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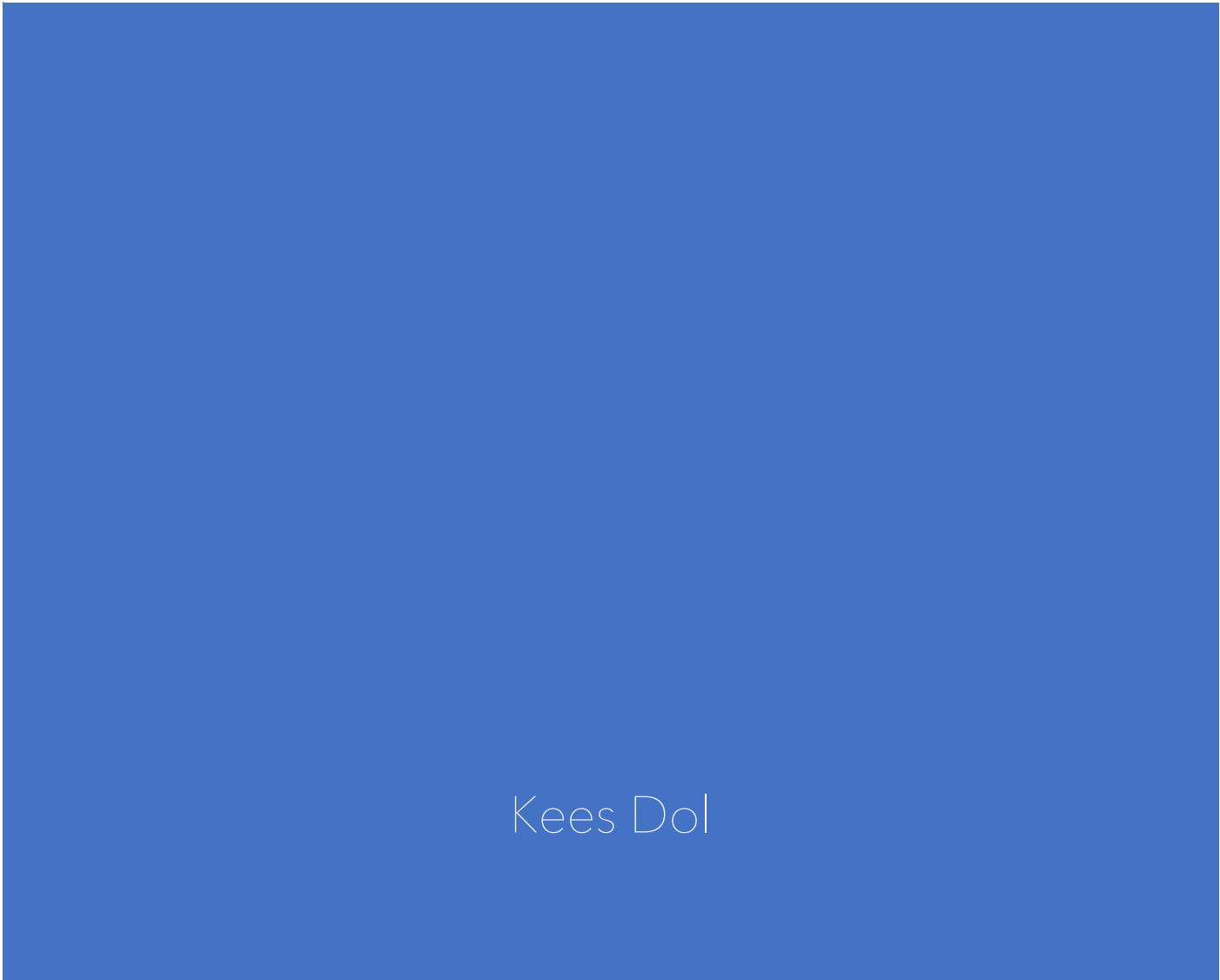
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WEST EUROPEAN HOME OWNERSHIP SECTORS AND THE GLOBAL FINANCIAL CRISIS



Kees Dol

West European home ownership sectors and the Global Financial Crisis

Proefschrift

ter verkrijging van de graad van doctor
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door

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West European home ownership sectors and the Global Financial Crisis.

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Preface

In the autumn of 2017, I realised that I had never taken the time to reflect on all my work of 18 years as a researcher at the OTB Research Institute of Delft University of Technology. Browsing through my publications, it was evident that many revolved around the theme of home ownership. Furthermore, the impact of the Global Financial Crisis (GFC) of 2008 on home ownership markets had become an additional focus in my research. To cut a long story short, I discussed with Professor Marja Elsinga, a long-time colleague at OTB, about the possibility of using a selection of these publications for a dissertation. Finally, I selected six peer reviewed publications. Two of these publications form the backbone of this dissertation, while the other four build on this backbone. I am indebted to those without whom the two 'backbone' publications may never have seen the light. In 2009, housing policy makers at the Dutch government commissioned inquiries into the impact of the GFC on housing markets in the Netherlands and four surrounding countries (Dol et al, 2010 and 2009). These studies were further developed into the first backbone publication for this thesis, an article published in the Journal of Housing and the Built Environment: *"Western European housing systems and the impact of the international financial crisis"*. In 2011, Aitziber Etxezarretta of the University of the Basque Country, approached my long-time colleague Joris Hoekstra to participate in an investigation into the unprecedented Spanish housing repossession crisis. Joris introduced me as a researcher with knowledge on risks of home ownership. A fruitful collaboration resulted in the second backbone publication for this thesis, an article published in Housing Studies: *"From housing bubble to repossessions: Spain compared to other West European countries"*. I praise the day that Aitzi took this initiative, because it led to five more publications, of which two are also included in this dissertation. Muchos gracias to Gala Cano Fuentes and Estrella Cruz Mazo and moltes gràcies to Nuria Lambea Llop, the other co-authors of the three 'Spanish' publications in this dissertation.

I cannot stress enough how much this dissertation owes to three European Commission funded research projects on home ownership in Europe. For me, "Origins of Security and Insecurity of home ownership" (OSIS), was important in gaining more insights into home ownership and its' associated risks (see Dol and Neuteboom, 2006). I was also involved in "Demographic Change and Housing Wealth" and "Neujobs", the latter exploring relations between home ownership and labour markets. Both projects further expanded my horizon on home ownership in Europe. In all three projects, Marja Elsinga was responsible for the TU Delft contributions, so it was only natural to ask her to be the promotor for this dissertation. I asked Joris Hoekstra to be the co-promotor because of his involvement in the three 'Spanish' publications in this dissertation.

John Doling of the University of Birmingham was important in my development as a researcher on home ownership, because he was the international consortium leader of OSIS, DEMHOW and of the 'housing' work packages within the Neujobs project. It has now become an annual tradition to share naan bread and fiery curries when I visit Birmingham to give my lectures on international mortgage markets to Nick Horsewood's banking & finance students. Nick was also involved in the EU projects. Many thanks also to ex-OTB colleague Peter Neuteboom for the collaboration in the OSIS and DEMHOW projects.

I also need to mention an illustrious duo of English researchers who presented themselves at OTB in 2006: Michael Oxley and Richard Ronald. Michael proved to be a very pleasant colleague and I am glad that he collaborated on *"Western European housing systems and the international financial crisis"*. Few know that Richard Ronald urged me to take my first steps on the international conference stage. In fact, I enjoyed the 2008 Housing Studies Association conference in York, England much more than I had expected, so in the following years I enthusiastically wrote papers and gave presentations at other international conferences. A book chapter with Richard on housing and the GFC in the Netherlands focused more on the entire housing market and the (social) rental sector, so therefore it is not included in this dissertation. I can assure however, that our chapter and the book itself provide good additional material to this dissertation (see Ronald and Dol, 2011 in: Forrest and Yip, 2011).

The circumstances in which I wrote up the introduction and conclusion cast a dark shadow on the otherwise very positive personal milestone of finalising a dissertation. By the 1st of July 2019, OTB Research Institute was disbanded after a very long reorganisation process. For me it is very hard to understand why OTB's 'contract research culture' was persistently maligned and why it was argued that contract research has no value for the academic world. Yet here I stand with a dissertation and several other peer reviewed publications that, to a significant degree, originate from research commissioned by public and other societal organisations. I still struggle not to let resentment about OTB's demise have the better part of me, to console myself with the situation and to focus on the great experiences I had at OTB. After all, OTB gave me opportunities that I had never dreamt of after my graduation from Utrecht University. So, on a more positive note, I thank all those colleagues at the sectie Volkshuisvesting en Woningmarkt (VWM) who were there from when I started, in February 1999, until the time I involuntarily had to leave TU Delft because I was a 'contract researcher': Peter Boelhouwer for hiring me as a fresh university graduate, Harry Boumeester and Harry van der Heijden, who are co-authors of two of the articles of this dissertation, Gust, Marietta, Cor, Marja, Joris and Sylvia. Queena Qian of the sectie Duurzame Woning Kwaliteit became a 'koffie pauze' colleague and deserves credit for relentlessly hammering in that holding a PhD has great merits for one's career. To all PhD students and PhD graduates of the sectie VWM who often told me about their highs and lows: I can now say that I share the experience with you. Many PhD students of the sectie VWM are from countries outside of Europe, which contributed to most interesting conversations during lunch breaks and other informal meetings. Thank you to all the other (ex) colleagues at OTB whom I have not mentioned directly.

Finally, I extend my gratitude to a very tight circle of family and friends. You do not know, but your interest in my work and all your questions about home ownership and mortgage markets withheld me from binning the entire PhD project in the direct aftermath of the OTB reorganisation. Johanna Cornelia Maria Dol-Smit, je moedigde mij altijd aan om door te blijven studeren, waarbij je telkens benadrukte dat ik alle kansen had, terwijl jij van een generatie was waarin je deze mogelijkheden niet of nauwelijks kreeg. Je kan helaas geen deelgenoot zijn van het bereiken van deze mijlpaal, maar de promotie is uiteindelijk tot stand gekomen in de geest van deze gedachte.

Summary

Introduction

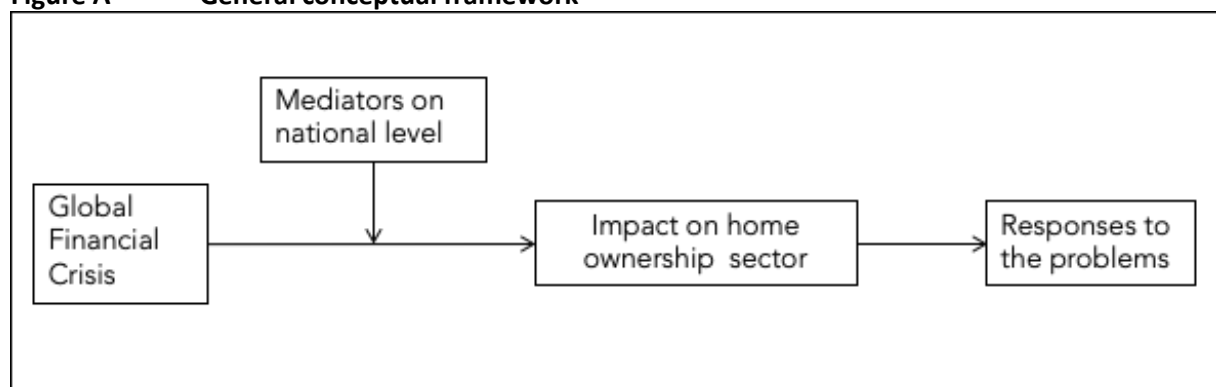
The Global Financial Crisis (GFC) had a severe impact on West and South European economies and in 2009, GDP declines ranged from -5.6% in Germany to -3.6% in Spain. Against the background of strong GDP declines it is quite remarkable that European housing market indicators showed strong international variability. Whereas transaction levels in Germany and Belgium remained quite stable, transactions plummeted in the UK, the Netherlands, Ireland and Spain. Furthermore, repossessions rapidly increased to well over 100,000 cases in the UK and Spain in the first years of the crisis, while in Ireland, Belgium and the Netherlands, approximately 10,000 owner-occupiers lost their homes. In Germany, repossession levels were actually on the decline after economic turmoil of the early 2000's.

This raises questions about the backgrounds of these international variations in the impact of the GFC. What factors play a role in the German and Belgian immunity of housing *transactions* and *repossessions* to the GFC? Furthermore, what measures have been taken in those countries where housing markets suffered most from the impact of the GFC in terms of transactions and repossessions? *The overarching objective of this thesis is to gain an improved understanding of factors that determine the impact of the Global Financial Crisis on national home ownership markets. A related objective is to find how societies in the most affected countries have responded to the problems.*

Theoretical framework

Mediators at the national level arguably play a role in dampening the impact of the GFC on home ownership sectors, i.e. housing repossessions levels and housing transactions (see Figure A). With regard to the risk of a housing repossession (and mortgage payment arrears), research from before the GFC already suggested that such risks are mediated by national institutions such as mortgage lending practices, social security and labour market regulation (see e.g. Neuteboom, 2008; Doling and Ford, 2003). With regard to housing transactions, typical national housing systems, as identified in the Structure of Housing Provision literature (see e.g. Ball et al. 1988; Martens, 1990) are expected to mediate the risk of strong transaction declines. Finally, it is expected that society responds to the problems, whether these are emergency responses to alleviate the most urgent problems or more structural responses that aim to avoid a recurrence of such problems.

Figure A General conceptual framework



Mediators of the repossession risk: welfare regimes and mortgage lending practices

The welfare regime framework of Esping-Andersen (1990) assists in providing a theoretical explanation of international variations in the risk of a repossession. Welfare regimes determine the degree to which nations protect their citizens against income declines by social security systems, while they can also implement Employment Protection Legislation (EPL) in order to avoid (arbitrary) dismissal of employees. The Liberal welfare regime encompasses the Anglophone countries (UK, Ireland, USA). The

Social-Democrat welfare regime is found in the Scandinavian countries. The Corporatist welfare regime is found on the West-European continent (the Netherlands, Belgium, Germany, Austria and France). Finally, there is a South European welfare regime (Spain, Italy, Portugal, Greece). Table A shows the variations in income maintenance policies, EPL and other social safety nets in the ideal type Welfare Regimes. It is quite evident that the Liberal welfare regime contrasts strongly with the social-democrat and corporatist welfare regimes in terms of income protection and other social policies. The South European welfare regime takes a special position because social security only covers specific groups, such as civil servants and employees in the largest enterprises. The others are 'outsiders' and are often not compensated for by *other* state-provided social safety nets: family (and relatives) are expected to step in when problems arise. One relevant remark for all welfare regimes is that flex workers on temporary contracts outsiders and are usually not covered by the social security benefits that permanent contract workers enjoy. They can only rely on 'other social safety nets'.

Table A Policies to protect from income losses after job loss and/or avoid dismissal per (ideal type)Welfare Regime

	Social security: income maintenance after job loss	Employment protection legislation	Other social safety nets	Countries
Welfare Regime type				
Liberal	Small	Weak	Weak	UK, Ireland
Social-Democrat	Generous, short duration	Moderate	Strong	Sweden, Norway, Denmark
Corporatist	Generous, long duration	Strong	Moderate	Germany, Belgium, Austria, France, Netherlands
Southern Europe	Generous, but significant share of labour force not covered	Very strong	Weak, family oriented	Spain, Italy, Portugal, Greece

Source: see Esping-Andersen, 1990; Hemerijck 2013, Estevez-Abe et al, 2001

In assessing the risk of a housing repossession per country, national *mortgage lending practices* are also considered relevant. This thesis uses four indicators:

- Availability of subprime mortgage products that extend loans to households with a weak credit rating;
- Variable interest rates that expose home owners to interest rate hikes;
- Swiftness of legal repossession procedures;
- The proportion of home owners that have a mortgage.

These risk factors reveal strong variations between countries, although from the literature a clear regional pattern could not be identified, similar to the pattern with the welfare regimes. However, the indicators show that the UK, Ireland and Spain carry a relatively high risk profile compared to the other countries, while the Netherlands can be positioned in a fourth place. For Belgium and France, all four indicators gravitate towards a relatively low risk. The other West and South European countries score somewhere in the middle with the four combined indicators.

Mediators of the risk of strong housing transaction declines: structures of housing provision and mortgage lending practices

The Structure of Housing Provision literature of the 1980's and 1990's identified international differences in both new housing provision and in the characteristics of the existing housing market (see e.g. Ball et al, 1988; Martens, 1990; Barlow and Duncan, 1994). Although this literature hardly explored the sensitivity of each housing provision system to a crisis, it has offered some relevant stepping stones for such an analysis. Based on this literature, the present thesis developed a

hypothesis that argues that some national housing systems are quite sensitive to a crisis because they encompass a comparatively high level of residential mobility. In these systems households aim to relocate at each life-course event (household change), but households will often delay their next move during economic uncertainty or concrete economic hardship. In other systems, residential mobility is not strongly related to life-course events, because households usually move into a self-built detached dwelling that accommodates household changes. The empirical validity of this theoretical argument will be tested in several West European countries. Table B gives an overview of key characteristics of the two types of home ownership markets.

Table B **Typology of home ownership market**

	High mobility (dynamic)	Low mobility (static)
Housing provision system	Commercial developers sell new dwellings to prospective owners	Self-provided housing, occupant buys a land parcel and hires a constructor.
Owner occupied housing stock structure	Wide range of terraced (row) houses and apartment units, some detached houses.	Detached houses
Housing career	Life course events strongly relate to residential relocations. Each phase in household career sparks a relocation to a dwelling that suits needs of the household phase.	Majority of owner occupiers reside in self-provided dwelling for most of their housing career
Countries	UK, the Netherlands	Belgium, Germany

Source: Van der Heijden et al, 2011

It was also possible to identify some typical national mortgage lending practices that can play a role in explaining international variations in the sensitivity of housing transactions to a crisis. It especially pertains to international variations in the Loan-to Values (LTV) that home buyers take out. A relocation can be impeded when crisis-related house price declines lead to a higher outstanding mortgage debt than the value of the dwelling (negative equity). Such a scenario was especially expected in housing markets where first-time time buyers only live in a small dwelling (apartment) for a few years and then move onwards. Arguably this happens more in the aforementioned ‘dynamic’ systems (see table B). Data on international mortgage lending practices show that such high LTVs existed in the UK, the Netherlands and Spain. Within Western Europe, the Netherlands was the front runner because lenders advance 125% LTVs while in the decade before the crisis, so-called ‘interest-only loans’ had also become quite common. In many other European countries 100% LTVs are not forbidden, but is common to take out a much smaller LTV.

Responses to the crisis and building a less risky housing system

It turned out that Spain experienced the most dramatic repossession crisis of all Western and Southern European nations. This crisis became a stimulus to reconsider the strong, government-supported Spanish home ownership ideal, which culminated in a home ownership rate of 84%. As the 17 regional Autonomous Communities have gained a high degree of autonomy over housing policy issues, their responses to the home ownership crisis are very relevant. Spanish decentralisation of policy competences does not stand alone, but was implemented in several European countries as a way to meet demands for more autonomy by regions with strong historical identities, such as Scotland, Wales, South Tirol, Flanders, the Basque Country and Catalonia (see e.g. Ferrera, 2005; Vampa, 2016). In such localities, local elites have even used new welfare policies as a means to muster loyalty of their constituencies (see Ferrera 2005; McEwen and Moreno, 2005). Another important factor in the emergence of regional welfare is the neo-liberal influence that motivated central governments to retrench from welfare provision programs (see e.g. Vampa, 2016). In response, several sub-national governments have aimed to insert alternatives in order to alleviate the most poignant effects for (vulnerable) households. After so many Spanish owner occupiers were repossessed and became

homeless, it is an intriguing question as to how the central government and the regions have responded to the repossession crisis. Furthermore, does the reconsideration of the Spanish home ownership ideology also bear a regional dimension?

Furthermore, a crisis can encourage civil society to reconsider traditional policy approaches. It is therefore also relevant to explore how Spanish civil society responded to the crisis and the Spanish home ownership dogma. Dwellings can also be managed under collective ownership of the entire housing complex: a 'housing cooperative' where the cooperative is the owner and the inhabitants are members of the cooperative. These cooperatives contrast to the common Spanish practice of housing production by commercial property developers, who build dwellings and sell them at the highest price possible. Rents and shares of cooperatives are not exposed to free market forces and are often based on cost price of construction and maintenance. This dissertation explores some of the experiences in two newly established Spanish housing cooperatives, because international experiences outside of Spain shows that the establishment of housing cooperatives can be complicated.

Research questions

The *first* research question explores the first main theme in this dissertation, the backgrounds to the variable impact of the GFC on housing transactions in West European countries:

How do typical characteristics of European housing systems mediate the impact of the GFC on housing transactions?

The *second* research question follows up on the findings of the first research question. It explores for the Netherlands, where housing transactions plummeted, which mechanisms exist on the micro, household level. Here the question arises whether the stagnation of the Dutch owner-occupier sector also be attributed to specific household characteristics. Combining the results of research question one and two will provide more comprehensive insights into the vulnerability of the Dutch owner-occupied sector, both from the housing system and the household level:

Which household characteristics have the strongest impact on the stagnation of transactions in the Netherlands during the GFC?

In addition, a *third* question can be raised how flexibilization of the labour market renders a more vulnerable owner-occupied housing market. Households with flexible labour contracts or the self-employed, may already experience structural barriers in entering home ownership, while this barrier may become even greater during an economic crisis:

Were Dutch households that depend on flexible labour affected more in terms of their tenure choices during the GFC, opposed to households with permanent job positions?

The *fourth* research question turns to the other major theme in this dissertation, the strong variation of the impact of the GFC on repossession levels in European countries. This question aims to shed more light on the impact of social security and mortgage lending practices on repossession levels. The reference point is Spain, where the increase of repossessions attracted much (international) attention:

How do European social security systems and mortgage lending practices mediate (or aggravate) the impact of the Global Financial Crisis on repossessions levels?

In Spain, societal concern grew over the unprecedented housing market and repossession crisis. In the complicated Spanish multi-level governmental structure, the question is how the central government and Autonomous Communities (regions) responded to this crisis. Furthermore, societal groups and several (local) politicians questioned the home ownership ideology and called for an exploration of other, more secure forms of tenure. The *fifth* research question explores the response in Spain's complicated multi-level policy framework:

What housing policy responses have been implemented on the national and regional level to assist troubled home owners and to avoid a recurrence of the Spanish repossession crisis?

The *sixth* research question addresses Spanish bottom-up initiatives, more specifically tenure cooperatives, which are new to Spain:

What are the experiences of newly emerging bottom-up, tenure cooperatives as an alternative to mainstream, commercial Spanish housing development?

Findings

Sensitivity of housing transactions to the GFC

The answer to the *first* research question: “*How do typical characteristics of European housing systems mediate the impact of the GFC on housing transactions?*” points towards two main mechanisms in housing systems in the Netherlands, the UK, Belgium, Germany and Ireland. In the Netherlands, the UK and Ireland, the owner-occupied housing market can be characterised as *dynamic*, while in Belgium and Germany the term *static* is more appropriate. In the dynamic system, housing transaction and housing construction statistics show profound declines during the GFC, while the static system seems quite immune. The sensitivity of the dynamic system can be explained by typical housing careers in these countries. They usually encompass several moves in the owner-occupied sector during the housing career, with the acquisition of a small owner-occupied apartment being the first step. Cohabitation, marriage and subsequent household expansions trigger moves to dwellings that accommodate changing housing needs. During a crisis many owner occupiers postpone a residential move because of bleak economic prospects. Also, negative equity potentially locks them up in their property, especially young households that had intended to move to another, larger dwelling.¹ The dynamic system contrasts to the *static* system of Belgium and Germany, where self-provided housing prevails and households usually ‘build’ a detached dwelling that is inhabited for a long duration, if not for the entire household career. In this system, households are able to adapt their detached dwelling to changing housing needs. Another characteristic of the *dynamic* system is the activity of for-profit, speculative developers who offer for sale a range of dwelling types that accommodate each phase in the household career. Usually, these dwellings are sold only after the developer commences construction, creating a risk of oversupply of dwellings after an economic downturn. Oversupply hardly forms a problem in the static system because the majority of new owner-occupied dwellings are directly built by those households that will live in it. Overall, the previous sheds light on the mechanisms behind international variations of the impact of the GFC on housing transactions, but the second research question focuses on the empirical validation on the micro, household level “*Which household characteristics have the strongest impact on the stagnation of transactions in the Netherlands during the GFC?*” The focus is on the Netherlands, a representative of the ‘dynamic’ owner occupied market, where housing transactions plummeted during the GFC. Under normal economic conditions, owner occupiers in the ages of 20 to 34 reveal a relatively high incidence of (recent) residential moves, but this substantially declined during the GFC. This applies to a lesser extent to the ages from 35 to 44. Furthermore, stagnation of mobility was strong with regard to moves *within* the owner-occupied sector and not so much for first-time buyers who move into owner occupation. First-time buyers often reap the benefits of declines in house price, while young *existing* owner occupiers experienced problems in moving, arguably because they faced negative equity and therefore postponed their move. In the Netherlands, the risk of negative equity is particularly high, which was caused by relaxed mortgage lending practices before the onset of the GFC. Such practices also allowed loans well above 100% of the value of the dwelling, often even in the form of interest only loans without a repayment vehicle. These findings confirm the theoretical notion which was developed about the mechanisms within the dynamic system, which expected that many (young) owner occupiers face negative equity during a crisis and will therefore postpone a residential move.

¹ I stress it is an ‘argumentation’ in this article, because the empirical proof on the micro level follows from the second research question.

The *third* research question explores the impact of an increasingly flexible labour market on the Dutch housing market during a crisis: *“Are Dutch households that rely on flexible labour affected more in terms of their tenure choices during the GFC, as opposed to households with permanent job positions?”* A distinction was made between households with a permanent contract, ‘flex workers’ who depend on temporary contracts or flexible hour contracts, and ‘freelancers’, who are self-employed without personnel. First of all, it needs to be stressed that under normal economic conditions, before the GFC, a multivariate analysis shows that flex workers had much smaller odds, more than 50%, of moving into home ownership than permanent contract workers. For freelancers, the odds of moving into owner occupation differed very little from permanent contract workers. Although we could not exactly trace in our data what causes the relatively good position of freelancers, previous research suggests that many (Dutch) freelancers only start for themselves when they are relatively experienced and therefore are able to land a continuous flow of work contracts, while they often also have some assets that could serve as collateral (see e.g. Dol et al, 2014). For the impact of the GFC on the position of freelancers and flex workers, the answer is not entirely straightforward. There was indeed an overall shift of housing choice towards the *rental* sector, but the present study finds insufficient (statistical) evidence to confirm that this shift was significantly larger for freelancers and flex workers.

The overall conclusion to research questions two and three is that young owner occupiers, most possibly those that face negative equity, raise the risk of stagnation of the Dutch owner-occupied housing market during a crisis. The findings here suggest that in case freelancers had any trouble in buying a dwelling during the GFC, this was more related to other factors that restrict access to mortgages such as income level, age or educational level than to their position as a freelancer. For flex workers the chances of moving into home ownership were already quite small before the GFC and remained small during the GFC. Still, in case employers offer more flex contracts during a crisis as a means to reduce the potential costs of dismissal, this can have an impact on the entire housing market.

Repossessions

The fourth research question aims to explain international variations in repossession levels during the GFC: *“How do European social security systems and mortgage lending practices mediate (or aggravate) the impact of the Global Financial Crisis on repossession levels?”* The conclusion is that the incidence of repossessions is strongly related to Welfare Regimes and their social insurance provisions. The social insurance systems in the Corporatist and Social-Democrat welfare regimes protect a significant share of owner occupiers against arrears and repossessions. This contrasts to the Liberal and South European welfare regimes, where unemployment benefits and other social safety nets are less generous. However, as arrears mounted during the GFC, specific new (emergency) measures in Liberal and South European contexts avoided some subsequent repossessions. Furthermore, the UK mortgage lending sector learned from past negative experiences with rapid repossession procedures in the 1990s. During the GFC the British mortgage lending sector prescribed moderation towards troubled owner occupiers. Spain forms the most negative example of the countries investigated, because the government was slow to respond and emergency measures were insufficient to address the problems of a large number of troubled home owners. Spanish repossession procedures were very swift during the GFC, giving no time to search for a solution. These factors led to social turmoil after at least 100,000 repossessions in the period from 2008-2010 and many more owner occupiers facing significant financial distress.

Another conclusion is that mortgage lending practices can be a strong determinant of the risk of repossession. Risky, subprime mortgage products were available in the Liberal countries as a result of their deregulatory tendencies. Elsewhere in Western and Southern Europe, subprime mortgages were largely unavailable, with the exception of Spain and to some extent the Netherlands and Denmark. However, for the latter two countries, the social insurance system counters the risk of such mortgages, while in Spain a significant proportion of the labour force is insufficiently protected against income decline after job loss. This finding gives even more support for the important role of welfare regimes and associated social insurance in protecting owner occupiers from the risk of a repossession.

In sum, Spain ‘ticks all the boxes’ in risk enhancing factors. Before the GFC, Spain went on an unprecedented, credit fuelled property bubble without hedging the social risks. The only positive factor was a relatively high proportion of older and middle-aged outright home owners with no mortgage, who could use their house to cushion income declines after employment loss. However, it was often the generation of young owner occupiers with high mortgage debt that ran into immediate financial problems after losing employment.

Responses in Spain

“What housing policy responses have been implemented on the national and regional level to assist troubled home owners and to avoid a recurrence of the Spanish repossession crisis?” The conclusion to this fifth research question is that all three investigated Autonomous Communities and the central government took *crisis measures* to support troubled home owners in their confrontation with mortgage lenders, albeit in quite different forms, not always timely and/or only covering the most distressed households. It was striking that the region least affected by the housing crisis, the Basque Country, was the most prompt in responding to the problems. The central government only took belated and frugal measures to financially assist troubled owner occupiers. Furthermore, Andalusia, the most troubled region of the three under investigation, was willing to challenge the central government by proposing drastic measures that allowed repossessed households to still occupy ‘their’ repossessed home. The central government took the Andalusian government to the Supreme Court because it regarded such drastic measures as a violation of the ownership rights of mortgage lenders who had seized the properties.

One important new insight is that the new housing policies of the three Autonomous Communities seem to fit into the Spanish regional welfare typology as developed by Gallego et al (2003). Gallego et al (2003) found that the Basque Country tends to seek policy network solutions that involve governments, the private market and civil societies’ bottom-up initiatives, while Catalonia tends to search somewhat more for involvement of private market parties. Andalusia has remained closer to the original national Spanish policy framework. However, this is a tentative conclusion only based on housing policy responses to the GFC and not on a comprehensive investigation of the entire housing system of the three Autonomous Communities.

“What are the experiences of newly emerging bottom-up, non-profit housing initiatives as an alternative to mainstream, commercial Spanish housing development?” To gain some insight into this matter, the experiences of two Madrilenian housing cooperatives were investigated. The Trabensol cooperative is a senior cohousing group, while the Entrepatrios cooperative is an intergenerational group of households. The focus was on the experiences that these groups had in establishing their project, because housing cooperatives where the residents collectively own and manage the dwellings hardly existed in Spain before the GFC.

The conclusion here is that the experiences of the two cooperatives confirm the insights from the international literature: cooperatives will benefit from institutional support or should at least receive equal treatment compared to for-profit enterprises in order to become a thriving, sustainable sector. The establishment of the two Madrilenian cooperatives was quite complicated because there is little experience with this tenure in Spain. Whereas the famed Swedish housing cooperatives sector developed a strong institutional structure that supports the establishment, construction and daily management, the founders of the Trabensol and Entrepatrios lamented that they needed to ‘invent the wheel by themselves’.

The Entrepatrios cooperative reported little goodwill from governmental agencies in obtaining planning permits, while an almost insurmountable barrier was met in accessing finance. Whereas Trabensol is a cooperative for older members who sold their family property to raise finance, Entrepatrios has many younger members who required substantial mortgaged loans. Spanish mortgage lenders were reluctant because a cooperative has indivisible ownership, which makes it complicated to recover the mortgage if any member defaults. Finally, a non-Spanish bank with cooperative roots

extended a mortgage on the premise that the cooperative established a guarantee fund in case one of the members would default.

Relevance of the research

Scientific relevance

This dissertation has contributed to international comparative housing research in at least two ways. First, the dissertation provides a better understanding of the sensitivity of five West European housing markets to a severe economic crisis, by advancing the static-dynamic divide. These insights form a stepping stone towards formulating a theoretical comparative framework on the sensitivity of national housing markets to the economic cycle.

The second contribution to international comparative housing research is that the dissertation tests a framework of factors that explain the incidence of repossessions during the GFC. The main finding is that Social-Democrat and Corporatist Welfare Regimes, with a generous social security system can avoid strong income decline from job loss, which also mediates the effect of risky lending practices.

Thirdly, this dissertation is the first housing study that draws on the territorial, sub-national varieties of welfare framework by Ferrera (2005) and McEwen and Moreno (2005). It has identified regional variations in Spanish housing policy responses to the GFC and it was even possible to conclude, with some caution, that the Catalan and Basque approaches fit within Spanish regional welfare variations as found by Gallego et al in 2003.

The fourth contribution is that the dissertation is amongst the first to study the Spanish experiences with regard to housing cooperatives. It confirms research from elsewhere in Europe and Spain, that indicates that the establishment of bottom-up housing cooperatives is complicated and will benefit from institutional support.

Societal relevance

This dissertation shows that income maintenance for the unemployed by social insurance (security) policies is a dominant factor in avoiding housing repossessions. Such policies structurally exist in the Social-Democrat and Corporatist welfare regimes, even though policies have become less generous after welfare state restructuring from the late 1970s and onwards. In the Liberal and South European welfare regimes, income maintenance policies after dismissal are much less generous. In the wake of monumental budgetary problems after the GFC, international organisations actually tend to prescribe less social security (see e.g. Hemerijck, 2013), but it appears that governments in the Liberal and South European welfare regimes have drawn some lessons from the large-scale event of the GFC, which threatened the entire society. At the time of writing, during the Corona virus crisis, governments in Southern Europe and the British Isles were quite prompt in offering *temporary crisis relief* in order to avoid mass dismissals of employees. Also, governments and the banking sectors indicated that they would aim to avoid repossessions.

The findings on static and dynamic housing markets can raise awareness amongst policy makers about the sensitivity of their nations' housing system to a major economic crisis. Still, it is impossible to simply change a housing market from static to dynamic, even in case the new owner-occupied housing construction programmes are drastically changed from commercial for-profit development to self-provided housing and housing cooperatives. However, this dissertation does offer insights into the question exactly how the dynamic system stagnates during a crisis. As this is the case with younger home owners who face negative equity and are therefore locked into their dwelling it seems logical to somewhat curb the maximum LTV for first-time buyers, especially in the Netherlands where a maximum LTV of 125% was allowed.

Furthermore, the findings on the relation between flexibilization of the labour market and home ownership are relevant as they link to a broader policy discussion on the social risks of labour market flexibilisation. The findings defused some of the concerns about freelancers and flexworkers' access to home ownership during the GFC, but the research did not address risks of repossessions. This

is in fact a more urgent matter that deserves more research, because even in the Corporatist welfare regime, these households are underserved by collective social insurance policies and are dependent upon much less generous public social safety nets of last resort.

Finally, the study on Spanish cooperatives was published in a book that carried the objective to present international lessons for housing practitioners. As such, the work on the two Spanish cooperatives serves, to a great extent, as a contribution to an emerging body of practical knowledge on establishing and managing housing cooperatives in Spain.

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Samenvatting

Introductie

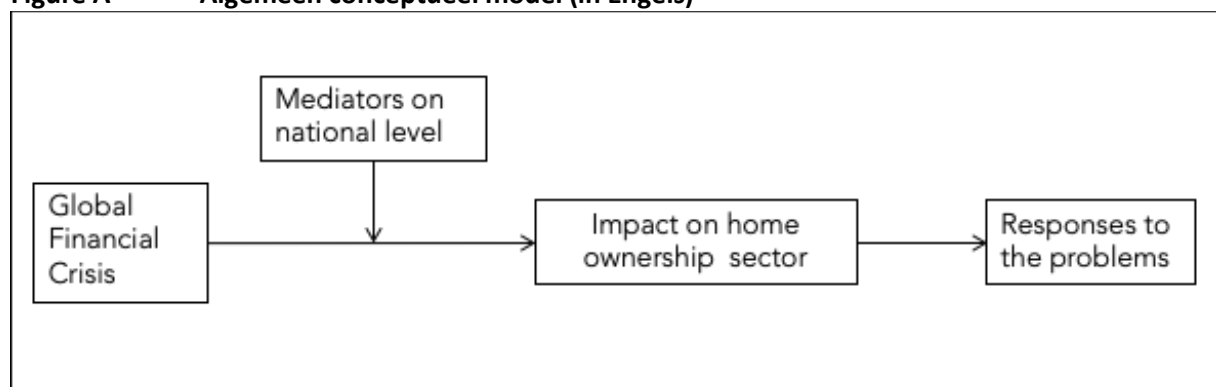
De Global Financial Crisis had ingrijpende gevolgen voor de economieën van West- en Zuid-Europa en in 2009 was er sprake van een daling van het BBP die varieerde van -5,6% in Duitsland tot -3,6% in Spanje. Tegen de achtergrond van stevige dalingen van nationale BBP's, was het zeer opmerkelijk dat Europese woningmarktindicatoren sterk varieerden. Terwijl woningtransacties in Duitsland en België stabiel bleven, kelderden transacties in het Verenigd Koninkrijk, Nederland, Ierland en Spanje. Verder namen woningonteigeningen snel toe tot ruim boven de 100.000 in het VK en Spanje, terwijl in Ierland, België en Nederland ongeveer 10.000 eigenaar-bewoners hun woning verloren. In Duitsland daalde het aantal woningonteigeningen zelfs, na economische onrust in de eerste jaren na 2000.

Dit roept vragen op over de achtergronden van deze internationale variaties van de gevolgen van de GFC. Welke factoren spelen een rol in de Duitse en Belgische immuniteit (onvatbaarheid) van woningtransacties en woningonteigeningen tijdens de GFC? Welke maatregelen zijn er genomen in de landen waar de GFC de woningmarkt het meeste raakte in termen van woningtransacties en onteigeningen? Het overkoepelende doel van deze dissertatie is om een verbeterd inzicht te verwerven in de factoren die de invloed van de GFC bepalen op nationale woningmarkten. Een gerelateerd doel is om te ontdekken hoe de samenlevingen in de meest getroffen landen hebben gereageerd op de problemen.

Theoretisch kader

'Mediators' op het nationale niveau spelen naar verwachting een rol in het dempen van de invloed van de GFC op eigen woningsectoren, dat wil zeggen woningonteigeningen en woningtransacties (zie figuur A). Met betrekking tot het risico op *woningonteigeningen* (en betalingsachterstanden op de hypotheek), suggereert onderzoek van voor de GFC dat zulke risico's worden beïnvloed door nationale instituties zoals hypotheekverstrekkingssystemen, de sociale zekerheid en arbeidsmarktregulering (zie o.a. Neuteboom, 2008; Doling en Ford, 2003). Voor wat betreft dalende *woningtransacties* is de verwachting dat typische nationale huisvestingssysteem, zoals geïdentificeerd in de Structures of Housing Provision literatuur (zie o.a. Ball et al, 1988, Martens, 1990), invloed uitoefenen. Verder is de verwachting ook dat de samenleving reageert op dergelijke problemen, of dit nu noodmaatregelen zijn om de meest urgente problemen te verlichten of meer structurele maatregelen die beogen om een herhaling van de problemen te voorkomen.

Figure A Algemeen conceptueel model (in Engels)



Mediators van het risico op woningonteigeningen: de verzorgingsstaat en hypotheekverstrekkingssystemen

De welvaartsregime theorie volgens Esping-Andersen (1990) kan helpen bij de verklaring van de internationale variaties op het risico van een woningonteigening. Welvaartsregimes bepalen de mate waarin landen hun inwoners beschermen tegen inkomensdaling, door middel van sociale

zekerheidssystemen, terwijl zij ook Employment Protection Legislation (ontslagbescherming) kunnen invoeren om arbitrair ontslag van werknemers te voorkomen. Het Liberale welvaartsregime omvat de Engelssprekende landen (het VK, Ierland en de VS). Het Sociaal-Democratische welvaartsregime bevindt zich in de Scandinavische landen. Het Corporatistische welvaartsregime bevindt zich op het West-Europese continent (Nederland, België, Duitsland, Oostenrijk en Frankrijk). Tot slot is er een Zuid-Europees welvaartsregime (Spanje, Italië, Portugal en Griekenland). Tabel A toont de variaties in beleid ten aanzien van inkomensbescherming, EPL en andere sociale vangnetten in de ideaaltypische welvaartsregimes. Het is vrij duidelijk dat het Liberale welvaartsregime sterk contrasteert met de Sociaal-Democratische en Zuid-Europese welvaartsregimes voor wat betreft inkomensbescherming en ander sociaal beleid. Het Zuid-Europese welvaartsregime neemt een speciale positie in omdat de sociale zekerheid alleen specifieke groepen beschermt, zoals overheidspersoneel en werknemers in de grootste bedrijven. Andere huishoudens zijn 'outsiders' en worden veelal niet gecompenseerd door andere sociale vangnetten van overheidswege: van familie wordt verwacht dat zij bijdragen zodra problemen ontstaan. Een relevante opmerking is dat in alle onderscheiden welvaartsregimes de zogenaamde flexwerkers veelal 'outsiders' zijn en niet worden gedekt door sociale verzekeringen. Zij worden alleen gesteund door middel van andere sociale vangnetten.

Tabel A **Maatregelen ter bescherming inkomensverlies na baanverlies en/of ter voorkoming van ontslag, per (ideaaltypisch) Welvaartsregime**

	Sociale zekerheid: inkomensbehoud na baanverlies	Employment Protection Legislation	Andere sociale vangnetten	Landen
Type welvaartsregime				
Liberaal	Weinig	Zwak	Zwak	VK, Ierland
Sociaal-Democratisch	Royaal, beperkte tijdsduur	Gemiddeld	Sterk	Zweden, Noorwegen, Denemarken
Corporatistisch	Royaal, lange tijdsduur	Sterk	Gemiddeld	Duitsland, België, Oostenrijk, Frankrijk (Nederland)
Zuid Europa	Royaal, maar aanzienlijk deel beroepsbevolking niet gedekt	Zeer sterk	Zwak, gericht op familie	Spanje, Italië, Portugal, Griekenland

Bronnen: zie Esping-Andersen, 1990; Hemerijck 2013, Estevez-Abe et al, 2001

Bij het beoordelen van het risico op een woningonteigening per land, worden ook de nationale *hypotheekverstrekkingpraktijken* als relevant beschouwd. Deze dissertatie gebruikt vier indicatoren:

- De beschikbaarheid van subprime hypotheekproducten die leningen verschaffen aan huishoudens met een zwakke kredietwaardigheid;
- Variabele rente die woningeigenaren blootstelt aan (scherpe) renteverhogingen
- Snelheid van wettelijke onteigeningsprocedures
- Het aandeel eigen woningbezitters met een uitstaande hypotheek

Deze risicofactoren tonen sterke variaties per land, hoewel er vanuit de literatuur geen duidelijk regionaal patroon kon worden vastgesteld, zoals bij de welvaartsregimes. Desalniettemin tonen de indicatoren dat het VK, Ierland en Spanje een relatief zwaar risico dragen in vergelijking met de andere landen, terwijl Nederland op een vierde plek geplaatst kan worden. Voor België en Frankrijk neigen alle vier de indicatoren naar een relatief laag risico. De andere West- en Zuid Europese landen scoren ergens in de middenmoot met de vier gecombineerde indicatoren.

Mediators van het risico op sterke dalingen van woningtransacties: Structures of Housing Provision en hypotheekverstrekkingpraktijken

De Structures of Housing Provision literatuur van de jaren '80 en '90 van de vorige eeuw, onderscheidde internationale verschillen in zowel woningbouwsystemen als in de kenmerken van de bestaande woningmarkt (zie o.a. Ball et al 1998, Martens, 1990, Barlow en Duncan, 1994). Hoewel deze literatuur nauwelijks de gevoeligheid van deze systemen voor een crisis in kaart bracht, heeft het enkele relevante 'stepping stones' aangereikt ten behoeve van zo'n analyse. Op basis van deze literatuur heeft de huidige dissertatie een hypothese ontwikkeld die stelt dat sommige nationale huisvestingssystemen vrij gevoelig zijn voor een crisis omdat zij een naar verhouding hoog niveau van verhuismobiliteit kennen. In deze systemen wensen huishoudens te verhuizen bij elke verandering in de levensloop (huishoudensverandering), maar huishoudens stellen de volgende verhuizing veelal uit tijdens economische onzekerheid of concrete economische malheur. In andere systemen is verhuismobiliteit niet sterk gerelateerd aan de levensloop, omdat veel huishoudens hier verhuizen naar een vrijstaand huis dat zij zelf hebben gebouwd (laten bouwen) en dat veranderingen in de levensloop kan accommoderen. De empirische geldigheid van dit theoretische argument zal getest worden in enkele West Europese landen. Tabel B geeft een overzicht van belangrijkste kenmerken van de twee typen koopwoningsectoren.

Tabel B Typologie van de eigen woningsector

	Hoge mobiliteit(dynamisch)	Lage mobiliteit (statisch)
Housing Provision System	Commerciële ontwikkelaars verkopen woningen aan (toekomstige) bewoner	Particulier opdrachtgeverschap toekomstige bewoner koopt een bouwkael en huurt een bouwbedrijf in.
Owner occupied housing stock structure	Breed scala aan rijwoningen en appartementstypen, enige vrijstaande woningen.	Vrijstaande woningen
Housing career	Fasen in de levensloop sterk bepalend voor verhuizingen. Elke fase in de huishoudenscarrière zorgt voor een verhuizing naar een woning die de past bij de behoefte van de huishoudensfase.	Meerderheid van eigenaar-bewoners woont in een 'zelfgebouwde' woning voor het grootste deel van de woon carrière.
Countries	VK, Nederland	België, Duitsland

Bron: Van der Heijden et al, 2011

Het was ook mogelijk om enkele hypotheekverstrekkingpraktijken te onderscheiden die een rol kunnen spelen bij de gevoeligheid van woningtransacties voor een crisis. Het heeft vooral betrekking op de internationale variaties in de Loan-to-Value (LTV) die woningkopers opnemen. Een verhuizing kan belemmerd worden wanneer crisis-gerelateerde huizenprijsdalingen leiden tot een hogere hypotheekschuld dan de waarde van de woning (onder water staan). Dit scenario wordt vooral verwacht in woningmarkten waar koopstarters slechts gedurende enkele jaren in een kleine woning (appartement) wonen en dan doorverhuizen. De veronderstelling is dat dit meer voorkomt in de voorgenoemde dynamische systemen (zie tabel B). Gegevens van internationale hypotheekverstrekkingpraktijken tonen dat zulke hoge LTVs voorkomen in het VK, Nederland en Spanje. Binnen West-Europa was Nederland zelfs de koploper omdat kredietverstrekkers hier maximaal 125% LTV gaven, terwijl in de decennia voorafgaand aan de crisis, zogenoemde aflossingsvrije hypotheek ook gangbaar waren geworden. In veel andere landen is een hypotheek van 100% LTV niet verboden, maar het is normaal om een veel kleinere LTV op te nemen.

Reacties op de crisis en bouwen aan een minder risicovol huisvestingssysteem

Het bleek dat Spanje de meest dramatische onteigeningscrisis doormaakte van alle West- en Zuid Europese landen. De crisis vormde een stimulans om het sterke, door de overheid gesteunde Spaanse

eigen woning ideaal te heroverwegen, dat voor de GFC leidde tot een aandeel eigen woningbezit van 84%. Omdat de 17 regionale Autonome Gemeenschappen een hoge graad van autonomie hebben verworven inzake het huisvestingsbeleid, zijn hun reacties op de crisis zeer relevant. Spaanse decentralisatie van beleidsmatige bevoegdheden staat niet op zichzelf, maar is eveneens ingevoerd in enkele andere Europese landen om tegemoet te komen aan eisen om meer autonomie door regio's met sterke historische identiteiten, zoals Schotland, het Baskenland en Catalonië (zie o.a. Ferrera, 2005, Vampa, 2016). In deze regio's hebben lokale elites nieuw sociaal beleid ingevoerd om de loyaliteit van hun achterban te versterken (zie Ferrera, 2005, McEwen en Moreno, 2005). Een andere belangrijke factor in de opkomst van de regionale verzorgingsstaat is de neoliberale invloed die centrale overheden motiveerde om de verzorgingsstaat te beperken (zie o.a. Vampa, 2016). Als antwoord hebben enkele lokale overheden zich ten doel gesteld om alternatieven in te zetten die de meest schrijnende effecten kunnen verlichten voor (zwakke) huishoudens. Nadat zoveel Spaanse eigenaar-bewoners werden onteigend en dakloos werden, is het een intrigerende vraag hoe de centrale overheid en de regio's hebben gereageerd op de onteigeningscrisis. Draagt de heroverweging van het Spaanse eigen woningideaal een ook regionale dimensie?

Verder kan een crisis de brede samenleving aanmoedigen om de traditionele beleidsaanpak te heroverwegen. Het is daarom ook relevant om te verkennen hoe de Spaanse samenleving reageerde op de crisis en het Spaanse dogma van eigen woningbezit. Woningen kunnen namelijk ook worden beheerd onder collectief eigendom van een woningcomplex: een woning coöperatie, waar de coöperatie de eigenaar is en de bewoners de leden van de coöperatie. Deze coöperatieën staan in contrast met de normale Spaanse praktijk van woningproductie door projectontwikkelaars, die woningen (laten) bouwen en ze vervolgens verkopen tegen de hoogste prijs. De maandbijdragen en aandelen (lidmaatschap) van een coöperatie staan niet bloot aan marktwerking en zijn veelal gebaseerd op de bouwkosten en onderhoudskosten. Deze dissertatie verkent enkele de ervaringen in twee nieuw opgerichte Spaanse woningcoöps, omdat internationale ervaringen buiten Spanje aantonen dat de oprichting van woningcoöps gecompliceerd kan zijn.

Onderzoeksvragen

De eerste onderzoeksvraag verkent het eerste hoofdthema in deze dissertatie, de achtergronden van de variabele invloed van de GFC op woningtransacties in West Europese landen:

Hoe beïnvloedden de typische kenmerken van Europese huisvestingssystemen de invloed van de GFC op woningtransacties?

De tweede onderzoeksvraag volgt op de bevindingen van de eerste onderzoeksvraag. Het verkent voor Nederland, waar woningtransacties kelderden, welke mechanismen er aanwezig zijn op het micro-, huishoudensniveau. Hier rijst de vraag of de stagnatie op de Nederlandse eigen woningsector ook kan worden toegeschreven aan specifieke huishoudenskenmerken. Een gecombineerd resultaat van onderzoeksvraag één en twee zal een uitgebreider inzicht opleveren over de kwetsbaarheid van de Nederlandse eigen woningsector, zowel op het niveau van het huisvestingssysteem als op het niveau van de huishoudens:

Welke huishoudenskenmerken hebben de sterkste invloed op de stagnatie van woningtransacties in Nederland tijdens de GFC?

Vervolgens kan ook een derde vraag worden opgeworpen over hoe flexibilisering van de arbeidsmarkt leidt tot een meer kwetsbare woningmarkt. Huishoudens met flexcontracten of zzpers, ervaren mogelijk al structurele barrières bij de toegang tot het eigen woningbezit, terwijl deze barrières wellicht nog groter kunnen worden tijdens een economische crisis.

Zijn huishoudens die afhankelijk zijn van flexibele arbeid tijdens de GFC meer getroffen inzake de keuze voor een koopwoning in vergelijking met huishoudens die een vaste aanstelling hebben?

De vierde onderzoeksvraag richt zich tot het andere hoofdthema van deze dissertatie, de sterke variatie van de invloed van de GFC op het niveau van woningonteigening in Europese landen. Deze vraag beoogt om meer licht te werpen op de invloed van de sociale zekerheid en hypotheekverstrekkingssystemen op woningonteigeningen. Het referentiepunt is Spanje, waar de toename van het aantal onteigeningen veel (internationale) aandacht trok.

Hoe beïnvloeden Europese sociale zekerheidsstelsels en hypotheekverstrekkingssystemen de impact van de GFC op onteigeningen?

In Spanje groeide de maatschappelijke zorg over de ongekende woningmarkt- en woningonteigeningscrisis. In de ingewikkelde Spaanse multi-level overheidsstructuur, is het de vraag hoe de centrale overheid en de Autonome Gemeenschappen (regio's) reageerden op deze crisis. Verder betwijfelden maatschappelijke groepen en enkele (lokale) politici het eigen woningideaal en riepen op tot een verkenning van andere, meer zekere woonvormen. De vijfde onderzoeksvraag verkent de reactie in Spanje's gecompliceerde multi-level beleidskader.

Welke beleidsmaatregelen zijn ingevoerd op het nationale en regionale niveau om gekwelde eigen woningbezitters te ondersteunen en om een herhaling van de Spaanse onteigeningscrisis te vermijden?

De zesde onderzoeksvraag richt zich op Spaanse bottom-up initiatieven, meer specifiek woning coöperatieven, die nieuw zijn in Spanje:

Wat zijn de ervaringen van de nieuw ontstaande woning coöperatieven als een alternatief tot de gangbare, commerciële Spaanse woningontwikkeling?

Bevindingen

Gevoeligheid van woningtransacties voor de GFC

Het antwoord op de eerste onderzoeksvraag: "Hoe beïnvloedden de typische kenmerken van Europese huisvestingssystemen de invloed van de GFC op woningtransacties?" wijst op twee hoofdmechanismen in de huisvestingssystemen in Nederland, het VK, België, Duitsland en Ierland. In Nederland, het VK en Ierland, kan de eigen woningsector gekarakteriseerd worden als *dynamisch*, terwijl in België en Duitsland de term *statisch* meer op zijn plaats is. In het dynamische systeem tonen woningtransacties en woningbouw statistieken een overduidelijke daling tijdens de GFC, terwijl het statische systeem immuun blijkt. De gevoeligheid van het dynamische systeem kan verklaard worden door de typische woningmarktcarrières in deze landen. Deze omvatten doorgaans een aantal verhuizingen in de koopsector tijdens de wooncarrière, met als eerste stap de aankoop van een klein appartement. Samenwonen, huwelijk en hierop volgende huishoudensuitbreiding veroorzaken verhuizingen naar woningen die deze veranderende woningbehoeften accommoderen. Tijdens een crisis schorten veel eigenaar-bewoners de verhuizing op vanwege sombere economische vooruitzichten. Ook bestaat de mogelijkheid dat 'negative equity' (onder water hypotheek) hen opsluit in hun woning, vooral jongere huishoudens die graag hadden willen verhuizen naar een andere, grotere woning. Het dynamische systeem verschilt sterk met het statische systeem van België en Duitsland, waar particulier opdrachtgeverschap overheerst en huishoudens doorgaans een vrijstaand huis 'bouwen' dat bewoond wordt voor een lange tijd, zo niet de volledige huishoudenscarrière. In dit systeem hebben huishoudens de mogelijkheid om hun vrijstaande woning aan te passen aan veranderende woonbehoeften. Een ander kenmerk van het *dynamische* systeem is de activiteit van winstgedreven, speculatieve ontwikkelaars die een scala aan woningtypen aanbieden die elke fase van de huishoudenscarrière accommodeert. Normaal gesproken worden deze woningen verkocht nadat de ontwikkelaar aanvangt met de daadwerkelijke bouw, waarbij het risico ontstaat van overaanbod van woningen tijdens een economische neergang. Overaanbod vormt nauwelijks een probleem in het statische systeem omdat de meerderheid van nieuwe koopwoningen direct wordt gebouwd voor/door de gebruikers die erin gaan wonen. Al met al worden in het voorgaande de algemene mechanismen achter de internationale verschillen in de impact van de GFC op woningtransacties voor het voetlicht

gebracht, maar de tweede onderzoeksvraag richt zich op de daadwerkelijke empirische validatie op het micro, huishoudensniveau. *Welke huishoudenskenmerken hebben de sterkste invloed op de stagnatie van woningtransacties in Nederland tijdens de GFC?* De focus ligt op Nederland, een vertegenwoordiger van de dynamische koopsector, waar woningtransacties kelderden tijdens de GFC. Onder normale economische omstandigheden tonen eigenaar-bewoners in de leeftijden van 20 tot 34 een hoge mate van (recente) verhuismobiliteit, maar dit daalde substantieel tijdens de GFC. Dit is in wat mindere mate van toepassing op huishoudens in de leeftijden van 35 tot 44. Verder blijkt dat de stagnatie van het aantal verhuizingen vooral sterk was onder bestaande eigenaar-bewoners en niet zozeer onder koopstarters (die voor het eerste een woning kopen). Koopstarters profiteren vaak van huizenprijsdalingen, terwijl jonge eigen woningbezitters juist problemen ondervonden om te verhuizen, mogelijk vooral omdat zij werden geconfronteerd met negatieve equity (onder water hypotheek) en daarom de verhuizing opschortten. In Nederland is het risico op een onderwaterhypotheek bijzonder hoog, wat veroorzaakt werd door ruime hypotheekverstrekkingscriteria voorafgaand aan de GFC. Deze praktijken gingen ook gepaard met leningen tot ruim boven 100% van de waarde van de woning, vaak zelfs in de vorm van een aflossingsvrije hypotheek. Deze bevindingen bevestigen de theoretische notie die werd ontwikkeld over de mechanismen binnen het dynamische systeem, die verwachtte dat veel (jonge) eigenaar-bewoners geconfronteerd worden met een onderwaterhypotheek tijdens een crisis en daarom hun verhuizing opschortten.

