

RESEARCH REPORT



Essential Service Workers and Housing Affordability: International Policy Responses

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Prepared for Canada Mortgage and Housing Corporation

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Executive Summary

Over the past decade, cities and metropolitan areas in many parts of the world have experienced a sharp increase in housing prices and a decline in housing affordability. In some cases, these changes to local housing markets have led to concern that in addition to affecting low-income households, a lack of affordable housing might make it difficult to attract or to retain moderate-income households working in occupations that can be categorized as providing essential services to the community.

The goal of this research was to study mechanisms used by the governments of ten OECD¹ countries to assess the housing situation of essential service workers, as well as the policy responses these governments developed to increase access to affordable housing for essential service workers in high-cost markets.

The research found that essential worker housing affordability has emerged as a policy concern in England, somewhat in the United States, and in some local contexts in the other OECD countries under consideration. It is only in England, however, where national programs were put in place to address the issue. The project thus sought to identify what factors enabled many countries to avoid the issue, despite experiencing large real increases in housing costs.

Defining Essential Worker

A central concern in comparative research is how particular issues and terms are defined and used in different countries. In this project, “essential service workers” is the critical construct.

The research found that the term “essential services worker” is not common in the international housing literature. In an effort to set a normative term as the basis for comparison, this paper uses CMHC’s “common sense” definition:

Essential workers include firefighters, schoolteachers, police, nurses, and other personnel who provide vital municipal, health, and educational services that are indispensable in any community.

The background literature review found reference to the phrase “essential worker housing” only in Australia. Consultation with experts in Europe revealed that the term is rarely used there (even allowing for translation). When it is used, the term is applied to particular circumstances, such as in Austria, where it applies to certain classes of professional immigrant workers. The United Kingdom has adopted the term “key worker,” while in the United States the broader issue of affordability for various middle-income workers – including those delivering essential services – is gaining currency in the concept of “workforce housing.”

¹ Organisation for Economic Cooperation and Development

One of the main findings of this research was that essential worker housing affordability has not emerged as a serious policy concern in many countries.

Methodology

This research was undertaken in two phases:

- Phase 1: identification of potential case study countries; and
- Phase 2: review and documentation of policies and programs introduced in response to the issue of essential worker housing affordability.

In the initial terms of reference, CMHC specified a core group of four countries: The United States, the United Kingdom (subsequently redefined as England), Ireland and Australia. The purpose of the initial phase was to identify six other OECD countries in which the concern about the affordability of housing for essential workers is evident and where policies have been developed to respond to the issue.

To achieve this objective, an informal survey of international housing research experts was conducted. This was augmented by a literature review exploring the discussion of housing and labour market concerns across a wide range of OECD countries.

A key outcome of this search was that there were almost no examples of additional countries where essential worker housing affordability was identified as a policy concern at either the national or sub-national level and accordingly, no examples of policy responses could be found. Only in Italy was there some evidence of sub-national (i.e. regional) response.

Re-framing the Question

Since the Phase 1 activities failed to identify additional countries beyond Italy to add to the original group of four, the researchers re-examined the core research issue “to study mechanisms to measure housing circumstances of essential workers and document policy responses that seek to ensure access [to housing] in high-cost housing markets.” This was an effort to understand why there might be relatively few countries that would be fruitful subjects for the Phase 2 research.

The hypothesis was that, even in the face of significant real increase in housing costs, the issue had not emerged because certain pre-existing features and characteristics of the housing system in some countries effectively responded to and minimized the potential impact of this increase. In other words, the need for specific policies to assist essential workers afford their housing is linked to the broader market and housing systems that already exist in a given country. Some countries with broad-scale social housing systems have already mitigated the potential impact of this problem. In other countries (especially those with a comparatively small social housing sector), the issue does indeed arise in some major metropolitan areas, but has not provoked a broad national policy response.

Thus, the research question was reformulated to include a comparative analysis of two groups of countries. Both groups experienced a significant and prolonged rise in real housing costs, but in

only one group did the issue of essential worker housing arise and prompt some level of policy response (and even here only marginal responses).

- “Group A” includes those initially identified by the CMHC terms of reference, plus Italy, where our consultation suggested some evidence that essential or key worker housing was a recognized concern and where there has been a sub-national policy response;
- “Group B” comprises countries which had experienced significant price rises but for some reason the issue of essential workers securing affordable housing has not emerged as a significant public or policy concern.

The two groups are:

Group A (Mandatory plus Italy)	Group B (essential worker issue not a major public or policy concern)
Australia	Austria
England	Denmark
Ireland	France
Italy	Netherlands
US	Sweden

A country correspondent was identified to help prepare each case study.

Putting the Issue in Context

The context for this research was the unprecedented and prolonged rise in real house prices across a wide range of countries.

Notably for this research, the largest rate of increase was in Ireland, England (both in “Group A”) and the Netherlands (“Group B”). Other countries under examination (as well as Canada) tend to have a relatively smaller – albeit still significant – rate of increase.

A useful tool for examining real price trends is the price-income ratio, a commonly used measure of housing affordability. For almost all the countries shown, this ratio in 2005 was substantially above the long-term average. In the countries with the largest house price increases (Ireland, the Netherlands, Spain and the United Kingdom), as well as in Australia, the ratio exceeded its long-term average by 40% or more. In Denmark, France and the United States, the run-up has been more moderate at the national level, but their price-income ratios were still at historical peaks.

The research team suspected that countries in which the essential worker issue is more evident may be those with smaller social housing sectors or where access to assisted housing is targeted only to those with low incomes. This would preclude most households working in the essential services, where incomes are more mid-range than low. The targeting and scale of assisted housing may correspond somewhat to various conceptualizations and typologies of the welfare regimes. In the current analysis there is a close association of “Group A” countries with higher

rates of home ownership, while those in “Group B” tend to reflect a lower rate of home ownership and – generally – larger rental sectors that create more options for essential workers.

Measuring Housing Need and Affordability

The analysis in each country explored the methods used to measure housing need in general and sought to determine whether or not these measures already incorporate any quantification specific to essential workers (or have been adapted to capture this subset of the population).

Most countries do have some form of ownership affordability index but this is not necessarily a formal measure maintained and published by government. (Most often, it is a published index developed by a major lending institution.) However, in no case do these ownership affordability indices examine affordability of any particular sub-group such as essential workers.

The research team discovered that the only national program to promote housing affordability for essential workers was in England. The “need” that motivated the UK government to introduce substantial subsidies for key workers was not determined by housing/income need or affordability metrics; rather it was *the need of public sector employers to attract and retain qualified staff*.

Identifying Policies and Programs that Respond to Essential Worker Demand

The research indicates there is only one country, England, where national policies have been implemented. (In the US, some are before Congress but are not yet in force.) In addition, there are local policies and programs Australia, The Netherlands, Sweden, Italy and the US. However, these initiatives are generally targeted to a wider group that includes, but is not limited to, essential workers.

The national examples from England are:

- The Starter Homes Initiative (SHI), running from 2001 to 2004; and
- The Key Worker Living (KWL), from 2004 till 2006, which revised and broadened the SHI.

Both programs targeted housing assistance for home ownership and the latter included rental housing for key workers in communities experiencing staffing problems in public services, primarily healthcare, education and policing.

Together, the SHI and KWL cost a total of over £1 billion, which was mainly disbursed in the southeast region centred on London. According to program evaluations, this cost was offset by the savings resulting from better staff retention, as measured by the potential costs incurred by public agencies when they have high staff turnover, i.e. loss in productivity and recruitment and training costs. But these programs, serving in total less than 25,000 households, could be considered as interim measures in a larger quest to address the broader issue of housing affordability for a wide range of middle-income households.

England also has a provision within Section. 106 of the *Town and Country Planning Act* to require developers to include a certain proportion of units at prescribed level of affordability. In 2006, the parameters of Section 106 agreements were revised to add key workers.

The crucial point here is that the UK government (at least with respect to England) is a centralized unitary system. There is little “distance” between local concerns about poorly functioning public services and government accountability for them. Responsibility and accountability for a large number of policies and programs lie with the UK government, increasing the likelihood it will justify the cost of expenditures to make housing more affordable as, for example, providing crossover benefits in the form of improvements in the delivery of health services, public safety and education.

Localized, Sub-national Examples

United States

Advocates for increased amounts of affordable housing sought to frame the issue more broadly – introducing the phrase “workforce housing” as a way to secure broader support. Their target populations have not been confined to public sector essential workers (the narrower focus of this research) but have included all employees usually in a range spanning from low-income up to the area median income (AMI), who work at jobs essential either economically or socially to community viability.

The US has a broad array of localized initiatives. These include developing “transitional” rental housing for new teachers in the Santa Clara area where ownership costs are prohibitive on starter salaries; a public-private pilot project to construct affordable housing targeted for essential worker housing in Florida; and a wide variety of employer-assisted housing (EAH) grants or forgivable loan programs toward the up-front costs of purchasing a home.

Some companies use demand-side mechanisms, which provide assistance directly to households and thereby make more of the existing stock affordable to employees. The preference for demand-side mechanisms results from both the cost and complexity of supply-side initiatives, i.e. developing new housing, an activity that is not the core focus of most employers. These demand-side mechanisms are not targeted to essential workers but, in principle, they could be.

While not originated or designed exclusively for essential workers, another policy instrument that enables workforce housing in the US is inclusionary zoning (IZ). These initiatives often provide housing for households in essential worker occupations. Indeed, the economic importance of providing housing to essential workers (nurses, firefighters police teachers etc) is often used as an argument to support inclusionary policies.

Netherlands

Since 2001, Amsterdam has offered priority placement in social housing for up to 250 key workers annually, targeted according to need among police, healthcare workers and teachers. From 2000 to 2006, it offered loan assistance to purchase newly built housing. The uptake from

essential workers – at 20% of the total – was below the City’s target of 50%. In 2007, the City changed its focus to first-time buyers living in social housing.

The evaluation of the Amsterdam loan scheme concluded that the low uptake from essential workers was likely the result of the relatively undesirable location of the new houses available under the program criteria. This is perhaps not surprising since the program was linked to ongoing urban revitalization efforts as well as an initiative to attract certain workers to underserved areas that had formerly been in decline.

Other smaller initiatives, similarly premised on allocating apartments from the municipal housing stock specifically to essential worker public sector employees have also been implemented in the Hague, Utrecht, Rotterdam and the region southeast of Amsterdam. These smaller initiatives typically target young or single essential workers, sometimes involving shared accommodation.

Sweden

To the degree that housing is identified as a public policy issue nationally, the focus has been on the low end of the income spectrum, which does not include most essential workers. The larger municipalities do recognize the “housing problem” as a labour mobility issue with implications for community economic well-being. On a practical household level, a common “solution” has been longer commutes, which have been facilitated by significant investment in both public transport and roads.

One approach used in Sweden is that of special waiting lists in public housing for employed persons seeking housing. This more resembles US-style workforce housing in its broader targeting, but municipal housing companies can also give priority placement, if they choose, to government employees.

Australia

Australia has a number of broad policy initiatives to improve access to ownership for first-time buyers and these inevitably assist some people employed in essential services, although they are not explicitly targeted.

Separate from these broad program initiatives (with only marginal relevance to the essential worker concern), there have been some, albeit very few, local initiatives. Two small housing projects have been established in Sydney, which are explicitly providing essential worker housing. At the time of writing no evaluations of these projects have been undertaken and there are no plans for expansion of the projects.

Italy

The one initiative that explicitly targets essential workers comes from northern Italy’s history of ethical “third sector” banking foundations. An investment mechanism used in commercial real estate development has been used in social housing production. The first projects will come on the market in 2011. Key workers are explicitly mentioned as a *possible* target group by one of the organizations involved, the *Fondazione Housing Sociale (FHS)*

What Housing System Features Contribute to Management of the Essential Worker Issue?

Is Essential Worker Housing Affordability Identified as an Issue?

Overall, general popular concern (as reflected in media articles) was found in the US, England, Australia and, to a minor degree, in Ireland and Denmark. No related evidence was found in the other five countries, except at a sub-national level in regions of Italy.

The limited existing research literature discusses the issue but does not provide empirical evidence of the essential/key worker problem. Much of the discussion is speculative and intuitive, asserting that high housing costs (or more correctly the costs of entering the local housing market) are *likely to be associated* with labour market effects, including difficulties attracting labour to fill positions in essential services.

The countries where an essential or key worker issue is more prominent (in both the general media and in the research literature) are, as postulated, those that tend to have the smallest social housing sectors (and, perhaps correspondingly, the largest home ownership sectors). The only country where the social housing stock is not relatively small but the essential/key worker issue has become a central feature of national housing policy is England. Here, however, the social stock, representing 18% of all housing (hence mid-range in proportion across our 10 countries) has evolved to become quite strictly targeted to lower income households. In addition, the private rental stock in England is quite limited, and usually relatively expensive, thereby constraining choice for low- to moderate-income key workers.

As a national policy concern, the essential/key worker issue has been notably absent in the other five countries, prompting the corollary research questions: Why, despite significant price rises, has the issue of essential worker affordability in the other countries (Denmark, France, Netherlands, Sweden) emerged neither as an area of broad public concern nor as a serious policy concern? What features of the housing systems have enabled each of these countries to absorb or manage this issue?

Approaches to managing the issue

Phase 2 of the research sought to find out what features of the housing systems of countries that experienced large real increases in the cost of home ownership enabled those countries to avoid or manage the emergence of essential worker housing as a major policy issue. A number of factors were identified.

- Characteristics of the welfare state
- Nature of the housing system and tenure pattern
- Relative size and eligibility of social housing
- Labour market policies and influence of affordability
- Tax expenditures in wider programs that promote housing affordability
- Urban spatial patterns, density and transportation (access to more affordable locations)

Kemeny (1981, 2005) identified a pattern in which countries with high levels of home ownership tend to be those with less extensive welfare states – or more particularly those with more

“classically” liberal social welfare regimes (absence of universal social programs, limited eligibility and targeting, commodified market).

The Gini coefficient measures the disparity in income and wellbeing across society. The four “original” subject countries of this study plus Italy – which was added due to suggestion of sub-regional essential worker issues – all rank high on the Gini coefficient (implying greater polarization), while the remaining countries constitute a lower grouping, with Canada demarcating a mid point in this sample (see the table below).

Gini coefficient (after taxes and transfers)	
Working age population: 18 – 65:	
United States	37
Italy	35
United Kingdom	34
Ireland	32
Australia	32
Canada	32
France	28
Netherlands	27
Austria	27
Denmark	23
Sweden	23

Source: OECD 2010; data for mid 2000's

With regard to tenure patterns, the position of home ownership as a cultural value and norm in many countries is a contributing factor. When the cost of home ownership threatens this value/norm, it generates public and policy concern. In “home owner” countries there is a policy and spending bias favouring the ownership sector (e.g. tax treatment of capital gains, non-taxation of imputed rent and mortgage interest deductibility).

A key characteristic of liberal welfare regimes is a residual approach to social welfare and quite small social housing sectors, which over time have evolved from a source of general supply (as in the case of council housing in the UK) to much more targeting to the most needy. This study found that countries with both larger and more open social housing sectors (in the sense of having less restrictive eligibility and targeting criteria) and with lower-than-average rates of home ownership tended to be those in which the issue of essential or key workers had not been identified as a significant concern in either the general media or in research and policy literature.

Several country experts (Australia, US, Sweden, Netherlands, Denmark and – to some extent – Italy) also identified a relationship between housing costs and commuting distances, suggesting that households are accepting increases in the latter to control rises in the former. In a number of countries this is facilitated by the presence of and substantial investment in public transit (particularly in Europe, but also evident in Australia) or in extensive highway systems (US).

Since housing affordability issues arise at the confluence of both housing cost/price and income levels, wage and labour market policies can have an important bearing on this issue – to a degree reflected in the nature of state welfare systems. Countries with more social-democratic welfare systems tend to have stronger labour and wage policies (e.g. France, Sweden, Denmark), although here Australia is somewhat of an anomaly – a liberal welfare state but with a historically strong labour movement and relatively higher wages, helping to improve housing affordability.

Overall, there does not appear to be a single determining influence or factor to explain variations in the degree to which the essential-worker issue has emerged. Rather, it is the combination of these broader influences as well as country specific factors, such as the policies that govern eligibility for assisted housing and the characteristics of the housing system.

Successes and Impediments

A reader interested in the subject of this research would quite naturally be interested in whether there are any measures that have proved to be successful across various countries in improving affordability for essential workers, and whether there are impediments to the success of such measures.

Unfortunately, it is quite difficult to state with certainty any simple answers to these questions. One reason for this is that many of the sub-national initiatives are so recent that they have not yet been evaluated by the organizations carrying them out. This means there are few programs remaining to compare with each other.

A more important reason for the inability to answer these questions is that the meaning of the term “success” is not clear. For example, the UK government’s analysis of the Starter Homes Initiative and Key Worker Living programs concluded that the costs were offset by savings in reduced recruitment and training costs, higher productivity through retaining experienced staff rather than coping with high staff turnover, prolonged vacancies, and reliance on temporary staff. However, the evaluations noted that some key worker employers were also improving their human resource policies to reduce turnover.

A variation of this dynamic (i.e. how to define “success”) appears in several places where the essential worker initiative is a component of a wider government program and the perception of the success or failure of the latter influences opinion of the former. For example, some local program in US and Dutch cities to promote housing for essential workers are seen in the wider context of urban revitalization.

Another complicating factor is that in many jurisdictions, first-time buyer assistance programs are a popular way of improving affordability, but are not usually targeted to essential workers. It is quite likely that some essential workers benefit from these programs. However, in most cases there is no information on what percentage of program beneficiaries are essential service workers.

Not-for-profit housing agencies controlled or aligned with municipalities in the Netherlands and Sweden have been successful in reserving certain units for workers in categories that those municipalities have deemed important. Therefore, within their own terms, these policies are seen as successful. However, it is difficult to see how such policies could be exported to countries where the social sector is very small and usually more targeted (precluding essential worker income levels).

A related issue is the one of sustainability and equality of housing-assistance programs. Are all the ownership-assistance models geared towards benefitting the initial occupant of the housing, with that occupant essentially being given a grant not only of the upfront government assistance but also 100% of any appreciation in the value of the property? Or is it seen as either practical or desirable to create a system that recaptures some of the value appreciation and re-uses it (through a re-sale formula, a trust fund or similar mechanism) to promote future affordability? This is typically a feature of most assisted homeownership programs in Canada and the US. In England, a “clawback” provision was only introduced in the Key Worker Living program following a recommendation from the evaluation of the earlier Starter Home Initiative program, which lacked this feature.

Many of the US models for stimulating the production of new housing for specific sections of the work force, such as employer-assisted housing rely on the issuance of tax-exempt bonds or on uses of the tax code to create tax credits. The US is unique in the extent to which it uses the tax code to encourage private-sector participation in the housing market, so it is unclear how many of the American initiatives are replicable elsewhere.

Lending regulations might become more standardized in the future in response to the recent failures of the international banking system, and fiscal or other levers available to individual countries might be reduced through either ongoing pressures to reduce deficits or – in the case of Europe – the European Commission’s rules about “fair competition” and the European Monetary Union’s efforts to homogenize fiscal and monetary policy. In that case, more opportunities may arise for jurisdictions to copy initiatives developed by others. In the mean time, it appears likely that each country will continue to promote housing affordability (sometimes, but not always, with a specific effort to ensure affordability for essential workers) in its own way.

Les travailleurs des services essentiels et l'abordabilité du logement : interventions stratégiques internationales

Résumé

Au cours de la dernière décennie, les villes et les métropoles de nombreuses parties du monde ont connu une forte hausse des prix des habitations et une baisse de l'abordabilité du logement. Dans certains cas, cette évolution des marchés locaux du logement a fait craindre qu'en plus de nuire aux ménages à faible revenu, le manque de logements abordables rende difficile d'attirer ou de maintenir en poste des membres de ménages à revenu modeste travaillant dans des métiers qui peuvent être classés parmi ceux qui fournissent des services essentiels à la collectivité.

Le but de la recherche était d'étudier les mécanismes utilisés par les gouvernements de dix pays de l'Organisation de coopération et de développement économiques (OCDE) pour évaluer la situation de logement des travailleurs des services essentiels de même que les interventions faites par ces gouvernements pour améliorer l'accès de ces travailleurs à des logements abordables dans les marchés où les prix sont élevés.

La recherche révèle que l'abordabilité des logements pour les travailleurs essentiels est un sujet de préoccupation en Angleterre et, dans une certaine mesure, aux États-Unis, ainsi que dans certains contextes locaux dans les autres pays de l'OCDE à l'étude. Toutefois, ce n'est qu'en Angleterre que des programmes nationaux ont été mis en place pour régler les problèmes liés à l'abordabilité. Les chercheurs ont donc tenté de découvrir les facteurs ayant permis à de nombreux pays d'éviter ces problèmes, malgré les importantes hausses réelles des coûts du logement observées.

Définition de travailleur essentiel

La recherche comparative doit de toute évidence se préoccuper de savoir comment les problèmes et termes sont définis et utilisés dans divers pays. Aux fins de la présente étude, le concept fondamental est celui de « travailleur des services essentiels ».

La recherche a révélé que le terme « travailleur des services essentiels » n'est pas fréquent dans les études internationales sur le logement. Dans le but de fixer un terme normatif comme point de départ de la comparaison, nous utilisons la définition « naturelle » de la SCHL, c'est-à-dire :

Les travailleurs des services essentiels comprennent les pompiers, les enseignants, les policiers, les infirmiers et les autres personnes qui fournissent les services municipaux et éducatifs et les services de santé indispensables dans toute collectivité.

L'examen des études antérieures a permis de découvrir l'expression « essential worker housing » (« logement pour les travailleurs essentiels ») uniquement en Australie. Selon les spécialistes consultés en Europe, le terme y est rarement utilisé (même en d'autres langues). Lorsqu'il l'est, il s'applique à des circonstances particulières, notamment en Autriche où il s'emploie pour certaines catégories de professionnels immigrants. Le Royaume-Uni a adopté le terme « key worker » (« travailleur clé »), tandis qu'aux États-Unis l'ensemble de la question de l'abordabilité pour divers travailleurs à revenu moyen – y compris ceux qui assurent des services essentiels – commence à être connue sous le nom de « workforce housing » (« logements des travailleurs »).

Une des principales conclusions de la présente recherche est que l'abordabilité des logements pour les travailleurs essentiels n'est pas une préoccupation importante des décideurs dans de nombreux pays.

Méthode

La recherche comportait deux phases :

- Phase 1 : déterminer les pays pouvant servir pour les études de cas;
- Phase 2 : étudier et documenter les politiques et les programmes mis en place en réaction au problème de l'abordabilité des logements pour les travailleurs essentiels.

Dans le premier cadre de référence, la SCHL mentionnait un noyau de quatre pays : les États-Unis, le Royaume-Uni (par la suite redéfini comme l'Angleterre), l'Irlande et l'Australie. Le but de la première phase était de trouver six autres pays de l'OCDE où l'on constate une préoccupation relative à l'abordabilité du logement pour les travailleurs essentiels et où des politiques ont été élaborées à cet égard.

À cette fin, nous avons entrepris un sondage informel auprès de spécialistes internationaux de la recherche sur le logement, plus une revue des études portant sur des sujets touchant le logement et le marché du travail dans un large éventail de pays de l'OCDE.

Un des principaux résultats de ces recherches est qu'il n'y a presque aucun exemple d'autres pays où l'abordabilité du logement pour les travailleurs essentiels constitue un enjeu explicite au palier national ou infranational et, par conséquent, il a été impossible de trouver des exemples d'intervention. Seule l'Italie offrait certaines indications d'interventions infranationales (c'est-à-dire régionales).

Reformuler la question

Puisque les activités de la phase 1 n'ont pas permis de découvrir d'autres pays que l'Italie à ajouter aux quatre pays de départ, les chercheurs ont reformulé comme suit le sujet fondamental de la recherche : étudier les mécanismes pour évaluer la situation de logement des travailleurs

des services essentiels et documenter les interventions qui visent à assurer l'accès au logement dans les marchés où les prix sont élevés. Il s'agissait de tenter de comprendre pourquoi un nombre relativement restreint de pays pourraient utilement faire l'objet de la recherche de la phase 2.

L'hypothèse était que même une augmentation réelle importante des coûts de logement n'était pas devenue un enjeu parce que certains éléments et caractéristiques préexistants du système de logement de certains pays assuraient une réaction efficace et réduisaient les répercussions éventuelles de cette hausse. En d'autres termes, la nécessité de politiques particulières pour aider les travailleurs essentiels à se loger dans les limites de leurs moyens est liée au système global de marché et de logement déjà en place dans un pays donné. Certains pays qui ont des régimes de logement social de grande envergure ont déjà atténué l'effet éventuel de ce problème. Dans d'autres pays (surtout ceux qui possèdent un secteur de logement social comparativement restreint), le problème apparaît effectivement dans certains grands centres métropolitains, mais n'a pas suscité de large intervention nationale.

Ainsi, la question de recherche a été reformulée pour inclure une analyse comparative de deux groupes de pays. Les deux groupes ont connu une croissance importante et prolongée des coûts réels du logement, mais c'est uniquement dans un des groupes que la question du logement des travailleurs essentiels s'est posée et a suscité une incertaine intervention (et même dans ce cas, seulement des interventions minimales).

- Le groupe A comprend les pays mentionnés au départ dans le cadre de référence de la SCHL, plus l'Italie, où notre consultation a donné certaines indications que le logement des travailleurs essentiels ou des travailleurs clés constituait une préoccupation reconnue et où il y a eu une intervention infranationale;
- Le groupe B comprend les pays qui ont connu une hausse importante des prix, mais où, pour une raison quelconque, la question de l'abordabilité des logements pour les travailleurs essentiels n'est pas devenue un enjeu public important.

Les deux groupes sont les suivants :

Groupe A (pays obligatoires, plus l'Italie)	Groupe B (pays où le problème des travailleurs essentiels n'est pas un enjeu important)
Australie	Autriche
Angleterre	Danemark
Irlande	France
Italie	Pays-Bas
États-Unis	Suède

Un correspondant a été choisi dans chaque pays pour aider à préparer l'étude de cas.

Replacer le problème dans son contexte

La recherche s'inscrivait dans un contexte de hausse sans précédent et prolongée des prix réels des habitations dans un large éventail de pays.

Les plus forts taux d'augmentation ont été enregistrés en Irlande et en Angleterre (les deux faisant partie du groupe A) ainsi qu'aux Pays-Bas (groupe B). Les autres pays à l'étude (de même que le Canada) ont en général un taux d'augmentation relativement moins élevé, mais néanmoins important.

Le rapport prix-revenu, mesure fréquemment utilisée de l'abordabilité des logements, constitue un outil précieux pour l'étude des tendances des prix réels. En 2005, pour presque tous les pays étudiés, ce rapport était de beaucoup supérieur à la moyenne à long terme. Dans les pays qui affichent les plus fortes hausses des prix des habitations (l'Irlande, les Pays-Bas, l'Espagne et le Royaume-Uni) ainsi qu'en Australie, le rapport dépassait la moyenne à long terme de 40 % ou plus. Au Danemark, en France et aux États-Unis, la montée des prix a été plus modérée à l'échelle nationale, mais les rapports prix-revenu atteignaient quand même des sommets sans précédent.

L'équipe de recherche pensait que les pays où le problème des travailleurs essentiels constitue un enjeu marqué pourraient bien être ceux qui présentent des parcs de logements sociaux restreints ou ceux qui réservent l'accès au logement assisté aux personnes à faible revenu. Ceci fermerait la porte à la plupart des travailleurs dans les services essentiels, où les revenus sont plutôt moyens que faibles. Le ciblage et l'échelle de l'aide au logement pourraient correspondre dans une certaine mesure à diverses conceptualisations et typologies des régimes d'aide sociale. La présente étude révèle une étroite association entre les pays du groupe A et des taux élevés de propriétaires-occupants, tandis que ceux du groupe B tendent à afficher un taux plus faible de propriétaires-occupants et – en général – des secteurs locatifs plus importants, qui offrent un choix accru aux travailleurs essentiels.

Mesurer les besoins en matière de logement et l'abordabilité

Dans chaque pays, nous avons analysé les méthodes utilisées pour mesurer les besoins en matière de logement en général et tenté de déterminer si ces mesures comportent déjà une quantification particulière aux travailleurs essentiels (ou ont été adaptées pour saisir ce sous-ensemble de la population.)

La plupart des pays ont une forme quelconque d'indice d'abordabilité de la propriété, mais il ne s'agit pas nécessairement d'une mesure formelle tenue et publiée par l'État. (La plupart du temps, il s'agit d'un indice élaboré et publié par un grand prêteur.) Cependant, aucun de ces indices d'abordabilité de la propriété ne distingue de sous-groupe, tel les travailleurs essentiels.

L'équipe de recherche a découvert que le seul programme favorisant l'abordabilité du logement pour les travailleurs essentiels se trouvait en Angleterre. Le « besoin » qui a motivé le gouvernement du Royaume-Uni à offrir des subventions importantes aux travailleurs clés n'était

pas lié à la mesure de l'abordabilité ou du rapport entre les besoins et le revenu, mais bien à *la nécessité d'attirer et de maintenir en poste dans le secteur public des employés compétents.*

Repérer les politiques et les programmes qui répondent à la demande des travailleurs essentiels

La recherche ne révèle qu'un seul pays où des politiques nationales ont été mises en œuvre, l'Angleterre. (Aux États-Unis, le Congrès est saisi de certaines mesures, mais celles-ci ne sont pas encore en vigueur.) En outre, il existe des politiques et des programmes au palier local en Australie, aux Pays-Bas, en Suède et aux États-Unis. Cependant, ces initiatives visent d'ordinaire un groupe plus vaste qui comprend, notamment mais non exclusivement, les travailleurs essentiels.

Les exemples nationaux en Angleterre sont les suivants :

- l'initiative à l'intention des accédants, la Starter Homes Initiative (SHI), qui a été en vigueur de 2001 à 2004;
- le programme des conditions de vie des travailleurs clés, le Key Worker Living (KWL), qui a existé de 2004 à 2006 et était une refonte élargie du SHI.

Les deux programmes offraient une aide aux propriétaires-occupants, tandis que le second comprenait aussi des logements locatifs pour les travailleurs clés dans les collectivités éprouvant des difficultés à doter des postes dans les services publics, surtout les soins de santé, l'éducation et les services policiers.

Ensemble, le SHI et le KWL ont coûté un total de plus d'un milliard de livres, principalement dans la région sud-est, centrée sur Londres. Selon les évaluations de programme, ces coûts ont été compensés par les économies découlant d'un meilleur maintien en poste des effectifs, mesurées par les coûts que peuvent effectuer les organismes publics qui ont un fort roulement de personnel, qui se traduit par des pertes de productivité et des frais de recrutement et de formation. Mais ces programmes, qui visaient au total moins de 25 000 ménages, pourraient être considérés comme des mesures provisoires dans le cadre global de la recherche de l'abordabilité des logements pour un large éventail de ménages à revenu moyen.

En Angleterre, une disposition de l'article 106 d'une loi sur la planification urbaine et rurale (la « *Town and Country Planning Act* ») exige que les promoteurs incluent une certaine proportion de logements à un niveau prescrit d'abordabilité. En 2006, une modification des paramètres des contrats en vertu de l'article 106 y ajoutait les travailleurs clés.

Le facteur essentiel ici est que le gouvernement du Royaume-Uni (au moins en ce qui touche l'Angleterre) est un régime unitaire centralisé. Il n'y a guère de « distance » entre les préoccupations locales concernant le mauvais fonctionnement des services publics et la responsabilité du gouvernement à cet égard. C'est le gouvernement du Royaume-Uni qui est responsable et imputable pour un grand nombre de politiques et de programmes, ce qui accroît la probabilité qu'il justifie les sommes engagées pour rendre le logement plus abordable en faisant état de retombées, par exemple sous forme d'amélioration dans l'offre des services de santé, de sécurité publique et d'éducation.

Exemples localisés, infranationaux

États-Unis

Ceux qui préconisent d'augmenter les sommes consacrées au logement abordable ont voulu formuler la question d'une manière plus large et ont lancé l'expression « logements des travailleurs » (*workforce housing*) en vue d'accroître leurs appuis. Leur population cible ne se restreint pas aux travailleurs essentiels du secteur public (le sujet de la présente recherche, plus étroit) mais comprend tous les employés, d'ordinaire dans une gamme allant du faible revenu jusqu'au revenu médian de la région, qui travaillent dans des emplois essentiels à la viabilité économique ou sociale de la collectivité.

Les États-Unis comptent un large éventail d'initiatives localisées. Mentionnons : l'aménagement de logements locatifs « de transition » pour les nouveaux enseignants dans la région de Santa Clara, où les coûts d'accession à la propriété sont hors de la portée des salaires de débutants; un projet pilote public-privé pour la construction de logements abordables à l'intention des travailleurs essentiels en Floride; et une grande variété de programmes de subventions ou de prêts susceptibles de remise de la part des employeurs pour aider à défrayer le coût initial de l'achat d'un logement.

Certaines entreprises utilisent des mécanismes portant sur la demande, qui aident directement les ménages et rendent ainsi une plus grande partie du parc de logements accessible aux employés. La préférence pour les mécanismes de demande découle tant du coût que de la complexité des initiatives portant sur l'offre, c'est-à-dire l'aménagement de nouveaux logements, activité qui n'est pas au centre des préoccupations de la plupart des employeurs. Ces mécanismes axés sur la demande ne sont pas ciblés sur les travailleurs essentiels, mais en principe, ils pourraient l'être.

Bien qu'il n'ait pas été implanté ou conçu exclusivement pour les travailleurs essentiels, le zonage d'inclusion est un autre instrument d'intervention qui favorise le logement des travailleurs aux États-Unis. Ces initiatives fournissent souvent des logements pour des ménages comptant des travailleurs essentiels. En fait, l'importance économique de la fourniture de logements aux travailleurs essentiels (infirmiers, pompiers, policiers, enseignants, etc.) sert souvent d'argument à l'appui des politiques d'inclusion.

Pays-Bas

Depuis 2001, Amsterdam offre chaque année un placement prioritaire dans les logements sociaux à un maximum de 250 travailleurs clés, ciblés en fonction des besoins parmi les policiers, les travailleurs de la santé et les enseignants. Entre 2000 et 2006, la Ville offrait des prêts pour aider à l'achat de logements nouvellement construits. L'utilisation par les travailleurs essentiels – soit 20 % du total – était inférieure à la cible de 50 % établie par la Ville. En 2007, cette dernière a modifié l'orientation du programme pour se concentrer sur les accédants à la propriété habitant des logements sociaux.

L'évaluation du régime de prêts d'Amsterdam a conclu que la faible utilisation par les travailleurs essentiels découlait vraisemblablement de l'emplacement relativement peu intéressant des nouvelles maisons disponibles en vertu des critères du programme. Ceci n'est

peut-être pas étonnant, puisque le programme était lié à des efforts permanents de revitalisation urbaine de même qu'à une initiative visant à attirer certains travailleurs dans des secteurs mal desservis, précédemment en déclin.

D'autres initiatives de moindre importance, visant aussi à attribuer des appartements du parc municipal de logements expressément aux travailleurs essentiels du secteur public, ont aussi été mises en œuvre à La Haye, Utrecht, Rotterdam et dans la région au sud-est d'Amsterdam. Ces petites initiatives sont d'ordinaire destinées aux travailleurs essentiels jeunes ou célibataires et comportent parfois la cohabitation.

Suède

Dans la mesure où le logement est un enjeu de la politique publique à l'échelle nationale, on a mis l'accent sur la portion inférieure de l'échelle des revenus, qui ne comprend pas la plupart des travailleurs essentiels. Les grandes municipalités reconnaissent que la « crise du logement » nuit à la mobilité de la main-d'œuvre, ce qui se répercute sur le bien-être économique de la collectivité. Sur le plan pratique, les ménages ont souvent choisi d'habiter plus loin de leur travail, ce qui a été facilité par un investissement important à la fois dans les transports en commun et dans le réseau routier.

Une démarche utilisée par la Suède est celle des listes d'attente spéciales pour les logements publics à l'intention des personnes qui ont un emploi et qui sont à la recherche d'un logement. Le ciblage large fait penser au logement des travailleurs à l'américaine, mais les sociétés municipales d'habitation peuvent aussi accorder, si elles le souhaitent, un placement prioritaire aux fonctionnaires.

Australie

L'Australie a recours à plusieurs interventions larges pour améliorer l'accession à la propriété, et ces mesures aident inévitablement certains employés des services essentiels, bien qu'elles ne soient pas explicitement ciblées.

On note aussi quelques rares initiatives locales, distinctes de ces grandes interventions (mais guère pertinentes pour la question des travailleurs essentiels). Deux petits ensembles d'habitation ont été aménagés à Sydney expressément pour loger les travailleurs essentiels. Au moment de la rédaction, aucune évaluation n'en a été entreprise et on ne prévoit aucune expansion des ensembles.

Italie

La seule initiative directement axée sur les travailleurs essentiels découle de l'histoire des fondations bancaires éthiques du « tiers secteur » dans le Nord de l'Italie. Un mécanisme d'investissement utilisé pour l'aménagement d'immeubles commerciaux a été employé pour la production de logements sociaux. Les premiers ensembles viendront sur le marché en 2011. Les travailleurs clés sont explicitement mentionnés comme groupe cible *possible* par un des organismes en cause, la Fondation du logement social (la *Fondazione Housing Sociale*).

Quelles caractéristiques du système de logement contribuent à la gestion du problème des travailleurs essentiels?

L'abordabilité des logements pour les travailleurs essentiels est-elle reconnue comme un enjeu?

Dans l'ensemble, on constate une préoccupation populaire générale (d'après les articles des médias) aux États-Unis, en Angleterre, en Australie et, dans une moindre mesure, en Irlande et au Danemark. On n'a trouvé aucune indication semblable dans les cinq autres pays, à l'exception du palier infranational dans certaines régions de l'Italie.

Les rares études publiées traitent de la question, mais ne fournissent aucune preuve empirique du problème des travailleurs essentiels ou clés. La plupart des études ont un caractère spéculatif et intuitif, affirmant que le coût élevé des logements (ou plus exactement le coût élevé de l'entrée dans le marché local du logement) est *vraisemblablement associé* à des effets sur le marché du travail, y compris à des difficultés à attirer des employés pour occuper des postes dans les services essentiels.

Les pays où le problème des travailleurs essentiels ou travailleurs clés occupe le plus l'attention (tant dans les médias grand public que dans les recherches publiées) sont, comme nous le supposions, ceux où le secteur du logement social tend à être le plus restreint (et, peut-être par voie de conséquence, où le secteur de la propriété est le plus important). Le seul pays où le parc de logement social n'est pas relativement petit mais où la question des travailleurs essentiels ou clés est devenu un élément central de la politique nationale en matière de logement est l'Angleterre. Ici, cependant, le parc de logement social, qui représente 18 % de tous les logements (proportion qui se situe au milieu de l'éventail de nos 10 pays) est devenu avec le temps ciblé assez rigoureusement sur les ménages à faible revenu. De plus, le parc de logements locatifs privés en Angleterre est assez restreint, et d'ordinaire relativement cher, ce qui limite les choix des travailleurs essentiels ayant un revenu faible ou modeste.

La question des travailleurs essentiels est remarquablement absente comme objet d'intervention nationale dans les cinq autres pays, ce qui pousse à poser les questions de recherche corollaires suivantes : pourquoi, en dépit d'importantes hausses des prix, est-ce que la question de l'abordabilité du logement pour les travailleurs essentiels n'est devenue ni une préoccupation publique ni un objet d'intervention dans les autres pays (Danemark, France, Pays-Bas, Suède)? Quelles caractéristiques de leurs systèmes de logement ont permis à chacun de ces pays d'absorber ou de gérer le problème?

Approches de la gestion du problème

La phase 2 de la recherche cherchait à découvrir quelles caractéristiques des systèmes de logement des pays qui ont subi de fortes hausses du coût réel de la propriété leur ont permis d'éviter ou de gérer l'apparition de la question du logement des travailleurs essentiels comme un enjeu majeur. Plusieurs facteurs ont été dégagés, soit :

- Les caractéristiques de l'État providence
- La nature du système de logement et les modes d'occupation
- La taille relative du parc de logements sociaux et l'admissibilité

- Les politiques relatives au marché du travail et l'influence de l'abordabilité
- Les dépenses fiscales et les programmes généraux favorisant l'abordabilité des logements
- La disposition spatiale des villes, la densité et les transports (accès à des emplacements abordables)

Kemeny (1981, 2005) distingue un schéma selon lequel les pays qui ont un niveau élevé de propriétaires-occupants ont tendance à être ceux où l'État providence est le moins important – ou, plus précisément, ceux dont le régime d'aide sociale est le plus « classiquement » libéral (absence de programmes sociaux universels, admissibilité restreinte et ciblage, marchandisation du marché).

Le coefficient de Gini mesure les écarts de revenu et de bien-être dans la société. Les quatre pays de départ de l'étude, plus l'Italie – qui a été ajoutée à cause des indications de problèmes infrarégionaux concernant les travailleurs essentiels – ont tous un coefficient de Gini élevé (ce qui sous-entend une plus grande polarisation), tandis que les autres pays ont un coefficient moins élevé, le Canada se situant au milieu de cet échantillon (voir le tableau ci-dessous).

Coefficient de Gini (après impôts et transferts)	
Population en âge de travailler : 18 – 65 ans	
États-Unis	37
Italie	35
Royaume-Uni	34
Irlande	32
Australie	32
Canada	32
France	28
Pays-Bas	27
Autriche	27
Danemark	23
Suède	23

Source : OCDE 2010; données pour le milieu des années 2000

En ce qui concerne le mode d'occupation, la propriété comme valeur culturelle et norme dans de nombreux pays est un facteur contributif. Lorsque le coût de l'accession à la propriété menace cette valeur ou norme, cela préoccupe le public et les décideurs. Dans les pays « de propriétaires », les politiques et les dépenses sont favorables au secteur de la propriété (p. ex. le traitement fiscal des gains en capital, la non-imposition du loyer imputé et la déductibilité des intérêts hypothécaires).

Une caractéristique essentielle des régimes libéraux d'aide sociale est une approche résiduelle à l'aide sociale et des secteurs assez restreints de logement social, qui étaient au départ une source d'offre générale (comme les logements sociaux au Royaume-Uni) et qui ont été beaucoup plus ciblés avec le temps sur les plus nécessiteux. Notre étude a constaté que dans les pays où le secteur de logement social est le plus considérable et le plus ouvert (c'est-à-dire là où les critères

d'admissibilité et le ciblage sont moins restrictifs) et où le taux de propriétaires-occupants est inférieur à la moyenne sont ceux où la question des travailleurs essentiels ou travailleurs clés n'est pas devenue un enjeu important ni dans les médias grand public ni dans les travaux de recherche et les études politiques.

Les spécialistes de plusieurs pays (l'Australie, les États-Unis, la Suède, les Pays-Bas, le Danemark et – dans une certaine mesure – l'Italie) ont aussi découvert une relation entre les coûts de logement et les distances de navettage, ce qui donne à penser que les ménages acceptent d'accroître les secondes pour réduire les hausses des premiers. Dans beaucoup de pays, ce phénomène est facilité par un investissement substantiel dans les transports en commun (surtout en Europe, mais aussi en Australie) ou dans un vaste réseau routier (États-Unis).

Puisque les problèmes d'abordabilité du logement se produisent au point de rencontre entre les prix des logements et les niveaux de revenu, les politiques concernant les salaires et le marché du travail peuvent avoir des conséquences importantes sur cette question – dans un degré qui est associé à la nature des systèmes d'aide sociale. Les pays où les systèmes d'aide sociale ont plutôt un caractère social-démocrate tendent à avoir des politiques plus fortes en matière de main-d'œuvre et de rémunération (p. ex. la France, la Suède, le Danemark), bien que l'Australie soit quelque peu atypique à cet égard – un État providence libéral, mais avec un mouvement syndical historiquement fort et des salaires relativement élevés, ce qui aide à améliorer l'abordabilité des logements.

Globalement, on ne semble pas pouvoir expliquer les variations de l'intérêt entourant la question des travailleurs essentiels par un seul facteur ou une seule influence. C'est plutôt une combinaison de ces grandes influences de même que des facteurs particuliers à chaque pays, comme les politiques régissant l'admissibilité à l'aide au logement et les caractéristiques du système de logement.

Réussites et obstacles

Le lecteur concerné par le sujet de la présente recherche sera tout naturellement intéressé à savoir s'il existe des mesures qui ont réussi dans divers pays à améliorer l'abordabilité pour les travailleurs essentiels et s'il existe des obstacles à la réussite de ces mesures.

Malheureusement, il est très difficile de donner avec certitude des réponses simples à ces questions. En effet, beaucoup des initiatives infranationales sont si récentes qu'elles n'ont pas encore été évaluées par les organismes qui les appliquent. Il reste donc peu de programmes à comparer entre eux.

Une raison plus importante explique l'impossibilité de répondre à ces questions : le sens du terme « réussite » n'est pas clair. Par exemple, l'analyse faite par le Royaume-Uni des programmes Starter Homes Initiative et Key Worker Living conclut que les coûts ont été compensés par les économies découlant de la réduction des coûts de recrutement et de formation, l'accroissement de la productivité par le maintien en poste d'employés expérimentés, qui permet d'éviter le roulement élevé des effectifs, les postes laissés vacants pendant de longues périodes et le recours à des employés temporaires. Cependant, les évaluations constatent que certains

employeurs de travailleurs essentiels procédaient aussi à l'amélioration de leurs lignes de conduite en matière de ressources humaines pour réduire le roulement.

Une variante de cette dynamique (c'est-à-dire comment définir la « réussite ») apparaît en plusieurs endroits où l'initiative touchant les travailleurs essentiels est une composante d'un programme gouvernemental de plus grande envergure et où la perception de la réussite ou de l'échec de celui-ci influence l'opinion sur celle-là. Par exemple, certains programmes locaux visant à favoriser le logement des travailleurs essentiels dans des villes des États-Unis et des Pays-Bas sont vus dans le grand contexte de la revitalisation urbaine.

Autre facteur de complication, dans de nombreux endroits, les programmes d'aide à l'accession à la propriété sont une manière populaire d'améliorer l'abordabilité, mais ils ne sont pas d'ordinaire ciblés sur les travailleurs essentiels. Il est très probable que certains travailleurs essentiels bénéficient de ces programmes. Cependant, dans la plupart des cas, on n'a aucune donnée sur le pourcentage des bénéficiaires du programme qui sont des travailleurs essentiels.

Les organismes de logement sans but lucratif relevant des municipalités ou associées à celles-ci en Suède et aux Pays-Bas ont réussi à réserver certains logements pour des travailleurs de catégories jugées importantes par les municipalités. Ainsi, dans leur propre cadre, ces politiques sont jugées réussies. Cependant, il est difficile de voir comment de telles politiques pourraient être exportées à des pays où le secteur social est très restreint et d'ordinaire plus ciblé (excluant les niveaux de revenu des travailleurs essentiels).

Une question connexe est celle de la durabilité et de l'égalité des programmes d'aide au logement. Est-ce que tous les modèles d'aide à la propriété sont axés sur le premier occupant du logement, celui-ci recevant en subvention non seulement l'aide gouvernementale de départ, mais aussi 100 % de la plus-value éventuelle? Semble-t-il plutôt pratique ou souhaitable de créer un système qui récupère une partie de la plus-value et la réutilise (au moyen d'une formule de revente, d'un fonds en fiducie ou d'un autre mécanisme semblable) pour favoriser l'abordabilité future? Ceci est généralement un élément de la plupart des programmes d'aide à l'accession à la propriété au Canada et aux États-Unis. En Angleterre, une disposition de récupération n'a été ajoutée au programme Key Worker Living qu'après l'évaluation du programme antérieur (Starter Home Initiative) dont cet élément était absent.

Plusieurs des modèles américains pour stimuler la production de logements neufs destinés à des secteurs particuliers de la population active, comme les logements subventionnés par les employeurs, s'en remettent à l'émission d'obligations libres d'impôt ou aux dispositions du code fiscal pour créer des crédits d'impôt. L'utilisation faite par les États-Unis des dispositions fiscales pour encourager la participation du secteur privé dans le marché du logement n'a pas de pendant ailleurs, de sorte qu'on ne sait trop combien des initiatives américaines pourraient être reproduites ailleurs.

La réglementation du prêt pourrait se standardiser davantage à l'avenir en réaction aux récents ratés du système bancaire international, et les leviers fiscaux ou autres à la disposition des divers pays pourraient être réduits soit par les pressions continues en vue de la diminution des déficits soit – dans le cas de l'Europe – par les règles de la Commission européenne sur la juste concurrence et les efforts de l'Union monétaire européenne pour uniformiser les politiques

fiscales et monétaires. Dans ce cas, les divers pays pourraient avoir plus d'occasions de copier des initiatives élaborées par d'autres. Entre-temps, il semble vraisemblable que chaque pays continuera à sa façon de favoriser l'abordabilité des logements (parfois, mais pas toujours, en visant particulièrement les travailleurs essentiels).



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1. Introduction

Canada Mortgage and Housing Corporation (CMHC) is the Government of Canada's national housing agency, with a mandate to help Canadians gain access to a wide choice of quality, affordable homes. As such, it commissions research from time to time to gain information on housing issues that have bearing on its mandate.

The goal of this research project is to study mechanisms used by governments in a cross section of ten OECD² countries to assess the housing situation of essential service workers, as well as the policy responses that these governments have developed in order to increase access to affordable housing for essential service workers in high-cost housing markets.

Over the past decade, cities and metropolitan areas in many parts of the world have experienced a sharp increase in housing prices and a decline in housing affordability. In many cases, these changes to local housing markets have led to concern that in addition to affecting low-income households, a lack of affordable housing can make it difficult to attract or to retain moderate-income households working in occupations that can be categorized as providing essential services to the community.

Defining Essential worker

A central concern in comparative research is how particular issues and terms are defined and used in different countries. In this project, "essential service workers" is the critical construct. Here we first describe how this phrase is being used in the research context, as well as any equivalent notions in the subject countries.

CMHC's terms of reference were clear:

Essential workers include firefighters, schoolteachers, police, nurses, and other personnel who provide vital municipal, health, and educational services that are indispensable in any community.

The term "essential service worker" is not common in the international housing literature. Rather, it is used in labour law, in collective bargaining agreements between unions and public-sector employers, and in legislation to limit the right to strike or to draft "back-to-work" legislation. In the Canada Labour Code, the federal government is obliged to "continue the supply of services, operation of facilities or production of goods to the extent necessary to prevent any immediate and serious danger to the safety or health of the public." (Spano 2009) While the application of the law over the years has diluted the gravity suggested by "immediate and serious danger" and "the safety or health of the public," these concepts introduced into the current research a sensitivity to the subjective nature of defining what services are essential and

² Organisation for Economic Co-Operation and Development

which workers might merit preference. The unavoidable ambiguity of the term, not surprisingly, is reflected in some research results, as discussed later.

This paper uses CMHC's "common sense" definition as the basis of comparison between potential programs in the countries under discussion. The background literature review found reference to the phrase "essential worker housing" only in Australia. Consultation with country experts in the European countries found that the term is rarely used there (even allowing for translation). When it is used, the term is applied to particular circumstances, such as in Austria, where it applies to certain classes of professional immigrant workers.³ The UK has adopted the term "key worker housing," while a broader concept of "workforce housing" is gaining currency in the US.

Structure of the report

This report presents the findings of this research, beginning in Section 2 by outlining the methodology used in the research. Section 3 sets the context of rising housing prices and thus the creation of the related affordability concerns, including an assessment of how housing affordability is measured and the degree to which such measurements explicitly include essential workers as a distinct group. Section 4 then reviews the evidence found in the ten selected countries to explore the degree to which this issue has formally emerged and the types of policy and program responses at either a national or sub-national scale.

One of the main findings of this research was that essential worker housing affordability has not emerged as a serious policy concern in a number of countries. Section 5 explores the underlying reasons for this finding. Section 6 concludes with overall findings.

A detailed set of appendices provides more in-depth profiles of the ten countries examined and, where applicable, describes policies and programs adopted to respond to essential worker housing need, as well as indirect initiatives which address this need while not being specifically targeted to this segment of the population.

³ In Austria the term means skilled foreign workers – *Schlüsselarbeitskräfte* – needed by industry and for whom special immigration permits are issued (but there is no housing program related to these work permits).

2. Methodology

This research was undertaken in two phases:

- Phase 1: identification of potential case study countries; and
- Phase 2: review and documentation of policies and programs introduced in response to the issue of essential worker housing affordability.

In the initial terms of reference, CMHC specified a core group of four countries: US, UK (subsequently redefined as England), Ireland and Australia. The purpose of the initial phase was to identify a further six OECD countries in which the concern about the affordability of housing for essential workers is evident and where policies have been developed to respond.

To identify such potential candidate countries, an informal survey of international housing research experts was conducted.⁴ This was augmented by a literature review exploring the discussion of housing and labour market concerns across a wide range of OECD countries.

A key outcome of this search was that there were almost no examples of additional countries where essential worker housing affordability was identified as a policy concern at either the national or sub-national level. Only in Italy was there some evidence of sub-national regional concern and response.

Re-framing the Question

Given the failure to identify additional countries, the researchers re-examined the core research issue “to study mechanisms to measure housing circumstances of essential workers and document policy responses that seek to ensure access in high-cost housing markets.” It was hypothesized that, even in the face of significant real increase in housing costs, the issue may not have emerged because certain pre-existing features and characteristics of the housing system in some countries effectively responded to and minimized the potential impact of this increase. In other words, could it be that the need for specific policies to assist essential workers afford their housing is linked to the broader market and housing systems that already exist in a given country? It could be argued that countries with broad-scale social housing systems have already mitigated the potential impact of this problem. In other countries (especially those with a comparatively small and constrained social housing sector), the issue does indeed arise in some major metropolitan areas, but has not provoked a broad national policy response. This is also the case in Canada, where cities like Toronto and Vancouver have long reported this concern and,

⁴ This involved contacting experts who have participated in comparative housing research across a variety of countries, including the US, Australia, New Zealand, England, Netherlands, Italy and Hong Kong.

more recently, a booming Calgary reported issues of constrained affordability (Royal Bank Affordability Index⁵; Calgary Economic Development Strategy 2007).

Thus, the research question was reformulated to include a comparative analysis of two groups of countries. Both groups experienced a significant and prolonged rise in real housing costs, but in only one group did the issue of essential worker housing arise and prompt some level of policy response (and even here only marginal responses).

- “Group A” includes those initially identified by the CMHC terms of reference, plus Italy, where our consultation suggested some evidence that essential or key worker housing is a recognized concern and there has been a sub-regional policy response;⁶
- “Group B” comprises countries which had experienced significant price rises but for some reason the issue of essential workers securing affordable housing has not emerged as a significant public or policy concern.

The two groups are:

Group A (Mandatory plus Italy)	Group B (essential worker issue not a major public or policy concern)
Australia	Austria
England	Denmark
Ireland	France
Italy	Netherlands
US	Sweden

For each of these case study countries a country correspondent was identified to help prepare the country case study (see Appendix A).

⁵ www.rbc.com/economics/market/pdf/house.pdf.

⁶ The initial consultation with country experts suggested that even in the four countries (US, UK, Ireland and Australia) the issue was significant only in a portion of England (not even in all of the UK), while in the US there was a related but broader response in some regional markets. However, these countries were left in “Group A” for the initial analysis.

3. Putting the issue in context.

The context for this research was the unprecedented and prolonged rise in real house prices across a wide range of countries. Girouard et al. (2007) highlighted that, in addition to being prolonged, this price rise spans a wide range of countries and is disconnected from the business cycle, thus raising concerns about both its underlying causes and its relationship to market fundamentals.

Girouard et al. conclude that overvaluation of housing (relative to fundamentals) may be a concern in only a relatively small number of countries (Ireland, UK and Spain), although a critical determinant is the future trend in mortgage interest rates. In the wake of the global financial crisis, which occurred subsequent to Girouard's data timeframe, interest rates have fallen further, although they almost certainly will edge up as economies enter a phase of recovery. In many of our sample countries, Girouard found that housing was not overvalued – prices were consistent with underlying market fundamentals. This may explain, in part, the “non-emergence” of the essential worker affordability issue at the national level in several of the countries examined in this study.

Figure 1 (extracted from Girouard et al. 2007) profiles the trends in real house price change over the 35 years following 1970, showing various cycles of increase and corrections. Clearly, the trend since the mid 1990s is the longest, and involves all countries.

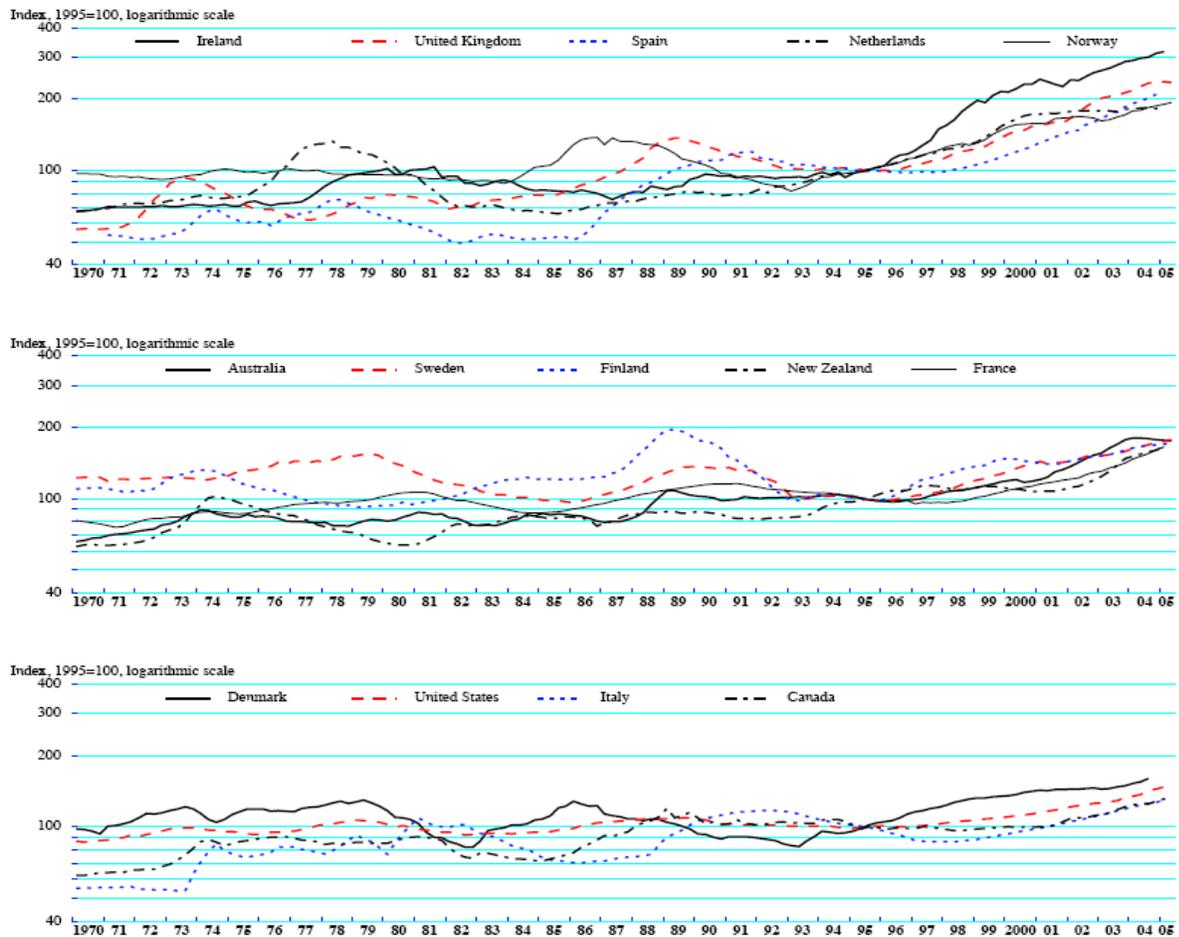
Notably for this research, the largest rate of increase is the group that includes Ireland, England⁷ (both in “Group A”) and the Netherlands (“Group B”). Other countries under examination (as well as Canada) tend to have a relatively smaller, albeit still significant, rate of increase.⁸

In addition to examining the real price trend, Girouard et al. (2007) present data on the price-income ratio – a commonly used measure of housing affordability – and note that for almost all the countries shown, this ratio in 2005 was substantially above the long-term average. In the countries with the largest house price increases (Ireland, the Netherlands, Spain and the United Kingdom) as well as in Australia these ratios exceed their long-term averages by 40% or more. In Denmark, France and the United States, the run-up has been more moderate at the national level, but these values still represent historical peaks. In part this trend is explained by historically low mortgage rates that have enabled borrowers to leverage larger loans, thus driving up prices.

⁷ The chart shows the data for all of the UK, not just England. However, according to the country experts, the English experience mirrors that of the UK. Only England is included in the paper, because the English system is the one where most attention has been paid to the essential worker affordability issue, compared with other members of the UK.

⁸ The OECD report includes nine out of 10 countries, excluding only Austria, where price trends over the past decade have been somewhat similar to those in Germany – rising, but at the lower end of the range of these countries. See appendix A (Austria).

Figure 1. Real house prices have generally been rising
Nominal price deflated by the overall consumer price index



These national real price trends are hypothesized to have had an impact on access to and affordability of housing and it is presumed that this would affect potential buyers at the margins of affordability – including those in entry level positions within essential or key worker occupations. It is recognized that housing markets are local, not national and price pressures may be more acute only in certain higher growth and larger cities. However, this national trend data is provided solely to set the context across countries.

The capacity of a country's housing system to absorb demand by essential workers is inevitably influenced by the cultural, institutional and socio-political characterization of countries. Theories of comparative welfare state evolution have been developed in Esping-Andersen's (1990) continuum, although these did not explicitly include housing systems, and more housing specific adaptations thereof (Barlow and Duncan 1994; Kemeny 1995a and 2005; Lund 2006). These frameworks shed some light on the divergent pattern revealed in the current research – the degree to which the affordability of essential/key workers' housing has been affected by housing policy.

Another important contextual element is the tenure mix in each country, more particularly the relative size of and the eligibility criteria used in the social housing sector. Figure 2 presents the tenure mix for each country using data from national statistical sources covering the 2005-2007 period, as provided by the panel of country correspondents. Canada is also included as a point of reference.

Figure 2: Tenure Trends

	Ownership				
	Freehold	Equity co-op	Private Rental	Social/Assisted	Other
Canada	68.6%		26.0%	5.5%	
Australia	69.0%		26.0%	5.0%	
Austria	50.0%		18.7%	21.2%	10.0%
Denmark	50.0%	7.0%	17.0%	21.0%	5.0%
England	70.0%		12.0%	18.0%	
France	56.0%		25.0%	19.0%	
Ireland	75.0%		10.3%	11.0%	3.2%
Italy	81.0%		14.0%	5.0%	
Netherlands	57.2%		8.8%	34.0%	
Sweden	29.0%	23.0%	16.0%	32.0%	
US	69.0%		28.0%	3.0%	

Notes

- Canada Data from 2006 census; adjusted for estimated social housing stock, approximating 700,000. Other includes various forms of rent-to-purchase as well as company flats, informal housing and subcontracts (a large item). Some authors have assigned much of this to ownership, generating a home ownership rate of 85%, which may overstate the true level (likely closer to 52%)
- Austria Other 5% is student & care; 7% co-ops reflect mainly form municipal stock in Copenhagen, sold to residents.
- Denmark Other 5% is student & care; 7% co-ops reflect mainly form municipal stock in Copenhagen, sold to residents.
- Ireland Other includes 1.5% rent free and 1.7% in rent to buy from local Authority
- Sweden Social refers to public ownership - not all are assisted.
- US In addition to supply programs a further 2% of households are assisted via shelter allowances.

As numerous authors have observed (e.g. Cullingworth 1993, Oxley 2001, Lund 2006), providing tenure data on a directly comparable basis is often confounded by the way statistics are collected and tenure levels calculated in various countries. For example, in Canada, official tenure statistics, as published in the Census data do not explicitly report on social housing. This estimate (5.5% above) is derived by researchers from CMHC and provincial administrative data. Thus, tenure statistics for Canada are always a derived value. Similar data and methodological issues pervade data collection across all countries. Hence, many of the various national statistics should be considered indicative rather than definitive proportions.

It was hypothesized that countries in which the essential worker issue is more evident may be those with smaller social housing sectors or where access to assisted housing is relatively targeted. This would preclude most households working in the essential services where incomes are more mid-range rather than low. The findings regarding this hypothesis are explored later.

The targeting and scale of assisted housing may correspond somewhat to various conceptualizations and typologies of the welfare regimes. Kemeny (1981, 2005) developed a thesis that countries with high levels of home ownership tend to also be those with less extensive welfare systems (e.g. less universality and greater targeting of social-security programs). In the current analysis there is a close association of “Group A” countries with higher rates of home

ownership, while those in “Group B” tend to reflect a low rate of home ownership and – generally – larger rental sectors that create more options for essential workers.

Measuring Housing Need and Affordability

The analysis in each country explored the methods used to measure housing need in general and sought to determine whether or not these measures already incorporate any quantification specific to essential workers (or have been adapted to capture this subset of the population).

While Canada has an explicit and widely used mechanism to measure housing need (Core Housing Need), this is not a common practice – few other countries have such an official measure. Many of the correspondents in European countries noted that the issue of housing affordability has not been sufficiently serious to prompt the development of measures. Even in countries where there is widespread discussion of housing affordability (e.g. Australia and US) there is no official, regularly published measure (although various advocacy groups do extract data and have developed unofficial measures – such as the minimum living wage calculated by the National Low Income Housing Coalition in the US). The US does have a congressionally mandated requirement for the U.S. Department of Housing and Urban Development (HUD) to report biennially on worse case housing need – renters paying greater than 50% of income for shelter costs (Pomeroy et al. 2004).

Most countries do have some form of ownership affordability index, though again this is not necessarily a formal measure maintained and published by government. Most often, it is a published index developed by a major lending institution. (Indeed in Canada, CMHC ceased publishing its ownership affordability measure in 1997. Researchers and analysts now rely on an affordability index developed by the Royal Bank of Canada). However, in no case do these ownership affordability indices examine affordability of any particular sub-group such as essential workers.

Only in the US, where, as discussed below, a wider sub-group is defined under the heading of workforce housing, has a research centre developed a measure that assesses relative affordability by occupational category and city (for some 200 US cities). Developed by the Center for Housing Policy (CHP), the research affiliate of the National Housing Conference, *Paycheck to Paycheck* is an interactive database that relates housing costs in more than 200 metropolitan areas to wages for over 65 different occupations in the same city. It uses updated data (currently 2009) and consistent measures of wages and housing costs to assess affordability by occupation in each market, and also summarizes affordability by occupation across the country. It sets only an upper limit and thus extends downward into low-income household categories that may be eligible for federally assisted rental and ownership programs. But it also includes those job categories that clearly include essential service workers.

Paycheck to Paycheck has been used in a number of metropolitan regions to define housing affordability and to frame local strategies geared to expanding affordable supply. This database does not quantify overall “need” or affordability across all workers or subsets such as essential workers, but it provides a useful indicator of those cities in which a single-earner essential worker household would face a challenge in purchasing a home.

Overall, there is a general lack of measurement of housing affordability problems, in part due to the range of variables that might be considered and the consequent need to define the topic more narrowly. Affordability of what – ownership or rental – and for whom? What age groups? Singles, double-income households, with or without children, first time buyers, people employed in old- or new-economy jobs? While it would be possible to attempt a measure based on income and using a matrix of adjustments for objective variables, the actual method used in England to justify key worker housing assistance is instructive.

The “need” that motivated the British government to introduce substantial subsidies for key workers was not determined by housing/income need or affordability metrics; rather it was the need of **public sector employers** to attract and retain qualified staff. Officials in local authorities in the southeast surrounding London experienced difficulty attracting staff and made these concerns known to the national government. (At that time, housing fell under the authority of the Office of the Deputy Prime Minister.) The resulting key worker programs provided assistance to address the “demand” that many key workers expressed for home ownership. It did this through funding to facilitate both shared and outright ownership.

In both English programs (Starter Home Initiative and the Key Worker Living program, both described later), assistance was made available only where local authorities verified actual recruitment and/or retention problems. The original linkage made between housing prices and the recruitment/retention problem was determined through a number of studies that frequently involved focus groups and surveys of key workers. (Battye et al. 2006, in particular 3.3 – 3.5 Recruitment and Retention Issues.)

The problem with general needs measures is crystallized by an observation in the Australia case, where Dalton noted a distinct lack of specificity as to what constitutes an essential worker (see appendix A, Australia). Without clear delineation of the target population, quantification will remain elusive. Similarly, there is no consistent terminology across countries, even after allowing for translation.

As noted in the introduction, different terminologies are used in countries where a related issue was identified. In England and Ireland, “key worker” has been adopted, while in the rare instances it is discussed in Australia, the term is “essential worker.” The US encompassed essential workers in a much broader population generally referred to as those in need of “workforce housing,” where, as in England, the need is both shared by the individual households and the communities that need their skills. In non-English-speaking countries, no equivalent term was identified.

4. Identifying policies and programs that respond to essential worker demand

Following the original research question, this section overviews the findings for the countries where the research identified specific examples of policy responses to essential worker affordability concerns. This focuses on only two countries, England and the US, where national policies have been implemented (or are pending). The emergence of local policies and programs are also noted in Australia, The Netherlands and Sweden, as well as again in the US.⁹

4.1 National Examples

England¹⁰

The UK is unique among the ten subject-countries in responding to persistent housing price appreciation with significant subsidy programs for key workers. This response needs to be carefully placed in the larger historical and economic context. Other OECD members experienced booming housing markets from the mid-1990s to 2007, but there is a strong case that the English situation is qualitatively different.

The housing market in England at the turn of the Millennium combined trends of sustained price increases with declining housing production. Over the period 1974 to 2004, real price increases averaged 2.4% per year compared to 1.1% in the European Union. In 2001, housing production at 175,000 completions was at its lowest level since WWII. (Barker 2004)

The long-term trend has been toward an increasing rate of home ownership, a function of both growing affluence and government policy especially the right to buy, which converted over two million public housing rental dwellings into owner-occupied stock (Jones and Murie 1999).

In 1971, housing tenure in England was divided between home ownership at 51% and rental comprising 29% social and 20% private. By 1999, home ownership was at 70%, peaking at 70.9% in 2003, but settling back in 2009 to a 20-year low of 67.9%. The social rental stock

⁹ Appendix A contains more in-depth information about the programs discussed in this Section and Section 5, and includes some material not repeated here.

¹⁰ While housing assistance programs for essential or “key workers” were only implemented in England, the government of the United Kingdom of Great Britain and Northern Ireland (UK) is the government of England. The population of the United Kingdom was 61,100,000 in 2009, of which 51,200,000 resided in England. English data is used when available; the terms “UK” or “British” are used in reference to government actions or when data for the English portion of the United Kingdom is unavailable.

peaked at 32% in 1981 before decreasing steadily to 17.8% in 2009. The private rental stock decreased from 20% in 1971 to 9% in 1991, but recovered to 14.2% in 2009.¹¹

The Labour government that came to power in 1997 promised to improve essential government services, including healthcare and education. It soon discovered that it had a systemic human-resources problem in the southeast region around London, where housing costs are extremely high relative to other regions of the UK, from which potential recruits were coming. Even when its agencies could recruit qualified staff, they were unable to retain them.¹² As newly qualified staff gained experience and looked to start families, many of them moved on. The consensus was that housing prices were a serious factor in this problem.¹³ The underlying problem was a labour market issue, in which housing costs were a significant factor. Hence the emergence of an essential or key worker housing initiative.

In 2001 and 2004, the government of the UK introduced two successive programs, the Starter Homes Initiative (SHI), running till 2004; and the Key Worker Living (KWL) that, from 2004 to 2006, revised and broadened the SHI. Both programs targeted housing assistance for home ownership and under the KWL rental housing to key workers in communities experiencing staffing problems in public services, primarily healthcare, education and policing.

Together, the SHI and KWL cost a total of over £1 billion¹⁴, which was mainly disbursed in the southeast region centred on London. The evaluation of the SHI and KWL was positive. The costs of the programs were offset by the savings resulting from better staff retention, as measured by the potential costs incurred by public agencies when they have high staff turnover, i.e. loss in productivity and recruitment and training costs. But these programs, serving in total less than 25,000 households, were not much more than interim measures in a quest to address the larger issue of housing affordability for a broad range of middle-income households.

¹¹ Tenure data pre-2000 from *Housing Tenure: Shelter Factsheet* (Shelter London 2009). http://england.shelter.org.uk/data/assets/pdf_file/0005/166532/Factsheet_Housing_tenure.pdf (accessed February 12, 2010), with post-2000 data from *English Housing Survey* (Communities and Local Government, London: 2010) <http://www.communities.gov.uk/documents/statistics/pdf/1479789.pdf> (accessed April 29, 2010)

¹² Retention was often an issue as new employees often kept their homes in other regions and rented in the southeast. Due to price differentials they were unable to buy in the southeast so moved back to other areas as employment options were found there.

¹³ Many that owned housing outside of the Greater London area commuted to work daily, as an alternative to buying in London. These long commutes were a factor hindering retention, since individuals were unwilling to sustain such long commute times.

¹⁴ This figure is a gross number for all components of both programs. KWL had three options: HomeBuy, an equity loan for those able to purchase in the private existing real estate market; New Build for projects with a Shared Ownership and intermediate rental options. There is a “clawback” option for both ownership options. A beneficiary key worker who changes jobs or region is penalized. Those with an equity loan must pay back the amount of the loan or the percentage of the “market” value secured by the equity loan, whichever is the larger. Those in the New Build Shared Ownership category who leave their job or region must either purchase that portion of their unit which they don’t own or sell out and leave. The early evaluations of SHI and KWL focused on the benefits and took place before a significant number of re-sales that would trigger the repayment of the assistance.

In 2003, the government commissioned an economist, Kate Barker, to analyze the functioning of the housing industry and market in the UK, and recommend means to improve their functioning. Barker's two reports (2003, 2004) prescribed changes to the planning approvals process and other means to achieve a balanced system where increased housing demand would stimulate new production, not just higher prices. The government has struggled to implement these reforms, which are complex, less obvious to the general citizenry, and slow to yield discernible results.

A related initiative in England is the use of planning regulation to require developers to include a certain proportion of units at prescribed level of affordability. This is authorized under Section 106 of the *Town and Country Planning Act*, hence the agreements governing the developments are called Sec. 106 agreements. Negotiating such an agreement is integral to securing planning permission. Typically, it requires units to be affordable and essentially requires the developer to allocate land – but not necessarily to cover the cost of building affordable units. Normally, social housing programs fund that cost, with housing associations partnering with the developer to manage the units.

In 2006, the parameters of Sec 106 agreements were revised to add key workers. The Planning Policy Statement (PPS) 3: Housing (2006) formally sanctioned “intermediate housing” as an acceptable form of affordable housing for the purposes of Section 106 of the Town and Country Planning Act of 1990. Until 2006, social housing had been the only acceptable form of affordable housing. With the change, “shared ownership” and rental housing geared to key workers, where the rents are below market but above social housing levels, are also deemed acceptable forms of affordable housing.

One interesting example of Sec. 106 agreement is in the City of Cambridge, which has been designated as a priority growth area by the national government (Morrison 2009. See Appendix: The Planning System and Key Worker Housing).

In summary, a particular configuration of factors may have made the creation of a key workers subsidy program more likely in the UK than elsewhere. The performance of the English housing market has been deteriorating over a protracted period. This has included strict regulation of the private rented sector (with minimal growth in this sector) and a slow process for development approval (often taking up to five years) that has constrained new home building and supply, placing pressure on prices. One hope arising from the Barker report for reforms to the planning and supply process was that implementation of its recommendations would improve supply, helping to moderate the large price differentials between the south east and rest of UK.

The crucial point here is that the UK government (at least with respect to England) is a centralized unitary system. There is little “distance” between local concerns about poorly functioning public services and government accountability for them. Responsibility and accountability for a large number of policies and programs lie with the UK government, increasing the likelihood it will justify the cost of expenditures to make housing more affordable, for example, as providing crossover benefits in the form of improvements in the delivery of health services, public safety and education.

Since 2006, broader programs for first-time home-buyers have included quotas for key workers among larger targets. For example, the First Time Buyers Initiative has a goal of assisting 15,000

households purchase homes by 2011. At the time of writing, funding levels for these programs is in doubt, especially with ballooning government debt. However, a broad decline in house prices is also providing some market correction and presumably lessening the acute nature of essential worker need, thus reducing pressure on the government to sustain these initiatives, at least in the short to mid term.

United States

The geography, population and economy of the US dwarf all other subject-countries. The US contains numerous regional housing markets, some of which have experienced housing price appreciation consistently over the longer term while others have seen increases in the past decade that have been driven by the national real estate bubble that burst in 2007.

Between 2001 and 2007, households in the US experiencing “moderate cost burden” – paying 30% to 50% of income for housing – increased by 32.6%, while those with a “severe cost burden” – paying more than 50% – rose by 41.4% (Joint Center for Housing Studies 2009). Many of those were in the lowest income quartile, below the typical income category for essential workers. But the increase in those experiencing severe burden in the second income quartile – the range for many essential workers – was 69% (Joint Center for Housing Studies 2009).

The US has one of the smallest social housing sectors of all countries examined – under 3% of existing housing stock is classified as social or assisted housing, while housing developed under the Low Income Housing Tax Credit (LIHTC) and households assisted with a shelter allowance (now labelled Housing Choice Vouchers) bring the total number of households receiving housing assistance up to roughly 5% of all households – very similar to the level in Canada.

There have been a number of initiatives directed to assisted ownership, with both the Clinton and Bush administrations adopting explicit targets to raise either the general or the minority home ownership rate – mainly drawing on proactive and flexible mortgage underwriting criteria, down payment assistance and below market mortgage programs. These measures to support home buying, combined with a general growth in the US economy from the mid-1990s to 2006, pushed the home ownership rate from 64% in 1994 to near 70% in mid-2000s, falling back to 68.9% in 2007.

The effort to increase home ownership would have been positive for some essential workers, but not necessarily for those living in chronically expensive regions – especially in the bigger metropolitan markets on both coasts. Responding with typical American entrepreneurial zeal, employers, business and charitable organizations, think tanks, and local governments in these markets (and nationally) have worked to define the issue more precisely and find ways to develop assistance packages appropriate to local needs.

Examples of local approaches and initiatives are overviewed in the following section on sub-national initiatives. Many of these are varieties of employer assistance, which has prompted efforts to formalize and encourage the growth of such approaches through tax credits.

A separate response is the Good Neighbor Next Door (GNND) initiative, which offers essential workers the chance to make discounted purchases of foreclosed FHA properties. This is not

primarily a housing affordability measure for essential workers (though it has that side-effect) but an effort to help revitalize formerly deteriorated urban neighbourhoods.

The various local efforts stimulated political interest and prompted the introduction of a bill in the 2008 US Congress, entitled the *Housing America's Workforce Act (HAWA)*, to implement a national tax credit for employer assistance. However, the bill failed to pass before the end of that session of Congress. An earlier version in 2007 also failed to generate sufficient support and died when that session of congress ended. The Bill has not been reintroduced in the current session, but similar language is being pursued as part of a separate bill on Liveable Communities (S1690). It was proposed as a federal program aimed at enhancing and encouraging development and expansion of Employer Assisted Housing (EAH) programs by providing a federal tax credit up to half the value of the employee assistance and not exceeding a maximum amount specified in the law (see the US profile section of Appendix A).

The recession has lessened the political interest in workforce housing for now. But as housing markets stabilize, affordability challenges for middle-income earners in the historically tight regional markets of the northeast and California will likely lead to renewed demands on community leaders to address this issue.

4.2 Localized, sub-national examples.

In addition to the larger national approach in England and efforts to adopt a national tax credit (HAWA) for employer assistance in the US, the research identified some smaller initiatives, typically responding to affordability issues in high cost markets.

United States

As noted in Section 2 above, advocates for increased amounts of affordable housing have recognized that there is limited public and political support for traditional targeted low-income “assisted housing” and have thus sought to frame the issue more broadly – introducing the phrase “workforce housing” as a way to secure broader support. Their target populations have not been confined to public sector essential workers (the narrower focus of this research) but have included all employees usually in a range spanning from low-income up to the area median income (AMI), who work at jobs essential either economically or socially to community viability.

A broad array of localized initiatives have been identified in the US. Local projects have involved a variety of approaches: from developing “transitional” rental housing for new teachers in the Santa Clara area where ownership costs are prohibitive for new teachers on starter salaries; a public-private pilot project to construct affordable housing targeted for essential worker housing in Florida; to a wide variety of employer-assisted housing (EAH) grants or forgivable loan programs toward the up-front costs of purchasing a home.

The most common mechanism is the provision by employers of an EAH grant or forgivable loan toward the up-front cost of purchasing a home. This mechanism’s predominance not only reflects the fact that up-front costs are a major barrier to purchasing a home, but that this assistance is

simple and easy for an employer to offer (Pill 2000). Details on a cross-section of specific local EAH initiatives are provided in the US section of Appendix A.

Supply-side mechanisms (such as the Santa Clara and Florida examples), which increase the housing stock, are less common than demand-side mechanisms, which make more of the existing stock affordable to employees. This preference results from both the cost and complexity of developing new housing, an activity that is not the core focus of most employers.

While not originated or designed exclusively for essential workers, another policy instrument that enables workforce housing in the US is inclusionary zoning (IZ). This is widely used across many US states and localities but is especially prominent in the higher cost markets in California, the eastern seaboard and in Washington and surrounding states. Inclusionary regulations prescribe that a specified proportion of dwellings developed in larger developments (usually over 5 acres, or over 50 dwellings) meet specified affordability criteria. While intended to secure the supply of affordable housing, IZ programs tend to generate entry-level ownership opportunities, as distinct from truly affordable housing for very-low-income households (Gladki and Pomeroy 2007, Mallack 2010). In part, this is because much of the new housing is in the form of new lower-density subdivisions on the urban boundary. Unlike the UK Sec. 106 practice, the US approach typically requires the developer to produce the dwellings, rather than simply set aside lots where separate social housing funding can be used to build. Consequently, the policy is only viable at moderate home prices, rather than low rental levels.

Because of the resulting home prices, these IZ initiatives often provide housing for households in essential worker occupations. Indeed, the economic importance of providing housing to essential workers (nurses, firefighters police teachers etc) is often used as an argument to support inclusionary policies (Lubell 2007; Center for Housing Policy 2007).

Netherlands

Although the housing affordability issue for essential services workers has not captured prominent national media attention and is absent in the research literature, there have been a few localized responses.

Since 2001, Amsterdam has offered priority placement in social housing for up to 250 key workers annually, targeted according to need among police, healthcare workers and teachers. Also in Amsterdam from 2000 to 2006, 1,750 households with annual incomes between €20,420 and €40,840 received loan assistance to purchase newly built housing. The benefit amounted to an average subsidy of €13,000, but the uptake from essential workers – at 20% of the total – was below the City's target of 50%. In 2007, the City changed its focus to first-time buyers living in social housing.

The evaluation of the Amsterdam loan scheme concluded that the low uptake from essential workers was likely the result of the relatively undesirable location of the new houses available under the program criteria.

Other smaller initiatives, similarly premised on allocating apartments from the municipal housing stock specifically to essential worker public sector employees have also been

implemented in the Hague, Utrecht, Rotterdam and the region southeast of Amsterdam. These typically target young or single essential workers, sometimes involving shared accommodation.

Utrecht's policy of targeting some municipal stock to essential workers (implemented in 2002) was evaluated by local government in 2008, and showed that it still served a clear need. The evaluation also highlighted a demand for affordable homeownership for key workers. However, local policy-makers did not support the broadening of the program to also support home ownership. They argued that the program's main aim was to enhance the attractiveness of the city of Utrecht by reducing long commuting times for people working in the city, not to support home ownership. Another recommendation to expand the program to the whole of Utrecht province was also rejected.

Drawing on the experience of Amsterdam and stimulated by a desire to respond to the recession and to implement economic stimulus, a national First Time Buyer program was introduced in 2009 by the Minister of Housing, Neighbourhoods and Integration. The eligibility criteria for the national program are broader than the earlier Amsterdam initiative. The program can be used to buy an existing property and candidates do not have to live in a social rented home. To be eligible, the market price of the house should be below €350,000 including the costs connected with the purchase (transaction tax and legal costs), which in The Netherlands total approximately 12% for an existing dwelling and 8% for a newly built home. The program includes an interest-free loan for three years of up to 20% of the cost of the purchase. If their income enables households to finance more than 80%, the additional loan provided will be lower. The loans are supplied by a partnership of local authorities in the Netherlands: the Support Fund Affordable Housing Dutch Municipalities (SVn). Households should have an annual income of less than €63,800 (currently approximately \$85,000 Canadian) before taxes. This income level very probably includes a large number of key workers households. The program is too new to have been evaluated, but preliminary indications are that it is attracting many applications. Preliminary estimates are that 20% of applicants are key workers.

Sweden

To the degree that housing is identified as a public policy issue nationally, the focus has been on the low end of the income spectrum, which does not include most essential workers. The larger municipalities do recognize the "housing problem" as a labour mobility issue with implications for community economic well-being. On a practical household level, a common "solution" has been longer commutes, which have been facilitated by significant investment in both public transport and roads.

