Housing and poverty in Europe:

Examining the interconnections in the face of rising house prices

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Executive Summary

- This report presents an overview of findings from a two-year research study examining the relationship between housing and poverty in a comparative European context. Debates about housing, poverty, and social policy more broadly have taken place in 'disjointed literatures' for many years and a starting point for the project that led to this report was the belief that these debates have operated at too great a remove for too long.
- Ours was a comparative, quantitative study and consisted of analysis of data from the European Statistics on Income and Living Conditions (SILC) survey between 2004 and 2018, the final year that we have data for the United Kingdom.
- Our project had four research questions. These were:
  - How, if at all, have European housing systems changed over the last 10 years?
  - What is the association between housing deprivation and poverty, and how does this vary between countries and over time?
  - What is the relationship between housing costs and poverty, and how does this vary between countries and over time?
  - To what extent does independence for young people vary between countries and over time, and how does this relate to their incidence of poverty?
- Following the Global Financial Crisis, house prices evolved in different directions in different parts of Europe – falling in the Anglophone nations and in Southern and Central and Eastern Europe, and rising in Scandinavia and in much of Continental Europe. However, since about 2013, we have observed consistent house price rises in all parts of Europe.
- European housing systems have undergone significant change in the period between 2004 and 2018. Homeownership has declined, including – sometimes especially – for low-income households. Young people have started to leave the family home later than before and are less likely to become homeowners when they do live independently. In a relatively short observation window of less than 15 years, these are significant developments.
- Housing deprivation varies significantly across the nations of Europe and is heavily concentrated in some of the poorer nations of Central and Eastern Europe and in some nations in Southern Europe. In each welfare regime, renters experience greater rates of housing deprivation than owners, but differences between richer and poorer countries continue to dominate. This picture is also observed with respect to poor and non-poor households, too: poor households face an elevated risk of housing deprivation everywhere, but non-poor households in Central and Eastern Europe face greater levels of severe housing deprivation than poor households in the UK and Ireland.
- The extent of housing affordability problems also varies significantly across the nations of Europe, though between-country differences are less obviously related to levels of wealth or explained by welfare regime classifications. Within countries, housing affordability problems are often, but not always, more prevalent for market renters than mortgaged homeowners. Considering change over time, our research finds that, controlling for a variety of compositional characteristics, the position of market-rate renters vis-à-vis mortgaged homeowners in relation to housing affordability has deteriorated between 2010 and 2018 across most European nations.
- Our research has three implications for research and two for policy. In terms of implications for research, the strength of our findings in relation to levels of wealth and some housing outcomes – especially, housing deprivation – leads us to believe that the significance of economic, as opposed to political, explanations in accounting for between-country differences needs to be re-evaluated within comparative study. Second, the relative consistency with which we observe tenure-related differences in housing outcomes – across measures and countries, leads us to conclude that some of the claims made in relation to its non-comparability between countries are exaggerated. Third, there is a need to improve the quality of data in SILC in relation to its housing variables. It is also vital that the UK, which has not participated in SILC since 2018, re-joins this survey.

- In relation to implications for policy, first, we find that the severe housing deprivation measure is made up of two very different sub-components – deprivation in housing conditions and overcrowding – which are not highly correlated and respond to different drivers. This leads us to believe that it would be preferable for Eurostat to monitor these subcomponents separately. Overcrowding has been reduced to negligible levels in some nations, while the deprivation of housing conditions seldom falls below 10%, suggesting it has a higher "lower bound". This in turn suggests that significant reductions in severe housing deprivation are likely to come via the overcrowding rate. Since this appears strongly related to absolute differences in wealth, it appears that economic growth – assuming this is translated into a growth in household incomes – would lead ultimately to a significant reduction in housing quality problems, as captured by the severe housing deprivation measure.
- Our second policy recommendation concerns the growing significance of housing tenure for housing affordability. We have found evidence that the relative position of market-rate tenants has deteriorated relative to mortgaged homeowners in the period between 2010 and 2018, after controlling for a series of compositional variables. One reason this matters is that households renting their housing at market rate are disproportionately likely to be poor. This speaks to the need to take housing tenure more seriously as a stratification marker in European societies and of the need to ensure housing policy does not significantly favour owner-occupiers at the expense of renters. This points to a number of possible policy options, the effectiveness of which might depend on the particular country or even city context, and might include policies targeted at the private rental sector, the reduced rental sector or homeownership. Since supply shortages will tend to result in higher prices or rents, it also underscores the importance of a well-functioning housing market where such shortages are avoided.

Introduction: From 'Disjointed Literatures' to the Turn Towards Housing

The significance of housing in terms of the experience of poverty and deprivation is both multi-faceted and self-evident. Shelter is one of our core human needs, without which life itself is threatened – being adequately housed is thus intrinsically important and the absence of adequate housing can be considered a fundamental deprivation. But housing is also instrumentally important: high housing costs can prevent families from meeting their non-housing needs and can push them into poverty.

Despite these important interconnections, debates about housing, poverty, and social policy more broadly have taken place in 'disjointed literatures' for many years (Stephens and van Steen, 2011) – at separate conferences organised by distinct learned societies and published in the pages of different academic journals. A starting point for the project that led to this report was the belief that these debates have operated at too great a remove for too long.

This separation became more problematic following the Global Financial Crisis of 2007-8, where developments in the property market of the United States – in particular, the securitisation of mortgage finance and extension of "sub-prime" lending – precipitated an international economic crisis. The Eurozone crisis that began in 2010, which can be seen as the second act of the Global Financial Crisis, led to Greece, Ireland, Portugal and Cyprus requiring external assistance from the EC/ECB/IMF "Troika", which demanded the imposition of austerity in exchange for ongoing finance. The scale of the shocks, and the speed at which countries rebounded from them, varied significantly across Europe. Central banks sought to stimulate national economies through a combination of quantitative easing and ultra-low interest rates, both of which boosted asset prices, including house prices. By the onset of the next great crisis, the Coronavirus pandemic, there were substantial concerns about the affordability of housing in many nations.

After a long period of debate taking place in disjointed literatures, things are, perhaps, beginning to change, and a series of recent studies suggest a turn towards housing within social policy and amongst scholars of poverty. In a study of housing and poverty in Australia, Peter Saunders (2017) calls for greater attention to the distributional and social consequences of rising housing costs. Measuring poverty after housing costs (AHC), he finds, leads one to observe to a greater rise in poverty and inequality in the pre-Global Financial Crisis years and a smaller reduction in the period since the crisis than are observed if poverty is measured on a before housing costs (BHC) basis. Alcántara and Vogel (2021), more recently, examine the impact of changes in housing costs on poverty amongst older people in Germany over the period 1996-2016 and find that rising housing costs are contributing to increasing poverty risks.

The growing salience of inequality and, relatedly, wealth has resulted in newfound attention to housing as a – often *the* – central component of private household wealth. A recent special issue on social policy and wealth (Marx and Nolan, 2021) included contributions examining evolving inequalities in housing wealth amongst young people in the decade since the financial crisis (Dewilde and Flynn, 2021) as well as the political consequences of housing unaffordability (Ansell and Cansunar, 2021). In the Comparative Political Economy literature, a recent account of twenty-first century "growth regimes" emphasises the significance of housing market financialisation for national growth strategies (Hassel and Palier, 2021; Reisenbichler, 2021). Having once been peripheral to scholarship on contemporary capitalism, welfare states and living standards, we are perhaps witnessing the beginnings of a turn towards housing.

This report represents the culmination of a two-year research project funded by the Economic and Social Research Council. In order to build bridges between these disjointed literatures, ours has been an interdisciplinary project, conducted by two researchers of poverty who have found themselves turning to developments in field of housing to make sense of those in relation to poverty in recent years (Hick and Pomati) and a housing studies scholar who has a longstanding interest in its links with poverty (Stephens). As we outline in the next section, our study is a quantitative comparative analysis of key aspects of this relationship, drawing on a major Europe-wide dataset for the period 2004-2018.

In this final project report, we (i) present an overview of some of the themes we believe are fundamental to any interdisciplinary, comparative study of housing and poverty; (ii) outline the aims and objectives of the project and its research questions, (iii) present descriptive data of how housing systems in Europe are changing, (iv) provide an overview and summarise key findings from more detailed work conducted as part of the project that we anticipate will be published in a series of academic journal articles, and (v) outline a series of recommendations.

How Housing Matters: Literatures and Key Debates

In setting the scene, we introduce six themes which relate to the study of housing and poverty. First, we explain why we think comparative research can add value to understanding the relationship between housing and poverty ("the possibilities and limits of comparative research") before discussing some of the key attempts to understand differences between housing systems across countries ("comparative analysis and housing systems"). Subsequently, we examine the contested position of housing tenures as categories of analysis ("on housing tenures").

In the final three sub-sections, we consider how EU enlargement post-2004 and the expansion of comparative datasets present 'new' challenges for analysts ("housing and poverty in an enlarged Europe"), present trends in poverty ("distributions and trends in poverty in Europe") and in house prices in Europe ("Rising house prices in Europe").

The possibilities and limits of the comparative approach

Comparative studies – especially of the large-N variety – do not occupy as prominent a position in the housing studies literature as they do in the comparative welfare state tradition.[1] Indeed, there is a certain scepticism towards large-N quantitative comparative studies in some quarters, often associated with an alleged over-emphasis on housing tenure as an organising concept (e.g. Zhang, 2021: 11-12, see also below). It is important, however, to consider both the advantages as well as the limitations of comparative quantitative analysis.

Two advantages of comparative study are its capacity for verifiability and generalisability. Verifiability matters because it is common in public and political debate to hear claims made about, for example, rising housing costs and how these are tipping families into poverty, or that the financialisation of housing is associated with deteriorating housing affordability. The quantitative comparative approach is well-placed to assess if these claims are true and it can thus offer an evidence-based counterpoint to accounts that are solely reliant on theory or received wisdom. Generalisability matters because such claims are sometimes made in a general sense (i.e. that they are occurring everywhere) or, conversely, are made in respect of the supposed distinctiveness of one nation (e.g. that the German housing system differs very substantially from that of other nations). The large-N comparative approach can thus help to examine whether patterns observed in one nation are unique, rare, common or universal. For example, there has been a substantial critical literature published in recent years on the commodification and financialisation of housing, and it is often claimed that these processes lead to a deterioration in housing affordability. However, empirical evidence that these processes are a) occurring, b) are associated with a predictable set of housing outcomes and that c) this is occurring in a generalised – that is, broad based – fashion are in shorter supply than they might be. Comparative analyses have significant potential to enrich the evidence base and to shed light on these questions.

There are, however, also limitations. One practical obstacle – not unique to comparative study, but a problem nonetheless – is that the housing outcomes we might legitimately be interested in are plural, contested, and interact with one another in ways that are often underexamined. While the reduction in poverty attributable to taxes and transfers has been suggested to be 'arguably the single most relevant measure of welfare state redistribution' (Esping-Andersen and Myles, 2011: 21), the possible housing outcomes of interest can be much more variable, relating to housing affordability, dwelling conditions, overcrowding, housing aspirations, and more. A lack of agreement about the relevant dependent variables can frustrate agreement about the patterns of change and the dynamics that explain it.

A related limitation is that some important housing variables are not well-measured in key datasets. A particular problem is that housing tenure – an important variable for any comparative study of housing – is not well-measured in a key European dataset, the Statistics on Income and Living Conditions survey (SILC). The benefits of the comparative quantitative approach can be frustrated by these issues, especially when, as in the case of the latter, the problem is beyond the control of any analyst. What is required, then, is working both with what we have to enrich the evidence base while also seeking improvements in data collection in key resources such as SILC.

On welfare regimes and housing systems

The clearest point of correspondence between comparative housing studies and the field of social policy comes in terms of the literature on welfare regimes and housing systems. Esping-Andersen's (1990) identification of Liberal,

1. There are of course important and recent exceptions – for example, Angel (2021); Dewilde (2021).

Continental and Social Democratic welfare regimes in the countries of Western Europe has had a deep and enduring influence on the comparative welfare state literature. Esping-Andersen's work was based on an analysis of quantitative data for 18 nations and came under challenge from a variety of quarters – in relation to country-classifications, extensions to new nations, coherence, and more. The use of welfare regimes as an analytic device in comparative European social policy as well as in poverty scholarship more generally remains commonplace and recent accounts continue to point to the validity of this classification in terms of predicting the redistributive performance of welfare states (e.g. van Kersbergen and Vis, 2014).

In the field of housing studies, Jim Kemeny (1995) offered an account of housing system differences which, he claimed, emerged from differences between their rental systems. In some nations, government allowed a profit rental market to develop 'unhindered' (1995: 18). But since the private market was unable to meet families' housing needs on a mass basis, this forced governments to intervene to provide limited cost renting housing, which would not compete with for-profit housing. This ameliorated unmet housing need for some, but resulted in unsatisfactory housing conditions for many in the for-profit market. The result was a 'dualist' rental system which, significantly, shaped household preferences towards owner-occupation. In other nations, the government invested in and encouraged cost rental housing with the aim of competing with the private rental market. This competition helped to raise floors in relation to housing quality and moderate housing costs for renters. Eventually, and in its purest form, a unitary rental market would be formed, where (free) market forces did not predominate. In this model the greater desirability of renting meant that policy did not shape preferences towards owner-occupation in the same way, but instead remained tenure-neutral. The dualist rental system was identified as comprising mostly English-speaking countries and the unitary rental system consisting of Sweden, the Netherlands, Germany, Switzerland, Austria and Denmark (Kemeny, 1995: 56-58). While their underlying logics differ, there is an overlap between the nations of the Liberal welfare regime and dualist rental systems and unitary rental systems and Continental and Social Democratic welfare regimes. In contrast with the work of Esping-Andersen, Kemeny's classification is less clearly-defined: nations are said to be "*moving towards* a unitary rental market (1995: 58; emphasis added), rather than being classified unambiguously in this way.

In contrast to Esping-Andersen's welfare regimes, Kemeny's housing systems have fared rather differently. In one sense, their basis was never so secure: Kemeny's work classified only eight countries and did so on a more descriptive basis than Esping-Andersen's quantitative classification. Moreover, there are a number of weaknesses to Kemeny's thesis. One is that although rental systems might accurately be described as being 'dualist' or 'unitary/ integrated', it does not follow that the entire housing system is defined by these relationships. This is the case in the US where interventions other than public housing are more significant (Blessing, 2016); and in the UK where in the second half of the 20th century the key division was between social renting and home-ownership (Stephens, 2020). Further, the schema is really limited to explaining the development of housing systems in countries that did opt to build subsidised housing on scale in response to general shortages and attempts to extend it outside this relatively small group of countries appears incongruous, because, again, whether a (usually) dualist rental market exists does not necessarily define the housing system as a whole. This is particularly the case in relation to the nations of Central and Eastern Europe, where rates of outright ownership are very high, which jars with the idea that national housing systems are defined by the nature of their rental markets.

In empirical analyses, some measure of the balance between tenures is often chosen to capture differences between housing systems in comparative housing studies. However, the issues we have discussed above and the sheer diversity of tenure types that we demonstrate empirically below, leads us to rely on welfare regimes to cluster countries in the empirical work we present.

On housing tenures

Housing tenure is frequently treated as being a – perhaps *the* – central variable in housing studies, but it is ambiguous in terms of interpretation – theoretically, normatively and empirically. It is recognised that tenure categories, such as owner occupation", "social rented", etc, do not capture narrowly defined and unambiguous categories that hold meaning at all times and places. Tenure categories thus contain *contingent qualities*, which can vary over time and space. These include its legal basis which is specific to the jurisdiction in which it is located, its financial qualities (such as its liquidity as an asset) and its cultural symbolism (for example, cultural preferences for home-ownership) (Stephens, 2020). Tenure is by no means the only relevant variable in housing studies, but as Barlow and Duncan (1988: 229, emphasis in original) observed, "[i]n substantive terms – that is in defining social relations of occupancy and ownership – tenure can be important and *should* be expected to have certain social and political effects".

It is worth pausing to consider what the contingency of tenure means for its use as a variable in comparative study. Zhang (2021), for instance, suggests that the contingency of housing tenure means that owner-renter distinctions should be abandoned in cross-national work. Indeed, resistance to tenure as an organising concept may inform dissatisfaction

with the comparative method altogether, since this tends to rely on it – at both the country level, to account for differences in, say, rental systems or housing system commodification or, at the micro-level, focussing on outcomes between households living in dwellings occupied on the basis of different tenure arrangements.

