



## The Dilemmas of Means-tested and Market-oriented Social Rental Housing: Municipal Housing in Norway 1945-2019

Jardar Sørvoll

Oslo Metropolitan University, NOVA (Norwegian Social Research)

[jarso@oslomet.no](mailto:jarso@oslomet.no)

**Abstract:** *In this paper, I analyse the post-war development of social rental housing in Norway. During the 20<sup>th</sup> century, Norwegian municipalities created some of the more means-tested and market-oriented social housing sectors in Europe. Given developments in other countries in recent decades, the Norwegian case is therefore highly relevant to the general debate on the residualisation of social housing in Europe. Using the case of Oslo as the main point of departure, I discuss key challenges of residual and market-oriented social rental housing. Drawing on city council debates, local government reports, and previous studies, I argue that the logic of extreme means-testing creates policy dilemmas connected to contradictory policy goals.*

**Keywords:** Norway; Oslo; security of tenure; social housing.



## Introduction: social rental housing in a nation of homeowners

In this paper, I analyse the development of means-tested and market-oriented social rental housing in Norway since 1945 drawing on transcripts from city council debates, local government reports, newspaper articles, and previous studies.

According to Sandlie and Gulbrandsen (2017: 55), public rental housing has a ‘marginal position [...] in the Norwegian housing market’. In some ways, this is correct. Public housing provided by the municipalities only accounts for around 4 percent of the total stock. A little over half of this local government-housing sector consists of rental housing aimed at disadvantaged groups (Holmøy 2018). Thus, social rental housing is a small segment in the housing market directed at the poorest and most disadvantaged households. Homeownership is the dominant cultural and political ideal, to such an extent that long-term tenants may feel excluded from mainstream society (Vassenden 2014).

Even though Norwegian social housing is peripheral in terms of its market share and cultural significance, it is not fair to describe it as marginal in every respect. From a social policy perspective, social rental housing is unquestionably a tenure of great importance: social housing is of particular importance for low-income households struggling to find adequate alternatives in the private rental market, such as large immigrant families (Skjøstad 2019).

The centrality of social rental housing to social policy partly justifies this analysis of the Norwegian case. In addition, the present article may be a valuable contribution to the scholarly literature on social housing in Europe in general and the previous country reports on social housing in *Critical Housing Analysis* in particular (Scanlon, Arrigoita and Whitehead 2015; Poggio and Whitehead 2017a; b). The relevance of the paper to the general European debate is arguably strengthened by the development of the Norwegian case in recent decades. Norwegian social rental housing is currently one of the clearest examples of the cross-national trend of increasing market-orientation and means-testing. The social housing dilemmas highlighted in what follows should therefore be of interest to the international community of housing scholars. Despite its general relevance, Norwegian social rental housing has never been analysed at length in English-language publications. It is perhaps symptomatic that Sandlie and Gulbrandsen’s recent article in *Critical Housing Analysis* on social housing in Norway is mostly devoted to the owner-occupied sector (Sandlie and Gulbrandsen 2017). Furthermore, the post-war development of social rental housing is a neglected topic in Nordic housing historiography.

In what follows, I first outline the development of the social rental sector in Norway since 1945, focusing on the case of Oslo. I then present an ideal type or abstract description of market-oriented and means-tested social rental housing. In the next two sections, I relate this ideal type to the Norwegian case, again concentrating mainly on social housing in Oslo.

Municipal rental housing in the Norwegian capital provides an enlightening illustration of some of the challenges inherent to means-tested and market-oriented social housing. Since the mid-1990s, Oslo has experienced significant population growth and a booming housing market, two factors that have increased competition for what remains of affordable rental housing in the city. Large cities, such as Oslo, also have a larger share of people who can be defined as ‘disadvantaged in the housing market’ than other Norwegian municipalities (Brattbakk and Hagen et al. 2015). The combination of a small social housing stock and large demand from low-income households creates policy dilemmas. For instance, the housing authorities in Oslo’s



administrative districts must decide if they want to prioritise residential stability for families with children or follow the dictum of rigid means-testing, and thus replace some of these families with even poorer and more disadvantaged households.

