Management of Social Rented Housing in Western Europe

PETER BOELHOUWER, HARRY VAN DER HEIJDEN & BIRGITTA VAN DE VEN

OTB Research Institute for Policy and Technology, Delft University of Technology, The Netherlands

ABSTRACT The pre-war growth and development of the social rented housing sector in Western Europe was related to substantial quantitative housing shortages, and was largely supported and controlled by central governments. However, since the 1970s there have been reductions in government subsidies for this sector and a shift away from government regulation towards market mechanisms. The greater freedom of the social rented sector to decide its own policy is often accompanied by greater risks. Social housing organisations feel more tension between guaranteeing the financial continuity of the organisation and its social objectives. This paper will examine to what extent and in what way this process of independence in seven Western European countries is being shaped and what this means for the position of the social housing organisations. The focus will be on a number of financial and social aspects of the housing management in the social rented sector.

Introduction

After the Second World War governments in many West European countries became deeply involved in housing. Faced with housing shortages caused by the war, government policies primarily focused on large-scale housing construction programmes. This was the heyday of the social rented sector in Europe.

In the mid-1970s, however, a shift occurred in the position of this sector in housing policy. At that time housing shortages were declining, and ideas on how to structure the welfare state were changing. Therefore the social rented sector has increasingly been losing its dominant role to home ownership. A number of different reasons for this development have been pointed out. Various authors have identified a combination of ideological and economic motives (Oxley & Smith, 1996; Harloe, 1995; Kemeny, 1992; Lundqvist, 1992).

Furthermore, the course these changes have taken in different countries is fairly similar. There was a general decline in public investment; there was a shift away from government regulation toward market mechanisms; the remaining government influence was decentralised; and the declining government funds shifted from generic to specific subsidies, targeted to the groups with the weakest socio-economic position (Boelhouwer & van der Heijden, 1994, p. 331).

Throughout Western Europe, this development was accompanied by attempts to privatise the social rented sector. Privatisation means a transition from dwellings in public property to private, non-profit organisations or to individual occupants. However, according to the much broader definition of Lundqvist (1992), privatisation should be viewed as actions taken by actors legitimately
representing the public sector to take the hitherto public responsibility for a certain activity away from the public and transfer it to the private sector. With respect to housing privatisation (Lundqvist, 1992) can refer to regulations (of quantity, quality, price, allocation and distribution), funding (subsidies) and production. This definition of privatisation is a process which has begun in a number of countries, meaning that the social rented sector is becoming more independent.

This process more or less implies a severing of the ties between the government and the social rented sector. The subsequent deregulation and greater freedom of the social rented sector to implement its own policy is often accompanied by a reduction of the direct government funding and greater risks. This development has resulted in a relatively large increase of the rents and a stagnation in the growth of the social rented sector. In a number of countries there is a relative or even absolute decline of the sector.

Generally speaking, social housing organisations are experiencing an increasing field of tension between guaranteeing the financial continuity of the organisation and its social objectives. Many social housing organisations in Western Europe are contemplating their objectives: should they focus on housing the low-income groups (and what does this mean for the financial continuity of the organisation?) or rather should they focus on middle-income and even higher-income groups? In the latter case they could also operate on a more commercial basis, which might create funds which could be applied to realise their social objectives.

Behind the general tendency described above there are great differences between the various Western European countries: Belgium, Denmark, the (former) Federal Republic of Germany, France, Great Britain, the Netherlands and Sweden. In this paper the extent to which and the way this process of privatisation and independence is shaped in seven Western European countries will be examined, and what this means for the position of the social housing organisations. The focus will be on the development of a number of financial (third section) and social aspects (fourth section) of the housing management in the social rented sector. Since there are considerable differences in the size, function and property structure of the social rented sector in the seven countries, the next section will first briefly characterise the sector, whereby the most important differences and agreements between the various countries are reviewed. The paper ends with a number of conclusions.

**Characterisation of the Social Rented Sector in Western Europe**

Comparing developments between countries with respect to a specific tenure category is not without difficulties. Various researchers have indicated this (e.g. Ball, 1988; Kemeny, 1992; Murie & Lindberg, 1991; Oxley, 1995; Ruonavaara, 1993; van de Ven, 1995). It is not only the extent, but also the nature and function of tenure categories that differ, and related to this, the legal and instrumental policy framework of each government. Moreover, in many countries there are various subsectors within one tenure category. It is therefore not possible to define tenure categories unequivocally, more so as there is constant development of the various subsectors (Ball, 1988, p. 30).

Here, we suffice with offering a broad characterisation of the social rented sector and a number of important differences between the various countries will
be discussed. Table 1 summarises the main characteristics of the social rented sector in the seven West European countries reviewed here.

The primary objective of the social rented sector is not to make profit but to create accommodation, often for specific target groups and at a moderate rent level. The difference between the cost price and rent is subsidised by the government. A consequence of this is that access criteria are often applied in the social rented sector. Exceptions to this are Sweden and Denmark, where access in the social rented sector is not confined to specific target groups. In these countries there is a general rented sector.

The size of the social rented sector varies considerably in each country. The smallest proportion is found in Belgium, where the sector comprises only 7 per cent of the housing stock. The Belgian government has always regarded the promotion of home ownership as the central pillar of its housing policy. As a result, lower-income groups largely have recourse to the private rented sector and to the subsidised owner occupied sector.

In Denmark, Germany and France the social rented sector accounts for approximately 17 per cent of the housing stock. These countries have stimulated the development of a social rented sector, but also assigned an important role to a private rented and owner occupied sector.

The largest social rented sector was created in Sweden, Great Britain and the Netherlands. However, the timing differed for each country. In Britain the production of social rented housing was considerable in the first two decades after the Second World War, but in the 1970s, and particularly in the 1980s, there was a major reversal. The proportion of social rented homes dropped when almost 1.8 million council houses (CECODHAS, 1995) were sold. In Sweden, the production of social rented housing took place within a relatively short time span (1964-75) under a programme to build 1 million houses. This had a great influence on the characteristics of the housing stock; many relatively small multi-family houses were constructed. The social rented sector is very large in the Netherlands, representing 40 per cent of the total housing stock. Until the 1980s the social rented sector played an important role in alleviating the housing shortage.