One approach used in Sweden is that of special waiting lists in public housing for employed persons seeking housing. This more resembles US-style workforce housing in its broader targeting, but municipal housing companies can also give priority placement, if they choose, to government employees.

A municipal public housing company on the periphery of greater Stockholm allows local companies to register to secure housing for probationary employees. The company undertakes all

the obligations of the tenancy and effectively sublets to the new employee. Upon the employee being given permanent employment, she assumes the tenancy agreement and obligations.

Special priority lists are also maintained by other cities to facilitate labour mobility and reduce commuting. The municipal housing company in the city of Kalmar gives priority over local residents to people who have acquired new jobs in the city but reside in other municipalities. The public housing company in Varberg gives priority for those who have gained employment (six month-duration minimum) and who currently live 100 km or more from the workplace. An additional incentive to the more obvious benefits of reducing commuting and supporting local business is provided by the Swedish tax regime: income tax revenue flows to the municipalities.

Australia

A number of broad policy initiatives to improve access to ownership for first time buyers inevitably assist those employed in essential services, although they are not explicitly targeted. The First Home Owners Grant (FHOG) scheme was introduced in 2000 as a \$7,000 grant payment to first home buyers. An additional \$7,000 was available for newly constructed dwellings from March 2001 to December 2001, dropping to \$3,000 between January and June 2002. The purpose of the additional amount was to provide a short-term stimulus to activity in the residential construction sector. As part of its \$10.4 billion Economic Security Strategy in 2008, the Australian Government announced a First Home Owners Boost (with the same eligibility criteria as for the First Home Owners Grant scheme), which doubled the grant to \$14,000 for existing and to 21,000 for new homes.

In 2007 the national government also introduced a National Rental Assistance Scheme (NRAS), intended to stimulate affordable rental production. This provides annual grants each year for 10 years (\$6,000 from the Commonwealth augmented by a \$2,000 state grant), to improve yields for rental investors and to promote the feasibility of developing such housing by non-profit groups. The eligible income for assisted households is more generally targeted to households eligible for Commonwealth Rent assistance, and as such will generally preclude most essential workers. The Senate Select Committee on Housing Affordability in Australia (2008) suggested that the government consider adjusting the NRAS program to provide targeted support to essential workers. However, a problem with the Senate report and much of the other discussion is the lack of clarity about exactly which occupational groups should make up the category of essential worker. This eligibility remains unresolved.

Separate from these broad program initiatives (with only marginal relevance to the essential worker concern), there have been some, albeit very few, local initiatives. Two small housing projects have been established in Sydney, which are explicitly providing essential worker housing.

In 2005, the municipality of Canada Bay (a Sydney suburb), through a Voluntary Planning Agreement with a developer, acquired the ownership of fifteen affordable rental housing dwellings near Concord Hospital, a major metropolitan hospital. Council allocated six of the fifteen dwellings for hospital staff with low to moderate incomes (between 50 and 120% of the gross Sydney median household income). The other seven units were targeted to households in the municipality or surrounding area who were permanently employed in health services,

childcare, public primary and secondary education, emergency services, public transport or by the Canada Bay Council itself (City of Canada Bay Council 2007b, City of Canada Bay Council 2007a).

The second project is the Thornleigh Key Worker Demonstration Project in Sydney's northern suburbs, comprising six affordable housing units built on Department of Housing land and funded through the New South Wales (NSW) Rental Bond Board. These six dwellings are for local key worker households who are unable to afford similar accommodation on the open market around Thornleigh. Key workers are defined as those who provide "a service that contributes to the well being of the community" and "...could include hospital workers, teachers, childcare workers, police, transport workers and others." The housing is made available for an initial twelve months and a "...condition of this Program is that you vacate the property after 3 years." (Community Housing Lower North Shore, no date.)

At the time of writing, no evaluations of these projects had been undertaken and there were no plans for expansion of the projects.

5. What housing system features contribute to management of the essential worker issue?

5.1 Is essential worker housing affordability identified as an issue?

In exploring whether rising housing costs have translated into a problem for essential or key workers, country correspondents reviewed both the popular media and the research literature.

Overall, general popular concern (as reflected in media articles) was found in the US, England, Australia and, to a minor degree, in Ireland and Denmark. No related evidence was found in the other five countries (except at a sub-national level in regions of Italy).

Similarly, not every country has evidence of research literature on the issue. Most of the research deals with England (Llewelyn Davies and LSE, 2003; Kings Fund, 2002; Audit Commission, 2002; Barker, 2004; Wilcox, 2003; Williams, 2007) and the US (Hornburg, 2005; Lipmann 2005; Lubell, 2007; CHP 2007; Pill, 2000), with a somewhat lower volume of evidence in Ireland (Bank of Scotland 2006; Duffy and Quail, 2005), Australia (Yates et al., 2006; Senate Select Committee on Housing Affordability in Australia 2008) Denmark (Andersen & Kofod, 2006; Andersen, 2008; Gomez Nielsen, 2007) and Italy (Urbani and Van Bortel, 2009).

The limited existing research literature discusses the issue but does not provide empirical evidence of the essential/key worker problem. Much of the discussion is speculative and intuitive, asserting that high housing costs (or more correctly the costs of entering the local housing market) are *likely to be associated* with labour market effects, including difficulties attracting labour to fill positions in essential services. In the case of Denmark, there is the hypothesis that invoking the housing needs of essential services workers was partly a “framing tactic” to engage organized support in a political struggle with the central government over municipal autonomy (Gomez Nielsen, 2007). However, the study was unable to uncover empirical research confirming these beliefs. Notably, in the US, where most literature was identified and there is a strong advocacy lobby in favour of workforce housing, the absence of sound empirical evidence was highlighted as an important void in the literature (Hornburg 2005).

The countries where an essential or key worker issue is more prominent (in both the general media and in the research literature) are, as postulated, those that tend to have the smallest social housing sectors (and, perhaps correspondingly, the largest home ownership sectors). As noted above in Australia, Ireland, Italy and the US social assisted housing is less than 5% of the total stock (while home ownership rates in all these countries approximate or exceed 70%).

The only country where the social housing stock is not relatively small but the essential/key worker issue has become a central feature of national housing policy is England. Here, however, eligibility for social housing, which represents 18% of all housing in the country (a mid-range proportion compared to our nine other study countries) has evolved to become quite strictly targeted to lower income households. In addition, the private rental stock in England is quite

limited, and usually at higher rents, thereby constraining choice for low-to-moderate-income key workers. And, as noted, England has joined the countries at the higher home ownership rates.

In both England and Australia, pressures on house prices appear to have been created by a relatively onerous and slow process of planning and building approval (Barker 2004). In these two countries the underlying issue appears to be constrained supply with resulting high home purchase costs creating a challenge for moderate-income earners.

5.2 Approaches to managing the issue

As a national policy concern, the essential/key worker issue has been notably absent in the other five countries. This prompted a corollary research question, which was added to the terms of reference and explored in this study: Why, despite significant price rises, (with perhaps the exception of Austria, where real prices have increased but not as dramatically), has the issue of essential worker affordability in the other countries (Denmark, France, Netherlands, Sweden) not emerged as either an area of broad public concern nor as a serious policy concern? What features of the housing systems have enabled each of these countries to absorb or manage this issue?

In exploring this question, a number of factors were identified.

- Characteristics of the welfare state
- Nature of the housing system and tenure pattern
- Relative size and eligibility of social housing
- Labour market policies and influence of affordability
- Tax expenditures in wider programs that promote housing affordability
- Urban spatial patterns, density and transportation (access to more affordable locations)

The first factor relates to the characteristics of the welfare state or regime and how it has evolved and influenced the direction of housing policies.

Kemeny (1981, 2005) sought to locate housing systems within the broader typology of welfare regimes. He also identified as a pattern that the countries with high levels of home ownership tend to be those with less extensive welfare states – or more particularly those with more “classically” liberal social welfare regimes (absence of universal social programs, limited eligibility and targeting, commodified market).

A further elaboration of the welfare state typology is the degree of equality or disparity across a population, commonly measured by a gini coefficient. The larger the gini value, the greater the disparity in income and wellbeing across society. It is notable that the four “original” countries plus Italy, added due to suggestion of sub-regional essential worker issues, all rank high on the gini coefficient (implying greater polarization), while the remaining countries constitute a lower separate grouping, with Canada demarcating a mid point in this sample (see Figure 3).

Fig 3

Gini coefficient (after taxes and transfers)	
Working age population: 18 – 65:	
United States	37
Italy	35
United Kingdom	34
Ireland	32
Australia	32
Canada	32
France	28
Netherlands	27
Austria	27
Denmark	23
Sweden	23

Source: OECD 2010; data for mid 2000s

A related factor is the position of home ownership as a cultural value and norm in many countries. When affordability of this norm is threatened, this generates public and policy concern. Certainly this research has revealed that concerns about key workers and wider middle-class access to housing are more pronounced in countries with high levels of home ownership. When a high value is placed on home ownership (often for cultural and ideological reasons), a country's housing system will reflect that in its policies (Varady and Lipman 1994; Dalton 2009). In "home owner" countries there is a policy and spending bias favouring the ownership sector (e.g. tax treatment of capital gains, non-taxation of imputed rent and mortgage interest deductibility).

Recently, rising real home prices have imposed a barrier to homeownership, especially for the younger people just entering the market, thus creating a policy problem. In Southern European states like Italy, the affordability of home ownership is also problematic, but perhaps the problem is addressed in part by the availability of extended family housing (e.g. living with parents) as an alternative to household formation by people in their early twenties.

Housing equity is seen in some countries as a compensation for a retreating (or historically weak) welfare state, an important way of providing income and support in one's old age. Not getting access to ownership prevents people from developing housing equity and reduces the effectiveness of asset-based welfare systems. The housing issue thus becomes a middle-class welfare issue (and so is more likely to become a topic of discussion in the media). This is true in England where asset-based welfare is becoming increasingly important (Toussaint and Elsinga 2009).

This connects with Kemeny's (2005b) hypothesis that home ownership is not by definition a sign of wealth but very probably a signal of poorly developed welfare states. Based on his experiences in the late 1970s in Australia, he formulated the thesis that in societies with low public retirement pensions and poor measures to assist the elderly, households are forced to

make private provision for their old age. He generalized his conclusions to other countries in later comparative work (1981).

Castles (1998, pp. 17-18) contends that Kemeny's focus on the impact of welfare on home ownership is one-sided. According to Castles, the relationship could be driven from the other direction: a well-developed welfare state with high levels of taxation could crowd out the possibility of saving for private home ownership. Both Castles and Kemeny agree that diverse linkages between welfare and housing exist and better understanding is essential. Key worker housing issues could be a symptom of this relationship between welfare and housing.

A key characteristic of such liberal welfare regimes is a residual approach to social welfare and quite small social housing sectors, which over time have evolved from a source of general supply (as in the case of council housing in the UK) to much more targeting to the most needy.

Section 2, above, identified the tenure patterns across the sample of countries and found that countries with both larger and more open social housing sectors (in the sense of having less restrictive eligibility and targeting criteria) and with lower-than-average rates of home ownership tended to be those in which the issue of essential or key workers had not been identified as a significant concern in either the general media or in research and policy literature.

Several country experts (Australia, US, Sweden, Netherlands, Denmark and – to some extent – Italy) also identified a relationship between housing costs and commuting distances, suggesting that households are accepting increases in the latter to control rises in the former. In a number of countries this is facilitated by the presence of and substantial investment in public transit (particularly in Europe, but also evident in Australia) or in extensive highway systems (US).

Since housing affordability issues arise at the confluence of both housing cost/price and income levels, wage and labour market policies can have an important bearing on this issue – to a degree reflected in the nature of state welfare systems. Countries with more social-democratic welfare systems tend to have stronger labour and wage policies (e.g. France, Sweden, Denmark), although here Australia is somewhat of an anomaly – a liberal welfare state with a high commodification of labour but historically strong labour movement. In relative terms, Australia has higher wages.

Overall, there does not appear to be a single determining influence or factor to explain variations in the degree to which the issue has emerged. Rather, it is the combination of these broader influences as well as country specific factors, such as the policies that govern eligibility for assisted housing and the characteristics of the housing system.

The following brief summaries look across the countries in which there was little evidence of concerns about essential worker housing affordability (more detailed description is included in the appended country profiles). This includes eight of the ten countries, with England and the US already in the previous section as the two countries with more extensive identification of the issue and explicit policy and program responses at the national (England) or sub-national (US) scale.

Austria

In Austria, the relatively unique position of the social rented sector is one reason why the affordability of essential worker housing has not emerged as a concern. Like the Netherlands, Austria is one of the few countries where policy and funding reform over recent decades has not reduced the size of the social rented sector. Accounting for 21% of all housing, the social rented sector has continued to expand over the past decade – even out-pacing the growth of the ownership sector (which currently makes up 50% of all housing).

The Austrian social rented sector is embedded in an integrated housing market in which 80% of all new housing is “co-financed by the public.” While there are elements of means-testing, the social rented sector continues to provide housing for both low-income and middle-class households. As described by Deutsch (2009), social housing is at the crossroads for housing choice and, for many young households, operates as a springboard, enabling wealth creation and subsequent access to ownership. In effect, it fulfills the role of an intermediate tenure with levels of new construction generally keeping pace with demand. Housing programs to meet the needs of specific segments of the workforce have been unnecessary. The only exception to this rule that relates in any way to the current research are measures to provide housing for immigrant workers who have specific skills that employers require. However, most of these immigrant workers are not “essential” workers in the sense CMHC used in its call for the current research, namely workers in certain public-service occupations.

Australia

While Australia was initially identified as a “Group A” country, the country correspondent suggested that this might not be an appropriate designation. There is evidence of concern that essential workers were having difficulty affording housing in some larger capital cities, but this concern has not been sufficiently acute to trigger an explicit policy response (beyond general first time buyer assistance already in place). Australia has certainly experienced substantial house price gains and affordability issues in both the ownership and rental sector.¹⁵ As in England, these have been caused in the main by regulatory issues and a very slow planning approval process, so policy discussions have focused more on developing remedies within the planning system, rather than adding a new targeted subsidy to a particular market segment.

A perhaps more significant factor, however, is the Australian labour market. A chronic labour shortage dating from the 19th century has traditionally empowered the Australian labour movement. From the Conciliation and Arbitration Act of 1904 through to the present-day activities of Fair Work Australia (a federal agency that also has state level equivalents), there has been an arbitration system that settles major collective agreement disputes. The history of these quasi-tribunals includes innovations such as developing the notions of the “living wage” as the basis for setting the minimum wage and requiring equal pay for equal work (gender equality).

¹⁵ There is almost no purpose-built rental stock in Australia, so the very limited rental supply that exists is mainly because small investors buy ordinary family homes to rent out. A typical unit of rental housing, therefore, once was owner-occupied and may be so again in future when the current landlord re-sells to a purchaser who intends to live there instead of renting it out.

This formal incomes policy even today shields many essential workers from extreme housing stress by protecting their purchasing power.

Australia has a housing tenure mix similar to the US and Canada, with ownership dominating at 70%, private rental at 26% and social housing at 4%. The last form of housing is targeted at those with very low incomes or special needs. As in Canada, social housing is not the only way of making housing affordable for people with low incomes. The Commonwealth Rent Assistance (CRA) is a national housing allowance program for those in need who rent in the private market.

As in Sweden, consumers have responded to high housing costs in the central areas of major cities by locating in more peripheral areas. This is one way of “managing” high housing costs. However, it imposes other costs and raises concerns about exacerbated urban sprawl rather than prompting a housing policy response.

Denmark

Denmark’s housing tenure comprises just over 50% ownership, 7% equity coop housing, 21% non-profit rental, and 17% private rental.¹⁶ About a third of greater Copenhagen’s housing is non-profit, while its population of 1.2 million constitutes 22% of the country’s population. All tenants, whether living in non-profit housing (with breakeven rents) or private rentals, may be eligible for rental subsidies, depending on their incomes, household compositions and rent.

In general terms, the Danes have managed or absorbed potential demand for affordable middle class (including essential service workers) housing through longer commutes – including over an 18-kilometer bridge to Sweden; continued access to non-profit housing regardless of income, even though it is becoming increasingly residualized; and relegation of the problem to the city level of government.

Other contributing factors to the lack of a response are a generous welfare/income-equalization system and no absolute shortages of housing. While house prices escalated rapidly starting in 1993, not until 2004 did they recover in real terms what had been lost in Denmark’s economic crisis of the 1980s and early 1990s. Rising house prices did not become a political issue until 2005 and then only in the Copenhagen mayoral election

France

In France, the issue of affordable housing for essential workers appears to have been avoided through wider programs dating back to the post-WWII rebuilding and urbanization. Two early major initiatives were a payroll tax introduced in 1953 and levied on all companies employing more than 10 people, and a savings plan that provided tax incentives to depositors.

The proceeds from the payroll tax are used to finance housing, some of which may serve the employees of the contributing companies, and to fund a housing allowance. The savings plan,

¹⁶ The total is 95% because student and special needs housing is excluded; some discrepancy also results from rounding.

Livret A, pays interest on deposits above the rate of inflation and is not taxed. The accumulated funds provide a reliable source of funds to finance social housing. The payroll tax has been modified over the decades, but France remains the only member of the EU to have a dedicated state fund for social housing. Even today, as many as 75% of the population have a *Livret A* deposit account (Taffin 2008).

In 2002, the housing tenure mix in France comprised 56% ownership, 21% private rental, 17% social rental, and 6% other. The trend is toward increased home ownership, and the present government is aiming to achieve a homeownership rate of 70%.

Partly as a stimulus measure, France is now offering assistance to first-time homebuyers, defined as those who have not owned a home in the past two years. Interest-free loans for the lesser of 20% of the house cost or 33% of the total amount financed are available for those with incomes under €38,690. Other stimulus programs support the development of new private rentals in tight markets through tax write-offs and capital rebates.

Because of these and other housing programs with fairly high eligibility ceilings, there has been no perceived need for any specific programs targeted to essential workers.

Ireland

Ownership dominates Ireland's housing tenures at 75%, with private rental next at 13%, followed by public housing at 7%.¹⁷ The introduction in the 1970s of the "right to buy" for public housing tenants has diminished the public stock by two thirds from a peak of 330,000 units.

In this research project, Ireland was assigned as a "Group A" country, i.e. where the essential worker issue was expected to exist and be accompanied by a policy response. Ireland led Europe in the rate of both population and economic growth from the mid 1990s till 2006. A rapid influx of workers placed considerable pressure on housing markets, especially given the previously low levels of housing production.

Rather than essential workers as a specific group, the government instead pursued a broader strategy of increasing housing production to alleviate demand and price pressures. The National Development Plan (NDP) for 2007 – 2013 allocated 80% of its housing budget of €21.2 billion to regenerating and expanding the social housing stock, with the remaining €4.2 billion going to "affordable housing."

Housing production rose from 22,464 units in 1992 to 93,419 units in 2006, at which point one third of Ireland's housing stock had been built within the previous 10 years. Overall, house

¹⁷ *Annual Housing Statistics Bulletin 2008* (Environment, Heritage and Local Government). The remaining five percent includes the small number of voluntary association / coop housing units plus census data error. <http://www.environ.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/FileDownload,20957.en.pdf> (Accessed February 9, 2010)

prices increased between 1996 and 2006 by 270% compared to a rise of just 30% in the Consumer Price Index.

Even though Ireland absorbed hundreds of thousands of immigrants in the past decade, its housing production kept pace, thus alleviating concerns about housing affordability. Ireland's economic growth generated dramatic job and income improvements. Ireland made a rapid transition from the "poorest of the rich" northwestern members of the European community in the late 1980s to the "Celtic Tiger" of the mid-1990s. This rapid economic growth brought not just thousands of young, well-educated immigrants, but also an average growth in real per-capita disposable income between 1996 and 2006 of 9.1%, more than twice the average for the EU-15. (Malzubris 2008.) These gains enabled households to afford housing, even though it too was escalating in price.

Italy

Italy is a country of home owners (81%). Social housing accounts for only 5% of the housing stock and is a means-tested facility for the lowest income groups, most often managed by regional or local governments.

Housing costs have risen considerably in Italy in recent years. From 1993 to 2004, the average growth rate for rents was more than three times that of family incomes. In the period 1998 – 2006, house prices increased overall by 57.9% in real terms. There is a severe shortage of affordable housing. The production of new social housing has fallen sharply due to lack of public funding and the existing social housing stock has decreased due to housing sales. Some small non-profit initiatives develop rental housing for middle-income groups, but the majority of new development is for owner-occupied housing.

Observers have offered diverse explanations for why essential-worker housing has not emerged as a national policy issue in Italy. One possibility is the sheer scale of the housing affordability problem – essential workers are not singled out.

Another possible explanation lies within the Italian housing culture. The suggested cultural explanation is that young people want to stay with their parents until they start a family of their own, often not until their 30's. But comparative data is ambiguous at best. In 1998, 70.7% of adult males between 25 and 29 still lived with their parents, as did 45.6% of female adults. In 1990, nine years earlier, these percentages were much lower, at 50% and 28.7% respectively. This may mean that the rise in the cost of housing so far outstripped the ability of young workers to pay for their own housing that living in the parental home became an increasingly attractive, economical option. In practical terms, the choice of residential accommodation for singles is limited. There are very few rental apartments available and small ones are rare. This is caused, at least in part, by the weak rental market, which long suffered under a strict rent control law. Owners traditionally have shied away from renting out properties, even long after the reform of the law. The combination of lack of choice in the rental market with the rising cost of ownership has meant that younger people who might have been ready to enter the market are increasingly living longer with their families, even if that means a longer commute to work.

Another factor relates to the devolution of responsibility for housing in 1998 from the central government to the 20 regions, which are quite diverse, particularly with respect to economic development and housing affordability (similar in diversity to Canada's regions.) This devolution means each region must determine whether or not a particular issue (like housing affordability for essential workers) is a problem that requires attention. As a result, housing policy and responses vary across regions. Lombardy in the north, with Milan as its capital, has one sixth of the national population and generates nearly a quarter of Italy's GDP, making it one of the most prosperous regions, but also one that attracts migration and experiences price pressure. It (and some others) has responded with demand-side programs like vouchers for first-time buyers and housing allowances for renters in the private market. Most of these programs benefit some essential workers, but in general they have not been specifically targeted to this segment

The one initiative that explicitly targets essential workers comes from northern Italy's history of ethical "third sector" banking foundations.¹⁸ An investment mechanism used in commercial real estate development has been used in social housing production. The first projects will come on the market in 2011. Key workers are explicitly mentioned as a *possible* target group by one of the organizations involved, the *Fondazione Housing Sociale (FHS)*.¹⁹

The Netherlands

A distinguishing feature of the Dutch housing system is its large social housing sector; 34% of the total housing stock and 75% of rental housing is owned by non-profit housing associations. The open and large social rental market may contribute to the fact that key worker housing did not emerge in the past as a national policy issue.

However, open eligibility continues to be controversial. According to the EU, the support the Dutch government gives to housing associations in the form of guarantees and preferential access to capital was damaging level-playing-field competition. In response, the Dutch government has negotiated with the European Commission new social housing eligibility criteria that were explicitly intended to keep social housing open to as-high-as-possible income groups, ones that would include key workers. In future, 90% of the social housing stock must be allocated to households with an annual taxable income below €33,000. This would make 43% of all households eligible for social housing, but it is not clear how many people beyond the lower salary ranges of the essential worker population would still receive a subsidy. For example, an entry-level police officer earns €21,000 annually plus overtime.

¹⁸ These institutions have their roots in the philanthropic foundations established in northern Italy early in the 19th Century to combat the economic devastation resulting from the Napoleonic Wars by promoting saving and investment for housing. An example is the Fondazione Cariplo, which is a descendent of such an organization and also a co-founder of the Fondazione Housing Sociale. Under Italian law, foundations like Cariplo which have a banking origin are private organizations that are placed between the private and public sectors and pursue "public benefit" objectives in areas where public agencies leave off. See also <http://www.fondazionecariplo.it/portal/page148a.do?link=klN28b.redirect&seu311a.oid.set=167>

¹⁹ Awareness of this emerging initiative was the initial basis for including Italy in the study. However, further investigation found that this is a very small and marginal response, only partly related to the core research issue of essential worker housing.

To the extent that it does exist, the essential worker issue is most evident in the major cities – and as discussed in the previous section a number of more isolated sub-national policy initiatives have emerged. For decades, the tension between supply and demand has been highest in cities like Amsterdam, Leiden, Utrecht and less densely built areas like the Gooi and Vechtstreek. The supply shortfall is exemplified by high prices in the owner-occupied sector, long waiting lists in the social rental sector, high rent levels in the private rented market and illegal subletting in all rental sectors. Usurious rent practices are often reported in private rented housing in these areas. To the extent that they exist, policies to promote housing affordability for essential workers have been concentrated in the Amsterdam area, and have usually been linked to wider social programs aimed at the regeneration of services in inner-city neighbourhoods.

Sweden

Sweden stands out among the case study countries as the country with the most diverse and (arguably) balanced housing tenure system with a municipal not-for-profit sector (32%) that is roughly the same size as the home ownership sector (29%), along with a substantial collective ownership (coop) sector. That said, Sweden does not have a distinct stock of subsidized social housing. The municipal housing companies essentially operate on a rent-equals-cost basis, meaning there are no ongoing subsidies. Instead, a broad system of housing allowances is available to individual households, based on their need (income and composition) and applicable across all tenures.

As a result, both the co-operatively owned and the non-profit housing are mixed-income with no constraints on eligibility, thus creating opportunities for households working in essential occupations. Some small, localized initiatives have sought to take advantage of the relatively more affordable non-profit rents by creating priority access to this housing for municipal employees.

Sweden has experienced significant increases in housing costs because of substantial reductions in new housing completions (in part attributable to what is perceived as excessive regulation in the rental sector, thus discouraging new development) without any concomitant increase in coop or freehold ownership development.

Affordability concerns have been addressed through a process of decentralization, with households living increasingly distant from the core of three major urban growth centres and significant investment in improvements to transportation infrastructure as a way to manage longer and more extensive commuting.

6. Summary of findings

6.1 The context for this study

The goal of this research project is to study mechanisms used by governments in the United States, the United Kingdom, Ireland, Australia, and other selected OECD countries to assess the housing conditions of essential service workers, as well as the policy responses that these governments have developed in order to increase access to affordable housing for essential service workers in high-cost housing markets.

6.2 Challenges in categorization

From the outset, the project faced two methodological challenges. First, there is very little common terminology used within OECD countries to define the types of workers CMHC wished to see studied. Few countries use the term “essential worker.” England and Ireland have adopted the phrase “key worker.” In Australia, the concept is only rarely discussed in the literature, and there the preferred term is “essential worker.” Researchers, advocates, and government agencies in the US generally do not focus on essential workers per se, but tend to include them in a much broader population generally referred to as those in need of “workforce housing.” In context, the phrase is intended to convey the twin notions of certain households in need of housing and of the communities that need their skills.²⁰ It is important to note here that, in non-English-speaking countries, no equivalent term was identified.

The lack of common terminology led to the second challenge, namely the difficulty in finding ten countries that met the criteria for study within the terms of reference of the work. In fact, only one of the ten subject countries, England, responded with significant housing subsidies to essential workers and, to be precise, that response targeted primarily the markets in the southeast region around London. Accordingly, the scope of the research was revised to add a corollary research question.

6.3 Reframing the question

The research question was reformulated to include a comparative analysis of two groups of countries. Countries in both groups experienced a significant and prolonged rise in real

²⁰ In some parts of the US that are trying to reverse long periods of urban decline and decay, the communities aren't necessarily focused on retaining particular skill-sets (e.g. teachers), but are trying to attract household with employed people who can participate in neighbourhood revitalization. In such cases, “workforce housing” has wider goals than the narrow focus of affordability for essential workers as defined in this study.

housing costs, but in only one group did the issue of essential worker housing arise and prompt some level of policy response (and even here only marginal responses).

- “Group A” includes those initially identified by the CMHC terms of reference (Australia, England, Ireland and the US). To this group, the research team added Italy, where the consultation suggested that essential or key worker housing is a recognized concern and that there is some evidence of a sub-regional policy response;
- “Group B” is comprised of countries which had experienced significant price rises but where the issue of essential workers securing affordable housing has not emerged as a significant public or policy concern (Austria, Denmark, France, Netherlands and Sweden).

The research sought both to identify specific policy responses and programs where these exist in “Group A” and to explain either how the issue did not arise in the “Group B” countries or how those countries had managed the issue without resorting to new programs and policies.

Within Group A, only England saw the creation of significant programs to promote housing affordability for essential workers. It appears that a combination of factors gave the issue greater prominence and policy traction in England than in other countries. The reasons include:

- Homeownership is highly prized. Where middle-class households cannot afford to buy, the affordability challenge becomes a political issue. Renting is not seen as an acceptable alternative. This is especially true of social housing, which, in any case, has become increasingly targeted to income groups earning less than most essential workers.
- The protracted rise in housing prices in the southeast of England at a rate faster than that of the median income had consequences in staff turnover, recruitment and training costs and lowered productivity among key workers that were unacceptable to their employers and the electorate.
- The national government is responsible for establishing affordability and sustainability targets for housing and development and oversees how such policy targets are implemented. The regulatory framework, however, was burdensome and the housing production industry had not met growing demand. The upward pressure on prices exacerbated affordability, especially for first time buyers and those in low-moderate wage public (essential worker) occupations.
- Since the UK is a unitary state (at least with respect to England), the national government also has responsibility for funding essential services (e.g. health and education, fire and safety, etc.). There is no level of government equivalent to states or provinces, which in other countries share some of these responsibilities. The promise by the national government to improve government services meant

ensuring there were qualified and committed essential workers able to afford living in London and the southeast. Most importantly, since the national government is also responsible for housing policy, it could facilitate achievement of its promises regarding the quality of essential services by directly tackling the issue of housing affordability for essential workers.

In “Group B” (Austria, Denmark, France, Ireland, Netherlands and Sweden), the research found that these countries were able to manage or avoid serious policy concern related to essential worker housing because of a variety of factors. These included:

- Characteristics of the welfare state (more social democratic, universal welfare systems)
- Nature of the housing system and tenure pattern (lower rates of homeownership)
- Relative size and more flexible eligibility criteria of the social housing sector
- Labour market policies that influence affordability (i.e. strong wage policies and higher minimum wages)
- Urban spatial patterns, density and transportation (access to more affordable locations)

While no single factor explained the capacity to better absorb the issue, most of our “group B” countries enjoyed all or most of these attributes.

6.4 Policies and programs

The research sought to identify programs at both the national and sub-national scales (see Figure 4). New national level programs were found only in England with one pending in the US. In a number of countries pre-existing ongoing programs have been used to help essential/key workers, but these programs were not designed or introduced with this specific target group in mind. Meanwhile, sub-national programs were found in a number of countries, typically limited to high-cost cities where housing affordability challenges are seen as an impediment to an adequate labour supply.

The following table provides a quick summary for each of the countries in the study. It shows whether or not the issue of housing affordability for essential workers had been discussed in the media or research literature; whether or not essential workers are included in any published measures of housing affordability or need; the existence (if any) of responses by governments or employers; and the mechanisms (if any) that governments have introduced to promote housing affordability for essential workers.

Figure 4.

Country	Issue in media	Issue in research literature	Essential Service Workers included in need measure?	Formal response by national government	Employer response (apart from government)	Main mechanisms (and order of Government responsible for mechanism)	
						Home Ownership grant (federal and state); wage policy (federal)	Home Ownership Assistance (National)
Australia	Y	Y	N	N	N		
Austria	N	N	N	N	N		
Denmark	N	Y	N	N	N		
England	Y	Y	N	Y	N		
France	N	N	N	N	N		
Ireland	Y	Y	N	N	N		
Italy	Y	Y	N	N	N		
Netherlands	N	N	N	N	Y		Priority for Social Housing (National & local partnership)
Sweden	N	N	N	N	Y		Priority for not-for-profit housing (National & local partnership)
United States	Y	Y	N	(Pending)	Y		Employer assistance

6.4.1 National Programs

Both specific programs recently implemented in England involved assistance to help key workers buy in high-cost markets – using homebuyer grants. In addition, through planning regulation, England (again with national-scale legislation) has a provision (Sec. 106 Agreements) that requires developers of larger sites to set aside land for affordable housing development by social housing partners. In 2006, the parameters of Sec 106 agreements were revised to add “shared ownership” and rental housing geared to key workers, where the rents are below market but above social housing levels.

The US has established a discounted purchase program, a relatively opportunistic approach that combines the creation of home-buying opportunities for law enforcement and emergency workers with the revitalization of targeted urban areas (often depressed pockets in otherwise high-cost cities). Also, the last two sessions of the United States Congress have seen a bill introduced to create a new tax credit to encourage and support employer assisted housing programs (localized and small scale initiatives). These involve employers providing either rental assistance or more commonly some down payment assistance for home purchase. The bill has failed to pass on both occasions, but the debate continues across the country about the need for such a measure, and there have been local efforts to implement similar schemes.

6.4.2 Sub-National Programs

An array of localized programs was found in higher cost cities. These included:

In Australia, small developments were built using public land built for designated employees in the Sydney suburbs.

In Milan, Italy, a regional government has responded to high housing costs with demand-side programs like vouchers for first-time buyers and housing allowances for renters in the private market. Most of these programs benefit some essential workers, but in general they have not been specifically targeted to this segment. A separate ethical investment fund is developing a small project targeting essential workers.

Drawing on their relatively large municipal non-profit stock, a number of cities in the Netherlands (the Hague, Utrecht, Rotterdam and the region southeast of Amsterdam) have established priority placement in social housing for up to 250 key workers annually, targeted according to need among police, healthcare workers and teachers. Also in Amsterdam from 2000 to 2006, 1,750 households with annual incomes between €20,420 and €40,840 received loan assistance to purchase newly built housing.

Sweden has similarly established special waiting lists in public housing for employed persons seeking housing. This more resembles US-style workforce housing in its broader targeting. For example, the public housing company in Overberg gives priority to any worker who gained employment (six month-duration minimum) in the City and who currently live 100 km or more from the workplace. However, municipal housing companies can also give priority placement, if they choose, to government employees.

In the US, the most common mechanism at the local level to promote housing affordability for employees is the provision by employers of an Employer-Assisted Housing (EAH) grant or forgivable loan toward the up-front cost of purchasing a home. One example is the City of Orlando's Downpayment Assistance Program. Part of a wider program in the city, this initiative is in response to a shortage of teachers and health care professionals, which has been caused in part by the gap between salaries and the cost of housing. Details on a cross-section of specific local EAH initiatives are provided in the US section of Appendix A.

As in England (but less extensively), a number of US localities have adopted inclusionary zoning provisions. These provisions usually apply to ownership subdivisions and enforce income limits on a portion of the units. These income limits typically include workforce housing and can be used to target public sector employees

6.5 Successes and impediments

A reader interested in the subject of this research would quite naturally be interested in whether there are any measures that have proved to be successful across various countries in improving affordability for essential workers, and whether there are impediments to the success of such measures.

Unfortunately, it is quite difficult to state with certainty any simple answers to the first question. One reason for this is that many of the sub-national initiatives are so recent that they have not yet been evaluated yet by the organizations carrying them out. This means there are few programs remaining to compare with each other.

A more important reason for the inability to answer this question is that the meaning of the term "success" is not clear. For example, the UK government's analysis of the Starter Homes Initiative and Key Worker Living programs concluded that the costs were offset by savings in reduced recruitment and training costs, higher productivity through retaining experienced staff rather than coping with high staff turnover, prolonged vacancies, and reliance on temporary staff. However, the evaluations noted that some key worker employers were also improving their human resource policies to reduce turnover, so other variables helped contribute to success.

A variation of this dynamic (i.e. how to define "success") appears in several places, where the essential worker initiative is a component of a wider government program and the perception of the success or failure of the latter influences opinion of the former. For example, the Good Neighbor Next Door (GNND) initiative in the US has been deemed a success (or at least seen to be popular) because it helps achieve the revitalization of formerly deteriorated neighbourhoods. However, it could be argued that really, the GNND is not primarily an "essential worker affordability" program because the beneficiaries could have afforded the housing without assistance. Rather, the deteriorated condition of the neighbourhoods meant that extra incentive had to be given to workers to move there. Similarly, programs in Utrecht and other Dutch cities to promote housing for essential workers are seen in the wider context of urban revitalization.

Another complicating factor is that in many jurisdictions, first-time buyer assistance programs are popular, but are not usually targeted to essential workers. Essential worker affordability initiatives are little more than a component of wider home ownership programs for first-time buyers. It is quite likely that some essential workers benefit from these programs. However, in most cases there is no information on what percentage of program beneficiaries are essential service workers.

Not-for-profit housing agencies controlled or aligned with municipalities in the Netherlands and Sweden have been successful in reserving certain units for workers in categories that those municipalities have deemed important. Therefore, within their own terms, these policies are seen as successful. However, it is difficult to see how such policies could be exported to countries where the social sector is very small and usually more targeted (precluding essential worker income levels) .

A related issue is the one of sustainability and equality. Are all the ownership-assistance models geared towards benefitting the initial occupant of the housing, with that occupant essentially being given a grant not only of the upfront government assistance but also 100% of any appreciation in the value of the property? Or is it seen as either practical or desirable to create a system that recaptures some of the value appreciation and re-uses it (through a re-sale formula, a trust fund or similar mechanism) to promote future affordability? This is typically a feature of most assisted homeownership programs in Canada and the US. In England, a “clawback” provision was only introduced in the Key Worker Living program following a recommendation from the evaluation of the earlier Starter Home Initiative program, which lacked this feature.

Many of the US models for stimulating the production of new housing for specific sections of the work force, such as Employer-Assisted Housing, rely on the issuance of tax-exempt bonds or on uses of the tax code to create tax credits. The US is unique in the extent to which it uses the tax code to encourage private-sector participation in the housing market, so it is unclear how many of the American initiatives are replicable elsewhere.

Lending regulations might become more standardized in the future in response to the recent failures of the international banking system, and fiscal or other levers available to individual countries might be reduced (through either ongoing pressures to reduce deficits or – in the case of Europe – the European Commission’s rules about “fair competition” and the European Monetary Union’s efforts to homogenize fiscal and monetary policy). In that case, more opportunities may arise for jurisdictions to copy initiatives developed by others. In the mean time, it appears likely that each country will continue to promote housing affordability (sometimes, but not always, with a specific effort to ensure affordability for essential workers) in its own way.

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Essential Worker Housing Affordability: An International Review

Prepared for Canada Mortgage and Housing Corporation

By

Paul Connelly, Connelly Consulting Services

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Appendix A: profiles of case study countries

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1. General context: the Australian housing system in brief ¹

Australia's tenure mix is very similar to Canada's. In 2006, 69% of households owned their dwelling; 22% were in the private rented sector and social housing made up just over 4% of the total stock.² Because of the high ownership level, when ownership affordability becomes more challenging, this is quickly identified as a policy concern.

The proportion of Australian households that own their own home has ranged between 69% and 71% over the period from 1994-95 to 2005-06. Over the same period the proportion of households that were renting privately increased from 18% to 22%.

Tenure	Size (%)
Ownership	69%
Private rental	22%
Public rental	4%
Other	6%
Australian Bureau of Statistics 2006	

Recently, there has been a decline in outright (i.e. mortgage-free) home ownership. This may, in part, reflect increasing uptake of flexible low-cost financing options, which allow households to extend their existing home mortgages for purposes other than the original home purchase (equity take-out).

Social housing is targeted almost exclusively to lower-income households, and as such is not available to individuals or households in key or essential worker occupations where wage levels will typically exceed those eligible for assistance.

On the demand side, low-income private tenants can receive an income supplement known as Commonwealth Rent Assistance (CRA) – residents of social housing are not eligible. It is paid by the federal government and added to other forms of income support. It is paid at the rate of 75 cents for every dollar of rent paid above a specified minimum rent threshold up to a maximum amount. The minimum threshold and the maximum rate of assistance vary according to the household situation and number of dependent children (but would typically taper out below salaries associated with essential worker occupations).

Beyond the relatively high ownership rate, support for home ownership is evident in Australia both in the public policy processes that shape the housing system and in the broader expectations, preferences and culture. With these expectations, the rise in house prices over the decade 1996-2006 raised concern about housing affordability, both for low-income households and among young families seeking to enter the ownership market.³ Thus, the policy debate has focused on

¹ Prepared with the assistance of Tony Dalton, RMIT AHURI Research Centre RMIT University Melbourne Australia.

² A further 6% live rent free or with unspecified shelter costs "other"

³ As reviewed in the main body of this report, Australia has experienced significant and sustained home price increases, among the largest of the ten countries being examined in this report. The most recent indication of the concern within government about continuing house price increases is the decision in April 2010 by the Council of Australian Governments (COAG, 2010) to endorse a housing supply and affordability reform agenda that focuses on demand-side pressures and supply-side constraints.

Australia

the broad issue of housing affordability, but from a broad perspective (not stimulated or necessarily related to essential worker affordability).

The private rented market is characterized by many individuals who own dwellings and operate as small landlords. There is no large-scale corporate landlord sector, and few explicit “purpose built” multi-unit rental properties like those found in Canada. Moreover, the rental stock is very similar in form to owner-occupied dwellings and properties frequently shift between rental and ownership occupation. Thus, the rise in home prices has also affected rental properties. High purchase values lower investor yields – although favourable tax treatment of rental losses partially offsets this effect – and raise rent levels.

In response to both low supply of new social housing and concerns about insufficient rental options, the new Federal Labor Government came to power in late 2007 with a commitment for a supply program known as the National Rental Affordability Scheme (NRAS). This is a broad rental supply initiative and could potentially include essential workers, although it was not developed in response to an identified need from this specific market segment. A more detailed account of this new program is provided in the last section on new policy and program initiatives.

There has been considerable change in the political economy of the housing system, especially since the mid 1980s. This change follows deregulation of the finance system and the adoption of neo-liberal economic policies. This, in turn, has led to considerable research into the dynamics of the housing system, with a focus on the flow of households into and out of the three main tenures and the role of policy in shaping supply and demand within these flows.

Another important feature of the Australian system especially relevant to the issue of essential worker affordability is a long-standing tradition of a strong labour and union movement. For more than a century, quasi-judicial bodies have introduced broader public policy objectives into the setting of wages and conditions by setting minimum wage levels and making industrial awards. This has resulted in wage policies that, indirectly, have helped to address housing affordability from the income side of the equation. While issues of low wages persist, the impact of the union movement has been to boost wages in professional and unionized occupations, including those of nurses, emergency workers, teachers, and others often included in the so-called essential worker category. This may well be a factor in the issue of housing affordability for these workers not emerging as a significant policy concern. At the same time, the unions representing low- and moderate-income workers in fields such as education, health, emergency services, retailing and hospitality have not made housing affordability a specific issue or pressed for a specific policy and program response.

