

## Research Note

### HOUSING SYSTEMS IN EUROPE—A RESEARCH PROJECT

#### *Introduction*

There is growing interest in what is happening in other EC states, partly as a result of impending economic integration in 1992. It is important to know what the competitive situation will be within and between countries in the near future. Only then governments and private institutions can adequately prepare for the possible consequences of the harmonization of regulations and policy in time.

There has therefore been a growing awareness of the fact that a study of housing systems abroad can, firstly, have an innovating effect on domestic policy making. Secondly, a familiarity with the functioning of housing systems in other countries may serve to highlight particular features, and faults, of the system in the home country. These two observations constitute the background for a comparative investigation of the housing systems and their effects in seven European countries: the Netherlands, Belgium, the Federal Republic of Germany (FRG), Denmark, England, France and Sweden.

There has already been a good deal of research into the functioning of different housing systems. These efforts have been characterized by different methods of approach. In a special edition on comparative housing research of Scandinavian Housing and Planning Research some important approaches are discussed. Attention is given on the conversion theories (Schmidt, 1989), a structure of housing provision (Ball and Harloe, 1990), a policy orientated approach (Lundqvist, 1991) and the housing provision chain as a comparative analytical framework (Ambrose, 1991). Given the sometimes extremely vehement polemics that are exchanged between the adherents to these different approaches, both in the literature and at conferences, it would seem at first sight that the differences between these approaches are unbridgeable. In practice though these differences are less significant than might at first be supposed. Further, in recent publications these authors have recognized that each of the methods advocated contains valuable features that sometimes complement each other (Lundqvist, 1991; Oxley, 1990). In addition, these different approaches do not pretend to em-

ploy a universal explanatory model. They suggest methods and techniques which seem to them best able to provide insight into housing market processes. For an explanation of these developments one usually has to revert to more general explanations, such as those offered by neo-classical, Weberian and neo-Marxist explanatory models.

The analytical techniques employed are largely determined by the ultimate objectives of the project. Oxley (1990: 9) notes in this context that different social-scientific approaches can be used alongside each other, without the one precluding the other. Much depends on the aims of the research.

Our research project has been worked out in the context of the different approaches to comparative housing research. Firstly the aim of the project is to deepen and increase our knowledge of the functioning of housing systems in seven West-European countries. We focus the research project on the housing system in a broad context in order to understand the system better or to develop ways of making the system work better.

Based on the above, we decided to split the project into a number of smaller-scale studies that would be carried out as separate research projects. This approach also reflects the dominant themes associated with the different approaches to comparative housing research:

- a. general framework of policy in each country (economic, demographic, administrative and legal aspects, general housing policy and the organization of the housing market);
- b. financial instruments in housing policy;
- c. housing costs;
- d. tax system and owner-occupation;
- e. housing needs;
- f. housing management;
- g. housing quality;
- h. land-use policy;
- i. other EC-countries;
- j. establishment of an information system/Euro-housing data bank.

Module *a* provide the basis for the thematic studies *b* to *i*. There is, of course, a degree of

interaction between these thematic studies. In discussing housing costs, for example, a link also has to be made with module *b*, which looks at the financial instruments that form part of housing policy, and vice versa. This is also the case with a number of the other themes. At the end of the project an analysis of the similarities and differences between housing systems in the different countries can be made and, on the basis of the knowledge gained, an explanation based on general explanations offered for these features. For this important part of the project a separate module has been worked out. This project starts in the summer of 1992 and will be finished in 1996.

In the next part of this short note some results from the first module (general housing policy) are presented. At first the housing policy between 1970 and 1990 in the seven countries is examined. In the following section we give an account of some of the most important challenges facing housing policy in Europe during the 1990s.

#### ***Housing policy between 1970 and 1990: policy goals***

As a number of authors (for instance McGuire, 1981) in the past have noted, one can distinguish a number of stages in housing policy in countries since World War II. As a general guide, four stages may be distinguished in which stage a particular country is depends to a great extent on a number of external factors, the perception of the role and tasks of government in general, and of the housing targets and objectives of the government in particular. On the basis of these factors and the responses by governments, the following four stages in the development of housing policy can be distinguished.

During the first stage, after the end of World War II, there was a considerable degree of government involvement in housing. Government policies were oriented primarily towards the realization of a large-scale housing construction programme in order to alleviate the housing shortages caused by the war.

In the second stage housing policy was more concerned with the quality of housing. The new houses being constructed were more spacious, had more rooms, and the level of amenities provided was higher. Furthermore, this stage was also in many countries characterized by the switch from new construction to the improvement and maintenance of the existing housing stock. The quality of the housing stock was improved by slum clearance

or by renovating poor-quality dwellings. In the transition from the second to the third stage market influences play an increasing role. Often the concept that each household ought to be accommodated according to its needs is steadily abandoned, and housing provision increasingly depends on effective demand.