It is worth, on this question, considering the demands imposed by the comparative method. It is sometimes suggested – against the prospects for comparative housing research – that, for instance, renting in Germany comes with a fundamentally different set of rights and obligations than in the UK and that, therefore, analyses based on tenures might essentially be non-comparable. We would stress at this point a distinction between *contingency* and *non-comparability*. It can be acknowledged that the specific bundle of rights and obligations associated with tenure types may vary over time and place – that is, that they are contingent. But acknowledging this contingency does not imply that these categories are non-comparable. Indeed, for some questions – for example, have rents been rising for market-rate tenants to a greater extent than wages across Europe? – there is value in examining differences between different institutional contexts to see whether patterns of outcomes are broad-based (that is, generalised). In short, we are not persuaded that differences in the substantive meaning of housing tenure render comparative analysis redundant though, of course, tenure differences will inevitably provide a high-level and partial account of housing (system) differences between and within countries.

Housing and poverty in an enlarged Europe

One of the most significant developments since the earlier generation of comparative studies of Esping-Andersen (1990) and Kemeny (1995) has been the expansion of the European Union to 28 Member States (prior to the UK's departure) and, relatedly, improvements in data quality which mean that comparative datasets such as the Statistics on Income and Living Conditions survey (SILC) now includes a greater number of countries than were considered in these early comparative accounts. The result is that we have more data on which to draw comparisons and test hypotheses, but there are also new challenges since country welfare regime and housing system classifications were constructed to make sense of differences between a smaller number of more similar nations. Important debates have taken places in both the comparative welfare state and housing studies literatures about the extent to which the logics underpinning these county-clusters can accommodate a wider range of nations, with lower levels of economic development.

The literature on poverty has also paid particular attention to the consequences of EU enlargement for the analysis of poverty. Fahey (2007: 35), for example, notes that:

> 'Following the recent eastern enlargement of the EU, the gap in living standards between the richest and poorest Member States has greatly widened, so much so that what is defined as the poverty threshold in the richest Member States would count as an above average income in the poorest Member States, and the 'poor' in some states have higher living standards than the well-off in other states.'

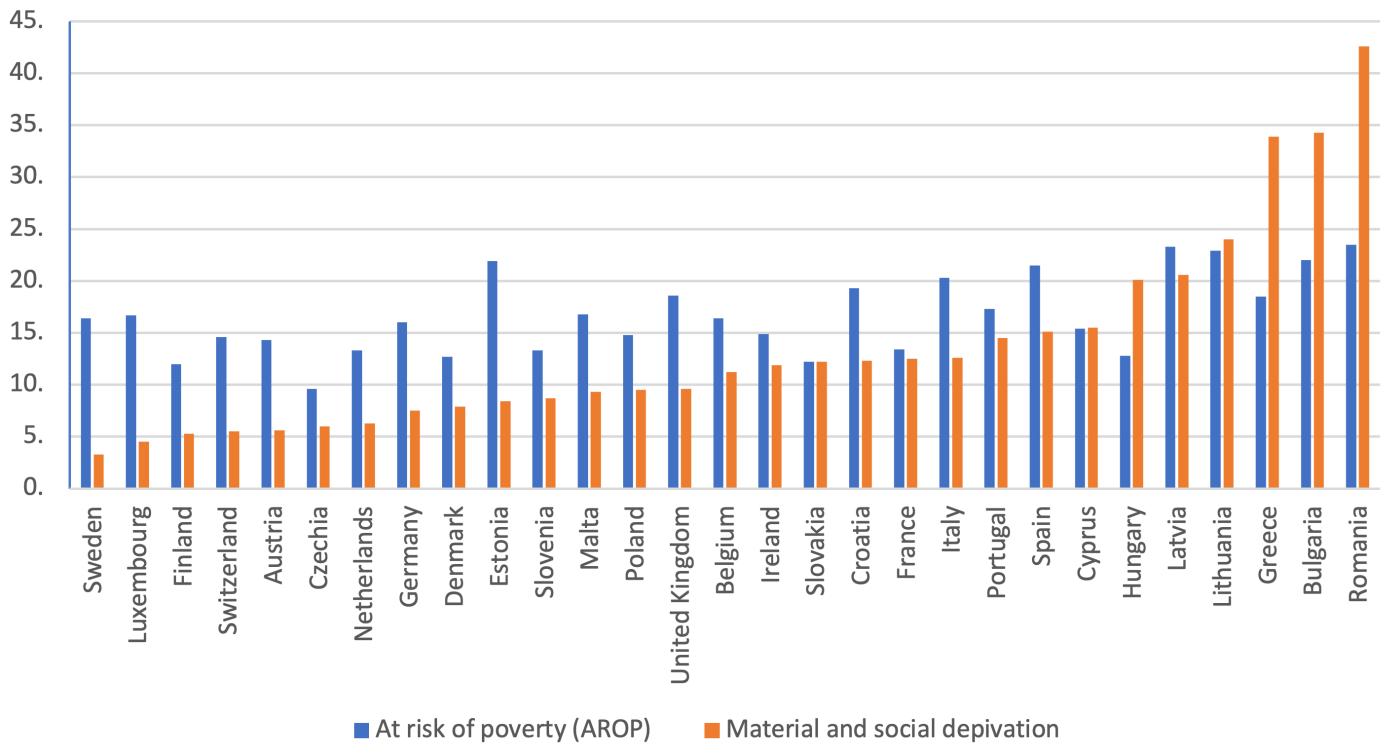
This has led to a debate about whether poverty needs to be measured in a 'less relative' way so as to reflect these wide differences in living standards. One way that this has been done is to measure poverty as the enforced lack of a fixed set of material and social deprivation items. This measure is now included, along with the relative income ('at risk of poverty') target and a measure of quasi-joblessness, as one of the three official poverty measures of the European Union (see Copeland and Daly, 2012, for a discussion, and Nolan and Whelan, 2011, for a critique).

Less commented-upon in relation to welfare regime or housing system classifications is whether the explanatory basis of welfare outcomes is altered by the inclusion of a wider number of nations at lower levels of economic development. Underpinning both Esping-Andersen's and Kemeny's frameworks was the idea that institutional differences were fundamentally political in orientation, reflecting differing policy logics (and their causes). We have noted above that these regime differences are viewed as having predictive power in relation to social outcomes, such as poverty – at least in the case of the welfare regime literature. Modernisation theory – here, the idea that improving social outcomes might be dependent on economic modernisation and development – has largely been cast aside. But even *The Spirit Level*, an account of the importance of economic inequality in explaining health and social outcomes, and which argued that 'economic growth, for so long the great engine of progress, has, in the rich countries, largely finished its work', suggested that this was only the case once GDP per capita rose above about $25,000 (Wilkinson and Pickett, 2010: 5-9). In their own data, that threshold divided Central and Eastern Europe on the one hand, and Northern and Western European nations rather neatly, with only the nations of Southern Europe positioned across this line. And yet, the question of whether growth in household incomes is required, at least in Central and Eastern Europe, has not received the attention that it deserves. That is, enlargement calls into question the conclusion that outcome differences are explained primarily by political, as opposed to economic, factors and warrants further empirical work.

Distributions and trends in poverty in Europe

Examining the at risk of poverty measure and the material deprivation measure of poverty, respectively, we can see that these suggest very different patterns of poverty across Europe – and also display different trends over time. Figure 1 presents rates incidence of poverty in Europe on the at risk of poverty measure (AROP) and the material and social deprivation rate, with countries ordered in terms of their performance on the latter. As is widely known, incidence of material deprivation varies much more widely than does the relative income poverty rate and is more concentrated in the poorer nations of Central and Eastern Europe (though, notably, to a lesser extent than was the case some years ago). In contrast, incidence of the at risk of poverty measure varies less widely and is less obviously patterned by geography. It is this measure that we focus on in the empirical work we present below.

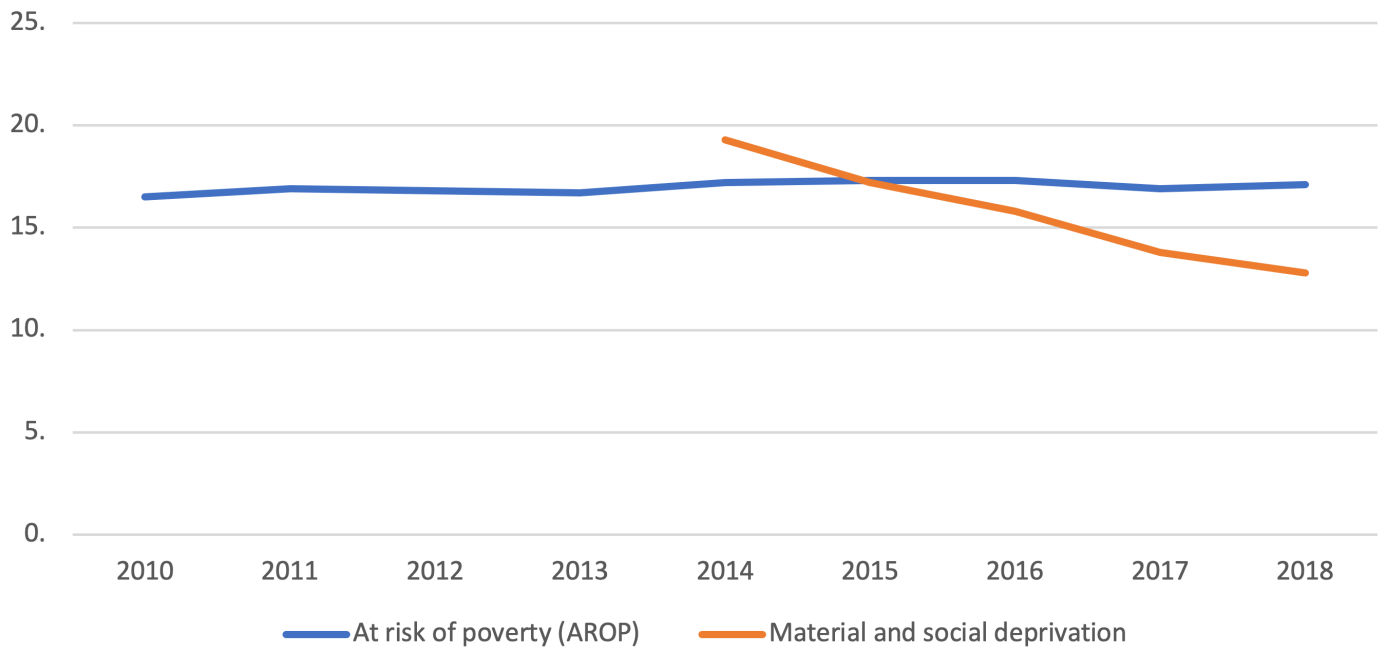
Figure 1. Poverty rates in European nations on two measures, 2018



Source: *Eurostat. AROP refers to the at-risk-of-poverty rate, the proportion of the population whose equivalised, disposable income falls below 60 per cent of the national median. Material and social deprivation refers to the proportion of the population unable to afford five out of thirteen deprivation items.*

Figure 2 examines the same two measures, this time presenting aggregate trends over time. While the at risk of poverty rate displays "disappointing poverty trends" (Cantillon, 2011) – here, increasing by 0.5ppts between 2010 and 2018, the trend for material deprivation is anything but disappointing, falling by one-third across the whole of the EU-28 in just a four-year period between 2014 and 2018. This reflects, in absolute terms, the catch-up of Central and Eastern Europe in terms of living standards, which is also observable in both income and multidimensional perspectives (Goedemé *et al*., 2019; Hick, 2016).

Figure 2. Trends in poverty and material and social deprivation over time, EU-28



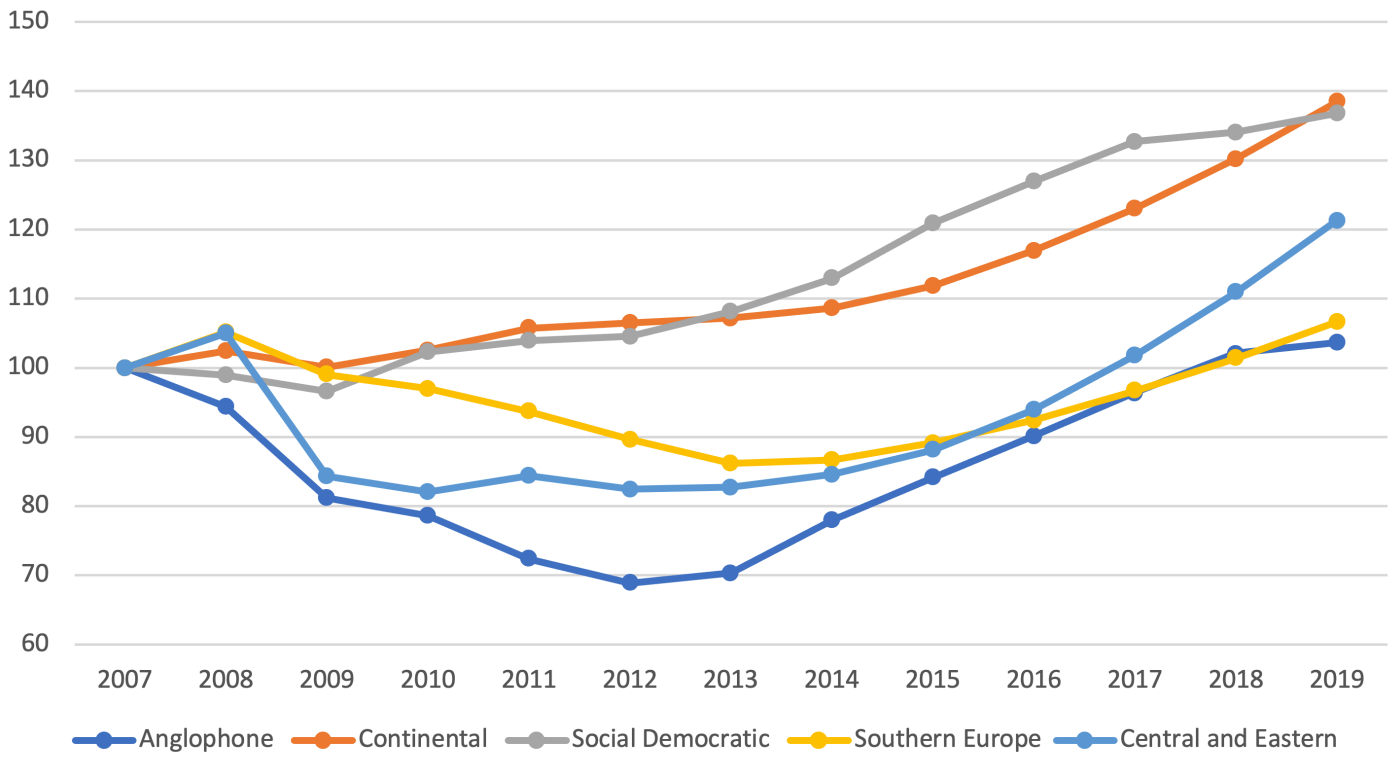
Source: *Eurostat*.

Rising house prices in Europe

Finally, we present data on house prices, which have been the source of much public debate in recent years. Eurostat provide two sets of house price statistics. The first – the house price index[2] – captures changes in house prices for all residential properties and Figure 3 captures the evolution of these prices between 2007 and 2019 for 20 European countries, clustered by welfare regime.[3-4]

We see in Figure 3 that house prices fell significantly between 2007 and 2012 in the Anglophone nations. This fall is primarily driven by dramatic falls in house prices in Ireland; in the United Kingdom, prices also fell, but more modestly. Prices also fall in Southern and in Central and Eastern Europe until about 2013. In contrast, prices rose from 2009 onwards in the Continental and Social Democratic worlds. Thus, house prices evolved in different directions immediately following the financial crisis and Eurozone crisis. Since about 2013, however, we see prices rising consistently across Europe.

