Home ownership as a financial resource? Household’s perceptions in eight European countries

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Abstract: Being a home owner might become of crucial importance to European citizens as national labour markets become more flexible and social welfare systems decline. Temporary and flexible job contracts combined with diminishing levels of social provision make income insecurity bigger. To prevent themselves from possibly severe consequences European citizens need to increasingly reflect on income risks and to take private measures. Home ownership, and in particular housing equity, might become an important part of a household’s financial safety nets.

The central question of this paper is how perceptions of home ownership are related to income insecurity and to what extent home ownership is part of household’s financial safety net strategies; differences and similarities between countries will be explored. Furthermore, we will elaborate on the extent to which the use of home ownership as a financial resource is a new development. The analysis is based on a EU project: OSIS (Origins of security and insecurity. The interplay of housing systems with jobs, household structures, finance and social security).
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Home ownership, financial markets and income insecurity

Housing is an important asset and for many households the largest investment they make in their lives. More and more European households have become home owners the last 25 years (Doling & Ford, 2003; Horsewood & Neuteboom, 2006). A greater variety of households entered the owner-occupied sector; diverse as regards household structures, income and age-groups. Housing equity increases, as do mortgage debts. Financial markets have become deregulated and more mortgage products are offered for more diverse groups as far as income is concerned. More people are able to enter home ownership; furthermore, housing equity is now increasingly accessible through re-mortgaging the dwelling (MacLennan, Muellbauer, & Stephens, 1998; Smith, 2005).

At the same time, theorists claim a tendency of increasing income insecurity and individualisation for EU citizens. In order to survive economically, facing globalization and an ageing population, countries’ labour markets become more flexible and diminish their welfare expenses (Clapham, 2006; Doling & Ford, 2003; Giddens, 1984). Consequently, people must be self-reflective, make decisions about risk-preventive strategies and take responsibility to prevent themselves from getting into financial difficulties (Beck, 1986). It is the question whether housing equity can obtain a more important role in a context of growing income insecurity.

Many governments in Europe are encouraging home ownership; building assets and low housing expenses at old age are often noticed as important reasons to encourage home ownership. This idea is old and in particular common in countries without highly developed welfare states. A rather new concept is that of policies of asset based welfare as initiated by Sherraden (1991), which is connected to housing by Groves et al. (2007). The latter and also other housing theorists (e.g. Ronald (2004), Hirayama & Ronald (2007)) discuss the issue of home ownership as an asset for welfare needs. The question in this paper is to what extent European households consider home ownership as important for financial security for their welfare needs.

The paper is based on results of the qualitative part of the EU-project OSIS1. The OSIS project had the general aim to identify the level, nature and source of security and insecurity in home ownership in European countries. To provide a full factual picture and understanding, OSIS drew on a number of disciplines and approaches; the research group had expertise in economics, statistical analysis, sociology and anthropology. The project began with quantitative studies that provided evidence of statistical relationships between, on the one hand, the security and insecurity aspects of home ownership and, on the other, attributes of individual countries and of households (Horsewood & Neuteboom, 2006). Further, the OSIS project included qualitative studies that allowed insights beyond the statistical relationships and that informed an understanding of the basis and the nature of behaviour in different national contexts. The eight EU countries were chosen as they reflect the main relevant variations across Europe: with high (Hungary) and low home ownership rates (Germany); with different types of welfare regimes, Social democratic (Sweden), Conservative (Germany), Liberal (UK), Latin Rim (Portugal), Former Eastern Europe (Hungary); and with high (Netherlands) and low (Germany) economic growth.

The aim of the qualitative part of the research was to obtain detailed information about how individuals perceive the security and insecurity aspects of home ownership, in relation to renting, and in the context of the developments in labour markets, financial markets and social protection measures in their country (Doling, 2003). This paper will focus on the perceptions of home ownership as a financial resource in the eight European countries.

Objectives:

1 Origins of security and insecurity: the interplay of housing systems with jobs, household structures, finance and social security (OSIS)
1. What is asset based welfare, what are the signs of housing asset based welfare in households’ perceptions?
2. To what extent do households perceive their homes as a secure type of tenure and how does it relate to the institutional context?
3. To what extent do households perceive their homes as a financial resource and how does it relate to the institutional context?
4. What are the signs of housing asset based welfare in households’ perceptions how do they relate to the institutional context?

In the end of the paper we will pose some questions about possible consequences of housing asset based welfare.

