

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 (2021 or 2019). The level of expenditure is presented as a share of GDP. Data refer to the total expenditure on social rental housing across different levels of government.

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). 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, low interest-rate subsidies, and government backed guarantees.

Key findings

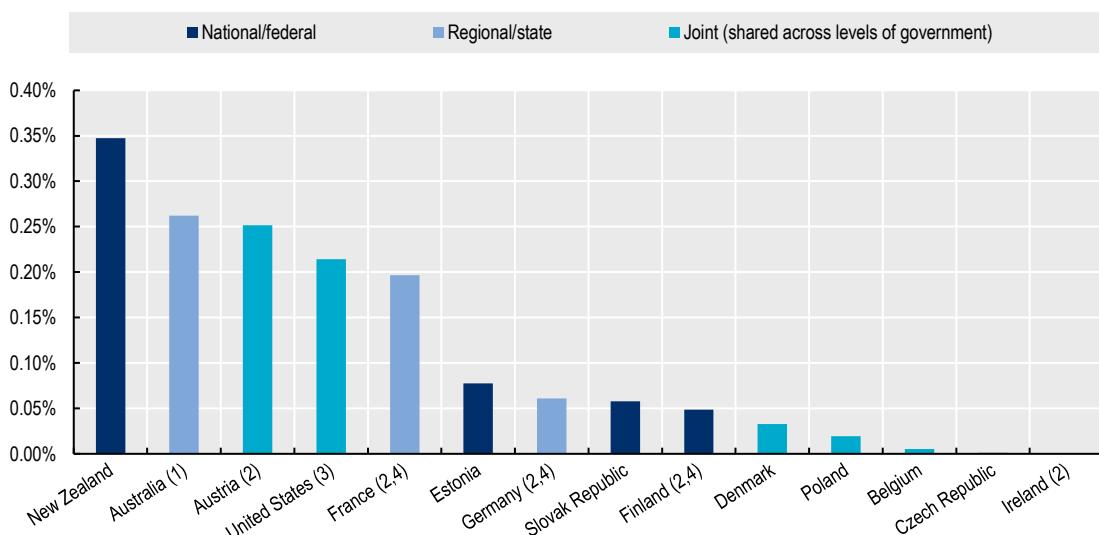
As shown in Figure PH 4.1.1, the overall level of support for social rental housing is relatively high in New Zealand (0.35% of GDP), which is based on central government expenditure, followed by Australia and Austria (0.26% and 0.25%, respectively), which are co-financed by different levels of government.. There is also large spending on social rental housing across different levels of government in the United States (0.21%) and by the national government in France (0.20%). All other countries have spent less than 0.1% of GDP in 2020, even though the responsible level of government vary.

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 has been no public spending supporting the provision of social rental housing since 1995. However, there is a system of guarantees backed by the central government, which allows housing corporations to obtain credit at cheap rates, and there are income-tested rental subsidies to tenants (see indicator PH 3.2.). A common approach for raising debt among social housing providers is to pool financing through special circuits, as is the case for the Housing Bank in Norway and the *Caisse de Dépôts 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 organisations, also resort to using their own resources and surpluses, and in Austria and Denmark the not-for-profit sector has established revolving funds. Finally,

in some countries, social housing providers obtain funds from the sale of part of the existing stock. For further discussion, see OECD (2020), *Social housing: A key part of past and future housing policy*.

Figure PH4.1.1: Public spending on supporting social rental housing in selected OECD countries

Government spending as % of GDP, 2020 or latest year available



Notes:

