



The Changing Visage of French Housing Policy and Finance:  
A Half-Century of Comprehensive, Complex and Compelling Home Building

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## Introduction

A number of assessments indicate that the state of housing in France today is greatly improved over where it was forty years ago: 73% of French households are satisfied with their place of abode; the average surface area per person is 35 m<sup>2</sup> (or approximately 350 sf); 96% of all units have a private bath; and an increasing number of recently constructed dwellings bring to France's housing stock the ever-desired amenities of more space and everyday comforts.<sup>1</sup> Up from 46.7% in 1978, France's homeownership rate seems to have settled at 54%, which falls somewhere cleanly in the middle of the rest of European averages. Whether this rate has stagnated is of some debate, with most of the blame directed at France's stringent economic policies. But the country's myriad of housing policies have played a role as well in bringing this number up to the level that it is today.

The bulk of regulations, subsidies, financial programs, and political actors that make up the framework for French housing policy are numerous and multifaceted. They have shifted and evolved over the years, changing perhaps in approach, but continuing to bring a rich and purposeful outlook to the business of housing. In uncovering their complexities for the first time, I realize that I have only begun to scratch the surface of the issue. Nevertheless, this paper strives to outline where these shifts have taken French housing policy, how social housing policy has evolved, who the actors are, and where it's all likely to go in the future.

## Shifting policies, maintaining a comprehensive approach...

One of the pivotal pieces of scholarly work on the subject of French housing policy was published in 1991 by Lefebvre, Mouillart and Occhipinti.<sup>2</sup> In it, the authors lay out what they see as primarily three shifts in French housing policy: from that of heavy State intervention in housing production, to a re-centering of fiscal attention on the older city centers and their rehabilitation,

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<sup>1</sup> INSEE Première Report, "Les conditions de logement fin 1996", published in 1998 and available at [www.recensement.insee.fr](http://www.recensement.insee.fr).

<sup>2</sup> Lefebvre, B., Mouillart, M. and Occhipinti, S. *Politique du logement: 50 ans pour un échec*. Paris: L'Harmattan, 1991.

to finally a search for efficiency in financial assistance all the while continuing to maintain a strong sentiment of national solidarity vis-à-vis the subject of housing. In many ways, these three periods, as described by Lefebvre et al, have been adopted as the defining phases in the evolution of housing policy in France.<sup>3</sup>

#### Late 1940s to 1960s

Given the context of the years immediately after World War II, there is little surprise as to the path that housing policy followed. The great devastation of the war impressed on most the urgency for state intervention and further justified the wider-held principles of Keynesian economics then popular in France. Wartime destruction did not, however, single-handedly cause the dire housing shortage in the late 1940s and early 1950s. Partly due to a lower standard of living at the time, partly the result of an apparent absence of any investment-encouraging policies on the part of the government, many dwellings had deteriorated to such a point that they were unlivable. The housing crisis was further exacerbated by a massive urbanization at the time, an urbanization that resulted from two phenomena: a fast-paced rural exodus and a high population growth rate. We can attribute the latter to France's own version of the Baby Boom, as well as a growing influx of immigrants from other parts of Europe, notably Poland and Portugal.<sup>4</sup>

Given the urgency of the situation, early housing policy was characterized primarily as *aide à la pierre*, or 'brick-and-mortar' interventions. In an attempt to jump-start the housing industry, the State invested heavily in construction, as well as created financial and procedural incentives to induce new housing starts. The Courant Plan (1953) was critical to these endeavors in that it sought to address housing policy in terms of its physical, financial, and administrative characters. Later in the same decade, the notion of comprehensiveness within housing policy was reworked and expanded to include not only these facets, but to place the subject of

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<sup>3</sup> Over the course of my research, I discovered that many authors, in their descriptions of French housing policy evolution, follow this three-period model.

<sup>4</sup> Arrivals from the former French colonies – Algeria, in particular – would not occur until the mid 1960s when many of these colonies gained independence. They, in turn, would have a profound effect on the French housing market.

housing in a wider context. The creation of the ZUP – zone d'urbanisation prioritaire – recognized that housing construction in and of itself was not enough, but that it necessitated a whole host of other public interventions, including the provision of public infrastructure.

