

whither household projections?

With household projections based on full 2011 Census data due to be published early in 2015, **Ludi Simpson** considers the weight that we should place upon them in the light of assumptions made in the interim projections about the effects of the economic downturn



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The household projections based on full 2011 Census data will be the basis of local assessments of housing need

The Government's 2011 interim household projections are shortly to be replaced with final projections which, using full Census information on household formation and revised population projections, will run up to 2037. How interested should we be in them? Despite claims that the recession invalidates the projections, there are reasons to doubt this, and to treat the new projections with more authority than ones made in the previous decade.

Lower household formation – a new trend or a temporary aberration?

In the 18 months since the interim projections were published by the Department for Communities

and Local Government (DCLG), their ingredient of a slower rate of household growth than in past projections has been rather dismissed. The House of Commons Library suggests that the 2011-based projections are 'a reflection of the severity and extent of the post-2008 economic downturn. The 2008-based projections are still regarded as a solid indicator of potential levels of housing demand over coming years.'¹

The Planning Advisory Service's technical advice on assessing objective need for housing states that 'The evidence suggests that the higher-than expected household sizes are partly a demand-side effect of the last recession – so that due to falling incomes and the credit crunch fewer people could

afford to form or maintain separate households'. It recommends that the long-term development of household formation should be assumed to be in line with the 2008-based household projections.²

An RTPI Research Briefing reports that 'A detailed analysis of the census and other data points to two main reasons for the census finding fewer households than expected: increased international migration; and changes in the types of households in which younger adults are living', both of which are judged to be temporary phenomena.³

These views, which have also been reflected in Planning Inspectors' views of appropriate forecasts of housing need, rely heavily on a major research paper from Alan Holmans, published in *Town & Country Planning*.⁴ That research was an excellent response to the interim projections, but has not been subject to the update and review that it called for.

The research included long-term projections of housing need for England, based on an assumed return to housing formation closer to the 2008-based projections. Holmans stressed that this was only one among significantly different assumptions that *could* be made.

Room for doubt

The forthcoming 2012-based DCLG projections will rely on the same 2011 Census as the interim projections – so how should we use them? My

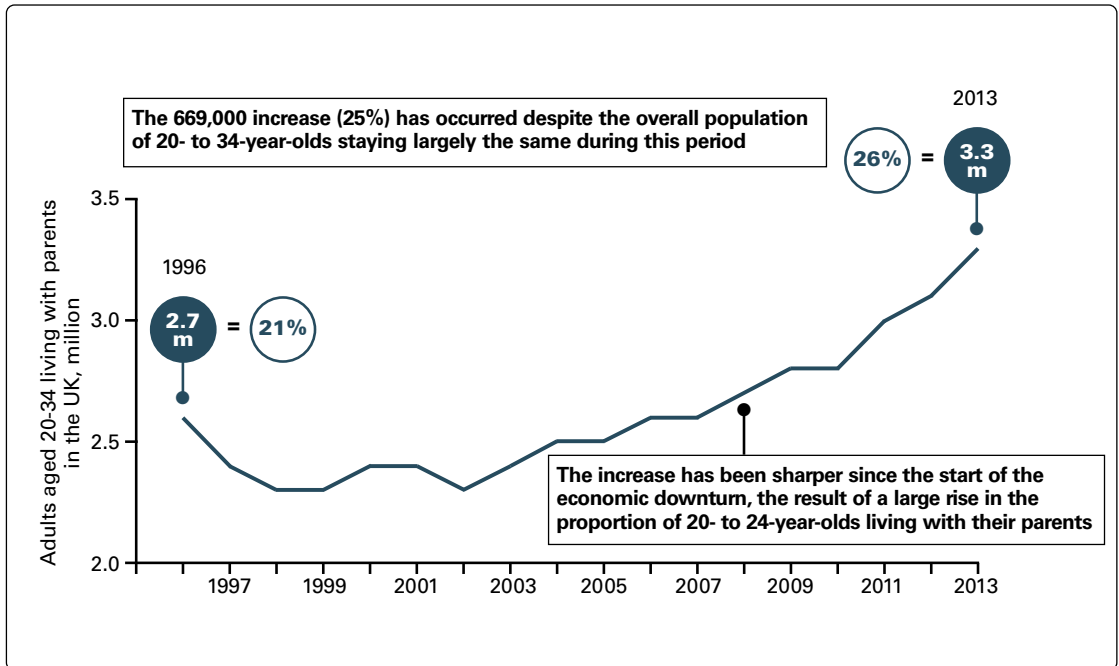
review of the evidence on which the interim projections were assessed suggests that we should not after all discount the new projections, for the following reasons.

