

# **The impoverishment of social tenants in France over the past 20 years: the effect of tenant movements and changes in housing tenure.**

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Over the past three decades, the income of social sector tenants has been increasing at a slower rate than that of all households combined. This phenomenon will be referred to as the impoverishment of social sector tenants.

The purpose of this article is to characterize this movement. Firstly, the impact of tenant movements (tenants moving in and out the social housing stock) on this phenomenon is examined and in particular, the effect of the departure of the middle classes. Another cause of the widening gap could be a drop in income of the social sector tenants already in place. This article seeks to determine the scope of the phenomenon.

Finally, it would seem of interest to examine the widening income gap within the context of developments in the French housing market, by focusing on the evolving link between housing tenure and standard of living.

### **Data source: National Housing Surveys**

The National Housing Survey is one of the main surveys carried out by the French National Institute of Statistics and Economic Studies (INSEE), both in terms of its longevity (since 1955) and its large sample size. The survey questionnaire is administered by means of a face-to-face, directive interview.

The main aim of the Housing Survey is to study the state and structure of the housing stock in France and the form of tenure of households' main residence.

The main areas covered by the survey are:

- The physical characteristics of the housing stock (size, adequacy of sanitation, heating, outbuildings).
- The quality of the habitat (condition of the dwelling and the building as a whole, operational status of the facilities, aspect, noise, location, neighbourhood, environment, security).
- The legal terms and conditions of tenure (type of ownership and title to the property, tenancy laws, government assistance).
- Access difficulties, credit-worthiness of households, tenancy relationships.
- The expenses linked to the dwelling (rent, additional property expenses, price and financing arrangement for recently-purchased homes, loan repayment, construction work) and the assistance received by occupants.
- The income received by the various members of households; the property assets of households.
- The residential mobility of households; the opinion of households with regard to their dwelling and whether they aspire to move home.
- Any children of the reference person and/or his/her partner, who are living outside the parental home.
- Finally, the 2006 survey introduced a new section on individuals' past episodes without personal accommodation.

The survey is repeated every four to five years. The present article analyzes the statistics from the 1984, 1988, 1992, 1996, 2001-2002 and 2006 surveys. In 2006, the survey was administered to a sample of 65,000 dwellings, including 57,000 in mainland France.

Geographical information of the order of “type of area” (according to size of the urban unit or conurbation) can be drawn from the survey. It is not, however, possible to process the data by administrative region, unless localized oversampling has been carried out in any one area.

The survey only includes households residing in ordinary housing. Those living in communal arrangements, mobile homes, improvised shelters, or without fixed abode are not interviewed. Households whose reference person is a student, living in ordinary housing, are thus included in the scope of the survey. However, since their income is hard to ascertain (parental transfers), they are excluded from the present study.

With regard to the income of each household, the survey is extremely comprehensive and gathers information about income from economic activity, pensions and welfare payments (unemployment benefits, statutory minimum allowances, family allowances). The income of each household is defined as the total of these data. As a matter of convention, housing benefits are not taken into account as income.

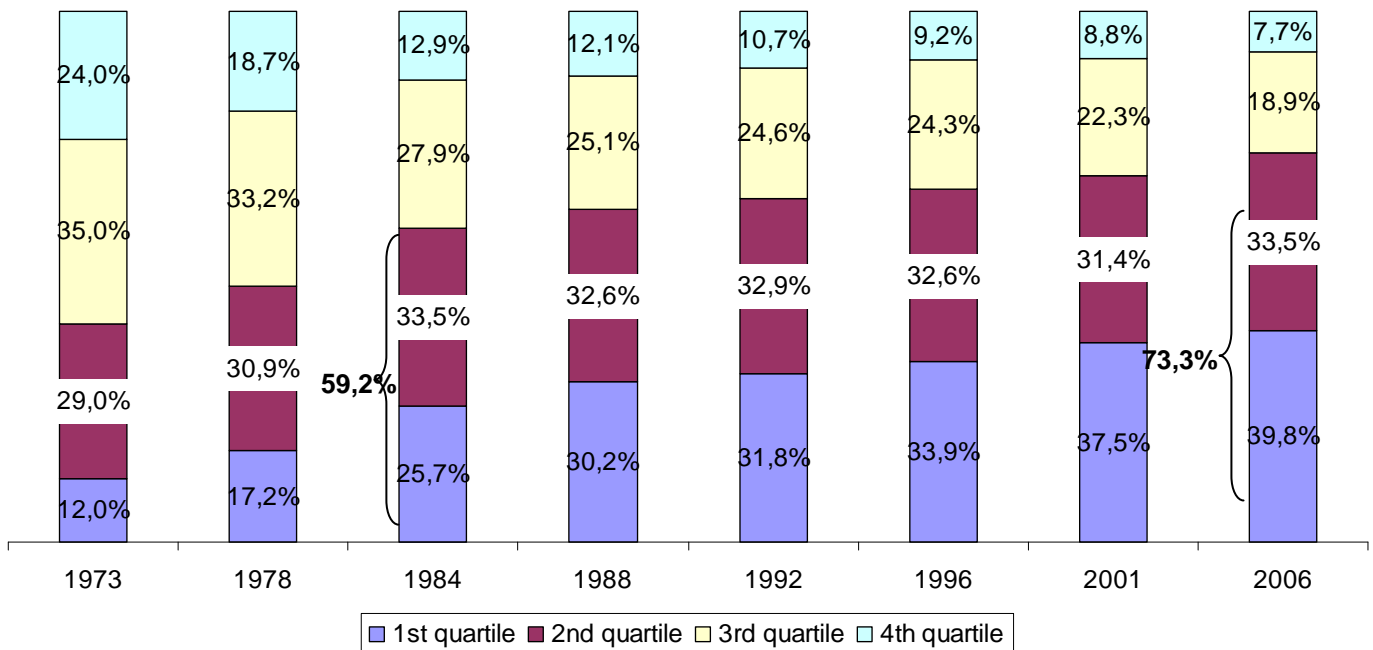
## I The relative impoverishment of the social housing sector: characterizing the phenomenon

Housing Survey after Housing Survey, the income gap between social sector tenants and other households continues to widen. The proportion of social sector tenants whose income is higher than the median, has also been in constant decline.

Until 1978, the income of the majority of households living in social sector homes was higher than the median income; by 2006, this proportion had fallen to approximately one quarter (see figure 1, drawn from the work of Pitrou and Noël [1993], updated by Amzallag and Taffin, [2002]).

