

# **Tenant voice – as strong as it gets. Exit, voice and loyalty in housing renovation**

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## **Abstract** (150 words)

This article applies Hirschman's concepts exit, voice and loyalty to a Swedish case of housing renovation in an estate with comparatively strong tenants. Hirschman's framework is particularly well suited for the housing market with its heterogeneity and high transaction and attachment costs, and accordingly strong loyalty and voice. Renovation processes are complex both technically and socially, and our study indicates that the exit-voice-loyalty framework is a useful tool for analysing such processes. We argue that renovations can be considered as shocks or critical junctures to an existing tenant-landlord relation, thereby exposing power relations on the housing market. In the case studied, tenants were not able to affect the scope of the renovation directly, but tenant voice did affect the process as well as the outcome in other respects. We argue that this strong tenant group represents a 'most likely' case, making it possible to test the limits of tenant influence.

## **Keywords** (5-6)

Exit, voice, loyalty, housing, renovation, tenants

## Introduction

This article discusses tenants' reactions to housing renovation. It builds on Hirschman's (Hirschman, 1970, 1993) well known theory about how consumers act in the face of discontent, based on the concepts *exit*, *voice* and *loyalty*. Recently, Chisholm et al. (Chisholm, Howden-Chapman, & Fougere, 2016) have demonstrated the relevance of Hirschman's theory to housing issues by reviewing applications to different aspects of housing and neighbourhood development. However, as far as we know, our study is the first to apply the exit-voice-loyalty model to housing renovation. Renovations are complex processes in terms of landlord-tenant relations and can be considered as *critical junctures* for a housing estate and its inhabitants that put the relation between residents and estate owners to an edge and thus may change the path of local development (cf. Collier & Collier, 2002). Unlike construction of new housing, where tenants are typically not involved until the construction work has been finished, renovations affect existing tenants. During renovations, tenants may need temporary replacement housing or have to cope with noise and disturbances, and in the end also risk facing increased rents. It is therefore not surprising that renovation processes are often characterized by a strong voice element, such as resident protests and legal conflicts.

Moreover, housing renovations are of major concern not only for landlords and tenants, but for society as a whole. One reason for this is that renovation processes often trigger tenant mobility. Perhaps the most common reason discussed is that renovations can lead to higher rents, thereby making tenants choose to, or feel forced to, move to another building, neighbourhood or city. Sometimes a renovation may act as a trigger for tenants' decision to leave, also when they are not forced to. The mobility patterns resulting from large-scale renovation processes may have an impact on whole neighbourhoods or city structures, so understanding the micro-processes of exit, voice and loyalty may also contribute to a better understanding at the macro level.

The aim of this paper is to improve the understanding of the tenant voice, exit and loyalty mechanisms in housing renovation by applying the model to a Swedish case of housing renovation, which ended up in a pro-longed conflict between tenants and landlord. It is a case where tenants can be considered to have been particularly strong-voiced, both individually and collectively. In accordance with a 'most likely case'-logic, this makes the case particularly useful for understanding the tenant-landlord relation in housing renovation. A case with resourceful residents should be 'most likely' to give evidence about the mechanisms of voice and, in consequence, of exit and loyalty as well, thus testing the limit of what tenant voice may accomplish.

Can the exit-voice-loyalty framework contribute to understanding the tenant-landlord relation in housing renovation? In order to answer this over-arching theoretical question, several more specific research questions have been formulated in relation to the studied case. How is the voice mechanism, and especially collective voice, exercised in housing renovation, and how does it relate to loyalty? Whose interests ('the voice of whom') are taken into consideration in the renovation process – and how? To what extent does the voice mechanism matter – and how?

In the following section we discuss Hirschman's model in relation first to housing in general, and then more specifically to housing renovation. After that we present and discuss the methods and materials used for our case study. Next we introduce the setting of our case study: first we describe the characteristics of the renovated estate and its owner, followed by a brief presentation of the legislative and political conditions for housing renovation in the Swedish context, and third we give a brief historical overview of the renovation process studied, as a background to our empirical analysis. We argue that the main mechanisms are general and the exit-voice-loyalty framework opens up for

comparison with other cases in different contexts. The subsequent empirical section is organized on the basis of Hirschman's model. Finally we discuss what general conclusions can be drawn from our case study and how our application to housing renovation may contribute to the development of the exit-voice-loyalty model in general.