De derde onderzoeksvraag verkent de invloed van de toenemende flexibiliteit van de arbeidsmarkt op de Nederlandse woningmarkt tijdens een crisis: *Zijn huishoudens die afhankelijk zijn van flexibele arbeid tijdens de GFC meer getroffen inzake de keuze voor een koopwoning in vergelijking met huishoudens die een vaste aanstelling hebben?* Een onderscheid werd gemaakt naar huishoudens met een vaste aanstelling, huishoudens met tijdelijke contracten of flexibele contracten en Zelfstandigen Zonder Personeel (zzp-ers). Allereerst moet worden benadrukt dat onder normale economische omstandigheden, voor de GFC, een multivariate analyse aantoonde dat flexwerkers veel lagere kansen (meer dan 50% minder) hadden om naar een koopwoning te verhuizen dan werknemers met een vaste aanstelling. Voor zzp-ers verschilde de kans om naar een koopwoning te verhuizen nauwelijks van die van werknemers met een vaste aanstelling. Hoewel we niet exact konden nagaan in onze data wat de relatief goede positie van zzp-ers veroorzaakt, suggereert eerder onderzoek dat veel (Nederlandse) zzp-ers alleen voor zichzelf beginnen als zij relatief ervaren zijn, daarom een continue stroom aan opdrachten binnenhalen, terwijl zij veelal ook al enig financieel vermogen hebben dat als onderpand kan dienen. (zie Dol et al, 2014). Voor de impact van de GFC op de positie van zzp-ers en flexwerker is het antwoord niet geheel eenduidig. Er was inderdaad een algehele verschuiving van de woningkeuze richting de huursector, maar deze studie vindt onvoldoende (statistisch) bewijs om te bevestigen dat deze verschuiving significant groter was voor zzp-ers en flexwerkers.

De algemene conclusie voor onderzoeksvraag twee en drie is dat jonge eigenaar-bewoners, waarschijnlijk vooral degenen die geconfronteerd worden met een onderwaterhypotheek, het risico op stagnatie op de Nederlandse koopwoningmarkt verhogen ten tijde van een crisis. De bevindingen suggereren dat indien zzp-ers enige moeite ondervonden om een woning te kopen tijdens de GFC, dit meer had te maken met andere factoren die de toegang tot een hypotheek belemmeren zoals inkomen, leeftijd of opleidingsniveau dan met hun positie als zzp-er. Voor flexwerkers waren de kansen om naar een koopwoning te verhuizen al voor de GFC klein en deze bleven ook klein tijdens de GFC. Wanneer werkgevers evenwel besluiten om tijdens een crisis veel meer flexcontracten aan te bieden als een manier om de kosten van een mogelijk ontslag te beperken, dan kan dit een impact hebben op de volledige (koop)woningmarkt.

Woningonteigeningen

De vierde onderzoeksvraag richt zich op een verklaring van de internationale variaties in woningonteigeningen tijdens de GFC. *Hoe beïnvloeden Europese sociale zekerheidsstelsels en hypotheekverstrekkingpraktijken de impact van de GFC op onteigeningen?* De conclusie is dat het verschijnsel van onteigeningen sterk gerelateerd is aan het type verzorgingsstaat en hun sociale

zekerheidsstelsels. De sociale zekerheidsstelsels in de Corporatistische en Sociaal-Democratische welvaartregimes beschermen een aanzienlijk deel van eigen woningbezitters tegen betalingsachterstanden en woningonteigeningen. Dit staat in contrast met de Liberale en Zuid-Europese welvaartregimes, waar werkloosheidsuitkeringen en andere sociale vangnetten veel minder royaal zijn. Toen betalingsachterstanden tijdens de GFC snel opliepen, werden overigens specifieke (nood)maatregelen genomen in Liberale en Zuid-Europese landen, waarmee enige onteigeningen werden vermeden. Verder leerden hypotheekverstrekkers in het VK van eerdere negatieve ervaringen met snelle woningonteigeningen tijdens de jaren '90 van de vorige eeuw. Tijdens de GFC betrachtten de Britse hypotheekverstrekkers coulerie ten opzichte van gekwelde eigen woningbezitters. Spanje vormt het meest negatieve voorbeeld van de onderzochte landen, omdat de overheid traag reageerde en noodmaatregelen ontoereikend waren om de problemen van grote aantallen woningeigenaren aan te pakken. Spaanse onteigeningsprocedures waren zeer snel (haastig) tijdens de GFC, wat geen tijd gaf om naar een oplossing te zoeken. Deze factoren leidden tot sociale onrust na minstens 100.000 woningonteigeningen in de periode van 2008-2013 en nog veel meer eigenaar-bewoners die met financiële nood kampen.

Een andere conclusie is dat hypotheekverstrekkingpraktijken sterk bepalend zijn bij het risico op een onteigening. Risicovolle subprime leningen waren beschikbaar in de Liberale landen als gevolg van de neiging om te dereguleren. Elders in West- en Zuid-Europa, waren subprime hypotheekleningen nauwelijks beschikbaar, met als uitzondering Spanje en in zekere mate ook Denemarken en Nederland. Voor deze laatste twee landen vermindert het sociale zekerheidsstelsel het risico van deze hypotheekleningen, terwijl in Spanje een belangrijk deel van de beroepsbevolking onvoldoende beschermd is tegen inkomensdaling na ontslag. Deze bevinding geeft nog meer ondersteuning voor de belangrijke rol van de verzorgingsstaat en sociale zekerheidsstelsels in de bescherming van eigenaar bewoners tegen het risico van een onteigening.

Kortom, Spanje voldoet aan alle criteria die het risico verhogen. Spanje begaf zich voorafgaand aan de GFC op een traject van een ongekennde, kredietgedreven vastgoedbubble zonder de sociale risico's af te dekken. De enige positieve factor was een relatief hoog aandeel oudere en 'middle-aged' eigen woningbezitters zonder hypotheek, die hun huis konden gebruiken als een middel om inkomensdaling op te vangen. Het waren echter de jonge eigenaar-bewoners met hoge hypotheekleningen die onmiddellijk in de problemen kwamen zodra zij hun werk verloren.

Reacties in Spanje

Welke beleidsmaatregelen zijn ingevoerd op het nationale en regionale niveau om gekwelde eigen woningbezitters te ondersteunen en om een herhaling van de Spaanse onteigeningscrisis te vermijden? De conclusie voor deze vijfde onderzoeksvraag is dat alle drie de onderzochte Autonome Gemeenschappen en de centrale overheid crisismaatregelen namen om gekwelde eigenaar-bewoners te ondersteunen in hun confrontatie met hypotheekverstrekkers, hoewel in vrij uiteenlopende vormen en lang niet altijd tijdig en/of alleen beschikbaar voor de meest noodlijdende huishoudens. Het was opvallend dat de regio met naar verhouding de minste problemen, het Baskenland, het meest prompt was in haar reactie op de problemen. De centrale overheid nam alleen maar late en spaarzame maatregelen om gekwelde eigenaar-bewoners financieel bij te staan. Verder was Andalusië, de meest geraakte regio van de drie, bereid om de centrale overheid te tarten door drastische maatregelen voor te stellen die onteigende huishoudens in staat stelde om alsnog in 'hun' woning te blijven wonen. De centrale overheid reageerde met een proces bij het Hooggerechtshof omdat zij zulke drastische maatregelen beschouwt als een inbreuk op het eigendomsrecht van hypotheekverstrekkers die de woningen hadden onteigend.

Een belangrijk nieuw inzicht is dat nieuw huisvestingsbeleid van de drie Autonome Gemeenschappen lijkt te passen in de Spaanse regionale welvaartstypologie zoals ontwikkeld door Gallego et al (2003). Gallego et al (2003) vond dat het Baskenland geneigd is om te streven naar 'policy network solutions' met betrokkenheid overheid, marktpartijen en bottom-up initiatieven van

maatschappelijke organisaties, terwijl Catalonië wat meer zoekt naar betrokkenheid van marktpartijen. Andalusië blijft dicht bij het oorspronkelijke Spaanse beleidskader. Dit is echter een tentatieve conclusie, die alleen gebaseerd is op de reacties in het huisvestingsbeleid op de GFC en niet op een studie van het volledige huisvestingssysteem in de drie Autonome Gemeenschappen.

Wat zijn de ervaringen van de nieuw ontstaande woning coöperatieven als een alternatief tot de gangbare, commerciële Spaanse woningontwikkeling? Om enig inzicht te verwerven in deze zaken, werden de ervaringen van twee Madrileense woningcoöperatie onderzocht. Het Trabensol coöperatief is een 'senior cohousing' groep, terwijl het Entrepatis coöperatief een intergenerationele groep huishoudens is. De focus ligt op de ervaringen die deze groepen hadden bij het oprichten van hun project, omdat woningcoöperatieven waar de bewoners gezamenlijk de woningen 'bezitten' en beheren nauwelijks aanwezig waren in het Spanje van voor de GFC.

De conclusie hier is dat de ervaringen van de twee coöperaties de inzichten uit de internationale literatuur bevestigen: coöperaties hebben (altijd) baat bij institutionele ondersteuning of zullen tenminste gelijke behandeling moeten ontvangen ten opzichte van winstgedreven ondernemingen om een bloeiende, duurzame sector te worden. De oprichting van de twee Madrileense coöperatieven was redelijk gecompliceerd omdat er weinig ervaring is met deze eigendomsvorm in Spanje. Terwijl de vermaarde Zweedse woningcoöperatieven een sterke institutionele structuur ontwikkelden die ondersteuning biedt bij het oprichten, bouwen en het dagelijkse beheer, klaagden de oprichters van Trabensol en Entrepatis dat zij zelf het wiel moesten uitvinden.

Het Entrepatis coöperatief meldde weinig welwillendheid van overheidsinstanties bij het verkrijgen van (planologische) vergunningen, terwijl zij een bijkans onneembare barrière ontmoetten bij de financiering. Terwijl Trabensol een coöperatief is voor oudere leden die hun huis verkochten om geld in te brengen, heeft Entrepatis veel jongere leden die aanzienlijke hypothecaire leningen nodig hadden. Spaanse hypotheekverstrekkingen waren terughoudend omdat een coöperatief een ondeelbaar eigendom kent (geen appartementsrecht), wat het gecompliceerd maakt om een hypothecaire lening terug te vorderen bij wanbetaling van een lid van de coöperatie. Uiteindelijk verstrekke een niet-Spaanse bank met een coöperatieve grondslag een hypotheek op de voorwaarde dat het coöperatief een garantiefonds zou oprichten voor het geval dat één van de leden niet aan de betalingsverplichtingen zou voldoen.

Relevantie van het onderzoek

Wetenschappelijke relevantie

Deze dissertatie heeft op tenminste twee wijzen bijgedragen aan internationaal vergelijkend huisvestingsonderzoek. Allereerst geeft de dissertatie beter inzicht in de gevoeligheid van vijf West-Europese woningmarkten voor een ingrijpende economische crisis, door het onderscheid tussen statisch en dynamisch te maken. Dit inzicht vormt een opstap richting het formuleren van een theoretisch kader over de gevoeligheid van nationale woningmarkten voor de economische cycli.

De tweede bijdrage aan het internationaal vergelijkend huisvestingsonderzoek is dat de dissertatie een kader test van factoren die woningonteigeningen verklaren tijdens de GFC. De belangrijkste bevinding is dat het Sociaal-Democratische en Corporatistische welvaartsregime, met een royaal sociaal zekerheidsstelsel, inkomensdaling door werkloosheid kan vermijden, wat ook zorgt voor minder invloed van de gevolgen van risicovolle hypotheekverstrekkingen.

Ten derde is deze dissertatie de eerste huisvestingsstudie die gebruik maakt van *regionale, lokale* welvaartstheorie van Ferrera (2005) en McEwen en Moreno (2005). Het heeft regionale variaties ontdekt in de reacties van het Spaanse huisvestingsbeleid op de GFC en het was zelfs mogelijk om te concluderen, met enige voorzichtigheid, dat de Catalaanse en Baskische aanpak aansluit bij de regionale welvaartsstaat varianten zoals gevonden door Gallego et al (2003).

De vierde bijdrage is dat de dissertatie een van de eerste is die de Spaanse ervaringen omtrent woningcoöperaties bestudeert. Het bevestigt onderzoek van elders in Europa en Spanje, dat aanduidt

dat de oprichting van woningcoöperaties gecompliceerd is en kan profiteren van meer institutionele ondersteuning.

Maatschappelijke relevantie

Deze dissertatie toont dat inkomensbehoud voor werklozen door sociaal verzekeringsbeleid een dominante factor is in het voorkomen van woningonteigeningen. Dergelijk beleid is structureel aanwezig in de Sociaal-Democratische en Corporatistische welvaartsregimes, hoewel het beleid minder royaal is geworden na herstructurering van welvaartsregimes vanaf de jaren '70 van de vorige eeuw. In de Liberale en Zuid-Europese verzorgingsstaten is beleid voor inkomensbehoud na ontslag veel minder royaal. In de nasleep van de monumentale budgettaire problemen na de GFC, hebben internationale organisaties vaak minder sociale zekerheid voorgesteld (zie o.a. Hemerijck, 2013), maar het lijkt erop dat overheden in de Liberale en Zuid-Europese welvaartsregimes, enkele lessen hebben geleerd van de grootschalige gebeurtenis van de GFC, die de gehele maatschappij bedreigde. Ten tijde van het schrijven, tijdens de Corona virus crisis, waren overheden in Zuid-Europa en het VK er snel bij om tijdelijke steunmatregelen te bieden, waardoor massaontslagen konden worden voorkomen. Verder gaven overheden en het bankwezen aan dat zij zouden proberen om woningonteigeningen te voorkomen.

De bevindingen over statische en dynamische woningmarkten kunnen meer bewustzijn creëren onder beleidsmakers over de gevoeligheid van hun nationale huisvestingssysteem tijdens een zware economische crisis. Het is echter onmogelijk om een woningmarkt te veranderen van statisch naar dynamisch, zelfs wanneer nieuwbouwprogramma's drastisch gewijzigd worden van commercieel gedreven woningbouw in de koopsector naar een systeem met veel meer particulier opdrachtgeverschap (zelfbouw) en woningcoöperatieën. Deze dissertatie levert echter wel enig inzicht op welke wijze het dynamische systeem stagneert tijdens een crisis. Omdat dit veelal gebeurt bij jongeren die niet kunnen doorverhuizen vanwege een onderwaterhypotheek, is het logisch om de maximale LTV aan banden te leggen voor koopstarters, met name in de Nederlandse situatie waar men tot maximaal 125% LTV kon lenen.

Verder zijn de bevindingen over de relatie tussen flexibilisering van de arbeidsmarkt en het eigen woningbezit relevant omdat het aansluit bij de bredere discussie over de sociale risico's van arbeidsmarkt flexibilisering. De bevindingen hebben wel enige zorg weggenomen over de toegankelijkheid van het eigen woningbezit van flexwerkers en zzp-ers tijdens de GFC, maar het onderzoek richtte zich niet op woningonteigeningen. Dit laatste is eigenlijk een veel urgenter probleem dat meer onderzoek verdient, want zelfs in het Corporatistische welvaartsregime vallen deze huishoudens veelal buiten de collectieve sociale verzekeringen en zijn zij aangewezen op de veel minder royale sociale vangnetten (zoals de Nederlandse Bijstand).

En tot slot is de studie over Spaanse coöperatieën gepubliceerd in een boek dat de (concrete) doelstelling had om internationale lessen te presenteren aan de volkshuisvestingspraktijk. Als zodanig dient het, in ruime mate, als een bijdrage aan een ontluikend geheel van praktische kennis over de oprichting en het beheer van woningcoöperatieën in Spanje.

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Chapter 1 Introduction

This dissertation includes six peer reviewed publications based on six stand-alone research projects spanning the period from 2010 until 2018. They all share the topic of home ownership and the Global Financial Crisis (GFC), but they each have their own theoretical framework. This introductory chapter aims to provide one single framework, that encompasses the theories used in all six publications. A first journal article published in 2011, studied the variability of the impact of the GFC on housing transactions in five West European countries. As it turned out in this article, the Dutch housing market has specific characteristics that makes it more sensitive to a crisis than some other countries. Two 'sequel' journal articles, both published in 2018, investigated in more detail which household characteristics have the strongest relation with transaction declines in the Netherlands.

A journal article published in 2013 investigates the backgrounds to international variations in housing repossession in Western and Southern Europe during the GFC. After finding that Spain was the country with the highest incidence of repossessions, two subsequent publications explore Spanish societies' search for housing policy alternatives that reduce the risk of a recurrence of the problems. One journal article of 2017 addresses multi-level (regional and national) government policy responses, while a book chapter of 2018 studies two Madrilenian cooperative housing projects. The latter serve as examples for non-commercial housing provision.

The first section of this introduction reflects shortly on the era from the ending of WWII until the Global Financial Crisis of 2008, when owner-occupied housing sectors expanded significantly throughout Western Europe. The accelerated expansion from the 1990's until the mid 2000's already sparked warning signs about the possibility of large-scale problems for European home owners during an economic crisis. During the GFC, it became evident that its' impact on housing markets varied quite strongly per country. These international variations formed my main motivation to commence an inquiry into the backgrounds. The second section proceeds with a formulation of the main lines of inquiry. The third section presents the theoretical framework for this dissertation, which draws together the theories that were used in the six publications. Section 1.4 presents the research questions while section 1.5 introduces the publications, five peer reviewed journal articles and one chapter in a peer-reviewed book.

1.1 Backgrounds to this thesis

The expansion of owner occupation in Europe

Owner occupation increased significantly throughout Western and Southern Europe from the post WWII era until the end of the second millennium (see table 1.1). Ruonavaara (1990) was one of the first to search for explanations to this growth and he identified four factors: consumer's choice, policy preferences, producer's predilections and a systems approach which combines the first three factors. The *first explanation* focuses on the post WWII growth of a broad middle class that earns stable and sufficient income to take out a mortgaged loan (see e.g. Ruonavaara, 1990). This explanation suggests that all households have a 'natural' preference for owner occupation and those who reside in the rental sector experience an insurmountable financial barrier to enter into owner occupation (see e.g. Saunders, 1990; Welfeld, 1988). An objection to this argument is that it does not explain the strong variations in the relative size of owner-occupied sectors across Western Europe. For instance, Germany and Switzerland have a broad, relatively affluent middle class (see OECD's IDD database), but a significant share of German and Swiss middle incomes does not live in owner occupation (see OECD Affordable Housing database). So, it appears that owner occupation is not a natural preference, in fact, it may be influenced by national cultural factors attributed to home ownership, such as meeting a social norm or enhancing self-esteem from property ownership (see e.g. Elsinga and Hoekstra, 2005). In other words, owner occupation is not necessarily the social norm amongst middle classes in *all* countries but it depends on cultural differences. Even in the USA, today regarded as a nation with a

strong home ownership ideal (e.g. Shlay, 2006), this ‘norm’ has evolved over time because 19th century middle classes in North America regarded an owner-occupied dwelling as an investment, rather than an object that fulfils a cultural ideal (Harris and Hamnett, 1987). Furthermore, it is quite likely that strong house price increases in several Western European countries (and the USA) have lured many households into owner occupation solely in pursuit of capital gains (see e.g. Shiller, 2005). In turn, this also forms one possible explanation for the decline of home ownership preferences after the onset of the GFC (see table 1.1).

In the absence of strong support for the argument that owner occupation is a natural preference, specific government’s ideologies have been advanced as a *second explanation* for the growth of owner-occupation (see e.g. Ruonavaara, 1990; Ronald, 2008; Kemeny, 1981). Political preferences that support owner-occupation became particularly dominant in the Anglo-Saxon world, where home ownership came to be regarded as ‘*a bulwark against bolshevism*’, a phrase that was first coined by Belmann (1927). Similar political statements were heard in Spain, where housing minister Jose Luis Arrese in 1957 coined what became a guiding Spanish housing policy principle ‘*Queremos un pais de propietarios, no de proletarios*’². Furthermore, the Catholic social doctrine has been influential in its’ support of home ownership in the predominantly Catholic countries of Southern Europe, Ireland and Belgium (see Poggio, 2012; Norris, 2016; De Decker, 2008). After a prolonged period of political-ideological emphasis of home ownership, it often becomes embedded as a cultural norm, thereby influencing preferences of individual households (see e.g. Gurney, 1999). The political predilection for home ownership on the British Isles and in Southern Europe contrasts to much of the West European continent and Scandinavia, where political coalitions between left and middle parties opened opportunities for the introduction of welfare policies with a broad and generous coverage. This included comparably large non-profit public and social rental sectors that offered a good alternative to owner occupation (see Kemeny, 2006).³ Such housing systems often also encompassed legal measures to grant tenure security and price regulation in the private rental sector. In case tenure security regulation is not in place, landlords can easily terminate the rental contract, making owner occupation a much more secure alternative.

Still, an *increase* in owner occupation is clearly visible in almost all countries until the GFC. For instance, France and the Netherlands ‘caught up’ while Swedish cooperative housing has come to resemble a tenure with individually owned condominiums, a far cry from the original non-profit alternative. This overall increase in home ownership, even in Switzerland and Germany, is attributed to a neo-liberal wave in political thinking after the economic crisis of the 1970’s (see e.g. Rolnik, 2013; Doling and Ford, 2003). Facing budgetary pressures, Western European governments commenced with several rounds of welfare restructuring, targeting costly social and public housing programmes (see Scanlon et al., 2015; Priemus and Dieleman, 2002). Neo-liberalisation also stimulated deregulation of mortgage markets and a process of ever loosening lending criteria (see e.g. Lunde and Whitehead, 2016; Aalbers, 2008). In the USA and several other countries, subprime mortgages, with relaxed lending criteria, allowed lower income groups and/or households who rely on unstable income streams, to enter into owner occupation (see e.g. Financial Crisis Inquiry Commission, 2011).

Furthermore, against the background of significant reductions in government’s income maintenance after unemployment, sickness or retirement, households have become increasingly aware that owner occupation provides an asset that can cushion negative income shocks. In fact, in the early 1980s, Kemeny developed a theory that connects a residual welfare regime, which only offers little income replacement after retirement, with a high incidence of owner occupation (Kemeny, 1981; Kemeny 2005). Indeed, an outright owned, unmortgaged home offers a rent-free dwelling for retirees. In the past two decades, new mortgage products have been introduced that allow retirees to draw on housing equity in order to supplement their pensions (see e.g. Doling and Elsinga, 2013; Al-Umaray et al, 2018). As such, the owner-occupied house is not just a roof over one’s head, but it has become *financialized* (see e.g. Aalbers, 2008). Financialization of the home also applies when owner occupiers

² “We want a country of property owners, no proletarians.”

³ The backgrounds to this political development are further explained in the section on welfare regimes.

increasingly regard their dwelling as a speculative investment that is expected to increase in value, rather than solely being an object for inhabitation.

Table 1.1 Proportion of owner occupation in Western and Southern Europe (and USA), as percentage of all households (dwelling stock), 1970-2017.

	1970	1980	1990	2000	2008 GFC	2017
Core countries in this thesis						
Netherlands	35	42	45	52	59	60
Spain	63	76	79	84	80	77
Other main countries in this thesis						
Germany*	36	38	39	43	46	45
Belgium	55	61	64	69	67	63
United Kingdom	51	56	66	69	67	63
Ireland	-	74	79	77	74	68
Other countries						
Austria	-	53	54	57	56	53
France	45	50	55	56	57	58
Switzerland	29	30	31	35	-	38
Italy	51	59	67	72	75	72
Portugal	-	57	65	74	74	-
Denmark	49	55	55	53	52	50
Sweden*	-	-	59	59	61	62
Finland	60	63	71	63	65	64
Norway*	66	74	78	81	-	77
USA	64	66	64	67	68	64

Sources from 1990 and onwards: Denmark, Finland, Netherlands, Sweden, UK (Great Britain) and USA, direct extraction from websites statistical offices. Austria, Belgium, France, Ireland (except 2017), Italy, Portugal, Spain, ECB structural housing indicators website. Germany: Statistisches Bundesamt (2019), Ireland: Central Statistics Office (2019), Norway: Lujanen (2004) and Statistics Norway (2019), Switzerland: Federal Statistical Office (2018). **Sources before 1990:** Denmark, Finland, Ireland, Sweden, UK (Great Britain) and USA, direct extraction from websites statistical offices. Austria, Belgium, Ireland, Italy, Portugal, ECB structural housing indicators website. Belgium, Germany, France and Netherlands 1970 and 1980 from Boelhouwer and Van der Heijden (1992). Italy (1970 and 1980) and Spain (1970) from Balchin (1996). Norway: Gulbrandsen (2004). Switzerland: Federal Statistical Office (2018).

Notes: Germany refers to the former West German Federation. The total percentage for Germany is around 43% in 2017. Netherlands data include an old definition for the sake of presenting a longer time series. Around 2010 a registration concludes that owner occupation stands at around 55%. Sweden and Norway include cooperative ownership of multi dwelling complexes. In Sweden this amounts to around 1/3 of all owner-occupied dwellings.

Furthermore, against the background of significant reductions in government's income maintenance after unemployment, sickness or retirement, households have become increasingly aware that owner occupation provides an asset that can cushion negative income shocks. In fact, in the early 1980s, Kemeny developed a theory that connects a residual welfare regime, which only offers little income replacement after retirement, with a high incidence of owner occupation (Kemeny, 1981; Kemeny 2005). Indeed, an outright owned, unmortgaged home offers a rent-free dwelling for retirees. In the past two decades, new mortgage products have been introduced that allow retirees to draw on housing equity in order to supplement their pensions (see e.g. Doling and Elsinga, 2013; Al-Umaray et al, 2018). As such, the owner-occupied house is not just a roof over one's head, but it has become *financialized* (see e.g. Aalbers, 2008). Financialization of the home also applies when owner occupiers

increasingly regard their dwelling as a speculative investment that is expected to increase in value, rather than solely being an object for inhabitation.

Ruonavaara (1990) identified producer choices as a *third explanation* for the growth of owner occupation. This explanation stresses the role of commercial enterprises such as finance sectors, who seek new markets and therefore target (and reach) an ever-increasing proportion of the population with mortgage product innovations. For instance, the introduction of mortgages without down payment requirements can help younger households to enter into owner occupation, while mortgages with looser income criteria can assist flexworkers with variable income streams to acquire an owner-occupied dwelling. The evolution of the property development industry, who offer housing for sale to prospective owner occupiers, is also regarded as a determinant of the expansion of home ownership. As early as the 1920's, the very first large-scale speculative property developers emerged in the USA, offering turn-key dwellings to the housing consumer (see Harris, 2009; Hayden, 2004). Once these large developers and mortgage lending industries are established, they can become quite dominant in promoting owner occupation to the general public, while also influencing political parties with their lobbies.

Ruonavaara (1990) proposes a *fourth explanation* that combines all three aforementioned factors into a systemic explanation. For instance, political preferences for home ownership may be based on individualistic traditions in a nation. In turn this political-societal context influences the way in which commercial enterprises such as banks, institutional investors and property developers operate. In case political and societal preferences had gravitated towards private rental, commercial enterprises may have adapted their strategies to this context, for instance by offering mortgaged loans and turn-key housing complexes to large institutional investors. It is, however, beyond the focus on this introduction to dig into the exact mechanisms of such systems; here it suffices to be aware of a systemic explanation that combines preferences of consumers, producers as well as political ideals.

The Global Financial Crisis and the first impacts on the housing market

Many researchers, both in Western Europe and in North America, had sufficient foresight to warn about the risks of a high proportion of owner occupiers, because it implies that a significant number of socio-economically vulnerable households are home owners (see e.g. Shlay, 2006; Ford et al, 2001). Another concern was that the neo-liberal wave prescribed government retrenchment from social security and endorsed flexible labour relations (see e.g. Doling and Ford, 2003). This directly poses a higher mortgage payment risk for the owner-occupied sector at large. Whereas during economic growth, 'flex workers' will often be able to string together temporary jobs, this is often not the case during adverse economic circumstances.

The Global Financial Crisis (GFC) originated in the USA and was triggered by some of the aforementioned concerns. Many economically vulnerable households, who had taken out risky subprime loans, started missing payments from the spring of 2007 and onwards (see e.g. Bailey et al, 2008). Because vast numbers of American subprime mortgages were packaged within 'innovative' investment products for the international financial markets, this ultimately materialised into the catastrophe of the GFC of 2008-2009 (see e.g. Aalbers, 2008; Financial Crisis Inquiry Commission, 2011).

As the GFC unfolded, it became evident that all major economies of Western Europe experienced significant GDP declines (see table 1.2). Interestingly, in the immediate aftermath of the GFC, around 2009, a couple of important housing market indicators revealed significant international variations. For instance, in Germany and Belgium, housing market transactions seemed quite immune to GDP decline. Furthermore, Ireland and Belgium, countries with very large owner-occupied sectors, reported few problems with regard to repossessions, whereas problems immediately arose in the 'home ownership societies' of Spain and the UK. Germany also experienced a significant number of repossessions, but this number was actually on the decline during the GFC, as the nation recuperated from economic turmoil in the early 2000s. Furthermore, Ireland is an intriguing case, because the number of transactions declined severely, while the number of repossessions is negligible. A similar pattern is visible in the Netherlands, but it must be noted that this country still has a relatively small

owner-occupied sector which, compared to Ireland, accommodates smaller numbers of vulnerable low-income residents.⁴

In sum, GDP declined considerably in all the countries mentioned in table 1.2, but housing market indicators vary strongly. This observation forms the point of departure for my dissertation. How can these variations be explained? The relative size of the owner-occupied sector might play a role, but more factors need to be investigated in order to gain a more comprehensive understanding. In the next section I will present the research objective and a first general conceptual framework.

Table 1.2 GDP decline during the GFC and changes of housing transactions and repossessions in Western Europe.

	Δ GDP 2009	Index existing dwelling transactions 2009 (2006=100)	Repossessions 2008-2010
Netherlands	-3.7%	60.8	9,000
Spain	-3.6%	48.5	110,000
Germany	-5.6%	109.7	80,000*
Belgium	-2.3%	94.9	Nav**
United Kingdom	-4.2%	51.4	124,000
Ireland	-5.0%	29.3	600

*But declining during the GFC (!) after economic German turmoil in the early 2000's.

**Around 25,000 mortgage arrears.

Sources: Eurostat; European Mortgage Federation; Cano Fuentes et al, 2013; National Bank Belgium

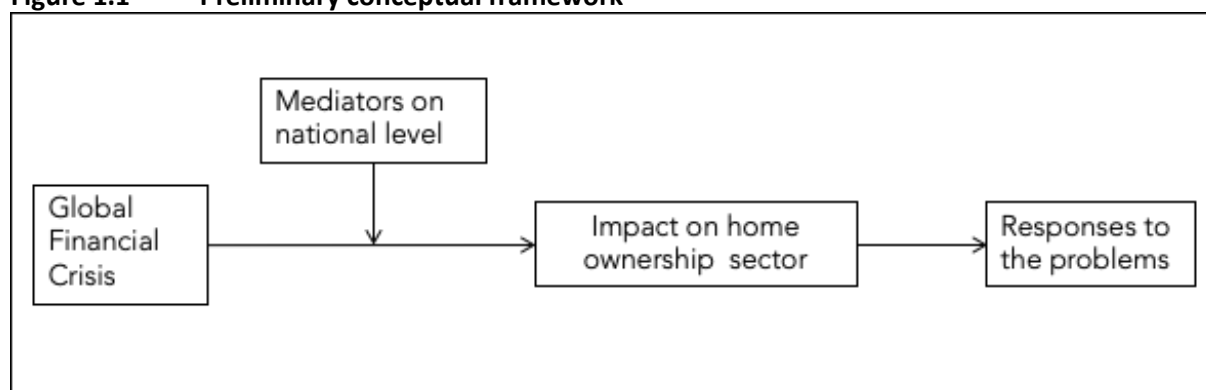
1.2 Research objective

The overarching objective of this thesis is to gain an improved understanding of factors that determine the impact of the Global Financial Crisis on national home ownership markets. A related objective is to find how societies in the most affected countries have responded to the problems.

Figure 1.1 depicts a first, preliminary sketch of the relevant mechanisms for the theoretical framework. Mediators on the national level can play a role in dampening the impact of the GFC on home ownership sectors. This dissertation focuses on the impact of the GFC on housing repossessions levels and housing transactions (see also previous section for the motivation). The strong international variations in repossessions and transactions arguably require an explanation by institutional factors rather than solely relying on macro-economic factors such as GDP change. Comparative housing research literature from before the GFC suggests that on the national level, the risk of repossessions (and arrears) are mediated by institutions such as mortgage lending regulation, social insurance and labour market regulation (see e.g. Neuteboom, 2008; Doling and Ford, 2003). Furthermore, a relatively large owner-occupied sector often accommodates a relatively high proportion of economically vulnerable households, which increases the risk of repossessions. In similar vein the impact of the GFC on housing transactions is expected to be mediated by specific national factors. Typical national housing systems, as identified in the Structure of Housing Provision literature (see e.g. Ball et al. 1998; Martens, 1990) are expected to play a role but this body of work paid little attention to the sensitivity of national housing systems to a crisis. The last box in the framework expresses the expectation that society responds to the problems, whether these are emergency responses to alleviate the most urgent problems or more structural responses that aim to avoid a recurrence of such problems.

⁴ House prices also show international variations, with increases in Germany and Belgium in 2009, while in the other countries they declined (see statistical annex A.4). However, house prices are no key topic of investigation in the publications used for this dissertation.

Figure 1.1 Preliminary conceptual framework



Delineation of the research

As indicated, the emphasis of the research will revolve around the impact of two crisis indicators on home ownership sectors: repossession levels and transactions. Transactions was the focus of a study conducted for the Dutch government (Dol et al, 2009) after policy makers became curious how the Dutch housing market collapse compared to surrounding countries. In similar vein, the dramatic increase of repossessions in Spain sparked questions as to how this compared to other countries, most of all by Spanish researchers themselves. So, the choice to focus on these two themes was prompted by immediate and urgent problems that swiftly emerged on the Spanish and Dutch housing markets. Several other West and South European countries to serve as comparisons. This choice was based on the knowledge of both my co-authors and myself about the housing systems in these countries.

1.3 Theoretical framework

1.3.1 Introduction

This theoretical framework uses an institutional perspective in explaining international variations of the impact of the GFC on repossession levels and housing transactions. Research from before the GFC indicates that factors such as national social security systems⁵, mortgage lending practices and mortgage market regulation play a role in explaining the incidence of mortgage arrears and subsequent repossessions (see e.g. Neuteboom, 2008; Doling and Ford, 2003). For the analysis of the influence of national social insurance systems on repossession risk, this dissertation draws on the much-used Welfare Regime framework of Esping-Andersen (1990). In addition, it uses work of Ferrera (2005a), who stressed that sub-national welfare regimes exist in several countries with strong regional autonomy or federal governmental structures. International variations in mortgage lending practices and mortgage market regulation have been studied quite extensively (see e.g. Whitehead and Lunde, 2016). Yet at present, no comparative perspective such as the Welfare Regime approach has been developed to assess the impact of national mortgage market factors on repossession risk. Still, the comparative literature on the subject is rich and offers several insights to make a general assessment of national mortgage market characteristics on the risk of repossessions.

With regard to housing transactions, there is no comparative institutional framework that can potentially explain international variations in the decline (or stability) of housing sales during a crisis. However, the Structures of Housing Provision approach offers a point of departure as it gives insights into the functioning of national housing systems under 'normal' conditions (see e.g. Ball et al, 1988).

⁵ Social security is a broad concept which distinguishes between social insurances and social services. Relevant for this thesis are employment related *social insurances* that entitle workers to a replacement income after becoming unemployed (or after becoming ill). These are usually of a limited duration. Relevant *social services* include safety nets of the last resort, i.e. a minimum income for (all) long-time unemployed as well as housing benefits.

In addition, the theoretical framework draws on the international literature on residential mobility (see e.g. Beer and Faulkner, 2011), because it appears that a crisis interrupts household and housing careers, in some countries more than in others.

The last part of the framework will focus on Spain, a country where the owner-occupied housing sector was much affected by the GFC. It will explore how the authorities responded to the problems and whether they sought for new policies that can avoid a recurrence of the problems in the future. This part will also present some civil societies actions in its' search for housing solutions that can be an alternative to commercial, for profit housing provision.

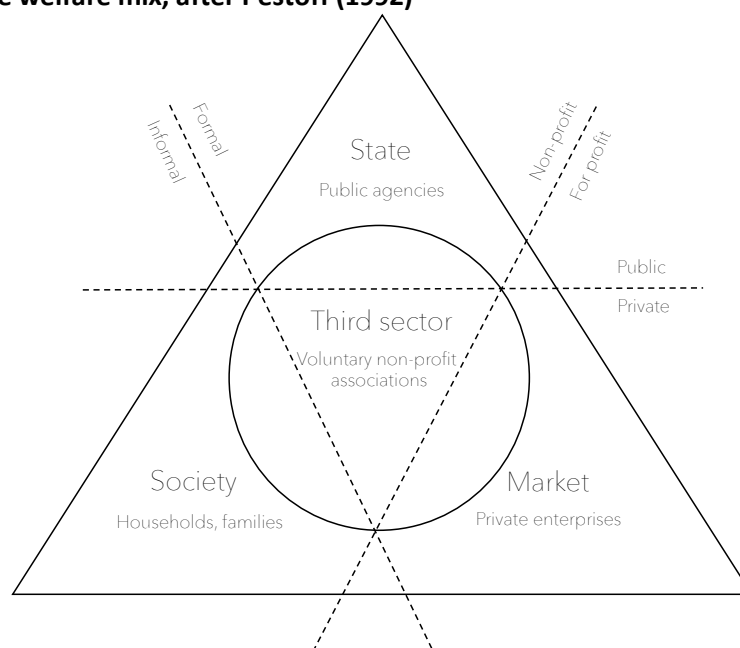
1.3.2 Mechanism that mediate international variations in repossessions

A. Welfare regimes: Income protection against adverse economic events in the international context. In his seminal work of 1990, Esping-Andersen identified three welfare regimes in the Western World, the liberal, the social democrat and the corporatist regime (Esping-Andersen, 1990). The Liberal Welfare Regime encompasses the Anglophone countries (UK, Ireland, USA). The Social-Democrat welfare regime is found in the Scandinavian countries. The Corporatist welfare regime is found on the West-European continent (the Netherlands, Belgium, Germany, Austria and France). Several years later Ferrera (1996) identified a distinct South European regime (Spain, Italy, Portugal, Greece). The main pillars of welfare are education, healthcare, protection against income decline by social insurances and other social services (see footnote 4 for the definition of the latter two pillars). The welfare regime framework is relevant here because it can explain international levels in repossessions through international variations in the generosity of social insurance systems. Relevant are also other social safety nets as well as restrictions on employees' dismissal, laid down in employment protection legislation (EPL). In providing social insurance and other social safety nets, different arrangements are possible with regard to the role of the state, the market, the family and the 'third sector'. The latter encompasses voluntary, non-profit organisations that can offer relief to the poor, such as the church, charities or collective (labour) unions. Each of the actors is able to play a role in supporting unemployed persons: the state can provide income assistance, the market can offer insurances that cover income loss, (extended) family can assist relatives and third sector organisations can offer poor relief. In practice, each welfare regime puts more emphasis on one of these four actors, creating a unique 'welfare mix', rather than operating a system where one of the actors monopolises welfare (see Pestoff, 1992, figure 1.2).

So, it is quite evident that each welfare regime will address new social problems, in this dissertation housing repossessions, with its' own typical welfare mix as a point of reference. A crisis may lay bare fundamental flaws of a typical national welfare mix, but because of vested interests of welfare institutions and a nation's ideological-cultural principles, it can be complicated to search for solutions beyond the usual approach. In 1996, Esping-Andersen coined the metaphor 'frozen landscapes of welfare' to describe the inertia of welfare regimes, but later research has established that welfare regimes do change (Hemerijck, 2013). Still, the old contours of welfare regimes usually remain visible: *"...policy adjustment has been regime specific, cautiously accommodating new benefits and services into existing institutional contexts."* (Hemerijck, 2013, p.377). It is therefore relevant to present some insights into the origins of welfare regimes because it helps in understanding how and why specific welfare regimes respond to (new) social problems.

Welfare regimes stem from industrialisation processes, class coalitions and cultural-ideological (religious) principles (see Esping-Andersen, 1990). Industrialisation created urban working classes, who demanded better working conditions, restrictions on wage cuts and protection against dismissal. Labour unionisation and the establishment of left-wing political parties were instrumental in exerting pressure on states to provide more social security for workers (see Esping-Andersen, 1990).

Figure 1.2 The welfare mix, after Pestoff (1992)



Another factor identified by Esping-Andersen (1990) is the role of electoral systems, which greatly determined the extent to which working classes were successful in pressing for welfare provision. Most West and South European countries operate a *proportional* voting system, where a political party with an absolute majority is rare. In these countries, governments are usually formed by a coalition of two large parties, often in conjunction with a small party. Therefore, voters in proportional voting systems often have no strategic considerations to cast a vote for a large political party, because smaller parties can join a coalition and press for their specific interests. On the European continent and in Scandinavia, ‘middle’ parties such as farmer’s parties and religious (workers) parties often regarded social-democrats as the best coalition partners in pursuing their interests, rather than joining a right-wing coalition (see Manow, 2008; Esping-Andersen, 1990). The UK is the only West-European country with a majority voting system, where each district winner takes a ‘district-seat’ to the national parliament. In the majority voting system, a vote for a smaller party is often a lost vote. So, in the UK, middle classes or specific interest groups will take into consideration that voting for the left-wing workers’ party as an alternative to right-wing party, renders an administration with an ‘inordinate’ socialist signature (see e.g. Manow, 2008). Right wing, conservative governments are therefore no exception in the UK, while labour has moved to the middle in order to retain some of the middle vote. In sum, voting systems rendered different class coalitions which subsequently influenced choices in designing Welfare Regimes.

Esping-Andersen (1990) also recognised the influence of *religion*,⁶ but it was much later that Van Kersbergen and Manow (eds., 2009) analysed the full scope of religious influences on the degree of social protection in Western welfare regimes. Calvinism is dominant in the liberal regime, Lutheran influences are clearly visible in the social democrat regime, while Catholicism is dominant in Southern Europe. In corporatist countries, Catholics were often an important religious societal group, but Calvinism (Netherlands) and Lutheranism (Germany) also played a role. It is beyond the scope of this dissertation to tread into all the details, but in short, *Calvinism* has a strong anti-state stance, formally laid down in the social doctrine ‘*sovereignty within the own circle*’ (see Van Kersbergen and Manow, 2009; Kahl, 2009). Furthermore, Calvinism has a strong work ethic which follows from a doctrine that regards “*work as a spiritual end in itself*” and “*poverty as a (divine) punishment for laziness*” (see Kahl, 2009). Calvinist doctrine even led to mandatory employment in 19th century English and North

⁶ Religion can be regarded as a proxy for cultural factors.

American workhouses, rather than having (lazy) poor people living of alms and charity⁷. *Lutheranism* also has a strong work ethic, but it takes a more lenient stance towards the poor. It urges poor people who can work to do so, but poverty is not stigmatised. In fact, Lutheranism regards poverty relief to 'deserving poor' as a societal duty, thereby opening opportunities for the formation of universal welfare arrangements. As Lutheranism became the state church in the Scandinavian countries there was little opposition to distribution of welfare by secular state institutions (Van Kersbergen and Manow, 1995). In *Catholicism*, the poor and the better off have, what can be regarded as a spiritual dependency. Giving alms to the poor is a good deed while the alms receivers offer prayers for the eternal salvation of charitable individuals. For the poor, the act of praying for charitable persons forms one of the routes of obtaining salvation. In fact, Catholicism does not stigmatise poverty but tends to glorify it (see e.g. Kahl, 2009).⁸ Catholicism does not prescribe an obligation to work, a significant difference compared to Calvinism and Lutheranism. It is also relevant that the Catholic Church had a longstanding tradition of providing welfare (poor relief, hospitals and schools) when industrialisation started, although this never encompassed universal coverage to all the poor. Catholic institutions regarded socialist demands for state provided welfare as a direct threat to the loyalty of their religious constituencies and their own system of welfare provision. They managed, much more than Lutheran state churches in Scandinavia, to organise workers into unions and political parties with Catholic affiliations (see Van Kersbergen and Manow, 2009; Anderson, 2009), demanding distribution of welfare through their own organisations (Esping-Andersen, 1990).

We now turn to a short description of the four welfare regimes and their respective policies to reduce the risk of income decline and subsequent mortgage arrears and repossessions. In the *Liberal welfare regime*, the dominant political ideology stresses that unrestricted enterprise, with little state regulation, renders the best societal outcomes. Firms have a key role in society, as they provide jobs and therefore they should not be hindered by regulation and be burdened with taxation. "Employment at will" and few limitations to employee's dismissal is a cornerstone in the liberal political economy (see e.g. Estevez-Abe et al, 2001). On the individual's level, the liberal ideology revolves around self-reliance and self-development (Esping-Andersen, 1990), which echoes the Calvinist social doctrines. The liberal regime dictates frugal unemployment benefits that cover a relatively small fraction of the previous income, while benefits are also of a short duration. Welfare recipients are stigmatised and urged to accept work on the shortest notice possible, another echo of the Calvinist social doctrine.

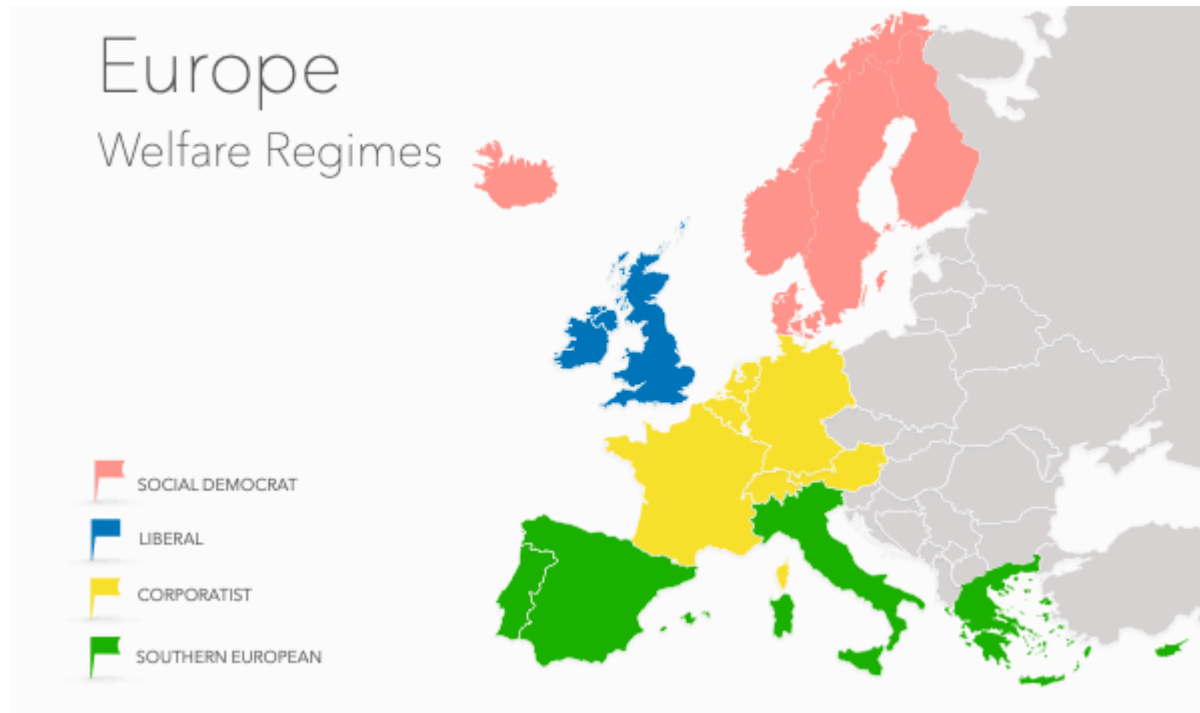
The *Social-Democratic welfare regime* promotes universal welfare provision for its population by the state, with social insurance and other social safety nets at a high standard and accessible to all (see Esping-Andersen, 1990). Scandinavian rural middle groups did not organise around religious defence interests, but they established parties that pursued small farmer's interests. They struck 'Red-Green' coalitions with socialists, rather than with liberal-conservatives, because they recognised that many social policies could benefit them in times of economic hardship (see Esping-Andersen, 1990). In the social democratic regime, employment protection legislation (EPL) is relatively relaxed, the motivation being that it allows for a flexible industrial sector (Estevez-Abe et al, 2001). With this comes a relatively generous income replacement after job-loss but of a relatively short duration, the latter reflecting the Lutheran work ethic. Short-time unemployment benefit entitlements are compensated for by Active Labour Market Policies, where the government supports unemployed workers in finding alternative work and in updating worker's professional skills (see e.g. Bonoli, 2010).

In the *Corporatist welfare regime*, coalitions were often moulded between socialist parties and Catholic religious 'defence' parties (see Esping-Andersen, 1990). The Vatican recognised the adverse effects of unrestricted capitalism on working classes, but it also aimed to preserve the traditional family values of the single male breadwinner and female care functions for children and dependent relatives. The final outcome, acceptable for both socialists and Catholics, is preservation of social status. In this, corporatism entails quite rigid employment protection legislation (Estevez-Abe et al,

⁷ The work of Charles Dickens suggests that workhouse conditions may have been harsher than begging in the street.

⁸ This includes the vow of poverty for members of religious orders.

2001), while unemployment benefits are generous for breadwinners (Esping-Andersen 1990, Hemerijck, 2013). Furthermore, the concept of suitable work for unemployed workers often implied that they need not accept a lower paid job, while they also do not need to accept a job in a different occupation (see Clasen, 1994 in Seeleib-Kaiser et al, 2009). Those that do not fall under collective labour agreements between unions and employers, such as the self-employed, freelancers and flexworkers, are entitled to public social safety nets, which grant a minimum subsistence level (see Hemerijck, 2013).



The South European welfare regime forms a distinct case, because compared to Northern Europe, the transition to industrialism took place much later. In the post WWII era, a significant share of the workforce was self-employed or working in (unorganised) rural employment (see Ferrera, 2005b, 1996). Only workers in the public sector and in large industrial complexes were able to pressure for better labour relations (Ferrera, 2005b). This materialised into a system where social insurance agreements only cover 'insiders'; employees in large industries and civil servants (see e.g. Ferrera, 2005b; Hemerijck, 2013). Social security for insiders resembles the strong protection of social status of male breadwinners in the corporatist regime (see also influence of Catholicism). "Outsiders" in rural work, self-employment or cyclical industries such as construction and tourism, have to rely on (extended) family when unemployed. For instance, Spain has formal legislation that obliges family to provide food to adult children or relatives in urgent need (see Nasarre Aznar, 2014).

Welfare regimes after neo-liberalisation and globalisation?

During de-industrialisation of the 1970s and a rapidly changing economy, it became clear that rigid EPL in the Corporatist and the South European welfare regime could potentially harm an increased need for a more adaptive, flexible labour force. In order to keep their competitive edge, Corporatist countries such as the Netherlands and Germany explored an alternative to rigid EPL. Neo-liberal thought, with its emphasis on (labour market) deregulation and a privatisation of public sectors has certainly been influential, but as mentioned earlier in this section, governments usually do not pursue fundamental changes and often aim to preserve the main principles their welfare regimes (Hemerijck, 2013). The Swedish model, with unemployment benefit entitlement of shorter duration and Active Labour Market Policies (ALMP) became an inspiration for several corporatist countries (see Bonoli, 2010). Such policies offer an alternative to those governments that were reluctant to adapt their

welfare systems into a neo-liberalist inspired model that only provides frugal social safety nets and hardly any EPL. In the South European welfare regimes, rigid EPL for ‘insiders’ remained in place before the GFC. During the GFC, South European governments came under budgetary pressure, but rather than dismissing civil servants, they often reduced wages while EPL remained intact (see e.g. Karger, 2014; Hemerijck, 2013).

The hypothesis here is that the Social-Democrat and Corporatist welfare regimes, even though not as generous as previously, were still able to avoid large scale reposessions after unemployment mounted during the GFC. Such also applies to a great extent to the ‘insiders’ in Southern Europe, but ‘outsiders’ run a serious repossession risk, especially when they were employed in cyclical industries such as construction and tourism. For the Liberal regime, there can be little doubt that reposessions will mount during a crisis, because of frugal social insurance measures.

Table 1.3 Ideal types of Western Welfare Regimes with core employment principles and income stability policies

	Liberal	Social Democrat	Corporatist	Southern Europe
Core employment principles				
Work ethic	Strong, mandatory work	Strong, activation into work	Ambiguous	‘Weak’
Labour market doctrine	Full employment, self-reliance	Full employment, dual earner	Full male employment	Full male employment
Social insurance (income maintenance)	Residual, small (voluntary insurance on market)	Universal	Employment based + social assistance	‘Insider’ employment based
Income stability policies				
Employment protection legislation (EPL)	Weak	Moderate	Strong	Very strong
Active labour market policies (ALMP)	Weak, self-reliance	Strong	Weak	Weak
Restrictions to flexwork, temporary contracts	Small	Small	Strong	See very strong EPL insiders, few restrictions for outsiders
Unemployment benefits	Small	Generous, short duration, link with ALMP	Generous, long duration	Generous, long duration for insiders, none for outsiders

Sources: Based on Hemerijck, 2013; Van Kersbergen and Manow, 2009; Hall and Soskice, 2001

B. Exposure to risky lending: international variations in mortgage lending practices?

Another relevant factor to assess the risk of a housing repossession is the exposure of home buyers to risky lending practices. For the present study, a classification of countries by their riskiness of mortgage lending practices, similar to the Welfare Regime approach, would have great merits, but such classifications are rare. Recently several typologies have been forwarded (Blackwell and Kohl, 2019; Fernandez and Aalbers, 2016; Schwartz and Seabrooke, 2009) while others construct composite indicators per country (Fuller, 2015; IMF, 2008). However, a comparative (quantitative) assessment of

repossession risks of national mortgage lending practices, such as the one by Neuteboom (2008) is quite rare.

