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The Social Rented Sector, Housing and the Welfare State in the UK

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ABSTRACT *Recent discussions of the social rented sector in the UK have placed considerable emphasis on the restructuring and declining size of the tenure, privatisation, a shift from object to subject subsidies, residualisation and the increased significance of the poverty trap for tenants. Against this background, and in the light of the view that major public sector investment is unlikely in the future, the policy debate has shifted further towards concern with transfer of stock out of the public sector. This paper reviews key changes in the role of social rented sector housing and the background to these debates. It argues that it is important to relate the development of council housing to the wider structure of the welfare state; its position within the public sector; the changing structure of the private sector in housing; and the changing economic, social and demographic context. These aspects are of key importance to debates about residualisation and the future of the sector.*

Introduction

The British tradition of council house building with its links to new towns, to model cities and to a modern planning tradition has aroused considerable interest and had a considerable influence on other countries. The social rented sector in Britain has had a major impact on the development of British cities and on patterns of residence. It has provided a stock of high quality dwellings and played a major role in the reduction of housing shortages and in slum clearance. It has generated highly desirable residential areas for a mixed community including some of those with the lowest incomes and the legacy of successful development remains in popular dwellings in the rented sector as well as in a large stock (some 2 million dwellings) now absorbed within the owner occupied sector.

The British example demonstrates that the state, under certain conditions can plan, produce and deliver high quality housing. It also demonstrates that under other conditions the state can become a slum landlord and can provide housing which is directly or indirectly a source of social exclusion and disadvantage. The British experience has also aroused considerable interest because of the pace of the restructuring of the social rented sector since the mid-1970s through a range of privatisation policies and restricted investment. This latter experience has been highly relevant in a period when governments are increasingly concerned with reductions in public expenditure and in taxation.

In the mid-1990s there are a new series of issues which are preoccupying the

housing debate in Britain. These particularly relate to the changing roles and nature of housing tenures, the ownership and financing of social rented housing, to rents and the costs of housing benefit and the place of housing in economic regeneration. This paper reviews and reflects upon changing perspectives of social rented housing in Britain and some elements of the changing relationship between housing policy and the financing of housing and the wider welfare state. The intention is not to go over the most familiar ground once again by offering a full chronology or an account of events (see e.g. Cole & Furbey, 1995; Malpass & Murie, 1994; Merrett, 1979) but to draw out some of the key features which emerge from an examination of the British experience. In particular it emphasises the relationship between social rented housing and the wider social organisation of the welfare state.

Analysing Housing Tenures

Before looking at any tenure too closely it is important to establish a context or framework for analysis. It is tempting to account for and explain features and changes in housing tenures by focusing on physical and managerial aspects of the tenure. Thus, for example, in Britain, Alice Coleman's framework for explaining social malaise in council housing related to bureaucratic decision-making over design (Coleman, 1985). Other commentators have started with a framework which is predisposed to explanations related to housing policy and housing management. Thus, for example Ann Power's perspective on the crisis in council housing relates to the scale of building by local authorities, slum clearance and duties in respect of rehousing homeless persons. The pressures from these three sources combined with organisational and managerial failures and political control led to a cycle of polarisation (see e.g. Power, 1987). These different frameworks reflect different starting points and assumptions about the nature of council housing and the problems within the tenure. They too quickly come to be regarded as comprehensive analyses. What is most striking about these accounts is their failure to identify and order other contingent and contextual factors and, because of this, to address which factors have been most significant. The explanation appears to precede the analysis and the data selected are those which fit with the preferred explanation. This does not mean that it is wrong but merely that it is unconvincing.

The nature of tenures and the things which change them are not adequately dealt with simply by providing details of their current attributes, size, management, control or finance. The housing sector and housing tenures do not operate in a vacuum and it is essential to locate housing within a wider context. Housing is a product of more than housing policies. Housing tenures change irrespective of such policies and measures designed for housing. This is well trodden ground, especially in debates about structures of housing provision (Ball, 1983, 1986; Ball *et al.*, 1988; Ball & Harloe, 1992; Barlow & Duncan, 1988; Kemeny, 1987).

The literature on the nature of housing tenure emphasises that the attributes of tenures are not inherent. Tenures change and their social role, their characteristics and the nature of their stock changes over time. Housing tenures are socially and politically constructed. Furthermore the literature emphasises the extent to which the nature and role of social rented housing (and other tenures) does not simply relate to the organisation of the tenure itself. Thus the nature of the council housing sector cannot be accounted for simply by policies con-

cerning that tenure. Its nature and role has been influenced fundamentally by the nature and rate of growth of home ownership and the decline of private renting. The actions of households and gatekeepers in other tenures are just as crucial as the actions of those developing and managing council housing or those living in council tenancies (see e.g. Murie *et al.*, 1976). Furthermore decisions are influenced by what is happening in the economy and society beyond the housing sector. For example private landlords' decisions on investment in housing are not influenced solely by housing legislation and rent controls but by how the wider economy develops and the range of competing opportunities it presents for investment.

This perspective is taken a step further by emphasising the context bound nature of housing provision (Ball & Harloe, 1992). This does not refer simply to the interaction between tenures and their integration into the legal, financial and economic system but to a wider social embeddedness. This notion of embeddedness has been advanced most vigorously by Kemeny referring to the work of Granovetter (1985) who attacks the assumption that economic institutions can be understood separately from the social structures of which they are part. There is a mutual interaction through which markets are affected by these structures as well as affecting them. Kemeny (1992, 1995) draws on this debate to argue that it is misleading to contrast markets and state allocative systems and informal allocative systems as all three contain a mix of the three constituent parts. In housing the 'market' is affected both by state regulation and by the competition or comparisons offered in 'non-market' sectors. Similarly the decisions of households in relation to the council housing sector are influenced by the alternatives available to them elsewhere.

Kemeny's own work identifies these wider issues but itself takes a narrow perspective preoccupied with attacking Michael Harloe's focus on a dual rented sector and with using the Swedish example to demonstrate that the 'Anglo-Saxon' model should not be treated as the norm (Kemeny, 1993). He emphasises differences in housing subsidy arrangements and as a result he contrasts the Anglo-Saxon tradition of different financial arrangements for different tenures with the systems elsewhere in Europe where tenures are treated in the same way. In developing this argument Kemeny focuses inwards on these issues rather than on differences within the so called Anglo-Saxon model related to decommodification, rent levels or access and eligibility. Kemeny does not expand upon differences in other institutional arrangements which themselves relate to the differences in housing finance including those related to the structure and level of social security benefits. While Kemeny's work is valuable in emphasising the importance of wider perspectives his own contributions do not fully explore this wider vision.

These contributions suggest that the emerging role of individual housing tenures is not just a product of how they and other housing tenures are managed or organised but of the way that the wider economy and society develops. It follows that in order to understand housing tenures we need to have a grasp of the historical development of the housing situation and address how changes in employment, income and the demographic structure have impacted on housing. The same point applies to political support. The past, present and future of council housing in Britain is inextricably bound up with political debates and political support and what happens in this is not just a consequence of the performance of housing organisations.