## The residualisation of social housing in Oslo 1945-2019

In the early part of the 20<sup>th</sup> century, the local government in Oslo championed social rental housing. By the mid-1930s, however, the leading lights of the city council had switched their allegiances to co-operative housing owned by the residents. From that time, co-operative homeownership was widely considered the most cost-efficient method of housing provision to low-income groups (Gulbrandsen 1980). Based on the experiences of the interwar years, the majority in the city council regarded social rental housing as an administrative and economic burden after 1945 (AOK 1950-51). After 1945, private rental housing also had limited political support: the powerful Labour Party was explicitly critical of large-scale landlords. Consequently, municipal rental housing in the Norwegian capital developed in the shadow of a politically dominant owner-occupied sector after the Second World War. Even though the co-operative sector was deregulated in the 1980s and no longer caters to low-income households, the municipal authorities have not invested heavily in social rental housing in recent decades. This may partly be explained by a general lack of enthusiasm for public rental housing in a city of homeowners (Sørvoll 2014).

Sørvoll (2018a) argues that the decision to privilege individual and co-operative ownership since 1945 weakened the power and legitimacy of actors, institutions, and ideas that could otherwise have halted the social rental sector's drift towards increased means-testing and market-orientation. In a situation in which the defenders of non-profit housing were preoccupied with other parts of the housing sector, social housing was arguably easy prey for bureaucratic and political elites calling for privatisation and increased targeting. It is striking that key social housing reforms in Oslo were implemented without provoking major political controversy or social protests (AOK 1950-51; 1975). In 1951, all the parties represented in the city council agreed to offer most of the social rental stock in Oslo to sitting tenants (AOK 1951). Twenty-five years later, in 1976, the principle of strict means-testing was implemented when allocating new social rental contracts (AOK 1975). From the end of the 1980s, tenants' security of tenure was significantly reduced: the principle of a home for life was gradually replaced by short-term rental contracts (BM 1987; Hansen and Åhrén 1991). During the last fifteen years, the city council has voted to uphold and strengthen the emphasis on means-testing and fixed-term tenancies (BY 2003; BY 2012). Moreover, in the 1990s and the early part of the new century, more business-like principles of administration and market-like rents were introduced into the social rental sector in Oslo (OK 2003). The general trajectory of social rental housing in Norway after 1945 mirrors Oslo's trajectory (Gulbrandsen and Hansen 2010).

## Means-tested and market-oriented social rental housing

Drawing on the scholarly literature on social housing in Europe (Poggio and Whitehead 2017a; b; Fitzpatrick and Pawson 2014; Fitzpatrick and Watts 2017) and my own empirical research on the case of Oslo, I here put forward an ideal type or abstract description of means-tested and market-oriented social rental housing with the following five characteristics:



1. Limited size relative to private rental and owner-occupied housing.
2. Housing allocation that targets disadvantaged low-income households.
3. Weak security of tenure, which means relatively short fixed-term tenancies (Fitzpatrick and Pawson 2014).
4. Market-determined rents and means-tested housing allowances provided to the poorest tenants.
5. Business-like administration: social housing is primarily financed by the rent tenants pay.

The underlying logic of all five of these characteristics is a vision of social housing as a scarce good, administered in a cost-efficient way, and distributed to the most disadvantaged low-income households with limited opportunities in the private housing market. Social housing that conforms closely to the ideal type outlined above resembles the definition put forward by Priemus. According to Priemus, social housing is ‘housing that is aimed to house predominantly households in a weak negotiating position in the housing market, such as low-income households, [...] ethnic minorities, immigrants and asylum seekers’ (Hansson and Lundgren 2018: 8).

Most real-life social housing sectors in large European cities share one or more of the five characteristics presented above. For instance, many contemporary social housing sectors are increasingly characterised by targeted allocation aimed at low-income groups and an emphasis on selective housing allowances and profit-oriented, business-like principles of housing provision (Poggio and Whitehead 2017a; b; Grander 2017).

## Contemporary social housing in Oslo

Having noted the general development in Europe, there are arguably few cases that illustrate the dilemmas of means-tested and market-oriented social rental housing better than contemporary Oslo. Even though there has been a general movement towards greater targeting, many contemporary social housing sectors differ from the ideal type presented above. Although low-income households increasingly flock to public housing, social housing sectors, however defined, are not necessarily formally means-tested. What is more, tenants often have relatively strong security of tenure (consider, for example, the case of Sweden; Grander 2017). In contrast, contemporary Oslo provides an almost perfect example of residual and market-oriented social rental housing. Municipal rental housing in the Norwegian capital satisfies all the characteristics presented above, namely limited size, means-testing, weak tenure security, market-based rents, and business-like administration.

