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SHIFTING APPROACHES TO HOUSING WEALTH AND WELFARE SECURITY

Richard Ronald, Christian Lennartz & Justin Kadi
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SHIFTING APPROACHES TO HOUSING WEALTH AND WELFARE SECURITY

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Abstract

The idea that households should be encouraged to invest in assets that accrue over the lifetime to be drawn upon when needed (usually later in life), or asset-based-welfare, became increasingly evident in early-2000s policy discourse. The global housing boom, meanwhile, made home ownership and housing assets a specific focus of reforms. However, the housing base of asset-based welfare has been transfigured in the last decade. In this paper we address how the home has retained its centrality as an asset base of individual welfare, yet under distorted conditions of access and distribution due to shifting socioeconomic and housing market environments. Rather than evening out the spread of welfare resources, housing markets have begun to polarize household conditions. We specifically focus on the British case, which appears to have manifested a rather extreme case of intergenerational housing wealth polarization, expanding the private rental sector and landlord numbers whilst undermining the homeownership base.

Introduction

Early conceptions of asset-based welfare reform envisaged state supported access to a raft of assets to be invested in and built up at the individual level, offsetting dependency on state benefits. In the 1990s, along with the restructuring of global capital markets around mortgage finance (cf. Aalbers, 2015), a growing political preference manifested across societies for extending the distribution of owner-occupied assets. Home ownership thus became the focus of asset-based welfare approaches, with house price increases ostensibly representing capital augmentation for most households and a boon for many economies (Conley and Gifford, 2006; Doling and Ronald, 2010; Lowe et al., 2012; Watson, 2009). Moreover, the ambition of asset-based welfare seemed to go beyond enhancing individual welfare autonomy to the wholesale compensation, through the promotion of home ownership, of welfare state restructuring (Malpass, 2008). Indeed, in countries like Britain, governments increasingly appeared reliant on housing markets ‘to pursue non-housing goals in regard to key areas of personal well-being such as health, education and pension provision’ (p.3). With the subprime crash, however, followed by the Credit Crisis and subsequently the Global Financial Crisis (GFC), the viability of asset-based welfare appeared in doubt. Credit dried up, housing transactions collapsed, equity evaporated and, in many contexts, owner-occupied housing sectors began to shrink.

This paper addresses developments in asset-based welfare practices in context of housing market transformations in the years leading up to, and since the crisis. Our assertion is that while policy debates surrounding asset-based welfare were subdued by the GFC, the acquisition of housing has become ever more critical to household strategies for building economic capacity and welfare security in context of ostensible state austerity and diminishing expectations of pensions. Buying a home, paying off a mortgage and accumulating housing wealth has long represented a core means to offset the risk of a low-income in later life (Kemeny, 1981). Increasingly though, along with the financialization of housing, accumulating housing property is

becoming a more proactive strategy with increasing numbers procuring additional homes, often to rent (Ronald, et al, 2015). Other approaches to housing wealth, like the equity release market, have also gained a new salience. The emerging terrain of asset-based welfare is thus, as is explored in this paper, transmogrifying.

Another mutation in asset-based welfare has been an historic intergenerational polarization. Whereas home ownership rates expanded in the late twentieth-century, since then, access has become markedly uneven. The UK is particularly illustrative of this trend with flows of young people into home ownership fading: while 60% of English 16 to 34 year olds were home owners in 1991, by 2011, the rate was just 36% (English Housing Survey, 2013). Meanwhile, multi-property owning has proliferated with the number of private landlords increasing from about 560,000 in 1991 to 2.12 million in 2012 (ONS, 2013). Critically, while home purchase as a basis of welfare security became economically and normatively embedded among earlier cohorts of middle-income households, this has failed to hold for younger adult generations. Characteristic of twenty-first century housing conditions then, has been the resurgence of private renting driven by growing demand among younger adults excluded from home ownership, and the buying up of housing to let by those already embedded in the market. In this paper we focus on this relationship through the lens of asset-based welfare, which, we argue, is now undermining owner-occupation.

The paper begins by examining developments in home ownership and asset-based welfare in recent decades, focusing on the UK as an illustrative case. We go on to consider, drawing on various survey data, how housing assets, in both pre- and post-crisis contexts, have provided means to supplement pensions and enhance welfare and economic security. Mechanisms include the income-in-kind enjoyed by un-mortgaged homeowners, homes as fungible assets realized through downsizing or equity release markets, and property speculation and landlordism. Finally, we address the wider socioeconomic and political implications of housing market restructuring and the conflicting policy demands of homeowners and renters under emerging asset-based welfare conditions. While housing sectors have historically been absent in analyses of social and welfare state restructuring (Ronald, 2008), attention has increasingly centered on housing markets and finance as features that shape political economies and may reorient capitalist welfare regimes (Schwartz and Seabrooke, 2008). In this

paper, through the analysis of the changing approaches to, and practices of asset-based welfare, we aim to demonstrate the continued significance of home ownership in post-crisis neoliberal restructuring, emerging practices of residential capitalism and associated spatial and intergenerational patterns of social inequality.

Homes, Assets and Welfare

While family owned housing has long been an implicit part of welfare provision in many societies, particularly Southern Europe (Castles and Ferrera, 1996), a growing awareness of the welfare outcomes of private home ownership and how this sector complements other forms of provision within welfare systems overall has increasingly resonated across higher spending welfare states (Ansell, 2014; Doling and Ronald 2010; Groves et al 2007; Malpass 2008; Norris and Shiels, 2007). Specifically, the ownership of a home can constitute a primary family node for the delivery of shelter as well as exchanges of informal care and asset wealth, potentially reducing household dependency on the state. At the same time, mortgage debt commodifies the household and embeds them deeper in architectures of local and globally connected finance. Housing markets, distributions of housing property wealth and mortgage debt thus have important outcomes for the development of welfare regimes overall (Schwartz and Seabrooke, 2008).

Housing privatization became a common policy focus after 1980, with the erosion of social housing stimulating private demand, and prices, further. This not only enhanced the association of home ownership with capital gains but also economic security. In economically liberal, English speaking regimes like the UK and Ireland, the initial idea of ‘property owning democracy’ was later mooted as a means to build societies of asset owners and thus supplant Keynesian style state transfers that require high taxation with ‘asset-based welfare’ (Ronald, 2008). Moreover, the expansion of home ownership and property prices in the 2000s ostensibly enhanced what Wood et al. (2013) refer to as ‘welfare switching’, with households increasingly looking to this wealth to privately provide for welfare goods or retirement needs, potentially compensating for diminishing collective provisions of pensions and services.

Political discourses, meanwhile, became ever more explicit about the potential of home ownership to supplement pensions and state benefits (see Watson, 2009). In context of fiscal strains and pressures for greater market deregulation, governments incorporated policies and practices that aligned with asset-based welfare (Malpass, 2008). Rather than relying on social transfers to counter welfare insecurity, individuals themselves were increasingly expected to accept greater personal responsibility for accumulating assets, which would enable them to make their own welfare arrangements (see Conley and Gifford, 2006). An important role of the state then, as embraced by the UK Labour government, for example, was to help facilitate asset accumulation. Housing was not the only asset of asset-based-welfare, but was increasingly targeted, and typically constituted a household's largest or most effective asset accumulation vehicle. Individual households too demonstrated growing sensitivity to the value stored in their homes for ensuring economic security in later life (Smith et al, 2009).

