3 How can housing policies and governance help deliver inclusive growth?

This section assesses the housing policy response in OECD countries and proposes a series of policy considerations to support more inclusive housing outcomes. A first series of considerations are more structural, aiming to boost the supply of affordable housing and address some of the distortions in the housing market that have an impact on inclusion and affordability. The second set aims to improve the housing outcomes and opportunities of low-income households, children, youth, seniors and the homeless.

It is clear from the previous sections that housing matters for inclusive growth, and that some populations face important barriers in the housing market. This section explores a range of considerations to ensure that housing policies and governance can help foster more inclusive growth. As summarised in Table 3.1, a first set of considerations aims to address the structural barriers to expanding the supply of affordable housing as well as some of the distortions in the housing market that have an impact on inclusion and affordability. The second set aims to improve the housing outcomes and opportunities of low-income households, children, youth, seniors and the homeless.

Housing policy and governance are complex, and solutions must be tailored to country contexts and challenges. There is no single measure or approach that will ensure that housing policies deliver more inclusive growth: rather, it will take a range of coordinated actions at different levels of government to foster more equitable housing outcomes and opportunities, and make stable, quality housing accessible to more people.

3.1. Rethinking housing policies and governance to deliver Inclusive growth

Governments could begin by addressing some of the structural barriers to inclusive growth in the housing market through efforts to boost the overall supply of affordable housing and address distortions in the housing market. Such efforts could go a long way to levelling the playing field across different actors and tenure types, which could generate benefits to all households, including the most vulnerable.

3.1.1. Make housing an integral part of an inclusive growth strategy

Housing should be a key feature of an inclusive growth strategy, and central to a government's efforts to "invest in people and places that have been left behind," as outlined in the *OECD Framework for Policy Action on Inclusive Growth* (OECD, 2018[1]). As discussed in the previous sections, housing and the neighbourhood in which people live matter for individual outcomes, and their access to opportunity to improve their life chances. It is also a key building block that can help sustain and more equitably share the gains of economic growth (OECD, 2018[1]).

To ensure that housing can help deliver inclusive growth, a whole-of-government approach is needed. This is because in many OECD countries, housing policy making is fragmented across ministries and levels of government. This diversity is, on the one hand, a reflection of the many implications of housing on both individuals and the economy. On the other hand, fragmentation in housing policy making can contribute to higher levels of inequality in support for affordable housing and the delivery of public services: the range of actors involved makes it more likely that some individuals or groups "fall through the cracks" of public support (Dewilde and De Decker, 2016[2]).

Only a minority of OECD countries have a dedicated housing ministry (Table 3.2). The lead housing ministry for housing varies widely across countries, and may fall under the authority of ministries of Economy, Finance, Development, Environment or Social Affairs (OECD, 2019[3]). In many countries, housing policies are further fragmented across a range of ministries, as different aspects of housing policy fall under the authority of different ministries. For instance, housing-related taxation may be handled by the Ministry of Finance; energy efficiency regulations by the Ministry of Environment; and issues relating to housing benefits, homelessness by the Ministry of Social Welfare. This is the case in Austria, where four ministries have authority for different dimensions of housing policy (the Ministry of Digital and Economic Affairs; the Ministry for Constitutional Affairs, Reforms, Deregulation and Justice; the Ministry of Finance; and, the Ministry for Sustainability and Tourism), and in the Czech Republic (the Ministry of Labour and Social Affairs; the Ministry of the Interior; the Ministry of Finance; and, the Ministry of Environment) (OECD, 2019[3]).

Table 3.1. Housing policy considerations for more inclusive growth

Policy objective(s)	Potential measures to consider
Addressing structural barriers to boost the supply of affordable housing and help deliver inclusive growth	
Make housing an integral part of an Inclusive Growth strategy	• Given the fragmentation of housing governance across ministries and levels of government, pursue a whole-of-government approach to housing policy that prioritises inclusive growth; • Coordinate housing with other key policy domains and services, such as health and transport, to ensure that vulnerable groups do not fall through the cracks of social support systems.
Expand the supply of affordable and social housing so that more people can access good quality dwellings	• Consider reforms to local planning, land-use and zoning regulations; • Review fiscal frameworks that may influence (largely local) housing and urban development decisions; • Invest in social and/or affordable housing construction, through direct investments and/or subsidies and other financial support to developers; • Facilitate advances in housing construction technology, building materials and processes to drive down construction costs.
Apply an inclusive lens to the overall housing policy approach	• Phase out some of the tax advantages that favour home ownership and typically benefit higher-income households, which can also hamper the pursuit of other key policy objectives to promote inclusive growth, such as related to labour mobility.
Improve housing and neighbourhood quality to boost individuals' access to opportunity	• Provide financial support to individual households and/or landlords (in the case of rental housing) to improve housing quality; • Invest in urban renewal strategies to improve neighbourhood quality, boost the overall accessibility to jobs and services, and reduce spatial segregation.
Make the private rental market more affordable	• Strike a better balance in tenancy regulations in the private rental market between landlord and tenant rights, which could include: ○ Introducing controls of rent increases (e.g. rent stabilisation measures) within and/or across tenancies, where relevant; ○ Increasing transparency and enforcement of rental regulations to address problems when tenants and/or landlords breach their rental contact, which facilitates greater security for landlords and increased quality and security of tenure for tenants.
Overcoming the specific housing challenges facing low-income households, children, youth, seniors and the homeless	
Improve targeting of public support for housing to ensure it benefits those who need it most	• Invest more in social housing, mindful of considerations of social mixing.
Help youth and families with children get on a stable, affordable housing ladder	• Expand existing supports for young people in the private rental market, social housing and co-operative living arrangements to help youth get on a stable, quality housing ladder (beyond home ownership). *To improve access to home ownership:* • Refine first-time homeowner programmes to better target households in greatest need; • Explore different home ownership models, including shared equity and shared ownership models; • Develop programmes to enable workers on temporary/non-traditional employment contracts to be eligible to apply for a mortgage.
Help elderly households meet their evolving housing needs and combat ageing unequally	• Help elderly households meet their evolving housing needs by investing in tailored improvements to housing quality and accessibility (e.g. through tax relief, subsidies and/or grants) that can support individual preferences to age in place for as long as feasible; • Explore the potential for co-operative living arrangements that bring together youth and seniors.
Invest in homelessness prevention and provide targeted support to the homeless	• Support homelessness prevention by investing in affordable housing; • Tailor support to the diverse needs of the homeless population; • Develop broad-based support for homelessness strategies, which are underpinned by co-operation among authorities at different levels of government and non-public actors; • Improve data collection of homelessness to better understand the challenges and needs of different homeless populations.

In addition, housing competencies and decisions that have critical implications for housing, such as land use planning and zoning regulations, are typically spread out across different levels of government. While housing tax relief measures are often designed and administered at national level, many aspects of land use regulations and the administration of property taxes are the competency of subnational authorities (OECD, 2017[4]). Social housing responsibilities can also be spread across levels of government, where funding decisions may be in the hands of national government, but the management and allocation of social housing handled at subnational level (Phillips, 2020[5]).

As a result of the fragmentation of housing policies across ministries and levels of government, housing objectives in one ministry (or level of government) may be at odds with those in other policy domains (or levels of government). For instance, nationally designed public support for affordable housing development frequently runs into local planning processes that block the construction of new affordable housing (OECD, 2017[4]).

There is thus scope to improve the interaction between housing policies with other key dimensions of inclusive growth to ensure that inclusion concerns are central to housing decisions. A more co-ordinated discharge of housing policy with operations and investments in other areas, such as health and education, can facilitate the development of quality neighbourhoods, in which new housing is also well connected to transport, jobs, quality schools and health services (OECD, 2015[6]; 2015[7]). This is important for all households, but especially for children, for whom quality neighbourhoods are central to their development and future prospects.

