Critical Housing Analysis
Volume 4 | Issue 1 | 2017 | 40-51
Available online at www.housing-critical.com
http://dx.doi.org/10.13060/23362839.2017.4.1.323

Crisis? What Crisis?[1] Social renting in Flanders (Belgium) beyond the financial Crisis

Pascal De Decker (corresponding author)

HaUS (Housing and Urban Studies)
Department of Architecture KU Leuven
Kasteelpark Arenberg 1, 3001 Leuven
Belgium
pascal.de.decker@ kuleuven.be

Jana Verstraete

Department of Architecture KU Leuven
Kasteelpark Arenberg 1, 3001 Leuven
Belgium
jana.verstraete@kuleuven.be

Isabelle Pannecoucke[2]

Department of Architecture KU Leuven
Kasteelpark Arenberg 1, 3001 Leuven
Belgium
isabelle.pannecoucke@kuleuven.be

Abstract: *In this paper we look at the position of social renting in Flanders after the GFC. It is argued that the GFC has hardly affected the production levels of social rental dwellings. On the contrary levels remain higher than before the GFC. Starting from that, we briefly illustrate what the current debates in social rental housing are.*

Keywords: social housing; Belgium; global financial crisis.

[1] Title of an LP by the British rock band *Supertramp* (1975, A&M records).
[2] We would like to thank Bjorn Mallants, manager of the VVH, the trade union of the social housing companies in Flanders for his contribution. We also thank Caroline Newton for the language editing.

Volume 4 | Issue 1 | 2017 | 40-51
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Crisis? What crisis?

Since 2008, the number of units in the social rental sector in Flanders has risen from 139,392 to 150,903 at the end of 2015[3], an 8% increase. Not what should be expected in times of austerity. Throughout this article, we will argue firstly, that the Global Financial Crisis [GFC] did not lead to a withdrawal of investments in social rental housing in Flanders, the northern part of Belgium. On the contrary, the year following Lehman Brothers' downturn (2008), the Flemish government launched a long-term investment programme to strengthen social housing in general and social rental housing in particular. Secondly, we will briefly show that the GFC in fact did not change much in Flanders. Policy debates and (to some extent) decisions related to social rental housing from before the GFC remained dominant. In short, the GFC was only a ripple in the water for social rental housing in Flanders.

The remainder of this article is structured as follows. In the first section, we will briefly discuss the position of social rental housing on the Flemish housing market. We will then address the substantial effects of the GFC in Belgium. The third section will outline the background of the aforementioned Flemish investment programme. The final section will discuss the issues the social housing sector is dealing with. The housing sector already faced similar challenges prior to the GFC, they were to remain serious issues afterwards as well.

The position of social rental housing on the Flemish housing market

Home ownership rules

It seems pretty odd to find a Western European government investing in social rental housing just after a housing crisis resulted in a GFC, which in turn created an economic and consequently budgetary crisis in numerous countries. It is even more surprising that it happened in a region where social rental housing was never popular. Since the end of the 19th century, Belgium – and Flanders to an even larger extent – gradually witnessed the emergence of a home ownership regime with a limited regulation of the private rental sector and a marginal social rental sector.

Debates on what kind of housing "policy" Belgium should have, date back to the mid-19th century. To counter the multiple consequences of the twin development of industrialisation-urbanisation, important voices pleaded for homeownership as the way to go. Pushing workers into homeownership, would have kept them calm and would have avoided social unrest (Smets, 1977). Very quickly more collective solutions were set aside. The idea that Belgians preferred to build their own house – still dominant in current discourses – was already apparent during an international conference on cheap dwellings in Düsseldorf in 1902[4] (Smets, 1977).

[3] Sources: VMSW (umbrella organisation of social housing companies) and Vrind2009 (Flemish regional indicators 2009).
[4] "*... the fact [is] that the Belgian worker prefers to build his own house, on a parcel of his own choice and according to his own ideas. For that, he chooses to collect enough savings in order to negotiate with the lenders, preferring that above an already built dwelling*" (in Smets, 1977: 51, own translation).