**What is asset based welfare and how does housing fit in?**

Sherraden (1991) introduced the concept of asset based welfare as an alternative for a means tested welfare regime. His observation is that means tested welfare provision has failed. Such policies make the poor dependent on the government and were not able to create opportunities for these people. He sees a role for assets in welfare policies. According to him assets change the way people think about the world, they start thinking about the long term and set long term goals. Moreover, holding assets is supposed to increase participation in the community and investment in self, financial instrument and enterprise for greater returns. He therefore holds the opinion that an active social policy that promotes engagement is better than traditional welfare arrangements suited to the post industrial society (Sherraden, 2003). He further developed the concept of asset based welfare policy and poses that any asset based policy system should complement, not replace, existing income based polices.

This idea of asset based welfare policy is criticised by for example Emmerson and Wakefield (2001). They doubt the independent effect of asset owning on individual life chances. They state that the existing evidence of individual effects on individual life chances is not strong enough to justify a large scale program of asset based welfare policies. Perhaps more convincing are arguments that engaging in the process of saving, and thereby learning to plan ahead and learning about financial institutions, can help poor people to create more opportunities in live (Emmerson and Wakefield, 2001). The criticism points at the independent effect of assets, the do not believe that assets are changing the mind. But they recognise the role of learning, with help if necessary, to plan for the longer term can be a way to provide households with opportunities.

**Housing asset based welfare**

Many governments encourage home ownership and there are different underlying reasons for such a policy. Building assets, encouraging responsibility of households and encouraging households in involvement in the neighbourhood and society as a whole can be found in different countries (see for example Rohe, 2001). These ideas around encouraging home ownership were already mentioned in policy documents in Germany and the Netherlands of the 1950’s (Kloth 2006; Elsinga, 1995) and are surprisingly in line with the basic idea of asset based welfare policy.

Only in the UK asset based policies are becoming normal in the policy discourse and access of housing equity is part of it. According to Groves, Murie and Watson (2007) here housing is no longer a wobbly pillar of the welfare state alongside a generous, redistributive welfare system. Housing has become, rather, the keystone for a more individualistic economic and social policy agenda. It is citizens taking responsibility for their own welfare; investment in home ownership provides the mechanism for welfare in different stages of life. The concept of housing asset based welfare is also discussed for the US, Australia and Asia; generally, here property ownership levels are high, welfare levels relatively low and home ownership is considered as an asset.

**Households’ perceptions on the use housing equity**
Households are increasingly confronted with income risks and are expected to reflect on their personal financial safety nets (Beck, 1986; Giddens, 1984). We assume that risks for home owners increase while at the same time home ownership could be considered as a source of security; either because of having reduced housing expenses once the mortgage is repaid, or by having the opportunity to access money by selling or using a equity release product.

The two contrasting views on the use of housing equity are ‘living poor to die rich’ and ‘SKI-ers’ (‘Spending Kids Inheritance’). The former means that people live a frugal lifestyle in order to preserve their housing assets; when they die, the equity will be passed to the next generation. The latter, the SKI-ers, refers to a group of people that uses up any housing equity, leaving nothing to their children; this group is an issue in British media currently (Rowlingson, 2006). Rowlingson (2006) conducted in-depth interviews and focus group meetings in the UK, to obtain information about attitudes to assets and inheritance. She argued that the participants had a rather balanced approach to resources later in life; selling or using equity release products appeared not to be popular options. Nevertheless, Rowlingson argues that the perceptions of the British towards the use of housing equity might have changed. She compared outcomes of her research to earlier research and argues that housing is increasingly seen as a financial rather than an emotional investment; further, the idea that one’s home is one’s pension seems to be taking hold.

In Europe attention for this topic is rather new-fangled, as social security has been rather extensive and the rented sector has been an acceptable alternative for home ownership in many countries for many years. We know that housing is increasingly perceived as an opportunity to build assets in the UK, we wonder whether this also accounts for household’s in other European countries.

Signs of housing asset based welfare in households’ perceptions
In this paper we are looking for signs of housing asset based welfare in the eight countries under study. We therefore elaborate on the ideas of Sherraden about the effect of holding assets and his ideas on asset based policy. We describe what could be considered as housing asset based welfare and reflect on signs of this kind of policy in perceptions and behaviour of households.

We distinguish, without being exhaustive, three signs of what can be considered as housing asset based perceptions and behaviour:
- households consider home ownership as an asset
- households use housing equity in their financial planning
- households take housing equity into account for their safety net and welfare needs.

**Method**

Eight country reports were the data-sources for the comparative analysis on households’ perceptions. The analysis was built up in three steps. First, the institutional differences that could have had an impact on household’s perceptions were explored. Secondly, households’ perceptions and countries’ researchers’ explanations for the perceptions were analysed; countries were grouped on the basis of these outcomes or focus on extreme cases. Finally, the institutional differences and the findings of the perceptions were compared and links were explored between perceptions and institutional contexts. Further, when relationships appeared to deviate from theoretically founded expectations we tried to find the reasons behind that.

