

# Housing the Nation the Co-operative Way

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The New Labour Government in the UK has achieved a powerful mandate from the electorate to abandon the unfettered self interest which dominated the social policies of the last eighteen years and to create a nation in which every citizen has a stake and is valued; where each person has social as well as individual rights and responsibilities. The New Labour Government has, as promised, hit the ground running on key policy commitments, but there is much yet to be done to define, in practical terms how its vision for Britain is to be achieved. Those who share that vision of society and helped secure the new Government's election now have a responsibility to help to deliver Labour's manifesto by devising equitable, practical and politically non-partisan strategies for improving the fabric of the society in which we live. In terms of housing strategy, the challenge which faces the co-operative housing movement is to show the New Labour Government the vital role we have to play in helping it to deliver its vision for Britain, its vision of a Stakeholder Society. Housing co-operatives have the unique capacity to give people a stake in their homes through the co-operative ownership and management of social housing, but we need to persuade the new Government and local politicians that this is the case.

Housing was not a major issue in the election campaign. The reason is simple. The majority of voters are reasonably housed, and for them it is not an immediate priority. The key issues for this majority are the quality and cost of the health and education services. Those who are homeless or in poor housing are often disenfranchised from the political process. Notwithstanding these political realities, housing as an issue is already beginning to move up the political agenda. One of the first bills to come before the new Parliament is the bill to release the capital receipts accumulated in council coffers from the sale of council homes under the Right to Buy. Tessa Jowell, the Minister of State for Health with special responsibility for public health matters has in public statements, in line with the refreshing cross department approach to policy, already made the connection between poor housing and poor health and unnecessary cost to the health

service.

Those of us interested in housing issues need to build on this growing awareness of the importance of decent housing as one of the key aspects of inclusive social policy. We need to persuade the Government and the electorate to accept two key propositions:

**Firstly:** that our nation needs a progressive national housing strategy which aims, ultimately, to provide a decent home for every citizen

**Secondly:** that co-operative housing has a special role to play in this strategy because it, above all other ways of providing and managing social housing, brings personal and social benefits which help to avoid social exclusion and disadvantage and create New Labour's Stakeholder vision of society.

Any debate about housing policy and the statistics to support debate centres on four key issues:

- 1) the availability of housing - the right of every citizen to a decent home;
- 2) the quality of housing - a home for every family and individual which is fit and healthy to live in;
- 3) the cost of housing - a home which each household can afford without being trapped in poverty and benefit dependency;
- 4) the control of housing - who controls housing resources and the rights of consumers to control the housing environment in which they live.

Housing is not readily available for many in need in our society. One of the trademarks of the society created by the former Conservative Government is the increase in the number of homeless people on the streets sleeping in shop doorways. But that is only the tip of the iceberg of housing need. We are simply not building enough new homes. The latest Joseph Rowntree study<sup>1</sup> on housing construction shows that at current rates of replacement of our housing stock, every house we are now

building in Britain must last as long as Stonehenge or the Pyramids before it will be replaced. To keep pace with demand and new household formation four million new homes are needed before the year 2016.

In 1996 the House of Commons Environment Select Committee concluded that a minimum of 90,000 new units of social housing needed to be built each year to meet the demand for affordable homes. Output in the last three years was below the Department of the Environment's own lowest estimates of need of 60,000 new affordable homes each year. The shortfall is in excess of 30,000 homes a year and rising.

Quality of housing in the UK is also a strategic problem. The 1991 England and Wales House Condition Survey showed that 8 per cent of all housing was unfit for human habitation because of disrepair or because it was lacking in basic amenities. This shows that nearly one in twelve households are living in housing which is unfit for human habitation. The link between bad housing, health and cost to the National Health Service is direct. Poor housing inevitably leads to poor health and higher healthcare costs. The cost of remedying this basic unfitness was estimated at 1991 prices to be over £6 billion. The greatest area of unfitness is in the private rented sector which the previous Conservative Government sought to revive as the main source of housing for those who could not buy their own homes. 18 per cent of private rented homes are unfit. The estimated cost of disrepair and improvements needed to local authority housing to bring it up to modern standards is over £20 billion. While the release of £5 billion of capital receipts from the sale of council houses will help, it will not, on its own solve issues of quality or availability of affordable housing. We need progressive policies, a national housing strategy which aims to eradicate unfit homes and modernise those which do not provide adequate comfort or amenity. There is also a direct link between poor housing and education. Every teacher knows that a child cannot thrive at school if he or she lives in crowded, damp or insanitary conditions.

