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Social housing: A key part of past and future housing policy

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Social housing is an important dimension of social welfare policy and affordable housing provision, representing more than 28 million dwellings and about 6% of the total housing stock in OECD and non-OECD EU countries.

There are significant differences across countries in the definition, size, scope, target population and type of provider of social housing. For instance, social rental housing makes up less than 10% of the total dwelling stock in most OECD and EU countries, but more than 20% of the total stock in Austria, Denmark and the Netherlands, where it represents a key "third sector" in the housing market.

Social mixing remains a key objective of the social housing sector in many countries. Yet the sector has become home to an increasingly higher concentration of lower-income and vulnerable tenants and a reduced cross-section of income levels. This can pose challenges to the economic sustainability of the sector and lead to an increasing spatial concentration of poverty and disadvantage.

The relative size of the social housing sector has been shrinking in recent years in all but six countries for which data are available; at the same time, the absolute number of social housing units has decreased in just four countries for which data are available. This is partly due to a decline in public investment in the housing stock.

Many countries have undertaken major building revitalisation projects to improve the quality of social dwellings and the surrounding neighbourhoods as a means to overcome persistent challenges associated with social housing, including segregation. Policy makers should ensure that low-income households are not displaced by renovation efforts.

The COVID-19 pandemic has brought to the fore the enduring housing affordability and quality gaps facing many households. Investments in social housing construction and renovation should be a central part of a more sustainable, inclusive economic recovery, reinforced by the EU's "Renovation wave" announced in early 2020 as part of the European Green Deal.

Introduction

Rising housing prices, stagnating wages, demographic pressures and declining public investment in housing in many countries are increasingly challenging housing affordability in many OECD and non-OECD European Union (EU) countries (OECD, 2020[1]). Between 2005 and 2019, real house prices increased in 31 OECD countries, and rent prices rose in all but two OECD countries (OECD, 2020[1]). Moreover, since the Global Financial Crisis, house prices have risen faster than incomes in 21 of 33 OECD countries for which data are available. These trends have made it harder for households to afford housing. Indeed, while there have been some improvements in recent years, more than a third of low-income renters spend over 40% of their disposable income on housing, on average in the OECD, and are thus considered overburdened by housing costs (OECD, 2020[2]).

The COVID-19 pandemic, along with the shelter-in-place orders implemented to manage the crisis, put a spotlight on these enduring housing affordability and quality gaps, particularly among low-income and vulnerable households (OECD, 2020[3]; OECD, 2020[4]). People living in poor quality housing or unsafe living conditions (such as overcrowding or homelessness) faced elevated health and safety risks, while workers experiencing sudden economic losses struggled to cover their monthly rent, mortgage or utility payments without assistance (OECD, 2020[4]). The pandemic highlighted the urgency to address persistent housing vulnerabilities and homelessness, prompting many governments to introduce a range of emergency housing support measures (see Table 3.1 in Section 3).

As governments chart the path towards economic recovery, there is renewed momentum for increased investment in social housing in many countries, as in the EU, for example, supported by the European Green Deal. Indeed, social housing remains an important part of the affordable housing solution in many countries and a means to provide decent, affordable housing to those who are unable to access housing through the private market. The "Renovation Wave" announced by the European Commission in early 2020 as part of its European Green Deal has also reinforced a call to action for policy makers and housing providers to improve the quality of the building stock, particularly for social housing. Nevertheless, policy makers will need to ensure that renovations to improve housing quality and energy efficiency do not lead to the displacement of low-income residents.

While social housing looks and functions very differently from one country to another, this brief summarises the main characteristics, trends, challenges and opportunities for this sector. Section 1 provides an overview of a highly heterogeneous sector, summarising the distinguishing characteristics of social housing in the OECD and the EU. Section 2 outlines the main changes and challenges facing the sector, within the context of the broader housing market and social welfare system. Section 3 looks ahead to the opportunities for social housing in the coming years, in light of the renewed focus on affordable housing in national and supra-national policy discussions.

1. Social housing models differ across countries

What is social housing?

In OECD and non-OECD EU countries, social rental housing represents more than 28 million dwellings and, on average, around 6% of the total housing stock.[1] Yet there are significant differences across countries in the definition, size, scope, target population and type of provider of social housing.

In this brief, social housing is defined as residential rental accommodation provided at sub-market prices that is targeted and allocated according to specific rules, such as identified need or waiting lists (Salvi del Pero et al., 2016[5]). It may be referred to as social or subsidised housing (Australia, Canada, Germany and the United Kingdom), public housing (Australia, United States), council housing (United Kingdom) or general housing (Denmark), among others (Box 1.1). In some countries, social housing comes in multiple forms: in Austria, Latvia and Lithuania, social housing is provided alongside municipal housing (additionally, in Lithuania, municipalities are encouraged to rent housing in the private market and sublease it to households on the waiting list for social housing); across the United Kingdom, council housing coexists with social housing[2]; in the United States, public housing is provided by local housing authorities, alongside specific programmes targeting the elderly (Section 202) and disabled people (Section 811), as well as rental housing made available at sub-market rates by private-and non-profit developers through the Low-income Housing Tax Credit programme (LIHTC). In many countries, the definition of social housing has evolved over time, alongside changing policy approaches to shifting market conditions.[3]

Social housing can be distinguished from the more encompassing term, *affordable housing*, which refers to rental and owner-occupied dwellings that are made more affordable to households through a broad range of supply- and demand-side supports (including housing allowances or vouchers, subsidies or tax relief to first-time homeowners). The range of measures at governments' disposal to make housing more affordable will be profiled in a forthcoming OECD policy brief on affordable housing.

Nevertheless, in some countries, it can be difficult to distinguish social housing from other housing tenures. In Ireland, for instance, traditional social housing is supplemented by dwellings that are publicly leased from private owners and allocated to recipients of housing allowances (Norris and Byrne, 2017[6]). Colombia and Norway offer both social rental and owner-occupied dwellings; in Colombia, the new social rental housing programme, *semillero de propietarios*, complements the older *vivienda de interés social* housing programme, which continues to provide both rental and ownership units. In Sweden, where no official social housing sector exists, municipal housing associations provide dwellings and estates that have become increasingly inhabited by low-income households, even though rents are not set below market level; as such, the Swedish municipal housing stock is not considered in this brief. Meanwhile, as discussed below, in Germany, social housing obligations concerning eligibility and rent levels only exist during the term of the subsidised financing period, at which point the dwellings are transferred to the private stock. Such variation in systems and definitions render cross-national comparison of social housing a challenge. In addition, data limitations in the measurement of social housing across countries result in limited country coverage for some dimensions of the sector that are explored in this brief.

How big is the social housing sector?

The size of the social housing stock varies widely across countries

Bearing in mind the differences in definition, the size of the social housing stock differs considerably from one country to another (Figure 1.1). At one end of the spectrum, social housing represents over 20% of all dwellings in three countries (the Netherlands, Denmark and Austria), and, by design, has historically been home to a relatively broad cross-section of low- and middle-income households. While, social housing accounts for between 10% and 19% of the total housing stock in five countries (the United Kingdom, France, Ireland, Iceland and Finland), in most OECD and EU countries, it accounts for less than 10% of the total stock.

Who lives in social housing?

Most – but not all – social housing sectors target low-income and some vulnerable households

One key difference across social housing systems is the population that is targeted or eligible for social housing. Today, in many countries, social housing is intended for households that cannot otherwise afford market-rate housing, even though historically, this has not always been the case (see, for instance, Pearce and Vine (2014[7]) and Hoekstra (2017[8]). In general, housing policies in Europe have transitioned to more market-oriented models over the past half-century, yet the social housing sector has evolved very differently from one country to another (Poggio and Whitehead, 2017[9]).

Social housing systems can be broadly classified as *universalist* or *targeted.* Universalist models are, in theory, open to a broad cross-section of the population. Targeted models, on the other hand, concentrate the allocation of social housing primarily (or exclusively) to low-income, vulnerable populations and/or key workers (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]; Braga and Palvarini, 2013[11]) – although even in targeted systems, some vulnerable populations, notably the homeless, continue to face considerable challenges in accessing social housing. In practice, the distinctions between universalist and targeted systems are not always clear-cut, and many social housing systems that began as universalist have gradually become more targeted (see, for instance, Scanlon, Fernández Arrigoitia and Whitehead (2015[10])).

Austria, Denmark and the Netherlands have traditionally had universalist models; it is no coincidence that these countries have the biggest social housing sectors. Nevertheless, as discussed in the next section, some of these countries have also experienced increased targeting, resulting in a higher concentration of lower-income and vulnerable tenants. In the Netherlands, the transition to a more targeted approach followed a decision by the European Commission on state aid that required social housing allocation to be more clearly defined. The Commission approved the Netherlands' subsequent proposal that housing associations should henceforth target households below a certain income level (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]). Nevertheless, more than half of the Dutch population remains eligible for social housing under the new income ceilings.

Box 1.1. What is social housing? A selection of examples from OECD countries[1]

Large social housing stock (at least 20% of total dwelling stock):

- **Austria**: The social housing sector, referred to as subsidised housing (Geförderte Wohnungen) or municipal housing (Gemeindewohnungen), is managed by different providers that follow the same cost-based rent-setting rules and eligibility criteria. The eligibility criteria are based on relatively high income thresholds, making the sector accessible to around 80% of all households.
- **Denmark**: Social housing is defined as general housing (almen bolig), reflecting its theoretical aim to house broad a range of the Danish population, and is provided at cost-based rents through a variety of public interest housing associations.
- *Other countries with a large social housing stock*: the Netherlands.

