

Parental homeownership and education: the implications for offspring wealth inequality in GB.

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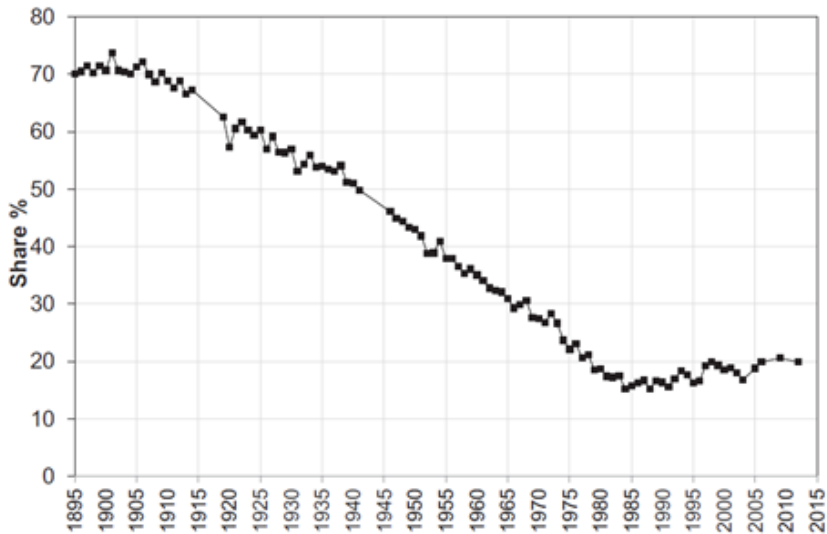
Background

- Strong and growing interest in wealth inequalities: living standards, affect major lifecycle decisions (Piketty, 2014; Boserp et al. 2017; Black et al. 2020).
- Intergenerational wealth persistence & role of family background-beyond individual's own characteristics (Killewald et al. 2017, Blanden et al. 2021, Fagereng et al. 2022, Gregg and Kanabar, 2022; Nekoei and Seim, 2023).
- Composition of wealth portfolios changing across cohorts, role of housing wealth (Gritti and Cutulli, 2021; Pfeffer and Waitkus, 2021).

Contribution

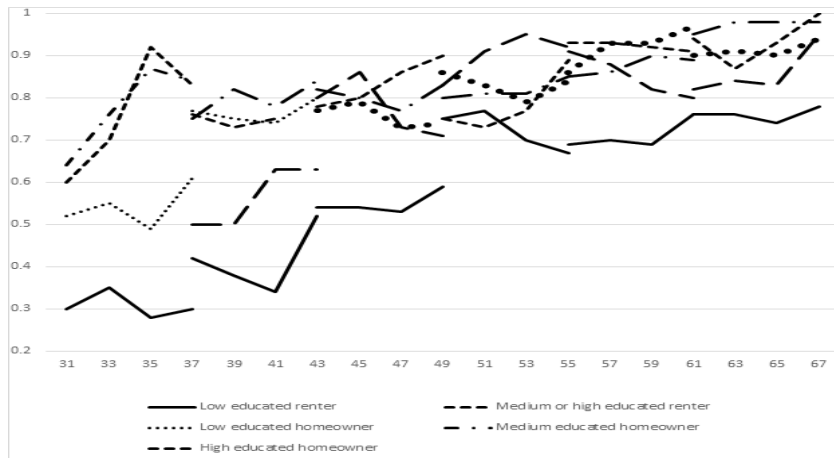
- Document the component(s) of wealth driving intergenerational wealth correlations in GB, across cohorts and over time
- Highlight rapidly diverging outcomes for homeownership opportunities and housing wealth by parental characteristics (they matter) across cohorts
- Rate at which the intergenerational association is changing is rapid: rank estimates imply doubling in circa 60 years

Long run wealth inequality: 1895-2013 (Alvaredo et al. (2018))



Top 1% in the UK 1895–2013.