The affordability of housing is also a major issue. Under the last Government, housing associations became the main providers of new rented homes. With notable exceptions, housing associations have not actively opposed the cuts in capital grant

which have led to higher rents. Opposition to grant rate cuts has been token opposition. The argument against reductions in capital grants for housing provision has consistently been undermined by housing associations competitively bidding against each other for capital allocations below the headline grant rate. Rents have risen far more rapidly in recent years than average earnings. The analysis of lettings by the National Housing Federation shows that 70 per cent of all new housing association tenants face the indignity of being dependent on housing benefit and being trapped in poverty with little incentive to work. In 1994, 61 per cent of all housing association tenants were in receipt of benefit, that is over half a million households.

When you are on benefit it is hard to escape the poverty trap. Under the benefit system devised by the last Government, housing and council tax benefit is lost at a rate of up to 95 pence for every additional pound earned. The Housing Benefit system is a system of super-tax on the earnings of the poor. The signing of the European Union's Social Chapter and the introduction of a national minimum wage will reduce the benefit bill, but radical changes are needed if those on benefit are to escape the poverty trap and have the incentive to move from welfare to work.<sup>3</sup> The appointment of Frank Field MP as Minister of State for Social Security, one of the most radical political thinkers on issues of benefit reform, creates an exciting prospect for change.

The fourth issue which a progressive national housing policy needs to address is control. Many local councillors, including local co-operative party councillors, are of the opinion that, for someone desperate for a home, who controls it is not important. While that may be true at the time of such crisis, it is not the case when it comes to the quality of the life and the community in which tenants will live once that immediate need has been met. When it comes to rights over the homes we live in, our nation is a divided nation - divided between the two thirds who own their own home or are buying it on a mortgage and who are totally responsible for its financing, repair and maintenance and the one third who rent their homes and whose responsibility stops at the wallpaper. They are tenants dependent for services on the paternalism of their feudal landlord over whom they exercise little influence or control, however benevolent that landlord may be. In a modern democratic society, the issue of

who controls rented housing is as central to housing policy, and the creation of Stakeholder Britain, as are the three other strategic issues of availability, quality and cost.

### **The social housing sector and the nature and potential of housing co-operatives**

To sustain the case for the inclusion of consumer rights to control rented housing through the co-operative housing model as a central plank of New Labour's Housing Strategy it is necessary, for the benefit of those who are not directly involved in social housing, to outline the nature and scope of social housing provision and the origins and place of co-operative housing within it.

The pattern of tenure in England, Scotland and Wales is dominated by home ownership. There are just under 24 million households. Of these, 67 per cent, just under 16 million households own their own home. 2.3 million rent in the private sector, 4.5 million rent from local authorities and just over 1 million rent from housing associations. By comparison a tiny proportion - the best estimates are around twenty thousand households - live in housing co-operatives, (accurate statistics on the co-operative housing sector are notoriously difficult to obtain because no government agency maintains them comprehensively). Half of these are what we call par-value housing co-operatives where the co-operative owns the property its members rent from it. The other half are tenant management co-operatives mainly in local authority housing, but some in housing association stock, in which the tenants manage the housing on behalf of their landlord under the terms of a formal management agreement.