Moderate social housing stock (between 10 and 19% of total dwelling stock):

- **Finland**: Government-subsidised rental dwellings offers cost-based rent; while eligibility is theoretically universal, yet in practice based on social grounds and needs.
- **France**: The French social housing system (Habitation à loyer modéré) provides cost-based rental dwellings to lower- and middle-income tenants. Due to a large and growing stock and largescale social mixing initiatives, social housing covers a wide spectrum of social situations due to relatively high income thresholds (around 60% of the French population is eligible). It is home to a growing share of lower-income tenants, in line with the policy objectives adopted over the past decades.
- *Other countries with a moderately-sized social housing stock*: Iceland, Ireland, the United Kingdom.[2]

Small social housing stock (between 2 and 9% of total dwelling stock):

- **Australia**: Social housing is subsidised rental housing provided at below-market rents, generally no more than 30% of a tenant's gross income, by the government, not-for-profit or non-government organisations to assist people who are unable to access suitable accommodation in the private rental market.
- **Germany**: While social housing models vary across German regions, the term generally refers to the provision of a public subsidy to housing providers that let dwellings to eligible households under regulated conditions for a fixed period of time (Marquardt and Glaser, 2020[12])..
- *Other countries with a small social housing stock*: Belgium, Canada, Hungary, Italy, Japan, Korea, Malta, New Zealand, Norway, Poland, Portugal, Slovenia, Switzerland, Korea, Turkey and the United States.

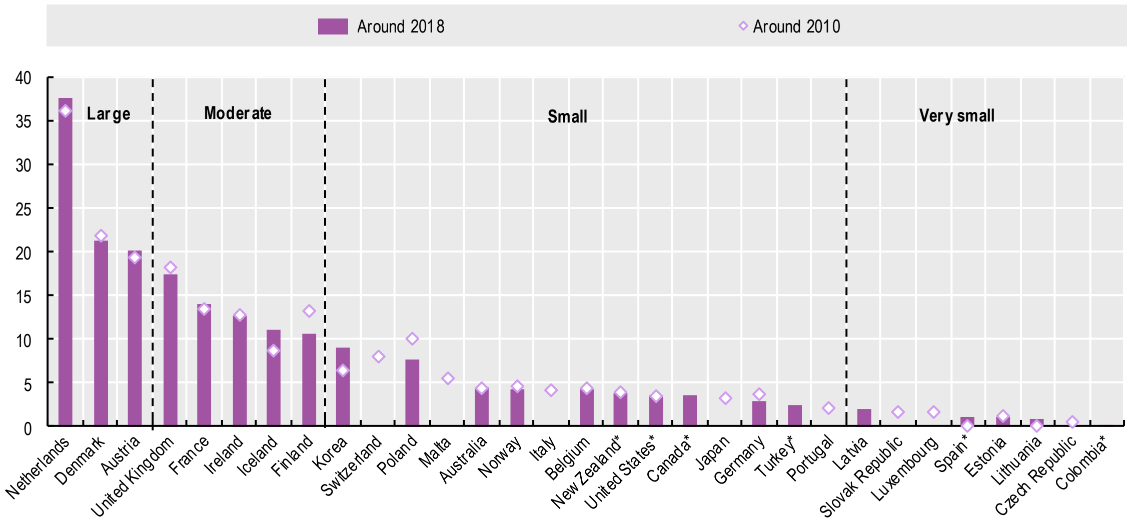
Very small social housing stock (less than 2% of total dwelling stock):

- **Colombia**: Social housing is provided as both rental and owner-occupied dwellings through the vivienda de interés programme. Since 2019, the semillero de propietarios programme provides social rental housing with subsidised rents for disadvantaged households.
- **Latvia**: Social housing, operated by municipalities, is open to households who meet a minimum income requirement. Municipal housing is also offered to some vulnerable and low-income households under the Law on Assistance in Solving Apartment Matters.
- *Other countries with a very small social housing stock*: the Czech Republic, Estonia, Lithuania, Luxembourg and Spain.

Note: 1. Refer to OECD AHD, Indicator 4.3 for an overview of social housing in all OECD and EU countries. 2. Housing policy is devolved in the United Kingdom; as such, the social housing systems throughout the United Kingdom differ in some respects.
Source: OECD AHD, Indicator 4.3, OECD QuASH 2019, Housing Europe, Nielsen and Haagerup (2017[13]), Scanlon, Whitehead and Arrigoitia (2014[14]).

Figure 1.1. The size of the social housing stock varies considerably across countries

Social rental dwellings, % of the total housing stock in selected years (2010, 2018)



Note: 1. For New Zealand, data refer to the number of social housing places (public housing) that are funded through central government, and do not include social housing provided by local authorities. For the United States, the social housing stock includes public housing, subsidised units developed through specific programmes targeting the elderly (section 202) and disabled people (section 811), as well as income-restricted units created through the Low-Income Housing Tax Credit (LIHTC) programme; the number of public housing units as well as section 202 and 811 dwellings financed through the LIHTC programme have been adjusted to avoid double-counting, following OECD correspondence with the U.S. Department of Housing and Urban Development. For Canada, data exclude units managed by the Société d'habitation du Québec (SHQ) for the Province of Quebec. Turkish data only includes social housing produced between 2002-2020 by the Housing Development Administration (TOKİ) and exclude those provided by local governments. For Spain, the figures may also contain other types of reduced rent housing, e.g. employer-provided dwellings. For Colombia, data only refers to social rental housing produced since 2019 in the *semillero de propietarios* programme. 2. Data refer to country responses to the 2019 OECD QuASH, except for "Around 2010" data for the Netherlands and Korea, where they refer to the 2016 QuASH. 3. For the Czech Republic, Italy, Japan, Luxembourg, Malta, Portugal, the Slovak Republic and Switzerland, no data are available for "Around 2018". For Canada, Colombia, Latvia, Spain and Turkey, no data are available for "Around 2010". For Bulgaria, Croatia, Greece, Hungary, Israel, Mexico, Romania, Slovenia no data are available for either year. Chile and Sweden do not have a social housing sector following the definitions of this brief.

Source: OECD QuASH 2016, 2019; Center d'Etudes en Habitat Durable de Wallonie (2016[15]); Institut Bruxellois de Statistique et d'Analyse (2019[16]); Korean Statistical Information Service (2020[17]); Scottish Government (2019[18]); Northern Ireland Housing Executive (2018[19]); Statistics for Wales (2019[20]); Canada Mortgage and Housing Corporation (2019[21]); OECD exchanges with the Turkish Ministry of Environment And Urbanization and the U.S. Department of Housing and Urban Development in August 2020; Poggio and Boreiko (2017[22]).

By contrast, the majority of countries adopt a more targeted approach to social housing eligibility and allocation. Such countries can be further categorised into two groups. Most targeted models are *targeted-generalist*, whereby social housing is generally available for households that cannot be served by the private market and allocated according to different criteria (European Parliament, 2013[23]). In France and the United Kingdom for instance, which maintain a moderately-sized stock of social housing, a traditionally generalist approach has become increasingly targeted over time. In Korea, much of the recent social housing development aims to house students and young professionals with housing vulnerabilities (Hwang et al., 2019[24]). Meanwhile, many countries with a very small social housing stock can be considered *residual*, operating within a narrow approach to determining eligibility and allocation and restricting allocation to very low-income and some vulnerable households (European Parliament, 2013[23]). A residual approach, as is the case in many Eastern European countries, means that social housing primarily serves to house households in need, even though many in need (such as the homeless) cannot be accommodated.

It is nevertheless important to consider the broader housing market context in each country, which can help to explain the relative size and level of targeting of the social housing stock. Countries with a very high rate of homeownership – such as many Eastern European countries, where over 70% of the population owns their home outright – tend to have a smaller and more targeted social housing sector. This resulted from the mass privatisation of state-owned housing that followed the transition to a market economy, including among low-income households. The dominance of owner-occupied housing has left little room for either private or social rental housing, even if there remains a pressing need for more affordable housing (OECD, 2020[25]).

Eligibility criteria determine access to social housing, with some countries allocating units to priority cases

Most countries establish criteria to determine eligibility for social housing, which tend to be based on income levels, citizenship, a household's current housing situation or other household characteristics (Table 1.1). Income thresholds are the most common criterion to determine eligibility: all but a few of OECD and non-OECD EU countries[4] impose a maximum income threshold to improve targeting of social housing (OECD, 2020[2]). Nevertheless, Austria, Denmark, Finland, France, and Northern Ireland and Scotland (the United Kingdom) set higher income thresholds in order to encompass a wider and more heterogeneous population as a means to promote more social mixing (discussed in Section 2). Sixteen countries require that applicants are citizens or permanent residents to be eligible for social housing. To support specific groups in need, 11 countries have additional criteria relating to household characteristics, in terms of an individual's health or age (youth, elderly or disabled persons), or their belonging to specific population groups (e.g. Roma communities in the Czech Republic, Indigenous populations in Australia and Canada) (OECD, 2020[2]).

Because demand for social housing tends to exceed supply, allocation is typically governed by waiting lists or hardship categories. Households with a disabled member are prioritised in 20 countries; 15 countries report that they take into account the household's current housing situation in order to prioritise urgent housing needs; 15 countries take into account the amount of time a household has spent on the waiting list; elderly and low-income households are prioritised in 12 countries (for more detail, refer to indicator PH4.3 in OECD (2020[2])).[5] The management of waiting lists nonetheless leaves room for administrative discretion: Finland prioritises allocation based on need and urgency, while Denmark enables workers and students to bypass more vulnerable households on the waiting list in order to facilitate social mixing within certain housing estates. Even so, because demand outstrips supply, households that meet priority criteria do not always access social housing (see, for instance in the United Kingdom (England), Fitzpatrick et al. (2019[26])).

