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Social Rented Housing in Western Europe: Developments and Expectations

Harry van der Heijden

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Summary. What lies ahead for the social rented sector in western Europe? Do countries differ merely in degree, or do differences between countries offer grounds on which to sketch divergent scenarios for the future? This paper treats these questions in light of the work of Harloe and Kemeny. Based on the development of the policy context and the size and the character of the social rented sector in six west European countries, three plausible scenarios will be presented. The first (residual dual market) scenario is comparable to Harloe's residual model and Kemeny's dual market model. The second (residual unitary market) scenario starts with Kemeny's unitary market model but develops in the direction of the first (residual dual market) scenario. The third (unitary rental market) scenario combines social responsibilities with a market approach to housing provision.

1. Introduction

Several authors have described the development of the social rented sector in western Europe, dealing in turn with individual countries and separate periods (Oxley and Smith, 1996; McCrone and Stephens, 1995; Harloe, 1995; Kleinman, 1996; Balchin, 1996; Boelhouwer and van der Heijden, 1992). In spite of the wide range of differences between the housing systems in western Europe, all of those publications depict a reasonably consistent pattern of development. After World War II, the level of government intervention in housing tended to be high. The policies were focused on the realisation of large-scale construction programmes, which were supposed to eradicate the housing shortages that had developed during and immediately after

the war years. The construction of (social) rented dwellings was widely promoted. New construction programmes—and, at a later stage, rehabilitation of the existing stock—were stimulated by offering construction subsidies. In the rented sector, the various forms of subvention were accompanied by measures to keep rents low.

By the 1970s, the housing shortage had declined substantially. Meanwhile, ideas about the structure of the welfare state had evolved. Consequently, many west European countries were adjusting the level and direction of intervention in the housing system. A new vision of the role of the government led to a decline in the magnitude of public investment. It also resulted in a shift from

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public control to regulation through the market mechanism.

By sketching the development of post-war housing policies in such broad strokes, we have left out of the picture some significant differences between countries. Specifically, the magnitude of public intervention and the form it has taken differ across Europe. Moreover, the size and role of the social rented sector developed differently in the respective housing systems and the position of social landlords evolved along different lines.

In this context, what lies ahead for the social rented sector in western Europe? Do the countries differ merely in degree, taking a similar path in their development? Or do the differences between countries offer grounds on which to sketch divergent scenarios for the future?

This paper treats these questions in light of the (theoretical) work of Harloe and Kemeny. Harloe (1995) foresees a comparable development of the social rented sector in various countries of western Europe, whereby all will move in the direction of a residual model. Kemeny (1995) puts forward a divergence thesis, whereby he sees the possibility that two models will develop alongside one another.

Section 2 considers the work of Harloe and Kemeny. This sets the stage for a review of the way the social rented sector has evolved in six west European countries: Great Britain, Germany, France, Belgium, Sweden and the Netherlands. First, we sketch the policy context (section 3) and then consider the size of the sector in the various countries (section 4). Subsequently, section 5 zooms in on the character of the social rented sector. The discussion deals with the sector's role in housing various income-groups, the development of housing expenditures and the position of social landlords. Section 6 draws upon the preceding sections—the review of the work of Harloe and Kemeny as well as the overview of how the social rented sector has developed in the six west European countries—to present some plausible scenarios for the future. The possible directions are charted not only on the grounds of comparable trends, but also in terms of the differences between the countries.

2. A Theoretical Perspective on the Development of the Social Rented Sector: Convergence and Divergence

Within the field of comparative housing studies, various approaches have been worked out over the past few decades (Kemeny and Lowe, 1998). The two most important ones are epitomised in the work of Harloe and Kemeny. Harloe puts structures and systems at the centre of his analysis, whereas actors and institutions take an important place in Kemeny's work. The two authors arrive at contradictory explanations of the development of housing systems and present different visions of the future.

Harloe's (1995) explanation ascribes a central role to the development of the economic structure. Despite the fact that Harloe notes major differences between diverse housing systems, his explanatory analysis emphasises the similarities in their development. Furthermore, he distinguishes various (social) housing models that have been in existence in western industrialised societies at about the same time: the mass model and the residual model. The distinguishing feature of the mass social housing model is its emphasis on a large volume of new construction of social rented dwellings, whereby these programmes are not specifically aimed at the provision of housing for the lowest income-groups. In this model, the social rented sector provides housing for a wider segment of the population. Moreover, the sector is supported by generic subsidies: income-independent subsidies play a relatively insignificant role.

