

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

THE IRISH
HOUSING SYSTEM
A CRITICAL OVERVIEW

T. J. BAKER and L. M. O'BRIEN

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T. J. Baker is a Senior Research Officer with the Economic and Social Research Institute and L. M. O'Brien is an Administrative Officer in the Department of Finance. He was formerly a Research Assistant in the Economic and Social Research Institute. The paper has been accepted for publication by the Institute, which is not responsible for either the content or the views expressed therein.

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Preface

IN presenting an overview of a field as large and complex as the housing system of a nation, the problem of selecting material is obviously acute. There are simply so many facts, opinions, and theories relevant to the subject that to present them all is impossible. To present even a high proportion of them would result in a massive tome, in which the reader would find it difficult to observe any coherent pattern.

We have, therefore, had to be selective, including only what appear to us to be the salient features of the system. We have, however, attempted to select objectively, rejecting those items which appear relatively trivial within the total context of the system as a whole. We have not consciously selected some facts or rejected others in order to conform with any preconceived ideas of how the system does, or ought to, operate. We have, however, ordered the facts at our disposal according to coherent, if somewhat novel, theories of efficiency and equity, seeking thereby to provide a consistent picture and some fresh insights.

The references in the text give some indication of the written sources we consulted. To any author who believes he can detect unacknowledged echoes of his views we can only apologise, with the plea that it is inordinately difficult to keep track of the origin of every idea one comes to hold. With regard to our other principal source of information—personal discussions with many individuals in such organisations as the Department of Local Government, Dublin Corporation, An Foras Forbartha, Estate Agents, Building Societies, Builders, The Construction Industry Federation, Landlords' Associations, Dublin Flatdwellers' Association, Sinn Fein, Dublin Artisans' Dwelling Company, UCD and the Centre for Urban and Regional Studies in Birmingham University—we have decided in general to make no attempt to attribute information, views or comment. We should, however, like to thank all those who helped us with their time and expertise, while hastening to add that of course the opinions expressed in the paper and any errors it may contain are ours alone.

Chapter 1

Introduction

First Impressions

RELUCTANT families sharing houses or flats with their in-laws; hundreds of families squatting in Local Authority houses; long queues at Housing Department Offices; sound houses falling into disrepair through lack of maintenance; rural houses without the basic services of water or sanitation; young families unable to obtain private accommodation, or forced to spend one-third of their income on slum flats; peremptory eviction of tenants in contravention of the law; landlords of rent-controlled property subsidising tenants richer than themselves; State subsidies to the well-off but none for the poorest; families forced to accept crushing debt burdens in order to obtain tolerable accommodation; city land prices precluding cheap housing where it is most needed; a complex and expensive process of property title inhibiting movement to more suitable dwellings as household needs change; and a dearth of accommodation designed specifically for households other than the average family unit.

It is easy to point to the evidence that the Irish housing system suffers from serious faults, and that it fails to cater for the requirements of many thousands of citizens.

In fairness it must also be pointed out that for an overwhelming majority of residents the system works rather well. Most people live in sound dwellings with adequate service amenities. They enjoy reasonable security of tenure, and pay less than 10 per cent of their income for their housing.¹ Over 70 per cent of households enjoy the form of tenure which is commonly regarded as the most desirable, namely, owner-

¹ Central Statistics Office, "Household Budget Survey 1973", and "Urban Household Budget Survey 1974/75".

Table 1.1: *Some housing quality indications*

<i>Indicators</i>	<i>Unit</i>	1946			1961			1971		
		<i>State</i>	<i>Town</i>	<i>Rural</i>	<i>State</i>	<i>Town</i>	<i>Rural</i>	<i>State</i>	<i>Town</i>	<i>Rural</i>
Dwellings erected pre-1919	%*	—	—	—	57.9	46.7	67.0	44.8	31.5	57.7
Households with piped water inside	%*	38.7	91.8	8.6	51.0	86.4	22.6	73.8	96.3	50.7
Households with sanitary facilities inside	%*	23.1	51.7	6.9	42.7	74.8	16.8	62.9	87.1	39.3
Dwellings with fixed bath	%*	15.4	35.5	3.9	33.2	59.8	11.9	55.8	78.1	32.9
Households in dwellings with 3 rooms or more	%*	84.3	74.7	89.6	91.2	88.2	93.7	91.8	89.4	94.3
Persons in households with more than 2 persons per room	%	17.6	22.2	15.0	11.5	11.1	11.8	9.3	8.7	9.9
Average persons per room	no.	1.01	1.03	1.00	0.90	0.89	0.91	0.86	0.85	0.87

*For 1971, percentages refer to housing units.
Source : Census of Population, 1946 (Vol. iv), 1971 (Vol. vi).

occupation. Within the large owner-occupied sector of the housing system, there is considerable freedom of choice and, if mobility is low by transatlantic standards, this probably reflects a lack of desire to move house, rather than the presence of strong institutional barriers to such movement. At least one survey has indicated strongly that most Dubliners are reasonably satisfied with their housing, even though there is evidence that certain groups are less content. (Hutchinson (unpublished) and O'Broin and Farren, 1978).

Viewed in historical perspective, the housing system has succeeded in steadily improving the average standard of accommodation. Successive censuses have shown substantial reductions in the extent of overcrowding, and steady improvements in the provision of such services as water-supply, sanitation and electricity. Although a high proportion of the housing stock is old, especially in rural areas, age does not necessarily imply sub-standard conditions, and in any case the average age of the stock is being steadily, if gradually, reduced. Table 1.1 sets out developments in some of the major indicators of housing quality over the past few decades.

Thus we have a housing system which is improving the quality of housing, which works tolerably well for most households, but which is seriously deficient in catering for the needs of a substantial minority of the population. Obviously, if a report on the system is to serve any useful purpose, it should be concerned with the problems of the system, and how they might be rectified, or at least alleviated. However, to look at the problems in isolation is dangerous. In proposing solutions to a specific problem it is quite easy to advocate policies which could result in creating far more severe difficulties in another part of the system. Obvious examples can be seen in British experience where successive attempts to improve security of tenure in private rented property have undoubtedly eased the problems of some sitting tenants, but at the cost of an unwanted reduction in the supply of private rented accommodation available to new households.

Method of Approach

If the problems are to be tackled, it should be within the

context of an understanding of the system as a whole. In particular, the linkages between one part of the system and another need to be comprehended before any major proposals concerning any one part should be implemented. To achieve an understanding of the total system, and to be able to relate the operation of one sector to that of the others, it is not sufficient simply to describe all the system's elements. Nor is it adequate even to examine each sector critically, but according to different yardsticks specific to each sector. In our opinion what is necessary is to select common criteria, which can then be applied to each separate part of the system as well as to the system in its entirety.

We have selected as the two appropriate criteria, "efficiency" and "equity". To a considerable extent these are interrelated, as it is impossible for a grossly unfair system to be regarded as highly efficient, while a seriously inefficient system is unlikely to be equitable. Nevertheless, the two concepts are sufficiently distinct to be worth using separately, and between them they should provide a framework for review of the system which is both analytical and consistent.

The difficulty with general criteria is that they tend to be open to varying interpretations. Also the interpretation placed on them depends very largely on the value systems of the individuals using them. It is therefore necessary to set out in some detail the definitions which we place on the concepts of efficiency and equity.

Efficiency

In terms of standard economic theory, efficiency is relatively easy to define. It is to achieve a specified goal at the lowest resource cost, taking into account the relative prices of the resources involved. Alternatively, given a specified combination of available resources, it is to achieve the most desired goal possible within the boundaries set by those resources.

Indeed, provided certain rigid conditions are assumed to hold true, economic theory postulates that competitive market forces will so order the pattern of prices as to determine both the quantity of a service which will be demanded and the

optimum combination of resources to provide that quantity. Thus for a particular level and distribution of income and a particular schedule of tastes, the competitive economic model could provide estimates both of the desired goal and of the most efficient use of resources to achieve it. Inefficiency could thus be defined specifically in terms of deviations from these estimates or from the competitive pattern of prices which accompany them.

Unfortunately, this simple definition is not adequate for our purposes. A measure of controversy surrounds the use of competitive models, either in the simple version outlined here or in more sophisticated derivatives, for purposes of determining optimal resource allocation. Both because the rigid conditions of the models can never be replicated in the real world and because they take as a starting point the existing distribution of income, some doubt must attach to how optimal their results really are. However, in the case of housing there is a more fundamental objection to reliance on such models. In Ireland, as in other modern societies, the public authorities have been mandated by the public at large to intervene in the operation of the housing system. The reasons for this will be explored in the next chapter. At this stage it is necessary only to point to the unsuitability, for an analysis of an interventionist housing policy, of a definition which rules that almost any intervention is by nature inefficient.

In rejecting the standard competitive model of efficiency we are left with a problem in that no alternative approach offers simultaneous guidance on both the level of housing services required in an efficient economy and the most efficient combination of resources which will produce this level.

Faced with this dilemma, some analysts and many administrators have chosen to narrow their perception of the housing system to a few aspects of it which can be defined unambiguously and measured more or less objectively. Within this limited context, they then attempt to quantify the housing needs of society and to base precise building targets on these calculations. Efficiency can then be defined in terms of minimising the resource costs of meeting these targets, with a

possible extension into the area of pricing as a means of allocating the existing stock of dwellings in accordance with the measured needs of the population.

For certain practical purposes, especially in dealing with restricted non-market sectors of the system, the calculation of "needs" for accommodation for specified groups of occupants cannot be avoided. However, to extend the "housing needs" approach to the entire system is not satisfactory. Its main drawback is that it rests on a set of arbitrary assumptions about the amount of space and type of facilities which people "require" in their housing, the degree of overcrowding which is "tolerable", the type of household which in some way "deserves" to be housed, and the locations in which houses "ought" to be provided. All these assumptions are made, often with goodwill and with considerable knowledge, by the analyst or administrator. The people concerned with living in the houses are seldom consulted, and their preferences, as against their "needs", cannot properly be taken into account.

Even a cursory examination of the actual system in operation demonstrates the importance of individual preferences. Naturally enough, preferences are conditioned by many of the factors which are taken into account in assessing needs. Large families tend to prefer larger houses than most childless couples would desire; the majority of workers prefer to live within reasonable travelling distance of their job; most households do not wish too high a proportion of their income to be spent on housing; and very few people would deliberately choose insanitary or overcrowded dwellings. Yet experience shows that, while rooted in physical needs, preferences extend to cover many intangible considerations, and that households similar in composition, income and background may in fact seek widely differing types of accommodation.

Thus we do not feel that a definition of efficiency in terms of meeting assumed housing needs is a suitable basis for our analysis. It is therefore necessary to develop our own definition. As this will be used throughout the paper as a basic tool of our analysis, and as it is likely to be an unfamiliar approach to the concept of efficiency, it is worth spelling out in some detail.

The starting point is conventional enough. Instead of holding the goal fixed and seeking the minimum combination of resources to meet this goal, we hold the resources fixed and seek the maximum achievement from them. In strict logic, we should perhaps postulate a specific mix of resources and allow no substitution between them. In practice, however, it seems to be sufficient to indicate an aggregate quantity of resources, and to allow a degree of substitution provided the total allocation in constant price money terms does not exceed this level. It is true that this relaxation does imply the assumption that the prices of existing capital assets or of factors of production reflect the social opportunity costs of those assets or factors. However, this limited acceptance of the concept of market pricing does not invalidate our decision to reject the market model as the basis for a definition of efficiency throughout the system.

If the level of total resource allocation to the system is to be taken as given, the question arises of how to determine what that level should be. For our purposes we decided that initially the current proportion of resources devoted to housing would provide an acceptable guide. This proportion reflects the priority currently accorded by society to housing as against other desired goods and services. The main part of our discussion of how the system meets the aims of its users will be within the context of the limits placed by this boundary of present resource allocation. However, society's priorities are liable to change over time, and it will be necessary to give some consideration to the possibility that there may be changes both in the proportion of total resources available to the housing system and in the mix of different resource types. Over the next few years it seems probable that any change in priorities will be in the direction of reducing the share of resources allocated to housing. Accordingly, our discussion of this issue in Chapter 10 will deal more with the implications of reduced allocation than with proposals which would call for significant increases in resources.

The resources utilised by the housing system can be viewed either in real or in financial terms. In real terms; they com-

prise the stock of existing houses, together with the land the houses occupy and the infrastructure which services them; the buildings and capital equipment of institutions, such as estate agents, building societies and Local Authority housing departments, which operate within the system; the people working in these institutions or otherwise engaged in the administration or maintenance of the existing housing stock;

Table 1.2: *Resources devoted to residential construction*

<i>(A) Gross fixed capital formation in residential buildings as per cent of GDP</i>					
	1970	1973	1974	1975	1976
Ireland	3.7	5.1	6.9	6.7	6.5
Belgium	5.6	5.3	6.2	6.1	6.0
Canada	4.1	5.5	5.5	5.3	6.1
Denmark	5.0	6.5	5.5	4.6	
France	6.7	7.2	7.7	7.3	7.1
Netherlands	5.7	6.3	5.6	5.2	5.1
W. Germany	5.4	6.3	5.3	4.5	
Sweden	5.7	5.3	4.5	4.2	4.0
UK	3.2	3.8	3.9	4.0	3.9
USA	3.6	4.9	3.8	3.3	3.9

<i>(B) Gross fixed capital formation in residential building as per cent of total gross fixed capital formation</i>					
<i>Country</i>	1970	1973	1974	1975	1976
Ireland	17.1	22.9	26.2	25.9	24.7
Belgium	25.0	25.2	27.7	29.9	
Canada	19.5	24.9	24.0	21.9	26.3
Denmark	23.1	28.4	24.6	23.1	
France	28.6	30.1	31.3	31.0	
Netherlands	20.5	27.5	24.4	24.4	25.7
W. Germany	20.5	25.7	23.5	21.4	
Sweden	25.6	24.2	20.6	20.3	
UK	17.4	19.0	19.1	20.0	20.4
USA	36.1	26.4	21.2	20.0	23.6

Source: UN Annual Bulletin of Housing and Building Statistics for Europe 1976.

and the land, labour, materials and capital equipment used in planning, building and allocating new housing developments. Any of these resources, including the existing stock of houses, could, at least theoretically, be diverted to alternative uses, and thus they represent the resource cost to the economy of the housing system. There are severe problems, both conceptual and practical, in obtaining an estimate of the aggregate value of these resources, and no attempt is made to do so in this paper.

However, the quantity of most of these resources can be presumed to remain fairly constant from year to year. The most volatile area, and the one with the greatest impact on changes in the system, is that concerned with building new dwellings. For this estimates are available, and Table 1.2 shows the proportions of Gross Domestic Product and of total Gross Fixed Capital Formation which have been devoted to housebuilding in recent years, together with comparable figures for some other countries. The table indicates that the current level of housebuilding in Ireland accounts for a relatively high share of total economic activity when compared either with the past or with other countries. This fact lends some support to our decision to regard the current level of resource allocation as a boundary to the system, and one which may be tightened in future years.

Turning to the financial view, we find that the financial flows related to housing are not restricted to paying directly for resources. They also include large transfers of funds from one section of the community to another via Government taxation and subsidies. In much economic theory such transfer payments are virtually ignored as they cancel out and do not represent a payment for economic goods or services. However, in practical terms they cannot be left out of account, because there appear to be very real constraints on the levels of taxation and borrowing which can be undertaken by Governments in democratic countries, irrespective of the uses to which the funds so raised are put. Given limits on the amount of money which can be raised by Government, and given all the valid competing uses, such as education, health, security and social welfare, to which the sum can be

devoted, it is reasonable to regard public funds as a limited resource in their own right, whether they be disbursed as payment for resources or as "non-productive" subsidies. Thus we intend to treat present levels of Government spending on the housing system as part of the resource limits of that system.

Indeed, it is probable that public spending is the section of the system's resource boundary which will come under the greatest pressure for contraction. If there is, in fact, a reduction in the flow of public funds into the system, it may, or may not, have a significant impact on the total level of resources devoted to housing. A contraction in public funds might be matched by a countervailing increase in private flows. Even if this happens, however, such a change would undoubtedly affect the manner in which some parts of the system operate. Both the likelihood of private funds replacing public, and the possible effects of such a substitution will be explored further in Chapter 10.

In the meantime, our task in defining efficiency is one of gauging how successful the system is in achieving its aims within the limits imposed by the resources currently available to it. As we have already argued, we do not regard quantitative estimates of "needs" as adequate reflections of the aims of the system. The meeting of the preferences, rather than the assumed needs, of its users should be regarded as the principal goal of the housing system. The higher the degree to which preferences are fulfilled, for a given use of resources, the more efficient the system will be.

However, there remain difficulties with this definition as a working tool for analysis. These arise because of the complex nature of housing preferences. Preferences exist along several different dimensions. Potential occupiers of a dwelling are interested in, and have preferences concerning, its location, its size, its design, its age, its condition, the amenities it contains, the amount of security of tenure they would enjoy, the freedom of behaviour they could exercise, the discretion they could exercise with regard to sub-letting, transferring and bequeathing the property, and, of course, concerning the amount and nature of the payment they would

have to make for the occupancy. In balancing these various dimensions, the individual household is constrained by its own economic circumstances. Households with low incomes, or more precisely with a small command over resources, may have to operate very far down its preference scales, seeking the least disliked combination of characteristics in a dwelling rather than the most desired. The issue of income distribution in relation to the housing system will be discussed when we attempt to define equity. In considering efficiency, we are more concerned with aggregate income levels, and these, of course, are determined by the general state of economic development, as are the resource constraints which we have assumed to govern the housing system.

Housing preferences are complex, mainly because of the number of dimensions involved and differences between individuals in the priority accorded to each dimension. For example, some people regard location as almost all that matters, while to others security of tenure dominates other considerations. Within each dimension also there are obviously great individual variations, so that while some seek only a city centre dwelling, others prefer a rural environment, and while many want a standard two-storey house, a significant minority may insist on a bungalow, a flat or a converted stable. When to these variations are added the differing degrees to which preferences can be expressed because of household income limitations, it becomes clear that constructing a schedule of housing preferences is impracticable. This is so whether the attempt is made on the basis of *a priori* reasoning or through the detailed observation of actual behaviour.

Fortunately it is not necessary to construct such a schedule. Provided suitable conditions exist for each household to make choices in accordance with its own set of preferences, the analyst does not need to know what these preferences will be. Our attention can therefore be turned to the question of what circumstances enable a wide degree of choice to be offered to each household, and to how far the housing system creates these circumstances.

It must be clear from the outset, however, that the choices

we are discussing are those facing not merely new entrants to the system, but also those households already established within it, and those which are undecided on whether to enter it or not. It must also be clear that we are concerned with choice along each of the dimensions already referred to. Thus it would not be sufficient to point to a wide variety of house sizes or designs on offer to new purchasers of houses as evidence that the system offers a high degree of housing choice. Such a variety would be a useful contribution towards, but would represent only a small part of, the totality of choice which an efficient housing system should offer.

The first key to effective choice is that there should be an adequate range of options along each of the preference dimensions we have outlined. Ideally, there should be a gradation of these options by relatively small steps so that quite subtle differences in preferences can be expressed. Although either/or choices are not always avoidable, in general they offer a poor quality of choice.

The second condition for effective choice is the absence of barriers between the individual and the option ranges. Barriers can include ignorance, for it is impossible to choose that which it is not known exists. More prevalently they can be legal, institutional or financial. Whatever their nature, they restrict the individual's freedom of choice by precluding his access to parts of the system, impeding his movement within it, or curtailing his freedom to choose his pattern of behaviour.

Given that many people will be attempting to exercise their choice at any given time, the final requirement for choice to be effective is that the system contains adequate mechanisms for allocation of dwellings between potentially competing claims. Without such mechanisms, operating according to known and reasonably constant rules, choice will tend to be frustrated by uncertainty as to whether the option chosen is, in fact, available to the individual concerned. One such allocative mechanism is, of course, the traditional open market of economic theory, where allocation is by price and where competing claims are settled in favour of the person able and willing to pay the highest price. In many circumstances

the market is a very useful mechanism, not only solving the problem of allocation, but also ensuring a wide range of options along, at least, some of the relevant dimensions with suitably small steps between them, both in terms of quality offered and of price demanded. However, it is not the only possible method of allocation, nor is it in all circumstances the best. Particularly in a society which sanctions very wide variations in household income, but which at the same time desires a tolerable minimum standard of accommodation for even the poorest households, an unaided open market is unlikely to provide the degree of choice necessary to meet our criterion of efficiency.

Moreover, in any housing system, an overwhelming proportion of the supply of accommodation at any time stems from dwellings already in existence and occupied. The unfettered operation of the market in these circumstances implies that the price of accommodation would be volatile, as changes in demand reacted with a supply that in the short run is fixed. The result would be substantial variations in the level of "rent", in its economic sense, accruing to the existing owners of housing. Even in the longer run, when new dwellings can be provided in response to demand, the presence of land as a major resource input ensures that a substantial element of "rent" is still likely to arise from each transaction. As "rent" in this sense can be defined as the surplus between the actual price and some lower price at which the goods would still have been supplied, its widespread presence is indicative that in the special circumstances of housing, price does not serve efficiently to balance demand against the irreducible resource cost of providing accommodation.

In any case, one cannot sensibly consider a housing market in a purely abstract sense. How it actually works depends on the framework of laws within which it operates, and the institutions and customs through which it functions. Thus even within an open market situation, the degree of choice offered can vary considerably according to the structure of the market.

If the housing system is so designed that these three elements of choice exists, namely, an adequate range of

options along each dimension, an absence of barriers to choice, and adequate mechanisms for resolving conflicting claims, then we can be fairly confident that the preferences of existing and potential households can be effectively expressed.

We can therefore summarise our criterion of efficiency by defining an efficient system as one that offers the greatest amount of choice in relation to the resources it uses. This definition is broad enough to cover most aspects of efficiency and inefficiency. It not only embraces the fullest expression of preferences through the free exercise of choice but also comprehends more conventional elements of the concept. Thus, obvious waste in the use of resources during the construction of new houses is clearly inefficient, for it reduces the number of houses which can be built, and therefore the range of choice, with a given quantity of those resources. The freedom of choice derived from the resources embodied in the existing housing stock is diminished if various barriers lead to a substantial number of dwellings standing empty at a place and time where there is homelessness or forced sharing of dwellings. It is also an inefficiency in the system if unnecessary resources are used in the course of transactions, due to restricted practices or outmoded conventions, thus forcing up the cost of acquiring or changing a house.

In short, any legal or institutional feature which unnecessarily impedes access to parts of the housing system or inhibits mobility within it, contributes to inefficiency in the system as a whole. So also does any arrangement which makes either the total resource cost or the financial cost of housing greater than it need be. For if this does not diminish choice in the field of housing itself, it reduces the choice available in other aspects of life through pre-empting income which could be used in other ways.

Equity

If efficiency is concerned with the amount of choice provided by the system, then equity is concerned with the distribution of this choice. If society were equal in all other respects, it would be relatively simple to define an equitable

housing system. Housing of different standards would be equally available to everyone, and costs for a given standard of housing would also be equal, both absolutely and as a proportion of income. The only variations in cost would reflect differences in the standard of housing deliberately chosen, and these variations would mirror the resource costs involved in the type of housing chosen.

However, totally egalitarian societies do not exist, and Ireland most certainly makes no claim to be such. In a society which sanctions substantial inequalities in wealth, income, status and privilege, total equality in housing would be unrealistic and quite possibly unfair. Given that these other inequalities exist, it is impossible to prescribe a unique distribution of choice in housing which could be regarded as being the most equitable.

Therefore, we must fall back on a broad commonsense definition, coloured by our value belief that society in general should be rather less unequal than it currently is. The keystones of such a commonsense interpretation are, first, that the housing system should not itself make worse the inequalities already existing in other areas of life, and second, that individuals or groups who are equal in other aspects should not suffer arbitrary differences of treatment in either seeking or occupying accommodation.

The first of these principles dictates that poorer groups should not have to pay more for similar accommodation than richer groups; that access to particular types of dwelling or tenure should not be denied to individuals or families who are classified as belonging to an unfavoured section of society, if, in fact, they are able and willing to pay the normal price for that accommodation; that inferior accommodation should not cost more than substantially better accommodation due to barriers preventing people from moving to the better; that freedom of behaviour should not be arbitrarily more restricted in the dwellings occupied by the poor, than in others, and, finally, that low income should not preclude people from a tolerable standard of housing, or force them to pay such a high proportion of their income on housing that they suffer material deprivation in other areas of their lives. These are

minimum conditions for a system which could be called equitable. Our own preference would be for a system more actively redistributive, so that there is a lesser difference in the choice of housing available to the most and the least privileged, than there is difference between them in income or wealth.

It should be made clear at this stage that our use of the term inequity is meant to be technical rather than emotional. Inequity should not be confused with iniquity. Inequity is *not usually the consequence of someone deliberately acting unfairly*, nor the result of policy being consciously biased in favour of certain groups or against others. The world tends to be an unfair place, and in the housing system as elsewhere in society, this unfairness is frequently the unforeseen result of the operation of impersonal forces.

Our aim in pointing out instances of inequity is not to ascribe or apportion blame. It is merely to draw attention to the situation as it exists, in the hope that policies can be modified so as to eliminate, or at least to mitigate, some of the more serious instances.

The interpretations of efficiency and equity which we have outlined here inevitably appear somewhat abstract. In the course of discussing the actual system we trust that the concepts will become clearer, that their relevance will become fully apparent, and that those instances where the operation of the system is seriously inefficient or inequitable will be highlighted.

Chapter 2

The Nature of the Housing System

The Tasks of a Housing System

ANY housing system,² whatever the political and economic structure of the society in which it operates, must perform certain basic functions. Families and individuals must be housed, and, given the constraints imposed by the general level of development of the economy, the closer the manner of their housing corresponds with their own preferences the more successful the system.

To this end the system must, within the general social framework, lay down rules governing the ownership and upkeep of housing property, and rules regulating the occupation of such property. In order that the existing stock of dwellings can become or remain reasonably matched to the requirements of the population, and that new houses can be allocated among potential occupiers, a further set of rules is needed covering the entry of households into the housing system, and movement from house to house within it. The system must also provide methods of assessing the need to provide new houses or other dwellings, and mechanisms for responding to such needs by building when and where necessary.

Apart from the legal and physical aspects of ownership, occupation, movement and building, any housing system must also be able to deal with the financial problem inseparable from the provision of housing. Simply because houses, or any other forms of permanent dwelling of tolerable standard, are so expensive to build in relation to the annual income of their potential occupiers, major capital transactions

²For a fuller discussion of the concept of a housing system, see Muric *et al.* (1976).

are unavoidable. A central feature of any housing system is the relationship between the long-term capital which, directly or indirectly, finances the construction of a new dwelling, and the income flow of the subsequent occupier.

To fulfil these legal, physical and financial functions, a housing system needs institutions. These may be institutions which exist for other purposes, with part only of their role being to deal with housing, or they may be highly specific and concerned exclusively with one or another aspect of housing. To a large extent, the nature of the institutions which make up the framework of the housing system reflects the political and economic structure of the society.

Socialist and Capitalist Systems

At one extreme, in a fully socialist society, all the institutions involved will be State, or Local Government, agencies, just as the relevant laws will reflect a statist philosophy. The State or its agencies will own all residential property, with occupiers in the role of tenants. The State will be responsible for all new house building, major repairs, and alterations to the existing stock, and will finance such construction activity. Rents may, or may not, be related to the cost of providing the accommodation, but in any case are likely to be severely modified to take account of family income and other circumstances. Allocation, including the right to remain in the accommodation currently occupied, will be determined by the State agencies in the light of social or political factors rather than economic, although within defined limits there may be some freedom to choose more lavish accommodation than is strictly necessary, in return for a higher rent.

At the other extreme, in a purely capitalist society, all specific housing institutions would be private. The State would have no housing policy as such, but would be responsible for setting the general framework of laws and regulations on such matters as contract, property rights and the financial probity of the institutions. These laws and regulations would largely be mere applications of general commercial law rather than specific rules designed exclusively for the housing system. Within this general framework, the private institu-

tions would operate on a market basis, with some houses bought by their occupiers and others bought by landlords for letting to tenants. Both house prices and rents would be determined purely by market forces. The income and circumstances of the occupants would not be taken into account, except occasionally on a charitable basis, and those whose incomes were too low to pay the market price for reasonable accommodation would simply have to endure living in such sub-standard conditions as they could afford.

Of course, neither the purely socialist nor the totally capitalist models described above is widespread among the developed countries of the world. In most societies, including those which are nominally socialist, the housing system embraces elements of both the social and the market systems.³ This is certainly true of Ireland.

The Irish Housing System

The Irish housing system reflects the mixed and pragmatic nature of Irish social organisations as a whole. The basic corpus of commercial and property law within which the system operates is largely that which was inherited at the foundation of the State, although, of course, modified and updated in many ways by subsequent Acts of the Oireachtas. As such, it comprises the rules of a basically capitalist economy, but one in which both the participatory and regulatory roles of the State itself are quite considerable. Similarly, specific laws relating to housing, including such related issues as land acquisition and planning, represent the framework of a non-doctrinaire capitalist system, with the powers granted to public authorities based on pragmatic more than ideological considerations.⁴ There is a conscious housing policy, although this appears to be related as much to the macro-economic role of the house construction industry as to the allocative functioning of the housing system itself.

Just as the laws governing the housing system are partly general and partly specific, basically capitalist but with im-

³For a summary of East European practices, see Donnison (1967).

⁴This is well illustrated in Pfretzschner (1965) and Kennedy (1975).

portant rights and obligations reserved to public authorities, so are the institutions through which the system is operated a mixture of general and specific, private and public.

The Institutions of the System

Among the relevant general institutions are, of course, the Oireachtas, for passing new laws or changing old ones; the Courts, for interpreting laws and adjudicating on disputes; Government Ministers, briefed by their Departments, whose policies on such matters as the siting of industries, schools, hospitals and roads have an indirect effect on housing, and whose decisions on taxation especially have an important direct impact; the press, radio, and television, which provide the means for discussion of housing matters; and the banks, which play a dominant role in channelling the flow of finance throughout the community. We shall not, of course, examine the basic structures of these general institutions in this study, but we shall be concerned with those of their activities which have a direct bearing on housing.

Specific institutions can be defined as those for which aspects of housing form a major, although not necessarily the sole, portion of their functions and responsibilities. They include the Minister and Department of the Environment (formerly the Department of Local Government), the Planning and Housing Departments of Local Authorities, the National Building Agency, the Construction Industry Federation, the firms engaged in house building, estate agents, solicitors, surveyors and architects, building societies and insurance companies, associations of landlords and tenants, and a variety of voluntary organisations. While the public sector of housing is almost exclusively the preserve of the Local Authorities and the Department of the Environment, these institutions, together with all the others, also play an important part in the operation of the private sectors. One result of this is that the role of the public institutions in the housing system as a whole is much greater than might have been expected from the fact that only 16 per cent of the housing stock is directly owned by Local Authorities.

The precise functions of the different specific institutions will be considered in more detail in subsequent chapters. Indeed, the manner in which the institutions operate in each sector of the system, and the effects of this on the efficiency and equity of the different sectors and of the system as a whole will form a major aspect of this Broadsheet. It will be seen that by and large the institutions, and the way they function, are closely related to the tenure type of each sector, and that the traditional division of the housing system according to tenure type is accordingly the most suitable framework for an analytical description.

Housing Sectors

Four major, and a number of minor, tenure types can be distinguished in the Irish housing system. Of course, most of these sectors are not themselves homogeneous, and numerous sub-divisions could be made. However, while these variations will be discussed in the appropriate chapters, there are enough common features within each sector, and sufficient points of difference between sectors, to justify the classification adopted.

The first major tenure-type is that of owner-occupation. The distinguishing features of this sector, as its name implies, is that a member or members of the household living in the dwelling are its legal owners. The ownership may be absolute in regard of both the dwelling and the land on which it stands, in which case the term freehold ownership can be applied. The ownership may be for a limited, but frequently very long, period after which the property reverts to the person or company which has retained ultimate ownership of the land. This is leasehold ownership.

Either freehold or leasehold owners may have mortgaged their property as security against a loan, usually for the purpose of purchasing the house itself. In the event of their defaulting on the debt, the title to the property may pass to the institution holding the mortgage. In distinction from these mortgaged owner-occupiers are those who wholly own their dwellings, free of debt, and to whom we refer as outright owner-occupiers. However, freehold or leasehold, mortgaged

or outright, all owner-occupiers share the status of legal owners of their dwellings, with the rights and responsibilities that this implies. Entry to the sector, other than by inheritance, depends solely on the ability to purchase a dwelling, and this in turn usually depends on the possession of sufficient savings and secure enough income to obtain a loan.

The second major tenure-type is that of tenant to a Local Authority. The Local Authority, in most cases a County or County Borough Council, owns the dwelling and its site, but in return for a weekly rent the tenant enjoys a considerable security of tenure in the dwelling. However, as he is not the owner he does not possess the same freedom of action as the owner-occupier and is subject, in theory at least, to the regulations imposed by the Authority. As this is a non-market sector, the rent charged for Local Authority dwellings is largely insulated from market forces, and, more importantly, access is determined by the administrative application of social priorities and not by wealth or borrowing ability.

In the third tenure sector, the dwelling is owned by a private individual or company and let to the tenant in return for rent. However, with regard to those dwellings to which the various Rent Restriction Acts apply, the landlord's rights are severely circumscribed. Not only is the rent which may be charged limited by law to an amount far below current market levels, but it is also virtually impossible for the landlord to regain possession of his premises as the tenant enjoys statutory security of tenure. As owner, the landlord, nevertheless, remains responsible for the upkeep of the property.

The fourth major sector also comprises dwellings owned by private landlords and rented to tenants, but in this case the Rent Restriction Acts do not apply. Tenants possess only limited rights of tenure and, subject to any private agreements between landlord and tenant, rents can be varied to take account of market conditions.

In the course of discussing each of these sectors in more detail, some of the reasons for the proliferation of tenure types will become apparent, while the impact of public policy upon the operation of each sector and on the balance between them will be assessed.

Housing Policy

In outlining the essentially pragmatic nature of the Irish housing system, with its mixture of capitalist and social elements, we stated that a conscious housing policy was a feature of the system. It is worth considering briefly why Ireland, in common with other mixed economies in Western Europe and elsewhere, should possess specific policies relating to housing.⁵

Many major areas of consumer expenditure, such as clothing and most food items are not regarded as calling for official policies. The capitalist market system is left to operate in these areas subject only to general commercial law. Even in areas where there is some specific official regulation, such as private motor transport or basic food commodities, the degree of public intervention is much less than in the case of housing. Why should this be so?

There would appear to be two main interrelated reasons. The first is that the market cost of accommodation of reasonable standard has generally tended to be high in relation to the income of the poorer sections of society. This is almost inevitable, given the man-years of labour involved, directly and indirectly, in the construction of new dwellings. Unless there is a considerable surplus stock of existing dwellings, the high cost of new houses tends to keep the price of all comparable accommodation above the level that can be afforded by those with low and irregular incomes. Increasing population and rising standards have generally prevented the emergence of a surplus stock of dwellings comparable to those currently being built.

However, mere inability to pay for an adequate standard of housing would probably not have been enough by itself to account for the emergence of specific housing policies. Deprivation of other necessities of life has usually been met, if at all, by schemes of general income supplement rather than food or clothing policies. This is where the second reason for specific housing policy becomes operative, which is the

⁵For a full discussion of the need for, and evolution of, Government housing policies, see Donnison (1967).

public health aspect of housing conditions. The appalling housing conditions of the 19th and early 20th centuries, especially in urban areas, constituted a threat to the health, not only of slum-dwellers themselves but to the population as a whole.

Nowadays, it is unlikely that the withdrawal of the public authorities from an active intervention in the housing market would result in epidemics of fever even in the worst areas of city housing, let alone in the nation as a whole. Nevertheless, there remain sound social grounds for continuing involvement, as sub-standard accommodation is believed to be a major contributory factor in such social problems as crime, alcoholism and marital breakdown. Even more vitally, for the households concerned with living in inadequate dwellings, poor housing conditions are a major source of personal misery which can blight all aspects of their life.

While concern for those who could not afford tolerable standards of accommodation out of their own resources remains the principal motivation for a conscious and specific housing policy, such a policy cannot be restricted purely to the least advantaged. In the first place the housing system is so interlinked that action in any one part of it must necessarily have repercussions on other parts. Thus, particular problems cannot be treated in isolation without consideration for the system as a whole. In the second place, even those households with average incomes, or better, could find their lives suddenly ruined were the system to operate in such a way that they could be arbitrarily deprived of their home, or if the price of accommodation to the individual household were subject to violent and unforeseen fluctuations.

Finally, it must be remembered that conscious or active housing policy interacts with unconscious or passive policy, embodied in various laws which apply to aspects of the housing system, although not designed specifically to do so. Passive policy, such as the basic rights accorded to owners of land, or the freedom of private enterprise banks to determine their own policies in their pattern of lending can have as much impact on the efficiency and equity of the housing system as can such active policy measures as fixing the level

of Local Authority rents or specifying the number of houses per acre which may be built in a new housing development.

Our examination of the housing system will inevitably be much concerned with official housing policy, both active and passive, for on this broad definition it is past and present policies which have given the system the shape it now possesses. On the whole, we shall be less concerned with the overt aims of specific policies than their actual results on the operation of the system. Indeed, this is the only approach possible in relation to passive policies, for they have no overt aims in relation to housing. More vitally, by trying to assess the results of policy in terms of efficiency and equity, we hope to achieve some unity of perspective, which would be lacking if the specific aims of each policy measure were examined in isolation. By working backwards from the results to the policies, it may become clearer whether the system would be improved if some areas of passive policy were to be made active, or some active policies were to be amended or even abandoned. In particular, we shall argue that policy should be based on a coherent vision of the housing system as a whole, and not on a series of piecemeal reactions to particular problems, treated as if they were fully independent of one another.

The Structure of the Analysis

These first two chapters have been of an introductory character. They have outlined the principles according to which we intend to undertake our analysis of the housing system, and have described in general terms the criteria we shall use as basic tools. Before proceeding with the body of the work, it may be helpful if we spell out in more detail the framework of the analysis.

As already stated, the pattern of laws and institutions makes it convenient to follow the conventional division of the housing system according to type of tenure. Accordingly, we shall devote a chapter to each of the major tenure types or sectors of the system. While these chapters will be primarily descriptive, the mode of description will be related to the criteria we have adopted. Because we have defined both effi-

ciency and equity in terms of the freedom of choice offered to occupants and potential occupants of the system, we shall be particularly concerned with the nature and extent of the choice range accorded by each sector.

Thus, in each chapter we shall examine the freedom of behaviour allowed to occupants, including such aspects as freedom of bequest and freedom of disposal. Security of tenure will be discussed, as the option to remain in one's existing home is fundamental to a satisfactory range of choice. Methods, conditions and cost of entry to each sector are described in detail as these are basic to the freedom of choice of new households as well as to those wishing to move from one sector to another. Similarly, the ability to transfer residence within a sector will be considered, together with the obstacles to such transfer and the costs which must be met, for movement within tenure type is an important element of choice.

Obviously the costs of occupancy must be described, as these affect both the efficiency and the equity of each sector of the system by serving as limits to the range of choice and influencing the choice actually made. The degree to which housing costs are modified by subsidies is a further area of interest, for apart from the direct impact on the households subsidised, the distribution of the scarce resource of public funds has a vital influence on the equity and efficiency of the system as a whole. Because the range of options available within a sector is limited by the physical characteristics of the dwellings, old and new, which come within that sector, brief attention will be paid in each chapter to the nature and condition of the housing stock, although most discussion on such matters will be contained in later chapters.

Following the description of the various sectors of the system in Chapters 3 to 7, Chapter 8 will deal with the processes of planning and constructing the new dwellings necessary to keep the system abreast of changing requirements and preferences. Chapter 9 will be devoted to tracing the relationship between the characteristics of households and those of the dwellings they occupy and to speculating as to how far the system has been successful in matching prefer-

ences with supply. Chapter 10 will attempt an overall assessment of the system in terms of our twin criteria of efficiency and equity, while Chapter 11 will conclude the work with suggestions for changes in policy which would render the system more efficient and less inequitable.

Chapter 3

The Owner-Occupied Sector

Introduction

OWNER-OCCUPATION is clearly the dominant tenure type in the Irish housing system. It is the largest sector, accounting for 69 per cent of occupied dwellings in 1971, if houses in the course of purchase from Local Authorities are included. It is the most rapidly growing, in absolute terms, moving from 60 per cent in 1961 to about 72 per cent in 1976. It is, moreover, the form of housing most favoured by official policy, and, almost certainly, that desired by the greatest proportion of the population, whether currently owner-occupiers or not.

It is not, of course, a homogeneous sector. Apart from the obvious differences in the individual dwellings within it, ranging from stately homes in country estates to terraced artisans' dwellings, and from luxury flats to asbestos-roofed farmhouses, there are major variations in the legal and financial situation of owner-occupying households. Although the popular image of the sector is of a white-collared family living in a heavily mortgaged semi-detached home in a new suburban estate, in fact over half the dwellings in the sector are owned outright by their occupiers, who may be married, widowed or single and of any age and almost any walk of life. Many houses are owned freehold, others subject to leases of varying periods. Farm dwellings tend to be viewed as part of the total farming enterprise rather than as simple housing units in their own right. Owners of vested cottages or other dwellings being bought on tenant purchase schemes from Local Authorities are subject to certain restrictions and obligations which do not apply to those who have bought their houses on the open market.

However, despite all these variations, there is an underlying

unity in the sector based on the rights conferred by ownership. We, therefore, intend to treat it as a single entity rather than attempt a formal division into sub-sectors, although constantly bearing in mind the very wide range of housing experiences contained within it.

In line with the criteria of efficiency and equity set out in Chapter 1, we shall examine the freedom of behaviour possessed by owner-occupiers and the various limitations placed upon it, the methods of entry to the sector and the degree of choice offered new entrants of differing backgrounds, the costs of living in the sector, the modification of these by subsidies, and the ease and cost of transferring residence within the sector.

Freedom of Behaviour

The attractions of owner-occupation are fairly obvious. It is the tenure type which offers the greatest freedom of behaviour, both in relation to expressing the occupiers' taste as to the dwelling itself and in regard to total life style. The constraints on behaviour are general, such as the laws of nuisance, and are neither particularly onerous nor specific to this type of tenure.

Under the Local Government (Planning and Development) Acts of 1963 and 1976, extensions to a house exceeding 18 square metres need planning permission, as do changes of use, such as using a room of the house as a shop. However, the restrictiveness of the planning laws in regard to the freedom of action of an individual in his own house are counter-balanced by the protection the same laws offer him against his neighbours instituting changes in their property which might be detrimental to him. In fact, it would seem more pertinent to criticise the present planning laws in Ireland, and the standard of enforcement, for failing to provide adequate protection for those who would suffer from developments, than for imposing undue limitations on the freedom of action of the individual property owner.

In theory, many owner-occupiers might appear to be subject to a further set of constraints on their behaviour and their use of their house. A substantial proportion of houses,

particularly in and near the larger cities, are owned on leasehold rather than freehold terms. Many such leases include restrictive clauses, limiting the freedoms of the householder, although a series of Landlord and Tenant Acts, especially those of 1931 and 1958, have curtailed the powers of landlords in this regard. Moreover, such clauses as do exist are seldom, if ever, enforced, and can in practice be ignored as a serious constraint. Similarly, where a financial institution holds a mortgage on the property, certain restrictive clauses are generally included in the contract, but little effort at enforcement is made. Some groups of owner-occupiers have furthered the protection of their freedom by joining together in Residents' Associations. Through their national association, ACRA, Residents' Associations can occasionally act as a significant lobby on housing legislation and other aspects of official policy.

In all, the owner-occupier enjoys the greatest freedom of action of any user of the housing system. He may sub-let part of his house to whomever he wishes, or he may carry out internal alterations and decorate as he pleases, without seeking permission from anyone else. This freedom of action extends, in most cases, to the disposal of the property. If the owner dies, he may, subject to the general laws of bequest, leave his house to whomever he wishes. If a living owner wishes to move out of the housing system, by emigrating, entering a monastery, or whatever, he may sell his house to whom he pleases. If he wishes to move residence, he may sell his house and buy another with no administrative restriction.

Security of Tenure

Perhaps most important of all among the freedoms enjoyed by the owner-occupier is freedom from arbitrary eviction. There is a very high degree of security of tenure inherent in owner-occupation. It is true that, under powers conferred by the Local Government (Planning and Development) Act of 1963, and the Housing Act of 1966, his house can be purchased compulsorily by the Local Authority if it is necessary for road widening, slum clearance, or some other form of public development. However, the process of compulsory

purchase is slow, is subject to appeal, and market value is paid for the property. If the market value is not sufficient for the owner to re-house himself, then the Local Authority is obliged to re-house him, as a matter of priority. Despite the safeguards, there are undoubtedly cases where compulsory purchase leads to hardship, especially where the property is in poor condition and its market value is correspondingly assessed at a low level, but such hard cases are relatively infrequent and for the great majority of owner-occupiers the existence of compulsory purchase powers presents no threat to security.

The benefits of freedom of action and security of tenure are, however, subject to one very obvious constraint. They are ultimately dependent on the ability of the household to meet the costs of house ownership. The owner-occupied sector of housing is a market sector, although somewhat modified by subsidies, tax remissions and other waivers. The outgoings relate to the property itself, and are only slightly influenced by the circumstances of the owner.

Failure to meet the costs of ownership can lead to the loss of the house. The method by which this happens and the speed with which the loss is suffered varies very considerably, according to the type of outlay which is in default and upon the individual circumstances of the case.

Inability or unwillingness to pay rates, or to pay bills incurred for repairs or maintenance does not bring about proceedings leading to direct eviction. However, in such cases the normal legal processes of dealing with debt may well lead to a re-ordering of the householder's financial affairs, either through bankruptcy or by voluntary action, which entails his selling his house. On the other hand, failure to pay the interest or capital instalment on a mortgage, can lead to direct legal action whereby the mortgage holder seeks possession of the house. In fact, very few orders for possession are made, as the institutions which might seek them generally try to avoid this step, and regard it very much as a last resort. However, the miniscule number of owner-occupiers who lose their houses as a result of formal court proceedings for possession cannot be taken as indicating the true scale of the problem of in-

security of tenure due to failure to meet debt obligations to Building Societies or other institutions holding mortgages. What normally happens is that considerable efforts are made to facilitate borrowers who get into difficulties, but if no arrangements can be made for paying arrears or re-scheduling the debt, then the matter is cleared by the householder "voluntarily" selling in order to meet his liabilities without the necessity for a court action. For obvious reasons, no figures are available to indicate the incidence of such forced, but technically voluntary, sales.

The other form of housing cost which can lead to court action for possession in the case of non-payment is ground rent, under the provisions of Landlord and Tenants (Ground Rents) Acts. Legally, the consequences of debt arrears or ground rent arrears are analogous, but the circumstances of the two types of case are usually quite different. Occasionally organised campaigns of resistance to increases in mortgage interest rates can lead to deliberate arrears, but in the great majority of cases, arrears on mortgage instalments are due to inability to pay, because of a fall in income or financial mismanagement, and not to refusal to pay. On the other hand, ground rent arrears are far more likely to be the result of reluctance to pay what is widely perceived as an unjustified charge than to a genuine inability to raise what is generally a rather modest annual sum. However, even where ground rents are deliberately withheld, ground landlords tend to be reluctant to press for legal possession, probably from fear of possible political reaction to widespread evictions.

In practice, therefore, the legal sanctions which can lead owner-occupiers to eviction are rarely carried through. Even where they are, the court proceedings tend to be prolonged, and there is always the opportunity at almost any stage for the owner-occupier to secure his property by discharging his debt, or by reaching agreement with the lending institution on a viable scheme for meeting his arrears. In the more likely circumstances of informal forced sale, the process also tends to be quite prolonged, and, if the debt is to one of the major lending agencies such as a Building Society, Insurance Company or Local Authority, there is generally a flexible attitude

towards any reasonable proposal for re-phasing repayments in such a way that the owner-occupier can retain his house yet still meet his financial obligations.

To summarise the situation for those already in the owner-occupied sector, it can be stated that this is a tenure type that offers a high degree of freedom of action and good security of tenure. The sole effective constraint is that the owner-occupier must be able to meet the costs of ownership, and even here there are considerable safeguards and a generally flexible approach by the institutions concerned before failure to pay results in loss of the house.

Entry to the Sector

If we turn our attention now to the conditions of entry to this desirable sector, we find that ability to pay remains the dominant factor. If the would-be entrant possesses sufficient capital to purchase outright either a new house or one of the existing stock, there is no impediment to his entry. His actual choice of house may be constrained, by the amount of money he has available, by the range of suitable existing houses on the market at the relevant time, or by planning laws restricting the location of a new house he wishes to have built, but within these constraints he has total freedom of choice.

This situation where an individual or family enters the owner-occupied housing sector for the first time by outright buying is fairly rare. Considerably more common as a method of entry, although frequently overlooked in any analysis of the housing system, is entry by inheritance. In the case of farm dwellings, this is in fact the most usual form of entry. With regard to other rural and urban dwellings, while not the dominant form it is nevertheless a significant one, and likely to become more so as the base of owner-occupied housing becomes wider.

