



Policy Discussion Brief for the European Commission on housing in EU member states

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Executive summary

Housing is not a core responsibility of the European Commission or other EU institutions; it is an exclusive responsibility of member states, despite being of key importance for an inclusive and competitive Europe through the agendas of social inclusion, labor mobility and sustainability. However, access to secure and affordable housing is a basic condition of the wellbeing of European citizens and societies. Furthermore, efficient housing policy can improve or counteract market failures, e.g. increase or decrease access to housing and affordability in well-functioning job markets; reducing fuel poverty and enhance mobility – that is, it is essential in reaching strategic EU goals, particularly the set of objectives laid out in the Europe 2020 strategy.

Although housing policy remains a Member State competency, EU level policy and its implications already affect housing, and currently they do so in a fundamentally liberal and pro-market manner. The resulting outcomes on both EU and Member State level often contradict Europe 2020 goals such as near-full employment and competitiveness; and they tend to harm social goals such as inclusion and poverty reduction. EU institutions should therefore consider possibilities of influencing housing policy making in a more strategic and coordinated way within Member States; and intervention methods need to be developed for a more effective enforcement of EU level housing goals. When doing so, the key policy directions should be:

- (1) subscribing key principles of “Adequate Housing” in all Member states
- (2) moving from market-enabling strategies towards smart regulation in housing;
- (3) fostering a better integration of housing provision into welfare and economic policy; and
- (4) incentivizing the creation of housing policies that serve the resilient city agenda

To support a higher level of policy convergence along these directions, the EU needs to deploy a soft policy coordination mechanism, possibly an Open Method of Coordination process backed by a European Adequate Housing Strategy.

Introduction

EUROPE 2020, the European Union's ten-year growth strategy names five core priorities that it considers crucial to attain smart, sustainable and inclusive growth: employment, innovation, education, poverty reduction, and sustainability.¹ Four out of five priorities are unfeasible without adequate housing policies: access to employment and education is impossible without access to housing near job markets and education institutions; poverty reduction cannot be addressed without adequate housing, and sustainability is unachievable without a sustainable housing stock, as the building sector is responsible for a vast share of greenhouse gas emission. Housing is also a basic need, and accordingly it is mentioned as a human right² in European documents³ as well as in constitutions of the member states.⁴

EUROPE 2020, the EU's ten year jobs and growth strategy calls for smart, sustainable and inclusive growth, based on the notion of the European social model: the EU is a socially inclusive market economy which strives for cohesion and social inclusion. It has therefore to reconcile two seemingly opposed objectives: competitiveness and social integration. EU decision makers must keep in mind that housing plays a crucial role in both these objectives.⁵ Member states have vast autonomy within the EU, but a globalized world economy plays an increasingly constraining role in their national policy decisions. The establishment of the European Monetary Union amplified these processes, as it unveiled the conflicts inherent in the separation of fiscal and monetary policy.

Housing policy in Europe should be based on the understanding of the housing problem in Europe. In the housing literature housing is often called a "wobbly pillar of the welfare state".⁶ This implies that housing is mainly provided by the market, but since it is a basic need and the fact that the market does not provide housing to the lowest income groups, it is also a crucial topic of government policy.

The social inequality as a consequence of the economic development model and deficiency of the welfare system materialized in housing affordability problem causing spatial inequality (segregation) and substandard housing situation. Consequently housing policies in Europe should be understood in relation to the welfare system and the economic development model in different member states.

This policy brief depicts housing issues and the role heretofore assumed by EC-policies, and provides recommendations for the EC as well as the member state level. The brief will give an interpretation of the nature of the housing problem in Europe emphasizing its differences in the developed and less developed part of Europe, and will overview of the existing policies at European level and member states, and will give recommendations.

¹EUROPE 2020: A strategy for smart, sustainable and inclusive growth. Communication from the European Commission. COM (2010) 2020 final, 3 March 2010. Brussels. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52010DC2020&from=EN>

²CESR (Committee n Economic, Social and Cultural Rights) 1991, General Comment No 4: The right to adequate housing + CESR 1992). Report on sixth session. UN Doc. E/C.12/1991/4. Annex III: 114-120.

³Housing is presented as concern of the European Commission in Europees Economisch en Sociaal Comité (2012). Wat op het spel staat bij de omschrijving van sociale huisvesting als dienst van algemeen economisch belang (initiatiefadvies). TEN/484 Sociale huisvesting als DAEB. EC's note on Social Housing in the EU (Note of the Directorate General for Internal Policies Policy Department A: Economic and Scientific Policy, January 2013); and in the European Parliament's social housing resolution (European Parliament resolution of 11 June 2013 on social housing in the European Union - 2012/2293(INI)).

⁴Edgar, B., Doherty, J. & Meert, H. (2002). Access to housing: homelessness and vulnerability in Europe. Bristol: the University Press, University of Bristol.; the role of housing in member states' legal systems and in their constitutions was discussed in detail in EU funded project TENLAW (Tenancy Law and Housing Policy in Multi-level Europe), finalized in 2015, see national and comparative reports on <http://www.tenlaw.uni-bremen.de/>

⁵The most important EU policy documents with a relation to social housing were summarized in a study prepared by Central European University students at the request of Habitat for Humanity International: Camille Hesterberg and Myles O. Stiffler: EU2020 and the Question of Social Housing. A Critical Assessment of European Union Policies Relating to Social Housing. Central European University, Department of Public Policy, October 2015.

⁶Formulated first by Torgerson, U. (1987). Housing; the wobbly pillar under the welfare state. In: B. Turner, J. Kemeny and L. Lundqvist, Between State and Market in the post-industrial era, p. 116-127, Gavle: Almqvist & Wiksel International and later reiterated by other highly influential housing researchers such. Malpass, P. (2003). 'The wobbly pillar? Housing policy and the British postwar welfare state.' Journal of Social Policy Vol. 32, No. 4: 589-606. Kemeny, J. (2001): Comparative housing and welfare: Theorising the relationship, Journal of Housing and the Built Environment, 16, pp. 53-70.

