

# Why the “right to buy” should be abandoned

The coalition government is proposing to give “right to buy” (RTB) a boost by giving Council tenants an increased discount. The government policy is 'one for one replacement' by allowing Councils to build a replacement for each property sold. However, there are grave doubts that Councils will have enough money to replace houses sold off. Yet even if 'one for one replacement' was successfully applied it would not address the housing crisis. It would still leave 1.8 million families on the Housing waiting list, with the prospect of their numbers rising, as house ownership is now decreasing. This is reflected in the collapse in the numbers of young people who are able to take on a mortgage. Between 1991 and 2009/10, owner-occupation levels in the 16 to 24 age group has fallen 61% (from 36% to 14%), whilst owner-occupation in the 25 to 34 age group fell 30% (from 67 to 47%). This has created a big increase in private rental.

RTB has been in place for over 30 years now. The New Labour government left it in place, although given the deepening housing crisis they reduced the discount available. However, if the housing crisis is to be tackled it's high time that the selling of Council housing was bought to an end and a Council house building programme was taken up once again, on a mass scale. To explain why RTB should be ended lets look at it's introduction by Thatcher and the impact it had, both on the social composition of Council housing and the 'housing market'.

## The impact of “right to buy” on Council housing

1979 was a watershed year in Britain. It marked the beginning of the end of the “post-war consensus” in which, despite the differences with Labour, the Tories continued to build Council housing, rather than leaving housing to the private market. At the high point of Council house building around a third of all housing in Britain was local authority housing. Whilst municipal housing had originally been conceived as being for “the working classes” Labour's 1949 Housing Bill ended this designation and viewed Council housing as a more general social provision for those who either could not afford or did not want to own a home. At the time, of course, most working class people did not earn enough to save much and credit was not generally available.

The Tenant Services Authority, in a 2009 report, estimated that “Fully 55% of British people born in 1946, and 48% of those born in 1958, spent at least some time in social housing in their childhood.” Tories and Labour at times competed with each other over who could build the most Council housing. So prior to the 1980's there was little stigma attached to Council housing or being a Council tenant.

Yet in 1979 Margaret Thatcher introduced a Housing Act which included the introduction of “the right to buy” for Council tenants. Michael Heseltine, secretary of state for the environment, said: “This bill lays the foundations for one of the most important social revolutions of this century.” This policy was a combination of political pragmatism, directed at undermining Labour's political base of support on Council estates, and of prejudice. The journalist Simon Jenkins, in his book “Thatcher and Sons”, records that when he was a civil servant and Thatcher was briefly Opposition Housing spokesperson, he offered to take her around London to see examples of good Council estates and bad ones. She replied: “No, there are only bad ones”. For her, Council housing was associated with the welfare state which she believed had reduced much of the population to “moral cripples”.

Jenkins added that:

“For Thatcher home ownership embodied all the vigorous Tory values: secure savings, family values, household gods, a lifetime of hard work rewarded. If the state had any role in housing it should be to express those virtues in bricks and mortar. By contrast council housing symbolised vices: dependency, lack of home pride, something for nothing, and individuals enslaved to the state.”

Thatcher's hypocrisy was reflected in the fact that whilst she considered subsidy for Council housing to be a source of “dependency” she boosted 'middle class subsidies', increasing mortgage interest relief from £4.6 billion when she came to power, to nearly £10 billion in the year 1990-91,

applying to nearly 10 million individuals or couples. Yet even her own Ministers questioned the subsidy. Geoffrey Howe considered the relief “a glaring anomaly, distorting the housing market almost as much as rent control...and unjustly favouring the better off.”

Nigel Lawson “pointed out that home owners were merely raising tax free endowments on their houses to finance luxury consumption. To him this was inflationary madness. Thatcher did not care.” According to Jenkins, whenever Treasury Ministers questioned the subsidy she became so angry she threatened to increase it rather than cut it, there being no question of a collective Cabinet decision on the matter.

Sales of Council Housing represented the most “successful” privatisation from the point of view of revenue raising, comprising 43% of receipts from all privatisations. Jenkins was certainly right when he wrote:

“In crude terms she appropriated assets that were not central government's, sold them privately to their occupants and used the money as collateral for central government borrowing.”