Who provides social housing?

A range of providers, though sub-national governments dominate social housing delivery

Social housing providers are varied: depending on the country, social housing may be developed and administered by public, private or non- or limited-profit entities, co-operatives or a mix of providers (Figure 1.2). In several countries, social housing represents a significant share of the overall rental housing stock and a key "third sector" in the housing market, operating alongside the public and for-profit sectors. This diversity reflects the complex governance of housing policy more generally, which tends to span numerous ministries and levels of government (OECD, 2020[2]).

Social housing is, on average, most decentralised in Canada, Estonia, Colombia, Iceland and the Netherlands and broadly speaking, decision-making is more devolved to lower-level actors in federal countries relative to unitary countries (Phillips, 2020[27]). On average across the OECD and EU, regional and municipal authorities account for around half of social housing provision; the remainder is divided among non-profit, limited-profit or co-operative housing associations (15%), national governments (14%), for-profit providers (11%) and others (OECD, 2020[2]). Non- or limit-profit housing associations provide most social housing in Austria, Finland, France, the Netherlands and the United Kingdom (England and Wales). For-profit and private providers are common in the United States, notably with respect to units developed through the Low-income Housing Tax Credit programme (LIHTC). While in most countries one type of provider dominates, some countries have a mix of provider types, for example in Austria, Denmark, France, Ireland, Slovenia, the United Kingdom, and the United States.

Table 1.1. Criteria to access social housing vary widely across countries

Eligibility criteria for social housing in selected OECD countries[1]

	Eligiblity	Income threshold?	Priority allocation
Countries with a large social housing stock (over 20% of total housing stock):			
Austria	Criteria assessed in selecting eligible households include income levels and household composition/size.	Yes	Priority allocation takes into account: time spent on waiting list, disabled household member, and current housing situation. Allocation schemes vary by provider; in the case of *Wiener Wohnen*, there are fast-track procedures for urgent cases.
Denmark	All households are eligible.	No	Priority allocation takes into account: time spent on waiting list, disabled or elderly household member, current housing situation and household composition/size. Also, municipalities can assign households to social housing, which takes priority of waiting list.
The Netherlands	80% of new units must be allocated to households with an annual income below a given threshold; 10% of new units may be allocated to households with an annual income that falls between a slightly higher range; housing associations may freely allocated to the remaining 10%.	Yes	Certain groups take precedence: households with problems related to health, security, social factors, force majeure or calamities.
Countries with a moderately sized social housing stock (between 10-19% of total housing stock):			
Ireland	Income ceilings; must not have previous rent arrears; and there must be no suitable alternative accommodation available.	Yes	A range of social criteria to determine vulnerability; in Dublin, among eligible households, social housing is allocated in first priority to specific cases (relating to medical or welfare conditions, the homeless and Travellers); in second priority to, inter alia, people living in overcrowded conditions; and in third priority to all other eligible households.
United Kingdom (England)[2]	Application is open to all British citizens or non-citizens who have the right to stay in the UK for an unlimited time. Allocation by local authorities according to their own criteria.	varies across local authorities	Local authorities must give 'reasonable preference' to people who are officially classified as homeless; people living in overcrowded, unsatisfactory or insanitary accommodation; people who need to move on medical or welfare grounds, including relating to a disability; and people who need to move to avoid hardship to themselves or others. Additional criteria can be set at local level.
Countries with a small social housing stock (approx. 2-9% of total housing stock)			
Germany	Income ceilings decided by each regional authority (Länder) and direct allocation by municipalities; requires legal residency of at least one year	Yes	
Italy	Income ceilings; occupational or residential link with the municipality; nationality	Yes	Point system based on housing conditions and number of dependent children
Countries with a very small social housing stock (less than 2% of social housing stock)			
Estonia	Municipalities can determine their own eligibility criteria.	varies across local authorities	In the capital area, priority is accorded to young families and essential workers (e.g. teachers, doctors, nurses).
Latvia	Low-income households	Yes	Priority to people who are victims of natural disasters, as well as to households that have been evicted and are low-income, elderly, disabled, taking care of a dependent child/elderly or disabled person, and/or several other specific cases.

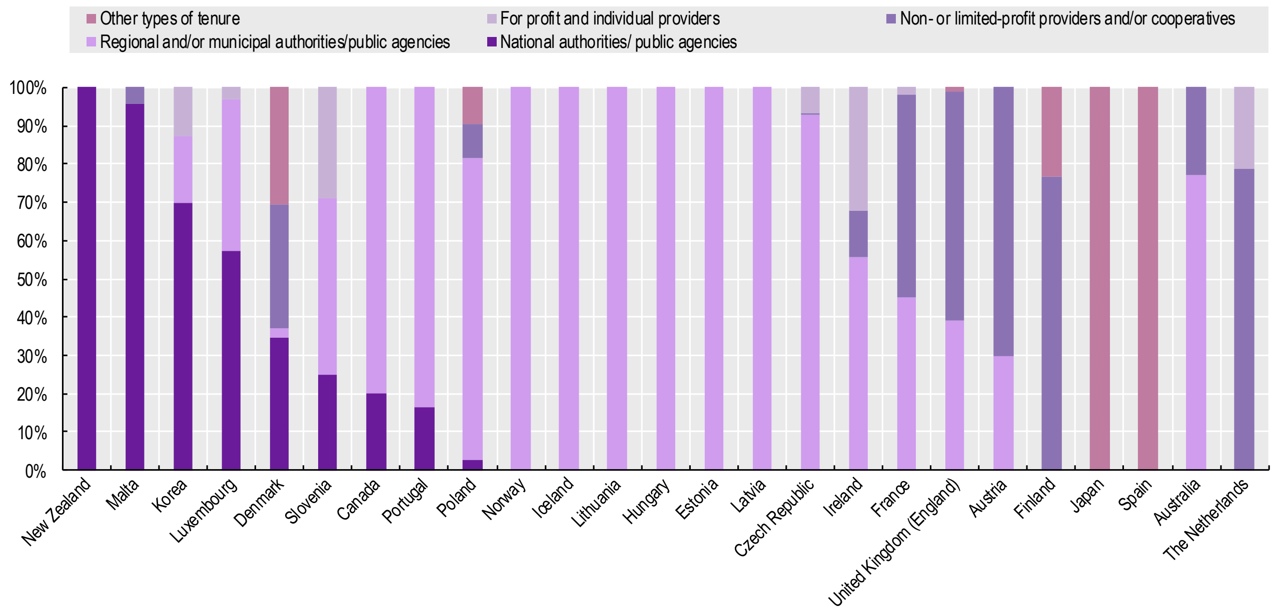
Note: 1. For information on other countries, refer to indicator PH4.3 in OECD (2020[2]). 2. Housing policy is devolved in the United Kingdom; as such, the social housing systems throughout the United Kingdom differ in some respects.
Source: Adapted from OECD (2020[25]), European Parliament (2013[23]); OECD QuASH; OECD (2020[2]).

How is social housing financed?

The financing of social housing takes different forms and tends to involve a variety of sources and contributors. Three main sources can help fund social housing: 1) rental income from tenants; 2) borrowing by the social housing provider; and 3) payments and/or subsidies from others, including governments (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]). Governments are indeed one key source, and may support the social housing supply through the direct provision of social housing, or by providing grants, tax credits, loans and/or loan guarantees to social housing providers; in many cases, local governments may supply land for social housing development at discounted prices. The level of both direct and indirect public subsidies affects the amount to be covered through tenant rents and through borrowing (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]).

Figure 1.2. Social housing providers vary considerably across and within countries

Share of total social rental housing stock by type of provider, 2018 or latest year available



Note: Data refer to responses as in the 2019 QuASH except for Canada, the Czech Republic, Estonia, Hungary, Korea, Latvia, Luxembourg, Malta, Portugal and Slovenia where they refer to 2016 QuASH. Data for Germany are not available, but in most federal states (*Länder*), the majority social dwellings are provided by municipalities or other public institutions as well as housing cooperatives; in some federal states, private providers are responsible for a significant share of the social housing stock. Data for the United States are not available, but generally public housing is provided by local public housing authorities; for-profit, and in some cases non-profit, providers, more commonly provide housing developed through the Low-income Housing Tax Credit programme (LIHTC).

Source: Indicator PH4.3, OECD Affordable Housing Database (https://oe.cd/ahd)

In many countries, public budgets have historically shouldered the majority of social housing finance. In Lithuania, for instance, between 2014-2020, 85% of social housing development was financed via state resources allocated from the European Regional Development Fund and 15% from municipal budgets (ESPN, 2019[28]). In Canada, the federal government increased its contributions towards social housing through the 2017 National Housing Strategy, which provides CAD 4.3 billion over nine years to the Federal, Provincial and Territorial Housing Partnership Framework to expand and improve the quality of the social housing stock, as well as to preserve its affordability (Parliamentary Budget Officer, 2019[29]). Australia also renewed investment in social housing in the aftermath of the Global Financial Crisis, with over AUD 5 billion towards new construction and renovation (KPMG, 2012[30]; Department of Social Services (Australia), 2013[31]). Social housing that is predominantly provided by public authorities, whether national or local, is vulnerable to cuts in public expenditure, caps on public borrowing for capital investments and increases in land prices, which have been common across the OECD over the last decade (see, for instance, (Lawson et al., 2018[32])).

