



ELSEVIER

Contents lists available at SciVerse ScienceDirect

## Advances in Life Course Research

journal homepage: [www.elsevier.com/locate/alcr](http://www.elsevier.com/locate/alcr)

## Home-ownership in Europe: How did it happen?

Viola Angelini<sup>a,\*</sup>, Anne Laferrère<sup>b,c</sup>, Guglielmo Weber<sup>d,e</sup><sup>a</sup> University of Groningen and Netspar, The Netherlands<sup>b</sup> INSEE, France<sup>c</sup> CREST, France<sup>d</sup> University of Padua, Italy<sup>e</sup> CEPR, U.K.

## ARTICLE INFO

## Article history:

Received 19 May 2012

Received in revised form 18 October 2012

Accepted 22 October 2012

## Keywords:

Home-ownership

Housing finance arrangements

Life-history data

## ABSTRACT

We use data from the third wave of the Survey of Health, Ageing and Retirement in Europe (SHARELIFE)<sup>1</sup> to document the different ways individuals first became home-owners across countries and over cohorts over the second half of the 20th century. Focusing on first-time home owners we find that younger cohorts became home-owners earlier and were more likely to do it through credit, less likely to inherit their home directly. Having higher human capital, being employed, married, having children and living in an urban area, all make it more likely to purchase a home with a mortgage. The persistence of family help in accessing home-ownership in many countries demonstrates the interrelation between family, market and the state in most of continental Europe.

© 2012 Elsevier Ltd. All rights reserved.

## 1. Introduction

Around 70% of Europeans aged 50 or over are home-owners. Home-ownership rates are high in effectively all

countries, as recently documented in Angelini, Brugiavini, and Weber (2012). This fact has important effects on the composition of household wealth: for a vast majority of older Europeans, the most important component of their wealth is housing. It has also an important impact on welfare, as many consider their home as a security for old age, self-insuring them against rent or pension risk (see Conley & Gifford, 2006; Laferrère, 2011a). Hence it is important to know how people acquired their home or what could have prevented others from doing so.

The question we address in this paper is how older Europeans became home-owners. Did mortgage markets play a key role, or was help from family the key factor behind the widespread home-ownership rates we observe today? We exploit life-history data for 13 European countries to focus on the first part of the life cycle and analyze the choices of first-time home buyers.

The life-cycle model of saving under borrowing constraints predicts a hump shaped home-ownership age profile. The ownership rate increases with age as people save and become home-owners, and declines in old age as people draw on their housing equity (Artle & Varaya, 1978). Taking up a mortgage usually requires a

\* Corresponding author at: Faculty of Economics and Business, University of Groningen, PO Box 800, 9700 AV Groningen, The Netherlands. Tel.: +31 50 363 3852; fax: +31 50 363 7356.

E-mail addresses: [v.angelini@rug.nl](mailto:v.angelini@rug.nl) (V. Angelini), [anne.laferrere@insee.fr](mailto:anne.laferrere@insee.fr) (A. Laferrère), [guglielmo.weber@unipd.it](mailto:guglielmo.weber@unipd.it) (G. Weber).

<sup>1</sup> We thank Martina Brandt and two anonymous referees for helpful comments and suggestions. Viola Angelini is grateful for financial support by EU, under the SHARELIFE project. This paper uses data from SHARELIFE release 1, as of November 24th 2010. The SHARE data collection has been primarily funded by the European Commission through the 5th framework programme (project QLK6-CT-2001- 00360 in the thematic programme Quality of Life), through the 6th framework programme (projects SHARE-I3, RII-CT-2006-062193, COMPARE, CIT5-CT-2005-028857, and SHARELIFE, CIT4-CT-2006-028812) and through the 7th framework programme (SHARE-PREP, 211909 and SHARE-LEAP, 227822). Additional funding from the U.S. National Institute on Aging (U01 AG09740-13S2, P01 AG005842, P01 AG08291, P30 AG12815, Y1-AG-4553-01 and OGHA 04-064, IAG BSR06-11, R21 AG025169) as well as from various national sources is gratefully acknowledged (see [www.share-project.org](http://www.share-project.org) for a full list of funding institutions).

down-payment and young households might have to delay home-ownership until they have accumulated enough assets (Chiuri & Jappelli, 2003). Intergenerational transfers, both in the form of *inter-vivos* gifts and of bequests, might help overcome credit constraints and shorten the saving time (Engelhardt & Mayer, 1998; Guiso & Jappelli, 2002). The employment history of the individual and the spouse are also likely to be important (Attanasio, Bottazzi, Low, Nesheim, & Wakefield, 2012). The home may also be directly inherited. Therefore, the development of the mortgage market as well as family background and resources are likely to play a major role in determining the timing and the means of access to home-ownership.