The government ended up taking 75% of the receipt for each sale allowing local authorities only 25%, and effectively preventing them from using the money to build new Council housing. *So Councils, and Council tenants, were subsidising central government spending.*

Thatcher famously said that “there is no such thing as society”, only individuals and their families. RTB was designed to encourage Council tenants to look only at their self-interest, regardless of the social consequences of them buying their homes. This self-interest, in breaking with any collective interest, meant to one degree or another, buying in to Thatcher's political programme. In the absence of new building to replace the houses sold off, “right to buy” inevitably led to a shortage of Council housing, the social consequences of which remain with us today.

As well as helping to create a housing shortage, RTB led to a significant change in the social composition of Council tenants. As Tory 'wet' Minister Ian Gilmour said, Council housing became “the preserve of the very poor”. In his book, *Dancing with Dogma*, Gilmour said:

“The most negative aspect of Thatcher's housing policy was the failure to increase the output of affordable homes. Ideologically inspired policies such as the social security changes, the rises in council house rents and rates, stricter constraints on local authorities, the introduction of the poll tax and the move towards 'market rents' introduced by the 1988 Housing Act, reinforced the housing and financial pressures which generate homelessness. While the demand for housing for people on low incomes went up, the supply went down. Once again almost exclusive reliance on the market proved a profound error.”

The changes in social composition of Council tenants can be seen from research carried out by the Institute of Fiscal Studies in a document produced in 1996. Obviously the better off tenants tended to buy their homes leaving the poorer ones to continue as tenants. This is reflected in the table below which shows the median household income, excluding housing benefit across a 30 year period.

#### **Median equivalent household HB-exclusive income by tenure**

*Pounds per week January 1996 prices*

<b>Tenure</b>	<b>1963</b>	<b>1973</b>	<b>1983</b>	<b>1993</b>
<i>Social renters</i>	130	157	132	129
LA tenants	130	157	132	129
HA tenants	-	-	142	129
<i>Other tenures</i>	146	185	202	263
Private unfurnished	131	160	149	172
Private furnished	160	192	164	204
Mortgagers	163	199	217	289
Outright owners	142	174	175	219
All	139	174	179	228

The IFS commented:

"The median council tenant is now no better off – in income terms – than the median council tenant 30 years ago; in fact he or she is slightly worse off. This means that, relative to the whole population, median incomes for this group have fallen from 92% of the overall median to just 57%. Relative to the rest of the population, council tenants have fallen behind in a way which even the poorest 10% have not over so long a period."

To a large extent this change in the social composition was a reflection of the increase in the number of tenants who were retired and an influx of lone parents. Pensioners were 9% of social renters in 1961, 22% in 1993. Whilst the increase in single parents reflected a wider social trend – the number of lone parents in society overall trebled in this period – there was a sixfold increase amongst social renters. Around one in five families in Local Authority (LA) and Housing Association (HA) accommodation were then single parents.

The impoverishment of social tenants was also increased by a big rise in rents between 1989 and 1993, in the region of 30%. It was hardly surprising therefore that in the five years after 1988 social tenants housing costs as a ratio of total income increased by one third.

At this time social renters were more than twice as likely to be unemployed and otherwise economically inactive than families in other tenures, and this divergence has become much more apparent since the late 1970s. The majority of social renters (95%) received state benefits in one form or another, with one quarter relying on social security as their only source of income.

"It is apparent, then, that tenants in the social sector are no longer as diverse a group of people (with respect to demographic and economic characteristics) as they were 20 or 30 years ago; as a group, they are now more uniformly poor and disadvantaged." (IFS)

"Since the Conservative government embarked on its policy to diminish the role of local authorities in the provision of low-cost rented housing, the general living standards of social tenants as a group have substantially declined. This has largely resulted from the compositional changes that have occurred within the LA and HA sectors, which are a direct result of the government's right-to-buy policies of the 1980s. Consequently, there is now a far greater concentration of unemployed and retired households in the social rented sector and an over-representation of one parent families, many of whom have no source of income other than state benefits." (IFS)

More than half a million LA tenant recipients of HB were single parents, another third of a million were non-pensioners entitled to disability premiums. In 1994 only 150,000 LA tenants receiving HB had earned income. The percentage of social renters income from employment fell from 84% in 1961 to 70% in late 70s to around 33% in 1996.

