



Social housing in Italy: old problems, older vices, and some new virtues?

Teresio Poggio (corresponding author)

Free University of Bozen-Bolzano
Faculty of Economics and Management
Piazza Università 1, 39100 Bozen-Bolzano (BZ), Italy
contact@teresio.net

Dmitri Boreiko

Free University of Bozen-Bolzano
Faculty of Economics and Management
Piazza Università 1, 39100 Bozen-Bolzano (BZ), Italy
Dmitri.Boreiko@unibz.it

Abstract: *Social housing in Italy, its historical and recent developments, and its critical issues are discussed considering both the pre- and the post-crisis period. The main effects of the crisis of the Italian households and the background of tougher housing problems are also analysed. An analytical review of the main policy tools implemented before and after the crisis is provided, with a special focus on the new models of intervention. It is not clear how the housing needs of low income households will be addressed in the near future. Traditional public-managed social housing has been left with insufficient resources while the newly built affordable housing sector is mainly targeting mid-income households. Several new policy tools have been deployed and billions of euros invested. Nevertheless, it is still difficult to observe a consistent strategy addressed to increase the level of social protection in the housing domain, besides the conventional management of “emergencies”.*

Keywords: economic crisis; housing policy; Italy; social housing.



Background

Only one fifth of the Italian households live in rented dwellings: 16% in the privately rented market and 5% in the public sector, which include social housing (4%). Still, homeownership is the dominant tenure (68%) widespread among all social strata (Table 1). When considering housing exclusion, most recent estimates show that at least 50,000 people are homeless – the majority of which are foreigners, the incidence of this problem has recently worsened (Istat 2015).

The expansion of homeownership was due to several factors, including a historical policy bias towards such tenure, and a very important role of the family in the production, financing and transfer of homeownership (Baldini and Poggio 2014). The lack of adequate alternatives offered by the rental market is another important factor.

Since the 1990s, access to homeownership has become less affordable and more market-driven but households continue to “prefer” this tenure because the rental market has undergone similar transformations. In addition, banks have been offering more favourable mortgage conditions. Financial vulnerability, however, has emerged as a new problem for homeowners, especially following the crisis (ibid.).

The rented market was subjected to different forms of control after World War II. A comprehensive “fair rent” regime was introduced in 1978 but it led to the collapse of the sector. The rental sector was progressively liberalized during the 1990s, which made more dwellings available for rent but also worsened affordability problems: rents have increased dramatically after the liberalization and today low-income households are more concentrated in the rental sector than in the past (Baldini and Poggio 2014). Most of the ones who could somehow accede to homeownership have in fact taken this chance. Immigrants also tend to be concentrated among low-income households and renters.

Rents are now freely set and the overall level of social protection in the sector is quite low. Specially “agreed upon tenancies” may be undersigned – on a voluntary basis – with rents a bit lower than market values and with a few tax incentives for both landlords and renters. A national housing allowance scheme was introduced in 1998. It only covers a minimum share of tenants and its compensatory effect is definitely modest (Baldini and Poggio 2012).

The social housing sector is small and it is currently organized in three main segments: (a) the traditional public housing, still accounting for almost the whole sector; (b) a new Integrated System of Funds (SIF) - based on public-private financing - aiming at developing an affordable sector to target mid-income households, which has been developing over the past decade; (c) the emerging non-profit sector. We use this distinction, even if both SIF and non-profit initiatives are currently – and inappropriately - referred to as “social housing” in Italian to distinguish them from ERP.



Historical developments and legacies

A public policy for social housing was developed at the beginning of the twentieth century as a conservative response to mutual aid and local initiatives promoted by labour movement organizations and socialist-led municipalities. The explicit aims were: (a) improve living conditions; (b) subtract housing as an area of consensus for the labour movement; (c) promote homeownership as a solution to the ‘social question,’ aimed at building a petty proprietors society. Thereafter the idea of owner occupation being a solution *for-almost-everybody* has always spurred public debate and surfaced on the political agenda (Poggio 2012).