Inheritance, like outright purchase, usually places the new entrant to the sector immediately in the ultimate capacity of complete owner, unencumbered by debt. In the increasingly common circumstances where the beneficiary is not an aspiring new entrant to the sector, because he or she is already an

owner-occupier in his or her own right, inheriting a house generally has the effect of moving the beneficiary into this debt-free capacity.

Although the initial inheritance is of a specific house, the inheritor in practice enjoys almost the same range of choice as the outright purchaser. The market in owner-occupied houses is sufficiently flexible that it is usually possible to sell the inherited house and to devote the proceeds to buying another which is regarded as preferable. As will be seen later, there are costs involved in taking this course of action, but these serve more to influence the course of action adopted than seriously to restrict freedom of choice.

Thus, for those people fortunate enough to possess the necessary capital or to inherit an existing house, entry to the owner-occupied sector is simple and the range of choice wide. However, the majority of families or individuals wishing to become owner-occupiers do not possess sufficient capital to buy outright, and are unlikely to inherit at the stage in life when they first require such housing. For this majority the problem lies not so much in choosing a house as in acquiring the necessary finance. Sellers of houses, be they the builders of new houses, existing owner-occupiers moving house or leaving the sector, executors of estates or landlords disposing of previously rented housing, generally require payment by lump sum, or, in the case of some builders, by instalments over the relatively short period in which a house is built. Thus the buyer without adequate funds of his own must borrow the necessary lump sum, and repay the principal, together with interest, by instalments out of the flow of his current income.

House Loans

The normal form for such borrowing is that of the mortgage loan. Money is advanced against the security of the house itself, and is repaid by regular instalments over a lengthy period, usually between twenty and thirty years. The mortgage loan is so familiar a feature of the Irish, and British, housing scene that its existence tends to be taken for granted. It is worth remembering that by no means all West European

countries have so developed a market in long-term housing loans, and that many potential purchasers in Finland, for example, must seek bank loans repayable over a period as short as five years. The existence of institutions able and willing to extend long-term finance for house purchase is an essential element in Ireland's extremely high rate of owner occupation.

There are four major types of institution from which long-term house purchase advances may be sought, the Local Authorities, Building Societies, Insurance Companies, and, in the past few years, the Associated Banks. Building Societies exist expressly, although not exclusively, for the purpose of financing house purchase through mortgage loans, depending for their funds largely on deposits of small savings, frequently from people who expect to be future purchasers themselves.^a For the other three types of institution, lending to owner-occupiers is only one facet of their much broader range of activities.

Table 3.1 shows the sums advanced by each type in recent years, and illustrates the large changes there can be in the relative importance of each within a short period. There has been a steady downward trend in the role of Insurance Companies, which have been concentrating more on commercial than residential property. It is too early to tell whether the Associated Banks, which entered this field with a specific commitment to advance £40 million within an initial two-year period, will continue in this market on a permanent basis. The relative importance of Building Societies and Local Authorities has fluctuated greatly, responding to variations in the quantity of funds each has had at its disposal in particular years.

The other feature of the table is the difference between the institutions in the balance of lending for new and other houses. At one extreme, Local Authority loans have been almost exclusively for new houses, although there is evidence of some change in recent years. Only since 1975 has the proportion of such loans being granted for other than new houses

^aFor a detailed account of the operation of Irish Building Societies, see Cleary (1974):

Table 3.1: *House purchase loans annual payments £000s*

<i>Year</i>	<i>Agency</i>	<i>New Houses</i>	<i>Other Houses</i>	<i>Total</i>	<i>Percentage</i>
1970	Building Societies	7,601	7,893	15,494	52.9
	Local Authorities	6,852	429	7,281	24.9
	Assurance Companies	4,549	1,950	6,499	22.2
	<i>Total</i>	19,002	10,272	29,274	100
1971	Building Societies	14,608	13,259	27,867	63.5
	Local Authorities	7,466	652	8,118	18.5
	Assurance Companies	5,694	2,202	7,896	18.0
	<i>Total</i>	27,768	16,113	43,881	100
1972	Building Societies	24,183	16,822	41,005	69.3
	Local Authorities	10,159	848	11,007	18.6
	Assurance Companies	5,087	2,079	7,166	12.1
	<i>Total</i>	39,429	19,749	59,178	100
1973	Building Societies	30,571	17,678	48,249	65.4
	Local Authorities	15,016	1,272	16,288	22.1
	Assurance Companies	6,326	2,942	9,268	12.5
	<i>Total</i>	51,913	21,892	73,805	100
1974	Building Societies	26,595	13,023	39,618	44.6
	Local Authorities	34,915	3,767	38,682	43.6
	Assurance Companies	6,853	3,582	10,435	11.8
	<i>Total</i>	68,363	20,372	88,735	100
1975	Building Societies	31,301	33,785	65,086	56.0
	Local Authorities	36,180	5,878	42,058	36.2
	Assurance Companies	5,002	3,714	8,716	7.5
	Associated Banks	85	293	378	0.3
	<i>Total</i>	72,568	43,670	116,238	100
1976	Building Societies	49,177	51,465	100,642	68.9
	Local Authorities	20,923	4,404	25,327	17.3
	Assurance Companies	4,655	3,457	8,092	5.5
	Associated Banks	6,468	5,672	12,140	8.3
	<i>Total</i>	81,223	64,973	146,201	100
1977	Building Societies	54,733	64,463	119,196	70.2
	Local Authorities	13,497	3,387	16,884	10.0
	Assurance Companies	3,463	2,714	6,177	3.6
	Associated Banks	14,195	13,251	27,446	16.2
	<i>Total</i>	85,888	83,815	169,703	100

Source: Quarterly Bulletin of Housing Statistics, March 1978.

exceeded ten per cent of the total. At the other end of the spectrum, new and other houses have attracted roughly similar amounts in loans from Building Societies in most years, apart from a period of favouring new houses between 1972 and 1974. In 1972 and 1973 that was presumably a consequence of the large increases in the numbers of new houses completed for owner occupation. In 1974, it was the result of specific Government policy, for one of the initial terms of the agreement by which the Building Societies received a public subsidy was that lending should be concentrated on new houses.

The Local Authority lending shown in Table 3.1 was of mortgage-type loans under the various Small Dwellings Acts, consolidated in the Housing Act of 1966. Local Authorities also financed house purchase in two other ways. These are through the sale of existing rented houses to their tenants, under Tenant Purchase Schemes, or through the building of new houses for direct sale either to current tenants of Local Authority dwellings or those on the waiting list for a tenancy. Unlike private builders or vendors, Local Authorities do not need to insist on payment by lump sum, and their sales are generally on some form of instalment system. Although the effect for the purchaser is much the same as under a mortgage agreement with regard to the regular payment of instalments out of income, there is a significant difference at the moment of purchase. The financial arrangement is part of the actual acquisition of the house, so that only one transaction is involved.

Criteria for Borrowing

With the exception of this last category, would-be owner-occupiers without sufficient funds of their own are faced with two separate, although inter-related operations. They must find a suitable house available for purchase, and they must find an institution willing to lend them most of the necessary purchase price. The interrelationship arises, of course, because the choice of available houses is conditioned by how much money can be borrowed, while the ability to borrow

depends, among other factors, on the nature of the house being purchased.

Sellers of houses are generally uninterested in the characteristics of purchasers, beyond the over-riding question of ability to pay. It is basically on the transaction of borrowing money that ability to enter the owner-occupied sector is determined. The criteria, formal or informal, applied by the major lending institutions are thus of prime importance in governing who can, and who cannot, enter the owner-occupied sector.

Local Authorities in making SDA loans are constrained by Government Orders with regard to the maximum loan they can make, recently raised to £9,000, and the maximum income of the recipient, currently, £3,500 per year. Within these constraints, the Local Authorities have considerable discretion concerning such matters as the length of time applicants need to have resided in the locality before being eligible for a loan, minimum income and deposit requirements, family circumstances, and the types of house for which money will be lent. It is fair to comment that in making loans, most Local Authorities try to balance considerations of social need for housing by the applicant against the quite different consideration of protecting the public money lent, by ensuring that the borrower should be able to meet his repayment obligations. How far they are able to do this depends, in part, upon how much money they have available for house loans, and, in part, on how the lending and income limits within which they must operate, and the rate of interest they must charge, compare with the general level of house prices and the typical incomes of their prospective clients.

Even in favourable periods, the requirement to protect the loans has meant that Local Authorities could seldom make advances under the SDA scheme to those with very low or erratic incomes. Requirements for minimum deposits from the applicants and limits to the proportion of income which could be committed to repayments have effectively restricted the scheme to those who almost qualified for loans under the stricter criteria operated by the Building Societies. Typically, the borrower from a Local Authority in urban areas would be a skilled or semi-skilled manual worker with

a steady income at, or approaching, the national average of earnings, and who had accumulated a few hundred pounds savings for a deposit. In rural areas SDA loans are used by a wider spectrum of the population.

Because of lags in adjusting the loan and income levels to inflation, there is a danger that SDA loans can from time to time become of limited usefulness to most potential borrowers. Before its increase to £7,000 in the Summer of 1977, the loan limit of £4,500 was only about half the value of the cheapest new house, while the income limit of £2,350 was such that it was extremely difficult for anybody within the income limit to have accumulated the other half of the purchase price. Apart from some rural applicants, assessed on notional, rather than actual, income and possessing their own house site, very few potential owner-occupiers could use SDA loans as a gateway to the sector in 1976 and the first half of 1977. While this situation has now been rectified, care will need to be taken that it does not recur if inflation continues.

The other forms of Local Authority finance for owner-occupation, namely, the sale of purpose-built new houses or the sale of rented units to the sitting tenants, are free of this particular trap, but suffer from their own shortcomings as a means of entry to owner-occupation. Too few direct sale new houses are being built at present to make any significant impact, while there is also no evidence that they are any cheaper to purchase than equivalent privately built dwellings.

Sales of rented houses to sitting tenants do form an avenue whereby those who cannot afford commercial loans can become owner-occupiers. The main drawback is that by definition only sitting Local Authority tenants can use this channel, which, of course, severely restricts its utility as a way into owner-occupation. The second drawback is that such sales take place at so far below the market valuation of the house, that serious inequities are created between those who can become owner-occupiers in this way, and the majority who have to purchase their houses on market terms.

The details of Tenant Purchase Schemes have varied to some extent from place to place and from time to time. The

scheme applying in 1978 is as follows: The price is based on the original cost of the house updated to current money values in August 1977 by the use of the Consumer Price Index. From this updated price is deducted a tenancy discount of three per cent for each year that the buyer has been a Corporation tenant, subject to a maximum discount of 30 per cent in urban areas, or of 45 per cent in rural areas. Where the tenancy has been inherited from a spouse, parent or other relative, their period of tenancy will be treated as if it were the applicant's. Also deducted from the updated price is a sum of £1,300, representing the value of State grants for new houses together with Local Authority supplementary grants and the capitalised value of rates remission.

The result of this calculation is that the price to the tenant purchaser of a 1955 house worth, perhaps, £12,000 on the open market could be between £2,500 and £3,000. In addition, the Corporation pays all legal and other expenses of the transaction, and requires no initial deposit from the purchaser, although the payment of a deposit is recommended because it would obviously reduce the weekly repayments over the length of the purchase period, which is normally thirty years.

Some previous schemes included a restrictive clause regarding resale, under which one-third of the capital gain made by the owner who sold within five years of purchase should be made over to the Corporation. In practice this "claw-back" arrangement has proved difficult to enforce, and has lately been rescinded.

Turning from the Local Authorities to the commercial sources of long-term house-purchase finance, it is not surprising that the institutions involved give an even greater weight to the security of their advances. They naturally feel a greater responsibility for the interests of their depositors than Local Authorities need to feel towards the Department of the Environment which is the immediate source of their capital funds. Also, they are aware of the problems involved for their borrowers, as well as for themselves, in the event of irremediable arrears, for they cannot provide alternative accommodation in the way that Local Authorities, with their rented sector, are able to do in urgent cases.

Thus, building societies, banks, and insurance companies, tend to set fairly stiff criteria with regard to the size of deposit required, the minimum income in relation to the size of loan, and the nature of the property involved. Unlike the Local Authorities, these institutions are not constrained by any upper income limit for borrowers, so that by and large the greater the income the easier it is likely to be for an applicant to obtain a loan. Left to themselves, they would be unlikely to operate any fixed ceiling on the size of loan, although prudence would dictate that they would not desire too high a proportion of their advances to be tied up in a small number of large loans, especially as expensive properties are less easy to dispose of in the case of default than standard houses in the middle or lower end of the market. Building Societies were temporarily bound in 1975 and 1976 by agreement with the Government that only 10 per cent of their loans may be over the limit of £9,000, the intention obviously being that the bulk of the mortgage money available should be directed towards middle-income rather than high-income borrowers. This restriction, which was tied to a specific subsidisation of Building Society interest rates, has since been lifted, but the Societies are conscious that Government intervention is an ever-present possibility if their pattern of advances appears to be in conflict with official housing policy.

However, at present and in the past, the problem with loans from Building Societies and other commercial institutions has lain with lower rather than upper income limits. The detailed criteria adopted at any time vary with the availability of funds, for the institutions can use changes in criteria as a method of rationing when they are short of funds to advance. Even when funds are plentiful, however, certain minimum criteria are employed in order to screen out potential bad debts, and these are seldom, if ever, relaxed.

The most significant of these criteria is probably that which restricts the size of the loan in relation to income. The precise limit differs slightly from institution to institution but generally it is impossible to obtain a loan greater than two and a half times annual income. The definition of income also varies,

both between companies and over time within any one company. A fairly typical definition of household income, at a time of relative abundance of funds, would be the basic salary or wage of the husband, any stable addition to his earnings such as shift allowance, and part of other additions such as commission earnings, overtime pay, or annual bonus, provided that these are earned on a fairly regular basis. Usually only half of the wife's earnings are allowed, and then only if they are derived from such secure non-manual occupations as teaching or clerical work in a semi-State company. Earnings of any other members of the household are generally disregarded completely. When the income of the husband is erratic, as in the case of a performing artist, a freelance writer, a small trader or any employee in an industry like building which is prone to frequent unemployment, average earnings are generally discounted substantially in arriving at "income" for loan purposes.

Yet further complication arises in that the income flow must seem likely to last for at least the length of the mortgage agreement. As pensions are generally very much lower than earnings from work, this makes it very difficult to obtain a standard loan if the principal earner is within twenty, or even twenty-five years of retiring age. If other circumstances are favourable, some of the lending institutions are willing to make special arrangements for a loan over a shorter period than normal, but in anything approaching a marginal case, it can prove impossible to obtain a first-time house purchase loan at any age above the early forties.

The second criterion is the availability of a deposit. Very rarely will any of the lending institutions advance the full price of a house. There appear to be several motives behind this practice of requiring the applicant to provide a portion of the purchase price for himself. The first of these is simple commercial prudence. Although since the war house prices have moved almost constantly upwards, and there has been no period of slump or prolonged price falls, most institutions have been established long enough to have operated in pre-war periods of falling prices, and they are aware that such conditions could return. Thus to lend only two-thirds, or at

most four-fifths, of the value of the house ensures that the debt will be secured even if there is a substantial decline in house values.

The second motive is that, for most families seeking to purchase a house, the accumulation of a deposit requires regular saving sustained over a considerable period. The ability to raise a deposit is thus seen by the institutions as evidence that the discipline of meeting regular monthly instalments on the mortgage itself will prove neither unfamiliar nor too burdensome.

Thirdly, the money being saved towards deposits is itself an important source of funds for the institutions, especially for the Building Societies. There seems little doubt that, if the need for deposits were eliminated and 100 per cent mortgages became the norm, the volume of small savings in general, and the amount lent to Building Societies in particular, would fall substantially.

Finally, the deposit system provides the institutions with a very convenient tool for rationing advances at times of tight credit conditions. Not only can the proportion of the deposit in the total purchase price be increased, but other requirements can be introduced, such as insisting that the potential borrower has saved money with the institution in question for a specified period before being considered for a loan.

The third criterion operated by the lending institutions concerns the property to be purchased rather than the borrower's income or assets. While the requirements for income levels and deposits are basically designed to avoid bad debts occurring, the property requirements are to safeguard the institutions if there is default on the payments and they have to take possession.

To this end, the guiding principle in considering properties is their marketability. The easier a house will prove to sell, the more favourably will it be regarded by the lending institutions. In practice, this means that modern houses, of standard design in suburban locations are preferred. For these, loans will be more easily obtained, and are likely to be for a higher proportion of the total value, than for older houses, unusual designs, rural, or even inner city locations. It is true that

with the overall growth in the scale of most Building Societies, and since the increase in population and household formation became established in the past decade or so, there are some prospects for obtaining mortgages for houses in remote areas, whereas in earlier years there was practically none. Nevertheless, the preferences of the lending institutions may be one of the factors in encouraging the concentration of the population in the suburbs of the major cities.

The experiment in 1974 of providing advances only for new houses was short-lived, for predictable problems arose when the balance between new and old house sales was disturbed. With secondhand houses difficult to sell, because of the absence of loans, many deals for the purchase of new houses by existing owner-occupiers fell through, and experience proved what theory suggested, that it is impossible to isolate the new house market from the old.

With the ending of the official restriction, Societies have reverted to their normal practice whereby, although more generous loans tend to be offered on new houses, sufficient money is available for sound, older houses for the market to operate effectively. In assessing older houses for suitability, great attention is paid to physical condition, as well as to location and design. Obviously houses in a dangerous condition will not qualify for loans, but even where there is no danger of the house actually falling down, structural defects or acute disrepair are likely to lead to the refusal of a loan or severe limitations on the size of loan advanced. Such defects are likely to depress the Society's valuation of the dwelling by more than they depress its market price, while the proportion of its own valuation, which the Society is prepared to advance, will probably also be reduced.

In certain areas of England there is clear evidence that Building Societies and Insurance Companies refuse to even consider houses in certain areas, usually inner suburbs of considerable age. See, for example, Weir (1976), Tate and Moreton (1975), and Williams (1975). In Ireland there is no evidence of any such blanket rejection of specific areas, and the Societies deny that any such situation exists. Nevertheless, there must be certain places, particularly, but not

only, in Dublin, where the general criteria of location and soundness of structure make it difficult to obtain mortgages on houses built in the last century.

As in the case of the size of deposit, the rules governing eligibility of houses can be tightened as a form of rationing when money is in short supply.

The effects of the differing criteria adopted by the commercial lending institutions for mortgage advances and the Local Authorities for SDA loans are apparent from Table 3.2. It can be seen that the commercial institutions made very

Table 3.2: *Income of borrowers by institution 1977, all areas, loans approved*

Source of loan	Average of loan	Number of borrowers with annual incomes			
		Less than £2,350	£2,350 to £3,000	£3,000 to £4,000	£4,000 and over
Local Authorities*	£5,448	326	194	258	—
Building Societies	£9,742	84	837	3,796	11,042
Assurance Companies	£8,330	8	32	85	341
Associated Banks	£11,098	3	33	295	2,515
<i>Total</i>	—	421	1,096	4,434	13,898

Notes *Based on loans in respect of new houses purchased from speculative builders. These appear to account for less than 10 per cent of all Local Authority Loans approved, as the majority of SDA loans were in respect of houses built by, or to the order of, the borrower. During the first half of the period covered, the maximum SDA loan was £4,500 and the income limit for borrowers was £2,350.

Source: Quarterly Bulletin of Housing Statistics, December 1977.

few advances to borrowers with less than the national average of industrial earnings, which in mid-1977 stood at about £3,400 per year. In fact, the great majority of loans were made to those with incomes well in excess of this level. Local Authorities, on the other hand, were constrained during the first half of this period to lend only to those with incomes, actual or notional, of less than £2,350. Even with the raising of the income limit to £3,500, it is clear that Local Authorities will continue to cater for those households which are unlikely to qualify for commercial loans.

The Costs of Owner-Occupation

So far, we have seen that the owner-occupied sector operates almost exclusively on a market basis. For those established in it, it offers considerable freedom of choice in relation both to the actual house occupied and to the occupier's behaviour. Entry to the sector also offers a range of choice, closely related to the wealth and income of the potential purchaser. In order to assess how far this range of choice, and its distribution between households results in an efficient and equitable market, it is necessary to consider two further vital factors. These are the costs of owner-occupation, including costs of entry and costs of transferring within the sector from one house to another, and the physical characteristics of the stock of owner-occupied houses in relation to the needs and preferences of their inhabitants.

The most striking feature about the cost of living in an owner-occupied house is the great variation in total housing costs between one household and another. If this variation were related simply to the quality of the house—size, location, design, age, condition, and so on—it could be reconciled with our definition of equity. The better houses would be occupied either by those with the highest income, reflecting the general value system of our society, or by those willing to pay a high proportion of their income in return for above-average housing, reflecting the operation of free consumer choice. However, the variations are demonstrably not related solely to quality and are thus arbitrary and potentially inequitable.

The structure of costs for the owner-occupier is complex. Some costs are determined purely by market forces, and some by administrative decision, while for others the market cost is substantially modified by the pattern of actual and implied public subsidies. Also, there are immediate problems of definition. In the first place, what actual costs should be included? Do housing costs extend to providing for such services as water, electricity or gas, or for travel to the place of work, shops, or school. In the second place, should notional costs, such as the interest foregone on the capital invested in the house, be included?

With regard to the former question, we have adopted a fairly narrow interpretation, including only those costs which are a necessary part of possession of a house, and excluding related living expenses. Thus, housing costs for owner-occupiers are defined as ground rent, rates, maintenance and repairs, insurance, and debt service.

The more vexed question is whether to include the imputed cost of the interest which could be earned if the value of the house were invested in some other asset. Most economists would argue that this "cost" should be included, on the grounds that it is a genuine opportunity cost. See, for example, Olding-Smee (1975). By the same token, they would argue that there is a notional income enjoyed from the ownership of a house, representing the income which could be obtained if the house were let to a third party. These concepts of opportunity cost and notional income are of considerable importance in assessing the fairness of taxation and subsidy policy in relation to housing.

Our own choice, parting company with the economists, but in accord, we believe, with the feelings of most householders, is that these notional cost or income flows are best ignored in any general appraisal of the housing system, although for certain specialised purposes they do need to be taken into account. The economists' argument that the flows should be included rests on the twin assumptions that buying a house to live in is one of many possible investment decisions which could be made with the assets at a household's disposal, and that renting a house is a feasible alternative to ownership. In the context of the present housing system, neither of these assumptions seems fully justified.

Most people acquire their houses either by inheritance or by the slow repayment of mortgage debt. Their acquisition of assets is thus either specifically in the form of a house or through the medium of specialised borrowing which is itself tied solely to the purchase of a house. It is true indeed that once the owner-occupier obtains a substantial equity in his house, either through repayment of debt or through a rise in house prices, he could convert this into cash and then into any other form of asset. However, the owner-occupier seldom

views his ownership in this way as a potential cash sum, and even if he possesses other assets, such as stocks and shares or bank deposits, he tends to regard his house in a quite different manner from his "financial" assets. This psychological distinction is reinforced by its recognition in many pieces of legislation, so that houses are treated differently from other assets in regard to both capital and income taxation, in bankruptcy proceedings and in marital disputes. In most ways it would be fair to say that an owner-occupied house is regarded more as a consumer durable, like a car or television set bought usually on hire purchase, than as an investment for income. In abstract economic theory such consumer durables are sometimes regarded as a form of investment to yield a flow of future services, but this theoretical construction is echoed neither in general perception nor in taxation or other legislation.

Even if one were to grant that the potential conversion of house ownership into financial assets justified consideration of home ownership in purely investment terms, there remains the second problem. If house ownership is merely one among several possible investment options, it follows that there must be alternative sources of housing available which do not involve the outlay of capital. In other words, if one decides not to own a house, one must be able to rent one. Under the present housing system this is simply not possible. The public rented sector has restrictions on entry which would rule ineligible any owner-occupier who sold his house to acquire financial assets. The private rented sector, although it has open entry for those who can pay, does not possess a stock of suitable accommodation. For the majority of owner-occupiers, the option of selling their houses and becoming tenants is strictly hypothetical. To base analysis on this hypothesis, and still worse, to propose policy actions in its light, strikes us as perverse.

We shall, therefore, restrict ourselves to the actual costs of owner-occupation, and discuss the causes of the great variation within them. Table 3.3 sets out the average costs under each head in 1973 for various categories of owner-occupiers. As well as the actual costs, the table shows

Table 3.3: *Average weekly housing costs for owner-occupiers in 1973*

	<i>All urban areas</i>	<i>Rural Areas</i>			<i>State</i>
	<i>£</i>	<i>Farm h'holds</i>	<i>Other h'holds</i>	<i>All rural h'holds</i>	<i>£</i>
1. Owned outright					
Rateable valuation (weekly equivalent)	0.243	0.052	0.066	0.057	0.115
Rates and water charges	1.632	0.329	0.393	0.351	0.753
Ground rent	0.078	0.001	0.010	0.004	0.027
House insurance	0.191	0.071	0.063	0.069	0.107
Repairs and decoration	0.508	0.545	1.304	0.802	0.709
<i>Total</i>	2.409	0.946	1.770	1.226	1.596
2. Owned (tenant purchase)					
Rateable valuation	0.146	0.035	0.041	0.040	0.101
Rates, ground rent and mortgage	2.562	0.612	0.501	0.516	1.680
Other housing costs	1.640	0.221	0.455	0.423	1.115
<i>Total</i>	4.202	0.833	0.956	0.939	2.795
3. Owned with mortgage (Ins. Co.)					
Rateable valuation (weekly equivalent)	0.432	0.040	0.301	0.324	0.425
Rates and water charges	1.942	0.219	0.570	0.529	1.849
Ground rent	0.198		0.079	0.070	0.190
Mortgage, ins. premiums, Mortgage interest and subsidiary Loan repayments	4.892	0.178	6.683	5.933	4.960
House insurance	0.273	0.058	0.239	0.218	0.269
Repairs and decorations	0.613	—	0.680	0.601	0.612
<i>Total</i>	7.918	0.455	8.251	7.351	7.880
4. Owned with mortgage (others)					
Rateable valuation (weekly equivalent)	0.326	0.114	0.202	0.185	0.313
Rates and water charges	1.860	0.395	0.693	0.634	1.748
Ground rent	0.156	—	0.059	0.047	0.146
Principal/int. mortg. repayments	4.435	3.353	5.901	5.399	4.522
House insurance	0.182	0.150	0.183	0.177	0.182
Repairs and decorations	1.061	0.501	1.553	1.346	1.057
<i>Total</i>	7.694	4.399	8.389	7.603	7.655

Source: Household Budget Survey 1973.

average rateable valuations, which give some indication, although a very imperfect one, of the average values of houses in each category.

Several patterns can be seen in the table. Obviously the houses owned outright have the lowest average outgoings, because they do not carry the heavy charges for mortgage payments of the other categories. However, even for the other costs they tend to be lower than houses owned with a mortgage. This can be explained in large part by the fact that wholly-owned houses tend to be older and smaller than those owned with a mortgage, which facts are reflected in their lower average rateable valuation. Due largely to age and size, total costs for houses owned under the Tenant Purchase Schemes are also very low. Not only are the houses mostly old, but the purchase agreements themselves tend to have been made a long time ago, when house prices generally were low, so that the average size of the payment instalments is small. Further, even where the agreement is modern, the purchase transaction will have taken place at well below market value, thus also reducing the cost of repayments.

It is difficult to know why the Central Statistics Office isolated mortgages from Insurance Companies from other mortgages, but did not differentiate between loans from Building Societies and from Local Authorities. *Prima facie*, one would expect there to be a greater difference between costs under Local Authority mortgages and the other sources than between Insurance Companies and Building Societies. However, on the figures available, it appears that Insurance Company loans are on houses with a higher rateable valuation than the other loans. It is interesting that this higher rateable valuation, presumably reflecting a higher average market value, is not fully matched by higher mortgage payments. The probable reason for this is that, with Insurance Companies providing a decreasing share of house purchase finance in recent years, a higher proportion of the Insurance Company mortgages were taken out in earlier years when house prices, and consequently the size of loans, were lower.

Turning from the different categories of ownership, to the locations shown in the table, it can be seen that costs on

owner-occupied farm dwellings are consistently lower than for either urban or other rural houses. Outright ownership tends to be cheaper for rural houses, even excluding farms, than for urban, while the disparity between urban and rural is greatest for tenant purchase houses, reflecting mainly the difference between Local Authority rural cottages, which tend to be small and old, and the more balanced mix of sales of urban Local Authority houses. Rather surprisingly, the average costs of non-farm rural houses owned with a mortgage tend to be higher than urban, although their rateable value is lower. Perhaps this is because it is only relatively recently that the major institutions have been prepared to lend on a significant scale for the purchase of rural houses, so that the average date of purchase is later, and the average price consequently higher, for rural than urban mortgaged houses.

Although Table 3.3 shows very considerable differences in all types of housing cost between categories of ownership and type of location, being based on average figures it does not show anything like the full extent of cost variations within the owner-occupied sector. We have attempted to give a rough indication of the range in Table 3.4. Rather than present a simple table of ranges for all owner-occupied houses, we have chosen to show how the costs can vary for houses of the same market value. By choosing values of £10,000 and £20,000, one towards the lower end and the other towards the upper end of the residential market in 1976, we hope to demonstrate that the costs of owner-occupation are by no means related directly to the value of the house, for in every case the range within each value type is far greater than the differences between them.

With the abolition of domestic rates, this source of variation in outlay, which was important until 1977, has disappeared. The main cause of the variation in rates paid was the rebating of rates during the first 10 years of the life of a new house. Thus, apart from its other qualities, the age of a house was the major determining factor in how much had to be spent on rates. Rebates on grounds of hardship could be obtained in some areas, but while these were significant both to the individuals concerned and as a rare example of

Table 3.4: *Typical owner-occupied housing costs, 1976*

<i>Item</i>	<i>House price £10,000</i>		<i>House price £20,000</i>	
	<i>Low*</i>	<i>High**</i>	<i>Low*</i>	<i>High**</i>
(Rates)	(15)	(150)	(25)	(250)
Ground rent	0	30	0	40
Insurance	15	20	25	35
Repairs and maintenance	40	120	60	180
Loan service (gross)	0	880	0	1760
Total (gross)	70	1200	110	2265
Mortgage tax relief	0	270	—	540
<i>Total (net)</i>	70	930	110	1725
<i>Net total excluding rates</i>	55	780	110	1475

**Low*: New house, qualifying for rate remission, owned outright, freehold, low maintenance, mainly DIY.

***High*: House over 10 years old, just bought with 75 per cent mortgage over 20 years at 10 per cent, leasehold, moderate maintenance, mostly professional.

income criteria affecting costs in the owner-occupied sector, they did not have much impact on the overall cost structure of the sector. For a full discussion of the inconsistencies of the rating system as it applied in Ireland, see Copeland and Walsh (1975).

Naturally, owners of freehold houses do not pay ground rent, whatever the value of their property. For those who have leasehold ownership, the amount of ground rent due depends on the location of the property, the area of the plot and on the date of the lease, as rents can be increased only at infrequent intervals. The amount of ground rent paid can thus range from zero for freehold property to over £40 for a house on a substantial plot held under a new or recently adjusted lease. However, in the context of total housing costs for owner-occupiers, even the higher ground rents are a relatively minor item, although one which arouses a great deal of resentment.

It is very probable that a substantial proportion of outright owner-occupiers do not insure their houses at all. However, it does not seem reasonable to enter a zero cost as a minimum

under this heading. Without insurance the owner-occupier does not enjoy the same security of tenure as his insured neighbour, for in the event of fire or other accident he could lose not only his home but also his owner-occupier status. Accordingly we have placed a notional minimum cost for insurance not far below the typical level of premium. At the upper limit, some houses pose a greater fire hazard than usual, and may therefore attract a multiple premium. In general, however, insurance costs are more closely related to the value of the house, and exhibit less variation, than other classes of housing cost.

In the case of repairs, maintenance and decoration, many households spend nothing in certain years, and in few, if any, households is there a steady annual expenditure unchanging from year to year. By the nature of the operation, repair costs are likely to be heavy occasionally and much lighter for the rest of the time. We have, therefore, attempted to indicate the average expenditure over a number of years. The age of the house is likely to be of greater relevance than the value, or even the size, of the house in determining the incidence of such costs. Location is also important, as the degree of air pollution is a major factor influencing the frequency with which re-decoration is necessary. Another vital factor affecting the cost of repairs and decoration is the extent to which the householder can carry out such work himself rather than employ specialist tradesmen.

By far the most important of the costs of owner-occupation for most of those who have to pay it, is debt service, that is, the repayment with interest of the mortgage or other loan with which the house was bought. Outright owners, who account for more than half of the total group, pay nothing under this head. Others, whose debt is of negligible proportions, pay very little. But for those with large loans, repayments can run into thousands of pounds per year with figures of £25 or £30 per week being by no means uncommon, the latter representing repayments on a 20-year mortgage of about £12,000.

From an equity viewpoint, the important feature is that repayments are, naturally enough, tied to the original size

of the loan, not to the value of the house, the amount of debt still outstanding, or the income of the household. It is sometimes assumed, erroneously, that the size of the loan is related solely to the value of the house, and that the value of the house is related to the household income, so that the incidence of debt repayment is, broadly speaking, proportionate to household income, with richer households paying more because they live in bigger or better houses.

Of course, there is some correlation between income and the size of mortgage repayments to which a household is committed. The 1975 Household Budget Survey for urban areas shows that while mortgage payers with incomes below £30 per week had total housing expenditures of £3.362 per week, average outgoings of those with incomes between £30 and £60 were £7.300, of those in the £60 to £100 range £7.901, while those with incomes in excess of £100 paid an average of £14.948 on housing costs. The major factor in these variations must have been differences in mortgage repayments, although the published data are not sufficiently detailed to illustrate this. The progression is not surprising, as in any year the better-off new owner-occupiers are likely to purchase more expensive houses than the less affluent members of their cohort, while it is probably true also that richer owner-occupiers are more likely than poorer to improve their housing conditions by transferring to a better, and dearer, house.

Nevertheless, this is far from the complete picture. The main determinant of mortgage repayments is the price at which the house was bought, and in a period of inflation a major determinant of that is the date of purchase. A very modest new suburban house in 1977 cost between £10,000 and £12,000, necessitating a mortgage of around £9,000. A comparable house ten years earlier could have been obtained for less than £4,000. As the *Quarterly Bulletin of Housing Statistics* shows, the average loan advanced by Building Societies during 1970 was £3,703, while by the first half of 1977 the average loan had risen to £9,249.

Thus it is recent purchasers, irrespective of income, who tend to have large mortgage debts, and consequently heavy repayment burdens. Unfortunately, no breakdown of house-

ing costs exists according to the age of the household head or the length of time that the household has been in the owner-occupied sector. If such information were available, it seems very probable that it would show that there is as strong a relationship between housing costs and date of entry to the sector as there is between housing costs and income.

What is beyond conjecture is that many young families with moderate incomes are spending more on repayments for mediocre houses than many richer established households are paying for much more attractive dwellings. Even at the time of the last Household Budget Survey in 1975, the average new loan approved by all institutions was £6,105. The new buyer in that year, whatever his income, would thus have incurred weekly repayment costs of over £14 per week. When rates, ground rent, insurance and repairs are added, his total housing costs would have been well in excess of the £14.95 per week paid on average by mortgaged owner-occupiers with incomes of £100 or more.

If one simply compares current outgoings at a single point in time, the very large variation in mortgage payments according to the date when the loan was taken, appears inequitable between owner-occupying households. It is not related to the qualities of the house, which would be a legitimate expression of consumer choice, nor is it related to income. However, some qualification of this judgement needs to be made.

In the first place this temporal variation is the effect of inflation interacting with standard mortgage arrangements. In the absence of inflation, repayments would, by and large, be related to the quality of the dwelling, regardless of the date of purchase. The distinction in that case would simply be one between outright owner-occupiers and those with mortgages.

Even where there is inflation, it could be argued that no long-term inequity arises. Each borrower starts off with repayments forming a high proportion of total expenditure, but with income keeping pace with, or outstripping, inflation, while the debt remains fixed in money terms, his repayments as a share of expenditure fall steadily, until they finally disappear when the mortgage is paid off. Thus, over the entire

life cycle, total repayments form a similar proportion of life-time earnings, irrespective of when the loan was taken. This is true if inflation is at a constant pace, affects all prices equally and is accurately reflected in the level of interest rates. However, the life cycle is a very long-time perspective, and it is of limited consolation to the parents of a young family struggling to meet repayments of a quarter or more of their income, at the same time as they have other heavy expenses, to reflect that in fifteen or twenty years they will be in a much more advantageous position. Some re-scheduling of the burdens of repayment, so that new borrowers pay less and older borrowers pay more, would undoubtedly be beneficial from the viewpoint of equity.

Of course, as can be seen from Table 3.5, inflation is not constant but is subject to severe fluctuations. Also, the rate of increase in house prices may diverge significantly from the rate of increases in incomes. This leaves open the possibility that even total life-cycle repayments can vary considerably according to the date of entry to the sector. Those

Table 3.5: *Housing and inflation, 1968-76.*

<i>Year</i>	<i>Average weekly earnings in transportable goods industries</i>	<i>Consumer price index all items</i>	<i>Average annual percentage increase in Average price of new houses on which loans were made, all institutions</i>	<i>Average interest rates on building society mortgages</i>
1969	12.2	7.4	9.8	8.5
1970	14.0	8.2	15.6	9.0
1971	14.9	8.9	12.4	9.0
1972	15.2	8.7	9.6	9.0
1973	18.8	11.4	9.2	10.15
1974	17.7	17.0	20.3	11.25
1975	27.6	20.9	22.3	11.50
1976	18.6	18.0	17.5	12.24
1977	16.7	13.8	20.5	11.95

Sources: CSO Quarterly Bulletin of Statistics.
 Department of Local Government Quarterly Bulletin of Housing Statistics.
 Central Bank: Quarterly Bulletin.

who take their first loan just before a period of rapid inflation are likely to fare better than those who enter as inflation is tapering off, especially if interest rate movements fail to reflect fully changes in the rate of price inflation. In these circumstances, permanent inequities can result, over and above the unfortunate time-path of repayment burdens through the life cycle.

Apart from the size of the loan, the other factor affecting the amount of repayment due is the rate of interest charged by the lending institution. Insurance companies, until fairly recently, frequently issued loans at a fixed rate of interest which did not vary over the life of the debt. Other institutions charge rates which can, and do, vary with changes in the general level of interest rates, and which almost doubled in the 12 years from 1964 to 1976, since when they have fallen significantly. For existing holders, three months' notice must generally be given before interest rates are changed, so that at any time there may be small differences between the rates charged to new and established borrowers.

The interest charged by Local Authorities is determined by the interest rate at which Local Authorities can borrow from the Central Government, as SDA loans are generally made at a half per cent above the Local Authority borrowing rate. This in turn is set by the Department of Finance, and although efforts are made to stabilise the rate charged against minor fluctuations in market rates, over any substantial period the rate reflects the cost to the Government of its own borrowing. In periods of high, and especially of rising interest rates, the rate charged by the Central Government to Local Authorities may be rather below that paid by the Government to its creditors, so that for a time, there is, in effect, a modest subsidy from the Central Government to Local Authorities, and, in turn, to owner-occupiers who have borrowed from the Local Authorities. Conversely, if the Local Authority borrowing rate is slow to follow falling market rates, the "subsidy" disappears or even becomes negative.

The mortgage interest rate charged by Building Societies is similarly dependent on the rate they must pay to their depositors in order to attract and retain funds. The rate of

interest to depositors is determined competitively, in that it must compare with the rates offered by banks on deposit account and with other secure forms of small saving. The margin between the rate at which Building Societies borrow and that at which they lend is influenced in part by their operating costs, but even more significantly by the arrangements in force for taxing and/or subsidising Building Societies. In practice, Building Societies, either individually or collectively, have very little room for discretionary decision in setting their lending rates. Although institutionally they may have more freedom, insurance companies which engage in house purchase loans also find that the rates which they charge, for new loans at least, are largely determined by competitive market forces, as indeed are those charged by the banks under the new bank mortgage scheme. Given a prevailing set of general interest rates, and a given set of taxation arrangements, the freedom of action of the lending institutions in setting the interest rate on house purchase loans probably does not exceed a half per cent. When criticism is made of the institutions for charging rates of interest which are high by historical standards, it is essentially misdirected.

Paradoxically, it can be argued effectively that it is when interest rates are high that borrowers often receive the greatest benefit, and are in fact obtaining a small subsidy from those who invest in the relevant financial institutions. This is because changes in interest rates reflect changes in the rate of inflation, but do not do so fully. When inflation is low, interest rates nearly always exceed the inflation rate. With a three per cent rate of price inflation, gross interest rates on small savings would normally be about five and a half to six per cent, giving a "real" gross return of nearly three per cent. However, in the recent years of high inflation, when prices have been rising at from 15 to 20 per cent, gross interest rates have been in the neighbourhood of 12 per cent, giving a gross "real" loss of at least three per cent and sometimes as much as eight per cent. In these circumstances, lenders are not being compensated for lending their money, while borrowers, in spite of the large apparent interest charges, are ending each year with their "real" debt reduced

by more than the amount they have paid in interest and repayments during that year.

Apart from this reduction in the real burden of their mortgages, borrowers possess another advantage in times of inflation. In spite of some fluctuation from year to year, the relationship between house prices and the general rate of price increases tends to be quite favourable to house owners, as could be seen from Table 3.5. With the value of their house at least keeping pace with inflation, the value of the owner's equity in his house, after making allowance for a debt fixed in money terms, can increase very rapidly indeed. If an £8,000 house was bought a few years ago with a mortgage of £6,000, and can now be sold for £16,000, the owner's original £2,000 stake has become £10,000, plus whatever proportion of the original £6,000 debt has been repaid. While it was argued earlier that in most cases it would be impossible to realise the whole of this capital sum by moving out of the owner-occupied sector, it is, nevertheless, practicable to realise part of the capital gain simply by moving house within the sector.

It will be seen later that the costs of changing house are substantial, and it must also be borne in mind that obtaining capital in this way involves the taking of a larger loan on the replacement house, thus substantially increasing the current housing expenses. In fact, most transfers are carried out more with the motive of improving housing conditions by "trading up" the market than of obtaining liquid capital by trading "sideways" or "down". However, awareness of these potential financial benefits is undoubtedly present in the mind of many new entrants to the sector, and could be an important factor in the case of the small but growing number of single people buying houses.

Nevertheless, despite these benefits of inflation for those who own a house, actually meeting the need to pay high interest rates, especially if these have been raised above the level originally charged, can place new owner-occupiers under great financial strain. This is particularly true for those households whose disposable income has not fully kept pace with inflation. For this reason, schemes for varying the level of repayments during the life of the loan are generally advocated

more forcefully in periods of high interest rates than at other times.

Subsidies

So far, all the discussion of interest charges, as well as the figures shown in the tables, has been in terms of gross payments, ignoring the effects of taxation. It has been seen that "market" forces, and particularly the accident of timing, lead to great variations in gross interest payable between one owner-occupier and another. The position is modified substantially when taxation is taken into account. This is because interest on loans is generally allowed as a charge against income in assessing liability to income tax. That this should be so is largely due to the historical evolution of taxation practice. Initially, income tax was mainly a tax on income from property rather than on earnings. It was, and remains, reasonable that expenses incurred in obtaining such income should be deducted, so that net, rather than gross, income is the basis for taxation. As income tax became applied more and more to earned income, relief of interest payments continued for most forms of debt. Also, as owner occupation became a fairly common form of tenure in the late nineteenth and early twentieth centuries, the value of the occupation, in terms of the rent which would be paid for equivalent housing, was imputed as income and was liable for tax under Schedule A of the income tax code. As the imputed income was taxable, it was only fair that the interest costs involved in obtaining it were an allowable deduction.

In the course of time, Schedule A assessments on housing became divorced from actual rents for comparable property; later, with the decline in the rented sector, it would have been impossible to find any realistic base for comparison and, finally, in 1969, Schedule A payments on owner-occupied houses were abolished altogether. With this abolition, the original grounds for mortgage tax relief formally ceased to apply. However, the relief has continued, partly through an understandable political inertia, which applies equally to interest on some other forms of non-income-generating borrowing, and partly as an overt subsidy to owner-occupation.

The value of the tax relief to any individual household depends on the amount of interest being paid, and thus on the size of the mortgage, and also on the marginal tax-rate of the head of the household. The outright owner-occupier gets no relief, for he pays no interest, and the non-taxpayer gets no relief, for he pays no income tax to relieve. The high-earning owner of a recently acquired expensive house can obtain very great relief, for his interest payments may approach the maximum of £2,000 allowed for relief, his marginal tax rate may be over 70 per cent, and his effective subsidy thus £1,400 per year. Of course, such a high figure is uncommon, and it is implicit in Table 3.3 that the average amount of mortgage tax relief for those owner-occupiers who have mortgages is less than £100 per year.

These facts—that there is such a great range in the value of the tax relief, that the poorest owner-occupiers receive no relief and that the relief is potentially highest for the well-off with expensive houses—raise grave doubts as to the equity of this form of subsidy. While it is impossible, under our definition of equity, to defend a system which subsidises the rich but not the poor, the situation is not as simple and clear-cut as might at first appear.

As was demonstrated earlier, it is frequently the young rather than the rich who possess large housing debts and heavy interest burdens. For many young families who can only marginally afford to be owner-occupiers at all, the tax relief on mortgage interest is absolutely crucial to the household budget. Conversely, for many prosperous mature households paying a small amount of interest on mortgages taken out ten years or more ago, the mortgage relief obtained is both small and unimportant, in spite of their high marginal tax rates. Thus in many cases the subsidy does act to rectify the temporal inequity wrought by the operation of the market during periods of inflation. The equity and efficiency of mortgage interest relief will be discussed in more detail in Chapter 10.

Mobility within the Sector

If owner-occupied sector is to function effectively, and if

the degree of choice offered to its occupants is to be maximised, then it is important that there should be freedom to transfer from one dwelling to another. As we have already seen, there are no major administrative barriers to such movement. Apart from the possibility that movement might be impeded by a simple lack of suitable dwellings to move to, the only serious impediments to full mobility are financial. Whether the move under consideration is up or down the market, towards higher or lower long-term housing expenditure, the direct costs of the move itself are substantial. Both buying and selling a house involve legal expenses, which can be considerable, as well as, in most cases, substantial fees for services which, if not obligatory, are generally recognised to be advisable.

Thus selling a house requires the use of a solicitor, to handle the transfer of deeds to land and property, to ensure that the contracts drawn up are valid, and to act as custodian of any moneys paid before the contract is completed. Legal fees may also be incurred in relation to cancelling or transferring any mortgage loan on the property. Total legal fees charged to the vendor vary considerably from case to case, usually according to a scale related to the value of the house. For an ordinary house, £60 would be a fairly typical sum.

Far larger amounts need to be paid to the auctioneer or estate agent who handles the sale. Although it is possible to sell a house without engaging an agent, such private sales are fairly uncommon. Until recently, auctioneers' fees were generally paid by the purchaser, and varied substantially within a maximum scale according to the bargain struck between the auctioneer and the buyer. Under the Auctioneers and House Agents Act of 1973, fees became payable by the vendor, while recommended maximum fees are now two and a half per cent of the value of the house in the Dublin area and three and a half per cent in the remainder of the country. In addition to this scale fee, the seller may also have to pay for the advertising of the house and for certain other miscellaneous costs.

While the onus of paying the auctioneer or estate agent has been lifted from him, although this, of course, is reflected

in the price, the purchaser remains liable for many costs. Like the vendor, he must pay legal fees, and these are generally much higher than for the vendor. This is largely because the buyer's solicitor is responsible for checking that the titles to both land and property are in order. So long as the present cumbersome system of title is in force, with its requirement for recurrent searches, this expense cannot be avoided by the purchaser. He is also liable for legal expenses in relation to any mortgage he takes out, and again this expense cannot be circumvented.

A relatively minor expense which is normally met in buying any but a new house is that of a survey. In many cases the cost of two surveys must be met, one for the benefit of the potential purchaser and another on behalf of the Building Society or other lending institution. While the former is not obligatory, it is generally advisable, while the latter is compulsory if a mortgage is being sought.

A major unavoidable cost to the purchaser is Stamp Duty. While new houses which meet the criteria by which State Grants were paid until early 1976 are exempt from Stamp Duty, other new houses and all second-hand houses costing more than £1,000 are liable to this tax. The duty is progressive, being charged at a half per cent on any houses sold for between £1,000 and £2,000 at one per cent for those costing between £2,000 and £6,000, at one and a half per cent on those costing from £6,000 to £7,500, two per cent on houses from £7,500 to £10,000 and three per cent on dwellings with a price of from £10,000 to £20,000. In addition, Stamp Duty at one and a quarter per cent is charged on mortgages over £10,000. The significant point to note about this tax, as with so many other taxes or benefits connected with housing, is that both its terms of progression and exemptions from it are related to the house involved in the transaction and not to the circumstances of the householder.