The comparative analysis relies on three subsequent steps in interpretation in which misinterpretations can arise easily. First the interviewees put their housing decisions, histories and opinions in words; they recall events and information from their memory and construct their ‘housing perceptions’. Researchers in each country, who interpret these housing perceptions, and translate them into conclusions that summarize their interview findings, take a second step. Finally as a third step, the findings from each country are further analysed, interpreted and summarized for country comparison. To obviate this drawback as much as possible and to be clear about who interpreted exactly what, we distinguish between the views of the interviewees, the interpretations of the countries’ researchers and
Setting the scene: institutional features

Social security and labour markets

Households perception and behaviour with regard to home ownership are likely to be influenced by labour market and social security in a country. Home owners will most likely reflect about their incomes and the affordability of their mortgages. Their jobs and accompanying incomes are probably the key factor, yet, social provision when for instance losing one’s jobs is also likely to impact on feelings of security. Regarding levels of unemployment and the share of temporary jobs, the UK appears to have a rather secure labour market, mainly due to the low unemployment rate, while in Portugal, Finland and Germany citizens position is less secure (see figure 1).

![Figure 1 Security and insecurity on the labour market](image)

Considering the expenditure on social provision and the replacement rate in Figure 2, in Belgium, Sweden, the Netherlands, Finland and Germany welfare levels are relatively high; whereas in Portugal and Hungary the governments spend relatively little on social provision.
Housing: market and policy

Tenure structure
Although a general tendency of the growth of home ownership was reported, table 1 shows that there are still considerable differences between countries regarding tenure structure. Hungary and Portugal have the largest owner-occupation sectors; while Germany catches the eye with a home ownership sector that is less than half of the housing stock, namely 42%.

Table 1 Tenure structure (period 2003-2005, different years for different countries)

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Germany</th>
<th>Finland</th>
<th>Hungary</th>
<th>Netherlands</th>
<th>Portugal</th>
<th>Sweden</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>% home ownership</td>
<td>70</td>
<td>42</td>
<td>63</td>
<td>92</td>
<td>54</td>
<td>76</td>
<td>40 +15 coop</td>
<td>70</td>
</tr>
<tr>
<td>Development</td>
<td>Stable</td>
<td>Stable</td>
<td>Falling</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>Stable</td>
<td>Growth</td>
</tr>
<tr>
<td>Private rental</td>
<td>24</td>
<td>53</td>
<td>17</td>
<td>4</td>
<td>11</td>
<td>17</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Social rental</td>
<td>6</td>
<td>5</td>
<td>16</td>
<td>4</td>
<td>35</td>
<td>3</td>
<td>25</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Institutional Studies OSIS

House price developments
The extent to which households perceive home ownership as a security undoubtedly relates to house price developments. Figure 1 shows long (1970-2003) and shorter (2000-2003) term house price developments.
Home ownership appeared to be a secure asset with a considerable return on investment in particular in the UK, but Sweden also performed well and the scores for the Netherlands, Belgium and Finland also allow the conclusion that home ownership is a secure investment. However one can doubt to call home ownership a secure investment when considering the house price developments for Portugal and Germany in figure 3.

**Housing policy: home ownership**

Further we expect housing policy to have an impact on the perception of home ownership as a secure tenure. Table 2 shows that in most countries encouragement of homeownership appears to be a policy goal, Sweden is the only exception. The ambition to encourage home ownership appears in countries with a relatively high homeownership rate (Belgium and the UK) as well as countries with a lower rate (Germany, the Netherlands).

**Table 2 Housing policy towards home ownership**

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Germany</th>
<th>Finland</th>
<th>Hungary</th>
<th>N’lands</th>
<th>Portugal</th>
<th>Sweden</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage home ownership</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

Source: Quantitative Studies OSIS, Institutional Studies OSIS.

**Housing policy: renting**

Table 3 shows different policies towards social renting in the countries. In Belgium, Finland, Hungary and Portugal policies aim at a stable, small or even residual social rental sectors. Further, the table shows that changes are currently main issue in Germany, the Netherlands and the UK. In Germany, the Netherlands and Sweden tenants in both rental sectors can rely on tenant protection, whereas in the other countries protection is stronger in the social rented sector.