Parental wealth and offspring homeownership using WAS: 2010/12-2016/18



- Wealth and Assets Survey waves 3-round 6 (2010/12-2016/18)
 - ▶ Cross section and longitudinal- derived measure of total net wealth and its subcomponents
 - ▶ Oversamples wealthier households by rate of 2.5-3 compared to other postal addresses
 - ▶ Utilise retrospective data on parental characteristics

Parental resources

- WAS asks a battery of questions regarding their parents characteristics (when individual was aged around 14)
 - ▶ Includes fathers/mothers education, economic status, housing tenure, whether single or couple parent hhold, # siblings
 - ▶ Interact parent's highest level of education and housing tenure (5 groups: high, medium, low educated homeowner & high/medium, low educated renter)
 - ▶ Education and housing relatively stable characteristics relative to other measures, plus further interaction leads to small sample groups

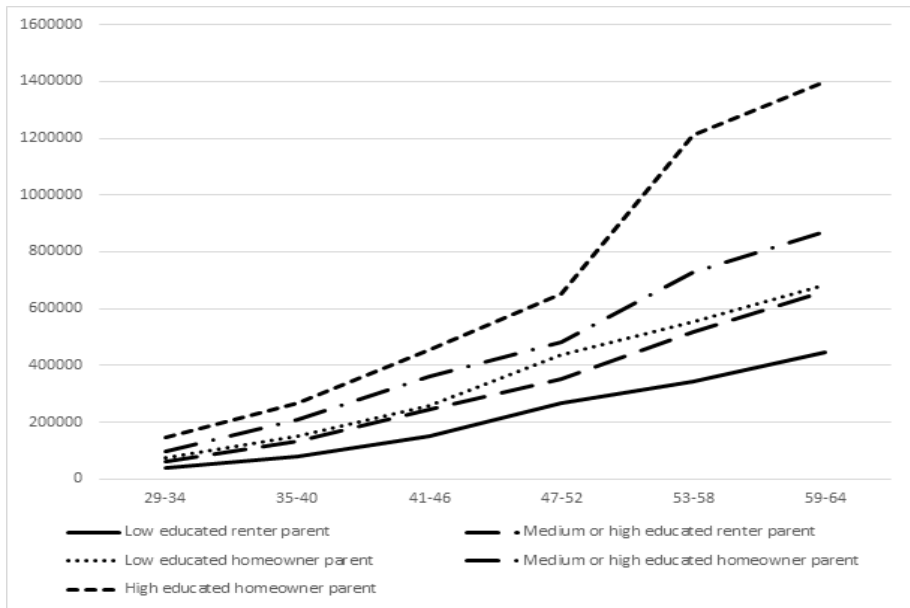
Parental characteristics

- Markers of relative resources (proxy wealth position) of parents available whilst growing up (Dearden et al, 1997)
- Observe offspring wealth before and upto peak wealth age (circa mid 60s) do not need to correct - precisely because interested in wealth accumulation at *current* age

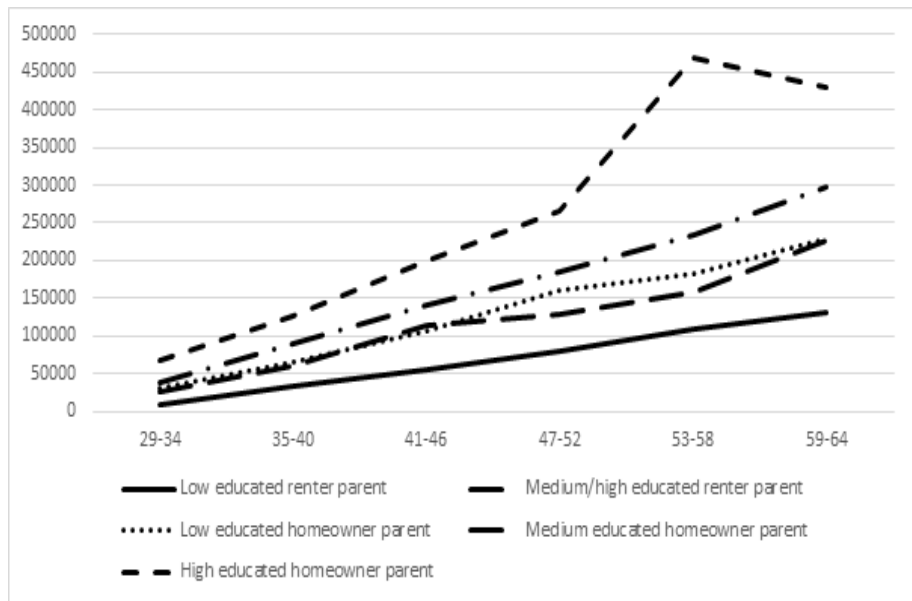
Methodology: intergenerational rank correlation

