School of Social Policy
Birmingham Business School

CHASM | Centre on Household Assets and Savings Management

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Foreword

Sir Brian Pomeroy, Chair of CHASM Advisory Board

As you will see from this year's report, Chasm's programme of research has continued to explore salient issues of concern to policy makers, consumers and the public in general. These include valuable empirical studies of attitudes towards payday lending and of the extent of inter-generational financial transfers; analysis of the importance of housing wealth as well as the growth of the private rental centre; and a stock-take on the state of financial inclusion in the UK. The Director and staff of the Centre are to be congratulated on maintaining their record of producing high quality research into questions of great contemporary relevance.

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Introduction

CHASM was launched in 2010 as the first university-based, interdisciplinary research centre to focus on: financial security; financial capability; financial inclusion; and wealth taxation. We aim to:

- Carry out cutting edge, rigorous, relevant, innovative and timely research projects and PhD research
- Engage stakeholders from different sectors
- Create an international research and policy network
- Contribute to teaching specialist modules

Karen Rowlingson, Director of CHASM

This year, we have focused on completing two major research projects: one on responsible lending for the AHRC; and one on lifetime gifts and inter-generational relationships for the Leverhulme Trust. We have also continued with our financial inclusion monitoring research and carried out a new survey of public attitudes to taxation. This report presents a flavour of the key findings so far from these projects.

As always, CHASM has been extremely busy engaging with a range of key stakeholders, not least with our participation in a number of ESRC Festival of Social Science events. These included the: *Birmingham Means Business Research Showcase* held at Birmingham's Council House with a keynote speech from Lord Digby Jones; and events with school-age students (aged 14-18) to debate issues of wealth taxation following our Policy Commission work in 2013/14. We also gave evidence, this year, to the Financial Conduct Authority on reform of payday lending and to the Financial Inclusion Commission on how to help people on low incomes to save. And we took part in fringe events at the Conservative party conference and a number of debates/discussions at Westminster with both government and shadow ministers.

We would like to thank all our research funders this year including the AHRC, Andrew Fisher, Friends Provident Foundation and the Leverhulme Trust for their support.

And, finally, congratulations to two of our PhD students. First of all to John for successfully completing his PhD: well done, Dr Moss! Second to Ben Pattison who has secured a research post with CRESR (Centre for Regional Economic and Social Research) at Sheffield Hallam University, even before he has completed his PhD! Well done to both of you and we hope to keep you both involved in CHASM's work in the future.

Is there (still) a problem with payday lending?

Lindsey Appleyard, CHASM Research Fellow

Payday lending has been constantly in the headlines over the last couple of years. One of the workstreams in our AHRC-funded project on Responsible Lending and Borrowing has explored the issues around this form of lending, drawing on data from interviews with customers.

The original aim of payday lending was to lend a small amount to someone in advance of their pay-day. Once they received their wages, the loan would be repaid. Such loans would therefore be relatively small amounts over a short time period. Payday lending enables people to access credit quickly and conveniently, either in high street stores or online.

Payday lending increased dramatically in the UK between the early 2000s and 2014 because it helped people manage unexpected drops in income and/or increases in expenditure at a time of growing income insecurity and price rises. But this form of lending has caused concern among a range of pressure groups and campaigners due to: the very high costs of this form of credit (APRs of 4,000% were not unusual); the relatively high rate of default among borrowers; how default was handled; and the risk of getting caught in a cycle of debt by taking out one loan to pay off a previous loan and so on.

Our research involved in-depth interviews carried out between March and May 2014 with 44 people on low and middle incomes who had borrowed from various sources within the previous 12 months. Of these, 21 had borrowed from payday lenders. The interviews revealed complex and ambiguous views of payday lending among customers. While many among this small sample of customers saw this form of credit as an expensive last resort they also valued the quick access to much-needed cash which was often unavailable from any other source.

The ability to borrow also preserved people's feelings of independence and dignity, as they did not need to ask friends or family for help. The anonymity of online applications was also valued by some. Customers were concerned, however, that the use of such credit could cause more harm than good if it led to 'debt spirals'. And our study did, indeed, find cases where this had occurred.

In 2014, the government responded to concerns about payday lending by introducing rules requiring adequate affordability assessments; allowing for a maximum of two rollovers of the loan amount; and requiring a financial warning to be included in payday advertisements.

In January 2015, they went still further by introducing a cap on the initial cost of credit at 0.8% per day, with an annualised percentage rate of 1,270%; default fees were also limited to £15 and default interest could not exceed 0.8% per day. A 100% repayment cap also meant that borrowers would never have to repay more than double the amount they borrowed. This price cap also relates to other forms of High Cost Short Term Credit (defined by the Financial Conduct Authority (FCA) as loans of less than 12 months at an interest rate of over 100% APR) but specifically excluded weekly-collected credit.

According to the FCA, in the five months following the 2014 reforms, the number of loans and the amount borrowed from payday lenders dropped by 35%. It is still too early to measure the impact of the 2015 reforms but the FCA have estimated that 7% of current borrowers (some 70,000 people) will no longer have access to payday loans following the introduction of the price cap.

It is not clear what will happen to these people. Some will go without credit entirely. Others might find alternative, cheaper sources, including credit unions and friends/family. Others might use similarly or even more expensive forms including weekly-collected credit, unauthorised overdrafts and unlicensed lenders/loansharks.

Even with a price cap, payday loans are still an expensive form of credit but our research shows that people were willing to pay a high price for quick access to credit. While the impact of recent regulatory reforms clearly needs to be reviewed, there are also broader issues around access to small amounts of affordable credit from mainstream banks and credit unions.

