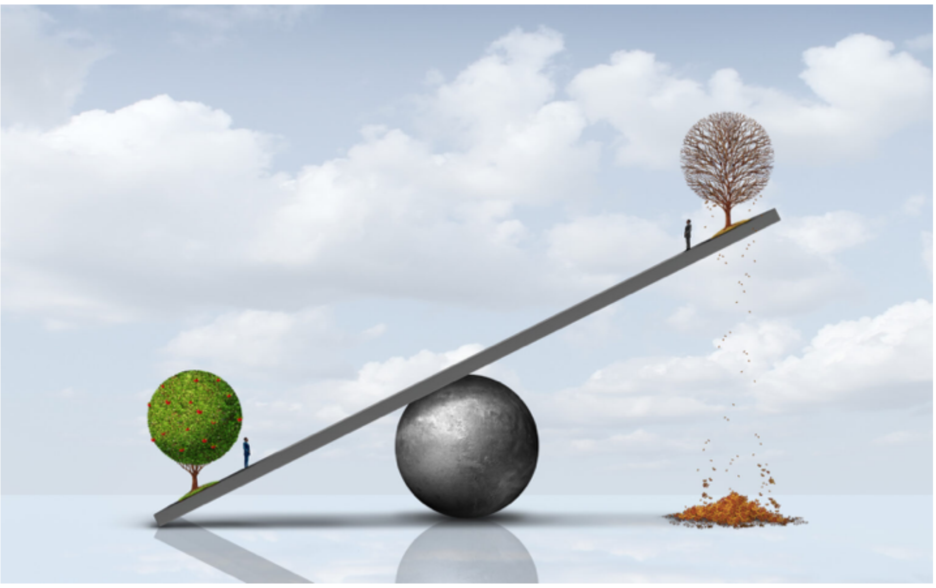
RESEARCH

How do We Talk about Housing Equality in an Increasingly Unequal Europe?



*This is part of our special feature, **Homelessness and Poverty in Europe**.*

Inequality is one of the defining issues of our time, and social scientists have consistently confirmed that housing is a key driver of contemporary inequalities. How then, should we talk about housing as part of a constellation of economic and social inequalities plaguing contemporary Europe? There are at least three ways to probe this question. The first way is conceptual: how do today's housing challenges fit within a discussion of citizens' social and legal rights? The second way is empirical: how are housing inequalities felt at different points along the income distribution? The final way is political: how are public policies driving or mitigating the inequalities that we see today? This article examines each approach and highlights the need to integrate these distinct threads into a unified larger public discussion about housing and inequality.

A dialogue about housing as a right should begin with the basics; for that, we can look to T.H. Marshall's oft-cited definition of social citizenship. Prior to the maturation of the welfare state, Marshall foreshadows the debate that we are having today, noting that social rights can run the gamut from the "right to a modicum of economic welfare and security" to the right to "live the life of a civilized being according to the standards prevailing in the society" (Marshall 1950 in Manza and Sauder 2009, 148). When defining what is "social" about social spending, the OECD emphasizes that it "provide[s] support during circumstances which adversely affect [households and individuals'] welfare" (OECD 2019). When applied to housing, these definitions, on the residual side, may point to either providing housing for those who cannot afford it, or, on the more generous side, fostering the ability for everyone to climb the housing ladder in the manner they choose.

To be respected, social rights need to be institutionalized into the everyday workings of both government and society. [1] This institutionalization goes well beyond the codification of rights in nonbinding international affirmations like the Universal Declaration of Human Rights, in which adequate housing is identified as a human right. It also goes beyond the development of binding national constitutions that codify the right to housing, as is the case in ten EU countries

—less than half of all EU member states. Moreover, for people to benefit from these rights, such rights need to be an accepted part of the national ethos and embedded into everyday national and local policies and their implementation. Combining such policy mechanisms and philosophies around the concept of rights is decisive in providing each segment of the population with access to stable, affordable, and quality housing.

