

Despite claims of a 'white collar recession' in 1990/1991, in fact it has been 'blue collar' manual workers, as in previous recessions, who have borne the brunt of unemployment.

A greater proportion of people in all social classes had mortgages in 1991 than in 1984, including those social classes which have a high risk of unemployment. Council housing, in contrast, is becoming increasingly concentrated among 'blue collar' manual workers.

The proportion of single-parent households and single-adult households (without children) which have mortgages has increased, despite the more precarious labour market position often experienced by householders in these categories and the potential barriers to employment faced by the former group.

Amongst couples there has been a growth in the number of households where both partners are in work. This is true of both mortgagors and council house tenants, although, other things being equal, a much greater proportion of mortgagors are likely to be dual-income households.

Unemployment and housing tenure

Home ownership, backed by mortgage finance, has spread through all social classes during the 1980s. This detailed study of the links between social class, housing tenure, employment status and household composition concludes that there has been a significant increase in the proportion of mortgagors who are at risk of experiencing unemployment. The research, by Terence Hogarth and Peter Elias at the Institute for Employment Research, based on the 1984 and 1991 Labour Force Surveys, finds:

Figure 1: Housing Tenure, 1984 and 1991

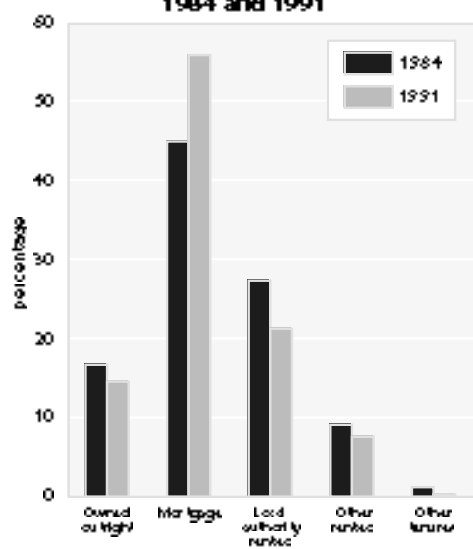


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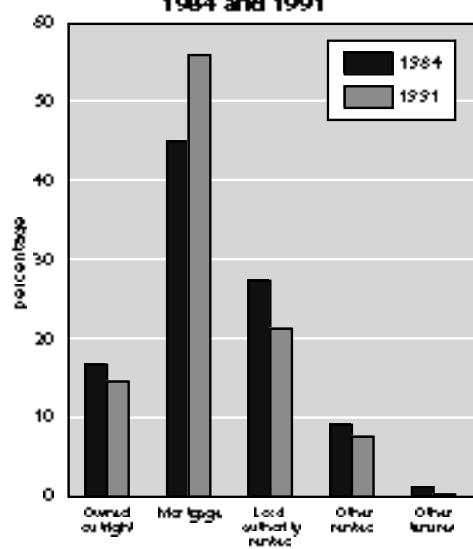


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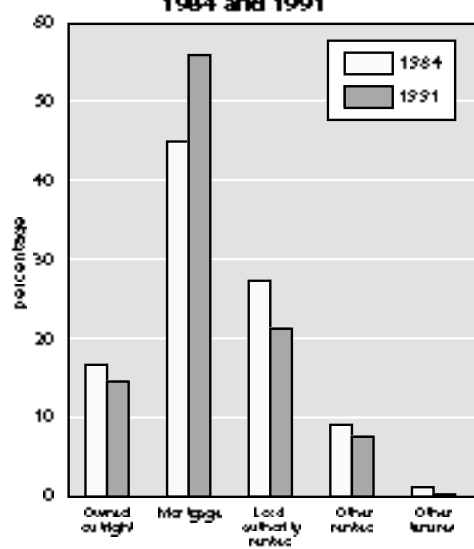
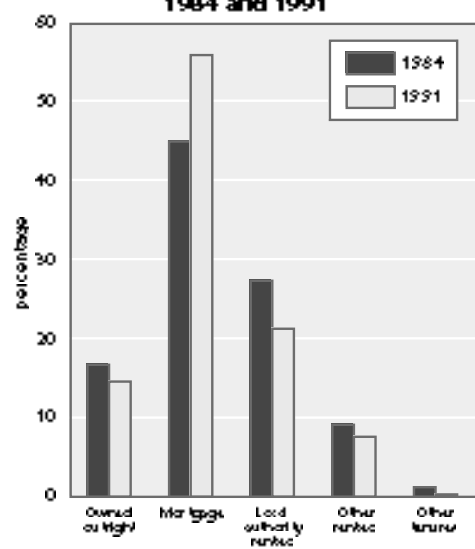