For Crouch (2009), the concept of 'privatised' or 'house-price' Keynesianism best captured emerging welfare relations and the role of owner-occupied housing therein. The post-war Keynesian growth model had followed a demand management process with a welfare system sustained by redistributive tax transfer mechanisms. From the 1980s, however, more economically liberal governments sought to shift responsibilities by writing down public debt, reducing tax and extending market provision. The new dynamics of growth specifically required loose lending for home purchase, shifting debt from public to private household balance sheets, with anticipated increases in housing values supporting further growth. Both private and public sectors operated on the assumption that house price increases would erode household debt and sustain consumption more broadly, which in turn would support a low-tax, lower spending public welfare model. Rather than state regulated income transfers providing social insurance, the state thus supported home buying and effectively encouraged house price augmentation by facilitating the integration of commercial and investment banking in mortgage lending (see also Ansell, 2014). Individual households, meanwhile, were expected to save or spend their housing wealth accordingly, compensating for their own welfare and pension income needs.

Critically, housing markets in the pre-GFC era became intertwined with the logic and practice of welfare switching. With the demise of post-war Keynesianism, new forms of market rationality necessary for sustaining asset-based welfare emerged circulating around newly constituted 'homeowner investor subjects' (see Clark, 2012; Langley, 2006; Smith et al., 2009). For Watson (2009), for regular homebuyers the calculations of everyday life came to mimic those of professional investors: 'how to treat life itself as a series of investment decisions; how to position the households' assets on the right side of pricing trends; and how to plan for the long term by being able to continually trade up the value of assets' (p.45). In the housing market this became extant with people buying and selling not only a means to get better housing, but also to 'increase the store of wealth afforded by owner-occupation' (Groves et al, 2007, p189).

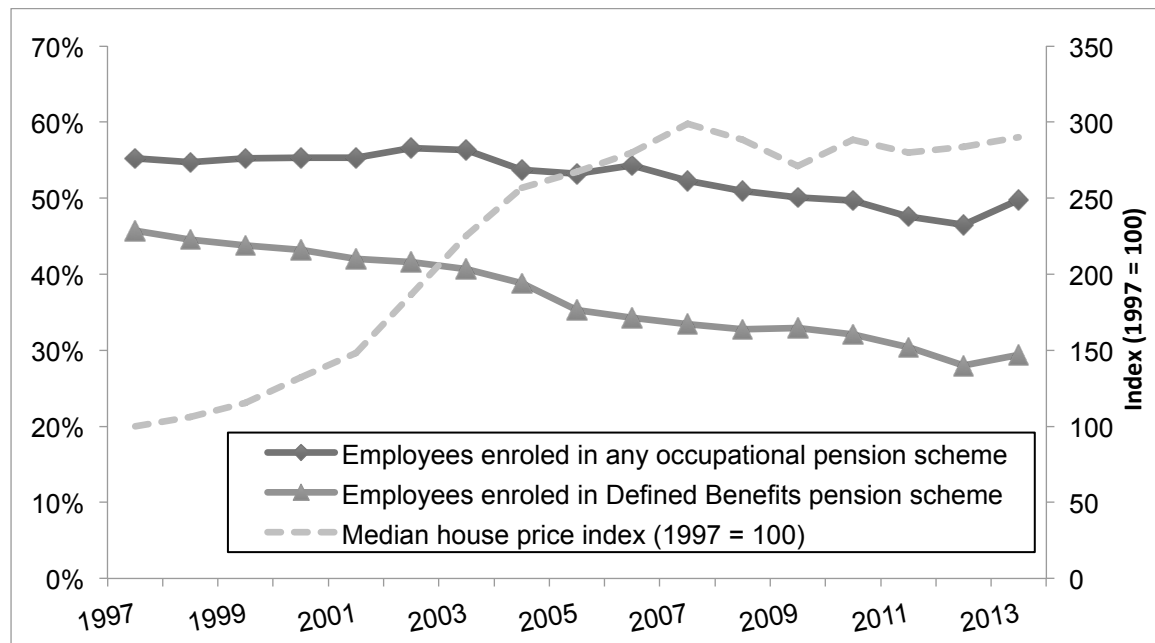
The house buying and lending bubble that emerged escalated on an unprecedented scale through most of the 2000s, with the aggregate value of UK housing property, for example, increasing from £2.9 trillion in 2002 to £5.4 trillion by 2007 (Savills, 2014). Although increases in lending were largely responsible for the housing bubble (Schiller, 2008), a growing sense that wealth accumulates more rapidly among property owners, and, moreover, that home purchase is a good investment against insecurity and welfare shortfalls in later life were also key drivers. Nonetheless, the miscalculation of risk and overleveraging of the economy finally came to a head with the 2007 Subprime and Credit Crises that would later turn into the 2008 GFC.

Accessing Property Asset Wealth

Before the onset of these crises, British and EU governments had explicitly stated that the housing wealth of homeowners represented a welfare resource that individual households would be expected to draw on in future (Doling and Ford, 2007). The projected growth in private housing wealth matched an obvious gap in future public and private provision. In the UK, it was expected that social care expenditure would need to increase more than threefold (325%) by 2041 to meet the pressures of an ageing society (DCLG, 2008). It was also clear, nonetheless, that existing pension provisions were far from adequate with twelve million people (around one-in-three adults aged 35 to 64) not saving enough, or not saving at all, for retirement. This figure included 22% that owned their own home (Segars, 2012). Indeed, while

pension enrolment has diminished, with a particular erosion of Defined Benefits pensions (from 45.7% of employees in 1997 to 29.4% in 2013), the value of, and equity in housing property (with 25.9% of households owning without a mortgage in 1996 compared to 32.5% in 2013), has augmented significantly (Figures One and Two). The accumulation of housing equity among older people has been particularly strong and by the early-2000s most people aged 65 and over owned their own homes (69% in 2001 compared to 49% in 1981) and the majority were no longer mortgaged. The presumption was however, that housing equity represented a relatively liquid asset and could be accessed in more or less conventional ways (see Clark, 2012).