The financing model has social policy implications. Financing costs can influence the rent-setting mechanism, affecting *for whom* the social dwellings are affordable, as well as, in some countries, *for how long* the social dwellings remain affordable. The divergent approaches of Austria – where long-term planning and a comprehensive policy framework have embedded social housing as a permanent and broadly available affordable housing option – and Germany – where social housing is a semi-permanent measure in which social dwellings are transferred to the private market at the amortisation of public subsidies after 20 to 40 years – have led to different outcomes (Box 1.2).

However, as discussed in the next section, the landscape has changed considerably in recent years as social housing providers look to more diversified sources of funding and in some cases have shifted towards more complex, short-term – and in some cases costly – private financing tools, compared to former long-term public loans (Williams and Whitehead, 2015[33]).

Box 1.2. Divergent approaches to financing and regulating social housing in Austria and Germany: Comparing social housing outcomes in Vienna and Berlin

Over time, social housing systems with similar framework conditions can diverge to markedly different outcomes as a result of different financing approaches. The Austrian and German social housing systems had initially been under control of the federal governments, but have since been transferred to federal states and regions. However, by comparing the social housing markets in Berlin and Vienna, key differences in the approaches and outcomes between the two countries emerge. The Austrian regulations foster a permanent social housing perspective while the German approach binds social rental dwellings to the period of public subsidy amortisation in a semi-permanent fashion.

In Vienna, long-term planning and a comprehensive policy framework embeds social housing as a permanent and broadly available affordable housing option. The institutional structure ensures that the tax-exempt limited-profit housing associations continuously re-invest profits into social housing, leading to a relatively constant high supply of units. Moreover, social dwellings remain permanently at regulated rents. In contrast, each social rental dwelling in Berlin is provided as "a provisional measure to correct temporary market imbalances" (Marquardt and Glaser, 2020[12]). As such, dwellings are provided at sub-market rents until public subsidies are amortised, typically after 10-40 years. This semi-permanent approach based on a temporary social housing commitment (*Sozialwohnungsbindung*) allows policymakers flexibility to adapt to housing market situations, incentivises landlords to maintain the quality of social dwellings to compete with market-rate housing once the social tenancy expires, and aims to avoid ghettoisation by facilitating social and market-rate housing across neighbourhoods. However, as the number of social dwellings for which the public subsidies have been amortised outpaces the pace of new social housing construction, recent years have seen a decline in the total social housing stock. As a result, Vienna has so far been able to maintain a larger share of long-term affordable housing options (Marquardt and Glaser, 2020[12]).

As outlined by Mundt (2018[34]), there are nonetheless limits to the Viennese model. First, tenants must pay a deposit upon entry into social dwellings to co-finance a share of construction and land costs (the sum is returned to tenants when they move out, less an annual 1% depreciation), which can be a significant barrier to entry for very low-income and vulnerable households a, particularly in dynamic urban areas (although low-interest public loans are available to cover the cost). Second, new tenants face higher rents and less secure contracts relative to sitting tenants in older dwellings, creating an "insider-outsider" challenge. Finally, the renovation of older and lower-quality rental units (including private rentals) has resulted in an insufficient supply of affordable dwellings for very low-income households, such as youth, migrants and single-parent households – noting that according to official estimates, there appears to be no marked difference between the homelessness rates in Vienna and Berlin.

Source: Mundt (2018[34]), Marquardt and Glaser (2020[12]).

Beyond financing, social housing development also depends heavily on effective land management in order to make land available for housing development at sub-market rents. Indeed, increasing land costs, particularly in urban areas, represents a major challenge to new social housing construction. Land policies that can support the social and affordable housing development include public land banking or leasing, land re-adjustment, land value recapture, and various regulatory and planning tools (see Lawson and Ruonavaara (2020[35])).

Rent-setting approaches affect the economic sustainability and affordability of social housing

Social housing rents can be set in different ways, with some countries taking a blend of factors into account to determine rent levels (Table 1.2). The rent-setting approach can also be an important determinant of the longer-term economic sustainability and affordability of the sector.

Each rent-setting approach comes with advantages and drawbacks. While a *market-based approach* by definition guarantees that social housing will be more affordable than market-rate housing, the social rent has no relation to households' ability to pay, thus potentially putting social housing out of reach for very low-income households. A *cost-based approach* has the benefit of taking into account the actual costs of developing, operating and maintaining the stock, and can send signals to the market as to the real cost of housing development. However, it can lead to inefficiencies if costs are not controlled (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]), and again does not reflect a low-income household's ability to pay for housing. High land prices in urban areas can also result in a big difference between rent levels in new housing developments compared to older estates. Policy makers may try to reduce the costs of land and financing through land allocation policies and special purpose financial instruments. An *income-based approach*, by contrast, takes into consideration the level of rent that households are capable of paying, yet – particularly as the sector becomes more residualised – can threaten the economic sustainability of social housing over the long term. As a result, an income-based approach can incentivise social housing providers to prioritise higher-income households (thus leaving out very low-income and vulnerable households) so as to ensure a more economically sustainable social housing system. Finally, a *characteristic-based approach* takes into account key housing and neighbourhood quality dimensions, but lacks many of the advantages of other models.

Table 1.2. A range of factors determine rent levels in the social housing sector.

Rent-setting approaches in the social housing sector

Rent-setting approach	Description	Countries
Market-based	Rent levels determined (at least in part) as a percentage of market-level rent levels for similar properties.	Australia, Canada, Colombia, Germany, Ireland, Israel and the United Kingdom (England).
Cost-based	Rent levels determined (at least in part) by the costs of building/acquiring the dwelling, so as to allow long-term cost recovery.	Austria, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Japan, the Slovak Republic, South Africa, Switzerland and the United Kingdom (Scotland).
Income-based	Rent levels determined (at least in part) based on household income levels (e.g. adjusted to reflect what households can afford to pay).	Australia, Bulgaria, Canada, France, Ireland, Japan, Luxembourg, Malta, New Zealand, Portugal, the United Kingdom (England, Scotland) and the United States.
Characteristic-based	Rent levels determined administratively (at least in part) by taking into account dwelling characteristics (which can include size, amenities, location), often using a point system.	France, Israel, Lithuania, the Netherlands, Poland, Spain, the United Kingdom (England, Northern Ireland, Scotland, Wales), United States
Fixed rent ceilings	Fixed rent ceilings may be applied on top of other criteria.	France, Korea, the Netherlands, Spain and the United States

Source: OECD (2020[2]); Northern Irish Government (2019[36]); Scottish Government (2019[37]); Welsh Government (2015[38]).

2. An evolving yet resilient sector: Changes and challenges for social housing

A changing sector, in a changing context

The social housing sector has changed in recent decades. Some of the evolutions of the sector have been driven by the need to adapt to broader socio-economic developments and housing market trends, with significant implications for social housing supply and demand.

Declining public investment in housing, and a gradual shift from social housing provision towards housing allowances in many countries

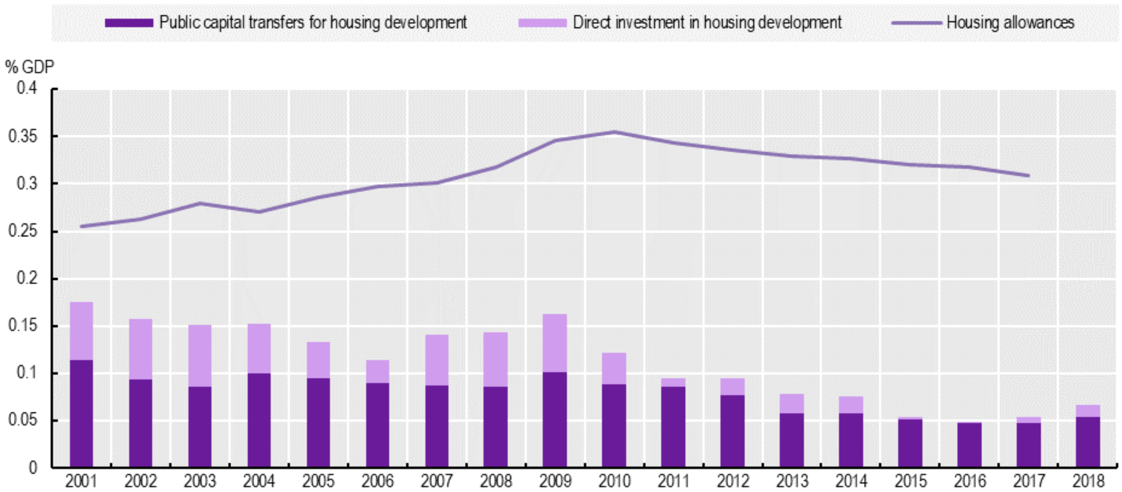
The increasing reliance on demand-side housing allowances to meet the housing needs of low-income and vulnerable households, and declining support for the provision of social housing in some countries are part of a broader trend in public investment in the housing supply.

While there are important differences across countries, in recent decades, public investment in housing development has declined on average in the OECD, whilst spending on housing allowances has remained roughly stable[6] (Figure 2.1). Part of the reason is that, as a form of social welfare, social housing is less flexible than housing allowances: the social housing stock cannot be quickly adjusted to react to changes in housing affordability or demographics; housing allowances, on the other hand, can be more rapidly targeted, expanded or removed (Salvi del Pero et al., 2016[5]). Social housing can – in some cases – also induce lock-in effects (discussed later in this brief), making it more difficult to ensure that public support reaches households in greatest need. Housing allowances, on the other hand, can be more effective in reducing mobility barriers and spatial mismatch (Causa and Pichelmann, 2020[39]), and have been found to increase the likelihood that households will move out of overcrowded housing in Norway (Nordvik, 2015[40]).

