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**POLICY DEPARTMENT**  
ECONOMIC AND SCIENTIFIC POLICY **A**



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Environment, Public Health and Food Safety



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# Social Housing in the EU

NOTE





DIRECTORATE GENERAL FOR INTERNAL POLICIES  
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

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## NOTE

### **Abstract**

This briefing paper provides an overview of the social housing sector in the EU area. After presenting how Member States define social housing, it details the response of the sector to the 2007–2008 financial crisis. In addition, it sheds light on the most recent developments at the EU level on the conflicting interests that are necessary to reconcile within the sector: ensuring adequate and affordable housing for all citizens, yet guaranteeing open competition among market players. Finally, innovative social housing projects are presented.

This document was requested by the European Parliament's Committee on Employment and Social Affairs.

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## LIST OF ABBREVIATIONS

**CESCR** UN Committee on Economic, Social and Cultural Rights

**EPF** European Property Federation

**SGEI** Service of general economic interest

**SGI** Service of general interest

**UNPI** Union Nationale de la Propriété Immobilière

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## EXECUTIVE SUMMARY

This briefing note presents an overview of the social housing sector in the EU area and its dynamic in recent years.

The recent recession has prompted increasing concerns at the EU level about housing affordability, particularly given that the housing market was hit hard by the crisis. Therefore, in order to understand public responses to the increasing need for housing services and open issues, it is crucial to identify possible trends in poverty and social exclusion in the forthcoming years as well as the amount of resources (both private and public) necessary to be allocated.

The literature review conducted indicates that no common definition of social housing is available at the EU level, with different States adopting different definitions that translate into varying levels of public intervention within the sector. Consequently, the degree of housing services greatly varies across the EU. In general, four dimensions characterise (and differentiate) social housing models and policies: the tenure, provider of the service, beneficiaries and funding arrangements.

Nevertheless, the current study identifies three elements common across European social housing sectors: a mission of general interest, the objective of increasing the supply of affordable housing, and the identification of specific targets defined in terms of socio-economic status or the presence of vulnerabilities. Available evidence suggests that the European social housing model can be classified as universalistic, targeted, generalist or residual. Universalistic models consider housing to be a primary public responsibility and thus to hold the objective of providing the whole population with decent quality housing at an affordable price. Targeted models consider the market to be in charge of allocating housing resources to individuals, and therefore the objective is to satisfy only the excess of housing demand not satisfied by the market. Targeted models can be generalist, if housing is allocated according to the income level, or residual, if allocated according to a set of vulnerability indicators. Data indicates a clear inverse correlation between two features of EU social housing sectors: the targeting level and dimension. While more targeted housing systems have a relatively small dimension, the opposite is true for less targeted housing systems. Accordingly, the universalist models are characterised by a large share of social housing stock, the majority of the generalist are large or medium size, and residual models are small or very small.

Despite EU housing markets being characterised by a high share of home-ownership, the deep economic crisis created an exogenous demand shock for the social housing market with all European countries experiencing a significant increase in poverty rates and housing exclusion. This placed an increased share of the population at risk of housing exclusion, which translated into a growing demand for social housing. Consequently there was an upward trend of people registered on social housing waiting lists in almost all EU countries. Most States initially responded with public expenditure in social housing, yet having used investment in social housing as a social shock absorber and a means to enhance growth, funding for the sector has since been cut.

Facing a trade-off between higher demand and lower resources, some Member States have adopted innovative and original projects representing best practices to be replicated in other countries. Such projects have been selected here based on their innovation capacity, funding strategies, partnerships created and population targeted.



Accordingly, this briefing note presents five innovative projects. Namely:

1. project of intergenerational social housing development in the Netherlands (universalist regime)
2. project dealing with the construction of energy efficient social housing in the United Kingdom (residual regime)
3. project providing high-quality social housing and public services in France (targeted regime)
4. project employing self-renovation in Italy (generalist regime)
5. project targeting poor social housing tenants in Hungary (providing an example of innovative action implemented in Eastern countries).

Finally, the note provides an overview of the debate concerning social housing as a Service of General Economic Interest, yet also as a market sector increasingly open to new private players. The EU recognises social housing as a key instrument in ensuring the right to housing, as stated by international law, to meet the requirements of the Treaty and achieve the Europe 2020 targets, and is thus considered a Service of General Economic Interest. However, there is debate at the EU level prompted by the emergence of competing interests. On the one hand, it is crucial to satisfy housing needs to stimulate social inclusion, yet on the other hand, it is necessary to allow a satisfactory level of competition within the sector.

However, the tension between social and economic rights is not a peculiarity of social housing; it is common across all areas of social policy. Demand for social protection is increasing, with social vulnerability affecting wider strata of the European population. One priority for the EU area should be to reconcile the need for solidarity and for market competition, however dealing with this problem is far from straightforward as the topic is still new and developing, and the existing literature does not present solutions ready at hand.

The analysis conducted by authors suggests that providing a single definition of Social Housing at the EU level would be rather problematic, given the vast differences present in the models adopted by different countries. Therefore, such a *tranchant* solution could only be chosen following democratic debate between all Member States. At this stage, it appears crucial that each country could contribute with its own welfare experience and tradition, and that it would only be possible to derive a common definition of social housing after an interlocutory phase. However, in order to be shared by all Member States, we believe that this definition should be much broader than currently adopted within the legislation on competition, and that this would subsequently offer the advantage of preserving the universalist models of social housing and minimising the risk of social exclusion.

# 1. DEFINITIONS OF SOCIAL HOUSING IN EU MEMBER STATES

## KEY FINDINGS

- There are three common elements in defining social housing across EU Member States: a mission of general interest, the objective of increasing the supply of affordable housing, and specific targets defined in terms of socio-economic status or the presence of vulnerabilities.
- There is no common definition of the term “social housing” across Europe, referring to the legal status of the landlord, rent regime, funding method or target population, depending on the country. The semantic diversity implies huge differences in the levels of social housing present in each country.
- Four dimensions characterise and differentiate social housing models and policies: the tenure, the provider of the service, the beneficiaries and the funding arrangements.
- The European social housing model can be classified as universal, targeted, generalist or residual.

Housing plays a crucial role in enhancing social cohesion, with adequate housing long included among the universal rights in more than one hundred national constitutions<sup>1</sup>. Moreover, after the entry into force of the Treaty of Lisbon, the Charter of fundamental rights including the right to housing assistance has become part of the legal basis for EU policies. Although all Member States agree that “the access to good quality and affordable housing is a fundamental need and right”<sup>2</sup>, available statistics indicate that around 3 million people in Europe lack access to decent housing.

The term social housing has two possible connotations according to the 2012 edition of the “Encyclopedia of Housing”. The first refers to all types of housing that receive some form of public subsidy or social assistance, either directly or indirectly, which can include tax relief on mortgage interest, tax shelters for homeownership, subsidies to builders, depreciation allowances for investments in residential properties, or below-cost provision of collective public services (roads, electricity, water or sewers) for housing. This definition is very inclusive, namely whenever the private housing stock receives some public subsidies, it should be included in the social housing sector.

The second definition largely refers to traditional public housing, namely housing subsidised by the state and social rented housing, but also includes new forms of publicly supported and non-market housing, such as cooperatives, rent-geared-to-income, limited-dividend and non-profit housing provided by social agencies, community groups, non-profit private firms and political organisations other than governments.

The common distinction of these new forms is that they are collectively managed on a not-for-profit basis, with their rents set (at least partially) according to the ability to pay. Public subsidies are used to reduce initial capital costs or operating costs, with a wider target than traditional policy.

<sup>1</sup> See section 4.4 for a more detailed discussion about housing right in the international legislation.

<sup>2</sup> “Joint report of social Protection and Social Inclusion” (2010).

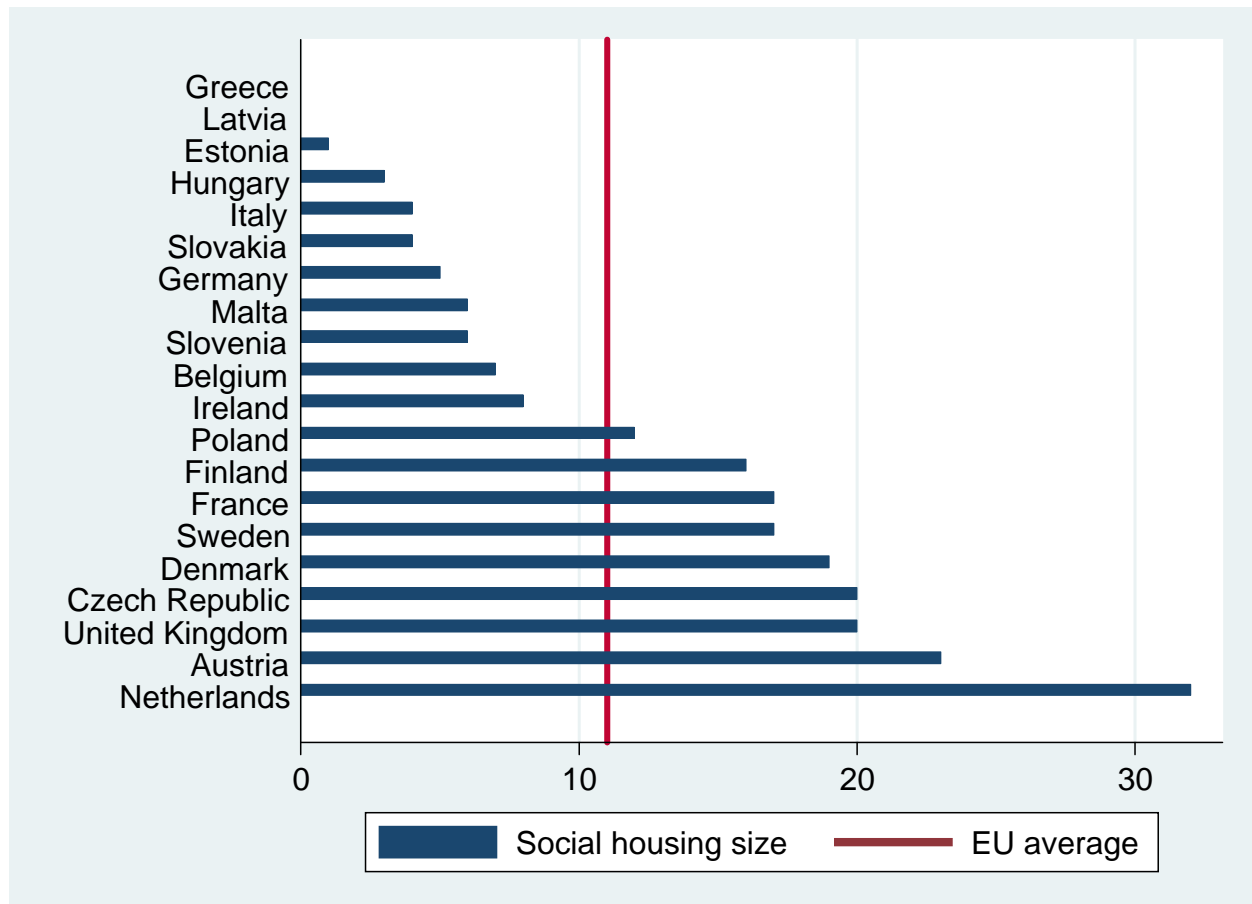
There are three common elements across EU Member States in defining social housing:

1. **Mission:** a general interest;
2. **Objective:** to increase supply of affordable housing by constructing, managing or purchasing social housing;
3. **Target:** target groups are defined in terms of socio-economic status or the presence of vulnerabilities.

Beyond the aforementioned similarities, there is no common official definition for the term 'social housing' across Europe, and not all 27-EU member states even use this term as exemplified: Austria uses the terms 'Limited-Profit Housing' or 'People's Housing'; Denmark, 'Common Housing' or 'Not-for-Profit Housing'; France, 'Housing at Moderate Rent'; Germany, 'Housing Promotion'; Spain, 'Protected Housing'; and Sweden, 'Public Utility Housing'.

These are not only semantic differences: the considerable diversity of approaches lead to huge differences in the amounts of social housing present in each country as shown in Figure 1. Taking the share of social rental stock as a percentage of total housing stock as a crude indicator indicates that Netherlands, Austria and Denmark have the highest incidence (respectively 32%, 23% and 19%) compared to the EU average (8.3%), whereas Eastern and Mediterranean countries have stocks of social housing below 5% of the total, and Greece and Latvia none at all.

**Figure 1: Social housing share**



Source: CECODHAS 2012

## 1.1. Social housing features across the EU

Four dimensions characterise and differentiate social housing models and policies: the tenure, the provider of the service, the beneficiaries and the funding arrangements.

In terms of the *tenure*, social housing is provided for rent in most countries, but the sale of dwellings is also possible in many. Moreover, some countries offer provision for intermediate tenure, a shared ownership solution where tenants buy a share of the dwelling and pay a rent for the remainder, as has been increasingly adopted in the UK. Other countries, including some Mediterranean ones (such as Cyprus, Greece and Spain), have provided social housing as low-cost housing for sale. Table 3 in the Appendix displays the geographical distribution of types of tenures in EU Member States. Social rental is present in all Member States apart from Greece, whereas home ownership is not present in Northern Europe and in most Eastern countries. Moreover, shared ownership is present in some countries, without a particular geographical pattern.

The *provision* of social housing currently involves a variety of stakeholders: local authorities, public companies, non-profit or limited-profit associations and companies, cooperatives, and in some cases even private for-profit developers and investors. Historically social housing was created by the private sector, both charitable institutions and private companies, in the early 20th century when industrialisation and urbanisation increased housing needs. Faced with the pressing housing needs of the post-war period, many nation states took over those private initiatives in the 1950s to offer a more general and wide-scale service. The progressive decentralisation of responsibilities to the regional and local level occurred in the 1990s, gradually reducing the responsibility of public stakeholders in housing provision. Finally, private and not-for-profit organizations have become more involved in the provision of housing services during the past decade, thanks to large-scale government subsidies and financing aids, with the public sector regulating and programming the housing provision. The most recent trend in the sector indicates an ever-growing involvement of many stakeholders, yet with the private and the public sectors having well-defined roles: local authorities manage the existing social housing stock while the private sector is responsible for developing new social housing. Co-operatives also play a crucial role in some countries, namely Austria, Belgium, Estonia, Germany, Hungary, Italy, Poland, Portugal, Spain and Sweden. In Denmark and the Netherlands, social housing provision is the prerogative of the private non-profit sector.

The Central and Eastern European countries have followed a diverging trend in experiencing a massive housing privatisation since 1990, whereby public authorities were left with a minimal housing stock, constituting the only form of social housing presently available. Only Poland and Slovenia have marginally observed a rising small non-profit housing sector. Recent years have also been characterised by a higher participation and involvement in the social housing sector of non-specialised stakeholders such as commercial developers and private landlords. For example, non-profit institutions disappeared from the sector in Germany in 1989, followed by the system of allocating public funding to housing providers in return for the right to use the dwelling for social purposes, at least temporarily. Similarly, private providers in Italy are allowed to participate in certain social housing schemes after signing an agreement with local municipalities, while preferential loans are available for potential providers and developers in Spain, whenever such dwellings are qualified as protected dwellings. Other countries have also started using such provision schemes of late. For example, the Czech Republic launched a programme supporting the provision of social housing by all types of providers

three years ago, whereas profit-making companies in England were entitled to develop, manage and own social housing for the first time in 2008/9.

Significant geographical variation has also emerged in terms of potential **beneficiaries**. Social or public housing is a *universal service* potentially directed to all citizens in some countries, with the public sector only playing a market regulating role and enhancing social mix in accordance with local policies. On the other hand, social housing in other countries is a *targeted service* with the sector operating separately from the private rental market, with only households for whom the market is deemed unable to deliver housing able to benefit. In particular, eligibility is based on means-tested income thresholds in some countries, while in others the target population specifically includes the most vulnerable households. Income ceilings are the most widespread criteria in defining eligibility for social dwellings.

