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## Home Truths: Young adults living with their parents in low to middle income families

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Loughborough  
University

Centre for Research  
in Social Policy



Standard Life  
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# HOME TRUTHS

Young adults living with their parents  
in low to middle income families

**Katherine Hill, Donald Hirsch,  
Juliet Stone and Ruth Webber**

Centre for Research in Social Policy  
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## Key Findings

A growing proportion of young people in the UK are living with their parents well into early adulthood, whether they have not left or returned to the family home. Influences include increased housing costs, the precarity of young adults' labour market experience, and changing social norms. Four in ten families with children in their 20s have at least one of them living at home. Two in three single people in their 20s now live with their parents. These figures, from before the Coronavirus pandemic, are likely to have grown, given the disproportionately high impact it has had on the jobs and incomes of young adults.

This way of living has important consequences for the current living standards and future prospects of families on low to middle incomes, who have to adapt to a family life extending well beyond bringing up dependent children. As the first stage of a research project investigating the experiences of this group, this report finds that:

- Decisions about whether young adults live with parents can be influenced both by their own needs and by the resources that their families can offer. On the one hand, being unemployed or in low-paid work makes it harder to move out in your early 20s, but on the other, parents in more advantaged situations can more easily offer support, and people in their later 20s and early 30s more often return to more comfortable homes.
- These decisions about residence are based on highly individual circumstances and needs. This means for example that even though better-off parents find it easier to provide for this group of young adults, there are many cases where those with more modest resources end up doing so.
- Within co-resident families of this type, there is no clear-cut basis for who provides for what, or on how shared living should work. Families agree that someone in their 20s should not be treated the same as a dependent child, but not exactly what they should be contributing to household finances and chores.
- Despite seeking to reduce poverty among families with dependent children, the state takes little interest in the economic wellbeing of families whose children have grown up. It assumes that these young adults will be economically independent and contribute rent, yet if they are not working, it offers them no rent support if living in the family home.
- Public policies to help young adults progress to independence are under-developed, and have so far helped mainly relatively better-off people to get onto the home ownership ladder.

This evidence, drawn from a wide range of existing data and research, raises the issue of how families on low to middle incomes manage economically where parents live with grown-up children, the effects on their well-being, and how they manage the potential challenges of co-residence. It also raises issues about how both the parents and young adults in such situations see their future lives. The report is being followed up with new research comprising in-depth interviews with co-resident young adults and parents in low to middle income families, exploring their current experiences and thoughts about the future. This evidence will be used to develop proposals for how policy and practice can best assist these families to meet their needs and aspirations.

**The most common public image of a family in Britain today is of one or two parents bringing up dependent children. Yet increasingly in the early 21st century, young people are living with their parents for many years after their 18th birthday. Four in ten parents of adults in their 20s have at least one of them living in their home. Among people in their 20s not living with a partner or dependent child, two in three live with one or both parents<sup>1</sup>. The numbers doing so have grown steadily in recent years, influenced by constraints in obtaining independent housing, by aspects of precarity in young adults' lives and by changing social norms. The support that parents can continue to give their sons and daughters during this period of their lives has been made all the more significant by the Covid-19 crisis.**

This report has been produced as part of a project which aims to investigate the economic and financial challenges facing low to middle income families where young adults live with their parents. The research is funded by the Standard Life Foundation and carried out by the Centre for Research in Social Policy, an independent research centre. This report presents findings from the first phase of the study – comprising data analysis, a literature review and policy mapping – to bring together existing evidence about young adults and their parents who live together, particularly focussing on low to middle income households. The findings provide a profile of the extent and circumstances of such families and the financial and policy landscape they face. This raises a number of issues related to the well-being of such families and provides valuable context for the second phase of the study, which will comprise qualitative in-depth interviews with young adults and parents to consider more systematically these families' experiences and needs.

There has already been much public discussion of 'boomerang children' who keep returning home, and of those who do not leave, as a phenomenon that prolongs the duties of parenthood and delays young adults' independence. Much of this discourse refers to the dilemmas facing middle class home owners whose children find it more comfortable to live with parents than to enter an expensive housing market, and comments on constraints that this creates for the lifestyle of both parties. The present project and this report take a rather different focus. They consider the implications of this way of living for the opportunities and living standards of both young adults and their parents who are constrained or choose to cohabit, in families of at best modest means (broadly defined as having income around or below the median). Family living standards and young people's opportunities have been of central policy interest in 'nuclear' families with dependent children, but the implications of these family units continuing for well after children grow up has not been systematically considered. We are interested in the financial and social well-being of families while they live in this situation, in how it affects young people's long-term prospects and also in how the responsibility of housing their children at this stage of life affects the plans and prospects of parents of modest means in later life.

<sup>1</sup> The data on this phenomenon are set out in more detail in Chapter 2 of this report

Despite the co-residence of young adults with their parents for lengthy periods having become a common norm (and having always been common in some communities) it still risks being seen in some contexts as anomalous or undesirable, partly because those who grew up in different times do not regard it as normal. A difficulty is that if individuals, families, society and policy makers regard co-residence in negative terms they are less likely to engage with it as a reality and look for ways of enhancing living standards and opportunities in this context. This research therefore starts from a neutral perspective in relation to advantages and disadvantages of co-residence. On the one hand, it recognises that it can be a symptom of constrained housing choices, and that it can bring difficult challenges to families. On the other, it notes that since it involves a pooling of housing and some other resources, it has the potential to improve the overall living standards of those involved, and to enable parents to help their children in productive ways. Purely at a housing usage level, it involves a more efficient occupation of space than if the adults involved lived separately in smaller units, providing it does not lead to overcrowding.

Following this introduction and overview, the remainder of this volume consists of three self-standing papers, considering the issue from three different perspectives. Chapter 2 quantifies the phenomenon of people aged 20-34 living with their parents in the UK today. It uses survey data to give a profile both of individuals in this age-group in terms of whether they live with their parents and of families who have sons and daughters in this age-range in terms of whether any still live with them.

Chapter 3 goes on to explore what existing research has found about this phenomenon, showing trends in different countries over time, the characteristics of young adults living with their parents and what influences them to do so and some of the consequences, both psychological and economic, of this trend. It finds that there is very little evidence on the impact on living standards, a key topic to be explored in qualitative research that will form the next phase of this study.

Chapter 4 ends by surveying the policy landscape in the UK in terms of how it affects families in which young adults live with their parents. It contrasts the focus on helping families with dependent children on low and modest incomes, through the benefits and tax credits system, with a lack of any systematic help for those whose children have passed the age of 18. It goes on to illustrate the consequences of parents and adult children co-residing for the adequacy of household incomes, by calculating how disposable income compares to the Minimum Income Standard benchmark in a range of different scenarios.

Chapter 5 draws together some conclusions from the three papers and outlines issues to be taken forward in the next stages of the research.

## 1.1 An overview of themes emerging

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Among the evidence and analysis covered by these papers, a number of recurring themes stand out. The following ones are worth highlighting.

- 1) Young adults from across the socio-economic spectrum are living at home with their parents, with multiple factors influencing who does so. Looked at from the point of view of the young adult, those with fewer advantages appear to stay at home for longer, but those with greater advantages (such as a good education and a job) appear according to some evidence to be more likely to return for a period, after they have left. Looked at from the point of view of parents, those with good jobs and those with stable housing (i.e. not private rentals) are more likely to have their sons and daughters living with them in their 20s and early 30s.

- 2) Thus there is no simple relationship between living at home and family advantage or disadvantage. Rather, there appears to be an interaction between the need of the young person for parental support (which is greater when they are doing badly) and the resources that parents can offer (which is greater for those doing well). Since sons and daughters of more advantaged parents are themselves more likely to be advantaged, these forces to some extent pull against each other. Moreover, individual trajectories are subject to very specific influences, with the resource of the parental home being needed more at certain key points of transition in young adult lives.
- 3) In defining who is counted as a 'young adult' in the study of this phenomenon, the diversity of experience could lead to many different approaches. Clearly, a 22 year old single man recently returned from university has a very different situation from a couple with children in their early 30s constrained to live with parents. The present research considers single adults without children, in low to middle income families, in order to focus on the challenges that this brings separately from additional issues around bringing up young families, which would require further research. In terms of age range, we note that there is a sharp falling-off of rates of living with parents after age 30, and our qualitative research will focus on people in their 20s (although not those still in higher education), while also including some in their early 30s to gain insights about experiences of those likely to be closest to moving on from the family home.
- 4) Different ethnic groups show different patterns, which may be influenced by cultural expectations. In particular, young adults of Asian background tend to be more likely to live in the family home, especially in their late 20s and early 30s, than other groups.
- 5) There is a lack of stable understandings about where responsibility lies for the well-being of the members of such co-residing families. Who pays for what in day-to-day living can vary greatly, and is a potential source of tension, as are the ground rules for how parents and young adults share a home. The state takes little or no interest, other than to offer young adults some assistance with buying their own homes, which however tends to benefit mainly better-off groups. Policies on the one hand assume that young adults will contribute to family rent (when assessing their parents' benefit entitlements), but on the other gives them no support to do so if they cannot afford to (when assessing young adults' benefit entitlements). Thus the state is ambiguous about when a young person stops being a 'dependent', with a social security system that stops supporting families for their dependents around age 18, but treating young adults living at home as though they can do so at the expense of their parents.
- 6) Much of the focus at this stage of life is, understandably, on helping young adults to progress, moving towards living independently and becoming established in work. There is less emphasis in the literature on the impact on parents of prolonged responsibility for housing their sons and daughters.

Finally, it should be noted that the data and other evidence presented here does not yet take on board the consequences of the Covid-19 pandemic, but addresses issues that have become much more salient as a result of the crisis. Young adults have been particularly affected in terms of employment opportunities. Those aged 20-39 were most likely to be in atypical work and experience job loss, and reduced hours and pay - with twice the rate of furloughing among under-25s as 25-49s (Gustafsson, 2020). There is also evidence to show that mental health for those aged 18-24 has deteriorated more than average (Abel and Pierce, 2020). The very features of vulnerability and precarity, as they start out in adult life, that have contributed in recent years to young adults remaining in or moving back to their parents' home have meant that they have suffered more from a faltering economy. The co-residence of young adults and their parents can on the one hand be a means of mutual support during these times, but will also be creating new challenges for relationships and family dynamics. The next stage of this research, interviewing co-residing young adults and their parents, will observe how such families are living together in this context.