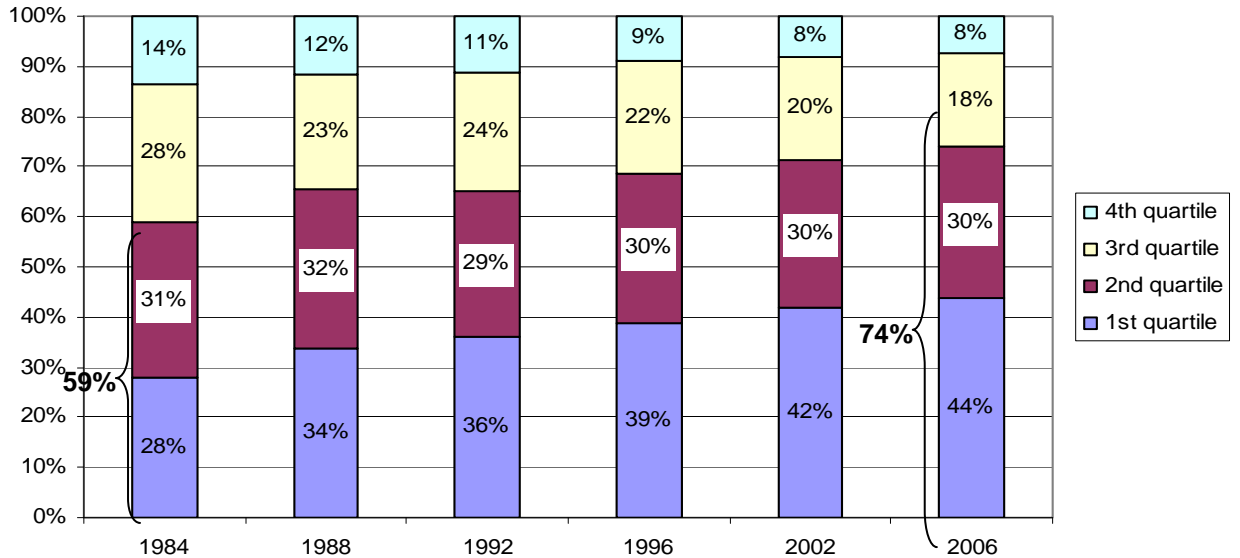
In 1973, only 12% of social sector tenants fell within the first quartile of distribution of incomes; this proportion has continued to increase, survey after survey, to reach almost 40% in 2006.

**Figure 1: Changes in distribution of incomes of social sector tenants, between 1973 and 2006**



This observation still holds true for standard of living, in other words, income adjusted for the number and age of the people in a household (as suggested by Rieg and Driant [2003]). The relative impoverishment of the social housing sector is thus confirmed when household composition is taken into account (see figure 2), with the percentage of households with a standard of living below the median increasing in an extremely similar fashion to the distribution of incomes between 1984 and 2006, both rising from 59% to 74%.

**Figure 2: Changes in distribution of standard of living among social sector tenants, between 1984 and 2006**



By focusing on the lowest-income households, it is possible to evaluate, survey after survey, the proportion of households whose standard of living is less than 60% of the median standard of living. This indicator may be classified as a poverty rate, even if it is being applied to a population of households rather than people.

Since 1984, the proportion of poor households out of the whole population of households living in ordinary housing has varied little, and is stable overall at around 19%. However, the poverty rate has continued to increase among social sector tenants. While 23% of social sector tenants were poor in 1984, this rate had reached 35% by 2006.

**Table 1: Changes in household poverty rates, set at 60% of the median**

	1984	1988	1992	1996	2001	2006
Social sector tenants	23%	26%	28%	30%	33%	35%
All households	21%	19%	19%	18%	19%	19%

## II The relative impoverishment of the social housing sector: the effect of tenant movements

While the National Housing Survey is not a panel survey, it does gather some information from households regarding the previous survey period, in particular if the household has moved home. Thus, by recording the form of tenure of each reference person during a survey and during the previous survey,<sup>1</sup> it is possible to study the standard of living of the households who enter, leave or remain in social housing between each survey. We can seek to identify which, if any, of these changes is a result of the tenant movement phenomenon, in other words, households entering or leaving the social housing stock.

**Figure 3: Changes in median incomes between 1984 and 2006**

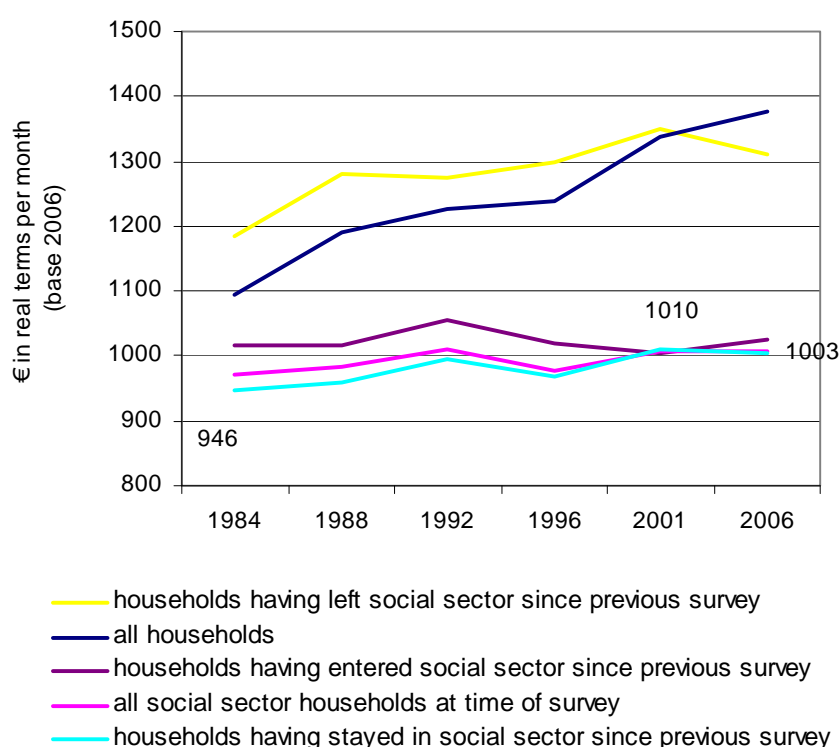


Figure 3 shows that:

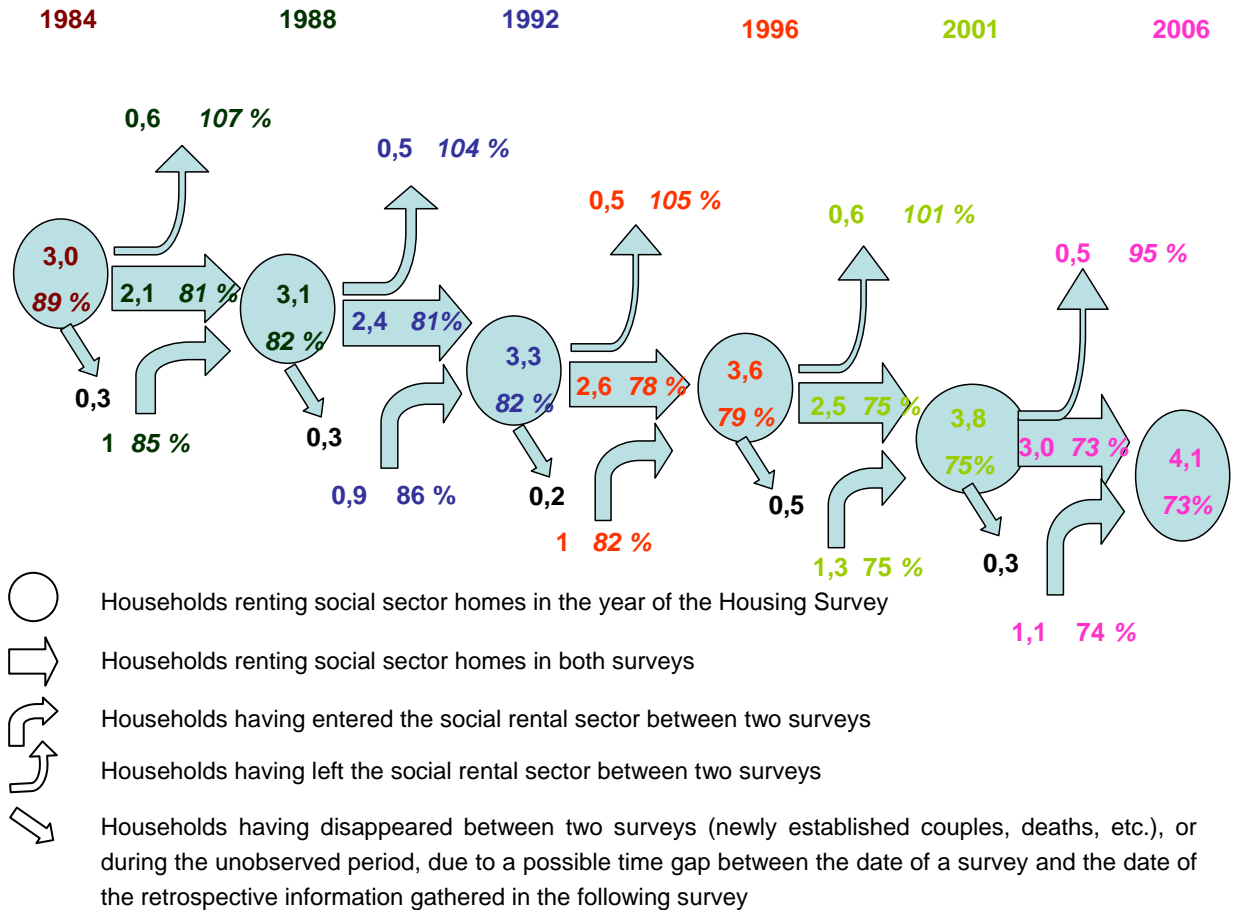
- The median standard of living of households residing in social sector homes (pink curve) varies little in real terms. It is clearly lower and increases substantially slower than the median standard of living of all households (blue curve), which increases clearly over the period.
- The median standard of living of households leaving the social housing sector (yellow curve) is greater than that of all households combined, except in 2006, when, for the first time in two decades, households leaving social sector homes had lower median incomes than all households combined.

<sup>1</sup> Or approximately speaking, since the date of the retrospective information collected in a survey does not correspond systematically with the date of the information gathered in the previous survey

- The standard of living of households entering the social housing stock decreased to equal that of households who had remained in social housing between two surveys.

The results are presented in graphic form in figure 3 for all results over the period 1979-2006.

**Figure 4: Tenant movements and standard of living in the social rental sector between 1979 and 2006**



Date for which the data is valid: indicated by the colour, e.g. **Burgundy** for 1984.

For information: In 1984, 3 million households were social sector tenants; their median standard of living was 86% of the median standard of living of all households. Between 1984 and 1988, 2.1 million households remained in the social housing sector (their standard of living was 81% of the median income in 1988); 0.6 million households left for another sector (their standard of living was 107% of the median income for 1988); 0.3 million households disappeared, presumably due to new couples being established or to death.

Source: National Housing Surveys

The social housing stock is growing. Between 1984 and 2006, 1,100,000 additional social sector homes were rented out. Between one Housing Survey and the next, tenant movements have varied little. During each period, between 0.9 and 1.3 million households entered the social housing sector, whilst 0.5 to 0.6 million households left it for another

dwelling, and between 0.2 and 0.5 million households disappeared, most likely due to couples being established or to death. Thus, between 1984 and 2006, 5.3 million households entered the social housing sector and 4.2 million left it, of which 2.7 left to live in another dwelling.

The relative impoverishment of social sector tenants is clearly defined. Between 1984 and 2006, the median standard of living of households in the social housing sector decreased from 89% of the median level for all households, to 73%.

The standard of living of households who enter the social housing sector between two surveys is higher than that of households who remained in it since the previous survey. It is falling increasingly further away from the median standard of living. It clearly decreased over the periods 1979–1988 and 1992–2001, from 93% to 85%, then from 82% to 75% of the median standard of living of all households. The median standard of living of households moving into the social housing sector has thus been falling, gradually getting closer to the standard of living of all households renting social sector homes.

It can be observed once again that the median standard of living of households leaving the social sector changed little until 2002, when it suddenly dropped. Until 2002, it was higher than the median standard of living of all households, although it decreased slightly from 107% in 1984 to 101%. Between 2002 and 2006, it fell more sharply and the indicator dropped below the median standard of living of all households, to 95% of the same.

Consequently, the fact that more affluent households are leaving the social housing sector, to be replaced by less affluent households, explains the relative impoverishment of social sector tenants.

### **III The impoverishment is more a structural phenomenon than an individual one**

This section aims to identify the importance of the impact of tenant movements on changes in standard of living among social sector tenants.

In each Housing Survey, it is possible to determine the standard of living of households who lived in the social housing stock four years earlier (see table 2). Some of these households will have left the social housing sector to move to another dwelling since the previous survey, while others will have remained in the social housing sector (represented by the exiting, horizontal or entering arrows, in figure 3). The aim is therefore to compare changes in the standard of living of households who lived in social sector housing at the time of the previous survey, with changes in the standard of living of all permanent households (households that already existed in the previous survey).