Social Rental Agency initiatives in Poland and in Hungary

Habitat for Humanity is promoting the reform of the social housing system in several new Member States. To improve the management of social housing and to increase the number of affordable rental units, Habitat for Humanity did research and awareness raising in Hungary and Poland to introduce Social Rental Agencies as mediating organizations between private landlords and those in need of affordable rental options.

1. Housing problems in the EU

1.1 Facts and figures⁷

Housing cost overburden has been increasing all over EU among lower-income groups, and in 2014 more than one third of the population's housing costs reached 40 percent or more of the full disposable household income. It seems to be the most prominent on the two extremes: in the most dynamically growing urban centers, and in the least-developed regions – particularly in shrinking cities and towns, and in rural areas with poor economic prospects. In 2014, average housing costs in the EU-27 amounted to 23 percent of disposable income but reached 40 percent in low-income groups (households below 60 percent of the median national income). Overall, 11.4 percent of European households suffer from housing cost overburden.⁸

Worsening affordability leads to overcrowding. In 2014, 16.9 percent of the EU-28 population lived in overcrowded housing, ranging from 2 percent in Belgium to 52.3 percent in Romania.⁹ The overcrowding rate was typically above 25 percent in new EU member states and in Southern Europe (notably Italy and Greece). Partly because of growing youth unemployment, the share of young adults age 18-34 living with their parents has been growing for decades, reaching 58 percent of young adults in Spain, nearly 60 percent in Bulgaria, and hovering around 70 percent in Croatia and Slovakia.¹⁰

Besides statistically measurable factors such as **cost overburden** and **overcrowding**, recent developments have undermined other, less clearly quantifiable factors, particularly **tenure security**. According to Eurostat data, in 2010 three million EU citizens were homeless, and 17 percent of the population was “ill-housed” – living in substandard housing with no significant chance of improving their living conditions – or living under the threat of losing their home.¹¹ Wavering tenure security affects more than just the poorest EU citizens; more than 10% of the population is in housing cost arrears. Even lower-middle-income groups are being priced out of developing or gentrifying downtown areas, but also have a growing share of arrears – in rent, mortgage repayment, utilities – that might force a household to move to a less attractive residential environment or lower-quality housing. Living in **substandard housing**, on the other hand, affects the lowest-income groups both in poor urban neighborhoods and in remote “weak market” rural areas cut off from the job markets.

The **spatial segregation** triggered by social and economic inequalities is a phenomenon of prevailing significance in Europe. Ethnic enclaves, particularly in low-income urban neighborhoods or rural areas with low overall housing quality, tend to persist over time. Although historic segregation patterns are not insignificant, many of the segregated urban areas in Europe are the result of relatively recent international migration from developing countries.¹²

⁷ The analyses draws on the Christopher Sorek and Katerina Bezgachina (eds.) Housing Review 2015. Affordability, Livability, Sustainability. Habitat for Humanity.

⁸ Eurostat SILC, Housing cost overburden rate by age, sex and poverty status <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

⁹ Eurostat SILC, Overcrowding rate by age, sex and poverty status <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

¹⁰ Eurostat SILC, Share of young adults aged 18-34 living with their parents by age and sex <http://appsso.eurostat.ec.europa.eu/nui/show.do>

¹¹ Ottolini, Cesare, and Jason Nardi (2010). “Housing in Europe: The Impact of Globalisation on a Once Local Issue.” European Social Watch Report 2010. socialwatch.eu/wcm/table_of_contents.html

¹² Iceland, John (2014). “Residential Segregation: A Transatlantic Analysis.” Washington, D.C., Migration Policy Institute. migrationpolicy.org/research/residential-segregation-transatlantic-analysis

Accordingly, a simplified image of “ghettos” in Europe shows poor urban neighborhoods populated by international migrants on the one hand and extremely poor remote rural segregated areas, particularly the precarious Roma communities of Southern and Eastern Europe, on the other. With some of the more recent EU accession rounds, the influx of new international migrants into dynamic Western urban areas also began, causing some levels of social tension.

Europe’s current “migrant crisis” will affect housing affordability of the poor especially in the main target countries of the refugee population in Western and Northern Europe. In 2015, 1.2 million asylum seekers registered in EU Member States,¹³ and almost 300,000 were offered asylum. The growing number of refugees is expected to put pressure on the demand side of the housing market, possibly increasing rent and house prices, making housing less affordable for low income persons and households especially in the urban centers Europe’s most developed areas, where the demand for labor is high.¹⁴

This short overview of housing problems in EU Member States leads us to the need to distinguish two overarching types of housing problems: that of **adapting** to volatile market mechanisms, which can lead to major housing related problems even for middle-income households in the most developed areas of the EU; and that of **absolute material deprivation**, which usually concerns low-income households, and is much more prevalent in the less developed European regions.

While the growing costs of housing and housing related spending (e.g. household energy, commuting to work) is an overall European phenomenon, its causes and consequences are fundamentally different in the dynamically growing and the shrinking or stagnating regions of Europe. For households with an acceptable income level, the problem is triggered by the lack of appropriate adjustment mechanisms to rapidly alternating housing market cycles, to which they cannot adapt as swiftly; while the “traditional” poor suffer from policy makers’ inability to manage these factors in the long run. Hence we can differentiate two basic types of housing poor in EU:

a. Households in absolute poverty, who live in severe material deprivation

Households in this group may not even be part of the statistical “housing cost overburden” group – to the contrary, they can be characterized by a very low level of housing consumption. The poorest groups typically live in owner occupied (albeit very poor quality) housing, some of them in self-built detached houses or poorly renovated holiday cabins. Many very low income households live in inexpensive but remote areas, far away from public services (such as schools, shops, medical services) and labor markets; and their situation is further complicated by limited transport options. For the most vulnerable populations in Europe, household energy may be very costly due to the poor quality and energy efficiency of their dwelling – or quite the opposite, it may be very low if they do not have access to utilities (e.g. live in a remote, inexpensive area with no utility grids; it is also complicated to calculate exact heating costs for those who collect wood for heating).¹⁵

Housing First in Hungary and in Czech Republic

Habitat for Humanity is joining forces with other actors in Europe to promote Housing First solutions as a more effective way of combatting homelessness. Habitat for Humanity in Hungary is implementing demonstration projects with the help of volunteers, while the NGO Platform for Social Housing is running a pilot project in Brno, Czech Republic.

