

# A short introduction to Housing Systems and Inequalities

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# Inequality shapes life and societies

We are born into different contexts: genetic endowments, parental background, etc.

These inherited inequalities affect later education, labor market entry and progression, social networks, ...

As a result they translate into income inequality. Part of income is consumed, part is saved. Savings accumulate as wealth.

For roughly 60%–70% of the population in many developed economies, the main component of wealth is **housing**. Housing is a cornerstone of inequality (Dustmann et al., 2022).

# Why housing systems and inequalities matter:

- OECD Time Use data: aside from sleep time, 62% of life is spent at home.
- Affects our leisure, our health, other expenses...

Beyond that, it also interacts with our neighborhood:

- Trades off with crowding effects and services. *Would you prefer to live in a small flat in a more affluent neighborhood, or vice versa?*
- Determines children's opportunities: where they grow and play, the schools and children they interact with,... (Chetty et al., 2016)

# The housing crisis

I bet you have heard/read/talked about:

- Young people struggling and delaying access to housing.
- Dysfunctional rental markets.
- BNB-type tourism reshaping urban dynamics.
- Large-scale rural–urban migration.
- In big cities: expansion of distant suburbs, rising commuting times.
- Many, many more examples...

# The term "crisis" is overused in economics.

Housing systems are been shaped by political, social, and economic decisions.

The main argument: The "housing crisis" is a systemic outcome.

We will explain housing systems and review key statistics on inequalities associated to housing in Europe, discussing policies aimed at mitigating its effects.

For those interested, two great books: Madden and Marcuse (2016) and Klinenberg (2018).

**Warning: Housing is an extremely complex issue. This is just an introduction.**

So we will:

- Focus on Europe.
- Comment on policies and country-cases (not in depth).
- Barely talk about touristification, BnB-type dynamics.
- Barely talk about homelessness.

Most stuff may seem obvious so some of you. The problem lies in the connection and interaction of many of these "very simple realities".

# Two big housing models in Europe

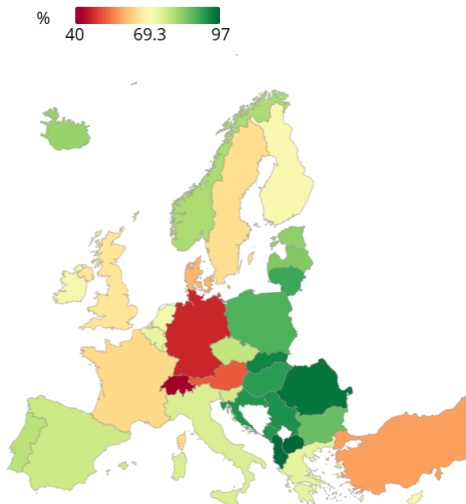
## Dominance of Homeowners:

- People buy the place where they live.
- Advantages: wealth accumulation; “safe investment”; sense of belonging or community; etc.
- Disadvantages: if prices are high, hard to access; transaction costs; price fluctuations; etc.

## Dominance of Renters:

- Do not own the place where they live (enjoy right of use).
- Advantages: more mobility; less responsibility; lower transaction costs; etc.
- Disadvantages: if prices are high, hard to save; no sense of belonging; uncertainty; etc.

Proportion of people living in their own homes





# Acemoglu slide. Diverse institutional origins/causes:

- Germany: 19th-century policies promoting **non-profit housing associations** and privileging the construction of rental apartments (legal system, financing through mortgages...).
- Sweden: From an ownership-based model in the early 1900s to a more rental-oriented model after 1945. Strong role of housing and workers' unions.
- Spain: Franco used homeownership to legitimize the dictatorship: "one homeowner more is one communist less."
- Ex-communist countries: ownership crystallized during post 1989 transition.
- And so on (Christophers, 2021)... This diversity complicates policy intervention.