It is against this background that particular attention should be given to different aspects of the social structures of which housing is part. This paper focuses on one of these elements—the operation of the wider welfare state. Within this it refers to the importance in Britain of the position of the dominant part of the social rented sector within local government, the politics and finance of the public sector housing, state support for home ownership, the changing tenure structure and its implications for patterns of residence and changes in the economic, social and demographic context. It is argued that these elements present a better framework than the management of the tenure, to explain and understand changes in the social rented sector and the current situation and future of the tenure.

Housing and the British Welfare State

Housing in Britain has traditionally been seen as part of the welfare state, but as the complexity of the analysis of housing has grown the relationship with the welfare state has received declining attention. The wider welfare state has been treated as a backdrop rather than a key influence or determinant of housing institutions and the development of the housing sector. It is presented as context rather than as integral or interconnected. However a closer examination of some aspects of this relationship between housing and the wider welfare state suggests that this is a serious weakness in analysis.

The reconstruction of Britain after 1945 included a major and radical change to some parts of the welfare state. These changes, particularly associated with the Beveridge Report of 1942, included a commitment to full employment and an attack on the evils of want, disease, ignorance, squalor and idleness. The legislation which followed abolished the poor law and established a system of universal social insurance and a National Health Service providing treatment free at the point of delivery. Although the role of housing in the new settlement was seen as crucial—especially in the attack on squalor—there was no major inquiry into housing or change to the organisation of housing provision comparable with that for some other services (but not e.g. education). New towns were a new element but the central role of local authorities remained. There was no nationalisation of land or of the building industry and the nationalisation of development rights (under the Town and Country Planning Act 1947), designed to restrict speculation and profiteering was a substantial retreat from earlier commitments (Merrett, 1982). The system of Exchequer subsidy to local authority housing continued to be regarded as an effective mechanism to achieve objectives.

It has been widely recognised that the local welfare state in housing operated within a loose *laissez-faire* framework of central influence rather than the stricter central control applying to social insurance and social assistance or the stronger central influence applying to health, education and some other local services (Griffith, 1966) and changes in these arrangements and the centralisation of policy have been highlighted (e.g. Malpass & Murie, 1994). What has received less attention is the embeddedness of the arrangements made for housing within the wider welfare state. A greater emphasis on this dimension is justified.

The British welfare state, as it emerged after 1945, included some major elements of provision in kind and these facilitated relatively low benefit rates. The provision of the National Health Service free at the point of consumption is

the most striking example of a decision to provide a service in kind rather than to adopt the alternative—a social security system sufficient to enable people to purchase that service. While this is generally accepted the same is less widely acknowledged in respect of housing. Both rent control policies and the rent policies which emerged in council housing in the post-war period involved payments in kind and this contributed to decisions about the level of benefits and social security expenditure. These decisions have had a longer-term effect. As rent levels have subsequently increased in real terms but insurance based benefits have not been adjusted to compensate for this, the role of supplementary assistance has become more prominent.

In calculating the level of benefits needed in the post-war welfare state in Britain the rent levels assumed were those obtaining in the pre-war period (Beveridge, 1942) and the operation of rent control affected the adequacy of benefits. The essential argument here is that low rents in the dominant private rented sector were integral to the structure and operation of the post-war welfare state. In 1945 some 62 per cent of dwellings in Great Britain were rented from private landlords and wartime legislation had brought the whole sector within rent control. Legislation to reduce rent control began to be introduced in 1954, and associated with this the tenure declined in size. In this context the rent levels in the council sector became increasingly important. The academic literature in Britain refers to the role of public sector housing programmes in the management of the economy and the control of inflation, but has tended to emphasise that council rents were high or only affordable for the affluent working class. In the 1940s and 1950s public sector rents, especially for new dwellings, were high compared with the controlled rents in the private sector. Nevertheless they were below market levels and were subsidised. As the 1960s progressed the declining private rented sector was less dominated by controlled rents and more rents in that sector were likely to exceed council rents. Policies designed to combat inflation and reduce wage demands involved the restriction of rent increases in the public sector.

It is appropriate to consider these arrangements for rents in terms of what Esping-Andersen (1990) has referred to as decommodified provision. Decommodification occurs "when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (pp. 21–22). As Esping-Andersen notes, the mere presence of state welfare may not bring about significant decommodification "if they do not substantially emancipate individuals from market dependence". Means-tested poor relief, which only provides a safety net of last resort and low stigmatised benefits, does not achieve this and rather compels all but the most desperate to participate in the market. Decommodified rights are differentially developed in welfare states and Esping-Andersen refers to those which are social assistance dominated, those with more substantial social insurance, but decommodification limited by eligibility rules which relate to market performance and decommodifying welfare states which offer the same benefits to all citizens. The latter are rarely able to offer citizens benefits of a generous standard. Council housing fits only partly into this debate. Access was not a matter of right, but the status of council tenant did not involve exposure to market prices and households could maintain their status in spite of changing circumstances in a way that was not possible in market sectors. The status of council tenant was not generally stigmatised but was in contrast regarded as privileged.

These considerations are important for understanding housing changes and for comparative analysis of the welfare state. Welfare benefits in Britain have been low throughout the post-war period in comparison with other European countries with developed welfare states. Housing has an important part in this. There is a problem in seeking to compare housing expenditures between different European countries because in the British context a significant part of that housing expenditure could be argued to have been, in reality, social security expenditure. The decommodification of a large part of housing provision was a major feature of social life and the welfare state and directly affected the levels of benefit built into social insurance. In the same way Esping-Andersen's comparative analysis of welfare regimes is flawed by a narrow definition of social security expenditure which excludes health and housing provision. While he accurately identifies low benefit rates as a feature of the British system he fails to relate this to the ways that other services were provided. He fails to recognise the importance of housing in decommodification in Britain and overstates the extent to which the British welfare state was "minimalist". Partly as a consequence of this, he understates the extent to which changes in rents and tenure unaccompanied by linked adjustments to benefit rates subsequently changed the welfare system towards a residual system.

Housing changes increased household expenditure on housing but benefits were not revised to take this into account. The degree of decommodification in the British welfare state was reduced as rent control and regulation declined (with the decline in the private rented sector) and, latterly, as general assistance subsidy and pricing well below market levels declined in the public sector. These changes along with the increased state support for home ownership represented important changes in the welfare state. Council housing, from being a key element of a redistributive or merit based welfare regime, developed a residual welfare role while state sponsored home ownership became the preferred vehicle of the conservative or corporate welfare state.

The Local Welfare State

Just as the British account of the rented sectors has paid relatively little attention to their significance for benefit rates and the nature of the welfare state it has, until recently, tended to take for granted the dominance of the social rented sector by elected local government (or to regard this as a strength of the British approach). The decision to locate the main role in meeting housing need within the public sector under the control of local government has had the effect of trapping the social rented sector within public sector financial regimes and the Public Sector Borrowing Requirement (PSBR). Some of the policy decisions being contemplated now are designed to spring this trap to enable the social rented sector to escape from the restrictions imposed by the PSBR. In other European countries the situation has either never obtained or the switch, as in the Netherlands, from municipal control to non-profit housing associations has enabled the development of the sector unhindered by this legacy.