Table 3.2. The lead housing ministry varies considerably across countries

Lead ministry at national level responsible for housing policies, as reported in the 2019 OECD QuASH

Lead ministry for housing policies	Countries
Ministry of Economy and/or Finance	Estonia, Italy, Latvia, Sweden
Ministry of Interior	Germany[1], the Netherlands
Housing/Urban Development	Canada[2], Chile, Colombia, Costa Rica, Denmark, Ireland, Luxembourg, Mexico, New Zealand, Portugal, Switzerland, Turkey, England (United Kingdom), United States
Environment	Finland
Regional Development/Territorial cohesion/Local government	Bulgaria, Brazil, the Czech Republic, France, Norway, Romania
Economic Development/Infrastructure	Spain[3], Japan[4], Korea[5], Poland, the Slovak Republic[6]
Social Affairs	Iceland, Malta
Shared across ministries	Australia, Austria
No lead ministry	Greece
Not a direct national competency; handled at subnational level	Belgium

Note: For some countries, the competencies of the ministry reported as lead for housing may fall into multiple categories of this table; in these cases, the name of the ministry is reported in the notes that follow. (1) Germany: Ministry of Interior and Building. (2) Canada: Canada Mortgage and Housing Corporation. (3) Spain: Ministry of Development. (4) Japan: Ministry of Land, Infrastructure, Transport and Tourism. (5) Korea: Ministry of Land, Infrastructure and Transport. (6) Slovak Republic: Ministry of Transport and Construction.
Source: OECD Affordable Housing Database (http://oe.cd/ahd), Indicator PH1.1. Drawing on country responses to the OECD Questionnaire on Affordable and Social Housing (QuASH).

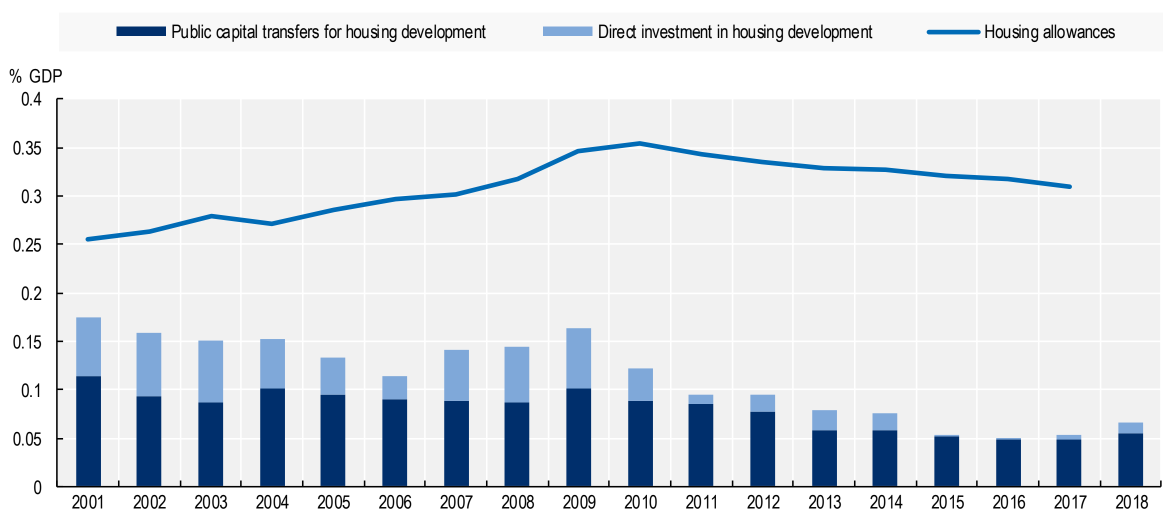
3.1.2. Expand the supply of social and affordable housing so that more people can access good quality dwellings

Boosting housing affordability and stimulating the overall supply of (affordable) housing is identified as a top housing policy objective for many OECD countries (OECD, 2019[3]). But governments could do more to boost the supply of affordable housing, which could generate significant gains for vulnerable households. Many OECD countries face obstacles to expand the supply of affordable housing, albeit with very different country contexts. Since 2000, overall investment (both public and private) in housing[1] has been uneven across the OECD. On average in OECD countries, direct investment (gross fixed capital formation) in housing grew significantly prior to the financial crisis, before dropping sharply around 2007 and then increasing steadily from around 2013, but trends vary considerably across countries (Annex C).

Meanwhile, public investment (public capital expenditure) in dwellings has more than halved since 2001 across the OECD on average (Figure 3.1). Over the past two decades, government spending on capital transfers and gross capital formation for “housing development”[2] has dropped from around 0.17% of GDP on average across the OECD to about 0.07% of GDP in 2018. In particular, direct investment in dwellings has faded away since the Global Financial Crisis, amounting to less than 0.01% of GDP in 2018. Meanwhile, the volume of capital transfers, which makes up the bulk of public investment on housing, has fallen to a lesser extent. Nevertheless, at less than 0.1% of GDP on average since the Global Financial crisis, public investment in dwellings is not high. By comparison, demand-side housing assistance, measured in terms of public expenditure on housing allowances, has risen slightly over the same period, from 0.26% of GDP in 2001 to 0.31% GDP in 2017. Meanwhile, the share of social housing has declined in most OECD countries since 2010, further reducing the affordable housing supply for low-income households (OECD, forthcoming[8]).

Figure 3.1. Public investment in dwellings has fallen, while spending on housing allowances is holding up

Public capital transfers and public direct investment in housing development, and public spending on housing allowances and rent subsidies, OECD-25 average, as percentage GDP, 2001 to 2018



Note: The OECD-25 average is the unweighted average across the 25 OECD countries with capital transfer and gross capital formation data available from 2001. It excludes Australia, Canada, Chile, Iceland, Israel, Japan, Korea, Lithuania, New Zealand, Turkey and the United States. Direct investment in housing development (COFOG series P5_K2CG) refers to government gross capital formation in housing development. Public capital transfers for housing development (COFOG series D9CG) refers to indirect capital expenditure made through transfers to organisations outside of government. Housing development includes, among other things, the acquisition of land needed for the construction of dwellings, the construction or purchase and remodelling of dwelling units for the general public or for people with special needs, and grants or loans to support the expansion, improvement or maintenance of the housing stock. See the Eurostat Manual on sources and methods for the compilation of COFOG Statistics (https://ec.europa.eu/eurostat/documents/3859598/5917333/KS-RA-11-013-EN.PDF) for more detail. Spending on housing allowances does not include spending on mortgage relief, capital subsidies towards construction and implicit subsidies towards accommodation costs.

Source: (OECD, 2019[9]) – Indicator PH1.1, drawing on data from the OECD National Accounts Database, www.oecd.org/sdd/na/, and provisional data from OECD Social Expenditure Database, www.oecd.org/social/expenditure.htm.

The shortfall in investment has contributed to housing supply failing to keep pace with housing demand. There are nevertheless significant regional differences within countries: job-rich urban centres tend to experience housing shortages, while declining areas may face an oversupply of housing (e.g. a large share of vacant houses). In addition, many countries are experiencing shortages specifically in the affordable and/or rental housing stock.[3]

A number of factors have constrained the development of the housing supply. These include, *inter alia*, increasing construction costs, labour shortages, high land prices and/or land scarcity, overly restrictive land regulations and planning processes, among others. Expanding the affordable and rental housing sectors in particular may face further challenges, such as financing gaps and opposition from local residents. Investments in the rental stock may be discouraged by public policies – particularly housing taxation – that tend to benefit owner-occupied dwellings over rental dwellings (discussed further below), or tenancy regulations that are overly protective of tenants. Finally, the specific historical context in some Eastern European countries has led to highly unbalanced tenure arrangements, which are dominated by homeowners with a very small (formal) private rental market (see, for instance, a discussion of the case of Latvia, in OECD (2020[10])).

As a result, there is scope to boost investment in the affordable housing supply. Several avenues could be worth considering:

- In places where prices are high and supply growth is low, reforms to local planning, land-use and zoning regulations may be warranted, as they may place an outsized burden on new housing development (OECD, 2017[4]). Restrictions on development through zoning and building height regulations, for instance, have been shown to drive up housing prices (Glaeser and Gyourko, 2002[11]; 2003[12]; Glaeser, Gyourko and Saks, 2005[13]). In lower-density jurisdictions facing affordability challenges, increased flexibility in local planning and development regulations (e.g. permission to develop at higher densities and/or to allow for smaller units, such as "in-law" or accessory dwelling units; as well as reduced parking requirements; etc.) could help boost supply. Decisions to loosen existing land-use regulations to encourage housing supply must also be balanced against measures that aim to prevent urban sprawl, which may call for tighter land use regulations in some places. Authorities should assess the net public benefit of local land use regulations in the housing sector to understand how measures may support, or impede, affordability and environmental sustainability objectives.
- A review of fiscal frameworks that may influence (largely local) housing and urban development decisions can also be useful to identify whether local governments have the appropriate incentives to expand the supply of affordable housing. In some cases, municipalities are required to pay for the costs of infrastructure to cover the needs of new residents, but may not receive an equivalent share of tax revenue from the new residents (or via intergovernmental transfers) to cover such costs (OECD, 2017[4]).
- Governments could also invest further in social and affordable housing (Box 3.1). In addition, governments could also provide subsidies and other financial support to developers to incentivise affordable housing construction. As summarised in OECD (2019[3]), 24 countries offer support to developers to finance affordable housing; such support can be in the form of tax relief or tax credits, grants, subsidised land or other support.
- To mitigate rising construction costs, advances in housing construction technology, building materials and processes (such as 3-D printing of houses that will be piloted in the Netherlands (Boffey, 2018[14])) also hold promise to drive down construction costs and facilitate more rapid housing construction. Governments can look for ways to support such innovations, as well as consider whether changes in existing regulations are needed.

