

Social housing policies: A Res Publica?

Gerlinde Gutheil-Knopp-Kirchwald

Lecture at the IFIP Annual Conference, June 9, 2017. Revised transcription

Thank you for inviting me. It is a special situation for me to stand here now „as a guest“; after many years at TU Wien, it is just one month ago that I have changed to my new employer, the Austrian Federation of Limited-profit Housing Associations (GBV).

Thank you for giving me the chance to present our chapter on housing policy in the book „Public or Private Goods? Redefining Res Publica“ (Gutheil-Knopp-Kirchwald, Kadi, 2017). I am also speaking on behalf of my colleague and co-author Justin Kadi.

I would like to structure my lecture into four parts: I will first talk about the relationship between Housing policy and the welfare state: Which role plays housing policy in the welfare state debate? I will then turn to two case studies and look at Vienna and Amsterdam. In particular, I will delve into the main issue of our contribution in the third part and speak about spatial inequality in the two cities. I will end with some conclusions in the fourth and final part.

1 Housing policy in the welfare state debate

In the traditional welfare state literature (e.g. Esping-Andersen, 1990) you will not find a lot on housing policy. The reason for this probably is that housing was for long not considered a public task or a sphere that showed a high degree of state interventions like pension systems or health care. Torgersen referred to housing as the „wobbly pillar of the welfare state“ (Torgersen, 1987), pointing to the limited and somewhat unclear role of housing in the wider welfare state.

However, especially in urban studies, the role of housing policies for social welfare is broadly acknowledged. One can find several studies on the correlation of (specific) housing policies and housing outcomes such as segregation patterns and the level of segregation (Arbaci 2007, Giffinger 1998, Musterd and Ostendorf 1998). Also, the vast literature on the „European City“, as well as writings about „the just City“ (in particular Fainstein, 2010) give housing policies much attention, mainly referring to the importance of social housing for dampening inequalities. Often, it is linked to the assumption that an integrated housing market, meaning a system with a large social housing sector that is able to compete with the private market and not only focused on the lowest income group, but addressing larger parts of the society, would result in mixed communities or at least would have a decreasing effect on segregation.

In the post-war period, housing policies also aimed at promoting economic competitiveness: At least in Austria, the intention was to keep housing costs low in order to allow lower and therefore internationally more competitive wage levels. With the objective to encourage social mix via housing policies also goes the expectation that *“class differences would vanish because of spatial proximity”* (Levy-Vroelant & Reinprecht, 2008).

Figure 1 plots welfare state regimes in different European countries against urban segregation patterns (Arbaci 2007). The focus was on ethnic concentration. She described four ideal clusters that largely correspond to Esping-Andersen’s welfare models, but additionally are characterized by their resulting degrees of socio-spatial segregation. According to her results, cities with a corporatist welfare cluster (e.g. Vienna) have both high shares of immigrant population and a low ethnic concentration.

