

HOUSING CRISIS, GENERATIONAL INEQUALITIES AND WELFARE STATES

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In the past 20 years, in France, the share of housing expenses that households spend in their total budget has considerably increased. It was 13% in 1980 (fuel, light and power not included), 23% in 2000 and in 2004, it became the first budgetary margin of French households whereas housing can be considered as a “forced cost” (FABRE, 2007). To this quantitative transformation, there is also a more qualitative transformation in terms of life style. As a matter of fact, whereas in 1980, the budgetary margin of housing was independent of the households’ budgets, in 2000, housing, common law and basic good, became an inferior good since the share of housing expenditure in the households’ budgets increases when the income decreases. This result allows to think that the more unprivileged categories of population are recently constrained by the pressure of housing in their budgets which became determined by this burden.

French society has often been characterized by generational inequalities (CHAUVEL, 1998). Actually, new generations are unprivileged in many ways (job market, unemployment, level of wages...) whereas the baby boom generation, the gold decade, has benefited from the progress and the growth of “Les Trentes Glorieuses” (“The Glorious Thirty”) for his whole life. This observation leads us to study housing from the point of view of generational inequalities.

This question of generational inequalities makes sense in a comparative study between France and United-Kingdom since the differences between both welfares regimes seem to have divergent effects in terms of generational inequalities.

Welfare regimes and generational inequalities

In reference to Esping-Andersen’s classification of welfare regimes (ESPING-ANDERSEN, 1999), The United-Kingdom, as all the Anglo Saxon countries, can be characterized as a liberal or residual regime and France as a conservative or corporatist regime. In a caricatural way, France and the United-Kingdom are opposite: in the United-Kingdom, the economic is the “laissez faire” (“let do”), the welfare state is residual, social stratification reflects the competitive market, the loan back pension as retirement system (“retraite par capitalisation”) and social protection is minimal. Conversely, in France, the welfare state redistributes more, the retirement system is social policy (“retraite par repartition”), and social safety net is directly linked to professional status.

The effects of these differences between the welfare regimes in terms of generational inequalities have been little studied. Cecile Van de Velde, basing his study on the André Masson’s generational analysis of the welfare regimes, explains that the question of generational transfers is specific to a corporatist model. Indeed, in terms of retirement, the social policy, according to which the working

population finances the retirement of the older, involves generational solidarity and interdependency. So, on the one hand, children finance by social policy their older and, on the other hand, parents take responsibility for their children, which depends on the parents' financial ability and their social positions (VAN DE VELDE, 2007). Consequently, the young French people, directly touched by a massive rate of unemployment (22,3% in 2005 for the 15-24 years old compared to 12,9% in the United-Kingdom (INSEE)) have to make a choice between long study with parental financial assistance and to work quickly without diploma and then to risk multiplying insecure jobs with weak incomes. The consequences in terms of housing for young households might be a polarization between those who benefit from parental assistance and those who don't benefit from it. This second group is at risk to have difficulties to find lodging (high deposit asked, "caution") and then struggling to pay their rents which have never been so high. In this way, French society seems to be able to produce generational inequalities to the expense of new generations.

Conversely, in the United-Kingdom, transfers between generations are supposed to be regulated by actuarial neutrality since each cohort finances his own survival on the job market (VAN DE VELDE, 2007). Consequently, the question of generations has no sense to characterize a liberal model. Secondly, the weakness of the social protection, the system of loan back pension and the competition between the workers can create a polarization between insiders and outsiders. In fact, I think about individuals on the fringes of the society who might have been unemployed for a long time. Young French and British's practices in terms of job position are consequently different. Actually, young British are encouraged to enter earlier job market or to alternate study with job. This model seems to be more inclined to produce social inequalities and intragenerational inequalities since individuals in an age group are in direct competition. In terms of housing, the very poor in the fringes of the job market, risk being more sensitive to the current housing crisis since a loan will be heavy in their budget.

From now on we have to precise the main differences in terms of housing system between France and the United Kingdom.

