

The Unsustainable Rise of Residential Insecurity in Spain

Juan Antonio Módenes, Centre d'Estudis Demogràfics and Department of Geography, Univ. Autòn. Barcelona

Since the onset of the economic crisis, residential insecurity has been worsening in Spain. More than half the households headed by adults under the age of 45 are in fear of losing their home in the near future. Young Spanish adults are more fearful than European counterparts of losing a roof over their heads because of being unable to pay (54% compared with 33%) and the difference has also increased in recent years as the weight of rental sector has risen. This is a valid perception. Among households of young adults, 42% are paying market rent, which is the most insecure option of all for a collective beset by job insecurity. Young adults have left behind the long period of massive access to home ownership. The probability that a young Spanish household will feel more threatened than a European one is greater, independently of the tenure involved. This is related with a legal and institutional context that militates against housing stability. Residential insecurity is one of the main dimensions of insecurity of life conditions in general and it is therefore necessary to take urgent measures to manage it. This number of *Perspectives Demogràfiques* examines the levels of residential insecurity in Spain and enquires into its possible causes, in particular the evolution of rental sector. Several sources are studied in order to scrutinise the recent rent increases (*Encuesta de Condiciones de Vida* – Living Conditions Survey) and perceived residential insecurity (*European Quality of Life Survey*).

MEASURING PERCEIVED RESIDENTIAL INSECURITY

In order to study the phenomenon of fear of losing one's home, which I shall call subjective residential insecurity, I shall look beyond the usual kinds of objective indicators measuring the more serious states of the phenomenon. In effect, we already have sufficient data on evictions and dispossessions (Méndez, Plaza, 2016) as well as concerning arrears in mortgage or rent payments. Financial pressures coming from the dwelling can be approached by means of the arithmetical relationship between earnings and housing costs, which appears in a range of official surveys. All of these are extraordinarily useful indicators but they do not exhaust the possibilities for analysis of residential insecurity. However serious their economic difficulties may be, many households are never in arrears of payments, let alone subjected to eviction, but their members may still feel insecure about the stability of their housing. Hence, it is interesting to ascertain how households perceive their residential situation. This is a subjective opinion which is directly related with people's faith in the future, and one on the basis of which other decisions are made, for example whether or not to expand the family.

The *European Quality of Life Survey* (EQLS), developed by the European institution Eurofound, brings together people's views about their housing stability. One of the questions refers to the probability of losing a home within the following six months as a result of being unable to pay the costs. There are five options for answering in the last edition of 2016, from very likely to very unlikely. In keeping with the Eurofound report on the most recent EQLS wave (Eurofound, 2017), it can be assumed that all households that do not answer "Very unlikely" are suffering from subjective residential insecurity.

This definition suggests that, in 2016, 38.3% of Spanish households perceived some degree of risk of losing their homes in the short term. This is a high figure reflecting a serious structural problem in the Spanish housing system. Between 2011 and 2016, residential insecurity rose from 21.1% to 24.15%. Among the younger population—households headed by persons under the age of 45—the figures are even higher. Here, residential insecurity has risen from 39.7% to 53.9% between 2011 and 2016, which is well above the European average (29.4% to 32.7%).

Underlying the rapid upsurge in residential insecurity in Spain and the widening gap with European figures two factors stand out: 1)

an increasing presence of more financially demanding residential options, especially private rent in a context of worsening social and occupational precariousness (Pareja, Sánchez, 2017); and, 2) lack of legal protection, independently of the type of home (Leal, 2015), which then leads to excessive insecurity. In order to illustrate the first point, I shall analyse data on the evolution of rented accommodation in Spain.