Figure 1: Housing Tenure, 1984 and 1991



Anecdotal evidence has suggested that the UK experienced a white collar recession in 1990/1991, but the Labour Force Survey shows that the social class structure of unemployment in 1991 remained much as it was in 1984 (see Table 1). Professionals, intermediate and technical staff and skilled non-manual workers - 'the middle classes' - were much less likely to be unemployed than other social groups in both years. The unemployment rates for each social class have changed only modestly over the period.

Social class	1984	1991
I Professionals	2.1	2.3
II Intermediate and technical	3.3	3.2
III-N Skilled non-manual	5.4	5.6
III-M Skilled manual	8.1	8.0
IV Partly skilled	12.2	9.7
V Unskilled	17.0	15.9

In contrast to the relatively static social class mix of unemployment, there have been significant changes in the social class mix of mortgagors. The proportion of mortgagors in all social classes increased between 1984 and 1991, reflecting a general growth in home-ownership (see Figure 1). At the beginning of the 1980s, 6.5 million households were mortgaged, but by 1991 this had risen to almost 10 million.



The growth in mortgagors has been brought about by several factors: the liberalisation of credit; an increase in household formation; and the sale of about one

million council houses during the 1980s, many of them via a mortgage.

The number of mortgages has grown particularly amongst 'blue collar workers' (see Table 2). For instance, amongst skilled manual workers and those partly or unskilled, 41 per cent had a mortgage in 1984, but this had risen to 54 per cent in 1991 - an increase of 13 percentage points in contrast with an 8 percentage points increase among the 'middle classes'.

Social class	1984	1991
I Professionals	72	78
II Intermediate and technical	61	72
III-N Skilled non-manual	54	61
III-M Skilled manual	48	60
IV Partly skilled	31	45
V Unskilled	21	33

The unemployment rate for council house tenants (head of households) was a staggering 24 per cent in 1984, and had changed little by 1991, when it stood at 25 per cent. The unemployment rate did rise for mortgagors, but only by a little, from 3.5 per cent in 1984 to 4.1 per cent in 1991.

Despite this relatively static picture, the changes in the social class structure of mortgagors begs the question: 'Has the increase of mortgages amongst 'blue collar workers' spread home ownership to groups without the long-term security to repay a mortgage?' The answer is unequivocal. Mortgagors now face a greater risk of becoming unemployed

Social class	Mortgagors		Council house tenants	
	1984	1991	1984	1991
I	0.8	1.7	17.1	6.3
II	2.1	2.6	10.3	9.6
III-N	2.3	3.3	12.2	15.0
III-M	4.0	4.9	14.7	17.9
IV	4.7	4.6	19.4	18.3
V	9.9	7.4	20.8	23.1
Total*	3.5	4.1	23.8	24.9

* Includes all those for whom social class is not determined

White-collar recession?

Table 1 Unemployment rates by social class

Social class	1984	1991
I Professionals	2.1	2.3
II Intermediate and technical	3.3	3.2
III-N Skilled non-manual	5.4	5.6
III-M Skilled manual	8.1	8.0
IV Partly skilled	12.2	9.7
V Unskilled	17.0	15.9

Source: Labour Force Surveys 1984, 1991

Table 2 Proportion of mortgagors in each social class, 1984, 1991 (percentages)

Social class	1984	1991
I Professionals	72	78
II Intermediate and technical	61	72
III-N Skilled non-manual	54	61
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Mortgages and social class

Unemployment and housing tenure

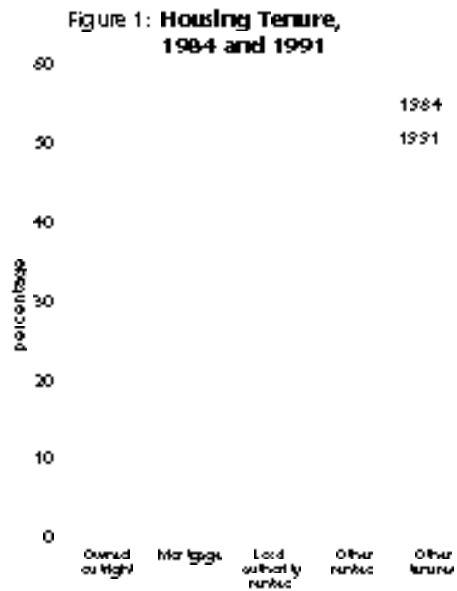


Table 3 Unemployment rates amongst mortgagors and council house tenants

Social class	Mortgagors		Council house tenants	
	1984	1991	1984	1991
I	0.8	1.7	17.1	6.3
II	2.1	2.6	10.3	9.6
III-N	2.3	3.3	12.2	15.0
III-M	4.0	4.9	14.7	17.9
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Figure 2: Household Type, 1984 and 1991

