

towards a Labour housing policy

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towards a Labour housing policy

Herbert Morrison made one of his greatest contributions to the Labour Movement in the last two years of the Second World War. At a time when the attention of public and politicians alike was almost exclusively concentrated on the war, he turned his mind to the problems which would face a post-war Labour Government and made a series of notable speeches on Labour philosophy and Labour policy. Without doubt these gave a precision and coherence to the programme of the 1945 Labour Government which it would not otherwise have possessed.

We are in a somewhat comparable situation today. The issue of the Common Market so heavily engages our attention that the Party is in danger of neglecting other, more domestic issues. This is understandable, but dangerous. For time is slipping past. It is already a year and a quarter since the last election, and an unlucky run of bye-elections could easily bring the next election well before the end of Mr. Heath's full term of office. It is therefore urgent that we turn our minds, not indeed to detailed blueprints—it is still too early for that—but to the broad principles upon which future Labour policy should be based. In this lecture I think aloud about housing policy—about the principles on which it should be based, what went right and what went wrong from 1964 to 1970, and how we could do better next time.

Labour's achievements

I start with the record. The Labour Government built more houses than ever before in a similar period—25 per cent more in 1964-70 than the Conservatives built in the preceding six years, or five houses built under Labour for every four built under the Conservatives.

We greatly increased the subsidies paid to local authorities, and so helped to keep council rents at reasonable levels at a time of exceptionally high interest rates. And when Tory Councils threatened unreasonable rent increases, we took legislative action through the 1969 Rent (Control of Increases) Act to moderate them.

We gave much increased help to owner occupiers and enabled lower income families to join their ranks through the option mortgage scheme and the provision of 100 per cent mortgages. In 1970, for the first time—and under a Labour Government—more than half the householders in England and Wales were owner occupiers.

We gave fresh impetus to the improvement of older houses. Massive new help was provided under the 1969 Act, and 1970 saw a steep rise in the number of improvement grants taken up—a trend which is continuing.

We put an end to 100 years of injustice by leasehold reform, and brought security of tenure and fair rents to private tenants under the 1965 Rent Act.

All these were solid advances ; and they added up to a more comprehensive housing policy than we have ever had before in this country.

the need for a new Labour housing policy

But while we can take a proper pride in this achievement, the brutal fact remains that we did not solve the housing problem, which had for so long been under-estimated ; and well before June 1970 it had become abundantly clear that major changes were needed in our housing policies.

The sharp drop in house building after the peak year of 1968—partly, but not wholly, due to a deliberate go-slow by Conservative authorities—was a deeply disturbing development. In London especially, homelessness, overcrowding and insecurity were actually increasing. Slum clearance was proceeding much too slowly. Although the amount and scope of Government financial aid greatly increased, it was not related in any consistent way either to need or to equity. It did not reach down to the poorest families, who remained largely dependant on the Supplementary Benefits Commission (SBC). Council house rents were in a muddle, with wildly varying policies being pursued in different parts of the country. No help was given to private tenants—except for those whose rent was paid by the SBC—even though they constitute the poorest group of householders ; and furnished accommodation remained outside the Rent Acts despite growing evidence of abuses in this sector. Meanwhile the best off group—the owner occupiers—received an open ended subsidy.

So even had we won the Election, we should have wanted a radical re-examination of our policies. Indeed, such an examination was already far advanced within the Ministry of Housing even before the election campaign began. On what principles should a revised Labour housing policy be based? I believe there is no one single principle, for housing policy has multiple objectives. We have a *social service* objective—that housing policy should play its part in the relief of poverty. We have a *housing* objective—to provide an adequate total stock of housing, of the kind that people want, where they want, and at prices which they can afford. We have a *planning* and *environmental* objective—housing policy must fit in with regional land use plans, and must contribute to the improvement of the total environment. We have an *equity* objective—that the pattern of housing finance should be fair as between different categories and consistent with our total view of the right distribution of income. And we have an *economic* objective—to maintain the construction industry at a stable size, adequate to meet the demands of the years ahead.

how many houses ?

I start with the basic question: how many houses do we need to build in order to attain these objectives? This is an extremely difficult question to answer. Since there is not and cannot be a free market in housing, we have no exact

means of measuring potential *demand*. We know surprisingly little about people's *aspirations* for different types and standards of housing. And any definition of *need* depends heavily on subjective judgments.

It will be apparent here and in other passages that I have drawn ruthlessly and without acknowledgment on the writings of Cullingworth, Donnison, Nevitt and other experts in this field.

The underlying position is well known. We have a statistical surplus of dwellings over households—in 1970, 18.6 million dwellings, 18.3 million households. Our occupancy rate is amongst the lowest in the world. Our housing stock is comparatively good by Western European standards; and our birthrate is exceptionally low. Yet we still have a serious, and in some parts of the country desperate, housing problem. How is this so?

