

OLD AND NEW TOOLS IN ITALY'S HOUSING POLICY. A PROBLEM OF INTERGENERATIONAL EQUITY

Sabrina Iommi

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The present contribution is about the main characteristics of current housing policy in Italy, drawn from the analysis of the case of the region Tuscany, which can be considered a high-medium level example of the national context.

THE THESIS IS:

- 1) housing policy is a part of the welfare system, which has traditionally been weak in Italy;
- 2) from the '80s the main objective of central and local governments has been to reduce the welfare expenditure, thus provoking great intergenerational inequalities, because the younger generations receive less public aid than the older, needy conditions being equal;
- 3) this is particularly clear for the housing sector, in which a problem of target efficiency emerges, comparing old and new tools of public intervention.

THE PRESENT CONTRIBUTION IS ORGANIZED AS FOLLOWS:

- A) the late changes of housing problem
- B) the late changes of housing policy
- C) the target efficiency problem: definition and measurement according to Beckerman scheme
- D) the results of the analysis of Tuscan administrative data
- E) a simulation exercise to reduce intergenerational inequality

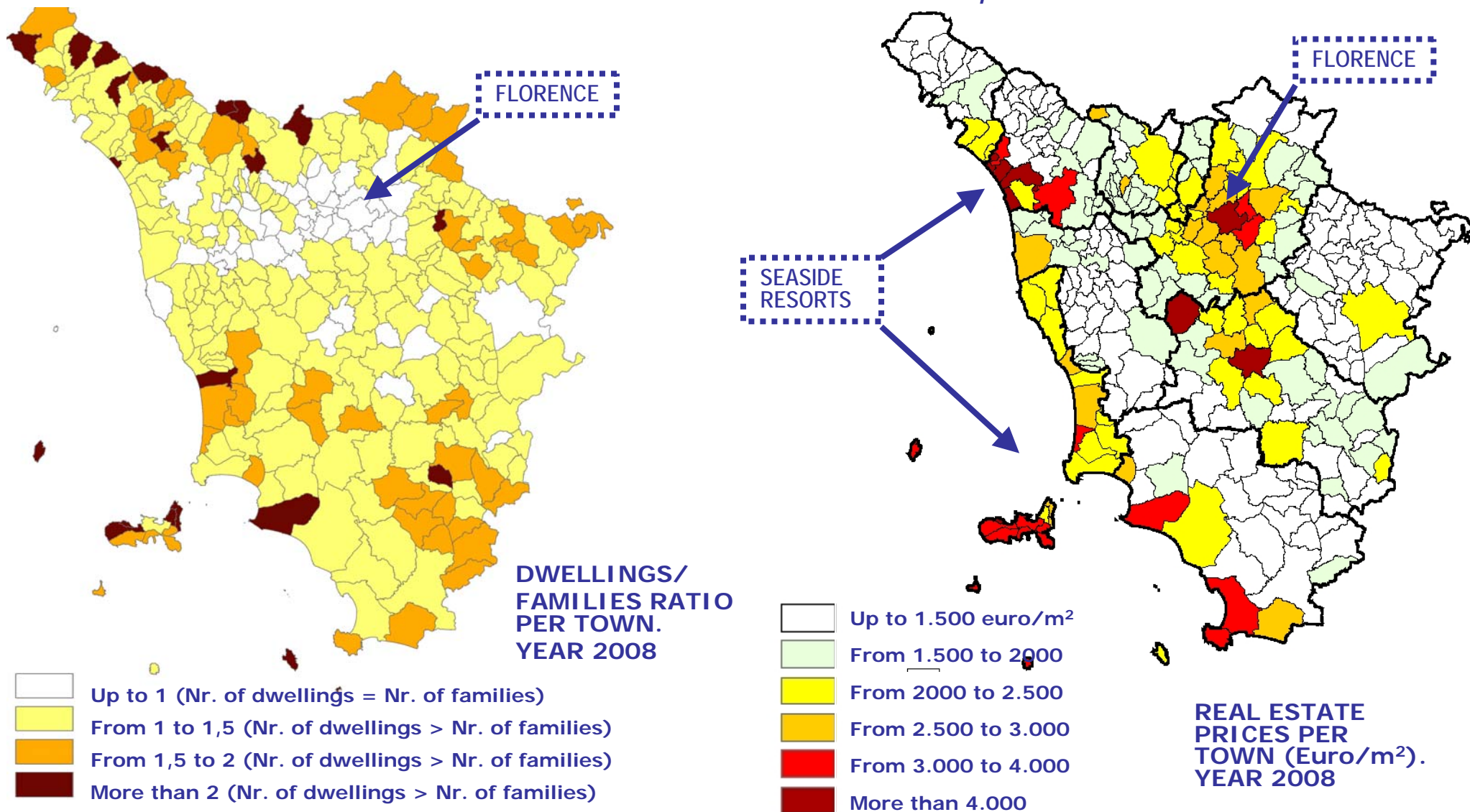
TODAY'S LIVING CONDITION.