The social rented sectors in the countries under review here differ in more ways than size alone. The tenure structure is also quite different. Social rented homes are managed by private non-profit organisations or by public organisations, usually local authorities. In a number of countries there is a combination of the two.

In Sweden and Great Britain the role of the local authorities is greatest as manager of all (Sweden) or a substantial part of the social rented dwellings (Britain). In the other countries private non-profit organisations play an important role in the social rented sector. Nevertheless, local authorities in these countries also play a role in the social rented sector. For example, in Germany and the Netherlands a part of the social rented sector is managed by municipal housing companies (the Netherlands) or housing associations affiliated with the local authorities (Germany). In Belgium, France and Denmark local authorities play an important role as administrative and/or as shareholder in parts of the social rented sector. In Germany the role the private landlords play in the social rented sector is quite remarkable. Private landlords may operate social rented dwellings on the same terms as non-profit landlords. When the subsidy period has elapsed, these dwellings fall under the rent regime of the private rented
Table 1. Characteristics of the social rented sector in seven Western European countries, about 1990

<table>
<thead>
<tr>
<th>Owner of the homes</th>
<th>The Netherlands</th>
<th>Belgium</th>
<th>Great Britain</th>
<th>France</th>
<th>Former Federal Rep. of Germany</th>
<th>Sweden</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share in housing stock</td>
<td>40</td>
<td>6</td>
<td>23</td>
<td>17</td>
<td>16</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Share in rented housing stock</td>
<td>74</td>
<td>17</td>
<td>70</td>
<td>45</td>
<td>26</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td>Housing associations (92%), municipal housing organisations (8%)</td>
<td>Building societies recognised by regional housing organisations (semi-government)</td>
<td>Local authorities (83%), housing associations (17%)</td>
<td>Building societies (HLM) (local authorities, limited companies, co-operative companies)</td>
<td>Housing associations (43%), housing co-operatives (20%), private social housing organisations (37.5%)</td>
<td>Local authorities, housing organisations</td>
<td>Public utility property companies</td>
<td></td>
</tr>
</tbody>
</table>

| Access criteria | Yes, for homes with a rent below a certain level local authorities can determine criteria | Yes, on the basis of income (depending on household composition) | Priority for the homeless and other households in need of housing | Yes, on the basis of income (depending on household composition and type of housing) | No, on the basis of income (through a housing form provided by local authorities) | No (local authorities can allocate 25% of available houses) |

<table>
<thead>
<tr>
<th>Income tenants</th>
<th>Low and middle</th>
<th>Low and middle</th>
<th>Mainly low</th>
<th>Low and middle</th>
<th>Low and middle</th>
<th>Low and middle</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1980 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental index 1992</td>
<td>192</td>
<td>171 (1991)</td>
<td>397 (Local authorities)</td>
<td>226 (all rented houses)</td>
<td>156</td>
<td>340</td>
</tr>
<tr>
<td>(social rent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1980 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ration (rent index: price index × 100)</td>
<td>142</td>
<td>102</td>
<td>192</td>
<td>117</td>
<td>112</td>
<td>147</td>
</tr>
</tbody>
</table>

Source: van de Ven, 1995.
sector. In fact, the distinction between the social and private (commercial) rented sector is not based on ownership, but on the housing, which either falls or no longer falls within the social rented regime.

With the exception of Sweden and Denmark the social rented sector is intended for households with a low to middle income. This means that access criteria are applied with respect to the allocation of social rented dwellings. The access criteria, which are often based on income, are in general not established by social housing organisations, but by central, regional or local authorities.

In all seven countries the rents in the social rented sector have increased since 1980 to a greater degree than consumer prices (inflation). This is particularly so in local authorities in Great Britain, but also in Sweden and the Netherlands the relative rent increase is quite high.

Financial Housing Management

In each country the legal stipulations, formulated objectives and responsibilities of rental organisations differ strongly. These differences have consequences for the funding of business activities of the rental organisation. Organisations with a great degree of freedom will also often take greater financial risks.

Financial continuity and solvency are of great importance to non-profit social housing organisations, particularly when they have to enter the capital market for loans. However, the focus on business continuity may be at the expense of their social objectives. For social managers it is important to what degree the housing of the target group can be combined with a greater financial risk.

In order to get a greater hold on the financial management, we make a distinction between the following constituent subjects: funding of newly-built dwellings and object subsidies, housing allowances, rent-fixing and rent adjustment and sales of social rented dwellings.

Funding and Object Subsidies

In the post-war era the new housing activities of managers in the social rented sector have strongly depended on financial support by the government. This support can be given in many different ways. For example, the government can make loans available for the funding of new dwellings. This can be coupled with a subsidy component on interest. This is the case if the government grants loans at an interest rate below the market level. Subsidies on interest may also be granted on a loan obtained on the capital market by the social housing organisation. In addition, the government can also stand surety for loans obtained on the capital market, as a result of which the solvency of the social housing organisation is increased. Government subsidies may also be given in the form of once-only subsidies or contributions towards the operational costs. Finally, the government can also provide indirect support through fiscal instruments.

Owing to the great diversity in the application of the various policy instruments between countries, which falls outside the scope of this discussion, this paper will not provide a detailed survey as to how government support to the social rented sector is organised in the seven countries in question. (For a detailed survey of the situation around 1990 see Papa (1992) and Smith & Oxley in this issue for up-to-date information about the Netherlands, France, Germany and the UK.) In addition, there have been changes over time in the way in
which the various authorities have subsidised the building of social rented dwellings. A brief examination will be made of a number of important changes, because they greatly influence the position of the social housing organisations on the housing market.

The role of the government as a provider of loans for the funding of new social rented dwellings has almost disappeared in the seven Western European countries. Only in Germany can a landlord obtain an interest-free government loan for a part of the required funding for dwellings subsidised through the first type of sponsorship (i.e. Förderungsweg). For social rented dwellings subsidised through the third type of sponsorship, the government offers loans, for which no interest or repayment is required for 10 years. After that time, the loan is transformed into an allowance (Häussermann, 1994).