One subdimension of the broader conversation on social rights and housing revolves around the concept of de-commodification. In its more popularized form, de-commodification decreases one's reliance on the market, so that exiting the market is possible in times of need. As such, evaluations of policies pertaining to pensions, unemployment insurance, or sickness benefits have been commonly used to assess the extent to which a person's labor is "de-commodified" (Esping-Andersen 1990). The concept of de-commodification has also been usefully applied to housing. As housing policies become increasingly de-commodifying, households' economic resources and their acquisition of and settlement in a housing unit become less dependent on each other. In other words, and as Doling (1999) describes the concept in reference to Esping-Andersen and echoing Marshall, "the essence of de-commodification is that welfare is available as a right founded in citizenship rather than a right founded in wealth or income" (Doling 1999, 157). For example, social housing is de-commodifying, as are rental regulations that protect tenants and housing subsidies that reduce the costs of housing.

Today, despite the practical reality that shelter is a basic need, contemporary housing markets and policies have, in many respects, become more commodifying, not less. The creation of new social housing units, arguably the most de-commodifying housing policy tool governments have at their disposal, has stagnated across Europe, with most countries having a lesser number of social housing units than they did decades ago (Scanlon et al. 2014). The political prioritization of homeownership remains strong in most countries, even though homeownership rates have recently dropped from their historic highs. As a commodity in its own right, housing is increasing embedded in financialized rental and ownership markets. These shifting policy priorities and market dynamics have generated different challenges for each segment of the income distribution, frequently creating new risks—and often more competition—in acquiring units in the private rental market. Examining how these pieces fit together enables a deeper understanding of the ways in which structural factors contribute to housing challenges, especially for the most vulnerable.

To examine these dynamics, this commentary draws on data from the recently created OECD Affordable Housing Database. The database draws from the EU statistics on income and living conditions (EU-SILC) data and from a bespoke survey sent to country experts to develop indicators. It provides many useful overview statistics about housing policies, as well as about the empirical realities people at different levels of the income distribution face. In the analysis below, countries included are Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom. However, data are not available for all countries for all measures. Readers can reference the OECD data (locations noted below) to find out whether data are available for a specific country. Here, sample size is listed for each summary measure and country examples are provided for illustrative purposes. Data are from 2020 or the latest year for which data are available.

All else being equal, those people with fewer economic resources (here measured as the bottom quintile of the income distribution, or “low-income”) face the most challenging situation in the housing market. For instance, 30 percent of low-income renters in the private market spend 40 percent or more of their disposable income on rent (n=23 countries).[2] This high percentage puts them in what is called the “overburdened” category. This overburden rate is likely quite conservative. As the OECD notes, spending even

10 or 20 percent of their income on rent may leave low-income households little residual income to spend on other basic needs. Indeed, when total housing costs are considered, i.e., including costs such as insurance and utilities spending, over 60 percent of low-income private renters are housing cost overburdened (n=21). This overburden ranges from a low of 20 percent in Malta to a high of 100 percent in Greece.

Those low-income households that have access to subsidized rent or social housing (here forward described as “social tenants” or “subsidized rentals”) are less likely to be overburdened, with about 13 percent of low-income tenants experiencing housing overburden when it comes to their monthly rent (n=14). Often, the difference is substantial between the burden faced by tenants in subsidized rentals versus that of those in the private rental market. In Belgium, 4 percent of social tenants experience housing cost overburden as compared to 34 percent among private tenants. Disparities also exist elsewhere, including in Ireland (6 percent vs. 41 percent), Spain (12 percent vs. 47 percent), Italy (18 percent vs. 35 percent), and Finland (35 percent vs. 45 percent). These numbers suggest that social housing can substantially reduce housing overburden for those with lower levels of economic resources. When total housing costs are considered, though, the overburden rates do increase. Here, on average, 37 percent of low-income social tenants are overburdened by their total housing costs (n=11).

