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The end of mass homeownership?

Housing career diversification and inequality in Europe

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137

6. The End of Mass Homeownership? Changes in Labour Markets and Housing Tenure Opportunities

Abstract

With continued economic growth and expanding mortgage markets, until recently the general pattern across advanced economies was of the secular growth of homeownership sectors. The Great Financial Crisis has undercut the foundations of this growth resulting in contraction in many countries of homeownership sectors and the rise of other tenures, including private renting. The argument in this paper is that the tenure changes should not be interpreted as solely a consequence of the GFC, and therefore, reversible once long-term growth returns. Rather, that they are the consequences of more fundamental changes especially in labour markets. The very financialisation that fuelled the growth of homeownership has also been one of the processes leading to changes in labour markets in which there has been a hollowing out of well-paid, secure jobs – exactly those that fit best with the taking of housing loans. The research examines evidence of longer-term declines in labour market security across Europe (EU28 plus Norway) pointing to trends that predate the GFC – only partly masked by the expansion of credit in pre-crisis years. Secondly, an analysis across the European countries supports a fundamental correlation between deteriorated labour market conditions and homeownership access for young adults. The GFC both accelerated existing labour insecurity dynamics and brought an end to offsetting such trends through the expansion of credit access. In this world, the likelihood of any return to an era of widespread homeownership growth has starkly decreased.

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6.1 Introduction

In most developed economies, over the last half-century or so there has been a major transformation of housing tenure patterns, to what seemed, by the early years of the present millennium, to be the growing dominance of homeownership (Atterhog 2006). In each of the countries that were to become the EU25, homeownership was a minority tenure in 1945, but, with the exception of Germany, a majority tenure by 2003. As a group – less Germany – about two-thirds of households were homeowners leading to the description of Europe as a *Union of Homeowners* (Doling and Ford 2007). The trend toward the dominance of homeownership was not confined to Europe, being characteristic across developed countries such as the USA, Australia, and Canada as well as in East Asia (Doling and Ronald 2013). Over the last few years, however, this picture has began to change. Homeownership rates have ceased their inexorable rise, and in some countries have gone into decline. Phrases such as *generation rent*, *boomerang kids*, and *parasite children* have gained purchase as descriptions of housing alternatives pursued by young adults who in previous decades would have been stepping onto the first rung of the homeownership ladder.

In many observations, including scientific studies, there is an assumption, sometimes implicit, sometimes explicit, that this shift is a significant, but temporary, effect of the 2007 Great Financial Crisis (GFC) and its consequences (Forrest and Hirayama 2015). Once the slump, however deep and prolonged, is overcome and the business cycle picks up, things will return to usual. People will flock back to homeownership which will again be the achievable tenure of choice for most people. The future will again be one of mass homeownership. The argument developed in this paper is that even if the GFC may be considered as essentially no more than a downturn, however severe, in the business cycle with an expectation of a return to "normal" (that itself being contestable) the seeds of change in the dynamics of tenure choice were sown long before 2007. One particular dimension of this has been a fundamental and long-term shift in the nature of labour markets in terms of both the security of employment provided to growing sections of the labour market and the financial rewards of work. To varying extents in different advanced economies, these changes have increasingly eroded the flow of people gaining well-paid and secure jobs, especially because these changes have greatly impacted on younger people entering the labour market. Phenomena such as the *hollowing out of the middle classes*, the *polarisation of labour markets*, the *rise of the precariat*, and the *crisis of youth unemployment*, all point to a reduction in the pool of people whose financial circumstances fit well with the ability to take on the long-term repayment commitment of a housing loan. While new labour markets may have little effect on the housing circumstances of long-established owners – since the payment has been substantially made – they have great impact on those at the beginning of their employment and housing careers. Groups who, in earlier decades, might have been expected to achieve independent living perhaps by a move into private renting as a stepping stone into homeownership, or even straight into the property market, are now being pushed by a more precarious labour market towards alternative housing trajectories. In this world, homeownership may cease to be a housing solution for the masses.

The argument presented herein challenges conceptions of recent homeownership slumps as merely a temporary and limited consequence of the financial crisis, instead uncovering the more fundamental interrelated changes in labour and property markets. An initial understanding of the historic drivers of growing homeownership up to the GFC is outlined followed by a broader evaluation of the underlying implications of the financial crisis. The paper looks at the evidence across Europe for the sample of EU28 countries plus Norway,[1] proceeding in a two-part empirical investigation. Firstly, the research examines descriptively the longer-term decline in labour market security in Europe pointing to trends that predate the crisis years and have reduced widespread, stable middle-class jobs, especially among younger adults – fundamental preconditions to entry to homeownership – and only partly masked by the expansion of credit in the pre-crisis years. Secondly, an exploratory analysis of recent homeownership rates across the different European countries evaluates the fundamental correlation between deteriorated labour market conditions and homeownership access for young adults and the moderating role of the mortgage market.

6.2 The growth of homeownership up to the GFC

An argument that the seeds of change pre-date the onset of the GFC raises the question of why – that is on what foundations – homeownership sectors commonly expanded in the preceding decades. Following the tradition established in housing studies by Jim Kemeny and in political studies by Esping-Andersen, much of the literature on national rates of homeownership has focused on cross-sectional differences. Nevertheless, a small number of studies have identified key drivers in a common tendency toward longitudinal increases.

