



GINI

THE INTERPLAY BETWEEN ECONOMIC INEQUALITY TRENDS AND HOUSING REGIME CHANGES IN ADVANCED WELFARE DEMOCRACIES

Caroline Dewilde

GINI DISCUSSION PAPER 18
NOVEMBER 2011

GROWING INEQUALITIES' IMPACTS

November 2011

© Caroline Dewilde, Amsterdam

General contact: gini@uva.nl

Contact author: Amsterdam Institute for Social Science Research OZ Achterburgwal 185, 1012 DK Amsterdam, the Netherlands. Tel. +31-(0)20-5258654/+31-(0)20-5253010. E-mail C.L.Dewilde@uva.nl

Personal webpage: <http://home.medewerker.uva.nl/c.l.dewilde>

Bibliographic Information

Dewilde, C. (2011). The Interplay between Economic Inequality Trends and Housing Regime Changes in Advanced Welfare Democracies: A New Research Agenda. Amsterdam, AIAS, GINI Discussion Paper 18.

Information may be quoted provided the source is stated accurately and clearly.

Reproduction for own/internal use is permitted.

This paper can be downloaded from our website www.gini-research.org.



The Interplay between Economic Inequality Trends and Housing Regime Changes in Advanced Welfare Democracies

A New Research Agenda

Caroline Dewilde

Amsterdam Institute for Social Science Research



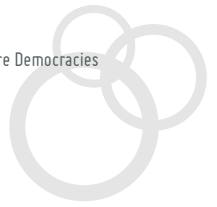
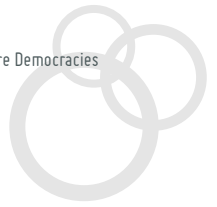


Table of contents

ABSTRACT	7
1. THE GREAT U-TURN IN AMERICA AND EUROPE	13
2. THE SILENT HOMEOWNERSHIP REVOLUTION	21
3. LINKING MECHANISMS.....	25
3.1. Interacting Drivers of Inequality: Where Do Housing Regimes Come In?.....	26
4. DISCUSSION	33
REFERENCES.....	35
GINI DISCUSSION PAPERS	41
INFORMATION ON THE GINI PROJECT.....	43



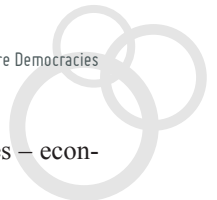


Abstract

In this paper, I argue that our understanding of the increase in economic inequality in advanced welfare democracies could be enhanced by taking account of the changes which took place in the housing regimes of many countries. I demonstrate how one could derive testable hypotheses concerning a direct relationship between both social trends, which can at least theoretically go in both directions (i.e. changing housing regimes influencing inequality trends, or inequality trends influencing characteristics of housing regimes), while the ‘classical’ driving forces of increasing inequalities function as intermediate variables in a multivariate model. Alternatively, a simple interaction model could guide future research, in the sense that social trends which are routinely considered as ‘driving forces’ of increasing economic inequality – but altogether do not explain that much of the observed long-term trend – could theoretically work out in a different way under different housing regimes.

Keywords: income inequality trends, housing regimes, homeownership, social inequality





In recent years, a great deal of theoretical accounts and empirical research from different disciplines – economy, sociology, political science and epidemiology – have focused on the upward trend in economic inequality that seems to be characteristic of many advanced welfare democracies since the late 1970s. Most of these explanations – which are often referred to as ‘drivers of inequality’ or ‘driving forces’ – have concentrated on the impact of large-scale changes on different levels of analysis, such as technological change, globalization and the internationalization of market economies, flexibilization of labor markets (which might or might not follow from the pressures of globalization), the declining impact of unions, welfare state restructuring (more in particular the failure to raise minimum benefits and wages in line with average wages), or changes in household size and structure. These changes are supposed to affect either the relative sizes of specific population groups with a lower and higher wage or (household) income – which makes for a ‘compositional’ effect – or the relative earnings received by these groups, and more specifically the high- and the low-skilled, in return for their labor.

So far however, although the trends are relatively well-documented, most publications focus on one or only a few so-called ‘driving forces’ or determinants of economic inequality trends *at the same time* (exceptions are Alderson et al. 2005; Bandelj and Mahutga 2010). This makes it difficult to judge which of a whole range of explanatory variables are more important. Most studies are furthermore ‘macro-quantitative’ and hence based on the analysis of crude macro-level indicators available for a large (but in statistical terms still small) number of countries or ‘country-time points’. Although the explanations that have been put forward seem plausible, given the limits of the data and methods at hand, direct evidence is scarce. Far-reaching conclusions are hence often derived from patching together available time trends for a smaller number of crudely measured ‘general’ indicators of economic and welfare state performance (e.g. Neckerman and Torche 2007; Morris and Western 1999; DiPrete 2007).

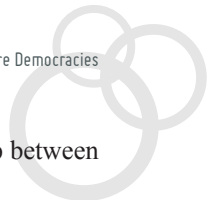
As a consequence, accounts of how social and economic risks have become redistributed over time in a particular institutional setting are mostly lacking, and hence is our understanding. A complicating factor is that we are dealing with ‘causal heterogeneity’: given institutional differences, driving forces in one country do not need to be similar to driving forces in another country, nor is their impact by definition the same. Social reality is furthermore seldom as linear as assumed by regression models: it is likely that driving forces *interact* with each other over time, leading to specific distributional outcomes in specific contexts. More knowledge about these *interacting drivers* in specific institutional settings is necessary if we want to gain a deeper understanding of the underlying processes responsible for rising inequality in earnings and (household) income, as well as the consequences of these processes.

Apart from considering which ‘driving forces’ should be included and how this should be done, there is also the complication that, taken together, all these factors still only explain a rather small part of the observed upward trend in earnings and income inequality. Many studies conclude by noting that although the estimated effects are significant, inequality also to a large extent rose *within* educational, occupational or demographic groups, begging the question whether we should not look elsewhere for alternative or additional explanations. The argument for looking into additional ‘driving forces’ is also justified by the finding that most of the increase in economic inequality was caused by a rise of incomes at the top, rather than by a fall of incomes at the bottom of the income distribution. Most explanations that have been put forward however focus at the plight of households situated in the bottom half of the income distribution, i.e. the low-skilled and those dependent on welfare benefits.

There are several avenues worth looking at. Atkinson (2003, 2001, 2000, 1999) for instance has criticized standard ‘economic’ explanations for rising income inequalities and pleads to investigate changing pay norms, leading to a stronger link between productivity and pay, and hence higher wage differentials. Such a shift could come about by employers being less concerned about their reputation (for instance, following an economic shock that necessitates cutting employees’ benefits anyway, making a worsening of work and pay conditions palatable to employees fearing job loss) or being more driven by short-run profits and shareholders’ pressures.

Another gap in the literature concerns the impact of welfare state roll-back. Several authors have pointed out that, especially in Europe, the welfare state has been particularly effective in protecting households against increased inequalities originating from market incomes (Förster and Pearson 2002; Förster and Pellizzari 2000; Kenworthy and Pontusson 2005; OECD 2008). Hence, in many countries, taxes and transfers policies have managed to fend off a ‘translation’ of raising market inequalities into a similar size increase of inequality in terms of disposable household incomes. At the same time, even the most generous welfare states have undergone a certain amount of retrenchment during the last decades (Korpi 2003; Allan and Scruggs 2004). It would hence be interesting to find out whether spending cutbacks (or more hidden ways of retrenchment, such as the choice not to upgrade benefits in line with growth of economic affluence) are linked to a widening of the income distribution. In the Netherlands for instance, the steep rise of income inequality during the last half of the 1980s is clearly linked to cutbacks in a number of welfare state benefits (Pommer et al. 2003).

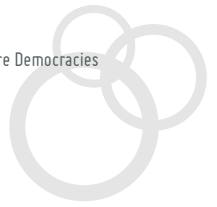
In this paper I however take another ‘alternative’ route, and explore whether changes in housing regimes, and more specifically the increase of owner-occupation and concomitant changes, have contributed to the upswing in (household) economic inequality – or vice versa. To my knowledge, this specific avenue has been explored in a handful of papers (e.g. Di 2007, 2005; Dwyer 2009; Matlack and Vigdor 2008) focusing on the United States (US).



There are however good reasons for comparative scholars of trends in inequality to expect a relationship between housing inequality and economic equality. Housing provision and housing inequality are intimately linked to economic well-being at different levels. At the individual level, housing costs – be it for owning or renting – are the single largest item in many household budgets, seriously limiting the degrees of freedom as to how to spend disposable income. For homeowners, their dwelling is the biggest investment they will ever make, and for low-income homeowners, housing wealth is often the *only* form of wealth (e.g. McCarthy et al. 2001; Di 2005). Although a narrow focus on social spending in terms of transfers and benefits (e.g. housing allowances) distorts our view, housing provision has been an important part of public policy since the late 19th century. There are many ways in which the welfare state plays a role in the provision of housing, and although the ‘explicit’ and ‘obvious’ support through social housing provision has declined nearly everywhere, the (re-)distributive effect of different housing policies (for instance, through tax benefits for homeowners or by intervening in credit markets) on the economic well-being of households remains, though difficult to estimate, quite large (Fahey and Norris 2010). Finally, housing regimes have important institutional complementarities with the larger economy (e.g. Schwartz and Seabrooke 2008a). Housing provision has evolved from a ‘classical’ Keynesian instrument of macro-economic engineering to a (non-productive) source of economic growth based on the deregulation of globalizing housing finance and wider financial markets. Growing income and wealth inequalities driven by stronger accumulation at the top of the income distribution were partly based on the inclusion of housing finance into new and complex financial instruments, yielding large profits derived from assumed house price inflation, and were – here we are full-circle – backed-up by pro-owning government policies. These links between the welfare state, the housing regime, the larger economy and the economic well-being of individual households take on a different form and intensity in different institutional settings. Developments and trends in the role of housing on one level might furthermore be unaligned with changes on another level, creating tensions and conflicting interests. In the end, the bill resulting from these tensions is likely to end up with households and taxpayers.