The residual model, in contrast, is characterised by small-scale programmes of new construction geared to the needs of the lowest income-groups. In this model, the social sector is somewhat stigmatised as the sector that provides housing for groups that are politically, economically and socially marginalised.

According to Harloe, the mass model came to fruition in western Europe after World War II. Starting in the mid 1970s, according to Harloe (1995, p. 534), there was a convergence in the direction of the residual model. Kemeny (1992, 1995), in contrast, assigns a

central position to the ideological character of a society's social structure (i.e. its culture). He places the accent on differences in the development of housing systems in relation to differences in social structure. Thereby, he distinguishes various (rental) housing models that may arise simultaneously in different (groups of) countries: the dual and the unitary model.

Dual systems have a profit market policy strategy and are based on the occurrence of direct competition between the social (non-profit) rental sector and other tenures. The government shields the social rented sector from the rest of the housing market and uses it as a safety-net for the housing of low-income groups. It should be noted that access to the public rental sector is restricted to households with a low income, while the private rental sector—with its high rents and limited security of tenure—is not attractive to a great many households. In that light, demand in dual systems is strongly geared to the owner-occupied sector. Indeed, according to Kemeny, dual systems are characterised by a large proportion of home-ownership and a social rented sector of limited size, housing primarily low-income groups.

Unitary systems are derived from a social market strategy, according to Kemeny (1995, p. 19; see also Kemeny and Lowe, 1998, p. 172). Part of this strategy is to create a level playing-field between the tenures in which renting is not penalised nor owner-occupation favoured. Under these circumstances, the balance between the tenures is determined by household demand rather than by government *fiat* (Kemeny, 1995, p. 19). The non-profit rental sector in such systems is not exclusively directed towards the low-income groups. Thus, there is no sign of a general tendency towards marginalisation of the social rented sector in unitary rental markets (Kemeny, 1995, p. 143).

The contexts in which the models distinguished by Harloe and Kemeny emerged are quite different. Nonetheless, Harloe's residual model and Kemeny's dual model have strong similarities with respect to their 'visible' effects on the housing market. Con-

cretely, the owner-occupied sector is the normal tenure, whereas a small social rented sector is intended to house low-income groups, whereby government support takes the form of individual (means-tested) subsidies.

Harloe sees a convergence in the direction of this model in west European countries. Kemeny, on the other hand, believes that a second model may develop, one characterised by tenure-neutral government policy, a less dominant position for the owner-occupied sector and a social rented sector that provides housing for broad segments of the population.

3. Development of the Policy Context

Generally speaking, the housing policy pursued over recent decades has shown a number of comparable developments in the six countries studied here. The main ones are the declining role of the government in regulation and subsidisation and the greater effect of the market. The following aspects play a key role in the way these developments work out:

- Promotion of home-ownership for the population at large and especially for households on a limited income. With the exception of Sweden, this goal plays a significant role in all countries under investigation.
- Reduction of government subsidies—especially object subsidies—and an increase in the housing expenditure of households. Sweden and the Netherlands are in the process of abolishing the instrument of object subsidies altogether. In addition to the rent increases that result from cutting back on object subsidies, the changes in the rented sector also correspond closely to the loosening grip of rent control. The rationale behind rent increases is to bring rents in the social rented sector more in line with rents in the open market. This implies that, in addition to a general increase in the rent level, there will also be a greater differentiation in rent increases.
- Directing an ever-growing share of the (remaining) public subsidies towards low-income households by means of subject

subsidies. There is a tendency to decrease generic (object) subsidies in the face of an overall increase in the cost of housing. In many countries, this tendency goes hand-in-hand with an increase in the amounts awarded as individual subsidies to eligible households. These subsidies are primarily meant (partly) to compensate low-income households for the increasing housing costs.

This generalised picture of the development of housing policy in western Europe is too sketchy to reveal many of the differences between various countries. These differences pertain to the magnitude of the changes and the manner in which they have been introduced, but they also concern the timing of the changes.

The development toward a more market-oriented housing system was set in motion at the end of the 1970s in France and Great Britain. In Belgium, the entire post-war period has been characterised by a relatively low level of government intervention. In Germany, deregulation of the housing market became the goal of housing policy changes, although only after some futile attempts at deregulation during the 1960s.