**Table 3 Housing policy towards social renting**

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Germany</th>
<th>Finland</th>
<th>Hungary</th>
<th>N’lands</th>
<th>Portugal</th>
<th>Sweden</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy social renting</td>
<td>small sector</td>
<td>decreasing public renting, social by private landlords</td>
<td>stable minority tenure</td>
<td>residual sector</td>
<td>large sector under discussion</td>
<td>residual sector, rehouse from shanty towns</td>
<td>large sector public/ municipal housing companies, no exclusive transfer from public to housing association</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank of International Settlements

* no figures available for Hungary

**Figure 3 Average real house price change 1970-2003 and 2000-2003, for seven countries**
Tenancy protection in social rental sector is stronger than in private 

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Germany</th>
<th>Finland</th>
<th>Hungary</th>
<th>Netherlands</th>
<th>Portugal</th>
<th>Sweden</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of owners with a mortgage (2001)</td>
<td>44</td>
<td>47</td>
<td>40</td>
<td>15</td>
<td>88</td>
<td>29</td>
<td>**</td>
<td>61</td>
</tr>
<tr>
<td>LTV recent buyers (2001)</td>
<td>80-85</td>
<td>70</td>
<td>75-80</td>
<td>**</td>
<td>112</td>
<td>70-80</td>
<td>90-100</td>
<td>70</td>
</tr>
<tr>
<td>*Possibility of freeing-up equity (2003)</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>**</td>
<td>yes</td>
<td>yes but not marketed</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Source: Quantitative Studies OSIS, Institutional Studies OSIS, *Doling and Ford (2003), **Data not available

Dutch are the heavy users with a high share of mortgagees and high loan to value ratios. Hungary and Portugal are the best equity builders while the other countries are in between. Reverse mortgages, mortgages to access housing equity are available products in most countries.

Perceptions of the role of home ownership as a financial resource

The question is whether home ownership is perceived as a financial resource and is part of people’s financial planning, either by reduced housing expenses being an outright owner; by selling; or by mortgage equity withdrawal. Before we turn to this question we briefly report on household’s perceptions of home ownership as the secure type of tenure.

Perceptions of home ownership as the secure tenure

Housing as an asset

Many interviewees in all countries valued home ownership since home owners are putting money in their own, instead of in their landlord’s pockets. Although equity is not a term that can be translated immediately into every language, it seems that interviewees in all countries refer to the advantage of building ‘equity’. For example the Finnish researchers summarized the interviewees responses with “one important aspect of security attached to home ownership derives from the knowledge that there is a ‘nest-egg’ or ‘seed money’ invested into the property, which is returned (with a profit at best) back to the owner, when selling the property”. This reasoning is similar in all countries.
Perceptions of renting relative to home ownership

Home ownership is often perceived as the secure type of tenure, building housing equity plays an important role; however, not in all countries interviewees perceived home ownership as the best type of tenure in any case. In Belgium, Finland, Germany, the Netherlands, Sweden and the UK renting was considered as the more secure type of tenure for people with lower incomes and for people with unstable lifestyles, jobs and relationships, mostly being young people who wanted to be free of obligations of a mortgage and maintenance. In Germany, Sweden and the Netherlands renting was also seen as an option for older people and people with unstable lifestyles and an acceptable longer term alternative; while in Finland, the UK and Belgium, interviewees saw renting more as a temporary solution and the purpose was to end up as a home owner.

In contrast, interviewees in Hungary and Portugal perceived renting only as a last resort; as the only option left when people are unemployed, unable to work due to illness or disability, have experienced relationship breakdown, or who are caught up in financial problems. Therefore, being a tenant in these countries appeared to have a large impact on social identity. In Portugal the researchers reported that home ownership appeared to be important for social identity and paves the way for social inclusion. Positive aspects of renting were hardly put forward. Another part of the negative perception of renting seems to be caused by insecure rent contracts with landlords. The Hungarian researchers reported that tenants felt much less secure than home owners. Hungarian interviewees regarded private rented dwellings as hardly affordable and they feared an arbitrary rise of the rents; although less likely to occur, the latter risk also accounts for the public rental sector. Moreover, the rents in the private rental sector are considered to be high and insecurity is experienced with regard to rent increases. In Portugal a division should be made between new and old rental contracts, as the level of insecurity is different in these two groups. In contrast to the Portuguese with new contracts, the tenants with old contracts profit from very low rents. Nevertheless, the Portuguese researchers explain that these tenants with old contracts now fear that the rents will be equalized with market rents as the government is reconsidering this rent regulation system.

Table 5 Interviewees perceptions of renting

<table>
<thead>
<tr>
<th>Acceptable alternative</th>
<th>Temporary solution</th>
<th>Last resort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Finland</td>
<td>Portugal</td>
</tr>
<tr>
<td>Netherlands</td>
<td>UK</td>
<td>Hungary</td>
</tr>
<tr>
<td>Sweden</td>
<td>Belgium</td>
<td></td>
</tr>
</tbody>
</table>

These findings suggest that the absence of an affordable and acceptable alternative for home ownership that is not protected by rent regulation and tenant protection enhances the perceived security of home ownership.