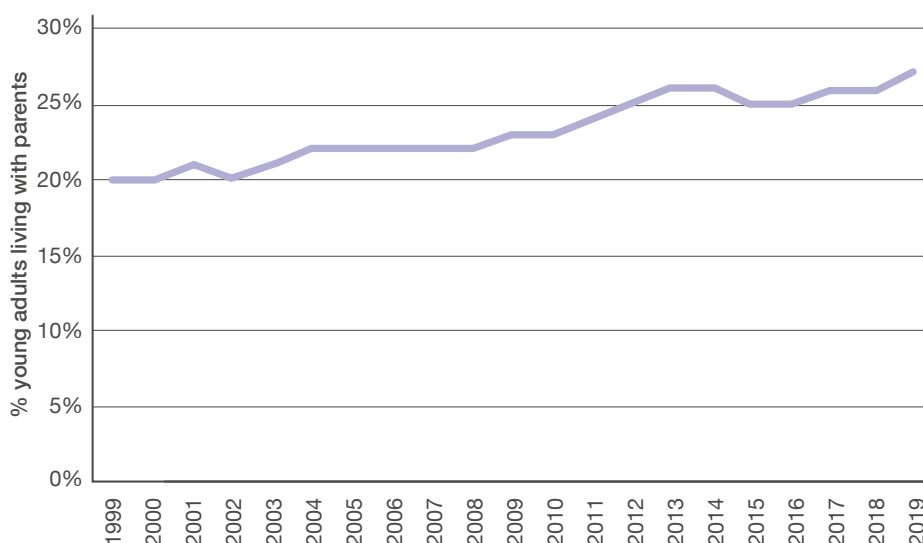
## Young adults living in the parental home A statistical profile

### Key points:

- The proportion of adults aged 20-34 living with their parents grew from 22% in 2008 to 27% in 2019. Among singles without their own children, six in ten now live with parents. A total of 3.5 million single young adults.
- More children of Londoners than other regions live at home at this age, but more also come to London from elsewhere to live independently.
- Young adults disadvantaged by low qualifications and unemployment stay on longer in their parents' homes, but more socioeconomically advantaged parents are also more likely to have young adults living with them.
- In Asian families, young adults tend to live at home for much longer.

This paper presents descriptive evidence on adults aged 20-34 according to whether or not they live with their parents. The growing proportion of this group who live at home with their parents has been the subject of official statistics based on the Labour Force Survey, produced annually by the Office for National Statistics. These data show that among all 20-34 year olds, across household types, the proportion who are single, childless and live in the parental home began to increase rapidly after 2008, growing from 22% in 2008 to 27% in 2019, having been more stable in the previous five years (Figure 2.1). A total of 3.5 million single young adults now live in this situation. Analysis of the Family Resources Survey shows that they represent nearly two thirds of those 20-34 year olds who are single without children, and that between 2008/09 and 2017/18 this proportion grew from 55% to 63%.

**Figure 2.1 Percentage of 20-34 year olds living with their parents, 1999-2019**



Source: Office for National Statistics - Labour Force Survey

<sup>2</sup> Office for National Statistics, 2019, Young adults living with their parents - <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>



Yet while overall numbers are clearly growing, official statistics have said little about the ages at which people of different backgrounds and in different areas of the country tend to leave home. By looking more closely at two household surveys – the Family Resources Survey and Understanding Society - this profile considers the characteristics of those who have stayed in or returned to their parents' home and those who live away.

The data set out below, drawn from each of these two surveys, look at the evidence from different perspectives, and this influences the results. The Family Resources Survey data takes the perspective of the young adult, considering individuals aged 20-34 living in households identified in the survey, in terms of whether they are living with their parents or independently, alongside their individual characteristics. These data focus on single adults without dependent children. The Understanding Society data, on the other hand, considers households where parents have any sons or daughters in this age-range, in terms of whether they are living at home or away, alongside the characteristics of the parental household. These data do not distinguish whether they are singles or live with partners or dependent children, and are therefore influenced by the extent to which young adults move out to have families or live with partners.

### **Overall, the data shows that:**

- The regional picture depends heavily on whether young adults are being analysed by their region of origin (Figs 2.1, 2.2) or by where they are presently living (Fig 2.4). London has a greater proportion of young adults living independently, especially in their late 20s, than other regions, because of the many 'Dick Whittingtons' who migrate to London from other regions for work purposes. Yet for London families with sons or daughters aged 20-34, the situation is reversed: these London-originating young adults are more likely than average to live at home, because of the relatively high cost of moving out to independent accommodation in London.
- There is no single pattern of whether more or less advantaged young adults are more likely to live in their parental homes. In their early 20s, those with full time jobs are slightly more likely to live at home than if they work part time or unemployed, but in their late 20s, full-timers are much more likely to have left, as are those who have better qualifications (Table 2.1). This suggests that for 20-24-year-olds, who are 'finding their feet', there is heavy dependence on parents across the board: in no group other than students does a majority in this age range live outside their parents' home. It is in their late 20s that group differences become greater, widening more in the 30-34 age group, with an overall tendency for those with greater resources to be able to move out.
- On the other hand, when looking at the profile of parents (Table 2.2), it appears that there are some ways in which families with more limited resources are less likely to have their sons and daughters living with them beyond their mid 20s. Specifically, this applies to people renting privately (who may have less space) and those who are not working (who may have fewer resources to support their grown-up children). It appears therefore that to some extent young adults economic advantages encourage them to leave, while their parents' advantages may encourage them to stay, but the latter relationship is not straightforward. For example, a parent living in social housing is equally likely to have their 25-29 year old son or daughter living with them as one who is buying their home with a mortgage. Both can offer more housing stability than a private tenant, showing that there is no simple relationship with socio-economic status here.
- One other distinctive background influence appears to be ethnicity<sup>3</sup>. In their early 20s, around 60-70% live with parents across all ethnicities. In their late 20s this declines to around half or less for most but remains at close to three quarters for Asian young adults, and even in their early 30s a majority of Asian singles are living with parents, compared to one in three overall (Table 2.1).
- In rural areas, parents with children in their late 20s and early 30s are less likely to have at least one of them living at home than in urban areas (Table 2.2 and 2.3).

<sup>3</sup> To enable sufficient numbers for analysis ethnicity has been aggregated into four groups, but it is recognised that there will be differences within these groups.

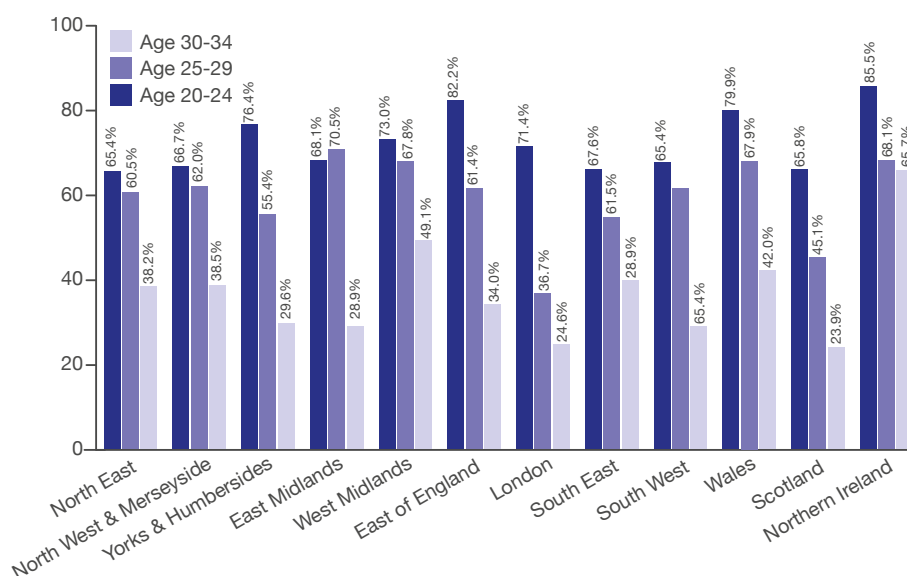
## 2.1 Evidence from the Family Resources Survey on individual young adults

The following findings use pooled data from the 2016/17 and 2017/18 Family Resources Survey to compare single young adults aged 20-34 who are living in the parental home, to those who are living independently.

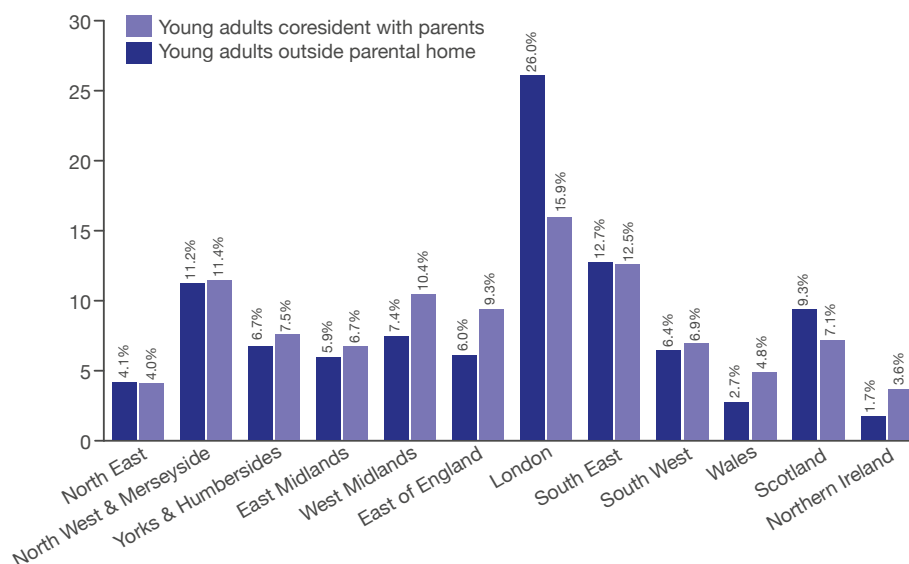
Figures 2.2 and 2.3 show the regional picture, first by comparing the proportions living with their parents in each region and country of the UK (Figure 2.2) and then by the distribution of single young adults in each living situation across regions (Figure 2.3). The first of these graphs shows that in most regions between around two thirds and three quarters of 20-24 year olds live with their parents, but in Northern Ireland, the East of England and Wales, it is 80% or more. For 25-29 year olds the picture varies more by region, with just over two thirds still living at home in Northern Ireland and in the East and West Midlands, but below half in Scotland and only just over a third in London. The proportions drop considerably for 30-34 year olds in most regions, but less so in the West Midlands and Northern Ireland with respectively nearly half and two thirds living at home. As referred to earlier, this does not necessarily indicate that people in these regions are remaining at home longer, as some young adults in each region have moved away from homes elsewhere, and the Understanding Society analysis (see Figure 2.4 below) shows that children of Londoners actually live with their parents more in their late 20s than those with parents in other regions.

