

Typologies of welfare state and housing regimes – why do they differ?

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Abstract

This paper discusses the relation between typologies of welfare states and housing systems. An analysis of arguably the most prominent works in the two research fields, Esping-Andersen's 'The Three Worlds of Welfare Capitalism' and Kemeny's classification of dualist/unitary housing markets, shows the authors' similar explanations for the formation of distinct welfare states and housing systems respectively; yet, their empirical investigations lead to a diverging number of existing typologies. According to Kemeny, these different outcomes are an 'anomaly' that can be ascribed to an erroneous usage of the concept of corporatism in Esping-Andersen's work. We develop the argument that this view might be misleading, since housing could just be a very specific policy field, which can significantly differ from the conceptualization of general welfare states. This argumentation suggests the necessity of new theoretical and methodological approaches to researching the place of housing in welfare systems.

I Introduction

Following the seminal works of Gøsta Esping-Andersen (1990) in welfare state research and the one of Jim Kemeny (1995) in housing research, structure of power is the most important variable in explaining differences between diverging welfare-state regimes and housing regimes respectively. Notwithstanding their similar views on the role and importance of power resources and relations in emerging welfare states, other than Esping-Andersen and further distinguished social policy researchers, Kemeny comes to the conclusion that not, at least, three welfare regimes exist, but only two. This he infers from his two-fold typology of dualist and integrated rented housing system. The aim of this essay is to show that this view might be misleading, since Kemeny's explanations do not only neglect the latest findings in welfare state research on the topic, but they also lack a consideration of more recent developments in rented housing throughout Europe.

The essay will start with a description of Esping-Andersen's regime types and his, as well as other author's explanations of how they came into being. Similarly, Section 3 will depict Kemeny's typology of rented housing regimes and will show his arguments why they emerged and how they are linked to Esping-Andersen's welfare-state regimes. This is followed by a comparison of social housing privatization in three countries, which aims to illustrate that Kemeny's notion of integrated rental system seems to be outdated, as a process of divergence within this classification has been taking place in the last twenty years. Section 4 discusses then the validity of Kemeny's claims, while it ends with some reflections on what kind of research is needed to better understand the relation between the welfare-state (regimes) and housing (systems).

II The formation of distinct welfare-state regimes

Arguably, the most comprehensive and influential work in comparative welfare state research in the last twenty years is Gøsta Esping-Andersen's book 'The Three Worlds of Welfare Capitalism' (1990). Strongly influenced by Marshall's concept of social citizenship and Titmuss' crude classification of welfare states, Esping-Andersen establishes the concept of a welfare-state regime, which he defines as a complex system of legal, institutional, neatly intertwined arrangements of social policy. Each welfare-state regime can be distinguished by the degree of de-commodification – that is the extent to which individuals or families, irrespective their market income, can maintain a socially accepted living standard, the stratification of social policies, and the relative positions of the state, the market, and the family in the provision of social security. Based on his observations in 18 OECD countries Esping-Andersen identifies a clustering of nations around three empirically identifiable welfare-state regimes; the Nordic social-democratic regimes, the conservative regime on the European continent, and the Anglo-Saxon liberal regime.

In brief, the *liberal welfare state* is characterized as a system where the State has a relatively weak position in structuring its citizens' social and economic life. On the contrary, there is a 'disciplining whip of the market' and a strong private involvement in the supply of social security. Social benefits are means-tested and targeted at the lowest income stratum; this in turn leads to a residualization and stigmatization of benefit recipients. In contrast, the *social democratic welfare regime* is characterized by a strong role of the State in the provision of social security. The de-commodification of labour is high. Social benefits are generous and more importantly universal in kind, leading to a relatively low degree of income inequality. Although the *conservative, corporatist welfare state* has the longest history of the three regime types, going back to the late 19th century Bismarckian social policy reforms in Germany, it might be considered as a middle course between the two more polar liberal and social democratic regimes. Esping-Andersen argues that corporatist welfare states, in contrast to liberal regimes, are not

fully committed to market efficiency and commodification and, throughout history, the concept of social rights has hardly been challenged. Rather, both the State and the family play an important role in providing benefits against social malaise. Although often as generous as the social democratic regime, the conservative regime does not pursue a universal social security system, but it aims at the perpetuation of class and status differentials.

Esping-Andersen's study has been widely appreciated and has sparked a plethora of studies on typologies of welfare states. With this came also a number of studies that criticize a false clustering of certain nations – particularly Britain and the Netherlands are constantly named (see Arts & Gelissen, 2002; Scruggs & Allan, 2006). Other authors argue that more than Esping-Andersen's three regimes can be identified. For instance, Castles (1998) introduces the radical welfare state in the Antipodes, while Leibfried (1992) and Ferrera (2006) argue for the existence of a rudimentary, strongly family-based Mediterranean welfare regime. Generally, Esping-Andersen (1999) appreciates the criticism on his work, as "some provide compelling arguments for a major reconsideration" (p. 73). However, with regard to the creation of further regime types, he points out that many critics miss the distinction between welfare regimes, as the way "welfare is allocated between state, market, and households", and welfare systems, as a set of individual welfare programs. Esping-Andersen contends that when one looks at certain welfare systems, they may indeed not comply with either of the three regime types. However, this would not necessarily suggest the existence of further regimes, but they just might be variations within the 'trichotomy of welfare regimes'.

