

Mutualism Offers UK Housing ‘More than Markets’

Chris Handy and Kevin Gulliver

The article summarises the research findings of a new report about mutual housing in the UK — *More than Markets: Mutual and Co-operative Housing in the UK* (Gulliver et al, 2013). The report seeks to provide an alternative vision for UK housing that stresses co-operation over competition. The article describes how the UK's housing system stresses home ownership over other tenures and is increasingly pushing social housing towards marketisation. Drawing on the work of evolutionary psychologists and philosophers, the article shows that co-operation is as important as competition in successful human endeavours: especially so in the UK's housing system. It further illustrates that there is a renaissance in co-operative housing in the UK but that the sector remains small and disparate. Despite this, mutual housing is flourishing with an array of new approaches being developed to extend its reach across the social housing sector and to introduce mutual home ownership into the owner-occupied sector. The article shows that mutualising UK housing offers much to communities in terms of improved housing management, greater levels of resident satisfaction and more active citizens. The article concludes that expansion of mutual housing could be supported by the creation of a Tenants Mutual and a co-operative tenancy within social housing.

Introduction

The last decade has seen renewed interest in and development of mutual models in the UK housing sector. Yet the shape, history, performance and achievements of mutual housing in the UK have been largely uncharted since it constitutes only a small part of the UK housing system. The UK is unusual when compared with European Union norms where housing co-operatives comprise around 5 to 15 per cent of other European national housing systems, 5 per cent in Canada, 12 per cent in Turkey and even 1 per cent in that bastion of free enterprise, the USA (International Co-operative Alliance Housing, 2013). The values that underpin housing co-operatives across the world, drawn from the seven established by the International Co-operative Alliance have also been significantly missing from UK housing until recently where there has been a push to extend mutual housing across the UK's social housing sector and some limited activity to roll-out mutual home ownership initiatives.

So new research by the Human City Institute and the Matrix Housing Partnership in collaboration with the Commission on Co-operative and Mutual Housing aimed to establish the nature and extent of mutual housing in the UK, to place that in the wider context of the UK's mutual economy and embryonic ‘mutual state’ and to compare the housing management performance of housing co-operatives with that of the social housing sector; and in particular comparable small social landlords. The research also explored the extent to which mutual housing organisations meet need, tackle disadvantage and create social value. Finally, the research investigated how mutualising the UK's social housing stock might offer an alternative vision to that of recent governments to privatise social housing.

Mutualism, Markets and Social Housing

The housing system in which UK mutual housing operates is one that, firstly, promotes home ownership above all other tenures, illustrated most recently by the Government's introduction of a ‘reinvigorated’ Right to Buy for social tenants and the ‘Help to Buy’ initiative which subsidises 15 per cent of the deposits needed for new housing market entrants (Hilber, 2013). The second contextual element is the gradual marketisation of social housing over the last twenty-five years and creeping commercialism and managerialism in the sector since 2010. The third is the emergence of buy-to-rent with small landlords entering an expanded private rented sector with

escalating rents. Both the social and private rented sectors are underpinned by a £25 billion per year housing benefit system subsidising rents for the majority of tenants (Gulliver and Handy, 2013).

In the social housing field, increasing competition between providers and the normalcy of market terminology — calling tenants ‘customers’ for example and copying private business practices such as call centres — and the creation of quasi-markets (Le Grand, 2011) have had profound implications for how social housing operates. While social housing has historically been placed between ‘state, market and community’ (Mullins, 2010) current emphases on efficiency, value for money, cost-cutting and the effects of welfare reforms on social tenants’ incomes and standard of living have pushed social landlords increasingly towards more commercial management philosophies with recent moves towards recreating ‘commercial philanthropy’ (Smith Institute, 2013) which was last seen at scale in the UK more than seventy years ago (Malpass, 2000). The further shift towards ‘affordable housing’ through the new Homes and Community Agency newbuild programme takes future development out of the social housing stable. The co-operative housing tradition offers an alternative vision to the gravitation of social landlords towards marketisation.