¹³ Asylum in the EU Member States, Eurostat – newsrelease 44/2016 (4.3.2016) <http://ec.europa.eu/eurostat/documents/2995521/7203832/3-04032016-AP-EN.pdf/>

¹⁴ Aiyar, S, B Barkbu, N Batini, H Berger, E Detragiache, A Diziolli, C Ebeke, H Lin, L Kaltani, S Sosa, A Spilimbergo and P Topalova (2016). “The Refugee Surge in Europe: Economic Challenges”, IMF Staff Discussion Note 16/02, Washington, DC

¹⁵ Hegedüs, J.: Social Safety Nets, the Informal Economy and Housing Poverty – Experiences in Transitional Countries in: European Journal of Homelessness Volume 5, No. 1 August 2011, p 15-26

b. Households in relative housing poverty, or the “new housing poor”

A growing share of lower middle income households who do not suffer from severe material deprivation but still face housing cost overburden and increasingly limited housing options belong in this group. It is notable that housing cost overburden (having to pay more than 30 percent of disposable household income on housing costs) is among the highest in Denmark and the United Kingdom, although most of these overburdened households are not materially deprived. Nevertheless, in the most dynamically developing urban regions even the (lower) middle classes could be priced out of their homes and face unreasonably long commutes to work or school, or face serious difficulties in covering their household energy bills. The highest performing urban hubs are the places that attract the most workforce; but their land market regulations do not necessarily permit the construction of affordable homes, e.g. prevent higher density home building near jobs. While the problem of housing market cycles is typically a supply side issue, land market, planning and capital market regulations together prohibit a flexible market response that could alleviate this. Planning and land market regulations may be partially responsible for the surge of housing prices in economic centers which seems to make a growing number of young working households unable to afford a home. Capital markets have also turned more conservative after the financial crisis, but their stricter underwriting systems have also led to the lower creditworthiness of lower middle income persons. These trends are reflected in various ways, from the rise in the number of young adults still living with their parents¹⁶ to the growing number of households who pay more than 40 percent of their disposable income on housing costs.¹⁷

1.2 Mapping the diversity of living conditions in Europe

The nature of the housing problem in Europe varies substantially across Europe, and to a great extent the nature of a Member State's dominant housing problems depend on the country's or region's overall level of economic development, especially as it strongly affects with the country's demographic trends, and also has a definitive impact on the quality of its housing stock. Figure 1 shows a rudimentary grouping of EU Member States into three groups:¹⁸ the most developed Western and Northern European countries, or Europe's “core” countries, where the level of economic development is the highest; and the two distinct types of Europe's “periphery”, Southern European and new EU Member States. The salience of the “new” and “old” housing poor, issues of housing and neighborhood quality, affordability, tenure types and tenure security, and so on, are very strongly influenced by the region's level of economic development and the current (albeit also historically determined) state of its housing stock.

Of course there are huge differences within a Member State; the poorest regions of Italy or France are comparable to some of the average or more developed parts of Eastern European Member States. However, the overall differences, presented in statistical data in Tables 1 and 2, are used here to underpin the notion that the **overall level of economic development** is a strong determinant of housing problems and realistically available solutions.

¹⁶ See for instance Eurostat: Share of young adults aged 18-34 living with their parents by age and sex (source: EU-SILC)[ilc_lvps08] – this trend is equally pronounced in South and Central/East European EU member states

¹⁷ See for Eurostat: Housing cost overburden rate by income quintile (%) (source: SILC) [Code: tessi162] – this trend shows a very diverse geographic coverage: it has skyrocketed in Greece, reaching nearly 100% in the lowest income quintile, but otherwise it is similarly pronounced in wealthy EU member states like UK and Denmark as for the less developed ones such as Bulgaria and Romania – places where absolute material deprivation is also prevalent.

¹⁸ The indicators used for the analysis and presented in the two data tables are weighted averages of the indicators of the Member States. Depending on the indicator the weights are population (2014), or the number of the housing units (2011). The three groups of countries are the following: Core – Western and Northern Europe: Austria (AT), Belgium (BE), Germany (DE), Denmark (DK), Finland (FI), France (FR), Ireland (IE), Luxemburg (LU), the Netherlands (NL), Sweden (SE), and the UK; Periphery I. – South Europe: Cyprus (CY), Greece (GR), Spain (ES), Italy (IT), Malta (MT), Portugal (PT); Periphery II. – Central and East European new Member States: Bulgaria (BG), Czech Republic (CZ), Estonia (EE), Hungary (HU), Croatia (HR), Latvia (LT), Lithuania (LV), Poland (PO), Romania (RO), Slovenia (SI), Slovakia (SK). The source of the data for the majority of the indicators I3, I4, I5, I6, I7, I13, I16, I17, I18, I19, I20, I21, I22 is the Eurostat/SILC data base, for indicators I2, I10, I11 is numbeo.com; for indicator I12, I14 is Hypostat, 2014; for I1 is <https://www.reinisfischer.com/gdp-capita-european-union-2013>; for I15 is Housing of Europe Review, 2012 and indicator I8, I9 is https://en.wikipedia.org/wiki/Demographics_of_Europe#Population_by_country.

