

Britain: Building society says housing beyond reach of majority

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A report by the Halifax building society provides a glimpse of the desperate situation facing millions of workers and their families in Britain today in their search for affordable housing.

Nurses, firefighters, teachers, police officers and ambulance staff—defined as key workers—have been priced out of the housing market in 70 percent of Britain's towns and cities, compared to 36 percent in 2002. They were unable to afford homes in 363 towns out of 517. Ninety-nine percent of towns were too expensive for the average nurse, while 97 percent were too expensive for firefighters.

The least affordable homes were in London and the surrounding towns. In the most expensive area, Gerrards Cross, the average house costs nearly 30 times a nurse's gross annual wage of £25,724.

The most "affordable" homes were to be found in Lochgelly, Bellshill, Clydebank and Wishaw in Scotland. But even there, the average house cost four times a nurse's average wage, a multiple beyond the level that most building societies will lend and one that is extremely difficult to keep up with when granted.

First-time buyers need increasingly large deposits to get on the housing ladder. More than one third of first-time buyers in London between 1995 and 2001 relied on gifts, family loans, inheritance or a windfall for their deposits.

The Halifax report called on the government to help make homes affordable to such key workers—in effect demanding a subsidy for the mortgage-lending companies. But this is just the tip of the iceberg.

Key workers are by no means well paid, but such is the income differential in Britain today that they earned more than the median wage of £23,244 in 2006. In other words, a massive 60 percent or more of those in work earn less than these workers and are even less able to afford a home.

The average price of a home today is £217,076, eight times the median wage. This is a rise of 8.1 percent across the country, with London rising by at least 12 percent a year. Even in Tower Hamlets, one of the poorest London Boroughs, where 43 percent of households live on less than £10,000 a year, the average house price is about £300,000.

The impact on families has been devastating.

Last year, the National Housing Federation, which speaks for the not-for-profit Housing Associations, warned that the country faced a "housing time bomb" unless public investment in affordable homes increased dramatically. There had been an "explosion of housing need" under Labour. The failure of the private housing market has fuelled a massive demand for social housing. There were a staggering 1.6 million households on council (public) housing waiting lists that are growing at nearly 8 percent a year. Many more are discouraged from registering at all. Last year, 17,000 families lost their homes via mortgage repossession, a 65 percent increase on 2005. Official homelessness rose by 14.5 percent between 2000 and 2005.

Shelter, the homeless charity group, reports:

* More than 1 million homes in Britain are deemed to be unfit for

human habitation, yet more than 90 percent of these are occupied.

* Another 800,000 or more homes are empty. These are in terrible condition, in areas of high unemployment and crime, with few amenities.

* Half the housing in the private sector does not meet official standards, but tenants dare not complain for fear of eviction and losing their deposit.

* There are more than 260,000 families on waiting lists in England for homes with three or more bedrooms.

* More than 1 million children in Britain live in overcrowded, unfit or temporary housing, more than the combined population of Edinburgh, Bath and Manchester.

* 10 percent of children in England live in overcrowded housing. Black and ethnic minority households are six times more likely than white households to live in overcrowded accommodation.

* 100,000 households or 221,000 people in England alone live in temporary accommodation—more than double the number in 1997.

The impact on children's well-being is particularly tragic and long lasting. One in 12 children in Britain is likely to suffer from bronchitis, TB or asthma because of bad housing. Homeless children in bed-and-breakfast hostels are twice as likely to have to seek treatment in hospital for burns and scalds.

Their education suffers, as they tend to lose about a quarter of their schooling. They are twice as likely as other children not to get any GCSEs (the basic school-leaving certification), to be excluded from schools and undergo persistent bullying.

As ever, housing is characterised by social inequality. At the other end of the scale, at least a quarter of a million people in England and Wales have second homes within the UK, while many more have homes in France and Spain.

Few houses are being built. In 2002, the Rowntree Trust found that house building—both public and private—was at its lowest level for 80 years and called for 4 million new homes by 2022 to avoid a catastrophic shortfall, or at least 250,000 extra homes every year.

The government and local authorities have done nothing to bring the nearly 1 million empty houses, typically in areas of multiple deprivation, back into use by regenerating the neighbourhoods.

It was in the early 1980s that the Conservative government under Margaret Thatcher began the process of selling off public housing, first introduced after World War I to provide protection against slum landlords and racketeers, rented at affordable rates with security of tenure. By 1981, there were about 6.3 million council houses providing homes for about one third of the population.

Using the slogan of "a home-owning democracy," the Tories introduced a "right to buy" scheme for council house tenants that enabled them to buy their homes at a discount on their market value in order to create a popular social base for its neo-liberal policies. The best properties were sold off, leaving the councils with the rest and creating a huge revenue stream for the building societies and banks in the process.

Later, the Conservatives introduced the stock transfer programme,

whereby whole estates were transferred to housing associations or registered social landlords (RSLs). While housing associations and RSLs are part of the much-vaunted not-for-profit sector, they are multimillion- and in some cases multibillion-pound concerns that operate on a commercial basis. Rents and service charges have risen despite promises made in the transfer agreements that have turned out to be legally non-binding. As the cost of loans from the banks has risen, they have been forced to consider demolition and sales to raise cash, further exacerbating the housing shortage.

