

There is much talk about the difficulties that many young people in Britain face in trying to acquire their first home. Research by **Jo Blanden** and **Stephen Machin** explores the links between home ownership and social mobility, and finds evidence of wealth inequality being increasingly transmitted between the generations.

Home ownership and social mobility

It is well known that home ownership rates have been falling rapidly among young people. Linking own home ownership with parental home ownership, our research demonstrates that the sharpest falls have occurred for those who grew up in families where their parents did not own their homes. Given the link between home ownership and wealth, the findings indicate growing intergenerational inequality in wealth.

Data from the English Housing Survey and its forerunner, the Survey of

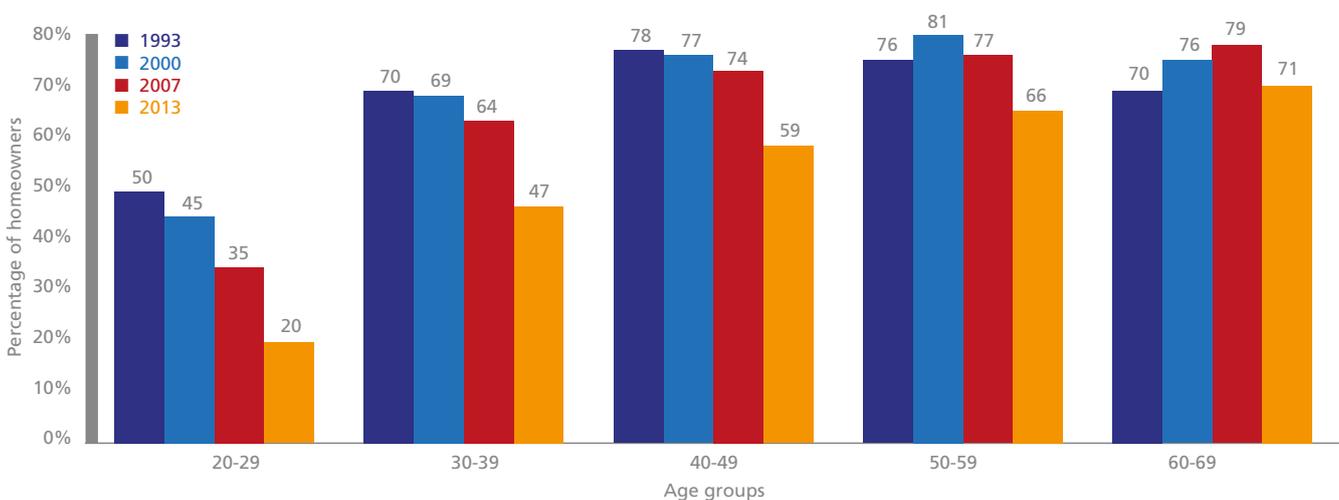
English Housing, reveal a picture of falling rates of home ownership through time, particularly among younger people. Figure 1 provides information on patterns of home ownership in England by age group and year. It shows that trends differ quite markedly by age, with successive age groups becoming less likely to buy.

The rate of home ownership of the youngest group of 20-29 year olds has declined very steeply over time: from 50% in 1993 to only 20% in the most recent survey. Over 20 years, this is a startling

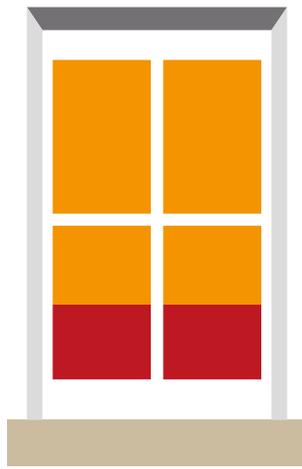
drop. The decline among those in their 30s started later, but it has been similarly steep from 2000, falling from 69% to 47% over 13 years. For those in their 40s, the decline has only started recently, with rates falling from 74% to 59%.