Furthermore, it is also now time for government to tackle the root causes of income insecurity and the inadequacy of state welfare safety nets. More specifically, potential reforms include: the reintroduction of an enhanced Social Fund; a reduction in benefit delays; policies to support people to save; and greater forbearance from creditors.

Workstream publications published in the last year include:

Gardner, J and Rowlingson, K. (2015) 'High–cost credit and welfare reform' *In Defence of Welfare II*, Social Policy Association

Appleyard, L, Gardner, J and Rowlingson, K (2015) *Introducing a time delay on access to credit. Is it just delaying the inevitable?* Birmingham: University of Birmingham

Rowlingson, K, Appleyard, L and Gardner, J (2014) *Capping the cost of payday lending in the UK: What will the impact be?* Birmingham: University of Birmingham.

Rowlingson, K, Appleyard, L and Gardner, J (2014) *Response to the Financial Conduct Authority Consultation on Payday Lending*, Birmingham: University of Birmingham.

Who bears responsibility for the financial crisis?

James Dempsey and Tom Sorell, CHASM Associate

The philosophy stream of the FinCris project has asked (a) how ascriptions of responsibility can be made coherent in the context of the financial crisis, and (b) in light of this analysis how responsibility for the events of the crisis and the harms that it caused may be legitimately assigned.

It is not the aim of this work to conduct a witch hunt. Rather, it is to use theoretical philosophical analysis to address genuine barriers to understanding the financial crisis and reaching conclusions regarding the best course of action for the financial sector and financial sector regulation going forward. One such barrier is that our everyday notions of responsibility and accountability are best suited to analysing small scale, interpersonal interactions but often struggle to make sense of large scale events like the crisis. Another barrier is that, in such events, events can be recounted from many different perspectives. The result is a wealth of seemingly conflicting claims about where responsibility should fall and what should follow from this.

Our findings start from the observation that, despite the rhetoric, it is generally possible that different accounts of responsibility in cases like the financial crisis are not mutually exclusive. That is, there are many different narratives of the crisis that are compatible with each other, each illuminating a different aspect of events. In principle, then, leaders of financial organisations might bear a special kind of responsibility for the failure of their institutions, without financial sector employees more broadly being entirely exonerated for their roles in events. Consumers of financial products may be implicated for irresponsible borrowing behaviour, while governments may also be on the hook both for a failure properly to regulate financial markets and for policies that unbalanced the global macroeconomy. While this point may appear unsurprising, its acceptance means that any account of responsibility must be assessed on its own merits – it cannot be defeated simply by arguing that someone else bears responsibility.

Together with the authors with whom we have collaborated, we offer a number of specific accounts of where responsibility may lie. One of these focuses on the leaders of financial sector institutions. It argues that large financial institutions should be considered to form part of what John Rawls termed the 'basic structure' of society - that set of institutions that is most fundamental to the distribution of the benefits and burdens of social cooperation.

The fact that banks affect distributive justice not only makes the consequences of the actions of senior financial sector figures morally significant; it also fundamentally changes the standards to which those actions can be held. This account argues that posts at the top of big banks were, if not public roles, roles with a significant 'public aspect', leading to the claim that many leaders of systemically important banks have a significant share of responsibility for the crisis. This conclusion justifies much of the focus since the crisis on 'fit and proper person' tests, and the personal accountability of senior leaders.

Two further accounts focus on financial sector employees more broadly. These accounts both argue that the financial sector is under a particular obligation to manage risks well, especially the financial risks that are at the heart of its business and the role it plays in the wider economy. Moreover, both these accounts argue that cultural failings in the sector led to a failure to fulfil this obligation. On this understanding, a culture is something that is created and maintained not by a few individuals, but by groups of people.

One conclusion drawn from this is that all members of such groups, of which the broadest is the financial sector as a whole, may participate in collective responsibility for its effects. A further conclusion is that, to the extent that individuals engage in practices that support and nurture an inappropriate culture, they may bear individual responsibility. These conclusions suggest the need for wider reflection within the sector on how practices and attitudes should change.

A fourth account addresses the thought that the proper bearers of responsibility are a diverse collection of individuals, institutions, and less well defined entities such as systems. This wider range of potential subjects needs to be considered since, on this view, a successful ascription of moral responsibility depends on showing that the internal action mechanism of the thing in question is defective compared to some normative standard. Since all these kinds of things can possess an internal action mechanism of the appropriate kind, and we can identify standards against which they may be assessed, they can all be held responsible. This leads to a complex picture of collective responsibility in which the proper reshaping of the way our institutions and systems function is as important as policing the conduct of individuals.

This perspective is developed in the final account offered through this stream, which calls on the financial sector to reflect on the valuable contributions that it makes to society. It argues that, because of these contributions, the sector acquires collective responsibilities (a) to reform corrupted institutional mechanisms which no longer fulfil the valuable ends for which they were designed; and (b) to act according to these reformed institutional mechanisms to realise their collective ends. This account supports the post-crisis emphasis on enforcing obligations to ensure institutional integrity in cases such as the LIBOR and Forex fixing scandals.

Workstream publications include:

Dempsey, J. (2013) 'Corporations and non-agential moral responsibility' Journal of Applied Philosophy, Volume 30, Issue 4, pages 334–350. Dempsey, J. (2013) Lloyds Bank Employees: Victims Or Villains, blog post: http://fincris.net/lloyds-bank-employees-victims-or-villains/

How can we tax banks fairly?

Andy Mullineux and Sajid Chaudry, CHASM Associate Members

The third workstream in the AHRC-funded project on 'responsibility, ethics and the financial crisis' investigated bank taxation. The UK Bank Levy initially aimed to 'tax' over reliance of banks on short term wholesale funding in order to prevent a repeat of the August 2007 North Atlantic Liquidity Squeeze that marked the onset of the 2007-9 Great Financial Crisis (GFC). Subsequently the Basel Committee on Banks Supervision has introduced liquidity rules with a similar objective, leading to double taxation.