The final major cost of purchasing a house is that of servicing debt during the period before the house can be occupied. Whether the house be new or previously occupied, there is usually a delay between paying all or part of the purchase price and being able to move in. The cost of meeting

interest on such a debt, whether it be by way of a long-term mortgage, or, more frequently, a short-term bridging loan from a bank, is roughly equivalent to the repayment cost element of owner-occupation. However, during the initial period, the new owner is not obtaining the benefit of living in the house and is bearing the cost of alternative accommodation. Therefore, such payments should be seen as part of the total costs of purchasing. Table 3.6 summarises the approximate costs of selling and buying a house in the owner-occupied sector. From an equity point of view there are three points to note. In the first place, the major transaction costs are roughly proportional or even, in the case of stamp duty, progressive in relation to the cost of the house. As we are concerned here with single transactions rather than with obligations for continuing payments, the question of time is largely irrelevant, and this aspect of proportionality or progression can, in isolation, be regarded as reasonably equitable. Secondly, the fact that the costs, whether determined by the market or by administrative decision, are related to the property and not to the income or domestic circumstances of the buyers or sellers, can lead to their real burden

Table 3.6: *Typical costs of moving house, 1976.*

(A) <i>Selling costs (house price £10,000)</i>	£
Legal costs @ 1½%	150
Auctioneers' fees @ 2½% plus expenses	300
Redemption of mortgage (3 months' interest)	110
	560
(B) <i>Buying costs (used house, price £15,000)</i>	
Legal costs @ 2½%	375
Stamp duty @ 3%	450
Survey	50
Bridging loan from 1 month (@ 12%)	150
	1,025
(C) <i>Physical moving costs (DIY)</i>	80
	1,665

varying considerably from family to family, thus creating a degree of inequity. In the third place the massive discrimination with regard to stamp duty in favour of new houses leads to the serious inequity of taxing relatively poor purchasers of used houses, who in any case may have higher "market" costs, while exempting rich buyers of more expensive new houses.

On the whole, it is fair to say that the cost of housing transactions is of greater relevance to the efficiency of the owner-occupied market than to its equity. The less the deterrent to households changing house within the sector, the more efficiently the market is likely to be in its task of matching household preferences with the available stock of dwellings. At the same time, a cost pattern which favours movement to some types of house rather than others is likely to reduce efficiency by encouraging a biased distribution of housing, while any unnecessary resource costs are simply inefficient *per se*.

On all three counts it can be argued that the present pattern of transaction costs in Ireland impedes the efficiency of the owner-occupied housing sector. It is probable that the high transaction cost of purchasing a house has some effect on deterring or delaying new entrants to the owner-occupied sector, because only part of the cost can be capitalised and most has to be met, along with the deposit, at the time of purchase. The high costs of both buying and selling also probably act to dissuade potential short-term owner-occupiers from attempting to enter the sector at all. Most important, however, is the effect of total costs in persuading existing owner-occupiers to remain in their current homes instead of transferring to more suitable accommodation as household requirements and preferences change. This obviously can lead to the perpetuation of serious under-occupation at the same time as other households suffer severe overcrowding.

Some of the transaction costs are socially unavoidable, in that they represent a reasonable charge for necessary service. On the whole, auctioneers' and estate agents' fees come under this heading, as do survey costs and part at least of bridging interest charges. Other costs, such as Stamp Duty, are not

related to resource usage, and act simply as unnecessary impediments to the efficient and unbiased operation of the market.

The remaining cost, legal fees, forms a third category. They represent a charge, itself at times unreasonably high, for a service which is of very dubious necessity. A radical change in the law on land and property ownership and transfer to bring it more into line with practices with regard to other assets, could in time obviate the need for most of the legal work connected with house sales. Some cars are more expensive than the majority of houses, yet their sale involves no complex legal investigation and is a simple contract between buyer and seller. Similarly, large transactions of stocks or shares can take place quickly and simply and without the benefit of a lawyer. In both cases the key is that ownership is registered with a third party and that registration is accepted as good title of ownership. Although it would take time to organise and introduce, a full registration system for residential property would ultimately reduce to a low level the need for legal involvement in house transactions and would result in a very substantial saving in both resource and financial costs. Such a system has worked satisfactorily in New South Wales for many years and it is difficult to see any reason why it should not be effective in Ireland.

While Stamp Duty, strongly biased in favour of new houses, and unnecessarily complex legal procedures on transfer remain, it is clear that the efficiency of the owner-occupied sector in matching the stock of houses to the preferences of households, with an economical use of resources, will be far less than it need be.

The Stock of Owner-Occupied Housing

Both to illustrate the desirability of greater mobility within the owner-occupied sector, and to summarise the effectiveness of the sector, it would be instructive to close this chapter with an account of the physical characteristics of owner-occupied houses, and to compare the nature of the housing stock with the pattern of household composition within the sector. Unfortunately, the 1971 Census data, as presently

available, does not permit such an exercise to be undertaken. Details of the housing stock in relation to age, size and amenities are not given by tenure type. A quantitative discussion thus cannot be held on a sector-by-sector basis, and must be postponed until the operation of the housing system as a whole is being considered. Only a few points of a generalised nature concerning the owner-occupied sector can be made here.

In the first place, there is obviously a great difference between the situation in rural areas and that in town areas and especially in Dublin. In the aggregate rural areas, owner-occupation is completely dominant as a form of tenure, accounting for over 85 per cent of total households. Obviously therefore, the rural owner-occupied housing stock must share the general characteristics of rural housing as a whole; a high proportion of old houses, a high proportion of three and four-room dwellings and a high proportion lacking piped water, sanitary and other facilities.

Within any particular rural area there is likely to be a severely restricted choice of existing owner-occupied houses available for purchase at any specific period. Conversely, a potential seller may well find difficulty in disposing of a house in a specific location, of a particular size, design, age and condition. Thus many rural houses, when vacated by their owners, simply lie empty and deteriorate, while new rural households arrange for a new house to be built for them. Thus mobility of households among the rural owner-occupied housing stock is inevitably low, and it is doubtful whether institutional changes or the modification of the tax system would have any great effect in increasing mobility or obtaining a more logical disposition of rural housing units in relation to household preferences.

In town areas, and especially in and around Dublin, the situation is quite different. Owner-occupied houses tend to be newer and larger than houses in the other tenure categories. Both demand and supply are sufficiently concentrated to enable the market to operate effectively. For all that, mobility is low, especially in relation to USA but also in comparison with UK or other European countries. The 1971 Census

showed that of the total population aged one year or over, only 5.1 per cent had changed residence in the preceding twelve months, while in Dublin City and County the proportion having moved was 6.3 per cent. As these figures include people who had set up new households during the year, the proportion of established households changing dwelling must have been very small.

This low mobility could be due to several factors. It could well be that there are sociological conditions which reduce the desire to move house in Ireland compared with other western societies. So far as this is true, the low mobility is to be welcomed as reflecting the preferences of the people involved. Where there is a definite, but not overwhelming wish to move, this may be suppressed due to the high costs of moving which have already been discussed. The third set of reasons which could account for low mobility concerns the nature of the houses available. Although in so heterogeneous a sector, a wide variety of sizes and designs is included in the housing stock, this does not necessarily mean that a broad range of dwelling types is available for purchase at any one time. Apart from a number of modern urban flats built for sale in the past few years, most smaller dwellings are old. The new houses built in the past few decades, especially in suburban housing estates, have tended to be somewhat stereotyped both in size and in design. The reasons for this will be explored in Chapter 8. The consequences of this limitation on the range of options available in purchasing modern houses will be discussed in Chapters 9 and 10, as will the effects on the equity and efficiency of the housing system of all avoidable impediments to mobility within the owner-occupied sector.

Chapter 4

The Local Authority Rented Sector

Introduction

IN terms of size, the Local Authority sector is effectively second to the owner-occupied, housing 15.5 per cent of households in 1971. Its size, both absolutely and proportionately, declined between 1961 and 1971, as sales to tenants exceeded new building. This tendency was particularly marked in rural counties, and in the extreme case of Westmeath, over half the stock of Local Authority rented housing was sold during this period. In the Dublin area, and the other County Boroughs, increased tenant purchase was not sufficient to match the rate of new building of rented dwellings, so that the sector showed a net gain in numbers.

Although all Counties and County Boroughs possess a stock of rented accommodation,⁷ there are large variations between them in the relative importance of the sector. It is heavily concentrated in urban areas, accounting in 1971 for over 40 per cent of total housing in Waterford and Limerick County Boroughs, and for almost 30 per cent in both Dublin and Cork. At the other end of the scale, Local Authority renting catered for less than three per cent of occupied dwellings in Mayo and Roscommon, with most counties having between five and 15 per cent of dwellings in this sector.

The overall decline is testimony to the strength of aspirations towards owner-occupation, via tenant purchase, especially at the low prices prevailing. For all that, renting from the Local Authorities is a popular form of tenure, especially in urban areas, and the sector probably ranks second to the

⁷For a history of the development of Local Authority housing, see Meghan (1965).

owned-occupied in terms of housing aspirations. It can be regarded as the principal alternative to owner-occupation as a solution to many households' long-term housing needs. Had the resources been available, the net growth of the sector in the major conurbations would almost certainly have been greater.

As among owner-occupied dwellings, there is considerable variety in the range of accommodation in the sector, in terms of age, size, condition, design, and, of course, location. There are also some differences in the details of tenancy agreements, but the central role of the Department of Local Government under the 1966 Housing Act in financing, co-ordinating and regulating Local Authority housing ensures that it can be treated only as a single sector.

For those who have obtained entry, the sector possesses many benefits. Security of tenure is formally almost as great as in owner-occupation, and, in some ways, is easier to retain; freedom of behaviour is less but, in practice, still considerable; and on average, although by no means in every case, Local Authority renting is much cheaper than the owner-occupation of comparable mortgaged accommodation.

Security of Tenure

As in the case of owner-occupiers, Local Authority tenants can only be actually evicted from their homes on the strength of a court order for possession. In theory, the Local Authority as landlord can serve notice to quit and then seek an order for possession for almost any breach of the tenancy agreement, although it is by no means certain that the court would grant an order for some minor breach of regulations. In practice, the courts are seldom, if ever, put to such tests of definition, for Local Authorities seek eviction only in cases of large and blatant arrears of rent, or of flagrant abuse of other aspects of tenancy agreements. In part, this reluctance to resort to eviction is due to awareness on the part of Local Government Housing Departments that they are operating a section of the housing system which is meant to be guided more by social than by commercial criteria. To some degree it may be influenced by the fact that even after evic-

tion, the Local Authority may remain responsible for the housing of the family in question. To a considerable extent, the reluctance to seek eviction is dictated by the knowledge that the Local Councils themselves, who possess the final authority in the matter, are subject to the democratic process, and that most Local Authority tenants are represented by powerful pressure groups in the shape of Tenants' Organisations.

However, these reasons for Local Authorities generally adopting conciliatory approaches in cases where eviction could formally be sought, are more or less matched in the owner-occupied sector where we saw that ground landlords and lending institutions were also reluctant to take legal proceedings for possession. The major difference between the two sectors is that one of the principal reasons for the loss of a home in the owner-occupied sector is absent from the Local Authority rented sector. This is inability to pay due to a fall in income.

It will be recalled that the major lending institutions are usually prepared to accept some re-scheduling of debt repayment as long as there is a reasonable prospect of the debt ultimately being repaid. Nevertheless, the owner-occupied sector is basically a market sector, and long-term inability to meet the agreed payments, due to a permanent or prolonged fall in income, will result in the defaulting household losing its home.

The Local Authority Rented sector, by contrast, is not a market sector. Social criteria take precedence over financial. An important aspect of this precedence is that, under the differential rent schemes which apply to the majority of tenants, rents either are, or can become, related to the income of the tenants rather than to the house which is occupied. This is particularly so with regard to the poorer households in the sector. Thus, while unemployment or chronic ill-health can easily result in the loss of an owner-occupied house, in the Local Authority sector it generally results in a lower rent and the retention of the family accommodation. This is not to deny that hard cases can, and do, exist, especially where the fall in income is from a level well above average to one which

is still somewhat above average, but they tend to be the exception and lack the inexorable progression towards housing disaster which can be seen in the owner-occupied sector.

Freedom of Behaviour

When the degree of freedom of behaviour is considered, the relative advantage of the two sectors is reversed. Effective security of tenure may be greater in the Local Authority sector, but it does carry a rather lower, although still reasonably high, degree of personal freedom of action.

In most tenancy agreements there is a formidable list of restrictions on the tenant's actions. For example, Dublin Corporation's Standard Letting Conditions for Dwellings, under the Housing Act of 1966, contains 33 paragraphs or clauses, including; "19. The tenant shall not be at liberty to erect any aerial, or hang or place bird cages, flower boxes, or similar fixtures, on the exterior of the premises without the previous consent in writing of the Corporation", and "21. The tenant shall not alter, or in any way interfere with the lamps, lampshades, electrical fittings or any part thereof without the previous written consent of the Corporation."

Of course, these petty restrictions are not rigorously enforced. Lampshades certainly are removed, replaced, or otherwise interfered with, without the Corporation either knowing or caring anything about the matter. Even more substantial clauses, such as number 14, which restricts sub-letting or the taking of lodgers, is frequently ignored. Nevertheless, the regulations do exist and can be invoked by the Corporation in the event of any dispute. Even more significantly, Clause 30 states, "The tenant shall allow authorised officers and servants of the Corporation to enter and inspect the dwelling at all reasonable times and to carry out thereon any necessary works".

This right to entry and inspection symbolises the landlord-tenant relationship. While it can be argued that the Corporation, on behalf of the community, needs to ensure that its property is being maintained in reasonable condition, so that in course of time it will be available for future tenants, it equally cannot be denied that the landlord's right of arbitrary

inspection is a severe limitation on the privacy and choice of the tenant and his family.

Similarly, the arrangements for paying rent, "in advance each week at the time and place appointed by the Corporation", commonly within a limited period on a specific day of the week, compares unfavourably from the viewpoint of freedom of action, with the owner-occupiers' arrangements for paying monthly instalments to building societies or insurance companies. Not only the timing and method of contact are inferior. The physical facilities in most Local Authority offices used by tenants are poor and depressing and there are widespread complaints that the attitude of some officials does not convey to the tenant that he is a valued client.

Likewise, the necessity for those tenants on a differential rent scheme to furnish full particulars of household income, to notify immediately and with proof, any changes in this income, and the right of the Local Authority to verify statements with employers or any other sources of income, comprise an onerous invasion of the tenant's privacy. Because of the frequency with which such information should be given the degree of invasion goes beyond that imposed by the income tax code, or by lending agencies, even in those cases where the borrower is in substantial arrears and is attempting a re-scheduling of debt.

In essence, the entire relationship between Local Authorities and their tenants is based on the unwritten assumption that tenants and their families are not fully responsible for their activities, and thus need a considerable degree of supervision within a tightly structured relationship with the Authority. This paternalistic approach has its more positive side. Welfare and Health services tend to be more readily available on Local Authority estates than on owner-occupied estates of similar size, and the Housing Departments are assiduous in drawing the attention of tenants to the presence of these services. The retention, in most schemes, of the maintenance function by the Authority itself, can at times reduce the area of choice of the tenant, but at other times be of considerable benefit in providing an easily contacted emergency repair service.

Overall, however, it is difficult to avoid the impression that the paternalism exhibited by Local Authorities in relation to their tenants goes too far. Even accepting the need to retain their stock of rented housing in adequate condition, the desirability of relating most rents equitably with income, and the natural wish to minimise any form of cheating in the allocation of public subsidies, it must be possible to reform the system in such a way that personal freedom in minor matters is substantially extended, and, as a by-product, the resource cost of administration is reduced.

So far we have been dealing with the amount of freedom in day-to-day life enjoyed by the tenant household. There are other aspects of freedom of action which need to be considered. It was seen that the owner-occupier has almost complete freedom in disposing of his property whether by sale, gift or bequest. The rights of the Local Authority tenant in this regard are very limited, because, of course, he is not the owner of the property. Close relatives, if they have been residing in the dwelling, can "inherit" the tenancy on the death of the tenant. However, whether or not they do obtain the tenancy is a matter for the Authority to decide and the tenant himself cannot assign it. Similarly, if the family moves out of the sector, the dwelling reverts to the Local Authority to re-allocate, and the outgoing tenant has no influence on the decision.

Mobility within the Sector

A further aspect of freedom of action in which the Local Authority tenant is at a severe disadvantage compared with the owner-occupier is with regard to mobility within the sector. Subject to the constraints imposed by moving costs, the total assets at his disposal and the range of houses currently on the market, the owner-occupier enjoys complete freedom to sell his present house and purchase any other which may be available. The options open to the tenant are much more limited.

As we shall see, he has a very restricted choice of dwelling on entry to the sector. Once in, if he is in any way dissatisfied with his accommodation, there are only two ways he can

move, other than by leaving the sector altogether. He can apply for a transfer to another dwelling of different design, or in a preferred location. Whether this application will be successful and how long he may have to wait for a move will depend on the availability of dwellings of the type sought, which may be extremely limited, and the priority given to his case by the Housing Department of the Local Authority. This, in turn, will be governed by such factors as the length that a tenancy has been held, family circumstances in relation to present accommodation, place of work and the length of time spent on the transfer waiting list. Transfer is also dependent on the applicant having a satisfactory record of rent payment, but beyond that, financial circumstances are not relevant, and the possession of a higher income or more assets are of no advantage.⁸ Transfer to a dwelling owned by a different Local Authority is only occasionally possible.

The second method by which mobility within the sector can come about is by "inter-transfer". This is an arrangement to swap houses with another tenant on a bilateral basis but the arrangement must be approved by the Local Authority. Approval is not automatic, and is likely to be refused if either tenant owes rent, if the transfer will result in overcrowding, or if the Authority feels that the application is in some way frivolous. Obviously it can be difficult to find a potential "swap" partner, especially if the tenant is living in an unpopular location, still less one who will satisfy the Authority's criteria for approving the deal. The opportunities to exercise freedom of choice through either transfer or inter-transfer are very circumscribed.

For those already in the sector, it provides a high security of tenure in relation to the specific dwelling, as well as to tenure status, and, as will be seen later, it provides mostly adequate accommodation at relatively low cost. At the same time, it offers restricted freedom of choice, either of dwelling, disposal, or of day-to-day action, although in practice the restrictions are less onerous than they appear on paper. The fact that so many families seek entry to the sector

⁸Fuller discussion of the transfer process can be found in O'Connor (1976).

suggests that the limitations on freedom are not seen as intolerable in themselves, or as sufficient to outweigh the other advantages. On the other hand, it does not demonstrate that they are not resented, or that they are all seen as necessary or reasonable.

Methods of Entry to the Local Authority Sector

Turning now from conditions of being in the sector to the problems of gaining entry to it, we can see most clearly that this is not a market sector. There are various routes by which the Local Authority rented sector can be entered, but none of them involves the possession by the entrant of accumulated assets or a high income flow. Indeed, the receipt of a high income or the ownership of property are likely to bar a household from access to the sector.

The first method of entry to a tenancy is by inheritance. When a tenant dies, the Authority normally will give the tenancy to the surviving spouse, regardless of family size or circumstance. More significantly, on the death of both parents, the tenancy of the dwelling is usually given to a son or daughter, again regardless of family size, but subject to the premise that the child has been living in the house for a specified period, currently three years in the case of Dublin. In the absence of eligible children, the tenancy will be offered to a grandchild or a niece or nephew, if any of these satisfy the condition of residence in the dwelling. Only if no family member is qualified to succeed to the tenancy will the property revert to the Local Authority's pool of dwellings and be available for general re-letting.

Obviously, entry to the sector through succession to a tenancy depends on accidents of birth and timing. Households without the prospect of such succession, or unable to wait many years for their inheritance, must seek another channel.

The second method of entry to the sector is through becoming in need of re-housing because of the condemnation, demolition, or acquisition of one's previous residence. The Local Authorities have an obligation to re-house families and persons displaced from their dwellings when these are

declared dangerous or are required for purposes of development. Such cases take priority over the general waiting list of applicants, both in terms of initial allocation and in terms of subsequent transfer to the preferred location. However, such re-housing cases must be genuine, and any evidence that the family or person concerned deliberately moved into a particular dwelling in order to become displaced in the near future is apt to disqualify that household. Thus, like inheritance, re-housing after displacement is difficult to use as a conscious and planned method of entry into a Local Authority tenancy, and in many rural or small town areas there are very few, if any, tenancies granted under these clauses anyway.

The most important means of entry to the sector is via the general waiting list, or, in those Authorities which do not possess waiting lists, through a general application for a tenancy.

In order to be considered for a tenancy, or for a place on the waiting list, the applicant, or a member of his family, must usually have a residential qualification in that county or borough. The stringency of these requirements varies greatly from one Authority to another. For instance, in Dublin County the qualification is either birth in the county, ten years' continuous residence at any time, or four years' continuous residence immediately prior to the allocation of the tenancy. Under Dublin Corporation, on the other hand, the requirements are either birth in the City or two years' residence, of which three months is immediately preceding allocation. Apart from residence, the applicant must meet two other criteria. He must be in need of housing and he must lack the resources to provide housing for himself. The resource criterion to some extent is self-regulating, in that the majority of households who possess sufficient funds choose to enter the owner-occupied sector rather than apply for Local Authority housing. In part, this may be due to fear of rejection if an application is made, in part due to social preference for an owner-occupied, rather than a Local Authority, milieu, and in part due to an awareness of the long-term objective advantages of owner-occupation in the

present system. The main reason is probably the simple fact that, given the resources, a house can be bought with a minimum of delay, while even successful applicants for Local Authority tenancies in the cities or larger towns are likely to suffer a lengthy stay on the waiting list before actually obtaining a Local Authority house.

The key criterion in the general allocation of tenancies is that of housing need. Under Section 60 of the 1966 Housing Act, each Authority must make a scheme of priorities for letting according to certain very general primary aims, and must have such a scheme approved by the Minister of the Environment, but the precise definitions of need vary somewhat from Authority to Authority, and are more formalised in some areas than in others. The basic factors, however, remain much the same; family size and composition, the degree of overcrowding in present accommodation, the physical condition of that accommodation, medical factors, age, specific compassionate grounds, such as eviction by court order from previous accommodation, length of time on waiting list, the length of time in emergency shelter. Not all of these factors apply in all Authorities' areas, but even where they do, the relative weights between them can differ considerably, although all will be taken into account.

Naturally, the degree of need, and the length of waiting necessary, at which a family is likely to be housed, vary greatly from area to area. In the majority of rural or small town areas, even small families are frequently allocated houses in the location of their choice without undue delay and without having had to endure particularly overcrowded or sub-standard conditions in their previous accommodation. In the larger towns, and particularly in Dublin, the pressure for entry into the limited stock of dwellings is such that long delays are almost universal, and families with less than two children may never be successful in obtaining a tenancy.

The final method of entry in some Local Authority areas, including Dublin, is by way of a draw for "newly-weds" accommodation. Residential qualifications are necessary and general need must be established, but the actual selection among newly married couples is by lottery, and

the degree of need is not taken into account. Initially the couple are housed in specialised dwellings, but are eligible for later transfer to standard houses as household circumstances change. Because successful applicants avoid the long delay normal on the general waiting list, and because accommodation is provided in this way during, rather than after, the often difficult period of establishing a family, it is not surprising that these draws are keenly anticipated among young couples and that there is a heavy demand for the relatively few dwellings allocated in this way.

Fairness of Allocation

It seems fair to conclude that gaining entry to the Local Authority rented sector depends upon either chance, in the cases of inheritance and the newly-weds' draw, or social need, in the case of the general list, or a combination of the two in the case of statutory re-housing. A further large element of chance is also involved in that there are such large differences between one part of the country and another, in the ease with which a tenancy can be obtained.

In those areas where entry is relatively easy, the system of allocation has many advantages. Allocation is according to widely understood definitions of social need, locational preferences are generally catered for, few family household types are rigidly or permanently excluded, and, above all, there are no substantial entry costs, such as deposits or legal fees, to act as a barrier to potential entrants.

Unfortunately in those other areas where the availability of Local Authority dwellings falls seriously short of the number of potential applicants, the allocation procedures work less well. It is true that the advantage of minimal entry costs is retained, and that, where luck is not the criterion, social need is the governing factor. However, in conditions of unsatisfied demand, criticism can be levelled both at the priorities used in assessing need and at the application of the allocation procedures.

So far as the priorities themselves are concerned, and the weight given to each in reaching an assessment, judgement is inevitably subjective. There can be no unique, objective,

correct definition of need, which could be defended logically against all alternatives. Our own opinion is that the priorities currently in use are reasonable in themselves but that they are a little too rigid and have some unfortunate side effects. The rigidity stems from the almost exclusively physical interpretation placed on the concept of overcrowding. The psychological problems which can arise from shared housing, particularly sharing of "in-laws", are largely ignored, unless they are so acute that they have come to the attention of the Medical Officer of Health. More research is undoubtedly necessary into this aspect, but commonsense observation would suggest that the correlation between family stress and sheer physical numbers, is a long way short of absolute. There must be many cases where small families are suffering distress and even permanent damage through sharing, but which receive low priority for Local Authority housing because their degree of physical overcrowding is relatively minor.

Indeed, even where sharing problems do not occur, the small family with one child is apt to suffer under the present allocation system, possibly to the point of never obtaining a tenancy. Time on the waiting list is indeed a factor in making allocations, but it has a low weighting, and will not necessarily, on its own, result in eventual success. This long-term exclusion of small families, and the virtual refusal to consider households outside the standard family pattern, effectively prevent a section of the population of the large cities from ever entering the Local Authority sector, in spite of the fact that for much of this population, low or insecure income precludes the obtaining of satisfactory private housing.

Even if it were to be assumed that the priorities adopted by the Local Authorities reflect with perfect exactitude the consensus of opinion among would-be-tenants, there would remain the problem of application of the priorities in the practical process of allocating houses. In Dublin at least there has in the past been widespread dissatisfaction among those on the waiting list with the operation of the allocation procedures. The principal complaint has been against the uncertainty of the system, and the impossibility for the applicant

of obtaining a reasonable estimate of when he may be housed. It is alleged in some quarters that the frustration engendered by this uncertainty, together with some disagreement over the relative importance of the various factors used in assessing need, has been a significant factor in encouraging the spread of "squatting" in Corporation dwellings in recent years.

It seems probable that the formalisation of the criteria into an easily understood points' system would alleviate the uncertainty and lessen the sense of frustration. Problems would still arise, and there would still be arguments over the number of points given for different factors, but much unfounded suspicion would be removed, and discussion would be provided with a concrete focus. For these reasons, Dublin Corporation introduced a formal points' system early in 1977, although it is too soon to assess whether it has succeeded in its aims.

Choice of Entry

The final point which must be taken into account concerning entry into the Local Authority rented sector, is the amount of choice possessed by the entrant with regard to the location and other characteristics of the dwelling allocated to him. In areas of low pressure there is a moderate degree of choice, especially with regard to location. In areas of high pressure, and particularly in Dublin, there is very little choice indeed. Given the relative infrequency with which existing tenancies are vacated, and the fact that such vacancies in a specific area, or of a specific type, may be filled by established tenants transferring, the majority of new entrants must inevitably be housed in new housing schemes. While some attempt is made to match house location with the expressed preferences of the applicants, and with such factors as job location and area of origin, the actual allocation is an administrative decision and not a free choice on the part of the prospective tenant. It is true that the applicant may specify a particular area as the only one in which he will accept a house, but this is likely to lead to a long delay in his obtaining a tenancy. He may also reject the allocation

made to him, but in that case, he may well be penalised. "An applicant who, without a satisfactory explanation, refuses an offer of a Corporation dwelling, will have his application deferred for such time as the Manager considers necessary, having regard to the needs of other applicants on the waiting list, but the length of time he is on the waiting list will be taken into account". The only realistic option for most new tenants is to accept whatever is offered and to hope to change this for something nearer their preferences at a later date through transfer or inter-transfer.

Housing Costs

Probably the most significant difference of all between the Local Authority rented sector and all other sectors concerns the method of calculating the payment due for the accommodation. In all the other sectors, the costs of housing are related to the dwelling itself. They may be modified by subsidy or control, they may be highly dependent on the date of purchase or construction of the house, but, with the previous sole exception of rate rebates in cases of hardship, they are divorced from the income or circumstances of the householder. In the Local Authority rented sector, many rents are in practice related to the property, but the dominant form of payment nowadays is income related.

While some older tenancies remain under fixed-rent schemes, the majority of established tenancies as well as all new lettings are on a differential-rent basis. Under the national differential-rent scheme of 1976, each dwelling has a maximum rent, which, nominally at least, is the "economic" rent for that dwelling. The actual rent paid, however, may be either this maximum or such lower amount as is determined by applying a complex formula to the household income.

For new houses the maximum rent for a scheme is calculated by taking the all-in cost, including land and development costs, and applying an annual rent equivalent to 11½ per cent of this sum, of which 10 per cent represents capital charges, and 1½ per cent a contribution towards maintenance and administration. In the summer of 1975 this procedure

resulted in maximum rents in some new Dublin Corporation schemes of £22 per week for six-roomed houses.*

For older houses, particularly those which were previously let on a fixed-rent basis, the method of establishing a current maximum rent is less clearcut. Maximum rents are subject to review at three-yearly intervals. Changes are usually accompanied by discussions with Tenants' Organisations, although it would be an exaggeration to state that new maxima are reached by negotiation between Local Authorities and Tenants' Organisations. The general principle which is supposed to apply to such re-valuations is that the original all-in cost should be updated to take account of inflation and a percentage charge for maintenance and repairs added to the historical amortisation rate of this updated cost. In practice, many maximum rents of older houses are significantly lower than could be explained by such a formula.

The high maximum rents of new Local Authority houses are obviously hypothetical in practically all instances. For example, under the differential rent system then in force, the £22 per week just quoted would have been payable only by a household with an assessed weekly income of £283. For tenants of new houses, and for a substantial proportion of those in older houses, it is the formula for relating rents to income which is the relevant portion of the differential rent scheme.

This formula is complex and is reviewed at three-year intervals again subject to discussion with Tenants' Organisations. Under the 1976 scheme the rent is calculated as a fraction of the total assessable income of the household. The fraction adopted is progressive, being 1/12th of the principal earner's basic income, if £13 per week or less, and increasing in stages to reach 1/7th where the principal earner's basic weekly income is over £28. The assessable income is arrived at by taking the principal earner's basic weekly earnings, excluding overtime, shift-allowance and bonus, deducting income tax and social security contributions, adding that part of any subsidiary earner's income which falls between £10

*At that time the maintenance/administration charge stood at 1½ per cent.

and £17 per week after deduction of income tax and social security contributions, and finally deducting a principal earner's allowance which ranges from £7 per week where income is £13 or less to £2 where weekly income is over £28, and an allowance for children of 83 pence per dependent child. Income from a wide range of "social" sources, including Children's Allowances, scholarships, supplementary welfare allowances and assistance from charitable organisations, are disregarded totally in assessing income, while many other forms of social security benefits are assessed only at half value.

The 1976 scheme shows little change in general structure from the previous scheme which was introduced in 1973, but there have been some significant alterations in the details. The most important of these has been a less generous treatment of income from social security sources, many more of which were disregarded, in whole or in part, in the earlier scheme. Table 4.1 shows the differential rents which would be payable under the current scheme for two typical tenant households. In the former, the principal earner has a basic wage near the national average for 1977, and a subsidiary earner, perhaps the eldest child, has weekly earnings of half this amount. The second household has the principal earner on flat-rate Unemployment Benefit only. In the latter case, until the most recent changes, the weekly rent would have been only 61 pence per week, because of the disregarding of half the income from social security benefits.

It can be seen that even without this social security abatement, the progression in rent is quite steep, although the range of steepest progression is among households with even lower incomes than household B in the table. In practice the scheme might work out as less progressive, because if the first family lived in any but a very new house, the maximum rent of their dwelling would very likely be below the assessed rent calculated here.

In addition to rent, Local Authority tenants had to pay rates, although the two sums were generally collected together in a composite charge. Rates were related to the dwelling, and in the majority of cases were not influenced

Table 4.1: *Typical differential rents 1977*

<i>Household characteristics</i>	<i>Household A</i> <i>Husband, wife, one adult,</i> <i>working child, two</i> <i>dependent children</i>			<i>Household B</i> <i>Husband,</i> <i>wife, two</i> <i>dependent</i> <i>children</i>
	<i>Principal</i> <i>carner</i> £	<i>Other</i> £	<i>Total</i> £	<i>Total</i> £
Gross Wages	66.00	33.00	99.00	—
Basic Wages (exclud- ing overtime, etc.)	50.00	30.00	80.00	—
Unemployment benefit	—	—	—	27.65
Income tax* and soc. sec. contribution	11.50	7.18	18.68	—
Net basic income	38.50	22.82	61.32	27.65
Principal carner's allowance	2.00	—	2.00	3.00
Children's allowance	1.66	—	1.66	1.66
Assessed income	34.84	7.00†	41.84	22.99
Rental factor	—	—	1/7th	1/8th
Rent	—	—	5.98	2.87

*Assuming allowances of £70 each in excess of normal personal allowances.

†Maximum assessed income for subsidiary carner.

by household income. On the whole, the rateable valuation of Local Authority dwellings tended to be lower than the valuation of comparable private houses and to the extent that this was true, tenants paid rather lower rates than owner-occupiers in broadly similar accommodation. On the other hand, tenants paid rates immediately on new Local Authority dwellings, and tenants in new houses thus did not benefit directly from the rate rebates received by owners of new houses. Like owner-occupiers, tenants on fixed rents could claim rate rebates on grounds of hardship. Additionally, differential-rent tenants with incomes so low that their allowances exceed their net income had the difference deducted from their rates, down to a level where combined rent and rates were a nominal five pence per week. Because of the generally lower level of rates, Local Authority tenants on average will have gained less from their abolition than owner-occupiers.

With regard to other expenses, outgoings are low for most Local Authority tenants. Councils are usually responsible for major repairs, improvements and external decoration, leaving the tenant liable only for internal decoration and very minor repairs. Because they are not owners, tenants do not need to insure the structure of the property, and contents' insurance, which many tenants do pay, does not come within our definition of housing costs.

Average housing costs of Local Authority tenants in 1973 are shown in Table 4.2. It can be seen that for the reasons given they are very much lower than the average costs of owner-occupiers of mortgaged dwellings. Indeed, in both urban and rural areas they are very little higher than the outgoings on wholly-owned dwellings, but because of the far greater proportion of urban Local Authority dwellings, the national average is substantially higher.

Table 4.2: *Average weekly housing costs for Local Authority tenants 1973 and 1975.*

A.	All urban areas £	1973 Rural areas		All rural £	State £
		Farm £	Non-farm £		
Rates element in rent	0.853	0.149	0.269	0.261	0.762
Remainder of rent	1.690	0.866	0.753	0.761	1.547
House insurance	0.006	—	0.007	0.006	0.005
Repairs and decorations	0.331	0.039	0.312	0.292	0.325
<i>Total</i>	2.879	1.054	1.341	1.320	2.640
<i>Source: Household Budget Survey 1973.</i>					
B.				1975	
				All urban areas £	
Rent, rate and water charges				2.759	
House insurance				0.005	
Repairs and decorations				0.339	
<i>Total</i>				3.103	

Source: Household Budget Survey 1974/75

This reflects the fact that in common with most other tenure groups, urban housing costs in the Local Authority sector are much higher than rural, in fact, almost exactly twice as high. There are several reasons for this, the most important being that the urban stock of Local Authority Dwellings is on average both newer and larger than the rural stock, leading both to higher maximum rents and to higher rateable valuations, and that urban incomes tend to be higher than rural, resulting in larger assessments under differential rent schemes.

No national figures of total housing costs since 1973 are available. However, the Household Budget Survey of 1975 shows that Local Authority housing costs for all urban areas in that year were £3.103 per week. This represents an increase of less than 8 per cent between 1973 and 1975. Alternative figures, given in the Department of Local Government's Quarterly Bulletin of Housing Statistics, indicate that average Local Authority rents, as distinct from the total housing costs of tenants, rose by 22 per cent between 1973/74 and 1975, although they remained at less than £2 in 1975.

Whichever figures are taken, it is clear that average housing costs in the sector have risen by much less than the costs of new entrants to the owner-occupied sector, and probably more or less in line with those of existing owner-occupiers.

Subsidies to the Local Authority Sector

In the owner-occupied sector it was seen that there was some divergence between the gross cost of housing, determined mainly by market and timing factors, and the net cost when tax remission and other subsidies were taken into account. In the Local Authority sector no such divergence can be distinguished. As a non-market sector, subsidies are an integral part of the cost structure. If the subsidies were removed, it would not so much alter the rents paid for accommodation as change totally the whole character of the sector, and indeed, of the entire housing system.

There are serious conceptual problems in defining and measuring the precise amount by which the Local Authority rented sector is subsidised. These problems centre on the issue of whether the subsidy should be regarded as the full differ-

ence between actual Local Authority rents and the rents which would apply if this were an open market sector, or whether the subsidy should be defined as the difference between the costs of operating the sector and the receipts from it by way of rents. Because this issue is most relevant to a comparison of the Local Government sector with other sectors and to an assessment of the effectiveness of the allocation of State finance in promoting efficiency and equity in the system as a whole, its detailed consideration is deferred until Chapter 10.

At this stage it is necessary merely to acknowledge that there is a substantial subsidy, and that its presence allows the sector to operate on a "non-market" basis. Attention can be focused on the form the subsidy takes, and on the effects it produces on the efficiency and fairness of the sector.

The Effects of Subsidisation

The principal effect of the subsidy is to allow the differential rent scheme to be the dominant form of payment for housing. In turn, this permits a large number of rents, including the rents of all new dwellings, to be related solely to household income, and rules out any use of the pricing mechanism in the allocation of dwellings among tenants. Both in initial allocation and in subsequent transfers, a family with particular circumstances will pay exactly the same rent regardless of the location, size or type of dwelling it is allocated. The only factor which might affect the rent is the age of the dwelling, in that older houses are likely to have a maximum rent which is sufficiently low to become the effective rent paid.

This divorce of rents, in most cases, from the quality of the dwelling occupied does have some effect on the efficiency of the sector. Choice is diminished in that the option of paying more to obtain better accommodation is removed from those tenants who are assessed on an income basis. On the other hand, it must be conceded that the effective implementation in this sector of the pure communist doctrine of "to each according to his needs, from each according to his means" dictates a high degree of equity, and has the advantage that

it is a simple and widely understood concept, however complex it might be to administer.

Where inequity, as well as inefficiency, does arise is in the use of the joint systems of maximum rents per dwelling and income related assessments. Because of the methods used for determining maximum rents, old houses tend to have very low maxima, while new houses have very high. Thus a household with a relatively high income pays the maximum rent, which might well be under £3 per week, if it occupies an older house, while another household, with identical income, pays about £10 per week differential rent for a new house of similar size. While new houses may possess some advantages, it is unlikely that these would be sufficient to justify rents being three or four times as high. Certainly in the owner-occupied sector the relative purchase prices of new and older houses do not indicate anything remotely approaching this degree of preference for the new house.

Some case could be made in equity for this discrepancy when the occupants of the older house have been living in it for many years, particularly if they have been paying the maximum rent on that house for most of the period. Analogy with the owner-occupied sector, where the main element in housing cost remains more or less fixed in money terms for an individual household despite the subsequent rise in house prices, could provide some justification for the application to the public rented sector of the same principle, whereby new entrants pay much more for their housing than established occupiers.

However, under the present arrangements, the same discrepancy can also arise between two new tenants, one allocated a new and the other an older, house or flat. For this it is impossible to produce any justification, except that the situation appears to be tolerated by the tenants concerned. Indeed, the unfairness extends to more than the simple difference in rent paid. The tenant paying the higher, differential, rent is also obliged to furnish regular information on household income, whereas the tenant paying the lower, maximum, rent, is free from this irksome obligation. Furthermore, imposition of maximum rents on tenants normally paying

differential rents is used as a disciplinary measure in instances of some types of arrears or of failing to furnish accurate information on household income. Obviously the huge range of maximum rents means that this penalty is very much greater for some tenants than for others. When it is further considered that, in Dublin at least, the older houses and flats are generally in more convenient and preferred locations, the inequities, in cash and in other freedoms, resulting from the present system are very great.

Both the unfairness and the inefficiency of the sector discussed so far result from the existing system of calculating maximum rents on a house-by-house, or scheme-by-scheme basis. This leads to such a wide difference between the maximum rent of dwellings built at different periods that the maximum rent becomes irrelevant in connection with calculating the actual rent paid on new houses, while the low maximum on older dwellings means that only the poorest tenants in old schemes have their rents based on income. A fundamental reform of the method of maximum rent calculation is needed to overcome these problems. The aim of such a reform would be to narrow drastically the range between the highest and lowest maximum rents. Acceptance of the concept of "pooling" as adopted by many British housing authorities would be one way in which this could be achieved. The entire housing stock of a particular Local Authority would, in effect, be regarded as belonging to a single scheme, and the total costs of the entire stock could be apportioned among the dwellings in the form of maximum rents. Although this apportionment would, in a sense, be arbitrary, it would at least be fairer than the present apportionment by the historical accident of building costs and interest rates at the date of construction. A basic rent per room could be established, and then varied by relatively modest proportions to take account of such features as age, the standard of facilities, size of room and perhaps, location.

Obviously such a reform could not be introduced as a sudden simple move applying to all tenants, new and established. However, its gradual introduction, applying first to new tenancies and, perhaps, after a lengthy period of gradual

transition, to all tenants, would appear both feasible and beneficial. By allowing the differential rent to apply to the poorer section of tenants, while the better off tenants paid maximum rents, in both cases irrespective of the age of the particular dwellings occupied, a return would be made to the original intention of differential rent schemes. At the same time, some slight pricing element in the allocation of dwellings among tenants would be restored, permitting a limited degree of choice to tenants in deciding what proportion of their income they wished to spend on their housing.

There are several other minor problems of equity and efficiency in the present application of the subsidy to individual households. Some of these result from the disregarding of certain types of income, and the granting of various allowances in calculating household income for differential rent purposes.

It is by no means clear why some types of social security benefit should be disregarded, or assessed at half rates in calculating income. Although the latest changes have reduced the amount of such exemptions, a substantial number remain. Apart from inherent unfairness to those on low incomes from sources which are not disregarded, and to those drawing benefits who live in other housing sectors, the practice has broader dangers. Taken in conjunction with income tax, social security contributions and income ceilings on various types of benefit, the disregard has the effect of imposing an extremely high marginal rate of effective tax on anybody moving from a position of receiving benefit to a modestly paid job. In fact, the entire operation of the differential rent has a tendency to raise effective marginal tax rates among substantial sections of the working population, but at the point of change from benefit income to earned income the problem can be extreme. This problem of marginal tax rates, when account is taken also of rents and benefits, is not specifically one relating to the housing system as such, but it is one where an aspect of the housing system adversely affects the equity and efficiency of the economy as a whole.

A minor, but rather ludicrous, anomaly that arises under the differential rent scheme is a result of income tax being

deducted from income as assessed for rent purposes. Because tax allowances cause larger families to pay less tax than smaller families with the same income, the paradoxical situation arises that the larger family is assessed for rent on a higher post-tax income than the smaller family. The direct allowance for children in the rent assessment scheme is insufficient to offset the difference in income tax, so that the larger family actually pays a higher rent than the smaller. The difference is not great enough to constitute a serious inequity, especially if rents are considered together with tax charges, but it is a curious reversal of generally accepted ideas on income distribution.

Administration and Maintenance Costs

A final major shortcoming of the Local Authority rented sector, as at present operated, is the extremely high cost, in terms of both finance and resources, of maintenance and administration. In 1975 Local Authority spending on the maintenance of their dwellings totalled £9½ million while management expenses were £6.8 million. These figures admittedly overstate the strict maintenance and management costs of the rental sector, as the former include some expenditure on houses prior to tenant purchase, while the latter include some management expenses related to the building programme and to the owner-occupied sector.

Nevertheless, even if the apparent costs per rented dwelling of £92.4 per annum for maintenance and £66.1 per annum for management do exaggerate the true position, any reasonable deduction for the factors just outlined still would leave Local Authority rented dwellings proven to be expensive to maintain and manage.¹⁰ Income from rents in 1975 was only £8.4 million, although this figure may have been somewhat lower than it should due to the effect of rent strikes. Allowing for all complicating factors, it is clear that rental income was insufficient to cover maintenance and administration costs, let alone to make a contribution towards meeting interest and capital repayment on the Local Authority housing stock.

¹⁰Department of Local Government, Quarterly Bulletin of Housing Statistics, June, 1977.

While the high costs have relatively little impact on the equity of the housing system, they do indicate a considerable degree of inefficiency. It should not be understood that we are imputing personal inefficiency in the carrying out of their duties by any individuals engaged in either the management or the maintenance of Local Authority housing. We have made no attempt to investigate individual efficiency, nor would we be competent to carry out such an investigation. What we do believe from our study of the situation is that there exists a strong element of functional inefficiency, in the sense that there is more administration than is necessary for the effective running of a public housing sector, and that the range and organisation of maintenance and repair services provided is such that more resources are devoted per dwelling to this function than in other housing sectors.

With regard to administration, the problem is caused partly by the generally paternalistic attitude of Local Authorities which we have already noted. A more detached relationship, implying a higher degree of trust in the maturity and responsibility of tenant households, could free, for more productive purposes, some of the staff, office space, and finance currently engaged on basically supervisory duties. The other main cause of high administration costs is the complexity of the current differential rent scheme, and especially its attempt to provide a flexible and immediate response to income changes in either direction. A simpler scheme, based on longer-term averages of household income, might be marginally less fair, but could be very much cheaper to administer. Quick response to catastrophic falls in income, due to illness, unemployment or retirement, would remain necessary, but minor fluctuations in earnings in the course of the year could be ignored. If simplification of the differential scheme were allied with reform of maximum rent assessments as already advocated, the increase in administrative efficiency should be substantial.

With regard to repairs and maintenance, the problem of high costs is quite complex. It is probable that the published figures for maintenance costs, even where they do relate strictly to the rental sector, slightly overstate the true position, as a considerable proportion of improvements is included. In

logic, improvements, which are needed every now and then to bring older dwellings into line with modern standards, should be treated as capital expenditure, adding to the quality, if not the quantity, of the housing stock. To the extent that such work is included as current expenditure, total spending on maintenance is exaggerated, and so is the degree of current subsidy to the Local Authority rented housing sector.

However, even allowing for this factor, there can be no doubt that the cost of maintenance of the rented housing stock is high, both absolutely and in relation to maintenance costs in the owner-occupied sector. There are several possible explanations for this. The overhead cost of having a range of maintenance and repair services available, when some of them may not be fully utilised at any given time, could be a significant but minor element. More important is that the problem of deploying a regular maintenance, as distinct from repair, staff, involves the pre-planning of a routine maintenance schedule based on districts rather than individual houses. In these circumstances, certain houses almost inevitably will be painted or otherwise maintained before they are really in need of such attention. Conversely, other houses may have deteriorated before routine maintenance is due, so that repairs become necessary which would have been avoided with earlier maintenance.

Finally, the fact that individual tenants do not pay directly in relation to repairs or maintenance to their dwellings can have two cost-increasing effects. Some repairs may be demanded, and carried out, which would simply have been ignored if the occupiers had to pay for them, as in the owner-occupied sector. Secondly, where the owner-occupier does have to pay for repairs, there is a tendency for many jobs to be undertaken on a "do-it-yourself" basis. There is little incentive towards such savings of resources when there is no financial benefit to be gained, and where the practice is expressly forbidden in the tenancy agreement. Admittedly, a considerable amount of "do-it-yourself" repairs and improvements is undertaken by Local Authority tenants, but the proportion of the total is probably significantly less than in the owner-occupied sector, although the occupational struc-

ture of the tenant population is such that one would expect more and better such work to be done than among owner-occupiers, if the incentive to do so were the same.

The high cost of both administration and maintenance pose a particular problem during periods of high inflation. Both being labour intensive activities, their cost tends to rise especially quickly. As periods when wages' expenditure is increasing rapidly also tend to be characterised by high and rising rates of interest, the total cost of providing rented housing usually grows faster than either average incomes or the general price level. However, simply because other prices are also rising quickly, there is usually strong and organised resistance to an even faster rise in Local Authority rents at such a time. It also seems probable that because of the impact which movements in rents might have on claims for pay increases, the Central Government might prefer to pay larger subsidies to Local Authority housing than to put pressure on Local Authorities to increase their rents in line with increasing costs. Between 1970/71 and 1975, maintenance costs nearly trebled, and management costs more than doubled, while rental income increased by only 38 per cent.

Thus, during periods of high inflation, costs tend to rise considerably faster than rents, leading to increased total subsidies. At the same time, because reviews of the differential rent scheme are relatively infrequent, the various allowances and thresholds tend to become outdated, leaving the highly progressive area of the differential scale applying only to extremely low household incomes, and with only a very slight progression applying to the normal range of income.