Perceptions of home ownership as a financial resource

Now we will elaborate on the question whether home ownership is perceived as a financial resource and is part of people’s financial planning, either by reduced housing expenses being an outright owner; by selling; or by mortgage equity withdrawal. Interviewees in all countries mentioned the advantage of reduced housing expenses at old age and selling and using the proceeds to buy a new house is also rather common practice. However, further the interviewees appeared to have rather divergent ideas about the role of home ownership as source of financial security for welfare needs. Cashing equity by either selling the house or by using certain mortgage products that enable releasing capital from the house are not common practice. Further, subletting is mentioned as an option in case of emergencies in some countries; however, we will not elaborate on this as it falls outside the scope of this research.
Table 6 Ways to use home ownership as a financial resource and relative importance in interviews

<table>
<thead>
<tr>
<th></th>
<th>Reduced housing expenses</th>
<th>Selling</th>
<th>Equity withdrawal</th>
<th>To let</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>+++</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Finland</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>+++</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Hungary</td>
<td>-</td>
<td>+++</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Netherlands</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Portugal</td>
<td>+</td>
<td>+++</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Sweden</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>-</td>
</tr>
<tr>
<td>UK</td>
<td>+</td>
<td>+</td>
<td>+++</td>
<td>-</td>
</tr>
</tbody>
</table>

- not mentioned
+ mentioned
++ emphasized as relatively important
+++ specifically related to income insecurity and part of financial safety net planning

Reduced housing expenses
The most self-evident advantage of building equity is that over time mortgage expenses normally decrease and once a mortgage is repaid housing expenses are strongly diminished. This advantage of home ownership is mentioned in most countries. It is an important advantage of home ownership for the Belgian interviewees. They refer to old age, as they expected their incomes to be lower when they would be retired and in this respect contrasted the position of outright owners to the position of tenants. In Germany researchers reported that some interviewees voluntarily increased the rate of mortgage repayment to diminish mortgage expenses and to eventually become outright owners. These interviewees cutback their expenses on consumables and leisure, and said to take advantage of their current living situation, which was considered well at the moment but unclear for the future. Reduced housing expenses are probably perceived as self-evident feature of owner-occupation in Finland and Hungary, as it is not mentioned in these countries’ reports.

Releasing housing equity: selling and mortgage equity withdrawal
The action of accessing money from the owner-occupied dwelling for welfare needs did not seem to be common for all interviewees. The Finnish researchers summarized interviewees’ perceptions of the house as being a kind of ‘sanctuary’. In all countries some interviewees brought up objections against the use of their homes as a financial resource.

Box 1 The resistance against using the home as a financial resources mentioned in the countries’ reports

[...] An overwhelming majority of the owners does not consider using housing resources. If it is considered, it is linked with becoming older. [...] But at the same token and following the general logic, quite many respondents seriously doubt, whether it would be a good idea to use housing property to supplement pension income. (Belgium, p.)

Overall, the idea of using housing equity as a source of money seems still very new and strange for many. For some people housing and particularly the owner-occupied home represents a kind of a "sanctuary", which should not be mixed up too deeply with economic considerations. (Finland, p.)

In Germany home owners and tenants alike are not familiar with the idea to access equity from housing. Most have not considered utilising their housing. Yet they often implicitly regard housing as a 'pension in stone' or a resource of wealth, they can rely on in case of need. [...] Only if there were no other alternatives people would consider using their housing as a financial resource in the future. (Germany, p.)

[...] the dwellings play a role in the households' financial security to the extent that the households consider the dwelling as part of their wealth portfolio. This is, however, seldom the practical approach and is mentioned as a theoretical option, and in times of hardship and accessing the wealth
stored in housing, downward mobility has disadvantages and the families would most probably live up the “gained” financial resource very quickly. [...] they tend to be very reluctant to mobilise their homes for consumption purposes (Hungary, p.)

Some interviewees consider it unwise to cash in the surplus value they think that people are just saddling themselves with more debt. They do not wish to take out an extra mortgage on the equity of their house. [...] the equity in their home [is seen] as a fund for emergencies. (The Netherlands, p.)

On a first approach, most respondents do not consider using housing equity in the future. The main focus is on housing as a home, to be paid over time in order to be allowed to rest once the mortgage ends. [...] Once paid, the dwelling will gain a new important meaning, that of an asset to leave to the children. (Portugal, p.)

Especially elderly respondents started to talk about ethics when the suggestions were made to use housing equity for these purposes. It was something deeply wrong to spend what you had tried to pay down all your life and in addition housing could not be risked. (Sweden, p.)

