cause of the sluggish decision-making procedures, which were characterised by their lack of transparency. But such comments seem to be blunted by the remarkable pace of economic growth in the Netherlands. In its current form, the polder model consists of the same basic elements as the traditional corporatist welfare state. However, these features are presented in an updated version of the welfare state, one that contains elements of an up-to-date market-based system. Kleinman (1996, p. 180) identified three elements that act as the glue that holds the model together: consensus, modernisation and partnership.

The inspirational role that the Dutch welfare state plays for other countries is at least partly based on its obvious success during the past few years. One of the manifestations of its success is the sharp rise in the profitability of Dutch business. Another sign is the impressive reduction in the financing deficit of the public sector; in fact, since 1999, it has turned into a budget surplus. On the labour market, one sign of success is the strong growth in absolute and relative terms of employment. Another is the successful restructuring of the expenses of the welfare provisions. And the key to the model’s success lies in the proactive labour market policies that have met—at least on paper—the goals set by the government for full employment (SCP, 1998, p. 104). In the view of many economists and financial institutions, the Netherlands was the laughing-stock of Europe in the early 1980s. But this image disappeared by the late 1990s. In a forecast for 1998, The Economist predicted
that the rigidity of the European welfare states would bring millions of the unemployed into a crisis. Yet the same publication held up the Dutch model—with its combination of flexibility and social conscience—as an example to be followed by these countries. In particular, the ‘Dutch job machine’, which has been running since 1994, is admired throughout Europe. It has brought the official unemployment rate down to the lowest level in Europe (3.5 per cent in 2000; this represents a more than 50 per cent drop in the unemployment rate of early 1994). These figures should be interpreted with some caution. In comparison with other countries, the Dutch labour force has a relatively high number of persons who are (partly) unfit for work: over 900 000 in the year 2000. But even taking that into account, the number of new jobs still rose—and quite sharply—in the 1990s.

The steps taken thus far to trim the welfare state arrangements in the Netherlands brought substantial economies to the system of social benefits. The welfare payments, which were still rising during the 1970s, have declined since the early 1980s. The outlays stabilised around 1986 at a level that was only between 14 and 21 per cent higher than the 1970 level. This represented a drop of 9 per cent compared to the peak of 1978/79. At the same time, the gap between the incomes of the employed and the unemployed grew steadily. Some groups even saw their income go down in absolute terms. The SCP (1998, p. 12) calculated that, at the peak of the welfare state, the level of affluence (defined as the purchasing power, corrected for household composition) of the households that depended on social benefits was 92 per cent of the average of the total population. By 1995, this level had dropped to 79 per cent. In contrast, the population comprising two-earner households experienced an increase in their level of affluence. Their buying power rose from 121 per cent of the national average to 125 per cent. On top of that, these two groups expanded significantly between 1977 and 1995. This strong expansion and the combined income differential between these two categories account largely for the growing inequality in Dutch society. The level of inequality has also increased within categories distinguished by the source of income and household type. This growing divergence implies that the low-income groups are falling further behind (see Figure 1).

**Figure 1.** The development of the nominal and the corrected income per capita at the modal wage level and for recipients of social benefits in relation to the development of rents, including the quality component, 1981–97. *Source:* CBS-huurenquete, Centraal Planbureau 1997, adapted by OTB.
Figure 1 expresses the development in per capita wages in nominal and real terms over the past 17 years at the modal income level and for the recipients of social benefits. The raw data have been corrected for inflation to yield a correct image of the development of the purchasing power of the respective groups. As the graph shows, the total increase in wages in the Netherlands over the past 17 years has been very modest. Nevertheless, the income inequality between households with a modal income and those who are dependent on social benefits has grown. The income growth of people at the modal level just kept up with inflation. This category of households has experienced an increase in their purchasing power of a total of 0.9 per cent over the past 15 years. Yet, this modest figure stands in sharp contrast to the 10 per cent decline in purchasing power recorded among the households receiving social benefits.

These data illustrate the impoverishment of the lowest-income groups. The parties in government eventually admitted that fact, although only after much protest from various social organisations, including the churches and the labour unions. This recognition of the trend is reflected in a government report on poverty, which was issued in 1995 by the Ministry of Social Affairs and Employment. That report was the first official admission of the occurrence of increasing poverty in the Netherlands. It calculated the number of households in the Netherlands that live at or below the poverty line (‘socially acceptable minimum income’) as set in the General Social Assistance Act (Algemene Bijstandswet). The number stood at 667 000 in 1995 and has shown a high degree of stability over a period of several years. That figure implies that 11 per cent of all households in the Netherlands are living at or below the poverty line. The spatial distribution of these vulnerable households is unequal. In the three biggest cities, in particular, as well as in some of the rural areas in the north of the country, ‘benefit’ or ‘poverty’ neighbourhoods have emerged. Some authors have signalled the occurrence of neighbourhoods that are characterised by a culture of dependency among a significant share of the population (van Berkel et al., 1997). The poverty may be serious where a large share of the beneficiaries depend on general social assistance payments. These tend to be the lowest level of benefits, since they are unrelated to the work history of the recipients.