This comparison with permanent households makes it possible to take into account, in a similar manner, the effect of ageing and its consequences on the structural changes in income. All the reference persons of permanent households have aged between each survey. Knowing that the distribution and the average<sup>2</sup> of the of social sector tenants' age are

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<sup>2</sup> The former are on average four years younger than the latter (49 years old compared to 53 in 2006)



relatively close to those of all permanent households, it could therefore be considered that the structural effect of ageing on income has had a similar effect on all permanent households and on the households who lived in social sector housing at the time of the previous survey.

**Table 2: Variation in the standard of living of households who lived in the social housing stock four years earlier**

Year in which households lived in social housing	1984	1988	1992	1996	2001	Between 1984 and 2006
Household income	€971	€982	€1,009	€978	€1,006	
Income four years later	€1,011 €40, or 4%	€1,032 €50, or 5%	€1,015 €6, or 1%	€1,076 €98, or 10%	€1,038 €31, or 3%	i.e. 25%, or €207
Compared with: - the variation in income of all households	€96, or 9%	€36, or 3%	€11, or 1%	€99, or 8%	€39, or 3%	€281, or 26%
	€100, or 9%	€32, or 3%	€15, or 1%	€103, or 8%	€54, or 4%	i.e. 28%, or €303

*Source: National Housing Surveys, calculations the author's own.*

*N.B. Those households that disappeared due to deaths, marriage, etc. are not taken into account.*

It can be noted that the mean variations in standard of living of social sector households differ little compared to the variations in standard of living of all permanent households between two surveys. Over a period of 20 years, the aggregate variation in standard of living is +25% for the former and +28% for the latter. This confirms that the relative impoverishment of social sector tenants is not a sign of an endogenous process of impoverishment of each social sector household.

It may, however, be noted that the standard of living observed here includes social benefits (statutory minimum allowances, unemployment benefits, family allowances). Although it cannot be done here due to a lack of access to the data from older surveys, it could be interesting to study the changes in standard of living by breaking down income into income from economic activity and social benefits. Moreover, the present analysis only considers the median values; a more in-depth analysis could be carried out on the changes in distribution of standard of living among the two compared populations.

It is therefore apparent that these two phenomena - firstly, that more affluent households are leaving the social housing sector and secondly, that increasingly less affluent households are entering it - are the main causes of the relative impoverishment of social sector tenants.

#### **IV Twenty years' differentiation of housing tenure according to standard of living**

This section will attempt to place this phenomenon, the impoverishment of social sector tenants, within the context of changes in standard of living by housing tenure.

Over the past two decades, housing tenure has varied little in France. Overall, owner occupiers have become more common, whilst the relative proportions of the two main rental sectors (social sector rentals and private rentals) have changed little. It is the proportions of the least common forms of housing tenure that have decreased overall.

In 2006, in mainland France, the majority of households (58.2%) were owners of the dwelling that they occupied. This rate was 51.2% in 1984. The proportion of social sector tenants has varied little, increasing from 14.7% to 15.9%. The proportion of households renting unfurnished private-sector dwellings, grouped within the private rental sector, has remained at 18.8%. Other types of unfurnished, rented accommodation have the shared characteristic of low rent: they are subject to a rigid rent framework, even though they belong to private owners,<sup>3</sup> or belong to public bodies but are not subject to social housing regulations. The proportion of this stock decreased overall by a half over a period of 20 years, to include just 2.4% of households by 2006. The percentage of households with short-term rental rights<sup>4</sup> has remained extremely low (1.6% in 1984; 1.3% in 2006). Finally, the proportion of occupants of rent-free accommodation, i.e. tenant farmers, has decreased from 8.4% to 3.4% over the study period.

But behind these overall trends lie substantial changes in standard of living. Form of tenure is more closely related to standard of living in 2006 than it was in 1984 (see figures 4 and 5).

This is particularly evident in the case of homeowners. In 1984, in the least affluent quarter of the population, 40% of households owned their home compared to 60% in the most affluent quarter. In 2006, these proportions were 39% and 76% respectively. The least affluent households own their own homes with decreasing frequency, contrary to the most affluent households. Moreover, it can be observed that among homeowners, whether they be first-time homeowners or not, the proportion of households in the most affluent half of the population has increased; for example, for the former group, this proportion increased from 44% to 55%.

A greater proportion of the least affluent households were tenants in 2006 than 20 years previous: 56% were tenants in 2006 compared to 41% in 1984.

The above-described phenomenon of the relative impoverishment of social sector tenants also fits this pattern. Out of the whole social housing stock, the proportion of tenants belonging to the least affluent half of the population has grown from 59% to 74% between 1984 and 2006. Moreover, among the least affluent households, the proportion of social

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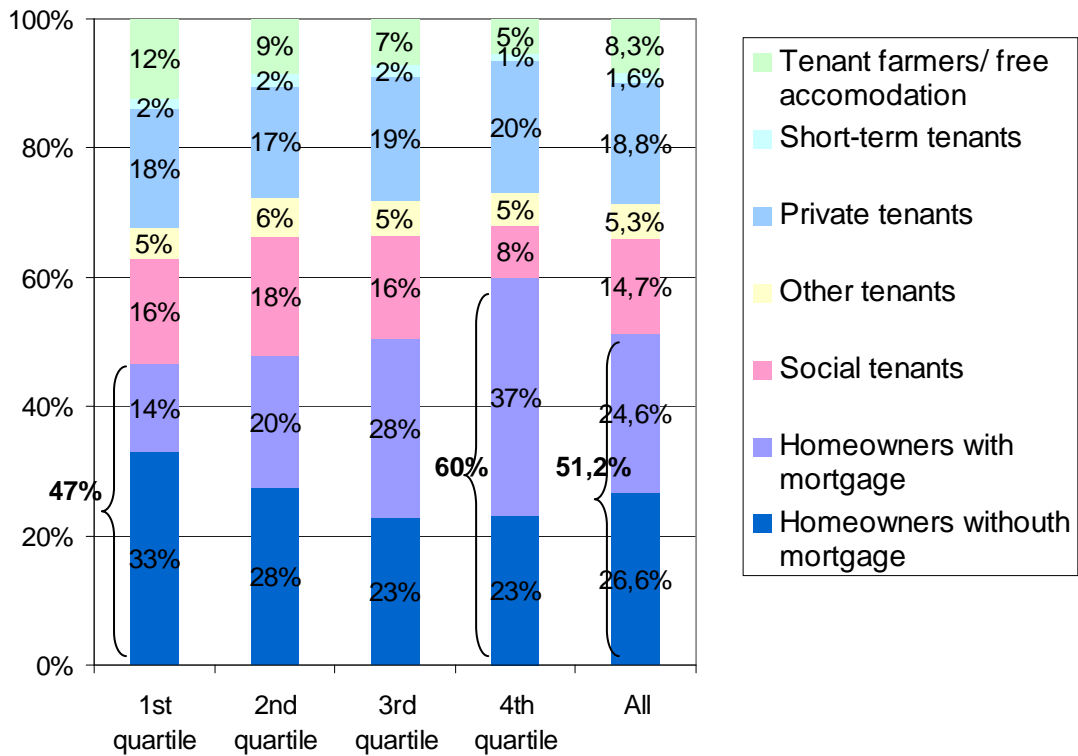
<sup>3</sup> These dwellings are known as "logements loi 48" [Law 48 dwellings].

