

## **An Alternative Housing Strategy for Scotland**

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Everyone knows homes are for living in. That should go without saying, but with 60% of Britain's wealth tied up in housing<sup>1</sup>, housing as homes is increasingly seen to be less important than houses as a source of profit. For developers this has always been the case, but the investment function of housing is now dominating the housing decisions, and indeed the lives, of the majority of British households. This is a situation that has been deliberately encouraged by nearly three decades of government obsession with home ownership, and it has been exacerbated by the liberalisation of mortgage lending, which has enabled house prices to rise out of all proportion to incomes.

As a result, growing numbers of households are tied up in crippling debts. Numerous lives are dominated by the need not to risk endangering the mortgage payments. Growing numbers of other households are working overtime and delaying starting families in a desperate bid to get on to the housing ladder and join them. Some will even take up interest-only mortgages, which are the equivalent of paying rent and also being responsible for maintenance, in order to secure their future purchase price. And at the same time, other households, who know that they will never be able to buy, also know that they and their descendents will be excluded from the financial gains reaped from rising house prices.

A booming house market is a very efficient mechanism for increasing the wealth gap.

And as we are beginning to be reminded, housing markets can crash too. With the current levels and spread of indebtedness, the consequences would be even worse now than in the past, for even more people.

In our consumer society, the emphasis on homes as investments has further ways of increasing social division. Those who can't (or don't want to) buy their own home seem to be seen as failed home-owners – or even as failed members of society. Social (or subsidised) rented housing<sup>2</sup> seems to be officially regarded as last resort housing, with all the restricted funding and stigmatisation that that implies.

Those who champion entrepreneurism welcome the revival of private letting that has been encouraged by the housing boom. But this transfers even more money from the poor to the rich. And Real Estate Investment Trusts, which were introduced into Britain under the 2006 Finance Act, provide yet another vehicle for gearing housing towards the extraction of profit<sup>3</sup>. Attempts to help more people onto the housing ladder through subsidies for first time buyers or key workers only make the overall situation worse by putting more money into the system and pushing prices still higher.

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<sup>1</sup> ONS News Release 23 July 2007

<sup>2</sup> The term 'social housing' includes both council and housing association homes, and its use in official documents deliberately blurs the important distinction between these tenures.

<sup>3</sup> Knut Unger (2006) 'REITS create rental refugees' Habitat International Coalition website, [www.hic-net.org](http://www.hic-net.org)

Faced with what is increasingly being seen as a crisis in housing, market-centred analysts have responded by treating this as a problem of demand exceeding supply, which will be solved by building more homes<sup>4</sup>. Since there are growing numbers of households, this is clearly important – and so (although it is never discussed) is the revival of economic planning to bring jobs to where the housing is. But these won't solve the problem of housing being used to increase social division. If all houses were the same, then we need only have to worry about total numbers, but this is clearly not the case. House types and values vary hugely, and so long as prices are rising there is scope for those with some money to use houses as a way of making more money, and to continue to increase that wealth gap.

Greater equality in housing cannot, of course, be separated from greater equality in other areas, but it could be improved by reducing the incentives to use housing as an investment. House prices are not outwith our control, like the weather. With 70% of Britain's population owning their own homes (67% in Scotland), a government that allowed house prices to fall would be committing political suicide, but a determined government could do much to try and keep house prices in line with other prices if it wanted to. Fiscal measures could include restricting inflationary mortgage products, taxing homes left empty; taxing (or even forbidding) second homes; closing capital gains tax loopholes on buy-to-let<sup>5</sup> and ending the landlords' ability to offset mortgage interest against rental income when calculating tax; more use of capital gains and inheritance taxes; and a new land value tax to prevent land speculation, capture any increased land values for the public good, and encourage development<sup>6</sup>. (The idea of a Land Tax is just now being discussed in Shelter's magazine, *Roof*.) Reliance on housing as investment would also be reduced by the resurrection of a properly financed pension scheme. Some of these changes can only be made at the Westminster level, but not all of them.

People will say that many of these changes would stifle investment in the needed new housing, but this is only a problem if we rely on building being done by profit-making developers. Private developers have not succeeded in meeting housing need in the past, and the current dependence on them is creating new pressures to concede to their demands and relax the important democratic and strategic controls afforded by the planning system. Public housing, however, doesn't have to make a profit for the developer, and, as I will argue, it provides the vital key to achieving a much more fundamental solution to the housing problem.

The type of fiscal measures outlined above could make house purchase a possibility for more households, but this is never going to be the answer for everyone. There will always be people whose financial circumstances or lifestyles make this not an option, and there is no reason why they should be penalised by an economy based on real-estate. In fact, there is no reason why renting can't be as attractive as ownership – even an arrangement that people would deliberately choose. Improving renting would make a major contribution to breaking down social exclusion and creating a more equal society.