In 2018, social rental housing in the Norwegian capital is a minor tenure compared to private renting and owner-occupation. Around 70 percent of Oslo’s households are owner-occupiers, and the remainder are mostly tenants in the private rental sector. Social housing only accounts for 3.7 percent of the housing stock (Barlindhaug et al. 2018).

The political majority in the city council have agreed to very narrow allocation criteria for social housing units. Only households considered unable to satisfy their legitimate housing needs in other segments of the housing market satisfy the criteria: low income is not sufficient to gain



access to the social housing sector. It is up to the local authorities in Oslo's administrative districts to prioritise different groups wishing to access municipal rental housing. Local authorities are under the general instruction to prioritise households with the greatest needs but may also consider to what extent the municipal housing stock satisfies the housing requirements of various applicants (BY 2012; Lovdata 2019).

This high level of formalized means-testing is combined with a relatively weak security of tenure for tenants. Most new tenants receive three- or five-year contracts, and risk losing their apartments if their economic situation has improved by the end of the contract period. The general principle of short-term contracts is meant to make room for new (and even more) disadvantaged households and intended to ensure that only households that satisfy the narrow allocation criteria stay on as long-term tenants (BY 2003). This type of reasoning is by no means unique to Oslo. In England, the need to preserve scarce social housing resources for the most disadvantaged households has been used as an argument by politicians calling for the introduction of short fixed-term tenancies (Fitzpatrick and Pawson 2014).

The rent-setting system in Oslo is also designed to push relatively well-off tenants out by reducing their economic incentives to remain in the social housing sector. Rents are set in accordance with the principle of *gjengs leie* (typical or average rent). This means that rents are set with reference to the average market rent of similar apartments in an area (OB 2003). Targeted households with particularly low incomes and high housing expenses receive municipal housing allowances that soften the effects of market-based rents. In 2016, tenants in 5220 of the 13 000 social housing units received this selective housing subsidy (Johannessen et al. 2018).

The market-based rents of the municipal housing company (*Boligbygg*) is part of its obligation to operate according to business-like principles of economic efficiency. According to local government policy, the municipal housing company is both a political instrument for the provision of housing to disadvantaged groups, and a company administering and owning property on behalf of the municipality according to business-like principles (Boligbygg 2017). In recent years, the company has transferred a substantial share of its profits to the local government. This has contributed to making funds for the refurbishment of the municipal housing stock scarce. In 2017, the value of the maintenance backlog was estimated in a housing company report to be well over 300 million Euros (Aftenposten 2017).

## The dilemmas of social rental housing

The main features of social rental housing in Oslo follow logically from the principle of means-testing. For instance, short-term contracts and market-based rents are arguably necessary to ensure that only disadvantaged households consume the scarce good that is social housing (BY 2003). However, over time the logic of extreme means-testing and market-orientation has created several policy dilemmas and sparked organised political protest from tenants. Contentious issues in the political debate include the principle of average market rent, the weak security of tenure and the consequences of means-testing for the living environments of tenants.

The principle of average market rent (*gjengs leie*) is potentially in conflict with the ideal of affordable housing for vulnerable groups. Average market rents were introduced gradually during the first decade of the new millennium. However, the rent-setting system for social



housing units directed at people with disabilities was not liberalised until recently. This led to critical media attention and protests from tenant organisations, and eventually the city council reversed the decision to deregulate the rents for people with disabilities in late February 2019 (BY 2019; Dagsavisen 2019). Largely because of the criticism directed at the system of average market rents, the city government in Oslo is currently evaluating the rent-setting system in the social rental sector.

Even though there is much sympathy in the city council for municipal tenants and affordable housing (BY 2018), it is far from certain that the evaluation will yield major changes. In my view, there are real policy dilemmas connected to any substantial reform of the rent-setting system in the social rental sector in Oslo. First, market-based rents are arguably a necessary feature of rigidly means-tested social housing: subsidised rents could reduce the motivation of, relatively speaking, well-off households to leave the municipal housing sector. Second, any reduction in rent levels would mean less money for refurbishment or more funds transferred from the city government to the municipal housing company *Boligbygg* (BY 2018). In turn, this would infringe on the ideal of economic self-sufficiency and business-like principles in the company's management and provision of housing. In short, any substantial reform of the rent-setting system would alter core features of contemporary market-oriented and means-tested social housing in Oslo. However, the city council may arguably avoid substantial systemic changes by leaving the principle of average market rent unaltered, but nevertheless enhance housing affordability by increasing the generosity of the municipal housing allowances.