# Homeownership models: people buy from...

- The private sector.
- The public/social sector, where prices are often regulated. Example: *Hitas* model in Helsinki (Jorge-Huertas, 2020).
- Mix:
  - Spain in the 1980s and 1990s: the state builds protected housing, sold at low prices, and after some time deregulated and sold in the private market.
  - In the UK (Right to Buy), Ireland (Shanganagh Castle Estate), or Germany (Dresden in 2006 to alleviate municipal debt).

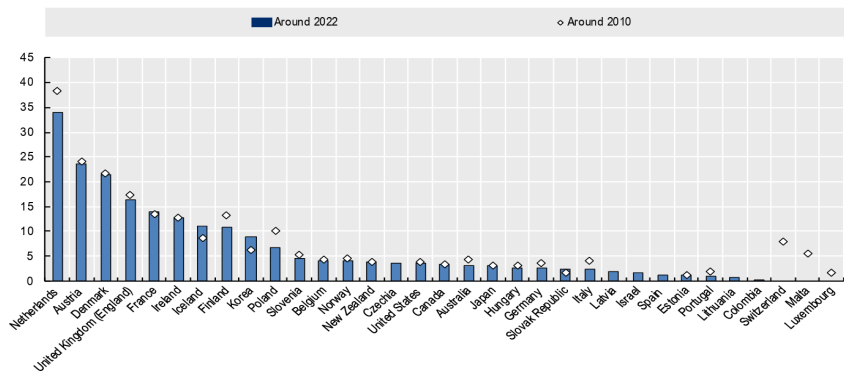
# Hitas Model in Helsinki (<https://www.hel.fi/en/housing>)



# Rental models: people rent from...

- The private sector: prices can be regulated or not; may foster wealth accumulation for some; diverse legal coverage. Paradigm: Switzerland, Italy.
- The public/social sector: publicly or association (non profit) owned housing. Prices are regulated; do not tend to foster wealth accumulation; contracts are well secured. Paradigm: Netherlands, Austria.

# Social housing stock in Europe (Source: OECD)



**Warning:** public housing and social housing are NOT the same thing!

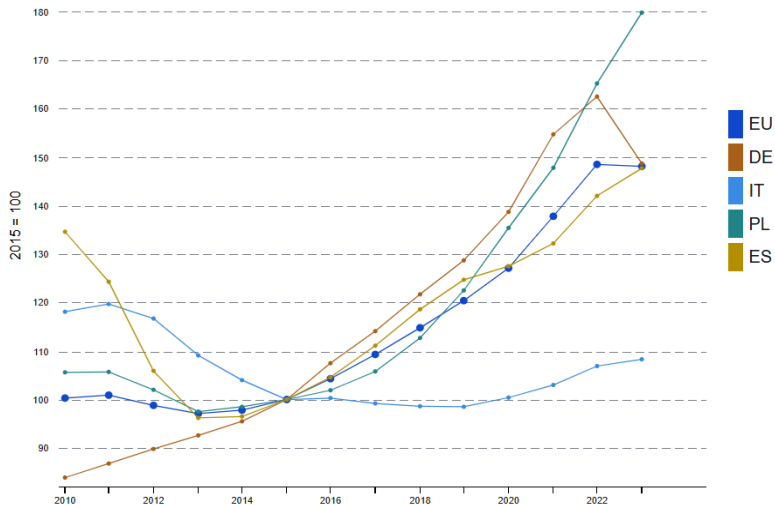
# Some key statistics in Europe

Housing models intertwine with other social dynamics and affect inequalities/disparities in:

