



# Objectives and Barriers to Promoting Social Housing Policy in Urban Finland

Jarkko Rasinkangas

Senior Researcher, Department of Social Research, University of Turku  
[jarkko.rasinkangas@utu.fi](mailto:jarkko.rasinkangas@utu.fi)

Katriina Rosengren

Project Researcher, Department of Social Research, University of Turku  
[katriina.rosengren@utu.fi](mailto:katriina.rosengren@utu.fi)

Hannu Ruonavaara

Professor, Department of Social Research, University of Turku  
[hannu.ruonavaara@utu.fi](mailto:hannu.ruonavaara@utu.fi)

## Abstract

According to Finnish national housing policy, social rental housing (ARA) plays a key role in providing affordable housing and combating segregation in growing urban regions, in particular in Finland's three largest urban regions (Helsinki, Tampere and Turku), which are the focus of our study. However, the proportion of social housing in Finland has declined, with an internal structural shift towards housing for special groups. Moreover, in the large cities, the ARA housing stock has not been completed to the extent called for in the housing programmes. Our paper addresses these contradictions. We examine the views of key actors responsible for housing policy and social housing implementation with data from three separate research projects between 2017 and 2022. We ask: What reasons do key actors see as to why the supply of social housing has stagnated and declined? Furthermore, we identify the possible barriers to promoting social rental housing in current policies and practices. Our analysis reveals several market-, policy- and practice-based constraints to the promotion of social rental housing. Above all, Finnish housing policy has always been secondary to other policy objectives, which makes it unpredictable. Therefore, the guiding regulations at the national level and the implementation of housing programmes at the local level seem to be out of step with each other. However, local governments are politically more stable and have attempted to promote social housing objectives, but there are clear and path-dependent differences between the cities in our study in this respect. Despite this, the representatives of social housing companies did not see the need for a broader housing policy reform in Finland. Instead, they asked for long-term commitment and predictability.

## Keywords

social housing, housing policy, urban regions, social rental housing companies

## Introduction

Social housing has been an emphasis of national policy programmes in Finland since the 2010s. Intense urbanisation and population concentration have put the issues of affordable housing, segregation challenges, and urban sprawl more firmly on the political agenda. This political change coincided with a decline in the proportion of social housing in Finland. As in many other developed countries, the state has retrenched its interventions in providing housing since the 1990s, and Finland is no exception. This retrenchment has to some degree

strengthened the basic characteristics of the Finnish housing regime, which can be summarised by four features that to a large extent characterise it from the beginning to the present day (adapted from Bengtsson et al., 2013, pp. 277–278; Bengtsson et al., 2017, p. 67):

- Publicly supported housing provision has been seen as secondary to the market's provision of housing and self-provision by consumers through self-building.
- Owner-occupation has been seen as the standard, desired form of housing tenure, whereas renting is something for those temporarily or permanently unable to access owner-occupation.
- Housing policy has been seen as a branch of social policy which primarily concerns those with a weak position in the housing market.
- The orientation towards policy interventions targeted at those most in need of support has increased selectivity in housing policy interventions.

State-subsidised social rental housing has become one of Finland's central instruments of state housing policy (besides housing subsidies also favouring mostly low-income tenants and tax breaks for homeowners). Through the needs and means testing of tenants, social housing has been predominantly a housing sector for low-income households. There have been attempts to expand the role of the state in terms of both steering housing provision and introducing needs-testing for benefits, and these have become more insistent since the late 2010s.

Apart from supporting the financing of social housing production and controlling the sector's operations, the national government organisations have little to do with providing social rental housing. This happens locally, mostly in partnership between the local government and the private sector. In principle, Finnish municipalities are well placed to influence the supply of social housing. International comparisons show that municipalities in the Nordic countries are well equipped to implement their housing policies due to high levels of municipal land ownership, regulation, and monopoly on planning, in addition to planning traditions (Arbaci, 2007). The importance of municipal land ownership and the role of social housing corporations in achieving social housing objectives have been particularly underscored (Caesar & Kopsch, 2018). Furthermore, in Finland, the looseness of housing policy guidance and legislation allows social housing objectives to be maintained in municipal housing policy and land-use policy instruments, such as land-use contracts and site allocation criteria, as well as it allows them to be reduced.

In addition to the trend towards decreasing social housing stock, there are also indications that the largest cities have not been able to produce social housing to the desired extent (Sutela, 2023). The compatibility of goals and production thus seems challenging and raises many questions about the interplay between national policies and the practical implementation of housing policies at a local level by municipalities. It raises the question: Is the increased emphasis on the role of social housing in national policies a more permanent response to the overheated housing demand in the major cities' housing markets, or is it simply a question of the fluctuation which is typical for Finnish housing policy? Has the intensification of neoliberal economic policies in the housing market in large cities contributed to a general decline in political acceptance of social housing at a local level? Or are there structural barriers to the implementation of social housing? In all cases, national policies create pressure on municipalities.

In this article we examine the views of key actors responsible for housing policy and social housing in the three major urban regions and at the national level. In particular,

we focus on the views of municipal and regional authorities responsible for planning and programming as well as representatives of social housing companies responsible for implementation. Our main questions are: (1) What reasons do key actors see for the stagnating and declining supply of social housing? (2) What are the possible barriers to implementing the objectives for social rental housing in current policies and practices?

## The Finnish Social Housing System and its Urban Challenges

### General Characteristics

The term “social rental housing” has been used to refer to different kinds of housing “that is operated based on meeting housing need and not primarily in order to make a profit for the landlord” (Blackwell & Bengtsson, 2023, p. 270). Despite this broad definition, the definitions of social housing are diverse and vary from country to country. In a 2019 article, Granath Hansson and Lundgren sought to provide a comprehensive definition of social housing that would clarify conceptual confusion and facilitate research and policy discussion. They define a social housing *system* as one fulfilling two criteria (2019, p. 162):

1. The target group for social housing is households with limited financial resources. A distribution system with that aim has to be in place to ensure that the target group occupies the housing provided. Moreover, housing must be provided long term rather than temporarily.
2. Social housing systems provide below-market rents or prices and hence are not self-supporting, but need some form of public or private financial contribution (subsidy).