Compared to the pace of change in the other countries, the Netherlands waited a long time before it replaced its system of direct, major intervention by a system that conforms more closely to the market. But then, in a relatively short period of time, the Netherlands did away with its substantial broad-spectrum generic subsidies. These were quickly replaced by closely targeted, individual subsidies. The Dutch government has taken the role of facilitator upon itself. Its efforts are now concentrated on creating the necessary conditions so that other actors in the housing market can perform a significant (financial) role. Sweden had a similarly strong and long tradition with respect to financial support by the government in combination with powerful regulatory powers in the field of housing. There, too, major changes were rapidly implemented in the early 1990s. Tax reforms were instituted (in 1990 and 1991)

and the financing and subsidy systems were revamped (in 1993). The combined effect of these changes was a sharp rise in the housing expenditure of (especially) low-income groups.

It should be pointed out that the transition to a market-oriented housing system, with a low level of public intervention, has not always been smooth. In several countries, early attempts at deregulation were interrupted by an economic slowdown. The governments reacted to these downturns by (temporarily) increasing both subvention and regulation. Especially during the 1970s, investment in housing was used as an instrument to stimulate the economy. In the 1990s, some countries (Germany, Belgium and France) once again increased the level of public investment in residential construction. They stimulated the production of social housing—in both the social rented and the home-owner sectors—to deal with re-emerging shortages of affordable dwellings for low-income groups. These investment programmes are not structural. They are intended to eradicate the recently apparent shortages in a relatively short time-span.

4. Development of the Position of the Social Rented Sector in the Housing Market

There may be significant differences among countries with respect to both the nature and the role of tenure, even though these tenures bear the same name. Despite the idiosyncrasies of a given tenure in each individual country, the relative shares of tenures and the direction of their shifts are features that do lend themselves to international comparison. These factors reflect the nature of each country's respective housing policies and the effects of those policies on the housing market.

Table 1 gives some figures on the development of the relative size of different tenures in the six countries under investigation. Most countries recognise three tenures: home-ownership, the social rented sector and the private rented sector. Only Sweden has a fourth tenure of considerable size: co-operative housing. In Table 1, the ownership

Table 1. The composition of the housing stock in six west European countries, by tenure, 1980s–1990s (percentages).

	Home-ownership		Social rental sector		Private rental sector		Other	
	1980s	1990s	1980s	1990s	1980s	1990s	1980s	1990s
Belgium (1981–98)	59	74	7	7	31	16	3	3
France (1984–96)	51	54	16	18	23	20	10	8
Germany ^a (1981–98)	40	43	15	9	45	48	0	0
Great Britain (1988–98)	61	69	29	20	10	11	0	0
Sweden (1980–95)	42	39	20	23	21	23	17	15
The Netherlands (1985–99)	43	52	41	36	14	12	2	0

^aExcluding the former DDR.

Source: Haffner *et al.* (forthcoming); Haffner and Dol (2000).

of co-operative housing is subsumed under the heading 'Other'.

The home-owner sector is relatively large in Great Britain and Belgium. Home-ownership plays a considerably smaller role in Sweden and Germany. In Sweden, the lower incidence of home-ownership is due to the relatively important role of the co-operative sector. Co-operatives offer many households a good (and affordable) alternative to outright ownership. Even though co-operative housing exists in several other countries (including Germany), it is not recognised as a distinct sector there.

The social rented sector is a major tenure in the Netherlands. This is also the case in Great Britain and Sweden, although the share of social renting in these two countries is much smaller than in the Netherlands. The role of the social rented sector in Belgium and Germany is relatively small. With respect to Germany, the low profile of the social rented sector reflects the temporary nature of the 'social status' of rented dwellings. It is reckoned to the social rented sector only temporarily because, as soon as the subsidies run out, the social rented stock becomes part of the private rented sector. Consequently, the latter sector is very large. In contrast, the private rented sector is small in the Netherlands and Great Britain.

The six countries differ in more ways than just the size of the social rented sector. They also differ with respect to developments in the share of social rented dwellings. Since the 1980s, the share of this tenure in the housing stock has been declining in Great Britain, Germany and the Netherlands.