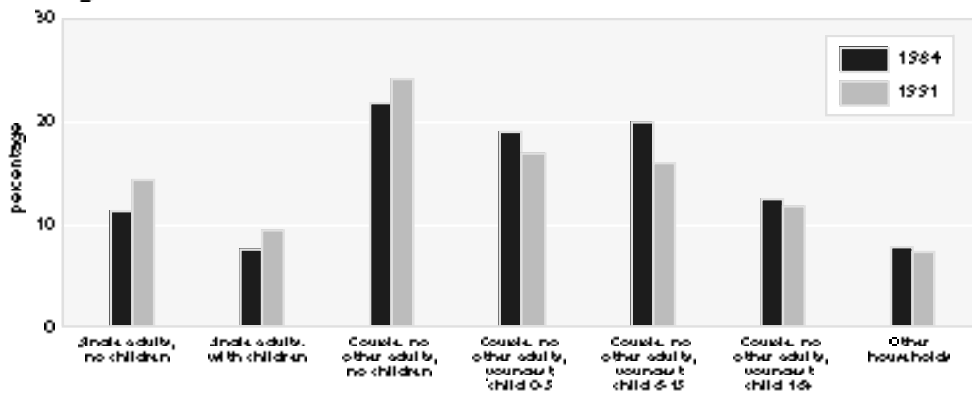


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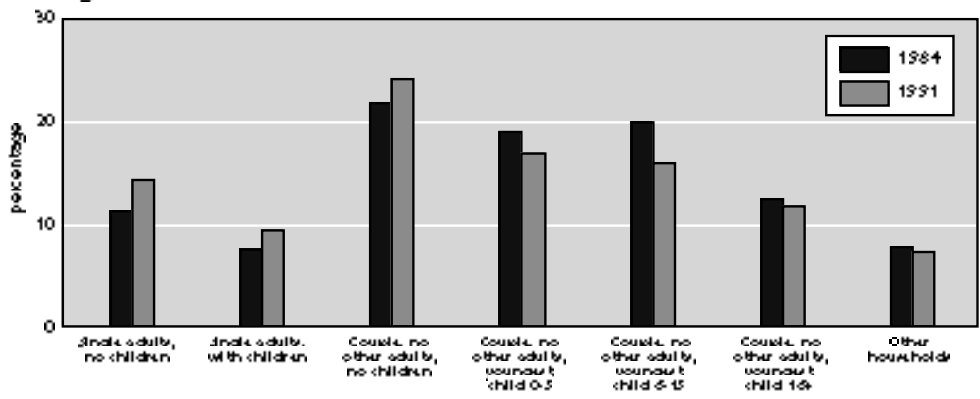


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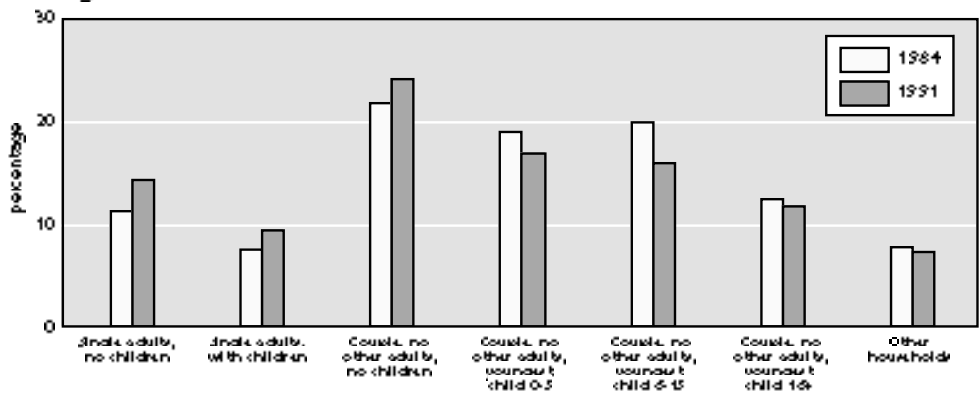


