



Planning for housing in England

The 2011 census raises big issues for planners. In particular, it shows that average household size did not fall as expected between the censuses but stayed constant. This is probably because the 2011 census results – and the official household projections that were based on them – were influenced by increased international migration, the economic downturn and the effects of a long period of poor housing affordability. This suggests that planning on the basis of these projections could lead to an under-provision of housing in some areas.

This briefing, based on research conducted for the RTPI by the University of Cambridge, suggests how planners and others might respond.

Who should read this?

Policymakers, decision-makers and practitioners in England involved in planning for housing and related areas for which provision is influenced by changes in the number and type of households.

Key messages for policy and practice

DCLG's 2011 household projections for England (published in April 2013) are the latest official household projections and take account of the 2011 census results. As suggested in planning guidance, they are the starting point estimates for looking at household growth and housing requirements.

However, for the reasons explained in this briefing, local authorities need to consider their specific situation carefully in the light of what the latest projections suggest for their area. They should ensure that their plan anticipates the range of potential outcomes and review the plan regularly to see if changes are needed.

There are two reasons why the trends that have been projected forward in the official projections may not continue unchanged.

Firstly, increased international migration in the first decade of this century may have been responsible for a significant proportion of the changes to previous trends in household formation patterns. Secondly, it seems likely that the 2011 census results were influenced by both the economic downturn and the effects of a long period of poor housing affordability.

This raises the question of whether planners should assume that household size will remain stable or resume the previous falling trend. For some authorities, this could affect the number of homes required by 30% or more.

Consequently, three main issues should be taken into account in using DCLG household projections at the local authority level:

- The extent to which the pattern of household formation in the area been affected by an increase in international migrants (which may vary greatly).
- The extent to which household formation patterns have departed from previous trends.
- Whether there have been significant changes in the projected net flow to or from other local authorities, which may be a consequence of the use in the interim projections of flow rates from earlier projections. In such cases it might be appropriate to adjust the projected flows.

Suggestions for how planners and others might respond when planning for households in England are included in this briefing.



Main findings

Compared to 2010 projections, the 2011 census found 450,000 more people in England than expected. There were also 375,000 fewer households than anticipated (compared to 2008 projections). The average household size was larger than expected: it had remained at the 2001 level rather than falling as expected

This raises some important questions: What caused these changes? Are they likely to continue? And how should DCLG's household projections be used in assessing housing requirements? (It should be noted that this report relates only to England; different approaches to projecting household numbers are used in the other parts of the UK.)

What changed?

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.

Increased international migration

People arriving in England from abroad tend to live in larger households than the rest of the population. This means that if there are more people in the population who have recently arrived than anticipated, the average household size will be larger than expected.

The trends in household formation patterns which underpinned the previous set of official projections – DCLG's 2008-based household projections – were based on international migration flows from the 1990s and earlier. Compared with that period, the inflow of international migrants in the first decade of the century was 193,000 a year higher (offset in part by increased "out" migration so the growth in the net inflow was much smaller). It is therefore unsurprising that there were fewer households in 2011 than expected as more people than anticipated were living in larger households.

Analysis carried out by Alan Holmans at the University of Cambridge suggests that this may be responsible for some 200,000 of the

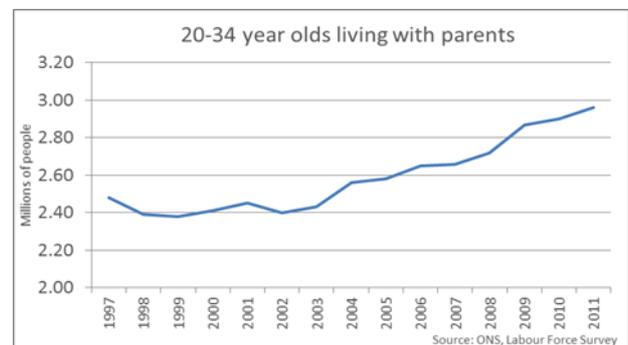
375,000 difference between the estimated and actual number of households.

Changes in living patterns

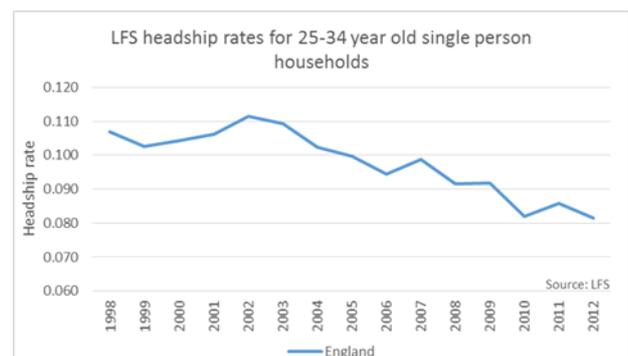
A comparison of actual and expected household numbers by age of the household representative person shows that most of the shortfall is in the 25-34 and 35-44 age groups.

Analysis of the types of households that are "missing" and other evidence from the Labour Force Survey suggests that there has been a reduction in people in this age group living alone and an increase in the numbers living with their parents or in shared accommodation.