In comparison to later periods, this moment in French housing policy is perhaps most characterized by the involvement of the State in the actual construction of new housing units. Peyon and Bermache's description, as I have translated it, highlights the extent to which the public sector was involved at this particular point: "A veritable public system of housing production is created during the 1950s.... Housing, therefore, takes on a new statute, that of a public good, with the intrusion of the State in its regulation and supply being justified by a need to respond to the serious housing crisis in France at the time."<sup>5</sup> Within this framework of understanding, within this vision of 'housing as a public good', the State effectively increased the number of new dwelling units completed by 450%, from 70,000 in 1950 to 310,000 in 1959.<sup>6</sup> It goes without saying that a significant number of these units were in the social sector. Indeed, the 1950s and 1960s are identified most readily as the era of the HLM (habitat à loyer modéré) and the grands ensembles, which sprouted up in the peripheries of French cities as a result of highly subsidized loans to public sector organizations known as offices publics HLM). Through their reduced costs, industrialized construction methods and particular design, the HLMs managed to respond most effectively to the vast housing shortage at the time – although the quality of response is today questionable.

In addition to 'bricks-and-mortar' intervention, the State also created a series of housing finance policies, known as aide à la pierre, that would have the additional benefit of encouraging housing construction. With the primary objective of simplifying financial circuits, these policies included: specialized loans for households with limited income revenues, which the Crédit Foncier de France would distribute with State subsidization; and a 1% contribution

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<sup>5</sup> Peyon, J-P, Bermache, G-S. "Politique publique d'habitat et régulation sociale à travers les villes de l'ouest de la France" in *Logement et habitat dans les villes européennes*. Paris: L'Harmattan, 1998. p. 94.

<sup>6</sup> Ibid.

from employers towards a housing finance savings loan – a “distinctly French housing subsidy.”<sup>7</sup> While the bulk of the State’s intervention clearly fell within the HLM sector, policies such as these did in fact help to increase the home ownership rate across all social classes.<sup>8</sup>

### 1960s to 1970s

Within an ever-changing context – this time, one of liberalization within the European states as they prepared for unification – we see French policy once again evolving and disengaging the government from the provision of housing. While the word of the day may have been ‘désengagement’, it did not entirely signify a complete and total withdraw of the State from the housing market. Rather, we see a slowing down in the rate of new housing starts and a shift in focus towards the rehabilitation of existing dwellings with a number of financial assistance packages to encourage investment by private property owners. The scene was set for this shift of focus in part by the 1962 Malraux Law that suggested a need for reconstruction of France’s older urban areas, positing that a total abandonment of France’s centre villes for its suburbs would have negative consequences for social life and therefore housing. In addition to this push for housing rehabilitation and renovation, the period is also marked by an orientation towards increasing home ownership opportunities for all, including low-income households. Indeed, the new notion of logement social à l’accession diversified the options in the social housing market by opening a number of them to affordable ownership, and bringing the lower-income population into the home ownership discussion (which it is often excluded from). Similarly, the creation of a home savings bank in 1965 and mortgage market in 1967 also had the effect of increasing household and private sector participation in the housing market.

The 1977 Housing Reform Act was by far the most pivotal piece of legislation during this period, and laid out many of the financial assistance packages to private sector players that we still see today. Responding to the findings of two important reports – the Nora and Barre reports – the Housing Reform Act attempted to deal holistically yet efficiently with the provision of

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<sup>7</sup> Schaefer, Jean-Pierre. “Housing Affordability in France” in *The New Housing Shortage: Housing Affordability in Europe and the USA*. Graham Hallett, ed. London: Routledge, 1993. p. 166.

<sup>8</sup> Peyon and Bermache, p. 95.

housing. Central to the legislation was a recognition of the wide array of housing types and needs, and therefore a need to create subsidies that corresponded to these different forms. A number of subsidies merit mention here:

- Aide personnalisée au logement (APL) – A stipend from the government that helps pay the monthly rent bills of households. Unlike a Section 8 voucher in the US, it does not necessarily cover the balance between the actual rent and what a household is deemed capable of paying, but is rather determined based on the number of children and wage earners in the household, as well as the salary of those wage earners. It is not uncommon for a household to be able to secure an APL; indeed, as the government decreases its expenditures on buildings, its monthly payments to individuals have increased.

In many cases, a household facing increased costs as a result of improvements made through the following financial aids can benefit from the APL.

- Prime à l'amélioration de l'habitat (PAH) – A grant destined for low-income homeowners for the purpose of making basic improvements within their home (sanitary, heating and mechanic).
- Prêt locatif aidé (PLA) – A subsidized, soft loan dedicated to the new construction of rental units. Benefiting from the loan are private sector actors as well as public and non-profit sector organisms engaged in the production of social housing.
- Prime à l'amélioration du logement à l'usage locatif social (PALULOS) – Similar to a PLA in that it is destined to rental units, however this soft loan benefits renovations of existing dwellings.
- Prêt en accession à la propriété (PAP) – Distributed exclusively by the Crédit Foncier de France, this below-market rate loan is available to low-income households for the purchase of new property. Despite its popularity, the PAP was eventually replaced by a 0% interest rate loan in the mid 90s.
- Prêt conventionné (PC) – A loan at a slightly higher interest rate, although still not market rate and must be agreed upon between the national banks that have the authority to distribute them and the Crédit Foncier de France. This loan can be obtained for either new or existing, rental or ownership properties.