In Great Britain, since 1980, there has been a steady decline in the share of the social rented sector. From 33 per cent in that year, it has since dropped to 20 per cent in 1998. This drop was a result of the large-scale sell-off of social rented dwellings, in combination with declining new construction. The decline in the share of the social rented sector in Germany (from 15 per cent in 1981 to 9 per cent in 1998) coincided with an upsurge in the construction of social rented dwellings in the 1990s. The decline in

the share of the social rented sector in Germany was brought about by the large number of dwellings that are routinely transferred to the private rented sector at the end of the subsidy period. The shrinkage of the social rented sector is thereby largely compensated by the increase in the share of private rented dwellings.

A similar pattern emerges from the data on the Netherlands. The social rented sector has been declining there since the end of the 1980s. The main reason is the declining production of new social rented dwellings (both in absolute and relative numbers). The impact of this trend has been augmented since the mid 1990s by a growing number of sales of social rented dwellings.

In contrast to the consistently declining share of social rented dwellings in Great Britain, Germany and the Netherlands, the three other countries present a more varied picture. There is evidence of stabilisation in Belgium and even some growth in France and Sweden. In the early 1990s, the production of social rented dwellings increased in France and Belgium, reversing the decline that had set in during the 1980s. That turnaround may even lead to further growth in the share of the social rented sector in the dwelling stock. By 1995, new construction in Sweden had dropped to fewer than 13 000 units per year. Most of this modest production was in the rented sectors. As the home-owner market stagnated, new construction dwindled in the home-ownership sector.

5. The Development of the Character of the Social Rented Sector and the Consequences for the Position of Social Landlords

5.1 The Role of the Social Rented Sector for Various Income Categories

Traditionally, the target group of the social rented sector in west European countries has been fairly broad; it is not confined to the lowest income-groups. At least, the effects of the policy have been observed among a wider range of income-groups. With the

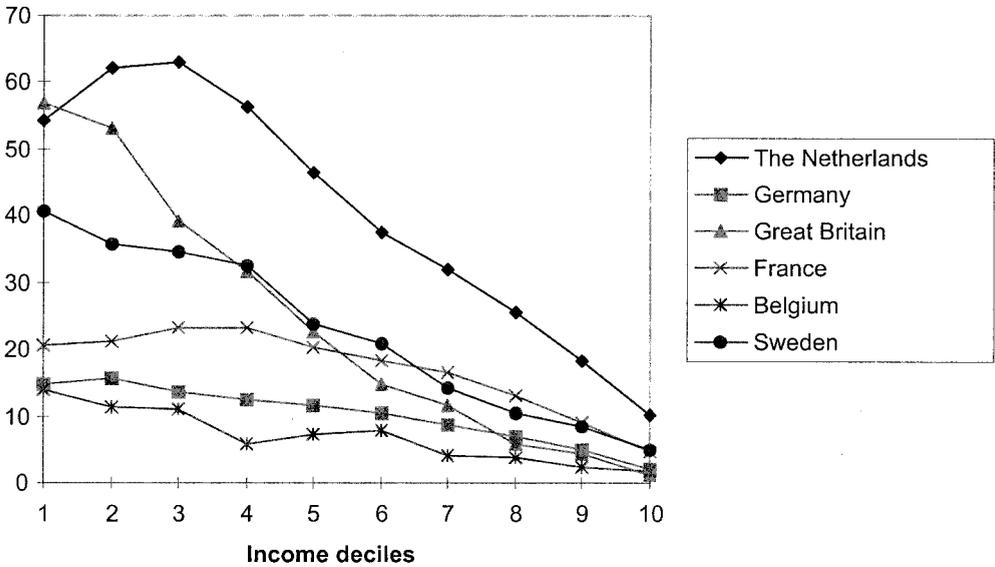


Figure 1. Proportion of households in the social rented sector in six west European countries, per income decile, 1990s. *Source:* Haffner *et al.* (forthcoming).

exception of Sweden, all countries apply income criteria in the allocation of social rented dwellings. But, with the exception of Belgium, none of these countries sees a growth in household income as a reason to terminate the rental contract. Tenants in the social rented sector whose income increases to an amount above the ceiling level may be confronted with an extra rent increase (or rent tax) in some countries. In general, however, landlords do not seem to be particularly eager to apply this measure (Boelhouwer *et al.*, 1997, pp. 523–524).

What role does the social rented sector play in each of the six countries with respect to the different income categories? Figure 1 depicts the share of households in each income decile who are residing in social rental dwellings. In all countries, the share decreases in the higher-income classes. The relationship between the proportion of households in social rented housing and the income category is strongest in the Netherlands, Great Britain and Sweden. This is not surprising, as these are precisely the countries with the largest share of social rented units in their housing stock. In France, Germany and Belgium, in contrast, the social

rented sector occupies a less prominent position in the housing market. Moreover, these three countries show a weaker relationship between the share of households occupying units in the social rented sector, on the one hand, and the income category of the occupants, on the other. In the latter set of countries, other tenures offer more options for low-income groups, perhaps out of necessity.

