From Ladders to Snakes?

Housing Poverties and Vulnerabilities in Contemporary Ireland

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Introduction

Most of the focus on emerging housing poverties in Ireland has been on the situation of over-indebted owner-occupiers – e.g. Brooke and Norris (2011), Inter-Departmental Mortgage Arrears Working Group (2011)
However, little attention has been given to changes faced by newly-forming low income households, or of low-income households in the traditionally insecure and often poor-quality private rented tenure.

- For discussion of the long-standing problems in the lower end of the PRS, see Galligan (2005), Drudy and Punch (2005), Punch (2009), Kiely 2005).
The housing 'ladder' 

- The ladder analogy has been customary in popular discourse in many countries 
  - Rungs on a ladder (different tenures or sub-tenures) 
  - Ascent / (descent not contemplated until post-2007) (tenure trajectories)
The housing 'ladder'

- The typical or idealised housing trajectory has been commonly described as a ladder (on which e.g. newly-forming household gets on to the first ‘step’ of house purchase).

- A variant on this imagery suggests a tenure pyramid or hierarchy, with the rental tenures at the base and owner occupation at the apex (DoECLG, 2011).
The Irish Housing Ladder before the recession (2006 stats)
(adapted from Elphicke 2009)

Permanent/Settled

Home Ownership - 76%

Social Housing – 10%

Private Rented – 14%

Temporary

Demand for Housing

Household Formation Rate

The Irish Housing Ladder before the recession (2006 stats)
(adapted from Elphicke 2009)
The Irish housing 'snake'

• The collapse of the Irish house price bubble (post-2007) in the context of the Great Recession (Commission of Investigation into the Banking Sector in Ireland, 2011) has demonstrated emphatically that a ladder allows of a two-way trajectory
Ladders and snakes (contd.)

- Room (2000) uses these terms in the context of a general theory of social exclusion and inclusion
- Elphicke (2009) applies the analogy to the English housing system
A Classic Repossessions Snake
adapted from Elphicke (2009)

Permanent/Settled

Home Ownership

Sleeping Rough

Hostel

Family and Friends

Homeless
Putting the difficulties faced by over-indebted owner-occupiers in terms of tenure trajectories and the risk of a precipitous descent of the housing ladder, we firstly pose the question:

Is the Irish housing ladder becoming a snake for some of those at its top rung?
In relation to the difficulties faced by low income households seeking to ascend the rungs of the housing ladder, we pose a second question:

Q2. Are the gaps between the rungs on the Irish Housing Ladder widening for poor households?
Q1. Is the Irish Housing Ladder becoming a Snake

- What is the evidence?
On the face of it the conditions for an emerging housing snake are present in the form of increasing mortgage arrears (Central Bank, 2012b):
Irish mortgage arrears Dec2010 - Dec2011

- Total Arrears over 3 months
- Arrears over 6 months
- Arrears 3-6 months
Housing arrears → snake?

However the question is whether these conditions have translated into a snake to date?

Data on trends in repossessions (Central Bank, 2012b) suggests they haven’t:
The Irish Repossessions Snake?

• If the conditions for a snake are present why hasn’t it materialised (in the typical form of large-scale repossessions)?
  1. Policy influence on behaviour of lenders – e.g. Code of conduct on mortgage arrears, restructuring of borrowings
  2. Welfare safety net: mortgage interest supplement
2 statutory codes re mortgage arrears

• Code of Conduct on Mortgage Arrears
  – Introduced in early 2009
  – Mortgage suppliers legally bound to adhere to a Mortgage Arrears Resolution Process (MARP)
    • Revised version = Central Bank (2011)

• Consumer Protection Code (since 2007)
  • Revised version = Central Bank (2012)
Mortgage Interest Supplement 2001 - 2011e

Number

Year

Dec-01 Dec-02 Dec-03 Dec-04 Dec-05 Dec-06 Dec-07 Dec-08 Dec-09 Dec-10 Dec-11e
Restructured Mortgages

Period

No. of Mortgages

55000
60000
65000
70000
75000
80000
Q 1 Is the Irish housing ladder becoming a snake?

• Looking at evidence from trends in home ownership so far the answer is NO.
We now turn our attention to the ascent of the housing ladder for poor households (qualifying for social housing assistance) to ask:
....what has been happening to the traditional tenure trajectory of poor households towards permanent settled accommodation (traditional Local Authority and/or subsequent Owner Occupation via tenant purchase)?
Translated into 'housing ladder' terms, the question reads:

Q2. How has the housing ladder changed for poor households?

- What changes have been made to the various rungs?

- Have new rungs been added?