The Levy has however repeatedly been increased in successive budgets to hit revenue targets. In the March 2015 budget it was significantly ratcheted up again and its purpose was explained in terms of a 'polluter pays' tax charged to banks to assure they make a true and fair contribution to balancing public finances; given that they had contributed to the need for austerity as a result of their contribution to the GFC, the subsequent bail-outs at the taxpayers' expense of the big UK 'too big to fail' banks, and the consequent Great Recession. However, now that the UK is in a recovery that at last seems to have 'escape velocity', the need for a Bank Levy will instead become to compensate for the implicit insurance that big banks continue to enjoy at the taxpayers potential expense. In the EU's evolving Banking Union, it is proposed that a Eurozone wide Bank Levy is used to fund deposit insurance and bank resolution mechanisms, in a manner similar to the US where risk related deposit insurance premiums are levied on banks to fund the Federal Deposit Insurance Corporation. Our research suggested that in order to 'tax' risk-taking the schemes should be both funded, ensuring up front charges, which should be related to the risks the insured deposits are being exposed to.

Our work also concluded that VAT should be extended to all financial products and services so that banks could offset the VAT they pay on banking inputs. This would remove tax distortions, discourage over use of seemingly free banking services and encourage charging for services provided, bringing an end to distortionary 'free banking'; in which high penalty charges are used to defray the costs of providing services without explicit charges and interest rates on deposits are supressed as a result (and as a consequence tax on interest is implicitly avoided).

The distortions run deeper to the extent that banks are encouraged to miss-sell products, such as PPI, to raise fee income to offset the costs of providing services without charge, and engage in vertical integration to provide products and services in house; rather than buy them as inputs on which VAT has to be paid which cannot be offset against VAT on sales. This encourages banks to grow bigger and more complex than they need be.

There may be a case for exempting core payments services, which are infrastructural and regulated, essentially as a utility, by the new Payments Services Regulator form 1st April 2015. VAT is preferred to the EUs proposed Financial Transactions Tax (FTT), originally proposed to extract a 'true and fair contribution' from banks. The proposals have anyway been scaled back and look more likely to be similar to the 'stamp duty' charged in the UK on stock market equity share sales for many years now.

Workstream publications include:

Chaudhry, S, Mullineux , A and Agarwal, N (2014) 'Balancing Bank Regulation and Taxation', *Social Science Research Network*,http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1141090

Further information about all workstreams can be found here: http://fincris.net/. You may also follow us on twitter at: https://twitter.com/FINCRIS1

Inter-generational transfers of wealth

Ricky Joseph, CHASM Research Fellow

The central theme of our Leverhulme Trust funded study is inter-generational gifts and how these influence family relationships. Concern about relationships between different generations is long-standing but has traditionally focused on the 'problem of youth'. Since the 1980s, however, debate has focused more on the current and future 'burden' of older people on younger generations with anxiety expressed about the possible breakdown in the 'social contract' between generations.

More recently, there has been a new focus on the baby boom generation and the fact that they appear to have a disproportionate amount of wealth. The implication is that this generation, who are about to retire if they have not already done so, will not only be a 'burden' on younger generations but a particularly 'unfair burden' as they have greater means to support themselves than other groups. Some, commentators, have gone so far as to call on the baby boom generation to give some of this wealth (back) to younger generations.

Our study took a mixed methods approach. Qualitative fieldwork was conducted between 2013 and 2014 involving in-depth interviews with 42 people in 15 families: 12 of whom included three generations and 3 of whom included two generations. Our 'pivot' generation was the baby-boomer generation (born between 1945-65 and so aged between 48-69) and we then interviewed (in 12 families) one adult child of the baby-boomer (we refer to these as the 'younger generation') and one parent of the baby boomer (we refer to these as the 'older generation'). We then placed questions on two face-to-face omnibus surveys run by Taylor Nelson Sofres (TNS) in August 2014 (involving 1,991 respondents aged 16 plus) and in December 2014 (involving 1,948 respondents, also 16 plus). The first survey focused on attitudes to inter-generational family support and the second on actual exchanges of inter-generational lifetime gifts.

The survey data showed that a minority of the population had ever received lifetime gifts (worth at least £500). In 2014, one in five (22 per cent) of the population said they had ever received such a gift. The most common type of gift was cash to spend, followed by paying for a wedding/special occasion, buying/maintaining a property and buying a car. This figure was lower than in 2004, when a similar survey was undertaken, possibly reflecting the impact of the recession in reducing the amount available within families to give such gifts.

Gifts are much more likely to be received by middle class people than those from working class backgrounds. More than a third of those in professional and senior management (AB) occupations have received such gifts (36 per cent) compared with 25 per cent in non-manual (C1) occupations, 14 per cent in skilled manual (C2) occupations and only 12 per cent in unskilled occupations/unemployed (DE).

Fewer people report giving than receiving gifts - only 19 per cent in 2014. Those in the baby-boom generation (and older) were much more likely to report giving such gifts: 37 per cent of 55-64 year olds and 29 per cent of those aged 65 or more reported gift-giving. There was also a class gradient again here with a quarter (36 per cent) of professionals/senior managers having given lifetime gifts compared with 11 per cent of those in unskilled jobs/unemployed.

Lifetime gifts overwhelmingly flow down generations rather than up or horizontally: 63 per cent of those who had given gifts had given them to their children and 16 per cent had given them to their grandchildren. Very few people receive gifts from children or siblings.