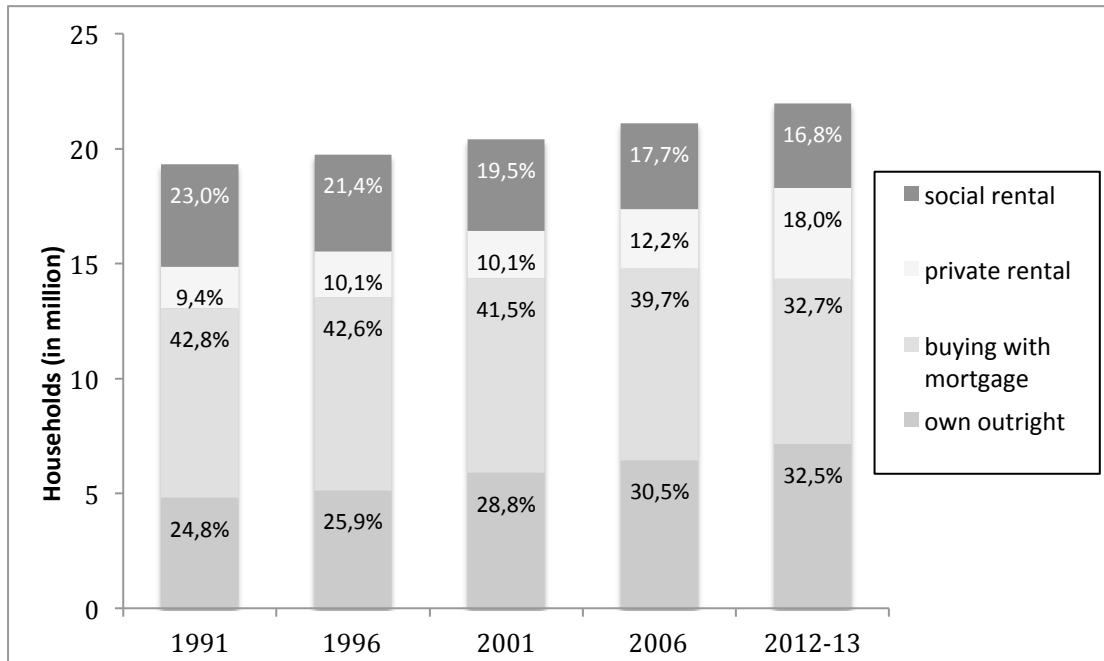
Figure 1: Pension scheme enrolment and housing property values



Sources: Annual Survey of Hours and Earnings, Office for National Statistics (Pensions); ONS Labour Force Survey, English Housing Survey full household sample Homeownership). House Price Statistics for Small Areas, Office for National Statistics (House Prices)

1. Active membership of a pension that is arranged through an employer, main pension only.
2. Pension results for 2005 are based on a new questionnaire and may not be comparable with earlier results
3. In 2011, ASHE replaced the Standard Occupational Classification 2000 (SOC 2000) with the Standard Occupational Classification 2010 (SOC 2010). The change to SOC 2010 has affected the survey weighting. Rounded to the nearest percentage, the proportions in this figure are the same whether the estimates are calculated on the old or new SOC basis
4. Outright ownership covers England only
5. "Employees enrolled in any occupational pension scheme" encompasses people with defined benefit occupational scheme, defined contribution occupational scheme, group personal pension scheme, group stakeholder pension scheme or pension type unknown
6. Median house price represents non mix-adjusted median house prices for England and Wales

Figure 2: Households by tenure sector



Sources: 1981 to 1991: DOE Labour Force Survey Housing Trailer, 1992 to 2008: ONS Labour Force 2008-09 onwards: English Housing Survey, full household sample survey

Access to wealth held in owner-occupied housing can be envisioned, following Toussaint and Elsinga (2009), in terms of both *traditional* as well as *new* mechanisms that have developed along with housing sector financialization. The primary, or traditional way households tap into their homes can be considered in relation to the imputed income enjoyed by owner-occupiers. Simply put, for mortgaged homeowners there is a particular distribution of housing costs over the life-course (see Kemeny, 1981). Initially, the costs of the deposit and repayments are proportionately high relative to income. With inflation, wage increases and mortgage repayment, however, housing costs diminish over time. The ageing owner-occupier household thus, through their home, experiences diminishing dependence on public provision, offset by both their growing private property asset wealth and by the ‘income in-kind’ⁱ generated by living relatively housing-cost free once the mortgage is repaid. Although conditions of retired owner-occupiers vary, most can, due to their housing situation, live on smaller pensions (Doling and Ronald, 2010).

The in-kind benefits of home ownership have been much debated and are differentiated by context. Castles (1998), for example, comparatively focused on how imputed incomes (in-kind) enjoyed by un-mortgaged homeowners can substitute for pension income, demonstrating a ‘trade off’ between housing and pension arrangements in countries with high home ownership and low public pensions. More recently, Schwartz (2012) has identified important inter-relationships between national mortgage and pension sectors, while Delfani et al., (2014) have better illustrated how home ownership and pension systems align. Doling and Ronald (2010), meanwhile, have examined the important role that un-mortgaged property plays in preventing poverty in old age in Eastern and Southern Europe where welfare states are more stratified, as well as liberal regime contexts like Ireland and the UK where the market is promoted.

Other traditional means of accessing housing wealth involve tapping the capital tied up in the home more directly. On the one hand, owners can capture wealth by downsizing: selling the home and either moving to a cheaper property or rented accommodation (potentially with adult children or other relatives/friends), to lower housing costs. Renting out individual rooms is another means of providing income from the home, although research suggests that this is not a particularly popular option. Households can also, and in the UK are more likely to, extend their mortgages in order to access capital (Rowlingson and McKay 2005), although borrowing further on the home undermines in-kind benefits.

A third, and relatively new means by which governments, financial companies and households have envisioned realizing housing wealth to potentially serve welfare needs are reverse mortgage or ‘equity release’ products (cf. Fox-O’Mahoney and Overton 2015). In the UK, the first ‘reversion income scheme’ was initiated in 1965, although interest in such products only took off in the late-1990s. At the 2007 peak of equity release sales in the UK, approximately 30,000 products were sold (ERC, 2014). The most typical model involves a financial firm offering a loan secured on the home with the occupier continuing to own and dwell in the home, usually paying off the loan and interest on death through the sale of the property. Such products can be taken as a monthly income or lump sum, and are normally based on only a portion of the total property value, meaning that some inheritance can remain.

The above mechanisms have inevitably evolved along with the crisis and subsequent socioeconomic restructuring, reshaping interactions between state, market and household in respect to housing commodities as means of achieving welfare security. They have also taken on a new hue in context of the post-crisis era, where mortgage lending became scarcer, economic conditions less favorable and property value increases more volatile. Nonetheless, recent transformations in asset-based welfare practices seem to have been accelerated, rather than been initiated, by the GFC, with related housing market shifts emerging in the early-2000s, as we explore later.

Housing, Asset-based Welfare and Post-crisis Policy

In the initial post-GFC milieu, UK housing prices fell by an average of 16%, and much more in some regions, before balancing out at around 10% below 2007 peak prices, in 2010. Demand withered with the fading of credit, and, in combination with declining confidence, home buying activity dropped by almost halfⁱⁱ (ONS, 2013). The crisis helped reframe asset-based welfare demonstrating that just when households needed to access (housing) assets as a safety-net (against unemployment or a drop in household income), the very economic conditions that brought pressure to bear, typically undermine both values and liquidity (Ronald and Doling, 2012).