For at least two reasons—the economic achievements and the recovery from the world-wide economic slump of the 1980s—the Dutch welfare state found much more room to manoeuvre by the late 1990s (SCP, 1998, p. 116). Two possible development trends may be discerned for the future. On the one hand, the restructuring of the welfare state may proceed, partly in response to the increasing competition between states in the fields of economic, social and cultural policy. It is expected that the national governments will attempt to keep their welfare state arrangements small, or at least under control, and that these will increasingly come to resemble each other (Leibfried, 1994; Engbersen et al., 1994). On the other hand, it may be possible that the Dutch polder model—with its wide range of programmes and facilities and its broad support for more—can be sustained and that, as a national ‘export product’, it would be disseminated across Europe. This seems to be the opinion expressed by the SCP, which finds the ‘restructuring’ option too simple. This line of thought seems to be supported by the keen interest in the polder model shown in Great Britain (where Blair is attempting to find a ‘Third Way’) and among the social democrats in Germany.

3. Developments in Dutch Housing Policy and the Role of the Social Rented Sector in the Context of the Welfare State

As Kleinman (1996, p. 1) remarks in his study Housing, welfare and the state in Europe, housing occupies a unique place in public policy. It is neither fully part of the welfare state, nor is it fully part of the free market. Housing was never an integral component of the system of public provision of
goods and services which characterised European welfare states in their hey-day during the first 30 years after 1945. To borrow Esping-Andersen’s term, housing was never fully decommodified. In contrast to health, education, social insurance and pensions, housing has always remained the “wobbly pillar under the welfare state” (Harloe, 1995; Torgersen, 1987). In his study, Kleinman argues that, over the past 20 years, housing policy, as traditionally understood, has bifurcated, leading to quite separate policy concerns regarding, on the one hand, the ‘middle mass’ of households and, on the other, the impoverished minority.

This constant tension between government intervention and market influences is evident in Dutch housing policy, as it has developed since 1945. A clear relationship can also be shown between the alternation of government policy and market forces, on the one hand, and the development of the welfare state, as described in the preceding section. That relation is especially clear with regard to the position and role that have been formulated for the social rented sector. The remainder of this section will focus on this relationship between the welfare state, housing policy and the position of the social rented sector (see van der Schaar, 1987; Boelhouwer and van der Heijden, 1992).

Like most west European countries, the Netherlands had to deal with a substantial housing shortage immediately after World War II. After a while, the shortage became even worse because of the rapid growth in the number of households and the low level of residential construction early in the post-war period. The manifest shortages that emerged after 1945 made an extraordinarily high level of government intervention in homebuilding programmes widely acceptable. Policy-makers were faced with escalating costs, ranging from the cost of living to construction costs and interest rates. Thus, substantial object subsidies were needed to eradicate the massive housing shortage. This called for a high level of government intervention, which was entirely fitting in a period when the welfare state was expanding. The emphasis was squarely on volume; quality considerations were only secondary. Partly in response to strict price controls, the vast majority of the new homes were small. The typical dwelling types were small duplexes and low-rise flats with shared stairwells. The dwellings that were built during the 1960s and the early 1970s were primarily in massive apartment complexes. Compared with the rest of Europe, housing production in the Netherlands after the 1960s rose to an unprecedented level. This high pace of construction was necessary; during this period, the number of households in the Netherlands increased much faster than in the rest of Europe. The reason is that the Netherlands had a very late decline in the birth rate, as well as a postponed but sharp drop in average household size. In contrast to the period before 1940, the need to build cheap and fast led to an emphasis on the social rented sector. These driving forces helped the sector to expand. From 12 per cent of the stock in 1945, it grew to no less than 41 per cent in 1975 and it comprised 44 per cent of the stock in the early 1990s. Such a high share had not been achieved in any other west European country. The fact that it did happen in the Netherlands can only be explained by the unique coincidence of several conditions. These are the build-up of the welfare state, the large role of the public rented sector, the lack of concern for quality and a substantial population growth.

Parallel to the build-up of the welfare state during the 1970s (see above), housing policy was elaborated and given effective instruments. This formed a stark contrast to the experience of other west European countries. There, the influence of the state had been curtailed during the 1970s in favour of the expansion of market influence (the ‘third stage’ of housing policy; see Boelhouwer and van der Heijden, 1992, p. 273). This elaboration was based on the 1974 Memorandum on rent and subsidy policy (Nota huur- en subsidiebeleid). The memorandum is testimony to the belief in the makeable society. The fulfilment of that belief relied strongly on enabling the state to play a cen-
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tral role. This choice was in tune with the prevailing mood of the time. Specifically, public intervention in housing was based on a number of fundamental arguments. First, housing was interpreted as a merit good. On the basis of a perhaps somewhat paternalistic view, it was argued that citizens underestimate the importance of a good dwelling and prefer to spend their money on consumer goods. Secondly, positive external effects were attributed to good accommodation. In addition to the quality of housing, this related above all to the quality of the environment in both the narrow and the broad sense of the term. The general possibilities for the individual to develop are involved here. As the third motive for government intervention in housing, the development motive was ad-
duced. In the context of housing, this means that in the construction of dwellings, having regard to their long life, advance allowance had to be made for the demand for quality that would increase in the future with the growth in prosperity. This argument played a particularly prominent role in the first half of the 1970s, when the national economy dis-
played high growth rates (see also Boel-
houwer and Priemus, 1990). In accordance with these principles, the government made a clear choice in the 1974 Memorandum for a mixed system of object and subject subsidies. This decision ended years of arguing over the direction of policy. The object subsidies were meant to keep new social rented dwellings within reach of a worker with a modal in-
come (based on the so-called volkshuisvest-
ingsprijs, the ‘affordable house price’). The subsidies were intended as means to promote good living conditions in general. But the subsidies were also meant to increase the range of choice for all groups of residents, including those with a low income. To reach the latter goal required additional support and that was forthcoming in the shape of subject subsidies.