  Investments in housing construction should be co-ordinated with related investments in transport and other key infrastructure to ensure quality neighbourhoods that are accessible to employment centres. A narrow focus on housing construction that fails to take into account the infrastructure and accessibility dimensions of such urban developments can prove problematic (see, for instance, (OECD, 2015[7])).

Box 3.1. Social housing can be a key part of the affordable housing solution.

Social housing is an important dimension of social welfare policy and affordable housing provision, representing more than 27 million dwellings and about 7% of the total housing stock in OECD and EU countries. Social housing is defined as residential rental accommodation provided at sub-market prices and allocated according to specific rules, such as waiting lists or hardship categories (Salvi del Pero et al., 2016[15]). Yet there are significant differences across countries in the definition, size, scope, target population and type of provider of social housing. For instance, social rental housing makes up less than 10% of the total dwelling stock in most OECD and EU countries, but more than 20% of the total stock in Austria, Denmark and the Netherlands, where it represents a key “third sector” in the housing market. In addition, the social housing sector has been shrinking in recent years in all but six countries for which data are available, due in part to a decline in public investment in the housing stock.

Investments in social housing construction and renovation can be a central part of a more sustainable, inclusive economic recovery as countries chart the path towards economic recovery in the wake of COVID-19. Indeed, policy makers and housing advocates in Australia, Ireland, Portugal, the United Kingdom (England), among others, have emphasised the need to prioritise social and affordable housing as a key counter-cyclical investment opportunity that can help support jobs and SMEs in the building sector and deliver more affordable housing in the market. At the same time, large-scale investment in social housing renovation and refurbishment, which is central element of the European Green Deal and the “Renovation Wave” announced in early 2020, can stimulate economic recovery, support environmental sustainability objectives and boost well-being among residents across the OECD and EU.

Source: (OECD, forthcoming[8]).

3.1.3. Apply an inclusive lens to the overall housing policy approach

Governments have a mix of tools to intervene in the housing market. These may include demand-side housing support to individuals and households (e.g. housing allowances, subsidies for potential homebuyers), as well as supply-side interventions that aim to stimulate (affordable) housing construction (e.g. subsidies and incentives to housing developers) (OECD, 2019[3]). Country responses to the 2019 OECD Questionnaire on Affordable and Social Housing (QuASH), as summarised in Box 3.2, suggest that while housing support for low-income households is available in most countries, the majority of housing policies in the OECD tend to be skewed towards home ownership (Andrews and Sánchez, 2011[16]; André, 2010[17]; Salvi del Pero et al., 2016[15]). Meanwhile, support for tenants in the private rental market is, on average, more piecemeal across OECD countries. While there are many arguments in favour of home ownership, such advantages do not always support inclusion objectives (Box 3.3).

Housing taxation is one of the more powerful policy tools and has resulted in a system that “is far from neutral” in terms of housing tenure, as owner-occupied housing tends to be taxed at lower rates than those who have purchased housing and rent it out (André, 2010[17]; Brys et al., forthcoming[18]) (OECD, 2018[19]). The tax advantages to homeowners can accrue in several ways:

- First, the vast majority of OECD countries tax rental income, but most do not tax imputed rents for homeowners (Denmark, Greece, the Netherlands and Switzerland are the exceptions, although this is generally at low rates) (Brys et al., forthcoming[18]). To some extent, property taxes replace taxes on imputed income in many countries, but revenue from property taxes tends to be low and they are commonly based on outdated property values. Property taxes are also to some extent de facto fees for local services as opposed to taxes on the imputed rental income from housing. In addition, if flat rates apply, property taxes may have less scope than income taxes to be progressive, and less scope to redistribute, particularly if levied at the local level.

- Second, tax relief for mortgage interest provides a significant advantage to debt-financing homeowners in many OECD countries, allowing homeowners to deduct mortgage interest payments from their personal income tax. The benefit provided by mortgage interest relief tends to outweigh the combined effect of all other taxes levied on a debt-financed housing investment (Brys et al., forthcoming[18]).
- Third, owner-occupied dwellings are often exempted from taxes on capital gains, while this is typically not the case for capital gains on rental housing (André, 2010[17]).
- As a result, countries effectively subsidise home ownership through their tax system – meaning that the tax credits and deductions available to homeowners are higher than the taxes that are levied on the dwelling over its lifetime. Because high-income and high-wealth households tend to own a larger share of housing assets relative to lower-income households (in terms of more expensive primary residences as well as investments in secondary residences), they accrue even greater benefits from housing taxation policies that provide disproportionate advantages to homeowners (Brys et al., forthcoming[18]). In addition, policy such as tax relief for mortgage interest often provides larger benefits to taxpayers at higher income brackets who own larger homes and are taxed at higher marginal rates.

Tax relief for home ownership can mean significant savings for homeowners, but the longer term benefits are unclear. Overall, the case for tax relief for housing investment (including mortgage interest relief) is weaker in countries that do not tax imputed income: why should governments subsidise the cost of housing if they are not taxing the income? And while one-off tax relief for first-time home buyers can provide targeted support to young households entering the property market for the first time, it can also drive up house prices (Berry, 2003[20]).

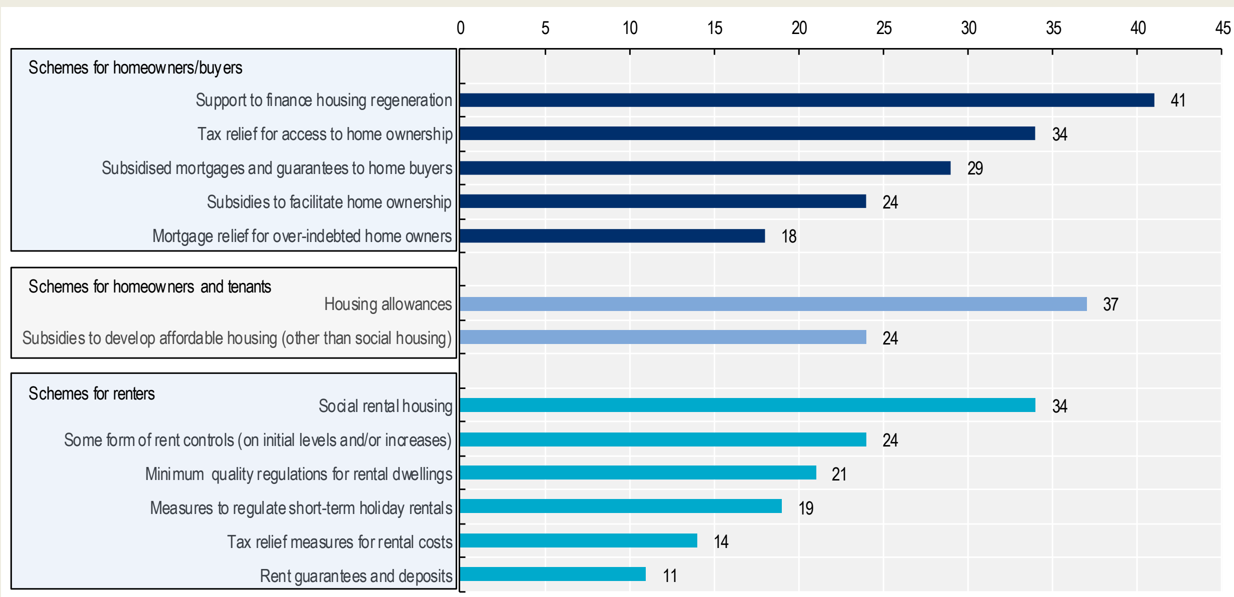
As a result, governments could better support affordability and inclusion objectives by taking a more balanced approach to housing tenure, notably through reforms to housing taxation. A careful assessment of the design and implementation of the existing policy instruments in each country would be necessary to identify the most potentially effective reforms. However, one key area to explore is the phasing out of some of the tax advantages that favour home ownership and tend to benefit higher-income groups. Eliminating (or capping, or conversion into a tax credit so as to provide the same benefit to high- and low-income earners) mortgage interest rate deductibility, for instance, can help make housing taxation more progressive (Causa and Woloszko, 2019[21]). Taxing capital gains, especially on residences other than the primary residence, and rates closer to the rates of incomes taxes could also support equity in housing taxation. A broad-based tax concerning all residential property with higher rates on more valuable property and/or higher rates on second or third properties would have positive outcomes for efficiency and equity. For further discussion of housing taxation policies, see Brys et al. (forthcoming[18]; forthcoming[22]).