In policy, after an initial round of stability measures, new welfare and pension reforms began to take shape featuring austerity on the one hand, and deeper protection of elderly people's incomes on the otherⁱⁱⁱ. In order to protect the pension system, a faster timetable for state pension age increases was established in the 2011 and 2014 Pension Acts. A new pension auto-enrolment framework was also started in 2012 to support retirement savings among the millions of, typically low-income, people who were not adequately saving for old-age. In terms of housing policy, the Help-to-Buy programme was rolled out in 2013, which at first guaranteed new home buyer's deposits, but since 2015 also assists saving for a first home down-payment. Meanwhile, in context of a sharp rise in renting and rents, housing benefit regulations have been tightened, especially for people aged 34 and under, and the social housing sector undermined further (see Tunstall, 2015).

The emerging policy landscape thus demonstrates considerable ambivalence in regard to asset-based welfare. Since the crisis, the Coalition and subsequent Conservative governments have sought to protect pensions, but also maintain housing asset values. Home ownership remains privileged, with schemes like Help-to-Buy attempting to stem the diminishing flow of younger people into owner-occupation (see Figure Three). At the same time, despite the focus on protecting the incomes of older people, their housing assets are still being eyed as a resource they should draw upon to serve non-housing needs. Indeed, there has been a growing sense of intergenerational injustice in the political sphere resulting from the escalating imbalance in housing market positions between young and old. The House of Lords, 'Ready for Ageing Report' explicitly stated, for example, given how older generations have benefited from such high growth in the value of their homes, it seems unfair "[...] to expect younger taxpayers [...] to pay more for the increased costs of an ageing society while asset rich older people (and their children) are protected' (2013, paragraph 41).

Changing Households Approaches to Asset-based Welfare

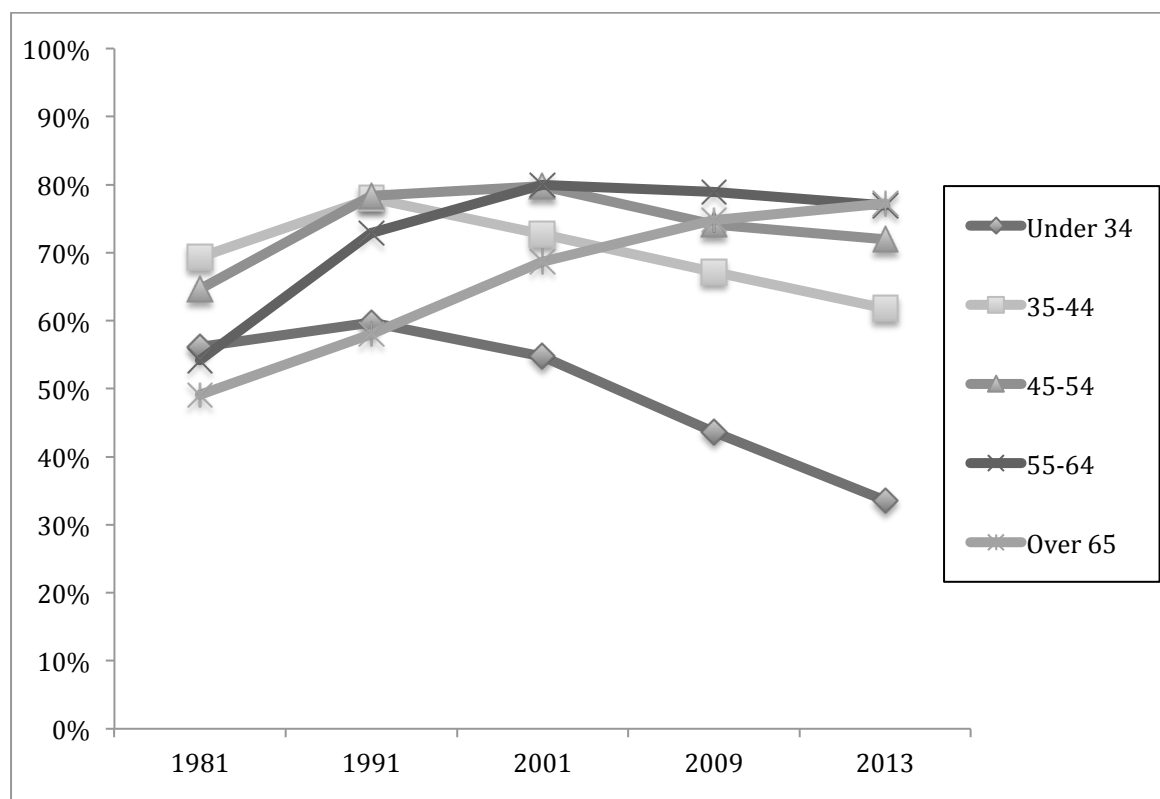
While policy has become more ambiguous, property owning cohorts themselves appear to have focused on mobilizing their housing wealth in particular ways. The following draws on various public survey and market data to discern specific patterns. We seek to unravel is how established homeowners – especially those who bought property before the last house-price boom – are dealing with a new asset-based welfare landscape in which housing continues to represent a private welfare pillar. We consider the modes of access to housing wealth addressed above, as well as private landlordism, which has gained particular momentum in the last decade, but has not been well integrated into analyses of emerging asset-based welfare conditions. We take-off from analyses of asset-based welfare established before the crisis (cf. Groves et al, 2007; Malpass, 2008; Watson, 2009) in order to understand how it has both persisted and been transformed. Particularly salient are the large inequalities that have emerged and how those who have literally, as Dorling (2013) puts it, 'hoarded housing' have been able to take advantage of market conditions to bolstered their economic security, in large part at the expense of those below on the housing ladder.

An income in-kind

Considering home ownership levels have declined since the early-2000s – peaking in England and Wales at 71% in 2003 and numerically at 14,791,000 households in 2005, but declining to 65% by 2013 – the potential of housing assets as a basis of welfare has ostensibly diminished for the population as a whole (English Housing Survey, 2013). This drop however, belies a restructuring in the distribution of owner-occupied assets. On the one hand, as illustrated by Figure Three, declines in home ownership have largely been driven by diminishing sector entry among younger people since the 1990s^{iv}, with numbers of older owner-occupiers continuing to rise. On the other, rates of ‘outright’ (un-mortgaged) ownership have escalated, from 24.8% to 32.5% percent of households between 1991 and 2013 (Figure Two). In terms of property asset values, £1.71 trillion worth of owner occupied housing was free of mortgage debt in 2012, almost double the 2002 figure of £973 billion. The largest part of that housing equity – approximately £1.2 trillion – is concentrated among households aged over 60 (Savills, 2014). The aggregate value of mortgaged property meanwhile, only increased by around a half, from £1.29 trillion to £1.83 trillion. Essentially, while the number of people entering home ownership has declined, both the net equity and wealth of those already in the sector, despite the Financial Crisis, has increased substantially in the last decade.

The in-kind aspect of asset-based welfare thus remains remarkably robust, although as it has evolved, it has become more unevenly spread. For the cohorts of owners who purchased their home before the 2000s, repayment mortgages appear to have functioned successfully as a form of enforced saving, with housing, regardless of market fluctuations, sustaining a high relative value. The total value of UK housing increased from £2.9 to £5.75 trillion by the end of 2014 (ibid). Fundamentally, older cohorts have experienced significant increases in equity held in their property: between 90% and 400% for those buying between 1982 and 2002 (see Demos, 2013).