In the Netherlands, the share of households from all income deciles in the social rented sector is large. This is partly because of the relatively large number of units of that type in the stock. The fact that this share increases with rising incomes in the lowest deciles deserves special attention. The same phenomenon can be observed in France and Germany, though to a lesser extent. There, this phenomenon is related to the role of the private rented sector in the lower range of the income deciles in these countries (van der Heijden and Haffner, 2000, p. 84).

Table 2 shows the development of the distribution of households in the social rented sector by income. The households from the three lowest income deciles have been combined to form the low-income group. The group of middle-income house-

Table 2. The development of the distribution of households in the social rented sector, by income group, 1980s–1990s

	Low income (income deciles 1–3)		Middle income (income deciles 4–7)		High income (income deciles 8–10)	
	1980s	1990s	1980s	1990s	1980s	1990s
The Netherlands (1989–93)	42.9	44.3	42.8	42.4	14.3	13.3
Germany (1982–93)	33.2	44.0	44.7	42.5	22.1	13.5
Great Britain (1988–96)	59.1	61.8	31.9	33.5	9.0	4.7
France (1988–92)	37.3	38.2	46.6	45.5	16.1	15.9
Belgium (1988–92)	55.6	52.4	31.2	34.6	13.2	13.0
Sweden (1990–95)	39.7	49.0	45.0	40.5	15.3	10.5

Source: Haffner *et al.* (forthcoming).

holds consists of tenants from deciles four through seven. The households from the three highest-income deciles have been designated as high-income households. This implies that the low- and high-income households are overrepresented when more than 30 per cent occupy a social rented dwelling. For the middle-income group, this situation arises when the share is above 40 per cent.

The table shows that low-income households are overrepresented among the tenants in the social rented sector in all six countries, but especially in Great Britain and Belgium, countries with a high proportion of owner-occupation. Moreover, the share of low-income households has increased over time in all countries except Belgium; the share of high-income groups decreased in all countries. Especially in Great Britain, and to a lesser extent in Belgium and Sweden, the share of the high-income group in social rented housing fell. The share of the middle-income group in social rented housing is disproportionately low in Great Britain and Belgium. In both countries, however, their representation has increased during the period under consideration.

5.2 The Trend of Housing Costs in the Social Rented Sector

The development of housing expenditures in the social rented sector is discussed here in

terms of changes in the rent quote (rent-income ratio): the combined effect of the development of housing expenditures and disposable incomes. We may distinguish between the gross and the net rent quote. The difference between the two is explained by individual subsidies. No gross rent quote can be determined for Belgium, because household income was already taken into account at the time when the rent was set.

The change in the average gross and net rent quote and the effect of subsidy are shown in Table 3. The gross rent quote has increased in all countries, although the degree to which it has risen differs greatly. The average increase in the gross rent quote was relatively large in Great Britain and Sweden. With respect to Great Britain, the strong increase in the gross rent quote may be ascribed to a restriction on property subsidies in combination with the fact that housing associations had to raise the rents up to the market level during the 1980s. Moreover, starting in 1989, the municipalities were no longer able to keep the rents artificially low through transfer payments from general municipal funds. In Sweden, the repertoire of housing instruments was completely overhauled in the early 1990s. For the Swedish rental sector, this meant a reduction in property subsidies and put an end to the special fiscal status of non-profit landlords. The result was a sharp increase in rents.

Compared with the gross rent quote, the

Table 3. Change of the gross and net rent quote and the effect of housing allowance as a percentage of income (in percentage points) in the social rented sector in six west European countries

Country and period observed	Change in gross rent quote	Change in net rent quote	Change in the effect of housing allowances
Belgium (1988–92)	—	0.3	—
(West) Germany (1982–93)	1.9	1.6	0.2
France (1988–92)	1.4	1.6	– 0.2
Great Britain (1988–96/97)	5.1	1.4	3.7
Sweden (1990–95)	5.2	3.0	2.1
The Netherlands (1989–93)	1.0	1.2	– 0.2

Note: For the sake of comparison with the other three countries, the development of average income and housing expenditure in West Germany, Great Britain and Sweden between the two reference years was calculated retrospectively for a period of four years. The recalculated value is shown here.