In countries including Austria, France and Germany, the highest income ceiling is set sufficiently high in order to guarantee an income mix among beneficiaries, whereas such ceilings are set at very low levels in other countries (such as Italy). Other criteria used to allocate dwellings are household needs based on observable individual features such as housing conditions, homelessness, unhealthy accommodation, over-occupation and forced cohabitation. In some cases, it is possible to identify target groups having priority applications, generally including youths, elderly, disabled persons, families with many children, mentally disabled persons, ethnic minorities or refugees. It is worth stressing that registration for social housing waiting lists are open to anyone in some countries (Denmark, Sweden and the UK), in order to avoid social segregation and to ensure that public dwellings are accessible to all segments of society. Nevertheless, in practice, applications are largely needs based, and despite the absence of an income ceiling, strong correlation exists with income conditions.

Finally, the **funding arrangements** used to finance social housing also assume alternative forms. In some countries, the sector is almost entirely financed by public money, whereas in others housing providers heavily rely on credit raised on the finance market. Other differences have emerged in other factors, including the level of maturity of social housing providers, the government's commitment to supporting the sector, and conditions on the mortgage market. Finally, the determining of rents is also key to the financial sustainability of social housing, likewise the existence of demand-side benefits. Given that housing providers finance a significant part of their activity through loans and mortgages, a variety of public aid schemes have been designed. Housing projects are financed through different sources in almost all EU Member States, including bank loans, mortgages, public grants, public loans, private funds of housing organisations and tenants' contributions. Furthermore, municipalities can contribute with funding or offering land for the construction of social housing at reduced prices or for free. In general, the public sector supports the housing sector with grants, public loans from special public credit institutions, interest rate subsidies and government-backed guarantees. In some countries, social housing is provided directly by local authorities, and the financial burden can partially or completely be borne by the municipal budget due to transfers from the national budget. In some countries, such as Austria, Italy and Luxemburg, other crucial factors in the provision of social housing are represented by the offer of public land at discounted prices, or tax deduction and detraction for social housing providers<sup>3</sup>.

Table 1 categorises EU-27 member states according to the four aforementioned dimensions. Despite some country-specific differences, there is a common element of what constitutes social housing across the EU, namely its mission.

<sup>3</sup> With regards to the latter, they include a variety of exemptions or tax rate reductions to providers, for example income and investment deductions, depreciation allowances, reduced sales and property taxes, exemptions from capital gains tax, and reduced VAT rates.

Accordingly, the broad mission of social housing is to satisfy households' housing needs in terms of access and permanence in decent and affordable housing. Nevertheless, social housing models are generally classified within the literature by the allocation criteria used as being more or less targeted. In particular, two models of social housing have been identified by Laurent Ghekiere: the *universal* and the *targeted*.

According to the ***universalistic*** (or housing of public utility) approach, housing is a primary public responsibility and the objective of social housing is to provide the whole population with decent quality housing at an affordable price. Dwellings can be delivered either through municipal housing companies (as in Sweden) or through non-profit organisations (as in the Netherlands or Denmark). In this context, social housing assumes a market-regulating role (e.g. through rent control) to guarantee the whole population's access to quality and affordable housing, whereby social housing is typically allocated through waiting lists. However, in some countries local authorities reserve some vacancies to pre-identified types of households with urgent housing needs, or use priority criteria of allocation. Housing rents are cost-based, but housing allowances and rent-guarantees are available for disadvantaged households. The housing provision aims to ensure social variety (in terms of ethnicity and income) among beneficiaries to avoid ghetto formation within urban areas and to enhance social cohesion.

By contrast, the ***targeted*** approach identifies in the market the institution in charge of allocating housing resources to individuals according to the law of the supply and demand. Social housing is only directed at those individuals and households whose demand for housing with decent quality at an affordable price is not satisfied by the market. Within this model, it is possible to identify **two sub-models** according to the type, the size and the allocation criteria of the social housing sector: the ***generalist*** and the ***residual*** model. In the ***generalist*** sub-model, housing is allocated to households with an income below a pre-identified ceiling, while it is directed at the most vulnerable groups in the ***residual*** model. Furthermore, housing in the generalist model is allocated by the provider according to specific rules and procedures based on income ceilings, in contrast to the basis of need within the residual model. Housing rents are also determined in different ways within the two models, namely generalist social housing rents have a fixed ceiling, with households benefitting from income-based housing allowances covering part of the rents, while residual social housing rents are either cost- or income-based.

From a theoretical perspective, the generalist model represents the natural evolution of traditional social housing in Western Europe, which was generally directed at workers and middle-income groups. In the targeted model, the potential beneficiaries are much more restricted and typically correspond to extremely vulnerable households relying on a variety of welfare state benefits (such as for unemployment, disability, elderly, lone parents). Some regularity emerges in the geographical distribution of these models, with the universalistic model more diffused among countries with a relatively lower share of home ownership. Regarding the targeted approach, the generalist sub-model is adopted by states with a rather small private rental sector, while the residual sub-model characterises states with a larger private rental sector with respect to the social rental sector.

The only exception is presented by Eastern countries, where both the social and private rental sectors are similarly small because of the privatization of former public housing that started in the early 1990s, which has led to a very high share of home-ownership. It is notable that the universal model's objectives include avoiding social exclusion by enhancing social mix and fostering social cohesion. Universal social housing policies are designed to prevent spatial segregation into ghettos of poor households or ethnic minorities.

Nevertheless, urban socio-spatial segregation is a common feature of large-scale neighbourhoods where social housing was built in the 1960s and 70s, irrespective of the model of social housing adopted.

A crucial feature of the social housing sector is its size compared to the total housing stock. Accordingly, it is possible to identify four dimensions: large (>19%), medium (11-19%), small (5-10%) and very small (0-4%).

Despite the lack of a single definition of social housing, by crossing information about the allocation criteria and dimension of the sectors it is possible to group European countries according to their social housing models. There is an inverse correlation between targeting level and dimension: more targeted housing systems have a relatively small dimension, whereas less targeted housing systems have a relatively large dimension. More precisely, the universalist models are characterised by a large share of social housing stock, the majority of the generalist are large or medium size, while residual models are small or very small. Table 1 presents the basic grouping of social housing models in Member States according to allocation criteria and size.

**Table 1: Social housing models**

|                        |                       | SIZE                                   |  |   |   |
|------------------------|-----------------------|--|--|---|---|
|                        |                       | <i>Large</i><br>(>19%)                 | <i>Medium</i><br>(11-19%)                        | <i>Small</i><br>(5-10%)                               | <i>Very small</i><br>(0-5%)   |
| ALLOCATION<br>CRITERIA | <i>Universalistic</i> | The Netherlands,<br>Denmark,<br>Sweden |  |   |   |
|                        | <i>Generalist</i>     | Austria                                | Czech Republic,<br>France,<br>Finland,<br>Poland | Belgium,<br>Germany,<br>Italy                         | Slovenia,<br>Luxemburg,<br>Greece   |
|                        | <i>Targeted</i>       |  |  |   |   |
|                        | <i>Residual</i>       | UK                                     | France   | Belgium,<br>Estonia,<br>Germany,<br>Ireland,<br>Malta | Bulgaria,<br>Cyprus,<br>Hungary,<br>Latvia,<br>Lithuania,<br>Spain,<br>Portugal |

Source: CECODHAS (2007), CECODHAS (2012).



## 2. THE IMPACT OF THE CRISIS ON SOCIAL HOUSING

### KEY FINDINGS

- The economic crisis that started in 2008 has worsened the socio-economic conditions of an increasing share of the population, leading to higher demand for affordable housing and social allowances in the majority of European countries.
- Social housing faces significant budget constraints in almost all Member States, due to the decreasing trend in resources being used to finance the sector.
- European countries have applied differing strategies to deal with the economic crisis, with each country choosing to finance a specific type (or group) of social expenditure that could provide a 'safety net' for an increasing share of the population experiencing severe economic conditions.

EU housing markets are characterised by a high share of home-ownership, with the most recent data indicating that homeownership ranges from 40% (Germany) to over 90% (in some Eastern European countries – i.e. Estonia, Romania and Bulgaria). On average, home ownership levels are higher in Southern than Northern Europe. Symmetrically, there is huge variation in the size of the rental sector: it is small in Eastern and Southern Europe, it is large in Northern Europe. The relative weight of private rental or of social rental varies significantly across states.

Following the deep economic crisis, European countries have experienced a significant **increase in poverty rates and housing exclusion**. In responding to increasing housing needs not satisfied by the market, social housing faces significant budget constraints due to the decreasing trend in resources being used to finance the sector. Thus, the sustainability of social housing provision has been deeply affected by this crisis in many countries, hitting both the demand and supply side of the market.

In what follows, we summarise last year's basic trends in the social housing sector across Europe. However, prior to this analysis, it is crucial to highlight that the lack of unique definition of social housing, the disparity of available indicators, the non-homogeneous time span and the variety of data collection methods used by national institutions makes it very difficult to compare across states and over time. Nevertheless, the rough data show some common trends and features for most countries in recent years. In particular, the key elements of the social housing sector in Europe in the last decade are:

1. an increasing delegation to local government;
2. a special focus on fragile populations;
3. a downward trend in the share of social housing over the total housing stock.

Starting from this observation, we subsequently present a summary of the trends in social housing provisions across European countries. Data constraints do not allow us to extend our analysis to the most recent years, as available data only covers the period until 2009. Therefore, the figures presented in this section should be interpreted as the trends in social housing immediately after the occurrence of the economic downturn in 2007-2008. It is worth mentioning that the figures should be interpreted with caution for a further reason.



Given that states adopt different definitions of social housing, the figures are not strictly comparable. Nevertheless, throughout the discussion in this chapter each country's own definition will be used, reflecting their own views of the nature and importance of social housing.

## 2.1. Social housing in the immediate aftermath of the economic crisis

The 2008 economic crisis has worsened socio-economic conditions for the majority of the population and an increasing share of European households has experienced difficulty in accessing and maintaining suitable accommodation, with rent and mortgage arrears also increasing. These two phenomena have led to a higher demand for affordable housing and social allowances in the majority of European countries. In what follows, we empirically analyse the effect of the crisis on the social housing market.

The economic crisis represented an unexpected **exogenous demand shock** for the social housing sector, with the increase in re-possession and evictions forcing people to rely on more affordable houses provided by housing associations. Moreover, in almost all countries the economic crisis has created two new potential beneficiaries of social housing services: middle class households and workers with temporary or atypical contracts. The former for the increase in unemployment rate and the decrease in social benefits; the latter for the limited accessibility to stable tenancy or home ownership.

The increasing share of the population at risk of housing exclusion has translated into a growing demand for social housing: the number of people registered on social housing **waiting lists** showed an **upward trend** in almost all the EU countries. To provide an idea of the dimension of the demand shock, consider for instance that the number of people in need of local authority housing in Ireland has increased by 75% since 2008 (passing from 56,000 applicants to 98,000<sup>4</sup>). In England, housing waiting lists increased constantly from 1997 to 2011 (from 1 to 1.8 million households) and a housing association based in the South and South-West of England reported a 200% increase in its waiting lists between 2008 and 2009<sup>5</sup>. In 2012, 1.2 million applicants were registered on waiting lists for social housing in France and 630,000 in Italy. Recent surveys conducted in Italy reveal that approximately one million social housing units would need to be built.

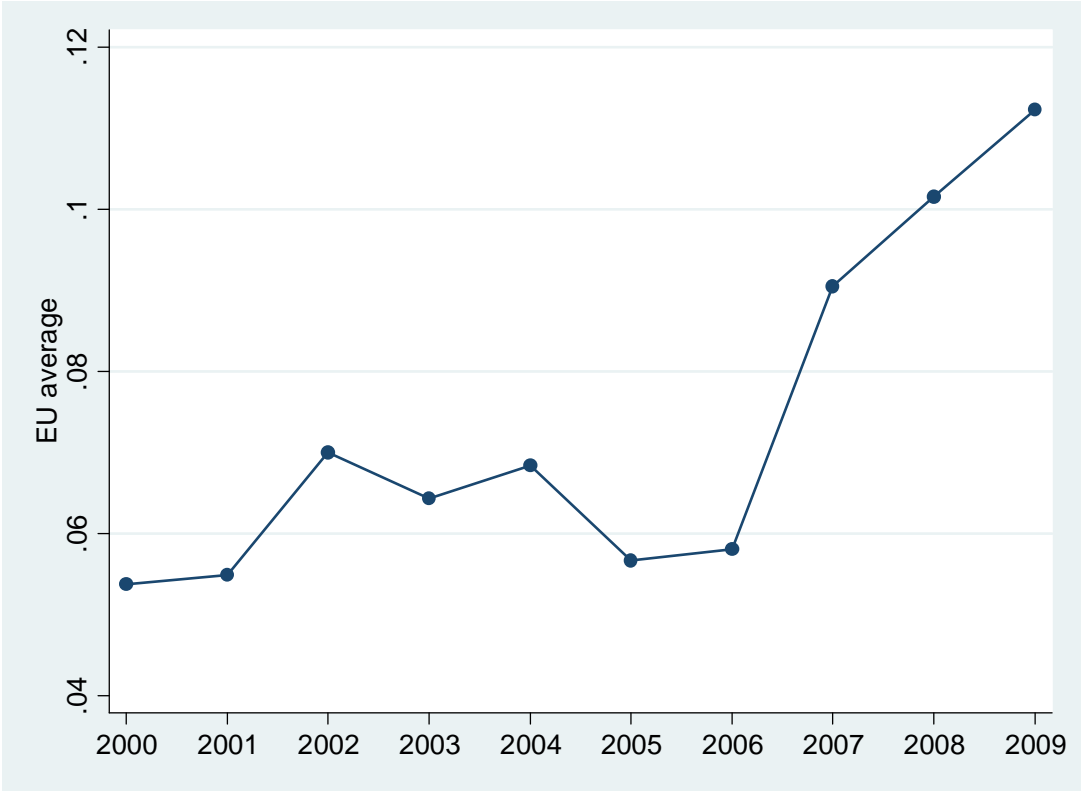
Facing such huge increase in demand, most States have responded with public expenditure in social housing. The investment in social housing was a significant part of some governments' recovery programmes in the immediate aftermath of the crisis, used as a 'social damper'. **Social housing expenditure** as a percentage of GDP experienced a **sharp increase** between 2007 and 2008, followed by a less rapid, but still positive, growth in 2008 and 2009, as shown in Figure 2 where data are averaged across Europe. On average, social housing expenditure represented 0.1% of GDP in the EU-27 area.

A different trend emerges for **rent benefits** as a percentage of GDP, which **decreased** between 2006 and 2007, before experiencing positive growth both in 2008 and 2009 (Figure 3).

<sup>4</sup> CECODHAS (2012), "Impact of the crisis and austerity measures on the social housing sector".

<sup>5</sup> CECODHAS (2009), "Financing social housing after the economic crisis".

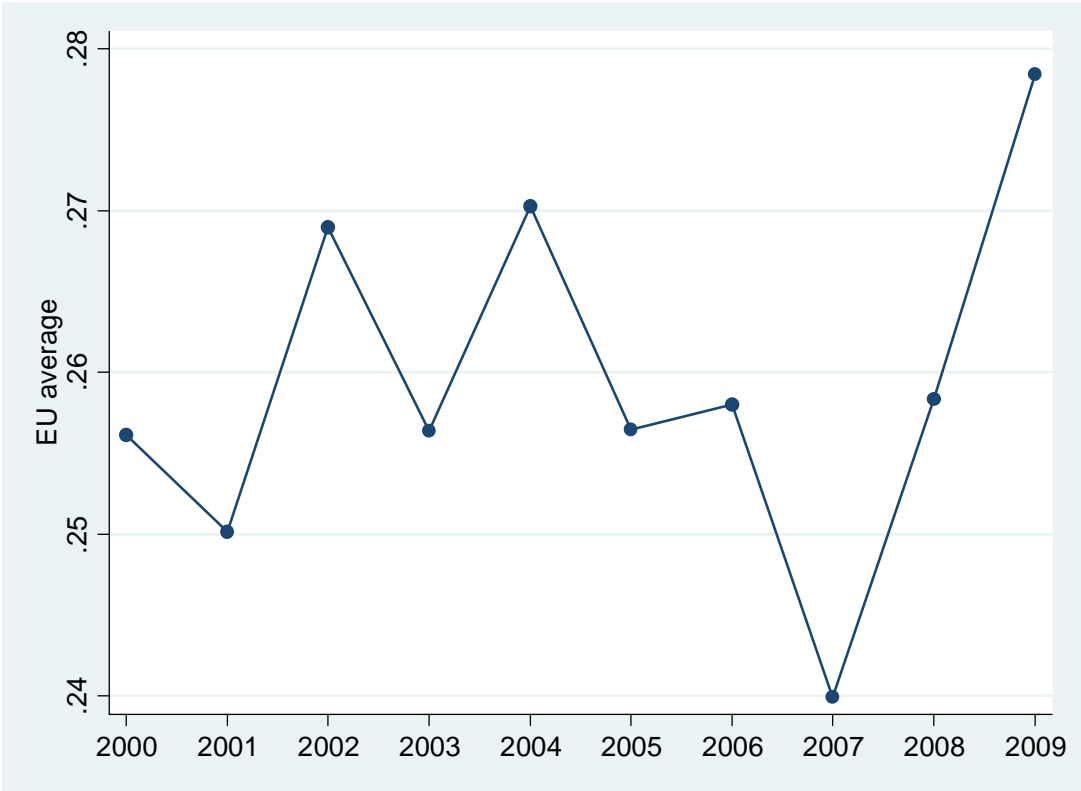
Figure 2: Social housing expenditure as % of GDP – EU27



Source: Eurostat.

