

Housing aspirations of young Australians: variations on a dream

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Introduction

The context for this paper is the steady decline during the past two decades in home purchase among Australians under 35 years. We are particularly interested in this age group because they are at the pivotal life course stage of entering the housing and labour market, establishing family.

In 1981, 43 per cent of household reference persons aged between 20 to 34 years were purchasing a dwelling – this had fallen to 33 per cent among the same age group in 1996.

Part of the explanation relates to the broad social and demographic changes that have occurred in the 15 year period since the 1981 census. These include:

1) Household compositional changes

Compositional changes refer to the range of broad changes that have taken place within contemporary society, especially changes in the nature of gender roles and shifting attitudes towards contemporary relationships. While these changes can be understood in terms of a number of dimensions, they can perhaps be best understood in terms of the changing nature of social relations in late modernity, and in particular, the work of Beck and Giddens. Arguing that the contemporary world represents a period of 'late-modernity' whereby social agents are increasingly reflexive about their conditions of existence and the social institutions that shape their lives, Beck and Giddens suggest that this contemporary period is characterised by a new set of social relationships. For instance Beck points out that contemporary society is characterised by, among

other things, a destandardisation of traditional roles to adulthood. The impact on household formation is, according to Beck as follows

The lifelong standard family...becomes the limiting case, and the rule becomes a movement back and forth among various familial and non-familial forms of living together, specific to the particular phase of life in question...Marriage can be subtracted from sexuality, and that in turn from parenthood; parenthood can be multiplied by divorce; and the whole thing can be divided by living together or apart, and raised to a higher power by the possibility of multiple residences and the ever-present potentiality of taking back decisions.

It is these changes in the roles to adulthood that may help to explain the divergence between housing careers and life course changes.

2) Wider social changes

A raft of other social changes, over and above shifts in the rate of household formation and form are also seen to impinge on the decisions to enter into home ownership. These include labour market, education, regulation and institutional transformations. Some of the key changes include

- Longer periods in higher education or training resulting in a reduced income stream. This in turn reduces the probability that young households will be able to enter into home ownership and are more likely to stay in rental accommodation or in the parental home.
- The introduction of HECS and the requirement for repayment may have inhibited graduates ability to save for a deposit.
- The expansion of superannuation may have changed attitudes towards the value of a home as a source of stored wealth, with individuals relying on superannuation rather than lower housing costs in retirement. Moreover, the burden of compulsory

superannuation may have inhibited many households from being able to save for a deposit.

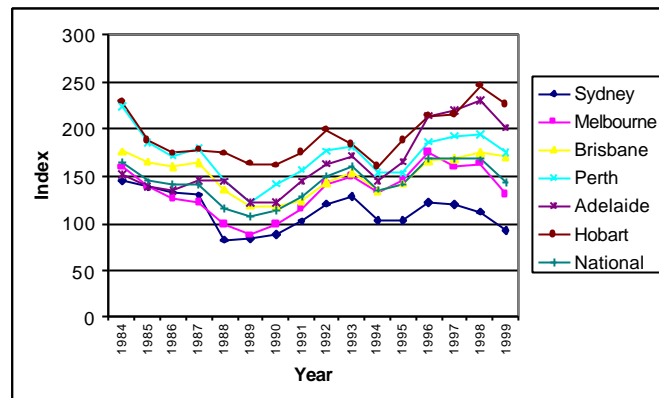
- The changes in the rate of family formation and the delay in child rearing are likely to be a reflection of changes in the labour market relationships for women including a stronger emphasis on career building and improved career prospects. These changes in turn are likely to lessen the importance of home ownership.
- The rise in the number of single person households and the necessity, in most cases, for two incomes to service loan repayments may discourage households from moving to home ownership.

Changes to job stability and the requirement for individuals to be mobile are likely to increase the propensity to rent. A lack of job stability and the increased likelihood of spells of unemployment may act to discourage home ownership. In this case income uncertainty may be enough to act as a deterrent. Moreover, the requirement for increased mobility by individuals in order to pursue careers will likewise act as a deterrent.

3) Changes in affordability

The ability and willingness of households to enter into home ownership depends to a large degree on the state of the economy, finance availability and the level of uncertainty surrounding available resources. That is the ability and propensity of households to enter into and remain in owner occupation varies with changes in housing affordability. Significantly, the level of housing affordability has varied over time, due to changes in the official rate of interest, deregulations of the finance sector, changes in the price of housing and shifts in the rate of growth in real incomes. Affordability declined across Australia in the mid 1980s and again in the mid 1990s. Not surprisingly affordability and the costs of housing vary significantly across Australia's regions and as well as within the big cities. Comparing the capital cities, housing affordability is lowest in Sydney and highest in Adelaide and Hobart

Commonwealth Bank, HIA Affordability index



4) Alternative sources of investment

The final explanatory factor has its expression in a society wide shift in investment perceptions. While there is little empirical evidence to support this explanation, it is generally felt that in recent years there has been a rise in the a group of renters who consider that the financial benefits to be gained by owning (ie capital gains) are not as attractive as those to be made in other forms of investment. For instance compared to earlier decades, a larger share of household wealth is now in the form of stocks and bonds and the distribution of this growth between age cohorts illustrates a greater propensity by younger households to hold assets in the form of stocks. This may illustrate that for the younger generation of potential home buyers, the 1990s have been characterised by a more diverse range of investment opportunities which include both investing in a home and also in shares. Quoting Badcock and Beer (2000; Home Truths)"...people are now putting their capital into wealth creating assets as opposed to bricks and mortar".

These changes may help to explain the declining rate of home ownership among young households.

Using the Negotiating the Life Course Survey, we have analysed a sample of 865 persons aged between 20 to 34 years at the time of the survey in 1997. In our sample of 20-34 year olds, there are three key tenure/living arrangements:

1. owner/purchasers – 42% - (age is the strongest factor - 62% are 30-34 years; and more likely to be employed in upper white collar positions and have completed higher degrees – about half are couple families with children)
2. renters – 35% (two thirds are younger than 29 years, and in lower white collar (service) positions or trade or vocational jobs) a higher than average proportion are people living alone or with a group
3. still at home – 23% (youngest group – just over half are in the 20-24 year age groups)

Taking the non-owners (renters and those still living at home) we consider homeownership aspirations and a broad set of social and economic values that may or may not be traditionally associated with home ownership motives.

Four broad value clusters were identified among 20 to 34 year old non home owners:

1. high home ownership/high general aspirations – 35%
2. high home ownership/high financial security – 26%
3. low home ownership/high career/financial security – 24%
4. low home ownership/low general aspirations – 15%

The general points to be taken from this include:

- There is still a significant proportion of young people who have high home ownership aspirations
- Of the two groups of households with low aspirations, one (group 3), would appear to have made a choice to defer –for either a short time or forever- their home ownership decision, while the other (group 4), has been forced into their home ownership decision.