Source: van der Heijden and Haffner (2000).

differences between various countries with respect to the increase in the net rent quote are considerably smaller. This is a result of the fact that the sharp increase in the gross rent quote in Great Britain and Sweden has to a large extent been compensated by housing allowances. In West Germany as well, the net rent quote rose less steeply than the gross rent quote. The picture was different in the Netherlands and France, where the net rent quote rose more than the gross rent quote. In the latter two countries, there was (on average) a decline in housing allowances (as a percentage of income). This is expressed in the negative value shown in Table 3.

The changes in the rent quotes discussed so far only refer to sector averages. Behind the development of the average rent quotes, however, there may be a wide divergence in the development of the quotes for different income-groups. For that reason, Table 4 shows the development of both the gross and the net rent quote for the lowest income-groups in the social rented sector.

The table demonstrates that lower-income groups in all of the countries are confronted with a sharp rise in the gross rent quote. Moreover, with the exception of Sweden, this increase is (far) greater than the average rise in the rent quote for the social rented sector (compare Table 3). The picture is similar for the net rent quote, even though the effect of the individual subsidies on the

lower-income groups in four of the five countries has risen more steeply than the average increase for the sector as a whole. Sweden is the exception to the rule. There, the net rent quote for lower-income groups has risen less steeply than for the social rented sector as a whole.

Looking at Tables 3 and 4, it is clear that, in the social rented sector of all six countries investigated, the net housing expenditures have increased as a proportion of household income. The moderating effect of individual subsidisation on the increase in the gross rent quote has been stronger for lower-income groups than for the sector as a whole. Nonetheless, with the exception of Sweden, the net rent quotes have increased more sharply for the lower-income groups than for the sector as a whole.

5.3 Some Consequences for the Position of Social Landlords

The transition to a more market-oriented housing system implies that the position of the social rented sector—and particularly of the management of those dwellings—has been shifting in these six countries. One element of this transition is the decrease in object subsidies. Another is that the contract rents in the social rented sector have been (or are being) raised to the level of market rents (partly compensated for eligible households by individual rent subsidies). A side-effect of

Table 4. Change of the gross and net rent quote and the effect of housing allowance as a percentage of income (in percentage points) for the income deciles 1–3 in the social rented sector in six west European countries

Country and period observed	Change in gross rent quote	Change in net rent quote	Change in the effect of housing allowances
Belgium (1988–92)	—	1.9	—
(West) Germany (1982–93)	2.7	2.5	0.2
France (1988–92)	5.1	3.3	1.8
Great Britain (1988–96/97)	7.5	1.1	6.4
Sweden (1990–95) ^a	3.0	1.9	1.1
The Netherlands (1989–93)	2.9	2.6	0.3

Note: For the sake of comparison with the other three countries, the development of average income and housing expenditure in West Germany, Great Britain and Sweden between the two reference years was calculated retrospectively for a period of four years. The recalculated value is shown here.

^aNo quotes can be calculated for the first income decile in Sweden for 1990. Therefore, the figures shown here represent the average increase for deciles 2–4.

Source: van der Heijden and Haffner (2000).

these measures is that tenants with a higher income were encouraged to take the step from renting to home-ownership.

While the concentration of low-income groups in the social rented sector is increasing, social landlords are expected to adopt a more businesslike approach. A couple of countries (Sweden and Germany) have rescinded the special (fiscal) status of the sector. Additional measures include the requirement that an ever-increasing proportion of the costs has to be covered by rent receipts. Furthermore, the capital for investments needs to be borrowed on the capital market. And social landlords have to bear the risks of the operation of their stock. These developments force the management to adopt a market approach. Consequently, the social landlords have come to resemble their private-sector counterparts more and more, although they still have to serve social goals. These commitments lead to ever-expanding financial responsibilities. The question remains how they will operate when they are caught between the need to adopt market principles and the need to reconcile their market behaviour with the provision of a social good. The solutions may vary from country to country depending, among other things, on the extent of the (financial) room to manoeuvre.

6. The Future of the Social Rented Sector

It is hardly possible to present a definitive picture of how the social rented sector will look in the future in any one of the six countries being considered here, not to mention trying to depict the position of this sector from a comparative perspective. The preceding narrative has shown that, although there are a number of comparable trends in the development of the policy context, size and character of the social rented sector in the six west European countries, the differences are too great to be able to identify only one possible outcome.

