

Appendix to sermon 10 am service 30 January 2011

Housing in Britain 1980 to 2011 – a conflict between generations.

The Coalition government has highlighted the public cost of housing benefit paid to families and individuals enabling them to rent property in urban areas. Comments by Ministers have given the impression that the problem is due to households living unnecessarily in expensive areas and people who exploit the system. However, the truth is that rents in urban areas are generally outside the capacity of working families. Housing benefit merely charts the gap between what households can afford and actual rent levels. The problem is not the existing occupants. The problem is that the city no longer has affordable homes for those who service it. Critically, the coming generation of young people can find nowhere to live.

How did we get to this position?

Over the last thirty years, the wealth of many owner occupiers in Britain greatly increased because of the rapidly rising value of their houses. This increase in assets, totally unearned, was frequently used by owners to finance an improved standard of living. Rises in house prices have been eagerly anticipated and often treated by politicians and the press as an index of UK prosperity. It seemed to be magic – an unearned benefit without penalty. However, the process which so benefitted owners, has been a disaster for those who not own. Rents inevitably rose because landlords let on short-hold tenancies allowing them to compare every six months the relative returns on renting or sale, and so to ensure that rental returns kept up with increasing house values. This meant that the increase in values, which gave owners an unearned benefit, forced renters to find a higher and higher proportion of their income to pay rents driven by rising house values in which they had no share. As a result, many workers on low incomes, doing essential jobs in the public and private sectors, became dependent on housing benefit.

Low income salaries have not taken account of the increased costs of paying rent; housing benefit effectively operated as a subsidy to employers who did not pay a wage reflecting the real costs of urban living. Workers living in traditionally low-cost areas became dependent

on very high housing benefit payments. Their problems were compounded by housing shortage; the failure of successive governments to build enough homes to match increasing household numbers, resulted in higher income earners moving into formerly low cost areas, inflating prices. North Kensington, now renamed Notting Hill, is a prime example.

To blame households on low incomes for claiming high levels of housing benefit is totally unjustified; it adds insult to the enormous disadvantage people who rent have already suffered. The great majority of housing benefit claimants work in essential jobs. Government attempts to defend reductions in housing benefit by concentrating public attention on the tiny minority who exploit benefit to avoid working is misleading and cynical; it ignores the nature of the critical problem faced by the majority of urban workers.

The crisis in British housing goes far beyond the plight of existing urban workers. The rise in house prices and rents has now created an unbridgeable gulf between those who own and those who neither own nor rent, predominantly young people. We are now seeing a generation uniquely disadvantaged in the housing market, many of whom cannot afford to rent and have no hope of owning. Our children and our grandchildren cannot rent or buy. There has been a dramatic fall in the number of first time purchasers and those who do buy normally rely on family loans or (more often) gifts. Many young people are compelled to live with their parents for an indefinite period – a situation which is unwelcome to everybody concerned.

Politicians are beginning to wake up. Grant Shapps, the Housing Minister, has talked about the desirability of stabilising house prices, but has given no hint of how this can be achieved. What he needs to realise is that the clock cannot be turned back; we have to deal with the situation as it is, not blame victims for creating the problems they face. In this context, there are a number of facts we need to face:

The generation as yet un-housed will be much poorer than we who have benefitted by the bonanza of the last thirty years. They will not be able to pay market rents and will require subsidies where they use the private sector. This will be expensive for the state, and reinforces the argument for increasing the production of new housing association and local authority homes. The alternative scenario – moving people to

cheaper areas – is simply not viable. Workers who service the city often at unsocial hours need to live there: commuting will further stress transport systems already at breaking point, commuting costs are unaffordable, and employment is where people now live not where government proposes to move them to. Most important of all, the government vision of whole areas where residents are defined by income will impoverish our community life; areas where people of different incomes live side by side are socially rich.

Given the prime need is to boost the supply of subsidised housing, these homes should be permanent additions to the subsidised housing sector, not open to enfranchisement. We need to ensure that houses built in the city where there is little land left, remain available to provide homes for people who need to live there at prices they can afford. This in no way prevents the terms of occupation helping people to move on into the owned market if and when they are able to do so.

How can the cost of subsidising rents be met by the state? How can we compensate our young people and provide them with homes?

In fairness, compensation should come from a tax on the unearned benefit gained by the house owning majority of the population. Inheritance tax is already in place and is an appropriate mechanism. The IHT take is greatly boosted by increased house values and housing subsidies should be funded from this source.

A conflict of interest which divides the UK population.

The biggest issue is the conflict of interest between people who have houses and those who are not yet housed. A majority are owner occupiers; they resent tax on their unearned bonanza (IHT) and mostly oppose the building of more homes in their locality, *especially if these homes are for people on low incomes*. The transfer of planning influence to local communities has already greatly reduced the provision of more homes.

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