Estimating Future Household Formation

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LSE, London. Report from Gemma Quarendon, Hampshire County Council

The potentially dry subject of household formation was made lively and imaginative by speakers at a jam packed day meeting on estimating future household formation, held just before Christmas at the LSE in London.

Ludi Simpson opened the day which looked to investigate current research into household formation, whether recent changes are indicative of a cultural shift or more temporal in nature and resultant implications for estimating future rates.

Current government household projections are one of the core ingredients in determining the quantity and location of new housing. But they are intended to show what would happen with a continuation of past levels of demographic rates and household formation, incorporating trends over time where these are evident. Throughout the day, as in government projections, household formation was taken to mean the net result of households forming and dissolving.

The release of 2011 Census data which has shown that the long term trend of reducing household size has been stalling of late has led to calls for a reassessment of the rates and trends used for those projections. However, in order to address this, it is first necessary to understand why there has been the change. Does the change reflect wider societal changes in the way people are choosing to live and therefore likely to be much longer term changes in household formation? Or are they more of a reaction to recent economic conditions, and as such perhaps more short term in nature?

Setting the scene of how current projections of household formation rates are produced, Tim Lyne from Experian spoke about the evidence that underpinned the 2011 CLG household projections. The presentation looked at how the methodology and resulting figures differ from the 2008 set and began to look at possible new datasets as well as changing the emphasis given to datasets currently used to develop the methodology and improve the figures going forward.

Glen Bramley followed Tim’s talk and looked at economic influences on household growth. He argued that the current methodology of largely extrapolating past trends misunderstood the nature of household change and that some form of econometric model which took into account the economic cycle would produce more accurate projections. Glen then went on to present the results of some work he has done using one such model at the sub-regional level. He argued that housing supply affected household formation and that the current planning process is circular: depressed household formation would lead to lower household projections, less housing supply, and further depressed household formation. The evidence was debated in the meeting.
Ann Berrington finished the morning session off with a very informative and thought provoking look at trends in household formation and put forward a range of demographic reasons that may lie behind them. Ann noted the importance of looking at the whole picture and remembering that one size in terms of the reasons behind changing household formation patterns doesn’t necessarily fit all. For example, for changes in the household formation of very young adults (particularly those in their late teens), whereby they are remaining in the parental home for longer, Ann argued that the evidence suggests that this may be a longer term trend. However, those slightly older (25-34 year olds) and who seem to be the main group driving the changes we are seeing in household formation, are also the hardest to predict, and Ann highlight a broad range of factors that may impact on trends going forward.

After a quick bite to eat, delegates returned to hear a round-up of census analysis of household formation by a range of researchers from academics, to local government analysis, to speakers from the Welsh and Scottish statistics offices highlighting both results and dilemmas caused by the changes seen.

The final hour of the day was devoted to an open floor debate on how to improve our understanding and ability to project household formation. The key themes that emerged from this included -

The availability of data (beyond census data) that would provide more up-to-date information from which to improve estimates and projections. Sample surveys often have an issue over sample size and uneven response by household type making it hard to draw conclusions and evaluate trends;

The issue over whether the change in household formation rates is a long term trend or short term blip was debated. Ann Berrington’s research noted how for some groups the changes seen maybe long term, whilst for other groups it is much harder to predict;

It was also noted that things were unlikely to get any easier. As we live more complex lives our household formation patterns are only going to get more complex making it ever more difficult to project;

One issue raised by a number of delegates was the issue of cultural differences in household formation norms and preferences and that these aren't taken into account specifically in projections. As we become more diverse this is likely to become a bigger issue;

There was some debate over whether we are looking at demand or need. Having a roof over one's head is a basic right, but demand for a certain type of household is not;

Another issue that came up several times was the need for a range of projections rather than a single figure. It was acknowledged that this would in turn lead to a need for education of what a range of numbers means and how to use them appropriately. And as such we were encouraged to 'embrace the uncertainty'. Indeed Scotland were looking to produce a set projections based on an alternative series household formation rates.

One thing was very evident from the day, and that was the need for more research.
The presentations at the meeting are available at
http://www.lse.ac.uk/socialPolicy/BSPS/dayMeetings/Estimating-future-household-formation.aspx