- Main equation of interest $W_{offspring,t} = \gamma + \phi W_{parent} + \beta X_{i,t} + \tau$
- Observe actual rank of offspring wealth in WAS, parental resources proxied by education and housing tenure
- Dependent variable will take different forms (total net wealth, net housing wealth, pension wealth, financial wealth, physical wealth)

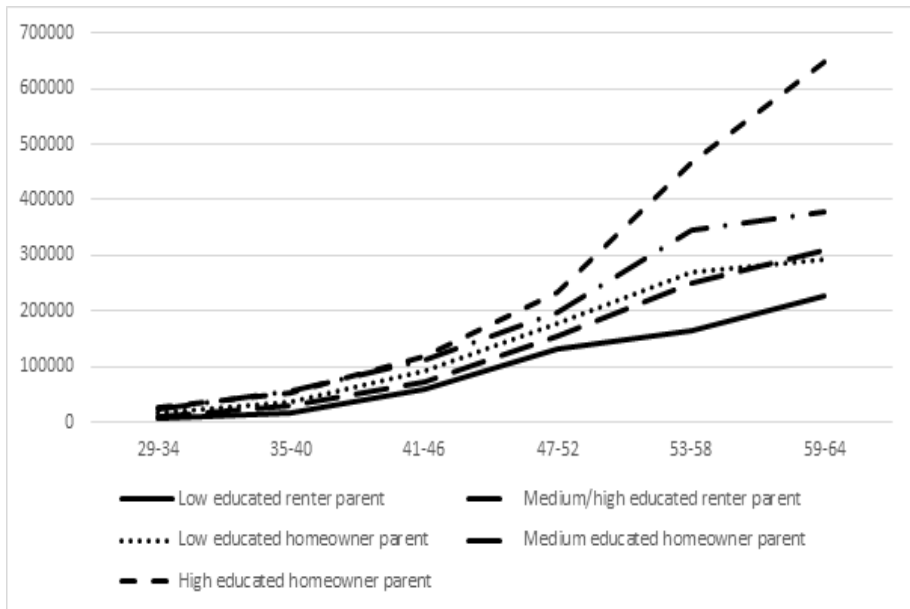
Cross section descriptive evidence: total wealth



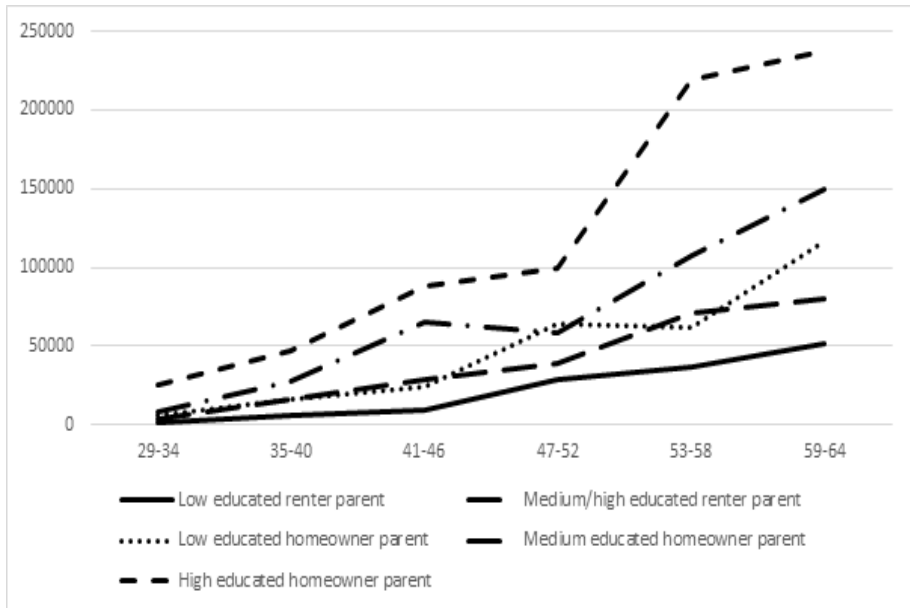
Cross section descriptive evidence: housing wealth



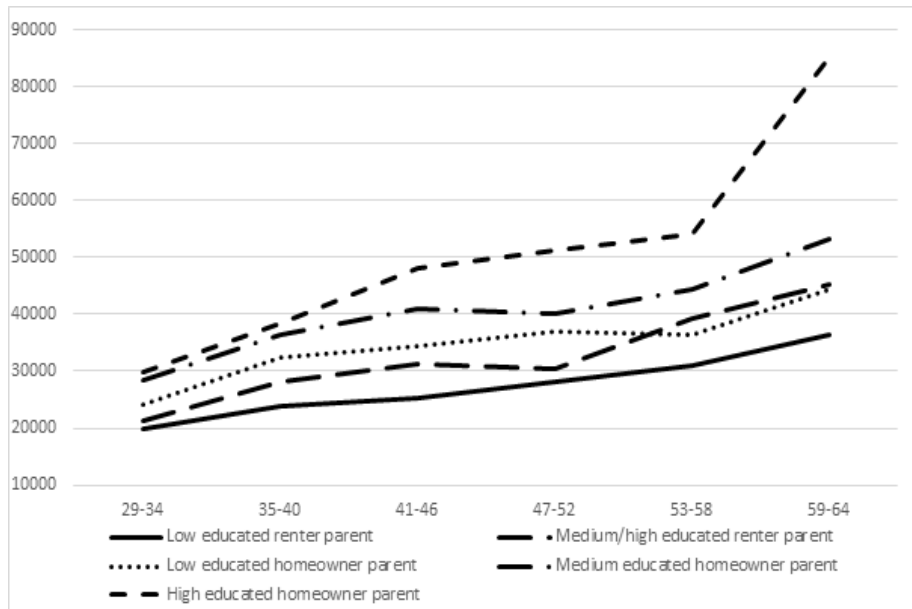
Cross section descriptive evidence: pension wealth



Cross section descriptive evidence: financial wealth



Cross section descriptive evidence: physical wealth



Cross section estimation rank correlation

Age group	29-34	35-40	41-46	47-52	53-58	59-64
Central birth years	1979-1980	1973-1974	1967-1968	1960-1961	1954-1955	1948-1949
Wave 3						
Total wealth	0.38*** [0.03]	0.37*** [0.02]	0.32*** [0.02]	0.30*** [0.02]	0.36*** [0.02]	0.33*** [0.02]
Housing wealth	0.28*** [0.03]	0.29*** [0.02]	0.30*** [0.02]	0.30*** [0.02]	0.36*** [0.02]	0.34*** [0.02]
Pension wealth	0.30*** [0.03]	0.28*** [0.02]	0.20*** [0.02]	0.19*** [0.02]	0.23*** [0.02]	0.17*** [0.02]
Financial wealth	0.21*** [0.03]	0.24*** [0.03]	0.22*** [0.02]	0.23*** [0.02]	0.30*** [0.02]	0.26*** [0.02]
Physical wealth	0.21*** [0.02]	0.23*** [0.02]	0.25*** [0.02]	0.20*** [0.02]	0.22*** [0.02]	0.20*** [0.02]
N	1340	1938	2386	2442	2377	2847

Panel estimation rank correlation (total net wealth)

Age group at wave 3	29-34	35-40	41-46	47-52	53-58	59-64
Central birth years	1979-1980	1973-1974	1967-1968	1960-1961	1954-1955	1948-1949
wave 3	0.38*** [0.04]	0.33*** [0.04]	0.32*** [0.03]	0.31*** [0.03]	0.35*** [0.03]	0.34*** [0.02]
round 6	0.44*** [0.05]	0.33*** [0.04]	0.33*** [0.03]	0.32*** [0.03]	0.34*** [0.03]	0.37*** [0.02]
N	554	871	1052	1205	1329	1688