Note: Data not available for Bulgaria, Hungary, Italy, Slovakia, Spain.

Figure 3: Rent benefits as % of GDP – EU27

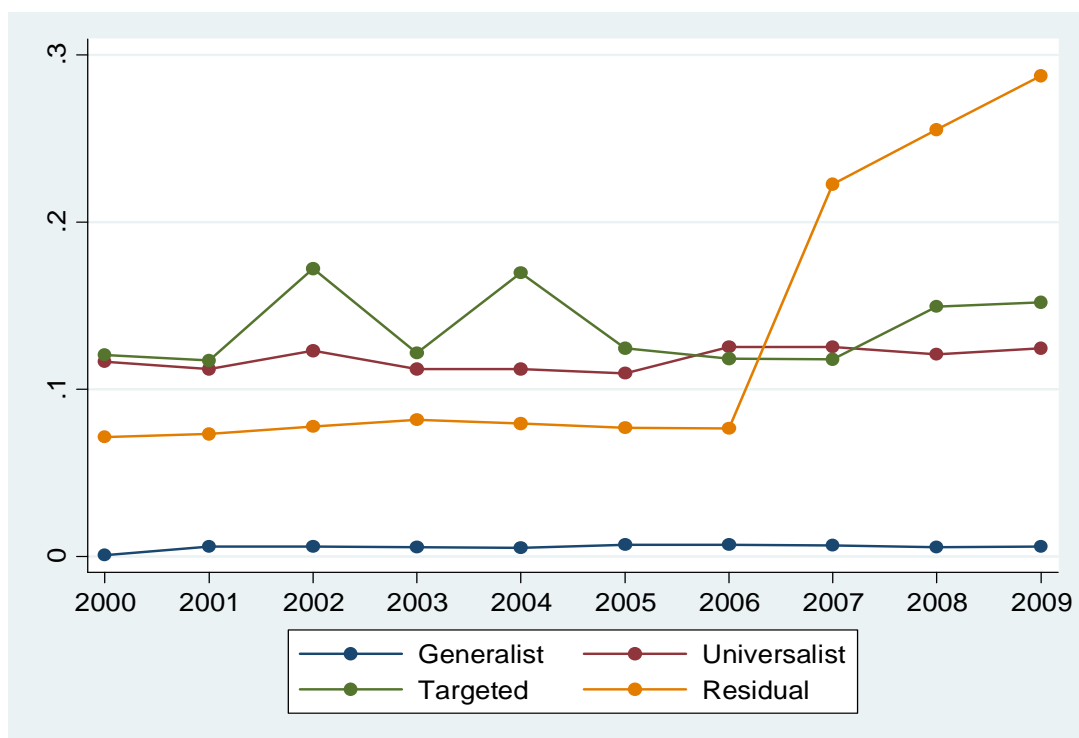


Source: Eurostat.

Note: Data not available for Bulgaria, Slovakia and Spain.

However, the rough average European patterns mask important differences across groups of countries. To provide for our analysis in depth, we classify European countries according to their social housing model based on the Ghekiere classification presented in Chapter 1<sup>6</sup>. As shown in Figure 4, **expenditure is positively correlated** with the level of **targeting**. Countries adopting a targeted social housing model present the highest social housing expenditure as a percentage of GDP (0.12%) until 2005. The same rate amounts to 0.11% for countries adopting a universalist model and to 0.08% for countries using a residual model. The increase in social housing expenditure occurring between 2006 and 2007 and between 2008 and 2009 is concentrated in countries adopting a residual social housing model (+0.03 percentage points compared to less than +0.01 percentage points for countries with a targeted social housing model, and constant values for countries with universalist or generalist social housing models). The crisis significantly increases the number of potential residual beneficiaries. Symmetrically, a different picture emerges with regard to rent benefits. **Rent benefits are negatively correlated** with the level of **targeting**. Indeed, in Figure 5 countries adopting a universalist social housing model have the highest value of rent benefits as a percentage of GDP throughout the entire considered period (0.53% versus 0.45% for countries with a targeted model, 0.39% for countries with a residual model and 0.09% for countries with a generalist model). Moreover, all four country groups experienced an increase in rent benefits between 2007 and 2009.

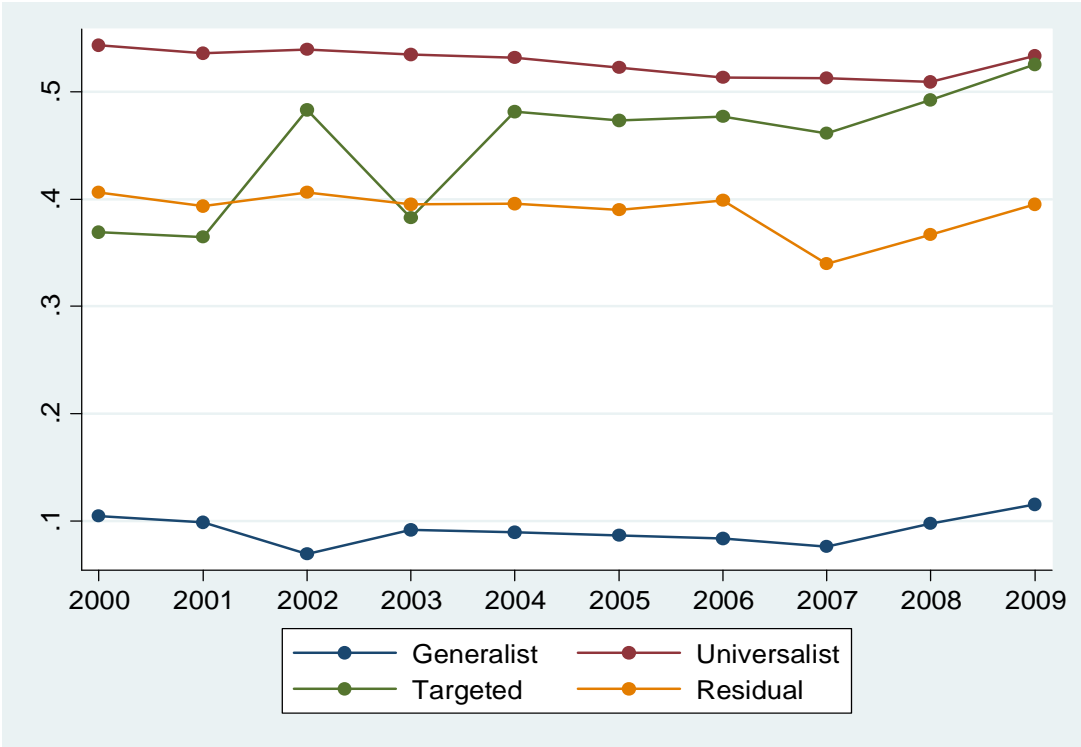
**Figure 4: Social housing expenditure as % of GDP by social housing welfare model**



Source: Eurostat.

<sup>6</sup> The Netherlands, Denmark and Sweden are considered as countries with an universalist social housing model; Austria, Czech Republic, Finland, Poland, Italy, Slovenia and Luxembourg as countries with a generalist social housing model; France, Germany and Belgium are classified as targeted social housing model countries; United Kingdom, Ireland, Estonia, Spain, Hungary, Portugal, Bulgaria and Greece are considered as residual social housing model countries.

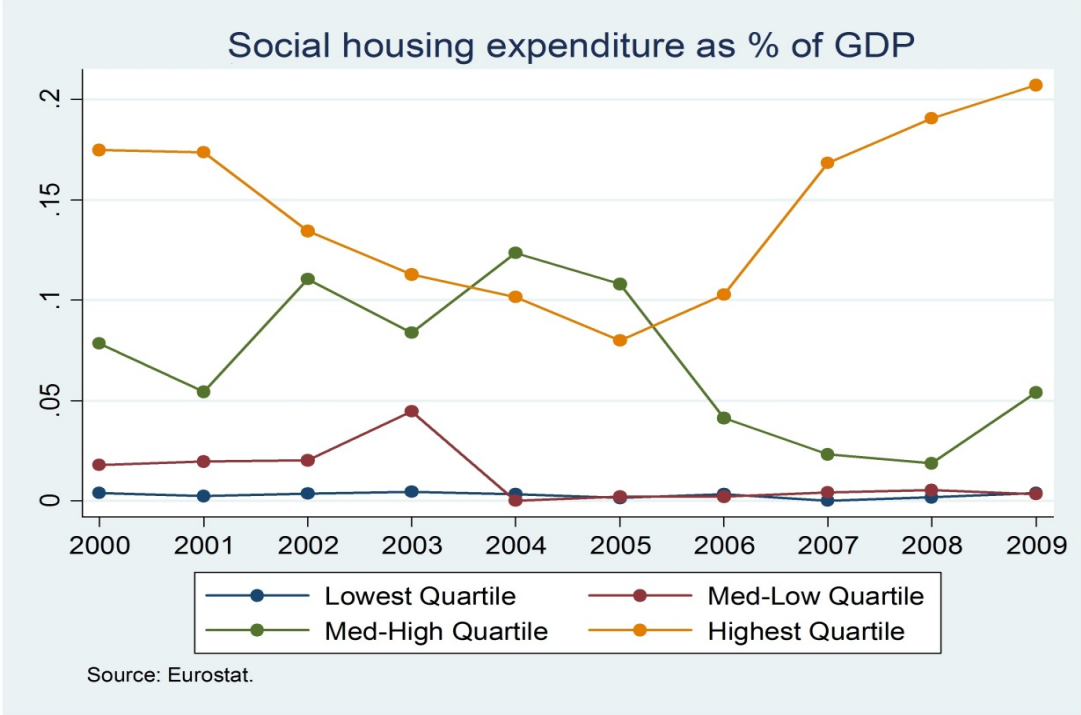
Figure 5: Rent benefits as % of GDP by social housing welfare model



Source: Eurostat.

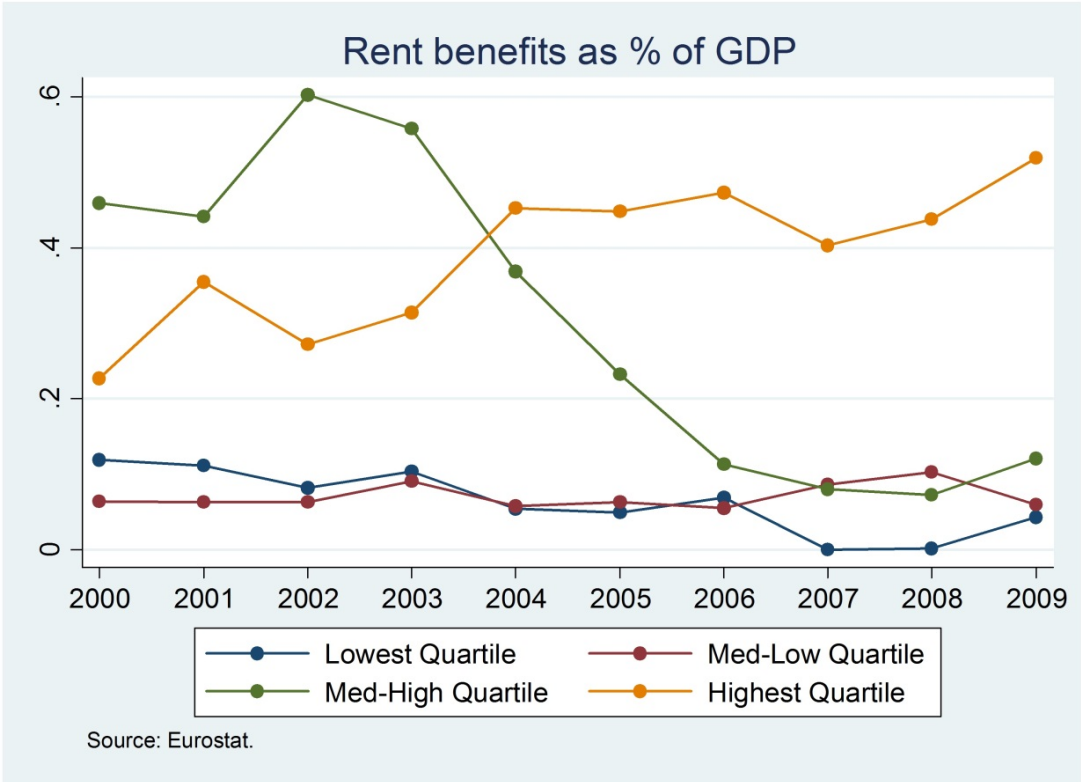
Interesting trends emerge after grouping countries by GDP level, with Figures 6 and 7 showing countries clustered according to GDP quartiles and indicating large and significant cross-country group differences. Social housing expenditure as a percentage of GDP increases, on average, between 2008 and 2009 in countries belonging to the two highest GDP quartiles passing from 0.17% to 0.21% in the fourth and from 0.02% to 0.05% in the third GDP quartile group. In contrast, no patterns are present in countries with the two lowest GDPs: social housing expenditure as a percentage of GDP remains stable at values slightly higher than 0.05% (Figure 6). Symmetrically, the dynamic of rent benefits is increasing, on average, in all GDP country groups apart from the mid-low quartile, where it decreases from 2003. All the quartiles but the med-low responded with an increase in rent benefits to the 2008 crisis (Figure 7).

Figure 6: Social housing expenditure as % of GDP by GDP quartiles



Source: Eurostat.

Figure 7: Rent benefits as % of GDP by GDP quartiles



Source: Eurostat.

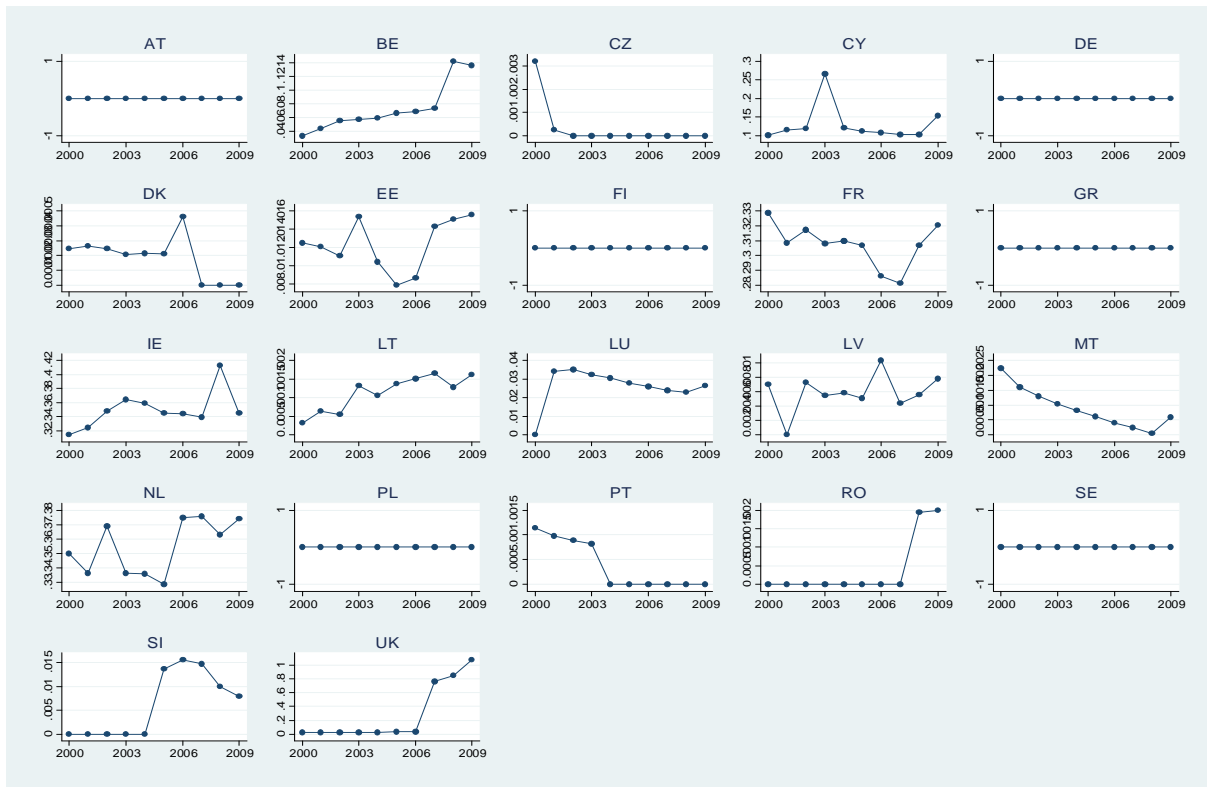
Previous patterns have highlighted that European countries are applying **differing strategies to deal with the economic crisis**, with each country choosing to finance a specific type (or group of) social expenditure that could provide a 'safety net' for an increasing share of the population experiencing severe economic conditions. In addition, it is clear that the economic crisis had different impacts on different indicators within the social housing sector. The case of Ireland is emblematic in offering an example of a winning strategy followed by governments in adjusting public expenditure in the social housing sector. Due to the impact of the financial crisis on the Irish economy and government revenues, government funding to housing associations for the provision of social housing for rent has been suspended or withdrawn, apart from some special needs schemes. Therefore, the model previously adopted, which provided housing associations with 100% government funding to procure social housing for needy households, was stopped. Government funding to housing associations was only maintained for some special needs schemes, namely for pensioners or people with disabilities<sup>7</sup>. Since the economic crisis created a double-challenge for European countries, by increasing housing needs not satisfied in the market and limiting the availability of public resources, one possible way of handling this trade-off was a significant rationalisation of the social housing sector. This could be achieved by reallocating public resources towards those segments of the population more in need, exactly as in the case of Ireland.

Although previous discussion based on relevant country-groups could be useful in detecting common patterns across European countries, it is worth mentioning the large differences in the extent to which European countries have been affected by the economic crisis and how the socio-economic downturn has influenced their social housing sectors. Accordingly, Figures 8 and 9 report the trends in social housing expenditure as a percentage of GDP and rent benefits as a percentage of GDP for each European country where data are available. Between 2008 and 2009, social housing expenditures had a negative variation in Belgium, Ireland and Slovenia, while rent benefits decreased in Greece, Ireland, Latvia, Poland, Portugal and Slovenia. This underlines that some countries' investments in social housing have increased after the economic crisis in order to sustain the large share of the population coping with the socio-economic consequences of the crisis. Social housing expenditure decreased in the immediate aftermath of the crisis in other countries, and especially those most heavily hit by the crisis.

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<sup>7</sup> CECODHAS (2009), "Financing social housing after the economic crisis".

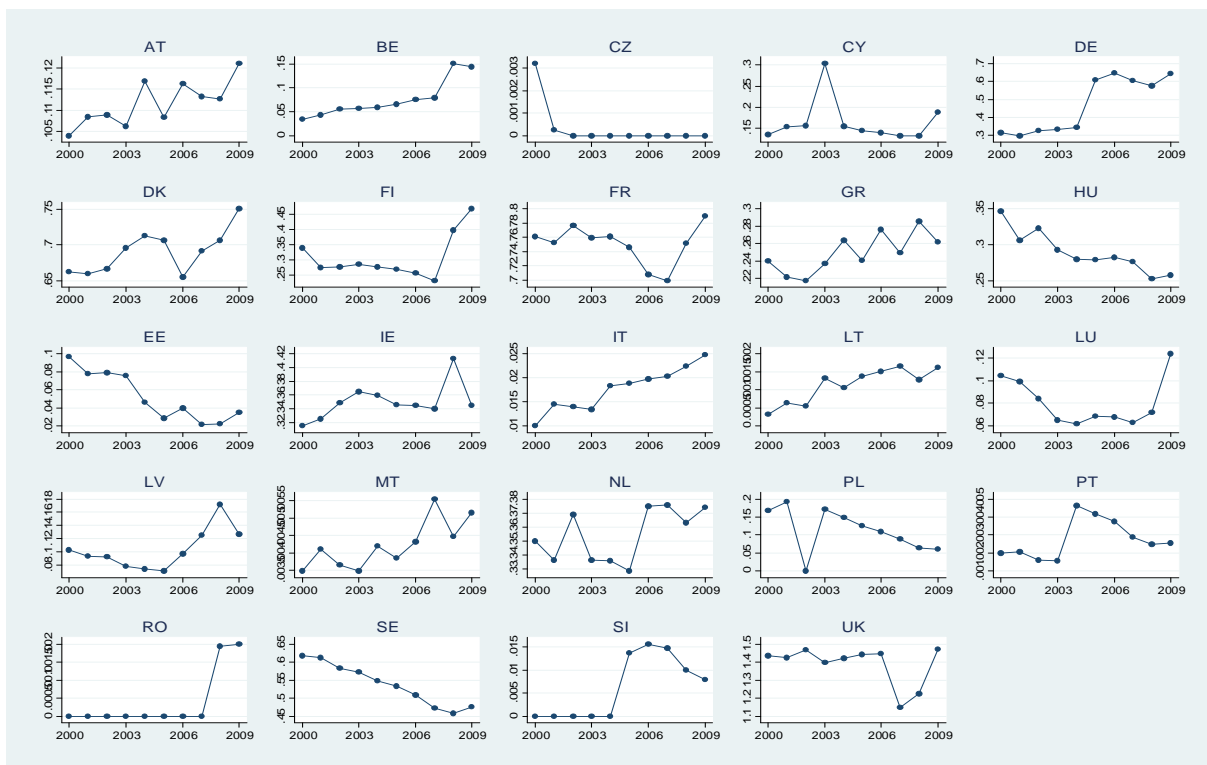
**Figure 8: Social housing expenditure as % of GDP by country**



**Source:** Eurostat.

**Note:** Data not available for Hungary, Italy, Slovakia and Spain. Bulgaria is omitted from the analysis because only a short time-series is available.

**Figure 9: Rent benefits as % of GDP by country**



**Source:** Eurostat.

**Note:** Data not available for Spain. Bulgaria and Slovakia are omitted from the analysis because only few observations are available.

The effect of the financial crisis on basic dimensions of the social housing sector is summarised in Table 2. By comparing data from 2003/2004 to 2008/2009, the table offers a snapshot of how European governments responded to the crisis. Considering as an indicator the percentage of social rental dwellings relative to the total rental dwellings stock, the data suggest no changes or even a small decrease in all European countries for which data is available. It could depend on the widespread increase in home ownership. Differently, the percentage of social rental dwellings relative to the total rental dwellings stock decreased in the same period in Germany, Hungary, Italy and the Netherlands, increased in Austria, Denmark, Estonia and Finland, and remained constant in Belgium, Greece, Latvia and Sweden. Some variation across countries can also be observed in the percentage of social rental dwellings as a percentage of new completions, which increased in Germany, Greece, Latvia, the Netherlands, Poland and Spain, and decreased in Sweden, Slovakia, Romania, Finland and Denmark.

Recent data for France and the UK shows that their governments also supported further investment in the social housing sector in response to the 2008 economic crisis. Indeed, France experienced an exceptional increase in the provision of social housing in 2010, with 131,509 new dwellings built, and similarly England reported a sharp rise in the number of new social dwellings constructed from 2007-08 to 2008-09<sup>8</sup>.

**Table 2: The effect of the crisis**

| Country     | Social rented dwellings as % of total rental dwellings stock in 2008/2009 |           | Social rented dwellings as % of total dwellings stock in 2008/2009 |           | Social rented dwellings as % of new dwelling completions in 2008/2009 |           | Percentage of household receiving social allowances in 2008 |           | Housing subsidies supply (in million Euro) in 2008/2009 |           | Housing subsidies demand (in million Euro) in 2008/2009 |           |
|-------------|---|-----------|--|-----------|---|-----------|---|-----------|---|-----------|---|-----------|
|             | 2003/2004   | 2008/2009 | 2003/2004  | 2008/2009 | 2003/2004   | 2008/2009 | 2003/2004   | 2008/2009 | 2003/2004   | 2008/2009 | 2003/2004   | 2008/2009 |
| Austria     | 59  | ↑         | 23   | =         |   |           |   |           |   |           |   |           |
| Belgium     | 24  | =         | 7  | =         | 6   | =         |   |           |   |           |   |           |
| Czech       |   |           |  |           |   |           |   |           | 22  | ↓         | 538   | ↑         |
| Denmark     | 51  | ↑         | 19   | ↓         | 22  | ↓         | 21  | ↓         | 362   | ↓         | 1,602   | ↑         |
| Estonia     | 46  | ↑         | 1  | ↓         |   |           |   |           | 15  | ↑         |   |           |
| Finland     | 53  | ↑         | 16   | ↓         | 13  | ↓         | 20  | ↓         | 280   | ↑         | 1,661   | ↑         |
| France      |   |           |  |           |   |           | 20  | ↓         | 2,800   | ↑         | 15  | ↓         |
| Germany     | 9   | ↓         | 5  | ↓         | 12  | ↑         | 11  | ↑         |   |           |   |           |
| Greece      | 0   | =         | 0  | =         | 1   | ↑         |   |           |   |           |   |           |
| Hungary     | 38  | ↓         | 3  | =         |   |           |   |           |   |           |   |           |
| Italy       | 19  | ↓         | 4  | ↓         |   |           | 6   | ↑         | 3,506   | ↑         |   |           |
| Latvia      | 2   | =         | 0  | ↓         | 1   | ↑         | 4   | ↓         |   |           |   |           |
| Luxembourg  |   |           |  |           |   |           |   |           |   |           | 15  | ↓         |
| Netherlands | 75  | ↓         | 32   | ↓         | 19  | ↑         | 15  | ↑         |   |           |   |           |
| Poland      |   |           |  |           | 7   | ↑         | 3   | ↓         |   |           |   |           |
| Portugal    |   |           |  |           |   |           |   |           |   |           | 18  | ↓         |
| Romania     |   |           |  |           | 4   | ↓         |   |           |   |           |   |           |
| Slovakia    |   |           |  |           | 12  | ↓         | 2   | ↑         | 57  | ↑         | 67  | ↓         |
| Spain       |   |           |  |           | 16  | ↑         |   |           |   |           |   |           |
| Sweden      | 46  | =         | 17   | ↓         | 15  | ↓         | 4   | ↓         | 173   | ↓         | 1,397   | ↓         |

**Note:** Comparisons are made with 2003/2004.

**Source:** CECODHAS.

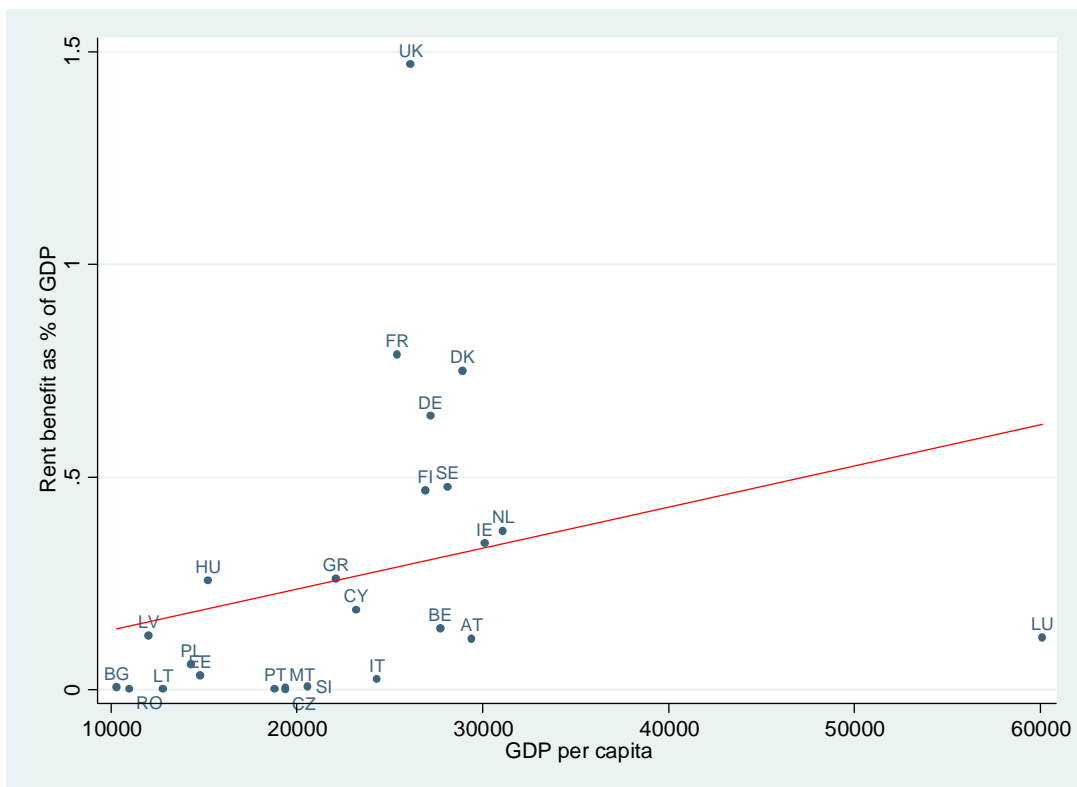
<sup>8</sup> CECODHAS (2012), "Housing Europe Review".



The differences across European countries in social housing provisions in the immediate aftermath of the 2008 economic crisis could also be interpreted in the light of the positive relationship between GDP per capita and public expenditure in social housing. Indeed, as shown in Figure 10, **rent benefits** as a percentage of GDP are **higher** in those countries where **GDP per capita is higher**. Interestingly, despite this positive relationship, the percentage change in GDP between 2003 and 2009 resulted in different variations in social housing expenditures across European countries.

Figures indicate that countries with a lower percentage change in GDP between 2003 and 2009 than the EU average (i.e. Ireland, the UK and Sweden) also have a lower percentage change in rent benefits as a percentage of GDP in the same period (Figure 11). Similarly, Denmark, Lithuania, Latvia and Malta had a percentage change higher than the EU average between 2003 and 2009 in both GDP per capita and rent benefits as a percentage of GDP. Beside what is predicted by the simple positive relationship between GDP per capita and social housing expenditure, other interesting paths are also evident. In Finland, Luxembourg and Belgium, the percentage change in GDP is in line with the EU average, yet the percentage change in rent benefits is higher than the EU average. Moreover, compared with the EU average, the percentage change in GDP is higher for Slovenia, Estonia and Portugal, yet the percentage change in rent benefits as a percentage of GDP is steadily lower.