Housing stock characteristics in different countries

	Dwellings per 100 households	Av. useful floor area per dwelling (m ²)	% Owner-occupied	% Private rented	% Social rented
TUSCANY	120	92	75	13	4
ITALY	132	90	73	14	4
FRANCE	117	90	57	23	17
GERMANY	101	90	45	49	6
NETHERLANDS	97	98	56	10	34
UNITED KINGDOM	105	87	69	11	20
SPAIN	170	90	82	10	1
SWEDEN	100	90	38	27	18

Source: Housing Statistics in the European Union 2005/2006

HOUSES: TERRITORIAL ALLOCATION OF SUPPLY, DEMAND AND PRICES



WHO IS TODAY AFFECTED BY HOUSING PROBLEM

HOUSING PROBLEM CAN BE DUE TO:

- shortage and inappropriateness of the dwelling (houses without bathroom and kitchen, houses in bad condition, houses in garage, cellar, etc.)
- insufficient room (too small houses)
- unfit localization (too far out houses)
- economic unaffordability (too expensive houses).

In the past the main problems were the shortage and the inappropriateness of the dwellings. Today's housing problems mostly come from the last three reasons, in particular the high prices force families to live in too small and too far out houses.

HOUSING PROBLEM IS LESS WIDESPREAD, BUT IT ESPECIALLY AFFECTS:

- low-income families (young families and immigrant families)
- low-wealth families (young families and immigrant families)
- one-person families and very large families (5 people and more)
- single-income families with young children (young families and immigrant f.)
- families living in much expensive places (main towns and tourist places)

REASONS WHY HOUSING PROBLEM CONTINUES

HOUSING DEMAND REMAINS HIGH AND RISING

- families' number is rising because of the increase of one person-families (29% of total in 2005 and 34% of total in 2025) and of immigrated families from developing countries (strangers 8% of total population in 2008 and 16% in 2028)
- in affluent societies new demand segments appear (demand for holidays houses, demand for detached houses, demand for non-monetary investment – e.g. houses rentable to tourists and university students-)

HOUSING SUPPLY IS BASICALLY INELASTIC

- some areas are already intensively developed
- planning rules are more rigorous than in the past

THERE IS STILL A MISMATCH BETWEEN HOUSING DEMAND AND SUPPLY

- housing demand is more concentrated (main towns and tourist places) on territory than the supply
- demand segments with higher spending power (demand for holidays houses and for investment reasons) crowd out the others
- excessive presence of owner-occupied houses doesn't allow a fast adjustment between houses' characteristics and families' needs

AS IN OTHER WELFARE FIELDS, THE POLICY-MAKER MAY INTERVENE:

- through regulation (planning and building regulation; market rents control)
- through taxation or subsidies (tax break for owner occupation; h. allowances)
- through direct provision of goods (public housing building, bricks and mortar subsidies)

MAIN RECENT CHANGES HAVE BEEN:

- public expenditure cut
- shift in competences from national to regional governments
- change from direct provision of goods (new housing building to cope with supply shortage) to subsidies (housing allowances to cope with unaffordability)

That means the shift from a basically universalistic welfare to a selective one. In other words, housing policy has become a pro poor policy (Kemp. 2007)