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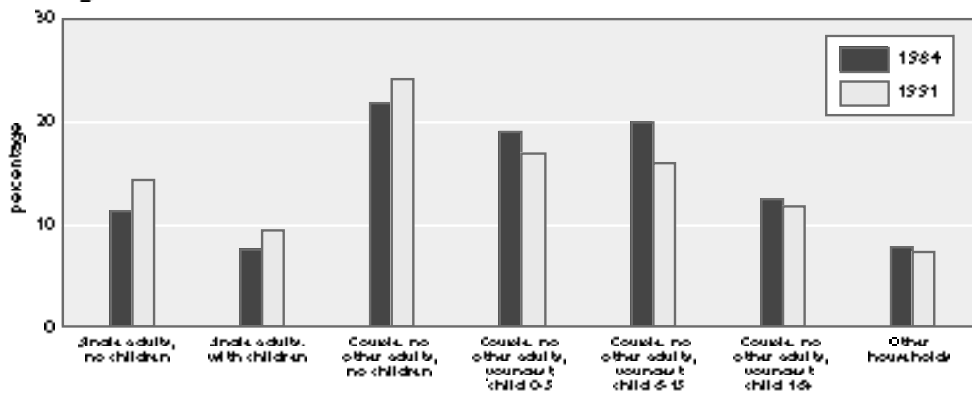
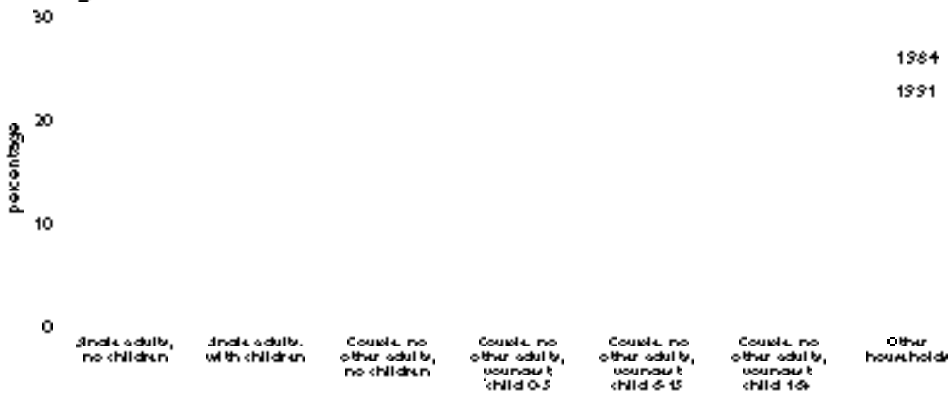


Figure 2: Household Type, 1984 and 1991



because this tenure has spread to social classes with a relatively high risk of unemployment (see Table 3).

A further question is whether the traditional mortgagors - 'the middle classes' - have acquired a greater risk of becoming unemployed. Among these white-collar groups the unemployment rate has increased between 1984 and 1991; but the increase has been small and the overall level of white-collar unemployment remains very low.

Social class is not the only guide to householders' economic activity. Household composition provides another indicator and one which has been subject to considerable transition. There was a net increase in household formation during the 1980s of around 850,000 households - and a change in the composition of households. Single parents, single adults, and couples without children were all more common in 1991 than in 1984 (see Figure 2).

Household composition is associated with economic activity in a number of ways. Single parents, for example, find it difficult to obtain work unless they have access to child-minding facilities. The payment of social security benefits is also linked directly to household composition: notably the number of children and the economic activity of the claimant's spouse.

The head of household's unemployment rate varies considerably by household structure. The highest rates were found amongst single parents - 14 per cent in 1991 and 17 per cent in 1984 - and the lowest rates amongst couples without children - 6 per cent in 1991 and 7 per cent in 1984.

Amongst household types with a higher than average risk of the head of household becoming unemployed, there has been a large increase in the proportion of

mortgagors. In 1984, 21 per cent of single-parent households were mortgaged, but this had risen to 29 per cent by 1991. For single-adult households without children the increase was from 28 per cent to 42 per cent.