- Are the gaps between the rungs on the Irish Housing Ladder widening?
• The traditional tenure options and trajectories were quite straightforward....
Traditional tenure trajectory of low-income newly-forming households

newly-forming households (sharing with family/friends)

private renting - rent supplement

traditional local authority housing

owner occupation
Tenant purchase

• By contrast with the UK experience, where tenant purchase was highly controversial and seen as the flagship Tory social policy initiative.....in Ireland, some form of tenant purchase has been in place since the foundation of the state, and has never been seriously challenged (O'Connell 2007; Finnerty 2002).
  – This makes the recent effective ending of this option all the more surprising (Finnerty 2010).
The new tenure trajectory is much more complex: more rungs...
Extra / altered rungs on the low-income tenure ladder

- Local authority housing 2009 Act
- Owner occupation
- CALF housing
- Long-term leasing (local authority or housing association)
- Private renting - Rental Accommodation Scheme
- Private renting - rent supplement

Newly-forming households (sharing with family/friends)
...more complex trajectories:

- Long-term leasing (2009)
- Capital Advance Leasing Facility (2012)
- Rental Accommodation Scheme (2004)
Context: Shift to ‘market-based mechanisms’ in social housing

• “We can no longer rely on the traditional acquisition and construction approach to meeting social housing needs. We must embrace every opportunity for delivering additional supply through market based mechanisms.”

  » Minister Finneran, Sept 2009
New leasing initiative (2009 Housing Act)

- Local authorities or housing associations will enter into lease arrangements with property owners for periods of between 10 – 20 years;
  - Properties will be tenanted, managed and maintained by the local authority / housing association;
  - Rent will be guaranteed for the whole lease period
private renting - rent supplement and long-term leasing

newly-forming households (sharing with family/friends)

private renting - rent supplement

long-term leasing (local authority or housing association)
Widening the rungs on the housing ladder #1

• the substitution of long-term leasing for direct provision will end the historic role played by social housing as permanent settled accommodation (Finnerty 2010)
  – the dwelling reverts to the private landlord at the end of the lease period
Tenure trajectories for long-term leasing

- local authority housing (2009 Act)
- owner-occupation
- long-term leasing (local authority or housing association)
• the indirect trajectory is still there in principle, but will be little used in practice, given the shift (above) from new LA build to 'market based mechanisms'....
Tenure trajectories for long-term leasing, given lack of supply of LA housing

local authority housing (2009 Act) → owner-occupation

long-term leasing (local authority or housing association)
Capital Advance Leasing Facility?

• “provides an up-front equity stake of up to 30% of the property value to approved voluntary housing bodies who raise private finance to acquire or build new social housing units, using leasing payments to repay loans in respect of their equity share”

  -(DoECLG, 2012)
Capital Advance Leasing Facility?

- €20m of funding in 2012
  = circa 400 units!! (small scale of provision)
- no tenant purchase for housing association tenants (same blockage on housing ladder applies)
CALF-funded tenure trajectories

- Local authority housing (2009 Act)
- Owner-occupation
- CALF-funded housing association
Widening the rungs on the housing ladder #2

- the Rental Accommodation Scheme does not function as a step into local authority housing
  - the *dwelling* reverts to the private landlord at the end of the lease period
  - the *tenant* is deemed to have their housing needs met by being accommodated under RAS
RAS as a terminal rung on the tenure ladder

newly-forming households (sharing with family/friends)

private renting - rent supplement

private renting - Rental Accommodation Scheme

local authority housing 2009

owner occupation
Widening the rungs (3) - rent supplement

• The trajectory from this rung can proceed to either RAS or long-term leasing...or LA housing in principle
private renting - rent supplement and tenure trajectories

newly-forming households (sharing with family/friends)

owner occupation

LA housing (2009 Housing Act)

long-term leasing (local authority or housing association)

private renting - Rental Accommodation Scheme

private renting - rent supplement
• In practice.....
Effective private renting - rent supplement and tenure trajectories (1)

- newly-forming households (sharing with family/friends)
- private renting - rent supplement
- private renting - Rental Accommodation Scheme
- long-term leasing (local authority or housing association)
- LA housing (2009 Housing Act)
- owner occupation
the indirect trajectory still exists in principle, but will be little used in practice, given the shift from LA new build to various kinds of leasing....
Effective private renting - rent supplement and tenure trajectories (2)

newly-forming households (sharing with family/friends)

private renting - rent supplement

long-term leasing (local authority or housing association)

private renting - Rental Accommodation Scheme
Reforms of the private rental 'rung(s)'

• Note however recent reforms to the private rental rung(s):
  – the Residential Tenancies Act (2004) re security of tenure,
  - the further reforms in relation to quality of accommodation and deposit retention (DoECLG, 2011).
In summary...
Welcome to the new housing ladder for poor newly-forming households!
Effective tenure trajectory of low-income newly-forming households

- newly-forming households (sharing with family/friends)
- long-term leasing (local authority or housing association)
- private renting - Rental Accommodation Scheme
- private renting - rent supplement
Widening gap between rungs of / increasing blockages in the Irish 'housing ladder'

Permanent/Settled

Temporary for some / Permanent for many??

Homeless

Home Ownership / Social Housing

Social Housing = Leasing: end of direct provision

Private Rented – growth of ‘privatised’ social housing

Household Formation
Returning to the questions posed at the beginning of this presentation:

• Q1. Is the Irish Housing Ladder becoming a Snake?
  – No!

• Q2. Are the gaps between the rungs on the Irish Housing Ladder (for poor households) widening?
  - Yes!
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