Our research was part of a broader project focusing on housing so we explored the nature of lifetime gifts in relation to housing and uncovered a number of examples. For example, some people received help in the form of a deposit to purchase their first home or a subsequent home purchase. Others received help which enabled them to invest in a second home or in some type of home improvement/maintenance or on a housing related debt (i.e. council tax, rent arrears).

Other forms of financial support towards the cost of housing took place when supporting family members to meet the cost of university accommodation or at the start of the young person's working life. This often took the form of in-kind support, where the recipient would be told that they would not have to pay rent in the parental home during their time at college or university.

Gifts were not just focused on housing, of course. Cash help, for example, tended to be given for a particular purpose (for example to help with the costs of a young person's education, a car or a deposit on a home) or to mark a birthday, the end of exams, the birth of children or a wedding or to mark an anniversary. There were also several examples, in our qualitative work, of financial help to tackle problem debt. This was often provided discretely, with only the donor and the recipient knowing or a small group of family members working together to help. People were not always keen to ask for help when in debt and some did not want other family members to know about the difficulties they were in.

We are currently working on a book, with provisional title of: The Generation Game Lifetime gifts, inter-generational relationships and inequality. The book will incorporate the findings from all parts of our empirical work and we hope it will be published in 2016.

For further information on the project, please visit: http://wealthgap.wp.st-andrews.ac.uk/

Monitoring financial inclusion

Stephen McKay, CHASM Associate Member

This year we have reviewed Coalition government policies on financial inclusion and published the third in a series of five annual reports on financial inclusion, funded by the Friends Provident Foundation. Compared with last year, there are some positive signs. For example, unemployment and (to a lesser extent) underemployment have fallen and some groups in the population have increased their savings and have more of a financial cushion to draw on in times of need. Furthermore, the number of people with access to bank accounts has increased and the government has regulated high-cost, short-term credit more closely while at the same time providing some funding for credit unions to provide more affordable loans. Insolvencies have fallen, as have mortgage possessions.

Other signs are less positive, however. Wages are still not increasing and benefit cuts continue to make it difficult for those out of work to make ends meet. The majority of the population still feel the need to cut back on spending and, for some, debt is increasing and it is difficult to afford even the basics. There is also evidence that landlord repossessions have increased for those in rented accommodation. In particular, from 2009-2014, the number of accelerated possession orders has doubled from less than 13,000 to more than 29,000. These are used when the tenant is near the end of their lease. It is not possible to split this into private and social landlords. On top of this, there were over 74,000 possession orders made in relation to social housing and more than 15,000 such orders in relation to private renting in 2014.

It therefore looks as though some at the top are able to benefit from recent economic conditions but those at the bottom are struggling even more. However, our data sources on borrowing and problem debt are very limited and there is an urgent need for a new survey of overindebtedness.
We note that the 2015 Conservative party manifesto proposes that the Financial Policy Committee will monitor and control the growth of indebtedness. But, more generally, the issue of financial inclusion does not feature particularly strongly in the party manifestos (see our review of party manifestos) despite recent initiatives to put the issue higher on the public agenda. For example, a major conference on financial inclusion took place in London in January 2015, followed by a report from the Financial Inclusion Commission in March. Both of these have revived interest in financial inclusion and CHASM gave evidence to the Commission, both on the specific issue of whether or not people on low incomes should be encouraged to save and on the broader recommendations being considered by the Commission. And the report has provided a series of recommendations that any future government should consider seriously.

Rowlingson, K (2014) *Should people on low incomes be encouraged to save during an economic down-turn?* CHASM briefing paper, Birmingham: University of Birmingham

Appleyard, L (2015) *Financial Inclusion: Review of Coalition Government Policies 2010-2015*, Birmingham: University of Birmingham

Joseph, R (2015) *Financial Inclusion: Review of the 2015 General Election party manifestos*, Birmingham: University of Birmingham

Rowlingson, K and McKay, S (2015) *Financial Inclusion Annual Monitoring Report 2015*, Birmingham: University of Birmingham

How family housing property is reshaping welfare regimes

Richard Ronald, CHASM core member

Owner-occupied property and housing wealth normally constitute a primary family mode for the delivery and exchange of shelter, informal care and asset wealth, potentially reducing household dependency on the state. In recognition that different modes of housing influence welfare system development, governments across a range of societies have increasingly encouraged home purchase as a means for people to accumulate housing assets and thereby insure themselves against hardship, especially in old age and in context of increasing pressures on pensions and welfare resources. Meanwhile, homes have become deeply commodified as market goods, enhancing perceptions of them as a form of social and financial security.

The HOUWEL project (2012-2017), funded by the European Research Council, is therefore investigating how growing reliance on housing markets and family property wealth in meeting welfare and economic security needs is transforming contemporary social, economic and welfare relations.

Our initial studies have illustrated how socioeconomically embedded housing markets have become in both the alignment of household wealth and welfare strategies and policy pathways. Policy and market realignment since the Global Financial Crisis has done little to undermine this propensity. Most governments have sought to restore housing market conditions and support homeowners rather than pursue social modes of housing and welfare distribution.

Meanwhile, in the context of continued public welfare retrenchment and austerity conditions, households have been pressured to draw more deeply on their housing and property wealth. The HOUWEL study is critically concerned with these contemporary transformations and adaptations, and is addressing how housing markets and family housing practices in different social, political and cultural contexts are realigning around new welfare regime nexuses.

The empirical focus is the interaction of housing and welfare systems in different welfare regime contexts, advancing understandings of how housing markets and home ownership assume more or less prominent roles in welfare system pathways. Through complementary comparative investigations of changing housing and household patterns, shifting family perceptions and practices, and political and institutional transformations the project is demonstrating different ways housing market conditions have come to shape welfare strategies and outcomes, restructuring patterns of inequality and interdependency.