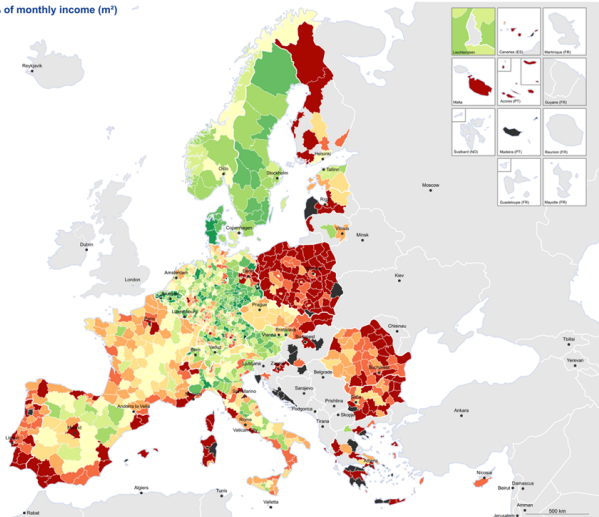
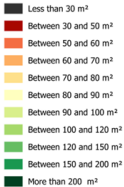
- Purchasing or affordability.
- Overcrowding.
- Living conditions.
- Urban vs. rural.
- Transmission of inequalities.

# Purchasing (How we live, EC, 2023)

Real evolution of house prices.



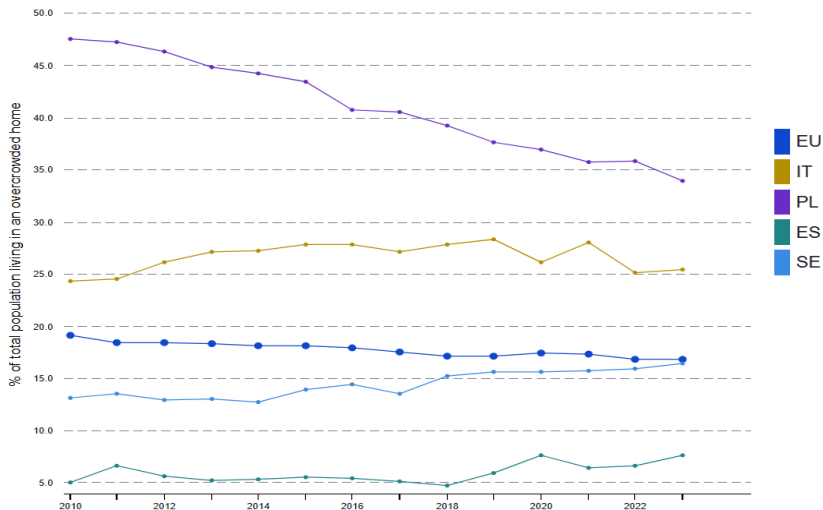
## Rent affordability (Source: European Commission, 2022)





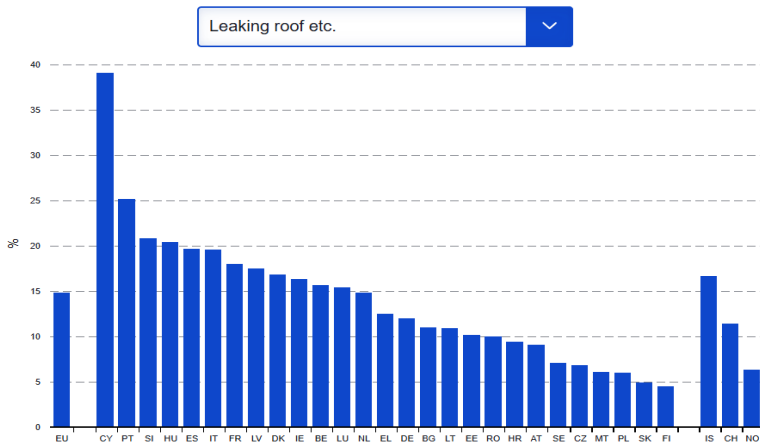
# Overcrowding (How we live, EC, 2023)

Overcrowding: 1 room for the household, 1 for the main couple, 1 extra for single adults, 1 extra for each pair of children.