On the one hand, the (social) rented sector in a number of countries is losing ground to the home-ownership sector, and the concentration of low-income groups in the social rented sector has increased in all of the countries. On the other hand, there are also some countries where the proportion of social rented dwellings in the stock has stabilised or has even increased (again) and the social rented sector also provides housing for many households belonging to the middle-income groups.

We therefore discuss the possible development of the social rented sector in the six countries on the basis of the models distinguished by Harloe and Kemeny. Against

that backdrop, we can then determine which scenario would be the most plausible in any given situation.

6.1 The Residual Dual Market Scenario

The first scenario is comparable to Harloe's residual model and Kemeny's dual model. A scenario such as this comes into play when (a combination of) developments in policy and the market lead to a predominant position of the owner-occupied sector in the housing market and social landlords are compelled to concentrate specifically on low-income households. The sector would then become a social safety-net for those households that are not capable of securing a dwelling elsewhere in the housing market. In fact, the sector might become entirely dependent on (household-focused) subsidies. Such a situation would prevent it, directly or indirectly, from functioning as a financially independent, market-based sector.

In spite of its reasonably large size—at least by European standards—the development of (parts of) the social rented sector in Great Britain over the past few decades seems to correspond to such a scenario. In Great Britain, home-ownership has become the norm. The rented sector is becoming more and more reserved for those households who cannot afford to purchase a dwelling. In this framework, the social rented sector is reserved for the weakest parties in the market: low-income groups, the elderly and the disabled (Boelhouwer and van der Heijden, 1992, p. 169). Because of the massive sale of the social rented stock and the modest amount of new production, this sector has shrunk since 1980. It contains a fairly large—by international standards—and growing concentration of low-income groups. The rents have been pushed up substantially by the reductions in object subsidies. The rents have also been raised by the decision (which affects the local authorities) to cut the (financial) ties between the housing management and the General Rate Fund. As a result of these developments, almost 70 per cent of the households in the social rented

sector received support in the form of rent rebates in 1995 (Holmans and Whitehead, 1997, pp. 39–40). Concerning low-income groups, the lion's share of the contract rent is being paid through individual (rent) subsidies. This widespread reliance on income-dependent subsidies discourages tenants from making any attempt to improve their income. In fact, it acts as a disincentive; any increase in income is immediately wiped out by deductions taken from their subsidy amount (a phenomenon known as the poverty trap).

As well as for Great Britain, this scenario is also plausible for Belgium. Traditionally, Belgium has had a sizeable owner-occupied sector and a very small social rented sector, in which the concentration of low-income groups is relatively high, combined with a private rental sector with (in practice) high insecurity of tenure and no availability of individual (rent) subsidies.

The following two scenarios are based on a situation whereby government policy is not directed exclusively towards the promotion of home-ownership and the demand for rented dwellings comes from various income-groups. These scenarios are mainly applicable to countries such as Germany, where the rental sector is large, and Sweden, where the government pursues a tenure-neutral policy. But also France and the Netherlands are likely to follow these scenarios. In France, the proportion of social rented dwellings in the housing stock is (again) rising, and middle-income groups are still well represented in this sector. The latter point also applies to the Netherlands, where there has been a (sharp) decline in the share of social rented dwellings in the stock, although for the time being the sector is still of considerable size.

6.2 The Residual Unitary Market Scenario

A situation may arise whereby the demand for rental dwellings comes from various income-groups and the social landlords can allocate units largely at their discretion. In that event, the landlords—who are subject to market mechanisms but have societal

obligations too—may choose to take a market-oriented approach. This means they will focus on the more lucrative business of housing higher-income groups. But in so doing, they may compromise their social responsibility to provide housing for lower-income groups. Harloe (1994) has indicated that such a scenario might offer a realistic alternative for Germany. There, under the current subsidy regime, housing units are to be treated as social dwellings as long as they are supported by subsidies. Until 1990, social housing corporations enjoyed a special fiscal status. However, this advantage meant that they had to keep treating their property as social dwellings after the subsidies had expired. But in 1990, the special status was abandoned. From then on, the social landlords would be under the same regime as private-sector landlords. Harloe has suggested that this may cause a split in the social rented sector, whereby

a residualised sub-sector within social rented housing would be distinguished from a relatively small-scale sector which contains a wider socio-economic base (Harloe, 1994, p. 353).