However, in the case of an inelastic housing supply, housing allowances can drive up rental prices and thus, in some cases, are ultimately passed along to landlords, rather than to needy households (Salvi del Pero et al., 2016[5]). Social housing, on the other hand, can help to maintain an affordable rent for social tenants, though in some case the rent-setting and financing approaches to social housing have made that harder. Moreover, investment in social housing development can generate broader economic benefits along the supply chain (Chaloner, Colquhoun and Pragnell, 2019[41]).

Figure 2.1. Public investment in housing development has fallen, while spending on housing allowances is holding up

Public capital transfers and public direct investment in housing development, and public spending on housing allowances and rent subsidies, OECD 25 average, as percentage GDP, 2001 to 2018



Note: The OECD-25 average is the unweighted average across the 25 OECD countries with capital transfer and gross capital formation data available for all years between 2001 and 2018. It excludes Australia, Canada, Chile, Iceland, Israel, Japan, Korea, the Netherlands, New Zealand, Turkey and the United States. Direct investment in housing development (COFOG series P5_K2CG) refers to government gross capital formation in housing development. Public capital transfers for housing development (COFOG series D9CG) refers to indirect capital expenditure made through transfers to organisations outside of government. Housing development includes, among other things, the acquisition of land needed for the construction of dwellings, the construction or purchase and remodelling of dwelling units for the general public or for people with special needs, and grants or loans to support the expansion, improvement or maintenance of the housing stock. See the Eurostat Manual on sources and methods for the compilation of COFOG Statistics (https://ec.europa.eu/eurostat/documents/3859598/5917333/KS-RA-11-013-EN.PDF) for more detail. Spending on housing allowances does not include spending on mortgage relief, capital subsidies towards construction or implicit subsidies toward accommodation costs.
Source: OECD Affordable Housing Database (http://oe.cd/ahd), Indicator PH1.1, drawing on data from the OECD National Accounts Database, www.oecd.org/sdd/na/ and provisional data from the OECD Social Expenditure Database, www.oecd.org/social/expenditure.htm.

The gradual decline of public investment in the housing sector in most countries has contributed to the need for social housing providers to diversify financing models. Thus, the sector has seen a shift towards more complex financing instruments (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]). In particular, there has been an increasing role for debt and equity financing, which has in some countries relied on the sale of existing social dwellings to use as equity to secure further borrowing (Scanlon, Fernández Arrigoitia and Whitehead, 2015[10]). Debt financing has also shifted gradually from largely public-sector borrowing at below-market rates towards borrowing on the private market. Meanwhile, revolving funds have been developed in some countries as part of a long-term funding strategy for social housing, as in both Austria and Denmark, through a mix of state-guaranteed loans and market loans (Box 2.1).

Box 2.1. Revolving funds to finance social housing: The cases of Austria and Denmark

In ***Austria***, revolving funds support the development and maintenance of the social housing stock. Approximately 40% of a typical project is financed through bank mortgage loans with a maturity of 25 years (1.5% interest rate), with the remainder financed with public loans (35 year maturity and 0.5-1.5% interest rate) and equity contributions from housing associations. The Limited-Profit Housing Act sets out the key governance principles for housing associations, including a limitation of nominal capital paid out to shareholders of 3.5%, a calculation of prices based on actual costs, a continuous reinvestment of capital and a regular audit of the efficient use of resources and the compliance with the Limited-Profit Housing Act. For their core activities housing associations are exempted from corporation tax. The business model of housing associations is based on cost-recovery and a continuous re-investment of any surpluses into new construction or renovation. This means that a housing association is legally required to charge the cost it takes to build and maintain a house. All calculations are performed at a building block level, which means that every individual building block has to be financially viable. Any surpluses generated are strictly regulated.

Denmark's National Building Fund, created in 1967, is a key pillar of the national model to provide social and affordable housing, and is largely implemented by housing associations. The National Building Fund is an independent institution outside the state budget. Funding is based on a share of tenants' rents (amounting to 2.8% annually of the total acquisition cost of the property), in addition to housing associations' contributions to mortgage loans (approximately 2% of the property acquisition cost). Payments are adjusted annually for the first 20 years after loan take-up, and then by a slightly lower rate until the 45th year, at which point rents are maintained at the reached nominal level. A share of tenants' rent is used to pay off the housing agency's mortgage loan for the first approximately 30 years), at which point the share is allocated to the state for another ten years. Once this period is over, the share is allocated to the National Building Fund. Approximately one-third of the Fund's resources are used to support the construction of new social housing.

In this way, each housing organisation contributes to and can borrow from the Fund, which supports a wide range of activities, including renovation work in the existing housing stock and social and preventive measures in vulnerable areas, the development of social master plans that are co-financed with municipalities to support interventions related to security and well-being, crime prevention, education and employment, and parental support. The development of a fiscal master plan, agreed with municipalities, is the precondition to access support from the Fund. The number of housing developments that have paid back their mortgages is increasing, meaning that in the coming years the resources generated by the rents can be used to pay a larger part of physical and social modernisation programmes decided upon in the sector.

Source: Adapted from OECD (2020[25]).

A shrinking social housing stock in many, but not all, countries

While data are not available for all OECD and EU countries, the share of social housing has decreased over the past decade in many countries for which data are available (Figure 1.1). Poland, Finland and Germany experienced the most significant reduction in the relative size of the social housing stock, falling by at least 20% since around 2010. The sector also contracted in Norway, New Zealand, Estonia, the United Kingdom and Denmark. The decline is partly related to a slowdown in new social housing construction, as well as the privatisation of the stock, whereby social dwellings are converted into market-rate rental housing (Germany), or are purchased by tenants and thus transition to the owner-occupied stock (United Kingdom (England and Northern Ireland)[7]). In Denmark, while the number of new social dwellings increased overall between 2010 and 2018, the construction of other types of housing rose even faster.

By contrast, the share of social rental housing increased by between 0.5 and 2 percentage points in Austria, France and the Netherlands over the past decade. Iceland and Korea experienced by far the most significant growth at about 2.5 percentage points (refer to indicator PH4.2 in OECD (2020[2])).

Increasing residualisation of social housing

In nearly all countries, the social housing stock has become home to an increasing share of low-income and vulnerable tenants (Poggio and Whitehead, 2017[9]), including in Australia (Morris, 2015[42]), the Netherlands (Musterd, 2014[43]), the United Kingdom (Pearce and Vine, 2014[7]) and Eastern European countries (Hegedüs et al., 2014[44]). Social housing sectors of all sizes have experienced increased targeting in the eligibility criteria and allocation of social housing, as well as a residualisation of the stock resulting in an increasing share of low-income households and vulnerable clients with limited economic opportunities in social housing (Jacobs et al., 2011[45]). Increased targeting can help to ensure that, in a context of constrained resources, social housing can be reserved for households in greatest need. Yet the resulting concentration of low-income and vulnerable households can also pose challenges to the economic, social and political stability of the sector. Lower-income tenants can typically only afford lower rents and have a higher risk of insolvency. Increased targeting and residualisation may thus pose a trade-off with a socially mixed sector: a more targeted social housing sector is less socially mixed and can generate “social and economic ghettoes by policy design” if low-income and vulnerable households are concentrated spatially (Poggio and Whitehead, 2017[9]). Further, in some countries, there is often a social stigma attached to living in social housing (see Jacobs et al. (2011[45])).

In addition to more targeted criteria to determine social housing eligibility at the outset, social housing providers have introduced various measures to require or incentivise residents to transition out of social housing when their economic situation improves, in order to make room for tenants in greater need. Such tools include *periodic eligibility reviews, fixed-term tenancies* (FTT) and *income-dependent rent increases*:

- ***Periodic eligibility reviews**:* Eligibility of sitting social housing residents is re-assessed typically every three years in France, New Zealand and the Slovak Republic.
- ***Fixed-term tenancies***: In the United Kingdom (England), for example, the *Localism Act of 2011* allowed social landlords to offer FTTs to tenants, typically with a minimum of five years, in order to focus its provision on those with highest needs. Several Australian states operate FTTs with durations dependent on the urgency of a tenant’s situation.
- ***Income-dependent rent increases:*** Social housing rent levels can be tied to residents’ income, such that the rent level increases when a tenant’s economic situation improves above a certain threshold. This is the case since 2013 in the Netherlands, where increases in social rents are calculated based on the combined household income for each tenancy (Box 2.2).

Nevertheless, such measures can be practically – and politically – difficult to implement. Following the introduction of FTTs in the United Kingdom (England), only about 15% of new tenants were on fixed-term contracts in the following years, likely given stability and community concerns as well the increased administrative burden (DCLG, 2016[46]).[8] When New Zealand introduced regular tenancy reviews for social housing tenants, exemptions were subsequently broadened such that fewer than 20% of social tenants were ultimately eligible for tenancy review (OECD, 2019[47]). Moreover, long-term trends towards residualisation in the social housing sector, low adoption of voluntary FTTs and sparse use of non-renewals have limited the effectiveness of many of these tools. Further, the biggest barriers to better-off tenants exiting social housing may not be found in the social housing system itself, but rather in a shortage of affordable alternatives in the private rental and owner-occupied sectors (Wiesel and Pawson, 2016[48]).

