Ageing, Risk and Housing in Ireland

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Introduction

In the early 1990s, Professor Anthony Clare addressed a Dublin conference audience of some 300 people. It was an inspiring address and among the words that resonated were the following: "'The elderly' are not 'them, out there'; 'the elderly' are us, writ large writ later."

Pithy and fundamentally true, it is a good starting point for considering ageing as an inevitability for most of us. If we have enjoyed good health, reasonably continuous, fairly paid employment, and content personal lives, we may be set not just for a long old age but also a flourishing one. On the other hand, if our lives have been shaped by adverse experiences, low income, sporadic employment, ill health, low pay, high levels of caregiving, the impacts carry over into the length and quality of old age.

While we may personally seek to prepare for old age by saving and by pursuing healthy lifestyles, in reality options are constrained by wider influences: economic, political, cultural, and social. Among the key underlying forces shaping the life course, and the experience of old age, is the political economy of our society – the stages, cycles and national "variety" of capitalism we live under, and the impact of the welfare state.[1]

These mediating influences on ageing are joined in a more particular fashion by class, gender, ethnicity, and more generally by material, status and power inequalities. While it is known that life expectancy for females is greater than for men, it is not as widely understood that life expectancy varies greatly with social class, and gender differences decline greatly in upper income classes. Though it is a commonplace to speak of ever-rising life expectancy, there are signs of stalling (as has happened in the UK and USA in recent years) and this is connected closely to inequalities.[2]

Similarly, the risks associated with individual and societal ageing are not strictly due to age per se, but are a function of this evolving political economy, the distributional conflicts this generates, and the policy resolutions ultimately adopted. Yet much of the discourse continues to revolve around a looming demographic time bomb; implicitly framing ageing as, in effect, the source of risk, in the individual and in societies with increasing or high numbers or proportions over 65. In fact, there are many advanced countries with a Gross Domestic Product (GDP) per capita comparable to Ireland which have much higher proportions in old age than we will see for at least a decade. Yet they manage as well, if not better than Ireland does even now. When we look for risks, tripwires or timebombs, we need to look at the wider influences that contextualise the experience of old age

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[1] See early contributions to this perspective from: Carroll L. Estes, "Political Economy of Aging: A Theoretical Framework," in *Social Policy & Aging: A Critical Perspective* (Thousand Oaks: SAGE Publications, Inc., 2001), 1–22; Peter Townsend, "The Structured Dependency of the Elderly: A Creation of Social Policy in the Twentieth Century," *Ageing & Society* 1, no. 1 (January 1981): 5–28. See also: Alan Walker, "Public Policy and Theories of Aging: Constructing and Reconstructing Old Age," in *Handbook of Theories of Aging*, ed. Vern L. Bengston and K. Warner Schaie (New York, NY: Springer, 1999), 361–78.

[2] Robin McKie, "Observer Special Report: Why Is Life Expectancy Faltering?," *The Observer*, June 23, 2019, https://www.theguardian.com/society/2019/jun/23/why-is-life-expectancy-falling.

rather than age itself. Ageing is something we (hope to!) experience individually. The risks we associate with it are generated socially.

The Great Housing Market Shift

The fuse for one such time-delayed risk was lit in the 1980s when, in the context of economic recession, high public debt and unemployment, policymakers systematically wound down their commitment to statutory social housing. In the 1990s, when things picked up and Ireland went through its *Wirtschaftswunder*,[3] there was no wish to restart social housing provision on the scale required by a rapidly growing working age population; instead, the rhetoric and policy focus shifted to the supply-gap overall, to overall housing supply and, at best, to so-called affordable housing.

There was some sense to the focus on housing supply in the late 1990s, as the burgeoning growth of investment in the traded economy – in which the banks played only a limited part since their portfolios were laden with property – may have slowed the speculative spiral in house prices. But the failure to temper the growth of home ownership (and related speculation in the buy-to-rent sector) with strong inputs into social housing, at a stage when the State's coffers were full, would contribute to later problems. In effect, this failure both contributed to rising house prices and paved the way towards Ireland's own variant of a sub-prime housing market. Social housing investment from the mid-1990s could have created a countercyclical weight against boom and slump, whilst also moderating house prices and keeping some rein on the growth of the buy-to-let sector. It may be too much to say that had Ireland returned to its historic commitment to public housing in the 1990s, the crash of 2008 would have been averted. But it is clear that the ideological shift to the commodification and financialisation of housing exacerbated the structural flaws in the economy.