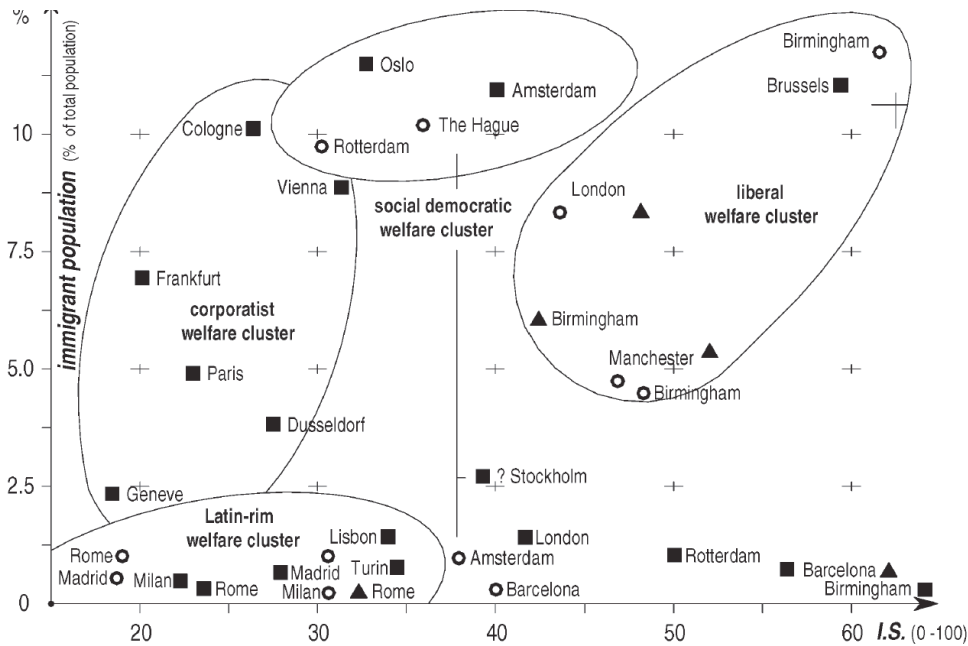


Figure 1: Degree of Spatial Concentration (1999–1995).

Source: Arbaci 2007, p.409

Segregation is somewhat higher in cities with social democratic welfare regimes (e.g. Amsterdam), but highest in cities of the liberal welfare cluster.

2 Case studies Vienna and Amsterdam

Now I would like to come to some empirical results of our study for Vienna and Amsterdam.

Why did we choose these two cities? Mainly, because they have a lot in common concerning social housing policies. Both have a very long tradition of de-commodified housing provision and a strong commitment of the state to housing policies. If you look at the tenure structure, you can see that in both cities the majority of units is either owned by the municipality, by limited-profit housing associations, or belongs to the regulated private rental sector. Approximately two third of the housing stock is – more or less – de-commodified in both cities. Only a third belongs to the private market sector without price regulation.

But both cities experienced strong changes within the last twenty years. We summed it up by “supply-side changes” and “demand-side changes”. On the supply side you could discern political and economic driving forces that point to growing influence of the private market in both cities. In Vienna, for example, there was a certain liberalisation of the rental regime (1994), an termination of new construction in the council housing sector (2004), and a strongly

increased attractiveness of the real estate market for private investors (since 2008).

Similar, but even stronger so in Amsterdam: There was a very strong shift towards owner-occupancy, to a large part resulting from related policy changes (tax deductions and other incentives) and at the same time a reduction in supply-side subsidies within the rental sector. All these changes can be described as a trend towards re-commodification of the housing sector, which is however more clearly discernible in Amsterdam than in Vienna (Gutheil-Knopp-Kirchwald, Kadi, 2014; Kadi, 2015, Kadi & Musterd, 2015).

At the same time, one can observe very strong demand-side changes: The low-income population has increased in both cities, related to immigration and staggering income developments within the lowest income quartile.

So you have demand-side changes and supply-side changes at the same time; some of them are “home-made” in the sense that they are the outcome of intentional policies. And suddenly, the de-commodified sectors are squeezed in from both directions: a weakened supply is confronted with a growing demand. This has a number of consequences:

- i. In both cities, you had a very dynamic price increase in the residential real estate market, which is a logical market reaction to the supply shortage.
- ii. At the same time, there is a trend of residualization within the social housing sector, meaning that the lowest income group is increasingly concentrated in the social housing sector, which was not the case before.
- iii. Long waiting lists and reduced accessibility of the social sector and the regulated private sector, especially for new entrants.
- iv. An increase of socio-economic segregation and spatial inequality.

Numbers 1 to 3 have already been discussed in this journal in Gutheil-Knopp-Kirchwald & Kadi, 2014. For the last I would like to show some results.