While it is a gross overstatement to imply that council housing was supported by the Labour Party and opposed by the Conservative Party, in many local political debates the enthusiasm for different forms of intervention has increasingly broken along party political lines. As we move through the 1960s the two major political parties competed in government to be the champions of home

ownership and the financial treatment of the tenure became more advantageous. Home ownership became the flagship element of housing policy with council housing's role increasingly identified as residual. At a local level the degree of consensus over housing also declined. In many of the big cities the Labour Party continued to champion council housing and council tenants and the Conservative Party increasingly became identified with other parts of the city and with promoting home ownership. The situation is more complicated in smaller towns. Some paternalistic Conservative administrations were enthusiastic supporters of council housing and indeed resisted proposals to sell council houses (see e.g. Forrest & Murie, 1988). Nevertheless, the environment in which council housing developed was one of shifting support. As governments changed and as local administrations changed the emphasis in policy shifted. The accounts of council housing in Britain emphasise shifts in the subsidy system with government partitioning subsidy between tenures and favouring particular activities such as slum clearance or the provision of multi-storey housing.

The location of social housing largely within the public sector has exposed the absence of significant, sustained, political consensus around the role of the sector. It has increased the potential for housing policies to be the arena for local and national competition between parties and interests. It has been argued that in comparison with France, for example, the political debate about housing policy has always been more confrontational and competitive in Britain (Duclaud-Williams, 1978). Similarly it has been suggested that the different recent experience of social rented housing in Britain and the Netherlands is partly attributable to the broad base of political support for non-profit housing organisations in the Netherlands—with no equivalent with Britain (Murie & Priemus, 1994). It is striking that accounts of recent developments in housing policy in Britain emphasise centralisation with central government taking a stronger grip on strategy and action and limiting the local welfare state. Elsewhere in Europe the tendency is to refer to decentralisation. In Britain, as public expenditure and the public sector have both come under attack, the local welfare state has been exposed. The social rented sector, as part of that local welfare state, has been exposed to a greater extent than where it is outside the state sector and where public expenditure and accounting conventions do not affect it. As a consequence in Britain the social rented sector has been a source of fiscal and electoral opportunity and a target for radical policies designed to relocate it outside the public sector, the public expenditure calculus and the sphere of municipal control.

In the UK the dominant element of the social rented sector has been and continues to be under the control of local authorities. In most cases new towns' housing stock has now been transferred to local authorities or housing associations. Some other public sector organisations have important roles. The Northern Ireland Housing Executive and Scottish Homes are non-departmental public bodies which own and manage housing although they have very different future intentions. The other major part of the social rented sector in Britain is the mixed group of charitable and non-charitable housing associations which are non-profit making providers of housing. There is also a small public sector which falls outside the social rented sector because its aims in providing housing are more strictly to do with housing for employees. The largest example of this type is the Ministry of Defence.

The nature and structure of local government and housing associations in the

Table 1. Housing tenure in Great Britain, 1945–79
(percentages of all households)

	Public rented	Owner occupied	Private rented*
1914	–	10	90
1945	12	26	62
1951	18	29	53
1961	27	43	31
1969	30	49	21
1971	31	53	17
1979	32	55	14
1984	27	60	13
1989	23	65	12
1994	20	67	14

Note: *Including housing associations.

Sources: Malpass & Murie (1994) and Housing and Construction Statistics (HMSO).

UK are fully described elsewhere (Malpass & Murie, 1994). The changing structure of housing tenure (Table 1) has also been widely discussed.

The social rented sector expanded, throughout the period up to 1979, in fits and starts and is marked by different qualities and types of dwellings associated with different phases of policy. The tenure developed from a relatively expensive, high quality, new tenure consisting mainly of houses with gardens and catering for affluent working-class households and white collar workers into a much more differentiated sector. Although different qualities emerged within the housing stock these different qualities were not reflected in rents. The council sector has had a relatively flat rent structure with little variation between properties and some of that variation having nothing to do either with quality or desirability of the dwelling. In this context it is not surprising that a tendency emerged for the more affluent sections of the council tenant population to live in the best houses. This pattern was sometimes the result of explicit policies of dumping or grading or formal rules of allocation but more generally it was associated with differential bargaining power and capacity to wait.

Two other aspects of the council housing experience are important. First, once people were housed there were no tests of income or other resources which determined continuing eligibility for housing. In contrast to the welfare housing tradition of the US, council housing in Britain encouraged tenants to stay whatever their social and economic circumstances. For affluent, employed, working-class households council housing became housing for life and transfer policies provided choices for many and enabled the best tenants to be rewarded. Second, post-war Britain, in the period in which council housing grew most rapidly, had high employment with benefit rates more generous than before or later. At the same time families and households were relatively stable. It was still appropriate to talk about a family life cycle and the stability and continuity in employment and in household structure are important elements in the account of council housing.

Restructuring the Local Welfare State

By the 1970s there was a mixed economy of housing policy in Great Britain with some one in three dwellings owned by the state. This measure of the energy of

local authorities and of the demise of private landlordism was not the product of a consensus over the reorganisation of housing. Disagreements over the respective roles of public and private sectors were apparent throughout the post-war years, and from the mid-1960s some key Conservative controlled local authorities made energetic use of powers to sell council houses (Murie, 1976). Proposals for de-municipalisation and privatisation were added to fiscal and other measures to encourage home ownership. With post-war housing shortages largely removed, equity and redistribution became less apparent in national policy aims and housing policy was increasingly linked to individual choice, reward, accumulation and enterprise. The restructuring of local housing provision was affected by shifts in policy. However, other factors have affected the role of the sector. The reorganisation of other tenures and changing comparisons between tenures have been important elements in restructuring the local welfare state as has the impact of social, economic and demographic change. The lack of adjustment of other parts of the welfare state, and especially the social security system, has changed the balance within welfare provision and added to the drive towards a more residual regime.

In 1980 a new subsidy scheme was introduced alongside major cuts in public expenditure and a general privatisation programme with the sale of public sector housing to sitting tenants as the core programme. The low rent approach which had characterised the previous period was replaced by a policy to raise rents in real terms and progressively replace object subsidies by means-tested housing allowances. These steps represented a significant breach with the past. They were implemented by a newly interventionist Conservative government assuming greater power and control in what has been referred to as a nationalisation of housing policy (Murie, 1985). The council housing sector began to decline in size and became the government's largest single programme of asset sales. Cuts in expenditure had been made consistently since 1975 but the changes from 1980 onwards were much more dramatic. Public expenditure decisions were based on "what the country could afford" rather than on calculations of what was needed. Need itself was regarded as a moving target and the aims of policy were concerned with the promotion of market processes, incentives, choices, self-help and the redistribution of wealth through council house sales (Malpass & Murie, 1994). Alongside these housing policy developments a wider restructuring of the welfare state involved accepting the erosion of the value of universal benefits. Rather than benefits being adjusted to reflect the new approach to rents, increased recourse to means-tested benefit was accepted. At the same time support for home ownership was undiminished and the value of new discounts for council house purchase as well as tax reliefs increased. The separate treatment of housing within the welfare state became more striking.

