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Neoliberalism & the Marketisation of Social Housing: A Study of Four Countries

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Some of the authors of this publication are also working on these related projects:

Innovation View project
Neoliberalism & Marketisation of Social Housing View project
Neoliberalism & the Marketisation of Social Housing: A Study of Four Countries

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Abstract

The rise of Neoliberalism since the late twentieth century as the dominant global political and economic ideology has impacted on the social housing sectors in different countries. This ideology has introduced market forces to the provision of social housing which has historically been associated with service provision to fulfil a societal need. This paper looks at the experiences of four countries to understand the impact that marketisation has had on the social housing sector within those countries. The countries chosen have got a number of shared historical commonalities although each has evolved within their own context. The countries looked at are: the Netherlands, United States of America (USA), Australia and United Kingdom. It concludes that the impact of marketisation on the social housing sector has been a reduction in the role of the state although this has to be seen within the specific context of each country.

Keywords: neoliberalism; social; housing; state; global.

1. Introduction

The role of the state in the provision of social housing has changed during the twenty and twenty first centuries. The rise of Neoliberalism as the dominant global political and economic ideology since the 1970s has introduced the marketisation of social housing. This paper looks at the experiences of four countries which share historical commonalities.

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1.1 Neoliberalism

At the end of the twentieth century and at the beginning of the twenty first century neoliberalism has evolved as the dominant global ideology. The unfettered growth of market forces has spawned a version of capitalism that has generated significant inequalities within society [1]. Reducing and reversing the role of the state, that had developed under the post war settlement inspired by Keynesian economic thinking has been one of the aims of Neoliberalism which has been implemented on an incremental basis [2]. Classic liberal economic theorists in the twentieth century had identified that the role of market forces was the most important factor influencing economics and society [3]. In contrast, Keynesian inspired economic theorists in the early twentieth century identified an increased role for the state in providing services such as health, social security and housing in society which the state to intervene in markets [4,5].

The state interventionist post war settlement faced challenges in the late 1960s and early 1970s and the financial crisis of 1973 signalled its end [6]. The decline of the Keynesian inspired period of state intervention and the rise of Neoliberalism has been highlighted as ‘a war of incompatible ideologies’ [7]. The rise of Neoliberalism brought with it the liberalisation of markets, privatisation of industries, a reduced role for the state, a focus on the primacy of the individual and the marketisation of state provided services.

1.2 Social Housing

During the twentieth century, the role of the state in social housing has been one of state intervention followed by a significantly reduced role from 1979 onwards. State owned housing assets were privatised, and public owned housing provided for a social purpose was marketized. The move away from a state driven model of public housing provision to a model of housing being provided by new social landlords that are independent of the state has been highlighted by Malpass & Victory [8]. Three periods in the evolution of housing during the twentieth and twenty first centuries have been identified by Mullins [9] which reflect the political, social and economic changes that occurred within society at the time. The three periods are a liberal period at the early part of the twentieth century, a social democratic period following the end of the second world war and a neo liberal period after 1979 [9].

2. Method

This study uses research methods to look at the experience of social housing in the twenty first century in four different countries is looked at to identify commonalities of experience as well as contrasts. The four countries that are being looked at are: the Netherlands, United States of America (USA), Australia and United Kingdom. These countries have commonalities in terms of heritage and shared experience.

2.1 The Netherlands

Prior to the twentieth century there was no formal state provision of social housing only provision through charitable, voluntary, philanthropic third sector organisations. State intervention started with the passing of the Housing Act 1901 which provided a framework for third sector organisations to be recognised as social housing
providers and for state to provide resources and planning functions. The sector developed during the early part of the twentieth century and in the decades following the second world war there was an expansive house building programme to meet the increasing need for housing as well as replacing housing lost during the years of the war [10]. The mass provision of social rented housing became an important part of the dutch welfare system and as a percentage of overall households increased from 12% in 1945 to 41% in 1975 [11,12]. The sector continued to grow during the 1980s reaching a total of 44% which contrasts to the experience within the UK where the public sector was shrinking and social rented housing numbers reducing [13]. The ownership and management of social housing was mostly through third sector and municipal Housing Associations (HAs) with only 12% of the sector owned and directly managed by the state through local authorities in 1970 which had reduced to 6% by 1980 [14]. By 2014, there were 375 HAs in existence owning and managing 2.4 million dwellings and this number had reduced from 620 in the 1990s through merging and restructuring processes that had occurred within the sector [15].