Moreover, there are trade-offs to consider in incentivising better-off tenants to move out of social housing. On the one hand, efforts to better manage resident "throughfare" are driven by reductions in the social housing stock, declining housing affordability, and housing equity concerns that would favour a more efficient allocation of scarce social resources (Fitzpatrick and Pawson, 2014[49]).[9] On the other hand, removing long-time tenants from their dwellings can dampen community building and the accumulation of place-based social capital, and limits the potential for socially mixed communities. In addition, insecure housing tenure may weigh heavy on tenants (Fitzpatrick and Watts, 2017[50]).[10]

To guarantee an efficient throughfare in the social housing sector, there is a need to ensure that tenants whose situation improves have a viable, affordable housing alternative. This calls for increased access to affordable housing *outside* the social housing sector.

Box 2.2. Managing resident throughfare in social housing: Income-dependent rent increases in the Netherlands

Traditionally, the yearly rent increases leveraged by Dutch social housing corporations were tied to inflation rates. However, since 2013, the maximum increase in rent levels is calculated based on the combined household income for each tenancy, in order to incentivise residents with incomes above the social housing threshold (*scheefwoners*) to transition out of regulated units. Kattenberg and Hassink (2017[51]) show that the regulation may increase transitions out of the social housing sector, as the rent control benefits of social housing for higher income households are significantly reduced. As a result, the number of *scheefwoner* households decreased by 75 000 to about 457 000 in 2018 (Rijksoverheid, 2019[52]).

Since this reform, maximum rent increases and the respective income thresholds are set each year by ministerial decree in the Regulation for Rental Prices for Housing (*Uitvoeringsregeling Huurprijzen Woonruimte*). The latest authorised rent increases from July 2020 based on the tenants income in 2018, are 5.1% for households with an income below EUR 43 574, and 6.6% for households with an income above this level. Large households (at least four members) or those with at least one pensioner are exempt from the higher rate.

Such an approach can be effective in countries with a large social housing sector that houses a broad cross-section of the population, including the working population, as it does not necessarily generate strong employment disincentives. Income-dependent rent increases may be less effective in countries with a smaller social housing stock, however, as they can create a disincentive to take up employment and reduce labour mobility overall, especially when rent increases are tied to hard thresholds. As an alternative to hard thresholds, social housing rents may be set proportional to the household's income at all levels, as is partially the case in Australia, in order to overcome the potential employment disincentives triggered by a hard threshold.

Source: www.rijksoverheid.nl/onderwerpen/huurverhoging/vraag-en-antwoord/wat-is-de-maximale-huurverhoging-in-2020.

Increasing affordability challenges and demographic change

Urbanisation, intensified migration towards many European cities in recent years, as well as population ageing have put additional pressure on housing markets and social welfare systems. Indeed, a larger share of elderly tenants in social housing implies a need to adapt the dwelling, surrounding environment and support services to residents' changing physical needs and capabilities. More broadly, an ageing population means a potentially smaller workforce and increasing pressure for public pensions systems. Not only do these trends lead to increased demand for social housing, they can also imply a need for more diversified employment and social services for residents already living in social housing. For instance, the increasing residualisation of the sector has spurred many social housing providers to increase support to vulnerable groups. This includes an expansion of services provided to existing social housing tenants, such as the 10 000 supportive social housing units (*10 0000 logements accompagnés*) in France, or increased public service provision in social housing in Italy and Spain. In addition, social housing providers have contributed to Housing First initiatives that provide permanent shelter to the homeless, including in Belgium, Denmark, Finland and France, among others, even though Housing First dwellings in Europe remain relatively small overall. The sector has also developed responses to address the changing housing, service and social integration needs of an ageing population (Housing Europe, 2019[53]).

The social housing sector must also respond to reduced housing opportunities for younger generations, who face rising rents and house prices, and more instability in the labour market (OECD, 2020[1]). As a result, the majority of young adults aged 20-29 are, on average across the OECD, most commonly living with their parents, and in some countries, finding home ownership increasingly out of reach (OECD, 2020[1]). The COVID-19 pandemic is likely to exacerbate the housing affordability challenges facing youth.

However, many low-income and vulnerable households struggle to secure accommodation within the social housing stock. The relative decline of the social housing stock in many OECD countries, coupled with rising rent prices – notably in the private rental market – makes it hard for low-income and vulnerable households to afford housing. Since 2005, rent prices have increased in all but two OECD countries on average, more than doubling in Turkey, Lithuania, Iceland and Estonia (OECD, 2020[1]). Moreover, house prices have risen faster than incomes in the majority of OECD countries. Accordingly, many low-income households allocate a significant share of the income towards housing: on average across the OECD in 2018, more than one out of three low-income renters in the private market spent over 40% of their disposable income on housing, and were thus considered overburdened by housing costs; in New Zealand, Israel, Chile and the United Kingdom, over half of low-income renters were overburdened by housing costs. Challenges facing social housing can resonate more broadly across the housing sector.

Addressing enduring challenges facing the sector

Meanwhile, the social housing sector must continue to address some enduring challenges, including the spatial concentration of poverty and disadvantage, the negative effects of social housing tenure on mobility, and a declining quality of the social housing stock – including, but not only, energy inefficiency in the context of a changing climate.

Avoiding the spatial concentration of poverty in social housing estates

The increasing residualisation of the social housing sector – coupled with tenure conversion schemes[11], choice-based letting systems (Manley and Van Ham, 2011[54]), and the narrowing of social housing eligibility criteria – have resulted in a heightened risk of socio-economic segregation in social housing estates. Segregation, defined as the geographic allocation along the socioeconomic and ethnic or racial characteristics of households, has increased in cities and regions across the OECD (OECD, 2018[55]). In most Nordic countries, there is a significant link between the concentration of social housing in certain neighbourhoods and the overall level of ethnic segregation (Andersen et al., 2016[56]). In France, the social housing stock – home to an increasing share of blue-collar workers and non-European immigrants – remains more segregated than private rental or owner-occupied housing, yet segregation has nonetheless decreased in social housing estates since the 1990s (Botton et al., 2020[57]). While some level of segregation is natural and can even be beneficial (for instance, in terms of social networks), it becomes problematic when it leads to reduced economic, educational and social opportunities (OECD, 2018[55]).

Even so, many explicit social-mixing policies have failed to generate significant positive effects. For France, Blanc (2010[58]) finds that explicit social mixing policies that prescribe a minimum of 20% social housing in each municipality increased social segregation overall and simultaneously reduced access to social housing among the poorest. Social housing thresholds were often not effective, especially as penalties for non-compliance were set fairly low (Bilek, Costes and Monmousseau, 2008[59]).[12] However, the social mixing law (SRU 2000) has evolved over time to improve efficiency and adapt to local contexts. In general, policies to promote social mixing have shown limited long-term promise to eradicate disadvantages for vulnerable households, especially if the underlying causes of segregation are not addressed (OECD, 2018[55]).

As an alternative to explicit social-mixing policies, countries such as Canada, Chile, France, Mexico, and the United States, have undertaken the large-scale revitalisation projects of social housing estates and the immediate surroundings. Experiences across and within countries are mixed. A largescale social housing revitalisation project in Canada has, to some degree, increased neighbourhood quality for social housing tenants, when coupled with generous support during relocation and a full right to return after project completion as well as community involvement throughout planning and construction phases (Box 2.3). However, earlier research from Canada found that neighbourhood quality had very little effect on the future economic outcomes of young social housing tenants (Oreopoulos, 2003[60]). In the United States, large-scale projects that relocate social housing tenants to higher-quality neighbourhoods, such as the HOPE VI programme in the U.S., have been shown to reduce community ties and social capital (Manzo, Kleit and Couch, 2008[61]; Goetz, 2010[62]; Clampet-Lundquist, 2010[63]). An alternative approach is to consider the development of smaller social housing estates that are more evenly distributed throughout and across urban areas, effectively deconcentrating social housing estates, rather than the people living in them.

Nevertheless, a more fundamental question is whether such efforts are necessary and desirable – in that social housing estates that concentrate low-income tenants are not *necessarily* problematic, nor are more socially mixed social housing estates free from challenges.

Box 2.3. Improving the quality of social housing through large-scale renovation: The case of Regent Park, Toronto (Canada)

In 2005, the City of Toronto began a large-scale revitalisation of Regent Park, built in 1948 as Canada's first social housing estate and until then home to approximately 7 600 tenants. Traditionally associated with concentrated poverty, crime and welfare dependency, Regent Park topped the list of Toronto's most deprived neighbourhoods (Rowe and Dunn, 2015[64]). While the external stigmatisation may have understated deep tenant and community attachments, the estate long suffered from austerity measures and physical deterioration (August, 2014[65]).

The redevelopment project was scheduled over the following 15 to 20 years with a five-phase CAD 1 billion budget involving community partners, the municipal social housing agency and private sector developers, with the aim to house 12 500 residents after completion. The plan called for a combination of social housing, market-rate condominiums and affordable housing units in order to foster a socially mixed community, requiring the demolition of the initial estate and a new design to better connect the area to the city's core. In contrast to other redevelopment projects, the revitalisation project included an explicit "right to return" for former tenants, as well as support to finance rent and relocation costs during development-related displacement.

