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**SOCIAL RENTED HOUSING IN THE (DIS)UNITED KINGDOM:  
CAN DIFFERENT SOCIAL HOUSING REGIME TYPES EXIST WITHIN THE SAME  
NATION STATE?**

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# **SOCIAL RENTED HOUSING IN THE (DIS)UNITED KINGDOM: CAN DIFFERENT SOCIAL HOUSING REGIME TYPES EXIST WITHIN THE SAME NATION STATE?**

## **Abstract**

Welfare and housing regime literature has treated nation states as being uniform regime types. However, there is growing interest in the possible development of distinct regimes below the level of nation states. This paper applies regime theory through a robust analytical framework to the devolution of social housing policy to the Scottish Parliament and Welsh and Northern Ireland Assemblies within the UK. We establish that prior to devolution the UK's social housing regime was firmly located within a residual model, but one that operated as a "safety net". Particularly since the adoption of austerity by the UK Government in 2010 and divergence in political outlook between UK and devolved administrations, England's social housing regime is beginning to morph into an "ambulance service", whilst the "safety net" model is being maintained in Northern Ireland and Wales, and strengthened in Scotland. However, with few powers with which to influence the "wider welfare regime", high levels of poverty mean that the "boundaries of possibilities" for the devolved administrations to create more than this distinctive regime sub-type – and so to move to a "social market" performing a "wider affordability" role - are limited. The theoretical and analytical framework developed in this article is capable of being applied to sub-nation state jurisdictions in other countries, and so enrichen comparative analysis.

**Key words:** United Kingdom, housing policy, housing regimes

## **1. Introduction**

The UK has one of the longest established social rented sectors in Europe (Ravetz, 2001). At its peak in the late 1970s it housed one-third of households. Policy relating to social rented housing (and indeed to housing in general) was conducted through a common Great Britain-wide framework until 1999, with Northern Ireland following similar trends. Since then policy has been subject to variation between the component nations of the UK as devolved parliaments and assemblies have been established in Scotland, Wales and Northern Ireland. Meanwhile England continues to be governed by the UK ("Westminster") Parliament.

Particularly since the UK Government began a policy of fiscal "austerity" in 2010, various accounts suggest that social housing policy in the UK is diverging. This article aims to bring new insights into this process by placing it firmly within a theoretical and analytical framework derived from welfare and housing regime literature. This approach is intended to increase our understanding of these developments, and to consider both the potential and limitations of divergence within

a nation state. By considering social housing policy within the context of the wider welfare regime, the article also contributes to the growing literature on regionalisation and localisation of welfare regimes (e.g. Johansson and Koch, 2016).

Section 2 provides a selective overview of literature on welfare and housing regimes, and on the development of welfare regimes beneath the level of the nation state. Section 3 outlines analytical framework derived from the literature review and outlines four research questions. Section 4 characterises the UK's social housing regime before devolution. Section 5 examines the evolution of devolution within the UK. Section 6 examines developments in social housing policy within this framework. Conclusions are drawn in Section 7.

## **2. Literature review**

Many economists see social or public housing as, at best, a response to inadequately developed or malfunctioning state and market institutions (World Bank, 1994). Their view is that anything more than a residual role is likely to be inefficient and crowd out the private market. This approach is reflected in recent interventions by the European Commission in the Netherlands and Sweden, where state guarantees to housing associations and municipal housing companies were seen as representing unfair competition with the private sector unless they catered for those who are unable to access housing through the market (Elsinga and Lind, 2013). It also resonates with some housing studies literature in which housing is characterised as being the “wobbly pillar” of the welfare state (Torgersen, 1987), seemingly because, in contrast to other “pillars” (what Esping-Andersen, 1990, identified as “sectors”) such as social security and health, state interventions tend to be exceptional reactions to failures in the market, so market provision remains the norm (Bengtsson, 2009).

Historically-grounded approaches suggest that the social (and cost) rental sectors that were created in north-west Europe in the twentieth century, by scale alone, came to represent far more than a mere reaction to market malfunctions. Moreover, the litany of criticisms of it as a more extensive well-meaning but “inefficient and inequitable” intervention (Barr, 1987: 367) which “doesn't ‘work’” (Green and Malpezzi, 2003: 190) sit uneasily alongside the sub-prime catastrophe (Aalbers (ed.), 2012) brought about by supposedly efficient housing finance mechanisms centred on home-ownership (Diamond and Lea, 1992).

One of the limitations of narrowly economics-focussed approaches is that they isolate housing systems from wider social and economic institutions. Some housing scholars have adapted Esping-Andersen's (1990) typology of welfare regimes, which still enjoys “paradigmatic status” in welfare state research (Emmenegger, et al, 2015: 3), to housing (e.g. Hoekstra, 2003). Others have established frameworks to establish the relationship between housing and the welfare regime. What Stephens, et al (2010) called the “wider welfare regime” – consisting of the labour market and

tax and social security system – produces distinctive patterns of income distribution and poverty (Esping-Andersen and Myles, 2009). Where relatively low levels of poverty and income inequality prevail, it is possible to operate social rental sectors as a “social market”: whilst rents are set below market levels, they are nonetheless sensitive to demand and even those tenants in receipt of housing allowances are able to exercise some choice in the trade-off between cost, size and location because they are able to bear some of the marginal cost of housing without being subjected to poverty (Stephens, et al, 2003). Kemeny characterised such housing systems as being “unitary” and suggested that the social rented sector itself may, in some circumstances, influence, lead or even dominate the rental sector as a whole, and create a viable alternative to home-ownership (Kemeny, et al, 2005).

Stephens, et al (2002; 2003) establish that where high levels of poverty prevail a social market cannot operate without causing great hardship among low income households, but social rented housing can also operate as a safety net, although it nonetheless requires a housing allowance system that prevents housing costs from depressing income levels below social assistance norms. Such a housing “safety net” can provide an adequate standard of housing and security whilst maintaining a minimum level of disposable income. However, in a safety net system a social market must give way to one based on administrative allocation: what Kemeny (1995) likened to a “command economy”. Particularly where the social rented sector is of a small scale, it may be more severely rationed, and may be seen as a form of temporary assistance to be withdrawn when tenants cease to “need” it. It may assume the characteristic not of a safety net, but of an “ambulance service” (Stephens, 2008).

Welfare and housing regime literature is applied primarily at the level of the nation state. Some literature reflects on the uneven spatial impact of national social programmes within countries (Zweirs and Koster, 2015), noting that programmes that might be redistributive at a national level can cause differences between localities to widen. However, the localisation or regionalisation of welfare regimes, which contrasts to the implicit assumption of uniformity at the level of the nation state, has received growing attention. This suggests that policies and programmes developed at below the level of the nation state are challenging “the principle of interterritorial equivalency” (Lopez-Santana, 2015).

The rationale behind this approach lies in the weakening of the authority of the nation state, which marks a structural trend. The ability of national governments to manage their economies nationally has been diminished by globalisation: monetary policy is constrained by the free movement of capital, and is now generally the responsibility of independent central banks at a national or even supra-national level in the case of the euro. Fiscal policy is constrained by more mobile tax bases, notably in the case of multi-national corporations, but also high net-worth individuals. The response of increased labour market flexibility has created divisions in the labour force and makes social insurance systems more difficult to operate.