The Nature of the Housing Stock

In considering the overall efficiency of the owner-occupied sector, it was noted that one of the shortcomings of the sector was that it provided a rather limited range of modern dwelling types, and that the procedures for allocating even this range in accordance with household preferences were far from perfect. The Local Authority rented sector possesses a stock of dwellings which is rather more balanced in terms of type and size. Urban Authorities tend to own flats of

different sizes, chalets, cottages and houses with two, three and four bedrooms. Rural Authorities possess small, older, cottages and larger modern houses. The sector thus reflects the housing needs of its occupants more accurately than does the owner-occupied sector. Small households tend to occupy small dwellings and larger households more spacious accommodation, although the correspondence between household size and dwelling size is far from exact.

There is an absence of very large houses to cater for the extremely large family, or for the situation where two families, generally those of the parents and one of their children, are sharing the same house until the younger family can obtain their own dwelling. Thus, some overcrowding does exist in the sector, and in a few cases the overcrowding can be severe. At the same time, considerable under-occupation exists, almost exclusively where older couples or individuals remain in a family size house after their family has grown up and left home. It needs to be stressed that this under-occupation only exists on an objective, rather than a subjective, definition of the term. In other words, it is strictly voluntary, as in practically all Authorities' applications for transfer to smaller dwellings are viewed favourably as they release additional accommodation into the letting pool. Thus, the existence of objective under-occupation in the Local Authority rented sector does not, in itself, conflict with our criterion of efficiency based on the range of choice available in relation to the preferences of householders. It is only because, in conditions of shortage, it implies a restriction on the choice of other households who would like to move to larger dwellings that it constitutes a problem.

The principal factor which permits this under-occupation to persist, and which, more vitally, deters Local Authorities from building a higher proportion of larger houses, is the tradition that once a tenant is allocated a dwelling, his family possesses security of tenure in that specific dwelling, rather than merely in the Local Authority sector as a whole. Thus a large family allocated a five or six-bedroomed house, if such existed, would under current custom continue to occupy it even when, due to children leaving home, a normal three-

bedroomed house would suffice. Obviously this security of specific tenure is desirable for the tenant in possession, but it is hard to avoid the conclusion that in the interests of actual and potential tenants as a whole, it should be modified, at least to the extent of offering substantial inducements to small households to transfer out of the large type of Local Authority dwelling.

A final point which needs to be made about the available stock of Local Authority rented dwellings in relation to the preferences of tenants concerns the location of housing in this sector. In rural areas or small towns there is little problem in this regard. Existing houses are widely distributed over the areas of each county Authority and there is generally little difficulty in obtaining sites for new schemes reasonably close to where the demand for such houses is greatest. In the large town, and particularly in Dublin, there is a very considerable problem of location. Although many older estates or blocks of flats are scattered about the central area or inner suburbs, most new schemes of any size are situated in outer suburbs. This is dictated by lack of suitable sites for housing developments in inner city areas, and by the extremely high cost of acquiring what sites might become available. The result has been the increasing suburbanisation of the Local Authority rented sector, and, in conjunction with trends in other sectors, the increasing de-population of the city centres. Although there has been a tendency for many jobs, especially industrial jobs, also to move outward towards suburban locations, this has by no means avoided the growth of travel problems and costs associated with the shift in housing. The main reason for this is that public transport routes in any city tend to be almost exclusively radial, linking the centre with the different suburbs. Transport from one suburb to another, even when they are quite close, tends to be either inadequate or totally lacking.

Because of transport costs and difficulties, and also because of remoteness from central amenities and social networks, suburban locations tend to be less preferred than central by most tenants. It is interesting to note that some of the older schemes in inner suburbs are becoming increasingly popular

in terms of transfer requests, simply because they now appear relatively central. This adds point to the criticism already made that maximum rents, as currently calculated, pay no attention to the relative desirability of a particular dwelling, as well as illustrating the fact that new entrants to the sector have, of necessity, to accept a geographical location which is well removed from their preferences.

In fairness, it should be pointed out that the Local Authorities involved are well aware of the preference for central locations and are attempting to meet it where they can. For example, Dublin Corporation has a programme to provide some 2,000 dwellings in the inner city area. The problem is less one of will than one of finance. Inner city re-development is a massively expensive process, in terms both of land acquisition and of actual building costs. Unless radical action is taken to reduce the cost of relevant urban land, it is difficult to foresee a substantial reversal of the trend to suburbanisation.

Chapter 5

The Controlled Private Rented Sector

Introduction

IN most discussions of housing sectors by type of tenure, the private rented sector is treated as a single entity. However, in the Irish housing system at the present time the differences between the controlled and the non-controlled areas of rented accommodation are so fundamental that it seems preferable to treat them as two separate sectors. These differences cover many aspects of the landlord/tenant relationship and also of the property involved, but they are most acute in relation to security of tenure and housing costs.

The controlled sector comprises those dwellings whose rent is controlled under various Rent Restriction Acts, the first of which was passed in 1915. The early Acts, which were intended to be of a temporary nature, controlled the rents and tenure of virtually all rented dwellings. Later Acts, of which the most important are probably the Rent Restriction Acts of 1946 and 1960, have perpetuated the principal of statutory control of rents but have limited its application to certain types of letting. Thus, today the following types of tenancy are excluded from control:

- all furnished tenancies, whenever established;
- unfurnished tenancies in dwellings constructed since 1941;
- unfurnished tenancies in dwellings of any age converted into self-contained flats since 1960;
- tenancies created for the first time since 1960;
- tenancies of dwellings with rateable valuations of greater than £40, if a house, or £30, if a flat, in Dublin or Dun Laoghaire;
- tenancies of dwellings with rateable valuations of greater than £30, if a house, or £20, if a flat, elsewhere;

and tenancies created after a dwelling has come into the full possession of the owner.

The controlled sector is therefore basically confined to unfurnished tenancies which were in existence in 1941, and which relate to dwellings of normal size or smaller.

There is a shortage of statistical or other organised information regarding this sector. For instance, it is impossible to estimate precisely the size of the controlled rented sector. Census returns divide rented accommodation between furnished and unfurnished. Up to the 1961 Census, it was reasonable to assume that unfurnished private rented accommodation was virtually co-terminous with the rent-controlled sector. However, in the later Censuses, a small but growing proportion of unfurnished rented dwellings is outside the controlled sector.

While the term "unfurnished" can no longer be accepted as a simple proxy for controlled, the figures for unfurnished rented accommodation can be taken as placing an upper bound on the size of the controlled sector. Table 5.1 shows the dramatic decline in unfurnished rented dwellings which has been evident over a long period. From being one of the major tenure types in the early part of the century, the unfurnished, controlled sector fell to nine per cent of total occupied dwellings in 1971 and has certainly fallen further

Table 5.1: *Unfurnished private rented as percentage of total dwellings*

<i>Date</i>	<i>State</i>	<i>Major cities*</i>	<i>Remainder of State</i>
1946	40.8	71.6	31.6
1961	14.9	28.4	10.0
1971	9.0	14.6	6.7

*County Boroughs of Dublin, Dun Laoghaire, Cork, Limerick and Waterford.

Sources: Census of Population, 1946 (Vol. IV), 1961 (Vol. VI) and 1971 (Vol. VI).

since. Even in the major cities, where unfurnished letting was the dominant tenure form in 1946, the proportion had fallen below 15 per cent in 1971.

The reasons for this decline are obvious. No new controlled tenancies are being created, entry to the sector is impossible except for a tiny minority, a few larger dwellings have become de-controlled under various Acts, landlords are transferring houses into other sectors wherever they are able, and a significant number of controlled dwellings are being lost to the housing stock through demolition, disrepair or conversion to non-housing uses.

Disadvantages to Tenants

For its tenants, the sector is a curious amalgam of favourable and unfavourable features. Personal freedom of behaviour is more limited than in the other sectors we have so far discussed. With landlords generally having a strong incentive to seek possession, adherence to the conditions of any lease which exists, or to the conditions of statutory tenancy, is more likely to be enforced than similar provisions in Local Authority tenancies or in owner-occupiers' ground leases. In those cases, by no means infrequent, where the landlord shares the premises with the tenant, the degree of such restrictions on action can be considerable. The power of bequest enjoyed by the owner-occupier is absent, although the tenancy can be, and frequently is, "inherited" by a resident relative in much the same way as Local Authority tenancies are passed on to family members. Most tenants of controlled rented property must live with the knowledge that the landlord would like them to vacate the premises. There are allegations¹¹ that a few landlords carry their understandable wish to obtain vacant possession to the point where they indulge in illegal harassment of the tenant in an attempt to force him to move out. It must be admitted that there is little hard evidence of such illegal practices, and there have certainly been no well-publicised prosecutions as there were in the Rachman cases in London. Nevertheless, it seems by no means improbable that a certain amount of quiet intimidation does take place.

Much more serious, because far more widespread, is the

¹¹For example, by the Dublin Flatdwellers' Association (1973).

poor condition of much rent-controlled property. Almost by definition, most of the dwellings in the sector are relatively old. Partly in consequence of this, they tend to be less well equipped in terms of amenities such as indoor toilets, baths and hot water systems than either owner-occupied houses, with the exception of older farm houses, or Local Authority dwellings. Landlords have little or no incentive to invest in improving amenities. Although in most cases they would be entitled to grants covering part of the cost of improvement, they would have to meet a major part of the cost themselves. Under the 1967 Rent Restriction Act they are entitled to increase the rent where improvements have been carried out, but the permitted increase of eight per cent per annum of the landlord's improvement costs is clearly an insufficient inducement.

Apart from the question of amenities, the physical condition of many buildings in this sector is a cause for concern. Landlords have a legal obligation to maintain their dwellings in an adequate state of repair. Under the Rent Restriction Acts, courts may reduce the rent in cases where repairs have not been carried out, while under the 1969 Housing Act, landlords can be ordered to reinstate property which has fallen into disrepair. Despite these penalties, and various Local Authority by-laws specifying certain standards, there must be grave doubt whether the deterioration in the fabric of the sector has been checked. In the absence of systematic information on the issue, it seems probable that the absence of commercial incentives to maintain property outweighs the possibility of penalties being imposed for lack of maintenance. Whether or not the situation is continuing to get worse, it is certain that in many instances the living conditions of controlled tenants are inadequate by modern standards.

The final disadvantage of the sector from the point of view of the tenant is a total absence of choice. The controlled situation exists solely in relation to a specific tenancy, and there is no possibility of movement within the sector from one house or flat to another. If for any reason a tenancy is relinquished, then the tenant must look to another sector for his housing needs.

Advantages to Tenants

These disadvantages of lack of choice, limited personal freedom, possible exposure to harassment, and poor physical living conditions are balanced by two overriding advantages for tenants in the sector. In the first place there is great security of tenure and in the second place rents tend to be very low indeed.

Provided the rent is paid and other conditions of the tenancy adhered to, security of tenure is as great as in the owner-occupied or Local Authority sectors. If there is a breach of the tenancy conditions on the part of the tenant, then eviction can take place only after the landlord has obtained a court order, a process which is lengthy, costly for the landlord and often uncertain in outcome. Under the 1960 Act, possession can also be granted to the landlord if he can prove greater need than the tenant, or if he has reasonable need and provides the tenant with suitable alternative accommodation within the controlled sector. Not surprisingly such cases are difficult to establish and these clauses have provided no significant threat to the security of tenure of controlled tenants. Not only is the tenant well protected with regard to security of tenure, but the tenancy can pass automatically, with the same degree of security, to the tenant's surviving spouse or to other relatives who can provide evidence of living in the property prior to the tenant's death.

Rents in the controlled sector are never high and are often astonishingly low. Although no authoritative figures are available for average rents in the controlled sector alone, as Household Budget Surveys do not distinguish between restricted rents and others, information is plentiful on typical rent levels. Exclusive of rates, controlled rents, even for family size houses, seldom exceed £2 per week, while in many cases, both for houses and flats, the rent is well below £1 per week.¹²

For the most part, these rents are still at or near the levels at which they were restricted during the First or Second World Wars. Under various Rent Restriction Acts, landlords could

¹²Average rents received (1976) by the Dublin Artisans Dwelling Company which still owns about 1,000 controlled houses and a few hundred controlled flats, are of the order of 50 pence per week, plus rates of 75 pence.

seek minor increases in basic rent, but only following a lengthy and costly procedure. Currently, increased rents must generally be fixed by the District Courts, with landlords paying the legal costs of both parties. Under the 1960 Act, the Courts could raise individual rents to bring them into line with the levels prevailing in the controlled sector as a whole, while under the 1967 Act increases of 15 per cent or 10 per cent of the basic rent can be granted in respect of repairs or maintenance work actually carried out. Even where such increases are sought and granted, they do little towards matching increases in repair costs, open market rents, or the general price level. Given that many landlords do not, or are not entitled to apply for such increases, the gap between average controlled rents and housing costs in other sectors continues to widen rapidly.

In most cases landlords have paid the rates, but recouped them from tenants either through the rent or through specific payments. Landlords were entitled to increase this rate element of tenants' payments in line with increases in actual rates. However, with most dwellings in the sector being of more than the average age of all dwellings in the State, rateable valuations tend to be relatively low. Especially where buildings are sub-divided into flats, the rates apportioned to each were fairly modest. As landlords are generally responsible for repairs and most maintenance, as well as for insuring the buildings, total outgoings of tenants in the sector are very low, and with the abolition of domestic rates, have been reduced yet further. In many cases, although not all, total outgoings are lower than for a debt-free owner-occupier of similar property.

Although Household Budget data are not available for the controlled rented sector in isolation, the overall averages for private rented dwellings do give some confirmation to the general picture just outlined. This is because there are relatively few furnished or otherwise non-controlled rented dwellings in rural areas. In 1971, for instance, less than 15 per cent of private, rented dwellings in rural areas were furnished. Thus the figures given for expenditure on private rented dwellings in aggregate rural areas are heavily influenced

by the controlled sector. Although they are biased upwards by the presence of some uncontrolled properties, the figures for private rented dwellings give an upper bound to average outgoings on the controlled sector in rural areas in 1973. The total outgoings shown are £2.06 per week, of which £1.60 is for rent and rates, and the remainder mainly for repairs and maintenance. These are slightly higher average outgoings than for rural outright owner-occupiers, tenant purchasers or Local Authority tenants, but much lower than for the remaining tenure groups, urban or rural. There are good reasons for supposing that the gap between urban and rural housing costs in this sector is much narrower than in most other sectors. Thus it is reasonable to conclude that the controlled private rented sector has the cheapest average outgoings of any sector in urban areas, while in rural areas it is among the cheaper sectors, although not the cheapest.

It was noted that among the benefits of owner-occupation was the capital appreciation of the dwelling, especially in periods of inflation. Although the capital gain could not be fully realised except by moving outside the sector, and indeed, outside the housing system, there were, nevertheless, substantial advantages to the owner-occupier resulting from the increase in value of his equity in the property. Naturally the controlled tenant, not being the owner, does not automatically benefit in this way from rising property values. However, some controlled tenants do gain analogous benefits in one of two ways.

It is by no means unknown for tenants to be offered substantial cash inducements to give up their tenancies, so that the landlords can acquire vacant possession of their properties. In this way the tenant, to some extent, shares with the landlord the increase in the value of the dwelling resulting from its change in tenure status as well as from the general rise in property values. The second method whereby a tenant can receive a form of capital gain is where he buys the dwelling from the landlord. Sales to sitting tenants are generally at a price somewhere between one-third and one-half of the open market value, reflecting the effect that the presence of a statutorily protected tenant has on the value of residen-

tial property. Obviously, once the tenant has purchased the house at this depressed value, the status of the property has changed, and he is at liberty, if he so wishes, to re-sell it at its normal market price, thus obtaining an immediate capital gain of several thousand pounds.

Lack of Entry or Transfer

In discussing other housing sectors, some paragraphs have been devoted to methods of entry and the degree of choice possessed by new entrants. There is no necessity for such a discussion in relation to the controlled rented sector. There are no new entrants apart from the small number who inherit the tenancy of a dwelling they have been sharing with the relative who previously held the tenancy. These inheritors, by definition, inherit the occupancy of a particular dwelling, and no question of choice arises. Unlike the inheritors of Local Authority tenancies, there is no possibility of subsequent transfer so that even deferred choice is eliminated.

Lack of Public Subsidy

Also in discussing other sectors, considerable attention was given to the effect of State subsidies on the operation of the sectors and on the level and distribution of housing costs. Again, this point need not detain us long in relation to the controlled rented sector. There are no specific public subsidies to this sector. It is true that mortgage interest relief would be available to landlords, in that interest charges would be allowed as a business expense, but it seems probable that very few controlled properties have any mortgage or other debt outstanding on them. Similarly, grants for reconstruction and improvement are available, but due to the lack of incentive to invest any of their own funds in such work, very few landlords undertake the type of improvements which would attract such grants. In all, very little public subsidy flows into the sector, and any that does has no appreciable effect on the pattern of housing costs among tenants.

Subsidy by Landlords

The apparent paradox that a sector can offer its occupants

extremely low costs without any significant public subsidy is easily resolved. The subsidy to the tenants is provided by the landlords. While the controlled rented sector offers a mixture of advantages and disadvantages to the tenant, its impact on the landlord is unambiguous. It is a disaster area.

The capital value of property in the sector is depressed to somewhere about one-third of its open market price so long as a protected tenant is in occupation. There is virtually no prospect of legally removing a tenant, save occasionally by offering him a large proportion of any capital gain that would accrue from obtaining vacant possession. Even the death of the tenant is unlikely to end the protected tenancy agreement, as it is inheritable not only by spouses but also by younger relatives with a claim to have resided in the dwelling. Above all, rents are restricted to a level which is wholly uneconomic in relation to the open market value of the property; is usually uneconomic in relation to the property's value even with a sitting tenant, and is, sometimes, uneconomic in relation to site value alone. Indeed, when account is taken of unavoidable repairs, the net income from ownership can be negative, with the landlord's recurrent outlay exceeding his gross receipts from the property. If relief from loss or grossly inadequate return is sought through the courts, further substantial expense is incurred with the prospect, after considerable delay, of only a marginal easing of the situation.

The methods alleged to be used by some landlords to escape from the situation are themselves highly undesirable. One is by resort to illegal pressures on the tenant to move out, with the pressures likely to be greatest on the poorest and least resourceful of tenants. The second method is deliberately to allow the property to deteriorate to the point where it is condemned as unfit for habitation, while hoping that the reinstatement provision of the 1969 Housing Act will not be enforced. Provided the site itself is of greater value than the capitalised net rental income, which is by no means a rare occurrence due either to the intrinsic value of the site or to a negative or derisory level of rents, then there is a clear gain to the landlord in having his property condemned, if

the sanctions of the 1969 Act can be avoided. In yet other cases, although no actual gain may be made from condemnation, the landlord may permit his premises to deteriorate to this point simply to bring to an end the problems of managing the property for little or no reward.

It should be quite obvious from the discussion in this chapter that we regard the controlled sector, as at present operated, as both inefficient and inequitable.

Efficiency of Sector

It is inefficient because, despite specific laws to the contrary, the legal basis of the sector encourages the neglect of residential property. Because of this neglect, dwellings may be lost from the housing system which could have been retained for relatively modest maintenance outlays spread over several years. Replacement of dwellings lost from this sector by much more expensive new dwellings in the Local Authority and other sectors is clearly a gross waste of resources. Even where the properties involved need improvement as well as maintenance to bring them to acceptable modern standards, this would in most cases involve far lower resource costs than building new houses. A further loss of efficiency results from this process of replacement in so far as the new Local Authority dwellings are frequently in less favoured locations than the condemned private rented accommodation which they replace, thus impairing the ability of the total housing system to match its stock of dwellings with the preferences of its inhabitants. Even where the application of planning laws insists that re-development schemes on former residential sites include a substantial residential element, this problem is not really solved. The accommodation provided by such new schemes is usually for a totally different section of the market from the accommodation that has been lost, and is generally priced far above the means of the inner city worker who has traditionally shown the strongest and most understandable preference for a central housing location. Moreover, there is frequently a lag of several years between the closure of the old dwellings and the completion of the new. During this period there is an absolute reduction in the number of

city dwellings available to households, regardless of income group.

Another aspect of the inefficiency of the sector, on our definition, is that there is virtually no freedom of choice available to those involved in it, either as tenants or landlords. The tenant cannot transfer within the system, and neither the tenant nor the landlord is likely to exhibit much effort in exercising choice by means of altering or adapting the dwellings currently inhabited. Thus the sector is almost totally inflexible, and unable to adapt to changing requirements or preferences.

Finally, the mere existence of the controlled sector imposes a degree of inefficiency on the entire housing system. Even though new unfurnished tenancies are not subject to control, the fear that they might become liable to the same sort of restrictions which currently apply in the controlled sector has acted as a powerful deterrent to any potential landlord who might have considered the provision of basic long-term rented accommodation. This discouragement of the provision of private-rented dwellings has placed extra strain in the provision of houses on the owner-occupied and Local Authority sectors and on the sources of finance for these sectors. It has also forced into those sectors many households whose circumstances are such that owner-occupation, or to a lesser degree Local Authority tenancy, are not the most appropriate forms of tenure.

Equity of Sector

Although the controlled sector fares badly against the yardstick of efficiency, its faults are even more obvious when judged by the criterion of equity. The heart of the inequity lies in the automatic and inflexible requirement on landlords to subsidise their tenants. When rent restriction was introduced, it was as an emergency measure in wartime circumstances, when general inflation and an inability to devote resources to the construction of new houses led to a reasonable expectation that, if they were to obey market forces, rents would rise steeply. Thus, freezing them was seen as a temporary move to prevent "wartime profiteering". It was

assumed that landlords would continue to receive a "normal" profit and that only the unjustified war scarcity element would be foregone, as part of a general contribution to the communal effort. It was further assumed, reasonably at the time, that, on the whole, landlords, as a class, were tolerably well-to-do, while tenants, as a class, tended to be poor.

The continuation of rent restrictions long after wartime conditions have ended has made nonsense of these assumptions. Landlords no longer receive a "normal" profit, but something far below it; they are no longer making a contribution to a common effort against an external threat, but are placed in a uniquely unfavourable situation; and most important of all, income distributions have so changed that it is no longer safe to assume that rent restrictions result in the richer subsidising the poorer.

No statistics are available on the composition or income distribution of either tenants or landlords. In the absence of hard evidence one can be guided only by impressions. It seems overwhelmingly probable that although there are some companies, such as the Dublin Artisans' Dwelling Company and some rich individuals who own, among other assets, a number of controlled dwellings, a large number of individual landlords in this sector are far from rich or even comfortably off.

In the early part of the century it was common practice for small savers to purchase one or more houses to provide an income for retirement or for their families in the event of their death. In many ways such small-scale purchase of rented property fulfilled the role now generally taken by life insurance. While relatively few of such purchasers of houses can be presumed to have survived until the present day, large numbers of their immediate dependents have. Precisely because the continued existence of rent restriction has prevented the ownership of the property from providing the anticipated income flow, many of these dependents have become progressively impoverished until now they can be found among the lowest income groups in society.

Another type of small landlord who is likely to be in straitened circumstances is the house-owner who let part of

his own residence to tenants who have since become part of the controlled sector. In many such cases it was a lack of adequate income which first induced the owner to become part landlord, and it is reasonable to assume that as the real contribution from the tenants towards the upkeep of the premises has dwindled, the initial poverty of the owner has intensified. The resident landlord of controlled premises, in addition to the possibility of inadequate total income combined with little or no return from the portion of his house which he has let, suffers from further disadvantages. Because his property is in part his own home, he must either maintain it adequately or suffer personally the consequences of a physically deteriorating structure. The socially undesirable, illegal, but economically logical option of absentee landlords of allowing the premises to decay to the point of condemnation is thus denied to the resident landlord. As he will rarely be able to recover any significant part of his higher maintenance expenses from his tenants, in the form either of a capital contribution or of increased rents, his net rental income will tend to be even lower than if he were an absentee landlord. At the same time, the near absolute security of tenure enjoyed by controlled tenants means that some resident landlords must endure for years a highly unsatisfactory relationship, within the same premises, with difficult, obstructive or otherwise incompatible tenants, with a consequent reduction in their own freedom of action within their home.

Turning from a consideration of landlords, some of whom, although of course not all, are among the poorer and weaker members of society, to the circumstances of tenants, there are grounds for supposing that here too the assumptions underlying the original imposition of rent restriction can no longer be applied universally.

There is no doubt that many tenants of rent controlled dwellings are poor, and are in no position to pay an economic rent for their accommodation. This applies particularly to the surviving tenants who were in possession when rent restrictions were introduced and who are now, almost without exception, elderly. The existence of such tenants

precludes the simple abolition of rent restriction as a serious policy option, as the hardship which they would incur if rents suddenly moved to market levels would be far too great to justify. However, there are other tenants in the sector, although their numbers cannot be estimated from currently available sources, whose incomes are above the national average and who would be well able either to afford market rents or to move out of the rented sector and into owner-occupation. These would mainly be younger relatives who have inherited tenancies and who are currently working in good jobs.

In the absence of relative data, it is impossible to say whether, on average, rent control still implies a subsidy from the richer to the poorer or whether changes over time have resulted in an average transfer from the poorer to the richer. What is beyond doubt, however, is that in a number of cases the tenant has a higher income than his landlord and that in those cases there is a clear perverse subsidy from the poorer to the better off.

Quite apart from these specific cases of perversity, the entire pattern of subsidisation lacks any logical basis. Rents in the sector are not fixed according to any consideration of the income of either tenant or landlord, and in many cases they are not related directly to the standard of accommodation either. The basic determining factors are the date at which the rent was first fixed, and the subsequent assiduity of the landlord in seeking legal increases. From the tenants' point of view these are accidental factors, while if there is any coherent tendency from the landlord's side it is that the better off the landlord the more likely he is to receive a higher rent.

It could be argued that the absence of hard data on the sector dictates that further research should be undertaken into its operation, and particularly into the composition of both its tenants and its landlords. We believe, however, that even on the evidence available there is an overwhelming case for modifying the laws governing the sector, without incurring the delay inherent in undertaking surveys or other forms of detailed research. Outright abolition of control, without other complementary reforms, would seem certain

to create more problems than it would solve, but there is a considerable number of possible packages of measures which appear to offer hope of removing the sector's worse features. Most of these packages, however, also involve other sectors, or at least have important implications for them, so their consideration is best left for a later chapter when changes in the entire housing system can be discussed.

Chapter 6

The Non-Controlled Private Rented Sector

Introduction

BY definition, this sector contains all private rented dwellings which do not have their rents restricted under the Rent Restriction Acts. It comprises all furnished rented dwellings as well as an unspecified number of expensive decontrolled and new unfurnished dwellings. It is an extremely fast-growing sector of the housing system. Figures for its furnished element indicate that, that part of the sector grew by 164 per cent between 1946 and 1971, increasing its share of all occupied dwellings from 1.8 per cent to 4.4 per cent. The growth of the entire sector has been even faster because there were very few uncontrolled, unfurnished dwellings in 1946 while there is now a substantial number. There are also suspicions, which appear to be well-based, that the Census enumerations tend to underestimate the number of people living in this sector. If this is so, the sector's growth is likely to have been greater still.

With the owner-occupied sector we saw that its rapid growth can be interpreted as reflecting a widespread awareness of the advantages of owner-occupation and a consequent urge to enter the sector, even at the cost of severe short-term sacrifices. The expansion of the uncontrolled private rented sector cannot be ascribed to similar positive attitudes on the part of its potential occupants. As will be seen, it is a sector which attracts a great deal of criticism from those who live in it, and in which discontent is probably the norm rather than the exception. In spite of this unpopularity, its growth is easy to explain. On the demand side, it is the only significant sector to which entry is unimpeded for most aspiring entrants, and entry costs, as distinct from recurrent housing costs, are very low. It is also the only sector which offers certain types

of accommodation suitable to specific groups of the population. On the supply side, entry has been relatively easy for new landlords, additional accommodation has been comparatively cheap to provide, and the returns have been sufficiently high to attract the limited amount of investment needed to bring about a rapid increase in supply.

The major complaints levelled at this sector by its occupants concern the physical condition of many of its dwellings, a lack of adequate facilities, poor landlord-tenant relationships, lack of legal protection especially with regard to security of tenure, and, above all, the high rents charged.¹³

Characteristics of the Sector

Before considering these accusations or assessing the sector in terms of the amount and distribution of freedom of choice, it is necessary to look more closely at the nature of the sector itself. This is because it is exceptionally diverse, both with regard to the types of dwellings contained in its stock, and with regard to the characteristics of the households which live in it. Partly because of this diversity, and partly because of the unstructured nature of the sector, firm statistical data tend to be lacking. *Description must therefore be largely impressionistic and analysis necessarily tentative.*

The dwellings in the sector include standard family houses in suburban estates, a few larger, more desirable houses, some unusual smaller houses such as gate lodges and mews cottages, modern purpose-built flats and penthouses of different degrees of luxury, and some conversions of large houses into a small number of large and elegant apartments. However, the more typical dwellings in the sector are conversions of houses in inner city suburbs into small flats or bedsitters, with a very recent development of converting more modern suburban houses into bedsitters or flats.

With regard to tenants, the most common characteristic, although it is not universal, is transience. Few households enter this sector with the expectation that it will provide their

¹³Examples abound in Hutchinson (unpublished), O'Broin and Farren (1978), Dublin Flatdwellers' Association (1973) and Wallace (1973).

settled, long-term housing requirements. Some households do in fact remain in the sector for many years, or even for all their lives, but this is usually a reflection of the difficulties of entering the other sectors, especially once the head of the household has passed early middle-age, rather than a consequence of the deliberate choice of the tenant. The only significant exception to this feature of anticipated transience is that a small number of elderly people, usually alone, do move into this sector because it is the only one which offers small, easily kept dwellings within the price range they can afford.

Given that most tenants expect their stay to be temporary, their reasons for being in the sector fall into two main classes. The first is where the tenant is meeting housing needs which themselves are temporary. If, in the case of a family, the occupation of the household head is such as to demand a great deal of mobility, then that household is likely to be in any area for too short a time for the cost and effort of buying a house to seem worthwhile, even when it could be afforded with no difficulty. Thus most diplomats, many foreign executives with overseas companies, visiting academics and so on, seek to rent accommodation rather than to become owner-occupiers. These relatively well-off, but short-term, entrants to the housing system generally seek private rented property at the upper end of the spectrum offered by the sector, such as substantial houses or luxury apartments. The second and larger element of those who perceive their housing needs as temporary comprises young, single adults who expect, or at least hope, that their conjugal status will not last indefinitely. Because their lifestyles, as well as their space needs, tend to be different from those of families or even of married couples, these young single adults who live away from the parental home seek somewhat specialised accommodation.¹⁴ Usually based in cities or large towns, and spending a high proportion of time away from their dwelling, at work, recreation, visits to parental home or other travel, among the young single a location convenient to the centre

¹⁴See O'Brien (forthcoming).

is generally sought, such amenities as gardens are avoided, and accommodation of much smaller size than the standard family house is required. It is mainly to serve this type of occupant that bedsitters and small flats in converted central or inner-suburb houses have been developed.

While the occupancy of the rented sector by those who see their present needs as temporary can be regarded as voluntary, the other main cause of being in the sector is involuntary. This is simply inability to obtain entrance to one of the other housing sectors in spite of a wish to do so. Involuntary tenants of the uncontrolled private rented sector are thus mainly families or couples who lack the resources, in the form of the deposit or the steady income, to become owner-occupiers and who do not qualify for the allocation of a Local Authority dwelling. Also included are those who have deferred marriage until a house deposit is accumulated, those other single people, usually older and locationally settled, who would prefer another form of tenure; and those households which have been unfortunate enough to lose their position in a more favoured sector. Because it is generally lack of money which keeps these involuntary occupants in the sector, they are generally, although not invariably, found in the less desirable flats.

Because of the great diversity of both accommodation and households, it is more difficult to generalise about this sector than most others, and exceptions to any generalisations can be found without undue difficulty. Nevertheless, it is possible to identify certain general characteristics which are common to the sector as a whole.

Security of Tenure

One of the most obvious of these characteristics is that security of tenure is very much weaker than in the other sectors which have been discussed. Although in some cases, usually involving the more expensive properties, formal leases are signed, these are generally for relatively short periods and seldom exceed three years. In the majority of cases there is no lease, and the tenancy is on an indefinite basis. If the landlord wishes to obtain possession of his premises, and the

tenants are unwilling to move voluntarily, then the only legal recourse to the landlord is to seek a court order for possession. Eviction without a court order is illegal.

However, in the great majority of cases which do reach court, the landlord succeeds in his action, and for this reason many tenants are reluctant to fight their cases, even though the landlord has to bear the legal costs. Far more serious than this reluctance is the ignorance of many tenants concerning their rights. Thus, on receiving a notice to quit from the landlord, a large proportion of tenants simply comply and move out, unaware that they could delay their departure for several months by waiting for a court ruling on the matter. Beyond the reluctance to fight a losing battle and the ignorance of their rights, there is a third reason why even the limited security of tenure offered by the law is not always available. This is simply the use of illegal eviction methods by a few landlords. There is no doubt that such methods are used, ranging from threats, through cutting off essential services, changing locks in the absence of the tenant, to outright physical violence.¹⁵ For obvious reasons it is impossible to obtain adequate information on the incidence of illegal evictions or harassment, but that some take place, and that there is a belief among many tenants that the police are reluctant to intervene in landlord/tenant disputes, weakens the security of tenure of tenants in general.

Freedom of Behaviour

Along with insecurity of tenure, the occupants of the uncontrolled private rented sector suffer from a relatively poor level of freedom of behaviour. Apart from the small number of separate houses in the sector, its dwellings suffer from the lack of privacy which is endemic in flats, exacerbated in many cases by the incomplete or inadequate nature of the conversion of an existing house into apartments. This structural lack of privacy, *vis-à-vis* neighbours, is accompanied by functional lack of privacy, *vis-à-vis* the landlord. Landlords do not possess unfettered rights of entry to their premises, but

¹⁵See Dublin Flatdwellers' Association (1973) and recurrent newspaper reports.

several behave as if they did, and in any case there is a right to reasonable access.

Either under the terms of a formal tenancy agreement or by less formal notification, landlords are entitled to impose restrictions on the actions of their tenants. Subletting and structural alterations are obviously prohibited in most cases, and in many of them internal decoration, replacement or even rearrangement of furniture and fittings are barred. Pets are seldom allowed, and the level of noise is likely to be controlled much more than in other housing sectors, although, to some extent, this may be for the protection of other tenants, rather than for the benefit of the landlord personally. Some landlords, especially those resident in the same building, assume responsibility for either the moral welfare of their tenants or, more likely, for the moral tone of their property, by attempting to regulate the tenants' social and sexual lives. Most serious of all, many landlords impose a ban on children living in their flats, and seek to evict tenants on their marriage, pregnancy, or, more frequently, actual parenthood.

Obviously, tenants of uncontrolled flats possess no rights of bequest or of any other form of disposal of either the property itself or of the tenancy. In this, the sector differs from all other major sectors, as the lack of any right of succession to a tenancy here applies in practice as well as in law.

Transfer within the Sector

Thus, security, privacy and freedom of action within a particular home in the uncontrolled private rented sector, all tend to be low. The remaining aspect of choice for those living in a sector concerns the ease and cost of transferring from one dwelling to another within the same sector, and the range of choice available to the household which does transfer. In this regard also, the sector is unusual in that transferring occupants are treated in exactly the same way as new entrants, except where the existence of a lease or minimum letting agreement imposes delay on the tenant in seeking a change of accommodation. Thus, the range of choice

on transfer and the ease of transfer are almost identical with the range of choice and ease of entry.

Entry to the Sector

With rare exceptions, almost entirely at the upper end of the market, entry into the sector is unstructured, informal, and cheap, although it is not necessarily easy. Basically the process is simply one of locating a suitable dwelling and persuading the landlord that one is an acceptable tenant.

Locating suitable flats or houses can be frustrating and time-consuming, although by no means as difficult, even in Dublin, as in many cities in the UK. The main problem, in comparison with finding a house to purchase, is the unstructured nature of the market. Whereas the great majority of houses for sale can be found on the books of estate agents and auctioneers, there are no similar institutions covering the rental market. While, indeed, some rented houses and flats, mainly at the upper end of the market, are handled by estate agents, the majority are not. Knowledge of these must be sought through newspaper advertisements, the main source of information for rented accommodation in Dublin, through card advertisement in shops, from individuals or organisations with a strategic knowledge of a district, such as postmistresses in rural areas, and by informal word-of-mouth grapevine. Because these alternative sources of information are not professionally involved in the transaction, the degree of knowledge which can be obtained from them is generally less than can be obtained from an estate agent. Consequently, less elimination of unsuitable prospects can be done in advance, and more inspection of possibilities which then turn out to be unsuitable or already taken is usually necessary.

Thus, despite the fact that a fairly wide range of rented accommodation exists, with a reasonable proportion actually available at any one time, the lack of centralised information severely restricts the effective choice facing potential tenants in practice. Nevertheless, given time, and time can usually be obtained by renting a less than satisfactory dwelling in the first instance and continuing to search for something more suitable, the possibility exists of finding accommodation

which matches most preferences in regard to location, size, design and facilities. However, this possibility is subject to two vital provisos. The potential tenant must persuade the landlord to let to him, and he must be able to pay the rent charged.

While landlords vary considerably with regard to the tenants they will accept,¹⁶ certain groups undoubtedly find it harder than others to obtain rented accommodation. The most serious problem is that of family households, especially where the children are young. A great many landlords simply refuse to consider letting accommodation to families with children.

While it is easy to understand the motives of a landlord who does not wish to be faced with additional maintenance costs due to the presence of children, or wishes to avoid complaints of noise and nuisance from other tenants in the property, this reluctance to accept families as tenants has serious consequences. It restricts the choice of such families, unless they can afford to rent expensive houses, to a limited range of flats, many of them in poor condition. Because of this limited supply, the rents of these flats may well be considerably higher than is justified by the condition and amenities of the properties.

Other groups who can experience difficulty in obtaining tenancies, even when they are not encumbered with children, and can demonstrate ability to pay, include young people of unconventional or "hippy" appearance, coloured people, itinerants and students. In the case of students, the problem is not so much that they encounter prejudice as such, but that landlords are aware that terms in University are short and that, accordingly, the lettings are likely to be temporary. The same problem, although to a lesser degree, can also affect school teachers and others thought to enjoy long holiday periods.

In general, the tenants most favoured for the normal range of city flats and bedsitters are young single people, alone

¹⁶Harloe *et al.* (1975) argue that in London there is a significant difference in attitudes between small landlords who handle their own letting and larger ones who employ agents. No work has been done in Ireland which would confirm or contradict this.

or in groups of up to three, with secure salaried employment, respectable accents and appearance, and a generally non-combative manner. Country girls in their early years in the Civil Service, banks or insurance companies are probably best off in this regard.

Provided a favourable impression is made upon the landlord or his agent, there is little formality or expense in becoming his tenant. A moderate deposit may be charged in respect of furniture or fittings. This deposit should be returnable on completion of the tenancy, unless the items in question have been damaged beyond the limits of normal wear and tear; and provided any agreed minimum period of tenancy has elapsed. While in many cases this deposit system works without acrimony, there have been allegations of occasional disputes where the deposit has been unreasonably withheld. Apart from the deposit, which is by no means a universal feature of furnished lettings, the only other immediate expense on entry is some advance payment of rent, although here again the amounts involved are unlikely to be great and the transaction will be self-liquidating. There is no evidence in Ireland of other substantial non-returnable payments such as key money or purchase of fittings at inflated prices, which have been a common feature of furnished lettings in London and other areas of great housing shortage. Basically, the financial qualification for entry to a dwelling in the sector is not the ability to meet an initial transaction cost but simply the ability to pay the weekly or monthly rent.

Housing Costs

With very few exceptions, rents in the sector are high in relation to average housing costs in other sectors. Obviously, with the properties themselves showing such a range in size, location and condition, there are great differences in the rents charged. For complete houses, in 1977, rents were at least £20 per week, and frequently very much more. An average modern suburban house in the Dublin area would typically rent, furnished, for between £100 and £150 per month. Modern, purpose-built flats and large, well-appointed, converted apartments tend to fall in the same cost range as

houses, with the rent varying according to location, age and design, as well as to size. Very small purpose-built flats do tend to be rather cheaper than standard houses, unless the location is particularly desirable.

As would be expected, the rents of most converted flats and bedsitters are considerably lower than those of houses or purpose-built flats. In Dublin city, single bedsitters typically cost about £8 to £10 per week and single flats a little more. Shared accommodation normally costs about £7 to £8 per person, although some flats are rented on a unit basis rather than per person, and *per capita* rents in these may be substantially lower if several individuals are prepared to share the accommodation. Although such factors as size, location, design, amenities and condition obviously influence the size of the rent, by no means all variations in rent can be ascribed to these factors. In practice, it would seem that there is a considerable random element in the fixing of rents, so that two similar premises have widely differing rents or that the same rent would secure either a comfortable convenient flat or a near slum.

A major feature of the sector, as is inherent in its title, is that rents can be increased at frequent intervals and are not subject to institutional control. The only effective constraints on the level of rents are short-term contractual commitments in those cases where the tenancy agreement is embodied in a formal lease, and, more generally, the element of competition between landlords which prevents the rent for any particular property from moving too far out of line with the overall level.

This freedom of rents to move according to market pressures in some ways parallels the movement of second-hand house prices in the owner-occupied sector. However, while the rate of increase in the prices at which the transactions take place may be similar between the two sectors, the impact on average housing costs is totally different. In the owner-occupied sector, once the transaction has taken place, the outgoings in terms of mortgage repayments are more or less fixed in money terms over the next 25 years, regardless of what happens to other house prices in the meantime. In the

rented sector this is not the case. Even if the tenant remains in the same house or flat, the rent can be increased at frequent intervals, thus keeping it in line with market trends. At the same time, the very much higher turnover of tenancies ensures that even where landlords are reluctant to press sitting tenants for rent increases, there are usually recurring opportunities to adjust the rent as new tenants replace old.

For these reasons, average rents in the uncontrolled private sector tend to increase much faster than the average housing costs in other sectors, although because of composition effects, the data available for housing costs by tenure type in 1965 and 1973 cannot properly be used as evidence on this point.

Subsidies

While it is the combination of short-term agreements, rapid turnover of tenants, and lack of any legal or institutional restraints, which permit housing costs to be so high in this sector, there is another major contributory factor. This is the almost complete absence of any form of subsidy, either public or private. Regardless of income, most tenants receive no public subvention towards their rent,¹⁷ in sharp distinction to the situation in the UK, where specific rent allowances can cover the whole housing cost of needy private-sector tenants. Similarly, there was no abatement of rates on multi-occupied properties, however low the income of the tenants. The removal of domestic rates did apply to the sector, although there has been some dispute over the extent to which landlords have passed the benefit of rate removal on to tenants. In any case the cessation of this particular tax can hardly be defined as a subsidy. Thus, effectively, there are no public subventions of any kind towards tenants' housing costs.

Private landlords in the sector receive no specific public subsidies. In certain cases they may be eligible for such general payments as grants towards the cost of some types

¹⁷In a very small number of cases, a limited degree of rent supplement is available under the Supplementary Welfare Allowance scheme, but the amounts involved are too small to alter the general conclusion that this is an unsubsidised sector.

of reconstruction or improvement, but such cases are thought to be few, and the amounts involved small. Naturally, landlords are entitled to place any interest charges they have to meet against their rental income in calculating their net income for tax purposes. However, as the allowing of interest payments as a business expense is a normal feature of commercial taxation policy, this should not be regarded as a subsidy.

What does amount to a genuine, if illegal, subsidy is the alleged practice of some landlords of not declaring their ownership of rented property, thereby evading income tax on their profit, and previously also minimising their liability for rates. For obvious reasons, it is impossible to estimate the extent of such evasion, if it in fact occurs. In the absence of any situation in which the rent paid by the private tenant is allowable as a taxable deduction or as the basis of a claim for social security benefits, there is no built-in check in the system which would bring evasion to light.

What is clear is that any subsidy flowing into the sector on the landlords' or the tenants' side is not sufficient to significantly affect the level of rents or other housing costs in the uncontrolled private rented sector.

Regulation of the Sector

Quite apart from subsidies to lower total housing costs, or to encourage the building of additional houses or flats and the improvement of the existing housing stock, the public authorities intervene in other sectors in various ways. In the owner-occupied sector, planning permission is needed to build new houses, standards of design and construction are closely monitored, and agencies lending money for house purchase are strictly licensed. In the controlled private rented sector, there is statutory security of tenure, while maximum rents are legally frozen unless amended through Court proceedings. The Local Authority rented sector is, of course, fully managed by the appropriate public authorities.

In contrast there is little public control over any aspect of the uncontrolled private rented sector. Planning permission is necessary for building new blocks of flats or new houses

for this sector, and for this small minority of the accommodation in the sector, the standards of construction and safety are thus controlled in much the same way as for new owner-occupied dwellings. For the more common conversion of the existing property, planning permission should normally be obtained, but it is probable that conversions are frequently made without seeking such permission. In any case, because conversions usually do not cause significant external changes to the property, and because the simple means of enforcement available in the owner-occupied sector through the withholding of grants and, until recently, through refusing approval for abatement of rates, are absent in these cases, planning controls on conversions tend to be less stringent than those on new buildings. With regard to the large stock of existing flats, bedsitters and rented houses, there appears to have been little control of standards. Local Authorities are entitled to introduce by-laws governing standards, particularly those concerning safety, and many Authorities do, in practice, have such regulations. However, there has been very little effective enforcement of such laws, either in Dublin or elsewhere. Partly, this may be due to certain weaknesses in the by-laws themselves and to a lack of adequate penalties if cases are brought to court. Mainly, however, it has been due to the absence of frequent inspection of premises, and to the lack of any official and well-publicised department with direct and undivided responsibility for enforcement and to whom complaints from tenants and others can be addressed. When registration of private landlords was required by Dublin Corporation under its by-laws, compliance was extremely slow and a year after the original deadline for registration, only a small proportion of landlords had, in fact, registered.

Thus there is thought to be a considerable proportion of dwellings in the private rented sector which is deficient in terms of wiring safety, fire escape routes, prevention of damp or even of structural soundness. Naturally, the immediate rigorous enforcement of even the existing by-laws would create severe problems in the sector, not only to landlords but also to tenants. Some premises would have to be withdrawn

permanently from the stock of dwellings, and this restriction in supply, together with the costs incurred in respect of other properties in bringing them up to required standards could force a substantial increase in the already high housing costs borne by tenants in the sector. Moreover, it seems probable that much of the accommodation withdrawn would come from that already limited segment of the market which is prepared to rent to married couples and families, thus exacerbating the problems faced by such households in simply finding shelter, regardless of its suitability.

However, the dangers which could arise from too drastic and sudden an application of controls or standards should not be taken as justifying a policy of total *laissez-faire*. The objective dangers to life or to health, and the more subjective unpleasantness of the worst property in the sector should not be tolerated on a long-term basis. Effective control can be exercised without deleterious repercussions provided that it is introduced either gradually or as one part of a comprehensive reform of the sector.

Similar arguments can be adduced in relation to other aspects of the sector currently suffering from too little official supervision. Reform appears desirable with regard to security of tenure, landlord-tenant relationships, selection of tenants, and procedures for establishing the level of rent charged, but hasty and ill-considered reform could lead to a deterioration rather than improvement in the way the sector operates.

Supply of Accommodation

Even if the major current drawbacks of the sector can be eliminated by changes in the law and the creation of new institutions, a basic long-term problem regarding the sector, at least in the major urban areas, can be foreseen. Most of the present accommodation is in mature, and often elderly, premises of fairly central location. This existing stock is subject to attrition, both from physical decay due to age and, more crucially, from competing demands for property and sites from non-residential users, such as offices. Even where planning permission depends on the provision of dwelling units, at least equal in number to those destroyed, the nature

and cost of the new accommodation is unlikely to match at all closely the accommodation it is replacing, and there is also likely to be a temporary loss of dwellings while the development is in progress. This loss of dwellings to decay or to alternative uses would be of limited significance if it were easy to provide additional flats by further conversions of existing premises. However, although no figures are available, the stock of suitable premises for inexpensive conversion to relatively cheap flats and bedsitters must be nearing exhaustion in the favoured central and inner-suburban areas. A reversal of past trends, involving the reconversion of office accommodation back to residential in the form of flats, appears very unlikely.

Given that demand for rented small accommodation in relatively central locations is likely to continue to increase in the foreseeable future, and that this increased demand needs to be added to the replacement of accommodation lost from the sector, it appears that a severe supply problem could arise within the next decade. New building, because of its expense, cannot provide the answer under the present uncontrolled, unsubsidised, arrangements for operating the private rented sector. For this reason, as well as because of the shortcomings of the existing situation, fundamental reform of the sector will eventually become unavoidable.

Efficiency of the Sector

Due to the complexity of the sector, it is difficult to summarise its performance in terms of efficiency and internal equity. Some parts of the sector, or more precisely the sector in relation to certain categories of tenant, operate with greater efficiency and fairness than others.

So far as one can generalise, it seems reasonable to conclude that from the point of view of efficiency, the uncontrolled private rented sector possesses several strong positive features as well as a few very negative ones.