By the early 2000s it became an article of faith across the major political parties that home ownership was the focal point of housing policy. Low interest rates from the European Central Bank fed cheap, but short term, wholesale credit to retail banks and building societies who, in turn, generated a surge in long-term, mortgage lending. Lax bank regulation in Ireland, and the longstanding hegemony of a banker/developer/politician triumvirate was intensified by the ideological and utopian notion that everyone should be a homeowner.[4]

Not alone was it a sacred canon to become a homeowner, but it was imperative to get in early, and onto the property ladder. Housing, from once being a form of welfare addressing one of the giant evils – squalor – listed by William Beveridge[5] in the 1940s – now was not merely something more than a place called home, nor even a property or asset that stores value as a source of comfort in old age but, increasingly, a profitable investment opportunity in the short or medium term. The house was not merely one's home or one's castle, but a speculative and rewarding source of revenue.

This was all predicated on the assumption that the only way for house prices was up. The Eurozone allowed retail banks across the European Union to borrow short abroad and lend long at home, until, that is, the credit timebomb exploded. In the wake of the banking and property crash, a deep

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[3] *Wirtschaftswunder* or "economic miracle" was often used to describe the rapid development of the economies of West Germany and Austria after the devastation of World War II.

[4] Sean O'Riain, *The Rise and Fall of Ireland's Celtic Tiger: Liberalism, Boom and Bust* (Cambridge: Cambridge University Press, 2014), 93–98.

[5] William Beveridge in his 1942 report "Social Insurance and Allied Services" wrote of the 'five giant evils' – illness, ignorance, idleness, want and squalor – as the targets of welfare state. William Beveridge, "Social Insurance and Allied Services" (London: His Majesty's Stationery Office, 1942), http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/19_07_05_beveridge.pdf.

and enduring economic recession ensued, and the State embraced a series of emergency measures to rescue the banking system, under the stringent supervision of the European troika.[6]

The impact of the property timebomb was felt in the homemaking part of the life cycle, particularly afflicting people in the 25-50 age range. Those who were in family-formation and childrearing stages were already multitasking to meet costs and provide care for their children. With the help of older relatives – typically the parents of this age group – in the role of childminders and informal providers of financial support, this was just about possible. Homemakers were often obliged to compromise on this by moving out of urban and suburban locations to the surrounding counties, some distance from work, and sometimes far from family networks or those who needed their care. This was challenging enough during the economically buoyant times, but when the credit crunch led to the collapse in the construction sector, a deeper, more generalised recession began. The fiscal cost of rescuing the banks reduced the wages and post-tax incomes of many mortgage holders while making large numbers redundant. Facing unemployment or under-employment, negative equity, and a depressed wider economy, those suffering under the hardship of austerity might have hoped that circumstances would return to the halcyon days of the Celtic Tiger.

This is now a familiar story, oft-told. But it is important to note that the consequences of the crash have had permanent effects on the Irish economy. Home ownership rates have plunged since 2011. The proportion of owners with a mortgage is up. The numbers in mortgage arrears is at an unprecedented high, as threats of repossession overhang a myriad of households. Private rental has become a major sector in Irish housing, with concomitant shortages, rent inflation, and insecure tenure. Meanwhile, the State is subsidising the private rental sector through the costly Housing Assistance Payment (HAP) while simultaneously trying to regulate it! Homelessness, formerly a problem often typified by isolated males, has become a family phenomenon affecting children, which has scaled up in multiples. Increased proportions of young people are remaining at home because they simply cannot afford to pay rent. Resumed direct building of social housing is now playing catch-up.[7]

The proportions in younger age groups with some form of owner-occupation status – including private mortgage or local authority loan – declined significantly throughout the Celtic Tiger period, even before the property crash. The National Economic and Social Council discovered noteworthy changes in occupancy (tenure) for the census years 1991 and 2011. Homeownership, long the goal of public policy, declined as a share of the occupancies among heads of household aged 25-34 from 68.4% to 39.6%. And there were substantial decreases in ownership rates among the under 25s (down from 22% to 9.1%) and the 35-44 age group (82.2% to 69.9%).[8] Conversely, increases in private rental occupancy among these age groups were substantial, with a decline in household heads in local authority rental. Within home ownership too, the extent of outright ownership without a mortgage declined in every age group.

"Writ large…writ later"

Returning to the opening thought in this contribution, if we thumb forward our calendars, today's *"Generation Rent"* will carry the impact of the changed trends from the 1990s, not to mention the calamity of 2008 to which these trends contributed, with them into their future lives. They, and very

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[6] A technocratic group composed of the European Commission, the European Central Bank, and the International Monetary Fund.

[7] Many of these problems are discussed in a recent primer on the failures of Irish housing policy produced by the JCFJ: "Rebuilding 'Rebuilding Ireland'" (Dublin: Jesuit Centre for Faith and Justice, 2019), https://jcfj.ie/images/Rebuilding_Ireland_Final.pdf.