When the left-centre cabinet under Prime Minister Den Uyl stumbled on the issue of land policy in 1977, a new era dawned in Dutch housing policy. As mentioned above, the task of trimming the welfare state could then be seriously tackled. For the first time, the promotion of home-ownership became a central theme in housing policy. It was to be pursued even if the programme would re-
quire the sale of social rented dwellings. Moreover, the plan to slash the budget for object subsidies was put on the agenda. It was even possible to discuss the idea of abolishing these subsidies altogether in the long run. However, the most important pol-
icy goal—the promotion of home-owner-
ship—soon became elusive. That was because of changing external conditions. Im-
mediately after 1978, the growth of home-
ownership stagnated. By the early 1980s, the home-owner market was heading for col-
lapse. The average house price dropped from 198 800 guilders in 1978 to 138 100 in 1982. This made an empty letter of the policy intention to terminate the active role of the government in residential construction. Pressure was exerted by parliament to stabil-
ise construction levels. This spurred the re-
sponsible ministers into action, and they decided to shoulder the task of getting the housing market back on track. Within a brief time-span—just one year—the construction programme was adapted no less than five times! The outcome of the new policy was a rapid increase in the production of rented dwellings. In fact, it even led to a reversal in the proportions of rented and home-owner dwellings, compared with the plans that had been agreed upon a short time before. With respect to Dutch housing policy of the 1970s and 1980s, as van der Schaar (1987, p. 238) has pointed out, the extent to which the political rhetoric was thwarted by the devel-
opment of the market was remarkable. The basis for the housing policy of the three progressive parties that joined forces to form a cabinet in 1973 had been to build primarily for the social rented sector. The results of the implemented government policy were quite the contrary: home-ownership grew by leaps and bounds. The subsequent centre-right government had agreed on a market-
orientated programme. Its aim was to pro-
mote home-ownership, largely by stimulating the more affluent households to filter up-

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wards into dwellings of their own. As it turned out, the government was forced to implement a policy that was completely at odds with its stated intentions.

The concept of the ‘wobbly pillar’, which was used by Harloe as a metaphor for housing, is certainly applicable to the housing system in the Netherlands in the period 1970–90. In spite of agreed-upon policy intentions, which were based on general notions about how the welfare state should develop, the actual outcome was quite different from that foreseen. This demonstrates the extraordinary influence of market developments, such as the continuing growth in the number of households and the crisis in the home-owner market. Partly because of these conditions, the social rented sector in the Netherlands grew to the exceptionally high proportion—high for a Western country—of 41 per cent of the total housing stock in the early 1990s.

The eventual turning-point in housing policy—when the government withdrew in favour of the market—was not reached until 1989. The change was prompted by the publication of a new government housing memorandum (Heerma, 1989). The motives for public intervention specified in this memorandum were much more modest than those of its precursor in 1974. The aim of the more recent policy is simply to promote the functioning of the housing market. Government intervention to pave the way for parties to move in this direction is considered necessary because of the special nature of this market. In addition to making improvements in the way the market operates, several secondary goals of government intervention in the housing system were spelled out. These included the following five aims: to promote adequate quality for the housing supply; to make good yet affordable dwellings available to low-income households; to ensure multiplier effects for fields beyond housing; to stabilise the market; and to promote continuity in residential construction—although doing so cautiously and in the background.

In working out just how far the ‘helping hand of the state’ (a role that was also written into the Dutch Constitution a few years earlier) should be extended, the housing memorandum made a distinction between regulatory and promotional tasks. Under the regulation principle, the responsibility for adequate housing lies with the households concerned, who fulfil that responsibility in interaction with the other market parties. The key concepts in this interaction are deregulation, decentralisation and autonomy. In sum, the ideological message of the memorandum has been made loud and clear: more market, less government.

The ambitions of the government have clearly become much more modest, and the concept of the merit good has lost its validity. The external-effect motive is losing ground, while the discussion of the development motive has become muted. The redistribution motive remains, however; it has led to a closer targeting of financial support on the low-income households. The remainder of the policy is strongly geared to the promotion of the market. With respect to the rent and subsidy policy, the new direction implies budget cuts, the gradual decrease of object subsidies and a growing emphasis on subject subsidies. In 1997, this policy was reinvigorated by the revised individual rent subsidy programme. Initially, the political accord for the new cabinet of 1994 contained the intention to cut the budget for rent subsidies by 200 million guilders (about 90 million Euro). The new programme, however, would accommodate growth; starting from 2.2 billion guilders (about 1.0 billion Euro) in 1995, the outlays could grow to over 3 billion guilders (1.4 billion Euro) in the year 2000. Under this new programme, the net rent level was decreased for approximately three-quarters of all renters in the programme (corresponding to one-third of all renters in the country).