Most UK respondents understood the concept of using money stored in their house for future activities but few had thought through this in any detail, [...]. A couple of people explained they could not understand why someone would consider this [...]. (UK, p.)

Different reasons for the aversion to access equity by using a flexible or second mortgage can be uncovered. Interviewees in Finland and Sweden did not like equity withdrawal while they would have to use additional mortgage products and they distrusted the banks or thought that banks would unreasonably profit from these kinds of loans. Remarkably, Swedish and Finnish home owners also argued to feel more secure as mortgage lenders were perceived as flexible with regard to repayment conditions. In Germany interviewees said they would feel uncomfortable taking up an extra mortgage as they would fear not to be able to repay. The German researchers showed that especially home owning interviewees worried about unemployment and immobility as a result of home ownership. Further, the German interviewees shared the idea of repaying a mortgage as soon as possible. In Portugal and Hungary interviewees explained to feel emotionally attached to their homes and did not want to sell the place, they regarded equity release as a theoretical option as a very last resort. Finally, in Finland, Hungary, Portugal and the UK interviewees ideally wanted to pass at least a considerable share of the capital on to their children.

Although in all countries some interviewees mentioned a resistance against the use of their home as a financial resource, this did not necessarily imply they were all opposed to the use of housing equity. In comparison with interviewees in the other countries, the British perceived using housing equity as rather normal and in contrast with interviewees in other countries everybody understood the concept of mortgage equity withdrawal for pension purposes. British interviewees mentioned a broad range of possible uses of housing equity: from home improvement to taking a career break; from following training to care at old age; and in the end they would like to have some equity left to pass on to their children. The Swedish and Dutch interviewees also considered using, or used housing equity for various purposes. In the Swedish report the researcher specified the group that mainly was opposed, namely the elderly, while the younger interviewees considered the idea of using housing equity as more acceptable. Although not yet used as such, some young Swedish interviewees did perceive the use of housing equity as appropriate to add income when they would stop working, or if they would want to work part-time. In the Netherlands too, many interviewees did not seem to have difficulties with the idea of accessing housing equity by a second mortgage; although the range of purposes became smaller in the latter country when the tax regulation changed.

An important reason for accessing equity, or perceiving it as a possibility seemed to be related to being familiar with the process of accessing equity, being familiar with mortgage products that enable access. The British researchers report that financial institutions encouraged people to use mortgage equity release products and indeed the British respondents are the ones in our sample of countries that saw...
most various options to access equity. Further, asset-based welfare and the role of home ownership is topic of policy debate in the UK and not in other countries. The perception of home ownership as financial resource in the UK, the Netherlands and Sweden indicates a powerful influence of both financial institutions and tax policies on the access of equity.

Further, conditions on the housing market, social security and labour market might play a role. In the UK, Sweden and the Netherlands house prices have been rising most, arrears were relatively low; and at the same time the level of income security was in all three countries relatively high.
Table 7 Dominating perceptions of the use of housing equity and the importance of intergenerational transfers

<table>
<thead>
<tr>
<th>Intergenerational transfers</th>
<th>Not common to use equity</th>
<th>Common to use equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergenerational transfers important</td>
<td>Finland</td>
<td>UK</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Portugal</td>
<td></td>
</tr>
<tr>
<td>Intergenerational transfers less important</td>
<td>Belgium</td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>Sweden</td>
</tr>
</tbody>
</table>

**Signs of housing asset based welfare**

*Housing as an asset*

Although a roof over one’s head was mostly the most important reason to buy, housing equity was an early mentioned argument in all countries when interviewees explained their choice for home ownership. Interviewees said they rather paid in their own pocket instead of in a landlord’s pocket. Security of being a home owner was not always self-evident though, in general it mainly provided security for those people who were secure about their incomes when they entered home ownership, and for all home owners once they repaid their mortgages. In some countries for some groups of people (e.g. low income households, households with unstable relationships and jobs) renting was perceived as preferable for security reasons, either as temporary solution (in Finland, Belgium and UK) or as a lasting acceptable alternative (in Germany, Sweden, Netherlands), dependent on housing policy that takes care of security of renting. Renting was only seen as a last resort, for the people without any financial opportunities, in Hungary and Portugal. Here tenants were perceived as being socially excluded. In Hungary home ownership was also described as insecure, since the timing and the process of buying could have far-reaching consequences for the rest of peoples life’s and the quality of the dwellings caused insecurities.