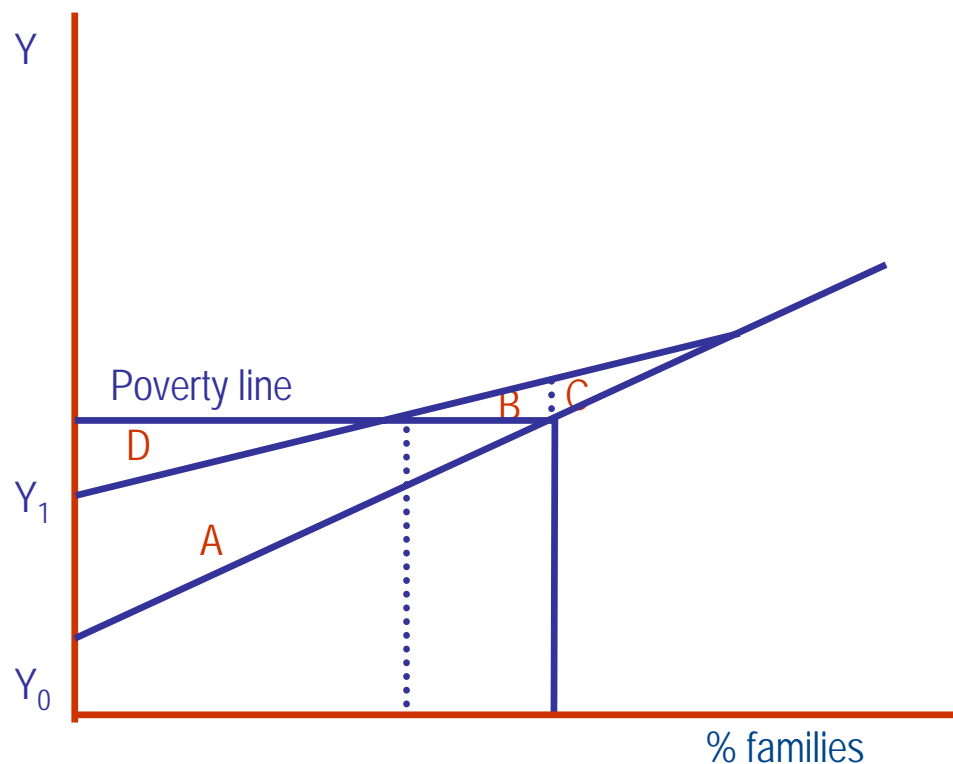
SELECTIVE WELFARE INSTRUMENTS PRESENT ADVANTAGES AND DISADVANTAGES:

- they are less expensive for public budget, more effective in income redistribution, more flexible and therefore more suitable for quickly changing social contexts (Toso, 2000)
- they have high administrative costs in fixing and testing eligibility criteria and potential social costs in targeting the interventions. Two kinds of potential mistakes are possible: false positive and false negative, that is the inclusion of non-needy subjects and the exclusion of needy ones.

THE TARGET EFFICIENCY PROBLEM REFERS TO THE POSSIBLE MISTAKES IN SELECTING THE RECIPIENTS, BECAUSE:

- the inclusion of non-needy subjects provokes the waste of public resources that means an efficiency deficit
- the exclusion of needy subjects provokes the missing of the social goal that means an effectiveness deficit

THE MOST COMMON INSTRUMENT TO MEASURE TARGET EFFICIENCY IS BECKERMAN SCHEME (1979)



- A+B+C**= Total public expenditure
- A**= Expenditure share that allows poor to reach the relative poverty line
- B**= Expenditure share that allows poor to pass the relative poverty line
- C**= Expenditure share given to non-poor
- D**= Missing expenditure to allow all poor to reach the relative poverty line

FOUR EFFICIENCY INDICATORS DERIVE FROM BECKERMAN SCHEME:

- **THE VERTICAL EXPENDITURE EFFICIENCY INDICATOR**, which is the share of the total public expenditure allocated to households who would otherwise be relatively poor, calculated as $(A+B)/(A+B+C)$;
- **THE HORIZONTAL EXPENDITURE EFFICIENCY INDICATOR**, which is the share of the total public expenditure allocated to poor households which allows them to reach the relative poverty line without going beyond it. It is also called poverty reduction efficiency, calculated as $A/(A+B+C)$ or as $A/(A+D)$;
- **THE SPILLOVER EFFECT INDICATOR**, which is the share of exceeding expenditure in comparison to the amount necessary to bring all the poor households to the relative poverty line. It is calculated as $(B+C)/(A+B+C)$;
- **THE POVERTY GAP EFFICIENCY INDICATOR**, which is the additional share of expenditure needed to allow all poor households to reach the relative poverty line. It is calculated as $D/(A+D)$.

THE ANALYSIS OF TUSCAN DATA 1

THE QUESTION IS:

traditional tools of housing policy (public housing at social rent) involve very high protection to families who not always are in hardship conditions, because of the low recipients' turnover, while newer tools (housing allowances) involve a lower protection to families who are on the average in worse economic conditions.

THE PRESENT PUBLIC AID LEVEL IS:

- public houses rented to low-income families are about 50,000, that means 3.8 dwellings per 100 households (4.4 per 100 in Florence)
- owner-occupied houses, bought thanks to public grants are estimated in 32,000, that means 2.3 dwellings per 100 households
- households receiving public allowances for rent payment are about 16,000, that means 1.2 per 100 households (1.1 in Florence)

THE PRESENT LACK OF PUBLIC AID IS SO ESTIMATED:

- 19,000 households are on the waiting list for public houses, 37,000 live in too expensive and too small houses, rented on the market

	CURRENT TOOLS OF HOUSING POLICY		
	Public Housing (Social Rents) OLD	Housing allowances (Market rents) NEW	Supported Home ownership (One- off subsidy) OLD
INCOME CHARACTERISTICS			
Average household income	17,908	11,325	21,730
% Households in the 1st decile	42.0	61.8	16.4
HOUSEHOLD STRUCTURE			
% H. with young children (<18)	12.4	36.2	17.2
% H. with adult children (>18)	25.6	3.5	9.3
GEOGRAPHIC ORIGIN			
% H. born in Italy	92.4	70.5	97.5
% H. born in foreign countries	7.6	29.5	2.5
HOUSING CONDITION			
Av. household floor area (m ²)	67.4	68.0	73.2
Monthly public aid amount	339	218	133

Source: own calculation on Tuscan administrative data

BECKERMAN EFFICIENCY INDICATORS

	Public Housing (Social Rents)	Housing allowances (Market rents)	TOTAL
Vertical Expenditure Eff. $(A+B)/(A+B+C)$	0.61	0.90	0.69
Horizontal Expenditure Eff. $A/(A+B+C)$	0.55	0.86	0.63
Horizontal Expenditure Eff. $A/(A+D)$	0.72	0.44	0.59
Spillover effect $(B+C)/(A+B+C)$	0.45	0.14	0.37
Poverty Gap Eff. $D/(A+D)$	0.28	0.56	0.41

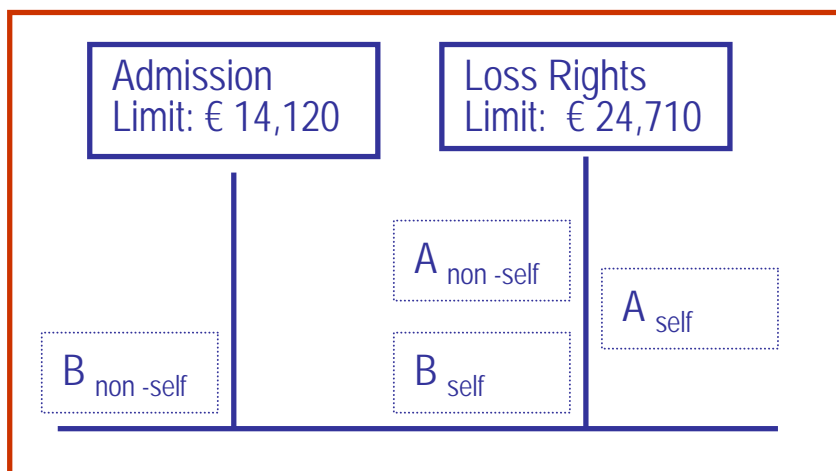
Source: own calculation on Tuscan administrative data

