

Housing Wealth and Young People

“Policies to Fight Inequality: Housing Policy and Wealth Inequality”
28-29 Nov 2023, Luxembourg

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But first... PROPEL Project: 2021-2025 (PROactive Policymaking for Equal Lives)

Motivating question:

How do housing policies and housing markets contribute to inequalities within and across countries?



PhD Student Sharon Bravo



Dr. Giulia Buscicchio



Dr. Lindsay Flynn (PI)

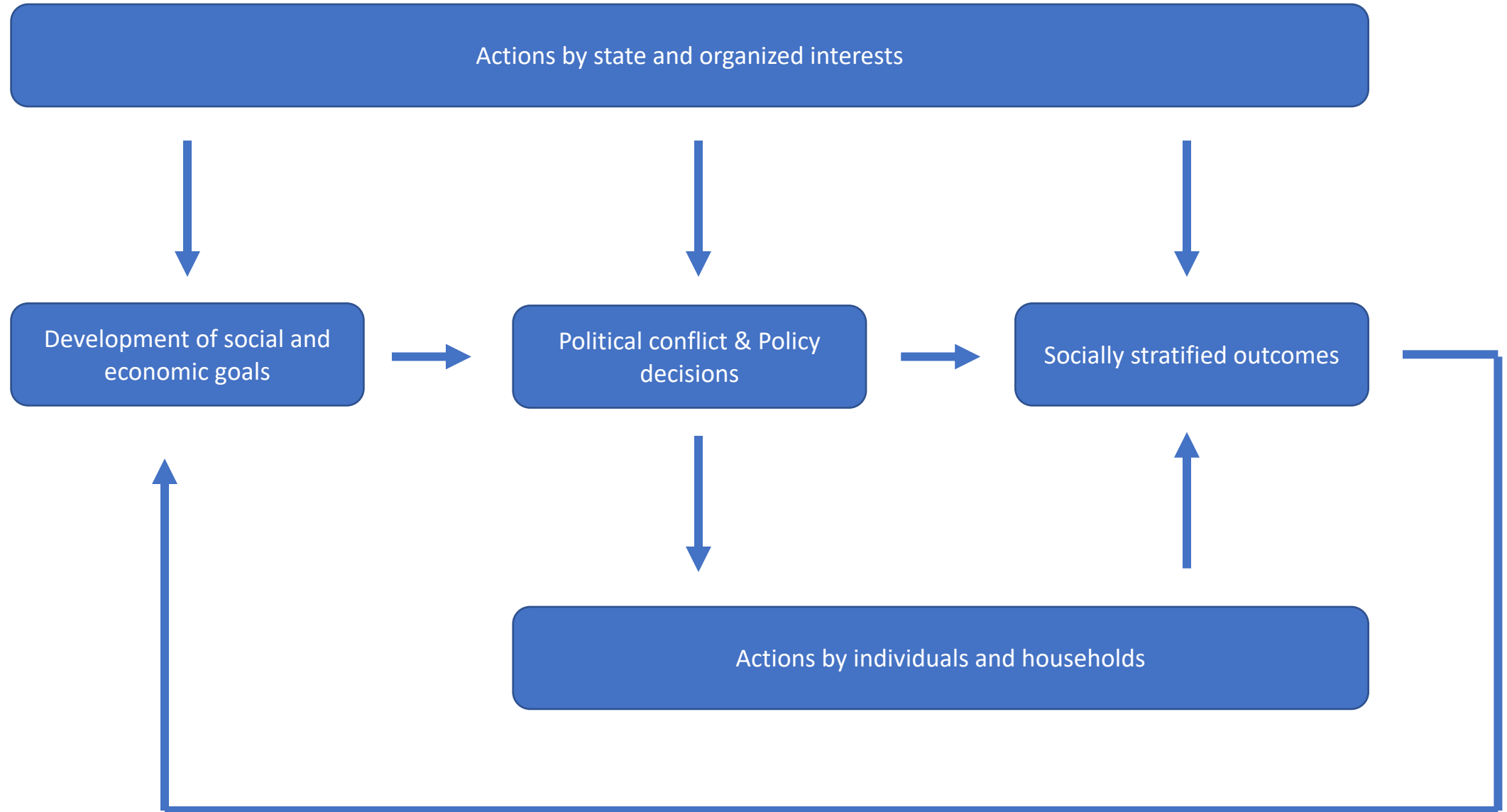


PhD Student Julia
Furtado de Barros

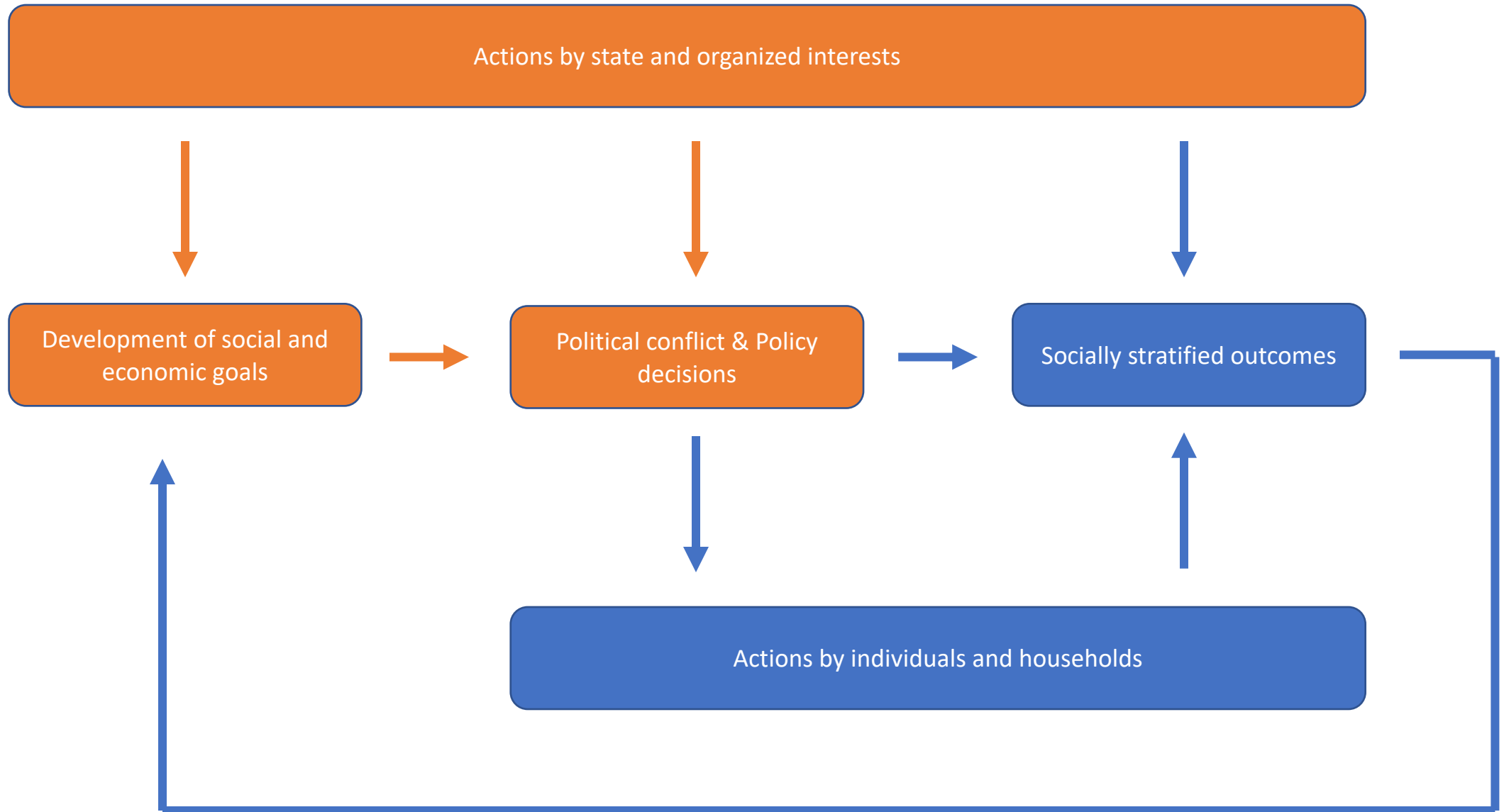


Dr. Giuseppe Montalbano

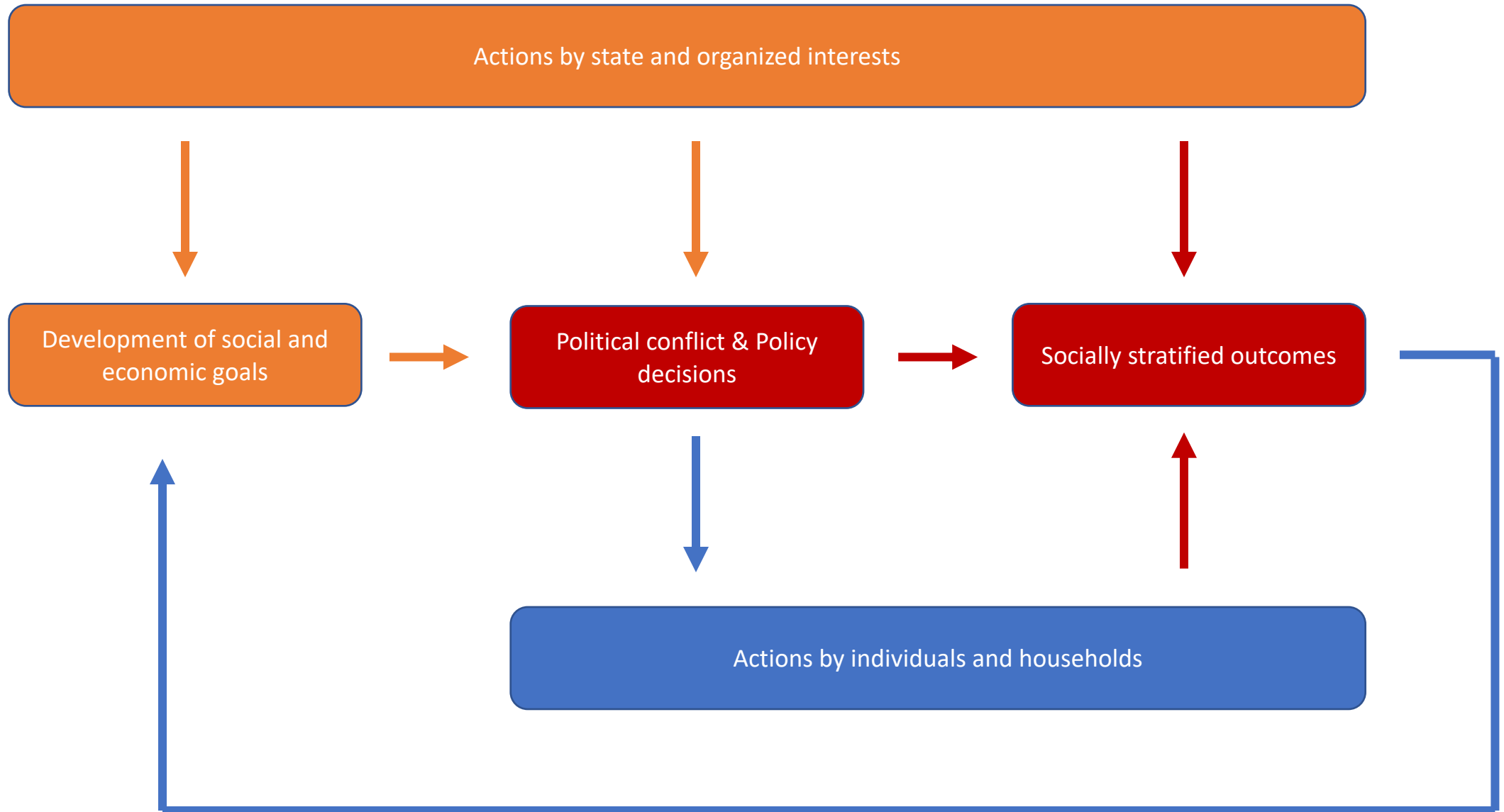
RQ: *How does housing generate inequalities?*