Among the more efficient aspects of the sector is the fact that the range of accommodation provided is very wide, with many slight gradations in size, conditions and amenities. Thus there is at least the physical possibility, lacking in the

other sectors, that quite subtle differences in individual preferences can be satisfied. Also, the freedom of rents to be altered frequently, and to be determined by market pressures, means that allocation of dwellings, within limits, is through the mechanism of a pricing system. Allocation by price is generally efficient, although of course it can at the same time be inequitable.

Because rents are generally high enough to give landlords an adequate return on the capital they have invested, the sector has tended to respond rapidly to increases in demand and to changes in taste, and generally has achieved this at a very low resource cost. However, both the low economic cost and the ability to adapt have been dependent on a ready supply of existing large houses which have become increasingly unsuitable for use as single family owner-occupied dwellings. As the supply of old houses for conversion is used up, so this particular aspect of efficiency in the sector is likely to become progressively less important.

The final major cause of efficiency in the sector, at least at first sight, lies in its lack of formal administration and the absence of specific institutions in its operation. Thus, the substantial resources which are devoted, for instance, to administering the Local Authority sector, or to providing complicated legal, financial and agency services for the owner-occupied sector, are simply not engaged in the private rented sector.

However, while the sector thus exhibits the aspects of efficiency that would be expected in a more or less unregulated market system with ease of entry for suppliers, it likewise demonstrates the elements of inefficiency inherent in such a system.

The first of these is that one of the key conditions on which the efficiency of an unfettered market depends, the possession of adequate knowledge by all interested parties, is not met in this case. In the absence of any information-collating institutions, such as the network of estate agents in the case of owner-occupied house transactions, most potential and actual tenants can have only a limited knowledge of the range of accommodation on offer at any time, and of the

rents charged and conditions of tenancy with regard to each of them. Landlords also may find difficulty in acquiring as much knowledge as they need concerning trends in tenant requirements, to enable them to adapt their properties to reflect changes in preferences.

The second potential inefficiency lies in the short-term outlook of many landlords. In the absence of rigid control of standards, it is probable that many of the conversions made may provide accommodation which will prove to have a very short life span. Certainly, if even existing standards were to become rigorously enforced, many recent conversions would be deemed uninhabitable, at least without further major capital expenditure. Thus, the cheapness of conversions may, in some cases, mask a long-term inefficiency in resource use.

The third and most vital inefficiency is that the market can be said to operate at all smoothly for only a proportion of the households or potential households who wish to seek accommodation in this sector. Some groups, most significantly families with a young child or children, are denied entry to many dwellings in the sector, regardless of ability and willingness to pay the required rent. Other individuals or couples, although acceptable in themselves to landlords, are simply unable to pay the standard market level of rent, and are accordingly either excluded from the sector altogether, or forced into a narrow range of sub-standard dwellings, in which the freedom of choice enjoyed by less deprived tenants is denied them. It might be argued in logic that the failure of the sector to serve adequately those who are unable to pay market rents does not reflect on the efficiency of the sector as such, but merely indicates that these poor households should be accommodated in some other sector. However, the uncontrolled private rented sector is at present the only one in the entire housing system into which entry is both administratively straightforward and does not involve significant entry costs. If it does not house them, then no other sector will. Thus, if the system allocates to this sector the responsibility for dealing with these households, and it does not do so, then there must be an implication of inefficiency attaching to the sector in particular, as well as to the system as a whole.

Equity of the Sector

Turning from the criterion of efficiency to that of equity, the assessment of the sector must again be mixed. While there is no doubt that the inhabitants of this sector are treated inequitably in relation to those who live in other sectors, within the sector itself there are features which can be interpreted as equitable.

Despite the imperfections of the market, there is a strong tendency for rents to be related to the quality of the accommodation, in terms of location, size, condition, amenities and so on. Thus the more a tenant pays, the better the dwelling he is likely to be offered in return, and the subtle variations in quality within the stock make the exercise of choice effective. More specifically, the relation between quality and price is likely to apply impartially between established tenants and new entrants, in sharp contrast to the situation in the owner-occupied sector, where the length of time a household has been in a house likely to be the major determinant of housing cost.

Even within the sector, however, the inequities are serious. The strong position of landlords, *vis-à-vis* tenants, means that differences in temperament between landlords can impose considerable disparities between tenants in relation to freedom of behaviour and the likelihood of eviction. Lack of knowledge leads to unfair treatment of certain tenants who put up with bad conditions or tyrannical landlords through being unaware that better treatment could be obtained elsewhere in the sector. The absence, not only of any general relationship between household income and housing costs, but even of any limited abatement of costs for those suffering hardship, is not conducive to equity. Finally, discrimination by landlords between tenants or potential tenants according to their social characteristics, and in particular the reluctance to rent reasonable accommodation to families, leads to inequity, and can result in severe deprivation.

Chapter 7

The Periphery of the System

Introduction

THE sectors already described form the core of the Irish housing system at the present time. However, an analysis of the system would not be complete without some consideration of the minor tenure sectors that exist within the boundaries of the system. Even more vitally, it is necessary to devote some attention to those sections of the population which might prefer to be accommodated by the system as separate households, but which, for various reasons, are not so accommodated at present.

As will become apparent, these fringe sectors, some within the system and some, on our definition, outside it, exist for a variety of reasons. One feature which many of them share is that their very existence is largely the result of shortcomings in the core of the system. These particular minor sectors therefore possess a significance far greater than their numerical size would indicate.

Rent-Free Accommodation

The first minor sector is not, in fact, related to deficiencies in the system. It comprises those households classified in Census Tables as living in "rent-free" accommodation. In 1971 this amounted to 16,877 households, containing 55,900 people. Information on the sector is very limited, and because of the scattered and diversified nature of such occupancy, would be difficult to collect outside a Census context.

It seems probable that "rent-free" occupation of a dwelling arises in one of three main situations. In the first such situation, individuals or families may simply be allowed to live in a dwelling, neither paying rent nor rendering services. The most likely such circumstance is where relatives reside in

property owned by other members of their families, without rent being required. Another possible circumstance is where "squatting" in private dwellings is either undetected or tolerated by the owner. While no figures are available regarding such "pure" rent-free living, the numbers of households involved is probably very small.

The second category of rent-free occupation is where the dwelling is provided by an employer, either as part-payment for his employee's services, or as a perquisite in addition to normal salary. In these cases the tenants are not expected to perform any services specifically related to the property, and the arrangement is made either to facilitate the employee in the performance of his normal work duties, or as an inducement to the employee to accept the job in question. "Tied" cottages of agricultural labourers are an important element in this category, and are presumably responsible for the preponderance of rural dwellings in this sector as a whole.

The third situation in which rent-free arrangements are found is where the tenant acts as caretaker of the property. In these circumstances, it is obvious that occupation of the dwelling in question is an integral part of the job, and cannot be divorced from it.

Because of the differing nature of the situations which can lead to rent-free tenure, there are large variations in such factors as freedom of behaviour and security of tenure. Where the arrangement is job-related, security of tenure basically depends on the security of the job itself. So long as the job is held, security of tenure is assured. If the job is lost, so usually is the house or flat. In the other types of situation there is no formal security, and continued residence generally depends on the maintenance of good relationships and on the absence of major changes in the circumstances of the owner.

With regard to freedom of behaviour, there are unlikely to be specific constraints in the case of job-related, but non-caretaking, housing. Where caretaking is involved, and in private arrangements, there may well be specific rules of behaviour to be followed, the breaking of which could lead to the loss of the dwelling.

By the nature of the arrangements there can seldom if ever

be any right of disposal, either during the tenant's lifetime or in his will, although it is possible that the owner may, at his discretion, allow widows or other relatives to take over the tenancy.

Equally, there is little or no freedom of movement within the sector or of choice on entering it. Although by definition accommodation in this sector is free of rent, it is not necessarily free of all housing cost. The occupier may be responsible for paying the rates, insurance or repairs. Thus considerable differences can arise within the sector between one household and another with regard to housing cost. In general though, costs tend to be very low, the 1973 Household Budget Survey showing the average costs to be only 31 pence per week, far lower than any other sector.

Perhaps because the sector is so small, accounting for only two per cent of households in the State, or perhaps because arrangements within it work fairly smoothly, relatively few complaints about it become public, in spite of the insecurity of tenure which is one of its major features. In the absence of evidence of serious problems, and because what problems do arise may be more related to the employment system than to the housing system, we do not intend to devote further attention to this sector.

Squatting

The second important sub-sector on the fringe of the housing system, and one which has grown into some prominence in the past few years, is squatting.¹⁸ In Ireland this is almost exclusively confined to squatting in urban Local Authority dwellings. This is largely because the Forcible Entry Act of 1970 makes squatting in private property unattractive in terms of possible legal consequences, and partly because most property developers who own property which could have squatting potential are assiduous in rendering that property uninhabitable. In rural areas, especially, a few private squatting arrangements are tolerated, but we have classified these as falling within the rent-free sector rather than the squatting sector as such.

¹⁸For greater detail on squatting in Ireland, see Early (1974).

Although few in numbers, Dublin Corporation in 1977 having about two hundred houses occupied by squatters, with at most a similar number in the rest of the country, squatters possess considerable significance. Their presence is both visible and controversial and is evidence of a weakness in the housing system as a whole. To some extent this weakness is simply that the system as it exists has failed to retain the acquiescence of some of the people it should serve to house, so that they seek to obtain the use of units of the system's housing stock without following the procedures prescribed by the system. This conscious rejection of the system may be allied to a rejection of the political and socio-economic system as a whole, and, if so, can be regarded as ideological. In the UK, "ideological" squatting is fairly commonplace; in Ireland there is little evidence that ideology is a prime motive among the households who are actually squatting although it would appear to be significant among groups who assist squatters.

The more important weakness of the system, and the one which is of most significance among the squatters themselves, is that in some cases the system fails to provide tolerable accommodation for certain households. Thus, for certain individuals, couples and small families, lack of money precludes owner-occupation; lack of money and perhaps discrimination prevents entry into the private rented sector or at least into dwellings within that sector in reasonable condition and with acceptable amenities; while the allocation policies of urban Local Authorities hold no promise of early legitimate tenancies in that sector. When households caught in this situation are unable or unwilling to share dwellings with relatives or friends, their situation can become desperate. There can be little doubt that much squatting is, in fact, the result of desperation, where the proper procedures of the system have been tried, but have failed to provide acceptable household shelter.

Whatever the nature of the weakness and the motives of the squatters, the existence of squatting has imposed severe difficulties on the Local Authority sector in those areas

where it occurs. Although the number involved is quite small, it is high enough in relation to the number of rented dwellings which become available to interfere badly with the normal allocation procedures. This, in turn, tends to lead to frustration and resentment among those on legitimate waiting lists for tenancies, and to bring the entire allocation system into disrepute. At the same time, the administrative and security effort needed to prevent squatting, to obtain evictions where these are decided on, to deal with squatters where they are tolerated, and to regularise the situation where it is decided to accept squatters as legitimate tenants, is quite costly in terms of finance and resources.

Turning to the actual features of squatting as a form of tenure, the outstanding characteristic is obviously that of extreme insecurity. Possessing no legal right to occupancy, the squatter has little protection against summary eviction. Even where "squatter rents" are accepted by the Local Authority, this does not confer security of tenure. Only if the Local Authority recognises the need of the household by accepting its head as a full tenant, is security achieved, but in that case the household in question ceases to be squatting and becomes part of the normal Local Authority sector.

In many ways the absence of a recognised tenure relationship with the owner of the property gives squatters a considerable measure of freedom of behaviour. There are no formal rules which have to be obeyed, simply because there is no tenancy agreement. However, because continued occupation depends on toleration by the Local Authority, and because many squatters hope to become regular tenants eventually, there is a strong incentive to act in a similar way to Local Authority tenants and to conform with such regulations on behaviour as appear to be generally enforced by the Local Authority. Given the unofficial nature of the occupancy, there are, naturally, no rights of disposal or bequest, and mobility within the "sector" while it has been known to occur, is obviously of a risky and somewhat random nature.

Because squatting is basically in ordinary Local Authority dwellings, the condition and amenities of squatters' accommodation is not dissimilar to that of official tenants, except

that access to Local Authority repair and maintenance services is lacking in other than extreme circumstances.

The principal benefit of squatting, which counteracts the high insecurity, is low cost. In its purest form, squatting is virtually free, as neither rents nor rates are paid, while the occupancy, is too short-term for repairs, to be significant or insurance to have any relevance. In its compromise form, where the situation is tolerated, the Local Authorities do accept some payment from squatters, but even in these circumstances, squatting is a relatively cheap form of occupancy.

What is absent from the "sector" in Ireland is the semi-regularised form of squatting which has grown up in some British cities, where formal agreements are entered either directly with tenants or through Housing Associations, for the temporary occupation of short-life residential property which has been acquired by the Local Authorities for re-development. This is largely because Irish Local Authorities do not usually possess a stock of such dwellings, as they are less engaged in area re-development than their British counterparts. Most housing held sterile over a lengthy period for ultimate re-development remains in private hands and is thus unavailable for temporary letting to squatters.

Mobile and Temporary Dwellings

The next fringe sector of the system comprises caravans and other mobile or temporary dwellings. Census data on such dwellings are suspect, precisely because of their mobile nature, so clearly the 1971 figures of 3,825 caravans and 355 other units, containing a total of 14,765 persons, must be regarded as a minimum rather than an accurate assessment.

While members of the travelling community obviously account for a considerable proportion of caravan dwellers, and while in many instances their living conditions are appalling, the authors feel that the problems of this community form a complex social conundrum which cannot usefully be examined within the scope of a paper restricted to housing. We shall, therefore, confine ourselves to the

comment that any solution to their problems will necessarily include provision for tolerable standards of shelter, and that much of this shelter will need to be specialised, in terms of tenure arrangements and possibly also in terms of location and design.

For the travellers who live in mobile homes, the description usually matches reality. The homes are moved quite frequently, either voluntarily or because of pressure. For most other caravan dwellers, the term 'mobile home' is a misnomer. The caravans tend to be parked permanently on a serviced site, and seldom, if ever, moved from one site to another. Thus they take on the character of fixed but specialised dwellings and the theoretical mobility becomes an irrelevance.

Judged on this basis, most caravans are clearly inadequate as long-term accommodation, particularly for family households. Space is more restricted than in any but the smallest flat, standards of insulation tend to be much below those of permanent structures, so that it is difficult to maintain adequate temperatures in winter, sanitary and other facilities are usually of poor quality, and the sites themselves are sometimes muddy and unpleasant. Of course, there are great variations both between individual caravans and between sites, and the fact that the general standard is low does not prevent exceptional cases providing highly acceptable accommodation.

While it is possible to rent caravans on a long-term basis, most caravan dwellers probably own their homes, either outright or through a hire-purchase arrangement. The site, however, needs to be rented. Because of this conjunction of the actual caravan and the site on which to keep it, there is potentially a double source of insecurity.

With regard to the caravan, if it is fully owned there is obviously full security of possession, apart from the risks of deterioration or loss from accident, which are considerably greater than for permanent dwellings. Where the caravan is being bought with borrowed money the purchaser suffers from the disadvantages that hire purchase is not only much more expensive in terms of interest than purchase by mortgage, but that hire purchase companies are likely to be less

tolerant than Building Societies concerning arrears due to financial difficulties. Thus, re-possession can be a real threat to the security of the purchaser.

Although less of a catastrophe than loss of the dwelling itself, eviction from a site can be a cause of major worry and inconvenience, especially as there are relatively few serviced sites in existence and a vacant plot might not be available at any given moment. While arrears of site rent is the most likely cause of such eviction, sites can be lost as a result of quarrels with the site owner, the selling of the site for an alternative use, or problems over planning permission. Where the caravan as well as the site is rented, the usual insecurity of the non-controlled tenant is faced without even the limited safeguard of established legal procedures for eviction.

Official figures are not published for the housing costs of caravan dwellers. In practice, costs are likely to vary considerably depending on the value of the caravan itself, whether or not it is wholly owned, and the nature of the site occupied. New caravans of a size suitable for long-term occupation cost, in 1977, between £2,500 and £5,000 although second-hand units can sometimes be purchased for less. Depending on the price, the size of the deposit and the period of repayment, purchase costs could amount to over £20 per week for perhaps five years, although the average outlay is probably less than this. One major disadvantage compared with house buyers is that in some cases there may be no tax relief on the interest element of payments, although this depends on the form of financing used.

Another and unavoidable disadvantage is that the asset purchased is not a hedge against inflation. Whereas the house buyer can be fairly confident that the value of his property will increase, at least in line with the general rise in prices, the caravan buyer has to contend with the rapid depreciation of his relatively short-lived unit, the "real" value of which declines year by year until it is practically worthless.

Apart from the cost of the caravan itself, other housing costs include site rent, which can vary considerably according to location, the services offered and the size of the plot. A fairly typical rent in the first half of 1977 would be about £2

per week, including an element for rates. Maintenance costs are likely to be low for a stationary caravan, but insurance charges are likely to be higher than for a small house or flat.

The drawbacks of this fringe sector are thus formidable; poor standards, insecure tenure and high cost. The main advantage, compared with other forms of owner-occupation, is relative ease of access, in that the deposit required is generally much less than for buying a house or flat, while associated costs, such as legal fees, are absent. The recurring outlay, although high, is of limited duration. Moreover, the finance houses involved in the transaction are likely to be more flexible than Building Societies with regard to income and type of employment of the purchaser. Ease of access is also the principal advantage in comparison with the Local Authority sector, in that this depends purely on a market transaction, and social priorities do not have to be proved.

The other advantage, in relation to renting accommodation from either Local Authorities or private landlords, is a considerably greater freedom of behaviour. Although site landlords may impose rules, and expel for serious breach of those rules, these are likely to be less onerous than the regulations laid down by landlords of permanent dwellings, and in practice a large measure of freedom is enjoyed by caravan dwellers.

Alternative Tenure Forms

In many countries tenure forms other than owner-occupation, Local Authority renting, and renting from private landlords account for a significant proportion of the housing system. The most important of such alternative forms are probably Housing Co-operatives and other types of co-ownership and Housing Associations. Irish experience in such directions has been very small-scale and limited.

Co-operative housing schemes have been launched from time to time, mainly in an attempt to reduce the cost of new housing for the members, and to overcome problems the members may have experienced in obtaining house loans as individuals through conventional channels. Mostly on a very small scale, these co-operative ventures have generally

succeeded in providing houses for their original founder members, but in doing so have tended to become absorbed in the normal owner-occupied sector. Despite mild official encouragement for individual schemes, Housing Co-operatives have never developed into a broad-based movement in Ireland and show no signs of doing so in the near future. While they have some role as an alternative method of entry into the owner-occupied sector, co-operatives do not at present constitute a significant sub-sector of continuous housing occupation in the Irish housing system. Nevertheless, experiments in such forms of joint ownership, drawing on overseas experience, should be encouraged, as it is possible that for certain types of tenure need they could become a valuable part of the system.

Housing Associations, which have grown very rapidly in the United Kingdom in the past decade, appear to be a consequence of specific features in the British urban housing scene. For the most part, they have acted as channels for the application of public subsidies to the short-term housing of poor urban households in the large stock of run-down or "blighted" inner city property. With one or two notorious exceptions, they appear to have been a successful innovation.

Partly because the social and housing problems of Ireland are different from the British, but mainly because public money has not been made available for such purposes, Housing Associations on the British model have not developed in Ireland. As with co-operatives, however, it could well be worthwhile to experiment with such institutions, especially in the context of widespread reforms in the housing system.

The Outer Fringe

These sub-sectors complete the account of separate households within the housing system. Still to be considered are individuals or families who do not comprise separate households within the system, but who, by their existence, are of relevance to it and can thus also be regarded as inhabiting the fringe areas of the system.

Hospitals, and Other non-Household Institutions

The first group of individuals outside the housing system comprises those people who live in institutions forming part of some other system. Of the 105,000 persons classified as not living in private households at the date of the 1971 Census, just over half, or 58,000, were in hospitals of one type or another. Obviously, many of these were only temporarily absent from their normal homes and at some other date would have been registered as resident in some sector of the housing system. Others, however, both patients and staff, are permanently resident in institutions within the health system, and thus do not, under present policies, need to be provided with accommodation by the housing system. The important point to note here is that a change in policy regarding the care of the old, the mentally-handicapped and some of the chronic sick, could have significant implications for housing requirements. A shift from in-patient towards out-patient treatment, particularly for the single, would require additional housing, probably of a specialised nature, as well as whatever extra medical and social support services would be needed.¹⁹

Similarly, a change in penal policy resulting in fewer custodial sentences could increase the need for housing, as could a fall in the number of religious living in institutions.

There are various other reasons for individuals to have housing arrangements outside of private households. There is still a substantial number of permanent residents in hotels and guest-houses, although social trends are probably continuing to reduce the frequency of this way of life. Possibly of more significance in the long run are arrangements for work-related non-household accommodation. Such people as living-in hotel staff, construction workers on remote sites, and single members of the Garda Siochana and the army living in barracks are all dependent on accommodation provided for them by their employers. While the standard of the living conditions provided is obviously important to the individuals concerned and to society as a whole, we do not

¹⁹For a discussion of some of the issues involved in this area, see Committee on Care of Aged (1968) and Medico-Social Research Board (1972).

regard these communal arrangements as falling within the ambit of the housing system as such.

A more borderline case, because occupancy is a matter of choice rather than a condition of work, are hostels for young single people in the larger cities. As O'Broin and Farren (1978) demonstrate, these hostels play an important role for such people as young Civil Service typists newly arrived in Dublin from the country. Despite some grumbles about the restrictions they impose on freedom of behaviour, these hostels are a valuable adjunct to the housing system proper, providing a relatively secure base for adjustment to life away from the parental home. Although a few individuals remain in hostel accommodation for lengthy periods, most residents stay for only a few months before moving on into private households, usually in the non-controlled private rented sector. When allowance is made for meals provided, costs are comparable to those of private renting.

Hostels and Shelters

The final, fortunately small, category of persons living in institutions is comprised of the formally homeless, mostly living on a temporary basis in a variety of hostels and shelters run by voluntary organisations, religious institutions and Health Boards. For the most part these are single and predominantly male. With many of these men, homelessness is merely one facet of a more general syndrome of deprivation, including chronic joblessness, poor education, and alienation from society. Often specific problems such as alcoholism, ill-health, or family problems are additional factors.

As in the case of itinerants, no solution to the plight of this group can be found within the context of the housing system alone, but the provision of appropriate accommodation would be one element in any remedy. At present, hostels appear to offer sufficient quantity of crude shelter on a day-to-day basis, but neither the physical conditions of this shelter nor its organisational arrangements make it acceptable as a stable living environment to its occupants. Escape from the hostel circuit into more permanent individual accommodation can be very difficult, even for those who are capable of catering for themselves. The expense of private rented flats, together

with the probability of encountering resistance from landlords, and the failure to satisfy Local Authority criteria for social needs create severe barriers against access to standard housing sectors.

Health Board hostels are also the ultimate refuge for married couples or families who find themselves totally homeless. They do provide protection from the weather, but are otherwise totally unsuitable as anything but an emergency safeguard for very short-term use. They are sex-segregated, so that families are broken up, offer no privacy, and minimal space or comfort. As families which become homeless are generally the responsibility of the Local Authorities, they are usually provided with alternative accommodation within a short time. This accommodation may be very substandard, but at least it permits the family to be united. Difficult cases can arise where a family is in dispute with the Local Authority of the area, perhaps as defaulting former tenants, or where it fails to meet the residential requirements of the Local Authority. Nevertheless, some arrangements, either public or private, are usually made and long-term family residence in hostels is most uncommon.

Shared Accommodation

While a number of the individuals living in various institutions might prefer to live in separate accommodation as households within the housing system, they do not represent the major source of suppressed demand for housing. This almost certainly comes from individuals and families sharing accommodation with other households.

Probably the most formalised version of sharing does not in fact represent a suppressed demand for separate housing. This is where a tenant is living in "digs", thus receiving from the landlord, or more frequently landlady, not merely accommodation but also some or all meals and possibly such household services as cleaning and laundry. Digs are generally regarded as an alternative to renting a flat or bedsitter, and in most cases the tenant can be presumed to have chosen digs because this suits his preferred life style.

With the data available, it is not possible to distinguish

digs from other forms of sharing, and no estimate can be made of the prevalence of this form of tenure. It is thought, however, that there has been a sharp decline in the number of people living in this style, and that from being an important, if never fully acknowledged, sector of the housing system, it has become of minor significance. Generally speaking, tenure characteristics are somewhat similar to those of the non-controlled private-rented sector, but with greater limitations on freedom of behaviour. Information on the level of payment for board and lodging is scanty, but it appears that typical charges, after fair allowance for food and service, are roughly in line with those for non-controlled private rented accommodation.

Turning from digs to other forms of shared household, it is impossible to obtain an accurate assessment from current sources as to the extent to which sharing is involuntary or to the intensity of the desire to form separate households. The overwhelming majority of sharing is between adult members of the same family. Where this involves a married couple, with or without children, living with their in-laws, the Census records the fact that two families are sharing a household, although, of course, it gives no indication of whether the sharing is desired by any, or all, the individuals involved. In the more common situation where the sharing is simply a question of adult children continuing to live at home, voluntarily or by force of circumstances, there is no distinct Census classification. Households of parents and children of all ages are placed in the same category, whether the children be five months or fifty years of age. However, a rough estimate of the number of adult "children" living in the parental home, and of other adults sharing households, can be made, as shown in Table 7.1. This shows a total of about 600,000 individuals, or a fifth of the total population, as being more than 16-years old and living either with parents or other households. Most are single, but over 40,000 are married.

It would be ridiculous to presume that all adults who live with their parents, or even all young families sharing with their in-laws, would wish to set up separate households if

suitable housing were available at low cost. However, it is equally unrealistic to assume that none of them do, and that all such arrangements are both voluntary and satisfactory. There obviously is a suppressed desire for housing among these people, but it is very difficult to gauge its extent. Even if an attempt were to be made by surveys to reach an estimate, great care and delicacy would be required in framing

Table 7.1: *Adults in shared households*

<i>Household type</i>	<i>No. of households</i>	<i>No. of persons</i>	<i>No. of children < 16</i>	<i>No. of "parents"</i>	<i>No. of "children" > 16</i>	<i>No. of other adults</i>
1. Man, wife and children	291,440	1,519,320	687,500	582,880	248,940	—
2. One parent and children	63,897	195,609	34,525	63,897	97,187	—
3. Man, wife and others	18,610	60,922	1,850	37,220	—	21,852
4. Man, wife and children and others	68,496	431,092	166,044	136,992	47,916*	80,140*
5. One parent, children and others	17,195	75,041	15,282	17,195	22,446*	20,118*
6. Two family units (with or without others)	24,727	162,277	48,337	49,454*	18,741*	45,745*
7. Three or more family units (with or without others)	476	4,399	1,271	952*	486*	1,690*
<i>Total</i>	<i>484,841</i>	<i>2,448,660</i>	<i>954,809</i>	<i>888,590</i>	<i>436,716*</i>	<i>169,545*</i>

Source: Census of Population 1971, Vol. VII.

Notes: "Parents" defined as "man and wife" or "one parent" as appropriate, and as one couple of man and wife in households of two or more families. "Children over 16" refers to children of "parents" as defined above. Figures not marked with asterisk are taken directly from Census. Figures marked * are estimations, calculated as follows:

In Rows 4 and 5, "others" are assumed to average 1.17 per household (as in Row 3); "children" over 16 form residual.

In Row 6, "parents" are assumed at 2 per household, "others" (including all adult members of second family) at 1.85 per household, and "children" over 16 (of the first family) form residual.

In Row 7, "parents" are assumed at 2 per household, "others" (including all adult members of second and third families) at 3.55 per household, and "children" over 16 (of the first family) form residual.

appropriate questions, and the results would have to be approached with caution.

Indeed, any firm numerical estimate made would be somewhat spurious, as the number who would leave the parental home to form new households would depend to a great extent on the price at which alternative accommodation was offered. Particularly among young single adults it is reasonable to postulate a schedule of demand for independent housing, with the number at present living away from home reflecting the current cost of separate accommodation. If the cost were reduced, and if sufficient dwelling units were available, more would set up on their own or sharing with friends; if the cost were increased, more would remain with their parents and fewer households of single people would be formed.

Over time, changing attitudes and tastes are likely to shift this demand schedule, probably continuing the past tendency in favour of leaving home, but at any one time the number actually living in separate accommodation will depend on the availability and cost of suitable dwellings.

At present, the only major sector into which entry is possible for most single people is the uncontrolled private rented sector, in which running costs are very high. While married couples, even without children, may find themselves eligible for Local Authority dwellings in provincial areas, in the major cities most such couples are effectively debarred from that sector. Thus they also must rely on the expensive private rented sector or overcome the high entry costs to the owner-occupied sector if they are to avoid sharing a home with parents.

As a tenure form, sharing somebody else's house tends to have many disadvantages, although, of course, there are enormous variations according to the nature of the personal relationships involved. In general, there is a tendency towards physical overcrowding, with two-family households in particular showing a high proportion of statutory overcrowding. Probably more important in most cases is "psychological" overcrowding, with attitudes and aspirations of different adult members of the household tending to conflict. This is exacerbated by a pervading lack of privacy and in consequence a

smaller degree of freedom of behaviour than is normally found among any of the tenure groups of the housing system. Security of tenure depends on the maintenance of tolerable family relationships, and while the norm is undoubtedly that these remain close enough for the sharing arrangement to continue securely, it is by no means unknown for them to deteriorate to the point where the young adult or family is "evicted" by the parents.

The compensation for these shortcomings in space, privacy, freedom and security, where they exist, is that generally speaking, sharing is a cheap form of accommodation. Naturally, no firm data exists on the average payment made to parents for accommodation of working adult children or couples. What payment is made usually takes the form of an inclusive contribution towards the general upkeep of the household. If the specific rent element were isolated, it would, in most cases, be very low in relation to housing costs in the various sectors of the housing system.

Conclusions

The main conclusions which can be drawn from this chapter are that it is difficult to define the exact boundaries of the housing system itself, and that it is impossible to postulate an unambiguous single figure of the "needs" or requirement for permanent dwelling units. On the fringes of the system are many families and even more individuals who might wish to occupy separate dwellings within one of the main tenure sectors of the system, if accommodation of suitable location and type were available at the right cost. Perceptions of both suitability and appropriate cost, however, vary substantially, so that different numbers would find themselves "needing" housing at different price levels and with different patterns of availability.

As well as being dependent on price and availability of dwellings, the number of people seeking accommodation through the housing system also depends to some extent on the type of policies being operated with regard to health care, law enforcement and education. Changes in policy in these areas could lead to changes in the proportion of people

living in institutional surroundings, and thus not seeking separate dwellings.

However, although the number of people currently sharing dwellings or residing outside the housing system who would prefer to live within the system is inevitably indeterminate, it is clear that many would come into the system if entry were easier and cheaper than at present. The barriers to entry, especially to private renting and to owner-occupation, are thus forcing substantial numbers of people into a style of life which they would rather avoid. Squatting suffers mainly from extreme insecurity of tenure, temporary homes from poor conditions, sharing from lack of privacy, and hostels from all three disadvantages. The barriers to entering the housing system proper are predominantly, but not exclusively, financial, there can be no doubt that housing policies designed to provide easier and cheaper access to suitable permanent dwellings on acceptable tenure terms could have a significant impact in enabling reasonable housing aspirations to be met for many of those at present excluded from the system. Both efficiency and equity would thus be improved.

Chapter 8

The Provision of New Housing

Introduction

To cater for increasing national population, for changing demographic patterns, for disparate regional development and for changing tastes and preferences, it is necessary that many new dwellings are provided. Although the number of new houses built in any one year is bound to be small in proportion to the total stock of existing dwellings, their construction is of crucial significance to the operation of the entire housing system. The accuracy with which market and social demands are foreseen, and the manner in which such assessments are converted into completed new dwellings available for occupation, are major determinants of the efficiency, and to a lesser extent the equity, of the system as a whole.

The process of residential development involves the transition of a unit of land from an initial state of non-residential use to a state of active residential use by a household. Such a process comprises a number of stages, resulting from the decisions made by various individuals and groups, each guided and constrained by particular motives, and all comprehended in the restrictive framework of public policy. The aim of this chapter is to describe and analyse this process, stage by stage, identifying the principal actors and the effects of public intervention at each stage.

The basis for the whole process is land; but as land is important to mankind not only as the site for housing, but also as a factor in food production and forestry, as a site for manufacturing industry, recreational activity and a host of other functions, it is not surprising that Governments have intervened in various ways to ensure that "land should be properly allocated between alternative uses and developed

without unnecessary waste," (Toyne 1974). This public intervention is further necessitated by the fact that the supply of land is virtually fixed, and any increase in one form of use is inevitably accompanied by a decline in some other form. Also land which is needed for one activity may be equally needed by other activities. Housing development, for instance, normally requires well drained and flat (or, at most, moderately sloping) land in close proximity to existing or future places of development and service provision. In other words, sites that are on good land and close to urban areas are most in demand for residential purposes. Yet it is precisely that type of land that is required for agricultural, horticultural, industrial, commercial, transport and recreational purposes. The intervention of conservation groups in particular instances further sharpens this conflict, and it is in view of this conflict of potential uses that Governments have seen fit to intervene in various ways to try to bring about an orderly resolution of the conflict. As such, it is imperative to understand from the outset the role of public authorities in resolving land use conflicts in this country.

In Ireland, effective Government intervention in the allocation of land for various uses only came in recent years, but a potentially strong land-use planning framework now exists, the evolution of which is outlined in the following section.

The Planning Framework

Irish planning legislation owes its origins to various Town Improvement Acts passed in the mid-nineteenth century. However, comprehensive legislation covering both town and country was not introduced until the Town and Regional Planning Act was passed in 1934 and amended in 1939. Under this Act and Amendment, Local Authorities were authorised, but not required, to engage in planning but no time limit was set for the preparation of planning schemes. As a result, over a period of thirty years, only one Local Authority—Dublin County Borough—actually reached the stage of preparing and adopting a plan.

By the early 1960s, the urgent need for physical planning

became very apparent. In order to resolve the ever-growing conflicts of land use stemming from the rising tide of our developing economy, an Act to implement planning at the local and regional level—Local Government (Planning and Development) Act, 1963—was passed. Under this Act the Government and the country's eighty-seven Local Authorities were fully committed to physical planning.

Under the 1963 Act, the major sources of planning power are the Minister for the Environment and the various Local Authorities which are designated as planning authorities for the purposes of the Act. The Minister has overall responsibility for physical planning, overseeing the planning activities of Local Authorities to ensure conformity with national objectives, and co-ordination of local development plans. Direct day-to-day control of development, however, is exercised by the Local Authorities themselves through the medium of Development Plans prepared under the 1963 Act. With the passing of the Local Government (Planning and Development) Act of 1977, the Minister has relinquished more of his planning power to the newly established Bord Pleanála. In particular, the highly emotive and politically sensitive question of appeals against local planning decisions will now be decided on by this new board, as will decisions on what constitutes "development" and "exempted development" under the 1963 Act.

As the 1963 Act still remains the basic source of planning law, we shall summarise the main features of this act as they affect the development process. Under the Act, authorities are required to draw up detailed development plans setting out detailed objectives. Each Urban Authority has had to submit a development plan dealing with four principal objectives: (i) land use zoning for residential, commercial, industrial and other purposes; (ii) the improvement of roads and traffic conditions; (iii) the development and renewal of obsolete areas; (iv) the preservation, improvement and extension of amenities. Rural Authorities are required to submit plans to meet the last two objectives and to provide new public services. In addition, the plans can cover such issues as community planning, the size, density and layout of buildings,

the preservation of open space and scenery, control of dumping and pollution. Provisions are made for the acquisition of land and payment of compensation. In addition, Local Authorities are given wide powers over the control of new development and the retention of existing structures through making it necessary to obtain planning permission from the Planning Authority before commencing new developments (other than those exempted under Section 4 of the Act) or altering or changing the use of any existing structure.

The wide planning powers possessed by Local Authorities and Central Government must, however, be seen in perspective. The fundamental characteristic of land in Ireland is that it can be privately owned and that the vast majority of it is in fact in private hands. Although planning powers can and do influence land use, they do not negate this central characteristic of private ownership, or remove the privileges which such ownership bestows.

Because of the primacy accorded to ownership rights, planning is in practice of a passive rather than an active nature. It indicates to owners what they may do with their land and it tells them what they may not do. It does not attempt to instruct them what they must do. Even in those cases where prescriptive action is unavoidable, the rights of property ownership are preserved by making the Local Authority concerned become the formal owner of the land in question through agreed purchase or compulsory acquisition at market value.

Even in its essentially passive role, the planning process can be marked by a lack of finality and decisiveness. Zoning in development plans is largely confined to urban areas, and even there is subject to change. Rejections of planning application can be appealed, and if this is unsuccessful, new applications can be submitted and appealed again. Unauthorised development incurs penalties, but the strongest sanction of enforced demolition is very seldom imposed.

While a good case can be made for many of these safeguards which the owner of land possesses against unduly rigid bureaucratic decisions, it cannot be denied that the overall effect has been for many owners to regard the plan-

ning process as an obstacle to be overcome rather than as a framework of constraints and guidelines within which their decisions must be taken. Thus, instead of simply accepting restrictions placed by the planners on aspects of the location, design, access or other features of his proposed development, the developer may be encouraged to contest these restrictions in the hope of having some or all of them removed. This can lead to considerable delays in the implementation of schemes, as well as possibly resulting in the ultimate construction of schemes containing some socially or environmentally undesirable features. A system in which there was a greater presumption that the views of professional planners would ultimately be upheld might lead to speedier, and better, development.

Stages in the Development Process

The residential development process can be conceived of in terms of a number of stages through which a unit of land passes, from a state of agricultural use or urban dereliction to a state of active residential use. In a few cases, as where a farmer wishes to build himself a new house on his own land, the process is relatively simple, involving a routine application for and granting of planning permission, the employment of a builder and/or various sub-contractors, and such negotiations for finance in the form of loans or grants as may be appropriate. However, in the case of major urban or suburban residential developments the process can be complex, involving decisions by many individuals or organisations.

The Pre-Development Landowner

The acquisition of suitable land represents the first major stage in the development process. In the suburban schemes which comprise the bulk of new house building, this land will normally be used for agriculture before development commences. In its purely agricultural use it will generally be owned by the farmer who works it. The value of land for agriculture depends primarily on its productive capacity, and on the general prosperity of farming, although expecta-

tions of future agricultural return, expected movements in agricultural land prices, and such factors as location in regard to other holdings of the prospective purchaser can have some influence. A typical price of land for agricultural use in 1978 would be between £1,500 and £2,500 per acre, although especially good or poor land could cost substantially more or less than this.

If, however, the land in question has development potential, its agricultural productivity ceases to be the major factor in determining its value. The returns expected from its potential new use become the dominant factor, modified by expectations concerning the probability that development will actually take place.

With growing urbanisation, most land adjacent to existing urban areas is perceived as possessing development potential to a greater or lesser degree, while in areas within range of the major conurbations, even some places quite removed from the existing urban fringe are subject to hopes of "satellite" development. Generally speaking, the closer a piece of land to existing cities or growing towns, the higher its perceived development value is likely to be. However, many other factors influence the value, mainly through affecting the probability and timing and nature of ultimate development. These include the expected rate of growth of the town or city in question, the present zoning status, if any, of the land, whether planning permission, outline or detailed, for development has already been granted, what type of development is envisaged, whether the land is serviced, and, if not, what is the likelihood and cost of providing services. Obviously, with all these factors operating, prices of potential development land vary greatly, the only common feature being that all are higher than the agricultural value.

Once the possibility of development is foreseen, the original owner is confronted with the decision of either selling or holding on to the land. This decision depends upon the income expected to be earned from the land by continued farming in relation to the price being offered, and, more crucially, on whether the owner expects the price to rise further if he delays selling. It is also strongly influenced by

such subjective factors as his attachment to farming as a way of life and his love of land *per se* and for his own holding of land in particular. (See Kaiser and Weiss (1971)).

In many cases, this decision to sell or not to sell is a recurring one, unless of course the farmer has sold at the first opportunity. If the land is suitable for immediate development, then repeated offers can be expected from builders wishing to acquire it. Even if it is not ready for early use, because of location, lack of services, absence of planning permission, or even adverse zoning, there are still likely to be occasional offers. Local Authorities and major building firms each like to carry a "bank" of land for eventual development but bought in advance of immediate needs. They hope the prices paid will prove to have been lower than they would have to pay if they delayed purchase until they are ready to build, and they also assure themselves of the continuing availability of sites in locations they consider suitable.

In addition to Local Authorities and builders buying in advance but for their own ultimate use, some individuals and companies buy potential development land for speculative purposes. In this they rely on their ability to recognise development opportunities earlier than the market as a whole, so that they can buy while the price is still relatively low and sell later when the price reflects a more widespread awareness of the land's utility. The "Kenny Report"²⁰ cites some notable examples of speculative profits in land dealings. Sometimes these intermediate speculative holders of the land fulfil a more active role than merely waiting for the value of their asset to rise. They may perform the useful function of assembling a site suitable for large-scale development through piecemeal purchase of adjacent smaller plots from different owners, and they may simplify the task of the ultimate developer by obtaining at least outline planning permission for the land. Obviously, either of these functions is likely to be well rewarded by a rapid appreciation in the value of the land.

It is because there can be gains to purchasers from buying

²⁰Committee on the Price of Building Land (1972).

land at almost any stage from the purely agricultural to the actual building of houses that the original farmer is offered recurrent opportunities to sell, usually at ever-increasing values. Sometimes his freedom of choice in the matter is curtailed, however, either by the issuing of a Compulsory Purchase Order for his land or more rarely by the existence of a restrictive covenant in his own title to the land.

In the context of urban rather than suburban residential development, there is less likelihood of a single pre-development owner possessing sufficient land to accommodate a substantial housing scheme. Thus the options open to the owner are more restricted, and the process of accumulating a worthwhile site out of smaller individual parcels of land becomes more important. Possibly because the lack of faith in the finality of zoning regulations keeps urban land values high in relation to potential house prices, private sector site assembly is more often directed towards eventual commercial development than for residential schemes. It is true that current planning requirements in inner city areas frequently impose on the developer the need to include a specific quantity of residential accommodation, but nevertheless the motivation governing the acquisition of land is that of providing a site for offices or shops. For purely housing development, the only substantial land purchaser in city areas are the Local Authorities, although they tend to suffer in the land prices they must pay from the competition of the private would-be developer of commercial property.

The Private Housing Developer

In the great majority of cases the actual process of private residential development is carried out by a firm of building contractors. In most cases the contractor is responsible for drawing up the plans for the development and the designs for the houses, obtaining the necessary detailed planning permission, arranging the requisite finance, engaging sub-contractors, building the houses, and finally selling them. Occasionally the developer is separate from the builder, and is responsible for the planning, financing and disposal of the

houses, while retaining a building firm to undertake the actual construction. However, such an arrangement is exceptional, and the major private developers are integrated firms which are capable of providing the entire range of services necessary in development.

Discussion of the role of the private developer in Ireland is inhibited by the almost total lack of research on the structure and operation of private firms in this field.

The structure of the construction industry in Ireland is shown in Table 8.1. The most striking features of the table are the large number of very small firms and the high proportion for which no figures are available, although it seems a reasonable assumption that these too are mostly small. Of course, many of these small firms are engaged in repairs and reconstruction, and not in the development of new houses. Where they do build, it may be single houses to the specific orders of a client, which is a frequent method of house provision in rural areas. Major speculative housing developments, where the houses are built prior to firm orders, are the preserve of the larger companies. Even small scale speculative building, where the "estate" may comprise not more than a dozen houses, generally involves at least medium-size companies.

The importance of the larger firms is to some extent demonstrated by the fact that in 1971 over three-quarters of the value of building work carried out was by firms employing 15 or more people. For new house construction the proportion would almost certainly have been higher, while within this group the relatively few firms employing over 120 would have accounted for a disproportionate share of the total. It is thus with the larger firms that the provision of new standard suburban houses for owner-occupation mainly rests. As many of the same firms build houses on contract for Local Authorities, their influence on construction standards and costs of new houses throughout the system is very great, while within the private sector theirs are the views which tend to determine the design of new dwellings and the physical appearance of much of the residential environment.

Table 8.1: *The structure of the construction industry*

<i>A. Size of firms in private sector 1971</i>			
<i>No. of employees</i>	<i>No. of firms</i>	<i>Percentage</i>	
Over 120	105	2.2	} <i>Total large</i> 13.2
80-119	52	1.1	
40-79	141	3.0	
20-39	253	5.4	}
16-19	118	2.5	
12-15	168	3.6	} <i>Total medium</i> 21.4
8-11	263	5.7	
6-7	319	6.8	
4-5	248	5.3	
3 or less	1,960	41.5	41.5
<i>Not known</i>	1,078	22.9	22.9
<i>Total</i>	4,708	100	100

Source: An Foras Forbartha.

<i>Size of firm</i>	<i>1969</i>				<i>1970</i>				<i>1971</i>			
	<i>No. of respondents</i>		<i>Work done</i>		<i>No. of respondents</i>		<i>Work done</i>		<i>No. of respondents</i>		<i>Work done</i>	
	<i>No.</i>	<i>%</i>	<i>£m.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>£m.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>£m.</i>	<i>%</i>
Large (employing 15 or more)	372	16.6	96.1	80.2	357	18.1	103.5	82.8	293	14.2	103.1	76.6
Medium (employing 4-14)	700	31.2	17.0	14.2	639	32.6	16.1	12.9	892	43.1	25.9	19.2
Small (employing 3 or less)	1,174	52.3	6.8	5.7	976	49.5	5.4	4.3	884	42.7	5.6	4.2
<i>Total</i>	2,246	100	119.9	100	1,972	100	125.0	100	2,069	100	134.6	100

Source: Irish Statistical Bulletin.

The Nature of New Housing

Housing developers, and particularly the large firms in the field, have often been severely criticised for lack of imagination in the design of houses and for poor layout in the planning of estates.²¹ We claim no particular expertise in either architecture or town planning, but would agree that to the lay eye many modern suburban estates are visually displeasing through undue repetition and lack of attention to detail, while the houses themselves appear stereotyped and offering a rather limited choice to the consumer.

However, it may be unfair to criticise developers too harshly without recognising the constraints under which they must operate. Being capitalist firms working in a market context, they must maintain both profitability and an adequate cash flow if they are to survive. Thus the houses they build must be readily saleable, their costs must remain competitive with those of their rivals, and their schemes must satisfy the requirements both of regulatory and financial institutions.

House purchasers tend to comprise both a fragmented and a poorly informed market. Even architects designing expensive "one-off" houses for specific clients are apt to complain that the clients seldom know exactly what features they wish included in a house, or how these should be laid out to form the entity they wish to be their home. If direct clients are apt to be vague about what they require, the problems facing architects of housing for the speculative market, where the buyers are not known in advance, are obviously considerable. In these circumstances it is not surprising that design tends to be conservative, leaning heavily on what has been proved to sell easily before. Although relatively little market research is undertaken by the industry, what information is available suggests that buyers are reasonably satisfied with the design of their houses, and any complaints are focused either on construction faults such as patches, cracks, ill-fitting joinery and malfunctioning equipment, or on the inconvenience caused by delays in completing the roadways and footpaths of the estate. Another significant indicator that the designs offered are regarded as suitable lies in the behaviour of

²¹This point is well made by Pfretzschner (1965),

families deciding to "trade up" the owner-occupied market. Although they have lived in an estate house for some years, and thus are not as ignorant of the practical working of standard design as first-time buyers may be, and although they are not under the pressure felt by many first-time buyers to take whatever house is available within their means, they nevertheless readily accept a new house of similar design to the old, albeit on a larger scale or in a preferred location.

Reinforcing this apparent conservatism of house purchasers is the undoubtedly cautious attitude of the lending agencies. Building Societies prefer advancing money on houses of standard design for much the same reasons as builders prefer to provide them; namely, that there is a proven market demand for such dwellings. Unusual designs, on the other hand, may or may not prove popular, and there is thus a period of risk before the judgement of the market becomes clear.

While the developer's perception of demand thus guides him towards the building of standardised designs, cost considerations also steer him firmly in the same direction. Repetition minimises average outlay by reducing design and administrative costs, by enabling economies of scale in purchasing, and by permitting higher labour productivity through easier work flow planning and through the operation of the normal "learning curve".

While the operation of competitive market forces would alone produce a strong tendency towards standardisation, the role of public authorities also tends to inhibit any residual urge to experiment. To some extent this is due to planning requirements, where the density of building prescribed rests on the assumption of more or less standard estate layout, and where detailed planning permission is likely to be obtained more quickly and easily if the proposed development is along conventional lines. Even more important are regulations governing costs, floor areas, building standards and requirements for water and sewerage services. In order to qualify in the past for construction grants or rates relief, currently for the £1,000 grant, and in many cases for SDA loans, a new house must conform to certain standards, and must obtain

from the Local Authority a Certificate of Reasonable Value (CRV).

