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Welfare Regimes, Housing Systems and Homelessness: How are they linked?

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Introduction

In this paper we explore the relationship between welfare regimes, housing systems and homelessness. While housing systems might be expected to replicate the patterns set by welfare regimes, and so have predictable consequences for homelessness, we explore the nature of the housing system and show that the relationships are in fact more complex than this. Housing systems may reinforce the outcomes of welfare regimes, but they can also counter them. Policy interventions relating specifically to homelessness can reduce the inflows into homelessness and increase the speed of its resolution.

The paper is structured as follows. Welfare regimes are placed within the wider context of comparative social policy in section 2. In section 3 we explore the relationship between welfare regimes and the housing system. In the fourth section we consider the scale and nature of homelessness and its relationship with welfare regimes and housing systems. Conclusions are drawn in the fifth and final section.

Welfare Regimes

International comparative social policy has fallen – or at least has been categorised – into one of two traditions: convergence and divergence. In the 1960s, the ‘old’ convergence approach emphasised the tendency of countries to develop welfare states as they industrialised. It therefore predicted that, over time, countries that had yet to develop welfare states would do so as their economies developed. This view was thrown into reverse following the decline in fortunes of western economies after the 1973 oil crisis and the emergence of ‘stagflation’ – the combination of low economic growth with high inflation.
The ‘new’ convergence theory stressed the common tendency for welfare states to retreat, and this is reflected by the upsurge in academic articles with titles assuming a new climate of fiscal austerity. The emergence of ‘globalisation’ has strengthened the credibility of new convergence theory as western economies have become exposed to competition from the ‘new’ economies of South Korea, China and India, while firms have been free to locate to countries where costs – including taxes – are lowest. While ‘old’ and ‘new’ convergence theories predict opposite outcomes, they share a determinism that downplays the importance of both formal electoral politics and individual country’s political cultures (except insofar as they are being overwhelmed by ‘neo-liberalism’).

The second tradition in comparative social policy is labelled ‘divergence’ theory and, as one might expect, predicts pretty much the reverse of convergence theory. It emphasises the distinctiveness in political ideologies (so like convergence theory downplays electoral outcomes) that inform not only the general tenor of politics, but the political and cultural institutions that govern society. In stressing the importance of ideology, the divergence approach allows for the existence of distinctive welfare ‘regimes’.

Whereas convergence theorists might examine countries on a continuum from, say, the country with the lowest level of social spending to the highest, divergence theorists suggest that countries may share sets of characteristics that allow them to be placed into clusters of regime types. The validity of ‘clusters’ depends on the extent to which the welfare characteristics of countries within them exhibit internal consistency (Kasza 2002).

Esping-Andersen’s typology of welfare regimes falls into this second category. Examining advanced economies, he created three welfare regimes. These were informed by two concepts that he subjected to somewhat dubious empirical testing, relating to the labour market and the social security system. (Note that housing, education and health are not considered by Esping-Andersen.) The most salient of these is the notion of ‘decommodification’ which ‘refers the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation’ (Esping-Andersen 1990, p. 37). A second concept is ‘stratification’ which refers to the extent to which the welfare state tends to reinforce status conferred by the labour market and can be contrasted to ‘solidarity’ whereby welfare rights are enjoyed equally.

Esping-Andersen’s welfare regimes can be outlined as follows:

**Liberal**: The liberal welfare regimes is characterised as a relatively liberalised labour market that produces high levels of commodification. The social security system does little to change this as social security benefits tend to be means-tested
and based on providing a safety net. The role of the market especially in the pensions system means that the system also produces high levels of stratification. The emphasis on labour market participation means that the regime is gender blind. While it does little to facilitate female labour market participation (e.g. through state-funded childcare), neither does it provide extensive assistance to encourage women primarily to perform the role of carers, especially mothers, through generous family allowances. Esping-Andersen suggested that the United States, Canada and Australia are archetypal liberal regime. The UK is usually added to this category.

