

# MATT



*'Don't ask for a cash withdrawal'*

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# 1. Economic Context

- **Global financial crisis and its effects on the real economies....**
- **Excessive reliance on domestic and commercial property markets....**
- **Construction activity collapse in US, Spain and Ireland;**
- **Irish economy over-reliant on tax revenues related to property markets;**
- **Exposure to reckless property lending by Irish banks now threatening economic survival!**

# **1. Economic Context**

- **Banks not lending to private sector house builders;**
- **Banks reluctant to lend for social housing and rates have risen sharply;**

## 2. Policy Responses

- **Monetary policy loosened to its maximum:**
  - **Interest rates  $\approx 0\%$**
  - **Quantitative easing.....**

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## 2. Policy Responses

• *Monetary policy loosened to its maximum:*

➤ *Interest rates  $\approx 0\%$*

➤ *Quantitative easing .....*

➤ **Huge injections of liquidity into financial systems.**

• *Fiscal policy loosened beyond normal:*

➤ **Bank bail-outs**

➤ **Government borrowing**

➤ **Scrappage schemes**

➤ **VAT reductions**

➤ **Capital investment accelerated.**

- **In many countries, excessive budget deficits have given way to austerity programmes, hitting capital spending on social housing.....**
- **Governments seem preoccupied with bond markets, debt reduction rather than jobs and growth.....**

### **3. Role of Social Housing**

- **Rise in unemployment in Spain, UK and Ireland – much of it construction-related;**
- **Social housing investment one of the best mechanisms of reversing rise in unemployment;**
- **Social housing has strong multiplier effects:**
  - **Type I multipliers –**
    - **Direct job creation, income generation and output in construction projects.**
  - **Type II multipliers –**
    - **Indirect and induced employment, income and output resulting from construction investment.**

### **3. Role of Social Housing**

- Type II Construction multipliers range from 1.5 to 1.9 across regions and countries.**
- In many countries, house building is still relatively labour intensive.**
- Compared with other types of construction projects such as road building, house building utilises proportionately more labour.**
- There is evidence that expenditure on refurbishment of the existing social housing stock is even more labour intensive.**

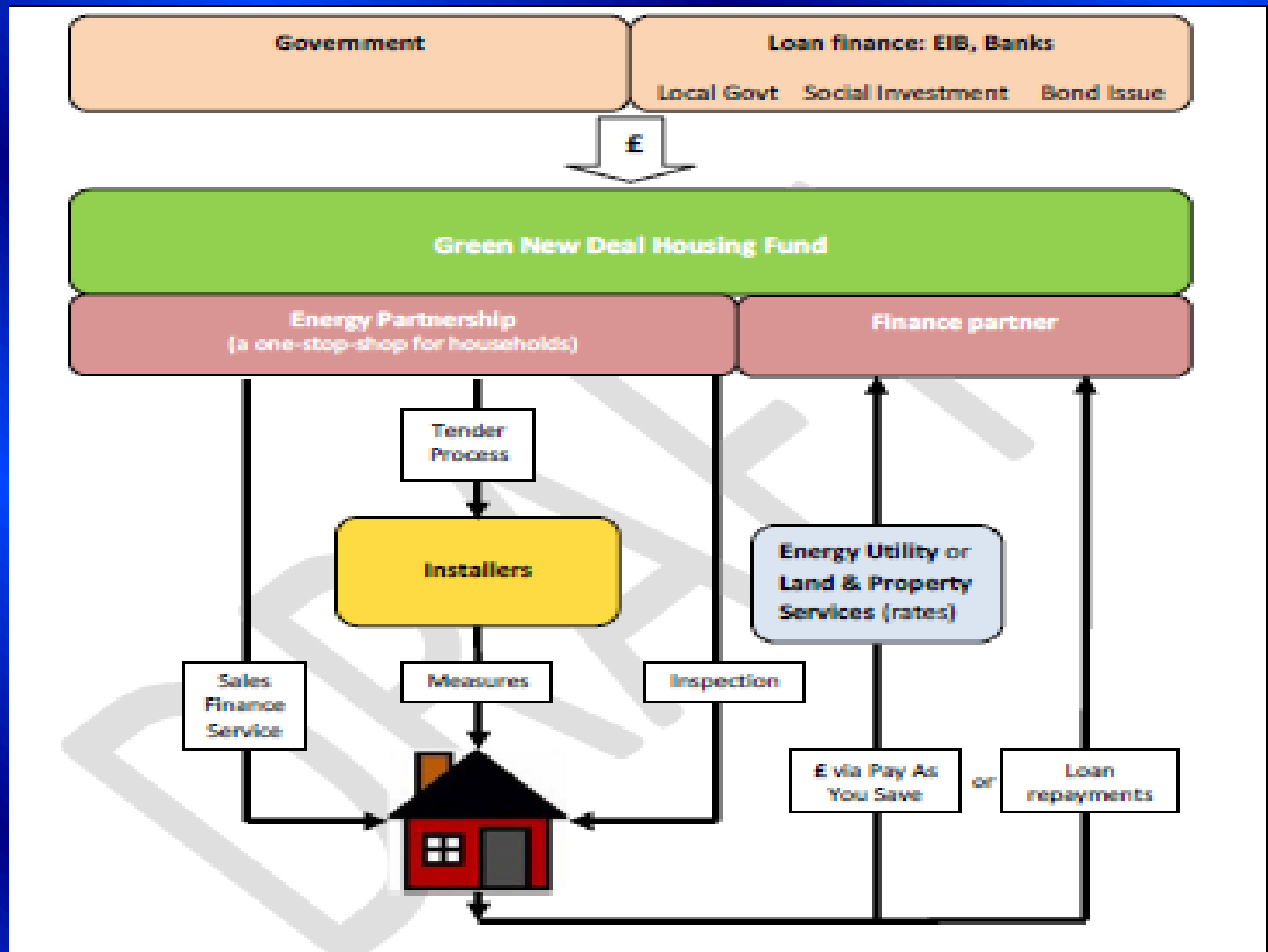
- **In some EU member states and regions these countercyclical benefits of investing in social housing have been realised.....**
- **Austerity programmes now threaten most of these initiatives.**
- **It is politically relatively easy to cancel social housing programmes.**
- **Social housing associations are now beginning to struggle with less public spending support and higher borrowing costs from banks....**