Some evidence has pointed to changing demographic and household

1 The number of countries varies slightly across analyses depending on availability of harmonized data.

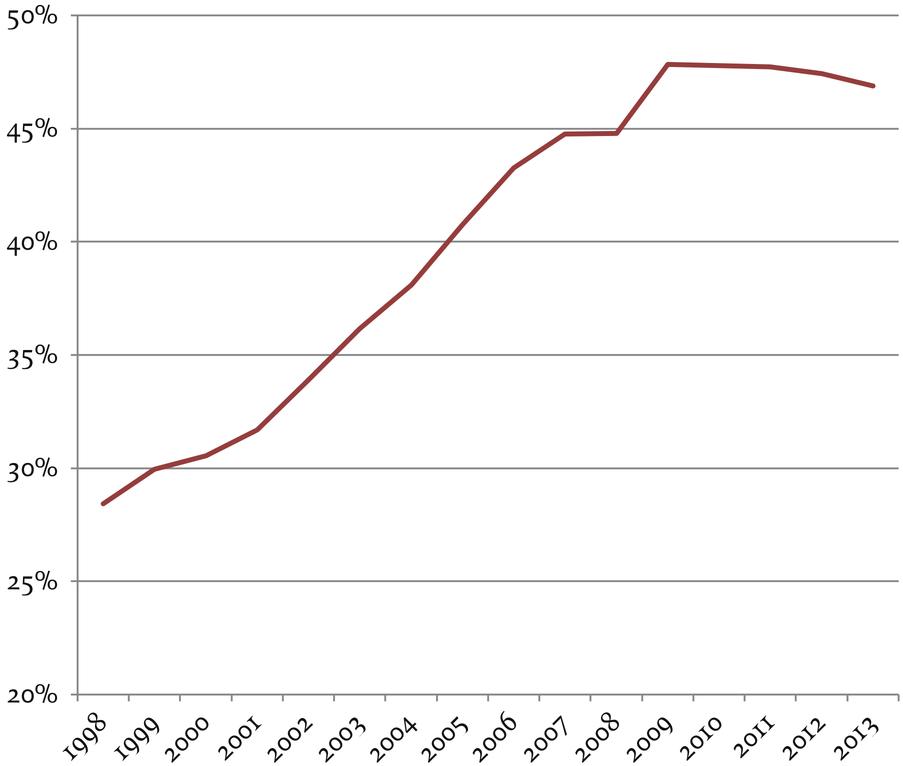
characteristics associated with higher homeownership rates, including population ageing and tendencies toward two incomes in younger and middle-aged households (Caldera Sanchez and Andrews 2011). At the macro-level, pre-crisis economic growth and rising national prosperity, such as measured by gross development product per capita, has been a determinant of the demand for homeownership. Insofar as in most developed countries homeownership is both the preferred form of tenure and contains higher quality stock than other tenures – both reflected in a strong positive correlation with income – rising demand seems likely to follow rising GDP. Rising national prosperity can be seen as increasing the pool of households with sufficient income to enable them to be evaluated by financial institutions as secure borrowers (Atterhog 2006). However, at the same time, the degree to which prosperity translates to economic capacity for a wide middle-class is certainly mediated by the distribution of wealth gains across populations (Atterhog 2006). While some expansion in prosperity has been associated with homeownership growth, there has not been evidence that widespread household-level labour market improvements have been the key driver, especially in recent pre-crisis years.

Beyond (uneven) improvements in economic prosperity, government policies and financial transformations played an important intervening role in homeownership sector growth. Government policies directly influenced the possibilities and attractiveness of different tenure choices (see Atterhog 2006; Scanlon and Whitehead 2004). In many countries these include policies enhancing the attractiveness of owning through, for example, direct grants for house-buying, mortgage guarantee schemes, tax relief on interest payments, or freedom from capital gains and imputed rent taxes. Legislation allowing the sale of social housing to increase homeowners has long been in place in some countries, such as Australia and the UK (Forrest and Hirayama 2009; 2015; Beer at al. 2007). Since the 1980s, legislation with aims of selling or privatising public housing has been passed in most of the countries which had a significant stock (Scanlon 2014). [2] In contrast, housing allowances for renters, pro-tenant rent regulation and security of tenure policies which may dissuade from buying have increasingly been eroded under the impetus of a neo-liberal political project that has emphasised homeownership as a widespread housing solution (Forrest and Hirayama 2009; 2015; Andrews and Caldera Sanchez 2011).

However, one of the most fundamental drivers of homeownership in the pre-crisis period is tied up with the broad process of financialisation, the increasing

2 This had an especially large impact in Eastern European countries where the post-communism transition saw large-scale privatisation of former state housing resulting in the current very high rates of homeownership.

Figure 6.1: Average residential mortgage-debt-to-GDP ratio across the European Union*



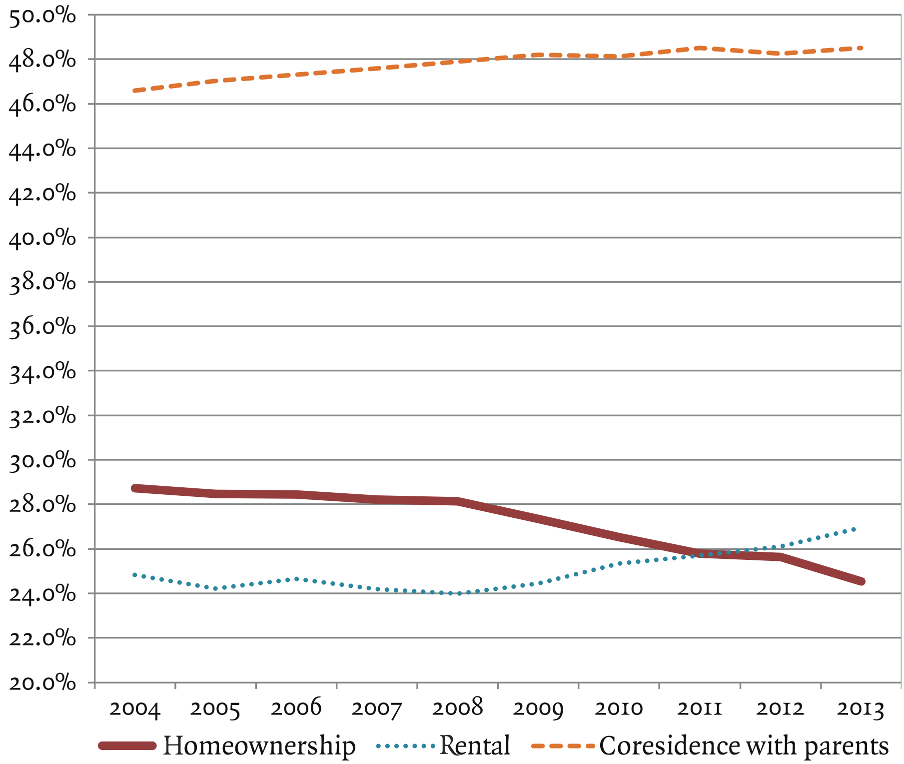
*Includes all EU15 countries Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK along with Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Slovenia plus Norway. (Data for Croatia, Czech, Hungary, Romania, Slovakia, unavailable for this measure). Note: measures are population weighted.
Data Source: European Mortgage Federation, Hypostat 2014 Database.

dominance of financial markets and institutions in the operation of the domestic economy. As part of a wider trend toward globalisation of financial markets, over the last 20 years, and in some countries even longer, mortgage markets have been progressively liberalised: central banks have reduced controls over lending, sometimes bringing to an end independent housing finance circuits, and allowing a wider range of institutions to be involved; competition has been increased reducing costs to consumers; and product innovation made mortgages more accessible to a wider group of potential borrowers (Andrews and Caldera Sanchez 2011; Aalbers 2012). One outcome of these trends is measurable by the growth in Europe of residential mortgage debt across developed economies throughout the 1990s up to the mid 2000s (see Figure 6.1) reflecting, in turn, the increasing ability of households to access housing loans (Scanlon and Whitehead 2004). The general tendency, then, was that households were less frequently forced, in advance of becoming homeowners, to save from their income or to borrow money from their families and friends. Being increasingly able to obtain loan finance, homeownership became more accessible to households with incomes further down the income distribution, which also meant further down the age distribution.