Volume 4 | Issue 1 | 2017 | 40-51
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Mougenot (1988), who studied the period just after the housing law of 1889, concludes that social rental housing was ascribed to *"an inferior status, where limited rights were associated with the social and moral unworthiness of the inhabitants"* (Mougenot, 1988: 546).

Bluntly put, we can say that this attitude has not fundamentally changed ever since, two critical moments can better illustrate it. In the context of the reconstruction, just after World War 2, a heavy debate on the future of housing policies was settled by a socialist housing representative and Minister who agreed that home ownership was the solution for the existing housing needs and that, consequently, social rental housing was only "additional" (Goossens, 1982). Fifty years later, a chairman of the socialist party reaffirmed that social renting was a "side issue." Having as many homeowners as possible, he argued, is the aim of the Flemish region because it is the best way to safeguard the pension system (e.g. Stevaert in Desmet, 2003).

On the field

The marginal position of social rental housing in debates is reflected in the numbers. Although the amount of social rental dwellings has risen (Figure 1 & 2), it has never exceeded 6% of the entire housing stock (with higher shares in urban areas). Until 1961 no eligibility criteria were used to allocate dwellings. One only needed an official assessment of good behaviour and conduct, and a personal contact in the system, preferably a politician. Even when allocation criteria were introduced, favouritism dominated allocations until the early 1990s[5].

[5] A never published survey carried out in the early 1990s revealed, in the words of the then housing minister De Batselier, that only 1/3 of the social housing companies followed the rules, 1/3 could not be controlled and 1/3 did not contemplate the rules; from an interview of the minister with the magazine *Knack* (De Stoop, 1993 – see also Hellinck, 2010).

