



STUDY ON HOUSING EXCLUSION: WELFARE POLICIES, HOUSING PROVISION AND LABOUR MARKETS

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KEY MESSAGES

- Housing policy can help to weaken, but not remove, the links between income poverty and poor housing outcomes.
- The housing outcomes of the poor are driven by the housing conditions in the country as a whole. This reflects general levels of income in countries as well as housing policies. However, high absolute housing standards for the poor do not necessarily translate into equality between the income poor and the non poor.
- Housing allowances have the clearest demonstrable impact on housing outcomes for the poor; social rented housing weakly reduces the link between poverty and housing outcomes, while outright ownership generates favourable outcomes for poor households across a range of housing indicators.
- People in workless households have worse housing outcomes than people in working households, but the housing outcomes of the working poor are only slightly better than the workless poor. There is a notably low receipt of housing allowances among the working poor, suggesting there is a need to ensure that 'work pays' in terms of housing.
- Housing systems can inhibit labour mobility through waiting lists for social rented housing, difficulties in selling owner occupied dwellings and high housing costs in employment growth areas. Housing allowance administration can be a further impediment. Housing needs to play a stronger role in 'flexicurity' strategies.
- Poverty neighbourhoods are widely believed to foster cultures of poverty which take the form of worklessness or working in the informal economy.
- Welfare regimes impact profoundly on the causes and nature of homelessness. Structural homelessness is lowest where welfare safety nets are strong.
- Homelessness is directly connected to short-term labour market change only in countries where welfare protection is weak; long-term labour market marginality is usually more important.
- The general condition of the housing market is a major driver of structural homelessness, and access to mainstream affordable housing for vulnerable groups is a major concern even in countries with the strongest welfare protection. This is especially the case in pressurised regions and where social housing providers are not obliged to prioritise those in greatest need.
- Targeted interventions are capable of 'overriding' difficult structural contexts to deliver reasonably good outcomes for homeless people, but homeless migrants are often the least well protected group.

Introduction

Across the European Union different Member States operate characteristic 'welfare regimes' – ways of organising labour markets and tax and social security systems. These influence levels of employment and distribution of incomes. In recent years many countries have reformed their welfare regimes as part of employment and inclusion strategies.

Although housing is widely accepted as being a fundamental determinant of people's welfare and a platform for participation in communities and labour markets, little attention has been paid to the relationship between welfare regimes and housing systems.

This study examines the relationship between welfare regimes and housing systems in six countries, which were selected to provide a range of welfare regime types: Germany (corporatist), Hungary (transitional), the Netherlands (corporatist/ social democratic hybrid), Portugal (Mediterranean), Sweden (social democratic) and the UK (liberal).

The theoretical framework adopted is illustrated in Chart 1. This hypothesises a number of key relationships between the welfare regime, housing system and housing outcomes, including homelessness:

- Welfare regimes (A) impact on levels of poverty (B) and employment (C) which in turn influence housing outcomes (D), which are defined by a number of indicators of housing deprivation (F) and homelessness (G).
- The housing system may contain a number of policies or other features (E) that can help to weaken the link between poverty and employment status on one hand and on housing outcomes (F, G) on the other.
- Further individual factors (H) and targeted interventions (I) can impact on the levels of homelessness (G).
- The housing system (E) and indeed some housing outcomes (F) can feedback and affect the level of employment (C).

The study used quantitative and qualitative methods (including analysis of EU-SILC, focus groups and individual interviews) to address the following research questions:

- *What is the impact of poverty on housing outcomes?*
- *What is the impact of housing policy interventions on housing outcomes (for poor households)?*

- *What is the impact of employment status on housing outcomes (for poor households)?*
- *What is the impact of housing on employment outcomes?*
- *What is the impact of the welfare regime and housing system on the nature and causes of homelessness, and how effective are targeted responses?*

Welfare Regimes and Housing Systems

Even though social security and labour market reforms have been important in recent years, the traditional welfare regimes still define the character of individual countries, and this is reflected in the range of relative poverty rates in the six countries selected for inclusion in this study. These are lowest in the Netherlands and Sweden and highest in the UK. The study also shows that the nature of the welfare regimes is reflected to some extent in the housing systems. The social democratic and corporatist regimes (Sweden, the Netherlands and Germany) each have large 'unitary' rental systems (whereby social rented housing exerts a moderating influence on private rents and blurs the distinction between the two tenures). They also tend to have smaller home-ownership sectors. The transition (Hungary) and Mediterranean (Portugal) countries have small social rental sectors, large outright home-ownership sectors and limited housing allowance systems. The liberal regime (UK) has a significant and targeted social rented sector, an extensive and targeted housing allowance system and an important outright-ownership sector.