Meanwhile greater diversity in family structures and the demands of ageing populations bring greater complexity to the pattern of needs to which public services are expected to respond. As Johansson and Panican comment,

“Albeit that much social policy remains under the responsibility of national institutions... the mechanisms behind many social risks... and the greater diversity of life courses, risks, needs and preferences arguably require concerted efforts and close dialogue in the arena where people live and act—in local contexts.” (2016: 4)

Variation below the level of the nation state often evokes fears that sub-national differences in welfare provision might widen according to the ability of different sub-national jurisdictions to finance them (Lopez-Santana, 2015). However, in a climate of fiscal austerity,

“... when a central government retrenches and leaves few protective measures for vulnerable households, this can give incentives for regional authorities to respond by introducing their own policies.” (Dol, et al, 2016: no pagination)

The extent to which a sub-national jurisdiction can influence policy depends on what legislative, administrative and fiscal powers that it enjoys. A plethora of constitutional arrangements concerning sub-national jurisdictions exist, which may be local, regional or even national; and may nest within federal or unitary states.

Housing researchers have also compared housing systems at the level of the nation state, reflecting both the tradition of welfare state research and the development of strong nation-wide subsidised housebuilding programmes that spurred the development of housing studies. It is also notable that researchers turned to the formal impacts of European integration (Kleinman, et al, (eds.) 1998) and of financialisation (Aalbers, 2016) before examining sub-national variations.

As Dol, et al (2016) observe, the limited studies available on Flanders (Winters and Elsinga, 2008) and Scotland (Robertson and Serpa, 2014, to which we should add Gibb, 2015) have developed outside a theoretical framework. Similarly, the recent account of housing policy in the different parts of the UK by McKee, et al provides a useful commentary, but the authors reach the partly tautological conclusion that,

“This re-scaling of public policy-making is fundamentally geographical [sic], and demands a more spatially nuanced understanding of the evolving process of devolution.” (2017: 68)

“Nuance” merely suggests that the subject has become too generalised and differences deserve more attention. Such observations can be unhelpful in a theoretical sense and have been characterised as the “nuance of the fine-grain” whereby all that is achieved is “the ever more detailed, merely empirical description of the world.” (Healy, 2017: 120). The authors go on to claim that “there is no such thing as the ‘UK housing experience’ in contemporary housing policy, if indeed there ever was” (ibid.: 69). Yet, without an analytical framework, we can’t really say.

Dol, et al, (2016) seek to explore the housing policies of three Autonomous Communities in Spain following the economic crisis. They find that all of them shifted the emphasis of subsidised housebuilding towards rental, adopted a variety of schemes to assist distressed mortgagors, gave some substance to the constitutional “right” to housing through prioritising social housing allocations for homeless and vulnerable households, and experimented with measures ranging from taxation to expropriation to free up unoccupied dwellings for residential use. They conclude that these case studies are consistent with the thesis that when central government retrenches regional authorities are incentivised to respond to protect vulnerable households. However, the authors stop short of considering whether there is evidence of identifiable regional housing regimes, or varieties of the national regime.

Housing provides fertile ground for examining whether it is possible for devolved control over housing policy can lead to the creation of distinctive housing regimes, or varieties of a common housing regime. It can highlight the importance of social and economic context (because sub-national housing costs vary regionally more than incomes) as well as cultural and political differences. Whilst housing systems are best understood as inter-active wholes, but also to the inertia associated with path dependence:

“[Housing’s] physical and social elements of sluggishness... have institutional implications that may serve as obstacles to policy change.” (Bengtsson and Ruonavaara, 2010: 193)

The UK also provides a useful case study through which to explore the potential for housing regimes to emerge in jurisdictions beneath the level of the nation state. Since 1999, the UK has been transformed from being one of the most centralised states in Europe to one where substantial powers have been devolved to Scotland, Wales and Northern Ireland. The shared policy heritage provides a benchmark against which to assess change.

### **Theoretical and analytical framework**

We construct an analytical framework derived from regime theory to bring new insights into the evolution of housing systems in the UK. Regime theory has provided the most powerful non-structural theoretical framework for comparing (national) housing systems. Structural theories (for example based around the overwhelming power of economic forces such as globalisation or (linked) ideological hegemonies such as neo-liberalism) imply system convergence regardless of political or institutional frameworks, so preclude divergence. In contrast, regime theories provide an explanatory framework that acknowledges the importance of social and economic institutions that are shaped by potentially divergent cultural and political preferences, and in which public policy plays an important role. They are best interpreted by being historically grounded, particularly where the subject is subject to path dependence, so current policy may not be manifested immediately in system change.

Moreover, regime theory has been adapted successfully to housing, and this is reflected in the body of housing literature that has evolved from the works of Kemeny and Esping-Andersen (see Stephens, 2016 for a critical discussion).

The principal methodological innovation in this article is the development of regime theory to sub-state jurisdictions. The framework is, *a priori*, suitable for re-application in this way because it demands respect for the institutions that have shaped the historic British housing system, the evolving and asymmetric powers that the devolved administrations have enjoyed over a relatively short period, as well as those that they do not.

In contrast to research where the nation state is the unit of analysis, our framework must deal with the evolving and asymmetric pattern of competences, together with path dependency from the British state. Consequently, we have developed set of four hypotheses and linked research questions.

Hypothesis and linked research question 1: Based on the literature review we can posit that recently created jurisdictions operating at beneath the level of nation state initially inherit a social housing regime from the pre-devolution era. The linked research question is: What kind of social housing regime did the UK have before devolution? The answer provides part of the benchmark against which to analyse change (see Hypothesis 3 below).

Hypothesis and linked research question 2: Devolved administrations' ability to shape the "wider welfare regime" depend on their ability to influence labour market institutions, taxation and social security. The linked research question is: Are the powers that have been devolved sufficient to alter the wider welfare system? The answer sets the "boundaries of possibilities" for the social housing regime.

Hypothesis and linked research question 3: Within the "boundaries of possibilities" presented by the wider welfare regime, devolved administrations require legal competence over the main instruments of social housing policy. They also require the financial resources to support political preferences. Within the powers available, divergence in policy is likely to reflect diversity in politics. The linked research question is: Are the powers that have been devolved sufficient to alter the social housing system?

Hypothesis and linked research question 4: Regimes can shape housing systems through the role of the social rented sector. Subject to the "boundaries of possibilities" set by the wider welfare regime, the social rented sector may operate as a "social market" providing a wider affordability function, or as a residual tenure. As a residual system it may perform the role of a "safety net" or "ambulance service". The linked research question is: To what extent have social housing regimes diverged within the UK as a consequence of devolution? We note that changes in England after 1999 mean that the benchmark against which the devolved administrations are being assessed is a dynamic one (see Hypothesis 1 above).

In summary, we characterise the nature of the social housing regime by employing the frameworks identified in the literature. The social rented sector may operate as a “social market” (*pace* Kemeny) which plays a “wider affordability function” (*pace* Stephens); or it may be residual (again *pace* Kemeny), performing the role of either a “safety net” or an “ambulance service” (*pace* Stephens). This assessment requires data on the wider welfare system (income distribution/ poverty) which sets the “boundaries of possibilities” for the function of a social rented sector. Within a residual framework, a “safety net” depends on scale, allocation policies, security of tenure, and protection of post-rent incomes through housing allowances. An ‘ambulance service’ sector is characterised by extreme targeting, its treatment as a temporary form of assistance, and lack of protection for residual incomes.

### 3. The UK’s social housing regime before devolution

This section addresses the first research question: What kind of social housing regime did the UK have before devolution? We identify the critical junctures (Table 1) that led to the development of the UK’s social housing regime.

