Intergenerational mobility in Europe: Home ownership as a facet of social reproduction?

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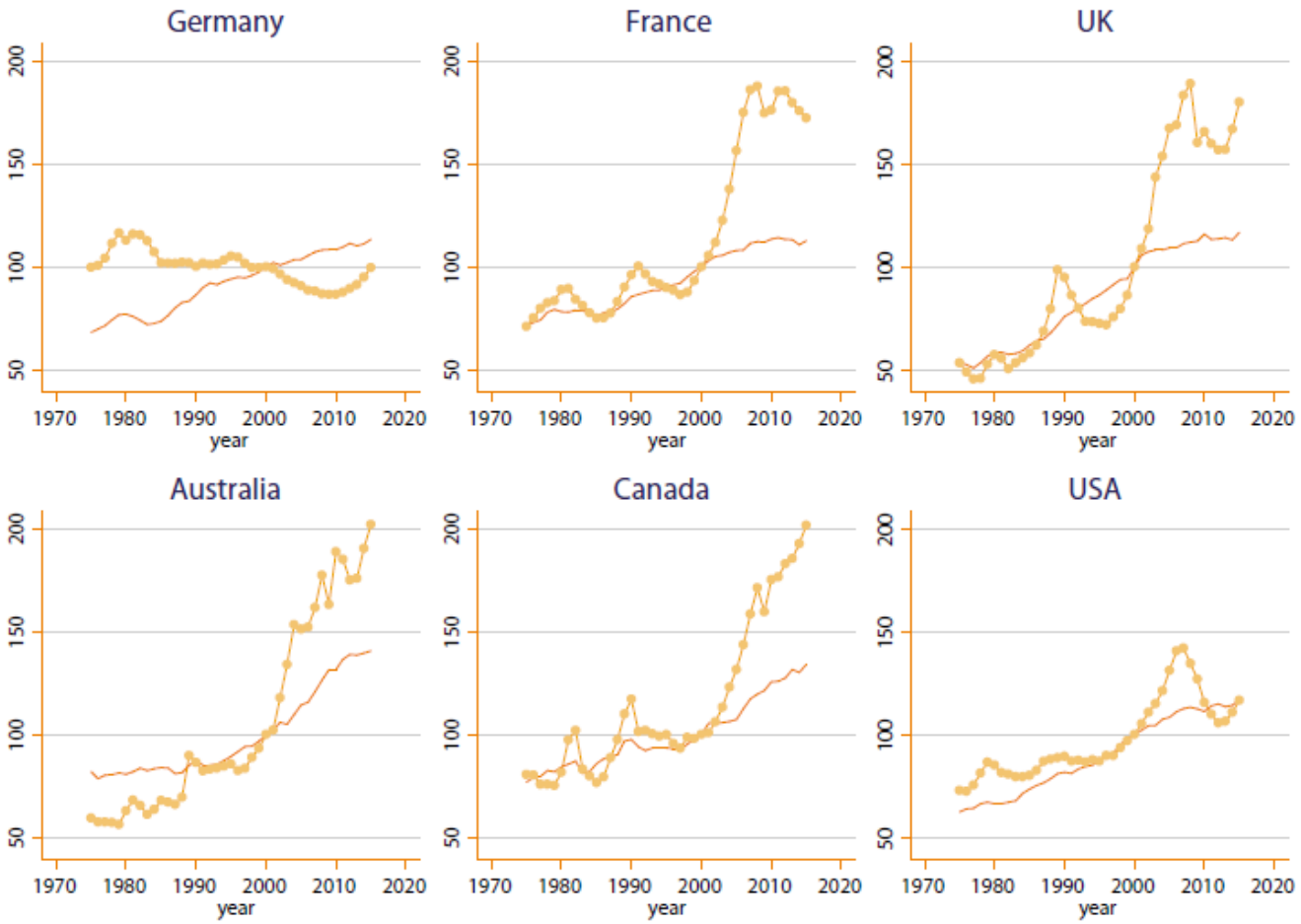
Motivation

- Importance of wealth besides income and occupation as stratifying dimension (Kurz and Blossfeld 2004, Pfeffer and Hällsten 2012, Pfeffer and Killewald 2015, Skopek 2015)
  - Repatrimonialisation (Chauvel and Hartung 2016)
  - Parental wealth impacts on offspring's attainment
  - Only partially overlaps with other dimensions of inequality
- Home ownership as crucial step in wealth accumulation
  - Essential part of households' *stock* (wealth)
- Strong *flow* (income) component: implicit rent
  - → distinction between outright/"full" owners and mortgage payers
- Development of housing prices relative to real wages/incomes
- Country level variations not explained

Housing prices vs. real household incomes

Figure 38.3 **Diverging cost of housing (real housing price index, dotted lines) and real household incomes index (thin lines) in Germany, France, the UK, Australia, Canada and the USA**



Note: y-axis: Housing index and household incomes adjusted for inflation, indexed to year 2000 (y = 100).