### **Exit, voice and loyalty in housing renovation – theoretical background**

The exit-voice-loyalty framework can be understood as a model of how markets work, combining concepts from economics and political science. Hirschman's framework provides a general understanding of consumer response in the face of dissatisfaction, and ultimately how consumer behaviour may improve quality. The word 'consumer' can also be replaced by e.g. 'citizen' or 'employee', and the model has been applied in many fields, including organization and work life (Naus, Van Iterson, & Roe, 2007), public services (Di John, 2007) and political processes (Weber, 2011). The voice and exit mechanisms are interrelated, and difficulty of exit tends to trigger the voice mechanism. Hirschman's concept of loyalty explains the interrelation of voice and exit: 'As a rule then, loyalty holds exit at bay and activates voice' (Hirschman, 1970, p. 78). If there is no perceived response to expressed dissatisfaction, a person who has engaged in the voice mechanism may in the end choose to exit. It should be noted that the economic context may influence consumer behaviour, and Hirschman observes that both voice and exit 'have greater costs and is less available to the poor' (Hirschman, 1981, p.220).

In a recent review article, Chisholm et al. (2016) mention the following research fields where Hirschman's framework has been applied: homeowners' response to neighbourhood decline; homeless people's response to policing; council tenants' response to opportunities to buy or to become involved in participation schemes; and private tenants' response to dissatisfaction in their housing. Chisholm et al. further suggest that the framework could give insight into tenant collective voice in different types of national housing systems (p. 381). They conclude their review by noting that a number of studies in the field of housing, in contrast to Hirschman himself, use 'exit' and 'voice' merely as descriptors and not as elements of a comprehensive theoretical model (p. 396). In Hirschman's original model, 'exit', 'voice' and 'loyalty', and the relation between them, are used to analyse different ways for consumers to react to dissatisfaction, and this is also the way we use the concepts in this paper. By adopting Hirschman's original model we also take on the challenge from Chisholm et al. (p. 396) to contribute to this body of work by studying what exit, voice and loyalty represent in the context of housing, in our case housing renovation. In doing this we also develop the theoretical argument about applying Hirschman to housing.

Housing and housing markets differ from other goods in several respects (cf. Arnott, 1987). One important characteristic of housing is its unique location, which implies that no two housing units are perfect substitutes. Location implies proximity to schools, workplaces and public services as well as amenities. Housing is a highly heterogeneous good also in other respects, and subject to high economic transaction costs as well as social and psychological attachment costs (Dynarski, 1986). In order to exit voluntarily, people will need to find new housing that meets their preferences in terms of a number of different attributes. Strong loyalty and low attractiveness of exit lead us to expect that the voice mechanism should be an important strategy for tenants and thus crucial for understanding the landlord-tenant relationship more generally.

Renovations are well known to cause discussions between landlord and tenants, and we consider it a *critical social context* where causes for tenant/consumer dissatisfaction are more likely to emerge than under the construction phase or under everyday estate management. Unlike the construction

phase, tenants are present and directly and personally affected by often fundamental change, including raised rents, sometimes after having lived in the estate for several years. Both the process and the outcome of the renovation may cause dissatisfaction that in some cases may trigger individual or collective voice, or to exit from the estate, and the presence or absence of different types of loyalty will affect what options are chosen. Renovations can be seen as shocks to the system and critical junctures for understanding power relations on the housing market, and provide an opportunity to study the exit, voice and loyalty mechanisms.

The theoretical discussion starts with the loyalty mechanism, since we interpret loyalty as a prerequisite for exit and voice. We then discuss the voice mechanism, which we expect to be stronger and more complex in housing renovation than in other markets. Typically, exit will mark the end of the relationship, after which there is little incentive for the tenant to exercise voice.

#### *The mechanism of loyalty in housing renovation*

The mechanism of loyalty is crucial to housing in general – and housing renovation in particular. The long-term relations between residents and their landlord, estate and neighbourhood, as well as within the collective of neighbours, often breed strong loyalty (and sometimes disloyalty). In general this can be expected to encourage voice and discourage exit.

The object of loyalty may differ, and the money, time and efforts a household has invested may affect its strength. We identify three different types of relevance for the study. First, there may be loyalty to a *house, building or estate*. This can be related to the time lived in the building or the perceived attractiveness of the housing, such as architectural or aesthetic values. Second, loyalty to *neighbours or the neighbourhood* goes beyond loyalty to the building and the estate and can also be affected by the sense of local community. Having children in the local school can be of major importance, since moving may also imply changing schools. Third, loyalty may also be related to an institution such as a tenure form, a resident organization or a public housing system. E.g. in previous research on the right to buy in England, loyalty to the idea of council housing was observed (Cole, 2006; cf. Chisholm et al., 2016 p.388-389,). These different forms of loyalty will be further discussed in the empirical analysis.