A final phase of policy emerged after 1987. It related to further dismantling of the council sector through Tenants Choice, and voluntary transfers of stock on the initiative of councils. Alongside the Tenants Charter, a new emphasis on individual rights, the encouragement of tenant management, the favouring of housing associations, the emphasis on an enabling role for local authorities, and requirements for compulsory competitive tendering for housing management left local authorities unable to make the direct contributions of the past.

The British social rented tradition was very different from public sector housing in other countries. There was a strong political resistance to building flats and the professional prejudices worked in favour of planned communities

with rows of two-storey houses with gardens and open spaces for children to play in. It is because council housing consisted so significantly of these types of properties that the comparison with other tenures was not one between older dilapidated traditional dwellings in the private sector and modern, well equipped high amenity flats. Rather it was between older dilapidated properties in the private sector and modern more spacious traditionally built houses with gardens.

The status and image of council housing changed not just as a consequence of processes in the public sector but also because other tenures began to develop a more favourable image. The private rented sector declined to a level where it ceased to be the main comparator. The owner occupied sector, increasingly the flagship of the corporate welfare state, was no longer so dominated by older properties and transfers from the private rented sector. It was increasingly associated with modern, family housing on well serviced, suburban estates, with tax reliefs adding to a different pattern of payments and, increasingly, the advantage of asset appreciation. The image and reputation of council housing became increasingly tarnished. The experiment with high-rise and systems building considerably delegitimised the tenure and this was exacerbated with the ageing of early purpose built council housing, the increased significance of properties acquired in the process of slum clearance and improvement policies and problems of maintenance and repair. These factors introduced a new degree of differentiation in the council sector.

The role and image of council housing was also affected by social, demographic and economic change. The emergence of more complex marital and family cycle patterns and changing patterns of social inequality had a significant impact. The data demonstrate that the tendency for the council housing sector to cater for an increased proportion of the poor was well established before the mid-1970s (e.g. Murie, 1983). At the time the sector was sufficiently large and differentiated to mean that differences in bargaining power meant that the more affluent were in better quality housing.

As the characteristics of the supply of housing in different tenures changed and as the financial advantages associated with home ownership and access to that tenure improved it increasingly became the case that households which could buy did so. The profile of existing tenants was also changing. The first cohort aged and family structures changed while new tenants continued to be mainly young families with children. Wider demographic changes were affecting council housing, with more elderly households and lone parent households and a greater impact of household fusion and fission contrasting with the relative stability of household arrangements associated with long-term tenancies or housing for life.

By the early 1970s evidence about patterns of residential movement left little doubt about the tendency for inequalities in financial and other resources to contribute to different experience of the housing system (Cullingworth, 1965; Donnison, 1967; Murie *et al.*, 1976; Nevitt, 1966). With an owner occupied sector benefiting from a range of tax advantages, those who could buy increasingly did so. As the value of the major tax reliefs increased and extended to a wider range of income groups, and as the advantages of home ownership as a source and store of wealth became more apparent, this tendency was enhanced. At the same time the private rented sector was in continual decline. For those who were unable to buy, council housing was increasingly the only option. Accounts of the process of residential mobility established the tendency for households with

different resources to develop divergent housing histories. The interaction of the organisation and financing of housing, labour market career and family cycle events and experience sorted the population by tenure, location and dwelling (see e.g. Bassett & Short, 1979; Murie, 1974a, 1993; Murie *et al.*, 1976). In a period of full employment, then, the distribution of households in any age cohort was a product of socio-economic position and the housing position achieved at early stages in the family cycle. Subsequent adjustment was consistent with a movement of the more affluent to home ownership, but inertia or attachment to home and neighbourhood irrespective of tenure meant that not all cohorts responded equally to immediate circumstances and the pattern of current advantages in the housing market. Consequently, the council and private rented sectors continued to house many who could have taken advantage of the benefits of home ownership if they had moved house.

Consistent with the ongoing pattern of change, any snapshot social profile of tenures showed considerable social mix. There was no need to worry about segregation and concentrations of the poorest because the snapshot did not indicate a major problem. There was a failure to engage with how the system was changing, and consequently a failure to take action at an early enough stage. In some cases this failure may have been influenced by a view that changing patterns were not undesirable and resulted in better targeting.

Residualisation and Polarisation

The debate about the emergence of a more residual role for British council housing has tended to focus on two elements. First of all there is a policy driven debate which recounts the break in generous funding for council housing from the mid-1970s, cuts in investment and the introduction of the Right to Buy, rising real rents and a shift from object to subject subsidies and other measures which have had the effect of speeding the decline in the size of the sector and in changing its social role. Second, there are contributions which emphasise the impact of changing economic, demographic and social factors.

Debates about residualisation, marginalisation and polarisation have developed as attempts to summarise the way in which the council housing sector has been changing. In my view these different summary devices are not fundamentally opposed to one another and debating the merits of one or the other may seem fairly irrelevant. However, a recent contribution by Paris (1995) seeks to identify different underpinnings to these terms and argues that socio-tenurial polarisation is a more accurate and elegant formulation. This conclusion appears to be based upon a severely restricted reading of contributions concerned with residualisation and the neglect of those which have identified the very processes of demographic, economic and social change which Paris emphasises and of those which refer to changes in other tenures rather than policies towards council housing.

The strict interpretation of the notion of socio-tenurial polarisation implies the emergence of two poles (cf., Hamnett, 1994). As in the literature about occupational and income distribution it is possible to pursue this. While the evidence shows that the council housing sector has become less differentiated in terms of occupational and social mix and more exclusively a sector for the work poor including the elderly, lone parent households, long-term sick and disabled and other low-income households, it is difficult to argue that the owner occupied

sector has developed as an opposite pole catering more exclusively for the highest income groups. As the owner occupied sector has grown to a level where it dominates the market so, unsurprisingly, it has become highly differentiated. To this extent then the notion of tenure polarisation has limitations.

At the same time, the term 'residualisation' is used in different ways in the literature and there are some confusions associated with it. The use of the term grew out of earlier contributions referring to the changing social role of council housing (e.g. Harloe, 1978; Murie, 1974b, 1977). Some contributions emphasise policy changes designed to move council housing towards a residual welfare state model (Malpass, 1990). In others the term was used to draw attention to wider influences on the role of the council housing sector (Forrest & Murie, 1983, 1988, 1990; Murie, 1983, 1993; Murie & Forrest, 1980). These latter contributions did not refer to the existing position but rather to a direction of change—the sector was becoming more residual. The emphasis was on the longer term and strategic consequences if the pattern of change continued unaltered. Nor was the emphasis on reduction in the size of the sector. As Malpass notes the term residual related to the residual model of welfare provision presented by Titmuss (1974) and not to reduction (Malpass, 1990, p. 28) or the size or share of a tenure (Clapham & MacLennan, 1983). Nor was it argued that poorer sections of the community were exclusively moving to the council housing sector. Residualisation was not only affecting council housing and transfers of accommodation could change the association between tenure and poorer sections of the population (Forrest & Murie, 1986; Murie, 1987). One suggestion has been that the term 'marginalisation' is to be preferred to either polarisation or residualisation. This refers to the processes affecting households rather than dwellings. If it is dwellings that are becoming residualised it is the restructuring of the labour market which is producing a larger group of the population more or less permanently excluded from the labour force. It is this process of marginalisation which has sharpened the distinctions between and within tenures (Forrest & Murie, 1983, 1986).