In the third stage much attention is given to the problems of distribution. Because of the decline in public expenditure, the suitability and effectiveness of the various instruments which form part of a government's housing policy are subject to critical considerations. As a result of the reduction in overall subsidies, like general supply subsidies for new construction, and the extension of demand subsidies, the position of less well-off groups in particular is given greater emphasis in housing policy. In this third stage one finds, in general, a decrease in the level of new housing construction.

Further, in a number of countries one can discern a fourth stage, characterized by housing shortages. These relate both to an absolute shortage and a shortage of affordable housing for the less well-off. A number of countries (FRG and France) have tried to ameliorate this shortage by increasing the financial role of the government and by passing legislative measures; in other countries (England for instance) the role of the government has not changed much and an appeal has been done on the private sector (without any real success as yet). It is possible that a country experiences more than one stage concurrently, since they are determined by different external factors.

#### ***Housing policies in the 1990s: dilemmas and solutions***

An important conclusion from our study is that the combination of different policy principles within each country and considerations partly exogenous and partly indigenous to housing, which have been influenced by changing conditions within each country over time, have led to a housing market that is unique within each country, a housing market with its own traditions and institutional structure. The consequence is that despite fairly similar policy objectives (such as the promotion of the owner-occupied sector), changing external factors—like alterations in the pattern of migration or economic conditions (interest rates, inflation, pressure on public expenditure)—can have a completely different impact on the functioning of the housing market. Without wanting to present an exhaustive list, it will be useful to

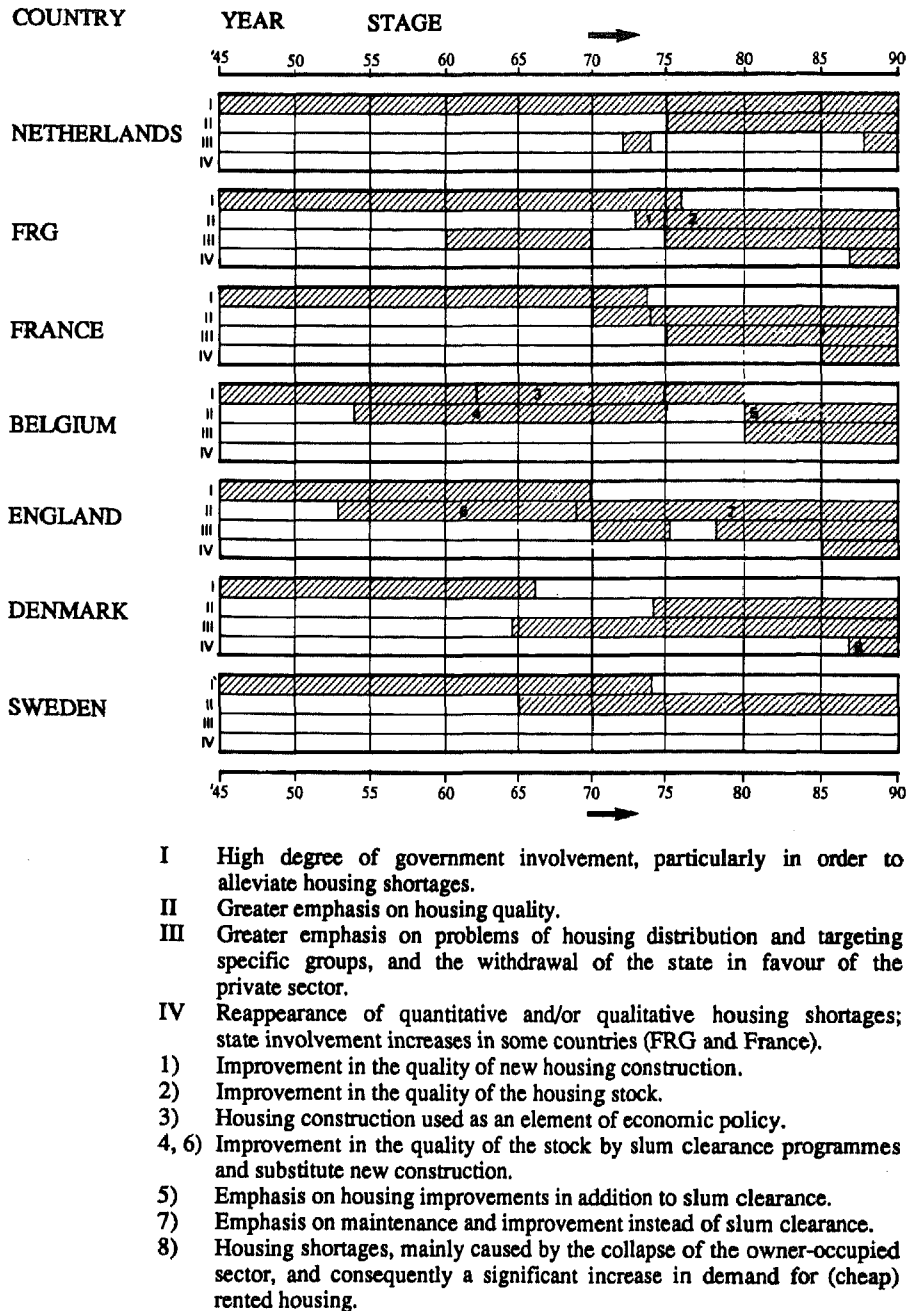


Fig. 1. Schematic outline of the general development of housing policy during the period 1945-90.

