

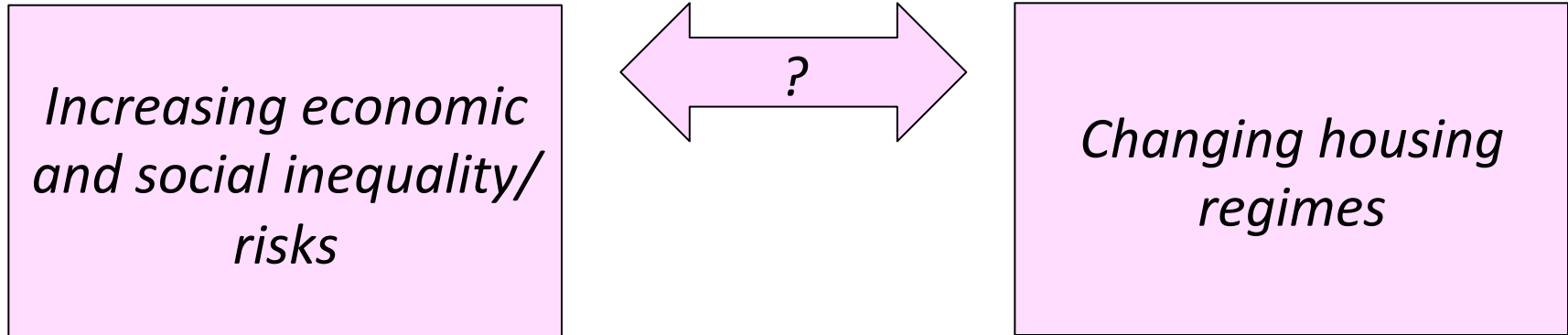
Trends in Housing and Economic Inequality – Some Evidence and Plans for Future Research

Caroline Dewilde

Context & structure of presentation

- Previous work on poverty, inequality and housing + involvement in GINI => ERC Starting Grant proposal HOWCOME
- Main ideas of HOWCOME-project (GINI DP18)
- ‘Selected results’:
 - Income Inequality and Access to Housing in Europe (GINI DP32, *ESR*) – with Bram Lancee
 - Home-Ownership and Support for Redistribution (with Stéfanie André)
- Some plans for future research

What's new? Integrate theory and research on



- 'Housing studies' – interdisciplinary focus on topic of housing: descriptive, strong policy focus, comparative case studies (comparative housing is complicated)
- Trends in economic inequality: causes and consequences, but difficult to draw 'neat' picture (OECD: *Growing Unequal* 2008, *Divided We Stand* 2011)

Housing provision: more market, less state

Home-Ownership Rates (%) 1980-2004

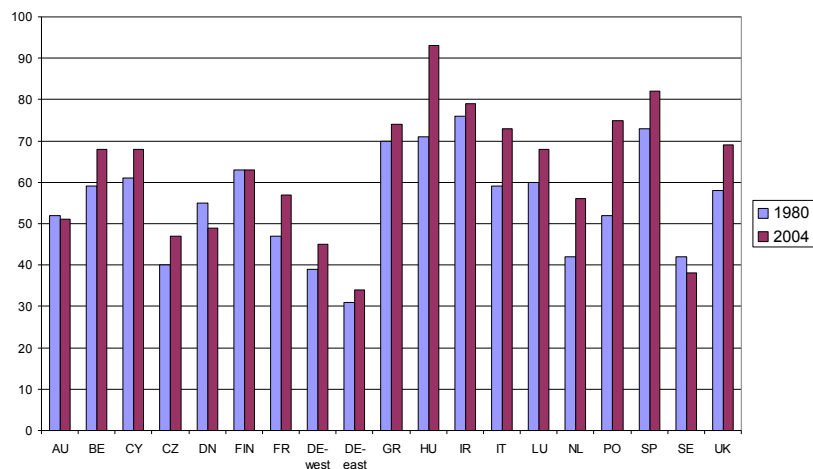
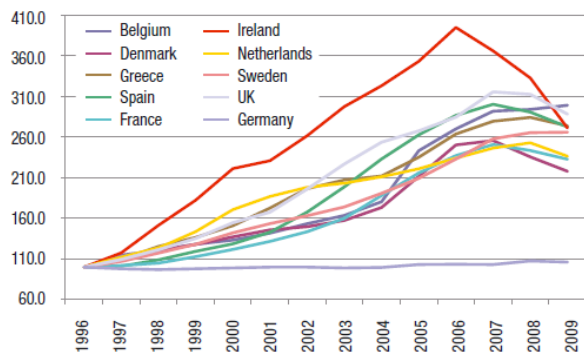


CHART 3 ► Nominal House Price Indices, 1996-2009 (1996=100)