It seems that of the four largest Nordic countries, only in Finland does the social (rental) housing system correspond to Granath Hansson’s and Lundberg’s criteria. Ruonavaara has provided an ideal-typical definition based on the Finnish system (2017, p. 9).<sup>1</sup> According to the definition, “social housing” refers to housing allocated not only by demand and supply but also by bureaucratically established rules favouring applicants with modest means who have pressing housing needs. Furthermore, it is priced by bureaucratically established rules aiming to provide housing at a lower price than in the market.

The Finnish social housing system originated from the establishment of ARAVA in 1949. It was the first public housing finance system for housing production in urban municipalities. Until the 1980s, most state-subsidised production was for owner-occupation, and the social rental housing sector grew relatively slowly. Municipal housing companies own and manage most of the social housing stock. Therefore, municipalities have been central actors in Finland’s long-term social mixing policy aimed at preventively counteracting segregation. Apart from municipal companies, a few non-profit building corporations own and manage a part of the stock. Some of these corporations are increasingly engaged in commercial housing production, and providing social housing has become a secondary activity. In the past, providers of social rental housing were subsidised through state-provided secondary building loans, but since 2007, state loan guarantees and interest subsidies have substituted them. The Housing Finance and Development Centre of Finland, abbreviated in Finland as ARA, distributes and administers the state subsidy and is in charge of the general coordination and control of the sector.

<sup>1</sup> Interestingly, Sørvoll has also presented a quite different ideal type of social housing, modelled on the Norwegian system (2019, pp. 53–54).

Along with ARA, municipalities control the allocation of social housing and rent levels. Tenants of ARA rental housing are selected from the waiting list based on the assessment of housing needs and financial situation. The rent levels in social housing are cost-based.

### Rising Expectations and Fluctuations in National Social Housing Policy

Finnish housing policy has often been described as weak and a kind of distributional left-over from the welfare state (Juntto, 2010). This is well illustrated by the fact that, at the national level, Finland does not have a single ministry responsible for housing policy; rather, issues related to housing policy are dispersed among several different ministries.<sup>2</sup> Housing policy is usually linked to other ministerial responsibilities, most often to the minister of the environment. The role of social rental housing in Finnish housing policy has primarily been linked to its role in balancing the housing market and concerning labour mobility by providing housing opportunities in areas of high housing demand. Therefore, social housing has been implemented primarily as a counter-cyclical policy in economic downturns. Furthermore, social housing is associated with managing segregation (e.g., Galster, 2007; Tammaru et al., 2015), socially sustainable urban development, and the right to urban space (e.g., Nijskens et al., 2019). Finnish success in reducing homelessness is also primarily based on the provision of social rental housing (Kaakinen & Turunen, 2021).

In Finland, internal and immigration-driven migration and concentration in a few urban regions began in the 1990s and has intensified, especially in the 2010s. This has resulted in new housing policy challenges, which have been identified in recent analyses. One holistic approach was a report, *Housing Policy Development Targets*, by the Parliamentary Audit Committee (Antikainen et al., 2017), which focused on the imbalance between supply and demand for housing in the metropolitan area. The report expressed certain problematic aspects of social housing, such as allocation mismatches, both in terms of tenants and location and of the need to develop social housing stock to enable housing for low-income groups. Still, the arguments in the report were primarily related to the functioning of the labour market and labour mobility.

Actual changes to the ARA system during the 2010s have, however, been limited. Due to a strong construction boom in the free-market housing sector, ARA reacted with changes in price-regulated housing to improve its attractiveness for construction companies. In 2016, a new 10-year interest rate subsidy model for state-subsidised rental housing was launched alongside the traditional 40-year model. The reform was intended to boost the construction of affordable rental housing in the largest urban regions. There have also been new emphases on housing for specific groups during the 2000s, with efforts to dismantle institutional housing for the developmentally disabled and investment grants in housing for the elderly.

One initiative to promote social rental housing are 'MAL' agreements, although the objectives are much more extensive. MAL agreements are a specific housing policy programme for growing urban regions. These agreements concern land use (M), housing (A) and transportation (L) and are agreements between the state and the largest urban regions. Four-year contracts have been in effect since 2012, and the latest contract round (2020) extended the contracts to eight to ten years to span several government terms. At the same time, new urban regions were added, bringing the number of urban regions to seven.

<sup>2</sup> Taxation (Ministry of Finance), housing allowances (Ministry of Social Affairs and Health), legislative issues (Ministry of Justice), infrastructure (Ministry of Transport and Communications), building and land use (Ministry of Environment).

Agreements guide state-subsidised affordable housing production. In the MAL agreements, the increase in social housing stock is expressed, for instance, in the following terms:

We will safeguard the diversity of sizes and tenures of housing as well as the foundations for affordable housing so that those in the weakest positions have housing solutions. The share of ARA will be raised to 35% while safeguarding the balanced development of neighbourhoods. (Finnish Ministry of the Environment, 2020b, p. 8)

In its 2019–2022 government programme, the Social Democratic Party-led government (led by Sanna Marin) set clearer targets for increasing social rental housing production, especially in growing urban areas. The programme mentions social housing, among other points:

We will increase the volume of affordable ARA housing production in growing urban regions and renovate the existing housing stock. We aim to produce at least 10,000 newbuild flats with long-term state interest subsidies per year, more than half of which will be located in the Greater Helsinki region. As a general rule, support for newbuilds through interest subsidies will be targeted at areas where there is long-term demand for housing. (Finnish Government, 2019).