In Great Britain (local authorities), the Netherlands, Belgium, Sweden, France and Denmark (except for an interest-free basic funding of 4 per cent through the local authorities) no government loans are now granted at all and the social housing organisations have to borrow from the capital market in order to fund the building of social rented dwellings. In Belgium and France the social housing organisations do not borrow directly on the capital market, but through intermediate organisations: the regional Housing Companies and the Caisse des Dépôts et Consignations. In the Netherlands and Britain there also are financial organisations which enable non-profit rental organisations to borrow at more favourable conditions on the capital market. In the Netherlands the Social Housing Guarantee Fund (WSW) exists, while housing associations in Britain can turn to the Housing Corporation (or its equivalent in Scotland and Wales). The situation in the Netherlands is exceptional in this respect, because central government and local authorities stand surety for the loans granted by the WSW.

In seven countries there is a form of object subsidy in the social rented sector. However, in many countries the subsidies have been reduced in the past decade. For example, since 1995 no generic object subsidies have been granted for the building of social rented dwellings in the Netherlands. However, limited once-only grants can be obtained through the local authorities (location-linked subsidies and accessibility bonuses). If necessary, social housing organisations can divert part of their capital for the funding of new social rented dwellings.

In Sweden the object subsidies have been reduced at an accelerated rate since 1993. Furthermore, the tax facilities for the municipal housing companies were abolished in 1992.

In Denmark new construction in the social rented sector has been subsidised since 1982 through interest subsidies on indexed loans. Until 1990 the subsidies fully covered the interest on the indexed loans. However, in 1990 the term of the loans was extended from 35.5 to 50.5 years. This means that the annual instalment is at a lower level than before. In this way more time has been given to pay part of the interest costs from the rental incomes. Since 1994 the building quotas fixed by the national authorities have not been applied in the social rented sector. Local authorities themselves decide about the building production in the social rented sector. The government subsidy is, however, bound to a certain maximum.

In Britain the production of new dwellings by local authorities was sharply reduced in the 1980s. In its Housing Investment Programme the government states how large the investments of local authorities may be. Furthermore, the British government separated the municipal housing management operations of
the local authorities from the municipal tax revenues in 1989. As a result the local authorities could not apply these funds for rent abatement. Moreover, through the Right to Buy dwellings are still being withdrawn from the housing stock of the local authorities. In recent years the housing associations have had to turn to the capital market in order to borrow an ever increasing part of the funds required for building new dwellings. The previously very favourable grants (capital-subsidies) are being reduced (Pryke & Whitehead, 1994).

The reduction of the subsidies for the social rented sector has resulted in a decrease of new housing production of social rented dwellings in Great Britain, and more recently in Denmark, the Netherlands and Sweden. In France, Belgium and Germany, countries which like Great Britain already had a great reduction in the production of social rented dwellings in the 1980s, there has been a (temporary) increase of government support for the construction of social rented housing in recent years. In Belgium the annual production of new social rented dwellings decreased to a few hundred in the second half of the 1980s. In order to give a new impulse to the social rented sector, Flanders, one of the three Belgian regions, started an emergency public housing plan in 1993. This plan comprised the building of 10,000 social rented dwellings by the intermediary of a special company Domus Flandria, pioneering a new kind of partnership between the public and the private sector (CECODHAS, 1994).

In France government support for the social rented sector is part of a property revival plan that was started in 1993. The main aims are to generate jobs and business, re-establish confidence in property investment and re-absorb the supply of unsold housing (CECODHAS, 1994). Apart from the building of 190,000 social rented homes in 1993 and 1994, the building of 110,000 social owner occupied houses and the improvement of 200,000 social rented units were also part of the plan.

In Germany there was a considerable housing shortage at the end of the 1980s as a result of the German reunification and subsequent immigration. This led to the start of a new programme for the building of social rented housing through the third type of sponsorship. Since 1994 this subsidy scheme has been modified. In addition to a fixed basic benefit there is also a supplementary benefit, which depends on the income and family composition of the tenant. The aim of this change was to use the subsidies more efficiently (for a detailed description of this modified subsidy scheme, see the contribution by Dorn in this issue). According to Häusermann (1994), the increased government support for the social rented sector in Germany does not mean a return to the 'golden age of subsidised housing', but a short-term strategy to gain allocation rights with subsidised rents in the light of the great housing shortages particularly in the large cities.

**Housing Allowances**

In all countries housing allowance schemes play an important role in meeting the housing expenses of the lower-income groups. Almost all countries pay their housing allowance to occupants from both the non-profit rented sector and the profit rented sector. Belgium is an exception: tenants in the profit sector are not entitled to housing allowance. For tenants in the non-profit rented sector the rent is calculated individually on the basis of the household income. Strictly speaking, there is no system of housing allowances but a system of individual rent calculation.
In Britain a distinction is made between tenants with income support (social security) and tenants without this support. In the latter group the outstanding rent and the household income are taken into account when establishing the housing allowance. The first group basically receives a rent allowance of 100 per cent of the so-called 'eligible rent'. In this way a poverty trap is created: the income must rise substantially above the social security level if the tenant wishes to improve his net financial situation, after the deduction of the housing allowance.

In all countries, except Belgium, the expenses for housing allowances have sharply increased in recent decades (see Maclennan, 1996; McCrone & Stephens, 1995; Papa, 1992). This increase is related to the decreased generic subsidies for the social rented sector and the resultant substantially increased rents, but also to changes in the socio-economic position of occupants of social rented dwellings. This change is caused by economic, demographic and social developments. In comparison with the 1970s there is a higher level of unemployment and a greater difference in income in many Western European countries (Ministry of Social Affairs and Employment, 1996). In addition, as a result of demographic and social developments the share of small households has also increased (singles, single parents, senior citizens). These small households largely belong to the lower-income groups and are strongly represented in the social rented sector.

It is significant that it is particularly retired people who have to make use of housing allowances. In Denmark and Sweden there are special schemes for retired persons. In the Netherlands many elderly people rely on the scheme; 41 per cent of the recipients of housing allowance are over 65. In Germany and Sweden this is 34 and 36 per cent respectively.