**Table 1. Critical Junctures in UK social housing 1919-1999<sup>i</sup>**

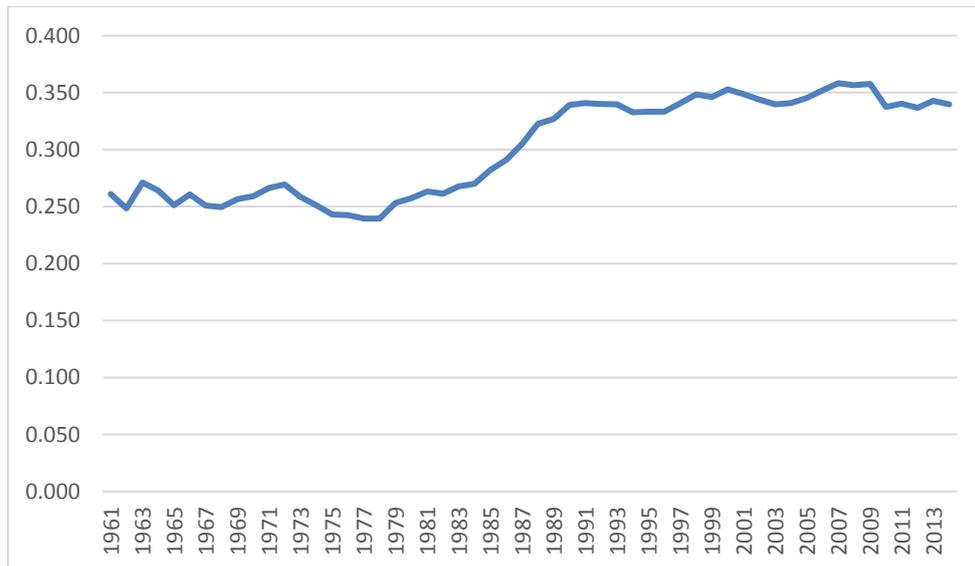
Year	Change	Effect
1919--	Dysfunctional private sector	Permanent role of state in provision of social rented housing
1955	End of “general needs” subsidies; focus on slum clearance	Residualisation
1976	Economic Crisis and IMF loan	End of large-scale social housing building programmes Relative decline in sector
1977 (NI = 1989)	Homeless Persons Act	Residualisation
1979	Change in economic management accelerating de-industrialisation and rising inequality	Residualisation
1980	Right to Buy	Permanent loss of stock Absolute decline in sector Residualisation

#### ***Wider welfare regime***

The “wider welfare regime” determines the distribution of incomes before housing costs. During the period (1945 until the mid-1970s) of the “social democratic consensus” UK governments were committed to the welfare state. Moreover, the economy was growing and near full employment prevailed. Income inequality was relatively low and reached its lowest point in 1977 at 0.24 (Figure 1). Poverty was

generally under 15 per cent in the 1960s and also reached its lowest point in 1977 at 11.3 per cent.

**Figure 1 Gini coefficient 1961-2014**



Source: IFS (2016). Note: GB up to 2004; UK after 2004

However, thereafter the restructuring of the economy and social security system, particularly after the adoption of “monetarism” in 1979, reversed the trend towards greater income equality. Inequality rose rapidly in the 1980s (Figure 1).

### **Scale**

The UK has one of the longest established social rented sectors (Ravetz, 2001). It dates back to the 1880s, but it was only after the First World War that the central Government provided subsidies to local authorities to provide housing. This was conceived initially to be a temporary intervention until the private market recovered from the war, and shortages were removed (Daunton, 1984). However, since the shortages never were removed the intervention became permanent, so representing the first critical juncture, as the Government became locked into financing (and in the case of local government) owning and managing social rented housing. Substantial council house building took place in the 1930s and again in the 1950s and 1960s. As a consequence the sector grew to represent one-third of the UK’s housing stock in the late 1970s. As Table 2 shows, the sector peaked at higher levels in Scotland and Northern Ireland than in England and Wales.

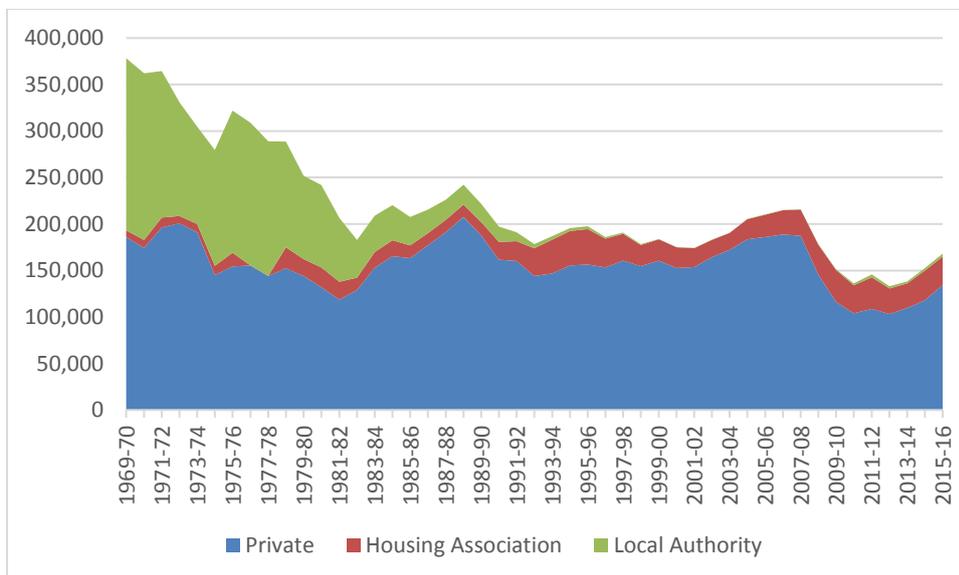
**Table 2. Social rented housing as a percentage of total housing stock**

	1976	1986	1997	2007	2014
England	29.0	26.0	21.9	18.0	17.4
Wales	27.2	24.5	20.3	16.5	16.0
Scotland	54.2	49.3	34.1	24.9	23.4
Northern Ireland	36.8	35.4	26.8	17.0	16.2

Source: Wilcox, et al (2016), Tables 17b, 17d

The era of mass building ended after 1976 as a consequence of the economic crisis that led the Government to seek and receive a loan from the IMF. Thereafter, the social rented housebuilding never recovered (Figure 2), so representing the second critical juncture as the relative size of the sector shrank.

**Figure 2. UK House completions by sector (1969/70-2015/16)**



Source: DCLG live table 209 (updated 22/11/16)

Not only did levels of new build fall, but the stock diminished rapidly as the Thatcher Governments of the 1980s introduced the Right to Buy that enabled tenants to purchase their homes at discounts. An upward pressure on rents also encouraged those tenants who could to buy their homes. The Right to Buy led to the loss of 1.7 million units from the Great Britain social sector between 1980 and 1995, and represents the third critical juncture in the evolution of social housing. Proportionately Right to Buy had a greater impact on the Welsh and Scottish stocks (where 1980-95 sales represented 34 and 30% of the 1981 stock respectively) than of the English (25%) (calculated from Wilcox, et al, 2016, Tables 17a, 20a, b, c). Moreover, it was the better off tenants living in the more popular dwellings (houses rather than flats) who were most likely to buy their properties, so contributing to the residualisation of the remaining social rented sector. But, as Table 2 shows, the stock of social rented

housing was still proportionately larger in Scotland and Northern Ireland in the mid-1990s.