Figure 3. Trends in nominal house prices by welfare regime in 20 European countries, 2007-2019



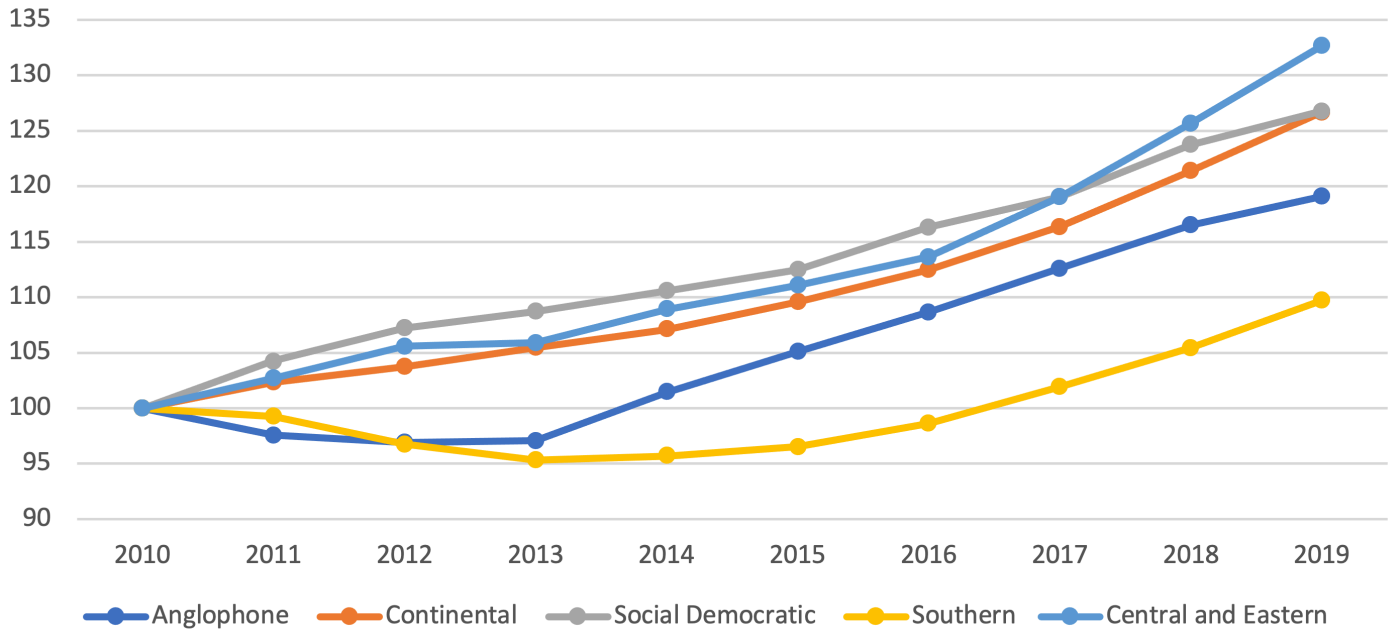
Source: *Eurostat (House price index)*

2. The House Price Index (HPI) measures inflation in the residential property market. The HPI captures price changes of all kinds of residential property purchased by households (flats, detached houses, terraced houses, etc.), both new and existing. Only market prices are considered, self-build dwellings are therefore excluded. The land component of the residential property is included.
3. Data are unweighted cluster averages. No data for Austria, Croatia, Czechia, Greece, Italy, Poland, Portugal and Romania.
4. Throughout the report, countries are clustered into welfare regimes as follows: Anglophone: UK and Ireland; Continental: Austria, Belgium, France, Germany, Luxembourg, the Netherlands; Social Democratic: Denmark, Sweden, Finland; Southern Europe: Cyprus, Italy, Greece, Spain, Malta, Portugal; Central and Eastern Europe: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Romania.

A second index that we are able to analyse is the owner-occupied housing index, also provided by Eurostat. This differs to the data analysed in Figure 3 because (i) it considers properties bought for owner-occupation only, (ii) it considers only *new* dwellings that are made available for residential living, (iii) it includes the cost of some services associated with buying the house – e.g. insurance and repairs and maintenance and (iv) data are provided for a wider range of countries (data is only missing for Greece).

The time period that we have data from this index for is also shorter. The picture here is similar but not identical. The most obvious difference concerns Central and Eastern Europe, where prices are now observed to rise fairly consistently. Reductions in the Anglophone in the years 2010 to 2013 continue to be observed, but are more modest than in the house price index presented above. Consistent house price rises across Europe since about 2013 continue to be observed.

Figure 4. Trends in nominal prices of new owner-occupied dwellings by welfare regime, 2010-2019



Source: *Eurostat (Owner-occupied house price index). Data for Greece are missing.*

From this analysis, we can see that the diversity of experiences during the financial crisis have given way to consistent house price increases across Europe from about 2013. But what is still unclear is how aggregate house price rises translate into affordability problems for households. This relationship is not straight-forward because (i) housing affordability problems are treated as the relationship between housing costs and household incomes, so rising prices may not lead to affordability problems if outstripped by the latter and because (ii) one-off sale prices for new homeowners do not relate to the ongoing housing costs borne by owners and renters.

The Housing and Poverty in Europe Project

Project aims and Research Questions

A central aim for our project has been to contribute towards greater integration between theoretical and substantive themes in housing studies, the study of poverty, and social policy more broadly.

Our research project had four research questions. These were:

- How, if at all, have European housing systems changed over the last 10 years?
- What is the association between housing deprivation and poverty, and how does this vary between countries and over time?
- What is the relationship between housing costs and poverty, and how does this vary between countries and over time?
- To what extent does independence for young people vary between countries and over time, and how does this relate to their incidence of poverty?

Data and methods

This comparative study examines data from the EU Statistics on Income and Living Conditions (SILC) survey for the period 2004 to 2018. SILC is the primary survey for understanding living standards across Europe on a comparative basis and enables us to link information about housing with that on income and living standards more broadly.

We have sought to make the most of the data contained in this survey – so analysis the full set of waves, from 2004 until 2018, the most recent wave that includes data for the United Kingdom. In 2012, the EU-SILC included an ad hoc module on housing conditions, providing more detailed information to that contained in the main survey. We have drawn on this module selectively, where the data contained in this module sheds further light on our primary concerns.

A key issue in any study is to define the unit of analysis. Indeed this presents a greater challenge in our own study because while in the study of poverty the unit of analysis is typically the individual, in housing studies this is usually the household. This means that any study that covers both housing *and* poverty must make an 'unconventional' choice in at least one respect. In this report and in the work conducted as part of this project, we follow the convention in housing studies by reporting findings for *households*. The exception to this rule is in our analysis of independent living amongst young people, where our focus is on *individuals*. We limit our focus to households where the household head is under the age of 60 to limit the influence of between-country variations in the share of older age groups on our results.

The measurement of housing tenure in SILC

A central challenge when working with SILC is that the housing tenure variable – an important variable for any study of housing – is not well-measured in that survey, which frustrates analyses within countries that examine differences by tenure and, between countries, by measures that focus on the balance between tenures (on this question, see also Dewilde, 2015; Stephens, 2016).

Amongst tenants, SILC does not distinguish between private renting and social renting, but rather between renting at 'prevailing or market rate' and renting 'at a reduced rate (lower price than market price' (Eurostat, 2017). This classification is akin to the distinction between 'profit renting' and 'cost renting' that was emphasised by Kemeny (1995: 35) as being more meaningful than whether a tenant was renting from private or public landlords. In SILC, tenants who are renting 'at a reduced rate' include those '(a) renting social housing, (b) renting at a reduced rate from an employer and (c) those in accommodation where the actual rent is fixed by law' (Eurostat, 2017: 172). It thus captures situations where rental costs are supressed through a variety of mechanisms, in both the public and private rental sectors. Tenants who rent 'at prevailing or market rate' include those where such supply-side mechanisms do not apply and includes circumstances where rental costs are paid for (in whole or part) through housing allowances. Thus, demand-side policies to support housing affordability, which may also have the effect of reducing incurred housing costs, do not influence the categorisation of whether a household rents at a market or a reduced rate.

Moreover, and somewhat counter-intuitively, in situations where there is no market rental category – where all rents are restricted in some way and which might be categorised in Kemeny's terms as a unitary rental system – households are categorised as paying the 'prevailing' rent and thus categorised in the 'prevailing or market rent' category. The consequence is that countries such as the Netherlands and Sweden, which have significant public or social housing stock and/or regulation of the for-profit sector, 'almost all rental housing is categorised as being at "market rent"' (Stephens, 2016: 26). It has also been suggested that the proportion of housing identified as being non-market in SILC is lower in some countries than is indicated by national sources (Stephens *et al*., 2010). In response to these issues, Dewilde (2021) re-classifies rental housing as reduced rate

when all rental housing is listed as being at 'prevailing or market rent' and these nations are known to have extensive non-market rental sectors. We adopt that approach here too and this leads us to classify all rental accommodation in the Netherlands, Sweden and Denmark (except that which is rented free) as being reduced-rate housing.

The two categories of ownership, referring to outright and mortgaged homeownership, are more straight-forward. Data distinguishing between outright and mortgaged homeowners exist only in the microdata file for all countries from 2011 (and for most countries from 2010). This shortens the observation window for analyses that make use of this distinction. The fifth, rather ambiguous category, captures circumstances where accommodation is provided rent free by a private source (such as a parent) or by an employer, but where they do not hold a title deed. It does not play an important role in our analysis.

In summary, the way that this key variable is collected in SILC is not unproblematic and poses challenges to analysis. These must be borne in mind in terms of the interpretation of some of the data and is clearly an area warranting further scrutiny in terms of data collection, as we discuss in the concluding section.

Our treatment of housing costs

In many analyses, measures of housing cost burdens or after housing cost (AHC) measures of poverty do not include mortgage principal payments within the measurement of housing costs on the grounds that mortgage principal payments represent investments. In one sense, this is true. However, it is undeniable that these costs do reduce households' remaining income for non-housing purposes and that they may lead household members to experience lifestyle deprivation as a result. Moreover, omitting mortgage principal payments leads to an almost inevitable conclusion that renters have higher cost burdens than owners since a significant component of owners' actual costs are overlooked. For these reasons, we include mortgage principal payments in our measure of housing costs to enable better comparison between the ongoing living conditions of mortgage-holders and renters.

ANALYSIS

Part One: Europe's Changing Housing Systems

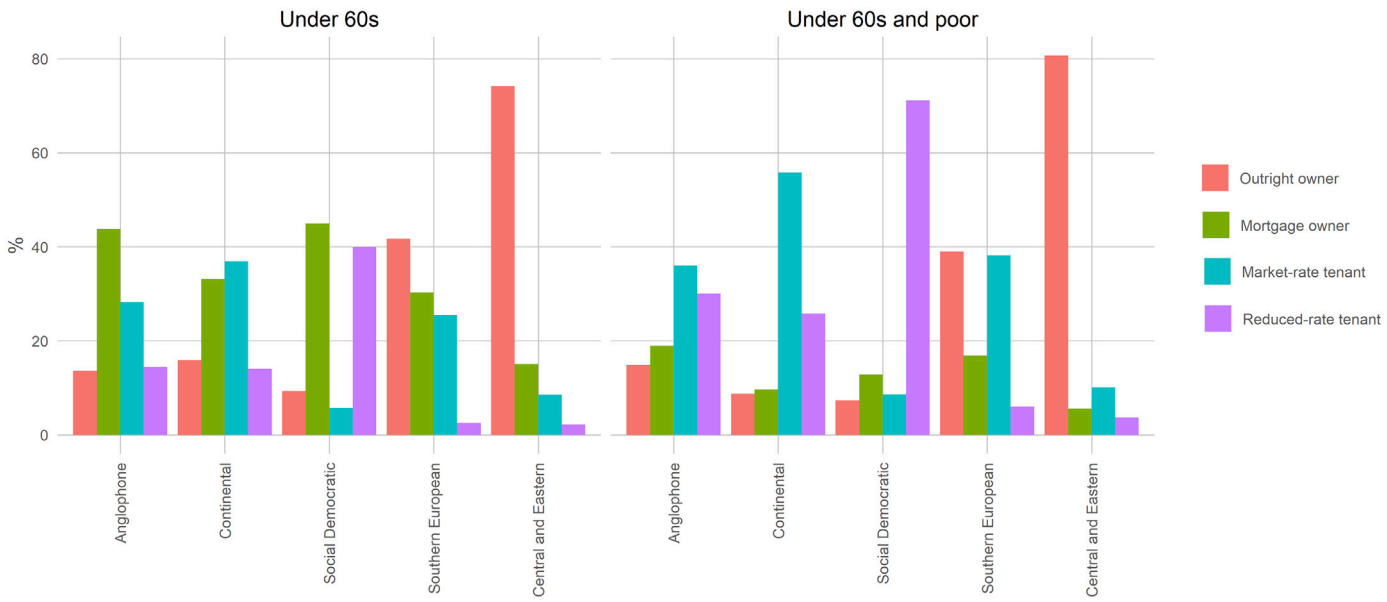
In Part One of our analysis, we examine how housing systems across Europe have changed in the period 2004- 2018. Our analysis is presented in three sub-sections. The first looks at changes in tenure patterns over time.

The second shifts from a focus on the whole-of-society to consider the position of young people in particular, who have been the focus of so much concern in relation to housing (e.g. Eurofound, 2019). Here we examine the extent to which young people establish independent households and how this has changed during this period. In the third we examine changes in housing costs. The aim is that by looking across these three issues, we get a sense of key housing differences across Europe and how these are changing over time.

Before examining how Europe's housing systems have changed over time, we begin by noting how the tenure structure of European housing systems differs across Europe. Figure 5 presents tenure balances by welfare regime for an average of the period 2016-2018. Data are presented in two panels. In the left-hand panel, which captures all households where the household head is under 60, we see that in the Anglophone world, homeownership is more prevalent than renting, with mortgaged homeownership the most common tenure type. The balance between owning and renting is more even in the Continental and Social Democratic worlds. In Southern Europe, outright ownership is the most common tenure type, but around a third of households are owners with mortgages and around a quarter a market-rate renters. The pattern is different still for the Central and Eastern European nations, where outright ownership is much more widespread and other tenure categories, and especially the two rental categories, comparatively marginal. In short, tenure patterns across Europe are highly variable, and attempts to summarise differences between housing systems in terms of tenure balance between, say, owners and renters, are likely to be frustrated by the sheer diversity of experience – at least once Southern European and Central European nations are included.

In the right-hand panel of the figure, we restrict attention on households with a head under the age of 60 and who are living in poverty (BHC). The tenure balances for poor households differ significantly from those of the population as a whole, with much greater emphasis on rented accommodation, and in particular market-rate renting (especially in the Continental and Anglophone worlds). The exception is in Central and Eastern Europe, where outright ownership remains dominant.

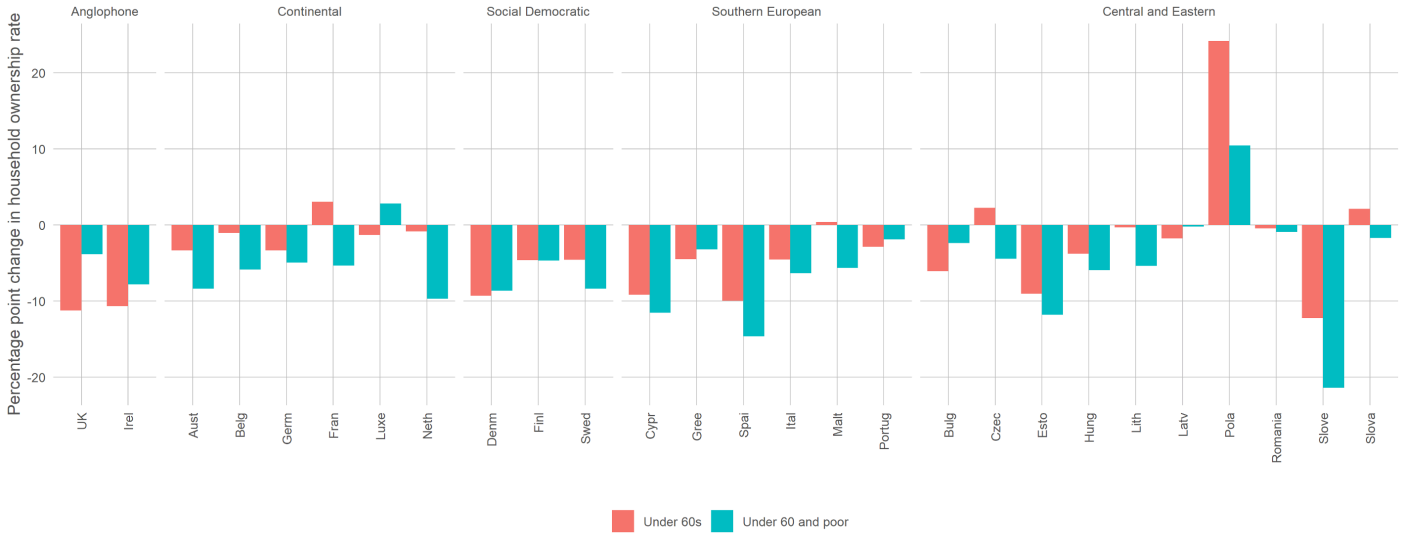
Figure 5. Tenure balances by welfare regime, all households and poor households



Section 1. Trends in homeownership

In Figure 6 below, we show how trends in homeownership have evolved between 2005-2007 and 2016-2018.[5] What is most obviously apparent is that homeownership has fallen almost everywhere (red bars) – only in France, Malta, Czechia, Slovakia and Poland do we see increases, and only in Poland is the increase in homeownership substantial. In the other 23 countries we see declines in homeownership and in some countries – the UK, Ireland, Denmark, Cyprus, Spain, Estonia and Slovenia we see quite substantial declines (of around 10 percentage points). Homeownership rates also fall very consistently for poor households (the only exceptions being Luxembourg and Poland), and the fall by a greater amount in absolute terms than for all households in much of the Continental, Southern European and Central and Eastern European worlds. Even in a relatively short period of time, home ownership is declining in a non-trivial way in many countries.