Fixing and Adjusting the Rent

In general, in all the countries discussed in this paper the freedom of social housing organisations to fix and adjust the rents in the social rented sector is restricted by government regulations. Table 2 shows the specific rules for fixing the rent in the non-profit rented sector for each country. Hereby a distinction can be made between fixing the rent when a tenant moves into a dwelling and the way in which the annual rent adjustment takes place.

Fixing the rent when the tenant moves into a dwelling. The rent of new social rented dwellings in the Netherlands is based on the all-in costs of the dwelling (building costs minus subsidies). The rent is fixed through a housing evaluation system. The various quality aspects of a dwelling are valued according to certain points. These points are linked to the eligible rent. Above a certain level, which is the deregulation limit, the rents have been deregulated. This has been the case since 1994, but only for dwellings which are rented again. The dwellings which fall below this deregulation limit often have a rent which is well below the maximum rent according to the housing evaluation system. In recent years, when these dwellings have become available, the social housing organisations have increasingly raised the rents up to 70 or 80 per cent of the maximum eligible rent which they are allowed to impose according to the housing evaluation system. They raised the rents through the so-called rent harmonisation in one step (harmonisation at once).
### Table 2. Rent adjustment and fixing in seven Western European countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Rent-fixing when the tenant moves into a home</th>
<th>Annual rent adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>Based on all-in costs and housing evaluation system</td>
<td>Band width between minimum and maximum (6.5%) rent increase, under restriction of minimum rent increase of 3% for the total property</td>
</tr>
<tr>
<td>Belgium</td>
<td>The rent based on the cost price rent is multiplied by the income coefficient and adjusted for the number of children</td>
<td>Rent is adjusted to the updated cost price rent and possible changes in the income of the tenant</td>
</tr>
<tr>
<td>Great Britain</td>
<td>Local authorities: on the basis of guidelines from the Ministry of Housing housing associations: no guidelines on the basis of contract arrangements (Assured Tenancies) or negotiable (Shorthold Assured Tenancies)</td>
<td>Local authorities: housing evaluation system may differ from place to place; housing associations: no guidelines since 1988</td>
</tr>
<tr>
<td>France</td>
<td>Actual costs per m², depending on type of home and building year, maximised</td>
<td>Adjustment to the building cost index, rent increase at most 10% every six months</td>
</tr>
<tr>
<td>Germany</td>
<td>(Standardised) actual costs, for non-subsidised rented homes through market rents</td>
<td>Maximum rent increases fixed by the government</td>
</tr>
<tr>
<td>Sweden</td>
<td>Collective negotiations based on actual costs</td>
<td>Collective negotiations</td>
</tr>
<tr>
<td>Denmark</td>
<td>(Budgeted) actual costs, maximised</td>
<td>Maximum increase of 2% a year, determined in consultation with tenants, in order to cover increased operational costs</td>
</tr>
</tbody>
</table>

Source: van de Ven, 1995.

In the Belgian non-profit sector the rent is based on the (indexed) cost price of the dwelling. If a household has an income above a basic level, it pays more rent. A household with a low income pays a low rent. The social housing organisations have to find the right financial balance within this system. The consequence of this is that they cannot help too many tenants with a low income. This means that they are sensitive to the income position of their tenants.

Since 1990 the rents of local authority dwellings in Britain cannot be reduced by applying local tax revenues. The local authorities fix the rent on the basis of a points system. Features such as age, type and size of the housing determine the number of points. However, there are no national rules with respect to the total rent level; each local authority can decide their own rent. Research has shown that the calculation system may differ from place to place, and that the relation between the housing features and rent level is very weak (Wiktorin, 1993). The rents of the British housing associations have greatly increased since the 1980s. This is mainly the result of the sharp decline in the Housing Association Grants (capital subsidy). In addition, the 'fair' rents of housing associations houses were abolished. Since 1988 the housing associations have been free to fix the rents for new rental agreements.

When the local authorities and housing associations in Great Britain fix the
level of the rent, they can make use of 'rent pooling'. This system makes
crosswise subsidising possible by raising the rents of older high quality housing
(with relatively low rents, because relatively low funding costs keep down the
operational costs) and by reducing the rents of new housing, funded with
encumbered assets.

In France, the government also regulates the rents in the social rented sector.
The rents are based on the actual costs per square metre of floor surface,
depending on the housing type and building year. As in France, Germany also
bases the rents in the social rented sector on standardised actual costs. After the
local authorities have approved the calculations of the social housing organisa-
tion, the latter can decide how to allocate the costs between the dwellings.
Previously the rent of non-subsidised houses of housing associations also used
to be geared to the cost price, but this has changed since 1990. At present it is
based on the market rent. Moreover, the rent is not linked to the dwelling any
more, but calculated for the entire property (both subsidised and non-subsidised).
The total rent of the housing association is fixed in this way. In Germany it is
called Unternehmensmiete. Housing associations are free to increase the rents of
non-subsidised rented dwellings (within legal limits) and reduce the rents of
social rented dwellings, the so-called Sozialwohnungen. This is comparable with
the English rent pooling system. In this way it is also possible to correct the
unequal rents between old and new Sozialwohnungen.

In Sweden the rents are also fixed on the basis of the cost price. Therefore it
also applies that a comparable rent should be fixed for comparable dwellings.

The rents in the non-profit sector in Denmark are based on the historical
cost price. The rents should balance the revenues and expenses of the rental
organisation. The tenants who determine the level of the maintenance reserva-
tions, influence the rent per square metre. The local authorities are also respon-
sible for ensuring that these reservations are sufficient. If this is not the case, the
local authorities may introduce an increase in rent, as a result of which the
reserves can be supplemented. However, the government has established a legal
maximum to the square metre price. Every three months the price is adjusted
according to wage developments.