Source: International House Price Database, Federal Reserve Bank of Dallas. Data described in Mack and Martínez-García (2011).

Focus of this presentation

- Home ownership status (HOS)
  1. Outright/full homeowners (no mortgage)
  2. Mortgage-paying homeowners
  3. Tenants, other

} Collapsed vs. non-collapsed

1. Country-level variation of HOS
2. Intergenerational transmission of HOS across countries
3. HOS as a stratifying dimension (on top of other dimensions)

1. HOS across countries: Housing regimes

- Housing regimes: access to home ownership
  - Subsidies for homeownership, privatisation of social housing and mortgage finance liberalisation determine HOS
  - Dual (high HOS due to state incentives, US, CA, UK, IE, BE, FI, IT) and unitary rental markets/housing systems (housing policy is tenure neutral, AT, CH, DE, NL SE, FR) (Kemeny 1995)
  - Market-based (more unequal distribution of housing *wealth*) vs. family or state based housing system (Wind et al 2016)
- Housing regimes do not seem to explain well country-variation in HOS and its intergenerational persistence
- Interaction of housing regimes with socio-demographic (aging, family structure, urbanization,..) and hierarchic factors (social origin, education, ...) (Norris and Winston 2012; Lennartz et al 2015)

1. HOS across countries: Welfare states and mobility regimes

- Welfare state (Esping Andersen 1990) and intergenerational mobility regimes (DiPrete 2002) do not coincide with housing regimes
- Welfare states define the purchasing function of wealth (generous social benefits and education) but are not able to suspend the insurance function against unfavorable outcomes (Pfeffer and Hällsten 2012)
  - Purchasing function: parental wealth = monetary resources for accessing important educational resources
  - Parental wealth remains an important insurance against undesired outcomes (downward mobility) in all types of welfare regimes
  - To what extent the regime can mitigate the effect of mobility inducing events
- None of the typologies can convincingly explain cross-national patterns in intergenerational persistence of home ownership
  - EEC often ignored

2. Intergenerational transmission of HOS across countries

- Parental socioeconomic position influences ego's homeownership is well-documented (Christophers 2018; Druta & Ronald 2017; McKee 2012)
- Parental owner-occupation accelerates entry into homeownership
  - While the effects of other parental characteristics are relatively muted in the UK and DE (Bayrakdar et al 2018)
  - Besides individual socioeconomic factors
- Intergenerational transmission of homeownership is stronger in contexts where house prices are higher (Mulder et al 2015)
- Intergenerational transmission *cannot* be attributed to differences in welfare regimes or between dual and unitary rental markets (ibidem)

3. HOS as a stratifying dimension (on top of other dimensions)

- Parental wealth is important for avoiding intergenerational downward mobility and sustaining upward mobility in the United States, Germany, and Sweden (Pfeffer and Hällsten 2012)
- Direct and/or mediated effect (through education) → O-E-D pyramid
- Intergenerational persistence in HOS are mainly a side effect of parental effects on other outcomes
  - Through ego's education or occupation (Ermisch & Halpin 2004)
  - Large share of wealth's influence on occupational attainment/ISEI/earnings is transmitted through educational attainment (Pfeffer and Hällsten 2012)
- Composite effect of wealth transmission, socialization and tenure acting as a proxy for unmeasured (dis)advantage (Mulder et al. 2015)

Data

- EU-SILC 2011
- Module on intergenerational transmission of disadvantages including information on parents' home ownership when respondent was 14
- Sample:
  - 26 countries excluding BG CH HR MT RO
  - Individuals aged 25-60
  - N=130,085

Measures

- DV: **Ego's home ownership (HH021)**: (1) outright/full home owners without mortgage + owners with mortgage vs (0) others
- IV: (1) **Parents' homeownership (PT210)** vs (0) parents: tenants or others

- EGP class of parents and ego

  1 "I Higher professional" 2 "II Lower prof." 3 "III Routine non-manual" 4 "IV Self-employed workers/farmers" 5 "V Lower technicians" 6 "VI Skilled manual" 7 "VII Semi-/unskilled manual"

