

No Home for the Young?

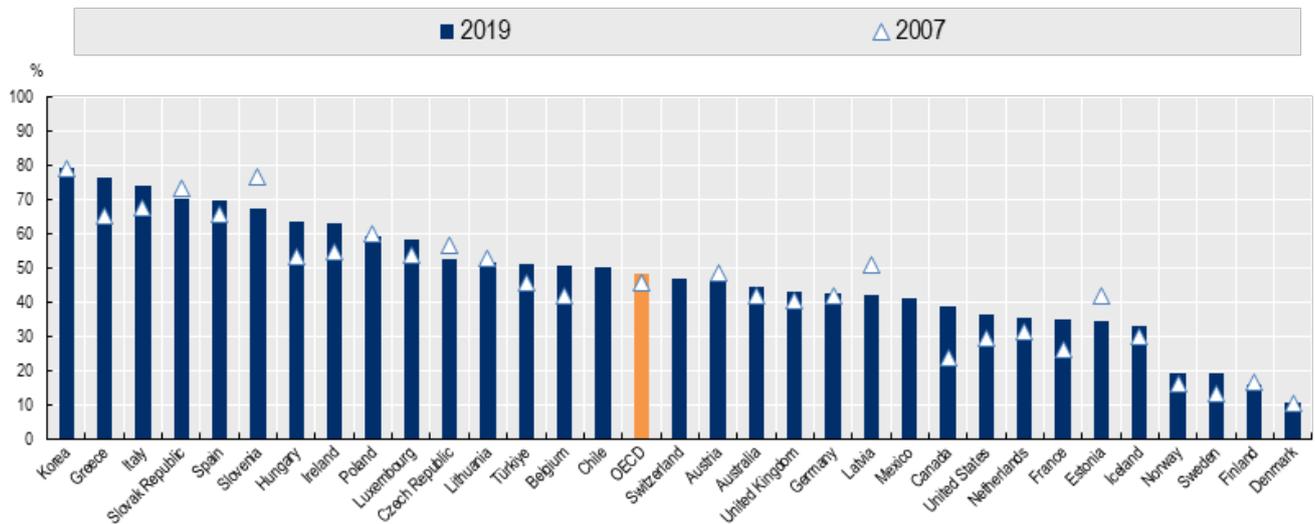
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Many young people, who have been hard hit by the economic and social impacts of the COVID-19 pandemic, increasingly struggle to find a quality, affordable home of their own. The enduring rise of real rents and house prices over the past decades has made it more and more difficult for them to rent or buy their first home in many OECD countries. In a new Issues Note, we document a number of key challenges facing young people in the housing market and highlight a series of questions for policymakers (Cournède & Plouin, 2022).

We find that young people face a number of common challenges even though housing markets differ considerably from one OECD country to another. For instance, in most OECD countries, more than half of young people in their twenties live with their parents – and the share reaches around three-quarters of young adults in Korea, Greece and Italy (Figure 1). In several OECD countries, this share has increased over the past decade (OECD, 2021).

Figure 1. In most OECD countries, more and more young adults live with their parents

Share of young people (20- to 29-year-olds) living with their parents, 2007 and 2019 or latest year available



Note: Data refer to 2019 except for: Korea (2016); Italy, Australia, Canada, Chile, Iceland (2017); Mexico (2018).

Source: Calculations based on EU-SILC, HILDA (Australia), CASEN (Chile), KLIPS (Korea), ENIGH (Mexico) and CPS (United States).

Far fewer young households own their homes than their older counterparts. Given their typically lower incomes and wealth, and higher likelihood of being employed in unstable or informal jobs, young households often depend on taking out a housing loan to buy a first home. While financial deregulation in the 1980s and 1990s initially facilitated access to the mortgage market by young households, over time these effects have become increasingly reflected in higher house prices. Young people are also more likely to live in poorer quality housing. In the EU, for instance, as of 2019, 26% of the young population (aged 15-29 years old) lived in overcrowded dwellings, compared to 17% of the general population (Eurostat, 2020).

Young people are struggling in the rental market, too. Even though the rental market is home to many young adults in OECD countries, rents – which were already rising fast prior to the pandemic – have once again begun to climb in many OECD countries (OECD, 2021). Social housing has become scarcer in many places, further limiting young people’s affordable housing options (OECD, 2020). While renting can provide residents with greater flexibility than owning a home, some

research suggests that the high number of young renters is driven more by financial constraints and the difficulties to buy a home, rather than by preference. Indeed, when asked about their top concerns, young people are more likely than any other age group to report housing affordability as a top concern (OECD, 2021).

While data are hard to come by, youth homelessness has been on the rise in some countries. Roughly 3 in 10 homeless people were young adults in Australia (2016), the Netherlands (2018), Denmark (2019) and Costa Rica (2020). Among countries for which data are available over time, youth homelessness more than doubled in the Netherlands between 2010 and 2018, and increased by 30% in New Zealand between 2006 and 2018 and by 20% in Australia between 2011 and 2016 (OECD, 2021; OECD, 2020).

But we are still left with a number of questions about the best way to make it easier for young households to find a home that meets their needs and matches their preferences. For instance, to what extent do measures to support mortgage borrowing (such as guarantees, subsidies, tax breaks, contract savings schemes) really help young households access home ownership – rather than inflate house prices and rents? What is the best policy mix (housing allowances, social housing construction) to help youth access affordable, quality rental housing – and how can regulations level the playing field and encourage a thriving rental market? How can policy makers ensure that the ambitious building standards and retrofitting efforts required to achieve climate targets do not put affordable housing further away from the reach of the next generation? How can governments work with local authorities and others to meet the diverse needs of young people suffering from homelessness?

The adoption of the *OECD Recommendation on Creating Better Opportunities for Young People* at the Meeting of the OECD Council at Ministerial Level reflects increased awareness of

the need to tackle long-standing challenges facing young people. The Recommendation includes a call to “ensure affordable, accessible and quality housing for all young people and their dependants through close collaboration of all levels of government and the involvement of civil society and the private sector.” We hope to build on this momentum and strengthen the policy response to enable young people to have a safe, affordable place to call home.

References

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