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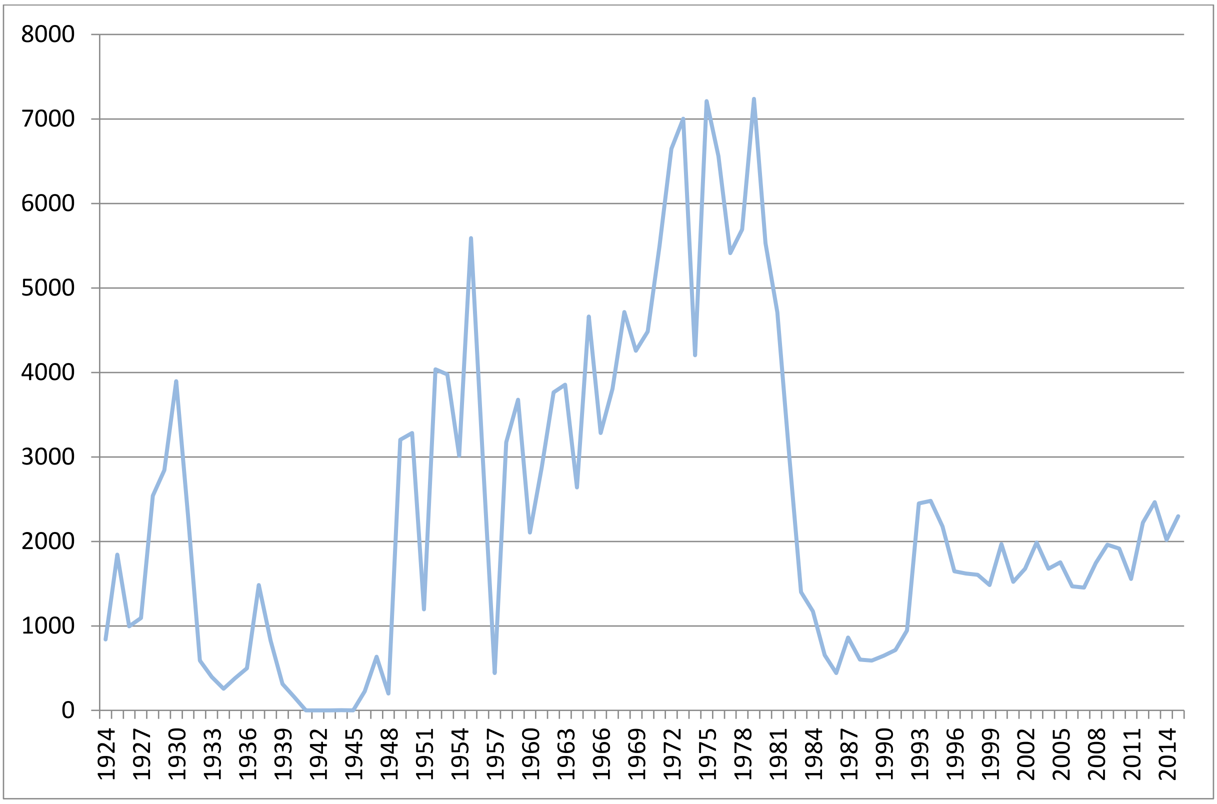
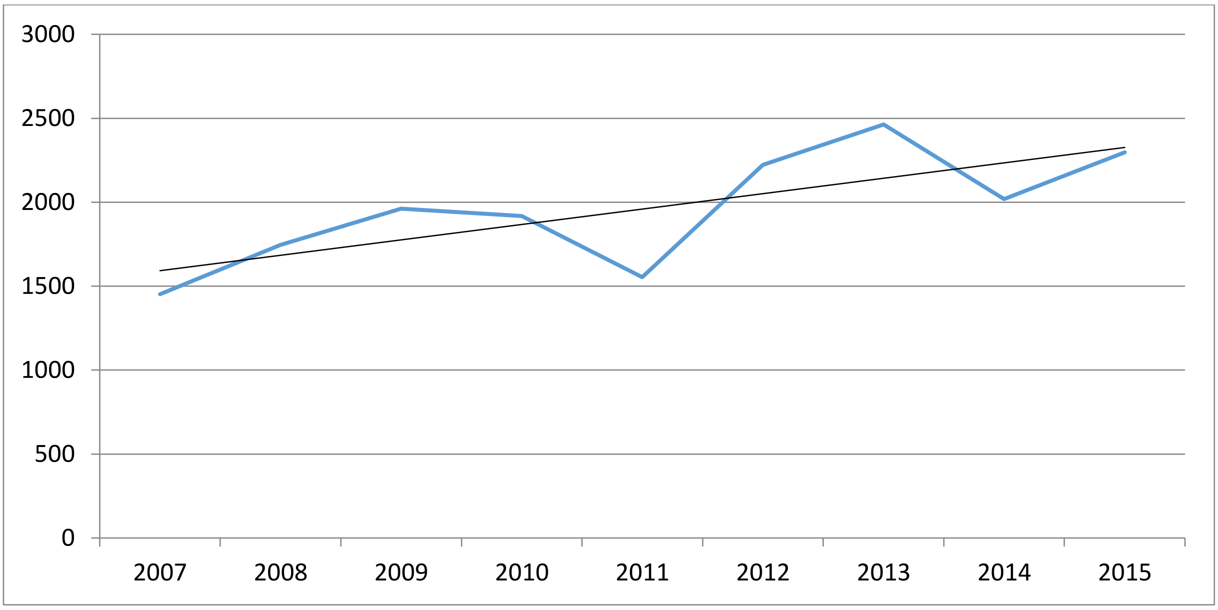
Figure 1: Flanders, number of allowed social rental dwellings, 1924-2015



Source: VMSW.

Figure 2: Flanders, number of allowed social rental dwellings, 2007-2015



Source: VMSW.