- **Time to try some alternative approaches to financing affordable housing:**
- **Partnerships with Pension Funds....**
- **Implies some new social housing business models using part of rental income to service long-term borrowing.**
- **Could the EIB co-finance social housing with a Pension Fund?**
- **Sovereign Wealth Funds.....**
- **Take a similarly longer term perspective when investing.....**

# Green New Deal

- **Brings together improving social housing, fighting fuel poverty, climate change and rising energy prices.**
- **Retrofitting dwellings to make them more energy efficient creates employment.**
- **Significant carbon reduction is achievable together with energy savings and financial savings over the longer term.**
- **Business model behind Green New Deal is a social enterprise model in partnership with utilities, responsible financial institutions and central governments.**

# Green New Deal Housing Programme: Business Model



- **To illustrate, in Northern Ireland the New Green Deal Housing Fund aims to retrofit 500,000 houses to the highest practicable standard;**
- **It aims to retrofit 62,500 homes in the first 3 years;**
- **Then 62,500 each year thereafter.**
- **This will create and sustain between 1,500 and 6,000 jobs.**
- **Total project fund cost is €330m, of which central government contributes €105m.**

- **The initiative addresses the issue of fuel poverty where it is most severe;**
- **It also improves the health of vulnerable groups that other government energy initiatives have failed to reach effectively;**
- **It is better value for money.**

# **3. Role of Social Housing**

**❖ Non-monetary impacts of social housing;**

- Tackles homelessness;**

- Builds community confidence;**

- Renews neighbourhoods;**

- Improves community cohesion;**

**❖ What value do policymakers put on these??**

# Impact of Social Housing in Context of Sustainable Development

IMPACT ON:	SOCIAL	ECONOMIC	ENVIRONMENTAL
Health	√	√	√
Crime	√	√	√
Community Safety	√		
Equality	√	√	
Homelessness	√		
Human Rights	√	√	√
Lifetime Opportunities	√	√	
Rural	√	√	√
Victims	√		
Economic	√	√	√
Regulation	√	√	√
State Aid		√	
Environmental			√
Strategic Environmental			√

- **To sum up, in a period of recession and rising unemployment, investment in housing construction and refurbishment is the best way to create and sustain jobs and provide affordable housing;**

- **In times of public austerity, alternative funding models should be developed;**

- **Even when public investment resources are constrained, initiatives such as the Green New Deal can be a “value for money” approach to addressing several important public policy priorities.**

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*'We think you're being  
over-optimistic'*