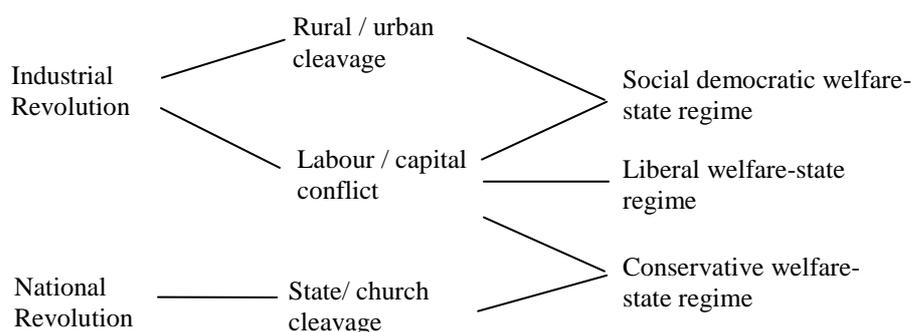
The critical point in the 'three worlds of welfare capitalism' is that Esping-Andersen provides a theoretical and explanatory foundation of how the three distinct welfare regimes came into being – which is something that the above-mentioned critics widely failed to achieve (Kemeny, 2001). In a juxtaposition of functionalist modernization theories and power theories he – as I think convincingly – argues that the former are only useful in explaining why welfare states generally exist (e.g. Flora & Alber, 1982); however, their capability to elucidate the differences between certain types of welfare states is very limited. Consequently, Esping-Andersen elaborates on the power resources approach, brought forward by authors like Korpi (1983) and Stephens (1979), which basically says that welfare state development is a functional variable of the class mobilization of socialist workers; that is the extent to which the working class seeks political influence and succeeds to do so. However, Esping-Andersen proposes that the class mobilization of the left is not a sufficient to explain the existence of different types of welfare states; an argument which seems to make sense in light of the fact that the working class and affiliated left parties almost never had an electoral majority in any industrialized country (van Kersbergen, 1995). Consequently, three major objections are brought forward against the working class mobilization thesis: First, decision-making in modern welfare states is often shifted from parliaments to directly involved neo-corporatist institutions. Second, the ability of left parties to influence welfare state outcomes is confined by the structure and unity of right parties. Third, and most importantly, welfare states obviously do not only develop under social democratic rule, but also where Catholic or Christian Democratic parties are in power. Therefore, to Esping-Andersen it is "a historical fact that welfare state construction has depended on political coalition-building. The structure of class coalitions is much more decisive than are power resources of a single class" (1990, p.30); differences in welfare state regimes are a product of the ability of left parties to form majority winning coalitions with the middle class and how those coalitions were originally structured.

However, Esping-Andersen gives more of a historical description of what happened in the formation of the early welfare state rather than an explanation of why social democratic parties in some countries were able to join forces with the middle class, whereas the working class in other countries became marginalized (Manow, 2009). A more comprehensive explanation is given in a recent paper by Iversen and Soskice (2006). In brief, they develop a model which demonstrates that liberal welfare regimes tend to develop in countries where a majoritarian electoral system, and thus a dual party political system exist (centre left and centre right parties). As the middle class only has two options - high taxation and redistribution towards the lower class under left governments; hardly any taxation, no redistribution under right governments - they tend to vote centre right, leaving poor and low-income households in a residual position. In a multi-party system, middle class parties have the alternative to form coalitions with left parties and could agree on high taxes for the upper class to redistribute their resources to both the lower and middle class.

Although their model shows why and where residual and more generous welfare-state regimes develop, Iversen and Soskice can, however, not explain the differences between conservative and social democratic regimes, most probably because they only look at levels of welfare spending rather than at how spending is organized. Therefore, Manow and van Kersbergen (Manow, 2009; Manow & van Kersbergen 2008, van Kersbergen 1995) have recently argued that if one wants to understand the differences between welfare regimes in Europe one needs to consider the, what they call, existing cleavage structures in the early formation (late 19th century) and the heyday (post World War II period) of the welfare state. They claim that all countries, including the Anglo Saxon regimes, experienced some form of labour-capital conflict. Additionally, the North of Europe also experienced rural-urban cleavage, in other words, a conflict between agrarian and industrial interests. This cleavage has led to the formation of strong agrarian parties that tended to form coalitions with social democratic parties (the so-called Scandinavian red-green coalitions), leading to the establishment of the universal social democratic welfare-state regime. On the European continent, rather than a rural-urban, a church-state cleavage developed out the formation of secularized nation states, which in turn led to the formation of parties of religious defense. Guided by their social catholic doctrine, these parties were able to gain the support of the (catholic) working class and unions. This has led to the formation of black-red party political coalitions, in which both counterparts supported the differentiated nature of the conservative welfare state. Manow concludes that "what this shows is that the Nordic and the continental welfare states were indeed [as Esping-Andersen suggested] products of two different kinds of party coalitions, and that these party coalitions themselves relate back to differences in the underlying cleavage structures" (2008, p. 110).

