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### Realistic regeneration : housing contexts and social outcomes of neighbourhood interventions in Western European cities

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## 5. Housing policy as a lever for change? The politics of housing, tenure and welfare state reform

W.P.C. van Gent, manuscript submitted for review

### *Abstract*

The housing tenure structure has long been associated with the form of welfare state capitalism in Western European countries. However, with the rise of owner occupancy in Europe, this association lost its straightforwardness. An alternative view is to view housing policies that promote owner occupancy for citizens to acquire assets, as an attempt by the state to reform social welfare provisions. The neo-liberal politics of welfare state reform are closely related with discourses of choice, personal responsibility and asset-building which are being associated with owner occupancy, or home ownership. This view is mostly based on the British experience and this paper seeks to broaden it by examining housing tenure policies and politics in the Netherlands and Spanish Catalonia. It appears that while ownership rationales are similar, historically grown national housing systems offer different opportunities for welfare state change.

### *Key words*

Housing, Welfare State Reform, Housing Policy, the Netherlands, Spain

### 5.1 Introduction

The relationship between housing and the welfare state has been topic of academic interest for quite some time (e.g. Torgersen, 1987, Kleinman, 1996, Kemeny, 1981, Bengtsson, 2001, Malpass, 2003). Although explanations differ, some consensus was reached that there was some connection between type of welfare state and housing tenure, particularly the share of social rental housing against private forms of tenure such as owner occupancy (e.g. Kemeny, 1992). A large share of public and social housing has been associated with expanded and universal welfare states like the Netherlands and Sweden. On the other hand, the relative demise of social housing and increase in owner occupancy in the UK in the last two decades has been explained as causing the formation of a homeowner society with a liberal welfare state. The most widely quoted example in this respect is the British Right-to-Buy legislation, which privatised social housing stock on a large scale, and has led some to proclaim the sell-out of welfare state (see Jones and Murie, 2006, Forrest and Murie, 1990).

However, the rise of owner occupancy in other Western European countries may have put a strain on the relationship between type of welfare state and housing tenure. The growth of owner occupancy in these countries is related to top-down government policy (Atterhog, 2006). Despite the presence of neo-liberal politics, it would be an oversimplification to argue that these European welfare states are now all converging towards one liberal type (see typology in Esping-Andersen, 1990). Rather, neo-liberal restructuring projects tends to play out embedded within 'national, regional, and local contexts defined by the legacies of inherited institutional frameworks, policy regimes, regulatory practices, and political struggles' (Brenner and Theodore, 2002). In that vein, it can be argued that housing, and more specifically the promotion of owner occupancy, may be related to the politics of welfare state reform, not because owner occupancy is responsible for *causing* retrenchment, but because it *allows* governments to pursue restructuring programmes that downsize other welfare services, notably social care and

pensions, or allocate them to a local level (Malpass, 2008b). Housing then serves as a tool or as a lever for governments to institute welfare state reform. The assumption in government is that individual financial profits from property ownership through rising housing market prices of their property will give people sufficient financial independence to augment their pensions themselves and purchase their own care. Furthermore, they may feel less inclined to support universal welfare provisions. So, the existence of substantial amounts of housing wealth in unmortgaged equity seems to offer the chance to secure political acceptance of changes in universal service provision.

Whether housing market gains are indeed sufficient to freely choose welfare services or whether people are actually willing to trade down their homes for extra income is a separate debate in housing literature (see Saunders, 1990, Boelhouwer et al., 2005, Hamnett, 1999, Doling and Elsinga, 2006, Elsinga et al., 2007). It should be noted though that housing market gains are more likely to (re)produce social inequality rather than lead to social equality, as the affluent tend to benefit more from rising housing prices (Hamnett, 1999). The goal of this paper, however, is to explore whether the claim that governments view housing as a complement or even substitute for social spending and therefore promote owner occupancy can be made outside the British institutional context. The notion described above is mostly based on British evidence and debates (before the 2008 financial and housing crises). Within the Western European context, Britain is a typical case for its relatively high rate of owner occupancy and its active programme to 'modernise' and reform public services. Furthermore, in the last twenty-five years, Britain has experienced a rapid change in its housing system, especially in terms of tenure composition. The aforementioned Right to Buy legislation of the 1980s has boosted the share of owner occupancy significantly. Nevertheless, it begs the questions whether these trends are visible elsewhere in Western Europe, and what the relationships between politics of housing and welfare state reform are (cf. Doling and Elsinga, 2006, Malpass, 2008a). Data from Sweden, for example, show that changes in housing tenure cannot be tied to decline in welfare provisions, and that a discourse of home ownership like that in Britain is missing (Kemeny, 2005). However, because of its strong social democratic welfare state tradition and public housing system, Sweden is perhaps too distinct from Britain to make any general claims about housing and politics of welfare state reform in Europe.

So, this paper seeks to expand the comparison by looking at the Netherlands and Catalonia, Spain. The Netherlands roughly follow the built-up, crises and retrenchment scenario of the post-WWII welfare state in North Western Europe. However, the different political structure and the development of housing and tenure structure in the Netherlands may lead to different outcomes. The second case looks at the Catalan government's housing policy within the context of the asset-based Spanish welfare state. Here owner occupancy traditionally has played an important role in the Spanish 'family welfare state' and much of the family solidarity and support is based on housing wealth. However, the problem of affordability of housing seems to undermine this basis, which may force government to pursue a different type of restructuring. The main questions for these cases is: to what degree is housing policy being used as a tool for welfare state reform, and how do these policies relate to the legacies of inherited institutional frameworks and policy regimes?