Volume 4 | Issue 1 | 2017 | 40-51
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For a long time, the sector functioned marginally without many problems. This was due to the combination of two elements. Firstly, social housing companies had long-term loans for 66 years, a method that was abolished in the early 1990s. Secondly, the profiles of the renters were very diverse. In simple terms, every low-income tenant was compensated with a higher income tenant. Hence, financial viability and social liveability were not questioned at the time. This changed during the 1980s. Against the background of the former economic and budgetary crisis, an increasing number of low-income tenants, often with migratory origins, entered the sector. It also became gradually more difficult to attract higher income households, as access to homeownership became attainable for a large majority of the population. Only those who could not afford to buy a house were the candidates for social renting. This evolution was enforced by a tighter allocation system to eradicate favouritism, introduced in 1994.

As in other countries, most new renters were low-income households (Pannecoucke et al., 2001). This had severe consequences for the financial viability of social housing companies. At the same time, an extreme right political party (Vlaams Blok) started to blame the social rental sector for allocating houses only to ‘foreigners’, thus leaving Flemish people behind. So, the combination of (1) the consecutive financial difficulties, (2) the influx of low-income renters and (3) the detraction of the sector by extreme right politicians, led to a vicious circle that would mine the sector. Comments were pervaded by xenophobia and racism. Every (even small) accident was exaggerated and often strengthened by the discourses of chairpersons or managers of social housing companies[6] (De Decker & Pannecoucke, 2004). As a consequence the social rental sector became even more unwanted at a local level. However, at different moments in time, and urged by the long waiting list, representatives in parliament did make a plea for more social rental housing.

In short, at the beginning of the GFC in 2008, the social rental sector was an unwanted stepchild, a sector in financial trouble, had a bad reputation, and received little support.

Belgium, the GFC and a boring mortgage market

Like many other countries, Belgium was hit by the Global Financial Crisis. The national government had to save different banks and insurance companies, either by selling its own shares (Fortis[7] was sold to PNB Paribas) or by a nationalisation process together with the creation of bad banks (Dexia; KBC; Ethias). This had and still has severe consequences on public debts which raised dramatically to levels over 100% of the GNP. As a consequence, politics of austerity were imposed that have lasted until today.
However, the GFC hardly had any effects on the housing market or on the housing policies, in contrast to countries such as the US, Spain or the Netherlands where households experienced house loss or negative equity. Two mechanisms can explain why this happened.

Firstly, both mortgage legislation and house lending practices are rather conservative in Belgium. For homeowners, their house is a home, not something “to play” with for money (De

[6] Dirtying their own nest would stop when the trade union of the social housing companies (VVH) was professionalised. This process occurred during the second half of the 2000s.
[7] Fortis was the successor of the savings and loans bank ASLK that historically financed social housing and social loans. The bank was and its successor is still, the market leader in mortgages.

Volume 4 | Issue 1 | 2017 | 40-51
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Decker, 2013). As a consequence, no "exotic mortgages" were introduced in the market in Belgium, not even by banks that were also active in the Netherlands (e.g. Fortis). Households were not seduced into taking risks. In addition, the large majority of the mortgages stayed at a fixed interest rate. That's why volatility related to interest rates or housing prices, did not take place. This, however, does not mean that the big Belgian banks did not play the global game. They did, but not in their home country. As a matter of fact they invested in American subprime mortgages or in debts of countries with low financial credibility (e.g. Greece). Consequently, when the financial crisis slammed, the Belgian banks got severely affected and the State had to save them.

Secondly, the organization of the Belgian state is important. Belgium is a federal state. The major housing responsibilities – including the social housing sector – have been delegated to the regions (Flanders, Wallonia, and the Brussels Capital Region). What is essential here is to understand how the regions – the ones in charge of housing policies – are financed. At the moment of the GFC, the Financing Act stated the rules. The Act guarantees that part of the taxes (collected at the Federal level) are to be transferred to the regions (Financieringswet/Financing law, 1989). This transfer was fixed for a longer period and would not change until the 6th restructuring of the state[8] when the state was once more reformed. The budgetary problems of the Federal state caused by the GFC had hardly any effect on the regional governments that are responsible for housing policies.