2. Measuring need and quantifying the essential worker housing issue

Recent research on housing need and affordability in Australia is primarily the outcome of the work supported by AHURI National Research Venture 3 - Housing affordability for lower-income Australians. Launched in 2004, the project sought to answer the question “How do we assess and address housing affordability for lower income households in Australia?” The research

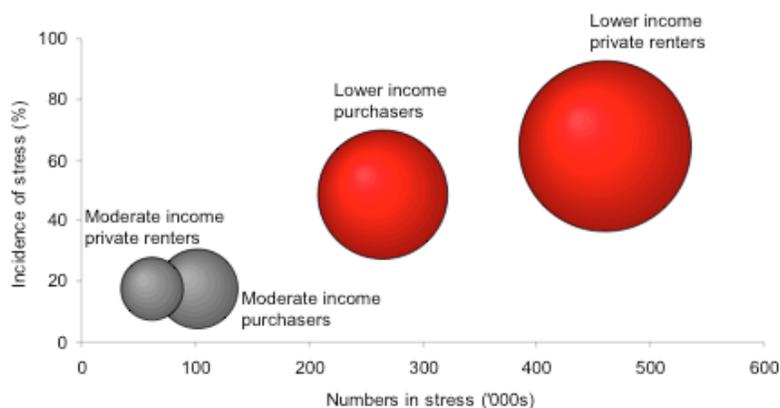
program examined the basis of affordability (wages vs. supply) and detailed concerns about which data sources and incomes to use (gross vs. disposable) as well as the types of ratios that best reveal need. It did not, however, explicitly identify or discuss the needs of essential workers (Yates and Gabriel, 2006).

The main ratio measure used by researchers in the Australian context is “housing stress.” This measure became broadly accepted through the work of the National Housing Strategy (1991), which stated:

Income units (households) are said to be in housing stress if they pay more than 30% of gross income on housing and are in the lower 40% of the income distribution.

Subsequently, there has been a debate about the best way to measure household income. This is because the choice of income measure shapes the number and proportion of households judged to be in the bottom 40 per-cent of the income distribution and paying more than 30 per cent of their income for housing.

Figure 1: Numbers of households at risk due to experience of housing stress



Source: Yates et al. (2007)

The primary data source used to present the analysis of housing affordability in the National Research Venture 3 was the Australian Bureau of Statistics 2002-03 Survey of Income and Housing. The broad pattern of housing stress it found is evident in Figure 1. It shows that the scale and incidence of affordability problems increasing from bottom left to top right and with the size of the problem mirrored in the size of the bubble for the first and second income quintiles. Moderate-income renters and purchasers, which may include some people working in essential occupations, have a relatively low incidence of stress, at least at an aggregate national scale. As discussed below, affordability concerns are more acute in larger higher cost cities, such as Sydney and Melbourne.

There are additional ratio measures that focus more specifically on housing affordability for home purchasers. A very simple one is the change in the ratio between house prices and household income (house cost- income multiplier). The long-term change in the ratio reflects a

faster rate of increase in real house prices compared to real incomes. Another measure is the HIA/Commonwealth Bank housing affordability index.⁴ Its strength is showing the effect of interest rates on affordability. However, as Yates et al. (2007) note, its weakness is that it hides the real increase in qualifying income required to afford a median first-home purchase over the period as the pace of increase in real house prices outstripped that of real incomes. A better index, they argue, is a deposit gap index. This measures the difference between the median home price and the maximum financing supportable, using an annualized average weekly wage (full-time male employment), prevailing mortgage rates and a 0.30 ratio to income. This index shows a sustained increase over a forty-year period.

Overall, there is no official formal measure of housing affordability regularly published by government. Similarly, there is no formal measure for the sub-market of “essential worker” occupations. Nevertheless, essential-worker housing has emerged as a subject of discussion within housing policy in Australia. This focus is recent, not well developed and does not yet feature in current state or federal housing policy agendas

Essential worker housing research

There is no extensive research on essential worker housing, but one recent report did examine the issue within a broader exploration of housing affordability issues, a research report by Yates et al. (2006) *Housing affordability, occupation and location in Australian cities and regions*⁵ This research was commissioned explicitly by AHURI to investigate the nature and extent of the essential worker issue in Australia. The motivation for the research was a concern that high housing costs in central city regions are excluding many lower paid workers from jobs in those regions.

The approach taken in the research was to examine a number of “indicator occupations” – at the least skilled end of the occupational spectrum, cleaners and hospitality workers and at a higher skill level, nurses and computer professionals. Melbourne, Sydney and Brisbane were chosen as the urban areas for research because they have the highest housing costs. Within these metropolitan cities the highest cost regions were selected and the extent to which different households are in housing stress was considered.⁶

The research confirmed the declining housing affordability in Australian cities revealed in other research. Its findings were:

⁴ The HIA / Commonwealth Bank Affordability Report uses Commonwealth Bank house price data to measure the ratio of average household disposable income to the qualifying income required to meet payments on a typical dwelling. See <http://economics.hia.com.au>

⁵ The very limited Australian research on essential workers is presented in the literature review of this report against the background of UK and US research and policy development. Most of the prior consideration of the issue reported on is in New South Wales (NSW).

⁶ As discussed below, “housing stress” is the Australian term used to refer to households facing high shelter-to-income ratio: exceeding 30% of income of gross income on housing and are in the lower 40% of the income distribution.

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- The occupational group with the greatest incidence of housing affordability problems was hospitality workers. Twenty-seven per cent of households with a hospitality worker member had housing affordability problems.
- Sales assistant was the occupational group with the greatest number facing housing affordability problems. Other occupational groups with large numbers were transport workers, carers and aides, and hospitality workers.
- The key or essential worker groups that have become the focus of attention in the UK and the US, such as teachers, nurses and police officers, **did not have above-average housing affordability problems.**
- The poor housing affordability outcomes for households in the hospitality and sales assistant occupations is primarily a reflection of the low incomes of these two groups within the broader pattern of employment income distribution.

The highest incidence of housing affordability problems was greatest in Sydney, especially inner Sydney. Inner Melbourne and Brisbane and the Gold Coast area to the south of Brisbane also had high incidences of housing affordability problems.

Broadly this research found four trends in the housing-work dynamic of metropolitan capital cities. They were:

- The increasing cost of housing is reducing the housing options of low-paid workers in inner city areas, which are increasingly becoming the preserve of young renters, the affluent and those without children.
- Low paid workers are increasingly relocating to lower-cost outer suburban areas.
- There is an accompanying change in the distribution of work characterized by the shift of newer low paid jobs from central city areas to the outer suburban areas and the growth of new professional jobs in central city areas.

There is continuing demand for low-paid workers in central city areas that can be met by these workers commuting from the suburbs or by young mobile workers living in the inner city.

The underlying argument presented in this report was that the main problem was the absence of affordable housing policies and increasing socio-economic polarization of Australian cities.

Research on housing and labour market connections

Another study examined potential labour shortages in some occupations due to housing costs.⁷ This was undertaken in a context of a much more extensive program of research into the connections between the operations of the housing market, government housing and income assistance and the operations of the labour market.

In sum, neither housing nor labour market research in Australia, including the Yates et al. (2006) *Housing affordability, occupation and location in Australian cities and regions* **has focused on**

⁷ This program of research has been undertaken principally through a program of research National Research Venture 1: Housing assistance and economic participation (see Appendix 1 for a list of publications), commissioned by the Australian Housing and Research Institute (AHURI).

or supported a key or essential worker housing program. Instead, the research maintained a focus on changes in housing affordability; change in the Australian urban economy, industry structure, occupations and spatial distribution of employment; and the outcomes and effects of government housing policy and assistance programs on housing and employment. The policy thinking supported by this research is largely directed towards improved housing affordability.

Essential worker housing policy development

Similarly, there has not been extensive policy discussion on essential workers and housing affordability, but the issue has been highlighted in a number of recent policy related reports.

One is a recent Senate Select Committee on Housing Affordability in Australia (2008). This report, *A good house is hard to find: Housing affordability in Australia*, presents a broad review of housing affordability issues and federal and state government policy and program responses.

The report confirmed the already well-known decline in housing affordability, which affects the housing options of many low and moderate-income households, especially renter households. In its exploration of the different dimensions of this overarching issue, the committee picked up on the concept of essential worker housing, stating in its introduction:

The committee heard evidence that affordable rental housing is not only necessary to assist lower income earners or welfare recipients who struggle to meet market rents, but also to assist some communities to attract and retain essential workers in high housing cost areas (ibid 153).

The evidence was not empirical, but was based on a submitter from the Gold Coast City Council, which is a major tourism destination.

Some of our workers, mainly in the hospitality and construction industries— or the service industries generally, not just hospitality but child care, schoolteachers and police officers—would find it incredibly hard to rent accommodation let alone enter the property ownership market on the Gold Coast currently (ibid 153).

The featured quote covers a very broad spectrum of the workforce. In effect, the committee report is making the observation that employed low and moderate income earners as a group are experiencing declining housing affordability. **There is very little specificity as to what constitutes an essential worker in the evidence presented to the committee.**

There is also very little specificity in the way the committee went on to develop its argument and recommendation on essential worker housing. The committee noted (Rec. 10.2) a range of government programs aimed at supporting people to obtain affordable rental accommodation and primarily providing assistance to low-income families and welfare recipients. They further observed (Rec 10.3) that:

There do not appear to be many programs, which seek to target workers in 'essential services', who are finding it increasingly difficult to access affordable housing in some areas of Australia. By increasing the supply of affordable rental housing, the National Rental Affordability Scheme may, if successful, provide some assistance in this regard.

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This is followed by a recommendation (10.10) that was based on this finding and argument. It states:

The committee recommends that the Australian government encourage applications under the National Rental Affordability Scheme (NRAS) that would target the development of new affordable rental properties in areas of greatest need and/or for communities needing affordable housing for essential services workers (ibid 173).

At no point does the report provide a definition of essential worker. It can be surmised that it is being used as a proxy for low income employed people who are experiencing housing affordability problems in particular areas.

The response by the federal government (Australian Government, 2009: 23) is that the National Affordability Rental Scheme already allows for housing to be targeted along the lines recommend by the Senate Committee.

Similar loosely defined ideas about essential worker housing are also circulating in New South Wales, supported by two state government agencies. One of these is Landcom, the New South Wales state government land development agency, which aims to moderate the price of land by directly producing lots for new housing. It has picked up on the essential worker idea in the statement:

*The strong NSW property market has placed home ownership out of reach for many people. Of particular concern is the number of essential service workers whose contribution is crucial for our economic growth and our city's liveability. **Essential service workers such as those working in emergency services, healthcare, education and trades are often forced to commute great distances to work due to a lack of affordable housing near their place of employment** (Landcom, 2009).*

Its response is to produce serviced land for housing that is affordable for households with moderate incomes. However, this is a loosely defined commitment within Lancom's broader program of seeking to moderate the price of land by being a competitor to other land developers in Sydney.

A second agency using the essential worker housing idea is the Centre for Affordable Housing (2010: 5) in the NSW Department of Housing, which guides local government authorities in the development of local housing strategies.

*Without a mix of appropriate and affordable housing, communities cannot accommodate the range of people needed to maintain social cohesion, support the functioning of local economies, or sustain local services and businesses. **For example, a shortage of affordable accommodation will limit the ability of a local area to attract the essential workers who maintain transport services, medical support facilities, schools, local council utilities, and child care.** In every locale, a variety of housing types,*

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tenures and costs is needed to achieve the concentration and diversity of people that support a full range of local services and facilities.

This is now being reflected in local strategy documents, such as the submission by Ryde Hunters Hill Community Housing (2008: 3), which states:

*Lack of affordable housing not only affects the quality of life of individual families, who may be sacrificing basic necessities to pay for their housing. It also has a serious impact on employment growth and local economic development. The loss of young families and workers in lower paid essential service jobs is bad for **local economies**, and is contributing to labour shortages in many areas of Sydney and related regions. This is contributing to a lack of labour supply among ‘key workers’ who are essential to various services including childcare, aged services, health care and hospitality, but whose wage does not allow them to access rental or purchase housing close to where they work. (emphasis in the original)*

Similarly the City of Canada Bay, an inner western Sydney municipality presents an account of the housing issues (City of Canada Bay Council, 2007a: 5).

*The people most at risk in the community in housing terms are those people who are in the private rental market, have very low incomes and are paying too much of their income on housing. **Examples of workers on low incomes include childcare workers, sales assistants, carers, cleaners, administration clerks, nurses and other essential service workers.** ... Employers may experience difficulty obtaining and retaining lower paid workers due to a lack of affordable housing, causing increased turnover in staff due to high commuting costs. The local economy may experience the effects of housing stress via a downturn in spending and support of local businesses resulting from high rentals and low level of disposable income.*

In summary, there has been some recent history of essential worker housing policy discussion. Two small-scale projects (summarized in sec 3 below) have been established that provided housing to essential workers. They represent small initiatives, rather than a broad program or policy response.

At the same time, it is clear that the essential worker idea is poorly defined. It seems to overlap considerably with a more general analysis about the short supply of affordable housing and a case for an increase in its supply.

The analyses make the point that employed people on low and moderate incomes often find it very difficult to either rent or purchase housing in Sydney. Associated with this discussion is some effort to describe the occupations of these workers. However, there is often a lack of precision about these lists when prefaced with the word “including”. Only the City of Canada Bay’s policy provides a specific list of occupations.

3. Policy and program developments related to essential worker housing

The discussion of essential worker housing in both the limited research and the various policy discussions noted above can be viewed against the context of developments in housing policy since late in 2007. There are a number of specific policy measures, most of which already existed and have simply been expanded, and few dealing with or related to essential worker issues:

- A National Affordable Housing Agreement (NAHA) replacing the previous Commonwealth State Housing Agreement (CSHA) between the federal and state governments covering
 - Social housing including public housing
 - Homelessness
 - Remote Indigenous Housing
 - Nation Building and Jobs Plan as a specific response to the GFC
- First Home Owners Boost (FHOB) providing additional assistance to first home owners in addition to the pre-existing and continuing First Home Owners Grant (FHOG)
- National Rental Affordability Scheme (NRAS) providing a subsidy to rental housing providers on the condition that dwellings are rented to low and moderate income households
- First Home Saver Accounts adding to the savings of aspiring first home purchasers

Only FHOB and NRAS are directly relevant to the core issue of essential worker housing.

The First Home Owner Boost (FHOB) is a federal government response to the economic downturn associated with the Global Financial Crisis. The central mechanism was to significantly increase the purchase funds available to first home purchasers as a whole and provide even more for those purchasing a new dwelling (thereby sustaining employment levels in the home building industry). For the period July-September 2009 there was an additional grant that provided \$7,000 for the purchase of an existing dwelling and \$14,000 for the purchase of new dwelling. After September 2009 the boost amount has been programmed to decline. This was in addition to the ongoing \$7,000 FHOG that commenced in 2000 as compensation for the impact of the newly established Goods and Services Tax (GST). This meant that first home purchasers could receive a total of \$14,000 for established homes and \$21,000 for new homes during this period. The expenditures for these programs are significant. In 2009-10 the federal government budgeted \$1.2 billion for the ongoing FHOG, with an additional \$0.7 billion in FHOB (on top of \$0.8 bn. for FHOB in 2008-09; after 2010, FHOB will decline almost to zero). Also, some state governments supplement the base FHOG funding by providing additional support to households purchasing new dwellings.

It is important to note that FHOG, FHOB and the additional state government supplements are not means-tested. Only the supplements from state governments (but not the federal government grants) become unavailable when the price of the dwelling goes over a threshold amount. In other words, there is no targeting of the federal government grants and limited targeting at the state level. Thus, while this initiative may capture some essential workers in its net, it was neither

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designed nor targeted exclusively for that market segment. In summary, there is no policy connection between support for first homeowner purchasers and the idea of supporting particular groups of workers in the housing market (although it is conceivable that some beneficiaries of the FHOG/FHOB could be essential workers).

Next, there is the National Rental Affordability Scheme (NRAS), a new social housing supply program, which was a commitment of the Rudd federal Labor Government elected in late 2007. Its purpose is to encourage investors to expand rental supply. Note that, in Australia, the predominant source of rental supply is small individual investors buying a home that is then rented, with significant tax benefits to the investor through ability to write off losses against non-property-related income, so-called “negative gearing”. NRAS was designed to encourage larger scale corporate and institutional investors. It was initially conceived as a tax credit, drawing on US experience, but has morphed into a grant program.

The NRAS provides for a combined federal and state National Rental Incentive payment (totaling \$8,000 per year per recipient) to landlords on the condition that the units are rented to low- and moderate-income households at 20% below the market rent. The grant payment essentially compensates for low rent revenues and helps maintain an acceptable yield. The incentive payment is available for ten years, provided that the property continues to be rented to a household that meets the eligibility criteria. Providers can be either non-profit community housing organizations or private enterprises. Households living in NRAS funded dwellings are eligible for Commonwealth Rent Assistance. Indeed access to this form of income support is a key element of program feasibility.

The government commitment is for 50,000 NRAS-supported dwellings over five years, followed by another 50,000 in years six to ten. Currently, the program is in its early stages of development, following two funding rounds and a third call for proposals.

As noted above in the discussion of essential worker housing policy developments, the Senate Select Committee on Housing Affordability in Australia (2008) suggested that the government consider adjusting the NRAS program to provide targeted support to essential workers. Again, a problem with the Senate report and much of the other discussion is the lack of clarity about exactly which occupational groups should make up the category of essential worker.

Some local initiatives

Separate from these broad program initiatives (with only marginal relevance to the essential worker concern), there have been some, albeit very few, local initiatives. Two small housing projects have been established in Sydney, which are explicitly providing essential worker housing.

In 2005, a Voluntary Planning Agreement between the City of Canada Bay and a developer led to the creation of fifteen affordable rental housing dwellings near Concord Hospital, a major metropolitan hospital. Council then decided that six of the fifteen dwellings would be accessible to hospital staff that met the eligibility criteria for affordable housing (low to moderate income, i.e. 50 to 120 per cent of the gross Sydney median household income). The other seven dwellings would be let to households from the municipality or surrounding area who were permanently employed in health services, childcare, public primary and secondary education, emergency

services, public transport or by the Canada Bay Council itself. The management of the housing has been tendered to a community housing provider (City of Canada Bay Council, 2007b, City of Canada Bay Council, 2007a).

The second initiative is the Thornleigh Key Worker Demonstration Project in Sydney's northern suburbs comprising six affordable housing units. These units were built on Department of Housing land and funded through the NSW Rental Bond Board. These dwellings were completed in March 2004 and are managed within a larger portfolio of dwellings by the Community Housing Lower North Shore Ltd on behalf of Willoughby City Council. These six dwellings are for local key worker households who are unable to afford similar accommodation on the open market in and around Thornleigh. Key workers are defined in this case as those who provide "a service that contributes to the well being of the community" and "could include hospital workers, teachers, childcare workers, police, transport workers and others." The housing is made available for an initial 12 months and a "condition of this Program is that you vacate the property after three years." (Community Housing Lower North Shore, no date).

At the time of writing, no evaluations of these projects have been undertaken and there are no plans for expansion of the projects.

4. Summary Observations

Australia has experienced significant increase in real house prices, prompting policy concern and an in depth analysis of ownership affordability by the Productivity Commission in 2004. This brief has identified a limited amount of research work and a small number of policy reports including a Senate investigation that have begun to nudge this issue into the policy debate.

However, the essential-worker affordability issue has not been taken up as a central policy issue. In fact, the various research findings and policy concerns have been framed in a broader context, encompassing issues of spatial polarization of labour markets more generally, ongoing concerns about low-income affordability and declining levels of new affordable supply (offset only temporarily by GFC related stimulus initiatives and an ongoing commitment to sustaining access to homeownership) and the implications of longer commuting patterns as workers seek more distant affordable homes.

Two small local initiatives that provide assistance to essential workers in Sydney (the highest cost housing market) were identified, but these are minor local initiatives. They are not part of a broader regional or national policy or program framework.

Two national initiatives, the First Homebuyer Boost and the National Affordable Rental Scheme have potential to include essential workers among a broader set of eligible households, but both were motivated by broad affordability concerns, not by explicit concern with affordability among essential workers – a concept that while used, remains vague and undefined in Australia.

Perhaps a more significant factor, however, is the Australian labour market context. Pro-active wage policies that create a fair working wage, especially in essential-worker (public sector) occupations where unions are significant, helps this segment obtain housing it can afford, although this may often be in peripheral locations, resulting in lengthy commute times.

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The notion of a specific segment of the labour market being singled out for policy attention is absent and there is a notable lack of specificity about linking the concepts of essential workers and access to affordable housing.

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1. General context - the Austrian housing system in brief⁸

By OECD comparisons, Austria has a relatively low rate of homeownership, with roughly half of all dwellings owner occupied. Meanwhile, the rented sector includes a number of sub-segments and a fairly significant non-profit component. The following table illustrates the Austrian tenure shares in 2003.⁹

Together, the two social providers – municipal and “common good” (GBV) providers – constituted 21.2% of the housing market, which is near to their long-term average.

**Figure 1: Tenure Distribution, 2003
(% principal residence)**

Family Homes	38.4
Condominiums	11.0
Private Rentals	17.7
Municipal Rentals	9.2
Non-Profit (GBV) Rental	12.0
Other	10.7

Source: Census Austria; calculations by author

The Austrian social rentals consist of two categories:

- municipal rentals (“Gemeindewohnungen”) owned by non-profit municipal bodies, which fall under the general rent law,
- non-profit rentals owned by the community-based social (common good) providers (for short GBV: “gemeinnützige Bauvereinigungen”), which fall under the common-good housing law. These housing providers are similar to Canadian private non-profit corporations. As in Canada, social (non-profit) landlords are exempt from the corporate tax that private for-profit landlords must pay.

Austria has by and large established equilibrium between renting and ownership, where both tenures are occupied by a mix of social strata, notwithstanding some localized segregation and luxury niches. This mix contributes to a fairly accessible housing market, which in part reduces the need to develop initiatives for selected occupations, or so called “essential workers”.

Early versions of social renting date back to the 19th century. Government intervention to attract private capital by tax rebates and incentives started in 1865. State assistance to communities and

⁸ Prepared with the assistance of Prof. Edwin Deutsch, University of Technology, Vienna, with assistance of Mrs Heidrun Feigelfeld who provided information on the incentives that promote social mix.

⁹ Tenure shares comparable with the past are available only up to 2003.

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“common good” providers through the creation of a public loan fund began in 1910. These policies targeted farmers and the working class and relied on strict means testing.

Providing shelter for key occupations or workers was the responsibility of the interested companies, which offered private company flats, a long tradition in Austria, France, Germany and other European countries. So there is a tradition of employer provided housing, but focused on a broad range of workers, not the public sector essential worker group as defined in the current research.

Immediately after the Second World War, the Austrian GBV (private non-profit) sector was enacted by law. Since then Municipal and GBV housing developed in parallel until the 1980s, but – with the exception of Vienna where the municipal sector dominates – the impetus came undoubtedly from the GBV. The objective of the GBV was to promote economic welfare and social improvement through the supply of affordable rentals for a variety of strata, among them public employees. In a variation on the title of Kemeny's book (1995), the system moved away from public towards (community-based non-profit) social housing.

Somewhat analogous to the transfer of stock from local authorities to housing associations in the UK, during the mid-1980s there was a major regime switch in Austria as constitutional responsibility for housing was decentralized from the federal to the Länder (regional) governments.¹⁰ In the aftermath, much of the Austrian municipal stock was handed over to the GBV (community non-profits), which since that time have undertaken most of social rental construction and modernization. Vienna is an exception, as the City did not transfer its municipal stock to the GBV sector, but kept it in public ownership. Its municipal stock has grown continuously, with 225,000 dwellings today, which the City considers an indispensable reserve.

Government authorities audit the compliance of social providers with the subsidy rules. A special commission is endowed to state the “user value”¹¹ of the dwellings in newly constructed or modernized blocks, and to determine the number of units the authority withholds for allocating to low-income households or families in special need.¹² The commission gives permission to differentiate the rents within certain limits according to quality and location within the block. That procedure enables some social mixing with cross-subsidization that makes the allocation of low-income households feasible, against higher rents of quality flats. The procedure therefore permits the development of socio-economically diverse neighbourhoods.

Besides the type of ownership, the only marked difference between municipal and non-profit rentals concerns the really poor households, who are allocated the older municipal stock (or, where such a stock is absent, the older GBV rentals with the support of means-tested benefits).

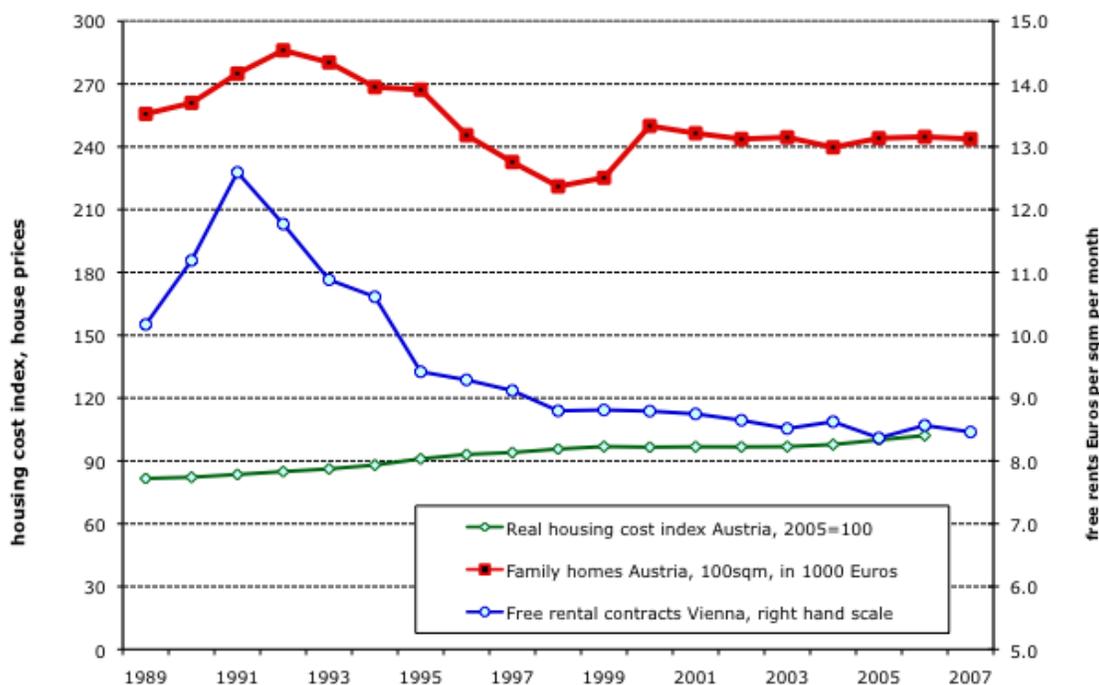
¹⁰ Austria has a three-tier system of authorities (similar to Germany), federal – regional – communal (Bund – Länder – Gemeinden)

¹¹ in German “Nutzwert.”

¹² This is similar, albeit more formally to the process used in post-1985 non-profit in Canada and especially Ontario is blending layers of deep, modest and shallow RGI subsidy to accommodate low income while maintaining a degree of income mix.

Beyond that, there is little difference, so that we can observe that municipal and non-profit providers house similar social strata (although on the social ladder the GBV-tenants rank slightly higher than the municipal tenants).

An important factor in the minimal evidence of an essential worker issues relates to relatively low level of price increase. Together with Germany, Austria is found at the bottom of the ladder of house price increases within the European Union. From 1989 to 2007, the prices of typical detached family homes did not increase in the long run. The only marked cycle appeared in the aftermath of the demographic shock in the early nineties where prices rose sharply. The increasing housing supply then induced prices to fall. But from 2000, after the introduction of the Euro, house prices remained stable at around €250,000 per unit on average.



Source: Austrian Institute for Economic Research, Immobilienpreisspiegel

Fig 2: House prices and cost: Austrian cities, real values at prices 2005

The house price cycle can be seen as a bandwagon effect from renting to ownership. The inflow of immigrants first created an excess demand for private market or “free” rentals.¹³ In Vienna 1991, the free rents attained an extraordinary peak of €12.5 per sq. m. per month. The authorities responded with a large housing supply program, particularly in social renting, but there was also a noticeable increase in the supply of buy-to-let units. After 1995, the temporary rate of annually 50,000 completions caused the free rents to decline and to stay under €9. More recently, since 2007, the free rents, together with the social rents, have begun to edge upward again.

¹³ The unsubsidized housing market is called "free" in German.

The housing cost influence can also be seen from the slope of the overall housing cost index¹⁴. In the very long run (from 1996) housing cost increased by 2.2% p.a., almost in line with disposable-income growth. Averaged over the last 20 years, the cost increase was lower, at 1.3% p.a. From 1997 to 2004, it reached a bottom level of only 0.6% p.a. Quite interestingly, the growth rates of real disposable incomes were roughly the same over the respective periods, so that the housing expenditure shares remained stable over time (averaging around 14% for the population as a whole). Moreover, since the late nineties the housing cost index was not driven by house transactions, but was mainly the result of the steady increase in utility prices.

By and large, new rent contracts in the social rented sector follow the course of the housing cost index, at gross rent levels (including utilities and VAT) of nearly €7 per sq. m. per month in 2007.

Welfare and social security context

The rather stable development of house prices and rents is certainly favourable for the economy as a whole, but it says little about affordability, which is a distributional problem. Since the mid-nineties, a rising share of the Austrian population experienced welfare losses from growing income disparities and locally rising housing costs in urban regions. Except for the immigrants from the South-East of Europe, that affordability problem can no longer be identified with specific social groups. Poverty and income risk are scattered over the entire domestic population, the most educated male workers and employees remaining the least affected.

In Austria as elsewhere, there is a political consensus that the distributional issue at its source is a matter of wage and education policies (Czasny 2006), and cannot be remedied by housing policies as such. For that reason, Austrian social policy distinguishes between general risk provision and in-kind provision.¹⁵ The scope of general risk provision was always rather poor; there is no nation-wide official poverty line, and only recently the state introduced a basic transfer to individuals without income and work, at a modest €750 per month. Instead, in-kind provision for dependent children and housing was always relatively broad, albeit covering only part of effective cost. For instance, covering 100% of social rents through benefits like in Britain is unknown. In that way, the Austrian system sets a stimulus to earn sufficient income by participating in the labour market.

The lack of a poverty line may be considered as a failure in the Austrian system. But, as noted by Hulchanski (1995) long before, affordability has many facets and cannot be reduced to a mere mechanical calculus. For instance, it makes a big difference whether a household lives in the countryside, has a degree of self-help and access to other resources, or if the household lives in a city at higher living cost. The same housing expenditure share of, say 25%, would then have a completely different meaning.

¹⁴ The housing cost index is a weighted average of ownership prices and rents, with representative utility costs (water, heating, sewage etc.) and 10% VAT included.

¹⁵ General risk provision (“allgemeine Grundsicherung”) means public cash transfers in case of personal hardship, in-kind provision (“bedarfsorientierte Grundsicherung”) concerns targeted transfers like childrens support and public housing assistance of various kinds.

The Austrian housing system is regionalized, so that the authorities are in the position to tune the size and quality of assistance to local needs. That allows for sensible regional differentiations, although there is also a negative side to that coin: Regionalized policies are prone to communitarian habits that tend to exclude or to neglect social strata that do not fit into the local traditions.¹⁶ That's exactly the problem we encounter with Austrian housing assistance, as the marginalized strata are difficult to identify. They suffer from high rental cost in the private sector without getting access to the social rented sector (long waiting lists). In many cases, households are forced to leave the social sector when the benefits are too small to cover the rent, or an apartment is shared with other family members to cover the living cost, even if the household receives housing benefits. In fact, cohabitation of adult dependants with parents, and cohabitation of female single parents with their mothers has become widespread.

As noted before, the gap between living cost and income is a matter of social policies in the broader sense; it cannot be shifted to housing policies as such. The issues are quite general in nature and in no way tied to the essential workers question.

2. Measuring need and quantifying the essential worker housing issue

Measuring housing affordability

There is no formal measurement or quantification of housing need, equivalent or analogous to the Canadian practice of core housing need. The general context of housing affordability is described above.

As illustrated in Figure 2, the decline or stagnant level of home prices and rents has helped to minimize the extent to which housing affordability has emerged as an issue, either in the general media or in academic research

Quantifying essential work affordability

Generally, the concept of “essential worker” or any translation thereof is not used in the housing literature in Austria. There has also been no general media discussion of this issue.

The historic development of social renting was characterized by the targeting of certain key occupations including municipal workers, other civil servants, and skilled private sector workers and employees. The motivation was, as in other countries, not purely social but also to enhance economic productivity through the provision of decent housing conditions for employees and to keep the wage sum of public employees within limits (in precise terms, to limit the public consumption component in national GDP). Hence, up to the 1960s, the general economic goal was the provision of affordable housing (through a variety of tenure options, as noted earlier) to

¹⁶ According to the author's opinion, a classification of policies into liberal versus communitarian, compare Kymlicka (1990), together with the conflict between redistribution versus recognition, appears as a more timely starting point than the search for social-democratic versus corporatist regimes that are hard to identify, see also the critical remarks in E. Deutsch (2009).

ease the wage burden both in the public and private sector, which in turn promoted international competitiveness.

Today, with a flexible labour force that switches between jobs of different types, it is hard to identify specific occupations, with the possible exception of stable jobs in municipal enterprises, where housing should be regarded as part of a wages policy. As a result – although not by explicit policy change – the provision of housing in Austria moved away from targeting specific workers and occupations towards targeting a broader mix of households and more generally promoting an effective housing market that responds to a range of demand.

Among the latter, there remains only one group that might still be considered essential workers to be targeted for housing assistance, namely skilled immigrants with good job and income prospects. The integration of these workers into the domestic labour force is in the interest of the productive sector, and it is therefore also in the interest of social providers who engage in promoting the social mix. (See below on how the public sector promotes the social mix through the interplay between incentives from the public authorities and commitments from the providers.)

Austrian social housing providers may indirectly attract “essential workers” as part of the strategy to establish a suitable and sustainable social mix, which is actively supported by public authorities and in the disbursement of housing subsidies. The major objective is social cohesion between social groups of different background and employment status.

3. Policy and program developments related to essential worker housing

The Austrian mode of housing finance and assistance supports a sustainable social rented sector and eliminates the need for specific housing programs for social groups like essential workers. Through a mix of supply-side and demand-side subsidies, it serves different tenure types and housing needs. One cornerstone is assistance to social housing, but beyond that the system also assists private renting and homeownership.

First, who is eligible for social housing? The main eligibility criteria for entry into newly built or fully modernized units are income and family composition and, in case of municipal rentals, also the lack of adequate housing. The household income must not exceed some ceiling between the median and the mean. The ceilings vary across the regions where the Länder authorities set the terms of access according to regional purchasing power and housing conditions. The aim of that "soft" targeting is to foster social cohesion through a mix of tenants, ranging from the poor to the middle class.

In his survey of social renting in Europe, Ghekière (2007) positioned Austria among the housing systems of the generalist type (means-tested access). But the system can also be classified as universalist (no access restrictions), as it does not exclude households with accumulated savings (often transferred from the family or inherited), which are needed to cover the down payments. The latter are not only required in ownership but also upon entry into newly built social rentals, see further details below.

Austria

The annual housing assistance budget totals around €2.5 billion or 0.9% of Austrian GDP. Established by binding five-year agreements between the Länder (the regional authorities sometimes translated as “provinces” or “states”) and the federal government, the federal contribution at present is €1.78 billion, fixed in nominal terms, hence it declines in real terms over the life of the agreement. About 60% of the federal contribution comes from general tax revenue, the rest from a specific payroll tax.¹⁷

An estimated 80% of all subsidies are to housing providers; the remaining 20% are demand-side subsidies and strictly means-tested benefits. The provider subsidies bring rents down to a maximum of 25% of median household income, while lower-income households receive personal benefits in addition. This approach seeks to avoid the regressive effects that occurred in the past where units were subsidized down to flat rents irrespective of personal income.

Public assistance for housing production is allocated for both homeownership occupancies and social renting. The majority of Länder (regional governments) also support both for-profit and non-profit developers. In response to individual applications, the disbursements are granted as public loans, annuities or interest subsidies, depending on Länder laws.

Any subsidized developer has to comply with rent ceilings, limited profit rules and maximum dwelling unit sizes. Quality and, more recently, ecological sustainability standards are mandatory. In fact, the social providers today are leading in environmental standards, which imposes some additional capital cost. The subsidies are designed in such a way that the hierarchy of an otherwise market-determined cost structure remains unaltered (i.e. the cost to own remains higher than cost to rent and occupant cost reflects quality of dwellings). The lowest subsidy is for homeownership construction, followed by larger subsidies in private and social renting. The Austrian subsidy system can therefore truly be termed “weakly tenure-neutral” along the lines of Thalmann (2007), as it offers a sustainable framework for housing choice over the long term.

The subsidy system and the authorities respond to subsidy applications in a largely decentralized manner. Together with the demand from individual family home developers and ownership providers, the Austrian subsidy system is not only tenure-neutral but also it is essentially “demand-driven.”

A typical budget pro forma developed by a non-profit company for a new social housing project might consist of the following breakdown:

- Equity from the social developer, either liquid capital or land or both (e.g. 15%).
- Equity from the tenants, depending upon the type of dwelling (e.g. 15%, see explanatory paragraphs below);

¹⁷ The payroll tax, that is a housing assistance duty out of the wage sum (“Wohnbauförderungsbeitrag”) covers some 40% of the federal contribution. The regional sources are the repayments of public loans, certain local duties and, in case of strong demand the general Länder budgets.

Austria

- Public assistance as grants or public loans, disbursed by the Länder governments (e.g. 25%);
- Mortgage loans at preferential rates from special purpose banks (“Wohnbaubanken”) that refinance themselves on the capital market by issuing housing bonds with tax rebates on the return (e.g. 45%);
- Alternatively, first mortgage loans from mortgage banks (Bausparkassen-loans), which refinance themselves from a mix of deposits and capital market sources.

The shares in the example above are hypothetical - they can vary considerably as long as the rent ceilings imposed as a condition of subsidization can be met. This model applies not only to the GBV sector, but also to municipal rental finance, in particular in Vienna, where the developing agency is subject to the same conditions of finance as the GBV. Similar financing might be used by for-profit landlords who develop rentals with the aid and regulations of producer subsidies. The Austrian social rented sector is therefore embedded into an integrated market where social renting competes with other types of housing supply.

Since the acquisition of land often absorbs much of the disposable capital of providers, certain risk-sharing agreements between social landlords and tenants have evolved. The most important one are the tenants’ down payments that cover land prices for newly built dwellings. These down payments apply to new municipal dwellings in Vienna and to the GBV, in particular to rentals supplied by the social housing associations. However, they are not mandatory for low-income households. To compensate the GBV-tenants who make a down-payment, an amendment passed in 1993 now obliges non-profit landlords to trade the equity of tenants against a right-to-buy option than can be exercised after 10 years (essentially a form of shared or stepped ownership).

To remove possible misunderstandings of the concept of social tenant downpayments, a few important remarks are in order. Firstly, low-income households or families in need are exempt, but they have to accept being allocated their housing through an administered procedure in the existing stock. Secondly, the downpayments are not lost, but can be recovered (after depreciation) upon leaving, or, in GBV-rentals, be converted into full ownership through the right-to-buy procedure. In that way, the system works along the lines of a cooperative risk-sharing between social providers and tenants, with the goal of attracting middle-income tenants who add to the social mix. Thus, in the context of the GBV, the notion of “social” still aims at preserving opportunities and choice, in explicit contrast to public housing that shelters marginalized groups only, often creating poverty traps and ending housing mobility.

Access to new social units has an additional restriction intended to share risk between social landlords and tenants, and which tangentially relates to the worker housing issue. As a condition of eligibility, entrants into new flats must hold jobs and/or be able to prove sufficient income to sustain their housing payments. The condition applies to any newly built unit in the non-profit and municipal sector alike. It aims at reducing the risk that the social landlords bear over the first years of loan repayment and at promoting income-mixing where the social rented sector plays a leading role.

Interestingly enough, the eligibility criteria do not permit discrimination between persons in specific jobs, but implicitly they establish a rule where essential workers in a broader sense are given preference (due to the minimum income requirements noted above). In particular, to prove a decent and stable job is relatively easy for workers and employees in public services, health services and municipal enterprises, hence for workers in the job categories that are subsumed under essential work in the present discussion.

The only issue that relates directly to essential work are the immigrants who start their housing career in ethnic neighbourhoods. In response to their needs and also in the interest of their employers, regional authorities have introduced a number of incentives to stimulate social integration and cohesion.

A notable example is the so-called “providers contest” carried out by the City of Vienna in regular time intervals. It forms part of social housing development in Vienna. For the contest the City allocates a substantial part of the annual producer subsidy budget. The contest itself is a call where the City invites the developers to submit projects that conform to the guidelines of the call. A jury selects the best projects, which then receive subsidy grants and – after evaluation - an additional prize later on. In 2009, the prize was won by an “inter-ethnic” project, which is described in H. Feigelfeld (2009). It is a recently developed neighbourhood that was designed with a focus on accommodating the life-styles of immigrants with Austrian traditions. Quite interestingly, a number of the new immigrant tenants were key workers in the sense of the present study.

4. Summary Observations

In Austria, the underlying factors that contribute to the non-emergence of a concern about essential worker affordability (beyond a narrowly defined issue for professional immigrant workers) relate to the relatively unique positioning of the social rented sector. Like the Netherlands and Denmark, Austria is one of the few countries where policy reform over the recent decades has not resulted in diminution in the size of the social rented sector. Accounting for 21% of all housing, the social rented sector has continued to expand over the past decade – even out-pacing the ownership sector.

In addition, the social rented sector fulfills a role of an intermediate tenure – unlike the shrinking and residual role that tends increasingly to characterize social housing in most other countries. As described by Deutsch (2009), social housing is often at the crossroads for housing choice and, for many young households, operates as a springboard enabling wealth creation and subsequent access to ownership tenure. While there are elements of means testing, the social rented sector continues to provide housing for both low income and middle class households. At the same time, levels of new construction have generally kept pace with demand, so that price and affordability pressures have been well managed.

Austria’s social rented sector is also embedded in an integrated housing market, which has reached a mature state such that it is no longer necessary to use public investment to meet general housing demand including that from the general workforce or for such subsets as essential workers. The market adequately fills this role.

Austria

The social rented sector serves individual households that meet legally prescribed eligibility criteria, including income ceilings, family size and lack of other housing opportunities. Beyond that, selection of individuals through employment type would be considered discriminatory and unlawful. Implicitly, however, the housing system does favour essential workers in a broader sense, as the access to newly built and fully modernized social dwellings is restricted to households who can prove stable employment conditions.

