






## Home-ownership and poverty in Britain

The expansion of home-ownership and poverty have rarely been linked together. The prevailing view of home-ownership continues to be one that associates the tenure with affluent households. However, it is only a partial picture of what has become the most diverse of all housing tenures in the UK. Using the Joseph Rowntree Foundation Poverty and Social Exclusion Survey of Britain, a new study by Roger Burrows at the University of York demonstrates that half of all people living in poverty in Britain today are home-owners. His research also found that:

-  In 1945 most people in Britain rented their accommodation - home-ownership accounted for 40 per cent of all households. By 1981 the figure was 56 per cent, and is now 68 per cent.
-  Using the Poverty and Social Exclusion Survey approach to the measurement of poverty, it is estimated that 25 per cent of the adult population of Britain is poor. Amongst outright owners, the figure is 15 per cent, and for people with a mortgage, 17 per cent. In the private rented sector, over one-third are defined as poor and, in the social rented sector, 61 per cent.
-  Although the poverty rate in the owner-occupied sector is far lower than in other tenures, the size of the sector (68 per cent of all households) means that 50 per cent of people living in poverty are either outright owners (18 per cent) or people paying a mortgage (32 per cent). Forty-one per cent of poor people live in social housing and 9 per cent in the private rented sector.
-  Poor people in rented accommodation tend to live in unhealthy neighbourhoods, have poorer physical health, and be more socially excluded than home-owners. Poor home-owners, on the other hand, tend to suffer more from physical accommodation problems and poor mental health.
-  The researcher concludes that the social distribution of poverty and the way in which tenure is sometimes used as a measure of relative disadvantage or advantage should be reconsidered. He recommends that some of the risks associated with home-ownership be fully incorporated within poverty research. This includes reassessing the equity of current state help with housing costs and also the efficacy of area-based interventions aimed at alleviating poverty, which are generally targeted at locations dominated by social housing.

## Background

Discussion of the expansion of home-ownership and poverty have rarely been linked together. The prevailing view of owner-occupation continues to be one that associates the tenure with middle-class socio-economic groups and more affluent households. In many minds, the tenure remains associated with talk of investment and accumulation and, for these and other reasons, home-ownership is still most people's aspiration. In many respects, these views are well-founded, in that the majority of owner-occupiers belong to professional, managerial and intermediate non-manual groups. However, this is only a partial picture of what has now become the most socio-economically diverse of all housing tenures in the UK.

In 1945 most people in Britain rented their accommodation; home-ownership accounted for only 40 per cent of all households. By 1971 this proportion had increased to just over half, by 1981 to 56 per cent, by 1991 to 66 per cent, and to 68 per cent today.

Using a data source expressly designed for the purpose of measuring poverty and social exclusion - the Joseph Rowntree Foundation Poverty and Social Exclusion Survey of Britain (PSE) - it can be demonstrated that about half of all people living in poverty in Britain are home-owners.

## Measuring poverty

There were two parts to the PSE Survey. First, a representative sample of the population of Britain was asked for its views on what constitutes the necessities of life in present-day Britain that no household or family should be without (1855 interviews were achieved). Where more than half of the population thought something was necessary, it was included in a list of 'socially perceived necessities'. The second part of the Survey was as a follow-up to the 1998/99 General Household Survey. Data from that were used to select a sample of individuals for the PSE Survey with known characteristics (1534 interviews).

The approach to poverty developed by the PSE Survey team is based upon a consideration of the relationship between levels of deprivation and levels

of income. Levels of deprivation were measured using the data collected on socially perceived necessities. Following detailed statistical analysis, it was concluded that people should be considered to be in poverty if they were unable to afford at least two socially defined necessities.

The survey estimated that:

- 25 per cent of the adult population live in poverty;
- 2 per cent are rising from poverty;
- 12 per cent are potentially vulnerable to poverty; and
- 61 per cent do not live in poverty.

## Home-ownership and poverty

Amongst outright owners, only 15 per cent are defined as poor, and amongst those buying with a mortgage just 17 per cent. However, amongst people living in the private rented sector, over one-third are defined as living in poverty, and in the social rented sector 61 per cent.

Although the poverty rate in the owner-occupied sector is far lower than in other tenures, the relative size of the sector means that 50 per cent of people living in poverty are either outright owners (18 per cent) or are paying a mortgage (32 per cent). Forty-one per cent of those living in poverty live in social housing and 9 per cent live in the private rented sector. On the PSE measure of poverty, therefore, half the total number of poor people are owner-occupiers, and owner-occupation is the most common tenure of people living in poverty.