MORE RENTERS, MORE PRECARIOUSNESS

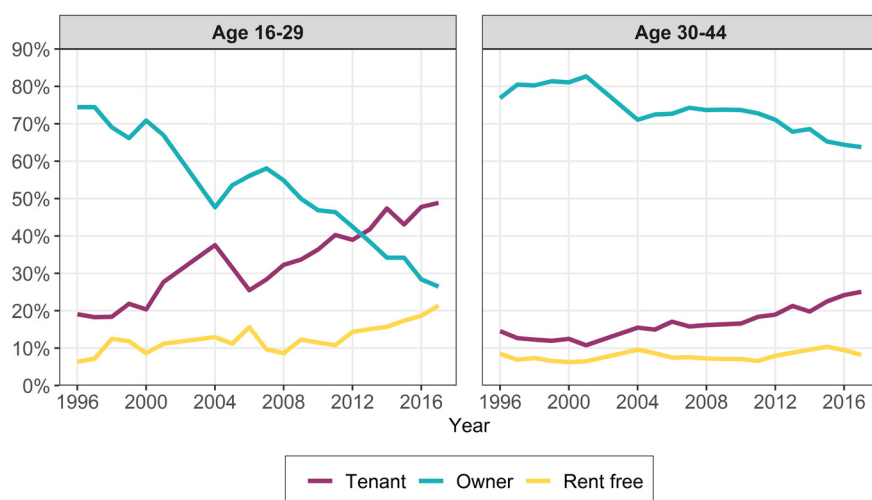
The expansion and eventual bursting of the real-estate bubble (Bosch, 2018) have transformed the foundations of the Spanish housing system (Módenes, 2014). One of the main changes identified was a progressive increase in rented accommodation among young adults as a way of access to housing although the enduring high percentages of home owners in the total of households would reflect the inertia of the other generations.

The *Living Conditions Survey* (ECV) makes it possible to examine the evolution of rented accommodation through to the present day. Figure 1 shows changes in residential tenure among young households, classified in terms of whether the person of reference is younger than 30 or is aged from 30 to 44. The series begins in the mid-1990s with *Household Panel* (HP) data. In 2017, households headed by under 30 present an unprecedented distribution of occupancy by comparison with the recent past. Home owners are in the minority (26.5%). Almost 50% are paying market rent, while rent-free dwellings account for 21%. This latter category reflects direct family help in access to housing. The rental sector has had a robust growth in recent years, also in young-adult households

(33-44), 25% of whom already are renters. This is a very solid trend and it is to be expected that, as it continues into the coming years, it will expose the younger households more frequently to the ups and downs of the rent market, just in the life stage when they consolidate their family projects.

Rising number of renters in Spain and the change of residential tenure structure have, in recent years, come hand in hand with a highly precarious job market, affecting especially to the young people (Lozano, Rentería, 2018). The *Labour Force Survey* allows to study job insecurity among young adults, this being understood as the proportion of the labour force which is temping or unemployed. Precarious jobs rose to a high of 40% in 2013. The figure has dropped slightly since then and presently stands at 34%. In the European Union as a whole, it has never gone above 21% and, in 2017, it was 19%. In Spain, this indicator was higher than 45% among young adults (25 – 39 years old) at the age of forming a household, and it has dropped a little to 41% since the peak of the crisis. If one is looking for a more structural definition of households with social problems, using estimates based on the EQLS report of 2016, 26% of Spanish households in the under-45 category are at risk of poverty or social exclusion (AROPE – At Risk of Poverty and Exclusion), compared with 22% for the European Union as a whole. Then again, Lozano and Rentería (2018) identify an expanding structural evolution in the temporal nature of contracts—for which the numbers have doubled in the past 30 years—and the cyclical and conjunctural evolution of unemployment rates. Accordingly, these two authors conclude that overall precariousness is becoming generalised, and to such an extent that it constitutes a built-in characteristic of the evolution of life conditions of households.

