

Briefing Paper BP12-2015

Becoming Independent: the importance of housing for young people

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There is a claim that a housing crisis in the UK is adversely affecting young people. The claim of “generation rent” is one that has been used across a range of policy actors. Yet this gives a particular perspective of the crisis, one based around a series of ideas and understandings of housing policy in the UK: namely the prominence, and desirability of owner occupation. The language of “generation rent” is one laden with negativity whilst the proposed solutions, supporting young people to move towards home ownership, runs parallel with debates about building starter homes and affordable housing. There are broader issues with housing stock, provision and availability that are central to policy debates, but these are not the focus here. Rather our concern is with young people and housing and the assumption of homeownership as the solution to the housing problems experienced by young people in the UK.

Consequently the housing need of young people should begin with reflections upon youth transitions to adulthood. This is referring to three interlinked dimensions of young people’s lives as they move from their “childhood” into “adulthood”: employment careers, relationship formation and establishing their own, non-parental, home. Briefly it is

necessary to outline some of the argument around transitions. Since the 1980s it has been suggested that young people's transitions have increased in complexity and have diversified, becoming less linear. The earlier linear model was based on the idea that economic security preceded housing which preceded independence: the train track metaphor was applied here to suggest forward, and pre-destined, momentum. Yet the economic restructuring of the 1980s onwards resulted in significant changes to the lives of young people. Add to this increasing levels of participation in higher education and the wider impacts of these societal changes at the interface of relationships between family, friends and personal relationship development; the train track metaphor no longer holds true. Rather we now see greater attention given to choice patterns of young people, cycling backwards and forwards between the different stages of the transition alongside the breakdown of the linear dimension and perceived progression of young people's transition to adulthood. Thus there is now a non-age perspective examining the transitions from full-time education to full-time employment; from family of origin to family of destination and from residence with parents to living away from the family home.

Yet debate remains regarding choice and wider social structure guiding transitions. Whilst this debate continues, the work of Jones (2002), Furlong and Cartmel (1997) and Catan (2004) illustrate some of the complexities and claims on both sides of this argument. A middle ground has started to develop which notes that structural conditions shape opportunities and choice for young people. Thus, focusing specifically, on housing issues we cannot ignore wider contextual factors, especially in the aftermath of the 2008 financial crisis. But nor should we separate housing from the other transitions young people are going through.

The aftermath of the 2008-financial crisis has seen youth unemployment in the UK (and a number of other Western nations) increase. Where work is available it is often characterised by its precarious and insecure nature (potentially related to this is the rise of zero hour contracts). During the immediate aftermath of the financial crisis there was a shift in undergraduate recruitment, a reduction in graduate jobs resulting in university graduates securing work typically available to non-graduates¹, thus moving this latter group into unemployment and decreasing the likeliness of graduates repaying higher student loan

debts. Whilst this provides a brief overview of the broader education to employment transition context, this complicates the transitions to housing, for it is within this employment context that young people make housing decisions which drive housing demand so to overlook transitions research when making policy could develop ineffective or inappropriate policy solutions. Such decisions are also influenced by personal/marital relationships, but it is difficult to draw out a more general context in relation to this.

The housing context itself must also be considered and here we see a particular focus on the “generation rent” idea alluded to above. A recent Halifax Bank report *Generation Rent* (2015)ⁱⁱ suggests that during 2014 there was:

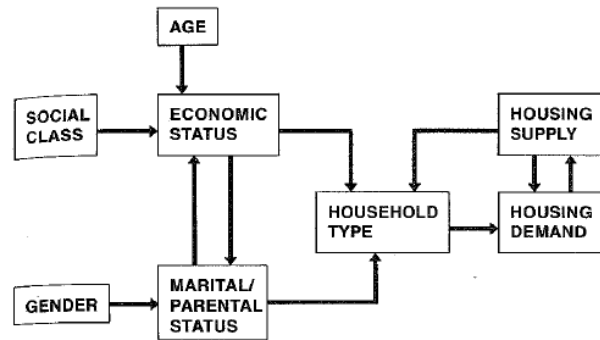
- a drop in number of people aged 20-45 putting money aside for a deposit by 6% points to 43% - indication that people are not even considering savings to own (this is the assumption, but could there also be issues of affordability of saving and increasing cost of living mixed into this change?);
- a change in attitudes suggesting that despite Help-to-Buy many young people are abandoning the dream of homeownership;
- a 20% rent rise over last two years;
- additionally, 53% of respondents felt Help-to-Buy was positive but it was difficult for first time buyers to access finance;
- whilst there was increasing unwillingness to save more than £10,000 for a mortgage – this equated to £33 per week for 5.4 years reported by non-homeowners as acceptable time and money.