The share of social rented dwellings in the new construction programme has been reduced. The rationale behind that reduction is to stimulate the construction of non-subsidised dwellings. The government would like to see a higher proportion of home-owner dwellings; thus, the state is also promoting the sale of social rented dwellings.
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Boelhouwer and Priemus, 1990). In September 1992, the new trend in housing policy was described by the Director-General of Housing as follows:

If housing shifts to endorse the perspective of the tenants, this implies that we have to emphasise the quality of living, in addition to and possibly instead of the strong emphasis of the past decades on the construction costs and the adequacy of income to pay this price (Kokhuis, 1992).

The most recent housing-policy document appeared in draft form in May 2000. The final version, entitled Preferences, People, Homes: Housing in the 21st Century, was ready in December of that year (Remkes and Pronk, 2000) and was scheduled for presentation to parliament in the spring of 2001. Here too, the heart of the matter is the citizen’s freedom of choice, although that freedom is to be constrained by the higher aims of social justice and responsibility. In keeping with the ongoing process of decentralising and privatising the housing corporations, that memorandum marked a transition from a policy geared to institutions toward one giving more choice to the individual citizen and calling for a looser rein on the market mechanism to support that freedom. It is striking that during the 1990s, the government distanced itself—perhaps too eagerly and too far—from the concrete tasks of public service with respect to housing. In that light, the memorandum concludes that the state’s task, responsibility and authority in the provision of housing should be more precisely formulated. The general interest or the collective norms would justify—according to the document—state intervention in order to head-off any undesirable impacts of the market. In short, the motive of promoting external effects is given a high profile. At the same time, the document does not deny the drawbacks of the idea that the ‘customer always knows best’. Indeed, with an appeal to ‘responsible citizenship’, the pursuit of collective interests is also presented as a matter for individual citizens. This new perspective on the position of the state does not mean turning the clock back, reviving the situation of the 1990s, when the state was still actively engaged in housing. In the new memorandum, State Secretary for Housing, Remkes, takes the middle road. He seeks to transform the central government’s hands-off approach and turn it into one of engagement, but without eroding the principles of decentralisation and privatisation or the particular responsibilities that they imply. Decentralisation is no longer seen as a synonym for shedding responsibilities and delegating tasks. Rather, it is seen as a means to develop new forms of administrative co-operation and governance and to set this modernisation process in motion. This new perspective on policy is presented as a performance-oriented and decentralised approach. According to the authors of the memorandum, that approach calls for government involvement. To safeguard the public interest, the central government should take a stance on housing and call other parties to task when they do not comply. It is the responsibility of the government to ensure that the provincial and municipal authorities formulate their own housing policies and carry them out. With respect to housing associations, it is up to the state to make sure that the social capital that is tied up in the housing associations is used efficiently and effectively. In short, the sector should use its assets in the service of society. There are great social and economic interests at stake. The Housing Secretary places the responsibility to create a clear framework for the sector’s accountability squarely on the shoulders of the central government (Remkes and Pronk, 2000, p. 18). One way of looking at the Memorandum is as an elegant compromise elaborated by a broad-spectrum coalition government, including the conservatives as well as the social democrats. This inclusive approach to policy also underpins the specific regulations. This approach puts ‘the citizen at the centre’ and is built on three pillars: more freedom of choice for the individual; attention to societal values; and government involvement in a controlled market. On that foundation, the memorandum sets five policy goals:
— to increase the residents’ say in decisions on the dwelling and its surroundings;
— to create opportunities for people in vulnerable positions;
— to promote a tailor-made approach to housing and care services;
— to improve the quality of the urban residential environment;
— to facilitate the provision of housing in a green setting.

The Memorandum on housing in the 21st century is the first policy document to take a clear and critical look at the predominant position of the social rented sector in the Dutch housing market. One explanation for this new orientation towards the position of the housing corporations is the explicit choice to put the citizen at the centre of policy. The Housing Secretary does not mince words, calling on the key players in the housing establishment—property developers as well as big real estate management companies and housing associations—to get on board. Yet to be fair, he still gives the housing associations a chance to prove their worth in the new policy setting: the final decision on the position of the associations is not expected for another 10 years. In the meantime, the memorandum makes it abundantly clear that housing associations cannot be missed; only with their help can the lofty housing aims be met. Specifically, the state needs the corporations to provide housing for people in vulnerable positions and to help revitalise the cities.

Given this situation, the path that the Dutch government takes is in line with the choices being made elsewhere in western Europe, where housing policy is also being placed in a broader context. Any solutions that this policy is expected to offer for problems that cannot be resolved by market mechanisms must be devised in coordination with other fields of policy. Concretely, this means fighting poverty, finding a solution for the emergence of spatial concentrations of poverty and rehabilitating areas that are slipping into decline or have already become impoverished. These tendencies have become a real threat ever since the restructuring of the welfare state (see section 2 above) started to widen the gap in Dutch society between the haves and the have-nots. Also in this respect, the social landlords share the responsibility to tackle the problem. These trends are especially noticeable in the areas that were developed during the period 1950–70. The dwelling stock in these areas—predominantly apartment complexes in the social rented sector—are low in quality, monotonous and unpopular. This overall development is connected to the international trend that has been described by the OECD Project Group on Housing, Social Integration and Liveable Environments in Cities (OECD, 1990) as a holistic sustainable approach to housing problems. Apparently, countries must develop more comprehensive strategies to tackle housing and urban problems. These strategies should relate housing policies to issues such as transport and employment, health care and the environment. They should involve coordination between the various levels of government. And they should involve partnerships between the private and public sectors (OECD, 1990). As Kleinman argues:

housing policies thus become part of a wider strategy for economic growth and social development. The existence of poor housing and homelessness is both a symptom and a key reinforcing factor of the social exclusion of specific groups within a basically affluent society (Kleinman, 1996, p. 7).