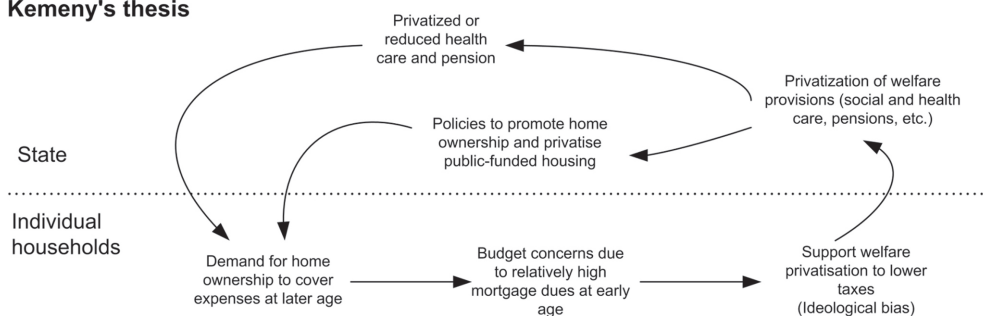
## 5.2 Housing theory: tenure and the welfare state

The relationship between housing and welfare state has been well researched and debated as a causal relationship between tenure and the level of social service provision. Through international comparative study, Kemeny came to the conclusion that there is an inverse relationship between welfare spending and share of owner occupancy (see Kemeny 1981, 1992, 1995, 2001). His thesis relates pre-dominant housing tenure among individual households to state action in housing and welfare provisions. In societies, where owner occupancy was the norm, the high costs of purchasing a house, especially during young adulthood, led to voter resistance to the levels of taxation which were required to fund extensive welfare provisions. In addition, owner occupancy encourages households 'to attempt to manipulate their lifetime budgets to accommodate their skewed housing costs' (Kemeny, 1981: 60). The strategy minimizes non-housing expenditures during the early years when housing costs are high, but in later life housing costs would become minimal and be less of a burden on pensions. Furthermore, the consumption of housing capital at a later age could be a source of additional income to help to pay for health and social care expenses.

In these societies the 'vested interests' in owner occupancy would result in an ideological bias, which in a symbiotic relationship with the power to determine policy would further strengthen housing privatisation in society through subsidies and privatisation of stock. So, privatisation in non-housing areas such as health care, education and pensions would increase the demand in privatised housing because households need a source of income to be able to pay for these privatised social services. Consequently, with more households able to pay for their own social service needs and pensions, further privatization in non-housing areas would be demanded to lower taxation associated with state provisions (Kemeny, 1981). The vicious circle may obscure causality, but in Kemeny's view housing has a determining role in shaping the welfare state (see figure 1).

Figure 1. Kemeny's thesis (interpretation by the author)

### Kemeny's thesis



Regardless of causality, the notion of the importance of tenure within the welfare state framework has been very influential. Indeed, convincing claims have been made about the relationship between housing and welfare state in Europe, at least based on the situation until the mid 1990s (e.g. Arbaci, 2007, Domburg- de Rooij, 2005, Balchin,

1996, Kemeny, 1995, Hoekstra, 2003). Arbaci (2007), for instance, is able to specify four welfare state clusters based on predominant tenure, the conception of society and the system of redistribution and benefits until the mid-1990s. These clusters are similar to Esping-Andersen's (revised) welfare state typology: social democratic, corporatist, liberal and Latin rim (see Esping-Andersen, 1990, Esping-Andersen, 1999). So, social democratic and corporatist welfare states like Sweden and the Netherlands, where the state seeks to ensure a degree of societal wellbeing of social groups and tend to be more universal in their social service provision, are more prone to increase competition between profit and non-profit rental housing by providing public and social housing. Conversely, the UK and Spain, as typical liberal (and Latin) welfare states which emphasizes individual's wellbeing and are generally more selective in benefits, would favour private property and owner occupancy. Likewise, residualisation of social rental housing is seen as typical for liberal welfare state regimes. Residualisation refers to a process within the social housing sector, while initially built for the 'respectable' working class and segments of the middle class, of increasing concentrations of low income and benefit-dependent households (see Van Kempen and Priemus, 2002, Forrest and Murie, 1990).

### 5.3 The need for revision

While Kemeny's thesis has been influential in theorizing housing and society, there are some issues with it. First, and most important for the argument here, there is the point of the contemporary relevance. Even though housing systems differ, the general trend in European countries has been a decrease in social-rented housing, both absolutely and proportionally, and a matching increase in individual owner occupancy. Owner occupied housing accounts for more than fifty percent of tenure in most Western European countries (Whitehead and Scanlon, 2007). However, the share of public and social housing still exceeds one fifth of the housing in the Netherlands, Austria, Denmark, and Sweden. However, in general, as owner occupancy has been increasing in Europe, claims about the relationship between tenure and welfare state are increasingly harder to sustain. Although welfare state reform and liberalizations have taken place in social democratic states, it is currently a bridge too far to proclaim them as liberal on the basis of shifting housing tenures alone.