Of course, I have given very brief - hopefully not oversimplified - descriptions of Iversen/Soskice and Manow/van Kersbergen models. Yet, it can be concluded that there are good grounds to follow Esping-Andersen's classification of liberal, conservative, and social democratic welfare-state regimes and his idea that party coalitions and certain power relations are the driving force behind their respective formations.

Figure 1: *Cleavage structures and the formation of welfare states (Manow, 2009)*



III Welfare-state regimes and housing systems

The welfare state-housing relation

The decommodification index in the 'three worlds of welfare capitalism' was developed with reference to pension systems, as well as sickness and unemployment benefits (see Esping-Andersen, 1990, p. 50). Accordingly, housing was omitted from the study, a fact which holds true for the works of further distinguished welfare state researchers. The explanation for this non-consideration of housing is arguably to be found in the ambiguous role that housing plays within the wider welfare state. It is pointed out by housing researchers that housing – besides social security, education and health care - is one of the pillars of the welfare state; nonetheless, it differs significantly from the three other elements in that it is primarily provided by market suppliers (Fahey & Norris, 2009). To put it with Harloe housing is 'the least decommodified and most-market-determined of the conventionally accepted constituents of such states' (1995, p.2). Not only is the provision of housing mainly market-determined, but it also differs in that the costs of decommodified housing, in particular social rented housing, are to a large extent charged to consumers – i.e. the concept of cost-covering rents. Finally, it is argued that the role of the state in housing is so complex that it seems to be inherently difficult to quantify and statistically test the relation between housing and the welfare state (Fahey & Norris, 2009; Kemeny, 2001).

Nevertheless, their relation has been subject to a bulk of housing studies that tried to establish some link to Esping-Andersen's regime approach. Harloe (1995), probably the most prominent proponent of convergence theories in comparative housing research, argues that since the regime types were not constructed with empirical reference to housing markets and policies, it is not sensible to apply Esping-Andersen's fixed empirical classification to the study of housing phenomena. Indeed, many housing researchers (as well as welfare state researchers) consider Esping-Andersen's three regimes as ideal-types rather than as empirically grounded typologies (e.g. Barlow & Duncan, 1994; Kleinman, 1996), a fact which makes their observations on the welfare-state / housing system relationship less valuable.

Nonetheless, a series of studies have shown that Esping-Andersen's approach can offer a useful point of departure for the study of housing phenomena, as long as the specifics of housing are addressed and a one-to-one relation is not presupposed. For instance, Doling (1999) argues that de-commodification in housing should be seen in terms of specific arrangements for different kinds of housing tenures, e.g. rules on subsidies and allocation rules. This thought is extended by Stephens (2007), as he puts

emphasis on housing outcomes, such as the costs and quality of housing, rather than on policies and processes. Stephens claims that doing so allows for a test of the relationship between welfare regimes and housing systems in general. In his paper Stephens provides some evidence that this relationship can be called, at best, contingent. Furthermore, a smaller set of studies explores the connection between certain types of welfare regimes and their link to housing systems in specific countries. Hulse (2003) analyzes the link between liberal welfare states and the system of housing allowances in Anglo-Saxon housing policies; Kristensen (2002) delineates the connection between the social democratic regime type and the development of social housing policy in Denmark; Matznetter (2002), seeks a similar approach using social housing policies in Austria as an example of a conservative welfare state. Hoekstra's (2003) application of the welfare-state regime model to housing policies in the Netherlands can also be seen in this tradition, although he takes a broader approach, as he clearly points towards the general problems that researchers face when they apply the welfare-state regime model to housing systems.

Considering the broad focus of these studies – needless to say that they are but a small part of the vast literature on the topic – it stands out that much has been written about typologies of housing systems and their link to welfare regimes; yet there is a paucity of studies that have sought to explain the rationales for the emergence of different housing systems. In this context it can well be claimed that the work of Jim Kemeny (1981, 1995, 2001, 2005a, 2005b, 2006) is the most comprehensive exception, in that he has created a typology of housing systems, has sought to explain why they emerged, and has tried to relate this back to welfare state research.

Kemeny's dualist and unitary housing systems

At the heart of Kemeny's work is the division of (rental) housing markets dualist and unitary¹ systems (1995). In brief, dualist rental systems are characterized by two polarized rental tenures and a strong preference of housing policies for the owner-occupied sector. The private rented market is profit-oriented, is largely unregulated and provides minimal security of tenure; i.e. it exclusively works along market principles. In order to avoid competition between social renting and private housing (both renting and owner-occupation), the social sector is constructed as a cost renting system where housing is provided in the form of a publicly controlled, strongly regulated command economy. As a result, social housing functions exclusively as a safety-net for the poor. In reality, dualist rental systems can primarily be found in Anglo-Saxon countries. On the other hand, in an integrated rental system non-profit landlords compete with for-profit firms on the open market; an idea that stems from the concept of a social market economy as developed in Germany in the 1930s. Kemeny argues that the integration into the open market of non-profit firms takes place through their financial maturation (i.e. rents necessary to cover costs will fall over time) and the phasing out of subsidies through governments. The main assumption is that the integration leads to competition between all sorts of landlords having a dampening effect on market rent levels. On the one hand, this makes rental markets more robust to external shocks, and helps to raise the quality standard of all dwellings. On the other hand, low price levels in the rental sector make it a more competitive alternative to the owner-occupied sector. In political practice, this development is sustained by tenure neutral housing policies. Germany, the

