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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON HOUSING AND LAND MANAGEMENT**

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Item 5 of the provisional agenda

**HOUSING AND DEMOGRAPHIC CHANGES**

Note by the secretariat<sup>1</sup>

*Summary*

The note below, prepared by an expert in demographic and housing issues in consultation with the secretariat, briefly explores the relationship between population and housing. Its aim is to guide discussion on the issue at the sixty-ninth session of the Committee on Housing and Land Management.

The note will be accompanied by a detailed presentation by an expert in the sector and an interactive discussion with member States, which are invited to provide information from their respective countries. The discussion will be based on the questions contained in this paper.

A more detailed note, containing information discussed during the session will be prepared subsequently and distributed to member States.

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<sup>1</sup> The note was prepared in response to a request of the CHLM Bureau (see ECE/HBP/2008/10, para VI).

## **I. THE LINK BETWEEN POPULATION AND HOUSING**

1. The relationship between population and housing has two sides. On the one hand, population change leads to a changing demand for housing. Population growth, and particularly 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.
2. On the other hand, the supply of housing influences the opportunities for population increase through immigration and the opportunities for people to form new households. Adequate housing supply can attract immigrants or influence their choice of residential location. Housing supply may also play a decisive part in leaving the parental home, forming a union or marrying. It is even possible that the housing supply plays a part in the timing of fertility or the numbers of children people have.
3. The link between population and housing seems obvious. People live in households and households need housing. In the long run, the supply of housing will follow the demand and the number of dwellings in an area will reflect approximately the number of households. But the market for housing differs from the market for other commodities. Housing production is slow and subject to many laws and regulations. Once built, housing has a life of several decades. Housing also is so expensive that hardly any household can just pull out the cheque book and buy a home immediately. Consequently, there are not just producers and consumers in the housing market; landlords, developers, and financial institutions also occupy important roles.

## **II. THE LINK BETWEEN HOUSING AND MIGRATION, HOUSEHOLD FORMATION AND HAVING CHILDREN**

### **A. Housing and migration**

4. Housing may attract migrants or prevent out-migration, and a lack of housing may prevent migrants from entering or lead to out-migration. The less urgent the migration, the closer the relationship with housing. With regard to internal migration, it is possible to attract migrants or prevent out-migration to neighbouring areas by manipulating the housing stock. Urgent migrants (e.g. refugees), however, 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; they will migrate no matter what and worrying about housing at a later phase. While for large international companies, availability of housing may be an important factor when it comes to deciding on the location of headquarters or other important offices, for international labour migrants housing availability plays only a minor role. Thus, with international labour migration, 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.
5. A close relationship exists between housing tenure and migration. In most countries, homeowners are considerably less likely to migrate than renters. This is partly the result of the fact that the transaction costs of moving are much higher for owners than renters. If the level of homeownership is too high in a country, this can seriously hamper the spatial flexibility of the labour force.

## **B. Housing and household formation**

6. There are three major forms of household formation: (a) leaving the parental home; (b) union formation (through cohabitation or marriage); and (c) divorce or separation. Those who want to leave the parental home for reasons of education or work 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 opportunity to wait until they have found suitable or affordable housing. A combination of a high level of home-ownership, difficult access to mortgages, and high house prices appear to make it particularly difficult for young people to form their own households. Divorce and separation are obviously urgent reasons for forming a new household for one of the former partners. Generally, the availability of housing will probably not lead people to put off a separation once the wish to separate has been formed. Nevertheless, housing does seem to play a part in the likelihood of divorce: whatever the causal link is, homeowners are less likely to divorce than renters, and living in overcrowded housing increases the risk of divorce.

## **C. Housing and having children**

7. An indirect influence of housing on having children is connected first to leaving the parental home and second to cohabitation and marriage. If people stay in the parental home for a long time, they are also late in forming a family. This is true in countries where it is the norm to form families in housing separate from the parental family. Late parenthood leads to a smaller number of children being born. Countries where people leave the parental home late are also those with low fertility. 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.

8. This will have repercussions on the birth of children. Furthermore, many couples prefer to secure housing of a certain quality before they have children. Childbirth frequently follows after a move into a single-family home or an owner-occupied home. 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. In several countries, there is a positive connection at the household level between housing quality (including homeownership) and having children. In the United Kingdom, however, homeownership seems to be associated with low rather than high fertility.

9. On the country level, 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 scenario for having children. Access to housing is difficult where housing is in short supply, prices are high, the level of homeownership is high and mortgage banks are strict.

10. 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 scenario 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.

### **III. QUESTIONS FOR DISCUSSION**

11. The following questions are offered to initiate discussion by the Committee:
- (a) What are the main population trends having a significant impact on housing in your country?
  - (b) How can national governments provide housing for international labour migrants?
  - (c) How can national governments stimulate the development of cheap rental housing to accommodate leaving home and partnership formation by young adults?
  - (d) How can national governments stimulate the rental housing sector in general, to allow for more spatial flexibility of the labour force (internal migration for work reasons)?
  - (e) Should national governments take specific measures to reduce the transaction cost of homeownership (e.g. reducing or abolishing the transfer tax to allow for more spatial flexibility of the labour force and smoother housing careers)?
  - (f) What is a proper housing-policy reaction to population decline?

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