Second, the assertion that socio-cultural factors associated with the concept of 'ownership society' determine the shape of housing provision and consumption, more than economic conditions, may be debatable. An alternative view is the tenure modernisation thesis, which points to structural economic factors instead of socio-cultural factors to explain the dominant housing tenure (Malpass and Murie, 1999). While private rent was a suitable provision for wage labourers in the 19<sup>th</sup> century, the economic and social conditions of the 20<sup>th</sup> century have favoured owner occupancy. The long term nature of investments in private rented housing and the decreasing returns on investments have made owner occupancy the more effective form of tenure for large scale capital investment (Harloe, 1985: 311- 319), especially in consumerist societies. Non-residual social housing should be seen as a result of a situation of market disruption in the unusual era after WWII (Harloe, 1995). So, housing and tenure may also be affected by the dominant modes, patterns and methods of consumption and production, which are moderated by political actors and result in state action.

Third, detailed and systematic empirical evidence is absent, while some research undermines the thesis (Castles, 1998, 2002). In addition, the causality of the relationship between welfare state and tenure form is questioned (Castles, 2002).

Kemeny (2005) acknowledges the issue of causal direction and argues that his research was primarily interested in establishing the relationship itself. More important, Kemeny suggests a reformulation of his thesis by looking at those societies which still have well-developed welfare systems and possess integrated rental markets. Irrespective of the characteristics of the rental market, these societies may begin to experience a shift in tenure towards owner occupancy. The reductions in welfare provisions may contribute to the demise of the integrated rental market because home ownership may very well be a strategy for elderly to reduce costs and release funds for care. The reformulated thesis proposes that electoral pressure of homeowners looking to balance the (future) books may result in cutbacks in welfare state provisions, which will reinforce owner occupancy.

However, although voter resistance against the expansion of the welfare state is plausible, the assertion that a majority of voters easily accepts cuts in expanded public services and provisions may be overstating. There is evidence of the unpopularity among voters of policies that cut back and redistribute social programmes' benefits (Pierson, 1998). Even in the UK during the 1980s, the neo-liberal Thatcher government was unable to cut back on welfare provisions such as health care, social services and pensions, because of (upper) middle class resistance (Harvey, 2005: 61). Paul Pierson argues that the process of retrenchment is slow and incremental mainly because it is such a 'delicate effort either to transform programmatic change into an electorally attractive proposition, or at least, to minimize the political costs involved' (Pierson, 1996: 145). As a result, most changes have low visibility or affect only a small portion of the populace like cuts in specific programmes and stricter eligibility rules. In this respect, the large-scale sale of public housing under the Right-to-Buy legislation in the UK has been exceptional rather than normal in the practice and politics of reform (cf. Pierson, 1996).

## 5.4 Reform through top down emphases on choices and assets

Malpass (2006, 2008b) seeks a new relationship between housing and welfare state by proposing to view housing as a means for government to achieve their welfare state reform objectives incrementally and delicately. His argument also involves the discourses attached to housing policies. Indeed, coherent discourses can play a decisive role in the success or failure of welfare state reform (Schmidt, 2002). Drawing on the British experience, Malpass argues that welfare state restructuring is pursued by emphasising individual choice and responsibility. Choice, in general, refers to a greater reliance on market mechanisms which are supposed to provide more choice against competitive prices. In terms of housing policy, choice means a great emphasis on private market. Owner occupancy gives people a degree of choice of where they want to live. Furthermore, it gives people the prospect of wealth accumulation, which may be used for future social service and health care costs and for augmenting pensions.

The British New Labour government since 1997 has shown signs of a shift from the post-war welfare state emphasis on collective provisions for individual need to an emphasis on personal provision through savings and asset accumulation. Along with job chances, higher incomes and enhanced public services, individual assets are a cornerstone of the government's welfare policy. In this respect, asset accumulation, or asset-based welfare (Sherraden, 1991), is viewed as a route out or away from poverty. As a result, British citizens are increasingly, and officially, being made aware of their properties as more than places to live, but also as assets. Consequently, the British government has launched an initiative in 2005 to promote owner occupancy among lower-income households, whereby the advantages of benefits from increases in housing asset values are highlighted. While these advantages have been put forward by earlier British governments, the context now is less on collective welfare states and more on individual

responsibility and personal well-being.

Furthermore, official communication is emphasising the purpose of saving, i.e. providing for oneself in a later stage of life, instead of promoting it for its own sake. The shift from collective responsibility to personal responsibility becomes apparent by the British government's concern for the 'wealth gap', i.e. poverty, and the use of housing as a means to reduce it. The third term Labour Minister of Housing encourages savings through property ownership for "when the rainy day comes" (quoted in Malpass, 2008b).