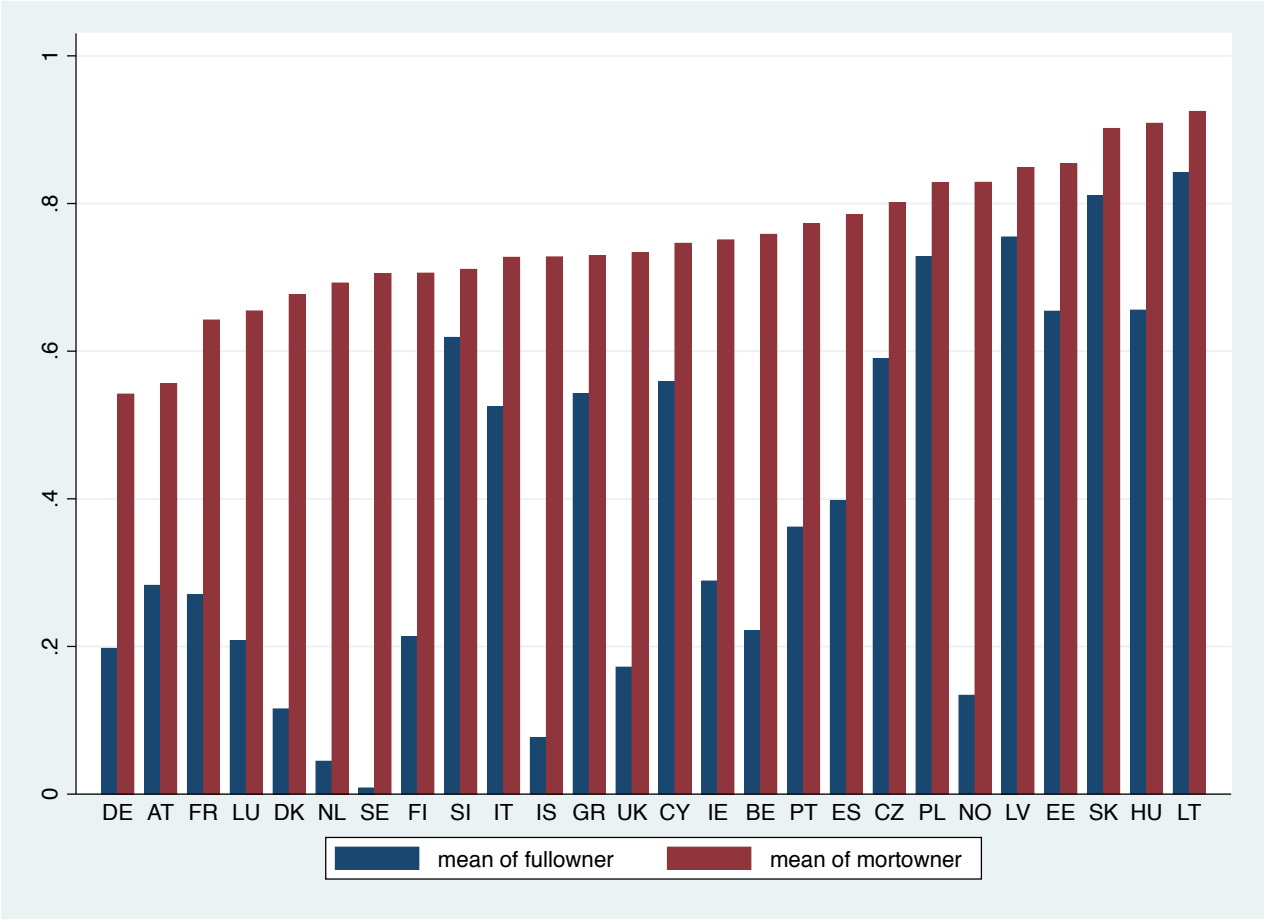
- Education: low, medium, high
- Immigration background (at least one parent born abroad)
  Sex
- Age (10 years brackets, reference category <35)
- Age at buying/moving into current dwelling/home occupation (HH031)
- Size of city (DB100) for controlling for different housing prices
- Number of siblings when 14 (PT030)

Some limitations

- Net worth of ego's and parents' home unknown – proxy?
- No information on *first* move into homeownership, current home occupation only
- Reliability of timing of entry into the current HOS? (e.g. before birth)
- Method (and N) of intergenerational module may have implications for country comparison