Figure 1. The core and peripheries within EU



Table 1. Basic economic and demographic indicators according three groups of the member states

	Indicators	Core - Western & Northern Europe	Periphery I. - Southern Europe	Periphery II. - new member states	EU average
I1	GDP PPP per capita, 2013	43,386	33,131	24,682	36 918
I2	Average salary (EUR/month), 2013	2,103	1,360	628	1,610
I3	Inability to make ends meet - Percentage of EU population, 2011 (%)	14.7	36.7	40.2	25.4
I4	Total change of population between 2011 and 2013 (per 1,000 people)	13.3	7.3	-6.5	7.7
I5	Net migration between 2011 and 2013 (per 1,000 people)	8.6	8.2	-1.9	6.3
I6	Population born in other EU MS, 2014 (%)	4.5	3.5	1.1	3.5
I7	Population born in non-EU countries, 2014 (%)	8.0	7.3	2.1	6.6
I8	Population (million person), 2014	273	130	104	508
I9	Share of the population (%)	54.0	26.0	21.0	100.0

Between the lowest and highest income member states there is a two-time difference in GDP measured in Purchasing Power Parity (I1), although this is a measure based on averages: some items are most certainly more affordable in lower income Member States, other (like household energy or fuel) are not necessarily so. There is a 3.5 time difference in average salary (I2); and in new CEE member states a massive share – 40 percent – of the population has trouble making ends meet. When the “core” Western and Northern European countries are considered one end of the spectrum and low income new Member States are the “periphery”, Southern European countries can be considered in-between these extremes. Uneven economic development is also manifested in the asymmetric demographic processes¹⁹ in EU, with growing population in the core and decreasing population in the periphery (I5-I7). The spatial divide in economic development has a consequence on housing market: in the core house prices and rents both in absolute and relative terms (I10, I11) are higher than in countries in the peripheries, because of the higher pressure on the market; but their housing finance system are also more developed, indicated by a significantly higher outstanding mortgage to GDP ratio (I12), and housing markets are more dynamic in terms of the transaction (I14) and mobility (I13). The variations in economic capacity explains the huge differences in housing consumption measured by the size of the flats (I19, I20) and overcrowding (I21): in the new Members States 41 percent of the population lives in overcrowded flats. The countries in the two peripheries have a lower share of social housing (I17), and their less efficient welfare systems have trouble compensating for this, which is demonstrated by indicators of housing deprivation (I22) and arrears of the housing cost (I24).

Social housing sectors tend to be larger in the “core” countries, and significantly smaller in most transition countries.²⁰ Although Central and East European countries fare the worst as a group in terms of share of social housing within the full housing stock, amounting to 2.3% in Romania, 1% in Estonia, and 0.4% in Latvia, there is virtually no social housing sector in some of the South European countries (particularly in Greece²¹). Although there are some EU level policies and mechanisms in place which drive housing policy regimes in similar directions,²² divergence trends are very strong due to different historical backgrounds, institutional setups, economic opportunities, and particularly due to the role of path dependence in housing outcomes.

Table 2. Basic living condition indicators in the three groups of the member states

	Indicators	Core - Western & Northern Europe	Periphery I. - Southern Europe	Periphery II. - new member states	EU average
I10	House price (EUR/m ²), 2014	3,149	1,928	1,058	2,433
I11	Rent level (EUR/flat/month), 2014	565	396	263	502
I12	Mortgage/GDP ratio, 2014 (%)	61.0	38.0	17.0	52.0
I13	Movers (share of population having moved to other dwelling within the last five year period), 2014 (%)	26.0	11.0	7.0	18.0
I14	N of transaction as % of the stock, 2013	5.9	4.0	2.1	4.3
I15	Share of social housing, 2012	14.0	6.0	3.0	10.0
I16	Share of owner occupied housing, 2013 (%)	62.0	75.0	87.0	70.0
I17	Average number of rooms per person, 2014	1.8	1.6	1.1	1.6
I18	Average size of the dwelling (m ²), 2014	97.3	96.5	69.3	91.5
I19	Overcrowding rate, 2014 (%)	6.9	17.7	41.1	16.7
I20	Severe housing deprivation, 2014 (%)	2.0	6.0	11.7	5.0
I21	Share of housing costs in disposable household income, 2014 (%)	23.6	20.0	23.0	22.6
I22	Share of population with arrears, 2011 ²³ (%)	7.7	13.1	18.8	11.3

¹⁹ Éva Gerőházi, József Hegedüs, Hanna Szemző, Iván Tosics and Kyra Tomay: Impact of European demographic trends on regional and urban development. Synthesis report prepared in the framework of the Hungarian Presidency of the European Council, 2011, http://www.mmr.cz/getmedia/ebfd19f5-617f-4615-b6a2-afedf14e1fda/Impact_of_demographic_trends

²⁰ József Hegedüs: The Transformation of the Social Housing Sector in Eastern Europe - a Conceptual Framework in Hegedüs-Lux-Teller (ed): Social Housing in Transition Countries, pp. 1-32 Routledge 2013.

²¹ CECODHAS Housing Europe Review: the nuts and bolts of European social housing systems, p. 23.

²² Elsinga, M. & Lind, H. (2013). The effect of EU-legislation on rental systems in Sweden and the Netherlands. Housing Studies 28, 7, p. 960–971.

²³ Percentage of total population with arrears on key commitments (mortgage or rent, utility bills or hire purchase/other loan payment), by Member State

In practice all three types of socio-economic developmental regions face the above described two main types of housing poverty (households in absolute material deprivation and the “new housing poor”), although with very different proportions. Based on statistical data, dominant housing problems in EU member states can be clustered among three major geographic groups:

a. A large share of households in the most developed Northern and Western European EU member states suffer from relative housing poverty: although they do not face severe material deprivation (which is a combination of living in overcrowded housing missing at least one out of nine essential housing services or equipment necessary for healthy and adequate accommodation), they spend 40 percent or more on housing expenses.

b. Severe material deprivation in Central and Eastern European new EU member states is outstanding in EU comparison, although lower middle income households priced out of urban centers is also an existing phenomenon.

c. Southern European countries may be facing both types depending on the region, e.g. middle income households may be priced out of urban hubs such as Milan or Barcelona, while the south of Spain and Italy sees a larger number of households facing material deprivation.