Mutualism is a powerful counter to marketisation in social housing because there is strong and growing evidence of the existence of a ‘co-operative imperative’ (Restakis, 2010) to set against the perceived advantages of competition. This, evolutionary psychologists contend (Axelrod, 2006; Lewis and Conaty, 2012), goes hand-in-hand with the more widely-publicised competitive instincts of human communities and is an equally strong human drive. Some commentators (Leadbeater, 2012) assert that humans have a deeply hardwired need to co-operate and are capable of greater levels of co-operation than other species, being prepared to co-operate with strangers, over large distances, times and cultures. Additionally, commentators (Sennett, 2010) identify the skills which are required to create shared solutions to complex problems such as global warming, financial regulation, world hunger and demographics lie in co-operative behaviour.

Alongside, the cost-effectiveness of market and quasi-market approaches are being seriously contested by philosophers such as Michael Sandel (Sandel, 2012). He casts doubt on western societies’ acquiescence to market supremacy, arguing that the dominance of a narrow form of economic thinking is a relatively recent trend. He contends that the last few decades have witnessed the remaking of social relations in the image of market relations with social goods changing their nature when supplied through the market. Sandel further shows that the limits to markets cannot be circumscribed by economic reasoning alone. The contention is that policy-makers and the general public have been mesmerised by the ability of market systems to deliver greater cost-effectiveness and choice, concluding that more sceptical about market approaches is required and that there are older ways of ‘doing business’ such as co-operation which have proven track records of sustainability.

The Evolution of Mutual Housing in the UK

It is against this policy backdrop that the evolution, value and potential futures of mutual housing in the UK are being debated. Mutual housing in the UK has evolved through a series of ‘waves’ of formation over more than 100 years in similar fashion to the development of social housing generally (Malpass, 2000). The oldest elements are co-partnership and co-ownership housing schemes but very few are left today. The largest sub-sectors in terms of numbers of organisations are housing ownership and tenant management co-operatives. The development of community mutuals and gateways through housing stock transfer from local authorities to community ownership is the largest scale development for some time with organisations in Greater London, Preston, Liverpool, Rochdale and Wales managing just over two fifths of the UK’s mutual housing. Rochdale Boroughwide Housing is the most recent stock transfer of local authority housing but to a unique employee and tenant owned vehicle. Community land trusts,

co-housing and mutual home ownership schemes are new and growing, although relatively small, elements.

Historic development of mutual housing is shown chronologically below:

Waves of Creation		Number Today
Late nineteenth and early twentieth century	Co-partnership Housing	0
1960s	Co-ownership Housing	3
1970s to 1980s	Housing Ownership Co-operatives	575
1980s to 1990s	Tenant Management Organisations	231
Late 1990s Onwards	Co-Housing Projects	54
2000s Onwards	Community Housing Mutuals and Gateways	11
Mid-2000s Onwards	Community Land Trusts/Mutual Home Ownership	100
2013	Total remaining today	974

Across the sector a little over 195,000 homes are managed, equating to just 1 per cent of all UK housing. Organisational size varies from less than 10 homes in management to more than 15,000. The average size of organisations is 203 homes but 75 per cent manage less than 100 homes and 85 per cent less than 200. Mutual housing organisations have an annual turnover in excess of £531m, have shareholder capital of £494m and have in excess of 200,000 co-operating members. While considerable, this represents less than 0.5 per cent of the turnover of the social housing sector overall and only 1.4 per cent of the £38bn annual turnover of the wider mutual economy.

Mutual housing has remerged as a viable strand in the UK's housing system partly as a strand of growth in the 'mutual state' from 2002. Here, the development of a range of multi-stakeholder focused organisations including foundation trust hospitals, co-operative schools, health and social care co-operatives, and community interest or public interest companies have their housing equivalents in community land trusts, co-housing schemes and home ownership co-operatives. Since the election of the Coalition Government in May 2010, interest in mutualising public services, partly as an element in the 'Big Society' initiative, has grown. The Mutuals Taskforce, convened in 2011 aiming to create more public service mutuals, has published its report *Public Service Mutuals: Next Steps* which highlights the progress and achievements made to date and sets out recommendations for Government to further increase the size and scope of the co-operative agenda. Co-operative councils and community shares initiatives are also new developments within the 'mutual state'. To date, around 70 mutuals have been formed through the government's Mutual Support Programme although there is some disquiet that these are not truly mutuals and could undermine the rest of the mutual sector unless changes were made. A lack of a controlling stake for staff in some of these organisations is a concern (Mayo, 2013).