First, this global statistical surplus conceals sharp regional variations and local imbalances. In some areas, notably London, we have a problem of homelessness which, as the Greve Report has shown, is actually growing worse year by year. And while overcrowding in the old Victorian sense of very high room densities and grossly insanitary conditions has largely disappeared as a national problem, we still have a great deal of involuntary sharing. The Greve Report shows that 1.4 million people in Greater London alone are living in shared accommodation; and particularly in the inner Boroughs the proportion of people sharing or living insecurely in furnished rooms is rising. So we have here a serious current shortage, notably in respect of households now sharing who clearly want a home of their own.

Secondly, we of course face a heavy future need for more housing as a result of new household formation. Although the population of the United Kingdom is rising slowly by international standards, and indeed a good deal more slowly than was forecast even a few years ago, it is still expected to rise by 10.4 millions between now and the end of the century. The number of households also depends on wider social and economic factors. We see a strong tendency for households other than families to be formed—one for two person households formed by elderly people, unmarried men and women, the widowed, the divorced, and young adults including growing numbers of students. This tendency for people to set up on their own—in the jargon, this growth in “headship rates”—will probably become still more marked with rising living standards and changing social patterns, notably amongst the elderly and the young. We are not at the present time providing adequately for it; in particular, we are not providing nearly enough small dwellings. Just as the global surplus conceals shortages in particular areas, so it conceals shortages for particular categories.

Thirdly, in a mobile, industrialised society we need a reasonable margin of vacant houses. The present vacancy rate is 2 per cent which is too low. We

probably need a vacancy reserve of at least 5 per cent to encourage mobility, plus a further 1 per cent to meet the growing demand for second homes.

Fourthly, much of our present housing stock is not fit for human habitation by the standards of the 1970s. We still have slums which are a national disgrace in this day and age. We have some four million dwellings—nearly a quarter of our housing stock—which are either officially unfit or lack one or other of the basic amenities. And to that we must add the process of annual obsolescence, remembering that a third of our housing stock was built before the First World War.

By common consent, this backlog of sub-standard housing is being cleared much too slowly. Yet it is not easy to set an exact annual target for replacement since there are several variables here. One, obviously, is the priority we give to clearing obsolescence as compared with other social objectives—do we aim to replace all our unfit dwellings in 10, 15 or 20 years?

Another is that rehabilitation is often an alternative to replacement. For myself, I think we have had too much of the bulldozer, and have destroyed too many old houses and whole communities with them; the 1969 Act, with its new emphasis on improvement, will in my view prove one of the lasting achievements of the Labour Government. Yet there is still strong disagreement about how much weight should be placed on improvement as opposed to replacement.

But the biggest complication is that obsolescence is not merely a physical concept; we also now have "social obsolescence." As living standards rise, our definition of what is sub-standard begins to go far beyond the purely structural and therefore measurable deficiencies of the house itself—it extends to the whole environment. Professor Colin Buchanan, in his report for the Nationwide Building Society, has argued that people will increasingly want a middle class standard of housing; and this he defines in terms of greater privacy, larger houses, and more private space around the house for the car, children's play, gardening, hobbies, sitting out of doors, and generally mucking about. This would mean detached houses at much lower than present densities, and would imply a positively gigantic programme of replacement.

Now I do not know whether Professor Buchanan is right. Perhaps he is, in which case the dominant pattern of the future will be the "garden city" or the Surrey stockbroker belt. But perhaps he is not; many people may still prefer the traditional semi-detached, if it is cheaper; still more may prefer an urban pattern or living in rehabilitated terrace housing or in low blocks of flats. After all, lots of middle class people like living in Chelsea; in Scandinavia most new building consists of apartments; even in the United States, with all its ample space, 45 per cent of all new housing is in apartments.

I do not know the answer. I mention the point only to demonstrate that there

is no unique and objective way of setting a total housing target. We can easily set a minimum figure which will meet our most pressing and urgent needs. But above that minimum the target will depend on a set of personal and social judgments—in particular, over how many years do we seek to replace or improve the existing stock of obsolescent dwellings, and how do we define obsolescence in the future when we take account of these wider environmental factors? It is this which explains the huge variation in the housing targets set by different experts—from Professor Parry Lewis's 300,000 a year to Professor Colin Buchanan's 500,000.

However, what is obvious is that we cannot possibly afford the present *drop* in housing output. Homelessness and sharing are on the increase, especially in London. Slum clearance is proceeding far too slowly. The needs of new types of smaller households are not being met. We have acres of dreary sub-standard housing in the intermediate and development areas of the Midlands and the North. And while our general stock is tolerable by international standards, it is getting rapidly older; and the stock of new buildings is growing very slowly. So, while we cannot set an exact target for a future Labour Government in 3-4 years' time, we can clearly state that the present loss of momentum and urgency is intolerable and that we need an intensified effort for at least a decade ahead if we are to break the back of the quantitative problem.

This view is confirmed by international comparisons (though one should treat these cautiously inasmuch as the British figures take less credit for improvement than other countries' figures). In 1968, residential construction as a percentage of GNP was as follows: France 6.7 per cent, Japan 6.5 per cent, Sweden 6.2 per cent, Germany 5 per cent, the United States 3.6 per cent, United Kingdom 3.7 per cent. Similarly EEC figures for dwellings completed per 100 of population show a lower figure for Britain than for France, Germany or Holland. These comparisons seem to support the case for our devoting a higher proportion of GNP to housing and raising our output substantially above the depressed levels of the last three years.

the responsibilities of government

But why should it be the responsibility of government to ensure that these various needs are met? Why do we not leave the provision of housing, as we do the provision of motor cars, to market forces and the play of supply and demand?

