Policy Briefing: What Ever Happened to Home Ownership and Asset-based Welfare?

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By discoversociety January 03, 2017 1 Comment 2017, DS40, Policy and Politics

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Owning your own home has long been recognized as a form of asset-based welfare in policy terms. Historic growth in home ownership and house prices has advanced the assumption that housing equity fulfills a welfare function by acting as a store of wealth or even a reserve of cash. However, **as we argue in our article in Politics and Policy**, a clear consequence of this policy has been to widen the gap between rich and poor families, as well as between young and old, with access to housing and housing wealth becoming a critical dimension of social inequality, especially since the last financial crisis.

Buying your own home has long represented much more than securing a place to live. Housing has become as much a financial investment as means of shelter, with house price increases over the last four decades demonstrating an unwavering faith in property as the asset vehicle *par excellence*. Policy makers too have picked up on this with a growing

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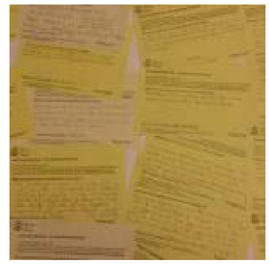

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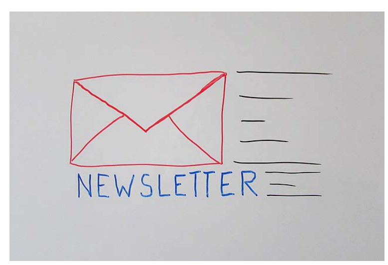

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emphasis on home ownership as a means for households to get into 'the market' as well as accrue equity that can serve as a buffer against economic volatility. Indeed, an increasing spread of property wealth has been widely touted as a potential antidote to both diminishing private pension pots and cuts in public welfare spending in the context of an ageing society. A particular incarnation of this logic was 'asset-based welfare'. While initially associated with a range of asset types, asset-based welfare largely manifested itself as an approach to housing privatization, looser credit and debt arrangements, and house price inflation that become recognizable across English speaking societies in the 1980s and 90s, but also, increasingly, among many continental European contexts too.

Ostensibly, the financial crash of 2008 undermined faith in both mortgage and housing markets, with credit conditions severely tightened and house prices falling in most developed economies. While this seemed to mark its demise, we argue that asset-based welfare has not only survived, but prospered, albeit in a new and more individuated guise. Closer examination of policy and market developments over the last decade suggests a particular repositioning of many private households around housing and property wealth as a means to not only build asset equity, but also situate themselves more advantageously against the vagaries of post-crisis market and welfare conditions.

In fact, this new individuated asset-based welfare has widened generational inequalities in wealth, security and housing conditions, especially between the children of the housing rich and housing poor.

There are deep intra-generational differences in housing that largely mirror inequalities in income and other wealth as well as the geographies of housing markets. These differences, critically, are affecting the younger generations, whose capacity to acquire independent housing as well as accrue property wealth is increasingly dependent on help from generations above. Such assistance is increasingly becoming a default pillar of welfare security, following welfare state austerity measures.

Indeed, much has been made of 'generation rent' with almost half of UK renters now made up of individuals and households aged under 35. However, an important outcome of developments in housing and welfare has been the reactivation of kinship, involving **co-residence**, **assisted purchase and intergenerational transfers** of housing wealth. This is also becoming more critical to the long-term chances of the youngest adult generation to buy a home and build their own asset buffer to economic volatility and a potential income in kind in later life. While debates surrounding generation rent tend to pitch old and young against each other, in the context of the restructuring of asset-based welfare, these generations remain strongly connected to each other.

'Welfare switching' is one way to envisage how owner-occupiers turn to the wealth represented in their homes as a means to enhance welfare and well-being. This was traditionally considered in terms of an income-in-kind derived by older, amortized home owners, who no longer pay significant housing costs and can thereby go farther on their pension income. They can also more directly 'switch' by turning the family home, through its sale, into capital for improved consumption (of welfare). In both regards, home ownership as a whole represents an even more significant pillar of welfare, post crisis.

In **England**, for example, while home ownership rates declined overall, from around 70% to 64% of households between 2001 and 2014, rates of 'outright' home ownership advanced from 28.8% to 32.5%. **Savills Property Research** has estimated that the number of un-mortgaged owner-occupiers actually surpassed those of mortgaged ones in 2015. Total property values meanwhile achieved a new historical peak of £6.17 trillion in 2015, up from £2.9 trillion in 2002. Nonetheless, owner-occupied housing and property equity is now distributed far more unevenly both demographically and geographically. While home ownership rates amongst those aged under 35 were higher than those aged 65 and over in 1991 (60% to 58%), by 2013 this had dramatically reversed (34% to 77%). Post-crisis market recovery meanwhile has been deeply biased toward **London** and the South East where the value of the housing stock now accounts for 45% of the UK total.