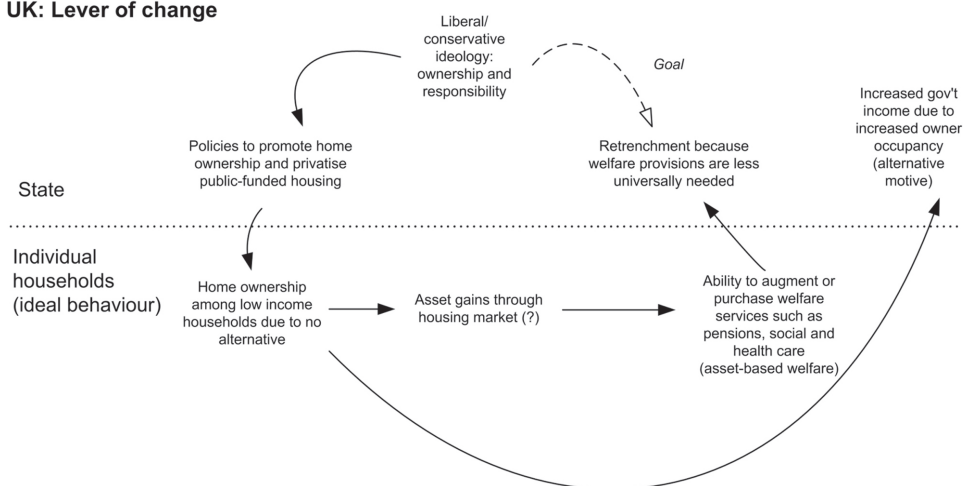
In addition to the ownership, choice and responsibility ideologies, Malpass (2008) also cites a more practical incentive for British policy makers and politicians to pursue owner occupancy and privatisation of social rental housing. Since a decade or so, housing has become a sizeable source of state revenue in the UK. The lowered costs for social rental housing is due to three decisions: the shift from output subsidies to income-related assistance with housing costs, the sale of housing to tenants, and the transfer of social rental stock from municipal ownership to private housing associations. Furthermore, with lower levels of investment in the last 30 years social landlords in the UK have been reducing overall indebtedness which means a lower burden of loan charges. In addition, the disappearance of the mortgage interest tax relief in 2000 meant that housing has become a source of income through inheritance tax and stamp duty on purchases.

In sum, the promotion of owner occupancy is presented by government as a strategy to tackle social economic disparities, even though income disparities will likely remain or perhaps even be exacerbated. Furthermore, it is presented as a strategy to provide security of care and pensions and get income from housing. Since the 1990s the British government has increasingly investigated the possibility of using assets as a means for individuals to purchase services which were previously provided for by the state. Perhaps too many parts of the government have seen owner occupancy as a means to offload financing problems by pointing to the release of unmortgaged housing equity. This trend means that owner occupied housing would not only become more important in the provision of shelter and in intergenerational transfer of wealth, but also more important in underpinning the provision of social services (Groves et al., 2007).

In this sense, housing is used as a 'possible tool or lever of change, rather than a driver of it' (Malpass, 2008b). In this perspective, housing plays a centre-stage role in the change in welfare state politics among other factors such as slower economic growth, problems associated with rising service sector employment, the expansion of governmental commitments, the fiscal demands of ageing populations in states with advanced pension and health programmes, and the restructuring of households (cf. Pierson, 1996). The purpose of the use of housing for non-housing objectives would be a cautious retrenchment or readjustment. The readjustment is not so much related to quantitative changes as in terms of less welfare spending, but to changing more qualitative, or institutional, factors which structure debates, political preferences, policies and political choices (cf. Palier, 2003). This (neo-)liberal strategy of state restructuring by emphasising choice and personal responsibility and by building a parallel private system of care and insurance in order to incrementally hollow out state provisions bears similarities to the liberal conservatives' strategy of welfare restructuring in the US since the late 1970s (Hacker, 2006).

Figure 2. Summary of lever of change (author's interpretation of Malpass (2008b)).

### UK: Lever of change



## 5.5 Comparison

As mentioned in the introduction, this paper seeks to expand the enquiry into the relationship between housing policy and welfare state reform. The UK provides a typical example where the liberal heritage of individual gains within the housing market may serve as a means to make welfare services less universal, more restrictive, more local, and 'recommodified' (see figure 2). Furthermore, in the UK the advent of owner occupancy and the demise of social rental housing has become a source of revenue for the state in recent years, at least until the 2008 financial debt crisis.

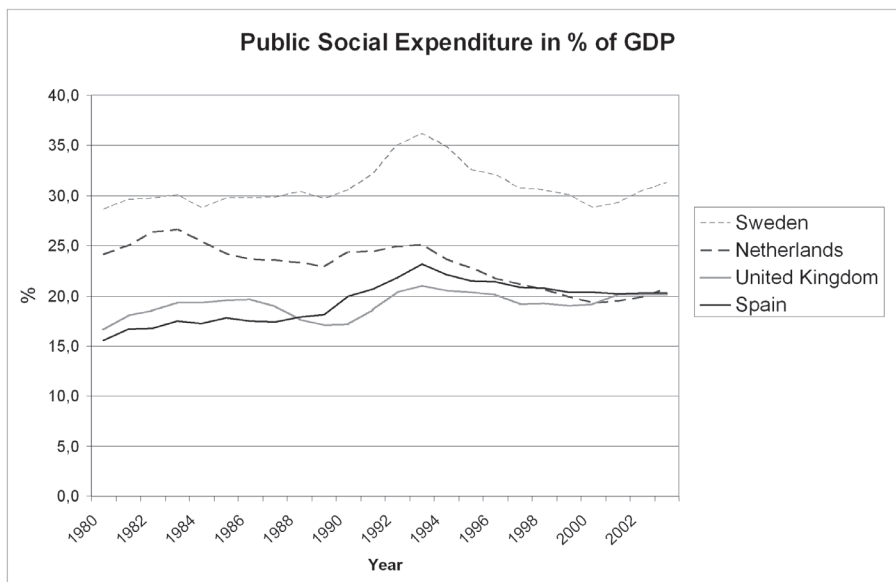
The comparison will be expanded with the Netherlands and Spain which are akin to the two typical housing-welfare cases, Sweden and UK respectively. Like Sweden, the Dutch welfare state has often been characterised as a social democratic welfare state with a unitary rental market (Kemeny, 1995, Esping-Andersen, 1990), although some would characterise the Netherlands as Christian Democratic (e.g. De Swaan, 1988). However, the Netherlands has seen two decades of liberal reform in both housing and social services and benefits (see figure 1), which may classify it as less social democratic. Furthermore, although social housing still is prominent, the share of owner occupancy is increasing according to government policy. So, while home ownership in Sweden is currently not being promoted in light of more individual choice and to augment or replace social and care provisions (Kemeny, 2005), the Netherlands with its more pronounced reform agenda may have become more like the UK.