6.3 The financial crisis

While the alignment of some or all of these factors pointed to sustained increases in the size of homeownership sectors across many advanced economies, the financial crisis of 2007 marked a stark coming to terms with the sustainability of such homeownership growth. The GFC was undoubtedly a crisis of housing both in its origins and its outcomes, with further repercussions across the global economy. From the outset it was apparent that the origins of the crisis were to be found in one of the very factors that had stimulated, or sustained, the growth of homeownership. In the 2000s, financial institutions, especially but not exclusively in the USA, had promoted sub-prime mortgages – that is housing loans to households whose income position was not sufficiently robust to ensure a high probability that they would be able to meet repayment schedules. In turn, this was supported by mortgage-backed securities that aggregated housing loans and sold them onto banks in many countries, thereby both hiding and spreading risks (Aalbers 2012; Aalbers and Christophers 2014). Furthermore, banks in some countries such as Spain and Ireland had lent massively to developers against future increases in house prices and a continued demand for homeownership. As the extent of toxic loans – both in total size and permeation throughout financial institutions – became apparent and the viability of many financial institutions came into question, the amount of lending to those seeking to buy homes decreased. This is evidence by the data on mortgage debt (Figure 6.1) where the expansion of loans from the late 1990s is clearly reversed following the financial crisis in 2007. Moreover, as the crisis in banking began to bite, the impact quickly spread to real economies and throughout the developed world, demand and production decreased, unemployment rose and GDP slowed and in some countries fell. Not only did banks often have less money to lend in the housing sectors than before 2007, but fewer households were in a position to seek housing loans anyway. Some resulting reductions in house

Figure 6.2: Housing tenure positions among 18-34 year olds across the European Union*



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Note: measures are population weighted.
Data Source: Eurostat EU-SILC 2004-2013, authors' own calculations

price trajectories placed increasing pressure on the viability of those institutions holding housing loans. Eight years on from the onset of the GFC, it is clear that the downturn continues, especially, but not solely, in Europe with developments in the euro economies.

In this harsher economic context, some of the former drivers of the expansion of homeownership were undercut. Across European countries there have been marked reversals of earlier growth with substantial decreases in the size of their homeownership sectors (see Lennartz, Arundel and Ronald 2015). Conversely, a growth in private rental has been witnessed as well as young adults increasingly delaying home-leaving or returning to the parental home – so-called 'boomerang' moves (see Arundel and Lennartz 2016). Outside the parental home, growing proportions have turned to various non-independent arrangements, such as other forms of shared living (Arundel and Ronald 2015). Even pre-crisis, close examination of tenure shares across a range of developed countries indicated that in a majority the trends were stabilising, particularly in terms of slowed entry of young adults into homeownership (Scanlon and Whitehead 2004). These trends prompted Scanlon and Whitehead (2004) to pose the question of whether the tenure "had reached a plateau", albeit a plateau at different heights in different countries. Looking at the data for Europe (see Figure 6.2), the trend of diminished entry into homeownership is clearly apparent with larger proportions of young adults either staying in – or returning to – the parental home or finding independent housing in the rental sector. The European situation shows, even in the pre-crisis years, gradual homeownership declines albeit strongly accelerated post-GFC. Whereas variation clearly exists across countries, post-crisis, a large majority of European countries show significant declines among young adults (Lennartz, Arundel and Ronald 2015). [3] As discussed, much of the flow that did occur into homeownership was predicated on expanded credit, supportive government policies, and relaxed mortgage restrictions. It is therefore all the more striking that declines or stagnation are already apparent in the pre-GFC 'boom' years at what may be considered a peak of housing market financialisation.

Notwithstanding the stark outcomes of the GFC, there is often a lack of understanding of the true significance of the financial crisis within the context of longer-term economic and housing trends. Taking on a broader perspective, the GFC was not the clear 'reversal of homeownership expansion' as it has been characterised, but rather the salient failure of 'market solutions' to broader structural problems within highly-financialised homeownership and labour markets. In other words, the subprime mortgage crisis quashed hopes that growing labour market insecurity impacts on homeownership opportunities could be resolved through ever-expanding credit access and complex financial products. While the tremendous economic repercussions of the GFC, especially in housing outcomes are evident, the broader lesson is in the inherent contradiction of an increasingly marketised homeownership provision system wherein interrelated processes of financialisation undermine the very pre-conditions needed for property purchase. Insofar as, for the moment, the future of housing opportunities in developed countries has lost the apparent impetus of the early noughties, what of the future? As developed countries come through the present downturn, their economies quicken, employment and confidence returns, financial institutions become more robust, will normal business be resumed? Will homeownership sectors once again

3 Also evidenced by authors' further calculations using EU-SILC data.

everywhere increase in size? Such questions raise the matter of what is meant by 'normal' and especially to what extent mortgage (and financial) markets will return to anything similar to their previous characteristics. However, the structural causes of the crisis undercut a return to mortgage credit expansion for growing sectors of economically precarious populations. Rather, the crisis has seen, unsurprisingly, the development of new architectures of financial regulation. A few years after the crisis, an economic analyst observed that "the world is now knee-deep in proposals to reform finance" (The Economist 2010), with both national and international organisations active in significant regulation. As one example, the Financial Stability Board (FSB) [4] has pushed minimum underwriting standards in providing increased safeguards for borrowers and investors and limiting the risks by mortgage markets towards national and global financial stability (Doling 2012). While the new architecture is not fully in place in all developed countries, it is nevertheless clear that the future seems likely to be characterised by greater capital and liquidity requirements across financial institutions, with the emphasis in many countries being switched from growth in new lending toward stability and risk reduction (Doling 2012).

6.4 Empirical strategy

There is mounting evidence of real changes in housing trajectories with decreasing entry into homeownership and larger proportions of households turning to alternative arrangements. The research presents a two-part empirical investigation of labour market conditions and housing outcomes providing evidence of labour market trends that have undermined the economic capacity and stability usually required for housing market entry. Firstly, the research descriptively examines longer-term labour market trends looking at rates of income inequality measures, the changing share of wages accruing to labour, employment insecurity measures as well as poverty and employment participation rates among younger cohorts. Various macro-level data sources are used and, while varying in the length of years of harmonised data available, the evidence from across the EU28 plus

4 The FSB, established in 2009, includes membership of the G20 countries, the European Commission, OECD, IMF, and the Bank for International Settlements. Its aim is to monitor global financial systems and make recommendations towards liquidity requirements and prudential regulations governing capital.

Norway points to longer-term shifts of decreasing proportions of those in secure and well-paid employment. [5] Secondly, through a regression analysis looking at recent homeownership rates across the varied contexts of the sample of European countries, the fundamental correlation between deteriorated labour market conditions and homeownership access for young adults is evaluated while revealing the moderating role of the mortgage credit market.