However, the study confirms that these links are contingent rather than essential. There are important differences *within* regime types: corporatist Germany now has only a small social rented sector in contrast to its hybrid corporatist/ social democratic neighbour the Netherlands which has the largest social rented sector in Europe. Policy choices have been made in the UK to build up the range of housing interventions. But the relatively high levels of outright ownership *and* the still significant social rented sector are the result of policy decisions that in turn were possible because of the legacy of the mass social housing programmes of past decades. Hungary made the decision to privatise its state housing, while other transition countries did not to the same extent. Governments therefore have the ability to shape their housing systems within the context of the welfare regime. Neither wholly dependent nor wholly independent, it is a symbiotic relationship, and one that we show to have important impacts on people's lives.

The Impact of Poverty and Housing Policy on Housing Outcomes

The study demonstrates that housing policy (including housing allowances) can help to weaken, but not remove, the links between income poverty and poor housing outcomes. This does not mean that every poor person experiences poor housing outcomes. It does mean that people living in poverty are systematically more likely to have poor housing outcomes than those who are not poor. But experiences vary greatly between countries.

A key finding of the study is that the housing outcomes of the poor are driven by the housing outcomes in the country as a whole. Where housing outcomes are generally of a high level in a country the housing outcomes of the poor will also be good; where general standards are poor then this will be reflected among the population who live in income poverty. This is attributable to general income levels in each country and housing market pressures, as well as housing policy interventions.

A second key finding is that high absolute housing standards for the poor do not necessarily translate into equality between the income poor and the non poor. Some of the widest differentials in housing outcomes are experienced in countries with high absolute standards for the poor (but higher standards again for the rest of the population); and some of the smallest differentials occur where the absolute standards of the poor are low (but so too are standards for many other people). This is partially attributable to the way in which relative housing outcomes are measured, but it is not always the case.

The transition (Hungary) and Mediterranean (Portugal) countries studied have high levels of outright ownership generally and among the population living in poverty. At a country level they experience a trade-off between affordability on the one hand (where they score well) and overcrowding and the physical quality of housing on the other (where they score poorly).

In the other countries studied 'bundles' of policy interventions are important in influencing the housing outcomes of the poor. Germany is notable for the difficulty in identifying the impact of *individual* housing policies, but the housing outcomes of the poor are generally similar to those enjoyed in the other non Mediterranean/ transition countries where individual policies are more easily identified. The UK has a range of *individual* housing policies that appear to provide some compensation for the high levels of income poverty: absolute housing standards for poor households that are comparable with corporatist and social democratic regimes combine with relatively small differentials in housing outcomes between the poor and non poor.

The study established that targeted housing allowances are the individual policy instrument that produces the most clearly demonstrable improvement to housing outcomes for the poor. These improvements are most pronounced among social tenants and less clear among market tenants (and amongst home owners are often negligible).

However, the stand-alone impacts of social rented housing are more difficult to demonstrate. This partly arises from problems in identifying the sector in some countries and some concerns about data reliability in others. Nonetheless the sector appears to produce outcomes that are not as favourable as one might expect: it only weakly reduces the relationship between income poverty and poor housing outcomes. The data did not, however, indicate the poor outcomes with respect to neighbourhood quality that many national surveys suggest is a consequence of geographical concentrations of low income households in social housing.

Although high levels of home ownership among people who are income poor can evidently be problematic, the study found that within all countries, outright ownership does produce favourable housing outcomes across nearly all of the indicators, for the poor as well as the non poor. It is not surprising that outright ownership scores well on affordability outcomes (even when housing expenditure is broadly defined as it has been in this study). But the trade off between affordability and the physical quality of housing (which might be anticipated if poor owners cannot afford repairs) is not apparent *within* countries (even though there is evidence of this trade-off at country level, as noted above). Indeed on some indicators in some countries the housing outcomes of poor outright owners are actually superior to the population as a whole.