### ***Allocation***

As was the case in many countries, the first social rented housing was not accessible to the poorest households, as the rents were too high. However, from 1930, the thrust of policy was directed towards rehousing people made homeless by slum clearance. This shift was facilitated by subsidies, but local authorities still sought to minimise costs to make housing affordable, by building on low cost suburban land, or building more densely in central locations. Further, local authorities were enabled to introduce “rent rebates” – which amounted to variable rents according to income. The design of such schemes varied by local authority, but often caused resentment among the better off tenants (Finnigan, 1984). A similar pattern followed after the Second World War, with local authority housing being firstly at the “general needs” of the population, but from the mid-1950s once again to slum clearance. The quality of dwellings fell, and additional subsidies were introduced for building high. Individual local authority rent rebate schemes were replaced by a national Housing Benefit system in 1972.

During the period from the 1970s allocation policies began to become more targeted on people in most (housing) need, representing the fourth critical juncture. From 1977 in Great Britain and 1989 in Northern Ireland local authorities became obliged by the Homeless Persons Act to provide settled accommodation to unintentionally homeless households in priority need.

### ***The UK social housing regime***

By the 1990s the UK social rented sector had assumed the characteristic of a “residual” regime performing a “safety net” function. A combination of reduction in new build and shrinkage of the stock combined with allocation policies that targeted lets on people in the greatest housing need. Nonetheless the scale was generally still large enough to play this role. Better off tenants tended to leave the sector through Right to Buy whilst the changing “wider welfare regime” altered the employment status of social tenants. In 1981 43 per cent of household heads living in council housing were in full-time employment. By 1991 this had dropped to one-quarter (Wilcox, et al, 2016, Table 34). Among all households the fall in full-time employment was just four percentage points from 58 to 54 per cent. The sector also housed a proportionately higher share of retired households (ibid.). The safety net model in the UK contrasted with that in the USA where public housing was seen as a form of temporary assistance (“ambulance service”,) and was on too small a scale to assist significant proportions of the population. Moreover, UK governments remained committed to targeting resources on the poorest, and to protecting post-rent incomes through Housing Benefit.

#### **4. Devolution in the UK**

In this section we detail the evolution of devolution within the UK in order to answer the second and third research questions: Are the powers that have been devolved sufficient to alter the wider welfare system?; and are they sufficient to alter the social housing system?

As we have seen, 1999 housing legislation in Great Britain developed in the same direction across the country, even if it was sometimes enacted through separate legislation in Scotland, and administered by Scottish and Welsh “Offices” – departments of the UK Government. Each of the “critical junctures” identified in the previous section applied across England, Wales, Scotland and Northern Ireland. Moreover, the social security system, and the Housing Benefit system of which it is part, was applied through GB-wide legislation. The situation in Northern Ireland differed somewhat because it had its own (“Stormont”) Parliament from its inception in 1921, until its suspension and the introduction of “direct rule” (by the Westminster Parliament) in 1972 as a result of the “Troubles”. Although local authority housing was transferred to the Northern Ireland Housing Executive (to prevent discrimination in allocations according to religion), it remained in the public sector and policies evolved in a similar way.

##### ***Scotland***

Scotland retained its own legal and education systems after the Act of Union in 1707, and the decentralisation of administrative functions dates back to the establishment of the Scottish Education Department in 1872, and the Scottish Office in 1885. The Parliament established in 1999 following a referendum had both legislative powers and very limited powers over income tax (which have never been used).<sup>ii</sup> Legislative powers extend to all areas unless specifically “reserved” to Westminster in the legislation. Social security and employment law are two of the key areas of domestic policy to be reserved. Further powers have recently been granted under the legislation that followed the UK Government’s Calman Commission. However, this was overtaken by the independence referendum in 2014. The Smith Commission that was established in its aftermath led to the Scotland Act that devolves greater powers over income tax and control over specific areas of social security amounting to about 14 per cent of social security spending in Scotland, but these powers are unlikely to be sufficient to make a significant difference to the wider welfare regime. However, the social security powers include the power to vary the “housing cost element” within Universal Credit (a new means-tested benefit for working age people which combines six separate benefits – including Housing Benefit – into a single benefit; see Stephens, et al, 2015).

An important implication of the introduction of the Scottish Rate of Income Tax (SRIT) from 2016 is that the block grant from Westminster will be reduced and that the revenues available to future Scottish Governments will depend to a greater

extent on the relative size of the Scottish income tax base, even if the powers to vary tax rates are not used. In 2017 the Scottish Parliament gained the power to set income tax rates and bands for income tax, and chose to set the threshold for the payment of the higher rate of income tax lower than in the rest of the UK.

### ***Wales***

Wales has enjoyed fewer powers under devolution than Scotland, reflecting in part the loss of distinctive legal system in the sixteenth century, and the country's effective merger with England. However, this is changing. When the Welsh Assembly was established in 1999 following a referendum, it was given powers to pass only secondary legislation in devolved areas. In 2007, the National Assembly for Wales and the Welsh (Assembly) Government were separated, and the Assembly was given limited primary legislative powers through "Assembly Measures". Twenty areas of policy are devolved, including housing, planning, health and education. The Assembly's first Housing Act was passed in 2014 and introduces compulsory registration and licensing of private landlords, places a stronger duty on local authorities to prevent homelessness, and reforms the Housing Revenue Account subsidy system. Following the UK Government's Silk Commission on Devolution in Wales the Wales Act 2014 provides for greater income tax raising powers. As in Scotland, the introduction of the Welsh Rate of Income Tax (WRIT) will mean that revenues over time will reflect the performance of the Welsh economy. The UK Government has agreed to place a floor under the relative size of the block grant to Wales for the remainder of the current Parliament (2015-2020), but has made it clear that this is in lieu of the introduction of the WRIT.

### ***Northern Ireland***

Northern Ireland was the only one of the devolved nations to have had an elected assembly in the twentieth century. The current Assembly was established following the Good Friday Agreement in 1998, with the first elections held the same year. Full powers were operational from the end of 1999. However, the Assembly was suspended from 2002-07 and it is only since a power-sharing agreement (between the unionist and nationalist parties) was reached that it has been operational for a sustained period of time. At the time of writing, co-operation had broken down, although direct rule had yet to be reintroduced.

The Assembly has full legislative powers ("transferred matters") over a range of 'domestic' policies, including health, education and housing. However, in contrast to Wales and Scotland, the Assembly also has formal legislative power over social security, pensions and child-care. This provision dates from the era of the previous Northern Ireland Parliament, when the welfare state was established and the UK Government wished to maintain uniform standards across the UK. Consequently, Northern Ireland's legal control over social security became subject to the "parity principle" whereby deficits in the Northern Ireland national insurance fund, and

payments for social assistance benefits, were made good by Westminster. Whilst legally the Northern Ireland Assembly could choose to diverge from the Great British system, it would have to bear the cost itself.

The Northern Ireland Assembly has limited tax raising powers. It has powers of domestic and non-domestic rates. It gained the power to vary passenger duty on long-haul flights in 2013. It is due to receive power to set rates of Corporation Tax in 2017, to allow it to compete with the Irish Republic's rates that are lower than the UK. However, if the Assembly does cut the tax, any lost revenue will be deducted from the block grant. Capital borrowing powers are set at £200 million per year in 2020 (but may have been increased), with a cumulative maximum of £3 billion. Other borrowing is limited to £250 million for cash flow purposes only.