Figure 2.3 reinforces the above point by showing that there is a concentration of population of single young adults in London, well above that of people at all ages. For the overall population, 13% of the population lives in London. Among single people living with their parents it is higher, 15%, and among those living away from home it is 23%. Thus, despite the fact that young Londoners are slightly over-represented in the living-at-home population, an exceptionally high proportion of young adults in the UK who live away from their parents also live in London.

**Figure 2.2 Percentage of single, childless adults aged 20-34 who are coresident with parents by age and region/country, 2016-18**



**Figure 2.3 Regional distribution of single, childless adults aged 20-34 who are living independently or who are co-resident with parents, 2016-18**



Tables 2.1 and 2.2 shows a range of characteristics of young adults living with their parents and those living outside the parental home. As with the above pair of graphs, this is analysed first in terms of the percentage of people with each characteristic who live at home (eg comparing the proportions of young men and young women who live at home - Table 2.1) and then the distribution of those in each living situation by characteristic (eg among those living at home, the respective proportions who are men and women - Table 2.2).

Table 2.1 shows that single young adults are most likely to be living with their parents in their early 20s (71%), but a majority still live in the parental home in their late 20s (54%), before a sharp decline among those in their early 30s (33%). They are slightly more likely to be living with parents if they are male, and considerably more likely if they are Asian (particularly in their late 20s and early 30s), if they are unemployed in their late 20s or early 30s and if they have low educational qualifications. They are least likely to be living at home if they are in education, and for those aged 25 and older, if they have a degree or if they are of mixed or 'other' ethnicity. (Note that for those in education, these figures include both those living with parents and those living in rented housing near where they study, but not those in halls of residence). Young adults are less likely to be living in the parental home if they are in receipt of means-tested benefits – but this is likely to reflect the fact that they would be more likely to be eligible for benefits if living independently.

Table 2.2 shows how young singles without children who live at home are distributed by characteristic, which reflects both the percentages in Table 2.1 and the proportion of people overall with each characteristic who remain single without children. For example, two thirds of under-34s living at home are in their early 20s, partly because many more over-25s are living with a partner or dependent child, and partly because those remaining single are more likely to live with parents. Women tend to partner and start families (sometimes as lone parents) at a younger age than men, largely explaining why six in ten of singles without children living at home are male.

There is a balance in young adults living at home by qualification and work status; even though unemployed young adults are more likely to be in this situation, nearly three-quarters of those living with their parents work, and just over half work full time. On the other hand, a minority have degrees. Thus, the population of young adults living with their parents range across the spectrum from those who are working and well qualified to those with poor qualifications and no job, with no one group dominating.

Table 2.3 shows that while the majority of young adults are living with both of their parents, around a quarter live with their mother only.

**Table 2.1 Percentage of (single, childless) young adults living with their parents, by key characteristics, 2016-18**

	% living with parents			
	Age 20-24	Age 25-29	Age 30-34	Total
<b>All</b>	<b>71.1</b>	<b>54.4</b>	<b>33.3</b>	<b>60.4</b>
<b>Sex</b>				
Male	72.3%	56.8%	34.2%	60.8%
Female	69.5%	50.0%	31.2%	59.7%
<b>Ethnicity</b>				
White	71.2%	53.3%	31.4%	60.0%
Asian	73.6%	73.2%	57.2%	71.1%
Black	72.3%	56.9%	24.2%	56.0%
Mixed/ Other	59.0%	33.9%	32.8%	46.2%
<b>Health Status: longstanding illness</b>				
Yes	71.3%	55.9%	43.1%	60.9%
No	71.0%	54.0%	30.2%	60.2%
<b>Work Status</b>				
Working full-time	79.5%	52.6%	33.0%	61.4%
Working part-time/ self employed	74.6%	57.3%	23.3%	61.2%
Unemployed/ inactive	74.5%	65.0%	44.8%	67.0%
In education	47.4%	36.3%	34.7%	46.2%
<b>Receives income-related benefits</b>				
No	72.0%	55.0%	34.1%	61.6%
Yes	57.9%	48.0%	28.9%	46.4%
<b>Education</b>				
Degree	72.4%	43.0%	23.8%	52.8%
AI levels	63.3%	56.6%	33.8%	58.8%
GCSEs	79.9%	66.0%	42.8%	69.0%
Unkown	71.2%	64.0%	8.4%	53.8%

The statement of financial activities includes all gains and losses in the year, as well as irrecoverable VAT where applicable. All incoming resources and resources expended are from continuing operations.

The accounting policies and notes on pages 26 to 36 form an integral part of these financial statements.

**Table 2.2 Characteristics of (single, childless) young adults aged 20-34, by living arrangement, 2016-18\***

	Living with parents	Not living with parents	Total
<b>Age</b>			
Age 20-24	65.4%	40.5%	55.5%
Age 25-29	26.0%	33.1%	28.8%
Age 30-34	8.7%	26.4%	15.7%
<b>Sex</b>			
Male	61.8%	60.7%	61.4%
Female	38.2%	39.3%	38.6%
<b>Ethnicity</b>			
White	81.8%	83.1%	82.3%
Asian	11.3%	7.0%	9.6%
Black	4.1%	4.9%	4.4%
Mixed/ Other	2.8%	5.0%	3.7%
<b>Health Status: longstanding illness</b>			
Yes	19.7%	19.3%	19.5%
No	80.3%	80.7%	80.5%
<b>Work Status</b>			
Working full-time	53.8%	51.4%	52.9%
Working part-time/ self employed	17.6%	17.0%	17.4%
Unemployed/ inactive	18.6%	13.9%	16.7%
In education	10.0%	17.7%	13.0%
<b>Receives income-related benefits</b>			
No	93.4%	88.5%	91.5%
Yes	6.6%	11.5%	8.5%
<b>Education</b>			
Degree	28.0%	38.1%	32.0%
AI levels	31.7%	33.8%	32.5%
GCSEs	39.5%	26.9%	34.5%
Unkown	0.9%	1.1%	1.0%
<b>Median weekly income (net)</b>	£242	£327	£272
<b>Median weekly household income</b>	£936	£546	£807
<b>% in household below MIS</b>	25.6%	35.5%	29.5%

\*NB: This table breaks down categories by column – so for example among those living with parents, the first three rows show age breakdowns summing to 100%.

**Table 2.3 Parental partnership status for (single childless) young adults living in the parental home**

Parental partnership status	% of households
Mother and father	70.0%
Mother only	25.8%
Father only	4.2%

## 2.2 Evidence from Understanding Society on households with parents of young adults

While in the analysis of the Family Resources Survey, young adults were the primary unit of analysis, for the analysis of Understanding Society, we are able to focus on the parental household. We compare households where a young adult aged 20-34 is co-resident with their parents, and households where one or more young adults in this same age group are all living outside the parental home. (Unlike with the FRS data, this does not distinguish whether they are singles, but considers everyone in the age group.) Understanding Society is a longitudinal survey, making it easier to track the existence and ages of adult sons and daughters in this age range wherever they now live, since in earlier waves of the survey they were potentially observed living in the household as children. Respondents also provide detailed fertility histories, so we can identify parents of children currently aged 20-34 years even if these children have lived outside the parental home for the duration of the survey. Table 2.4 shows the sample sizes for each wave of the survey. The proportion of households with a co-resident young adult goes up significantly, although we cannot rule out that some of this is due to selective attrition – that is, certain types of households or individual being more likely to drop out of the survey than others. Attrition also explains why the overall sample size falls over time.