It is beyond the scope of this dissertation to construct a repossession risk indicator or a classification of countries by shared repossession risk profiles. However, there is enough empirical material from the aforementioned studies to provide a rudimentary overview with a selection of four important 'risk of repossession' indicators (see table 1.4). In table 1.4, West and South European countries have been distributed according to the welfare classification, but this is merely to present a 'regional' perspective. Indeed, the extant literature has not found any strong relation between mortgage market indicators and welfare regimes (see Fuller, 2015, Schwartz and Seabrooke, 2010). The only clear finding from this literature is that in liberal political economies, mortgage lending is often less regulated than in most other countries (see e.g. Fuller, 2015).

The first of the four repossession risk indicators for this thesis' framework focuses on national variations in the percentage of mortgagees. Table 1.4 shows strong international variations in the percentage of mortgagees, but there appears to be a Scandinavian cluster. The Scandinavian cluster can be explained by generous fiscal treatment of paid mortgage interest (see Lujanen, 2004; OECD affordable housing database PH2.2). Favourable tax treatment also explains a high incidence of mortgaged owner occupiers in the Netherlands (see e.g. Neuteboom, 2008). In these countries, a high proportion of mortgaged home owners does not necessarily imply more risk, because it is mostly a fiscal strategy. *A second indicator* is the interest type. Long term fixed interest rates can hedge against abrupt interest fluctuations. Interest type varies strongly across European countries, with Ireland, Austria, Spain, Portugal and Sweden having particularly high proportions of mortgages with a (risky) variable interest rate. *The third indicator* is the availability of subprime mortgages, which can rapidly become unmanageable under adverse economic events. Subprime mortgages were often extended to households with flexible income or insecure labour contracts, thereby enhancing the risk of arrears and repossessions (see e.g. Bailey et al, 2008). They are found in the liberal regime (UK and Ireland) which can be explained by their tendency to deregulate markets. In a few other countries some subprime (or exotic) mortgages were available but there is no clear regional link. *The fourth indicator* is the swiftness of repossession procedures. Whereas banks may lament long repossession procedures because arrears can spiral out of control, a more positive stance is that it allows home owners the time to solve their problems. Regardless of possibilities for swift repossession procedures, collective learning processes amongst mortgage lenders can lead to more leniency towards troubled home owners. For instance, after oversupply of repossessed dwellings on the housing market during the 1990s crisis in the UK, many mortgage lenders now practice forbearance rather than swiftly repossessing the dwelling (see Wallace and Ford, 2010).

Usually, overviews of risk indicators for home ownership include the maximum LTV per country (see e.g. Neuteboom, 2008), but it is not directly associated with repossession risks⁹. However, the maximum LTV is an important indicator related to stagnation of housing transactions and residential mobility and therefore it will be included in the next part of the framework (see section 1.3.3).

Combining the four indicators does not produce very clear patterns where all indicators score persistently 'high' or 'low' per country or welfare regime. However, it is quite evident that the UK, Ireland and Spain carry a relatively high risk profile compared to the other countries, while the Netherlands can be positioned in a fourth place. For Belgium and France, all four indicators gravitate towards a relatively low risk. The other countries, in the middle, do not score high on all four indicators but they are by no means exposed to relatively small risk. For instance, a particularly high proportion of variable mortgage rates in Austria, Portugal and Sweden exposes many owner occupiers to interest rate risks and subsequent mortgage payment arrears.

⁹ Still, a high LTV at the time of the acquisition of the dwellings forms an indirect repossession risk indicator because it can lead to negative equity after house price declines. In case households face both negative equity and mortgage arrears, they will often hesitate to sell up their property because there will be a significant debt after the sale. In such an event mortgage arrears will mount even further, ultimately leading to a repossession.

Table 1.4 Mortgage market characteristics related to repossession risk, around 2008

	% of owner occupiers with a mortgage (2016)	% of mortgages on variable rates (2008)	Availability Subprime products at start GFC	Foreclosure procedures (2009)
<i>British Isles</i>				
United Kingdom	56	52.4	Yes	Swift*
Ireland	47	82.3	Yes	Long
<i>Continental</i>				
<i>Western Europe</i>				
Germany	51	15	Some	Swift
Belgium	58	2.5	No	Long
Austria	46	63.6	No	Swift
France	48	15.1	No	Long
Switzerland	91	No data	No	No data
Netherlands	88	14.8	Some	Swift
<i>Southern Europe</i>				
Spain	40	90.9	Yes	Swift
Italy	22	No data	No	Very long
Portugal	49	95.7	No	Long
<i>Scandinavia</i>				
Denmark	77	No data	Some	Swift*
Sweden	84	65.4	No data	Swift*
Finland	59	No data	No data	Swift
Norway	75	No data	No data	Swift*

Sources: % of owners with a mortgage = Eurostat 2016; Variable interest = European Mortgage Federation; Subprime = Dubel and Rothmund, (2011), Cano et al, (2013); Foreclosure procedures = ECB, 2009; Neuteboom, 2008.

The data show no clear regional clusters are visible, but still, the two Liberal countries show some comparable pattern in three of the four indicators, with a relatively high incidence of variable interest rates, availability of subprime products and relatively swift repossession procedures. From this perspective, Spain can be positioned in the Liberal cluster because it shares these three characteristics. In turn, Spain forms the exception from the other two South European countries. No clear patterns at all are visible in the continental cluster, because each indicator shows considerable variation between countries. Because data lack for two indicators in Scandinavia, it is not possible to conclude that there is a strong case for a distinct Scandinavian cluster in mortgage lending practices. Yet it is striking that all Scandinavian countries have a relatively high proportion of owner occupiers with a mortgaged loan, while repossession procedures are also quite swift. So, the overall conclusion is that there is, at present, little empirical basis for regional clusters in mortgage lending practices and their associated repossession risk profiles.

1.3.3 Mechanisms that determine variable impacts on housing transactions

Introduction: Dwindling housing transactions during an economic crisis?

Arguably, an economic crisis negatively impacts on consumer confidence, leading to a decline in demand for owner occupied housing. Furthermore, unemployment itself, but also the mere uncertainty about one's employment position can lead to postponement of the acquisition of a home. Price declines and the associated problem of negative equity, where the mortgaged loan is higher than the value of the dwelling, can lead to even more stagnation on the housing market. Once they are facing negative equity, even those owner occupiers who have a secure income position may decide

against a relocation. This line of reasoning gives several explanations for declining housing transactions during an economic crisis, but it hardly accounts for the international variations shortly after the onset of the GFC; transactions dwindled in the UK, Ireland and the Netherlands, while they remained relatively stable in Germany and Belgium (see table 1.2, page 8). For the present framework, the influence of international variations in loan-to-value ratios (LTV) and the associated risks of negative equity on housing market stagnation are further explored. Secondly, an investigation into the typical characteristics of national housing markets may shed more light on the sensitivity of housing transactions on the country level.

High Loan-to-Value and the risks of negative equity

First time buyers who take out a high LTV, run a risk of facing negative equity, especially in the first years after the acquisition of the home. Negative equity complicates a residential move, because any remaining debt has to be paid to the mortgage lender. Traditionally, the risk of negative equity urged mortgage lenders to maximise the LTV to 80%, although there was usually no formal legal maximum. However, a study by Whitehead et al (2016) shows that a maximum LTV of 100% has become more widespread in Europe in the past decades, although this does not imply that taking out 100% LTV is a common practice (see table 1.5). For instance, banks in France and Austria explicitly advise mortgage applicants to provide a down payment, even though 100% LTV is possible (see Dol and Van der Heijden, 2013).

A 'typical' LTV for first time buyers (table 1.5) of more than 80% implies an increased risk of negative equity during a crisis as it suggests that a significant proportion of first-time buyers takes out 100% LTV. Still, some countries have promoted high LTV's by providing government backed *mortgage guarantees*, because they argue that saving for a down payment unnecessarily delays entry into home ownership. The Netherlands, France, Finland and Sweden offer state-backed mortgage guarantees to specific target groups (see ECB, 2009; Elsinga et al, 2009; Elsinga et al, 2004). However, such guarantees only cover remaining debt after a repossession and they do not pay out in case a household voluntarily wishes to move, for instance after household expansion (childbirth) or because of employment opportunities elsewhere. Other countries have taken a more cautious approach by supporting *home savings schemes* in order to accumulate savings for a down payment (see e.g. Dol and Van der Heijden, 2013). Germany, Austria, France, Finland and Norway operate such schemes, each with their own typical conditions. With the exception of Norway, participation in a home ownership scheme also entitles the depositor to a special low interest loan that covers part of the total loan requirements.

In several countries, the maximum LTV depends on the economic circumstances (see e.g. Geanakoplos, 2010). Under conditions of (prolonged) house price increases, mortgage lenders are often inclined to offer higher LTV's, because under such circumstances, the risk of a remaining debt after a repossession is small. An increasing availability of *interest only loans* across Europe in the years before the start of the GFC also seems to be related to house price hikes (see e.g. Scanlon et al, 2008). Usually, interest only loans include a repayment vehicle (investment portfolio, life insurance), reducing the risk of negative equity, but in the Netherlands and the UK, a significant proportion went without any repayment vehicle (Scanlon et al, 2008). However, a later study by Scanlon et al (2011) indicates that the availability of interest only mortgages became more limited in the aftermath of the GFC, confirming the idea of cyclicity in mortgage markets.

Overall, table 1.5 shows considerable variation between countries, while there is also little evidence for regional clusters. Still, table 1.5 suggests a relation between mortgage guarantees and high typical LTV's for first time buyers. Again, these instruments are valuable in covering any remaining debt after a repossession, but they can lead to negative equity and impede relocations of households who voluntarily wish to move. Although home savings schemes are used in France, Germany and Austria, the data suggest that only in Germany this leads to a low typical LTV for first time buyers. In France and Finland, both mortgage guarantees and home savings schemes are available, giving first time buyers an option between quick access into owner occupation or a somewhat slower 'savings' route. The absolute front runner of high LTV is the Netherlands, which has been stimulated by a mortgage guarantee with a wide coverage for both first-time buyers and existing home owners (see

Elsinga and Dol, 2003). Furthermore, in the years before the GFC, the Dutch mortgage market was also quite unique as about 40% of Dutch home buyers took out an interest only loan without a repayment vehicle (see e.g. Scanlon et al, 2008). High LTV's are also found in the UK, France and Ireland, but the availability of interest only loans without repayment vehicles was much smaller in these countries. Interestingly, no mortgage guarantees are available in the UK and Ireland, even though lenders offer high LTV loans. Possibly this has been stimulated by spectacular long-time house price increases, in combination with a less regulated financial environment, which also allows subprime loans (see table 1.4).

Table 1.5 Mortgage lending practices around 2008

	Max LTV (prime circuit)	Typical LTV first time buyer	Government backed Mortgage Guarantee	Home savings schemes
<i>British Isles</i>				
United Kingdom	100	90	No	(after 2008)
Ireland	100	83	No	No
<i>Continental</i>				
<i>Western Europe</i>				
Germany	80	70	No	Yes
Belgium	80	80	No	No
Austria	100	84	No	Yes
France	100	91	Yes	Yes
Switzerland	80	--	--	No
Netherlands	125	101	Yes	No
<i>Southern Europe</i>				
Spain	100	73	No	No
Italy	80	65	No	No
Portugal	--	71	No	No
<i>Scandinavia</i>				
Denmark*	80	--	No	No
Sweden	100	--	Yes	No
Finland	90	81	Yes	Yes
Norway	100	--	--	Yes

*Many Danish FTB take out an additional loan at another bank to overcome the down-payment hurdle (see Dübel and Rothmund, 2011)

Sources: Max LTV, typical LTV = ECB, 2009 and Bank of England; Home savings schemes = Dol and van der Heijden, 2013; Mortgage Guarantees = ECB, 2009 and Elsinga et al, 2004

Typical structures of the housing market

Several comparative studies of the 1980's and 1990's identified international differences in both new housing provision and in the characteristics of the existing housing market (see e.g. Ball et al, 1988; Martens, 1990; Barlow and Duncan, 1994). These are relevant for the present study because they potentially explain the sensitivity of national housing markets to a crisis. First of all, a distinction can be made between new housing provision by for-profit property developers and self-provided housing. Self-provided housing encompasses a practice where a prospective owner occupier acquires a building plot (or an older existing dwelling to demolish/renovate), commissions an architect for the dwelling design and hires a contractor to build the edifice (see e.g. Dol et al, 2012). Housing systems with much self-provided, detached housing coincide with relatively low levels of residential mobility, because the dwelling is built with the perspective of a prolonged residence. There is no need to relocate to another dwelling after household expansion because additional floor space requirements can be

accommodated by expansions to the detached dwelling. This system contrasts to a context where for-profit developers dominate the owner-occupied construction market. They build a variety of dwelling types that each accommodate a single phase in the household career, such as apartments, terraced (row) houses and semi-detached dwellings. Property developers usually build more luxury and spacious dwelling types than in the existing market, because this strategy generates the highest profits¹⁰. Such dwellings attract more affluent households who are often further in their household career. They move out of an existing, smaller house, which is acquired by another household, and in turn this household vacates a small dwelling for a first-time buyer. Housing researchers and practitioners refer to this process as moving on ‘housing ladders’ or ‘property escalators’ (see e.g. Barker, 2004; Schilder and Conijn, 2013).¹¹

During a crisis, the trading-up process on the housing ladder is impeded because many households delay their next move, be it because of uncertainty over the economic circumstances (unemployment risk) or because of negative equity. This contrasts to systems with self-provided housing, where households do not need to relocate to accommodate household changes. Overall, a system with a ‘housing ladder’ seems to be more sensitive to economic change than the ‘immobile’ self-provided housing system (see Barlow and Duncan, 1994). In fact, a form of speculation exists in the system with housing ladders, because owner occupiers need stable, and preferably increasing house prices in order to be able to move to another dwelling. This especially applies to younger households who start their housing career in a small dwelling with the intention of moving up the housing ladder in due time. Furthermore, the role of for-profit developers should be considered when assessing the sensitivity of a housing system to a crisis. Usually these companies acquire land and commence construction, selling dwellings ‘off paper plan’ during the construction process or after they have been built. Such a practice involves a high degree of speculation about the saleability of the project because it cannot be predicted whether economic circumstances change during the long development process. It can lead to an overhang of unsold dwellings, which potentially affects property prices on the entire housing market in a negative way. Yet the (in)sensitivity of housing transactions to the economic cycle as a result of typical housing (provision) systems is a theoretical construct that has not been put to the test on a comparative basis during an international crisis such as the GFC. The present dissertation aims to validate this hypothesis.

In case there is, on the macro level, proof for a stronger impact of the GFC on transactions in owner occupied systems with housing ladders (and speculative property development), it is also worthwhile to investigate which mechanisms exactly take place on the micro level. Does residential mobility of specific household profiles stagnate more profoundly, as suggested above for younger owner occupiers? Another factor that may play a role in stagnation of residential mobility is the ongoing flexibilisation of the labour market. From the 1980’s and onwards life-long positions with high job security have become less common in many European societies (see e.g. Atkinson, 1984; Hemerijck, 2013). Arguably, a high proportion of flexworkers and freelancers in home ownership could impact residential mobility levels even more severely, as flexworkers are usually able to obtain a mortgaged loan during an economic boom, but this may become a problem during a crisis, when lenders become more risk averse. The previous ideas are further investigated in this dissertation.

1.3.4 Responding to the problems and avoiding a recurrence?

As Forrest and Yip (2011) stated, “*proclamations of the end of neo-liberal capitalism*” and the demise of home ownership ideologies seemed somewhat premature in the aftermath of the GFC. Still, against the background of a very strong, government supported Spanish home ownership ideal, which

¹⁰ This is based on statements by housing developers during informal talks. To the best of my knowledge this topic has received little attention in the academic literature.

¹¹ Ball et al (1988) and Martens (1990) distinguished between *unified* and *fragmented* housing systems to describe the contrast between systems with high and low residential mobility. However, they did not link this directly with systems of new housing provision, which is done here in this framework.

culminated in a home ownership rate of 84%, the Spanish repossession crisis has been a stimulus to reconsider home ownership as the ideal tenure for *all* households (see e.g. Nasarre-Aznar, 2014; Pareja-Eastaway and Sanchez-Martinez, 2017). As the 17 regional Autonomous Communities have a high degree of autonomy over housing policy issues, their responses to the home ownership crisis are relevant. Furthermore, a crisis can encourage civil society to reconsider traditional policy approaches. It is therefore also relevant to explore how Spanish civil society responded to the crisis and reconsidered the Spanish home ownership dogma. The emergence of the Spanish housing cooperatives sector is an example of such a response and therefore it will be investigated in this dissertation.

Realignment of housing policies in the Spanish multi-level governance context

For the case of Spain, the typical governmental structure is relevant. After the demise of the Franco regime in 1977, the 17 Autonomous Communities have received more policy competences from the central government. Although the Spanish historical pathway is unique, regionalisation of policy competences and welfare provision are also found elsewhere in Europe. Two milestone studies by Ferrera (2005a) and McEwen and Moreno (2005) recognised this development and provided the first theoretical foundations for welfare research on the sub-national level. These milestones assert that several trends have influenced the emergence of sub-national varieties of welfare (see e.g. Vampa, 2016). One important factor is the neo-liberal influence that motivated central governments to retrench from welfare provision programs (see e.g. Vampa, 2016). In response, several sub-national governments have aimed to insert alternatives in order to alleviate the most poignant effects for (vulnerable) households. Furthermore, decentralisation of policy competences was implemented as a way to meet demands for more autonomy by regions with strong historical identities, such as Scotland, Wales, South Tirol, Flanders, the Basque Country and Catalonia (see e.g. Ferrera, 2005a, Vampa, 2016). In such localities, local elites have used new welfare policies as a means to muster loyalty of their constituencies (see Ferrera 2005a; McEwen and Moreno, 2005). For Spain, Gallego et al (2003) established that the Basque Country and Catalonia each have developed a variety to the standard Spanish welfare model. The Basque Country is considered a *publico-comunitario* variety, with a more active role of the government in welfare provision, while Catalonia is referred to as *mercantil-comunitario*, with more reliance on the involvement of the market in welfare provision. Other regional communities remained much closer to the standard Spanish model.

Such regionalist tendencies may find even more feeding ground when a central government does not offer relief to those affected by a crisis, be it out of unwillingness, inability or setting different priorities. Under such circumstances, regional authorities may be much inclined to step in, in a similar response to a context where central governments retrench from welfare provision. After so many Spanish owner occupiers were repossessed and became homeless, it is an intriguing question as to how the central government and the regions have responded to the repossession crisis. Furthermore, does the reconsideration of the Spanish home ownership ideology also bear a regional dimension?

Bottom-up housing cooperatives

The literature on cooperatives shows that bottom-up initiatives often emerge in response to a lack of decent market alternatives and/or after government's unwillingness or inability to intervene (see e.g. De Moor, 2013). This pertains to *housing finance*, where in the late 1700s, the English (lower) middle classes established Building Societies because they were underserved by existing banks (see e.g. Boddy, 1980; Fonteyne, 2007). Building Societies brought together savings from their members and extended housing loans. Today, cooperative banks such as Raiffeisen, Credit Mutuel, Rabo Bank, 'mutual' British Building Societies and cooperative German-Austrian Bausparkassen are still major players in housing finance. The first *housing cooperative* was established by workers in Rochdale, Northern England in 1844. These cooperatives aimed to reduce exposure of working classes against extortionate practices of private rental landlords, at a time when governments were hardly concerned with housing problems of the industrial working classes (see e.g. Silver, 2012). However, only in a few countries, housing cooperatives are now a significant tenure. In Germany, about 5% of the dwelling

stock consists of housing cooperatives, while in Sweden the percentage is around 20% (see GdW, 2018; Statistics Sweden). Italy is also notable, with about 3% of the housing stock, amounting to 670,000 housing units (see website Cooperative Housing International).

In the aftermath of the GFC, there is renewed interest in cooperative housing after government failure to provide affordable housing and the excesses of speculative housing developers (see e.g. Mullins and Moore, 2018). Housing cooperatives are built directly for a group of end-users and, similar to self-provided housing (see 1.3.3), create little risk of oversupply of new dwellings during an economic downturn. Furthermore, cooperatives can set their own prices, thereby isolating their dwellings from speculative price bubbles. As such, cooperatives have the potential to contribute to a more stable housing system.

Cooperatives are memberships organisations that operate on a non-profit basis. In housing, they come in four main forms (table 1.6). A housing finance cooperative alludes to the aforementioned Building Societies, while a building cooperative undertakes construction with the cooperative's members. Once construction has finished, the building cooperative is terminated and the dwellings are transferred to the owners. Dwellings can also be managed under collective ownership of the entire housing complex: a 'housing cooperative' where the cooperative is the owner and the inhabitants are members of the cooperative. In a '*rental*' cooperative, members pay a monthly fee to the cooperative for repayment of construction loans and maintenance-operational costs. Compared to rental housing, a rental cooperative offers the members self-responsibility for the maintenance and management of the dwellings. In an '*ownership*' cooperative, each member owns a share of the cooperative, giving the right to use a dwelling. Usually, they require a loan and/or savings to buy into the cooperative, while they also need to pay a monthly fee for maintenance-operational costs. Rents and shares of cooperatives are not exposed to free market forces and are often based on cost price of construction and maintenance. As such, ownership cooperatives can be affordable, but it needs to be stressed that for new cooperatives, construction costs and land prices are usually determined by market forces. As such they will only be affordable in case they receive subsidies.

Table 1.6 Types of cooperatives relevant for housing

Type	Main characteristics
Finance (Building Societies, Bausparkassen)	Cooperative provides loans to members for building construction or repairs.
Building cooperative	Cooperative undertakes building construction and/or develops land on behalf of members.
'Rental' cooperative	Cooperative owns housing development; member pays monthly fee to the cooperative.
'Ownership' (tenure) cooperative	Cooperative owns housing development; member buys a share that gives the right to use one of the dwellings.

Source: Ganapati, 2010

While cooperatives were established all over Europe during industrialisation by social movements and labour unions, research has shown that the enduring presence of housing cooperatives in Sweden and Germany is related to governmental support (Ganapati, 2010; Kohl, 2015). In this, Ganapati (2010) argues that social democracy may be more inclined to support housing cooperatives. In a liberal regime, cooperatives can meet political resistance because they interfere with commercial enterprise and profit maximising companies (see Ganapati, 2010). Based on its' subsidiarity principles, corporatism also tends to be positive towards bottom-up initiatives, but still this does not properly explain why Germany is the only continental corporatist country that has a significant cooperative housing sector.

In this thesis I explore the emergence of housing cooperatives in Spain in reaction to the unprecedented real estate crisis and the rout of property developers. Housing cooperatives hardly

existed in Spain and Spanish initiatives have looked to other countries for inspiration. How have they fared in an institutional context that has little experience with housing cooperatives?

1.4 Research questions

I use a somewhat different sequence for the research questions, compared to the theoretical framework they are derived from. For a framework with a strong comparative element, I assumed it logical to first present the Welfare Regime framework as it provides a comprehensive overview of international varieties in policy making (see 1.3.2). It also has some relevance for the subject of labour market flexibilization and the crisis. However, the welfare regime framework was used for a publication with regard to repossessions during and after the GFC, while two publications focus more on the aftermath of the repossession crisis and the search for a new, less risky housing system (see 1.3.4). So, I decided to cluster these three publications in the second part of the thesis. The other three publications address housing market problems *during* the crisis. Therefore, I thought it better to first start with the research questions emanating from the framework in section 1.3.3, on the sensitivity of national housing transaction levels to the GFC.

The *first* research question explores the first main theme in this dissertation, the backgrounds to the variable impact of the GFC on housing transactions in West European countries:

How do typical characteristics of European housing systems mediate the impact of the GFC on housing transactions?

The *second* research question follows up on the findings of the first research question. It explores for the Netherlands, where housing transactions plummeted, which mechanisms exist *on the micro, household level*. Can the stagnation of the Dutch owner-occupier sector also be attributed to specific household characteristics? Combining the results of research questions one and two will provide more comprehensive insights into the vulnerability of the Dutch owner-occupied sector, both from the housing system and the household level.

Which household characteristics have the strongest impact on the stagnation of transactions in the Netherlands during the GFC?

In addition, a (*third*) question can be raised how flexibilization of the labour market renders a more vulnerable owner-occupied housing market. Households with flexible labour contracts or the self-employed, may already experience structural barriers in entering home ownership, while this barrier may become even greater during an economic crisis:

Were Dutch households that depend on flexible employment affected more in terms of their tenure choices during the GFC, opposed to households with permanent job positions?

The *fourth* research question turns to the other major theme in this dissertation, the strong variation of the impact of the GFC on repossession levels in European countries. This question aims to shed more light on the impact of social security and mortgage lending practices on repossession levels. The reference point is Spain, where the increase of repossessions attracted much (international) attention:

How do European social security systems and mortgage lending practices mediate (or aggravate) the impact of the Global Financial Crisis on repossessions levels?

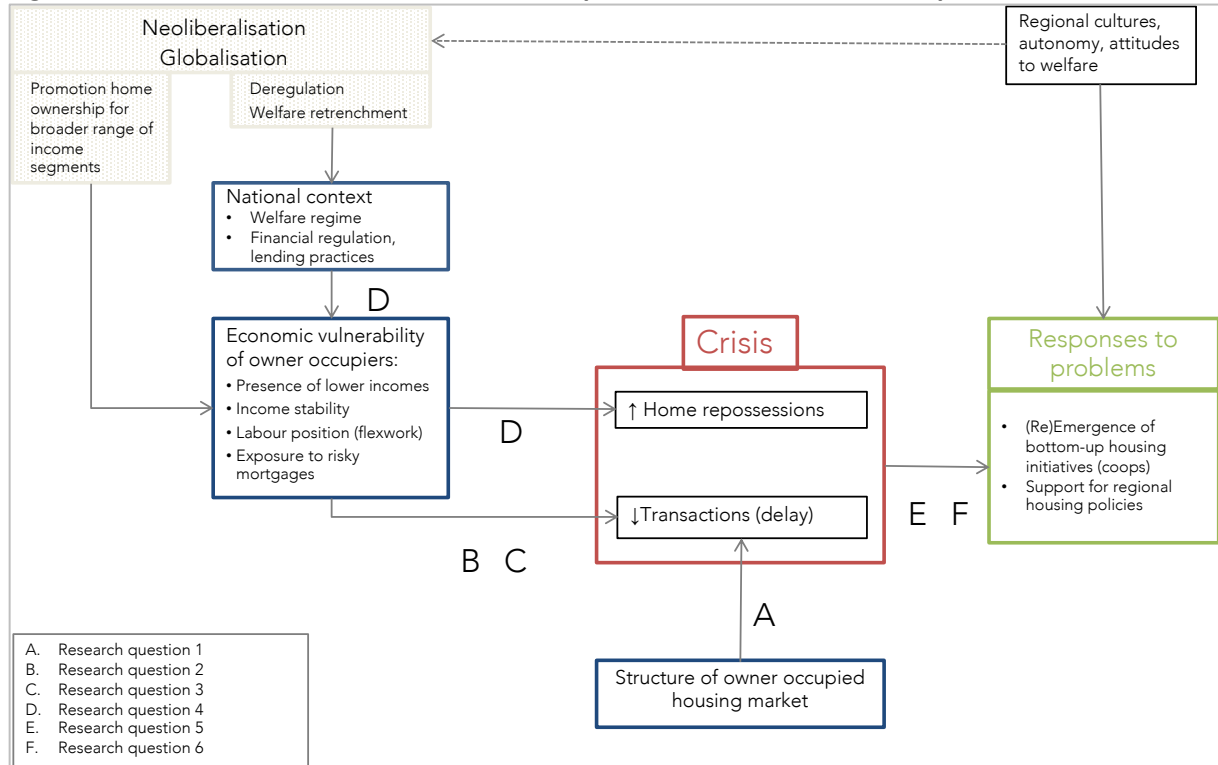
In Spain, societal concern grew over the unprecedented housing market and repossession crisis. In the complicated Spanish multi-level governmental structure, the question is how the central government and Autonomous Communities (regions) responded to this crisis. Furthermore, societal groups and several (local) politicians questioned the home ownership ideology and called for an exploration of other, more secure forms of tenure. The *fifth* research question explores the response in Spain's complicated multi-level policy framework:

What housing policy responses have been implemented on the national and regional level to assist troubled home owners and to avoid a recurrence of the Spanish repossession crisis?

The *sixth* research question addresses Spanish bottom-up initiatives, more specifically tenure cooperatives, which are new to Spain:

What are the experiences of newly emerging tenure cooperatives as an alternative to mainstream, commercial Spanish housing development?

Figure 1.3 Theoretical framework and the position of the individual chapters.



1.5 Introduction to the publications

This section presents the publications used in this thesis. Each publication provides an answer to a research question. *The first article* explores the premise that typical characteristics of national owner-occupied housing systems can lead to a different impact on housing transactions (research question 1). Five countries were selected for the investigation, the Netherlands, Belgium, Germany, Ireland and the UK. A study for the Dutch Ministry of the Interior formed the stepping stone for this article (Dol, van der Heijden and Oxley, 2010). Spain was not included in this article, because at the time the focus was on the Netherlands and its' surrounding countries:

Van der Heijden, H., Dol, K. and M. Oxley (2011). Western European housing systems and the impact of the international financial crisis. *Journal of Housing and the Built Environment*, 26(3), 295-313.

The *second article* (research question 2) explores more backgrounds to the sensitivity of the Dutch owner-occupied market on the micro-level and forms a sequel to Van der Heijden et al (2011). For the Netherlands, it investigates which household types were more affected in terms of residential mobility (transactions). The study used micro datasets of the Netherlands Housing Survey and multi variate methods.

Dol, K. and H. Van der Heijden (2018) The dynamization and subsequent vulnerability of the Dutch owner-occupied sector: An analysis of 1985 – 2012. *Economie et Statistique, special issue on housing*, No. 500-502, p.139-156

Dol and Van der Heijden (2018) encompasses a much broader study that is not only focused on the impact of the crisis on residential mobility but also on long time trends in residential mobility. It investigated whether the Dutch owner-occupied sector became more dynamic from 1985 until the early 2000s in terms of residential mobility (transactions).

The *third article* investigates how the propensity of flexworkers to move into an owner-occupied dwelling compares to workers with a permanent contract, both before and during the GFC (research question 3). Special, enriched datasets of the Dutch Housing Survey were used. This article is based on a study for the Dutch Ministry of the Interior and the Ministry of Social Affairs (Dol et al, 2014).

Dol, K. and Boumeester, H. (2018) Home ownership under changing labour and housing market conditions: tenure preferences and outcomes among freelancers and flex workers. *International Journal of Housing Policy*, 18:3, p. 355-382.

The *fourth article* explores to what extent social security systems and mortgage lending practices explain a strong rise of repossessions (research question 4). It compares the Spanish context to other West and Southern European countries. My previous work on risks of home ownership in the EU-funded OSIS project provided much background for this article.

Cano Fuentes, G., Etxezarreta, A., Dol, K. & J. Hoekstra (2013). From housing bubble to repossessions: Spain compared to other West European countries. *Housing Studies*, 28(8), 1197-1217.

The *fifth* and *sixth* publication turn to the issue on how the authorities and society in general respond to the dramatic impact on housing market. The focus is on Spain. The *fifth article* explores how the central government and three prominent Autonomous Communities, Andalusia, Catalonia and the Basque Country responded to the repossession problems (research question 5). It investigates both emergency measures to avoid repossession of troubled home owners, while it also explores whether these regions search for a more risk-free housing system, with less emphasis on home ownership. It also tentatively explores whether the responses of the Autonomous Communities can be regarded as steps towards a more regionalised form of housing policy.

Dol, K., Cruz Mazo, E., Lambea Llop, N., Hoekstra, J., Cano Fuentes, G. & A. Etxezarreta Etxarri (2017) Regionalization of housing policies? An exploratory study of Andalusia, Catalonia and the Basque Country. *Journal of Housing and the Built Environment*, 32:3, p. 581-598.

The *sixth publication* is a book chapter that dwells on the topic of bottom-up responses to the housing crisis (research question 6). It contains case studies on the experiences of two housing cooperatives in Madrid, Trabensol and Entrepatis. Housing cooperatives are quite new to Spain and these case studies provide lessons that can further advance this nascent housing sector.

Etxezarreta, A., Merino, S., Cano, G., Dol, K. & J. Hoekstra (2018), The emergence of housing cooperatives in Spain. In: Van Bortel, G., Gruis, V., Nieuwenhuijzen, J. & Pluijmers, B. (eds.). *Affordable Housing Governance and Finance: Innovations, partnerships and comparative perspectives*, p. 25-40. Routledge - Taylor & Francis Group.

1.6 Overview of data, methodology and countries-localities

This section gives a short overview of the data used, the methods and the selected localities. The chapters in this dissertation have used a variety of data sources and methods. Chapter two and five used macro statistics on the country level of which some were processed into an indicator. In chapter three and four, multivariate models were estimated using large scale household databases from the Netherlands Housing Surveys, by Statistics Netherlands. For chapter 4, Statistics Netherlands enriched these databases with information on employment position (permanent contract, freelancer, flexworker). Chapter five and six were largely based on an extensive study of policy documents. Finally,

the empirical data for chapter seven were gathered by doing fieldwork. Gala Cano Fuentes deserves all the credit for conducting the interviews and transcribing them.

Table 1.7 Data, methods and selected localities

	Data	Method	Countries-localities
Chapter 2	Existing macro statistics	Recalculation into indicators of relative transaction levels. Literature review.	Netherlands, UK, Ireland, Belgium, Germany
Chapter 3	Existing micro-database	OLS Regression. Multi variate model of owner occupiers and propensity of recent move. Literature review.	Netherlands
Chapter 4	Existing micro-database enriched	Logistic regression. Multi variate model of recently moved households and their tenure choices. Literature review.	Netherlands
Chapter 5	Existing macro statistics and policy documents	Analysis of statistics and policy documents. Literature review	Spain
Chapter 6	Policy documents	Policy document analysis. Literature review.	Spain, Andalusia, Basque Country, Catalonia
Chapter 7	Interviews residents and specialists	Semi-open interviews. Literature review.	Two cases studies in Autonomous community of Madrid

Statistical sources

Central Statistics Office Ireland (2019) *Census 2011 and 2016*.

European Mortgage Federation, *Hypostat* annual reports.

GdW Bundesverband deutscher Wohnungs- und immobilienunternehmen 2018.

https://www.gdw.de/uploads/pdf/infografiken/2019/Anbieterstruktur_Wohnungsmarkt_Deutschland.pdf

OECD *Affordable Housing Database* <http://www.oecd.org/social/affordable-housing-database.htm>

OECD *Income Distribution Database* <https://www.oecd.org/social/income-distribution-database.htm>

Federal Statistical Office Switzerland (2018) *Statistical data on Switzerland 2018*. Federal Statistical Office, Neuchatel, Switzerland.

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Chapter 2 Western European housing systems and the impact of the international financial crisis

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Abstract: The central proposition advanced in this paper is that differences in the structure of housing systems, and specifically the differences between dynamic and static housing systems, are crucial to an explanation of the varying impacts between countries of the international financial crisis. The proposition is illustrated with reference to Ireland, England, the Netherlands, Belgium and Germany. The impacts on housing markets and housing policies are considered and it is shown that these are more significant in dynamic than in static systems. It is argued that whilst the classification of housing systems as dynamic and static adds an important new explanation for the varying impacts of the crisis, this is most usefully viewed as a complementary, rather than an alternative, perspective to other sets of explanations.

Keywords housing system, financial crisis, housing market, housing policy

2.1 Introduction

This paper shows that a common external shock in the form of the international credit crisis had varying housing impacts in different European countries. There are two sorts of impacts considered. The first are essentially housing market impacts represented by changes in house prices, transactions and output and the second are policy impacts that are represented by the responses of government to the crisis. The policy responses that were aimed at finance systems can be distinguished from the responses that were specific to housing markets. Of the two sets of policy responses, this paper is primarily concerned with the housing policy responses. It is clear that both the housing market and housing policy responses varied considerably between countries, and this paper seeks to explain why. The central proposition advanced is that differences in the structure of housing systems and specifically the differences between dynamic and static housing systems are crucial to an explanation of the varying impacts. The proposition is illustrated with reference to Ireland, England¹², the Netherlands, Belgium¹³ and Germany. The German and Belgian housing systems are seen to be examples of static systems whilst the English, Irish and Dutch systems are dynamic. It will be shown that without crisis-related interventions each of the two categories of systems has 'built-in' stabilising factors but these factors are stronger in static than in dynamic systems.

In the next section the nature of the external shock is defined. The subsequent sections then provide information on the impacts of the shock in the different countries. This is followed by considerations of explanations for varying impacts from the points of view of macroeconomic theory and housing systems analysis. The distinction between dynamic and static systems is then set out and applied to the five countries. The conclusions show that the classification of housing systems as dynamic and static adds an important new explanation to the varying impacts of the international crisis. This is most usefully viewed as a complementary, rather than an alternative, perspective to the sets of explanations that arise from theories embedded in macroeconomics and the economics of housing markets.

¹² Some of the available information is based on the UK.

¹³ Most of the information used is based on Flanders, one of the three Belgian regions.

2.2 The crisis

At the beginning of 2007 the Mortgage Bankers Association reported increasing default of American homeowners (MBA 2007). As many over-indebted US households have variable-rate mortgages, a series of (minor) interest rate increases in 2006 rapidly led to default for many homebuyers. Indeed, mortgage lending can be very risky in the USA as a number of states have anti-deficiency laws (whereby on foreclosure the homeowner is not responsible for any deficit between the sale price and the outstanding mortgage). In the case of house price declines, this can result in substantial losses for banks. The initial fall in banking asset values is typically ascribed to the fact that several institutions, initially in the US but ultimately world-wide, were holding mortgage backed securities that were high risk and low value given the state of the American housing market and the degree of subprime lending. The uncertainty about further losses on these assets resulted in lack of confidence between banks and subsequently a 'credit crunch'. The global financial crisis amounted to a world-wide fall in the value of banks' assets, a consequent international reduction in inter-bank lending and a wider reduction in the availability of credit coupled with a loss of confidence in financial markets. The collapse of some financial institutions, a reduction in world trade and falls in economic output followed.

Direct effects on mortgage markets are obvious in the USA and the UK where credit standards were tightened (Federal Reserve 2008; CML 2008) and resulted in a strong reduction in subprime mortgage loans in the USA and the UK. In continental Europe there is no proof for a large subprime segment, although in recent years atypical contracts and high loan to values have been offered on European mortgage markets (ECB 2009). Another direct impact of the credit crunch was the wipe-out of the equity release mortgage market (Brunnermeier 2009). Statistics show clear evidence of massive equity release by American and British households before the financial crisis (see Bank of England 2010 and Freddie Mac 2010). This would also apply to some other European countries. However, not all European countries allow equity release products (ECB 2009). On European markets, the subprime segment is very small, but tightening credit standards on the prime market led to refusals of specific groups like first-time buyers. Trading-up on the housing market can stagnate as soon as house prices level off. This is attributed to the general "wait and see environment" (see for instance CML 2008), whereas the availability of credit on the large prime European mortgage markets should not be held responsible for all declines in the demand for housing.

2.3 The impact of the crisis (a) Macroeconomic and housing market responses

In the second half of 2008, the US credit crisis began to trigger a global crisis in the financial system that also spread to the real economy. In order to assess the impact of the financial crisis on the housing market, it is necessary to understand the degree to which the real economy has been affected. It should also be noted that effects on the housing market and in particular on the housing construction market will continue to be felt for a long time. It is therefore currently only possible to assess the interim situation.

Table 2.1 includes a range of economic indicators for the various countries included in the study. All five countries experienced a downturn in 2009 and, on balance, in the period 2008-2010 (according to forecasts). This downturn was by far the most significant in Ireland and the least in Belgium. In terms of unemployment, Ireland was also clearly the worst hit. Unemployment has also seen a strong increase in the UK since 2007, while in the Netherlands and Germany unemployment actually fell on balance in the period 2007 – mid-2009. The Netherlands clearly had the lowest unemployment levels. The mortgage interest rates were lowest in Ireland and highest in the Netherlands and Belgium.

Table 2.1 Recent economic developments and recent developments on the owner-occupied housing market in five West European countries

	The Netherlands	Belgium	Germany	Ireland	UK
Economic indicators					
GDP, change in 2009	-4.5%	-2.9%	-5.0%	-7.5%	-4.8%
GDP, change 2008-2010 (forecast)	-2.2%	-1.3%	-2.5%	-11.9%	-3.3%
Unemployment mid-2009	3.3%	7.5%	7.5%	12.0%	7.6%
Unemployment change early 2007 – mid-2009	- 0.5%-point	0%-point	-1.6%-point	7.7%-point	2.1%-point
Mortgage interest rate (mid-2009)	5.44%	5.52%	4.40%	3.23%	4.39%
Housing market indicators					
House prices existing dwellings, change early 2008 – mid-2009	-7.1%	0.2%	-11.6%	-13.7%	-16.6%
Sales of existing dwellings, change early 2007 – mid-2009	-33.1%	-Stable*	Stable (based on volume of new loans)	-64.9%	-53.1%
House prices newly built dwellings, change early 2008 – mid-2009	-10.7%	No data	-0.2%	-21.4%	-15.3%
Sales of newly built dwellings,** change early 2007 – mid-2009	-62.0%	Virtually unchanged	Virtually unchanged	-71.6%	No data

* OTB estimate based on summary data

**Belgium and Germany based on planning permission granted; UK based on construction started

Source: National statistical bureaus (in Dol et al. 2010a)

As far as the impact of the economic crisis on the owner-occupied housing markets in the five countries is concerned, the drop in prices and number of sales in both existing housing stocks and new-build have been the greatest in Ireland, followed by the UK. Unfortunately, a number of indicators of recent trends in the owner-occupied housing market are unavailable for Germany and Belgium. For new-build dwellings in the owner-occupied sector, this is because of the large proportion of private individuals commissioning their own homes in these countries which means that there are no sales or sales prices for much of the new construction in the owner-occupied sector. Of the three continental markets, it appears that the market for new-build dwellings in the Netherlands has been badly hit and the market for existing owner-occupied dwellings in Germany has seen the most significant fall in price. The latter is partly a consequence of the large number of excess properties available in the housing market in Germany. The Belgian owner-occupied housing market appears to have been the least affected by the economic crisis.

Germany gives a striking example of the (as long as it lasts) immunity of the owner-occupied housing market for the crisis. House prices were already under pressure due to demographic change, while other housing market indicators show strong stability. This stability is even more pronounced in Belgium where house prices and sales of dwellings remained stable. The Dutch owner-occupied housing market has reacted to the crisis considerably, especially in terms of the sales of newly built dwellings. The English and Irish owner-occupied housing markets have overall, in terms of house prices and sales of dwellings, suffered most.

2.4 The impact of the crisis (b) Policy responses: (i) Finance system measures

In all the countries included in the study, governments intervened significantly in the financial market in order to restore confidence in the banking system and prevent the collapse of financial institutions. Of course, these measures also have an indirect effect on the housing market, in the form of financing for housing construction and the provision of mortgage loans. The first and foremost actions that the governments in the five countries took were measures to avoid a collapse of the financial sector. There are three types of measures that were taken by governments. First of all there are the direct capital injections to strengthen the liquidity of a bank so it can do normal business. The capital injections are usually a loan but sometimes a credit line in return for a share in the bank. Secondly the state can give guarantees for bank loans in order to limit risk and increase inter-bank and overall bank lending. Thirdly, the state can buy up toxic assets at a discount on the nominal value of which the actual value is unclear. The state will then eventually try and resell these assets in a later phase.

Table 2.2 gives a summary of the crisis measures taken as of February 2009. It may not fully record all banking stability measures taken. For example in June 2009 the Irish government introduced NAMA, a € 90 billion fund to buy up bad assets, mostly from property development loans. The left-hand part of the table sums up the reservations of central governments to stabilise the banking sector. The right-hand side gives an overview of how much the financial sector actually drew upon these facilities. These facilities clearly show extensive measures in all the five countries. Comparatively, by size of the population, the measures are largest in Ireland, the UK and the Netherlands, while they remain large, but relatively smaller in Belgium and Germany. Note also that Dutch and Belgian banks already received more in capital injections than their governments had expected.

Table 2.2 Stabilisation measures for the financial sector in € billion (as of 20 February 2009)

	Total reservation			Total used/received		
	Capital injection	Guarantees on loans	Takeover of toxic assets	Capital injection	Guarantees on loans	Takeover of toxic assets
Ireland*	10	485	90	9	11	0
Netherlands	20	200	55	31	17	0
UK	55	273	0	40	58	0
Germany	80	400	0	44	155	0
Belgium	0	99	0	18	91	0

*Ireland, takeover of toxic assets in NAMA of June 2009, no assets were acquired immediately.

Source: Hartmann 2009.

2.5 The impact of the crisis (b) Policy responses: (ii) Housing system measures

In terms of measures focusing directly on the housing market, the most noticeable aspect is that the German government has so far taken no direct measures with regard to the housing market, although incentives are available to encourage energy-saving renovations in large-scale apartment blocks. This is again due to the large numbers of excess homes in large parts of Germany since the start of this century. In Belgium, limited crisis measures have been taken focusing directly on the housing market. These include providing incentives for construction (by means of a temporary reduction in VAT) and particularly ensuring the provision of social rental dwellings. The income limits for housing costs insurance funded by local authorities have also been relaxed.

The United Kingdom and Ireland have seen by far the greatest intervention and it is these countries which have been worst hit by the impact of the economic crisis on the housing market. In Ireland, the measures relate primarily to support for first-time buyers, the removal from the market of unsold dwellings (through leasing by social landlords) and also to a lesser extent to prevent the eviction of households in payment arrears. The Irish measures for first-time buyers are intended to sustain the system of trading-up and promote home ownership. This reflects the structure of the Irish housing market, which has a small rental sector. The measures to remove unsold new dwellings from the

market are part of an attempt by the Irish government to lessen the impact of speculative house building. The support offered to households facing problems with payment appears to be limited to the signing of a code of conduct with the Irish Federation of Banks.

Table 2.3 Crisis measures in five West European countries, 2009

	The Netherlands	Belgium	Germany	Ireland	UK
Modification/introduction of measures designed to reduce risk					
Mortgage guarantee	Temporary increase in maximum price level of existing scheme	No regulation applied	No regulation applied	No regulation applied	No regulation applied
Housing costs assistance	Simplification of existing housing costs facility	Income limit relaxed	No housing costs insurance	No housing costs insurance	New Home Owners Mortgage support and improvements to ISMI *safety net
New assistance programmes for homeowners	No	No	No	Code of conduct for handling payment arrears intended to prevent evictions	Mortgage Rescue Scheme + Home Owners Mortgage Support
Demand incentives					
Increasing the limit of the mortgage guarantee	Yes	No regulation applied	No regulation applied	No regulation applied	No regulation applied
Fiscal measures	No	Temporary reduction in VAT for new-build	No	More generous interest tax relief and stamp duty trade-in	Temporary reduction in stamp duty for cheaper existing homes
Discounts, premiums, loans for newly built dwellings	Temporary Scheme offering up to €10,000 per newly built dwelling	No	No	Home Choice Loan is government loan to first-time buyers to fund new-build or self-construction	HomeBuy Direct with 30% equity loan (type of mortgage)
Construction market incentives					
Ensuring the continuation of construction projects	Temporary Subsidy Scheme (€ 500 mln.) for municipalities	No	No	No	Kick-start funds of £ 1.06 billion for approximately 22,400 dwellings
Incentives for social housing construction or removal of private projects from the market	Increase in Social Housing Guarantee Fund (WSW) to enable associations to buy up projects	Additional incentive of €85 million to speed up construction of social homes (Flanders)	No	Long Term Lease Scheme enabling housing corporations to lease newly built dwellings	National Clearing House for removal of unsold private projects from the market

*Income Support for Mortgage Interest.

Source: Dol et al. 2010a.

In the UK, a significant proportion of the measures taken by government were intended to support households unable to meet their payment commitments as a result of the crisis. The British government hoped that these measures would prevent evictions and inhibit further downward pressure on house prices. The British government took measures to remove unsold new dwellings from the market. It also provided incentives for the sale of existing affordable dwellings and the construction of new homes in the same category. These new homes include both private and rental properties and

a new hybrid form of purchase/rental known as shared equity. The measures taken in the Netherlands are less comprehensive than those in the UK but comparable in terms of substance. As in the UK, they aim to support households facing payment problems, ensure the continuation of new construction projects jeopardised by the crisis and enable housing associations to buy up new dwellings that remain unsold.

2.6 Explanations for variations in impacts (a) The economics of housing market volatility

We have shown that the crisis had varying impacts on house prices and sales. One explanation may be found in the proposition that these short-term differences were linked to underlying variations in the long-term volatility of housing markets. The key question then becomes: Why does house price and supply volatility vary markedly from one country to another? Basic economics suggests that fluctuations in owner-occupier house prices and supply are essentially determined by housing demand and supply. Housing demand has been shown in many empirically verified models to be a function mainly of disposable household income, the cost and availability of mortgage finance, expectations about future price rises and levels of employment and consumer confidence. Some studies also point explicitly to the relative costs of owning and renting (Hilbers et al. 2008). All of these items are linked to a greater or lesser extent to changes in the macro economy and the policies that governments use to influence inflation, growth and employment. These macroeconomic factors combine with demographic factors to determine the number of households seeking housing and their financial ability to purchase it. International variations in macroeconomic and demographic factors thus offer one set of potential explanations for differences in the stability of housing markets (Tsatsaronis and Zhu 2004; Hilbers et al. 2008; André 2010).

Alongside the macroeconomic factors one could identify the importance of mortgage markets and seek explanations that depend mainly on the structure and operation of these markets. Institutional arrangements that influence the supply of mortgage credit and the terms on which this is available to households vary considerably from country to country (Renaud and Kim 2007). Thus the size of deposits and interest rates, and the variability in each of these, offer another set of potential explanations within the broader context of the institutional arrangements relating to mortgage markets. There may also be important links between inflation, mortgage markets and real house prices (Tsatsaronis and Zhu 2004).

Supply-side explanations for price fluctuations typically concentrate on factors that may contribute to inelasticity. In that vein, demand increases will arguably result in steeper price rises in countries where there are the most severe constraints on increases in supply, while differences in the responsiveness of housing supply to changes in demand are arguably a principal cause of variations in house price fluctuations (White and Allmendinger 2003; Meen 2008; Hilbers et al. 2008). These constraints can be apparent in land, labour and capital markets or more generally take the form of production capacity limitations. Many studies emphasise land supply constraints resulting from restrictive planning systems that constrain the ability of residential developers to expand output when housing demand rises (Barker 2004).

Despite the supply-side studies that emphasise inelasticity, much of the theorising about housing market stability concentrates on external influences on housing demand. These influences, which may have their origins in macroeconomics and demographics, are not the central concern of this contribution. Instead we seek to put the structure of housing systems at the centre of the discussion. So, given world-wide changes in housing demand fuelled by an international crisis, we probe the varying responses within housing markets and the varying policy responses by governments that are tied to differences in the structures of housing systems. These differences in structures are linked to differences in mortgage markets, planning and development systems and the different ways in which house building industries operate. They are also linked to differences in turnover in the existing stock and the structure of total supply which is a function of sales from the existing stock and new production.

2.7 Explanations for variations in impacts (b) Housing system approaches

In order to probe the differences in institutional arrangements that are associated with variations in housing market structures it is useful to take an approach that looks at differences in housing systems. Following Bekebrede and Mayer (2006) we define a (housing) system as being composed of organised parts that interact in space and time. Important parts within a housing system are demand, supply and institutions. On the demand side, households with their housing preferences are the key players. On the supply side, agents producing dwellings and housing services, such as building companies, developers, commercial and social landlords, are the key agents. Institutions are the rules, norms and regulations by which a system functions (Keogh and D'Arcy 1999 in Oxley 2004). Demand, supply and institutions meet on the housing market, where the outcomes of the system are the consequence. Since the housing system is part of a broader societal system the different parts of the housing system are influenced by broader 'external' factors like economic, socio-cultural and demographic developments. And of course housing outcomes have an impact on these broader outcomes. Especially the formal and informal institutional arrangements which have developed over time play an important role in the structure of housing systems and thus in the way 'external' developments influence housing outcomes (Kemeny 1995). In a comparative perspective this means that because the housing system in different countries is structured in a different way, comparable 'external' developments like an economic crisis may lead to different housing outcomes. These differences in housing outcomes between countries in relation to differences in the structure of housing systems form the point of departure in this contribution.

2.8 Dynamic versus static housing systems: The theory

In our analysis of the relation between housing outcomes and the structure of housing systems we make a distinction between dynamic and static housing systems. This distinction is based on work by Ball et al. (1988) and Martens (1990). In their work they distinguish between unified and fragmented or segmented markets. In unified markets both new and existing dwellings compete for would-be purchasers, and the transactions of the large number of existing dwellings and households influence new housing construction. All parts of the national owner-occupied housing market are linked by common market forces. Fragmented owner-occupied markets are dominated by first-time buyers and consist of a variety of sub-markets, differentiated by region or housing sector. Fragmentation is encouraged by the low rate of mobility of existing homeowners. New housing meets localised demand (Ball et al. 1988: 113-114). Besides this, Ball et al. (1988) and Martens (1990) distinguish between different 'forms of owner-occupied housing provision'. Forms of housing provision are defined by the relations between those who initiate and control house building and the other institutions and agencies that are part of the development process (Martens, 1990: 50). Forms of owner-occupied housing provision include speculative promotion, speculative house building and self-building or self-commissioned house building where individuals build for their own use. Thus the development process is initiated and controlled by future owner-occupiers, using land which they acquire themselves (Ball et al. 1988). Although Martens (1990) and Ball et al. (1988) do not point to a direct relation between different markets and different forms of housing provision, self-building or self-commissioned house building is more likely in fragmented markets with low household mobility and speculative promotion or speculative building in unified markets with high household mobility. So in our distinction between dynamic and static housing systems we combine 'housing market structures' with 'forms of housing provision' and focus on the role of household mobility. We could alternatively speak of low turnover versus high turnover systems when we refer to static and dynamic housing systems. In the following subsections we elaborate more on our views of dynamic and static housing systems and we state our expectations with regard to the crisis-sensitivity of these systems.

2.8.1 Dynamic housing systems

Dynamic housing systems are based on a process of gradually moving up and down the property chain and consist of a market for new construction in which owner-occupied housing is primarily built by commercial market players who develop properties at their own risk. They offer newly built dwellings on the free market via estate agents or their own sales channels. In economic booms, the construction of new dwellings is often targeted at the upper end of the market (Ball et al. 1988). Via relatively long housing chains, the construction of a new dwelling at the upper end of the owner-occupied housing market ultimately results in a property becoming available for a first-time buyer at the lower end of the market. As their housing preferences change, many homeowners opt to move house rather than extend or renovate their existing property. These changing preferences may be the result of changes in the composition of the household or in income. As a consequence, these types of markets tend to have high levels of mobility and a large number of transactions of existing owner-occupied dwellings.

New residential development and construction by market parties in dynamic housing systems may involve varying degrees of speculation or risk. One way of reducing risk is to sell newly built dwellings at the initial planning stage; the start of construction is delayed until a specific percentage of dwellings have been sold. Speculative building involves a much greater level of risk as owner-occupied dwellings are sold either during or after construction (Golland and Blake 2004). If the demand for owner-occupied dwellings drops, developers can be left with unsold properties on their hands.

