Shifting foundations

Home ownership and government objectives

A working paper for Housing Across the Lifecycle

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About the project

This paper is part of a larger project, *Housing Across the Lifecycle.* The project is looking at access to housing wealth in early adulthood, and how housing wealth is used later in life. For further information, please visit www.ippr.org/assets, or contact:

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Summary

Why, if at all, should the Government help people to buy a house? This paper starts with the Government's stated reasons for subsidising home ownership. It asks to what extent these provide adequate justification for subsidies, and uses this analysis to draw some broad principles for policy.

Some of the Government's objectives are relatively straightforward, including "freeing up social housing", "increasing overall supply of housing", and "improving recruitment and retention of key workers". Questions can be asked about how well specific programmes address these goals, but the objectives themselves are seen here as appropriate for government.

Two other objectives are explored in more depth. The first is "**creating mixed communities**". The Government's argument is that concentrated deprivation has social and economic costs. The question for this paper is whether concentrated *tenure* also has independent costs. If so, neighbourhoods dominated by social housing and private rented accommodation would benefit from higher levels of home ownership. The academic literature supporting this argument focuses on how home ownership may improve community engagement (social capital), educational attainment and physical upkeep. There are consistent statistical correlations between home ownership and these community benefits. However, the paper finds that these findings are weakened by a lack of supporting theory, making it hard to establish causation. Much of the data is American, and in some cases the findings do not translate to Britain. Even if home ownership *does* benefit the community, it is unclear what the ideal level would be, or what size "community" should be targeted.

The second objective explored in depth is "**enabling more people to share in increasing asset wealth**". A case for state support for asset ownership can be built around four propositions:

- Home ownership increases the resources available at retirement, potentially helping to combat pensioner poverty. For this to justify government intervention, subsidies would need to be focused on the poor; and housing wealth should be committed to, or at least accessible for, retirement needs.
- Inequality in housing wealth contributes to disadvantage~~s~~ in other areas, undermining other objectives such as equality of opportunity.
- In particular, housing wealth brings practical and psychological benefits, although it should be noted that these benefits are not as great as from small-scale financial holdings.
- There are systemic and socially-significant barriers to home ownership for certain groups. These barriers are unjust.

A more solid foundation for government to support home ownership is therefore fairness and equality, rather than purported community benefits.

This has some broad **policy implications**:

- Emphasise an "assets ladder" instead of a "housing ladder" so that getting people on to the first rung means helping them to build up small-scale financial savings. This would target inequality more directly, and would also make the move into home ownership more sustainable.
- Policy should look at the systemic barriers for certain groups rather than focus on large subsidies for favoured individuals. This could involve looking in more detail at the roles of up-front costs and family wealth.
- In helping low-income households to own a home, policy must preserve the benefits that make home ownership important. This includes security and control, but also flexibility: if housing wealth is accumulated partly for retirement needs, for example, it must be relatively easy to release that wealth in retirement.

These implications will be given further consideration in forthcoming research by ippr, which will focus on how aspirant first-time buyers might be best helped, and how releasing housing wealth can be made easier for asset-rich income-poor pensioners.

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Introduction

Why does the UK government spend money supporting home ownership? Reimbursing housing associations for discounts given under the Homebuy proposals is expected to cost £30 million a year (Office of the Deputy Prime Minister: 2005a), Section 106 agreements between developers and local authorities are used to provide low-cost home ownership, the Government spent a further £250 million doubling the stamp-duty threshold to £120,000 in 2004-5, justifying its decision largely in terms of first-time buyers, and in the run-up to the 2005 general election Gordon Brown announced his intention to create a further one million home owners (Brown 2005). Is this money well spent? This paper seeks to re-evaluate whether the state should support home ownership – and if so, under what circumstances.

A realistic answer to why the Government is promoting home ownership would surely start with people's aspirations. People aspire to own their own home, and the Government wants to help people meet their aspirations. But this alone is not enough, as becomes clear if we replace "houses" with "sports cars": using aspirations to justify subsidies, shared ownership, and a promise to increase the number of owners by one million would be patently absurd. Even when the desire to meet aspirations is combined with a demonstration of market failures or arguments around social justice, intervention will have resource implications which must be weighed against other objectives and policy instruments. In the case of housing, ippr's Commission on Sustainable Development in the South East (2005) identified eight different objectives, all requiring resources, and frequently competing. One pound spent on low-cost home ownership may, for example, mean one pound less for improving the standard of the existing housing stock, reducing homelessness, or addressing low housing demand in the 'North'.

This paper analyses the Government's own statement of its reasons for promoting home ownership, as laid out in a recent consultation on Homebuy (*see also* HM Treasury and Office of the Deputy Prime Minister 2005). These objectives are:

1. **Creating mixed, sustainable communities**: enabling people to buy their home can create a better balance of housing types and tenures, and a mix of incomes, for instance if it encourages people on higher incomes to stay in predominantly social rented areas. This can help to promote more sustainable communities and to tackle concentrations of deprivation, which have a negative impact on people's life chances.
2. **Achieving value for money**: home ownership can be an appropriate and cost effective means of helping people in housing need, both from the perspective of the individual and from that of the Government.
3. **Freeing up social housing**: if people move out of a social rented home to take up a home ownership opportunity, this frees up social homes for households in greater housing need, such as households living in temporary accommodation.
4. **Increasing overall supply**: if a home ownership subsidy is used to build a new home, or if receipts from the sale of existing homes are ploughed back into new housing, this increases the overall supply of housing, helping to ease the upward pressures on house prices.
5. **Aiding recruitment and retention of key workers**: in areas of high demand for housing, providing assistance for key workers in the public sector to buy a home near to their place of work can help to address recruitment and retention difficulties.
6. **Enabling more people to share in increasing asset wealth**: homes are not just places to live. They are also assets – assets which now account for over 40 per cent of wealth, compared to just over 20 per cent in 1971. But this increase in wealth is unevenly spread. Support for home ownership will enable more people on lower incomes to benefit from any further increases in the value of housing assets.