In Sweden, the non-profit rented sector is not required to operate according to specific social tasks. Nevertheless, its municipal housing corporations also enjoyed a special fiscal status, which was likewise abolished in the early 1990s. In an article on the future of the private rented sector in Sweden, Turner and Berger point out that

The great threat to private ownership of property comes from the new role of municipal housing companies. ... The municipalities are starting to place profit demands on the companies, while the company management and their board are becoming more professional. In conjunction with these greater demands for profit, the municipal companies' social responsibility is being toned down. This may create the need for special municipal social housing in the future, but this is yet to be seen (Turner and Berger, 1998, p. 295).

Ultimately, a development along those lines implies that social responsibility would be concentrated in a specific (though not yet circumscribed) sub-sector. That sub-sector would subsequently end up in a position comparable to the one sketched in the above scenario.

6.3 The Unitary Rental Market Scenario

This third scenario, largely based on Kemeny's unitary market model, combines social responsibilities with a market approach to housing provision—one in which the landlords would be financially independent, but the social rented sector would not become marginalised.

In such a scenario, the social rented sector would have to set its sights on serving a wider target-group, not exclusively catering to low-income households. By maintaining a differentiated housing stock and promoting a differentiated tenant profile, it might be possible to prevent the development of a marginalised and stigmatised sector. At the same time, differentiation along those lines would facilitate a more responsible management and investment strategy. That policy would be able to use instruments such as rent differentiation, rent pooling and the selective sale of dwellings as a form of asset management. The yields from the sales could then be used to control the need to increase rents and to improve the quality of the stock. Alternatively, the revenues might be used to make the required investment in new construction.

In this scenario, the social landlords would become active in a market in which the suppliers of owner-occupied and rented dwellings compete for the favour of the households. In such a market, the position of the social rented sector could be boosted by enlarging their scale of operation. That would offer the advantages of a wider range of supply and a more efficient management. Social (or non-profit) landlords may also improve their position by offering a range of services and assistance packages that are aimed at specific niches in the market. For instance, they might tailor their services and

care provision to meet the specific needs of the elderly. Moreover, they may be able to market their current experience in management and maintenance to provide their services under contract to private landlords and homeowners. Finally, the direct involvement of the tenants in management activities may boost the appeal of the sector. In order to develop such activities, non-profit landlords would have to become proactive, market-oriented and, above all, customer-oriented. This requires substantial leeway to develop policy. Moreover, the government should maintain or develop a form of tenure-neutral policy instead of a policy that ties certain population or income-groups to specific tenures. To achieve the situation sketched here, the non-profit sector must be in a position to accommodate middle-income groups. But at the same time, low-income groups must be offered a range of choices in the housing market. Apart from the (subsidy) instruments to enable low-income households to enter homeownership, the promotion of tenures lying somewhere between renting and owning can also serve this purpose. Apart from the co-operative housing that is so popular (among middle-income groups) in Sweden, other countries (notably Great Britain and the Netherlands) have developed alternatives that offer low-income households the means—or at least the necessary support—to enter the ranks of the homeowners. The social landlords have frequently played an important role in the development of such alternatives.

Countries such as the Netherlands, Sweden and possibly Germany and France are in a better starting position for the development of this scenario than Belgium or Great Britain. In the first set of countries, the balance between the various tenures is more even. Moreover, the concentration of low-income groups (although increasing) is not yet as strong. In the latter two countries, the social sector is very limited in size or has been under pressure for a long time.

7. Conclusions

For the time being, it is not clear which of the

three scenarios will emerge in any of the six countries under discussion. One thing is clear, though. Alternatives to the residual dual scenario do exist, which means that a convergence of the social sector in that direction does not necessarily have to occur. In the end, their economic performance and the ensuing policy reactions on the part of the government will largely determine developments in the housing markets of those countries. These developments will also exert a strong effect on the position of the social rented sector. Economic policy and social policy will weigh at least as strongly as the decisions on housing policy. The trends in employment, the growth of personal incomes and the distribution of that growth across different groups, and welfare arrangements shape the context of housing policy. Thus, these situations have a strong influence on the position of the various sectors in the housing market. For a number of west European countries, the idea of a shift in the direction of the first scenario does not seem too far-fetched. It might even be likely, given current trends in the size and shape of the social rented sector. If this scenario proves to be undesirable, action will have to be taken in a field much wider than housing alone in order to turn the tide.

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