Annual rent adjustment. The annual rent adjustment in the Netherlands has
been flexible since 1993 and is based on the so-called rent-sum-approach. This is
characterised by the fact that it is no longer based on an indexed rent increase
per home, but on the increase of rental income from the total stock (the rent) of
an association. In this way the latter can anticipate the market conditions in a
more flexible way and bring the price of the dwelling more into line with the
quality. Only a maximum rent increase of 6.5 per cent applies to each home. The
total rent over the entire stock should amount to 3.5 per cent in 1996. However,
social housing organisations can obtain an exemption from the government.

In Belgium the basic rent is adjusted every year through the updated cost
price. The actual rent adjustment also depends on changes in the income of the
tenant.

The annual rent increase of the houses owned by the British local authorities
is based on guidelines from the Ministry of Housing. These measures have
caused rents to increase substantially, although they are in general still below
the market level. The housing associations stipulate the rent beforehand in a
contract in the Assured Tenancies.
Management of Social Rented Housing

In France the tables with the rents in the social rented sector, including the minimum and maximum figures, are adjusted annually to the building cost index. The organisations have the right to increase the rent up to 10 per cent every six months. However, they are not allowed to exceed the adjusted maximum rent per square metre. Tenants whose income exceeds a certain level should pay an additional rent, depending on their income, rent, age and the number of members of the family. In practice, however, only a few social housing organisations charge tenants for this additional rent.

In Germany the annual rent adjustment is linked to the development of the capital and operational costs, and the government provides guidelines. Rent increases should be approved by the local authorities. The increase will be rejected if the rent per square metre exceeds the maximum decided by the local authorities. The annual total rent increase is also bound to a maximum.

The rent adjustments in Sweden and Denmark are based on the development of the cost price and are fixed in consultation with the tenants. In Denmark tenants have a say in the level of some of the operational costs and therefore on the rental development. In Sweden the annual rent increase is fixed in negotiations between tenants (organised in the National Federation of Tenants’ Associations) and non-profit social housing organisations (the municipal housing associations and their umbrella organisation SABO). The negotiations result in the required average rent increase. The actual rent adjustment is fixed for each complex (this has been the case since the early 1990s). This more market-oriented approach makes it possible to bring the rents more in line with the quality of the various complexes.

To summarise, it is the case that in all countries, with the exception of Great Britain, the cost price rent is the starting point to fix the rents in the social rented sector. Generic subsidies or fiscal facilities contribute to a reduction of the cost price. As mentioned above, the generic subsidies to the social rented sector have been reduced in many countries in recent decades. This reduction has contributed to a relatively strong increase in the rents (see Table 1), which has been largely compensated for by the increase of the costs of housing allowances.

With regard to fixing and adjusting the rents the freedom of social housing organisations has increased in some countries. For example, besides Great Britain (rent-pooling) it has also become possible for social housing organisations in Germany, Sweden and the Netherlands to differentiate the rents and rent increases within the total housing stock in the early 1990s, although they are still bound to a certain maximum. As a result of this a rental policy can be pursued which is more in conformity with the market. In particular the relatively large discrepancy in rent between older and new social rented dwellings (also the result of the reduced generic subsidies) may be reduced through a rental differentiation.

**Sale of Social Rented Homes: Stock Management or Privatisation?**

For the social rented sector the reduction in financial support often means that the operating risks are increasingly the responsibility of the social housing organisation, which makes a more market-oriented approach necessary. As part of this market-oriented approach, the organisations are increasingly pursuing a strategic stock policy. In this context social housing organisations in France, the Netherlands and Germany can take the initiative to sell social rented dwellings
as a form of stock management, and the revenues of the sale are allocated for social housing objectives. For example, social rented dwellings in the Netherlands are sold by housing associations in order to release funds for building new social rented housing.

In Great Britain and Sweden the sale of social rented dwellings is much more ideologically based and, moreover, the tenants also have a Right to Buy. Through this Right to Buy nearly 1.8 million council houses in Great Britain were sold with considerable reductions (of up to 70 per cent) to tenants in the period between 1980 and 1993. The primary objective of the right of tenants established by the Conservative Government in 1980 to buy the housing they were renting was to promote home ownership. In addition, a large public rented sector was considered to be undesirable.

In principle, occupants in the social rented sector in Belgium also have the Right to Buy the housing they are renting (under certain conditions). In the second half of the 1980s the number of houses sold even exceeded the production of new houses. In two of the three Belgian regions (Brussels and the Walloon region) the sale of social rented dwellings has recently been restricted. In Flanders social housing organisations can be exempted from the obligation to sell if their social objective or financial continuity is at issue.

In Sweden the Conservative Government at the time made the sale of social rented homes possible in 1991. In order to encourage home ownership, new legislation required municipal associations to sell homes to their tenants, if 50 percent of the residents of the same block wished to acquire ownership, through the creation of a housing co-operative (CECODHAS, 1995). The realised sales remained limited. Initially this was a result of the economic crisis in Sweden in the early 1990s (Teeland & Siiksiö, 1994). However, a social-democratic government came into power again after the elections in 1994, and this government no longer stimulated the sale of social rented housing.

Social Housing Management

Social housing management can be defined as "the decisions and activities, which are related to providing housing services and aimed at stabilising and/or improving the social living environment" (Adrianow, 1993, p. 24). This social living environment concerns the relations between occupants and managers and/or owners, between occupants mutually and between occupants and the built environment. In general, social housing organisations primarily focus on the housing of weaker groups on the housing market.

Within social housing management a number of specific themes can be distinguished which will be examined in this section in detail: the distribution and allocation of housing, management problems in the non-profit sector, and the tenants' rights legislation. The phenomenon of the upset in the balance of the non-profit sector will also be examined.

The Distribution and Allocation of Social Housing

Each country has its own set of rules and demands for the acceptance of households in the non-profit sector. The accessibility of the non-profit sector is strongly determined by the income criteria the prospective tenants have to meet. A maximum income level will be introduced in the allocation of dwellings if
this sector focuses specifically on low incomes. This is the case in the Netherlands, Belgium, Great Britain, France and Germany. In Denmark and Sweden there are no maximum income limits for the non-profit rented sector. In these countries the sector is explicitly intended for everyone, therefore also for households with high incomes.

