

Dangers and Opportunities in the Bill

by Dr. R. Johnston Birchall

The debate about current housing policy tends, like so much else in British politics, to be dominated by arguments from two opposing forces: free market individualism on the right, and state socialism on the left. The Co-operative voice is caught in the middle, and for the most part is continually drowned out. This is not because it is the voice of 'centre party politics' (though the centre parties have been sympathetic to it); when taken seriously, the Co-operative philosophy is simply too radical to be contained in any conventional continuum between right and left. It has been drowned out partly because the left in Britain, unlike that of many other countries, has been incorrigibly statist and unsympathetic to Co-operative socialism, and partly because the right, sensing this weakness in the philosophy of the left, continually tries to assimilate the Co-operative belief in mutual aid to the rhetoric of market-based 'self-help'.

In order to make ourselves heard, we have to speak firmly and clearly, with a greater understanding than we have at present of where we differ from those other voices.

The Beliefs behind the Housing Bill

In this approach, I want to set the scene by getting behind the Conservative rhetoric to discover how the people who are making and opposing housing policy think. Only by gaining this deeper understanding can we know where the dangers and opportunities for housing Co-ops lie.

If there is one thing that the 'free market libertarians' who inhabit Mrs Thatcher's think tanks hate, it is a public monopoly. If there is one thing they love, it is a private market. They believe that the former is inherently inefficient, and that the latter will always produce the best possible result for everyone. The purpose of government is to help the private market, staying out of its way while ensuring the legal enforcement of contract and the protection of private property, on both of which the market depends. For these simple purposes, government, unlike the market, does not have to be decentralised. It can be as centralised as it likes, providing it protects the market and curbs public expenditure.

The current Housing Bill which is slowly steaming its way, clause by clause, steadily through the committee stage in the House of Commons,

soon to be sent to the, perhaps rougher, waters of the Lords, is a typical product of this belief system. It is intended to do three things.

1. To Break up the Council Housing 'Monopoly'

The first aim is to break up the monolithic provision of rented housing by local authorities. The Bill introduces an element of competition by allowing other landlords a 'right to buy' council dwellings, at current market value, and providing the tenants do not object. Note that many arguments for local democracy are disregarded; councils have no choice, but will have to follow a set procedure for off-loading the estates. Note also that arguments for tenant choice only extend to a choice in the market between different suppliers; tenants have only a 'negative vote'; house-dwellers can vote to remain with the council, but if they do not vote 'no' they will automatically be transferred, while flat dwellers can only ensure that their freehold interest remains with the council if a majority actively vote 'no'.

Note also that the aims and character of the new landlords are not spelled out. It is enough, whoever they are, that they will introduce this element of competition, which it is believed will ensure greater efficiency all round. They will have to be approved by the Housing Corporation, but no-one knows yet what types of landlords will be approved. They could be more or less responsible housing associations, building societies, property developers or private managing agents, but the difference between non-profit making and capitalist businesses is not stressed; it is simply not felt to be important.

New Landlords May Be Co-ops

These new landlords might even be Co-ops, because in a backhanded sort of way the Bill gives tenants the right to buy the dwellings collectively from the council, if they are sufficiently organised. And there is the rub, because most council tenants are disorganised, lacking in information, and, after three generations of paternalistic landlordism, even more lacking in confidence. Again the thinkers of the right are not worried; the 'self-help' element in Co-ops is admired but will not be fostered, any more than it is at present, by state aid. As long as competition is introduced among landlords, it is argued, the tenants will automatically benefit.

If the proposals for the privatisation of council housing are couched in the language of tenants' choice while limiting it in practice, the proposals for Housing Action Trusts exhibit an even greater discrepancy between rhetoric and reality. The idea of a 'HAT', as it is now known, came from Alex Henney, an influential thinker on the right who works at a think-tank

which has had a quite substantial influence on Conservative policy recently, the Centre for Policy Studies. Henney invited us to 'Trust the Tenant' to take over collective control of council estates, then proceeded to withdraw his invitation by working out a scheme for a trust on which tenants only had minority representation.

The 'HAT' is similarly flawed, allowing the Secretary of State compulsorily to purchase council estates and hand them over to a body appointed by him, which will then proceed to put the housing in order by improving or rebuilding, raising money on the private market and through sales of land and housing. The finished product will then be sold on to one of the 'approved landlords'. In the hands of the right Secretary of State, such powers could be used to form a user-controlled trust, or to hand on to tenant Co-ops, but the general tenor of the legislation seems, at present, to belie the rhetoric of tenant control.

2. To Restore a Market in Private Renting

The second major aim of the Bill is to promote the private rented sector by reinstating a market which will give landlords an incentive to provide more housing. It is claimed, not that a decontrolled market will be a free one, in the sense of one which can compete on equal terms with other forms such as owner-occupation, merely that an element of market rigour will be brought in. (Though it does not get much of a mention in the Bill, owner-occupation is still seen as the most 'natural' form of tenure, and its extension remains the main aim of housing policy; the four billion or more pounds per year subsidy to owner-occupiers in mortgage tax relief is sacrosanct).

In order to move at least in the direction of market forces, the Bill decontrols rents on all new lettings, allowing landlords to charge what the market will bear, which in areas of scarcity means whatever they want to charge. It also allows those landlords who want their accommodation back after a certain time to declare it a 'shorthold' tenancy, which means that tenants only have security for the fixed term agreed. The aim is to overcome the shortage of rented accommodation by letting the market provide it at a profit. This, on all the available evidence, will not happen; private landlordism has been declining continually since the end of the First World War, and when a similar decontrol was tried in 1957 it declined even more quickly!