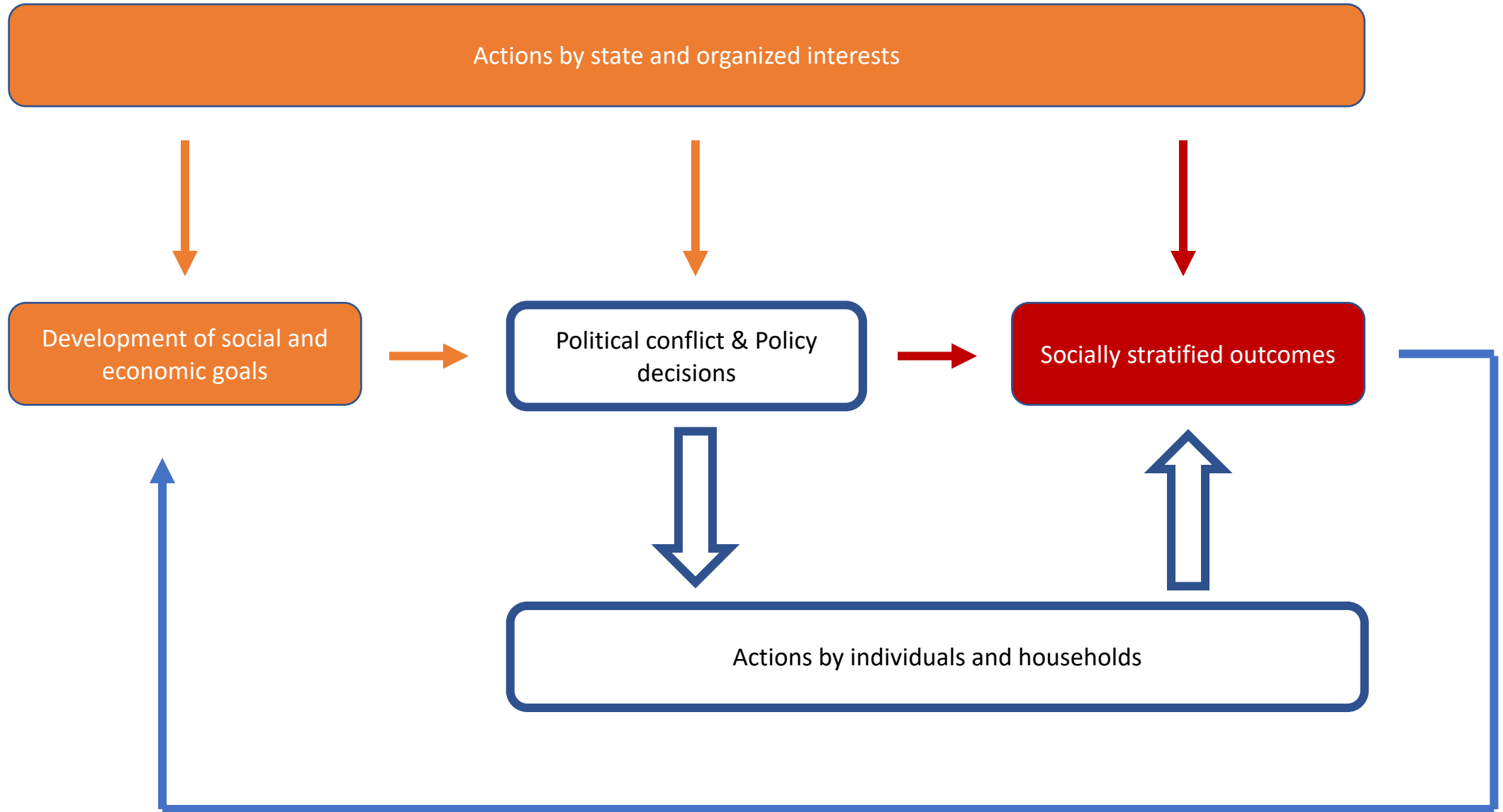
Political Processes of Inequality

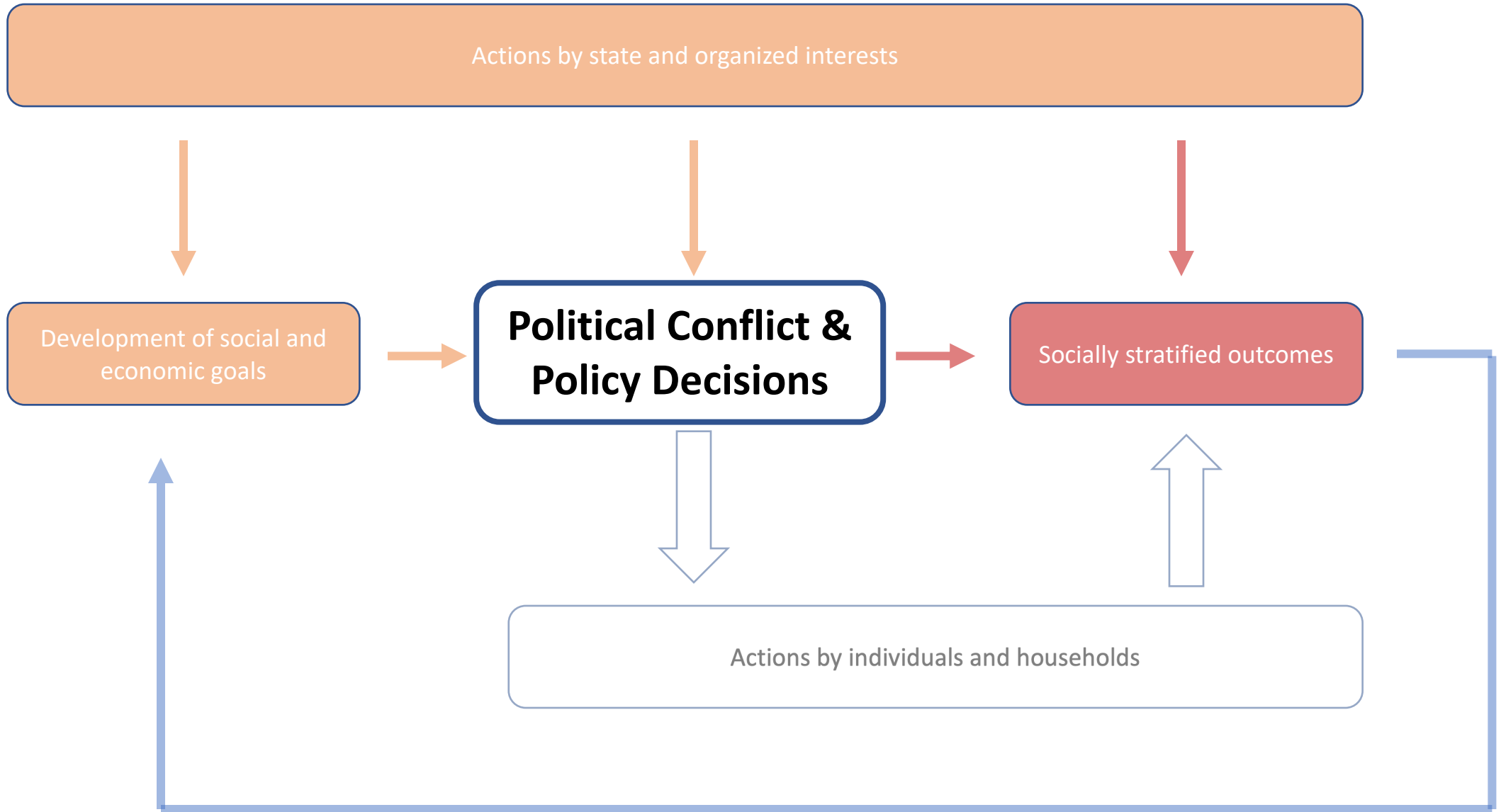


Unequal Effects of Housing Policies

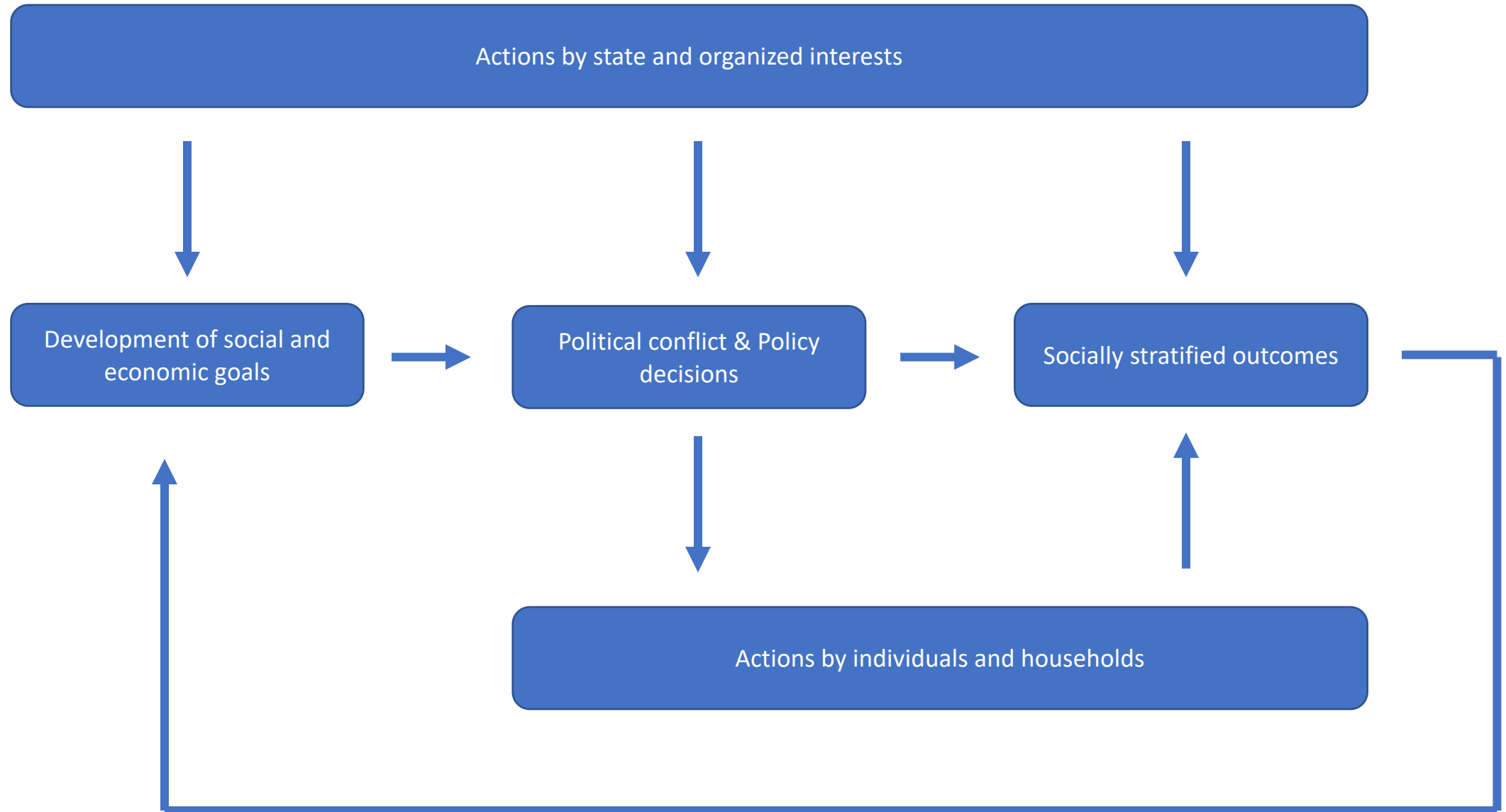


Scientificallly-informed Policy Analysis





Today's Talk: *Changing Trends and Determinants for Young People (middle/bottom right)*