**Corporatist:** The corporatist welfare regimes are founded on a labour market that operates within a capitalist framework, but which is highly regulated. It works on the basis of interaction between economic interest groups, the government and the Church, rather than individuals. Thus it is organised by negotiation between representatives of employers, trade unions and the government. This offers high levels of security to employees. It conforms closely to the ‘male breadwinner’ model in that it assumes full male employment – which generally should be sufficient to command a ‘family wage’ – and is backed by generous family allowances in order to promote the role of women as mothers. The corporatist welfare regime produces higher levels of decommodification than the liberal regime. However, the social security system is highly stratified, so it is designed to maintain status differentials that were established in the labour market through an earnings-related social insurance system, seen most clearly in the pension system. Esping-Andersen cites Germany, France and Italy as being archetypal corporatist regimes.

**Social democratic:** The social democratic welfare regime shares many of the institutions of the corporatist regime, which has led some commentators to suggest that they are variants of the same regime. However, in character they are quite different, notably in the reliance on full employment of both males and females in order to generate sufficient tax revenue to provide high quality public services that leave little room (or demand) for private alternatives, hence unemployment-related social insurance benefits are contingent on ‘workfare’ structures of obligatory training or participation in public works. Corporatist structures are employed in a wage setting that tends to suppress wage differentials, while the social insurance system is rather more redistributive than in corporatist countries (by having a higher level of earnings-relation at the lower end). Social democratic regimes therefore combine high levels of decommodification with low levels of stratification. Esping-Andersen cites Sweden as being an archetypal social democratic regime.

Esping-Andersen did not deal with the southern European countries, which may be characterised as follows:

**Mediterranean:** The Mediterranean countries (i.e. Greece, Spain, and Portugal) were dubbed ‘rudimentary’ by Liebfried (1992). The tag of ‘rudimentary’ refers to
the weak state of social security benefits, with the exception of retirement benefits which often facilitated very early retirement. However, a strong emphasis was placed on labour market protection, while the role of the family – and extended family – historically played a strong role in welfare. Consequently, the countries have been characterised by low levels of both male employment (due to early retirement) and low levels of female employment (due to the carer’s role). Given the emphasis placed on the labour market and extended family, the less judgemental label of ‘Mediterranean’ is often used in relation to these countries.

He also did not consider the socialist countries in central and eastern Europe which can be characterised as follows:

**Socialist:** The socialist model of welfare was based on very high levels of employment of both men and women. Wages follow the principle of the ‘individual’ wage, that is a wage that is sufficient to provide a basic standard of living for an individual, but not a family. Welfare is delivered through the workplace, e.g. childcare, healthcare, housing etc. while many basic commodities and services (e.g. food, utilities, housing) are highly subsidised. However, the socialist model clearly no longer describes the welfare regimes in these countries and we are left with an important gap.

Quite frequently academics in individual countries have complained that Esping-Andersen’s regime types do not fit their own country very well. For example, Castles and Mitchell (1993) (cited by Jones Finer 1999) argued that a ‘wage earners’ welfare state’ operated in Australia, based on protection of domestic industry (to protect wage levels), and that its ‘egalitarian means-tested liberalism’ should not be conflated with the very residual system that operated in the United States. A strong case can also be made for regarding the British welfare regime as being substantially different from that of the United States. The level of protection – both in terms of eligibility and the value of the benefit – provided by the USA’s main instruments of social assistance, Aid for Families with Dependent Children which was replaced by the time-limited Temporary Assistance for Needy Families in the 1996 (see Cockerell, 2007) is manifestly inferior to that provided by the equivalents in the UK.