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<sup>4</sup> Kate Barker (2004) *Review of Housing Supply* [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>5</sup> Currently no capital gains tax has to be paid if a house was the owner's principle residence up to three years previously.

<sup>6</sup> [www.labourland.org/lvt](http://www.labourland.org/lvt)

There is nothing inherently ‘natural’ about home ownership, and surveys that show large preferences for ownership need to be treated with caution as they take no account of wider financial pressures and the availability of other options. Forrest Murie and Williams have pointed out that

... in the not so distant past in Britain discussion of housing tenure was relatively unimportant. Moreover, many of the dimensions of housing which are now inextricably associated with home ownership (e.g. independence, privacy, freedom, a garden) were seen [in the 1940s] as quite separate and no more an inherent feature of owning than of renting.<sup>7</sup>

Preference for home ownership has been increasingly regarded as natural, because so many factors have been stacked in its favour and it is now the tenure of the majority of the population, with renting being disproportionately concentrated among lower income groups. (It is interesting that there is no such bias in favour of owning business premises, although the desire to do this might seem equally natural.)

For renting to be as attractive as ownership, rented homes have to be of good quality, rental agreements have to be secure and flexible, and rents have to be genuinely affordable and significantly less than the cost of paying off a mortgage. As was found in the past, this can only be achieved through the use of subsidised social housing. For best value for money, as well as democratic control, this needs to be largely provided by local councils rather than through housing associations<sup>8</sup>. (I’m not going to go into the arguments about stock transfer, but I have done this in some detail in a book chapter I have put on the side table.)

Arguments for provision of rented housing are gaining support. The Right to Rent campaign started by Leeds Tenants Federation is spreading to other parts of England, and a recent survey of Chartered Institute of Housing members found that 83% of respondents agreed that ‘there is too much emphasis on home owning at the expense of renting’<sup>9</sup>. The private rental market clearly cannot help here as the laws and demands of the market tend to reduce quality and security and increase rents, and if these things are controlled then that will suffocate supply.

More council housing may sound like an expensive option that is hardly likely to appeal to our politicians, but that is only true if you take a very narrow view. For a start, there would be direct savings. Current plans for large-scale demolitions and replacement with small amounts of new housing-association housing depend on large subsidies from the Scottish Government. It would cost much less to upgrade existing buildings, and provide many more homes<sup>10</sup>. Large savings could also be made by ending the drive towards stock transfer and investing directly in council housing<sup>11</sup>.

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<sup>7</sup> Ray Forrest, Alan Murie and Peter Williams (1990) *Home Ownership: differentiation and fragmentation*, London: Unwin Hyman, p45

<sup>8</sup> Sarah Glynn (2007a) ‘But We Already Have Community Ownership – making council housing work’ in *Reclaiming the Economy: Alternatives to Market Fundamentalism* edited by Andy Cumbers and Geoff Whittam, Scottish Left Review

<sup>9</sup> The survey was carried out between 29<sup>th</sup> May and 18<sup>th</sup> June 2007 and got 782 responses.

<sup>10</sup> DTZ Peda (2005) *Dundee City Council – Financial Viability Study Phase 2: Final Report*, para 4.27

<sup>11</sup> Glynn (2007a), House of Commons Council Housing Group (2005) *Support for the ‘Fourth Option’ for Council Housing* [www.support4councilhousing.org.uk](http://www.support4councilhousing.org.uk)

The transfer process costs millions, and council housing is also significantly cheaper to run. More tenants paying low council rents rather than high private rents would mean less housing subsidising private landlords. Devolution does add some complications – Westminster has been providing money for stock transfer and also pays housing benefit – but negotiations might be possible. And more significant than any of this, but harder to measure, there are all the savings that result from better housing, better health and life chances, and greater social cohesion<sup>12</sup>.

Good quality, good value rented housing plays a crucial role in decoupling housing from investment and returning it to its primary purpose as homes. It breaks down the social divisions between those on the housing ladder and those unable to reach it, and removes some of the massive financial burdens being taken on by what is increasingly becoming a nation of debtors.

Investing in expanding as well as improving council housing is also the best way to end the residualisation of the tenure that has resulted from years of under-investment and from the right-to buy sales of most of the best homes. Concerns over concentrations of poverty have led planners to adopt the mantra of ‘mixed tenure’ development, despite lack of evidence of the benefits of having a home-owner next door<sup>13</sup>. We’ll be hearing more about this later in the day, but the main result of these policies has been the sale of publicly-owned sites in city centres and more desirable districts to private developers, with social housing becoming increasingly geographically marginalized. If, instead, council housing was allowed to expand, then so would the social base of its tenants. The possibilities were clearly recognised by Nye Bevan when he was minister of health with responsibility for housing. His plans for post-war reconstruction concentrated on homes of uncompromisingly good quality built by the local authorities, which would be rented by people in different walks of life and of different ages in mixed communities<sup>14</sup>.