The chart below shows how the number of 20-34 year olds living with parents has increased: in 2011 there were ½ million more 20-34 year olds living with parents than in 2001. Although some of the increase may be due to an increase in number of people in this age group, the most of it is due to changing household formation patterns.



Further, the following chart shows how the proportion of 25-34 year olds living alone in single person households fell over the same period.



Are these changes likely to continue?

What happens to the number of “missing” households attributable to increased in migration depends on what happens to migration flows in the future. If there is no further significant increase in international in migration (which seems a reasonable assumption given UK Government policies to reduce migration), there should be no increase in the number of recent migrants in the population. This is because the previous decade’s migrants will either have left or become established residents living in similar household sizes to the rest of the population. As a result, there should be no further impact on average household size for this reason.

It seems likely that changes such as more people living with their parents and more people living in shared accommodation are “forced” changes caused by those concerned not being able to afford separate accommodation, rather than free choices. Insofar as they are “forced”, it is likely that they will reverse if and when conditions improve.

The question then becomes, “What conditions would need to improve?” The two main factors are likely to be the economy, including incomes and the availability of mortgage finance, and the affordability of housing.

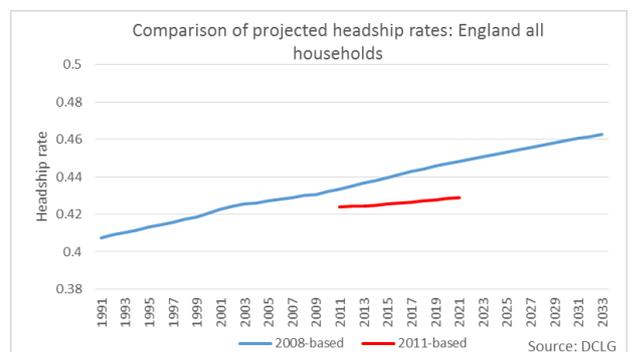
The graphs on the previous page, showing the growth in the number of young adults living with their parents and the falling proportion of 25-34 year olds living on their own, both indicate that the changes were well underway before the economic downturn. This suggests that a return to stronger economic growth and better access to mortgage finance will be insufficient on its own to produce in a return to previous patterns of household formation. There would also need to be an improvement in the affordability of housing to buy and to rent – which depends on house prices and trends in incomes and interest rates.

Using DCLG’s latest household projections

DCLG’s household projections take as their starting point the actual number of households in 2011 and household formation rates indicated by the census. They are the starting point for looking at household growth and housing requirements.

However, they are trend-based projections (rather than forecasts), meaning they tell you what would happen if the trends on which they are based were to continue. A view needs to be taken on whether that is a reasonable assumption or whether some change in the trends is more likely.

This chart shows how the number of households per person is envisaged to rise in the two projections and indicates how different the latest projections are from the 2008-based projections.



The lower starting point, in 2011, of the 2011-based projections reflects what the census found, i.e. a smaller number of households per person (which equates to a larger average household size). The projected forward trend gives rise to a flatter line, which implies a slower growth in the proportion of the population that will be ‘household representative persons’.

However, this approach does not make allowance for either:

- The likelihood that “recent international migrant” effect was a one-off;
- The possibility that conditions in the housing market and the economy more



generally will improve and there will be some return toward previous trends in household formation. (Note that the latest projections imply that the proportion of 25-34 year olds who set up home on their own continues to fall and does not just remain at the 2011 level.)

Both factors suggest that the latest projections are likely to underestimate the growth in household numbers.

Using the latest projections for local authority areas

The main issues which need to be taken into account at the local authority level are:

- The volume of international migration varies significantly from area to area, implying that the extent to which increased international migration will have affected the household projections could also vary considerably.
- The extent to which household formation patterns have departed from previous trends also varies from area to area. For some authorities the new projections suggest that household formation rates for some groups will continue to fall. The impact which any move back towards previous trends would have will also vary from area to area.
- The latest projections are 'interim' projections prepared before the full results of the 2011 census were available. This means that it was necessary to use some trend data from previous projections, including data on flows between local authorities in the UK. As a result these flows, which are major drivers of population change for many authorities, may have been under or over-estimated for some areas. Where there are big changes between the 2008-based and 2011-based projections in this area the new projections should be compared with past flows and a view taken on whether they are a reasonable basis for planning.

It should also be noted that some of the differences between the 2008-based and 2011-based projections are the result of improved methods used to estimate

international flows at the local authority level. The new methods should give more reliable results.

How might Government help?

The projections are a major asset for those planning for housing, but they could be even more useful if government could:

- Publish in an easily accessible form data showing how the projections for key drivers of change – birth, deaths and flows into and out of a local authority – relate to what has happened in the recent past. This would allow users to understand the underlying trends and take a view, in the light of their local knowledge, as to whether they are a sensible basis for planning.
- Provide sensitivity analysis at the local authority level so that users can gauge the amount of uncertainty they need to plan for.

About the research

This briefing is based on research conducted for the RTPI by Neil McDonald and Peter Williams at the Cambridge Centre for Housing and Planning Research, University of Cambridge, funded through the RTPI's Small Projects Impact Research (SPIRe) scheme.

Further information

The full report is available on the RTPI website at: www.rtpi.org.uk/spire

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