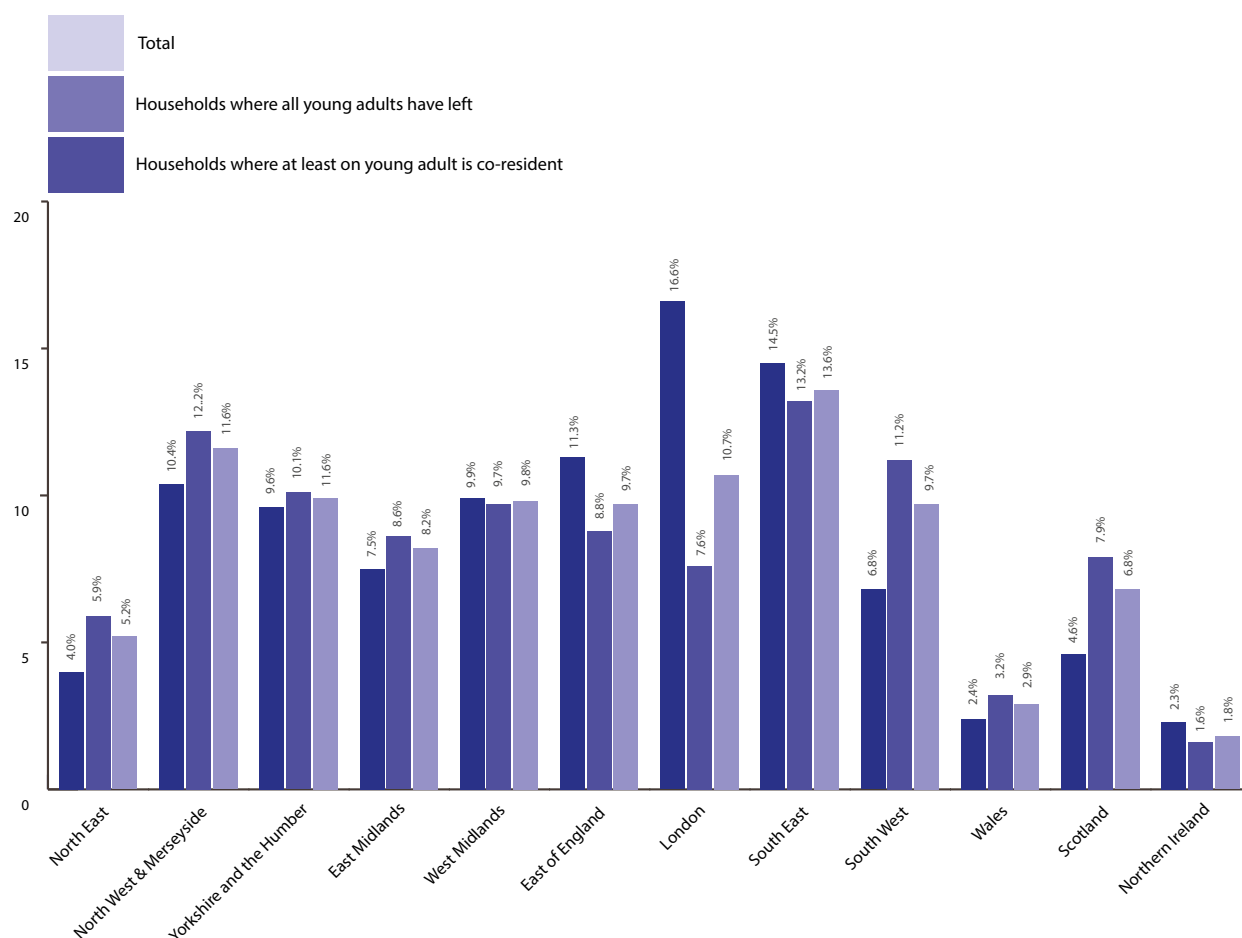
For the majority of the report, we focus on the most recent wave of the survey in 2017-18.

**Table 2.4 Understanding Society sample sizes by wave: households that include parents of 20-34 year olds**

Year	Households where all young adults have left (unweighted n; weighted %)		Households where at least one young adult is co-resident (unweighted n; weighted %)		Total
<b>Age</b>					
2009-10	5,389	70.1%	2,298	29.9%	7,687
2010-11	4,186	69.4%	2,110	30.6%	6,296
2011-12	3,765	67.8%	2,055	32.3%	5,820
2012-13	3,380	65.3%	2,128	34.7%	5,508
2013-14	3,127	62.5%	2,167	37.5%	5,294
2014-15	2,891	64.5%	2,212	35.5%	5,103
2015-16	2,799	64.1%	2,106	35.9%	4,905
2016-17	2,669	65.5%	1,946	34.6%	4,615
2017-18	2,534	66.3%	1,778	33.7%	4,312

Figure 2.4 shows the distribution of these different types of household across the regions of the UK. What really stands out is that London contains a sixth of households with a co-resident young adult, compared to only a twelfth of households where all young adults have left home. This phenomenon of over-representation of households with young adults living at home is seen to a lesser extent in the East of England and the South East, whereas in other areas the situation is reversed, and for example Scotland and the South West have a much greater proportion of this population living away than living at home.

**Figure 2.4 Regional distribution of households that include parents of young adults aged 20-34 years, according to whether some are co-resident or all are non-resident, 2017-18**



Tables 2.5 and 2.6 summarise the characteristics of households where the young adult is co-resident or lives outside the parental home, first in terms of the percentage with each characteristic who live at home, and then by the distribution by characteristics of households in each living situation.

As might be expected, both the parents and the young adults are younger in co-resident households than in those where the young adult lives elsewhere, on average by about two years. Parents whose children in their 20s and early 30s have moved away are much more likely to be single than those with a co-resident young adult. Another household characteristic related to the chance of children having moved away is housing tenure, with private renters least likely and those who own homes outright most likely to have young adults living with their parents into their late 20s. Households living in poverty, those where parents are not working, and those where parents are in receipt of mean-tested state benefits are less likely to have adult children at home, especially aged 25-34. Finally, young single adults whose parents live in rural areas are less likely to live with them than their urban counterparts, especially after age 25, possibly because it is harder for the former to access job opportunities close to their parents' homes.

**Table 2.5 Percentage of households with parents of young adults in given age categories\* where at least one of them lives at home, by household characteristics**

	Age 20-24	Age 25-29	Age 30-34
<b>Parental partnership status</b>			
Single	45.2%	22.2%	13.4%
Couple	56.4%	31.2%	10.5%
<b>Total number of children (any age)</b>			
1	24.7%	16.1%	7.9%
2	38.2%	16.4%	4.8%
2	38.7%	17.2%	3.5%
4+	45.1%	13.6%	6.8%
<b>Parental ethnicity</b>			
White	50.7%	25.4%	10.4%
Asian	72.9%	68.0%	40.8%
Black	64.1%	46.1%	34.0%
Mixed/other	57.6%	30.0%	19.8%
<b>Housing tenure</b>			
Owned outright	54.1%	30.9%	10.8%
Owned with mortgage	56.3%	26.3%	15.8%
Private rent	39.2%	19.3%	4.8%
Social rent	50.7%	27.7%	12.2%
<b>Area type</b>			
Urban	53.5%	30.4%	12.9%
Rural	49.7%	19.1%	7.9%
<b>Parental health status</b>			
Good/very good	50.6%	26.8%	11.7%
Fair/poor	57.0%	29.2%	11.6%
<b>Parental NSSEC</b>			
Management & professional	59.7%	31.9%	9.9%
Intermediate	51.9%	31.5%	11.0%
Routine	48.2%	27.4%	14.5%
Long-term unemployed/inactive/other	45.3%	20.9%	9.9%
<b>Household work status</b>			
Fully working	39.7%	23.5%	10.0%
Partly working	74.8%	53.3%	35.6%
Non-working	33.3%	10.6%	7.3%
<b>Parents in receipt of means-tested benefits<sup>5</sup></b>			
No	52.9%	29.6%	12.3%
Yes	51.5%	18.9%	8.7%
<b>AHC household income</b>			
Above 60% median income	54.8%	29.6%	12.5%
Below 60% median income	38.6%	16.1%	6.4%
<b>BHC household income</b>			
Above 60% median income	53.1%	28.4%	11.8%
Below 60% median income	47.8%	22.1%	10.3%

\*For each family, results are calculated only for the highest applicable age range shown – e.g. if they have any son or daughter aged 30-34, we look only at whether any of these live at home, ignoring for that family any adults in younger age groups. This avoids double counting families.



**Table 2.6 Characteristics of households where at least one young adult is co-resident in the parental home, or where all young adults live elsewhere**

	Households with at least one co-resident young adult	Households where all young adults live elsewhere	Total
<b>Mean age of mother</b>	54	57	56
Mean age of father	56	60	58
Mean age of young adult	24	27	26
<b>Parental partnership status</b>			
Single	31.2%	40.2%	37.2%
Couple	68.8%	59.8%	62.8%
<b>Total number of children (any age)</b>			
1	15.7%	20.5%	19.5%
2	42.3%	42.6%	42.5%
2	25.6%	24.0%	24.3%
4+	16.4%	12.9%	13.6%
<b>Parental ethnicity</b>			
White	84.9%	94.6%	91.3%
Asian	9.1%	2.3%	4.6%
Black	4.2%	1.9%	2.7%
Mixed/other	1.8%	1.3%	1.4%
<b>Housing tenure</b>			
Owned outright	30.7%	36.8%	34.7%
Owned with mortgage	38.8%	28.8%	32.2%
Private rent	7.2%	11.1%	9.8%
Social rent	23.3%	23.3%	23.3%
<b>Area type</b>			
Urban	81.0%	74.4%	76.6%
Rural	19.0%	25.6%	23.4%
<b>Parental health status</b>			
Good/very good	64.6%	66.4%	65.8%
Fair/poor	35.4%	33.6%	34.2%
<b>Parental NSSEC</b>			
Management & professional	38.0%	24.9%	29.3%
Intermediate	16.3%	14.9%	15.4%
Routine	22.2%	22.3%	22.2%
Long-term unemployed/inactive/other	23.5%	38.0%	33.2%
<b>Household work status</b>			
Fully working	42.5%	66.8%	58.2%
Partly working	50.2%	14.0%	26.7%
Non-working	7.4%	19.3%	15.1%
<b>Parents in receipt of means-tested benefits</b>			
No	81.8%	80.0%	80.6%
Yes	18.2%	20.0%	19.4%
<b>% of households below 60% median income (AHC)</b>	9.2%	16.1%	13.8%
<b>% of households below 60% median income (BHC)</b>	8.4%	10.9%	10.1%

## 2.3 Conclusion

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This profile has set out a description of the characteristics of young adults and their parents who live in the same home. It has shown differences in the proportion of different groups who do so, noting in particular that these variations are greater for those in their late 20s and early thirties than early 20s.

These descriptions, which have not previously been reported, start to give us a better understanding of the phenomenon of co-residence at this stage of life. Qualitative research through in-depth interviews in this project will help deepen this understanding. In addition, there is scope in future research to use the longitudinal data in Understanding Society to explore young adults' journeys dynamically, observing the extent to which different groups leave and then return to parents' homes, and how these stories unfold at different ages.

<sup>5</sup> Pension Credit, Income Support, Job Seeker's Allowance, Child Tax Credit, Working Tax Credit, Housing Benefit, Council Tax Benefit, Rent rebate (NI), Employment and Support Allowance, Universal Credit.