[8] NESC, "Social Housing at the Crossroads: Possibilities for Investment, Provision and Cost Rental" (Dublin: National Economic and Social Council, June 2014).

likely the cohorts following them, will not be able to look forward to the pattern that previous generations have enjoyed. It is an instructive case of the elderly being "us writ large…writ later."

While the current generation of older Irish people are experiencing the highest level of outright home ownership without a mortgage in our history, this was made possible by decades of social housing that recognised the fundamental necessity to provide shelter for families.[9] For many it became the step to ownership. In addition, relations between mortgage holders with building societies before they were demutualised, probably benefitted from better stewardship and helped to contain risk profile. Within a context of a more paternalistic society, all of these factors may also have contributed to the moderation of house prices in previous decades.

But this stable mix of public and private provision, which confined the private rental sector to defined niche markets, has been upturned.[10] In part this was facilitated by schemes to purchase local authority stock in the 1970s and 1980s without sufficient replenishment of social housing stock for an expanding population on low income or on income that might not match house price spirals. The State stuck its head in the sand during the Celtic Tiger era and left individuals to rack up mortgage debt as the public debt was reduced. Public provision was abandoned in favour of private purchase, even for many who would have been better housed via social housing in the longer run. This fragile subprime economy was made even more flimsy by the thousands of private individuals taking out loans in order to let a second house, adding more private debt and accelerating the price spiral. In retrospect, it is clear that everything pointed towards market overheating.

Things went *kaput* in 2008 as the proverbial chickens came home to roost. Public debt took off again, not primarily to protect citizens' basic needs, though this had to be addressed too, but principally to unburden the banks. In the fallout, not only did the scale of public debt rise in tandem with private debt, but the structure of private indebtedness changed, with huge numbers in mortgage arrears. This problem persists, more than a decade later. This affected not only owner occupiers but also the buy-to-let sector.[11] The scale of this private burden is still immense in spite of arrangements for restructuring and recapitalisation. Gone is the old paternalism of yesteryear. The 'vulture funds' which have come in to scavenge have no commitment to the long-term needs of the mortgage holder but only stay as long as the pickings are good. Many home owners have had to make recourse to the legal status of personal insolvency, which must be incredibly painful. Yet the alternative is homelessness on top of penury.

Getting back to ageing, this crisis was heaped on a younger generation, with every right to have hearts filled with hope and the expectation of a good life during their working age. Instead it has been a nightmare for many. The impact is now reflected in a decline in aggregate home ownership rates, reversing a historic trend, which will deepen over the next few decades with the ageing of the cohorts affected most directly by the crash and the altered political economy of housing. Increasing proportions of older home owners will not manage to become outright owners. Many will face mortgages into old age. But, most worryingly, high proportions of older people living in the private rental sector could well become a permanent phenomenon.

People who were aged 30-50 in 2008 will be 50-70 in 2028. Twenty years is a tight interval in the context of simultaneously meeting school and college-related costs for families, as saving for

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[9] See: Michelle Norris, *Property, Family and the Irish Welfare State* (Basingstoke: Palgrave Macmillan, 2016).
[10] In 1988, NESC could declare, "The private rental tenure can be described as economically weak, in both the supply and demand aspects." NESC, "A Review of Housing Policy" (Dublin: National Economic and Social Council, December 1988), 34.
[11] Central Bank of Ireland, "Residential Mortgage Arrears & Repossessions Statistics: Q1 2019," Statistical Release (Dublin: Central Bank of Ireland, June 2019).

retirement too becomes more compelling. Those who are still in a deficit position, even a decade on from the crash, are still trying to piece things together. Can they be thinking far into the future? We also have a large buy-to-let sector, setting up a new and not very pleasant dynamic that is a far cry from the ideal of home ownership. This is invidious too, in that the owners in many instances may view the rental income as a future income stream in old age, instead of a private pension. Moreover, many of these 'landlords' too are locked into long-term debt.

Risk Multipliers

But there is more to the likelihood of insecure housing tenure in old age than housing risk. Three key sources come to mind: pensions, health, and long-term care. The massive increase in public debt may take another decade to bring under control. After the crash, public debt ballooned to over 120% of GDP by 2012 but has since declined to about 65% by 2018. However though there may be further Brexit-related trouble ahead alongside the many immediate demands on state spending just to right the ship.