### ***Party Politics***

At the level of the UK, party politics still revolves around the traditional parties of left (Labour) and right (Conservative), although their combined share of the vote has diminished, and in 2010 the first peace-time coalition since 1945 was formed as neither main party had a majority. However, there are long-running differences in political support in the different parts of the UK (Table 3). Scotland and Wales became bastions of the Labour Party, and the long period of Conservative Government from 1979 to 1997 increased support for devolution because during this period Wales and Scotland returned majorities of Labour MPs. However, Scottish politics has undergone dramatic realignment, as the Scottish National Party (SNP) largely replaced the Labour Party as the main party of the centre left.<sup>iii</sup> This reflects Scottish independence having become the principal cleavage in politics since the independence referendum in 2014 (when independence was rejected by 55% to 45%), at least during the 2014-17 period. This division is overlaid on the traditional left-right divide with the Conservatives emerging as the main party of the union. Politics in Northern Ireland has long since revolved around the (religion-based) divide between those people who wish to remain part of the UK and those who wish to become part of the Irish Republic. Nonetheless, "power sharing" means that policy has to evolve on the basis of consensus (or at least agreement).

**Table 3. Governments and Administrations in the UK, Wales, Scotland and Northern Ireland**

	<b>Years</b>	<b>Administrations</b>
UK	1997-2010 2010-2015 2015-2017 2017-	Labour majority governments Conservative/ Liberal Democrat Coalition government Conservative majority government Conservative minority government
Wales	1999 -	Labour or Labour-led governments
Scotland	1999-2007 2007-2011 2011-2016 2016-	Labour/ Liberal Democrat Coalition government Scottish National Party (SNP) minority government SNP majority government SNP minority government
Northern Ireland	1998-2002 2002-2007 2007-2016 2016-	Unionist-Nationalist power sharing Suspended (direct rule from Westminster) Unionist-Nationalist power sharing No agreement

### **Analysis**

The devolved administrations all now have legislative competence over key areas of social housing policy, much more limited powers over Housing Benefit. They are largely dependent on the UK government for their budgets, but this is changing as greater powers over income tax are devolved to Scotland and Wales. The devolved administrations have very little control over the “wider welfare regime” as both employment law and social security are (largely) reserved, so limiting the “boundaries of possibilities.”

### **5. Social housing policy after devolution**

In this section we examine housing policies after devolution in order to answer Research Question 4: To what extent have social housing regimes <sup>iv</sup> diverged within the UK as a consequence of devolution?

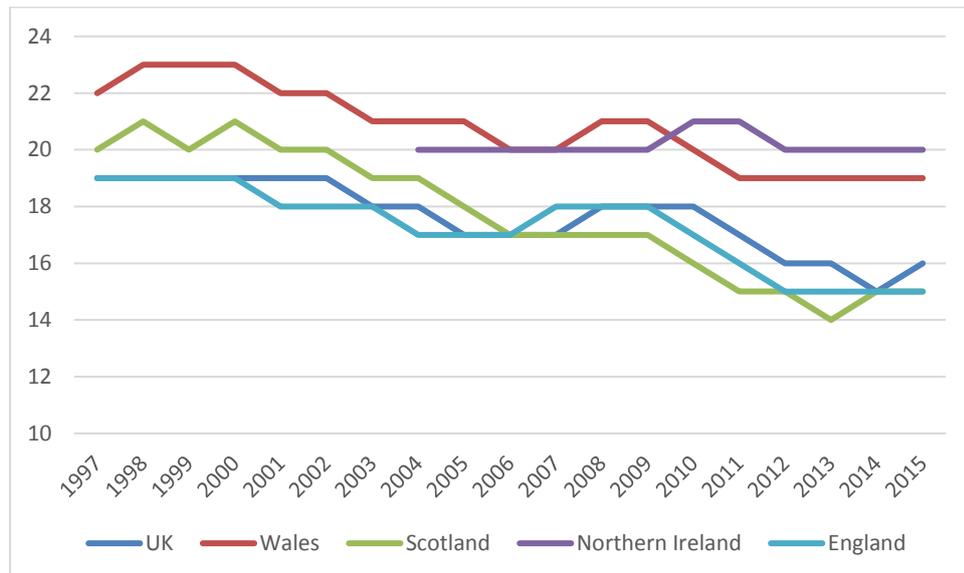
The first decade of devolution saw more continuity than divergence in housing policy between the devolved administrations and the UK, which is attributable in large part to the political similarity between the devolved administrations and the UK Government up to 2010. Thereafter divergence has become more apparent as in Scotland and Wales centre-left administrations have been governing at the same time as centre right Governments at the UK level have prioritised fiscal “austerity” and radical reform of public services (Table 3 above).<sup>v</sup>

### **The “wider welfare regime”**

It is important to set social housing policy reform within the context of the “wider welfare regime”, which sets the “boundaries of possibilities” for the type of social housing regime that can be created.

Poverty rates (Figure 3) have generally fallen since 2008, except in Northern Ireland. However, this is partly due to falls in median incomes since the economic crisis began in 2008. Poverty remains lower in England and Scotland (most recently 15% in both) than in Wales (19%) and Northern Ireland (20%). The poverty rates across the UK remain higher than countries such as Austria (12.9%), Denmark (12.2%) and the Netherlands (12.1%) where social markets in housing operate (figures from Eurostat). However, other countries including Sweden (14.5%) and Germany (16.7%) where social markets have operated now have levels of poverty comparable to the UK (ibid.). This may mean that these countries, like the UK, will struggle to operate social markets in housing. Indeed there is much evidence of the malfunctioning of the Swedish system now (Christophers, 2013). In the future and safety net strategies may need to be developed in countries that have experienced rises in poverty (Stephens, 2016b).

**Figure 3. Poverty rates (%) before housing costs in the UK, England, Scotland, Wales and Northern Ireland (1998-2015)**



**Notes:** Poverty = % individuals living in households with equivalised incomes (after tax and social security) below 60% median; 3 year averages

**Source:** Family Resources Survey

### Scale of the social rented sector

The scale of the social rented sector helps to determine which social housing regime models are possible.

### *New build*

The first area of divergence has been in the provision of new social rented housing, both in terms of scale and its nature.

The UK Coalition Government (2010-15) reduced the capital subsidy for affordable housing in England and shifted subsidy away from “social” rented housing to what it called “affordable” rental housing, i.e. housing with rents up to 80 per cent of market rents. During the five years to 2015/16 the completion rate of social rented housing fell from 37,680 units to 6,550, whilst affordable rent housing rose from 1,150 to 16,550 (DCLG, Table 1000). The programme also involved housing associations allowing more than 75,000 units of social housing to be re-let at “affordable” rents (Wilcox, et al, 2016). The new majority Conservative Government elected in 2015 initially continued with the Affordable Homes Programme into the 2015-18 period, but soon switched unallocated subsidy to promote home-ownership. The switch in subsidy to fund 200,000 Starter Homes for ownership is further supported by the requirement of local authorities to promote Starter Homes, and their likely inclusion in the “affordable” homes category for the purposes of developer contributions. Following the change of premiership in 2016, the Chancellor announced some additional funding for affordable rental building. Even this minor change may be threatened unless the Government provides additional funding for the replacement of dangerous cladding on tower blocks following the Grenfell Tower fire<sup>vi</sup> (Wilcox, et al., 2017). The enforced reduction in social rents in England by 1% p.a. for four years from 2016/17 is predicted to reduce the output of affordable homes by some 14,000 (OBR, 2015).

