

PH4.1 PUBLIC SPENDING ON SUPPORT TO SOCIAL RENTAL HOUSING

Definitions and methodology

This indicator looks at the amount of government support for social rental housing, as reported in the OECD Questionnaire on Social and Affordable Housing (OECD QuASH 2016). The level of expenditure is presented as a share of GDP. Data refer to the total expenditure on social rental housing at the level of central governments, with the exception of Austria where they refer to expenditure by the Provinces, Australia where they refer to expenditure by the States and Territories, and Korea where they include central and local government funding.

The amounts typically include expenditure aimed at direct provision of social rental housing and subsidies to non-government social rental housing providers. They do not include personal housing benefits granted to social housing tenants, which are treated as part of housing allowances in other indicators within this database (see PH 3.1, PH 3.2, PH 3.3). Expenditure at the municipal level is not included due to lack of available information. Further detail on data and comparability issues is provided below.

Support for the direct provision of social housing typically consists of transfers to the local authorities that own and manage the stock. Support to non-government providers usually consists of supply-side subsidies which can take various forms, such as grants, public loans from special credit institutions, interest-rate subsidies, and government backed guarantees.

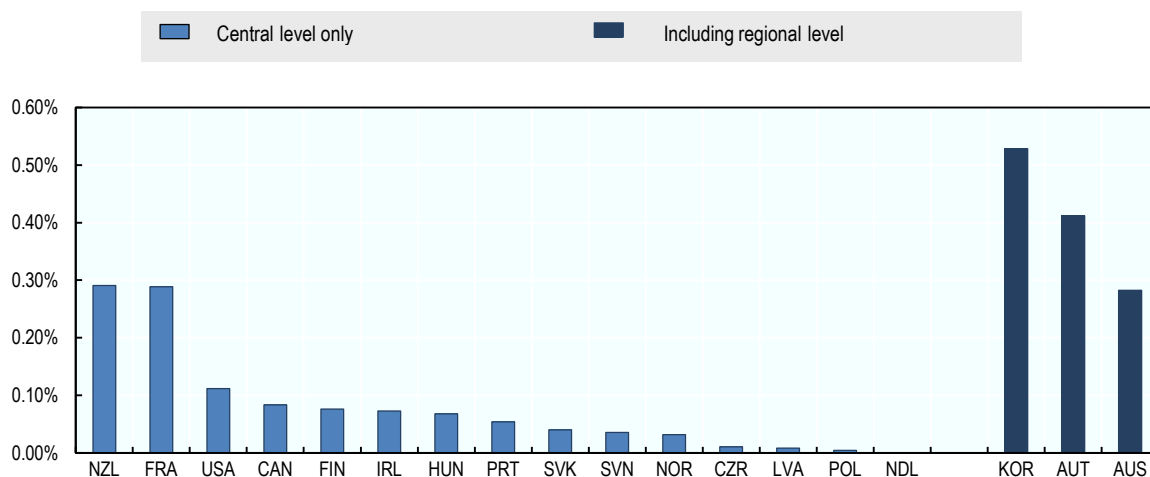
Key findings

As shown in Figure PH 4.1.1, the overall level of support for social rental housing is relatively high in countries for which information is available on regional level funding, namely Korea with 0.5% of GDP, followed by Austria (0.41%) and Australia (0.33). Among countries for which only central level expenditure is provided, there is significant spending on social rental housing in New Zealand (0.26) and France (0.14). The United States and Finland spend between 0.1% of GDP on social rental housing, and all other countries less than 0.1%.

There does not appear to be a direct correlation between the current level of spending on social rental housing and the size of the sector. In the Netherlands where the share of social housing is the largest among OECD countries there is strictly speaking no public spending supporting the provision of social rental housing since 1995, except for a system of guarantees backed by the central government which allows housing corporations to obtain credit at cheap rates, and income-tested rental subsidies to tenants. A common approach for raising debt among social housing providers is to pool financing through special circuits, as do the Housing Bank in Norway and the Caisse de Depots et Consignations in France. In other countries, providers increasingly rely on private capital (from banks, or in the case of housing associations in England directly from capital markets through the selling of bonds) using the value of their stock as collateral to borrow. Some housing providers, especially large housing organizations, also resort to using

their own resources and surpluses, and in the Netherlands, Denmark and Switzerland the not for profit sector has established revolving funds. Finally, it is widespread practice for social housing providers to obtain funds from the sale of part of the existing stock.

Figure PH4.1.1: Public spending on supporting social rental housing in selected OECD countries
Government spending as % of GDP, 2015 or latest year available^{1 2 3}



1) Figures refer to central government spending only, with the exception of Australia, Austria and Korea where funding at regional level is included.

