

Social Housing - A Key Part of Past and Pandemic Impacts

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Abstract - This Social housing represents a crucial facet of social welfare policy and affordable housing provision, constituting over 28 million residences, accounting for approximately 6% of the total housing inventory in OECD and non-OECD EU nations. Considerable variations exist among countries regarding the definition, scale, extent, target demographic, and provider types within the realm of social housing. Although social mixing remains a primary goal in many countries' social housing sectors, there's a growing concentration of lower-income and vulnerable occupants, leading to a diminished diversity of income levels. This trend poses challenges to the economic viability of the sector, fostering an increased spatial clustering of poverty and disadvantage. The size of the social housing sector has dwindled in recent years in nearly all countries with available data, except for six, while the absolute count of social housing units has declined in just four countries with available data. This decline can be attributed, in part, to reduced public investment in housing stock. The pandemic has significantly disrupted construction, rendering it challenging for numerous households to afford shelter and adversely impacting the housing sector. Many countries have initiated substantial revitalization projects to enhance the quality of social dwellings and their surrounding neighborhoods, aiming to address persistent challenges associated with social housing, such as segregation. Policymakers must ensure that renovation efforts do not displace low-income households.

Key Words: Social housing, OECD, crisis, response, Finance, Pandemic.

1.INTRODUCTION

The provision and oversight of social housing for individuals facing housing market barriers are indispensable for upholding the social fabric. Around 20

percent of households in our nation depend on some form of subsidized housing from local authorities and housing associations. Many who would otherwise face homelessness find shelter in privately owned accommodations facilitated by state and voluntary agencies. Additionally, housing benefits funded through tax receipts assist others in affording their rented homes. The social housing sector is expansive and continually expanding, witnessing annual growth in housing associations and management bodies, while adapting to evolving political and economic dynamics. Subsidized housing exists in nearly every country globally, and the total number of social homes is expected to rise, accompanied by sector challenges such as escalating housing prices, stagnant wages, demographic pressures, and dwindling public investment.

The COVID-19 pandemic, coupled with shelter-in-place directives, brought attention to enduring gaps in housing affordability and quality, particularly affecting low-income and vulnerable households. Those residing in substandard or unsafe conditions faced heightened health and safety risks, while individuals grappling with sudden economic setbacks struggled to meet rent, mortgage, or utility payments without assistance. The crisis underscored the imperative to address persistent housing vulnerabilities and homelessness, prompting governments to implement various emergency housing support measures.

The pandemic has accentuated persistent housing affordability and quality disparities, emphasizing the need for investments in social housing construction and renovation as pivotal components of a more sustainable and inclusive economic recovery. COVID-19's profound disruption to construction and the housing sector has led governments to implement diverse measures to safeguard tenants, mortgage-holders, builders, and lenders. This analysis utilizes web-search data to illuminate the crisis's impact on the construction sector, evaluating government measures and cautioning against potential unintended

inefficiencies if relief measures are not phased out as planned. The note concludes by emphasizing the importance of transitioning from immediate rescue measures to policies supporting the recovery and fostering efficient, inclusive, and sustainable housing markets, building on recent empirical findings.

2. SOCIAL HOUSING

Social housing is characterized as the creation of housing units with the aim of offering long-term affordability to a specific group of residents, without prioritizing profit maximization for the entity owning the housing. In OECD and non-OECD EU nations, social rental housing constitutes over 28 million dwellings, accounting for an average of approximately 6% of the total housing stock. However, substantial variations exist among countries in terms of the definition, size, scope, target population, and provider type within the realm of social housing.

In this concise overview, social housing is specifically defined as residential rental accommodation provided at sub-market prices, allocated based on specific criteria like identified need or waiting lists. It may go by various names, including social or subsidized housing, public housing, council housing, or general housing. Certain countries exhibit diverse forms of social housing; for instance, Austria, Latvia, and Lithuania provide social housing alongside municipal housing. In the United Kingdom, council housing coexists with social housing, while in the United States, local housing authorities offer public housing, complemented by programs catering to disabled individuals. Additionally, rental housing at sub-market rates is made available by private and non-profit developers through initiatives like the Low-Income Housing Tax Credit program (LIHTC).