<sup>4</sup> Sub-tenants, tenants of furnished homes, long-term hotel room tenants.

sector tenants increased sharply from 16% to 28%. Conversely, for the most affluent households, this proportion decreased from 8% to 5%.

In parallel to the relative impoverishment of social sector tenants, the income of private sector tenants has decreased slightly (see figure 6). Among the housing stocks whose size has decreased, the sudden impoverishment of tenants renting in the short-term rental stock should also be noted.

**Figure 5: Housing tenure by standard of living, in 1984**



and in 2006

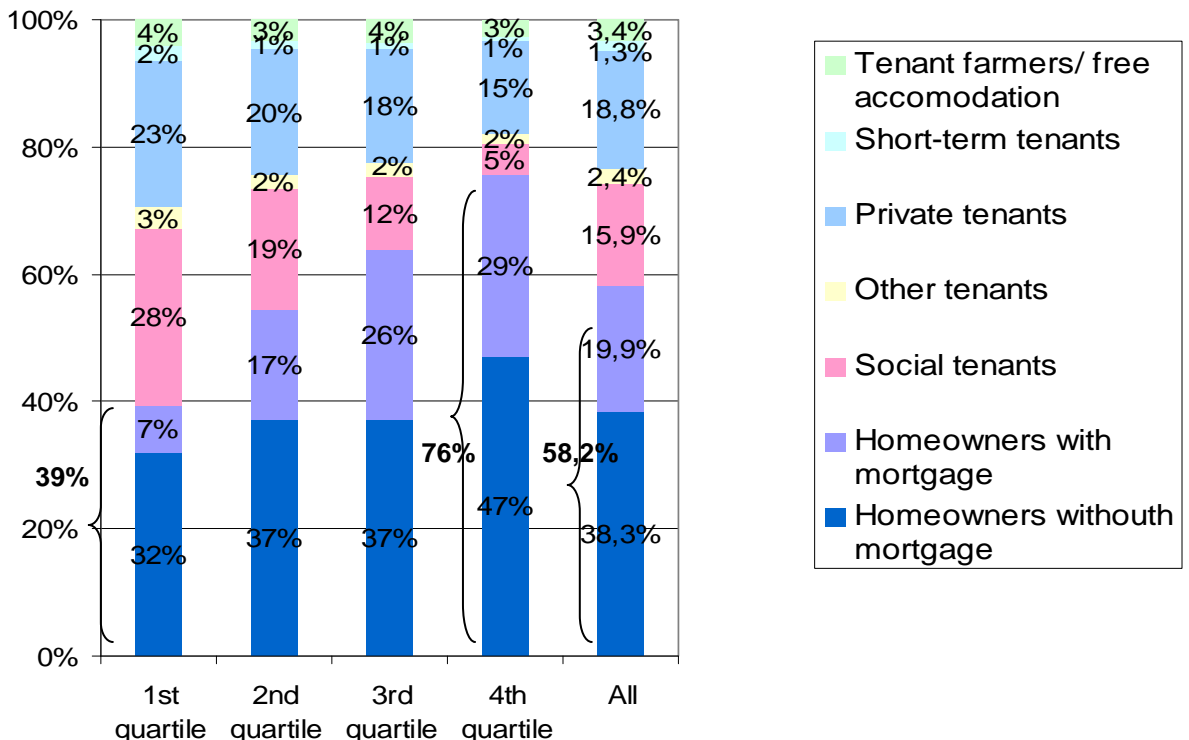
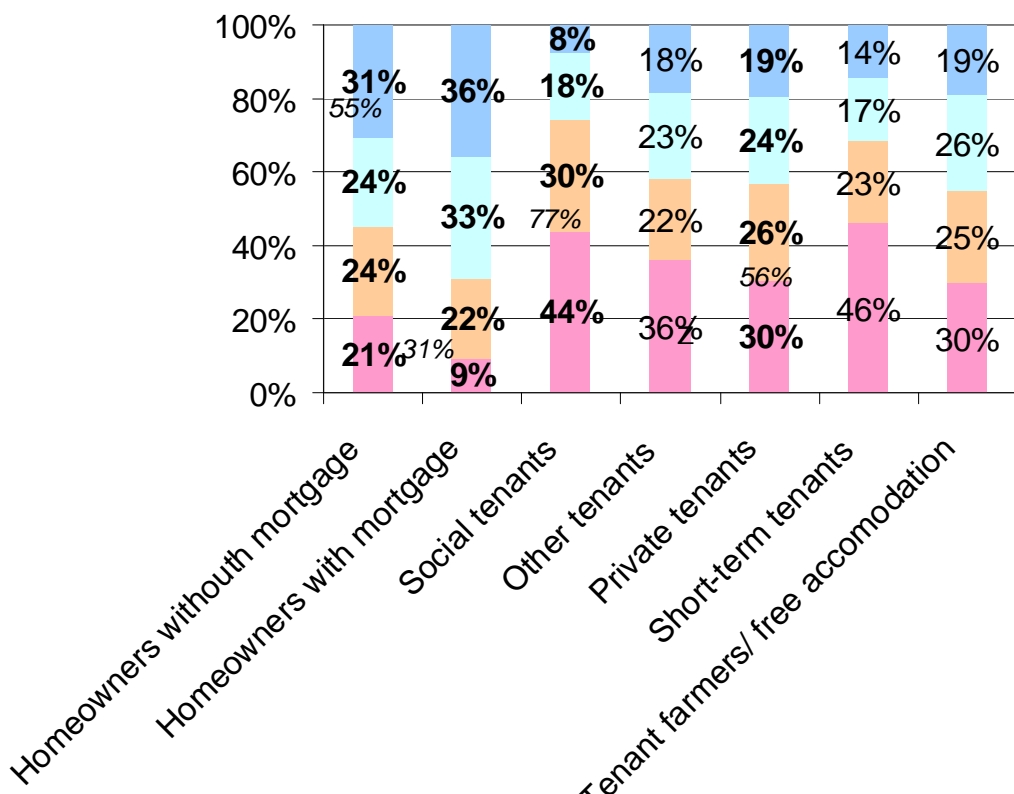
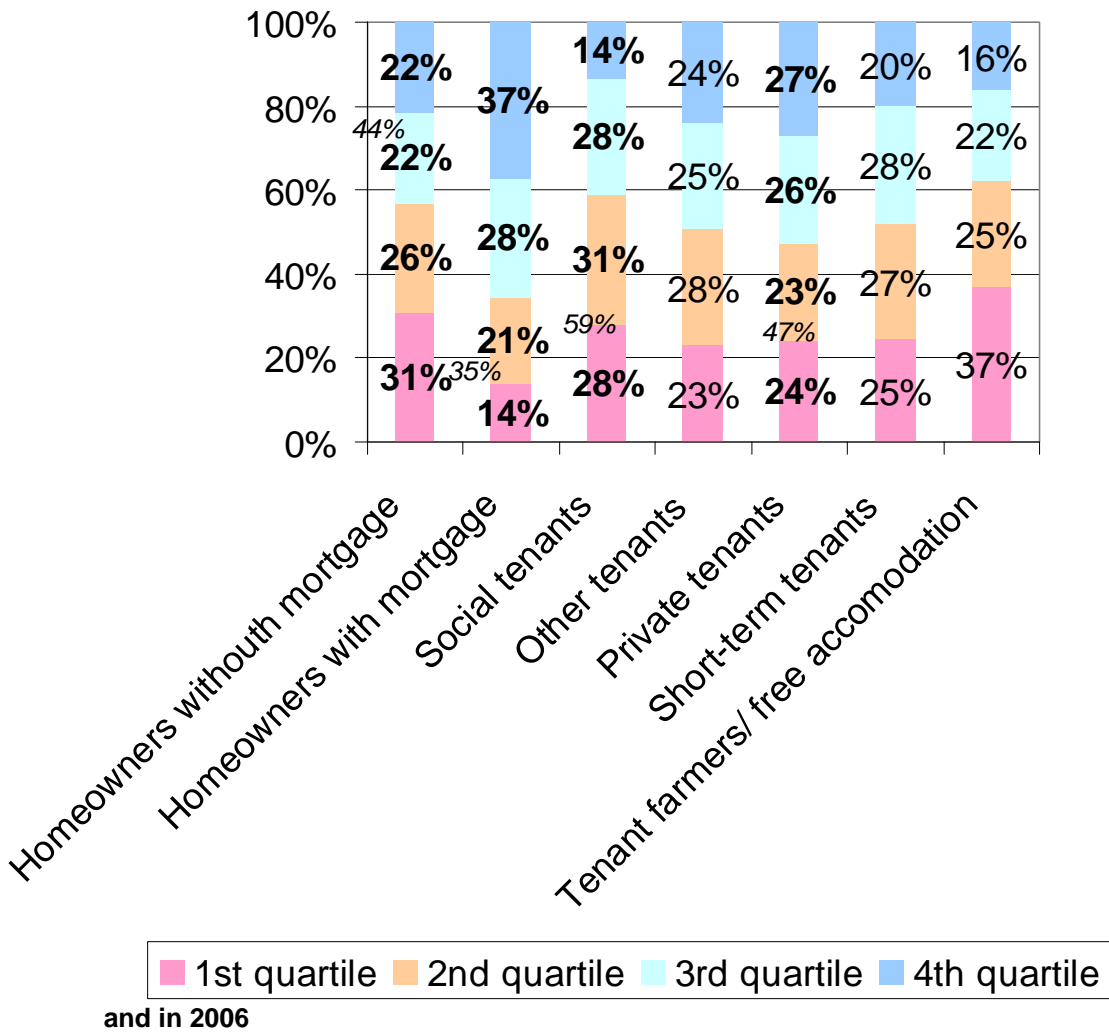