### **A pocket history of the co-operative housing sector**

Housing co-operatives are deeply rooted in the co-operative movement both in the UK and internationally. They recognise the Rochdale Pioneers as the source of the seven co-operative principles which form the core of the co-operative social and economic philosophy. It is the same source which inspired the retail and worker co-operative movement. Provision of housing

for members has always been a concern of co-operatives. In 1861 the Rochdale Pioneers Land and Building Company provided the first co-operative housing on land in Spotland Road, Rochdale. In 1867 the Rochdale Equitable Pioneers Society was directly building and providing housing and, by the end of the century had built 300 house for rent.<sup>4</sup> The Pioneers had also set up the Co-operative Permanent Building Society, later to change its name to Nationwide Building Society.

As the co-operative movement spread internationally, so did the application of the Co-operative Principles to housing provision for working people. The first example of a housing co-operative movement independent of retail co-operative societies was in Germany in the 1890s. It was set up by the Bismarck Government to improve living conditions of workers to help prevent revolution. Not surprisingly, the housing co-operatives in Germany, in common with the rest of the co-operative movement, were abolished by the Nazis in the 1930s.

From Germany the concept moved to Scandinavia. Today in Norway, if you are not an individual home owner, you are more likely to occupy a housing co-operative home than any other form of housing. 14 per cent of their total housing stock of 1.7 million dwellings is co-operatively owned and managed under the umbrella of the Norwegian Federation of Co-operative Housing and Building Organisations (NBBL). NBBL are responsible for 15-20 per cent of total housing production in Norway each year.<sup>5</sup> Sweden has two major co-operative housing organisations. The largest, HSB Riksförbundet, manages over half a million homes.

With the persecution of the Jewish Race in Europe during the first decades of this century, housing co-operatives spread to the New World. In New York the East River Housing Co-operative, was set up by the immigrant members of the Garment Workers Union in 1927. In the late 1980s it was still going strong.

From Scandinavia and the USA co-operative housing was imported into Canada. Today housing co-operatives are the largest not-for-profit housing sector in Canada, housing over 250,000 Canadians. Housing co-operatives are truly an international phenomenon. Throughout the developed and developing world they providing decent homes for their members. The largest co-operative housing complex in the world

is the Kent Co-op in Baitikent, Turkey where over 250,000 households live in co-operative proved and managed homes. In Kenya members of housing co-operatives build their homes in under the umbrella of the National Co-operative Housing Union of Kenya.

In the early 1970s from Scandinavia and Canada the concept of co-operative housing returned to its roots in the UK, re-imported by Harold Campbell, the then Secretary of the Co-operative Party. Harold Campbell was the Founder Chair of CDS Co-operative Housing Society Ltd, a specialist secondary co-operative service agency which now manages 3,000 units of co-operative housing in 70 housing co-operatives around London and the South of England.

If housing co-operatives are so successful in other countries, it is natural to ask why have they not been so successful here. The answer is relatively simple - it is primarily because of our feudal pattern of land tenure, which pre-dates the Norman Conquest. Since feudal times land ownership has been concentrated in the hands of a small number of mainly aristocratic private landowners who, during the Victorian era and early this century, built speculative housing for rent. Because of the appalling housing conditions which resulted, it was necessary, in post-war Britain, for municipal authorities to undertake large scale replacement of slum and war damaged housing - a process which perpetuated the feudal tenure pattern of landlord and tenant.<sup>6</sup> These accidents or realities of history suppressed the need for the self help co-operative housing movement which took root in other countries in Europe and the rest of the World. In this historical context, the provision of housing by local councils was progressive, essential and made an enormous contribution to the quality of life of millions. Many post-war baby-boomers were born in council prefabs and lived their childhood years in council housing; but at least their working parents had the dignity of a decent home for their family which they could afford, provided by a benevolent council landlord.

Why, then, should housing co-operatives be a central plank of New Labour's National Housing Strategy? There are four main reasons: Firstly; although local authorities must be key enablers in delivering a national housing strategy because they are elected and accountable to their community, it does not make

economic sense for them to return to being the principal providers of social housing. We are now partners with other countries in Europe. The Maastricht Treaty commits us to economic convergence. Transferring capital housing investment out of the public sector will help achieve that economic convergence and maximise the investment of public funds by enabling them to be matched with private finance. The question is how best do we achieve this?