6.5 Longer-term labour market trends

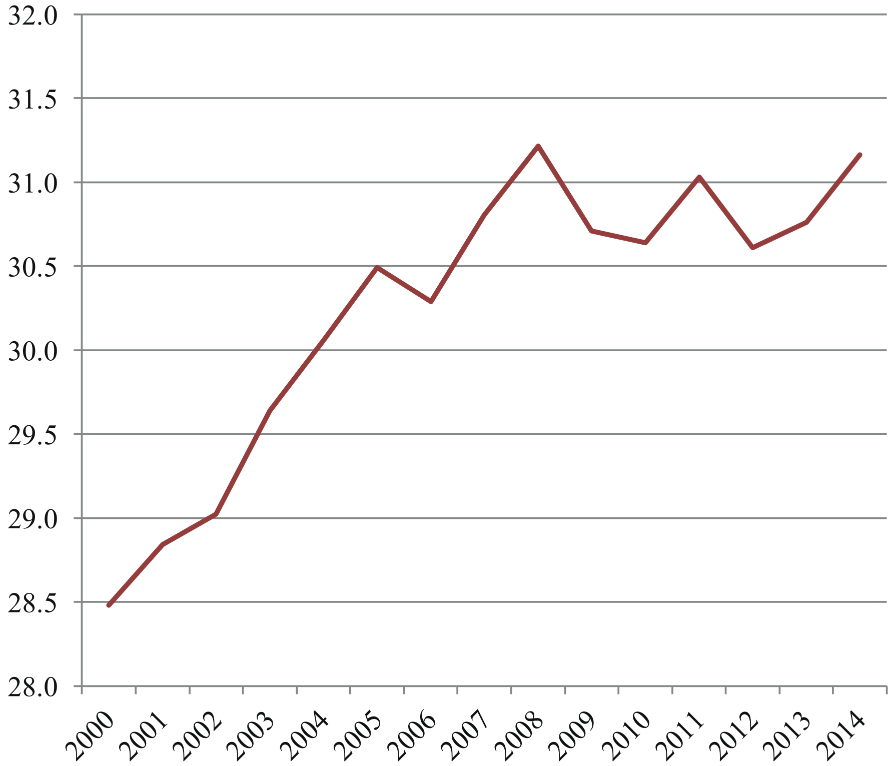
Notwithstanding the alignment of certain factors promoting increases in homeownership sectors, even in the early years of the present millennium there were signs that such a future was not assured. This paper brings into focus evidence of crucial longer-term changes in the labour markets and their effect in shaping tenure trends. In fact across developed countries, labour market conditions have changed markedly, certainly since some years before the onset of the GFC, and provide an explanation for already apparent pre-GFC slowdowns in many homeownership sectors. Longer-term developments of economic restructuring have destabilised elements of economic certainty that existed under previous Fordist conditions (see Beck 1992; Giddens 1999). The results of such labour market transformations have been higher youth unemployment, underemployment, contract insecurity or increasing disparities in labour outcomes within advanced economies (see Buchman and Kriesi 2011: McKee 2012; Nolan et al. 2014). The broad effect has been to reduce the proportion of national populations that have well-paid and secure jobs, particularly among young people at the start of work and housing careers, thus reducing the pool that fit best with housing loan repayment commitments. Through these on-going labour trends, the flow into homeownership – i.e. first-time buyers – can be expected to decline.

The erosion of the middle-classes

In recent decades, labour markets across developed countries have been characterised by processes of polarisation: the proportion of jobs in middle income ranges has declined with a diversion downwards to low-paid jobs and upwards to

5 Where longer-term harmonized data is only available for EU15 countries, both country samples are shown. Considering that the full available sample trends matches the core EU15 data, the long-term pattern is likely indicative for the full EU average.

Figure 6.3: Average gini coefficients of equivalised disposable income across European Union*



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Data Source: OECD.

high-paid jobs. Goos et al (2009) use data from the European Union Labour Force Survey to identify employment change by occupational type in the older member states (EU15) plus Norway over the period 1993 to 2006. Dividing occupational types into three groups – high-paying (e.g. managers, professionals), medium-paying (e.g. routine ofice employees such as bank clerks and public sector workers) and low-paying (e.g. personal service and sales workers) – the data points to distinct polarisation across the 16 countries. As in accounts from the USA, these European countries see the highest and lowest paying groups increase their share of employment, by 6 and 2 percentage points respectively, while the medium-paying group decreased by 8 percentage points. The broad pattern is replicated through all

16 countries with the single exception of Portugal where high-paying employment did not increase (Goos, Manning and Salomons 2009).

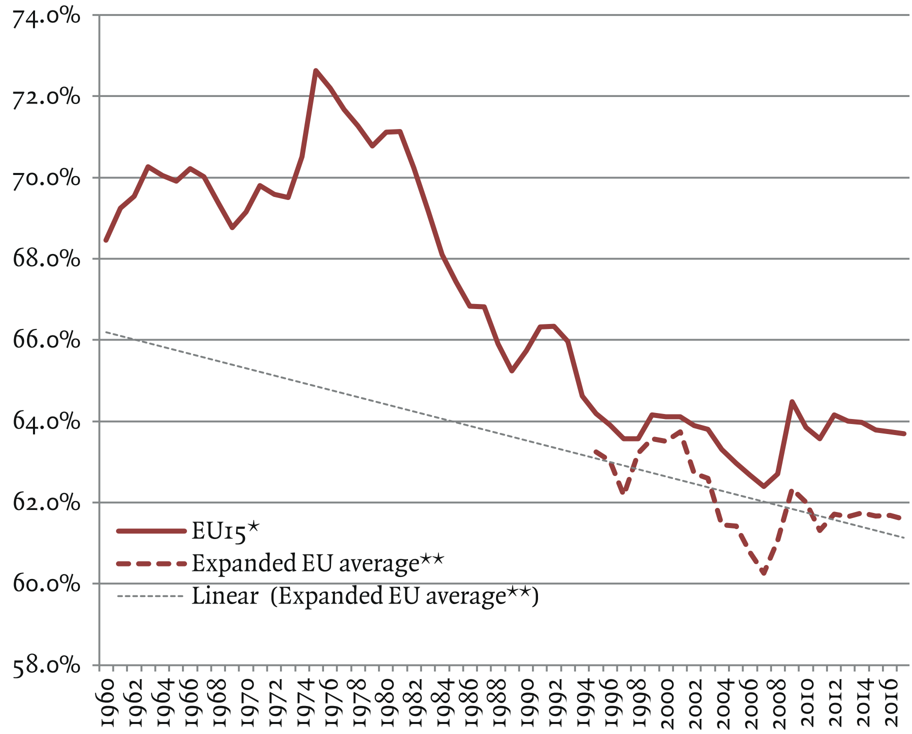
Looking at broader measures of inequality across Europe, these patterns of increasing disparity are further evident. Examining average gini coefficients showing the distribution of equivalised disposable income across the EU28 plus Norway (Figure 6.3), there is a clear pattern of income polarisation across these economies. Importantly, this trend is a longer-term divergence beginning most prominently before the GFC. While income inequality appeared to plateau in the post-crisis period, this was nonetheless at a historically high level.