The essential argument was (and is) about changing patterns of social and spatial segregation in British cities. Residualisation or marginalisation in specific parts of the housing market (including council housing) meant a pattern of residential concentration which had not been typical of British cities in the post-war years. Indeed, the literature on British cities had highlighted the differences between them and American cities, attributable partly to the significant role of decommodified housing. The argument essentially was that as the role of that sector changed and as other processes worked through the residential environment, so patterns of spatial segregation changed.

It has been argued that the pattern of residualisation was not clear by the mid-1970s. Holmans (1991) indicates that the government's Housing Policy Review, carried out in the mid-1970s, did not anticipate the pace of residualisation. It is certainly true that the extent of economic problems and volume of council house sales were not anticipated at that stage, and that these elements speeded the pace of residualisation. However, the social profile of the tenure had changed before 1976 and patterns of sorting between tenures leading to residualisation were already apparent. Even without the factors emerging in the 1980s rapid residualisation would have taken place. It is not unreasonable to suggest that the cautious view taken of existing data by the Housing Policy Review was as much informed by the existing agenda of policy-makers as

seeking to inform it. The likely impact on residualisation of the Right to Buy if unaccompanied by measures to offset the effect had been identified and influenced thinking at the time of the Housing Policy Review. However subsequently concern with social segregation did not influence policy development. Indeed, the issues associated with residualisation or the trend itself were denied by government and some other commentators (see e.g. Clapham & MacLennan, 1983; House of Commons, 1981). The enthusiasm for economically rational financing and pricing solutions was not accompanied by critical assessment of how they and existing policies, including the Right to Buy, would interact and affect the strategic development and social composition of the rented sectors (see e.g. Duke of Edinburgh Inquiry, 1985, 1991; Ermisch, 1984). What was taking place through benign neglect and active choice was a significant change in the role of the welfare state in housing.

The increasing concentration of low-income households in council housing represents a key element in patterns of urban social stratification. A striking pattern is apparent from the 1960s in both Family Expenditure Survey data and data on households receiving means-tested benefits. In 1963 the proportion of households in the bottom three income deciles who were council tenants was 26.3 per cent; it was 41 per cent in 1971 and 47 per cent in 1979 (Murie, 1983, pp. 187–188). In 1967 45 per cent of households in receipt of means-tested social assistance benefits (supplementary benefit) were council tenants. By 1971 this figure has risen to 52 per cent and in 1979 it was 61 per cent. During this period the proportion of the housing stock which was council housing had risen only very slightly—from 29 per cent in 1967 to 32 per cent in 1979. The greater proportion of lower-income households in the sector represented an increase in concentration in the sector rather than simply a growth of the sector. These figures demonstrate that changes in the social role of tenures had occurred before the overtly residual approach of the 1980s (see also Bentham, 1986; Hamnett, 1984). In the council sector there was a decline in the proportions of economically active heads of households, of multiple earner households, of higher-income households and in the level of car ownership. At the same time there was an increase in the proportion of households with no earners, non-married households, female headed households, households with older persons, single elderly households, persons aged under 25 and in lettings to homeless persons (Forrest & Murie, 1990; Holmans, 1993).

Council housing has been in numerical decline since 1980 as sales have exceeded additions to the stock. Council housing has a smaller role in housing the population as a whole. This declining role has been most marked among middle and higher-income groups leaving the sector with an increased role in housing lower income groups. By 1987 the council sector in the UK had sold over 1.5 million dwellings and had declined to provide housing for 25 per cent of all households. There was no decline, however, in the proportion of the poorest households housed in the sector. In 1987 the council sector continued to house 61 per cent of those in receipt of supplementary benefit. The Family Expenditure Survey shows that between 1980 and 1991, although the overall share of the social rented sector in the housing market declined, it housed a higher proportion of the lowest income decile and continued to house a considerable proportion of the next three lowest deciles. The dominance of social renting declined rapidly after the fourth decile. The pattern of change relates directly to the pattern of financial advantage associated with different tenures (Hills, 1991).

In some areas the only households becoming new tenants were those who were classified as homeless. New tenants in general were drawn disproportionately from those outside the labour market (Forrest & Murie, 1988; Prescott-Clarke *et al.*, 1988, 1994). Although low income new tenants will not always have low incomes, the prognosis for the sector continues to be about residualisation and a clear welfare housing role. The continuing existence of the Right to Buy, rising real rents and the low rates of investment in new housing in the sector seal the future.

The non-municipal arm of the social rented sector has had the same experience. The non-profit, voluntary, housing association sector has grown but still provides only 3 per cent of dwellings. Its tenants and new tenants have a similar profile to council tenants and recently concern has been expressed about creating ghetto estates (Page, 1993, 1994).

In the 1980s the coincidence of greater social inequality, of restrictions in new building by local authorities and of the Right to Buy has made the social profile of council tenants narrower. The receipts generated by the Right to Buy have not been reinvested in social rented housing. The Right to Buy has creamed off the best properties and the most affluent tenants. The implications of these changes for the spatial structure of the city are complex. The Right to Buy has produced more mixed tenure areas. The increased distinctiveness of tenures has not changed the characteristics of who lives on estates. Even over time and with resale area characteristics are unlikely to be as distinctive as the statistics on tenure indicate. At one time tenure based statistics were a guide to spatial patterns but they are less reliable for this now. However, there are estates with very low rates of sale which will have characteristics much closer to those of the tenure as a whole. Furthermore, in some of the estates where sales have occurred, the problems of resale are such that new purchasers are likely to be drawn from those with limited choice in the housing market or may indeed be private sector landlords.

The present position of the social rented sector in Britain then is one of a much narrower social base, with a much stronger association with those on the margins of the labour market than in the past. Arguments that there is a convergence of policy must be treated with some caution (Murie & Priemus, 1994). Except perhaps for Ireland, nowhere has adopted a policy equivalent to the Right to Buy on such a scale. Even if there is a convergence in terms of policy, it is difficult to sustain an argument that within Europe there is a convergence of outcomes (Murie & Musterd, 1996). There is a much more rapid movement in Britain to social segregation within the major cities.

Policy Influences

The Right to Buy has not been the only policy element speeding change in the council housing sector. Reference has been made to changes in patterns of investment. Had the opportunity been taken to use the receipts generated by sales to complete new building or acquisition on a scale comparable to that of sales under the Right to Buy, the impact of policies would have been very different. It is the combination of policies that is important. In this respect the other key element in policy has been changes in the subsidy system relating to council housing.

After 60 years of Exchequer subsidy the 1980 Housing Acts saw the most

serious attempt to change the framework for subsidy. It embarked upon a programme to push rents up closer to market levels and to reduce the costs of housing subsidy. In order to enable those on lower incomes to afford higher rents, a revised housing benefits system was introduced. This offered to meet 100 per cent of rental costs for those qualified, but operated with a steep taper such that households whose income rose found themselves losing benefit at a very rapid rate. Housing benefit in combination with other means-tested benefits available at low-income households had the effect of sharpening the marginal tax rates or benefit loss rate experienced by these households. Tenants on housing benefit were increasingly caught in a poverty, savings and incentives trap. Those who were not on benefit were faced with the choice between rising rent payments or generous discounts to purchase their house. While the latter outcome fitted with policy aims it increased the strategic concerns about residualisation. Government chose to disregard long-term arguments about the disadvantages of shifting towards means-tested benefits and put all of its emphasis upon a switch from object to subject subsidies—from Exchequer subsidy to council housing, to social security payments to individual households.