Perhaps the most significant improvement during the Marin government's term was the creation of a Housing Development Programme for 2021–2028 (Finnish Ministry of the Environment, 2020a). Although the programme is only an indicative one, its long-term objectives span several government terms. Several of the objectives it sets out relate to social rental housing, such as the right to good and affordable housing, housing supply meeting different population groups' needs, and socially sustainable neighbourhoods. The Housing Development Programme clearly emphasises increasing social housing: "The state-supported housing production has an important role in complementing market-based housing provision and as a tool for preventing segregation and as an economic equaliser. Considering the economic situation, state-supported ARA production is increased from the 2020 level." (Finnish Ministry of the Environment, 2020a). Despite promoting social rental housing, the objectives described still reflect its counter-cyclical role. Though the programme was prepared in parliamentary cooperation with all parties, the two right-wing parties of National Coalition and the Finns Party voted against it in the parliamentary proceedings.

To conclude, it can be said that there was no significant change in policy orientation in Finnish housing policy towards social housing up to the 2019–2022 government programme.<sup>3</sup> Housing policy orientation under left- or right-wing-led governments has not been notably pronounced over the past decades (see also Kadi & Lilius, 2022). The housing market's slide towards neoliberal economic development has taken place somewhat "unnoticed". At the same time as the above trends, the proportion of social housing has declined, which we will examine in more detail in the next section.

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3 The first versions of this paper were drafted at a time when the above formulations seemed to reflect heightened importance of social rental housing as a complement to the private provision of housing, as provider of affordable housing, and as a tool to combat segregation. Since then, the orientation of government policy towards social housing has changed radically. We will return to this issue at the end of the article.

## The Urban Context of Our Study

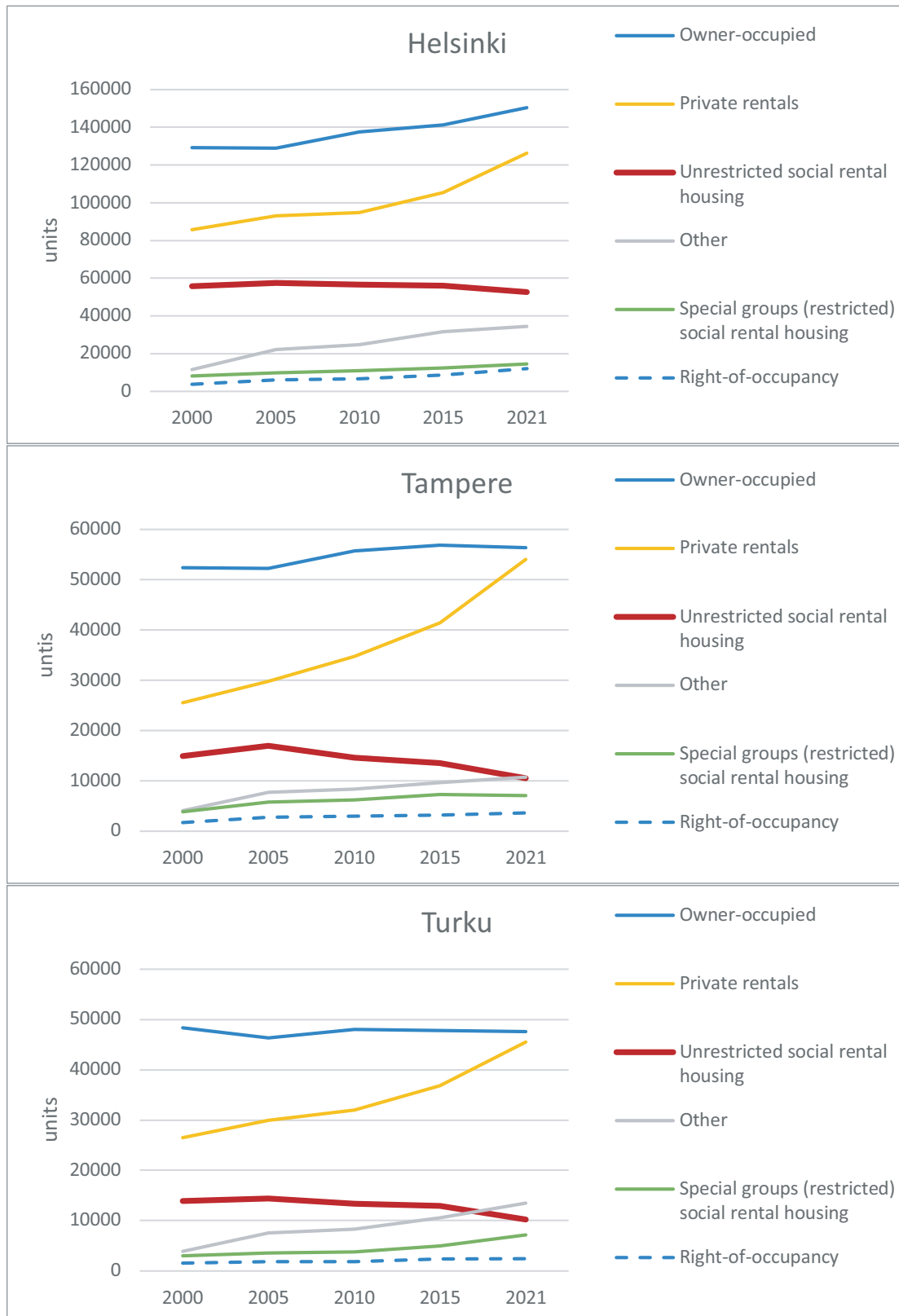
Our study focuses on the central cities of Finland's three fastest-growing urban regions – Helsinki, Tampere, and Turku – where over half of the Finnish population lives and where projections indicate that the population will continue to be concentrated. Peaking in the year 2000, 15% of Finnish households lived in social rental housing – about as high a proportion as tenants in private rental housing (Bengtsson et al., 2013, table 5.2.). Since then, the proportion of tenant households in social rental housing has decreased. Social rental housing has been more common in the cities targeted by our study than at the national level. In 2020, the proportion varied between 20% in Helsinki and 15% in Tampere (see Table 1). At the same time, the national average had declined to 11%, and over 70,000 units had been released from ARA regulations between 2010 and 2020 (ARA, 2021; Finnish Environment Institute, 2022). ARA rental housing has been deregulated in two ways. Large numbers of state-supported loans have been paid back. With the end of the debt, regulations also end. Usually, the regulatory period is 40 years. Rental housing owners have also applied to deregulate properties in low-demand areas or in poor condition. Such properties nearing the end of their lifetime require renovation or demolition. As new production has not compensated for the loss, the social rental stock has diminished. Although a large proportion of previous ARA units has remained rentals, public sector control over the resident selection process and price levels has decreased (ARA 2021).