The reason is that housing is basic to certain socialist objectives. First, homelessness, over-crowding and slums are a crucial facet of the poverty and squalor which it is Labour's first objective to eliminate. It is in this respect that we regard housing as a welfare or social service.

Secondly, we have a wider ideal of social equality which requires (I quote from

my Fabian pamphlet *A social democratic Britain*) “an improvement in our social capital such that the less well-off have access to housing, health and education of a standard comparable, at least in the basic decencies, to that which the better-off can buy for themselves out of their private means” (Fabian tract 404).

In the case of housing, this access need not be completely free. We do not make the same paternalistic judgment which we make in respect of education; people demand and must have some choice about how much housing of what sort they want. But it must be possible—indeed, it is in our view a basic right of citizenship—for every household, especially families with young children but also the growing numbers of young married couples and pensioners, to have a minimum civilised standard of dwelling adequate for a decent, comfortable and private household life.

Thirdly, since housing is an element in the total environment, it concerns not merely the individual but society at large. Its location is a key factor in regional planning; its layout and design will determine whether our cities are hideous or tolerable, what our countryside looks like, and generally our national standards of space, architecture and amenity.

These objectives will not be met by the free play of market forces (if indeed we could ever imagine such a thing in housing). A free market is wholly irrelevant to the most urgent problem, since the homeless and over crowded are generally poor people who could not conceivably afford the market price of decent housing. Similarly with slum clearance and replacement—working class families could not afford rents which would cover the economic cost of acquiring, demolishing and rebuilding whole areas of sub-standard housing. And even with rising incomes, a free market and free consumer choice would not meet our environmental needs; too little would be spent on improvement, too little on new housing with higher standards of space and amenity.

So we cannot have a market solution to the housing problem. Some part of the building programme must be public; some part of the housing stock must be leased or owned at less than the economic cost; and the government must bear a final responsibility for the overall housing situation.

What then do we need to achieve our objectives? We certainly need radical changes in current policies for the reasons I gave earlier. I discuss first possible changes in the organisation of housing, and then turn to housing finance.

the organisation of housing

There are some possible changes which I shall not discuss. For example, proposals are often made by the Trade Unions in the construction industry for a National Construction Corporation. But these are directed not to the housing

problem as such, but to the structure of the industry and the conditions of the workers in it. They therefore raise questions which go far beyond the subject of this lecture.

Again, I shall not discuss housing associations or co-ownership and co-operative housing. As a layman, I am always surprised when I go abroad and see, not only in Europe but even in the United States, so many striking examples of co-operative housing; and when I fail to see any significant counterpart in Britain—despite our obvious needs, with the decline in the private rented sector, for some “third force” between council housing and owner occupation. We now have the extremely cautious Government report on *Housing Associations*. I am sure that we want a Labour Party Study Group to deliberate at length and in depth on whether the contribution of this sector is really to be as marginal in the future as it has been to date.

I shall take for granted, as now being generally agreed, the notion that Local Authorities should not merely be builders and managers of their own housing estates, but should accept a wider and ultimate responsibility for the total housing situation in their localities. I shall concentrate on three particular areas where we might need new forms of organisation.

First, the Labour Party's Housing Policy Study Group two years ago proposed a new national body—a Housing Action Corporation. It was to be modelled on the Scottish Special Housing Association. It would “act as a sort of ‘fire-brigade’ and could assist those authorities with the greatest problems of slum clearance.” It could be called in by local authorities which felt they needed outside help to solve their housing problems; or it could be activated by the Minister to go into areas where the authorities were clearly falling down on the job. (The proposal was made at a time when many Tory-controlled authorities were cutting back sharply on their building programmes).

But a good deal has changed since 1969. It has become even clearer that we have not a single national housing problem, but a series of regional and local ones; so it may well be, as I suggest in a moment, that any new bodies should be regional rather than national in character. In addition, local government re-organisation will shortly reduce the number of housing authorities from over 1300 to some 350, and this should improve the average level of performance. And from 1972 and for some time onwards a majority of authorities with serious housing problems will be Labour controlled; and the problem of councils deliberately dragging their feet should not arise to the same extent. Certainly the Government should have stronger reserve powers than it now has; the existing powers under the 1957 Housing Act are slow and cumbersome to operate, and indeed have hardly ever been used. But given stronger default powers which the Secretary of State can use to direct a local authority which is falling down on its housing duty, I doubt if we should commit ourselves now to a new National Corporation in three years' time; though if even a reorganised

local government were to fail again as it did in the period of Tory control, then we should have to revert to the idea.

Secondly, I turn to the needs of regional planning. I take my illustrations from the Strategic Plan for the South East, which I hope will be followed by similar plans for other regions. This Plan proposes new housing development at various strategic points in the South Eastern region. Most of the Plan should be capable of implementation through the normal structure of local government. But in a few major growth areas the Plan envisages expansion at an unprecedented rate—faster than has occurred in any new town or town expansion scheme.