Because of the tradition of low universal benefits established after 1945, and because of the economic and other changes which had occurred since the mid-1970s, the effects of raising rents in Britain pushed a high proportion of tenants into a situation of dependency on means-tested housing benefit. Housing benefit has become more important as a support towards housing costs. In 1979–80 it accounted for 10 per cent of total government support for housing. By 1994–95 this had risen to 49 per cent. The shift from bricks and mortar to personal subsidy had improved targeting and helped keep down the cost of public support for housing, but had considerably increased social security costs. In 1994–95 total housing benefit expenditure in England exceeded £8.5 billion, of which half comprised rent rebates paid to local authority tenants and half rent allowances paid to private and housing association tenants. Over the last five years to 1993–94 rent rebate expenditure had risen by 8.5 per cent per annum in real terms, whilst spending on rent allowances had risen at an annual rate of nearly 26 per cent again in real terms.

In the mid-1990s around one-third of private tenants and two-thirds of local authority and housing association tenants are in receipt of benefit. This proportion has tended to increase over time as bricks and mortar subsidies have been reduced and among new housing association tenants the proportion on benefit is nearly 85 per cent. Rents in that sector have risen under the financial regime which requires them to raise more money on the private market. The changes in the housing benefit system mean that private tenants will not automatically obtain 100 per cent of their rent, even where their income circumstances would justify it.

The housing benefit bill grew partly because of the inadequacy of other benefits and partly because of the changes in subsidy systems within housing. What we have is a switch in the structure of the social security system to take the decommodified bricks and mortar element away and construct a social security system wholly in the form of benefit payments. The consequences of this have been serious. The Treasury and the DSS wanted to cut or contain social security expenditure. The implications of doing this by sharpening tapers was to increase further the poverty trap. The implications of not meeting full rent costs would be that increased homelessness would result. The resolution of this

situation (and the major crisis did not relate to the council sector, but rather to housing associations which had higher rents and to the private sector) has involved some limits on maximum rents to be paid and a renewed interest in bricks and mortar subsidy. The new White Paper on housing policy (DoE, 1995) emphasised the importance of social rented housing in providing affordable (i.e. submarket) rent accommodation to those on low incomes for whom owner occupation is not likely to be attainable. The White Paper concluded that the most cost effective way of ensuring people with permanently low incomes had a decent home was to give direct subsidy to landlords to provide social housing at rents below market levels. The aim was to stabilise local authority rents in real terms and to obtain a new balance between grant rates and rent levels for new housing association provision. There appears to be an acceptance of the need for some element of bricks and mortar subsidy in order to control the social security bill and have some concern for work incentives and the poverty trap. Bricks and mortar subsidies are a better platform from which to enable individual households with limited earning capacity to re-enter the labour market. A market rent system does not provide such a platform because the loss of benefit is so severe that it removes any gains associated with entering employment.

A New Social Rented Sector?

In the 1980s the housing association sector moved from being an unfavoured part of the social rented sector to being the answer to government's attempts to revive an independent or private rented sector. Housing associations became the preferred vehicle for the building of new housing to rent. Public expenditure was steered towards housing associations, partly because the financial regime would mean that additional private finance was levered into the system and more housing would be built for a given sum of public expenditure. Housing associations built actively in the late 1980s and early 1990s, but concern has been expressed that they have built smaller and poorer quality dwellings than previously and rents are much higher (see e.g. Karn & Sheridan, 1994; Page, 1993; Randolph, 1995). In some cases there has been no Right to Buy and assured tenancies do not have the same rights as secure tenancies. Differentiation within the social rented sector involves a new division between housing associations and local authorities.

In this context it is worth reflecting on some of the arguments which supported housing associations in comparison with local authorities. Housing associations in Britain are of mixed size, age and origins. They include a significant number of active, purposeful organisations which developed a reputation for vigorous, responsive management. They were not subject overtly to the politics of local government, and in the eyes of some commentators had a better record of management, albeit at higher cost. Ministers began to prefer housing associations and identified them as better managers than local authorities. The research evidence does not support this view (Bines *et al.*, 1993; Centre for Housing Research, 1989; see also Malpass & Murie, 1994). The studies of council and housing association management performance emphasise that different landlords are operating in different contexts and that they operate with different levels of expenditure. Taking these things into account the evidence does not establish that particular types of organisation are necessarily better than others. There

are examples of good and bad performance in each category of organisation. Nevertheless, in the politics of the 1980s local authorities were out of favour. Housing associations, from initially being tarred with the same brush, became the preferred vehicle for policy in the rented sector. But their future looks more uncertain. Caught up in problems related to housing benefit, it is not clear that ministers any longer regard them as preferred vehicles. The financial pressures on them have made them increasingly unpopular with tenants and applicants. They have been driven towards amalgamation and rationalisation. They have continued to experience periodic scandals associated with financial management, and their role in rehousing those in the most need has begun to identify them as landlords catering for poor people.

As a result of all of these pressures housing associations are just as likely to end up creating estates with concentrations of poor people; but their rents are higher and their public accountability less transparent. The political support cannot be taken for granted. However because they operate outside the framework of the public sector borrowing requirement they have capacity which is not available to local authorities.

Management Matters

It is valuable to reflect upon some other aspects of the debate about the organisation of the social rented sector. The first of these has been the tendency to attribute too much importance to management arrangements. There is a strong lobby which asserts that smaller housing organisations are responsive and more efficient and local management decentralisation and management initiatives are the key to solving the problems in the social rented sector. Much of this case is based on assertion or anecdote rather than on systematic research evidence. Some research has been carried out by those directly involved in managerial initiatives and starting out with stated convictions about the sources of problems and the intrinsic superiority of certain types of management regime (e.g. Power, 1984, 1987). Such research has not been designed to test whether these convictions are justified. The attempts to produce systematic research have failed to demonstrate that different types of management regime make very much difference (Hope & Foster, 1993; Glennerster & Turner, 1993). The overwhelming weight of economic and social change drives the significance of management regimes out of the picture.

More importantly, the tendency has been to present artificial dichotomies in relation to management. For example, those who emphasise estate based management tend explicitly or by implication to suggest that large housing authorities are inherently inefficient and badly managed. But there are clear advantages associated with large housing organisations in the social rented sector in Britain. Many of the authorities which have managed most successfully to develop strategies to deal with homelessness or to innovate are those which have large staffs with an ability to specialise and to invest in the development of new policies. Cities such as Birmingham or Glasgow are much stronger influences on the development of national policies than central government is on their new initiatives. Small housing organisations, local authorities and housing associations with very limited staffing and resources are not noted as sources of innovation and often struggle to provide specialist provision. Unfortunately the analysis is presented as related to the performance of small

responsive organisations and big incompetent bureaucracies. In reality these are not the only choices available and many others could be developed. There are possibilities of decentralised or federal structures under the umbrella of larger housing organisations which can benefit from the economies of scale which have marked some providers and maximise the merits of decentralisation. There is a danger that the account of where the problems lie reflects presuppositions, relates to the wrong framework and diverts attention from the impact of demographic, economic and social changes and the nature of welfare state provision.