While at first it was only the Tory councils that were transferring homes to RSLs, now it is the Labour and Liberal Democrat councils that are doing so. Since 1976, there has been almost no money for new builds and little for refurbishment. Most of the proceeds for such sales or transfers, as well as much of the rental income, have gone to the Treasury, not the local authorities, thereby depriving them of the funds to refurbish the remaining stock or invest in new homes. The Right to Buy receipts in 2003-2004 alone were £2 billion. However, the local authorities were allowed to keep only £700 million. About a third of housing rental income has been withheld from local authorities, meaning that tenants pay more than £25 a week more than it costs to manage and maintain their homes.

Since 1979, more than 3.5 million council houses have been lost to the private sector through the sales to individuals and the transfer of estates. By 2005, there were only 2.8 million public housing units and a further 2.1 million homes owned by RSLs. This, coupled with little or no money for new builds and refurbishment since 1979, has created a huge shortage of affordable homes.

The Labour government has vastly accelerated this privatisation process, with annual sales and transfers exceeding those of the Tories. Ministers have even claimed that taking housing out of public control is the only way to bring public housing up to a decent standard.

New Labour has shown contempt for the wishes of the electorate, residents and its own conference decisions that have voted repeatedly against such policies. It has bullied and bribed councils with a variety of sticks and carrots: financial incentives and tight controls on councils' spending and borrowing.

Councils have only been able to get extra housing funds if they transferred their stock to arms-length companies (ALMOs) to manage homes. But even if this is maintained, it will only fund the repair of 300,000 homes over 10 years. In other words, only 300,000 homes will remain, a mere 10 percent of the number inherited in 1997. Under Labour's plans, security of tenure for the most vulnerable and impoverished layers, a key feature of public housing, will go.

The councils' only other alternative is to use the private sector under the government's Private Finance Initiative (PFI) to refurbish and manage homes. But councils only get permission to refurbish under PFI if the scheme involves some demolition to allow development for private build homes by the PFI contractor.

Labour's plans to privatise what remains of public housing stock—presently about 4 million homes worth about £400 billion—have gone virtually unnoticed. In 2004, it announced plans to sell off 200,000 council homes a year, or 1 million, by 2010. By 2015, there will be virtually no public housing left.

Now, it seems that ALMOs deemed to be “excellent” will be allowed to become housing associations—in other words, private sector companies—despite promises that they would never be privatised. The new regeneration quango, Communities England, is tasked with “razing and building” the councils' worst estates and creating so-called mixed communities—i.e., private housing and gentrification that benefit the better off. Even where such developments include so-called affordable housing, property companies have bought up the entire stock. Thus, the government's policies are subsidising a growing army of private landlords.

The transfer of public housing to ALMOs, the housing associations and RSLs, which have to some minimal degree protected rents, is part of a broader process whereby homes, paid for by tenants over decades and transferred at knockdown prices and debt free, will be fully privatised to provide a valuable income stream for the financial institutions via real estate investment trusts (REITs).

REITs are new entities that came into being in the UK in January of this year, much to the delight of the City. As private sector companies deriving their income from property or “real estate,” they are exempt from Corporation Tax for the benefit of their shareholders. In the United States, such REITs have bought up affordable housing, evicted the tenants, and refurbished or gentrified the homes at a massive profit. Seventeen housing associations are now considering converting into a REIT.

Whereas public housing once provided a check on private landlords and rising house prices, now workers are being sucked into ever-escalating levels of mortgage debt.

House prices have more than tripled since Labour came to power in 1997. The obscene riches that the financial institutions have amassed as a result have sparked a huge escalation in land and house prices in Britain and internationally.

This has made it impossible for young people in the fifth largest economy in the world to afford their own home on the basis of their wages. For many families, the high cost means that the mortgage has become a millstone round their necks. And whereas the family home was once seen as a nest egg that could be used to supplement a retirement pension, with means-tested benefits it must often be sold to pay the costs of residential care should it be required.

Alongside the shortage of affordable housing has gone a huge increase in personal indebtedness: bank loans and credit cards, as well as the growth of loan sharks and the sub-prime market, as the cost of housing has made the everyday necessities of life unaffordable. Personal debt in Britain now stands at more than £1.3 trillion, more than the GDP of the entire country. The much-anticipated increase in interest rates will push many families over the edge and see housing repossessionsoar, under conditions where no safety net exists.

The question today is not simply the defence of public housing and the restoration of public spending cuts. Rather, a planned and massive programme of public building is required for one of the most pressing problems that production for profit has never anywhere been able to resolve. Such a programme necessitates the public ownership of the construction industry and the land banks owned by the corporate sector, the Church, the Crown, and big landowners.

The Socialist Equality Party is calling for a cap of 20 percent of mortgage repayments, a ban on house repossessionsoar and the implementation of a massive social housing programme to provide comfortable, secure and affordable accommodation for students, workers, the unemployed and pensioners.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact