

Homeownership and the transition to parenthood

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POLICY BRIEFING

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Couples' preferences to own their own home before having their first child have been undermined by rising housing unaffordability among young adults. Our work uses data collected between 1991 and 2016 to investigate how the link between homeownership and entering parenthood has changed over time in Britain.

Our findings reveal that, in comparison to the 1990s, the likelihood of becoming a parent has declined among homeowners in recent years, while childbearing rates among private renters have remained stable. Owner-occupiers and private renters, therefore, have become more similar in terms of their likelihood of entering parenthood.

Overall, our findings question the classical assumption of a positive link between homeownership and transition to parenthood. We propose that the association has changed due to increased housing uncertainty, for homeowners too. This policy briefing provides an overview of the key findings of an open access Demography article available at <https://doi.org/10.1215/00703370-9420322>

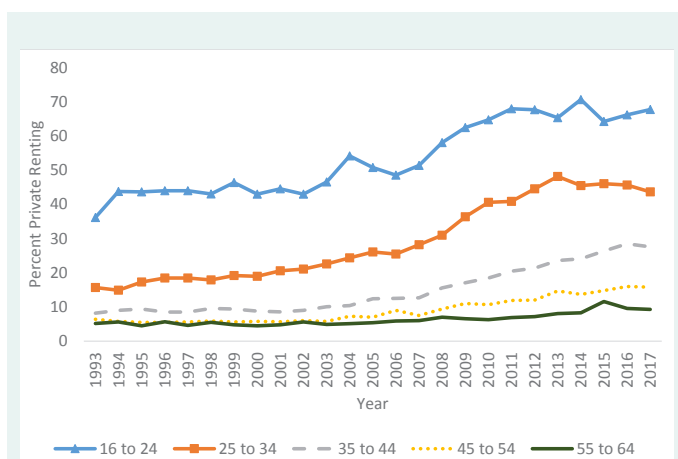
Key Points:

- *Historically, fertility rates were far higher among homeowners than among private renters in Britain.*
- *As a result of housing unaffordability, young people are having to remain in private rented accommodation until ages when they typically start a family.*
- *The likelihood of becoming a parent while in owner-occupied accommodation has declined over time, with young people almost as likely to become parents while living in private rented accommodation in recent years.*
- *We hypothesise that this decline may be due to increased housing uncertainty among homeowners due to high house prices and the need to service formal mortgage debt and repay loans, for example to relatives.*

Introduction

In recent years, as a result of increased housing unaffordability, homeownership rates, especially among younger people, have plummeted and the number of people living in private rented accommodation into their late twenties has increased (Figure 1). Historically, in Britain, private renting was seen as a “transitional tenure”, with tenants having very few rights, and homeownership seen as a preferred setting for parenthood. However, mortgages are no longer widely accessible and homeownership is a prerogative for only those who are wealthier, confident of retaining their job (to be able to pay their mortgage), and those who maintain a strong preference for homeownership. Nonetheless, aspirations for homeownership remain strong across the country and private tenants continue to have very few rights. Consequently, homebuyers may be postponing or forgoing parenthood because the cost of housing deposits and mortgage payments compete with the costs of parenthood.

We used longitudinal data from 27 years of the British Household Panel Study (BHPS) and its successor the United Kingdom Household Longitudinal Study (UKHLS) to examine women’s rates of first birth between 1991 and 2016 in Britain. We asked three questions: Has the association between homeownership and the probability of conceiving the first child changed since 1991? Is this change explained by the socio-economic and demographic characteristics of women in the different housing tenures? What role do Local Authority District housing markets play in this relationship?



Source: Office for National Statistics

Figure 1: Percentage of household reference persons who are privately renting over time by age group, England

The study

Our sample consists of 5,082 women living independently from parents born between 1948 and 1997 and residing in 374 Local Authority districts (LADs) of Britain. Each woman was observed for an average of 3.6 years; survey weights for the cross-sectional sample at each panel wave were used to account for initial non-response and attrition from the sample over time. There were 1,296 first-birth conceptions between 1991 and 2016. To measure house prices we chose to use the value of a lower-quartile house price for each LAD; that is, the price of the 25th percentile of house prices in a given LAD for a year. The transition to parenthood was studied using a multilevel logistic discrete-time event-history model with random intercept, with person-years nested within LADs. The baseline hazard was the woman’s age. The event of interest was the woman’s first conception leading to a live birth.