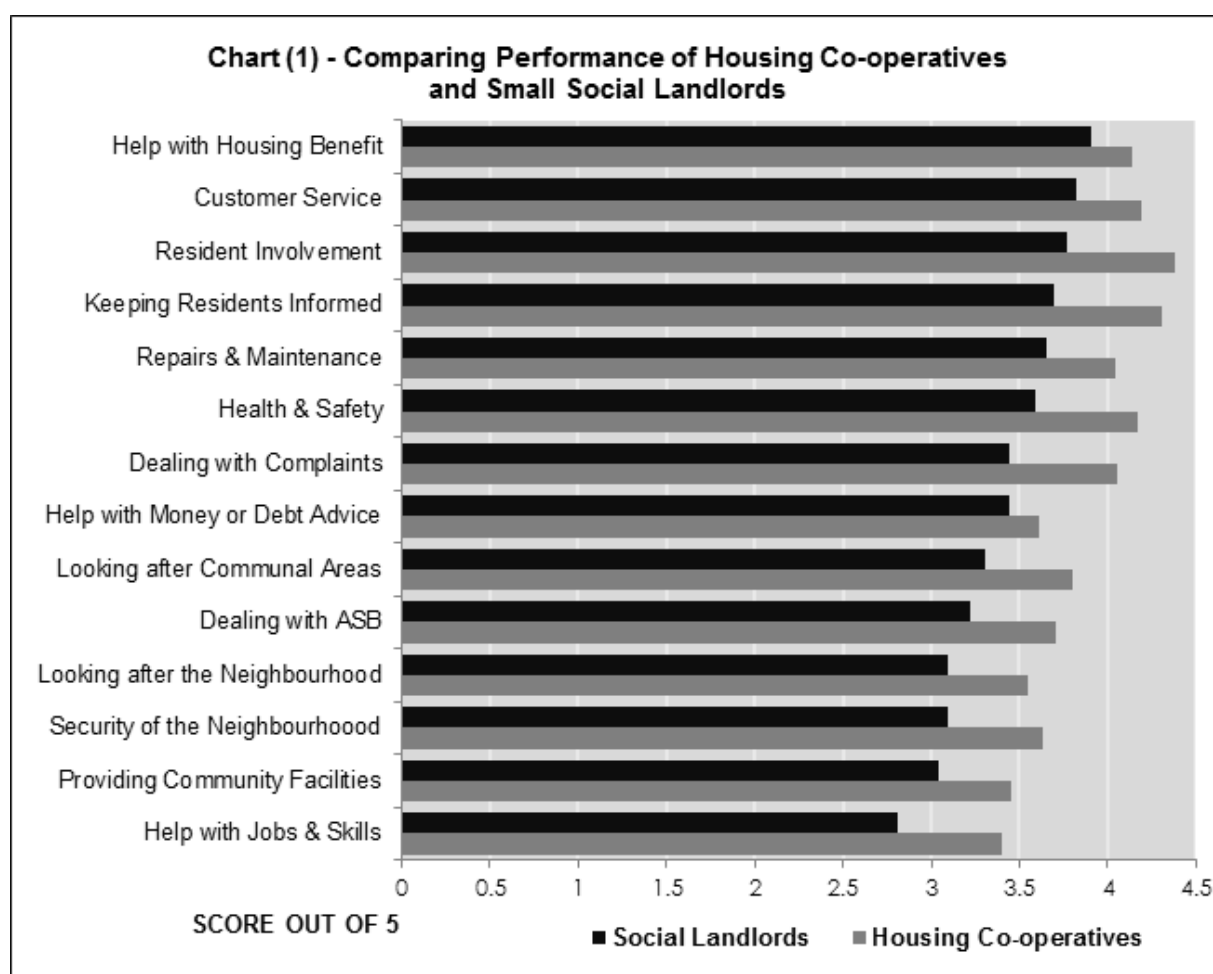
The UK has a small number of secondary housing co-operatives, such as Birmingham Co-operative Development Services and Co-operative Development Services in London, developing new mutual housing models. For example, Redditch Co-operative Homes is a 'green' co-operative managing 300 homes, placing a premium on existing co-operators helping new co-operators with housing developments and service, and on housing sustainability. LILAC Leeds, standing for Low Impact Living Affordable Community, is a 20-home mutual home ownership scheme offering a high level of environmental sustainability and low or no carbon footprint with locked-in mortgage affordability through variable equity stakes.