Starting from a review of the state-of-the-art on income inequality trends and changing housing regimes, in this contribution I develop a conceptual framework for analyzing the interplay between both societal trends. I explore how integrating knowledge and research from both research traditions results in new and testable hypotheses for cross-national research on the redistribution of social and economic risks.





1. The Great U-Turn in America and Europe

While sociologists were still quibbling over the ‘death of social class’, the democratization of social, economic and ecological risks and the increased opportunities for individuals to construct their own individualized ‘choice biographies’ in the postmodern era (e.g. Beck 1992; Pakulski and Waters 1996), economists were struggling to explain what turns out to be one of the most significant social trends of the post-war era: the upward trend in earnings and income inequality. Several authors (DiPrete 2002, 2007; Ganzeboom et al. 1991; Morris and Western 1999) have pointed out how for decades, social inequality was analyzed by sociologists in terms of social class, which was in turn derived from the position in the occupational structure, usually of the main breadwinner. Internationally and historically comparable measures of social class allowed researchers to analyze how ‘open’ or ‘closed’ societies are, by looking at the extent of inter- and intra-generational mobility. According to DiPrete (2002, 2007), this narrow focus made it difficult to identify wider trends in inequality because the latter mainly expressed themselves in terms of relative wages, earnings and income, and in the ways earnings and benefits of household members are pooled within the household.

Perhaps the trend in earnings and income inequality caught the attention of economists first because it ran against predictions based on the so-called Kuznets’ Curve (Kuznets 1955). According to Kuznets, the relationship between economic development over time and the extent of inequality in a society follows an inverted U-shape: inequality first increases up to a peak, to decrease again at the later stages of development. This pattern can be expected because of three underlying ‘driving forces’ (for an extensive overview, also see Alderson and Nielsen 2002): 1) the expansion of education, producing a decline in inequality with economic development as wages of skilled and unskilled workers become more equal; 2) the shift from agriculture (paying low wages) to the secondary and tertiary sectors (paying high wages), producing an inverted-U trend of inequality over time; and 3) the demographic transition (the transition from high to low population growth), also producing an inverted-U trend through the influx of larger cohorts of young and unskilled workers at the bottom of the earnings scale during the transition phase. The Kuznets’ Curve turned out to be true, but only up to a certain point in time. As economic affluence increased, in many modern welfare states an upward trend in inequality was identified. This reversal of the long-term trend towards less inequality was coined by Harrison and Bluestone (1988) as the ‘The Great U-Turn’.

Before moving on to the explanations for The Great U-Turn, it is necessary to consider whether it is justified to speak of a real, long-term, upward trend. Several authors point out that the increase in inequality has been most obvious in the US and the United Kingdom (UK), with in fact a larger increase in the latter country (Alderson et

al. 2005; Atkinson 2001, 2003, 2008). The experience across countries is hence not uniform. Looking at the data presented in the *Growing Unequal*-report published in 2008 by the Organization for Economic Co-Operation and Development (OECD), from the mid-1980s to the mid-2000s, the income distribution widened strongly in Finland, Norway, Sweden, Germany, Italy, New Zealand and the US. Income inequality decreased however in France, Greece, Ireland, Spain and Turkey. This study also finds that the increase was stronger from the mid-1980s to the mid-1990s compared to the time period from the mid-1990s to the mid-2000s. Different studies however report different results, depending on the countries analyzed and the time period under consideration. Comparisons are further complicated because of different data sources (tax returns versus income surveys or ‘expert opinions’), different income concepts (market incomes versus net incomes, individual earnings versus household incomes or wealth) and the use of different measures and methodologies (for an overview, also see Brandolini and Smeeding 2009).

Focusing on the whole income distribution (as most studies have done so far) can furthermore seriously distort our view of what has actually happened. While earlier accounts of the upward trend in income inequality were mainly focusing on the bottom of the income distribution, there has been a growing awareness that at least part of the trend can be explained by changes at the top (Atkinson 2003; Leigh 2009). A large part of the increased income inequality in the UK for instance was caused by the much larger income growth at the top compared to the bottom of the income distribution (e.g. Goodman 2001). As stated in the introduction, this means that we are in need of ‘driving forces’ explaining growing incomes for those households who are already doing relatively well. Furthermore, it might be a good idea to look at developments of inequality over time for specific income sources: investment income, earnings, etc.

All in all, most people agree that the upward trend in pay and income inequality seems to be in place in most modern welfare states. It is however important not to overestimate this trend. According to the *Growing Unequal*-report (OECD 2008: 15), the trend is ‘*widespread and significant, but moderate*’. For the two decades from the mid-1980s to the mid-2000s, the increase in the Gini-coefficient¹ across the 24 countries for which data are available is around 0,02 points, or 7%. Also, the picture across countries is diverse. In many countries, the upward trend is not smooth, but interrupted by periods of stability or even decreasing income inequality. It might hence be better to analyze changes in the income distribution in terms of ‘episodes’ of increasing or decreasing income inequality (Atkinson 2001). To my knowledge, there is as yet no study analyzing the upward ‘trend’ in income inequality using methods of analysis exploiting this idea.

1 The Gini-coefficient is a widely used measure of income inequality that ranges from 0 (everyone has the same income) to 1 (one person owns all the income).



As mentioned in the introduction, numerous studies from different disciplines have focused on different ‘driving forces’. While economists have concentrated on the inequality of earnings (and hence, market income) and on changes affecting the supply and demand of skilled and unskilled labor and consequently, pay differentials between both, welfare state researchers have focused on institutional determinants such as union strength and minimum wages. Demographers look at changes in population structure and analyze whether the upswing in income inequality can be related to changes in the proportion of various social groups with high and low incomes. Political scientists have drawn attention to the impact of left or right party power, while sociologists argued that at least part of the increased inequality of household incomes can be related to the ways in which earnings and welfare state benefits are pooled within households. While some of these driving forces are more suitable to account for inequality trends within countries (e.g. the explanations focusing on the demand and supply of skilled and unskilled labor), others were developed to explain differences in inequality trends between countries (e.g. the institutional explanations).

Starting with the contribution from economics, the supply-side-‘driving forces’ are most easily dealt with: an increasing supply of (low-skilled) labor – caused by the larger size of the baby boom cohorts, the increased labor market participation of women or the influx of immigrants – resulted in lower wages at the bottom of the pay distribution. According to Morris and Western (1999), looking at trends in pay inequality in the US, the influx of immigrants is the only variable which finds empirical support. In their multivariate analysis of a range of ‘driving forces’ of household income inequality across 16 western welfare democracies, Alderson and Nielsen (2002) however find that both the net migration rate and the female labor market participation rate have a positive and significant effect on the extent of income inequality.

Other economic theories have focused on factors impacting on the demand for skilled and unskilled labor, and on how these were influenced by technological advancement and ‘globalization’ (Alderson et al. 2005; Alderson and Nielsen 2002; Atkinson 1999, 2003, 2008; Bandelj and Mahutga 2010; Morris and Western 1999; Neckerman and Torche 2007; Tilly 2006). One of the earlier explanations contributed the increase in earnings inequality to a process of so-called ‘Skill-Biased Technological Change’ (SBTC) as an explanation for the collapse of wages at the bottom of the earnings distribution (a phenomenon peculiar to the US). According to this perspective, technological changes in the workplace requiring a higher skill-level (e.g. computerization) led to an increasing demand for high-skilled labor compared to low-skilled labor, causing an increase of wage premiums for higher-educated people (which in the case of the US was actually mainly driven by the collapse of wages at the bottom of the earnings distribution). As it turned out, the evidence is rather weak, as productivity seems to have stagnated following

the introduction of technological changes leading to skill-intensive workplaces (Morris and Western 1999). It is hence difficult to see how SBTC could have led to an increased premium for higher education – although it also has been argued that the impact of SBTC on the college premium was dampened by the entrance of higher educated youngsters from the larger baby boom cohorts. Finally, although technological advancement happened at about the same time in the US and Europe, the upswing in income inequality started significantly later in Europe (DiPrete 2007).

The increase in earnings inequality thus seems to be ‘caused’ by factors other than technological change. A simple version of the so-called ‘de-industrialization’ thesis stated that higher income inequality resulted from the shrinkage of the industrial sector and the concomitant expansion of the service sector, characterized by more earnings dispersion. This explanation however fails to account for the fact that most of the widening in earnings actually happened *within* sectors (Chevan and Stokes 2000; Morris and Western 1999; Tilly 2006; Neckerman and Torche 2007).

Other macro-economic driving forces influencing the demand for skilled versus unskilled labor have focused on the impact of globalization. One version of this argument states that the declining demand for unskilled labor is caused by a liberalization of international trade and increased trade flows, resulting in the import of ‘low-skilled’ goods from Newly Industrializing Countries (NICs). ‘Textbook’ theory predicts that although the process is the same in Europe and the US, the outcome is different (e.g. Esping-Andersen 1999). In the US, wages fluctuate freely, resulting in a wider wage dispersion. In many European countries there is a minimum wage, and welfare benefits are relatively high, resulting in higher unemployment rates, mainly affecting low-skilled laborers. In a series of publications on this topic, Atkinson (1999, 2000, 2001, 2003) has argued that the argument on which this ‘Transatlantic Consensus’ (referring to a single cause having a different impact in the US compared to Europe) or ‘jobs-equality trade-off’² is based, is faulty, because it only takes account of the bilateral relationships between either the US or Europe on the one hand, and the NICs on the other hand. Atkinson argues that taking account of American-European trade relationships, as well as of the possibility that Europe might have adapted by specializing in high-skilled goods, would alter the outcome.

DiPrete (2007) points out some further problems, such as the fact that, although pressures flowing from globalization are similar, the timing of the upward trends in income inequality in Europe and the US does not correspond. European experiences are furthermore heterogeneous. In several European countries, there has been a

2 While in the economic literature this process is referred to as the ‘Transatlantic Consensus’, in the more sociological literature it is known as the ‘jobs-equality trade-off’.



notable increase of labor market flexibility, not so much in terms of flexible wages, but in terms of increased job insecurity.

It is now widely accepted that the increase in earnings inequality occurred as a consequence of institutional changes in firms and labor markets, resulting in altered employment relationships and driven by cost-reduction motives of employers (e.g. DiPrete 2007; Neckerman and Torche 2007). Although part of the choice for this so-called ‘low road’ (Tilly 2006) is indeed due to increased competition on a global scale, business strategies have also shifted from a climate in which investing towards long-term profitability of companies was the standard, to a world in which managers and executives receive high personal rewards for maximizing short-run profits for shareholders. Cost-reduction has gone hand in hand with an increased demand for flexibility, of labor itself and of those who sell their labor: by outsourcing and subcontracting, often to low-wage countries, and by using numerical flexibility to cope with periods of high and low demand. Companies hence employ a small core of well-paid workers, and increasingly rely on less well-paid fixed-term and part-time workers as and when needed. Tilly (2006) points out that, in their quest to save money, employers are failing to invest in the long-term productivity of their employees, resulting in the loss of human and physical capital, hence reducing the potential for innovation. In the long run, this ‘low road’ can thus be considered as irrational, and potentially harmful for economic growth.

So far most attention has gone to explanations focusing on the bottom half of the income distribution, while in a number of countries the more recent upswing in income inequality was caused by changes in the upper half of the income distribution. This increase at the top seems to be more outspoken in the Anglo-Saxon countries. A potential explanation can be found in the fact that capital gains have increased over time. There also seems to have been an increase in top wages (Leigh 2009), which is sometimes linked to the emergence of an international labor market for highly paid executives. This is referred to as the ‘superstar’ theory, predicting higher rents for those with the highest abilities in a globalized world. According to Atkinson (2003, 2001, 2000), this chain of events could have lead to a ‘tilt’ in social norms regarding pay determination, resulting in a stronger link between productivity and pay, and the acceptance of a wider earnings distribution by all workers.

From the heterogeneous experience of European countries, it can be derived that institutional factors also have an influence on the extent of economic inequality. In the literature, attention has focused on the impact of: 1) the existence of a minimum wage and how the erosion of the minimum wage in some countries resulted in more income inequality; 2) the (declining) strength of unions; and 3) the inequality-reducing potential of taxes and transfers. Significant effects on the extent of earnings and income inequality across countries have been identified for all three institutional factors (Alderson and Nielsen 2002; Esping-Andersen and Myles 2009; McCarthy and

Pontusson 2009; Kenworthy and Pontusson 2005; OECD 2008). So far however, research seems to have focused on explaining how increasing pay and income inequalities have been countered more or less successfully by different welfare state types, with less attention paid to the possible impact of specific welfare state *developments over time* on inequality *trends*. Although some studies (e.g. Cantillon et al. 2004) have pointed out that the value of minimum benefits (though not of minimum wages) for the population of working age has been eroded in most European countries (EU-15) during the course of the 1990s, this research has not been linked in a systematic way to trends in income equality.

Concerning the impact of political institutions, Brady and Leicht (2008) have shown how cumulative right party power has acted as a driver of economic inequality in advanced welfare states, by widening the overall income distribution and by increasing the gap between the middle and the top of the income distribution. They state that cumulative right party power seems to enhance inequality more than it can be reduced by cumulative left party power, because by altering the playing field for the next election, left parties have been forced to embrace a more neo-liberal agenda. Other causal mechanisms that are identified point at legislative action aimed at reducing government expenditure and at policies impacting on labor market inequality prior to taxes and transfers.

Finally, demographers and sociologists have focused on the impact of population structure and of homogamy in partner selection. Concerning population structure, *Growing Unequal* (OECD 2008) has focused on the impact of changes such as the increase in the share of people living alone and in lone-parent households, leading to a decline in average household size and a concomitant reduction of economies of scale. Little evidence is however found of a link between changes in relative income and populations shares, which means that trends in income inequality are mainly driven by changes in income *within* demographic groups. This is confirmed by Burtless (2009), who finds that in the US 85% of the change in the Gini-coefficient would have occurred even if the demographic structure had remained unchanged. Other studies however did find an effect of the increase in the number of female-headed families on the upward trend in income inequality (Chevan and Stokes 2000, for the US).

There is however another mechanism that possibly increases household income inequality – and which can manifest itself even if the earnings distribution would have remained unchanged. Given the increased educational level and labor market participation of women during the last decades, the household income distribution widens when higher-educated men with full-time jobs partner with higher-educated women (who also tend to work more hours), while lower-educated men (with more precarious or lower-paid jobs) partner with lower-educated women (who are badly paid and contribute to household income by working part-time). In this case, a scenario emerges where the difference in terms of household income between highly-educated couples ('job-rich' households) and

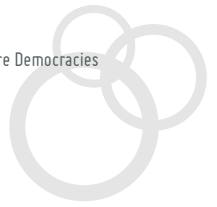


lower-educated couples ('job-poor' households) becomes larger, especially in those countries where childcare for young children is scarce and/or expensive (e.g. Aslaksen et al. 2005; Burtless 2009; Esping-Andersen 2007; Blossfeld and Timm 2003; Albertini 2008). So far however, empirical evidence on this 'driver' of inequality is mixed. Breen and Salazar (2010) for instance note that most analyses have been based on couples, while increasing education and labor of women affects their propensity to partner in the first place. Their decomposition analysis for the UK shows that the increase in women's education has had little or no effect towards increasing earnings inequality in the UK, while trends in educational homogamy actually had a small inequality-offsetting effect. They conclude that much depends on the specifics of who does or does not marry whom, and how many hours both partners work. The impact of female labor on economic inequality trends might furthermore vary between countries, given differences in female labor market career patterns in terms of full-time/part-time work and career interruptions for lower- and higher-educated women with and without children (e.g. Stier et al. 2001; Sigle-Rushton and Waldfogel 2007).

From this overview, it becomes clear that a lot of work has been done on the potential 'driving forces' of the upswing in economic inequality in advanced welfare states. It however also becomes clear that a lot of work *remains* to be done. Firstly, most studies focus on one or just of few of these driving forces *at the same time*. Secondly, they are often based on the quantitative analyses of crude macro-indicators for a large number of countries. A more fruitful approach would be to identify theoretically meaningful country clusters, and to analyze whether the 'drivers' of inequality perhaps (inter)act differently in different institutional settings. Furthermore, many studies focus on trends in earnings or disposable household income inequality, probably because it is relatively easy to find comparable indicators for a wide range of countries. However, in order to empirically verify most of the hypotheses that have been put forward, it might be more revealing to look at trends in different income types, in particular those which figure more prominently at the top of the income distribution.

In this paper, I aim to explore research along these lines for a potential 'driving force' of the upward trend in economic inequality which has so far remained under-researched: the change in housing regimes, and more specifically, the increase in homeownership rates. Next to being a 'driving force' on its own, I also consider the possibility that the causal mechanisms linking many of the trends discussed above (e.g. increased female labor market participation) to the distribution of wages, household incomes and wealth might work differently under different housing regimes. I furthermore consider what this means for the definition and operationalization of the income concepts that are normally – and somewhat uncritically – used to assess inequality trends.