Affordable housing schemes were developed in the early decades of the twentieth century and during the fascist regime by supporting compartmented cooperatives and public organizations. They especially targeted key workers and households resettled according to internal migration policies. A large scale national social housing plan was developed in 1949: the Ina-Casa plan. Its main aims were to spur employment in the building industry, recapitalize the firms in the sector, and address housing shortages. The fund *Gestione case per i lavoratori* (Gescal) was established in 1963 as the successor of Ina-Casa. It was financed through a compulsory contribution system for employed workers and their employers.



Table 1: The Italian housing system and policy: selected indicators by year (1995-2014)

	Year									
	1995	1998	2000	2002	2004	2006	2008	2010	2012	2014
Housing tenure										
<i>All households</i>										
Private rent	19.4	18.9	17.4	16.4	16.8	16.6	17.6	16.9	17.3	15.5
Public/social rent	4.3	3.8	3.5	4.5	4.9	4.3	3.8	4.2	4.5	5.2
Homeownership	65.5	66.5	69.0	69.0	68.1	69.1	69.3	68.7	67.4	68.2
Rent-free, usufruct	10.8	10.8	10.1	10.1	10.2	10.0	9.3	10.2	10.8	11.1
All tenures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(n)	(8,135)	(7,147)	(8,001)	(8,011)	(8,012)	(7,768)	(7,977)	(7,951)	(8,151)	(8,156)
<i>Low-income households ⁽¹⁾</i>										
Private rent	32.2	30.5	27.9	28.6	27.4	31.1	37.2	39.6	39.7	34.4
Public/social rent	10.3	9.5	9.6	13.2	15.5	12.6	12.4	13.2	13.3	18.2
Homeownership	45.3	46.5	51.7	47.4	44.0	47.1	41.0	35.1	34.8	33.6
Rent-free, usufruct	12.2	13.5	10.8	10.8	13.1	9.2	9.4	12.1	12.2	13.8
All tenures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(n)	(1,439)	(1,248)	(1,422)	(1,355)	(1,273)	(1,248)	(1,229)	(1,225)	(1,220)	(1,203)
Low-income households ⁽¹⁾										
<i>Unaffordability index ⁽²⁾</i>										
Among private renters	37.0	44.1	49.2	56.0	58.5	61.5	64.5	70.6	73.8	73.7
Among social tenants	10.0	21.9	13.6	15.4	12.8	8.4	17.4	19.5	21.3	20.0
Degree of targeting ⁽³⁾	43.7	45.6	49.3	52.0	52.8	50.5	54.6	52.3	48.6	57.9

Notes: ⁽¹⁾ Households are classified as low-income if their members are among 20% of people with the lowest individual equivalent income (the threshold was set at €9,093/year for 2014). Individual equivalent income is analogous to the per capita income but household's members beyond the first member count are less than one in the denominator, in order to account for economies of scale. The modified OECD scale is used here: the first member counts 1, any other adult above 13 counts 0.50, any other child below 14 counts 0.30. ⁽²⁾ Percentage of households with a rent-to-income ratio over 0.20 among low-income households in the private rented sector and in the social housing sector, respectively ⁽³⁾. Percentage of low-income households on all households in the social housing sector.

Source: Elaborations on data from the Bank of Italy's Survey on Household Income and Wealth.

The two schemes' output was substantial: about 800,000 dwellings were built in the period 1951-1970 (Padovani 1996). However, a large share of the newly built dwellings were sold for owner occupation. Several right-to-buy schemes have also been implemented afterwards to the



benefit of sitting tenants. For example, Padovani (*ibid.*) estimated that 850,000 public dwellings were privatized over the period mentioned. The latest privatization scheme was approved in 1993 and led to the privatization of one fifth of the remaining social housing stock (Federcasa 2015).

Gescal was abolished in 1998. No mechanisms for a permanent dedicated funding have been created after 1998, other than the possibility to use Gescal residual funds that have been exhausted by the regions active in the field (*ibid.*).