**Table 1.** Housing Stock by Tenure (%) and ARA Social Rental Stock Change in the Studied Cities

City	Housing stock by tenure status (2020) %				Social rental ARA housing stock in 2020 and change between 2000–2020 (n)		
	Social rental (ARA)	Private rental	Owner-occupation & other private	ARA vs. private rental. Cost difference (m <sup>2</sup> ) %	2020	Change 2000–2022	Stock to be released from regulation (2022–2030)
Helsinki	20.2	31.9	47.9	–62.4	51616	–4002	4746
Turku	16.3	35.2	48.6	–25.8	10474	–3492	2158
Tampere	15.3	37.2	47.5	–24.4	11292	–3634	2109

The decline in social housing stock trend is also identifiable in all the cities under our study (Table 1). In addition, a large amount is set to be released from regulation by 2030: approximately 50,000 units at the national level (ARA 2021). In our focus regions, 61% of ARA stock is subsidised rental housing for applicants not belonging to the special groups and competing with free-market rentals (unrestricted), while the proportion of ARA rental housing for special groups such as students, disabled, and homeless residents growing sharply in the last decade (Finnish Environment Institute, 2022).

The changes in the total housing stock are presented in Figure 1. The most apparent change is the sharp increase in private rental housing during the 2000s and even more rapid growth during the second decade. At the same time, owner-occupied housing has stabilised in the unregulated housing stock in Tampere and Turku since the 2010s. Unregulated production has thus shifted heavily to housing construction for residential investors. This finding follows a recent analysis of the Helsinki metropolitan area and the city of Tampere, according to which a total of 110,000 housing units were built in these areas between 2015 and 2021, equivalent to 43% of the total number of housing units completed in the whole



**Figure 1.** Trends in the Stock of Apartment Units by Tenure Status 2000–2021 in the Studied Cities (source: Liiteri database 2023).

country (Vaattovaara & Vuori, 2023). Furthermore, there have been significant changes in the structure of housing production, with new production heavily concentrated on small free-market rental flats.

The downward trend in social housing mentioned above is most evident in Tampere. This has paralleled an increase in social rental housing for special groups. Part-ownership types of housing include right-of-occupancy housing and a small percentage of other regulated housing. In Helsinki, this stock is labelled “intermediate tenures” and includes owner-occupied cost-based housing via the Hitas system.<sup>4</sup> Other free-market units comprise a few heterogenic tenures, including ARA rental housing released from restrictions. As may be discerned, towards the end of the period under review the proportion of this housing stock had begun to exceed the number of regulated social rental units. Helsinki’s proportion of regulated production is clearly the largest, and the changes to it are also more moderate compared to the proportions of Tampere and Turku. Helsinki’s stable situation in terms of social housing has been highlighted in previous studies (Kadi & Lilius, 2022; Rasinkangas et al., 2023).

The developments described above create significant challenges for housing solutions, especially for lower-income groups. As a result, housing has become more expensive, and in line with the general European trend towards marketisation, choices are mainly made on the free market (Whitehead, 2015). In our study cities the price gap between social rental housing and market rents is significant, particularly in Helsinki (Table 1). Long rental queues also indicate the need for affordable housing in growth centres: for instance, in Helsinki, only 14% of applicants for social rental housing in 2020 received an offer. At the same time, urban growth strategies are focused on the goal of a diverse demographic and labour force, emphasising the need for affordable housing.

## Research Design

The data in this article was formed by combining data from three separate research projects between 2017 and 2022. While all these projects have been broader in their themes, the vital role of social rental housing has been mediated as an essential factor in promoting social and public policy objectives. Therefore, the reason for combining the data is their content, which overlapped and complemented each other in relation to the role of social housing. Our experience in these projects has convinced us of the importance of addressing how actors at different urban and housing policy administration levels regard the situation and progress of social housing. Our previous findings (Rasinkangas et al., 2023; Rosengren et al., 2023, 2024) show that there is often a mismatch between different policy branches’ objectives, means, and outcomes. This is also partly linked to the different policy goals, municipal organisation capacities and traditions (Sutela, 2023). Therefore, it is relevant to study the subject with a comprehensive approach, clarifying what is commonly shared about the phenomenon under study and what is specific to the local context.

Our data mainly present the perceptions of the key actors that implement national housing policy objectives in practice. Our research questions arise from the assumption of several contradictions. We ask what reasons key social housing actors see for the stagnation of and decline in the supply of social housing. What are the possible barriers to implementing social rental housing objectives in current policies and practices?

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4 Hitas is a system for regulating the price and quality of apartments. Hitas is intended to provide affordable owned apartments to applicants living in the City of Helsinki. Apartments within the Hitas system are set at a maximum selling price as soon as the site is signed over for construction, and this maximum selling price may not be exceeded even when selling the apartment afterwards. Currently, the system is undergoing changes.

## Data and Methods

The data collection in all research projects was based on thematic interviews in the three largest cities – Helsinki, Tampere, Turku – and in the Smartland project Helsinki MAL region. In all the projects, the expert interviewees were municipal, regional or national public sector officials. In the field of their work, many of our interviewees were in a managing position responsible for municipal or regional level land and housing policy, urban planning and zoning, as well as non-profit social housing companies (municipal or national level) and subsidy and information management at the national level (ARA and Ministry of Environment). The interviewees were selected from websites of government organisations and through the researchers' previous contact networks and other interviewees. The interviewees had extensive experience in their respective positions and a broad understanding of policy implementation. The authors collected all the data in the context of these projects. The following is a brief presentation of the projects related to our data.

