

## **The new housing reality and the provision of social housing :**

A study of the evolving housing needs and housing market failures and the consequence for the provision of social housing

### **Background :**

According to the EC report on Employment and Social Developments in Europe in 2019: "The cost of housing is a major expense for most households and for many it is a burden. On average, households in the EU spend more than one fifth of their disposable income on housing. One in ten Europeans live in a household that spends 40% or more of its income on housing costs. If housing expenses are deducted from the households' disposable income, the population at risk of poverty in 2017 increases from 17% to 32%. Almost one third of the EU population considers housing costs to be a very heavy financial burden on their household."

In parallel As the EIB pointed out in 2018, « there is no recovery yet in infrastructure investment – undermining Europe's long-term potential. Infrastructure investment appears to have stabilised at 1.8% of EU GDP, down from 2.2% in 2009. » The decline is strongest in countries with the lowest infrastructure quality, pointing to a slowdown in the convergence process. Municipalities report a significant infrastructure gap mostly in social housing, urban transport and ICT and see fiscal constraints, rather than access to finance, as the main obstacle ». In the field of social infrastructures the Prodi-Sautter task force has looked the sectors of education, healthcare and housing and estimates that Europe would need an increase of 142 bio € per year to reach the objectives set by the Europe 2020 strategy (57 bio€ for housing).

The provision of social housing is one of the answers to the lack of affordable housing. Although there is different approaches to the provision of social housing, the general view over the last years have been that the provision of social housing for the most vulnerable groups should be the main (if not only) mission of social housing providers and that they should receive state support for this only. A competing view is that the « squeezed middle class » has now become part of the population which legitimately needs social housing too, therefore leading to an expansion of the scope of the provision of social housing. The latest OECD report on the squeezed middle class states in this regard that that in many countries 'public social housing that reach far beyond low-income households also serves as an efficient policy instrument to promote affordability and inclusiveness'.

**The European Union provides a legal framework to the provision of social housing in order to ensure that this does not distort competition in the supply of housing solutions.** The main part of this framework is the Decision on State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest<sup>1</sup> (SGEI Decision). This Decision takes the notion of housing market failure as a criteria to judge whether granting state aid in relation to the provision of social housing is appropriate.

The question that arises is therefore whether the current legal framework in relation to the provision of social housing is still adequate, knowing the recent evolution of the housing markets, affordability dynamics and the results in terms of the notion of market failures. The

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32012D0021>

study is also a follow up to the Action Plan of Affordable Housing Partnership<sup>2</sup> which calls for a revision of the SGEI framework.

### **Aim of the study :**

The study will look at the adequacy between on the one hand the current use by the European Commission (and European Court of Justice) of the legal framework to evaluate the legality of state aid to social housing and on the other hand the evolution of the target groups for the provision of social housing and the implications in terms of the use of the criteria of market failures.

The study will therefore assess whether there is a need to revise the legal framework to make it more appropriate and adapted to the evolved housing realities.

### **Structure of the study:**

**Introduction :** A brief overview on the recent evolutions of housing markets and social housing policies in the EU to illustrate the context of the new housing reality

**Part 2 :** The concept and reality of housing market failures in the EU as approached by the European Commission and the European Court of Justice

**Part 3 :** Analysis of the mismatch between current legal framework and the provision of social housing in the current context : Case studies about housing needs for the « squeezed middle class »

**Conclusion :** Do we need a revised framework ?

### **Proposed steering committee of the study (and co-funders of the study)**

Housing Europe

Eurocities

IUT

AEDES

USH

### **Proposed budget :**

- Desk research:  
Travel to meet representative of the social housing sector and housing ministries in several countries :
- Compilation of the report and preparation of executive summary :
- editing and laying out of the report (max. 40 pages):

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<sup>2</sup> <https://ec.europa.eu/futurium/en/housing/housing-partnership-action-plan>

- organisation of a workshop to present the findings to EU policy makers and EC officials (DG ECFIN and DG COMP) :

**Total :**

**Proposed author of the study**

The study will be commissioned to an independent expert from a university or research centre.

**Timeline**

the final study should be delivered in October 2020 to be presented at the Working Committee meeting of 13th and 14th October