It seems unlikely that any existing agency alone would be able to carry out expansion on the scale and at the rate envisaged—not only the housebuilding, but all the ancillary developments that must go with it. The new counties as planning authorities, the new districts as housing authorities, the GLC and the metropolitan counties by virtue of their overspill responsibilities, several Government departments, private developers of many sorts—all will be involved. Both public and private capital will be required. Private enterprise alone cannot assemble the land, provide the necessary public services, maintain the balance between housing and employment, and generally take a sufficiently long view of the future. On the other hand, public enterprise alone will find it hard in any foreseeable future to obtain the entire capital needed for such large developments, and so will want to involve private capital also. Some way of co-ordinating these various interests must be found.

The co-ordinating machinery could, in theory, take the form of executive > Provincial Councils which would replace the present advisory Regional Economic Planning Councils. But it hardly seems a sensible moment to propose this particular solution. It would fit uneasily with the current proposals for local government reorganisation. By imposing yet another tier, it would further increase the turmoil which already exists in local government. Moreover, the Labour Government in its White Paper of February 1970, decided that we should wait for Crowther before taking a view on a provincial level of government; it would seem absurd to reverse this decision now that Crowther is a year and a half nearer, and perhaps only a few months away.

We must therefore think of some alternative machinery created specially for this limited number of large scale growth points—perhaps a new type of development agency, sponsored and ultimately controlled by local government, protecting the interests of the districts as the primary housing authority, but involving also the county, the GLC or metropolitan county, the Government and private developers.

Thirdly, I turn to the hard core of our housing problem: the problem of the large cities. This is partly a question of housing finance, which I deal with later.

But it is also a question of housing organisation. I take London for my example and talk in terms of boroughs ; but what I am saying applies in greater or lesser degree to all the six new metropolitan areas. The crux of the matter is that none of the inner London Boroughs, which have the most desperate housing problems, can solve these problems within their own boundaries. They lack the land ; and they must have the help both of the outer Boroughs and of overspill policies.

They need, in other words, a metropolitan strategy and an organisation capable of implementing that strategy. This we do not have today. The 1963 London Government Act, following the Herbert Report, gave the GLC certain overall housing powers not only for overspill but also within London itself ; but these have proved in practice much too vague and inadequate, particularly as the need for outer London to help inner London has become ever more obvious.

The Maud Report made a bolder approach to the problem. While the districts were still to be the primary housing authorities so that house management and the personal social services could be linked together, the metropolitan authority was to have crucially important housebuilding powers to enable it to implement its planning policies and undertake housing schemes in the interests of the area as a whole. Moreover it was to have an ultimate responsibility for the overall metropolitan housing situation. " The metropolitan authority should assess housing needs throughout its area, decide which are the most urgent, define the scale of effort required to meet them and determine the respective parts to be played by new building for increased population, by slum clearance, by action to relieve overcrowding, and by house improvement. It must also decide which areas should be developed or redeveloped, and in what order."

The Labour Government, in its White Paper, broadly accepted these proposals. But the Conservative White Paper on local government reform rejects them completely ; and indeed, flying in the face of all the evidence of what is needed, it goes back even beyond the Herbert Commission and gives the new metropolitan authorities less power than the GLC now has. They are merely to have " certain reserve powers " like those for overspill. They will thus have no obligation to formulate metropolitan housing policies, no houses of their own with which to implement such policies, and no power to enforce such policies on recalcitrant districts or boroughs.

It is significant that the two most recent reports on the London situation—Cullingworth and Greve—both point in the same direction as the Maud Report and the Labour Government's White Paper. Cullingworth speaks of a joint organisation of the Boroughs and the GLC which would devise an overall metropolitan housing policy and have the power to enforce it on any reluctant Borough.

The Greve Report says : " One of the defects of the organisation of the housing

programme in Greater London—which is, after all, a region—is the absence of a regional housing authority with strategic functions. The GLC does not fulfil this function, but it is increasingly apparent that a regional housing authority with strategic powers and responsibilities is required. At present there are 32 housing authorities in London apart from the GLC and there is ample evidence that the sum of their individual policies does not add up to a coherent programme for dealing with the housing needs of the metropolis as a whole. Nor do the present—or foreseeable—efforts of the GLC redress the gross imbalances of needs and resources as between different parts of London. The main purpose of a strategic housing authority for London would be to bring about a more balanced and integrated housing policy. This does not predicate the abolition of the borough housing authorities, rather that they should work more closely together than hitherto within the framework of a strategy for London which they would work out in collaboration with the upper tier authority.”

We must therefore now work out a plan for joint Metropolitan Agencies—in London and in the six new metropolitan counties. These agencies, which would be firmly rooted in local government, would have the overall responsibility for framing strategy and seeing that it was carried out; and they would need to be given statutory powers and obligations. If they failed, and for example the outer London Boroughs continued to drag their feet, a Labour Government would have to intervene either through its default powers or a new agency. But a reformed local government should, first of all, be given the chance to succeed.