- The Urmi project 2017–2019 focused on segregation management tools in Finland's three largest urban regions: Helsinki, Tampere and Turku.
- The Kohta project 2018–2021 analysed barriers and solutions to promoting affordable housing in the same three urban regions.
- The Smartland project 2019–2025 explores land-use policies that can effectively steer urban development more sustainably and prevent segregation in Finland's 20 largest cities.

In the Urmi project, 14 officials were interviewed, and in the Kohta project, 22 officials. In the Smartland project we use a subset of data limited to interviews conducted in the MAL area of the metropolitan region in three municipalities: Helsinki, Espoo, and Vantaa. The subset data consists of 14 interviews. In total, our combined interview data consists of 50 interviews with experts. As our perspective in all projects has been relatively clearly related to the specific expertise and responsibilities of housing policy and urban planning, some of our interviewees overlap in these projects. However, we do not see this as a problem but rather as an unavoidable fact that supports the answers to our research questions.

Due to our carefully selected interviewees, we are cautious to protect their anonymity and do not publish detailed information such as their position. Instead, the city, project and government organisations they represented are provided. The projects are abbreviated as follows: Urmi (A), Kohta (B), Smartland (C). The organisations are abbreviated as: local government (LGO), regional or national government (GO), municipal housing company (MHC), non-profit housing association (NPHA), and non-governmental actor (OTH). In addition, the city names are abbreviated as Helsinki (HEL), Tampere (TRE) and Turku (TKU). In the case of the Smartland project, Helsinki Metropolitan Area (LGO:HMA) is abbreviated. This approach ensures confidentiality while still providing relevant information for reference.

In all three projects, thematic interviews were semi-structured. In this article we draw on questions from our data that focus specifically on the objectives of social rental housing at the local and national levels, and the efforts to address these objectives. As our data covers a relatively long period (five years), in our view, this was not problematic in terms of the themes and findings that emerged from data regarding affordable housing or the management of segregation. Instead, the aggregation of the data works to saturate the themes that arise. This may also be explained by the relatively slow and time-consuming nature of land and housing policy implementation processes.

Thematic content analysis was used as a method. First, we identified barriers based on previous studies and reports, such as the lack of sites allocated for social housing (see e.g. Rosengren et al., 2024). In addition to these, we identified themes emerging from the data. By grouping the themes, we have ended up with the headings presented in the empirical analysis. The citations in the empirical section are translated from Finnish and edited for clarity by the authors.

## Results

### Unstable and Unpredictable National Housing Policy

Based on our findings, the main reason for the difficulty in achieving social housing targets is the weak national housing policy guidance which is typical for Finnish housing policy. None of our interviewees considered Finnish housing policy strong or coherent. Instead, criticisms of its national guidance were common: “As an experienced planner, I expect disappointment with everything national, starting with laws. What kind of policy does not seek to support public actors?” (B:GO, TRE). At the same time, it was pointed out that the actual guiding housing policy is very narrowly understood by society as subsidised housing in the form of social rental housing, and becoming increasingly specific to housing for people with special needs (see also Hyötyläinen, 2020). In addition, the social housing stock has been in continuous decline since the beginning of the 2000s, as noted above. Neoliberal housing market developments were recognised by our interviewees, especially after the 2008 financial crisis. As the Finnish housing market has become increasingly market-based, the criticism concerning the instability of housing policy is particularly aimed at social housing:

The game has changed. With the financialisation of the rental market, we have a free-market rental segment with a residential profile different from the social rental market: in the largest cities in Southern Finland, it is immigrants. But the control, if you can put it that way, as to how the social structure of a neighbourhood is formed, that is weaker.... The public sector can't control who lives there.... The government has fewer possibilities to apply the mixing principle (C:OTH).

Recently, Sutela (2023) made a series of findings on developing social housing in our case study cities. The policy of smoothing economic cycles has meant, for example, that social housing was abandoned entirely in the City of Turku for most of the first decade of the 2000s as the city's population growth stagnated. The price difference between social and private rental housing was insignificant at that time. According to Sutela, in all the cities in the case studies, the economic upturn and the growing involvement of housing investors in the Finnish housing market significantly impacted private housing construction in the second half of the 2010s.

However, using social housing as a counter-balance is not a new situation but a question of the long line of Finnish housing policy. Our interviewees pointed to Finland's profound economic recession in the 1990s, when the construction industry was maintained through social housing. This resulted in concentrations of social housing sometimes considered insufficient, especially from a segregation prevention point of view, which some interviewees considered as “cautionary examples” of the mistakes of the 1990s.

As stated by one interviewee, Finland's last strong housing policy was in the 1990s under the Social Democrat Party (led by Paavo Lipponen) government. Although, according to a representative of ARA, the ARA system's standing, for example, has from time to time come under question by the Ministry of Finance, it has continued to operate relatively unchanged.

Nearly all interviewees called for a reinforcement of the social dimension of housing policy. This was justified, in particular, by the need to improve long-term sustainability and predictability. Recent programmes and overviews (Housing Development programme for 2021–2028; Finnish Parliament Audit Committee report *Housing Policy Development Targets*) were seen as a step in the right direction. In particular, the reports have argued for a long-term approach to housing policy that goes beyond the government's terms. While these reports emphasise the importance of securing quantitative housing production as a primary measure to influence housing demand in growth centres, a clear and strengthening role is also defined for social housing as a key instrument in providing affordable housing and managing segregation. Interviewees widely accepted this view.