1. Home ownership across Europe

Share of outright and mortgage-paying homeowners, by country

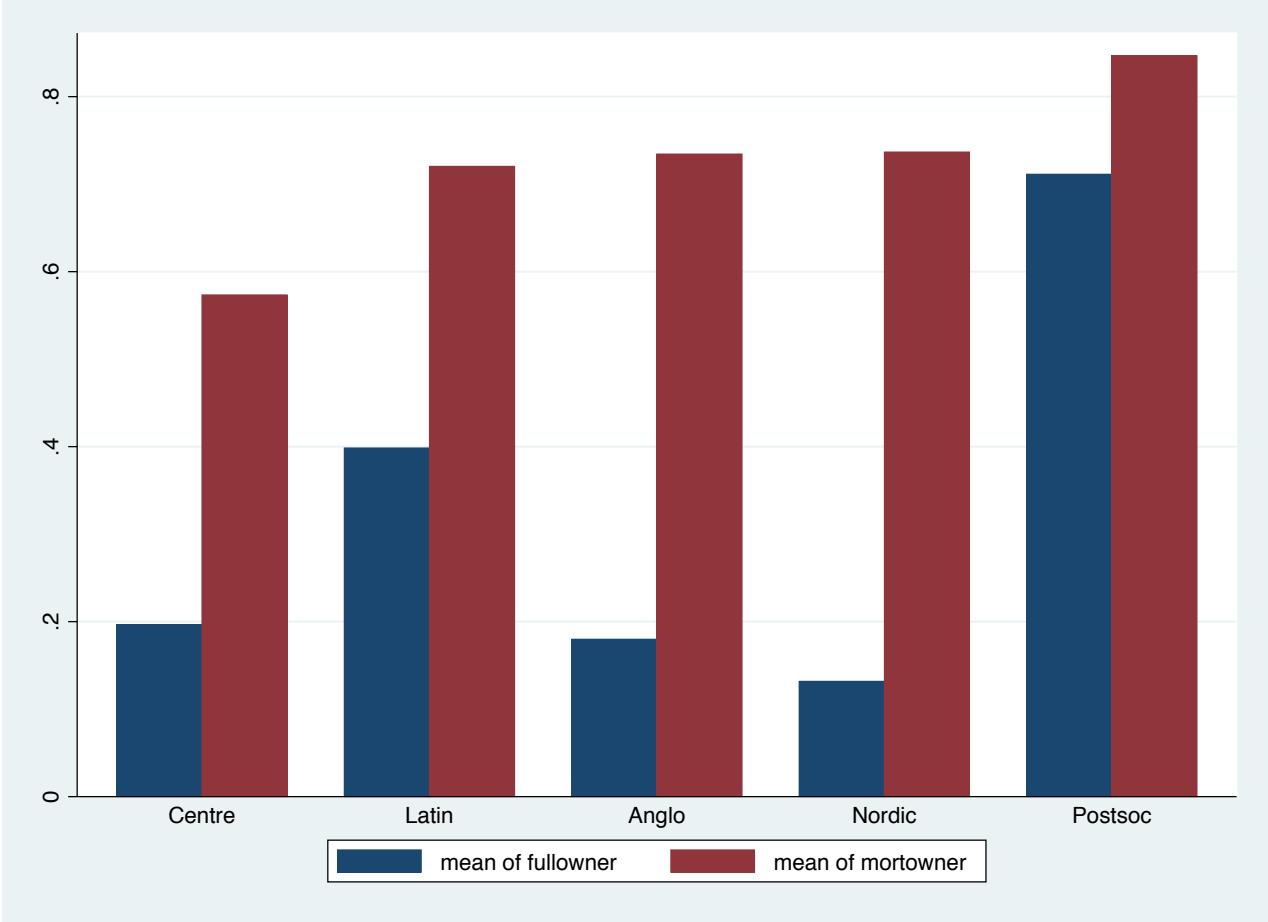


Note: red column: owners with and without mortgage

Source: EU-SILC 2011, weighted.

1. Home ownership across welfare states

Share of homeowners in the population, by welfare regime



Note: red column: owners with and without mortgage

Source: EU-SILC 2011, weighted.