4. The Position of the Social Rented Sector in the Netherlands under Pressure

The preceding sections provide the context for an analysis of both the present and the future of the social rented sector in the Netherlands. It has been argued that its position and function will be largely shaped by developments in the welfare state in general and housing policy trends in particular. Since new options have emerged in the housing market and since the policies on the welfare
state and housing have been altered, the position of social rented housing has come under pressure. Concretely, problems will emerge because of shifts in the following:

— scope for policy and performance;
— size of the social rented sector;
— demand for quality; and
— location of residential areas.

4.1 Scope for Policy and Performance

As pointed out above, the recent policy document has cast some doubt on the viability of the housing associations. Furthermore, the role of the other key players in the housing market is no longer taken for granted. Indeed, the Memorandum on housing in the 21st century is premised on the notion that ‘the customer knows best’. The main thrust of the new policy is that the housing consumer should encounter as little hindrance as possible from the influence of the big institutional players in the housing market. The time has come for the housing associations to assert their independent status, which they gained in the 1990s as a means to enhance their performance in the service of societal aims. According to the Memorandum, the current level of performance is inadequate. In that light, the associations are supposed to perform better in future years, both for individual consumers and for society at large (Remkes and Pronk, 2000, p. 237). In order to evaluate their performance, the municipal authorities will have to sit down with the associations and agree on targets. Meanwhile, the central government will not remain behind the scenes; when the time comes to implement the policy, it will keep a close watch on the performance of the associations and will scrutinise the reports in the accountability stage. Furthermore, the scope to make their own policy—a freedom won by the associations in the 1990s—with respect to the fields in which they are active has been clearly circumscribed. Now, the associations are only allowed to carry out activities that have a substantial and causal connection with their core business. Moreover, these activities must be deemed appropriate with respect to their risk profile, their scope and the amount of assets devoted to them. The state has yet to adopt definitive criteria by which to evaluate the performance of the associations, but they will cover the following aims

— to expand the chances of success and the choices of home-seekers on a modest income;
— to limit the housing outlays of lower-income households;
— to create housing opportunities for the homeless, for asylum-seekers and for other vulnerable persons;
— to reinforce the links between the provision of housing and care while expanding the range of housing services;
— to increase the differentiation in the housing supply and to raise the quality of the dwelling stock;
— to promote home-ownership as well as upkeep and maintenance, particularly among the lower-income groups;
— to improve the quality of the residential environment at the neighbourhood and district levels and to strengthen social cohesion;
— to develop a dwelling stock and residential environments that are not only durable and energy-saving but also sustainable through the life-course;
— to give the occupants more say about their dwellings and the residential environment with respect to both the development of new housing and the management of the existing stock;
— to improve the way the housing market operates.

Until the targets set for the housing associations are actually specified in a new Housing Act, the present legislation will be amended to include a sixth performance field, namely ‘housing and care’.

When the performance of the housing associations is inadequate—that is, from the standpoint of the central government—some kind of direction (in the form of a curator, for instance) and sanctions (such as a penalty) may be imposed. The impending change in
rules and regulations may be interpreted as either a challenge or a constraint, depending on where one stands. One thing is certain, though—the current freedom of action is going to be sharply curtailed. It will be replaced by performance targets that are clearly defined beforehand. On the other hand, the room to manoeuvre that the associations currently enjoy will be restricted. The challenge facing the associations is how to deliver on these targets under present market conditions and within the confines of the playing-field in which they are allowed to operate.

4.2 Size of the Social Rented Sector

As indicated in the preceding sections, the stock of rented housing in the Netherlands (37 per cent of the total stock in 1998) remains large compared with other European countries. This may be explained by the fact that the highest output of the construction industry coincided with the heyday of social housing production. Moreover, the sector was able to mass-produce inexpensive housing, a result that could not have been achieved in the private sector at that time. Because this period lasted so long, the social rented sector kept on growing. Its very size is one reason why it has not turned into a marginalised sector with respect to the income distribution of its tenants. Still, some 40 per cent of the dwellings are occupied by households with a middle or higher income. Yet low-income households are largely concentrated in the social (and partly in the private) rented sector. This mix of tenants, however, has come increasingly under threat during recent years (see the contribution by van Kempen and Priemus to this issue). As noted above, the government is not taking measures to prevent a growing bifurcation in Dutch society. Specifically, it has been noted that the number of households deriving some advantage from the growing level of affluence is substantially larger than the number that seems to have lost their place in society at large.

As Table 1 shows, the income levels of households are closely reflected in their housing situations. Proportionally more households with a low income live in a rental apartment, often in an older structure, than high-income households. Moreover, this inequality in the housing market between income-groups has continued to grow during the 1990s.