Changing Trends & Possible Determinants

Data mostly from:

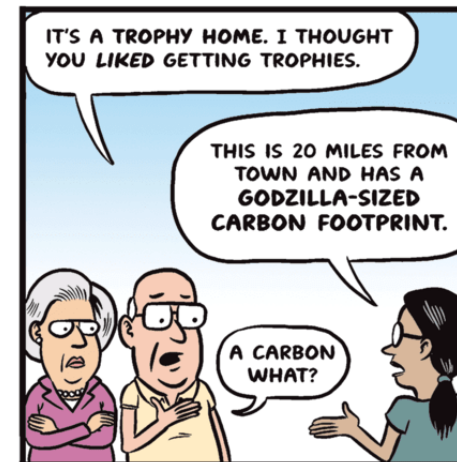
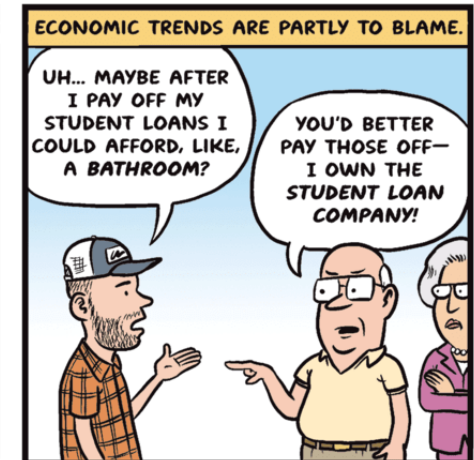
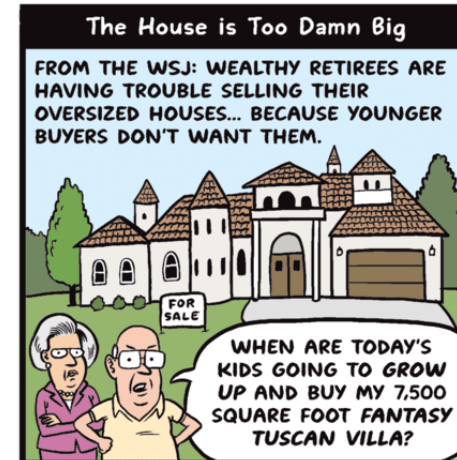
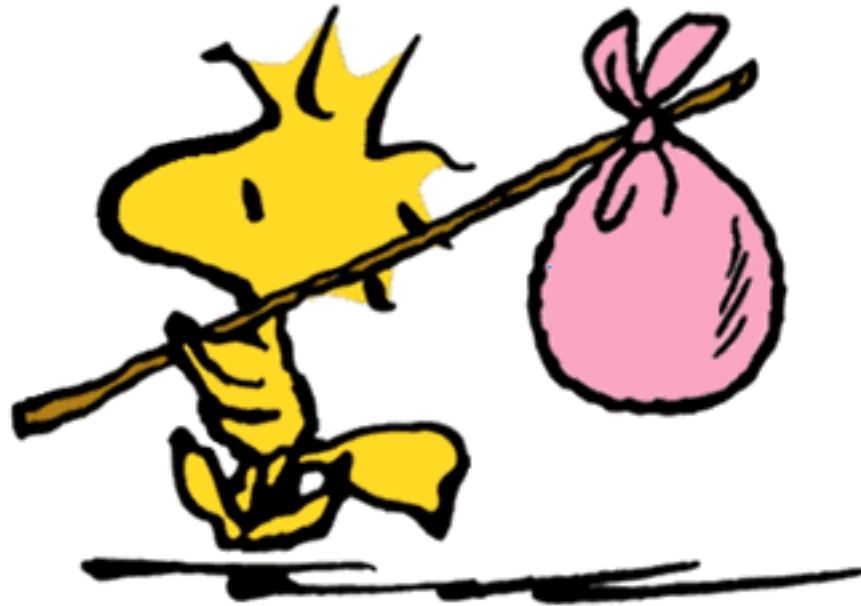
Flynn, L.B., 2019. The young and the restless: housing access in the critical years. *West European Politics*, 43(2), pp.321-343.

Dewilde, C. and Flynn, L.B., 2021. Post-crisis developments in young adults' housing wealth. *Journal of European Social Policy*, 31(5), pp.580-596.

Flynn, L.B. and KostECKI, S., 2023. Acquisition capital: using a new concept to explore housing outcomes among millennials in the United States. *Housing Studies*, pp.1-22.

Delays → Cross-cutting wealth impacts → Competing financial strategies

1. Delays in common milestones



Shared Challenges:

Delays compared to prior generations

Table 1. Changes over time in common lifecycle milestones, ages 25–34.

	Percentage exited	Of exited: percentage in traditional household	Of traditional households: percentage homeowners	Percentage of cohort exited into a traditional homeowning household
United States 1979	91.2%	80.7%	68.6%	50.4%
United States 2016	79.4%	66.4%	48.2%	25.4%
Δ	−11.8%	−14.3%	−20.4%	−25.1%
United Kingdom 1986	89.7%	86.8%	72.9%	54.6%
United Kingdom 2013	86.2%	78.8%	45.4%	30.8%
Δ	−3.6%	−8.0%	−27.5%	−23.8%
France 1978	91.5%	93.2%	38.2%	32.6%
France 2010	89.7%	77.9%	39.4%	27.6%
Δ	−1.8%	−15.3%	1.2%	−5.1%
Germany 1978	92.7%	87.6%	39.9%	32.2%
Germany 2015	83.3%	71.4%	24.3%	14.5%
Δ	−9.5%	−16.2%	−15.6%	−17.7%
Norway 1986	90.6%	74.0%	57.9%	38.4%
Norway 2013	90.9%	65.9%	65.8%	39.4%
Δ	0.3%	−8.1%	7.9%	1.0%
Denmark 1987	99.1%	74.6%	68.2%	49.3%
Denmark 2013	95.3%	67.2%	41.0%	26.1%
Δ	−3.9%	−7.3%	−27.3%	−23.1%
Italy 1986	68.0%	90.0%	39.4%	23.8%
Italy 2014	41.3%	68.1%	44.4%	12.5%
Δ	−26.7%	−22.0%	4.9%	−11.3%
Spain 1980	80.0%	85.3%	57.4%	36.5%
Spain 2013	59.7%	74.9%	56.6%	25.3%
Δ	−20.3%	−10.4%	−0.8%	−11.2%

Diverging Paths:

Hollowing out of the
young middle class

+

HO increasingly
shared unevenly
across incomes

Table 2. Characteristics of traditional households, ages 25–34.