**Assessment**

Esping-Andersen’s typologies may lack empirical support, and it may also be difficult to maintain that the systems do not blur into one another. However, the characteristics of the regimes are broadly recognisable and it is also true that levels of poverty and inequality tend to be lowest in the social democratic countries and highest in the liberal countries. We may use the following table as a guide.
Table 1. Characteristics of Welfare Regimes

<table>
<thead>
<tr>
<th>Welfare Regime</th>
<th>Poverty/inequality</th>
<th>Employment/unemployment</th>
<th>Gender</th>
<th>Social security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Democratic</td>
<td>Low</td>
<td>Generally high employment and low unemployment</td>
<td>High female employment facilitated by child care</td>
<td>Redistributive</td>
</tr>
<tr>
<td>Corporatist</td>
<td>Medium</td>
<td>Lower levels of employment; persistent unemployment</td>
<td>Low female employment levels, with benefits to encourage mothers to stay at home</td>
<td>Earnings-related</td>
</tr>
<tr>
<td>Liberal</td>
<td>High</td>
<td>High levels of employment and low unemployment</td>
<td>High part-time female employment, but lack of childcare provision limits opportunities for full-time employment</td>
<td>Emphasis means-tested benefits paid at low levels and more recently in-work assistance</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>High</td>
<td>Low levels of employment, high levels of unemployment</td>
<td>Low female employment levels.</td>
<td>Historically weak social security system apart from retirement. Importance of extended family</td>
</tr>
</tbody>
</table>
because it reveals little about housing consumption, the quality of the state housing and its distribution. As we shall see, the implicit assumption that there can be no decommodification in the private rental or owner-occupied sectors is erroneous.

In contrast, other authors associate the direct provision of housing by the state along the lines of a ‘command’ economy with highly residualised provision which leaves the bulk of provision to the private market (Kemeny, 1995). Kemeny characterises these systems (such as the UK, the USA and Australia) as being ‘dualist’, i.e. there are two distinct markets, or rather one market and one non-market. Meanwhile in ‘unitary’ systems mature ‘cost’ rental sectors (provided by a range of landlord types) can either exert influence, or even domination, over the rental market as a whole, and therefore have a much greater dampening impact on rents, which in turn allows the rental sector to compete against home-ownership. Countries judged to possess unitary rental systems include Sweden, Germany and the Netherlands. While this approach does link provision with consumption – the implication being that unitary systems dampen market prices widely so may be said to exert wide if shallow decommodifying influence on housing consumption – but again we learn little about the distribution of the benefits of decommodification.

To explore the connection between welfare regimes and housing systems, let us first establish a meaning of ‘decommodification’ in relation to housing. Here we take it to mean that housing outcomes are achieved independently from labour market outcomes. A plausible starting proposition might be: If labour market outcomes are not ‘corrected’ by the tax and social security system, and if housing consumption is dependent entirely on current income (i.e. it is sold at a market price) then we might expect a very strong link between labour markets and housing outcomes.

However, two factors are capable of disrupting this proposition: redistribution and the disjuncture between housing expenditure and the value of housing consumption.

Redistribution: Mainstream tax and social security systems\(^2\) may well – and often do – reduce inequalities that arise from the labour market. Since this reduction is greatest in social democratic regimes and weakest in liberal regimes, we might expect this to be reflected in housing consumption. However, housing allowances and other forms of personal subsidy related to housing (such as tax relief on

\(^2\) By ‘mainstream social security system’ we mean the social security benefits that protect individuals and households from loss of earnings arising from sickness, disability and unemployment, and those that are aimed at meeting life-cycle needs such as child allowances and retirement. They exclude housing allowances which we treat as being part of housing policy. While the point is debatable, we might note that while every developed country makes provision for the benefits that we have categorised as being ‘mainstream’, not all countries provide housing allowances and even where they do eligibility is often restricted, for example by tenure.
mortgage interest) alter the relative purchasing power of households in relation to housing in ways that may run against the distributional outcomes of the labour market (progressive housing allowances) or reinforce them (regressive mortgage interest tax relief).

**Housing expenditure and consumption:** The link between the value of housing consumption and current expenditure on housing consumption can be divided in two ways. First, home-owners enjoy an imputed rental income derived from the value of their property. Imputed rental income is the market rental value of the property which normally grows over time as the real value of the property rises. Meanwhile the real value of mortgage declines, so the gap between current expenditure of housing expenditure and consumption widens. This allows many home-owners, especially elderly home-owners, to enjoy good quality housing at very little cost despite having low incomes.