Apart from access criteria, the ratio between the demand and supply of houses is important in the distribution of social rented homes. Allocation criteria are important, in particular when the demand exceeds the supply. In most countries social rented dwellings are allocated on the basis of a waiting list. Here urgency criteria are often applied, as a result of which certain households rise more rapidly on the waiting list or are even allocated a home immediately.

In Germany the income limit which applies to acceptance within the social rented sector is so high that 40 per cent of the households qualify for the social rented sector. Households qualifying for a social rented home may obtain a Wohlberechtigungsschein (WBS) in their place of residence, which then remains valid for one year in the whole country. If a home has not been found after this period, a WBS has to be applied for again. Social housing organisations use waiting lists for households who have a WBS. In addition, the local authorities can recommend urgent candidates.

Apart from income criteria additional criteria may also be imposed by the local authorities in the Netherlands, where there still is a tight housing market, regarding the relation between income, rent and the size of the households, and social or economic ties concerning the municipality (or region). Social housing organisations and local authorities traditionally apply a waiting list system for allocation. However, in recent years there is increasing allocation on the basis of supply-oriented rules for the allocation of homes. This happens through a housing magazine which shows dwellings which have become available. Persons who are interested in a certain home may respond, after which the local authorities decide according to established criteria who the first candidate will be. For example, when allocating a home, priority can be given to households who leave a cheap rented dwelling. In general, it applies that the stricter the rules of allocation in the Netherlands, the cheaper (and therefore scarcer) the dwellings.

In Belgium and France the maximum income whereby a household qualifies for social rented housing depends on the size and specific features of the household. In both countries dwellings are allocated on the basis of waiting lists. In Belgium the very small size of the social rented sector is a problem. Many households with a low income have to rely on the private rented sector. In France the number of social rented dwellings allocated by the HLM organisations can be strongly reduced by the claims which companies that support the sector financially and local authorities lay on houses which become available. Lower-income groups are often allocated to the less popular homes in the grands ensembles or have to switch to the private rented sector. The latter particularly applies to households which do not have a structural/fixed income (seasonal workers or households with a low benefit).

In Great Britain income limits are applied with regard to acceptance for the social rented sector, but when the social rented homes are allocated the emphasis is on housing homeless people. About 50 per cent of the homes that have become available are allocated to this group. Together with the absolute decrease in the number of social rented homes, this leads to a concentration of underprivileged groups in the social rented sector.
In many Western European countries the particular demand for cheap rented housing is increasing. This is because the share of households with a low income is growing, the share of social rented housing in the housing stock is becoming stable or decreasing and the share of cheap, private rented houses in many countries is also falling. Moreover, sections of the social rented sector are no longer accessible to low-income groups as a result of the relatively strongly increased rents. This means a greater emphasis on the allocation policy. In addition, a part of the social rented sector is occupied by households who no longer meet the acceptance criteria in view of their income. These households are mainly to be found in the more attractive sections of the social rented sector, and as a result the weak groups increasingly run the danger of being concentrated on the housing market in the least attractive parts of the stock. The following paragraphs examine in detail the way in which various countries deal with these problems.

Combatting an Upset Balance

In each country with a maximum income limit for the non-profit sector, the income of the tenants may rise after they have moved into their homes. This may, for example, be the case when an unemployed person finds a job, when a former student starts a career, or when (young) people find a better paid job.

In a number of countries this situation has caused public discussion, also in the light of an efficient application of public funds and a lack of affordable houses for low-income groups. On the other hand, promoting high-income tenants to leave the social rented sector may result in a very one-sided population structure with a spatial concentration of weak groups on the housing market and a stigmatisation of the social rented sector. This may lead to an undesirable situation, from both viewpoints of manageability and socially. What then is the policy pursued by the various authorities and social housing organisations with respect to this issue and how do tenants react?

The general trend in Western European countries, whereby the capital subsidies for social rented homes have been reduced, the rents have increased and rent allowances are needed more and more to keep the social rented sector accessible to households with a low income, may be viewed as a measure to apply government funds more efficiently and specifically target them towards lower-income groups. In none of the countries here considered is the government policy aimed directly at forcing high-income households to leave the non-profit sector. Neither is this the policy of the social housing organisations. On the contrary, the social housing organisations are doing their best to keep these households in their stock.

In Sweden and Denmark income does not play a role in the allocation in the non-profit rented sector. Social housing organisations in these two countries are not interested in promoting households with higher incomes to leave the sector. Their policy is even increasingly aimed at keeping these households as tenants. For example, tenants in Denmark may change and modernise their housing, and are given the guarantee that a part of the investments will be paid back when they leave. In this way the government wants to try to increase the quality of the dwellings and keep the financially stronger households in the social rented sector. These are reliable tenants, who in general do not cause any inconvenience, who pay their rent on time and maintain their homes in a good condition. In
Sweden the municipal social housing organisations increasingly focus on the tenants who have been renting for a long time and have always paid their rent. They want to protect them against tenants who cause inconvenience. There is a growing trend that households who cannot pay the rent have to leave their homes. The local authorities are responsible for the housing of evicted households and as a result may rent accommodation from social or private landlords under certain conditions (Hägred, 1993).

Since the end of the 1980s (with the publication of the policy document Housing in the Nineties), the Dutch government has considered it to be a major problem that households with an above-average income live in the social rented sector. Supply subsidies are effectively being received by households which, in view of their income, do not need them, while on the other hand high levels of demand subsidies are being paid to meet the housing costs of lower-income tenants living in relatively expensive rented housing. There are attempts to reduce this mismatch by encouraging households with an above-average income to move on to the owner occupied sector (or the commercial rented sector) and allocate the social rented dwellings which have become available in this way to households with a below-average income (Boelhouwer et al., 1996). Apart from a low mortgage interest rate, the growth of the owner occupied sector in the Netherlands can also be ascribed to the rapid increase of the rents in the social rented sector. As a result, the owner occupied sector has become more and more attractive for households with an above-average income.