2. The Silent Homeownership Revolution

In the late nineteenth century, most of the population in Western countries lived in private-rented dwellings, of low quality and at high costs (Fahey and Norris 2010). As the scope of the nation-state and later the welfare state expanded throughout the twentieth century, housing moved increasingly within the realm of public policy. While in some countries, this resulted in the encouragement of owner-occupation early on, in other countries public policy goals were initially realized through the expansion of social housing. While homeownership rates continued to increase through the post-war decades, in many countries governments stopped investing in or even cut back on social housing provision, roughly since the 1970s onwards. Instead, they invested more resources into the encouragement of homeownership, including low-income homeownership.

The rise in homeownership manifests itself in many modern welfare states – and beyond. With the exception of Germany, owner-occupation (either outright or mortgaged) is the majority tenure in all EU-Member States, with figures as high as 89,3% in the Slovak Republic and 90,9% in Lithuania³. In general, most of the growth in homeownership took place during the post-war period, although there is considerable variation between countries in the homeownership rate that was already attained by 1945. To give an impression: in the so-called ‘high homeownership’ Anglo-Saxon countries, owner-occupation rates already amounted to about 45-55% at the end of the Second World War (Burrows 2003; Ronald 2008). Furthermore, the pace of growth in homeownership differs across countries. According to data assembled by Atterhög (2005), during the 1970s the level of homeownership increased rapidly (6% or more) in Denmark, Finland, the Netherlands, Norway, Spain, Sweden, Austria, Iceland and Portugal. During the 1980s, this was only the case in Norway, Spain, the UK and Portugal. In the course of the 1990s, strong increases were reported for the Netherlands, but also for the former Communist countries, where right-to-buy schemes have encouraged social renters to buy their dwellings at low cost (e.g. Mandic and Clapham 1996). A similar historical pattern can be identified in the US. The owner-occupied sector grew dramatically in the 1940s and the 1950s (from around 45% to slightly above 60%), followed by a sustained upward trend at a slower pace. From the late 1990s onwards, policies aimed at steering more low-income households into homeownership went along with a further deregulation of the mortgage market (a trend already started in the 1970s), eventually leading to the subprime crisis in mid-2007 (Bratt 2008).

3 Own calculations, EU-Statistics on Income and Living Conditions 2006.

Compared to the extensive literature documenting the upswing in economic inequality, few studies look into the determinants of homeownership trends from a comparative perspective. Exceptions are Atterhög (2005) for advanced welfare states and Fisher and Jaffe (2003), who assembled data for 95 countries across the world. More recently, the OECD has addressed the relationship between housing regimes and the economy, resulting in a series of working papers (e.g. OECD 2011; Andrews 2010; Andrews and Caldera Sánchez 2011) looking at, among others, the determinants of homeownership rates.

According to Fisher and Jaffe (2003), the secret to explaining homeownership rates lies with the effects of the myriad of legal, economic, political and cultural institutions in different societies, affecting not only the relative costs and benefits of owning versus (social) renting, but also public attitudes towards owner-occupation and social norms governing individual preferences. A persistent finding is that affluence as such is not related to the homeownership rate way in a simple, linear way. Legal origins of a country, but also urbanization and the extent of 'ethno-linguistic fractionalization' are more important 'driving forces'. For his more limited sample of western countries, Atterhög (2005) finds evidence that government policies aimed at increasing homeownership did not miss their goal. An interesting finding is furthermore that government policies to support homeownership in non-Anglophone countries may have been more effective than in Anglophone countries. This finding might of course be related to the fact that homeownership rates were already quite high in these countries, making further increases more difficult to achieve, as they usually imply that more low-income households are become homeowners (I will come back to this point). Other determinants are: inflation, property value development, mortgage terms, construction costs and building activities, cultural and value systems, demographic changes and income distribution⁴. To this list, we can add mortgage market deregulation, easing the access to credit for more (low-income) households (Andrews and Caldera Sánchez 2011).

A driving force of homeownership rates which figures less often but nonetheless emerges from the literature is that housing provision is but one aim of government housing policy. Housing, and in particular the encouragement of homeownership and/or the expansion of social housing, has been also been used by governments as a Keynesian macro-economic instrument, for instance when the economy is in need of a boost (e.g. Bratt 2008). Construction of new housing fuels demand and reduces unemployment. The most recent recommendation formulated by the OECD (2011) to increase the supply of (owner-occupied) housing (be it in a more prudent way than we have seen in the 1990s en 2000s) as a policy of economic renovation (and at the expense of social housing, which is not particularly encouraged as stringent rules are believed to reduce residential mobility, but then, so does homeowner-

4 Assuming that 'an unequal distribution of the national income will lead to low homeownership rates' (Atterhög 2005: 9). No other causal mechanism is specified.



ship) can only be understood in this way, given the fact that the encouragement of low-income homeownership did not turn out all that well for many households.

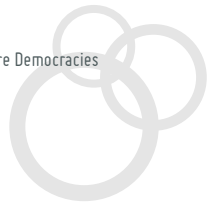
Most countries have also experienced an increase of house prices. In fact, apart from some short-term volatility, in the longer term prices have risen faster than inflation rates (Doling and Ford 2007). Thus, as more households became owners, the costs of homeownership have increased, and so have mortgage debts (Horsewood and Doling 2004). As the upward trends in homeownership rates and house prices have sustained each other, some countries became ‘locked in’ in a certain pattern: more owner-occupation led to house price inflation, which then encouraged households to invest even more in housing, since it seemed a relatively safe and profitable investment, which in turn pushed house prices to an even higher level.

A number of authors argue that this shift in the direction of more owner-occupation was accompanied by an underlying ‘ideology of homeownership’ (Ronald 2008). At the state level, this ideology is inspired by neo-liberal policies aimed at shifting responsibility for their welfare to households and individuals (Malpass 2008; Doling and Ronald 2010). At the individual level, this ideology has resulted in the ‘normalization’ of one form of housing consumption at the ‘expense’ of other tenure forms. Gurney (1999) argues that over time owner-occupation has become equated with *homeownership*. Homeownership is associated with being a good citizen, parent and caretaker and with more conservative political attitudes (Dietz and Haurin 2003; Aaronson 2000; Glaeser and Sacerdote 2000; DiPasquale and Glaeser 1999). At the same time, increasing house prices brought a new dimension to the meaning of homeownership, from a safe haven from the outside world to an investment good that can be sold, preferably resulting in capital gains. Thus, while on the one hand the ‘home’ became a means to express one’s identity, the same ‘home’ also became ‘commodified’ (Ronald 2008; Smith et al. 2008). So far however, no one has addressed this contradictory relationship between public and private discourses on ‘homeownership ideology’ on the one hand and rational economic behavior of households, keeping up their homes because ‘house-price euphoria’ might turn into windfall profits (Dewilde 2009). Stated differently, do people become homeowners because they feel it is the right thing to do in order to move up the social ladder, or because they think it is the best investment they can make? What role has government policy played in this process? And how has this changed over time?

I already pointed out how increasing house prices might have lead to a process of ‘commodification’, where people start to look at their owner-occupied home as an investment that possibly results in substantial capital gains. House price inflation has furthermore encouraged the investment in second homes or properties to rent out, which in turn has lead to a further increase in prices, making it difficult in some countries for the younger cohorts to enter homeownership. In the UK, concerns about this trend have led to debates in the popular media on the ‘clash be-

tween generations': in a quest to maximize profits on homeownership, wealthy parents have pushed house prices up to such a level that their children are currently denied access (Willets 2010). Hence, they might have to release some of their housing wealth in order to assist their children getting on the housing ladder.

Until the moment that the housing bubble in the US and the 'smaller bubbles' in some European countries led to the global economic crisis, most sociologists and political scientists were blissfully unaware of the long-term increase in owner-occupation, let alone of the driving forces of this trend and the possible consequences it has, both for society in general and at the level of households and individuals (a notable exception is the special issue of *Comparative European Politics* edited by Schwartz and Seabrooke (2008b)). So far, the potential interrelationships between developments in the housing regime and other important societal changes have not been analyzed in a systematic way.



3. Linking Mechanisms

In this section, I will specify a number of interrelationships between the two major social trends discussed above – the upswing in economic inequality and changing housing regimes – and gauge how this interplay might have led to the redistribution of social and economic risks. As this section flows from the literature review above, it should be seen as leading to new research questions and testable hypotheses. Furthermore, all these relationships are likely to work out differently in different institutional settings.