The definition of social housing has evolved over time in many countries, adapting to changing policy approaches and market conditions. It's crucial to distinguish social housing from the broader term "affordable housing," which encompasses both rental and owner-occupied dwellings made more affordable through a wide array of supply- and demand-side supports. A forthcoming OECD policy brief on affordable housing will delve into the diverse measures governments employ to enhance housing affordability.

3. HOW BIG IS THE SOCIAL HOUSING SECTOR?

The extent of social housing varies significantly among nations, reflecting differences in definition. The size of the social housing inventory differs notably from one country to another. At one extreme, three countries have social housing constituting over 20% of all dwellings, historically accommodating a diverse range of low- and middle-income households. In contrast, social housing comprises between 10% and 19% of the total housing stock in five countries. However, in the majority of OECD and EU nations, it constitutes less than 10% of the total housing stock.

4. WHO LIVES IN SOCIAL HOUSING?

A Key The majority, though not all, social housing sectors primarily focus on low-income and vulnerable households. A crucial distinction among social housing systems lies in the targeted or universal approach to the eligible population. Universalist models, in theory, welcome a broad cross-section of the population, while targeted models concentrate the allocation of social housing predominantly (or exclusively) on low-income individuals, vulnerable populations, and/or key workers. Even within targeted systems, certain vulnerable groups, such as the homeless, often encounter significant challenges in gaining access to social housing. In practice, the lines between universalist and targeted systems are not always clear, with many initially universalist social housing systems gradually evolving to become more targeted.

Access to social housing is determined by eligibility criteria, and various countries establish criteria based on income levels, citizenship, a household's current housing situation, or other household characteristics. Income thresholds commonly serve as the primary criterion for determining eligibility. However, when demand surpasses supply, households meeting priority criteria do not always secure access to social housing.

5. WHO PROVIDES SOCIAL HOUSING?

A diverse array of providers is involved in social housing delivery, with sub-national governments prominently participating. Social housing providers vary, and depending on the country, development and administration may be undertaken by public, private, or non-profit entities, cooperatives, or a combination of providers. In several nations, social housing constitutes a substantial portion of the overall rental housing stock, forming a pivotal "third sector" alongside the public and for-profit sectors in the housing market. This diversity reflects the intricate governance of housing policy, which often spans multiple ministries and government levels.

On average, decentralization is most pronounced in Canada, Estonia, Colombia, Iceland, and the Netherlands. Generally, decision-making is more devolved to lower-level actors in federal countries compared to unitary countries. Across the OECD and EU, regional and municipal authorities contribute approximately half of social housing provision. The remainder is distributed among non-profit, limited-profit, or cooperative housing associations (15%), national governments (14%), for-profit providers (11%), and others. In Austria, Finland, France, the Netherlands, and the United Kingdom (England and Wales), non- or limited-profit housing associations are the primary contributors to social housing. In the United States, for-profit and private providers are prevalent, particularly concerning units developed through the Low-Income Housing Tax Credit program. While certain countries are dominated by one type of provider, others, such as Austria, Denmark, France, Ireland, Slovenia, the United Kingdom, and the United States, exhibit a mix of provider types.

6. HOW IS SOCIAL HOUSING FINANCED?

The funding of social housing adopts diverse forms and typically involves a range of sources and contributors. Three primary sources contribute to financing social housing: 1) rental income from tenants; 2) borrowing by the social housing provider; and 3) payments and/or subsidies from various sources, including governments. Governments, as a significant source, may support social housing through direct provision, grants, tax credits, loans, and/or loan guarantees to providers. In many instances, local governments may provide land for social housing development at discounted prices. The extent of both direct and indirect public subsidies impacts the portion covered by tenant rents and borrowing.

Rent-setting methodologies vary, and different countries consider a mix of factors to determine rent levels. The chosen approach significantly influences the long-term economic sustainability and affordability of the social housing sector. Each rent-setting approach carries its own advantages and drawbacks.