### Regulation Perspective at the Local Level

Previous studies have pointed out that none of the municipalities in our study could meet the quantity targets for social housing production between 2016 and 2019 as defined in the MAL agreements (Sutela, 2023). The failure to meet the targets set can be attributed to non-profit organisations that have had difficulty in securing affordable deals from contractors which have plenty of opportunities in the private housing sector.

The problems mentioned above were also raised in our findings. In our interviews, municipal and regional officials highlighted the difficulty of finding plots within the ARA price limits. The best sites have already been built:

It is impossible to satisfy ARA conditions with these land prices, no matter how much you want to. In a nutshell, perhaps the biggest problem is that we cannot construct ARA where it is needed and where it should be constructed (C:LGO, HMA).

One of the main problems with ARA price regulations is that urban densification currently means building on sites where construction costs are high. This, in principle, increases the price of land. Densification and investor-driven housing markets have also made urban land ownership more diverse. This has meant that blocks have been divided into small sites, and therefore, blocks may have several owners. Small sites are not economically feasible for ARA production as they become too expensive: “One owner may own a block or half a block. So, by necessity, when it is compressed, there are going to be small solutions. Tough questions, which MAL does not answer” (C:LGO, HMA).

Municipally owned land and its development and allocation as ARA plots are essential to enabling social housing (see e.g. Caesar & Kopsch, 2018). The situation is more complex if the municipality does not own the land. When MAL objectives are implemented at the regional level, it is increasingly complex:

What is written into the MAL agreements on affordable housing is only quantitative targets. So, every region has a housing production target for all buildings and, of course, a percentage of affordable of total new housing in the previous agreement. And that does not say where or how it should be built. It is just a percentage. And if you think of inequality as a phenomenon ... the generally accepted principle is that balanced housing production is the number one solution to reducing inequality. So, on the one hand, we have a quantitative target, and on the other hand this model that the more heterogenous the housing, the more heterogenous the social structure (C:GO, HMA).

A strong cycle of large-scale housing production was evident in all the case study urban regions. Together with the economic upturn, the objectives set out in the MAL agreements have boosted planning and housing production. Also, meeting production targets may be reflected in housing quality issues: “In practice, it appears as though they [municipalities] are planning housing like crazy.... The really big goal of urban planning was to meet the MAL agreement’s quantity objectives.... We prioritise quantitative goals, but perhaps we should prioritise housing quality” (C:LGO, HMA).

At the time of our interviews, the new 10-year interest rate subsidy model launched by ARA had only been in use for a few years. However, based on our data, this has not significantly impacted increasing supply, but has brought new operators into the construction sector. Our interviewees also criticised this model as it was not considered genuinely affordable in terms of its short period: releasing units to the free market in only ten years’ time will allow a higher level of real-estate speculation.

According to interviewees, the problems with ARA regulations were related not only to acceptable site prices but also to other changing regulations, sometimes based only on temporary legislation. Examples of such legislation include interest rate subsidies, repayment periods and start-up grants. As mentioned by the interviewees, these could even change in the middle of construction projects, which, with their zoning and planning processes, usually take more than one government term to complete. These changes are more likely to confuse than to promote the implementation of social housing by municipalities. It is therefore also difficult for municipalities to respond reactively to the incentives offered by ARA or MAL agreements.

Furthermore, other than ARA-related national and local regulatory requirements, social housing costs are affected. “The costs rise.... When we have tough environmental and urban design requirements etc., it raises the price. Therefore, the units are not accepted in the ARA [scheme].... [There is a] constant balancing of different goals” (A: LGO, HEL).

In addition, representatives of social housing associations mentioned the regulatory problem of having each site approved separately by ARA. This means that the costs of the processes are constantly repeated when the benefits of scaling up cannot be achieved by combining several projects. Social housing companies would also prefer to make a steady and stable production with a long-term plan rather than apply and implement individual projects; as private developers, they also prefer predictability. One bottleneck has also been the length of processing times in permits within ARA due to staff resource constraints.

Understandably, our interviewees raised the issue of the ARA regulations as one of the most important factors requiring change. They called for greater predictability and fine-tuning of the system. Nevertheless, the officials generally appreciated the ARA agency as an actor as “they are simply doing their job and following regulations by the law” (B:MHC). This was also the view of the ARA authorities: “Even if they are in a good location and sensible-looking buildings, they have been so shockingly expensive that not all projects have been approved because of rising costs” (B:GO). As a result, suitable sites for social housing have not been available in the desired quantities, and social housing has lagged behind the quantitative targets in all cities and regions.

### Policy Perspective at the Local Level

Local policy stability has been found to significantly impact enabling social housing (Blackwell & Bengtsson, 2023). Our interviews revealed that political changes in the composition of local government do not have as much impact on changes in municipal

housing policy priorities as they do at the national level. However, they do have an impact. Particularly in the case of Helsinki, the role of social housing is not generally questioned, and a consensus has been maintained across political parties. It is worth noting that Helsinki City Apartments (HEKA) is Helsinki's largest single housing provider. Political acceptance is also facilitated by the city's social mixing policy, implemented in the early 1970s, in which social rental housing plays a central role (Vaattovaara et al., 2018): "Yes, social mixing is widely accepted across political party lines. For some, it is a question of economy and labour policy; for others, it is a question of social equality" (B:LGO, HEL). According to the city's policy, 25% of the annual housing production should be directed to ARA rental housing and 30% to intermediate housing (Figure 1, part-ownership) (Helsingin kaupunki, 2020), part of which is also subsidised by ARA.

In Tampere and Turku, the political changes in the city council have been somewhat more visible in prioritising social housing, but the actual policy changes have not been significant (see also Sutela, 2023). However, in Turku, there was even a political debate in 2007 about selling off the social housing stock owned by the city's social housing company (TVT) when the city's population growth stagnated, and social rental housing had not been built for years. This has been explained by political party composition, as the National Coalition Party (Kokoomus) has led the city council for decades, indicating less political interest in developing social housing. According to an interviewee from a social rental housing company, left- or right-wing-led city councils in Tampere have also played a role in social housing, at least from their point of view. With the Social Democratic Party (SDP)-led city council, sites have become more available for social rental housing:

Immediately there were changes, so that the city started to supply so-called ARA-priced sites, and the city started to plan sites more quickly in general ... and when the city is zoning land owned by others, they take a piece of land as a compensation for the city, and convert it to an ARA-priced site (B:NPHA, TRE).