#### *The mechanism of voice in housing renovation*

According to Hirschman, voice is ‘any attempt at all to change, rather than to escape from, an objectionable state of affairs through individual or collective petition ... appeal to a higher authority ... or through various types of actions and protests’ (Hirschman, 1970, p.30). Chisholm et al. (p. 395) point out complaints to the landlord and protesting about housing issues to local or central government. Unlike exit and loyalty, both of which are exercised at an individual level, voice can be exercised both individually and collectively. To exercise collective voice in housing renovation, a large enough share of the residents need to overcome the well-known collective action dilemma of trying to take a free ride on their neighbours’ efforts. Often the driver here is some local social norm of cooperation (cf. Bengtsson, 1998, 2000 on ‘tenants’ dilemma) Intermediaries, such as tenant organizations and media may also affect both the collective action and the final outcome.

One may ask whether the tenant position provides any real power to execute voice in relation to the landlord. Does tenant dialogue matter to landlords? In some situations, the answer seems to be yes. First, if overall demand is low, there is an immediate risk of vacancies. There are also costs involved with replacing tenants, making a low turnover of tenants economically preferable in general. However, in a situation of high demand, where landlords can choose tenants, listening and

responding to voice is less crucial, and renovation may even be considered an opportunity to get rid of certain tenants.

Secondly, one reason for why a landlord may want to keep a smooth tenant dialogue and take tenant voice seriously is *reputation*. Protecting the company's brand name is probably of interest for all companies, but there may also be ownership structures generating stronger incentives to maintain good tenant relations. Examples are public and co-operative landlords, such as Swedish public housing companies, owned by the municipality. For such companies, providing housing to local citizens is an overall responsibility, and attempts to 'cherry-pick' tenants may result in additional costs to the owner/municipality for finding housing for other households elsewhere.

Thirdly, strong tenant protests may result in a protracted and expensive renovation process that may result in renegotiated contracts or penalties to subcontractors. Since all delays directly translate into higher costs, there are strong incentives for the landlord to make the process as short as possible.

Whereas some of these voice responses may be used in all types of markets, others are unique to housing. In the empirical analysis we will observe and discuss concrete examples of these different forms of tenant voice.

#### *The mechanism of exit in housing renovation*

Accepting Hirschman's definition of exit as a response to dissatisfaction, even moving voluntarily as a result of a renovation process can be seen as an expression of dissatisfaction with one's housing, *given existing alternatives*. Renovations are costly and frequently associated with rent increases. In addition to this, the process in itself may be noisy and messy, and a nuisance to the tenants living in the building. Large renovations often imply that tenants need to move to temporary housing. As a result of this, renovations are often associated with increased exit. To some tenants, a renovation may serve as a trigger to do what they have been planning for some time, but for others a renovation may be perceived as an eviction, especially if the rent is drastically increased. As with loyalty, there are different types of exit; fundamentally, type of loyalty (cf. above) should influence what type of exit a tenant chooses. Analogously to the discussion on loyalty, Chisholm et al. (p. 395) identify three types of exit: moving house, moving neighbourhood or moving tenure; all relevant also in a renovation context.

#### **Methods and material**

Our empirical case of renovation was chosen since it was considered to be a high-profile estate with comparatively strong residents. The building has often been described as 'an architectural gem', the tenants were well-organized and highly skilled, and in consequence high levels of loyalty and strong voice mechanisms could be expected. We consider it as an interesting case for investigating how far tenants can influence a renovation process in a Swedish context, but it also makes it possible to identify general mechanisms that go beyond national housing systems.

Our study can be seen as a form of *most likely case-study*. The traditional logic behind this is that a case is chosen where the researcher expects to find a certain causal relation or some other element of central importance to the over-arching research question. If that element cannot be observed in the chosen case, there is a strong expectation that it would not be found in 'less likely' cases either (Eckstein, 1975; Flyvbjerg, 2006). In our study we are, however, not testing a certain hypothesis about empirical causation or correlation, but rather to what extent Hirschman's model helps us to better understand processes of housing renovation. Thus, our case can be described as *a most likely*

*case in terms of possibilities to identify and analyse the social mechanisms of exit, voice and loyalty in housing renovation.*

What general conclusions can be drawn from a single case? This is, of course, the eternal question of case study research. Since Hirschman's model is in principle rationalistic (although not assuming perfect rationality) we claim that our observations can to some extent be generalized to similar contexts with similar actor constellations on the assumption that they will interact according to similar rationales (cf. Bengtsson & Hertting, 2014, who discuss case studies and generalization based on thinly rational ideal-type mechanisms).