## A review of the literature on non-dependent young adults living with their parents

### 3.1 Introduction

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This paper presents a literature review and forms part of the first phase of a research project looking at the experiences of low to middle income families in the UK where young adults (in their twenties and early thirties) live with parents, in particular with regard to how they manage household finances. The research is set in the context of the growing rate in some Western countries of young adults living with parents, either continuing to live in or returning to the family home. In the UK, the rate has risen by a third in 20 years: up from 20% of 20-34-year olds (2.4 million) in 1999 to 27% (3.5 million) in 2019 (ONS, 2019a). Numerous and often interlinked factors are cited in the literature that can influence why young adults live with parents. A range of structural, economic and personal factors can act as barriers to living elsewhere and as incentives for young adults to stay or move back home.

#### **This review of the literature looks in turn at:**

- The overall picture of the incidence of non-dependent young adults living at home, both internationally and in the UK. Within the UK, we consider how remaining in and returning to the parental home vary by socioeconomic characteristics.
- Influences on this phenomenon, highlighting key themes emerging from the literature as factors affecting young adults' housing trajectories, though acknowledging the complex relationship between these influences. These include housing costs and housing policies, labour market precarity and turning points in young people's lives such as relationship formation and higher education attendance.
- Implications for both young adults and their parents of living in this situation - for their living standards and for family relationships.
- How strategies can be developed to help manage co-residence and related issues - particularly in terms of creating common understandings of the basis for financial relationships, including the steps that parents may take to help their children to live independently.
- Key gaps in the literature, particularly among low income families, and how our research plans to start addressing these.

We note that while the literature reviewed here offers explanations for the increase in young adults living with their parents, the implications on the living standards of parents and their co-residing children has not been sufficiently examined. This requires understanding not just of the level of household resources relative to costs but also of intra-household allocation of these resources. We argue that more evidence is needed on the ways that co-residing families negotiate their social and economic lives as a household, and the implications of this for their living standards - in particular for low to middle income households.

### 3.2 Methods

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Various search procedures were followed to ensure a comprehensive overview of the literature on non-dependent young adults living with their parents. Boolean searches of youth, family, and housing studies literature included combinations of terms such as: "young adults", "living at home", "living with parents", "low income" which allowed us to carry out a more specific and targeted search of the literature. These

searches brought up numerous key papers in this field, allowing for the development of an expansive understanding of the key issues. We also referred to literature cited in the reference list of papers already included in the study, which further refined our understanding of the incidence, implications and strategies for managing of non-dependent young adults living with their parents, which we discuss below.

The literature that emerged through these search approaches dates back to the mid to late 1990s, when this incidence became more noticeable, and traces the changing trends around parent-child housing circumstances through into contemporary times. This helped to situate the review in the historical context behind these patterns, both globally and in the UK. A significant portion of this literature was quantitative, which helped to develop an understanding of the changing trends of the phenomenon, as well as motivations and experiences. However, the qualitative data, although scarcer, provided vital insights into the experiences of both the young adults and their parents in this housing set-up.

### 3.3 Incidence

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The rise in incidence of young adults living in their parental home, in particular since the 1980s, is well documented by studies covering North America (Boyd and Norris, 1999; South and Lei, 2015; Fry, 2016), Australia (Warner et al., 2017; Nikolaev, 2015), and Europe (Berngruber, 2019; Arundel and Lennartz, 2017; Stone et al., 2014; Bentley and McCallum, 2019; Santarelli and Cottone, 2009), with much less research in this field carried out in the Global South, including Africa and Asia. While co-residence with parents is more common in Southern and Eastern Europe than in Northern Europe, Canada and the United States (Santoro, 2006; Aleni and Sica, 2014; Tomaszczyk and Worth, 2018; Thornton, 2019), there has been a clear-cut increase in the latter group of countries from a relatively low base.

In the UK, looking at the 55% of adults in their twenties who are single (not living with a partner or dependent child) in 2016/17, just over 3 million individuals - almost two thirds (63%) - lived with their parents (Hill and Hirsch, 2019). This figure has increased since 2008/9 at the same time as fewer young adults are living alone and the percentage of those living with others (but not parents) has fallen. This rise is an inversion of post-World War II trends, in which labour markets were more secure, there was a strong social housing stock across the UK and individuals of married status were more likely to be living independently with their spouses (Da Vanzo and Goldscheider, 1990; Grundy, 2000). Corlett et al., (2017) note the drop in the proportion of families where a single adult lives with their parents in the 1960s and 1970s, and gradual rise back to 1960s levels by 2016, with fluctuation alongside economic conditions (rising more steeply with unemployment in the 1980s and the financial crash of 2008).

It is important to note that when we discuss incidence of non-dependent young adults living with their parents, we are referring not just to young adults who have remained living in their home, but also young adults who have left and returned, as both such experiences can provide vital insight into the factors shaping these household trajectories. This distinction is important when considering evidence on the relationship between economic circumstances and the likelihood that young adults live at home. While some research indicates that greater financial security of parents and their adult children increases the likelihood of leaving home earlier, for instance to pursue higher education, go travelling or being supported to live independently (Boyd and Norris, 1999; Heath and Calvert, 2013; Manzoni, 2016), evidence suggests that these young adults are also more likely to return to the family home after such periods away. Conversely, for young adults from lower-income households, research highlights the likelihood of continuing to live at home into adulthood, with later departures, but a lower rate of returning (Maroto, 2017; Stone et al., 2014; Burn and Szoeki, 2016; Manacorda and Moretti, 2006; Iacovou, 2010; Sandberg-Thoma et al., 2015).

Sandberg-Thoma et al., (2015) identify a rather complex pattern of young adult characteristics associated with returning to the parental home: those without a high school diploma are over twice as likely to return than college-educated young adults, yet those in full-time employment are more than twice as likely to return than their unemployed counterparts (in both cases controlling for other factors including socioeconomic background). The authors offer no clear-cut explanation for this seemingly contradictory result, but suggest that on the one hand those with greater vulnerability are more likely to need to return, but on the other, their parents may have fewer resources on which they can draw.

One reason for the complexity of outcomes by individual and family characteristics is that the life trajectories of both more and less advantaged young adults is so closely influenced by their individual experiences in shifting labour and housing markets. For both lower and higher income young adults, living with parents provides an opportunity to reduce costs. However, key 'turning points' (Stone et al., 2014) such as transitioning from full-time education to unemployment or the ending of a long-term relationship, can also result in independent living becoming financially unviable. In these instances, the parental home, or financial parental support could be seen as the most viable alternative.

## 3.4 Influences

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Numerous and often interlinked factors are cited in the literature that can influence why young adults live with parents. A range of structural, economic and personal factors can act as barriers to living elsewhere and as incentives for young adults to stay or move back home. Internationally, studies have identified similar influences, including later marriage combined with worsening employment and pay prospects (Furlong and Cartmel, 1997; Kazana-McCarthy, 2020; Arundel and Lennartz, 2017; ONS, 2019a; Yates, 2017; Tomaszczyk and Worth, 2018), changing state support (Arundel and Lennartz, 2017; Stone et al., 2014) and worsening quality and affordability of housing (Mackie, 2016; Tunstall et al., 2013; Corlett et al., 2017; Tomaszczyk and Worth, 2018). Important influences identified by UK literature can be classified into 'structural' factors centred round the affordability of independent housing for young adults, and individual characteristics, related to relationships, life stages/transitions and socio-economic background that influence who lives with their parents and the timing of moving out. While shifts in social norms around housing decisions of young adults have undoubtedly influenced the commonality of young adults living with their parents, these shifts have taken place against crucial structural factors.

### 3.4.1 Structural influences

Young adults decide where to live against the background of the availability and cost of housing, the labour market conditions that influence whether they can afford it and the extent to which the state supports access to housing for those on limited means.

#### Housing costs and availability

Young adults face increasingly constrained choices with regards to their housing trajectories. Owner-occupation is increasingly out of their reach. The average home now costs nearly eight times average annual earnings, compared to less than four times two decades ago (Yorkshire Building Society, 2019; ONS 2019c). While low interest rates partially help compensate for this ratio in terms of mortgage costs, the Housing Cost to Income Ratio is at an all-time high (Corlett et al., 2017; Meen, 2018). Moreover, the affordability ratio gap between the most and least affordable areas continues to widen (ONS, 2019b).

As a result, the proportion of young adults owning homes has fallen dramatically – for those aged 25-34 from 55% in 1996 to 34% in 2016 (Cribb et al., 2018). While the earlier figure was close to an all-time high, following expanding owner-occupation in the previous decades, in the earlier post-war period an expanding supply of social housing had also provided an accessible alternative for many. Today, with social housing availability in decline, the only independent option is often renting in the private rented sector (PRS), whose incidence is rising, but for which high and rising rental costs are also a barrier (Bailey, 2020), especially given the rise in precarious, low-paid jobs. Housing costs for tenants renting privately have quadrupled relative to incomes over the past six decades: from an average of just 9% in 1961 to 36% in 2017, with most of this increase occurring during the period of rent deregulation of the 1980s and early 1990s (Corlett et al., 2017).

Welfare and regulatory reforms since the 1980s have made entry into the housing market increasingly challenging for young adults. The Housing Act of 1988 included the phasing out of rent control, which combined with the abolition of mortgage interest relief from 2000, on top of reduced investment in social housing, has significantly shaped young adults' housing careers over the decades. The accessibility

of privately rented housing as an alternative is often contingent on support through housing benefit. However, some of those eligible have been locked out of the PRS through the reluctance of many landlords and estate agents to rent to people receiving benefits, including the use of the ‘no DSS’ clause, influenced in recent years by housing benefits (via Local Housing Allowance, Universal Credit) being paid to tenants rather than landlords and the growing gap between housing benefit levels and private rents (Wilson, 2019). Although letting agents and landlords are no longer able to state ‘no DSS’ in advertisements, the requirements of documentation requested from potential tenants, including payslips, can highlight instances where people are in more precarious and low-paid work. Even where renting and receiving housing benefit is an option, the Local Housing Allowance limits the applicable rent by area, most often to below the actual rent paid.

