

# Britain: Labour to privatise remains of public housing

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The Blair government is to exacerbate the already acute crisis in public housing by encouraging families to purchase shares in newly built so-called affordable housing and existing housing association properties.

The government unveiled its five-year plan for housing after a study by the Halifax Bank showed that first-time buyers could not afford to buy a home in 92 percent of UK towns.

Rather than a massive expansion of social housing to meet demand, however, the government's solution will make the current housing crisis even worse. Prime Minister Tony Blair said recently that his government intends to increase owner-occupation by 10 percent from the present 70 percent over the next decade. This would require a further 2.5 million households to become owner-occupiers.

Blair has argued that the impetus for what amounts to the privatisation of public housing is to increase social mobility, claiming that those without housing equity to draw upon are unable to move up the social ladder.

This argument is spurious, as it ignores the fact that the majority of the British population currently living in poverty are within the private housing sector, and that the inability of many people to afford a roof over their heads is the direct result of successive government efforts to drive down wages and conditions for the mass of the population, whilst providing a bonanza for the super-rich and financial speculators.

The government's latest proposals are a continuation of that same big business agenda. Writing in the *Guardian* newspaper, Labour's general election coordinator, Alan Milburn, explained, "Owning assets helps create a buffer for people in times of crisis. It encourages people to take more responsibility for themselves. There is a proud Labour movement tradition of self-help. It is time to reinvent it for today's

world."

Twenty-five years ago, the Conservative government of Margaret Thatcher passed legislation allowing council house tenants to buy their homes; this resulted in 1.6 million homes taken out of the public sector. Such has been the chaos produced that some local authorities, especially in London, have had to resort to renting former council properties from the private sector in order to house homeless families under their jurisdiction. They are regularly forced to pay up to three times more on the market than what they themselves charge their local tenants for similar properties.

London alone currently has 60,000 households in temporary accommodation and almost half a million children living in overcrowded conditions. The stock of social housing in the capital fell by 50,000 between 1991 and 2002. It is estimated that 120,000 new and affordable homes are required each year to keep pace with demand.

Thatcher stopped short of allowing housing association tenants to purchase their homes, and for the last decade, the housing associations have been amongst the main providers for the poor and elderly, renting out some 1.45 million homes in England.

The Blair government's measures will reduce even this meagre safety net, as the emphasis is placed on encouraging owner-occupiers. In cahoots with the banks and building societies, Labour is proposing to sell first-time buyers a three-quarter share in homes retailing at £60,000.

Not only will this lead to a further contraction in available housing stock, but it will result in greater indebtedness for many workers and their families—especially as many economists are forecasting a crash in house prices by as much as 30 percent.

In the past four years, the combined value of British housing has soared to an unsustainable £3.1 trillion, up from £2.2 in 2001. In the mid-1990s, houses cost three-and-a-half times annual salaries; contemporary costs are six times greater. Consequently, the age of first-time buyers rose from 28 then to 34 in 2003.

The last time house prices fell precipitously in the early 1990s, tens of thousands of families were made homeless through repossession and others were left with homes worth less than what they paid for them.

The financial institutes involved in the government's proposals are certain of a good return, however. The new project is to be a public-private initiative, worth a potential £1 billion. Lenders will keep a 25 percent or more stake in the property, while the buyer takes out a conventional mortgage on the remainder. When the property is sold, the lenders retain a percentage of the sale to recoup their stake. The housing will be constructed on public land—including 100 former National Health Service sites—held by a government agency, and when the house is sold, the value of the land will go back to the agency.

The housing associations will be offered first refusal to buy back their former property if the owner subsequently moves. But, given Labour's free-market ethos, this can only mean that the associations will have to pay the market price on the house. Any subsequent period of rapid house price inflation, therefore, could render it impossible for housing associations to retain their stock. Yet, the housing associations—many of them charities—require their assets in order to borrow more capital to build more rented properties.

A more likely outcome will be that the new homes will eventually transfer entirely to the private sector.

The government's scheme is a development from the erroneously named "Key Worker" scheme that arbitrarily discriminates against those not considered crucial to the operation of public services, such as police or nurses.

In a January 27 article entitled "Just in time for the crash," the *Economist* questioned the wisdom of introducing a shared ownership scheme when the housing market is quite possibly on the verge of a collapse in prices. It wrote, "The drive to get people into home ownership is as good a sell signal for the housing market as any forward indicator. If house prices enter a long period of decline or stagnation, poor

people who take up the government's offer could find themselves in possession of a burden, not an asset."

The *Woolwich Index* of house prices clearly shows that when the housing market collapses, the steepest falls occur in one-bedroom flats of the type common in shared ownership. Working class occupiers are the least able to withstand financial problems because they have little in the way of savings, in no small part because buying their part-share has stretched their already limited finances. Increases in interest rates could also have a calamitous effect upon those attracted to the scheme.



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