The methods can be described as mixed but with interviews as the main source of material. We have conducted in-depth interviews with six tenant households, two of whom still live in the building whereas the other have moved out. The tenants interviewed are primarily tenants who in one way or another took active part in the landlord dialogue, but all tenants that could be located were contacted and asked to participate. Three interviews were held with representatives of the landlord, and we also had regular meetings with the CEO and project managers for data collection and clarifications. Furthermore, we have interviewed representatives of the Tenant Union (TU) and public officials.

The interviews lasted between one and two hours and were recorded and transcribed with the consent of the respondent. An interview guide was used, including some open questions. Newspaper articles, court material, documentation from the landlord and meeting notes were also used to understand different aspects of the process. One of the tenants had collected material for a website which we were given access to. To keep the tenants anonymous, the landlord, the estate and the city are not mentioned by name.

### **The empirical case – brief overview**

*The renovation object – a housing estate with middle-class tenants and architectural values*

The renovation object of our case study is a real estate situated in the centre of a Swedish city. It was built in 1938 by a famous Swedish contractor, and it was one of the first functionalistic buildings in the city and considered a flagship building for its era. The house is nine storeys high and has 61 relatively large apartments, with an average of more than 100 square meters. Each apartment has a unique design, and the large apartments with five or six rooms have a majestic view over the city or the sea. Several apartments are in multiple storeys, or mezzanine floors. Some apartments had maid chambers, which is an indicator that the houses targeted more well off households. Our interviews reveal that tenants were often hand-picked by the landlord to 'fit in', and many lived in the estate for a long time, often decades. Tenants report on high demand for getting access to a rental contract in the estate already in the 1990s despite good availability of rental apartments in the city at the time. In 1999 there was still a waiting list to the estate, even if at that time finding an apartment in the city was relatively easy.

The estate was privately owned until 1999, when it was sold to a co-operative organization with a history of providing rental and co-operative housing to all types of households. Before the transaction, sitting tenants had tried to use their pre-emptive right to buy the estate from the previous landlord with the ambition to manage it as a co-operative association based on 'tenant-

ownership'.<sup>1</sup> As an initial preparation for buying the house, a tenant-ownership association was registered in 1984. The association was inactive for some time but became active in the late 1990s when tenants perceived an interest by the owner to sell the building. The owner, however, chose to sell to a company and not to engage in negotiations with the sitting tenants. By selling the estate as a company asset, the owner was able to circumvent the tenants' pre-emptive right to purchase and convert the estate to tenant-ownership. At later points, tenants were offered twice to buy the building from the new owner, but due to the proposed price level, no agreement could be reached.

The previous owner had kept maintenance to a minimum and left it to the tenants to make renovations in their apartments. Rents had not been adjusted for a long time, and by 2009 rents were low by local standards according to both tenants and the present landlord. Nevertheless, tenants found the level reasonable, given the inadequate maintenance of the building before the renovations. After the acquisition of the estate, the landlord decided to replace the old original windows with new modern windows. Many tenants objected to this decision, since the original windows were specially designed by the original architect and builder and considered to be of high architectural value. Despite the objections, the windows were replaced in 2000.

#### *The legal context – formal conditions of housing renovation in Sweden*

The Swedish rent-setting system is based on collective negotiations in combination with so-called use-value comparisons. Almost all rents are set in yearly collective negotiations between estate owners (public or private) and their organizations on one hand, and the uniquely strong tenant unions on the other. In case of disagreement, rents are decided in state rent tribunals where the negotiating partners are represented together with a judicial chair person. The rent tribunals decide on the basis of comparison with local rent levels in similar estates and dwellings where rents have previously been set in collective negotiations.

Major renovations that affect the use value or the relative size of the dwellings need to be accepted by the tenants, as long as renovations are not necessary for achieving 'lowest acceptable standard'.<sup>2</sup> If one or more tenants do not accept a renovation, the rent tribunal has the legal role to assess the necessity to renovate, weighing the respective interests of the estate owner and the tenants against each other. These cases are separate from the negotiations on rents described above, and the tribunal's decision purely concerns whether the standard level described by the landlord is justifiable in relation to what could be expected by tenants in general. Since an increased housing standard provides a motivation for increasing the rent, rent increases may still be an indirect consequence of the tribunal's decision. In a study of local and appeal court decisions, Wetterberg (2016) finds that more than 90 per cent of all cases concerning the need for renovation are ruled in the landlord's favour.