Some low-income households own their dwellings, though the extent to which they can access homeownership varies substantially across countries. Generally, more than half of low-income households rent in the private or social sector in western Europe, whereas more than half own their dwelling in southern, central, or eastern Europe. Put another way (and except for southern Europe), the tenure structure varies most between the pre– and post– 2004 enlargement EU member states. One might assume that low-income households who own their homes are especially overburdened by their mortgage; however, the data generally do not support this assumption. On average, 22 percent of low-income owners with a mortgage are overburdened by their mortgage payment (n=18), compared to 30 percent among low-income private renters. When considering total costs, however, the number is closer to that of renters: 55 percent are overburdened (n=12).

The data on housing overburdening by tenure type and the extent to which low-income households can access the private rental, subsidized rental, or ownership markets indicate a mixed picture. Rental or mortgage payments leave many, but not all, low-income households in what seems to be an impossibly tight financial situation. Across all tenure types, the situation worsens when considering total housing costs, which include items such as utilities. And in fact, more than one in ten low-income households across Europe (13 percent) have difficulty keeping their dwellings warm, which corresponds to an inability to meet basic needs (n=24).[3] Of course, none of these data consider those who experience homelessness and have no consistent access to any of the above markets. Seven of the eleven countries for which data are available have witnessed a rise in homelessness in the last ten years, indicating that the need of the most housing vulnerable is increasingly unmet.[4]

What policies address the accessibility and cost of each of these markets? Are they targeted to those whose basic needs are less likely to be met, or are they more likely to target those at the upper end of the income distribution? Asking these questions help us to understand if, in practice, housing is a right founded in citizenship or a right founded in income or wealth. Here, for instance, we can consider social housing as targeted to the most economically vulnerable and housing allowances as extending upward to lower-middle income households. At the other end of the income distribution, we can consider policies such as tax relief for homeowners as generally favoring those with higher incomes.

The data above demonstrate that low-income households are represented in all three tenure types: private rentals, subsidized or social rentals, and homeownership. What cannot be known from tabulations between income and tenure type is whether the distribution is a matter of preference or whether low-income households are constrained by availability within each market. For instance, social housing stock (from here forward not including subsidized rentals) represents on average 8 percent of the total housing stock across European countries (n=22).[5] If we consider the bottom 20 percent of the income distribution as low-income, it means that even if social housing were exclusively reserved to this group, the availability of social housing would not be enough to house everyone. Only in Austria (24 percent), Denmark (21 percent), and the Netherlands (34 percent) would social housing be sufficient to meet the percentage of households in the bottom quintile. While still not an indicator of household preference, these data—combined with sometimes years-long waitlists for social housing even in countries with large social housing sectors such as the Netherlands—suggest a mismatch between preference and need.

Another useful comparison is that between policies supporting private rental programs such as housing allowances and policies providing homeowners subsidies such as tax incentives. Here, the common measure used is spending as a percent of GDP, and on average European countries spend the equivalent of 0.33 percent of their GDP on housing allowances (n=18) and 0.38 percent on tax relief for homeownership (n=12); in other words, they spend slightly more on tax relief for homeownership.[6] We can also examine specific countries. Of the seven countries for which data on both housing allowances and tax relief are available, Finland, Ireland, and Slovenia spend more on housing allowances than on tax relief for homeownership. Conversely, Luxembourg, the Netherlands, Norway, and Sweden spend more on tax relief for homeownership. One must be careful not to draw too many conclusions from measures such as spending, because as Esping-Anderson put it, "expenditures are epiphenomenal to the theoretical substance of welfare states" (Esping-Andersen 1990, 19). Nonetheless, given that homeownership incentives are more likely to benefit higher income households and housing allowances are more likely to benefit lower income households, the data point to different realities for tenants and homeowners depending on the country in which they live. The data may also point to differing policy priorities across countries.