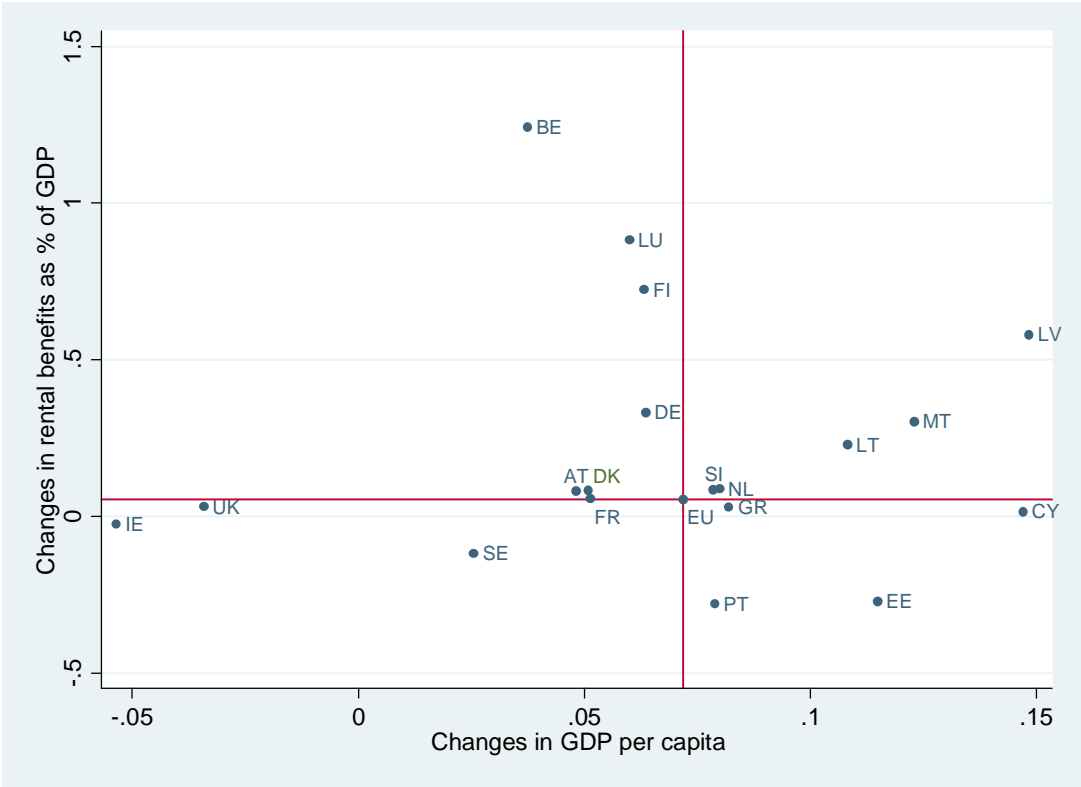
**Figure 10: Rent benefits as % of GDP and GDP per capita – 2009**



**Source:** Eurostat.

**Note:** Data not available for Slovakia and Spain.

**Figure 11: Rent benefits as % of GDP and GDP per capita – changes between 2003/2004 and 2008/2009**



Source: Eurostat.

In conclusion, the data presented in this section highlights the variation in provision of social housing across European countries, and most importantly that countries did not respond homogeneously to housing needs following the economic crisis, exactly as they behaved in other policies. Notably, some governments have expanded their investment in social housing as a means to support the large share of the population coping with the consequences of the crisis, while in other countries the shortage of public resources has forced governments to reduce their interventions in this sector.

**2.2. Recent trends in social housing provision**

Following an initial phase of significant investment in social housing both as a ‘social shock absorber’ and a way to foster the construction sector in many countries, the recent economic downturn that has hit Europe since the middle of 2011 poses a serious threat to the possibilities of national governments to further expand their intervention in the housing market. Indeed, the social housing sector is not immune to recent **cuts in public expenditure and the budget** presently dedicated to housing policies is significantly reduced in a number of countries. Public funds for social housing have recently been reduced in England, Portugal, Poland, Austria and Greece. In Greece, where the debt crisis had the most dramatic consequences, the package of austerity measures passed by the Parliament on 12 February 2012 includes the dissolution of the public organisation delivering low-cost housing to employees and workers, which had represented the only form of social housing in the country. However, there are exceptions to this trend in the EU: in the Belgian regions of Flanders, Wallonia and Brussels-Capital, for example, the social housing sector had a stable, if not increased, allocation of the public budget for 2012.

Significant reduction in public funds devoted to the social housing sector is also represented by the upward revision in the VAT rate applied to social housing, which occurred in Italy, France, the Netherlands and Spain.

A more general trend for the EU social sector is its **increasing targeting** towards the most **vulnerable population**. While this shift is a result of the economic crisis in some countries, in other countries with a “universalist” tradition it is partly due to a convergence process in Europe. The recent reform of the social housing sector in the Netherlands represents one of the most prominent examples of this process. While social housing was accessible to all until 1<sup>st</sup> January 2011, a maximum income limit of €33,000 per household per annum has been introduced.

On the other hand, the decrease in social housing expenditure went hand in hand with a reorganisation of the sector in many European countries. One such example is a common shift from public to private provision of social housing, with an increase in the number of private organisations recognised as social housing providers. The regulation of the sector has also been modified in a number of countries, in order to increase the financial autonomy and sustainability of social housing organisations by relaxing the norms that regulate the way social housing providers should finance their operations.

As a direct consequence of the crisis, the rising need to facilitate access to private funding and better financing conditions for social housing organisations has emerged in many European countries, with social housing having experienced an increasing diversification of its finance mechanisms and sources over the last few decades. Despite more expensive funding following the economic crisis, the sector is actually seen as a **risk free** (and therefore attractive) **investment for lenders** due to its specific features: high level of regulation, significant explicit or implicit guarantees, and long-term, stable and predictable cash flows. Because of the economic crisis, investors have become more risk averse and it somewhat enhances the ability of the social housing sector to obtain funding from the private sector.

Raising additional funding through the private financial sector requires social housing organizations, among others, to prove their creditworthiness to lending and investment institutions. One way of doing so is by adopting a public credit rating, as stated from the experience of one of the largest social housing providers in England.

At present, available data does not allow us to understand the way in which recent austerity measures and cuts in public spending will affect the social housing sector and its ability to meet demand for social housing. These aspects are extremely crucial for social cohesion and stability within Europe, given that expenditure cuts have led to a reduction in the provision of public funds for social housing and a reorganisation of the sector in many European countries. At the same time, a significant increase in the demand for housing occurred due to the highly negative socio-economic conditions for a large share of the population. Recent data on the population distribution by tenure status appears to suggest two main patterns (Figure 12). Firstly, between 2007 and 2010 the percentage of the population living in an accommodation rented at a reduced rate or provided free decreased in the majority of European countries. Secondly, in most European countries this percentage decreased among the population below 60% of the average income, while it increased among the population above 60% of the average income.

According to the Eurostat definition, reduced-rate renters would include those: (a) renting social housing; (b) renting at a reduced rate from an employer; or (c) in accommodation where the actual rent is fixed by law. Based upon the literature, this variable may be

interpreted as a proxy for the dimension of the social housing sector. Accordingly, while these patterns indicate that the provision of social housing (especially social-housing construction for all) has been negatively affected by the economic crisis, new segments of the population have been reporting their social housing needs as not being satisfied by the market.

**Figure 12: Percentage of households living in an accommodation rented at a reduced rate or provided for free**



Source: Eurostat.

Note: Blue lines refer to households below 60% of average income in blue; red lines to households above 60% of average income.

### 3. NEW APPROACHES AND INNOVATIVE ACTIONS

#### KEY FINDINGS

- The economic crisis and changes in the housing market have led to an increased demand for social housing and the emergence of new issues to be addressed, such as the diversification of funding strategies, improvement of energy efficiency and special housing needs of an ageing population.
- Innovative approaches adopted by Member States in response to these challenges can serve as best practices to replicate in other countries with similar policy contexts.
- An innovative social housing project is presented for each of the four social housing models identified in the first chapter, and for an Eastern country. These 'mini case studies' highlight the potential to combine the needs of different generations, build new energy-efficient buildings, provide state-of-the-art social housing along with quality urban services, and enhance residents' participation.

As shown in previous chapters, Member States have recently found themselves faced with a growing demand for social housing and a narrowing of traditional sources of financing.

In addition, societal changes are diversifying the housing needs of the population, with the emergence of new issues for social housing. First, housing vulnerability no longer only affects the most disadvantaged, but also lower to middle-income households, with the latter finding it increasingly difficult to bear housing costs due to the economic crisis. Second, the issue of environmental sustainability and energy saving has gained increasing importance on the European agenda, through specific measures and dedicated funds, relating to measures to combat fuel poverty for social housing tenants. Third, it is increasingly important to find alternative sources of funding to public resources. This can be achieved through partnerships with private stakeholders and the non-profit sector.

Therefore, Member States are required to adopt new approaches and original actions to meet these challenges. Accordingly, this chapter will present a review of several social housing projects implemented in EU Member States, using 'mini case studies' to describe how different Member States are experimenting with innovative approaches to meet the housing needs of their citizens in a time of financial, economic and social crisis.

The projects have been selected based on their innovation capacity concerning the measures adopted, funding strategies, partnerships created and population targeted.

These innovative actions could serve as best practices for other Member States. However, due to significant differences existing between countries concerning social housing systems, the comparability and transferability of national initiatives from one State to another must be considered with caution. For this reason, successful actions have been selected from different housing regimes in order to provide feasible examples for every policy context.

The first project is an example of intergenerational social housing development from the Netherlands (universalist regime). The second deals with the construction of energy efficient social housing in the United Kingdom (residual regime).

The third shows how France (targeted regime) has successfully provided high quality social housing and public services. The fourth project presents the method of self-renovation used in Italy (generalist regime). Finally, a Hungarian participatory project targeting poor social housing tenants was selected to provide an example of innovative action implemented in an Eastern European country.

### 3.1. Combining the housing needs of different generations<sup>9</sup>

**Project Name:** Housing for young mothers and seniors.

**Location:** Beekmos, Houten, The Netherlands.

**Timeframe:** Planning and development since 2008. Start of construction in 2011. The building was completed at the end of 2012.

**Promoters:** Stichting Timon - a non-profit organisation located in Zeist, providing assistance and guidance to young people; Habion - a housing foundation located in Houten, specialised in housing for elderly people.

**Recipients:** Young mothers and adolescent girls who need temporary support to find their housing independence; elderly people as coaches to support young residents.

#### Project description

It is a project of social housing for young mothers and adolescent girls cohabiting with elderly residents in an "assisted living environment". Habion constructs a residential building with 17 housing units and rents them out to Stichting Timon. 13 apartments are intended for young mothers and adolescent girls who can no longer live with their family of origin and need assistance to live independently, for various reasons, while the remaining four housing units are rented on a permanent basis to 'coaches' selected among elderly people.

The role of the coaches is to live like 'good neighbours', being available to assist young people in their small daily needs (e.g. babysitting), also providing relational support and helping them to build social networks. Therefore, the project foresees the sharing of certain activities, such as dining among neighbours on a weekly basis, or organising activities and excursions where youngsters and seniors become better acquainted and improve their social skills.

The building is situated in an urban context, close to different services including schools, day-care centres, health services and social services. The apartments for the senior coaches are located on the ground floor, each with its own garden, while the first and second floors contain the apartments for young residents. The building also includes large collective spaces, consulting rooms and a rooftop terrace. Both the geographical location and the design of the spaces aim to create an environment where the young women can safely develop the skills required for their independence, and the coaches can live comfortably.

This project refers to other similar experiences conducted by Timon in the Netherlands for more than 25 years. The basic concept behind such projects is that young people and "neighbours" share one roof and help each other, with the difference in this case being that the coaches are specifically chosen among elderly people, for the first time. This choice serves a dual purpose. On the one hand, older people are considered suitable for this role because they have the time and necessary life experience to assist young women in a profitable way. On the other hand, this project is not only a way to solve a housing problem for the elderly, but also finding a home that suits their needs.

Moreover, contact with young mothers and their children can add sense and meaning to their lives, countering the sense of emptiness that sometimes affects people in the later stages of life, especially after retirement.

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<sup>9</sup> The information for this case study was taken from a report on best practices of Social Housing for the elderly (CECODHAS 2012).

## Opinions of key players

“These girls have suffered much hardship. We try to help them to get back on track. Eventually the goal for them is to learn to stand on their own in an educational or working environment and enable them to live individually. The natural contact with the senior coaches can be of crucial importance” (Johan van der Veer, Managing Director of Stichting Timon).

“It is wonderful to be able to combine the interests of young and old. Through this project, young people get reliable support and to seniors the concept offers a housing” (Peter Boerenfijn, Managing Director of Habion).

## Innovative features

- It is an intergenerational project. Complementary needs of two social groups are combined in order to create synergies.
- It not only responds to housing problems, but also to the need to build social relations.
- The project aims at creating an ‘assisted living environment’, providing additional services to housing.
- The project was entirely designed and conducted through a partnership between third sector stakeholders (i.e. non-profit organisations providing social housing).

## 3.2. Building new energy-efficient houses<sup>10</sup>

**Project Name:** Passivhaus at Sampson Close.

**Location:** Sampson Close, Coventry, United Kingdom.

**Timeframe:** Originally conceived in 2008. Construction started in 2010. Building completed and inhabitants moved in 2011.

**Promoters:** Orbit Group, composed by Orbit Heart of England (affordable housing and regeneration agency managing around 14,000 properties in the Midlands), and Orbit Homes (development and sales).

**Recipients:** Low-income households (social rental scheme).

### Project description

The project consists of the construction of 23 new affordable, energy-efficient houses at Sampson Close, Coventry. The scheme includes 18 flats and 5 houses, built according to the German Passivhaus standard. The main technical features of the project are listed below:

- High performance insulation, constituted by recycled materials and triple-glazed composite windows ensuring very low heat dissipation.
- Passive and active shading to avoid overheating and ensure occupant comfort.
- Mechanical ventilation and heat recovery system providing a high level of indoor air quality.
- Large solar panels used to heat domestic water and a district gas-fired system for heating the dwellings when needed.
- 100% low energy lighting.
- Extensive use of timber-frame panels for walls and roofs, which were prefabricated in Germany and delivered to site for fast and efficient erection.

<sup>10</sup> The main source for this case study is the Power House Europe website (<http://www.powerhouseeurope.eu>), a project aimed at promoting knowledge and good practices about energy efficiency in social housing. More information on the case study can be found on the Orbit website: <http://www.orbitinnovation.org.uk>.

The objective of these technical solutions is to reduce the energy consumption of dwellings and combat fuel poverty, as heating costs for a two-bedroom flat can be reduced to £2 per week. Moreover, the dwellings do not suffer from cold, draughts, damp and condensation, and the noise from outside is significantly reduced.

The project required an investment of £2.8 million, in part by Orbit, and in part by the Homes and Communities Agency.

A survey was conducted among residents one year after the inauguration, which showed that 83% feel comfortable throughout the winter months, and 95% are satisfied with the affordability of their house. Internal sensors monitoring housing temperature revealed that the average winter temperature in Sampson Close dwellings is around 21°C.

One of the houses of the project was transformed into a living demonstration, to show how residents can minimise their energy bills and explain the potential of Passivhaus technology to stakeholders and professionals.

### **Opinions of key players**

“The lessons we’re learning at Sampson Close are helping us to understand how to approach future low-energy developments to ensure we’re reducing our carbon footprint and slashing our customers’ household running costs” (John Barnham, Head of Sustainable Investment at Orbit Heart of England).

“When we are carrying out work with residents and tenants one of the key factors is the overall cost of housing. It goes beyond just simply rent and services charges because in some of the old stock up and down the country the real burden is fuel costs. If we are able to minimise that we are able to give people more disposable income.

That is why the whole package of the Passivhaus worked for us not just the fact that it was good for the environment” (Ayaz Maqsood, Housing Strategy Manager for the Coventry City Council).

### **Innovative features**

- The project combines environmental sustainability and housing affordability for residents.
- It is the first and largest social housing project in the United Kingdom to obtain Passivhaus Certification.
- The project provides for the monitoring of the internal housing environment through a research project carried out in collaboration with the University of Coventry.
- Even residents’ satisfaction is monitored through periodic surveys.