Being based on general industry standards, the cost calculations underlying the granting of a CRV are related to houses of repetitive design and thus of fairly low cost per square metre. Unusual designs, if they result in higher costs could result in either failure to obtain a CRV or the need to eliminate profit margins entirely in order to meet cost standards. At the same time the quality control standards preclude, perhaps rightly, any opportunity to trade-off design features against the quality of construction. Finally, although the total size band for grants and related purposes is fairly wide, ranging from 35 square metres to 116 under the 1970 Housing Act, the highest grants were paid on houses of between 75 and 100 square metres, thus encouraging concentration within this narrow band.

The end result of this combination of official policy measures, institutional caution and market forces, is that the range of new houses provided by speculative builders in the past three decades has been rather narrow. In the last few years there has been a significant development in the building of new flats, mainly for purchase. This goes some way towards meeting the demand for smaller than standard dwellings. Whether a more complete range of choice among new dwellings would meet a response among purchasers must remain an open question until speculative builders are able and willing to test the market for such a range.

Local Authority Development

The 1966 Housing Act empowers Local Authorities to provide and manage publicly-owned housing and allocate it to those in housing need and unable to obtain accommodation of a reasonable standard from their own resources. In order to assess the level of need in their administrative areas, Authorities must regularly survey the existing housing stock, discover to what extent these dwellings are unfit or unsuitable for human habitation, discover the extent of overcrowding and on this basis assess the adequacy of the present supply and the prospective future demand.

The report thus prepared must be approved by the local elected representatives and subsequently by the Department of the Environment before its details can be implemented. Thus the Local Authority development process is a long drawn out one, is subject to specific steps and can be blocked at either national or local level by politicians. The major constraint here is the financial one, as both land purchase and house construction are very much influenced by the available resources of the Local Authority, which have to be spread over a lot of other projects as well.

As well as the political and financial constraints, Local Authorities also face very similar problems to private developers in the acquisition of land, although they do not face similar uncertainty over the granting of planning permission. Land has to be acquired, whether by compulsory purchase or not, at full development values according to the market at the time. Even though compulsory purchase powers enable Local Authorities to acquire land compulsorily for a public purpose, the powers at present are rather weak as the process of acquisition can be long drawn out and ultimately the full development price will still have to be paid for the land.

Despite these powers, land shortage is a perennial problem of some Local Authorities and it has meant that much new development in recent years has been on less attractive peripheral sites. In order to have this land at the appropriate time, Local Authorities often have to buy it up well in advance of actual building, a factor which imposes additional costs. However, these additional costs may be balanced by the cheaper price of the land and the benefit which accrues to the community as a whole when the land is serviced. If the major recommendation of the "Kenny Report" concerning "designated areas" is implemented, the powers of Local Authorities to acquire large parcels of land well in advance of development would be greatly enhanced. Even more crucially, under this recommendation the land would be bought at a price related to its original use value rather than its market value.

Although most urban Local Authority housing schemes

in the past decade or so have been on peripheral sites, there is currently a growing interest in acquiring land and providing housing in more central areas. This is due partly to an awareness that central sites are preferred by a high proportion of potential tenants, especially as each new peripheral site tends to be yet further from the centre than its predecessor, and due partly to the fact that, in Dublin at least, new land use patterns are freeing land for re-development quite close to the city centre. In this concern for the re-development of central areas, Dublin is moving towards the situation of several British Local Authorities, whose problems are almost entirely related to renewal and replacement of housing, with no outlet available for "green-field" expansion.

While Local Authorities face similar problems to private developers in the purchase and accumulation of land, they do not operate under the same constraints in the design of estates and houses. In Chapter 4 we saw that Local Authorities are open to criticism for the restricted range of house sizes in their schemes, and that this resulted from their conscious policy to cater almost exclusively for family households and from the tradition that tenants are not induced to move from dwellings which may have become too large for them. Notwithstanding this criticism of the size range, however, Local Authorities in recent years have tended to be rather more adventurous than speculative builders with regard to the design of houses, construction methods employed, and layout of estates. By no means all their experiments have proved successful in terms of cost or acceptability, which perhaps adds some justification to the private developers' caution, but it seems that if any significant advance is to come in the design of working-class living environments, it is more likely to be in the public than the private sector.

Output of Dwellings

The methods by which market tastes are assessed, and the nature of the housing supplied in response to these assessments are of great importance in determining the degree of choice offered by the housing system. Of even more

obvious significance is the quantity of housing supplied. Table 8.2 indicates the approximate number of new houses completed annually during most of the post-war period. It also shows the number and proportion of dwellings provided by the Local Authorities and the number of reconstruction grants paid each year. Some care is needed in interpreting the table, as it is broken at 1970, not only by a change from

Table 8.2: *New house building 1949-1976*

<i>Financial year</i>	<i>Total new houses built with state aid</i>	<i>New houses provided by local authorities</i>	<i>Local Authority as % of total</i>	<i>Old houses reconstructed with state aid</i>
1948/49	3,418	1,871	54.7	757
1949/50	8,113	5,299	65.3	1,285
1950/51	12,305	7,787	63.3	2,121
1951/52	12,672	7,185	56.7	2,292
1952/53	14,003	7,486	53.5	2,573
1953/54	11,175	5,643	50.5	4,224
1954/55	10,490	5,267	50.2	4,889
1955/56	9,837	4,011	40.8	6,494
1956/57	10,969	4,784	43.6	8,147
1957/58	7,480	3,467	46.4	7,167
1958/59	4,894	1,812	37.0	7,202
1959/60	5,992	2,414	40.3	8,207
1960/61	5,798	1,463	25.2	9,744
1961/62	5,626	1,238	22.0	9,989
1962/63	6,867	1,828	26.6	9,961
1963/64	7,431	1,856	25.0	10,170
1964/65	9,279	2,307	24.9	9,057
1965/66	10,855	2,989	27.5	9,474
1966/67	10,584	4,079	38.5	8,576
1967/68	11,567	4,045	35.0	10,290
1968/69	12,538	4,613	36.8	9,678
1969/70	13,144	4,706	35.8	8,649

<i>Calendar year</i>	<i>Total new dwellings completed</i>		<i>Reconstruction grants paid</i>	
1970	13,887	3,767	27.1	8,871
1971	15,380	4,789	31.1	8,811
1972	21,572	5,902	27.4	9,121
1973	24,660	6,072	24.6	9,610
1974	26,256	6,746	25.7	9,091
1975	26,892	8,794	32.7	10,879
1976	24,000	7,263	30.3	14,389
1977	24,548	6,333	25.8	12,209

Sources: 1948-1970 Annual Abstract of Statistics.
1970-1977 Quarterly Bulletin of Housing Statistics.

financial year to calendar year, but also by some changes in definition. Also there is some dispute over the accuracy of the figures for 1975 and especially 1976.

Nevertheless, the table does serve to illustrate the major movements in housing provision over the past three decades. The most dramatic feature is the extent of the decline in output from the high levels of the early 'fifties to the nadir of 1958/59 when the total number of houses completed was little more than one-third of the peak output of 1952/53. The fall in Local Authority house provision was even more startling, as policy changes dictated a reduced share of a declining total, so that the low point of 1961/62 showed a level only 16 per cent of that achieved at the previous peak in 1950/51. Indeed, it is interesting that only in 1975 was the 1950/51 output of new Local Authority dwellings surpassed.

Even within this major long-term cycle, there are many shorter fluctuations. Although the general trend since 1959 has been strongly upward, there have been few periods of steady, sustained growth. The typical pattern has been one of short bursts of very rapid expansion followed by a slow-down, stagnation, or even a minor fall in the level of output, as in 1960, 1966 and 1976. These cyclical fluctuations, even around a rising trend, can seriously de-stabilise the building industry.

The other notable feature of the table is that the number of new houses built in each year since 1972 has been extremely high by historical standards. Even allowing for the fact that population has been increasing in the 'seventies, in contrast to its heavy decline in the 'fifties, the possibility cannot be overlooked that the recent rate of building may be higher than will be warranted in the long run by the demand for accommodation. Whether a surplus of dwellings will emerge depends largely on the rate of household formation. As this in turn is influenced by the price of housing, especially with regard to households of single people, it will be of considerable significance to note whether real housing costs will fall if a position of ample supply is reached.

In the medium term, the continuation of a high level of new house construction could be beneficial in terms of

efficiency and equity. An expansion of the stock of accommodation is a necessary element in improving the range of choice and in enabling a proportion of the sub-standard dwellings at present in use to be retired from the system. However, while necessary, a high level of new building is not a sufficient condition for these desirable consequences to follow. It must be matched by appropriate adjustments in legal constraints and financial flows if it is to result in an upgrading of housing quality and an increase in effective choice throughout the population. Otherwise, it could merely result in the accumulation of empty good houses, while inadequate dwellings continue to be full. Of course, such a situation would itself be unstable, and would quickly lead to a sharp fall in the rate of construction.

Building Costs

Obviously the resource cost of providing new dwellings is a major factor in considering the efficiency or otherwise of the housing system. With regard to the cost of actual construction, much research has been done throughout the world in an attempt to develop low cost building systems which are efficient in their use of materials, labour and capital. The major construction firms in Ireland are obviously aware of the alternative methods which are available. Nevertheless, most housebuilding is by methods more related to traditional building practice than to concepts of industrialised building. Although, of course, pre-mixed concrete is widely used, so also are such traditional materials as timber and individual roofing tiles, while there is little use of widespread off-site prefabrication, apart from such joinery items as window frames and doors.

To a large extent, this merely reflects the industry's view that traditional houses are the most acceptable to potential buyers, but it also implies that in Irish conditions there is no substantial cost advantage to be gained from a move to other building methods. This impression is confirmed by experience in the Local Authority sector, where systems approaching the concept of industrialised building have been attempted, without any appreciable cost saving.

Given more or less traditional methods, there are, of course, substantial differences in efficiency between firms. These are not solely related to size. The larger firms benefit from advantages of scale, but small firms, also making use of such features as standardised fittings and deliveries of centrally produced liquid concrete, can sometimes match their costs by greater flexibility and lower wastage of materials. Obviously, considerable improvements to efficiency could be achieved, in both large and small firms, if experimental results could be fully replicated in the field. However, this is a feature common to practically all industries and none has overcome the problem of translating the results of the model plant or farm into industry-wide standards. In practice there is at present little evidence that radical concentration of the industry into fewer larger firms would markedly reduce average building costs of new houses, although it is possible that further research into this area might modify this conclusion.

Similarly, there is little or no evidence that average building costs are inflated by excessive profit margins in private building firms. While some firms do make good profits, at least in favourable years, this does not imply that average long-run returns are especially high, and it would be surprising if they were in an industry with relatively easy access for newcomers. Moreover, where a firm's profits are high, this may well be due, not to wide margins on the building operation, but to the element of speculative profit on the value of the sites sold with the houses.

With regard to repair work, as distinct from new construction, it does seem probable that the extreme fragmentation of the industry, together with ignorance on the part of clients, results in considerable inefficiency, high cost and, on occasion, overcharging. However, the value of such work is considerably less than that of new building.

Cyclical Fluctuations

One major factor, largely outside the control of the industry itself, does undoubtedly impair efficiency. This is the cyclical nature of construction activity, already noted in discussion

of Table 8.2, which for nearly all firms precludes a steady long-term work schedule. Instability in work flow causes problems of stock control, with excessive stocks of materials tending to alternate with shortages which can cause production delays. Prices of materials, especially those which are imported, also fluctuate cyclically, imposing costing difficulties and financial strain. Uncertainty regarding future production levels also acts as a deterrent to capital investment.

Above all, the fluctuations in activity have serious repercussions on the labour force. In themselves they are the main reason for the casual nature of most building employment, where the expectation of most employees is a period of work with one firm, followed by a time out of work, and then another temporary job with the same, or more frequently a different, employer. The new entrant to the industry can generally look forward to neither continuous employment nor any form of career development. Such a system is obviously inequitable to the employee, and it reduces efficiency by providing no incentive to loyalty to a particular employer, to acquiring important but informal skills in relation to specialised jobs or to rapid and efficient working on a particular project. From an employer's point of view, the casual labour system, allied to actual fluctuations in the work available, make it difficult to keep together teams of employees skilled in particular tasks, or to justify the expense involved in training workers to undertake unusual work.

Variation in the level of output thus reduces efficiency in the use of materials, capital and labour. Above all, it imposes severe inequity on building workers in comparison with workers in most other industries or services, due to high and endemic unemployment and the casual nature of work when it is available. To a large extent, but not exclusively, this variability of output is the result of conscious Government economic policy, although this in turn may merely be reacting to international financial pressures which it is unable to ignore. Policy determines the amount of money available to Local Authorities each year to spend on new house building in the public sector, and for SDA loans to private purchasers. It also influences strongly, although it is not the sole deter-

minant of, the flow and cost of funds through the financial institutions which finance both house purchase and the working capital of the construction firms. By reducing the amount of money available for house purchase loans and increasing the cost of such loans, a tight monetary policy restricts the demand for houses. At the same time the difficulty and high cost of obtaining overdraft or other credit facilities forces many building firms to cut back on their activities.

If the fluctuations imposed on building production through the Capital Programme and monetary policy were part of a successful counter-cyclical demand management policy, it is just possible that from a national point of view they might be justified, in spite of their damage to the construction industry and to the housing system. However, it is clear that whatever official intentions may have been, the fluctuations imposed on building have tended to accentuate rather than offset fluctuations in the level of economic activity as a whole. In years when total unemployment is high and the growth rate low, such as 1966, 1970, 1976, house building has also tended to be depressed and unemployment among builders high. Conversely, in years of rapid economic expansion such as 1968 and 1973, house building has experienced high growth.

In the circumstances, it is hard to avoid the conclusion that a policy aimed at maintaining a steady rate of housing construction would not only serve to improve the efficiency of that industry, but would also be of greater assistance to the general stability of the economy than attempts to use variations in house building as an economic regulator have proved. Indeed, the fact that in comparison with experience in earlier recessions house building was maintained at a high and reasonably stable level throughout the 1973 to 1977 period, suggests that the public authorities have come to acknowledge this point, and have been attempting, with some degree of success, to act on it.

If we are correct in our assumptions that any general inefficiency which might exist in the house-building industry will not easily be remedied, and that there is no evidence of widespread excessive profits accruing from the building of houses, then it follows that it would be unrealistic to

expect any significant reduction in building costs in relation to other prices. Minor economies could result from a steadier level of output, but in an activity which is likely to remain labour intensive, relative costs are more likely to rise than to fall.

If building costs, which usually account for about 70 per cent of the price of a standard new house, seem unlikely to fall, and financial costs are largely outside the control of the housing system, in that interest rates are determined on a national and not a sectoral basis, the only substantial element in house prices which might be subject to reduction is land prices.

The Price of Building Land

As was seen earlier in this chapter, there are many factors influencing the price at which a specific parcel of potential building land changes hands. The most important of these, for they govern the future profit which can accrue from ownership, are its location with regard to existing development, its access to essential services, such as roads, water supply and sewerage, and its planning status.²² Because of variations in all of these factors, it is not surprising that there is great variability in land prices, even for plots which are quite close to each other.

Despite these variations, land prices over the entire range have one feature in common. They tend to rise over time by more than the general rate of inflation. This tendency is not peculiar to Ireland, but is shared by practically every country which possesses private ownership of land and permits private land transactions. It is the predictable outcome of a situation where a vital commodity is in fixed supply, while the demand for it rises with growing population, a desire for greater living space, increases in industrial output requiring larger areas for factories and storage, a more complex economy needing a higher level of administration, and with a more mobile society calling for better roads and different patterns of shopping.

²²For a fuller discussion, see Brigham (1965):

However, the predictability of this outcome does not imply that its effects are desirable. The principal objection to the process of increasing land values is that the phenomenon of communal growth and development gives windfall profits to individual landowners, who need contribute nothing to the development save the ownership of their land. In itself this appears to be inequitable between landowners and non-landowners, and between one landowner and another, due to the differential rate of appreciation of different pieces of land. The inequity becomes more severe when it is due not just to the simple location of the land, but also to public expenditure on infrastructural services and to zoning and detailed planning decisions made on behalf of the community by its planning agencies. According to decisions made by the bureaucracy, a plot zoned and approved for commercial office development may command a price several times that of a similar plot zoned as open space, with land for housing falling between these extremes. If, in addition, there is any suspicion that some landowners can manipulate or influence the planning system so as to secure favourable decisions, then the inequity becomes blatant and can be socially corrosive.

Many writers have criticised the concept of zoning laws because of this degree of added inequity they can introduce, because they interfere with open market pricing as an efficient allocator of land, and because they can artificially restrict the amount of land being offered for development, thus forcing the relevant prices still higher.²³ While experience suggests that each of these effects may have taken place in Ireland, as in other countries, they do not constitute, in our view, a convincing case against the zoning concept *per se*. Rather, they indicate that there have been shortcomings in the application of the concept, and in the relationship between zoning and other aspects of the land tenure and development processes.

Obviously it is only where most land is privately owned, and where the owner receives the principal benefit from any

²³See, for example, Mandelker (1972).

increase in the value of the land due to a change in use, that these disadvantages of zoning are possible. If all land were communally owned, or even if any increase in land value due to change of use accrued entirely to the community rather than to the individual land owner, then the question of inequity between land owners, or between owners and non-owners would not arise. Likewise, if all land allocation were on an administrative basis in accordance with zoning provisions, then the uneasy compromise between administrative and market systems of allocation would no longer arise. In any case, there is little evidence that unfettered market forces lead to a socially efficient allocation of land use. Exclusively commercial city centres, devoid of population outside working hours, ribbon residential development along approach roads, and despoliation of established residential areas by inappropriately sited industry were all adverse features of a "free" market, which have been at least partly curbed by zoning requirements.

Finally, the holding back of potential development land becomes a problem only when there is a conjunction of private land ownership, incorrectly balanced zoning, and an expectation among owners that the zoning of specific pieces of land can be changed through pressure or through the mere passage of time. Removal of one or more of these factors should largely remove the problem.

While zoning can have deleterious effects on housing development under certain conditions, it can also be beneficial in enabling rational town planning, economies in the provision of services, and a pleasanter and healthier environment for housing than are likely under a pure market system. If urban zoning patterns are sufficiently precise, strong enough, and accepted by all major political parties, so that radical reversals of policy are unlikely to follow either national or local elections, it is even possible that they could help to hold down the price of some urban land, by removing any hope possessed by owners or speculators that ultimately commercial development in the area will be allowed.

However, to rely solely on zoning regulations to achieve this result may be to place too great a strain upon them and

could also lead to cases of undue rigidity in the pattern of development. Some restriction on individual property rights in situations where a change in land-use is envisaged is likely to be more effective in either reducing the price of housing land or in making the benefit of rising land prices a communal rather than a private gain.

Various proposals for doing this are examined in the "Kenny Report". The options studied cover outright land nationalisation, the nationalisation of development rights, various plans for levies or taxes, more detailed and comprehensive zoning, pre-emption by the Local Authorities of sales of development land, with or without an accompanying levy, and simple price control. The merits and de-merits of each are set out in an Irish context. The majority recommendation of the Report is that a "designated area" scheme should be adopted. Under this, Local Authorities would be obliged to apply to the High Court to "designate" areas which are likely to be developed within the next ten years and which had enjoyed, or were likely to enjoy, "betterment" through the provision of Local Authority expenditure on services. Within designated areas the Local Authority would be empowered to buy land, by compulsory purchase if necessary, at a price related to existing use value rather than at market value. The price suggested in the recommendation is one and a quarter times existing use value. At present the Report is still under official consideration, and no indication is available as to whether or when its majority recommendation is likely to be implemented.

If these proposals were adopted, it seems probable that they would help to spread the benefits accruing from development within the designated areas more broadly, and to make land for Local Government housing at least available at lower cost. However, unless very large areas indeed were designated, so as to include virtually all land within reach of expanding towns and cities, fresh anomalies could easily be created between owners of land within and outside the designated areas. We suspect that more radical and comprehensive measures than those recommended in the Report will prove necessary, and that they will need to cover all

transactions involving a change in land use, wherever the land is situated.

As with zoning regulations, legislation along the lines of designated area schemes or of more radical State involvement would need to attract a broad spectrum of political support before it would be worth introducing. One of the major factors influencing the members of the Committee on the Price of Building Land (1972) to reject the more radical proposals for reform was the undoubted failure of such measures when they had been adopted in Britain. However, the Committee appears to have overlooked the most important single reason for these failures, which was the existence, throughout the life-span of each of the measures, of a major political party pledged to repealing the legislation on which they were based. Obviously, if property-owners believe that restrictions on their ability to dispose of their assets profitably are likely to prove short-lived, they will endeavour to delay taking decisions or accepting directives until the law is once more changed to their advantage.

Thus it is important to avoid the situation where reforming legislation is so contentious that it risks immediate repeal if there is a change of Government. A consensus needs to be built up on at least the main principles of reform, leaving only the detailed application of these principles as an area of party political controversy. Because the present system of land ownership and pricing is so obviously unfair, it should prove possible to construct such a consensus for reform. The key element would be that the property rights protected by the Constitution refer to user-rights and not to unfettered freedom of disposal, and that increased value from change of use should accrue primarily to the community rather than to the individual land-owner, whether this rise in value arises from "betterment" through the provision of public services, through zoning decisions, or through the simple fortuitous siting of the land in question.

Whatever solution is finally adopted, the twin problems of land availability and price are acute. Serviced building land in 1977 is commonly selling for between £10,000 and £15,000 per acre, with some prices of over £20,000 being

reported. Large lots of unserviced land, such as are commonly bought in advance by Local Authorities and the large private development companies, tend to cost in the neighbourhood of £5,000 per acre.

At a typical density of eight houses to the acre, this means that the basic land cost frequently amounts to about £2,000 per house, to which must be added the cost of servicing the capital tied up in the purchase of the land, as well as any physical site preparation which has been incurred. At these prices, the basic land cost, including interest, would appear to account for anything up to 20 per cent of the selling price of the house, while in a few isolated instances it could exceed this proportion.

This has two contrasting implications. The first is that the rise in land prices cannot be held responsible for the major part of the increase in the price of houses over the past few years. Where the price of a typical new suburban dwelling has approximately doubled from £6,000 to £12,000, even a proportionately faster rise in site value from, say, £500 to £2,000 only accounts for a quarter of the total price increase. It is the increase in building costs, both of materials and labour, which has been mainly responsible for the increasing price of new houses.

The second implication is that land prices are certainly a sufficiently high proportion of house prices for any major reduction in them to have a significant impact on new house prices and overall housing costs. Moreover, because it relates to a single existing fixed resource, and not to a combination of resources being organised to produce new assets, a reduction in the price of land would be feasible without the automatic consequence of a fall in supply. With the possible exception of interest rates, land prices are the only element of housing costs in which it is realistic to seek an actual reduction.

A halving of the average price of building land would lead to a once and for all reduction of around £1,000 in the price of standard new houses for owner-occupiers, and a corresponding saving in the capital costs borne by Local Authorities on their new rented dwellings. This would afford

a minor but significant improvement in the opportunity for marginal households to enter the owner-occupied sector, and would effect a worthwhile reduction in the public subsidy to new Local Authority tenants.

The imposition of legislative and administrative measures to bring about such a reduction would obviously be controversial and would lead to many complaints of loss incurred by landowners. In fact the great majority of the "losses" would be of a notional variety, being a failure to realise an expected capital gain rather than an inability to recoup expenses actually incurred. Only in the case of relatively recent speculative purchases of land would there be a likelihood of serious actual loss, and some form of limited compensation for this could be built into any transitional arrangements. Large development companies with existing land banks, and indeed some Local Authorities, could also be troubled by a fall in land prices below the average level at which they acquired their holdings, but in neither of these cases is the loss likely to be acute, and again transitional arrangements could ease the problem if it arose.

The remaining difficulty which might be encountered as a result of reforms which reduced land prices is that there could be a serious fall in the quantity of land released for development. This would certainly be the case if it were thought likely that the reforms would be repealed on a change of Government. Even without this expectation, there could well be a temporary withdrawal of land from offer until perceptions adjusted to the new reality. The use of compulsory purchase powers could partially overcome this shortage, but unless the procedures for this were drastically accelerated, there could still be a hiatus of a year or two in the supply of development land. Site rating, whereby development land held fallow would attract a liability to substantial recurring property taxes could also help to overcome any reluctance of developers to proceed with building.

Unless society is prepared to endorse a fairly radical restriction of property disposal rights, with land prices essentially related to existing use, it is difficult to foresee any significant fall in land prices, or an end to the inequity of

arbitrary windfall capital gains for those who happen to own suitable land near expanding towns. In our opinion the potential gains in efficiency and equity are sufficiently great to justify the admitted risks inherent in such a reform.

Chapter 9

Household Characteristics

Introduction

I^N Chapter 1, we argued against adopting a simple "needs" approach to the assessment of housing performance, and decided instead to base our analysis on the degree of choice available for the expression of household preferences. Nevertheless, as we explained then, preferences are likely to be strongly influenced by the same objective household characteristics as are generally taken into account in assessing "needs".

It is therefore useful to conclude our description of the housing system by examining how different types of households are accommodated, in terms of dwelling size and tenure group. By juxtaposing household characteristics with dwelling characteristics, one can see whether the accumulated stock of dwellings in the system is capable of being matched with the probable preference pattern of existing households. By speculating rather further on what housing preferences different household types are likely to possess, it is also possible to take a tentative view on how successful the actual allocation of dwellings between households has been. This in turn should form a convenient bridge to our assessment in the following chapter of the overall efficiency and fairness of the Irish housing system.

Household Composition

The composition of households in 1971 is set out in Table 9.1. This is a simplified form of the Census Classification, in that we have combined all the categories where other persons are sharing with either a married couple or a family unit containing either one or both parents. In fact, about two-thirds of our division is comprised of full family units

Table 9.1: *Household composition 1971*

<i>Type of household</i>	<i>Number of households</i>						<i>Number of Persons</i>		<i>Dependent children < 16 No.</i>
	<i>Aggregate urban</i>		<i>Aggregate rural</i>		<i>State</i>		<i>No.</i>	<i>%</i>	
	<i>No.</i>	<i>% of total</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>			
One person	48,161	13.1	54,626	15.3	102,787	14.1	102,787	3.6	—
Man and wife	39,152	10.6	33,327	9.3	72,479	10.0	144,958	5.1	—
Man, wife and children of which > 8	168,440	45.7	123,000	34.4	291,440 21,759	40.1	1,519,320	53.1	687,500
One parent and children of which > 8	23,688	7.8	35,209	9.8	63,897 716	8.8	195,609	6.8	34,525
"Family" with other of which > 8	43,946	11.9	60,355	16.9	104,301 9,669	14.4	567,052	19.8	183,176
Two or more families of which > 8	10,883	3.0	14,320	4.0	25,203 4,172	3.5	166,676	5.8	49,608
Two or more persons non-family of which > 8	29,274	7.9	36,982	10.3	66,256 75	9.1	162,201	5.7	2,647
<i>Total private households in permanent housing units</i>	368,544	100	357,819	100	726,363	100	2,858,603	100	957,450
			<i>Households</i>	<i>%</i>	<i>Persons</i>	<i>%</i>			
of which: < 3 persons			252,254	34.7	401,721	14.1			
3-5 "			302,011	41.6	1,176,298	41.1			
6-8 "			135,707	18.7	912,000	31.9			
> 8 "			36,391	5.0	368,593	12.9			

Source: Census of Population 1971. Vol. VII.

with one or more others sharing the household. We have also combined two-family households with the very small Census category of more than two families.

Table 9.1 also shows the total number of persons and of dependent children under 16 in each household type, the number of households of more than eight persons in each category, and the household patterns in urban and rural areas. For total households the table gives a breakdown into small (one or two persons), medium (three to five), large (six to eight) and very large (nine or more).

The most striking, although not unexpected, feature of the table is the importance of the basic family unit of man, wife and children, which accounts for 40 per cent of households, and 53 per cent of the population, living in private households. Not all of this category conforms to the classical pattern of parents and dependent children, as it includes those families consisting of ageing parents living with adult sons and daughters, who may be the principal earners of the household. However, as can be seen from Table 9.2, less than 10 per cent of the household heads in this category are aged 65 or more, while about three-quarters of the "children" are in fact under the age of 16. When allowance is made for the fact that many of the remainder of children must also be dependents under the age of twenty, it seems safe to conclude that approximately half the population lives in the classic nuclear family of father, mother, and at least one dependent child. It is significant to note that this category of the simple nuclear family is far more dominant in urban than in rural areas, and also that nationally the proportion of households in it grew from 38.8 per cent in 1966 to 40.1 per cent in 1971.

By contrast, the next largest category, where "others" share with some type of family unit, is heavily biased towards rural areas. This category contains the highest number of people over 65, only 37 per cent of whom are heads of the household. It is obvious that a high proportion of "others" are in fact surviving parents living with the families of their married children. Apart from this, the average age of household heads is higher than among the nuclear families, and the average household size is slightly larger. On a national basis

Table 9.2: *Age of head of household*

<i>Type of household</i>	<i>Age of head</i>				<i>Total</i>	<i>Number of individuals 65 or over</i>	<i>Total Number of individuals</i>
	<i>Under 25</i>	<i>25-44</i>	<i>45-64</i>	<i>65 and over</i>			
One person	3,841	14,475	41,362	43,109	102,787	43,109	102,787
of which female	2,062	4,877	17,334	26,347	50,620		
Man and wife	3,828	16,140	26,357	26,154	72,479	44,754	144,958
of which female	28	60	236	154	478		
Man, wife and children	5,939	129,755	127,408	28,338	291,440	42,317	1,519,320
of which female	33	236	373	72	714		
One parent and children	399	9,662	28,911	24,925	63,897	31,265	195,609
of which female	149	4,714	21,119	18,233	44,215		
Family with other	838	28,198	49,044	26,221	104,301	71,036	567,052
of which female	75	1,647	9,025	9,805	20,552		
Two or more families	138	4,919	11,201	8,945	25,203	22,037	166,676
of which female	9	255	2,320	1,760	4,344		
Two or more persons non-family	5,198	8,717	28,000	24,341	66,256	47,652	162,201
of which female	3,356	3,055	10,043	12,882	29,336		
Total private household	20,181	211,856	312,283	182,033	726,363	302,170	2,858,612
of which female	5,712	14,844	60,450	69,253	150,259		

Source: Census of Population 1971, Vol. VII.

the category is declining quite sharply, having fallen in numbers by over nine per cent between 1961 and 1971.

Similarly the "one parent and children" household is also in decline and again is a predominantly rural type. It is interesting that in this category adult "children" outnumber juvenile by almost three to one, indicating that the typical situation is of an elderly or middle-aged surviving parent living with unmarried adult children, rather than of a bereaved or deserted parent bringing up a young family on his or her own. Only 16 per cent of single parents with children are under 45 years of age. Among this minority there appear to be more male than female single parents, while among the more typical older group, women, mainly widows, predominate.

Somewhat surprisingly, the category of two or more persons sharing a non-family household is also more common in rural than urban areas and was declining between 1966 and 1971. Obviously this category covers very different household types, and the presumed growth of urban flat sharing among young adults has a long way to go before it is likely to counterbalance the decline in the more prevalent rural household in which mature or elderly "non-family" relatives share farmhouses or cottages.

Both single person households and married couples without children grew in numbers between 1966 and 1971, with the former still slightly more common in rural and the latter in urban areas. Nationally, 42 per cent of single person households in 1971 were aged 65 or over, while only 3,841 or less than four per cent, were under 25. Likewise, 72 per cent of married couples without resident children were aged 45 or over, suggesting that the dominant household type in this category is that where adult children have left home.

Household Composition and Dwelling Size Preferences

What are the implications for likely housing preferences of the household composition outlined in Tables 9.1 and 9.2? In the absence of relevant survey data one can do little more than speculate on the basis of general impressions and of the actual living patterns revealed in the Census.

With regard to size, one would expect there to be some positive relationship between the size of the household and the size of the house preferred. However, the relationship is unlikely to be simple, because it will be influenced by such other factors as the class background of the household, anticipated changes in household size, household income and the relative prices of houses of different size.

Among medium-size households of from three to five persons, it is reasonable to assume that many of those from a working class or small farming background are likely to be satisfied with a four-roomed dwelling, although if income and relative price considerations allow, a rather larger house might be preferred. Where strong locational preferences are involved, as in the case of farming households living on the traditional family holding, even a three-roomed house may be regarded as adequate. Among those coming from or aspiring to a middle-class milieu, a medium-sized family household is unlikely to be satisfied with less than five rooms, and may well prefer six. This, of course, corresponds to the standard modern suburban house provided by speculative builders and by Local Authorities.

Similarly, most large households, that is from six to eight persons, also appear likely to be content with at least the larger standard-sized modern houses. These might involve a degree of congestion in sleeping arrangements, but as most large households are, in fact, families with several children below the age of 16, such congestion is generally acceptable. If price were not a consideration, of course, many of these families would presumably opt for a larger house if such were available, but given the normal price/size relationship, most would choose the cheaper, smaller house.

Very large households of nine or more people, which are again predominantly family households, with or without other relatives sharing, are almost certain to suffer overcrowding in even a four-bedroomed house. Their preference, if it could be expressed, would almost certainly be for houses larger than the standard size. However, large families do not normally receive particularly high incomes, and when such expenses as food and clothing for large numbers have been

met, the money available to spend on housing tends to be very limited. Thus, if housing costs increase with the size of the house, the natural preference for unusually large houses must be suppressed in the interest of economy.

The assumption of a direct relationship between household size and a preference for large dwellings cannot be extended to small households of one or two persons, although the mistake of doing so is frequently made by commentators who examine housing "needs". Many single people or couples may indeed prefer small flats or cottages, not only on grounds of cost but also on grounds of convenience. However, many others are likely to prefer to live in houses of standard size. Young couples who hope to start a family, and wish to avoid the costs and inconvenience of changing dwellings when this comes about, older couples or widows whose families have left home but who return to visit frequently, and couples or individuals of any age who wish to be able to accommodate relatives or friends as guests, all have sound reasons for preferring more spacious dwellings than their immediate household requirements would appear to warrant. To these must be added a further group of older small households, who, while they might not make use of the additional space, simply wish to continue living in the house in which they have reared their family, and which holds the associations of a lifetime.

Thus, it cannot be assumed that small households automatically prefer or "need" small dwellings. An indeterminate number does, but many do not. The housing stock should cater for both groups, so that preferences can be expressed in actual choice.

Table 9.3, setting out the size of dwellings in the inhabited permanent housing stock in 1971, suggests that the total balance between small dwellings and small households may not be too far out of line with preferences. However, the table conceals the fact that the majority of small dwellings are of considerable age, or, in the case of uncontrolled flats and bedsitters, are technically new dwelling units situated in much older structures. There are very few new small dwellings, so that households who might desire a small house or flat,

but would want it of modern design and construction, are offered a very limited choice indeed, especially in areas other than Dublin.

At the other end of the spectrum there are fewer large houses than would appear to be warranted by the number of larger households. Consequently, most large and very large households live in normal size dwellings, and even in those which are smaller than average. While overcrowding

Table 9.3: *Dwelling size and household size 1971*

	<i>Number of rooms per dwelling</i>	<i>Percentage of all dwellings</i>	
<i>Small</i>	1	2.4	
	2	5.8	
	3	15.3	23.5
<i>Medium</i>	4	30.2	
	5	21.0	
	6	15.1	66.3
<i>Large</i>	7	5.8	
	8	2.4	8.2
<i>Very large</i>	9	0.9	
	10 or more	1.0	1.9
<i>Not stated</i>		0.2	
<i>Total</i>		100	100
	<i>Number of persons per household</i>	<i>Percentage of all households</i>	
<i>Small</i>	1	14.1	
	2	20.6	34.7
<i>Medium</i>	3	15.9	
	4	14.1	
	5	11.6	41.6
<i>Large</i>	6	8.9	
	7	6.0	
	8	3.7	18.6
<i>Very large</i>	9	2.2	
	10 or more	2.7	4.9
<i>Not stated</i>		—	
<i>Total</i>		100	100

Source: Census of Population 1971, Vols. VI and VII.

is far less frequent than it used to be, for very large families it remains the norm rather than the exception.

With the exception of a probable insufficiency of small modern dwellings and of large but manageable houses, the housing stock seems reasonably well matched in aggregate to the presumed preferences of different households with regard to size. Thus the potential exists for a high degree of effective household choice, which is a pre-condition for an effective housing system. How far this potential is realised is a different question, and a study of the actual distribution of the housing stock suggests that there is a considerable shortfall.

Table 9.4 shows the distribution of dwellings between households of different sizes according to the number of rooms occupied in 1971. It can be seen that as household size increases, the number of rooms tends to rise. This is evident both from the growth of the final column and from the generally diagonal pattern of the body of the table. However, apart from a considerable jump between one and two person households, largely the result of the tenth of one person households who live in single rooms, the progression is gradual, and tends to become less marked among the larger household sizes. Indeed, among the very largest households, the average number of rooms actually falls, so that families of nine and over are even more strongly concentrated in four-room dwellings than are smaller households. This presumably reflects the financial difficulty faced by large families in acquiring large owner-occupied houses, and the inability of Local Authorities to provide larger than usual dwellings for such families.

Without more detail on specific circumstances, any attempt to specify the degree of overcrowding implied by the table is bound to be somewhat arbitrary. If it is assumed, however, that single room dwellings are unsuitable for other than one person households, and two room dwellings for more than two person households, then over 19,000 households can be regarded as underhoused in one and two room dwellings. This compares with almost 23,000 one-person households who could be regarded as overhoused in dwellings with five

Table 9.4: Size distribution of housing 1971

Size of household	Number of households*	Percentage in dwellings with number of rooms									Average number of rooms per household**
		1	2	3	4	5	6	7	8	9 or more	
1 person	102,436	10.7	16.1	23.9	27.0	11.6	6.6	2.3	1.0	0.8	3.52
2 persons	149,103	2.5	8.7	21.2	30.8	17.8	12.0	4.3	1.7	1.2	4.22
3 persons	115,539	1.2	5.2	16.8	31.2	20.9	15.4	5.5	2.1	1.6	4.55
4 persons	102,045	0.7	3.4	12.6	30.0	23.6	18.7	6.7	2.5	1.8	4.80
5 persons	83,889	0.3	2.0	10.4	29.7	25.4	19.8	7.7	2.8	2.1	4.97
6 persons	64,877	0.1	1.2	8.8	30.3	25.6	19.7	8.2	3.4	2.7	5.07
7 persons	43,628	0.1	1.0	8.2	30.1	26.5	19.0	8.3	3.8	3.1	5.13
8 persons	26,966	0.1	0.9	7.7	31.7	26.6	17.5	8.2	3.8	3.8	5.14
9 or more persons	36,304	0.1	0.8	7.7	34.9	26.2	15.5	6.9	3.9	6.2	5.09
<i>All sizes</i>	724,787	2.4	5.8	15.4	30.2	21.1	15.1	5.8	2.4	1.9	4.55
<i>Area</i>		Number in dwellings with number of rooms									
		1	2	3	4	5	6	7	8	9 or more	
Dublin CB	140,694	11,465	13,096	21,232	34,276	23,018	25,283	7,473	2,999	1,852	4.27
Other urban	227,444	3,476	11,039	22,850	60,539	52,555	45,986	19,326	6,669	5,004	4.90
Rural	356,649	2,133	18,235	67,179	124,277	77,265	38,144	15,365	7,386	6,665	4.45
<i>Total</i>	724,787	17,074	42,370	111,261	219,092	152,838	109,413	42,164	17,054	13,521	4.55

*Excluding households whose number of rooms is unknown. These amount to only 1,576 or 0.2 per cent of all households.

**Assuming that "9 or more" rooms average 10.

Persons in households to the left of the lower solid and dotted lines can be assumed to be "underhoused"; those to the right of the upper solid and dotted lines "overhoused".

Source: Census of Population 1971, Vol. VII.

or more rooms, although as discussed previously, many of these individuals may have good reasons for wishing to occupy five- or six-roomed houses.

When attention is turned from very small dwellings and one-person households, it becomes even more difficult to define over or under-occupation with any degree of confidence. Depending on its design, a three-room house might be regarded as perfectly adequate by a family of four, with two young children of the same sex, but as quite unsatisfactory by most other four-person households. Similarly, one cannot generalise confidently on what size of household will find four- or five-roomed dwellings too small. Taking the crude and rather harsh criteria that overcrowding is obvious only in the cases of households of five or more in three-roomed houses, of eight or more in four rooms and of nine or more in five rooms, then a total of over 50,000 households living in three, four- or five-roomed homes can be regarded as underhoused in 1971, in addition to the 19,000 households underhoused in one and two-room dwellings. Excluding the 23,000 one-person households already considered, the application of a simple formula of more than three rooms in excess of the number in the household yields a total of about 45,000 households who could be considered as overhoused.

Thus, theoretically, most of the severe overcrowding in 1971 could have been eliminated within the context of the existing housing stock through a process of re-distribution of accommodation. However, this could not have been done on a localised basis. As the lower part of Table 9.4 illustrates, Dublin County Borough contained a disproportionate share of very small dwellings, and a correspondingly low average dwelling size. In consequence, it suffered a relatively high level of overcrowding and a relatively low share of "under-occupation". Within the confines of Dublin, even the theoretical possibility of removing overcrowding through re-distribution did not exist.

In any case, discussion of potential re-distribution of dwellings is not particularly fruitful. No conceivable change in the operation of the housing system within the context of Irish socio-political mores would lead to the level of

compulsion necessary to eliminate under-occupation, while it is also extremely unlikely that financial support measures to enable large, poor, families to move into existing large dwellings would be introduced. Modest reforms to encourage a greater measure of voluntary re-distribution could lead to some improvement in the size allocation of the housing stock, but the extent of such an improvement cannot be estimated.

The important features of Table 9.4 are therefore that in 1971 some 70,000 households were seriously overcrowded, with perhaps an equal number moderately so, and that, conversely, about 80 per cent of households occupied dwellings which would appear to have possessed an adequate number of rooms for their requirements. Since 1971 the situation should have improved considerably. The great majority of the 150,000 or so new dwellings constructed have been of at least five rooms, and it is almost certain that by 1977 five rooms will have replaced four as the most common dwelling size. Even allowing for net household formation over the period, and for an unmeasured number of dwellings of all sizes falling out of the housing stock, the average number of rooms per household must have risen, and the proportion of family households living in dwellings with three rooms or less must have declined.

One relatively small group of households which should be considered in this analysis of dwelling size is that occupying temporary dwellings. No data are available on the average size of these dwellings, but it seems reasonable to regard them as being analogous to two-roomed permanent dwellings. As such, they would seem most suitable for one person households, married couples, and non-family two person households. In fact, these categories account for only 42 per cent of households in temporary dwellings in 1971 and for 18 per cent of the population so housed. Nuclear family units form 50 per cent of households and 70 per cent of total individuals, very much higher proportions than for the population in permanent housing units. Dependent children under 16 years of age account for 43 per cent of the people recorded as living in temporary dwellings in 1971, compared with 33 per cent of those in permanent dwellings.

Thus it appears that temporary dwellings were occupied in 1971, largely by those types of household for which they cannot be regarded as providing adequate long-term accommodation, and at least half of the 4,180 households involved could be defined as living in overcrowded conditions.

Tenure Preferences

Turning from the aspect of size to that of tenure, the composition of household types set out in Table 9.1 has implications concerning the tenure characteristics which each type is likely to prefer. For the overwhelming majority of family households, including those with one parent, security of tenure can safely be assumed to be of overriding importance. Costs also are clearly significant, and are related to security, in that failure to meet the necessary outgoings is by far the commonest cause of dispossession. Freedom of behaviour is probably also regarded as important, even if the freedom is exercised by behaving in much the same way as all the neighbours, and the right to decorate and equip the house can be an important element in establishing family identity.

Given these characteristic preferences, and especially the importance of security, owner-occupation would appear to be the most suitable form of tenure for nearly all family households, provided its cost can be met, with renting from Local Authorities as a second best tenure form. Rent-controlled tenancy could also be suitable, provided the physical condition of the dwelling is adequate. Because of insecurity of tenure, uncontrolled renting and such fringe sections as squatting are unsuitable for most family households.

Among non-family households, it is more difficult to generalise. Many, particularly those comprising elderly individuals or couples, have as great an interest in security of tenure as family groups. For these, the order of preference among tenure forms is likely to be similar to that of family households, so long as physically appropriate dwellings are available in each type. However, other non-family households, especially the young single person and a proportion of newly-

married couples who wish to postpone rearing a family, possess different priorities. Easy mobility is important, outweighing the desire for security, while in many cases convenience of location ranks higher than such factors as freedom to alter or re-decorate the dwelling. For this volatile section of households, owner-occupation, with its security of tenure but its complicated and expensive procedures for transfer, is not a very appropriate tenure form, in spite of its further attraction in affording a chance to acquire potential capital gains. Renting is, in most cases, preferred and while the benefits to the tenant conferred by Local Authority, or even rent-controlled, tenancies would no doubt be appreciated, the vicissitudes of uncontrolled renting are regarded as a tolerable price for the mobility and absence of commitment sought.

If the housing system is to be reasonably efficient in reflecting the preferences of its clients, we should, therefore, expect to see a clustering of family households in the owner-occupied sector and in Local Authority tenancies, with non-family households more evenly spread across the tenure types although with a slight bias towards renting. Table 9.5 shows that there is a definite tendency towards such a pattern.

Table 9.5: *Household type and tenure status 1971*

<i>Household type</i>	<i>Percentage of household type in each sector</i>				
	<i>Owner occupied</i>	<i>Local authority</i>	<i>Rented unfurnished</i>	<i>Rented furnished</i>	<i>"Rent Free"</i>
One person	62.0	11.4	12.3	10.4	3.8
Man and wife	67.2	9.8	13.1	7.0	3.0
Man, wife and children	66.9	20.2	8.6	2.5	1.9
One parent and children	70.7	18.7	7.8	1.3	1.5
"Family" with other	79.4	12.1	5.8	1.1	1.6
Two or more families	73.4	19.9	4.8	0.6	1.3
Two or more persons non-family	69.3	8.2	8.3	10.2	3.9
<i>Total private households</i>	<i>68.8</i>	<i>15.5</i>	<i>9.0</i>	<i>4.4</i>	<i>2.4</i>
of which < 3	66.1	11.0	11.5	8.1	3.3
3-5	70.5	15.3	8.9	3.4	1.9
6-8	70.8	21.1	5.7	0.8	1.6
> 8	65.9	28.1	4.2	0.5	1.3

Source: Census of Population 1971, Vol. VII.

Compared with the average for all households, the proportion of single person households in the owner-occupied and Local Authority sectors is relatively low, while the proportion in private renting, especially furnished, is relatively high. With regard to the other non-family household types, both married couples without resident children and shared non-family households have close to the average proportion in the owner-occupied sector, but a low proportion in Local Authority tenancies counterbalanced by a high proportion of private renting, unfurnished in the former case and furnished in the latter.

Overwhelmingly, Local Authority dwellings are occupied by family households, with this tenure type being particularly important for very large families. Because of the importance of the Local Authority sector, only about the same proportion of nuclear families as of all households live in owner-occupied dwellings. However, of the more extended family households where "others" share with the nuclear family, a very high proportion live in owner-occupied dwellings. To some extent this can be explained by the fact that this household type is common in rural areas, where most dwellings are owner-occupied, but it is also true that in both rural and urban areas separately such households have a higher than average proportion in the owner-occupied sector. While family households, with or without "others", are moderately represented in the controlled or unfurnished rented sector, the proportions in the furnished rented sector are very low.

Tenure Type and Household Income

In describing the different tenure sectors in earlier chapters, it was noted that housing costs varied very greatly between them. We should expect to find then that, regardless of other household characteristics, those households with low incomes would tend to seek the cheaper sectors, and in particular the Local Authority sector in which housing costs can be related to income.

Although the data available on household incomes are not entirely satisfactory, it is possible to obtain from recent Household Budget Surveys a broad indication of average

income levels in the different tenure sectors. Table 9.6 summarises the relevant information, and confirms that by and large the situation is as one would expect, with households buying their homes with the help of a mortgage possessing the highest average incomes and Local Authority tenants among the lowest.

As the Central Statistics Office itself expresses dissatisfaction with the declared income figures, attention has been focused in the table on total expenditure, which, both in common sense terms and on the evidence of the 1975 results, appears to be a reasonably consistent proxy for income. This has the further advantage of allowing comparison to be made with 1973 for which year no detailed income figures are available, but which is the only year for which national, as opposed to urban, expenditure patterns have been observed.

It is unfortunate, from our point of view, that the Household Budget tenure categories do not distinguish the controlled from the de-controlled private rented sectors. Because of the great difference in housing costs between the two, it would have been very valuable to ascertain whether there is a significant difference in income levels. Also, the comparison of each with the other tenure types would have been of great interest. The unreliability of the estimates for rent-free households, because the sample size in 1974 and 1975 was only about twenty, resulting in a totally implausible fluctuation in results, is of minor importance in view of the small size of this sector.

In interpreting the results, it is necessary to bear in mind the differences in average household size, set out in the first row of the table. While these relate only to 1975, the pattern was very similar in the other years. The implications of considering *per capita* expenditure rather than household expenditure are illustrated for 1975 only. As can be seen, this procedure radically changes the ranking of the tenure groups, with mortgaged owner-occupiers falling from first to fourth place and Local Authority tenants dropping to a very poor last. Because most of the additional numbers in these two categories are children, it is perhaps too extreme to base comparison on a simple expenditure per head basis.