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1. General context: the Danish housing system in brief¹⁸

In 2004, housing tenure in Denmark comprised just over 50% freehold, including detached and semi-detached housing, and the relatively new form referred to as “freehold flats” (condominiums). Cooperative housing, in which members own a share in the cooperative corporation as distinct from owning their own unit, constitutes around 7% of the total. Twenty-one percent is non-profit “social” housing. Private rental, once dominant but in decline since World War II, comprises 17% of the stock (Kristensen, 2007).¹⁹

The mix of tenures has been reasonably stable since the prolonged post-War construction boom of 1950-73, which expanded owner-occupied housing relative to other parts of the market. Rent controls both during WWI and after WWII discouraged construction of private rentals. In the 1960s and 70s, the conversion of some of the existing rental stock first into freehold flats and later co-operative housing was allowed. More than half the rental stock was built before 1940, only 15% after 1980 (Kristensen, 2007).

Comprising just over one fifth of all housing, the non-profit sector has more than 540,000 units. In the western suburbs of Copenhagen, non-profit housing makes up $\frac{2}{3}$ of all housing; overall, it comprises about one third of metropolitan Copenhagen’s total housing stock. Most non-profit units were constructed after 1940, with the majority (about 70%) after 1960.

The Danish term “almene boliger” is often translated as “social housing,” the modifier “almene” meaning “for all” (i.e. for the common good). Social housing in Denmark originated in the 19th century as “workforce housing” and was literally non-profit housing with breakeven rents.²⁰ Housing associations were formed to serve “working-class families and lower employees.” Significant government support for non-profit rental housing began immediately following World War II, with production peaking in the 1960s and 1970s.

In 1966, as part of a plan to deregulate the private rental market and stimulate investment in private rental housing, the government introduced a universal rent subsidy program.²¹ Anyone unable to afford rent in an unregulated rental market would be eligible for a subsidy. While the elimination of rent controls never materialized, the rent subsidy has provided some degree of affordability ever since for low-income tenants in both social and private rental housing.

In the 1960s and beyond, growth in real disposable income, negative interest rates in real terms, and mortgage interest tax relief enabled increasing numbers of middle and working class families

¹⁸ Prepared with the assistance of Dr. Hans Thor Andersen, Research Director, Danish Building Research Institute, Aalborg University; his many publication credits include co-editing *Governing European Cities: Social Fragmentation, Social Exclusion and Urban Governance* (Ashgate: London 2001)

¹⁹ Sometimes co-op housing tenure is counted with ownership, resulting in a figure of around 58%. The total of all tenures is 95% because student housing and special housing for disabled/mentally ill have not been counted. Some of the discrepancy may also result from rounding.

²⁰ After WWII, the central government and municipalities subsidized the capital costs of non-profit housing; they did not subsidize individual tenants. Some municipal public housing was also constructed, particularly in Copenhagen.

²¹ The term “rent subsidy” is used to distinguish between the assistance available to eligible renters and “housing allowances,” the support available to seniors for their housing costs regardless of whether they are renters or owners.

Denmark

to afford home ownership. But in the 1970s and 80s, even as this exodus of families to detached houses continued, non-profit housing was overbuilt, often in the form of suburban high-rise apartments unattractive to those who could afford choice. Marketing these new non-profit housing projects became problematic, and from the early 1980s onwards, immigrants and refugees increasingly filled the vacancies.

In the mid-1980s, government housing policy began to shift as part of a massive “fiscal consolidation” to reduce the government’s structural deficit and debt. Support for new social housing and mortgage interest tax relief were both reduced and higher requirements for mortgage lending were introduced. The larger package of fiscal restraints, referred to as the “potato diet” of 1986, is blamed in part for precipitating a drastic fall in house prices and increases in bankruptcies from 1987 through to 1993 (Kristensen, 2007.)

House prices escalated rapidly in Denmark from 1993 well into the middle of this decade. Between 1993 and 2005, the average growth in real terms was about 8% annually and as much as 12 to 15% annually in Greater Copenhagen (Kristensen, 2007). But only in the latter years of this price appreciation, around 2004, did house price levels recover in real terms what had been lost in the economic crisis of the late 1980s and early 1990s.

The decision of a new central government in 2001 to eliminate the ministry of housing signaled further state withdrawal from direct intervention in the housing market. From 2005 till 2007, a largely ineffective effort was made to give social housing tenants the “right to buy” their homes. Other options proposed by the central government for social housing include devolving responsibility to local authorities (Kristensen, 2007).

The central government remains responsible for rent controls, rent subsidies and housing allowances to individuals and tax measures granting some mortgage interest relief for homeowners; all legacies from the previous half-century. But its general direction has been to cut direct subsidies to owners as well as tenants.²² While avoiding new direct housing expenditures, the central government has continued to support home ownership by freezing property taxes at 2001 levels and seeking new ways to make housing financing more affordable. (See below.)

The primary role for local governments in housing is planning and land use regulation. However, in the past they were also required to support 14% (now 7%) of the capital cost of new social housing. This gave municipalities a virtual veto on where non-profit housing could be built.

Today, new non-profit projects are in effect the sole responsibility of local governments. Housing associations must find land in a municipality willing to co-finance the construction of new non-profit units, which is most likely to occur only with housing for the elderly.

²² The rules for housing subsidies were changed in 2000 and 2003 to simplify the system and introduce a minimum rent for each household.

2. Measuring need and quantifying the essential worker housing issue

Research on housing affordability has been limited in Denmark, including research that focuses more specifically on the housing needs of essential services workers. Some work has been done (Andersen & Kofod-Svendsen, 2006; Andersen, 2008; Andersen et al, 2003 og Gomez Nielsen, 2007); the first two papers were prepared for the City of Copenhagen.

There is no official government measurement of affordability in Denmark, only the ratio of housing costs (mortgage or rent) compared to income or disposable income that banks use to compute borrowing limits for households seeking mortgages. In general, standard figures are avoided in official statistics. (Similarly, there are no figures for poverty). In particular, essential service workers' housing affordability is not considered in official statistics or government reports.

The national statistics bureau (www.dst.dk) conducts surveys on consumer spending on rents and related costs. National statistics identify housing prices and rents regionally. But there are no widely accepted local or regional or national definitions of affordability.

On the other hand, there are trends that might indicate the impact of rising housing costs, including increased commuting distances and the expansion of labour market regions. Dr. Hans Thor Andersen, Research Director of Danish Building Research Institute, Aalborg University, has done research that shows increasing commuter distances and has confirmed that housing affordability was the main factor behind this expansion of “functional Copenhagen” (European Planning Studies, forthcoming). A dramatic manifestation of this sprawl is “cross-border commuting.” In 2008 some 20,000 Danes were living in south Sweden, commuting over the 18-kilometer bridge in order to afford housing at their preferred tenure and standard closer to their jobs in Copenhagen. Now, as house prices have fallen, more than a quarter of those cross-border commuters have returned to Copenhagen.

Similarly, the number of labour market regions has decreased and their size increased, cf. www.blst.dk. Where there were five or six regions in Sjælland (“Zealand”), today there is one. Also, the larger cities on the east coast of Jutland have merged into one labour market region stretching 200 km north-south and a bit less east-west. While this is partly a question of how to define labour market regions, it also indicates that real changes in work patterns have occurred.

Denmark has no parallel expression to the Canadian term ‘essential service worker’ or the English term “key worker.” However, there are indications that occupational groups within this category have experienced housing challenges.

Trends in the housing market were a popular theme in the media during the recent period of sharply rising prices. Initially, increasing property prices brought back optimism following the stagnation and insolvencies of 1986-1993 but, inevitably, the continuing boom raised concerns about affordability. In addition to rising prices, housing market trends also included cheaper and more plentiful loans due to the reduction in interest rates, the introduction of new financial instruments and the consequent expansion in consumption opportunities available to homeowners.

In the early 2000s, newspapers noted the movement of house prices above the “two million-limit,” the price in Danish kroner (DKK) that a couple with a double income from the public sector could afford for a standard family detached house. (This was about \$400,000 Canadian.)

The most prosperous regions, foremost among them Copenhagen, seemed to be finding it difficult to attract and retain some essential service workers:

The housing debate has frequently focused on the problems police officers and nurses have in acquiring much-coveted homeowner status. If they want a house of their own, they have to move 60-70 km away from the capital to find affordable price levels, with the result that they have to commute between their home and workplace for at least an hour both morning and evening. Given this situation, some people choose to look for a local job, and for this reason some public sector service functions in the Copenhagen area have difficulty recruiting new employees.²³

Similarly, municipalities in the northern, more affluent parts of the country reported difficulties attracting and keeping teachers and those delivering welfare services. They expressed worries that rising housing costs were a direct reason for recruitment and retention difficulties.

3. Policy and program developments related to essential worker housing

The issue of essential workers’ housing affordability has not been an explicit concern of the Danish government. Nevertheless, Denmark does have programs, both new and old, that might mitigate housing affordability problems for the market segment that includes essential service workers.

In 2005, the national government introduced so-called “pause loans” to facilitate housing affordability for moderate income-earners. The pause loan is a conventional mortgage in some respects, with a loan-to-value ratio of 80% and an amortization period of 30 years. But during the first ten years, only interest is paid on the loan. Interest rates can be fixed or variable. This interest-only feature can reduce mortgage payments by around a third during the “pause” but the subsequent payments are inflated by the compressed amortization period of 20 years in which to repay the principal. (It has been possible to secure a 30-year interest-only mortgage for a loan on 70% of the value but pressure from the EU will very likely lead to the abolition of that option.)

Other recent innovations in financing include “Euro-loans,” which offer lower interest rates but with greater risk as they are denominated in Euros (not Danish Kroner) and variable-interest-rate loans for terms of one, five, or ten years.

²³ Kristensen, Hans: *Housing in Denmark* (Centre for Housing and Welfare – Realdania Research: 2007) http://www.eukn.org/eukn/themes/Urban_Policy/Housing/Housing_quality/Housing-in-Denmark_1033.html

All of these financial innovations would be accessible to substantial numbers of essential service worker households with incomes near the median.

The impact of “cheaper loans” is ambiguous – cheaper loans can stimulate greater demand and, hence, cause higher prices when the supply is relatively inelastic. In 2006 – 2007, immediately following the introduction of these innovations, housing prices increased by 30% before the global recession drove them back down.

While mortgage-interest tax relief was modified during the “potato diet” of the 1980s, it is still available to all homeowners with mortgages. No “imputed rent” is required in the tax calculation, hence the tax system favours ownership over renting.²⁴

Another longstanding policy that might be beneficial to essential workers, particularly those with lower-middle incomes, is open entrance to social housing. There was never an effort to target non-profit housing exclusively to those in greatest need through income testing. On the contrary, there have been coordinated efforts by local authorities and housing associations to improve social integration in non-profit housing through income-mixing or “flexible renting.”

The so-called residualisation of non-profit housing in Denmark seems to have resulted from the building of unattractive high-rises in less convenient suburban locations at the very time when increasing numbers of lower-middle households were able to buy their own homes. Many of those in need and willing to fill the vacancies in the non-profit stock were recent immigrants and refugees. These newcomers joined the existing remaining tenants, many of whom lacked the resources to make the transition to home ownership themselves and were also susceptible to marginalization. These included the chronically unemployed, singles, and single-parent families. Some of the consequences of what the Danes called ‘ghettoization,’ including higher crime rates, property damage, and social isolation and exclusion, were similar to what occurred in the social housing of other countries where government policies explicitly excluded middle-income earners.

Since the early 1990s, housing associations and some municipal governments have attempted to counter the concentration of marginalized groups by requiring that new tenants be employed, with disposable income at least three times the rent. Local governments are obliged to provide shelter for people in acute need of housing and can refer tenants to fill 25% of social housing vacancies. But some municipalities, in particular the City of Copenhagen, have supported this incomes policy in their referrals and only make exceptions in special cases, i.e. to the disabled or people otherwise in a very difficult situation.²⁵

There is no way of ascertaining how many essential service workers live in non-profit housing, though some could benefit from this preference for income-mixing and might be motivated to do

²⁴ The cost of basic shelter for homeowners with mortgages is reduced through taxation; tenants pay rent essentially in after-tax income.

²⁵ Those whose only problem is lack of housing are referred to the private market or other local governments (cf. Anker et al, 2003). Since all tenants are eligible for rent subsidies and homelessness is not a big problem, there is enough housing available. Yet, many people may suffer from too expensive rents, even with their housing allowances, and/or dwellings that are too small.

so, particularly in those developments that are more attractive in design and location. But access to more desirable units within the non-profit stock is effectively limited for outsiders through the preference commonly given when filling vacancies to non-profit tenants on internal waiting lists.

While the official ideal for non-profit housing is mixed neighbourhoods, the reality remains that at least 20% of the residents in the non-profit sector are immigrants or refugees, many of them still concentrated in large high-rise suburban estates (Whitehead and Scanlon 2007).

Finally, another legacy program that might benefit essential service workers is the universal housing subsidy. But even when they are renters, most essential services workers have incomes at the upper end or above the eligibility level. Essential service workers living alone may rent and thus could be eligible for subsidy. However, figures on how many of them actually do receive subsidy are unavailable.

Copenhagen's local initiative

As the largest city in Denmark, Copenhagen has in the past taken action on housing issues independently of the central government. During World War I, it developed around 20,000 units of municipal housing.²⁶ But in the 1990s, Copenhagen went bankrupt and was forced to divest itself of saleable assets including its housing, which comprised 8% of the city's total housing stock. This privatization significantly decreased the City's affordable housing.

The recovery of Copenhagen from insolvency owed much to national investment in infrastructure – a bridge to Sweden, airport expansion, additions to the subway and a new city annex – and the promotion of home ownership to attract higher-income groups to improve the City's tax base. This shift in emphasis from “redistribution to growth” was successful but with growth came rising house prices.

Housing affordability became a significant issue in the 2005 mayoral election. The Social Democratic candidate promised 5,000 new dwellings at a price of 5,000 DKR per month (about €700 or just over \$1,000 Canadian at 2005 exchange rates). This promise became known as “5X5” and appears to have contributed to her overwhelming electoral victory. While the initial focus had been young families looking for affordable housing in the central city, a concern about key workers was later added to the ensuing debate and political struggle.

When the lord mayor's efforts to fulfill her campaign promise faltered as land prices continued to escalate, she attempted to make publicly owned land available at a price below market to keep total costs as low as possible. The central government thwarted this tactic, on the grounds that it would provide those fortunate enough to get a unit through the proposed lottery an undeserved subsidy.²⁷

²⁶ Copenhagen's municipally owned housing was unique in the country in terms of its significance – other municipalities have owned smaller number of units to accommodate acute needs.

²⁷ Research carried out in 2006-2008 for the city (Andersen & Kofod-Svendsen, 2006; Andersen, 2008) on how other cities coped with the challenge of insufficient affordable housing concluded that national legislation would have to be changed to make the plan for affordable housing in Copenhagen a reality.

Although the city mobilized several spectacular supportive rallies through alliances, including construction unions, and by appealing to the housing needs of key workers, the central government refused to moderate its interpretation of the public interest. At least one observer interpreted the campaign and the use of essential service workers' housing needs in part

*as a lever in order to put affordable housing on the national agenda and lobby for greater local autonomy... Furthermore it seems as if the liberal-conservative government perceives '5x5' as an inherently social democratic project...*²⁸

The project faltered, with only 12 out of the 5,000 proposed affordable housing units being constructed. The newly elected lord mayor, who took office in 2010, did not make affordable housing one of his priorities. The current economic downturn has decreased housing prices in Copenhagen between 25% and 33%. Many middle-income citizens, including essential service workers, can more easily purchase housing in the city.

4. Summary Observations

In the past 60 years, Denmark has transformed its housing situation from widespread shortages and overcrowding to generally high housing standards for most of the population. Between 1950 and 2000, the population grew by a fifth while the number of dwellings (all tenures) nearly doubled. The production of new units grew from 20,000 annually in 1950 to almost 60,000 in 1973. Since the mid-1970s, the construction of new housing in Denmark has hovered around 15,000 units per year.

One overview of the Danish housing market summarized its success in 2007:

*On one hand, the average supply of housing for the population in general ranks among the best in Europe and is constantly improving. And although many young people find it difficult to find suitable housing when they want to leave home, most of them manage to solve this problem faster than young people in the rest of Europe. The same picture of a successful long-term housing policy can be seen if we look at the housing situation of the financially weakest part of the population. Also in this respect, Denmark ranks higher than the average of the other European countries.*²⁹

In summary, the reasons that disproportionate housing price rises during the past decade did not trigger stronger pressure for a more interventionist housing policy, particularly for essential workers, are likely three-fold.

²⁸ Birgitta Gomez Nielsen *Altering Expectations to affordable housing in the city of Copenhagen: "5 x 5" – virtuous and viscous?* Paper to ENHR conference, Rotterdam (2007).

²⁹ Kristensen, Hans, *Housing in Denmark* (Centre for Housing and Welfare – Realdania Research: 2007) http://www.eukn.org/eukn/themes/Urban_Policy/Housing/Housing_quality/Housing-in-Denmark_1033.html (Accessed February 23, 2010)

Denmark

First, while the price level rose dramatically from mid-1990s to 2006, particularly in Copenhagen, only during the last years of the boom did the real price level pass the pre-1990 level. In the recent “global recession,” Denmark experienced negative growth beginning in 2008, paralleled by a decline in house prices, which at the end of the first quarter of 2009 were down 12.4% for the year in real terms for single owner-occupied housing and 17.5% for owner-occupied flats. In Copenhagen, the decline was even more severe.

Second, income distribution after taxes and transfers, which is the most equal in the developed world, gives most people access to housing. There are efficient systems to cope with the housing needs of the unemployed, retired people, and young people through a relatively generous welfare system.

Third, growing regional inequality in housing prices has, in practice, made housing affordability for the middle class (including most essential service workers) primarily a metropolitan Copenhagen political problem. (It has spilled over to other areas and to a lesser degree, is a problem in the second largest city, Aarhus.) After 50 years of actively supporting both non-profit and ownership housing, the central government through its elimination of the ministry of housing in 2001 and the creation of new, larger municipalities in 2007 seems to be devolving responsibility for urban redevelopment and housing to the local authorities (Kristensen, 2007).

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1. General context: the English housing system in brief³⁰

The housing market in England at the turn of the Millennium combined trends of sustained price increases with declining production; it was a perversely inelastic market.

Over the period 1974 to 2004, real price increases averaged 2.4% per year compared to 1.1% in the European Union. In 2001, housing production, at 175,000 completions, was at its lowest level since World War II and production in the 1990s had been 12.5% lower than in the 1980s. Further, the number of new households able to purchase a house had fallen from 46% in the late 1980s to 37% in 2002 (Barker, 2004).

In 1971, housing tenure in England³¹ was divided between homeownership at 51% and rental at 49% (29% social and 20% private).³² By 1999, home ownership was at 70%. It peaked at 70.9% in 2003, declined to under 70% in 2007, and in 2009 hit a 20-year low of 67.9%.

The complementary trend in rental housing overall was steadily downward, but the proportionate shares between private and social renting have fluctuated. The social rental stock peaked at 32% in 1981 before decreasing steadily to 18% by 2004 and 17.8% in 2009. The private rental stock decreased from 20% of all households in 1971 to 9% in 1991 but has since recovered slowly, reaching 14.2% by 2009.

Greater London has the lowest level of home ownership (56%), well below the national average. In contrast, the South East region surrounding London has the highest level of home ownership in England (74%).

Direct government involvement in housing dates back to the 1920s, primarily through the funding of “council housing” (local-authority-owned). But British governments also encouraged

³⁰ Prepared with the assistance of Dr. Peter Williams, Visiting Professor at the Centre for Housing Policy at the University of York, previously Deputy Director General of the Council of Mortgage Lenders, Professor of Housing Management at Cardiff University, Deputy Director at the Chartered Institute of Housing and academic at the Australian National University and the University of Birmingham, a member of the Board of the Housing Corporation (1995-2002) and Housing for Wales (1989-1993).

³¹ The population of the United Kingdom was 61,100,000 in 2009, of which 51,200,000 resided in England. English data is used when available; the terms “UK” or “British” is used in reference to government programs or actions as there is no ‘English government’ or when data for the English portion of the United Kingdom is unavailable.

³² Tenure data pre-2000 from *Housing Tenure: Shelter Factsheet* (Shelter London 2009) http://england.shelter.org.uk/_data/assets/pdf_file/0005/166532/Factsheet_Housing_tenure.pdf (accessed February 12, 2010), with post-2000 data from *English Housing Survey* (Communities and Local Government, London: 2010) <http://www.communities.gov.uk/documents/statistics/pdf/1479789.pdf> (accessed April 29, 2010)

home ownership, initially through indirect means such as mortgage interest tax relief, introduced in 1936 and eliminated in 2000. In the 1970s and increasingly in the 1980s, direct home ownership initiatives were implemented, including the Right to Buy, which facilitated the purchase of two million social housing units by tenants between 1981 and 2003 (Barker 2003, 2004). The shift in tenure between 1981 and 1991, with social housing falling from 32 to 23% and homeownership increasing from 57 to 68%, reflected that strategy.³³

In the early 1980s, the U.K. introduced a Housing Benefits (HB) program, consistent with an international trend from supply-side property subsidies to demand-side tenant support (Priemus, Kemp, Varady, 2005). The HB is means-tested assistance open to tenants in all rental housing – private, non-profit housing association, and local-authority housing. It is the largest direct government subsidy for housing, by 2003 supporting 3.8 million households at a cost of £12.6 billion (1.2% of the GDP of the United Kingdom.)³⁴

Although the Labour government that came to power in 1997 committed to improving public services, including social housing, the annual production of new social housing actually fell from 42,700 units in 1994–95 to 21,000 in 2003–04. Partly, there was a need to divert funds to rehabilitate social housing that had been allowed to deteriorate. But other factors with broader implications were the increasing complexity of the development planning process, the related increasing price of land, and the consequent rising cost for all housing.

By the end of the 1990s, growing affordability pressures (Wilcox, 2003) shifted government attention to the broader housing market and the impact of housing affordability for “key workers” on the government’s central objective of improving public services (Williams, 2007). The government pursued two strategies. First, in 2001, it addressed the obstacle that high housing prices presented to attracting and retaining “key workers” to government service in expensive markets (see Section 3 below). Second, it sought ways to increase housing production and reduce prices for all households over the medium term.

In April 2003, the government appointed Kate Barker, an economist and a member of the Monetary Policy Committee of the Bank of England, to review the capacity and competitiveness of the house-building industry and its interaction with government planning systems. When Barker delivered her final report *Delivering Stability: Securing our Future Housing Needs* on March 17, 2004, she noted that an extra 120,000 houses would need to be produced annually to reduce price increases to the average EU level (Barker 2004). Most of Barker’s 36 recommendations addressed the complex problems involved in streamlining the planning and approvals process to increase supply.

³³ See *Review of intermediate housing in London: A study for the Greater London Authority* (Steve Wilcox and Peter Williams 2007) for a summary of government programs introduced to encourage home ownership. During its 64-year duration, mortgage interest tax relief would have had a significant impact. Nevertheless, the Right to Buy (and related programs) had a large and relatively compressed impact.

³⁴ According to a website posting by the Chartered Institute of Housing on January 27, 2010 publicizing a government consultation on Housing Benefit reform, the benefit budget has grown to £17 billion annually and now supports five million households. Accessed at <http://www.cih.org/news/view.php?id=1169> February 16, 2010.

2. Measuring need and quantifying the essential worker housing issue

The U.K. has standard instruments for measuring broad housing need – the “housing needs indicator” (HNI) for housing associations and the “generalized needs indicator” (GNI) for local housing authorities. These are both weighted composite indicators that measure various factors including income, household size, and the standard of present accommodation. Neither indicator is relevant for understanding the relationship between housing affordability and any link with recruiting and retaining key workers in expensive housing markets. Similarly, the income threshold for accessing Housing Benefit would disqualify most key workers.

During the first half of this decade, affordable housing for key workers became a high-profile theme in England, especially in London and the South East. This reflected pressure from local authorities and public sector employers (as evidenced in reports such as Llewelyn Davies and LSE, 2003; Kings Fund, 2002; Audit Commission, 2002; GLA, 2001; Couttie Associates, 2003; CCHPR, 2005).

In general, that research showed the following:

- Housing played a large part in decisions about occupation and location.
- Lack of affordable housing was a major reason for key worker shortages in terms of both recruitment and retention.
- There were strong regional dimensions to the recruitment and retention problem in key occupations, with London, the South East, and East of England being worse.
- There is a key point in an individual’s career where housing becomes more important than other factors in determining overall job satisfaction.
- Public services collective bargaining is national, which limits the ability of labour markets to balance the cost of living and remuneration across regions.
- Recruitment and retention problems have a negative impact on the quality of services delivered. These can be masked by the use of temporary staff, but that approach can affect quality.
- Key workers are less able to use flexible working, home working, and other devices or strategies aimed at reducing some of these pressures.

In addition to serious research, there was considerable public attention in the early 2000s to this issue. An article in the *Health Services Journal* (Oct. 17, 2001), entitled “Home, sweet loan” summarized the problem from the perspective of many in health services employment:

In London, house prices are rising by a staggering 16 per cent a year. The average cost of a home for a first-time buyer is now £141,000, but a newly qualified nurse earns only £18,700 and a hospital porter less than £11,000. Renting is fast becoming an equally unrealistic option, with private sector rents rising by 9 per cent a year. Nor is the problem confined to London. The property and rental markets are booming across the South East....

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In October 2002, the *London Evening Standard* in an article called “Priced out of London,” referred to a study on housing in London by FPD Savills, a real estate consultancy:

*The Savills report says that 522,875 public sector workers in London cannot afford to buy a property worth £75,000 at a time when the average price of a property in the city is £170,000.*³⁵

As the British government attempted to respond to the widely perceived relationship between recruiting and retaining key workers, it recognized that the issue could not be defined in traditional housing-need terms. To a large extent, the issue is one of demand – the housing “preferences” of people who, in many cases, possess job skills that give them considerable mobility. Note, for example, *Key public sector workers: Exploring recruitment and retention issues and housing preferences* (Clatworthy and Crush, 2005).

For key workers and other middle-income earners in Greater London, the contrast with the surrounding region stokes “house envy.” London’s home ownership rate is only 56%, with the surrounding South East region much higher at 74%. Key workers see an attractive family-friendly lifestyle close by but their access to it is limited because of the demand in a tight ownership market from those of like mind (Travers, Whitehead, Holmans, Gordon, 2000).

In 2001, when the government launched the Starter Home Initiative (SHI), its first key worker program, organizations bidding to deliver the program were required to submit supporting evidence from the local authority in whose areas the schemes would be operating (see for example, East Hampshire District Council, 2003; Fareham Borough Council, 2003; Rother District Council, 2001; Rushmoor Borough Council, 2004). In some cases, joint bids were made with local authorities.

Allocations were made on the basis of the recruitment and retention difficulties for key workers documented in the bids. There was considerable local discretion over which employees to focus on (see for example, Fareham BC, 2003). In summary, the “need” that was surveyed was the personnel problems of public sector employers against a backdrop of the preferences of their (potential) employees in expensive housing markets.

Qualitative research was done in the early stages of the SHI (August / September 2003) to explore further how the issues of housing affordability influenced key workers in their employment choices (Clatworthy and Clark, 2005). This involved both focus groups and in-depth interviews with key workers from the various employment subgroups and was further balanced to include both relatively new employees (under two years) and those more experienced (three to five years.) This data was used to refine the Key Worker Living initiative (KWI), the successor program to SHI.³⁶

³⁵ Quoted in *Housing for Key Workers* by Wendy Wilson (Library of Commons, Standard Note, SN/SP/1117: update October 28, 2008; London)

³⁶ This research suggested that retention of employees - not so much recruitment – was made more difficult by high housing prices.

3. Policy and program developments related to essential worker housing

England has a long history of intervention in housing for the larger income category that would include key workers. Much of the early council housing built between 1920 and 1950 in England was for the skilled working class, including public-sector workers.

In the 1950s some local authorities provided key workers with mortgage loans, acting under provisions of the Housing Act 1923 that allowed them both to provide mortgages and to guarantee private-sector mortgages. This relieved the increasing demand for council housing and responded to the growing demand for ownership from groups who historically had poor access to mortgage financing. This practice increased through the 1960s and early 70s, reflecting shortfalls in the private financing available, but the fiscal constraints faced by governments in the mid-1970s ended it (Holmans, 1987 and Merrett, 1982).

In the last two decades of the 20th century, the emphasis in government housing policy shifted to reforming the social housing system and liberalizing housing finance. In effect, local housing authorities were constrained and significant amounts of council housing stock were transferred to non-profit associations. Council housing tenants were given the opportunity to buy their homes. At a broader level, the universal Housing Benefit program overshadowed supply-side subsidies. There was also a low cost homeownership program made available at a modest level.

With the de-regulation of financial markets in the 1980s and the introduction of the Right to Buy for council housing tenants, many key workers were able to move into home ownership. Indeed, a debate developed around whether home ownership was reducing labour mobility. The housing market collapse of 1989 -1991 pushed house prices back. However, by the mid to late 1990s house prices were once again moving upward quickly.

In April 2000, the Labour government published a Housing Green Paper. Proclaimed as the most thorough assessment of housing policy in 23 years, it initiated widespread consultation followed by specific action.

The Starter Home Initiative (SHI)

In December 2000 the government delivered the White Paper (i.e. the final document, for which the earlier Green Paper was a discussion paper) entitled *Quality and Choice: A Decent Home For All: The way forward for housing*, in which it announced a number of initiatives, including the Starter Home Initiative (SHI) to begin in 2001.

The goal of SHI was to help 10,000 key workers, such as nurses, teachers and police,³⁷ buy homes in areas where high house prices would otherwise prevent them from living. As the evaluation of this scheme (Morgan and Bramley, 2005) later noted:

³⁷ The definition of “key worker” is expansive as became clearer in the implementation of SHI. The present government definition can be found at the UK government website *Directgov: Public services all in one*

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...housing need was not the main determinant of access. Instead the importance of the delivery of frontline public services to the maintenance of thriving and sustainable communities in high value areas was recognised as sufficient to justify a special spending programme.

The SHI built on the existing low-cost home ownership program that had been in place since 1980. Funded by government through its central housing delivery agency, the Housing Corporation, it provided support for shared ownership (part rent/part purchase of a new or existing home) and shared equity loans (an equity loan from government on a buyer-selected existing home, repaid with any price uplift on resale). Both shared ownership and shared equity components were delivered through housing associations. Some local authorities had their own modest schemes as well.

The specific aims of the SHI were to:

- provide help for key workers to buy their own homes within a reasonable distance from their work, and so promote a culture of opportunity and self reliance by giving people a stake in their housing and neighbourhoods;
- ensure that key workers could buy homes in areas where high prices might otherwise price them out of the communities in which their services are vital;
- support other housing related objectives which contribute to the regeneration or development of an area; and
- promote a better mix of housing tenures with the aim of achieving more sustainable communities.

The SHI was available in London, the South East region, and in some housing hot spots in the East, South West and West Midlands regions. A budget of £250 million was to be disbursed in two spending rounds. Most of the allocation went to 39 non-profit housing associations but there were also three local authorities and two other organisations involved. The scheme provided flexible levels of support to allow key workers to acquire existing or newly built homes on either a shared-ownership or equity-loan basis.

Given the coordination required among local authorities, housing providers and employers, it is no surprise the initial take-up was slow. However, increased flexibility was introduced, which allowed resources to be moved between target groups and geographic areas depending on demand. Original allocations changed significantly in the light of this increased flexibility.

It is clear from the evaluation report and other sources that there was a degree of “rough justice” in the SHI delivery. Funds were limited and not all needs could be met. At the same time, the

place

http://www.direct.gov.uk/en/homeandcommunity/buyingandsellingyourhome/homebuyingschemes/dg_4001345

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program triggered much closer collaboration between providers and a range of employers, notably health trusts, leading to other initiatives outside of the SHI.

Rising house prices and low initial loan/grant limits also caused difficulties in affordability until increased flexibility was introduced. One association found that the increase in the level of the loan to £20,000 made a difference as long as targeting was to the cheaper areas of the county. Another association working in the South East found that property prices were too high for nurses and managed to use only a quarter of its health allocation.

Overall difficulties in uptake by National Health Service staff were related to both affordability and administrative issues (see Department of Health, 2001). Nurses and other health workers seemed to have had incomes that were too low for them to use the SHI in some areas. Also, difficulties reaching health workers stemmed from the large number of local health care trusts and the lack of a central point for advertising and communication.

In all, 8,798 households and a total of 9,104 key workers were assisted by the SHI (see Table 1). In addition to the 9,104 key workers assisted from the original SHI budget of £250m, another 1,200 key workers whose applications were in the SHI line in March 2004 when the program ended, were helped when an extra £50m was made available. Assuming 10,000 households were assisted, the average gross cost was about £30,000 per household.

The initial SHI evaluation estimated that the average net benefit “from the public sector viewpoint” for the first £250million of SHI funding was “around £15,250 per unit which is about 54% of the average initial outlay on subsidy and administration of £28,000.” This assumed “a net return of about £140m from an initial outlay of about £250m,” reflecting two benefit sources (Morgan and Bramley, 2005).

The program would benefit from so-called ‘stair-casing’ – shared owners increasing their ownership from the minimum 25% by paying down the program equity or buying it out on resale. (This is really funding recycling.) But more important, the public sector as a whole would benefit through savings resulting from retaining key workers and saving the various costs accrued through abnormal staff turnover.

Table 1: SHI Purchases by Key Worker Type

	Health	Teachers	Police	Others	Total
SHI allocation	3895	3196	1321	386	8798
2 nd key worker in household	164	90	41	11	306
Total	4059	3286	1362	397	9104

Source: Office of the Deputy Prime Minister

Given this was an entirely new program, its evaluation deemed it a success. The lessons learned included:

- The program could have been better launched with improved marketing and coordination and a degree of standardisation.
- The definition of key worker was arguably too narrow and restrictive and should have been wider, including, for example, other public service workers or workers in services that had been contracted out.
- The assistance package should have been more flexible and included rental as well as ownership options.
- There were clear economies of scale, a consideration that should influence any allocations in the future.
- The program needed to be adjusted in line with market conditions over time. (The initial maximum of £10,000 equity loan was raised during the program but, even so, some markets were still too expensive to penetrate.)

The program ran till April 2004, when it was replaced by Key Worker Living (KWL).

Key Worker Living

The Key Worker Living program was launched in March 2004 and ran until April 2006. It built on the experience of SHI and had many similarities with it.

KWL was a £725 million program aimed at key front-line public sector workers in services experiencing serious recruitment and retention problems, such as education, health and community safety. It was restricted to London, the South East and the Eastern region.

There were four main products available to key workers under the program:

1. Key Worker HomeBuy - An equity loan of up to £50,000 to buy a home on the open

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- market or a new property built by a housing association.
2. Key Worker Shared Ownership - participants buy an equity share of at least 25% of the home and pay a reduced rent on the remaining share.
 3. Intermediate Rent - Rents below 80% of market rates for key workers on properties developed by housing associations.
 4. London Challenge Teacher HomeBuy - a higher-value equity loan of up to £100,000 for a small group of schoolteachers in London identified as having leadership potential.

The key workers eligible under the program varied by region according to specific local recruitment and retention problems, but the main groups included:

1. Nurses and other NHS staff;
2. Teachers in schools, continuing education programs, and sixth-form colleges;
3. Police officers and some civilian staff in police forces;
4. Prison service and probation service staff;
5. Social workers, educational psychologists, planners (in London) and occupational therapists employed by local authorities; and
6. Full-time junior fire officers and retained fire fighters (all grades) in some fire and rescue services, only in Hertfordshire. (“Retained fire fighters” are part-time or on-call.)

In 2006, key worker status was extended to service personnel, making them eligible for assistance in the 12 months after leaving the Armed Forces.

The Final Report of the Evaluation of Key Worker Living only gives data up to the end of April 2005 (Battye et al, 2006). This indicated that around 4,000 households had been assisted, mainly through home ownership. According to Public Accounts Committee report (2007), by the end of the program, nearly 13,000 households had been assisted at an average cost of £55,700 per household.

According to the evaluation report, most of the key workers benefiting were under 30 years old and had been in their jobs for less than five years. Most preferred home ownership options but some could only afford renting. There was a high level of satisfaction with KWL.

Local Planning Policy Changes

In addition to gearing some housing expenditures towards key workers, the U.K. government also reoriented its planning regulations on local authorities to reflect this priority through Planning Policy Statement (PPS) 3: Housing (2006) with its supporting document “Delivering affordable housing.”

PPS3 formally sanctioned “intermediate housing” as an acceptable form of affordable housing for the purposes of Section 106 of the Town and Country Planning Act of 1990. Section 106 has provided the legal basis for local authorities to require that developers seeking approval for large housing projects to make a portion of their requested density (“planning gain”) available for affordable housing.

Social housing had been the only acceptable form of affordable housing. With the change, “shared ownership” and rental housing geared to key workers, where the rents are below market but above social housing levels, are also deemed acceptable forms of affordable housing.

The use of land planning powers to facilitate more affordable housing goes back to the 1970s in England, though initially the focus of local authorities was on securing the off-site infrastructure to serve new development. Researchers have estimated that during the 1990s between 10,000 and 15,000 affordable housing units annually were secured through Section 106 agreements (Crook, Currie, Jackson, Monk, Rowley, Smith, Whitehead, 2002). But the net impact of the planning system in increasing the supply of affordable housing is the subject of debate. An estimated 70% of the units secured in the 1990s were still dependent on the traditional Social Housing Grant³⁸ (SHG) funding. Further, many developers were only required to meet the maximum SHG prices allowed by the HC. “Relatively few homes secured would be additional to those already included in the SHG program.”³⁹ Often, the practical value of Section 106 agreements was securing sites in expensive markets, particularly in Greater London and the South East.

The inclusion of key worker housing under Section 106 in 2006 has had an impact on local affordable-housing planning and implementation. The City of Cambridge, which has been designated as a priority growth area by the national government, provides an interesting example documented and analyzed from a broader policy perspective in *Delivering Key Worker Housing through the planning system – The Cambridge experience*.⁴⁰ (See Appendix 1: The Planning System and Key Worker Housing.)

4. Summary Observations

Since the end of Key Worker Living in April 2006, the U.K. government has continued to modify and extend home ownership programs with the introduction for a short period of a joint lender/government equity loan (Extended Open Market HomeBuy), a joint program with housing associations (Own Home HomeBuy and My Choice HomeBuy) and with house builders (HomeBuy Direct).

A government-commissioned review of the potential for private-sector shared-equity schemes (Pomeroy, 2008) concluded that there was clearly potential, but that the market was not ready at the time (July 2008), since banks were preoccupied with the international financial challenges. In November 2009, the Mill Group, a private company, announced the creation of a £500 million

³⁸ The development of new social housing in the UK is subsidized through capital grants – Social Housing Grants – to housing associations, not through operating subsidies as often was the case in Canada. Tenants who cannot afford housing association breakeven rents are eligible for direct Housing Benefit assistance.

³⁹ Tony Crook, Jennie Currie, Alastair Jackson, Sarah Monk, Steven Rowley, Kerry Smith and Christine Whitehead *Planning gain and affordable housing: Making it count* (Joseph Rowntree Foundation, York: 2002) accessed Feb. 16, 2010 at <http://www.jrf.org.uk/sites/files/jrf/1842631128.pdf>

⁴⁰ Dr. Nicky Morrison *Delivering Key Worker Housing through the planning system – The Cambridge experience* (Cambridge Centre of Housing and Planning Research, Cambridge 2009)

investment fund to support a co-ownership scheme to provide access to home ownership across the market. See http://www.millgroup.co.uk/housing_fund.html.

In 2006, English Partnerships (EP) (the national regeneration agency, in 2008 absorbed into the new Homes and Communities Agency⁴¹) launched a London-wide initiative aimed at delivering affordable homes in the capital, 1,500 of which were to be for key workers. Another EP initiative was a First Time Buyers Initiative (FTBI) aimed at helping 15,000 households purchase new affordable homes by 2010 across England. About 50% of these units were directed towards key workers, with the remainder going to groups identified as priorities by each Regional Housing Board. (The regional housing boards were created as part of the Sustainable Communities Plan, February 2003, but were later superseded by eight regional assemblies plus the greater London Council.)

Under the FTBI, EP helped purchasers buy homes by taking a 25% equity interest in the property, which sat on title as a second charge behind a conventional 75% mortgage. Key worker purchasers needed to have a maximum household income of £60,000. During the first three years after purchase, EP would charge no interest on its 25% equity but after that a 1% fee would apply, rising to a maximum of 3% on the FTBI equity after five years.

As this might suggest, the picture around low-cost home ownership initiatives became increasingly confusing, though some priority for key workers continued. Somewhat ironically, the government also put increased efforts into building a stronger brand image/understanding around HomeBuy (see the website <http://www.homebuy.co.uk/>).

The credit crunch triggered by the turbulence in global financial markets meant that in 2008 and 2009, many providers of low-cost ownership homes (eg, HomeBuy) were unable to sell newly developed homes because prospective first-time buyers could no longer get mortgages. Many units were switched to “intermediate renting” at 80% of market rent. There is now a move to introduce a Rent to HomeBuy scheme, through which a household could rent a home that it can subsequently buy. A number of variants are being developed and piloted.⁴²

With the general downturn, the pressure with respect to key workers housing has become less obvious but it remains (Wallace et al, 2009). House prices have fallen (though they are now recovering) but mortgage availability has decreased.

In 2009, both the Department of Communities and Local Government and the HCA announced they were reviewing their programs. Some expect that the programs will be retained in some form, though at this stage it is not clear whether there will be different targeting. So far, despite both market and program challenges, key workers have continued to be a priority. It is likely

⁴¹ HCA combined the former Housing Corporation and the Tenant Services Authority. It is a non-departmental public body reporting through the Department of Communities and Local Government.

⁴² For current information on HomeBuy, see the U.K. Ministry of Communities and Local Government website at <http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/> (accessed on April 8, 2010.)

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there will be more moves to simplification, though with increasing budget pressures there might also be a reduction in overall spending on the programs.⁴³

The broader solution to housing affordability for middle-income earners in England's expensive housing market remains elusive. Barker's reports (2003, 2004) described a housing construction market that has settled at a "low-output equilibrium." Higher prices have little impact on increasing housing production; increased demand merely generates higher prices. Barker examined the macro economic implications, the tradeoffs, negative and positive incentives, and perceptions that make this problem intractable. Noting that England is the most densely populated country in Europe after the Netherlands, she even attempted to assuage the fears of the opponents of new development it will despoil the countryside:

The UK is a relatively densely populated country leading to concern that additional house building will result in open spaces being concreted over. Actual land requirements will depend upon the density at which new homes are built and the extent to which previously developed land is utilised. In the South East, over 60 per cent of land is protected (either greenbelt or designated conservation or protected area), 11.4 per cent is urbanised. Of the remaining land 1.5 per cent is required for future planned housebuilding between now and 2016. This requirement could be reduced further through even higher densities or better use of previously developed land. (Barker, 2003)

In her final report, Barker implicitly acknowledged that implementing her numerous recommendations might require more immediate and comprehensive action (Barker, 2004):

Greater affordability for all cannot be achieved by increasing government subsidy to home ownership, although this can help address key worker housing issues. If demand increases as a result of higher subsidies and supply is held constant, then the result will be higher prices... Wider affordability can only be sustainable over the longer term by increasing the supply of housing...