(Office of the Deputy Prime Minister 2005a: 7)

Four of these objectives can be discussed quite briefly. "Achieving value for money" is an important goal for all policy, and if support for home ownership is indeed a "cost effective means of helping people in housing need", then it would be hard to argue against. The objective, then, is acceptable, although the case for a specific policy would have to show that value for money is in fact achieved. This would mean that certain helping people into home ownership costs less than the net present value of providing equivalent social housing, taking into account all direct and indirect subsidies. Furthermore the support would have to be available only to those who would otherwise be eligible for social housing. This is the case, for example, with the proposed Social Homebuy programme (Office of the Deputy Prime Minister 2005a). For the logic of "value for money" to be consistent, it might also be worth reconsidering the extent to which the benefits system helps low-income home owners "in housing need" (Burrows 2003). Income Support Mortgage Interest is less generous than equivalent support for tenants, and Housing Benefit is only available to people who rent.

Similarly, most would agree that the limited stock of social housing should be used as effectively as possible. "Freeing up social housing" might therefore mean that individuals could usefully be given incentives to move out, to make the housing available for people in greater need. This could take the form of home ownership subsidies. Incentives could also be pre-emptive, helping those who are on the housing register but have not yet been found a home (like the proposed Open Market Homebuy). Again, this paper puts to one side questions about whether, for example, those who are able to afford home ownership are the most in need of social housing in the first place, whether different programmes would benefit those who would otherwise have chosen open-market rather than social housing, or whether the incentives in any particular government programme are the right size.

The objective to "increase overall supply" is unsurprising in the context of the Barker Review (2004), and not one that this paper takes an issue with in principle. Again, any specific programme would have to demonstrate an actual impact on supply, and would have to show why this is best achieved through promoting home ownership, rather than other ways. For example, ploughing receipts from the sale of an existing home into new housing will increase overall supply, but in itself that justifies only house price *sales,* rather than subsidies. Furthermore, the HomeBuy proposals do not place social landlords under any obligation to use the proceeds to build new rented housing. As pointed out by the Commission on Sustainable Development for the South East (2005), the total drop in new housing since the mid-1960s can be clearly attributed to a reduction in the number of social houses built, rather than the number available for home ownership. The consequences of under-supply are therefore felt in the increase in homelessness and temporary accommodation, and it is the restoration of social housing levels that should be the priority. So as an objective, increasing overall supply is not disputed, but any specific subsidies for home ownership must show demonstrable gains for the supply of social housing to be able to be based on this objective.

"The recruitment and retention of key workers" is also seen as an unsurprising objective. Specific schemes, such as Key Worker Living, need to refute criticisms about targeting: some workers receive very large amounts of help, including equity loans of up to £100,000, while others receive nothing. Those who receive support are not necessarily poor, with an average income of £33,000 (ODPM 2005a: 17). Nor are they necessarily the individuals who are most in need of retention incentives: key workers who would prefer to rent, or who already own their home (but perhaps need a bigger one because of a growing family), receive no help under the Key Worker Living scheme. And by doing little to encourage extra supply, the scheme is vulnerable to charges that it simply re-orders the queue. But such doubts are put to one side, being questions for policy evaluation rather than an analysis of objectives.

Two objectives are left, and these are scrutinised in more detail. Section one of this paper examines "mixed and sustainable communities". It has been argued that a mixed community brings certain benefits, but does "mixed" mean mixed *tenure*, or is tenure just a convenient proxy that should not be targeted directly? If tenure is only a proxy, then artificially shifting tenants into home ownership will not deliver any of the benefits that are normally associated with higher rates of home ownership. The benefits that might flow from home ownership are most commonly given as community involvement (social capital), educational attainment, and physical upkeep. These are examined in turn.

Section two looks at the objective of "enabling more people to share in increasing asset wealth". It starts with a specific look at home ownership amongst low-income groups, asking whether housing is a good investment for the poor. Whether this justifies state involvement depends on whether it helps achieve other certain objectives: reducing poverty in retirement, promoting more equal life chances (through effects that come under the heading "asset-based welfare"), and/or addressing concerns over financial inequality.

The arguments are brought together in section three, which restates the proper aims of government policy in the light of this analysis, and suggests policy directions to improve effectiveness. These will be elaborated in forthcoming research by ippr, which will focus on how aspirant first-time buyers might be best helped, and how the state can make it easier for asset-rich income-poor pensioners to release their housing wealth.

Box 1: Government policies to promote home ownership

Right to Buy: Most council tenants who have been in their property for at least five years have a right to buy it with a discount.

Right to Acquire: For tenants of social landlords, but with lower discounts and fewer properties eligible than Right to Buy.

Shared Ownership: People in housing need buy a proportion of a property from a social landlord and pay rent on the remaining share.

Homebuy: Similar to shared ownership, but homes are bought on the open market. Only existing social tenants and those on the waiting list are eligible. The Homebuy scheme is currently being reformed (see Office of the Deputy Prime Minister 2005a, 2005d).

Key Worker Living: Equity loans of up to £50,000, or £100,000 for certain people, to help "key workers" such as teachers and doctors to buy.

First Time Buyers Initiative: Houses built on surplus public-sector land. The buyer pays the cost of the building, but not the land.

Stamp duty exemption: No stamp duty is paid on homes worth less than £120,000.

Capital Gains Tax Exemption: Capital gains tax is not paid on your main or only home. This is only partly about encouraging home ownership: it is also an acknowledgement that house price appreciation leads to higher housing costs as well as greater wealth for owners.

1. Mixed communities: does home ownership benefit the neighbourhood?

One of the Government's justifications for promoting home ownership was to create "mixed, sustainable communities", as "concentrations of deprivation… have a negative impact on people's life chances". There is an ongoing debate about in what ways, and to what extent, concentrated disadvantage has a negative effect (Atkinson and Kintrea 2001; O'Reagan and Quigley 1996; Speak and Graham 1999). After reviewing American and British literature, Gibbons *et al* (2005) conclude that living in a more deprived neighbourhood does have an independent cost for residents. They conclude that this is most pronounced for crime, more modest for child education, and does not exist for adult employment except in geographically isolated locations.

The question here, though, is whether the beneficial effects of "mixed communities" can flow from a mix of *tenure*, or whether a mix of tenure is desirable only because of *associated characteristics* such as mixed income, employment, or education. If tenure matters in itself, then the pursuit of "mixed communities" could mean helping tenants into home ownership. But if home ownership is merely a proxy for other characteristics, then artificially creating turning tenants into home owners would not bring about these secondary effects. The policy would not create "mixed communities" in the ways that matter.