The analysis has some important policy implications:

- Absolute housing standards for people living in income poverty are driven by housing standards in the population as a whole. Particularly in the lower income countries within the European Union, there is a need for policies that aim to improve housing standards generally.
- When we compare housing outcomes *between* countries high levels of outright ownership appear to produce trade-offs between affordability and quality. Outright ownership does not appear to provide a *general* housing solution to income poverty. It seems an inappropriate tenure for people who are likely to be income poor for the whole or a large part of their lives.
- But *within* countries, outright ownership does produce remarkably good housing outcomes for people living in poverty, and this is clearest in the countries with more modest levels of outright ownership. This suggests

that the acquisition of housing assets can be a valuable means of distributing resources over the life cycle, in other words when people are income poor for only part of their lives.

- Bundles of housing policy interventions appear to produce the most powerful improvements in housing outcomes. A mix of housing specific demand-side subsidies (housing allowances) and supply-side subsidies (social or other forms of below market rental housing) improve housing outcomes for the poor, while reliance on one or the other is less effective.
- That said, housing allowances do perform a powerful role in assisting people living in income poverty. It is the intervention that can be most clearly targeted, and improves the affordability of market rental housing without necessarily taking people below the affordability threshold that was adopted (whereby housing expenditure represents no more than 40% of their incomes).
- Social or other form of below market rental housing can improve the housing outcomes of the poor only if they are able to access it: a commitment to 'social mix' should not be used as an excuse to exclude the poor and vulnerable from the tenure.

The Impact of Employment Status on Housing Outcomes

Employment reduces the chances of poverty, but most poor people (of working age) live in households where someone is in paid employment.

This study demonstrates a clear relationship between employment status and housing outcomes. We show that across a range of indicators people who are out of work are almost always more likely to have poorer housing outcomes than those who are in employment. Moreover, people who live in long term workless households tend to have worse housing outcomes than people who live in short term workless households. This suggests that the duration of worklessness has an impact on housing outcomes independently of income itself. We cannot be sure of the reasons for this, but they are likely to include the ability of the short term workless to maintain current housing conditions due to social security and housing allowances as well as the use of savings or family help.

While this evidence suggests that 'work pays', when we compare the housing outcomes of the workless poor with the working poor the impact of employment status is far less clear. While there is some evidence to suggest that the housing outcomes of the working poor are superior to those of the workless poor, this evidence is weak. This is especially true of the affordability indicator where it is clear that housing allowances are of much more help to the workless poor compared to the working poor. Our qualitative evidence suggests that the

housing system generally, and housing allowances in particular, are insensitive to people who experience fluctuating incomes. Such fluctuating incomes are likely to be a characteristic of people who move in and out of employment or whose employment contains a substantial variability due to changeable hours or a significant commission element.

The policy implications of these findings are clear:

- Social security systems and housing allowances play a crucial role in limiting the impact of worklessness on housing outcomes in the short term but this protective impact weakens the longer a household is workless.
- Housing systems need to be adapted to meet the needs of the working poor. Social rented housing is inflexible to labour mobility, whereas market renting assisted by housing allowances combines flexibility with in-work housing assistance.
- However, housing allowances themselves need to be more responsive to the working poor, especially those who are on fluctuating incomes or insecure contracts. Improved administration to cut delays and an 'asymmetric' approach to changing incomes from employment would help to ensure that 'work pays' by protecting people from loss of income while not penalising modest increases in earned income.

The Impact of Housing on Employment Outcomes

The study shows that housing systems do impact on employment, but in ways that are more complex than is often assumed in previous studies.

The housing system can inhibit labour mobility between regions. Our evidence supports the well-known phenomenon that waiting lists associated with social rented housing in high demand areas create one barrier. The market rented sector is seen as the tenure that most easily facilitates mobility, and it is clear that housing allowances can play a role in helping people to move to high cost areas. However, it should be noted that there are low levels of housing allowance receipt among the working poor.