Figure 6: Distribution of standard of living by housing tenure, in 1984



Examining housing tenure among recently-moved households (households who have moved home within the past four years), private rented accommodation is the primary recipient of mobile households. In 2006, private rented accommodation received the largest proportion of mobile households, 36.8%, compared to 30.7% in 1984. Fewer mobile households moved into owner-occupied accommodation (33.3%) (see figures 7 and 5). The proportion of mobile households moving into the social housing stock decreased slightly (from 20.7% to 18.5% of recently-moved households).

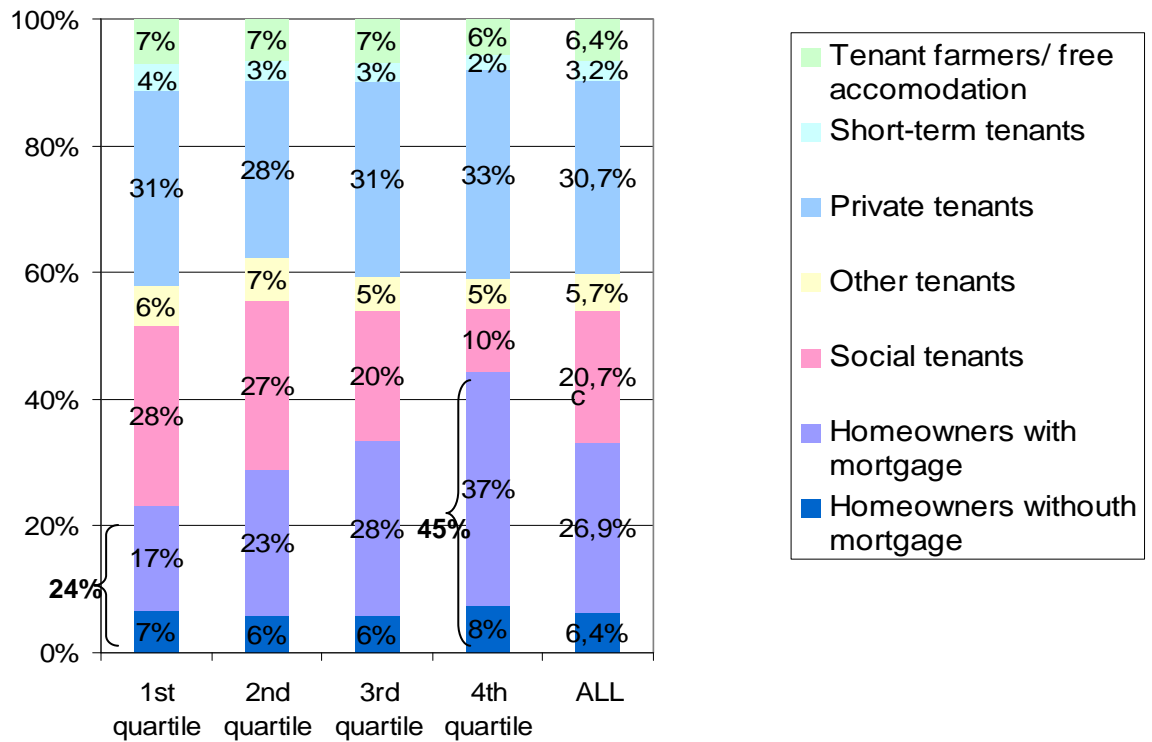
Among the least affluent recently-moved households, it can be noted that the proportion of homeowners has clearly decreased over 22 years, from 24% to 12%, whilst the proportion of social sector tenants has increased, from 28% to 32%. Conversely, among the most affluent recently-moved households, the proportion of homeowners has clearly increased over the period under study, from 45% to 58% (see figure 7).