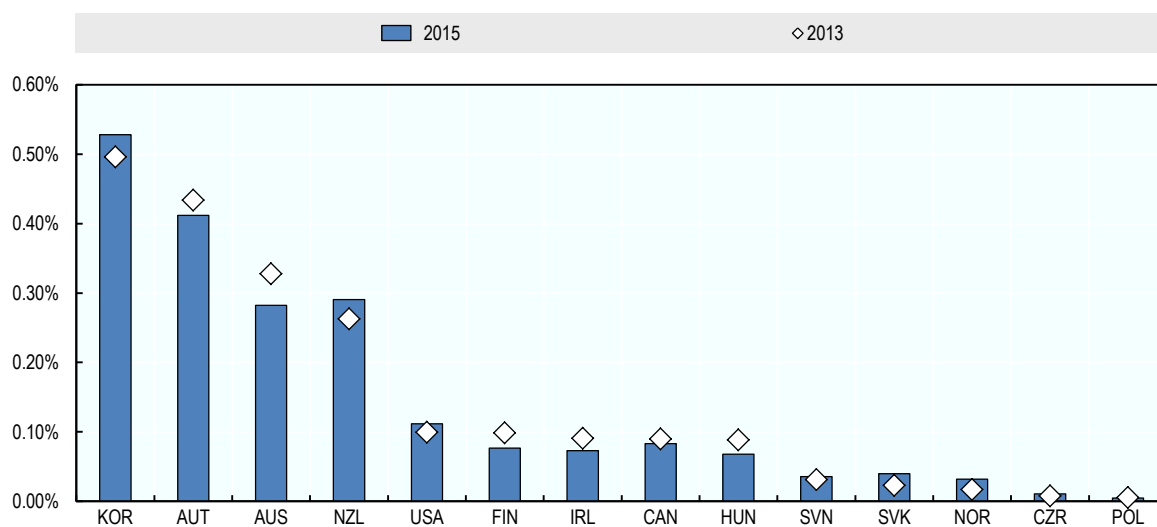
2) Data refer to 2012 for Portugal and to 2013 for Latvia.

3) There is no social rental housing in Chile, Croatia, Cyprus, Greece, Mexico, Sweden and Turkey. Information on public spending on social rental housing is missing for Belgium, Bulgaria, Denmark, Germany, Japan, Iceland, Israel, Italy, Lithuania, Luxembourg, Spain, Switzerland and the United Kingdom.

Source: OECD Questionnaire on Affordable and Social Housing (2014, 2016)

In 7 countries the amount of public funding to social rental housing was higher in 2015 compared to 2013. The relative increase was particularly sharp in the Czech Republic (with an increase by over 60%) as well as Norway and the Slovak Republic where the overall amount almost doubled over this period, but from a low level. On the contrary, total expenditure on social rental housing decreased in Canada, Finland, Hungary, and Poland. The amount spent by regional government in Australia and Austria was also lower in 2015 compared to 2015, but from relatively high levels (not included in Figure PH 4.1.2 below. See online Annex 4.1.A1 for detail).

Figure PH4.1.2: Recent trends in public spending on social rental housing in selected OECD countries
Government spending on supporting social rental housing in selected OECD countries, % of GDP (2013, 2015)¹



1) Figures refer to central government spending only, with the exception of Australia, Austria and Korea where funding at regional level is included.

Source: OECD Questionnaire on Affordable and Social Housing (2014, 2016)

Data and comparability issues

There are a number of issues limiting the comparison of data on public support to the provision of social rental housing. Most importantly, expenditure at the local/ municipal level is not covered by this indicator due to lack of information, although local authorities often provide co-funding for social rental housing or even sustain significant expenditure to provide municipal housing, with or without the help of budget allocated from the central government. For instance, the OECD Questionnaire on Affordable and Social Housing (OECD QuASH 2016) indicated that municipalities are involved in funding social rental housing in the Czech Republic, Estonia, France, Hungary, Ireland, Latvia, Lithuania and Poland. As a result, reported figures underestimate the total support for the sector. The case of Ireland, for which some estimates were provided by the Department of the Environment, Community and Local Government, illustrates the extent of this gap: adding the total expenditure on housing capital programmes from local authority budget in 2015 would increase the level of spending on social rental housing from 0.07% (as reported in figures PH 4.1.1) to roughly 0.2% of GDP.

For some countries where social rental housing is funded by regional governments (Belgium, Germany, Italy and Spain) it was not possible to identify relevant levels of public spending. In Germany, for instance the competence for so-called ‘social housing promotion’ is fully devolved to the regional states and information on spending on social rental housing is not available across the country. Nordrhein-Westfalen, the most populous state of Germany, spent 0.08% of GDP in support to social rental housing in 2015 according to data collected through QuASH. Nevertheless the example of Nordrhein-Westfalen cannot be considered as representative of the level of spending in Germany, as literature points to significantly diverse levels of public intervention in housing policies across the different Lander (Housing Europe, 2013; Knorr-Siedow, 2008).

OECD Affordable Housing Database – <http://oe.cd/ahd>

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

This indicator does not hold information regarding the prevalence of the provision of land at reduced prices to social rental property developers, which is also a typical instrument to support the construction of affordable housing. Information is also not available on a comparable basis on local measures such as planning rules which require private developers to make a number of dwellings in new developments available at low cost for social housing.

Furthermore, social housing providers often benefit from a number of implicit subsidies such as tax exemptions or reduced tax rates (typically on property and land taxes, as well as VAT on the cost of construction and/or renovation) which have not been reported in QuASH and therefore are not included - except for France, where they represent a very large share of public support to the sector.

Finally, housing allowances granted to social housing tenants could also be considered as an indirect source of public funding to the sector, but they are not included in figures above, as in most countries they cannot be disaggregated from the total amount of housing allowances. By contrast, data for Ireland, New Zealand and the US also include amounts that were paid directly to landlords to cover for the difference between the rent and the amount paid by the tenants, as set on basis of their income.

Sources and further reading:

Housing Europe (2013) *Study on financing social housing in 6 European countries*, Housing Europe, Brussels
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Pawson, H., Lawson, J., and Milligan, V. (2011) *Social housing strategies, financing mechanisms and outcomes: an international review and update of key post-2007 policy developments*. City Futures Research Centre, University of New South Wales Sydney, Australia.

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<http://dx.doi.org/10.1787/5jm3p5gl4djd-en>.

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