Main findings

Our study suggests a new family formation dynamic, involving a change over time in the relationship between homeownership and entry into motherhood. The likelihood of becoming a mother while in owner-occupied accommodation has declined in recent years, to the point that it is equally likely that a woman will become a parent while living in private rented accommodation. Our findings were the same even when we controlled for the women’s socio-economic and demographic characteristics including partnership status, education, employment status, income and parental social class. Up until 2012, the predicted annual probability of conceiving a first child

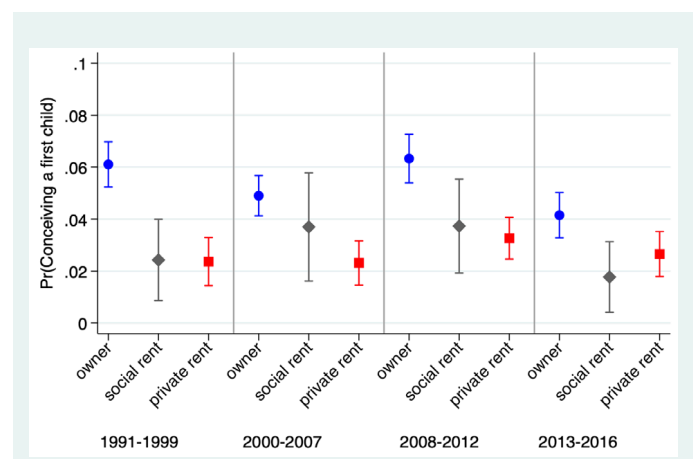


Figure 2: Predicted annual probabilities of conceiving a first child according to calendar period and housing tenure, 1991-2016, Britain

was significantly higher for homeowners compared to private tenants. But for the period 2013–2016 there was no significant difference between the two groups (Figure 2). Therefore, from 2013 there is a clear emergence of a change in the relationship between homeowners and first-birth conceptions, showing a decline in the probability of conceiving among homeowners.

The role of local housing markets is not straightforward. We found that in areas where house prices are in line with the British average, for example Southampton, the likelihood of entering parenthood became similar for homeowners and private renters in the early 2000s. Whilst, in areas where housing was more expensive, homeowners tended to exhibit higher childbearing rates than private renters (not shown here) until very recently.

We speculate that this group is less in need of a dual-income because individuals buying homes in the most expensive housing markets are likely to have other sources of income, for example from family or inheritance. Therefore, for the wealthiest group, homeownership and childbearing remain strongly associated, as was the case for most groups in the past.

Discussion of results

Private tenants have historically faced housing uncertainty; we suggest that, for this reason, they have traditionally had lower fertility compared to owner-occupiers. However, housing uncertainty has increased for owner-occupiers in recent years, linked to macro-economic changes (financial and unemployment-related uncertainties) and changing pathways into homeownership (the increased importance of mortgage credit and loans from relatives).

Although our data do not allow us to determine the underlying reasons for this decline, we hypothesise that homeownership is progressively competing with the cost of childbearing. The majority of owner-occupied homes

are purchased with a mortgage and a higher proportion of income is used to service that debt or to repay (at least partly) money received to fund a deposit. Homeownership increasingly requires households to have a dual-income; accordingly, buying a home encourages women to attach themselves to the labour market. Second, in a socio-economic context where increasing economic difficulties challenge homeownership, homeowners might have become a more select group, one characterised by an (unmeasured) orientation toward career and material aspirations.

Policy implications

The disconnection between homeownership and entry into parenthood has significant implications for parenthood. If it is the case that homeownership is increasingly competing with the costs of childbearing then it is likely that fertility will be postponed or foregone among homeowners. Thus childbearing intentions will remain unfulfilled.

Policies need to recognise and address the large regional disparities in housing affordability, for example by improving housing availability and affordability in high cost areas, whilst encouraging job formation in areas of the country where housing is more affordable.

The private rental housing market in Britain remains un-family friendly, unregulated, and insecure. Housing uncertainty among private renters might arise from the threat of eviction (by landlords in the context of fixed-term tenancies), unregulated increases in rental prices, the lack of rights regarding property maintenance and enhancement.

Of particular concern to the parents of children in a private rental is that moving house can require moving children from one school to another. Policies are therefore required to improve the quality and security of private rented accommodation.

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