Figure 6. Change in homeownership rate between 2005-07 and 2016-18, by country and household poverty status



To examine these changes in more depth, we restrict our focus to households where the household head is between 40 and 55: we treat these households as having a 'prime age' household head who, if they are to become homeowners, will have done so by this stage in their lifecourse. We restrict our attention on these households here so that differences in the propensity of young people to leave the family home and form independent households do not drive our understanding of patterns of change.

Figure 7 presents comparisons between changes in differences in the homeownership rate for the richest and poorest income quintiles for prime-aged household heads. These values are expressed as relativities so, for example, values of around 100 per cent in the Anglophone world imply an ownership rate that is approximately twice as great for the richest quintile as it is for the poorest. The values are all positive, consistent with higher homeownership rates for households in the richest quintile than in the poorest, with substantial differences in these relativities in the Continental, Anglophone and Social Democratic worlds and smaller differences in the Southern European and Central and Eastern European nations.

Over the period 2005-2007 to 2016-2018, these relative differences increase everywhere but the Anglophone nations, with sharp increases in the Social Democratic and Continental nations, and more modest increases in Southern and Central and Eastern Europe.

5. Data for Bulgaria, Malta and Romania only commence from 2007, so figures relate to changes between 2007-2009 and 2016-2018 for these nations.

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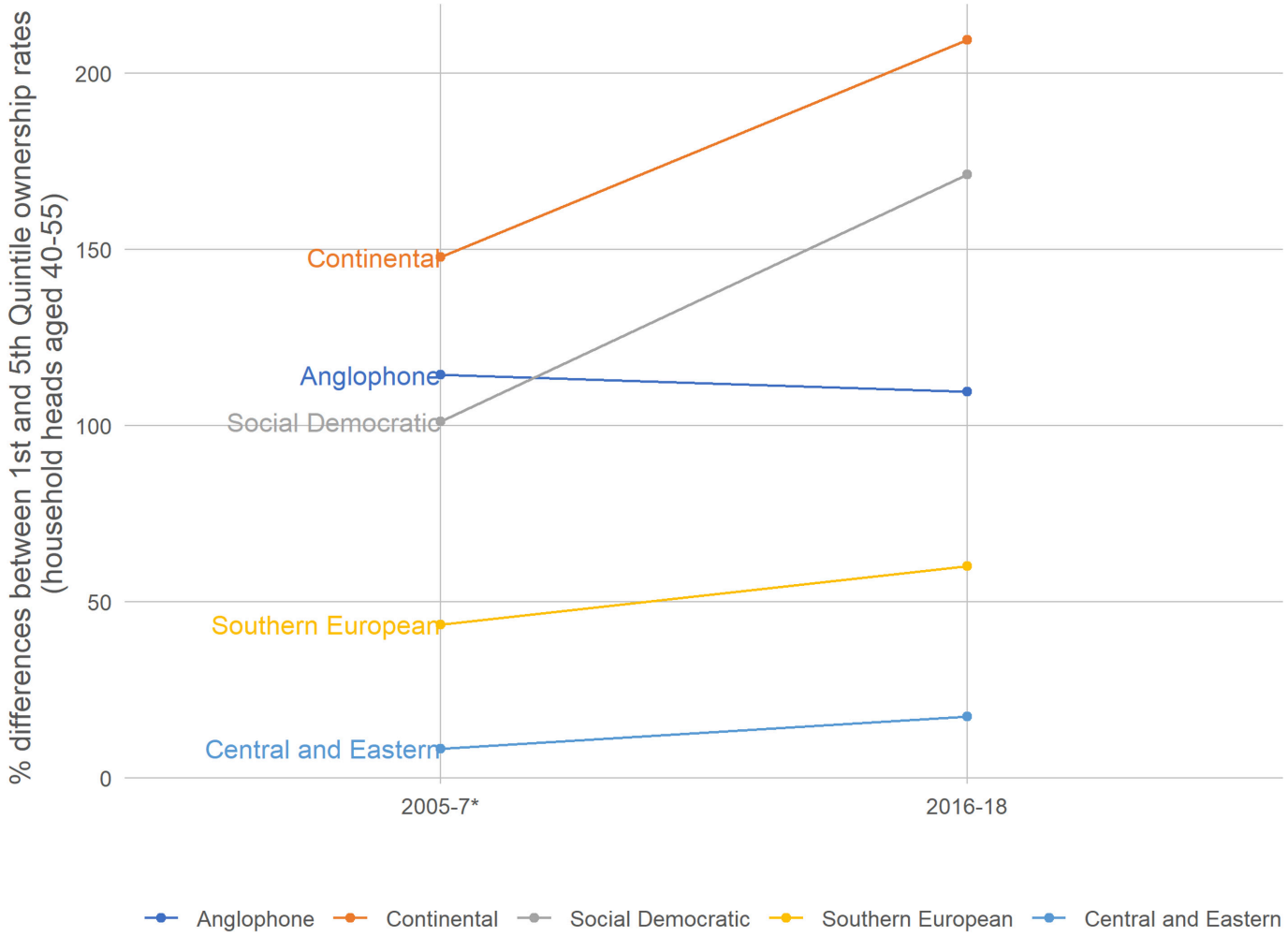
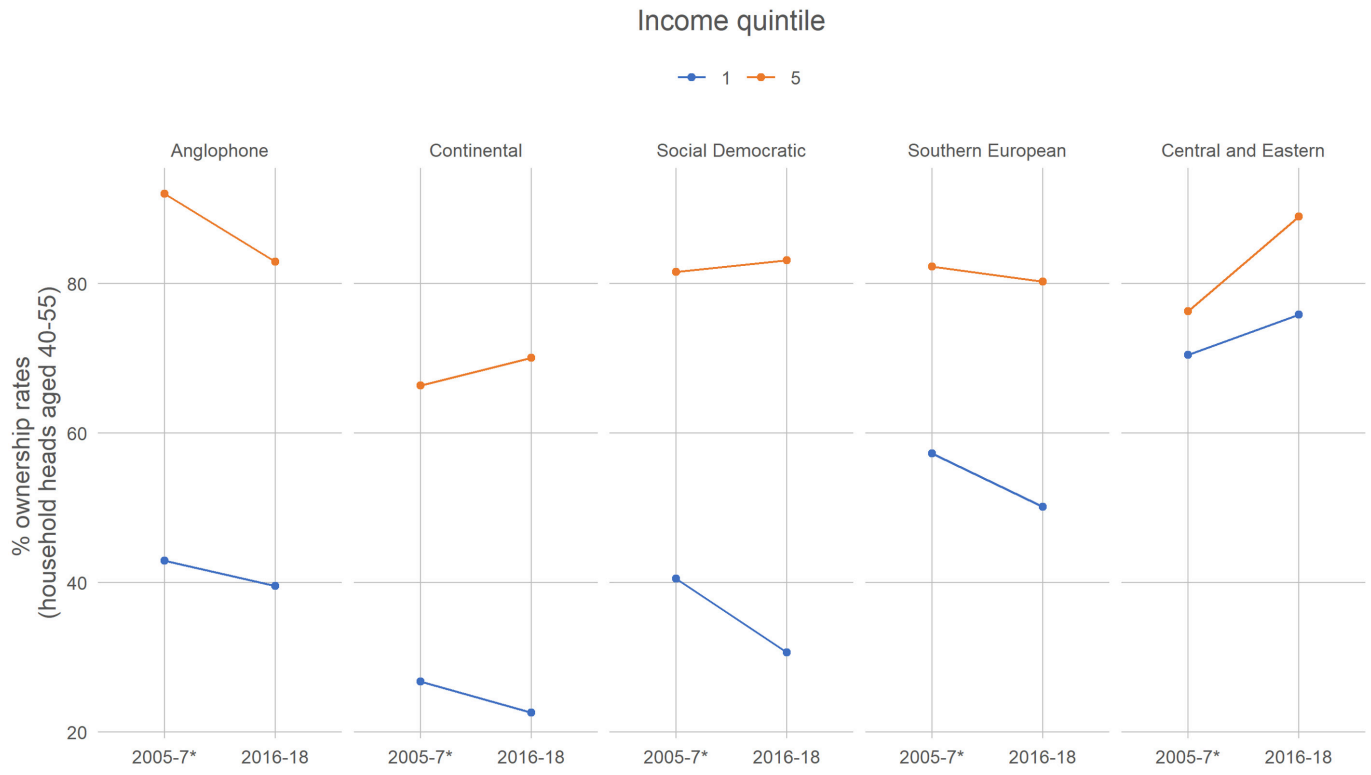
Over the period 2005-2007 to 2016-2018, these relative differences increase everywhere but the Anglophone nations, with sharp increases in the Social Democratic and Continental nations, and more modest increases in Southern and Central and Eastern Europe.

Figure 7. Change in difference in homeownership rate between richest and poorest quintiles between 2005-07 and 2016-18, by welfare regime (prime-aged head only)



We now move from these relativities to show the absolute changes for the richest and poorest quintiles. These are presented in Figure 8. This shows that homeownership has fallen in the poorest quintile in each welfare regime bar Central and Eastern Europe (and even this has reduced if we exclude Poland). Changes for the richest quintiles are less consistent, rising in Central and Eastern Europe (though by a more modest amount if Poland is removed), the Continental and Social Democratic worlds and falling in the Anglophone and Southern European worlds. What we observe across Figures 7 and 8 is that while homeownership has declined, it has also become more concentrated on better-off households.

Figure 8. Changes in homeownership rate amongst households in richest and poorest income quintiles, by welfare regime (prime-aged head only)



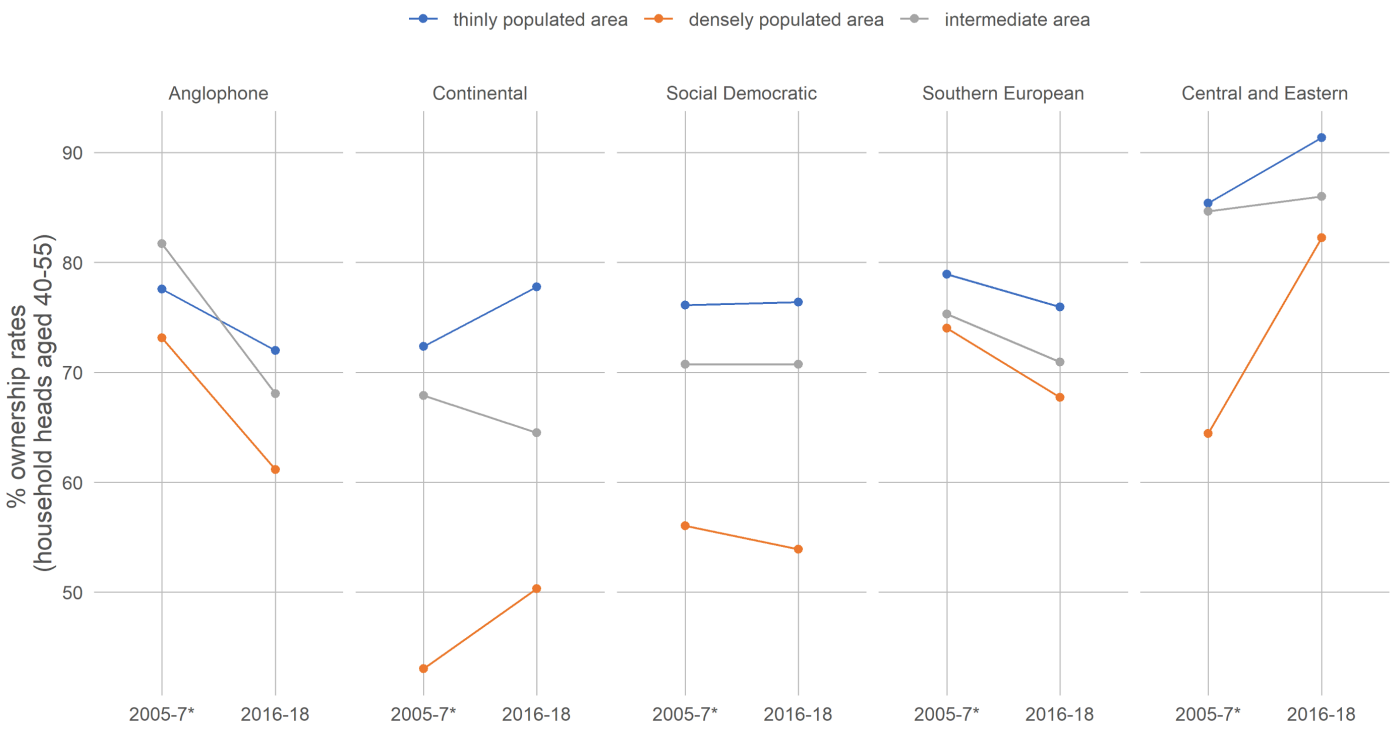
Our final examination in relation to ownership trends is in how they vary between urban and rural areas. A key concern within the extant literature has been that housing affordability problems have been a particular issue in urban centres. In their recent account of welfare state change Iversen and Soskice (2019) suggest that contemporary capitalism requires the co-location of skill clusters, which may lead to greater concentrations of wealth in major urban areas and accentuate urban-rural divides (see also Hegedüs and Horváth, 2015), including in relation to the cost of housing. The Statistics on Income and Living Condition (SILC) survey allows us to distinguish between densely-populated, thinly-populated and intermediate areas and we examine changes in homeownership in these areas over time.

In Figure 9, we do not find evidence of a generalised deterioration in the position of urban households across welfare regimes. Homeownership appears to fall for households with prime-aged heads in urban areas in Southern Europe and the Social Democratic nations, though differences are only substantial in the former.

Homeownership rates rise in urban areas in Continental world and in Central and Eastern Europe, while they fall in the Anglophone world, but only by about as much as in intermediately-populated areas. In short, these data provide little evidence of a generalised concentration of the fall in homeownership in urban areas.

While much of the literature on housing affordability in major cities focusses on globally-important metropolitan centres such as London, Paris, Milan and so forth, the measurement of densely-populated areas in SILC is very much broader. Taking the UK as an example, what constitutes a densely-populated area includes not only London but Cardiff, Cheltenham, Stoke-on-Trent, Bournemouth, Southend-on-Sea and Belfast. It is perhaps not, thus, surprising that this concern that is raised in the theoretical literature is not borne out in our data and our findings – and those of others relying on this data – must be read in light of the limited sensitivity of the data when it comes to identifying respondents in major urban centres.

Figure 9. Changes in homeownership rates between 2005-07 and 2016-18, by level of urbanisation and welfare regime



Overall, this section has shown us that, while ownership levels and trends differ across Europe, falling ownership rates for those on lower incomes is common in many parts of the continent and this has contributed to a concentration of homeownership amongst better-off households in much of Europe.

Section 2. Independence for young people

A particular concern in some of the extant literature concerns the ability of young people to leave the family home and live independently, and the extent to which this has changed in the years following the financial crisis (e.g. Blanchflower, 2019). In this section we restrict our attention to young people between the ages of 20 and 35 and explore whether there have been changes in the timing of their forming independent households.