Panel estimation results (housing net wealth)-rank

Age group at wave 3	29-34	35-40	41-46	47-52	53-58	59-64
Central birth years	1979-1980	1973-1974	1967-1968	1960-1961	1954-1955	1948-1949
wave 3	0.30*** [0.04]	0.27*** [0.04]	0.30*** [0.03]	0.32*** [0.03]	0.36*** [0.03]	0.36*** [0.02]
round 6	0.36*** [0.05]	0.34*** [0.04]	0.33*** [0.03]	0.36*** [0.03]	0.40*** [0.03]	0.36*** [0.02]
N	554	871	1052	1205	1329	1688

Summary of results I

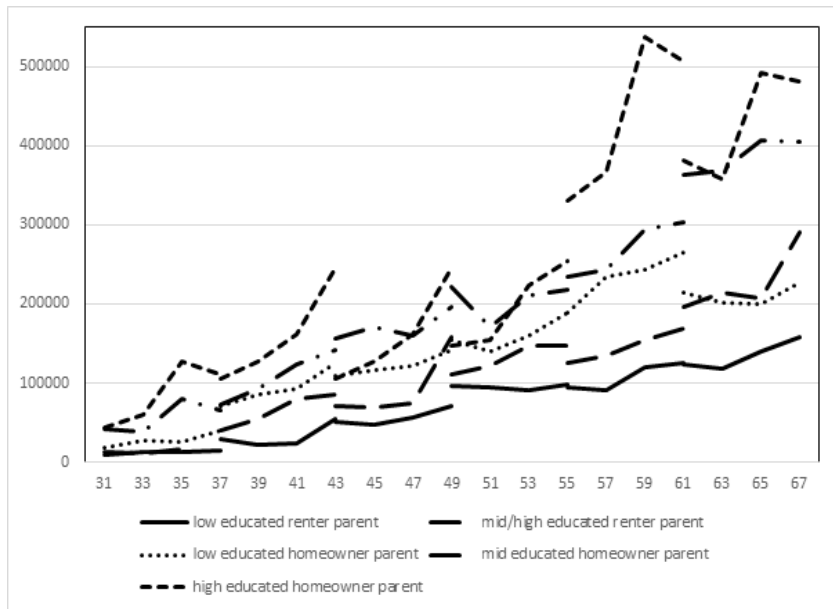
- Strong correlation across all wealth types, trend across age groups
- Chain comparison using panel suggests strengthening in correlation in parental resources and offspring, housing wealth esp at younger ages for individuals born 6 years apart.
- Gregg & Kanabar (2022) also show holds for total net wealth
- Given trend need to understand how rapidly the rank correlation is changing
- Related, how rapidly is home-ownership diverging across cohorts by parental wealth background?

Change in intergenerational parent-offspring housing wealth correlation and likelihood of homeownership

Wealth type	Net housing wealth	Likelihood of reporting housing wealth
Wave 4*Parent's rank	0.006 [0.007]	0.031 [0.041]
Round 5*Parent's rank	0.02** [0.008]	0.067 [0.052]
Round 6*Parent's rank	0.036*** [0.011]	0.16** [0.07]
Age*Parent's rank	0.05*** [0.001]	-0.007 [0.005]
Parent's wealth	0.18*** [0.014]	1.21*** [0.095]
N	36031	36031

- Role of parental wealth growing over time. Implies doubling (based on rank spec) in roughly 60 years.

Parental characteristics and offspring housing wealth



Concluding comments- homeownership and housing wealth central to inequality narrative

- Parental characteristics are increasingly related to major lifecycle events such as whether offspring report home-ownership (& housing wealth) across successively younger cohorts.
- The historic and recent (though not very recent!) returns to this asset mean parental wealth is increasingly influencing offspring wealth & living standards more generally.
- Speed at which rank correlation is changing is substantial: estimates imply doubling in six decades.

Concluding comments

- Results hold even after controlling for offspring's own education and earnings, economic status, occupation type, # siblings (appreciate other channels at play/endogeneity).
- Taken together the 'penalty' of being born to parents of low wealth is growing rapidly over time.
- Key questions & current research: assortative mating & decomposing offspring versus parent characteristics (including wealth) in explaining wealth inequalities across cohorts & over time.