Of particular concern has been increased dependency in, not only liberal, but also social democratic regimes, on family property as a means of maintaining socioeconomic stability and realizing welfare security. A developing concern in various societies are escalating social, geographic and generational divides in housing tenure and market conditions. Some convergence is being observed in declining home-ownership rates and increasing rents (associated with 'post-home ownership societies'), especially among younger people (associated with 'generation rent'), concomitant with increasing ratios of shared housing and doubling up with both family and non-family members.

In the context of diminished employment and income security, households in various contexts appear to be mobilizing around housing resources in response to shifting socioeconomic conditions. Housing and family property wealth have thus sustained their influence in the ongoing development of welfare regimes and relations, and as drivers of emerging patterns of socioeconomic inequality.

A number of reports and publications arising from the project have been put together as working papers. These papers address various aspects of the project relating to welfare and policy shifts as well as housing system realignments, to emerging patterns of household formation and family (re) affiliation in different social and welfare regime contexts. These outputs are listed below but can also be found here http://houwel.uva.nl/outputs/nav along with other information regarding the progress and achievements of the project.

HOUWEL Working Paper Series No. 6, Arundel, R. & Lennartz, C. (2015), Returning to the parental home: boomerang housing trajectories of younger adults and the welfare regime context

HOUWEL Working Paper Series No. 5, Arundel, R. & Ronald, R. (2015), Parental co-residence, shared living and emerging adulthood in Europe: semi-dependent housing across welfare regime and housing system contexts

HOUWEL Working Paper Series No. 4, Lennartz, C & Ronald, R. (2015), Housing property and welfare state change: social investment and asset-based welfare as compatible social policy approaches

HOUWEL Working Paper Series No. 3, Arundel, R. (2013), Subproject three: family support and housing access dynamics

HOUWEL Working Paper Series No. 2, Druta, O. (2013), Subproject two: meaning of housing in family welfare strategies

HOUWEL Working Paper Series No. 1, Ronald, R. (2012), Family property wealth and the new welfare state

Generation rent: exploring the growth of the private rented sector

Ben Pattison, CHASM Doctoral Researcher

The private rented sector in England has been growing rapidly in recent years. After almost a century of decline private renting nearly doubled in size between 2001 and 2011. This is a profound change in the tenure mix of the English housing system and the private rented sector is now larger than social housing.

There has also been a notable decline in owner occupation, particularly amongst those buying with a mortgage. The recent growth of the private renting has been popularised as 'generation rent' and has become front page news. One of the most common explanations for this trend is that younger households have been 'priced out' of owner occupation and have instead become private renters. Rapid growth in house prices combined with changes in the mortgage market mean that younger households find it harder to access owner occupation.

My PhD research has sought to ask:

- To what extent do popular accounts of 'generation rent' provide an accurate description of the rapid growth of the private rented sector?
- To what extent does the 'priced out' thesis explain the role of different drivers in the rapid growth of the private rented sector?

I have used a mixed method approach that incorporated analysis of both quantitative data (e.g. Census) and parliamentary records and housing policies. My research provided detailed analysis of three key limitations with the 'generation rent' account of the growth of the private rented sector and the 'priced out' thesis as the main driver of this change.

The first limitation of the 'priced out' thesis is that it fails to recognise the role of a range of other potential drivers. Census data indicates that the private rented sector has grown rapidly in a range of different locations across England and not just those with the highest house prices. There has not been a simple transfer from owner occupation to private renting within particular local authority areas. Private renting has grown most rapidly in areas where there have been large increases in population and a high volume of property transactions. The growth of private renting therefore appears to be linked to changing labour markets, population movements and the availability of housing stock.

A second limitation is that the 'priced out' thesis fails to recognise the diversity within the private rented sector. I investigated this by identifying the different 'sub-markets' or niches within the tenure in Birmingham. This highlighted the importance of several niches which do not fall within most popular description of 'generation rent' such as Housing Benefit claimants and students. In 2011, Housing Benefit claimants accounted for around 40% of households in the private rented sector in the city. They tended to be younger, smaller households and a growing number of them were in-work. Students represented another important niche within the city. They accounted for around 10% of private renters and a similar proportion of the growth in the tenure.

The failure to explain wider changes in supply and demand across all tenures (particularly social housing) is the third limitation with the 'priced out' thesis. My research highlights the role that political drivers play in shaping tenure choices and the housing market. Housing policy has played an important role in supporting and enabling the rapid growth of private renting at both a national and local level. From the early 1980s onwards, limited growth of private renting has been viewed by different governments as a solution to other housing problems. A growing private rented sector was intended to support the development of a 'property owning democracy' and increase housebuilding.

Taken together, these three limitations suggest that the 'priced out' thesis provides a partial understanding of the growth of the private rented sector. House prices and the mortgage market have clearly played a role in this growth. However, a wide range of other political, social and economic drivers have been major drivers towards the rapid growth of private renting. The impact of these different drivers has not been uniform. Niches within the tenure have grown at different rates in different locations. This has led to a private rented sector that is highly diverse – both spatially and demographically – and taking on a range of roles within the housing system.

My research leads to a more nuanced understanding of why the growth of private renting is important and, potentially, problematic. It suggests that growth of the private rented sector is not just about difficulties in accessing owner occupation. Greater attention needs to be paid to other issues, particularly the polarisation of housing wealth and provision of affordable accommodation for low income, working households. In terms of housing wealth, the gap between the 'housing haves' and the 'housing have-nots' is increasing. This is compounded by the growth of buy-to-let landlords who are predominantly older and wealthier.