Spain has been classified as a typical family-based welfare state, where assets from owner occupancy underpin family strategies to provide additional services and care. So, in a sense, Spain is a type of 'homeowner society'. Although it is not an 'English-speaking' as discussed by Kemeny, this makes the case particularly interesting for comparison. However, it is also fundamentally different in terms of welfare state development. It never had its post war welfare state build-up and still has liberal and rudimentary welfare state provisions with social spending increasing steadily since the 1980s under the Socialist party. However, it now approaches the amount of spending in the UK and the Netherlands, as shown in Figure 3.



The Spanish case will focus on the policies of the Catalan region specifically which is the most autonomous within the federal system and has far-reaching discretionary powers in the fields of housing and land use.

Figure 3. Public Social Expenditure in Sweden, the Netherlands, United Kingdom and Spain 1980-2003 (OECD, 2004)



The remainder of this paper will be focused on several housing policies that affect tenure in the Netherlands and Catalonia, and see whether there is merit in the claim that housing is being used to attain non-housing goals related to the reform of the welfare state. So, whether owner occupancy is being promoted as a complement or even substitution of welfare services. The two case studies are based on data from secondary sources, policy documents and several interviews with policy makers.

### 5.5.1 The Netherlands

The built up of the Dutch welfare state has been characterised by leftist and conservative paternalism under the aegis of Christian Democratic party (De Swaan, 1988). However, after 25 years of reforms leftist Paternalism has been washed down. Nevertheless, the Dutch Welfare System can not be labelled as (neo-)liberal. While the welfare system is being liberalized, it is still characterized by 'institutional inertia' of social democratic and paternalist, or corporatist, assumptions that were dominant in the past (Becker, 2000). Furthermore, the Christian Democratic notion of subsidiarity has introduced some communitarian elements into the system, whereby civic society, community and family are seen as alternatives for social order as opposed to market or state power (Van Staveren, 2007, Delanty, 2003). In this respect, the recent Law on Social Support (*Wet Maatschappelijke Ondersteuning*) is exemplary, which means a localisation of social welfare and health services to the municipal and neighbourhood level with a large emphasis on voluntary familial and community care.

The mix of welfare regimes in the Netherlands is also reflected in the Dutch housing system, which has distinct social democratic and corporatist characteristics (Hoekstra, 2003). In addition, liberal elements have emerged recently as well (see below). A distinctive feature of the Dutch housing system is the dominance of social housing, which is owned by about 500 housing associations. Even though they are privatised, housing associations are required by law to invest their proceeds in the quality of housing and new development. While the amount of social housing units has remained relatively stable, the share of social housing has decreased from 39 percent in 1995 to 35 percent in 2005. The decrease is mainly due to the increase in owner occupancy, which stood at 54 percent in 2005 (Elsinga and Wassenberg, 2007).

So even though social housing plays a significant role, the promotion of owner occupancy has been on the political agenda for a long time and consequently has been part of housing policies (see Elsinga, 2003). While there have been owner occupancy policies since the early 20th century, the emphasis since the 1980s shifted from construction of new stock to the conversion of the existing rental stock and from housing related subsidies to occupant-related subsidies. The most recent national housing policy memorandum on housing, *Mensen, Wensen, Wonen* (English title: What People Want, Where People Live) dates from 2001, and was drawn up under auspices of a Social Democratic - Liberal Third Way government. It specifies the 'housing mission' for the period 2000-2010. Overall, it is characterised by its strong (neo-)liberal tendencies. The memorandum emphasises greater individual choice on the housing market by reducing the social rental sector through demolition and sales, and by encouraging owner occupancy through new construction. Furthermore, means-tested subsidies were introduced to further increase ownership among low-income groups.

The preference for owner occupancy seems to be rooted in the belief that home ownership constitutes better citizenship: '...when a citizen is an owner of a to be built dwelling (...) or an existing dwelling (...), he will be more aware of his rights' (VROM, , 2001: 68), and: 'generally, authority over and responsibility for [the state of] the dwelling are greatest in case of owner occupancy (p.74)' Furthermore, the memorandum acknowledges the possible advantages of housing wealth and assets, which are not only an individual advantage but apparently also yields wider benefits: 'owner occupancy can contribute to enhancement of quality of living as well as to desirable societal goals like the increase of property values and wealth (p. 74)'. The benefit from an increased share of owner occupancy to society as a whole lies in the macro economic role of owner occupancy through increased consumer spending financed by the surplus value of owner occupied dwellings.