The rest of this section asks to what extent deprived neighbourhoods would benefit directly from increased home ownership. A growing literature, particularly from America, clusters around three arguments:

- Home ownership improves *community involvement.*
- Home ownership improves *educational attainment*
- Home ownership improves *physical upkeep*

In analysing these benefits, it is important to avoid language that stigmatises renters and social housing tenants. Many will never be in a position to own. For many, it is not in their interest to own. Renters are not bad citizens. On this basis, some commentators have argued that it is not merely wrong, but dangerous, to justify support for home ownership on the grounds that there are social benefits to it. While those interested in equal life chances should not be deterred from exploring what could be valuable mechanisms to aid community regeneration, research should be sensitive in the way that findings are discussed and disseminated.

Community involvement

Might home ownership encourage people to become more involved in their community? Numerous studies have suggested that community involvement, or "social capital", is consistently higher amongst home owners and in home-owning areas. DiPasquale and Glaeser (1999), for example, found that home owners were six per cent more likely to say they worked to solve local problems, and were on average a member of 0.25 more non-professional organisations than non-owners, after taking into account a wide range of other factors such as age, marital status, children, income, education, residential structure type (such as semi-detached) and city size. They were also ten per cent more likely to know their U.S. representative by name, and fifteen per cent more likely to vote. Similarly, Perkins *et al* (1990) found that a higher proportion of home owners on a residential block increased block level participation in the community, based on 48 blocks in an urban area.

These results, though, appear highly specific to the US: the study by DiPasquale and Glaeser (1999) also looked at German data, and, although the relationships between home ownership and citizenship remained statistically significant, the magnitude was much smaller in Germany – dropping in some cases by up to 75 per cent. In Britain the alternative to home ownership is very different to in America, and it would be plausible to find that the structure of social housing means that tenants have *more* social capital than owners, not less. At least one analysis in Britain, based on bivariate analysis in three British towns, did indeed find that renters had closer ties to neighbours and were more likely to provide informal aid (Saunders 1990).

Furthermore, the theory behind these results is not entirely persuasive. Without good supporting theory, it is hard to rule out spurious relationships, or the existence of other factors that caus both home ownership and community involvement. Without an understanding of *why* home ownership increases social capital, we cannot be sure that it does so.

The first explanation that is offered is that home owners live longer in one place. The cost of moving house is often greater for owners than renters, inflated by fees for estate agents, investment in decoration and maintenance, and, in Britain, stamp duty. In the American study by DiPasquale and Glaeser, quoted above, residential stability accounted for 92 per cent of the relationship between home ownership and membership of professional organisations. It accounted for 39 per cent of the relationship with knowing one's US representative, and four percent of the relationship with voting.

Yet it is not the case that mobility always undermines social capital. Looking at the ex-coalmining communities of Yorkshire, Green *et al* (2005) found that migration *increased* their "social capital index" from 60.9 to 64.6 over the two years to 2002/03. Mobility within the area, they suggest, is often in response to problems with near neighbours, while people leaving the area are often those who are most discontent with it. Reducing mobility through home ownership would reduce people's ability to avoid problem neighbours, and reduce the "subtraction of malcontents" (p.52), thereby undermining rather than promoting social capital.

Nor is the pattern of mobility the same in Britain as America: home owners in Britain are not necessarily the most stable, partly because social housing is only available to those with a connection to the local area. A study by Hughes and McCormick (2000) showed that, controlling for other influences such as age, socio-economic group and household status, local authority tenants had a *lower* migration rate than owner-occupiers.

We should also be aware of a potential trade-off between low mobility and unemployment. Some have argued (Oswald 1996, 1997) that owner-occupiers are less likely to move to seek work, pushing up unemployment rates, although this has been disputed (Green and Hendershott 2001).

Aside from duration of residence, the main way that home ownership is said to improve community participation is economic: higher levels of social engagement are due, it is proposed, to the financial incentives that come from having a stake in local property prices (Baum and Kinston 1984, Rohe and Stewart 1996, Saunders 1979; quoted in Rohe *et al* 2000). It is argued that home owners, by participating in local organisations, are able to ward off threats to their housing equity. Theoretically and empirically, a purely financial motivation is unsatisfying. Each home owner is in a familiar "prisoner's dilemma" incentive structure: the amount that her personal equity benefits from an improvement in property prices is tiny relative to the effort involved, so she would like instead for everyone else to put effort in while she free-ride. There is also evidence that social engagement is not consciously motivated by a desire to protect property values, contrary to the predictions of this theory. Cox (1982) measured "investment orientation" by asking how important it was to "buy houses… so they can sell later at a profit". People's answers had virtually no relationship with their activism.

More plausible analysis starts from the basis of "framing" and psychological orientation rather than economic incentives. Baum and Kingston, for example, suggest that "feelings of pride of ownership may induce certain social psychological orientations not related to economic concerns that foster or reinforce particular social attachments" (1984: p 163; quoted in Rohe *et al* 2000: 24). Home ownership could make the way in which we assimilate incoming information and organise memories (known as "cognitive schemata") more conducive to behaviour that fosters social capital. The combination of economic and psychological rationales may provide sufficient motivation for community involvement.

What, then, should policy-makers conclude about home ownership and community engagement? The initial correlations are striking, but are not as strong for the UK as the US. The theory explaining the correlations can be similarly criticised, although a combination of economic and psychological effects may turn out to have some effect. But as the evidence currently stands, it is hard to argue that increasing the rate of home ownership in neighbourhoods where it is currently low would have reliable pay-offs through community engagement. The case for subsidies on this basis may improve after more research, but it is currently weak.

Educational attainment

That home ownership by parents might boost school achievement is surprising. Even more surprisingly, the benefits appear to be greater at the school level than at the individual level and stronger for low-income families than ones on average income. The school-level benefits mean that your education is more affected by whether neighbours and classmates come from home-owning families than by whether your own family are home owners. In one British study, Bramley and Karley (2005a) used a model that suggested attainment at age 11 increased when the school area had a high level of owner-occupation, so that a 20 per cent rise in owner-occupation levels was associated with a rise in mean test scores of 3.5 per cent. Controlling for individual pupil attributes, such as free school meal eligibility, structural characteristics of schools, such as size, spending resources of schools, and special policy measures, such as Education Action Zones, there was still a statistically significant difference. Although any improvement in school results would be welcomed, and school-level effects are often small, it should be noticed that this is a relatively small improvement for what is a very large increase in levels of home ownership.

The idea that the educational benefits of home ownership are greatest for low-income families comes from an American study. Green and White (1997) used the Panel Study of Income Dynamics, and found that home ownership increased the probability of being in school at 17: the effect was four percentage points when the child's parents were at mean income, but nine percentage points when they were on low income. The authors confirmed the result against the Public Use Microsample of the 1980 Census of Housing and Population: the effect of ten years' home ownership was seven percentage points greater for children in low-income than mean-income families (although four years' home ownership did not have the same effect).