To conclude, although major Belgium banks were severely hit by the GFC, it had no immediate effect on housing investments by the government, as we will explain in the following part.

The 2009 investment programme in social housing

The law (decree) that approved the investment programme for social rental housing was issued on 15 May 2009, during the heydays of the GFC. Given the fact that the budgetary downturn due to the rescue of the banks by the Federal government had not (yet) trickled down to the regions, the law-making process was continued and finalized. To please all coalition partners – the Christian Democrats (CD&V), the socialists (sp.a), and the liberals (Open VLD) – the legislation was turned into a highly complex set of rules. It not only introduced new tools, but also stipulated that 45,000 social rental dwellings were to be constructed. At odds with the usual policies, money was guaranteed for a longer period (Figures 2 & 3), a timing (2020) was set, and several territorial principles[9] were formulated.

[8] Agreed upon in December 2011, applied in 2 stages (2012; 2014).
[9] Municipalities that featured fewer shares of social rental housing had to meet higher standards.

Volume 4 | Issue 1 | 2017 | 40-51
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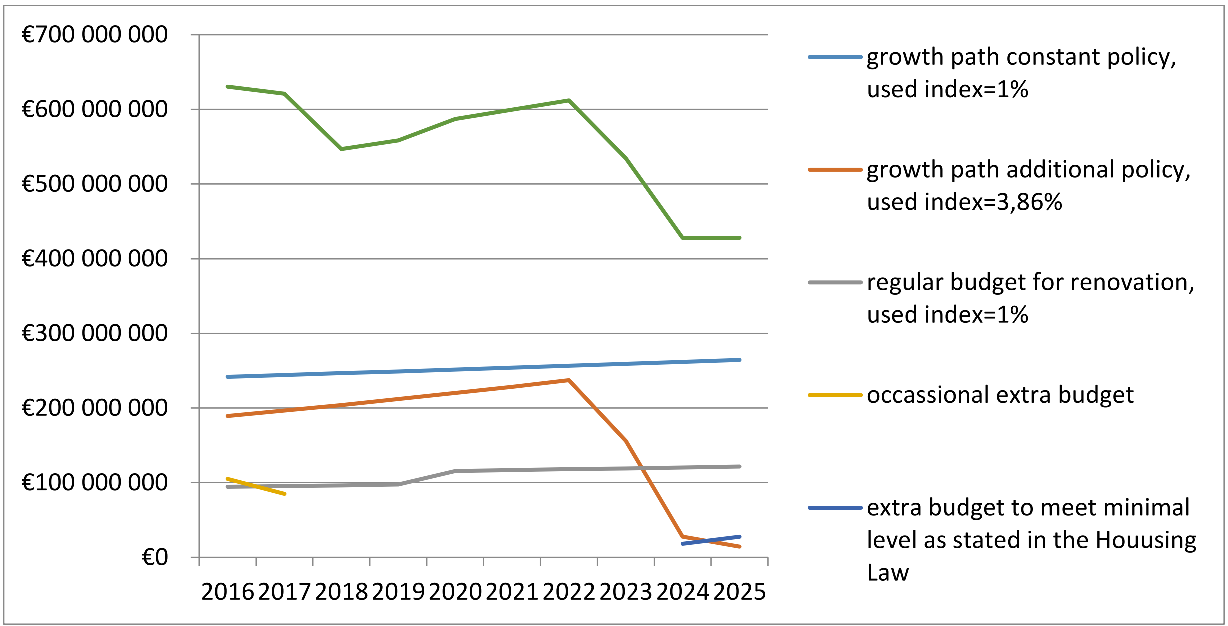
Figure 3: Planned investment volumes for social rental housing, 2016-2025



Source: Belgisch Staatsblad, 24.10.2016.

