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Changing Inequalities in Housing Outcomes across Western Europe

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Abstract

We evaluate to what extent the financialization of housing is associated with changing inequalities in housing outcomes for low-income owners and private renters, using data for two time points (1995 and 2012) for 11–13 western European countries. We find that in countries with a more commodified housing regime, low-income respondents experience more affordability problems (resulting in a wider gap with middle-income respondents), but better housing conditions. Concerning trends over time, we find that with regard to housing affordability, in most countries the position of low-income owners and private renters has deteriorated over time compared to their middle-income counterparts. This trend can be explained by increases in the level of financialization of housing, and decreases in the supply of private rental housing – controlling for trends in absolute incomes and income inequality. Declining affordability for low-income owners and private renters in more financialized housing regimes has

furthermore not been compensated by improved housing conditions. Although it may have intensified since 2008, the observed trend does not originate from declining household incomes following the Great Financial Crisis (2008–2009), as the affordability gap between low- and middle-income private renters already grew significantly larger with the increased financialization during the period 1995–2007.

Key Words:

Housing regimes

Financialization

Affordability

Housing conditions

Comparative research

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Disclosure statement

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Notes

1. According to Polanyi ([\[1944\] 2001](#), 75), commodities are defined as objects produced for sale on the market (i.e. industrial production). Commodification refers to the process by which material (e.g. land) and immaterial (e.g. labour, knowledge) goods and services, which are not commodities by nature and are originally produced for their use-value, are turned into “fictitious commodities” and hence acquire exchange-value, through which economic agents seek to derive monetary revenues (Jessop, [2012](#)).
2. “... the private rent level is determined by the current capital value of the dwelling, irrespective of what the house originally cost to build” (Kemeny [1981](#), 27).

3. We adhere to a general definition as put forward by Esping-Andersen ([1990](#), 22): “De-commodification occurs when a service is rendered as a matter of right and when a person can maintain a livelihood without reliance on the market”.
4. In some countries, however (e.g. the UK), this historical decline has recently been reversed. This is related to difficulties experienced by younger cohorts to access homeownership, because of high house prices (before the Great Financial Crisis) or because of stricter lending practices (after the Crisis).
5. We use the term “market failure” in a fairly general sense, referring to either the operation of the private market itself (e.g. market closure, non-coverage because of adverse selection/moral hazard), or the social implications of market dependency (e.g. negative externalities, social choice vs. individual choice). The basic issue is simply that if the state does not provide or step in, housing needs of the most needy will not be met or will not be met adequately (e.g. Spicker [2014](#)).
6. In Sociology, “stratification” and “inequality” are used interchangeably, although the former draws more attention to institutional processes determining unequal access to valuable and desirable goods. Stratification is multidimensional (e.g. relates to different types of assets), and in increasingly complex societies it is no longer valid nor accepted to narrow the concept to occupational stratification (DiPrete [2002](#); Grusky and Ku [2008](#)).
7. Using the modified OECD-equivalence scale.
8. The concept of “total housing costs” refers to all costs connected with households’ right to live in the accommodation. For owners, housing costs include mortgage interest payments (net of any tax relief), structural insurance, mandatory services and charges, regular maintenance and repairs and taxes. For renters, housing costs include rent payments, gross of housing benefits, structural insurance (if paid by the tenants), services and charges, taxes on the dwelling (if applicable), regular maintenance and repairs.

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