Finally, it is important to note that we differentiate between the two main groups of housing poor in Europe because the two types of problem require different approaches.

2. EU & Housing Policy: Intervention without Competence

Housing and housing policies have links to many other policy areas. Housing is considered a driver of the economy and a wobbly pillar of the welfare state. Moreover, housing plays a key role in the ambitions of EC and the Member States to plan for energy efficient and resilient cities and areas. This means that despite the fact that housing is the responsibility of the Member States, EC influences housing and housing policies in many more indirect ways.

Several EU interventions affect economic competitiveness in member states on the one hand, and social inclusion on the other – albeit indirectly. In its summary of EU-level interventions, Housing Europe concluded that EU does not utilize its potential to influence housing policy and housing sectors in coherence with EU2020 goals.²⁴

The interventions of the European Commission (DG Competition in particular), the European Court of Justice, but also Council of Europe’s European Court of Human Rights basically influence housing policies in the direction set by World Bank’s market enabling approach. The idea of improving linkages between economic sectors to “enabling markets to work” for a better-functioning housing sector was based on policy experience in the 1980s and early 1990s, and its central theorem was that housing sectors should be ruled by market forces with specific, targeted intervention to help the low income households. In the assessment of EU level interventions that influence housing policy of Member States, one can still trace the dominance of this market enabling approach, but its relevance and appropriateness was called into question by a series of housing finance developments in the past decades, and particularly after the grave consequences of the Great Financial Crisis from 2007 onwards.

The housing policy related recommendations of the European Semester,²⁵ the EU’s policy tool to follow and foster achieving Europe 2020 goals, suggest more market-oriented pricing mechanisms, and refocusing social housing to the lowest income households only. While focusing targeted intervention to those most in need is a valid argument, in practice EU level intervention did a lot more in terms of pushing market mechanisms, and very little in enforcing Member State level efforts for housing the poor. DG Competition’s activities, for instance, have been repeatedly criticized for dismantling substantial social housing sectors based on decades-old social consensus, particularly that of the Dutch and Swedish rental systems.²⁶

²⁴ Housing Europe, 2015.

²⁵ See European Commission 2015 European Semester: Country-Specific Recommendations. Communication from the Commission. COM(2015) 250 final, 13 May 2015. Brussels

²⁶ Elsinga, M. & Lind, H. (2013). The effect of EU-legislation on rental systems in Sweden and the Netherlands. *Housing Studies* 28, 7, p. 960–971.

In contrast, the EU never even attempted to enforce better housing provision for those in serious housing need in countries with virtually no social housing (e.g. Greece or many new member states). Such measures lead to the increased commoditization of housing, without providing some sort of welfare countermeasure. Furthermore, ECtHR regulations contributed to the fuller marketization of housing sectors in new EU member states, the most notable one being the Hutten-Czapska case, leading to the end of preferential rents in restituted Polish housing, and the full abolition of rent regulation in the Czech Republic.²⁷

Housing has become eligible for the use of EU level funds and programs (like EU Investment Plan or “Juncker Plan”)²⁸, but this use was competing with other targets (like public transport), and its popularity was limited. European Investment Bank programs support housing investments with social mission (e.g. the construction of public sector housing in Ireland; housing estate renovations in new member states; and more recent grant for refugee housing in Germany currently under appraisal); although – as shown above – these investments are deployed in a social and housing policy environment that is generally market friendly, and where sustained efforts for housing the lower income strata of society receives little attention and remains unenforced.

Social housing policies in Czech Republic and Bulgaria

Habitat for Humanity’s partner, NGO Platform for Social Housing played a key role in drafting a new Concept for Social Housing which would reform the whole sector in the Czech Republic, providing affordable and decent housing for low income and vulnerable groups like the Roma. The Concept was approved by the government and this year the Parliament will draft a bill accordingly. Habitat for Humanity in Bulgaria successfully promoted including a new social housing program into the multi-year National Regional Development Plan.

The EC’s Energy Efficiency Directive (2012) is among the pieces of European legislation that have the strongest indirect influence on housing. The Directive fosters high level energy efficiency, particularly in the case of new construction and public buildings, and although it requires setting national targets, its concrete requirements still weigh a very different burden on regions at different developmental levels. There are vast differences in income levels (see Table 1), housing quality and a set of other factors among EU member states, and the differences are even wider on the level of smaller regions. While setting ambitious building energy efficiency targets in some regions may be a perfectly adequate and very beneficial goal, for the less developed parts of Europe they might make good quality or newly constructed housing even less affordable for not only the low income groups, but even for the majority population, contributing to inequalities.

As for energy efficiency interventions and housing, until 2013 New Member States could use up to four percent of EU Structural Funds for housing purposes with a special targeting, namely for low income neighborhoods, and the common parts (in shared ownership) of condominiums. This four percent cap was lifted in 2013, and energy efficient investments for public housing and the common parts of multi-unit buildings have become generally eligible for structural funds. This could be good news if there were mechanisms in place to ensure that decision makers do intend to channel a significant share of funding into housing; however, in practice it often means that it is the less needy who have better access to funding to renovate their homes. Structural Funds for marginalized communities could also have housing elements, although here too we can conclude that both their scope and their sustainability is very limited.

²⁷ A brief summary of the case is available on <https://wcd.coe.int/ViewDoc.jsp?id=843023&Site=COE>

²⁸ See p. 94 of Housing Europe’s 2015 Review on the State of housing in EU.