1. Homeownership across welfare states

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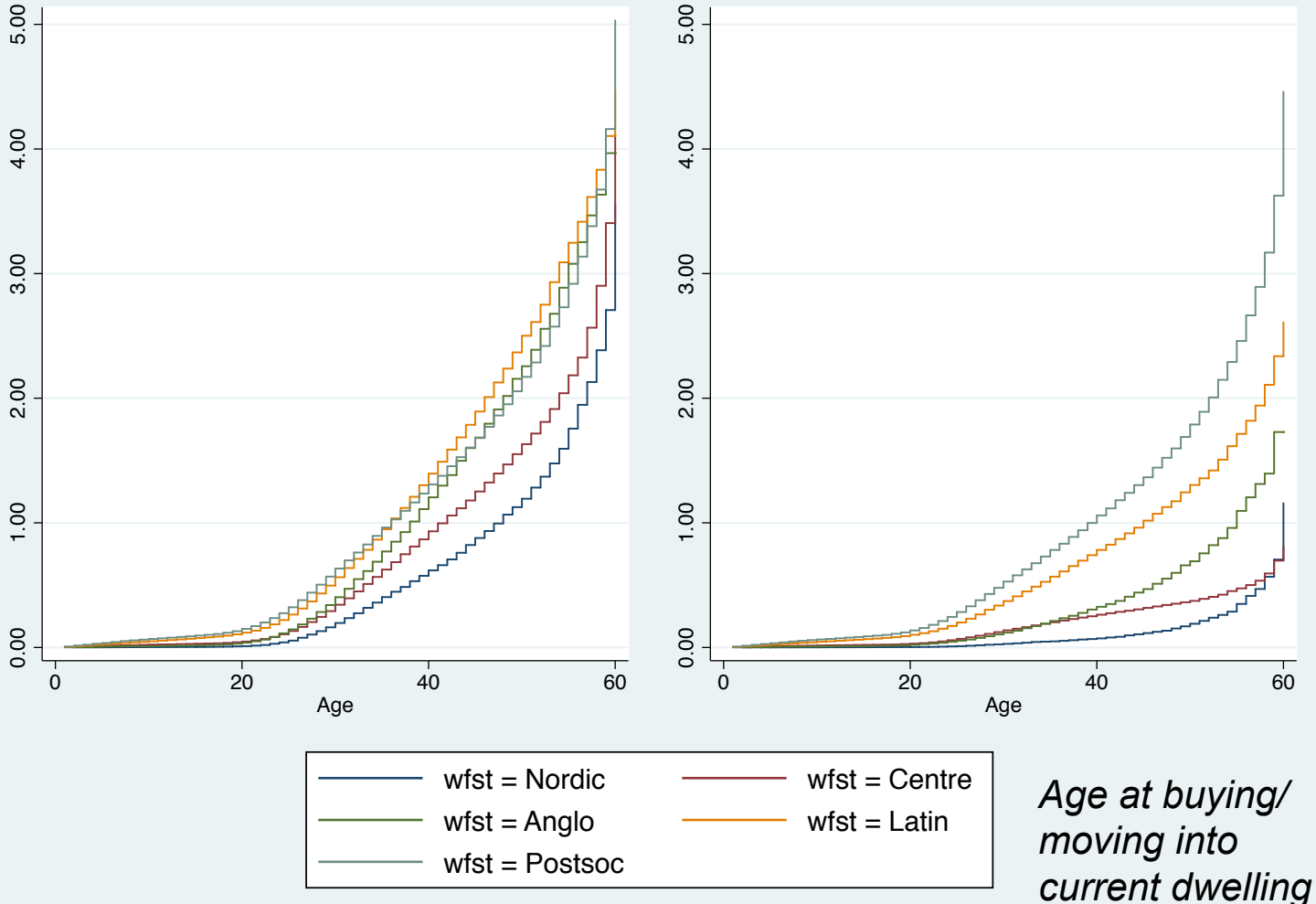
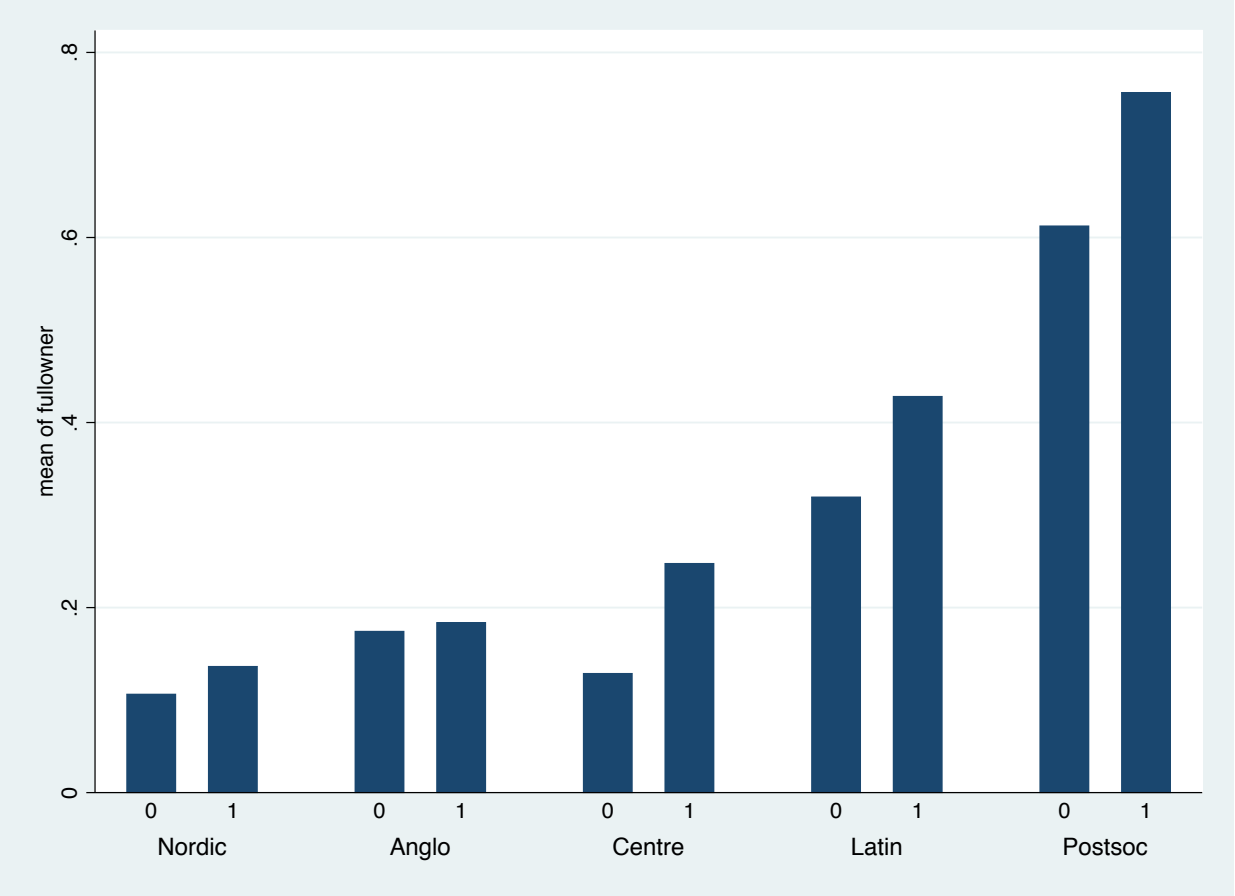
Mortgage-paying and outright home owners across Welfare states