¹ In his later work Kemeny et al. (2005) use the term integrated rental market. Although unitary and integrated systems are not identical, but the latter should be seen as a theoretical extrapolation of unitary markets, for the reasons of simplification I will neglect the differences and use the terms interchangeably.

Netherlands and the Scandinavian countries (with Norway as the exception) are classified as integrated systems (Kemeny, 1995; 2006).

Besides analyzing the functionality of these two opposing housing systems, Kemeny notes that a "second and equally vital issue is why these differences have emerged" (1995, p. 63). Crucial in Kemeny's thinking is the notion that housing is highly embedded in social structure and the key variable in structuring society in general and welfare states in particular (1981, 1992). His main argument is that a dominant position of a certain tenure form has important implications for the wider welfare state. Where home ownership dominates, wealth is redistributed over the lifecycle from the young to the old. Kemeny's thesis is that under those conditions younger households, which are already burdened by high mortgage payments, object high taxes that are necessary to fund extensive welfare state provision. This more material effect of home-ownership is tied with a prevailing ideology of privatism and individualism in those countries. In contrast, in societies where renting dominates housing costs are almost equally distributed over the lifecycle and. He claims that those renting societies are primarily grounded in more collectivist societies. As a result, the former will develop a more residual welfare state in which social renting is used as a tenure for low-income households only, while in the latter extensive welfare states can develop. With regard to the question of why a dominant form of tenure develops in a certain nation, Kemeny's explanations ground in a similar theoretical foundation as those of Esping-Andersen. Accordingly, he argues that the explanation for diverging rental market outcomes must be sought in varying power structures and political organizations. As a result of this similar approach, it is indeed easy to draw a line between the liberal welfare-state regime and the dualist housing systems that is dominated by home ownership and characterized by a residual social rented sector. Indeed, dual rental systems and liberal welfare regimes both are primarily found in the Anglo-Saxon world. However, the question then is: If housing is strongly embedded in a society's social structure, why are there not two further housing systems that match the social democratic and conservative-corporatist welfare-state regimes, but only the integrated housing system, which, according to Kemeny, incorporates the two regimes?

Kemeny claims that this 'gap' can be ascribed to Esping-Andersen's errant usage of the concept of corporatism in his formulation of the three distinct welfare-state regimes. Kemeny suggests that corporatism in Esping-Andersen (1990) is solely induced from his empirical investigation, rather than also being linked to the concepts of corporatism that exist in the political science literature. As a result, corporatism in Esping-Andersen's work is an utterly conservative concept, not to be found in social democratic regimes (Kemeny, 1995). Kemeny strongly opposes this view, since studies in political science identify the Nordic social democratic countries as among the most corporatist states overall (see Lijphart & Crepaz, 1991). Therefore, he applies a concept of corporatism that is closer to the more neutral political science literature definition, in which it "might best be understood as a system of institutionalized political representation of different interest groups that is essentially founded on compromise and accommodation between conflicting power groupings – whether these be based on class, religion or ethnicity" (Kemeny, 1995, pp. 65-66). Defining corporatism like that, Kemeny claims that not only can both the social democratic and the conservative welfare-state regime be incorporated into the integrated rental system, but the entire distinction between conservative corporatist welfare regimes and social democratic regimes becomes questionable. In other words, Kemeny suggests that only two welfare-state regimes might exist, namely corporatist and non-corporatist regimes (Kemeny, 2001, p. 62).

However, he proposes a sub-division of the corporatist group, which considers the relative power positions of the State, as well as capital- and labour-oriented interest groupings. Those countries where the influence of the labour movement has been strong throughout history might be categorized as labour-led corporatist regimes. Kemeny sees this form of corporatism as an equivalent to Esping-Andersen’s social democratic regime; nonetheless, it is not categorized as a distinct welfare-state regime because, still, corporatism is its defining element. Analogous to labour-led corporatism, where capital has a relative strong position and workers’ interests are inferior, a capital-led corporatism can be identified. As a third corporatist model, power-balanced corporatism may be found in those regimes where capital and labour’s power positions are on an equal footing.