⁴³ Obviously, the result of the general election on May 6 will have some effect on future housing policy.

Appendix A2: Local planning for key worker housing⁴⁴

All local authorities in England are required by the U.K. government to have an affordable housing plan. In 2006, key worker housing was sanctioned as a form of affordable housing, thereby allowing local and regional authorities to use their planning powers to promote key working housing as well as social rented housing through so-called Section 106 agreements.

The London-Stanstead-Cambridge corridor is a centre for biotechnology, life sciences, and software development and has sometimes been referred to as “Silicon Fen.” It was designated a priority growth area by the central government in the national *Sustainable Communities Plan* (Office of the Deputy Prime Minister, 2003), a planning document which related the central government’s spending priorities to the perceived needs of the nine regions within England.

In response to the government’s broadening of the scope for Section 106 agreements, the Cambridge Council amended its 1996 guidelines on when and how much affordable housing it would be seeking through the development approval process, as follows:

	1996 Plan	2006 Proposal	Final Plan
Site size	1 hectare or more	.5 hectare or more	.5 hectare
# of units proposed for site	20 units or more	15 units or more	15 units or more
% of units to be affordable	30% affordable	50% affordable	40% affordable

In the final plan the number of affordable units was reduced to 40% affordable as the result of the Planning Inspectorate’s⁴⁵ determination that 50% was unrealistic. (In all cases, actual project-specific requirements are still the subject of negotiations that must take account of the overall viability of the proposed project and can be appealed to the Planning Inspectorate.)

Cambridge also sought to define “key worker” to include not just public employees but also those key to the growth and success of the local economy, which was approved by the Planning Inspectorate. Cambridge Council indicated that it would still expect the majority of affordable housing secured through Section 106 agreements to be social housing except when land owned by a key worker employer is being developed for the owner’s employees.

The application of this broader definition of affordable housing in the past few years has focused some policy questions. The Addenbrooke’s NHS Trust Hospital, with a staff of 6,400, is a major employer with a 2020 Vision to grow into a “national centre of clinical excellence and biomedical research.” This will entail doubling its present staff. As an NHS employer, it is constrained from competing effectively through compensation levels and the high cost of housing in Cambridge is a negative in recruiting. At present, the hospital’s highest staff turnover occurs

⁴⁴ Based on the case studies in *Delivering Key Worker Housing through the planning system – The Cambridge experience* (Cambridge Centre of Housing and Planning Research, Cambridge 2009) by Dr. Nicky Morrison

⁴⁵ The Planning Inspectorate is a central authority that reviews local authorities’ spatial planning, hears appeals on particular cases, and provides advice and assistance to local authorities.

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among the 30 – 39 year old age group, those entering their career takeoff years and starting families. Survey data indicated that 50% of their staff were living in shared accommodation and had experienced a decline in housing standards when they moved to Cambridge. Similarly, commuting distances for significant numbers were deemed unsustainable.

To address its longer-term needs, Addenbrooke's partnered with an owner/developer seeking to construct 3,300 housing units on about 65 hectares in the green belt area referred to as the Southern Fringe. While the City had indicated that 30% of the housing could be designated for key workers, the hospital had pushed for more.

Other issues presented by this project (and not untypical of other projects) include:

- whether the high density proposed – one and two bedroom flats – focuses too much on the immediate needs of new recruits, ignoring their longer-term aspirations to “move up” as they start families;
- whether communities with a large concentration of key workers are attractive – some research suggested it may not be, even to the targeted key workers themselves
- how attractive such housing will be if the first time buyers later want to sell on the open market and are subject to a “claw-back” of some of the imputed subsidy;
- how will affordability be maintained over the longer term;
- how affordable will such units be and for which portion of key workers.

A second project by another major employer has provoked similar questions. The University of Cambridge is both a large employer and a major landowner. It expects to increase its staff by 3,000 over the next 25 years and it has considerable regular turnover in its fixed-term staff. It has proposed to develop a 120-hectare site, which it owns in the northwest green belt. The site can accommodate around 2,500 housing units, half of which it would reserve for its key workers.

The Planning Inspectorate agreed that half of the units could be designated and reserved for key workers, subject to the demonstration of need. A more controversial feature is that no housing for those in priority need (i.e. those needing socially rented housing) was required and the remaining 50% of the units would be for the open market.

The majority of the key market units will be intermediate rental, which will protect their long-term value as affordable housing, but will not provide the stability (and potential future investment return) that middle-income earners seek through home ownership. The University plans to act as its own agent in the marketing of the housing and it is unclear if it will consider other key workers if its own staff demand is insufficient to absorb all of the planned units.

Appendix A3: Current HomeBuy Schemes

The following is an extract from the U.K. Ministry of Communities and Local Government website at <http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/> accessed on April 8, 2010.

The HomeBuy Scheme

HomeBuy enables social tenants, [key workers](#) (external link) and first time buyers to buy a share of a home and get a first step on the housing ladder.

This section gives details for each of the available products and provides answers to the most common questions about the scheme. The Homes and Communities Agency website gives [details of the HomeBuy agents](#) (external link) who provide a contact point for affordable housing options in different areas of England.

The Government is offering real help for those at risk of repossession. A new campaign launched on Friday 20 February 2009 to ensure that people are aware of the help available and how to get it at the earliest opportunity. www.direct.gov.uk/mortgagehelp

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1. General context: the French housing system in brief⁴⁶

Housing policy in France, like many areas of political and economic life in that country, historically was very centralized. From the 19th century till World War II, the government had taken a number of steps to try to promote greater housing production and affordability, but these were of questionable effectiveness, especially in their failure to deal with increasing urbanization and rural depopulation. Starting in 1945, the need to deal with that dynamic, along with the reality that much of the housing stock had been destroyed or damaged during the war, meant the national government had to become increasingly active. Historically, France had strict legislation about keeping rents low, which was one reason why private investors were reluctant to build housing. This, in turn, helped create an environment that encouraged extensive government activity in housing.

In 1953, France introduced legislation requiring companies with more than 10 employees to make a contribution of 1% of the wage bill towards the national housing construction effort.⁴⁷ This was one of a number of government measures that increased production throughout the 1950s (from 70,000 units completed in 1948 to 320,000 in 1958). The state retained its central role in planning and financing new housing throughout this period until the present day. (See section 3) Since 1983, however, some decentralization has taken place. The central government is responsible for overall policy and some funding, but the regions, municipalities and municipal partnerships now have increased authority for urban planning, social housing and subsidies for construction.

In 1989, new legislation embodied two major policy streams; the “right to housing” and effective freedom of choice regarding tenure status, type of housing and location. Both of these streams rely on there being an adequate supply of housing. This adequacy is not measured only in absolute numbers, but also in quality, in location (i.e. avoiding segregation between social and market housing) and diversity between owner-occupied, social and private-market housing. A continuation of the policy direction towards “right to housing” has culminated in actual legislation about “the enforceable right to housing” (Droit au logement Opposable, DALO). This currently applies only to the social rental sector. It came into force in 2008, so it is too early to assess its impact.

There is a relative equal balance between homeowners and tenants. The rental sector is further divided fairly equally between social housing and the private sector.

⁴⁶ This section prepared by Paul Connelly with input from Joris Hoekstra of Delft University of Technology.

⁴⁷ For more information (in French) on the way in which this money is used, see <http://www.foncierelement.com/>

Changes in Occupation Rates, France 1992-2002

Household Type	1992	1996	2002	1992	1996	2002
	Thousands of Households			%		
Owner-occupied	11,913	12,645	13,724	53.8%	54.3%	56.0%
Tenants, Social Housing	3,775	4,100	4,231	17.1%	17.6%	17.3%
Tenants, Private Sector	4,561	4,777	5,075	20.6%	20.5%	20.7%
Others	1,882	1,764	1,495	8.5%	7.6%	6.1%
Totals	22,131	23,286	24,525	100.0%	100.0%	100.0%

Source: INSEE Survey on Housing.

More recently, especially since the election of President Sarkozy, there has been a move to promote increased home ownership, so this balance may shift somewhat in future.

2. Measuring need and quantifying the essential worker housing issue

Housing affordability for Essential Workers has apparently not been an issue in France because of the legal/policy framework regarding housing and because of various financial incentives to promote affordability. The pressure on the government to be active in a number of ways and across a wide range of incomes has meant that the narrow issue of essential-worker affordability has been addressed by wider programs. (See Section 3)

3. Policy and program developments related to essential worker housing

France has a number of different approaches to encouraging housing production, none of them specifically targeted to essential workers. However, many essential workers do indeed benefit from these initiatives.

Laws to promote financing:

The 1% logement scheme (mandatory as of 1953) meant that any private company employing 20 or more people had to pay a special tax of 1% of the gross wage bill. (The rate has subsequently been cut to 0.95%.) Just over half of this amount (0.5% out of the 0.95%) goes to the Fonds National d'aide au logement (FNAL) to finance housing allowances. The remainder (0.45% out of the 0.95%) is distributed to intermediary organizations to finance social housing, urban renewal and various housing-related services to households. Much of the social housing stock financed this way is reserved for employees of the companies that pay the tax. This is not an "essential worker" program, though. Its reach is wider.

France

Another funding source for social rental landlords comes from a scheme whereby individuals can maintain tax-free savings accounts in state-regulated *Caisses d'épargne*, and these funds are lent to the social rental landlords at an amount very little over the rate paid depositors. The most popular savings scheme, the *Livret A*, paid an interest rate of 4.0% to savers in 2008. The interest rate charged to social landlords was between 0.2% and 0.8% above that, depending on a number of factors, including maximum rent level and duration of the agreement to maintain affordability.

There are two similar mechanisms, open to both social and private landlords, which may help reduce pressure on essential workers.

Pret locatif social (PLS) is for landlords in the so-called “intermediate” sector – the rental sector just above the traditional social rental sector. It is for areas with tight housing markets, and therefore pressure on affordability. PLS loans run at around 1.2% above the *Livret A* rate. Landlords under this program also get a reduced VAT rate (5.5% instead of the normal 19.6%). The income limit for households entering these units is 30% higher than the limit for regular social housing. Housing starts in this program were

2002	12,000
2003	13,000
2004	21,000

20,000 – 25,000 in following years.

The *PLI* program (*Pret Locatif Intermédiaire*) targets a more up-market segment than the PLS and is for very tight markets (basically Paris area, larger cities and special cases like very “touristy” areas). The interest rate is 1.5% above the *Livret A* rate, there is no VAT discount, and the income threshold is 80% above the regular social housing income limit. There has been low uptake of this program so far.

The Sarkozy government has set a target that the homeownership rate will rise to 70%, and so has introduced a tax-based scheme for first-time buyers. Under this mechanism, 0% loans are made to first-time buyers (defined as a household that has not owned its principal residence within the two years preceding the granting of the loan). The 0% loan is capped at the lowest of the following three amounts:

- 20% of the purchase or acquisition cost
- 33% of the total borrowing (i.e. the purchaser must qualify for regular financing for the bulk of the loan)
- a cap based on household size and location within the country.

The 0% loans are granted by regular financial institutions, who are then re-imbursed by the government in the form of tax credits to offset lost revenue because the loans carry no interest.

There is an income ceiling placed on the household’s eligibility for a 0% loan, meaning any household making less than that amount that can qualify to borrow, as long as it can find a lender to provide a regular mortgage for the remaining two-thirds of the required borrowing. The income ceilings are quite high (up to €38,690 for a five-person household in the most expensive

parts of the country), so the program is open to people in a wide range of employment categories. For poorer households, there is the option to defer principal payments on the 0% loan till the first mortgage is paid off, while higher-income households are expected to start paying the principal within a shorter deadline.

With the latest financial crisis, the government is using an economic stimulus approach that includes the construction of new private and social housing (100,000 new units). Again, this stimulation, as well as the first-time buyers' loans, has a wider target than key workers.

Private landlords can get capital cost write-offs under a number of programs. The Program *Dispositif Robien recentré* allows for a write-off of 6% of the acquisition or renovation cost per year for the first 7 years, then 4% in years 8 and 9. This is for areas with tight housing markets. On the other hand, *Borloo neuf ou populaire* is for less tight markets and rents are limited to 70% of market average. Income limits for tenants are similar to the intermediate rental market discussed above. The tax write-off can continue for two optional three-year periods beyond the basic nine years. The last six years are at 2.5% a year.

In April 2008, a new tax incentive called Scellier⁴⁸ was introduced, aimed at stimulating the private market where demand for rental housing was highest but for various reasons the rental housing market was not operating optimally without this stimulation. Under this program, a total of 25% of the cost price of a new rental unit purchased in 2009 or 2010 can be rebated back to the operator over a nine-year period, as long as the rents are **below a government-defined rent ceiling (which varies per region) and the income of the tenants is below a government-defined income ceiling (which varies by household type) as well**. For units purchased in 2011 or 2012, the rebate will be 20% of the cost price.

4. Summary Observations

Over the years, government housing policy both at the national and – relatively recently – at the regional or municipal level has embraced quantity, quality and affordability. Housing policy has often been linked to other outcomes, including preservation of historic stock, urban renewal or responding to demographic shifts of people following employment opportunities. Because of the multiplicity of policy and because the eligibility ceiling for various housing programs are fairly high, there has been no widely perceived need for any specific programs targeted to essential workers.

⁴⁸ http://www.logement.gouv.fr/article.php3?id_article=6731

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1. General context: the Irish housing system in brief⁴⁹

Ireland joined the European Union on 1st January 1973 as a poor country by European standards. Even with the economic benefits of EU membership, its unemployment rate remained in the high double digits throughout the 1980s and its economic growth was less than 1% for half that decade.

In 1988, it was called the “poorest of the rich” by *The Economist*. Six years later, in 1994, it was proclaimed the “Celtic Tiger” by a Morgan Stanley financial analyst (Antoin Murphy, 2001). Not surprisingly, the sustained economic growth Ireland experienced for more than the following decade had a major impact on its housing market.

Ireland’s housing tenure is dominated by home ownership at 75%, followed by private rental next at 13%, and local authority (public) housing at 7%.⁵⁰ The “missing 5%” is partly a failure of reporting in the census, but the Irish Council for Social Housing website also suggests around 2% of all housing is social housing owned by voluntary associations.

Public housing has existed in Ireland for over a century, with the total municipal stock reaching 330,000 units at its peak. During the 1930s and 1940s, the public portion of new housing starts reached as much as 70% of total production. Since the introduction in the mid-1970s of “rent to buy” schemes for tenants in local authority housing, the municipal stock has diminished by two thirds (Jesuit Centre for Faith and Justice, 2009.)

During the long recession of 1981 – 1987, house prices declined in real terms. But in the mid- to late 1990s, Ireland achieved real GDP growth of around 8% per annum, more than double the growth in most other OECD countries. The workforce grew by over 25% between 1993 and 1998 and unemployment fell to 7.7%. In the early 2000s, growth slowed briefly before surging again with real GDP growth around 5% per annum until the collapse of 2008.

Between 1996 and 2006, overall house prices in Ireland increased by 270% (an average of 15% per annum) compared to a rise of just 30% in the CPI over that ten-year period (Duffy 2005). But its housing production also proved responsive to the demand fuelled by economic growth and immigration. Housing output rose from 22,464 new homes completed in 1992 to a peak of 93,419 homes in 2006. By then, a third of Ireland’s housing stock had been built within the previous 10 years.

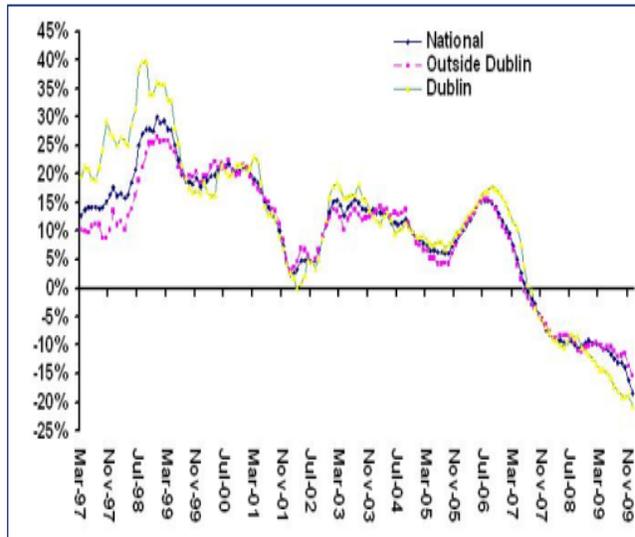
⁴⁹ The country correspondent for this report was Dr. Peter Williams, Visiting Professor at the Centre for Housing Policy at the University of York, previously Deputy Director General of the Council of Mortgage Lenders, Professor of Housing Management at Cardiff University, Deputy Director at the Chartered Institute of Housing and academic at the Australian National University and the University of Birmingham, a member of the Board of the Housing Corporation (1995-2002) and Housing for Wales (1989-1993).

⁵⁰ *Annual Housing Statistics Bulletin 2008* (Environment, Heritage and Local Government) <http://www.envirom.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/FileDownload,20957,en.pdf> (Accessed February 9, 2010)

Ireland

Chart 1 tracks prices over the period 1997 to 2009. Prices have fallen since the end of 2006 when the European Central Bank started to raise interest rates. In 2009, average prices fell by 18.5%, compared to 9.1% in 2008 (Duffy, 2009).

Chart 1; House Price Changes in Ireland 1997 to 2009



Source: permanent tsb/ESRI

In 2002, as Irish economic growth seemed to have reached a new equilibrium, the ratio of dwellings to the population was significantly lower than that in other European countries. (See Table 1: Dwellings per 1000 adults, 2001.⁵¹) Conefrey and FitzGerald (2009) suggest that as the Irish have “only recently converged to the EU average in terms of income per head, their endowment of housing infrastructure may still be well below what might be expected for countries with their current standard of living.”

The surge in demand and the rises in both production and prices had a number of causes: economic and real per-capita income growth, significant immigration of well educated younger people, and a large cohort of the native-born reaching the age for forming independent households.

⁵¹ Conefrey, Thomas and John FitzGerald *Managing Housing Bubbles in Regional Economies under EMU: Ireland and Spain* (Economic and Social Research Institute Working Paper No. 315 September 2009)

<http://www.esri.ie/UserFiles/publications/20090925111751/WP315.pdf> accessed on March 15, 2010

Ireland

Table 1: Dwellings per 1000 adults, 2001

	Total dwellings	Occupied dwellings
Denmark	621	595
France	634	526
Ireland 2002	525	464
Netherlands		534
UK	575	551

(Note: the difference between total and occupied dwellings comprises vacation homes, dwellings unfit for habitation, and the stock of units on the market.)

Mortgage supply also increased sharply reflecting financial de-regulation and the entry of foreign banks (mainly British). Two other factors in the Irish market also made housing finance more affordable than in the past. Adherence to the EMU and adoption of the Euro significantly reduced effective mortgage interest rates (Conefrey and Fitz Gerald 2009). Secondly, the amortization period for mortgage loans was increased from (typically) 20 to as much as 40 years (Duffy and Quail, 2005).

The upward pressure on housing prices was arguably magnified by “frenzy effects” and widespread speculation. Conefrey and Fitz Gerald (2009) noted:

a very substantial share of the additional dwellings built between 2003 and 2006 were not occupied by permanent households. While some were built as holiday homes many of them were built for purely speculative purposes and the build up of the stock of vacant dwellings after 2003 presaged future problems in the housing market.

Though there were factors that distorted its housing market leading up to the 2008 recession, Ireland’s economic fundamentals distinguish its boom from what occurred in many other developed countries. “Since the middle of the 1990s, growth in **real disposable income** per head has been stronger than in any other industrial country.... Between 1996 and 2006, the average annual growth rate of real disposable income per capita in Ireland was 9.1% compared to 4% in EU-15.” (Malzubris, 2008. Emphasis in the original.)

Successive Irish governments have strongly promoted home ownership through a variety of policies including mortgage interest tax relief (without a corresponding tax on imputed rent), no capital gains on the sale of a principal residence, and the abolition of residential rate in 1978 and property taxes in 1997. The government has also intervened more directly to facilitate home ownership (see below.) Ireland also has a rent supplement program for those living on low incomes.

Measuring need and quantifying the essential worker housing issue

The process for measuring housing need is de facto the solicitation of applications for social rented housing, and does not address the needs of those in middle-income brackets. The Irish Council for Social Housing refers to the needs assessment as a “gateway” to social housing, organized every three years by local authorities to produce the national data on housing need. The most recent assessment took place in March 2008.⁵²

This “statutory count” is mandated in the Housing Act of 1988 to the local authorities, with the precise process being left to local discretion. Many authorities have used this exercise as an opportunity to engage housing associations and others in “outreach” to those who are eligible but have not registered. The criteria for inclusion centre on financial need. The local results are forwarded to the Department of the Environment, Heritage, and Local Government for compilation and analysis.

There is a separate process for the assessment of absolute homelessness. In the National Development Plan 2007-2013, the government announced that a new method of assessing housing need is being developed to provide a better basis for developing policy.

The Department of the Environment, Heritage, and Local Government also maintains an index of housing affordability measured by reference to the cost of servicing a mortgage. In 2009, it concluded:

*The affordability ratio indicates that there has been an improvement in affordability over 2008. Last year, the mortgage outgoings of a two-income household represented about 29% of their disposable income, compared to 32% in 2007.*⁵³

This calculation assumes “one person earning the average non-industrial wage and the other earning the average industrial wage. The 2008 mortgage outgoings are based on a 20-year mortgage, 5% interest rate and an average national house price of €305,269.”⁵⁴

Although there have been no government key worker programs, there has been concern about middle-class access to the housing market, particularly near the peak of the market.

In 2006, the Bank of Scotland, Ireland (one of the new entrants in the Irish market) reported “key public sector workers priced out of housing market.” The report indicated that until 2003 the only unaffordable places for such workers were Dublin and Galway but by 2006, nurses, fire fighters,

⁵² Irish Council for Social Housing (National Social Housing Federation) *Housing Needs Assessment* <http://www.icsh.ie/> accessed January 13, 2010

⁵³ Op. cit. *Annual Housing Statistics Bulletin 2008*

⁵⁴ Ibid.

secondary and primary school teachers, and police (Gardai) were unable to afford homes in four out of five major Irish cities.

The Bank report was covered extensively in the press and prompted a letter to the *Irish Examiner* asking why policy should favour key workers (*Irish Examiner*, 2006). This was unsurprising, given that pressures were widespread (Duffy and Quail, 2005). The Bank followed up in 2008 by announcing its own fund to support first-time buyers (Bank of Scotland, Ireland, 2008).⁵⁵

The setting of government planning and priorities occurs within a “corporatist” framework. The introduction to the current planning overview, *Towards 2016: Ten-Year Framework Social Partnership Agreement 2006 – 2015*, lists as “negotiating parties” 25 national organizations, representing all significant organized sectors of Irish society, from trade unions, industry groups, and farming organizations to the third sector, advocacy groups and religiously-based charities.

This document, published in June 2006, lists as one objective “to enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment and, as far as possible, at the tenure of its choice.”⁵⁶ Some numerical goals were set for new social and affordable housing construction, though success in meeting them is premised on good economic performance. (See below.)

3. Review of policies and initiatives relevant to essential services workers

As noted, there has not been an explicit key worker program in Ireland. But with rising housing prices and production, the government was increasingly attentive to housing affordability. The Bacon report in 2000 (Bacon, 2000) suggested a range of measures to facilitate supply as a means to bring greater market stability.

Other studies followed, including a housing policy review for the government by Norris and Winston in 2004, a further review published by National Economic and Social Council, 2004, and a detailed review of affordable housing supply, *Increasing Affordable Housing Supply*, published in 2007 (Three Dragons et al, 2007).

There have been several low-cost home ownership schemes in operation, each with similar criteria and structures, which has prompted concerns about duplication. Essential service workers were not given priority and were eligible if they met the various specific criteria. There is no way of determining how many did qualify. The schemes are:

⁵⁵ This was a package of options including 100% loans (90% for apartment purchases), terms up to 40 years and interest-only payments for up to two years. Some options, e.g. the 100% LTV, were later “withdrawn.”

⁵⁶ *Towards 2016: Ten-Year Framework Social Partnership Agreement 2006 – 2015*
<http://www.google.com/search?client=safari&rls=en&q=ireland+towards+2016&ie=UTF-8&oe=UTF-8> (accessed February 9, 2010)

- **The Affordable Housing Scheme** (introduced in 1999). Under this program, eligible lower-income households can buy new homes built on land from local authorities at a discounted price and to get a loan of up to 97% of the cost. The eligibility criteria are set by each authority. An anti-profiteering measure was built in to ensure claw-back of assistance if resold within 20 years. By the end of 2008, some 6,889 units had been provided. Details are provided at <http://www.affordablehome.ie/My-Local-Authority.aspx>
- **Sustaining Progress - Affordable Housing Initiative** (2003). Using state or local authority land and operating under the equivalent of England's Section 106 planning gain system, developers have to provide 20% affordable housing as a condition of the planning permission (Part V of the Irish Planning and Development Acts 2000-2006). By the end of 2008, some 3,590 homes had been provided to households who, though normally able to enter the market, could not do so in the current market.
- **The Shared Ownership Scheme** (1991). Households part buy/part rent a new or existing home from a local authority. By 2008, 7,704 households had benefited from this program.
- **Part V Affordable** (2000). The Planning and Development Act is used to secure homes and allocate homes for low-income households, according to the same eligibility criteria as the Shared Ownership Scheme (above).
- **Home Choice Loan scheme** (2009). Introduced following the 2007 Review, Home Choice Loan provides mortgages nationwide to first-time buyers through four designated Local Authorities. First-time buyers can apply for a Home Choice Loan to purchase a new or second-hand property or build their own home. It provides a mortgage loan up to 92% of the market value of the property purchased. The maximum loan amount is €285,000. The loan is a normal principal-and-interest-bearing mortgage with monthly payments. <http://www.homechoiceloan.ie>

In addition, there is a small Mortgage Allowance scheme and a Tenant purchase scheme.

Rent supplements are available to lower-income tenants who, after 18 months, may be enrolled in the Rental Accommodation Scheme (RAS). Under RAS, the local authority enters directly into a contract with a private landlord and pays the rent directly. This has no relevance to key workers.

The broad goals for housing initiatives in *Towards 2016* were detailed in the *National Development Plan 2007-2013: Transforming Ireland – A Better Quality of Life for All* (the “NDP”)⁵⁷ An investment of €184 billion in housing was planned over the Plan period, including €21.2 billion for social and affordable housing programs (excluding the budgeted expenditure for rent allowances). €17 billion was for renewing existing and building new social housing; the remaining €4.2 billion was to fund affordable and “targeted private housing supports.” The latter were aimed at an income group that could include key workers.

⁵⁷ *National Development Plan 2007-2013: Transforming Ireland – A Better Quality of Life for All* <http://www.ndp.ie/documents/ndp2007-2013/NDP-2007-2013-English.pdf> (Accessed February 9, 2010)

In early 2010, the Prime Minister posted a message on his website announcing a review and modification of *Towards 2016*:

...the Government and Social Partners reaffirm their willingness to work together to provide Ireland with stability and certainty during this difficult period of transition... We have also agreed on the need to re-prioritise public expenditure in order to adhere to the key macro-economic principles underlying Towards 2016 while recognising the priority to be given to protecting the most vulnerable people.

4. Summary observations

The government of Ireland is in serious financial trouble, having exceeded the deficit and debt maximums of the EMU stability and growth pact. International financial commentators now include Ireland among the five EU countries most likely to default on their sovereign debt.

Although Ireland has had no formal key worker programs, the government was becoming concerned about access to the housing market and had put in place a range of programmes to deal with this weakness. Quite different problems now dominate. Housing output in Ireland has fallen sharply to an estimated 14,000 units in 2010, reflecting oversupply, recession and renewed out-migration. The Irish National Training and Employment Authority's Report (2008) notes the country shed some 40,000 workers in that year.

Housing analysts have begun the task of relating the housing market to the larger economic picture. Some have concluded that "the overexposure to risky domestic lending for property development has precipitated a major domestic financial crisis" rather than contagion from toxic US assets (Conefrey and Fitz Gerald, 2009.) Others contend that real estate speculation and poor planning and zoning policies "have contributed to a property market collapse, necessitating a subsequent rescue of the Irish owned and managed banking sector and property market at a major cost to the Irish state and taxpayer." (Williams, Hughes, Redmond, 2010)

With an oversupply of housing estimated at over four years' worth of demand (Williams, Hughes, Redmond, 2010), the Irish might expect significant improvement in housing affordability through basic market functioning. However, the government of Ireland, in common with governments elsewhere, is struggling to protect the long-term health of financial institutions whose viability may depend on over-valued assets. Through its National Assets Management Agency (NAMA), the government appears to be forestalling downward price corrections, ignoring the benefits that might accrue, particularly to those seeking to enter the housing market (Williams, Hughes, Redmond, 2010).

From a traditional corporatist perspective, the Jesuit Centre for Faith and Justice (2009), invoking the papal encyclical *Rerum Novarum* (literally, "Of New Things" but commonly known in English by its subtitle, "Of Capital and Labour"), has called for a unitary system of social housing, an end to further privatization of the local authority stock and significant new public housing investment. This revitalized and growing rental stock would be open to all regardless of income, with the economic benefits of enabling greater labour mobility and a more balanced mix of tenures.

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1. General Context: the Italian housing system in brief⁵⁸

Home ownership has increased steeply over the past five decades. In 1961, only 49% of households were home owners. (Source: Istat 1996). Now, Italy is a country dominated by home ownership (81%)⁵⁹. Of the remaining 19% of the housing stock, social housing accounts for only five per cent and private rented housing for 14%.

Since the 1990s, the housing problem in Italy has been considered by many to be practically solved in view of the high level of home ownership achieved. This perception led to sharp reduction in social housing production. In 1998, it resulted in cancellation of the GESCAL, the deduction of 1% from employees' salaries which had until then been the principal financial source for public housing. The production of public housing dropped from 34,000 dwellings in 1984 to only 1,900 in 2004. Subsidized or regulated housing production decreased from 56,000 to 11,000 over the same period.

Another key feature in the recent history of the social housing sector in Italy is that responsibility for housing policy was devolved to the regions. Before 1998, the regions' autonomy was very limited, as their budgets depended on transfers from the national state. Public housing owned by the state was managed by IACPs (*Istituto Autonomo Case Popolari*). After devolution, these organizations came under the authority of the regions. The national government still has a role in housing policy, mainly focused on private rental market regulation, income tax relief schemes for owner-occupiers and funding frameworks using national government funds and tax relief as a leverage to attract private investments.

In general, there are three types of social housing providers in Italy: 1) public-sector actors, 2) co-operatives and 3) private-sector actors. The public sector providers can be divided in two: organizations that have been established at sub-national level (normally by the region) and municipal housing companies.

The specific mission of social housing in Italy is to house people in "need," which is defined in two categories, namely very poor people (beneficiaries of public rented housing) and middle classes (through either rent or access to homeownership). The needs of both categories are addressed by different subsidies and support mechanisms.

Other forms of social housing are initiatives by third-sector organizations, very often supported by local civil society organizations and banking foundations, including services which facilitate renting or the construction of housing dedicated to specific target groups (e.g. immigrants and refugees, people in emergency situations because of eviction or a breakdown in family relations, families of sick people hospitalized away from home) or even buildings of a communal type

⁵⁸ This section was prepared by Gerard van Bortel, Researcher Housing Systems, OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology

⁵⁹ Housing Statistics in the EU 2005-2006

(mini-apartments with social services or domiciliary assistance for the elderly, people with disabilities or single mothers with children).

Italy is currently experiencing a dramatic shortage of social housing (Urbani & Van Bortel, 2009). The last years have witnessed a strong increase in the number and types of housing providers but at the same time a decrease in the total stock of housing co-operatives and, even more significantly, of public-sector housing. Public housing managed by the former IACPs is constantly decreasing (from 850,000 dwellings in 1990 to 762,000 in 2004), due to the sale of social housing (Pinzella et al). Dwellings owned by municipalities are undergoing the same process. Therefore, the public housing stock now amounts to less than a million dwellings in Italy.

Low-income households living in private rented housing can apply for a housing allowance. Almost 50% of housing allowance applications are submitted by immigrant families. This group is mainly dependent on private rental accommodation because regional housing allocation regulation states that households are only eligible for social housing if they have lived in the region for a minimum of five years.

2. Measuring need and quantifying the essential worker housing issue

There is very little data available on housing needs in general and there is no specific data on key workers. The Regional Housing Observatory in Lombardy (*Osservatorio regionale sulla condizione abitativa*) is responsible for data on the public housing stock. Public housing need is measured by the number of eligible households applying for public housing. The income cutoff for public housing (*canone sociale*) was raised from €13,000 to €19,000 in 2010. However, key workers still do not fall within the target group of public housing.

Ownership affordability is mainly measured by expressing housing cost in a percentage of income. Affordability is often expressed in the portion of family income needed to pay for housing. A figure above 25% is seen as excessive⁶⁰

Since the mid-90s, property prices in Italy have been constantly increasing at rates higher than household earnings. In the period from 1993 to 2004, the growth rate for rents was on average more than three times the growth rate in family incomes⁶¹. In the period 1998 – 2006, house prices increased overall by 57.9% in real terms. In 2006, the average expenditure on family rented accommodation reached 27.5% of family income (an average €503 per month against an average income of €1,832) while, as noted above, a figure above the 25% threshold indicates a condition of financial hardship.

⁶⁰ Source: Cittalia ANCI Ricerche processing of Istat data, Survey on income and living conditions, taken from “I Comuni e la questione abitativa”, October 2008

⁶¹ Source: Questioni di economia e finanza, *Occasional papers*, “L’accesso all’abitazione di residenza in Italia”, Number 9 - July 2007, by Giovanni D’Alessio and Romina Gambacorta.

Italy

In general, most working people have an income above the public housing threshold. Public housing is intended for people living on income support, immigrants, single-parent families and the elderly. In 2007, 7% (270,000) of all households in Lombardy were eligible for social housing and 120.000 households living in private rented housing had requested housing allowance (FSA).

Key workers are one part of a very large group of low- to middle-income households that face difficulties in finding affordable housing. Understanding the degree to which this is a serious policy concern for governments is clouded by “cultural assumptions” on the one hand and debate over the imperfections of the housing market on the other.

First, Italians appear to be more closely tied to the place of residence of the family; there seems to be a distinct Italian housing culture. The choice of residential location and even one’s workplace is often dominated by the wish to be near one’s parents, even to the point that this may take precedence over career opportunities, especially for women (Bottai, 2009). Young adults rarely start a single-person household; if they leave the parental house they do so to get married or form a couple. In the age group between 18 and 34, only 2.8% of the female adults mentioned “work” as the reason why they did not live with their parents. Of male adults, 10% listed “work” as the reason for not living with their parents. In contrast 63.5% of male adults and 77.5% of female adults between 18 and 34 mention “marriage” as the main reason for moving out.

Yet the “cultural phenomenon” explanation is complicated by recent trends. Young adults in Italy are increasingly postponing the departure from their parents’ home. In 1998, 70.7% of adult males between 25 and 29 still lived with their parents, as did 45.6% of the female adults. In 1990, these percentages were much lower: 50% and 28.7% respectively. The Lombardy Regional government links the late age at which people start a family to limited availability of affordable housing. Living in a single-person household is not very common and the housing market provides little opportunities to do so. There are very few rental apartments available. In particular, small-sized ones are rare. This is caused, at least in part, by the weak rental market.

The rental market long suffered under a strict rent control law (“*equo canone*” law). Even after the abolition of this law, owners have shied away from renting out properties. Tenant protection is very high, making it difficult to evict tenants, even if they do not abide by the rental contract, for example, if they don’t pay their rent, overcrowd the property, or illegally sublet the rented property. Owners often prefer to leave their property vacant for years. In 2009, 80,000 properties in Milan were reported vacant.

Research mentions several possible cultural and economic reasons for the growth of adult children living with their parents, including the increased affluence of parents and their capacity to support adult children and the reluctance of these children to form a family of their own (Bottai, 2009). However, young adults do not specifically mention problems finding housing as a reason for not living independently. Whatever the reinforcing mix of economic and cultural influences, many young adults (some of them undoubtedly key workers) accept long commutes to work, with their attendant costs and time of transport (Bottai, 2009).

The Region wants to support young people by schemes inspired by the German “*bausparkasse*” where people are encouraged through fiscal incentives to save to buy a home (IReR, 2010).

3. Policy and program developments related to essential worker housing

Because housing policy is a regional responsibility and there are 20 regions, the focus will be on Lombardy in the Northern part of Italy, which has approximately 10 million inhabitants and is one of the most affluent regions in the country. Milan is the regional capital.

Lombardy has a strong regional government, which has been in power since 1995 and has given a high priority to the development of a coherent housing system. It has developed a *Leggi Urbanistiche Regionali (LUR)*, a *Regional town planning law*, establishing numerical and spatial targets for social housing. It has also developed both rental and homeownership initiatives.

As in Italy as a whole, social housing in Lombardy accounts for just 5% of the housing stock and is dominated by public housing owned by the region and the municipalities. The 100,000-plus public housing stock (*canone sociale*) is targeted at the lowest income groups (earning less than €19,000 a year). Public housing tenants mainly comprise the elderly, single parent households, and immigrants. Key workers are very unlikely to qualify for public housing because of their income.

The Lombardy region has created two new programs intended to increase the supply of affordable rental housing. Providers of the first program type (*canone moderato*) receive a 40% subsidy on building costs. The second program, *canone concordato*, provides a 1.5% subsidy on the interest rate paid by investors. These investors most often are housing co-operatives and the regional public housing agency ALER (*Azienda Lombarda per l'Edilizia Residenziale*).

The *canone concordato* program initially attracted very little interest from investors. Under pressure from housing co-operatives, it was adapted to include the possibility of *rent-to-buy* where the property would be rented for eight years and sold after that period.

The number of housing units (*canone moderato* and *canone concordato*) managed by non-public landlords is very limited, although no exact data is available. In 2006, 6% of the housing owned by public actors belonged to this category. Households eligible for these types of social housing are those with less than €40,000 annual income, or families with special needs (such as disabled family members). The income threshold would include most key workers.

The Region's Housing Allocation Code makes subsidized housing only available to people resident in or near the municipality where the housing is located with the exception of people working for the regional government or the municipality. This could benefit some key workers employed by government.

The Region's supply-side subsidy programs, which were intended to bring new investors to the affordable rental market, have not been very successful. Private developers and cooperatives prefer to build houses for homeownership and are only inclined to invest in rental houses if "compensated" with an attractive amount of housing for sale. Many undeveloped building locations in Italy are owned by the local authority or have a "public services" destination in the statutory planning framework, with social housing being defined as a public service. This means

the local government has a big say in what gets built on these locations. The municipality of Milan, for example, uses quasi-market tenders to attract bids from developers for these building locations. The bids need to include a certain number of social rental dwellings. In this way, developers are rewarded with profit-making building opportunities if they build a desired number of social rental dwellings.

New demand-side subsidy programs for low- and middle-income households were introduced in the early 2000s. These programs include vouchers for first-time buyers and a housing allowance system for private renters. Families buying their first home can apply for a €6,000 housing voucher. This voucher is also available for lone-parent families and families with many children. Single-person households and unmarried couples are not eligible. The number of applications selected is limited by the size of the Region's annual budget for this program.

Based on data in the report evaluating the performance of the current regional legislation in Lombardy (IReR, 2010), housing affordability has deteriorated in the region. In 1994, households spent on average 20% of their income on housing; this percentage had risen to 28.4% in 2007 (26.7% for all Italy.)

Housing cooperatives have no key worker housing policies. These organizations mainly provide houses for owner-occupation. They appear reluctant to allocate their limited number of rental properties to key workers because the nature of their work prevents key workers from being stable tenants. Key workers such as nurses and teachers often have very flexible contracts obliging them to change working locations quite frequently. The municipality of Milan in its new housing policy (developed in 2009) plans to create housing solutions for specific target groups like students and temporary workers. Although this is not explicit, key workers could often fit the temporary worker label.

Social housing property funds, a new form of social housing provision, could increase the number of dwellings available to key workers. Italy, especially northern Italy, has a tradition of ethical banking foundations.⁶² These foundations are connected to commercial banks that in the past were state-owned. Some of these ethical banking foundations are investing in social housing property funds. These are investment mechanisms used in commercial real estate development that have been adapted to the social housing sector. The first social housing projects developed with funding from property funds will come on the housing market in 2011. Key workers are explicitly mentioned as a possible target group by one of these organizations, the *Fondazione Housing Sociale (FHS)*.

The region of Lombardy has taken several initiatives to increase the amount of affordable housing and make existing housing more affordable through housing allowances. The

⁶² These institutions have their roots in the philanthropic foundations established in northern Italy early in the 19th Century to combat the economic devastation resulting from the Napoleonic Wars by promoting saving and investment for housing. An example is the Fondazione Cariplo, which is a descendent of such an organization and also a co-founder of the Fondazione Housing Sociale. Under Italian law, foundations like Cariplo which have a banking origin are private organizations that are placed between the private and public sectors and pursue "public benefit" objectives in areas where public agencies leave off. See also <http://www.fondazionecariplo.it/portal/page148a.do?link=klm28b.redirect&seu311a.oid.set=167>

municipality of Milan is specifically designating building locations for affordable housing. Milan's housing policy includes initiatives to increase the amount of housing for temporary workers and students.

Not only have there been no programs in the past for key workers in the Lombardy Region, there appear to be no current or even recent housing policies in all of Italy that were designed for key workers. The only explicit example of key worker housing identified were large-scale initiatives to built housing for civil servants in Rome undertaken in the 1920's on behalf of co-operative housing societies by the *Unione edilizia nazionale* with special funding form the *Case depositi e prestiti*, the national postal and saving bank. (Lebas et al. 1991). This bank still exists and is still involved in funding social housing projects. (Urbani & Van Bortel, 2009).

4. Summary Observations

The rising need for both affordable housing and housing services means the answer no longer consists only of constructing more homes but also of seeking new integrated, sustainable housing solutions. The challenge is to transform housing into a catalyst contributing to flexible, vibrant and cohesive communities. More particularly, after many years in which home ownership was generally encouraged in Italy, there is now consideration of the need for more rental properties with controlled rents, as well as an increased interest in social housing intended for:

- those whose housing needs are of a temporary nature (e.g. posted workers, students, migrants who intend to return to their own country);
- average- and low-income families, so that they can consider alternatives to home ownership because the cost of ownership has often reached an unsustainable portion of the family budget;
- those who are not able to take out a mortgage to purchase property (because of insufficient income or because of difficulty of access to credit, as, for example, in the case of temporary and migrant workers).