This table shows the downward spiral produced by the Council housing shortage as, for instance the increase in the level of unemployment for new tenants over those leaving the sector.

#### **Economic status of social renters: a comparison of movers-in and movers-out**

<b>Economic status of household head</b>	<b>Social renters</b>			<b>All tenures</b>
	<b>All current</b>	<b>Movers-out</b>	<b>movers-in</b>	
Full-time	28	56	29	59
Part-time	6	4	4	5
Unemployed	19	7	30	9
Retired	22	23	8	17
Sick or disabled	8	6	3	3
Other inactive	17	4	26	7
All	100	100	100	100

Although these figures relate to 15 years ago the situation has not changed much. In 2008 the median household income for the social rented sector (Council and HA housing was only £10,900 per year (compared to £29,900 in the private rented sector and £29,200 in the owner occupied sector. And 62% of social renters received housing benefit.

In his report commissioned by the New Labour government and published early in 2007, "Ends and Means: the future roles of social housing in England", John Hills reported that

“ Seventy per cent of social tenants have incomes within the poorest two-fifths of the overall income distribution, and the proportion of social tenant householders in paid employment fell from 47 to 32 per cent between 1981 and 2006. Tenants have high rates of disability, are more likely than others to be lone parents or single people, and to be aged over 60.”

“Social tenants are much more concentrated within the poorer parts of the income distribution than in the past. By 2004-05, 34 per cent of all social tenants were from the poorest fifth of the income distribution, and only 19 per cent from the top half. Two-thirds of social housing is still located within areas originally built as council estates. These originally housed those with a range of incomes, but now the income polarisation between tenures also shows up as polarisation between areas. Nearly half of all social housing is now located in the most deprived fifth of neighbourhoods, and this concentration appears to have increased since 1991.”

Hills pointed out that when Council housing was not considered to be just a tenure for the poor, 20% of the richest tenth of the population lived in local authority homes. Between 1981 and 2006 the proportion of social tenants in employment fell from 47 to 32 per cent, and those in full-time employment from 43 to 22 per cent.

In 2009 only 22% of social tenants were in full-time employment, 10% part-time. 7 percent were unemployed, 30% retired and 29% economically inactive (other than retired). This 29% includes “students, those looking after the family or home, those who are either temporarily or long-term sick or disabled, and discouraged workers”.

These changes in social composition were underlined in a report by the Tenant Services Authority in 2009; Growing Up In Social Housing in Britain – A Profile of Four Generations.

“ When the 1946 cohort were aged four, 11% of the best-off fifth of families were in social housing, compared to 27% of the least well-off. By the time the 2000 cohort were aged five, the tenure gap had grown hugely: just two per cent of the best-off fifth were in social housing while 49% of the least well-off were.”

The big change in the social composition of tenants was the inevitable result of government policy and the effective ban on Council house building. The mass unemployment of the 1980's also hit Council tenants more than other social sectors because many industrial workers lived as Council tenants. The deterioration of environmental and social conditions on Council estates was a product of the social decay and poverty which resulted from the policies of the Thatcher government. In conditions of increasing poverty the poor often turn on the poor instead of those in power. This deterioration gave the mass media anecdotes to feed their demonisation of Council tenants. They cultivated the stereotypes of the jobless layabout living off the state and the young woman who “gets pregnant to get a Council house”. As is well known the high 'marginal tax' rates which tenants suffered if they took a job (losing their benefits) discouraged people from working. Whilst everybody should make a social contribution, blaming people as individuals is a convenient means of diverting attention from the fact that it was the politicians who were responsible for the social consequences of a housing policy rooted in contempt for working class people and the Council tenant in particular.

## **Council Housing – ghettos for the poor or socially necessary housing?**

**I**n October 2010 the coalition government cut the 'social housing' budget by 60% over 4 years. It has accepted that such housing will remain a 'scarce resource'. The only additional building it will allow is at the new "affordable rent" level, of up to 80% of the local 'market rent'. Instead of providing government funding the tenants will pay for the additional housing through their higher rents.