*Housing equity in the financial planning*

Home ownership could be benefited from as an asset in three ways; first by reduced housing expenses once the mortgage is repaid, second by selling the house and using the proceeds, third by mortgage equity withdrawal. Reduced housing expenses at old age appeared to be commonly used; whereas selling and mortgage equity withdrawal was often a more troubling perspective for households in case of an drop in income. In all countries people seemed careful with accessing housing equity; they referred to their homes as a sanctuary that should not be mixed up to much with economic considerations. They seemed to strive to outright ownership and in some countries interviewees wished to pass the capital on to the children.

However, the options of selling and mortgage equity release were sometimes used without a troubling mind when one wanted to buy a new house, or when house prices had risen so much that one did not felt at risk by releasing some housing equity. Therefore we now distinguish another dimension that evaluates the different kind of purposes and related levels of necessity of the use of housing equity. We distinguish 3 categories: 1) housing equity as part of the financial planning; 2) as a bonus and 3) as part of a safety net strategy.

If we speak about housing equity in the financial planning, we mean that people assume certain income developments over their life’s, and they perceive housing equity in relation to this development. This specifically holds in every country for reduced housing expenses when living on a pension and being outright owner. The Belgian interviewees explicitly made the link with pensions, reduced housing expenses were perceived as an important advantage of home owners at old age. In Hungary and Finland reduced housing expenses were not mentioned; yet we assumed it was a self-evident advantage of home ownership. Further, selling at old age and move to the rental sector was part of the financial planning of some interviewees in the Netherlands and Sweden.
In the Netherlands and Sweden people mainly perceived the opportunity of mortgage equity withdrawal as a pleasant surprise and they used housing equity as a bonus resource. They for example bought a caravan, furniture or financed the renovation of their shower and sink into an luxurious bathroom. In these countries mortgage equity withdrawal did not add to financial security. In the UK mortgage equity withdrawal was also to some extent used as a nice surprise for for instance a holiday, or buying a second property; however, for the British housing assets also have a more emergent role in their safety net strategies.

**Housing equity in safety net for welfare needs**
Finally, housing equity can be part of a safety net strategy, which will be used in case of an unexpected drop in income or welfare needs. Here we can distinguish two roles of home ownership, first as a nest-egg which was to be used in inconceivable worst case scenarios; and second, as a financial resource directly related to income insecurity and welfare needs. In all countries home ownership is perceived as a nest-egg. In Hungary, Portugal, Germany and the UK however, home ownership more directly contributed to financial security. In Hungary and Portugal selling was perceived as a last resort in case of emergencies; it would have a sweeping effect on their further life’s. In Germany interviewees related reduced housing expenses explicitly to the risk of unemployment and in the UK people perceived mortgage equity withdrawal as a rather acceptable way to release equity and to prevent financial consequences of risks.

**Table 8 Perceptions of home ownership and housing equity**

<table>
<thead>
<tr>
<th>Housing as asset</th>
<th>Home ownership in financial planning</th>
<th>Housing asset part of safety net strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduced expenses</td>
<td>Selling</td>
</tr>
<tr>
<td>All</td>
<td>All</td>
<td>All</td>
</tr>
</tbody>
</table>

**Housing asset based welfare?**
who are withdrawing equity or households who consider to do so in the future. This trend can be found in countries with rapid house price increases. House price increases that We found that home owners are using housing equity in their financial planning, low housing expenses in old age are considered more or less explicitly as part of the financial planning. Moreover we found signs of housing equity in safety net strategies: housing equity plays a safety net role for example in case of unemployment or other emergencies. This was the case in Hungary and Portugal, in these countries housing equity is at the core of their safetynet strategy. However, this is no surprise if we take into account that welfare facilities are at low levels in Portugal and Hungary. In the UK and Germany Welfare regimes are being discussed and households do not rely on government but think about own safety nets. Although the level of facilities in UK is considerably lower than in Germany in both households translate policy discussions and worries about the future into a safety net strategy, for example the case of a drop in income, where housing equity plays an important role. In Sweden, Finland, Belgium and the Netherlands households rely to a large extent on welfare benefits for income security. Belgium stands out in this respect; more than in the other three countries, housing equity has a key role in particular in pension planning.

Housing equity appears to be part of households financial planning and there is a relation to the level of welfare facilities. The lower the level, the more important housing equity is in households safety net strategy. Housing equity is mostly used in the more traditional way: having low housing expenses in old age is considered as most important. Mortgage equity withdrawal appeared to be an abhorrence to many households, saving money in the house is a virtue while withdrawing money is considered as vice. However, there are also households exceed the normal increase provides households with an extra.
One could question if in Hungary and Portugal housing is an asset that provides people with opportunities, the country reports describe lives of marginal home owners and shows that home ownership is not necessarily creating opportunities. Moreover, the cases of Portugal and Hungary very clearly show the problem of housing equity as safety net facility. When they are in need they can not access their safety net and they have to move on top of the other problems or threats they experience.