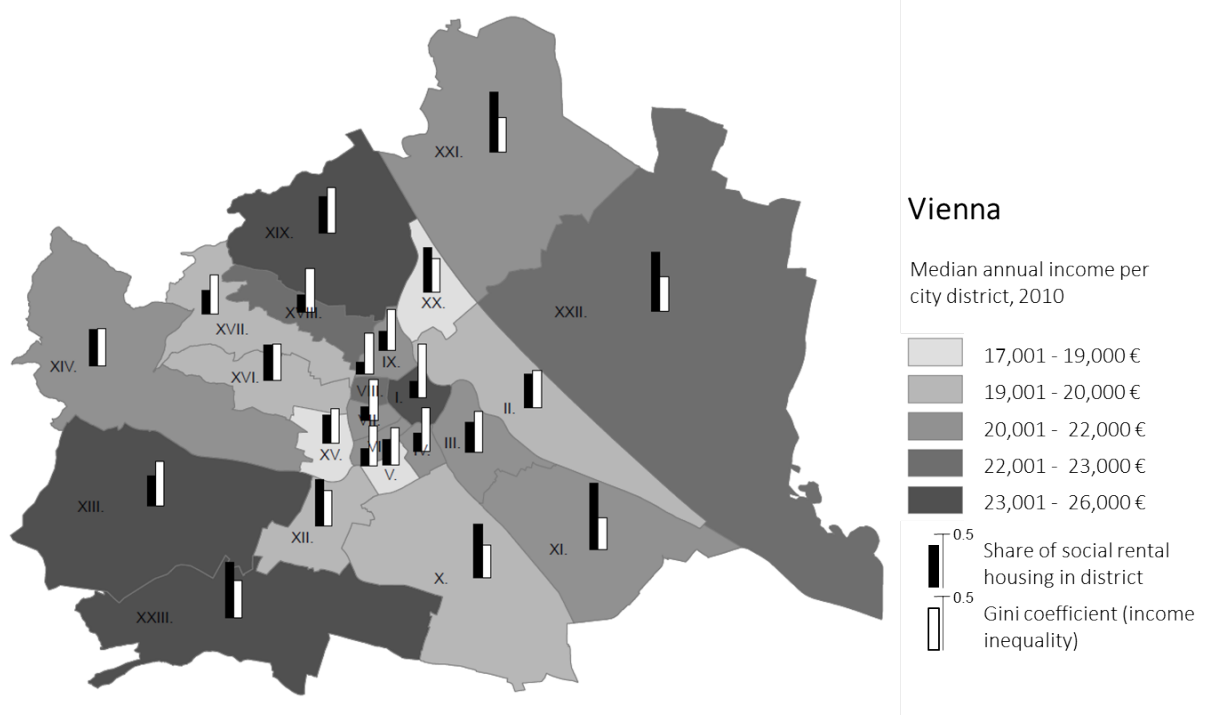


Figure 2: Share of social rental housing, income level and income inequality in the city districts of Vienna
 Source: Gutheil-Knopp-Kirchwald, Kadi (2017), p. 182
 (Figure 10.1)

3 Spatial inequality and the role of social housing

We looked at the spatial distribution in Vienna and Amsterdam and studied the inequality through three indicators, at a rather rough spatial level of city districts. In this paper, I will focus on the results for Vienna. The three indicators are:

- i. The share of social housing in a district,
- ii. The GINI coefficient of the income distribution at the district level and
- iii. The mean annual personal income per city district.

In our definition, a low spatial inequality is characterized by low income differences at the city level, but rather high differences within a city district, meaning that the urban society as a whole is rather equal, and the remaining income differences are not resulting in spatial segregation. Poorer households and well-off households live nearby in the same district, resulting in quite mixed neighbourhoods.

And we are asking, which role is social housing playing for social mix.

First, we saw that there obviously is no correlation between the share of social housing and the income level within a district. It is the case for both cities, but I am showing it here only for Vienna. This means, that social housing is quite widely distributed over the city, and even where there are concentrations of the social housing sector,

it is not necessarily in the rather „poor“ districts. We saw another interesting result, this time it was a significant negative correlation: When you compare the black and the white columns (Figure 2), you can see that in most districts the one is high and the other low, and vice versa. The black column is representing the share of social housing, the white column the GINI-coefficient of the income distribution. A negative correlation (cf. Figure 3) between the two indicators means: the higher the share of social housing, the lower is the income inequality, or, put differently, the lower is the social mix within the district. In districts with predominantly private rental sector, there are more mixed societies; people of different income strata live nearby.

What can be concluded from that?