A question that needs to be addressed first is whether homeownership is a dimension of social stratification in itself (the ‘Weberian stance’), or a mere reflection of people’s labor market position (the ‘Marxist stance’). I argue that, given the changes in housing regimes discussed in the previous section, the potential of homeownership to influence people’s life chances has greatly increased. Already in 1990, Saunders pointed out how the generation of his parents – lower middle class non-manual employees starting a family in the post-war years – managed to gain access to homeownership in the mid-1950s, and how their generation over time accumulated an amount of housing wealth which they never could have gathered based on their participation in the labor market. Housing wealth is furthermore typically passed on to the next generation. To the extent that homeownership itself is more common in the higher classes, and that higher income groups possess more housing wealth, these intergenerational transfers deepen existing structures of inequality produced by the labor market (Kurz and Blossfeld 2004). Homeownership is furthermore usually associated with a wide range of beneficial outcomes less available to renters. Owner-occupied dwellings are usually larger, offer better quality, and are located in better-situated areas with close-by access to services such as schools, shops and public transport (Dieleman and Clark 1995). In most countries homeownership is subsidized through tax measures, benefiting the average and high-income households to a higher extent by increasing their disposable income (Kendig 1990). Several studies have furthermore shown that the net benefits (for instance in terms of capital gains when the house is sold) of homeownership are larger for the higher socio-economic groups, buying properties in ‘upcoming’ neighborhoods, compared to lower socio-economic groups, who are restricted to what they can afford (e.g. Burbidge 2000; McCarthy et al. 2001). Often, low-income homeownership comes with relatively higher additional costs for maintenance and renovation, which may cripple household budgets. In periods of declining house prices, suffered equity losses are smaller for the well-off. For lower socio-economic groups, forced sales in a depressed market constitute a financial loss that is life-altering and may never be recovered. Homeownership thus tends to contribute to a more unequal society. Other studies however report mixed evidence concerning the impact of homeownership on wealth accumulation

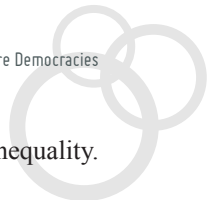
(for an overview, see Dietz and Haurin 2003). Homeownership can also counteract the impact of the more ‘traditional’ class-based social inequalities in terms of occupation, prestige, or income, and is hence an independent dimension of social stratification. A counteracting influence occurs for instance when someone with a low income or marginal labor market position receives intergenerational transfers which allow him or her to profit from the financial benefits of homeownership – in this case, the economic benefits accruing from homeownership would ‘counteract’ the effects of social class. Indeed, one of the policy goals of governments encouraging low-income homeownership was exactly the idea that these households would gain access to wealth accumulation through their position in the housing market (e.g. Bratt 2008).

A final issue that needs to be addressed before turning to the interplay between economic inequality trends and changing housing regimes is the fact that – as predicted by Castles (1998), the expansion of the owner-occupied sector has meant that more low-income households have become homeowners. At a time of rising house prices, mortgage deregulation allowing for higher levels of debt, stagnating or even declining wages and increasing labor market insecurity and family instability, the risks associated with homeownership have increased considerably – not only at the individual level, but also at the macro-level. As Horsewood and Doling (2004: 434) pointed out: *‘repayment risk thus has potentially adverse consequences for both consumers and suppliers of credit, and indeed the financial and housing markets as a whole’*. This is of course exactly what happened in the US in 2007. The higher proportion of low-income households also has another consequence which is often ignored: being a homeowner is less than before associated with a comfortable income position. For the UK, Burrows (2003) has shown that although the poverty rate in the owner-occupied sector is much lower than in the other tenures, the relative size of the owner-occupied sector means that half of those living in poverty are homeowners. This relationship holds in all EU-countries, and it is strongest in Eastern and Southern Europe, where homeownership levels also tend to be higher⁵.

3.1. Interacting Drivers of Inequality: Where Do Housing Regimes Come In?

To start with, there are a number of obvious hypotheses relating to the direct relationship between both social trends, which could theoretically go in both directions. Although the increase in homeownership has so far not been considered as a ‘driving force’ of economic inequality, from the above state-of-the-art review it is not difficult to see how this social trend could result in more inequality, independent of other major social changes. For instance, if it is true that high-income owners accrue more economic benefits compared to low-income owners and

⁵ Own calculations, EU-Statistics on Income and Living Conditions 2006, excluding the elderly, who are often income-poor but asset-rich.



renters, then the spread of homeownership throughout society might lead to higher income and wealth inequality. Although this effect could be offset partly by the inclusion of low-income households in the owner-occupied sector who are then theoretically able to gain access to wealth accumulation, these households also run the highest risks associated with homeownership. From an investment perspective, putting all your eggs in a heavily mortgaged basket of doubtful quality is unwise, especially if house prices are high and volatile (Dietz and Haurin 2003; McCarthy et al. 2001). Negative equity and forced sales among low-income households might set them back for the rest of their lives, and result in a widening of the wealth distribution at the bottom. Assessing whether increasing homeownership rates, at the same time including more low-income households, have led to increasing or decreasing inequalities between households is a question for empirical research to answer. The answer is however important from a policy perspective, given the fact that pro-ownership housing policies were explicitly based on the assumption that they would reduce social inequality and enhance social mobility, empower low-income households and provide them with more financial opportunities.

Next to empirically assessing the importance of changing housing regimes in determining trends in economic inequality, one would expect that the impact of ownership is stronger in those housing regimes which are more firmly geared at encouraging homeownership, with a housing finance system that is more strongly integrated in the global economy. These countries have also typically experienced the highest house price inflation, which provides the most direct means of realizing capital gains. Also, protection of homeowners against income loss, be it through general income replacement transfers or through specific measures, varies cross-nationally (Horsewood and Doling 2004).

On the other hand, we could think about economic inequality as a ‘driving force’ of changing housing regimes. Part of the upswing in inequality was caused by a widening at the bottom in the income distribution, making it more difficult for low-income households to enter ownership in a context of house price inflation. Furthermore, if the upper halve of the income distribution widens, households with high incomes are able to push house prices upwards, resulting in an even larger hurdle for those at the bottom. Several underlying causal mechanisms can be imagined. Apart from an investment good, a house is the largest consumption good that people purchase, providing them with an excellent opportunity for ‘conspicuous consumption’ (Dwyer 2009). The house has become a means to express one’s identity, through the symbolic meanings bestowed in features such as size, interior design and landscaped gardens. Some authors have pointed out that increasing housing affluence of the rich has inspired the middle classes to have the same aspirations, but at the cost of increasing levels of debt, which also happened to be more readily available because of mortgage deregulation. One straightforward hypothesis is that as people

at the top become richer following a widening of the income distribution, the cost of housing becomes larger for everyone, the rich and the poor alike. If more households aspire becoming a homeowner and the richer part of these households can also pay higher prices, then house prices tend to increase, because usually the demand for owner-occupied housing is higher than the existing housing stock plus newly built houses – although again, the elasticity of new housing supply varies between countries (OECD 2011). Given that low-income households are on a tight budget, an increase in housing costs could furthermore have several effects. They might either spend more of their disposable income on housing, or they might reduce consumption, by consuming less housing services than they would have done before (e.g. buying a smaller house). These hypotheses have been tested by Matlack and Vigdor (2008) for the US. All in all, the authors find that in a context of a tight housing market and rising income inequality, the poor have experienced more crowding (i.e. consumed less housing services), while more limited evidence supports the idea that increasing income inequality pushes up the price of housing for those at the top and the bottom (even controlling for their own increased or reduced income), and hence would lead to a lower disposable income. Much is however dependent on the stratification of housing markets. If different income groups aim for different segments of the housing market, then rising income inequality might even *reduce* demand for the type of housing preferred by households on a low income (Matlack and Vigdor 2008), e.g. when the middle classes develop ‘higher’ and more ‘distinguishing’ housing aspirations. Or higher income groups might only invade the lower segments of the housing market when their demand for owner-occupied housing is high and unmet in their preferred segments of the housing market.

The ideas and results presented above are furthermore not limited to competition and price trends on the homeownership market. If the demand for homeownership is high and house prices are high, then private landlords might decide that they are financially better off selling their rental property to new homeowners. One could thus imagine a situation where the owner-occupied sector ‘invades’ the private rental market, for instance when gentrification processes attract high-income households to deprived neighborhoods containing the type of housing stock that is attractive to renovate into family homes (e.g. town houses divided into separate private rental flats). Depending on the role of the private rental market, this might limit the availability of housing for low-income households with few other options, and hence increase housing costs and hardship for households at the lower end of the income distribution. In my own very preliminary research for 13 ‘old’ EU-Member States, I found a statistically significant relationship between the homeownership rate in 2006, and both the absolute⁶ and relative⁷ change in relative housing costs between 1996 and 2006 for private renters. Elaborating on this analysis with longer-term

6 $r = 0,73; p < 0,004.$

7 $r = 0,69; p < 0,009.$



longitudinal indicators and framing it within the context of changing housing regimes and increasing economic inequality should reveal further interesting findings.

Secondly, both social trends have some ‘driving forces’ in common, although the underlying mechanisms might differ and even counteract each other. The increased labor market participation of women, combined with educational homogamy in partner selection, has according to some contributed to a ‘hollowing out’ of the middle part of the income distribution (remember the section on rising economic inequalities). Although literature on this is virtually non-existent, there is some scant evidence that women’s contribution to household incomes partly softened the affordability problem caused by rising house prices and declining male wages (Edwards 2001; Kurz 2004). Given evidence of educational homogamy in all western societies (e.g. Blossfeld and Timm 2003), and taking into account that homeownership increasingly requires a dual income, it is easy to see how these trends must have caused a redistribution of housing wealth and of the risks associated with homeownership. The interrelationship between female labor, wage and income inequality and homeownership has however never been analyzed from a comparative perspective. Taking account of changing housing regimes and the role of female labor in gaining access to owner-occupation in different institutional settings might result in new insights, explaining the so far mixed evidence concerning the relationship between trends in female labor, partner selection and pay and income inequality.