FIGURE 1. Recent evolution of residential tenure in young households: Spain (1995-2017)



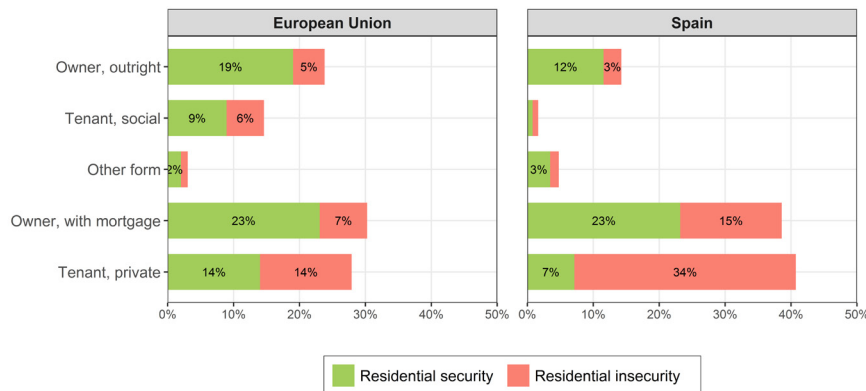
Source: Author, using INE (National Statistics Institute) databases: Household Panel (HP) and Living Conditions Survey (ECV).

Rising rents and precariousness come together in a housing model that is headed for insecurity.

YOUNG + PRIVATE RENT = PERCEPTION OF RESIDENTIAL INSECURITY

In Figure 2 young households (<45 years of age) are distributed in accordance to type of housing tenure and perceptions of imminent insecurity, comparing the situation of the European Union as a whole with that of Spain. Two facts stand out: the tendency in Spain towards residential options representing a greater economic

FIGURE 2. Distribution of young households (<45) by residential tenure and perception of residential insecurity: European Union and Spain



Source: Author, using data from the European Quality of Life Survey 2016.

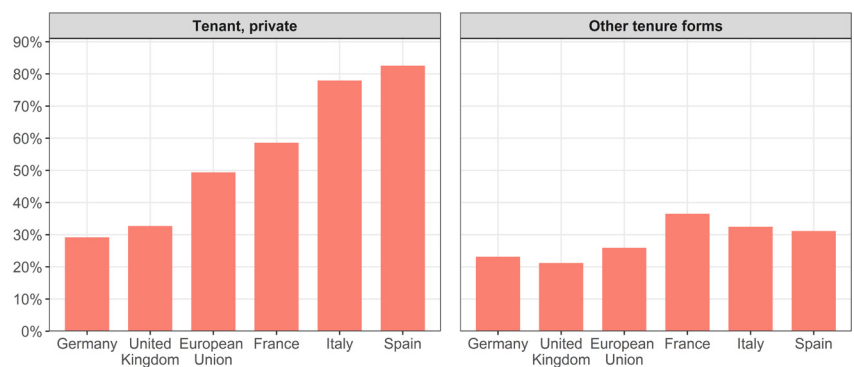
burden (home ownership with a mortgage and private market rent) and greater residential insecurity among Spaniards, especially in the more usual kinds of residential tenure. It should be noted that young households owning outright already represent a small percentage. This latter category, which was very common in the recent past, was one of the distinctive features of the Spanish housing system. On the other hand, if it is true that, in the European Union as a whole, households paying market rent are at greater risk of insecurity, in the case of Spain, the insecurity perceived by young tenants is almost universal and much greater than that among young-adult mortgage payers. It is possible to venture that more than 80% of households inhabited by young adults paying market rent perceive residential insecurity. Approximately 70% of young insecure households are paying rent. One can almost speak of endogeneity (or say that one thing equals the other) when speaking of living in rented housing and feeling subjective residential insecurity.

The Spanish case is notable, not only with regard to the European average but also in comparison with large EU countries of similar demographic weight and also comparable social, economic and political heterogeneity (Figure 3). Only Italy has a similar level of insecurity among young households that live in private rent, although the proportion of households in this category of tenure is much higher in Spain. (41% compared with 24%). France is in an intermediate position: more than

half the young adults paying market rent say they feel insecure, but only a third of these households are housed with this kind of tenure. Germany and the United Kingdom are the most secure countries for young adults and still more so if they are renting. In Germany, half the young adults are paying market rent but, according to the available data, this is a much more secure and stable residential experience than the one in Spain.