Table 1: *System of power and rented housing systems (Kemeny, 2006)*

Power structure	Rented Housing Systems	Country examples
Right-wing hegemony	Dualist rental systems	Anglo-Saxon countries
Capital-led corporatism	Non-profit influenced integrated rental market	Germany, Austria, Switzerland
Power-balanced corporatism	Non-profit led integrated rental market	Denmark, Sweden, The Netherlands?
Labour-led corporatism	Non-profit dominated integrated rental market	-

In a succeeding step Kemeny (2006) tries to link particular forms of integrated rental regimes to the more nuanced corporatist structures (see Table 1). It is hypothesized that the more powerful the position of capital classes, the smaller the non-profit sector and the less its impact on rental housing outcomes. Germany and Austria are given as examples for this relation. Furthermore, Kemeny claims that if the relative positions of capital-influenced and labour-influenced organizations are almost in balance, non-profit and for-profit firms should have an equal share of the market, while non-profit landlords would have a leading role in rent and quality setting. Denmark and Sweden are quoted as examples. Finally, in those countries where labour-led corporatism prevails, the rental market is very much dominated by non-profit firms, whose standards are followed by the relatively low number of for-profit firms. Here, Kemeny concedes that no example can be found in reality. The Netherlands as the only example where a non-profit dominated rental market can be found is clearly not a labour-led corporatist welfare state.

How to make sense of the Kemeny’s link between different forms of corporatism and certain forms of integrated housing systems in light of the drivers of diverging welfare-state regimes? Firstly, it can be noted that Kemeny’s ideas of corporatist and non-corporatist welfare state regimes are very much in line with the explanations for the existence of residual welfare-state regimes on the one hand and more generous welfare regimes on the other hand. Corporatist structures in policy making, reflecting the compromises but also struggles between different political parties and affiliated interest groups, can clearly be linked to the existence of a multi-party political system. However, other than Esping-Andersen and further welfare state researchers, Kemeny’s contention is that differences between the rental markets in corporatist countries are variations within the integrated rental system typology, rather than different systems as such. With his concept of embeddedness in mind he concludes that the social democratic and conservative welfare-states are only variations of the same regime type, namely the corporatist welfare regime. In the following I will express two problems with this view.

First, this view lacks the consideration of more recent developments in housing policies and housing markets. To show this, social housing privatization processes in three countries will be compared. In a second step, coming back to the main question of this essay, I will discuss the implications of those developments for the welfare-state regime / housing system relationship.

IV Diverging integrated rental markets? – A descriptive cross-country comparison

In recent years, governments in many European countries have sought to implement more market orientated housing policies. In this context, the privatization of social housing has played a key role within this process. Privatization policies in rented housing can be seen as an equivalent to the retrenchment of the state in other social policy fields. With regard to the latter, Pierson (2001) notes that although retrenchment policies are based on different principles than the social policies that were pursued in the emerging and maturing welfare states – therefore his term ‘the new politics of the welfare state’ –, it can be helpful to analyze welfare state retrenchment in light of the differences between different welfare state classifications; i.e. welfare-state regimes. From this I deduce that social housing privatization strategies in the last three decades strongly reflect the causes for the formation of a certain rental housing system. In other words, in this essay social housing privatization is used as a proxy for the existing power relations in emerging rental systems, since there is a high degree of path-dependency involved (see also Bengtsson et al., 2006). It will be shown that the privatization strategies of governments have differed significantly across integrated rental systems in Europe. Those differences will be exemplified through a comparison of the privatization processes in Germany, Sweden, and the Netherlands. The countries were selected on the basis of their welfare regimes and variations of integrated rental systems: Germany as an example of a conservative welfare state with a non-profit influenced rental market; Sweden as the best example of a social democratic welfare-state regime with a non-profit led rental market; the Netherlands as a welfare state that is difficult to classify as a certain regime type (Esping-Andersen, 1990; Arts & Gelissen, 2002) with the most distinctive non-profit housing sector of any Western European country.

However, several caveats should be kept in mind. First, this essay cannot achieve a full-fledged examination of the topic, thus the following statements will not claim generality. I will just discuss some characteristics of social housing privatization and how this might be interpreted in the light of corporatism, power structures, renting systems, and welfare regimes. This also means that the development of owner-occupation cannot be considered². Arguably, this weakens the validity of my statements on the housing / welfare state relation. Second, I will primarily focus on the power of interest groups and neo-corporatist institutions, such as non-profit landlords, for-profit landlords, and

² Most recently, scholars like Malpass (2008), Doling and Ronald (Doling & Ronald, 2010; Ronald, 2008) have tried to disentangle how current developments in housing, most importantly the move towards higher owner-occupation rates in many countries and the simultaneous decline of social housing, are related to the driving forces of the ‘new welfare state’ (see Pierson, 2001). They point out that where welfare states have come under pressure through external forces (e.g. ageing societies, sluggish economic growth, changing family structures, post-industrial labour markets, globalization pressures), housing, in particular home-ownership, might be used by governments as a ‘lever of change’, since they could offset an individual households’ housing wealth against pension entitlements, in order to consolidate state pension funds. Here, the term asset-based welfare has frequently been used.

tenants' associations, rather than on the role of political parties in rented housing systems.