	Percent middle class	Percentage who own home, by class		
		lower	middle	upper
United States 1979	65.0%	47.3%	78.1%	87.9%
United States 2016	54.5%	32.6%	63.1%	68.3%
Δ	−10.4%	−14.7%	−15.0%	−19.6%
United Kingdom 1986	63.1%	50.2%	82.8%	91.2%
United Kingdom 2013	63.9%	21.1%	56.5%	73.2%
Δ	0.8%	−29.1%	−26.3%	−18.0%
France 1978	67.7%	28.4%	41.8%	51.2%
France 2010	55.1%	22.8%	46.5%	58.5%
Δ	−12.6%	−5.6%	4.7%	7.4%
Germany 1978	78.2%	15.2%	46.1%	74.5%
Germany 2015	60.6%	7.8%	31.1%	48.2%
Δ	−17.7%	−7.4%	−15.0%	−26.2%
Norway 1986	73.9%	39.4%	66.1%	78.6%
Norway 2013	63.4%	37.3%	81.6%	88.8%
Δ	−10.5%	−2.1%	15.5%	10.3%
Denmark 1987	80.9%	38.3%	75.2%	39.7%
Denmark 2013	63.5%	11.6%	57.5%	45.8%
Δ	−17.4%	−26.7%	−17.7%	6.2%
Italy 1986	61.7%	28.8%	42.3%	57.3%
Italy 2014	51.3%	23.9%	55.1%	66.7%
Δ	−10.4%	−4.9%	12.9%	9.4%
Spain 1980	60.5%	47.7%	57.5%	64.4%
Spain 2013	51.9%	41.8%	67.7%	89.3%
Δ	−8.6%	−5.9%	10.2%	24.9%

Potential Policy Factors and Home leaving

(AT, AU, CA, DK, FI, FR, DE, GR, IE, IT, JP, KR, LU, NL, NO, ES, SE, CH, UK, US; with all the usual caveats)

Table 3. Correlations between percentage remaining at home and housing policy.

	Base correlation	<i>N</i>
<i>Overall characteristics</i>		
Residential mobility	−0.65***	18
Mortgage depth	−0.58***	20
Social housing rate	−0.58***	19
Homeownership rate	−0.04	20
<i>Owner-occupied market</i>		
Buyers' transaction costs	0.45**	20
Tax relief for owners	−0.39*	20
Sellers' transaction costs	−0.30	20
<i>Rental market regulations</i>		
Rent controls	−0.34	20
Rights of tenants	0.06	20
<i>Rental housing quality</i>		
Leaky roof	−0.07	14
Space shortage in unit	−0.05	13
<i>Aggregate measures</i>		
Housing access index	−0.69***	19
Index-identified clusters	0.64***	19
Literature-identified clusters	0.46**	19

*** $p < 0.01$;

** $p < 0.05$;

* $p < 0.10$.

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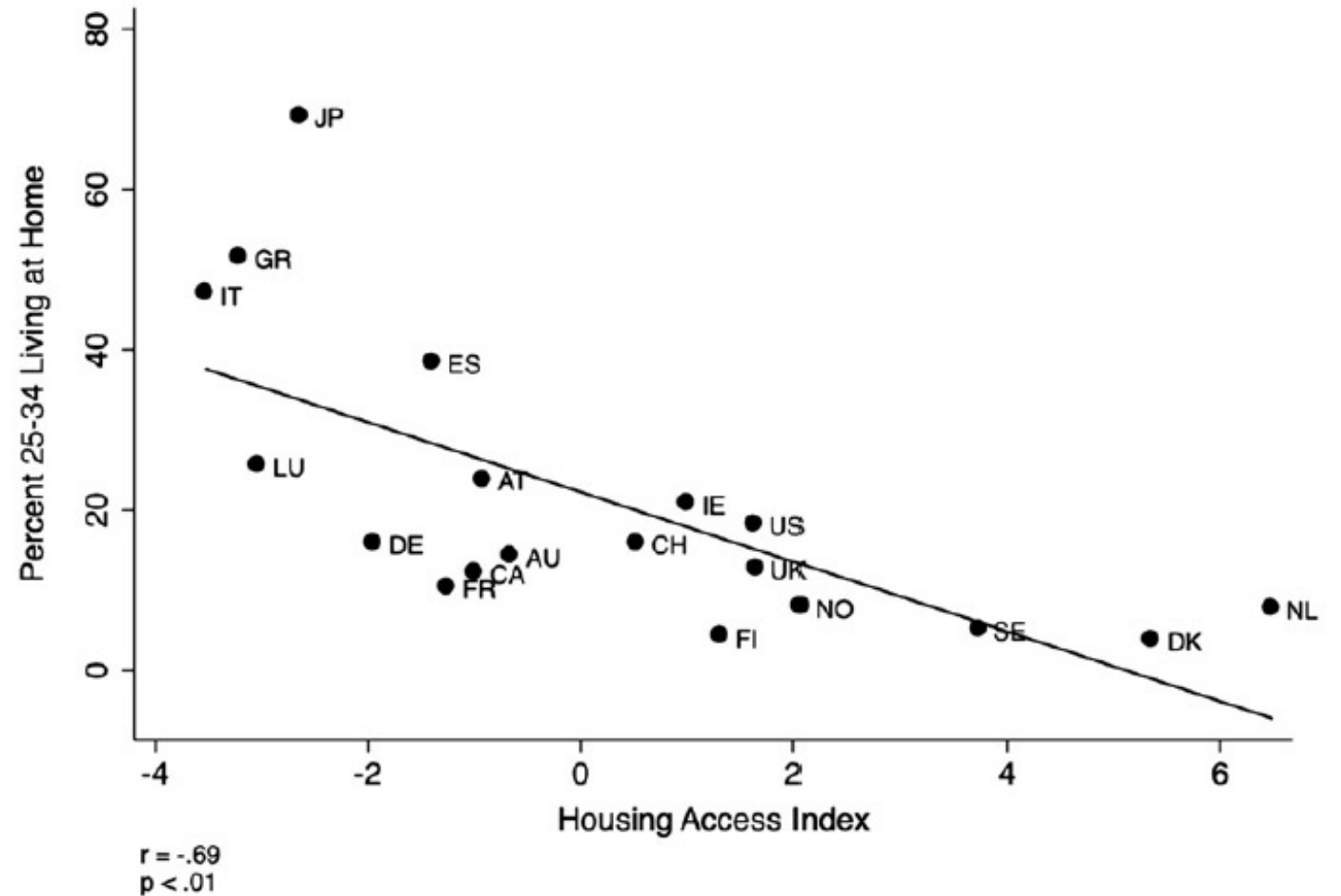


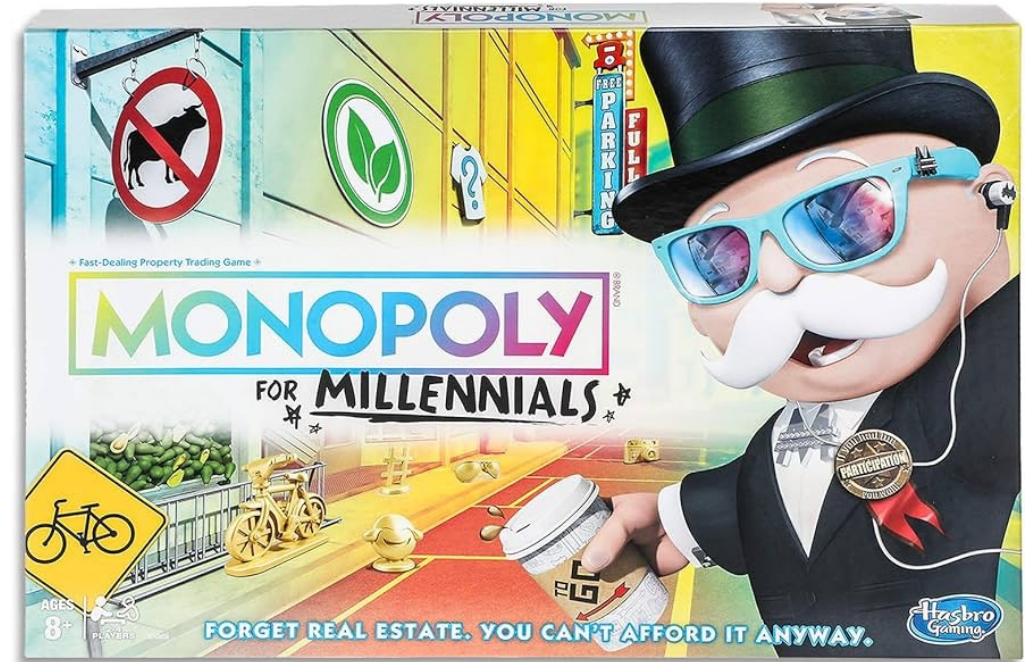
Figure 1. Leaving home and accessing housing.