This legal framework, together with the collective rent bargaining system via the TU, is an important prerequisite for individual and collective voice in rental housing renovation in Sweden.

#### *The renovation process in brief*

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<sup>1</sup> Swedish legislation gives tenants a pre-emptive right to purchase and convert their estate to the Swedish co-operative tenure of 'tenant-ownership' (*bostadsrätt*) as long as some minimum requirements are met (Lag (1982:352) om rätt till fastighetsförvärv för ombildning till bostadsrätt eller kooperativ hyresrätt). A tenant-ownership association needs to be formed and registered with the Swedish Company Registration Office, and a certain majority of the tenants need to accept the conversion.

<sup>2</sup> JB 1970:994, 12 Kap 18d§

The major renovation was initiated in 2009. Pre-renovation inspections revealed that, after 70 years, most of the apartments were in bad shape and needed extensive renovation, such as refurbishing kitchens, replacing waste water pipes, replacing radiators, putting up safety doors and renovating balconies. The budget for the renovation was estimated at SEK 80 million. The company had no previous experience of a renovation process of this size. After the inspection, the landlord sent letters informing the tenants about the renovation. This letter provoked strong reactions from the tenants. Conflicts arose around the need for renovation, in which many tenants favoured less comprehensive renovations than the landlord, who opted for a complete re-modelling. Many tenants stressed the cultural heritage of the building, whereas the landlord's main focus seems to have been to bring the estate up to modern standard. In 2010, tenants filed a formal complaint to the TU, followed by a decision by the rent tribunal to open the case in 2011, in which they would try whether the landlords had reasonable grounds for the renovation. In the spring of 2012, the court ruled in favour of the landlord.

During the renovation, tenants were offered replacement housing either in another part of the same building or in other estates owned by the landlord. Some tenants were offered alternative housing in other parts of the city. Only in exceptional cases, due to old age, tenants were allowed to remain in their apartment during the renovation. Renovations turned out to be complex and it was only by 2016 that tenants moved back to the renovated building.

The outcome in this case was a phasing-in period of twelve years, the long period compensated by a somewhat higher final rent. New tenants moving in after the renovation faced the new rent levels from the start. As a reference, the government proposition<sup>3</sup> stipulates a phasing in of no longer than 3-5 years and recommends that all tenants should be subject to the same rent structure.

### **Exit, voice and loyalty in a case of housing renovation – empirical analysis**

#### *Loyalty*

Interviews reveal that many tenants in the studied estate had strong feelings for their homes. The house and its history are well documented in books, magazines and even a documentary film. Several of the tenants were very knowledgeable about the history of the building and the architectural qualities, and well acquainted with the documentation of the house. 'I knew that book by heart, I had read it twice and was very interested in architecture and, well, hoped we would be able to buy the house at some point' (Tenant 1). The tenant moved in shortly before the new owner took over, and left the house during the renovations for a replacement apartment. When seeing the apartment after the renovation, he decided not to return but stayed on a more permanent basis in the replacement apartment. Other tenants expressed that: 'we had been glancing at the house for years' (Tenant 5). And: 'it was very beautiful, the amazing architectural formation and the location...' (Tenant 2).

The landmark characteristics of the house, together with the low rents, made the apartments attractive, and the landlord was able to select new tenants even during periods of high vacancy rates in the city. One tenant recalls: 'The landlord screened the tenants [...], it was fairly homogenous [...] it was one religion, one ethnicity, one of everything' (Tenant 1). Some tenants describe the social structure somewhat differently: 'There was a large variety of tenants, retired and ordinary people [...], CEOs and supreme court judges' (Tenant 2). Tenants also included several media profiles, as well as relatives to the builder. All tenants however seem to agree that the sense of community was very strong within the tenant group. First, there was a shared interest in the tenant-owner association aiming at converting the rental estate to a co-operative. Second, several tenants express concern

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<sup>3</sup> Prop. 2009/10:185, s. 91–92



about the elderly tenants, some of which had lived in the house their whole life. To some of them, moving out temporarily would not be an option, and the renovation would imply a permanent move. According to some of the respondents, supporting the elderly was a trigger for the voice mechanism.

Several tenants had invested money to make their apartment better suit their personal tastes and preferences, signalling a strong commitment to stay in the apartment. Investments ranged from necessary electricity refurbishment – ‘in our apartment we had replaced all electrical wiring, because it was lethal’ (Tenant 4) – to tearing down walls and remodelling kitchen and bathrooms with some of the most expensive brands in the market. These investments would largely be lost in the upcoming renovations.

