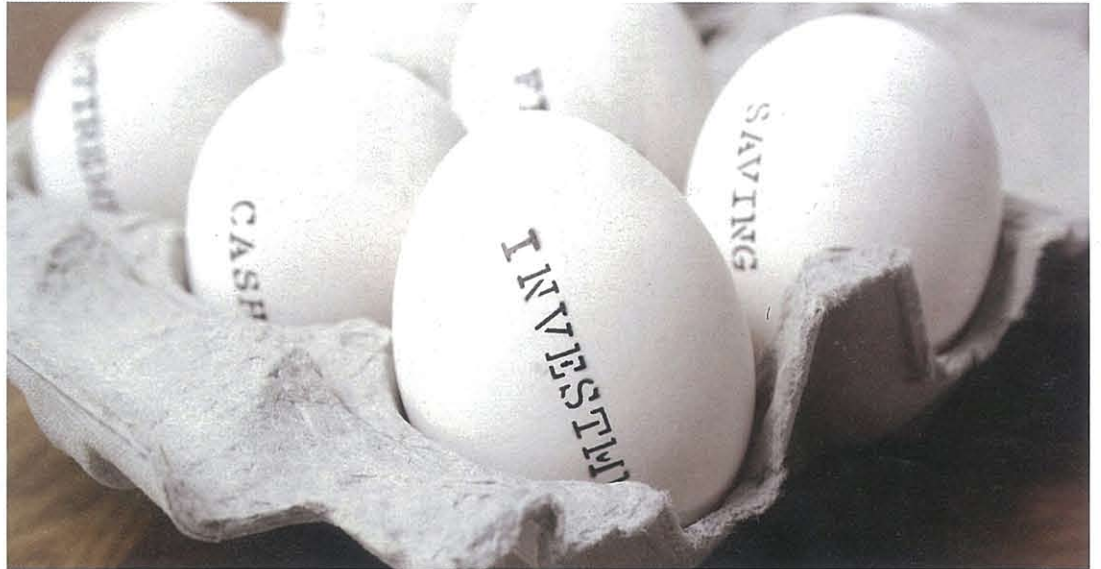


Laying a nest egg

Anti-poverty strategies are stuttering and those without assets are most at risk. A new approach is needed for tenants, says **Kevin Gulliver**



A year ago this month, Gordon Brown's first prime ministerial announcement was to proclaim the government's ambition to create an 'asset-owning democracy'. Something more imaginative and comprehensive than Margaret Thatcher's relatively narrow 'property and shareholding democracy' was envisaged. The aim was to widen asset owning as a means of enabling the most disadvantaged to realise a more permanent stake in the nation's wealth.

A number of senior ministers made speeches about how the 'asset effect' improves the life chances of the poor, following on the heels of Labour think tanks, and learning lessons from the child trust fund. It seemed at the time that asset-based welfare would form a new plank in Labour's anti-poverty strategy.

However, a year is a very long time in politics; housing market slowdown, the fragility of the wider economy and the projected lower level of public spending are questioning how widening asset ownership might be achieved.

A report by the Human City Institute proposes that the creation of an asset-owning democracy is now more vital than ever against the backdrop of stalling anti-poverty strategies and pressure on household budgets at the bottom end of the income scale. It explores the nature of asset inequality between homeowners and social housing tenants and the effects on tenants of their relatively low status.

For the vast majority of existing homeowners, even at a time of downwards pressure on house prices, home ownership has been a crucial way of accumulating assets whereas most social housing tenants have very little in the way of savings or other tangible assets. The scale of asset inequality between homeowners and tenants is striking; the average homeowner has close to £100,000 in unencumbered housing wealth – more

than 100 times the assets held by the average tenant. Almost half of tenants have no discernible assets at all.

At the same time, our veneration of home ownership as the 'natural' tenure and the media's current obsession with house price fluctuations hides the more fundamental problem that home ownership remains unaffordable for around a quarter of households, and that as a means of creating greater asset ownership among lower income groups it has probably reached its zenith for the foreseeable future; home ownership has been flat-lining at 70% of households for the last five years.

Asset ownership plays an important role in people's lives, providing them with security, independence and opportunity, and enhancing life chances. Asset-based welfare, of which the child trust fund is a good example, reduces financial exclusion of the poorest and removes barriers to saving while avoiding a dependency culture often resulting from more traditional welfare approaches. The aim is to enable citizens to build their capacity to cope

better with periods of transition in their lives, to build up a nest egg for their old age or to pass on to future generations.

Yet we need to find ways to achieve this ambition without relying on over-promotion of home ownership. A 'new deal' for social housing tenants could play an important role in realising this goal.

Supporters claim the benefits created by asset-based welfare amount to an 'asset effect'. Intangibles include a greater sense of wellbeing, improved general health, self-esteem and status. Tangibles consist of access to fuller and more fulfilling employment, greater equality of opportunity, and improved life chances.

Extending asset ownership can be achieved by a range of approaches. Support for saving and borrowing schemes for people on low incomes – such as credit unions, setting up stakeholder trusts to reclaim common assets, introducing land tax reform, providing low rate start-up capital to support small business development, and providing further opportunities for people to move into home ownership

where appropriate – are all part and parcel of the proposed approach. Greater support for mutual housing solutions or common ownership of community assets are equally important strands.

In addition to these wider approaches, more targeted methods for social housing are needed. A new deal is required to rescue the tenure from its poor reputation via increased investment in housing quality and service delivery, and the introduction of a range of new benefits – both monetary and social (see box). This requires a sector-wide strategy rather than relying on individual social housing providers.

The new deal will enable an asset-owning democracy to be realised and create much needed investment in disadvantaged communities at a time when anti-poverty strategies have stalled.

Kevin Gulliver is research and development director at the Human City Institute. The report, *A new deal for tenants*, can be found at www.humancity.org.uk

New deal for tenants

The centrepiece of the new deal would be the creation of quasi-equity savings accounts for every tenant. The government would allocate an initial amount to each tenant based on their length of tenancy with transfer of further amounts on a regular basis tied to the appreciation of social housing values. Periodic top-ups by social landlords would be required and tenants could save into their accounts as resources allow.

Social housing providers would be recast as real social investment agencies, tackling financial exclusion in partnership with government. Social housing tenants would build-up assets with inequalities and status between tenures reducing and tenants gaining a greater stake in national wealth.

A 'new deal fund' would be managed by a 'national community investment bank', lending to social housing providers at lower than market rates and tasked with improving social housing, community infrastructure and the environment. Tenants' savings would not only be safe but tenants would see increased investment in their neighbourhoods over time, creating a virtuous and ethical cycle of community and social investment.