THE CAUSES OF INEFFICIENCY ARE TWO:

- 1) THE USE OF DIFFERENT SELECTION CRITERIA
- 2) THE LACK OF RECIPIENTS' TURN OVER IN PUBLIC HOUSING

TARGET INEFFICIENCY DUE TO SELECTION CRITERIA (CONV. Income vs ISEE Income)

PUBLIC HOUSES: Conventional Income



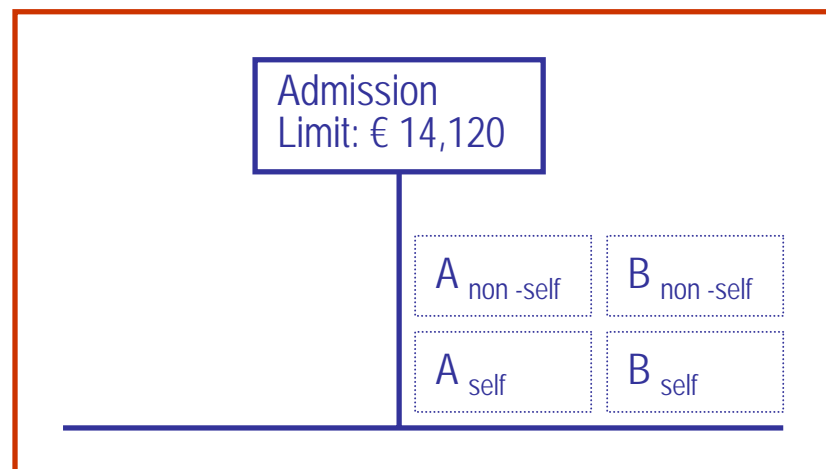
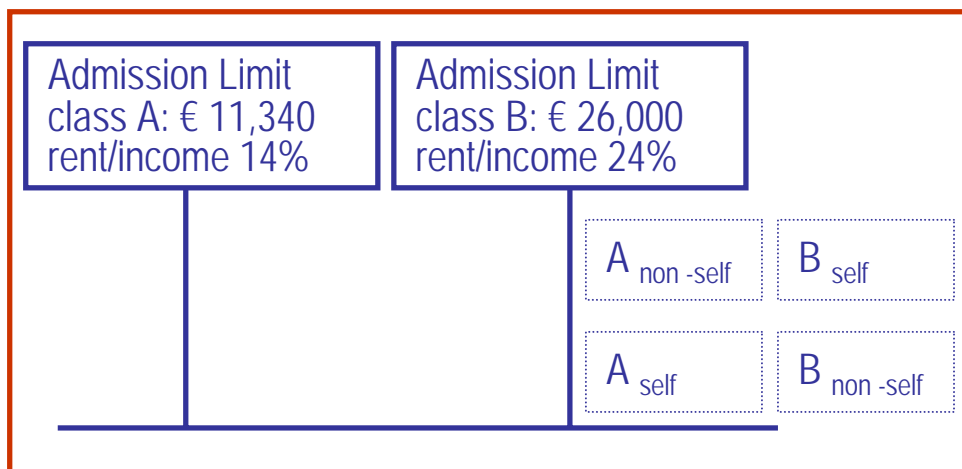
Family A_{non-self}: 2 adults+ 2 children, yearly 44 thousand € non self-employment income, 500 € monthly rent, rent-income ratio 15%, no estate

Family B_{non-self}: 1 adult, yearly 23 thousand € non self-employment income, 300 € monthly rent, rent-income ratio 17%, no estate

Family A_{self}: 2 adults+ 2 children, yearly 44 thousand € self-employment income, 500 € monthly rent, rent-income ratio 15%, no estate

Family B_{self}: 1 adult, yearly 23 thousand € self-employment income, 300 € monthly rent, rent-income ratio 17%, no estate