Perhaps the most striking example relates to Northern Ireland. The housing policy review document published in 1995 in Northern Ireland picking up the issues in the housing White Paper applying to England and Wales is entitled *Building on Success* (NIO, 1995). It emphasised the achievements of what is the largest housing authority in the UK. It emphasised the advantages of maintaining the integrity of that organisation, of avoiding its fragmentation and of increasing and widening its role rather than restricting it. Its success relates to fair and equal treatment and a wide range of measures of performance in housing provision. Three different Housing Executive offices have won the government's much vaunted Charter Marks in successive years. One department of the British government is concluding that a very large public sector bureaucracy is the best protection for the achievement of objectives in relation to housing, while another government department has consistently denied the need to preserve the role of local authorities in housing provision and asserted the overwhelming merits of other landlords.

Future Stock

The final section of this paper considers the way in which the social rented sector may develop in Britain over the next decade. While this depends on political factors, the framework of taxation and public expenditure and the performance of the economy is likely to determine the fundamental pattern. Governments will not contemplate significant increases in public expenditure unless economic growth facilitates that. The pressures of competition for inward investment have resulted in an overwhelming concern with wage costs which include taxation and benefit costs and, consequently, with public expenditure. The view is that in the long run higher public expenditure will damage economic growth and the consequences of such damage will be greater than the benefits achieved through public expenditure programmes.

Shifting housing provision to the private sector and away from the public expenditure calculus has been achieved through the operation of the Right to Buy and through the large scale voluntary transfer of the public sector housing stock to housing associations. By 1995 over 40 local authorities had transferred their stock into the private sector and ceased to be landlords. These have mainly been smaller rural authorities whose housing stock has had a positive value and who have been able to sell that stock, write off the outstanding debt on their housing and be left with a capital receipt which they can use for other purposes. The purchasers have been newly formed housing associations able to obtain private finance.

Some general problems have arisen with a strategy to further increase private finance of housing. The first relates to the unprecedented duration of a crisis in

the home ownership sector in England. Since 1990, following a boom in house prices, the market has been operating at a low level of transactions with falling house prices and with continuing high levels of arrears and repossessions. A new problem of negative equity has affected a considerable section of the population. These problems have not been relieved over a period of more than five years in spite of falling interest rates and falling housing costs associated with them. Rates of new building for private ownership remain at a low level historically, and the assumption from 1980 that the restriction of public sector activity would create the environment in which the private sector would prosper has not materialised. The second relates to the private rented sector. In spite of a succession of attempts to revive it through deregulation and increased financial incentives it has shown only a slight increase in size. Some, if not all, of this growth is attributable to the problems in the owner occupied market, and there is an assumption that if and when the owner occupied market revives some of the properties in the private rented sector will immediately be sold for owner occupation. This implies that there is an artificial inflation of the size of the private rented sector. After 16 years of encouragement of private renting there is no evidence that there is a class of people or organisations enthusiastic about investing in that sector and a view that the British private rented sector would either continue to diminish in size or would stabilise at a very low niche market level appears justified.

So we have a dilemma. We have a social rented sector with no capacity to expand through public expenditure and we have a private sector which is unlikely to expand. If it does expand it is unlikely to expand to cater for low-income groups, especially in view of the changes to the housing benefit system which removed the capacity for private landlords to increase rents and to rely upon these rents being covered by housing benefit payments. What then happens to lower-income households, especially those which are not yet in the housing market? What happens to homeless people? What happens to those coming out of institutional care under the Community Care policy? What happens to new households? What happens to those who lose their jobs or cannot command a mortgage? One view would be that they will compete for a diminishing stock of housing in the rented sectors with increases in overcrowding, in sharing and in multiple occupation with increased potential for exploitation by landlords and with local authorities less able to match properties with people. An increasing proportion of the local authority stock are flats rather than houses with gardens and the tradition of not housing families with young children in flats will increasingly have to be abandoned. Local authorities will have a flow of re-lets and they and housing associations will still be able to meet some portion of the need. New legislation has reduced the rights of homeless households, but local authorities and housing associations will continue to house largely the same categories of people.

In this scenario there will be very little new building and a lack of capacity to invest in the existing housing stock which is increasingly older and defective. Local authorities could finance this investment through raising rents. However, this has effectively been prevented by government setting a ceiling on rent rebate payments so that if rents rise above the level set out by the minister, there will be no subsidy paid in respect of such rent increases. The local authority would have to balance its books by cross-subsidising the rents of those on benefit through the rents of those not on benefit. The outcome is difficult to contemplate

and, with the Right to Buy still extant, would simply drive more people who are not on benefit to buy their property.

The fundamental question is about how to get more money into the public sector without increasing public expenditure. The position of the social rented sector within the public sector then becomes the main target for concern. It is argued that it is because the social rented sector, or at least the council housing sector, is constrained by the public sector borrowing requirement and the public expenditure planning system, that we are at an impasse. The solution is to take council housing out of the public sector.

The most active debate about the future of council housing in Britain is therefore about the development of Local Housing Companies. These are companies which would be in the private sector. They might have a minority local authority participation in them but they would be able to borrow money on the private market. The model is not the same as applied with large-scale voluntary transfers. Neither this model nor a local housing companies model which left local authorities with some degree of control are so obviously easy to apply to the large urban authorities which dominate social rented housing in Britain. There are a number of issues involved. First of all, in some cases there is such a backlog of repairs and maintenance that there is a negative value associated with estates. In 1996 the first round of the Estates Renewal Challenge Fund involved the transfer of some 29 urban estates (18 934 dwellings) to private landlords—local housing companies or housing associations. But in order to facilitate this transfer and provide the environment in which the private sector would finance such transfers central government was spending in excess of £300 million. There is a dowry payment required for government to achieve the translation into the private sector. From the Treasury's point of view this is not altogether attractive. A cheaper option is to leave them where they are. More fundamentally, the consideration of financial institutions in deciding whether to finance such stock transfer relates to the security of the stock at vacant possession. This essentially relates to whether or not there is a market for sale to home owners.

In many parts of the council housing sector it is apparent there is not a market for home owners. There is an existing problem where flats in multi-storey blocks and non-traditional dwellings have been sold under the Right to Buy, that the owners cannot find purchasers for these properties. What is likely to happen in this situation is that there will continue to be large-scale voluntary transfers of desirable housing stocks outside metropolitan areas in towns and villages. There will also be the sale of selected estates within larger urban authorities, but these are likely to be estates which are of traditional dwellings where the security of the stock is acceptable. But in small programmes of transfer the risks of miscalculation on the cost of catch up repairs is greater. Unless (and even if) dowry payments are forthcoming financial institutions will not be enthusiastic about large parts of the least desirable council housing stock. Housing associations' own position in becoming the managers and owners of these kinds of properties will also be restricted as their environmental changes.