Critical issues in the public housing sector

According to Federcasa, the national umbrella organization within ERP, about 742,000 dwellings are currently rented by affiliated social landlords. Other 50,000 dwellings are in the process of being privatized to the benefit of sitting tenants (*ibid.*). Demand for social housing is dramatically high: about 650,000 households were queueing for a dwelling in 2015 (*ibid.*), notwithstanding the tight eligibility criteria.

The ERP sector is affected by several problems. The first is certainly the already-mentioned lack of constant resources to be used to up-keep and refurbish the existing stock, not to mention the required expansion. Cuts in public investments cumulate with other financial issues. It should be stressed that the traditional rent-setting model raises financial sustainability issues. It operates by setting a rent to cover costs, to later discount it according to the tenants' income. This model is not sustainable without a constant and consistent flux of resources to cover both the investments and the indirect subsidy that is provided to sitting tenants through said discount - either as subsidies to the social landlords or as a mix of the latter and housing allowances to tenants.

Privatization plans were presented as a way to finance the expansion and the refurbishment of the existing stock. In fact, dwellings are sold far below their market value and each new dwelling needs resources from the sale of 3-4 (*ibid.*). Even the taxation of public housing organizations is less favourable than the one applied to homeowners and private landlords: about 30% of the rents – which are the main revenue of the social landlords – is due in taxes (*ibid.*).

Other problems undermine an effective and efficient management of the ERP segment. Various types of public entities – including private companies owned by public organizations – operate at a supra-municipal level of governance and own, manage, and develop most of the ERP sector. The lack of plots of land for new constructions is one of the problems they have to deal with. In many cases, either plots are not provided by local councils because they do not want to “import” low-income households from other areas, or new social housing settlements are placed in areas that are not well integrated in cities in terms of transport and accessibility to services. The concentration of economic and social problems – related to the allocation criteria - in these types of areas has contributed to design social housing estates as neighbourhoods with troubles.

Another important issue is the target. In principle, given the small size of this sector, social housing allocation should be targeted to the ones who need it the most. In practice, several –



partially conflicting - criteria have been used: income, social or health problems, age, need to leave a dwelling because of an end-of-lease eviction. In practice, household means were tested only in the moment in which the flats were allocated, without taking into consideration subsequent possible changes. Nowadays targeting seems to be more efficient at least in economic terms: 58% of social housing tenants are low-income households (Table 1). Annual means tests and rent adjustments have also become quite a standard in the sector.

On the other hand, this progressive improvement in targeting has increased the residualization of this sector, where low-income households – and the ones affected by various social problems – are more concentrated than in the past. Therefore, the mentioned problems of financial sustainability have worsened for social landlords given their need to keep rents low.

Arrears are a major problem. Low-income tenants are increasingly facing affordability problems even with the low social housing rents, especially after the crisis. “Fuel poverty” is also a big issue in this sector, since most of the public stock is definitely not energy efficient which results in high utility costs (Federcasa 2015). There are also segments of sitting tenants who simply do not care about paying their rent and utilities bills. Finally, the quoted problems related to the management of the dwellings lead also to protracted periods of vacancy, increasing the risk of squatting. About 6% of the stock in this segment is currently squatted (ibid.).

Impact of the crisis on households

The main consequences of the current crisis include higher unemployment and lowered earnings for working individuals. Household economic capabilities have been significantly reduced: on average, the disposable – i.e. post-taxes and compulsory contributions - individual equivalent income (OECD-modified scale) has dropped by about 15%, in actual terms between 2006 and 2014 (Banca d’Italia 2015).

When considering all households, no big changes have appeared evident in the distribution of housing tenure during the past twenty years (Table 1), except for a slight reduction of the share of renters in the private market and a slight increase in the homeownership rate. Important changes, however, have been taking place among low-income households. Two trends are clearly outlined. Firstly, there was a slight decrease in the importance of private rents during the first decade considered, i.e. during the liberalization period. A slight increase in both the homeownership rate and the share of households in the social rental sector mirrored the first trend. A second and opposite trend becomes also evident in the post-crisis period: homeownership rate has rapidly declined and the share of households in the more accessible rental sector – has risen again.