It is likely that a dynamic system, based on a high level of mobility, will be highly vulnerable to economic trends because it relies on households who already own a good dwelling trading up to a larger, more expensive property. In times of economic prosperity, the demand for dwellings increases and prices rise. In this situation, homeowners will be more likely to move up the housing ladder and purchase a more expensive dwelling. In this process, an increase in the price of owner-occupied dwellings further stimulates the demand for such properties (Stein 1995). This is because investing in a dwelling in a rising market not only offers the benefits of the dwelling itself, but it also offers the prospect of a high return on the investment. In general, in dynamic housing systems dwellings are an asset or investment. As a result, rising house prices may also attract investment in private rented housing (buy-to-let).

When house prices rise, existing homeowners find it relatively easy to climb the housing ladder into a better property, because they can take along the increased equity from their existing dwelling (Stein 1995). However, it becomes increasingly difficult for first-time buyers to enter the owner-occupied market and this process of trading up can ultimately stagnate because of falling demand at the lower end of the market. This can lead to a temporary reduction in the number of transactions in the market for existing owner-occupied properties, a decrease in housing production and a downward price correction.

In a period of economic recession, there is diminished confidence that incomes and house prices will rise. For this reason, many homeowners delay moving house, deterred by the prospect of investing in a more expensive dwelling that may fall in value. As a result, fewer dwellings are sold and mobility decreases. This can lead to a downward price correction, although many sellers are willing to accept longer selling times instead of lowering the list price (Engelhardt 2003). When the confidence of consumers in the housing market is low and more households face problems in meeting payments, eventually house prices will fall. If this situation is combined with few spatial planning restrictions on residential construction and with speculative building, a fall in demand can trigger a stronger price response. This is because many project developers have started building houses in the previous prosperous era and now, as demand suddenly falls, are left with large numbers of unsold dwellings, which creates an excess of supply and subsequently puts an additional downward pressure on house prices.

2.8.2 Static housing systems

In static housing systems, private individuals who commission the construction of new residential properties play a major role. These are often detached properties built on a plot owned or acquired by the individual. This individual buys a plot and, usually in consultation with an architect, arranges the required planning permission and coordinates the design, the issuing of tenders to contractors and, ultimately, the construction (see for example Ball et al. 1988; Dol et al. 2010b). In this kind of housing market, changing housing preferences are less likely to result in people moving house but rather in modifying their existing home. Consumers in static housing systems generally buy only one or at most two dwellings in their entire housing career. As a consequence, the system is typified by low levels of mobility and short housing chains. This therefore means that the number of transactions in the market for existing owner-occupied dwellings is relatively limited. In markets where self-provided housing plays an important role, the influence of economic trends on the housing market is likely to be less significant (Barlow and Duncan, 1994: 148). The construction of new properties focuses less on the upper end of the market and is more driven by actual housing needs.

In view of this limited mobility, changes in the prices of existing owner-occupied dwellings play a less significant role in a static system. In this kind of market, dwellings are not regarded so much as an investment whose value will hopefully increase, but rather as consumer goods (see also Duncan and Rowe 1993). Of course, in a static system, an economic recession will also lead to a reduction in the number of transactions in the existing stock and a decrease in the production of new dwellings, but its effects are relatively limited. Indeed, for households with secure employment, an economic recession can even prove attractive because it generally provokes a drop in the prices of building materials, making the cost of construction relatively low (see Duncan and Rowe 1993). In general terms, trends in the costs of construction and land have a greater relation with house prices in a static system than they do in a dynamic system. This is because the process of trading up in a dynamic system means that the number of transactions involving existing dwellings is many times greater than the number of new dwellings, and the price of existing owner-occupied dwellings therefore determines the price of new properties (Boelhouwer et al. 2006).

2.9 Dynamic versus static housing systems: The application to several countries

2.9.1 The countries classified by type of housing system

As we argued, the number of transactions on the market for existing owner-occupied dwellings is an important feature distinguishing between dynamic and static housing systems. For this reason, Table 2.4 shows the number of transactions involving existing (owner-occupied) dwellings per 1000 owner-occupiers in the selected countries. The table shows a clear distinction, at least until 2007, between the number of transactions per 1000 owner-occupiers in the United Kingdom, Ireland and the Netherlands on the one hand and Germany and Belgium on the other. The effect of the economic crisis in 2008 on the number of transactions is also much more evident in these first three countries than it is in Belgium and Germany.

A second feature distinguishing between static and dynamic housing systems is the level of self-provided housing. Table 2.5 shows that self-provision plays an important role in Germany and Belgium and that only in Germany has the level of self-provided housing increased since 1990. This high level of self-provision in Germany is partly a consequence of the fact that dwellings are commissioned by private individuals for renting out. A comparison between tables 2.4 and 2.5 shows that with regard to the 'ranking' of countries the number of transactions mirrors the percentage of self-provided housing. Countries like Belgium and Germany with a static housing system have the least transactions per 1000 owner-occupiers and at the same time the highest level of self-provided housing. In the UK, the Netherlands and Ireland we see a high level of transactions and a lower degree of self-provision.

Table 2.4 Transactions per 1000 owner-occupiers in five West European countries, 2000-2008

Transactions/1000 owner-occupiers	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average 2000-2008
UK	--	85.1	91.9	83.7	83.0	71.1	88.0	83.8	43.1	70.0
The Netherlands	51.8	53.1	53.5	49.1	48.5	52.0	52.7	50.8	45.7	50.8
Ireland	47.8	39.4	50.6	55.3	50.8	56.8	54.3	42.1	25.3	46.9
Belgium	36.9	37.8	39.6	40.5	40.4	40.0	40.6	41.7	39.9	39.7
Germany	30.8	31.7	30.3	29.8	26.7	30.5	26.8	27.6	27.1	29.0

Source: All statistics in this table are OTB Research Institute calculations. Number of owner-occupiers is calculated on the basis of data from Housing Statistics in the EU (Federcasa 2006). Transactions in Germany from Hypostat 2008. All other data used for the calculations are from national statistical bureaus.

The two countries with a static housing system differ from each other in so far as Belgian households tend to invest in their own home at an earlier age. Indeed, De Decker (2008) highlights a long-standing practice involving the private commissioning of construction whereby families often own plots of land which are passed on to children when they reach adulthood and much of the construction is done independently. This practice has been partly facilitated by the traditional *laissez-faire* attitude adopted by Belgian spatial planning policy. However, since the start of this millennium, there has been some tightening in Belgian spatial planning policy. Practice in Germany differs from that in Belgium because people tend to enter the owner-occupied housing market at a later age. The fact that households in Germany delay the move to their own home until a later age is partly a consequence of the way in which ownership is financed. This also encourages the construction of relatively large and high-quality dwellings. Up to the age of 35, people tend to make use of the extensive and affordable rental housing market (Tegeder and Helbrecht 2007). Most German households do not buy a dwelling more than twice in a lifetime.

Table 2.5 Self-provided housing as a percentage of total housing production in five West European countries, 1990-2004/2005

	1990	2004/2005
UK	10	n.a.
The Netherlands	17	11
Ireland (1)	40	26
Belgium	71	52
Germany (2)	63	66

¹ New individual houses

² Part of these dwellings are commissioned by private individuals for renting out

Source: National Statistics Institutes (Belgium, Germany and the Netherlands), Barlow et al. 2001 (UK), Ministry of Environment, Heritage and Local Government (Ireland)

The Dutch, British and Irish housing systems are dynamic in character. In Ireland, the development of a high turnover market based on a process of trading up is a recent trend triggered in part by the strong economic growth experienced in this country in recent decades. This strong economic growth led to a very high level of housing production which facilitated movements to newly built dwellings and within the housing stock. Due to rapid house price increases (new) dwellings became popular as an investment. So, from the mid-1990s the buy-to-let sector grew fast in Ireland, as was the case in England (Dol et al. 2010a)¹⁴. Important differences between the Netherlands, Britain and Ireland are related to the extent to which there is speculative construction and the spatial planning possibilities for realising residential properties. In the Netherlands, risks are limited by selling new dwellings at the initial planning stage. In such cases, the start of construction is delayed until a specific percentage of

¹⁴ In the Netherlands buy-to-let is less popular because house prices are 'based' on the existence of full mortgage interest tax relief (see Section 9), which is restricted to one dwelling.

dwellings have been sold (usually around 70%). This percentage of pre-sales is an integral part of the construction process required by funding bodies and for construction guarantees¹⁵. In the UK and Ireland, there is more speculative construction and new owner-occupied homes are generally sold during or after construction (see Barker 2004; Murphy, 1995). This entails a much greater level of risk for market players. If the demand for owner-occupied dwellings drops, developers can be left with unsold properties on their hands. Where speculative building is combined with a generous spatial planning policy, like in Ireland, the risk of unsold newly built dwellings will be even bigger. A restrictive planning policy, like in the Netherlands and England, diminishes this risk. On the other hand a restrictive planning policy inhibits supply when demand is high, resulting in strong price increases (Barker 2008; Ball 2004; Vermeulen and Rouwendal 2007).

The difference between dynamic and static systems outlined above is of course based on generalisations and does not apply in every case. Private individuals also commission the construction of their own homes in the Netherlands, the UK and Ireland. Equally, there are also developers in Belgium and Germany who market new-build properties at their own risk. For example, in urban areas in Belgium project developers have increasingly been building owner-occupied apartment complexes. There is also of course a market for existing homes in Germany and in Belgium, since not everyone builds or commissions their own home. In addition, housing markets also undergo development. For example, the process of trading-up rapidly increased during the 1970s and 1980s in the Netherlands' housing market. This trend started only recently in Ireland and, as indicated above, the role of project developers is also starting to make its mark in Belgium, primarily in the construction of apartments.

2.10 Dynamic versus static housing systems: Stabilising factors

2.10.1 Owner-occupied housing sector

The operation of mortgage finance systems and the nature of government influence on these systems provides varying degrees of built-in automatic stabilisation. Table 2.6 includes an overview of types of financing for home ownership and government policies applied in the five countries studied.

In the UK and Ireland, two of the countries with dynamic systems, there are hardly any stabilising factors in the housing market. If available at all, mortgage interest tax relief is only limited and variable interest rates are often applied, which means that changes in interest rates have a direct impact on households' housing expenditure. In addition, there are relatively high LTVs (80 – 100%) and LTIs, which means that households who have recently purchased a home in particular can face immediate affordability problems through an increase of interest rates. During an economic recession, when households face a drop in income or have low expectations with regard to potential improvements in income, the process of trading up tends to stagnate. Moreover, the price of owner-occupied housing is increasingly determined by sales that have become necessary because households are no longer able to meet their housing commitments as a result of an increase in interest rates or a drop in income. In Ireland, this impact will be felt more intensely than in the UK as there is no support to cover housing costs. In addition, because much of the residential construction both in the UK and Ireland is speculative in nature, an economic downturn can lead to new residential properties becoming unsaleable and remaining vacant. In Ireland, where there are relatively loose spatial planning restrictions on the construction of new residential properties, this impact could be felt more keenly than in the UK where spatial planning policy is more restrictive.

In the Netherlands, the third country with a dynamic system, there are more stabilising factors to support the owner-occupied housing market. Mortgage interest tax relief and the often extended periods of fixed interest rates create a buffer that protects against fluctuations in interest rates or in owner-occupiers' ability to keep up payments. On the other hand, the LTVs for first-time buyers on the

¹⁵ This guarantee, initiated by the Dutch building industry after a crisis in the housing market in the early 1980s, guarantees the buyer that the dwelling will be finished in case of bankruptcy of the developer during the building process.

housing market are very high and the level of outright ownership is low. Despite the existence of both the national mortgage guarantee, which covers the risks of funding bodies, and (limited) housing costs insurance, the high LTVs and LTIs still present a risk, primarily for recent buyers who face a drop in income. This is especially the case if this coincides with a drop in house price. The risk of unsaleable, vacant new residential properties is limited in the Netherlands because of the process of pre-selling generally applied. Construction of new residential properties is delayed until around 70% of dwellings have been sold.

In Belgium and Germany, which have a static housing system, the way in which home ownership is financed represents a significant stabilising factor in the owner-occupied housing market. In these cases, the maximum LTVs are lower than in the other three countries and long periods at fixed interest rates are more common. Facilities are also available for households unable to meet their housing expenditure as a result of a drop in income, either in the form of an individual subsidy (*Wohngeld* in Germany) or as housing cost insurance funded by local government (Flanders).

Table 2.6 Stabilising factors on the housing market in five West European countries, 2009

	The Netherlands	Belgium	Germany	Ireland	UK
Mortgage interest tax relief	Complete on marginal rates	Limited	No	Limited	No
Object subsidy (based on the property)	No	No	No	No	No
Subject subsidy (based on the individual)	(Temporary) government subsidy to promote home ownership for low-income groups	No	<i>Wohngeld</i> for rental and owner-occupied sectors)	Exemption from stamp duty for first-time buyers	No
Mortgage guarantee	Yes, (temporary up to € 350,000)	No	No	No	No
Housing costs support	National Mortgage Guarantee (NHG) housing costs support	Flemish housing costs insurance subject to income limit	No	No	ISMI for low incomes
Building savings (<i>Bauspar</i>) systems	No	No	Yes	No	No
Main type of interest rate	Fixed for 5-10 years	Fixed for more than 10 years	Fixed for 5-10 years	Variable	Variable/short-term fixed rates
Percentage of new loans with (partially) variable interest	18%	10%	15%	67%	40%
Maximum LTV ¹	125%	80%	80%	80%, can increase to 100% if house prices are rising rapidly (pro-cyclical)	80%, can increase to 100% if house prices are rising rapidly (pro-cyclical)
Average LTV for a first-time buyer	100%	80%	70%	83%	72%
Outright ownership as a percentage of all owner-occupiers (2006)	16%	57%	50% (1994)	64%	44%

¹ In countries with a comprehensive mortgage guarantee, such as the Netherlands, 100% and higher is possible. In Germany, where capital is sourced from the *Pfandbriefmarkt*, 60% is customary but can be supplemented with 'secure' *Bauspar* loans. In other countries, more than 75 to 80% is possible, but banks report that they then apply a significant interest rate supplement of 0.2% to 0.4%. As this approaches 100% it can accumulate rapidly (ECB 2009).

Source: Dol and Neuteboom 2009 (outright ownership), Dol et al. 2010a.

2.10.2 Rental sector

The rental sector can also affect the stability of the housing market. Trends in the market value of residential properties and changes in the ability of households to make payments have an indirect effect on large parts of the rental property market in most countries¹⁶. There is however no direct relationship between the house prices and rents. The ability to meet payment commitments depends on the relationship between the rent and income. Because rents (for existing contracts) are regulated in many countries (at least in the social rental sector) and/or there are subject subsidies or income-related rents available, the influence of the economy on tenants' ability to meet their payment commitments is relatively limited (see Table 2.7).

Because the rental sector is less vulnerable to economic trends than the owner-occupied sector, the stability of the total housing market depends on the size of the rental sector. If it is large, this means that any economic effects on the owner-occupied housing market affect only a limited number of households. In this respect, the rental sector in Germany and the Netherlands is a much more significant stabilising factor on the housing market than it is in Ireland, Belgium and the UK. A comparative OECD study (André 2010: 33) suggests that the existence of well-functioning rental markets can help to reduce the volatility of house prices: "When house prices rise relative to rents, an increasing share of households should opt for renting, thereby reducing pressures on prices".

Finally, as a result of anti-cyclical housing production, the rental sector can play a more direct role in mitigating the effects of a recession. This may involve the construction of rental properties or the buying up of unsaleable new-build homes. In four of the five countries studied the social rental sector can only play this role when supported by government subsidies. It is only in the Netherlands that the social rental sector can fulfil such a role without additional government support.

So, in two of the three countries with a dynamic housing system, England and Ireland, there are few stabilising factors through government policy or via the financing industry. Moreover, new dwellings are built speculatively and in Ireland this is combined with relatively light planning restrictions. In the Dutch housing market there are more stabilising factors, among which is a large and financially independent social rented sector. Some of these factors (mortgage guarantee and housing costs support) may be seen as a compensation for full mortgage interest tax relief, which results in high LTVs and a low percentage of outright ownership. In Germany and Belgium, countries with a static housing system, the main stabilising factor in the housing market is the way in which home ownership is financed. In Germany the large rental sector is an additional stabilising factor in the housing system.

Table 2.7 Stabilising/destabilising factors in the rented sector in five West European countries, 2009

	The Netherlands	Belgium	Germany	Ireland	UK
Rent adjustments for social renting	Regulated	Regulated	Regulated	Regulated	Regulated
Subject subsidies for social renting	Yes	Income-related rents	Yes (via <i>Wohngeld</i> or social insurance)	Yes	Yes
Rent adjustments for private renting	Regulated (up to a limit)	Regulated	Market-related (<i>Mietspiegel</i>)	Not regulated	Not regulated
Subject subsidy for private renting	Yes	No	Yes	Yes	Yes
Size of the rented sector	49%	25%	57%	18%	30%

Source: Haffner et al. 2009

¹⁶ For landlords, the effect of developments in the market value of dwellings may be reasonably compared with that for owner-occupiers: changes in value primarily play a role in sales and the decision on whether or not to sell.

2.11 Conclusions

We have examined the housing market impacts and the housing policy impacts of the international financial crisis in several European countries. We have argued that both sets of impacts have differed markedly between countries. The differences between countries can, it has been shown, be explained in terms of differences in housing systems. We have distinguished between dynamic and static systems.

In a dynamic system, additions to the stock come mainly from speculative house building and there is a high rate of turnover in the existing stock. This results in a large volume of transactions in the owner-occupied stock relative to the number of homeowners. The high level of household mobility that characterises this system is essential to the functioning of the market and the demand for new dwellings. With rising demand and rising prices home ownership has a high level of attraction as an asset and trading-up is common. The system depends strongly on fresh waves of first-time buyers entering the market. When these first-time buyers find purchasing more difficult, downward trends in prices and transactions follow speedily.

In static systems there is more self-build and less speculative development and lower levels of household mobility. Changes in demand are more reflected in adaptations to existing dwellings and less in moves to new dwellings. House prices are more linked to supply-side factors such as building and land costs than in the dynamic model. Transitions are lower and house price inflation is less driven by rising demand and speculative purchases.

In our comparison, the Netherlands, Ireland and the UK can be typified as having dynamic systems and Belgium and Germany as more static systems. However, rather than a crude division of the countries according to two categories it is better to see the first three countries at one end of a dynamic/static spectrum and the remaining two at the other end. In the more dynamic countries the impact of the crisis on house prices, production and transactions was more marked than in the countries with more static systems. The policy responses by governments accordingly differed between the countries. We have made a distinction between policy responses that have focused on financial institutions and those that have focused on housing demand and output. Our main concern has been to emphasise the variations in the housing-specific responses. Whilst there were few housing (as opposed to financial market) measures in Belgium and Germany there were significant sets of housing policy responses in the other three countries. These measures were aimed at reducing the risk of mortgage default, boosting the demand for housing and assisting the construction industry. We have further shown that the differences between the countries are linked to the (built-in) stabilising factors in each country. These stabilisers relate to the operation of mortgage markets, government support for mortgage markets, the size of the home ownership sector relative to the rented sector and the support provided for tenants.

The extent to which the housing market has been affected by the crisis appears to be in line with our assumptions about the sensitivity of the different housing systems: dynamic markets are more sensitive than static markets. The effects of the crisis on the owner-occupied market are strongest in Ireland, followed by England. In these countries the fall in house prices and transactions of existing and new dwellings was largest. These countries have limited stabilising factors through government policy or via the financing industry. Moreover, new dwellings are built speculatively and in Ireland this is combined with relatively light planning restrictions. With regard to the other three countries it seems that the Dutch market for new dwellings has been hardest hit, while in Germany the prices of existing dwellings show a relatively strong decline. This house price decline in Germany is partly a result of the housing surpluses that existed before the crisis in many parts of the country. The fact that the Dutch housing market has been less hit than the English and Irish may be attributed to the many stabilising factors in the Dutch housing market. The Belgian (Flanders) housing market, a clear example of a static owner-occupied market, seems to experience the least trouble from the economic crisis.

However, the extent to which the general economies of the five nations have been affected by the crisis seems to follow the same pattern. Countries that have been severely affected are also

confronted with the largest problems on the housing market. It is not always possible to establish to what extent developments on the housing market are influenced by structures of the housing system and the stabilising factors. The question remains whether the large problems on the Irish and English housing markets are a result of the structure of the housing system or whether these are a result of the stronger impact of the economic crisis in general. Possibly there is a relation between the general economic structure and the housing market structure which would result in a process where a nation that is highly sensitive to the general economic climate also has a housing system structure that is sensitive to the economic climate.

Making a distinction between static and dynamic housing systems provides a new and fruitful way to classify housing systems and explain why the international financial crisis had different impacts in different countries. This perspective is most usefully viewed as complementary, rather than as an alternative, to the sets of explanations that arise from economic theories that seek to understand differences in housing market volatility as a consequence of varying determinants and varying levels of housing demand and supply-side inelasticity.

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Chapter 3 The dynamisation and subsequent vulnerability of the Dutch owner-occupied sector. An analysis of 1986-2012

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Abstract: This article investigates the backgrounds to changing residential mobility of Dutch owner-occupiers from 1986-2006 and during the 2008-2018 crisis. The Oaxaca-Blinder decomposition is used to disentangle the main factors at work. Households of all age groups and family types have become more mobile in 1986-2006, with the highest increase amongst the youngest age groups. Nonetheless, ageing of owner-occupiers has dampened the growth between 1986 and 2006, because older owner-occupiers usually move less frequently than younger age groups. Had this ageing process not taken place, the overall increase in mobility would have been much higher (about 3.5 percentage points) than the 1.4 percentage point observed. The overall compositional effect remains negative despite a shift from traditional families with children towards more singles and couples without children, who are more mobile. During the crisis of 2008-2012, high residential mobility rates amongst the young age groups took a sharp negative turn. Combined with their increased presence among owner-occupiers, this implies that the contemporary Dutch owner-occupied sector is more vulnerable to economic shocks.

Keywords: residential mobility, owner-occupation, housing systems

3.1 Introduction

The Dutch owner-occupied housing sector has grown substantially in the past three decades, from about 45% of all dwellings in the mid-1980s until nearly 60% in 2015 (Statistics Netherlands, 2016). The start of the Global Financial Crisis in 2008 marked a stabilisation of the proportion of owner-occupiers. In absolute terms, the Dutch owner-occupied sector doubled from about 2.1 million units in 1986 to 4.2 million units in 2012. As a result, the characteristic Dutch housing career, where households trade up in a number of consecutive steps from smaller to larger dwellings, increasingly takes place in the owner-occupied sector. Whereas in the 1980s, typical housing careers commenced with a couple of steps in the rental sector before households entered into owner occupation, the contemporary housing career usually starts in the rental sector, but it continues in the owner-occupied sector at a much earlier stage in the life cycle (Feijten & Mulder, 2002; Mulder & Wagner, 1998). Today, an increasing proportion of households even starts their housing career in the owner-occupied sector. As Dutch housing careers have become more focused on the owner-occupied sector, the composition of the population of owner-occupiers has drastically changed. Whereas the owner-occupied sector was dominated by families with children (around 60%) in the 1980s, this share has declined to less than 40% in 2012. At the same time the Dutch population has aged and the large cohort of baby boomers, who were the first generation of “new home owners” in the 1970s and 1980s, are currently in their late fifties and early sixties (see for example Blijie et al., 2013; Helderman, 2004). Many baby boomers are currently empty nesters, also impacting on a higher share of households without children in their household.

There is a general agreement that housing careers of contemporary Dutch owner-occupiers involve more residential moves and therefore more dynamism exists in the individual housing histories of new generations of owner-occupiers. However, the question arises whether the proportion of all owner-occupiers that recently moved around 2005, differs much from the proportion of recent

movers in the 1980s. The motivation for a more detailed investigation emanates from the fact that alongside an influx of more young, dynamic households in the owner-occupied sector, the potential effects of demographic ageing should not be overlooked. For instance, simply because older owner-occupiers have a lower propensity to move than their younger counterparts, ageing of a significant share of owner-occupiers has the potential to negatively affect the overall percentage of owner-occupiers that have moved recently. In this article, such factors are referred to as “compositional effects”. We explicitly state that compositional changes, such as population ageing, have the potential to negatively affect the overall percentage of owner-occupiers that have moved recently. Another main factor to take into account is that population cohorts behaviour can change over time, i.e. “behavioural effects”¹⁷. For instance, contemporary (older) owner-occupiers may have a higher chance of having moved recently than their counterparts of the 1980s, which would materialise into more dynamism in the owner-occupied sector.

We also aim to investigate a second theme that is related to the particular evolution of the Dutch owner-occupied housing market. As indicated, contemporary Dutch households enter the owner-occupied sector at a younger age, on average, than their counterparts in the 1980s. While Dutch households of the 1980s usually lived in a rental dwelling for a prolonged time before buying a single-family dwelling for long time residence, today a sequence of relatively short residences in an owner-occupied apartment is not unusual for young households. High leverage (mortgaged loans) among young households has become a characteristic of the new dynamic market, which has the potential to make it more vulnerable to economic crises than the “traditional system”. The main argument behind this is that the sequences of residential moves in the earlier life course can be obstructed, because of the risk of a remaining debt (Van der Heijden et al., 2011). We aim to investigate in more detail the vulnerability of the contemporary Dutch owner-occupied housing system during the recent crisis of 2008-2013.

The article is organised as follows. The next section provides the theoretical backgrounds to the typical Dutch owner-occupied housing market and compares it to some other countries. Then section 3 elaborates on the quantitative methodology and the data which are used. In section four we present the results and section five reflects on the main findings.

3.2 Theoretical backgrounds

In this literature review, we first deal with a more detailed description of the formation of a “dynamic” owner-occupied sector in the Netherlands as opposed to the more “static” system in several other countries. Did mobility in the owner-occupied sector increase as a result of changes in the behaviour of owner-occupiers? We draw on the Structure of Housing Provision approach as developed in the late 1980s by researchers who analysed variations in international housing systems. Then we continue with an overview of the relation between household characteristics and mobility. This will assist in analysing the effects of changing demographic composition on mobility in the Dutch owner-occupied sector. These insights are based on the research schools that link residential mobility (and migration) to the career and life course perspective.

3.2.1 The Dutch owner-occupied housing market in an international perspective: Static versus dynamic

From the early 1980s and onwards, international variations in housing systems in the Western World sparked interest in the academic community. It led to detailed comparative analysis of housing policy systems (for example Boelhouwer & Van der Heijden, 1992), while explanations of differences in tenure status across countries were put forward referring to national political ideologies and welfare regimes, with the most notable contributions by Kemeny (1992, 1995, 2006). Another branch of research focused more on an analysis of the way that housing is provided. This body of research became known as the Structure of Housing Provision (SPH) approach, which investigated the role of

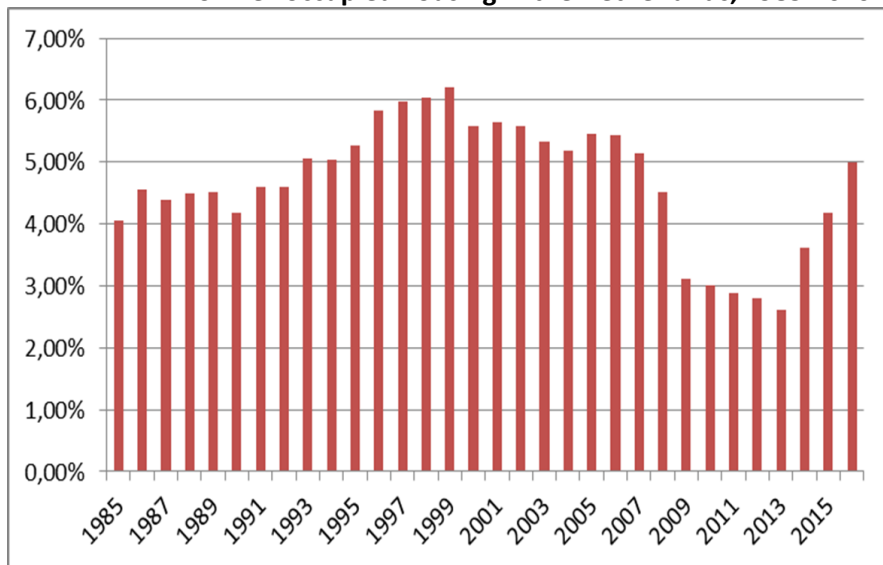
¹⁷ We rather not use “cohort effect” because it might refer to either behavioural or compositional effects or both.

all (social) actors involved in housing provision (Ball et al., 1988; Martens, 1990; Barlow & Duncan, 1994). As such, the SPH approach has provided detailed overviews of those political-economic structures that finance, subsidise and build dwellings in the different tenures. It departs from the idea that there are no universal ways of housing provision and all national systems need to be scrutinised individually. Based on the work of Ball et al. (1988) and Martens (1990), Van der Heijden et al. (2011) propose two ideal-typical systems in the owner-occupied sector. The first one is a system with a relatively low degree of mobility in the owner-occupied sector. This is connected to an owner-occupied housing provision practice where prospective home owners buy a plot of land and hire an architect and subcontractors to design and build the dwelling; hence the term “self-provided” or self-commissioned housing. In most cases this involves building detached dwellings on plot of land. In case the household needs more space, a move is often not necessary because the house can be modified. In sum, new construction is targeted primarily towards first time buyers and a great part of the household’s housing career can take place within one single dwelling. As a consequence, housing careers in the owner-occupied sector will involve only one or two moves. In this kind of market, owner-occupied dwellings are regarded as consumer goods. Because household mobility is rather low and housing construction in the owner-occupied sector is largely targeted towards first time buyers, the influence of economic trends on the housing market will be relatively limited. Such systems of owner-occupied housing provision are found in Germany, Belgium and France (Barlow & Duncan, 1994; Van der Heijden et al., 2011). Based on the relative immobility in these owner-occupied sectors, Van der Heijden et al. (2011) refer to “static” owner-occupied housing systems. However, we need to emphasize that this does not by any means assume that all static systems are similar. The structure of the Belgian and the German owner-occupied housing system can both be characterized as “static”, but the overall housing system in Germany is dominated by private rental and families move to their detached dream house when they are in their late thirties, whereas Belgians often start in a self-provided (or renovated) detached dwelling at a much younger age.

In the second system, the dynamic owner-occupied market, there is much more mobility of owner-occupiers, which can be linked to a specific form of owner-occupied housing provision. The provision of new owner-occupied housing takes place through speculative developers, who buy land, draw up a housing plan, commence building and sell the dwellings; hence speculative developers. They mostly build dwellings at the upper end of the market, where the margins are greater, because affluent consumers tend to buy more spacious dwellings with more luxury materials and equipment. The newly constructed dwellings are mostly bought by people who move in from a smaller existing owner-occupied dwelling. Thus, via upward mobility on the “housing ladder” in existing owner-occupied dwellings, the construction of new dwellings at the upper end of the market ultimately results in an existing dwelling becoming available for a first-time buyer at the lower end of the market (Van der Heijden et al., 2011). This process leads to relatively high levels of mobility and a large number of transactions of existing owner-occupied dwellings.

Van der Heijden et al. (2011) argue that it is likely that a dynamic owner-occupied system is sensitive to economic cycles because it relies on households who already own a good dwelling to move to a larger, more expensive property. In case of economic prosperity, many households who reaped the economic benefits from such an upturn may aim to make another step onto the housing ladder and buy another, more spacious and/or luxury dwelling. Rising house prices, or the expectation of further increases in the price of owner-occupied dwellings, stimulates the demand for such properties and fuels the number of transactions, because it can lead to a high return on investment. During an economic downturn, however, mobility can be severely affected because households anticipate on downward house prices, so they delay their move. As a result, fewer dwellings are sold, mobility decreases and eventually house prices will fall. Especially the upper end of the market will be hit hard. The declining demand from households that normally make a “luxury” move to a newly constructed dwelling at the upper end of the market, impacts on investment decisions by speculative housing developers. Housing production in the owner-occupied sector will decrease substantially and the remaining production will be targeted more to first time buyers.

Figure 3.1 Transactions of existing owner-occupied dwellings as a percentage of the stock of owner-occupied housing in the Netherlands, 1985-2016.



Source: Statistics Netherlands (CBS), Kadaster, NVM, authors calculations

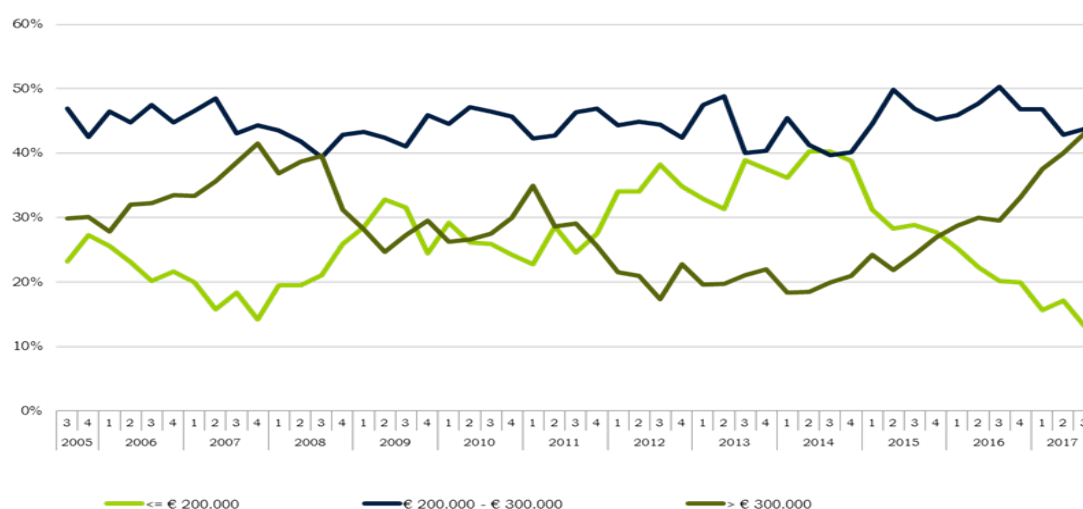
The owner-occupied housing markets of the UK and the Netherlands are dynamic in character. In the Netherlands the formation of this dynamic system started during the 1970s, when increasing prosperity allowed new middle classes to access the owner-occupied market and the share of owner-occupied housing within the Dutch housing stock increased from around 40% in the mid-1980s to 55% in 2005 (Ministerie BZK, 2010). In the mid-1980s, the starting point of our research (because of data availability), there were already signs of more dynamism (housing ladders) and this developed further during the 1990s and 2000s. The period from the mid-1980s until the start of the economic crisis in 2008 was characterized by rising house prices and increasing numbers of transactions of existing dwellings (Ministerie BZK, 2010). This increase in the number of transactions can partly be explained by the growth of the owner-occupied sector. But even when we correct for this growth by looking at the percentage of existing owner-occupied dwellings that was sold per year (Figure 3.1), it is clear that mobility increased since the mid-1980s until the start of the economic crisis in 2008. During the crisis mobility fell sharply but since 2014 the owner-occupied housing market is recovering from the crisis.

During the economic crisis, housing production in the Netherlands fell from nearly 80,000 dwellings in 2008 to less than 50,000 dwellings in 2013 (Statistics Netherlands). Within the production of owner-occupied housing, the focus of housing developers changed from the more expensive dwellings to cheaper dwellings, targeted towards first time buyers (Figure 3.2). In recent years, the focus has changed back, towards the production of more expensive dwellings again.

The question is whether the dynamisation of the Dutch owner-occupied housing system has been caused by changes in the behaviour of owner-occupiers, in the sense that they have become more mobile through time. For instance, it addresses the question to what extent older households behaved differently in the 1980s than older households in the 2000s.

Another main question is whether the growth and dynamisation of the Dutch owner-occupied sector been caused by an influx of specific household types who are more mobile than traditional owner-occupiers (i.e. families with children). If this is the case, the increase of residential mobility might be explained by a greater presence of these new groups on the market for owner-occupied housing. We will discuss the relation between household characteristics and residential mobility in the next section.

Figure 3.2 Transactions of newly build owner-occupied dwellings by price segment (%) in the Netherlands, 2005-2017



Source: Monitor newly build dwellings (Neprom, NVB)

3.2.2 Residential mobility and the life course

In the past two decades, researchers have accumulated a vast body of literature on residential mobility. From the early 1990s the residential mobility literature has used the sociological notion of life courses (see for example Mulder, 1993; Mulder & Hooimeijer, 1999; Feijten & Mulder, 2002). It acknowledges that household change/events and employment careers strongly relate to housing careers. Whereas the traditional household and employment careers were highly predictable in the post war era, they have become more fragmented in the recent decades and this reflects in more diverse housing careers (Beer & Faulkner, 2011). Despite this fragmentation, it is still possible to identify a number of relatively standardised household and housing careers, but there are now also many more individualised trajectories. For instance, Clark et al. (2003), using detailed longitudinal datasets for the USA, found that about 75% of all housing careers fall within 11 (standard) trajectories, while the other 25% are much more diverse. For the Dutch situation, such studies have not been performed, due to lack of long time longitudinal data, but there is a substantial body of literature on cross sectional data and this clearly shows that propensities to move vary by household characteristics. In case the demographic make-up, i.e. household characteristics of the Dutch owner-occupiers change, this may partly explain changes in residential mobility. In other words, are changes in the overall propensity of home owners mobility explained by “compositional effects”? For the Dutch (and other) context, the main findings are that age is negatively related to the propensity to move. Furthermore, household characteristics are relevant. The literature shows that family-couples with children often have relatively small chances to move as they are often in a stable phase of the life course (see for example Helderman et al., 2004). Indeed, decisions of residential moves may be difficult to make since they involve all the family. For singles, such decisions are easier made. Income can be regarded as another important factor in residential mobility. For those that wish to trade up within the owner-occupied sector to another larger dwelling, sufficient income is an important condition. There is also a theoretical relation between educational levels and the propensity to move. Those households with higher education might have a much broader geographical search field because their employment search field is also broader than less educated people for whom it may be difficult to find adequate jobs locally (Green & Shuttleworth, 2015).

In the Netherlands, home ownership has increased and a larger part of the entire housing career of households now takes place in the owner-occupied sector. Many young single households now live in owner-occupied apartments, rather than in a rental apartment. Also, older people who move out of a (large) single family dwelling, now live in an owner-occupied apartment. Given the

variation on the propensity to move by household characteristics, this demographic transformation of the last decades in the Dutch owner-occupied sector may well have impacted on residential mobility in this sector.

Similar to Cooke (2011), we will analyse both the compositional and behavioural effects on residential mobility among Dutch home owners over the long run. In a second step, we turn to the short-term effect and investigate the mechanisms that lead to the massive decline of mobility within the typical Dutch “dynamic” housing market during the last crisis.

3.3 Methodology

The first objective of this article is to investigate to what extent the more dynamic housing careers of the new generations that entered the Dutch owner-occupied sector materialise into significantly higher rates of recent moves of the total population of owner- occupiers. As elaborated in the introduction, two main factors are at play here: composition and behaviour. While an influx of more “dynamic” households, such as young people in the early phases in their housing career, might have caused a larger proportion of recent moves amongst the population of owner- occupiers, demographic ageing of a large group of owner-occupiers may have had a dampening effect. These are the compositional effects as a result of changes in the composition of the population of owner-occupiers. The second main factor that might influence the proportion of households that recently moved, relates to changes in behaviour. For instance, the cohorts of older households of the 1980s may well have been much less mobile than their “modern” counterparts of the early 2000s. Furthermore, younger households who currently move into the owner-occupied sector often opt for relatively short residences in apartments, while their counterparts of the 1980s usually bought a single-family dwelling with the intention of a long-time residence.

A much-used method in economics to disentangle compositional and behavioural effects is the so-called “Oaxaca-Blinder” decomposition method. It was designed to explain gender and racial wage differences by using micro level data (Blinder, 1973; Oaxaca, 1973). The method can also be used for the analysis of change over time, using cross-sectional micro level data at two points in time. Of course, different points in time need to have sufficient distance because, most often, the composition of a population does not change a great deal over the shorter run, even over ten years. Over the past four decades, statistical agencies in several countries have accumulated a series of cross section micro databases on housing and residential mobility. This now offers the possibility to perform an analysis over a longer period of time. Examples are an analysis of long-distance migration trends in the USA (Cooke, 2011) and the tenure shift in New Zealand (Bourassa & Shi, 2017), but such studies are still rare. However, one drawback of the Oaxaca-Blinder method is that it is only fit for using micro level data and it cannot include external effects such as fluctuations in the GDP and or interest rates¹⁸. Changes in external effects when comparing data from different years may affect the behavioural component, then making it difficult to characterize long-term trends of residential mobility (cleared of external factors). Therefore, we need to carefully select two databases in times that compare in terms of overall economic development (Box).

As mentioned earlier, the second objective of this study is to explore in more detail the vulnerability of the contemporary (particular) Dutch owner-occupied sector to economic crisis (Van der Heijden et al., 2011). Here we just compare a cross section from around 2005 with the era shortly after the start of the crisis. The composition of the population will not have changed much in such a short time, so comparing two separate regression models in order to investigate which household types were most affected in terms of residential mobility can be regarded as sufficient.

We now turn to the presentation of the Oaxaca-Blinder method. As indicated we will investigate the entire proportion of owner- occupiers that moved in the past two years. This proportion is denoted as Y . We want to separate, in the difference between the proportions having moved in the past two years between 1986 and 2006, whether this is related to changes in the

¹⁸ This will be clear when the method is presented

composition of the population of owner-occupiers and/or to changes in their behaviours. Y is estimated separately for 1986 and 2006; X is a vector of observable characteristics (structure by age group, household type and income), β is the vector of the estimated coefficients, that is, the effect of given characteristics on having moved, analysed as related to behaviour.

The difference, between 1986 and 2006, in the estimated probability of having moved can be written as follows:

$$\bar{Y}_{2006} - \bar{Y}_{1986} = (\alpha + \hat{\beta}\bar{X})_{2006} - (\alpha + \hat{\beta}\bar{X})_{1986}$$

Without going into the details of the mathematical elaboration, this is developed into the final form of the Oaxaca-Blinder decomposition (see Jann, 2008):

$$\bar{Y}_{2006} - \bar{Y}_{1986} = (\bar{X}_{2006} - \bar{X}_{1986})\hat{\beta}_{1986} + \bar{X}_{1986}(\hat{\beta}_{2006} - \hat{\beta}_{1986}) + (\bar{X}_{2006} - \bar{X}_{1986})(\hat{\beta}_{2006} - \hat{\beta}_{1986})$$

The first part corresponds to the compositional effect, where the effects of changes in the population structure (composition) are calculated keeping behaviours (the β -parameters) constant. The second part represents the behavioural effect, that is, the effect of changes in the β -parameters, calculated keeping the population structure constant. The third part corresponds to interaction effects, or in other words, it shows whether changes in the population structure correlate with changes in behaviour. However, interactions can be quite complicated to interpret in these particular models. As such, a first step is to investigate whether the interaction effects are relevant at all and if not (which they are often), we proceed with a model without an interaction term.

Furthermore, we estimate a linear probability model rather than a commonly used logistic regression model. An overriding motive for many researchers to use a logistic regression model is that it avoids predicted outcomes potentially falling outside the 0 to 1 dichotomy. But the use of logistic regressions as soon as the dependent variable is a binary variable has been increasingly debated (see e.g. Hellevik, 2009). The main advantage of the linear probability model is the ease of interpretation, which is certainly relevant in our study with the Oaxaca-Blinder decomposition method, because it produces more complex output in the form of both compositional and behavioural effects.

A second main drawback of the linear probability model is that variance is related to the value of the independent variable(s). This implies heteroscedasticity, which can lead to biased standard errors and p-values. While we are mainly interested in the coefficients' patterns and do not aim to find a strong model to be used for scenario building or as input for other models, we need to know the precision of the estimated coefficients and their statistical significance. At any rate, heteroscedasticity has no consequence on the predicted coefficients, but the tests of significance may be affected (see for instance Hellevik, 2009). A common way of dealing with heteroscedasticity is to construct weights (i.e. larger weights for smaller predicted values and vice versa¹⁹) and run a Weighted Least Squares (WLS) regression. The drawback is that such weights potentially change the estimated coefficients of the original model. Our approach is to estimate WLS models in order to investigate whether the significant predicted values are not too much influenced by heteroscedasticity and if so, we will warn about this.

Finally, we use a deviation model for the categorical variables. Indeed, with categorical variables, one of the categories must be omitted (the reference) to avoid collinearity. However, the choice of the reference category may affect the estimation of behavioural effects in the Oaxaca-Blinder detailed decomposition (cf. Jann, 2008). Using a deviation model (where the sum of the coefficients is constrained to zero and the coefficients are expressed as a deviation from the mean effect) avoids this.

¹⁹ In fact, the database already includes a weight factor.

Data and variables (presented as a 'Box' in the original article)

The Dutch national institution responsible for statistics (Statistics Netherlands) has been conducting a housing survey every three to four years since 1981 (National Housing Demand survey, WBO, before 2006, then Netherlands' Housing survey, WoON). The data include detailed information on housing and household characteristics. It also provides information on the previous dwellings of recent movers, whether the household intends to move, and housing preferences. In the article, residential mobility refers to "recent moves", that is, residential moves occurred within the two past years for households who are owner-occupiers at the time of survey. The data are based on household interviews, but since 2006, more information has been added from register data. This has improved the information on household income but also created some problems for comparisons with previous datasets.

The first part of the analysis aims to disentangle compositional and behavioural effects of the change in residential mobility of home owners in the long run. Here we need to find two years that are comparable in terms of economic circumstances (see the section on methodology). We are aware that it is impossible to find a perfect match in terms of economic situation. However, we assess that the economic background is quite comparable between the data of 1986 and 2006. In both periods the Dutch economy (and house prices) was recovering after an economic slowdown and GDP growth reached levels between 2% and 3%. The notion of "recent moves" referring to moves occurred in the past two years, so the 1986 data refer to residential moves occurred in 1984-1985; for the 2006 dataset, it refers to moves occurred in 2003-2004 because the year 2005 was not fully covered.

Selecting the years was less complicated for the second part of the analysis. We used the data from 2006 and compare it with the data from 2012, when the economic crisis had resulted in a massive decline of housing transactions in the owner-occupied sector (see also Van der Heijden et al., 2011).

The analysis retains the main household characteristics that the literature has regularly found to have significant effects (age, household type, income) on mobility. We use age groups rather than the continuous age variable (age of the household head) because it can be more informative on the behaviour of cohorts over time. For the household income, we had the problem of the change in data collection in 2006. Therefore, we constructed income quintiles (based on the income distribution of the entire household population) rather than use the detailed income values. This also avoids to have to adjust for inflation. Furthermore, the 1986 database only provides net household incomes, while the later databases contain disposable incomes. Some caution is thus needed, but using quintiles improves the comparability to a great extent.

3.4 Results

As mentioned earlier in the introduction, the percentage of owner-occupiers increased rapidly from the 1980s and onwards (Table 3.1). The rental sector declined in relative terms but remained stable in absolute terms at 3.0 million dwellings. The main factors behind the increase of owner-occupation were a change in the policy focus from widespread support of the (social) rental sector with large scale building programs, towards the owner-occupation sector. Whereas "brick & mortar" and operations subsidies for social rental dwellings were virtually abolished in the 1990s, owner-occupiers were able to benefit from a very generous tax relief on paid mortgage interest. Under these conditions, the private rental sector, which did not benefit from any government support, has not been considered a viable alternative for many households. Furthermore, changing household preferences, as a result of increasing prosperity, focused more on single family (terraced) houses with gardens. In the last decade, Dutch governments have increasingly restricted access to the (affordable) social rental sector because they fear that it creates an unbalanced playing field for market parties, especially those parties that invest in the private rental market. At the same time, there is still a great unbalance between the unsubsidized private rental sector and the heavily fiscally stimulated owner-occupied sector, which either draws or pushes many households into owner-occupation.

Table 3.1 Tenure structure of Dutch households (in independent dwellings*)

	1986	2006	2012
Owner Occupied	43%	56%	59%
Rental	57%	44%	41%
Total %	100%	100%	100%
Total Abs	5,284,747	6,800,576	7,140,758

*Housing without shared facilities nor exceptional types such as house boats.

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

As our main objective is to analyse the change in the proportion of owner-occupiers that recently moved, we first give an overview of this change. Overall, Table 3.2 shows that the percentage of recently moved owner-occupiers has increased from 1986 to 2006, but it is not dramatically higher. With regard to the shorter term, where the backgrounds to the sensitivity of the Dutch owner-occupied system to a (housing) crisis will be investigated, the main indicator in Table 3.2 is quite straightforward. The percentage of recent moves in the owner-occupied sector has declined by about 30%. In fact, the decline is greater, when compared to the transaction levels at the height of the real estate boom in 2007 (Figure 3.3).

Table 3.2 Households that recently moved*

	(1984-1985)	(2003-2004)	(2010-2011)
Owner Occupied	10.7%	12.1%	8.5%
Rental	19.6%	15.7%	19.1%
Total %	15.8%	13.7%	12.8%

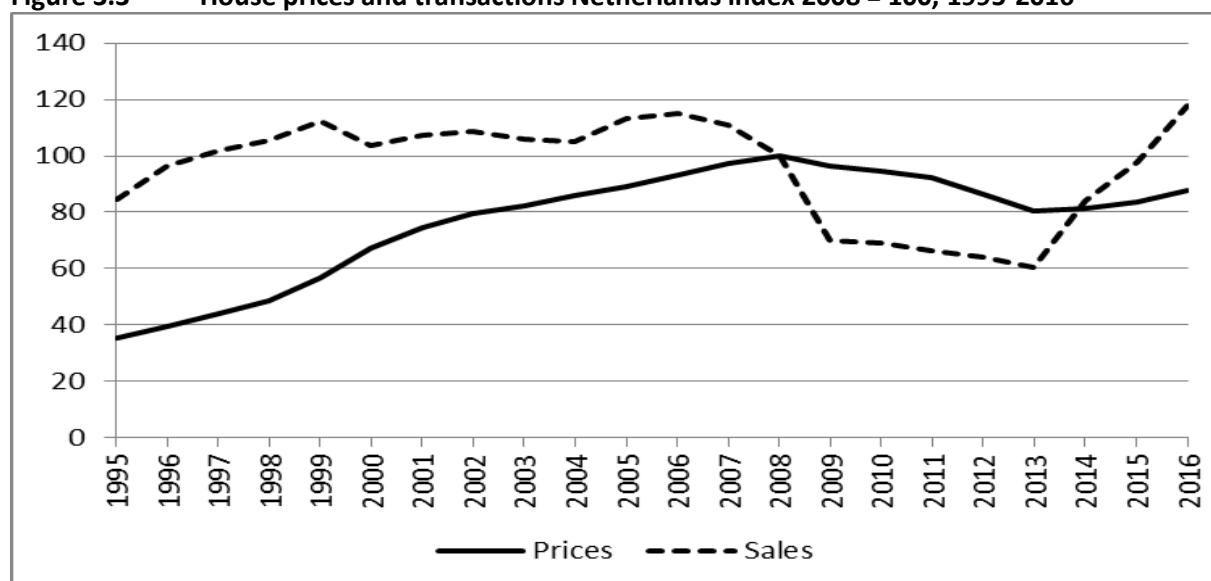
*Into housing without shared facilities nor exceptional types such as house boats.

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

As a first step towards the Oaxaca-Blinder decomposition, Table 3.3 gives information on the changing composition of the population of owner-occupiers. As mentioned in the introduction, the dominance of traditional families with children has altered drastically in favour of single persons, couples and single parent households. Ageing of the Dutch population is also visible in the data for owner-occupiers 1986 and 2006. With regard to income distributions in the owner-occupied sector, 1986 and 2006 show a somewhat striking difference. Overall, home ownership has become more concentrated in the middle classes (quintiles 3 and 4), while the lowest quintile shows a marked decline. However, it needs to be noted that owner-occupation levels have increased among all household types, except for the very lowest income quintile. So, for young households (20-34), the percentage of owner-occupiers increased from about 35% to nearly 50% and for the age groups between 35 and 65 it increased from nearly 50% to well over 60%. The same applies to single person and single parent households who still have relatively low chances of being home owners (circa 33%), but it has definitively increased. An increase is also visible for the other household types and currently a vast majority of couples (65%) and couples with children (75%) is owner-occupier.

Although we argued earlier that many young (dynamic) people have turned to the owner-occupied sector, thereby possibly raising the proportion of recent moves, the percentage of young people in the entire owner-occupied population has declined. In fact, the large cohorts of households aged 35-44 in the 1980s, including baby boomers, are now ageing and form a major share of the population of owner-occupiers in the age group 55-64. Furthermore, there is now a much higher share of non-traditional family households, who are expected to be more mobile. However, some couples (without children) and single person households increasingly belong to the age groups above 55 years empty nesters who are usually less mobile. These general shifts in the structure of the population of owner-occupiers are thus compositional factors that can give some clue as to how residential mobility amongst owner-occupiers has changed. Behavioural changes are addressed in the next section.

Figure 3.3 House prices and transactions Netherlands index 2008 = 100, 1995-2016



Source: Statistics Netherlands

Table 3.3 Household characteristics of Dutch owner occupiers*.

	1986	2006	2012
Household type			
Single person	15%	20%	22%
Couple (without children)	24%	35%	35%
Couple with children	57%	42%	39%
Single parent	3%	4%	4%
	100%	100%	100%
Age group			
20-34	22%	16%	14%
35-44	30%	27%	23%
45-54	21%	25%	26%
55-64	18%	20%	24%
65-75	9%	12%	13%
	100%	100%	100%
Income quintiles (based on quintiles of all households)			
Quintile 1 (lowest)	12%	7%	6%
Quintile 2	13%	13%	14%
Quintile 3	19%	21%	22%
Quintile 4	24%	28%	27%
Quintile 5 (highest)	32%	32%	31%
	100%	100%	100%
Total owner occupiers (abs.)	2,132,316	3,778,335	4,214,420

*Housing without shared facilities nor exceptional types such as house boats.

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

3.4.1 Analysing mobility changes between 1986 and 2006

The results of the Oaxaca-Blinder decomposition of the overall change in recently moved owner-occupiers, can be somewhat complicated to interpret without having some basic understanding of the behavioural changes for different household characteristics. For a general overview of the changes in the behaviour per household characteristic, we run separate linear regression models for the probability to move per household characteristic for the years 1986 and 2006. Note that this is a deviation model, where the sum of the coefficients for the categories per variable is equal to zero. We highlight the largest changes in Table 3.4. Overall, both regression outcomes confirm that there is a negative relation between age and the propensity to move. The results also confirm that households without children have higher propensities to move. With regard to income, there is no clear pattern while the coefficients are also not significant. Such findings confirm the expectation from the theoretical framework that on the one hand, a shift towards more non-family households (no children) in the owner-occupied sector potentially has a positive impact on the overall mobility level of owner-occupiers, while demographic ageing will have a negative impact.

A comparison of the estimated coefficients in the two models shows an overall increase of the chances to have moved in the past two years for virtually all household characteristics. This is visible in the rather large change in the constant, whereas most of the changes in the coefficients of the household characteristics do not “compensate” for this. The probability of having moved may have decreased for some combinations of characteristics (e.g. the association of the 65-75 age group and the type of household living alone) but, for most household profiles, an increase is visible.

As discussed earlier, a main concern regarding linear probability models is the possibility of unrealistic outcomes below 0 or above 1. Table 3.4 shows that such an outcome may be true for a couple of household profiles, but such households are quite rare in practice. Furthermore, alternative estimations with logistic regression models gave comparable patterns in coefficients and significance levels. For an additional check, the main results of the Oaxaca-Blinder linear decomposition will be compared to the results of the logit decomposition as proposed by Fairlie (2005).