Insufficient affordable housing affects not only individual households, but also the wider community or society as a whole. It contributes to problems such as the abandonment of town centres, the increase in commuting, the formation of dormitory quarters in the areas around cities, the emergence of enclaves of foreign ethnic groups, with serious overcrowding problems and ghetto conditions, the concentration of social welfare recipients and deterioration of some popular quarters or the insecurity generated by a black market in rental property and squatting. Finally, there is an intuitive sense that a further social effect of the lack of decent affordable housing is the loss of economic competitiveness in an area when it is not possible to attract a workforce because there is no housing available under reasonable conditions. (Urbani & Van Bortel, 2009)

We contend that the group unable to enter into home ownership is of strategic importance for sustainable urban development, since this group largely consists of new households, students away from home, new graduates looking for a job, key workers (such as teachers, police officers and nurses) and migrants which communities need. The effects of an insufficient affordable housing supply are not very visible. These effects are almost "hidden" because they affect citizens with little "voice", for instance young people who are delaying forming a new family and are still living with their parents, or students and workers who commute daily for several hours to

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reach their place of study or work, or those who accept unfit housing, spending a large proportion of their income on housing. (Urbani & Van Bortel, 2009)

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1. General context: the Netherlands housing system in brief⁶³

In 1999 the share of home ownership in the Netherlands for the first time exceeded that of rental housing. By 2008, 57.2% of the housing stock was owner-occupied while rental constituted 42.8%⁶⁴. Twenty-five years ago the balance was just the opposite, with 58.1% rental housing and 41.9% home ownership.

In the past decades, the government has actively promoted home ownership mainly by tax-exemption. While imputed rent is used to offset the interest tax credit, the Netherlands has been exceptional among those European countries using a mortgage interest tax reduction in that it allows near full deductibility (van der Hoek, Radloff, 2007). As a consequence, the share of homeownership has increased considerably. On a national level, 72% of new housing production in 2007 was for the ownership market.

A characteristic element of the housing system in the Netherlands remains its large social housing sector. 34% of the total housing stock and 75% of the rental housing stock is owned and managed by not-for-profit housing associations. These organizations serve a broad target group, including low- and medium-income households and persons with special housing needs, such as the elderly and the disabled.

Housing supply in the Netherlands in general has had difficulty meeting demand. In the post-World-War-II period, the country faced massive housing shortages. Nowadays, tension between supply and demand is mainly qualitative in nature but in the most urbanized areas – the western part of the country – serious housing shortages remain. This area includes the four largest cities in the country, i.e. Amsterdam, Rotterdam, The Hague and Utrecht.

For decades, local housing markets where the tension between supply and demand is the highest have been found in the North flank of the *Randstad*; the built-up urban area with cities like Amsterdam, Leiden, Utrecht and less densely built areas like the *Gooi and Vechtstreek*. This tension is exemplified by high prices in the owner-occupied sector, long waiting lists in the social rental sector, high rent levels in the private rented market and illegal subletting in all rental sectors. Usurious rent practices are often reported in private rented housing in these areas. Housing market pressure in the southern part of *Randstad* is less severe.

Housing markets are determined by regional and local characteristics and developments. In some peripheral areas of the country the number of households is declining. It is expected that this phenomenon will continue in the future.

⁶³ This section was prepared by Gerard van Bortel, Researcher Housing Systems, OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology

⁶⁴ Source: VROM 2009

In the Netherlands, local authorities have an important role in planning and implementing housing policy, especially concerning spatial planning issues and housing allocation rules.

Limited supply and long waiting lists are the main problem issues in the social rental sector. Affordability is less of an issue because of a relatively strict rent control. However, due to rising housing prizes, affordability is a serious problem in the owner-occupied sector. In the media this affordability discussion is mainly focused on first-time buyers in general and not especially on key-workers although both groups probably overlap.

Not surprisingly, we have found most local initiatives to support key worker housing in Amsterdam and surrounding areas, as discussed below.

The size of the social rented market and the wide range of target groups served by housing associations may contribute to the fact that affordability of rented housing is not a very dominant issue. All households with an annual disposable income below €33,000 (approximately \$44,000 Cdn.) – a little less than half all households – are eligible for social housing, but even this limit is not strictly enforced by the government. As incomes are only assessed at the moment of allocation, the social rented sector includes households with incomes that are higher. The size and activities of the Dutch social housing sector has been the subject of debate between the Dutch government and the European Commission (EC). (See Section 3 below.)

In addition, the country has a housing allowance system for households in both the social and private rented sector.

2. Measuring need and quantifying the essential worker housing issue

At least every three years the ministry of housing collects data on general housing needs and housing preferences through the National Housing Surveys (WoonN). These surveys explore housing demand on a regional housing market level. Municipalities or other actors such as housing associations can opt to increase the number of people surveyed to permit an analysis of the data at a finer level of detail.

The most recent complete data available is from 2006. New data gathered in 2009 have been published recently but do not contain a breakdown of housing affordability between income groups or household types. However, the net housing cost as a share of household income for tenants has decreased from 24% in 2006 to 23% in 2009. For home owners, net housing cost remained stable at 16%.

Based on the 2006 survey, 28.3% of Dutch households fall within the social housing target group. Of this group, 54% are one-person households; in the non-target group the share of one-person households is only 27%. Around two thirds of target group

households receive a housing allowance. The table below presents more data on housing affordability.

Table 1, Housing Affordability in The Netherlands 2006

	Social housing target group	Non-Target group	Total
Living in rental housing	77%	33%	44%
Net housing cost in share of household income:			
- rental	28%	21%	24%
- homeownership	26%	15%	16%
Average annual net household income	€14,390	€35,090	€29,620

Source: WooN 2006

There is no separate category for key workers. The target group for social housing would include key workers starting their career. Another category that includes key workers is first-time housing buyers. The table below (with data from 2004) illustrates the difference between first time buyers and renters ('starters') and other households looking for housing ('doorstromers').

	"Starters"		"Doorstromers"	
	Rental	Owner-occupied	Rental	Owner-occupied
Income 2004	€15,300	€29,400	€18,600	€35,500

Source: WooN 2009

The WooN survey does not include data on future housing supply but many housing market consultancy firms have developed housing market simulation models that match housing supply and housing demand. Publications based on the WooN 2006 or 2009 survey do not provide specific insight in housing needs of key workers. The 2006 survey does mention the motives of people who moved to another home in 2005. Only 5% of households said they moved because of work-related reasons. Motives connected with the housing conditions (19%) and personal factors connected with household creation (28%), like marriage and divorce, were far more important.

Due to the different incentives influencing house prices in the rental and owner-occupier market, there is concern about medium-income households facing difficulties finding affordable housing. Their income is often too high to be eligible for social housing but too low to buy a home. Essential workers a bit further in their careers would fit in this in-between category. There is no policy research or academic work available to investigate or quantify key worker housing issues.

The debate on key worker housing is not very visible in Dutch media, but was some years ago because of serious problems primary and secondary schools faced attracting qualified teachers. The problem in most instances was defined as a labour market problem, not a housing problem.

Key worker housing, if emerging in public debate at all, is not connected to economics but to social development. Several neighbourhoods in large cities face serious levels of deprivation. To tackle these problems, housing regeneration is combined with social investments by improving the performance of schools and increasing neighbourhood policing. To do this, motivated and qualified teachers and police officers are needed.

3. Policy and program developments related to essential worker housing

In the recent past, there have been two policy and program developments at the national level and a number of local initiatives that might have an impact on key workers.

As noted above, social housing is accessible to nearly half the population. But, in the opinion of “Brussels” (the EC), the social rented sector in the Netherlands is too big and receives state aid not in line with European competition rules. In December 2009 the EC and Dutch government reached an agreement stating that households with an income below €33,000 would remain eligible for social housing. Further, according to the EC, this income criterion has to be used more strictly at the initial allocation of the house. Housing associations should allocate a minimum of 90% of their vacant homes to this target group, while the rest should be allocated to vulnerable households like the elderly and disabled. The Dutch minister responsible for housing explicitly stated that the income threshold would still make it possible for starting key workers to enter social housing.

The Dutch Tenant Union (*Woonbond*) opposed the agreement with “Brussels”, arguing that many (key) workers face the danger of being excluded from social housing and forced into the expensive private rental market that is not covered by the housing allowance system. This could result, according to the Tenant Union, in housing expenditures of 40% or more of net household income.

The Tenant Union especially fears the consequences for middle-income families with adolescent children and advocates a social housing eligibility threshold of €38,000 based on annual income before taxes. In 2008 the average disposable income per household in

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the Netherlands in 2008 was €33,500⁶⁵. The annual salary of a police officer with hands-on street duties in 2008 started at around € 21,000 a year (*beginning of scale 6*) and would grow to €35,841 (*end of scale 7*). This calculation does not include extra payments for overtime etc.⁶⁶

The only new national initiative that might be relevant to some key workers is the First Time Buyers Loan program. It is mainly intended to support the housing market crippled by the housing crisis by stimulating demand. It was introduced in 2009 by the Minister of Housing, Neighbourhoods and Integration, and is based on the Amsterdam first-time buyers' loan program, which was begun in 2007. The eligibility criteria for the national program are broader than the earlier Amsterdam initiative.

The program can be used to buy an existing property and candidates do not have to live in a social rented home. To be eligible, the market price of the house should be below €350,000 including the cost connected with the purchase (transaction tax and legal costs), which in The Netherlands is approximately 12% for an existing dwelling and 8% for a newly built home.

Households have to finance a least 80% themselves through a down payment and conventional mortgage loan. The program includes a loan to a maximum of 20% of the costs. The loan is free of interest and principal payments for three years. After that, an interest rate will be calculated based on the income of the household. If their income enables households to finance more than 80%, the additional loan provided will be lower. The loans are supplied by a partnership of local authorities in the Netherlands: the Support Fund Affordable Housing Dutch Municipalities (SVn)

Only first-time buyers can apply. Households should have an annual income before taxes lower than € 63,800. This income level very probably includes a large number of key workers households.

As noted, before June 2009 this program was a local one, funded by the Amsterdam Local Authority. After this date the Housing Ministry and Amsterdam jointly provided support. In 2009, the average loan provided in Amsterdam was €42,000 and more than 400 households were given a loan. The number of participating key workers is unknown, but in the previous program supported by the municipality of Amsterdam 20% of the participants were key workers.

The program, which started in June 2009, has not been evaluated yet, but is deemed successful based on the number of applicants.

⁶⁵ Source: CBS

⁶⁶ Police Salary Scales 2008-2010, based on 13 times monthly salary

Most initiatives to support key workers in accessing affordable housing are on a local level. Apart from noting the one national program, our research focused on the four largest cities in the Netherlands. i.e. Amsterdam, The Hague, Utrecht and Rotterdam.

a. Amsterdam, Priority Agreement Housing Allocation Key workers

This agreement, operational since 2001, provides candidates one priority housing offer according to their preferences and household characteristics. Refusal of this offer ends eligibility for priority support. To be eligible, candidates have to be employed by police, hospitals, care providers, and primary, secondary or vocational training schools in Amsterdam.

Housing is allocated by housing associations. No extra funding is involved. In the period 2001-2005 a quota of 250 dwellings a year were allocated to key workers. In 2006 the housing quota was 200. These dwellings were allocated as follows:

Police officers:	70 dwellings
Nurses/Care workers:	50 dwellings
Teachers:	80 dwellings

In addition to this quota of regular rental homes, some housing associations also provide houses for temporary occupation as part of this program. These are properties that will be renovated in the near future and are mainly located in neighbourhood renewal areas in Amsterdam. The rent of these dwellings is 75% of the normal rent level. Key workers living in temporary rental accommodation will still be eligible for the priority allocation of a regular rental home.

The housing need for each of the three groups of key workers is assessed on a yearly basis. Since 2007 the allocation of quota was 75 police officers, 100 nurses and 75 teachers.

The quota for teachers is managed by the Amsterdam Partnership Educational Labour Market (Dutch acronym: APO, *Amsterdam Platform Onderwijsarbeidsmarkt*). This is a partnership between the Amsterdam local authority, teachers' union, schools and training institutes for teachers. APO manages the housing allocation of the quota for teachers and has appointed a part-time officer to coordinate the housing allocation and provide information to schools and teachers. The yearly budget for this coordinator is €15,000.

APO also provides information on projects for housing associations and commercial project developers. It is unknown if this also includes a priority arrangement or is just a marketing instrument. On the APO website teachers can provide information on their housing preferences that will be forwarded to Bouwfonds Projectdevelopment, the largest commercial real estate developer in the country, to provide tailored housing offers to interested teachers.

There is more information available (in Dutch) at: www.vooreenamsterdamseklas.nl

b. Amsterdam, Medium income household mortgages

Until 2006, City of Amsterdam funded the Amsterdam Medium Income Mortgage program (Dutch acronym: AMH). This program supported the purchase of new-built dwellings. AMH had the explicit aim of allocating a maximum of 50% of the loans to key workers.

In the period from 2000 until 2006, 1,750 households participated in AMH. In 2005 and 2006, record numbers of 420 and 500 AMH dwellings were sold respectively. In total, key-worker households (police and fire department officers, teachers and nurses) purchased 20% of the dwellings. This is much lower than the 50% maximum allocation to key worker that initially was the target of the program. The evaluation reports that some of the housing projects did not attract a lot of interest from key workers because of their location. The cost connected with the AMH support program is around €13,000 per dwelling.

Under the eligibility criteria of the AMH program, household incomes had to be between €20,420 and €40,840 (price level 2000), the maximum purchase price of the property was €185,185. To be eligible, households could not have any outstanding loans or debts.

The Amsterdam local authority introduced the First Time Buyers Loan in 2007 to support middle-income households. Candidates had to meet several criteria to be eligible. The program only included support for newly built properties and candidates had to live in a social rental dwelling. Twenty per cent of the participants in this program were key workers. This program was not very successful. As noted above, the national program begun in 2009 used the Amsterdam initiative as a template, but has made several changes to try to improve the likelihood of success.

c. The Hague: Housing association with a special focus on key worker housing

In 2002 a small association formed in 1854, “The Royal The Hague Housing Association” began to specialize in key worker housing. A special feature of this organization is that it calls itself a “housing association” but is not registered by the Dutch government as a social landlord and does not fall under state supervision.

Under this initiative, both newly built and vacant homes are allocated to special target groups, i.e. nurses, teachers, policy officers and artists. The organization in total has 324 dwelling units, of which 34 in one complex are specifically rented to the target groups of the organization. Waiting lists for these dwellings can be long. There is no information available on how many houses are actually rented to key workers.

Applicants must belong to the target group, have a job in the catchment area of the housing association and live alone. The income of candidates should be between €1,500 and €2,800 per month (before income tax). Pets are not allowed.

The housing association is a local agency and does not receive government support because it is not registered social landlord. To date, there has been no publicly available evaluation of the initiative.

d. Gooi and Vechtstreek (area South-East of Amsterdam)

This pilot project started in 2009 and will run for one year.

The project assists a limited number (10 houses) of young key workers through the priority allocation of a house or a studio with shared cooking and sanitary facilities. Applicants should be between 18 and 29 years of age, live outside the project area, work for one of the health-care or educational organizations in the area with at least a one year-contract for a minimum of 19 hours a week. In addition, applicants should have a “front-line” position and be actively involved in teaching or nursing.

(Candidates working for the fire or police department are explicitly excluded from the project because the municipality has a separate priority program using its statutory powers given by the Housing Allocation Act [Huisvestingswet].)

The houses involved are equally provided by three housing associations active in the area. There is no additional funding involved. The project is based on an essential workers program developed in Amsterdam

The project is a pilot to assess to the feasibility of attracting hard-to-get essential workers from outside the area. It has just started and will be monitored with a halfway evaluation after six months, with a go-or-no evaluation after a year to determine the future of this project.

e. Utrecht: Agreement on Housing Key workers

Discussion in 2001 on enhancing the attractiveness of Utrecht as a work location for civil servants and other public sector employees (police, education, cure/care) led to an initiative that started in 2002/2003 and is still running. This program is intended for employees in the public sector who have been living for at least one year outside the city of Utrecht or surrounding area at the time of application. Their gross annual income should be lower than €34,500.

Candidates can use the choice-based letting system to apply for available apartments. They are not eligible for single-family dwellings. In contrast to Amsterdam, candidates in Utrecht could search an apartment that fits their preferences.

The program was evaluated by local government in 2008, which showed that it still served a clear need. The evaluation also highlighted a demand for affordable homeownership for key workers. However, local policy-makers did not support the broadening of the program to also support home ownership. They argued that the program’s main aim was to enhance the attractiveness of the city of Utrecht by reducing long commuting times for people working in the city, not to support home ownership.

Another recommendation to expand the program to the whole of Utrecht province was also rejected.⁶⁷

f. Rotterdam: Teachers' Housing

The City of Rotterdam has come to an agreement with a partnership of housing associations in the region as well as the former council housing department to provide priority allocation of housing to teachers.

The housing associations provide dwellings for teachers living outside the province where Rotterdam is located (Zuid-Holland). The municipal housing company also provided houses for teachers already living in the Rotterdam region. The former municipal housing company was transferred into a housing association some years ago. It is not clear if this changed the eligibility criteria.

4. Summary Observations

Until recently, housing affordability for key workers has not been an issue, mostly because the extensive social housing sector rented units to younger workers and the wages paid to such workers later in their careers put ownership within their reach. In many cases, the issue of key-worker housing was tied to the redevelopment of underserviced urban neighbourhoods rather than affordability per se.

In the social housing sector, timely access to housing in urban areas has been a greater problem than affordability, so key-worker programs in this sector have focused more on providing priority access to vacant units for key workers.

The rising cost of ownership in Amsterdam and a few other urban areas has led to the introduction (in 2009) of a first-time buyer program that is not specifically geared to key workers, but for which key workers are eligible. This program is cost-shared by the national and local governments. The program is too new to have had an evaluation, but preliminary indications are that it is attracting many applications. Preliminary estimates are that 20% of applicants are key workers.

Due to the current housing crisis, the supply of homes for sale has risen considerably, prices have dropped slightly (around 5% in 2009), and the government has introduced new schemes to support housing demand. These developments have increased housing affordability for medium-income households.

⁶⁷ Utrecht is the regional capital of the province with the same name.

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Van der Hoek, Peter and Sarah E. Radloff *Taxing owner-occupied housing: comparing the Netherlands to other European union countries* (BNET 2007)
http://findarticles.com/p/articles/mi_qa5334/is_4_7/ai_n29409421/?tag=content;coll
accessed May 4, 2010

1. General context: the Swedish housing system in brief⁶⁸

Sweden's housing system is divided into four different forms of tenure: Rented apartments, housing cooperatives, owner-occupied houses and owner-occupied apartments.

Owner-occupied apartments (condominiums) were introduced into the Swedish housing market through a change in legislation only recently enacted (May 1st 2009). They are currently represented in only a very limited number of apartment blocks, the majority of which are still under construction.

Tenure	Size (%)
Ownership	29%
Co-operatives	23%
Private rental	16%
Public rental	32%
Statistics Sweden, 2008. ⁶⁹	

Condominium ownership is also said to be a form of tenure that will stimulate the sublet market. That market is important in major cities, where rapid access to housing is an important alternative to the expensive buyer's market and the long queues in the rental market. Condominium ownership is thus indirectly a response to affordability concerns for essential workers, among others, although not formally targeted as such.

Rented dwellings exist in both single houses and apartment buildings and come mainly in two different forms – public and private. Rented apartments and houses represent 48% of the housing market. Looking at the rented market in further detail reveals that roughly two thirds of all rented dwellings are made up of public housing while the remaining rented apartments are privately owned (i.e. 32% of the total stock is public housing while private rentals account for 16%).⁷⁰

Public housing companies are municipally owned enterprises that build, own and manage rented apartments and operate according to non-profit principles. They operate in almost every Swedish municipality and have traditionally been a very important tool for local governments to secure affordable housing for *everyone*, not specifically to those “in need”.

National context and welfare system

The Swedish model, sometimes called the Nordic model welfare system, has characterised national politics for much of the 20th century. The model was moulded mainly after the ideas of the social democratic party. It was (and in part still is)

⁶⁸ Prepared with the assistance of Jonas Hugosson, a doctoral student at the department of social and economic geography, Uppsala University

⁶⁹ Statistics Sweden, *Bostadspak 2008*, Housing and construction.

⁷⁰ Ibid.

characterised mainly by a highly regulated labour market, a powerful trade union movement, relatively little income inequality, a progressive tax system and a substantial social security system. The social democrats were in a governing position for the better part of 40 years between the 1930's and 1970's, and it was during the 1930's and in the post-war era that the Swedish model welfare system was conceived and implemented to a large degree. To this day, many features of that system remain, although there are now very few parts that have remained unaffected by de-regulation and an increasing orientation towards market liberalism. Since the 1990's and the bank crisis that kicked off the decade, the Swedish model has been subject to a major overhaul by both social democratic and right-wing/liberal governments in an effort to reduce public spending.⁷¹

One of the most commonly referred to features of the Swedish model is the even income distribution it has produced among the population. Due to the powerful influence of the trade labour movement, the centralised system of wage negotiations between the big trade labour unions and the employer organisations, and a progressive tax system, the income inequality among the population remains very low. In 2008 the gini-coefficient for disposable household income including profits on capital was 0.289.⁷² This number is among the lowest in Europe.

Public, not social

The most striking difference between the Swedish housing system and that of almost any other western country is the definition of the terms “public” and “social” housing. The definition arises from the roles the two forms of housing play. Public housing companies provide housing for everyone and are not targeted to serve only a specific category of people. Public companies do, however, supply apartments to social services. Social services rent apartments from primarily public, but also from private owners, in apartment blocks, which are often spread throughout the city and then sublet those apartments to their clients, who often pay their rent with the help of various forms of benefits. There is, however, seldom any predetermined category of “social housing”. Instead, the individual apartments which are leased to social services are rotated within the housing stock of those housing companies who offer apartments for rent to social services.

Changes in the housing market

One of the most significant changes to occur in the Swedish housing market over the past few decades is the decrease in the number of rented apartments in the major urban centres in general, and specifically in Stockholm. The number of privately owned rented apartments in Stockholm has decreased by 50% since 1970, down from 200,000

⁷¹ Rojas, M. (2005). Sweden after the Swedish model – from tutorial state to enabling state. Stockholm: Timbro.

⁷² Statistics Sweden, Household income statistics.

apartments to just over 100,000. The overwhelming majority of these apartments have been sold and transformed into housing cooperatives.

More recently, after a change in legislation, there have been a number of sales of apartments owned by public housing companies which have resulted in even less rented apartments being available.⁷³

The transformation of private rentals to co-ops can in part be explained by decreasing profitability. The rent regulation has kept rent increases low, even in high-demand central areas, which has led to a growing gap between market value, rent and cost to build. In parallel, changes in tax regulation favours owner-occupancy and co-operative-ownership over rented tenure. In combination with low interest rates this means that housing cooperatives are now much more competitive and are able to offer private landlords a lucrative way out of their low-yield situation.

Housing allowances

Sweden has a broad set of housing allowances, with three separate programs targeting distinct groups: youth (19-28) intended to assist students and those in part-time or entry-level occupations; families with children; and the elderly. Each have slightly different regulations, but generally cover a percentage of the gap between a minimum and maximum rent and all taper out as income increases towards a defined ceiling. The amount received is directly related to household income and housing costs, as well as the number of children. In 2007 the number of households that received housing allowances through the parent(s) with children or youth criteria amounted to 197,469 (approximately 4.5% of households) out of a total 4.4 million households.⁷⁴ In addition to the housing allowance systems, those who qualify for social benefits but not for housing allowance, receive additional benefits from social services for “reasonable” housing costs.⁷⁵ So lower-income households are assisted, but this does not extend to those with good incomes, such as essential workers.

Housing costs

Prices for houses and co-ops have increased quite dramatically in high-demand areas in Sweden over the past 10 to 15 years. However, rent levels have not risen to the same extent due to the regulation of the rental market. The average rent for an apartment in the greater Stockholm region went up by less than 9% from January 2004 to January 2008. In comparison, the average price on co-ops sold in the same region rose by 45% during the

⁷³ USK (2009). *Statistical yearbook for Stockholm 2010*. Stockholm Office of Research and Statistics.

⁷⁴ National Social Insurance Board. *Housing allowance statistics*. (Unfortunately, no data on the total number of elderly households could be obtained.)

⁷⁵ Kemp, P. et al. (2007). *Housing allowances in comparative perspective*. Bristol: The Policy Press.

same period. The average price increase on owner-occupied houses in the region was 29%. This is all in nominal terms.⁷⁶

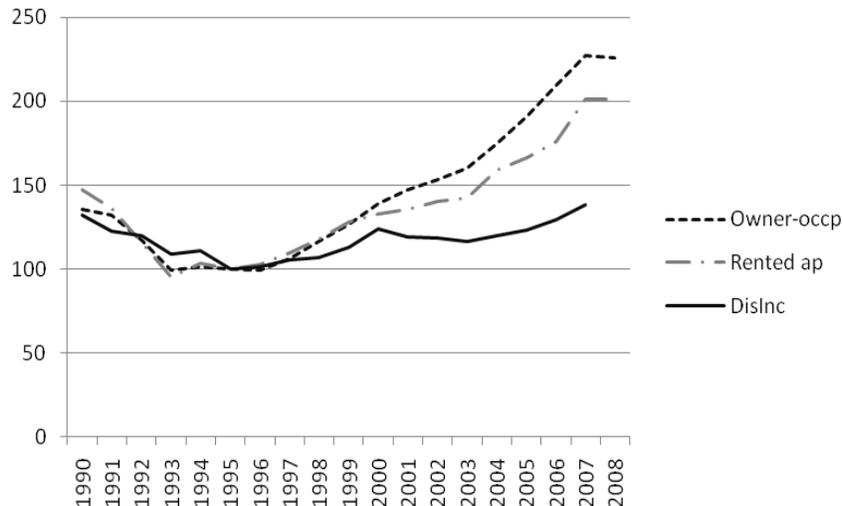


Figure 1. Real price on owner-occupied houses and rented apartment buildings and average disposable income. All deflated by consumer price index in Sweden. (1995=100) Source: Statistics Sweden.

This level of increase significantly exceeds the growth in incomes. Figure 1 shows the real price changes on the sale of owner-occupied houses and rented apartment buildings compared with average disposable income, both deflated by the overall consumer price index. Data on the sale of co-ops is only available from 2000 onwards and is not considered reliable enough to be used in this comparison. As the graph clearly shows the financial crisis that hit the Swedish real-estate sector hard at the beginning of the 1990's was still felt a few years on, and it isn't until towards the last third of the same decade that house prices started to climb noticeably faster than the overall consumer price index. The graph also shows that disposable income changes have not kept up the pace with the housing market for buyers.

Even though house prices have increased quite dramatically since the mid 1990's, rent levels not have not increased at the same pace. This is mainly due to the form of rent control that has been part of the Swedish housing system since the post-war era. The rent control system (Bruksvärdessystemet) specifies that annual negotiations on rent changes should take place between the Swedish association of tenants and the public housing companies (operating on a non-profit bases). The agreed-upon rent changes from these negotiations are then used as a guide for the rent changes that private actors are allowed

⁷⁶ Statistics Sweden. *Housing database*. (Note that it is difficult to draw any significant conclusions on the price increase of co-ops. There are no official statistics available on the sale of co-ops that take into account apartment size, number of rooms, and other factors which may affect the sale value. The numbers presented above should therefore only be regarded as a very rough indication.)

to make. This system has generally led to relatively low and uniform rent levels across the country, which change little from year to year. The exception is newly produced rented apartments, which are allowed greater flexibility regarding rent levels.⁷⁷ (The rent set after construction is completed is generally allowed to be much higher than an older apartment of a comparable standard. After the first year, however, yearly rent changes are just as low in these apartments.)

In combination with the Swedish system of rent regulation, most municipal housing companies – and some private ones – use waiting lists as the primary method of allocating rented apartments. Since rent levels are quite similar in low-demand and high-demand areas, and the production rate of new apartments has been very low for the past fifteen years, this has led to very long queues in the major urban centres. It is common to have to queue for around ten years to be eligible for an apartment in central Stockholm, for example.⁷⁸

Rather than house price changes, the main point of concern for many municipalities in Sweden is the low rate of new production in the housing market. The National Board of Housing, Building and Planning reports that almost half the country's municipalities are currently experiencing housing shortages in general, and specifically shortages in rented apartments. The majority of these municipalities are located in one of the three expanding major city regions.

Between 1980 and 1990, 42,000 dwellings were completed annually in the country as a whole. But the number of completed dwellings dropped to 25,000 dwellings between 1991 and 2008.⁷⁹ The National Board of Housing, Building and Planning estimates that the annual production rate of new dwellings will decrease by almost 50% during 2009 compared to the yearly average between 2005 and 2007, in other words down to 13,000-14,000 dwellings. This estimate raises fears of severe housing shortages during the coming years, since the same government agency has estimated 27,000 dwellings need to be completed annually over the next ten-year period to match the increase in population.⁸⁰

⁷⁷ Johansson, A. (2007). *Location and its effect on rent*. Tenant's association of Sweden.

⁷⁸ SOU 2007:14. *Wanted: A modernized housing market!*

⁷⁹ Statistics Sweden. *Housing database*.

⁸⁰ The National Board of Housing, Building and Planning (2007). *Regional housing production analysis 2003-2020*.

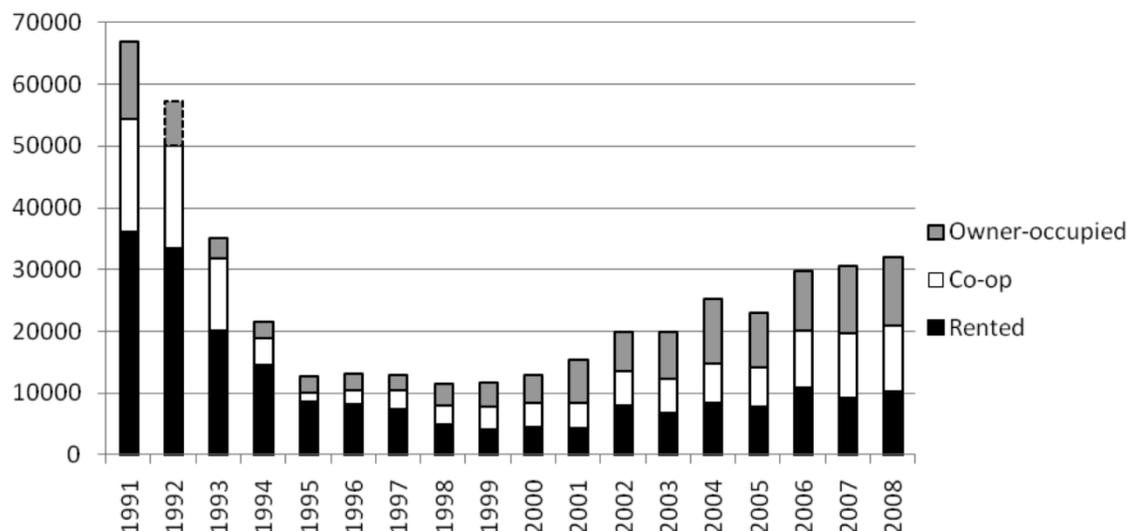


Figure 2. Dwellings completed in Sweden, divided by tenancy. Source: Statistics Sweden.

Figure 2 shows the dwellings completed annually between 1991 and 2008. The rapid decline in production from 1991 to 1995 was a result of the banking crisis at the start of the decade. Rental production has declined both in absolute and relative terms. Looking at the production rate divided by tenure, there is a very clear decline in the share of rentals. Between 1991 and 1995, rented dwellings represented 58% of the total number of dwellings produced. Between 2004 and 2008 they represented one third.

2. Measuring need and quantifying the essential worker housing issue

Although rising prices of ownership and cooperative housing and contracting availability of rental accommodations are inevitably having an impact on affordability, there is no distinct methodology used in Sweden to assess housing need or housing affordability. Historically, this has not been seen as an issue within the rental sector, in part due to the availability of moderately priced rental options coupled with the availability of housing allowances to assist lower-income households.

To track ownership affordability, Swedbank, one of the largest banks in Sweden, calculates and publishes a quarterly housing Index (Boindex) that analyses changes in affordability based on completed house purchases. This measure is based on a norm that households should not spend more than 15% of their gross income (roughly 25% of disposable income) on mortgage and interest payments. Monthly mortgage cost is estimated assuming a 20% cash contribution and a 30-year repayment period.⁸¹

⁸¹ Hermansson, C. (2009). *Boindex 2009*, Secretariat of economics, Swedbank.

Sweden

At index = 100, the household spends 15% of their income on their mortgage. At higher index values affordability is better, and at a lower index value the opposite is true. Data is gathered from Statistics Sweden and from the bank's own database on house prices, median income levels and mortgage rates to estimate purchasing power in the country as a whole as well as the regional and local level.

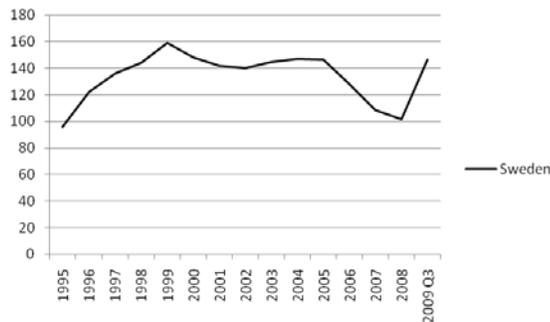


Figure 3. Housing Cost Index (Boindex) in Sweden. Source: Swedbank

As shown in Fig 3, the index has exceeded 100 since the mid 1990's, indicating that homeownership was becoming more affordable as the economy recovered from the crisis in the early 1990's. Due to rapidly increasing house prices in high demand regions and an overall decline in mortgage rates, the index stagnated and affordability suffered a declining trend from 1999 onwards. The dramatic increase in 2009 from the same quarter a year before when the index was at 97.6 is explained by a huge drop in the average mortgage rate, from 5.9% in the third quarter of 2008 to a record low (since Boindex started in 1993) of 2.2% a year later

The overall affordability in Sweden looks reasonably good at the national level, but the index for the major cities reveals quite a different picture. The index has been consistently under 100 in Stockholm, Gothenburg and Malmo since 1995, except for rare periods in Gothenburg and Malmo. During the period from the third quarter of 2008 to third-quarter 2009, which showed such a remarkable increase in the nation as a whole, the index value in Stockholm moved from 53.9 to 88.0, in Gothenburg from 63.1 to 99.9, and in Malmo from 63.3 to 101.6.

In other words, and quite unsurprisingly, buying a house in one of the major cities is a different economic prospect from buying a house in a more peripheral municipality, even though the annual median household income levels are higher in the cities (663,075 kr in Stockholm compared to the national average of 570,353 kr in Q3 2009). It is conceivable that this decline in ownership affordability may affect occupations included under the definition of essential workers in this research.

Essential worker affordability

It is unknown how the general changes in the affordability of home ownership have affected the essential worker sub-market, as this is not an explicitly defined group in Sweden. It is likely that those in such occupations will be captured in the broad trends

noted above. Thus, essential workers may also have shared in the gradual improvement in affordability since 1999.

In high-demand regions, and especially in the three major cities, the waiting time for public housing has long-since reached high levels. And since the quantity of rented dwellings in the major cities has actually decreased, private landlords can afford to apply more severe restrictions on those who apply for one of their apartments (unlikely to affect essential workers).

Rather than essential workers (not a term used in Sweden), the groups that are highlighted as facing difficulties on today's housing market are primarily low-wage workers, youths and new immigrants. Those workers who would be included in a definition of "essential service workers" would in most cases be included in the average wage bracket in Sweden, and thus not currently identified among need groups.

Regional commute and labour mobility

Even though the availability of affordable housing opportunities may be decreasing in many of the urban and regional centres, the number of job opportunities that are on offer in these regions means that many people choose (or see no other option other than) to commute. Massive investments in infrastructure such as public transportation networks, roads and various other forms of communication have enabled more and more workers to live in one municipality and work in another. So the housing affordability issue has been indirectly addressed via transportation policy and investment.

A government report on workforce mobility concludes that the last thirty years has seen a dramatic increase in commuters (i.e. people who live in one municipality and work in another). From 1975 to 2004 the share of commuting workers increased from 18 to 30% of the workforce, which in absolute numbers translates to an increase from 700,000 to 1,200,000 people.

Furthermore, people in the age category 20-30 years are the most likely to move or commute. This age group often consists of people at the start of their careers, people whose wages range from low to average and people who may have not yet had the time to accumulate cash equity to be used in housing purchases.⁸²

A lack of affordable housing close to the workplace, or even within the same municipal borders, is increasingly being "managed" through commuting. For many workers, other, more affordable housing choices may be no more than an hour's commute away. For example, 13,000 people commute to Stockholm from Uppsala every day. That number represents more than 14% of the total working population living within Uppsala's municipal borders. In Uppsala, house and co-op prices are significantly lower than in

⁸² SOU 2007:35. *Movers and commuters in Sweden*.

Sweden

Stockholm. The average price on co-op apartments has been around 50% lower in Uppsala compared to Stockholm for the past ten years.⁸³

The importance of adequate infrastructure to enable effective commuting cannot be stressed enough. Due to the limitations of the housing market in Stockholm many people look to other, neighbouring housing markets where more affordable housing opportunities are available. In 2007, almost half the total workforce of Stockholm (560,000 people) commuted to workplaces in Stockholm from neighbouring municipalities.⁸⁴

There is little media attention or research to suggest that housing affordability affects the issue of retaining (essential, or other) workers. Once a job has been acquired, finding or keeping a place to live seems to not be a great cause for concern. The sublet market is a complementary market in the major cities and can alleviate the most acute issues with housing shortages, and commuting is an option for those who cannot find suitable accommodation close to the workplace.

On the other hand, housing affordability may be an increasing barrier to attracting new employees. There is a real concern about the growing lack of affordable housing opportunities, primarily in the major cities but also in the mid-sized university cities around Sweden.

The awareness of the important relationship between a competitive labour market and a functioning and flexible housing market is apparent. The low rate of production for rented apartments is most often highlighted since that form of tenure is regarded as the most flexible and adaptable form of tenure, which corresponds well to the flexible conditions of the modern labour market. But again, in regional development strategies and municipal development plans the issue of affordability is mostly connected to the needs and limitations of specific marginalised groups such as youths, low-wage earners, and the elderly, rather than the relatively higher income “essential workers”.

There is a body of work available on the relationship between the housing market and the labour market in Sweden, but again, it is mainly preoccupied with low-income housing. It has a very broad and general focus, and there is little to go on regarding the specific conditions of certain worker groups, apart from low-wage earners and poor households. The concern regarding the availability of affordable housing opportunities is mostly connected to groups who are yet to enter the labour market and who find themselves at the extreme lower end of the income spectrum.

A report (SOU 2007:25) concludes that restrictions and limitations on the housing markets in attractive city regions has led to problems in moving from one city to another,

⁸³ Statistics Sweden. *Housing database*. These values translate to roughly \$141,000 and \$270,000 respectively (exchange rate is 6.90 SEK/\$Can)

⁸⁴ USK (2009). *Statistical yearbook for Stockholm 2010*. Stockholm Office of Research and Statistics.

and that it has contributed to the greater and longer commuting flows from areas where affordable housing and low-cost owner-occupied dwellings are available to those cities and regions where the labour market is more vibrant. The findings of SOU 2007:35, where the mobility of labour was analysed, support this conclusion. Both reports highlight the need to coordinate labour, housing and infrastructure policy to a greater extent than before.⁸⁵

Lundström et al. (2006) argue that a poorly functioning housing market represents one of the most significant obstacles for economic growth in the major city regions. Furthermore, the report argues that the relationship between the housing market and economic growth has rarely been considered in housing policy initiatives nationally and locally. Instead, housing policy has been focused almost exclusively on social issues. The authors argue for a shift in housing policy that is more oriented towards labour market and economic growth. It is hoped that this will spark new research oriented towards this type of perspective.⁸⁶

3. Policies and Initiatives that Respond to Essential Worker Need

To the extent that there is no demarcation of a specific market segment of essential worker, it is not possible to identify any explicit policy or programmatic response to such need or demand. The broad provision of, and eligibility for, public housing may to a degree absorb some demand from this group. Due to tight income eligibility requirements it is unlikely that the pre-existing system of housing allowance will have any relevance.

In 2008, the national median income levels for nurses, emergency personnel, teachers and social workers employed in the public sector (excluding management personnel) all exceeded the maximum eligible household income for housing allowances (of 267,000kr). Within these broad worker categories, “care assistants” (242,200kr), “assistant nurses” (262,800kr) and “dental nurses” (248,400kr) earn less than the maximum income level for HA eligibility, but only by a marginal amount, which means that they would only be eligible for a very small sum.

At the lowest income quartile of workers in the same categories, two other groups within the teacher category fall beneath the maximum income level. “Teachers in practical and aesthetic subjects” (264,000kr) and “other teachers and instructors” (246,000kr), in addition to the previously mentioned occupations, fall just below the maximum income level.⁸⁷

⁸⁵ SOU 2007:25. *Room for economic growth?* and SOU 2007:35.

⁸⁶ Lundström, P. et al. (2006). *The housing market and economic growth*. NUTEK.

⁸⁷ Statistics Sweden. *Labour market database*.

To summarize: at the margin, some entry-level workers in essential-service occupations may qualify for minimal levels of Housing Allowance, but likely only to a very limited extent.

Examples of programs that may extend to “essential workers”

While there is no clear definition and no explicit policy or program response to essential-worker housing affordability, a number of initiatives may extend to this particular subset.

One approach used in Sweden is that of special waiting lists in public housing for employed persons seeking housing. As noted in the introductory context, public housing corporations have a fairly broad constituency; they are not restricted to only the lowest income or those receiving housing allowances.

One of the most important characteristics of a public housing company is that it must be managed according to non-profit principles, which tends to mean that such housing is more affordable than ownership options.

Apart from these important characteristics of public housing companies, and indeed of the Swedish rental market as a whole, a public housing company has the authority to enact unique policies and rules. This authority rests with the company’s board directives (“ägardirektiv”). Three such initiatives have been identified.

The first example is “Tjänstebo” (rough translation: “Staff housing”), an initiative of Botkyrkabyggen, a municipal public housing company in the periphery of greater Stockholm. This creates a separate waiting list (queue) for employees. A company that is interested in securing housing for its future employees registers with the Tjänstebo-queue. If and when one of their new employees (who is on probationary/trial employment, standard procedure during the first six months) is in need of an apartment, the company acts as the primary tenant for any apartment that becomes available through the Tjänstebo-queue. The employee in effect sublets the apartment from his employer during his trial period. If he gains an employment contract after that period the rental agreement is transferred to the employee, making him the tenant. The idea behind this system is to circumvent normal financial requirements for an individual to enter into a tenancy agreement by making the company provide financial security to the housing company during the trial period.⁸⁸

This enables a group that normally can find it difficult to enter into the housing market to access housing, for example young adults entering the labour market who may not have had a previous apartment of their own, or those who have had an insufficient income in previous months.⁸⁹

⁸⁸ Botkyrkabyggen, Tjänstebo.