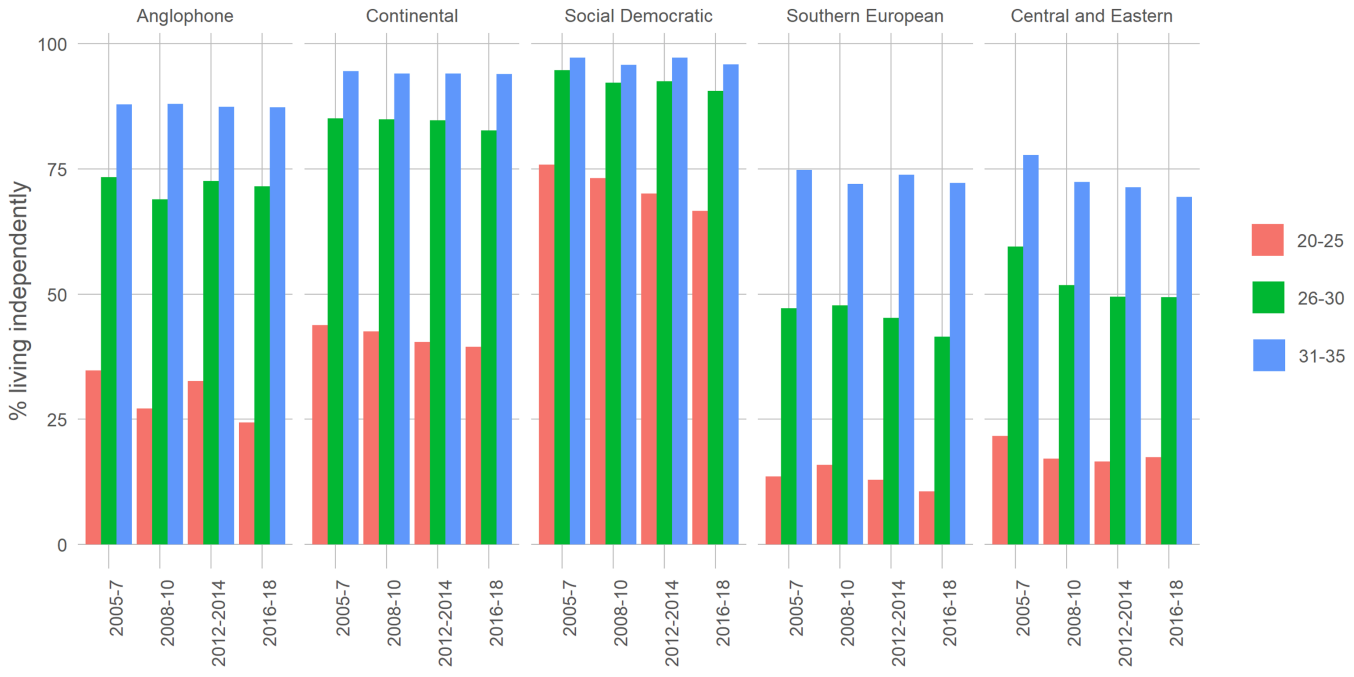
To do this, and to examine how this has changed for young people at different ages, we divide young people into three groups according to age (20 to 25 years of age, then 26 to 30 and finally 31 to 35) and then explore trends before and after the financial crisis by constructing four pooled cross-sectional EU-SILC data points (2005-07, 2008-10, 2012-14 and 2016-18). Using information on household type and the respondents' relationship grid, we define living independently as occurring when a young person is living in a household without their parents, either with a partner or on their own or with any children they themselves have.[6] The analysis in this section only focusses on individuals rather than households.

Independent living amongst young people aged 20-35

There are clear differences in terms of the propensity for young people to live independently across Europe, as we know from previous literature (e.g. Arundel and Ronald, 2016). Young people in the Social Democratic world have high rates of independent living – certainly by the age of 26-30, but with two-thirds to three-quarters living independently even between 20 and 25. A more staggered approach is evident in the Anglophone and Continental worlds with lower and later independent living in the Central and Eastern and in Southern Europe. The probability of living independently increases with age, as we would expect.

If we look at the changes over time in Figure 10, we observe that independent living for young people aged between 20 and 25 falls everywhere, with non-trivial reductions in the Social Democratic and Anglophone nations. There are more marginal reductions in independent living amongst young people aged 26 and 30 in most worlds, and there is even a fall amongst those aged 31 and 35 in Central and Eastern Europe and, to a lesser extent, in Southern Europe. Equivalent figures, which we do not show here, demonstrate that young people have become more likely to be co-resident with their parents over the period we consider here. Thus, independent living for young people aged 20 to 25 falls in each of the worlds in the period in question. Moreover, not only does independence come later in Central and Eastern Europe and in Southern Europe, but delays in independence effect older age groups in these worlds.

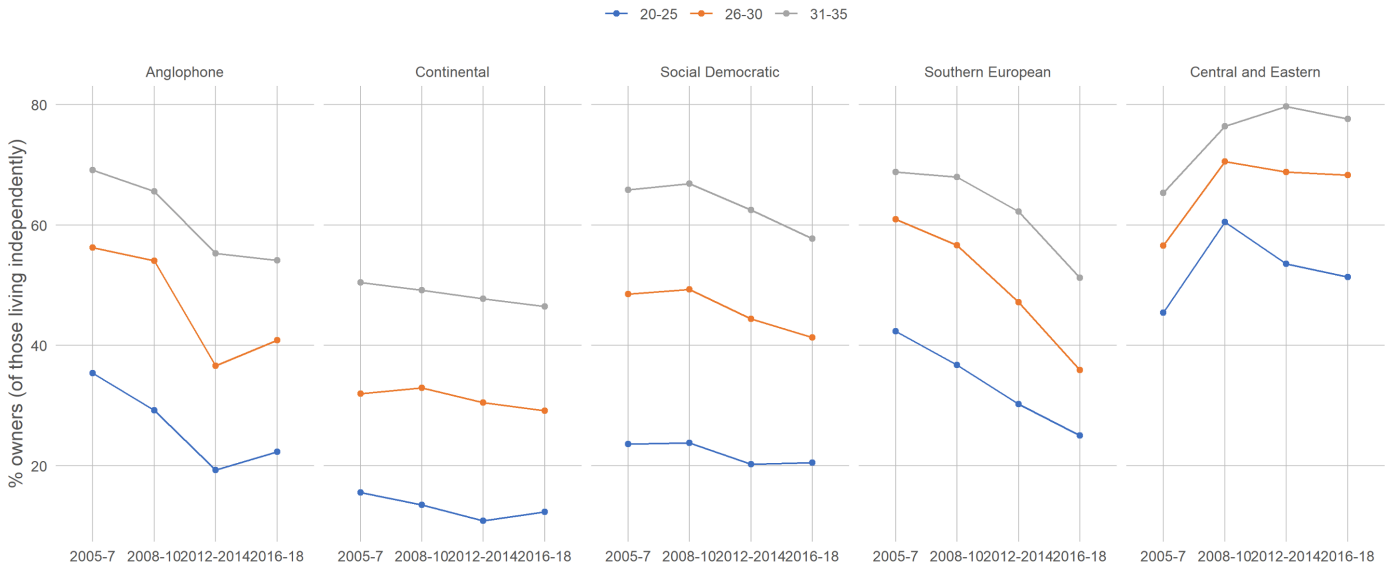
Figure 10. Percentage of young people living independently by age, period and welfare regime



6. For the purposes of this exercise, we do not count shared living – i.e. those living with other adults, identified neither as being a parent or a partner – as living independently. Shared living can represent a variety of circumstances. It would include living with friends but would also capture young people who live with another family member on whom may be dependent, for example, a sibling, grandparent or an aunt or cousins. It would not be possible to identify these broader familial relationships in the data.

We also plot homeownership rates for young people living independently. Here we see a substantial drop in ownership amongst young people – including amongst the older group aged 31-35. This is observed for all regimes bar Central and Eastern Europe. Differences between outright and mortgaged owners continue to play a role here, with outright owners accounting for about half of independent young people in Central and Eastern Europe, around 15% in Southern Europe, and small shares elsewhere (not shown here).

Figure 11. Percentage of independent young people who are homeowners, by age, period and welfare regime



Thus, we see quite different patterns of independent living amongst younger people aged 20 to 35 between welfare regimes. Independent living comes early in the Social Democratic world, with almost two-thirds to three-quarters of young people between 20 and 25 living independently. In the Continental and Anglophone nations, 26 to 30 is the age by which most young people begin to live independently while in Southern Europe and in Central and Eastern Europe, sizeable proportions of young people aged 31 to 35 still do not live independently.

We have observed that the period since the financial crisis has been associated with modest reductions (delays) in independent living. Reductions in independent living for young people aged 20 to 25 are observable everywhere, but delays for older age groups are also observable in those parts of Europe where independence comes later – namely, Southern Europe and Central and Eastern Europe. And, there have been reductions in homeownership amongst those younger people who do live independently, especially in the Anglophone nations and in Southern Europe.

Section 3. Housing costs

In this third section we explore the evolution of housing costs. In contrast to the figures above, which reflect market or sale prices of housing, in this section we explore trends in average housing costs as they are experienced by households.

In Figure 12 we present changes in real median housing costs by country for the three periods in question. The measure draws on variables HH070 and HH071 in SILC and reflects both housing costs such as rent payments, utility bills, taxes on the dwelling as well as, for owner-occupiers, mortgage payments. These amounts are adjusted for inflation and so compare changes in real *housing costs* over time.

In Figure 12, we observe a diverse range of housing cost trends, including within worlds. With the exception of the Social Democratic world – here, Finland and Sweden – where costs unambiguously rise, the other worlds have at least some countries where real housing costs *fall* and indeed this is the case in much of Southern Europe.

Omitting mortgage principal payments allows us to measure change over a longer period (and changes the base year in the figures). These figures are presented in Figure 13 and in this figure we see that there are now more widespread housing cost increases, and the increases are larger in magnitude. This is substantially because of the initial period – 2005-07 to 2008-10, where costs increase almost everywhere, and often by significant amounts.

Nonetheless, the data presented here leave us with something of a puzzle. The biggest increase in housing costs in the period analysed here occurred between 2005-07 and 2008-10. Trends in median housing *costs* between 2012-14 and 2016-18 are in most nations *not* increasing (Ireland, the UK and to a lesser extent Estonia are the exceptions here). And yet as we have seen above the period of consistent house price growth has been since 2013.

Figure 12. Percentage change in median housing costs, 2010-12 to 2016-18

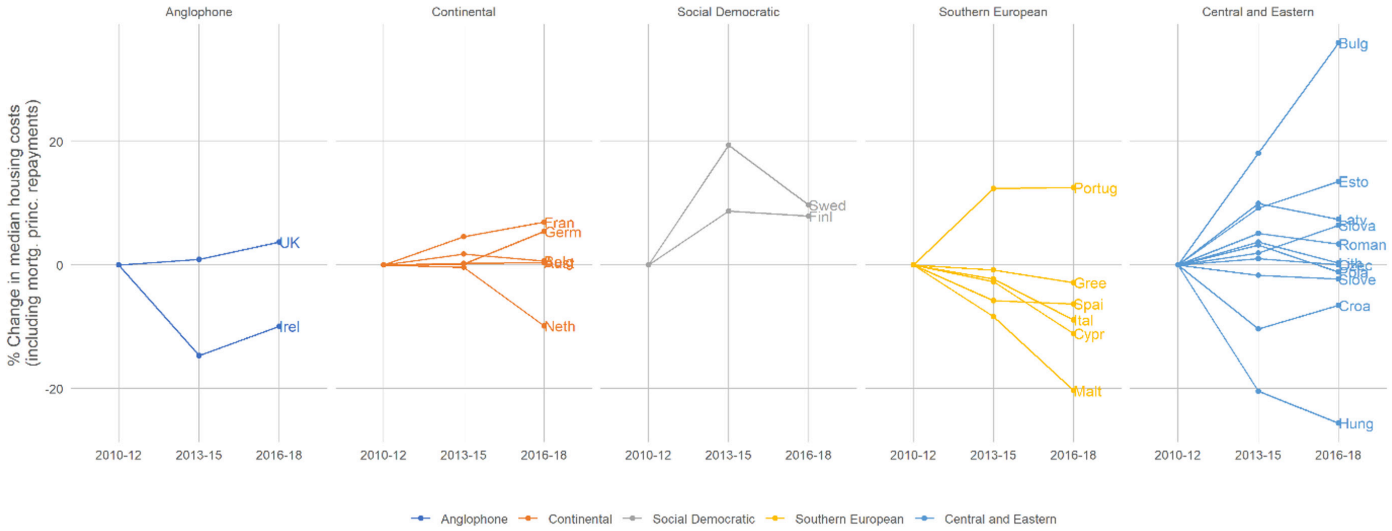
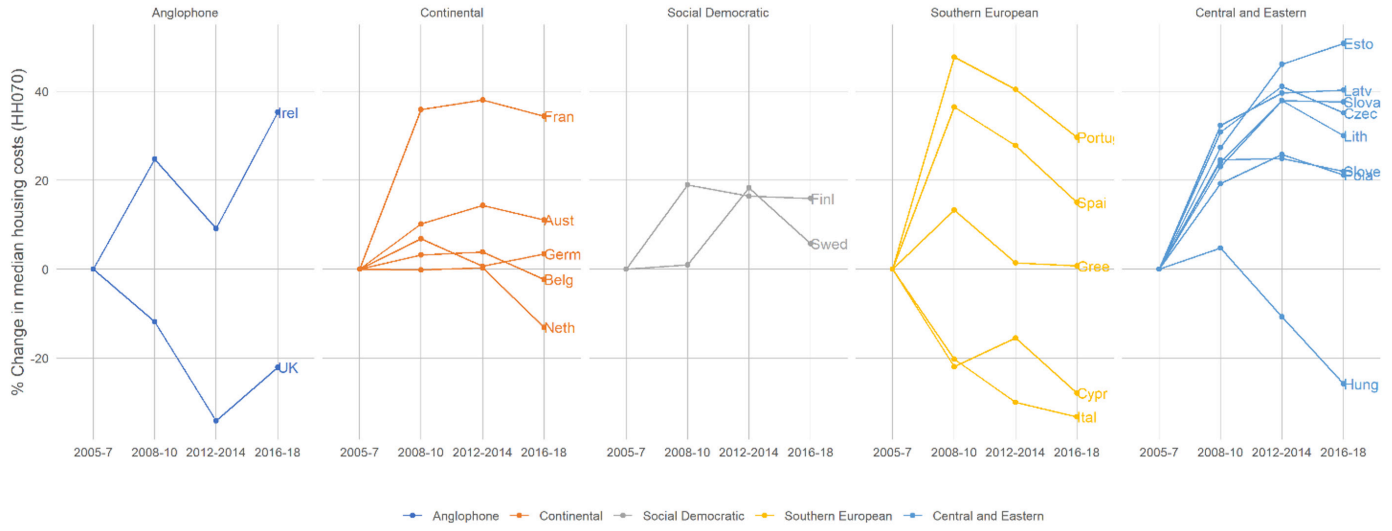


Figure 13. Percentage change in housing costs, 2005-07 to 2016-18 (without mortgage principal)



Summary

From the previous discussion we draw three key conclusions. First, homeownership has declined in much of Europe over the past decade and a half, including for people on low incomes. This has particularly been the case for people aged 40-55, amongst whom we see a concentration of homeownership on better-off households outside of the Anglophone nations.

Second, when we focus our attention on young people, we observe the quite different timings of housing trajectories amongst young people in Europe. While about two-thirds to three-quarters of 20-25 year-olds in the Social Democratic world live independently, this is the case for only about a quarter to one-third of those in the Continental and Anglophone worlds, and smaller proportions in Central and Eastern Europe and in Southern Europe.

The period in question has witnessed declines in independent living for young people aged 20-25 everywhere, but this has been more pronounced in Central and Eastern Europe and in Southern Europe, where a decline in independent living is observed for young people aged 26-30 and 31-35, too. The proportion of young people who do live independently who are homeowners has declined too outside of Central and Eastern Europe. There are thus substantial differences in both the *timing* as well as the *nature* of young people's housing trajectories across Europe.

Third and finally, much media discussion on the housing 'crisis' has focussed on rising housing prices. Our focus here is not on one-off house prices faced by owner-occupiers but rather on monthly housing costs faced by all households. After adjusting for inflation, we observe diverse patterns of change between 2010-12 and 2016-18 when mortgage principal is included. Increases are more commonly observed when mortgage principal is omitted and 2005-7 is taken as the reference year, with price rises between 2005-07 and 2008-10 particularly notable.