Second, both social rented housing and private rental housing can also break the link between income and the value of housing consumption if their rents are set below market levels. In both cases this implies subsidy to the tenant either from the state or from the landlord. Since rental housing is subjected to the same economics of debt and equity as owner-occupied housing, subsidies do not necessarily need to take the form of financial subsidies. In mature sectors subsidies may be primarily or even wholly 'economic'. The size of the economic subsidy can be measured by the difference between the market rental value of the property and the actual rent paid (which may be affected by a housing allowance).

The distributional consequences of these factors are ambiguous. For example, we do not know whether the overall impact of imputed rental income reduces or widens the links between the welfare regime and housing outcomes. The Netherlands has a well-developed housing allowance system, but also permits almost unlimited mortgage interest tax relief for home-owners. The decommodifying impact of below market rents in the rental sectors also depends on the size of the sector, the depth of the subsidies and which income groups are housed in it. We know, for example, that if we control the size of the social rented sector, the British sector is much more likely to house households from the lowest income deciles than is the Netherlands, which in turn is more likely to do so than is France (Stephens et al, 2002).

While we lack a comprehensive answer, work by Stephens (2007) used the European Community Household Panel Survey to assess the housing outcomes of households defined as living in poverty in the EU-15 in 1998. He examined the cost, quantity and quality of housing of households living in poverty and compared the outcomes of households not living in poverty. These were expressed as a Decommodification Index, and were compared with a Poverty Index reflecting the welfare regimes with a ‘compound’ poverty rate in each country (i.e. % households
living in poverty X depth of the poverty gap). The results found no link between the welfare regime in each country and the Decommodification Index, suggesting that, overall, the housing system, including some policy interventions can act as a powerful decommodifying influence. Stephens concludes that there is no necessary link between welfare regimes and housing outcomes; rather the link is contingent on various aspects of the housing system including policy interventions.

Homelessness and Welfare Regimes

The relationship between welfare regimes and the housing system becomes still more complex when we consider homelessness. Assessment is made even more problematic by the lack of comparable international data on homelessness and the meaning attached to the term (Edgar & Meert, forthcoming). Nonetheless, we can venture some propositions based on available evidence.

The scale of homelessness is likely to depend on the relative supply and price of housing in both private and social sectors. Highly pressurised housing markets are likely to generate more homelessness than slack ones, and this helps to explain why, for example, homelessness is relatively high in London (Fitzpatrick et al, 2000).

The importance of housing supply in general (rather than merely the supply of social housing) can be demonstrated by the falling levels of homelessness in Germany arising from favourable supply conditions in general despite shrinkage of the social rented sector (Busch-Geertsema, 2005). Of course this is not to deny the importance of social rented housing, both the number of lets and its allocation (Fitzpatrick & Stephens, 2007).

The welfare regime will also exert a crucial influence on the scale of homelessness. Welfare regimes that produce high levels of poverty and inequality are likely to have particularly high levels of homelessness because of the relatively weak purchasing power of lower income households in those countries. They are also likely to experience high rates of homelessness because of the relationship between poverty and the ‘social dislocations’ – such as relationship breakdown, mental health problems and substance misuse – which tend to put people at greater risk of homelessness (Fitzpatrick, 2005). So, in Western Europe, Sweden, with a welfare regime that produces relatively low levels of poverty and inequality, also appears to produce relatively low levels of homelessness, in contrast to the UK which has much higher levels of poverty and inequality and produces higher levels of homelessness.