Pensions in Ireland have relied on a mix of state contributory and private provision (occupational and personal pensions). The coverage of private pensions is very narrow and skewed to the highest two income deciles, who gain handsomely from tax relief.[12] Those in the lower income deciles rely heavily on the contributory pension, or indeed on non-contributory state pensions. There may well be a strong trade-off for retired people between reliance on savings in the form of property ownership – mainly in the form of house ownership – as a more certain source of potential income in retirement. This has impacted on those who bought second houses for letting – instead of going for a private pension – but got caught up in the bank crisis and now are in arrears and threatened with re-possession. With proposals to introduce auto-enrolment pensions, there will be further pressure on current income. How this is implemented is a complex challenge with implications for existing tax-incentivised schemes.[13]

Another possible tripwire for the more precariously housed as they age arises from the increases in age for pension eligibility. By 2028, this will reclassify those between 65 and 68 years as jobseekers, who will only be entitled to a lower payment than the state pension, in the form of Jobseekers Benefit (currently the maximum rate for contributory pension (up to age 80) is €248, while the maximum Jobseekers benefit is €203). In addition to this gap some perverse disincentives in the social welfare claw-backs could discourage employment take-up between 65 years and pension age. Ironically, the claw-backs only disappear at the state pension age.

In this way, the political economy of housing interacts with that of pension provision and the net effect is to intensify the pressure on the lower income groups as they reach the retirement milestone. But there is more. Health and long-term care costs also contribute to the challenges facing the coming generation of older people. Ireland has a mixed sector healthcare system. Truncated entitlements to public health care and the need to make payments at the point of delivery are a real disadvantage for those not covered by the medical card. Even those covered by private medical insurance often need to pay GP or specialist fees up front and claim later from the insurer.

There are well known issues around market failure in the private insurance model, especially on replacing the VHI monopoly with liberalisation. Nowadays, many seek private cover to ensure

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[12] Shane Whelan and Maeve Hally, "An Analysis of Taxation Supports for Private Pension Provision in Ireland," *The Economic and Social Review* 49, no. 3 (Autumn 2018): 319–59.

[13] Micheál Collins, "Tax-Based Incentives after Automatic Enrolment," in *Pension Reform in Ireland: Policy Considerations Relating to Adequacy, Coverage, Taxation and Automatic Enrolment* (Pension Policy Research Group Summer School, Dublin: Trinity College Dublin Business School, 2019).

prompt consultations and treatment and avoid joining the waiting lists. Levels of subscriptions to private medical insurance are linked closely to the performance of the economy generally and to household income specifically. But the old community rating system has been modified. Lapsing of policies leads to increased loading when taken up again. The market too is problematic due to business fears of adverse selection. Companies would rather have younger subscribers. In the recession that followed the housing crash, people left private medical insurance in droves. Delaying subscriptions to medical insurance until a later age now results in much higher premiums. Interruptions in premium due to allowing one's policy to lapse also result in loadings on taking up or retaking up medical insurance, which escalate with the number of years taken out. Moreover, older people are more dependent on health care services, but premiums do not decline with age, when income declines. Medical cards provide a backstop but these are means-tested, even for older people. If people are still facing high mortgages, the take up of health insurance may well be postponed or lapse, only to cost considerably more as they reach old age and need it most.

Finally, another area of concern is the issue of long-term care. In the past, people feared not living to three score years and ten. Nowadays there may be a fear of what living too far beyond it might entail. A system of financing currently exists to support care in a nursing home (known to us as the Fair Deal scheme). This scheme, introduced in October 2009, was conceived at the height of the property bubble. The recession resulted in falling house values and put extra pressure on the scheme. Originally it was calibrated to claw back 5% of the realised sale value of a principal residence upon the death of the nursing home resident for each year spent in a nursing home (subject to a maximum of three years). This was soon raised, to 7.5%. So, the Health Service Executive (HSE) will be repaid up to 22.5% of the sale value of the estate upon death. In addition, the HSE receives 80% of the person's income while in care. The scheme has progressive elements without a doubt, but what happens if private nursing home care costs rise and people are still paying mortgages? Who pays the mortgage if the bulk of a person's current income is also sequestered by the HSE to help meet the cost of care? Also, the rising numbers of older people living in private rental accommodation will reduce the base for the Fair Deal scheme. Sooner or later, something will have to give.

Conclusion

In sum, the cumulative effects of housing policy, pensions policy, and long-term care policy, all of which were separately devised without much reference to each other, may well contribute to a much higher risk scenario for upcoming generations of older people. The social consequences of ageing are bound to be writ large and writ later. But the sooner we address the policy risks, the smaller the problems we face will be. Nevertheless, in each sector the State has followed similar principles of a welfare mix that is much more liberalised and commercialised in content. The State has a more residual role in provision of housing and long-term care. Yet it has absorbed the shock of economic crises that happened in part at least due to this liberalisation. The increasing risk profile might be best addressed through a more radical approach to the housing sector. By re-establishing the State as a 'landlord' operating on principles of need for large sections of society who simply cannot afford to purchase, it might be possible to get back some control of the overall direction of events in other sectors.