Housing system in France and in the United Kingdom: which differences?

The choice of the comparison results from the relevance of the housing study in these two countries. As a matter of fact, if there are many differences, there are also many similarities, the first of them is the tension on the real-estate market (MASSOT, 2003). Then, the link to homeownership is quite different, which enriches the analysis.

The main common points are that the two countries have near populations, the stock of dwellings is comparable and the number of individuals by housing is identical. Another similarity is the high weight of the capital city which concentrates more people than the others urban entities. Nevertheless, the contrast with the others areas is more marked in the United-Kingdom than in France. Consequently,

the hierarchy of the real-estate values is more important. Then, in both countries, the private or individual house is the privileged type of residence even if the individual house rate is higher (80%) in the United-Kingdom than in France (56%). This result is related to higher homeownership rates too and to the fact that most of the British council housing are individual houses.

In terms of differences, there are three main points:

Tenure

Home ownership is more developed in the UK than in France which is linked to the "right to buy" (1980). There are more different sorts of home ownership: the leasehold, which constitutes a type of home ownership very widespread in the United-Kingdom, and the shared ownership, do not have equivalent in France (GOODCHILD, REID & BLANDY, 1998). The rental private sector is residual and dualistic (timeworn/luxury supply) in the UK, 10% compared to 25% in France. Because of the "right to buy", council housing in UK is becoming a specialized market for unprivileged categories whereas in France there is an obligation of social diversity. Then, the number of new constructions of council housing is much weaker in the UK than in France.

Acquisition system

The practices in terms of credit are totally different. The use is the mortgage in the UK with adjustable rate mortgage whereas it is the loan on real property ("crédit immobilier") with fixed interest rate in France. Then, the renegotiation, which permits mortgage equity withdrawal ("extraction de valeur immobilière"), is easier in the UK than in France. But, the adjustable rate mortgage represents a higher risk and a direct connexion with the real-estate market. It is the reason why during the beginning of the nineties, the number of seizures of real-estate was very high. The term of the loan is longer (23 years in average in 2002) in the UK than in France (15 years in average) even if it is becoming quite long in France. All these results are linked to the household debts in average of the gross disposable income: 110% in the United Kingdom and 60% in France.

The system of rent allowance

In France as in the United Kingdom, the recent evolution was the introduction of change from brick and mortar subsidies ("aide à la pierre") to personal subsidies ("aide à la personne"). The housing benefit or "allocation logement" are a means tested social security benefit since it is intended to help people with low incomes. The French housing benefits are not specific to the rental sector as it is the case in the UK. In the UK, the receipt of the allowance is connected to the individual income whereas it is linked to the household income in France. Conversely, in the UK only one person in the household can benefit from the allowance whereas several persons can in France. A major difference is the receipt of the allowance for students. In the UK, no student (unless to be a handicapped person or to have children) in full time education can benefit from it. Contrary to France where the allowance is totally connected to the level of income, in the UK, among the low incomes, the higher the income the more considerable the sum of the allowance. In the same way, a person already beneficiary of other allowances receives the smallest amount of housing benefit. These principles show the incitement to work which is linked to the liberal philosophy.

The stake of this paper is to confirm the following hypothesis in terms of housing constraint: Does French society generate huge intergenerational inequalities to the expense of the new generations? Is the British society more inclined to produce strong intragenerational inequalities? To answer to these questions, we will take into account the rule of social policy by studying the impact of housing allowance system on housing constraint in the two countries.