After Bevan, while council housing increased its share of housing tenure, it was regarded by governments of both parties as a residual tenancy for those who couldn’t afford to buy their home, and suffered the effects of severe financial constraint. But, although council house failures have made headlines and legend, they only affected a small minority, and, to quote Alison Ravetz,

... it must be assumed that throughout most of its history the bulk of council housing functioned as the housing managers would have it, to give tenants ‘the quiet enjoyment of their own homes.’<sup>15</sup>

The first step in creating an attractive rental sector in Scotland is to discard the current assumptions used by Communities Scotland to calculate social housing need. These are based on the premise that social housing should only be made available as a last

<sup>12</sup> Zacchaeus Trust (2005) *Memorandum to the Prime Minister on Unaffordable Housing* available on [www.z2k.org](http://www.z2k.org)

<sup>13</sup> Rowland Atkinson and Keith Kintrea (2004) ‘Opportunities and Despair; It’s All in There’: Practitioner Experiences and Explanations of Area Effects and Life Chances’ *Sociology* 38:3 pp 437-455, David Manley, Joe Doherty, Elspeth Graham and Paul Boyle (2007) ‘Social Well-being fir mixed tenure areas in Britain: 1991 to 2001’ [www.enhr2007rotterdam.nl](http://www.enhr2007rotterdam.nl)

<sup>14</sup> Michael Foot (1973) *Aneurin Bevan: A biography (vol II)*, London: Davis-Poynter,

<sup>15</sup> Ravetz, Alison (2001) *Council Housing and Culture: the History of a Social Experiment*, London: Routledge p175

resort - with everyone else having to rely on the market even if it leaves them just above benefit levels - and on the arbitrary decision that councils should have to meet only 1/10 of the current backlog of housing need each year. This model allows councils with growing housing waiting lists and homelessness to claim that they have surplus housing, and to proceed with large-scale demolition plans that will result in the net loss of thousands of socially-rented homes. So, to take the example of Glasgow, although it is acknowledged that the city has a backlog need for 29,603 social rented homes – almost half due to overcrowding and sharing – this is translated into a backlog quota of 2,960 homes a year, which – with the restrictions on social housing eligibility – can be more than met by current turnover. That allows Communities Scotland to claim that Glasgow has a net surplus of social housing relets of 4,590 homes a year, and the council and Glasgow Housing Association (who now own the homes) to plan for massive cuts in the social housing stock; which is clearly disastrous.

Reassessing need is basic to addressing the worst symptoms of our housing crisis, but, as I have argued, social housing has to be more than a second choice for those who *need* it. It is also important to discard the arguments that there is lack of *demand* for social, and especially council, housing. These arguments are repeatedly brought out to support plans for demolition and cuts in social housing provision, but they make use of spurious empirical evidence – and I can refer you here to the paper I gave at the EURA conference last month, which is also available on the side. Even more importantly, demand for council housing, or social rented housing more generally, is not a fixed number waiting to be discovered, but will increase if this housing is improved or otherwise made more desirable.

The Scottish Government should stop promoting and subsidising stock transfer and large-scale demolitions and invest in building new council houses and improving existing homes and estates. The recent votes against stock transfer – in Edinburgh and elsewhere demonstrate how deeply unpopular it is and should convince the Scottish Government to demand that the UK treasury make available the money that was offered as a bribe for a vote for transfer. This money is desperately needed to bring homes up to the new housing standards.

In Glasgow, millions of pounds that could have been spent on improving housing have already disappeared without trace in the transfer to the GHA, which has only just scraped through its recent inspection by Communities Scotland. That money has gone, but that is no reason to pour in yet more money to divide up the GHA in the proposed second stage transfer. It is not too late to transfer the housing back to public ownership. And where tenants wish to exercise greater local control, reinstate the much admired tenant management co-ops that existed before the GHA took over.

Investment in public housing needs to be accompanied by an end to the tenants' Right to Buy, which otherwise just creams off the best homes. This could be replaced with a system of genuinely affordable rents, and with rent holidays for long term tenants.

In sum, if we are to address the crisis in housing we need to ensure that housing returns to its primary function of providing homes. This can be done through fiscal controls to contain the use of housing as investment and end runaway house prices, alongside a commitment to finance good quality public rented housing. But, for this to

happen, government will have to make a major shift of emphasis and look beyond the demands of the market, basing its policy instead on the wants of society. While some changes can only be made in Westminster, enough can be done in Holyrood to make a significant difference, and perhaps even act as a lever for change on a British scale.