Source: European Mortgage Federation

Outstanding mortgage debt to GDP

Countries	1994	2000	2006
Australia	33.2	55.5	82.2
Belgium	21.2	26.6	36.3
Denmark	64.9	76.1	100.8
Germany	44.1	54.1	51.3
Greece	3.6	9.2	29.3
Spain	15.8	30.9	58.6
France	20.8	21.5	32.2
Ireland	22.8	31.6	70.1
Italy	6.0	10.0	18.7
Japan	34.4	36.6	36.1
Korea	11.0	13.0	35.7
Netherlands	46.4	74.2	111.9
Portugal	15.6	43.9	59.2
Finland	36.2	30.7	43.8
Sweden	54.8	45.7	56.7
UK	54.6	56.3	83.1
US	46.4	52.1	77.2

Source: Ronald (2008)

Restructuring of relationship between housing, economy and welfare state since 1980's

- 'Wobbly pillar': housing provision sits uncomfortably at cross-roads of markets, families and states, but recently, market has become more prominent:
 - From 'direct' provision of social housing' to 'indirect' support
 - More home-ownership achieved through financial deregulation, integration of housing into global capital, and sustained (expensive) government support
 - Which translated into strong house price increases (detached from underlying 'fundamentals'), (over)investment and high volatility
 - ⇒ Increase of 'systemic' risk at macro- and micro-level
 - ⇒ Discourse about asset-based welfare and welfare state restructuring
 - ⇒ Individual level: financialisation => homeowners became investors
- ⇒ Sense that these changes might contribute to accumulating (dis)advantage for different social groups, but how?

The bigger story and the main focus

- At higher level, both trends might be outcomes of larger trend towards neo-liberalism
- Co-varying trends or more?
 - Homeownership as ‘compensation’ for rising inequality & stagnating wages: ‘real compensation’ through access to housing equity and credit or ...
 - Homeownership as part of conservative ‘technology of power’ facilitating new kind of rent-seeking practices of capital – (Palma, 2009)
- **This project:** focus is rather on **mechanisms** through which trends in income equality drive access to housing and how housing regime changes influence distribution of social and economic risks and inequality, *within the context of this bigger story*
- Mechanisms: housing market behaviour & dynamics, welfare attitudes and political participation, female labour, austerity measures, labour mobility, ...

Selected findings

1. Income Inequality and Access to Housing

Dewilde, C. & Lancee, B. (2013), *European Sociological Review*

- Context: relationship between income inequality, debt and changes in housing regimes?
- If so, how can we explain this:
 - *'Rich people had more money to invest and to lend... people outside the wealthiest category found it increasingly difficult to realise their aspirations'* (Wilkinson & Pickett, 2009: 296)
 - Owner-occupation as indication of social and economic success and aspirations
 - Underlying idea: trends in income and inequality => housing market behaviour => housing market dynamics => housing outcomes
- Focus on 'Access to Housing': affordability, quantity and quality
- For *low-income* homeowners and private renters (more vulnerable, less flexible)

Three 'linking mechanisms'

- Inequality influences access to housing through:
 - 'Absolute level' of resources
 - Rising aspirations & status competition
 - Housing market dynamics
- Mechanism 1: Absolute level of resources
 - Countries at different level of economic development => access to affordable and decent housing varies
 - Countries at similar level of economic development: more inequality => bottom of income distribution has lower income => limits access to housing
 - H1: no effect of relative income differences, controlling for household income, economic affluence (GDP), social spending

2. Rising aspirations

- ‘True’ impact of relative income differences
- Combining W&P with literature on ‘homeownership ideology’:
 - Homeownership as opportunity for ‘conspicuous’ and ‘emulative’ consumption (Dwyer, 2009)
 - Income inequality makes the rich spend more on housing
 - The ones below them follow (filtering, status competition, expected gains)
- H2: Relative income differences compromise affordability (e.g. larger mortgages), but lead to *upgrade* in quality standards for low-income owners (e.g. Dwyer, 2009, for US)

3. Housing market dynamics

- Housing market: set of interrelated submarkets
 - Trends in income (inequality) affect consumption & investment behaviour in some submarkets, with repercussion on related submarkets
- In tight housing markets, income inequality
 - At the bottom: competition for affordable housing as low-income hh look to reduce housing consumption
 - Increases cost of housing for rich and poor (Matlack & Vigdor, 2008, US)
 - ‘Impoverishment’ of private renters and private rental stock

3. Housing market dynamics: how are low-income renters/owners affected?

- Complex set of arguments from housing economics (Albrecht & Van Hoofstat, 2011; Leishman & Rowley, 2012; Matlack & Vigdor, 2008):
 - House prices and rent levels are set by the majority, demand for certain types of housing changes, rent level follow house prices
 - Supply of new housing is slow to respond (strongly regulated, high construction prices)
 - Mismatch between housing stock and housing demands of different groups
 - Housing demands of rich are not met => substitution instead of filtering
 - Buying (not building) becomes more attractive to high-income renters
 - Potential homeowners look 'downwards' to less attractive, but more affordable properties
 - Landlords sell rental property to new home-owners, because this is more profitable than letting to low-income renters
 - Additionally, rich start investing in buy-to-let for high-income renters
- H3: relative income differences limit access to decent and affordable housing for low-income renters and owners, through housing market dynamics