Table 9.6: Household income and expenditure by tenure type

	Unit	Wholly owned	Owned with mortgage	Rented from local authority	Private rented	Rent free*	All households
<i>1975 Town areas</i>							
Av. number in household	No.	3.254	4.700	4.374	2.883	2.801	4.008
Av. rooms per household	No.	5.648	5.597	4.439	3.825	4.501	5.108
Direct income	£ per week	55.705	72.002	35.889	47.247	42.311	56.240
State transfers	"	6.447	5.787	11.863	5.484	5.998	7.284
Gross income	"	62.152	77.789	47.752	52.731	48.309	63.524
Direct taxes	"	8.792	11.869	5.602	8.097	9.328	9.174
Disposable income	"	53.261	65.920	42.150	44.634	38.981	54.350
Ratio to average	%	98.2	121.3	77.6	82.1	71.7	100
Total housing expenditure	£ per week	3.422	8.948	3.103	5.089	0.181	5.640
Total expenditure	"	58.045	76.401	48.536	48.850	47.266	61.633
Ratio to average	%	94.2	124.0	78.8	79.3	76.6	100
Total expenditure per head	£ per week	17.838	16.256	11.096	16.944	16.875	15.377
Ratio to average	%	116.0	105.7	72.2	110.2	109.7	100
<i>1974 Town areas</i>							
Total expenditure	£ per week	53.375	70.630	46.780	45.430	29.806	56.390
Ratio to average	%	94.7	125.3	83.0	80.7	52.9	100
<i>1973 Town areas</i>							
Total expenditure	£ per week	41.837	56.663	39.619	37.164	29.083	45.041
Ratio to average	%	92.9	125.8	88.0	82.5	64.6	100
<i>1973 All areas</i>							
Total expenditure	£ per week	37.620	53.142	38.464	36.448	26.630	41.033
Ratio to average	%	91.7	129.5	93.7	88.8	64.9	100

*Due to very small samples, all figures for this category in 1974 and 1975 must be regarded as suspect.

Source: Household Budget Survey 1973 and 1974-1975.

However, on almost any compromise between a household and a *per capita* approach, Local Authority tenants would emerge as the group with lowest total expenditure, the gap between urban owner-occupiers with and without mortgages would be quite narrow, while private tenants would not be far from the norm.

An interesting sidelight provided by the table concerns the size of accommodation occupied by each tenure group. Owner-occupied houses, whether mortgaged or not, are on average more than a room larger than the dwellings of the other groups. When household size is taken into account, a major difference emerges between outright and mortgaged owner-occupiers. The former have more than 1.7 rooms per head, the highest number of any of the tenure groups. Mortgaged owners, on the other hand, have an average of less than 1.2 rooms per head, which is lower than any group except Local Authority tenants, who are the most crowded with only one room per person.

It must be remembered, of course, that all these figures from the Household Budget Survey, whether they refer to household size, number of rooms or various components of income or expenditure, are averages for the tenure group concerned. As such, they may conceal very large variations within each group. Almost certainly, the range of variation is sufficient for there to be considerable overlap, so that the best-off of Local Authority tenants, for example, are likely to have higher incomes than the worst-off of owner-occupiers, either outright or mortgaged. However, the extent of such overlap is not known, and it is relevant that on any definition, the average income of Local Authority tenants as a group is lower than that of owner-occupiers, and that a higher proportion of them appear to be reliant on State transfers as their major source of income.

Conclusion

So far as can be judged from the statistical information available, the housing system has proved reasonably efficient in providing most households with accommodation which matches their presumed preferences in relation to size and

tenure type. At the same time, it has operated to match tenure type to disposable income to a very considerable extent.

However, this generally favourable conclusion does need to be qualified. As we saw earlier, some 70,000 households, representing over 400,000 individuals, are living in accommodation which can reasonably be regarded as too cramped in terms of the number of rooms per person.

Similarly, the low proportion of families in the furnished rented sector tends to obscure the fact that this low proportion in fact represents almost 8,000 families living under what, for most of them, is an unsuitable form of tenure. When these are added to the hundreds of families living in such fringe sectors as temporary dwellings, or squatting, and the considerable proportion of those living in two-family households who would prefer to establish separate homes, the number of people living under unsuitable tenure terms probably is in the region of 50,000.

Next, in discussing tenure type, as in previously discussing dwelling size, we have not been able to take into account the physical condition of the dwellings. While both the size of a dwelling and its security of tenure might appear ideally matched to household preferences, this is obviously a mockery if the house in question is an insanitary, dilapidated structure, lacking the basic amenities for a healthy life. This is no idle nicety, for, in rural areas particularly, many owner-occupied houses are in poor condition and without piped water or sanitation.

Finally, the discussion so far has virtually ignored the question of cost. We shall be returning later to a full discussion of housing costs, and the anomalies and inequities arising in this field. For the present, it is necessary merely to point out the obvious fact that housing costs in relation to income frequently determine both the tenure type and the size of dwelling occupied by a household, while in other cases the effort to meet the costs involved in entering and remaining in the preferred sector leaves the household seriously short of income for other aspects of living.

Chapter 10

An Assessment of the Housing System

Recapitulation

THIS study aims to present an overview of the housing system in Ireland, and not an exhaustive analysis of its every feature. Nevertheless, from our description of its various sectors, it should prove possible to draw at least tentative conclusions regarding the operation of the system as a whole, and to suggest the nature of the reforms necessary to overcome its major shortcomings.

In this chapter we intend to review the workings of the system in the light of our two chosen criteria of efficiency and equity, and to examine how far it is specific aspects of public policy which account for its more and its less desirable features. As is implicit in our choice of criteria, much of the analysis will be unashamedly normative, although we shall attempt to keep it as objective and unemotional as possible.

Efficiency

It will be recalled that in Chapter I we defined efficiency as the maximisation of the extent of household choice in seeking to meet housing preferences, within the constraint of a specific allocation of resources to the system. Housing preferences contain many different dimensions, and in an efficient system an adequate range of choice should be available along each of them.

We have just seen that both the size range and the tenure composition of the existing housing stock are reasonably in line with the presumed preferences of the different household types in the Irish population. This aggregate balance is a necessary precondition for a tolerably efficient housing system, but is far from sufficient to ensure that the system is, in fact, efficient.

Before attempting an overall assessment of the efficiency of the system, we must also consider the procedures for access to the different sectors and for transfers within or between them, the ability of the system to adapt to changes in preferences, and the resource costs of maintaining, changing, and managing its stock of dwellings.

Access to Sectors

Access to the various sectors has been discussed at some length in earlier chapters. It may be recalled that access to the controlled rented sector is virtually impossible save by inheriting tenancy from a relative, and that entry to the non-controlled private rented sector is relatively cost-free but unstructured, depending upon the prospective entrant's ability to prove acceptable to at least one landlord and to pay the initial rent. Entry to the favoured owner-occupied sector, other than by inheritance, is governed almost exclusively by financial criteria, although some class or occupational bias may operate when a loan is being sought. Access to the Local Authority sector is by administrative decision, generally taken according to the non-financial criteria of a loosely defined "social need", but subject to wide geographical variation in ease of entry.

From the point of view of efficiency, the ease and informality of entry into the non-controlled rented sector must be regarded as an advantage. It enables the allocative efficiency of a pure market system to operate through the medium of a direct and unfettered transaction between the buyer, or prospective tenant, and the seller, or landlord. As it actually operates, however, doubts must be raised as to whether the potential benefits of market allocation are fully realised. An effective market demands adequate knowledge on the part of both buyer and seller, and it must be concluded that this necessary knowledge appears to be more difficult to obtain than it need be, especially by the prospective tenant. In the absence of suitable institutions to provide a channel for knowledge, it must be acquired by tenants in an exhausting and wasteful process of following up advertisements or verbal tips with personal inspection of dwellings which fre-

quently turn out to be either unsuitable or no longer available by the time they are seen.

Access to the Local Authority rented sector in most rural areas is reasonably efficient, at least for those married households already resident in the administrative area in question. The restriction on mobility inherent in the existence of residential qualifications is inefficient in a national context. Also, the bureaucratic procedures normal to any Local Authority operation mean that the allocation process is fairly costly in terms of resource-use, but this use of resources is not necessarily inefficient if it results in a widely acceptable allocation of the housing stock. In the urban areas, especially the larger cities, the situation is less satisfactory. Because the available stock of Local Authority dwellings for renting is insufficient to meet the demand at prevailing levels of relative rents, and because population movements seem likely to ensure that growth in demand remains ahead of new building, the problems of allocation are more acute. So long as there is a substantial waiting list, any administrative scheme of selecting who is to obtain the new tenancies which become available must rest on criteria which are, to some extent, arbitrary. A further major problem is that when allocations are made, they are frequently for locations and house types which are not in accord with the expressed preferences of the new tenants. Although the possibility of later matching preferences by transfer exists, the "take-it-or-leave-it" aspect of initial allocation leaves entry to the Local Authority sector in urban areas a long way short of efficiency as we have defined it.

This element of arbitrary allocation is, of course, absent from entry to the owner-occupied sector. Even in the case of inheritance, it is generally open to the beneficiary to sell the house he has inherited and to use the proceeds to buy another more suited to his requirements. In general, the prospective purchaser is free to seek a dwelling which matches his preferences, and there is no element of compulsion to accept a particular dwelling at a particular time. In this, the sector more closely resembles the private rented sector than the Local Authority, but with the added advantage that

greater knowledge of the market is available, because transactions are largely institutionalised through estate agents or the sales departments of the larger building firms.

However, although the operation of a market system, backed by more or less adequate facilities for obtaining information and the availability at any time of a wide range of new and second-hand dwellings for purchase, provides the potential for an efficient system of initial allocation on entry to the owner-occupied sector, other aspects of the entry transaction severely limit the actual efficiency of the system. These limitations centre on the transaction cost of entry, and on the accompanying discrimination between different types of property.

The resource costs of entry are kept unnecessarily high because of the continued existence of an archaic and cumbersome system of registration of land and property ownership coupled with an effective solicitors' monopoly on conveying. This results in many cases in lengthy legal operations, including searches of the title which are repeated each time the property changes hands. In the majority of entry transactions, where mortgage finance is involved, the legal resource cost is duplicated in drawing up the mortgage agreement. This situation is exacerbated by the insistence of Building Societies on employing their own solicitors for this purpose.

Naturally, these legal resource costs are reflected in financial costs to the purchaser. In fact, the aggregate financial cost probably exceeds the genuine resource cost, since fees are based on the cases where there is a substantial amount of legal work involved, but are charged also in the many cases where the work necessary is minimal.

As well as meeting legal fees, both on the property transaction itself and on its accompanying financial transaction, buyers of second-hand houses must also pay for structural surveys and a substantial stamp duty, which is waived in the case of new houses. Taken in conjunction with the first-time purchaser's grant, and previously with rates remission, this imparts a powerful bias in favour of the new entrant choosing a new, rather than an existing house. While this may have

the desired, although not necessarily efficient, result of encouraging new house building, it clearly operates against overall allocative efficiency within the housing system. This is especially so as the bias operates on the immediate cash costs of entry, and cannot usually be spread over the life of the mortgage. Thus adjustments in the relative prices of new and used houses cannot fully overcome the problem.

The high entry cost, coupled with the requirement of most lending agencies that borrowers provide a substantial deposit, restrict the ability to enter the owner-occupied sector to those households which have acquired or accumulated considerable assets. Many households which, on the basis of income alone, would be quite capable of meeting the recurrent costs of owner-occupation are debarred from entry by inability to meet the initial costs. Their choice, in the short-run at least, is thus restricted to the other sectors of the system, most frequently to the private rented sector. Other households can meet the initial costs on only the cheapest available houses, when from preference, and according to income, they would choose a more expensive dwelling. In such a case the possibility of transferring to a larger house after a few years is usually present, but, as such a move involves substantial transfer costs, it is less efficient than being able to choose the preferred dwelling in the first instance.

Transfers within Sectors

Turning from entry to a sector to transfers within it, we find that very similar considerations apply. Transfers within the controlled rented sector are simply not possible. Transfers within the non-controlled private rented sector are simple and virtually cost-free, but constrained by lack of knowledge and the limited range of accommodation on offer at any particular time. Transfers within the Local Authority sector are on an administered rather than a market basis, which involves considerable resource costs, cumbersome procedures and very limited choice with regard to both the timing of the actual transfer and the dwelling to which transferred. Within the owner-occupied sector, there is freedom of choice with regard to transfers, subject, of course, to financial con-

straints, but the exercise of this choice is inhibited both by the high transaction costs of transfer and by the discriminatory rules concerning new and second-hand houses.

Entry of new households to particular sectors, movement of existing households from one tenure to another, and transfer of households from one dwelling to another within sectors, are all methods whereby the stock of housing is allocated in accordance with the preferences, static or changing, of the population. With changing needs as each household passes through the life-cycle, it is not surprising that many individual changes in preference cancel out, so that one family wishes to move into a large dwelling as another wishes to move to a smaller. An easy transfer system enables this sort of mobility to take place so that even an unchanged housing stock can efficiently cater for these constantly changing individual preferences. It seems clear from our discussion that there are too many impediments to entry into the various sectors and to transfers within the sectors for the Irish housing system to be regarded as particularly efficient in this respect.

Adaptation of the Housing Stock

However, even if cheap and easy mobility were available, this would only cater for the self-cancelling element of changing individual preferences. If there are general changes in aggregate preferences, then the housing stock itself must be altered if these are to be met. These changes in preferences can be locational, especially if there are major population movements, or they can be related to the size, design, facilities, condition, or tenure type of the dwellings desired. Adaptation of the stock to meet these changes can take the form of conversions of existing structures, changes in the tenure type of dwellings, improvements in condition and in the amenities provided. Most of all, adaptation involves the building of new dwellings in the areas and of the type which are most demanded, and the simultaneous removal from the system of old dwellings in locations or of types which are no longer required. Efficiency with regard to adaptation implies that the system recognises the need for changes in

good time, identifies them correctly, and implements them speedily and at minimum resource cost.

It is difficult to judge the extent to which the changes in the housing stock have corresponded with changes in preferences. People requiring dwellings may have a house built for them on a site they own, but more frequently, and almost exclusively in urban areas, they have to choose among the stock of new and older dwellings which are already available. Provided these are not too divorced from what is most preferred, they will be occupied with apparent satisfaction. Whether a different mix of available dwellings would have yielded greater satisfaction by matching preferences more closely must remain in the realm of hypothesis.

It seems reasonable to assume that those who build their own houses match their preferences fairly completely, within the constraints of their financial situation. This is common practice in rural areas, where the new dwellings are often replacements for obsolete houses which are then either abandoned completely or become farm outbuildings. The concern over the efficiency of new dwellings provided by the system thus centres mainly on urban and suburban areas, especially in the greater Dublin area which has seen the greatest population growth in recent decades. Subject to occasional delays, apparently caused by reductions in the availability of mortgage finance, most speculative new houses for the owner-occupied sector find a ready sale. It is not common to see estates of completed houses standing empty for lengthy periods, nor even to see schemes of building started and then abandoned. Given that buyers have a free, if sometimes rather restricted, choice, this does imply that the market is reasonably successful in gauging the preferences of its purchasers, with regard to both location and design. Also, there is little evidence of expressed dissatisfaction with these aspects of purchased houses after the purchasers have moved in.

In the Local Authority sector, on the other hand, the new occupants do not possess the freedom of choice inherent in purchasing. Thus the fact that Local Authority housing schemes do become occupied does not imply that they match

preferences even tolerably well. In fact, what evidence is available in the form of stated, but not categorical, preferences before allocation, and of expressed complaints and requests for transfers after occupation, suggests that many new urban Local Authority schemes do not accord with preferences. In particular, the location of these schemes tends to be unpopular, largely on account of distance from work and city amenities. Given the other advantages of Local Authority tenancy, this dissatisfaction is not often carried to the extent of refusing allocations in new schemes, and indeed with substantial waiting lists for tenancies, it would be surprising if it were. However, it cannot be assumed that the additions to the Local Authority rented housing stock have been efficient in the sense of corresponding to preferences.

The existence of waiting lists implies that the system is also less than efficient in foreseeing the requirements for dwellings of this tenure type, or having foreseen it, in meeting the requirement. This conclusion, however, must remain tentative at this stage, as it is possible that the demand for Local Authority rented housing itself rests upon inefficiencies in the apportionment of housing costs. If it does, then the most efficient response would be, not to meet this demand in full, but to so amend the price structure of the system as to channel the demand in a different direction.

Apart from meeting changing requirements, the other aspect of efficiency in adapting the housing stock is that changes should be accomplished with minimum resource costs. So far as actual building costs for new houses are concerned, we concluded in Chapter 8 that, while no doubt some marginal cost savings could be made, there was no evidence of gross inefficiency or undue returns to capital. However, while not the fault of individual firms, we argued that the fluctuations in the level of output endemic in house building damaged the efficiency of the system as a whole.

We also suggested that land prices tended to be excessive. While this has a greater impact on the equity of the system than its efficiency, it does impair the latter in various ways. It is a factor in encouraging the building of houses further

from central locations than desired by potential occupants, it can lead to land shortages and delays in particular areas as landowners wait for prices to rise still higher, and it ties up development capital which could be more effectively used in other ways.

Even if the building of new houses were perfectly efficient, this would not guarantee the adaptive efficiency of the system as a whole. If new houses are provided when improvement conversion, or simply the more effective use of the existing stock would satisfy housing requirements equally well at lower cost, then there is a waste of resources and the system is inefficient. Undoubtedly, some inefficiency of this type is present in the system, although its extent is not easy to determine.

Of the many dwellings which are removed from the stock each year, some are obsolete by virtue of their location, and some are so dilapidated or lacking in amenities that it is, in fact, cheaper to replace them than to improve them. Others, while perfectly habitable, have to be demolished in the interests of some competing social goal, such as the provision of better roads. However, when due allowance is made for all such cases, an unknown, but probably substantial, number of useful dwellings is lost unnecessarily because the system fails to allocate relatively modest sums for upkeep or improvement. One probable cause for such loss is the operation of rent control, which militates against the proper maintenance of properties in the affected sector, and offers no incentive for the installation of facilities or other forms of improvement. Losses can also be suffered in the owner-occupied sector, where, although an adequate incentive in terms of market value exists for upkeep and improvement, the financial resources for such work may not be available to the owner.

Apart from houses being removed from the stock due to disrepair, there is an avoidable loss due to the nature of the development process in urban areas. Although planning regulations now generally specify that in any major commercial office or shopping development in the Dublin city area a number of housing units must be provided, no time-scale is laid down. Thus, while sites are being assembled,

detailed planning permission sought, financial arrangements being negotiated, or the correct timing being waited for, substantial numbers of dwellings may be held sterile. In the absence of any formal mechanism for short-term letting or legalised squatting, development companies are reluctant to allow occupation of houses or flats they have acquired for eventual re-development. The normal practice is to render such dwellings uninhabitable, by bricking up doors and windows or by removing the roof, and properties may remain in this state for years before final demolition. Thus, while the new scheme may include as many dwellings as existed on the site before the developer first moved in, there will have been a lengthy period during which few or no dwellings will have been available. This is clearly inefficient, as, for a negligible outlay, the existing dwellings could remain inhabited until the last moment before demolition. Analogous arguments apply to areas suffering from "planning blight" due to planned changes in land use, such as the routing of a future road through a residential district. In both cases the inefficiency springs principally from the absence of a suitable tenure form for cases where demolition is proposed in the near, but not immediate, future, and where, accordingly, vacant possession must be guaranteed for that future date.

Empty houses do not exist only because of anticipated demolition or change of use. On a national basis, habitable houses in wanted locations are more frequently empty because they are awaiting a new purchaser after the previous occupier has left. Naturally, if the market is to function, it is necessary that there is a margin of unoccupied houses among which potential buyers can choose. However, some houses remain unoccupied for very long periods, even in areas of high housing demand, and in the process may well deteriorate to a considerable degree. The reasons may vary. The vendor may simply be unwilling to accept a reasonable price; the owner may be expecting to return eventually from abroad, hospital, or institution; legal disputes over ownership may need to be resolved, probate may be awaited following the death of the owner, and so on. In many of these cases

it may be unavoidable that the house stands empty, but in others it means a temporary loss to the effective housing stock which could be avoided by minor changes in the legal framework of the system.

Thus, from the point of view of resource costs, it appears that the present adaptive mechanisms of the housing system are not obviously and grossly inefficient, but that they could be improved by ensuring a steadier flow of new building, by tackling the problem of land prices, and by taking steps to reduce the margin of unused dwellings in the system.

Maintaining and Managing the Stock

Within the owner-occupied sector a high proportion of maintenance work, together with all "managerial" functions, is undertaken directly by the owner on a "do-it-yourself" basis. As the labour provided in "do-it-yourself" can be regarded as voluntary and not diverted from other productive work, it cannot be counted as a resource cost. Thus, from an economic point of view, "do-it-yourself" maintenance must be regarded as highly efficient, even if the work itself is done sloppily, slowly, and with some wastage of materials. Only if the work is so bad that it actually endangers the structure of the dwelling or the lives or health of its inhabitants, is it likely to become inefficient in regard to the system as a whole. In fact, of course, much of such work is done by owners to a high standard and with greater care than would be exercised by a professional contractor. With regard to the managerial function, this is kept minimal by the nature of owner-occupation itself, and consists of little more than ensuring necessary payment for such items as ground rent and mortgage repayments, and making decisions on matters of maintenance, repairs and improvements. The time devoted by owner-occupiers to such functions, while it may be resented at times, cannot be classed as a resource cost.

Returning to the question of maintenance and repairs, where contractors are used in the owner-occupied sector, the extreme fragmentation of that section of the building industry probably does lead to some degree of inefficiency

in the use of resources. The same applies to the private rented sector, both *controlled* and *non-controlled*. Of course, in the case of the controlled sector, very little maintenance work is carried out, especially where the landlord is not himself resident in the property. While in the short run this saves costs, in the long run it is inefficient because the property may be lost to the housing system through dilapidation or can be retained only through major and costly repair work.

So far as managerial costs in the private rented sector are concerned the principal inefficiency is that disputes concerning rents, possession, or any other aspect of the tenancy agreement can only be resolved through the normal court structure. While this avoids the cost of an administrative bureaucracy, it is expensive and time-consuming in its own right, and almost certainly less effective in settling disputes than would be a specialised agency.

In contrast to the other sectors, Local Authority housing supports both a permanent administrative bureaucracy and a specialised work-force for maintenance and repairs. Because the former tends to regulate tenancies in great detail, while the latter replaces the free labour of do-it-yourself, this renders the Local Authority sector very expensive in running resource costs compared with the other sectors. Whether this expense amounts to avoidable inefficiency depends on whether the Local Government sector forms a higher proportion of the housing system than it should, on whether a lower degree of regulation would be desirable, and on whether it would be feasible to inject an element of do-it-yourself by tenants into the maintenance function. An answer to the first question must be delayed until later in the discussion, but it is hard to avoid giving a positive reply to the latter two questions.

The Role of Pricing

In a strictly economic analysis of efficiency, attention would have been focused from the outset on the pricing structure of the housing system. Textbook economics decrees that in a basically competitive market situation, which by and large the Irish housing system reflects, prices act as the mechanism by which the product is allocated, resources

allotted, and rewards distributed. Even in a wholly administered system, pricing is generally assumed to be used to relate demand to costs.

We have, nevertheless, deliberately left discussion of pricing to the end of our assessment of efficiency. In part, this is for convenience, because the price of housing services serves as a useful link between consideration of efficiency and equity. In part, it is because it enables us to outline the allocative consequences of the pricing mechanism before considering that mechanism itself. Largely, however, it is because we consider the legal and administrative framework within which prices operate to be more important than the price structure itself. Nevertheless, the methods of price determination, and the prices actually charged, are fundamental elements in weighing the efficiency or otherwise of the system.

Because it is the extreme case of a durable consumer good, housing forms a curious market. The stock of existing dwellings is so large compared with the number of new housing units which can be built within a year, or even within five years, that the relationship between the price of accommodation and the cost of providing new units can be fairly tenuous. Once a house has been completed, the capital cost of building it has been sunk, and the house exists whether or not the price received for its occupation provides an adequate return on that cost. Thus, in the short-run, if a surplus existed, prices received by way of rent or of purchase could theoretically do no more than cover the maintenance cost of the dwelling or the site value of the property. In a free market it could pay owners to accept such rents or offers. Of course, in such situations no new building would be undertaken, and a growing shortage of houses, as some fell out of the stock, would gradually force prices up again to the level at which new building would once again become profitable. Conversely, in a situation of shortage, prices of existing houses could be very much higher than the cost of building, and would remain so until the high profits available from development brought about sufficient addition to the stock to remove the condition of shortage. A further complication is that, if a free market also exists in land, then the benefits deriving

from a shortage of housing are likely to accrue to landowners in the form of higher land prices, more than to the developers actually engaged in building the required dwelling. This would tend to slow down the process of adjustment towards a long-run equilibrium price.

However responsive builders of new houses may be to increases in price, the supply schedule of total accommodation is thus very inelastic and, in the short-run, prices can diverge greatly from the cost of providing accommodation. Even in a fully competitive market system, in which all rents and other housing costs were subject to continuous adjustment, the relationship at any time between the cost of building and the price of accommodation would be tenuous, although there would always be a tendency for the latter to move towards the building cost.

In actual practice, with different types of tenure, differing times of entry to the housing system and near-continuous inflation over the lifetime of most householders, the connection between any individual's housing cost and the cost of providing a new unit of the type of accommodation he occupies is very much a matter of chance.

The Market Sectors

It was seen in Chapter 3 that within the owner-occupied sector the most important element of housing costs is the servicing of the mortgage or other debt raised to purchase the house. Where ownership is outright, there is of course no such debt to service. Where a mortgage is outstanding, a principal determinant of its size is the date at which the house was purchased, with the payments on a small house bought within the past year or two being much greater than those on a larger, better, house bought five or ten years ago. However, despite this great variation in the actual cash outgoings of different households, the pricing mechanism can work as an efficient allocative agency in the owner-occupied sector. Whether the occupant wholly owns his dwelling or whether he has a substantial mortgage, he possesses the option of selling it at its current market price and of using the pro-

ceeds to buy, or to meet the deposit on, an alternative dwelling.

If he buys a house at the same price, then his outgoings, high or low, will remain at much the same level. If he buys a more expensive house, then his outgoings will rise, but only by the cost of servicing the additional debt on the difference between the value of his old and his new dwellings. If he buys a cheaper house, then he will save on servicing the reduced debt, or will be able to enjoy the interest on the capital he has realised by trading down the market.

Thus the true cost to the occupant of remaining in his existing house is the loss of the opportunity to move into a different one. Whatever the differences in outgoings between different households, for each household individually there is a wide range of choice available for relatively small changes in total outgoings. So long as house prices at any particular time are related through the market to such preference factors as location, size, design amenities, age and location, and so long as there are some variations among households in their assessment of such factors, then the allocation of owner-occupied dwellings through the operation of the pricing mechanism is at least potentially efficient.

That this potential efficiency is not fully realised is due to inertia among occupants of unsuitable housing, to a failure to perceive that there is an "opportunity cost" involved in living in a "cheap" house, and above all to the unnecessarily high transfer costs already discussed, which render what would otherwise be a rational change of home prohibitively expensive.

In the non-controlled private rented sector, a market system also operates. In this sector, rents are revised frequently enough for the actual outgoings of each household to reflect fairly accurately the current market pricing. Moreover, there are no substantial costs involved in transferring from one dwelling to another, and no tradition of permanency to induce inertia. Thus the only real impediments to allocative efficiency in this sector are the fragmentary structure of the market, leading to an element of ignorance by both landlords and tenants of the prices and quality of

accommodation offered elsewhere in the market, and the discriminatory behaviour of many landlords, which places certain groups of tenants, especially those with young children, at a permanent disadvantage compared with others willing to offer the same rent.

The Non-Market Sectors

The pricing system does not operate as an allocative mechanism in the remaining sectors. Frozen prices to sitting tenants, allied to permanency of tenure and lack of new lettings, obviously precludes price from playing any significant part in reconciling preferences with costs in the controlled rented sector. If one is an occupant of this sector, and wishes to remain so, the only option is to continue to dwell in the same house. Any changes in rent are the result of the persistence of the landlord in utilising the legal system and not a response to market forces. As there is no alternative allocative procedure, the sector is clearly inefficient in allocating its stock of accommodation.

Within the Local Authority rented sector, prices are deliberately not used for allocating dwellings. Although in some of the older schemes which survive there is some relationship between the size of the house and the rent, the differences in rent are so small as to be almost meaningless. Among the dominant differential rent schemes, the maximum rents, even where they apply, are determined more by the date at which the dwelling was erected than by its size, location or amenities. Even differences in current costs of maintenance between one dwelling and another are not reflected in differences in household housing costs. However, this divorce between the characteristics of the dwelling and the price charged for it does not in itself imply that the allocative process within the sector is inefficient, but simply that a conscious decision has been taken to use an administrative, rather than a market, system to determine allocation.

Among the minor sub-sectors of the housing system, pricing plays no part in allocation of accommodation among squatters, rent-free tenants or the majority of institutional inhabitants. In temporary dwellings and in some types of long-term

institutional accommodation, price does tend to be related to the quality obtained and thus is a major factor, although not necessarily the dominant one, in determining allocation.

Price Discontinuities Between Sectors

It is in effecting the distribution of households between sectors, rather than within each sector, that the present price structure of the Irish housing system shows the most obvious symptoms of inefficiency. With changes in circumstances, particularly those associated with normal progress through the life cycle, many households could be expected to prefer to change their tenure status from time to time. A typical example would be of a young couple wishing to preserve mobility, preferring to rent accommodation initially, then with the arrival of a family and more settled employment wishing to enjoy the security of tenure and freedom of action associated with owner-occupation, and finally, with the family left home, wishing to realise the capital tied up in their house and resume a tenant status.

As the system currently operates, such a pattern can be quite difficult to achieve. Not only are there the barriers and costs of entry to the owner-occupied sector already described, but the ongoing running costs in each sector can provide severe discontinuities which act as a deterrent to such changes. Thus the advantages to be gained in terms of location, size, or physical condition must be very large in order to tempt any household to move from a controlled rented house at a rent of, say, 80 pence per week, to an owner-occupied house with weekly mortgage payments of £20 per week. Moderate advantages in matching preferences, the realisation of which would add efficiency to the system, are outweighed by the huge difference in costs.

Similarly, and more frequently, price discontinuities prevent households moving from the Local Authority rented sector to the owner-occupied. Although the package of housing features available by buying a house may be strongly preferred to those accorded by remaining a Local Authority tenant, the difference in weekly cost may well influence a household to opt for the latter. This is particularly true where

tenants are paying a low fixed rent under one of the older tenancy schemes, or a low maximum rent for a mature house under a differential rent scheme.

Of course, a compromise is offered to many tenants in the form of tenant purchase schemes, whereby they can become owner-occupiers of the house they are living in. Because of the very favourable terms on which such purchases can be made, this change in tenure status involves relatively little increase in annual outgoings, as well as avoiding most of the initial entry costs associated with buying a house in the normal way. However, such change of status is not available to all tenants, and even for those who do possess the option, it offers only a change of tenure, and not a change of house. It is true that in due course the full range of choice of the owner-occupied sector becomes possible, subject to the costs of transfer within that sector, although at times such freedom of action may be limited initially by the existence of restrictive clauses in the purchase agreement. The other potential drawback of purchase schemes, from the point of view of the system rather than the tenant, is that they involve dwellings, as well as tenants, changing tenure status. Thus, if there appears to be a shortage of rented dwellings in an area, it is of little advantage to the community for a tenant to shift into owner-occupation if he takes his house with him into that sector.

With the exception of tenant-purchasers, the high expenses normally faced in the early years of living in a house bought on a mortgage reinforce the entry barriers provided by the actual purchase cost. This, undoubtedly, reduces the number of households seeking to move from other tenure forms into owner-occupation. In the opposite direction, the only realistic movement to contemplate is from owner-occupation to the non-controlled private-rented sector. Entry to the controlled sector is impossible, while administrative regulations make it extremely rare for a house owner to be able to enter the Local Authority rented sector. In terms of total opportunity cost, including interest foregone on the current value of the house, there may be no severe discontinuity between the price of living in the owner-occupied sector or

renting a comparable private dwelling. However, in terms of actual cash outlay, the difference is likely to be very large for any household which has owned its house, with or without a mortgage, for any substantial period. This increase in payment, even if compensated by an increase in income from investing the sum received on selling the house, is likely to deter many households from considering such a move, and adds further rigidity to the system.

The Equity of Price Differences

While the wide variation in housing costs, both within and between sectors, have been seen to impair the efficiency of the housing system in offering a full range of choice to its inhabitants, its impact is even greater on the equity of the system. Indeed, it would be no exaggeration to state that the huge differences in actual housing costs faced by households living in similar dwellings, and with otherwise identical financial circumstances, are among the principal faults in the Irish housing system as it currently operates.

These differences operate within sectors and between sectors. They can result in weekly payments for a 50-year-old urban artisan's dwelling varying from well under £1 in the form of a controlled rent to over £20 per week in mortgage repayments, repairs and insurance for the new owner-occupier. For a modern suburban family house, the costs can vary from virtually zero for a Local Authority tenant on a low social welfare income, under a differential rent scheme, to over £30 per week for a new owner-occupier with a large mortgage, and down to under £1 for an outright owner.

The differences are related to no single factor. They do not vary solely with the location, size, style or condition of the dwelling, they are not exclusively dependent on the income of the household; the age of the head of the household does not determine them and nor does the type of tenure. Each of these factors has some influence, and it is the interplay between them, with one being dominant in some circumstances, and another in different cases, that leads to the final result appearing arbitrary and random.

The major differences between sectors are understandable as they do tend to reflect the different philosophies which underlie the existence of each of the sectors. Thus rents are low in the controlled sector because of an initial belief that tenants needed protection from landlords during a temporary period of artificial shortage and inflation, followed by a long period in which political expediency has acted as a powerful protector of the slumber of sleeping dogs. In total contrast, rents are high in the non-controlled sector because of a conscious commitment to the market ethic, and a fear that any interference with the adjustment of rents to current market circumstances could lead to unforeseen repercussions on the supply of rented property.

In the Local Authority rented sector, there now appears to be full acceptance of the principle that rents should be related to household income rather than to either the current state of the housing market or to the characteristics of the individual house. The legacy of earlier schemes, and a residue of attachment to the notion of covering the original financial cost of each house through a hypothetical maximum rent severely complicate the application of the principle of income-related rents. Nevertheless, it is the dominant feature of pricing policy in the sector. Because incomes of Local Authority tenants tend to be below the average of non-agricultural incomes, and because a combination of social and political considerations imparts a downward pressure on the rents actually charged on either a differential or a fixed basis, the average rent for Local Authority housing tends to be low in relation to the market sectors of the housing system.

Around this relatively low average, the range of Local Authority rents is fairly wide, with better-off households in modern dwellings paying up to £10 per week, while some poorer households pay virtually nothing. The range of housing costs in the owner-occupied sector is even greater, reflecting the application of a market philosophy to the circumstances of house ownership during a prolonged period of inflation. The reason for this is that although the prices of houses being sold at any one time are determined by market forces, the

buying of a house is a once-for-all transaction, which to a large extent fixes the annual cost in money terms for years to come. In contrast to private sector rents, which keep pace with the current value of the dwelling, the payments on an owner-occupied house remain related to the value at the time of purchase.

When discussing the efficiency of the system, it was suggested that the notional opportunity cost based on the current value of the house should be taken into account, because it affected the decision whether to retain the house or move to another. When equity is being considered, it is best to disregard this notional cost. This is because any potential income through re-investment is itself a function of the household's housing situation. In the majority of cases it has arisen, not from the transfer of assets from other uses into housing, but simply from the appreciation of the value of the house itself, since its original acquisition. Thus the additional freedom of choice possessed by the owner is a bonus conferred on him by the operation of the housing system itself, and its exercise in favour of continued residence should not be regarded as a cost or sacrifice.

If the notional opportunity cost is disregarded, the main determining factor in the housing costs of owner-occupiers is the size of the debt outstanding on the dwelling. In turn, a major determinant of the size of debt, in an inflationary period, is the date at which the house was purchased. Those who have owned their houses for more than twenty-five years, along with those who inherited their house in the first place, generally have no debt outstanding at all, since their mortgage will have been fully paid off. Those who have owned their house for more than about five years will generally be servicing a mortgage of only a fraction of the current value of their house, and will consequently be paying relatively low housing costs. Only those who have bought their houses in the past five years, and especially in the past two, will be paying housing costs of the same order of magnitude as those in comparable dwellings in the uncontrolled private rented sector.

Only in minor ways, such as the re-scheduling of mortgage

repayments negotiated with the lending agency, is the income of the household taken into account, and then only in extreme cases. Thus it is difficult to compare housing costs between the owner-occupied and Local Authority sectors. Outright owner-occupiers, regardless of income, have low housing costs, more or less in line with those of poorer Local Authority tenants, and considerably below those of better-off tenant households. Those who own houses with the aid of substantial mortgages, again regardless of income, have high housing costs, which are unlikely to be matched by even the most affluent of Local Authority tenants. Over the entire life cycle, provided that inflation remains constant, the total outgoings of owner-occupiers of similar houses are likely to be reasonably comparable, and rather above those of almost any Local Authority tenants. However, such equality takes a very long time to become manifest, and it is realistic to attach more weight to the medium-term cost differences than to the long-term similarities.

In summary, housing costs can be regarded as conforming to the following pattern. Lowest costs are faced by the poorest Local Authority tenants on differential rent schemes. This can, in itself, be seen as equitable. The next lowest costs are faced by outright owner-occupiers and by controlled tenants. In each of these cases, the household income may be low or it may be high, very high in the case of some owner-occupiers. Also, as in the case of Local Authority tenants, the dwellings involved may be good, bad or indifferent. Very low housing costs which are related neither to the quality of the housing nor to the income of the occupants do not answer the definition of equitable.

Moving up the spectrum of costs, moderate outlays are faced by Local Authority tenants on fixed or low maximum rents, or on differential rents with average or lower incomes, and owner-occupiers with small mortgages. Again, the costs are generally not related to the quality of the housing, or, with the exception of differential tenants, to household income. Much the same applies to those with rather higher housing costs, comprising the better off differential tenants and owner-occupiers with medium-sized mortgages.

Finally, the highest costs, in relation to the accommodation occupied, tend to be faced by those in the non-controlled rented sector and owner-occupiers with large mortgages, many of whom are recent entrants to the sector. Within each of these two groups, outlays tend to be related to the quality of accommodation, but this relationship does not hold between the two, or between either and any of the lower-cost groups already described. In neither case is there any relationship between costs and income. The very high cost of housing among these groups, many members of which have lower than average income, is disturbing, especially in the case of the tenants who cannot look forward to an ultimate reward in the form of low-cost outright ownership.

Other Aspects of Equity

Disparities in housing costs form only one aspect of possible inequity in the system. According to our definition of equity as a defensible distribution of overall freedom of choice, they act on equity principally through restricting the degree of choice left in other facets of life after housing costs have been met. Other features of the housing system can affect freedom of choice more directly.

Disparities in Access

The most important such feature is that of entry into the various sectors of the housing system, and inequity arises if there is an appreciable degree of discrimination between those seeking entry. Clearly there are areas of differentiation affecting entry into each of the major sectors.

Entry to the controlled private rented sector is possible only for those few who inherit a controlled tenancy. Such inheritance is the product solely of birth and of circumstance, and is in no way related to the need or preference of the person or family inheriting for low cost housing with secure tenure.

While entry to the controlled rented sector is restricted to those who satisfy fairly stringent legal requirements, there are no formal restrictions on entry to the non-controlled sector. Nevertheless, there is ample evidence that discrimina-

tion between potential tenants is practised by many landlords. Several minority groups, distinguished by background, occupation, appearance, and, perhaps, colour, appear to find it harder to obtain accommodation in this sector than more conventional tenants. The most serious consequences flow from the tendency of many landlords, for understandable reasons, to be reluctant to let accommodation to families. Although private renting, with its high outgoings and generally small units, is by no means the ideal solution for family housing needs, it is sought by many couples with young children. On a temporary basis it may meet their requirements, while in many more cases it offers the only short-term prospect of establishing their family as a separate household. Thus, any barrier to entry can cause either emotional stress, through continued forced sharing of accommodation with parents or other households, or physical hardship through rough squatting, living in unsuitable temporary dwellings or actual homelessness. The shortage of landlords who will accept tenants with families and the poor quality of most rented accommodation which is available can, therefore, pose severe problems. Allied to this is the high cost of accommodation in the sector, which in itself acts as an impediment to entry for many young families, and keeps them from seeking separate rented homes.

The lack of equity imposed by the difficulty of finding private rented accommodation exacerbates the greater inequities caused by the failure of the system to admit these young families to other sectors. Although in a small number of cases private renting might be actively preferred to other types of tenure, most families which consider it do so only because they know their prospects of becoming Local Authority tenants or owner-occupiers are remote.

The principal discrimination affecting prospective Local Authority tenants is geographical. In many rural areas or small towns there is little difficulty or delay for established residents in obtaining a tenancy. In other areas, and particularly in the major cities, access to the sector can be difficult and distressing. Either needs must be very urgent due to exceptionally bad living conditions or a long delay must be

endured. Effectively, many small families with only one child, and some families with two children are likely to remain on the waiting list for years. Apart from the difference in the prospects of entry between residents of one area and another, there is a further distinction of a geographical nature whereby those who change areas are at a grave disadvantage in the allocation process because of the residential qualification imposed by most Local Authorities.

These geographical disparities are by no means the only sources of inequity in entry to the Local Authority sector. Minor and debatable inequities can arise from arbitrary, over-rigid, or obscure selection criteria within particular Authorities. A larger and more systematic discrimination exists through the practice of permitting the inheritance of tenancies virtually regardless of housing need. The final source of arguable inequity is inherent in the conscious policy of Local Authorities of catering for family housing needs. With the exception of some elderly individuals, this ensures that no attempt is made within the sector to provide housing for single people, either individually or in groups. While the priority for families is understandable, the total disregard of the single, whatever their financial or housing circumstances, does appear to be inequitable towards a substantial proportion of the population.

Despite these severe shortcomings from an equity standpoint, the Local Authority sector possesses one overriding virtue. Entry is not barred by lack of income, and apart from the fact that too high an income may render an applicant ineligible, income is not taken into account in making allocations. Thus, as the system currently operates, this is the only sector to which families with low and irregular incomes can hope to obtain entry and within which they can hope to enjoy adequate housing standards. They will possess little choice of dwelling on entry, but neither will any other new entrant, and provided that they have succeeded in avoiding rent arrears they will have an equal opportunity with wealthier tenants in seeking subsequent transfer to a more preferred dwelling.

Entry to the owner-occupied sector provides much greater

initial choice, but the possibility of entry is governed primarily by financial criteria. Those individuals who possess adequate capital resources to purchase a house outright can obtain entry without any difficulty. There is no evidence that in Ireland any potential outright purchasers have suffered from discrimination on grounds of race or membership of a minority group which has prevented them from buying the house of their choice.

However, new entrants to the sector with the ability to purchase a house outright are rare. The great majority of potential new entrants must rely on borrowing the greater part of the purchase price from a long-term lending agency. It is in the obtaining of such a loan that inequities can arise between applicants. Because Building Societies, Banks and Insurance Companies have responsibilities to their depositors or policy holders, they exercise considerable caution in extending loans. While this caution is proper in itself, it can perhaps be over-applied, and it can result in apparent discrimination against those in particular occupations, of unconventional appearance or habits, and in general against those who do not conform fairly closely to one of the stereotypes of desired borrowers in the minds of the institutional managers.

A second source of inequity in the obtaining of loans is the fluctuation over time in both the availability and cost of funds. A household may obtain a loan without difficulty when funds are plentiful and be able to afford it while interest rates are low. A similar household in identical circumstances may be unable to obtain a loan at all a year or two later when funds are scarce, or may feel unable to seek one because they will be unable to afford repayments with high interest rates. These temporary inequities result from the operation of the wider financial system rather than from the housing system itself, but they are transmitted via the latter, which lacks the mechanisms to significantly soften their impact.

The Principal Inequity of the System

It is the interaction between the financial requirements for entering the owner-occupied sector, the social criteria for

becoming a Local Authority tenant, and the cost of private renting which creates the greatest overall inequity in the housing system. It may be recalled that in our discussion of the equity criterion in Chapter 1, it was stated that in order to be fair, the housing system should not operate in such a way as to reinforce or intensify the income differentials dictated by the economy as a whole.

Such reinforcement and intensification of disadvantage are exactly what the system does provide in relation to a significant proportion of poorer households. Because of inability to accumulate a substantial deposit out of a low income, and because either the smallness or irregularity of this income convinces the managers of lending institutions that repayments would be at risk, these households are unable to become owner-occupiers. This forces them to live in private rented accommodation, the high rent of which prevents any opportunity of saving the required deposit. If the family is large enough, or if the rented dwelling is sufficiently dire, then there is a possibility of becoming Local Authority tenants, but for single people, childless couples or even some single child families, this way out is virtually closed in urban areas.

To exacerbate the problem in recent years, the size of deposit required for house purchase has risen rapidly with the increase in house prices, so that, even if the household has made the considerable effort of saving out of a limited income while paying open-market rents, the necessary sum is never approached. The introduction of the grant to first-time buyers has helped in this respect, but has by no means eliminated the problem. The final disastrous aspect of the situation is that it becomes increasingly difficult to obtain a loan once the head of the household has passed forty years of age, so that if escape has not been effected by early middle age, the trap can be permanent.

The manner in which this process converts differences in income into differences in the whole life style of households is obvious. The crucial factor may be a differential of £100 or £200 per year in the critical period following marriage. The family with the higher income may be just able to save

a deposit and convince a Building Society that they satisfy its income criteria for obtaining a loan. The other family, with the same expenditure pattern, may be unable to accumulate the necessary deposit, and even if they do, may fail to meet the income criteria. The difference to their subsequent lives can be dramatic. The former obtain immediately a considerable choice of dwellings, and the choice can become much further extended in later years as the balance between the value of their house and the loan outstanding grows. Their housing costs, while high at first, are likely to grow only slightly in money terms and to decline substantially in real terms assuming that even mild inflation continues. Their freedom of behaviour is wide and their security of tenure good.

The latter family, because of their minor income deficiency at the critical time face the very restricted choice of living indefinitely with relatives or of obtaining private rented accommodation which is within their restricted means. If they rent, the dwelling is likely to be of poor quality, the costs comparable to those of house ownership but increasing at least in line with general inflation, their choice will remain circumscribed, their freedom of behaviour subject to the attitudes of their landlord and their tenure insecure.

Although simple income differential can by itself be sufficient to create this massive discrepancy in aggregate freedom of choice throughout their lives, there are usually other complicating factors of a more random nature also at work. As already seen, timing can be one such factor, with a household managing to enter the owner-occupied sector just before a shortage of lending funds raises the deposit requirements above their capacity. Other random elements include the timely receipt of a legacy as contribution towards raising the deposit; the unfortunate loss of a job through redundancy, illness or otherwise, at a time when it not only reduces income but also is prejudicial to chances of obtaining a loan; or the existence of compatible relatives with adequate housing space, with whom the household in question can share at low cost until sufficient money has been saved.

Finally, the role of SDA loans through Local Authorities

must not be overlooked. These tend to provide the principal source of funds for low income families wishing to buy a house. In 1975 and 1976 their usefulness declined drastically, especially in urban areas, because of too low a limit on the size of loan and an unrealistic ceiling on the income level for eligibility. These features have been remedied, and it is to be expected that Local Authorities will once again become an important source of funds. Nevertheless, the availability of SDA loans, and of the useful low-rise mortgage scheme introduced in 1977, merely modifies the discontinuity in housing prospects by shifting downwards somewhat the income level at which the break occurs between those who can and cannot buy houses. Deposits still need to be acquired and ability to meet repayments still needs to be demonstrated, albeit according to easier criteria than those operated by other lending agencies. Moreover, further sources of discrimination exist, in that they are available only to families or married couples, and not to other types of household, while there are unequal opportunities of obtaining them according to which particular Authority is involved.

It seems fair to conclude that the complications described merely add an arbitrary element of chance, which blurs, but does not remove, the basic line of demarcation based on income. The housing prospects of the poor, unless they can become Local Authority tenants, are so much worse than those of the better-off, that differences in aggregate freedom resulting from income differentials are greatly magnified by the operation of the housing system. For those on the wrong side of the dividing line, the system is thus inequitable, and the fact that their numbers are relatively small does not prevent this being the major flaw in the system, outweighing in importance the lesser inequities affecting greater numbers of households in less disadvantageous circumstances.