The loyalty factors described above were to a large extent directed towards the house itself. Several of the tenants also express a strong loyalty to the neighbourhood in which many of them had grown up and gone to school. The neighbourhood is one of the wealthier areas of the city.

We have not identified any expressions of loyalty to a certain tenure form or housing system, which were observed in previous research in England. On the contrary, several of the tenants express disappointment with not being able to convert the apartments to co-operative apartments. As a result, the interests of the tenants were not always in line with the TU, which could reflect both a clash of interest but also a frustration over lacking influence. In the words of one of the most active tenants; ‘I left the Tenant Union because it is a self-righteous organization that does nothing for their members, in my opinion. I am very harsh, but it is the truth’ (Tenant 2).

#### *Voice*

During the previous ownership, exit was very low. Although interviews suggest communication with the previous owner was limited, there was a silent agreement that tenants could renovate their apartment on their own. As mentioned, rents were low, and so was maintenance undertaken by the owner. This status quo was interrupted when the new owner took over and initiated a more active maintenance scheme. Furthermore, tenants’ expectation to convert the apartments into co-operative apartments implies a source of conflict already when the new landlord bought the house. The previous owner chose to, in the word of one tenant, ‘side-step’ the existing tenants and sell to the present landlord. One tenant states the position of the previous landlord as: ‘you can have the apartment on one condition, that you don’t join that bloody tenant organization’ (Tenant 5). Once the estate was sold, tenants turned down two offers from the new owner to buy the building, since no agreement could be reached on the price. Not all tenants agreed to turn down the offers to buy the house: ‘...the chairperson [of the tenant organisation] recommended the tenants to turn down the offer. So then we were disappointed with the tenant organisation instead’ (Tenant 4). The new landlord thus started off on the wrong foot with the tenants, and conflicts became visible already during the changing of the windows in 2000.

We identify three stages of voice in the renovation process. The first stage was the legal process trying the need for renovation. Tenants, represented by one of the tenants who was also a lawyer, appealed, but the appeal court also ruled in favour of the landlord. As mentioned, this was in line with how most similar cases are determined (Wetterberg, 2016), suggesting there is little impact of tenant voice on the decision to renovate a tenant building. Up until this point, both tenants and landlord representatives refer to the tenant-landlord relation as ‘war’ or ‘ice age’, and the legal process was dominant.

Second, after the court decision, the preparations of the renovation could start. According to interviews, the appeal court decision seemed to have opened up a new phase in the relation between landlord and tenants. Landlord and tenants slowly started restoring contacts, or in the words of one of the tenants: 'It is a fact, they had their permission, we need to restore this channel and have a communication' (Tenant 2). According to the landlord, the introduction of dialogues between tenants and stairwell hosts ('trappvärdar') made a number of tenants abstain from moving out. The landlord's channelling of tenant voice – from collective to more individual – apparently diminished the risk of loyal tenants' exit. Stairwell hosts seem to have played the role of intermediaries.

Preparations took between two and three years and opened up another arena for discussion and conflict. At this stage, however, discussions focused on practical solutions such as whether a certain relining technique would be sufficient, or whether it was necessary to replace all old piping. This was a major source of debate, ranging from kitchen interiors and taps to staircases and towel dryers. It is beyond the scope of this study to go deeply into the discussion on cultural heritage, but it is clear from our interviews that cultural heritage was – and still is— a highly controversial field.

The third main stage of the process was the rent negotiations, during which the collective nature of the voice mechanism becomes clear. During this last stage, the local (registered but resting, cf. footnote 1) tenant-ownership association and the TU both acted as collective tenant voice. The most important actor here was the TU, who by Swedish law and practice represents tenants in the rent negotiation process. Some tenants perceived a clash of interest between the local tenant-ownership association and the professional representatives of the TU. There was distrust as to what extent the TU would really put up a fight: 'We simply didn't trust [...] they make it so easy for themselves [...], once it gets to a certain level like this did [...], they just take it to court' (Tenant 2). There was also a frustration that the TU had very limited power: 'They probably also felt like puppets in a much larger game. So there wasn't a terrible lot they could do about it' (Tenant 3).

To some extent, the local organization and the TU represented different interests: 'I didn't care about people who would eventually move in, it was not my task. My task was to represent the tenants, nobody else. The TU had a broader perspective, anyone should have access to the house and move in at a reasonable rent level [...] we rather had a higher rent after twelve years (Tenant 1). The local representatives had their way, and negotiations landed in a long period of phasing in, at the cost of higher final rents.