None of the devolved administrations opted to move away from the traditional model of social rented housing. The Scottish Government supported the construction of some 20,000 units of social rented housing during the 2011-16 Parliament, which is pro-rata 2.4 times more than the output of social rented housing in England. This gap will widen over the next five years, as the Scottish Government intends to increase the output of social rented housing to 35,000 units (plus 15,000 other affordable units) in the five years up to 2021, and the Welsh Government aims to double its affordable housing supply to 20,000<sup>vii</sup> units (see Wilcox, et al, 2017). As Wilcox, et al comment,

“Despite having the most pressurised housing market, with acute affordability problems in some regions... England is the only one of the administrations to shift its investment focus away from the lowest income households.” (Wilcox, et al, 2016: 70)

### ***Right to Buy and other stock sales***

The Right to Buy has been subject to perhaps the widest divergence in housing policy across the nations of the UK since 2010.

For almost all of the last UK Labour Government, the devolved administrations in Scotland and Wales established in 1999 were also led by Labour. During this period, the terms under which Right to Buy could be exercised generally moved in the same direction, with qualification periods rising (at least for new tenants) and maximum

discounts tightened. The story was a little more complicated in Scotland where the desire to introduce a “single” social tenancy for housing association and local authority tenants implied giving them the same rights, including the Right to Buy. However, the Right to Buy for housing association tenants was introduced within the framework of the more restrictive “modernised” Right to Buy (see Table 4) and was in any case deferred until the last quarter of 2012. Since then it has had no discernible effect on the sales figures.

**Table 4. Right to Buy criteria in England, Scotland, Wales and Northern Ireland**

	<b>England</b>	<b>Scotland</b>	<b>Wales</b>	<b>Northern Ireland</b>
Qualification period	5 years (to be reduced to 2 years under Deregulation Act 2015)	5 years (if tenancy began after 30/9/02 = "modernised" RTB)  2 years (if tenancy began before 1/10/02 = preserved RTB)	2 years (if tenant before 18/1/05) 5 years (if tenant on or after 18/1/05)	5 years
Discount house	35% plus 1% p.a. up to 70% (raised from 60% in 2014)	20% plus 1% p.a. up to 35% (modernised RTB)  32% plus 1% p.a. up to max 60% (preserved RTB)	32% plus 1% p.a. up to 60%	20% plus 2% p.a. up to 60%
Discount flat	50% plus 2% p.a. up to 70%	20% plus 1% p.a. up to 35% (modernised RTB)  44% plus 2% p.a. up to 70% (preserved RTB)	44% plus 2% p.a. up to 70%	20% plus 2% p.a. up to 60%
Maximum cash discount	£75,000 (since April 2012, now uprated by CPI to £77,900) £100,000 (London since March 2013, uprated by CPI to £103,900)  Previously £16,000-£38,000, depending to region	£15,000 (modernised RTB)	£8,000 (June 2015) £16,000 (2003-15) Previously £24,000	£24,000
Housing pressure restrictions	-	Introduced 2002; 2011	Introduced 2011	-
New houses	-	Exempt from scheme if tenancy began from 1/3/11. (New house = built or acquired after 15/6/08)	-	-
Abolition	-	Scheme ended for new tenants after 1/3/11  Scheme ended for all tenants on 31/7/16	Announced June 2015; Bill introduced 2017	-

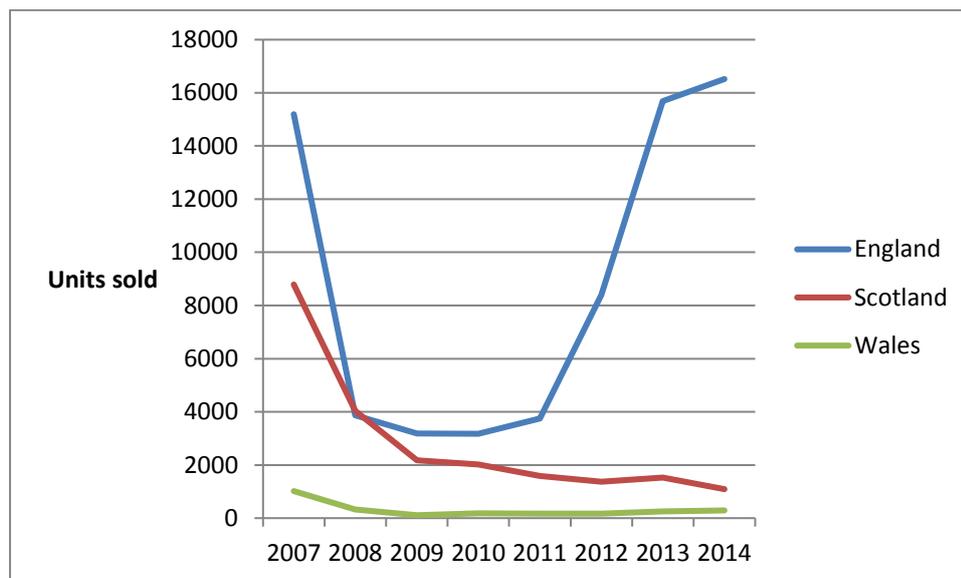
Source: Parkin, E (2015) *Comparison of Right to Buy policies in England, Scotland, Wales and Northern Ireland*, House of Commons Briefing Paper Number 07174, 19 August  
<http://researchbriefings.files.parliament.uk/documents/CBP-7174/CBP-7174.pdf>  
 Scottish Government *Your right to buy your home. A Guide for Scottish Secure Tenants*  
<http://www.gov.scot/Resource/Doc/340579/0112829.pdf>

Since the election of the Coalition in 2010, Right to Buy policy has diverged dramatically. The Scottish Government withdrew RTB from new tenants in 2011 and ended it altogether in 2016. The Welsh Government published a White Paper on the

future of Right to Buy in January 2015 (Welsh Government, 2015). Following a period of consultation it announced a further reduction in the maximum discount (by half) and introduced legislation to end the scheme in 2017.

The effect of the lengthening of the qualification period to five years and the regionally-based maximum discounts caused Right to Buy sales to collapse in England (Figure 4). Under both the Coalition and Conservative governments, Right to Buy policy has moved radically in the opposite direction in an attempt to “reinvigorate” the scheme in England.

**Figure 4. Trends in Right to Buy sales**



Source: Wilcox, et al (2016), Tables 20a, b, c

Their policies have restored Right to Buy levels in England to the levels of 2007/08, but not to those seen in the mid-noughties. The increase in maximum discounts and their indexation will be complemented by a reduction in the qualification period to two years.

However, the UK’s Conservative Government is in the process of extending the Right to Buy to housing association tenants in England. It reached an agreement with the National Housing Federation (which represents the housing associations in England) for a “voluntary” scheme, which is now subject to a “large scale regional pilot” (HM Treasury, 2016: 27) following legislation allowing the Government to compensate associations for losses arising from the discounts applied to sales. These are supposed to be paid for by forcing local authorities to sell “higher value” properties when they fall vacant. Whilst such properties are meant to be replaced by other “affordable” dwellings, these may be “starter homes” sold at 20 per cent below market value. The UK Government has allocated an additional £250 million to pay for the pilot (HM Treasury, 2016, Table 2.1). Although the details of the future scheme have yet to be finalised, the Government has reaffirmed its commitment to

finance it through sales of higher value council properties (DCLG, 2017b) - a policy that has not been adopted by any of the devolved administrations.