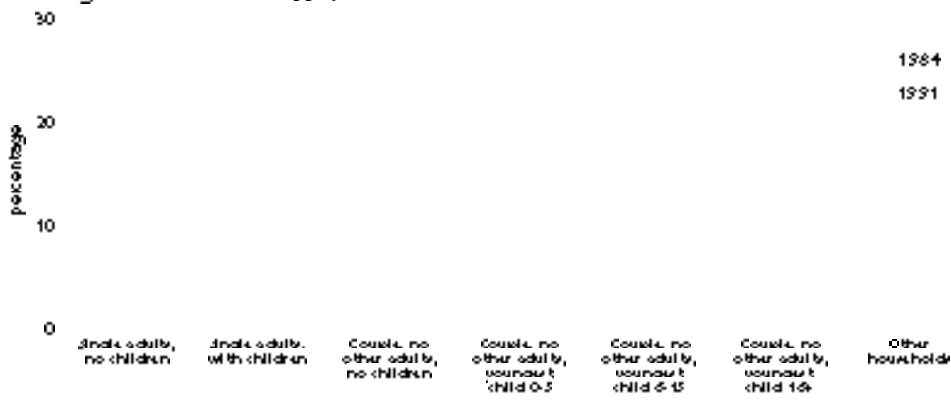
The increase in unemployment amongst mortgagors may partly reflect a rise in the proportion of mortgagors in household types with a relatively high probability of becoming unemployed.

The number of women working has risen in all tenures but amongst couples, the possession of a mortgage may well influence the economic activity of both partners. For instance, the need to meet monthly mortgage repayments may spur both partners into work and the data do suggest that both partners are more likely to work if they have a mortgage: in 1991, 57 per cent of skilled manual worker couples with a mortgage whose youngest child was aged 0-5 had both partners working, compared to only 36 per cent for the same type of household in a council house. In 1984 the comparable figures were 34 per cent for the mortgagor and 18 per cent for the council house tenant.

The strong association between possession of a mortgage and employment suggests that each may mutually reinforce the other. For those who possess the long-term security to repay a mortgage - primarily by being in continuous employment - a mortgage is an appropriate form of housing finance. Conversely, possession of a mortgage and the requirement to maintain a schedule of repayments places an incentive upon individuals and couples to gain employment. Additional security against the financial risk of a mortgage is obtained in dual-earner households.

But it must be recognised that large sections of the population do not have these forms of security. Moreover, between 1984 and 1991 an increasingly large proportion of householders who do not have

Figure 2: Household Type, 1984 and 1991



Household composition

Partners' economic activity

Unemployment and household composition

Conclusion

Housing tenure and household composition

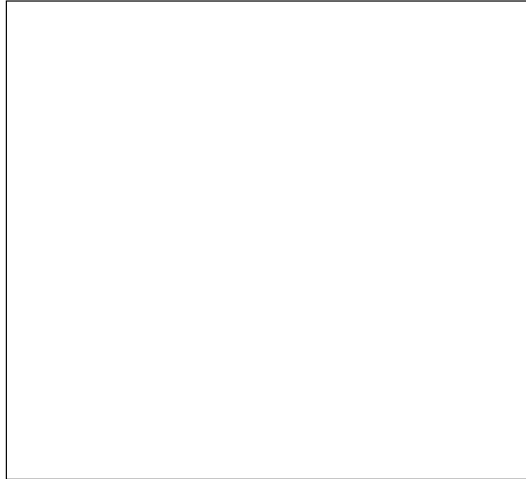
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secure labour market status have come to acquire a mortgage.

There seems little prospect of a return to full employment and the findings do not provide evidence for the further dismantling of the social housing sector. Local authority and housing association provision continues to provide an invaluable safety net for those unable to secure housing through other channels.

Should the status of council housing be questioned in future, then replacement forms of housing tenure need to look further afield than owner-occupancy through a mortgage. Policies that promote further the acquisition of mortgages will run into difficulties if there is not recognition that this is often not the most appropriate form of financing a home when job security is low.

In 1984 and 1991 the (then) annual Labour Force Survey covered approximately 65,000 households across Great Britain. This study used detailed information from these surveys on the structure of the labour force, household composition and housing tenure.



About the study

Further information

A full report of the survey on which these Findings are based is published by the Institute for Employment Research, University of Warwick, priced £7.50. Further information on this report by Terence Hogarth, Peter Elias and Janet Ford can be obtained from: The Publication Officer, Institute for Employment Research, University of Warwick, Coventry CV4 7AL, Tel: 0203 524127.

Related Findings

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- 93 Higher rents and work disincentives (Jun 93)
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