As of 2020, the redevelopment is in its final stages. On the one hand, the temporary physical relocation has put a strain on former tenants, who return to smaller social housing units as a result of the densification of the estate. Nevertheless, evidence from the first phase of redevelopment suggests that about 60% the households have returned to or near their old home, while 10-20% have found alternative social housing in Toronto (Johnson and Johnson, 2017[66]). Overall, residents report increased satisfaction and positive attitudes towards social mixing across tenures (Rowe and Dunn, 2015[64]). Regent Park gives rise to cautious optimism regarding the inclusive revitalisation of social housing.

Source: www.torontohousing.ca/capital-initiatives/revitalization/Regent-Park/Pages/default.aspx, www.toronto.ca/wp-content/uploads/2017/11/902b-cp-official-plan-SP-28-RegentPark.pdf

Reducing the negative effects of social housing tenure on mobility

Social housing tenants tend to be less mobile than households in the private rental sector yet more mobile than owner-occupiers; this is potentially driven by the self-selection of less mobile tenants in social housing or through lock-in effects of below-market rents (Causa and Pichelmann, 2020[39]). Lock-in effects occur when households lack incentives to move out of a social housing dwelling, even when this could mean (better) employment and (stable) income in another area. Lock-in effects are characterised by significant differences between social housing rents relative to the private market level, as well as the accessibility of other social rent dwellings elsewhere. On a broader scale, lock-in effects may also explain part of the positive association of social rent tenures with unemployment, the length of unemployment spells and the likelihood to move to more distant labour markets, even though the evidence is not fully conclusive across countries (Flatau, Forbes and Hendershott, 2003[67]; Battu, Ma and Phimister, 2008[68]; Gregoir and Maury, 2018[69]).[13] Even so, residential mobility is not always positive; households may be obliged to move to lower-quality dwellings or neighbourhoods, which can have negative impacts on children's' schooling and social networks.

Different policy tools can help residential and labour mobility among social housing tenants and incentivise employment. Such measures should, in a first instance, aim to ensure that more vulnerable households have access to affordable housing options in other and potentially distant labour markets that offer employment opportunities. This could, for example, be achieved by removing queuing or residency requirements in the case of employment take-up, such as the Right to Move policy implemented in English housing associations in 2015 (Box 2.4). This may also require reinforcing institutional support, as residential mobility for the most vulnerable may be dampened by informational barriers and a lack of support in housing search and application processes (Schwartz, Mihaly and Gala, 2017[70]; Bergman et al., 2020[71]).[14] One compelling approach introduced in the Paris region in France is an online platform, *echangerhabiter.fr,* that collects information from 24 major social housing providers (representing around 60% of the regional social housing stock) to enable social housing tenants to exchange their dwellings. In addition, mobility barriers and lock-in effects for lower-income social housing tenants can be reduced by diminishing the social rent benefits at higher income levels, as with the income-dependent rent increases introduced in the Netherlands (see Box 2.2) or in France. Such measures can reduce waiting lists for social housing units, which in turn would make residential moves within the social housing system easier.

Moreover, simulations by Causa and Pichelmann (2020[39]) find that increasing social spending on housing (including housing allowances and social housing) could significantly increase residential mobility among tenants, provided that eligibility rules are designed to avoid lock-in effects. This is because a larger social stock would increase the chances for a household leaving a social dwelling (e.g. for a new job or a change in household situation) to secure a new social dwelling elsewhere.

Box 2.4. Encouraging the residential mobility of social housing tenants: England's Right to Move policy (United Kingdom)

In 2015 the UK government passed the Right to Move statutory guidance under the new Allocation of Housing Regulations for England. This guarantee removed residency or queuing requirements for social housing units if prospective tenants move to take up employment or an apprenticeship. For this, the previous 'hardship' criteria have been extended to those moving for work. Local authorities are since required to offer a minimum of 1% of their housing stock under the Right to Move scheme.

Previously, prospective council or housing association tenants often needed to sacrifice their rent-controlled tenancy in order to take up work elsewhere, effectively disincentivising employment as waiting lists were often long and private rental options too expensive for these households. The new regulations thus remove rent-benefit and housing affordability related barriers from employment related moves and encourage residential mobility within the social housing sector and across districts. It is not clear whether the Right to Move programme has catalysed moves between districts and lowered some of the mobility barriers.

Source: www.legislation.gov.uk/uksi/2015/967/pdfs/uksi_20150967_en.pdf, www.gov.uk/government/news/new-support-for-social-tenants-who-want-to-work

Maintaining and upgrading the quality of the social housing stock

The quality of the social housing stock requires attention in many countries, although cross-national data on social housing quality are limited. Several countries report the quality of the social housing stock and/ or survey tenant satisfaction. The Housing Survey in England (United Kingdom), for example, shows that in 2015 about 6% of the country's social housing units were subject to serious health hazards, such as damp and mould growth or excess cold – nevertheless an improvement to 16% of social dwellings in 2007 (Department for Communities and Local Government, 2017[72]). In Latvia, around 20% of the municipal dwelling stock remains vacant because the units are unsuitable for habitation (OECD, 2020[25]). Meanwhile, in Australia, only 81% of public housing and 75% of state-owned and managed indigenous housing units met minimum acceptable standards in 2016, leaving around 20% of public housing tenants unsatisfied with the safety of their home (Liu, Martin and Easthope, 2019[73]). In France, on average around 15% of social housing residents are dissatisfied with the quality of their dwelling; poor thermal and acoustic insulation and high energy consumption are among the most common dwelling characteristics for which social housing tenants reported dissatisfaction (L'Union sociale pour l'habitat, 2020[74]).

At the same time, quality improvements to the social housing stock can also address some of the environmental challenges facing the residential sector. The building sector is the biggest consumer of energy and was responsible for nearly 30% of global energy-related CO_2 emissions in 2019 (IEA, 2020[75]). Emissions in the residential sector have been growing steadily since 1990 to reach an all-time high in 2019, largely driven by an increase in CO_2 emissions from electricity. While progress have been made to renovate and decarbonise the building stock, there is a need to dramatically accelerate the pace and scale of renovation efforts in order to reach global emissions reduction targets. For example, in the United Kingdom, Ireland, Malta, France and Belgium, more than one out of five low-income households in the social housing sector struggled to keep their dwelling warm in 2017 (OECD, 2020[2]).

The renovation of the social housing stock has been a priority for social housing providers in recent years, to upgrade ageing dwellings but also to improve the overall energy efficiency of the stock in the context of energy poverty and a changing climate. (Housing Europe, 2020[76]) estimated that prior to COVID-19, social housing providers in Europe aimed to dedicate around 40% of total spending on the renovation and maintenance of the existing stock, with the remainder going to the construction of new buildings. The renovation of the social housing stock is a key pillar in France's National Housing Strategy announced in 2017 (French Government, 2017[77]). Further, as part of the European Green Deal, introduced in 2019 as an ambitious roadmap towards a more sustainable EU economy, the EU announced a "Renovation wave" (Box 2.5).

Nevertheless, it will be important for policymakers to ensure that largescale housing quality and energy efficiency improvements do not result in the displacement of low-income tenants. To avoid "renovictions" – the residential displacement of low-income and vulnerable households following investments to improve housing quality (Bouzarovski, Frankowski and Tirado Herrero, 2018[78]) – renovation policies should take care to address the particular challenges facing vulnerable households. International experience is limited, and the effectiveness of various measures to address the issue is unclear.

Box 2.5. The European Green Deal and a "Renovation Wave" to increase energy efficiency of the building stock

The European Green Deal aims to achieve zero net emissions of greenhouse gases and a decoupling of economic growth and resources use by 2050 (European Commission, 2020[79]). To help achieve this objective, the European Commission announced a "Renovation wave" in January 2020 to improve energy efficiency and reduce greenhouse gases in the building sector.

Renovating the building sector is an essential part of decarbonisation efforts. Not only is the building sector the biggest consumer of energy and producer of greenhouse gas emissions in the EU, it is also estimated that around three-quarters of the existing building stock are *not* energy efficient, in many cases because they were built prior to legislation regulating energy performance. The vast majority of today's building stock will still be in use by 2050. Currently, only 11% of buildings on average undergo some form of renovation each year in Europe, yet these efforts only reduce the estimated primary energy consumption of the total building stock by around 1% (European Commission, 2020[79]). Newly constructed buildings, on the other hand, tend to be much more energy efficient. There is thus a critical need to significantly scale up current efforts.

The "Renovation wave" will aim to remove structural, informational, market and other barriers to energy efficiency renovations in the building sector and incentivise investment in making buildings and districts more energy efficient. Among the priorities is a commitment to address energy poverty, by promoting the renovation of social housing.

More recently, while no funding has been specifically earmarked for housing or renovation projects, the 2020 EU Recovery Package agreed in July 2020 allocates 30% of funding to green projects that are determined within each member state. As such, post-COVID recovery funding may, for some EU member countries, provide additional liquidity for housing renovation.

Source: European Commission (2020[79]); European Commission (2020[80]).

3. What's next for social housing?

The COVID-19 pandemic exposed longstanding housing affordability and quality gaps, prompting a range of temporary support measures

Over the past decades, and in particular since the global financial crisis of 2008, increasing numbers of low- and middle-income households have been struggling to afford housing. Even before the COVID-19 pandemic, the social housing sector already faced strong pressures, coupled with public retrenchment from the sector and declining investment. For example, in the United Kingdom (England), prior to the pandemic, more than half of all low-income households in private rentals spent over 40% of their disposable income on rent (OECD, 2020[2]), with more than a million households registered on the waiting list for social housing. Even among households already living in social housing, a third of low-income tenants were overburdened by housing costs, leading to 64 664 rent arrear claims taken to court by social landlords in 2019 alone, coupled with 50 845 eviction orders (OECD, 2019[81]; UK Ministry of Justice, 2020[82]). Given the income losses experienced by households due to the COVID-19 pandemic (OECD, 2020[4]), the pressures on social housing systems and their tenants across the OECD are significantly increasing.