Examining the standard of living spread, a result from the 2<sup>nd</sup> part of the article appears, namely that new social sector tenants were less affluent in 2006 than in 1984, with 76% belonging to the least affluent half of households in 2006, compared to 58% in 1984 (figure 8).

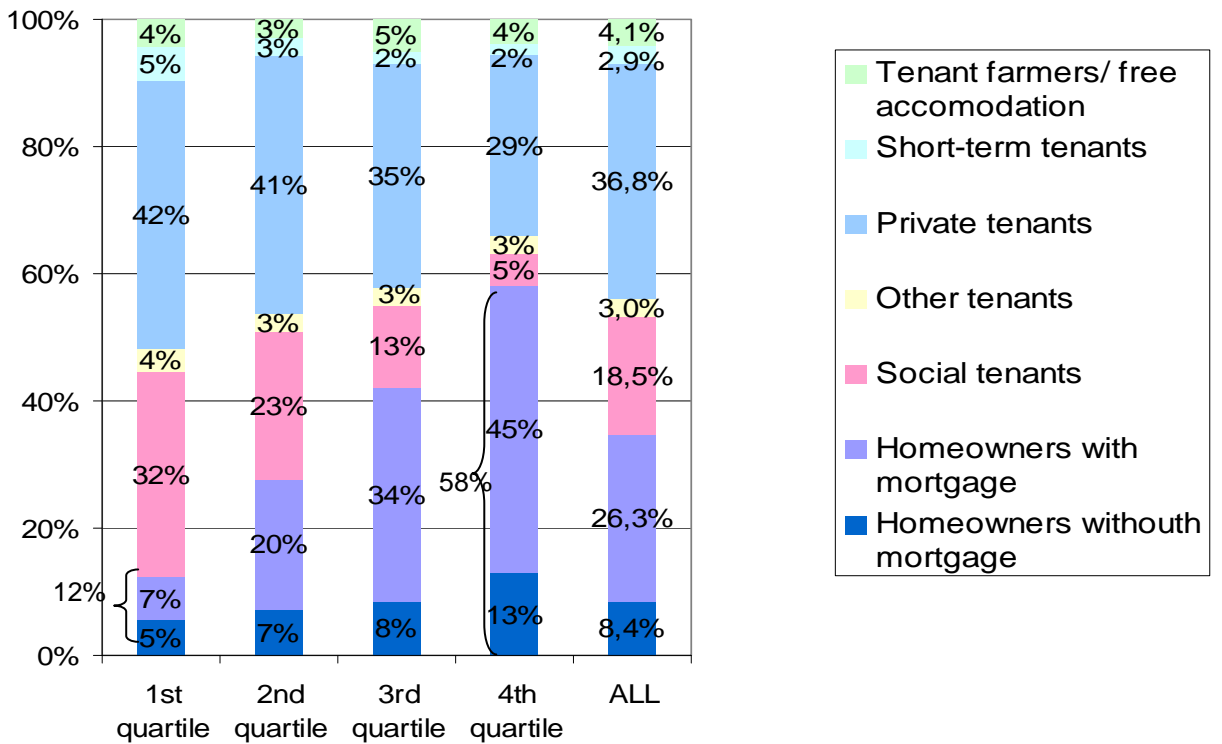
For the two other main types of tenure, the relative trends in standard of living of recently-moved households are amplified in comparison to those observed across all occupants of the respective tenure type. For example, the increase in standard of living among first-time homeowners is more marked for recently-moved households than for all households: the proportion of the former above the median standard of living increased from 67% to 74% (see figure 8) compared to an increase from 65% to 69% for the latter (see figure 6). Conversely, among private sector tenants, the percentage of least affluent households increased more for recently-moved households than for all households: this proportion increased from 42% to 56% in the former, compared to 47% to 56% in the latter.

Thus the changes in standard of living among recently-moved households seem to back up, or perhaps even generate, a trend towards specialization, in particular of the social sector homes and first-time homeowners.

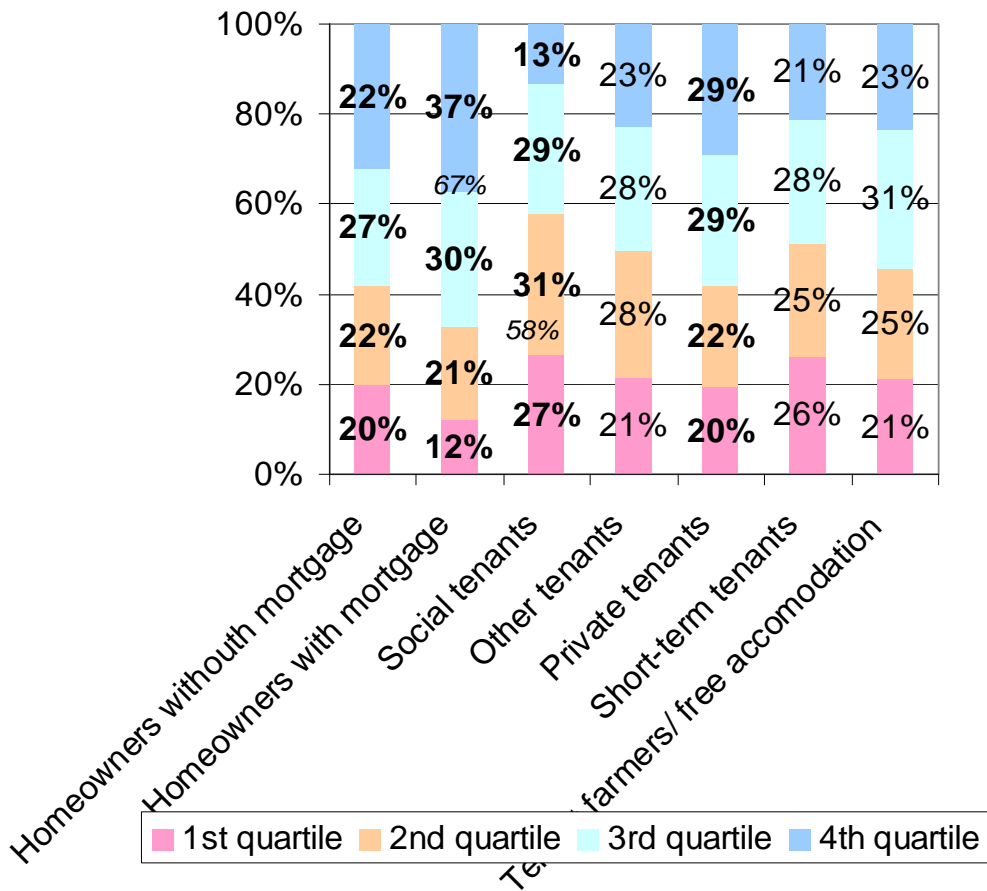
**Figure 7: Housing tenure of recently-moved households by standard of living, in 1984**