### 3.3. Providing quality housing and services<sup>11</sup>

**Project Name:** Paris Herold Social Housing.

**Location:** XIX Arrondissement, Paris, France.

**Timeframe:** 2003-2010

**Promoters:** City of Paris, RIVP (Régie Immobilière de la Ville de Paris), AP-HP.

**Recipients:** Low-income households, Dependent elderly people, Single mothers.

#### Project description

The old hospital Hérold, built in Paris the late nineteenth century and moved in 1988, has left an important brownfield area that has been cut into two equal parts by the creation of rue Francis Ponge. The southern area was occupied in 1995 with the Lycée Diderot by architect Jean-François Laurent. However, the city of Paris has decided to undertake an important social housing development for the northern area.

It involves the construction of:

- 100 social housing units for low-income families, including 10 dwellings for residents suffering from severe disability;
- a 100-bed nursing home for dependent elderly people (EHPAD - Etablissement d'Hébergement pour Personnes Agées Dépendantes);
- a nursery school for 60 children, owned by the municipality;
- a centre for medical and psychological care for mothers and children, run by the municipality (PMI - Protection Maternelle et Infantile).

The social housing dwellings are located in three separate five and six storey buildings, fully surrounded by spacious balconies. On the ground floor, there are the houses for people with disabilities and some shops.

The environmental and social quality is enhanced by the creation of a protected garden of 2,800 square metres (EVIP - Espace Vert Intérieur à Protéger). Attention to sustainability is demonstrated by two environmental certifications obtained by the project. The nursery, designed by Architecture Studio Agenzia Terranova, is the first public building in the city of Paris to be certified HQE (Haute Qualité Environnementale), while the social housing units by architects Jacob and MacFarlane are certified "Habitat et Environnement".

The design of the apartments is based on bioclimatic principles, thus enhancing comfort in the different seasons. The rooms oriented to the north have smaller windows and increased insulation to the outside, while the south-facing living rooms and bedrooms have large floor to ceiling windows. The balconies are designed to optimise the shading of the lower floors in the summer months.

Particular attention has been paid to thermal insulation, the balconies able to be used as 'winter gardens' by means of an external transparent curtain made of ETFE. This system is designed to capture the calories produced by the sun, contributing to warming the internal rooms.

Finally, solar panels placed on the roof produce 65% of the hot water for the bathrooms, and a rainwater collection system is used for watering.

<sup>11</sup> The information for this case study was taken from a research publication about European best practices in social housing (Pavesi 2011).

This project constitutes an important precedent for the future planning of Paris' peripheral areas, with the master plan bringing order to a periphery made irregular by the unruly urban development of recent decades, providing a planning direction for future interventions. Furthermore, the project is significant in adopting new standards of environmental sustainability, providing guidelines for sustainable social housing design.

### **Opinions of key players**

"The finished project is a result of both existing urban and ecological factors, which have been considered as conceptual starting points and determining factors in the creation of the design of new urban space" (Jacob and MacFarlane, Architects).

### **Innovative features**

- The use of brownfield sites to build new social housing. Strong link between social housing development and urban planning.
- Attention to environmental sustainability.
- Social and generational mix are the dominant elements of the redevelopment programme.
- Integration of social housing with the creation of support services for the residents of the whole neighbourhood.
- The buildings have multi-faceted and irregular shapes, making the estate recognisable.

## **3.4. Enabling affordable homeownership and creating social networks through self-renovation<sup>12</sup>**

**Project Name:** Self-renovation of buildings owned by the municipality.

**Location:** Bologna, Italy.

**Timeframe:** The project was approved by the municipality in January 2010, while applications were collected from citizens in 2012. The renovation of the buildings will start in 2013 and will be completed by December 2015.

**Promoters:** The Municipality of Bologna and three non-profit organizations: Associazione Xenia (housing support and social mediation); Consorzio ABN (technical, construction and financial issues); Cooperativa ABCittà (participatory processes for a responsible involvement of beneficiaries).

**Recipients:** 43 non-homeowner households with equivalised income higher than € 6,000.

### **Project description**

The project consists of the self-renovation of 43 dwellings located in 10 properties owned by the Municipality of Bologna. The properties have not been used for many years because they are in a state of decay.

Self-renovation refers to the process of recovery of real estate for residential purposes through the contribution of manual work by the future owners, and does not require that participants possess specific technical or professional skills. The future residents are trained and guided by experts through the entire process of execution of works, working on construction sites in compliance with current safety regulations, with individual protective

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<sup>12</sup> The sources for this case study are the project website ([www.autorecupero.org](http://www.autorecupero.org)) and the website of the municipality of Bologna ([www.comune.bologna.it/casa](http://www.comune.bologna.it/casa)).

equipment and appropriate insurance policies. The most complex works and those subject to certification are carried out by specialised companies.

Each resident must provide approximately 900 hours of work on the building site, paying a financial contribution to cover the costs of the intervention. The method of self-renovation facilitates a considerable saving on the costs of labour, allowing families to pay around € 1,750 per square metre for their accommodation.

The project requires that the future residents form a housing cooperative for the execution of works. Prior to the work commencing, the cooperative will be given the surface rights for the dwellings for ninety-nine years, which will be transferred to individual owners after the renovation. Thereafter the cooperative may cease to exist, having achieved its purpose.

A temporary association was formed between three non-profit organizations with different skills with regard to the experts accompanying the process. Associazione Xenia will be in charge of housing support and social mediation, Consorzio ABN will take care of the technical, social and financial issues, and Cooperativa ABCittà will deal with participatory processes aimed at the responsible involvement of the beneficiaries and the community.

One key point is that the inhabitants are required to work on all properties rather than simply their own accommodation. Moreover, beneficiaries do not know from the outset the dwelling where they are going to live, with allocations made through a draw at the end of the works. This choice is intended to ensure an equal commitment of workers in the refurbishment of all dwellings. The co-operative principle of sharing a commitment to achieve a common goal aims to facilitate the development of strong bonds that will form the basis for positive future neighbourly relations.

The amount paid by the residents for the acquisition of the dwellings will be used by the municipality to increase housing supply in the city.

### **Opinions of key players**

“We are launching this project at a time of difficulty for housing policies, when it is important to respond to those who, despite having an income, have difficulty to buy a house on the market. If it is true that 80% of people are homeowners, often it is only nominal ownership, because they have to pay increasingly heavier mortgages” (Riccardo Malagoli, Councillor for Housing – Municipality of Bologna).

“Self-renovation helps to put a stop to land consumption and to recover urban areas that are decayed due to the abandonment of properties” (Marzia Casolari, Xenia Chairwoman).

### **Innovative features**

- It is a project that does not imply expenditures for the municipality, but generates revenue that is allocated to increasing the housing supply in the city.
- Allows the regeneration of unused property, avoiding the land consumption.
- People’s contribution to the works results in costs savings and more affordable houses.
- The participatory process encourages the creation of social networks among residents and lays the foundation for building a cohesive community.
- The residents acquire practical skills that may later be used on the labour market.

### 3.5. Renovating public housing while reducing tenants' debt<sup>13</sup>

**Project Name:** Social Housing Reconstruction Camp.

**Location:** Nagykanizsa, Hungary.

**Timeframe:** Two camps were made in 2010, one in 2012, and others are currently being planned for other Hungarian cities.

**Promoters:** Foundation for the College for Advanced Studies in Social Theory, Municipality of Nagykanizsa.

**Recipients:** Households living in the social rental sector who have accumulated debts due to rent arrears.

#### **Project description**

The objective of the Social Housing Reconstruction project is twofold: to restore run-down estates owned by a local municipality which has difficulty carrying out maintenance works due to a lack of funds; and to help disadvantaged social tenants – mostly unemployed due to the economic crisis – to repay their debts to the municipality.

To achieve these objectives, the project provides for the organisation of labour camps to renovate the buildings using the work of the tenants together with young volunteers. The increase in property values generated by the renovations is credited to the tenants in order to reduce their rent arrears and avoid the risk of eviction.

The camp has a duration of two or three weeks, in which people work every day, including Saturdays and Sundays, allowing the participation of those who have a job. The work starts at 8 and finishes at 5, with an hour-long lunch break. Some of the participants join for a couple of days, whereas others stay for the whole camp. Depending on the amount of work provided, the organisers calculate the reduction of the debt for each participant (5,600 HUF daily, about € 20). In the first two camps organised in 2010, 65 inhabitants were involved, while 31 people (19 households) participated in the 2012 camp, with the average debt reduction of around 43,000 HUF per person (€ 150).

The renovations include thermal insulation of the walls, ceiling and windows to improve energy efficiency and combat fuel poverty.

An important aspect of the project is the presence of volunteers, most of whom are university students from Budapest. Residents can benefit from contact with young and open-minded people, while volunteers gain the opportunity to experience at first hand the problems faced by disadvantaged neighbourhoods. Other volunteers come from special groups, for example Habitat for Humanity, an international organisation fighting housing poverty. They provide professional supervision and assistance in construction management, and participate in the camps with international volunteers, adding an intercultural trait to the project. Another very productive cooperation was established with a local homeless activist group.

To mix people with different social backgrounds and personal histories fosters the creation of social relations in contexts characterised by relational deprivation and helps combating prejudice against social tenants.

The Social Housing Reconstruction Camp won the 2011 SozialMarie prize for social innovation, awarded by the Austrian Unruhe Foundation. The award's committee recognised this project's ability to generate both increases in social value and property value.

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<sup>13</sup> The main sources for this case study are the Social Housing Reconstruction Camp website (<http://www.szepitotabor.hu>) and the Social Innovation Europe project website (<http://www.socialinnovationeurope.eu>).

**Opinions of key players**

“Our call for volunteers is trying to reach people who do not have any contact with disadvantaged people in their ordinary life, thus they can have a real life-changing experience. The university students can later appear as political decision makers or architects just planning social housing units – in a more sensitive way” (Kata Fehér, Camp Organiser).

“It’s a small thing, but we try our best to spread the idea, so it can become something like a model one day, an example others can follow. We want people to realise that it’s possible to start making changes with a few resources!” (Ádám Pintér, Camp Leader).

**Innovative features**

- The project combines different purposes in an original way, including the reduction of household debt and building renovation.
- The city enjoys a growth in the value of its properties without spending money.
- Households avoid the risk of eviction and at the end of the work have more energy-efficient dwellings.
- The project enables the development of social networks between different social groups, and the empowerment of the inhabitants.

## 4. LATEST DEVELOPMENTS AT THE EU LEVEL

### KEY FINDINGS

- Housing is a right recognised by international and EU legislation, also forming part of the social inclusion objectives of the Europe 2020 strategy.
- Social housing is a Service of General Economic Interest, but also a market sector increasingly open to new private players. This has led to the emergence of competing interests at the EU level, such as the commitment towards social inclusion and the concern for open competition in the single market.
- The disputes on state aid that have arisen in recent years have been resolved by the European Commission applying a restrictive definition of social housing, which is only intended for the disadvantaged. This hinders the universalist approach of some Member States.
- There is a need to reconcile these conflicting interests while preserving the prerogatives of states in defining their services of general interest and safeguarding the different welfare approaches present across Europe.
- Also, the debate on the need for a common definition has increased. The current economic, financial and social crisis has boosted European housing needs and it requires structural responses coordinated at a central level by the EU.

### 4.1. Housing as a right in international legislation

When considering the recent European developments in social housing, it is first necessary to address the issue of housing rights in international legislation. Access to adequate housing has been a right recognised by international legislation for many years now. This section is devoted to a brief overview of the main legal sources dealing with this issue at the international and EU level<sup>14</sup>.

The Universal Declaration of Human Rights, adopted by the **United Nations** in 1948, recognises the right to adequate housing in Article 25, stating that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, *housing* and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.

General Comment No. 4 on the Right to Adequate Housing, adopted by the UN Committee on Economic, Social and Cultural Rights (CESCR) in 1991, says that housing rights are of central importance for the enjoyment of all other economic, social and cultural rights. Moreover, it specifies the minimum guarantees that actually constitute the right to housing as: legal security of tenure; availability of services, materials, facilities and infrastructure; affordability; habitability; accessibility; suitable location; and cultural adequacy. Under public international law, these rights apply to everyone, regardless of age, economic status or social affiliation. Furthermore, the **Council of Europe** addressed the issue of the right to housing in the European Social Charter, adopted in 1961 and revised in 1996. Article 30 of the revised version deals with the right to protection against poverty and social exclusion, establishing an obligation for States to promote effective access to a variety of services, including housing.

<sup>14</sup> For further reading on this issue see Leckie (2000), Kenna (2005), CoE (2008), Leckie and Huggins (2011).

Additionally, Article 31 explicitly recognises the right to housing, binding States to take actions aimed to promote access to housing of an adequate standard, to prevent and reduce homelessness, and to make the price of housing accessible to those without adequate resources.

With regard to the **European Union**, the debate on housing has mainly developed from the late 1990s. An important point of reference in this debate is the **European Parliament Resolution on the Social Aspects of Housing** (1997)<sup>15</sup>. This document expresses the need “to include within the Treaty provisions which lead to the progressive realisation of the fundamental social rights of people living in Europe, those rights to include the right to decent and affordable housing for all”. Moreover, the Resolution calls for the development of a housing policy at European level, “based on efforts to provide adequate housing for all”.

This commitment is made concrete in the **Charter of Fundamental Rights of the European Union**, first proclaimed in 2000 and amended in 2007. In Article 34, “the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices”.

Since the Lisbon Treaty came into force in December 2009, the Charter has the same binding legal effect as the Treaties, and decent housing is consequently formally recognised as a right by the European Union. In addition, the Treaty states that the European Union “shall combat social exclusion and discrimination, and shall promote social justice and protection” as well as “economic, social and territorial cohesion”.

Finally, it should be noted that the housing issue is also part of the **Europe 2020 strategy**. The European Union has established five objectives on employment, innovation, climate/energy, education and social inclusion to ensure a smart, sustainable and inclusive growth. The target involving social inclusion is to have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020, with the achievement of this goal measured by an indicator corresponding to the sum of persons who are at risk of poverty or living in households with very low work intensity or who are severely materially deprived. Material deprivation includes, among others, indicators related to housing and environment of the dwelling, such as unaffordability of rent and utility bills, and impossibility to keep a home adequately warm<sup>16</sup>.

It is thus recognised at both the international and EU level that decent housing is a right and prerequisite for the social inclusion of individuals and families.

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<sup>15</sup> A4-0088/97, OJ C182, Vol. 40, 16 June 1997.

<sup>16</sup> A person is defined as severely deprived if he/she experiences at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.



## 4.2. Social housing as a Service of General Economic Interest

To ensure the right to housing as recognised by international law, and to meet the requirements of the Treaty and achieve the Europe 2020 targets, social housing represents a key instrument given that it allows access to adequate housing for people who could not afford it under market conditions.

For this reason, social housing is considered a Service of General Economic Interest (SGEI) in all respects. The definition of SGEI, together with the more general Service of General Interest (SGI) is contained in a recent communication of the European Commission, entitled "A Quality Framework for Services of General Interest in Europe"<sup>17</sup>.

**Service of general interest (SGI):** SGIs are services that public authorities of the Member States classify as being of general interest and, therefore, subject to specific public service obligations (PSO). The term covers both economic activities (see the definition of SGEI below) and non-economic services. The latter are not subject to specific EU legislation and are not covered by the internal market and competition rules of the Treaty.

**Service of general economic interest (SGEI):** SGEIs are economic activities which deliver outcomes in the overall public good that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention. The PSO is imposed on the provider by way of an entrustment and based on a general interest criterion, which ensures that the service is provided under conditions allowing it to fulfil its mission.

SGEIs are bound by specific rules with regard to competition and state aid. State aid in the European Union is generally prohibited by the Treaty, because it distorts competition and trade in the single market, unless justified by reasons of general economic development. Therefore, "the Treaty leaves room for a number of policy objectives for which State aid can be considered compatible", if they are "necessary for a well-functioning and equitable economy"<sup>18</sup>. Given their public utility aims, EU legislation provides for the possibility of using public resources when economic compensation is needed to offset the additional costs incurred by the service provider to comply with the public service obligation.

Specifically concerning social housing, Mosca (2011a) highlights the rationale behind such a regulation.

*"[Social housing providers] have obligations in terms of social prices (rent ceiling) and the grant of housing units (according to arrangements determined in each member state), which bring about costs (lower revenues and management costs related to unpaid bills, for example). Public aid compensates for these public service obligations and specific costs and can consist of reductions on the price of public land, fiscal exemptions, guarantees, subsidies, etc."* (Mosca, 2011a, p. 16).