The study is based on a statistic analysis of the Family Expenditures Survey for the United Kingdom and “l’enquête Budget Des Familles” for France. The study analyses the evolution of different expenditure over 15 years. So, I have at my disposal surveys of 1985 and 2000 for each country. The main indicators I use are the net and gross (housing benefit deduced or not) budgetary margins of housing and fuel, light and power for one-room dwelling per capita which can be defined as the share of housing expenses (rent, mortgage and maintenance costs) and fuel, light and power expenses, allowance deduced or not, by the number of rooms (bathroom, kitchen and WC excluded), per capita in the household in total expenditure. In fact, these indicators allow to “relativize” the constraint imposed on the categories of population by the increase in the price of dwelling since it controls two aspects of housing condition: the number of persons and the number of rooms in the accommodation. All the following statistics analysis is about the entire sample. I mean that the distinction between the tenure is not made and includes the homeowners with no mortgage. This research, using the budgetary margin of housing as the main indicator, comes within the framework of Halbwachs who based his research on this analysis of the budgetary margin to explain lifestyle (HALBWACHS, 1912).

Comparison on average...

If the statistics about the whole population don’t show generational gaps, it is interesting to note a difference between France and the United Kingdom in terms of housing in average. Actually, on the one hand, all the budgetary margins of housing increased in France, on the other hand, they decreased in a significant way in the United Kingdom and particularly those in net terms. And this is rather surprising because the raise of household’s total expenditure was higher in Britain than in France, between 1980 and 2000 (60% in the United Kingdom compared to only 10% in France). Secondly, in both countries, in average, the effects of the housing allowances are quite identical. Then, it is important to note that the level of home ownership and homebuyer rates were strongly higher in the United Kingdom than in France. But, a more recent analysis will show that this French trend has changed during the last 5 years because of the recent longer period of loan, which existed in the United Kingdom a long time ago.

	United-Kingdom			France		
	1985	2000	%	1985	2000	%
GROSS						

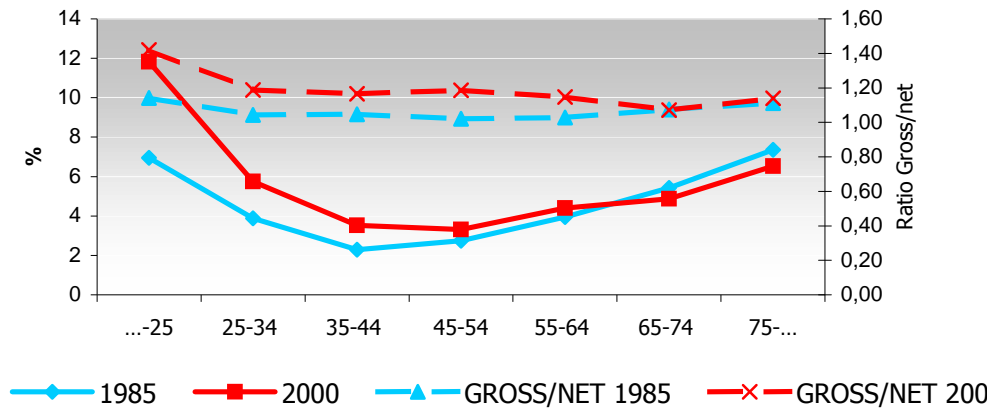
Budgetary margin of housing per household (%)	20,7	22,4	8,3	15,9	22,9	43,6
Budgetary margin of housing and energy per household (%)	28,1	26,7	-4,9	22,3	28,3	26,7
Budgetary margin for one-room dwelling per capita (%)	3,8	4,5	18,2	3,1	4,7	52,1
Budgetary margin of housing and energy for one-room dwelling per capita (%)	5,1	5,2	3,6	4,3	5,6	31,1
NET						
Budgetary margin of housing per household (%)	18,3	17,4	-5,1	14,7	20,1	36,8
Budgetary margin of housing and energy per household (%)	26,1	22,2	-14,9	21,2	25,5	20,4
Budgetary margin for one-room dwelling per capita (%)	3,1	3,2	2,6	2,8	3,8	37,1
Budgetary margin of housing and energy for one-room dwelling per capita (%)	4,5	4,1	-9,2	4,0	4,7	18,5
Home ownership rate (%)	65,5	68,1	4,1	54,2	58,8	8,5
Home buyer rate (%)	17,1	39,9	133,3	22,0	24,0	8,9

Some generations more constrained: a distinctive feature of corporatist models ?