Of course this is not all we need to solve the urban housing problem. We need the right boundaries so that our great cities—Liverpool and Manchester and Birmingham—have room in which to breathe and plan their housing properly. We need a reorganisation of finance so that the hardest pressed areas receive the most financial aid. We need to involve neighbourhood or community organisations in every scheme of urban renewal, perhaps on the lines of the Community Planning Committee now proposed for the Golborne area of North Kensington.

And we need to bring housing together with other aspects of urban poverty and deprivation. In recent years government has begun to develop the concept of positive discrimination for areas in special need—housing priority areas, educational priority areas, the urban aid programme, community development projects, and so on. These should now be transferred to the Department of the Environment so that they can be more closely linked with housing and local government.

At the local level the Seebohm reforms, combined with the now widely accepted proposal for a far reaching Housing Advisory Service in every area, should lead to a major advance in dealing with multiple deprivation. If we add the

new Metropolitan Housing Agencies, we shall have created a much stronger and more closely knit structure of social services than we have had in the past.

housing finance : the public sector

Our present system of housing finance is riddled with anomalies and inconsistencies. No help is given to the private rented tenant. Mortgage relief is open ended and inversely related to need. In the public sector different authorities have wildly varying policies on rate rebates, rent pooling and rate fund contributions ; so people pay different rents for similar accommodation according to which authority's area they live in.

True, the distribution of aid is more equitable than it was ten years ago as a result of the option mortgage scheme and the spread of rent rebates. But the price of housing is still not clearly related to need or capacity to pay or cost or present value. Meanwhile the subsidy bill is soaring, yet the areas of greatest stress are chronically short of money.

I therefore agree with the Government that we want major changes in the present system. The tragedy is that in their *White Paper Fair deal for housing* they propose, with only a few exceptions, the wrong changes for the wrong reasons.

I start with the central proposal for so called "fair rents" in the public sector, combined with a national rent rebate scheme and a cut in the putative subsidy bill for 1980 of £300 millions a year. This proposal involves a further severe interference with the freedom of local authorities. The principle of "fair rents" is to be imposed by statute ; the final practical decisions will be taken by government appointed rent assessment panels sitting in private and with no right of appeal. Local authorities thus lose one of their principal housing functions and become the mere agents of Whitehall ; while five and a half million families will in future have no redress from their elected members on any matter of rent policy. This transfer of housing powers from local to central government is particularly serious coming as it does when local government reorganisation is about to create new district councils whose only major function is to be housing policy.

I believe there are overwhelming objections to the principle of so called "fair rents" in the public sector. First, the proposal has no logic. The Government are fond of pointing to Labour's 1965 Act, and arguing that if "fair rents" are right for the private rented sector then logically they must be right for the public rented sector. This is not so.

Fair rents in the private sector are designed to give the landlord a reasonable profit to provide for good maintenance and improvement while eliminating scarcity values in places like London. But there is no parallel requirement in

the public sector; which has a large and varied stock of housing of different dates over which it can spread the costs of maintenance and improvement. It does not need a "fair rent" from every house for this purpose; indeed—and I shall revert to this—over most of the country fair rents will produce a surplus on the housing revenue account far beyond what is needed for maintenance and improvement. There is therefore no analogy here between the private and the public sectors.

More generally, as the Prices and Incomes Board pointed out in 1968, "it would seem anomalous to relate the rents of the growing (public sector) to those of the declining (private sector); and this anomaly would increase with the years, so that as a long-term principle the concept is likely to lose its validity." And they continued: "Finally, 'fair' rents so defined are not directly related to costs. We are not therefore disposed to accept this as an appropriate criterion."

This is well said, but one could go further—"fair" rents so defined are not related to costs or supply or demand or the needs of good management; they have no economic basis whatsoever.

Secondly, "fair rents" will be wildly inflationary. It is not in dispute that they will on average be twice as high as present standard rents, and that if new houses and flats are to be "fair rented" immediately we shall be faced, in London for example, with standard rents of £10, £12 and conceivably even more—with heavy rates on top. True, the increases are to be phased, and limited on average to 50p a year (though not for the $\frac{1}{4}$ million new families who enter council houses each year—they will go straight on to "fair rents"). But this is still a drastic increase in a particularly central and sensitive price, the price of housing—an increase often of 25 per cent a year until present rents finally reach the level of fair rents. This seems wholly inconsistent with the CBI's declared intention, strongly supported by the Government, to limit price increases to 5 per cent a year. It will have an effect on wage claims going far beyond the council tenants themselves, and can only give another disastrous twist to the wage price spiral.

My third objection concerns the effects of the rebate scheme. I am not of course objecting to the principle of rebates, though we are certainly accumulating an inordinate number of them now. But we are talking here of a rebate scheme different in kind from any we have had in the past. For with rents as high as "fair rents" will be, the new rebate scheme will have to cover even those on average earnings—and indeed above, for the White Paper makes it plain that many families on £30 a week will be eligible for rebates. Thus a clear majority of council tenants will be eligible for rebates; and we are here for the first time inaugurating means testing on a mass scale.

