Is parental socio-economic status more important for young adults’ homeownership in places with higher house prices?

Background

Financial constraints mean that many young people are turning to their parents for support to enter homeownership. Parents with greater access to resources are often better placed to provide both financial and non-monetary assistance to their children, and research shows that young people are more likely to become homeowners when their parents own their dwelling or are more advantaged in the labour force. However, the importance of parental socio-economic status may vary across housing markets. Having advantaged parents is likely to be particularly crucial for young adults’ homeownership in places where high house prices stretch the affordability of mortgages and force prospective buyers to muster larger deposits. By contrast, parental socio-economic status and parental assistance may be less important if house prices are lower and prospective buyers therefore have lower financial barriers to surmount. The geography of house prices could thus shape the intergenerational transmission of wealth and (dis)advantage through the housing system.

Aim

This study examines whether parental labour force position and parental housing tenure are more strongly associated with young adults’ homeownership in Local Authority Districts (henceforth districts) with higher median house prices.

Key findings

1. Young people aged 25-34 are more likely to be homeowners if their parents were more advantaged in the labour force or were homeowners rather than tenants. Young adults are less likely to be homeowners when they live in districts with higher house prices.

2. Parental factors and district house prices have very little effect on the probability of homeownership amongst young people whose family lives, educational attainments, labour force position and other attributes are not conducive to owning. Individual level factors are crucial determinants of homeownership in young adulthood.

3. Young people whose personal circumstances are conducive to owning have a higher probability of homeownership if they live in cheaper districts or have more advantaged parents. As house prices rise, parental socio-economic status also becomes more important for the homeownership prospects of relatively advantaged young adults.

Study design

The study used data from the Office for National Statistics Longitudinal Study of England and Wales. This database contains the anonymised linked census records of a 1% sample of the population of England and Wales from 1971 to 2011. Census data on demographic attributes, living arrangements, qualifications, employment, health and housing are available and used in this study. The sample consisted of 42,310 young adults aged 25-34 in the 2011 census who were living with a parent when aged 5-14 in the 1991 census. Data on 2011 median district terraced house prices obtained from the ONS House Price Statistics for Small Areas were also merged onto the database.
Information on parental tenure and labour force position in 1991 was then linked to whether or not young adults were homeowners twenty years later in 2011. Parental tenure was divided into owning and renting, while parental labour force position was defined using employment status and the National Statistics Socio-Economic Classification (NS-SEC) of working parents' occupations. NS-SEC classifies jobs in terms of employment relations and conditions. This study compares children whose parents worked in higher managerial, administrative and professional occupations (NS-SEC 1-2) with those whose parents worked in routine and manual occupations (NS-SEC 5-7).

Findings

Figure 1 plots the percentage of young adults who were homeowners in 2011 by the labour force position (left panel) and housing tenure (right panel) of their parents. To examine the importance of local house prices these percentages are broken down for young people living in the cheapest decile of districts (median 2011 district house price £76,250), the fifth decile of districts (median £134,250) and the most expensive decile of districts (median £339,000).

Figure 1. The percentage of young adults in homeownership by gender, house price decile and parental labour force position (left panel) or parental housing tenure (right panel).

Figure 1 shows that young adults aged 25-34 are more likely to be homeowners if their parents owned rather than rented their dwelling or if their parents had more advantaged occupations. The percentage of young adult homeowners declines at a fairly consistent rate with rising house prices regardless of parental background. Overall, a larger proportion of young women than young men are homeowners. This is possibly because women tend to form partnerships with slightly older men.
Figure 2 shows how parental attributes interact with district house prices to shape the estimated probability that young people are homeowners while controlling for a wide range of other factors that influence housing careers. The probabilities are derived for two hypothetical individuals: an ‘advantaged’ individual whose attributes are fixed to favour homeownership (solid symbols in the plots); and a ‘disadvantaged’ person fixed to have less favourable characteristics (hollow symbols in the plots). The only factors that are changed when deriving the probabilities are the hypothetical individuals’ parental background and the median house price of their district (subdivided here into low, medium and high for illustrative purposes).

**Figure 2**. Probability of homeownership aged 25-34 for two hypothetical individuals by gender, district house price and parental labour force position (left panel) or parental tenure (right panel).

Figure 2 shows that more ‘disadvantaged’ individuals have a fairly consistently low probability of homeownership regardless of house prices or parental background. Neither parental socio-economic status nor local house prices seem to have much influence on young adults’ homeownership prospects when other aspects of their lives do not favour owning.

By contrast, the probability that ‘advantaged’ individuals are homeowners varies considerably with local house prices and parental socio-economic status. In general their probability of homeownership falls as local house prices rise. Importantly, this price gradient is especially pronounced for children whose parents were tenants or whose parents worked in routine and manual occupations (NS-SEC 5-7). This suggests that after controlling for other factors, having socio-economically advantaged parents may be particularly important for young adults’ homeownership transitions in areas where higher house prices tend to constrain access to owner-occupation. However, this pattern is only evident amongst young people whose individual circumstances are conducive to owning.
Summary and implications

1. In general young people aged 25-34 whose parents owned their dwelling or worked in higher managerial, administrative or professional occupations are more likely to be homeowners than young people aged 25-34 whose parents rented or worked in routine and manual jobs. Young people from all backgrounds are less likely to be homeowners when living in areas with higher house prices. This is probably because young adults looking to buy disproportionately opt to live in cheaper areas, while those seeking to live in costly markets delay or avoid home purchase.

2. Parental socio-economic position and local house prices are linked to homeownership in young adulthood even after taking into account that young people from different backgrounds living in different areas may have different attributes and lead different lives. However, the importance of parental factors and local house prices depends heavily on whether other geographic factors (such as tenure stock) and young adults’ other characteristics (such as partnership status, qualifications and labour force position) are conducive to owning. Neither parents nor prices greatly affect the probability of homeownership in young adulthood when these other factors make owning unlikely. This means that unequal access to the Bank of Mum and Dad is not the only or perhaps paramount force constraining social mobility in the housing system. (Dis)advantage may also pass less directly between generations as parents shape the housing prospects of their children by influencing their educational attainments, occupation and income.

3. When young adults’ circumstances favour homeownership then their probability of owning is generally boosted by having socio-economically advantaged parents. This pattern is especially pronounced in areas with higher house prices, indicating that expensive housing markets may restrict the social mobility of otherwise advantaged young people. As housing opportunities are important in residential mobility decisions, geographically polarised housing markets could also influence which young adults want and are able to move between different parts of the country.

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