Another concern sometimes voiced in the housing debate is that the weak security of tenure in the Norwegian social housing sector is at odds with the policy ideal of residential stability for families with children (Sørvoll 2018b). The short-term rental contracts offered by local governments may force individuals, to move needlessly between many different neighbourhoods during childhood and adolescence. It seems likely that frequent apartment changes often have a price in terms of reduced stability, security and social ties (friends etc.) for the young people in question. Considered in this light, it is not surprising that households with children living in social housing in Norway generally express a desire for residential stability and long-term contracts, according to a comprehensive qualitative study (Elvegård and Svendsen 2017). Residential stability in early life is generally associated with a several positive factors in the scholarly literature, including comparatively high levels of academic achievement and good mental health in adulthood (Bures 2003; Aarland and Reid 2018).

Moreover, the general flight of households with, relatively speaking, high social and economic capital may be detrimental to the living environments in the social housing sector. According to a recent study carried out by the city government in Oslo, some helpful and civic-minded individuals leave a void when they move out of buildings with a high number of social housing units. Representatives of the local government also sometimes consider this a negative factor (OK 2019). However, the fact is that the flight of people with relatively high levels of social and economic capital is in line with the principle of means testing advocated by the housing authorities.

Furthermore, different disadvantaged groups that do not have compatible needs or lifestyles increasingly characterise the resident profiles in Oslo's social housing. According to research conducted on social housing in the city of Bergen, some families with children live in environments deemed unacceptable due to the strains of sharing common areas with individuals that engage in violent behaviour or substance abuse (Elvegård and Michelsen 2015). As in



Bergen, families in Oslo risk being allocated social housing in buildings occupied by people struggling with various forms of addiction. This is partly a result of the limited size and inflexible character of the social housing stock and partly a consequence of the principle of rigid means testing. The latter contributes to the concentration of different groups that have only one thing in common, namely that they are low-income households considered unable to find acceptable alternatives in the private housing market. Even though the majority of people living with some form of addiction or mental illness do not engage in anti-social behaviour (Brattbakk and Hagen 2015), it is arguably a weakness of the market-oriented and means tested model of social housing that some families risk living in areas widely considered unsuitable for children. This is also at odds with the national government's aim to provide safe and good quality rental housing to children (Departementene 2014; OK 2019).

In brief, contemporary policy challenges related to housing affordability, residential stability and the quality of living environments are all highly connected to the general principle of means testing. According to the official guidelines, Oslo's fifteen administrative districts must motivate or push the relative well-off into other segments of the housing market to make room for households with greater needs. This creates real policy dilemmas, since means-testing pushed to the extreme may have detrimental consequences for living environments, the residential stability of families, and the ideal of affordable housing.

Related policy dilemmas are debated in other European contexts. Consider, for example, the case of social rental housing in England. In a recent article, Fitzpatrick and Watts (2017) discuss the merits of introducing mandatory fixed-term tenancies in local authority housing and housing associations. They argue that this policy reform is not worth pursuing, since potential gains, 'in terms of marginally increased tenancy turnover, are heavily outweighed by the detrimental impacts on tenants' ontological security and landlords' administrative burden' (Fitzpatrick and Watts 2017: 1021). In my view, Fitzpatrick and Watt's conclusions are relevant to the debate on short-term rental contracts in Norwegian social housing. Even though many tenants get their contracts renewed (Elvegård and Svendsen 2017), they may nonetheless experience ontological insecurity, meaning a limited sense of control and emotional turbulence, because of the very existence of fixed-term tenancies (Fitzpatrick and Pawson 2014; Fitzpatrick and Watts 2017).

## Concluding remarks

Above I have outlined the development of social housing in Norway since 1945, emphasising experiences derived from the case of Oslo. Admittedly, this is only a first attempt at examining the consequences and dilemmas of means-tested and market-oriented social rental housing in Norway. Future studies may address important topics left unanswered in this article, including challenges related to the very uneven geographical distribution of social housing in the city of Oslo (Johannessen et al. 2018). It would also be interesting to compare the case of Oslo systematically with social housing systems in other European cities. As the policy dilemmas highlighted above are not unique to Oslo, a European perspective will yield insights relevant to the current debate on the future of social housing in Norway. At the same time, the case of Oslo provides plenty of policy lessons for European politicians, researchers, and civil society actors debating the merits of reforms that push social housing further in the direction of means-testing and market-orientation.



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