In France

Louis Chauvel has already demonstrated the existence of a “fracture générationnelle” (“generational rift”) in France between the generations born before 1955 and those born after this date (CHAUVEL, 2006a). In other words, the parents of children who are today between 25 and 35 were more favoured to enter the job market than their children who will be a “sacrificed” generation for their whole life. This phenomenon seems to be true also in terms of dwelling. In France, in terms of gross budgetary margin for one-room dwelling per capita, which means housing benefit not deduced, there is a clear generational gap. Indeed, the budgetary margin of the younger households (i.e. the age of head of household is less than 25) was near 8% in 1985 and near 17% in 2000, so their expenses rose more than 110% in 15 years. Conversely, the older households’ budgetary margin decreased during this period. Does the introduction of the APL (“Allocation Personnalisée au Logement” / housing personalized allowance) in 1977, which symbolizes the change from brick and mortar subsidy to personal subsidy, allow young households to loosen the constraint of housing?

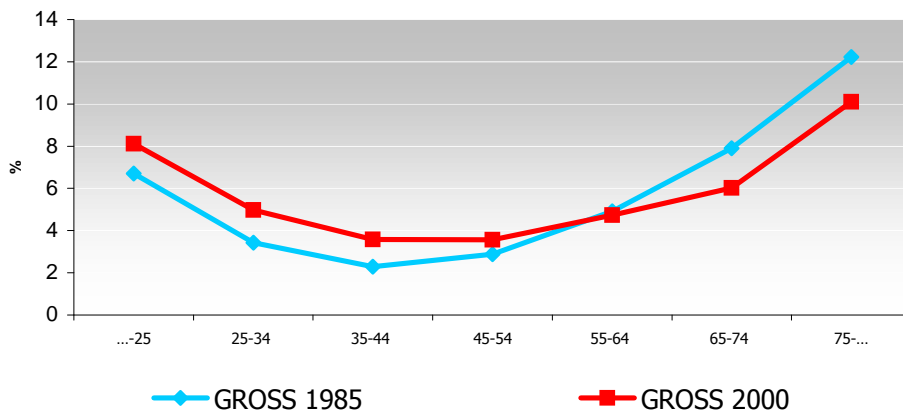
Net budgetary margin of housing and energy expenses for one-room dwelling per capita and gross/net ratio according to the age of head of household



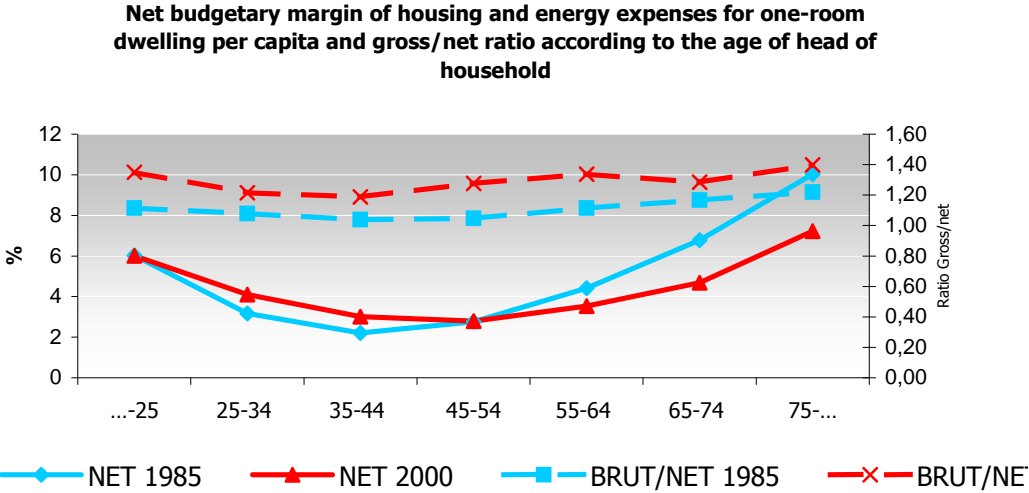
In gross and net terms, shapes of the curves are quite similar: convex and decreasing. Consequently, housing allowances don't change the distribution of the housing burden. Even if the gross/net ratio shows that the younger were the main beneficiary of the housing benefit, it was not sufficient and not efficient. Gabrielle Fack, asking "Why do the poor households pay rents higher and higher?" (FACK, 2005), explains the automatic process by which an increase of the allowance amounts provokes the same increase of the rents by the homeowners. The idea is the homeowners, informed about social measures, pass the cost of the growth of the allowance on the rents of their next tenants... To conclude, in France, there are more and more intergenerational inequalities which are not really reduced by the consideration of housing allowance. Is the allowance system better in the United-Kingdom than in France and what is about the British intergenerational inequalities?