Box 3.2. Summary of country responses to the 2019 OECD Questionnaire on Affordable and Social Housing (QuASH)

Country responses[1] to the 2019 OECD QuASH as summarised in Figure 3.2 and further detailed in the OECD Affordable Housing Database (OECD, 2019[3]), provide insights into the scope, design and implementation of housing policy interventions prior to the COVID-19 pandemic. Emergency housing support introduced by governments during the COVID-19 pandemic is discussed at the end of this chapter, and in OECD (2020[23]) and OECD (2020[24]).

Figure 3.2. The majority of countries have housing allowances, social housing and financial support for home ownership.

Overview of housing policy instruments prior to COVID-19: Number of reporting countries adopting each policy type



Note: 1. Not all countries responded to all sections of the QuASH. 2. Limited information was provided for Croatia, Cyprus, Greece, Hungary, Korea, Romania, Slovenia, South Africa and Turkey.
Source: OECD Affordable Housing Database (http://oe.cd/ahd), Indicator PH1.1. Based on country responses to the 2019 and 2016 OECD QuASH.

Housing allowances (also known as housing benefits or vouchers) and subsidised (social) housing are two of the most common forms of ***housing support for low-income households***:

- 37 countries provide ***housing allowances*** (also known as housing benefits or vouchers) in the form of cash transfers earmarked to support housing costs. The vast majority of housing allowances are means-tested, although the income threshold varies considerably across countries.
- ***Subsidised (social) rental housing*** exists in 34 countries. Governments may support the subsidised rental housing supply through direct provision of social housing, or by supporting the sector through grants, tax credits, loans and/or loan guarantees to social housing providers. The majority, but not all, of social housing programmes are means-tested, though income thresholds may be more or less restrictive, depending on the country (for further discussion, see (OECD, 2020[25]).

However, most housing measures are designed to ***support prospective or existing homeowners***:

- 34 countries offer ***tax relief for homeowners***, most often in the form of one-off tax relief for buying a home, tax relief for mortgage payments, or tax deductions on mortgage interest payments.
- 24 countries provide ***subsidies to households to facilitate home ownership***, often in the form of grants or loans to first-time homebuyers. Some countries offer more than three types of subsidies to households (e.g. Australia, Brazil, Chile, Colombia, Ireland, Mexico, South Africa and Spain).
- 29 countries offer ***mortgage support to households***, most often in the form of subsidised mortgages or mortgage guarantees.
- 41 countries offer ***support to finance housing regeneration*** – that is, improvements to the quality of existing dwellings, which may include energy efficiency upgrades.
- 18 countries offer ***mortgage relief to homeowners in financial distress***.

Public support towards **the private rental market** is much more piecemeal across countries, spanning tax relief, rent guarantees or deposits, and regulations (at national, regional or local level). Some measures (e.g. rent control) may not be uniformly applied within a country, but rather only in certain jurisdictions and/or segments of the rental housing stock:

- 14 countries offer ***tax relief measures of rental costs for individual taxpayers***; in most cases, the tax relief is for landlords of rental properties as a means to boost the supply of rental housing, though in some countries tenants can benefit.
- 11 countries offer ***rent guarantees and deposits***; some measures are designed to protect landlords against loss of rent, while others support tenants who cannot afford initial rental deposits.
- 21 countries report that there is a legal requirement to ensure a ***minimum level of quality of rental dwellings***.
- 19 countries report the existence of measures to ***regulate short-term holiday rentals***; in some cases, measures have been implemented by large municipalities rather than at national level.
- Some form of ***rent controls*** on initial rent levels and/or on rent level increases are reported in 24 countries (controls on initial rent levels are reported in 13 countries, while controls on rent level increases during the term of a contract are reported in 22 countries). Rent controls, where they exist, are not uniformly applied within all countries, in some places applying only to certain jurisdictions and/or segments of the rental housing stock.
- There is considerable variation across countries in the ***minimum duration of rental agreements***. In 26 countries, the duration of the rental contract can be freely negotiated between the landlord and the tenant. Many countries nonetheless impose a minimum duration of the rental contract (for instance, a minimum of three years in Austria, Costa Rica and Norway), but there is little consistency across countries in the minimum duration.
- In most OECD countries, ***tenancy regulation*** in the private rental market is governed by the national government; in a handful of countries (Australia, Belgium and Canada), it is a regional competency, while in others it is shared across levels of government (Iceland and the United States).

Note: 1. The 2019 QuASH was circulated to nearly 50 countries, including OECD countries, non-OECD countries in the European Union, and Key Partners/Accession countries. Not all countries responded to all sections of the QuASH, thus the number of reporting countries varies across policy instruments.
Source: Country responses to the 2019 OECD Questionnaire on Affordable and Social Housing (QuASH).

Box 3.3. Should public policies give preference to home ownership?

There are many arguments in favour of home ownership, such as i) wealth accumulation, ii) child outcomes, iii) social capital and iv) mobility (Andrews and Caldera Sánchez, 2011[26]). For instance, home ownership has been considered a vehicle for asset and wealth accumulation, but changes to mortgage financing in recent years have weakened such effects. Home ownership can play an important role in maintaining standards of living of retired households. It has also been linked to higher test scores and better behaviour among children (perhaps reflecting the increased geographic stability that may come with home ownership). Home ownership has been linked to higher levels of residential stability and more active and informed citizens relative to renters (measured *inter alia* by higher voter turnout), yet other studies have not found strong links between home ownership and civic engagement.

Nevertheless, the policy preference towards home ownership does not always support inclusion. Andrews and Caldera Sánchez (2011[16]) argue that "the case for subsidising home ownership is far from clear," and empirical evidence does not consensually support the causal links between home ownership and a range of positive spillovers for society (Causa and Woloszko, 2019[21]). Home ownership support, in some cases, undermines affordability and inclusion objectives, in that it can:

- ***Make it harder for low-income and young households to become homeowners***: Outsized support towards home ownership creates distortions in the housing market and can increase house price volatility (André, 2010[17]), making it harder for lower-income and younger households to become homeowners. Tax advantages can increase demand for housing, which can lead to an increase in house prices. In countries with tight housing supply, the tax subsidy can be largely capitalised into housing prices, reducing housing affordability overall and redistributing income from (potentially younger) first-time homebuyers to (potentially older) existing homeowners, with the potential to exacerbate intergenerational inequality (André, 2010[17]; Andrews and Sánchez, 2011[16]).
- ***Fail to reach households who most need support***: Home ownership support does not always reach households in greatest need – nor, as evidence from Denmark has shown, does it necessarily lead to a higher incidence of home ownership (Gruber, Jensen and Kleven, 2017[27]). Country experiences illustrate that subsidies to first-time homebuyers can – inadvertently or by design – ultimately provide support to people who would have been able to purchase a home *without* the subsidy; rather, the subsidy enables some households to purchase bigger or higher quality homes.[4] This challenge is particularly relevant for home ownership support measures that are not means-tested (Salvi del Pero et al., 2016[15]).
- ***Impede residential and labour mobility***: Home ownership may also have a negative impact on social and labour mobility, by discouraging people to relocate and benefit from new economic opportunities (Causa and Woloszko, 2019[21]; Andrews and Sánchez, 2011[16]). High property transaction taxes exacerbate the negative effect of home ownership, and transaction costs can vary significantly by region or even by type of household.
- ***Crowd out other types of housing support***: Home ownership support is, in most countries, expensive. Even if such support can generate the desired outcomes, policies to encourage home ownership account for a significant share of government spending on housing in many OECD countries. It may be possible to achieve similar positive effects more efficiently through other policies.