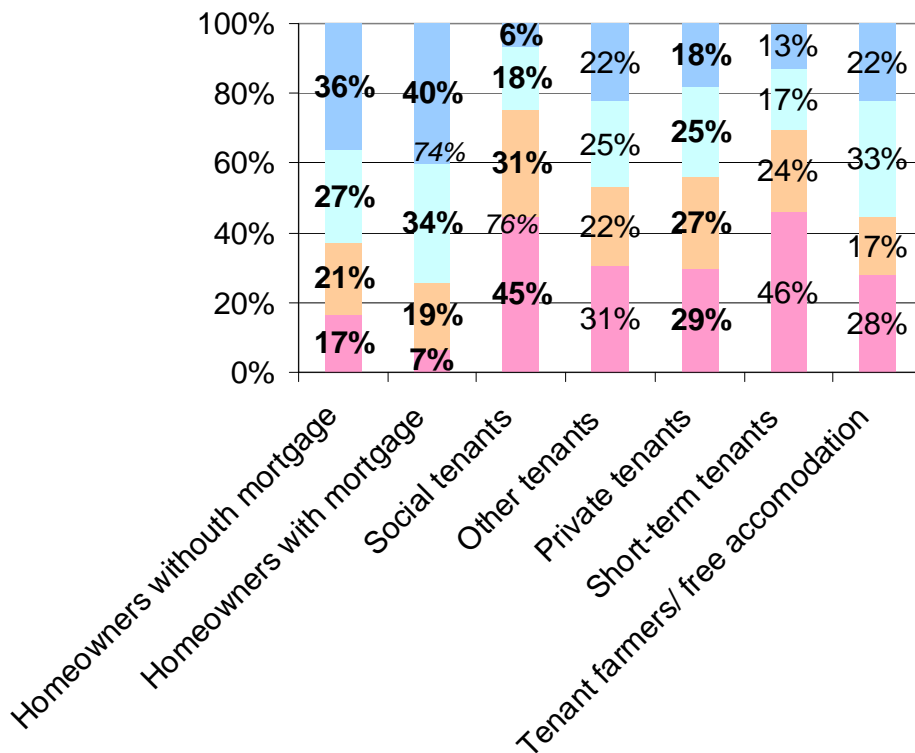
**in 2006**



**Figure 8: Distribution of standard of living of recently-moved households by housing tenure, in 1984**



and in 2006



Overall, it can be noted that the relative impoverishment of social sector tenants has occurred in parallel to the strengthening of the concentration of access to ownership among the most affluent households. On the contrary, the private rental stock, far from focusing on the most affluent households, has occupied a growing role for households' mobility, including for the least affluent.

It is hard to identify which are the main explanations for these changes, given the high number of modifications to housing policy, as well as social and economic changes, which have taken place over the past 20 years. In the absence of a more in-depth statistical analysis of this phenomenon, it is possible to sketch out a scenario to explain these changes, which will be useful for highlighting the areas which would be of interest for deeper statistical analysis.

Certain elements of the underlying framework seem obvious. The ageing of the baby boom generation has had significant consequences, notably on the structure of the distribution of incomes and assets; it also seems necessary to recall the effect of the rise in job precariousness, in particular for the least affluent households; finally, the end of the period of the transformation of farming areas and the decline in traditional industrial basins, as well as the effects of suburbanization and the concentration of economic activity around the largest conurbations, have had noticeable effects on the location of the least affluent households, in particular.

More specifically, local housing policies may have also contributed to these changes.

As a rule, the grand majority of French people aspire to home ownership. This has also become a central goal of public housing policies since 2007. However, this could also point to the growing difficulty in first-time home ownership for the least affluent, perhaps due to the increasing precariousness of this population group or the rise in property prices, in particular in economically dynamic conurbations.

The increase in the number of private rentals could appear paradoxical, running in the face of these economic predictors. But the past three decades have seen an increase in personal housing benefits, as the government focus has shifted away from the formerly popular "brick and mortar" subsidies (for constructing residential properties), as recommended by the Barre Report [1976]. The overall improvement over the past two decades of the credit-worthiness of the least affluent households living in private rented accommodation could have helped to maintain this rental sector. The article by G. Fack could be seen as partial proof of this hypothesis, in revealing the inflationary effect of these forms of financial assistance on the private rents of the least affluent households. Landlords/owners could have thus seen the advantage of maintaining rental properties aimed at the least affluent tenants, despite the increased insecurity this represents. Moreover, it could be hypothesized that the renewal of the private housing stock by means of tax incentives to invest might have had an effect on the renewal of the available housing for the most affluent households.

The relative impoverishment of social sector tenants could thus appear to be caused by a combination of these various external dynamics, as well as changes within the sector itself. One could attempt to analyze the implicit development of the role of the social housing stock, and its growing function in housing the least affluent households (e.g. the aims of allocating newer homes to the least affluent households, or the legal affirmation of the advantage of



social mixing). Another interesting path to follow would be to try to identify the role played by the low level of attractiveness of the social housing stock, notably the stock dating from 1945–1975, which main fault would be that of being poorly integrated into the urban fabric.

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**APPENDIX 1: Graphical representation of Table 2: Median standard of living of households and changes between 1984 and 2006**

