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Reflexion

Population and housing: A two-sided relationship

Clara H. Mulder

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reflexion

Population and housing: A two-sided relationship

Clara H. Mulder[1]

Abstract

In this paper I explore the relationship between population and housing. I argue that this relationship is two-sided. On the one hand, the size of a population, and particularly the number of households, determines the demand for housing. On the other hand, the availability of suitable and affordable housing may attract certain categories of migrants. It also influences young people's opportunities to leave the parental home, marry or cohabit, and have children. Furthermore, home-ownership hampers residential mobility and migration by binding people to a place.

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1. Introduction

It is remarkable how little research has been devoted to the relationship between population and housing. Apart from the volume edited by Myers (1990) and the book written by Clark and Dieleman (1996), previous research is mainly restricted to separate aspects of this relation, such as the link between fertility and housing or between leaving the parental home and housing. The aim of this paper is to reflect on the relationship between population and housing and to draw the attention of population researchers to this relationship.

The relationship between population and housing is two-sided. Let me start by illustrating this two-sided relationship with an example from population forecasting. The people who make population forecasts for small areas, municipalities for example, always face a dilemma in choosing the way to treat the relationship between housing and migration to the area. Should migration be treated as an independent process, which influences the demand for housing? That is not always realistic. In a particular area there may simply not be enough land available for construction, so the only way to attract migrants would be to increase the number of inhabitants per dwelling. Or should the expected availability of housing be used to determine the expected number of migrants? That is not always realistic either. Not all newly constructed housing is guaranteed to attract migrants. If all the municipalities in a country were to have ambitious construction plans and predict that their newly constructed housing would be filled with migrants, the outcome might be totally unrealistic.

The dilemma of the population forecasters illustrates the complex way in which population and housing are interrelated. On the one hand, population change leads to a changing demand for housing. Population growth, and particularly the growth in the number of households, leads to a growth in housing demand. Population decline might, in the long run, lead to a decrease in housing demand. But at the same time, the supply of housing influences the opportunities for population increase through immigration and the opportunities for people to form new households. Adequate housing supply might attract immigrants or influence their choice of residential location. Housing supply may also play a decisive part in leaving the parental home and the formation of married and unmarried unions. It is even possible that the supply of housing plays a part in the timing of fertility or the number of children people have.

In this paper, I explore the two-sided relationship between housing on the one hand, and population change and household evolution on the other, for Northern, Western and Southern European countries. Many of my examples pertain to the Netherlands, because that is the country with which I am most familiar.

2. Side one: From population to housing

Side one of the relationship, the link from population to housing, seems obvious. People live in households and households need housing (see, for example, Clark & Dieleman 1996). In the long run, the supply of housing will follow the demand and the number of dwellings in an area will approximately reflect the number of households.

If housing were cheap and easily produced and demolished again, that would be about all there was to say about the relationship between population and housing. But, as we all know, the market for housing differs from the market for other commodities (Bourne 1981). The production of housing is slow and subject to many laws and regulations. Once built, housing has a life of several decades. And housing is so expensive that hardly any household can just draw out the cheque book and buy a home immediately. So, there are not just producers and consumers on the market for housing; there is also a prominent role for landlords, developers, and financial institutions.

Because of these specific characteristics of the housing market, the relationship from population to housing is not as obvious as it may seem at first sight. In fact, in a recent discussion paper for the Netherlands Bureau for Economic Policy Analysis, Vermeulen and Van Ommeren (2006) conclude from an analysis of data from the period 1973 to 2002 that, in the Netherlands, 'people move to regions where houses are built, but houses are not necessarily built in regions where people would want to live' (p. 38). And also, that jobs follow people, rather than that people follow jobs. Their findings might be specific to the Netherlands – that is quite likely, because the Netherlands has particularly restrictive spatial policies. But nonetheless, they demonstrate convincingly that the link from housing to population might be at least as important as the link from population to housing.

3. Side two: From housing to population

When considering side two, there are three relationships to discuss: the link from housing to migration, the link from housing to household formation, and the link from housing to the birth of children. I prefer to keep away from the link from housing to mortality, because it that is not the area of my expertise.

3.1 Side two: From housing to migration

Housing may attract migrants or prevent out-migration, and a lack of housing may prevent migrants from entering or lead to out-migration. The question is, of course,

under which circumstances this link works and under which it does not. A credible hypothesis about these circumstances: the less urgent the migration, the closer the relationship with housing.