From the above list, the shift in focus from aide à la pierre to aide à la personne (from construction to individual financial assistance) becomes readily apparent. And although we have seen the same shift in philosophy in this country, because of the types of financial programs and the continued, albeit diminished, production of social housing make for a very different situation in France. The benefits of such a change, even after three decades, are not entirely clear. Peyon and Bermache seem to claim that the State, disengaging as it did from the financing of housing, permitted an affirmation of a private yet affordable-in-perpetuity rental

market, while improving the quality of that market, and all for a “budgetary cost that was significantly inferior to what the realization of HLMs entails.”<sup>9</sup> Jean-Pierre Schaefer, however, finds that “‘bricks and mortar’ subsidies fell by about a quarter (in constant-value francs), while expenditure on the housing allowance nearly doubled.”<sup>10</sup> Perhaps what explains the difference of opinions is a difference in temporal outlook: over time, expenditures in the form of household assistance have clearly increased as a result of demographic and economic factors that manifested themselves after 1977.

#### 1980s to today

Despite the efforts to increase home ownership opportunities to all segments of the French population, a number of factors – anti-inflationary monetary policy, in particular – worked antithetically to these objectives. Kleinman points out that the effect of “the stringency of French economic policy” was in fact twofold: low inflation “increased the real burden of the mortgage debt taken on,” as well as played a part in the stagnation of real wages.<sup>11</sup> So while many French households had the unfortunate surprise of not seeing their nominal interest rates decline as they expected, many were also affected by minimal increases in their salaries. The incredibly high unemployment rates during this period have done little to alleviate the problem and leave many households, particularly young households, hesitant to take on the exorbitant debt that home ownership now entails.

Nevertheless, French housing policy has continued to evolve in the last twenty years with a number of key turning points along the way. The 1982 and 1983 decentralization laws opened public sector participation to include localities at the municipal and departmental levels, which henceforth have the right and responsibility to define (through land use planning) the future implantation of housing within their borders. Communes are also expected to create priority plans, known as *contrats de ville*, that address the issue of housing, and sign implementation

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<sup>9</sup> Peyon and Bermache, p. 98.

<sup>10</sup> Schaefer, Jean-Pierre, p. 171.

<sup>11</sup> Kleinman, Mark. *Housing, Welfare and the State in Europe: A Comparative Analysis of Britain, France, and Germany*. Cheltenham: Edward Elgar Publishing Limited, 1996. p. 67.

conventions with the State. Here again, these priority contracts place the question of housing in a larger urban context, weaving it into the broader issues of social life and the overall health of the city.

The sharing of responsibility, or 'solidarity' as some have described it, behind the question of housing was furthered with the 1990 Law Besson that established the *droit au logement*, or the right to housing, by stating: "The guarantee of the right to housing constitutes a responsibility for the entire nation. Any person or family exhibiting particular difficulties, due to the inability of their resources or other reason limiting their financial means, has the right to assistance from the locality, given certain conditions, to obtain and reside in a decent dwelling."<sup>12</sup> As HUD requires for various programs in this country, the 1990 law stipulates that each department, in collaboration with its municipalities, social rental organizations, family assistance allocation offices, and other non-profit agencies, elaborate a plan of action to direct housing to the most disadvantaged segments of the population. If the Besson Law appears as a return to former approaches of heavy State intervention, there is some truth in that: counts in the late 1980s estimated that 200,000 to 400,000 families were homeless and another 2 million were badly housed.<sup>13</sup> So while the 'aide à la personne' approach had in fact benefited a significant proportion of the French population, the critique that it ignored France's worst-off merits some truth. Still, we are not likely to see a return to the mass production of housing that characterized French housing policy forty years ago, in part due to the debate that surrounds the issue of a right to housing, which I discuss later.

It is significant to point out that although there have been shifts in thinking over the years, the overall picture of French housing policy embodies two primary objectives:

1. To treat housing within a wider framework of understanding, such that the inter-linkedness between housing and urban life is recognized and dealt with accordingly.

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<sup>12</sup> As it appears on the website for the Ministry of Equipment, Transportation and Housing, and as I have translated it: [www.logement.equipement.gouv.fr](http://www.logement.equipement.gouv.fr).

