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# THE DEVELOPMENT OF SOCIAL HOUSING in the European Union

When general interest meets Community interest

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ABSTRACT OF THE BOOK



DEXIA



# THE DEVELOPMENT OF SOCIAL HOUSING IN THE EUROPEAN UNION

## When general interest meets Community interest

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## THE ESSENTIALS OF THE BOOK

The tensions observed on the housing markets of the European cities, the uncoupling of the development of housing costs and that of the buying power of the European households have opened once again the dossier on the affordability of housing. The new launch of an affordable housing supply is a common priority of many European governments from London to Rome, from Madrid to Paris, no matter their political colour and regardless of the achieved economic and social development in the new Member States, as well as in the old ones.

### SOCIAL HOUSING: AN ANSWER TO MARKET FAILURE

Gordon Brown, for instance, has made the affordability of housing the first commitment of his mandate together with education and health, scheduling the construction of about twenty new ecological cities as a response to a major concern of the British, including the middle class. In the United Kingdom actually, 90 000 homeless families are living in temporary accommodation, and 1.7 million households are on the waiting lists for social housing. Although 223 000 new households are created each year, the construction remains steady at 160 000 dwellings, which actually results in a deficit of 63 000 dwellings per year.

In Belgium, the region of Brussels is not immune to this rule: 5 000 new social dwellings are scheduled in an emergency housing supply plan just launched by the government of the *Région Bruxelles-Capitale*. In Italy, the general framework of a new national plan for social housing was adopted on May 16<sup>th</sup>, 2007, on the occasion of a coordinating conference attended by the central government, the Italian regions and the actors concerned in view of relaunching the production of new social housing in the Italian cities.

The first visible victims of such a market deficiency are young people who are clearly excluded from any access to housing and constrained to continue living with their parents like in Spain, or to rent a substandard flat together with others in England. The protest movements of young people like the collectives *Jeudi Noir* in France and *Por una vivienda digna* in Spain denounce “real estate violence” and illustrate how severe the situation is in certain Member States. These activities of mobilisation join, outside Europe, the movement “*Not buy house*” in China calling for a boycott of real estate purchases to bring down speculation.

The European Union, and notably the Council composed of the 27 Heads of State and Government, is not at all insensitive to this situation. Thus, the Council on “Employment, social policy, health and consumers”, has made the issue of homelessness and exclusion a priority in the context of the strategy of social inclusion and social protection of the European Union. The same applies in connection with the adoption of the financial perspectives for Europe, where the Heads of State and Government of the ten new Member States formed one block to obtain from the European Council under the British presidency a resolution that the refurbishment of social housing becomes eligible for the 2007-2013 cohesion policy, a real premiere in the history of the regional policy of the EU. Finally, on May 10<sup>th</sup>, 2007, the European Parliament adopted a report on housing policy and regional policy requesting the European Commission to deepen the issue of the Community-wide housing crisis and its impact and to commit itself to adopt a “*European Declaration on Housing*”.

In the European capitals, in governmental programs, local policies, in electoral campaigns, and even at the very heart of the European institutions, namely the Council and the European Parliament, the issue of the development of social housing is openly addressed.

In its various forms in the European Union social housing is presently accommodating about 22 million households and its development at the crossroads of general interest defined by the Member States and the general interest of the European Community is again on the political agenda.

## THE DEVELOPMENT OF SOCIAL HOUSING PARADOXICALLY UNDER CONTROL

Paradoxically, in spite of this political awareness of the European Council and Parliament, Community litigation in connection with social housing is developing and legal uncertainty is progressing for the competent public authorities, the housing companies and the benefiting households. An increasing number of Member States are reporting their funding systems and their housing benefits to the European Commission in order to avoid any risk of litigation, such as the Swedish example with its new system of public funding of the building of so-called residences-services for elderly people. And they have reasons to do so! Community law is a fully valid lobbying tool for certain private developers that helps them get their domestic legislation changed, fostering deregulation of their housing market, countering their respective national legislator and constraining him in the name of Community interest, the respect of competition, etc. and their particular interests in deregulating housing markets, and giving up certain levers or certain interventions.

Thus, the achievement of the Internal Market and the extensive application of the competition law, namely of the provisions for the control of state subsidies, no longer spare the social housing sector, the form of its organisation, its funding and the conditions for its future development.