describe a few of the differences and similarities in the problems facing housing in the 1990s.

As indicated in Fig. 1 during the fourth stage in the development of the housing market, and after a period of equilibrium in the demand for and sup-

ply of housing, a quantitative or qualitative housing shortage had arisen in several countries by the end of the 1980s. Thus in the FRG, and to a lesser extent in France, there is a clear excess demand for housing. The shortage in the FRG may increase

further in the near future on account of the growing numbers of immigrants. In France, in addition to a housing shortage there is, moreover, a serious problem concerning the affordability of rented housing. Rents in the private sector (which accounts for one quarter of the total housing stock) have increased markedly in recent years because of the relaxation of rent controls, and even for those middle-income groups they have become almost unaffordable, while much rented housing in the non-profit rented sector is beyond the reach of low-income earners. In other countries, like Denmark for instance, there has also been a sharp increase in demand for cheap rented housing. This is partly the result of the rising costs of owner-occupation, and partly of the measures taken by the government in 1986 and 1987 which have made access to the owner-occupied sector increasingly difficult for many households. The result of this is an increase in the number of vacant properties in the owner-occupied sector, and a distinct lengthening in waiting lists for non-profit rented housing.

Another remarkable phenomenon in many of the countries in this study is the strong variation in demand for housing, both at the regional and the local level. The greatest differences can be noticed in England, where there is an excess supply of housing in the North and a crippling shortage in the South-east. Apart from regional differences in the demand for housing, there has also been a growing divergence between the metropolis and the rest of the country. In cities like Paris, London and Munich, prices have increased more rapidly and housing shortages are more severe than in other parts of the country.

In smaller countries, too, regional differences are increasingly evident, though they are less important than in France, England and the FRG. To solve these regional housing shortages it is no longer sufficient to resort to national-level policies, as was done during the 1950s and 1960s, but to implement specific local solutions. Because of the considerable costs involved, the decentralization of authority necessary to do this often (despite many promises) involves an uphill struggle.

Because of the decline in the house purchase market and because of the strong regional variations that exist in the countries included in this study, it is possible that there are vacancies in some parts of the housing stock (in particular in badly situated post-war high-rise blocks), whereas in other parts of the housing market there are growing shortages. During the first half of the 1980s all

countries were faced with decaying and vacant properties in parts of the post-war housing stock. England and France particularly were and still are the hardest hit in this respect. The problem of vacancies decreased in other countries as a result of an increasing shortage of housing in the second half of the 1980s. In addition to demolition (which is mainly relevant in the case of England), one solution for most countries is to take a comprehensive approach in which, in addition to the dwelling itself, the residential environment, the level of amenities provided, education and social problems are tackled (this approach is particularly evident in France and increasingly too in the Netherlands).

Without really abandoning the policy objectives of preceding periods (which aimed at improving the quality of the existing housing stock, problems of distribution, efficiency and the level of public expenditure), increasing the number of new dwellings constructed has once again become an important policy objective. In some countries, like the FRG and France, this has led directly to increases in public expenditure and specific programmes to promote new house building. The obvious housing shortages and the difficulties in finding affordable housing, which affect both the rented and the owner-occupied sectors, are to a great extent decisive in determining political priorities in the field of housing. For instance, in the Netherlands, Sweden and Belgium during the 1980s less attention was paid by politicians and by the general public to housing. This is in contrast to France and the FRG. In these countries housing is one of the paramount issues of the day. And in England and Denmark more and more public attention has been focused on housing in the last few years. In Denmark the main reason for this has been the crisis in the owner-occupied housing market and the scandals which have come to light concerning the financing of house purchases.