## The characteristics of home-owners who are in poverty

Amongst *people with mortgages*, those most likely to be in poverty:

- live in households with no workers;
- are lone parent households;
- are aged between 25 and 34;
- live in households headed by someone from a manual socio-economic background;
- identify themselves as members of a black or minority ethnic group;
- reside in the Midlands or Wales; or
- have experienced divorce or separation.

Amongst outright owners, the correlates of poverty are similar, although mediated by an older age profile. Those with a substantial foothold in the labour market are *less* likely than other outright owning households to be in poverty.

However, outright owners with the following characteristics are *more* likely to be in poverty than other categories – they are:

- single (with or without children);
- headed by someone from a manual socio-economic background;
- from black and minority ethnic groups;
- female; or
- divorced or separated.

### Differences between poor home-owners and poor people in other tenures

Another way of examining the characteristics of home-owners living in poverty is to compare their characteristics with people living in other housing tenures who are also defined as poor.

- Poor home-owners are more likely to live in households where people are in employment, but amongst poor home-owners, 32 per cent live in households where no-one works; amongst poor people in rented property, the latter figure becomes 68 per cent.
- Poor people in the rented sector tend to be younger than poor home-owners.
- There are clear socio-economic differences, with a higher proportion of poor home-owners coming from non-manual (37 per cent) or skilled manual backgrounds (37 per cent), whereas 71 per cent of poor renters are from manual backgrounds.
- There are also regional differences: in the North, the South, London and Scotland, similar or higher proportions of poor people live in the rented sector than in home-ownership, whereas in the Midlands and Wales higher proportions of poor people live in their own homes than rent them.
- Poor home-owners are more likely to be members of a black or minority ethnic group (14 per cent) than are poor renters (8 per cent).

- Poor renters are more likely than poor home-owners to live as single people (30 per cent compared with 18 per cent) or be lone parents (25 compared with 11 per cent).
- 48 per cent of poor home-owners are couples with dependent children, compared with 26 per cent of renters.
- Poor home-owners are more likely to be married (60 per cent) than poor renters (28 per cent).
- Poor renters are more likely to be single than home-owners (40 per cent compared to 15 per cent).

### Poverty and tenure

Poor people living in different housing tenures report a range of detrimental factors relating to housing, health and social exclusion, though the figures are suggestive rather than definitive.

Poor people in rented accommodation are more likely than poor home-owners to be dissatisfied with their neighbourhoods and to experience social exclusion on all dimensions considered by the survey: they smoke more, report that their general health is not good, lack adequate social support, and vote less.

Poor home-owners are more likely than poor people living in rented accommodation to report a physical problem with their accommodation and to experience poor mental health.

### Conclusions

The researcher suggests that the results require a reassessment of the social distribution of poverty; not least in the way in which housing tenure is sometimes used as a measure of relative advantage or disadvantage. He also suggests that some of the risks associated with home-ownership need to be more fully incorporated within the research literature on poverty - especially those aspects relating to health and family life.

At the policy level, he recommends that we reassess current state help with housing costs: if home-owners do indeed form half of the poor, is it equitable that they only receive 8 per cent of the state support for housing costs targeted on low income households? He also asks if we should question

further the efficacy of area-based interventions aimed at alleviating poverty; these are generally targeted at locations dominated by social housing. Such policy instruments will generally miss poor home-owners who, for the most part, are not concentrated within particular neighbourhoods in the same way as households living in the social rented sector.

### About the project

This study was conducted by Roger Burrows of the Centre for Housing Policy at the University of York, using the Joseph Rowntree Foundation Poverty and Social Exclusion Survey of Britain (for a summary of this work, see *Findings* 930, September 2000).

### How to get further information

The full report, **Poverty and home ownership in contemporary Britain** by Roger Burrows, is published for the Foundation by The Policy Press (ISBN 1 86134 465 1, price £11.95).

The following *Findings* look at related issues:

- **The effectiveness of mortgage payment 'safety-nets'**, Apr 99 (Ref: 429)
- **Poverty and social exclusion in Britain**, Sep 00 (Ref: 930)
- **Financial intermediaries and Mortgage Payment Protection Insurance**, Oct 00 (Ref: 050)
- **British social rented housing in a European context**, Feb 02 (Ref: 232)
- **Reforming Housing Benefit for private tenants and tax credit recipients**, Apr 02 (Ref: 462)