Since 1993, the rate of home ownership among people aged 20-29 has declined from 50% to only 20%

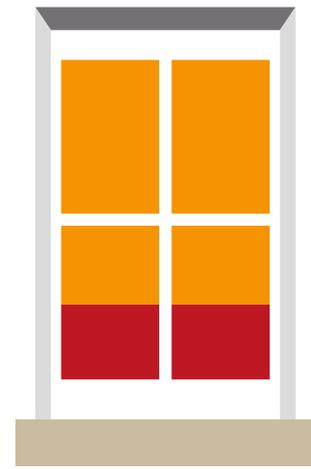
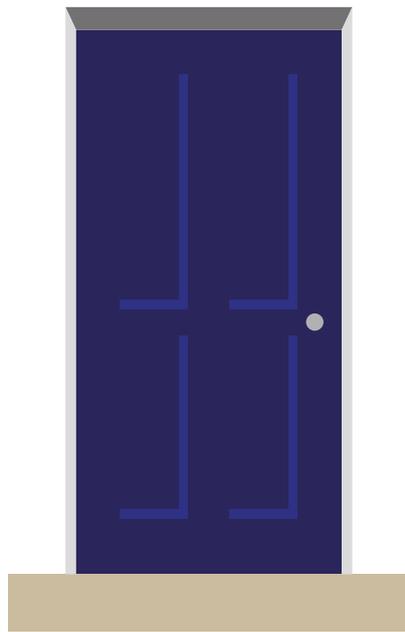
Figure 1: Percentage of homeowners by age group and year



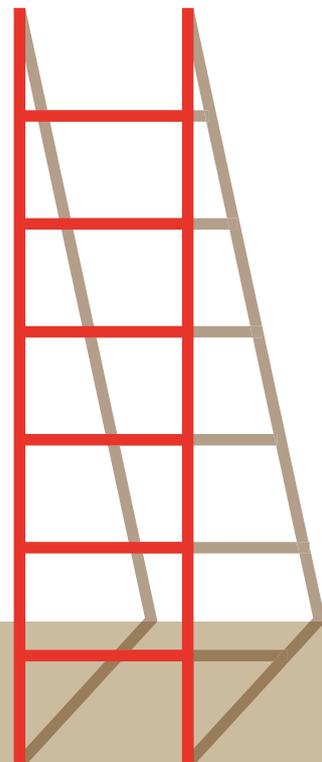
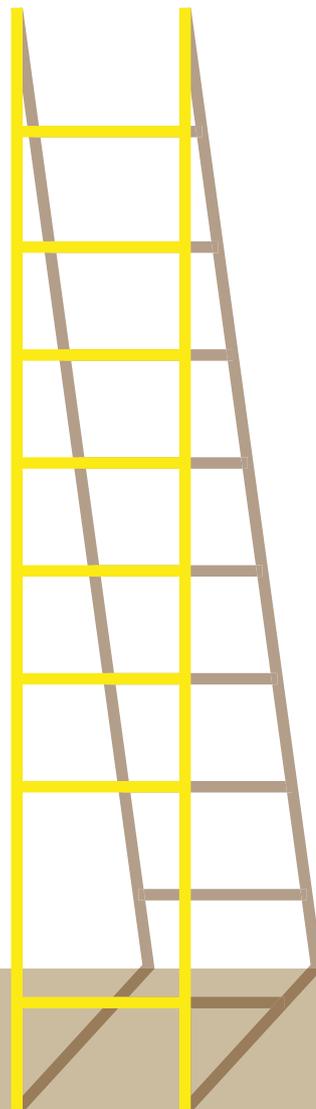
Source: Authors' calculations based on data from the Survey of English Housing from 1993/94 to 2007/08 and the English Housing Survey from 2008/09 to 2013/14.



20-29



People who grew up in families that owned the house they lived in are themselves more likely to be owner occupiers



Home ownership has fallen faster among young people whose parents didn't own a house

Our research adds to this an intergenerational dimension by focusing on two groups for whom we have information on parental home ownership: the National Child Development Study (NCDS), a cohort of all people born in Britain in a week in 1958; and the British Cohort Study (BCS), for all people born in a week in 1970.

The target sample for each group consisted of babies born in a single week, with around 18,000 included at the start. They have been followed up regularly from birth, throughout childhood and into adulthood. We focus on information on parental housing tenure and parental income at age 16, as well as information on adult income and home ownership at age 42. The addition of the information at age 42, collected by the BCS in 2012, means we are able to shed light on very recent intergenerational relationships.