Another general problem has been the increase in housing costs during the 1980s. This led to problems particularly for the weakest groups in society. The increase was the result of the fact that during the last few decades governments have tried to make housing more responsive to market forces (there has been an erosion of tenants' rights, a relaxation of rent controls, and reductions in levels of government assistance), the function and the degree of access to non-profit rented housing have been substantially curtailed in most countries, the costs of new construction have increased, and

that real incomes have stagnated on account of high rates of unemployment. More limited access to non-profit rented housing has forced many to look to the qualitatively poorer private rented sector; the number of homeless has risen, as has the number of households in short-term bed-and-breakfast accommodation (in France, England and Belgium particularly). On the other hand, the problem of rising housing costs is not one which affects only low-income groups. In both England and France (countries with large owner-occupied sectors), for instance, there has been a serious crisis in the house purchase market during the last two years. Households that bought property in the mid-1980s are currently faced with problems in repaying their mortgages, and significant numbers have had their homes repossessed. The origins of the crises in these two countries are different, and the reader is referred to the appropriate country chapters for a more detailed discussion of these.

The decline in the level of new housing completions in the non-profit rented sector and the increase in direct housing costs have given rise to specific problems in many countries. Firstly, there occurred a marginalization of the non-profit rented sector in a number of countries (in particular in England, Denmark and in France in the case of the poorer parts of the housing stock). In those countries where non-profit institutions (such as housing associations) are responsible for the provision of non-profit rented housing, this marginalization has so far been largely prevented. Here, however, one often faces the problem that many of the middle class and those on higher incomes live in relatively cheap non-profit rented housing and that those less able to afford housing are therefore forced to turn to other sectors of the housing market (usually to the private rented sector) to find housing; furthermore, the housing they obtain may neither reflect their household situation nor satisfy their housing demands. That is why in some countries, like the Netherlands, France, and the FRG, consideration is being given to measures to reduce the skewed distribution of the housing stock. In the FRG this has resulted in plans to increase rent taxes in the 1990s. This measure had already been implemented on a limited scale during the 1980s, and is considered by the Federal government to be an efficient weapon in housing policy. In other countries, like France, the Netherlands and Denmark, the government tries to influence the housing allocation policies of housing associations etc. In France there is

currently considerable controversy between the HLM (social rented sector) and the government on precisely this issue.

Another problem in many countries concerns the development of the owner-occupied sector. This sector has at best been stagnating since the 1980s, and there is even some evidence of decline. It is only in England that the growth in home ownership has continued. Here growth was the result of cutbacks in levels of housing construction in the public rented sector (and the targeting of public rented housing on specific groups), the transfer of more than 1.6 million local authority dwellings to the owner-occupied sector (at considerable financial cost to the state), and the introduction of the option mortgage and guarantee scheme, by which house buyers on low incomes were able to profit more from tax relief. For the British government there is now the problem of how to enhance an owner-occupied sector that is already large. This problem is all the more difficult since many home owners currently face serious problems repaying their mortgage because of the high level of interest rates. There is a comparable crisis in the owner-occupied sector in Denmark. In this country, too, the increase in the size of the owner-occupied sector has already been considerable.

Despite the fact that the owner-occupied sector is stagnating or even decreasing, in almost all the countries included in this study (the exception being Sweden) expanding the owner-occupied sector is considered to be one of the most important objectives of housing policy. The fact that this sector is still stagnating in spite of government policy may be ascribed to two important factors: significant increases in house prices, and reduced access for lower and middle-income groups. Although at the beginning of the 1980s house prices had declined slightly in almost all countries, the trend over the last two decades has been one of considerably increasing house prices. It has therefore become more and more difficult for first-time buyers to purchase. A second problem is the fact that many of those on middle and higher incomes have already bought a house. An expansion in owner-occupation therefore depends on lower, and to a lesser extent middle income groups becoming home owners.

#### *Final remarks*

To conclude our contribution we shall make a few provisional remarks relating to the discussion concerning the convergence and the divergence of the

various housing markets. A more authoritative consideration must await the publication of the results of the companion studies to this project. On the basis of the present analyses of the general framework of housing policy and of the problems which characterize the housing markets studied, it can be stated, however, that there are a number of similar factors affecting the functioning of the housing markets in these countries. They include both exogenous factors, like demographic and economic development, and policy objectives (promotion of owner-occupied housing, reduction of public expenditure, and the switch from supply to demand subsidies). Furthermore, it appears from our analyses of the housing policies of the seven countries that it was particularly difficult for governments to dictate housing market conditions. In their study Adriaansens and Priemus (1986: 46) concluded that housing policy cannot be understood simply in terms of policy objectives, and that policy is in practice the result of a complicated interaction, a compromise, between market forces and government interests. Clearly market forces are a significant factor in determining the pattern of housing policy, but it is also clear that there is some scope for the pursuit of purely political objectives.

In spite of the similarities between housing policies and between housing markets, there is no convincing evidence to suggest that the characteristics and the problems associated with housing systems in the countries under review are tending to converge. Housing market structures, which are the product of a series of historical developments unique to each country, institutions that have been established in the course of time, and the activities of government, which are influenced partly by tradition partly by ideology, are much too diverse for this to be a credible supposition. Though external factors and policy objectives are fairly similar in general, they have led to specific and often unique problems within each country.

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