Age at buying/ moving into current dwelling

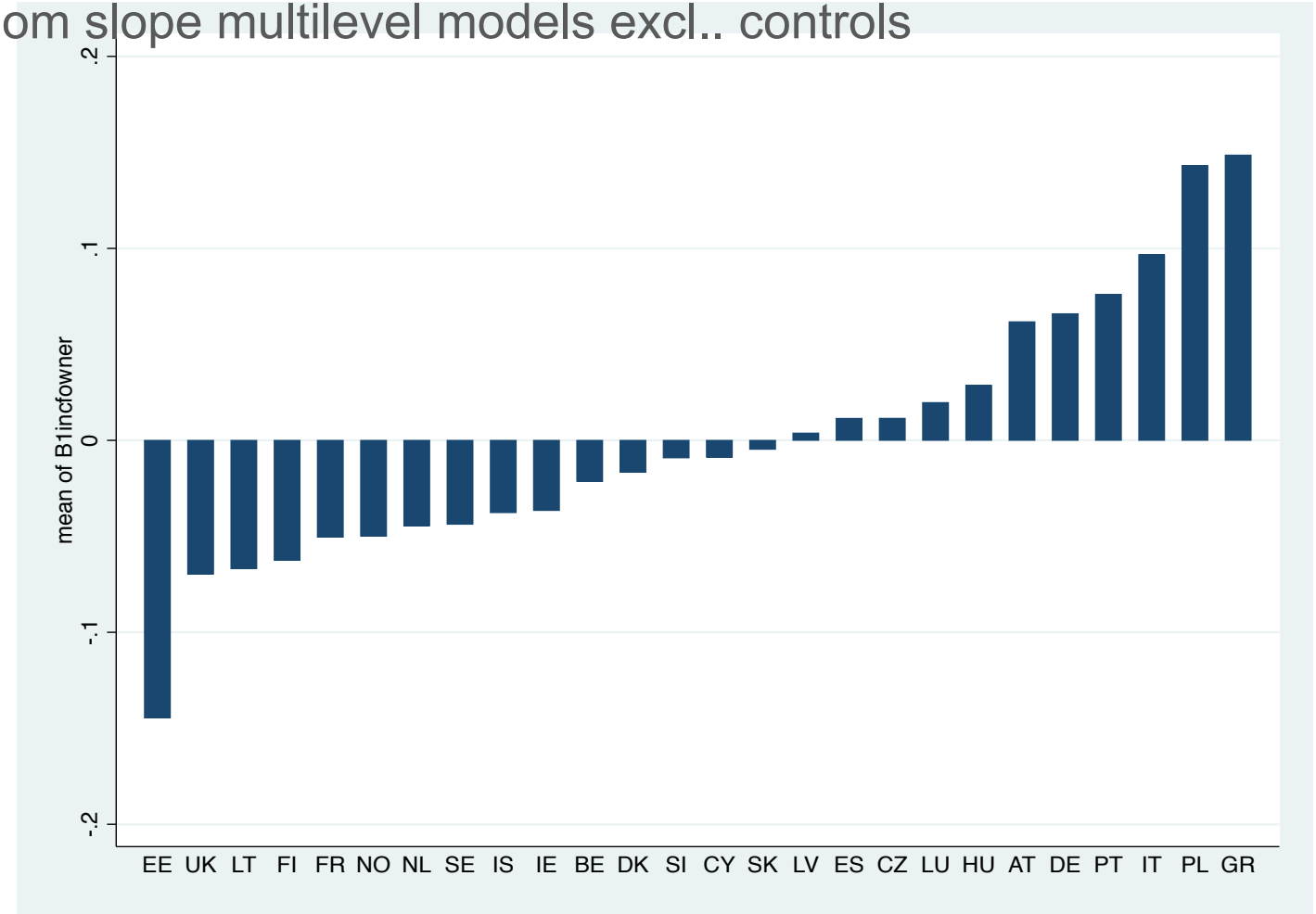
2. The transmission of homeownership across welfare states

Share of outright homeowners by parents' home ownership status (0-1), by welfare state