Potential Household and Generational Factors

(leaving home + other common milestones)

		Living Arrangements	
		Independent Housing	Living with Parents
Parental Support	High	<p>1 Launchers “Trustafarians”</p> <p>Able to realize desired milestones</p> <p><i>Parental credit</i></p>	<p>2 Cautious Savers Interns</p> <p>Difficulty realizing desired milestones; some ability to catch up via rapid saving</p> <p><i>Freeloading</i></p>
	Low	<p>3 Renters Precariat</p> <p>Difficulty realizing desired milestones because of expensive housing relative to income</p> <p><i>Formal and informal credit markets</i></p>	<p>4 Pooled Households Marginalized</p> <p>Difficulty realizing desired milestones; difficulty catching up as saving is slower</p> <p><i>Income pooling across generations</i></p>

2. Shared challenges, but bifurcated pathways leading to more housing wealth inequality



Diverging Paths:

Declines in HO mostly mirrored with different data and post-crisis years (avg. HO rates ↑ in BE, FR, LU, and SK only)

	Bottom income third		Top income third	
	<u>2010</u>	<u>2017</u>	<u>2010</u>	<u>2017</u>
Austria	27.0	24.9 ↓	39.6	44.9 ↑
Belgium	32.2	32.9 –	83.0	78.5 ↓
Germany	15.3	13.1 ↓	45.3	36.3 ↓
Finland	33.0	23.2 ↓	76.0	75.8 –
France	20.4	19.8 –	59.2	68.0 ↑
Greece	51.4	42.1 ↓	59.3	50.0 ↓
Italy	33.1	37.0 ↑	65.2	70.6 ↑
Luxembourg	30.3	40.2 ↑	72.3	69.7 ↓
Netherlands	49.1	39.8 ↓	69.2	70.7 ↑
Portugal	59.5	47.9 ↓	77.4	74.0 ↓
Slovakia	74.0	75.7 ↑	82.7	83.8 ↑
United States	30.7	25.5 ↓	74.9	72.2 ↓

Expectation either ↓ ↓ or ↓ ↑

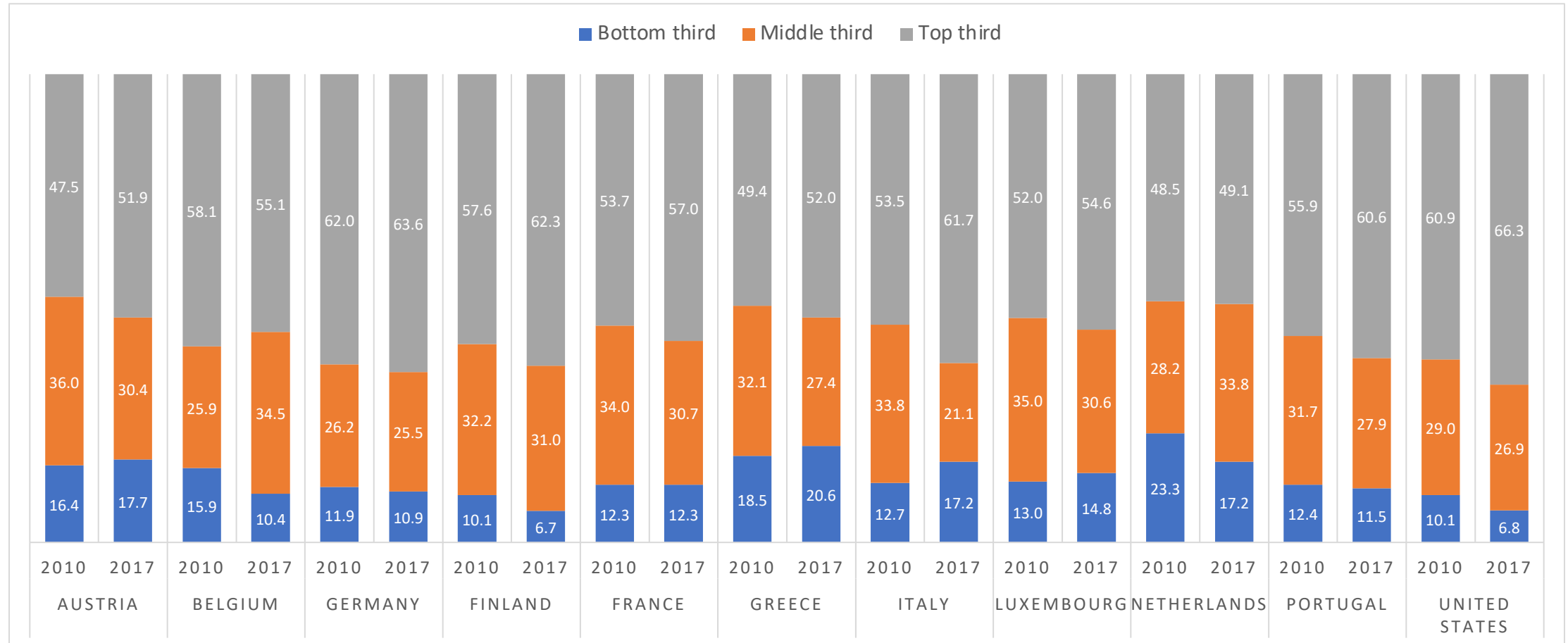
Diverging Paths:

Growing wealth inequality almost everywhere, S80/S20 might offer a good alternative summary measure compared to wealth gini

	Wealth gini		S80/S20 (across income dist)	
	2010	2017	2010	2017
Austria	0.77	0.78 –	2.8	3.6 ↑
Belgium	0.59	0.51 ↓	3.4	7.3 ↑
Germany	0.79	0.82 ↑	6.3	17.1 ↑
Finland	0.57	0.61 ↑	4.4	6.5 ↑
France	0.69	0.68 –	6.6	9.6 ↑
Greece	0.60	0.67 ↑	1.9	3.1 ↓
Italy	0.65	0.68 ↑	6.0	5.8 –
Luxembourg	0.59	0.58 –	5.9	3.6 ↓
Netherlands	0.55	0.58 ↑	1.8	3.2 ↑
Portugal	0.52	0.55 ↑	3.6	4.5 ↑
Slovakia	0.48	0.49 –	1.8	2.5 ↑
United States	0.69	0.73 ↑	12.2	21.3 ↑

Differences not always statistically significant but should be substantively significant (e.g., short time frame; expected future projections)

Growing wealth concentration within homeownership (by income), not just increased selectivity



Potential Macro Factors

(with all the usual caveats... Δ 2010-2017)

- \downarrow Mortgage access = \uparrow concentration of housing wealth at the top of the income distribution ($r = 0.51$, $p < 0.1$, $n = 12$)
- \uparrow Price volatility = \uparrow concentration of housing wealth at the top of the income distribution ($r = 0.55$, $p < 0.1$, $n = 12$)
- \uparrow Unemployment rates = \uparrow increases in P90/50 ($r = 0.51$, $p < 0.1$, $n = 12$)

3. Financialization is extending into everyday life with consequences for the young

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Refamiliarization and Financialization of the Everyday @ the HH level

- Usual suspects of own and parental resources
 - Income, education, intergenerational transfers (Flynn and Schwartz 2017; Whitehead and Williams 2017; Ronald and Lennartz 2018; Dewilde 2020)
- Newly applied: Financialization & financialization of everyday life
 - Impacts housing markets differently across established welfare state and housing regimes (Aalbers 2008; Aalbers 2016; Lennartz 2017)
 - Financial strategies and behavior (Langley 2008; Barkova 2014; Hackel and Shan 2014; van der Zwan 2014; Kear 2017)