Figure 3: Home ownership rate (%) by age group



Source: English Housing Survey, 2013

Housing wealth has also become extraordinarily uneven geographically, especially since the crisis. Although London housing values have been consistently higher than the rest of the UK (Hamnett, 1999), between 2008 and 2013, prime central London property^v increased 23.9% compared to average declines of between 9.5% and 16.2% across the rest of the UK (Halifax, 2014). Critically, house prices in London, and spilling over into the South East, have been effected by more global flows of capital, which have increasingly found urban housing a safe haven. This has added to distortions in the housing assets of households in South East England, especially those who entered the market early. Indeed, the ratio of mortgage debt among owner-occupiers averaged 12% in London in contrast to 27% across the UK (Savills, 2014).

With increases in property values, not only has the distribution of wealth been distorted, so too have benefits. Dorling et al (2005) observe, that those with most housing wealth to support welfare needs in later life are also more likely to have

better pensions, while those living in low-value homes are similarly likely to have smaller pensions and thus greater dependence on their home. Moreover, for most older 'asset rich' and 'income poor' owner-occupiers, a conflict exists between the in-kind benefits of living in an un-mortgaged home and having a home of value. Although most owner-occupiers dedicate a large part of their incomes for a large proportion of their lives to serving a mortgage, their housing wealth remains locked-in and other than making housing costs cheaper in later life, does little to compensate for a low-income. Terry and Gibson (2010) identify that around one-million older people who own a home worth over £100,000 have incomes so low that they would qualify for means-tested social security benefits. This applies to elderly homeowners in particular and Rowlingson and McKay (2005) estimate that 67% of pensioner couples and 53% of singles are above the median for the overall asset distribution and below the median for the overall income distribution.

Trading Down

The main problem for people wishing to tap housing assets to support welfare and living standards is that cashing in effectively undermines in-kind benefits. Similarly, a home also connects a household to a location and, often, years of aggregated social capital that can help support welfare in later life. Both factors may contribute to a low-level of home sales in order to capture housing equity amongst older owner-occupiers, and there has been little evidence of widespread trading down to serve welfare needs since the crisis. Indeed, people aged 65 or over account for less than 8% of home-movers each year (ONS, 2013). It is often other factors that trigger downsizing related to lifestyle preferences – such as the desire to move closer to family and young grandchildren – or a life event, such as the death of a spouse, that triggers the change to a smaller home (see Pannell et al., 2013).

Nonetheless, research also suggests that older cohorts of homeowners have become more accustomed to the idea of housing moves as a financial strategy that can maximize the effects of house price increases and asset accumulation. A recent report by UK cross party think tank, Demos (2013), found six in ten people over 60 were in favour of moving and one in four would prefer to buy a retirement property, reflecting a particular pragmatism regarding the home in later life. For older homeowners with a

larger family property, the potential of wealth release through downsizing may be considerable. A move from a four to a two-bed home can release over £210,000 on average, while a move from a five to a three-bed home could potentially generate £450,000 (Savills, 2014). According to the same source, around 55,000 homeowners currently downsize each year, releasing around £7 billion equity.

Of course, most retirees do not necessarily own large properties from which to downsize, and, moreover, differences in regional averages suggest that in many parts of the UK, trading down would produce significantly less capital. According to Savills, in only 11% of UK locations would downsizing from a typical three-bed to a two-bed property release more than £100,000 equity. On average, downsizing can release around £123,000 although the figure is less than £100,000 in almost half of UK locations. Similarly, only those with larger properties, or those moving to a cheaper region can really generate enough capital to make a significant difference to real income and welfare conditions. For instance, Haggart (2012) estimates that in order to generate a modest annual income of £10,000 (through the purchase of an annuity product, for example) would require a capital sum of £200,000. This could be potentially achieved by a move from a 4- to a 2-bedroom property in only 35% of locations in the UK. By contrast, the particular concentration of housing wealth in London and the South East seems to facilitate more intensive movement reflecting particular social, geographical and historic advantages.

The potential to trade down or tap into housing wealth for an older household's needs has also increasingly been trumped in recent years by the need to help out other, typically younger, family members, especially in terms of inter-generational assistance in accessing home ownership. Between 1995 and 2006, the numbers of first time buyers receiving help from parents had risen from 10% to 38% (CML 2006). Since then, it has been estimated that parental help with deposits for first time buyers has escalated to more than half of all transactions (CML, 2010). Research for the UK charity Shelter meanwhile, estimates that parents now spend around £2 billion a year helping their children buy their first home (Humphries and Scott, 2013).

Two other family-related factors have also affected capacities to release housing property wealth (i.e. downsizing) or use this wealth for their own needs. First has been the significant rise in adult children either 'boomeranging' back, or not leaving

the parental home at all (Lennartz et al., 2015). According to ONS data 2.9 million people aged 20-40 were living with parents in 2012, representing a 20% rise since 1997. Second has been preferences for, and growing pressure to, pass on housing wealth, usually as inheritance. Rowlingson and McKay (2005), however, establish that while households aged 70 or over are most likely to see an owner-occupied home as a legacy for their descendants, those in their fifties are more resistant to the idea and may eye this wealth as a means to maintain consumption in later life. This may arguably mirror shifting attitudes over the life-course, but may equally reflect shifting expectations of pensions, welfare and housing markets across cohorts. Either way, an ostensible conflict has emerged between the desire to live comfortably in later life, involving tapping housing equity for individual needs, and expectations of having to help offspring through longer co-residence and housing wealth transfers.

The Equity Release Market

Of the so called 'new' ways to access capital held in owner-occupied housing, either extending the current mortgage or buying a reverse mortgage product (equity release) have proved increasingly popular in the UK (see Fox O'mahony & Overton, 2015). Leading up to the crisis, almost one in three mortgaged homeowners were withdrawing equity annually according to Lowe et al., (2012). Meanwhile, equity release sales peaked in 2007 with £1.2 billion unlocked from UK homes, with an average individual value of around £49,000. Between 2008 and 2009, however, the equity release market declined by 22% and the number of customers by 35% (ERC, 2014). Since then however, the market has seen a remarkable resurgence. Over £1.4 billion of housing wealth was released in 2014, up 14% on the 2007 record, with an average value of £65,000, up almost a third on the pre-crisis peak.

While the resurgence in equity release may indicate that housing wealth is becoming particularly liquid again, its role in supporting asset-based welfare strategies has been questioned. Overton's (2010) study of equity release customers found that capital released from the home was most likely to be used for house maintenance and repairs (46%), holidays (36%) and clearing other debts (35%). Equity release was thus more typically used for consumption and debt serving activities rather than supplement income in later life. Research has also found that many reverse mortgage consumers are, rather than elderly households toward the end of the life-cycle, middle-aged

people tapping into their home early to serve family rather than individual needs, and in particular the costs of raising children (Lowe et al, 2012).