<sup>13</sup> Kleinman, p. 77.

2. To maintain a comprehensive approach, such that government intervention and subsidies reach the whole gamut of the market, from ownership to rental, from social to private sector, and do so in a balanced way.

These seem quite different in comparison to the objectives of housing policy in the United States, which at times are really not so clear and seem to flip-flop from one extreme to the other, if not disappear altogether.

### Social housing policy

The discussion of social housing policy, while one part of the larger body of French housing policy, is a significant enough animal that it merits separate discussion. The French approximate of public housing in America, the social sector is represented by the initials HLM – *habitat à loyer modéré*. In the many ways that public housing and public housing ‘projects’ connote certain ideas in the US, the *grands ensembles* in the peripheries of French cities have developed a negative image of their own. This of course was not always the case and as we saw earlier, the construction of HLMs in the 50s and 60s responded well to the desperate need to house French families at that epoch.

As opposed to the 1937 National Housing Act, which essentially envisaged public housing as a temporary placement for families, the earliest piece of French legislation regarding social housing described it as being a home for “persons who are not owner-occupiers, especially workers or clerks, living from their wages”.<sup>14</sup> Until the 1980s, it was targeted as “good basic accommodation at reasonable rents, for working class people,” including both blue- and white-collar classes.<sup>15</sup> In many ways, social housing has in fact become a temporary moment along the path towards private homeownership: as households gain more money, many choose to move into a home of their own.<sup>16</sup> This has particularly become the case as the social make-up of the HLMs shifted (from working families to large immigrant families, who because of low levels of

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<sup>14</sup> Schaefer, p. 170.

<sup>15</sup> Pearsall, Jon “France” in *Housing in Europe*. Martin Wynn, ed. London: Croom Helm Ltd., 1984. p. 15.

<sup>16</sup> It should be noted that increases in revenue are not regulatory cause for departure. Families do not lose their rights to housing if they gain a higher income, as is sometimes the case in the US.

education, illiteracy, and a myriad of other social factors tend to be excluded from mainstream French life), and brought with it a whole host of problematic social dynamics.

Despite this apparently troubled side of French social housing, it continues to be an important housing option for the French, performing what is “generally accepted as ... an indispensable social function,” and enjoying slightly less criticism than its equivalent here in the States.<sup>17</sup> It is incredibly difficult to secure housing in the HLM sector, which many households deem as a worthwhile product for the expense. While long waiting lists at many LHAs in this country might suggest a similar reading, they are often more the result of inordinately priced housing markets than of an actually desirable product (Boston is one such example). Although the commitment to social housing has diminished somewhat in terms of financial assistance to new construction, it has by no means seen the scale of reduction that this country knows. Indeed, the *loi d’orientation à la ville*, voted in 1991 and requiring 20% of the housing stock in cities of a certain size be social, exemplifies the commitment to continue social housing construction.

### The actors

For someone already familiar with the bureaucracies of daily socialist life in France, it might seem the logical conclusion to trust that the public sector is the central player in the housing industry there. This is however quite far from the truth: private households represent 85% of the total investment in the housing market, public HLM agencies represent 12-13%, and private investment companies make up the last 3-4%.<sup>18</sup> Looking at the type of money invested, we see 53% represented by equity and down payments, 36% from loans (of which  $\frac{3}{4}$  originate from private banks and benefit private households, the rest going to the social HLM sector), and only 11% from public aid.<sup>19</sup> This is not to say that the public sector is uninvolved; but as the previous section tracing the evolution of French housing policy indicates, intervention by the

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<sup>17</sup> Schaefer, p. 161.

<sup>18</sup> Edou, Emmanuel. *Le Logement en France: Economie, Politique et Société*. Paris: Economica, 1996. pp. 60-61.

<sup>19</sup> *Ibid.*

public sector is today predominantly indirect and can essentially be characterized through 4 actions: direct subsidies and fiscal incentives for new construction, assistance loans, public HLM agencies to construct and manage social housing, and a 1% automatic exaction from employers towards a housing savings pool (which costs nothing to the State).

There are, however, a number of hybrid public/private institutions that play an important role in moving State money to private entities, as well as participating in actual housing construction. One example of this is the *Crédit Foncier de France*, which has responsibilities for organizing and setting rates for the mortgage finance market. As Schaefer points out, "the sharp divisions which prevail in some countries between 'public' and 'private' housing tend to be blurred in France by the existence of private bodies under public control and by public intervention in the supply of building land and credit."<sup>20</sup> Another body that we most typically assumed falls under the category of public sector is the organization responsible for social HLM housing. In fact, there are a number of different types of HLM agencies ranging from the completely public (*Offices publics d'HLM* and *Offices publics d'aménagement et construction*) to the semi non-profit/semi private-with-restrictions (*Sociétés anonymes*), to the public/private partnership (*Sociétés d'économie mixte* that are not HLM organizations per se, but have the right to develop and manage HLM dwelling units).