A market-based approach ensures social housing is more affordable than market-rate housing, but social rent may not align with households' ability to pay, potentially excluding very low-income households. A cost-based

approach accounts for actual development, operation, and maintenance costs, signaling the real cost of housing development to the market. However, it can lead to inefficiencies if costs are uncontrolled and does not consider a low-income household's ability to pay. High land prices in urban areas can result in significant rent disparities between new developments and older estates. Policymakers may mitigate costs through land allocation policies and special financial instruments. An income-based approach considers households' rent-paying capacity but, particularly as the sector becomes more market-oriented, may threaten the long-term economic sustainability of social housing. This approach could incentivize providers to prioritize higher-income households, potentially excluding very low-income and vulnerable households for a more economically sustainable social housing system. Finally, a characteristic-based approach considers key housing and neighborhood quality dimensions but lacks some advantages found in other models.

7. AN EVOLVING YET RESILIENT SECTOR: CHANGES AND CHALLENGES FOR SOCIAL HOUSING

In a dynamic environment, the social housing sector has undergone transformations in recent decades. Various changes within the sector have been prompted by the necessity to align with broader socio-economic developments and housing market trends, resulting in significant consequences for the supply and demand of social housing.

Several countries are experiencing a reduction in public investment in housing, coupled with a gradual shift from directly providing social housing to offering housing allowances. Simultaneously, the rise in affordability challenges and shifts in demographics, such as increased urbanization and migration to European cities, as well as population aging, have exerted additional pressure on housing markets and social welfare systems.

The growing number of elderly individuals residing in social housing introduces the need to adapt dwellings, surrounding environments, and support services to cater to changing physical needs and capabilities. Moreover, an aging population may lead to a smaller workforce and heightened pressure on public pension systems. These

trends not only drive an upsurge in demand for social housing but also necessitate a broader range of employment and social services for current residents in social housing.

As an example, the increasing concentration of specific groups within the sector has prompted social housing providers to enhance support for vulnerable populations, involving the expansion of services for existing tenants in social housing.

8. ADDRESSING ENDURING CHALLENGES FACING THE SECTOR

In the interim, the social housing sector must persist in confronting enduring challenges, such as the concentrated spatial presence of poverty and disadvantage, the adverse impacts of social housing tenure on mobility, and the diminishing quality of the social housing inventory – encompassing factors like energy inefficiency within the context of a shifting climate.

To mitigate the adverse effects of social housing tenure on mobility, it is observed that social housing tenants exhibit less mobility than those in the private rental sector, yet more than owner-occupiers. This phenomenon could be attributed to the self-selection of less mobile tenants in social housing or the lock-in effects of below-market rents. Lock-in effects manifest when households lack incentives to relocate from a social housing dwelling, even when it could lead to employment and income in another area. These effects are identified by significant differences between social housing rents and private market rates, along with the accessibility of other social rent dwellings elsewhere. On a broader scale, lock-in effects may also elucidate part of the positive association of social rent tenures with unemployment, the duration of unemployment spells, and the likelihood of moving to more distant labor markets, although conclusive evidence across countries is not universally established. Nevertheless, residential mobility does not consistently yield positive outcomes; households may be compelled to move to lower-quality residences or neighborhoods, adversely affecting children's education and social networks.

Various policy tools can facilitate residential and labor mobility among social housing tenants and encourage

employment. These measures should initially focus on ensuring that more vulnerable households have access to affordable housing options in other, potentially distant labor markets that provide employment opportunities.

Ensuring and enhancing the quality of the social housing stock is crucial. Attention to the quality of the social housing stock is warranted in many countries, even though cross-national data on social housing quality are limited. Several countries assess and report on the quality of the social housing stock and/or gauge tenant satisfaction.