In addition, the Dutch housing memorandum explicitly mentions neighbourhood regeneration as a measure to lower risk on the housing market: 'the development of capital risk at neighbourhood level can be avoided by pro-active transformation measures within the neighbourhood, for instance by upgrading public space' (p. 79-80). Furthermore, the pro-active transformation of neighbourhoods involves owner occupancy because: 'owning a dwelling breeds more control and responsibility. The influence (of owner occupancy) is great and often extends to the way the residential environment is judged and the participation of social activities within the neighbourhood' (p. 81). So, neighbourhood regeneration policies are framed as a tool for individuals to advance socially and economically (see also VROM Raad, 2006).

So, although the Housing Memorandum shows liberal tendencies and favours a larger share of owner occupancy to increase asset accumulation of individual homeowners, there is no clear rationale that links asset gains from owner occupancy to a 'rainy day'.

The ageing population is a major political issue in the Netherlands, yet solutions to increasing health care costs are sought elsewhere, like the mentioned Law on Social Support. This law may yet be significant to housing because it will allocate care services to a local level, which means more differentiation of welfare provision per neighbourhood. Good quality services may influence local housing prices and consequently the housing market becomes a mediator for welfare provision. However, it remains to be seen whether differences in quality will grow substantially. Furthermore, the absence of serious political pressure on pensions may be explained by the current robust pension system, which was performing comparatively well (Haverland, 2001). However, with the 2008 financial crises, the major pension funds have taken major losses. This has put new pressure on the affordability of pensions which has ignited new political debates on how to cover these losses. Housing has not been mentioned in these debates yet.

Rather than the purpose of augmenting welfare provisions, policy rationales have moral connotations that are in line with 'traditional' Dutch paternalism. Nevertheless, housing tenure may also play a role in the welfare state change in the Netherlands through different institutional mechanisms. The dominant social housing sector seems to offer several opportunities for government to reform social services or generate income. The Housing Memorandum also included several reforms in the social rented sector including the new possibility of selling to renters. These reforms have put a strain on the tenure form, but may not necessarily lead to residualisation yet (Van Kempen and Priemus, 2002). Three recent government actions show that the social rented sector is providing income for the state and opportunities for change.

First, besides maintaining their stock and providing housing, the Social Rented Sector Management Order states that housing associations have to provide housing (but not care) for the elderly and disabled. Moreover, while they have also been obligated to work on liveable neighbourhoods since 1997, housing associations are increasingly forced into a new role with regard to urban social policies (see Boelhouwer, 2007). Consequently, housing association are increasingly expected and required to contribute to local service provisions such as elderly and health care, employment, and safety issues, in the form of 'social real estate' (e.g.. care facilities, community centres) or subsidising local regeneration interventions within the framework of urban policy.

Second, while housing associations have long been exempt from corporation taxes, new taxation regulations will start to collect these from 2008, providing the state with an extra income of about € 600 million. In addition, there are also legal issues over the institution of the corporation tax. These taxes were instituted during a period of strong public and political discourse directed against housing associations which were accused of inaction in disadvantaged neighbourhoods despite having tremendous wealth, mainly in property assets. Despite these rationales, the corporation is not earmarked for

neighbourhood regeneration. In essence, the taxation and required 'social investments' may be viewed as extracting assets from the 'unmortgaged' housing wealth of the social rental sector. In a political atmosphere where the future affordability of social and health care costs remain unresolved and debated, the extra tax income is more than welcome.

Third, in addition to taxation and their role in local welfare provisioning, housing associations are cast as the tools for new construction and conversion of owner occupied housing for the middle and low income groups. As such they are expected to take the risk in the regeneration of poor or unpopular areas with low housing market demand.

So, the social rental sector may have become a source of income as well as a way to outsource some elements of social welfare provisions. This also means that there is an interest in sustaining the tenure form along with its institutional context. Housing associations, however, have been less enthusiastic with their new role. In 2008, a housing association even took legal action to see whether it is possible to become a fully privatised organisation outside the Social Rented Sector Management Order. If this is made possible, the Dutch social rental system may implode. So, it is questionable whether the situation is indeed sustainable.

In sum, there are indications that housing is being used by Dutch government to change some aspects of the welfare state through localisation of some health care services and through increased home-ownership as a means for (low-income) households to increase assets and become more responsible citizens. However, there is no evidence of a direct connection in policy rationales between these aims and social and health care and pension provisions.

Furthermore, the system of mortgage interest tax deduction is the most unrestricted system in Western Europe, which is essentially regressive distribution of wealth as the tax reductions increase with level of income. Although it is not considered a tax expenditure by government, the owner occupied tax regime reduced income tax base by € 17.9 billion in 2005 (Van der Hoek and Radloff, 2007), which does not weigh up against income from owner occupation. So, claims about owner occupancy as a means to balance the government budget like in the UK, cannot be made either. Furthermore, while there is pressure on the social rented sector, the continued existence and fostering of the sector may be partly explained by the income and opportunities it offers.