Scotland retains the largest social rented sector (23.4%) in the UK, and this is likely to grow (Table 2). The relative size of the social stock in Wales and Northern Ireland (both 16%) is slightly below that of England (17.4%), but it is likely to fall (more quickly) there than in Wales or Northern Ireland. Scotland's ability to provide a safety net through social renting is likely to increase compared to the rest of the UK. However, England's stock of social rented housing is also decline relative to the rest of the UK, too, leaving Wales and Northern Ireland in an intermediate position.

### **Allocations and security of tenure**

The UK Government is in the process of changing the terms of the social housing "offer". It has abandoned a ("pay to stay") scheme to make local authority tenants on higher incomes to pay a market or near market rents but it "will work to deliver its commitment to ensure that social housing is occupied by those who need it most through other measures" (HM Treasury, 2016: 44).

Nonetheless, the UK Government still intends to introduce another policy to make it obligatory for local authorities to issue fixed term tenancies to new tenants. This follows the reluctance of local authorities to use enabling powers to do so after they were introduced in 2012 (Fitzpatrick and Pawson, 2014). Fixed term tenancies may vary from a minimum of two to a maximum of ten years, although longer tenancies may be issued when dependent children are part of the household. This ends the historic consensus (enforced by law since 1980) that local authority tenancies are for as long as the tenant wishes to stay, so long as they meet the terms of the tenancy. It implies that local authority housing is only a temporary form of assistance, to be withdrawn when it is no longer needed. As the Government Minister argued when introducing the measure,

"...we believe that continuing to offer social tenancies on a lifetime basis is not an efficient use of scarce social housing. The new clauses will significantly improve landlords' ability to get the best use out of social housing by focusing it on those who need it most for as long as they need it." (quoted by Parkin and Wilson, 2016:13)

Fitzpatrick and Watts (2017) suggest that the impact of the policy on the nature of the social rented sector will become apparent over time. They found that many social landlords remain committed to "homes for life" and that in the short-run there may be little impact on tenancy turnover. However, they also suggest that the policy will induce anxiety among many tenants and impact on their "ontological security". Fixed-term tenancies therefore mark another important ideologically-driven divergence between England and the devolved administrations. Even if local authorities choose to renew tenancies, it changes the nature of social rented housing, and as such may come to mark a "critical juncture" which causes the English social housing regime to diverge further from the rest of the UK.

## ***Homelessness***

As noted, a key and distinctive feature of the UK housing system has been what amounts to a legally enforceable right to housing for people who are unintentionally homeless and in “priority need”. Local authorities are obliged to find settled accommodation for such people, which traditionally meant a secure social tenancy. However, the protection afforded to homeless people has also undergone important divergence.

Since 2012 in Scotland, local authorities’ obligations have been extended to all unintentionally homeless people through the abolition of “priority need”. The most important effect of the change is to extend protection to childless single people and childless couples who are not treated as being vulnerable. The legislation was passed in 2004 with cross party support, but was phased in to allow local authorities to adapt to the new demands. The measure has been characterised as representing an “elite consensus” rather than the result of popular pressure (Fitzpatrick and Pawson, 2016). It is also possible only because there is greater availability of social rented housing in Scotland.

Wales has also attempted to extend protection for homeless people, but not by abolishing the “priority need” provisions. Rather the Welsh Government has extended the duty of local authorities to be more active in homelessness prevention, an approach which has been adopted in England under the Homelessness Reduction Act 2017.

However, so far as the “main duty” of providing secure accommodation is concerned English policy has shifted in the opposite direction. First, local authorities are now permitted to discharge their duties by finding private rented accommodation for eligible homeless households. Whilst this was previously an option if the homeless household agreed, agreement is no longer required. The numbers are so far absolutely small, but have risen quickly, and appear to be concentrated in London. Second, local authorities are now permitted to house homeless people outside the local authority area, even if the household has no connections with the host area. Again this very much diminishes the value of the protection previously offered to homeless people, and is suggestive of another critical juncture by which the safety net role of the original homelessness legislation is transformed into an ambulance service.

## **Housing costs and poverty**

Although Westminster continued to control social security, the devolved administrations have been able to exercise some control over Discretionary Housing Payments, which were introduced to provide temporary assistance to households affected by Housing Benefit cuts. Further, the Scottish Government is being granted

limited control over a range of social security benefits in the 2016 Scotland Act, whilst in Northern Ireland its *de jure* control over social security led to the first significant challenge to the “parity principle”.

### ***Discretionary Housing Payments and the “bedroom tax”***

Discretionary Housing Payments (DHPs) are not devolved to Scotland or Wales, so the schemes operated by Scottish and Welsh local authorities are part of the GB-wide system operated by the Department for Work and Pensions.

However, in Scotland the “removal of the spare room subsidy” (RSRS, often called the “bedroom tax”) has been highly controversial, and became embroiled in the politics of the 2014 independence referendum. This measure results in social tenants having their Housing Benefit cut if they are “underoccupying” their accommodation. The measure is seen by many people as being unfair because social landlords have a shortage of smaller flats. The pro-independence campaign was keen to emphasise that Scotland would need to leave the UK in order to escape legislation such as the RSRS. Clearly, it was in the interests of the unionists to demonstrate otherwise. In May 2014 the UK Government moved an Order which devolved the statutory cap on DHPs to Scotland from December 2014 (Scottish Government, 2015a). The Scottish Government decided to make £35 million available in 2015/16 to allow local authority to fully mitigate it. This element now dominates the DHP budget in Scotland, as only £13.3 million of the total of £48.3 million is paid for by DWP (Scottish Government, 2015b). The Scottish Government intends to use its new powers to alter the housing cost element in Universal Credit mitigate the RSRS in the long-run.

In 2013/14 Welsh local authorities received £7.1 million from DWP to operate the DHP. The cost of the RSRS in Wales is estimated at £23 million a year, and the Welsh Government has not sought to mitigate it fully. Instead it has made more modest sums (£1.3 million) available from its Homelessness Prevention fund. This is to be used to “address the root problems behind people’s circumstances in order to achieve long lasting change” (Welsh Government, 2014).

The post-2010 benefit cuts were controversial in Northern Ireland and their implementation was delayed, resulting in “fines” amounting to £100 million a year for two years (Hazell, 2015). Eventually the legislation was passed in 2015, but this has meant that the idea of “parity of timing” at least has been breached (*ibid.*). DHP are available only for private tenants, but they will be extended to social tenants as a short-term measure to allow tenants affected by the RSRS time to downsize.