In a similar way PriceWaterhouseCoopers have published a report indicating that by 2025 half of 20-39 year olds will be forced to privately rentⁱⁱⁱ. This is happening at the same time as David Cameron stated: *When a generation of hard-working men and women in their 20s and 30s are waking up each morning in their childhood bedrooms, that should be a wake-up call for us.*^{iv} At the time, research by Shelter indicated that around 2m young people were living at home with parents^v as welfare provision which helped support young people’s transitions to adulthood has been gradually reduced or removed making their transition out of the parental home, into their own home, even more complex.

A review of international literature by the Joseph Rowntree Foundation^{vi} draws out an interesting comparison here in relation to support for housing and young people:

- Sweden has recognised the complexities in the transitions to adulthood and has pursued an independence-supporting approach which provides housing allowances for childless young people up to the age of 29 to help them access housing.
- Germany adopts a pragmatic approach as the Government expects young people to normally be living with their parents until age 25; leaving the parental home without good reasons results in no state assistance with housing costs. Where there are good reasons the young person receives full adult level benefit support.
- In the UK, however the welfare system has changed since the coalition government so that it now incentivises young people to stay at home. Until the age of 35 it is only possible to access the Shared Accommodation Rate and this does not take into consideration individual circumstances, such as whether young adults are able to live in their parents' home.

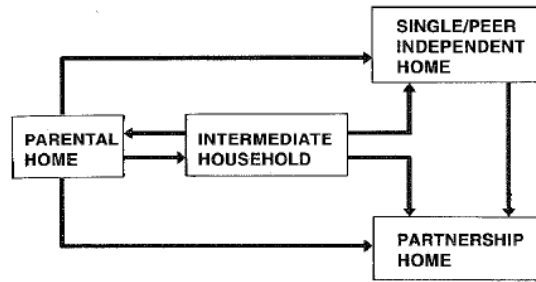
Within this context the Government has launched a number of schemes under Help-to-Buy, but this approach does not fit the grain of the wider context in which housing decisions are made. Rather it reflects the dominant attitude towards home ownership which has been fostered in the UK since the 1980s. Thus the proposed solutions to the housing crisis, especially for young people, often relates to affordability and stock. Important as these are they do not fully appreciate the context of young people. As Jones (1995) illustrates, there are a number of factors which impact and shape young people's decisions around the type of household they access:



From: Jones, G. (1995) *Leaving Home*. Buckingham: Open University Press. P.107

As the diagram illustrates, factors influencing the type of household young people are seeking means that owner-occupation is not necessarily the first choice, especially during the early years of the transition: the circumstances of young people can often shift and change. Consequently whilst age, social class and gender can play an influential role in shaping economic and marital/parental status it is these central two categories which influence the type of household a young person may require. Looking at employment, for example, young people often require greater flexibility and geographic mobility during their formative years of employment, as such owner-occupied, or even social housing, may not be ideal. Thus the type of housing their circumstances require will drive the demand for housing and it is only at this point does the issue of supply and demand take centre stage: owner occupation, may not be appropriate.

Rather policies, such as Help-to-Buy, seem to start with a focus on home ownership as a superior, and desirable form of home tenancy, thus it ignores the underpinning situation most young people face. Running parallel to this is what Jones (1995) refers to as the *housing career*. This term is used to highlight the flexibility in movement around household type and a move away from the train track metaphor. As can be seen in the diagram, movement can happen in and out of the parental and intermediate household – this churning is especially the case for university students whereas access to single and partner homes may come later and be a movement out of either housing types.