9. CASE STUDY - IMPROVING THE QUALITY OF SOCIAL HOUSING THROUGH LARGE SCALE RENOVATION: THE CASE OF REGENT PARK, TORONTO (CANADA)

In 2005, the City of Toronto initiated an extensive revitalization effort for Regent Park, established in 1948 as Canada's inaugural social housing estate and previously housing around 7600 tenants. Traditionally associated with concentrated poverty, crime, and welfare dependency, Regent Park ranked as Toronto's most deprived neighborhood. Despite enduring deep tenant and community bonds that external stigmatization may have overlooked, the estate long grappled with austerity measures and physical decay.

The redevelopment initiative was planned for the subsequent 15 to 20 years, featuring a five-phase budget of CAD 1 billion, with collaborative efforts involving community partners, the municipal social housing agency, and private sector developers. The goal was to accommodate 12,500 residents upon project completion.

The strategy encompassed a mix of social housing, market-rate condominiums, and affordable housing units, aiming to cultivate a socially diverse community. This necessitated the demolition of the original estate and the implementation of a new design to enhance connectivity to the city's core. Distinct from other redevelopment endeavors, the revitalization project explicitly incorporated a "right to return" for former tenants, along with financial assistance for rent and relocation costs during development-induced displacement.

As of 2020, the redevelopment is in its final phases. On one hand, the temporary physical relocation has posed challenges for former tenants, who are now returning to smaller social housing units due to the estate's densification. Nonetheless, evidence from the initial redevelopment phase indicates that approximately 60% of households have returned to or near their previous residences, while 10-20% have secured alternative social housing in Toronto. Overall, residents express heightened satisfaction and positive attitudes toward social mixing across different tenures. Regent Park provides a source of cautious optimism regarding the inclusive revitalization of social housing.

9. CASE NEXT IN SOCIAL HOUSING (THE COVID RESPONSES)

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, 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. Given the income losses experienced by households due to the COVID-19 pandemic, 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. 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, temporarily suspended social housing rents for all tenants.

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, it can nonetheless be an important avenue for reducing homelessness, including through Housing First approaches to provide the homeless with a stable, permanent home.

10. CONCLUSION

The social housing sector has the potential to play a crucial role in fostering a sustainable and inclusive economic recovery, necessitating a revitalized commitment to public investment. The trajectory of social housing in the future will be influenced by evolving demographics, socio-economic and environmental dynamics, changes in the housing market, and shifts in the nature of work. Additionally, policy decisions made by countries as they navigate economic recovery will shape the landscape of social housing. Amid these enduring structural trends, the COVID-19 crisis offers a significant opportunity to address the pre-existing housing affordability crisis.

There is a pressing need for renewed public investment in both social and affordable housing, involving substantial commitments to the construction and expansion of the social housing sector. The potential advantages of heightened public investment in social and affordable housing are manifold. Firstly, such investments can serve as a catalyst for economic recovery. Given the anticipated shortfall in homebuilding relative to demand in many countries, investing in housing and urban development emerges as a sustainable economic stimulus, driven by

the substantial fiscal volume, employment intensity, and long-term focus inherent in most projects. The OECD contends that increased capital spending on social housing can yield benefits for both immediate housing affordability and longer-term housing supply, with minimal adverse effects on labor mobility, provided workers' eligibility for social housing is portable across jurisdictions.

Secondly, increased investment in social and affordable housing support can contribute to a more inclusive economic recovery. This involves addressing recent trends of public withdrawal from the housing market in various countries, stimulating job creation, and tackling persistent housing challenges faced by low-income and vulnerable households, including homelessness. Policymakers and housing advocates in countries such as Australia, Ireland, Portugal, and the United Kingdom underscore the importance of prioritizing social and affordable housing as a key counter-cyclical investment opportunity. This approach can help sustain jobs and support small and medium-sized enterprises (SMEs) in the construction sector while delivering more affordable housing to the market.

Thirdly, investments in social housing can contribute to a greener economic recovery, facilitating governments in advancing the adoption of environmentally sustainable construction techniques. Drawing from lessons learned during the global financial crisis, substantial investment in the renovation and refurbishment of social housing, a central element of the European Green Deal, can align with environmental sustainability objectives. Cumulatively, these investments can enhance well-being among residents across the OECD and EU, ensuring that a greater number of people have access to a secure, affordable place to call home.

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