The government is treating Council housing in the same way as all welfare benefits. Their policy is divisive, seeking to turn tenants, or potential tenants, on each other – the “deserving poor” versus the “undeserving poor” - rather than dealing with the real problem, making the “scarce resource” less scarce.

So instead of addressing the fundamental problem of a shortage of Council housing (there are around 4.5 million people on the housing waiting lists) the government has proposed a series of changes which treat Council estates as ghettos for the poor; “managing” the “scarce resource” by pressuring tenants to abandon their home and make that famous “first step on the housing

ladder", if, for instance, they earn "too much" to justify "subsidised housing"; or pressuring them to 'downsize' by cutting their housing benefit.

The fixed term tenure (starting from a minimum of two years) which they are enabling Councils to introduce has been condemned by anybody who knows anything about housing. It really does involve the introduction of means testing since a Council will have to determine whether or not a tenant earns "too much". This criteria will obviously require policing which will mean staff time and costs. At the same time it would probably tend to mean that a tenant would be less inclined to treat the house like their home, leading to "transient communities".

A government Cabinet full of millionaires can hardly be expected to know a great deal about the lives of people in 'social housing'. The Housing Minister Grant Shapps has justly become the subject of much ridicule. So detached from reality is he that the most "innovative" proposal he could come up with was encouraging Councils to introduce "residential boats" as a means of addressing the housing crisis. For each new "residence" the government would match 6 years of Council tax. Given that only 15,000 people live in such accommodation across the entire country it was hardly likely to eat into the 1.8 million families on the Council waiting list.

For Mr Shapps too many people are "trapped" in 'social housing', instead of it being "a springboard to a better life".

"Currently, many are trapped by their housing – lacking incentives to work, and often unable to move even if they want to. Our reforms will enable councils and social landlords to make social housing a springboard to success."

So a better life is not possible if you remain in a Council house? In fact before RTB was introduced Council estates were 'mixed communities' with a cross section of working people, from a cleaner to a teacher. When there was no great shortage of Council housing those who wanted to own a home saved up until they could afford a deposit and then handed back their house to the Council.

All that a new round of RTB is likely to do is increase the shortage of housing. Hometrack, the 'property analytics' business, in recent research has estimated that 1.4 RTB sales would be necessary to cover the cost of building each new home, 1.6 in London. It estimates that the average receipts from sales with the new discount would be £64,725, which is significantly lower than the cost of delivering a new property and lower than the current average receipt of £77,470.

RTB was always wrong in principle. It meant selling off publicly owned assets on the cheap. It was a politically motivated piece of 'social engineering', which helped to create the conditions in which a housing crisis would unfold. Even New Labour, which swallowed the Thatcherite virus, and worshipped home ownership, was forced by the housing crash to concede the right of Councils to start building new Council housing again, if only on a puny scale – something like 4,000 nationally.

Without a return to a programme of Council house building on a scale large enough to begin to cut the numbers on the waiting list, Council housing will remain "the tenure of last resort". It will not even occur to Mr Shapps that the very idea of 'social housing' as a "springboard to success" implies that you are a social failure if you remain a tenant, devoid of "aspiration", or the ability, to become a home owner.

The mass building programme of Council housing was a recognition of the fact that decent housing was a social necessity which could be provided by collective action. Overcrowding and poor accommodation was not an individual problem but a *social problem* which was the result of the way the housing market operated. RTB gave individuals and individual families the opportunity to become home owners but only at the expense of creating a shortage of "affordable housing". It is clear today that the private housing market cannot solve the housing crisis.

Whilst New Labour was forced to accept the right of Councils to build Council housing once again, today it has said little on how to address the crisis. Jack Dromey, the ex-Assistant General Secretary of UNITE has recently been given a job as Shadow Housing Minister. It's worth

repeating his words of 2009 from an enquiry of the House of Commons Housing Group into the Future Financing of Council Housing. He said:

"What is clear beyond any doubt is that the quickest and best way to meet housing needs and to demobilise the growing armies of unemployed construction workers by way of a major programme of council house building."

The implementation of such a programme together with an end to RTB can begin to reverse the decline of Council Housing and begin to cut the numbers on the waiting lists.

Martin Wicks

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