The “market enabling” approach²⁹ has been challenged after the GFC as the unregulated financial market was one of the most important factors of the Great Financial Crisis (GFC) of 2007/2008 (which led to a prolonged recession in many EU countries). Very loose regulation places disproportionate risks on households: without reasonable consumer protection in the field of housing finance, mortgage lending and rent setting, housing market volatility may cause sudden and unmanageable increase in costs, leading to serious affordability problems. As stated in UN-Habitat’s policy paper:

*“The commoditization of housing has strengthened the perception of shelter as a speculative financial asset, generating an artificial sense of wealth and an unsustainable cycle of debt which culminated in the housing foreclosure crisis and the global economic downturn of 2007–2009.”*³⁰

In summary, the intervention of EU institutions already plays an important role in the housing policy options of Member States. However, the various policies which influence housing, and especially the housing of lower to lower-middle income households, remain uncoordinated; and their outcomes are often not in line with wider EU strategies (most notably Europe 2020 goals). In order to achieve better results in competitiveness, poverty reduction, and including a larger share of the population into the labor market, EU level intervention should affect in a more strategic and coordinated way.

3. Recommendations

3.1 The proposed housing policy guidance for the member states

As shown above, the EU already deploys measures that influence housing in the Member States; however, these interventions are uncoordinated, and often lead to housing outcomes which are not in line with its strategic goals. At the same time, housing is a cornerstone in the wellbeing of EU citizens, and also plays a fundamental role in social and economic outcomes. Housing policy is, and will remain in the foreseeable future, a national competency – but EU is already affecting housing policy on the national level, often in ways that are counterproductive to the principles of convergence, improved competitiveness, and solidarity (poverty reduction on an EU level). The European Union must therefore find a way to affect national level housing policy making in a manner which is more coherent to its strategic goals.

The main policy directions the EU’s stance towards housing should rest on four pillars:

■ **Subscribing key principles of “Adequate Housing” in all Member states.** Adequate housing means: affordable, secure and adequate quality housing in adequate neighborhoods. These principles should be point of departure for policies that fit the specific country context.

■ **Moving from market enabling policy towards smart regulation in housing.** Intervention actually enforced by EU institutions still follows a “market enabling” logic; however, in an already very thoroughly liberalized regulatory and financial environment which characterizes most Member States in the current day, a move towards more regulation, but in a way that avoids further market distortions, is advisable.

■ **Integrating housing, welfare and economic policy.** The housing policy environment in EU Member States should be developed in an integrated manner with economic development and welfare policy. Therefore it is important to consider welfare needs of citizens as well as the interest of the providers and the competition in the market. Moreover, the integration of newly arriving migrants must also be considered in current economic and welfare policy decisions.

■ **Housing policy should be in line with policies aiming at resilient cities and areas.** Individual programs should be developed and/or expanded on the local and national level to prevent problematic segregation and to mitigate housing risks stemming from market volatility.

²⁹ The market enabling approach was a reaction of the overregulation, as it (rigid rent control, separation of the housing finance from the bank sector, cumbersome building regulation, etc.) caused several housing market distortions.

³⁰ UN-Habitat, 2015: Housing at the Centre of a New Urban Agenda; UN-Habitat Policy paper, September 2015

Neighborhood revitalization in Poland

The City of Warsaw is launching a huge neighborhood revitalization program. Habitat for Humanity in Poland ensured that citizen participation will be an integral part of the program. They were also working with the national government to extend the lease contract of tenants living in social housing in the areas under revitalization and thus safeguarding the security of tenure of people at risk of eviction.

A. Common principles of adequate housing for Member States

To increase the efficiency of the EU level intervention, firstly **common Principles of Adequate Housing** have to be adopted; secondly, new areas of EU housing policy intervention have to be formulated, which must be consistent with the current treaty of EU. Moreover, the EU should support member state housing policy innovations which address the two key housing problems identified by Habitat for Humanity³¹ and aim either at mitigating the risks of middle-income households (as a response to the “new housing poor”), or at promoting targeted solutions for low income (deprived) households.

European Union level housing policy recommendations to Member States must depart from the following a set of shared principles:

1. Affordability. Housing affordability is of key importance to provide households access to housing. Member states need to think about clear norms for affordability and policies to secure affordability that need to fit the national contexts. Affordability concerns all tenures and can be achieved by policies of land, interest, brick and mortar subsidies and housing allowances.

2. Tenure security. Basic security is another precondition for adequate housing. Tenure security can be achieved by regulations of ownership of land, by transparent and fair mortgages and rental contracts.

3. Quality. A third basic requirement is the quality of the dwelling. Safety and health should be basic requirements for building and quality regulation. Moreover, Member States should contribute to the aims on reduction of energy targets as described in the Energy Performance Directive of the EC.

4. Desegregation and community development. Not only the dwelling but also the neighborhood matters. It matters for social cohesion and opportunities in society in particular access to the labor market. Housing policies should try to avoid problematic concentration of the most vulnerable households, and local resilience has to be underpinned by community development measures.

These four principles of adequate housing are essential for moving towards adopting housing as a fundamental right in Europe. Currently the European Charter of Fundamental Rights, which has the same legal force in member states as the EU treaties, exclusively and briefly mentions the right to housing support; however, member states have very different – and in many cases, rather shallow – interpretations of this right; one that serves neither competitiveness, nor social inclusion.

³¹ Habitat for Humanity, Housing Review 2015.