Affordability has emerged as the big issue of the Italian rental sector as a result of both liberalization and the crisis. If spending over 20% of the household disposable income is assumed to represent unaffordability for low-income households, it is possible to see that almost three quarters of low-income Italian renters in the private sector cannot afford paying their rent. While at the beginning of the new millennium “only” one half of low-income private renters were to be found in this situation (Table 1).



Available macro data on evictions (for the total rented sector) also confirm the problem. Approved arrear evictions doubled with the crisis: growing from 33,768 in 2005 to 69,250 in 2014 (Ministero dell'Interno 2016).

Policy responses to the crisis

The crisis has also had profound effects on social housing policies in Italy. Social expenditures, not being on the priority list of the government, were severely cut and - as discussed – the same survival of the traditional ERP segment is at risk. Even maintenance of the existing stock is a big issue. In the years 2014-2017, the government has allocated €69m and €400m for upkeep and extraordinary repairs respectively, but these funds are far from being sufficient and thousands of dwellings are not allocated because of the need of upkeep or for being unfit (Federcasa 2015).

The housing allowance scheme, co-founded by the government, regions and municipalities, had undergone a complete dry-up of funds, decreasing from the state's annual contribution of over €300m in the early 2000s to below €10m in 2011, up to no funds at all in the years 2012-2013. The regions and the municipalities were left alone to struggle with the increased demand for housing allowances given the dragging adverse economic situation in Italy in the recent 5 years. The situation somewhat recovered in the years 2014-2015 when the state fixed its contribution at €100m per year (CDP 2014).

New policy tools have been implemented. A national fund dedicated to support households in the process of being evicted for arrears, was set up in 2013. Low-income households unable to pay their rents because of an objective reduction in their economic means may benefit of a maximum of €8,000 (€12,000 from 2016) - to pay their debts. Ideally, this should help them continue their tenancy. The scheme is operational in municipalities with major housing problems. National resources allocated to this fund were more than €30m in both 2014 and 2015, and have been increased to almost €60m in 2016, but the plans for 2017 and the next few years are to reduce funding.

A few other measures have been adopted in order to support vulnerable mortgagors and facilitate access to credit by young households (Baldini and Poggio 2014). A call for “housing first” projects (€50m budget, from EU funds) has been launched in late 2016 in order to experiment with new actions against homelessness.

A national “Housing Plan” (2008) was approved during the latest Berlusconi’s government and it was implemented during the past decade to frame the post-crisis housing policy. Two important shifts are envisaged in the plan, when compared to the previous policy. The first is that it aims at fostering public-private cooperation by using innovative – in the Italian context – financial tools. The second is that households not eligible for public housing - i.e. mid-income ones - are especially targeted.

The main line of action in the plan is in fact the development of an Integrated System of Funds (SIF) aimed at co-financing – with public and private capitals - the construction and acquisition



of residential buildings in the next 35 years to be used to address the demand for affordable housing.

A second line of action transferred to the regions €200m for ERP investments – both for new constructions and refurbishments - that were already planned and that could be immediately implemented. Other initiatives funded by the plan include new developments – based on State-regions agreements – in the ERP and cooperatives segments, project financing and integrated schemes for social housing and urban regeneration. The budget for these lines of action was €338m, later extended to €490m. The first tranche of national funds has mobilized other €294m from the regions and €2.1bn from private funds, aiming to build more than 17,000 dwellings (CDP 2014).

Renzi's "Housing Plan" (2014) has provided resources to the mentioned national funds for housing allowances, arrear evictions, and maintenance of vacant dwellings in the ERP segment. It has also provided social landlords with limited tax benefits, in case of the latter activities, and social rental agencies with some subsidies. It allows for the possibility to give social / affordable tenants the right to buy their dwelling at a discounted price after 7 years. Financial resources are also allocated in order to support sitting tenants in accessing credit resources to buy their dwellings.

Deployment of the Integrated System of Funds

The 2008 National housing plan envisaged the creation of an Integrated System of Funds - with public and private capital - aimed not only at providing affordable housing for the population with a problematic access to the housing market, but also at creating the social hubs that would enrich and strengthen local communities.