Data & methods

- EU-SILC, 2009 – 28 countries – low-income owners and private sector renters, oldest hhmember < 65
- Multilevel logit models (**cross-sectional**)
- 3 dependent variables:
 - Housing costs > 40% disposable household income + at least one quality deficit (affordability)
 - Crowding (quantity)
 - Housing deprivation (quality) – index of 5 items
- Household-level control variables (incl. household income)
- Macro-indicators: GINI, GDP, social spending, homeownership rate, % change in house prices 2003-2008 (**only available indicator on house prices**), post-communist country

Preliminary analysis: the macro-level

Dependent variable:	b	se	beta
homeownership rate 2008			
Constant	95,564		
<i>Independent variables</i>			
Gini-coefficient 2008	0.351	0.517	0.097
GDP 2008	-0.021	0.056	-0.065
Social spending 2008	-1.408*	0.561	-0.493*
Post-Communist	9.012	7.067	0.287
$R^2 = 0.624$			
$N = 28$			
Dependent variable:	b	se	beta
% change in house prices 2003-2008			
Constant	-234.291		
<i>Independent variables</i>			
% change Gini-coefficient 2003-2008	33.795*	12.555	0.386*
GDP Growth 2003-2008	11.040	8.560	0.314
Homeownership rate 2008	1.899	0.963	0.418
Post-Communist	-6.848	34.520	-0.048
$R^2 = 0.570$			
$N = 27$			

* $p < 0.05$ (two-tailed tests).

Multilevel results

- Relative income inequality influences affordability for low-income renters negatively, but not for low-income owners
 - In line with H3, but GINI is not mediated by housing market indicators (H2 is rejected)
- Relative income inequality leads to more crowding for both low-income renters and low-income owners
 - H3 is confirmed, but H2 is possible if low-income owners 'pay' for the status of home-owner by buying a smaller house
- Relative income inequality is related to lower housing quality for both low-income renters and low-income owners
 - H3 is confirmed, but again GINI is not mediated by housing market indicators, again H2 is possible if low-income owners 'pay' for the status of home-owner by buying less quality

Discussion

- Results for renters suggest that results are driven by housing market dynamics, not status competition, but this does not show as such
- Hypotheses are 'longitudinal', strategy of analysis is cross-sectional
- Further research: model trends over time, operationalise various indicators of income inequality and of housing market dynamics and housing outcomes at a lower level of aggregation (regions rather than countries)

2. Homeownership and support for government redistribution

André, S. & Dewilde, C.

- First effort to link housing regimes and tenure to welfare attitudes, but data availability is limited
 - ESS 2004/5: owner/not-owner & support for redistribution ('reduce income differences')
 - Link with rather 'contained' literature on welfare attitudes (self-interest at micro-level, welfare regimes, risk & inequality at macro-level)
- Main ideas:
 - Policy-makers mainly stress social & economic benefits of HO ('better caretakers, parents, and citizens')
 - Research points at negative effects: self-interested behaviour (Schwartz & Seabrook, 2008), decline of solidarity linked to tenure-related social segregation (Putnam, 2000; Kemeny, 1981)
 - Impact of tenure on support for redistribution of renters and owners differs across 'housing regimes'

Multilevel results for 26 countries (selection)

- Homeowners are sign. less supportive of redistribution in Western-Europe
- In more 'familialistic' regimes with higher rates of outright home-ownership, support for redistribution is significantly higher *
 - As outright homeownership increases, increase in support is sign. stronger for owners than for renters
- The more financialised the housing regime (mortgage debt/GDP), the less support for redistribution *
 - As financialisation increases, decrease in support is sign. stronger for owners than for renters
 - Both renters and owners appear to prefer investment in housing wealth compared to investment in welfare state as system of risk pooling/ resources redistribution

* Controlling for GDP, social spending, GINI

Future plans

Trends in income, housing costs and housing affordability

- Contradictory clues from the literature:
 - Norris & Winston (2012): increasing rates of homeownership helped to counterbalance wider inequalities in the income distribution
 - European Social Housing Observatory (CECODHAS, 2012): *worsening affordability reflects increasing house prices and rent levels over the past decade, increasing expenditures over domestic energy consumption and lack of choice in terms of tenure options, with a particular shortage of affordable rental housing (but based on cross-sectional data)*
- So, what has happened, and why? In which countries/housing regimes?
- How have different tenure and income groups been affected?
- Question of higher housing costs or lower incomes?

Facts, impressions and some expectations

- Income inequality increased – rich got richer, poor get poorer (in some countries)
- Demographic changes: more and smaller households => income
- Liberalisation of energy markets has increased cost of low-quality housing
- Direct provision of social housing replaced (if so) by housing allowances (income-related housing policy), pushing the poor into private renting
- Depending on particular housing regime:
 - Increase in house prices and rent levels, demand for owner-occupied housing, transfer of ‘poor’ housing stock from rental market to ownership market (i.e. gentrification), investments in buy-to-let do not profit poor, housing supply stalled since 2008/2009
 - Housing and economic crisis: governments mainly protected owners (low interest rates), not renters

=> Increase of problems, in particular for poor, for renters, in more ‘liberalised’/deregulated housing regimes?