Urgent migrants are not very likely to choose their destination according to the availability of housing opportunities. They are also unlikely to postpone their move until the most suitable housing opportunity comes along. The most extreme example is refugees. They will migrate no matter what and start worrying about housing in a later phase. But there are also differences in urgency between other types of migrants. Those moving for housing reasons are generally in a better position to postpone or put off their moves, or to choose a different destination, than those moving for education or work. This difference is reflected in a research finding: those moving for work are indeed more likely to substitute housing of lower quality for the housing they would prefer than those moving for housing or household reasons (Goetgeluk 1997). This is undoubtedly even more true of international labour migrants, for four reasons. Firstly, the difference in wage between the area of destination and the area of origin is usually greater for international than for internal migrants, so they have more to gain even if they sacrifice housing quality. Secondly, international migrants frequently do not plan to stay permanently, so they expect a situation in lower-quality housing to be just temporary. Thirdly, international migrants are more likely to migrate without a family, which lowers the necessity of finding suitable housing. And fourthly, international migrants are less likely to have a thorough knowledge of the local housing market. So, with international labour migration, which we will probably see more of in the enlarged European Union, there seems to be a firmer basis for trying to accommodate the housing demand of the migrants than for trying to use housing policy to direct their location choices. That is not to say housing does not play any part in international labour migration. Large international companies do take housing-market circumstances into account when deciding upon the location of their headquarters or other important offices.

With regard to internal migration, it is possible to attract migrants or to prevent out-migration to neighbouring areas by manipulating the housing stock. This is what in fact was done in the city of Amsterdam from the 1980s onwards. From 1967 to 1985, the population of Amsterdam declined from 866,000 to 675,000 inhabitants (Wintershoven 2000). A major cause for this decline was the fact that the increase in the number of dwellings did not keep up with the decrease in the number of persons per household. At the same time, the quality of the housing stock did not increase enough to keep up with the demand for more space per person. As a result, many young couples encountered difficulties in finding suitable housing in Amsterdam and moved to the suburbs instead. From the 1980s, the local government undertook major efforts to increase new construction, particularly of single-family housing. This strategy worked:

the population of Amsterdam started to grow again from 1985, reaching 743,000 in 2005.

Of course, such a strategy only works in a situation of unmet demand. Even though the study of the Netherlands Bureau for Economic Policy Analysis I cited earlier (Vermeulen & Van Ommeren 2006) claims that people have followed housing in a certain time and place, they do not do so automatically. Also in the Netherlands, we have several examples of municipalities where housing construction has been too abundant and people simply did not come. An infamous example of such a municipality is Delfzijl, a town in the North of the Netherlands in an otherwise rural, remote, and not well accessible area (yes, we do have such areas in the Netherlands – not many, but there are some). House prices are incredibly low in Delfzijl; one can get a villa there for the price of an apartment in Amsterdam. But no-one wants to go there. All over Europe, there are many remote places like Delfzijl, with an oversupply of housing. This problem will be exacerbated by the population decline facing large parts of Europe now and in the coming decades. There is actually one type of international migration that is totally non-urgent and might help solve this problem, at least partially: migration to second homes used for holidays, weekends, and winters. Right now, there are villages in France that have been half taken over by Dutch owners of second homes. Owners of second homes probably do not form the most desirable type of inhabitants of a village, but part-time inhabitants are better than none. Of course, to attract owners of second homes an area has to offer scenic beauty, an attractive climate or preferably both. So, there does not seem to be much hope for a place like Delfzijl.

With regard to the type of housing, there is a close relationship between housing tenure and migration. In most countries, homeowners are considerably less likely to migrate than renters (Speare, Goldstein & Frey 1975; Helderman, Mulder & Van Ham 2006). This is partly the result of the fact that the transaction costs of moving are much higher for owners than for renters. So, if the level of home-ownership is too high in a country, this might seriously hamper the spatial flexibility of the labour force.

3.2 Side two: From housing to household formation

To form a household, people need a place to live. It is possible, therefore, that people postpone household formation or even refrain from it when they cannot find suitable housing. As with migration, the degree to which the availability of housing is a factor in household formation probably depends on the urgency with which people want to form new households.