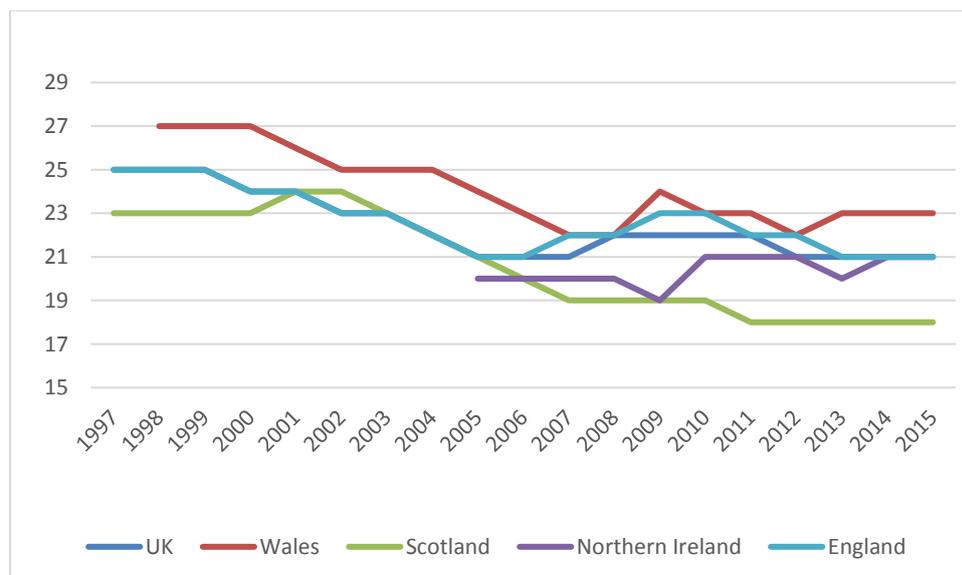
### ***Future restrictions on Housing Benefit***

The UK Government is intending to introduce restrictions on the eligible rent for financial assistance for social tenants in receipt of Housing Benefit and Universal Credit (which is gradually being introduced in place of six separate social assistance benefits including HB). Since the 1990s private tenants’ HB was limited to the

median market rent in their housing market area. In 2011 it was limited to the 30<sup>th</sup> percentile of rents. Additionally, single people aged under 25 were subject to a Shared Room Rent based on shared accommodation, and this was raised to 35 in 2012. From 2019, the UK Government intends to phase in these limitations to social tenants.

Again these and other measures<sup>viii</sup> represent a reduction in the housing safety net. The Scottish Government has the powers to mitigate some of these changes, but this will become increasingly costly, as the money would need to come from its own budget and limited tax base.<sup>ix</sup> The importance of housing costs to the poverty rate is clearly shown in Figure 5. Whilst much of the difference between Scotland and England reflects differences in market conditions, the role of social rented housing and Housing Benefit plays a role, too. But the important point is that there are limits to the ability of devolved administrations to shape their own social housing regimes.

**Figure 5. Poverty after housing costs in the UK, England, Scotland, Wales and Northern Ireland (1997-2015)**



**Notes:** Poverty = % individuals living in households with incomes after tax and social security and housing costs below 60% of the national median; 3 year averages

**Source:** Family Resources Survey

## 6. Conclusions

The UK is in the process of divergence away from a single social housing regime, reflecting growing divergence in party politics in the context of fiscal austerity. Divergence is partly attributable to English radicalism which has set the country on course to shift social rented housing away from a safety net and towards an ambulance service model. However, the devolved administrations have also acted at

least to retain the safety net model in Wales and Northern Ireland, whilst in Scotland there is an effort to strengthen it through the extension of homeless people's rights to housing, the abolition of Right to Buy, the mitigation of the "bedroom tax" and the commitment to an enhanced social housebuilding programme.

Nonetheless, there are clear limits to divergence. The key constraint is that the UK still operates a single "wider welfare regime". Labour market institutions and social security still largely operate as a UK system, with the result that the devolved administrations could not develop a social market model of social rented housing whilst the "wider welfare regime" continues to produce high levels of income inequality and poverty. There is therefore scope, within the current devolution frameworks for varieties of social housing regime sub-type, but not of social housing regime – a conclusion that nonetheless takes us beyond "nuance".

Our analysis points beyond the limits of devolution by highlighting its fragility. It is possible that further cuts to Housing Benefit by the UK Government will make it increasingly difficult and expensive for devolved administrations to continue to provide effective safety nets. This underlines the inter-relationship between the wider welfare regime and the housing system.

By adapting and applying housing regime theory to sub-nation state jurisdictions our framework allows us to identify how and why housing systems are changing in a meaningful way within the boundaries of possibility set by *de jure* powers over housing and related policy as well as the ability to influence the wider welfare regime. This approach could be adapted and extended to sub-state jurisdictions within other states, although the underlying distinctive political cultures that drive divergence may be more pronounced in a plurinational state<sup>x</sup> such as the UK, rather than (say) a federal system with a more homogenous political culture.

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## End notes

<sup>i</sup> The provision for the transfer of local authority housing to housing associations from 1988 marks a further critical juncture in UK housing policy. It was pursued by the devolved administrations in Wales and Scotland (notably in Glasgow where almost £1 billion of housing debt was written off by the UK Treasury). See Stephens, 2013 for an account of such transfers. Whilst this marks an important *de jure* change in ownership and governance, it has not affected the role of social rented housing within the framework of this paper. This interpretation is supported by the decision of the Office of National Statistics to reclassify housing associations as public sector non-financial organisations in England in 2015 and the rest of the UK in 2016.

<sup>ii</sup> Until very recently the devolved administrations remain almost entirely funded by a block grant from the UK grant, which is allocated according to a population-based (“Barnett”) formula. Within the formula it is changes in spending in England that drive changes to the grant to the devolved administrations.

<sup>iii</sup> The SNP describes itself as being a “social democratic” party and its nationalism as “civic” in nature, i.e. citizenship is derived from residence rather than place of birth or ethnicity. Hence the Scottish Government argued for EU nationals resident in Scotland to be entitled to vote in the EU referendum in 2016, and subsequently to be given residency rights post-Brexit.

<sup>iv</sup> The most significant difference elsewhere in the housing system relates to the reforms to the private rented sector being introduced in Scotland. Greatly increased security of tenure will apply to new tenancies from the end of 2017 and provision has been made for second generation rent controls in pressurized markets. In the rest of the UK, the sector will remain within the framework of insecure tenancies established on new tenancies in 1989.

<sup>v</sup> A further complication arises from the changes that have occurred following the replacement of David Cameron with Theresa May as Prime Minister following the EU referendum in 2016. May’s government has either not implemented or rowed back from some of the far-reaching policies contained in the 2016 Housing and Planning Act, which was conceived under Cameron’s premiership. Moreover, something of a change in emphasis was indicated by a white paper (DCLG, 2017a), although further uncertainty has arisen since the Conservatives unexpectedly lost their overall majority in the June 2017 election, the energies of the government directed towards negotiating Brexit whilst the ministry responsible for housing is having to focus on the aftermath of the Grenfell Tower fire.

<sup>vi</sup> On 14 June 2017 a fire in Grenfell Tower, a local authority tower block in London, killed at least 80 residents. The spread of the fire has been attributed to recently-fitted cladding, which has been found on many tower blocks throughout England. No such cladding was found in tower blocks in Scotland where different building regulations and enforcement mechanisms apply.

<sup>vii</sup> The Welsh Government is coy about how many of these will be social rented. The total includes 6,000 units provided under Help to Buy (Welsh Government, 2016).

<sup>viii</sup> A “benefit cap”, limiting the overall amount working age households could receive in social security benefits was introduced in 2013, mainly affecting people living in very high cost areas such as London and those with large numbers of children. In 2017 the cap was lowered, with the effect that proportionately more households outside London – including in the devolved administrations - are now affected (Wilcox, et al, 2017).

<sup>ix</sup> So far mitigation of Housing Benefit cuts has been met from within the existing budget, suggesting that expenditure priorities have been changed in favour of housing support. The Scottish Government has the option to increase income tax rates, but it has so far been reluctant to do so, so this will be a significant test.

<sup>x</sup> The view that the UK is in effect a plurinational state has gained support since the 2014 referendum on Scottish independence. See McHarg, 2014.