Bailey (2020) shows that disparities in housing tenure affordability, combined with weakening state support in the housing sector, affect low income young adults the worst. Most obviously, those using the PRS are more likely than average to be young, with 35% of the sector comprising 25-34-year olds in 2017 (ONS, 2018). Yet young adults are further disadvantaged in accessing private rentals by having housing benefit limited to the cost of shared accommodation through the Local Housing Allowance. This provision was extended from under-25s to under-35s in 2012. Combined with the growing disparity between Local Housing Allowance rates and private rents and lack of shared properties available to tenants on housing benefit, this creates a narrative that (at least from the perspective of what the state will support), young adults don’t have the right to live independently, but rather should share with others or be the responsibility of parents (Wilkinson and Ortega-Alcazar, 2017).

The housing status of parents also has a role to play in determining young adults’ housing trajectories, albeit not a straightforward one. Chapter 2 in this volume finds that among parents of young adults in their 20s, 40-45% of home owners and social tenants but only 31% of private tenants have at least one such child living at home, reflecting the precarity which private rental housing can bring. The fact that both owner occupation and social housing give greater stability than private renting helps explain why the influence of socio-economic status is not straightforward.

## **Labour Market Precarity and State Support**

Simpson (2014) showed how the rise of young adults living with their parents accelerated following the economic downturn in 2008, against a backdrop of insecure work. Job insecurity is increasing, and living costs are rising despite slow growth in earnings and freezes to most working-age benefits and tax credits benefits (Barnard, 2019; Matsudaira, 2016; Tomaszczyk and Worth, 2018). The relationship between incomes and housing trajectories is self-evident, as the more precarious and low-paid the work, the harder it is to feasibly enter into the housing market, and thus the more constrained the housing options.

Yates notes that 40% of workers aged 21-25 are in low-paid employment in the UK (2017: 464). Jobs classified by Gregg and Gardiner (2015) as ‘insecure’ rose from 55% of 18-29-year-old employment in 1994 to 66% in 2014. Stone et al., (2014: 271) argue that a transition into low-paid employment does not necessarily give access to an independent living situation for young adults. Furthermore, in some circumstances parents who receive means tested benefits can face deductions if a non-dependent lives with them given the expectation that they would contribute to household costs – this will vary depending on the type of benefit and income for both parent and young adult (see Chapter 4 in this volume).

The effect of state support in enabling young adults in precarious or low-paid employment, or out of work, to live independently can be compared internationally: Arundel and Lennartz (2017) demonstrate the role of welfare regimes on young adult’s housing trajectories across 22 European countries. They found that the likelihood of young adults returning to live in their parental home was three times lower in stronger state-oriented context of Social Democratic countries such as the Nordic countries, in contrast to other European countries where state support for this group is minimal or significantly less. This link suggests that structural factors such as policies relating to welfare support and housing, and availability of decent work are key factors in shaping the housing trajectories of young adults. This is particularly pertinent to the UK in light of real-terms reductions in wages, tax credits and benefits since 2008.

### 3.4.2 Personal characteristics, and their interaction with structural influences Relationship and marital status

The drop in marriage rates, postponement of marriage and long-term relationship formation and growing dissolution rates have received significant attention as causal factors of young adults living with parents (Messineo and Wojtkiewicz, 2004; Stone et al., 2014). This has often been linked to this generation's reluctance to commit, but Shorthouse (2013: 20) suggests that their attitude towards becoming independent and starting a family are not very different from those of their parents, and that it is the structural factors, such as housing availability, reviewed above, that influence these behaviours. Keene and Batson (2010:652) also claim that 'structural and economic factors will be the definitive force behind trends toward greater co-residence' (Keene and Batson, 2010: 652).

#### Social and economic transitions

As noted above, young adults who have left home to attend higher education are more likely to return home, whether at the end of their studies or subsequently, than those who do not, whose initial departure is later but who are less likely to return (Rugg, Ford and Burrows, 2004; 41; Boyd and Norris, 1999). The evidence on returning shows that it becomes more likely at turning points in an individual's life course - such as leaving full-time education, unemployment, or partnership dissolution (Stone et al., 2014; Arundel and Lennartz, 2017).

In this context, the increase in participation in higher education alongside the rising housing costs (Tomaszczyk and Worth, 2018; Matsudaira, 2016) contribute to greater use of the parental home as a backup as young adults are getting established. The number of 18-24-year olds in full-time higher education has more than doubled since 1992, rising from a million to 2.4 million in 2018/19 (House of Commons Library, 2020). Some students who live away from home struggle to afford the rents, with 46% borrowing from parents to help afford to pay them (Bushi, 2019). Thus, many leave university with an experience of relying heavily on parents rather than living by their own means. 21% of undergraduates, however, are now remaining in their parental home, up from 8% in the late 1980s and early 1990s (Higher Education Statistics Agency, 2020). Further analysis of HESA data showed that students from the lowest social class households are three times more likely to be living at home than those in the highest social class, and students from most minority-ethnic backgrounds are also more likely to remain at home, with 71% of British Pakistani and 66% of British Bangladeshi students doing so compared to 19% of their white counterparts (Donnelly and Gamsu, 2018; Maguire and Morris, 2018). While this could partially relate to cultural norms, it is also notable that Bangladeshi and Pakistani households have higher relative poverty rates than other ethnic groups (Francis-Devine, 2020).

A range of social and economic circumstances therefore influence decisions about remaining in or returning to the parental home. Crucially, Stone et al.'s research (2014) indicates that both parental and non-dependent's circumstances are important. Coulter (2018) shows clearly that the financial circumstances of parents is likely to shape young adults' housing trajectories. In particular there is strong evidence of a relationship between parental housing tenure and child housing outcomes, which Coulter warns creates 'persistent intergenerational continuities in housing (dis)advantage.' (2018: 218). Heath and Calvert too (2013: 1122) emphasise that it is likely that existing homeowners will be better positioned to help their children follow a similar housing trajectory (Helderma and Mulder, 2007; Kurtz, 2004). Hoolachan et al., (2017: 75) see socio-economic disadvantage as compounding generational disadvantage: 'while most young people face difficulties in negotiating the housing and labour markets, those from low socioeconomic backgrounds fare the worst.'

One way of characterising the influence of the turning points identified by Stone et al., (2014) is that young adults return home as a fallback when the circumstances of their present living situation change, particularly when things go wrong. Some of this is linked to the failure of current arrangements - particularly when they lose their job, or a relationship breaks down. But people also tend to return on completing higher education - not a failure, simply at the end of a life phase associated with living

somewhere else. Another trigger appears to be poor health, either of the parent or the young adult, associated both with a lower chance of leaving and a greater chance of returning (South and Lei, 2015). In this case, co-residence appears to be playing a protective role, allowing members of the family to support each other.

## Interactions

The studies discussed in this section have demonstrated a range of intersecting influences causing an increase in young adults remaining and returning in the parental home. In particular, the influence of housing costs that are high relative to young adults' earnings makes it hard for them to get established in independent accommodation, and can make their living situation vulnerable in transitional or uncertain periods in their lives. In this context, Hoolachan et al., (2015) discuss the ways that young adults face increasing difficulties in following a path of 'settling' beyond the parental home, as they contend with insecure housing, unstable employment, and welfare cuts. While behavioural norms are important, structural constraints produce a critical backdrop. In this context, Bentley and McCallum (2019) indicate that regional disparities in housing costs play a greater role than changing cultural preferences or attitudes towards co-residing with parents, illustrated by the fact that the greatest increase in such co-residence has occurred in London.

## 3.5 Implications

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### 3.5.1 Implications for living standards

Few studies have explicitly addressed the impact of non-dependent young adults living with parents on living standards of both young adults and their parents. However, some evidence on this household set-up give clues to the financial impact. Maroto found that in the duration of having a non-dependent young adult living at home, parents had 23% less in savings than when their adult children lived elsewhere (2017: 1042). But the same study notes that while parents take a financial hit when supporting a co-residing adult child, the financial situation of their adult children is likely to improve. This is the result of significant savings experienced by two households sharing rather than living apart, and the tendency of young adults making a smaller contribution to overall household costs than their parents (Warner et al., 2017; Sassler et al., 2008). It is important to note, however, that the Family Resources Survey data shows that among single, young adults aged 20-29, around 30% were living with a lone parent (DWP, 2019). It is well-documented that lone parents face greater economic hardship than couple households, not least given that they are more likely to be in receipt of means-tested out-of-work benefits (Mokhtar and Platt, 2009; Millar and Ridge, 2009). Therefore, we must take into account the double-bind lone parents may face when it comes to housing older children, particularly in terms of the effects this may have on any benefits they are in receipt of.

In a study that estimated potential costs and savings from both perspectives, Hill and Hirsch (2019) noted that young adults could save around £91 a week in rent, £16.50 in council tax and £12.80 in fuel bills compared to if they were living alone in a one bedroom rented flat. The study also showed that there is the potential for both parents and young adults to be financially better off as a result of this sharing position, but no agreed system for the young adult to make a contribution to costs to ensure their parents are not out of pocket.

In thinking about the impact of these sharing arrangements for families on limited means, the following factors need to be considered:

- Over the past decade, living standards have stagnated overall, and those on the most modest incomes have done worse than average. Using ONS data from the Living Costs and Food Survey, Corlett (2020) shows that following the decline in incomes after 2008, incomes recovered in the mid-2010s but more slowly for the bottom 20% of households. These households saw their incomes falling by 4.3% per year in real terms over the two years up the financial year ending in 2019. This creates a tight financial starting point for families on limited means, restricting the extent to which



parents can help their adult sons and daughters without themselves incurring hardship. Indeed, Warner et al., (2017: 552) comment that ‘not all parents will be in the position...to accept their young adult members back home...the ability for some young adults to return, while others cannot, may create an increased gap between groups of young people and serve to perpetuate social inequalities.’ (Warner et al., 2017: 552).