The design and selection of different types of housing support should also take into account the potential impacts on residential and labour mobility. This is because housing can facilitate, or impede, households' ability to move homes, and by extension, enable workers to match their skills to available employment opportunities (Box 3.4). Obstacles to residential mobility, in turn, affect labour mobility by creating inefficiencies in the labour market that impede workers from relocating to a job that best matches their skills (OECD, 2011[28]; Sánchez and Andrews, 2011[29]; Sánchez and Andrews, 2011[30]; Oswald, 2009[31]).

Box 3.4. Housing and residential mobility

Housing has important implications for residential and labour mobility. Housing can facilitate, or impede, households' ability to move homes, and by extension, enable workers to match their skills to available employment opportunities. Housing type and tenure matter, as do other aspects of the housing market – such as large regional housing price differences that make it more costly for households to move. Research suggests:

- Homeowners tend to be less mobile than renters, because they face higher transaction cost to move residences and thus tend to move less often (Oswald, 1996[32]; Oswald, 2009[31]; OECD, 2011[28]; Sánchez and Andrews, 2011[29]; Sánchez and Andrews, 2011[30]; Causa and Pichelmann, forthcoming 2020[33]).
- Residential mobility is lower among households receiving a subsidy or paying below-market rents, as compared to private tenants in most countries. This may be because social housing tenants would be reluctant to give up below-market rent and relatively secure tenancy, and would face difficulties in quickly securing a spot in social housing in another jurisdiction (Causa and Pichelmann, forthcoming 2020[33]).
- However, public spending on housing allowances and total social spending on housing are significantly *positively* associated with mobility. This may suggest that public support for low-income households, both cash and in-kind, encourages mobility by making moving more affordable, provided that social housing is designed to discourage lock-in effects that impede mobility (for example, by waiving residency or queuing requirements in the case of unemployed workers taking up a job in the region) (Causa and Pichelmann, forthcoming 2020[33]).
- Housing allowances have been shown to have smaller effects on residential mobility, particularly if they are portable (OECD, 2011[28]; Sánchez and Andrews, 2011[29]; Sánchez and Andrews, 2011[30]).

3.1.4. Improve housing and neighbourhood quality to boost individuals' access to opportunity

Improving housing and neighbourhood conditions could go a long way to support inclusive growth objectives, and especially among households with children. All but one of 41 respondent countries to the 2019 OECD QuASH provide financial support to individual households and/or (in the case of rental housing) property owners to improve dwelling quality (OECD, 2019[3]). Such support is most often in the form of grants or, to a lesser extent, tax relief (tax deductions and/or credits). Some programmes give priority to households with children, such as Chile's Family Heritage Protection Programme D.S.255 (*Programa de Protección del Patrimonio Familiar D.S.255 de 2006*) and Rural Habitability Programme D.S. 10 of 2015 (*Programa de Habitabilidad Rural D.S.10 de 2015*); and Colombia's Dignified House, Dignified Life initiative (*Casa Digna Vida Digna*).

In addition to improvements to dwellings, policy makers should also consider how to upgrade neighbourhood quality. Such improvements tend to require coordinated measures and investments across different policy domains and levels of government, in order to improve the quality of opportunities relating to education, public transport and parks, culture and leisure. Some OECD countries, including Chile, France, Mexico and the United States, have initiated largescale urban regeneration programmes. France's

New National Urban Renewal Programme (*Nouveau Programme National de Renouvellement Urbain*) provides funding to local urban renewal programmes following a specific set of eligibility criteria in more than 200 neighbourhoods throughout the country, with an objective to approve 450 projects in total by the end of 2019 (Agence nationale pour la Rénovation Urbaine (ANRU), 2019[34]). Chile has introduced a number of programmes to support urban renewal efforts, namely the Neighbourhood Improvement initiative (*Recuperación de Barrios*) launched in 2006. The Chilean programme focuses on social housing developments, as well as other neighbourhoods that face problems of social vulnerability and segregation, and aims to address the physical deterioration of buildings, public spaces and urban infrastructure, guided by an action plan drawn up in partnership with the community (OECD, 2015[6]). Such efforts can also be instrumental in reducing spatial segregation.

There are important trade-offs to consider. The risk of resident displacement is a significant concern of urban regeneration projects. In some countries, early urban regeneration projects led to the displacement of low-income and vulnerable residents. Displacement could result prior to the regeneration investments as part of resident relocations, or following the regeneration investment (for instance, as a result of higher prices driven by the improved neighbourhood quality, or in cases where regeneration projects resulted in a smaller number of units). The demolition of some of the worst-quality dwellings can also be polarising for communities. Lessons from OECD countries can prove helpful in addressing such concerns. For instance, France and the United States introduced considerable resident consultation as part of the regeneration process to ensure that resident views and needs are better taken into account (OECD, 2015[6]). Country experience also suggests that regeneration efforts can be more effective when they go beyond housing quality improvements to address other neighbourhood deficiencies in public services, parks or other community facilities, such as Chile's *Recuperación de Barrios* programme (OECD, 2015[6]).

3.1.5. Make the private rental market more affordable

In most OECD countries, public policies to support affordability in the rental market are not straightforward. On the one hand, a more loosely regulated private rental market can put tenants – especially low-income and vulnerable households – at a higher risk of poor quality dwellings, excessive rent increases or unfair evictions. On the other hand, regulations that strongly favour tenants over landlords can ultimately create disincentives to invest in rental housing and drive down the overall rental housing supply. Only a minority of OECD countries offer tax advantages for rental housing, which typically target property owners but are sometimes available for tenants. In addition, tenancy regulation in the rental market can be complex, and may not be universally applied within a country, leading to a patchwork of rules and regulations (Box 3.5). It can be hard to strike a balance in fair rental regulations between both tenants and landlords.

The private rental market is of particular importance to low-income households and youth. Low-income renters face a significant housing cost burden (Figure 2.4); youth are the most likely age group to live in private rental housing – around three out of ten youth in the OECD are renters in the private market. This suggests that renters, and especially vulnerable renters, could benefit from a more affordable rental supply.

As such, reforms to regulations in the private rental market that aim to create a better balance between tenants and landlords are an important area for consideration. Broadly speaking, regulations in the rental market should benefit both landlords *and* tenants: that is, they should provide, one the one hand, a secure investment for landlords and investors and, on the other, secure, good-quality housing for tenants (Whitehead and Williams, 2018[35]). There are different dimensions of rental regulations to consider, including security of tenure, minimum dwelling quality standards, enforcement procedures, and – probably the most contentious – rent controls (Whitehead and Williams, 2018[35]). Research from the United States highlights the role of landlord-tenant regulations – and differences in such regulations across jurisdictions – in contributing to the significant variation in eviction rates (Gromis, 2019[36]).

Discussions around rent control regulations have recently been revived in some jurisdictions across the OECD – particularly but not only in large and dynamic urban areas that have seen housing costs rise, such as Paris (France), New York City (United States), Berlin (Germany), the states of California and Oregon (United States), as well as in the United Kingdom and others. Rent controls can take different forms and have evolved over time, but generally aim to impose restrictions on rent levels and/or rent level increases in the private rental market (Lind, 2001[37]; Whitehead and Williams, 2018[35]). Whitehead and Williams (2018[35]) identify three types of rent controls:

- rent freezes, which impose a below-market rate maximum (or ceiling) on the rent
- control of rent levels between tenancies (e.g. when a new tenant moves in)
- control of rent increases within tenancies (also known as rent stabilisation).

Box 3.5 summarises the different types of rent controls, and outlines their advantages and disadvantages.

Box 3.5. Rethinking rent controls

Rent controls are often seen by tenants and housing advocates as an attractive tool, as they can help contain rent increases. Rent controls can be effective in protecting tenants from rapidly rising rent levels and reducing displacement of vulnerable households, particularly when neighbourhoods gain popularity. Some research has shown rent controls to be effective in protecting sitting tenants by limiting their displacement, which can benefit low-income and elderly households, among others (Diamond, Mcquade and Qian, 2019[38]). Rent controls can also serve as a form of “insurance” to protect households from losing their home if their economic circumstances abruptly change (Chakrabarti, 2019[39]). Finally, rent control regulations are (usually) fairly understandable by both landlords and tenants (Dougherty, 2018[40]).