Tables 3.3 and 3.4 already provide some indication on the drivers of the overall change in owner-occupiers mobility; this is further analysed now with the Oaxaca-Blinder decomposition. The overall probability to move as estimated by the model is 10.25% in 1986 and increases to 12.63% in 2006 and this increase is significant (Table 3.5). The decomposition shows that compositional changes in the population of owner-occupiers had a negative impact on the probability to move. This is in line with what was already suspected based on Table 3.3. The behavioural effect is positive and explains the general increase of the probability of Dutch owner-occupiers to move²⁰. This also confirms the patterns revealed in table 3.4. A further comparison of these results with a decomposition using estimates from a logistic regression (Fairlie) shows similar general results, with a negative parameter of -1.15% for the composition part and +3.57% for the behavioural part.

²⁰ As indicated in the methodology section, we first tried a decomposition model with interaction effects (third part of the Oaxaca-Blinder equation). The model with interactions gives little added value and will only be shortly discussed

Table 3.4 Linear regression of owner occupiers probability to move in the two previous years*.

1984-1985			2003-2004		Difference Coefficients 1986-2006
	B-parameter	Sig level*	B-parameter	Sig level*	
20-34	0.166	0.000	0.245	0.000	0.079
35-44	0.023	0.000	0.038	0.000	0.015
45-54	-0.033	0.000	-0.051	0.000	-0.017
55-64	-0.070	0.000	-0.106	0.000	-0.037
65-75	-0.086		-0.126		-0.040
Single person	0.041	0.000	0.015	0.001	-0.026
Couple (no children)	0.027	0.000	0.035	0.000	0.008
Couple with children	-0.046	0.000	-0.048	0.000	-0.002
Single parent	-0.022		-0.002		0.019
Quint1	-0.016	0.024	-0.007	0.269	0.009
Quint2	0.005	0.375	0.006	0.173	0.001
Quint3	-0.011	0.026	-0.004	0.268	0.007
Quint4	0.002	0.675	-0.006	0.079	-0.008
Quint5	0.020		0.011		-0.009
Constant	0.100	0.000	0.136	0.000	0.036
F value	143.477	0.000	401.269	0.000	
R square	0.092		0.126		
N	19855		26779		

Note: Significance levels must be taken with caution in linear probability models (due to heteroscedasticity). The results from alternative WLS estimations (not reported) show that the household type might be not significant. Note that with the deviation model, the coefficients of the last category are calculated separately for each categorical variable (the sum of the coefficients being equal to zero).

Coverage: Owner-occupier households (private homes excluding special types of housing such as houseboats).

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

Table 3.5 Oaxaca-Blinder decomposition of owner occupiers probability to move 1984-1985 versus 2003-2004 (general effects)

	Probability to move	Standard error	P-value
Prediction model 1984-1985	10.25%	.00236	0.000
Prediction model 2003-2004	12.63%	.00248	0.000
Difference	2.38%	.00342	0.000
Decomposition of change			
Composition (structure)	-1.19%	0.00142	0.000
Behaviour	3.57%	0.00354	0.000

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

These first findings are further explored in the detailed Oaxaca-Blinder decomposition, which calculates the effects for each individual variable (see Table 3.6). Overall, demographic ageing has a negative effect on recent moves (-0.0236, all ages). This is visible for all the age categories, which is consistent with the evolutions shown in Table 3.3 on compositional change. Although higher proportions of younger people turn to the owner-occupied sector, the percentage of younger, more mobile owner-occupiers has substantially declined. This has a negative impact on the overall proportion of owner-occupiers that moved recently, because young owner-occupiers have higher chances of moving than their older counterparts (cf. also Table 3.4). The negative impact of demographic ageing on residential mobility is partly offset by a positive impact of changing household characteristics (+0.0116). The main contribution comes from the relative decline of couples with children. This confirms the general assumption that a weaker domination of traditional, “immobile” family households in the Dutch owner-occupied sector lead to an overall increase in mobility. With regard to income quintiles, the structural effects are mostly not significant.

Table 3.6 Detailed Oaxa-Blinder decomposition for owner occupiers probability to move 1984-1985 versus 2003-2004

	Compositional effects $(X_{2006} - X_{1986})\beta_{1986}$		behavioural effects $X_{1986}(\beta_{2006} - \beta_{1986})$	
	<i>Coefficient</i>	<i>Sig level</i>	<i>Coefficient</i>	<i>Sig level</i>
20-34	-0.0144	0.00	0.0149	0.00
35-44	-0.0013	0.00	0.0044	0.03
45-54	-0.0019	0.00	-0.0039	0.00
55-64	-0.0044	0.00	-0.0065	0.00
65-75	-0.0015	0.00	-0.0047	0.00
Total age	-0.0236		0.0041	
Single person	0.0011	0.00	-0.0038	0.02
Couple (no children)	0.0033	0.00	0.0023	0.25
Couple with children	0.0072	0.00	-0.0010	0.82
Single parent	0.0000	0.34	0.0007	0.16
Total household type	0.0116		-0.0018	
Quint1 (low)	0.0002	0.29	0.0009	0.31
Quint2	-0.0001	0.23	0.0002	0.87
Quint3	-0.0001	0.11	0.0014	0.33
Quint4	-0.0001	0.32	-0.0022	0.21
Quint5 (high)	0.0001	0.13	-0.0028	0.18
Total income	0.0001		-0.0026	
Constant	---		0.0359	0.00
Total	-0.0119	0.00	0.0357	0.00

Source: Housing Demand Surveys 1986 and 2006 (WBO 1986 and WoON 2006), authors calculations.

We now turn to the behavioural effects. First of all, the constant indicates a general trend towards more mobility (+0.0359). The coefficients per household characteristic show that the variation around this constant is quite small, which indicates that the proportion of recent movers has increased across the board. Although in our analysis we cannot distinguish between new entrants (first time buyers) and those who move within the sector, this overall dynamisation is a clear sign of the formation of housing ladders, where households move from smaller to larger dwellings and, at a later age, move

“back” to an apartment. The particularly large coefficient for young households also supports the general idea that young people enter the sector at a younger age and move much more frequently within the sector during this phase of life. The only parameter for which a somewhat smaller increase (keeping in mind the intercept) is visible is for single person households. Even though we control for age and income, this might still be a sign of more heterogeneity within the population of single households, who are not only young and with lower incomes, but increasingly are elderly single. With regard to income the change is not significant for any of the quintiles.

In a preliminary analysis we also estimated a model with interaction effects but this did not add much information $(\bar{X}_{2006} - \bar{X}_{1986})(\hat{\beta}_{2006} - \hat{\beta}_{1986})$, but this did not add much information. At best, it shows one significant interaction between a decline in the percentage of young households (20-34) and a strong increase of the mobility behaviour, but we do not assume any causal effect. The fact that the overall proportion of younger owner- occupiers declines is related to demographic ageing, while the increase of mobility “just” relates to their aforementioned earlier entry in the sector and more subsequent moves.

One last remark must be made with regard to the behavioural effects of the youngest age group (20-35). The positive behavioural effect shown in Table 3.6 for this group is related to entrance into the owner-occupied sector at a younger age, and higher chances to move onwards within the owner-occupied sector before the age 35. In case both the age of entry into the sector and the chance to move within the sector before age 35 had remained unchanged between 1986 and 2006, there would be no behavioural effect. However, in such a scenario there is still a possibility that the parameter for the behavioural effect shows a change resulting from short term changes in the size of birth cohorts. For instance, a (sudden) decline of a birth cohort will materialise in a smaller influx from the rental sector or from parental homes. This will subsequently lead to a smaller proportion of recently moved young households in the owner-occupied sector. If birth rates are stable or only gradually change, behavioural effects should just be interpreted as changes in the age of entry into the owner-occupied sector and different chances to move within the owner-occupied sector before the age of 35. In the Dutch case, there was a drastic decline of births from 1970-1975 (from around 240,000 to 170,000), which has the potential to materialise in a negative behavioural effect. After 1975, birth rates stabilised. It needs to be noticed that many of the 1970-1975 generation were already in the owner-occupied sector in around 2005, but the sudden decline in this cohort may have had a negative impact on the proportion of young households that moved within the sector (before age 35). This combination of a possible negative impact on the behavioural effect and the increase in the actual estimated effect of the parameter (cf. table 3.6) supports the idea that young households have become more dynamic.

3.4.2 Vulnerability of the system? Changing mobility of owner-occupiers 2006-2012

We now turn to an analysis of the crisis period. The main topic of interest here is to investigate how the crisis affected the contemporary Dutch owner-occupied housing market. Again, we memorise that more households spend a larger part of their housing career in the owner- occupied sector. Whereas in the mid-1980s the owner-occupied sector was dominated by “static” family households, there are now more households that start their housing career in a small owner-occupied dwelling and subsequently make a couple of moves on the housing ladder after (or during) household and income changes. The literature also mentions that a crisis can significantly obstruct these moves on the housing ladder as a result of income-employment uncertainty and negative equity. With regard to the latter point, it must also be mentioned that young Dutch households were able to take out as much as 130% of the value of the dwelling. Buying a highly leveraged apartment with the intention of moving on after a few years certainly poses a risk of negative equity. Furthermore, according to the theoretical framework, it can be expected that those households that are already well housed, but who in principle consider moving to a more luxury dwelling, may put those ambitions on the longer run during a crisis.

These general expectations seem to hold to a great extent with regard to age when comparing regression models of 2006 and 2012. First of all, the intercept indicates an overall decline of residential

mobility (see Table 3.7). This decline is even higher for households below 45 years and especially for those under 35. The overall decline is somewhat lower for those above 45. With regard to household type, the only change of interest is the parameter for single person households. It is positive, but small. For income quintiles, the change is positive and quite strong for the lowest quintile, while it is negative and rather low for the highest quintile(s).

This positive change for the lowest income quintile sparks some extra interest because it was discussed among housing market experts during the crisis. One debate revolved around the issue of highly leveraged young households who were virtually locked up in their dwelling because of negative equity, while another focused on the possibilities for first time buyers. Whereas falling house prices might provide opportunities for first time buyers, credit restrictions self-imposed by mortgage lenders²¹ or government policies to restrict high loan-to-value ratios could become problematic for potential first-time buyers to benefit from house price declines. However, the actual moves of first-time buyers into the owner-occupied housing market indicated that there was actually no strong decline (Boumeester et al., 2015).

Table 3.7 Linear regression of owner occupiers probability to move in the two previous years.

	2003-2004		2010-2011		B-parameter change 2006-2012
	B-parameter	Sig level*	B-parameter	Sig level*	
20-34	0.245	0.000	0.217	0.000	-0.028
35-44	0.038	0.000	0.019	0.000	-0.019
45-54	-0.051	0.000	-0.042	0.000	0.009
55-64	-0.106	0.000	-0.085	0.000	0.021
65-75	-0.126		-0.109		0.017
Single person	0.015	0.001	0.007	0.049	-0.007
Couple (no children)	0.035	0.000	0.038	0.000	0.003
Couple with children	-0.048	0.000	-0.045	0.000	0.003
Single parent	-0.002		0.000		0.002
Quint1	-0.007	0.269	0.009	0.071	0.016
Quint2	0.006	0.173	0.008	0.039	0.002
Quint3	-0.004	0.268	-0.010	0.001	-0.006
Quint4	-0.006	0.079	-0.011	0.000	-0.003
Quint5	0.011		0.004		-0.007
Constant	0.136	0.000	0.107	0.000	-0.029
F value	401.269	0.000	491,629	0.000	
R square	0.126		0.130		
N	26779		36235		

Note: cf Table 3.4

Coverage: Owner-occupier households (private homes excluding special types of housing such as houseboats).

Source: Housing Demand Surveys 2006 and 2012 (WoON 2006 and 2012), authors calculations.

Rather, the results presented in table 3.7 suggest that the mobility of low-income households has not been as affected by the crisis as might have been expected. It appears there is a distinction between first time-buyers, who had better opportunities to buy a dwelling and existing young owner

²¹ See for instance the work of Fostel and Geanakoplos (2008).

occupiers, who were 'stuck' in their dwelling because of high leverage. A limitation here is that we cannot take into account their residential origin in our models: this information is only available for households that have moved recently (in the previous two years).

For those who moved in the previous two years, table 3.8 shows a marked increase between 2006 and 2012 of the percentage of first-time buyers coming from their parents' home or from a student dwelling, while the share of first-time buyers coming from a rental dwelling remains more or less the same. Owner-occupiers' mobility within this sector dramatically declines. It gives substance to the idea of Van der Heijden et al. (2011), that a more dynamic home ownership sector with much mobility on the housing ladder can be seriously affected by a crisis. Table 3.8 also shows that in 1986, before the expansion of the owner-occupied sector. The percentages of first-time buyers from the rental sector were also high, while mobility within the owner-occupied sector was much lower, suggesting a more static system, dominated by families who did not move much.

Table 3.8 Original housing sector of recently moved owner occupiers (previous two years)

Origin	1986	2006	2012
From parent/student house	34%	22%	33%
From rental house	39%	30%	29%
From owner occupied house	26%	48%	38%
Total	100%	100%	100%

Source: Housing Demand Surveys 1986, 2006 and 2012 (WBO 1986, WoON 2006 and WoON 2012), authors calculations.

3.5 Conclusion

The first part of this article investigated how mobility levels in the Dutch owner-occupied sector changed in a context where this sector grew substantially, both as a proportion of the entire housing stock and in absolute size. Our main assumption was that the Dutch owner-occupied sector can be characterised as "dynamic" (Van der Heijden et al., 2011) and that its dynamisation is visible since the mid-1980s. The backgrounds to this assumption have been under investigated. There is room to explain the dynamisation through a changing composition of the owner-occupiers population, i.e. an influx of dynamic (young) household in the owner-occupied sector. In addition, behavioural changes might also have played a role, for instance older people in the 1980s being less mobile than the contemporary older population. We used the Oaxaca-Blinder method, to disentangle the compositional and behavioural effects. Overall, there has been an increase in mobility through changing behaviour of owner-occupiers from 1986 to 2006. There is remarkable little variation by household characteristics on this part, although it can be said that younger owner-occupiers are more mobile than before. Changes in the composition of the household structure in the owner-occupied sector had a negative impact on mobility. Although we expected more mobility because of an influx of younger households, overall ageing of the (owner-occupied sector) population is responsible for this negative compositional effect. However, the change towards a more diversified composition in terms of household types somewhat counter-balances this ageing effect. In fact, there was a marked decline in the share of traditional, less mobile, family households.

In the second part of the study, we aimed to connect to the hypothesis that the changing structure of the owner-occupied sector population might also make it vulnerable to an economic downturn. Households in dynamic owner-occupied markets make several moves on the "housing ladder" during their housing career, in contrast to less mobile systems. During a crisis, the process stops and the entire system can come to a halt, further affected by the withdrawal of speculative developers from the market for new construction. There was previously little information as to how this decline plays out at the household level and we aimed to fill this gap. Which household types are more vulnerable to a crisis? The analysis shows that especially the younger households moved less. This may be partly due to the fact that many young Dutch home owners have high debt and did not wish or were unable to move after the decline in house prices. However, the overall pattern in 2012

still shows that young households have the highest mobility rates. In fact, many young home owners who entered the owner-occupied market as (low income) first time buyers, benefited from house price declines.

Here we have investigated the developments in the Netherlands. In order to gain more insights into the evolution and mechanisms of static and dynamic housing markets, similar research would be needed in other countries. First of all, it might be interesting to investigate how other dynamic home ownership systems, such as the UK and the USA, relate to the Netherlands. A comparative analysis of such dynamic markets static systems, such as Belgium, Germany and possibly France (see Barlow, 1992) is another avenue for future research.

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Chapter 4 Home ownership under changing labour and housing market conditions: tenure preferences and outcomes among freelancers and flex workers

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Abstract Increasingly, policy-makers regard flexible labour as a condition for a well-functioning economy, while they also tend to regard home ownership as the superior tenure. These two goals appear to be contradictory, as mortgage lenders prefer clients with a permanent, uninterrupted income stream. For the Dutch context, multivariate analysis shows that flexworkers on temporary/zero hour contracts have smaller chances of moving into home ownership than those on permanent contracts. They also tend to express less preference for home ownership. Because flexworkers often experience spells of unemployment, risk aversion appears to play a role. Our findings show, in the Netherlands at least, that self-employed freelancers do not experience too many problems in accessing home ownership, possibly because of more stable and higher incomes. However, the role of flexible labour is on the rise and policy-makers might consider methods to promote access to home ownership, ranging from mortgage guarantee schemes to mortgage payment insurances. Our research findings may not always be valid for other countries because of international variation in institutional arrangements, such as unemployment benefits, mortgage insurance and guarantee schemes, etc., but, nonetheless, sheds considerable light on this policy issue.

Keywords: Home ownership; flexibilisation of labour; the Netherlands

4.1 Introduction

Since the late 1970s, national economies have become increasingly globalised. Western nations have become part of the dynamic international economy with many companies preferring a more flexible workforce that can better cope with the variable workload emanating from global economic cycles. Furthermore, innovations have followed one another at an increasing pace, creating an environment where products and services quickly become outdated through new innovations. Many economists and international think tanks have made the case for more labour market flexibility, because rigid employment protection legislation (EPL) makes it very time consuming and costly to fire under-used employees (OECD, 2016). Flexibilisation of the labour market may have its positive dimensions for commercial enterprises, but one downside is a decline in income security because of variable wages and temporary unemployment. At the same time, many Western governments have pursued an increase of owner-occupied housing consumption. This appears to be somewhat at odds with flexibilisation of labour because it can result in un(der)employment spells and income variability, while mortgage lenders usually demand a stable income stream from secure and uninterrupted employment.

This article intends to shed empirical light on the relation between home ownership and flexible labour at the household level. Research on this topic has become increasingly relevant in the aftermath of the Global Financial Crisis, which stimulated new rounds of labour market flexibilisation. Although this topic generated research in Britain in the late 1990s (see Ford & Wilcox, 1998), recent systematic analyses of this issue are rare. Scarcity of integrated micro databases that combine labour market position with housing variables may be one reason. For the Netherlands, such data have now been made available. As a way to meaningfully analyse this data, in the rest of the article that follows,

we first provide an introductory framework including a comparative overview of the development of labour market flexibilisation in a selection of Western European countries. This will also include some tentative explanations of international variation in housing finance and the meaning of tenure. We then turn to the micro context where we further elaborate on the theoretical relation between home ownership and household characteristics as found in the international literature.

The empirical part of this article focuses on an analysis of tenure preferences and tenure outcomes by labour market position. Is it actually possible to find an autonomous effect of tenure preferences stated by those in flexible labour as opposed to workers on a permanent contract? Furthermore, we investigate whether these preferences also match actual tenure outcomes. In seeking clues on the effects of macro-economic changes on tenure preferences and tenure outcomes, we compare results during a prosperous economic period (around 2006), with outcomes during a crisis (around 2012). We focus on these outcomes and variables knowing that the risk of losing a home for people in the flexible labour force, while socially relevant, is a complex research issue that arguably lies beyond the scope of a single article.

The remainder of this article is organised as follows. The next section presents a macro, international comparative view on flexible labour market practices and the main changes in the last years. It then continues in more detail with the theoretical relations between flexible labour, the life cycle and tenure choices at the household level. It proceeds further with a section on the data and methodology and then continues with the results of the quantitative analysis. The last section reflects on the research findings.

4.2 Convergence or divergence: labour relations, housing finance and tenure in a globalising world

Before we continue, it is useful to provide a clear definition of flexible labour as it involves several practices. A classic study by Atkinson (1984) on labour flexibilisation describes the ‘shifting employment practices’ of that era. Outcomes are often, next to reduced employment protection, practices of temporal flexibility and wage flexibility. Temporal flexibility refers to variable hours or temporary contracts, we refer to this as flexworking. Another form of labour flexibilisation is self-employment without personnel, the so called freelancer or ‘own account worker’. These persons act as (sub)contractors and agree to provide a contractually agreed service. Unlike flexworkers, they are not employees. In many cases, freelancers agree to perform a job for a fixed sum of money, but there are also freelancers who ‘bill’ every worked hour.

4.2.1 Labour relations

The literature shows that flexibilisation of labour markets has not been one uniform process throughout Western Europe (see for example Gebel & Giesecke, 2011). In fact, Table 4.1 shows significant variations in EPL levels in the mid-1990s. The large difference of EPL levels between the United Kingdom and Ireland on the one hand and Western European continental nations on the other hand, are explained by the varieties of capitalism approach (Hall and Soskice, 2001). Estevez-Abe, Iversen, and Soskice (2001) indicate that labour market policies in these liberal market economies (LME) are based on the liberal principle of ‘employment at will’, where companies can fire employees in cases where they do not function or when economic conditions demand so. The other nations in Table 4.1 are coordinated market economies (CME). CMEs provide a higher general level of EPL than LMEs, but there are substantial differences between CMEs. Some CMEs combine relatively low levels of EPL with generous unemployment benefits (UBs) (see Table 4.1). In order to keep generous UBs affordable, they usually last for a few years and are backed up with active labour market policies, which stimulate and assist the unemployed in finding new employment (Esping-Andersen, 1990). This approach results in more flexibility for companies, while redundant workers do not experience too great an income decline. Other CMEs combine high EPLs with very limited UB. In these countries, the

high EPL provides income security to workers, but the down- side is that it can lead to losses for enterprises which cannot restructure their workforce in reaction to an economic downturn. Many studies also indicate that high EPLs, such as the ones in Southern Europe, correlate with a higher incidence of temporary contracts and informal labour (for example Gebel & Giesecke, 2011). A third group of CMEs combine relatively high EPLs with relatively high UBs, which gives a high degree of income security to workers. The above serves as a general introduction on labour market variations and more backgrounds to these differences can be found in the varieties of capitalism literature (see Estevez-Abe et al., 2001). There has been a suggestion that the subdivision of EPL and UB levels in West- European CMEs runs parallel to Esping-Andersen's welfare regimes (Sapir, 2006), but in our data we do not see a strong link. For instance, Sweden and Italy, main representatives of specific welfare regimes (Scandinavian and Mediterranean), do not fit the picture that well. Table 4.1 shows that Sweden is closer to the continental European countries, while Italy is a case on its own rather than representing the Mediterranean countries.

Table 4.1 Labour market protection: Employment Protection Legislation (EPL) for permanent and temporary contracts and Unemployment replacement rate in selected EU countries.

	EPL Permanent contracts		EPL Temporary contracts		Unemployment replacement rate average first two years
Flexworkers (temporary contract)	1990	2013	1990	2013	2009
Netherlands	3.04	2.82	1.38	0.94	65%
Germany	2.58	2.68	3.25	1.13	56%
France	2.34	2.38	3.06	3.63	66%
Sweden	2.80	2.61	4.08	0.81	64%
Denmark	2.18	2.20	3.13	1.38	68%
Norway	2.33	2.33	3.13	3.00	72%
Italy	2.76	2.68	4.88	2.00	19%
Portugal	4.83	3.18	3.38	1.81	79%
Spain	3.55	2.05	3.75	2.56	67%
Ireland	1.44	1.40	0.25	0.63	50%
United Kingdom	1.10	1.10	0.25	0.25	28%

Sources: EPL = extracted from OECD.org datasets on EPL, regular contracts (individual and collective) and temporary contracts; Unemployment replacement ratios from OECD (2009), p. 76.

So then, in the wake of calls for more flexibilisation of national labour markets since 1995, what has happened to EPL in the respective nations? Do we see any convergence toward a very flexible labour market throughout Western Europe? It should first be noted that different EPL applies to permanent and temporary contracts. The EPL for permanent contracts (and collective dismissal) refers to 'procedural difficulties' and direct costs such as severance payments to dismissed employees (Gebel & Giesecke, 2011). The EPL for temporary contracts refers more to the restrictions on the use of temporary contracts (Gebel & Giesecke, 2011). A high EPL for temporary contracts indicates that it may not be allowed to hire employees on subsequent temporary contracts or it imposes restrictions on hiring zero-hour contract workers on a prolonged basis. Interestingly, the data show that EPL has remained mostly unchanged with regard to permanent contracts (Table 4.1). However, a majority of CMEs have responded by reducing the strictness of EPL for temporary contracts. The contemporary

literature indicates that this variation runs along lines of workers' skill-levels (see Bonoli and Natali, 2011; Gebel & Giesecke, 2011). Highly skilled workers often have permanent contracts because they are indispensable and also require significant (training) investment by their employers, while less-skilled workers are more easily replaced at less cost. So overall, it seems that CMEs have responded to the 'forces of globalisation' by giving employers more opportunities to rely more on less restrictive, temporary contracts. As such, many countries show an increase of flexworkers in the labour force (Table 4.2). The main exceptions here are Denmark and Norway, where the labour market was already relatively flexible and the necessity to increase the number of temporary jobs appears to have been less urgent. Also, the LMEs (UK and Ireland) show little change because their EPL was already quite relaxed from the start.

Turning to the Netherlands, the focus of our empirical research, the data reveal that EPL for permanent contracts has declined slightly, while a more significant decline is visible with regard to EPL for temporary contracts. In the next paragraph, we will elaborate more how these macro level, institutional changes play out at the household level and how they might relate to tenure choices.

Table 4.2 Percentage of freelancers and flexworkers below in labour force in 11 selected West-European countries

	Flexworkers			Freelancers		
	1995	2015	Change percentage points between 1995 and 2015	1995	2013	Change percentage points between 1995 and 2013
<i>Netherlands</i>	10.8	20.0	9.2	4.5	8.6	4.0
<i>Germany</i>	10.4	13.2	2.8	2.6	3.9	1.3
<i>France</i>	12.2	16.6	4.4	4.0	4.2	0.2
<i>Sweden</i>	13.0	16.3	3.3	5.1	4.1	-1.0
<i>Denmark</i>	12.1	8.7	-3.4	2.9	3.3	0.4
<i>Norway</i>	13.2	8.0	-5.2	3.5	3.5	0.0
<i>Italy</i>	7.2	14.1	6.9	5.9	8.8	3.0
<i>Portugal</i>	10.1	22.0	11.9	10.5	6.3	-4.3
<i>Spain</i>	35.0	25.2	-9.8	7.6	6.7	-0.9
<i>Ireland</i>	13.2	8.7	-4.5	7.4	6.6	-0.8
<i>United Kingdom</i>	6.9	6.1	-0.8	6.3	8.3	2.0

Source: Eurostat. Labour Force Survey tables lfsa_esga (Authors recalculation, with population data) and lfsa_etpga

4.2.2 Housing finance

In addition to considerable national variations in EPL, the literature on housing finance (mortgaged loan provision) reveals some variations that appear to run in parallel to the LME and CME divide. Interestingly, in many CMEs a higher degree of income security derived from high EPLs and/or generous UBs does not coincide with much more generous mortgage lending than in LMEs (see Schwartz & Seabrooke, 2008). In fact, LMEs often tend to have high rates of home ownership and highly accessible mortgage markets, which at times provide 'subprime' loans to households on insecure incomes. One explanation relates to LME banking sectors off-loading risky loans by means of securitisation and liberal regulators allowing them to do so (see Schwartz & Seabrooke, 2008). Indeed, the Global Financial Crisis revealed that this practice can rebound on vulnerable home owners, as

well as on the entire financial sector. In general, financial sectors in CMEs are much stricter (towards flexworkers) and often demand down payments. Exceptions are found in Scandinavia and the Netherlands where mortgage guarantee programmes stimulate lower down-payment practices. In the Netherlands, banks set somewhat stricter criteria for flexworkers, but proof of a good past performance with regard to income stability will lift the largest barriers.

There is some consensus that both leverage and loan conditions in Western mortgage markets were relaxed from the mid-1990s until 2008 (Scanlon, Lunde, & Whitehead, 2011) and in some countries even led to subprime practices. To a great extent this applied to the Netherlands, but large-scale subprime lending never occurred. Since 2008 conditions have become more stringent for all loans (Scanlon et al., 2011). There is little solid evidence that Dutch mortgage lenders have put additional restrictions on loans to flexworkers and freelancers, but some qualitative research shows that it has become harder for both freelancers and those on flexible- temporary employment contracts (Companen, 2012).

4.2.3 Tenure

The main housing tenures (social rental, private rental and owner occupation) are differently perceived according to country, due to institutional and cultural variations. For example, Kemeny (2006) indicated that in liberal countries, social rental is mostly a residualised and stigmatised sector which only serves the most economically and socially vulnerable households. From this perspective, even those who are eligible for (means-tested) social rental housing might avoid it. In countries where the social rental sector serves a broad target group, it is much less stigmatised and more people will accept it as a viable alternative. Furthermore, a residualised social rental sector is often neglected in terms of maintenance quality and regarded as less attractive (see Haffner, Hoekstra, Oxley, & van der Heijden, 2009). Private rental also has a status that differs according to country. In countries where private rental competes with a high quality and accessible (subsidised) social housing sector, it makes for a relatively unattractive alternative, while it may be considered more attractive when the social rental sector is residualised. Interestingly, liberal countries often combine residualised social housing and limited tenure security in the private rental sector (see Haffner et al., 2009). Tenure insecurity can neutralise the competitive advantage of private rental over the residualised social housing sector. Tenure security in the owner-occupied sector is strong in all countries, given that mortgage payments are not missed. Such institutional arrangements can lead to large variations in tenure preferences internationally. In fact, most LMEs have clearly established home ownership ideologies, which steers tenure preferences (Ronald, 2008), in spite of less income security. In some CMEs with a culture of self-provided owner-occupied housing, such as Germany, Belgium and Italy, owner occupation is strongly related to building the ideal house according to the tastes of the individual household (see Dol, Lennartz, & De Decker, 2012). In this context, owner occupation has (another) significant advantage over (private) rental. The Netherlands is a nation without much self-provision (self-build) and households buy relatively standardised dwellings from commercial developers (Dol et al., 2012).

Both the Dutch social and private rental sectors give a high level of tenure security with contracts of indefinite duration (Haffner et al., 2009). Furthermore, the Dutch social rental sector is not residualised, it is affordable and the dwelling quality is high compared to other, more residualised social housing systems. As such, the Dutch social rental sector is considered relatively attractive by many households. However, the social rental sector has become more restricted in terms of qualification and allocation (in terms of income-based means testing) (see Boelhouwer & Priemus, 2014). It still serves a broad target group, but not as broad as it used to be. Also, tenants have a right to a housing allowance, when their income is insufficient to pay the rent. This may be considered attractive for Dutch flex-workers. For owner occupiers, housing allowances are not available, but they do benefit from tax relief on mortgage interest.

It should also be noted that the degree of urbanisation often has a correlation with tenure (see for instance Helderma, 2007). In general, owner occupied dwellings are relatively scarce in urbanised areas, while there is relatively more supply in rural areas. In other words, the availability of owner-

occupied dwellings is expected to have a correlation with the propensity to move into owner occupation. Under conditions of ample demand for urban locations, this may lead to higher house price levels and crowding out of lower income households.

4.3 Labour position, the life course and tenure choice

4.3.1 Labour position and life course

The above suggests that labour market regulation, housing finance and the dominant perception of tenure shapes the (national or regional) context in which individual households make their tenure choice. For the Netherlands, we saw that owner occupation is a viable alternative because the housing finance system offers guarantees to first-time buyers, while unemployment will not cause dramatic income decline, that is, mostly for those that have a solid (permanent contract) employment history. Still, for many below median-income households, the social rental sector offers a reasonable housing alternative.

We now turn to the micro level in more detail. Within the boundaries set by the aforementioned national institutions and practices, individual household choices shape tenure outcomes. Again, income stability is crucial because it strongly determines the possibilities of gaining access to mortgaged loans. The literature indicates that permanent contracts and income stability have a strong relation with stable phases in the life course of households (see Remery, Van Doorne-Huiskes, & Schippers, 2002). Stable phases in the life course can be regarded as an outcome of choices by individuals (Remery et al, 2002). For instance, individuals decide to marry and raise children which leads to certain commitments. Such commitments are best met by means of solid employment contracts with stable income streams. Remery et al. (2002) indicate that a majority of households prefer a permanent contract because of the security and 'a clear perspective on the future'. However, some individuals, such as young people who are exploring the labour market, may not be in a phase where they seek stability and in fact feel restricted by the inflexibility of terms of employment such as a longer period of notice. These are referred to as risk takers, who have fewer commitments to others (Remery et al., 2002). Also some specific family households which have many commitments may still prefer more risk because they expect higher returns from self-employment (freelancing) above permanent employment contracts. In many cases, freelancers are professional specialists who generate enough income to overcome temporary income decline. However, there is now a trend in the Netherlands where increasing numbers of intermediately skilled artisans such as carpenters and plumbers are self-employed. For the highly cyclical construction industry this can be very beneficial, but the latest crisis showed that it is risky for workers because their income levels do not allow for the creation of a personal financial reserve. After all, freelancers do not fall under any collective wage agreement in CMEs and can only rely on a basic state benefit which in the Netherlands varies from less than €700 net for single persons to about €1350 net for families.

Overall, a high degree of labour market flexibilisation, can certainly lead to involuntary flexwork for (family) households, who would actually benefit much more from permanent contracts (see De Cuyper, De Witte, & Van Emmerik, 2011). As indicated, permanent contracts are often granted to workers with high skill levels and/or specialised knowledge, while those with lower skill levels increasingly rely on temporary contracts (Barbieri, 2009).

4.3.2 Safe as houses: relations between income, life course and tenure choice

A large body of international research shows that stable phases in the life course are related to owner occupation (see inter alia, Beer & Faulkner, 2011), even in those countries where owner occupation levels are comparatively low, such as in Germany (Tegeder & Helbrecht, 2007). This literature shows that the transition into home ownership is connected to having a stable relationship (marriage) and raising a family with children (see inter alia, Beer & Faulkner, 2011; Feijten & Mulder, 2002). Being

single is often negatively related to home ownership. Young singles especially, are often in a dynamic life phase, searching for the 'right job' and the 'right spouse', which does not contribute to stability. Indeed, young households, whether single or not, have a high degree of mobility and rental housing facilitates this better than home ownership (see Beer & Faulkner, 2011). Although stable income is crucial for access into home ownership, educational levels for young singles and young couples are also of great importance. In many cases, a high educational level of a young mortgage applicant is considered a lower risk, as these persons will often find permanent employment and their incomes are also expected to rise in the near future (Companen, 2012).

Furthermore, an above-average income can give a more solid base for home ownership, because it can reduce the impact of income decline and the possibility of mortgage payment arrears (see De Groot, Manting, & Mulder, 2013). In this sense, age also plays a role because incomes are often positively correlated with age. A Dutch study by Dol, Boumeester, and Marien (2014) reveals that household incomes show no great differences between freelancers and households on permanent contracts. The main reason is that many freelancers are often skilled professionals with an employment history before starting their own business. In the Dutch case, many are already owner occupiers and have often become so in a phase when they had a permanent employment contract. This contrasts with flexworkers who are often young and have substantially lower household incomes (Dol et al., 2014).

Lastly, there is often path dependency in housing trajectories in the life course of households. For instance, a publication by Helderma (2007) shows that once a household has accessed home ownership, they will often make the same tenure choice in a subsequent move. Trading up to a higher quality dwelling is often supported by capital gains (and repayments) from the current dwelling and owner occupation then becomes a rational choice, rather than using the assets to support renting a larger dwelling.

4.3.3 A special tenure preference for flexworkers and freelancers?

The literature suggests that home ownership can have benefits for flexworkers. Many flexworkers are under-served in pension benefits, while home ownership can provide an asset in old age (see inter alia, Doling & Elsinga, 2013). In many countries, home ownership is regarded as a pension provision strategy, but the current Dutch pension system has good coverage for the majority of workers. It has a mandatory employment-related pension scheme, and the collective pension funds invest the pension contributions across the globe for future generations. However, for flexworkers this may not always lead to the desired retirement income. Where a major part of the working life has been spent in flexwork, unemployment spells and variable wage levels may put insufficient contributions into the (collective) pension fund.

For Dutch freelancers, there is no mandatory collective pension fund, compelling them to accumulate private retirement assets if they wish to receive more than the basic state pension. Freelancers have a variety of strategies at their disposal, ranging from a commercial pension fund to personal investment strategies. One of the personal investment strategies can be the purchase of an owner-occupied dwelling as it provides rent free shelter at a later stage. In this scenario, the state pension and modest additional savings would be sufficient to have a decent life in old age. Moreover, a dwelling can be sold in order to release equity: the retiree would then 'trade down' to a rental dwelling or to a smaller owner-occupied apartment. Furthermore, the Dutch financial markets have started to provide reverse mortgage products, which can be used to release equity, while not having to sell the dwelling.

In sum, it can be expected that many freelancers are willing to invest in an owner-occupied dwelling, but possibly especially those who have a relatively stable business. Although we have to speculate to some extent, we assume that for flexworkers, the choice of owner occupation may still be less attractive. This can be substantiated by a recent report for the Ministry of Social Affairs and Employment, which shows that flexworkers often have spells of unemployment and therefore often rely more on social security than other employed households (SEO, 2013). During a spell of

unemployment, the Dutch central government's system of income-related rental allowances provides a good hedge against income fluctuations. In sum, the owner-occupied sector may not be the best option for flexworkers on low and variable incomes. This idea is to a great extent shared by the Dutch mortgage providers, who set special criteria for flexworkers. In the next section, we will explore mortgage provision for flexworkers and freelancers in more detail.

4.4 Hypotheses

Flexworkers often have characteristics that are negatively correlated with home ownership such as youth, small household composition, and low income. However, even when controlling for these characteristics, we assume that their more precarious labour market position has an additional negative effect on home ownership preferences. This may be partly a result of constraints set by mortgage lenders, but the specific Dutch institutional context may also have an effect on tenure choice. Given their spells of unemployment, it may be a better choice to be in the rental sector, where income decline can be compensated through housing benefits. Although flexworkers might prefer home ownership as an additional asset vehicle that compensates for gaps in pension build up, we assume the other factors are stronger drivers of a negative choice for home ownership.

Controlling for other determinants of home ownership at the household level, we expect that freelancers have a relatively strong preference for home ownership as it can be regarded as a part of investment for pension provision and possibly also as a collateral for business loans. Although they may have to meet special lenders' criteria, we assume that, given their economic position, most will not meet many barriers during normal economic circumstances. Many of them are professionals who have established business networks to guarantee stable income. This situation might change during economic decline, when contracts become scarcer.

4.5 Data and methodology

We use data from the cross-sectional waves of the 2006 and 2012 Housing Research Netherlands database (Woon Onderzoek Nederland, WoON). The WoON, database of 2006 holds 55,958 cases, while 60,365 cases are included in the 2012 database. The original WoON-database does not break down the labour status into permanent contract, flexwork or freelance, but the national statistics service (Statistics Netherlands) have added those data from national (tax) registries. It includes the 'zelfstandige zonder personeel', self-employed without personnel which is the Dutch equivalent of the freelancer. They take on jobs for a contractually agreed amount of money. The other category is flexworkers, who either work with a temporary contract or who can be called upon for very short term jobs and/or jobs with variable hours. This includes so-called zero hour contracts, which are permanent contracts, but at variable hours.

The WoON data-sets are based on a detailed questionnaire on household characteristics, housing situation and house moving intentions. For those who intend to move, questions were asked about the preferred future housing situation. The WoON also includes data on households that have moved in the last two years. These recent movers provided additional information about their previous housing situation.

The data used are cross-sectional and not longitudinal. For recent movers in the last two years, this could lead to some issues in the data. For example, there is a 'theoretical' possibility that a breadwinner on a permanent contract takes out a mortgage and shortly afterwards becomes a freelancer. Such would be strategic behaviour to circumvent stricter mortgage lenders' criteria for freelancers. We assume that any such behaviour would mostly apply to young breadwinners who aim to move out of a rental home into an owner-occupied dwelling (first time buyers). For those who move from an owner-occupied dwelling to another owner-occupied dwelling, such a strategy is often not needed because many have equity in their dwelling, which forms good collateral. In fact, these 'movers' form the majority of freelancers who move to an owner-occupied dwelling.

Table 4.3 Summary statistics of used variables (weighted)

	Intention to move		Recent movers	
	2006	2012	2006	2012
Household composition*				
Single person	27%	28%	24%	31%
Couple	29%	31%	32%	31%
Couple with child(ren)	44%	41%	44%	38%
Age head household				
< 25	6%	6%	5%	7%
25 -50	78%	75%	84%	80%
51-64	16%	19%	11%	13%
Educational level				
Primary	19%	13%	16%	11%
Secondary and professional	35%	36%	34%	34%
Tertiary	46%	51%	50%	55%
Intended type of move				
Movers from rent	54%	46%	55%	63%
Movers from ownership	46%	54%	45%	37%
Degree of urbanisation				
Urban	13%	11%	10%	10%
Moderately urban	30%	40%	40%	44%
Moderately rural	22%	14%	15%	14%
Rural	25%	23%	26%	23%
Very rural	10%	12%	9%	9%
Labour position				
Flexible-temporary contract	20%	22%	17%	21%
Freelancer	7%	8%	7%	9%
Permanent contract	73%	70%	76%	70%
Used cases in database (unweighted)	6,702	8,105	4,215	2,989

*For intention to move = household composition after intended move.

Source: WoON 2006 and 2012, enriched versions

However, we have no reasons to assume that there are many first-time buyers who give up a permanent contract for a freelancing career shortly after moving house. Indeed, a recent Dutch industry report indicates that very few employees on a permanent contract consider becoming self-employed (NRC, 2016). Any positive choice to change from a permanent job to freelancing is often associated with 'older' professionals who have good income prospects. Moreover, they are often long-time owner occupiers. So indeed, we might miss a few of those recent first-time buyers who had a permanent position and then became a freelancer, but we expect that these are rare cases. With regard to flexworkers, we do not expect that there are many people who took out a mortgage, based on a permanent contract and then made a positive choice to become a flexworker after they moved into owner occupation. In the Dutch context, this is definitively considered as a step downwards in the labour market hierarchy.

The WoON database contains detailed income data of existing households from the tax registry, but income data for people that intend to move for the very first time, that is from the parental dwellings or shared student homes, are not available. Therefore, these 'starters' were not

included in the analysis, but it would be very interesting to conduct research on this group when proper income data become available.

With regard to age, the literature suggests an inverted U relation between age and home ownership preferences and outcomes. This implies that a classification of age will lead to better model results. The data show a substantial increase after the age of 25 and a very gradual decline after 50 years. We classified the ages accordingly into three groups. Educational level is available in the WoON database. Secondary and professional refers to those that follow education until they are about 18 years old. Tertiary levels include higher professional education and university. About 20% of recent age cohorts finish a university degree, while about 30% finish a higher professional education (see Table 4.3). The WoON database gives a standard variable with the degree of urbanisation in five categories. Unfortunately, reliable data on the employment sector of respondents are not available in the WoON database. This can be a relevant factor, as the literature suggests that freelancing is increasingly shifting to occupations other than the highly paid, professional trades.

The method we use is a logistic regression where binary dependent variables are analysed, tenure of recent movers and tenure preferences of those who intend to move. As indicated, the databases are large and use weights that include an inflationary factor of around 100. This will make any regression output significant and therefore we eliminated the inflationary factor.

We estimate models for tenure preferences in 2006 and in 2012. Two other models are estimated for 2006 and 2012 on tenure outcomes after a (recent) move in the past two years. After selecting households who intend to move or who have recently moved, there are more than enough cases left to perform multivariate analysis (see Table 4.3). We only report significance at the 5% and 1% levels. The 10% level is too small for databases that we work with (see also Table 4.2).

4.6 Results

First, a model was estimated with those household characteristics that have been mentioned in the literature as having a relation with owner occupation. In a second model, we add the position in the housing market and the degree of urbanisation, as they are also expected to play a role (see literature review). These first two models serve as a general test of previous research findings. By adding the labour position variable in the third model, we test our main hypotheses on the relation between the labour market position and tenure outcomes (and choice).

With regard to the estimation of explanatory models, it is general practice to find the best model fit, which can be achieved by transformations of the data and/or adding interaction terms. This has been done in the explorative analysis but none of these transformations worked for all four models. For reasons of comparability, we chose to leave out any transformations or interactions. The results in Tables 4.4 to 4.7 need to be regarded as the best outcomes for comparability and not as the best fits.

4.6.1 Home ownership preferences of households that intend to move

The results for the models on home ownership preferences are presented in Tables 4.4 and 4.5. The relative chances of preferring home ownership are shown for each variable. The first two columns give B-parameters and significance levels. The standard error (SE) is listed in the third column. Where the odds ratio (OR) is smaller than 1, the predicted odds are smaller than the reference category and when the OR is larger than 1, the odds are greater. The general variables mentioned in the literature as drivers of home ownership, show mostly the expected results. Only the stronger preference of single persons for home ownership than that of families with children contradicts the expectation. Households in the ages from 25 to 50 have the highest preference for home ownership. Furthermore, there is a positive relation between household income level and educational level on the one hand and home ownership preferences.

Adding the intended type of move and degree of urbanisation in Model 2 gives a strong effect. This becomes clear from the increase in Nagelkerke pseudo R² and the significant decline of the log likelihood. Those households who are in home ownership already, have a much higher preference for

home ownership than renters. This comes as no surprise as simple tables show that around one third of renters prefer owner occupation, while this percentage is around 90 for owner occupiers who wish to move. The intended type of move impacts on age and shows that the current position on the housing market is strong. Overall, it can be said that younger and/or single households who are already home owners, have a strong chance of preferring to be a home owner in their next housing move than those who are not (yet) an owner occupier. Furthermore, there is a negative correlation between preferred degree of urbanisation and home ownership preferences. Households intending to move and with a preference for moderately urbanised areas have smaller OR than households that prefer non-urban areas.

Comparing the Model 2 results for 2006 with 2012 shows that the general patterns do not differ that much. It seems that the magnitude of the B-parameters becomes somewhat smaller in 2012. This indicates that differences between reference categories and the other categories are less pronounced, but overall the results are significant.

However, the main interest of this article is the effect of the labour position on home ownership preferences and choice. Both in 2006 and 2012, the model improves by adding the labour market variable, but it is no great leap. Home ownership preferences of flexworkers are decidedly smaller than for workers on a permanent contract, with smaller ORs in 2006 (0.709) and in 2012 (0.789). So, given the other household characteristics, it is possible to state that being a flexworker has a negative effect on home ownership preferences. As the literature suggests, this should be explained by the insecurity of the labour market position, which includes income gaps and temporary unemployment. For freelancers, the OR is smaller in 2006 (0.758), but not significant. For a large database like the one used here, this should be interpreted as not significant. It thus appears that there is no large difference in the home ownership preferences between freelancers and those on permanent contracts. In 2012, the OR (1.280) for freelancers is higher compared to households on permanent contracts and the effect is significant at the 5% level. There is thus no strong proof for a specific autonomous preference of freelancers for owner occupation.

4.6.2 Recent moves to the owner-occupied sector

The results for the models of recent moves into home ownership are presented in Tables 4.6 and 4.7. Model 1 shows that household composition, age, educational levels and household income all have a role to play. All the control variables show the expected results. In 2006, the explanatory value of this model, measured in Nagelkerke pseudo R², is similar to the ones of home ownership preferences. The previous position on the housing market and the degree of urbanisation of the living environment are also dominant factors in explaining the recent moves into home ownership. The analysis for 2012 shows some changes as well as the influence of conditions during the crisis period. Couples without child(ren) in particular have less chance of moving into home ownership compared to couples with children, but these results are not significant. Younger households have significantly lower odds than other age groups of moving into home ownership. Income has a significant and positive effect on the propensity to move into owner occupation. Adding type of move and degree of urbanisation improves the model significantly (Model 2). Renters and people in more urbanised areas have lower odds of moving into home ownership.

The last model adds labour market position. Controlling for all the other variables, flexworkers have smaller chances of moving into home ownership than households on a permanent contract in 2006 and in 2012. In both years, flexworkers have smaller odds (around 0.400) of moving into home ownership compared to households on a permanent contract. This does not always need to be interpreted as a result of constraints on the mortgage market, because flexworkers also have smaller preferences for home ownership than households on a permanent contract (see Table 4.3 and 4.4). However, we assume that flexworkers' preferences for rental are also influenced by the safety nets within the Dutch rental system as rental housing benefits for lower incomes cushion the impact of income decline.

In 2006, freelancers have similar chances of moving into home ownership (OR = 1.063), to households on permanent contracts. This seems rather to contradict the results for home ownership

preferences, that were somewhat smaller. Possibly, the favourable conditions on the housing and mortgage markets, i.e. rising house prices and readily available credit, may have stimulated this behaviour. However, in 2012 the chances of moving into home ownership have become smaller for freelancers (OR = 0.810) but the effect is still insignificant. The somewhat smaller effect may be related to a more critical attitude of mortgage lenders towards freelancers during uncertain economic times. Other factors that might play a role are a decline in contracts for freelancers during the crisis: as a result freelancers themselves may have become more reluctant to invest in housing. Overall the effect is still insignificant for freelancers.

4.7 Conclusions

This article has sought to shed some new light on the effect of changing labour markets on home ownership. Our investigation first shows that many Western European countries have increasing percentages of workers on temporary contracts and freelancers (own account workers). At the same time, the EPL for those on temporary contracts has been relaxed in many countries, while those on permanent contracts still have a high degree of employment protection. This leads to more income variability for a larger group of households, while the financial sector prefers stable incomes when providing mortgaged loans for prospective home buyers. What does this mean for access to home ownership? Is home ownership indeed less accessible for households with non-permanent employment positions?

We have investigated the situation in the Netherlands where home ownership rates have risen sharply in the past two decades and are now close to 60%. At the same time, the Netherlands is a European front-runner in working on variable hour contracts or temporary labour contracts, while there are now also many freelancers: that is self-employed persons without any personnel. EPL for Dutch temporary contracts has decreased in the past few years, while it can also be somewhat difficult to gain access to mortgaged loans for those who are on temporary contracts and variable income (freelancers). As such the Netherlands is an interesting case, but the outcomes should not be directly translated to any other Western European country.

For the study, it was hypothesised that flexworkers may have less preference for owner occupation because of the risk. Many experience income fluctuations and in the Dutch context, spells of income decline can be compensated through housing allowances in the rental sector. Such subsidies are not automatically provided for owner occupiers. These expectations hold true in an analysis of micro data for the years 2006 and 2012. Flexworkers who intend to move indeed have less preference for home ownership, controlling for other relevant variables. The same applies to flexworkers who recently moved into home ownership. Both income insecurity and a stringent attitude of mortgage providers may play a role in this. The main conclusion for the Dutch context is that home ownership and flexworkers do not match well. Any further increases in the number of flexworkers may not be beneficial to home ownership.

With regard to freelancers, the general expectation was that they might have higher preferences for home ownership because they have to provide for their own pension, which makes home ownership attractive as a pension asset. Furthermore, home ownership could serve as collateral for small business loans. Unlike flexworkers, we expect that their more stable income might make their home ownership preferences comparable to households on permanent contracts. However, the results show that, controlling for other relevant variables, there is no proof that freelancers who intend to move have a significantly stronger preference for owner occupation than households on permanent contracts. The actual moving behaviour in 2006 shows that freelancers have the same relative odds as those on permanent contracts of moving into home ownership. In 2012, this parameter changes into somewhat smaller odds of freelancers moving into home ownership, but the effect is insignificant and does not allow for a firm conclusion about any crisis-related effect. (*conclusions continued after tables 4.4-4.7*)

Table 4.4 Binary logistic regression on households that prefer owner occupation and that intend to move within two years, 2006

	Model 1				Model 2				Model 3			
	B	sign	SE	OR	B	sign	SE	OR	B	sign	SE	OR
Household composition (after intended move)												
<i>Single person</i>	.310	**	.080	1.364	.417	**	.088	1.571	.407	**	.089	1.502
<i>Couple</i>	.767	**	.084	2.153	.825	**	.091	2.282	.816	**	.092	2.262
<i>Couple with child(ren) (ref)</i>												
Age head household												
< 25	1.283	**	.142	3.608	1.960	**	.160	7.098	2.039	**	.162	7.682
25-50	1.450	**	.091	4.265	1.912	**	.111	6.768	1.943	**	.111	6.980
51-64 (ref)												
Educational level												
<i>Primary</i>	-1.103	**	.083	.332	-1.160	**	.093	.313	-1.165	**	.094	.312
<i>Secondary and professional</i>	-.467	**	.073	.627	-.649	**	.080	.523	-.672	**	.081	.511
<i>Tertiary (ref)</i>												
Household income	.091	**	.004	1.095	.056	**	.004	1.057	.053	**	.004	1.055
Intended type of move												
<i>Movers from rent</i>					-2.718	**	.105	.066	-2.710	**	.105	.067
<i>Movers from ownership (ref)</i>												
Degree of urbanisation												
<i>Urban</i>					-.617	**	.149	.539	-.606	**	.150	.546
<i>Moderately urban</i>					-.642	**	.134	.526	-.649	**	.134	.522
<i>Moderately rural</i>					-.262		.142	.770	-.272		.142	.762
<i>Rural</i>					-.187		.141	.830	-.212		.142	.809
<i>Very rural (ref)</i>												
Labour position												
<i>Flexworkers</i>									-.344	**	.082	.709
<i>Freelancers</i>									-.276		.148	.758
<i>Permanent contract (ref)</i>												
Constant	-2.588	**	.167	.075	.304		.232	1.355	.459	*	.235	1.583
N	6,702											
Nagelkerke R Square	.340				.501				.504			
Initial log likelihood	8,189											
Model log likelihood	6,349				5,264				5,244			
Log likelihood change (Chi2), Df, p-value	1,840 df=7, p=0,0				1,085 df=12, p=0,0				20 df=14, p=0,0			

* < 0.05; **p= <0.01

Table 4.5 Binary logistic regression on households that prefer owner occupation and that intend to move within two years, 2012

	Model 1				Model 2				Model 3			
	B	sign	SE	OR	B	sign	SE	OR	B	sign	SE	OR
Household composition (after intended move)												
<i>Single person</i>	.071		.070	1.073	.245	**	.078	1.278	.271	**	.078	1.312
<i>Couple</i>	.330	**	.069	1.391	.438	**	.075	1.549	.455	**	.076	1.576
<i>Couple with child(ren) (ref)</i>												
Age head household												
< 25	.530	**	.121	1.698	1.181	**	.134	3.257	1.303	**	.138	3.682
25 -50	1.071	**	.071	2.918	1.538	**	.083	4.658	1.581	**	.083	4.861
51-64 (ref)												
Educational level												
<i>Primary</i>	-1.124	**	.080	.325	-1.244	**	.090	.288	-1.241	**	.090	.289
<i>Secondary and professional</i>	-.319	**	.058	.727	-.451	**	.065	.637	-.448	**	.065	.639
<i>Tertiary (ref)</i>												
Household income	.056	**	.002	1.058	.033	**	.002	1.033	.032	**	.002	1.032
Intended type of move												
<i>Movers from rent</i>					-2.043	**	.069	.130	-2.025	**	.070	.132
<i>Movers from ownership (ref)</i>												
Degree of urbanisation												
<i>Urban</i>					-.759	**	.125	.468	-.735	**	.125	.479
<i>Moderately urban</i>					-.792	**	.103	.453	-.773	**	.103	.462
<i>Moderately rural</i>					-.358	**	.122	.699	-.335	**	.122	.715
<i>Rural</i>					-.162		.113	.851	-.145		.113	.865
<i>Very rural (ref)</i>												
Labour position												
<i>Flexworkers</i>									-.237	**	.072	.789
<i>Freelancers</i>									.247	*	.115	1.280
<i>Permanent contract (ref)</i>												
Constant	-1.791	**	.131	.167	.243		.169	1.355	.222		.171	1.248
N	8,105											
Nagelkerke R Square	.279				.433				.435			
Initial log likelihood	10,300											
Model log likelihood	8,486				7,274				7,256			
Log likelihood change (Chi2), Df, p-value	1,814 df=7, p=0,0				1,212 df=12, p=0,0				18 df=14, p=0,0			

* < 0.05; **p= <0.01

Table 4.6 Binary logistic regression on households that moved into owner occupation the two previous years, 2006

	Model 1				Model 2				Model 3			
	B	sign	SE	OR	B	sign	SE	OR	B	sign	SE	OR
Household composition												
<i>Single person</i>	-.129		.100	.879	.142		.107	1.152	.136		.108	1.145
<i>Couple</i>	.179	*	.091	1.195	.468	**	.097	1.596	.523	**	.098	1.687
<i>Couple with child(ren) (ref)</i>												
Age head household												
< 25	-.362		.198	.696	.284		.212	1.328	.623	**	.220	1.864
25 -50	.205		.117	1.228	.708	**	.129	2.030	.807	**	.130	2.241
51-64 (ref)												
Educational level												
<i>Primary</i>	-.549	**	.106	.578	-.651	**	.112	.522	-.645	**	.114	.525
<i>Secondary and professional</i>	-.023		.084	.978	-.167		.090	.846	-.180	*	.091	.835
<i>Tertiary (ref)</i>												
Household income	.081	**	.004	1.084	.071	**	.004	1.074	.066	**	.004	1.069
Type of move												
<i>Movers from rent</i>					-1.457	**	.087	.233	-1.505	**	.089	.222
<i>Movers from ownership (ref)</i>												
Degree of urbanisation												
<i>Urban</i>					-1.056	**	.185	.348	-1.055	**	.186	.348
<i>Moderately urban</i>					-.570	**	.150	.566	-.529	**	.151	.589
<i>Moderately rural</i>					-.338	*	.170	.713	-.306		.172	.737
<i>Rural</i>					-.360	*	.159	.698	-.342	*	.161	.711
<i>Very rural (ref)</i>												
Labour position												
<i>Flexworkers</i>									-.888	**	.104	.412
<i>Freelancers</i>									.061		.165	1.063
<i>Permanent contract (ref)</i>												
Constant	-1.864	**	.196	.155	-.730	**	.244	.482	-.530	*	.250	.589
N	4,215											
Nagelkerke R Square	.300				.390				.407			
Initial log likelihood	5,466											
Model log likelihood	4,430				4,063				3,987			
Log likelihood change (Chi2), Df, p-value	1,036 df=7, p=0,0				367 df=12, p=0,0				76 df=14, p=0,0			

* < 0.05; **p= <0.01

Table 4.7 Binary logistic regression on households that moved into owner occupation the two previous years, 2012

	Model 1				Model 2				Model 3			
	B	sign	SE	OR	B	sign	SE	OR	B	sign	SE	OR
Household composition												
Single person	-.086		.112	.879	.056		.119	1.058	.021		.121	1.021
Couple	-.108		.102	1.195	.178		.108	1.195	.197		.110	1.218
Couple with child(ren) (ref)												
Age head household												
< 25	-.452	*	.200	.696	-.136		.209	.873	.104		.215	1.110
25 -50	.214		.126	1.228	.420	**	.134	1.523	.517	**	.135	1.677
51-64 (ref)												
Educational level												
Primary	-.651	**	.140	.578	-.791	**	.146	.453	-.836	**	.148	.434
Secondary and professional	-.064		.092	.978	-.219	*	.097	.804	-.272	**	.099	.762
Tertiary (ref)												
Household income	.049	**	.003	1.084	.039	**	.004	1.040	.034	**	.004	1.034
Type of move												
Movers from rent					-1.183	**	.098	.306	-1.169	**	.100	.311
Movers from ownership (ref)												
Degree of urbanisation												
Urban					-1.311	**	.214	.270	-1.237	**	.217	.290
Moderately urban					-.584	**	.173	.558	-.527	**	.175	.590
Moderately rural					-.532	**	.197	.587	-.559	**	.199	.572
Rural					-.365	*	.184	.694	-.350		.186	.705
Very rural (ref)												
Labour position												
Flexworkers									-1.010	**	.113	.364
Freelancers									-.210		.155	.810
Permanent contract (ref)												
Constant	-1.445	**	.209	.236	.010		.273	1.010	.305		.280	1.357
N	2,989											
Nagelkerke R Square	.246				.322				.350			
Initial log likelihood	4,088											
Model log likelihood	3,483				3,268				3,185			
Log likelihood change (Chi2), Df, p-value	605 df=7, p=0,0				215 df=12, p=0,0				83 df=14, p=0,0			

* < 0.05; **p= <0.01

The results for freelancers appear somewhat at odds with the discussion about this topic in the Dutch media. Especially during the crisis, popular media suggested that many freelancers experienced problems in taking out a mortgage. We would argue that this is much more the result of specific household characteristics, but not so much freelancer status. For instance, websites of the main Dutch banks clearly indicate that for freelancers, they take into account factors such as experience (age) and occupational level (education as an indicator of prospects) in lending decisions. Indeed, such controls were also included in the analysis for flexworkers, but it is likely that their weak position gives a negative autonomous effect on home ownership access. Indeed, secondary literature points out that flexworkers have quite a bit of income insecurity (SEO, 2013), possibly much more than freelancers. To flesh out these details, more (qualitative) research is needed.