As indicated in section 2, households on the bottom rungs of society have less and less purchasing power. Only because of the adjustments made in the rent subsidy system in 1997 can they still manage to live in a suitable social rented dwelling of reasonable quality. In part because of the widely based support among the public for a well-developed welfare state, the substantial cost of the rent subsidy programme is not being targeted for big cuts. But if that support were to dwindle during the coming years, major affordability problems for the tenants would occur. This would also make it difficult for social landlords to keep their property rented.

Another threat to the housing associations comes from a target set in the Memorandum on housing in the 21st century. In the space of 10 years, 500 000 social rented dwellings are supposed to undergo a change in tenure; the tenants are to become the owners. To facilitate the transfer, a new subsidy along the lines of the rent allowance was provided from 1 January 2001. The new subsidy is an individual purchase allowance. The central government encourages the housing associations to sell off roughly a quarter of their present stock within a decade. Of course, the associations are private organisations. Therefore, the government cannot force them to comply; for instance, there is no legal provision such as a right to buy. When the performance of the associations is assessed, the number of dwellings sold will certainly be one of the evaluation criteria.

4.3 The Demand for Quality

As the preceding sections have indicated, a major part of the social rented stock was built between 1950 and 1970. These dwellings offer only a modest degree of quality, as seen from the perspective of today’s
Table 1. Quartiles (25 per cent segments) of income distribution of households and the characteristics of their dwellings, 1977, 1982, 1994 (percentage of total and indices per income category, total = 100 per cent), the Netherlands

<table>
<thead>
<tr>
<th>Year of total</th>
<th>Percentage</th>
<th>Quartile indexes</th>
<th>1st (low)</th>
<th>2nd</th>
<th>3rd</th>
<th>4th (high)</th>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Percentage single-family rented housing</td>
<td>1977</td>
<td>32.2</td>
<td>100</td>
<td>115</td>
<td>108</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>1982</td>
<td>31.7</td>
<td>104</td>
<td>115</td>
<td>111</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>25.3</td>
<td>118</td>
<td>125</td>
<td>100</td>
<td>57</td>
</tr>
<tr>
<td>Percentage single-family home-ownership</td>
<td>1977</td>
<td>36.6</td>
<td>76</td>
<td>86</td>
<td>103</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td>1982</td>
<td>33.2</td>
<td>67</td>
<td>71</td>
<td>107</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>41.5</td>
<td>48</td>
<td>65</td>
<td>120</td>
<td>166</td>
</tr>
<tr>
<td>Percentage multifamily rented housing</td>
<td>1977</td>
<td>26.9</td>
<td>127</td>
<td>105</td>
<td>90</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>1982</td>
<td>31.4</td>
<td>134</td>
<td>115</td>
<td>81</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>29.0</td>
<td>164</td>
<td>128</td>
<td>68</td>
<td>41</td>
</tr>
<tr>
<td>Percentage multifamily home-ownership</td>
<td>1977</td>
<td>4.1</td>
<td>85</td>
<td>78</td>
<td>95</td>
<td>137</td>
</tr>
<tr>
<td></td>
<td>1982</td>
<td>3.6</td>
<td>69</td>
<td>91</td>
<td>109</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>4.2</td>
<td>62</td>
<td>105</td>
<td>117</td>
<td>119</td>
</tr>
<tr>
<td>Percentage built</td>
<td>Before 1945</td>
<td>32.4</td>
<td>131</td>
<td>110</td>
<td>82</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>23.7</td>
<td>117</td>
<td>103</td>
<td>88</td>
<td>91</td>
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<tr>
<td>1945–64</td>
<td>1982</td>
<td>28.5</td>
<td>107</td>
<td>118</td>
<td>99</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>22.1</td>
<td>120</td>
<td>124</td>
<td>93</td>
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<tr>
<td>1965–79</td>
<td>1982</td>
<td>35.7</td>
<td>71</td>
<td>78</td>
<td>116</td>
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<td></td>
<td>1994</td>
<td>29.7</td>
<td>87</td>
<td>94</td>
<td>109</td>
<td>111</td>
</tr>
<tr>
<td>1980 and later</td>
<td>1982</td>
<td>3.4</td>
<td>59</td>
<td>88</td>
<td>109</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>24.5</td>
<td>81</td>
<td>84</td>
<td>106</td>
<td>128</td>
</tr>
</tbody>
</table>


level of affluence. Thus, a part of this housing segment has little appeal to middle- and high-income households. More and more households are enjoying a rising income. For that reason, and because mortgage interest rates are at a historically low point, many renters have been able to obtain a dwelling of better quality by moving into the home-owner sector. Consequently, the share of low-income households among the tenants in the social rented sector has been rising steadily. An important factor limiting the outflow from the social rented sector in recent years has been the scarcity of attractive owner-occupier dwellings. But this situation may very well change over the next few years, as many medium-priced home-owner dwellings will be built in and around the big cities. The steady flow may swell into a torrent. The fact is that dwellings are only partly seen as basic necessities (primary goods). To a large extent, they serve as status symbols, allowing the occupants to make a statement about their identity. This largely explains the increased interest in becoming a home-owner. The preference for higher quality, more freedom and a means to express one’s identity has brought about—or may soon create—vacancies in the social rented sector in large parts of the Netherlands. The threat of vacancy in the more relaxed parts of the housing market is aggravated by the substantial regional price differentials between renting and owning. In various regions, rents in the social rented sector tend to hover around the national average. This situation offers a sharp contrast to the substantial regional differences in house prices in the owner-occupied...
sector. Especially in the relaxed housing market areas outside the Randstad, where the vacancy problems are greatest, the prices of owner-occupied houses tend to be low in comparison to the national average. The assumption that there is an enormous demand for high-quality home-owner dwellings is confirmed by the price development of the 1990s. House prices in the Netherlands more than doubled in the period 1991–2000, and the increases were greatest for luxury semi-detached and detached dwellings.