Secondly, society and the expectation of its citizens has changed. Consumers are better educated and expect greater choice and control over the services they receive. Feudal tenure in which rights are derived from a grant of rights by a superior landlord, however benevolent, is not appropriate for a mature 21st century democratic society. If we wish to preserve democracy we must promote it by giving people a stake in democratic organisations at all levels within society.

Thirdly, housing associations which were the preferred alternative social housing providers under the late Conservative Government, have two fundamental structural problems:

- 1) with notable exceptions such as community based housing associations and some Large Scale Voluntary Transfer Associations, they have a major accountability deficit. They are accountable only to a small number of trustees or shareholders and to an un-elected Quango, the Housing Corporation, rather than to the communities they serve;
- 2) their capacity to raise private finance to match public investment is limited. In raising finance they are mining a finite pot of gold; using the value of assets built at times of high capital grant subsidies to secure loans for current development. In contrast, because of their unique legal status, fully mutual housing co-operatives can secure the private loans they need to match public capital grant investment on the open-market-value of the housing their members occupy. The capacity of housing co-operatives to raise private finance has been enhanced by the establishment last year of the Co-operative Housing Finance Society (CHFS) as a specialist financial intermediary for the co-operative housing sector. CHFS has already enabled private finance

to be raised more easily and cheaply for housing co-operative projects.

Fourthly, housing co-operatives are simply a better way of managing rented housing and produce the personal stakeholder benefits which were at the heart of the New Labour Government's election campaign and part of the British Co-operative Party's Agenda for Labour.

Clearly it is necessary to substantiate the claim that housing co-operatives are a better way of managing. Fortunately that is not difficult as it has been confirmed by independent professional research. In 1991 the Department of the Environment commissioned management consultants, Price Waterhouse, to carry out a study into the management efficiency of co-operatives and other forms of tenant control. Their report "Tenants in the Lead; An Evaluation of Tenant-Led Housing Management Organisations" published in 1995 came to highly positive conclusions as the following summary of their findings shows:

#### The efficacy and cost-effectiveness of tenant involvement

"The findings of this research demonstrate that there are significant and worthwhile benefits associated with Tenant Management Organisations (TMOs) - especially those which give tenants effective control (Tenant Management Co-operatives - TMCs) or autonomy (Par Value Co-operatives - PVCs).

While resources are required in the short-term for setting up TMOs, the benefits arising from this initial investment can be expected to produce longer-term savings and benefits which more than outweigh the set-up costs."

#### The Par Value Co-op housing management performance in context

"The PVC case study organisations performed as well as, or better, than their housing association comparators. In interpreting these findings it is important to bear in mind that the PVCs have been compared with some of the best known and professionally-run housing associations in the

country. The fact that the co-ops have delivered housing management as good as, or better than, those fully resourced and professionally-run organisations suggests that the PVC model can be a highly effective and efficient form of managing and owning social rented housing”.

### The Par Value Co-op: value for money

“The PVCs have delivered as good as, and in one case better, housing management services than their comparators: their costs were within the same levels, or lower, than the conventional housing association comparators. There was also strong evidence of additional, non-quantifiable benefits for two of the three PVCs. Overall, the PVC case study organisations were effective, adaptable and resilient, and delivered comparable, or superior, value for money.”

### General summary of policy implications; the key lessons are:

- “ • small-scale community-based TMOs are able to deliver superior value for money;
- in the housing association sector PVCs are a flexible model capable of delivering housing services which compare with the very best mainstream providers;
- where appropriate PVCs should be encouraged to buy-in services from specialist support agencies;
- the development of TMCs in the local authority sector is more likely to produce better results than forms of TMO where responsibility is diffused and roles are circumscribed”.