This raises an issue of principle—whether it is right that standard rents should be

set at a level which the worker on average earnings cannot pay without a rebate. It raises severely practical issues. Will there be a reasonable take up of these rebates? If we look at the low take up of (for example) the GLC rent rebate scheme or the Family Income Supplement, the omens are not reassuring. It is vital that we monitor the position as the years go on; for without an adequate take up of rebates the effects of such high rents on the pattern of household spending could be disastrous.

Another practical consequence will be a large increase in local authority staffs (and government staffs if we add in the increase in the number of rent officers). Local authorities will have to make the initial assessment of fair rents for 5,500,000 houses. They will have to operate a rebate scheme covering far larger numbers than ever before. On top of that they have to administer the new rent allowance for the private sector, with the monumental complication of verifying the rents with landlords and checking and making cash payments to a million or more tenants. We are to have six monthly re-assessments of income for both rebate and allowance; and when we think of all the occupations where earnings fluctuate and of the shifting pattern of employment—not to mention anonymous letters and tittle tattle from the neighbours—I foresee a large new bureaucratic apparatus, yet with no assurance of an adequate take up. And the whole cost of this apparatus will fall on local government.

There is also the effect on incentives. It is not only rent rebates but rebates for school meals, prescription charges, dental charges, welfare milk, rates and so on. As the Government puts up the charges, so the number eligible for rebates constantly increases. We shall soon find that large groups of workers in particular income brackets face a loss of income at the margin of up to 100 per cent as their incomes rise. First they lose the family income supplement. Then they start to pay income tax. Then they face a sharp gradation in national insurance contributions. Meanwhile one by one they lose their eligibility for rebates. With all the means tested schemes now in operation or shortly to be introduced, the family man whose income rises from £15 to £25 a week will obtain little if any improvement in his standard of living; almost all his increased earnings will be absorbed by taxes, contributions or the loss of benefits.

Fourthly, "fair rents" will have undesirable social effects. It is the clear intention that many better off tenants should be driven out of council houses into buying houses—whether they want to or not and at a time when house prices are rising rapidly against them. Now a gradual *voluntary* movement from one sector to the other, in accordance with people's natural preferences, is of course wholly acceptable. But a sudden *enforced* movement, brought about by artificially high rents, is not. It will sharply reduce the social balance on housing estates, drive out many of the best tenants, leave many of the better estates half empty, and push us back towards the old discredited concept of one class housing for the deserving poor. This was the pre-war concept, enshrined in legislation which restricted local authorities to providing houses

for the "working classes." It was a Labour Minister—Aneurin Bevan—who removed this restriction in 1949, and sought to secure a better balance on municipal housing estates. It is now a Conservative Government which, for all its talk of "one nation," will re-create a dual system of council housing for the workers and private housing for the rest.

Fifthly, "fair rents" will lead to a sharp redistribution of income, and generally in the wrong direction. We cannot put exact figures on this since the White Paper is almost totally devoid of figures. But we can easily discern the general direction. Council tenants will pay far more in rent; as a direct consequence, the national taxpayer will save by 1980 some £300 millions a year as compared with what he would otherwise have paid in subsidies. This is the first and most obvious transfer.

Local authorities, council tenants and local ratepayers will take over from central government more and more responsibility for the relief of poverty. Where the housing revenue account is in surplus as a result of fair rents, it will be expected to meet the cost of rent rebates, including much of the cost now falling on the Supplementary Benefits Commission. Where the housing revenue account is in deficit, the rates will have to meet part of the cost of paying rebates. And after 1975 the local ratepayer will also meet 20 per cent of the cost of the private rent allowance. It is wrong that so much of the "social service" element in housing, and of the burden of relieving poverty, should be borne not by central government but by the council tenant and the local ratepayer.

In the middle of all this, and largely unnoticed, a new principle has been inserted into British housing policy. Local authority housing is now not merely not to receive a general subsidy. It is not even to be left as a non-profit making service or utility, deriving a sufficient income from its rents simply to cover the costs of management, maintenance and improvement. Instead, over much of the country, it is now to make a large *profit* out of its housing activities—and half the profit will go to the Exchequer. So we have a wholly new principle: that over substantial parts of the country the Government will make a profit out of local authority housing, and council tenants, far from receiving subsidies, will themselves be subsidising the taxpayer.

Lastly, the new proposals create a glaring inequity between council tenants and owner occupiers. This I return to later.

the private rented sector

We should warmly welcome the new rent allowance in the private rented sector. The position of the private tenant has worsened both absolutely and relatively in recent years. His rents have often risen sharply as a result of the 1965 Act. His choice has become more limited as landlords have switched from

unfurnished to furnished accommodation. Meanwhile help for both owner occupier and (until the White Paper) council tenants has substantially increased. Private tenants are the poorest of all the housing groups and it has become a growing injustice that they alone should receive no help.