There are two major forms of household formation: divorce or separation and leaving the parental home. Divorce and separation are obviously urgent reasons for

forming a new household for one of the former partners. Some of those who want to separate might postpone their actual moving out for a short while for lack of housing. Some might decide upon separation a little more easily knowing that they can find an affordable place of their own. But generally, the availability of housing will probably not lead people to put off a separation, once the wish to separate has been formed. Nevertheless, there is some evidence in the literature that housing does play a part in the likelihood of divorce. In both West and East Germany, homeowners are less likely to divorce than renters (Wagner 1997). This association between home-ownership and divorce was quite strong and it remained intact after accounting for the socio-economic status of the couple, the degree of urbanization and the quality of the home. For Australia (Bracher, Santow, Morgan & Trussell 1993) and Finland (Jalovaara 2002) it was also found that homeowners were less likely to divorce than renters. It is possible that the joint investment in a home and the greater opportunities for homeowners to adjust their homes to their wishes help stabilize a marriage. But we have to be careful here: it is also possible that those who are in stable marriages are more likely to buy a home. The clearest evidence that housing quality also plays a part in divorce was provided for Finland (Jalovaara 2002): after accounting for a wide range of socio-economic variables, living in overcrowded housing was found to increase the risk of divorce.

Leaving the parental home takes place for different reasons, and the role of housing is likely to differ for each of them. Those who want to leave home for reasons of education or work have little room for postponement. They are likely to move even if they have to accept substandard housing. Those who want to leave for reasons of independence, cohabitation or marriage have more opportunities to wait until they have found suitable or affordable housing. Indeed, for the United States it was found that higher house prices were associated with a smaller probability of leaving the parental home to live with a partner within the same state, but not with leaving home to live alone (Mulder & Clark 2000).

Couple formation taking place directly from the parental home leads to housing demand so that, if no suitable housing is available, couple formation may have to be postponed. In many countries, however, young people usually form their first co-residential union after a period of living alone. If that is the case, union formation may actually be accompanied by a decrease in housing demand; couples may move in together sooner to diminish housing costs.

Elsewhere I have argued that differences between European countries in the age of leaving home may also be related to housing-market factors (Mulder forthcoming). A combination of a high level of home-ownership, difficult access to mortgages, and high house prices seems to make it particularly it difficult for young people to form their own households. Such a combination of housing-market circumstances is found in Italy,

Spain and Greece – indeed, three countries where the age of leaving the parental home is very high compared with Northern European countries.

As in many cases, the direction of the causality in the association between housing market factors and leaving the parental home is not completely obvious and probably complex. Why is there such a small amount of affordable rental housing in Southern European countries? If there were a demand for such housing, would developers not have jumped in and developed it, or would not the owners of vacant homes start letting them in greater numbers? At the same time, once the housing and financial markets in a certain country operate in a certain way, they do not change easily. It is amazing how local habits prevail in mortgage finance, for example. In some countries, mortgage banks are happy to provide loans up to the total value of the house or even more. In others, they require a substantial down payment. Such differences are often quite persistent. So, in the Southern European countries with their rigid housing and financial markets, a shift to younger ages of leaving the parental home and to more people living alone is probably not going to happen easily. In many Northern European countries, such a shift has been on its way for several decades.

3.3 Side two: From housing to having children

Housing factors might influence having children in two ways: indirectly, and directly. The indirect influence runs via leaving the parental home and via cohabitation and marriage. If people stay in the parental home for a long time, they are also late in forming families. This is true in countries where it is the norm to form families in housing separate from the parental family, as is the case in practically all European countries. Late parenthood leads to a smaller number of children being born, for two reasons. First of all, when the time between generations is longer, fewer generations live at the same time. This leads to a smaller population and therefore to fewer births than when the time between generations is shorter. Second, when women start childbearing at a later age, they have fewer fecund years left to have the number of children they desire. The chances are greater that they will end up having fecundity problems. Or they may not have the right partner or experience the right circumstances at the right time. So, any influence of housing factors on leaving the parental home has repercussions on the number of children born. Indeed, those European countries where people leave the parental home late (Italy, Spain, and Greece) are also those with low fertility.