Thanks to the reporting of the funding systems for social housing implemented on the initiative of the Member States and the progression of Community litigation, the European Union is now capable of redefining the perimeter of the service of general interest of social housing and to contest certain historical perceptions of social housing in the Member States, although these are profoundly anchored in the individual social models, as, for instance, in the Netherlands.

The decisions of the Commission are based on the reference system of 1957 and the Treaty of Rome, which were not intended to apply to fields like social housing. They had been established without a previous in-depth evaluation of their actual impact on either social housing or the actual implementation of the right of housing and the requirements of social mix and diversity, for instance.

The European executive, therefore, seems not to care yet very much about the bicentenary history of social housing in Europe, about the evolutivity of the missions entrusted to it over the centuries and especially not about the diversity of the national situations and the solid local and cultural roots in the systems of social protection and redistribution of the revenues of the Member States.

## A SECTOR OF SOCIAL HOUSING WITH VARIABLE GEOMETRY

After its appearance in the second half of the 19<sup>th</sup> century with the industrial revolution, social housing developed in the majority of the European countries, often launched by private philanthropic or hygienist initiatives to improve the insalubrious housing conditions for the labour force. The public authorities rapidly took over those private initiatives and gave them a legal framework obviously derived from the cultural and social traditions of the various Member States, which generally remains the basis of public intervention in housing today.

Thus, depending on the level of intervention on the market and the extent of the missions assigned to the social housing sector, one can distinguish between three concepts of social housing in Europe:

- **a residual concept** striving to cope with a clearly outlined social demand that is restricted to the most disadvantaged persons who are generally excluded from a housing market characterized by a strong predominance of homeowner occupation and a non regulated private rental market;

TYPOLOGY OF SOCIAL HOUSING CONCEPTS IN THE 27 MEMBRE STATES		
RESIDUAL concept	GENERALIST concept	UNIVERSAL concept
<b>Social demand</b> <ul style="list-style-type: none"> <li>Disadvantaged persons</li> <li>Excluded target groups</li> </ul>	<b>Social demand</b> <ul style="list-style-type: none"> <li>Disadvantaged persons</li> <li>Excluded target groups</li> <li>Low income persons</li> </ul>	<b>Global demand</b> <ul style="list-style-type: none"> <li>Entire population</li> </ul>
<b>ESSENTIAL MISSION</b>		
<ul style="list-style-type: none"> <li>Coping with exclusion from the housing market</li> </ul>	<ul style="list-style-type: none"> <li>Coping with difficulties to access the housing market</li> </ul>	<ul style="list-style-type: none"> <li>Guaranteeing access to decent housing for everybody</li> </ul>
<b>CHARACTERISTICS OF THE HOUSING MARKET</b>		
<ul style="list-style-type: none"> <li>Strong predominance of homeowner occupation</li> <li>Weakness of a deregulated private rental market</li> </ul>	<ul style="list-style-type: none"> <li>Predominance of homeowner occupation</li> <li>Existence of a private rental sector</li> <li>Predominance of the private sector on the rental market</li> </ul>	<ul style="list-style-type: none"> <li>Weakness of homeowner occupation</li> <li>Existence of a regulated private rental sector</li> <li>Predominance of the social rental market on the rental market</li> </ul>
<b>RENT POLICY</b>		
<ul style="list-style-type: none"> <li>Economic rent or rent depending on income</li> <li>Social benefits for tenants</li> </ul>	<ul style="list-style-type: none"> <li>Fixed limited rents or rents depending on income</li> <li>Housing benefits (depending on income)</li> </ul>	<ul style="list-style-type: none"> <li>Economic rent</li> <li>Housing benefits</li> <li>Rent guarantee for the most disadvantaged tenants</li> </ul>
<b>SECURITY OF TENURE</b>		
<ul style="list-style-type: none"> <li>Unlimited tenancy agreement for rental social housing*</li> </ul>		
<b>CLASSIFICATION OF MEMBER STATES</b>		
Bulgaria Cyprus Estonia Hungary Ireland Malta Latvia Lithuania Romania United Kingdom ** → Slovakia	Austria ← Belgium Czech Republic Finland → France ← Germany Greece (owner occupation / employees) ← Italy ← Luxembourg ← Poland Portugal Slovenia Spain (owner occupation)	← Denmark Netherlands Sweden

← → Sense of recent developments

\* except the new social housing systems in some of the new Member States where the duration of tenancy agreements is very short (Estonia, Latvia, Czech Republic, Rumania, Slovakia).