ANALYSIS

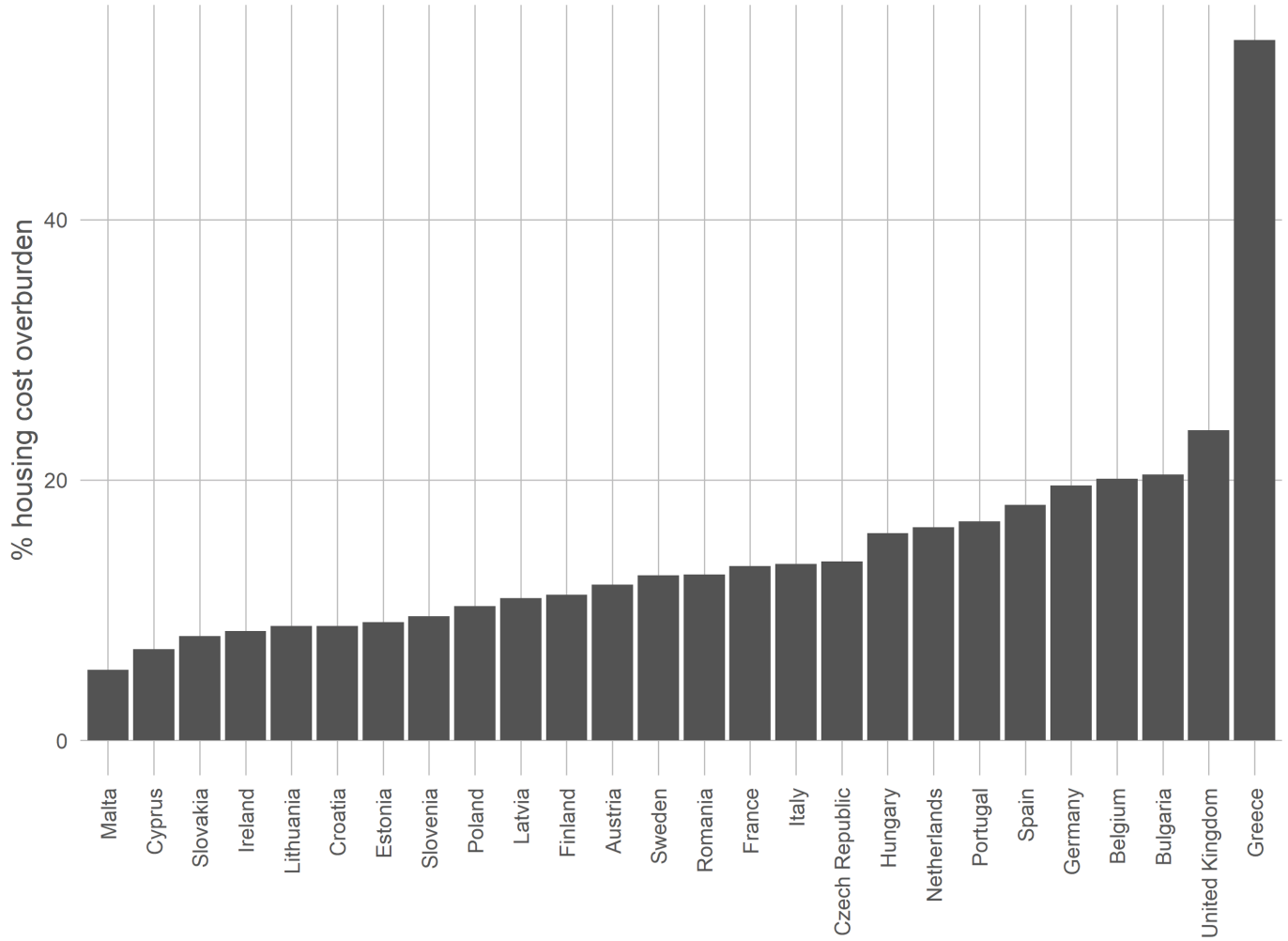
Part Two: Housing Affordability in Europe

Parts Two, Three and Four of our report relate to analysis that is the subject of separate work packages. Our goal here is to highlight some of the key descriptive trends rather than provide a comprehensive overview of these work packages, which will be the focus of subsequent outputs.

In Part Two we focus on the problem of housing affordability. The EU's official measure of housing cost overburden identifies households as experiencing affordability problems when they spend more than 40% of their disposable income on housing costs (both costs and incomes are net of housing allowances). We present rates of housing cost overburden for 26 European countries – Luxembourg and Denmark are omitted because of issues with their mortgage principal data.

In Figure 14 we present country-level rates of EU housing cost overburden when we include mortgage payments. These rates vary significantly across Europe, ranging from 5.4% in Malta to 54% in Greece. Moreover, while there is substantial variation in rates of housing cost overburden, there is no obvious patterning in terms of nations from different welfare regimes. The countries with the five lowest rates of housing cost overburden are from the Southern, Central and Eastern, and Anglophone regimes, while the five highest rates are from the Southern, Central and Eastern, Anglophone and Continental regimes. There is, thus, a lot of within-regime variation in levels of housing cost overburden. One reason for this might be the rather broad measure of housing costs captured in the SILC survey.

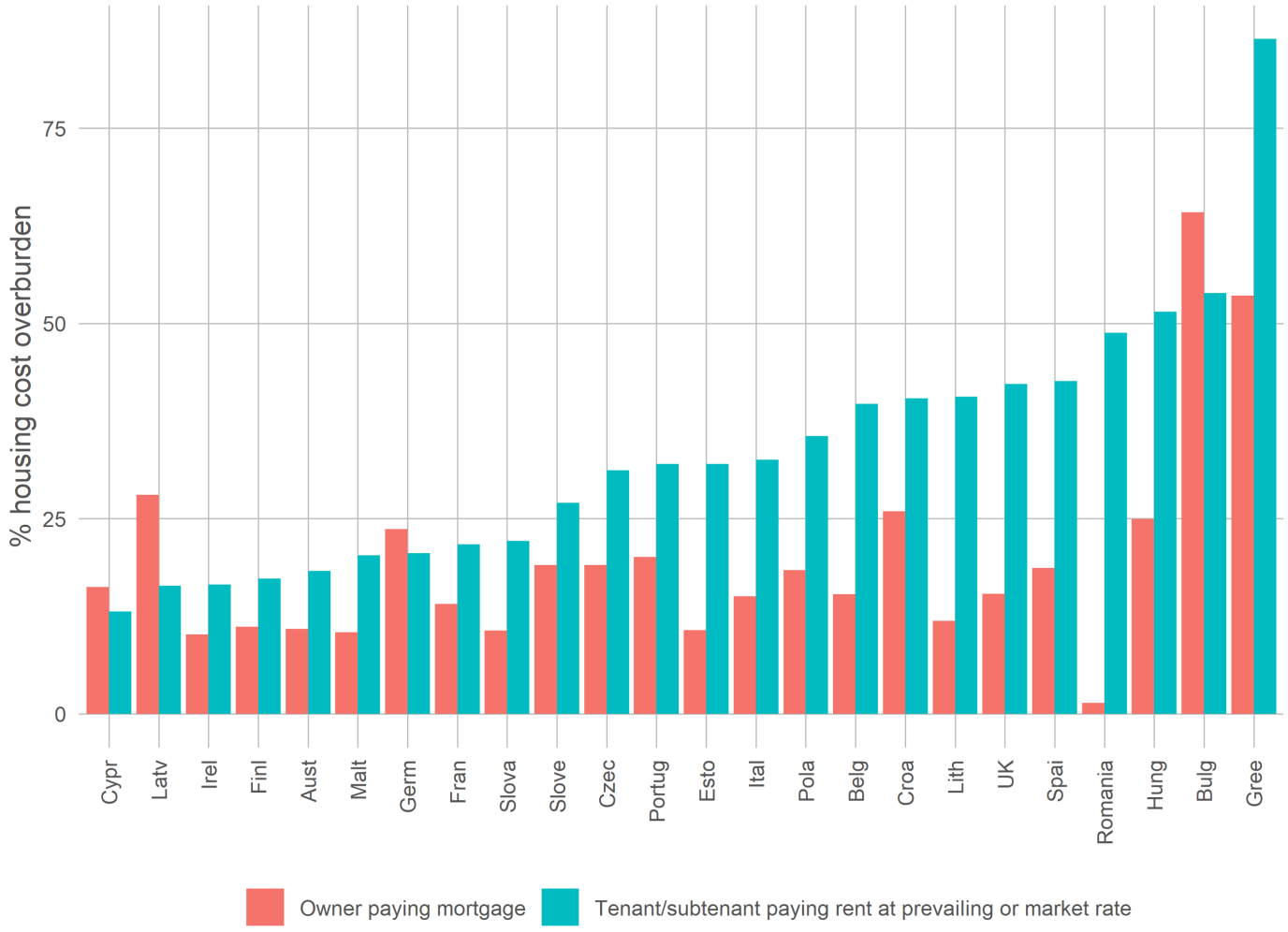
Figure 14. Housing cost overburden rates by country, 2018



Turning to differences *within* countries, we analyse affordability patterns by poverty status and housing tenure.

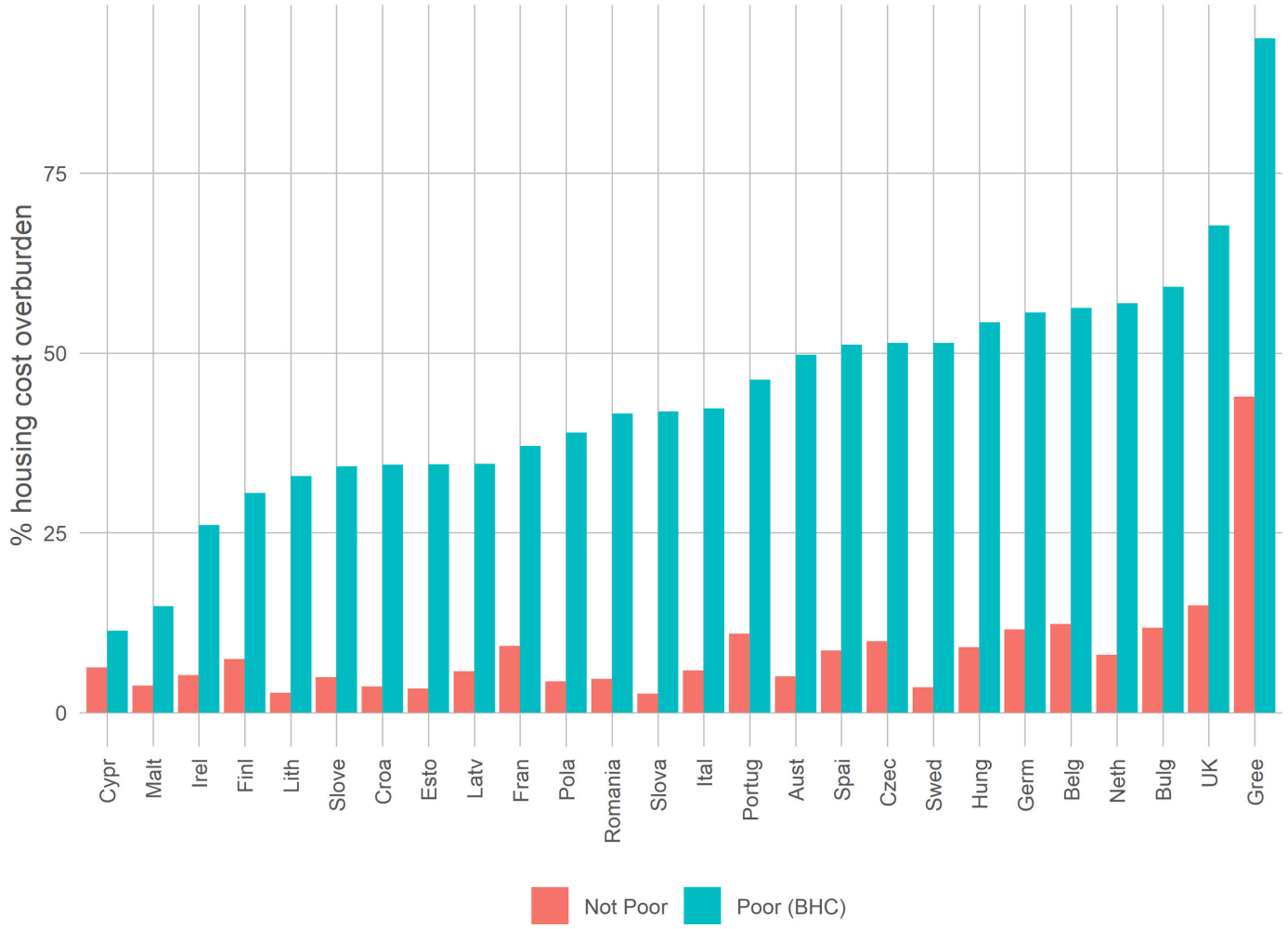
In Figure 15, we show how cost overburden relates to two tenure types in each nation – for mortgaged homeowners and market-rate renters. Note that, unlike many analyses, which omit mortgage principal payments on the grounds that they constitute an investment, we include these here since they also do impact on households' non-housing disposable income. In most countries (20/24), housing cost overburden rates are higher for market-rate renters than they are for mortgaged homeowners – and in many cases these differences are substantial.

Figure 15. Housing cost overburden rates for mortgaged owners and market renters by country



In Figure 16 below, we see that housing cost overburden is strongly related to poverty status in every nation. That is, while ratio measures of housing affordability, such as the EU housing cost overburden rate, can technically identify households all the way up the income distribution as being cost overburdened, those on lower incomes face very substantially elevated risks of cost overburden on this measure.

Figure 16. Housing cost overburden rate by poverty status and country



Household-level measures of housing affordability are based on the relationship between housing costs and household incomes, and both dwelling and economic characteristics prove necessary to understand its incidence. Economic status (i.e. poverty) and some dwelling characteristics (e.g. smaller dwellings; living in apartments rather than houses; more recent occupancy) are closely linked with housing cost overburden.

In analysis that we have conducted as part of our wider work, however, we find that the position of market-rate renters has deteriorated vis-à-vis mortgaged homeowners in a large majority of nations across Europe between 2010 and 2018, even after controlling for a variety of compositional variables. That is, tenure differences appear to have become more important over time in terms of explaining the incidence of housing cost overburden.

ANALYSIS

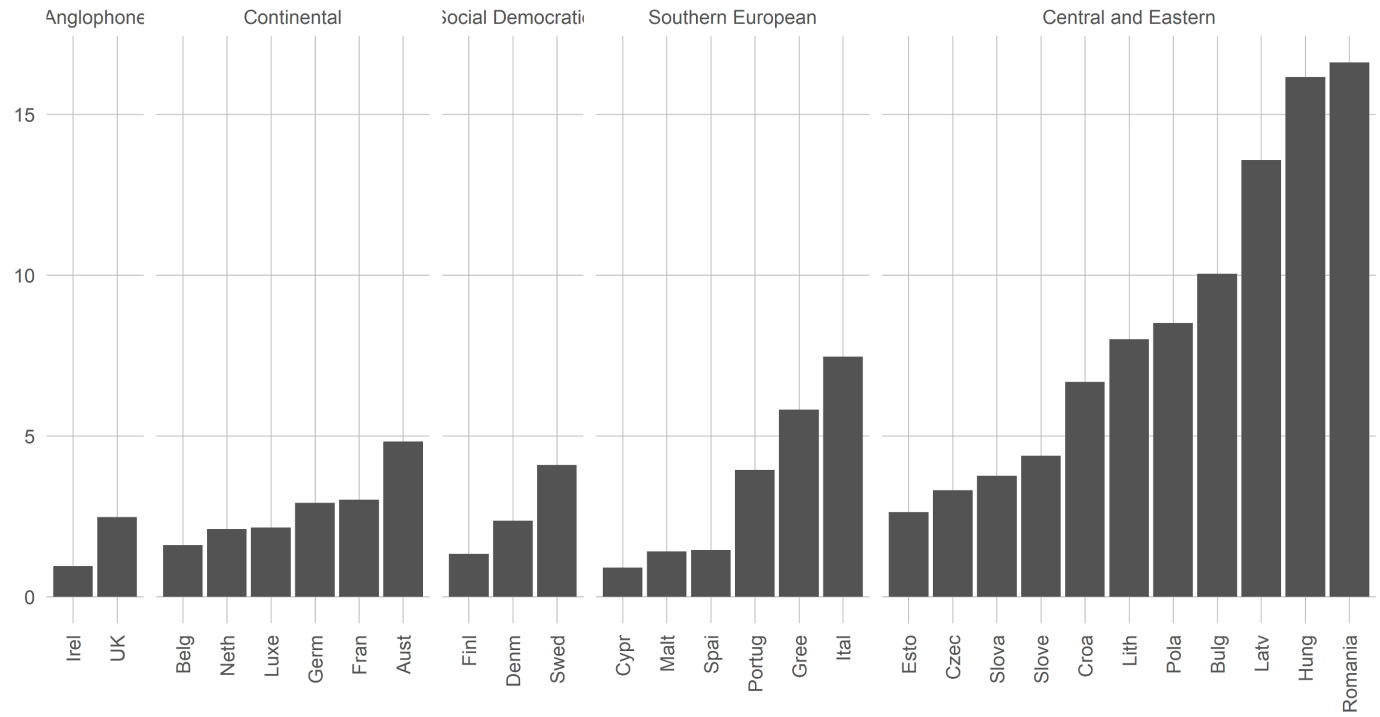
Part Three: Housing Deprivation

In Part Three we consider the issue of housing deprivation, focussing in particular on the EU's official measure of severe housing deprivation. The EU's statistical agency Eurostat monitors the prevalence of a range of housing quality problems – namely, the percentage of individuals living in households with a leaking roof, with no bath and shower and no indoor toilet, or in a dwelling considered too dark. These are labelled housing deprivations.