During the 1980s the Government created two funds to enable social housing organisations to access investment from the private sector. The first was the Social Housebuilding Guarantee Fund – WSW (Waarborgfond Sociale Woningbouw) accessed finance from the open market and operated as a revolving fund interfacing with the social housing sector to lend private finance to HAs at below market rates [16]. The second was the Recovery Fund – CSF (Centraal Fonds voor de Volkshuisvesting) which provided interest free loan funding to weak organisations that were in financial difficulties and this was financed by contributions made by HAs and these were made according to their size of the HA [12]. The 1990s saw the sector embrace marketization and in 1995 HAs were deregulated in a radical move that saw the government pass the Grossing and Balancing Act through which state subsidies to HAs and long term debt owed by HAs were cancelled [17,12]. In this new environment HAs could act independently within the borrowing market and managers within these organisations found themselves able to work within an environment without scrutiny. They could operate as property developers making significant sums of money selling on the open market and borrowing through the WSW fund. In the years that followed several financial scandals took place in these organisations and this is exemplified by the scandal of the largest HA in the Netherlands called Vestia which owned and managed 90,000 units. Senior staff in this organisation used finance to invest in commercial banking and lost €2 billion on a €23 billion credit swap deal which was ‘a gamble that went wrong’ [18]. The impact on the sector has been immense with ongoing criminal investigations into social housing providers, a government commission of enquiry being held as well as changes in legislation and operational requirements for HAs put in place [15]. The report of the commission called ‘Far from home’ found that there had been a failure in management, governance and the system of self-regulation. It found that a culture of greed, financial recklessness, personal enrichment and immoral behaviour existed amongst the directors of these organisations and likened these financial scandals to the ones at ‘Enron and Barings Bank’ [18].

As far back as 1997 the government had set up the Cohen Commission which had looked at the issue of commercial activity being undertaken by providers of social housing and it had recommended that the role of commercial activity is split from the social housing role. The effect of this on providers of social housing is that they would be ‘Hybrid’ organisations combining the two roles of commercial activity and landlord with a social purpose. Following the Cohen Commission reporting back in1998 the government set up a working group –
MDW (Market, Deregulation and Quality Legislation) to look at these recommendations and eventually the
work from the group was enacted in legislation through the 2015 Housing Act.

Through the Housing Act 2015 HAs are operate as private organisations but within an overall framework
through which they are accountable for their actions and their public housing role is safeguarded. The WSW
guarantee fund has changed from a commercial fronted organisation that was answerable to HAs to a financial
organisation that is supervised by the state. The recommendations put forward by the Cohen Commission and
the MDW working group have been enacted and HAs are required to split their profit making and non-profit
activities into separate entities [15]. Following the scandals that have befallen the sector the supervision of
social housing providers has increased, and they have been tasked with focusing on their core social activities as
well as their commercial ones. Tenants have been granted more power under the housing act including rights to
have a say on proposed mergers between social housing landlords. They have also been left paying the price for
the debts incurred by the financial scandals as the Government required HAs to fund the debts incurred and
these costs have ultimately been met through large rent increases [18].

2.2 United States of America (USA)

In the United States of America (USA) the provision of housing to citizens is not guaranteed by the government
or constituted as a basic right. In the twenty first century public housing makes up only 1% of the national
housing stock with the dominant tenures being home ownership at 67% and private rented accommodation at
32% (OECD, 2004). In the literature social housing is referred to as public housing in the USA, sector is not as
clearly defined as in other countries and it is residualised in terms of providing housing for specific categories of
client such as the homeless, households on low incomes and the vulnerable. There is significant cross over
between the public, private and non-profit sectors through the provision of housing by organisations that are
hybrid in terms of undertaking market based activity to support the provision of services for the public good
[19;20,21].

The state first became involved in the provision of public housing in 1930s where federally funded programmes
were implemented at a local level by states, cities or counties. The first large programme for building public
housing was in 1937 but housing provision became fragmented during the middle part of the twentieth century
with 840 different public housing agencies in existence in 1957 [22]. Successive administrations have enacted
policies that have encouraged the ownership of property and financial incentives to enable provision of rented
housing by commercial and other non-state organisations including credits against tax liabilities [23]. From the
1980s, Drier & Atlas [19] identify that Neo Liberal policies lead to a reconceptualization of public housing to
focus on encouraging public agencies to engage in commercial and enterprise activity and for private sector
organisations to provide public services [24]. The section eight housing allowance programme introduced in
1974 allows those who qualify to rent housing in the private sector with up to 30% of the rent being met by the
state. This is a federally funded programme administered by public agencies at a local level which allows the
private rented sector to provide for public housing need. The number of public agencies in the USA that are
managing housing has increased significantly from the 840 in 1957 to 3,300 in the twenty first century
managing 1.2 million units of accommodation [22]. The scale, distribution and nature of these public agencies
varies and presents a fragmented picture of provision across the country. Public housing agencies have been encouraged to be self-sufficient, to engage in commercial activity and to be enterprising to generate sources of revenue to cross subsidise their services that they provide [23]. From 1994 private sector organisations could own and manage public housing stock and in 1998 the Quality Housing and Work Responsibility Act placed greater emphasis on the provision of affordable housing by private entities. This approach is enabling organisations to harness the power of the market as well as still achieving their social goals, but challenges can also be identified as well as benefits in this approach. These challenges include ethical dilemmas for organisations in balancing their social responsibilities with the commercial pressures they face. Nguyen and his colleagues [22] discuss an example of unethical behaviour taking place by a private company called Crosland who were undertaking public housing work, screening people who they allowed access to housing to prevent bad tenants from being selected and undertaking evictions quickly for tenancy violations. Other challenges include different skills as required by staff to operate within this type of environment being able to work with commercial pressures, being enterprising as well as delivering services with a social value. The hybrid model of operation has been identified by commentators as being entrenched within the USA for the provision of public housing [22,23].