## 5.5.2 Catalonia, Spain

The previous cases have suggested that housing is used for at least some level of welfare retrenchment and liberal reform. The Spanish Catalan case, however, indicates that housing may also be used to institute welfare change in a different direction when the limits of asset-based welfare are reached.

Due to the authoritarian regime until the late 1970s, Spain never developed a social welfare state in the immediate post-war era, but saw a relatively late build-up. Before this, intra-family transfers of wealth and charity by voluntary associations were the most important sources of welfare provision. Nevertheless, despite increases in social expenditure and benefit schemes, these institutions still characterise the family-based welfare state (Moreno, 2000).

In terms of housing, policies in Spain have been traditionally focused on the promotion of home ownership through tax benefits and supply-side development subsidies (Pareja Eastaway and San Martín, 1999). Consequently, the Spanish tenure structure is dominated by owner occupied housing (81% in 2001). While 11% of the housing stock is rented, this is mainly private sector rental. The remaining 8% is classified as 'other' (Van Boxmeer and Van Beckhoven, 2005). A public or social rented sector is

virtually non-existent. However, to aid weaker households in their housing needs, Spanish housing policy has developed an instrument: Officially Protected Dwellings (VPO, *Vivienda de Protección Oficial*). It features subsidies for demand (households) as well as supply (in the form of 'bricks and mortar' subsidies for developers). The dwellings under the VPO regime are publicly owned dwellings with a postponed ownership for the occupant after about 25 to 30 years. VPO is not necessarily confined to (postponed) owner occupancy, but the overwhelming majority of dwellings under the regime were designated as owner occupied (Pareja Eastaway et al., 2004, Pareja Eastaway and San Martín, 1999). As we shall see further down below, there is an upcoming shift in this trend in Catalonia.

What's more, housing plays a vital role within the Spanish welfare state. Housing transfers and welfare resources tend to favour the elderly at the expense of the young. In order to retain their constituencies of employees in so-called 'guaranteed' sectors of the economy, which receive more generous pensions than employees in non-guaranteed sectors, the political Left does not prioritize universal welfare provisions. The only exception is the expansion of health care, but this tends to benefit the elderly as well. This age-skewed social welfare system together with age-skewed home ownership creates a dualistic self-perpetuating system which mirrors the labour market, as only those in guaranteed sectors have full access. This dualistic system creates intergenerational tensions, which are eased by the familial solidarity and extended kinship networks. Contacts and assets from family are a major source to fill the gaps of the welfare system. The availability of assets is dependent on housing wealth, but also on one family member being employed within a guaranteed sector. When employed in the guaranteed sector there is no need for consumption of housing wealth for additional income alongside the pension. As a result, the family will be able to reproduce assets for the next generation. The purchase of a house by a young couple typically involves the mobilisation of assets by the two families (Allen et al., 2004).

So, the Spanish welfare system may be characterised as an asset-based welfare system in which housing is a crucial source of family income. However, the affordability of housing has become more problematic in the recent decade. The financial deregulation of the mortgage market and favourable lending conditions have contributed to the rapid growth of mortgage credit in Spain. The surge in housing prices, especially in the cities, has resulted in the exclusion of young and low-income groups from ownership (Barrios García and Rodríguez Hernández, 2008). In addition, while the rental market has been liberalised in 1985, the private rental sector has not become an affordable alternative for low-income families and young people unable to purchase, and the social rented sector is too marginal (Pareja Eastaway and San Martín, 2002). Increased labour market volatility and societal changes (immigration, expansion of university students, and new household structures) have increased demand for social and rental units (Arbaci, 2008).

Although the central government has implemented some policies to assuage the situation, housing has increasingly fallen under the responsibility of Spain's autonomous regions (Pareja Eastaway et al., 2004). Nowadays, the regional government of Catalonia, *Generalitat de Catalunya*, has ascertained a large degree of independence and responsibility in several welfare state fields.

After the instalment of the socialist Catalan government in 2004, affordable housing has been made a policy priority. As a result, several new housing policies initiatives have been shifting away from the sole emphasis on owner occupancy.

First, the 2007 National Agreement on Housing<sup>21</sup> was set up to provide more affordable housing. Through five thematic guidelines, the Agreement aims at improving access to housing, particularly for young people; improving the quality of the housing stock;

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21 Pacte Nacional per l'Habitatge 2007-2016, Generalitat de Catalunya, available at [http://mediambient.gencat.net/Imagets/43\\_127253.pdf](http://mediambient.gencat.net/Imagets/43_127253.pdf).

improving the housing accessibility of disabled people; preventing social exclusion and guaranteeing adequate housing for homeless persons. In order to achieve these goals, the regional Catalan government plans to build 160,000 housing units under the protected (owner occupancy) housing regime (*Vivienda de Protección Oficial*), which is roughly double the amount built in Catalonia since 1980. In addition, the aim is to improve the housing accessibility and mobility of 35,000 disabled people and build 15,000 units for “social inclusion” and 8,000 “emergency” units for homeless people. The new housing can be both owner occupied in a social regime and social rental.