4.4 The Location of Dwellings

It is not only the age of the dwellings that were built during the period 1950–70 but also their location that makes them so vulnerable. This housing was built in large concentrations at what was then the edge of the big cities. Moreover, the dwellings were designed without much differentiation by tenure and price. As the SCP (1998, p. 551) concluded, this caused the socioeconomic status of neighbourhoods in the bigger cities to decline between 1971 and 1995. At the same time, the status of suburban municipalities and of neighbourhoods outside the Randstad increased. Meanwhile, a ‘big-city policy’ and various attempts at restructuring have been launched as initiatives to prevent cities from becoming the place where only low-income groups reside. The creation of a sufficient socioeconomic base and the struggle to avoid the tendency of the emergence of large-scale concentrations of the deprived are meant to offer the big cities a new perspective on a sustainably differentiated population of mixed socioeconomic status. The landlords in the social rented sector must also face this challenge. They own the vast majority of the dwellings in the post-war neighbourhoods and it is in their best interest to keep these areas attractive. The SCP (1998, p. 553) expresses concern that it may not be possible to rectify the qualitative handicap or redress the mono-functionality of the housing stock. Still, this must be done if the areas of social housing are to keep up with the national trends of increased quality and growing rates of home-ownership. The stock-oriented character of the housing market is a serious impediment to this strategy. The existing stock can only be adapted gradually. One reason is that sitting tenants cannot simply be removed to a different location. Another is that the restructuring of the housing stock requires substantial investments.

5. The Future of the Social Rented Sector

Encapsulated in the above description is a warning that, over the next few years, the Dutch social rented sector must reconsider its position. This follows from the changes in the arrangements of the Dutch welfare state and the subsequent shifts in the redistribution of income as well as from the autonomous developments in the housing market. The parties that operate the social rented sector must face up to the need to make some difficult decisions. On the one hand, they have to consider how they can guarantee the continued provision of adequate housing for poor households at the bottom of society. On the other hand, they have to cater for the growing demand for high-quality housing by a growing number of affluent households who are able to articulate their desires. For the social landlords, this constitutes a challenge; many households that are still living in social rented housing are likely to turn their backs on this sector. It is important for the sector not to overreact. If the tide of the economy turns once more, there should be a sufficiently large social rented stock remaining to meet any new demand that might arise.

A variety of perspectives on the future of the social rented sector are contained in the study carried out by Boumeester et al. (1998) for Aedes, the umbrella organisation of Dutch social housing associations. Also, the SCP has sketched a number of scenarios in its most recent review of the field. Boumeester et al. (1998, p. 121) conclude that the social housing associations must turn themselves into social entrepreneurs and adopt a market-oriented approach. This seems to heed the advice of the old adage, ‘if
you can’t beat them, join them’. The associations will have to continue to provide decent, affordable housing for their traditional target-group of low-income households. At the same time, they will have to serve an increasing number of the elderly as well as households that need support and care. Finally, they must take up the challenge of restructuring the post-war housing stock. Yet, as these authors warn, if the social landlords focus exclusively on these issues and leave other problems unresolved, they may be fostering the rapid marginalisation of the social rented sector. In the future, the entrepreneurial association must also undertake more profitable activities in the rented and the home-owner sectors. The authors have a range of activities in mind. For instance, they suggest the development of non-subsidised dwellings to diversify the associations’ assets. Another possibility is the sale of rented dwellings, with or without a buy-back guarantee or service and maintenance contracts. The following options are also suggested: development of new tenures between renting and owning; new residential construction; and, finally, offering various management services to private landlords and home-owners. Investment in product differentiation and product innovation, to be followed by the integration of such activities in the organisation, are crucial elements for success, according to these authors. Entrepreneurial associations could strengthen their position in the Dutch housing market. But the question remains whether or not the authors are overoptimistic in their assessment of the opportunities. This note of caution has become only more pertinent since the publication of the Memorandum on housing in the 21st century. The reason is that the memorandum does not give the associations any extra room to manoeuvre; on the contrary, their freedom is reduced slightly. In practice, this means that the operating domain of the housing associations is circumscribed by requiring an association’s activities to have a substantial and causal relationship to its core business (see section 4). Moreover, this means that the risk profile, the scope and the amount of assets invested must be acceptable with respect to reaching those targets. The associations are forbidden to engage in activities that—from the government’s point of view—fall outside the designated domain of operations (Remkes and Pronk, 2000, p. 256). In the meantime, at the end of the year 2000, the government had already moved to dissolve some prior co-operative arrangements between housing associations and real estate brokers.