It is clear from Figure 2 that people who grew up in families that owned the house they lived in are more likely to be owner occupiers themselves. In the NCDS, those with parents who owned their houses have an owner occupancy rate of 88% and those without this advantage have an owner occupancy rate of 74%, a gap of 14 percentage points.

In the BCS, the gap is even starker; those with parents who were homeowners have an owner occupancy rate of 80%, compared with 59% for those without this advantage, a gap of 21 percentage points. It is notable that there is only a relatively small decrease in the owner occupation rate of those whose parents were owner occupiers – an eight percentage point fall from 88% to 80%. There is a disproportionate – nearly twice as big at 15 percentage points – fall in home ownership among 42 year olds whose parents did not own their own home when they were children.

These results are important for at least two reasons. First, because they add to our understanding of the generational divide in the housing market. Research commissioned by the Social Mobility Commission recently revealed that more than one third of first-time buyers are now receiving financial help from their parents, compared with one fifth doing so in 2010. Although we have not as yet considered all the underlying mechanisms, our results provide complementary evidence on the importance of the 'Bank of Mum and Dad'.

Second, our study extends the body of research on social mobility to investigate

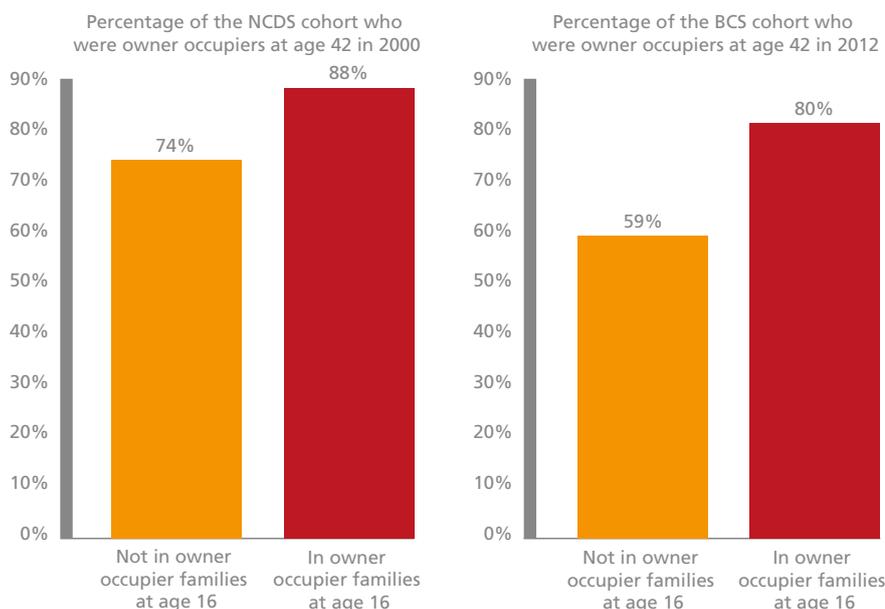
intergenerational links in home ownership. Previous studies have relied only on earnings to show that the association between income across generations of the same family increased between these two cohorts.

Using housing measures in an intergenerational setting is useful because housing is the most important component of wealth for most people (at least during their working age lives). Our results indicate that the fall in intergenerational income mobility has also been true for wealth, an even more important measure of financial wellbeing.

This article summarises 'Home Ownership and Social Mobility' by Jo Blanden and Stephen Machin, CEP Discussion Paper No. 1466 (<http://cep.lse.ac.uk/pubs/download/dp1466.pdf>).

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Figure 2:
Home ownership at age 42 for those whose parents were homeowners and those whose parents were not when they were aged 16



Source: Authors' calculations based on data from the National Child Development Study and the British Cohort Study. The National Child Development Study (NCDS) follows the lives of over 17,000 people born in England, Scotland and Wales in a single week of 1958. Also known as the 1958 Birth Cohort Study. The 1970 British Cohort Study (BCS70) follows the lives of more than 17,000 people born in England, Scotland and Wales in a single week of 1970.