The future of the social rented sector fits somewhere between two points on a continuum. The first of these points is a situation where the council housing sector and the housing association sector are largely as they are at present (although there will be some movement from the council sector to housing associations). There will be limited capacity for new development and although

energies will increasingly go into management, maintenance and repair capacity to make inroads into the backlog will be extremely limited. There will be a declining standard of housing as a result of this and this will be concentrated in certain areas. Residualisation will continue in terms both of social profile and in terms of the quality of the remaining stock. The second point on the continuum is one where there would be a massive transfer of council owned accommodation to housing associations and to a new generation of local housing companies. Both of these would be located in the private sector and have access to private finance. They would raise rents with implications for housing benefit expenditure. Through this they would make up the backlog of repairs and be able to maintain the quality of accommodation in a satisfactory way.

The likely future of the social rented sector in Britain lies somewhere between these two poles. It does mean that some of the initial characteristics of council housing are likely to have passed on and will be very difficult to recreate. These will include local authority control; the dominant role of traditional houses with gardens; the high standard and quality of a modern housing stock; the considerable degree of social mix; opportunities for transfer to new dwellings; and movement within the social rented sector without loss of rights or higher rents. The sector will be attractive only to people who are on benefit or have no choice elsewhere in the market. Turnover will often be high especially in the least desirable properties. In some cases the role will change to a (desirable) transitional role in catering for people moving between different forms of permanent accommodation. The uncertainties relate as much to what happens in owner occupation as elsewhere, but in terms of convergence with other European countries the pattern may appear to become more similar as the social rented sector develops an organisational, financial and ownership structure more comparable with that in other countries. The legacy will be one of much greater social segregation than applies in those countries.

Conclusions

Housing problems and policy debates in Britain in the 1990s have very different elements from those which dominated most of the century. Problems of unhealthy housing, of overcrowding, of unfit and slum housing and housing lacking modern amenities, of gross shortages of adequate housing and of insecurity and exploitative landlordism had been radically transformed (although not completely eliminated) by the mid-1970s. Any account of these changes identifies the impact of public policy and the role of local authorities and new towns in building high standard housing for rent and purchase as of key importance (Lansley, 1979; Murie, 1983). The British experience in these respects has similarities with other advanced industrial economies. The driving forces for developing policies to improve housing conditions were not simply about recognising and meeting needs, and did not result in the same approach in all countries (see e.g. Harloe, 1989, 1995; Pooley, 1993). Nevertheless, and especially in the Northern and Western European democracies, a substantial non-profit rented sector was developed. The British approach to non-profit housing was unusual because it placed the dominant role in the hands of local government. Elsewhere it was more common to use non-statutory agencies—although often with local authorities having a strong direct or indirect influence.

The dwellings which were built were predominantly traditionally constructed

houses with gardens designed for working-class families and those seeking to rent. They represented dramatic improvements on what was generally available elsewhere in a declining private rented sector and formed a privileged sector of the housing stock over which there was considerable competition to gain access. At this point council housing can be presented as having attributes which promised a sustained and successful role: it formed a key element in the welfare state in the attack on squalor and through low rents in social security strategies; it provided a high standard and highly valued service at rents which ordinary households could afford; it involved a level of development which could be adjusted in the light of macro-economic circumstances and economic management; it involved a pattern of development which took account of local housing needs and of local planning policies and was accountable to elected local representatives; it largely involved private sector contract construction and provided a source of stability for the construction industry; as the sector matured it had an increasing capacity for pooling of costs or cross-subsidy between older properties with limited outstanding debt related to historic costs and properties burdened by the high debt associated with new building; because of subsidy systems and pooling arrangements the sector was successful in breaking the association between low income or other measures of social disadvantage and poor housing; and as the sector developed a mix of properties and catered for households with different housing needs associated with different and changing circumstances it had the capacity to develop active transfer and exchange strategies and to manage housing to achieve efficient use of the stock and meet the choices and preferences of tenants.

The potential for the council sector, as outlined above, was not always realised and council housing could be a source of disadvantage and exclusion. Local housing authorities were often slow to recognise the potential for policy change and to respond to criticisms of their approach. But at the point where the greatest potential for such change was being created municipal housing lost favour. It has not formed the key element in the development of British housing since the 1970s. Rather than regarding the council sector and the energies and experience associated with it as assets, policy-makers in the 1980s have sought to dismantle the sector and have seen the electoral, fiscal and individual choice or exit potential of dismantling the sector as more compelling than any opportunities foregone. As a result council housing has come under attack and policy changes have changed the sector in ways which leave it with fewer strengths and less likely to attract political support. Changes which have been partly justified by the shortcomings of council housing have had the self-fulfilling effect of confirming and adding to shortcomings.

The danger of accounts of policy change are that they implicitly suggest that these changes form the key to understanding changes in the sector. For council housing changes in policy have been very important but the nature, role and demand for council housing changed significantly as a result of other processes. These affected the political support for the tenure and interact with policy changes to determine the continuing role for local authorities in housing provision. Rather than housing policy or management being the major determinant of changes in housing, it is changes in population size and structure, changes in employment and the economy, and changes in taxation, public expenditure on welfare and economic strategy which have had most impact. Increasing social inequality and the end of an era of full employment have had major consequences

for council housing. The move from decommodified housing provision has been in line with market ideologies but has exposed the extent to which the welfare system incorporated such decommodification. Changes in housing have exposed the problems of the welfare state and exacerbated issues of social segregation, the poverty trap and social inequality. At the same time, and partly through the same processes, the security of the home ownership sector has been undermined. The failure to appreciate fully the embeddedness of housing within other social arrangements is presenting new problems for housing, the wider welfare state and the economy.

In this paper emphasis has been placed on the relationship between housing and the wider welfare state. The relationship between the tenure structure, rents and benefit levels has received less attention in the literature than is merited. In the early post-war period the majority tenure was private renting and rents were controlled. Benefit rates were determined in the light of this and housing was a key element in a welfare regime which included important elements of decommodification and redistribution. This structure was affected by tenure change, decontrol of rents and by demographic, social and economic change. The growing preference for home ownership involved a further element changing the position of housing and of social housing in the welfare state. The 1980s saw a further series of changes in policy towards the management of the economy and the welfare state, and the combination of these and other factors have left social rented housing as a key element within an increasingly residual welfare state. It is both a product of the wider welfare system and a contributor to it. The issues related to poverty and savings traps reflect the current interaction between rents and benefit systems and are the product of a series of changes resulting in a very different regime than in the 1940s. At the same time the economic orthodoxy and definitions of public expenditure have called into question the possibility of responding to the problems within council housing without further fundamental reorganisation and transfer out of the public sector.

This account of the British experience has implications for the way that we analyse and explain changes in housing and refer to its social embeddedness. It does not exhaust the agenda which we need to address. In conclusion it is appropriate to refer to its implications for international comparisons and debates about convergence. If national policies and practices are seen to be less important than wider demographic, economic and social changes then there is more support for a convergence of pressures on housing in different countries. Within Europe these wider changes and the direction of change are similar. However we should not take the argument too far. The changes are not the same. The systems which are responding are not the same. Even if the direction of change is similar the pace of change is likely to be very different. The outcomes in terms of what kinds of tenures, choices and systems of housing provision exist for people living in different countries may become less rather than more similar.

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