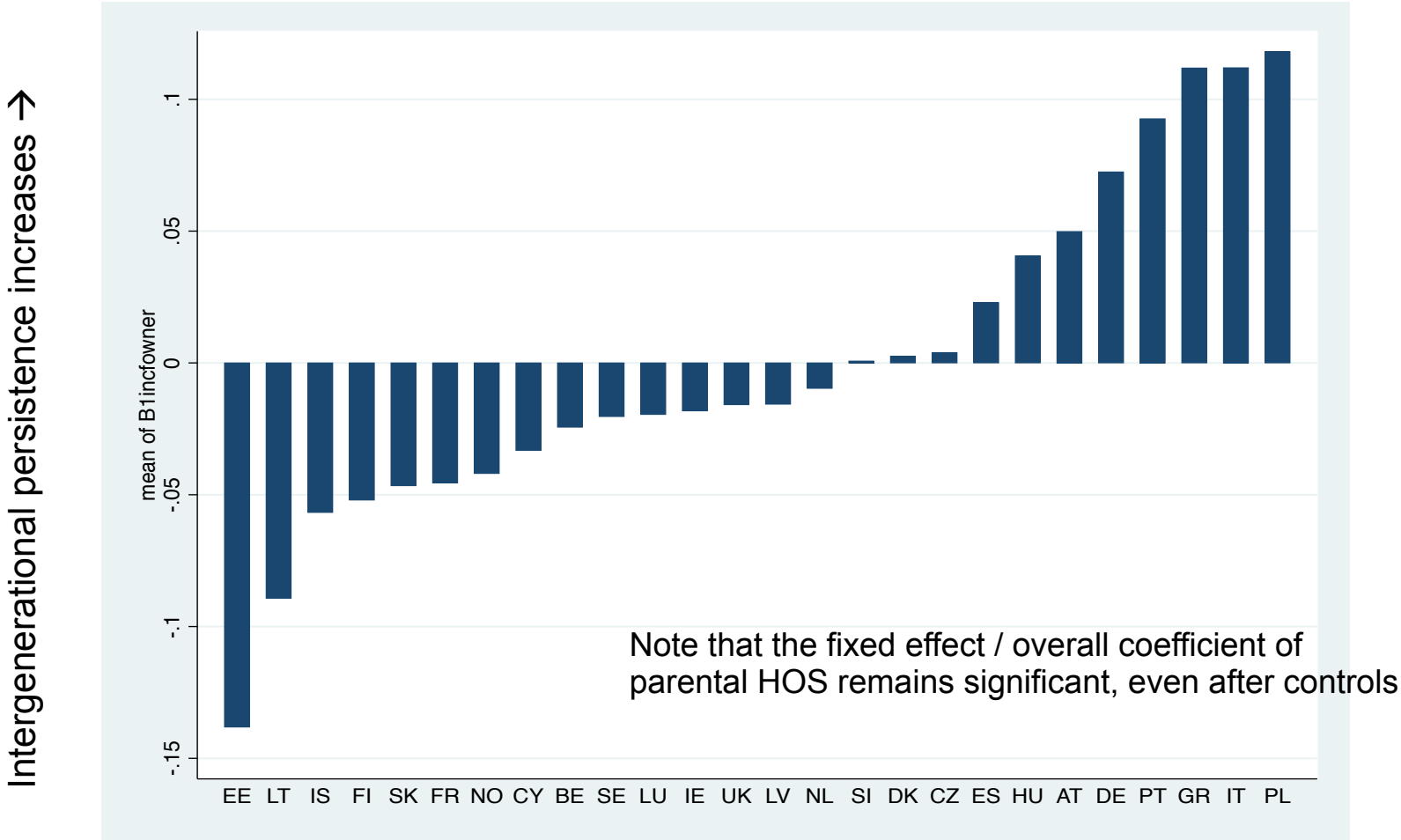
2. The transmission of homeownership across countries

The uncontrolled association between parental and ego's full HOS - random slope multilevel models excl.. controls