Our evidence also suggests that the role of home ownership is rather different than had previously been thought. Transaction costs did not appear to be important, but the difficulty in selling property at the bottom of the housing market cycle and the prospects of having to give up the tenure for renting if moving to a high cost area were important. An especially interesting finding was the importance attached to local family and social networks in inhibiting mobility. These networks not only improve people's quality of life, they often provide essential support networks for people when working and this is especially

important for low income households who cannot afford to purchase services such as childcare.

Our study provided evidence of the well-known tendency for unemployment to be higher in the social rented sector. However, we also found an association between high unemployment and both housing allowance receipt and outright home-ownership. These findings are consistent with the general proposition that if people who are unemployed are protected then there is a reduced incentive to work. (In the case of outright owners the effect is much the same as a housing allowance: loss of earned income does not generate pressure to economise on housing.) However, we stress that no *causality* was established.

The qualitative evidence did suggest that housing allowance administration could produce a disincentive to work, with the fear of losing employment and having to wait to reclaim benefits being the key factor (rather than the operation of the conventional unemployment trap).

We did find evidence of a connection between worklessness and low quality neighbourhoods, and there is a widespread perception of a persistent culture of poverty in these neighbourhoods. In one country (Hungary) this culture pointed to employment in the informal economy; in others to long term worklessness. There was some suggestion of stigmatisation of people living in poverty neighbourhoods, but the role of public transport in connecting people with local labour markets did not seem to be an important factor.

A number of policy implications arise from these findings:

- Promoting geographical labour mobility implies a greater use of market rental housing which appears to be the most flexible tenure.
- Housing has an important part to play in 'flexicurity' strategies, but better income-related assistance (especially housing allowances) for the working poor is required, especially in the context of fostering mobility and movement into relatively low paid and insecure work.
- Greater labour market mobility also implies replacing the support provided by local family and social networks with professional assistance. Employers and governments seeking to encourage mobility may need to place greater attention on these supportive services.
- Different strategies may be applied to encouraging employment in poverty neighbourhoods: while providing supported and/ or subsidised housing throughout the wider stock can help to prevent their creation, individualised support packages for people living in poverty

neighbourhoods may lead to successful reintegration into the labour market and the gradual breakdown of 'cultures of poverty'.

Homelessness and the Welfare Regime

One of the central hypotheses underpinning the study was that the scale and nature of homelessness is linked to the interaction of welfare regimes (social security, tax and labour market arrangements) and housing systems and policies (which are hypothesised to have the potential to ameliorate, or exacerbate, housing exclusion and other outcomes for low income households). While we found that poor data availability severely inhibits comparisons of the scale of homelessness, we were able to draw important conclusions about the differing causes and nature of homelessness between countries, and the robustness of responses to key at-risk groups.

Our new evidence indicated that welfare regimes impact profoundly on the causes and nature of homelessness. This was demonstrated not only by the relative lack of 'structural' homelessness in Sweden and the Netherlands, where mainstream welfare safety nets are exceptionally strong, but also by the very great exposure to homelessness (especially in the economic downturn) of those immigrants who lack access to social security benefits.

However, the relationship between homelessness and labour market change is complex, and seems direct only in those countries (Hungary and Portugal) and amongst those groups (immigrants) which have the least welfare protection. Even in these cases, it is long-term labour market marginality and precariousness, very often associated with reliance on the informal economy, which is generally more important rather than sudden labour market shocks. In those countries, and for those groups, with better welfare protection, it seems that sustained poverty and/or unemployment contribute to homelessness not so much in direct, material ways, but rather in longer-term, more indirect ways via exerting negative social pressures on family units.

Given that social security systems, and especially housing allowances, are what usually 'breaks the link' between losing work/sudden drops in income and homelessness, one would expect that restricting entitlements or increased conditionality would tend to drive up homelessness. But there seems little evidence thus far that recent restrictions in social security entitlements in countries like Germany and the UK have led directly to increases homelessness. Moreover, in the UK at least, there was some support from experts for increased conditionality associated with efforts to reconnect homeless people with the labour market, albeit that both here and in Germany increased sanctions were

considered by experts to be a 'high risk' strategy with respect to the most vulnerable groups such as young people.