This trend towards polarisation has prompted narratives about the *squeezed middle* and the *hollowing out of the middle classes*, indicating the decline in middle-range workers who formerly could rely on steady incomes to support climbing the housing ladder. The polarisation results in smaller proportions of labour forces being in this position, while increasing the share having enhanced options to consume and invest and those with reduced options for either. As Atterhog has pointed out, GDP is not in itself sufficient as an indicator of demand, since this requires also taking "the distribution of ... income into consideration" (2006:11). His argument is that high income inequality is likely to lead to small numbers of households able to afford property, while, conversely, more equal distributions likely result in more homeownership.

Wage share

Polarisation, however, has been accompanied by a broader underlying macro-level trend further exacerbating economic opportunity. It was once a truism held by economists that under productivity gains labour achieved a roughly constant share of national income. The wage share is an approximate measure of the distribution of income between labour and capital, which in the case of labour consists of both personal income and welfare benefits. Figure 6.4 indicates wage share developments across core EU15 economies as well as for the expanded European sample for recent years when data is available. Generally, from the post-war decades until the beginning of the 1980s, the share remained more or less stable in advanced economies so that the benefits of economic growth was consistently split between capital and labour. Since the 1980s, however, that historical relationship has been fractured with labour taking smaller and smaller shares. In essence, the productivity gains that have generated increases in GDP per capita have not been translated into the rises in pay and other compensations for labour as in previous decades, with greater shares accruing to owners of capital. The data reveals that a peak during the 1970s has been followed by ongoing decline. Across Europe, the

Figure 6.4: Adjusted wage share as percent of GDP



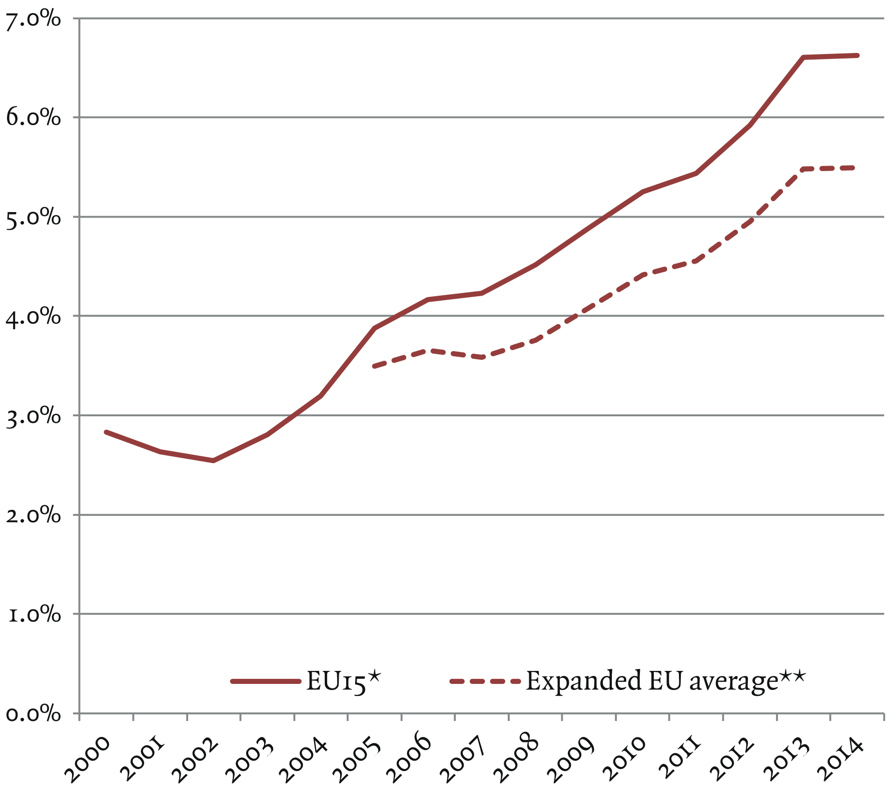
* EU15 countries include: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK
** includes EU15 along with Croatia, Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia plus Norway. Note: measures are population weighted.
Data Source: European Commission, AMECO Database.

labour share saw a stark reduction from shares over 72 per cent down to the low 60s and is another crucial indicator of the long-term erosion of a strong middle-class and ongoing concentration of economic gains in certain holders of capital.

Employment insecurity

Beyond significant proportions facing reduced economic capacity with rising income disparity and decreasing labour shares of capital, the nature of employment

Figure 6.5: Share of involuntary part-time workers in total employment



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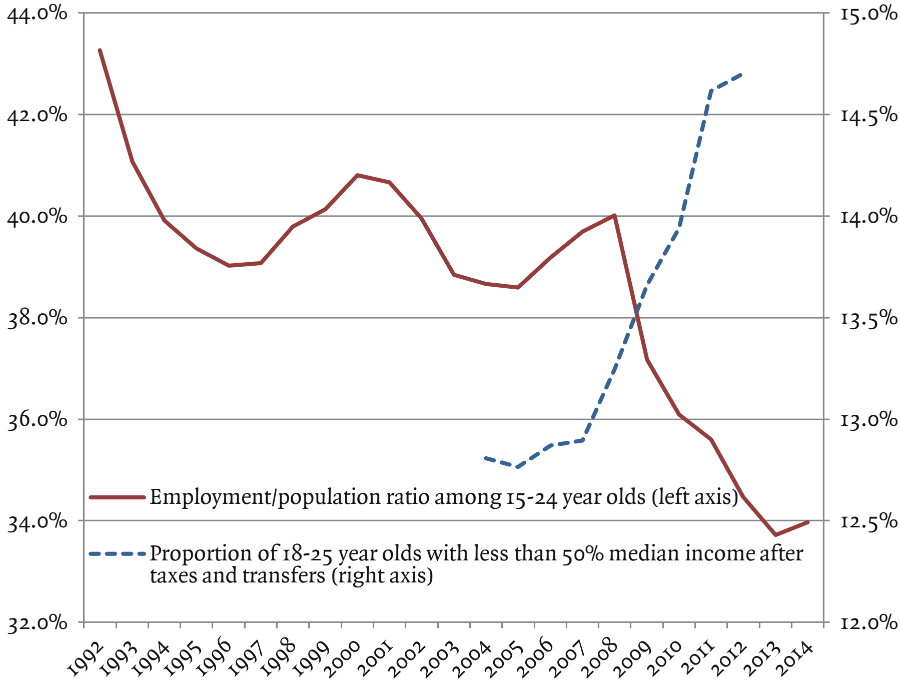
Data Source: OECD

has also changed resulting in fewer households having the type of stable and full-time work usually associated with homeownership. More precarious labour conditions often exclude possibilities for accessing mortgage financing as well as impacting the decision to commit to home purchase when the need of moving for employment may be anticipated (Coulson and Fisher 2002). While unemployment levels have tended to fluctuate greatly with economic cycles, there is evidence that even when employment opportunities return, these are less likely to be full-time or stable. As an indicator of precarious employment, looking at the share of involuntary part-time workers in the workforce (see Figure 6.5) reflects a pattern

Figure 6.6: Employment participation & poverty rate among young adults across European Union*



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Note: measures are population weighted.
Data Source: OECD

of increasing proportions since the early 2000s. Again the average values reflect increases even during the pre-GFC 'boom' years.