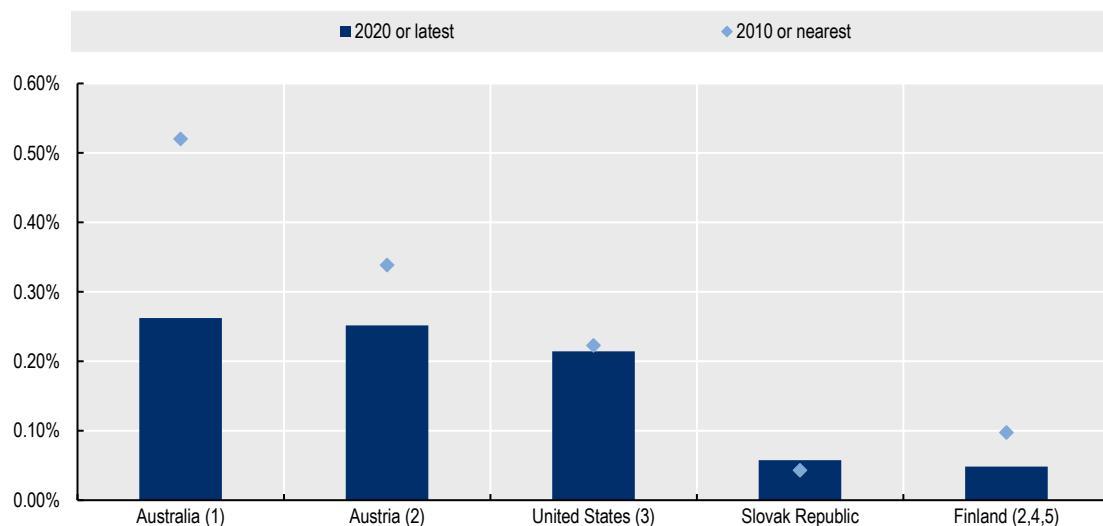
1. Data for Australia are based on the 2019/2020 fiscal year. GDP is adjusted to reflect this.
2. Data refer to 2020, with the exception of Austria and Ireland where they refer to 2019; France where they refer to 2018; as well as Finland and Germany where they refer to 2017.
3. Data for the United States are based on the 2020/2021 fiscal year. GDP is adjusted to reflect this, based on OECD projections for the year 2021.
4. For Finland, France and Germany data are based on responses to previous QuASH rounds.

Source: OECD Questionnaire on Affordable and Social Housing, (QuASH) 2019 and 2021.

Among all the countries for which data are available, the amount of public funding to social rental housing in percent of GDP was higher in 2010 than in 2020, with the exception of the Slovak Republic (Figure PH 4.1.2). In several countries, this is due to spending on social housing not keeping pace with economic growth (as captured by GDP). For example, the public funding on social housing as a share of GDP in Australia has halved over this period, resulting from moderately decreased expenditure and strong economic growth over these years. Similarly, while absolute funding for social housing increased between the fiscal years 2010 and 2021 in the United States, the increases in (projected) GDP were larger in relative terms. In Austria, the (estimated) absolute expenditure on social housing did not change between 2010 and 2019; given nominal GDP growth over this time period, the relative public spending thus decreased between those years.

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 (2010, 2020)



Notes:

1. Data for Australia are based on fiscal years 2009/2010 and 2019/2020. GDP is adjusted to reflect this.
2. Latest data refer to 2020, with the exception of Austria where they refer to 2019; as well as Finland where they refer to 2017.
3. Data for the United States are based on fiscal years 2009/2010 and 2020/2021. GDP is adjusted to reflect this, based on OECD projections for the year 2021.
4. For Finland, data are based on responses to previous QuASH rounds.
5. Data for 2010 or nearest refer to 2010, with the exception of Finland, where they refer to 2013.

Source: OECD Questionnaire on Affordable and Social Housing, (QuASH) 2019 and 2021.

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. Some countries, like Austria, have a large degree of direct housing provision by municipalities, in particular for Vienna. However, there have hardly been any new construction activities of municipalities over the last years. As such, direct public spending on these publicly provided units usually comes from expenditure on housing regeneration (see PH7.1), rather than explicit expenditures on social housing.

This indicator does not provide 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). These have not been reported in the QuASH and therefore are not included - except for France, where they represent a very large share of public support to the sector.

The rents charged to tenants in social housing may well be considerably lower than what is paid in rent for a similar dwelling in the private sector or the costs involved in providing the accommodation at hand. There are no estimates available on the magnitude of this feature across countries.

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 and New Zealand 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

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