The growing number of younger households accessing Housing Benefit in the private rented sector is likely to lead to a long term, structural increase in expenditure in this area. It appears that Housing Benefit is being left to bridge the gap between higher housing costs in the private rented sector and low paid, insecure employment. Both of these trends highlight why we need further research to help understand the rapid growth of private renting and its impact on our society.

Public attitudes to taxation

Andy Lymer, CHASM Deputy Director

Public attitudes to taxation are of increasing importance. This is particularly true in a period when politicians are looking to be elected to local or national government as has just been the case in the UK with the 2015 General Election. Tax plans form a central plank of any election manifesto and for this election it has been even more so than usual as the best deficit reduction approach (spend versus cut spending, therefore raise versus lower taxes) is hotly debated between the main national parties. CHASM has therefore been engaged in a key piece of research in 2014/15 which is providing important information on the changing attitudes to taxation of the UK population – in this particularly case, the use of taxes on wealth.

While a combination of economic recession and government austerity packages are reducing the incomes of millions in the UK, the continuing concentration of great wealth among a small minority shines the spotlight still further onto wealth taxes. We already know that Labour and the Liberal Democrats support the introduction of a 'mansion tax' while David Cameron, on the other hand, announced, in October 2014, that he had 'ambitions' to cut inheritance tax so that only the 'very wealthy' would pay it. So what do the public think about wealth taxes?

During the autumn of 2014 market survey company TNS (Taylor Nelson Sofres) undertook a survey of 2,019 adults aged 16 plus in Great Britain on behalf of CHASM. The survey began by asking respondents about four different possible tax changes that have regularly appeared in recent debates about possible changes to the taxation of personal wealth: the introduction of a mansion tax; reforms to council tax; reforms to capital gains tax; and the re-introduction of a 50% top rate of income tax. The precise question wording for each was as shown in box 1.

Box 1: Questions on tax changes

Thinking about the gap in wealth between those with high levels of wealth and those with no wealth, how far do you support or oppose the following policies? STRONGLY SUPPORT, TEND TO SUPPORT, TEND TO OPPOSE, STRONGLY OPPOSE

- Introduce an annual tax of 1% on properties worth more than £2 million This would mean that a property worth £2 million would pay an annual tax of £20,000
- Change Council Tax so that all properties pay an annual 0.6% tax on the value of the property. The average house price in the UK is £250,000[1] and so 0.6% tax would mean an annual tax of £1,500 for the average house price
- Increase the tax on the profits made on the sale of their assets from 28% to 45%
- Reintroduce the 50% top rate of income tax rate to replace the current 45% top rate of income tax on earnings over £150,000

Table 1 provides some initial analysis of the results of our survey. This shows that the mansion tax was the most popular of the four tax reforms suggested. A quarter of the population strongly supported this and a further 28 per cent tended to support it. One in five opposed the policy (with one in ten strongly opposing). Another one in five sat on the fence, neither supporting nor opposing, suggesting that there is still work for the political parties to do in discussing this issue. Interestingly, there was more support for this policy from older people (who are more likely to be home owners) than younger people: 45 per cent of 25-34 year olds supported this policy compared with 57 per cent of 55-64 year olds. Part of the difference, however, is explained by more younger than older people being unsure either way about the policy.

The other major variation in attitudes was, as we might expect, between people in different regions. Our analysis shows that support for a mansion tax is highest in Scotland, Wales, the North East and Yorkshire/Humberside. At least 60 per cent of the population in these regions supported a mansion tax whereas fewer than half the population in London, the South East and the East of England supported it.

Table 1: Public support/opposition for tax changes, July 2014, 2,019 adults aged 16+

Column percentages

	Mansion tax 1% on £2 million properties	0.6% council tax	Increase CGT to 45%	50% income tax on £150,000+
Strongly support	25	12	20	22
Tend to support	28	28	25	22
Neither/nor	21	27	23	19
Tend to oppose	12	16	15	18
Strongly oppose	10	12	11	14

[1] This figure is according to Office for National Statistics mortgage completion statistics in 2014. Other statistics, from Halifax and Nationwide suggest the average house price is much lower at £175,000, http://www.bbc.co.uk/news/business-26239609

the UK was £250,000 in 2014 and so a 0.6% tax would mean an annual tax of £1,500 for the average house price. Those with homes worth £150,000 would pay £900 and so on. At the moment, the rate of tax on some of the most expensive properties is lower than that levied on less expensive properties. Reform of council tax is an alternative to the mansion tax. The disadvantages of the council tax appear to outweigh the advantages for many people as it is less popular than the mansion tax though even more people (27 per cent) neither support, nor oppose.

Details of the initial results of our analysis on the questions related increasing taxation on profits from sales of assets (Capital Gains Tax), raising income tax rates on those with incomes more than £150,000 (as a proxy for those with higher wealth) and the future for inheritance tax which we also explored in this survey, can be found in our full briefing here - http://tinyurl.com/o2cgr5x.

In our 2014 survey, we went on to ask about their understanding of the distribution of wealth and the actual percentage of estates that pay inheritance tax. We then repeated some of the questions on policy options to see if this knowledge made a difference. We will be reporting on the findings from this research in forthcoming publications.