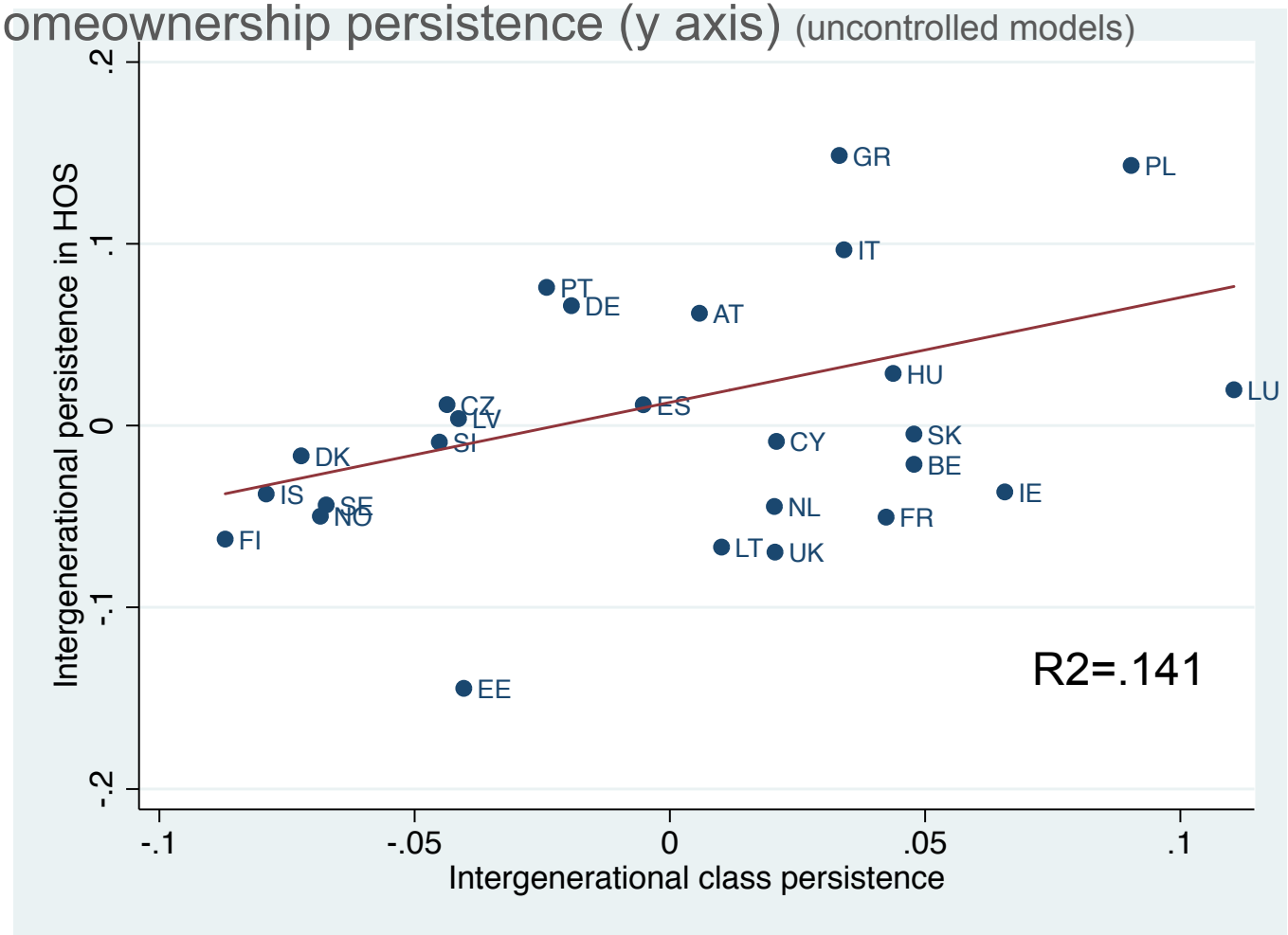
2. The *variation* of transmission of homeownership across countries (controlled)

BLUPs of parents' HOS - random slope multilevel models incl. controls



2. Class vs. homeownership persistence

BLUPs of random slope multilevel models of class persistence (x axis) and homeownership persistence (y axis) (uncontrolled models)



Net consequence of parents' HOS on kids achievement:
Multi-level models with random slope for parents' HOS incl. control variables

	(1) Tertiary education	(2) Service class attainment	(3) Service class attainment	(4) Logitrank of income	(5) Logitrank of income
Parents' HOS	**0.058*** **	**0.033*** **	**-0.001**	**0.134** **	**0.032~**
2.edu			0.152***		0.749***
3.edu			0.626***		1.844***
2.EGP_f	-0.150***	-0.099***	-0.024***	-0.295***	-0.114***
3.EGP_f	-0.246***	-0.204***	-0.077***	-0.508***	-0.193***
4.EGP_f	-0.335***	-0.302***	-0.120***	-0.924***	-0.440***
5.EGP_f	-0.295***	-0.201***	-0.049***	-0.618***	-0.236***
6.EGP_f	-0.364***	-0.302***	-0.106***	-0.846***	-0.334***
7.EGP_f	-0.400***	-0.340***	-0.121***	-1.026***	-0.441***
Random parameters					
sd(owner_~s)	0.051***	0.080***	0.015***	0.182***	0.130***
sd(_cons)	0.072***	0.041***	0.061***	0.202***	0.202***
co(owner_~s,_cons)	0.205	0.038	0.216	-1.003***	-0.322
sd(Residual)	0.424***	0.456***	0.398***	1.782***	1.679***
ICC	0.042	0.037	0.025	0.023	0.02

1 "I Higher professional" 2 "II Lower prof." 3 "III Routine non-manual" 4 "IV Self-employed workers/farmers"
5 "V Lower technicians" 6 "VI Skilled manual" 7 "VII Semi-/unskilled manual"

Source: EU-SILC 2011.

Conclusions and outlook

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1. HOS varies across countries but not in welfare regime patterns
   - Differentiation between outright owners is essential in cross-national comparisons
   - Central and Eastern European cluster diverge from the rest – relatively higher and lower homeownership rates respectively
2. Intergenerational transmission of HOS remains strong, even after controls and other parental background characteristics
   - Effect is strongest in Conservative welfare states
   - Patterns of HOS persistence do not correlate strongly with class persistence measures
3. Parents' HOS as a stratifying dimension
   1. Remains relevant for predicting HOS, even after controls
   2. Only indirect effect through education on various socio-economic outcomes

Thank you!

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