HOUSING ALLOWANCES: ISE Income and ISEE Income selection

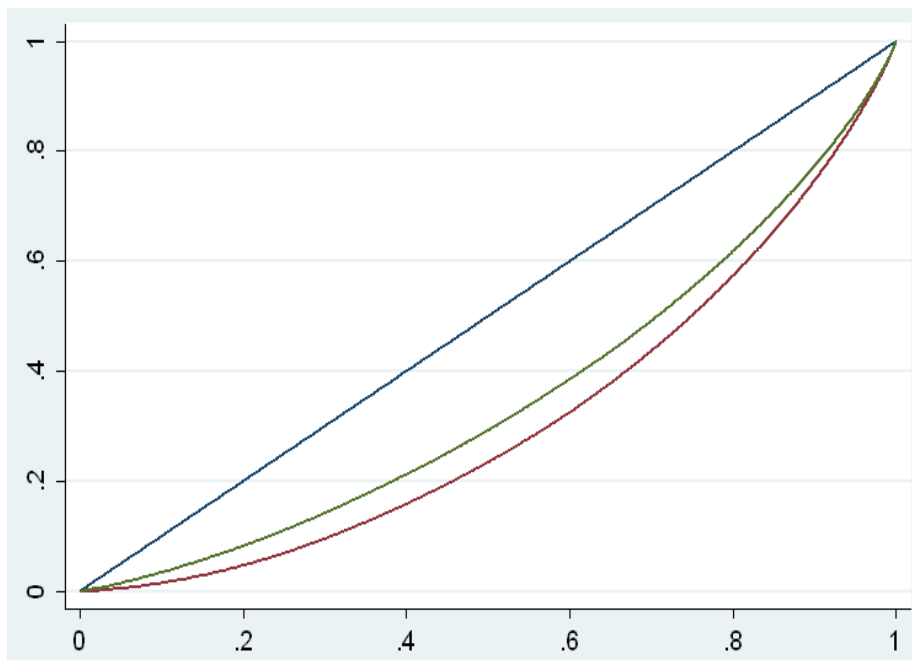


TARGET INEFFICIENCY DUE TO MISSED TURNOVER

	Before 1988	From '88 to '97	Since 1998
INCOME CHARACTERISTICS			
Average household income	20,464	18,198	13,764
% Households in the 1st-2nd dec.	48.8	58.9	74.7
HOUSEHOLD STRUCTURE			
% H. with young children (<18)	4.5	11.7	25.2
% H. with adult children (>18)	27.3	28.4	21.6
GEOGRAPHIC ORIGIN			
% H. born in Italy	94.6	93.3	77.3
% H. born in foreign countries	5.4	6.7	22.7
HOUSING CONDITION			
Av. household floor area (m ²)	74.2	62.5	59.4
% H. 1-2 people living in $\geq 90M^2$	11.2	2.0	1.4
Av. Rent/income ratio (%)	7.5	7.0	6.6

Source: own calculation on Tuscan administrative data

A SIMULATION EXERCISE TO IMPROVE INTERGENERATIONAL EQUITY



- Perfect equality distr.
- Current income distr.
- Simulated income distr.

GINI INDEX
from **0.379** to **0.299**

THE SIMULATION IS BASED ON:

- the use of a single recipients' selection criteria (ISEE income)
- the shift of public tenants' exceeding public aid to the recipients of housing allowances

The total amount of public expenditure is unchanged

CONCLUDING REMARKS:

- since 1998 the Italian housing policy, which has traditionally been weak (low expenditure level), enlarged the gap between youngsters and elders, introducing new selective tools without revising the old ones, which are still in use
- the critical aspects are two: 1) the lack of coordination between old and new tools as for recipients' selection criteria, 2) the lack of turn over among public tenants
- the result is a growing intergenerational inequality, because younger people have to cope with a welfare system much more selective as for eligibility criteria and much less generous as for the allocated amount of public aid

For further informations:

sabrina.iommi@irpet.it

+39 (0)55 57 41 23

IRPET, Via G. La Farina, 27 50132 Florence ITALY