\*\* in spite of an important social housing stock, as, regardless of existing tenancies or new allocations of social dwellings, the stock is actually now specialised on persons in need.

- a **generalist concept**, also targeting a social demand but to a larger extent and open to all families with limited resources. Due to the large extent of public intervention, this concept actually has an impact on the global housing supply, namely in terms of quantity and price;
- a **universal concept** intended to guarantee the housing supply for the entire population with both a complementary offer to what the market provides and the regulation of the entire housing market.

These different concepts of social housing, in connection with the cultural housing tradition from which they partially stem and public intervention, have resulted in social dwelling stocks of fairly different size. In the Netherlands, for instance, social housing represents 35 % of all dwellings and more than three quarters of the rental dwelling stock, whereas it is nearly non-existent in Greece and limited to one percent of all dwellings in Spain, two countries where homeowner occupation is dominant and constitutes the essential, and even exclusive, objective of social housing benefits.

The sharing of housing competencies between the various national public authorities also varies from one Member State to the other. But one is observing a thorough movement towards decentralisation of housing policies from the central authorities to the regional and local ones with respect to the definition of social housing, its organisation, its regulation and its funding methods.

The management modalities of social housing are also very different, ranging from direct management by council housing to the provisioning of the service by private enterprises – or even private persons – not specifically dedicated to social housing, but acting within the framework of a set of social obligations, often temporary, which confer the “social character” to the dwelling. However, the most current type of management is still the specialised enterprise<sup>1</sup> dedicated to social housing and entrusted by a public authority, no matter whether it is under public control or not.

## RETHINKING SOCIAL HOUSING IN THE EUROPEAN UNION

The exclusion of disadvantaged persons from access to decent housing is, more than ever, a burning issue in the European Union illustrated by the decisions of the Council regarding the European strategy for social inclusion. Nevertheless, the process of marginalisation is also reaching other vulnerable social groups like young people in general, poor employees, *key workers*, young families, elderly people, single-parent families, families with many children, and in certain extremely tight markets, the middle classes who are increasingly disconnected from their workplace and the city centres by real estate speculation, a phenomenon which contributes to export the inflation of real estate prices to medium-sized cities or periurban areas.

The flexibility of the labour market and, as a consequence, the weakness and discontinuity of income for an increasing number of families, do little to enable them in coping with the requirements of real estate markets given their available spending capacities. Financed with historically low interest rates over recent years and by a solvent demand, yet now increasing and with longer credit periods, the housing markets do not seem to respond to the signals of moderation emitted by the European Central Bank and the other central banks of states which do not belong to the Eurozone.

Precisely this global – economic and social – character of the postulation of housing accessibility brings the issue onto the political agenda. Given the development of the social demand to cope with, and the structural character of, the explicative factors of market failure, the question arises again in the Member States as to how the perimeter of intervention of social housing can be defined.

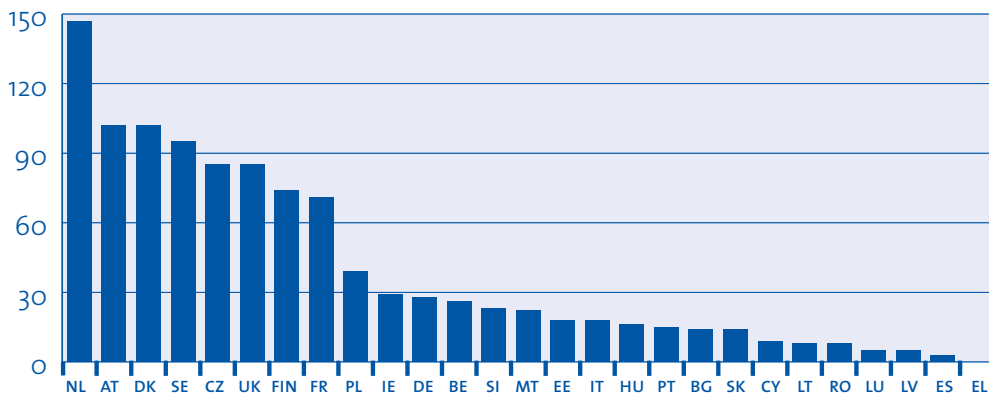
As an element of solidarity and redistribution of income, the service of general interest “housing” can neither be ossified in an unchangeable perimeter nor based on the conflict between general interest and European Community interest. The actual quality of the fulfilment of missions of general interest by the commissioned bodies will depend on its capacity to adapt to its environment and to the type of needs to be fulfilled in terms of housing.