The link via cohabitation and marriage is slightly different. It is possible that young people succeed in leaving the parental home to live alone, in student housing or small apartments for example, but that they think housing of much greater quality is

needed to get married. In qualitative research for Britain, for example, there was a respondent who said: "There was very much that culture if you get married you buy a house and if you can't afford to buy a house then you should wait until you can." (Forrest, Kennett & Leather 1999: 97). Other research in Britain has also suggested that some couples postpone marriage because they are not able to buy a home (Ineichen 1979, 1981). Apparently, in countries where the quality norm towards housing for married or cohabiting couples is high, difficult access to high-quality housing for young people might lead to the postponement of cohabitation or marriage. Again, this will have repercussions on the birth of children.

There may also be a direct link from housing to the birth of children. The most obvious connection is that couples prefer to secure housing of a certain quality before they have children. Research in the Netherlands has indeed shown that childbirth frequently follows after a move into a single-family home or an owner-occupied home (Feijten & Mulder 2002). An increased likelihood of having a child after home-ownership was also found for West Germany (Mulder & Wagner 2001). This connection between home-ownership and having children is also visible when a long-term perspective is employed. Among a series of birth cohorts in West Germany and the Netherlands, the proportion of people who had made the transition to parenthood by age 30 and 35 was consistently greater for those who had become homeowners by those ages than for those who had not (Mulder, forthcoming). In countries where access to high-quality housing is difficult, this connection between housing quality and having children might lead couples to delay childbearing, because they have difficulties securing suitable housing (Castiglioni & Dalla Zuanna 1994; Krishnan & Krotki 1993; Pinnelli 1995).

It should be stressed, however, that the relationship between housing quality and having children is not automatically positive in all times and places. This seems to hold particularly for home-ownership. It has been argued that the cost of home-ownership might compete with the cost of rearing children (Courgeau & Lelièvre 1992). This cost competition might lead to the postponement of childbearing or even lower fertility among those who attach great importance to acquiring home-ownership. In Britain, it has indeed been found that home-ownership seems to be associated with low rather than high fertility: homeowners had fewer children than renters and had them later (Hakim 2003; Murphy & Sullivan 1985).

On the level of countries, it is certainly not true that those countries with the highest quality of housing offer the best opportunities for having children. In fact, a high quality of the housing stock in combination with difficult access to housing for young people might offer the worst opportunities for having children. Access to housing is difficult where housing is in short supply, prices are high, the level of home-ownership is high, and mortgage banks are strict. The best opportunities for having

children are probably found in countries where housing quality is high and access is easy. This is not a very likely combination, but a second-best situation also seems to work: a situation where quality and prices are diverse. In such a situation, young people have the opportunity to start their independent housing careers early, in cheap housing. They can move on to higher-quality and more expensive housing after they start to settle down in their labour-market and household careers.

4. Conclusions, policy and research implications

If there is one obvious conclusion from the above discussion, it is that the relationship between housing and population is complex. As I have shown, this relationship is two-sided. Population influences housing via housing demand. But also, housing influences the number of people and households via the attraction or deterrence of migrants, keeping in place or pushing away the resident population, and intricate links with leaving the parental home, separation, and having children. These connections between housing and population vary over time and between places. I have mentioned some of the circumstances that influence this variation.

What can policy makers learn from this story? I have made just a few brief remarks. With regard to international migration, there is not too much room for using housing policy to steer migrants. Housing can be used to attract internal migrants or to prevent the resident population from moving out, but this strategy is not guaranteed to work. In a situation of population decline, there is a danger that local governments all try to compete for population by enlarging their housing stock. The end result might be serious oversupply of housing. A part of this oversupply may be absorbed by the formation of extra households or be used as second homes, but some might end up vacant.

To accommodate a smooth housing-market entry of young people, it is important that housing stocks are diverse. They should offer not only high-quality and certainly not only owner-occupied housing, but also affordable rental dwellings. A sufficiently large rental sector also facilitates the spatial flexibility of the labour force. As I have argued elsewhere (Mulder forthcoming; Mulder & Helderman 2002), my estimation is that a share of 30 percent rental housing is needed for these two purposes.

For future research, the obvious recommendation that can be derived from this paper is to devote more attention to the relationships between population and housing. In the research on leaving the parental home, union formation and fertility and possibly even divorce, the availability of suitable housing should be taken into account. In the research on the institutional determinants of fertility differences between regions and countries, attention to the characteristics of the housing market has to date been slight.

More generally, the lack of attention to housing in population research stands in unjustified contrast to the routine attention paid to education and socioeconomic status.

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