Relevant publications

Rowlingson, K, Lymer, A and Prabhakar, R (2015) New survey research on public attitudes to wealth taxes, Birmingham: University of Birmingham

Rowlingson, K and McKay, S (2013) What do the public think about the wealth gap? Birmingham: University of Birmingham

Ongoing research and events

CHASM internal seminars

Our CHASM seminars are open to all and are advertised through our e-bulletin and on our website. Since September 2014, we have organised the following:

- 16 October, Redressing the imbalance between financial service consumer and provider in Ireland, Stuart Stamp, NUI Maynooth, Ireland
- 9 December, Using the Secondary Financial Services Market to Advance Economic Justice, David Stoesz, Fulbright-University of Birmingham Distinguished Professor, Professor of Social Work at the University of Illinois, Springfield
- 20 January, ‘Poor wretched Outcast! I will weep for thee’: reflections upon funeral costs, state support and responsibilisation, Lee Gregory, Lecturer in Social Policy
- 7 March, Mind the (housing) gap: patterns of family wealth past, present, future, Ricky Joseph, CHASM Research Fellow
- 5 May, The regul(aris)ation of payday lending in the UK: a new welfare safety net? Lindsey Appleyard, CHASM Research Fellow
- 22 July, Public attitudes to wealth taxation, Andy Lymer, CHASM Deputy Director

CHASM conference

Over 50 delegates from academia, public, private and third sectors attended the CHASM conference: Financial Security in an Age of Austerity, which took place on Friday 18th July 2014, at the Friends Meeting House, Euston, London.

Speakers included: Chris Curry, Pensions Policy Institute; Dalton Conley, New York University; Mark Fiander, Money Advice Service; Sian Williams, Toynbee Hall; Stephen McKay, University of Lincoln; Ricky Joseph and Lindsey Appleyard, CHASM, University of Birmingham. The presentations are now available on the CHASM website.

There was a lively discussion with presenters and delegates which included questions around: financial resilience; refocusing of the state; inequalities in assets and income; a citizens income; financial citizenship; attitudes to financial capability; and the precarious economic recovery in the UK.

Briefing papers

Our latest briefing papers are available at http://www.birmingham.ac.uk/research/activity/social-policy/chasm/publications/briefing-papers.aspx. Briefing papers since July 2014:

- Who bears responsibility for the financial crisis?, James Dempsey
- Is there (still) a problem with payday lending?, Karen Rowlingson, Lindsey Appleyard and Jodi Gardner
- Tax Behaviour: A review of existing research, Ekta Bhayani, CHASM Intern
- SMART pensions in the UK: salary sacrifice and auto-enrolment, Margaret May
- New survey research on public attitudes to wealth taxes, Karen Rowlingson, Andy Lymer and Rajiv Prabhakar
- Basic bank accounts in Ireland: Not so much a false start as a faulty start, Stuart Stamp
- Should people on low incomes be encouraged to save during an economic downturn?, Karen Rowlingson
- UK household food security: A review of existing research, Alex Stevenson, CHASM Intern
- The child welfare implications of problem debt, Damon Gibbons
- Compensation for loss of pension rights or just working the system?, John Moss
- Personal financial planning advice: Barriers to access, John Moss

The International Network for Research on Asset Policies (INRAP)

CHASM launched a new virtual network in June 2014 called The International Network for Research on Asset Policies (INRAP). It brings together for the first time, academics, policymakers, research centres and networks, working within the broad area of 'asset-based' policies.

To date over 75 individuals have signed up to our mailing list and a further 26 have agreed to be included on our 'Find an expert' database. This resource includes experts from the USA, Canada, Netherlands, Belgium, Denmark, Nigeria, Poland and the UK.

The network provides an easy-to-use mechanism for members to publicise research, identify partners for research and publications, promote events and activities and network with other members across different fields.

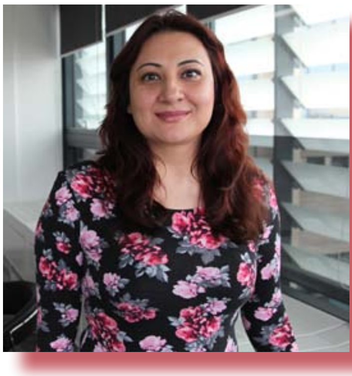
For further information, contact Ricky Joseph, r.joseph@bham.ac.uk

Doctoral researchers

CHASM has four postgraduate researchers currently undertaking their PhD. Here is a summary of their research:

Ben Pattison: Generation Rent? Changes in housing tenure in the UK, supervised by Karen Rowlingson and David Mullins

The research is investigating changes in housing tenure in the UK, particularly the recent growth in the private rented sector. It assesses the extent to which the growth of this sector is due to difficulties young people face in becoming home owners and/or the contraction of social housing and/or changes in migration and demographic patterns. The implications of these changes will also be explored.



Fatima Syed: Personal finance education: What is it for? And how best to deliver it?, supervised by Karen Rowlingson and Lindsey Appleyard

This study focuses on the introduction of personal finance education as a compulsory part of the National Curriculum in England and Wales from September 2014. The research will explore the how schools change their practice as a result of this reform.

Sam Thewlis: Changing attitudes to Personal Income Taxation during periods of austerity, supervised by Andy Lymer and Karen Rowlingson

As part of her research, Sam will look at whether certain actions by (primarily the UK) Government encourages or discourages tax compliance, and whether certain tax policies mean that citizens become disengaged with the tax system, and perhaps society as a whole, as a consequence, both at the bottom and top of the income/wealth scale.

Irni Rahmayani Johan: Financial capability among university student in Indonesia, supervised by Karen Rowlingson and Lindsey Appleyard

Using a mixed methods research, the aim of this study is to analyse the level of financial capability among university students in Indonesia by investigating their knowledge, skills, and attitudes. Then, based on the findings and by exploring the specific topics that should be delivered to the students, this study will help inform policy by recommending an effective model of financial education in higher institutions in Indonesia.

Undergraduate teaching and internships

CHASM is primarily a research centre but members also teach at undergraduate and postgraduate level on courses relating to social policy and accountancy/finance.