Examples of policies linked to the four principles

Affordability

Housing allowance (income dependent support for tenants and/or home owners)

Grants for providers (bricks and mortar subsidies)

Nonprofit providers (public housing, nonprofit)

Support for social rental agencies (for vulnerable tenants) in the commercial rental sector

Intermediate housing tenures (lowering expenses and risk at cost of equity building)

Self-built/self-maintenance (in exchange for lower cost)

Quality

Regulation of basic physical security: construction, fire, health

Support sustainability: investment in improving energy efficiency

Encourage new design solutions

Tenure Security

Consumer protection in mortgage market (max LTV, supervision on complex mortgages and shared equity products)

Consumer protection in private rental market (security of tenure and rent regulation, good balance between interest of tenant and landlord³²)

Desegregation

Planning against undesirable concentrations

Portfolio management against undesirable concentrations

Managing existing concentrations of poverty: policies against anti-social behavior

B. From market enabling policy toward smart regulation

National housing policy strategies must strive to establish the institutional, regulatory and financial conditions of an efficient and effective housing policy. The market enabling approach, which saw market liberalization as a cure of state and regulatory inefficiencies, must be replaced by a smart regulation approach, which proactively creates the economic and political conditions of affordable and adequate housing, which is a key condition for inclusive and competitive societies. This has three key elements:

■ **Tenure neutral tax and subsidy environment**, policies that favor home ownership should be replaced by tenure neutral tax and subsidy policies that treat home ownership and renting equal. There is no convincing evidence that home ownership is preferable over renting. Moreover, decades of policies supporting home ownership demonstrate that home ownership is not accessible for all and there will always be tenants.

■ **Regulation of the relation between tenant and landlord**. Rental housing is a stable investment for investors and also a roof over the head for tenants. Therefore a smart regulatory balance between the tenant and the investor is of key importance for a sustainable rental sector benefitting both the tenants and the investors.

■ **Regulation of the relation between mortgagor and the mortgagee**. Adequate regulation of the mortgage market prevents house price bubbles and financial hardship. Therefore smart regulation of mortgage products benefits both mortgagors and mortgagees. Recent decades have demonstrated that a too large share of risks associated with innovative retail financial mortgage products was placed from financial market actors to individual households. This shift contributed to the Global Financial Crisis and severe problems for both mortgagors and mortgagees.

■ **Taking into account regional disparities**. The regulation of building codes have to adequately respond to housing problems on the Member State level. Although convergence on an EU level is an important goal, a uniform regulatory environment in all Member States does not lead to uniform results. Less developed Member States cannot afford the same building requirements as the most developed countries and regions, and applying the same regulation might lead to worsening housing affordability and therefore more inequality in poorer countries; thus loosening restrictive land use regulations or cumbersome construction permitting processes are advisable in some European regions. Moreover, the current migrant crisis might also call for temporarily relaxed regulation in countries with a higher level of economic development to boost supply in response to the growing demand for housing.

³² Haffner, M, M. Elsinga & J. Hoekstra (2008) The balance between tenant and landlord; Rent regulation in six countries, European Journal of Housing Policy 8 (2), pp. 217-233

C. Integrating housing provision into social welfare policy

Social housing policy cannot be understood – or implemented – independently of the national welfare system, including income benefit programs, family support, social security measures and so on. A progressive social policy environment mitigates the need for extensive housing support; in turn, a conservative or regressive social policy environment makes a well-developed housing support system indispensable to ensure the access to and affordability of housing, and acceptable housing outcomes for vulnerable groups.

Debt management policies in Hungary

The government launched a program to buy the properties of people who cannot pay their mortgage. Former home-owners can stay as tenants in the same flat. Habitat for Humanity in Hungary helped the government to ensure tenure security of the most vulnerable people in this program. To address household debts Habitat for Humanity played a key role in the introduction of a new policy called “Personal Insolvency” offering families in debt special assistance to avoid eviction.

Affordable housing tenures must be reinforced in member states, especially as a more conservative housing finance environment – due to a stricter regulation of housing finance – will restrict lower and lower-middle income groups’ access to debt-based home ownership. On the one hand, it is beneficial that households that cannot afford ownership will not take on risky debts, but on the other, their access to secure and affordable housing in other tenure forms must be ensured.

Home ownership seems to have reached its limitations in Europe: on the one hand, the high share of home ownership threatens labor market efficiency in many European countries,³³ and on the other hand, the Great Financial Crisis of 2007-2009 was triggered by the surge of credit-based home ownership and the associated unsustainable cycle of debt.³⁴ Private renting is reaching its limits in terms of return on investment, and public rental housing is under constant pressure due to counterincentives and public budget considerations.

D. From the fragmented intervention towards an integrated policy for resilient cities/areas

Affordable housing has different meanings in different parts of Europe.³⁵ In some countries social housing is closely targeted and merely acts as a safety net focused on housing the most vulnerable and as part of social policy in close connection to health, labor market and other welfare policies. These social rental housing models require integration with social policies and a substantial coordination with urban policies to avoid undesirable concentration/segregation of the poor.³⁶

In other countries a more universal model is applied, which is more closely integrated into urban policy than in social policy, and places heavy emphasis on preventing segregation. These universal models focusing on quality of neighborhoods and financial sustainability are by nature inclined to exclude the most vulnerable. To be of value of the inclusion agenda, the social housing providers need close cooperation with the planning and the welfare and the shelter sector. In other words, housing is multidisciplinary and adequate housing implies adjustment with the social, the urban and the sustainability agenda.

³³ Blanchflower, David G. and Andrew J. Oswald (2013), The Danger of High Home Ownership: Greater Unemployment. http://www.andrewoswald.com/docs/1013bp_homeownership.pdf

³⁴ UN-Habitat, 2015

³⁵ This very complex question is examined in detail in Scanlon et al.’ seminal book Social housing in Europe (2014), and is covered more concisely in Housing Europe’s 2015 Review.

³⁶ UN-Habitat, 2015

■ Urban planning should be more closely integrated with housing in order to aim for undivided and resilient cities and areas.³⁷ Social issues should be more closely interwoven with housing, but also labor market (placement services) should have a closer coordination with housing provision.

■ Good connection between shelters and (social) housing is desirable: Shelters are meant for those in urgent need and are mostly expensive. Adequate follow up is necessary for households in their way to integration and for efficient use of shelters.