It was argued that an intervention on the land and building market was legitimate and needed whenever private actors were not in the condition to achieve public goals or when vulnerable groups had to be offered equal chances to partake. The legislator referred to the following facts:

(1) Only 6% (approximately) of the housing stock was for social rental housing (143,266 dwellings);
(2) 317.500 households were, given the eligibility criteria, entitled for social housing;
(3) 75.000 households were on the waiting list;
(4) 55.000 households were in urgent housing need;
(5) waiting times were long[10].

In addition, it was acknowledged that an unchanged housing policy would never fill up the gap. According to the Flemish government, this justified a “catch up.” The construction level of social rental housing did increase, but at a slower pace[11] than planned (Figure 2). Several issues were in play, including (1) the (limited) capacity of the building sector, (2) the (un)willingness of (some) local authorities to allow social rentals on their territory, and (3) legal disputes linked to the commitments of the private sector. When the effects of the GFC appeared, they amplified the mentioned issues and the speed of the production process dwindled even more. This happened after a new state reform, due to which more responsibilities were transferred to the regions, and a new Financing Act was put into place. As a subtle budget cut, only 90% of the corresponding budgets were transferred, forcing the regional governments to make choices. As per the building of social rental dwellings, two major decisions were made at the Flemish level: (1) the investment budget had a 15% decrease and (2) the target (the “catch up”) was postponed

[10] A household or person who was assigned to a dwelling in 2005, had waited for 872 days on average.
[11] First postponed to 2023, recently to 2025.

Volume 4 | Issue 1 | 2017 | 40-51
Available online at www.housing-critical.com
http://dx.doi.org/10.13060/23362839.2017.4.1.323

to 2025. However, this cannot be interpreted as a deliberate choice against social rental housing, since - following a budgetary godsend - more money would be invested again in 2017.

Two other ‘very political’ elements would be used to legitimize the investment plan and can be seen as immediate triggers: on one hand the public perception that homeownership had become less affordable, and on the other hand the on-going debates to enter the waiting lists from different sectors. Firstly, the perception had risen that it had become more difficult for the middle classes (“our children”) to construct or purchase a home on their own. Although this perception was false due to a misinterpretation of the fast increasing housing prices (Winters et al., 2015), it nevertheless had become the dominant discourse in media and politics. Given the utmost importance of homeownership in Flanders, not to be underestimated, the political world looked for solutions that could stop the increase of housing prices. The enlargement of the stock seemed a straightforward possibility. However, at the same time the shortage of affordable housing was too significant to be ignored. Thus a ‘comprehensive’ plan was developed. As a result, the investment programme for social rental housing was bound to an investment plan. A supply of cheap plots of land together with the introduction of a new kind of social housing was to fulfil the need. This new social housing model, the “modest” dwelling, targeted those who had just failed the eligibility criteria for social rent.

Secondly, debates to enter the waiting lists from different sectors were on-going. Not only social rental housing is characterised by long waiting lists, so is care for people with disabilities, elderly care or care for psychiatric patients. Since numerous vulnerable people are the victims of waiting times, “waiting lists” became an issue on the media and were central topics in political debates. Over and over again, the government and the single politicians were questioned on why the lists were never shorter. As a consequence, the “waiting lists” - according to a former Minister[12] an excellent tool for lobbying - became a dominant theme during the 2004 elections.

In conclusion, the investment plan – and the decree that enforced it – to strengthen the social rental sector tried to address the middle class issue of affordable houses as well as the length of waiting lists for social rental housing.

Current issues in the social rental sector

Although social dwellings are now built at a greater pace than before, the waiting list keeps on getting longer. Thus, after the GFC, (the policies regarding) the social rental housing sector was (were) mostly concerned with managing the lack of housing, or in other words with managing the waiting list. This concern has been going hand in hand with the attempt to solve the historical concern of “problematic tenants[13].” Hence, governments, together with the social

[12] Former Flemish (Welfare) and federal (Work) Minister I. Vervotte, in Zeno, weekend section of the journal *De Morgen*, 21 January 2017 (Eeckhout & Muylaert, 2017).