The Green and White paper was unusual in that it also attempted to put a price to these benefits: they calculated that helping parents into home ownership would increase one child's earnings alone enough to pay back $31,000 of subsidy. This figure was arrived at by calculating the discounted lifetime earnings differential for high school graduates versus high school dropouts, and multiplying by the extra probability of graduating from high school if the child's parents were low-income home owners rather than low-income renters.

Again, though, the theory has yet to catch up with the data. Rather than home ownership leading to better schools, better schools may lead to more home ownership: home owners are able to move into areas with good schools in a way that others are not. This is so common in Britain that school quality is reflected in property prices, with a ten-percentage point improvement in the 'league-table' at age 11 adding at least three per cent to the price of a house located immediately next it (Gibbons and Machin 2005). Moving from an average house outside a weak school to a similar one outside a top over-subscribed school would cost

£61,000, based on prices in April-June 2004. More expensive houses also add another feedback mechanism, by changing the class mix of the catchment area.

Much of the benefit also appears to come from neighbourhood stability, rather than home ownership directly. Aaronson (2000), for example, found that home ownership had a positive impact on the likelihood of graduating from high school by the age of 19, but that almost half of this disappeared after controlling for the proportion of years with a move between seven and 16.

The links between home ownership and educational attainment therefore seem uncertain.

Physical upkeep

Harvard President Lawrence Summers once quipped that "in the history of the world, no one has ever washed a rented car". A rational actor puts more effort into looking after something he owns than something he rents, because when he owns it he reaps the full benefit of his investment. The same appears true of houses (Saunders 1990). Splitting ownership from occupancy brings costs to both sides: the benefit of upkeep is split, so neither side is prepared to invest the full amount; the tenant has less incentive to act on problems early, when they are cheaper to fix; and the landlord must spend additional effort monitoring the behaviour of the tenant. The result is that both may invest less time and effort in property maintenance compared to the efficient level.

The key point for public policy is that the state of people's homes could have a wider impact on the neighbourhood. There are similarities with the "broken window" theory of crime. Developed by Wilson and Kelling (1982), this emphasises the signalling function of neighbourhood characteristics: if one window is left broken, passers-by will assume that no-one cares about the building, and soon it will have no windows. Those who live and work in the area withdraw as they begin to feel more vulnerable, and become less willing to intervene to maintain public order or to address physical signs of deterioration. The reverse could also be true: a fresh coat of paint on a house, pot plants or a new front door can all give the impression of pride in the local area.

Of course, property upkeep cannot be improved if new buyers do not have the resources needed to maintain their homes – if, for example, they became home owners only because of substantial discounts, and so lack the savings or income that are necessary. Anecdotal evidence from housing associations suggests this problem is common: a new front door was once the proud symbol that someone had exercised their right to buy, but is now more likely to show that a tenant has benefited from the Decent Homes Programme. Meanwhile the front doors of some home owners crumble from neglect.

Conclusion

There is an ongoing debate about the ways in which communities benefit from a mix of incomes. This section has looked at a more difficult question: what are the benefits from a mix of *tenure*, and more specifically, would deprived neighbourhoods benefit directly from increased levels of home ownership?

There are consistent statistical links between home ownership and socially-desirable outcomes such as community engagement, education and physical maintenance. But much of the data is American, and may not translate to Britain. More damagingly, there is insufficient understanding as to *why* the purported relationships may appear. We cannot be certain that the benefits of home ownership do not derive from associated characteristics, so that home ownership is just a proxy; we cannot be certain that the benefits do not rely on other, unknown conditions also being true, so that promoting home ownership without, say, an accompanying savings buffer would harm rather than help the community; and without being certain about the causation, we cannot be certain about policy recommendations.

Equally importantly, it is unclear how benefits at the general level translate to specific steps for specific areas. It is not clear what the *right level* of home ownership may be. Is more always better? Or are there thresholds and tipping points, diminishing marginal returns, or other non-linearities? We might expect that the social benefits of one extra home owner decline as more people own, while the marginal social benefits of the private rental sector increase (for example, through labour mobility). At some point the lines would cross. Given that, and the high level of home ownership nationally, it is important to understand the point at which trade-offs start to bite. Nor is it clear how we should understand "*community*": should there be a certain proportion of home owners in each street, each ward, or each borough? If, for example, it were decided that home ownership brings benefits at the block level, then government and social landlords should focus on those blocks that have particularly low levels of home ownership. If, on the other hand, communities interact on a larger scale – say, several blocks – then a community would be sufficiently "mixed" if it had a block of flats purely rented next to one purely owned. The size at which communities are analysed has important implications for policy, but we are not able to say what that size should be.

From the standpoint of mixed communities, then, home ownership should not be pursued as an objective in itself. Although we cannot exclude the possibility that an independent effect will emerge after more research, mixed tenure appears to be a consequence of mixed communities, rather than necessarily a good thing in itself.

How can government policy achieve "mixed communities" in the broad sense, without getting distracted by the misleading proxy of home ownership? Communities must be attractive to those on higher incomes, with opportunities for home ownership if people desire it, but without subsidies focused exclusively on home ownership for its own sake. It is a difficult balance. Tough choices must be made between making it attractive for those on higher incomes to stay or move to the area, and using social housing and associated resources for those in the greatest need.

If incentives to stay in the area *are* channelled through home ownership, such as through a discount on Right to Buy, then what lessons can be drawn for policy? For the sake of mixed communities in isolation, it could be more effective (and better value for money) to have the discount vary locally, based on demand and the level of mix in particular communities. In 2003 the Government took a step in the right direction by capping the discount available at £16,000 in 41 local authority areas where demand for housing was high. Going further down this road is complicated by the political resonance of Right to Buy, and by the interaction of "mixed communities" with other objectives. As a minimum, more research is needed on the desired level of "mix", and the relevant size of "community".

2. Wealth accumulation and the state

In its list of objectives in promoting home ownership, the Government included "enabling more people to share in increasing asset wealth" (Office of the Deputy Prime Minister 2005a: 7). Increasing one's asset wealth is certainly very agreeable, but does it deserve government assistance? This section explores four questions:

- Is housing a good way for *low-income individuals* to accumulate wealth?
- Do arguments around *pensions and care* justify government intervention in housing wealth accumulation?
- Does a*sset-based welfare* justify government intervention*?* Theories around asset-based welfare have suggested that asset ownership brings benefits such as security, opportunities, and longer-term thinking, and that there are systemic barriers to wealth accumulation for the poor.
- Do concerns about *inequality* justify government intervention?
- Is housing a good investment for the poor?