If the strategy succeeds, it will certainly lead to a fundamentally different kind of social rented sector. It would be a great success if the social rented sector could gain some ground in the competition with the private sector. In reality, countless initiatives are already being elaborated. And there is growing consensus about the profile of the future social housing associations. A wave of amalgamations is turning the wide array of organisations into a smaller number of associations, each of which may well expand in size to include anywhere from 30 000 to 50 000 dwellings. This trend towards consolidation has led some to speak of ‘housing societies’. Such large and financially robust organisations may undertake a range of activities in the management and the development of housing complexes. Eventually, they may prove to be attractive partners for local governments, care-providers and private developers. These organisations try to be client-oriented. They are used to working in a competitive environment. And they are deeply involved in product development, the provision of service packages and care arrangements.

The SCP (1998, p. 550) also suggests a number of ways in which the associations can adapt to the changing market conditions. First of all, they could reduce the rent increases of their dwellings. In a real market, this would be the expected effect of the introduction of more competition. Lower prices should be possible, given the substantial rent increases of the past decade (compare Figure 1). There is one obvious problem with such a strategy, however. It is bound to have a negative effect on the financial posi-
tion of the landlords. Thereby, it could jeopardise current tasks that have not returned a profit and are unlikely to do so in the future. Some of the unprofitable activities that the housing associations must carry out are the following:

— housing their traditional target-group of low-income households;
— housing the growing group of the elderly and other households in need of care; and
— restructuring existing neighbourhoods.

A second survival strategy identified by the SCP is contained in a downsizing scenario. Part of the housing stock could be sold off; this is a means to adjust the supply of social rented dwellings to line up with the demand. The immediate advantage of selling off units would be that the potential profits could be realised, which would boost the financial position of the associations. The use of arrangements such as ‘rent-to-own’ (partly rented and partly owned) may offer the new home-owners the possibility of making a gradual adjustment. In that case, the associations would remain involved in the management of the dwellings in the process of being transferred into new ownership. At the same time, funds are being mobilised, while the financial uncertainty of a looming decline in demand can be largely pre-empted. Moreover, if the conditions change, it might be possible to bring the dwellings back into the fold at some future date through buy-back options. In the Memorandum on housing in the 21st century, Housing Secretary Remkes makes grateful use of this option. He announces the selling of 500,000 units of the associations’ stock within 10 years. The associations would then be expected to invest the revenues from this huge transfer of property in the urban revitalisation effort, which is a key element of government policy. A third strategy outlined by the SCP is to confront the competition from the home-owner sector head-on. This would require steps to increase the quality of the housing services offered by the management. That would allow the association to improve the price-quality ratio of the social rented dwellings. Other than improving the quality of the dwellings themselves, the same effect could also be achieved by offering a larger and higher-quality package of services. For instance, the growth in the number of (affluent) elderly households may open up new perspectives for operating in a niche market. In practice, the associations have been applying this strategy more and more. Partly because of the enlargement of scale and the cooperation among these organisations, more and more housing associations find ways greatly to expand their range of products. This generates more choices for the renters. One example is the creation of a new tenure somewhere between renting and owning. Another is offering a choice among various kinds of rental contract—for instance, making it possible to set the rent at a fixed level for a number of years. Furthermore, the tenants may be given the option to adapt the interior of the dwelling according to their own taste and to take charge of the upkeep themselves.

In this context, it is difficult to predict the future direction of the social rented sector in the Netherlands and how housing market conditions will be affected by this decision. Also, future external market influences will play a significant role in this process. Because of this uncertainty, it is likely that various directions will be tried out by several housing associations. However, we can be sure of just one thing: the landscape of the housing market and the position of the social-rented sector in the Netherlands will look quite different by the end of the first decade of the 21st century.

6. Conclusions

The central question posed at the outset of this paper is how to explain the position of the Dutch social rented sector in the country’s housing system. It has been established that the position of the social rented sector is strongly influenced by developments in society at large. In particular, its specific position may be explained with reference to the emergence and transformation of the Dutch welfare state. For example, until the 1950s,
the social rented sector in the Netherlands was quite modest (12 per cent of the dwelling stock), even compared with other European countries. After the Second World War, the welfare state—a phenomenon that was at first only weakly developed in the Netherlands—grew to maturity at an extremely rapid pace. In fact, the Dutch ‘lag’ behind other countries in western Europe turned into a comfortable ‘lead’ in a few decades. Moreover, the welfare state remained in full glory much longer in the Netherlands. The turning-point did not come until the mid 1990s. In most other west European countries, government influence on processes in civil society had already been radically reduced in favour of market forces during the 1970s. In the Netherlands, the development of the social rented sector thus coincided with the vigorous build-up of the welfare state. That sector continued to grow in the Netherlands for a longer period than in most other west European countries. Ultimately, the share of the Dutch social rented sector reached its highest point—41 per cent of the stock—at the beginning of the 1990s.

Compared with other countries, the particular historical development of the Dutch social rented sector makes the adjustment of the housing system to a more market-orientated policy—in which more attention is devoted to the freedom of choice of the housing consumer—an unprecedented activity to say the least. This process will require the present housing associations to show a large measure of creativity and flexibility. Presumably, the results of this effort will not be evaluated for another decade. By then, the policy cycle will have come round again and it will be time for the government to release a new Memorandum on housing.

References