In the early 1970s the policy in Great Britain was also to let the more affluent tenants move to the owner occupied sector through rent increases in the social rented sector and the introduction of rent allowances for tenants with a low income, and as a result dwellings became available and accessible for the lower-income groups. The then Conservative Government was of the opinion that the costs of the social rented sector were too high, while many of the tenants did not need any subsidy. Since 1980, when the Right to Buy was introduced, it became possible, particularly for the more affluent occupants of social rented dwellings, to buy the homes they were renting at a considerable reduction. However, because the sale of these homes meant that they were withdrawn from the stock of social rented homes, no new homes became available for low-income groups.

In a few countries the rent level may be changed if tenants of social rented homes have a rise in income which exceeds a certain level. In Belgium there is a direct relation between income and rent; that is to say, the level of the rent depends on the income. In Belgium a maximum income limit is applied for acceptance in the social rented sector. Changes in the income of tenants may lead to an increase or decrease of the rent. In principle, the tenancy agreement can be terminated if the income of tenants is such that they to pay more than twice the basic rent. In practice, social housing organisations do not very often make use of this possibility.

Germany and France have a rental taxation or rental surcharge for households whose income exceeds a certain maximum after they have moved into the social rented sector. In France this instrument, which is primarily meant to encourage households with a relatively high income to move and therefore make a home available for a household with a low income, is not often applied. The administrative costs to collect this money are high in relation to the additional rent and, moreover, the amount is not sufficiently high to encourage tenants to
actually move. The more affluent tenants in the more attractive sections of the social rented sector often live in dwellings of which the rents are considerably lower than on the private rental market. In order to be able to keep the 'stronger' tenants, the social housing organisations also impose limits on the concentration of minorities and other underprivileged groups mainly in the less popular high-rise buildings (Power, 1993).

When the rental taxation (Fehlbelegungsabgabe) became effective in a number of German states (Länder) in the 1980s, it was the intention that this system would stimulate those with higher incomes to leave the social rented sector. However, this is not an objective any more. According to the social housing organisations, a major advantage of the rental taxation is that the money raised can be reinvested in the non-profit rented sector. In addition, the rental taxation in Germany is also seldom a motive for households to move. Social housing organisations consider this to be an advantage, because they can maintain a differentiated group of tenants.

Management Problems in the Non-profit Sector

Another aspect of social management is the combatting of petty crime and the deterioration of neighbourhoods or housing estates. The problems particularly occur in post-war, high-rise blocks of buildings. In every country the relation between this problem and the process of segregation is acknowledged. When the most underprivileged groups are concentrated, the risk of deterioration exists. In all countries central and local governments and social housing organisations are trying to avoid this concentration as much as possible. Sometimes the solution is thought to be the involvement of occupants in the management of the dwellings and living environment. Here a caretaker might be the first contact. Another approach may also be tidying up/repairing the (technical) living conditions.

In Great Britain the non-profit social housing organisations are obliged to allocate homes to households in need of housing. These are households in financial difficulties or with social problems. For the social housing organisations it is therefore difficult to prevent the concentration of the underprivileged. The deterioration particularly occurs in the flats of local authorities. In 1979 the Priority Estates Project (PEP) was started in Great Britain, the aim of which was to have a greater involvement of occupants in the management of housing. For example, as part of this project offices were opened in the vicinity of problematic blocks of buildings to which people could turn for maintenance and matters concerning their rent (Power, 1987). In 1985 the Estate Action was started as a set of measures which also included the PEP approach. Apart from technical improvements (insulation, sanitation and kitchens), safety improvement (caretakers, lockable halls and doorways with an intercom system) are part of these measures. Experiments are also being carried out with Tenant Management Cooperatives. Hereby the local authorities remain the owner, but the tenants' organisation is responsible for the management.

In France the most serious problems occur in the less popular grands ensembles. In order to combat the problems in the post-war grand ensembles, one of the measures is the pursuit of an allocation policy (Vermeeren, 1991). A key aspect hereby is the lifestyle and not the cultural background of the house hunters. Through interviews it can be established whether a household is acceptable for
a specific housing environment. This also requires knowledge about the current occupants. This information is obtained through surveys or through the so-called guardians (caretakers). In Germany there are also attempts to prevent the creation of problematical housing estates through a targeted allocation policy. Social housing organisations try to allocate students and other groups who have good financial prospects in some housing estates. In this way a differentiated list of tenants is built up. The new subsidy scheme which is effective in Germany (see the previous section) also contributes to the realisation of a differentiated population structure in the social rented sector. In addition, caretakers are increasingly recruited in the social rented sector in Germany in order to improve the social management of problematical housing estates.

As in the case of Great Britain, France and Germany, the services of caretakers and assistant policemen are also increasingly used in the Netherlands for the management of problematical housing estates in order to improve safety and reducing inconvenience. Experiments are also being carried out to let occupants operate as supervisors. The occupants are selected and coached by the housing organisations and receive a small fee.

In recent years there has also been a focus in the Netherlands on the redifferentiation of the housing stock, particularly in large-scale, post-war housing estates with a one-sided housing stock and a one-sided population structure. As part of this redifferentiation such estates are restructured, whereby for example a part of the existing housing stock is demolished and replaced by owner occupied dwellings. Although there is also a concentration of social problems in parts of the social rented sector in Sweden and Denmark on a limited scale, there is no specific allocation policy in these countries. Social housing organisations only allocate according to the order of the waiting list. Maybe the great involvement of tenants in the management of the social rented sector in Sweden and Denmark is a contributory element to the fact that there are not so many problems. However, social housing organisations in these countries are becoming stricter with defaulters and people who cause problems. Households evicted from their homes are subsequently housed by the local authorities. The risk is that problems will still be concentrated in municipal housing estates or blocks of buildings rented by the local authorities.

**Tenants' Rights Legislation**

Tenants' rights legislation is an important aspect of social management. Despite the increased privatisation, the legitimate protection of the tenant in all seven countries is generally strong. In most countries tenancy agreements in the non-profit sector are concluded for an indefinite period. Exceptions are Great Britain and France. In Great Britain, where the housing associations fall under the same regime as the private landlords, assured or shorthold (short assured in Scotland) tenancies (McCron & Stephens, 1995) have been applied for new tenancy agreements since 1988, through which temporary tenancy agreements have become possible in the social rented sector. In France agreements are concluded in the social rented sector for a period of six years. An extension of an agreement can only be refused if the owner needs the house for his/her own use (this in principle only applies to the private rented sector), the house is sold (the tenant has a first Right to Buy) and when the tenant does not meet his/her financial obligations. In most countries, not meeting financial obligations and causing
serious inconvenience to other tenants may be a reason to cancel the tenancy agreement.