Many of the factors that determine returns to housing wealth are stacked against the poor, and before helping people to become home owners it is important to ask whether low-income households in particular should invest in housing. Following DeGiovani (2002), we divide the factors into market forces, household behaviour, and opportunity costs.

Looking first at *market forces*, insurance prices may be higher for the poor; maintenance costs may also be higher; and trends in house prices may be less favourable in poorer areas (Thomas and Dorling 2004). The last is not inevitably the case, despite the problems of low demand in the North of England. A study of Chicago, for example, that analysed house price changes 1983-1998 at zip-code level, found that areas in the lowest income quintile or decile had higher growth than higher-income areas over the entire study period (Case and Marynchencko 2002). Another study, that matched purchases and resales 1982-1999 in Boston, found that low-cost homes were half as likely to sell for a loss as high-cost homes, and more than twice as likely to sell for a real gain of more than 50 per cent.

Given the high house-price inflation in recent decades, and the high likelihood that this is unsustainable in the future, it is important to ask whether asset accumulation through home ownership depends on price changes. If we knew that house prices would grow only at the average rate of other asset classes, or even at the rate of inflation, would it still be advisable for low-income households to invest in housing? Clearly home ownership does become less attractive in such circumstances – but it may still be the best way to build up an asset. Home ownership has a "two for one" component: the same money can be used both to pay "rent", and increase net wealth by paying off a mortgage. Other means of investing in housing, such as real estate investment trusts, cannot offer this two-for-one element so provide a poor substitute for home ownership as a means of acquiring wealth. If we knew that house prices would *fall*, of course, then the picture would change, in particular due to the negative equity trap.

Moving on to *household behaviour*, the return on housing wealth is influenced by the ability to maintain monthly payments. Doling and Stafford (1989), examining home ownership in Coventry, warn of the potential for lower returns and even negative equity for low-income home owners, partly due to the higher risk of income instabilities resulting in foreclosure. Mortgage protection programmes, pre-purchase counselling and advice are therefore crucial complements to any home ownership-promotion programme: current benefits for those out of work give considerably more help to tenants than owners. The Mortgage Interest component of Income Support, for example, only pays out 29 weeks after Income Support is first claimed, pays at a standard interest rate only one percentage point above the Bank of England base rate, and only on capital up to £100,000 – an amount unchanged changed since 1995.

The need to maintain monthly payments, even during difficult times, can also be viewed in a more positive light: it is a way for individuals to pre-commit themselves to saving. Because individuals have limited self-control, they can prefer a certain degree of inflexibility to help maintain regular saving (Sunstein and Thaler 2003; Frederick *et al* 2002).

The duration of ownership is also critically important to the return on wealth, given the large transaction costs of a house purchase. A survey of first-time buyers by Alliance and Leicester (2005) put the average price of moving at almost £3,000, including stamp duty, land registry fee, survey costs, solicitor fees and removal fees. Adding the cost of furniture and other home essentials increased this figure to £14,000.

The *opportunity cost* of investing in housing is something of a summary of the previous factors. It is important to evaluate the risk-adjusted rate of return on housing relative to other available investments. The money that can be invested, though, is not the full amount paid into a mortgage, but that amount *minus* the amount that would have to be paid in rent for an equivalent property, *plus* the money spent on repairs and other expenses that would be covered by a landlord.

On the up side, housing is normally highly leveraged, so small nominal gains can be large compared to the downpayment. This also means that declines in nominal house values lead to proportionately higher losses, with the danger of negative equity. Compared to other investment options, though, housing as a category is relatively stable, and certainly more stable than equities (Pensions Commission 2004: Figure 5.16).

Taking all factors into account, we can conclude that promotion of home ownership for low-income households should be done with caution, and with full attention to the long-term sustainability of house purchases. Income instability, the risk of negative equity, and maintenance costs are particularly important factors. But buying a house still appears to be one of the most important ways to accumulate wealth. Tracking renters and home owners from 1984 to 1999, using the American Panel Study of Income Dynamics, Di *et al* (2003) showed that there was a difference in net wealth between 1984 renters and owners of $125,000 at the end of the period, and that only $20,000 of this reflected the contribution of marital status, age, race and ethnicity, initial wealth and household income in 1984.

Crucially, this is more true, not less, for those on lower incomes. For households with incomes under $20,000 (about half of whom were over 65), the ratio of median owners' wealth to median renters' wealth was 81 to one. This figure is startling: those who made the choice to buy were *81 times wealthier* than equivalent households who rented. Among households with over $50,000 in income, that same ratio fell to eight to one. The authors note that such a difference may be due to the lack of opportunity for low-income households to invest in anything other than their homes.

Housing therefore appears to be an excellent way for low earners to accumulate an asset stock, although this must be tempered with the concerns about sustainability mentioned above.

Pensions and care

The analysis above suggests housing is a good way to accumulate wealth, even for those on low incomes. But individual wealth is not enough: how strong is the case for government intervention?

Government has an interest in ensuring that all citizens enter old age with a decent income, both to minimise claims on the state's resources, and as a requirement of a society in which all are able to participate on a footing of mutual respect. Home ownership is one way of satisfying this objective, as it provides rent-free living in retirement, protection against increases in housing costs, and a sum of money that can in theory be released for current spending or for care needs (see Pensions Commission, 2004: Chapter Five). The importance of housing wealth for retirement is underlined by the scale of the deficit in pensions and long-term care, and the large value of net housing assets (£2,250 billion according to Pensions Commission 2004: 186). The Pensions Commission is right that housing assets will not provide an escape from the fundamental choices it outlines, between pensioners becoming poorer relative to the rest of society, taxes rising, savings rising or the average retirement ages rising. But for certain groups housing wealth is extremely significant. In the case of care, long-term personal care can and should be provided by the state (Brooks, Regan and Robinson 2002; Paxton, Pearce and Reed 2005), but the diversity of care needs means that housing wealth could still play an important role.