**Further questions on housing assets based welfare**

The concept of asset based welfare and in particular a role for housing equity seems a tempting addition to welfare arrangements for governments who are coping with changing societies and welfare budgets that are often under pressure. Housing equity can be an addition or alternative to existing welfare arrangements as for example pensions. Such a shift however has many consequences. This paper unravelled how households deal with housing equity under changing circumstances as changing welfare states. Choices on the balance between taking care and risking citizens’ reliance of on the social safety net; and stimulating citizens to take responsibility for their own life’s and having the drawback of relatively deprived outsiders/ drop-outs) societies and certain extents and equality. It also deals with responsibilities and dependencies and new ideas of what is considered fair and sustainable. Asset base welfare policies suggests a shift of welfare responsibility from governments towards individual households. A shift with a number of drawbacks or at least unanswered questions concerning the role of housing.

**Financial planning**

Income support feeds the stomach but assets change people minds as Sherraden (1991) poses. This project explored the minds of home owners and tenants and more in particular their perception of housing equity and their safety net strategies. The interview results showed differences between home owners and renters. Home owners in general worry more and have more insurances. However, these insurances are not always the result of better planning but sometime just an obligation to protect the lenders that provides the mortgage. Lenders are professionals and on average better planners than individual households. The results in the country reports showed distrust against lenders exists. In particular in relation to equity release households are afraid that these products are in the first place beneficial for lenders. Moreover, the results show that holding assets does not automatically make households good planners. If housing equity becomes more central in households’ financial planning and their safety net strategy, the relations with lenders and financial advisors will become more intense. Flexible mortgage payments and mortgage equity withdrawal may become more usual options in households’ planning. Therefore the role of lenders and financial advisors, transparency of the equity release market and financial education are subjects that need further attention.

**Social equality**

Housing asset based policies might impact on social equality on the differences between income groups. An increase in home ownership has an impact on housing equity and therefore on social equality. Malpass (2006) states that currently housing equity amplifies social inequality in the UK. Others found that home ownership is not a key to luck as for example described by Ford et al (2001) and Norris et al (2006). Home owners can get into serious financial problems ending up in repossesson.

Moreover, the generation aspect is at stake. Esping Anderson and Sarasa (2002) reconsider what they call the generational conflict. They point at the fact that the recent retirement cohorts are the triple beneficiaries of circumstance. They spent most of their active life in periods of rapid real wage growth, full employment and rising job security with concomitant experience based salary gains. This cohort also benefited from considerable house price increases and could build equity. When this generation uses mortgage equity withdrawal to supplement their income this will have an impact on next
generations. They might be spending their kids inheritance or be SKI-ERS as they are called by Rowlingson and McKay (2006).

Finally the difference between home owners and tenants. Will such a policy result in an income distribution that runs analogously with the tenure distribution? In other words, are tenants the lower income groups and home owners the non low income group? Moreover, is there a place for renters or may be for intermediate housing tenures in an housing asset based policy?

House price development at the core
In the idea of asset based welfare and in particular housing equity release, house price development is crucial. In many studies it is assumed that house price structurally increase more than inflation. Such an assumption might be doubted for the long run and in particular for ageing societies. This project showed that house prices can also decrease as for example in Germany, one of the European front runners in ageing. Such a development impacts on the way household perceive home ownership and make their housing decisions. The fear for house price decreases increased the risk awareness in Germany and resulted in hesitations to enter home ownership. Important questions therefore are how house prices in the future will develop and how periods of house price decrease can be overcome. If housing equity is a key asset in financial planning it is crucial for households to be informed on house prices developments for their financial planning and in particular on the risk on house price decrease. Moreover, when housing may become an element in an asset based welfare strategy, house price developments will seriously impact on the future of welfare.

The role of government
House price development is also more than relevant for governments. If house prices rise faster than any other object, home ownership becomes relatively more and more expensive. A policy to enable access to home ownership for lower income groups will therefore become more and more expensive. Moreover, such a policy will become a pillar for house price increases. The question is what role government wants to play in this respect. Smith (2006) states that in the absence of active governance around the use of housing wealth, whole economies and entire housing systems are susceptible to the risk embedded in a new financial order of owners occupation.

Another question for governments is how they define their aim in housing policy. Is the only aim to provide access and hope for independent home owners that plan and finance their own future? Are the home owners that fail and the renters who are out of the system responsible for their own fate and no worry of the government? Or is there a role for the government to stimulate stable house price development and to provide some kind of safety net. In other words the sustainability of housing asset based welfare and the role of the government are issues asking for further development and research.
Reference list