The role of the private sector, as described earlier, is by no means negligible and the government relies increasingly on and encourages its participation in the provision of housing. While private investors have played a seemingly small part (in comparison with American investors) up to this point in France, it would not be surprising to see this role grow. Private households, on the other hand, are central to the workings of the housing market, as their equity and savings weigh heavily in the market's investments. In part because of what seems to be little evidence of a secondary market, the recourse to mortgage loans is however less developed or practiced than it is here in the States. But relatively high real interest rates and the precariousness that 11% unemployment entails also play a part in dissuading the French from

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<sup>20</sup> Schaefer, p. 167.

taking on the same amount of debt that Americans are willing to support. The proportion of income dedicated to housing is slightly less in France as well, although there has been a significant increase in recent years to meet what Americans pay: 12% in 1984, 19.7% in 1990, and 22.8% in 1996).<sup>21</sup>

## Policy Questions for France in the Future

Three principal questions lie at the center of debates over housing policy: aide à la pierre vs. aide à la personne, the right to housing, and the extent to which the State should be invested in the housing market.

### Aide à la pierre vs. aide à la personne

Here, we see a shift in policies from one in which the State is heavily involved in the construction of housing to one in which the individual or the family is the primary beneficiary. While the aide à la pierre approach tackles the issue of supply by effectively responding to the cyclical necessity for new housing construction, the aide à la personne approach addresses the issue of demand, is more fungible and flexible, and follows the revenue patterns of beneficiaries. The shift from one to the other resembles in many ways the shift of assistance funding in the US and the desire to do what is most economically efficient. As mentioned earlier, it is still unclear as to which type of assistance is less costly to the government: because of an increase in the number of households, demographic shifts, high unemployment, and real wage stagnation, the expenditures for housing allowances have nearly doubled, as the following table reflects.<sup>22</sup>

### Public Expenditure on Housing in 1980-90 prices (in billion FFR)

	1980	1985	1990
Bricks & mortar subsidies	19.2	18.6	14.7
Housing allowance	12.5	20.4	23.3

Source: Ministry of Housing, as it appears in Schaefer, p. 171.

<sup>21</sup> Edou, p. 19 and INSEE Première Report, "Les Dépenses de logement de 1984 à 1996", published in 1998 and available at [www.recensement.insee.fr](http://www.recensement.insee.fr).

<sup>22</sup> Schaefer, p. 171. Table source from the Ministry of Housing.

### Droit au logement:

There is some question as to what the 1989 Law implementing a right to housing actually entails. Does it speak more to the idea of having a roof over one's head or an actual dwelling of quality construction? The fluctuation between these two ideas has in fact been at the center of much of France's housing policy debate, and leaves people wondering whether it might force investment despite meek returns, which Edou sees as having negative consequences.<sup>23</sup> On the other hand, the right to housing might simply be no more than a "mere aspiration" as Schaefer suggests, an attempt to simply get local and national actors on the same page and committed to addressing the housing question through a number of programs.<sup>24</sup> Though this goal might, in the end, prove to be somewhat 'empty', it nonetheless demands recognition and praise for being so bold.

### How Heavy a State Hand?

The age-old question rears its head again: to what extent should the State be involved, and on which level? How much should things be left to the market? In the case of housing, does the market really ever deliver what and when the public demands? While Kleinman recognizes that the "efficacy of housing policies in meeting housing needs has been profoundly affected by changes in housing finance, and the greater market orientation of the system," he also admits that "the sector is now more vulnerable to general economic shocks, and perhaps also to systemic failure."<sup>25</sup> The question for us, and for those making the decisions, is whether in the matter of housing, this is acceptable, whether the issue of the basic right to shelter should be susceptible to temporary deficiencies in the economic model.

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<sup>23</sup> Edou, p. 25.

<sup>24</sup> Schaefer, p. 172.

<sup>25</sup> Kleinman, p. 79.

As is expected of any policy debate, much of what gets decided depends on the spectrum and leaning of those in power. This is what we have seen thus far, and we would be naïve to expect different in the future. However, a few things seem fairly certain: the relatively balanced and comprehensive outlook vis-à-vis housing that is dominant in French political thought will not quickly disappear; and in many respects, we could stand to incorporate some of this depth of thinking in our own approach to housing.