In short, despite its recent resurgence, equity release remains a limited market and represents only 0.6%, by value, of all mortgage sales. It has also been estimated that only 2% of households have engaged in equity release schemes (ERC, 2014). There remains a lack of familiarity with such schemes and many households, especially older ones, remain wary (Toussaint and Elsinga, 2009). Thus, while more households have become active around equity release, it seems to best serve a particular sector who are essentially ‘eating’ their asset out of necessity rather than strategically accessing it in order to support income or welfare needs in later life (Fox O’mahony & Overton, 2015).

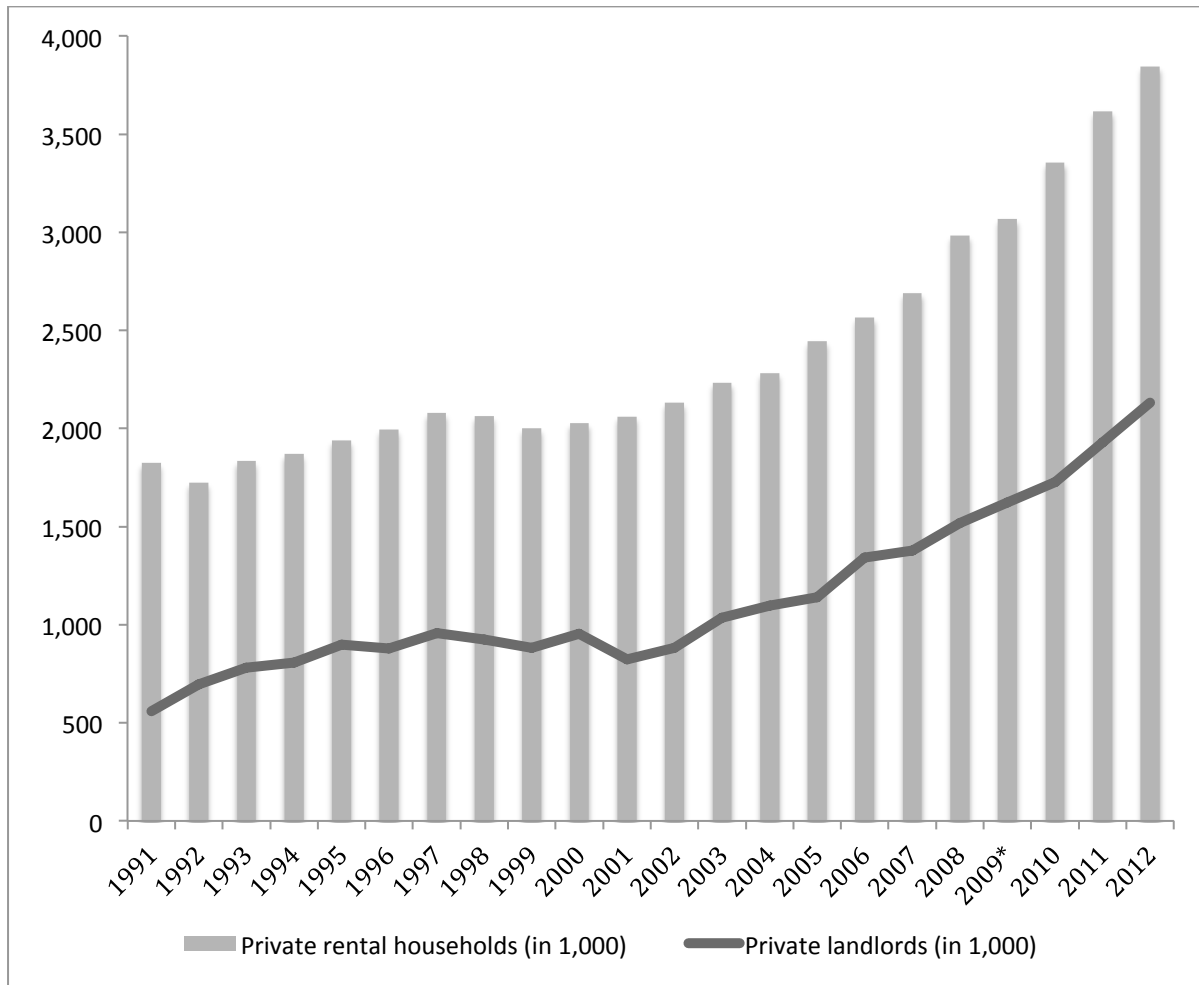
Private Landlordism and Asset-based Welfare

Along with the rise in home ownership, private renting declined from almost nine-in-ten homes in 1918 to around one-in-ten by the end of the twentieth century (see Crook and Kemp, 2014). However, over the last decade or so the private rental sector (PRS) has been revived, growing from almost 10% of housing in 2002 to 17% by 2013. This has largely been at the expense of owner-occupation, which in 2013 was at its lowest level since 1987 (English Housing Survey, 2013). In terms of aggregate value, while PRS represented £354 billion in 2002, or 12% of the total value of UK housing, by 2014 the figure was close to £1.16 trillion, around 20% of the total^{vi}. Critically, rather than corporate or institutional investors, it appears that a growing mass of well leveraged owner-occupier households are driving the return of PRS.

Government data provides considerable insight into how new landlordism has been shaped by the ‘investor subjects’ of asset-based welfare. Although private sector letting is often assumed to have professionalised in the UK, as Figure Four illustrates, the sharp rise in rented dwellings has been closely matched by an increase in numbers of landlords. Indeed, the ratio of landlords comprised of private individuals increased from 61% in 1998 to 89% by 2010, while the proportion derived from private and public companies and other types of organisations fell from 22% and 18% to 5% and 6%, respectively. The evidence also attests to the recent arrival of most landlords with 51% of all PRS dwellings being acquired after 2000, which helps account for the

significant increase in sector size between 2002 and 2012 (see Figure 4). Most landlords are highly inexperienced, and while 69% have had properties for 10 years or less, 22% have three years' or less experience (DCLG, 2010). The amateur status of PRS ownership and management is also illustrated by the fact that as many as 78% of all landlords rent out just a single dwelling.