In Belgium the social rented sector in principle has agreements for an indefinite period. However, the social housing organisation may terminate the agreement if the income of the tenant is so high, that he/she has to pay more than twice the basic rent.

With regard to the influence of tenants on the financial and social management in the social rented sector there are considerable differences between the various research countries. In Denmark and Sweden the influence of the tenants is greatest. In Denmark they even refer to tenants' democracy. In general, a great influence by the tenants has a positive effect on the management, because the tenants are closely involved in management decisions.

Last, but not least, tenants of a social rented house in Great Britain (local authorities) and Belgium (Flanders region) have the Right to Buy the house in which they live. Moreover, since 1988 tenants of local authorities in Great Britain have had the right to choose a different landlord through the Tenants' Choice. If there is a majority of votes the housing development is transferred (usually to a housing association). Tenants who do not agree can exclude their home from transfer and remain a tenant of the local authority.

Conclusion

In this paper attention has been paid to the function and features of the social rented sector in general, and housing management in particular. This conclusion therefore first examines the differences and similarities in housing management, and then ends with a few general comments regarding the opportunities and threats for the social rented sector in the coming years.

In the social rented sector there are a number of similarities and differences between the seven Western European countries, both financially and in social management. The differences between countries are considerable due to differences in the legal and instrumental policy frameworks of the governments. Nevertheless, it is possible to recognise a number of general trends and common aspects.

A first development is the decreasing generic government support for the social rented sector in many Western European countries, as a result of which the rents rise relatively fast and social housing organisations will increasingly be given the responsibility to combine their social objectives with a more entrepreneurial and commercial operational management. They are discovering the path of social entrepreneurship. This particularly applies to the housing associations in the Netherlands and Great Britain, but also to the municipal housing associations in Sweden and the non-profit housing organisations in Germany. The question is to what extent will these social housing organisations restrict their field of activity to housing the policy target groups, or will they also be able to concentrate on building expensive rental houses and owner occupied property?

A second development (with the exception of Denmark) is the increase in the opportunities to sell non-profit rental houses. This may be a form of asset management, but also a clear privatisation policy. The latter particularly applies to Great Britain, where almost 1.8 million social rented dwellings (out of a stock
of over 20 million) have been sold to the current occupants as part of the Right to Buy policy. Also in Belgium (particularly the Flanders region) the number of sold social rented dwellings has largely exceeded the production of new dwellings in this sector. In Sweden an earlier Conservative Government tried to privatise part of the social rented sector by transferring complexes of social rented dwellings to the co-operative housing stock. This has been applied on a limited scale. In Germany, France and the Netherlands there are also opportunities to sell social rented dwellings. In these countries this is usually considered to be a form of asset management.

A third development is the rent-pooling or the rent-sum-approach which is increasingly permitted in the countries considered here. The idea of this is rent differentiation according to the quality of the housing and not according to the funding expenses. In the Netherlands, Great Britain, Germany and Sweden variants of this approach are being applied. Belgium has a separate system of rent-pooling, which is based on the income of the tenant.

In this contribution it has been shown that most of the social rented sector in West European countries is owned by private non-profit organisations. As governments retreat from the housing sector, these organisations (and with them, the social rented sector) gain a more independent position in the housing market and should therefore act more like a commercial landlord. This means that they would become more dependable on economic developments and will have to accept the financial risks this entails. Under such conditions the social goals of the sector are at odds with the demands of financial independence. One aim is to guarantee a long-term financial independence. Another aim is to prevent or mitigate the marginalisation and stigmatisation of the sector. In order to achieve these aims it is necessary that not only low-income households should be housed, but the social rented sector should be able to accommodate middle-income groups as well. It is necessary to have a differentiated housing stock and a differentiated renting population in order to pursue a responsible rent policy. The same conditions apply to limiting the financial risks and to maintaining or raising the image of the sector. Some countries have a better chance of attaining these goals. Sweden, Denmark and the Netherlands have more opportunities to do so than countries where the social rented sector has been under pressure for a longer period and where marginalisation and stigmatisation have already made inroads into parts of the sector.

As a result of economic and demographic developments, the number of households with a low income has increased over the past few years in Western Europe. Meanwhile, the dismantling of the welfare state continues. For many low-income households home ownership is unattainable. In many countries the private rented sector offers limited options for low-income groups. These developments pose a serious challenge to an increasingly independently operated social rented sector. It remains to be seen whether or not the social rented sectors in these West European countries can actually perform their social objective adequately. Much will depend on the degree to which the social objectives of social rented housing sector can be combined with the demands made upon a housing sector that needs to operate more or less independently. Governments, because of the great interrelation between social housing and economic and social developments, will continue to play a major role, either directly or indirectly, through economic policy (employment) and social policy (distribution of incomes, social security).
Acknowledgements

An earlier version of this paper was presented at the workshop ‘Changing Social Rented Housing in Europe; Research Topics and Policy Dilemmas’, organised by ENHR, CECODHAS and NETHUR in March 1996.

The authors would like to thank two anonymous referees for helpful comments and suggestions. They also acknowledge the support of the Netherlands National Science Foundation (NWO).

The information used in this paper largely comes from a study carried out by the OTB Research Institute in 1994 and funded by the Dutch Ministry of Housing, Spatial Planning and the Environment (VROM) on the housing management in the social rented sector in Western Europe (van de Ven, 1995). This study is part of a comparative study on public housing systems in Europe, which the OTB has been carrying out since 1989.

Correspondence

Harry van der Heijden, OTB Research Institute for Policy Science and Technology, Delft University of Technology, PO Box 5030, 2600 GA Delft, The Netherlands. Fax: +31 15 2784422. Email: heijden@otb.tudelft.nl

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