Why, if the state's interest is in retirement needs, should it support home ownership rather than pension savings? It may be that certain groups, such as those on lower incomes, find it difficult to accumulate a reasonable pension pot, but are able to pay off a mortgage with money that would otherwise be used for rent. This does not apply for those claiming Housing Benefit, which helps people on low incomes pay rent but cannot be used to pay for a mortgage. It also requires a serious analysis of sustainability, as suggested above. But, this being so, it is highly plausible that some people who are unable to save into a pension plan are able to build up housing wealth using their "rent".

For the house-as-pension to justify state support, two further conditions must also be true. First, housing wealth must not be run down before retirement. The state's support does nothing to help pensioner poverty if housing wealth is cashed in just before retirement and spent on a five star world cruise, or other indulgences of the nearly-retired (the problem known as "moral hazard"). A strong response might be to ask whether owners who have received state assistance in accumulating their wealth should therefore be *required* to use it for certain purposes. Savers, after all, are required to lock their money into a pension in order to benefit from tax relief. The accounting complexity of this would probably be prohibitive, and it is doubtful whether such a restriction would be supportable unless it was clearly communicated in advance. The Government might be best advised to ignore this problem if only a very small number of people choose to cash in their housing wealth pre-retirement.

The second condition is that retirees are *able* to extract housing wealth with reasonable ease. It should be possible to trade down to an appropriate home, without having to move a large distance or pay high transaction costs, and commercial equity release schemes should be as accessible and attractive as possible.

To conclude, support for home ownership can be justified on the basis of retirement needs, but only if other conditions are also true:

- It is targeted on the poor, to prevent pensioner poverty and because other groups can better save for retirement in other ways.
- Releasing housing wealth must be easier and cheaper.

Asset-based welfare

ippr has been instrumental in putting asset-based welfare on the policy agenda (Kelly and Lissauer 2000; Bynner and Paxton 2001; Paxton 2003), exploring theories that point to the important long-term benefits of asset-ownership, the barriers that prevent the poor from acquiring their own assets, and the duty of government to help these barriers be overcome (Sherraden, 1991). This has had some impact on government thinking. Explaining the rationale and objectives of equity stakes in social housing, the Office of the Deputy Prime Minister pointed at the need to increase asset holdings:

There is evidence…that suggests low income households do not have sufficient savings to draw on for 'rainy day purposes', for retirement or to make the most of opportunities available to those with *savings. This is behind the Government's aim to widen the benefits of savings and asset ownership, particularly to those on low incomes… There is also research that suggests that a lack of assets in itself can adversely affect a range of outcomes for individuals including employment, health and general well being.* ODPM 2003: 2.2-2.3

But moving from financial wealth to housing wealth requires us to re-examine whether the same benefits can be derived from each one, and, crucially when assessing the case for government intervention, whether the systemic barriers prevent certain groups from accumulating housing wealth, as they do for financial wealth.

The first thing to note is that the arguments must be applied to a different demographic group for the two types of wealth. With financial assets, the goal is to increase the asset ownership of those with no or very small formal savings. For example, in the first Savings Gateway pilot, a programme that matched the savings of low earners pound for pound, half the participants had less than £10 in savings, and 26 per cent had no current account (Kempson *et al* 2005). It is highly unlikely that many of these individuals would be seriously contemplating a house purchase or able to sustain home ownership if they did.

While home owners are less poor than that group, they are not necessarily "rich". Half the households counted as being in the lowest income decile were home owners according to one study (Burrows 2003), and those just moving into home ownership can still have restricted access to mortgages and other credit markets – there are large firms, after all, that specialise in selling mortgages to nonperforming borrowers.

Many of the benefits that have already been examined, such as community engagement, are also supported by asset-based welfare. Here, though, we look only at those benefits that accrue to the individual rather than the community. We focus in turn on security, opportunities, and patterns of thinking

Assets for security

The first proposed benefit is a strengthened sense of security. Risk is a bigger factor in the decision-making of lower-income households, as they suffer from both greater exposure and less adequate coping mechanisms. Sickness or unemployment, a fridge or cooker breaking, or the need to buy school uniform for children, can all lead to unsustainable debt cycles. When income or expenditure shocks occur, they are more likely to have a bigger impact because of a lower likelihood of insurance, shorter budgeting horizons (particularly for those on weekly benefits) and, for some, exclusion from affordable credit markets (Regan and Paxton 2003).

By increasing security in one area of people's lives, asset ownership allows people to take productive risks in others. Just by being there, the assets can provide tangible benefits, opening opportunities even without being used up. The pay-offs can be long-term and transformative. When participants in asset-building programmes are asked to evaluate what difference asset ownership has made to their lives, the focus on security is striking. Amongst low-income participants in the Government's Saving Gateway, many of those who had not previously saved thought that the programme made them feel "more in control of my own life".

It's made life a little more tolerable because I know I've got it, in the back of my mind now, I know I have got that little bit there if I desperately need it. Which I didn't have before… I would have been more worried about any unplanned for expense before. That would have been in the back of my mind all the time... Well now I know that I've got a bit more money to cover it. Saving Gateway participant (Kempson *et al* 2005: 69)

It is important, though, that the effect on perceived security was concentrated amongst those who previously had no savings. Participants who had already had some savings, even at a low level, were less likely to say that their sense of control over their own lives increased as a result of the Saving Gateway. In fact, 50 per cent of participants said they neither agreed nor disagreed with the statement "I feel more in control of my own life" (39 per cent agreed or strongly agreed). This is consistent with previous findings (Bynner and Paxton 2001) that there is a "cut-off" of £300-£600, above which no additional benefit is observed. So in using assets to promote security, the priority should remain to help those who have nothing. It is possible, of course, that helping those people to acquire a savings habit sets them on a path that eventually leads to home ownership.

Home ownership does, though, boost security in ways that financial savings do not. It opens the door to cheap credit that is secured against the equity in the home, making income smoothing or investment in personal development easier and cheaper. On a larger scale, selling the home could provide substantial sums of money, but this would be a drastic step that most would want to avoid. The wealth is there, and although it is comparatively illiquid it may still provide insulation from the worst risks. Saunders (1978) suggests that home ownership enhances "ontological security", increasing the sense that there is control over one's resources and physical space, and so resulting in a sense of greater personal control and security.

Home ownership also brings additional risks, and the need to pay a mortgage can actually make people *more* exposed to risk, not less. Unanticipated disruptions in income streams, property repair costs, or tax increases, can result in evictions and repossessions for lower-income households (Meyer, Yeager & Burayidi, 1994). The relationship between home ownership and risk is complex, and any programme to promote home ownership must ensure that new buyers are able to maintain the monthly repayments and other costs.