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It seems that asset-based welfare has been consolidated for most established homeowners while access to it among new households is becoming increasingly constrained, with this outcome enhanced in the South East. The emergent characteristics of asset-based welfare are also reflected in the more or less innovative ways that the home can be converted into capital. One obvious way to cash in on property is downsizing: moving to a smaller home, a cheaper location or into renting. Again, due to the uneven distribution of housing equity, generating capital from **downsizing** would only release meaningful sums of capital in the prime regions. Furthermore, generational inequalities are also competing with the capacity to trade down. On the one hand, growing numbers of adult children staying on in, or boomeranging back to, the parental home has undermined the capacity of older homeowners to move. On the other, there has been growing competition over the use of wealth liberated from the home between the welfare needs of parents and pressures to help children on the property ladder.

Equity release products (or reverse mortgages) were also once promoted as a solution to the conflict between having your cake (being and owner-occupier) and eating it too (accessing the wealth in the home). This market sector expanded significantly in the years preceding the crisis, and since 2013 has seen **recovery to pre-crisis levels**. However, it remains a relatively small market, and one often reserved for those who need to access housing wealth early, rather than in retirement, in order to either pay off other debts or help the kids out.

One of the more significant changes in strategies surrounding property ownership can be observed in the private rental sector. While **the number of landlords and renters has been increasing** since the turn of the century, the global financial crisis created a particular opening for many housing asset wealthy to take advantage of the weakened prices and poorer lending conditions that helped undermine younger households on the owner-occupied housing ladder. The number of UK landlords thus advanced from around 820 thousand in 2001 to around 2.1 million by 2014. The vast majority of these landlords are private individuals (or couples), most of whom have just one extra property. Indeed there is an approximate ratio of two-to-one rental units per landlord, with private rental lettings increasing from around 2 to 4 million units between 2001 and 2014.

The 'buy to let' mortgage sector has been important to increases in individual households investing in rental property as a means to improve their asset capacity. **Government surveys** have further supported the assertion that growing numbers of new landlords are motivated by the potential of housing property to both amortize and generate an income that will support life in retirement. Our research has also suggested that new landlordism is concentrated amongst certain cohorts, and while rental property ownership is highest amongst those aged 55 to 65, rates of investment are even more intense among those aged 45 to 55. The deregulation of private renting in the UK has also played a role, with the removal of rent caps and application of short term contracts since the late-1980s providing more incentives for landlords. Very low post-crisis interest rates have also made buying a property to let much more attractive to those with idle assets, with the Conservative government recently forced to intervene with measures (such as restrictions on tax relief and stamp duty surcharges) to stem the rising tide of multiple-property ownership.

So then, what did happen to asset-based welfare? Fundamentally, it has adapted and endured. Although the global financial crisis helped undermine the ***home ownership*** base of asset-based welfare, the crisis arguably helped refine the role of ***housing property*** in socioeconomic and welfare relations. Imputed income among established homeowners has been strengthened, with older cohorts particularly advantaged by housing market cycles that have also provided them large and relatively fungible assets. The generation that followed them has been less advantaged, but ostensibly more mobilized around housing property as a means of achieving non-housing goals. Members of both groups have been particularly active in terms of acquiring even more property from which to derive more assets and even supplement income.

As such, the younger generations' capacity to acquire independent housing as well as accrue property wealth has become increasingly dependent on assistance received from generations above. This has had the effect of widening generational inequalities in wealth, security and housing conditions, especially between the children of the housing rich and housing poor.

Or in other words, it can be understood as state withdrawal of social support by ensuring that the individual, freed from state 'dependency', has the wherewithal to access employment, make savings and invest. The inculcation of an assets culture can thus be imagined as not only economically sensible but also as empowering—a form of social justice.

New Labour and governments since, in this redefinition of social justice, have instituted policies intended to spread the skills and attitudes required to become wealthy. In this respect, rather than challenge oligarchy, it has attempted to increase the number of persons competing to be oligarchs. Instead of seeking to cultivate an egalitarian ethos, it has encouraged and sought to facilitate the growth of the financialised individual. This has had the effect of widening generational inequalities in wealth, security and housing conditions, especially between the children of the housing rich and poor.

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