We must of course ensure that the new allowance is not a subsidy to landlords, and especially bad landlords. There must be strict conditions about the fixing of rent and the state of repair. But subject to these, we should welcome the allowance in principle. There are, however, two vital qualifications. First, it is quite wrong that after 1975 20 per cent of the cost of this allowance should fall on local government. The cost will rise rapidly with the faster move towards fair rents in this sector; and the burden will be a heavy one on (for example) those London Boroughs which contain a high proportion of private unfurnished accommodation. It is not right that the responsibility for relieving poverty in the private sector should fall so heavily and so capriciously on local ratepayers.

Secondly, it is a scandal that furnished tenants are to be excluded from the new allowance, just as (following the Government's acceptance of the Francis Report) they are to remain largely unprotected by the Rent Acts. Tenants of furnished accommodation not only pay substantially higher rents than unfurnished tenants for similar accommodation, but they have extremely limited security. Though a Rent Tribunal can give them up to 6 months' security of tenure, and may renew this once or even twice, the tenants know that they can always be evicted in the end, and they never enjoy the sense of real security that the rest of us take for granted.

Their numbers are small—only 2 per cent of households at the time of the 1966 Census—but rising fast, particularly in the stress areas of large cities where a growing number of families with children are being compelled to accept as their permanent homes accommodation equipped with a few sticks of rubbishy furniture which they do not want, but which are enough to deprive them of the security of the Rent Acts. Often these are the families with the lowest incomes. A family has to be very short of money not to prefer to buy its own furniture on hire purchase, or at the very low second hand prices that prevail today, rather than accept the cast offs with which most working class furnished accommodation is equipped. Yet at the same time these families pay by far the highest price per room of any section of the community. The Francis Committee found that in London the typical furnished tenant had the relatively low income of £870 per annum, but paid a third of this in rent—£290 per annum or over £5.50 per week.

The distinction between full and partial Rent Act protection should not depend on whether furniture is provided or not, but on whether the landlord lives in the same house and is using the greater part of it as his own home rather than as an investment. If this is the case, it may well be reasonable for a tenant to be required to leave, whether the accommodation is furnished or not. But it is

not reasonable for a commercial landlord to evict a family, with relatively little delay, which has committed no greater offence than to apply to the Rent Tribunal to reduce an excessive rent.

And now the furnished tenant is not only to remain excluded from full Rent Act protection ; he is also to be deprived of the new rent allowance. He will not only receive nothing himself ; he may even find his taxes going to help the owner occupier.

equity and the owner occupier

There are many other matters which I do not have time to discuss—the likely effect of the White Paper on council housebuilding, the consequences of a faster move to fair rents in the private sector, and so on.

But I want finally to discuss the vexed and baffling question of how we achieve our objective that every household should have a civilised minimum standard of housing, while at the same time preserving a proper degree of equity between the council tenant and the owner occupier. This involves a rigorous examination of the principles on which government aid to housing should be based. I am not talking now of aid to poorer families ; I take that for granted, and at a substantially more generous level than now. I am talking of the generality of householders.

I start with the public sector. To achieve our objective, rents must be at a level which average families can pay without mass means-testing. (They should also, in my view, bear some relation to cost). So called “fair rents” do not fulfil this criterion and are therefore to be rejected.

But the public sector does start off with a significant advantage. Owning as it does, a large stock of houses of different ages, it can spread the high costs of current housing over this entire stock. By this process of cross subsidisation, it can both reduce the rent of new housing to well below the economic level and at the same time equalise the rents of similar accommodation built at different dates. Many people believe that rents set at pooled historic cost—provided that costs which bring benefits to the whole community, such as town planning costs, are rigidly excluded from the housing revenue account—would provide a sensible answer. It would, on the one hand, allow a level of rents that was reasonable in relation to average earnings and so (unlike “fair rents”) would not require means testing on a mass scale. At the same time it would produce, not indeed the large rent income profit that “fair rents” would engender, but an income sufficient for the needs of good management and maintenance.

Local authority housing would then in general be conducted on a cost basis—neither profit making nor loss making ; and subsidies would be concentrated

in two directions—first, on ample and generous rent rebates and allowances ; secondly, on those areas with the greatest problems, notably those with the worst slums and the highest costs.

There is still, however, some feeling in the Party that we should retain a general subsidy to all council rents, on top of the cross subsidisation which rent pooling permits.

Now there is nothing in our definition of objectives to suggest that *all* housing should be subsidised regardless of need or income. The state should not be in the business of dishing out tax payers' money to people not in housing need, merely to help them obtain a second home or a grand mansion or just a nicer and prettier house than the nice and pretty one they already have.

But perhaps the council house sector should be treated as an exception? This raises the question of who we want council housing for. Historically, it was conceived of as essentially a social service for the poorer classes ; and local authorities were restricted by statute to providing houses for "the working classes." But, as I have already pointed out, the post-war Labour Government deliberately removed this restriction. We wanted council estates to be well balanced and socially mixed communities, enabling (for example) teachers, doctors, local authority employees and social workers to live in the communities which they served.