Another ‘driving force’ influencing both social trends concerns the increased flexibility and insecurity of employment relations. Several authors have pointed out that increasing labor market insecurity clashes with the aspiration to become a homeowner, because the latter requires a secure and steady income stream (Doling and Ford 2003; Horsewood and Doling 2004; Wiens-Tuers 2004). There is however another side to the argument: stimulating low-income households to become homeowners clashes with their need to be mobile, in terms of employment, but also in terms of residence. In a number of somewhat contested papers, Oswald (e.g. 1999) argues that part of Europe’s unemployment problem is caused by the fact that inflexible housing markets (because of for instance high transaction costs) are not aligned with flexible labor markets, creating spatial mismatches between supply and demand. Although some studies find an effect for middle-aged household heads (e.g. Green and Hendershott 2001), other studies find that at the individual level, the proposed relationship does not hold. According to van Leuvensteijn and Koning (2004), homeowners are less mobile, but also less vulnerable to unemployment, which is explained by their higher job commitment. Again however, comparative evidence combining both individual-level and macro-level data is virtually absent from the literature. A possible hypothesis would be that in countries with high homeownership rates (and hence more low-income owners) there is a stronger link between labor market

flexibilization and trends in earnings and household income inequality. This could come about by several causal mechanisms. It could come about by higher unemployment rates of low-income owners tied to their homes, or by the fact that financial pressure forces these households into quick re-employment, which is often of lesser quality and worse pay, with a higher risk of subsequent unemployment (e.g. Gangl 2004). Both mechanisms would lead to a widening of the earnings and income distribution at the bottom.

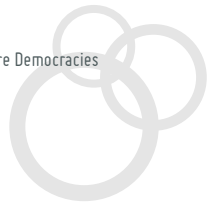
So far, I have considered the relationship between trends in income inequality and changing housing regimes (as well as their ‘driving forces’) mostly in terms of aggregate outcomes (i.e. the income distribution), institutional characteristics of societies (i.e. housing policy) or individual behavior and outcomes. It is however necessary to further develop the theoretical link between the macro-level of societal changes and the micro-level of individual lives. This could be done by studying the political and social consequences of homeownership. As homeownership rates have increased nearly everywhere, an obvious question is whether and how this trend has influenced attitudes, values, social norms and behavior of households, which in turn might have an impact on the structuration of social inequality. In a sense, this links back to Kemeny’s original idea that homeownership encourages individualism, privatism and privatization (Ronald 2008; Kemeny 1992). If so, did the increase in homeownership result in societies which are more indulgent of and conducive to higher levels of inequality?

Although there are some methodological issues concerning the self-selection of respondents into homeownership (e.g. Dietz and Haurin 2003), a number of studies have pointed out that homeowners tend to be more socially and politically active, but also more politically conservative. These effects are explained by different mechanisms. Firstly, homeowners have longer tenure durations compared to renters, and hence are more integrated in their community (DiPasquale and Glaeser 1999). Another explanation is however that they have a financial stake in local affairs because these affairs might influence house prices: homeowners attempt to increase house prices and prevent capital losses. The self-interest motive is also the main reason for the popular support of tax incentives such as mortgage interest deduction: although most people think benefits are skewed to the better-off, many households are dependent on them and would not like to see them reduced or abolished (Elsinga et al. 2010). Schwartz & Seabrooke (2008a) also see housing as a major source of political behavior, with even an impact on macro-economic outcomes. Housing regimes affect voters’ preferences for the level of public spending and the level and the nature of taxation, and their preferences for a specific economic climate. Homeowners prefer a situation of high inflation (and consequently, low interest rates): inflation wipes out mortgage debt, and makes for higher capital gains based on housing. Non-owners on the other hand prefer low inflation and high interest rates, in order to preserve the value of their savings. Hence, choices for a certain economic environment are not neutral, as they put different social



groups in a situation of advantage or disadvantage. As Willetts (2010: 73) puts it: ‘*Inflation redistributes income as powerfully as any tax*’. Because of the suspected link between homeownership and political conservatism and economic preferences at the individual level, it would be interesting to see whether this effect also holds at the macro-level: did the increase in homeownership lead to specific macro-economic outcomes, or to more individualistic attitudes about welfare provision in general and (social) housing in particular? Earlier, I pointed at Brady and Leicht (2008) who found evidence that cumulative right party power contributed to the increase in income inequality. It is hence possible that homeownership has both direct and indirect effect – via changes in public attitudes and economic preferences – on the extent of and trends in economic inequality.

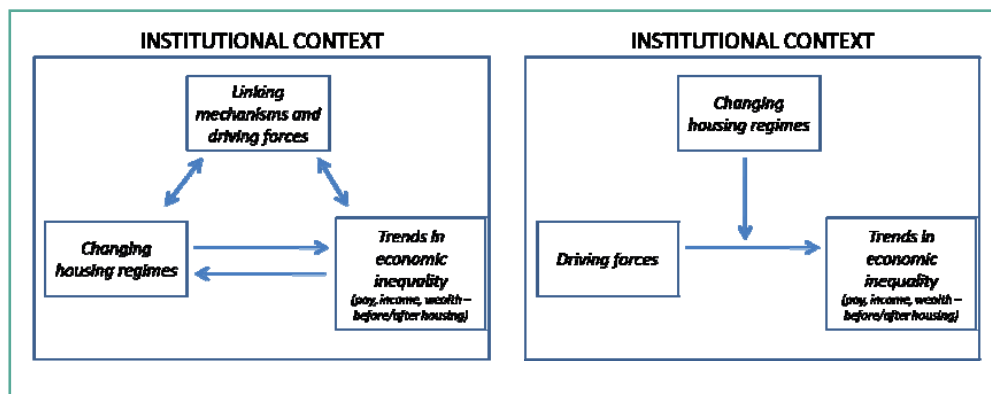




4. Discussion

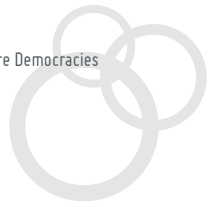
In this paper, I argued that our understanding of the increase in economic inequality in advanced welfare democracies could be enhanced by taking account of the changes which took place in the housing regimes of many countries. I demonstrated how one could derive testable hypotheses concerning a direct relationship between both social trends, which can at least theoretically go in both directions (i.e. changing housing regimes influencing inequality trends, or inequality trends influencing characteristics of housing regimes), while the ‘classical’ driving forces function as intermediate variables in a multivariate model. Alternatively, a simple interaction model could guide future research, in the sense that social trends which are routinely considered as ‘driving forces’ of increasing economic inequality – but altogether do not explain that much of the observed long-term trend – could theoretically work out in a different way under different housing regimes. A schematic overview of potential analytic strategies is presented in Figure 1.

Figure 1: Overview of analytic strategies



A final point for discussion relates to the measurement of economic inequality. As mentioned before, income concepts and methodologies often vary between surveys and studies, making it difficult to generalize conclusions. Most studies focus on either wage inequality between individuals or on inequality of ‘disposable household income’, between households. As wealth is notoriously difficult to measure (due to problems of underreporting, tax evasion ...), less is known about the development of wealth inequality over time. Housing wealth forms part of total wealth, and is hence also difficult to measure: people might not be very good judges when it comes to valuing their property, and housing values used for tax purposes are often grossly underestimating the real value. Wealth as such is however also normally included in the disposable household income measure, in the sense that capital income or income from investment forms part of this income concept. Hence, capital gains derived from selling properties, rental income from letting additional properties, interest and dividends ... are normally included in disposable

household income. Income equality trends hence partly reflect trends in wealth inequality. Furthermore, although the link between changing housing regimes and increasing economic inequality is most obvious when economic inequality is conceptualized in terms of wealth inequality, several research avenues discussed in this paper also involve a potential link with wage inequality (the ‘female labor participation’-link and the ‘flexible labor markets’-link). Finally, testing most of the proposed hypotheses requires the comparison of research results using a ‘before’ and ‘after housing’ disposable household income concept. Disposable income can be adjusted to account for the cost of housing, by giving owners an additional ‘fictive’ income (i.e. imputed rent) derived from their property, or by extracting housing costs from disposable income.