Assets as a springboard

Assets can also act as a springboard, working not just to alleviate immediate poverty (as income assistance can do) but to change fundamentally the prospects and opportunities of an individual. Starting a small business or acquiring training can be impossible without a small financial asset. Blanchflower and Oswald (1998) showed the importance of wealth constraints on the ability of entrepreneurs to raise loans by examining the National Child Development Study. People who were 23 in 1981 and had received £5,000 of inheritance (in 1983 pounds) was approximately twice as likely to be self-employed in that year as someone who had received no inheritance, and the effect was considerably higher for women. The effect remained at age 33, although not as strong. Blanchflower and Oswald also report survey data suggesting that lack of capital is a serious obstacle to entrepreneurship: amongst those who reported in a British Social Attitudes Survey that they had "very seriously" or "quite seriously" considered becoming self-employed, but had not done so, a lack of capital was the most common reason given as the reason they had not.

Assets and autonomy, planning, and patterns of thought

Partly as a result of these two effects, it is thought that assets influence patterns of thinking. Sherraden (1991) argues that asset-holding alters people's "cognitive schemata" – mental structures that help frame attitudes to future orientation, stakeholding and autonomy. Political philosophers have explored the notion of stakeholding as an "emancipatory strategy", giving each citizen the material dependence necessary to have effective freedom from interferences and dependency (Dowding *et al* 2003; Van Parijs 1995; Ackerman and Alstott 1999). To quote James Meade (1964):

A man with much property has great bargaining strength and a sense of security, independence and freedom… He can snap his fingers at those he must rely on for income, for he can always rely for a time on his capital.

Walking out on an abusive partner or bullying boss is that much easier when one has an asset buffer, and the extra confidence that this brings is pervasive. Self-reliance may start as taking more responsibility for the state of one's dwelling, but then expand into other areas. Sherraden (1991) calls this effect "personal efficacy" (also see Bandura 1995).

A second knock-on effect is on propensity to plan. This is partly as a result of the immediacy of budgeting problems being reduced: if an income or expenditure shock does occur, an asset buffer allows you to spread the problem over a longer time period. You can lift your eyes from the next bill or the next pay-cheque, and think about longer-term coping mechanisms. This longer-term thinking, it is proposed, becomes a habit. Within economics, it is consistent with standard theory that risk aversion depends on wealth, and the extent to which the future is valued less than the present (the rate of time discounting) is tied closely to risk aversion.

The effect of assets on planning is more established for financial wealth than housing wealth. Yadama and Sherraden (1996) found that the value of owner-occupied houses does not, in fact, improve propensity to plan. As part of the Panel Study of Income Dynamics, a "horizons" index was constructed that asked about explicit plans to move to obtain a new job, explicit plans to have more children, and educational goals for one's children. The specificity of respondent's answers was used to judge their time horizons. According to this measure, there was no statistically significant relationship between house values in 1968, with non-owners given a value of zero, and the "horizons" index in 1972. (There was, on the other hand, a significant relationship between the value of savings and horizons.) The study is weakened, though, by the questionable extent to which the horizons index captures propensity to plan, and by its focus on house values (a continuous variable), rather than tenure type (discrete categories). As previously mentioned, at least one paper looking at the effect of savings appeared to show a relatively low "cut-off" above which more does not mean better (Bynner and Paxton 2001), and this could also true for housing – the responsibilities of home ownership, for instance, are unrelated to the house value. If so, then we would indeed expect to see no significant relationship between "horizons" and house value, but a significant relationship *would* emerge if we looked at tenure type, or house values up to a certain point.

Barriers to wealth accumulation

These benefits of asset-holding make it more important to remove the institutional barriers to asset accumulation, such as financial exclusion and uneven access to bank accounts (Regan and Paxton 2003; Paxton 2003). Seeing savings behaviour as a habit justifies a different level of government intervention, if it can be shown that kick-starting this habit leads it to be sustained later in life. Asset-based welfare also draws attention to the way that existing state support for asset-building, mainly tax relief, is biased towards those on higher incomes, and it suggests new and more direct policies, such as Child Trust Funds and "matched" savings accounts (Kelly and Lissauer 2000; Sherraden 1991).

Institutional barriers to home ownership certainly exist, not least from poor credit scoring that can fail to take account of hard-to-verify cash income from work such as child care and cleaning services, and pooled or community resources (although this is less of a problem in the UK, where income is more likely to be self-declared for mortgages, than in other places). Behavioural barriers may also exist – certainly, the likelihood and timing of becoming a home owner seems to depend in part on whether one's parents are home owners. Taking other characteristics into account, including parents' non-housing wealth, Boehm and Schlottman (2001) showed that the children of owner-occupiers were more likely to own their homes sooner than children of non-owners. Interestingly, however, this appeared not to be statistically significant for the lower half of earners by household income, which the authors suggest may be because income and wealth constraints are too severe for preferences to have an effect.

The unequal distribution of wealth in Britain also causes important inter-generational and regional barriers to home ownership. These are discussed in more detail below.

Conclusion

So what can we conclude about asset-based welfare and housing policy? There are important notes of caution, but the combination of long-term individual benefits from home ownership and systemic barriers means that government involvement is justified.

On the benefits of home ownership:

- Security and autonomy derive more from small-scale financial assets (£300-£600) than from housing wealth. The priority for asset-based welfare should remain a reduction in the number with no wealth at all.
- Nevertheless, home ownership does appear to boost security with knock-on effects in other areas of people's lives. Those whose exposure to risk prevents investment in long-term development could benefit from being helped into home ownership. Home ownership does appear to increase people's security, in the short term (through access to secured loans), the long term (through housing equity), and in patterns of thought.
- It is proposed that home ownership improves personal efficacy, the extent to which people feel they can improve their situation through their own actions, but the evidence on this is not conclusive.

On the barriers to home ownership

- Saving, a crucial pre-requisite to home ownership, can be seen as a habit. Those who do not save regularly often require strong incentives to begin the habit, but once begun it is largely self-sustaining.
- Home ownership itself can also be seen as a habit, although to a lesser extent. It is harder to strip out the effects of norms and expectations for housing than it is for saving, because the time horizons are much longer (childhood to adulthood, rather than over a year or less).