- Co-residence can be understood as ‘both a cause and a consequence of economic insecurity’ (Maroto, 2017; 1054). In cases where parents have savings, these are likely to be drawn on to fund the extra costs of a non-dependent young adult living at home (Soaita and Searle, 2015; Maroto 2017). Thus, intergenerational inequality can work both ways, in the sense that ‘when adult children experience economic insecurity, this can also influence the economic well-being of their parents’ (Maroto, 2017: 1056).
- The benefits system assumes that (allowing for certain exemptions), a young adult makes a contribution to household rent, deducting an amount from parents’ entitlements to help with their rent. But it also denies any help in covering this rent to a young adult with low income or who is unemployed. This means, for example, that the income that an unemployed young adult brings into a household falls a long way short of covering their minimum costs (see chapter 4 below).
- From the point of view of parents, there may be a hidden ‘opportunity cost’ arising from retaining a larger home so adult children can either remain living with them into adulthood, or move back in (Hill and Hirsch, 2019). As detailed in Chapter 4, those on modest incomes who lose benefits for non-dependent children when they turn 18 lose the chance to reduce their expenses by moving to lower-rent homes or releasing assets by trading down as owner occupiers. More directly, parents in social housing may face a ‘bedroom tax’ for keeping on a spare bedroom. Opportunity costs are not generally considered in the calculus of family sharing, since the gains of trading down are hypothetical in a world where parents want to retain space for their children to move back in if they need to. Yet particularly as more families rent rather than own their homes, the effects on disposable income can be large.
- These financial calculations tell only part of the story about living standards. While parents and adult children are between them likely to be financially better off in one household than in two, their quality of life is not identical. Both parties involved can feel they have less privacy and independence (Hill and Hirsch, 2019). In investigating the effect of those on modest incomes, moreover, we need to consider whether hardship arises from living in accommodation that is effectively overcrowded. (This may include cases where parents have moved to more modest accommodation but a son or daughter moves back in.)

### 3.5.2 Impact on Relationships

There is a broad range of research into the impact of co-residing on the relationship between parents and their non-dependent children, some quantitative (Nikolaev, 2015; Tosi and Grundy 2018) but mostly qualitative. These studies have demonstrated a variety of emotional impacts, as parents and their adult children navigate living together (Lewis et al., 2016). The focus and findings of research pertaining to parent-child relationships in such household generally falls into three categories: the financial contribution of young adults; practical help around the house; and the quality of parent-child relationships. The evidence is not conclusive and points to the complexities of negotiating familial relationships in contexts of co-residence (Burn and Szoeki, 2016; Nikolaev, 2015; Ward and Spitze, 2007). Much of the research discusses a sense of obligation parents feel towards supporting their children in any way they are able to, but indicates that parents are more accepting if the time at home is clearly set out as temporary (Burn and Szoeki, 2016) for example if young adults are saving for a house. Ward and Spitze (2007) found that adult children and their parents will enter into co-residence situations despite any historic difficulties in their relationship, as the young adult’s circumstances take precedence in determining the need for co-residence with parents. This is arguably due to the creation of a housing need for the children, and a sense of obligation by the parents.

Furthermore, studies have shown that parent-child relationships in households with a co-residing non-dependent young adult varies along socio-cultural lines (Mitchell, 2004; Burn and Szoeki, 2016; Iacovou, 2010). Iacovou (2010), like others (Manacorda and Moretti, 2006; Santoro, 2006) highlights existing research which discusses cultural variations in family ties and expectations of co-residence. Such expectations impact on the relational experience, as remaining at home into adulthood does not have the same associations of 'failure to launch' where continued co-residence, for instance until the non-dependent marries, or where extended co-residence is the norm. In cultural settings where the norm is for adult children to remain living at home for longer, relations are often more harmonious (Burn and Szoeki 2016; Manacorda and Moretti, 2006). Tosi and Grundy use longitudinal data to show the impact on the parents' quality of life in instances where young adults return home, across different European settings (2018). They found that negative effects on the quality of life of parents was more strongly associated with Nordic countries than Western, Southern and Eastern Europe (2018). This is arguably due to the strong state support which enables independence of both younger and older generations, whereas in Southern Europe, the relationship between cultural expectations and weaker state support fosters a greater sense of interdependence (Tosi and Grundy 2018).

Importantly, the research also differentiates between instances where young adults have remained at home, and those where young adults have left for a period of time (to study, travel, or work). Research suggests that the relationship between parents and young adults who have not yet left and young adults who have returned differs, given the young adult's prior experience of independence and their subsequent struggle with losing this independence and autonomy in their housing situations (Burn and Szoeki, 2016; Sassler et al., 2008; Caputo, 2018; Kazana-McCarthy, 2020). Returning home due to employment or relationship problems can also impact on young adults' wellbeing (Copp et al., 2017). Burn and Szoeki however point out that relationships and roles alter as children grow into adulthood, with both parents and children reporting changing dynamics and the challenges of having to navigate their desire for greater independence (2016: 10).

Young adults' lack of financial contribution to the household is shown to be a predictor of the feelings of the parents towards the situation (Sassler et al., 2008; Burn and Szoeki, 2016; Aquilino and Supple, 1991). White (1994) discusses the effect returning adult children can have on the return to relational parent-child models in which more 'dependent' types of behaviour are exhibited. In these instances, the lack of household contribution, both financially and practically (Warner et al., 2017), as non-dependents view the domestic domain as primarily the responsibility of their parents, can cause some anguish in domestic relationships. Given this allocation of the domestic sphere largely to the parents, there is a sense that the adult children 'may be in the household but not of it' (White, 1994: 95). Sassler et al., note that in instances where young adults do contribute, whether willingly or not, this is associated with greater feelings of maturity and independence (2008: 682). The entanglement of financial and practical contribution and quality of parent-child relationships is evident in the vast majority of this research. Limiting practical and financial contribution is arguably another way that non-dependents seek to assert their independence, through separating themselves from the household, whilst drawing from it, however it has been shown that this approach leads to parents feeling that the relationship is not a balanced one (Mitchell, 1998; Burn and Szoeki, 2016). There are, nevertheless, important benefits that this household set-up can bring. These include the alleviation of potential loneliness, having enjoyable times together as a family (Burn and Szoeki, 2016), and bringing a feeling of satisfaction for parents able to support their adult children (Hill and Hirsch, 2019).

### 3.6 Strategies and Managing

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How do families respond to the challenges of young adults and parents living together? The strategies that they adopt may help influence the consequences, in terms of both living standards and relationships, as described above.

A first aspect of this is the management of household finances, most specifically how much young adults contribute to expenses when living in their parents' homes. Shelter (2020) suggests that if expectations

are not properly managed and negotiated, there are risks including falling into arrears with rent or mortgage. Sassler et al., (2008) found that less than a third of participants in their study of young adults living with their parents were contributing financially and kept any money they earned instead either for savings or to spend on personal items. Such dynamics relate to what Arnett (2007) understands as the individual sense of achieving adulthood, through for instance, being financially independent and establishing a relationship with parents as an 'equal' adult (Lewis et al., 2016). However, there are potential challenging implications for household relationships, as discussed in the previous section.

The management of household finances when non-dependents co-reside with parents is therefore tightly bound up in the relational components of such set-ups. Warner et al.'s 2017 study looks explicitly at the negotiation of co-residence where the non-dependent young adult has moved back in with parents, stressing the importance of understanding how young adults and parents manage co-residence (2017: 543). They found that while few contributed both financially and practically, both parents and their co-residing children recognised the importance of a reciprocal contribution to the household in some form. Having a negotiated and mutually accepted solution can help maintain good relationships between the two parties involved.

Significantly, studies on co-residing parents and their adult children have tended to centre around middle-class families (Aleni and Sica, 2014; Roberts et al., 2015; Warner et al., 2017; Bernbruger, 2020; Stone et al., 2014). This has important implications for the findings, particularly with regards to the level of financial capacity parents will have to support their adult children in a variety of ways (supporting independent living, allowing them to remain living at home or move back in, living at home rent free). Evidence indicates that how such a situation is experienced is mitigated by the level of parents' financial capacity to offer support, whether co-residing or supporting separate living. Warde and Spitze (2007) for instance suggest that parents with more resources are more likely to be able to support their non-dependent adult child to live independently (Heath and Calvert, 2013; Manzoni, 2016). However, they also suggest that such parents' household may be 'more attractive' (2007: 276) to young adult children whose standard of living independently would not be as high.

The greater capacity of better-off parents to help their children overcome housing affordability constraints is reflected in research looking at housing patterns and trajectories across generations (Heath and Calvert, 2013; Manzoni, 2016; Coulter, 2018; Ward and Spitze, 2007). This work confirms that such assistance helps perpetuate intergenerational inequality. Coulter's research for the Resolution Foundation (2018) showed that the housing circumstances of parents played a significant role in shaping the housing circumstances of children. Using a longitudinal approach, Coulter showed that there were strong links between parental tenure and the housing circumstances of their children, (2018: 218). Previous research using the British Household Panel Survey (Karagiannaki, 2011) has indicated that parents who are homeowners, more highly educated and on higher incomes are more likely to make a financial transfer to their children. The analysis shows that while unemployed young adults are more likely to receive gifts from their parents than their employed counterparts, the gifts transferred between higher-income parents and their children are of higher value.

Whether in managing the finances when co-residing or helping young adults to take steps towards independence, families have no obvious guidance or clear-cut expectations that can help them develop strategies. This is particularly problematic because this involves combining financial transactions with close personal relationships. Parents do not feel that they can operate as though they are 'landlords' when discussing contributions to rent or household expenses (Hill and Hirsch, 2019), and equally are not well placed to take the role of 'bankers' when providing any finance to help them move out. The potential difficulty in negotiating financial support within families was raised in a study looking at how parents support adult children to buy their own home, and resulted in a guide being produced to help families navigate such conversations (Scanlon et al., 2019).

## 3.7 Gaps and conclusions

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The research in this field has a wide reach, both geographically and temporally, as the phenomenon of non-dependent young adults living with parents has been growing across many countries over many years. The studies discussed in this literature review point to a shift in housing arrangements for young adults internationally. However, the experiences of low to middle income families have remained largely unexplored in the literature in this area (Shorthouse, 2013; Roberts et al., 2015; Stone et al., 2014; Bernbruger, 2020). To examine the possible disparities of these experiences is relevant for intergenerational inequalities, an important social consequence of research into young adults' housing trajectories (Warner et al., 2017; Mitchell, 2004; Mitchell and Gee, 1996). Shorthouse (2013) calls for policymakers to address the experiences of low income families, given the increasing squeeze on their living standards, due to stagnating wages and a reduction of benefits and tax credits.