Figure 4: Numbers of private rental households and landlords, 1991-2012



Sources: Private rented dwellings (DCLG, Live Table 101), Dwelling stock: by tenure, United Kingdom (historical series), Landlords: British Household Panel Survey

1. Private rented dwellings include dwellings rented with a job or business
2. *In the year 2009, the number of landlords was interpolated, due to lack of comparable data

Although buying a rental property may represent something quite speculative, and even though private landlordism has not traditionally been considered within an asset-based welfare framework, approaches to rental housing management have increasingly aligned with individual welfare switching strategies resulting in recent

radical transformations in this tenure. While the 1988 Housing Act established conditions – in terms of removing rent controls and standardizing short-term tenancies – for private landlordism to later flourish, a particular driver of the PRS revival has been the expansion of Buy-to-Let (BtL) mortgage lending since 1996. The growth of the BtL market allowed a growing diversity of individuals with an equity stake of 30% or more to buy another property to let on relatively flexible terms. BtL became a particular focus of a new breed of small-scale investor, especially after 2000 (see Leyshon and French, 2009), although cash buyers have also become common and accounted for 38% of purchases in the first half of 2015 (Halifax, 2015)

The initial BtL boom was more speculative, with the GFC triggering something of a mini-collapse^{vii}. Nonetheless, most new landlords, who could draw on savings or borrow against other assets, effectively benefited from the squeeze on regular mortgage lending, which pushed many (younger) potential buyers into renting, increasing sector demand and subsequently rental returns. According to a 2014 report by mortgage financiers, Paragon, since inception, BtL investments have had unparalleled returns with, for example, a £1,000 investment in 1996, buoyed by rising house prices and rents, turning into £13,048 by 2014. This represents an annual rate of return of 16.3%, which, over the same period, compares to 6.8% from shares, 6.5% from bonds and 4% from bank savings. Despite the initial shock then, landlordism has boomed since the crisis with increasing numbers of asset rich households seeking rental returns – in context of central bank interest rates below 1% – helping sustain a price comeback in key parts of the market. According to the CML (2013), approximately one in seven new mortgages now go to landlords^{viii} who are not subject to the same affordability checks as homebuyers and can include projected rental incomes in loan applications.

Rents have also increased ahead of inflation, and more than double this rate in London^{ix}. The media has increasingly picked up on the growing divide between owners and renters and in particular the intergenerational aspects, with, as mentioned above, divisions between ‘generation renters’ and housing-rich ‘baby boomers’ becoming politically charged. Around 51% of all renters are now aged 35 and under (English Housing Survey, 2013), with expectations of becoming a homeowner among this cohort diminishing substantially. This has been reflected in the sharp decline in

new homebuyers, from 34% to 10% of new households, between 2007 and 2011. According to a survey of saving by pension company, Scottish Widows (2014), younger renters now face a 15-year wait to buy a property. While the average first-time buyer deposit is nearly £31,000, the typical private renter is only able to save around £2,100 a year. Furthermore, the survey found that 33% of private renters were not putting any money away while 29% had no savings at all.

In understanding the new landscape of asset-based welfare, the opportunities provided by shifts in both buying and rental market conditions appear particularly salient. Among the means available to capitalise on housing wealth in order to plan for a reduced income in later life, translating savings and even leveraging owner-occupied housing equity into an extra property has become particularly attractive. Critical has been the escalating financialization since the 1980s (see Aalbers, 2015), making lending more sophisticated in terms of response to demand and product diversity, and housing policy deregulation (Kemp, 2015), making entering and managing rental property less risky and more profitable. While not all homeowners who have accumulated housing wealth with a view to welfare self-reliance look to landlordism as a way to maximize that security, evidence suggests that significant numbers have. There are now more than 2.1 million landlords (compared to 560,000 in 1991) serving 4.6 million rental households overall. Landlords are predominantly middle-aged homeowners (see below) advantaged by historic house price increases and shaped by experiences of housing as a resilient investment good. According to a National Landlords Association Survey (NLA, 2012), four out of five BtL landlords consider their property income as their pension, and almost three in five (61%) plan to live entirely off rental income in retirement. Also, many older homeowners, with the passing of generations above, have become landlords through inheritance^x with letting representing a practical means to deal with an extra property.

Discussion

So then, what did happen to asset-based welfare? Fundamentally, it has adapted and endured, shaping developments in housing markets and policies, as well as individual asset wealth and welfare strategies. While the GFC appeared to undermine the home ownership base of asset-based welfare, the crisis actually helped refine the role of

housing property in social, economic and welfare relations. Imputed income among un-mortgaged homeowners has been strengthened, with baby-boom cohorts particularly advantaged by housing market cycles that have also provided them large and relatively fungible assets. The generation that followed them has also been advantaged, but also mobilized around housing property as a means of achieving non-housing goals. The most significant equity borrowers have been middle aged rather than retired homeowners (Lowe et al, 2012), and while most private landlords are aged 45 to 64, the most significant increase has been among those aged 35 to 44 (Lord et al, 2013). Of course, there are significant inequalities within cohorts, not only defined by tenure, but also by relative housing market position and geographic location. Moreover, along with austerity policy, housing has become an even more important focus of welfare switching, intensifying activities with families and across generations in terms of co-residency, care exchanges and wealth transfers. Research on equity release and intergenerational transfers (Overton, 2010), suggest that financially advantaged cohorts are in fact likely to transfer housing wealth to less well-off offspring long before they inherit.

There are a number of social and policy issues to consider in regard to transformations in housing and asset-based welfare. Firstly, policy makers had assumed that the promotion of home ownership would reduce pressure on public welfare budgets as households became equity richer and more welfare self-reliant. Nonetheless, the price increases that drove housing wealth accumulation among established homeowners created, along with shift in post-crisis credit pricing, conditions for a marked switch back to private renting, and, subsequently, remarkable increases in the fiscal burden of housing allowance. In 2013, around two thirds of social renters and one quarter of private renters received housing benefit to help with rent payments, representing respective increases of 59% and 19% since 2009 (Wilcox and Perry, 2014). The fiscal impact on Coalition and Conservative governments seeking historic cuts in the welfare budget has been quite unexpected with the cost to the state of housing benefit doubling in cash terms between 2001 and 2013. The major benefactors have been private landlords, who are now the ultimate recipient of 40% of housing benefit payments to renters (ibid).

Secondly, in the *longue durée*, pro-home ownership policies seem to have had the opposite outcome. 1980s' visions of a 'property owning democracy' initiated a programme of mass housing privatisation sustained by 'right to buy' policies that in the short-term improved home ownership rates and asset ownership for a generation. However, in context of a long-term downward trend in housing construction and the erosion of social rental housing (Tunstall, 2015), the housing stock has gradually been appropriated as a means to accumulate household wealth, which for millions has meant buying an extra home to rent too. In some cases, the very units once built by local authorities with public funds, and sold-off at discount to sitting tenants, have ended up in the hands of private landlords, with more than a third of homes bought under 'right to buy' in London now let-out in the PRS (Inside Housing, 2013). The long-term consequences of the 1980s Conservative push for home ownership then has been a lower owner-occupancy rates in the 21st century, especially among people aged 35 and under, *and* higher public spending on housing (benefits).

In terms of policy options, the state has been torn between the interests of diverse housing cohorts and classes who represent different orientations towards housing markets and welfare security. On the one hand, many younger people are demanding the same access to owner-occupied asset accumulation as their predecessors. However, market conditions are no longer favorable, necessitating public spending on schemes, like Help-to-Buy, for 'hard working' first-time buyers (to use the policy rhetoric) in order to sustain access to the primary market. For young and older low-income households for whom buying is, or has become, unrealistic, few alternative housing policies are being developed, meaning greater concentrations in PRS and escalation in housing benefits costs. Another concern for this group is displacement, especially in prime markets like London, in the face of ongoing housing commodification (Hodgkinson et al., 2013).