Our evidence provided strong support for the proposition that housing market conditions and systems have an effect independent of welfare regimes on the nature and scale homelessness, for both good and ill. This was most obviously demonstrated in Germany where a slackening housing market in many parts of the country has driven down homelessness. Likewise in the UK, statutory homelessness is closely associated with the housing market cycle. 'Structural' homelessness in both of these countries thus seems far more closely linked to housing conditions than to labour market or social security factors. Moreover, across all of the countries studied, access to affordable, mainstream housing for vulnerable groups was a key matter of concern, including in those countries with the strongest welfare protection (Sweden and the Netherlands). This was especially the case in pressurised regions and in contexts where social housing providers were not obliged to prioritise homeless households and others in the most acute need.

Another way in which housing 'matters' is with respect to targeted interventions aimed at tackling homelessness amongst particular high risk groups. Along with Germany, the UK appeared to have the most sophisticated targeted interventions on homelessness, especially with respect to homelessness prevention and youth homelessness. However, all of the countries studied, with their widely varying welfare and housing system contexts, were able to provide examples of effective targeted interventions on homelessness. These targeted interventions seem capable of 'overriding' difficult structural contexts to deliver reasonably good outcomes for homeless people. But it was also clear that some groups were far more effectively responded to than others, with women with children fleeing violence best protected in most countries, and various immigrant groups (especially those which lack recourse to public funds) usually the least well protected.

Even in those countries with the strongest safety nets, there were areas of weakness where lessons could be learned from other countries. Thus in Sweden, there were serious barriers to assistance with respect to homeless people with ongoing alcohol or drug problems, and in the Netherlands much could be learned about protection of women fleeing violence from other western European countries such as the UK, Sweden and Germany. In the UK's case, the safety nets for families with mortgage arrears were clearly much weaker than elsewhere in western Europe, and very weak indeed for immigrants without recourse to support from public funds (as is also the case in the Netherlands). In Portugal and, even more so in Hungary, protection lags well behind the support given to homeless groups in the other countries studied, doubtless in part reflecting the

fact that these Member States are less wealthy than the other countries studied (and it is also possible that the extended family plays a stronger safety net role in these countries than elsewhere). But it was encouraging to see that progress is being made in some areas, particularly with respect to strategic and targeted interventions in Portugal.

The main policy implications are:

- Housing systems/interventions, including housing allowances, are more important in the generation and management of homelessness than labour market/social security change, except in those countries with weak welfare protection and high reliance on the informal economy.
- Targeted homelessness interventions can be highly effective and worthwhile in a wide variety of structural contexts.
- Even countries with the strongest welfare states have gaps in their safety nets for some specific groups at risk of homelessness, indicating significant scope for policy transfer and learning across European Union Member States.
- There is an urgent need to address the issue of roofless and destitute migrants – particularly CEE migrants, refused asylum seekers and undocumented migrants – at national and supra-national (European Union) levels.

Conclusion

This report was predicated on the hypothesis that housing policies can weaken the link between income poverty and poor housing outcomes. This study provides a mass of evidence that supports this contention. While no system removes the link between poverty and housing outcomes, it can be weakened by a variety of policies. Of these the housing allowance has the most clearly demonstrable impact.

While poverty and employment status are closely related, the housing outcomes of the working poor are not systematically better than those of the workless poor. There is much scope for enhancing the role that housing plays in strategies that seek to demonstrate that 'work pays'. We identified a number of features of housing systems that can inhibit employment, but also a number of approaches that can help to break down 'cultures of poverty.' Nonetheless, we also found that housing systems are not very responsive to the needs of people in low paid and precarious employment. If governments wish to demonstrate that 'work pays' and is the best route out of poverty, housing systems and policies need to be better

adapted to meeting their needs. In short, greater attention should be paid to housing in 'active inclusion' strategies.

With respect to the most marginalised – those at risk of homelessness – it was apparent that housing market conditions and housing systems are also critical. Even in the most difficult structural contexts, targeted interventions can protect at-risk groups from homelessness. Priority should be given to improved safety nets for vulnerable migrants and others dependent on the informal economy

Chart 1 The relationship between welfare regimes and housing