Social housing privatization and power structures in Germany's integrated rental market

It seems that rented housing policy in Germany³ has been different from those in other Western European countries ever since. Indeed, social housing is a concept that is incomparable with its meaning in other countries and the standard division of non-profit landlords as social housing providers and for-profit landlords as private renting providers almost never applied (Stephens, et al., 2008). Already in the 1970s, a period where social housing in other European countries was widely dominated by public housing companies, the intervention of the State and local governments into the housing market decreased. Social housing was opened to private landlords, as they were able to apply for subsidies (generous grants or tax exemptions) in the construction of social housing dwellings that, beforehand, were only accessible to co-operatives and municipal companies. This can be read as a major step into the direction of a social market economy in rented housing (Busch-Geertsema, 2004).

Nonetheless, until 1990, the two main non-profit landlord groups, municipal companies and co-operatives, could be easily distinguished from private for-profit landlords, since they benefited from a special tax status and were restricted in their business activities. With the abolishment of the non-profit housing act (*Wohngemeinnützigkeitsgesetz*) in 1990, their special tax status ceased. Thus, an official differentiation between the non-profit and for-profit sector has become impossible, since all sorts of rented housing providers are bound to the same legal framework nowadays (Droste & Knorr-Siedow, 2007). As a result, the common division in Germany's rented housing sector is neither between social and private renting, nor between non-profit and for-profit rented housing, but between the subsidized and unsubsidized rental sector. Currently, these subsidies are not only paid for the construction of rented housing dwellings with temporary – at least 12 years – below-market rents, but they are also used for the acquisition of allocation rights in existing dwellings (Haffner, et al., 2009).

However, the legal equalization of different landlord types was only one, but major part towards a stronger movement to market principles in the provision of social housing. Furthermore, the time-limits for social obligations have been reduced (down from more than 20 to about 12 years); rents in the subsidized (social) sector have been gradually increased; and the bricks-and-mortar subsidies in the construction of rented housing were significantly diminished, which is reflected in the widely decreasing share of subsidized renting in the overall provision of housing – from 15 percent to 7 percent between 1982 and 2002. However, this process of def financing can be seen in the context of the general privatization movement across Europe. A new and unmatched development is the sale of municipal housing companies to private equity investors in various German municipalities, whereby about 1.8 million municipal dwellings were sold between 1999 and 2007 (Droste & Knorr-Siedow, 2007). On a federal governmental level, these sales were accompanied by a radical change in the nation's housing policy, when the new Federal Housing Act (*Wohnraumförderungsgesetz*) was introduced in 2002. With this law the German State explicitly gave up its aim to provide state-subsidized rented housing for a broad stratum of households, abandoning the remaining universal traits of the post-war housing policies and leading to a more targeted social housing sector.

³ Germany equals West Germany until the reunification in 1990.

In terms of power relations one can only conclude that in a path-dependent process of privatization, capital-oriented interest groups have gradually gained a more dominant position in Germany's rental housing market. As described, not only have for-profit groups successively increased their share in the market, but non-profit housing companies had to become more commercialized, leading to a higher exposure to capital interests. With the sales of municipal housing companies, non-profit goals have further diminished, which has arguably led to a weakened position of tenants (and its main interest group, the German Tenant's Association). Accordingly, Kemeny seems to underestimate the relative power of capital-oriented groups in Germany's rental housing system. The process of privatization which has begun in the 1970s has led to an ever stronger position of for-profit landlords and has led to an unparalleled orientation towards market principles in Germany's rented sector.

Social housing privatization and power structures in Sweden's integrated rental market

Similar to the German and the Dutch (see below) case, the share of the Swedish non-profit rental sector in the overall provision of housing was dramatically expanded through extensive object subsidies paid out by the central government after World War II. In this process the social democratic government saw the municipal housing companies (MHC) as the most important mean to provide decent and affordable housing for all types of households (Bengtsson, 2006). Consequently, planning, construction, and management of almost all non-profit renting was put in the hands of local authorities; however, an organization model was chosen that made MHCs as independent as possible from municipal budgets. At their peak in the early 1990s, MHCs owned more than 20 percent of the overall housing stock, which was comparable to the share of private for-profit renting at that time (Turner, 2007). Besides the strong position of the MHC and its umbrella organization SABO, the second important neo-corporatist institution in Sweden's rental housing market is the National Tenant's Union (HGR). Other than in most European countries, tenants and their interests groups get a far more explicit role in the implementation of housing policies, which is especially manifested in the country's rent setting regime⁴. Considering that the interests of the SABO and the HGR are clearly affiliated with the Social Democrat's views and policies on the role and aims of the non-profit sector (Lundquist, 1988; Bengtsson, 2006), it can be concluded the power structures in Sweden's rental market clearly lean towards labour forces rather than capital interests.