⁸⁹ Botkyrkabyggen, Tjänstebo.

The second example is from Kalmarhem, a municipal housing company in Kalmar, a mid-sized city in the south of Sweden. The company's policy dictates that residents of another municipality who gain employment in Kalmar are given priority in the housing queue ahead of those who live within the municipality.⁹⁰ This policy found its way to the local political limelight when an aggrieved citizen complained to a newspaper after having been rejected an apartment because it was being given to a person who was moving in after having gained employment in Kalmar.⁹¹ This incident led to enquiries regarding the legality of the policy, and whether priority of this kind had been agreed upon at board level or not. A few days of media debate ensued until the housing company could show that the current policy was in fact supported by a resolution passed in the municipal parliament earlier that year.

Originally, this policy was intended to make it easier for people who gained employment in one of the government agencies, which had recently moved to Kalmar, to find accommodation in the city. After the move was completed and the agencies were fully staffed, the policy remained since it was viewed as an effective way of introducing people to the local housing market and making the prospect of moving to the city more appealing for outsiders.⁹²

The third example is from Varberg bostad, the public housing company in Varberg municipality. It addresses the growing issue of employees accepting long commutes in order to find more affordable housing. The public housing company has a standard queue system, but has priority placement for those who have gained employment (six month-duration minimum) in Varberg and who currently live 100 km or more from the workplace.⁹³ In 1997, when Varberg bostad was formed and replaced the previous municipal housing office, the company had 195 vacancies and decided to try and attract more tenants by encouraging workers who lived elsewhere to move into the municipality instead of commuting. A three-month guarantee was set. Within that time a commuter who had registered interest was to be offered an apartment. With very few vacancies nowadays the guarantee has been removed, but the goal is to be able to offer a commuter an apartment within six months of registering interest. Currently, the company has 34 registered commuters in the queue and expects to accommodate one third of these within the year, while the rest usually find a place of their own accord.

Ten to 12 tenants are accommodated through the priority system on a yearly basis compared to the 600-650 apartments that the company allocates in total each year. (The housing company's total apartment stock is 5,123 dwellings.)

⁹⁰ Interview with Birgitta Leigard, marketing director at Kalmarhem, 2010-02-03.

⁹¹ Swedish radio, Kalmar.

⁹² Interview with Birgitta Leigard

⁹³ Interview with Roland Andersson, marketing director at Varberg Bostad, 2010-02-02.

Even though the priority queue makes up such a small portion of their customers, the company, along with the municipal government and local businesses, feels that it is a useful and valuable tool to attract new residents to the municipality. The primary argument for implementing this policy through a board directive was not to attract workers due to a shortage in specific worker categories, but rather the overall aim of the priority system was to attract more taxpayers (income tax is a municipal tax in Sweden, with revenues flowing to the local municipality).⁹⁴

It should be noted that these three examples are the exception rather than the norm, due to both negative public critique as well as special circumstances in two of the cases:

- In Kalmar, the housing company received criticism from local media and from locals who expressed themselves through those channels. Any criticism of the public housing company reflects badly on the political majority in the municipality since they are ultimately responsible for managing them. What these priority policies essentially do is put locals at a disadvantage compared to those who look for accommodation as residents of a different municipality.
- Botkyrka, where Botkyrkabyggen is the biggest landlord, is a municipality on the periphery of Stockholm that has struggled with high unemployment figures and a high share of residents on welfare benefits for many years now. By encouraging new employees of local businesses to find an apartment within the municipality, they are effectively attracting households who are likely to be in a better financial situation than many current residents, thereby increasing their municipal (income) tax base.⁹⁵
- Varberg, a municipality on the west coast, is a tourist resort – a town that blooms during the summer when people temporarily move to their summer homes or apartments, or go to Varberg for tourism purposes. The rest of the year, the town is much less populated and vibrant. By offering priority to commuters in the public housing queue the town hopes to secure a larger permanent population, and thus a sounder tax base.

4. Summary

Despite a significant rise in real house prices, especially relative to income gains, the issue of essential worker housing has not emerged as a significant public or policy concern in Sweden. More pressing issues relate to the general under-supply of housing and the shrinking rented sector, such that affordable housing options are becoming more

⁹⁴ Interview with Roland Andersson.

⁹⁵ Note that in Sweden the majority of income taxes flow to local government, so attracting higher income workers directly benefits local municipality..

rare. Concern is focused more on lower-income households, although a means-tested housing allowance is available to lower income households.

While specific concern about housing for essential workers has not emerged, there is a widespread acknowledgement of the fact that the limited opportunities currently present in many high-demand housing markets all over Sweden greatly contribute to increasing commuting distances and a growing need for transportation and infrastructure. Affordability concerns have been absorbed through a process of decentralization, with households living increasingly distant from the core (of three major urban growth centres) and significant investment in improvements to transportation infrastructure as a way to manage longer and more extensive commuting.

Additional factors contributing to the issue not emerging as a serious policy concern include generally strong income assistance and social security programs, the availability of a housing allowance for lower-income households and broader eligibility for public housing – which is not targeted, but does have long waiting lists.

Also, it is possible that the income of those just entering the workforce and thus at the lower end of the wage scale in “essential occupations,” such as teaching and nursing, would fall within the eligible range for Housing Allowance. These essential workers may be entitled to some assistance, although this will likely be quite small and will phase out completely as income rises.

Even though housing affordability for essential workers has not been a widely identified area of policy concern, there have been a few local initiatives to address the issue to some extent. These build on the relative affordability of public (municipal housing companies) housing and open eligibility of this stock. While there are generally long waiting lists to access these units, three municipalities have implemented a policy to give priority access to certain public sector workers, or to employees of local companies that register with the housing company. However, these are exceptions rather than common practice in Sweden, and generally relate to special local circumstances, such as a low-demand peripheral area and a tourist area.

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1. General context: the US housing system in brief⁹⁶

The US housing system has undergone significant upheaval as a result of the global financial crisis and the US economic recession. As a result, the main driver of housing unaffordability has shifted from rising home prices to weakening incomes.

Before the recession, there was a persistent rise in real home prices. Despite this, the ownership rate also followed a strong upward trajectory, rising from 64.0% in 1994 to 68.9% in 2007. The price increase was driven by a combination of strong employment and income growth, low mortgage rates, relatively flexible and poorly regulated underwriting criteria and deliberate federal policy (both the Clinton and Bush administrations had explicit policies to increase the homeownership rate). The upward trend in prices stimulated interest and concern about housing affordability in general but also highlighted concerns about essential worker housing and labour market impacts. These concerns have now subsided in the face of falling home values.

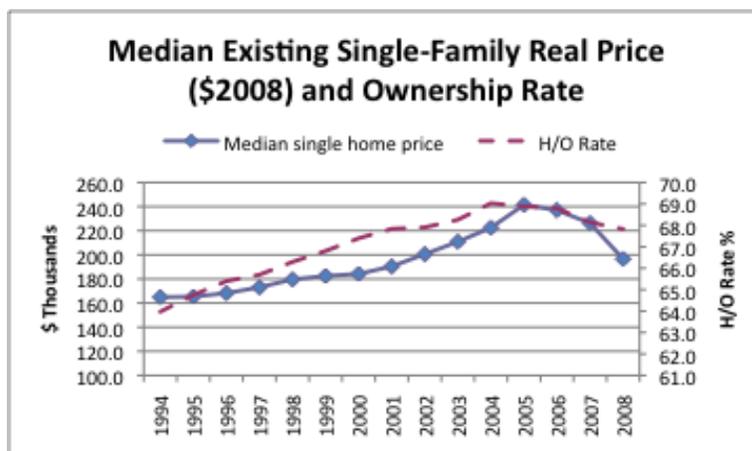


Figure 1: Median Real Price of Detached Dwellings And Homeownership Rate (Source State of the Nation's Housing 2009)

Meanwhile, the loss of employment and the declines in income caused by the economic downturn have resulted in continued growth in the absolute number and percentage of households experiencing housing affordability problems. In the US an affordability problem is defined as “moderate” if a household is paying 30%-50% of gross income for housing or “severe” if it is paying over 50%. However, these definitions are focused more on lower-income households, rather than the essential worker segment.

As in Canada, rental development has been at a relatively low level, reflecting the weak economics of new rental development (except in some lower-cost southern markets), and

⁹⁶ The country report prepared by Steve Pomeroy, with input from Conrad Egan, Jeff Lubell, Steve Hornburg and Michael Stegman. Add names of affiliations.

the rental sector has declined as the ownership sector grew. In 2008, rental housing accounted for 31% of the total housing stock and within this, only a small portion (under 3%) is considered “social” or “assisted” housing.⁹⁷

Like Canada, the US originally created public housing for lower-income workers, but discontinued this approach much earlier than Canada and other western countries did. Policy tended to evolve towards the private development of low-rent housing, much of which had term-limited affordability requirements that have since expired, together with various forms of shelter allowances (Section 8 project-based assistance, certificates and vouchers – now mainly consolidated under the Housing Choice Voucher program).

In 2008, the residual public housing and project-based Section 8 stock totaled 2.6 million units, representing only 2% of the nation’s total housing stock. Once the portable shelter allowances are included, the total number of low-income assisted households increases to 4.7 million (3.8% of total households).

The US has tended to rely more heavily than other western countries on market mechanisms, making a much greater use of tax provisions to modify investor and consumer behavior. Two such mechanisms are the widespread sale of tax-exempt bonds, which are used to help finance lower-rent housing and assisted homeownership, and secondly, a tax program to generate equity investment in low-income housing – the Low Income Housing Tax Credit (LIHTC). Since its introduction in 1986, the LIHTC has stimulated the production (or rehabilitation) of over two million affordable rental dwellings.⁹⁸ To a degree, the LIHTC serves a market segment that overlaps with the essential workers category being examined in this research. This is discussed later in this paper.

Neither LIHTC units nor those delivered under a wide array of assisted home ownership programs have ongoing subsidy and are therefore not explicitly counted or labeled as social housing stock. Consequently, there is an uneven comparison with the “stock” of social housing in other countries. Indeed if these two program types were included, it is likely that the US count could exceed the 5% social housing level typically cited for Canada. Using that approach to segmenting the market, overall the US has a very similar tenure mix to Canada: 69% ownership, 26% private rental and roughly 5% social/assisted.

⁹⁷ Note: presenting firm statistics on the size of social housing stock, as a comparative measure, does not fit well with the nature of housing assistance in the US because a significant part of assistance is person-based, rather than project-based.

⁹⁸ 1,670,000 LIHTC housing units were placed in service between 1987 and 2006, an average of 103,000 annually. It is now anticipated that this count is approaching 2 million units (HUD User data sets: <http://www.huduser.org/portal/datasets/lihtc.html>)

2. Measuring need and quantifying the essential worker housing issue

Measures of housing affordability

At a national level, the Department of Housing and Urban Development (HUD) defines housing affordability and gradations of housing need as the basis for eligibility for the various programs it funds (see Pomeroy et al 2005; NLIHC various years).

According to HUD (and a statutory requirement imposed by Congress in 1990):

Households with “worst case needs” are defined as unassisted renters with very low incomes who have one of two “priority problems” either paying more than half of their income for housing (“severe rent burden”) or living in severely substandard housing.⁹⁹

Renters are classified by income using three income limits:

- *Low Income (LI) if their income does not exceed 80 % of area median income (AMI),*
- *Very Low Income (VLI) if income is not more than 50% of AMI, and*
- *Extremely Low Income (ELI) if income is not more than 30% of AMI.*

Most federal rental assistance is provided to families with incomes below 60% of AMI, and most federal assistance for homeowners is targeted to families with incomes below 80% of the area median (Lubell, 2007).

Implicit in this definition is that other households with incomes above 80% of AMI may have some less acute degree of housing cost burden and might be considered in need. Potentially, this next rung of the affordability continuum could include those working in essential services.

A more comprehensive non-governmental instrument for measuring housing affordability came out of the dialogue and research on housing affordability and “workforce housing” that occurred in the past decade. Developed by the Center for Housing Policy (CHP), the research affiliate of the National Housing Conference, *Paycheck to Paycheck* is an interactive database that relates housing costs in more than 200 metropolitan areas to wages for over 65 different occupations. It uses updated data (currently 2009) and consistent measures of wages and housing costs to assess affordability by occupation in

⁹⁹ HUD also categories two levels of need: moderately burdened households paying 30%-50% of gross income for shelter costs; and severely burdened, for those paying in excess of 50%.

each market, and also summarizes affordability by occupation across the country.¹⁰⁰ It sets only an upper limit and thus extends downward into low-income household categories that may be eligible for federally assisted rental and ownership programs. But it also includes those job categories that clearly include essential service workers.

Paycheck to Paycheck has been used in a number of metropolitan regions to define housing affordability and to frame local strategies geared to expanding affordable supply.

Defining essential service workers and workforce housing

There is no nationally accepted standard definition of “essential services worker” in the US, although the phrase appears in various research and media reports. The common term used to address housing affordability for essential services workers is “workforce housing.” This concept includes in its target group essential services workers, as defined in CMHC terms of reference to include only certain public sector occupations, but it also usually encompasses a broader definition and larger group of households.

The interest in workforce housing emerged between 2000 and 2007 in response to escalating house prices and increasing concern about both the impact of home costs on affordability and the labour market effects on local economies. The issue became relatively prominent in both the popular media and, increasingly, the research literature (Hornburg 2005, 2005, NAR 2006, NHC/CHP 2009).

The 2002 State of the Nation’s Housing (JCHS 2002) analysis identified that the proportion of households paying more than 30% of income was rising and, significantly, that this included low- and moderate-income households earning several times the minimum wage.¹⁰¹ Between 2001 and 2007, the proportion of those in the 2nd income quartile paying over 50% of gross income for housing (“severely burdened”) increased by 69% (JCHS 2009).

There was significant policy dialogue on the ability of working families to afford housing (NLIHC, Lipman 2007) and, more particularly, access to ownership (e.g. Nelson 2006). This dialogue overlapped with the research on essential or key workers but also extended downwards to include more traditional levels of housing need (low wage working poor).

In background papers for a national summit in 2005, Hornburg identified the emergence of the issue, noting that households with low incomes had always experienced housing affordability problems in all areas of the country to varying degrees. However, in recent

¹⁰⁰ For details on *Paycheck to Paycheck* see <http://www.nhc.org/chp/p2p/>

¹⁰¹ The concerns about rising real prices and carrying costs have significantly declined in the face of the recent economic correction. As reported in the State of the Nation Housing Report 2009, the median real price declined 29.5% between 2005 and 2008. However much of the discourse in the research literature predates the market correction.

years, affordability problems have been affecting more moderate-income households. This phenomenon, already generally labeled as a shortage of “workforce housing”, later emerged as a significant focus for policy development and media coverage, but he framed it in general terms:

As used in this report, “workforce housing” refers to housing opportunities, both for purchase and rent, available at a cost affordable to current and/or potential employees of existing and/or prospective area businesses [Hornburg 2005].

Lubell (2007) was equally general, referring to homes affordable to moderate-income working families – teachers, firefighters, nurses and secretaries – and also to families who could not afford to live near their workplaces.

The interest in workforce housing became more focused both through specific local efforts and broader research initiatives responding to developing needs in markets across the country. Local initiatives often outlined the parameters they were using to focus their efforts.

A 2003 report on the website of Landwatch, Monterey County, covering both affordable and workforce housing notes:

*in this report, affordable housing refers to mixed income housing development that includes all income categories: very low, low, moderate, above moderate and market rate housing. **Workforce housing refers to mixed income housing that excludes very low-income households (i.e. below 50% AMI) (emphasis in the original).***

The report further cites two references on definitions of workforce housing, one of which specifies a minimum income while the second refers to job categories only:

Urban Land Institute's definition of workforce housing

- *Affordable to households of low, moderate and above moderate income in a range of 60 -120% of AMI*

Housing Land Trust Fund of San Francisco Bay definition of workforce housing:

- *Housing that is affordable to private and public sector workers with incomes at or below that of teachers and public safety workers.*

In 2005 Hornburg observed (his observations since superseded by collapsing prices):

Phoenix and Tucson are “suffering from their success”, and are already seeing a jobs-housing mismatch raising concern about an adequate supply of workforce housing. Key public and private service workers essential for Phoenix and Tucson’s tourism and service-based economies cannot afford to buy homes near their work, and many cannot even afford appropriate rents.

A framing paper by the Harvard Joint Center for Housing Studies and the Center for Workforce Preparation in 2004 surveyed chambers of commerce and noted where strong

local economies had contributed to high in-migration, bidding up real home prices and resulting in rising concerns:

Merced (California), for instance, saw skyrocketing house prices due to speculative investor home buying after the opening of a new University of California campus in 1995. Brooklyn's housing prices are spiraling upward on account of several successful economic revitalization efforts and the area's attractiveness to artists and others from the creative class. Brooklyn shares the same problem of displacement of lower-income resident workers due to successful revitalization efforts, as do Dallas and Chattanooga. Sarasota and Brockton identified a growing gap between their workers' wages and housing costs caused by a shortage of workforce housing. [Joint Center for Housing Studies, 2004]

In response to increasing concerns across a number of metropolitan regions, an active advocacy campaign emerged involving think tanks, research centres, industry organizations and consumer advocacy groups¹⁰², highlighting the impact of insufficient affordable housing and associated labour market impacts.¹⁰³ An extensive research program evolved through a number of organizations (see References below, in particular the Center for Housing Policy, The Harvard Joint Center for Housing Policy, the Urban Land Institute and the National Association of Realtors).

This broader concern about workforce housing was sufficient to spur a national summit, organized by the National Association of Realtors (NAR), the creation of the Terwillinger Center for Workforce Housing by the Urban Land Institute in 2008 and the founding of the non-profit organization Homes for Working Families, although this latter covers a wider range from deep need to those at the margin of accessing ownership.

In addition to national organizations taking an active role, a number of metropolitan regions debated housing affordability for key workers. Hornburg (2004) identified reports from business organizations, including the Silicon Valley Manufacturers Group in California (SVMG 2004) and the Citizens Housing and Planning Council in the New York City tri-state area (CHPC 2004). The Rhode Island Public Expenditure Council (RIPEC 2004) ranked housing as the most crucial challenge to regional economic development and competitiveness.

¹⁰² This included The National Housing Conference, National Association of Home Builders, National Association of Realtors, National Association of Housing and Redevelopment Officials, National League of Cities, National Association of Counties, Mortgage Bankers Association, AmeriDream, National NeighborWorks Association, National Association of Local Housing Finance Agencies, U.S. Conference of Mayors, National Low Income Housing Coalition, and the National Affordable Housing Management Association.

¹⁰³ However, definitive empirical research on the labour market effects does not appear to exist (Hornburg 2005).

While there may be no definitive measure of eligibility for workforce housing, as a result of the various research and advocacy efforts surveyed above, there is some convergence on a working definition. Organizations involved in the issue – including the Center for Housing Policy, the Center for Working Families and the National Association of Realtors – tend to focus on a spectrum between 80% and 120% of AMI, with NHC/CHP appearing to have the greatest currency and broadest definition:

Any housing, for-sale or rental, that is affordable to people ranging from a household with one member working full time for minimum wage to tenants earning up to 120% of AMI.

This definition would encompass most projects subsidized by the low-income housing tax credit (Anderson 2006) as well as the housing occupied by many essential service workers.

The Terwilliger Center, which was created in 2008 by the Urban Land Institute to research and serve as a catalyst to create workforce housing in high-cost communities, defines workforce housing as:

Housing that is affordable to households earning 60 to 120 percent of the area median income. Workforce housing fills the gap between market-rate housing that is increasingly unaffordable to live in and affordable housing that is supported by public sector subsidy programs.¹⁰⁴

On its website (www.housingpolicy.org) the Center for Housing Policy deals with the challenge of defining the term by referring to the intent of those promoting workforce housing rather than focusing purely on income categories:

Workforce housing is housing for the occupations needed in every community, including teachers, nurses, police officers, fire fighters and many other critical workers. In many communities, there is a mismatch between where these jobs are located and where affordable homes are located – a difficult situation for both working households and employers...

The families in need of workforce housing do not fall neatly into a single narrow income category. Employees in some industries (e.g. retail sales, food service, tourism) are likely to be in the lower income ranges. Seasoned workforce jobs with education or training requirements, such as teachers, police officers, nurses,

¹⁰⁴ See website

<http://www.uli.org/ResearchAndPublications/TerwilligerCenterforWorkforceHousing/About%20The%20Center.aspx>

etc., may fall into the middle income brackets but still find it difficult to afford homes in the community where they work.

In summary, a number of measures have been developed and have come into common use to define and quantify the issue for workforce housing, although none has been formally adopted by the government of the US.

3. Review of policies and initiatives specific to essential worker housing need

As noted, the US has used a wider lens (workforce housing) to define a problem experienced by a larger group that encompasses essential services workers but that also includes private sector employees. As a consequence, it would be misleading to limit the identification of policy and program responses to those applicable only to the research subject narrowly defined (essential workers). In the US context, the notion of workforce housing is the key to exploring the significant responses to the housing affordability challenges of essential services workers.

Consultation with US experts confirms that there are no explicit national government policy responses and programs designed in response to the issue of essential worker/workforce housing as it has emerged mainly since the Millennium. There has been one unsuccessful legislative attempt at the national level, the Housing America Workforce Act (HAWA), which is discussed below. But there have also been various successful initiatives instigated by partnerships of non-governmental organizations and employers in various jurisdictions. In the US, there has been an “informal response.”

The most common mechanism is the provision by employers of an Employer-Assisted Housing (EAH) grant or forgivable loan toward the up-front costs of purchasing a home. This mechanism’s predominance not only reflects the fact that up-front costs are a major barrier to purchasing a home, but that this assistance is simple and easy for an employer to offer (Pill, 2000). Supply-side mechanisms, which increase the housing stock, are less common than demand-side mechanisms, which make more of the existing stock affordable to employees. This preference results from both the cost and complexity of developing new housing, an activity that is not the core focus of most employers.

EAH initiatives span a broad range of employers, not just those responsible for essential services workers (nurses, teachers and emergency personnel). To the extent that public employers have access to other resources, they are sometimes positioned to undertake or, at least, partner in supply initiatives. However, these are more opportunistic endeavours, relying on availability of resources such as surplus land and tax-exempt bond authority.

One example is the School District in Santa Clara, California, which established a mortgage assistance program to help teachers purchase a home. Using surplus school lands together with its authority as a public body to issue tax-exempt bonds, the School District entered into a joint venture with a development partner to construct 70 units of

rental housing affordable to beginning teachers at almost half the typical market rent for one- and two-bedroom apartments.

This below-market rental housing is a transitional option. After three years, the teacher/tenants are encouraged to use the District's mortgage assistance to move to ownership, freeing affordable rental units for other new teachers. In a press release the development partner outlined some of the outcomes of this joint venture:

Prior to the completion of Casa del Maestro Phase I in 2002, high housing costs in the area had increased the attrition rate of teachers by 300 percent in the five years prior to this venture, and estimates suggest it costs the district upwards of \$50,000 just to recruit and train new teachers. Since Casa del Maestro's completion, the attrition rate for young teachers in the Santa Clara Unified School District has decreased by 75 percent compared to teachers of similar tenure who did not receive this housing benefit. Most importantly, the students in the district are benefiting as proficiency levels on standardized tests have increased by as much as 30 percent since the introduction of this housing. Although this test score improvement is due to a number of factors, district administration feels that a large part of the improvement can be directly attributed to its housing programs, which have resulted in lower staff turnover and the hiring of higher quality employees.

[Press Release Thompson Dorfman Partners Development Wins ULI Workforce Housing Award By Anne Monaghan / Monaghan Communications Dated: Nov 11, 2009]

A specific but unsuccessful response at the federal level, which sought to encourage these employer programs, was the Housing America's Workforce Act (HAWA) bill. This bill failed to pass through either the 109th or 110th Congress. Due to spending constraints in the forthcoming federal budget, it has not been resubmitted in the current session of congress (111th) but similar language is being pursued as part of a broader bill, the Livable Communities Act (S 1619).

The HAWA and its latest variant attempt to encourage and enhance the impact of employer-generated initiatives (which are mainly at the state and local level), as described further below.¹⁰⁵ The national Chamber of Commerce has taken an active interest in this issue, including strong advocacy in support of HAWA.¹⁰⁶ In summarizing the issue and underlying basis for the proposed legislation, the preamble to the HAWA bill highlighted the growing gap between housing costs and incomes, especially for low-

¹⁰⁵ Similar programs already exist at the State level. For example, the Illinois Affordable Housing Tax Credit Program (IAHTC), which provides a 50% credit on state income tax liability for every \$1 invested in an employer-assisted housing (EAH) program.

¹⁰⁶ Sponsored in the House by Representative Nydia Velasquez (D-NY) and 13 colleagues with a companion Bill S 1078 introduced in the Senate by Senator Hillary Rodham Clinton (D-NY) with seven additional co-sponsors.

and moderate-income households. It also noted that many such households have been unable to obtain affordable housing in neighborhoods located near their workplace.

The bill described the types of household affected by this issue, including those occupied in “essential public service jobs such as teachers, firefighters, police officers, and hotel and restaurant employees.” It also identified broader consequences; longer commutes and costs for employees, unstable retention, a loss in productivity, decreased ability to attract new talent for employers and increased traffic and pollution for communities.¹⁰⁷

In addition to the program and policy responses explicitly targeting the essential worker segment that have developed mainly at the state and local level and tend to rely on employer-assisted housing approaches, a number of pre-existing federal programs provide assistance that would encompass at least part of the essential worker/workforce housing market segment. These include the Low Income Housing Tax Credit (LIHTC) and various assisted ownership programs using federal tax-exempt bond financing.

The Home Investment Partnership (HOME) program, which has been operating since the early 1990’s, provides block grant funding to states and localities to fund initiatives targeted to households with incomes below 80% of AMI. As shown in appendix A, in many cases, the median salary of essential workers falls below 80% of AMI, especially in larger higher cost metropolitan areas.

Specific Programs:

1. Various state and local Employer Assistance programs (see various examples documented in *Understanding Employer-Assisted Housing: A Guidebook for Employers*. 2007. Prepared by Homes for Working Families and Metropolitan Planning Council).
2. Low Income Housing Tax Credit (LIHTC)
3. HUD - Good Neighbor Next Door (GNND) Program
4. Broad array of first homebuyer assistance programs (some recently updated as part of economic stimulus)
5. Federal (proposed) – Housing America’s Workforce Act (HAWA), now being incorporated into the Livable Communities Act (1690), and pending in the House.

Appendix B provides descriptions of each of these programs / initiatives.

¹⁰⁷ The “impacts” are perceived, but there is a no strong empirical evidence linking labour market outcomes to insufficient affordable housing.

4. Summary Observations

The notion of causal effects between the rising cost of housing (at least until 2007) and the labour market, with associated spatial implications (longer commute times as housing consumers seek more affordable housing further from their place of work) is evident both in US literature and in the popular and trade media.

The US has labeled this concern “workforce housing”, which conceptually has the same objective as the narrower (and perhaps higher-income) “essential worker” label, namely to broaden the target groups of housing assistance and thereby widen the base of support for affordable housing policy.

The US has quantified this market segment with some convergence in the research and advocacy literature demarcating this consumer group as households with incomes between 60% and 120% of Area Median Income (AMI).

While efforts are being pursued to enact federal legislation creating tax credits to increase the incentives to employers to establish employee assistance (which some are already doing), there is not yet any formal federal policy response to this perceived need for workforce housing.

A number of initiatives mainly in the area of Employer-Assisted Housing have been identified. These are generally local in nature and sometimes involve partnerships between local governments and business. A number are specific to essential workers, including programs for teachers, hospital workers and emergency personnel employed by the local government.

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Appendix B (to US profile): summary of programs in place

Specific Indirect (pre-existing) Programs

1. Federal (proposed) – Housing America’s Workforce Act (HAWA)
2. Various state and local employer assistance programs (see various examples documented in *Understanding Employer-Assisted Housing: A Guidebook for Employers*, 2007. Prepared by Homes for Working Families and Metropolitan Planning Council).
3. Low Income Housing Tax Credit (LIHTC)
4. HUD - Good Neighbor Next Door (GNND) Program
5. Broad array of first homebuyer assistance programs (some recently revised updated as part of economic stimulus)

1. Housing America's Workforce Act (HAWA) – (formerly HR1850)

General: This is not yet a policy/program, but was proposed legislation that died when the session of Congress terminated. (An earlier version in 2007 also failed to generate sufficient support and died when that session of congress ended.) The bill has not been reintroduced in the current session, but similar language is being pursued as part of a separate bill on Liveable Communities (S1690). It was proposed as a federal program aimed at enhancing and encouraging development and expansion of Employer-Assisted Housing (EAH) programs.

- a) **Date initiated:** Not in place – only proposed.
- b) **Type of assistance provided:** The legislation would establish a federal tax credit for employers who create assistance programs for their employees. The credit would be worth 50% of the value of the benefit up to specified maxima: for purchasers, the lesser of \$10,000 or 6% of purchase cost and for renters \$2,000 of annual rental assistance. The value of these benefits received by employees would be excluded from personal income tax. To build expertise and capacity, the bill proposes funding for competitive Demonstration Employer-Assisted Housing Grants to Non-Profit Housing agencies with proven track record and expertise to provide technical assistance, program administration and/or educational outreach and support to employers undertaking EAH programs.
- c) **Program eligibility:** Both for-profit and non-profit employers would be eligible to use credits. Only eligible for employees earning up to 120% of area median income.
- d) **Geographic scale (Federal state or locally funded and managed):** this is federal legislation and would be available nation-wide.
- e) **Volume of households have been assisted under the initiative:** n/a, not yet adopted
- f) **Has the policy or program been reviewed or evaluated:** n/a (but extensive set of local EAP are in place – see next section)
- g) **Any related proposals that have not been implemented? What is reason for policy not proceeding?** As noted, an earlier version of this Bill failed to secure approval of congress. There is a broad non-partisan lobby now supporting the Bill.

2. Illustrative Employer-Assisted Housing (EAH) Programs

General: Even though the proposed federal legislation has not been enacted, (and is intended to encourage and expand, rather than initiate) a number of EAH programs have already been implemented across a number of jurisdictions.

The following is a brief summary of some programs. Most involve some form of down payment assistance, home purchase counseling or rental assistance with the view to either recruiting workers or retaining existing ones that face long commute times and may otherwise terminate their employment if they can find other work nearer to home.

2A. State level First-time Homebuyer Assistance Programs

An illustrative example is the State of New York Mortgage Agency (SONYMA) – all states have a similar set of initiatives.

SONYMA offers a suite of programs targeted to first-time buyers and these benefits also extend to other purchasers if buying in targeted revitalization areas:

- Remodel New York: First-time homebuyers can buy an existing home and finance the cost of renovating it with one low, fixed rate mortgage.
 - Achieving the Dream: Features lower interest rates than other SONYMA programs. Available to lower income first-time homebuyers
 - Construction Incentive Program: First-time homebuyers can use this program to buy a home under construction or rehabilitation. The program features 100% financing.
 - Low Interest Rate Program: SONYMA's standard mortgage program for a first-time homebuyer purchasing a newly constructed or existing home.
- a) **Date initiated:** These programs or variants thereof have been in place for many years, although since 2000 they have been revised and enhanced as part of the economic stimulus programming. In particular, programs have been added providing additional tax credits to qualifying purchasers and these tax credits can be combined with the existing programs.
- b) **Type of assistance provided:** All include low-interest fixed-rate loans (30 or 40 years, as is typical in US), special more flexible qualifying conditions with minimal cash down payment, down payment assistance grants (up to a max 3% of price) and are eligible for recent new buyer tax credits. Tax Credit Advance Loan under which the amount of the tax credit is advanced interest free can be used to as part of the down payment. Repayment of the advance is due at a specified date and is to be achieved by applying for a federal tax refund; if not repaid in full, the advance converts to an amortized loan at 100 basis points above the first mortgage interest rate.

- c) **Program eligibility:** Both house price and income criteria are used to target modest purchases and low- to moderate-income purchasers. While not explicitly targeted to essential workers, the typical incomes of essential workers readily fall within eligible income maxima. The following table illustrates how essential workers will qualify. In both Albany and NYC (assuming a sole wage earner), the worker's income is well below maxima and generally under 70% of AMI. In New York, many essential workers earn below of 60% AMI, thus qualifying for programs like the LIHTC.

Qualifying and Actual Incomes - First Homebuyer Programs and Essential Workers

	Albany, NY		New York	
2008 Med House Price	142,000		455,000	
Income req'd	55,900		147,832	
Area Median Family Income	74,100		101,800	
Income limit for SONYMA Programs*	74,100		92,160	
Illustrative income by occupation		% AMI		% AMI
Firefighter	40,500	55%	47,500	47%
Nurse	39,500	53%	46,000	45%
Police Officer	49,500	67%	58,000	57%
Pre-School Teacher	50,500	68%	59,000	58%
Secondary Teacher	52,500	71%	61,500	60%

* for 1-2 person hh; 3-4 person is higher at 85,200 and 107,500 non targeted areas)

- d) **Geographic scale (Federal state or locally funded and managed):** These illustrative examples reflect State run programs (using New York as an example). Funding is however partially derived from federal programs as both the HOME and Community Development Block Grant (CDBG) programs allocate grant funds for such programs and typically mortgage funds used in these programs are generated via the sale of tax exempt bonds, which involve a federal tax expenditure (revenue foregone). Recent homebuyer tax credit will increase this federal tax expenditure.
- e) Volume of households assisted under the initiative: data not available for essential workers. In 2008, the various ownership assistance programs assisted just over 4,000 households into ownership across New York State.
- f) Has the policy or program been reviewed or evaluated: NO
- g) In addition to implemented policies or programs, have there been proposals that have not been implemented? What is reason for policy not proceeding?

2B City Level example: City of Orlando Downpayment Assistance Program

The city of Orlando's EAH program (a part of the city's Downpayment Assistance Program) is in response to a shortage of teachers and health care professionals, which in part has been caused by the gap between salaries and the cost of housing.

Moderate-income teachers and public safety employees may qualify for \$20,000 in assistance. City employees, teachers, and public safety personnel who are purchasing homes within the city limits of Orlando do not have to be first-time homebuyers.

Purchasers must occupy the property as a principal residence for at least ten (10) years. The down payment assistance becomes a grant once the period of affordability has been satisfied. (*More information on the city of Orlando's EAH program is available from www.cityorlando.net/housing, 1000 Friends of Florida [www.1000fof.org], and the Central Florida Workforce Housing Toolkit [www.orangecountyfl.net].*)

3. LIHTC Program

General:

The low-income housing tax credit, while nominally targeted to “low income” households, also tends to serve households with employees in essential services. As noted in previous program examples (SONYMA programs), the median income of essential worker occupations in higher cost centres such as New York City often falls below 60% of AMI and such households would thus be eligible to rent a LIHTC unit.

- a) **Date initiated:** The LIHTC is a tax code measure introduced as part of federal tax reforms in 1986 with the specific purpose of encouraging investment in the production of affordable housing. It has become the longest running and largest affordable housing production program in the US. In 2008, the LIHTC contributed to the production or rehabilitation of over 90,000 rental units (NCSHA, 2009).
- b) **Type of assistance provided:** The assistance is primarily in the form of a tax credit, which results in a federal tax expenditure (foregone revenue). The credits are allocated on a per capita formula to the States with state finance agencies then allocating credits to specific proposed projects on a competitive basis. The project developer then sells the credits to investors who invest equity in the project, facilitating development. The value of the earned credit is set such that the present value of a 10-year flow of credits equals 70% of construction cost (excluding land.)
- c) **Program eligibility:** State agencies allocate Housing Credits to developments pursuant to qualified allocation plans (QAPs) they develop that identify the type, location, and other characteristics of affordable housing needed throughout the state. The plans must describe the criteria agencies will apply in allocating the Credit.

To take occupancy of an apartment, households must have an income below 60% of AMI at commencement of tenancy. Subsequent income is not verified, except in cases where recipients separately qualify for housing voucher shelter allowance assistance, which would generally not apply in the case of essential workers.
- d) **Geographic scale (Federal state or locally funded and managed):** Federal tax program, managed via state housing finance agencies.
- e) **Volume of households assisted under the initiative:** The tax credit has generally contributed to development or rehabilitation of 100,000 units annually. This level began to slide until the annual allocation formula was adjusted and indexed. In 2008, just over 91,000 units were committed.

- f) **Has the policy or program been reviewed or evaluated:** There are a number of formal evaluations as well as numerous academic analyses. These have contributed over the two decades of the program to refinement of program rules, in particular extending the duration over which units must remain affordable, which was initially only 15 years, but now is a minimum of 30, and, through the competitive bidding process, is often over 40 years.
- g) Any related proposals that have not been implemented? What is reason for policy not proceeding? N/a

4. HUD - Good Neighbor Next Door (GNND) Program

General: This program takes advantage of FHA foreclosed dwellings in specific revitalization areas (defined by average income below 60% of area median, and with high vacancy rate/foreclosure rate). It achieved the dual objectives of creating affordable options for essential workers as outlined below while helping to stabilize formerly distressed revitalization areas. The criteria for designating an area as a Revitalization Area relate to 1) household income, 2) homeownership rate and 3) FHA-insured mortgage foreclosure activity.

- a) **Duration of Program:** Initiated in 1997 for law enforcement officers, and expanded in 1999 to add schoolteachers and again in 2007 to add firefighters and EMTs.
- b) **Assistance Provided:** HUD offers a substantial incentive in the form of a discount of 50% from the list price of the home. To make these homes even more affordable, eligible program participants may apply for an FHA-insured mortgage with a down payment of only \$100. Because homes sold through this program are located in revitalization areas, there may be additional assistance from state or local government sources. If the home needs repairs, the purchaser may also use FHA's Section 203(k) mortgage program. The Section 203(k) program provides financing for both the purchase of the home and cost of needed repairs. In return the eligible purchaser must commit to live in the property for 36 months as their sole residence.
- c) **Eligibility:** It is targeted to specific professions, specifically people working in law enforcement, firefighting, medical technicians and teachers. As noted above, this evolved over time.

Eligible Single Family (FHA foreclosed) homes located in revitalization areas are listed exclusively for sales through the Good Neighbor Next Door Sales program. Properties are available for purchase by eligible essential workers through the program for five days. The HUD site identifies eligible revitalization areas and purchasers and provides current active listings by State and city. If more than one person submits on a single home a selection is made by random lottery. Purchasers must meet the requirements of being a law enforcement officer, teacher, firefighter or emergency medical technician and comply with HUD's regulations for the program.

HUD requires that purchasers sign a second mortgage and note for the discount amount. No interest or payments are required on this “silent second” provided that the three-year occupancy requirement is fulfilled. If the house is sold within the three-year occupancy period, the amount of the 2nd mortgage becomes payable.

At the end of three-years, HUD's second mortgage is released provided (1) the participant has completed and returned the required annual certifications, (2) is not currently under investigation by the Office of Inspector General, and (3) is in compliance with all GNND regulations. A mortgage satisfaction is filed with the participant’s local county recorder’s office. Thereafter, HUD’s second mortgage will not show up on the title to the property. After release, there is no further obligation to or restrictions imposed by the Department of Housing and Urban Development.

The number of properties available is limited and the list of available properties changes weekly.

- d) **Federal/State/Local:** This is a federal program through HUD/FHA, administered through HUD local offices.
- e) **Households Assisted:** In the decade since introduced roughly 17,000 homes have been sold through this program.
- f) **Any Assessment/Evaluation:** no formal evaluation, but seen as a popular program

5. Broad array of first homebuyer assistance programs

(some recently revised or updated as part of economic stimulus)

Examples of Employer Affordable Housing Assistance Programs

Employer	Location(s)	Employer & Program Highlights
American Family Life Assurance Company, Inc. (Aflac)	Columbus, Ga.	<ul style="list-style-type: none"> • Employs 4,400 in Columbus. • Provides education and counseling, and down payment and closing cost assistance up to \$5,000) for homes in designated transitional areas. • 72 percent of program participants cite EAH as an incentive for remaining with the company. •
Applied Materials, Inc.	Santa Clara, Calif.	<ul style="list-style-type: none"> • Employs 4,000 in Silicon Valley • Contributes funds to the Housing Trust of Santa Clara County, a public-private partnership • Trust provides down payment assistance for first-time homebuyers and low-cost financing for developers of affordable homes.
Citizens Financial Group, Inc.	Providence, R.I.	<ul style="list-style-type: none"> • Employs 24,500 nationwide. • Provides forgivable loans for down payments

		<ul style="list-style-type: none"> and closing costs. Used research to design a program that increases retention.
CVS/Caremark	Washington, D.C.	<ul style="list-style-type: none"> Employs 3,000 in D.C. Provides homeownership education and grants toward home purchases. Program designed to recruit and retain pharmacists and other management-level employees.
Harley-Davidson Motor Company View case study [PDF]	Milwaukee, Wis.	<ul style="list-style-type: none"> Employs 3,900 at Milwaukee-area facilities. Provides down payment assistance and credit counseling for employees. "Walk to Work" program encourages employees to invest in transitioning neighborhoods.
Brownstein Hyatt Farber Schreck, LLP (Formerly Hatch & Parent) View case study [PDF]	Santa Barbara, Calif.	<ul style="list-style-type: none"> Employs 64 in Santa Barbara. Third-party partner provides a variety of discounts for home purchase, refinancing or rent. Each employee retained equals a 60-to-1 return on program investment.
Northrop Grumman Corporation	Long Island, N.Y.; Pascagoula, Miss.	<ul style="list-style-type: none"> Employs 2,000 at Long Island facility; 11,000 in Gulf Coast region. Provides forgivable loans toward employees' home purchases. Long Island program helps younger, skilled workers live closer to the facility.
The Schwan Food Company	Marshall, Minn.	<ul style="list-style-type: none"> Employs 2,500 in Marshall. Develops affordable homes, and provides homebuyer education and assistance. Program designed to maintain a stable workforce and recruit employees.
System Sensor	St. Charles, Ill.	<ul style="list-style-type: none"> Employs 500 in St. Charles area. Provides down payment assistance and homeownership education. Program has reduced turnover and decreased workers' compensation claims.
University of Chicago and University of Chicago Medical Center	Chicago, Ill.	<ul style="list-style-type: none"> Employ 14,000. Provide interest-free forgivable loans and homeownership counseling for employees. Program encourages investment in transitioning neighborhoods.

Excerpted from [Understanding Employer-Assisted Housing: A Guidebook for Employers](#). 2007. Prepared by Homes for Working Families and Metropolitan Planning Council.