The Role of Public Policy

So far we have discussed the efficiency and equity of the system according to the way it actually operates, with little attention paid to the reasons why it operates in these ways. In particular we have not yet explored the impact of specific

aspects of official policy, nor how far the distribution of public funds within the system ameliorates or accentuates its specific shortcomings. Obviously, the framework of laws, both general and particular, defines the shape of the system, while the allocation of money in the form of direct public expenditure, grants, loans and subsidies, or its withdrawal in the form of taxation, has a profound influence on the system's day-to-day operation.

We must, therefore, conclude our assessment of the system with an examination of public policy in both its legal and financial aspects. In so doing it is hoped to show how far policy is responsible for the good and bad features of the system, and whether changes in policy could improve its efficiency or increase its equity. At the same time, some further consideration can be given to the question of the overall level of public financing of the housing system and whether resources could reasonably be freed for use in other areas of society by reducing the flow of public funds into housing.

The Framework of Legislation

It is policy, reflected in the presence or absence of specific laws, which is responsible for the continuing existence of the four major sectors of the housing system, as well as shaping the major institutions operating in those sectors.

Thus, housing policy can claim credit for the relatively successful functioning of the owner-occupied and Local Authority sectors. The easy access to owner-occupation for those possessing the means, the existence of an effective and secure network of institutions providing long-term finance for house purchase, and the characteristics of full security of tenure for owner-occupiers are all the result of suitable legislation on property rights and the control of financial institutions. Likewise, the presence of a substantial Local Authority sector of dwellings for rent, the principle of allocation by need rather than means, and the growing application of pricing in relation to income are the fruit of public policy embodied in both enabling and positive legislation and in administrative decisions by the Local Authorities themselves. Public policy

can also take some of the credit for the long-term improvement in the quality of accommodation within both of these sectors, through the introduction and enforcement of minimum standards of design, construction, and amenities.

However, if legislative policy is to be praised for the more positive aspects of the owner-occupied and Local Authority sectors, it must also be criticised for some of their shortcomings. One obvious ground for such criticism is the failure of laws on land ownership and transfer and on planning to ensure either a steady supply of suitable sites for housing development, controlled land prices, or a socially just distribution of the benefits of increasing land values. A second major criticism concerns the cumbersome system of establishing and proving title to land and property, which adds greatly to the resource cost of transferring ownership of dwellings and thus seriously hinders mobility within the owner-occupied sector. Minor criticisms include an alleged inadequacy of legal protection for house purchasers, and the influence of past grant regulations in encouraging stereotyped new housing.

In the Local Authority sector, it is conscious public policy, embodied in successive Housing Acts, which perpetuates the exclusion of non-family households. This further restricts the range of new dwellings being added to the total housing stock, as well as presenting direct discrimination against single households. Public policy, either through directives or guidelines from central Government or through decisions made at local level must also be held responsible for the many minor inconsistencies evident in the process of allocating tenancies among qualified families, and for the excessively paternalistic approach towards the Local Authority/tenant relationship.

While these relatively minor flaws in the owner-occupied and Local Authority sectors do serve to impair the efficiency and reduce the equity of the housing system, there can be little doubt that the legal aspects of public policy have far more deleterious effects within the private rented sectors. Indeed, the very existence of two distinct sectors based on private renting is the result of piecemeal legislation, and the

major defects of each can be seen as the result of inappropriate laws in the one and absence of laws in the other.

The existence of the controlled sector rests on the various Rent Control Acts between 1915 and 1967. The nature of these Acts, and their continuation through a long inflationary period, have had disastrous consequences. These include the steady and rapid decline in the stock of low-priced unfurnished rented dwellings, as the effective disincentive to landlords has meant that no new units have been added, while existing units have decayed or been changed to other uses. This, in turn, has led to increased pressure of demand on other sectors, especially the Local Authority rented sector, which have had to provide new dwellings to replace those which have been allowed to deteriorate beyond habitability for want of minor maintenance expenditure.

A further source of grave inefficiency is that the limited stock of cheap unfurnished rented accommodation is rigidly allocated to its existing tenants and to those relatives who possess the qualifications to inherit a tenancy. No mobility within the sector is possible, and neither allocation nor rents are related to any comprehensible economic or social factors.

With regard to equity, tenants in this sector have housing costs which in many cases are unfairly low in relation to the costs paid by occupants of other sectors, and which are dependent on neither the income of the households nor the location of their dwellings. Also, as between tenants and landlords, it is highly inequitable that low income landlords, of whom there are significant numbers, should be forced to subsidise tenants who may in some cases be better off than themselves. This is especially so in those cases where, because the landlord himself lives in part of the dwelling or because the tenant is unwilling to purchase the property at a fraction of its open-market value, the landlord in effect is unable to extricate himself from his position even at a capital loss.

Within the non-controlled sector, it is the lack of legislation which results in inequity, and, to a lesser extent, inefficiency. It is true that in most districts by-laws exist covering standards of structure and safety, but these are difficult to enforce and of doubtful relevance to the major problems of the sector.

These centre on the high level of rents which can be increased virtually at will, the insecurity of tenure, and the power of landlords to discriminate in choice of tenant and to impose unreasonable conditions of tenancy, as well as on the physical condition of the accommodation which alone would be covered if the by-laws were adhered to. It is difficult to see how these problems, and the many inequities which result both within the sector and *vis-à-vis* other sectors, can be dealt with in the absence of some form of regulatory agency. This could also subsume some of the functions presently fulfilled, not very satisfactorily, by the normal judicial system, and as a by-product could act as a channel of information. Obviously such an agency would need establishment by law. Until such law is enacted, this important sector of the housing system is unlikely to realise fully the important advantage of flexibility which it possesses and it will remain subject to justifiable complaints of exploitation and unfairness.

The Flow of Public Funds

The legislative framework governs the structure of the housing system, and, as we have seen, is responsible for some of the flaws in that structure as well as for its overall serviceability. The other major vehicle for the influence of public policy on the housing system is public finance. Very large sums of money flow from the exchequer into the system through various channels, while certain forms of taxation are closely related to housing. Naturally these two-way flows affect both the overall fairness and the efficiency of the system. At the same time, because public funds are themselves a scarce resource, the direct efficiency of their utilisation must be considered.

There are two major types of public financial transactions with the housing system which need to be examined. The first is the provision of public capital funds for new building, reconstruction and other means of augmenting or adapting the housing stock. The second is the payment of subsidies, actual or implicit, which reduce the cost of occupation for various segments of the population.

Capital Expenditure

Public capital flows into the system both through the provision and improvement of public sector housing and through the payment of grants and loans to private households. Table 10.1 shows the major forms of such expenditure in recent years.

The notable features of this table are the very rapid rise in total public capital expenditure on housing between 1970 and 1975, and the substantial fall, especially in constant price terms, between 1975 and 1977. Even the large increase sanctioned for 1978 will not take the total back to its real 1975 level. Among the components, spending on Local Authority housing has been relatively stable at constant prices, growing steadily in the early part of the decade and showing little variation since 1975. Both house purchase loans and grants have fluctuated much more radically through the period, and between them have accounted for most of the changes observed in the constant price total expenditure.

To a considerable extent, Local Authority loans should be regarded in a different light from the other forms of capital expenditure. In the first place they are, in the long run, self-liquidating in that they are ultimately repaid by the borrowers with full interest. By definition, grants are not repaid, while the provision of Local Authority rental housing does not, in the Irish system, lead to a sufficient flow of funds to service and repay the debt incurred. The other feature which differentiates loans from the other forms of expenditure is that Local Authorities are only one source among several for potential borrowers, so that the share of such finance can fluctuate considerably without necessarily having a dramatic impact on the overall availability of funds for house purchase. This is not true of the other forms of public capital expenditure which are the sole sources of the particular types of finance involved.

Turning to the future, it seems likely that the constant price level of public capital expenditure will tend to decline. On current housing policies, the share of Local Authority housing is expected to be reduced, and this within the context of a modest fall from 1978 levels in total house construction. The

Table 10.1: *Public capital expenditure on housing*

£ million

Financial year	Public sector		Private sector			Total public capital expenditure	Total at constant 1975 prices††
	Local Authority housing†	Other	Grants from Department of Environment	Local Authority supplementary grants	House purchase and reconstruction loans		
1970-71	16.08	1.65	3.64	2.22	7.06	30.65	55.83
1971-72	24.79	1.96	4.49	2.37	8.96	42.57	71.19
1972-73	28.78	2.08	6.50	3.48	10.99	51.83	79.74
1973-74	35.48	2.77	7.82	3.88	21.77	71.72	98.25
1974 (Apr-Dec)	40.08	3.77	5.35	3.79	30.35	83.34	98.39
1975*	55.60	4.41	7.49	5.13	42.51	115.14	115.14
1976*	65.10	3.60	6.50	4.17	25.80	105.17	89.13
1977*	71.70	2.09	4.60	3.16	17.66	99.21	73.98
1978**	80.77	2.11	17.00	1.70	39.00	140.58	97.97

* Provisional Outturn.

** Allocation.

† Including Land Acquisition. In 1978, including provision for low-rise mortgage scheme.

†† Deflated by Consumer Price Index.

Source: Quarterly Bulletin of Housing Statistics, March 1978.

demand for first-time purchasers' grants is also likely to level off and then decline somewhat after the initial bunching of applicants is dealt with. The amount of funds raised by the State for channelling into house purchase via Local Authority loans will be to some extent dependent on the progress of private sector lending agencies in providing funds. This, of course, will not be completely independent of overall Government borrowing policies, for both Building Societies and banks tend to be in competition with the State as recipients of the saving of the general public. Although other factors, such as the growth in National Income and movements in the general propensity to save, will be of vital importance, the lower the borrowing requirements of the State the greater the likelihood of an increased flow of private sector finance for housing. Conversely, the greater the extent to which any reductions in public capital expenditure on housing are offset by increased public spending elsewhere, the more difficult will it be for the private lending agencies to provide sufficient funds to replace the fall in State finance.

In all probability, given reasonable economic growth, the funds available to the private sector lending agencies will be sufficient to enable some long-term reduction in the proportion of house purchase finance provided by Local Authorities, even if most of the saving in public capital expenditure on housing is diverted to other forms of public outlay rather than left in individual pockets. There will be fluctuations from year to year, necessitating temporary transfers of public capital into house purchase loans, but there seems no reason to suppose that there will be any tendency towards prolonged increases in this form of financing.

If this expectation of private channels taking over a higher share of house purchase finance is correct, then it may be necessary to take some steps to ensure that the lower paid house purchaser does not find it unreasonably difficult to obtain loans in future. Some form of public authority guarantee to the private sector lending agencies in respect of clients whom they regard as marginally uncreditworthy on income grounds might be a more effective use of public funds than the present Local Authority loans system.

With regard to total public capital expenditure on housing, it thus seems that our initial assumption of taking the present allocation of resources as a constraint to the housing system may have been unnecessarily generous. A substantial reduction in the levels reached in the mid-1970s would be compatible with the continued satisfactory functioning of the system. Indeed this seems to be the likely outcome of present housing policies.

Public Subsidies

While authoritative figures are available for capital expenditure, and while these provide few conceptual problems, the area of subsidies is not nearly so well defined. Problems abound concerning just what should be regarded as a subsidy and what should not, and, even if these can be overcome, the data available are far from perfect. A brave attempt to face these difficulties and to present detailed estimates of housing subsidies in 1975 was made by NESC (1977). The NESC estimate of a total subsidy level in 1975 of £96 million includes £12½ million for State and Local Authority grants, which, while undoubtedly subsidies, have already been discussed above as part of public capital spending. The total figure also includes such items as tax foregone on controlled rents, exemption from stamp duty on the purchase of new houses, rates remission on new houses, and relief from taxation on capital gains, which are of doubtful validity as subsidies to the housing system as a whole, as distinct from redistribution vehicles within it. However, against the £17 million contributed to the total by these doubtful items must be placed the possible underestimation of the true value of certain other subsidies, so that even on alternative definitions, a figure of between £80 and £100 million in 1975 is probably of the correct order of magnitude.

In any case, the exact level of total subsidisation is of less importance than the general trend in expenditures made and income foregone, or than the nature and direction of the specific major flows. With regard to the trend, the NESC Report shows that total subsidies rose from £38.6 million in 1971/72 to £96 million in 1975, an increase of 149 per cent

in money terms and of 49 per cent in real terms. It is not possible to update the NESC estimate for total subsidies, but examination of some of the principal components suggests that in money terms there has been a further substantial increase since 1975, although in real terms the rate of increase may have slowed.

With prices of owner-occupied houses, and thus the average size of mortgage, growing, with increases in Local Authority rents continuing to lag behind the rise in earnings, and with sales of existing Local Authority houses proceeding steadily, it would appear that present policies are likely to lead to an ever growing level of current subsidy. Given that the public sector deficit between total current expenditure and revenue cannot widen indefinitely and that official policy is to reduce the deficit in future years, it is clear that a rising level of housing subsidies would be in direct competition for limited funds with other desirable forms of public spending or with alternative methods of tax reduction. It thus seems likely that the current pattern of subsidy, both explicit and implicit, will come under severe scrutiny to see whether economies can be made which will at least check its growth, if not lead to its actual reduction.

In looking at any possible cuts, attention must obviously be focused on the specific types of subsidy rather than simply on the aggregate. As it is also the nature of the major flows rather than the amount of total spending which influences the equity and efficiency of the system, it is clear that a brief assessment of the major channels of subsidisation is necessary.

Subsidies to the Local Authority Sector

The first major channel is that of Local Authority rent subsidies. As was seen in Chapter 4, subsidies determine the entire price structure within the Local Authority rented sector, and without them the sector would be unrecognisable. The NESC Report, based on official statistics, gives the total of such subsidies in 1975 as £26 million. The approach adopted in reaching this figure is of a strictly accounting nature. Local Authority housing receipts are deducted from specified expenditure on housing, including the servicing of debts, and

the resultant deficit is regarded as the measure of the subsidy. In 1975 some £2 million of the deficit was met from rates, with the remaining £24 million taking the form of Central Government subventions to Local Authorities. In more recent years the Central Government has been responsible for the entire sum needed, which grew to £31 million in 1976 and has certainly increased further.

While this accounting estimate is administratively valid in that it records movements of identifiable public funds, it is less certain that it is the appropriate concept for analytical purposes. Many economists would argue that the true level of subsidy is the difference between the income which could be obtained from the stock of Local Authority dwellings if they were let at open-market rents and the actual income received at the administrative rents charged. Any estimate of the actual size of such "economic" subsidy must be somewhat tentative, as it is impossible to predict with accuracy what market levels of rent would be if the entire Local Authority housing stock formed part of the open rental market. However, an aggregate subsidy of £26 million would imply average Local Authority "market" rents of a little over £6 per week per dwelling, which seems implausibly low. If the "market" rent were assumed to average £10 per week, then the implied "economic" subsidy for 1975 would have been in the neighbourhood of £50 million. Even average rents of £10 are probably lower than the income Local Authorities could receive by selling their housing stock and investing the proceeds. As we explained in Chapter 1, we do not ourselves favour the approach of setting up a hypothetical "free market" situation and measuring divergences from it as an indication of allocative inefficiency. By extension, we are not prepared to adopt an analogous procedure for determining the degree of subsidisation of a specific housing sector. This is particularly so as it would be very difficult to obtain fair inter-sectoral comparisons of subsidies on this basis.

Returning to the accounting approach, however, there is one aspect of measurement which appears to understate the degree of true subsidisation. This is the charging of debt at historic interest rates. Local Authority debt servicing is based

on specific borrowing from the Local Authority Loan Fund in relation to individual housing projects. Thus loans taken in the 1950s at five per cent or less are still being serviced at that rate of interest. In view of the fact that all funds are obtained from the Central Government, and that in turn all Central Government borrowing is itself "rolled-over" or renewed at current interest rates rather than genuinely redeemed out of income, the correct rate of interest for calculating the subsidy level would appear to be the current rate paid by Central Government on its long-term borrowing. This would possess the added advantage of making comparisons between the Local Authority and owner-occupied sectors consistent, as it would be analogous to the position of the owner-occupier with a mortgage, whose debt repayment is based on the historical cost of his house but at current Building Society interest rates.

In NESG (1977), it was estimated that if Local Authority housing subsidies were calculated on a current interest rate basis, they would have been some £8 million higher in 1975, at £34 million. Thus the compromise formula of historical cost at current interest would, not surprisingly, give a result somewhat less than half way between the official historical accounting method and any plausible measure of the "economic" subsidy based on current market rents or house prices.

In any case, it is a somewhat sterile exercise to argue whether the subsidy should be regarded as £26 million, £34 million or £50 million. What matters more is that a very considerable quantity of public money is being applied to the sector to achieve certain aims and that this money has important implications for the efficiency and equity of the sector and of the system as a whole.

The principal impact on the efficiency of the system is that the level of subsidisation keeps average rents down so far below average housing costs in other sectors to which new households can obtain access as to keep demand for Local Authority tenancies permanently high. Although at the present time there is no evidence of a significant excess of available dwellings in other sectors, it seems very probable

that were such a surplus to emerge, Local Authority waiting lists would remain long, as households still sought the low rents prevailing in the sector. Even in present circumstances, hope of becoming advantageously placed as Local Authority tenants impedes the rational utilisation of stock in other sectors. As well as encouraging potential new entrants, the level of rents for established tenants is such that few of them move out of the sector by opting for owner-occupation, except by the route of tenant purchase which replaces the current subsidy with a substantial capital subsidy and which removes the dwelling concerned, as well as the household, from the Local Authority sector.

The result of this stimulation of demand is that the building programmes of Local Authorities have to be larger than otherwise necessary. In basic resource terms it should not matter whether houses are built by Local Authorities or by the private sector. Even in practice, there would appear to be little difference in building efficiency between the two, especially as almost all Local Authority dwellings are constructed on contract by firms involved in major private developments. However, it does have the effect that a large part of the total building effort has to be funded through public channels. Given that Government borrowing cannot be limitless, this emphasis on public house-building programmes can place a strain on public finances. Because of this, it can result in fewer houses being built than would be the case if demand were guided more to the private sector and met with new houses financed from largely private sources. This problem of public finance has another aspect. Because such a small proportion of interest charges is met from Local Authority rents, each new house provided in the sector increases substantially the total level of subsidy which must be met out of current taxation. Tax levels, like borrowing ability, are finite, so that on current account as well as capital, the overstimulated demand for Local Authority housing can cause severe problems.

Indeed, if the process of selling existing houses to tenants at low prices, while building new houses to meet the demands of new entrants continues, and if average rents remain at

levels which do not cover average maintenance and administration costs, then it appears that in a few more years the resulting financial and fiscal burdens could prove untenable. It can thus be argued that the present level and nature of subsidisation of the Local Authority sector both distorts the pattern of demand for housing and places in some jeopardy the long-term existence of the sector in anything like its present form.

Within the sector itself, the method of applying the subsidies leads to some loss of efficiency in the allocation of the available stock of dwellings. This is because the rent structure which the subsidy maintains is almost totally divorced from the quality of housing consumed. Maximum rents are dependent overwhelmingly on the age of the dwelling, with size, type, or location, playing very minor roles. For the majority of tenants who are paying below the maximum rent, even these tenuous connections between the amount paid and the quality of housing received are absent. Thus, pricing cannot be used to any significant extent as an aid to matching preferences to stock, or as even a minor inducement to mobility within the sector.

Turning from efficiency to equity, the relating of rents to income rather than to the attributes of the dwelling, which the subsidies enable, can be seen to be fair in many ways. Even on equity grounds, however, a convincing case could be made over much of the income range for varying actual rents according to the dwelling as well as to the household income. However, the situation whereby two families with similar characteristics and income pay the same rent for two quite different dwellings can be only a minor source of inequity within the system, as can the anomalies which arise from disregarding certain types of income. Much more important as a cause of unfairness within the sector is that the low level of maximum rents on older houses enables well-to-do families in such a house to pay a lower rent than a considerably poorer family in a newer, but no better, dwelling.

Between sectors, the subsidy which allows the poorest Local Authority tenants to be housed virtually free, obviously places

such tenants at a distinct advantage compared with equally poor inhabitants of other sectors. However, it seems reasonable in these cases to place the blame for the unfairness involved on the absence of subsidisation in the other sectors rather than on its presence in this. The same cannot be said of the subsidisation of the better-off Local Authority tenants, especially those on low fixed or maximum, rents. There seems little social justification for rewarding mere residence in this sector, regardless of income, with uneconomic rents at the public expense, while those on equal incomes in some other sectors must pay full market prices.

Any significant reduction in the level of subsidisation to the Local Authority sector, involving as it would considerable increases in the rents of many sitting tenants, might be difficult to achieve in the face of probable organised resistance. Nevertheless, as part of a wider package of housing reforms, the calculation of maximum rents for older houses on the basis of current interest rates and the shifting of some of the maintenance costs on to tenants could between them release some £10 million or so of public funds for other purposes. Among these could be the more frequent updating of the income scales for differential rents, and, indeed, a broader spread of these scales so that some relief from the full differential rent would apply to tenants with earnings not too far below the industrial average. Allied to some further tightening of the regulations concerning the disregarding of certain types of income, this would make the distribution of subsidies within the Local Authority sector more equitable, while still leaving a substantial saving in total public expenditure.

Sales to Tenants

In NESC (1977) it is estimated that the value of allowances and discounts to tenant purchasers amounted to £21 million in 1975, or £2,100 per household concerned. In fact this is a very conservative estimate, as it is based only on the explicit allowances, and does not take into account that the formula for arriving at the nominal price of the house by updating the initial cost results in a valuation substantially below the

market price. Given that the purchaser becomes an owner-occupier, with in most cases full freedom to re-sell the house on the open market and with entitlement to the other forms of implicit subsidisation available to owner-occupiers, reference to the open market price is in this case the appropriate method of calculating the level of subsidy. If this approach were adopted, the total subsidy at point of sale to tenants buying their houses in 1975 would have been over £30 million. Obviously the annual level of this subsidy depends on the number of houses sold as well as on the treatment of each sale. The fall in the number of houses sold to tenants in 1976 therefore probably offset the rise in the effective subsidy per house and left the total level of this type of subsidisation at about the same level. For the future, the amount of explicit and implied subsidy to tenant purchasers at the time of purchase will depend to a large extent on the number of sales. So long as such attractive terms are offered, it is reasonable to assume that the demand from tenants will remain high, and that this will continue to be a major channel of subsidisation.

From the point of view of equity, this heavy subsidy of a limited number of people transferring from one favoured section of the housing system to another is impossible to justify. Although there may seem to be some attractive arguments in efficiency terms in reducing public expenditure on maintenance and lowering the future subsidy flow to the particular house in question, the benefits to the system as a whole are highly problematical. If there is a continuing need for houses to rent, then the houses sold must be replaced by new schemes, which, by the nature of Local Authority financing and rent-fixing, will in fact incur far higher levels of subsidy than the dwellings they replace.

A substantial reduction in the level of point of sale subsidy to tenant purchasers would improve both the equity and the efficiency of the housing system, while releasing considerable funds for redeployment within or beyond the field of housing.

Subsidies to the Owner-Occupied Sector

Lest it be thought that the Local Authority and tenant

purchase sectors are the only ones in which large subsidies are paid, and in which the distribution of these subsidies is questionable on grounds of efficiency and equity, attention needs now to be focused on the owner-occupied sector. Subsidies to this sector come in several forms, both explicit and implicit.

The former include grants for first-time purchasers of new houses and for reconstruction or improvement of existing houses, and, in some years, direct subsidisation of building society interest rates. The latter comprise occasionally charging a lower than market rate of interest on SDA loans from Local Authorities, and relief from certain taxes such as income tax, capital taxes, stamp duty and rates.

In 1975, Central Government grants on new houses amounted to £5½ million and Local Authority grants, which were more selective, to over £3 million. Changes in regulations since 1975 indicate that these forms of grants are regarded as outmoded and they have been replaced by the new-buyer grant. They were designed more to stimulate new building than to affect the distribution of housing costs between owner-occupiers. In practice, builders probably received greater benefit from them than purchasers, although it is possible that by slightly lowering purchase prices, they enabled some marginal buyers to enter the sector. How far they were effective in increasing the volume of building it is impossible to estimate. They must have had some influence in that direction, although by 1975 their average value in real terms had fallen to a point where such influence was likely to have been insignificant. After falling further in 1976 and 1977, their replacement by the first-time purchaser's grant has resulted in a considerable increase in the level of payment allowed for in the 1978 estimates. The combined expenditure on this and reconstruction grants for 1978 is budgeted at £19 million.

The design conditions for obtaining the highest level of grants may have impeded the efficiency of the sector by restricting the range of new houses on offer, but otherwise they would appear to have had little impact on efficiency. So far as the Central Government grants were concerned,

they were related purely to the house and not to the purchaser, so that relatively rich households, or even purchasers of second homes, stood to gain what benefit there may have been in them. If the benefit was substantial, then this implied a definite inequity in comparison with poorer inhabitants of other sectors. Local Authority grants are paid only when the buyer has a limited income, although the element of progression thus introduced must be weighed against the inequity involved in any abrupt, arbitrary cut-off point for a benefit, and against geographical variations from Authority to Authority.

Reconstruction grants from the State and Local Authorities, amounting to £4 million in 1975, would appear to be a clear aid to efficiency in encouraging the relatively cheap upgrading of parts of the housing stock. The form of grants, generally meeting a fixed proportion of approved expenditure, is possibly an impediment to maximum efficiency, since it results in improvements being dependent on the enterprise and financial resources of the owner rather than on the degree of urgency of the work. The same feature also makes the scheme somewhat inequitable, as those best able to afford their share of reconstruction costs receive the greatest benefit. It is ironic that whereas much of the State aid to the owner-occupied sector causes inequity by being tied to the property rather than the person, this particular type of aid would be more efficient and equitable were it more closely related to the building.

The remaining recent type of explicit subsidy to the owner-occupied sector was the subsidisation of Building Society lending rates from 1973 to 1975. In the last year of the scheme it cost just over £2 million. It possibly had a small beneficial impact on the efficiency of the system by helping to smooth out fluctuations in either the demand for, or supply of, funds for house purchase by preventing too rapid an increase in interest rates. With regard to equity, it conferred the greatest benefit on those with the largest loans. In this, its effect was similar to that of the most important indirect subsidy, the relief of income tax on mortgage repayments.

Calculation of the amount of tax foregone is always open

to some margin of error, but there is no reason to doubt that the NESc figure of £13 million in 1975 for tax relief on loans from Local Authorities, Building Societies and Insurance Companies is of the correct order of magnitude. The level of mortgage tax relief appears to have risen to over £21 million in 1977. By their nature such reliefs are greatest for those with the largest debts and with the highest marginal tax rates. *At first sight such an outcome would appear to be directly regressive, and thus inherently inequitable.* However, as was explained in Chapter 3, this is an oversimplification. In an inflationary period, many large mortgages tend to be held, not by the owners of the largest or best situated houses, but by the most recent purchasers of almost any sort of house. Taken over the whole range of owner-occupiers, the tax reliefs may well, therefore, be positively re-distributive, aiding most the relatively hard-up younger households which are paying a particularly large share of their income on housing.

This concentration of the aid on more recent purchasers *improves the efficiency of the system as a whole. It allows more households than would otherwise be able to afford the heavy costs of the early years of owner-occupation to enter the sector and thus to express their preference for it.* Among those who do enter, it extends the range of choice by bringing rather more expensive houses within their capability.

However, while it does have these favourable effects on equity and efficiency, they are the almost accidental outcome of the operation of inflation on the tax relief scheme. In non-inflationary circumstances, tax relief would work in the directly regressive way usually attributed to it. *More important, even with inflation, the tax reliefs are a very crude way of achieving a beneficial re-distribution.* Within each period, it is likely that the price of the house bought, and the size of the loan taken, will vary directly with income. Thus for the new borrowers within a year, the richest would tend to receive the largest relief, subject to the overall interest limit of £2,000. Moreover, new borrowers are not necessarily new owner-occupiers, and a considerable minority of house-

holders regularly "trade up the market" by means of additional borrowing to buy a better house every few years. While there is nothing wrong with this in itself, indeed it serves to improve the matching of preferences within the system, there seems no social justification for subsidising people to do so. The present form of mortgage tax relief does so subsidise them, as well as providing high benefits for wealthy first-time buyers. It is thus a very blunt instrument, creating inequities simultaneously with its equitable results of assisting standard first-time buyers to cope with the high real costs of the early years of house ownership.

This latter effect, if made the conscious aim of policy in this area, could undoubtedly be achieved far more economically through some alternative form of subsidy. The alternative would need to be related to the household, be it family or individual, rather than simply to the loan, and thus indirectly to the dwelling itself. Indeed, it might even prove possible to achieve the desired result without any subsidy at all, if variable repayment mortgages could be introduced on a wide scale.²⁴

The next form of subsidy to the owner-occupied sector is the occasional holding down of interest rates on house purchase loans from Local Authorities below the market rate of interest which must be paid by the public authorities to obtain the necessary funds. In 1975 this form of indirect subsidy is estimated to have cost over £4 million.²⁵ Again, this is a somewhat blunt instrument, in that the amount of benefit is related to the size of the loan. In this case, however, the operation of an income ceiling in the granting of such loans restricts the benefits to the relatively low paid, so that extreme cases of regression are avoided, and re-distribution is such as to generally improve equity. Nevertheless, the scheme creates discrepancies between those with Local Authority loans and those, in similar economic circumstances,

²⁴Alternative schemes for mortgage repayment are discussed at length by NESC (1977).

²⁵Unusually, in the second half of 1977 this form of subsidy has been negative, in that the SDA mortgage rate has remained temporarily above the rate at which the Government can borrow long-term funds.

with loans from Building Societies. These discrepancies are, by definition, inequitable, but in the context of the system as a whole the degree of inequity involved is marginal.

How far the remaining tax remissions which affect owner-occupied housing can properly be regarded as subsidies to the sector is open to debate. With regard to capital taxes, the point at issue is whether houses owned as principal dwellings should be considered as assets for tax purposes. The fact that they are not, and that therefore they attract neither wealth tax nor capital gains tax reflects a view on the definition of productive assets and on general principles of taxation, rather than a deliberate decision to leave public funds within the housing system. The majority of households are not liable to these taxes at all, and, among the richer minority who are, only a very small proportion indeed are likely to be living in rented accommodation while holding their assets in forms which do attract capital taxation.

A slightly different problem faces the analyst in the case of stamp duty. Here the question is whether relief from this imposition in the case of new houses should be regarded as a subsidy to the owner-occupied sector, or whether the charging of the duty on transactions within it should be regarded as a tax on the sector. The authors are inclined towards the latter view, on the grounds that the tax is not paid, directly or indirectly, by residents in the Local Authority or controlled rented sectors, and indirectly by only a few tenants in the non-controlled sector whose landlord may be a recent purchaser of his property.

The more interesting question concerns the effect of discriminating between purchasers of old and new houses in the levying of this tax. It is almost impossible to find any reason which might justify this distinction. If the reason is to encourage new house building, then to do so in a manner which encourages the purchase, rather than the building, of new houses, suggests that house-building must be perceived as an aim in its own right, rather than merely as a means to meeting expressed housing needs. What is clear is that the existence of stamp duty on purchases of existing houses adds substantially to the cost of transferring residence within

the sector, and thus helps to restrict mobility and impede the most efficient use of the housing stock. At the same time, it is inequitable as taxing the preference for an established rather than a new house, where all other circumstances are equal. An equalisation of the rate of stamp duty between old and new house transactions, or better still the abolition of the duty altogether in house purchase, would improve both the equity and the efficiency of the system, and could easily be financed from savings in mortgage tax relief.

Similar arguments could have been used on the issue of rates' remissions. With rates on domestic dwellings now abolished, it is unnecessary to spend much time on considering the way they were applied, but they have had some impact on the shape of the system in the past. Rates' rebates on grounds of low income would appear to have been equitable, apart from differences in application between different Local Authorities. The much more important remission on new houses is another matter. The effect of this, which directly put up rates on other owner-occupied houses, and on dwellings in other sectors, was to distort demand in favour of new houses. It thus worked against the overall efficiency of the system. Also it could be seriously unfair in that the remission was tied to the house, and not to the income of the household, so that the bigger and richer the house within the limits set for rates relief, the greater the implied transfer from other ratepayers. The only justification on equity grounds was that because the majority of new entrants to the sector bought new rather than established houses, much of the transfer did happen to go to those who greatly needed it. However, as with mortgage-tax relief, this was a roundabout and clumsy way to divert subsidies to those who might need them. However, with the ending of domestic rents, this particular distortion of the market and source of perverse re-distribution has ceased.

The latest form of subsidising the owner-occupied sector is the £1,000 grant to first-time buyers of new houses. As it has so recently been introduced, it is too early to assess how it will turn out in practice. In theory it would appear to possess several advantages over the earlier system of grants

paid to the builders of new houses. Because it is a flat sum, it should avoid the problem of the better-off receiving the largest benefit. Because it is tied to the individual or the family rather than to the house, and because it is meant to be restricted to first-time house buyers, it should concentrate aid at the stage of the life cycle when it is most needed. If its intention is fulfilled, and the grant actually does work as a contribution towards the deposit, which as we have seen is probably the principal obstacle facing those with moderate means seeking to enter the owner-occupied sector, then it could make a major contribution towards improving the overall equity of the system. On our definition of efficiency as the widest range of choice offered within the constraints of a given quantity of resources, it should contribute to the efficiency of the housing system by allowing more households to enter the sector which they would prefer, and which itself offers the most choices to its inhabitants.

However, while improving what could be called the subjective efficiency of the system, the scheme could create short-term problems which might impair the material efficiency of resource use within the system. There are two main dangers. The first is that by easing the deposit problem for potential buyers, the grant could lead to a bunching of house purchases, as many households are enabled to bring forward their plans for buying a house. This could temporarily raise the level of demand for houses well above its long-term level, which depends mainly on demographic factors. This, in turn, would pose a dilemma. If building is related to the long-run level of demand, then it will be difficult to avoid acute short-term pressure on house prices, and a consequent distortion of income distribution. If, on the other hand, the building industry responds to the situation by increasing output to meet the temporary level of demand, then the cyclical problems of the industry could be intensified when the bunching of purchases has passed and demand reverts, as it must, to its long-term level. Such variations of output, as we saw in Chapter 8, tend to be wasteful of resources, and particularly of the human resource of building workers.

The second danger lies in the fact that the scheme is to

be restricted to buyers of new houses. This appears to be another example of policy treating house-building as an end in itself and not as a means to the end of suitably housing the population. The exclusion of existing houses could lead to a general distortion of the market, and to under-usage of the existing stock, with more new houses being built, at considerable resource cost, than is really necessary to meet the demand.

Despite these dangers, and the evidence suggests that the first, at least, is already causing problems, the scheme does represent an important development in policy, as it is the first measure outside the Local Authority sector where policy attempts to identify a target group of households and to direct assistance specifically to that group. This contrasts with all other forms of subsidy to the owner-occupied sector, where any benefit is general and any tendency for it to be concentrated on the most appropriate group is accidental.

Subsidies to the Private Rented Sectors

In contrast to the substantial subsidies received by both the Local Authority and the owner-occupied sectors, the private rented sectors are virtually unsubsidised. In view of the fact that the households in these sectors tend to receive average incomes well below those in the owner-occupied sector, this is an extraordinary omission. Because of the lack of subsidy, rents in the uncontrolled sector are high, however unsatisfactory the accommodation and however poor the tenants who endure it. In the controlled sector the lack of subsidy does not bring high rents, for these are fixed at very low levels, but it is reflected in the plight of the poorer landlords and in the continual shrinkage and dilapidation of the sector.

This failure to subsidise the housing costs of those on low incomes living in the private rented sector, while large subsidies are received by relatively well-off owner-occupiers and Local Authority tenants, is one of the most inequitable features of the Irish housing system. It is certainly the major flaw in the operation of public financial policy in relation

to housing. It could only be justified if it were deliberate policy to phase out completely the private rented sector, and then, of course, only if adequate alternative accommodation were available in other sectors, particularly the Local Authority.

As this does not appear to be official policy, and as the alternative accommodation most certainly is not available, the case on grounds of both efficiency and equity for diverting some public subsidisation from the other sectors into private renting is overwhelming. The infusion of £10 million per year, which is less than half what could reasonably be removed from other sectors, could go far towards alleviating the worst problems in both private rented sectors. Almost certainly, institutional changes would be necessary if subsidies were to benefit those for whom they are intended. However, such changes, including the creation of some regulatory agency, are desirable in their own right, so that the need to introduce them is not a valid argument against subsidisation of the sector.

With the payment of subsidies and the establishment of a regulatory agency or agencies, the present distinction between the controlled and non-controlled sectors could rapidly be phased out. Not only would this end the present unfairness between the housing costs of controlled and uncontrolled tenants and the gross discrimination against controlled landlords, but it would add to the efficiency of the system by permitting the more flexible use of the stock of controlled dwellings as well as checking the unnecessary decline in the size of that stock.

A General Assessment

Our assessment of the Irish housing system can now be summarised. Overall, the system can be regarded as tolerably efficient. The majority of households or those desiring to form households can obtain separate accommodation. A high proportion of these have dwellings in the tenure group they prefer, and a reasonable choice of dwellings within that group. The system appears able to cope with changes in

preferences, particularly locational changes, with a fair degree of flexibility, mainly through new building at an annual rate of about three per cent of the total housing stock.

Nevertheless, efficiency could be improved considerably, mainly through extending the range of choice open to households within the constraints of the present allocation of resources to the system. Removal of some of the barriers to mobility within sectors and between sectors would extend choice and at the same time encourage a more economical use of the existing housing stock. Firmer control of urban land prices would enable locational preferences to be better matched. A loosening of petty controls and over-paternalistic management in the Local Authority sector, and to a lesser extent in the private rented sectors, could increase the areas of choice possessed by tenants at no resource cost, while the provision of better channels of information, in the private rented sector especially, would add to freedom of choice by making decisions better informed.

Some improvements in the efficiency of resource use could also be made by reducing avoidable waste. Retention within the system of dwellings which drop out of the stock through dilapidation is the most obvious instance, wherein a small regular expenditure on maintenance and repair could avoid the need for replacement by costly new buildings. Similarly, the use until the last moment of dwellings scheduled for development could make a contribution to efficiency. Other improvements in resource efficiency could come from a more steady volume of house construction, and from improvements in building methods, especially in the fields of repairs and alterations. Finally, although it would not improve on the actual use of physical resources, an effective method of control on land prices would ease the financial burden of new building, and lead to a more productive use of the limited funds available to the housing system.

With regard to efficiency, therefore, it can be claimed that the system does work, and that the more obvious elements of inefficiency could be eliminated or reduced quite easily. When the criterion of equity is applied, no such comforting conclusion can be reached. Unfairness appears to be endemic,

and to have increased rather than diminished with the flow of public money into the system.

There are three major fields where unfairness arises: among those who are already established within the various sectors of the system; among those who are seeking to enter the system; and between those who are established and those seeking entry.

Among established inhabitants there are differences in freedom of choice due to the inherent characteristics of each of the sectors. Thus, owner-occupiers enjoy security of tenure, freedom of behaviour, and the ability to transfer residence, easily, if expensively, within the sector. Local Authority tenants possess security of tenure, but less freedom of behaviour and very limited ability to transfer. Controlled private tenants also possess security of tenure and limited freedom of behaviour, but no chance of transfer within the sector. Other private tenants have no security of tenure, and little freedom of behaviour, but transfer is easy and cheap. While the mere existence of differences does not constitute unfairness, the extent of the differences in freedom of choice is greater than can be readily justified, and their arbitrary nature does appear inequitable.

Within each sector, as well as between them, there are wide variations in the quality of dwellings and in housing costs. Unfairness abounds because household housing costs are seldom related to the quality of the dwelling, while only in parts of the Local Authority sector are they related to household income. Thus, high outgoings, both absolutely and as a proportion of income, may be necessary to retain poor accommodation, either in the uncontrolled rented sector or, for recent buyers, in the owner-occupied sector. Conversely, excellent dwellings may cost very little to retain for more established owner-occupiers, Local Authority tenants or controlled tenants. Within the dominant owner-occupied sector, the key factor in determining housing costs is the level of debt, if any, outstanding on the dwelling. This, in turn, is usually a function of the length of time the head of the household has been an owner-occupier, although of course inheritance can affect the situation. In an inflationary period,

the difference in housing costs between the most recent purchaser and those who have owned their houses for more than five years can be staggering, and as the rate of inflation changes, entrants at particular periods can find themselves at a permanent, as well as a temporary, disadvantage.

Among aspiring entrants to the system, several distinctions can be drawn. Those with adequate income and sufficient assets can enter the owner-occupied sector without difficulty. Among those with marginal levels of income and savings, the lucky can also become owner-occupiers, although with greater difficulty. Those families living in the right areas can obtain Local Authority tenancies without undue delay. Those fortunate enough to inherit a house or a tenancy at the right time can enter the relevant sector automatically.

For those who fit none of these categories, problems can abound. In most districts uncontrolled private rented accommodation is available, but only if the prospective tenants are accepted by a landlord. In practice, many families with a young child or children find it difficult, if not impossible, to rent a suitable dwelling. If they are in an area with a long waiting list for Local Authority tenancies, and lack the financial resources to become owner-occupiers, they therefore may be unable to enter the system as a separate household, and may be forced to share a dwelling with relatives for a long period. Even those families who do obtain a private tenancy, and thus can enter the system, may in doing so condemn themselves to a life of relative disadvantage. Rents tend to be so high that saving a deposit for eventual house purchase may be impossible, while the accommodation obtained may be just good enough to reduce severely their chances of being allocated a Local Authority dwelling.

Among the single, the private rented sector is much easier to enter, although some discrimination against minority groups or those with a particular life style may be faced. However, for those who remain single and lower-paid, the escape route via the Local Authority sector is closed, so that they also may remain in the expensive and insecure uncontrolled rented sector throughout their lives. For those single with sufficient money to become owner-occupiers, the pros-

pects are less bleak, but here the problem may be to find a dwelling of suitable size and location to purchase.

Wide as the variations are among existing residents and among potential entrants to the system, the differences between most residents and most aspiring entrants are even greater. The majority of existing owner-occupiers, *Local Authority tenants and controlled tenants* have the benefit of secure tenure and the other characteristics of their sectors for the outlay of a modest proportion of their household incomes. Apart from a handful of rich new entrants, fortunate legatees, and successful Local Authority applicants, newcomers to the system must generally pay a high proportion of their income in return for a modest owner-occupied house or an insecure private tenancy. Other potential newcomers, as we have seen, simply fail to gain independent entry to the system.

One final area of unfairness within the system is in the controlled rented sector, where the failure to permit landlords either to obtain a fair return on their capital or to escape from their predicament through selling their property at a reasonable price, discriminates severely against them as compared with owners of other types of asset. The fact that in a substantial number of cases the landlords concerned may have incomes which are low in relation to either the general population or their own tenants, aggravates this injustice.

So far from acting to mitigate these inequities, public policy is responsible for many of them and tends to reinforce others. Policy has created the legislative and institutional structure of the system as a whole, as well as the operating criteria for the Local Authority sector. Thus the tenure differences between sectors, the exclusion of the single from Local Authority tenancies and the plight of controlled landlords are the result of public policy decisions. The other major aspect of policy is the pattern of subsidisation. This has long been of greatest benefit to those already established in the most advantageous sectors of the system, reinforcing the discrepancy in freedom of choice between them and either the inhabitants of the private rented sectors or those attempting to set up new households.

Some changes in the emphasis of policy and corresponding shifts in the direction of financial aid are a precondition for making the system more equitable. Given the structure of Irish society, the type of reforms of housing policy which might be feasible are unlikely to render the housing system fully equitable, but they could succeed in the more limited aim of removing some of its more glaring anomalies, inconsistencies and abuses.

Chapter 11

Recommendations

Introduction

WE have attempted to provide a general overview of the housing system in Ireland. By using the twin criteria of efficiency and equity, we hope to have provided a reasonably coherent and consistent analysis of the system as it now operates, highlighting both its positive features and its major defects.

Inevitably, however, our treatment of such a wide field has been less than fully comprehensive. Some areas may have been overlooked, while others have been accorded only a cursory examination. Some problems, while raised, have not been given the full and detailed discussion which they merit. On other questions our confident assertion of governing principles may reflect academic remoteness from the day-to-day complexities of actual operation in the field rather than superior insight.

Nevertheless, we believe that our overview of the system does enable us to make positive recommendations, both for further research and for changes in public policy. The former can be fairly definite, for major areas of ignorance exist, and any guidance provided by additional knowledge of these would be helpful.

Some of the latter must be more tentative, because of the omissions just outlined, but the results of our analysis are so clearcut as to justify the making of several policy recommendations even on the basis of current evidence.

Research Recommendations

- (i) *Mobility studies.* Because of the importance of mobility, within and between sectors, in achieving an efficient use of the housing stock, there is a great need for under-

standing the factors which influence decisions to move or not to move dwelling. In particular, it would be useful to know whether there is a significant degree of under-occupation which can be attributed either to the absence of suitable smaller dwellings or to the various barriers to mobility which feature in the system as it currently operates.

- (ii) *Shared Housholds.* While Census data provide a good indication of the number of families who shared households in 1971, and some indication of the number of single adults who continue to reside in the parental home, they can shed no light on the quality of such sharing or its motivation. Sharing which is not desired but is forced by economic circumstances is the symptom of a failure in the operation of the housing system. An examination of the extent to which sharing is voluntary or forced, and some indication of the price levels at which different proportions of this suppressed demand for separate housing would make itself manifest would be helpful in two ways. It would allow a more complete assessment of the success of the housing system and would provide the basis for more accurate projections of future "headship" rates.
- (iii) *Fringe Sectors.* Greater knowledge of physical housing conditions, precise tenure status, and the attitudes of inhabitants in the various fringe sectors of the system is necessary if these are to be integrated more fully into the system. This integration could be either through the inclusion of the sub-sectors as they exist within conscious housing policy or through the transfer of their inhabitants to the appropriate major sectors. More knowledge is needed before either course of action could be recommended.
- (iv) *Housing Stock.* Because of the nature of the Census, information is available concerning only those dwellings occupied at the date of the Census. Little or nothing is known about dwellings which are unoccupied on that date. Particularly in areas of housing shortage, any knowledge concerning the volume and condition of the

- unoccupied stock would be of value, and, if the reasons for its non-use could also be discovered, then policies designed to bring some of it into service could be devised.
- (v) *The Construction Industry.* Research into the structure of the industry, and especially into the question of whether its multiplicity of small firms impairs its efficiency in the building and repair of residential accommodation, would be useful for the framing of policy.

Policy Recommendations

- (i) There is an urgent need for a re-definition of the basic aims of public housing policy. The continued existence of inappropriate laws and the present maldistribution of public housing subsidies are both the result of a failure to examine the role of the Public Authorities in relation to the housing system as a whole rather than to individual sectors of it.
- (ii) The key to a re-definition of aims is the recognition that the Public Authorities possess an inescapable responsibility for the manner in which the total system operates. The impact of public policy on nominally "private" sectors must be consciously accepted, and policies towards "private" and "public" sectors more closely integrated.
- (iii) The overall aim of policy should be the operation of an effective housing system, in which all citizens possess the opportunity to be housed in physically tolerable conditions, with reasonable security of tenure, and at a cost which does not pre-empt so high a proportion of their income that provision of other basic human needs is impaired. So far as is possible, both existing and new households should be offered a reasonable degree of choice concerning the location, size, design, age, conditions and amenities of their dwelling, the type of tenure under which they occupy it and, related to these other factors, the price they pay for its use. At the same time, serious unfairness in relation to costs, security or freedom of behaviour should be minimised.
- (iv) In pursuit of these aims, owner-occupation should be

further encouraged as the most suitable basic tenure form especially for family households. Other tenure forms should be seen as filling more specialised roles, usually catering for those household situations in which owner-occupation is inappropriate.

- (v) The achievement of such a re-orientation would require several positive policy steps. The approach to the provision and allocation of Local Authority housing would need to be changed from one of responsibility to families to one of responsibility for people, although not necessarily on a subsidised basis. More direct attention would need to be paid to the private rented sectors, both to provide assistance to the more needy tenants and to find an acceptable method of phasing out the present Rent-Control Acts. Changes in legal requirements and an end to policy discrimination in favour of new houses would improve mobility, and thus allocative efficiency, in the owner-occupied sector. Above all, a radical restructuring of the financial flows between the public authorities and the housing system would be necessary if the new policy aims were to be achieved.
- (vi) Higher maximum rents on older Local Authority dwellings, more realistic selling prices to tenant purchasers, and limitations on the length of operation, as well as on the maximum amount of mortgage tax relief could release a large volume of public funds for redeployment. The use of these funds to further ease entry into owner-occupation and to support owner-occupiers through temporary difficulties, to make the gradation of differential rents less steep, and to provide subsidies, with suitable safeguards, for low income tenants in the private sectors, would result in a significant positive redistribution of disposable income within the housing system. Subsidies would be transferred from established high or medium income residents of the owner-occupied and Local Authority sectors towards low income private and public tenants, and towards families who cannot presently afford to enter the system at all.

With public capital expenditure on housing likely to be

reduced in any case, such a re-scheduling of funds could be accommodated easily within a general context of releasing some state finance from housing to other sectors of the economy. With no increase in the total resources, public and private together, absorbed by the housing system, it could nevertheless be made more efficient and more equitable.

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