Data and Methods

- United States as a good test case
- Survey of Consumer Finance (SCF) 2019, all imputations included
- Young independent households; reference person 18-45
- Dependent variables:
 - Tenure status (logistic regression, analytic sample = 1,520)
 - Gross housing wealth (Heckman regression, analytic sample = 723)

Data and Methods: “Acquisition Capital”

Own and Parental Resources (M1, M2)

- Income
- Student loans
- Receive/expect inheritance
- Educational attainment
- Parents’ educational attainment

Financial Strategies (M2 only)

- Spending/savings habits
- Credit card payoff habits
- Borrowing/credit info gathering
- Saving/investing info gathering
- Financial knowledge
- Financial risk-taking
- Amount of credit searching

	Homeownership		Housing Wealth	
	M1	M2	M1	M2
Income	+	+	+	+
BA degree (ref = some college)	+	+	+	+
No Student loans (ref = has loans)	+	+	+	+
Received inheritance (ref = no inheritance)	+	+	- (m.s)	n.s.
Expect inheritance	n.s.	- (m.s.)	+	+
Spending habits (ref = spend same as income)				
Spend less than income		+		n.s.
Spend more than income		n.s.		+
Credit card payoff habits (ref = sometimes pay off)				
No credit card		-		-
Hardly ever pay off		+		-
Financial knowledge (ref = medium knowledge)				
Low financial knowledge		n.s.		-
High financial knowledge		+		n.s.
Financial risktaking (ref = sometimes willing)				
Not willing to take financial risks		-		+
Very willing to take risks		-		+

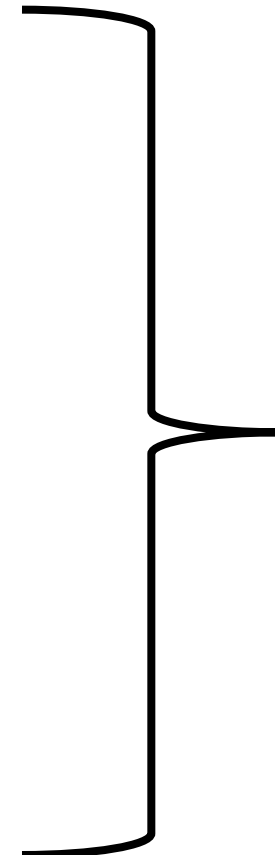
See paper for full model
Source: Flynn and Kosteci 2023, SCF data

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Expect inheritance	n.s.	- (m.s.)	+	+
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Usual suspects matter; timing of inheritance matters

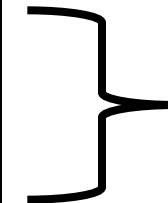
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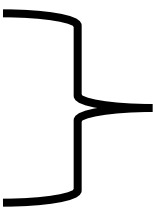
Importance of financial strategies

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BA degree (ref = some college)	+	+	+	+
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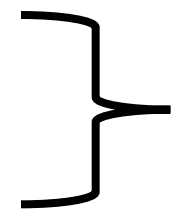


But diff dynamics for HO and HW and narrative of “good” financial strategies is wrong

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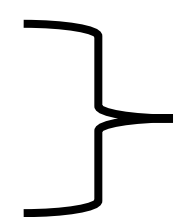

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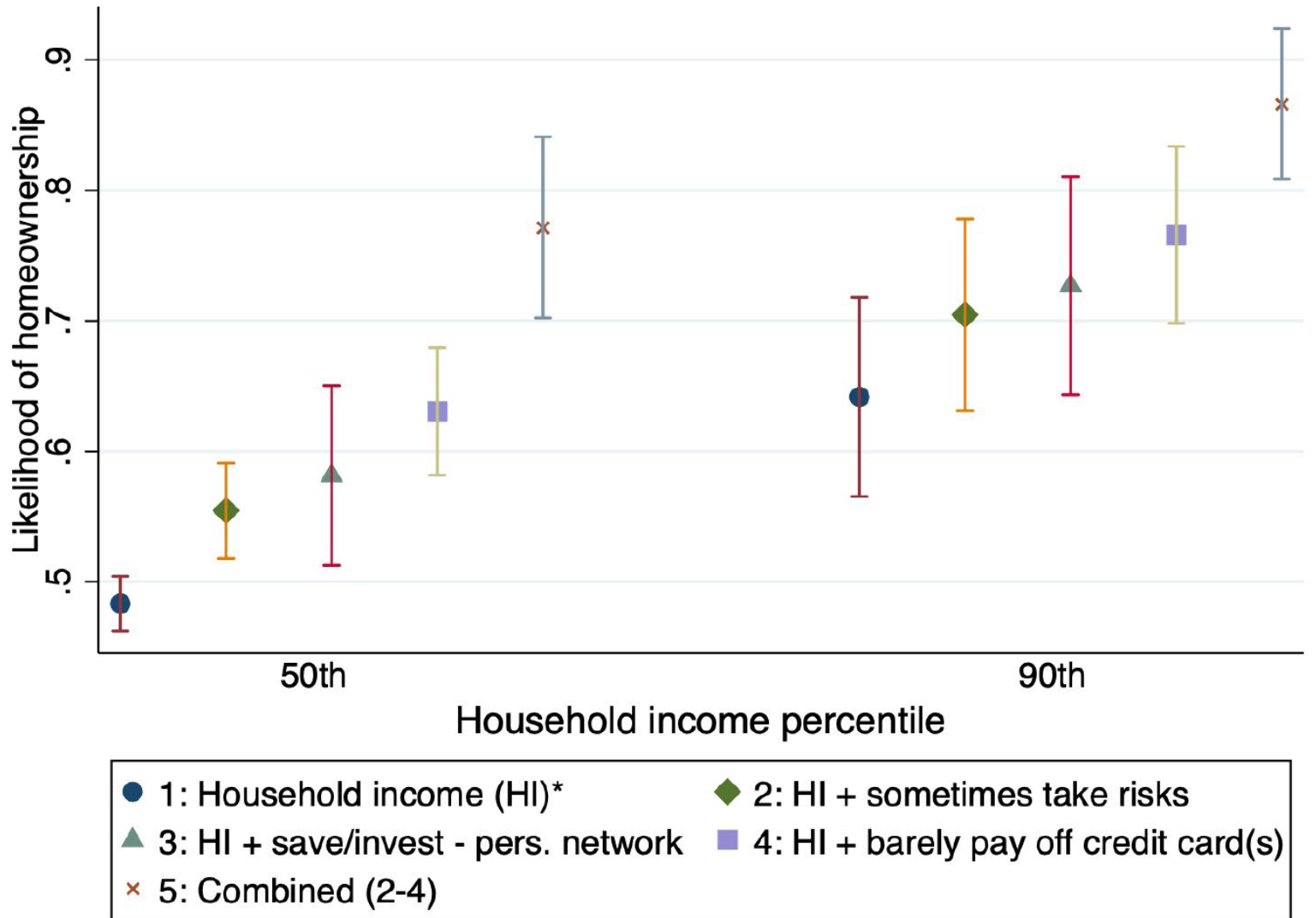
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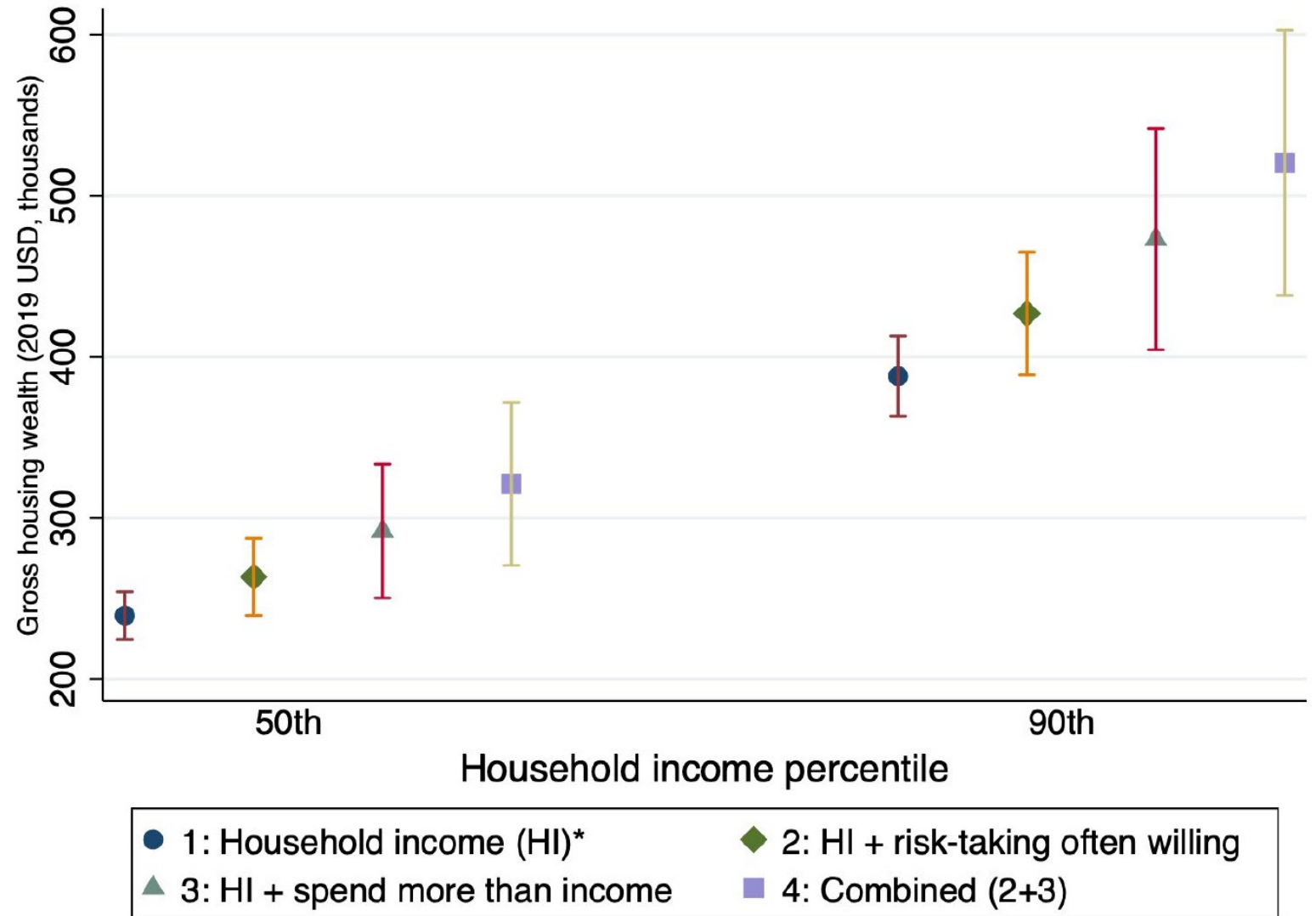