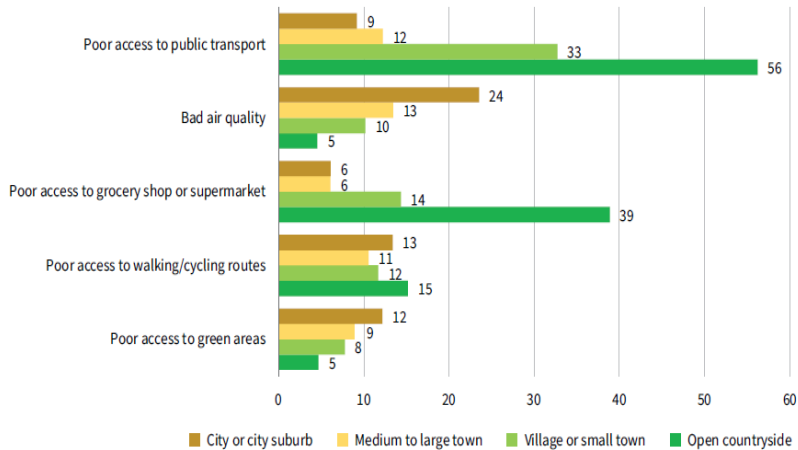
# Leaking roofs (How we live, EC, 2023)

Share of people living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor, 2020  
(in %)



# Rural vs. Urban (Eurofound, 2022)

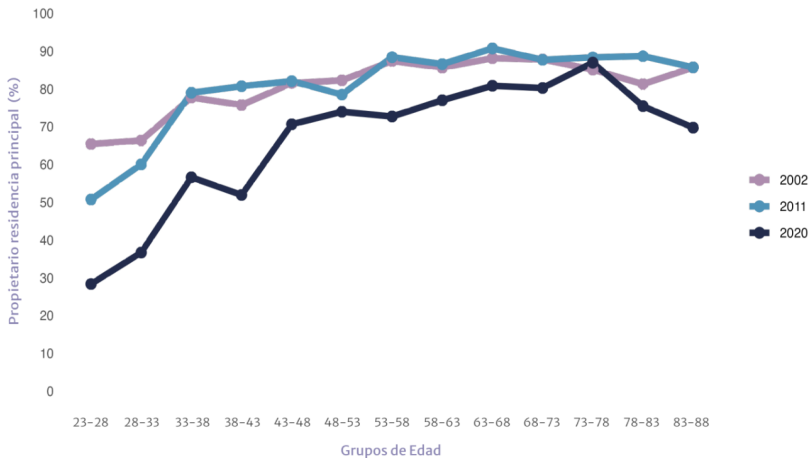
Figure 15: People reporting problems with the local area, by degree of urbanisation, EU27, 2022 (%)



# Intergenerational Inequalities in Spain (Delclós et al. (2023))

Gráfico 5.

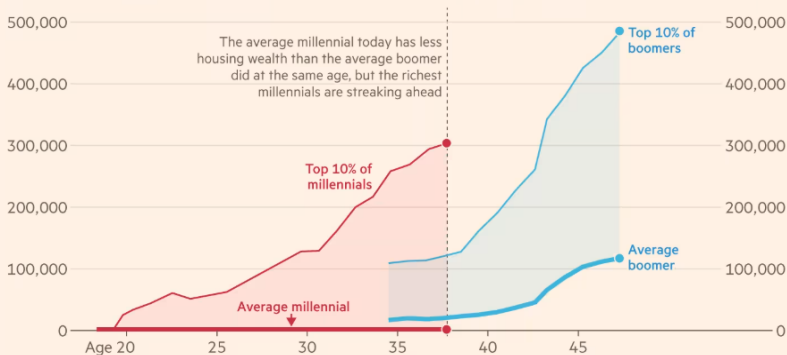
Proporción de propietarios de su residencia principal por grupos de edad



# New Rich Millennials in the UK (Financial Times, 2024)

Millennials may trail boomers on average, but this masks growing wealth inequality *between* millennials, with the richest pulling far ahead of the rest

Real net housing wealth (£) by age, median vs top 10% for each generation



Source: FT analysis of UK Household Longitudinal Study and British Household Panel Survey

FT graphic: John Burn-Murdoch / @jburnmurdoch

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Social housing provision (Supply)

Housing associations (Supply/Demand)

Rent control (Supply)

Other policies (Supply and Demand)

# Social Housing 1: Systems

Owned by the government (public housing) and non-profit Housing Associations.