In parallel to the legal and internal processes, the renovation process also attracted media interest. Local newspapers and TV programs released a series of news reports, column articles and TV interviews including critical headings such as 'Tenants anger against luxurious renovation'; '93-year-old woman has to leave home after 67 years'; 'It does not feel like at home anymore'; 'Landlord wants to raise the rent by 67 %'; 'Tenants will fight for their apartment till the end'. For an owner with a background in Swedish co-operative housing, this was of course troublesome.

So, who decided to exert voice in this process? First of all, the respondents who were active in the process all express strong loyalty to the house and the tenant groups described above. They also express loyalty to the neighbourhood. Secondly, they all express similar ambitions in other types of organizations where they are members. In other words, those who were active in this process are also active in many other contexts, including the new neighbourhood and housing organizations of those who moved out. One respondent states that the motive to engage with voice was both self-

interest and a sense of obligation to elderly tenants, who supposedly would not be able to engage with voice themselves. Self-interest was explained as ability to affect rent levels and the length of the introduction period. By postponing the introduction of new rental levels, the increase would be so far off in the future that it would basically have no effect for many of the existing tenants.

### *Exit*

Only one out of five households moved back after the renovation. The prolonged period of time implies that some tenants moved due to life-cycle events, and it also gave tenants a long time to find alternative options. In addition to demographic changes, the decision to exit seems to have been driven by a combination of other factors.

The first and perhaps most striking reason to leave was the expected increase of rents. An unrelated parallel process of adjusting the overall rent levels in the city, giving more weight to location, did in itself justify a relatively sharp increase in rent levels, even if no renovations had taken place. In addition to this, the substantial renovations were expected to further increase rents. 'The Tenant Union had been there and said 'well, there will be a rent increases of at least 50 per cent, and then people started to look for options' (Tenant 2). Future rents also needed to be considered together with future incomes; 'we are facing retirement, and incomes do not increase when you retire' (Tenant 3).

A second factor was the expectations of a long period of discomfort associated with temporary housing. The landlord made an effort to find replacement apartments of similar size to the permanent apartments. The uniqueness of the house and the apartments is illustrated by a quote from one of the tenants: 'It wasn't possible for them to find a corresponding apartment during the renovation...' (Tenant 1). This tenant never returned to the original apartment, but ended up moving to another high-profile building nearby, in which he was offered a replacement apartment. Most replacement apartments were more modern and practical, which seems to have contributed to exit. Some tenants moved to a replacement apartment and decided not to return. Several households were of high age, and from an outside perspective, the building was not very well suited for people with any kind of disability. Examples of this were a multitude of small stairs, small bathrooms and elevators stopping between floors. The tendency that replacement apartments during renovation may turn into permanent solutions is well known. Tenants had already made an exit when leaving their original apartment, thereby suffering some of the friction associated with moving. However, in our case many of the older tenants expressed a strong attachment to their building and did not want to move, despite what may, for an outsider, seem like a highly unpractical situation.

A third factor contributing to exit was that many tenants found housing options that better suited their needs. 'Once it was clear the renovation was going through I started looking for a temporary apartment since I did not want to risk being assigned an apartment by the landlord [...] and I found an apartment with two roof terraces across from our own house' (Tenant 5). It is noticeable that tenants who moved did not necessarily move to cheaper housing, even if they felt value for money was better. This led some tenants to leave not just the building, but also the tenancy form. Few tenants have deliberately chosen to leave the neighbourhood. Some moved into similar housing nearby, and others further away but still in the same part of the city. Some tenants left the city, but there is no evidence to suggest an exit driven by negative perceptions of the neighbourhood. The tenants in the interviews could exit the specific apartment without exiting the neighbourhood. This contributed to making exit more acceptable.

Fourth, some tenants expressed a wish to leave the rental sector. Tenant 3, who bought an apartment in the vicinity, explains: 'The important thing was to avoid these eternal rent increases. Instead you can decide for yourselves [...] and influence your own housing'. The failed attempts to convert the estate into tenant-ownership apartments ~~also~~ seem to have contributed to a willingness to leave the tenancy system. Several tenants express a disappointment over not being able to buy the apartment.

#### *Outcome of the renovation*

The Swedish legal framework grants tenants formal opportunity to voice but gives the landlord extensive rights to determine the need for, and scope of, a renovation. One tenant summarizes: 'Our system... it may seem like a strong tenant protection but in this type of situation you have no defence' (Tenant 3). Having said that, this renovation case suggests that tenant voice did have an impact on the outcome of the renovation process and the landlord-tenant relation, although this impact seems to have been the result of informal power rather than formal. As far as we understand, none of the outcomes described below were results of landlords being forced to meet tenant demands.