EU legislation on state aid for SGEIs has changed over time, with the first set of rules being the so-called 'Monti-Kroes' package, dating back to 2005 and emerging in the wake of the 2003 'Altmark ruling'. The 'Monti-Kroes' package defines the conditions under which the compensation granted by a public body to an organisation providing a public service is possible without prior notification to the Commission. For those cases in which notification is required, the package sets out the circumstances under which compensation may be authorised.

<sup>17</sup> COM/2011/0900 final.

<sup>18</sup> The official definitions and the latest EU legislation on state aid can be found on the following website: [http://ec.europa.eu/competition/state\\_aid/overview/index\\_en.html](http://ec.europa.eu/competition/state_aid/overview/index_en.html).



With regard to social housing, its highly local nature limits the risk of distortion of competition generated by the grant of public resources. In addition, the profits of social housing organisations are generally reinvested in building new social housing units. For this reason, the package provides that aid given to social housing by Member States is exempted from notification to the Commission.

However, the package entails a narrow definition of social housing by restricting it only to “housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market conditions”. As will be detailed later, this restrictive definition has created problems for several Member States and currently finds itself in dispute.

In December 2011, the ‘Monti-Kroes’ package was reformed by the launch of the so-called ‘Almunia’ package, according to which contributions of up to € 500,000 over 3 years are part of a *de minimis* regulation and are not considered state aid<sup>19</sup>. Aid above € 15 million per year must be notified, and is regulated by a Framework establishing their compatibility (this threshold was € 30 million in the previous package)<sup>20</sup>.

Finally, a Decision establishes that compensation for SGEIs is exempted from notification if under € 15 million, or for those services “meeting social needs as regards health and long term care, childcare, access to and reintegration into the labour market, *social housing* and the care and social inclusion of vulnerable groups”<sup>21</sup> (regardless of the amount).

However, the preamble to the Decision (point 11) uses the same restrictive definition of social housing contained in the ‘Monti-Kroes’ package.

### 4.3. Disputes on state aid to social housing

The scope and definitions of social policies vary considerably between European countries, as they respond to welfare regimes that have historically developed according to different models. In order to preserve these differences, the EU legislation provides a wide margin of discretion for individual Member States in defining what they consider a SGEI, with the Commission's role to verify the absence of manifest errors in the definition.

As discussed in the first part of the briefing note, social housing, like other social policies, is defined differently between EU Member States. In some cases, these definitions are more extensive, and in others more restrictive. Moreover, unlike other types of SGEI, social housing is strongly intertwined with the market economy, and particularly the real estate market. In fact, the transfer of competences on social housing by States to for-profit or non-profit organisations has led to a diversification of the stakeholders involved in the sector and the emergence of competing interests in recent decades (Balchin, 1996; Edgar et al., 2002; Rhodes and Mullins, 2009).

Competition and coexistence of such different definitions of social housing have led to some controversies between real estate developers, social housing providers and the European Commission in the last decade, concerning the legitimacy of state aid for social housing (Bartosch, 2007; Oxley et al., 2010). In the rest of the section we briefly summarise the major controversies on this subject.

<sup>19</sup> OJ L114, 26.04.2012, p. 8-13.

<sup>20</sup> OJ C8, 11.01.2012, p. 15-22.

<sup>21</sup> OJ L7, 11.01.2012, p. 3-10.

### 4.3.1. The Swedish case

In 2002 and 2005, the European Property Federation (EPF) – an organisation representing the interests of the real estate industry – presented two complaints to the European Commission, questioning the legitimacy of state aid granted for social housing in Sweden. Due to the ‘utility value’ principle in force in Sweden, two dwellings with the same characteristics should have approximately the same rent. This means that Municipal Housing Companies, receiving public subsidies, set the benchmark for all rents in the market. According to EPF, this practice has distorted market competition and disadvantaged real estate developers. Accordingly, the Commission challenged the Swedish universalistic model of social housing, given that it does not only provide housing for disadvantaged groups, but rather for all citizens, and consequently does not comply with the restrictive definition of social housing as a SGEI.

This action led to the Swedish government liberalising the social housing sector in 2007, removing this service from the list of SGEIs and abolishing the public service compensation for the Municipal Housing Companies. This decision was dictated by the desire to maintain the universalistic model of social housing without violating EU laws on competition. According to several analysts, operating according to a ‘businesslike principle’ could lead to an increase in rents, especially in urban areas with greater housing demand (Lind 2007, Pawson et al. 2011, Elsinga and Lind 2012).

### 4.3.2. The Dutch case

In response to a state aid notification by the Dutch government, the European Commission raised doubts about public funding schemes for social housing organisations in 2005 (Dormal Marino, 2005). The Commission considered the support granted by the Dutch authorities as overcompensation, due to the aid received by the social housing bodies not being proportionate to the costs incurred for the public service obligation.

In 2007, IVBN (Association of Institutional Property Investors in the Netherlands) presented a complaint to the Commission, claiming that state aid to social housing caused a distortion of competition. The Commission confirmed that the Dutch model was not compatible with EU rules, with social housing not only targeting socially disadvantaged persons, and it therefore could not be defined as a service of general interest.

This stance prompted negotiation between the Commission and the Dutch government to make the social housing model compatible with the competition rules. An agreement was reached in 2009, whereby 90% of social housing in the Netherlands must be assigned to households with an income below € 33,000 per year<sup>22</sup>.

This decision was contested by a group of 133 organisations involved in social housing, through an action for annulment brought to the General Court in 2010. The applicants argued that by introducing an income threshold for access to social housing, the Commission went beyond its powers, imposing the Netherlands with its own definition of social housing and thus violating what should be a prerogative of individual member states. At the same time, IVBN lodged another action before the Court, claiming that the measures adopted by the Commission were not sufficient to correct the competition distortion.

In 2012, both actions were dismissed by the Court<sup>23</sup>, which legitimised the new model of Dutch social housing.

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<sup>22</sup> This agreement is expressed by a decision of the Commission dated 15.12.2009 (C/2009/9963).

<sup>23</sup> 2012/C 49/42 ; 2012/C 258/39.

The Dutch case has been analysed by several commentators suggesting that the decision-making practices of the Commission correspond to a preference for a selective and residual model of social housing that does not fit the inclusive tradition of housing policies in the Netherlands (Gruis and Priemus 2008; Elsinga et al. 2008; Priemus and Gruis 2011).

#### 4.3.3. The most recent cases: Belgium and France

Following a complaint by private real estate developers, the Belgian Constitutional Court raised 12 questions to the EU Court of Justice in April 2011 to ascertain the legitimacy of a measure implemented by the Flemish government in the field of social housing. This measure requires the developers of projects containing more than 50 flats to yield at least 20% of the land to social housing organisations. Alternatively, they may sell part of the dwellings at controlled prices to affordable housing providers or offset them by € 50,000 for each housing unit not supplied. The dispute lies in the government not notifying this measure to the Commission as a state aid, which according to the applicants violates EU laws on competition. In their opinion, notification was required because the assets to be provided are not only intended for disadvantaged citizens, but to a wide range of social groups (Mosca 2011b).

In July 2012, UNPI (Union Nationale de la Propriété Immobilière), an organization that brings together private developers in France, lodged a complaint to the European Commission concerning subsidies granted by the French state to organisations that provide social housing. UNPI argues that the funding model of the French social housing is not compatible with the EU rules on state aid for SGEIs. In particular, UNPI disputes the fact that part of the social housing stock (owned by the local authorities) does not provide income thresholds for access and therefore is not specifically targeted to disadvantaged citizens.

UNPI filed this complaint in order to defend the interests of property owners and real estate developers. On the opposite side, different organizations working in the field of social housing took official positions against the complaint.

*"It is clear that the social rental housing sector in France, as in many other European countries, can play an even more important role in addressing homelessness and other forms of serious housing exclusion, but it is not by challenging public investment in social housing that a solution for these problems will be found. UNPI should, together with the homeless and the social housing sectors, call upon the EU to use its financial and political resources to support member states to develop effective strategies to address homelessness and housing exclusion in which both the private and the social rental housing sectors can play a role"* (FEANTSA, the European Federation of National Organisations Working With the Homeless)<sup>24</sup>.

*"I believe the Commission has to clarify once and for all the EU rules applying to social housing without leaving the space for such complaints, it is putting social housing providers in a position of legal insecurity, preventing them from answering the housing shortage, at a time where they should be building much more"* (Sven Bergensträhle, President of the International Union of Tenants)<sup>25</sup>.

*"Private landlords should indeed also provide affordable housing. If they want the same State aids as our French members are receiving I still want to remind them that it goes with the same obligations on price, allocation, contract, prevention of eviction, not-for-profit aims..."* (Kurt Eliasson, President of CECODHAS Housing Europe)<sup>26</sup>.

<sup>24</sup> [http://www.feantsa.org/files/freshstart/Policy%20documents/Response\\_state\\_aid\\_france.pdf](http://www.feantsa.org/files/freshstart/Policy%20documents/Response_state_aid_france.pdf).

<sup>25</sup> [http://www.iut.nu/EU/Pressreleases/Statement%20Pressrelease\\_CECODHAS\\_IUT\\_9July2012.pdf](http://www.iut.nu/EU/Pressreleases/Statement%20Pressrelease_CECODHAS_IUT_9July2012.pdf).

<sup>26</sup> <http://www.housingeurope.eu/news/2658>.

#### 4.4. Reconciling competing interests

As the previous sections of this chapter have highlighted, the field of social housing is subject to competing interests. On the one hand, there is the need to provide adequate housing for all citizens, as recognised by international and EU legislation. In this sense, social housing is a fundamental tool available to Member States, also for the attainment of the social inclusion objectives of Europe 2020. However, on the other hand, social housing is an economic sector that is increasingly open to the market and is therefore subject to EU rules on fair competition.

The contrast between these conflicting interests relates to the differences between the two opposite models of social housing presented in Section 1. The first is a universalist and inclusive model, which does not place income thresholds on the access to social housing. This model aims to achieve a good level of social mix for the tenants, in order to avoid social segregation and stigmatisation. The second is a residual and selective model, in which social housing is only intended for vulnerable groups who are unable to meet their housing needs in the market. The first model is present in countries with a social democratic tradition in welfare, while the second stems from the liberal tradition.

Although it is recognised that both the definition of Service of General Economic Interest and the implementation of housing policies are the responsibility of individual Member States (Doling 2006), the decision-making practices of the Commission have shifted *de facto* some of these prerogatives to the European Union (Oxley 2009). In doing so, the Commission has so far given preference to the residual model, rendering it difficult or impossible for some Member States to pursue a universalist social housing policy. Several analysts underline that interpretation of social housing that is too restrictive hinders the implementation of social mix policies, highly developed in countries such as the Netherlands (Priemus and Gruis 2011), Sweden (Kemeny et al. 2005) and France (Ghekiere 2011).

Gruis and Priemus (2008) summarise the aforementioned processes, proposing a possible solution:

*“When applied to housing, EU competition policy seems to favour a development towards dualist rental systems and is in danger of leading to stigmatisation and further spatial segregation among income groups. [...] Thus EU policy in this area seems to contain contradictions with respect to its treatment of housing and could also come into conflict with EU policies to combat social exclusion. [...] Although it is impossible to give general advice that applies to all countries, it is argued here that the best option is to retain the possibility of hybrid landlords by applying a sharper administrative separation between social and commercial tasks, together with a broad definition of the social tasks that these landlords can perform within the national borders (Gruis and Priemus 2008, p. 504).”*

The tension between social and economic rights is not limited to the field of social housing, but rather spans all areas of social policy. This makes EU law similar to a Janus Bifrons: “one face promises opportunities, the other poses threats” (Barbier and Colomb 2012, p. 13). The demand for social protection is increasingly pressing in the current phase of economic and social crisis, with social vulnerability affecting wider strata of the European population. In this context, priority has to be given to reconciling the competing interests towards solidarity and market competition (Krajewski et al. 2009).

#### 4.5. Does the EU need a common definition of “social housing”?

The recent recession prompted increasing concerns at the EU level about housing affordability, which is among the priorities identified by the 2012 Annual Growth Survey<sup>27</sup>. Despite the starting point of the crisis being fairly standard, since speculative bubbles are an established economic phenomenon, its consequences and effects were particularly unexpected in terms of their global dimension and diffusion.

The crisis did not hit all Member states with the same strength, yet almost all countries experienced a sharp increase in housing and real estate prices. Housing expenditures have represented an increasingly significant share of household budgets in recent years, mainly for low-income families, and the potential beneficiaries of social housing services have therefore significantly increased, with new population groups requiring housing assistance. Consequently, high pressure on the demand for housing services has placed great emphasis on the social housing sector in almost all Member States.

Moreover, social housing policies have recently been included in the public and political debate across Member States, due to the **negotiation process** concerning **policy priorities** and **budgetary resources** for sustainable development after 2013.

It is notable that housing is not an EU competence, however the housing sector is affected both directly and indirectly by EU rules. The development of EU laws and regulations has affected the social housing sector, and similarly housing issues are influencing EU legislation. For this reason, we should ask ourselves whether having a single common definition of social housing across EU is necessary or effective from a policy perspective.

First and foremost, the lack of a common definition makes it somewhat difficult to identify a clear unique strategy for the sector. It is worth saying that CECODHAS, the European Federation of Public, Cooperative & Social Housing<sup>28</sup>, acts as a link between the national social housing sectors at the EU level, aiming to reconcile country specific positions in order to promote global actions. In addition, all Member States use the term “social housing” in a broad sense to indicate those housing provisions that respond to administrative procedures and do not respond to market mechanisms. Given this common broad mission, all European countries consider social housing as a service of general economic interest and the CECODHAS coordination action within the sector is effective, despite states defining and offering different social housing services.

Nevertheless, CECODHAS has highlighted the need for a common definition in many documents, which would enable the easy implementation of European policies. According to the **principle of subsidiarity**, housing policies are stated by national or local (regional) governments in all EU member states, and given the lack of common definition the functioning of the social housing sector is completely country-specific, which hinders the possibility of adopting Union policies. Some stakeholders have doubts about the fact that a common definition could call into question the subsidiarity principle. It would not happen and, instead, it would produce positive externalities within the sector. In fact, the subsidiarity principle would still be applicable but, with a single common definition, it would have the additional advantage of increasing the range of instruments that could be used to implement housing policies. The aim of European policies should involve the definition of instruments, while local authorities should subsequently define the implementation of specific policies. Moreover, housing is closely related to socio-economic and environmental aspects, whose policies are designed at the EU level. Therefore, it appears crucial to have a

<sup>27</sup> See the survey for more details [http://ec.europa.eu/europe2020/pdf/ags2012\\_en.pdf](http://ec.europa.eu/europe2020/pdf/ags2012_en.pdf)

<sup>28</sup> It is a network of 45 national and regional federations of housing providers in 19 countries.



common framework for these three areas of intervention, and a common definition of social housing across states would be very useful.

A further advantage of having a common social housing definition is to reconcile positions in the actual **debate** about the **mission of social housing**. Namely, should social housing be a universal or a targeted service? For the ever-increasing share of low-income households, barriers to home ownership are higher than previously, with no alternatives between social rental accommodation and private ownership. However, social housing needs are becoming particularly diversified, with new/innovative housing policies required to satisfy specific requests. Therefore, while needs are becoming “universal”, they also appear to require “targeted responses”. Assuming such duality, almost all states have recognised the importance of supporting the provision of decent and affordable housing in a broader context, beyond welfare concerns.

Data suggest that actual housing needs are not country-specific and that they are growing in a global way across EU States. This calls for structural and global responses coordinated at a central level by the EU. As suggested in a recent interview by Thierry Repentin, President of the *Union sociale pour l'habitat*, the EU could act at a central level, for example, by “promoting new financial instruments based on “solidarity” and by organising better macroeconomic surveillance on housing bubbles”.

In addition, a common definition of social housing could **stimulate specific actions** on new groups experiencing ever-increasing housing needs, such as elderly and young people. In this respect, the EU could act as a driving force by promoting actions and interventions on newly identified specific targets. Similarly, it could promote investment in renewing housing stock whose quality is very deteriorated in most cases. Many stakeholders have recently emphasised the importance of introducing agencies and advisory services in the housing sector. It is only possible to promote policies for investment to develop such agencies if certainty is established concerning the boundaries of the sectors.