First, you could say: The income distribution is more polarized in the private rental sector, and in fact, this is true for the old „Gründerzeit“ districts. But you also could say: In these districts, the mixture works out better than in the districts dominated by social housing. Partly this can be explained by the different rental regimes within the old private rental sector, which allows different income groups to live there. For example, old rental contracts that have been issued before the semi-liberalisation¹ of 1994, offer low rents to tenants and allow low-income households to

¹ „Semi-liberalisation“ refers to the introduction of „benchmark rents“ in the pre-WWII housing stock, which still are regulated rents, but in most cases can be considered as „close-to-market“ rents.

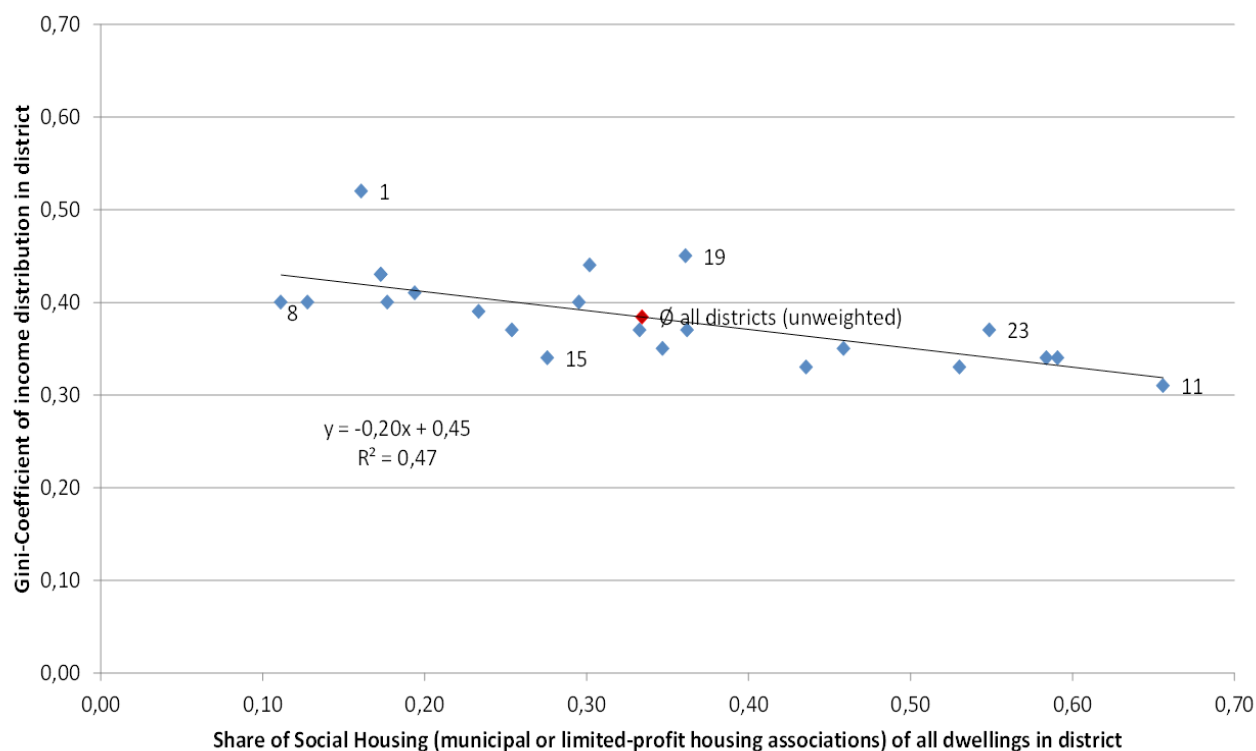


Figure 3: Correlation of the share of social housing and income inequality within the 23 city districts of Vienna

Source: Authors' draft

stay put in attractive areas. They would not be able to do so under a new contract, which is significantly more expensive. At the same time, the refurbished homes in the old buildings of inner-city districts are also very attractive for high-income households who can afford the (close-to) market rents. This might explain why there is a mix of social groups present in these areas.

We also saw that in both cities low-income households and migrants are increasingly concentrated in the social housing sector, for Vienna especially in municipal housing. At the same time, the sector becomes less accessible for new entrants, as waiting lists are growing and rules for access have been tightened.