On the other hand, more established owners orientated towards their homes as sources of wealth, security and even income, require the state to sustain above inflation house price increases and tax favorable treatment of housing property as well as, increasingly, small-scale private landlordism, as means to sustain self-reliance. Critically, increasing over consumption of property by housing wealthy people has been a driving force in the exclusion of younger and marginal households from, and

exploitation in, the housing market. The current logic of housing and welfare reform seems to be reinforcing this division. For example, since April 2015, savers aged 55 have been allowed to draw their pension as a part tax-exempt lump sum. While the government has expressed that this step will promote investment in different kinds of funds, considering the analysis of asset-based-welfare above – and in context of the better yields^{xi} and tangible investments that housing represents over managed financial products – we can expect continued investment in properties to let.

The revival of private renting has been one of the most dramatic changes in the UK economy in recent years. The focus of public debates and academic analyses has not, however, been the expansion of ‘generation landlord’, but rather, ‘generation rent’ with the complex relationships between the two not particularly well framed. Moreover, connections between asset-based-welfare strategies and changing conditions among asset wealthy homeowners – who have been increasingly geared toward housing property as a means to offset anticipated welfare and pension risks (Clark, 2012) – have not been well researched. Despite the growing army of local, small-scale property investors looking to make the most of their limited wealth outside of the formal financial sector, signifying a surmounting wealth gap within the middle classes, criticism has targeted global capital and the super-rich, and research focused on issues facing marginal and asset poor households.

A core objective of this paper has been to link asset-based-welfare debates with emerging socioeconomic conditions and housing market realignments. A specific concern has been shifting approaches to housing goods as potential sources of income, investment and welfare provision. Home ownership has certainly been transformed, with shifts also reflecting realignment in welfare capitalism and ongoing processes of neo-liberalization. In terms of the latter, Forrest and Hirayama (2015) have recently pointed to the erosion of home ownership as a ‘social project’ – that integrates households into, and cushions the effects of, economic liberalization – in favour of a more financialized ‘neo-liberal project’ focused on profit making. The analysis in this paper supports this in part, especially in the identification of a new breed of private landlord and intensified rent seeking in the circulation of housing goods. Nonetheless, legacies of the previous era remain, and despite ‘greater concentrations of residential property assets with the property poor paying market

rents to the property rich' (ibid, p.239), governments still seek to reignite, as evidence by the 2015 relaunch of 'Right-to-Buy', the spirit of the property owning democracy. Moreover, the property rich themselves, although geared around investment, generally seek to share the benefits with kin and to promote home ownership based asset accumulation through intergenerational family transfers of housing wealth.

Conclusions

The above analysis seeks to contribute to social science and policy debates surrounding housing and welfare in a number of ways. Firstly, as Montgomerie and Büdenbender (2015), point out, we know that housing is a significant part of the finance-led welfare regime, 'but little by way... of how housing finance and welfare are enacted in everyday life' (p14). Our analysis of how the wealth represented by the home is being renegotiated sheds light on the links between shifting housing, pension, and welfare conditions, the revival of private landlordism and the intensification of 'generation rent'. Thus, whereas Schwartz (2012), emphasizes links between pension funds and mortgage sectors at the macro level, we have examined more refined links between retirement savings and housing markets, as well outcomes in terms of downsizing and equity borrowing etc., as well as land-lording and hoarding activities. What are arguably still needed are more precise analyses of processes at work at the individual level.

Secondly, what has also become evident is that certain groups of homeowners – particularly older cohorts living in specific urban areas (especially London) – have benefited from housing in ways that can be considered asset-based welfare, but cannot be repeated as housing markets represent unique sets of socio-economic and political circumstances. While asset-based welfare has functioned as a welfare or pension strategy for some groups, conditions for future housing wealth accumulation have been exhausted, creating what Ronald (2008), describes as a 'post-home ownership regime' (p.250) featuring declining owner-occupancy rates and greater distortions in the distribution of tenure, assets and equity. Governments, nonetheless, seem bound to outdated conceptions of home ownership and housing welfare, and continue to look to house price increases as means for households to improve their welfare prospects, rather than a force that enhances inequalities.

Thirdly, the British case, as examined here, arguably provides insights into housing and welfare developments elsewhere. Across Anglophone countries, similar patterns of asset-based welfare reforms along with declines in home ownership rates that reflect similar polarizations in housing access and equity conditions are also extant (e.g. Ong et al., 2013). They have also been evident in countries like Japan and South Korea (Forrest and Hirayama, 2009), that have similarly relied on housing assets to substitute for public welfare. At the same time, there are broad distinctions that reflect different urban concentrations of housing wealth, advances in equity borrowing industries and regulations regarding the treatment of tenants and income from property, among other factors. Looking across Europe, while there is some evidence of intergenerational realignment in housing access and equity (Lennartz et al, 2015), there are fewer signs of ‘generation rent’ or ‘generation landlord’, suggesting a significant impact of asset-based welfare restructuring in the economically liberal Anglophone countries and particular path dependencies. In 2007, Groves et al., hinted at the shape of a *new welfare state*, molded around changing distributions in, and augmentation of, housing assets. What seems likely from our analysis is that welfare states and conditions are continuing to be shaped by housing-finance led welfare regimes, but in ways that are worryingly counter progressive in terms of housing distribution and socio-economic inequality.

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ⁱ In attempting to put a simple value on this income, Savills Property Research (2014) estimate, assuming an un-mortgaged retirement period of 20 years and an average rents of £9,000 a year, that the average UK home represents an inputted income of £180,000

ⁱⁱ Transactions fell from 1.6 mil to just over 800,000 pa.

ⁱⁱⁱ For example, the existing means tested Pension Credit was enhanced in 2011 in order to protect incomes as well as access to housing benefits for retired people.

^{iv} 67% owner-occupation among 25 to 34 year-olds in 1991 compared to 43% in 2011. For 16 to 25 year olds the drop was from 36% to 10% between 1991 and 2011(English Housing Survey).

^v In the boroughs of Kensington and Chelsea, property sales achieving over £1 million accounted for 69% of sales in 2013 (Savills, 2014)

^{vi} Of such housing, 37% of the total value of PRS, and 19% of UK stock is located in London (Savills, 2014).

^{vii} While there were 346,000 BtL mortgages taken out in 2007, this dropped to 89,600 by 2009. Meanwhile, the diversity in BtL product types fell from 3,662 to just 218. Around 0.35% of BtL properties were possessed by lenders in the first quarter of 2009, almost triple the rate for owner-occupied homes (CML, 2010)

^{viii} This equates to 1.5 million mortgages worth £174bn going to BtL investors since 1996.

^{ix} At the end of 2012 private sector rents were £741 a month in England and Wales and £1092 in London.

^x According to the DCLG (2010) landlord survey, around 9% of all private landlords entered the sector in this way.

^{xi} The 2015 budget also announced a reduction in mortgage interest tax deductibility (from 45% to 20%) for BtL landlords, from 2017. While this may reduce profitability, it will have no effect on un-mortgaged landlords and cash buyers (who now account for more than one-in-three purchases (Halifax, 2015).