2.3 Australia

Social housing is provided in Australia through the six states and two territories and jointly funded by federal and state / territory governments through Commonwealth Housing Agreements (CSHA). The first agreement was signed 1945 to provide publicly funded housing for soldiers returning at the end of the war and this became the basis for the development of the social housing sector. In the 1950s and 60s several high-rise estates in urban areas were built, this type of development was curtailed in the 1970s and replaced in the 1980s by small scale development [25]. Some states / territories have outsourced their public housing stock to NFP organisations which have taken on an increasing role in the provision of social housing. This has become increasingly targeted on households with specific needs within society.

<table>
<thead>
<tr>
<th>Type</th>
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<tr>
<td>Public Rented Housing</td>
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<tr>
<td>SOMIH</td>
<td>12,056</td>
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<tr>
<td>Mainstream Community Housing</td>
<td>41,718</td>
</tr>
<tr>
<td>ICH</td>
<td>20,232</td>
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<tr>
<td>CAP</td>
<td>7,687</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>418,157</strong></td>
</tr>
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</table>

Source: Adapted from [26]

Public housing is provided by state / territory governments for households on low income who are in housing need. SOMIH and ICH are programmes for the provision of housing for indigenous communities and CAP is for
those households facing an emergency crisis such as homelessness. Mainstream community housing is part of
the social housing sector that is provided by NFP bodies and government policy seeks to encourage these
organisations to access private sector investment and broker partnerships with the private sector. In the twenty
first century the dominant form of tenure in Australia is home ownership although this has been falling [27],
private rented accommodation makes up for 20% of the housing total and this has become a long-term tenure for
many households as opposed to a transitional one [28] and social housing makes up less than 5% of the total
[29].

Three key strands of Government housing policy across the different tenures includes the provision of public
housing for those in housing need, subsidies to landlords to encourage greater provision in the private rented
sector and assistance to help households move into owner occupation [29]. Since the 1980s public rented
housing has become a residualised tenure that is focused on the poorest households in society [30]. As well as
adding to the overall decline in the social rented sector the reduction in expenditure on housing by Governments
over a long period can reinforce entrenched inequalities for those living in social housing [31]. The private
rented sector, which plays an important role with the housing system, declined from 44% of the total housing
stock in 1947 to 22% in 1986 and currently stands at 26% [32]. Changes within this sector reflect shifts within
society and the economy as well as the other two sectors [30]. As a tenure that has historically been encouraged
by governments owner occupation has benefitted from public financial assistance and stimulus[33,34] (Jacobs
and his colleagues 2010; Hayward, 1996).

In the twenty first century the establishment of a small-scale community housing organisations which are NFP
and can seek new forms of investment funding is an important part of the development of the social housing
sector. These third sector organisations are placed between the state and the market and can bring a new
approach to the provision and management of social housing. Federal and state government housing policies
have created some of the opportunities for these organisations to develop including specialist funding provision,
regulatory oversight and the transfer of the housing stock [35]. The transfer of housing stock from state control
to third sector organisations in to take advantage of the ability of these organisations to access private
investment for improving housing stock and to develop new accommodation. Through their increasing activity
these organisations are important to developing the relationships with banks and private investors can develop
solutions to alleviate some of the social needs that have traditionally fallen to the resources of the state. A view
expressed by senior managers from a sample of NFP organisations that were studied by [35] was that
commercial and business practices were a necessity to enable social goals to be achieved. Gilmour and Milligan
[36] highlighted the number of commercial activities that these NFP organisations were increasingly becoming
involved in as multi-functional businesses.

2.4 United Kingdom

During the early part of the twentieth century the role of the state increased in the United Kingdom to enable
suitable housing to be provided and to tackle the challenges of the inadequate existing housing stock [37].
Following the end of the first world war the Housing and Town Planning Act 1919 was introduced which
introduced a system of financial support for local authorities to enable housing to be built [38]. Social housing
was primarily provided by local authorities with the voluntary sector fulfilling a smaller role. Following the end of the second world war a programme of house building was put in place and continued by successive governments which provided 5 million homes during the period 1945-1980 [38].