■ Investments in energy efficiency contribute the EU agenda and often lead to a reduction in housing expenses. However, this is not always the case;³⁸ therefore a careful balance is desired between investments in energy efficiency and affordability of housing.

■ Risk mitigation in housing solutions is crucial, since the speculative investment aspect of housing bears a huge risk for households who need housing as primary residence. Risk sharing is one way to mitigate the risk as is done with shared equity and shared ownership. Such products can be provided by commercial as well as non-profit providers. Moreover, not profit providers can also provide affordable housing to their consumers such as old style nonprofit providers as well as modern social enterprises.^{39, 40, 41}

3.2 Coordinated housing policy regimes for EU member states

As housing policy, as well as the factors which influence its possibilities (particularly economic development and welfare regime), remains among the competencies of individual Member States, EU institutions should undertake 'soft' methods of control, similar to the guidance and surveillance mechanism to the European Semester process.

The EU has to impact national housing policies by:

- (a) initiating a **policy coordination mechanism** in order to incentivize all Member States to develop their national housing policy framework;
- (b) formulating a **set of principles** each member states should respect when developing their own national policy environment; and
- (c) find a **method to enforce** the coordination mechanism and its core principles in Member States.

To ensure a more coordinated way of influencing housing policy on an EU level, recommendations to Member States should have a certain level of legislative power, while respecting Member State competency in setting national targets and milestones. One possible way to undertake such a soft coordination is an **Open Method of Coordination** process, steering national policy making in a convergent way through overall EU guidance and member state surveillance (peer pressure). Since adequate and affordable housing and balanced regulation are essential to Europe 2020 goals, integrating elements of a European housing strategy into the European Semester process could be envisaged.

³⁷ UN-Habitat, 2015

³⁸ Majcen, D., L.C.M. Itard, H. Visscher (2013) Theoretical vs. actual energy consumption of labelled dwellings in the Netherlands: Discrepancies and policy implications, Energy Policy 54, 125-136.

³⁹ De Decker (2002) On the genesis of social rental agencies in Belgium, Urban Studies 39 (2), 297-326; Hegedüs, Horváth and Somogyi on social rental agencies in new EU member states: The Potential of Social Rental Agencies within Social Housing Provision in Post-Socialist Countries: The Case of Hungary, <http://www.feantsaresearch.org/IMG/pdf/article-2-5.pdf>

⁴⁰ Caplin, A., 2012, Shared equity, In: Encyclopaedia of Housing and Home, Elsevier

⁴¹ Elsinga, 2012, Intermediate housing tenures, In: Encyclopedia of Housing and Home, Elsevier.

To lay down the principles of this strategy, we propose the development of an EU level Adequate Housing Strategy; a document to enjoy a focused priority position similar to that of the Community's Roma Strategy , or its prospective Homelessness Strategy (currently in progress). Member States should have accountability as to the content of the **Adequate Housing Strategy**, and should be examined in terms of appropriate housing policies in a manner similar to European Semester issues.

Additional policy coordination methods could be:

■ **Existing and enforced housing policy as a condition for EIB funding.** An existing and enforced housing policy should be made a condition to the use of EU structural funds and EIB loans. EC and EIB should play a stronger role here in for example dealing with the material housing deprivation in CEE-countries and the refugee issue all over Europe, support that impacts on national housing strategies and should only be granted to providers who underwrite the corporate social responsibility (CSR) principles.

■ **A central fund for innovative housing schemes.** As a long term suggestion the Commission should set up a central fund to test innovative housing schemes for the poor and for lower and middle income households, and for spreading the achieved good practices on a larger scale.

In conclusion, the European Commission already influences housing in Member States, although often in ways that are not reconcilable with its strategic goals of competitiveness and inclusion. Nonetheless, European institutions, and the EC more specifically, have the possibility to impact housing in Europe in a more coordinated way, which would buttress and not counteract its goals and values. The European Commission can play an important role in enabling Adequate Housing Strategies in its Member States that contributes to creating a more competitive and inclusive Europe.

⁴² The EC's 2010-2020 Roma Integration Strategy has housing as one of its target areas, besides employment, education, and health care. On its implementation see Report on the implementation of the EU framework for National Roma Integration Strategies. Communication from the Commission. COM (2014) 209, April 2014: http://ec.europa.eu/justice/discrimination/files/roma_implement_strategies2014_en.pdf

⁴³ The EU's Homelessness Strategy is currently in progress; on the current status of homelessness as a European affair see <http://ec.europa.eu/social/main.jsp?catId=1061>, following the European Parliament's 2014 Joint Motion for a Resolution on an EU Homelessness Strategy

⁴⁴ <http://www.responsiblehousing.eu/en/>

Habitat for Humanity International

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity began in 1976 as a grassroots effort. The Christian housing organization has since grown to become a leading global nonprofit working in nearly 70 countries. Families and individuals in need of a hand up partner with Habitat for Humanity to build or improve a place they can call home. Through financial support, volunteering or adding a voice to support affordable housing, everyone can help families achieve the strength, stability and self-reliance they need to build better lives for themselves. Recently Habitat played a key role in developing the Housing Policy Paper for Habitat III. Through shelter, we empower.

Habitat for Humanity in the EU

Habitat has offices and partnerships in 11 EU member states: Bulgaria, Czech Republic, Germany, Hungary, Netherlands, Poland, Portugal, Republic of Ireland, Romania, Slovakia and United Kingdom.

Scope of activities in Europe:

- Housing microfinance services through mobilization of capital and institutional technical assistance
- Building and repairing homes for low income families with the help of volunteers
- Disaster risk reduction and response
- Poverty housing related advocacy
- Residential energy efficiency in cooperation with Housing Associations
- Housing of vulnerable groups especially the Roma

Habitat for Humanity is a member of the European Housing Forum.

For further information on our activities in Europe, please visit: decentplace.org • habitat.org/emea