These results are in line with findings from a pan-european study on housing segregation (Tammaru et al, 2015, Hatz et al., 2015). In this study, a rise in spatial segregation was observed in many European cities, including Vienna (however, not for Amsterdam). The index of dissimilarity between households of low and high education is shown to be quite high in Vienna. Given the integrated social housing sector in Vienna, one would expect low segregation rates. This relationship seems, however, not to hold in Vienna anymore.

4 Conclusions

I try now to link our results back to the scheme that Brigitte Unger showed before (after Heath, 2011). What is the justification of the public sector within the housing system (table 1)?

We had the three justifications efficiency, morality and equality. In fact, for all the three you could find examples of housing policy. And all three targets are pursued in the

Efficiency	Community/ Morality	Equality
Allocative housing policies justified by market failures	„Housing as a social right“; „Right to the city“	(Re)Distributive housing policies
Imperfect and asymmetric information	„Immoralities“ of the housing market	Exclusion or market barriers for/of certain groups (financial / formal / informal) => Ensuring housing provision for low-income and vulnerable households
Externalities	Merit goods	Spatial distribution: Preventing cumulative discrimination of residents of deprived areas
Slow market reaction to changing demand		

Table 1: Justifications of public intervention within the housing market

Source: Authors' draft

respective policies of Austria and the Netherlands. Contrary to Heath, who draws the conclusion that efficiency is the superior justification for state intervention, we think that it is not sufficient to focus on efficiency only. An efficiency-focused housing policy is not addressing all needs in housing.

A redistributive housing policy is necessary in the case market barriers exist for certain groups, may they be financial, formal or informal. But also a different meaning of equality, namely the spatial inequality, has to be taken into account, in order to prevent cumulative negative discrimination of residents of deprived areas. This means not to focus only on the individual level of the income distribution, but also on the spatial level. Even in case that this may result – at least in the short term – in less efficient solutions. It often was often criticized that integrated markets are less efficient than residual social housing policies. But there is strong evidence that this is not necessarily true in the long term. Our colleague Robert Wieser has done a comprehensive study on the comparison of different housing schemes in Europe (Mundt & Wieser, 2014), and one of the results was exactly that: countries pursuing clear social targeting, focusing on tax deductions and direct allowances often have higher costs in the long term than countries focussing on supply-side subsidies.

To come to the conclusion: As we have seen, also the good-practice examples of Vienna and Amsterdam have experienced difficulties recently, because of the discussed supply-side and demand side changes. We saw in our case studies that the “social mix” seems to be contested without a remarkable increase of social justice. And we make out a clear trade-off between purely socially targeted housing policies and policies that encourage social mix. However, it is not easy to link these competing goals with either left-wing or right-wing policies, because you could justify both targets with arguments from both political wings.

Traditionally, social targeting and a residual social housing sector is linked with conservative justifications, and the social mix policy rather with corporatist or even socio-democratic justifications. But if you go back to the roots you can see that in the afterwar time it was especially for the goal of competitiveness that integrated housing policies were introduced: To make the market more competitive, to allow lower wages, because average housing costs are low.

And on the other hand, when we see the difficult access to the affordable sector, the claim to increase equality and to focus more on low income groups, is nowadays also promoted by left-wing politicians.

In our book chapter we come to the conclusion that you need a combination of different policy instruments to ensure a sufficiently large affordable housing sector – which is not shrinking but growing as long as the demand is growing. But that does not simply mean “build more social homes”. It could also mean to secure (resp. to facilitate) accessibility and affordability within the existing housing stock and to mobilize land reserves. We also believe it is essential to consider all three sectors of the economy in housing policy: the state, the civil society (like limited-profit housing associations) and also the market in policy approaches.

For policy makers that accept housing policy as a “res publica”, we suggest the following approaches:

- » First, to consider housing policy alongside land policy and urban development: to foster mixed-use developments including different sectors of the housing market and addressing different income groups.
- » Second, the principle that homes that have been built as social housing units should remain within the social housing stock – including limited-profit housing. This does not necessarily mean to prohibit the transfer of ownership, but a restraint in a way that the label “social housing” together with the respective regulation remains upon the apartment.
- » Third, the idea of differentiation of quality standards in the new construction. Especially in Austria, new social housing units often have higher building standards than market units because of the high requirements of the subsidy schemes, which run counter to the goal of affordable housing production.