We can identify four areas in which the outcome seems to have been affected by tenant actions. The first and perhaps most striking effect is the exceptionally long period of phasing in the new rent levels. This agreement protected existing tenants, whereas new tenants immediately faced the new rent levels. Voice was in this case driven by loyalty towards and among existing tenants, and the outcome protects sitting but not new tenants. The collective voice mechanism thus represented certain groups of tenants rather than tenants in general.

Second, initially the landlord seems to have been unaware of the cultural heritage value of the building. In this case, loyalty was to the building and the cultural heritage it represents. The early window renovations met with heavy criticism from some of the tenants, and later renovations were made more in line with the original architecture, even if the outcome was far from optimal from a cultural heritage perspective. A more long-term effect is that the landlord representatives today express that they involve architectural curators already in the beginning of renovation processes, to make cultural heritage a more integrated part of renovation. In that sense, this project functioned as a learning experience for many of those involved. It is interesting to note that today the building is used in marketing material where it is described as an architectural gem.

A third possible effect of tenant voice is that the landlord claims to have learned to communicate with tenants earlier in renovation processes. Including tenants at an early stage of the process seems to save resources at later stages. One landlord representative summarizes the experience: 'It takes a very long time [...], there is a value to having to question all the details and often the end result is better if you, well, challenge the process' (Landlord 1). In this case, the collective voice, although primarily a result of the voice of sitting tenants, did result in changes that will affect all tenants facing future renovations, not just the sitting tenants.

Fourth, although there are few examples of this, some tenants could preserve more of the original interiors than was originally planned. Examples are some kitchens that were kept in almost original condition, although adapted to some modern requirements, such as raising the height of countertops.

#### **Concluding discussion – exit, voice and loyalty in housing renovation**

In our case, in the end, tenants had limited or no formal possibilities to affect the decision to renovate or the scope of the renovation. However, for existing tenants, the voice mechanism was successful in providing long introduction periods of new rents. Furthermore, tenant voice did have an impact on the renovation process and the landlord-tenant relation. In hindsight, landlord representatives express that, although facing critical tenants can be a nuisance, the resistance made them think differently and thus improve their work. One important weapon for the tenants was the possibility to delay the process through negotiations. For landlords, delays are costly and it may pay to offer something to avoid risking lengthy legal processes. We see this as a general conclusion, even though institutional conditions differ between national contexts.

The case provides an almost extreme case of the voice mechanism, in which tenants exhibit high loyalty and commitment, as well as high voice capacity in terms of communication and coordinating legal processes. As mentioned in the method section, this is precisely why we find our case so interesting. The mechanisms of voice and loyalty are easier to identify and analyse in a context where the interaction between tenants and landlord takes clear and explicit expressions. Furthermore, in accordance with the logic of a most likely case-design, we can also conclude that if tenants with such strong voice in the end had some, although rather limited, influence, this may also be expected in other cases of renovation.

Regardless of how we evaluate the outcome of this renovation project, we claim that the application of Hirschman's model has made it possible for us to analyse the case and understand the development in terms that are generalizable to other settings. We see this as a pioneer study, and we have not seen any previous work where Hirschman's model has been applied to housing renovation. The model's straightforward and transparent logic based on boundedly rationalistic mechanisms makes it reasonable to expect similar mechanisms and patterns in other cases, allowing for institutional differences between contexts. Hence we see our study as a first contribution to theory development on housing and renovation, and we invite other studies to follow suit.

Housing markets differ from other markets, due to fixity in space, long life-cycles, heterogeneity and high attachment costs. This makes the exit-voice-loyalty framework particularly useful for understanding transactions and related processes. This heterogeneity breeds loyalty since all apartments can be perceived as unique and exit is seldom very attractive. In consequence, resident voice is an important element in understanding housing markets. Renovation of rental estates is a situation in which the tenant-landlord relation is put under stress. It represents a renegotiation and critical juncture in a long-term relation that despite strong loyalty, frequently triggers exit. Even in our case, with strong tenant voice, in the end only one fifth of the tenants chose to stay.

Housing renovation is a context where Hirschman's model is really put to a test. In our case, the long-term qualities of housing investments and the long-term interaction both between landlord and tenant and within the collective of tenants fostered strong and complex relations of loyalty and disloyalty, i.e. the link between exit and voice in Hirschman's model. Thus housing renovation may indeed be a testbed for the development of more detailed and precise mechanisms of exit, voice and loyalty.

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