Following the election of a Conservative government in 1979 a programme of privatisation was introduced through the enforced Right to Buy (RTB) and since 1988 through the transfer of housing from local authorities to independent landlords. During the remainder of the twentieth century over one million state owned public houses were sold and since 1988 over one million dwellings have been transferred [39]. This policy was considered by the Conservative administration as being the most successful privatisation that they had introduced with 1.3 million sales between 1980-1997 and was continued under New Labour further sales of just under 500,000 between 1998-2007 [40]. Shifting tenure patterns in the latter part of the twentieth century saw an increase in homeownership which in 2011/12 was 70% in Scotland, Wales and Northern Ireland and 65% in England down from 69% in 2001 and an overall peak of 70.3% in 2003 [41]. The private rented sector had decreased from 50% of the market in 1951 to 10% in 2001 but has become resurgent in the twenty first century increasing in England to 18% in 2011 and to 14% in Scotland, Wales and Northern Ireland [42,43,44,45]. Overall the social rented sector has been in decline from over 30% of the total dwelling stock in 1981 to 20% in 2005 and by 2012 stood at 18% in England, 16% in Scotland and Wales and 15% in Northern Ireland [42,43,44,45]. These figures include housing owned and managed by local authorities as well as HAs. They show the decline in the council part of the sector from 30% in 1971 to below 20% by 2001 and below 10% by 2011. In contrast the HA part of the sector has increased from below 5% in 1981 to over 10% in 2011.

The social rented sector has been identified as contracting at a rate of one and a half percent a year with dwellings lost through privatisation and demolition as well as a significant reduction in the rate of replacing them [46]. This trend for contraction within the social housing sector is like the experiences of other countries during this period.

3. Results

In all four countries economic factors have impacted significantly on housing policy in terms of influencing the wider operating environment as well as the policies and actions of governments and organisations. On an international basis the dominant economic ideology since the 1980s has been Neoliberalism which has established the importance of the market mechanism within the economy of each country. Economic priorities be key drivers behind the development of government policies and as the most important factor influencing housing policy [33]. In the period 1945- 1970s in all four countries the state had intervened to various degrees in the provision of public sector housing to rectify a social need. Ball [47] argued that economic reasons were the main reason for the state intervening in the provision of public housing and not to satisfy a social need. State intervention is seen by Jacobs and his colleagues [33] as being complex with the development and implementation of housing policy influenced by different interest groups and affected by wider social and economic factors such as demographics. The experience in all four countries post 1980 is one of decline in terms of state intervention in the provision of housing with the social housing sector becoming residualised or targeted at certain client groups.
Across the four countries alternative models of social housing provision can be seen to have emerged since the 1980s through which housing is developed, owned and managed by organisations that are outside of direct state control. These are identified by Milligan and his colleagues as being ‘hybrid organisations that embrace a mix of defining values, characteristics and behaviour of public entities, private firms and the third sector’ [35]. The HA part of the social housing sectors in the UK and the Netherlands have developed significantly since the 1980s adopting commercial practices, accessing private finance and changing their organisations to respond to the needs of their market. In the UK HAs have expanded in phases [9] since the 1990s their exposure to the rigours of the market and their role has matured whereas the community housing part of the social housing sector in Australia is at its early stages of development. The experience of the HA movement in the Netherlands in the 1990s highlights the dangers of excess when organisations become exposed to the market without a system of strong regulation to check on their commercial activities balancing with their social purpose to provide housing for those in need. The USA operates a free market system within which organisations with a social welfare purpose have had to adapt to take advantage of commercial opportunities to fulfil social purposes. The nature of hybridity is looked at within the next section.

4. Conclusions

The role of the state in the provision of social housing has reduced across different countries reflecting the global impact of Neoliberalism on their political and economic systems. The nature of such change has to be seen within the historical and operational context of each country.

5. Recommendations

This study has been constrained regarding the depth of information obtained on the housing systems in the four countries. The theoretical debate has also been limited and this would be informed further by obtaining further information regarding the housing system in each country. It is recommended that a further study is undertaken to develop the theoretical arguments within this article.

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6. Appendix

Glossary of terms

Table 2

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<th>Abbreviation</th>
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<tr>
<td>CSF</td>
<td>Centraal Fonds Voor de Voikshuisvesting</td>
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<td>HA</td>
<td>Housing Association</td>
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<td>LA</td>
<td>Local Authority</td>
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<td>MDW</td>
<td>Market, Deregulation and Quality Legislation</td>
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