However, depending on how they are structured, rent controls also have important drawbacks. Some argue that they are a tool that “helps renters today at the expense of renters tomorrow” (Dougherty, 2018[40]). Depending on whether they are applied to all or only a subset of the rental stock, rent control regulations only make housing more affordable for those who live in rent-controlled units – at the expense of those who do not. Importantly, such regulations also create a disincentive for landlords and developers to invest in rental housing: this can both discourage maintenance or upgrades to the existing rental housing stock, as well as decrease the supply of rental housing over the longer term by encouraging landlords to exit the rental market and discouraging others not to enter (Dougherty, 2018[40]; Arnott, 1995[41]; Whitehead and Williams, 2018[35]). For instance, one study found that rent control regulations accelerated gentrification by encouraging landlords to convert existing rental housing into more profitable condominiums (Diamond, Mcquade and Qian, 2019[38]). Because they are not means-tested, rent controls tend to be regressive (Favilukis, Mabille and Stern Stijn Van Nieuwerburgh, 2018[42]), and can generate a misallocation of (affordable) housing since they do not necessarily benefit those households who are in greatest need. It can also reduce residential mobility by locking-in tenants (Andrews and Sánchez, 2011[16]; Causa and Woloszko, 2019[21]). The advantages and disadvantages of different forms of rent control are summarised in Table 3.3.

Table 3.3. Types of rent control regulations, as well as their advantages and disadvantages

Type of rent control	Example of possible mechanisms	Target group(s)	Advantages	Disadvantages
Rent freeze (e.g. rent ceiling)	A cap on rent levels at the time of contract agreement	New tenants	Prevents price- gouging in tight housing markets	Can reduce housing quality in the private rental sector, as landlords do not have incentives to invest in housing maintenance and/or upgrades
			Can lead to a significant	Can reduce overall rental supply as

			drop in rent levels (for the dwellings affected by the rent freeze), if rents cannot be adjusted for inflation and rising housing costs	landlords are incentivised to leave and/or not to enter the private rental market
				Can reduce mobility of tenants
Control of rent levels between tenancies	A cap on the (yearly) increase in rent levels	New tenants	Allows landlords to adjust rent levels for cost increases	Can lower potential rate of return for landlords, especially those with long-term tenants
			Reduces incentives for landlords to underinvest in housing maintenance and upgrades	Can discourage new landlords/investors from entering the private rental market, if other investment opportunities would generate higher returns
			Protects tenants against sudden and significant rent increases	Can reduce mobility of tenants
Control of rent increases within tenancies (e.g. rent stabilisation)	A cap on the increase in rent levels for sitting tenants; can be applied at time of control renewal for fixed-term tenancies or at regular intervals for open-ended tenancies	Sitting tenants only	Allows landlords to adjust rent levels periodically based on market conditions (within limits), providing some security over the long-term rate of return	Can lower potential rate of return for landlords, especially those with long-term tenants
			Reduces turnover in the rental market, which can benefit both landlords and tenants	Can discourage new landlords/investors from entering the private rental market, if other investment opportunities would generate higher returns
			Protects tenants from sudden and significant rent increases	Can reduce mobility of tenants
				In the case of long-term tenancies, may benefit better-off households, rather than new entrants who could potentially benefit more from controlled rental increases

Source: (Terner Center for Housing Innovation, 2018[43]; Diamond, Mcquade and Qian, 2019[38]; Favilukis, Mabille and Stern Stijn Van Nieuwerburgh, 2018[42]; Andrews and Sánchez, 2011[16]; Causa and Woloszko, 2019[21]; World Bank, 2018[44]; Whitehead and Williams, 2018[35]; Dougherty, 2018[40]; Chakrabarti, 2019[39]; Jenkins, 2009[45]).

A more nuanced approach to rental regulations that targets the specific challenges of the rental housing market in a given jurisdiction could be warranted. While rent freezes – known as the “first generation” of rent controls – are rarely introduced today, there has been an increasing trend, at least in Europe, towards rent stabilisation measures, whereby rents within (and sometimes between) tenancies are allowed to increase within a certain range (Whitehead and Williams, 2018[35]). Rent stabilisation measures appear to offer security to both tenants and landlords, and may be a solution to consider in a context of a tight rental market. As Whitehead and Williams (2018[35]) conclude, in parallel to rent stabilisation measures, it is important to ensure that other aspects of rental regulations (e.g. security of tenure, minimum dwelling quality standards and enforcement procedures) provide security for both landlords and tenants. This includes the following considerations:

- Minimum housing quality standards should be established and enforced, while being designed to ensure that they do not inflate housing costs.
- There should be efficient enforcement of rental regulations to address problems when tenants and/or landlords breach their rental contact; increased transparency and better enforcement

facilitates greater security for landlords as well as increased quality and security of tenure for tenants.

- Clear conditions for both a landlord and tenant to terminate a rental contract should be in place. No-fault evictions (by which landlords can evict tenants who have been paying their rent on time and have otherwise met the terms of the rental agreement) should be prevented during a tenancy period, subject to minimum notice periods as outlined in the rental agreement.
- In the case of longer-term or indefinite tenancies, there should be clear exemptions that identify the conditions under which a landlord can repossess a dwelling (e.g. the landlord wishes to live in the dwelling, or to sell or upgrade the dwelling).

The COVID-19 pandemic has intensified the vulnerability of renters in some OECD countries, prompting many governments to introduce emergency support measures (discussed further in Section 3.3).

3.2. Overcoming the specific housing barriers facing low-income households, children, youth and seniors

A second set of considerations focuses on how to overcome the specific housing challenges of low-income households, children, youth and seniors. These measures, which target specific vulnerable groups, could complement some of the more structural recommendations highlighted above.

3.2.1. Improve targeting of public support to ensure it benefits those who need it most

In a context of scarce public resources, policy makers could also consider ways to improve targeting of housing support to households in greatest need of public support. Living costs differ across regions and cities within a country, and much of this variation is due to differences in housing prices. Public policy can help to mitigate these differences in housing prices to support access to affordable housing for targeted groups in different ways. For example, governments can promote access to affordable housing through the tax system, directly provide social or public housing, and/or provide housing benefits and/or vouchers that partially offset differences in living costs. The social assistance systems of countries may also aim to account for differences in housing costs across regions (OECD, 1998[46]). More research is needed to understand the most effective mix of policy instruments to meet the housing needs of low-income households in a given national context.

One strategy is to introduce means-testing more regularly throughout the duration of social housing tenancy, and not just at the time of entry, as a basis for adjusting rent levels of better-off tenants or to encourage them to move out of social housing. While low-income households are most likely to live in social housing across the OECD, middle- and higher-income households continue to live in these dwellings in some countries. On the one hand, such social mixing within social housing can be an explicit policy objective (as has typically been the case in, for example, Austria and Denmark). On the other hand, where the social housing stock is limited, it may be relevant to consider strategies to encourage tenants whose circumstances have improved to move to other forms of tenure to make room for households who are more economically vulnerable. Different tools can help manage resident throughfare, including periodic eligibility reviews, fixed-term tenancies (FTT) and income-dependent rent increases, in addition to more targeted criteria to determine social housing eligibility at the outset (OECD, forthcoming[8]). Short-term financial incentives could also be considered to encourage tenants who earn more to graduate out of publicly supported rentals. In the United States, the Family Self-Sufficiency Program allows assisted households to place earnings increases in escrow; for participants of the programme, rent subsidies are not adjusted for the increased income, and upon completion of a counselling programme, the participants receive their savings.

However, more regular means-testing can be practically and politically difficult to implement, and there are important trade-offs to consider. Depending on the design of such measures, they can act as a disincentive to households to improve their economic situation. In addition, limiting social housing tenants to only the poorest households reduces social mixing, can dampen community building and threaten the financial sustainability of the overall social housing system. By extension, if social housing is spatially concentrated, there is a risk of creating pockets of poverty (Salvi del Pero et al., 2016[15]). Such trade-offs must be carefully balanced against the expected gains from more regular means-testing (OECD, forthcoming[8]).