Nonetheless, as we have seen, the housing system can produce powerfully decommodifying influences, and these may run counter to influence of the welfare regime. The provision of housing subsidies targeted on lower income households, such as housing allowances, and the availability of social rented housing will also reduce
the level of homelessness. This point can be illustrated by comparing the United States and the UK. Both welfare regimes produce relatively high levels of poverty and inequality, though the British social assistance safety net is much stronger than in the US. However, the British housing system has a relatively large social rented sector (20 per cent), while the US has a very small one (1 per cent public housing with perhaps another 2 or 3 per cent of housing with supply side subsidies). The UK has a housing allowance for tenants which is what the Americans call an ‘entitlement programme’, that is it is not cash-limited so all those who meet the qualification criteria receive the benefit. In contrast the US demand-side subsidies for low income households are cash-limited so many of those who qualify do not receive assistance. The numbers of households receiving housing assistance in the form of housing allowances, rental subsidies or vouchers is roughly the same in the UK and the US (see Joint Center for Housing Studies, 2007). But when one considers that the US population is about five times as large as the UK’s it is unsurprising that the decommodifying influence of the housing system is much stronger in the UK and homelessness is much higher in the US.

Housing policy can also affect the scale of homelessness through limiting the flow of households into homelessness and by resolving homelessness once it has occurred. Prevention strategies – e.g. family mediation, housing advice, negotiation with landlords – do appear to be capable of making a marked difference to the ‘inflow’ into homelessness (Pawson et al, 2006). Similarly, strategies to resolve homelessness – ranging from the provision of permanent housing (most notably under the homelessness laws that confer enforceable rights to housing for certain categories of homeless households in the UK), to more limited interventions such as the provision of rental deposits – can also make a difference to the ‘stock’ of homeless people by encouraging a rapid ‘outflow’. The provision of appropriate assistance for households with support needs can help both to prevent homelessness and to play a vital role in its resolution.

The nature, as well as the scale, of homelessness is also likely to be related to welfare regimes, and their (contingent) interaction with housing systems (Fitzpatrick, 1998). Welfare regimes that produce high levels of poverty and inequality not only produce high levels of homelessness, but the resulting homeless population is made up predominantly of households facing access and affordability problems, rather than particular personal needs arising, for example, from alcohol or drug dependency, or mental illness. Thus research in the United States showed that the popular view that the increase in homelessness in the 1980s was attributable to the rise in drug addiction and de-institutionalisation was mistaken and that the deteriorating affordability of housing at the bottom end of the market was more important than was supposed (Quigley & Raphael, 2001). Likewise, a five-year longitudinal study in New York City demonstrated that access to subsidised housing was the
most important intervention in promoting long-term residential stability amongst formerly homeless families (Shinn et al, 1998).

Conversely, those countries whose welfare regimes produce low levels of poverty and inequality tend to have lower levels of homelessness, while a greater proportion of their homeless populations tend to have individual support needs, such as those related to addiction or mental illness. This appears to be the case in both Denmark and Sweden, for example. While some academics in Sweden have complained that it is difficult to get politicians to recognise that there is a structural element to homelessness and that this has grown in recent years, it nonetheless seems likely that the structural element is much smaller than in the UK or the US.

Conclusions

We have shown that while housing outcomes – including the scale and nature of homelessness – are likely to be strongly influenced by the levels of poverty and inequality that are produced by welfare regimes, the housing system, both in terms of the operation of the housing market and policy interventions, is capable of either reinforcing or counterbalancing the influence of welfare regimes.

However, welfare regimes are subject to common pressures and are likely to undergo change over time. For at least the past decade advanced economies have been facing common competitive pressures arising from globalisation (and almost always the internal budgetary pressure arising from ageing). But rather than having a simple converging impact on the countries in question, the pressures are mediated through different institutional structures. This process is known as ‘weak convergence’ and easily demonstrated in the contrasting experiences of Germany and the UK.

The relative ‘immobilism’ of corporatist countries means that structural reforms to the welfare regime require the establishment of consensus before reform can proceed. The Federal system in Germany is a case in point, but it is notable that the deteriorating performance of the German economy eventually did lead to the establishment of the ‘Hartz’ programme of reforms and – eventually – to a coalition government between the two main parties of left and right committed to their implementation (Keenaghan-Clark, 2007). This contrasts to the UK where the electoral system and unitary state (at least before devolution) allowed the Thatcher governments to introduce radical reforms in the 1980s without consensus being required.

Under the pressure of globalisation welfare regimes are changing in their own ways and as they do so will their relationship with housing systems and homelessness.
References


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