References

- Aaronson, D. (2000). A Note on the Benefits of Homeownership. *Journal of Urban Economics*, 47, 356-369.
- Albertini, M. (2008). Equalizing or not? The Effect of Changing Household Characteristics on Income Inequality. *European Sociological Review*, 24(3), 285-298.
- Alderson, A. S., Beckfield, J., & Nielsen, F. (2005). Exactly How Has Income Inequality Changed? Patterns of Distributional Change in Core Societies. *International Journal of Comparative Sociology*, 46(5-6), 405-423.
- Alderson, A. S., & Nielsen, F. (2002). Globalization and the Great U-Turn: Income Inequality Trends in 16 OECD Countries. *American Journal of Sociology*, 107(5), 1244-1299.
- Allan, J. P., & Scruggs, L. (2004). Political Partisanship and Welfare State Reform in Advanced Industrial Societies. *American Journal of Political Science*, 48(3), 496-512.
- Andrews, D. (2010). Real House Prices in OECD Countries: The Role of Demand Shocks and Structural and Policy Factors. OECD Economics Department Working Papers No. 831. Paris: OECD.
- Andrews, D., & Caldera Sánchez, A. (2011). Drivers of Homeownership Rates in Selected OECD Countries. OECD Economics Department. Working Papers No. 849. Paris: OECD.
- Aslaksen, I., Wennemo, T., & Aaberge, R. (2005). 'Birds of a Feather Flock Together': The Impact of Choice of Spouse on Family Labor Income Inequality. *Labour*, 19(3), 491-515.
- Atkinson, A. B. (1999). Is Rising Income Inequality Inevitable? A Critique of the Transatlantic Consensus (Wider Annual Lectures 3). Helsinki: United Nations University/World Institute for Development Economic Research.
- Atkinson, A. B. (2000). The Changing Distribution of Income: Evidence and Explanations. *German Economic Review*, 1(1), 3-18.
- Atkinson, A. B. (2001). A Critique of the Transatlantic Consensus on Rising Income Inequality. *The World Economy*, 24(4), 433-452.
- Atkinson, A. B. (2003). Income Inequality in OECD Countries: Data and Explanations. *CESifo Economic Studies*, 49(4), 479-513.
- Atkinson, A. B. (2008). The Changing Distribution of Earnings in OECD Countries (The Rodolfo DeBenedetti Lecture Series). Oxford: Oxford University Press.
- Atterhög, M. (2005). Importance of Government Policies for Homeownership Rates. Working Paper No. 54. Stockholm: Royal Institute of Technology, Section for Building and Real Estate Economics.
- Bandelj, N., & Mahutga, M. C. (2010). How Socio-Economic Change Shapes Income Inequality in Post-Socialist Europe. *Social Forces*, 88(5), 2133-2161.
- Beck, U. (Ed.). (1992). *Risk Society. Towards a New Modernity*. London: Sage Publications.
- Blossfeld, H.-P., & Timm, A. (Eds.). (2003). *Who Marries Whom? Educational Systems as Marriage Markets in Modern Societies (European Studies of Population)*. Dordrecht: Kluwer Academic Publishers.
- Brady, D., & Leicht, K. T. (2008). Party to Inequality: Right Party Power and Income Inequality in Affluent Western Democracies. *Research in Social Stratification and Mobility*, 26, 77-106.
- Brandolini, A., & Smeeding, T. M. (2009). Income Inequality in Richer and OECD Countries. In W. Salverda, B. Nolan, & T. M. Smeeding (Eds.), *The Oxford Handbook of Economic Inequality* (pp. 71-100). Oxford: Oxford University Press.

- Bratt, R. G. (2008). Homeownership as Social Policy in the US: Risk and Responsibility after the Subprime Crisis. Paper presented at the ENHR Working Group 'Building on Home Ownership: Housing Policies and Social Strategies', November 13th and 14th 2008, Delft University of Technology, the Netherlands.
- Breen, R., & Salazar, L. (2010). Has Increased Women's Educational Attainment Led to Greater Earnings Inequality in the United Kingdom. A Multivariate Decomposition Analysis. *European Sociological Review*, 26(2), 143-157.
- Burbidge, A. (2000). Capital Gains, Homeownership and Economic Inequality. *Housing Studies*, 15(2), 259-280.
- Burrows, R. (2003). How the Other Half Lives: An Exploratory Analysis of the Relationship between Poverty and Home-Ownership in Britain. *Urban Studies*, 40(7), 1223-1242.
- Burtless, G. (2009). Demographic Transformation and Economic Inequality. In W. Salverda, B. Nolan, & T. M. Smeeding (Eds.), *The Oxford Handbook of Economic Inequality* (pp. 435-454). Oxford: Oxford University Press.
- Cantillon, B., Van Mechelen, N., Marx, I., & Van den Bosch, K. (2004). De evolutie van de minimumbescherming in 15 Europese welvaartsstaten in de jaren negentig. *Belgisch Tijdschrift voor Sociale Zekerheid*(3), 509-547.
- Castles, F. G. (1998). The Really Big Trade-Off: Home Ownership and the Welfare State in the New World and the Old. *Acta Politica*, 33(1), 5-19.
- Chevan, A., & Stokes, R. (2000). Growth in Family Income Inequality, 1970-1990: Industrial Restructuring and Demographic Change. *Demography*, 37(3), 365-380.
- Dewilde, C. (2009). Book Review of 'The Ideology of Homeownership: Homeowner Societies and the Role of Housing' by Richard Ronald. [Book review]. *European Journal of Housing Policy*, 9(4), 488-490.
- Di, Z. X. (2005). Does Housing Wealth Contribute To or Temper the Widening Wealth Gap in America? *Housing Policy Debate*, 16(2), 281-296.
- Di, Z. X. (2007). *Growing Wealth, Inequality, and Housing in the United States*. Harvard University: Joint Center for Housing Studies/President and Fellows of Harvard College.
- Dieleman, F. M., & Clark, W. A. V. (1995). Falling out of the Home Owner Market. *Housing Studies*, 10(1), 3-15.
- Dietz, R. D., & Haurin, D. R. (2003). The Social and Private Micro-Level Consequences of Homeownership. *Journal of Urban Economics*, 54, 401-450.
- DiPasquale, D., & Glaeser, E. L. (1999). Incentives and Social Capital: Are Homeowners Better Citizens? *Journal of Urban Economics*, 45, 354-384.
- DiPrete, T. A. (2002). Life Course Risks, Mobility Regimes, and Mobility Consequences: A Comparison of Sweden, Germany, and the United States. *American Journal of Sociology*, 108(2), 267-309.
- DiPrete, T. A. (2007). What Has Sociology to Contribute to the Study of Inequality Trends? A Historical and Comparative Perspective. *American Behavioral Scientist*, 50(5), 603-618.
- Doling, J., & Ford, J. (Eds.). (2003). *Globalisation and Home Ownership. Experiences in Eight Member States of the European Union*. Delft: Delft University Press.
- Doling, J., & Ford, J. (2007). A Union of Home Owners. *International Journal of Housing Policy*, 7(2), 113-127.
- Doling, J., & Ronald, R. (2010). Property-Based Welfare and European Home-Owners: How Would Housing Perform as A Pension? *Journal of Housing and the Built Environment*, 227-241.
- Dwyer, R. E. (2009). The McMansionization of America? Income Stratification and the Standard of Living in Housing, 1960-2000. *Research in Social Stratification and Mobility*, 27, 285-300.



- Edwards, M. E. (2001). Home Ownership, Affordability, and Mothers' Changing Work and Family Roles. *Social Science Quarterly*, 82(2), 369-383.
- Elsinga, M., Jones, A., Quilgars, D., & Toussaint, J. (2010). Households' Perceptions on Old Age and Housing Equity. Combined Report WP2. DEMHOW - Project funded under the Socio-Economic Sciences and Humanities.
- Esping-Andersen, G. (1999). *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press.
- Esping-Andersen, G. (2007). Sociological Explanations of Changing Income Distributions. *American Behavioral Scientist*, 50(5), 639-658.
- Esping-Andersen, G., & Myles, J. (2009). Economic Inequality and the Welfare State. In W. Salverda, B. Nolan, & T. M. Smeeding (Eds.), *The Oxford Handbook of Economic Inequality* (pp. 639-663). Oxford: Oxford University Press.
- Fahey, T., & Norris, M. (2010). Housing. In F. G. Castles, S. Leibfried, J. Lewis, H. Obinger, & C. Pierson (Eds.), *Oxford Handbook of the Welfare State* (pp. 479-493). Oxford: Oxford University Press.
- Fisher, L. M., & Jaffe, A. J. (2003). Determinants of International Home Ownership Rates. *Housing Finance International*, (September), 34-42.
- Förster, M., & Pearson, M. (2002). Income Distribution and Poverty in the OECD Area: Trends and Driving Forces. *OECD Economic Studies*, 34(1), 7-39.
- Förster, M., & Pellizzari, M. (2000). Trends and Driving Factors in Income Distribution and Poverty in the OECD Area. *Labour Market and Social Policy Occasional Papers No. 42*. Paris: OECD.
- Gangl, M. (2004). Welfare States and the Scar Effects of Unemployment: A Comparative Analysis of the United States and Germany. *American Journal of Sociology*, 109(6), 1319-1364.
- Ganzeboom, H. B. G., Treiman, D. J., & Ultee, W. C. (1991). Comparative Intergenerational Stratification Research: Three Generations and Beyond. *Annual Review of Sociology*, 17(277-302).
- Glaeser, E. L., & Sacerdote, B. (2000). The Social Consequences of Housing. *Journal of Housing Economics*, 9, 1-23.
- Goodman, A. (2001). Income Inequality. What Has Happened under New Labour? *New Economy*, 92-97.
- Green, R. K., & Hendershott, P. H. (2001). Home-Ownership and Unemployment in the US. *Urban Studies*, 38(9), 1509-1520.
- Gurney, C. M. (1999). Pride and Prejudice: Discourses of Normalisation in Public and Private Accounts of Home Ownership. *Housing Studies*, 14(2), 163-183.
- Harrison, B., & Bluestone, B. (1988). *The Great U-Turn*. New York: Basic Books.
- Horsewood, N., & Doling, J. (2004). Repayment Risk and European Home Owners: The Interplay of Housing Markets, Labour Markets, Financial Markets and Social Security Systems. *Housing Studies*, 19(3), 433-446.
- Kemeny, J. (1992). *Housing and Social Theory*. London: Routledge.
- Kendig, H. L. (1990). Comparative Perspectives on Housing, Aging, and Social Structure. In R. H. Binstock, & L. K. George (Eds.), *Handbook of Aging and the Social Sciences* (pp. 288-306, Third Edition). San Diego: Academic Press.
- Kenworthy, L., & Pontusson, J. (2005). Rising Inequality and the Politics of Redistribution in Affluent Countries. *Perspectives on Politics*, 3(3), 449-471.
- Korpi, W. (2003). *Welfare-State Regress in Western Europe: Politics, Institutions, Globalization and Europeaniza-*

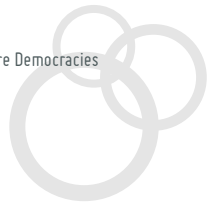
tion. *Annual Review of Sociology*, 29, 589-609.