The Effect on Rents

Available evidence also suggests that, given continuing scarcity of accommodation, rents will increase dramatically. Yet this is not seen as a

problem, since the poor are expected to be cushioned by housing benefits, and other renters to be able to afford market rents. The fact that in April 1988 housing benefits are being cut back (for the seventh time since they were introduced) may seem to contradict this! Yet the argument even copes with this anomaly; since the first aim of government is to control public expenditure, aid to the most vulnerable citizens is dependent on what government ministers feel the economy can spare without damaging profitability in the free market.

What is freely admitted is that, since all old tenancies remain under the 'fair rent' system and all new ones become automatically 'assured rents', there will be increased scope for pressure on tenants. More effective powers are to be available to punish 'Rachmanite' landlords, but it is not felt necessary to address the problem of whether evicted tenants will gain access to the legal system in order to press their claims.

Taken together, these measures mean that all but the most well-off private tenants will suffer, and it should be a powerful spur to them to form Co-ops to provide both short - and long-life housing. Yet, not surprisingly, there is no attempt to give tenants the right to buy from their landlords; unlike public property such as council housing, the private property of landlords cannot legitimately be taken off them, even to give power to those who, as dwellers, most need control over it.

3. To Make Housing Associations and Co-ops More Like Private Landlords

It is ironic that, having only recently established their credentials with socialists as legitimate forms of 'social housing', housing associations and Co-ops should find themselves lumped in with profit-making private landlords as part of an 'independent rented sector'. Yet it is not surprising, since Conservative support for these non profit-making forms has always been premised on their being distanced from public housing, a kind of charitable or self-help adjunct to the private market. A first consequence is that, as with private landlords, every new housing association tenancy will be 'assured', and will carry less security of tenure and other tenants' rights. Co-ops are exempted from these provisions, because they have been recognised as self-governing, and so able to make their own rules about security and membership rights.

A second consequence, however, which will hit Co-ops hard, is the change in attitude towards rent levels. If profit-making private landlords are to move towards market rents, it is felt that non profit-making ones should move towards higher rents which cover more of the cost of the housing.

The Housing Association Grant will be reduced from around 90% of the costs of a housing scheme, probably to between 30% and 50%, depending on which part of the country it is in, and this will mean that new tenants will face steep rent rises. The fact that these are called 'sensible rents' betrays the assumption that tenants have until now paid too little under the "fair rent" system.

More Autonomy - and More Risks

A third consequence of this assumption that associations and Co-ops are part of the private sector is that they should bear more of the risks attached to housing development and management, in return for more autonomy. In conjunction with the axiom that private funding is always to be preferred to public funding, this means that the shortfall in funding left by the reduction of public subsidy will have to be made up by building society mortgages. Much faith is put in the ability of building societies to come up with various low start and deferred payment methods which will keep rents to 'affordable' levels, and there is an unwillingness to acknowledge that many Co-op members will, in practice, not be able to afford them.

For larger housing associations, higher rents will be offset by the relaxation of Housing Corporation controls, but Co-ops, which need autonomy in order to be fully Co-operative, are unlikely to be included; self-help may be admired in theory, but in practice the professionals have used the draconian powers of the Housing Corporation all too often against Co-ops for us to put much faith in the promise of a change of attitude.

Response of the Left to the Bill?

What then is the response of people on the left to this onslaught? Not surprisingly, it is in the main confused, defensive and conservative; the strategy, if we can call it one, is summed up in the phrase 'damage limitation'. Municipal socialists should have 'put their house in order' years ago, but now it is almost too late. They find themselves defending an unpopular and, by anyone's standards, inefficient council housing system which has only just begun to respond to criticism with new methods such as decentralisation, estate budgets and tenant management Co-ops. Despite the rhetoric of tenant participation, several reports have recently shown clearly that council housing is still being run largely for the political benefit of councillors, and the economic benefit of council workers.

Very little has been done to implement the consultation requirements of the tenants' charter which, ironically, was brought in by a Conservative

government in 1980. Despite opposition from trade unions and professional bodies, decentralisation of services has begun to happen, but so far has been patchy and in some cases superficial, with not nearly enough power devolved to estate level. Only a few councils have taken up the challenge of tenant management Co-ops, and so comparatively few have been formed, nor have many councils even started on the road to tenant control, with estate-based budgets and joint management between landlord and tenants. In consequence, even the best intentioned arguments for council housing have, looked at from the Co-operative point of view, tended to have a hollow core, a logical structure of 'Yes, but . . . ' which weakens them almost before they are put.

Emergence of New Alliances

In the crisis brought on by the Housing Bill, some useful alliances are being formed, though it is hard for the experienced Co-operator not to be cynical. Die-hard municipal socialist councillors are suddenly discovering the virtues of tenant management Co-ops, where tenants will be sufficiently politicised to resist the new landlords, and of mutual common ownership Co-ops, which can be formed using Housing Corporation money and without the members having the 'right to buy'.

Council officials, not unnaturally afraid for their jobs, are discovering a new respect for tenants, holding public meetings in which they aim to muster support for the devil the tenants already know! There are some solid achievements on which they can build, notably the example of Glasgow District Council which has led the field in Co-op development; so much so that Government ministers, while quick to praise the 'self-help' stand of Liverpool Co-ops against their militant local authority, have been very slow on approving the path-breaking community ownership Co-ops, which have been nurtured in a spirit of co-operation between Glasgow District Council and the tenants.

The Author

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