A first closed mutual real estate fund, "Fondo investimento per l'abitare" (FIA), became operational in June 2011, fully underwritten by March 2012 through Cassa Depositi e Prestiti (CDP), a public national promotional institution. CDP has become the main investor (49% of the fund) and a fund's asset manager through a controlled subsidiary. The fund manages about €2bn for 35 years. Banks, insurance companies and private pension funds contributed 43% of the capital invested.

The housing plan envisaged FIA's participation – up to a maximum of 40% - to local regional funds, underwritten by local private and public investors and managed by qualified real estate asset management companies. This threshold was raised to 80% in 2013, in order to foster the development of the plan in a context of limited interest of private, for profit, capitals in partaking regional funds, notwithstanding that the expected – albeit not guaranteed - returns are set to 3% above inflation. In fact, according to the preliminary results from a study we have been conducting, banking foundations are the almost exclusive private participants of regional funds in the SIF.

The initiative also foresaw the active involvement of housing cooperatives, associations, and third-sector actors - as the future property managers and social administrators - of the new housing stock, to the benefit of local communities.



As of the end of March 2016 there were a total of 32 approved local funds, 12 of which were specific investment projects and the rest consisted in more general "regional platform" types. Regional funds are administered by nine certified asset management firms with vast experience in real estate. Eight out of nine managers run from one to three local funds, whereas one of them, InvestIRE Sgr, administers 14 funds located in seven regions throughout Italy. Twenty-five local funds were already underwritten for €1.2b but with only €508m actually invested by the end of 2016.

The system of local regional funds has finally covered the entire Italian territory by the year 2016, but the majority of projects carried out are still concentrated in the large metropolitan areas of Central and Northern Italy, with a limited impact on Southern Italy. Other than providing affordable housing, the SIF invests in university residencies, other public use constructions and urban renewal.

In total 255 housing projects are planned to be completed by the year 2020, creating around 20,000 social residence units and 8,500 beds in temporary or student residencies. Of these projects slightly more than half have been acquired by the local funds, with 84 projects already completed that have resulted in 3,655 social housing units and 1,815 bed-places added to the national social housing stock, and 27 projects that are in the final stage of completion.

Many of the SIF dwellings are planned to be sold for owner occupation, either as soon as they are completed or under tenancies with a right-to-buy option. According to a late-2014 monitoring report, about 40% of the completed affordable dwellings were to be sold.

In February 2017, CDP launched a national "FIA 2" fund with a €100m investment and the objective to raise €1bn. The aim of this new fund is to invest in housing, smart infrastructures, and urban renewal in 14 Italian metropolitan areas.

The emerging non-profit sector

During the 1990s several actors – traditional charities, NGOs, social movements organizations, cooperatives, local municipalities - started to experiment with actions that involved the housing market. The main reasons stemmed from the need and the wish to deal with housing problems seen the inefficiency of national policies and the necessity to address the new housing demand coming especially from immigrants.

New initiatives have gone beyond the consolidated ERP and the pre-existing actions that targeted individuals with "special needs". These organizations have been able to suit specific local circumstances in a flexible way, to focus on particular issues, and to leverage the available resources. They have also imported and adopted models of intervention from other countries and from other areas of the social policy.

Thirty years later, at least 100 non-profit organizations - unfortunately highly concentrated in a few regions in Northern Italy - are active in the housing domain. Interventions include social rental agencies, temporary accommodations to meet temporary needs, co-housing projects, community-building in social housing estates. Some of these organizations are also working as



social housing investors in the local real estate and are at times actors in the SIF. Banking foundations play a key role as funders also in the emerging non-profit sector. Literature in this field has focused on case studies and models of intervention. It is therefore difficult to provide a general overview of non-profit social housing at present.

Conclusions

The housing crisis broke out before the economic crisis in Italy. The existing problems, however, have been exacerbated since 2008. For various reasons not discussed in the paper, homeownership is not a reasonable solution for low-income households and individuals (Poggio 2012).