Finally, given that many different stakeholders operate in the affordable housing sector, a clear and common legislative framework is required for their activities. It would also be useful to create a network of local housing market observatories and tools for monitoring housing markets, with representatives of local authorities, housing providers, social housing beneficiaries and institutions (local and national) analysing policies and identifying good practices. Homogenising the sector could make all public actions easier and more effective, including the implementation of European policies. Global needs require global actions. It is important to highlight that the desire for a homogenising definition is justified by lobbies or group-specific interests in some cases. As suggested by many contributions in the study of Boccadoro (2008), owing to the recent reduction in public financing some housing sector stakeholders (especially builders and social housing providers) have started to identify the opportunities opened by EU regulation and thus try to influence and induce decisions with their actions. Their idea is that the European recognition of a specific mission of the social housing together with a common definition would offer two advantages: to guarantee a minimum level of public finance and to ensure the sector stability. For these reasons, they place such emphasis on the need for a unique definition.

All EU member states and European institutions are certain that the housing dimension is crucial for social inclusion, and it has consequently been included in the **Open Method of Coordination**. As highlighted by Boccadoro (2008), the Commission view on social housing has changed over the past decade. Although it recognises that state interventions are necessary in the housing market because of market failures, some positions are not

completely coherent, which could relate to housing issues being tackled by different directorates without a sufficient level of coordination<sup>29</sup>.

A positive result for the sector is that social housing has been recognised as a social service of general interest, which permits certain exonerations or derogations from competition law, as discussed in previous paragraphs.

Nevertheless, some open issues persist, and particularly for the boundaries of the sector. It is important to clarify at a central level what social housing is, its mission and its aim.

This topic is still new and developing within the area of social housing, and existing literature does not present solutions ready at hand. However, from what has emerged in writing this briefing note, providing a single definition of Social Housing at the EU level appears to be rather problematic given the differences between the models applied in various countries. If this solution were to be pursued, it would be appropriate to do so through a democratic debate between the Member States, where each could contribute with its own welfare experience and tradition, leading to a common definition of social housing. However, in order to be shared by all Member States and preserve the universalist models of social housing, this definition should be much broader than the one currently adopted in the legislation on competition.

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<sup>29</sup> See Boccadoro (2008) for a more detailed discussion.

## 5. CONCLUSION

It is widely acknowledged that housing plays a crucial role in enhancing social cohesion. However, despite long being included among the universal rights and access to good quality and affordable housing being a fundamental priority, more than 3 million people in Europe still lack access to decent housing. Social housing represents the traditional welfare instrument to tackle housing needs, although from a semantic perspective the term itself defines a variety of interventions depending on the considered country. However, three elements in defining social housing are common across EU Member States: a mission of general interest, the objective of increasing the supply of affordable housing and specific targets defined in terms of socio-economic status or the presence of vulnerabilities. Its broad mission to satisfy households' housing needs in terms of access to and permanence of decent and affordable housing is identified according to four dimensions characterising and differentiating housing models and policies across the EU: the tenure, the provider of the service, the beneficiaries and the funding arrangements. Taking these features into account, social housing models can be classified as universal, targeted, generalist or residual.

The 2007-2008 economic crisis worsened the socio-economic conditions of an increasing share of the population, leading to a higher demand for affordable housing and social allowances in the majority of European countries. Fewer resources were allocated to the sector in all states due to budget constraints, and European countries have applied differing strategies to deal with the economic crisis. Accordingly, each country has chosen to finance a specific type (or group) of social expenditure that could provide a 'safety net' for the fraction of its population in fragile economic conditions.

The EU Member States have recently been faced with new challenges in the social housing sector. First, the economic crisis exacerbated the housing problems of disadvantaged groups and gave rise to affordability issues for new social strata. Second, public budget deficits and resulting cuts have made it increasingly complicated to apply the traditional social housing model, mainly based on state subsidies. Third, the population's housing needs are increasingly diversified as a result of demographic and social changes in Europe, including the ageing of the population and migratory flows. Finally, the new issues of environmental sustainability and energy saving are setting the housing policy agenda, also through dedicated funding streams.

In response to these challenges, Member States are required to adopt innovative strategies in order to: a) include social groups who are particularly affected by the economic crisis or usually excluded from traditional social housing policies; b) diversify sources of funding; c) involve new stakeholders creating partnerships between public, market and third sector organisations; and d) develop high quality, energy efficient, socially mixed social housing. The good practices presented in this report can be taken as examples from other Member States, however, the significant differences present across social housing systems in Europe suggest caution in terms of the comparability and transferability of national initiatives.

Further challenges for the sector are emerging through the most recent developments at the EU level concerning the conflicting interests that have to be reconciled in the social housing sector. While the need exists to ensure adequate and affordable housing for all citizens, there is also the concern of ensuring open competition among market players.



In its decision-making practices concerning state aid, the European Commission has presently adopted a restrictive definition of social housing, which only targets disadvantaged groups. While this definition might be appropriate for residual social housing models, it does not fit the universalistic model, where social housing is intended for all citizens with the aim of developing socially mixed neighbourhoods. To meet the requirements of the Treaty and achieve the social inclusion targets of Europe 2020, it appears necessary to extend the current definition of social housing through a democratic process in which the different Member States can bring their own experience to achieve the recognition of their welfare tradition.

Finally, this briefing note highlights the growing debate concerning the necessity of a common definition of social housing and its mission. On the one hand, social housing needs are becoming very diversified and new/innovative housing policies are required for specific target groups, yet on the other hand almost all states recognise the importance of supporting the provision of decent and affordable housing in a broader context. Homogenising the sector could make all public actions easier and more effective, including the implementation of European policies. Global needs require global actions.

However, the analysis conducted in this briefing note appears to suggest that providing a single definition of Social Housing at the EU level would be rather problematic, with too many differences present in the models adopted by different countries. Adopting a common and uniform definition could be possible after a democratic debate between States exploiting positive externalities from specific welfare experiences and traditions. The resulting definition could be much broader than currently adopted in the legislation on competition.

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## ANNEX

Table 3: Social Housing in EU

| COUNTRY        | MISSION   | ALLOCATION CRITERIA   |  | TYPE OF PROVIDERS   | TYPE OF PUBLIC SUPPORT TO FINANCING SOCIAL HOUSING                          | SALE OF SOCIAL RENTAL DWELLINGS                        | SOCIAL HOUSING RENTS AND SOCIAL ALLOWANCE |
|----------------|---|---|--|---|---|--|---|
|                |   | Eligibility   | Priority   |   |   |  |   |
| Austria        | Providing decent housing to people below a certain income ceiling   | Income ceilings (at the provinces level)  | Additional social criteria                                   | Local authority, Independent public body/public owned company, Co-operative, Other private non-profit, Private for-profit | Grants and public loans from housing promotion schemes of Federal Provinces | Right to buy   | Cost-based rent + housing allowances      |
| Belgium        | Providing decent housing for low-income households  | Income ceilings and no housing property (combined with the household size) + target groups          | Additional priority criteria based on urgency of needs       | Local authority, Independent public body/public owned company, Other private non-profit,                                  | Grants and public guarantees from the region                                | Right to buy; No sale of rental social housing allowed | Income-based rent                         |
| Bulgaria       | Housing vulnerable groups in need   | Low-income, no housing or other property, permanent residence in the municipality                   | Priority to special needs + tenants in restituted properties | Local authority   | Directly provided through municipal/local authority budget                  | Sale to sitting tenants allowed                        |   |
| Cyprus         | Housing low-income households and refugees  | Displaced families and refugees + (new scheme) for low income families, large families and disabled |  | Central government  |   |  |   |
| Czech Republic | Social housing: housing low and middle income households; Public housing: providing households with regulated housing | Varying across different housing types/schemes  | Usually priority to low-income people                        | Local authority, Co-operative, Other private non-profit, Private for-profit   | Directly provided through municipal/local authority budget                  |  | Cost-based rent                           |

| COUNTRY | MISSION  | ALLOCATION CRITERIA  |  | TYPE OF PROVIDERS  | TYPE OF PUBLIC SUPPORT TO FINANCING SOCIAL HOUSING                                 | SALE OF SOCIAL RENTAL DWELLINGS          | SOCIAL HOUSING RENTS AND SOCIAL ALLOWANCE  |
|---------|--|--|--|--|--|--|--|
|         |  | Eligibility  | Priority   |  |  |  |  |
| Denmark | Providing housing for everyone who needs it  | Registration on waiting list not absolutely restricted                       | Priority categories based on local conditions  | Local authority, Co-operative, Other private non-profit                              | Public loans and public guarantees by municipality                                 | No sale of rental social housing allowed | Cost-based rent + housing allowances   |
| Estonia | Housing people in need (vulnerable group)  | People with low income and no means to solve their housing needs             | Households most in need, such as elderly people or tenants of "restituted" homes, disabled persons | Local authority  |  | Sale to sitting tenants allowed          |  |
| Finland | Providing housing for everyone who needs it  | On the basis of social need and urgency                                      |  | Independent public body/public owned company, Other private non-profit               | Interest rates subsidies and public guarantees from ARA                            | Sale to sitting tenants allowed          | Cost-based rent + housing allowances   |
| France  | Housing households under a certain income ceiling and increasing social mix  | Income ceilings  | DALO established priority access for homeless people and others based on urgency of needs          | Independent public body/public owned company, Co-operative, Other private non-profit | Grants from state and/or local authorities; Public loans from CDC through Livret A | Sale to sitting tenants allowed          | Cost-based rent/ Fixed rent ceiling(s) + housing allowances                        |
| Germany | Housing people excluded from housing market; providing middle to low income families with access to home ownership | Income ceilings decided by each Lander + direct allocation by municipalities | Vulnerable households most in need   | Private for-profit   | Interest rates subsidies by federal state and/or the Lander                        | Sale to sitting tenants allowed          | Income-based rent (in part of Germany)/ Fixed rent ceiling(s) + housing allowances |
| Greece  | Housing vulnerable groups (refugees, natural disasters...); housing employees who contribute financially           | Workers and employees + special programmes targeting vulnerable groups       |  | Independent public body/public owned company   | Grants from the government   |  |  |

| COUNTRY    | MISSION  | ALLOCATION CRITERIA  |   | TYPE OF PROVIDERS   | TYPE OF PUBLIC SUPPORT TO FINANCING SOCIAL HOUSING                         | SALE OF SOCIAL RENTAL DWELLINGS          | SOCIAL HOUSING RENTS AND SOCIAL ALLOWANCE   |
|------------|--|--|---|---|--|--|---|
|            |  | Eligibility  | Priority  |   |  |  |   |
| Hungary    | Housing low-income people and vulnerable social groups   | No central regulation, but usually income limits and no own housing property             | No central regulation, but usually priority for families with children    | Local authority   |  |  | Cost-based rent + housing allowances  |
| Ireland    | Housing low-income people and disadvantaged groups   | Income ceilings  | Social criteria determining vulnerability                                 | Local authority, Co-operative, Other private non-profit, Private for-profit   | Public loans from local authorities  | Sale to sitting tenants allowed          | Income-based rent + housing allowances (not in social housing but in private rental sector)                   |
| Italy      | Social rental housing : housing low-income people ;<br>Social access to home ownership: housing middle class | Income ceilings, occupational or residential link with the municipality, and nationality | Point system based on housing conditions and number of dependent children | Local authority, Independent public body/public owned company, Co-operative, Other private non-profit, Private for-profit | Grants and interest rates subsidies from the region for subsidised housing | Sale to sitting tenants allowed          | Income-based rent (for public providers) / Fixed rent ceiling(s) (for private providers) + housing allowances |
| Latvia     | Housing vulnerable and socially disadvantaged people   | Low-income households  | Priority to elderly   | Local authority   | Directly provided through municipal/local authority budget                 | No sale of rental social housing allowed | Fixed rent ceiling(s) + housing allowances (for utility costs)  |
| Lithuania  | Housing people in need   | Vulnerable groups  |   | Local authority   | Directly provided through municipal/local authority budget                 | No sale of rental social housing allowed |   |
| Luxembourg | Housing low-income people  | Income ceilings and no housing property  |   | Local authority, Independent public body/public owned company   | Grants from the State  |  | Income-based rent   |

| COUNTRY         | MISSION  | ALLOCATION CRITERIA  |  | TYPE OF PROVIDERS   | TYPE OF PUBLIC SUPPORT TO FINANCING SOCIAL HOUSING                                       | SALE OF SOCIAL RENTAL DWELLINGS | SOCIAL HOUSING RENTS AND SOCIAL ALLOWANCE                |
|-----------------|--|--|--|---|--|---------------------------------|--|
|                 |  | Eligibility  | Priority   |   |  |                                 |  |
| Malta           | Housing low-income people and vulnerable groups                            |  |  | Central government, Other private non-profit  | Grants from the Housing Authority  |                                 |  |
| The Netherlands | Housing low-income people and intermediate groups                          | Varying across regions and municipalities; currently income ceilings apply   | Households on relatively lower incomes                           | Other private non-profit  | Public guarantees from central government  | Sale to sitting tenants allowed | Income-based rent/ Value-based rent + housing allowances |
| Poland          | Providing rental housing for middle income households                      | Varying across municipalities, usually income brackets   | Homeless, low-income families and families who have been evicted | Local authority, Co-operative, Other private non-profit   |  | Sale to sitting tenants allowed | Cost-based rent  |
| Portugal        | Housing and re-housing low-income people                                   | Varying according to the different programmes  |  | Local authority, Independent public body/public owned company, Co-operative, Other private non-profit | Grants and public loans from central government with co-financing from local authorities | Sale to sitting tenants allowed | Income-based rent/ Fixed rent ceiling(s)                 |
| Romania         | Housing vulnerable target groups   | Varying across municipalities, usually low-income households + (new scheme since 2009) young professionals and Roma families | Disadvantaged groups and tenants in restituted properties        | Local authority   | Directly provided through municipal/local authority budget; transfer from State budget   |                                 | Income-based rent/ Fixed rent ceiling(s)                 |
| Slovakia        | Housing low-income people, particularly those depending on social benefits | Varying across municipalities  | Priority on the basis of need                                    | Local authority   | Grants and public loans from State Housing Development Fund                              |                                 | Cost-based rent + housing allowances                     |



| COUNTRY        | MISSION   | ALLOCATION CRITERIA   |   | TYPE OF PROVIDERS   | TYPE OF PUBLIC SUPPORT TO FINANCING SOCIAL HOUSING   | SALE OF SOCIAL RENTAL DWELLINGS          | SOCIAL HOUSING RENTS AND SOCIAL ALLOWANCE |
|----------------|---|---|---|---|--|--|---|
|                |   | Eligibility   | Priority  |   |  |  |   |
| Slovenia       | Housing low and middle income people                      | Income ceilings (low income but still able to afford rents) and poor housing conditions | Additional social criteria  | Local authority, Other private non-profit   | Directly provided through municipal/local authority budget; Public loans from the Housing Fund of the Republic of Slovenia           | Sale to sitting tenants allowed          | Value-based rent + housing allowances     |
| Spain          | Housing low-income households and people in special needs | Income ceilings and no housing property   | Disabled people and dependent persons; other priority criteria are established by the Comunidades autonomas on the basis of local situation | Local authority, Independent public body/public owned company, Co-operative, Private for-profit                           | Interest rates subsidies and public guarantees from central government; Complementary funding (grants) from the regional governments | Sale to sitting tenants allowed          |   |
| Sweden         | Providing decent and affordable housing for everyone      | Access to municipal housing is in principle open for all                                |   |   |  | No sale of rental social housing allowed | Housing allowances                        |
| United Kingdom | Housing people in need                                    | Persons/households in need and with residential link to the municipality                | Priority to homeless and others based on urgency of needs   | Local authority, Independent public body/public owned company, Co-operative, Other private non-profit, Private for-profit | Grants from government   | Right to buy                             | Value-based rent + housing allowances     |

Source: CECODHAS (2007), CECODHAS (2012).

**NOTES**



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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