However, two more recent developments in housing policy have allegedly weakened the position of municipal housing companies. First, in 1991, the centre-right government decided to phase out the subsidies paid to MHCs in the construction of new social housing. This defunding process was caused by the high costs of housing policies and its consequences for the State's budget, but also due to more market-ideological reasoning of the conservative government (Bengtsson, 2006). As a consequence of this new policy, MHCs have to finance new constructions with their own resources, where loans – though often backed by municipal authorities – are taken out on the open credit market. Hence, similar to the German case, public non-profit housing companies in Sweden had to adopt more business- and market-oriented policies in the delivery of housing services, with the effect of strongly rising rents and a lower building output (Turner & Whitehead, 2002). Second, several municipalities introduced a distinct type of

⁴ Public sector rents, including both initial rents and rent increases, in a municipality are set in a system of collective rent negotiations between municipal housing companies and the local tenants' union. Most interestingly, the negotiated public rents constitute an upper limit for private rented dwellings of a similar quality standard – this is called the equal utility value system (SABO, 2008)

a Right to Buy scheme for tenants of MHC, through which rented units are transferred to the tenant-owner sector. Kemeny, et al. (2005) point out that this form of privatization policy can be ascribed to the election of centre-right local governments; where left parties lead local government coalitions, the introduction of such a scheme is far less likely. Nonetheless, although privatization (mainly definancing) processes can be observed in the Swedish' housing policy, mainly due to the powerful positions of the tenants' union HRG, the corporatist system with a strong influence of left interest groups prevails.

Social housing privatization and power structures in the Netherland's integrated rental market

Regarding the share of the non-profit housing associations (HA) in the Netherlands, which is currently at about 32 percent of the overall stock, it can be argued that they have a very dominant position not only in the Dutch rental market, but also in the overall housing market. In a historical perspective, HAs were initially created as voluntary non profit-organizations with a Catholic, Protestant or other charitable background. They were first legitimized by the Rent Act in 1901 (Elsinga & Wassenberg, 2007). However, it took until after the Second World War that they gained a powerful position in the Dutch rental market. Alongside municipal housing companies, which were more focused on providing housing for the poorest households, HAs were the means of the expansion of social housing in the Netherlands until the late 1980s. Similar to other Western European countries, this expansion was spurred by extensive bricks-and-mortar subsidies, subsidies for maintenance investments and loan guarantees through the central government (Stephens, et al. 2008).

With the introduction of the Housing White Paper 'Nota Heerma' in 1989, the structure of the social housing sector was changed significantly. Facing overburdened housing budgets, the governing Christian Democrats proposed a deregulation of the entire housing market, inter alia, through the transfer of the municipal housing stock to HAs, as well as the association's financial independence from the State. Some left politicians argued that municipal housing companies should be kept running; however, centre-right parties were able to achieve the complete retreat of local authorities in the direct provision of social housing, either through the transfer of the municipal stock to newly created housing associations, or through transfers to an existing one (Haffner, et al., 2009). This privatization process was accompanied by the growing financial independence of HAs, enacted through the dwelling-linked subsidies order (BWS) and the 'grossing and balancing operation' (*bruterling*) in 1995 (Elsinga, et al, 2008).

However, with the increased financial independence of housing associations, more responsibilities for the housing associations have emerged. The Social Housing Management Order (BBSH), introduced in 1993, determines that the association's primary task is the provision of affordable and decent housing for those who are unable to obtain a dwelling at market prices. Furthermore, the BBSH stipulates that tenants should participate in decision making processes of the HAs. Finally, it clarifies that local governments have an explicit role in the supervision of associations and take part in the decision making processes through annual agreements between the two parties about the construction and maintenance of dwellings (*ibid*, 2008).

It is relatively difficult to identify power structures and corporatist traits in the privatization process and the current rental system. Hoekstra (2003), points put that in the 1990s social democratic traits, in which the central State had a direct influence on the policies of the housing associations, were eliminated in favor of a more indirect type of state governance. "The State now largely confines itself to creating the conditions and

formulating the policy frameworks within which local government authorities and private actors operate” (2003, p. 65). What is clear is that the housing policy in the 1990s has brought the housing associations into a very powerful position. They tend to be financially strong; in some bigger cities they are completely dominating the local rental market with regard to their housing stock; and they have a crucial role in urban renewal developments. Nonetheless, the role of the central state and local authorities, and thus the degree of independence of the housing associations is not fully clarified. Generally, the role of the central state has become more indirect; yet compared to Germany and Sweden it is still strong, as the major part of social housing supervision falls under its responsibility. Furthermore, the role of the for-profit rental sector has almost been left untouched, while the power position of tenants’ organizations has been, allegedly, strengthened through the BBSH (Stephens, et al., 2008) - however, they can still not exert the same influence on rental housing market outcomes as tenants’ unions in Sweden. To conclude, although the rental market is more than ever dominated by non-profit housing associations it is not possible to give a clear estimation of whether capital or labour interests are stronger in the Netherland’s integrated rental system. The main reason is the ambiguous position of the housing associations and how they developed towards the most important institution on the rental market in the last years. When one looks at those associations a struggle between the common polar opposites can be observed: efficiency and equity, growth and redistribution, competitiveness and solidarity. For this - although in another context - Rhodes (2001) has coined the term ‘competitive corporatism’, which - as I think - is a good description of the current rental system.