Some of the recent reforms and of the housing policy tools implemented in the past decade are certainly welcomed. But, once again in the history of the Italian housing policy there is a lack of coordination and of a strategic overview in the moment in which the governments mostly continue to ignore the distributional character of the housing problems and the distributional impact of the housing-related policies.

Policy tools also tend to be rather focused on structural and foreseeable “emergencies”. It is important to support households being evicted when taken to court for arrears. However, such a late response is certainly not fair with them, neither it is efficacious or efficient in terms of public spending – considering that they could be helped earlier by providing them with a social dwelling or with housing allowances.

It is not clear what level of governance and which policy tools – by which funding model - will take care of the social housing demand of low-income households. Traditional (ERP) social housing has not really been in charge of this mission in the past, in the strict sense, but at least it has operated in this direction notwithstanding several managerial problems. Its targeting efficiency has increased with the crisis. This is good from a redistributive perspective, but it also raises issues of economic sustainability of the model – given the current source of revenues for social landlords – and of creating economic and social ghettos, by design. Public housing, as a legacy and immediately available stock, should be given constant and consistent funding to allow for proper upkeep, extraordinary repairs and an energy efficient plan. If the dwellings are kept in a good state and the unfit stock is recovered, it would provide an only partial but prompt response to the current social housing demand. At the same time an energy efficient policy would reduce “fuel poverty” among social renters.

Privatization to the advantage of sitting tenants, as a questionable right-to-buy that undermines the capability to provide a crucial welfare service, should also be reconsidered. Vice versa, the current policies unfortunately favour the privatization of the existing stock and also plan it for the newly developed SIF stock.

It is also necessary to plan how to develop new social housing for low-income households and how to finance it in a sustainable way. Targeting mid-income household with SIF affordable housing is a positive solution, but in addition to – not instead of – addressing the housing



demand of low-income households. It is also unfortunate that any possible social-mix is prevented by the fact that ERP and SIF housing are separately developed.

Finally, taxation for social landlords – whoever they might be – cannot be less favourable than the one applicable to private landlords and homeowners, as it currently is.

Funding

This work was supported by the Free University of Bozen-Bolzano, RESHAPE Project [Grant number WW2039, Central Research Commission Call 2014].

Acknowledgments

Part of this work is based on the authors' elaboration of the *Survey on Household Income and Wealth* by the Bank of Italy. The authors are solely responsible for the analysis presented.



References

- Baldini, M., T. Poggio 2012. 'Housing policy toward the rental sector in Italy: a distributive assessment' *Housing studies* 27 (5): 563-581. DOI: 10.1080/02673037.2012.697549.
- Baldini, M., T. Poggio 2014. 'The Italian housing system and the global financial crisis' *Journal of Housing and the built environment*, 29 (2): 317-334. DOI: 10.1007/s10901-013-9389-7.
- Banca d'Italia 2015. 'Household income and wealth in 2014.' Supplements to the Statistical bulletin. Sample surveys, XXV (New series) (64).
- CDP 2014. *Il mercato immobiliare in Italia: focus sull'edilizia sociale*. Report monografico 03 – Social housing. Rome: Cassa depositi e prestiti
- FederCasa 2015. *L'Edilizia residenziale pubblica: Elemento centrale della risposta al disagio abitativo e all'abitazione sociale*. Rome: FederCasa.
- ISTAT 2015. Le persone senza dimora. Anno 2014. Rome: ISTAT, 10 December.
- Ministero dell'Interno 2016. *Gli sfratti in Italia. Andamento delle procedure di rilascio di immobili ad uso abitativo. Anno 2015*. Rome: Ministero dell'Interno, Maggio.
- Padovani, L. 1996. 'Italy.' Pp. 188-208 in P. Balchin (ed.) *Housing policy in Europe*. London: Routledge.
- Poggio, T. 2012. 'The housing pillar of the Mediterranean welfare regime. Relations between home ownership and other dimensions of welfare in Italy.' Pp. 51-67 in R. Ronald, M. Elsinga (eds.), *Beyond home ownership. Housing, welfare and society*. London, New York: Routledge.