Outcomes of economic restructuring and interrelated labour market trends have not affected all groups equally and, within inequality dynamics, a significant intergenerational dimension has been clearly apparent. While older cohorts have tended to benefit from relatively favourable past economic conditions, be shielded from economic restructuring and, for many, accumulate substantial (property) wealth, labour market changes have had the clearest adverse impacts on young adults. In terms of basic economic capacity, there is evidence from the US and the UK, of a decrease in relative incomes of younger people over the longer term since before the crisis (Andrew and Pannell 2006; Bell and Blanchflower 2011), while recent labour market difficulties have further most affected younger generations (Hills et al. 2013; Clapham et al. 2010; McKee 2012). Looking at the evidence across European economies, there has been a stark increase in the share of 18-25 year olds[6] with incomes below 50% of the national median since 2000 (see Figure 6.6). This reflects a significant and growing proportion of young adults in this important period of emerging adulthood independence facing economic poverty with clearly limited opportunities in saving up for current or future homeownership. Here, the overall trend appears to predate the GFC albeit clearly catalyzed by its outcomes.

Worsening economic trends among young adults are further compounded by other labour and government policy dimensions. For example, growing demands for a better-educated workforce combined with government spending cuts and rising education costs in many countries have meant delayed entry into the labour market and often substantial debts upon graduation, especially among those with more disadvantaged backgrounds (Buchmann and Kriesi 2011; Hills et al. 2013). Eventual entry into labour markets has been met with diminished opportunities. Across the OECD countries, 5.1 per cent of workers aged 16 to 24 were unemployed in 1970, while this stood at 20.9 per cent in 2009 (Bell and Blanchflower 2011). While unemployment rates have also tended to fluctuate greatly following economic cycles (OECD 2016), the total employment rate reflects clearly the long-term trend of diminishing proportions of young adults in the workforce. The employment rate, beyond unemployment measures, captures increases in education enrolment, choices to extend education, as well those who have for various reasons given up on searching for work – all often linked to the lack of foreseeable labour market opportunities (Buchmann and Kriesi 2011; Clark 2011). The data (see Figure 6.6) shows clear long-term decreases in employment participation among 15-24 year olds across European economies. These decreases in labour participation among young adults reveal a long-term dimension of labour market restructuring – stretching back in the data to at least 1990 – and bucking trends among older population groups which have tended to see increases in participation with women entering the labour force (OECD 2016b). The increasingly large sector of the young adult population no longer participating in the labour market – reflecting broad changes in the availability of decent jobs for young cohorts and motivations for longer educational careers – has a clear impact on the ability to save up for investments in home purchase among recent generations. While extended educational careers can also be interpreted as primarily a delay of labour market entry, there is evidence

6 In the indicators analysed there are some variations in age categories of younger adults reflecting differences across available data sources. Nonetheless, the indicators capture key populations across the period of young adulthood and the differences are secondary to the focus on changes over time.

that such postponements have correlations with diminished future wages and unemployment (Bell and Blanchflower 2009) while education is often a strategy reflecting constrained labour market options (Clark 2011).

Taken together, trends in delayed labour market entry, increased educational indebtedness, and a lack of well-paid and stable job opportunities for recent generations have hindered traditional adulthood transitions including in housing trajectories (see Arundel and Ronald 2015) with clearly diminished abilities in meeting loan requirements and accessing homeownership. These intergenerational divisions compound broader changes in employment insecurity, the polarisation of income, and the declining share of productivity gains accruing to labour.

The causes of labour market changes

In understanding the causes of such trends in labour market polarisation and growing employment insecurity, a growing literature points to a number of interrelated factors that pre-date the fallout of the economic crisis. The first factor has been linked to technological change. Over the longer-term, new technology has facilitated the replacement of manufacturing workers with machinery. More recently, information and communications technology has further eroded many jobs that involve repetitive tasks, many of them in the middle of the income distribution such as warehousing and administration (OECD 2011). This type of technological replacement has increasingly expanded beyond the traditional manufacturing sectors. For example, Brown, Lauder and Ashton (2011) have coined the phrase 'digital Taylorism' to describe the process whereby companies cut up knowledge work into standardised tasks, using IT to organise and enable decision processes by increasingly less skilled – and less well remunerated – operatives. A second trend that has impacted on labour markets and polarisation has been related to the increasing global interconnectedness of economies. Globalisation and the increasing mobility of capital and labour has meant that companies located in the developed world have often had possibilities for reducing the cost of their labour input through outsourcing of jobs to developing economies. Moreover, the bargaining power of labour unions has been weakened by both the availability of migrant labour and the ability of production to relocate to low-wage economies.

Related to these trends, is the increased role of financial activity and growth of financial institutions, central features of financialisation that also appear to have contributed to declines in the wage share and increasing income inequality. Indeed, Stockhammer (2013) concludes on the basis of an econometric study of 28 advanced economies, that this was the single most important cause of the declining wage share. The mechanisms to which this was attributed include the opening up of more investment options to firms that have been able to invest in financial assets and to choose to relocate abroad, the empowering of shareholders that has aligned management interests to achieving short-term profits, and the availability of credit that has allowed lower-income workers to continue to consume.

This conclusion is part of a contradiction at the heart of homeownership sectors in many developed countries. On the one hand, financialisation has been a principal factor in the expansion of homeownership. The growth of mortgage credit and relaxation of down-payment constraints effectively moved the tenure down the income distribution (Andrews and Caldera Sanchez 2011). On the other hand, interrelated processes of financialisation have also been a principal factor in the reduced wage shares and growing employment insecurity for many, thereby contributing to greater economic inequality. This hollowing out of labour markets across developed countries has meant smaller proportions of workers located in the middle part of the national income distributions – needed if the homeownership sector is to grow to majority tenure. The ‘positive’ side of financialisation in access for property loans clearly has its limits as increasingly loose credit restrictions led to greater exposure to financial risk and the potential for individual default. On the macro-level, this can lead to economic disruptions as exemplified by the subprime crisis that triggered the GFC. Whether or not credit availability progressively returns, there have been decreasing proportions with the job security and incomes required to enter property loans – at least, within the regulatory limitations needed to mitigate a repeat crisis.