In the United-Kingdom

Gross budgetary margin of housing and energy expenses for one-room dwelling per capita according to the age of head of household



In the United-Kingdom, in gross terms, we can see the pressure of housing was higher at the extreme of age groups 15 years ago. In 2000, the oldest were the most constraint. Contrary to the French case, where the phenomenon is generational, in the United-Kingdom the burden of housing is linked to the age group. Since the younger and the older are the most constrained and are the individuals who have the weakest occupation rate too, the burden might be linked to the job market. Does the housing allowance correct these gaps?

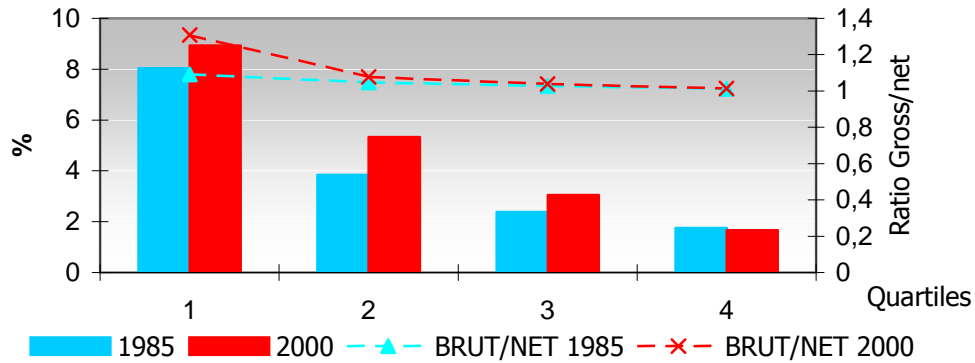


When housing allowances are taking into account, in 2000, the difference of housing constraint between ages is significantly reduced. Consequently, the British social policy seems efficient. The amount of allowance and the gross/net ratio are similar between the two country, but contrary to France where the allowance are turned toward the population who is the most in need (i.e. the younger), the British policy is not center on specific age groups.

How poor households face up to housing crisis?

In France

Net budgetary margin of housing and energy expenses for one-room dwelling per capita and gross/net ratio according to the quartile of total expenditure