A last comment is that the results for freelancers may not always hold in the future. Freelancers are traditionally found in the professional trades, such as consultants, lawyers and medical specialists, and are often less vulnerable to income fluctuations. However, labour statistics show that there are increasing numbers of freelancers in the blue-collar sectors, including construction. Such changes in the structure of the freelance population might also change their fortunes in the owner-occupied sector.

The problematic paradox of stimulating home ownership and flexibilisation of the labour market at the same time might be addressed by the development of new policies. A very obvious measure goes back to the trade-off suggested in the literature review (Sapir, 2006). In this trade-off, income decline as a result of flexibilisation should be cushioned with generous income replacement for all and not solely for those who have had long employment histories. It would be beneficial to support such measures with active labour market policies such as skills-adjustment or skills-improvement. However, such measures are often found in the Northern European welfare regimes and may not fit well with the more liberal welfare regimes that expect much more self-reliance of their inhabitants. We still expect that liberal countries pursue market solutions and they may think more in lines of private unemployment insurances, mortgage credit insurance or mortgage payment insurances. However, some findings in the English context show that these products are often costly (Doling & Ford, 2003). The financial market could also consider more flexible repayment schemes, where missed payments are added to the outstanding loan. Another solution that may fit better with non-liberal regimes is for instance a special government backed mortgage guarantee scheme, but in some countries generous UBs would also cushion the risk of home loss. Furthermore, policy-makers in countries that have (generous) systems of housing allowances for tenants in the rental sector, might consider extending these to the owner-occupied sector. Any of the above measures can assist people on non-permanent contracts to access and sustain owner occupation.

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Chapter 5 From housing bubble to repossessions: Spain compared to other West European countries

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Abstract After a real estate boom the housing market took a dramatic turn in Spain, where repossessions and evictions are now a big social problem. Hundreds of thousands have lost their home since 2008 and many more are at risk. This paper provides a qualitative analysis of the Spanish experience and puts it into a comparative West European perspective. The risk of repossession was found to have six dimensions: the employment situation; the social protection schemes; the structure of the housing and housing finance markets; the lending practices; the house price development; and the effectiveness of policies to prevent repossession. Spain 'scores' badly on all six dimensions, which explains the large number of repossessions. Only recently, and under strong societal pressure, has the Spanish government developed policies to tackle this problem.

Keywords: mortgage arrears, repossessions, comparative housing research, Spain

5.1 Introduction

House prices increased sharply after the mid-1990s in most Western economies. The Global Financial Crisis (GFC), which started in September 2008, put an end to this process²². Across Western Europe, the real estate boom had some common drivers, notably economic growth and credit expansion. These factors propelled a speculative construction boom, particularly in Spain and Ireland, that pushed up house prices. During the boom, some investigators (e.g., Stephens and Quilgars, 2008; Coates, 2008) warned of the serious risk of credit expansion, especially in countries where home ownership was strongly promoted and subprime practices got a foothold in the housing market.

One outcome, mortgage arrears, is surely the most poignant, as it often leads to repossessions and evictions. Although our analysis of that result takes an international comparative perspective, the focus is on Spain, since this country has been so hard hit. From the onset of the crisis in 2008 till the end of 2011, hundreds of thousands of homes were repossessed or subject to foreclosure, the first step towards repossession. In the first two trimesters of 2012 alone, 94,500 dwellings were repossessed (CGJP, 2012). These figures are even more alarming in light of the fact that 'merely' 5.3 million Spanish owner-occupiers have a mortgage²³.

Nowhere in Western Europe has the number of evictions been comparable to that in Spain. In the period 2008-2010, around 124,000 repossessions were registered in the United Kingdom (EMF, 2011b) but there are around 10 million owner-occupiers with a mortgage in this country²⁴. Italy also has a substantial number of repossessions, though not as many as Spain. In most other West European countries, repossessions are of relatively minor importance. A case in point is Ireland, where the economic and housing market context resembles that of Spain. Although many Irish households are in arrears on their mortgage payments, so far only a couple thousand homes have actually been repossessed (Central Bank of Ireland, 2012). As shown below, active anti-eviction policies of both the Irish government and the banking sector have contributed to this remarkably low level of repossessions. In our opinion, the Irish example shows that arrears and repossessions are determined not only by economic factors (see Diaz-Serrano, 2005) but also by institutional arrangements.

²² In some countries house prices had already started to drop before the fall of Lehman Brothers, i.e., in 2006 or 2007.

²³ EU-SILC 2008 database

²⁴ See footnote 1.

The central question of this paper was formulated as follows: What are the most important determinants of mortgage arrears and repossessions and how do these work out in the Spanish case?

This question is answered in two steps. In the first part of the paper, we explore various factors that contribute to the risk of mortgage arrears and repossessions. For this purpose, we develop an explanatory framework that has six main dimensions: the employment situation; the social protection system; the structure of the housing and housing finance markets; the lending practices; the house price development; and the availability of effective policies to prevent repossessions. A select number of European countries, representing four different welfare state regimes, will be 'scored' on all six dimensions. On that basis, their overall risk can be assessed with regard to mortgage arrears and repossessions. This exercise reveals that Spain is a high-risk country, but also that several other countries run a certain risk. The second part of the paper narrows the focus to the Spanish case. It describes the boom and bust on the Spanish real estate market, the development of mortgage arrears and repossessions, and the reactions of the Spanish government, banking sector, and society. A brief conclusion is drawn at the end.

5.2 Framework: risk of arrears and repossessions

This section presents an international comparative explanatory framework for assessing the risk of mortgage arrears and evictions. In part, it builds on insights from previous research (Doling and Ford, 2003; Doling et al., 2007; Diaz-Serrano, 2005) but also draws some new factors into the discussion, especially at the institutional level. The data for our framework pertain to nine West European countries: Sweden, Denmark, the Netherlands, Germany, France, Italy, Spain, the UK, and Ireland. These nine were selected as representative of the four West European welfare state regimes (Hoekstra, 2010). This is a fruitful perspective, given the role of social protection in our explanatory framework. Moreover, there is a clear relationship between the type of welfare state regime and the structure of the national housing and housing finance markets (Schwartz and Seabrooke, 2008), which also plays a role in our explanatory framework. In the following, we will discuss, in consecutive order, the six factors that determine the risk of mortgage arrears and repossessions:

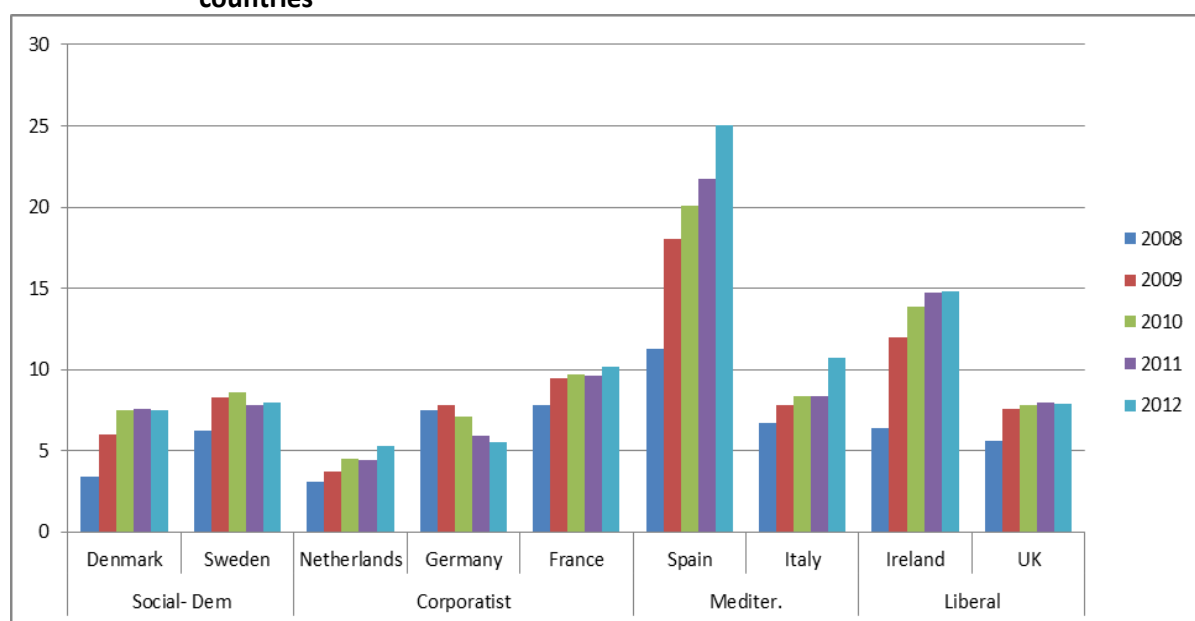
- the employment situation;
- the degree of social protection offered by the welfare state;
- the structure of the national housing market and housing finance system;
- the lending practices;
- the house price development;
- the availability of effective policies to prevent repossessions.

Finally, these factors will be integrated in an overall risk assessment for each of the selected countries.

Unemployment

Although arrears can occur for multiple reasons, one of its main determinants is unemployment. People generally take out a mortgage on the basis of their income from work. If they lose their job, that income disappears and their chances of getting into arrears strongly increase. Figure 5.1 charts the changes in the unemployment rate in the nine selected countries after the outbreak of the Global Financial Crisis in 2008. As the figure depicts, the increase has been limited in the social-democratic and corporatist countries; in Germany, the unemployment rate has even decreased. On the other hand, it has risen substantially in countries with a liberal or Mediterranean regime. Spain stands out in this regard; there, unemployment rose from 11.3% in 2008 to an appalling 25% in 2012.

Figure 5.1 Development of unemployment between 2008 and 2012 in nine selected EU countries



Source: Eurostat

Social protection offered by the welfare state

Almost by definition, unemployment leads to a loss of income. However, the extent of this loss depends on the generosity of the national social security and social assistance system. Particularly important aspects are the level and duration of the benefits. Since labour market policies are a crucial element of the welfare state regime typology (Esping-Andersen, 1990), it is not surprising that these benefits differ among the types of regime.

In social-democratic (Denmark, Sweden) and corporatist (Netherlands²⁵, Germany, France) welfare state regimes, replacement rates (i.e., unemployment benefit as percentage of the last salary) are high and, with the exception of the Netherlands, are available for a long period (see Table 5.1). During the first years of unemployment, this benefit reduces the risk of mortgage arrears and repossessions.

In the liberal welfare state regime (Ireland, United Kingdom), 'market solutions' are preferred. Accordingly, universal provisions such as unemployment benefits are low (less so in Ireland than in the UK) and merely serve as a very basic safety net. People seeking more protection can insure themselves against social risks on the commercial market. However, such insurance is often unaffordable to people with low and/or unstable incomes, and that is who would need them most (Doling and Ford, 2003). Consequently, it is they who run a high risk of falling into mortgage arrears.

The Mediterranean regime is characterized by little state-provided social security. The family plays an important role in providing the financial means to avoid repossession or, when it cannot be fended off, shelter (Hoekstra & Vakili-Zad, 2011; Allen et al., 2004). The unemployment benefits vary between countries (being high in Spain and low in Italy). Normally, benefits are only available to a limited segment of the population (the 'insiders'). This means that the risk of mortgage arrears after job loss is high, especially for the 'outsiders'.

²⁵ It should be noted that according to Esping-Andersen (1990), the Netherlands has both corporatist and social-democratic characteristics.

Table 5.1 Replacement rates* in different welfare regimes

	Year 1	Year 2	Year 3	Year 4	Year 5	Average
Social-democratic						
Denmark	68	68	68	68	9	56
Sweden	66	63	41	8	8	37
Corporatist						
Netherlands	71	59	3	3	3	28
Germany	64	48	42	36	36	45
France	67	64	31	31	31	45
Mediterranean						
Spain	69	65	25	25	13	39
Italy	37	0	0	0	0	7
Liberal						
Ireland	50	50	50	50	50	50
United Kingdom	28	28	28	28	28	28

* This only refers to benefits directly related to unemployment. Countries may also have social assistance benefits for those not entitled to unemployment benefits. The social assistance schemes vary between welfare state regimes as well. For example, they are relatively generous in the Netherlands and Sweden.

Source: OECD (2009) for replacement rates; Esping-Andersen (1990) and Allen et al. (2004) for the welfare state regimes.

The nature of the domestic housing market and finance system

A country's tenure distribution also influences the risk of reposessions. The more homeowners with a mortgage there are, the bigger the group that potentially faces mortgage arrears and reposessions. Table 5.2 gives some insight into this relationship.

As the table shows, the highest rate of home ownership is in the Mediterranean and liberal welfare state regimes. However, these regimes are also characterized by a large share of outright owners. Looking only at the share of homeowners with a mortgage, the differences between regimes appear less pronounced. In Denmark, Sweden (social-democratic), the Netherlands (corporatist), Spain (Mediterranean), and the United Kingdom (liberal), more than 30% of all households have a mortgage.

Table 5.2 Tenure distribution in the nine selected countries

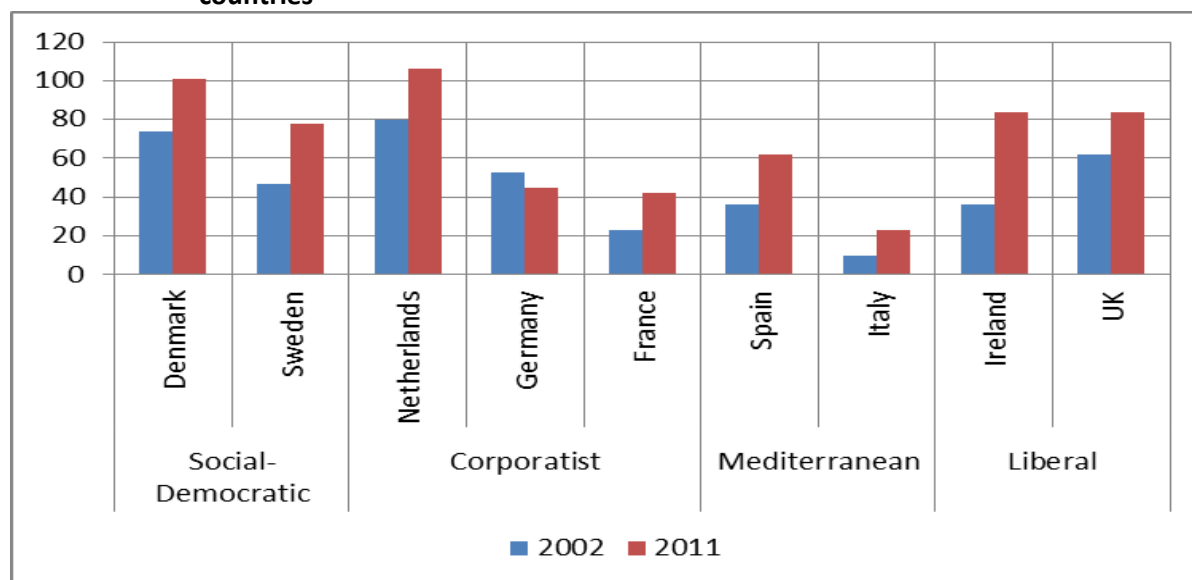
		Rent	Owner mortgage	with	Outright owner
Social-democratic	Denmark	43%	41%		16%
	Sweden	38%	47%		14%
Corporatist	Netherlands	43%	48%		8%
	Germany	55%	45% for all owner-occupiers		
	France	40%	30%		30%
Mediterranean	Spain	18%	31%		51%
	Italy	28%	12%		60%
Liberal	UK	29%	39%		32%
	Ireland	24%	28%		48%

Source: EU-SILC, 2008

However, it is not only the number of households with a mortgage that is important; the size of the mortgage matters too. For example, long-time homeowners may have a small mortgage and thus a lower risk of mortgage arrears and repossession. In order to gain insight into the size of the mortgages, we examined the development of each country's total mortgage debt as a percentage of its Gross Domestic Product (GDP) between 2002 and 2011 (see Figure 5.2). The figure shows high percentages in the Netherlands, Denmark, Ireland, the UK, and Sweden. Note that mortgage interest tax relief is generous in the Netherlands and Denmark, which tends to increase the size of the mortgage

debt. With a mortgage debt amounting to 62% of GDP, Spain occupies an intermediate position. Low mortgage debts are found in the corporatist welfare state regimes of Germany and France, but also in the Mediterranean regime of Italy. In all countries but Germany, the mortgage debt as percentage of GDP rose considerably between 2002 and 2011. Most of this increase took place between 2002 and 2008, when many West European countries experienced a housing boom.

Figure 5.2 Residential mortgage debt as percentage of GDP in 2002 and 2009, nine selected EU countries



Source: EMF, 2011a

Lending practices

The risk of mortgage arrears and repossessions is also influenced by lending practices. As Table 5.3 shows, these practices differ significantly between countries. First of all, there are differences in how mortgage contracts deal with interest rates. A rising rate leads to higher payments, thereby increasing the risk of arrears. However, a customer can avoid sudden upward adjustments (temporarily, at least) by opting for rates that are fixed for a longer term. Table 5.3 specifies the differences between countries with regard to offering fixed or variable interest rates. In the risk-averse corporatist regimes, people tend to choose long-term fixed interest rates. In the Mediterranean and liberal regimes, on the other hand, most mortgage interest rates are variable. The picture is mixed in the social-democratic regimes. In principle, the countries where variable mortgage interest rates are prevalent run more risk than those with mortgage interest rates that are fixed for a longer term. However, it should be noted that interest rates have remained very low across Western Europe since the start of the GFC. Thus, for our time frame (2008-2013), rising interest rates have not played a role as a risk factor (see EMF, 2011b). However, this could change in the future, as interest rates may increase again.

The second column in Table 5.3 gives insight into the maximum loan-to-value ratio in each of the nine countries. A high loan-to-value ratio increases the chance of negative equity when the dwelling is sold. Though itself not a risk factor for repossession, it enhances the financial impact of a repossession. There is no clear relationship between the maximum loan-to-value ratio and the type of welfare state regime. Ratios of 100% or more occur in all types, with the exception of the social-democratic. A third influential factor is subprime lending. The term refers to practices whereby households that would otherwise not be accepted by banks because of their unstable or low income or their bad credit history could take out high loans. The Mercer Oliver Wyman (2003, p.27) and London Economics (2005, p. 138) studies on the availability of mortgages to non-conforming borrowers show that subprime lending also took place in some European countries, although on a smaller scale than in the US. Coates (2008) and Stephens and Quilgars (2008) demonstrated that

subprime lending existed in Ireland and the UK. In Spain many immigrants with a very weak labour market position had 'welcome mortgages' (Ximenez de Sandoval, 2010). Obviously, people with a subprime mortgage are at high risk of mortgage arrears and repossession.

Table 5.3 Lending practices in the selected countries

Country	Most common interest type	Maximum loan-to-value ratio	Subprime lending?
Social-democratic			
Denmark	Fixed over 10 years	80%	Some
Sweden	Shift from fixed to variable	85% government cap after higher rates in the pre-crisis years	No (educated guess)
Corporatist			
Netherlands	Fixed 5-10 years	115%	Some, but regulation from 2007
Germany	Fixed 5-10 years	80	No
France	Fixed over 10 years	100	No
Mediterranean			
Spain	Variable	100	Yes
Italy	Variable	80	No
Liberal			
Ireland	Variable	90	Yes
United Kingdom	Variable	110	Yes

Source: ECB, 2009 (interest types and maximum loan-to-value); Mercer Oliver Wyman, 2003; London Economics, 2005; Coates, 2008 (subprime lending)

Subprime lending is especially prevalent when house prices are growing by leaps and bounds. Households then search desperately for ways to access home ownership, and mortgage providers relax their conditions because the rising prices cover the possible credit risks. The practice appears to be concentrated in countries with a small stigmatized rental sector, such as those with liberal or Mediterranean regimes. Subprime practices are uncommon in declining housing markets. Indeed, since the start of the GFC, banks have retreated from their overly generous lending habits (Scanlon et al., 2011). Subprime lending is not the only risk, however; high loan-to-income ratios (LTI) can be risky when one's income declines. Scanlon et al. (2011) offer evidence of pro-cyclical mortgage provision whereby loan-to-income ratios interact with the economic tides.

House price development

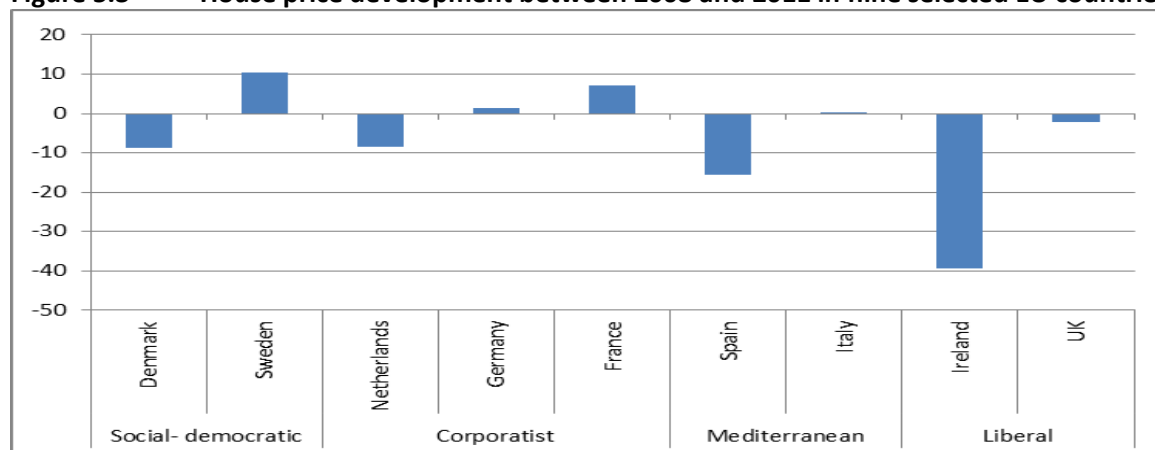
The price development of a dwelling poses considerable risk to the homeowner. If prices drop, the value of the mortgage may become bigger than the value of the dwelling, which means that there is negative equity. If the loan-to-value ratio exceeds 100% -- for example, because part of the mortgage loan is needed to finance the acquisition costs of the dwelling (transfer tax, fees for notary and real estate broker etc.) -- the homeowner starts the mortgage term with negative equity. Although negative equity is not a direct risk factor for repossession, it exacerbates the financial impact when this does occur. The reason is that mortgages in Western Europe are subject to recourse lending regulations. Any residual debt -- that is, debt that is not covered by the forced sale of the dwelling -- needs to be paid off. This can be a burden for the rest of one's life, particularly in countries where it is difficult to declare personal bankruptcy, as is the case in Spain.

There are several ways to reduce the risk of residual debt. Some states in the USA have a so-called walk-away option, a form of non-recourse lending. Under this legal arrangement, once homeowners transfer their ownership rights to the mortgage provider, they are freed of any payment obligations. Furthermore, mortgage guarantee systems can provide non-recourse lending for

mortgagees under certain circumstances such as job loss or divorce, while commercial insurers offer house price insurance against residual debt.

Figure 5.3 depicts the development of house prices in the nine selected countries between 2008 and 2011. It shows that Denmark, the Netherlands, Spain, and Ireland have experienced substantial decreases, whereas house prices have remained more or less stable in Germany, Italy, and the UK. Despite the GFC, house prices have increased in Sweden and France.

Figure 5.3 House price development between 2008 and 2011 in nine selected EU countries



Source: EMF, 2011

Policy-making to prevent mortgage arrears and repossessions

Specific measures taken by the government and/or the banking sector may reduce the risk of mortgage arrears and repossessions. In this regard, a distinction should be made between structural and incidental policy responses. Structural responses are in place for a long period, largely irrespective of the economic situation, whereas incidental ones are designed to dampen the effects of an economic crisis. Incidental measures are usually rescinded once the economy starts growing again.

A good example of structural policy responses that reduce the risk of mortgage arrears and repossessions is the mortgage guarantee. In the Netherlands, the National Mortgage Guarantee (NHG) is available to households who buy a dwelling priced below Euro 320,000. The NHG is a government-backed fund that is fed by a one-time premium to be paid by new mortgagees. The fund provides banks with a secure and easy fall-back position, as it promises full repayment in the event that a guaranteed mortgagee fails to keep up payments. If a household remains with negative equity after a repossession or an involuntary house sale (for example due to divorce, unemployment, death of a partner, or disability), the NHG takes over this debt. Furthermore, the NHG offers payment holidays for households who are temporarily unable to meet their obligations. During that period, the fund pays the mortgage provider; eventually, the mortgagee has to repay all these advances.

Sweden also has a mortgage guarantee. While the system does not cover possible negative equity after a sale, it does pay the mortgage interest for a specified period if the homeowner runs into economic trouble. In France, there is a mortgage guarantee system for lower-income households that have financed part of their mortgage costs with a subsidized loan (*Prêt à taux zero*). This guarantee covers 14% of the outstanding residential loans in France (ECB, 2009, p. 28).

Incidental measures to prevent mortgage arrears and repossessions have been taken in several European countries, notably the UK, Ireland, and Italy, where the incidence of mortgage arrears and/or repossessions is high.

In the United Kingdom, the government has responded to the increasing number of repossessions with several assistance schemes. Moreover, the finance industry itself has become hesitant to “continue with the traditional, robust response of pay or possess” (Wallace and Ford, 2010). British banks seemed to realize that repossessions in a time of house price decline lead to losses that

can be prevented by not being too harsh on unemployed mortgagees who have relatively good prospects of overcoming their unemployment in the near future.

A pre-existing safety net in the UK is Support for Mortgage Interest (SMI), an allowance for unemployed homeowners. After the start of the GFC, the maximum mortgage value that gives access to SMI was increased from £ 100,000 to £ 200,000, while the initial waiting period to receive the support was cut from 39 to 13 weeks. In 2011 around 250,000 households received SMI support on their mortgage.

Another support measure in the UK²⁶ is the Mortgage Rescue Scheme (MRS), which is targeted to vulnerable households at risk of eviction. The conditions for access to the scheme are strict (for details, see Department for the Communities and Local Government, 2011). To qualify, their annual income must be below a certain limit and their household must include children, a pregnant woman, old person(s), or a mentally impaired individual. Under this programme, a housing association can offer an interest-only loan at a low rate. Called an equity loan, it can be used to pay off part of the mortgage (comprising one or more loans) so that the monthly payments come out lower. The equity loan should be repaid upon moving, or otherwise by re-mortgaging or saving for lump-sum repayments.

Another option in the MRS is designed for long-term unemployed homeowners who have little equity in their home and possibly other debt against it (for example secured loans). 'Mortgage to rent' allows them to sell the house to a housing association and rent it back for less than the market price. The money generated by the sale should then be used to pay off the mortgage.

Another measure of the British government is the Homeowner Mortgage Support Scheme. It gives some guarantees to lenders if they accept a temporary reduction in payments by mortgagees who are in financial trouble. This reduction may not last more than two years, and all payments that are not made in that time will have to be made at a later stage (see Wallace and Ford, 2010). Not all mortgage providers in the UK participate in the scheme. Many UK lenders have forbearance practices of their own and do not want to get involved in the extra administration required by the Homeowner Mortgage Support Scheme (Department of Communities and Local Government, 2010). Many lenders include two particular elements in their forbearance strategies: modification of the conditions of the mortgage (see Scanlon et al., 2011), for instance temporary conversion of the mortgage into an interest-only loan; and extension of the repayment term or payment holidays. While these elements may provide some relief to households with rather good prospects, they do not work for the most vulnerable groups.

In Ireland, the economic crisis resulted in a large volume of mortgage arrears. Yet so far the number of actual reposessions has remained small, largely due to the fact that the Irish government and the banking sector agreed on a Code of Conduct (Central Bank of Ireland, 2010). A crucial element in the Irish code is that the home is not to be repossessed within 12 months after the first foreclosure notice. In the meantime the mortgage provider and the homeowner have to explore possible means to overcome the financial problems of the mortgage holder (Central Bank of Ireland, 2010). Usually, this entails restructuring (longer term, lower interest rate, possibly reduction of the debt), and it seems to work. Even though the incidence of arrears and foreclosures is substantial in Ireland, few reposessions have actually occurred and many mortgages have indeed been restructured.

In Italy too, the government and the banking sector took measures to curb the increase of mortgage arrears and reposessions. The Households Plan that was launched in 2009 by the Italian Banking Association made it possible to temporarily suspend mortgage payments for households in financial difficulty. Furthermore, the mortgage laws have been adapted, thus allowing households to restructure their mortgage (EMF, 2011b, p. 29).

²⁶The Mortgage Rescue Scheme as described here only applies to England.

Overall risk assessment

Based on the six determinants of risk of mortgage arrears and repossession, we have made an overall risk assessment for the nine countries that are included in our analysis (Table 5.4). We have allocated a score for each risk factor and each country, using three categories:

- = relatively high risk

0 = moderate risk

+ = relatively little risk

It should be noted that the scoring process is based on our own interpretation rather than objective norms. Therefore, the scores should be seen as merely indicative. Despite this disclaimer, Table 5.4 offers grounds for a tentative explanation of the number of mortgage arrears and repossessions in the various European countries.

Table 5.4 Overall risk assessment for the nine selected countries

Country	Employment	Social Protection	Housing market structure	Lending practices	House price development	Institutional responses	Total
Social-democratic							
Denmark	0	0	-	+	-	0	0
Sweden	0	0	-	0	+	+	0
Corporatist							
Netherlands	0	0	-	-	-	+	-
Germany	+	0	+	+	0	0	+
France	0	0	+	0	+	+	+
Mediterranean							
Spain	-	-	0	-	-	-	-
Italy	-	-	+	0	0	+	0
Liberal							
Ireland	-	0	-	-	-	+	-
United Kingdom	0	-	-	-	0	+	-

In Table 5.5, we connect the results shown in Table 5.4 with available empirical data on mortgage arrears and repossessions. One problem we encountered is that there are no uniform statistics on these topics; each country uses its own definitions and their terminology differs. For example, some countries register 'doubtful loans' rather than mortgage arrears. Also, the available statistics tend to refer to (residential) mortgage loans in general rather than to the mortgage loans of owner-occupiers. This implies that owners of second homes and private rental landlords, and sometimes even owners of business property, may be included in the data. Finally, the time period to which the statistics refer varies between countries as well.

Given the above caveats, a detailed and exact international comparison is not possible. That is why Table 5.5 represents trends rather than absolute numbers. With that in mind, we have related the available statistics on the absolute number of mortgage arrears and repossessions to the number of households with a mortgage in each of the countries (using data from EU-SILC 2008 and Housing Statistics in the European Union, 2010). In the case of mortgage arrears, we did this for the most recent year on which data are available, whereas in the case of repossessions we referred as much as possible to the 2008-2010 period. In light of Table 5.5, the following conclusions may be drawn.

Mortgage arrears and repossessions are not a big problem in countries with a social-democratic welfare state regime. Within this group, the most 'risky' country seems to be Denmark, mainly because of its high mortgage debt as percentage of GDP and its recent house price decline. Both mortgage arrears and repossessions have in fact gone up in Denmark since 2008, though the number of repossessions is low.

Table 5.5 Overall risk assessment for the nine selected countries: risk of mortgage arrears and repossessions in the period 2008-2010

Country	Overall risk assessment	Mortgage arrears / doubtful loans	Repossessions 2008-2010
Social- democratic			
Denmark	0	Increasing, in 2010 0.43% of the total value of outstanding mortgage lending.	Increasing but small numbers: 1,700 in the 2008-2010 period. This is 0.16% of all households with a mortgage.
Sweden	0	Stable, very low numbers. Doubtful loans (interest, amortizations or overdrafts fell due for payment more than 60 days ago) represent less than 0.05% of all residential lending.	Stable, very low numbers.
Corporatist			
Netherlands	-	About 70,000 households in 2012. This is 2% of all households with a mortgage.	Increasing but small numbers: 9000 in the 2008-2010 period. This is 0.25% of all households with a mortgage.
Germany	+	No information.	Slightly decreasing, about 80,000 repossessions of owner-occupancy dwellings between 2008 and 2010. This corresponds to 0.44% of all homeowners ²⁷ .
France	+	Increasing: in 2010 1.28% of all outstanding residential lending was a doubtful loan (at least 6 months have passed after the first missed payment).	No information. Our impression is that repossessions are still relatively rare in France.
Mediterranean			
Spain	-	Increasing: the percentage of doubtful loans rose from 2.60% in 2010 to 3.48% in 2012.	Increasing: at least 110,000 repossessions in the 2008-2010 period. This is 2.11% of all households with a mortgage. Strong increase in repossessions after 2010: 94,500 in the first two trimesters of 2012.
Italy	0	Increasing: in 2010 3.5% of all residential loans was doubtful (more than 6 instalments are unpaid). The total value of arrears was 1.20% of the total value of outstanding residential loans.	Increasing: about 37,000 repossessions in 2010 and 45,000 in 2011. If we extrapolate these figures to a three-year period, they correspond to 1.61% of all households with a mortgage.
Liberal			
Ireland	-	Increasing: at the end of 2010 5.7% of all mortgages had arrears of more than 3 months.	Stable: about 600 repossessions from mid-2009 to the end of 2010. If we extrapolate these figures to the whole 2008-2010 period, this corresponds to 0.34% of all households with a mortgage.
United Kingdom	-	Stable: in 2010, there were 240,000 mortgage arrears. This corresponds to 2.44% of all households with a mortgage.	Stable: between 2008 and 2010, 124,200 properties in the UK were repossessed. This is 1.26% of all households with a mortgage.

Sources: Denmark: EMF, 2011b; Sweden: EMF, 2011b; Netherlands: Bureau Kredietregistratie, 2012; Kadaster (www.kadaster.nl); Germany: Argetra, 2010; Argetra, 2012; France: EMF, 2011b; Spain: Banco de España, 2013; Davy, 2012; Italy: EMF, 2011b; www.idealista.it; Ireland: EMF, 2011b; United Kingdom: EMF, 2011b

Within the group with a corporatist welfare state regime, Germany and France are typical low-risk countries, at least on paper. Their mortgage debt is limited, their lending practices are fairly prudent, and their house prices have not declined since the outbreak of the Global Financial Crisis.

²⁷ Information on the number of homeowners with a mortgage is not available in EU-SILC 2008, the source for this calculation.

Compared to the countries with a Mediterranean or liberal welfare state regime, the corporatist countries do indeed perform rather well, although repossessions are not uncommon in Germany. In this respect, it should be noted that Germany was seriously affected by the crisis in 2009 but experienced economic growth and declining unemployment in 2010 and 2011. On paper, the Netherlands seems to be the corporatist country that runs the highest risk. After all, this is a country with a large mortgage debt, high loan-to-value ratios, and a negative house price development. Nonetheless, the number of repossessions in the Netherlands has remained low: over the period 2008-2011, about 9,000. Still, the number of households with mortgage arrears increased from about 30,000 in 2009 to about 70,000 in 2012. The extensive mortgage guarantee system in the Netherlands and the relatively low unemployment rate have probably subdued the GFC's impact on both mortgage arrears and repossessions.

Within the Mediterranean welfare state regime, Spain stands out as a distressing case, especially as far as repossessions are concerned. All risk factors seem to converge there: skyrocketing unemployment, limited social protection, risky lending practices, and declining house prices. Moreover, the policy responses by the Spanish government and banking sector have been 'too little, too late'. These measures are described in some detail in the last part of the paper.

The share of mortgage arrears is also high in Italy. However, repossessions are less common there than in Spain, perhaps for two reasons. First of all, repossessions in Italy tend to take a very long time due to the complex legal processes and rather borrower-friendly legislation (Mercer Oliver Wyman, 2003, p. 46). Second, Italy's policy responses might have been more adequate than Spain's.

Within the liberal type of regime, households in both Ireland and the United Kingdom run a fairly high risk of mortgage arrears and repossession. This reflects the limited social protection system, risky lending practices in the past, and, particularly in the case of Ireland, soaring unemployment and plunging house prices. At the same time, both the UK and Ireland have taken measures to prevent repossessions. Notwithstanding these policies, the UK still has a high incidence of mortgage arrears, but particularly of repossessions. In Ireland, policy responses by both the government and the banking sector have prevented the high number of households in arrears from leading to a high number of repossessions.

In view of the above analysis, our framework appears to offer grounds for a sound explanation of the role that mortgage arrears and repossessions play in various countries. However, our overall risk assessment should definitely not be interpreted in a deterministic way, since the contribution of each of the underlying determinants differs between countries. For example, the Irish and the Dutch cases show that incidental or structural policy responses can compensate for the negative influence of other risk factors. Our analysis has further shown that Spain is the country with the highest risk and the highest number of repossessions. Therefore, it is particularly interesting to examine the Spanish case more closely, and to this we now turn.

5.3 The Spanish case

This section deals with the Spanish case in more detail. We describe consecutively the origins of the Spanish housing bubble, the rise in the number of mortgage arrears and repossessions, the policy responses by the Spanish government and the banking sector, and the responses coming from Spanish society at large.

5.3.1 Origins of the Spanish housing bubble

The Spanish housing boom became manifest after the year 2000, as both production and prices grew vigorously (Figure 5.4). It lasted till the start of the Global Financial Crisis (GFC), which led to the complete collapse of house prices and housing construction. Various factors contributed to the upsurge in house prices and housing completions at the beginning of the 21st century. First of all, demand for dwellings increased as a result of strong population growth (García Montalvo, 2008). This growth was mainly due to an influx of East European and Latin American immigrants who were

attracted by Spain's strong economic development; between 2000 and 2007 Spain's GDP grew by almost 30% (Figure 5.4). However, the housing boom cannot be explained by demographic developments alone. Speculative investment also played an important part. In fact, it is precisely this speculative behaviour that converted the Spanish housing boom into a housing bubble.

Since 2001, on average 500,000 dwellings were built each year, whereas the average number of households increased annually by about 300,000 (Rodriguez et al., 2008). The discrepancy may be explained by the fact that a significant share of the newly built dwellings is used as a second home or investment property (by either Spaniards or foreigners) rather than as a primary residence. The property sector was the preferred investment destination for large segments of the population in the first seven years of the 21st century. Given the low interest rates and the volatility on the stock market (especially after the dotcom crisis in 2000-2001), it was deemed secure and profitable to put one's money in 'bricks and mortar' (García, 2010). Spain's large informal and illegal economy also contributed to the popularity of housing investment. A substantial amount of the black money that had been earned in this hidden economy has been invested in the residential property sector (Allen et al., 2004, p. 98). The introduction of the Euro in 2002 stimulated large-scale laundering of black money, which was channelled into the housing sector (Rullán and Artigues, 2007).

The housing boom was facilitated by Spanish spatial planning, or, better said, the lack thereof. Most new housing was provided by commercial developers who started projects at their own risk. Because the developments gave a strong impulse to local economic growth, these developers usually faced very few planning restrictions. Moreover, at the national level the land legislation was liberalized and made more flexible so that housing development could take place more easily and quickly (Fernández, 2011).

Last but certainly not least, developments on the financial market enhanced the housing boom. Interest rates were low and the liberalization of the mortgage system made access to mortgage loans easier (Campos Echeverria, 2008). Furthermore, since the mid-90s the financial entities had increasingly offered 'easy loans' with longer repayment terms and low interest rates. Consequently, the total volume of the Spanish residential mortgage debt rose from 100 billion Euros in 1999 to around 600 billion in 2008. Nowadays, more than 90% of the outstanding mortgage volume has a variable or a one-year fixed interest rate, making mortgagees sensitive to changes in interest rates (European Mortgage Federation, 2011). There are no solid data on the use of subprime mortgages, and the situation in Spain is not comparable to that in the USA (Sanchez Martinez, 2008). There is, however, some evidence of subprime lending (so-called welcome mortgages) to immigrants with a weak labour market position (Ximénez de Sandoval, 2010). To put this in context, even lower-income Spanish households preferred owning to renting, in part because the alternative options in the somewhat stigmatized rental sector were limited.

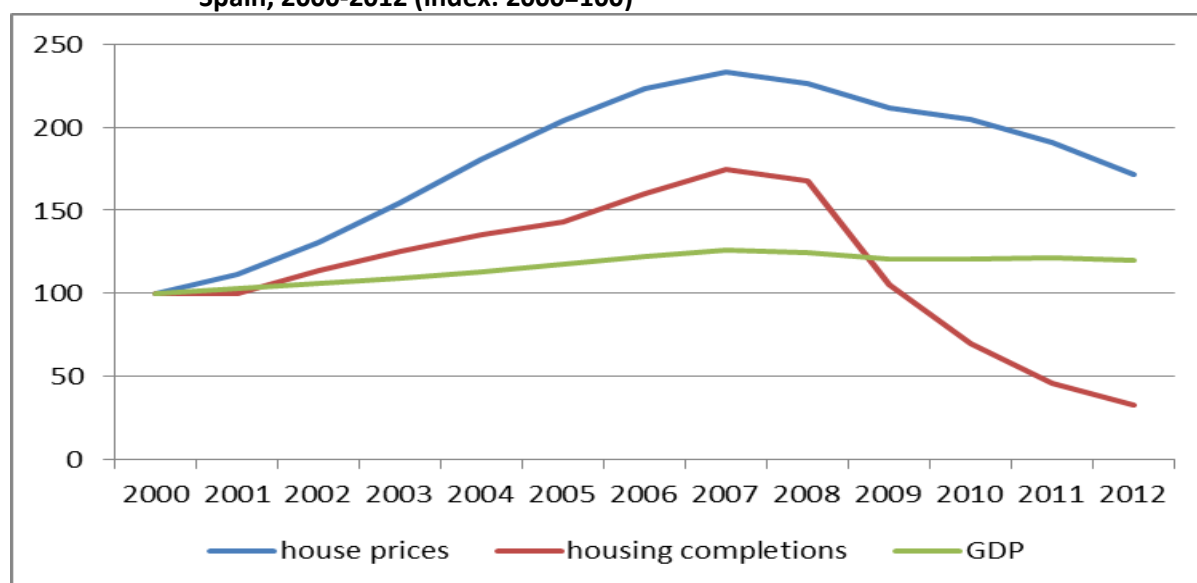
5.3.2 Start of the crisis in 2008: arrears and repossessions

In 2008, the Spanish housing bubble burst, triggered largely by the Global Financial Crisis. After all, the Spanish housing sector was clearly intertwined with the global financial sector through its rather extensive uptake of mortgage loans. However, some specifically Spanish factors played a role as well. It has become apparent that the building boom resulted in a large oversupply. For many years, the housing construction rate in Spain was much higher than the growth in the number of households. For a long time, the market was able to absorb a substantial part of this excess supply because many new dwellings were bought as an investment and not out of housing need. However, after 2008, much of the housing demand for investment reasons evaporated, leaving developers with a large unsold and often half-built new stock. In 2011, Spain counted about 670,000 newly built empty dwellings, of which 350,000 were located in the Mediterranean coastal region (Ministerio de Fomento, 2012). As a result of this oversupply, housing production dropped dramatically after 2008 and a huge number of construction workers lost their job. At the same time, job loss spread to the rest of the economy. Within just four years' time, the Spanish unemployment rate increased from 11.3% (2008) to 25% (2012).

Since an increase in unemployment is an important driver for mortgage arrears and repossessions, it is not surprising that these also went up. The Central Bank of Spain registers the so-called doubtful loans. These are defined as “loans in which some instalment has not been paid for a period of more than 90 days, and those exposures in which there are reasonable doubts as to total repayment under the terms agreed”. Figure 5.5 shows how these doubtful loans have developed since the start of the crisis in 2008, reaching 3.5% in 2012.

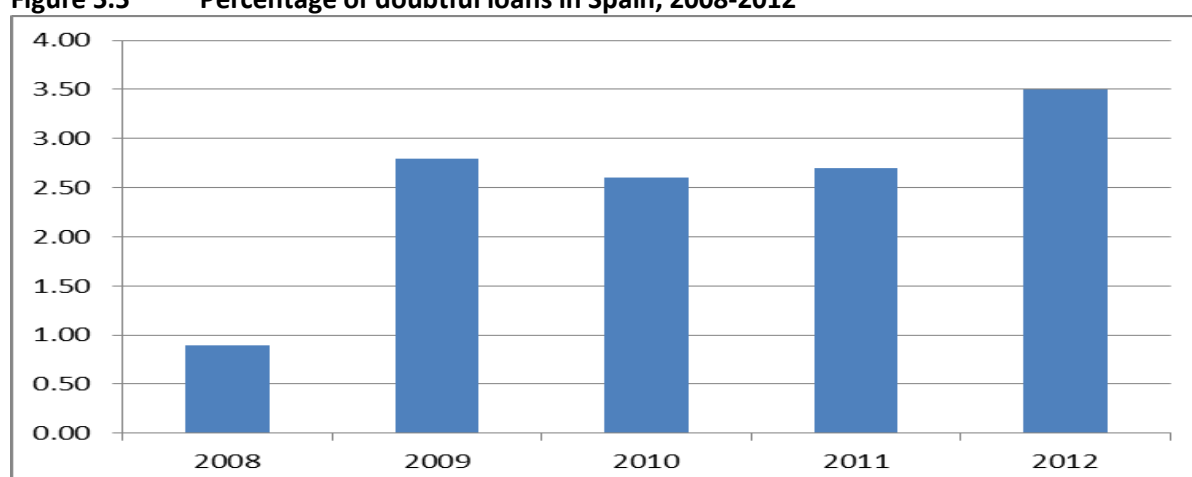
If mortgage arrears last too long, they may lead to a legal foreclosure procedure in which the lender attempts to recover the collateral for the loan. If this attempt succeeds, the homeowner will often be evicted and the repossessed dwelling will usually be sold at auction. Thus, a foreclosure may be seen as the first step towards repossession and eviction of the homeowner.

Figure 5.4 Development of house prices, housing completions, and gross domestic product in Spain, 2000-2012 (index: 2000=100)



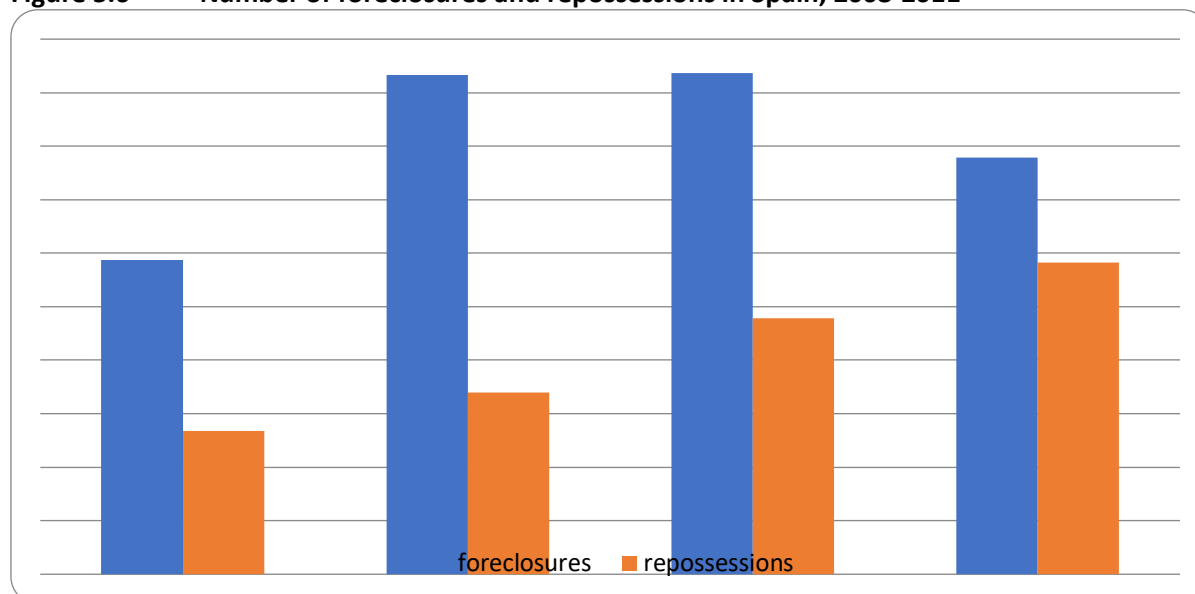
Source: Ministerio de Fomento, INE

Figure 5.5 Percentage of doubtful loans in Spain, 2008-2012



Source: Banco de España, 2013 (2010, 2011, 2012); Davy, 2012 (2008 and 2009)

Figure 5.6 **Number of foreclosures and repossessions in Spain, 2008-2011**



Source: CGPJ (estadística judicial)

Figure 5.6 gives insight into the number of foreclosures and repossessions in Spain in the period 2008-2011. Each year, the number of foreclosures was significantly higher than the number of repossessions, reflecting the amount of time it takes for the procedure to lead to repossession. Taking this time lag into account, it is not surprising that the number of repossessions rose to almost 60,000 in 2011. Drastic as this may seem, it is important to note that the numbers in Figure 5.6 still underestimate the real situation. They only refer to repossessions agreed on by courts that serve at the level of the autonomous communities (*Tribunal Superior de Justicia*). However, there are also repossessions that are agreed on by local courts (*Juzgados de primera instancia e instrucción*). Data on the latter repossessions have only become available since 2012. In the first two trimesters of 2012, the local courts ordered 57,500 repossessions, whereas the courts that serve at the level of the autonomous communities agreed on 37,000. Thus, there were 94,500 repossessions in the first two trimesters of 2012 alone. We do not know how many were ordered by local courts before 2012. Nevertheless, it seems safe to assume that the amounts presented in Figure 5.6 are substantially lower than the real numbers. Finally, it is important to realize that the incidence of repossession significantly differs between the different Spanish regions (see Extezarreta et al., 2012 for more information). However, a discussion of these regional differences would lie beyond the scope of this paper.

5.3.3 Responses of the Spanish government

In line with the decentralist character of the Spanish state, policy responses to the problem of mortgage arrears and evictions have been formulated at both the national and the regional level. In this paper, we will only deal with the national policy responses.

The first national measure was a mortgage assistance scheme. It was introduced in 2009 through the *Instituto de Crédito Oficial* (ICO), a public bank that is tied to the Spanish state. The scheme allowed a temporary reduction of mortgage payments by 50% (with a maximum of 500 Euros each month) for unemployed households with less than 170,000 Euros debt. The delayed payments were integrated in a new loan that must be paid back within 15 years, starting in 2012. Only about 14,000 households took advantage of this scheme, which was in force between March 2009 and March 2011 (ICO, 2010, p. 23; ICO, 2011, p. 12), probably due to its strict and rather unattractive conditions. The fact that the banks were not obliged to adhere to this scheme probably also played a role.

In 2012 the Spanish government introduced a code of good practice (Real Decreto-Ley 6/2012) for the banking sector, and by April 2012, a majority of the large banks (around 88%) had

acknowledged their adherence to it. The Good Practice Code (GPC) proposes a phased restructuring of the mortgage debts of households that are in arrears. Debt restructuring in the first phase consists of changes in the amortization scheme along with interest rate reduction and/or mortgage term extension. If the first phase does not lead to sufficient success, a second one starts wherein complementary measures such as debt reduction (up to 25%) could be negotiated. In the last phase, mortgage borrowers for whom restructuring and accompanying measures are not viable may request a *dación en pago*. This means that the property is handed over to the bank and the full debt is discharged. Households then still have the option of staying for two years in the house as a tenant.