Returning to the common definitions of social rights and social citizenship, and as compared to tax relief for homeownership, both housing allowances and social housing are more likely to help vulnerable households achieve a "modicum of economic security,"—per Marshall's definition—during "circumstances which adversely affect welfare"—per the OECD. Tax relief for homeownership is notably absent in the OECD's classification of social expenditure because the OECD does not consider such tax relief to have a social dimension (OECD 2019). In fact, across the seventy-one tax relief measures analyzed by the OECD, fifty-nine are not bound by an upper limit in taxable income, which means that even the highest income earners can benefit from these forms of tax relief. This is not to say that all instances of tax relief for homeowners benefits high income households. Some tax relief programs do have income limits. Others have limits on the price of the dwelling or are designed specifically for young people or first-time buyers who tend to have fewer economic resources. On balance, however, tax relief for homeowners is considered a regressive policy.

Not all housing policies need to be, or should be, directed exclusively to the mitigation of risks associated with poverty or housing insecurity. This is true in all policy areas but is especially true for housing since owning a dwelling can often serve as a store of wealth for households. Housing is also an important driver of economic growth, and activities related to housing employ substantial segments of the population in sectors such as construction, finance, insurance, and real estate. Put simply, there are good reasons to incentivize homeownership and to create competitive rental markets. The fiscal policies described above nonetheless have downstream effects at lower points of the income distribution. This is especially the case given current levels of wealth inequality.

Across Europe, it is not uncommon for wealth inequality to be double that of income inequality, or more. According to

OECD estimates, and to use one common measure, in Greece (a country with comparatively low levels of wealth inequality) the top ten percent of the income distribution holds 25 percent of the income, whereas the top ten percent of the wealth distribution holds 42 percent of the wealth.[7] In the Netherlands, the top ten percent of the income distribution holds 23 percent of the income, whereas the top ten percent of the wealth distribution holds 68 percent of the wealth. The Dutch are not alone when it comes to high wealth inequality: the top ten percent holds more than 50 percent of the wealth in countries spanning different types of welfare systems, from Norway and Denmark to the UK and Ireland, to Austria and Germany. In other words, in these countries the top wealth holders have wealth that is five times greater than their population share.

A significant amount of this wealth is either housing wealth, such as that acquired through the equity enabled by homeownership, or housing-driven wealth, such as that obtained through income streams stemming from the buy-to-let market or other real-estate investments. Both dynamics lead to the politicization of housing. Those who own housing or housing-related investment(s) in the owner-occupied or rental markets often benefit from increased house prices or increased rents. Those in the rental market do not. When housing costs do increase, especially when they increase faster than wages, it creates greater precarity for the lower end of the income distribution and a greater need for government intervention if one considers housing an enforceable social right. Thus, one fruitful conversation to have at the societal level concerns the precise nature of a right to housing: should a right to housing be a right based on citizenship or a right based on wealth and income? Whose right? Why? And just how much housing security is needed to meet basic needs or to live the life of a civilized being? The answers to these questions are politically contested and vary based on national histories and trajectories—but the conversation is worth having.

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[1] To be clear, in this article this is a question of “whether” rather than a question of “should.”

[2] Data pertaining to the next three paragraphs are available in the OECD Affordable Housing Database: HC1.2 Housing costs over income and HM1.3 Housing tenures. Available at: http://oe.cd/ahd

[3] OECD Affordable Housing Database: HC1.3 Ability of households to keep the dwelling warm. Available at: http://oe.cd/ahd

[4] Increases in Austria, Denmark, Ireland, Italy, Latvia, the Netherlands, and Slovenia, with decreases seen in Finland, Norway, Poland, and Sweden. OECD Affordable Housing Database: HC3.1 Homeless population estimates. Available at: http://oe.cd/ahd

[5] OECD Affordable Housing Database: PH4.2 Social rental housing stock. Available at: http://oe.cd/ahd

[6] OECD Affordable Housing Database: PH3.1 Public spending on housing allowances and PH2.2 Tax relief for home ownership. Available at: http://oe.cd/ahd

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