### **Strategies for creating a vibrant co-operative housing sector**

As Price Waterhouse has clearly shown, housing co-operatives are an efficient, and cost effective way of enabling those in need of social housing to gain the personal and social benefits which arise from the practical application of the Co-operative Principles to the management of their homes. After 18 years of adverse

policies which have ignored the potential of housing co-operatives, these benefits will not be realised more widely unless the New Labour Government adopts positive and supportive strategies.

### **Housing co-operatives: creating the stakeholder society**

To realise the potential of housing co-operatives and to create New Labour's stakeholder vision in the social rented housing sector action is needed on six key aspects of housing policy:

- the adoption of positive supportive strategies for housing co-operatives;
- the implementation of a planned national co-operative housing programme which prioritises investment in housing co-operatives;
- positive encouragement for council tenants to form tenant management and transferred ownership co-operatives;
- enabling the formation of a network of regional service agencies to promote, develop, educate and service housing co-operatives;
- support and finance for the development of member training and the training of co-op housing service and support staff;
- the enactment of the Co-operative Housing Act 2000 to establish co-operative housing as a unique democratic form of tenure (a third estate in UK Property Law which is not a feudal grant of rights by a superior Landlord) with its own appropriate legal, administrative and financial framework.

How can these strategies be implemented? The housing co-operative sector is so small and disadvantaged by the policies of the last eighteen years that it does not have the capacity or resources on its own to mount the political lobbying and public relations campaign needed to ensure that the supportive strategies are adopted and implemented. The best way to promote the role of housing co-operatives is to apply the sixth co-operative principle of co-operation among co-operators and enlist the help of the rest of the co-operative movement to lobby for and promote the development of housing co-operatives both locally and nationally. A proposal to set up a National

Co-operative Housing Forum to co-ordinate this activity is currently being considered by the United Kingdom Co-operative Council. The All Party Parliamentary Group on Housing Co-operatives is also being re-established in the new Parliament under the Chair of Jenny Jones MP, the Labour Member for Wolverhampton South West. The All Party Group will act as a focus for Parliamentary activity by supportive Members of Parliament from all parties, including the twenty-six strong group of Labour/Co-operative MPs.

The promotion of the co-operative housing sector is not only a desirable objective in its own right. It is also advantageous to the rest of the co-operative movement. A progressive and successful co-operative housing movement is also a vital source of new committed and educated members for established co-operatives. If closer links are created with other co-operatives, housing co-operatives and their members can be consumers of their services, helping to sustain and expand the third co-operative economic sector which should be the basis of greater social equity and wealth distribution.

Co-operative housing will not come of age until its unique characteristics are recognised as a third estate in law. If they are, it has the potential to be a foundation stone of democracy and social inclusion in the next century. One of the best insights into the political challenges this poses was given by Mr Billy Cobbitt, until recently the Director of the Department of National Housing for the new South African Government. In answer to a question at this year's Chartered Institute of Housing Conference, he said that the most significant lesson he had learned from looking at other national housing systems was that the most difficult challenge politicians faced was to empower ordinary people and then have the courage to stand back and let them get on with managing their own affairs. Those of us who live and work in the co-operative housing sector are confident the New Labour Government will have this courage.

**David Rodgers is Director of CDS Co-operative Housing Society Ltd. Article based on a speech given at Co-operative Congress, Cardiff, May 1997.**

## Notes

- 1 'The State of UK Housing: a Factfile on dwelling conditions' by Philip Leather and Tanya Morrison: The Policy Press
- 2 'Setting Up; a report into the legacy of homelessness on health'. Anna Collard, London Homelessness Forum.
- 3 'Inquiry into Income and Wealth volumes 1 and 2' Joseph Rowntree Foundation, 1995.
- 4 'Co-op: the People's Business' Johnston Birchall 1994 p50
- 5 'The Role of the State and the Private Sector (Including Housing Co-operatives) Within the Housing Sector in Norway', Roy Berg Pedersen: World Of Co-operative Enterprise, Plunkett Foundation 1997
- 6 See Edgar Ansty's classic 1932 documentary film "Council Housing", available from the National Film Library