This year, CHASM has hosted another cohort of undergraduate interns, funded by Andrew Fisher as follows:

Zhulieta Dobcheva

As a final year student in International Business with Communications, I am interested in the topics of Corporate Social Responsibility (CSR) and sustainable economic development, which closely relate to one of CHASM's research areas - responsible lending and borrowing. Since I first heard about KIVA (a non-profit organization that pioneered the concept of microcredits) I have developed a strong interest in microfinance institutions that serve the mission of connecting people through lending to alleviate poverty, and in this sense transform the model of payday lending.

Credit Unions, funded largely by member deposits, are very similar financial institutions. Within the scope of my internship with CHASM, I am researching the UK Credit Union movement and, in particular, how the sector has grown, diversified the product portfolios and professionalized after the introduction of the government funding via the Growth Fund and Expansion Project. The focus of my small-scale research is whether the UK Credit Unions can be currently defined as a cohesive sector and whether they can simultaneously successfully tackle financial exclusion and achieve sustainability.

Holly Brown

A second year student in Economics and Human Geography, I am interested in the societal and environmental impacts of economic process and decision making. I am particularly interested in why people make certain economic decisions and the techniques that academics follow to understand these processes. This is what drew me to the work that CHASM does.

My role within CHASM sees me assisting with the research undertaken by Andy Lymer, with the long term goal of building experiments to examine the concepts of tax morale and compliance. With the majority of the academic studies of tax compliance being theoretical and conceptual reviews, I've been trying to identify alternatives which start to approach the study of tax morale with an experimental methodology. Eventually I hope to take what I've learnt and adapt and reapply it help bring something new to the field.

Also I have begun to analyse the usage information from the 'Tax Guide for Student's website'. I have been given access to information on how students currently interact with the website and intend to examine the data to identify both what works well and any potential issues that may be occurring. We can then define potential solutions.

CHASM members

Associate Members
CHASM has an associate membership scheme designed to develop links with academics and experts with similar research interests to CHASM.

External associate members
Beth Breeze, Centre for Philanthropy, School of Social Policy, University of Kent
James Dempsey, Research Fellow, FinCris, Department of Politics and International Studies, University of Warwick
Sajid Chaudhry, School of Management, University of Swansea
Chris Evans, Professor of Taxation, University of New South Wales, Australia
Jodi Gardner, Lecturer in Law, Corpus Christi College, University of Oxford
Damon Gibbons, Director, Centre for Responsible Credit
Stephen McKay, Distinguished Professor of Social Research, University of Lincoln
Andrew Mullineux, Professor of Financial Economics, Bournemouth University
Carl Packman, Freelance Researcher
Jessie Kai Ling Sim, DPhil student, University of Oxford
Rajiv Prabhakar, Lecturer in Personal Finance, Open University
Tom Sorell, Professor of Politics and Philosophy, University of Warwick
Stuart Stamp, Research Associate, NUI, Maynooth, Ireland
Steve Stillwell, Personal Financial Education Group (PfEG)
Sharon Wheeler, Financial Inclusion Manager, Your Housing Group

Internal associate members
Edward Brunsdon, Honorary Fellow, Institute of Applied Social Studies
John Doling, Emeritus Professor of Housing Studies, Institute of Applied Social Studies
James Gregory, Research Fellow, School of Social Policy
Margaret May, Honorary Fellow, School of Social Policy
Louise Overton, Teaching Fellow, School of Social Policy
Simon Pemberton, Birmingham Fellow, School of Social Policy

For the profiles of the associate members, please visit:
http://www.birmingham.ac.uk/research/activity/social-policy/chasm/staff/index.aspx

Core CHASM staff

The full list of CHASM core staff is as follows:

- Karen Rowlingson, Director of CHASM and Professor of Social Policy
- Andy Lymer, Deputy Director of CHASM and Professor of Accounting and Taxation
- Lindsey Appleyard, Research Fellow, CHASM
- Ricky Joseph, Research Fellow, CHASM
- Paul Cox, Senior Lecturer of Finance
- Peter Davies, Professor of Education Policy Research
- David Mullins, Professor of Housing Policy
- Richard Ronald, Professor of Housing and Social Change
- Penelope Tuck, Professor of Accounting, Public Finance and Policy

CHASM welcomes two new core members this year: Amalia DiGirolamo, Lecturer in Experimental Economics and Lee Gregory, Lecturer in Social Policy

Amalia Di Girolamo
Amalia Di Girolamo is an experimental and behavioural economist. Her research is primarily focused on the analysis of decision-making under risk. Part of her research has analysed the importance of financial literacy on individual choices by means of field and lab experiments. Another significant strand of Amalia's research looks at the role of gender differences in risk and competitive behaviours.

Lee Gregory
Lee Gregory is a Lecturer in Social Policy. His principal research interests include poverty, inequality and asset-based welfare, youth policy, the mixed economy of welfare and alternative forms of welfare provision. His most recent research investigates the possibilities of complementary currencies in forming social networks and creating resilience to ill-health and creating a site of resistance to neo-liberal economics. His current research focuses on the themes of resistance to austerity and the dominance of neo-liberal economics by applying the social theory of time to policy analysis.

Advisory board members

Academic community	Policy and Business/Third Sector
Dalton Conley, New York University	Mark Fiander, Money Advice Service
Chris Hamnett, Kings College London	Andrew Fisher, Towry
Marcin Kawinski, Warsaw School of Economics	Peter Kelly, Unity Trust
Michael Sherraden, Washington University in St Louis	Ed Mayo, Secretary General, Co-operatives UK
	Brian Pomeroy CBE, Former Chairman UK Financial Inclusion Taskforce
	Sian Williams, Toynbee Hall

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