The causes of reduced household formation are varied, began before the recession, and mostly are likely to continue with or without recession

Much attention has been focused on reduced household formation among those aged 25-34, the fall in numbers of single and couple households of those ages, and the rise in the number of adults living with older couples and in other multi-adult households. But as Alan Holmans pointed out, of the 1 million fewer one-person households in 2011 compared with what had been projected by the 2008-based projections, only 200,000 of the shortfall were among those aged 25-34.

In the 2000s there was a sustained increase among young people not leaving home, and in those returning home (see Fig.1). The increased number living with their parents began at the turn of the millennium; the increase did accelerate after 2008.

The introduction of student fees from 1998, and the increase in precarious employment, including the rapid growth of part-time work, could both change in the future. But they appear at the moment as fixed circumstances of the policy and economic environment.



Above

Fig. 1 Since 1996 there has been a large increase in young adults living with their parents

Source: 'Large increase in 20- to 34-year-olds living with parents since 1996'⁵

The long-term increase in the number of childless women, both through delayed child-bearing and through not having children at all, which increased the number of smaller households, stopped and has fallen since 2000.

Increasingly older formation of couples or families, which had increased the number of single-person households in the 1980s and 1990s, has levelled out since 2001.

Whether young adults aged 25-34 will recover to their previous levels of household formation when the economic situation improves is arguable, and is dependent on the success of 'Help to Buy' schemes and the impact of high affordability ratios, high rental prices, welfare retrenchment, and increased student fees and debts. The housing market and government policies to provide or stimulate affordable housing will affect future household formation.

The 2008-based projections were presented at the time not as a solid trend, but as insecure, because the past steady trends had already been broken prior to the recession

In preparing the 2008-based household projections, DCLG was faced with a dilemma: its own report on the methodology used noted that 'Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census. If these shifts in household formation behaviour are sustained in the longer term, and this can only be truly assessed once the 2011 Census results are available, the household projections using the method as in the 2006-based and previous projection rounds would turn out to be too high.'⁶

There had already been 'observed deceleration between 1991 and 2001' in household formation rates, although there is some doubt about that decade because of unusual difficulties with the 1991 Census enumeration. The 2008-based household projections opted, as worded in the same report, to 'revert to the trend' of increasing formation rates. We know that this trend was observed only prior to 2001, and perhaps not even to that year.

The report on the methodology of the 2008-based projections also warned that 'There are cohort effects that are ignored by the methodology... [This is] of particular concern if recent falls in household representative rates for younger age groups are carried forwards through a cohort process into older age groups in future years.' There has, in fact, been such a carrying through: the drop in formation rates for those aged 20-24 and 25-29 apparent already for 1991-2001 has emerged for those aged 30-34 and 35-39 in the period 2001-2011. Thus the 2008-based projection was itself considered as precarious rather than a 'solid trend', and was to be judged against the 2011 Census.

Immigration, said to have caused half the slowing of the household formation rate between 2001 and 2011, did not, after all, have such an influence

Holmans' calculations on immigration are probably the only point at which his analysis may be faulty. He notes much lower household representative rates for immigrants who have entered the UK in the past year than for the general population, and applies the large difference to the total number of extra immigrants during the period 2001-2011. However, his own evidence shows that immigrants with 0-5 years in the UK come much closer to the general household representative rates, and the difference is not visible for those with 5-10 years in the UK. Thus in 2011 the extra immigrants of 2001-2011 will have on average an experience very close to the general population rather than those of migrants in the past year used in Holmans' calculations.