[13] The basic regulation regarding new tenants is stipulated by a governmental decision taken in 2006, as the implementation of the 1997 Housing Law. However, these rules have repeatedly changed, due to the ongoing pressure and lobbying to prioritise new target groups, e.g. homeless, youngsters leaving youth care or former psychiatric patients. The incremental way of working has resulted in a very complex set of rules. At the moment of writing the policy is under evaluation.

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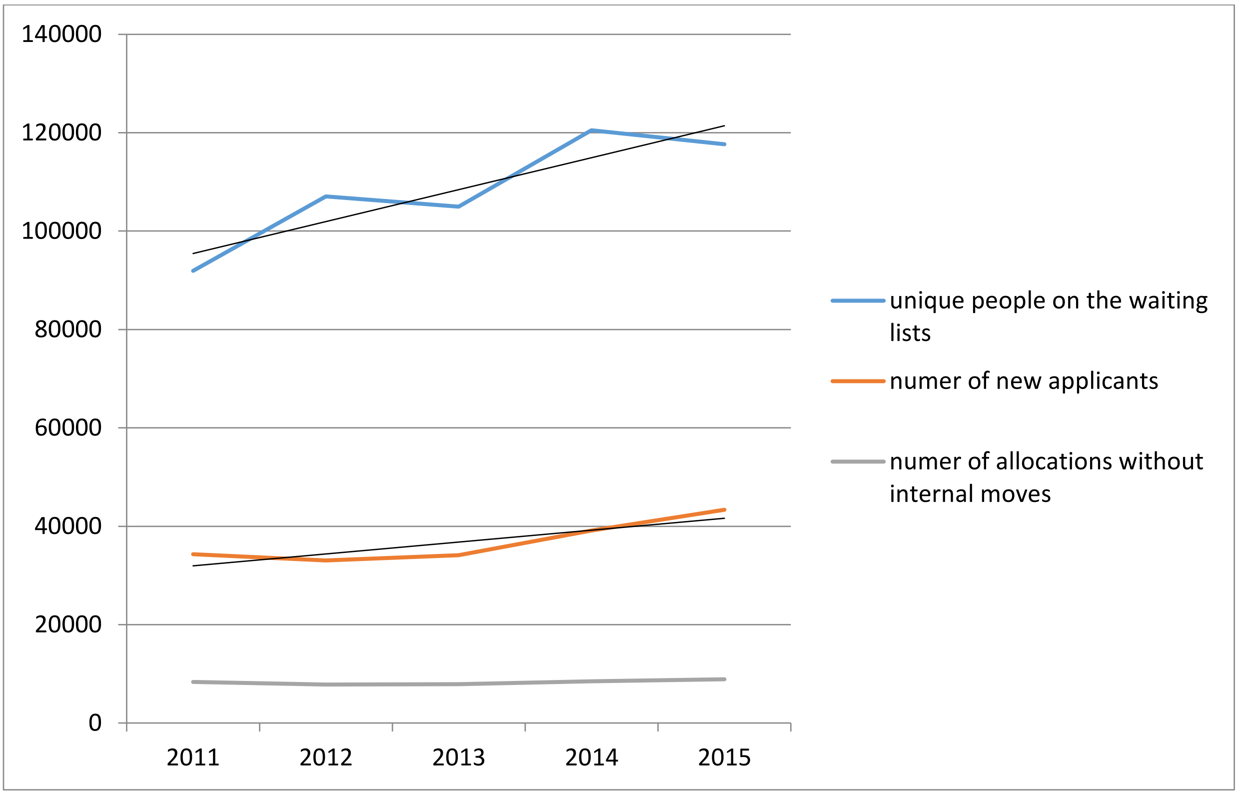
rental sector itself, have tried to address two questions: (1) how to shorten the waiting list (and time – Figure 4) and (2) how to avoid problematic tenants from entering a social dwelling.

Figure 4: Flanders, waiting lists & new applicants for social housing, 2011-2015



Source: Huurpunt.