The conditions for the measures described above are rather strict: all members of the household have to be out of work; the mortgage payments have to exceed 60% of the available income; it is not allowed to have substantial savings; and the price of the dwelling should be below either Euro 120,000 (smaller municipalities) or Euro 200,000 (bigger cities). Moreover, any individuals guaranteeing the mortgage should not be able to make the mortgage payments either. This is an important condition in Spain, since it is common for parents or other family members to guarantee the mortgage loans of young first-time buyers. However, there are also cases, particularly among migrants, in which the guarantors were not known to the borrowers (*avales cruzados*).

The GPC also includes a monitoring commission. Every six months, this commission issues a report assessing the degree of compliance with the code. In the course of 2013, it should become clear whether the GPC has been able to curb the recent surge in the number of repossessions. Many Spanish commentators seriously doubt this, since they feel that the conditions of the GPC are too strict.

In November 2012, the Spanish government approved an emergency measure to prevent evictions: *Medida surgentes para reforzar la protección a las deudores hipotecarios (Real Decreto-ley 27/2012)*. This measure entails the immediate suspension of evictions of homeowners who are in a particularly vulnerable situation (*especial riesgo de exclusión*). This applies to the following household types: large families (three children or more); one-parent families with two children; families with children under three years; families with members who are handicapped or victims of domestic violence; and families in which the mortgage holder is unemployed and does not receive any unemployment benefit. Apart from being in a vulnerable situation, households should also have an annual household income that is below Euro 19,200 and their mortgage payments should exceed 50% of the household income. This temporary emergency measure only suspends the eviction process. It does not alter the mortgage conditions or the proceeding of the foreclosure.

This new measure also allows the Spanish government to establish an institution that provides alternative housing for households that have been evicted. It is envisaged that the extensive vacant housing stock held by Spanish banks will play a role in this arrangement, although at the time of writing it is still unclear when and how this plan will be implemented.

5.3.4 Responses of Spanish society

The strong increase in the number of repossessions and evictions has provoked fierce resistance and indignation in Spanish society. This protest has become institutionalized in the *Plataforma de Afectados por la Hipoteca (PAH)*. The PAH lobbies for more social mortgage laws and more forbearance on the part of mortgage providers while offering legal assistance to households at risk of being evicted. They collected more than one million signatures for their *Iniciativa Legislativa Popular* petitioning the government to change the mortgage laws. However, this initiative did not lead to the desired changes. The PAH also organizes demonstrations to stop the ordered evictions. Using social media, they often assemble a mob of people in front of the house to be repossessed, barring entrance to the government official who has to execute the order. According to the PAH, up to January 2013 they prevented 515 evictions in Spain²⁸.

The PAH has been enveloped by the movement 15M (referring to the 15th of May 2011 when a large-scale protest was held against the government and the financial industry). That movement also

²⁸<http://afectadosporlahipoteca.com>

strives for a general application of *dación en pago* and demands more social policies from mortgage providers and more social rental housing. According to 15M, it is the financial industry itself that bears the responsibility for the current crisis; the repossessions are actually the result of “reckless and abusive practices” (subprime lending) during the economic boom (Valiño, 2009).

Criticism has also come from an unexpected corner. A statement by the association of judges for democracy (www.juecesdemocracia.es) claimed that the current legal procedures with regard to foreclosures and repossessions are unbalanced since risks are not equally shared among the parties. According to these judges, mortgage providers enjoy much better legal protection than households. In order to redress this, they plead for legal reforms that would give more rights to the borrowers. One such reform would entail a general *dación en pago* and a prohibition of evictions; instead of being evicted, the household should have the possibility to live in the dwelling as a tenant, paying a social rent.

Several complaints about the Spanish state were also filed at the European Court of Human Rights and the Court of Justice of the European Union. In March 2013, the latter institution concluded that the Spanish mortgage law is not compatible with European regulations concerning consumer rights (Ceberio Belaza, 2013). This ruling gives Spanish judges the right to suspend running foreclosure procedures if they observe ‘abusive clauses’ in mortgage contracts, for example unreasonable interest rates. It might also mean that banks will have to change their future mortgage conditions and mortgage contracts. The Spanish government has recently indicated that it is preparing new legislation with regard to mortgages and mortgage contracts that will comply with the ruling of the European Court of Justice (Ceberio Belaza, 2013).

5.4 Conclusions

This paper has investigated the most important determinants of mortgage arrears and repossessions and analysed how these work out in the case of Spain. The first part of the paper presents an international comparative framework. It shows that the risk of mortgage arrears and repossessions depends on factors such as the employment situation, social protection schemes, the structure of the housing market and the housing finance system, lending practices, the house price development, and policy responses to the problem. These risk factors work out differently under different welfare state regimes. In general, the highest risks can be found in the liberal and Mediterranean welfare state regimes, where unemployment is increasing, social protection is limited, and past lending practices were relatively risky.

It turns out that our framework offers grounds for a good explanation of the occurrence of rent arrears and repossessions in the various countries. The available empirical data show that Spain and Italy (Mediterranean regime) as well as the UK and Ireland (liberal regime) are characterized by relatively high rates of mortgage arrears. However, our analysis has also shown that a high rate of mortgage arrears does not necessarily correspond to a high rate of repossessions. The experiences of Ireland, and to a lesser extent Italy and the UK, demonstrate that timely and well-thought-out policy responses by the government and the banking sector, of which mortgage restructuring is a good example, may prevent mortgage arrears from actually resulting in repossession. In Spain, the country with the highest number of repossessions in Western Europe, effective policy responses have long been absent. It is only since 2012 that the Spanish government, under strong pressure from society and European institutions, has been formulating policies that aim to prevent mortgage arrears from developing into repossession and eviction. Only time will tell whether these policy measures are effective. However, for the hundreds of thousands of Spanish households whose home has already been repossessed, they will come too late.

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Chapter 6 Regionalization of housing policies? An exploratory study of Andalusia, Catalonia and the Basque Country

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Abstract The Spanish home ownership sector has been hit hard by the economic crisis. Repossessions stand at around half a million in the period from 2008 to 2014. This article investigates how the authorities, both at the level of the Spanish state and of the autonomous communities (regions), have responded to this problem. We investigated whether they assist troubled home owners and aim to design a less risky housing system, with more (social) rental housing. Our research in Catalonia, the Basque Country and Andalusia shows that Autonomous Communities are playing an increasingly important role in this matter. This finding fits well with theories on the formation of regional varieties of welfare, which indicate that flaws of the central governments in providing social welfare, are increasingly addressed by regions. The Basque Country seems to be on the way of designing the most comprehensive system of housing policies of the three regions, including a strong Right to Housing. All three regions regard the mobilisation of the large vacant dwelling stock as an important means to provide more affordable rental housing. However, the owners are often unwilling and the three regions have proposed drastic measures, such as fines and even temporary expropriations. The central government resists such measures, because they might interfere with the proper working of the country's financial system. It shows that certain policy competences can never be totally isolated from other policy fields and multi-level distribution of competences makes it all the more complex.

Keywords Spain, Crisis, Regional housing policies, Regional welfare

6.1 Introduction

Spanish society has carefully nurtured a housing model based on home ownership, with about 85 % of households being owner-occupiers at the start of the Global Financial Crisis in 2008. In retrospect this high home ownership rate included too many economically vulnerable households. Over 500,000 owner-occupiers were foreclosed during the period from 2008 to 2014 (Mendez Gutierrez et al. 2014). Although the Spanish welfare regime has traditionally offered a high degree of job security and relatively generous unemployment benefits, this only covered the so-called insiders on permanent employment contracts. 'Outsiders' in flexible and informal labor have traditionally had little or no welfare entitlements (see Allen et al. 2004). The years of economic prosperity before 2008 veiled this vulnerability as 'outsiders' experienced relatively little unemployment. Under these favorable economic conditions, financial institutions relaxed their lending criteria and many potentially vulnerable households were able to access home ownership. From 2008, the tide turned with rising unemployment and falling house prices (Cano Fuentes et al. 2013). At the start of the crisis, the Spanish welfare state hardly had any support mechanisms for troubled households, who mainly had to turn to family (and friends) for assistance (Cano Fuentes et al. 2013; Nasarre Aznar 2014) or to organizations such as the Caritas and the Red Cross. However, the magnitude of the repossession problem has put much pressure on such support mechanisms. Another matter of serious concern is the government debt crisis. Spanish state debt exploded from one of the lowest in the Euro area in 2008 (36 % of GDP) to almost 100 % of GDP in 2015. Both the Spanish authorities and the EMU partners have called for budget cuts and fundamental welfare reform. This also involves the labor market, where measures have been taken to reduce employment protection and steer towards more flexible labor relations. Although flexibilization is commonly regarded as a way of increasing the number of jobs (see OECD

2013), the reforms may lead to an increase of households that are vulnerable to (temporary) income declines, next to the already existing population of 'outsiders'.

Drawing on the literature it is possible to identify three main factors that contribute to the risk that emanates from the Spanish housing system (see for example Cano Fuentes et al. 2013). The first factor is the high percentage of owner occupation in Spain, which includes households that have limited financial backbone to cope with adverse economic circumstances. Affordable (social) rental housing forms a less risky alternative, but this sector makes up less than 5 % of the entire housing stock (Alberdi 2014). A second factor is the lack of housing cost assistance programs for 'outsiders' that experience serious income decline (see Alberdi 2014; Gentile 2016)²⁹. The third factor is the ease at which mortgage lenders can evict vulnerable households from their homes (see De Weerd and Garcia 2016; Cano Fuentes et al. 2013).

This article investigates how the Spanish authorities have responded when these three main flaws in the Spanish housing model became evident. Have they introduced policies that address the lack of affordable (social) rental housing and housing cost support? Have they taken measures to avoid speedy repossessions or have they granted basic assistance (housing) to households that have been evicted? This question needs to be analyzed from a multi-level framework, because Spain has an administrative structure where welfare policy competences are shared between the central government and the seventeen regional Autonomous Communities (Gallego et al. 2005).

Indeed, this does complicate the research, but it also provides a possibility to dig deeper into the regional dimension of housing. Although the recent years have shown an increase of publications on housing policies in regions such as Scotland and Flanders (for example Robertson and Serpa 2014; Winters and Elsinga 2008), these studies hardly make an explicit link with the 'regionalization of welfare' literature. This is somewhat unfortunate, because about a decade ago, at least two milestone studies provided new understandings of the processes behind this regionalization (see McEwen and Moreno 2005; Ferrera 2005). So, on the one hand we are 'merely' interested in the responses of Spanish authorities to the housing crisis, but on the other hand we have the objective to connect our research with the important field of regionalization of welfare.

The rest of the article is organized as follows. Section two gives an overview of Spanish housing against the background of regionalization and welfare restructuring. Section three gives a short overview of the method used. In section four we present an overview of recent housing policy responses to the risks associated with the Spanish home ownership model. As far as the regional level is concerned, we focus on policy responses in three representative Autonomous Communities: Andalusia, Catalonia and the Basque Country. In section five we draw some conclusions and propose an agenda for further research.

6.2 Background: Spanish housing in a context of welfare restructuring and regionalization

This section presents the main characteristics of housing and welfare in Spain. It first sketches out the main backgrounds to the 'regionalisation of welfare' as found in the general literature. Then it addresses the regional dimension of Spanish governance, as policy competences are often, but not always, shared between the central state and the Autonomous Communities. The final part gives a description of the general Spanish housing model as it existed until 2008.

6.2.1 The link between welfare restructuring and the emergence of regional welfare

The neo liberal project in many central state governments, with labour market reforms and the demise of generic employment protection, has been regarded as an increase of risks for vulnerable households (see Taylor-Gooby 2004). Some Northern European governments have responded to these risks by introducing targeted measures to assist these households (Bonoli and Natali 2011). What is more, such measures are sometimes designed by regional (or local) authorities and this forms the main thought

²⁹ While other government provision of social benefits for 'outsiders' is also very limited.

behind theories of the regionalisation of welfare (Moreno 2011). In other words, when a central government retrenches and leaves few protection measures for vulnerable households, this can give incentives for regional authorities to respond by introducing their own policies. However, the process strongly relies on the (financial) autonomy of the regions and will be found mostly in decentralised states (federations). The literature also indicates that regionalization of welfare may be driven by a strive for more autonomy of local historical identities, such as in the Basque Country and Catalonia (Ferrera 2005; McEwen and Moreno 2005). There is little doubt that both the resistance to unpopular austerity measures by the central government and ambitions of 'regional identity building' may mutually enforce each other. The literature also notes that regional prosperity has a role to play. Whereas some regions might favour a higher degree of autonomy, this will only be viable for the more affluent regions, because poorer regions might jeopardise (solidarity) transfers from richer regions. It is not unthinkable that it all culminates into a situation where richer regions develop more comprehensive welfare models, while the poorer regions have less to offer to their population. Although more affluent regions might not really need much state supported welfare, in some cases welfare development should be regarded as regional identity building.

6.2.2 Regional varieties of welfare in Spain

It is necessary to give some background to the Spanish institutional context of welfare provision. The central state is responsible for the general economic framework. Labour market regulation and pensions are the exclusive domain of the central state (Gallego and Subirats 2012). It is thus not possible for Autonomous Communities to respond to the central government's labor market reforms. The Spanish Constitution (article 148 and 149) has a list of topics that are open to policy development by the Autonomous Communities (Ruiz Almendral 2003). Among these are Social Policy and Housing. However, many competences in the 'list' of the Spanish Constitution are shared between the central government and the Autonomous Communities (Ruiz Almendral 2003). Both levels can develop policies, which has led to repeated discussions at the Constitutional Court. The Constitutional Court can also be consulted in case new policies appear to interfere with the general fiscal and economic framework (Ruiz Almendral 2003).

Furthermore, it is necessary to make a few remarks about the income sources of the Autonomous Communities, because the literature indicates that regional income differences influence the possibilities to design regional policies. In short, the central state collects income tax and VAT. It returns 50 % of the revenues raised within an Autonomous Community to the respective Autonomous Community. In order to level out some of the regional income differences, there is an 'equalisation transfer' to the poorer regions (see Sollé Ollé 2013). The Autonomous Communities have the right to collect and keep all the so-called 'ceded' taxes, which include property taxes and stamp duties. The great exceptions to this common model are the Basque country and Navarra, which have a higher degree of autonomy and run their own tax system. These two Autonomous Communities retain all the revenues from income tax, VAT and 'ceded' taxes. The Basque Country pays a quatum (cupo) of about 6 % of all tax revenue for central state services (Sollé Ollé 2013; Ruiz Almendral 2003). According to Gallego and Subirats (2012) the 'common' financing model, with the redistribution, leads to similar budgets per capita in the 'common' regions. In contrast, the system in the Basque Country and Navarra, the most prosperous regions in Spain, results in much more regional government funds per capita (Gallego and Subirats 2012).

Has this all led to the formation of regional varieties of welfare in Spain? It must be said that studies that investigate the existence of regional welfare in Spain concentrate on differences in health care and education (See Gallego and Subirats 2012) because these are universal rights in Spain and are quite well developed (see Gallego et al. 2005, 2012). Social policies, including housing, are less well developed (Gallego et al. 2005; Hoekstra et al. 2011). Social care functions are mostly provided by the family, such as assisting relatives with unmanageable arrears, or taking care of older relatives. This is the main reason why the Spanish welfare regime is (still) described as familial (Allen et al. 2004). The strong employment protection of (male) breadwinners, i.e. the 'insiders' support this familial system.

Overall, the Basque Country is often regarded as a good example of a region that deviates from the standard Spanish ‘familial’ welfare model (Gallego et al. 2003; Vampa 2014). This is visible in a more active role of the government, in combination with a strong tradition of corporatism. Catalonia is mentioned as another example of a regional variety of welfare. It is quite active in policy development, but relies more on the involvement of private market parties in welfare provision. Overall, Gallego et al. (2003) refer to the Catalan model as *mercantil-comunitario*, while the Basque model is described as *publico-comunitario*. These two regions can be contrasted with Andalusia, the most populous Autonomous Community and a representative of the ‘standard’ familial Spanish welfare model (see Vampa 2014). Andalusia has a relatively weak economic position, which is evident from a much lower per capita income, high levels of unemployment and a high rate of social spending (Table 6.1). One indication for a more comprehensive welfare model in the Basque Country is that it has a higher degree of social spending than Catalonia, while it appears to have fewer problems in terms of unemployment figures.

Table 6.1 Basic demographic and economic indicators in the three selected Autonomous Communities and in Spain

	Population (million) 2014	GDP per head (in €) 2014	Social spending per head (% GDP) 2012	Unemployment rate, mid-2015
Andalusia	8.4	16,884	21%	31%
Basque Country	2.2	29,683	16%	16%
Catalonia	7.5	26,996	14%	19.1%
Spain	46.8	22,780	17%	22.4%

Source: Spanish National Statistical Institute (INE), 2015

6.2.3 Housing policies in the regionalized Spanish context before 2008

In principle, the Autonomous Communities have been granted competences with regard to housing policies according to article 148.1.3 of the aforementioned ‘list’ of the Spanish Constitution (see Lambea-Llop 2016). The Autonomous Communities can implement their own housing policies, but only under the condition that it does not interfere with the general financial and fiscal framework of the central government. However, the central government has had a long-standing tradition of providing subsidies for the Vivienda de Protección Oficial (VPO)—Officially Protected Housing, which in practice concerns (lower) middle-income social home ownership. VPO should mostly be regarded as a way of entering the home ownership market, rather than as a social policy that provides a low risk housing solution to vulnerable households. VPO has also been regarded as an economic stimulant. The subsidies are targeted at the construction of owner-occupied dwellings and not at the support and management of a social (rental) sector.

VPO housing is usually sold well below the prevailing market price (see Hoekstra et al. 2009). In order to achieve this, various subsidy mechanisms have been used, such as provision of cheap municipal land and in some cases also cost price (or limited profit) construction by public development companies (see Alberdi 2014). The national VPO policy has given a basic framework (and budgets) for housing policy in the Autonomous Communities. Individual housing policies by the Autonomous Communities were mostly additions and modifications of the national VPO policy. Such has led to some variations between the Autonomous Communities (see Hoekstra et al. 2009).

Just about two percent of the housing stock is (social) public rental, reflecting the neglect of the sector (Alberdi 2014). In the past, central government implemented measures to give private rental tenants security of tenure and protection against rent increases, but this resulted in a retreat by private investors (Alberdi and Levenfeld 1996). Low income households have never received much

government support from Spanish housing policies. There has traditionally been no system of housing benefits (Alberdi 2014). Family arrangements were important in accommodating people in precarious employment, elderly people in need of care or otherwise vulnerable family members (Table 6.2). This particular familial system characterizes the ‘classic’ Southern European Welfare system (see Allen et al. 2004).

Table 6.2 Tenure in Spain and in the three selected Autonomous Communities, 2011

	Andalusia	Basque Country	Catalonia	Spain
Home ownership				
With mortgage	34%	32%	34%	33%
No mortgage	41%	46%	35%	39%
Inherited-gift	6%	6%	5%	7%
Total home ownership	82%	84%	74%	79%
Rental	10%	10%	20%	13%
Free (or very low charge)	3%	2%	2%	2%
Other	6%	4%	4%	5%
Total	100%	100%	100%	100%

Source: INE, Census 2011

6.3 Data and method

For this article, we consider it as too ambitious and lengthy to provide an overview of housing policy responses to the crisis in all the 17 Autonomous Communities. We rather focus on a couple of regions that reflect some of the main variations of regional welfare within Spain. Drawing on the existing literature on regional welfare as presented in the previous section, we propose to investigate the Basque Country, Catalonia and Andalusia.

Our method is straightforward. We have focused on new policy initiatives from the onset of the crisis. For this, we analyzed relevant policy documents, scientific articles and media releases. This should give us some grip on the ambitions and intentions of the Autonomous Communities. A more quantitative econometric approach is not very relevant at this point in time, because monitors and evaluations of these new policies are scarce. Also, the political context is still dynamic. A previous study on this matter found that recently introduced policies might be undone by newly elected administrations (Cano Fuentes et al. 2013).

6.4 Responses to the housing crisis by the Spanish State and the Autonomous Communities

6.4.1 Introduction

As mentioned in the introduction, the literature identifies some main policies that can help to reduce the risk of housing market booms and busts for vulnerable households. The first is to promote more affordable (social) rental housing, possibly combined with housing cost assistance for those that experience income decline. This can also cushion the effects of the expected flexibilization of the Spanish labor market. A more balanced system of repossession has also been suggested as a way to

avoid the most urgent problems for individual households. Should anyone be evicted, it is helpful to have some 'stock' of emergency shelter housing available for those affected. It is along these lines that we investigate the responses of the central government and the three selected Autonomous Communities. At the end of this section, Table 6.6 gives an overview of the many measures found.

6.4.2 The repossession problem

Policy responses: central government

In 2009, the central government offered a 2-year program with financial assistance for households at risk of eviction, the Linea ICO Moratoria Hipotecaria. It was provided under very strict conditions and assisted a total of 14,000 troubled households (ICO 2010, 2011). This program has been considered insufficient, compared to the magnitude of the arrears and repossession problems (Cano Fuentes et al. 2013). In 2012, the central government reacted by introducing a good practice code with regard to evictions in 2012 (Real Decreto- Ley 6/2012). The code proposes to restructure and negotiate debt, but the criteria are strict and form a large barrier to solutions for the majority of troubled home owners (Human Rights Watch 2014). In May 2013 the eligibility criteria were broadened, but it still rules out a majority of households (Human Rights Watch 2014). Central government also decided to temporarily suspend the eviction process for the most vulnerable by a decree in November 2012 (Real Decreto-ley 27/2012). This decree also introduced the creation of the Social Housing Fund for evicted home owners (Fondo Social de Vivienda). It includes almost 6000 vacant dwellings owned by the banks to be rented out to vulnerable households. Also here (income) requirements were strict and even after broadening the requirements not all dwellings were rented out (Human Rights Watch 2014).

Many critical Spanish commentators in a variety of media have stated that central government has had insufficient consideration for the basic housing needs of those affected by the crisis. The main complaint is that the Spanish central state is overly committed to the 'old' approach that includes little direct social welfare provision and that puts the market, i.e. large business interests, at center stage. The criticism cumulated in civil unrest from 2009 and onwards. The protests laid the roots for a national anti-eviction movement PAH, the Plataforma de Afectados por la Hipoteca (see De Weerd and Garcia 2016; Cano Fuentes et al. 2013). It even attracted attention from renowned humanitarian organizations such as the Human Rights Watch (2014) and Amnesty International (2015). There is little doubt that the PAH brought the most poignant cases to the attention of local policy makers, who were stimulated to take action (De Weerd and Garcia 2016).

Policy responses: the three Autonomous Communities

Although the impact of mortgage arrears and evictions in the Basque Country is by comparison smaller than in most other regions (Table 6.3), it was the first Autonomous Community to launch specific initiatives to respond to the problems. Etxezarreta et al. (2013) give an overview of the measures taken in the period from 2009 until 2013. In January 2009, the Basque government started a program to purchase dwellings of unemployed owner-occupiers (Recompra de vivienda libre), who could then rent the dwelling from the Basque government. The households concerned had the option of repurchasing the dwelling in a later stage, should their financial situation improve again. Although the program was aborted after a change in the Basque Government and lasted only 5 months, it shows that the Basque Country was relatively quick in taking action. Moreover, in May 2012, the Basque Country introduced a comprehensive program to avoid evictions through mortgage assessment, mediation between banks and troubled home owners, as well as offering social housing to households that had been evicted. A number of agreements, also in combination with each other, would be possible: remission of part of the debt, restructuration of the payment, entire debt cancellation, or avoiding evictions by maintaining the former owner-occupiers as (social) tenants of the mortgage lender.

Table 6.3 Foreclosures and evictions in Andalusia, Catalonia, the Basque Country and Spain as a whole

	Foreclosures in process 2012	Evictions 2008-2012	Evictions per 1000 inhabitants 2008-2012
Andalusia	23,687	41,510	5.0
Catalonia	19,457	40,947	5.4
Basque Country	6,750	2,024	0.9
Spain	159,763	198,076	4.2

SOURCE: General Council of the Judiciary (CGPJ).

The Catalan government, in the Catalan Housing Plan of 2013–2016 (Act 75/2014) focused on measures to avoid the loss of housing. It provided subsidies to people that are at risk of eviction or that have been recently evicted. Furthermore, the Catalan Housing Agency (Ofideute), offers help and advice to people with problems to pay the mortgage (Generalitat de Catalunya 2015). They also negotiate with banks in order to avoid eviction. Recently introduced intermediate tenures in Catalonia can also be used as a means to avoid repossession: in agreement with the bank, the dwelling can be transformed into shared ownership. Furthermore, the Catalan Parliament has also committed itself to offer alter- native housing (social rent) to households that are at risk of eviction. More recently, it also took the initiative (Act 24/2015) to avoid evictions by stronger measures. The authorities can force the owner to offer a 3-year social lease.

The Housing Ministry of Andalusia launched the ‘Andalusian Program in Defence of Housing’ in October 2012. This is a free public service that functions through a network of offices in the eight provinces of Andalusia with the aim of supporting citizens through prevention, mediation and protection services. In case of mortgage arrears, the program includes the possibility of mediation: the Regional Housing Ministry intermediates with financial institutions on behalf of citizens who suffer debt after losing employment, helping citizens to ensure the best possible conditions for the negotiation or settlement of the debt. Finally, the protection service establishes collaboration between the Regional Housing Ministry and the municipalities in order to provide solutions to families that have been evicted. These families must meet some general requirements (being unemployed and having little financial means) in order to be able to get a social rental dwelling. Another quite drastic initiative taken by the Andalusian government was to temporarily expropriate homes (3 years) when a bank has repossessed and threatens to evict the inhabitants (Andalusian Decree 6/2013). This measure was mainly intended to avoid social exclusion of very vulnerable households on lower incomes. The repossessed household would be able to use the dwelling but it loses the ownership of the home.

However, the Andalusian temporary expropriation measure was contested by the central government at the Constitutional Court (Judgment 93/2015). This judgment has indicated that Autonomous Communities’ housing policies cannot collide with interests of the banking sector because these are considered of crucial importance for the entire economy. Another argument is that expropriation is too radical because it restricts private property rights. In this view, the best stage to regulate these matters are at the central government level. From such a perspective, the Catalan compulsory 3-year social lease initiative (2015) for households at risk of eviction was also taken to the Constitutional Court for suspension. No decision has yet been taken.

6.4.3 Provision of more affordable (social) rental housing

An increase of social housing might not only be pursued by an increase of new construction, but also by stimulating solutions in the existing vacant housing stock. This has already been touched upon in the previous section with regard to the Social Housing Fund of vacant dwellings owned by banks. In

fact, uninhabited housing in Spain had become a common problem since the late 1990s, with some of the vacant dwellings being in good condition and in the right location, but not put on the market because the owners hold on to them for speculative reasons and don't want to act as a (social) landlord (Hoekstra and Vakili-Zad 2011). This vacant dwelling problem was exacerbated during the construction boom years of 2000–2008, when much housing construction was undertaken on a speculative basis and remained unsold after the market collapsed in 2008. This resulted in a 'stock' of nearly 650,000 new, partly unfinished, empty dwellings after the housing market collapsed. In this section we deal with incentives for stimulating new construction as well as with the interesting theme of solutions in the existing housing stock.

Central government

In the context of the crisis and the numerous evictions of owner occupiers, the central government's focus has gradually shifted towards the rental sector. The State Housing Plan 2009–2012 required that 40 % of new VPO dwellings must be realized in the rental sector (Alberdi 2014). The new 2013–2016 State Housing Plan goes much further. It lays down a public program of rental housing stock promotion and thus abolishes the old cornerstone of subsidized VPO dwellings for owner occupation (Ministerio de Fomento 2013). The new Plan includes a 'rental pillar' which aims to create a public or non-profit rental sector, owned by parties such as public entities, foundations or non-profit organizations.

As we will see further on, initiatives to mobilize the empty dwelling stock are mostly addressed at the level of the Autonomous Communities. The Social Housing Fund (see before) was an initiative of the central government in collaboration with the financial sector.

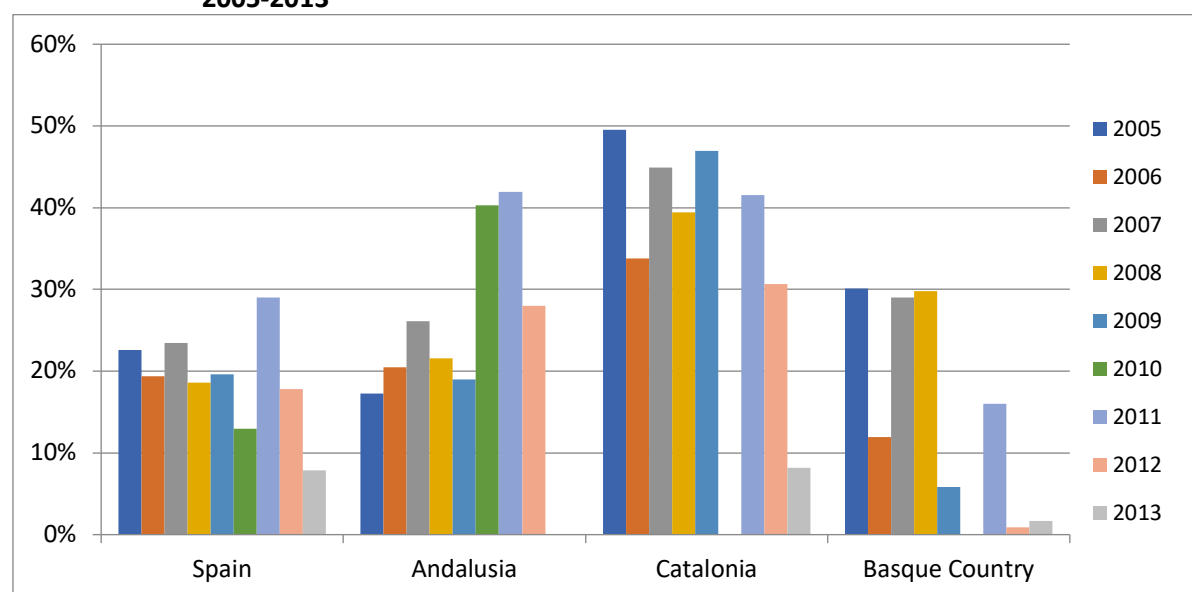
The three Autonomous Communities

The construction of new VPO-housing traditionally took place in the home ownership sector. However, from the mid-2000s, the rental sector has become more important (see Table 6.4). Whereas the policy of the central government has changed towards 100 % rental in the latest housing plan of 2013, there are still regions with substantial shares of home ownership dwellings within their current plans. There may be a temporal factor in this: the national plan of 2009–2012 still included 40 % rental. However, the latest Basque plan of 2013 has not shifted towards 100 % rental dwellings, but keeps a substantial share of VPO in owner occupation. It is an indication of regional divergence in housing policy: the Basque Country has a high degree of autonomy and runs its own plans.

Statistics of newly constructed VPO dwellings show a regional variation that is more or less in line with the plans. Although Spain as a whole has shown increasing rates of rental dwellings in the VPO program before the crisis, the new policies at the central state level are entirely targeted towards the rental sector. Catalonia has had the highest rate of VPO dwellings in the rental sector of all Autonomous Communities. This is probably because of the domination of the Barcelona metropolitan area, where demand for rental housing is relatively high. Andalusia had a relatively low share of newly produced rental VPO housing until 2009, but recently it caught up. This is in line with increasing attention for the rental sector nationwide. The Basque Country has actually experienced a decline in newly produced VPO rental dwellings after 2009, but the recent Housing Plan of 2013 intends to provide half of the newly produced VPO dwellings in the rental sector (Fig. 6.1).

With regard to newly constructed housing, an interesting new phenomenon in Catalonia are experiments with so-called intermediate tenures (for definition and types, see Elsinga et al. 2015). Shared ownership and temporary ownership have recently been introduced in the Catalan Civil Code. Furthermore, there is a growing interest in cooperative housing as an alternative to (social) home ownership (Etxezarreta and Merino 2013). The Basque Country actively supports co-operative housing in its latest housing plan of 2013. As of today, it is not yet possible to assess whether these new initiatives have resulted in any significant rise in affordable housing production. However, they have attracted the interest of housing researchers, so in time evaluations will follow.

Figure 6.1 Percentage of rental housing in newly in newly constructed VPO dwellings 2005-2013



Source: Ministerio de Fomento, table 1.8, authors calculations

Table 6.4 Most recent VPO housing construction plans by tenure in Andalusia, Catalonia and the Basque Country

	Plan Andalusia 2008-2012*	Plan Catalonia 2007-2016	Plan Basque Country 2013-2016
Rent	35%	40%	49%
Ownership	65%	60%	51%
Total dwellings	149,600	150,000	8,000

*There is no new Andalusian housing plan: only decrees have been added.

Sources: Junta de Andalucia; Generalitat de Catalunya; Gobierno Vasco

Table 6.5 Empty newly constructed dwellings 2013

	Andalusia	Catalonia	Basque Country
Empty new dwellings	91,212	85,307	11,849
% of empty new dwellings of total dwelling stock	2.1%	2.2%	1.2%

Source: Ministerio de Fomento, 2014 and INE, 2014

All three Communities experience empty housing as a problem (Table 6.5) and mobilization of empty housing is regarded as a means to provide more rental dwellings and alleviate pressure on the housing market.

In the Basque Country empty dwellings, at about 9 % of the housing stock, have long been regarded as a major issue. Already from 2003 the “Bizigune” program has attempted to place uninhabited houses in private ownership on the market for rental housing. Its’ most important features are that owners receive between 65 and 75 % of the market rental price, with the guarantee of receiving the property in similar conditions after the tenant vacates the dwelling. Tenants in the

Bizigune program pay less than 30 % of their annual gross income in rent. Currently there are 5193 dwellings in this program. Since March 2012 the so-called ASAP program is in place (Decree 43/2012). In order to encourage the participation of the owners of empty homes, this program provides a system of guarantees in the form of insurance policies covering defaults, damage and legal assistance. The ASAP program target is set at around 2300 dwellings in total. Finally, the new Basque Housing Act (3/2015) puts more pressure on companies that own empty dwellings. After 2 years of vacancy, it imposes an annual fine of 10 euros per square meter. The new Act also provides the possibility of compulsory renting out of vacant dwellings. Furthermore, the Act allows the Basque authorities to temporary (3 years) expropriate dwellings that have been vacant for more than 2 years. And lastly, the new Act creates the right of first refusal for housing. In case the financial institution wishes to sell the dwelling, the Basque government has the option to buy the dwelling and rent it out as a social dwelling. This only applies to areas with high housing demand.

In Catalonia, several measures to activate the vacant dwelling stock have been introduced in the period 2008–2009. They derive from the Catalan Housing Plan 2007–2016, updated in 2012. In the Mediation Program, the Catalan Administration acts as an intermediary, finding a tenant, ensuring an affordable rent and proper use of the dwelling, and in the Transfer Program, banks place empty dwellings under the control of the Catalan Administration who lets them at an affordable rent. The third mechanism consists of Avalloguer, under which the Administration guarantees the payment of 3 months' rent (and in special cases 6 months) should the tenant default, as long as the owner keeps the rent affordable. More drastic interventions have been proposed that compare strongly to the Basque ones. The Catalan Decree 1/2015 creates the right of first refusal for foreclosed dwellings in areas with high dwelling demand. Catalan Act 14/2015, implements a tax for landlords that keep dwellings vacant for more than 2 years, while the Catalan Act 24/2015 gives the possibility for temporary expropriation of dwellings that have been vacant for more than 2 years. It only affects property held by commercial investors and not by private households or non-profit and public entities. However, also these two measures have been brought to the Constitutional Court.

In Andalusia the numbers of empty, partly unfinished dwellings soared after massive speculative oversupply in the years before 2008. The Andalusian Decree 6/2013 on “Measures to ensure compliance with the social housing function” was introduced in order to stimulate banks to rent out their vacant dwelling portfolios. This regulation provides subsidies, while at the same time, there are annual fines up to € 9000 on dwellings that are fit for habitation, but not rented out after a vacancy of 6 months. Dwellings owned by private individuals do not fall under this regime.

On the subject of mobilisation of empty dwelling stock, problems have also arisen between the central government and the Autonomous Communities. The legal argument is complex, but it boils down to the fact that it is hard to prove the vacancy. The central government has brought the initiatives to the Constitutional Court to decide. Furthermore, temporary expropriation of empty dwellings has not gone down well with the central government, from the idea that it does not wish to devolve those competences to the regions and that it might interfere with the interests of the financial sector.

6.4.4 Housing cost subsidies to vulnerable households

Central government

One significant new measure from the Housing Plan 2013–2016 on the national level, is the introduction of rental housing support. It is aimed at low-income families (below € 22.365 annually) and consists of an annual aid of up to 40 % of the rent, maximized at € 2400 per year (Ministerio de Fomento 2013).

Although the previous part of the article mentioned that there is no tradition of housing cost assistance in case of income decline, one measure needs to be mentioned. In 2007, the central government introduced the Renta Basica de Emancipacion. Its main aim was to assist young households up to the age of 35 to access the housing market, without having to buy a dwelling, which was the traditional pathway. It was targeted at households with an income up to € 22.000 and provided

a monthly subsidy of € 210 per month for a duration of 4 years (see Gentile 2006 for a detailed description in English). In principle, this subsidy could also help young private renters that experienced a substantial income decline after becoming unemployed. However, due to the enormous debt crisis of the central government, the subsidy scheme was abolished in 2012.

The three Autonomous Communities

On the regional level, no such subsidies have been found. However, it is interesting to mention that two Autonomous Communities (Valencia and Madrid), regarded the central government's Renta Basica de Emancipacion as a regional competence and insisted that they establish the qualification rules, given that they can best assess local needs (see Gentile 2016).

6.4.5 Right to housing

During the research process another highly relevant policy dimension was found, which concentrates on the 'Right to Housing'. Is it possible for evicted households or inhabitants who otherwise have great problems to provide for their own housing, to legally claim housing?

Article 47 of the Spanish Constitution recognizes a 'right to decent and adequate housing', but the central government never implemented an explicit law (or articles) that makes this right effective. Whereas all Autonomous Communities have competences with regard to fulfilling a potential right to housing, only five Autonomous Communities have implemented legislation with a significant impact. These are Andalusia, Catalonia, the Basque Country, Aragon and Galicia. Catalonia and Andalusia have introduced Housing Acts that include a right to housing in 2007 and 2010 respectively (Tejedor Bielsa 2012). The Andalusian and Catalan legislation should not be regarded as enabling all people to legally claim a dwelling, but it is rather an attempt to provide a more concrete policy framework for the Constitution's 'right to decent and adequate housing'. In both Autonomous Communities, the main objective is to create legislation that regulates the distribution of (affordable) social housing to specific target groups. The Andalusian Law also prescribes an inventory of the size of the target group and the housing needed to accommodate these households.

Recently the Basque Country has approved legislation that will give the population a right to demand a dwelling (Basque Act 3/2015). In other words, it forms a hard legal right to housing, which goes beyond the Catalan and Andalusian legislation. The discussion about a right to housing in Basque Country started about 15 years ago and the process towards implementation had to overcome major concerns over practical matters, specifically whether there would be sufficient housing available in case households make legal claims based on this right to housing. The ambition is to reserve some VPO housing in order to give households the right to be re-housed in case of adverse circumstances (Olea Ferreras 2015). The Basque Parliament finally accepted the formal right to housing in June 2015 (with support of the left wing majority) and it was supposed to be effective from October 2015. However, the Spanish central government raised an objection of unconstitutionality against the entire new Basque housing Act (3/2015), because it includes aforementioned measures such as temporary expropriation and fines-taxes on unoccupied housing (Olea Ferreras 2015).

Table 6.6 Responses to the eviction crisis and new policy initiatives to promote a less risky housing system (Some regional initiatives are contested by the central government: see main text)

	Assistance to troubled home owners	Construction of new affordable rental housing	Mobilisation of vacant dwellings for lower incomes	Housing cost subsidies	Right to Housing
Central government	- Some financial assistance for most vulnerable households 2009-2011 - Suspension of eviction for most vulnerable households - Social Housing Fund (6000 units) for <u>evicted</u> households	Gradual shift from dominance of owner occupied social VPO dwellings to 100% social rental VPO in 2013.	None, although SAREB transfers of empty new dwelling complexes to investors might partly benefit lower incomes.	- Rental subsidy for <u>young</u> households with income < € 22.000 in private rental (2007-2012) - Rental subsidy to incomes < € 22.365	Article 47 in Spanish Constitution but no specific law that makes it effective.
Andalusia	- Intermediation banks and owners - Provide social rental for vulnerable evicted households - Temporary expropriation from reposessing banks for households at risk of eviction to avoid eviction	More rental in VPO-programs	Fine of € 9.000 per vacant dwelling (2012).		Right to Housing in legislation (2010) which constitutes a framework for distribution of affordable housing to vulnerable groups. Inventories proposed to estimate size of target group.
Catalonia	- Ofideute consultancy-intermediation - Some financial support for most vulnerable households - Transformation into temporary or shared ownership - Provide social rental for evicted households	More rental in VPO-programs. Support for intermediate tenures	- Guaranteed payments to private landlords in case of default. - Right of first refusal (AC has first right to buy dwelling for social purposes) - Tax for dwellings, vacant > 2 years - Temporary expropriation dwellings banks, vacant > 2 years		Right to Housing in legislation (2007) which constitutes a framework for distribution of affordable housing to vulnerable groups.
Basque Country	- Purchase of dwellings households at risk and transform into (social) rental (2009-2011) - Intermediation banks and home owners - Transformation into renting from the reposessing bank. - Provide social rental for evicted households. - Right to be re-housed (in specially reserved VPO housing)	More rental in VPO-programs Support for cooperatives	- Lower rent in return for guaranteed payments to private landlords in case of default. - Right of first refusal (see Catalonia) - Tax for empty dwellings > 2 years, €10/m2 (2015) - Temporary expropriation dwellings banks, vacant > 2 years - Mandatory lease of empty dwellings (2015)		Right to Housing in legislation (2015) which gives the population a hard claim on housing in case of homelessness. (By means of specially allocated VPO housing See also bottom left.)

6.5 Discussion and concluding comments

This paper explored to what extent the crisis of 2008–2014 has been a driver of changes in the Spanish housing system. A second objective was to investigate how this works out in the Spanish governance context, where regional authorities have competences to design social welfare policies, including housing. In this, the investigation offers perspectives to connect with theories of ‘the regionalization of welfare’, which has received little attention in housing research. One very relevant line of thought in the regionalization of welfare literature, is that regional authorities increasingly step into combat social risks that are not addressed by the central government, either because of past dismantling of social policies or because social policies never existed.

Surely, at both governance levels, the authorities have taken measures to create a less risky housing system. The three Autonomous Communities involved themselves in social policies to assist home owners at risk of eviction. They also aim to provide more affordable housing through the mobilization of the empty housing stock held by banks or other investors. To pursue this goal, the three regional authorities do not hesitate to take drastic measures such as temporary expropriation. Furthermore, all three Autonomous Communities have tried to give more concrete terms to the Right to Housing (article 47) in the Spanish Constitution. This should help vulnerable (evicted) households to have a roof over their head and rely less on family and NGO’s such as the Red Cross and the Caritas.

We found some regional variations in the measures taken (see Table 6.6), but we would take some caution in stating that they seamlessly fit into the Spanish regional welfare variations as proposed by Gallego et al. (2003). Overall, the Basque Country has committed itself most strongly to building a somewhat less risky housing system. It was quick to respond to the eviction problems and has now even designed a Housing Law which gives people a concrete claim on the Right to Housing. The Basque authorities have also committed themselves to providing emergency shelter for evicted households. The Basque policies are notable, because in relative terms the region experienced the least problems emanating from the crisis. Probably this is part of a larger process of regional identity building, which the literature regards as another important driver of regionalization of welfare (Ferrera 2005; McEwen and Moreno 2005). Overall, there may be an argument that the term *publico-communitario* (Gallego et al. 2003) applies to the housing policy measures taken by Basque Country. Catalan measures compare to the Basque Country, but they do not go as far with regard to the Right to Housing. Based on the policies investigated here, we are not able to clearly confirm the existence of a distinct Catalan *mercantile-communitario* variety of welfare (Gallego et al. 2003) where the authorities stimulate private parties to involve themselves. With regard to the case of Andalusia we are also not able to identify a clear line. One difference between Andalusia and the other two regions is that it appears to use more sticks than carrots to mobilize the empty housing stock. Probably this is related to budgetary restrictions in this region, which has traditionally had a weaker economic backbone than Catalonia and the Basque Country. But overall, it is clear that all three communities have ambitions to play a more active and social role in housing policy. In this, we need not overlook the role of the citizens resistance movements against the evictions (Indignados, PAH), which stimulated (local) politicians to take action in those localities where initially little was done to assist troubled home owners.

The active role of the Autonomous Communities contrasts with the policies of the central government. Admittedly, the new rental subsidy of the central government for lower incomes is a step forward in reducing risks for vulnerable households; also in the future when employment security will be further dismantled. Another positive step is the shift towards social rental housing within the VPO programs, but it is still a small contribution to the very small social housing sector in Spain. However, the minor role of the central government in assisting foreclosed home owners has been strongly criticized and has even caught the attention of international humanitarian organizations. Under severe pressure of popular movements, it took some measures to avoid the most poignant eviction cases, but it is clear that the Autonomous Communities were much more active to address the social problems. This is consistent with literature on regionalization of welfare, which indicates that regional (and local) authorities increasingly aim to tackle the flaws in central government social policy. What is more, the Autonomous Communities’ attempts to mobilize vacant dwellings through drastic measures such as

temporary expropriation, have been actively blocked by the central government. It must be admitted that central government has some good legal motives to ask for suspension of such legislation, but it is a potential source of conflict. The Autonomous Communities might ask which alternatives the central government has to offer.

Overall, further research is needed. Although we focused on three important Autonomous Communities, there might be some more variation. Also, the economic circumstances in Spain are still dynamic and not all discussions between the Autonomous Communities and the central state have reached final conclusions.

Finally, we call for more regional housing research in countries with a federal structure. There is an increasing number of those studies, but they take little account of the main underlying drivers that are mentioned in the regionalization (territorialization) of welfare literature. Such studies will also be helpful for international comparative housing research, which needs to take more notice of the regional dimensions. A focus of comparative housing research to the national level might, for instance, only find patterns of government retrenchment, while there is new activity in local contexts.

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Chapter 7 The emergence of housing cooperatives in Spain

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7.1 Introduction

This chapter analyses the shortage of affordable housing in Spain (see Etxezarreta, 2008; Ararteko, 2007) and bottom up, collaborative initiatives to address this problem. In Spain, social and public rental housing amounts to less than 5% of the entire housing stock. Traditionally, most public support for housing has been targeted at subsidized owner-occupied housing. However, this is not an option for the most vulnerable households, as it is too expensive (Hoekstra, Heras & Etxezarreta, 2010). Economic trends have also contributed to the housing scarcity. Between 2000 and 2008, affordable housing was scarce because of a land boom. After 2008, the economic crisis has given rise to new housing-related problems, such as increases in evictions and foreclosures (Cano, Etxezarreta, Dol & Hoekstra, 2013, Human Rights Watch, 2014). It has become clear that secure affordable housing is much in need by economically vulnerable households. Experts and stakeholders have repeatedly stressed the need to enlarge such an affordable housing sector, for example through a larger supply of affordable dwellings and specific subsidy schemes targeted at vulnerable households (Pareja Eastaway and Sanchez Martinez, 2015). Regional authorities, who act as autonomous communities, are also seeking ways to cushion the effects of the eviction crisis. However, it remains to be seen whether these initiatives will materialize into tangible projects, as authorities have limited financial means at their disposal. Moreover, their policy proposals are sometimes at odds with the national legal framework, which may make it impossible to implement them (see Dol, Cruz, Lambea, Hoekstra, Etxezarreta & Cano, 2016). The above situation offers a window of opportunity for social innovation. Social innovation often comes at a time when unmet social needs increase, when the market and authorities fail to provide good alternatives. In such circumstances, social movements may drive initiatives (see Jessop, Moulaert, Hulgard & Hamdouch, 2013 on social innovation and Garcia and Vicari-Haddock, 2016 for social innovation with regard to housing). Experts in the field have observed a strong increase in, so called, co-housing projects in Spain, which are a result of unmet housing needs and an increasing interest in collective, bottom-up solutions. Pareja-Eastaway and Sánchez-Martínez (2017) state:

“When rethinking social housing provision in Spain, alternatives such as cooperatives and self-build models, which are so common in other European countries, are considered innovative instruments and are being explored and developed to provide affordable housing. Most of these initiatives are bottom-up or community-led instruments. Among them, housing cooperatives represent the most established alternative” (Pareja-Eastaway and Sánchez-Martínez, 2017, p.128).

Housing cooperatives imply that a group of people organize themselves in order to build and/or manage housing for the group as a whole. Housing affordability is usually a main driver of such initiatives. By omitting the traditional developers and intermediaries and avoiding marketing costs and profit margins, they make housing access more affordable (Pareja Eastaway and Sánchez-Martínez, 2017). Moreover, municipalities may decide to provide the building land at a lower price because they have sympathy for the objectives of the cooperative. However, cost considerations are generally not the only motives for setting up a housing cooperative. Other motives, such as the wish of living together with people of similar orientations or the desire to build ecological housing (see Tummers,

2015) also play a role. The first literature on the topic uncovers how Spanish co-housing often uses a specific cooperative form (*cesión de uso*) (Etxezarreta, Hoekstra, Cano, Cruz & Dol, 2015).

Although there are now a few notable publications on senior co-housing in the Basque Country (Emakunde, 2016) and a one-case study on cooperative housing in Catalonia (Cabré & Andrés, 2017), literature on the emerging housing cooperatives in Spain is still scarce. Therefore, the aim of this chapter is to examine these housing innovations in Spain in more detail and to learn about their organization and management. Against this background, the following research questions have been formulated:

1. What are the main characteristics of co-housing cooperatives in Spain?
2. How do they organize themselves? Is there a hybrid structure in which existing actors/institutions actively support the initiators of Spanish co-housing cooperatives?
3. Which projects are regarded as the best examples over the past years? Which lessons can be drawn from these references?
4. Is it possible to assess whether these cohousing cooperatives will become a significant contributor to housing provision in Spain?

Research approach

This research is based on a qualitative analysis of two emerging Spanish housing cooperatives. We think that our two cases are illustrative for the emerging housing cooperatives in Spain. However, it is always dangerous to draw too firm conclusions on the basis of two cases and nine interviews only.

Structure of the chapter

Section 7.2 commences with the general institutional and historical background of the housing cooperatives in Spain. The connections between these new initiatives and the existing institutions (hybridity?) are explored in Section 7.3. Section 7.4 outlines the research methods, whereas Section 7.5 explains the emergence of housing co-operatives in Spain in general terms. In Section 7.6, the two case studies are presented. Section 7.7 discusses the empirical results and draws overall conclusions.

7.2 Housing cooperatives in Spain

7.2.1 Historical evolution of cooperative housing in Spain

Cooperatives have been a well-known institution in the construction of new dwellings in Spain. In the past, they acted as so-called building cooperatives with the aim of providing owner occupancy dwellings at a lower price to their members. Once the construction was completed, the cooperative allocated the dwellings to the members and was then abolished. In the case of cooperative apartment complexes, it would be divided into individual apartment rights and a home-owner's association would take over the maintenance of the complex. In this way, there would be no cooperative ownership of the building after the construction was completed.

Historically, the building cooperatives in Spain have built houses for lower- and middle-income groups whose income was too low to enter the non-subsidized, owner occupied sector (Etxezarreta & Merino, 2013). Consequently, the building cooperatives could use the subsidy and allocation system, *Vivienda de Protección Oficial* (VPO), which was similarly used by the subsidized owner occupancy sector.

In recent years, new developments of housing cooperatives have emerged in Spain (Etxezarreta et al., 2015). Within these models, the housing cooperative remains the owner of the building and grants, so-called, usage rights (*cesión de uso*) to the residents. Although such models have a long history in other European countries, they were virtually non-existent in Spain until recently.

7.2.2 Definition and characteristics of housing cooperatives based on usage rights

Cooperative housing models based on a distinction between ownership rights and usage rights appear in different forms and by various names depending on the country. What they all have in common, however, is cooperative ownership that remains after the construction of a property. The residents are all members of the cooperative. They can buy a share within this cooperative, which grants them the right to use their dwelling for an indefinite period. This type of cooperative is common in countries like Sweden and Denmark. It is related to the so-called Andel model, deeply rooted for decades in the Scandinavian countries but with practically no presence in Spain. However, this is about to change in the future. Recently the Basque government introduced the concept of the Andel model into the Basque Housing Law of 2015³⁰ (Observatorio Vasco de la Vivienda, 2015). This was a result of various initiatives undertaken to discover new formulas that might serve to cover the housing needs in Basque Country.³¹

Housing cooperatives are non-commercial organizations and are thus by definition non-profits. They do not need to cover more than the costs of the maintenance of the building and the shared facilities. Furthermore, cooperatives are often based on cooperative principles, such as the ones mentioned by the Cooperative Housing Federation of Canada (CHF, 2011):

- Voluntary and open membership
- Democratic member control
- Economic participation of members
- Autonomy and independence
- Co-operative provides education, training and information
- Cooperation among cooperatives
- Concern for community

7.3 Institutional background: hybridity in housing provision by cooperatives?

The core theme of this book revolves around an increase of affordable housing production by a mix of state, market, non-profits and community actors, which precipitates into hybrid arrangements. The underlying cause for this development is the gradual government retrenchment from direct social housing provision and/or subsidization of non-profit, social housing providers under the influence of neo-liberalization. One result of this shift is the direct action by community actors to initiate co-housing cooperative projects. Traditional social housing provision and housing provision by co-operatives are not two completely separate worlds. For example, Krokfors (2012) claims that new collaborative housing initiatives are “increasingly helped along in a top-down fashion” and suggests that traditional, social housing providers still have a role to play. She indicates that bottom-up initiatives are increasingly institutionalized by existing actors, such as the government or housing associations. In order to frame this research on housing co-operatives in Spain within the international literature, it is highly pertinent to identify the institutional context in which these cooperatives emerge. Despite government retrenchment in direct social housing provision, the authorities can still play key roles in assisting cooperative housing and/or cohousing (see Czischke, 2017; Krokfors, 2012). They may (still) have subsidies available for affordable housing, which can be used by cohousing and/or cooperative housing projects. Government involvement at the local level is often regarded as crucial because new housing cooperatives may need assistance from municipalities in getting access to (affordable) land.

Czischke (2017) draws attention to the role of existing providers of social housing such as housing associations. They may be inclined to assist co-housing initiatives and/or housing cooperatives with expertise or even by providing access to land and finance. In this way, affordable housing becomes

³⁰ Due to a conflict between the Basque Country and the central government about some specific issues (not over housing cooperatives) this law has been suspended by the Constitutional Court until a decision is reached. <http://www.tribunalconstitucional.es/es/jurisprudencia/Paginas/Auto.aspx?cod=24571>.

³¹ The Basque government organized several study tours in Europe and eventually considered the successful Andel model of Sweden a good method to adapt.

a practice where resident groups have more control over what is provided, but still operate within the institutional framework related to existing affordable housing providers. Furthermore, established umbrella organizations might play a role. For instance, in the Nordic countries, umbrella organizations for housing cooperatives are important for establishing, building and financing new cooperative housing projects.

An often-mentioned institutional problem concerns the inexperience of the financial sector with financing housing cooperatives. For instance, Fenster (1999) mentioned that the cooperative legal form is little known in the financial sector which may make banks reluctant to finance cooperatives. This is related to the fact that the cooperative and not the individual is the legal entity that takes out a mortgaged loan. Banks have little experience in handling defaults from individual members of a cooperative. In many cases, they prefer co-housing projects, which are split into clearly defined condominium rights. Especially during the genesis of cooperative housing projects, 'friendly' banks from the cooperative sector or guarantees from government and/or housing associations may be helpful.