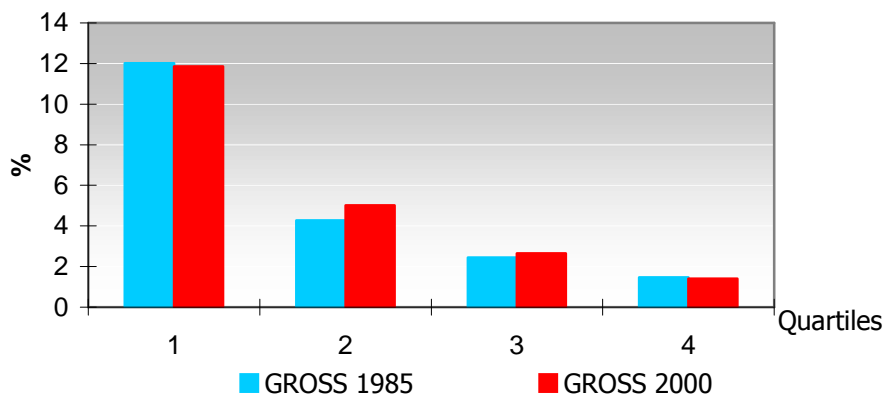


In France, in gross terms, the ratio of the budgetary margins between the poorest and the richest (Q1/Q4) was near 5 in 1985 and near 7 in 2000. In net terms, these ratios were respectively 4.6 and 5.6. The difference is quite significant and we can see on the previous graph that poor households have known a quite reduced increase of their budgetary margins compared to the households belonging to the second and the third quartiles. If the presence of strong wealth inequalities in terms of housing is clear, a new question appears: the one about the middle class. In fact, in net terms, they paid near 40% more in 2000 than in 1985. In fact, the housing allowances were exclusively turned toward the poorest whereas the households who belong to the second quartile were too richest to benefit from the national solidarity. This result comes within the framework of Louis Chauvel who has explained why the middle class are adrift (CHAUVEL, 2006).

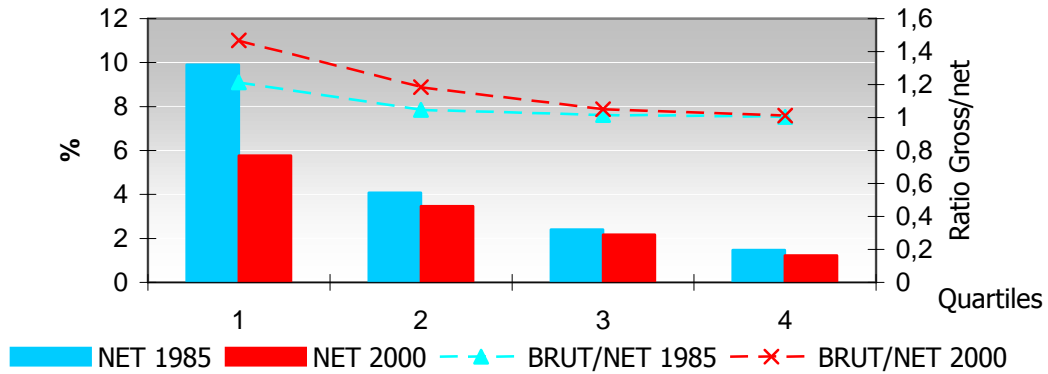
In the United-Kingdom

In gross terms, in 1985 as in 2000, the wealth inequalities were higher in the United-Kingdom than in France. In fact, the ratio of the budgetary margins between the poorest and the richest (Q1/Q4) was more than 8 in 1985 and near 8.5 in 2000. In net terms, these ratios were respectively 6.8 and 4.7. Housing allowances seem to have a real and significant impact in the reduction of wealth inequalities.

Gross budgetary margin of housing and energy expenses for one-room dwelling per capita ratio according to the quartile of total expenditure



Net budgetary margin of housing and energy expenses for one-room dwelling per capita and gross/net ratio according to the quartile of total expenditure