The importance of this observation is only to suggest that very little of the decrease in household formation can be laid at the door of a temporary increase in immigration during the 2000s.

The interim and final projections since the 2011 Census are based not on short-term trends, but on trends since 1971

Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011.

The quality, methods and purpose of household projections

The forthcoming household projections due early in 2015 are to an extent predictable. They will adopt the 2012-based population projections for local authority areas of England which are already in the public domain. They will repeat the approach of the interim projections but use the full range of 2011 Census outputs, as demanded by the methods established for household projections in England in the last decade. But the interim projections already used the major ingredient from the 2011 Census – the total number of households in each district. The projected change in household formation rates was so small that projected population change accounted for 98% of the household change, at least when averaged over England. And finally, since the projection is based on 40 years of data, the changes coming from using the full 2011 Census data are not likely to make major revisions to the interim projection of household formation rates, although of course there will be some districts that change more than others.

Looking further ahead, one can expect improvements in the projection methods. They currently employ a mixture of two sets of Census data and are more complex than methods used in Scotland and Wales. They do not identify the 'concealed families' which used to be a useful marker of suppressed need. Perhaps they could be developed to include 'concealed single-person households'. The projection of migration could take into account a longer period than the past five years' experience as at present.

In addition, demand for scenarios of household need and housing provision could be satisfied by an authoritative producer inside government or supported by government. Alternative scenarios can assess the impact of uncertainty in the factors not under local planners' control, such as fertility, mortality and international migration, and also assess the demographic consequences of planning investments that are under planners' control.

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Conclusions

The imminent household projections based on full 2011 Census data will be the basis for the determination of locally assessed housing need for the following two years. The previous 2008-based projections provide neither a substitute nor a benchmark.

The societal changes that created smaller households in Britain since the 1960s have now affected 50 years of those reaching adulthood. However, the experience of the past two decades, and not just the economic crisis of the late 2000s, does suggest that we are not in a position to expect further increases in household formation rates of

the same kind. Household size in England cannot continue to reduce indefinitely, although it has not reached a limit and is not as low as elsewhere in Northern Europe. The future in the UK is likely to be a continuation of precarious household formation. It will probably be lower than once projected and carry more uncertainty, until further structural shifts occur.

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Notes

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- 2 *Objectively Assessed Needs and Housing Targets*. Technical Advice Note. Planning Advisory Service, Jun. 2014. www.pas.gov.uk/local-planning/-/journal_content/56/332612/6363116/ARTICLE
- 3 *Planning for Housing in England*. Research Briefing 3. Royal Town Planning Institute, Jan. 2014. www.rtpi.org.uk/media/819063/planning_for_housing_in_england_-_rtpi_research_briefing_3_january_2014.pdf. See also the Research Report upon which the Briefing is based: N. McDonald and P. Williams: *Planning for Housing in England: Understanding Recent Changes in Household Formation Rates and their Implications for Planning for Housing in England*. Research Report 1. Royal Town Planning Institute, Jan. 2014. www.rtpi.org.uk/media/819060/rtpi_research_report_-_planning_for_housing_in_england_-_january_2014.pdf
- 4 A. Holmans: *New Estimates of Housing Demand and Need in England, 2011 to 2031*. Town & Country Planning Tomorrow Series Paper 16. TCPA, Sept. 2013. www.tcpa.org.uk/pages/new-estimates-of-housing-demand-and-need-in-england-2011-to-2031.html. Also available as an insert in *Town & Country Planning*, 2013, Vol. 82, Sept.
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- 6 *Updating the Department for Communities and Local Government's Household Projections to a 2008 Base. Methodology*. Department for Communities and Local Government, Nov. 2010, p.8. www.gov.uk/government/uploads/system/uploads/attachment_data/file/7484/1780350.pdf