### Abbreviations used for the Member States of the European Union:

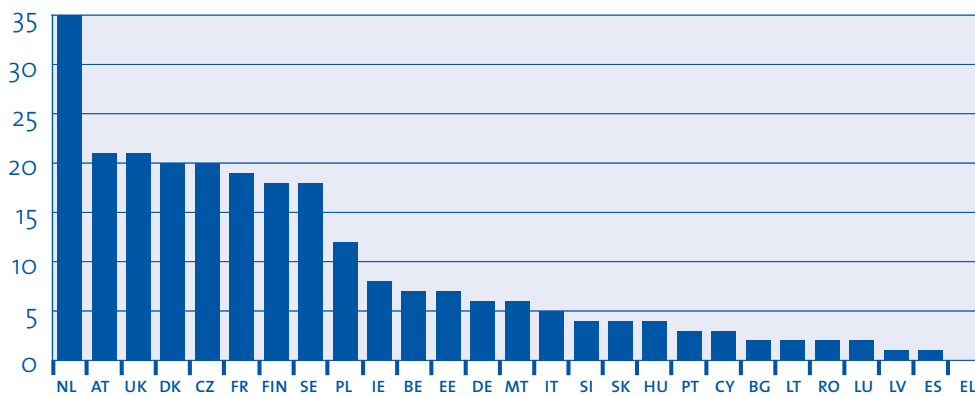
<b>AT:</b> Austria	<b>ES:</b> Spain	<b>MT:</b> Malta
<b>BE:</b> Belgium	<b>FIN:</b> Finland	<b>NL:</b> Netherlands
<b>BG:</b> Bulgaria	<b>FR:</b> France	<b>PL:</b> Poland
<b>CZ:</b> Czech Republic	<b>HU:</b> Hungary	<b>PT:</b> Portugal
<b>CY:</b> Cyprus	<b>IE:</b> Ireland	<b>RO:</b> Romania
<b>DE:</b> Germany	<b>IT:</b> Italy	<b>SE:</b> Sweden
<b>DK:</b> Denmark	<b>LT:</b> Lithuania	<b>SI:</b> Slovenia
<b>EE:</b> Estonia	<b>LU:</b> Luxembourg	<b>SK:</b> Slovakia
<b>EL:</b> Greece	<b>LV:</b> Latvia	<b>UK:</b> United Kingdom

<sup>1</sup> *organisme* in the French original (Translator’s note).

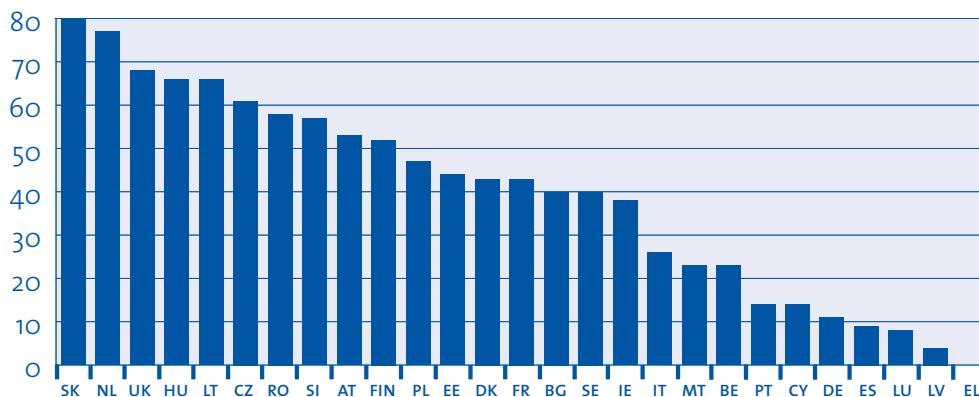
**STOCK OF SOCIAL RENTAL DWELLINGS  
PER 1 000 INHABITANTS (2000-2005)**



**STOCK OF SOCIAL RENTAL DWELLINGS  
IN % OF THE TOTAL DWELLING STOCK (2000-2005)**



**STOCK OF SOCIAL RENTAL DWELLINGS  
IN % OF THE TOTAL STOCK OF RENTAL DWELLINGS (2000-2005)**



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