Second, the legislation on the Right to Adequate Housing (*Llei del Dret a l’Habitatge*), passed in December 2007, punishes acts such as leaving properties vacant, overcrowding and real estate mobbing. The law also entails new regulations that guarantee good quality housing and environmentally friendly construction. More importantly, the Law prescribes the steady expansion of social rental housing in Catalonia agreed upon in the National Agreement. A share of the newly built protected housing will go to municipalities who have to let them to socially excluded groups to avoid concentrations of these groups. The exact share depends on negotiations between the *Generalitat* and the municipalities. This will not impact the housing market immediately but will have an effect in a decade or so when municipalities will have obtained a substantial stock. The stock will further increase because the new law also prescribes that 30% of the dwellings in all new public developments must fall under the protected housing regime. Private developments are obliged to offer 30% of the new dwellings at affordable rent. These dwellings will be distributed by lottery. Another measure is the institutionalisation of subsidies as they are changed from limited short-term projects to more permanent provisions.

Third, the Neighbourhoods Law (*Llei de Barris*) is an urban policy that targets marginalised or deteriorated neighbourhoods. Even though social issues are central in the selection, most of the activities and interventions involve renovation and renewal.

The recent policies above seem to indicate the creation of a Catalan housing system with an expanded social sector. Arbaci (2008) argues that affordability issues and social marginalization within the rental sector cannot be addressed with emergency social housing policies alone, but these issues require a rethinking of social welfare as well as social and political programmes that address the overall housing tenure system and social inclusion. The question is whether the Catalan policies and programmes will prove to be sufficiently comprehensive to institute change.

Allen et al. (2004) argue that the nature of family strategies and formal housing policies are equally important aspects of the Spanish housing system. In that spirit, it can be argued that the housing policies above are also the result of the Catalan (urban) housing system’s inability to continue functioning as a cornerstone of the (family) asset-based welfare state for a next generation. This is related to the changes in labour market, but also to the limits of the housing market as a steady source of extra income. In that sense, the Catalan case is illustrative of the unsuitability of housing-based assets to function as the cornerstone of the welfare state in a post-industrial era. Furthermore, it also shows that the state in an ‘ownership society’ does not necessarily push for more owner occupancy.

## 5.6 Discussion and conclusion

The explorations here and elsewhere imply not to take housing policy at face value but to regard it as an element within government strategies and intentions with regard to the welfare state, economic development and social justice. This interpretation helps to understand housing policies and the development of the housing system. This paper sought to explore the relation between housing and the welfare state with a particular interest in housing policies for non-housing objectives and with a focus on policies designed to change tenure and its meaning. Despite differences between each of the cases, it seems that housing can play an important role within the Western European welfare state as a lever of change. To that end, housing policies can take multiple forms such as fiscal measures, supply-side subsidies, tenure transfers, privatisations, etc. The importance of asset gains from housing market is not only reflected in domain and sector-based policies such as health care and pensions but also in housing policies that focus on place-based interventions such as housing renewal and neighbourhood regeneration.

However, the type and direction of change is different depending on each case's institutional and political mechanisms (cf. Kleinman, 1996). The promotion of owner occupancy in Britain may be regarded as a clear step towards an asset-based welfare system, but this is not as evident in the Netherlands and Spanish Catalonia.

In the Dutch housing system, owner occupancy is being promoted under the guise of asset gains for individuals, but no connection is made to pensions and self-provision of care in the policy and political discourses. Furthermore, owner occupancy is a cost rather than a source of income on the government budget with the very generous mortgage interest tax deduction. In a sense, the deduction redistributes wealth and assets, yet favours the affluent. However, we have seen that the Dutch housing system offers other opportunities for government to extract unmortgaged wealth. Especially, the capital within the social rental stock is utilised for extra tax income or diverted to social programmes at the neighbourhood level and to aid in the provision of local welfare services.

The limits of an asset-based welfare state based on owner occupancy and housing market gains have become apparent in Spain. The issue of affordability in combination with changes in the labour market and societal changes have put a strain on the familial welfare state structure. It is yet uncertain whether the changes in housing policies are indeed part of a wider welfare state reform within the autonomous region of Catalonia and Spain or are merely an attempt to maintain the old situation. Nevertheless, it is best to view the new housing policies as part of changes within the traditional labour-family-housing nexus of the Spanish welfare state.

Concerning the direction of change and the use of housing tenure, it is hard to make the general claims of owner occupancy being used to diminish the size and scope of the European social welfare state as implied in the British case. This is mainly, because politics are by definition opportunistic. The Catalan case has shown that social housing is being used to sustain or reform the Spanish liberal 'home owner society'. The Dutch case shows that the social rented sector offers its own opportunities and income, while owner occupancy remains costly. Even in the UK, the unfolding 2008 financial and housing crises have forced government to intervene in the housing system and market in characteristically illiberal ways. This may be because long term social and economic interests realise the risk when asset accumulation is tied to housing markets creating a giant pyramid scheme.

So, despite similar tendencies towards more owner occupancy, the direction and mechanisms of change and reform are dependent on national institutional and political frameworks. In other words, the purpose as well as the choice of levers to pull are highly

dependent on national frameworks. This means that it will be difficult to draw up any *general* causal model that explains the relationship between housing and the welfare state (cf. Somerville, 2005), that is not without taking into account the institutional path dependent context. So, even without another new housing- welfare state typology, the relationship between housing and the welfare state may still be very relevant to explain and understand how neo-liberal ideology plays out within the development of national housing systems and, as such, affects the social geographies of our cities.

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