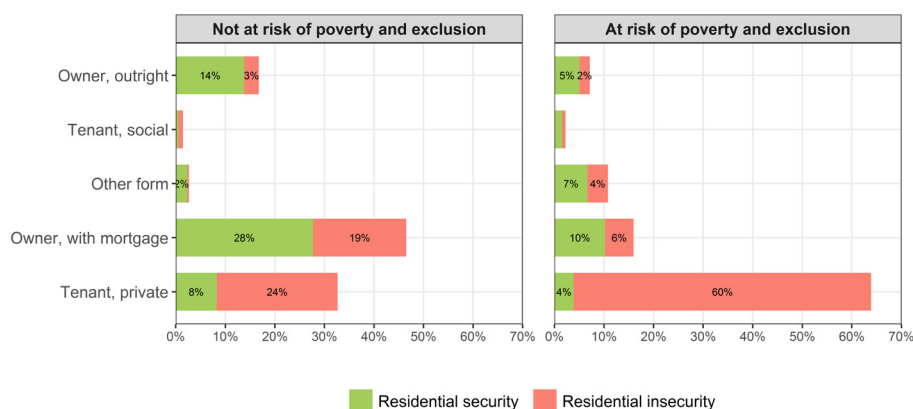
Social differences are relevant and introduce heterogeneity into both distribution of tenancy and perception of insecurity in Spain (Figure 4). Nevertheless, I believe it can be stated that residential insecurity is transversal. On the one hand, young households at risk of poverty or exclusion (AROE) are doomed to pay market rent (64%). Their presence in other forms of residential tenure like ownership, with or without a mortgage, or other more stable forms (like rent free or social rent) is very low if not negligible. Households paying market rent experience residential insecurity as something that is all of a piece with their biographic development (more than 90%). The other forms of housing tenure are more secure but they are the minority, as I have said. On the other hand, although households of young adults that are not at social risk mostly consist of mortgage-paying owners with lower perceptions of insecurity, the members of this group who are paying market rent (one third) show high levels of perceptions of insecurity as well.

FIGURE 3. Perception of residential insecurity of young (<45) households by private rent or other kinds of tenancy: Spain compared with big EU countries. 2016



Source: Author, using data from the European Quality of Life Survey 2016.

FIGURE 4. Distribution of young households (<45) by tenancy and perception of residential insecurity according to situation of social risk (AROPE): Spain



Source: Author, using data from the European Quality of Life Survey 2016.

BURSTING THE BUBBLE OF RESIDENTIAL INSECURITY

In Spain, private renting is nowadays the main way for young households to obtain access to housing, mainly in the most populated urban areas. As a result, it might be said that, in recent years, forming a household means that young adults enter into a state—and not only subjectively—of residential insecurity and instability. The rise of private rental has contributed towards growing residential insecurity owing to the objective conditions of contracts, their duration, and an absence of control of pricing variations in areas of high demand. More rentals in more unstable

economic and contractual conditions have created a real residential insecurity bubble in Spain, especially among young adults who have no viable alternatives.

Residential insecurity is also affecting to not at risk households, for whom renting is becoming the most usual access to housing. Social normalisation of residential insecurity explains the prominence in the media of the rent crisis in big cities. In this situation there would seem to be an urgent need to take measures for setting limits to the insecurity of private rent in our housing system. If renting is here to stay, then any change in the institutional setting that would reduce

residential insecurity could have a considerable positive impact on the implementation of the life plans of young Spanish couples. Recent changes in the *Urban Rental Law* could be a move in this direction since it has lengthened the minimum contract period from three to five years and, so too, could changes to the Code of Civil Procedure which, when there are indications of vulnerability, has expanded safeguards with regard to evictions. Establishing measures to limit the costs of renting in certain urban areas would be the next step. It is to be hoped that there will be more numerous and more thoroughgoing measures of this nature.

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Editors

Andreu Domingo and Albert Esteve

Please address correspondence to:

Juan Antonio Módenes
jamodenes@ced.uab.cat

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Contact

Centre d'Estudis Demogràfics.
Carrer de Ca n'Altayó, Edifici E2
Universitat Autònoma de Barcelona
08193 Bellaterra / Barcelona
Spain
Telephone: +34 93 5813060
Email: demog@ced.uab.cat
Web page: www.ced.uab.cat