From: Jones, G. (1995) *Leaving Home*. Buckingham: Open University Press. P.109

What this early research indicates, however, is that the move towards independence requires a flexible approach to the type of housing in which young people will live, but also the need for appropriate welfare support to recognise and assist this transition towards independence. This early research also illustrates how owner-occupation may not be ideal for the early years of this transition and whilst we require renewed research into the *housing careers* of young people, this will help us to better understand the type of housing demand being generated throughout the course of the transition. Thus the focus on owner-occupation may not be the most suitable for helping 2m young people living with their parents move towards their own independence, at least during the early years of their transition to adulthood.

Additionally it may not be clear that government policy is helping young people. Shelter research into the Help-to-Buy schemes suggests that they have added £8,250 to the average house price^{vii}. Consequently whilst these schemes have helped a small number of people gain access to housing it has, consequently, worsened the overall affordability of the housing situation by increasing house prices. As such my first suggestion for supporting household formation during youth transitions towards independence and adulthood can be summarised as followed:

1. Develop better knowledge of the housing demand generated by young people during transitions to adulthood to see if earlier research regarding this issue remains correct in that young people are more likely to access (and need to access) private rented stock;

If young people continue to rely on the private sector then there is a need to explore policy which supports their lives within this form of tenure and in helping them to progress to other forms later in life, if suitable, when young people continue their transition to adulthood. As such it could be recommended that:

2. Focus is given to improving the quality of private rented tenure, bringing these properties into the Decent Home Standards framework and better regulation of the sector;
3. Ensure greater security of tenure for private rented tenants;
4. Better income support for young people to live independent lives (as the JRF research indicates in relation to other nations), as such this requires reversing a number of changes to access to social security provision to young people introduced by the Coalition Government 2010-15 and continued by the current government;
5. Ensure private renting is affordable; and
6. Develop savings mechanisms and support for young people to work towards a deposit should they wish to become an owner occupier in the future.

These are suggestions which need to be further thought through and investigated. But one issue remains which will be harder to tackle: the mythical status of home ownership. There exists a “British Desire” (similar to “the American Dream”) which has been attached to home ownership. The British Social Attitudes survey indicates that a sizeable portion (86%)^{viii} of the population still find home ownership desirable, and this is not necessarily a problem per se. What, it is suggested here, is inappropriate, is the assumption that this should be the target immediate form of tenure when moving out of the parental home. In part, therefore, it is necessary to question the primary focus on this policy approach but it may also be necessary to challenge the importance attached to home ownership as a British Desire. Politically this will be a challenge, but it has essentially arisen out of the last 30 or so years of political narratives that homeownership is the preferred and responsible endeavour of the citizen. This has not been the case over the longer history of British social policy; this is also not the case in many other nations.

The key message from this paper, however, is that we cannot assume home ownership is suitable for young people as they start moving towards independent lives. The demand they generate for housing is much more varied and at present policy is not responding to this, rather it continues to perpetuate the aspiration of home ownership, paying little attention to the lived reality of many young people.

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ⁱ <http://www.theguardian.com/business/2013/nov/19/half-recent-uk-graduates-stuck-jobs-ons> accessed 28th October 2015

ⁱⁱ http://www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/halifax/2015/150407-halifax-generation-rent-report_final.pdf accessed 28th October 2015

ⁱⁱⁱ <http://www.pwc.co.uk/assets/pdf/ukey-jul2015.pdf> accessed 28th October 2015

^{iv} <http://www.telegraph.co.uk/news/politics/david-cameron/11915766/David-Cameron-The-2010s-will-be-a-turnaround-decade.html> accessed 28th October 2015

^v <http://www.theguardian.com/money/2014/jul/29/england-2-million-young-adults-living-with-parents> accessed 28th October 2015

^{vi} <https://www.irf.org.uk/report/young-people-and-social-security-international-review> accessed 28th October 2015

^{vii}

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/research/how_much_help_is_help_to_buy accessed 28th October 2015

^{viii} http://www.bsa.natcen.ac.uk/media/38952/bsa28_8housing.pdf accessed 28th October 2015