6.6 Employment insecurity, mortgage and homeownership access

In understanding the relationship between employment insecurity and homeownership opportunities, the second empirical investigation examines the interaction between labour market conditions and homeownership rates. Looking at countries across the expanded European Union (plus Norway) provides a useful sample where variation in labour market conditions for younger adults and differences in young homeownership entry exist while moderated by different levels of mortgage credit access. While the analysis remains exploratory and the data does not allow a long-term longitudinal analysis, variation that remains across countries helps to capture cross-sectional differences and may further inform differences that

Table 6.1: Descriptive housing and labour market statistics across European countries

	Average homeownership rate 2006-2012	homeownership rate among 18-34 year olds 2013	Change in low-income rate among 15-24 year olds 2007 to 2012 (percentage points)	Gini coefficient of equivalised disposable income 2012	Proportion of 15-24 year olds not in 'permanen' employment' 2012	Mortgage debt to GDP ratio 2012
Austria	53.6%	16.3%	0.1	30.5	41.8%	28.1%
Belgium	65.7%	31.4%	2.2	27.6	44.8%	48.9%
Bulgaria	75.2%	27.5%	n/a	36.0	34.9%	8.9%
Croatia	76.5%	21.5%	n/a	32.0	69.5%	19.1%
Cyprus	69.1%	28.9%	n/a	34.3	n/a	71.6%
Czech	67.3%	31.8%	0.6	26.1	41.4%	14.2%
Denmark	61.7%	25.9%	2.7	29.1	32.0%	94.5%
Estonia	79.6%	40.0%	4.3	33.2	29.4%	39.5%
Finland	69.0%	35.5%	-1.6	27.1	52.6%	44.9%
France	59.4%	26.0%	2.4	33.1	66.3%	42.8%
Germany	48.4%	13.9%	-1.5	30.1	57.4%	44.4%
Greece	66.6%	16.4%	9.2	36.7	66.7%	38.6%
Hungary	77.1%	26.2%	5.2	30.6	44.5%	20.6%
Ireland	65.6%	20.4%	3.9	32.5	56.6%	59.5%
Italy	67.4%	19.5%	2.0	35.2	69.7%	23.3%
Latvia	71.4%	34.7%	n/a	35.5	35.7%	24.1%
Lithuania	80.5%	40.2%	n/a	35.2	33.7%	17.6%
Luxembourg	64.3%	30.4%	0.7	34.8	45.8%	50.6%
Malta	66.3%	33.0%	n/a	n/a	29.0%	45.0%
Netherlands	59.1%	33.5%	3.3	28.0	55.8%	108.9%
Norway	81.0%	51.7%	2.1	25.9	30.6%	67.6%
Poland	72.2%	30.9%	1.5	32.4	75.2%	20.8%
Portugal	66.8%	24.5%	5.2	36.0	73.2%	66.9%
Romania	79.7%	36.1%	n/a	27.3	26.6%	6.7%
Slovakia	71.5%	21.9%	1.4	26.1	46.6%	19.3%
Slovenia	73.3%	22.2%	2.7	25.6	78.2%	14.9%
Spain	72.6%	27.3%	5.4	35.9	82.2%	62.3%
Sweden	64.4%	35.9%	0.6	27.3	66.2%	82.1%
United Kingdom	64.5%	21.8%	0.2	32.6	33.0%	80.8%
Source:	*EU-SILC, authors' calculations*		*OECD*	*Eurostat*	*OECD*	*European Mortgage Federation*

Table 6.2: Regression coefficients with outcome: homeownership rate among 18-34 year olds in 2013

	(a)	(b)	(c)
Change in proportion 15-24 year olds below 50% median income 2007 to 2012	-1.552 (2.98)**		
Gini coefficient equivalised disposable income 2012		-0.57 (-1.8)‡	
Proportion of 15-24 year olds not in 'permanent' employment' 2012			-0.164 (2.46)*
Mortgage debt to GDP ratio 2012	0.166 (3.56)**	0.126 (2.71)*	0.13 (2.83)**
Average total homeownership rate 2006-2012	0.973 (5.67)**	0.798 (4.96)**	0.715 (4.50)**
Constant	-41.975 (3.52)**	-14.142 (-0.91)	-17.864 (-1.37)
R^2	*0.67*	*0.54*	*0.58*
N	22	28	28

Quantities in (.) below coefficients are t statistics ‡ $p < .10$, * $p < .05$, ** $p < .01$

occur over time. Fundamentally, the analysis across 22 European countries helps to understand the underlying relations between levels of employment security and homeownership outcomes alongside the intervening role of mortgage credit markets. The outcome of recent homeownership attainment among young adults is examined through a measure of homeownership shares among 18-34 years old in 2013. Tested measures of labour market insecurity include: recent changes in the proportion of 18-25 year olds below 50% of median income, the gini coefficient of equivalised income, and the total share of 15-24 year olds not in permanent employment. [7] As a proxy for the marketisation of the housing system and access to mortgage credit, a measure of mortgage debt to GDP is examined. Finally, the base 'natural' homeownership level is controlled for through average national homeownership shares among all adults over the 2006-2012 period. Table 6.1 shows descriptively the variation that exists across Europe in terms of these variables.

7 Not in permanent employment includes those unemployed, in 'casual' employment, or with short-term contracts of less than a year in duration based on OECD definitions.

Due to the limited sample size, separate regression models are performed for each of the labour market variables (Table 6.2 – models a, b and c). The results provide evidence of the expected relationship between labour market insecurity measures and reduced homeownership access among young adults – taking into account mortgage marketisation levels and base homeownership levels (see Table 6.2). Increasing levels of young adults (18-25) with income levels below 50% of the median are strongly related to relatively lower levels of young homeownership ($p<0.01$). While only moderately significant, model (b) provides support for the association between higher income inequality levels and lower young adult homeownership rates seeming to corroborate notions of a hollowing out of the middle class undermining widespread homeownership potential (i.e. Atterhog 2006). Finally, the rates of young adults not in permanent employment is significantly associated ($p<0.05$) with lower homeownership levels (model c) and corroborates the importance of employment term stability, which would affect accessing mortgage loans beyond absolute income as well as motivations for housing commitments when labour instability might necessitate future moves.