Overall, the housing companies owned by our case study cities legitimise the maintenance of social rental housing supply and, depending on the economic cycle and political drivers, have also influenced the prioritisation of new production.

The political guidelines have been more visible in the regional framework. In the Finnish tax system, the working population plays a crucial role in terms of municipal tax revenue. In this context, housing policies can reduce the risk of low-income residents by excluding social housing from the municipal housing supply. It is a question of attracting so-called good taxpayers through the housing stock. This perceived sub-optimisation has been addressed, for example, through MAL agreements. All our case cities are included in the MAL agreements, which currently set out production targets for social housing. However, this situation is changing with the new government programme, as mentioned in the previous section.

In sum, it can be argued that there is political will at the local level to maintain and support social housing. However, considering how this will be translated into practice is also important (Debrunne & Hartmann, 2020; Rasinkangas et al., 2023). As one of our interviewees pointed out, even if there is political will and contractual incentives, this does not guarantee that the objectives will be met. The resources, skills, and sometimes even the will of the implementing authorities can slow down the achievement of objectives (see Sutela, 2023).

## The Role of Social Housing in a Transitional Housing Market

One evident theme emerging from our interviews is the protective rhetoric of social housing. This is understandable because many of the officials and experts we encountered were responsible for maintaining social housing or being closely involved with the factors affecting it. Above all, the rhetoric emerged as a counter-discourse to the economic housing policy debate dominating public conversation. In the Finnish debate, economists have argued for the inequitable allocation of social housing production when production subsidies target only a few people who need housing (e.g., Eerola & Saarimaa, 2015). Another point is the loss of land revenue for municipalities because below-market-price sites result in losses and, conversely, have an exclusionary effect on market production. In addition, economists argue that ARA rental housing concentrates low-income people in the same neighbourhood and thus leads to segregation.

The protective rhetoric we have identified includes several factors. Our interviewees discussed values and democracy frequently in contrast to the economic arguments summarised above. In their view, ARA housing needs to be protected as:

- (1) it is a democratically decided public service that contributes to the social citizenship of low-income tenants;
- (2) it provides for tenants long-term affordability in housing, better housing security and empowerment than private rental housing;
- (3) it contributes to the prevention of residential segregation;
- (4) it is a cost-effective way for the state to provide affordable housing, giving room for housing innovations.

(1) Interviewees saw themselves as having a mandate from society to provide housing at a reduced cost and to promote social citizenship. Housing is also understood as not only providing shelter but also a home and a more comprehensive service: “Do we want affordable housing to be a social right, or do we want to see housing production and the housing market as a free-market investment?” (B:NPHA). The public service mandate is based on democratic grounds since the local government, representing the residents, has been given the power to decide on common issues and has chosen to maintain social housing, even if economic arguments such as income losses are theoretically valid: “It depends on the extent to which the city makes the political decision that it wants ARA-type housing” (B:NPHA). It was precisely the theoretical aspect that was often used as a counter-argument to the economics debate. From the practitioners’ point of view, theories do not work in practice: “Yes, that is the talk; economists do not understand the human factor. Their talk is probably true in theory, but not in practice” (B:GO). One indication of public service function is that social housing companies have hired, among others, housing mentors and, in one company, even two social workers to deal with potential problems, such as the risk of eviction.

(2) Social housing was supported as the only guaranteed way to achieve affordable housing with a stable rent level (see also Lilius & Lapintie, 2020). According to interviewees, social rental housing companies also provide better housing security and empowerment for residents than is possible for free-market tenants. There is no risk of their tenancy suddenly being terminated: “In the long term, [it is] the only form of rental housing where people can be confident that their home will not go under” (A:GO). Social rental housing providers are legally obliged to promote the democratic participation of tenants in the rental housing

organisation's decision-making processes. For owners of private rental housing, practising tenant democracy is voluntary.

(3) Social housing companies also have a responsibility for neighbourhoods, which is relayed through the objective of preventing segregation concerning means-tested tenant selection and neighbourhood improvement: "The criteria for selecting tenants are such that we must select those most in need of housing ... without creating segregated buildings. It brings into play this principle of social mixing" (B:GO). The quotation also points to the tension between the obligation to select tenants who most need housing and the pressure to guarantee that they are not concentrated in specific neighbourhoods. In our interviews, "mistakes made in the 1990s" were sometimes mentioned, referring to the creation of concentrations of social housing at a time when the production of such housing was used as a counter-cyclical economic policy instrument to revive housing construction during a deep depression.

The most concrete examples of social housing as a service provider are housing for special groups, such as students and the elderly, usually produced by operators with a foundation background.

(4) Production subsidies to social rental housing were defended as an inexpensive way of providing affordable housing for society, especially since interest subsidies were not needed during the low-interest rate period (our interviews were conducted in 2017–2022). This was contrasted with the soaring cost of housing subsidies for low-income households, predominantly in private and public rental housing: "The only public support was this 20% reduction in the price of land, which came from the municipality, but nothing from the state. At the same time, more than two billion euros in housing allowances are paid" (B:NPHA). In addition, the ARA scheme allows experimental pilot construction, which has been seen as societally helpful in developing new apartment and building concepts. This is not possible in the same way as in free-market production, where financial risks are avoided.