- Kurz, K. (2004). Labour Market Position, Intergenerational Transfers and Home-Ownership. A Longitudinal Analysis for West German Birth Cohorts. *European Sociological Review*, 20(2), 141-159.
- Kurz, K., & Blossfeld, H.-P. (2004). *Home Ownership and Social Inequality in Comparative Perspective*. Stanford: Stanford University Press.
- Kuznets, S. (1955). Economic Growth and Income Inequality. *American Economic Review*, 45, 1-28.
- Leigh, A. (2009). Top Incomes. In W. Salverda, B. Nolan, & T. M. Smeeding (Eds.), *The Oxford Handbook of Economic Inequality* (pp. 150-174). Oxford: Oxford University Press.
- Malpass, P. (2008). Housing and the New Welfare State: Wobbly Pillar or Cornerstone? *Housing Studies*, 23(1), 1-19.
- Mandic, S., & Clapham, D. (1996). The Meaning of Home Ownership in the Transition from Socialism: The Example of Slovenia. *Urban Studies*, 33(1), 83-97.
- Matlack, J. L., & Vigdor, J. L. (2008). Do Rising Tides Lift All Prices? Income Inequality and Housing Affordability. *Journal of Housing Economics*, 17(3), 212-224.
- McCarthy, G., Van Zandt, S., & Rohe, W. (2001). *The Economic Benefits and Costs of Homeownership. A Critical Assessment of the Research*. (Vol. Working Paper No. 01-02): Research Institute for Housing America.
- McCarthy, N., & Pontusson, J. (2009). The Political Economy of Inequality and Redistribution. In W. Salverda, B. Nolan, & T. M. Smeeding (Eds.), *The Oxford Handbook of Economic Inequality* (pp. 665-692). Oxford: Oxford University Press.
- Morris, M., & Western, B. (1999). Inequality in Earnings at the Close of the Twentieth Century. *Annual Review of Sociology*, 25, 623-657.
- Neckerman, K. M., & Torche, F. (2007). Inequality: Causes and Consequences. *Annual Review of Sociology*, 33, 335-357.
- OECD (2008). *Growing Unequal? Income Distribution and Poverty in OECD Countries*. Paris: OECD Publications.
- OECD (2011). *Housing and the Economy: Policies for Renovation*. In *Economic Policy Reforms 2011. Going for Growth*. Paris: OECD.
- Oswald, A. J. (1999). *The Housing Market and Europe's Unemployment Problem: A Non-Technical Paper*. Warwick: Department of Economics, Warwick University.
- Pakulski, J., & Waters, M. (1996). *The Death of Class*. London: Sage Publications Ltd.
- Pommer, E., van Leeuwen, J., & Ras, M. (2003). *Inkomen verdeeld. Trends in ongelijkheid, herverdeling en dynamiek*. Den Haag: Sociaal en Cultureel Planbureau.
- Ronald, R. (2008). *The Ideology of Home Ownership. Homeowner Societies and the Role of Housing*. Houndmills: Palgrave Macmillan.
- Schwartz, H., & Seabrooke, L. (2008a). Varieties of Residential Capitalism in the International Political Economy: Old Welfare States and the New Politics of Housing. *Comparative European Politics*, 6, 237-261.
- Schwartz, H. M., & Seabrooke, L. (2008b). Special Issue: The Political Cost of Property Booms. *Comparative European Politics*, 6(3), 237-406.
- Sigle-Rushton, W., & Waldfogel, J. (2007). The Incomes of Families with Children: A Cross-National Comparison. *Journal of European Social Policy*, 17(4), 299-318.



- Smith, S., Searle, B. A., & Cook, N. (2008). Rethinking the Risks of Home Ownership. *Journal of Social Policy*, 38(83-102).
- Stier, H., Lewin-Epstein, N., & Braun, M. (2001). Welfare Regimes, Family-Supportive Policies, and Women's Employment along the Life-Course. *American Journal of Sociology*, 106(6), 1731-1760.
- Tilly, C. (2006). The Economic Environment of Housing: Income Inequality and Insecurity. In R. Bratt, C. Hartman, M. E. Hombs, & M. Stone (Eds.), *Housing: Foundation for a New Social Agenda* (pp. 20-36). Philadelphia PA: Temple University Press.
- van Leuvensteijn, M., & Koning, P. (2004). The Effect of Home-Ownership on Labor Mobility in the Netherlands. *Journal of Urban Economics*, 55, 580-596.
- Wiens-Tuers, B. A. (2004). There's No Place Like Home: The Relationship of Nonstandard Employment and Home Ownership over the 1990s. *American Journal of Economics and Sociology*, 63(4), 881-896.
- Willetts, D. (2010). *The Pinch. How the Baby Boomers Took Their Children's Future - and Why They Should Give It Back*. London: Atlantic Books.





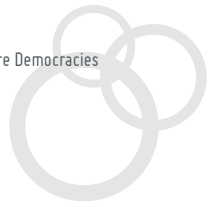
GINI Discussion Papers

Recent publications of GINI. They can be downloaded from the website www.gini-research.org under the subject Papers.

- DP 17** **Income Inequality, Value Systems, and Macroeconomic Performance**
Giacomo Corneo
September 2011
- DP 16** **Income Inequality and Voter Turnout**
Daniel Horn
October 2011
- DP 15** **Can higher employment levels bring down poverty in the EU?**
Ive Marx, Pieter Vandenbroucke and Gerlinde Verbist
October 2011
- DP 14** **Inequality and Anti-globalization Backlash by Political Parties**
Brian Burgoon
October 2011
- DP 13** **The Social Stratification of Social Risks. Class and Responsibility in the 'New' Welfare State**
Olivier Pintelon, Bea Cantillon, Karel Van den Bosch and Christopher T. Whelan
September 2011
- DP 12** **Factor Components of Inequality. A Cross-Country Study**
Cecilia García-Peñalosa and Elsa Orgiazzi
July 2011
- DP 11** **An Analysis of Generational Equity over Recent Decades in the OECD and UK**
Jonathan Bradshaw and John Holmes
July 2011
- DP 10** **Who Reaps the Benefits? The Social Distribution of Public Childcare in Sweden and Flanders**
Wim van Lancker and Joris Ghysels
June 2011
- DP 9** **Comparable Indicators of Inequality Across Countries (Position Paper)**
Brian Nolan, Ive Marx and Wiemer Salverda
March 2011
- DP 8** **The Ideological and Political Roots of American Inequality**
John E. Roemer
March 2011
- DP 7** **Income distributions, inequality perceptions and redistributive claims in European societies**
István György Tóth and Tamás Keller
February 2011
- DP 6** **Income Inequality and Participation: A Comparison of 24 European Countries + Appendix**
Bram Lancee and Herman van de Werfhorst
January 2011
- DP 5** **Household Joblessness and Its Impact on Poverty and Deprivation in Europe**
Marloes de Graaf-Zijl
January 2011



- DP 4** **Inequality Decompositions – A Reconciliation**
Frank A. Cowell and Carlo V. Fiorio
December 2010
- DP 3** **A New Dataset of Educational Inequality**
Elena Meschi and Francesco Scervini
December 2010
- DP 2** **Are European Social Safety Nets Tight Enough? Coverage and Adequacy of Minimum Income Schemes in 14 EU Countries**
Francesco Figari, Manos Matsaganis and Holly Sutherland
June 2011
- DP 1** **Distributional Consequences of Labor Demand Adjustments to a Downturn. A Model-based Approach with Application to Germany 2008–09**
Olivier Bargain, Herwig Immervoll, Andreas Peichl and Sebastian Siegloch
September 2010



Information on the GINI project

Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political 'distances', alienating people from politics, globalisation and European integration? Do they affect individuals' participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefits of policies limiting income inequality and its efficiency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

www.gini-research.org





GINI GROWING INEQUALITIES' IMPACTS

Amsterdam Institute for Advanced labour Studies

University of Amsterdam

Plantage Muidergracht 12 1018 TV Amsterdam The Netherlands

Tel +31 20 525 4199 Fax +31 20 525 4301

gini@uva.nl www.gini-research.org



Project funded under the
Socio-Economic sciences
and Humanities theme.