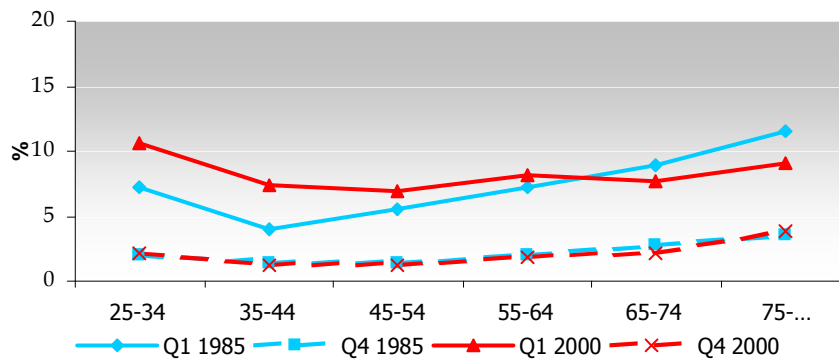


The gross and net analyses are very different. In fact, the introduction of the housing benefits allows every household to reduce considerably their budgetary margin and to pay lesser in 2000 than in 1985. Contrary to French case where allowances concern only the poorest, the British system is wider and more generous (the bigger gross/net ratio are 1.46 in the United-Kingdom and 1.31 in France in 2000) than in France. This result seems paradoxical since the means-tested and the stigmatization of the poorest by national assistance are commonly liberal and Anglo Saxon characteristics (KURZ & BLOSSFELD, 2004). Does this graph hide other sort of inequalities? Within the poorest group, does a polarization exist which opposes workers and non workers or good non workers and bad non workers? Can this phenomenon of polarization appear according to an intragenerational analysis?

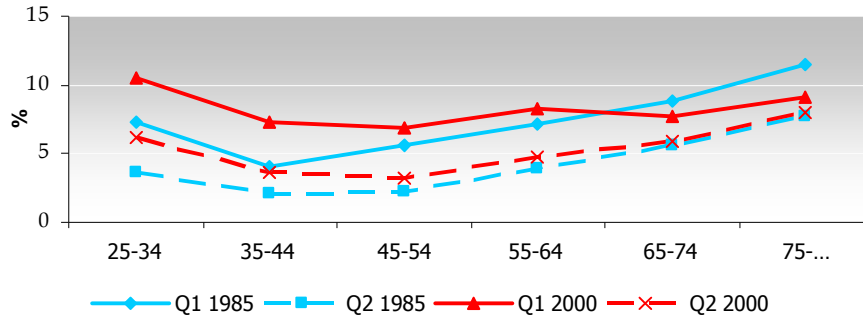
Intragenerational inequalities: a feature of liberal models?

In France

Net budgetary margin of housing and energy expenses for one-room dwelling per capita according to the quartile of total expenditure in an age group

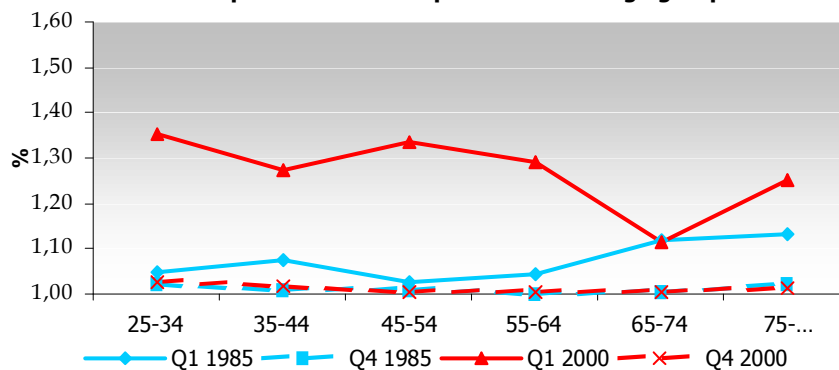


Net budgetary margin of housing and energy expenses for one-room dwelling per capita according to the quartile of total expenditure in an age group



The first graph clearly describes two groups since at the top, we can see the poorest households belonging to the first quartile of total expenditure and at the bottom the richest (fourth quartile). As in net terms as in gross terms, every poorest households in an age group have to spend a much higher share of their total expenditure than the richest to have one-room dwelling per capita whereas they are the first beneficiary of the housing benefit.

Ratio gross/net of the budgetary margin of housing and energy expenses for one-room dwelling per capita according to the quartile of total expenditure in an age group