Eurostat also reports a measure of severe housing deprivation, which reflects the circumstance where households experience at least one of these deprivations in housing conditions and also experiences overcrowding. The data in Part Three are from 2016, the last year for which we have data on all components for the UK.

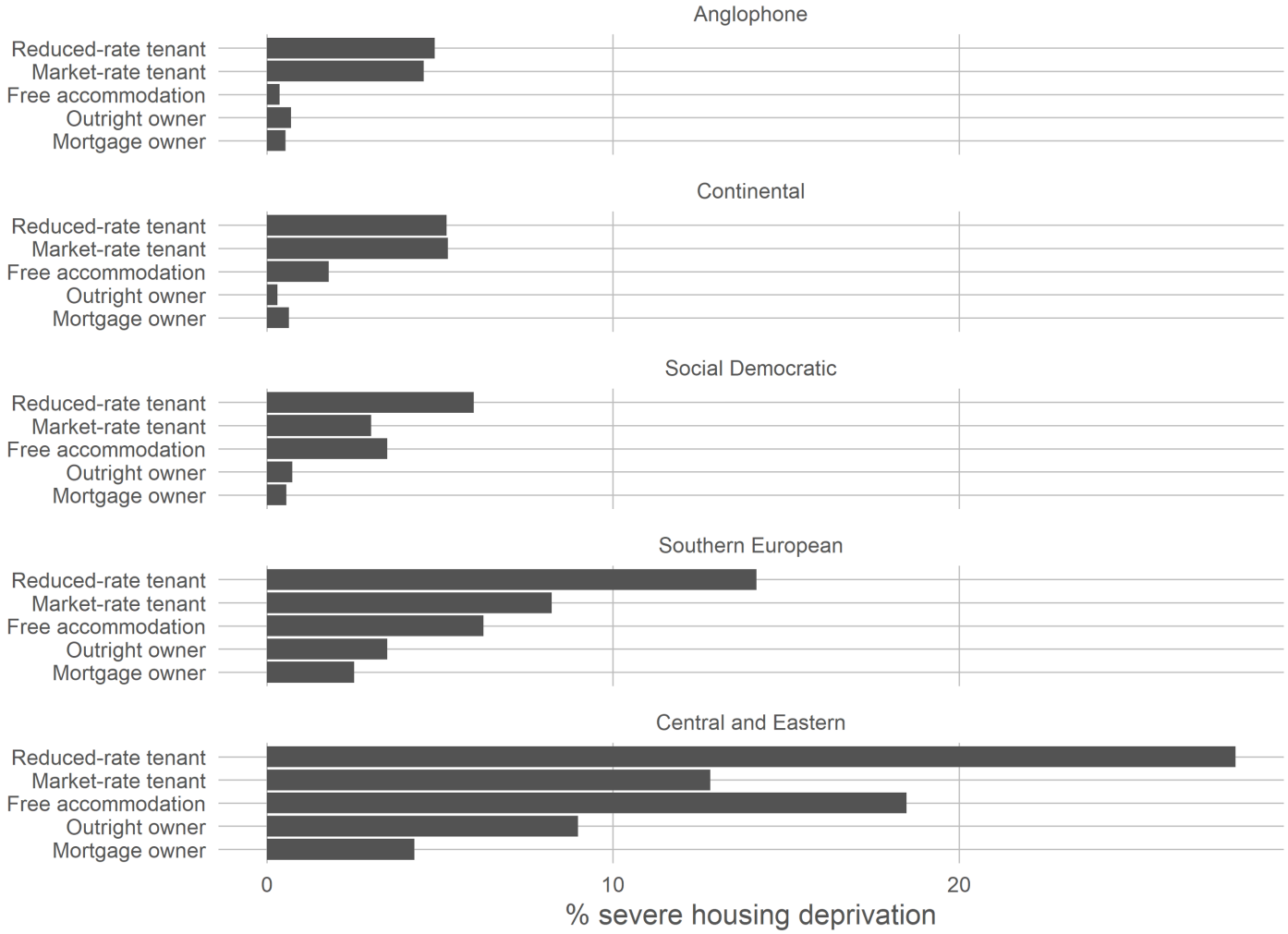
In Figure 17 we explore the incidence of the EU measure of severe housing deprivation by country. The estimates in this figure show that severe housing deprivation is, in particular, a problem for some nations in Central and Eastern Europe and, to a much lesser extent, in Southern Europe.

Figure 17. Severe housing deprivation by country, 2016



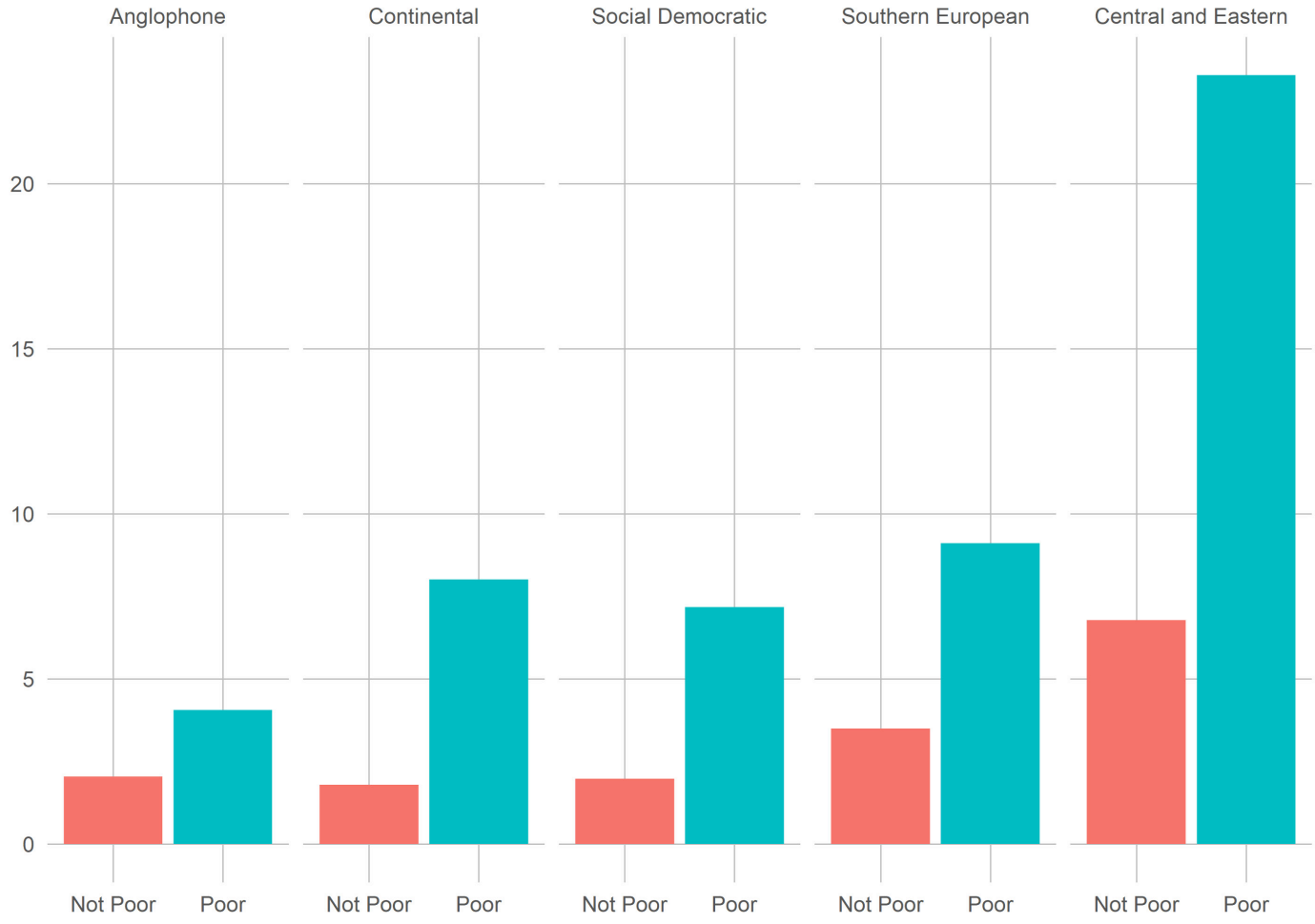
Turning then to how these is experienced within countries, we see in Figure 18 that renters – both market and reduced-rate – are more likely to experience severe housing deprivation than owners – both outright and mortgaged – in each welfare regime. These tenure patterns are also observed with a high degree of consistency at the country level (not shown here). Severe housing deprivation is negligible for owners in the Anglophone, Continental and Social Democratic worlds and is significantly lower than for renters in Central and Eastern Europe and Southern Europe – albeit at non-negligible rates. This speaks both to patterning by tenure but the dominance of country effects.

Figure 18. Severe housing deprivation by tenure and welfare regime



Turning to the influence of economic position, we examine differences in severe housing deprivation by poverty status for each of the regimes considered here. In each regime, people at risk of poverty under the relative definition face elevated risks of severe housing deprivation (and this is observed for each country, too). But, as before, regime effects dominate – especially in Central and Eastern Europe, where rates of severe housing deprivation for the non-poor exceed those for households living in poverty in the Anglophone world and are of a similar order of magnitude to that of non-poor households in the Social Democratic and Continental worlds.

Figure 19. Severe housing deprivation rates by poverty status and welfare regime



ANALYSIS

Part Four: Subjective Measures

In this final empirical section, we focus in particular on the subjective evaluation of housing circumstances. One of the challenges of comparative housing analysis, as we have noted above, is that the relevant outcome variables are multidimensional, concerning affordability, quality, aspirations, and more.

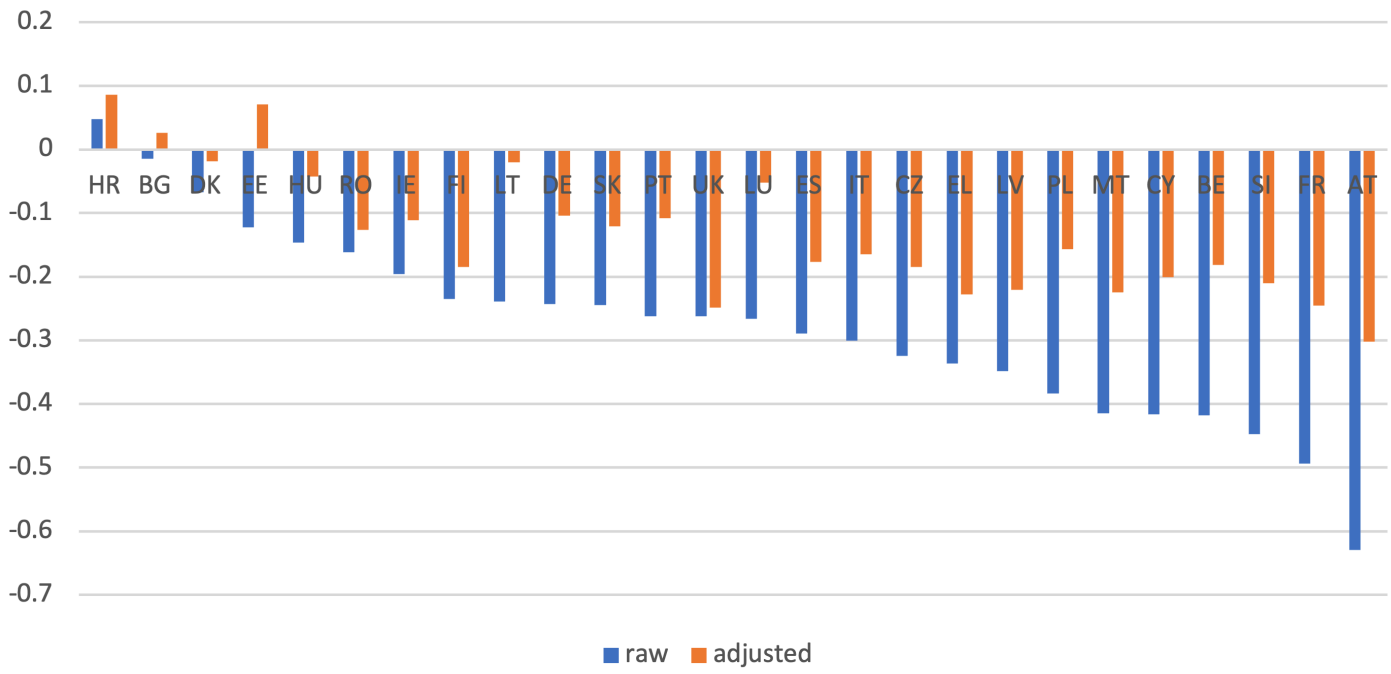
The analysis of subjective measures can shed new light on housing outcomes and SILC contains a number of relevant subjective measures. These measures are relatively neglected but can complement what is learned from the analysis of objective measures (see also Patsios and Pomati, 2018).

Our analysis here focusses on two substantive questions: first, does the relative desirability of renting and owning differ across nations? And second, do mortgaged homeowners, who have an investment component to their housing costs, exhibit higher satisfaction with their housing than renters when housing cost overburdened? To answer these questions, we draw on two subjective measures. The first is a global measure of overall housing satisfaction, which was asked most recently in an ad hoc module in 2012. The second is a subjective measure of housing affordability, which asks respondents to what extent their housing costs are a burden. This question is contained in every year of the survey, though to ensure comparability between the samples, the analysis presented in Part Four is from the 2012 wave of SILC.

In the first analyses, we examine whether levels of housing satisfaction for market-rate renters and reduced-rate renters respectively are lower than for homeowners. The differences below relate to coefficients from two country-specific models run for each country individually. In the first, we present "raw" coefficients, capturing the effect of housing tenure only and without other controls. In the second, we adjust these coefficients by controlling for a series of dwelling characteristics (type of dwelling, number of rooms, size of dwelling), conditions (presence of leak and problems in relation to light, and overcrowding), household characteristics (household type) and financial considerations (household income in quintiles and housing cost as a proportion of income). The dependent variable is a 1-4 scale measuring housing satisfaction, with higher values representing greater satisfaction. If the 'contingency' of tenure was so great that comparison across countries was like 'comparing apples and oranges', then we may expect that these 'raw' coefficients to be close to zero, at least in countries where renting is sometimes claimed to be relatively more desirable (such as in Germany). By contrast, if there are differences in housing satisfaction on the 'adjusted' coefficients – that is, after taking a wide range of controls into account – then that would be consistent with clear tenure-preferences in those nations.

In relation to market-rate tenants (Figure 20), we see that in all nations bar Croatia 'raw' housing satisfaction rates for market-rate tenants are lower than for mortgaged homeowners, though differences are not significant in Bulgaria, Romania and Croatia (where we have few cases) and Denmark (where we have a greater number of cases, but differences in satisfaction are very small). Dwelling and household characteristics explain part of this difference – in most cases between one- to two-thirds of the effect size, but the coefficients remain negative in almost all instances (the exceptions being Bulgaria and Estonia, in addition to Croatia, where it was already positive). Of those countries where raw differences were statistically significant, effect sizes for Estonia, Hungary and Luxembourg cease to be significant at the 95% confidence level and differences are only marginally significant at the 90% confidence level in Lithuania and Malta. Elsewhere, levels of housing satisfaction for market-rate renters remains significantly lower than for mortgage homeowners, despite controlling for a wide range of characteristics.