To explain the motivation of intergenerational transfers, economists have developed models of altruism and exchange within families, which help study how the micro family level reacts to and interacts with the macro level of the public transfers (for surveys see Arrondel & Masson, 2006; Laferrère & Wolff, 2006). It can be shown that the motivation of the private transfer, together with the way it is financed, help predict the interaction between family and the “welfare state”. Sociologists, demographers and historians have characterized welfare state patterns<sup>2</sup> and also described how family transfers interact with the welfare state (e.g. among many Albertini & Kohli, *in press*). The organization of long term care to elderly parents has been extensively studied in that context (Brandt, Haberkern, & Szydlik, 2009; Isengard & Szydlik, 2012). What is often discussed both by economists and sociologists is the substitution and/or complementarity between the micro and the macro levels. For instance, the introduction of public pension systems (a public transfer to the old) helped reduce co-residence between aged parents and their children, as retired parents could afford living on their own. Therefore, public help (pension income) substituted for private help (housing services). More recently, generous public pensions have instead induced young people to keep living with their parents, particularly in those countries that provide little direct help to the young. Therefore, public help (pension income) complements private help (housing services) (Reil-Held, 2006).

Less frequently analyzed is the direct impact of parental transfers on first-time home-ownership, especially in a comparative international perspective (Mulder & Smits, 1999; Mulder & Smits, *in press*; Spilerman & Wolff, 2012). In spite of its importance housing is rarely studied within the rest of the welfare state (exceptions are works by Alessie, Brugiavini, & Weber, 2006; Kemeny, 2001; Kemeny & Lowe, 1998; Poggio, 2012). Housing systems are less easily characterized than pension provision, long term care or education financing (to take both upward and downward intergenerational transfers as examples). The frequent neglect of housing in descriptions of the welfare state might stem from its characteristics: housing is a necessary place to live, it is both a consumption good and a form of investment, and it can be rented, built or

purchased. These characteristics explain the historical role played by the family, the governments and the market. Governments, following private initiatives from society, have been heavily involved in housing policies at various levels, national or local, in all European countries over the last century. Many governments stepped in by freezing rents during World War I. Rent regulation and control, social housing, saving incentives, tax breaks, interest rates and credit subsidies have all been used after World War II (WWII).<sup>3</sup> Finally the credit sector played an increasingly large role. The development of housing credit can be partly documented, but it is not easy to characterize past housing policies over the 20th century for each country. Within continental Europe some countries, such as The Netherlands, had a large rental sector, most of it subsidized; others, such as Italy, had very little or shrinking rental housing. Access to home-ownership meant something different in a country where there was little alternative to owning, or where subsidized housing was reserved for low-income households than in a country where renting was widespread and social housing largely available.

The very concept of home-ownership is not as simple as it seems. Even leaving aside differences between freehold and leasehold, more important in England than in the rest of Europe, some countries like Sweden, Denmark and the Czech Republic offer cooperative housing. In this paper we consider cooperative housing as equivalent to owner-occupation, even if the attitude of a cooperator differs from that of other owner-occupiers. Poggio (2012) rightly points out that home-ownership cannot be always equated to high quality home as compared to renting, especially in countries where there was little rental sector, or where new rentals were reserved for middle-class families.<sup>4</sup> Due to lack of data for the first half of the last century, we do not attempt here to go beyond using country dummies as proxies for more detailed description of local arrangements. We only theoretically introduce the housing context as an additional explanation for our findings.

We use data from the third wave of the Survey of Health, Ageing and Retirement in Europe (SHARELIFE) to document the different ways younger households first became home-owners across countries and over cohorts. In particular, we focus on first-time home owners and analyze the determinants of how the property was acquired, including demographic characteristics and parental background, in addition to cohort and country dummies. The survey provides a unique source of information to analyze housing finance arrangements as it collects retrospective data on early life conditions, the socio-economic background and the entire accommodation history of respondents who are now aged 50 and over in 13 European countries.

An interesting feature of our data is that it covers countries characterized by strong family ties (such as Italy,

<sup>2</sup> Esping-Andersen (1990) tries to go beyond a simple description. Todd (1985) goes far back in history searching the root of the differences in family organization.

<sup>3</sup> Angelini, Laferrère, and Weber (2011) offer a digest of housing policies in Europe.

<sup>4</sup> The same happened in France where social housing in the 1950s and 1960s *de facto* did not house the poor (Laferrère, 2011b).

Download English Version:

<https://daneshyari.com/en/article/313253>

Download Persian Version:

<https://daneshyari.com/article/313253>

[Daneshyari.com](https://daneshyari.com)