Table 2: *Corporatist traits and power positions in Germany, Sweden and the Netherlands*

	Germany	Sweden	NL
Privatization	Definancing, deregulation, sale of MHC to equity funds	Definancing, minor sale of MHC stock to sitting tenants	Definancing, deregulation, transfer of MHC to HAs
Corporatist structures after privatization	Capital-oriented groups have become stronger	Strong influence of labour-oriented interest groups (particularly tenants’ union)	Powerful housing associations; role of the State indirect but also unclear; competitive corporatism
Type of integrated rental market	Almost solely profit-oriented rental market	Non-profit led/dominated	Non-profit dominated

V Discussion

The succinct description of privatization processes in Germany, Sweden and the Netherlands demonstrates that although Kemeny’s view of different corporatist structures along the labour-capital scale can be found within the integrated rental system holds, he seems to underestimate the extent of the differences between them. My contention is that if they were not apparent in the post World War II period - i.e. when those systems started to develop - a process of divergence within the integrated rental market classification has become obvious with the implementation of differing privatization strategies. However, it was pointed out that the current corporatist power structures are highly influenced by developments in the early formation of rental regimes. This was best shown by the path dependent process of strengthening profit-oriented landlords in the German housing market; the continuous development of housing associations in the

Netherlands towards their position as the major actors in the Dutch rented market, in which they face a struggle between capital and public interest oriented business policies; and the perpetuation of the political power of labour-oriented interest groups in Sweden. In other words, by looking at privatization processes in the three countries I have pointed out that the functionality of their rental housing systems, as expressed in different institutional arrangements and different power positions of the same types of actors (landlords, public authorities, tenants), can be very divergent. Therefore, Kemeny's distinction of capital-led, power-balanced, and labour-led corporatist structures seems to be an understatement, requiring a more decided classification. Of course, this essay does not claim that the two-fold classification should be replaced by a classification that directly relates to the three worlds of welfare capitalism of Esping-Andersen. For one thing, the country analyses are by far not deep enough and, *for sure*, a thorough empirical investigation would be necessary to make more suggestive statements. Second, this would be the same fallacy that other authors fell for, when they tried to establish a direct link between the wider welfare state and housing systems. Hence, I am just claiming that the realities of rental housing markets, the power of actors, and the outcomes on the market might be a bit too complex to be reflected by the two-fold dualist / integrated market typology.

This directly links to a certainly more profound flaw in Kemeny's argumentation, and goes back to the central question of the essay. Since both social democratic and conservative welfare regimes are based on corporatist structures in policy making processes, Kemeny infers from this shared background that the general distinction between the two welfare-state regimes becomes redundant, or at least questionable. This view is, to say the least, misleading. On the one hand, Section 2 showed that the most important aspect of the emergence of different welfare regimes are the relative power positions of certain class (and religious) movements and the ability of their affiliated political parties to form majority winning coalitions. Here, more recent welfare state research has demonstrated that besides the widely noticed labour-capital conflict further cleavage structures played a role in the formation and development of welfare-state regimes. The Nordic and continental European countries experienced very different historical cleavages, leading to very different outcomes. In this sense, when claiming that there are only two welfare-state regimes, corporatist and non-corporatist, Kemeny does not give enough attention to the groups and political that played a decisive role in the creation of those regimes. In other words, it might be the case that corporatism as a policy making process is grounded in both regime types; yet, even more important is the question which classes and affiliated political parties have been able to define the structure of the welfare state.

A further problem with Kemeny's argumentation is that he derives his two-fold welfare-state regime typology solely from his observations in housing. Even if housing is as embedded in the social structure and welfare state as Kemeny claims, it is not meaningful to empirically and theoretically ignore the three main pillars of the welfare state, social security, health, and education. Against the background that housing policies, in contrast to other social policies, are best to be understood as state correctives to the market (Bengtsson, 2006), it seems very problematic to deduce whole welfare state typologies solely from observations in housing systems.

The case for further research

The work of Jim Kemeny has been the basis for many studies that tried to unfold the complex relationship between housing systems and the welfare state. His research can, arguably, be seen as the most comprehensive and deepest contribution in this field.

Taking into account that he tried to analyze manifold issues, it seems quite natural that his work faces some limitations and that some conclusions might fall short of explaining all relevant aspects. Therefore, we fully agree with Kemeny's own view that much more research needs to be done in the field.

First, the connection between housing and other elements of the welfare state needs to be examined in more detail. Kemeny claims that housing is embedded in the wider welfare state. But how exactly the relationship functions, is in most cases open for debate. For instance, the current discussion on housing asset-based welfare and its relation to pension schemes is a good starting point in this sense. Second, if we want to achieve a full understanding of how power structures can lead to a certain housing system, meticulous historical analyses on how housing systems evolved in individual countries are necessary. Third, if we want to be able to come up with typologies of welfare-state regimes that comprise all relevant social policy fields, including housing, new approaches have to be found. Neither is it meaningful to derive welfare typologies from housing systems, as implicitly done by Kemeny; nor is it suggestive to directly derive housing system typologies from the general welfare state research. One possible approach would be the creation of a de-commodification index as done by Esping-Andersen (1990) and Scruggs and Allan (2006) that incorporates housing de-commodification in the empirical analysis. Of course, housing de-commodification would then have to be clearly defined in order to make it applicable in the whole framework, as it still holds true that (rented) housing is different from other elements of the welfare state.

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