Inequality and the new divide

Michael Heseltine, speaking as Environment Minister when the first Right to Buy legislation was passing into law, said the following:

I believe that, in a way and on a scale that was quite unpredictable, ownership of property has brought financial gain of immense value to millions of our citizens…[but] this dramatic change in property values has opened up a division in the nation between those who own their homes and those who do not. Heseltine (1979), quoted in Forest and Murie (1995)

If he was concerned then, he should be panicked now. By 2003/4 over two million council tenants had entered home ownership through the Right to Buy policy (ODPM 2005c), but house price inflation has put home ownership even further from the reach of others. Price rises have been fastest for the richest, entrenching the divide: over the period 1983-2003, the percentage increase in property values for the best-off tenth of owners was almost twice that for the worst off tenth (Thomas and Dorling 2004).

This reflects a more general inequality of wealth. While the wealthiest one per cent owned almost a quarter of all the wealth in the country in 2003, almost a third of the population had marketable wealth of less than £5,000 (Inland Revenue 2004: Table 13.5) The gini coefficient, a measure of inequality that gives absolute equality a score of zero and absolute inequality a score of one, marks the distribution of wealth as twice as unequal as income, at 0.7 compared to 0.35 (Inland Revenue 2005: Table 13.5). This follows at least twenty years of negative trends: the number of households without any assets doubled from five to 10 per cent between 1979 and 1996 (Paxton 2002), and in the late 1990s the top one percent increased their wealth share by around three percentage points.

Unequal housing wealth is not just a symptom of inequality in other areas, to be tackled in other areas; it is also itself a manifestation and a cause of inequality. High levels of wealth inequality may lead to increased divisions in income, through individuals' effective ability to invest, obtain credit and bear risk. It may also have negative effects on social cohesion, accentuating and contributing to uneven relationships of power and status. A culture of mutual respect and support may be harder to sustain when wealth inequality is high.

Deep inequality of housing wealth thus creates another mechanism whereby disadvantage is transmitted from one generation to the next. It becomes self-sustaining across generations. Whether an individual is able to buy a house becomes more determined by whether, when and where his or her parents bought a house. Over a third of first-time buyers between 1995 and 2001 relied to some extent on gifts, family loans, inheritance or windfall (ODPM 2005b, quoting Barker, 2003: Table 1.4), and research for the Joseph Rowntree Foundation showed that when parents owned their home, but their children did not, the parents expected to contribute an average of £17,000 to their child's first purchase (MORI Omnibus 2004). One model of affordability suggested that five per cent of the population could buy only because of family wealth, with a higher proportion in southern regions (Bramley and Karley 2005b).

In recognising that citizens' life chances should not depend on their parents' wealth, we arrive at a strong set of policy imperatives. To their credit, some members of the Government have been quick to recognise the problem of wealth inequality, and have put thought into how the issues can be joined together (see, for example, Child Trust Funds; also HM Treasury and Office of the Deputy Prime Minister 2005: 2.21-2.22; Cooper 2005). The emphasis given to these arguments in justifying support has increased over 2005 – a shift that should be warmly applauded. The challenge now lies in following this through to policy design.

Applying it to home ownership, we could say that government has a positive duty to remove the barriers that prevent people from low-wealth families buying their own home, as part of a broader strategy to improve the distribution of wealth. Complementing action on home ownership should be measures to increase the financial wealth of families (perhaps through savings policies like the Child Trust Fund), reduce the amount of up-front wealth needed to buy a home (such as through reform to stamp duty and the conveyance system), and address regional inequalities in wealth when it undermines labour mobility.

At the same time, we must recognise that home ownership for all is not realistic or desirable, so housing wealth should not be unfairly translated into other advantages. Such advantages may include access to affordable credit, the ability to move to certain areas, and social status.

3. Conclusion: when should government support home ownership?

Government support for home ownership can in principle achieve certain objectives that are worth supporting, such as retention and recruitment of key workers, freeing up social housing, and increasing overall supply. Specific programmes must demonstrate that they are the best means of achieving their particular objectives, but a detailed evaluation lies outside the scope of this study.

This paper has focused on the two other stated justifications for supporting home ownership: achieving "mixed communities" and "enabling more people to share in increasing asset wealth".

In terms of mixed communities, would communities with a concentration of rented and social housing benefit from higher levels of home ownership? The preceding analysis suggests that although there may be correlations between home ownership and increased community benefits, we do not understand the mechanisms that drive such correlations, and whether home ownership is a cause or a reflection of such effects. Subsidies on this basis do not appear justified. Shifting tenants into home ownership imitates a mixed community, without necessarily bringing about the mixes in incomes, skills and attitudes that that are actually important. Mixed communities in this more complex sense are an important objective, but we must remember that home ownership is a proxy for it, not the thing itself.

However, home ownership does provide important benefits to the individual home owner, as shown by the arguments on wealth accumulation and asset-based welfare. This becomes an issue for public policy for three reasons: housing wealth can contribute to retirement needs; inequality of housing wealth can translate into inequality in other areas, undermining the goals of equality and social justice to which we should aspire; and inequality of housing wealth can become partially self-sustaining, so that access to a highly-valued good becomes increasingly dependent on one's parents.

This suggests we should base support for home ownership around fairness and equality, rather than purported social benefits. This should bring about a mental shift in government policy. First, rather than picking individuals to receive large amounts of support, whilst others get nothing, the aim should be to look at systemic barriers that prevent certain groups from acquiring housing assets. In particular, it becomes important to look at those individuals who do not have access to family wealth. Government could look at the extent to which it contributes to the up-front costs of buying a home, and the extent to which tax policies continue to favour the rich.

Secondly, framing home ownership as an equality issue has implications for its priority. Helping low-to-middle earners to own a home should not be at the expense of helping poorer people to own *something.* We should think in terms of an asset ladder rather than a housing ladder. The first rung then consists of building up a small amount of savings. The effects of inequality are more acute further down the income distribution, and, as shown by section two of this paper, the benefits of owning small levels of financial wealth appear greater, pound for pound, than the benefits of housing wealth. This also means that policies to increase home ownership should not contribute to the stigmatisation of tenants: for many people this is the most appropriate form of tenure.

Thirdly, recognising that home ownership brings certain benefits should make us ask how these benefits can be maximised. Bringing more flexibility to housing wealth would improve the benefits that come under the headings of both "retirement needs" and "asset-based welfare" (security, access to opportunities, and psychological benefits). Particular attention is due to people in shared ownership schemes, who may not have the flexibility that comes from standard (mortgaged) ownership; and to asset-rich income-poor pensioners, who could benefit from releasing housing wealth for retirement spending and long-term care.

Forthcoming research will examine these themes in more depth, using the analysis in this paper as a starting point.

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