But diff dynamics for HO and HW and narrative of “good” financial strategies is wrong

Some combinations lead to similar chances of HO for middle and high-income earners



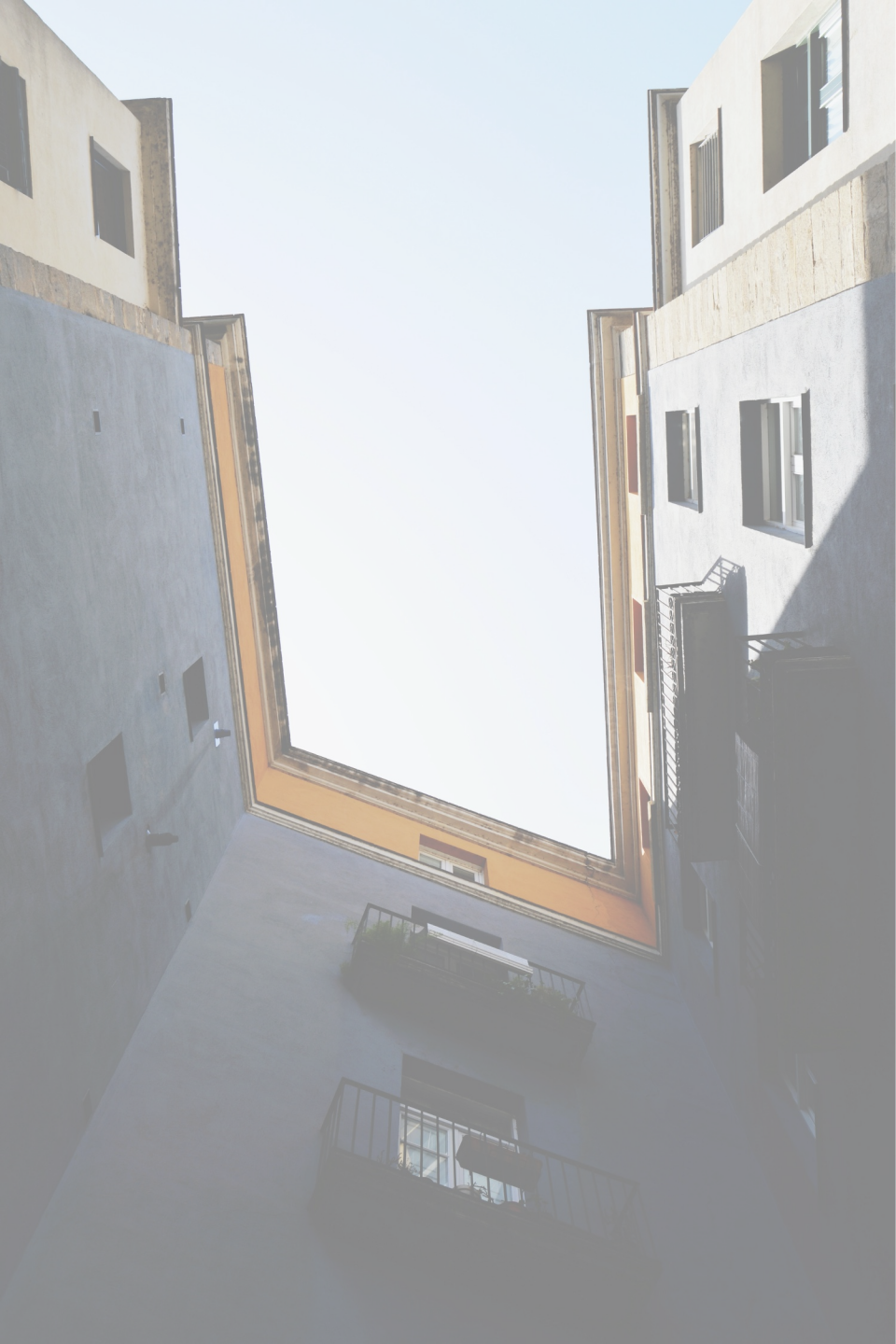
But not so for housing wealth



Where does this leave us?

Policies to Fight Inequality

- *Shared Access Challenges*: Packages of policies needed in social rented market, private rented market, and homeownership support; the more pathways the better
- Housing as a welfare provision and refamilialization of risk exacerbates inequality (across generations and within the younger generation) → tenure neutrality and paths to grow financial wealth for tenants
- Growing concentration of housing wealth → Homeownership assistance (incl. tax incentives) phased out at higher income levels
- Differences in capital gains and risk + differences in financial strategies → Greater awareness of when and where HO is a financially sound investment



Housing Wealth and Young People

Thanks!

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