3.2.2. Help youth and young families get on a stable, affordable housing ladder

Policy makers should also explore how to best provide housing support to young adults and families. Rising house prices and increasing instability in the labour market have put home ownership out of reach for many young adults and families in some OECD countries, resulting in youth living longer with their parents or entering an increasingly congested private rental market.

On the one hand, young households would benefit from housing support that does not explicitly aim to make them homeowners. This is not to say that programmes that aim to boost access to home ownership for youth and young families should be eliminated, but rather that a broader range of housing supports, including those that provide assistance to youth living in other forms of tenure (such as renting in the private market, social housing, co-operative living arrangements, etc.), should be considered. For instance, co-living, which brings young adults and seniors under one roof, has been explored in Japan, Portugal, the Netherlands, among other countries (OECD, 2015[47]). The objective could be to support young households in getting on a stable, quality *housing* ladder – rather than necessarily a *home ownership* ladder.

On the other hand, there is still scope to refine and expand efforts to facilitate home ownership among young households. As mentioned, numerous first-time homebuyer programmes are not effectively targeting households that need public support the most. In addition, introducing and/or expanding alternative homeownership models – including shared equity and shared ownership models, discussed below – could also be considered. Such models currently represent a very small fraction of the housing stock in most OECD countries:

- *Shared equity housing models* can provide a path to home ownership for lower-income households while keeping housing affordable over time by restricting the resale value of the home. The resale price of a shared equity home is calculated based on a formula established in the ground lease or deed (for instance), which puts a cap on the amount of equity that a homeowner is permitted to realise and thereby ensures a level of affordability in the resale price for the next income-tested eligible buyer of that property (Wang et al., 2019[48]). In a study of 4 000 shared equity properties over three decades, Wang et al. (2019[48]) found that such properties were effective in providing a stable form of housing and an affordable path to home ownership for lower-income households, a (modest) opportunity for households to build wealth, and preserving housing affordability for subsequent homebuyers.
- *Shared ownership models* offer a gradual path to home ownership by enabling households to purchase a share of a dwelling (for instance, between 25% and 75% of the home's value, typically from a housing association or NGO), while paying an affordable rent on the remaining share. Dwellers can progressively buy additional shares of the home until they are outright owners. Such programmes are available in the United Kingdom, for instance. However, some legal concerns on the model have been raised, particularly the financial and tenancy implications for dwellers should they fall behind on their rent payments (Peaker, 2013[49]).

In addition, solutions to enable (typically young) workers on temporary employment contracts to access mortgages should also be considered, so that newer generations are not excluded from home ownership. An initiative has been introduced in the Netherlands, for instance, to help temporary and flex-workers access mortgages, by which the mortgage application is based on a prospect statement of an employee's future earnings capacity; almost 20 banks and other mortgage providers and 35 temping agencies participate in the programme (Stichting Perspectiefverklaring, n.d.[50]).

3.2.3. Help elderly households meet their evolving housing needs and combat ageing unequally

Housing considerations for an ageing population are also essential, and will require efforts on multiple fronts. Pursuing measures that support seniors' preference to stay in their own homes for as long as feasible, as well as delivering more tailored institutionalised care, could be considered to meet the diverse and changing needs of seniors. This will require investing in improvements to housing quality and accessibility in order to improve the chances for seniors to stay in their homes for as long as feasible (to "age in place"). Sweden and Germany have both introduced financial support measures to households for accessibility-related improvements to support seniors; in Sweden, grants for home accessibility improvements are provided through municipalities and designed to fully cover the cost of interventions, while in Germany senior households can be reimbursed for such costs up to a certain limit per year (Slaug et al., 2017[51]).

In addition, urban planning, transport and design considerations will be essential to improve overall accessibility of seniors' everyday living environments and daily needs. This includes improving the accessibility of sidewalks and public transport; rethinking access to health care and other essential services; and updating local planning and zoning regulations to enable more adapted and flexible arrangements (OECD, 2015[47]). As mentioned, policy makers could also explore the potential for alternative tenure arrangements, such as co-living that brings young adults and seniors under one roof (OECD, 2015[47]). In some countries, the development of communal and institutionalised dwellings for the elderly is on the rise, and their further development could be facilitated by changes to zoning and local planning regulations. Finally, it will be very important to coordinate housing with other key policy domains for the elderly, particularly health services, to ensure that the elderly can receive the long-term care supports they need to stay in their homes for as long as possible (OECD/EU, 2013[52]).

3.2.4. Invest in homelessness prevention and provide targeted support to the homeless

To effectively tackle homelessness, governments should invest in homeless prevention and provide targeted support to people who have become homeless. These strategies should be complemented by efforts to improve data collection efforts to better understand the extent and needs of the challenge.

Homeless prevention encompasses a broad range of housing support measures for low-income and vulnerable households that have been discussed in this report which, even if it is not the explicit aim, can help to prevent homelessness. Such support may be in the form of housing allowances (as in the vast majority of OECD countries), social (subsidised) housing, or mortgage relief for homeowners in financial distress. In addition, broader efforts to boost the supply of affordable housing or curb rising housing prices can prevent a higher incidence of homelessness; for instance, Norway's successful efforts to reduce homelessness have been part of a broader strategy to increase the affordable housing supply (OECD, 2020[53]).

More should be done to prevent homelessness by identifying at-risk populations and intervening *before* people become homeless. Australian researchers, for instance, developed a "risk of homelessness index", which captures a series of pathways to homelessness, such as a financial shock or job loss; a family breakdown; mental health issues or substance abuse, among other factors. The index was then mapped to identify geographic areas with a large share of people at risk of becoming homeless (Souza, Tanton and Abello, 2013[54]). Support to at-risk populations can take the form of temporary financial assistance, legal support, or mediation services for landlords and tenants. In the United States, for instance, comprehensive homelessness prevention programmes have been effective in reducing the number of people who enter homeless shelters; temporary financial assistance can reduce the average time spent in homeless shelters; and legal assistance to households facing eviction can also improve housing outcomes for renters (Evans, Phillips and Ruffini, 2019[55]). Scottish research shows that there is a spike in the use of health services *before* people are assessed as homeless, a sign that that the health system can play an important role in homeless prevention (Waugh, Rowley and Clarke, 2018[56]).

To help people who have become homeless return to stable housing, it is important that governments pursue tailored housing and social service solutions that respond to the increasing diversity of the homeless population, as well as the different drivers that lead to homelessness. For instance, people facing financial difficulties may only require temporary emergency housing support to help them get back on their feet. Meanwhile, homeless youth, veterans, migrants, women who are victims of domestic violence, or Indigenous populations may require additional social services beyond housing support, ranging from health care, counselling, childcare, language classes or labour market support. The type and level of support should be adapted to the needs of the diverse homeless population, as well as the specific needs of particular groups and local challenges. Evidence suggests that “Housing First” approaches, which provide immediate, permanent housing to the homeless, along with integrated service delivery, can be highly effective solutions for the chronically homeless, while emergency support, including rapid rehousing, can help the transitionally homeless (OECD, 2020[53]).

Effective solutions rely on good cooperation among national and local authorities, and non-governmental service providers. Countries that have reduced homelessness have often relied on a sustained political and strategic commitment by national government, working in close co-ordination with regional and local actors to develop tailored strategies. A number of countries, including Canada, Denmark, Finland, France and the United States, have adopted such an approach (OECD, 2020[53]). This is important to tackle effectively the very different homelessness challenges and populations that exist within countries. The Australian Government has bilateral agreements with state and territory governments under the National Housing and Homelessness Agreement (NHHA), which requires all state and territory governments to have a homelessness strategy that sets out reforms and initiatives that will contribute to a reduction in the incidence of homelessness. Co-operation across actors is essential, along with an ability to change often longstanding approaches and systems to homelessness. Involving the homeless in the design of strategies and policy responses can help policy makers better understand the specific needs and challenges of the population, as has been done in Canada’s *Reaching Home* Homelessness Strategy.