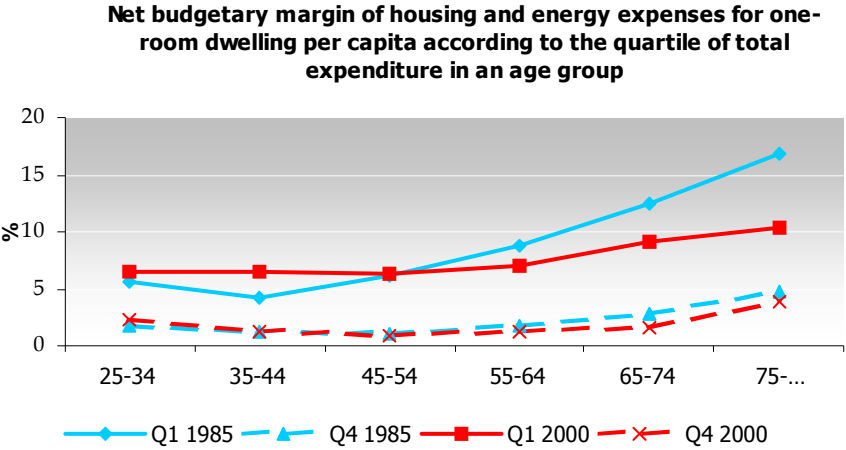


In fact, the previous graph describes the effort made by the social policy to sustain the poorest in each age group. However, they still are the more constrained. Moreover, the same analysis, including the households which belong to the second quartile, produces the same result as the one mentioned previously. Compared to 1985, in 2000, this second group became nearer to the poorest since the level of constraint was just inferior to them. Consequently, in France, if there are strong intergenerational, wealth and intragenerational inequalities in terms of dwelling, the problem of housing is spreading over the middle class...

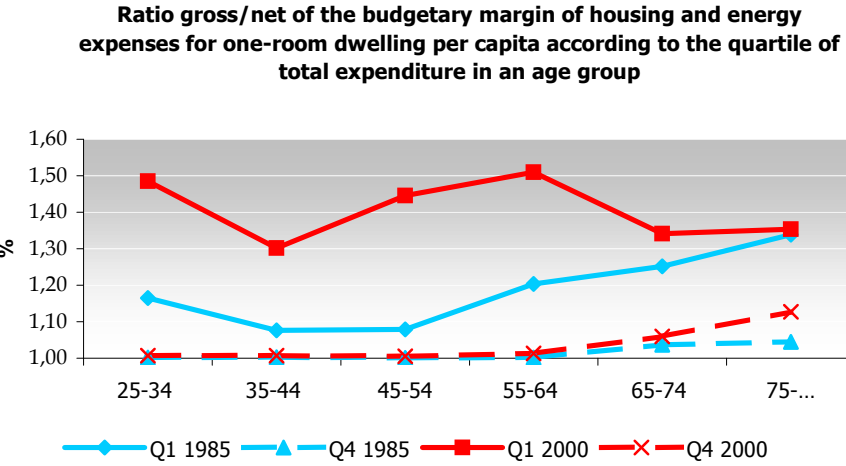
In the United-Kingdom

We have seen that in net terms, the British society was not characterized either by intergenerational inequalities or by wealth inequalities since the housing benefit is wider and more efficient than in France.

The conclusion in intragenerational terms is less optimistic.



Actually, the polarization in an age group according to the weight of the housing constraint was quite similar in France and in the UK in 2000. Then, we can see that the level of the constraint was maximum for the oldest households. As a matter of fact, they didn't benefit from high housing benefit.



To sum up, our hypothesis expressed according to the Esping-Andersen's classification and to the analyses in generational terms which have been done, is confirmed. Actually, our analysis has shown that in terms of net housing constraint, French society produces all the sorts of inequalities: intergenerational, wealth and intergenerational since it is a corporatist model. Conversely, if the British society, as a liberal model, doesn't create either intergenerational inequalities or wealth inequalities, the production of intragenerational inequalities is as developed as in France. Consequently, the

French system of housing policy seems to be not wide and generous enough. In the UK, this system is efficient to reduce intergenerational and more particularly wealth inequalities but not intragenerational inequalities. It could be interesting to have a look to the Nordic models which are more universal. If this paper concentrates on the inequalities in terms of housing on the entire sample, it is important to note that the results can be put into perspectives if homeowners are not taking into account. In fact, in France, one of the reasons of the intergenerational inequalities is linked to the fact that property concerns much more older households than young households, which is less pregnant in the United-Kingdom...

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