As market-based housing production has strengthened, there have also been profile changes in the activities of social rental housing companies in Finland. Two large non-profit operators, VVO (now Kojamo) and SATO, divided their functions into affiliated companies during the 2000s and moved away from regulated production to market-based listed companies. However, the social rental housing company representatives interviewed considered the situation relatively clear. The remaining municipally owned companies and a few well-established non-profits have refined their profile and specific expertise in the housing market. Although, like most international examples (Czischke, 2009), these companies have adapted their activities to the changes in the market economy, they have focused their profile in line with the housing service functions mentioned above. Joint advocacy has occurred through the Finnish Affordable Housing Companies' Federation (KOVA), which includes most municipally owned social rental housing companies in large cities. Therefore, the current situation of social rental housing companies was not perceived as a particular problem.

Despite the boom in construction and the market-based housing sector, which offers better profits, the representatives of social rental housing companies did not see actual construction as a problem. Rather, the problem has been that the entire capacity of the construction sector is being used up. As one interviewee said, "We are running out of men and concrete" (B:NPHA). Nevertheless, the major bottleneck is obtaining sites. Although construction contracts are based on competitive bidding, our case study cities seem to

have established construction companies with whom cooperation was reported to be fluid. Moreover, in a low economic cycle, all companies are ready to build ARA construction. However, our interviewees expressed a wish for more players in the construction sector, and in some cases, new ones have also been favoured in competitive bidding.

To conclude, the officials and experts we interviewed do not perceive the status of social housing as particularly threatening. Our analysis also clearly states that they do not suggest the need for a broader housing reform to develop the Finnish housing policy despite housing policies being seen as weak. Rather, the current system should be adjusted. This was justified above all by the fact that in a small country, it is not appropriate to create new overlapping systems when the existing ones have evolved into solutions that have worked in many respects and are suitable to Finnish society. Social rental housing is a well-established part of this structure.

## Conclusions

This article has focused on the contradiction between the rising objectives for social housing and the increasing marginalisation of social housing stock. In particular, we have addressed the view of the local level responsible for the implementation in the three largest Finnish urban regions. We have examined why social housing supply has stagnated and declined. Furthermore, we have identified the possible barriers to promoting social rental housing in current policies and practices. To summarise the results of our analysis, there are several market-, policy- and practice-based constraints.

First of all, as the Finnish housing policy at a national level has always been secondary to other policy objectives, particularly labour policy, it has influenced changes in resourcing according to the economic cycles and governmental terms. In many ways, this has hindered the implementation of municipal social housing objectives. Above all, social housing policy is unpredictable.

The latest national housing policy discourse development is an excellent example of unpredictability. In the summer of 2023, the new Finnish government programme (2023–2027) was published (Finnish Government, 2023). The programme reflects the values of a right-wing government led by the National Coalition Party (Petteri Orpo) and takes social housing and ARA production in a different direction. The government programme states:

High-quality and affordable housing is promoted through free-market housing. The government will more effectively focus socially subsidised rental housing on low-income, low-wealth and special groups who struggle to afford it on the free market. The government will reduce socially subsidised ARA housing production in a controlled manner (p. 121, authors' translation).

According to the programme, the housing production targets in the MAL agreements should no longer include a share of ARA production, and there is no mention of the long-term Housing Development Programme 2021–2028. In addition, the programme includes very few references to segregation.<sup>5</sup> Nonetheless, the latest change in the government's programme reflects the lack of long-term continuity in Finnish housing policy and the long-term path-dependent features of the housing regime.

<sup>5</sup> According to the latest information, the government is to some extent bending its policy, as housing production is very stagnant and the sector as a whole is in recession. Again, there are signs that social housing may be used as a counter-cyclical policy instrument.

However, it should also be pointed out that changes in national policies are not reflected to the same extent in local policies. Local governments are more stable, but at the same time path-dependent in taking social housing into account as part of their housing policy. The differences between the cities in our study are quite clear in this respect, reflecting local path dependency. In addition, it must be stressed that in the case of cities, the boom in construction has been dominated by free-market production, which has in no way contradicted the Finnish housing policy regime, which emphasises owner-occupation and consumer responsibility to organise their own housing. Still, there is a clear attempt at the local level to promote the national objectives of affordable housing and segregation reduction, but the results revealed many practical barriers.

One of the clearest barriers is that it has become increasingly difficult to find sites that meet the strict ARA regulations, especially in locations suitable for the objectives. This is mainly because land prices and construction costs have risen as cities have densified. In addition, the MAL agreements, which guide a more even distribution of responsibilities for affordable housing and segregation management at a regional level, are difficult to implement as intended. When quantitative targets are a priority, the problem is that new social housing production tends to be channelled predominantly into areas of low socioeconomic status, thus contributing to the risk of emerging segregation. These risks seemingly contradict the goal of balanced neighbourhood development in state and municipal housing policy and the segregation mitigation goal set in the same MAL agreements.

However, land prices are not the only criterion making it difficult to promote social housing; other changes in ARA regulation details and production subsidies, often in the course of a government's term, are also essential. This returns to the role of social housing as an economic counter-cyclical policy instrument subject to wider policy fluctuations. Therefore, guiding regulations at the national level and implementing housing programming at local level seem to be in unbalanced rhythm.

An interesting finding of our study is that the retrenchment of social housing stock has caused a clarification of housing market segments. As the number of social housing companies has declined, the remaining companies have adapted their activities to the market, focusing on more comprehensive housing services in their segment. The decline in the share of social housing was, therefore, not seen as a real threat to the loss of the social mandate. Rather, social housing was seen as an essential and well-established part of Finnish housing policy in the future, even if political orientations occasionally bring uncertainty and increase unpredictability. For the same reason, social housing operators did not see the need for a broader housing policy reform in Finland. Instead, they asked for a long-term commitment and predictability.

Nevertheless, the retrenchment of ARA housing stock leads cities to struggle to fulfil their own and the state's urban policy goals, i.e., affordable housing, functioning labour markets, and regional vitality. It is a fact that the constraints we have identified create potential barriers to the role of social housing concerning the national housing policy objectives mentioned in this article. To our understanding, even before the latest change in government policy, national housing policy goals do not appear realistic.

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