6.7 Discussion & Conclusions

In the years since the financial crisis of 2007, there has been a clear realisation that homeownership has become increasingly unattainable for large sectors of the population. In many advanced economies, the expansion of the preceding decades and the ideological optimism in a socio-political project of widespread homeownership, has given way to stagnation or decreases in homeownership tenure rates. While older generations have sometimes been shielded by these transformations, stark reductions in homeownership entry have been evident among the younger cohorts. Nonetheless, there has been an implicit or explicit assumption that these trends are largely a product of the recent economic downturn. The assumption has been that an eventual post-GFC recovery will see rebounding opportunities where homeownership once again becomes the prevailing tenure. The argument presented here is that these expectations have neglected the fundamental longer-term labour market transformations, only partly masked by the unstable expansion of credit to riskier and riskier households in the so-called pre-crisis 'boom' years.

These labour market transformations have seen a growing divide in economic opportunities and rising employment insecurity among large sectors of the population, especially younger adults. Across advanced economies, these trends are evidenced by long-term shifts towards growing income inequality and increases in precarious employment contracts – underscored by fundamental reductions in wage shares accruing to labour. Younger cohorts appear especially affected, characterised by growing income poverty and decreasing employment participation. Such transformations have led to an ongoing reduction in the well-paid and stable jobs required for taking on mortgage credit and entering homeownership. These more fundamental changes to the labour market clearly challenge any notion of a future 'return to normal' dominated by widespread homeownership. While labour market inequality and insecurity has tended to steadily rise for decades, especially among younger cohorts, homeownership gradually expanded in the early portion of the same period (Andrews and Caldera Sanchez 2011) albeit decreasing in many countries beginning in the years shortly before or during the GFC. This apparent misalignment can be likely explained by the processes of financialisation and especially the expansion of credit and relaxation of mortgage requirements. Increasingly accessible credit meant that more and more households took on larger proportions of private debt to finance home purchase even in the face of growing employment insecurity (Andrews and Caldera Sanchez 2011). The GFC thus provided a double-whammy in both restricting this unsustainable buffer against labour market tranformations and further catalysed the worsening labour conditions of those sectors of the population already in more precarious conditions, such as younger adults.

The consequences of such interrelated labour and housing market transformations are wide reaching. On the one hand, housing careers are central to life-course trajectories with homeownership often epitomising a realisation of full adulthood independence. Stunted or unstable housing careers can have significant impacts on current quality of life, potential future economic wellbeing, and other spheres of adulthood transition (Arundel and Lennartz 2016; Arundel and Ronald 2015; Buchmann 1989). While residential independence and homeownership are important in their own right as markers of adulthood, they are crucially bound-up with other key stages in life-course trajectories, such as family formation and fertility (Mulder and Billari 2010; Vignoli, Rinesi and Mussino 2013). Beyond this, housing dynamics take on special importance in the context of notions of 'asset-based welfare.' In the face of state support residualisation, accumulating private housing equity has become a major means towards financial security (Doling and Ronald 2010; Saunders 1990; Conley and Gifford 2006). Widespread homeownership was explicitly or implicitly promoted as a means of shifting responsibility onto private households and the market (Forrest and Hirayama 2009) with property purchase seen as the most suitable means of government supported saving (Doling and Ronald 2010). The shifts towards individualised asset-based welfare have left those shut out of the housing market with increasingly diminished alternative resources. Even postponement into homeownership entry can have significant outcomes on how long households can accumulate potential benefits from homeownership (Andrew 2012; Dewilde and Delfani 2012). Nonetheless, these trends of decreasing homeownership opportunity seem to coincide especially in those contexts where ideas of asset-based welfare have been given strongest currency (Lennartz, Arundel and Ronald 2015).

Projecting consequences into the future, there are clear implications in terms of growing inequalities. There is already mounting evidence of inequality dynamics exacerbated by changing housing and labour markets. Increasing disparity in labour market opportunities and homeownership access has seen housing wealth become a clear dimension of rising inequality (Allegré and Timbeau 2015; Arundel 2016). In the UK, for example, recent empirical research has shown clear upturns in the inequality of housing wealth with both significant inter- as well as intra-generational divergences (Arundel 2016). The post-crisis years and changes to mortgage credit markets, have only catalyzed these disparities. Forrest and Hirayama (2015:237) note that "the home ownership systems which have emerged from the crises are ones which favour the financially privileged – the *primes* rather than the *subprimes*." Labour market polarisation has thus become more reflected in the property market. One crucial dimension has been that a limited sector of the population has increasingly not only been successful in purchasing their own home but have purchased other people's – aka 'generation landlord' (Ronald, Kadi and Lennartz 2015). [8]

These intersecting dynamics have been spurred on by common shifts towards growing financialisation and neo-liberal marketisation: a broad process that has both seen flexibilisation, precarity and growing disparity in the labour market as well as increasingly financialised housing systems. These trends have sometimes had paradoxical outcomes for homeownership access. While on the one hand, expansion of credit may have enabled many to purchase property, these processes have both spurred on continued housing price increases (OECD 2011) and excluded those without relatively stable and well-paying jobs upon which this homeownership access has been predicated. Simultaneously, these preconditions for a marketised housing provision system have, through related labour market processes, become increasingly unavailable to large sectors of the population. The lessons of the GFC, however, did not seemingly provide a pathway to remedying

8 The accumulation of secondary properties for rental has been dramatic over recent years in some countries. In the UK, landlords grew from just over 500,000 in 1991 to 2.12 million in 2012 (Ronald, Kadi and Lennartz 2015) with similar growth in private rental and landlordism in the USA and in Australia (National Low Income Coalition 2011; Forrest and Hirayama 2015).

this situation and, as Forrest and Hirayama note, “the crisis of 2007–2008 did not mark a shameful retreat of neoliberal ideas but rather their reassertion in different forms adjusted for new times and new contexts” (2015:7). While new financial regulation may have limited mortgage access to many households, credit has seemingly refocused to those already most economically successful (Cunliffe 2014; Kemp 2015) – i.e. the emerging landlord class in many housing markets (Arundel 2016; Ronald, Kadi and Lennartz 2015). On the other hand, the labour market changes and policy responses promoting growing insecurity and disparities appear to only have been catalyzed by the outcomes of the crisis, especially in worsening conditions of young adults.

Beyond growing disparities on the housing market – such as epitomised by notions of a ‘generation rent’ versus a ‘generational landlord’ – labour market and housing system transformations may very well undermine the viability of the economic system upon which it is predicated. What is happening to homeownership is actually part of a wider crisis of capitalism. While lower wages may help individual firms to compete by driving down production costs and provoke similar measures among competitors, wages are not only a component of production costs, but also the source of demand. Thus, a decreasing wage share will have a negative impact on aggregate demand. Homeownership dynamics may serve as a canary in a coal mine, where the multiple prerequisites to home-purchase become more difficult to align as changing labour markets and financialisation processes erode prerequisite income and job stability across a large middle-class sector of the population and especially exacerbated among the younger generations that comprise the future of housing market demand.