England, Scotland and Wales all have varied mutual housing histories and futures. England has the largest number of ownership co-operatives and tenant management organisations while Scotland has long tradition of community-controlled housing associations. Wales, supported by a sympathetic devolved administration, has pioneered the community mutual and is pushing for greater co-operative development supported by the introduction of a 'co-operative tenancy'.

The Mutual Housing Group is helping to coordinate a range of activities including community land trusts, mutual home ownership co-housing communities for older people and extending 'community gateway' principles across UK housing.

The Value of Mutual Housing

The study discovered growing evidence that mutual housing organisations are efficient housing managers with rent arrears, vacancies and housing re-let times lower than national social housing norms. They also compare favourably on repairs performance and housing 'indecentry' is dramatically lower (at 4 per cent compared to 10 per cent for small associations). These findings are confirmed by the Tenant Services Authority's research (Tenant Services Authority, 2009) which showed that housing co-operatives outscored all other landlord types on customer service, repairs and maintenance, dealing with complaints, looking after communal areas, helping with housing benefit, health and safety and neighbourhood safety. Additionally, satisfaction among tenants of housing co-operatives runs ahead of that in the social housing sector overall. Chart (1) illustrates comparable performance across a range of indicators.



Mutual housing offers some potential answers for growing housing and community problems. It both meets needs and fulfils aspirations. For example, 20.7 per cent of applicants housed by housing co-operatives were homeless compared to 20.5 per cent for small associations. Approaching 27 per cent of housing co-operative lettings went to applicants living in poor or overcrowded housing which is a greater proportion than for small associations (at 22.6 per cent), all associations (at 20.2 per cent), and community gateways and mutuals (22.1 per cent). Some 28.3 per cent of those housed by co-operatives were economically inactive, which is slightly below the 29.9 per cent of those housed by small associations and considerably below that for all housing associations (at 36.5 per cent).

Mutual housing organisations provide added social value beyond other forms of social housing. There is some preliminary evidence that controlling assets by tenants and low income groups has positive effects on personal and community wellbeing, as well as self-esteem, health, employment access and progressions, and life chances. Control of assets, as in mutual or co-operative housing, rather than being the recipients of services provided by a social landlord, is likely to create greater levels of social value and promote well-being and community cohesion. Here the 'asset effect' provides additional social value (Gulliver, 2013).

Housing co-operatives are also in a unique position to combine political and economic democracy (Rowlands, 2009). Key benefits of co-operative housing are not only providing more cost-effective services but also wider social and community benefits. While resources are required in the short-term for set-up costs, the benefits arising from this initial investment produces long-term savings and benefits which more than outweigh set-up costs. The reason for this is that the prime objective of housing co-operatives is to provide good quality and affordable housing in the interests of their members, and not to maximise profit for developers or shareholders (Rodgers, 2001).

Conclusions and Future Development

The research for *More than Markets* confirms that mutual housing should be a significant and growing element within the UK's housing system to both emulate European norms and provide an alternative vision to more competition within the social housing sector. We make three recommendations to achieve this ambition:

- Extending the UK's 1 per cent co-operative housing up to European Union norms of 5 to 15 per cent with at least 500,000 social homes moved into co-operative ownership over the coming decade.
- Creating a Tenants Mutual Finance Initiative operating in similar ways to the Children's Mutual, providing savings and borrowing opportunities for tenants and claim the social value of the 'asset effect'. The Tenants Mutual would not only enable expansion of co-operative approaches in social housing but would fund new affordable housing development and aid renewal of community infrastructure, while providing tenants with affordable credit opportunities.
- Developing a new form of 'co-operative tenancy' to replace the current provider-consumer relationship between social landlords and tenants.

The Authors

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