Regardless of its composition, successive governments have argued that the marginalisation of the social rental sector, due to the one-sided access of problematic tenants and tenants with migratory backgrounds, had to be tackled by keeping or making social rented housing more socially mixed. Therefore at different moments in time income ceilings were lifted[14].

Basically, the combination of both goals is a *Catch 22*. The idea of a social mix on the one hand, and the attempt of shortening the waiting list on the other are incompatible, as the former leads to a longer waiting list[15]. That is why, in order to limit the influx of potential "troubling" tenants and to increase the general outflow, the 2006 regulation was changed on several occasions. These changes were often incidental reactions or responses to parliamentary questions (see e.g. De Decker & Pannecoucke, 2004). The main changes required to achieve the said twofold goal are the following:

[14] In the marginalisation process, another reason is ignored. Since homeownership is affordable, households become homeowners as soon as possible, which leaves only no-choice tenants for social housing (De Decker & Pannecoucke, 2002).

[15] The latest change in the regulation enlarged the group of potential candidate renters with 100,000 households.

Volume 4 | Issue 1 | 2017 | 40-51
Available online at www.housing-critical.com
http://dx.doi.org/10.13060/23362839.2017.4.1.323

1. If social landlords make up a liveability plan for a so-called problematic neighbourhood, a certain percentage of the dwellings can be allocated to households with an income that exceeds eligibility criteria;
2. The so-called Article 22 was introduced and allows social landlords to refuse certain candidates, e.g. (a) after a negative evaluation by another social landlord, (b) when it is proven that a tenant has not fulfilled his/her duties, i.e. a tenant that has not yet paid what due at another social housing company can be refused. Or (c) in exceptional cases, when a candidate has committed severe offenses and it is believed that the tenant’s behaviour would threaten the liveability of the estate, then the tenant can also be excluded.
3. In order to avoid (too many) “unwanted” candidates, priority rules for specific target groups (e.g. homeless, youngster leaving youth care) change constantly. Both the procedures to reach a prioritised spot on the waiting list and the share of dwellings to be allocated to prioritised groups change regularly. Currently, only 5% of the social rental stock has to be assigned to all priority groups, like the homeless and people leaving an institution.
4. Another way to “manage” the waiting lists is to confer discretionary power to municipalities to create local allocation rules. It is officially argued that local authorities know the situation in the field. However, in reality, this mechanism hinders potential “problematic tenants” from other municipalities to enter. If municipalities refine the allocation rules, two key criteria are used: (1) priority is given to candidates who have already lived for a certain period in the municipality, and (2) priority is given to the elderly.

The aforementioned strategies were not seen as “successful.” Therefore, the Housing Law was changed in 2016 and the principle of lifelong contracts was abandoned. New contracts have a 9 year validity, and residents can stay only after an assessment of the income. The argument relies on the fact that social rental housing should serve those in need and that, therefore, social mobile tenants should move out to become either private tenants or a homeowners.

To conclude

The present article started with the assumption that the GFC affected housing policies because it forced governments to develop an austerity policy. As in many other countries, Belgium was hit by the crisis. The federal government had to rescue banks and insurance companies which led to an austerity policy that is still felt nowadays. Nevertheless, the newly introduced austerity policies cannot be considered a master plan. According to Kickert (2012) Belgium was an extreme example of an incremental decision making process. In other words, there were no big gestures, but small inconspicuously effective deeds.

Although the GFC has had serious consequences for the Belgian state, it has hardly affected social rental housing policies. On the contrary, since the end of the 2000s we have seen an ongoing commitment by the Flemish government to invest in social rental housing. These investments can be understood as attempts to deal with the ever growing waiting list and the influx of potentially problematic tenants.

Volume 4 | Issue 1 | 2017 | 40-51
Available online at www.housing-critical.com
http://dx.doi.org/10.13060/23362839.2017.4.1.323

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Volume 4 | Issue 1 | 2017 | 40-51
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