- Mostly rental accommodation provided at below-market prices, allocated according to specific rules.
- Universalist/egalitarian approach: in Sweden, the system worked through waiting lists (now has changed a bit).
- Focus on vulnerable groups: in the UK, they are destined for low-income households and vulnerable minorities.

## Social Housing 2: Some effects

- A strong social housing system is associated with less homelessness (Housing First paradigm) (Woodhall-Melnik and Dunn, 2016).
- Tends to stabilize or reduce overall housing prices, particularly in high-demand urban areas. Also encourages affordable housing and improve dwelling conditions (Caturianas et al., 2020).

The problem: long-term, consistent, and robust investment. **Needs political stability and social support.**



# Let's talk about Housing Associations.

Non-profit organizations providing affordable housing options.

- Reinvest all revenues into their social missions, such as community services and regeneration.
- Represent around 11% of housing stock in Europe.
- Over 300 HAs own 30% of housing in the Netherlands, 75% of social housing.
- In the UK, the Clarion Housing Group owns 125K homes, hosting over 360K residents.
- Provivienda in Spain manages over 65K homes and hosts over 166K residents.

# Housing Associations: Types

- Rental:
  - Housing is owned by the association (Vestia, Netherlands).
  - Housing is owned by private individuals (Provivienda, Spain).
- Ownership:
  - Some include a "lifetime" annual quota. Others, an initial payment.
  - Rights to decide on association decisions.
  - Bequest rights can/cannot be included.
  - Some live as a community / Some have their own space.

The main policy activity here is: build a legal system to support the rights of associations, owners, renters, and so on.

# Three Generations of Rent Control

- **First Generation:** Strict rent freezes, prohibiting rent increases (WWI)
- **Second Generation:** Rents can be set at market rates for new tenancies but regulate rent increases within existing tenancies. Key concept: indexed prices (Until 2010s).
- **Third Generation:** Similar to the second, but expanding rights for tenants and obligations for landlords (decent housing, secure rights,...).
  - The "new" Spanish housing law weakly addresses this principle. Sweden has a much stronger development.
  - Expand 2nd Gen regulation to new tenancies.

Do they work? Ask Monras and Garcia Montalvo (2021) and Jofre-Monseny et al. (2023).

# Other policies (Delclós et al., 2023)

- Subsidies / Tax exemptions to buyer households.
- Subsidies / Tax exemptions to construction companies or housing developers.
- Rehabilitation of housing.
- Incentives to mobilize empty housing.
- Promotion of housing unions.
- Promotion of housing observatories / public housing-seeking sites.
- Land liberalization.

# In summary: Housing systems have many edges

The underlying idea is very naive: “the market is a machine that needs fixing”. Solutions are often one-sided (mostly supply), and the general academic/policy approach is not holistic.

After being involved a bit in housing policy in Spain, I found it heavily contaminated by other “debates”.

- Example 1: “Okupas” in Spain. They represent 0.06% of total housing. Over 80% of occupied housing belongs to banks.
- Example 2: Migrants and vulnerable groups receiving most housing benefits.

I bet you have your own version in your country.

# What I have learned: not much

Every country is a completely different ecosystem. Whatever worked in Berlin in the early 1990s can, or cannot, work in Florence in 2025.

That said, some characteristics of:

- "Good systems": renting coexists with home ownership, mixing public and private activity. Housing Associations have a robust presence in cities and rural environments.
- "Bad systems": housing models inclined towards a single aspect (ownership), with other dimensions merely supporting the main one. Poor or low social housing provision.

But again, all this connects with public infrastructures, social security, and so on.

# That's all, folks

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