Finally, homelessness is, by its very nature, a difficult circumstance to assess, as homeless individuals may be more or less “invisible” to public authorities and support institutions. There are significant methodological challenges in homelessness data collection in OECD countries that make it difficult to assess the full extent of homelessness. As a result, there is scope to improve data collection of homelessness and expand the methodological toolbox to better understand the challenges and needs of different homeless populations. Depending on the country, this could imply more regular data collection, investments in the integration of different data sources to better assess and support the homeless, along with efforts to expand the methodological toolbox to collect data. Innovative approaches to link administrative and survey data can provide a more comprehensive understanding of the challenges and needs of different homeless populations. For instance, researchers in Scotland (United Kingdom) linked homelessness and health datasets to find that at least 8% of the Scottish population in mid-2015 had experienced homelessness at some point in their lives – a much larger share than expected (Waugh et al., 2018[57]). The Australian government has bilateral agreements with all state and territory governments to work together to share and link datasets. In some cases, researchers are using big data to identify households at risk of homelessness, which could enable authorities to reach out *ex ante* to such households with prevention services. Canada has had success in systematising homelessness data through its homeless management information systems (for further detail, see (OECD, 2020[53])).

3.3. Addressing housing vulnerability to address housing vulnerability prompted by the COVID-19 pandemic

At the time of publishing this report, the COVID-19 crisis was continuing to unfold in countries and communities across the world. In addition to its economic, social and health impacts, the crisis has also brought to the fore many of the housing challenges discussed in this report. People living in overcrowded conditions – representing more than a quarter of all households in several OECD countries – have been unable to self-isolate effectively, putting themselves and their household at greater risk of contracting and spreading the disease. The confinement period has also posed challenges and risks to people living in poor quality housing, such as dwellings with a leaking roof or lacking basic sanitary facilities. The widespread shift of the workforce to teleworking is not feasible for households who do not have a computer or access to the Internet at home. In households with school-aged children, the digital divide risks deepening educational disparities during a period of extended school closures where many institutions have transitioned to distance learning.

Table 3.4. Many countries introduced emergency housing measures in response to COVID-19

Types of emergency, temporary housing measures introduced in OECD countries in response to COVID-19

Type of measure or support	Country
For tenants:	
Eviction ban due to missed payments	Australia*, Austria*, Belgium*, Canada*, France, Germany, Hungary, Ireland, Israel*, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, United Kingdom, United States*
Deferment of rent payments	Austria, Mexico, Portugal*, Spain*
Temporary reduction or suspension of rent payments for some households	Australia*, Greece, Portugal*, Spain*
Rent freeze	Australia*, Ireland, New Zealand, Spain*
Reforms to financial support schemes for renters	Australia*, Japan*, Ireland, Luxembourg, Spain
For homeowners:	
Mortgage forbearance	Australia*, Austria, Belgium, Canada*, Colombia, the Czech Republic, Germany, Greece, Ireland, Israel, Italy, Lithuania, Mexico*, Portugal, the Slovak Republic, Spain, United Kingdom, United States*
Foreclosure ban due to missed payments	The Netherlands, United States*
For all households (regardless of tenure):	
Deferment of utility payments and/or assured continuity of service even if payment missed	Australia*, Austria, Belgium*, Colombia, Germany, Japan, Korea, Portugal*, Spain, United States*
Reforms to housing subsidy schemes	France (postponement of planned reform), Spain
For the homeless:	
Emergency support to provide shelter and/or services to the homeless	Australia, Austria, Canada, France, Ireland*, New Zealand, Portugal, Spain, United Kingdom, United States*

Note: List of measures as of 6 July 2020. * indicates that the measure applies only to some jurisdictions and/or to qualifying households.
Source: (OECD, 2020[24]) (OECD, 2020[23]) and the corresponding country tracker, http://oe.cd/covid19tablesocial.

At the same time, the COVID-19 crisis has also laid bare the affordability challenges of homeowners and renters across the OECD. Without assistance, workers who have been laid off or are temporarily unable to work may struggle to cover their monthly rent, mortgage or utilities payments. The homeless are acutely vulnerable to the spread of COVID-19 and lack the ability to effectively shelter in place. There is preliminary evidence in the United Kingdom and the United States suggesting that renters may be disproportionately affected by the crisis, because they are more likely than homeowners to be overburdened by housing costs (Chapter 2) and to work in the industries most affected by the pandemic (OECD, 2020[24]). There are concerns over a potential surge in evictions and, by extension, homelessness, once the temporary moratoria introduced by various governments are lifted, and especially in countries where economic activity has not yet fully resumed. In the United States, nearly 20% of renters reported that they failed to pay or deferred monthly rental payments in June 2020 (compared to 13% of homeowners with a mortgage); nearly a third of renters expressed no or only slight confidence that they would be able to pay the following month's rent (compared to 15% of homeowners with a mortgage) (United States Census Bureau, 2020[58]). More research will be needed to assess the impacts of the COVID-19 pandemic on housing outcomes across different groups and regions, as well as the extent to which lessons from the previous financial crisis remain relevant.

To address the immediate housing risks generated by the pandemic and the associated economic fallout, many government response packages to the crisis included temporary housing support measures, such as the suspension of evictions or foreclosures, the postponement of mortgage payments or reduction of rental payments, or emergency measures to support the homeless (Table 3.4). Such immediate (and in most cases, temporary) support has been essential to help vulnerable households cope during the crisis and maintain access to decent shelter. Some temporary support schemes may need to be extended in some cases, in some cases in order to support households that continue to struggle, and to avoid a sudden increase in evictions and homelessness. They should be phased out once conditions improve, in order to reduce potential negative long-term effects on the housing supply. Yet moving forward, governments will also need to develop longer-term, structural responses in order to overcome the persistent housing challenges and vulnerabilities facing households across the OECD.

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Notes

1 It is not possible to distinguish between different types of housing investment data, e.g. higher-end luxury housing and/or social or affordable housing. The data here are an indication of investment in all types of housing.

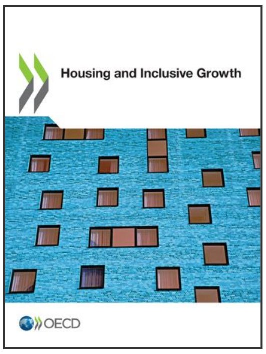
2 Public capital transfers for housing development (COFOG series D9CG) refers to indirect capital expenditure made through transfers to organisations outside of government. Housing development includes, among other things, the acquisition of land needed for the construction of dwellings, the construction or purchase and remodelling of dwelling units for the general public or for people with special

needs, and grants or loans to support the expansion, improvement or maintenance of the housing stock. See (EUROSTAT, 2011[70]) for more detail.

3 For instance, in Australia, "supply has generally failed to meet demand" (National Housing Supply Council, 2012[59]), and the country's affordable housing deficit was estimated at 20 000 dwellings in 2018 (Gurran et al., 2018[60]). Canada estimates that 1.3 million urban households living in metropolitan areas were "in core housing need"3 in 2017, with particular shortages in the affordable housing and rental housing supply (Canada Mortgage Housing Corporation (CMHC), 2019[61]). England faces "a crisis in housing supply" (Wilson, 2019[62]): an average of 160 000 dwellings have been built yearly since the 1970s, with more than 225 000 now needed each year to satisfy population growth and address decades of under-supply (Department for Communities and Local Government, 2017[63]). In Germany, cities in particular struggle to address the housing shortage (Knipp, 2019[64]).

Luxembourg also suffers from an imbalance between supply and demand (OECD, 2019[65]). In the United States, there has been a "large and persistent shortfall" in the housing stock in recent years (Freddie Mac, 2018[66]).

4 For instance, a National Audit Office report found that the UK's "Help to Buy" scheme – which has provided over 200 000 equity loans aiming to increase home ownership and boost housing supply – resulted in three-fifths of the scheme's beneficiaries could have bought a property (but not necessarily the same house) without "Help to Buy". One-third could have bought the house they wanted without the scheme (National Audit Office, 2019[68]). By extension, mortgage interest deductibility measures tend to be regressive (Andrews and Sánchez, 2011[16]; Fatica and Prammer, 2018[67]). A 2016 assessment of the tax relief measures for homeowners in the United States found that such support mostly benefited high-income taxpayers (Tax Policy Center, 2016[69]). Evidence from Denmark assessing the impacts on housing outcomes for different income groups that resulted from major tax reforms in the 1980s, which sharply reduced the mortgage deduction for high-income taxpayers, found that: i) tax subsidies to promote home ownership had a "tightly estimated and robust zero effect" on whether households chose to rent or own; ii) tax subsidies were clearly shown to influence the size and value of the homes purchased, with a decrease in the tax subsidy resulting to important reductions in housing size and appraised values; and iii) the largest effect of tax subsidies was on household financial (rather than housing) decisions (Gruber, Jensen and Kleven, 2017[27]).



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