These are some ideas we could develop further in the discussion. I tried to show that especially in social housing, which shows many links with urban policy and urban development, a single target strategy hardly will lead to desirable results.

Thank you for your attention.

References

- Arbaci, (2007), *Ethnic segregation, housing systems and welfare regimes in Europe*. European Journal of Housing Policy, 7(4), 401-433.
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*, Princeton, NJ: Princeton University Press
- Fainstein, S. (2010) *The just city*, Ithaca: Cornell University Press.
- Heath, J. (2011): *Three normative models of the welfare state*. Public Reason, 3(2), 13-43
- Giffinger, Rudolf (1998): *Segregation in Vienna: Impacts of Market Barriers and Rent Regulations*. Urban Studies 35 (10): 1791–1812.
- Gutheil-Knopp-Kirchwald, G., Kadi, J. (2017), *Housing Policy and spatial inequality: recent insights from Vienna and Amsterdam*. In: Unger, B., van der Linde, D., Getzner, M. (2017): *Public or Private Goods? Redefining the Res Publica*. Edward Elgar Publishing, Cheltenham Northampton.
- Gutheil-Knopp-Kirchwald, Gerlinde/ Kadi, Justin (2014): *Gerechte Stadt – gerechte Wohnungspolitik?* In: Der öffentliche Sektor / The Public Sector 3-4/2014. <http://oes.tuwien.ac.at>
- Gutheil-Knopp-Kirchwald, Gerlinde (2016): *Verteilungspolitik im Wohnungswesen – der Stellenwert der sozialen Wohnungswirtschaft*. Vortrag im Rahmen des VWBF-Symposiums am 21.04.2016. Vortragsunterlagen: <http://www.vwbf.at/content/aktuell/aktivpdf/Gutheil.pdf>
- Heath, J. (2011). *Three normative models of the welfare state*. Public reason, 3(2), 13-43
- Hatz, G., Kohlbacher, J., Reeger, U. (2015). *Socio-economic segregation in Vienna: a social-oriented approach to urban planning and housing*. In: Tammaru, T., Marcinczak, S., van Ham, M. & Musterd, S. (Ed.) (2015). *Socio-Economic Segregation in European Capital Cities: East meets West*. Regions and Cities. Routledge.
- Kadi, Justin (2015). *Recommodifying housing in formerly 'red' Vienna? Housing. Theory and Society*, DOI: 10.1080/14036096.2015.1024885.
- Kadi, Justin/Musterd, S. (2014): *Housing for the Poor in a Neo-liberalizing Just City: Still Affordable, but Increasingly Inaccessible*. Tijdschrift voor Economische en Sociale Geografie, Online First. doi:10.1111/tesg.12101.
- Kemeny, J. (1995). *From Public Housing to the Social Market. Rental Policy Strategies in Comparative Perspective*. London: Routledge.
- Levy-Vroelant, Claire / Reinprecht, Christoph (2008): *Housing the poor in Paris and Vienna: The changing understanding of „social“*. In: Scanlon, Kethleen/ Whitehead, Christine (ed., 2008): *Social Housing in Europe II*. LSE London. pp. 209-224
- Mundt, A., Wieser, R. (2014): *Housing subsidies and taxation in six EU countries: trends, structures and recent measures in the light of the global financial crisis*. Journal of European Real Estate Research, 7(3), 248-269. DOI 10.1108/JERER-01-2014-0006
- Musterd and Ostendorf (eds) (1998). *Urban Segregation and the Welfare State: Inequality and Exclusion in Western Cities*. London, UK and New York, USA: Routledge.
- Tammaru, T., Marcinczak, S., van Ham, M. & Musterd, S. (Ed.) (2015). *Socio-Economic Segregation in European Capital Cities: East meets West*. Regions and Cities. Routledge.
- Torgersen, U. (1987). *Housing: the wobbly pillar under the welfare state*. In Bengt Turner, Jim Kemeny and Lennart J. Ludqvist (eds), *Between State and Market: Housing in the Post-Industrial Area*, Stockholm: Almqvist and Wicksell International, pp. 116-126.