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City divide

Fighting Urban Inequalities

Edited by
Tommaso Vitale



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Knowledge building of housing affordability vulnerabilities in Europe

*Marietta Haffner*¹

I aim to present developments in housing affordability of citizens in Europe based on Eurostat (EU-SILC) data. I discussed different housing affordability dimensions as well as complexities proposing that knowledge building at different governance levels (project, city, national) will be crucial in order to work towards effective solutions. Starting with knowledge about outcomes and combining this knowledge with (negotiated) desired policy objectives will help to move from the current situation to the desired one (Schneider & Univ. of Basel New Media Center 2021).

Background

Housing affordability is back on the agenda in many countries and particularly in cities that are doing well economically (Haffner & Hulse 2021) as recent citizen and student housing protests show in Italy, Ireland, Portugal, the Netherlands, among others.

¹ The video interview with Marietta Haffner is available at the following link: <https://youtu.be/RVwq7logq2c>

Housing affordability problems

Affordability problems in the European Union (EU) have been identified in the study of Krapp *et al.* (2022) as rent and price increases in some (urban) areas, as well as the lack of affordable and social housing. Moreover, household energy poverty has been named by policy makers: relatively higher energy costs, which potentially push households into poverty. Furthermore, of the EU population with a lower income (the so-called at-risk-of-poverty population), 20% were in arrears during the last 12 months, while this was seven percent of those not at-risk-of-poverty (Eurostat EU-SILC data for 2022).

In many EU countries, households are potentially confronted with housing affordability problems, given a so-called financial overburden, i.e., paying more than 40% of their income on housing and energy costs (Krapp *et al.* 2022; Eurostat). The affordability vulnerabilities can be specified further with Eurostat EU-SILC data for 2022, as Figure 1 shows. Of the EU-population this was over nine percent, while in 2020 this was almost eight percent. Furthermore, those living in cities, more than 11% were calculated to have a housing cost overburden in 2022, while of the population paying market rent the housing cost overburden amounted to more than one in five (almost 21%). For the at-risk of poverty population (Eurostat), more than one in three (34.2%) were confronted with a housing cost overburden in 2022. Last, but not least, EU-SILC (Eurostat) data show (not in Figure 1) that the young adults in many EU countries increasingly remained living at home, while they also increasingly moved into private/market renting (Dewilde & Haffner 2021, also based on EU-SILC calculations).

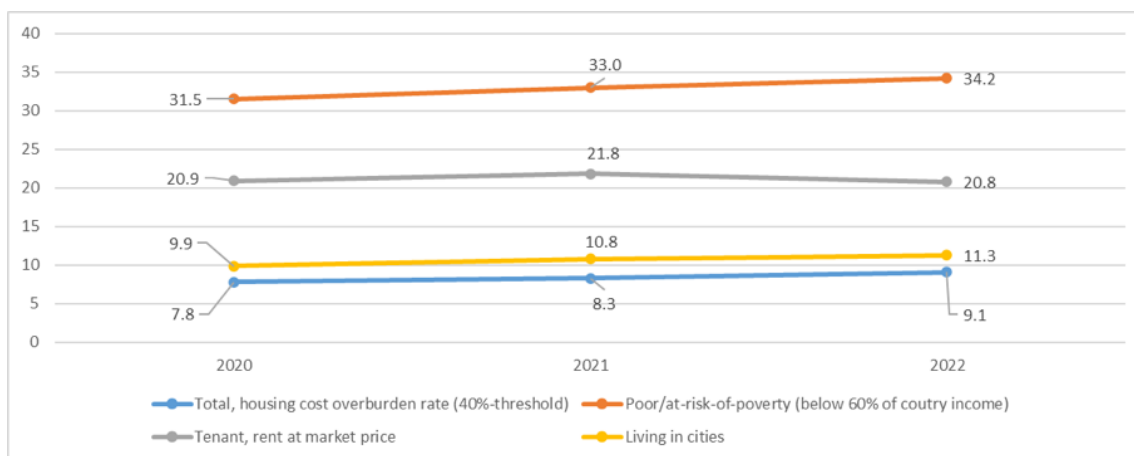


Figure 1 – Housing affordability: housing cost overburden rate by different groups (%), 2020-2022. Source: Eurostat - EU-SILC data, 27 countries, cross-sectional, series breaks.

Note1: “The housing cost overburden rate is the percentage of the population living in households where the total housing costs (‘net’ of housing allowances) represent more than 40 % of disposable income (‘net’ of housing allowances).” (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Housing_cost_overburden_rate).

Note 2: “The at-risk-of-poverty rate is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers.” (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At-risk-of-poverty_rate#:~:text=The%20at%2Drisk%2Dof%2D,disposable%20income%20after%20social%20transfers.).

Note 3: Averages for all EU-countries ‘hide’ the distribution across the EU and within countries.

Housing affordability dimensions and complexities

To tackle housing affordability, a number of dimensions and complexities need to be clarified. First, to determine what affordable is, a norm/standard is needed for the relation between housing cost and household income, while it also helps to know about the quality of the housing, whether society considers this adequate/decent (MacLennan & Williams 1990). Next to ‘adequate quality’, also the ‘availability’ and ‘accessibility of housing’ impact on the possibility to move into ‘affordable housing for a household in question’ (Ayala et al. 2019; Heckman & Rastigi 2023).

These different A-concepts will relate to the policy objectives that will impact on housing affordability; e.g., housing as a human right

versus other aims (Iglesias 2008). OECD (2021) for example distinguishes between three main housing objectives: sustainability, inclusiveness and market efficiency. Housing affordability is 'housed' in the overlap between the latter two objectives.

Another complexity relates to the types of policy to counter housing affordability problems. On the one hand, this depends on the causing types of cost components that make up the affordability measure, such as rent or mortgage cost, energy cost, and/or insufficient income (Haffner & Hulse 2021). Considerations about commuting costs may also be considered relevant in the case of housing affordability (Lucas 2012).

Finally, another complexity around housing affordability are the different types of actors involved and their orientation: formal/informal, public/private and non-profit/for-profit (Pestoff 1992). Some are more likely to provide affordable housing than others. Exchanging and bringing together knowledge about the context of housing affordability and relating the housing affordability challenge to the policy objective(s) will aim to facilitate generating a solution for the challenge.