The case for a more varied provision of council housing has been enormously strengthened by the dramatic decline in the private rented sector—from 61 per cent of dwellings in 1947 to 23 per cent today. For those who cannot or do not wish to buy a house, the alternatives to council housing are rapidly diminishing. It follows that local authorities must now assume a wider responsibility for housing new social groups who at one time would have been automatically housed in the private sector. Urban renewal has the same effect, since it often involves an authority in re-housing people with above average incomes. Indeed it is crucial that this *should* happen, and that urban renewal does not lead, as it has so often in the United States, to new one class ghettos in the city centres ; we badly want the professional and white collar workers to stay in the centre rather than joining a mass flight to the suburbs.

More generally, there is the growing demand, to which I drew attention earlier, for smaller dwellings for 1 or 2 person households—for the young married couple, the elderly, the unmarried worker, single people generally. This demand is not being met by the market and is unlikely to be fully met either by owner occupation or the private rented sector ; it will largely fall on the local authority sector.

Since the public sector, then, now provides almost the only modern housing available for rent, and since for all the reasons just given it is increasingly

occupied by people with widely varying incomes, what is the case for an indiscriminate government subsidy to all council tenants, as opposed to discriminating subsidies to those people and those areas most in need?

The answer might be "none"—except for one obvious fact: that the state provides an indiscriminate subsidy to the owner occupier, and we must have a proper equity as between the two sectors. (I refer to mortgage tax relief as a subsidy because if the state, having decided to impose tax at a certain rate on a certain level of income, then abates the tax for some but not others who are on this level of income, it has made a deliberate decision to aid and favour those whom it exempts; and if a given total amount of taxation has to be raised, other taxpayers must pay more in order that this abatement can be offset).

Let us consider the position of the owner occupier. He is now relieved of Schedule A taxation and so is already advantaged as compared with the renter. If he is a mortgagee he receives tax relief which amounts to more in total than the present, let alone the future, level of subsidies to council tenants. Far from being means tested or related to income, this tax relief is greater the larger the income and the more costly the house. His initial payments are of course higher than those of the renter. But their real value diminishes with time as a result of inflation and, at the end of the day, he has a capital asset which has greatly increased in value and the capital gain on which is untaxed. True, he has the cost and worry of repairs and maintenance; but he has more basic security and the freedom to do what he wants with his property.

Meanwhile the council tenant pays rates and taxes like anybody else, but receives no tax relief. Under "fair rents" he will receive no general subsidy either from the Exchequer or the rates. On the contrary, his rents will often go via a surplus in the housing revenue account first to pay rent rebates and then in part to the Chancellor of the Exchequer—perhaps to provide relief for the owner occupier. After 1975 his rates will help to pay the private rent allowance. His initial payments are, of course, lower than those of the owner occupier, but they rise with inflation and he has no capital asset at the end. He has less freedom, less financial security, and less ease of movement round the country. And if he does need help, he must apply for a rebate and submit himself to a means test.

Now both as a Party and as individuals we are strongly in favour of home ownership. It is good for savings and good for self-reliance. It gives people opportunities—for do-it-yourself, individual redecoration, building a bicycle shed—which do not always exist in rented property. It makes an essential contribution to good social and regional planning; it can help to produce a balanced community in areas of urban renewal, while in many development and intermediate areas in Scotland, the North and the industrial Midlands, more private housebuilding would provide a less uniform and more attractive housing

stock than now exists. It contributes to the wider environmental objectives which I discussed earlier. And, above all, it is what many people want.

For all these reasons we strongly support home ownership and as a Labour Government took exceptional steps to encourage it, notably through the option mortgage scheme and 100 per cent mortgages. But if help to the owner occupier remains at the present level while help to the council tenant is slashed, the inequity between the two will become glaring. Five and a half million families in council houses will receive no help without the stigma of a means test. The owner occupier alone will receive a non-means tested subsidy; and this is not just an indiscriminate general subsidy, but one which gives no aid at all to the poorest, and which increases both with income and the cost of the house. It is not merely wasteful and unrelated to need; it is inversely related to need. "From each according to his capacity, to each according to his need"—we shall stand this splendid aspiration on its head.

To equalise the position we could either maintain a general subsidy to council tenants or limit aid to the owner occupier. If we chose the latter, the most logical method would be to restore Schedule A, since this would cover the non-mortgage payer as well as the mortgage payer; but I hardly see this happening in practice. Alternatively, one could limit the amount of mortgage which attracts relief—say, to £5000 or £8000 depending on the region; or give relief only on new houses, so converting the subsidy into one for new building; or abolish the income tax allowance and replace it by a standard rate of subsidy along the lines of the option mortgage scheme; or replace it by a mortgage repayment allowance similar to the private rent allowance.

We cannot possibly say now what would be right in four years' time. By then fair rents may have revolutionised the position—or they may have broken down under the weight of their internal complications. We do not know how much of a boost may need to be given to housebuilding. And there is much that still wants to be thought through before we can produce a detailed housing policy for a Labour Government.

What I have tried to do in this lecture is to lay the foundations for the detailed work that now needs to be done. I have sought to explore certain basic principles and suggest those areas where we conspicuously need further study. The Party must now immediately buckle down to this further work if the next Labour Government is to be able to solve what is still our country's greatest social problem.

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fabian society the author

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