The COVID-19 pandemic reinforced the critical role of social housing in providing stable, safe and affordable accommodation – and spurred a renewed urgency to address housing vulnerability. In response to the crisis, governments at all levels have implemented emergency measures to keep people in their homes (Table 3.1). For example, evictions, including in social housing, were temporarily banned in 16 countries.[15] Simultaneously, some social housing providers took additional action to ensure their tenants could financially cope with the crisis. The Association of Dutch Social Housing Companies (AEDES), for example, advised social housing providers to offer temporary rent freezes, rent reductions or relocations. Meanwhile, some municipal providers, such as the city of Lisbon (Portugal), temporarily suspended social housing rents for all tenants.[16]

In parallel, the pandemic has provided an opportunity for governments to better assess the characteristics and needs of vulnerable households and the homeless, many of whom were helped with temporary shelter in hotels and other accommodation. Better information on the characteristics of those in need can help tailor the social and affordable housing response to prevailing needs. Moving forward, the social housing sector can and should continue to play a key role in supporting low-income and vulnerable households, including the homeless. While social housing alone cannot resolve the homelessness crisis (a range of interventions are needed, see OECD (2020[83]), it can nonetheless be an important avenue for reducing homelessness, including through Housing First approaches to provide the homeless with a stable, permanent home (OECD, 2020[83]).

Table 3.1. Many countries introduced emergency housing measures in response to COVID 19.

Types of temporary emergency housing measures introduced in OECD countries in response to COVID-19

Type of measure or support	Countries
For tenants:	
Eviction ban due to missed payments	Australia*, Austria*, Belgium*, Canada*, France, Germany, Hungary, Ireland, Israel*, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, United Kingdom, United States*
Deferment of rent payments	Austria, Mexico, Portugal*, Spain*
Temporary reduction or suspension of rent payments for some households	Greece, Portugal*, Spain*
Rent freeze	Ireland, New Zealand, Spain*
Reforms to financial support schemes for renters	Japan*, Ireland, Luxembourg, Portugal, Spain
For homeowners :	
Mortgage forbearance	Australia*, Austria, Belgium, Canada*, Colombia, the Czech Republic, Germany, Greece, Ireland, Israel, Italy, Lithuania, Mexico*, Portugal, the Slovak Republic, Spain, United Kingdom, United States*
Foreclosure ban due to missed payments	United States*, the Netherlands, Portugal
For all households (regardless of tenure):	
Deferment of utility payments and/or assured continuity of service even if payment missed	Austria, Belgium*, Colombia, Germany, Japan, Korea, Portugal*, Spain, United States*
Reforms to housing subsidy schemes	France (planned reform postponed), Spain
For the homeless:	
Emergency support to provide shelter and/or services to the homeless	Australia, Austria, Canada, France, Ireland*, New Zealand, Portugal, Spain, United Kingdom, United States*

Note: This table has been prepared based on official sources and media reporting. Given the rapid developments of events and measures, the information in the table may not be comprehensive or fully up to date. It will be updated periodically. * indicates that the measure applies only to some jurisdictions and/or to qualifying households.

Source: OECD (2020[4]), OECD (2020[3]) and the corresponding country tracker, http://oe.cd/covid19tablesocial

The social housing sector can be an integral part of a green and inclusive economic recovery – but requires renewed public investment

The future of social housing will continue to be shaped by changing demographics, socio-economic and environmental realities, housing market evolutions and the changing nature of work, as well as policy decisions as countries chart a path towards economic recovery. Against the backdrop of these longer-term structural trends, the COVID-crisis provides a major opportunity to address the housing affordability crisis that existed well before the pandemic. There is a need for renewed public investment in social and affordable housing, including substantial investments in the construction and expansion of the social housing sector.

The potential benefits of increased public investment in social and affordable housing are threefold:

- First, such investments can help spur economic recovery: at a time when homebuilding is expected to fall short of demand in many countries, investment in housing and urban development holds potential as a sustainable economic stimulus, in particular due to the often large fiscal volume, employment intensity and the long-term orientation of most projects. OECD (2020[84]) finds that increased capital spending on social housing can generate benefits both for near-term housing affordability as well as the longer-term housing supply, with limited adverse consequences on labour mobility so long as workers' eligibility for social housing is portable across jurisdictions.

- Second, increased investment in social and affordable housing support can help to ensure a more *inclusive* economic recovery, helping to correct for recent trends towards public retrenchment from the housing market in many countries, stimulate jobs, and address the sustained housing challenges facing low-income and vulnerable households, including the homeless. For instance, policy makers and housing advocates in Australia, Ireland, Portugal and the United Kingdom (England), among others, have emphasised the need to prioritise social and affordable housing as a key counter-cyclical investment opportunity that can help support jobs and SMEs in the building sector and deliver more affordable housing in the market (see, for instance, Bibby and Bhakta (2020[85])).
- Third, investments in social housing can also support a *greener* economic recovery, helping governments to accelerate the take-up of environmentally sustainable construction techniques (OECD, 2020[84]). Drawing on lessons from the global financial crisis, large-scale investment in social housing renovation and refurbishment, which is central element of the European Green Deal, can support environmental sustainability objectives.

Together, such investments can boost well-being among residents across the OECD and EU, helping to ensure that more people have a safe, affordable place to call home.

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Notes

[1] Data are reported along some dimensions for the following countries : Australia, Austria, Belgium, Canada, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Switzerland, Turkey, the United Kingdom, and the United States.

[2] In the United Kingdom, *council housing*, provided by local authorities, exists alongside *social housing,* which is provided by housing associations (also referred to as private registered providers). In England (with similar trends in Wales), social housing has since 2007 accounted for the majority of social rental dwellings, as council housing has been steadily declining. While similar trends have prevailed in Scotland and Northern Ireland, council housing still makes up the majority of social housing. Even though colloquially referred to as council housing, Northern Irish housing councils transferred their social housing stock to the Northern Irish Housing Executive in 1971.

[3] In Norway, for example, social housing originally referred to any housing tenure receiving some kind of public subsidy or social assistance, either directly or indirectly. As such, the public housing system mainly focussed on a *social home ownership model* that made subsidised home ownership affordable for all. With increased wealth and economic prosperity, which diminished the need to subsidize ownership for most, the system has shifted to means-tested subsidized rental housing mostly provided by local authorities, with a primary focus on housing the few vulnerable members of the Norwegian society (Sandlie and Gulbrandsen, 2017[86]).

[4] Denmark, Estonia, Finland, Israel, Portugal and United Kingdom (Northern Ireland and Scotland) do not set an income threshold to determine eligibility for social housing.

5In some countries different priority allocation rules apply across jurisdictions (e.g. Brussels, Flanders and Wallonia in Belgium have different social housing allocation priorities and mechanisms), for more details refer to indicator PH4.3 in OECD (2020[2]).

[6] Cross-country spending data on social housing are not available; data pm public spending on housing development are used here.

[7] The option for social housing tenants to purchase their dwellings, i.e. the *Right to Buy*, was abolished in Scotland in 2016 and in Wales in 2019.

[8] Nevertheless, two thirds of new tenancies were placed on initial 12 month probationary periods before offering lifetime tenancy (DCLG, 2015[96]). This probation period has been common practice before the Localism Act.

[9] For example, the allocation of social housing to families without a clear need has been found to be prevalent in Germany (Schier and Voigtländer, 2016[87]), the Netherlands (BZK, 2017[88]) and the United States (PIH, 2015[89]).

[10] In New South Wales (Australia), which uses FTTs in social housing since 2006, less than one percent of short-term tenancies had not been renewed in the years after its introduction (Tenants Union of New South Wales, 2008[90]). First evaluations of voluntary FTTs in England show relatively low numbers of non-renewal as well (Watts and Fitzpatrick, 2018[91]).

[11] The *Right to Buy* scheme in England, offering opportunities for social housing tenants to buy their dwellings at significant discounts, has decreased the social mixing of social housing and increased the countries spatial socioeconomic segregation (Jones and Murie, 2008[92]; Murie, 2016[93]).

[12] A more recent evaluation of these policies found that newer developments in Paris, Lyon and Marseille had a marginally positive effect on social mixing in the neighbourhoods (Korsu, 2016[94]).

[13] While Battu, Ma, & Phimister (2008[68]) and Gregoir & Maury (2018[69]), using UK data, as well as Flatau, Forbes, & Hendershott (2003[67]) for Australia, find a negative association of social rent tenures with employment some others do not. For example, Dujardin & Goffette-Nagot (2008[95]) do not find that public housing has an effect on unemployment in France.

[14] For the housing voucher system in Seattle, research has shown that additional support in housing search and application processes strongly raised the share of households making a residential move to a higher opportunity neighbourhood (Bergman et al., 2020[71]).

[15] Nation-wide temporary eviction bans have been introduced in Austria, France, Germany, Hungary, Ireland, Luxembourg, the Netherlands, New Zealand, Portugal, Spain and the United Kingdom. Eviction bans have been implemented in some jurisdictions (or for specific cases) in Australia, Belgium, Canada, Israel and the United States. More information can be found in here: http://oe.cd/covid19tablesocial

[16] Social housing rents are suspended from April to June 2020, after which households will have 18 months to pay back the rent without charges.

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