7.4 Research methods

A first step in the research was to collect some general information on the emerging housing cooperatives in Spain. In a second step, the aim was to find more detailed and practical information on these housing cooperatives so that we could illustrate the new developments with the help of some case studies. During the first research phase, a number of housing co-operative experts and residents were approached. Due to the wide variety of backgrounds of the people who were to be interviewed, including academics, practitioners, and residents, it was decided to use a methodology of unstructured interviews. Such interviews tend to have an open and flexible character (Del Rincón, Arnal, Latorre & Sans, 1995). This enabled the formation of common questions for the experts and residents, while, at the same time, left room to ask specific questions depending on their specialization.

A total of 9 interviews were held. The interviewees were recruited through our own networks and by making use of the 'snowball' method (interviewees suggesting other interviewees). The interviews took place in person or online using Skype. The appendix provides an overview of the characteristics of the interviewees.

Based on the results of the interviews, two iconic cooperative housing projects were selected for deeper examination. The first initiative is the Trabensol cooperative housing project for senior citizens in the Madrid region. According to the interviewed experts, this project serves as an example for the increasing number of cooperative housing initiatives in Spain, particularly those aimed at the older generations. The second case study is the Entrepacios project, which is also located in the Madrid region. This is an intergenerational cooperative housing project, where several generations live together.

7.5 The emergence of housing cooperatives in Spain: senior and intergenerational initiatives

This section presents the findings of research Phase 1 and gives an outline of recent developments in the genesis of the cooperative housing projects in Spain. All experts mention an increase of senior cooperative or cohousing projects in Spain, while some also mention new initiatives for intergenerational cohousing (E1, E7, E8).³²

Motivations for housing cooperatives

Senior co-housing is conducted by people aged 50 and above, who prepare a joint co-habitation project for their third age, taking into account the social and care needs they might have when they are older). Intergenerational cooperative housing projects include people of different ages living together in a,

³²The letters and numbers refer to the list of interviewees presented in the appendix.

more or less, communal fashion. An important motive to begin housing cooperatives is often a lack of affordable housing, but there are certainly other motives as well. In many cases, senior cooperative housing initiatives seem to stem from the lack of specific affordable housing arrangements where older individuals can live together (E5). The Spanish welfare system provides minimal housing dedicated to seniors, and as a result, older people launch their own initiatives. This also appears to connect to changing societal structures in Spain, where intergenerational living of senior citizens with their adult children is traditionally quite common (Allen, Barlow, Leal, Maloutas & Padovani, 2004). However, as a result of individualization and migration, such intergenerational family living may not always be appreciated or feasible. This not only results in cooperative housing initiatives for seniors, where seniors live together and help each other, but also in intergenerational co-housing projects. In the latter projects, the main aim is letting different generations benefit from one another. Contrary to the traditional, intergenerational living arrangement with older parents and adult children (and often grandchildren), participants in intergenerational co-housing projects do not need to be biologically related. Reciprocal help is very important in these projects. For instance, younger generations may help older individuals with strenuous tasks, while older individuals might look after the children of the younger generation. Both arrangements of senior co-housing and intergenerational co-housing are not uncommon in other European countries (see Tummers, 2015).

The Spanish experts regard the emergence of cooperative housing projects as an alternative to housing provision by capitalist, profit maximizing companies that give residents little influence on price levels and design. Under the influence of the price boom of the early 2000's and the withdrawal of many commercial developers from the market during the subsequent crisis, it appears that many people wish to develop their own initiatives. This is related to a general distrust in the commercial sector. The experts and residents also indicated that the Spanish cooperative housing projects are not solely focused on affordability. There may definitely be some price benefits, but co-housing nevertheless not always leads to cheap housing for lower incomes. Furthermore, the Andel model as used in Spain, may require individuals to buy a share in order to be able to use the dwelling. This may mean that prospective residents have to invest a significant amount of money into their housing. Monthly payments for maintenance and services may also be significant. Tummers's (2015) overview of the European co-housing literature comes to similar conclusions and indicates that cooperative and co-housing projects often accommodate middle class households. Only a minority of the projects involves low-income housing. Lastly, ecological considerations play an important part in many initiatives. Bioclimatic architecture and sustainable buildings occupy a prominent position in many of the projects (E2, E5, E6, E7, E8).

Organisation

Experts indicate that the Spanish housing cooperatives are very much a bottom-up practice where the members have to learn by doing or find some guidance in practices from peers. However, in recent years, there has been an increase in small organisations and consultancies that assist these initiatives, usually on a commercial basis. For instance, the Entrepatis project, a case study presented in this chapter, started developing with the assistance of Logica'eco Cohousing Verde (E7, E2). Other consultants have carried out similar projects, including Sostre Civic, Jubilee Association, Sustraiak, and Habitat Design (E1, E6, E8).

The governance scheme of a housing cooperative includes a President or Director of the cooperative and a Governing Council (E2 and E5). For each step of the project, a working group is formed. In this sense, there are specific groups for each purpose, such as germ group, community construction, land searching, open design, conflict resolution, or co-habitation norms.

Within the housing cooperatives, decisions tend to be made by unanimity and consensus. Some users and experts comment that consensus can be difficult to reach in the short term, but it provides a good basis for the long-term success of the communal living project (E7, E8, E2).

7.5.1 Senior co-housing

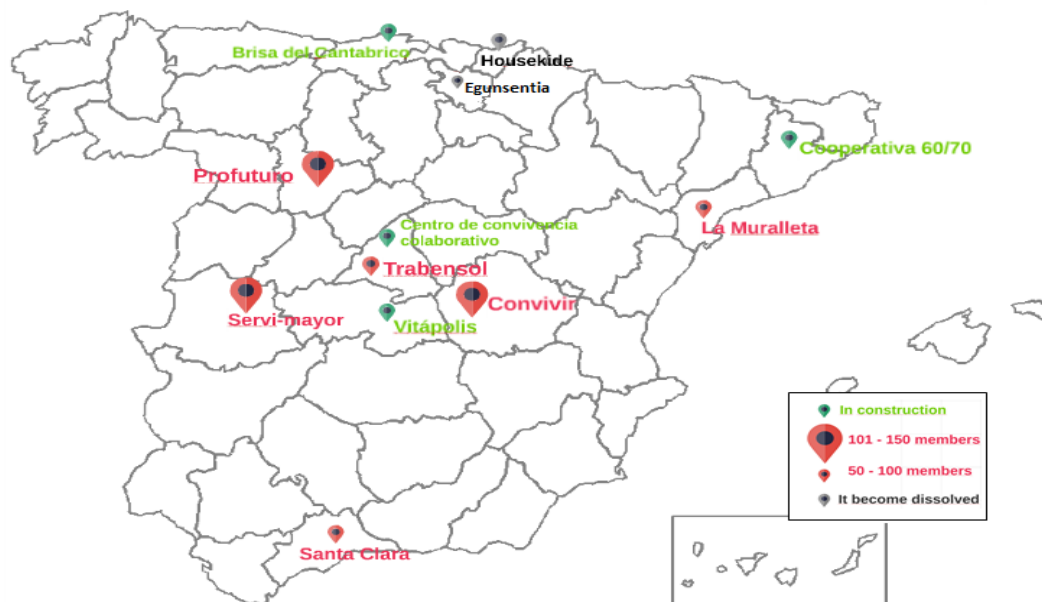
Various experts agree that senior housing cooperatives have been more successful than intergenerational cooperatives (E1 and E9). The first senior co-housing initiatives were realized with little or no assistance of any kind (E5, E8). The Jubilee Association recently translated Charles Durrett's Manual on Senior Cohousing from American English into Spanish. The goal was to help new projects getting off the ground and becoming successful.

In Spain over the last few years, numerous projects have been successfully built up in the field of cooperative housing for seniors. The most important ones are displayed in the map below: Trabensol, Convivir, Profuturo, La Muralleta, Servi-mayor, Cooperativa 60/70, Vitápolis, Centro de convivencia colaborativo, Santa Clara, Brisa del Cantábrico, and Egunsentia.

7.5.2 Intergenerational co-housing

In an intergenerational context, the cooperative housing formula is experiencing more problems. There are several reasons for this, although two stand out specifically: the financial issue and the cultural issue (E1, E3, E6, E7, E8). The financial dimension is probably the most limiting factor. The situation of precarious employment that many young people are facing can be an incentive in the search for innovative and affordable housing solutions. However, precarious employment can also be an insurmountable obstacle, as young people may not meet the minimum requirements set by funding entities, such as monthly payments not exceeding more than 30-35% of the family income (E1, E7 y E8).

Figure 7.1. Examples of housing cooperatives for seniors



7.6 Two case studies

7.6.1 TRABENSOL (senior co-housing)

Trabensol is one of the best-known senior housing cooperatives in Spain. It was opened in Torremocha del Jarama, a borough of Madrid in 2013. The preparations for the project started before 2000 and the project was entirely self-organized, without using references or external professional guidance. This initiative was taken by neighbourhood associations from Vallecas and Moratalaz, traditionally active social neighbourhoods of Madrid.

In the interview, Jaime Moreno (E5) emphasized that they did not receive any public help and that the cooperative answered to new care needs. He insisted that Trabensol was not a pastime or “an adventure of a snob group”. The founders of the project had already been involved in the care of their parents and knew that they did not want their children to repeat this experience. They looked for a way to satisfy their old age needs in an independent way. They claim that the current result even surpasses their own expectations.

The cooperative found a proper location after a long period of searching. One of the cooperative members knew the mayor of the town of Torremocha, and this town was interested in the initiative. Once they bought the land, around 22,000 square meters, the town council gave them permission to build. After they had transferred the legal percentage of land necessary to develop public facilities to the town council, they still had 16,000 square meters left. There were 6,000 square meters built, consisting of apartments with a surface of around 50 m². The rest of the surface is covered by plant and vegetable gardens. Once the cooperative and the bases of the organization were created, it was important to establish the management and governance arrangements in accordance with the agreements reached among the members. The scheme of management revolves around the general assembly, which is the expression of the social will. General Assembly agreements bind all partners, including absentees and dissidents. The Board of the Assembly is formed by at least a President and Secretary, the same as those of the Governing Council, unless there is a conflict of interest.

The Governing Council is the governing body of the cooperative and it is responsible for general management and legal representation. The Governing Council is composed of nine titular members, elected by the General Assembly from among the members of the Cooperative, according to the electoral procedure regulated in the cooperative’s statutes. The elected positions include President, Vice President, Secretary, Treasurer, and five additional members. The ordinary term of office for the members of the Governing Council is four years, after which re-election is possible.

Trabensol has a mediator team that is coordinated by a cooperative member who works as a sociology professor at the University Complutense of Madrid. Other working groups involve gardening, activities or healthy living.

Regarding financial aspects, the cooperative did not need a loan to buy the land because members sold their previous houses and used the proceedings from the sale. At the beginning, all 54 cooperative members paid €145,000 each. The monthly fee includes cleaning services once a week, catering for lunch, laundry that is collected, washed and ironed, paperwork and management services, and few hours of receptionist services. During the week and on Saturday mornings one of the collective tasks is providing voluntary receptionist services. Another collective task is setting up the lunch table where the members of the cooperative can have lunch together. The lists for these particular tasks have always been full since they opened.

The building revolves around the central fountain patio with a south orientation of the apartments, in order to better conserve energy. The building is completely wheelchair accessible.

All the inhabitants are registered as citizens of Torremocha del Jarama since the inauguration of the project in 2013. The project now has 54 members-shareholders (one for each apartment) with a total of 85 inhabitants. One of the common gardens is open for use by other residents of the municipality in order to stimulate social interactions. The activities that are organized by the cooperative, such as yoga, pilates or a summer cinema, are also open for the residents of the town.

Figure 7.2 Hall of the property, social interactions park. Trabensol cooperative, Torremocha de Jarama, Madrid.



Source: authors.

Figure 7.3 Vegetable gardens. Trabensol cooperative, Torremocha de Jarama, Madrid.



Source: authors.

7.6.2 The Entrepatrios Cooperative (intergenerational co-housing)

Entrepatrios is an iconic and exemplary project of intergenerational cooperative housing in Spain. There are more projects that are recently being built, such as the La Borda project in Catalonia (Cabr  and Andr s, 2017), but Entrepatrios is still regarded as the predominant representative of intergenerational co-housing. The general aim of the cooperative is to provide collective housing for their group under a non-commercial regime. On top of that, ecological considerations play a role. This will be visible in aspects such as solar panels, rainwater collection and a green rooftop garden. The (envisioned) project consists of 17 apartments, varying in size from about 60 to 80 sq. meters, within a dense urban setting. It does not have much outdoor space but it includes a ground floor patio and a rooftop garden. There are also two collective meeting rooms at the ground floor and the second floor (74 sq. meters and 60 sq. meters).

In 2012, an embryonic group of families named COBIJO cooperative came up with the idea for this co-housing project. The group grew from 6 families to 30 during a process of participatory workshops called the dream phase, where it was agreed upon to set up a housing cooperative. After that, the search for building land began. They ultimately found some land at Las Carolinas (Usera, city of Madrid). In total 17 households entered in the Las Carolinas housing co-operative which is now in the phase of design and project implementation. The cooperative approached the regional government for support but finally did not receive any. The group used the cooperative Andel model as a reference, but also found some inspiration in Uruguay which has a strong cooperative housing tradition. In senior co-housing projects, thanks to the property assets usually acquired by elderly people, it is relatively easy to find enough funds to start initiatives. This is in contrast to intergenerational cooperatives where finance tends to be a problem. With regard to this Project, the interview with resident Nacho Garc a (E2) conveys how the mortgage was negotiated for the cooperative as a whole. It also is the cooperative itself that is responsible for making the payments. TRIODOS bank advanced a loan to the collective for the construction. Furthermore, the members of the collective pay a 20% fee of the construction costs. This fee will be returned when a member leaves the collective. In addition to this, the members of the cooperative pay 600 euro monthly rent, which will be used for interest payments, the loan repayment, and maintenance during the first years. In case of non-payment, there is a reserve fund that allows the cooperative to face total non-payment for 3 months. This allows the co-operative to be able to calmly deal with individual defaults, understand why they occurred and to find a solution.

7.7 Discussion and conclusions

This chapter shows that the start-up of housing cooperatives in Spain was complicated and hard work. They are decidedly bottom-up initiatives and have received little institutional support from the start. The Trabensol senior project did not receive any support from professionals. The Entrepatrios project had hired support from a professional bureau (L gica'eco, E7) but it met little goodwill from the municipality with regard to planning permits and finding a suitable location turned out to be difficult.

Overall, in the two case studies, there was no hybrid network with established actors from the housing field, as suggested in the international literature on this topic (see Section 3). The most obvious explanation seems to be that such literature appears to relate to the context of the Northern European countries, which traditionally operate large, but declining, social and non-profit housing sectors (see Krokfors, 2012). However, Spain has a very small and fragmented affordable social rental sector of no more than 5% of the entire stock. What is more, some of the larger municipalities are under severe financial pressure and have actually sold several thousands of their public rental stock in order to repay mounting debts (Lambea Llop, 2016). This is also the case in Madrid and possibly one of the reasons why its own municipal housing company does not actively involve itself in supporting housing cooperatives. Looking beyond the two selected Madrilenian cases, the emerging literature indicates that some regional and municipal governments have a more positive stance. This is illustrated by the proposed Basque Housing Law (Act 3/2015).

Interestingly, it seems that a well-organized local community group can be quite crucial, as they may be able to push for more support from governmental institutions. This is also shown in the case of Barcelona (Cabr  and Andr s, 2017). In time, more successful initiatives may set up a base for dissemination of practical knowledge.

A fundamental question is whether the Spanish housing cooperatives have prospects of becoming more widely used. Because only two case studies have been analyzed, it is necessary to be careful drawing general conclusions. However, evidence suggests that apart from political support, finance is a crucial point here. The international literature indicated that inexperience in the regular banking sector hampers the provision of loans. The senior co-housing initiatives certainly have an advantage in this respect because most Spanish senior households are outright home owners, which allows them to finance an entire cooperative, co-housing project up front. Because of this, one cannot really speak of affordable housing and it is more a middle class affair. This also implies that relatively little impact can be expected on the currently dominant providers of affordable housing: the social rental landlords. There is another dimension which may make senior co-housing cooperatives more likely to grow than intergenerational housing cooperatives, namely the severe lack of senior housing in Spain. As the traditional family care provision structures (mainly by female relatives) for older households are gradually losing support in the changing Spanish society, there seems to be a growing market for senior cooperative housing projects. A wide scope of administrative levels in the Spanish context could potentially be interested in supporting these initiatives. There is some recent research³³ on this topic, which offers evidence of a strong relation between senior housing cooperatives and innovative ways to address care needs and gender issues in the Spanish society. New cooperative senior housing arrangements could become a real alternative for private and state provision of old age housing and residential care. Care services are already handled by cooperatives (Etxezarreta and Bakaikoa, 2012) and cooperation with senior cooperative projects may be relatively easy. In case the senior cooperative housing initiatives in Spain reveal that they are a good alternative for the contemporary lack of old age housing provision, commercial providers, possibly assisted with state welfare, may also enter the market. Since Spain is one of the most ageing countries in the world, it may be a real front runner in this respect and it may serve as a source of inspiration for other ageing countries.

Intergenerational initiatives acquiring sufficient funding seems to be the most important obstacle, although the Entrep s example shows that there are ways to overcome this problem. Cooperative housing is essentially a project that arises from the wish of groups of people to live with peers in a cooperative, non-profit housing environment. It may not be the preferred option for young persons that carry the Spanish tradition of owner-occupied housing as a private investment. Therefore, the conclusion is that senior co-housing has more potential in Spain than intergenerational co-housing. The future will learn whether this assumption is correct.

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Appendix. Overview of the interviewees and their main characteristics

Ref.	Name	Category	Field	Association/group
E1	Miguel Ángel Mira	expert	Senior cohousing	Jubilee Association
E2	Nacho García	resident	Intergenerational coh.	Entrepatis Cooperative
E3	Mario Yoldi	expert	Intergenerational coh.	Basque Government
E4	Ana Lambea	expert	Intergenerational coh.	Complutense University of Madrid
E5	Jaime Moreno	resident	Senior cohousing	Trabensol Cooperative
E6	Raúl Robert	expert	Intergenerational coh.	Sostre Civic
E7	Leo Bensadón	expert	Intergenerational coh.	Lógica'eco, Cohousing Verde
E8	Borja Izaola	expert and resident	Intergenerational coh.	Sustraiak, hábitat design

As he was mentioned by the previous interviewees, this interview was added to the list:

E9	Daniel López	expert	Senior cohousing	Universitat Oberta de Catalunya
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8 Conclusions

8.1 Introduction

The overarching objective of this dissertation was to gain an improved understanding of factors that explain international variations of impact of the Global Financial Crisis on housing transactions and repossessions in Western and Southern European countries. A second objective was to find whether, and if so, what actions were undertaken to alleviate and avoid (future) problems in countries most affected by repossessions. Section 8.2 presents the key findings. First it brings together the results of chapter two, three and four, which investigated the impact of the GFC on housing transaction levels, both on the macro level (Western Europe) and on the micro level (the Netherlands). It then proceeds with the results of chapter 4, which investigated the backgrounds to the international variation in repossession levels during the GFC. As it turned out that Spain experienced the greatest repossession problems of all West and South European countries, the last subsection of 8.2 presents responses to the GFC in Spain. Section 8.3 reflects on the findings and discusses the scientific relevance, the societal relevance and the limitations of this dissertation. The final section (8.4) proposes a research agenda for new questions that have emerged from this dissertation.

8.2 Key findings

8.2.1 Housing transactions

Chapter 2 addressed research question 1: *“How do typical characteristics of European housing systems mediate the impact of the GFC on housing transactions?”* Based on an exploration of housing systems in the Netherlands, the UK, Belgium, Germany and Ireland, two types of mechanisms were identified that explain international variations in the impact of the GFC on housing transactions. In the Netherlands, the UK and Ireland, the owner-occupied housing market can be characterised as *dynamic*, while in Belgium and Germany the term *static* is more appropriate. In the dynamic system, housing transaction -and construction- statistics show profound declines during the GFC, while the static system seems quite immune. The sensitivity of the dynamic system can be explained by typical housing careers in these countries. They usually encompass several moves in the owner-occupied sector during the housing career, with the acquisition of a small owner-occupied apartment being the first step. Cohabitation, marriage and subsequent household expansions trigger moves to dwelling types that accommodate changing housing needs. During a crisis many owner occupiers postpone a residential move because of bleak economic prospects. Also, negative equity potentially locks them up in their property, especially young households that had intended to move to another, larger dwelling.³⁴ The dynamic system contrasts to the *static* system of Belgium and Germany, where self-provided housing prevails and households usually ‘build’ a detached dwelling that is inhabited for a relatively long duration, if not for the entire housing career. In this system, households are able to adapt their detached dwelling to changing housing needs. Another characteristic of the *dynamic* system is the activity of for-profit, speculative developers who offer for sale a range of dwelling types that accommodate each phase in the household career. Usually, these dwellings are sold only after the developer commences construction, creating a risk of oversupply after an economic downturn. Unrestricted development in Ireland led to an unprecedented oversupply of new dwellings, while the more restricted planning system in the UK and the Netherlands rendered less severe problems. Oversupply hardly forms a problem in the static system because the majority of new owner-occupied dwellings are directly built by those households that will live in it. In conclusion, this dissertation

³⁴ I stress it is an ‘argumentation’ in this article, because the empirical proof on the micro level follows in chapter 3 (Dol and Van der Heijden, 2018).

reveals the mechanisms behind national variations of the impact of the GFC on housing transactions. The proposed static-dynamic distinction builds upon the Structures of Housing Provision literature (see e.g. Ball, 1988; Barlow and Duncan, 1994), which identified profound differences in housing provision but which hardly explored the sensitivity of national housing provision system on a comparative basis.

Chapter 3 follows up on the findings of chapter 2. It shifts from the macro, systemic level to the micro, household level and addresses research question 2 *“Which household characteristics have the strongest impact on the stagnation of transactions in the Netherlands during the GFC?”* The focus is on the Netherlands, a representative of the ‘dynamic’ owner occupied market, where housing transactions plummeted during the GFC. Using a multi variate model, the largest effects of the GFC were found in relation to age, while household type and income played a less important role. Under normal economic conditions, owner occupiers in the ages of 20 until 34 reveal a relatively high incidence of (recent) residential moves, but this substantially declined during the GFC. This applies to a lesser extent to the ages from 35 to 44. Furthermore, stagnation of mobility was strong with regard to moves *within* the owner-occupied sector and not so much for first time buyers that move into owner occupation. First time buyers often reap the benefits of house price declines, while young *existing* owner occupiers experienced problems in moving, arguably because they faced negative equity and therefore postponed their move. In the Netherlands, the risk of negative equity is particularly high and relates to relaxed mortgage lending practices, that allowed loans well above 100% of the value of the dwelling, often even in the form of an interest only loan without a repayment vehicle. The findings of chapter 3 confirm the theoretical thought developed in chapter 2 about the mechanisms within the dynamic system, which expected that many (young) owner occupiers face negative equity during a crisis and will therefore postpone a residential move.

Chapter 4 also explored the sensitivity of the Dutch owner-occupied housing market on the micro level. It addressed research question 3: *“Are Dutch households that rely on flexible labour affected more in terms of their tenure choices during the GFC, as opposed to households with permanent job positions?”* A distinction was made between households with a permanent contract, ‘flex workers’ who rely on temporary contracts or flexible hour contracts and ‘freelancers’, who are self-employed but who do not employ any personnel. It was expected that flexworkers and freelancers have smaller propensities to move to an owner-occupied dwelling because mortgage lenders usually prefer applicants with stable income streams. First of all, it needs to be stressed that under normal economic conditions, before the GFC, a multivariate analysis shows that flexworkers had much smaller odds, more than 50% less, of moving into home ownership than permanent contract workers. For freelancers, the odds of moving into owner occupation differed very little from permanent contract workers. Although we could not exactly trace in the data what causes the relatively good position of freelancers, previous research suggests that many (Dutch) freelancers only start for themselves when they are relatively experienced, therefore are able to land a continuous flow of work contracts, while they often also have some assets that could serve as collateral (see e.g. Boumeester et al, 2014). For the impact of the GFC on the position of freelancers and flexworkers, the answer is not entirely straightforward. There was indeed an overall shift of housing choice towards the *rental* sector, but the present study finds insufficient (statistical) evidence to confirm that this shift was significantly larger for freelancers and flexworkers.

The overall conclusion for both chapter 3 and 4 is that young owner occupiers, most possibly those that face negative equity, enhance the risk of stagnation of the Dutch owner-occupied housing market during a crisis. The findings here suggest that in case freelancers had any trouble in buying a dwelling during the GFC, this was more related to other factors that restrict access to mortgages, such as income level, age or educational level than to their position as a freelancer. For flexworkers the chances of moving into home ownership were already quite small before the GFC and remained small during the GFC. Still, in case employers offer more flex contracts during a crisis as a means to reduce the potential costs of dismissal, this can of course impact on the entire housing market.

8.2.2 Repossessions

Chapter 5 addressed research question 4: *“How do European social security systems and mortgage lending practices mediate (or aggravate) the impact of the Global Financial Crisis on repossession levels?”* The conclusion is that the incidence of repossessions is strongly related to Welfare Regimes and their social insurance provisions. The social insurance systems in the Corporatist and Social-Democrat regimes protect a significant share of owner occupiers from facing arrears and repossessions. This contrasts to the Liberal and South European welfare regimes, where unemployment benefits and other social safety nets are less generous. However, as arrears mounted during the GFC, specific (emergency) measures in Liberal and South European contexts avoided some subsequent repossessions. For instance, Ireland implemented a one-year moratorium on repossessions, in which debtors and creditors have time to search for a solution. Italy has always had one of the lengthiest repossession procedures in Europe, which enables debtors to seek for solutions. Emergency measures to financially assist troubled home owners were introduced in the UK and Italy. Furthermore, the UK mortgage lending sector learned from past negative experiences with rapid repossession procedures in the 1990s; during the GFC the sector prescribed moderation towards troubled owner occupiers. Spain forms the most negative example of the countries investigated, because the government was slow to respond and emergency measures were insufficient to address the problems of a large number of troubled home owners. Furthermore, Spanish repossession procedures were very swift, giving no time to search for a solution. These factors led to social turmoil after at least 100,000 repossessions in the period from 2008-2010 and many more owner occupiers facing significant financial distress.

Another conclusion is that mortgage lending practices can be a strong determinant of the risk of repossession. Risky, subprime mortgage products were available in the Liberal countries as a result of deregulatory tendencies. Elsewhere in Western and Southern Europe, subprime mortgages were largely unavailable, with the exception of Spain and to some extent the Netherlands and Denmark. However, for the latter two countries, the social insurance system counters the risk of such mortgages, while in Spain a significant proportion of the labour force is insufficiently protected against income decline after unemployment. This finding gives even more support for the important role of welfare regimes and associated social insurance in protecting owner occupiers from the risk of a repossession. In sum, Spain ‘ticks all the boxes’ in risk enhancing factors. It went on an unprecedented, credit fuelled property bubble without hedging the social risks. The only positive factor was a relatively high proportion of older and middle-aged outright owners with no mortgage, who could use their house to cushion income declines after unemployment. However, it was often the young owner occupiers with high mortgage debt that ran into immediate financial problems after becoming unemployed.

8.2.3 Responses in Spain

Regional responses

Chapter 6 addressed research question 5: *“What housing policy responses have been implemented on the national and regional level to assist troubled home owners and to avoid a recurrence of the Spanish repossession crisis?”* The chapter investigated policy responses of the central government and in three important Spanish Communities: Andalusia, Catalonia and the Basque Country.

The conclusion is that all three Autonomous Communities and the central government took *crisis measures* to support troubled home owners in mediating with mortgage lenders, albeit in quite different forms and not always timely and/or only covering the most distressed households. It was striking that the region least affected by the housing crisis, the Basque Country, was the most prompt to respond to the problems. The central government only took belated and frugal measures to financially assist troubled owner occupiers. Furthermore, Andalusia, the most troubled region of the three under investigation, was willing to challenge the central government by proposing drastic measures that allowed repossessed households to still occupy ‘their’ repossessed home. The central

government took the Andalusian government to the Supreme Court because it regarded such drastic measures as a violation of the ownership rights of mortgage lenders who had seized the properties.

With regard to *new housing policies* implemented during the GFC, the Basque Country offers support for (bottom-up) cooperative housing while both the Basque Country and Catalonia pursue mobilisation of the private rental stock in order to provide more affordable housing. Catalonia also explored possibilities to offer low risk intermediate tenures to lower incomes. It needs to be stressed that both the Basque Country and Catalonia are relatively affluent societies, giving them the financial means to implement and experiment with new housing policies. Andalusia stays closer to the long-standing Spanish policies for affordable 'protected housing' for lower incomes, although the programs now focus much more on rental housing than before. In fact, the central government, the Basque Country and Catalonia now also focus their 'protected housing' programs much more on *rental* housing, which can be regarded as a revolution against the background of the Spanish political predilection towards home ownership in the decades before the GFC.

One important new insight is that the new housing policies of the three Autonomous Communities seem, with some caution, to fit into the Spanish regional welfare typology as developed by Gallego et al (2003). Gallego et al (2003) found that the Basque Country tends to seek policy network solutions that involve governments, the private market and civil societies' bottom-up initiatives, while Catalonia tends to search somewhat more for involvement of private market parties. Andalusia has remained closer to the original national Spanish policy framework. However, this is a tentative conclusion only based on housing policy responses to the GFC and not on a comprehensive investigation of the entire housing system of the three Autonomous Communities.

Another relevant finding is that new housing policy development of the Basque Country and Catalonia can be explained with the framework of regionalisation of welfare by Ferrera (2005) and Moreno and McEwen (2005). Ferrera (2005) regards central government's retrenchment and the presence of strong regional identities as key drivers behind regionalisation of welfare. In Basque Country and in Catalonia, regionalist parties pursue new welfare policies that aim to muster their constituencies even more around their regional identity (see also Vampa, 2016).

Bottom-up housing cooperatives

Chapter 7 addressed research question 6 "*What are the experiences of newly emerging bottom-up, non-profit housing initiatives as an alternative to mainstream, commercial Spanish housing development?*" Chapter 7 presents the experiences of two 'ownership' cooperatives in Madrid, established by groups of people who pursue an affordable housing solution outside the regular for-profit circuit. The Trabensol cooperative is a senior cohousing group of older households that *also* wanted a housing solution that meets their own preferences. The Entrepatrios cooperative is an intergenerational group of households that *also* had ecological objectives. The focus is on the experiences that these groups had in establishing their project, because housing cooperatives where the residents collectively own and manage the dwellings hardly existed in Spain before the GFC.³⁵

The conclusion here is that the experiences of the two cooperatives confirm the insights from the *international literature*: cooperatives will benefit from institutional support or should at least receive equal treatment compared with for-profit enterprises in order to become a thriving, sustainable sector.³⁶ The establishment of the two Madrilenian cooperatives was quite complicated because there is little experience with this tenure in Spain. Especially the Entrepatrios cooperative reported little goodwill from governmental agencies in obtaining planning permits. However, this experience seems not to be representative throughout Spain, because in Barcelona new cooperatives

³⁵ Strictly taken, this dissertation focuses on risk factors surrounding home ownership. This study on housing cooperatives in Spain gives no direct answer to such issues, but it provides valuable insights into the experiences of collectives that want to operate outside the circuit of speculative for-profit housing development.

³⁶ Especially in neo-liberal political economies, third sector, non-profit companies are regarded as inferior to commercial (stock exchange listed) enterprises. Legislation for housing cooperatives was never passed in the USA (see Ganapati, 2010) while UK Building Societies were demutualised by Thatcher (see Stephens, 2001)

received much support from the municipality (see Cabré and Andrés, 2017), while in the Basque Country the new Housing Law includes a section on cooperative housing. For Entrepatis, an almost insurmountable barrier was access to finance. Whereas Trabensol is a cooperative for older members who sold their family property to raise finance, Trabensol has many younger members and the cooperative required substantial construction loans³⁷. Spanish mortgage lenders were reluctant because a cooperative has indivisible ownership, which makes it complicated to recover the mortgage if any member defaults. Finally, a non-Spanish bank with cooperative roots extended a mortgage on the premise that the cooperative established a guarantee fund in case one of the members would default. Another main problem was the lack of professional support when establishing the cooperative. Whereas the famed Swedish housing cooperatives sector developed a strong institutional structure that supports the establishment, construction and daily management, the founders of the Trabensol and Entrepatis lamented that they needed to ‘invent the wheel by themselves’.

8.3 Reflections on the research

8.3.1 Scientific relevance

This dissertation has contributed to international comparative housing research in at least two ways.

First, the findings in this dissertation give a better understanding of the sensitivity of five West European housing markets to a severe economic crisis, by advancing the static-dynamic divide. Static housing markets have low levels of residential mobility, emanating from a focus on self-provided housing, while dynamic housing markets have relatively high levels of residential mobility. Dynamic housing markets are more vulnerable as residential mobility stagnates during a crisis. Dynamic housing markets are also connected to (speculative) for-profit house building, which is also vulnerable to a crisis. For the case of the Netherlands, a country with a dynamic market, the dissertation has also established how the mechanisms work on the micro, household level.³⁸ These insights form a stepping stone towards formulating a theoretical comparative framework on the sensitivity of national housing markets to the economic cycle.

The second contribution to international comparative housing research is that the dissertation presented and tested a framework of factors to explain the incidence of repossessions during the GFC. In constructing the framework, it drew on the work by, for instance, Neuteboom (2006) and Doling and Ford (2003), who identified several risk factors. This framework has now been put to the test during an international economic crisis. As indicated in section 8.2, the main takeaway is that Social-Democrat and Corporatist Welfare Regimes, with a generous social security system can avoid income decline from unemployment, which also mediates the effect of risky lending practices.

The two chapters on responses to the crisis by Spanish regional authorities and society have provided several new insights. Chapter 6 on regional responses can be regarded as the *third contribution* to comparative housing research, because it is the first housing study that draws on the territorial, sub-national varieties of welfare framework by Ferrera (2005a) and McEwen and Moreno (2005). Indeed, there have been several publications on regional housing systems, most notably the Scottish and Flemish cases (see e.g. Winters and Elsinga, 2008; Robertson and Serpa, 2014), but they never alluded to the backgrounds of the emergence of sub-national welfare systems. Chapter 6 identifies some regional variations in housing policy responses to the GFC and it was even possible to conclude, with some caution, that the Catalan and Basque approaches may fit within Spanish regional

³⁷ Entrepatis is a hybrid form in between an ‘ownership’ and a ‘rental’ cooperative. The cooperative took out a mortgage that covers 80% of the total construction costs of the housing complex. Members pay a monthly fee to cover costs for this mortgage, while they paid an upfront contribution of 20% of the total construction costs of dwelling. When a member moves out, the cooperative will return this 20% upfront contribution.

³⁸ Later research by Meeus and De Decker (2015) confirms the mechanisms at work in the static housing system of Belgium.

welfare variations as found by Gallego et al in 2003. Hopefully, the work in this dissertation serves as an inspiration for more research into regional varieties of housing systems.

The chapter on Spanish housing cooperatives is amongst the first to study the Spanish experiences. It confirms research from elsewhere in Europe and Spain, that indicates that the establishment of bottom-up housing cooperatives is complicated. The Spanish government has no direct policies that support housing cooperatives,³⁹ while mortgage lenders also have little experience with housing cooperatives. For comparative housing research, an important finding is that the rise of the Spanish cooperative housing sector can be explained by theories that contend that cooperatives often emerge when commercial enterprises or direct government supply fail to provide solutions. However, it needs to be stressed that failure of formal housing provision institutes is not the only reason for establishing cooperatives. Communal living or cohousing with a group of similar minded people attracts interest from residents in many countries (see Czischke, 2017).

8.3.2 Societal relevance

One key lesson from this dissertation is that income maintenance from social insurance (security) policies for the unemployed is a dominant factor in avoiding housing repossessions. Such policies structurally exist in the Social-Democrat and Corporatist welfare regimes, even though they have become less generous after welfare state restructuring from the late 1970s and onwards. In the Liberal and South European welfare regimes, income maintenance after unemployment is less generous and there is an argument that this may not change much after a deep economic crisis. As mentioned in the theoretical framework, the ideological and cultural foundations of the Liberal welfare regimes and its associated views on welfare entitlements for the unemployed are expected to impede transformations towards a structurally higher level of income maintenance policies. In the South European regime, part of the population, the insiders, benefits from high-level social insurance, but it is doubtful whether this will ever be expanded to the current population of outsiders. In the wake of monumental fiscal problems after the GFC, international organisations actually tend to prescribe less social security for Southern European insiders (see e.g. Hemerijck, 2013). However, it appears that governments in the Liberal and South European welfare regimes have drawn some lessons from the large-scale event of the GFC, which threatened the entire society. At the time of writing, during the Corona virus crisis, governments in Southern Europe and the British Isles were quite prompt in offering *temporary crisis relief* in order to avoid mass dismissals of employees. Also, governments and the banking sectors indicated that they would aim to avoid repossessions. In this, the Spanish housing minister explicitly mentioned lessons learned from the GFC. I do not suggest in any way that this thesis, or the publications in this thesis, are directly responsible for these responses, but the work in this thesis on repossessions in Spain and other European countries has found its way to academia and the media.⁴⁰

The findings on static and dynamic housing markets can raise awareness to policy makers about the sensitivity of their nations housing system to a major economic crisis. Still, it is impossible to simply change a housing market from static to dynamic, even in case the new construction programmes are dramatically changed from commercial for-profit development to self-provided housing and housing cooperatives. However, this dissertation does offer insights into the question exactly where the dynamic system stagnates during a crisis. As this is the case with younger home owners who face negative equity, it seems logical to somewhat curb the maximum LTV for first-time buyers. However, the mere suggestion for a reduction of the LTV in the Netherlands and possibly introducing an alternative home savings scheme, led to much resistance. Again, embedded practices do not change easily and many housing specialists were worried that a down payment requirement poses significant barriers to a return to the 'normal' housing market context from before the GFC (see

³⁹ The government of the Basque Country introduced a special paragraph for cooperative housing in its Housing Law of 2016, but this dissertation studied Madrilenian housing cooperatives.

⁴⁰ A version of chapter 5 in Spanish attracted attention from leading newspaper El Pais, which cited generously from the research.

Dol et al. 2016). Still, the Dutch government recognised that a 125% LTV is extreme in comparison to other countries and implemented a stepwise reduction to a maximum of 100%. Also, as a method to reduce the risk of negative equity, the Dutch tax authority has banned interest only loans from the mortgage interest tax relief scheme. Furthermore, the findings on flexibilization of labour and home ownership are relevant as they link to a broader international policy discussion on the social risks of labour market flexibilisation. In fact, the research in chapter four is based on an inquiry commissioned by the Dutch government. I would say that the findings defused some of the concerns about freelancers and flexworkers' access to home ownership during the GFC, but the research did not address risks of repossessions. This is in fact a more urgent matter that deserves more research, because even in the Corporatist welfare regime, these households are underserved by collective social insurance policies.

Finally, the study on Spanish cooperatives was published in a book that carried the objective to present international lessons for housing practitioners. As such, the work on the two Spanish cooperatives serves, to a great extent, as a contribution to an emerging body of practical knowledge on establishing and managing housing cooperatives in Spain. Such knowledge should ideally be brought together in specialised (non-profit) consultancies or (regional) government organisations that support the process of the establishment of a cooperative.

8.3.3 Limitations to the research

One limitation in the micro, household level analysis was that it was complicated to include the impact of negative equity, which is expected to be a significant factor in stagnating housing markets. The reason is that the two chapters on the micro level aimed to investigate mobility of all households that bought a dwelling, including first time buyers. However, special research into this matter by, for instance Schilder and Conijn (2013) directly confirmed the role of negative equity of relatively young households in the stagnation of the Dutch housing market.

The research on repossessions (and arrears) was sometimes complicated by lack of comprehensive and internationally comparable registration systems, but still, the available data shows sufficiently large differences between countries, no matter the method of registration of repossessions. Furthermore, detailed statistics on the availability of subprime mortgages are hard to come by, but it is quite evident that mortgage lenders in some countries do offer subprime or other risky mortgage products, while in other countries the availability of such mortgages is strongly curtailed.

8.4 Research agenda

8.4.1 The static-dynamic divide

As indicated in the reflections, the distinction between static and dynamic markets in chapter 2 was based on five West European countries. The question is whether this distinction applies to other European countries as well. Indeed, a first case to investigate would be Spain, which, because of the publication history of the articles in this dissertation, was not included.

A new avenue for research is to examine the historical foundations of the static-dynamic divide. Is it possible to say that the historic Dutch and UK owner occupied sectors resembled a more static type of market, with dominance of self-provided housing and that they gradually transformed to the contemporary dynamic system? Why do Belgium and Germany still have a high incidence of self-provided housing and long residences, while in the UK and the Netherlands there is much movement on housing ladders and most new dwellings are offered by speculative developers? What role do (political) institutions play in promoting the transformation from a static towards a dynamic system?

Furthermore, the question how a -substantial- cooperative sector would fit into the static-dynamic perspective, was underexplored in this thesis. New cooperative housing projects bear some

resemblance to self-provided housing in the static system because a new housing cooperative is directly commissioned by the end-users. However, in a static system, home owners reside in their self-provided dwelling for a very long period, if not the remainder of the entire household career. Does this also apply to residents in cooperatives? This is subject to some doubts because many, but not all, cooperatives encompass apartments, that are often not suited to accommodate the entire household career.

8.4.2 The relation between static-dynamic markets and mortgage lending practices

Chapter two suggested that mortgage market related factors, such as a maximum LTV and outright, unmortgaged ownership are potential stabilising factors for the housing market. High LTV's can obstruct residential mobility after house price declines. *However*, this relation can also be regarded in a somewhat different way, unhinged from the crisis. The proposition here is that generous lending practices, with high LTV's and little down payment requirement, can stimulate individuals to buy a dwelling at a relatively young age. Generous lending practices, with high LTV's usually exist in the dynamic system, while it appears that more cautious lending practices exist in the static systems (see table 8.1). In fact, Germany is the best example of a static system where the government supports home savings schemes rather than stimulating high LTV's. A fundamental question on the research agenda is to gain more insights whether mortgage lending practices do play such a role in the formation of 'dynamic' owner occupied housing markets. Would the German and Belgian housing markets become somewhat more dynamic once LTV restrictions are lifted? Or has the cultural ideal of a self-provided detached dwelling become so strongly embedded that such institutional changes do not have a strong impact?

This discussion also raises the question whether European owner-occupied housing markets will become more dynamic in the event of a convergence towards a more uniform, pan European system of mortgage lending. The initial expectation at the creation of the European Union single market in 1993 was that it would be a significant stimulus for convergence (see Neuteboom, 2008; MacLennan et al, 1998). Recent studies confirm a degree of convergence, but profound international variations still persist (see e.g. Lunde and Whitehead, 2016). Still, the presence of neo-liberal views in international economic thinking have the potential to guide towards more convergence, the question then being whether this indeed leads to more generous lending practices and high LTV's. If so, will this lead to more dynamic owner-occupied housing markets, making the entire 'European' housing market much more sensitive to the economic cycle?

Table 8.1 Overview of the static-dynamic divide and mortgage lending practices

	Static or dynamic housing market	% of outright owners	Generous lending practices, with high LTV
The Netherlands	Dynamic	-	+
Germany	Static	+	-
Belgium	Static	+	-
Ireland	Dynamic	-	+
UK	Dynamic	-	+
Spain	Not investigated	+/-	+

Source: based on findings in chapter 2 and overviews in chapter 1 (table 1.4 and 1.5)

8.4.3 More insights required on mechanisms on the micro level

This dissertation presented a detailed investigation of stagnation of residential mobility on the micro level in the Netherlands, but it needs to be compared with the UK, because it may reveal variations in the mechanisms at work in these two dynamic owner-occupied markets. In addition, many more comparative insights into static and dynamic markets can be gained by constructing so called vacancy

chains (with White, 1971 as one of the earliest studies). This is an analysis that models movements on the housing ladders.

Furthermore, this thesis has not included (quantitative) research on the micro level on repossessions. Indeed, it is very relevant to gain more insights into household characteristics of the repossessed. Would this fit the general assumption that lower incomes are especially vulnerable or do other factors also play a role, such as flexible labour contracts and freelancing? Still, research can be complicated because repossessions are quite rare and even the largest (longitudinal) surveys include few repossessed households. However, micro-level analysis is not impossible (see Raya, 2018 for a study on Spain).⁴¹

8.4.4 Regionalism and bottom-up initiatives

There is no doubt that several housing researchers have presented inspiring studies on regional housing policies, mainly for Flanders and Scotland, but they have not placed them within a theoretical framework such as the one presented by Ferrara (2005) and McEwen and Moreno (2005). Further research should not limit itself to a description of regional housing systems, but it should also focus whether or not it fits into the typologies as forwarded by other welfare researchers (see Gallego et al. 2003, for Spain). This should assist in determining whether there is a genuine evolution towards regional variations to national housing systems or whether the differences are mere details. For comparative housing studies, it is meaningful, as a first step, to expand the research to those regions that have a significant level of autonomy and a distinct cultural identity. These regions exist in Spain, the UK, Belgium and to a certain level also Italy (South Tirol).

With regard to the bottom-up initiatives, it is quite evident that there is wide interest in the topic of collaborative housing across Europe, which includes housing cooperatives (see Czischke, 2017; Tummers, 2015). The nascent housing cooperatives sector in Spain has attracted attention from researchers, but it is an open question how many more case studies are required before it is possible to draw some solid lessons that can provide practical guidelines for new cooperatives. For the Spanish case, the multi-level governmental structure is also relevant here, with possibly the Autonomous Communities and perhaps also the largest municipalities such as Madrid, Barcelona and Sevilla each taking their own course. This can also complicate the activities of, for instance, larger mortgage lenders, who will face different levels of institutional support and legislation across the nation. Again, it is an open question how many case studies are required, but at least for the context of Madrid, which was studied in this dissertation, a few more would be welcome.

8.4.5 Final remarks: welfare retrenchment, flexibilization of labour and repossessions

The introduction to this dissertation referred to several housing researchers who, long before the GFC, voiced concerns that a combination of government retrenchment in social security and more flexibilization of the labour market can lead to more arrears and repossessions. The conclusions to chapter 5 confirm this concern: a solid social insurance system for the unemployed can be instrumental in preventing large scale repossessions, while a high proportion of underprotected 'outsiders' such as flexworkers can lead to a high incidence of repossessions.

Publications such as the one by Doling and Ford (2003) deserve some timely updates because they allow to follow developments that determine risks of home ownership. As found in this dissertation, the relatively generous social insurance provisions that still exists in Corporatist and Social-Democrat nations protect many owner occupiers from mortgage payment arrears and repossessions. One question is whether the cultural and institutional legacies in these welfare regimes offer a *bulwark* in resisting ongoing liberalist inspired social insurance dismantlement and labour market deregulation. Will a majority of owner occupiers in the 'old' Corporatist and Social-Democratic

⁴¹ The incidence of mortgage *arrears*, is usually higher but such an analysis can also meet data restrictions (see e.g. Dol and Neuteboom, 2006).

regimes still be covered by adequate unemployment benefits or will future welfare regimes only offer emergency measures of the last resort? In such a scenario, will market led solutions from private insurance companies offer sufficient mortgage payment protection to owner occupiers? Will this cover the growing population of freelancers and flexworkers, who most need it? Monitoring such developments is thus very relevant to keep track of home owners' risks.

8.4.6 Epilogue: the decline of home ownership after the GFC and risks

While this dissertation commenced with a short discussion of the continuous growth of home ownership until the start of the GFC, table 1.1 (chapter 1) also shows a profound decline in several countries after the GFC. This decline has attracted attention from comparative housing researchers, who proposed several explanations. It goes beyond the present thesis to provide an overview of this research, but a couple of possible explanations are relevant as they are directly related to this dissertation. One explanation is the flexibilization of labour (see e.g. Arundel and Doling, 2017). As indicated in chapter 4 of this thesis, flexibilization processes already started before the crisis, but they never really materialised into any stagnation of home ownership growth. Home ownership rather expanded during this period, supported by progressive relaxation of mortgage lending criteria and explicit policy measures that favoured home ownership. However, the GFC urged mortgage lenders to rein in their lending criteria, arguably giving the ever-increasing labour pool of flexworkers and freelancers limited access to owner occupation. The question is, how will this end? Do housing markets become less sensitive to an economic downturn because economically vulnerable households have less access to owner occupation than before the GFC? What happens if highly leveraged Buy-to-Let sectors, those that now provide a (expensive) housing alternative to owner occupation, face a crisis? Will BTL landlords offload their properties on the market once demand falls for expensive rental dwellings, thereby contributing to stagnation of the entire (owner-occupied) property market? This dissertation demonstrates that such questions deserve ongoing attention.

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Appendix A Publications by the author with a relation to this thesis

I would like to mention a few other publications that provided stepping stones for the work in this dissertation. I already mentioned two studies for the Dutch government that became direct stepping stones for the articles on flexibilization of the labour market and the comparisons of West-European housing systems. For the topic of housing finance and repossession risk, the publications by Dol and Neuteboom (2006) and Dol and Van der Heijden (2013) were important. In fact, Dol and Neuteboom (2006) identified several factors on the household levels that correlate with mortgage arrears. A study by Dol et al (2009) for a Ministerial advisory board (VROM-Raad) on housing market crisis measures in nine West European countries also provided useful insights, while a book chapter by Ronald and Dol (2011) explored the impact of the GFC for the entire Dutch housing system, including the rental sectors. Boumeester et al (2015) is a 'professional report' (not peer reviewed) for a Dutch Ministry. It uses an innovative dataset on housing preferences and actual mobility behaviour during the crisis. This study also provides some additional insight for the publication by Dol and Van der Heijden (2018) in this dissertation. The article by Etxezarreta et al (2013) explores the Basque experience during the crisis and forms a first step towards the article on the regional dimensions of the Spanish housing system by Dol et al, (2017).

Related work:

Boumeester, H., Dol, K. & G. Mariën (2015) *Verhuiswensen en feitelijk gedrag op de Nederlandse woningmarkt 2006-2011. Verhuis- en slaagratio's op basis van de Verhuismodule WoON 2006 en 2009*. [Moving intentions and actual behaviour on the Dutch housing market 2006-2011.] Onderzoeksinstituut OTB, TU Delft.

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Appendix B Statistical overview

Tenure in countries with a relatively large public/social rental sector.

Table B.1 gives an overview of the evolution of the affordable public and social rental sectors in Western European countries that had a significant relative size in the 1980s. Note that the relative size of the public rental stock in the UK was relatively large for a country with a predilection for home ownership. The main reason was the public intervention in relieving large housing shortages after massive destruction in World War II. It is evident that the British public rental sector shrunk by about 50% after the long, uninterrupted tenure the Conservatives under Thatcher. A trend towards less social rental housing has also been marked in the Netherlands, although the relative size of Dutch social housing is still the largest in Europe. A less marked decline took place in Sweden and France. The exception is Denmark, where the relative size of the social rental sector remains unchanged. Germany has a relatively small public rental sector but the private rental sector has been strongly regulated (table B.2). Germany also has a relatively high incidence of self-managed rental cooperatives.

Table B.1 Tenure in Netherlands, UK, Sweden, France, Denmark and Finland.

	1980	2000	2015
Netherlands			
Owner occupied	42	52	60
Private rent	17	12	10
Housing associations (social)	39	36	30
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>
United Kingdom			
Owner Occupied	56	69	63
Private rent	12	10	20
Local authority (public)	31	15	7
Housing associations (social)	2	6	10
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>
Sweden			
Owner occupied (including coops)	58	59	62
Private rent	18	19	19
Public and social	24	23	19
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>
France			
Owner occupied	50	56	58
Private rent	26	22	23
Public and social	23	23	20
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>
Denmark			
Owner occupied	55	53	50
Private rent	23	25	27
Public and social	21	21	22
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>
Finland (recalculation Dol)			
Owner occupied	63	63	64
Private rent	-	18	21
Public and social	-	19	15
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Sources: ECB structural housing indicators, except for the Netherlands and UK.

Table B.2 Tenure in Germany, 2018

Housing providers-owners	in million	%
Owner occupied	17.7	43%
Private small landlords	15.0	37%
Professional for-profit rental enterprises	3.9	9%
Cooperatives	2.1	5%
Municipal and public	2.5	6%
Total	41.2	100%

Source: GdW, 2018

Table B.3 Mortgage debt as % of GDP

	2000	2010	2017
Main countries in this thesis			
Netherlands	68.2	102.6	91.2
Spain	29.9	57.4	42.8
Other main countries in this thesis			
Germany	53.2	44.7	42.3
Belgium	27.7	46.3	53.5
United Kingdom	55.8	75.3	66.2
Ireland	31	61.4	28.6
Other countries			
Austria	16.4	27	28.2
France	21.2	39.9	41.6
Switzerland	-	-	-
Italy	8.3	21.9	21.9
Portugal	41.5	63.6	48.7
Denmark	67.7	92.1	86.1
Sweden	20.4	41	42.9
Finland	44.6	79.2	84.3
Norway	39.1	64.8	81.2

Source: European Mortgage Federation, 2010 and 2018

Table B.4 House price development 2007-2012

	2007	2008	2009	2010	2011	2012
Main countries in this thesis						
Netherlands	100	103.0	99.5	97.3	94.9	88.8
Spain	100	100.7	93.3	89.6	84.6	77.2
Other main countries in this thesis						
Germany	100	103.3	102.6	103.2	105.7	108.9
Belgium	100	105.2	104.9	110.2	114.8	118.1
United Kingdom	100	95.5	87.0	92.0	90.7	91
Ireland	100	93.0	75.2	65.1	54.0	46.7
Other countries						
Austria	100	104.1	108.1	117.8	123.1	127.4
France	100	101.1	105.0	111.6	116.3	130.7
Switzerland	100	96.2	92.3	99.3	102.9	100.7
Italy	100	100.5	100.4	100.7	101.5	98.6
Portugal	100	103.8	102.8	103.6	98.5	91.6
Denmark	100	95.8	85.8	88.2	85.0	81.2
Sweden	100	100.6	100.3	109.1	112.0	113.8
Finland	100	103.0	104.7	112.3	113.2	111.9
Norway	100	92.0	104.1	111.5	120.6	129.8

Source: European Mortgage Federation, 2018; Switzerland = Swiss National Bank for single family dwellings

Curriculum vitae

Kees Dol was born in Den Haag on April 4th 1970. From 1972 until 1974 and from 1979 until 1983 he lived in Jakarta, Indonesia. He started his secondary education at the Jakarta International School in the schoolyear 1982-1983. Kees obtained his HAVO and VWO secondary education diplomas at Erasmus College, Zoetermeer in 1988 and in 1990. In the Autumn of 1990, Kees entered military service for a training as a medical soldier and he was subsequently stationed as a Corporal at the medical unit of the 103 Reconnaissance Battalion in Seedorf, Germany.

In 1992 he commenced with a study at Utrecht University in Human Geography. After obtaining his degree with a specialisation in Planning in 1998, Kees joined OTB Research Institute at Delft University of Technology. He has worked on numerous housing policy and housing market research projects for all levels of government, housing associations, commercial enterprises and umbrella organisations. From 2003 and onwards he also partook in five European Union funded comparative research projects. Because of his knowledge on housing markets and policy, and with his research experience, Kees became more involved in teaching at TU Delft from around 2010.

Kees published his work in national, Dutch language journals and international journals. The present dissertation can be regarded as the collection of his best work of the past 20 years at OTB, TU Delft.