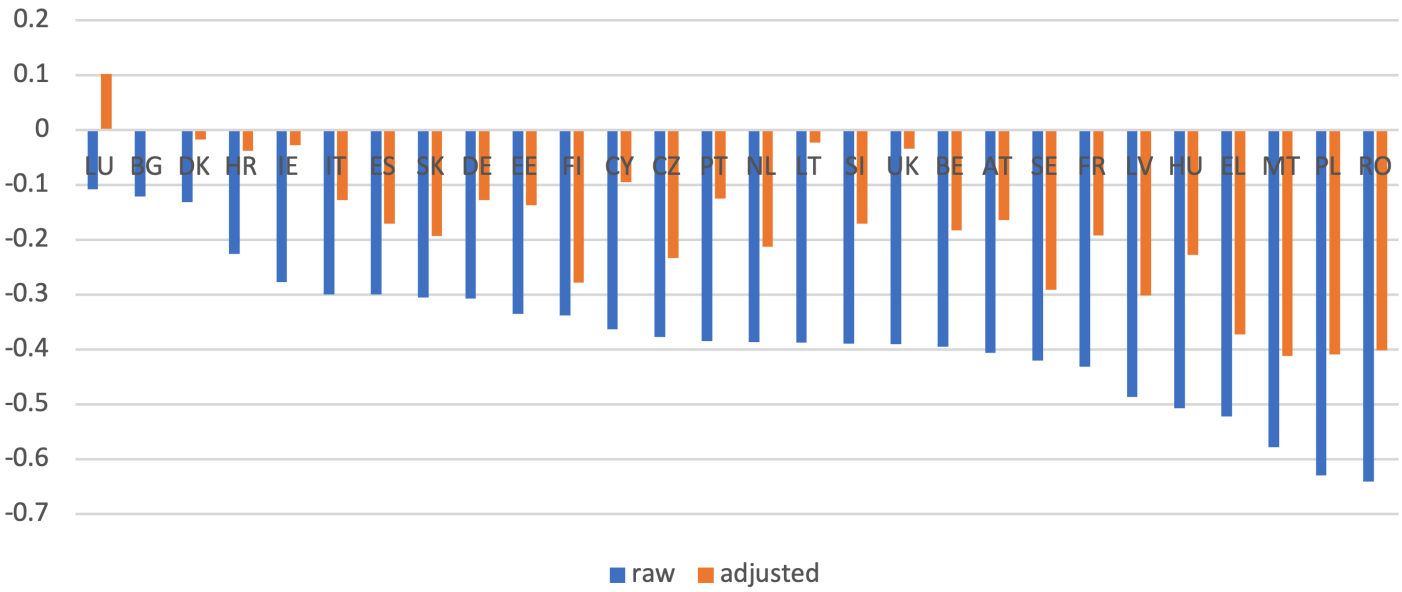
Figure 20. Housing satisfaction of market-rate renters vis-à-vis mortgaged homeowners



Note: *Controls in 'adjusted' model are type of dwelling, number of rooms, size of dwelling, presence of leak and problems in relation to light, overcrowding, household composition, household income (in quintiles) and housing cost as a proportion of income (in quintiles).*

Figure 21 provides the equivalent output for reduced-rate renters. Here, the raw coefficient for reduced-rate renters is lower than for mortgaged homeowners in every nation. Differences are more modest in Luxembourg, Bulgaria, Denmark and Croatia and are more pronounced in Romania, Poland, Malta and Greece. A similar proportion of these differences are explained by the variables controlled for in the adjusted model as were explained in the previous analysis (one- to two-thirds in most cases). This is substantial, but certainly not total. These coefficients remain negative across Europe, with the exception of Luxembourg, though differences are not statistically significant in Bulgaria, Cyprus, Denmark, Croatia, Ireland, Lithuania, Luxembourg, Slovakia and the UK.

Figure 21. Housing satisfaction of reduced-rate renters vis-à-vis mortgaged homeowners



Note: *Controls in 'adjusted' model are type of dwelling, number of rooms, size of dwelling, presence of leak and problems in relation to light, overcrowding, household composition, household income (in quintiles) and housing cost as a proportion of income (in quintiles).*

Overall, these figures provide reasonably limited support for the idea that the relative desirability of different housing tenures is radically different across European nations. Levels of housing satisfaction are lower for market and reduced-rate tenant than mortgaged homeowners in almost every nation, though of course the magnitude of effect sizes varies. Lower satisfaction levels amongst renters continue to be observed, with only a small number of exceptions, after controlling for a variety of dwelling, household and economic characteristics, though these adjusted coefficients are not always statistically significant. Germany, sometimes suggested to be a nation where renting is more desirable, is not amongst the nations with non-significant differences in housing satisfaction between renters and mortgaged homeowners, though Denmark and Luxembourg stand out as nations where this argument finds greater empirical support.

In the second test we examine whether homeowners with mortgages, who have an investment component to their housing costs, are more satisfied than renters with their housing, in the circumstance where these households experience housing cost overburden. Table 1 below presents regression coefficients from models estimating housing satisfaction (model 1) and the subjective burden of housing costs (model 2). The housing satisfaction variable in model 1 is measured on a 1-4 scale and takes higher values representing greater levels of satisfaction. The reference category is outright owners. When cost overburdened, mortgaged homeowners have higher levels of satisfaction, while market- and reduced-rate renters have lower levels of housing satisfaction than outright owners, controlling for a wide range of characteristics. However, in model 2, where the dependent variable is measured on a 1-3 scale with higher values implying a lower subjective burden of housing

costs, both mortgaged homeowners and market renters have rather similar subjective burdens when in similar circumstances. That is, faced with equivalent housing and financial circumstances, the subjective burden of mortgaged owners and market-rate renters is similar, but mortgaged homeowners are more satisfied with their circumstances overall. This is consistent with there being an investment component to mortgage principal payments, which are both felt as a burden but also valued as an investment.

Table 1. Differences in two subjective measures of housing by tenure, households experiencing cost overburden

	housing satisfaction	subjective housing cost burden
Outright owner	ref	ref
Owner paying mortgage	0.096***	-0.150***
Market-rate tenant	-0.095***	-0.165***
Reduced-rate tenant	-0.166***	-0.089***
Rent free	-0.132***	-0.063*

Note: *Controls are: tenure, country, dwelling type, number of rooms, size of dwelling, overcrowding status, lack of toilet and bath, dwelling too dark, age category, household composition, poverty status. Households experiencing cost overburden and with household heads under 60 only.*

Discussion and Conclusions

After a period in which debates in housing studies and Social Policy in general, and the study of poverty in particular, appeared to be occurring in 'disjointed literatures', we are perhaps beginning to see the emergence of a turn towards housing in these fields as developments in national housing systems – and especially in relation to housing affordability – begin to impinge on wider social policy concerns. The project that led to this report presents one attempt to build new bridges between housing and wider social policy issues, including the study of poverty.

In this concluding section, we remind ourselves of some of the key empirical findings that have been presented before considering recommendations for policy and research. First, while studies of housing systems change sometimes adopt a long-run 'epochal' lens, the short window of 2004 to 2018 that we examine here has also witnessed significant change. Homeownership has fallen in most countries in Europe, including – in some countries especially – for low-income households. Moreover, trends in homeownership display signs of stratification outside of the UK and Ireland – that is, being increasingly concentrated amongst better-off households. When we focus specifically on young people, we see patterns of delayed independence from the family home and longer and later living with parents.

Second, we have demonstrated stark differences in housing quality problems across nations on the severe housing deprivation measure, with these problems strongly concentrated in some of the poorer nations of Central and Eastern Europe and, to a lesser extent, Southern Europe. In work which will be the subject of a separate paper, we show that the two components of the severe housing deprivation measure – deprivation of conditions and overcrowding – pattern rather differently and that they relate to quite different drivers. In particular, while overcrowding is strongly associated at the country-level with levels of wealth, the deprivation of housing conditions is more strongly associated with levels of relative income poverty in each nation. This limited relationship between these items leads us to question whether they are best combined in a composite measure.

Third, there are also substantial variations in the incidence of housing affordability problems on the housing cost overburden measure, which captures households who spend more than 40 per cent of their disposable household income on housing costs. Indeed, the incidence of this measure is 10: 1 between Greece (54%) and Malta (5.4%), the countries with highest and lowest incidence, respectively. The distribution of housing affordability problems across countries is not easily explained by welfare regime categories and there is a lot of intra-regime variation. In our wider work, which will be the subject of a separate paper, we show that aggregate housing affordability problems have not deteriorated over the period 2007-09 and 2016-18. Set against undeniable house price rises post-2013, this presents a puzzle. The increase in affordability problems that we *do* observe, from about 2010 to 2014 coincides with the period that incomes were supressed following the Eurozone crisis – that is, before the substantial increase in house prices since about 2013.

What we do observe, as noted above, is a fall in homeownership and delayed independent living for younger people. At present, it would appear that house price rises are being "offset" through reductions in ownership and delayed independence and are not observed in society-wide deteriorations in housing affordability. There is of course no necessity for outcomes to fall in this way, and a more generalised deterioration in housing affordability may yet occur – but this is not what we observe up to 2018. This does not suggest that rising house prices are any less significant. In his early account of new social risks – the labour market risks arising from post-industrial society – Giuliano Bonoli (2005) presents these as not only threatening poverty but also 'welfare' losses and 'frustrations' in managing lifecycle transitions. Emphasising the 'new' risks arising from labour markets in post-industrial societies, housing is once again omitted from consideration. But rising house prices also present risks – of the ability to secure adequate accommodation at a reasonable price, and these too have the potential to spill-over in terms of both economic difficulties such as poverty but also in terms of wider frustrations of unmet shelter aspirations and needs.

Fourth, in relation to differences *within* countries, we find that households in poverty face heightened risks of housing deprivation and housing affordability problems in every nation. That said, the pattern for these two measures of housing outcomes differ. In relation to severe housing deprivation, the elevated risk experienced by low-income households is consistent, but not always substantial. This can be explained by the very low incidence of severe housing deprivation in some of the richer nations of Europe, and the dominance of between-country differences. In contrast, as Figure 16 (page 26) shows, differences in housing cost overburden between poor and non-poor households are vast in almost every country. One criticism of "ratio" measures of housing affordability, such as the housing cost overburden measure is that they identify housing affordability problems

across the full range of the income distribution. This is technically true but we find that even this measure identifies the risk of housing affordability problems as being very substantially greater for households in poverty.

Fifth, we find that housing outcomes vary in terms of the extent to which they are patterned across tenures in different nations. Renters face higher rates of severe housing deprivation than owners in each welfare regime (and country). In relation to housing satisfaction, we find that renters quite consistently have lower levels of satisfaction with their dwellings, and this remains in most nations even when we take into account a variety of dwelling, economic and household characteristics. This matters because a society in which homeownership is becoming both less accessible and more stratified might be one in which such "frustrations" grow. These patterns are less consistently observed in relation to housing affordability: the housing cost overburden rate is very often but not always higher for market-rate renters than for mortgaged homeowners.

In terms of the implications of our research, we distinguish between implications for research and for policy. One implication concerns explanatory models of country-level differences in housing outcomes. The "regime" and "system" frameworks of Esping-Andersen and Jim Kemeny were based on institutional variation amongst mostly Northern and Western European nations in the 1980s and 1990s, a smaller and more homogenous set of countries than are typically included in contemporary comparative analysis. There were differences in terms of the levels of wealth between these nations, but these have been dwarfed by differences in wealth and living standards between EU Member States following enlargement post-2004.

This matters because the "regimes" or "systems" approaches have typically emphasised *political* as opposed to *economic* differences in determining welfarist outcomes in comparative terms, but the economic differences between European nations are more stark than they were in earlier comparative studies. Policy has evolved since these early studies, too, and recent years have seen new attempts to identify new dynamics of change and to identify new and distinct set of typologies capturing contemporary institutional differences (e.g. Stephens, 2020; Hassel and Palier, 2021). That important housing outcomes such as severe housing deprivation and important economic outcomes such as material deprivation are strongly patterned across nations by their levels of wealth calls for a reconsideration of the importance of economic explanations in comparative studies of both the welfare state and housing systems in accounting for welfarist outcomes.

Second, our findings lead us to conclude that some of the claims made in relation to the 'contingency' of housing tenure and the degree to which this impedes comparative analysis risk being taken too far. To be sure, we do not doubt that tenure categories represent only one variable of interest for the study of housing. Nonetheless, the strength of the findings that we present here, and their consistency across nations, calls into question some of the stronger claims that are made in relation to the supposed "redundancy" of housing tenure in explaining housing outcomes.

Third, there is a need to improve data coverage and quality in EU-SILC, the key resource for understanding incomes, standards of living and housing in Europe. The most striking omission in relation to data coverage is that the UK no longer participates in the survey and, post-2018, data for the United Kingdom no longer appears in the SILC database. This is all the more difficult to understand since EU membership is not required in order to participate: Norway, Switzerland and Serbia all participate in the survey.[7] The withdrawal of the UK from the SILC survey impedes the ability of social scientists in the UK to conduct policy-relevant comparative work and will harm the social scientific community for as long as the UK's omission continues. The UK government and Office for National Statistics should commit to re-joining SILC as a matter of priority.

In relation to data quality, there are a number of areas where housing-related variables in SILC might be improved, the most obvious and egregious of which relates to the measurement of housing tenure, where there are important limitations, as we have noted above. But there are other issues, too. Inconsistencies in the measurement of indicators of housing deprivation meant that it was not possible to track changes in severe housing deprivation through time. Close inspection of these indicators showed that there were sometimes significant year-on-year shifts in the incidence of some components that seemed implausibly large given the relative fixity of the housing stock and left us with variation that appeared to be more error than true variation. This meant that we were forced to rely solely on a single, recent wave of SILC, where we had greater confidence in the underlying data. Uncertainties about data on mortgage principal repayments for Luxembourg and Denmark in recent waves led us to omit these countries from our analysis of housing affordability. In short, the quality of data collection in housing-related variables in SILC can be improved and considering possibilities for improving the quality of data collection should be made a priority by Eurostat.

7. We are grateful to Jonathan Bradshaw for highlighting this point.

There are, then, implications for policy.

The first policy implication relates to attempts to tackle severe housing deprivation, specifically. In our wider work on housing deprivation, we show that this indicator is made up of two very different components, which are not highly correlated and respond to different drivers. At the risk of oversimplification, overcrowding rates are explained by absolute differences in wealth, while the deprivation of housing conditions is more responsive to national relative income poverty rates. We note that overcrowding has been reduced to negligible levels in some nations, while the deprivation of housing conditions seldom falls below 10%, suggesting it has a higher "lower bound". This in turn suggests that reductions in severe housing deprivation in countries currently facing significant risks is likely to be achieved by reducing the overcrowding rate. Since this appears strongly related to absolute differences in wealth, it appears that economic growth – assuming this is translated into a growth in household incomes – would lead ultimately to a significant reduction in housing quality problems, as captured by the EU's severe housing deprivation measure.

The second policy implication concerns the growing significance of housing tenure for housing affordability. We have found evidence that the relative position of market-rate tenants has deteriorated relative to mortgaged homeowners in the period between 2010 and 2018, even after we take account of the mortgage principal payments of the former. This deterioration is quite consistent across nations and is remains after controlling for a series of compositional variables. One reason this matters is that households renting at market rate are disproportionately likely to be poor. This speaks to the need to take housing tenure more seriously as a stratification marker in European societies and of the need to ensure housing policy does not significantly favour owner-occupiers at the expense of renters. This points to a number of potential policy options, the effectiveness of which might depend on the particular country or even city context. One option is to make market renting more affordable through more generous housing allowances, or through mechanisms to control costs by controlling rent rises, or even rent caps – although the potential unintended consequences of such measures is well known. Assistance to enter homeownership is another option, although demand-side instruments tend to result in higher house prices. Moreover, homeownership is not necessarily the most suitable tenure for all households. A revival of forms of social or affordable renting, especially in countries where there are general supply shortages, is another option. It is also important not to lose sight of the importance of a well-functioning housing market, and that supply shortages will tend to result in higher prices or rents.

Rising house prices risk creating growing pressures on individuals and families to secure the kind of accommodation that they desire without taking up a disproportionate share of household income and pushing them into poverty. Making sense of these developments and how policy might respond to them requires moving beyond the disjointed literatures of the past and building new bridges between housing studies and scholarship on the welfare state and on poverty.

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