Not enough is known about the direct impact on living standards of young adults co-residing with their parents. This contrasts with the much better-researched effects on living standards of various other recent social changes, including rising housing costs and the spread of precarious work (Tomaszczyk and Worth, 2018; Matsudaira, 2016). While Mykyta and Macartney (2011) note that living together can result in reduced costs for the young adults involved, the financial and other strains on parents, particularly those who are also providing care and support for their own parents, remains neglected (Warner et al., 2017).

White (1994: 99) provided some interesting prompts for further research, some of which have been engaged with since, with others still to be examined further:

**'What is the flow of money, services, and support between parents and children?'**

**What are patterns of supervision and authority?'**

**How does co-residence relate to these patterns?'**

These questions become even more interesting if asked in relation to low to middle income families, as these flows of money, services and support, patterns of supervision and authority might be influenced by the pressures that are faced as a result of modest household income.

Few studies have looked directly at the implications for parents and young adults of the same household of co-residence. We aim to address this in our study, which we anticipate could provide a rich insight into the ways parents and young adults perceive and manage their situation with regards to their financial well-being (Maroto, 2017: 1041). Additionally, while financial transfers from parents to their children is well-evidenced, in our research, we want to also attend to the ways that such transfers might be bi-directional. Little research discusses instances where the non-dependent adult may have a higher income than their parents. How, for instance do families manage living costs in situations where the non-dependent young adult is earning more than their parents?

These questions, and those posed by White above, can be used to address not just the immediate living situation of parents and adults living together, but also the broader ways in which low to middle income parents support, or are supported by, their adult children. In cases where parents are unable to provide direct financial support to help their adult child live partially independently, or to put a deposit down on a house, how might this impact on family strategies? In such cases, are families allowing an adult child to live at home without contributing to rent or living costs in order to help them save up towards a deposit, or do parents in such families need to request greater contributions in order to make ends meet? In exploring such questions, we will seek to understand the whole context of families' attitudes and plans in relation to helping each other with their finances, not just those related to their immediate living situation.

## Non-dependent adults living with parents – the policy landscape

### 4.1 Introduction

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In recent years, the living standards of families in poverty or ‘just about managing’ has been a prominent issue for governments. A concern for the well-being of families with children has been influenced by the importance of childhood experiences to life chances. Various policies, ranging from Sure Start to the Pupil Premium, have sought to improve the prospects of those growing up in low income families. The current tax credit system, and the Universal Credit system that is replacing it, focus in particular on giving financial help to families with dependent children, including those whose parents work.

When children stop being regarded as ‘dependent’, these forms of help are largely switched off. (For most, this will be at age 18, but more precisely, children’s benefits continue as long as they remain in secondary education, but not beyond the age of 19.) Yet in relatively few families do sons and daughters become fully independent of their parents at around 18. The majority continue to live with their parents until at least age 23 (ONS, 2019a), and among single adults in their 20s, nearly two thirds now live with their parents. (Hill and Hirsch, 2019). In these years, when young adults are ‘finding their feet’, their experiences continue to shape their futures. Many are given financial and other help by their families, including setting them on the road to independence, such as by contributing to a deposit on their own rented or purchased home. However, not all parents are well equipped to give such help, and accounts of the fortunes of low and modest income families beyond children’s 18th birthdays have not generally been the focus of social research.

This paper helps set the scene to a closer investigation of these experiences, by considering aspects of the policy environment, and by considering some income scenarios for families with low earnings or not working, where young adults remain in or return to the family home.

**Specifically, it looks at:**

- Policies affecting parents’ incomes
- Policies affecting young adults’ incomes
- How these two interact for families on relatively low incomes, and the effect on living standards
- Policies affecting the housing opportunities of young adults.
- Policies helping young people save for their future

### 4.2 Policies affecting parents’ incomes

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As soon as a child leaves secondary education or reaches the age of 20, their parents are no longer entitled to Child Benefit (CB), Child Tax Credit (CTC), equivalent components of Universal Credit (UC) or certain allowances in the Housing Benefits (HB) system. For a family receiving CTC or UC, this represents a loss of £86 a week where there are no younger siblings, or £68 a week where there are.

In addition, if a family receives housing support through HB or UC and their grown-up child continues to live with them, this support will be reduced, on the basis that the child could be expected to contribute

rent. The same applies to council tax, for those receiving the income-based Council Tax Reduction. For some under-25 year olds on out of work benefits, and for parents on certain disability benefits, these deductions do not apply. However, under Universal Credit, the deduction is made for over-21 year olds, whether or not they work (unless they receive certain disability benefits). Thus, parents can have deductions made for sons and daughters above these ages even where they do not earn, despite the fact that they cannot themselves claim HB when living in their parents' home. Under HB, the rate is £15.85 a week for families where the non-dependent is not earning; where they do work, the deduction is on a graduated scale according to earnings, up to £102.35 for someone earning above £469 a week. Council tax contributions range from £4.05 to £12.40 but do not apply to those earning below £217 a week.

For someone aged 21-24 working full time on the National Minimum Wage, the parental deduction would be £81.90 a week, equivalent to about a third of the young adult's take-home pay. (There would be an additional £8.25 deduction if the parent were on a low enough income to get Council Tax Support.) On UC, on the other hand, there is just a single deduction rate, regardless of the young adult's work status or earnings level, set at £75.15 a month, equivalent to £17.30 a week. The age threshold for the deduction is 21 for UC rather than 18 for HB.

In summary, then, a parent can lose up to just over £100 a week in support for a child who grows up, continues to live at home and is not working, and up to just over £200 a week if the parent is on HB and their son or daughter has a relatively well-paid job, or over £180 if they work full time on the minimum wage. These represent very large proportions of family income; for a non-working lone parent with one child, for example, disposable income after rent could fall around 40%, from about £250 to £150 per week. Of course, this loss of income may be offset if the young adult has the means to cover some of their own expenses, although agreeing how to split household costs in this case is not easy (Hill and Hirsch, 2019).

The fact that benefits are reduced at these ages with limited regard for the young adult's ability to make up the difference in household finances signals a fundamental change in the basis for supporting families once their children have grown up. To a large extent, the state withdraws from its mission to support the family if it lacks adequate means, and instead looks separately at the basis for supporting its individual members. That is to say, the parents have entitlements based on those of childless singles or couples, and the co-resident young adults have entitlements separately calculated on this basis.

This poses a dual problem for such families. First, entitlements for working age adults without children have been treated far more frugally in recent years than family benefits. And secondly, entitlements for young adults are more frugal still. This can be illustrated by considering that up until the 1990s, an unemployed single under 25 would get about 60% more in safety-net benefits than the typical amount for a dependent child, but today, the child attracts 20% more than the young adult<sup>6</sup>.

### 4.3 Policies affecting young adults' incomes

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There are a number of benefits-related policies that assign lower entitlements to adults on the basis of their age. **Notably:**

- The safety-net benefit for a single adult is over 20% lower for under-25s than those 25 and over: currently £58.90 a week compared to £74.35 (not counting the temporary supplement payable in some cases during the coronavirus crisis).
- The minimum wage payable for adults aged 21-24 is £8.20 an hour, compared to £8.72 for over-25s. (For 18-20 year olds it is much lower, £6.75).
- Access to housing benefits is highly restricted for single people under 35: the maximum for those renting privately is based on the amount needed to rent a room in a shared house, rather than an independent small flat. This limits options for independent living for those with no or low-paid work.
- Under 25 year olds on low earnings have no access to support through Working Tax Credit (other than lone parents and people supporting someone with a disability).

<sup>6</sup> Author calculation based on Institute for Fiscal Studies 'Fiscal Facts' and using averages for the first two children in the children's benefits calculations.

These limitations in income reflect a perception – perhaps justified in some cases but not in others – that younger adults have lower spending needs than other adults, partly because many of them do live with their parents. A big risk is that this expectation becomes circular: they increasingly delay independence and have more limited opportunities as a result of these limits on their potential for generating income.

For those who live with their parents, it is also relevant to note that, while there are some savings especially on rent that can result from this living arrangement compared to living independently, day to day spending requirements are higher than that of a dependent child, who shares more activities and meals with their parents, producing economies of scale in many areas of life. A single adult living in a parent's home does not generally expect to share things like transport or other activities outside the home, and models much of their spending on that of a single adult living independently (Hill and Hirsch, 2019, found that this is the prevailing assumption). Minimum Income Standard research, in which members of the public are consulted about what households require to reach an acceptable living standard, has estimated that the minimum additional household costs of a single young adult living in a family home is about £175 a week, compared to £111 for a secondary school child (Hill and Hirsch, 2019; Hirsch, 2019a). This comparison applies to the combined spending of both the parents and the young adult, and explains why when a child grows up and may start bringing in income through pay or benefits, some of this additional income is needed to cover additional household costs.

Putting together these additional costs, the reduced benefits received by parents and the limited income-generating capacity of young adults, we can make the following observations.

A low to modest income family with a grown up child can receive £100 a week less in state benefits than with a teenager – and up to £180 if they are in a low-paid job. This combines with about £65 a week additional minimum costs for a family with a young adult compared to a secondary school child, meaning that the young adult would need to generate about £165 in income in order for the latter type of family not to be worse off as an overall unit, or £245 if the young adult works full time. (This assumes that the family is living exactly at the MIS level; for some working families with a higher living standard than MIS, the actual cost difference will be greater.)

In the case of a non-working young adult, basic benefits of £58.90 a week fall far short of this £165 requirement, creating the risk of considerable additional family hardship. In the case that they work full time on the National Minimum Wage (at the under-25 rate), their post-tax income is currently £276 a week, compared to the £245 needed, and therefore there is scope to improve overall family income. However, the extent to which the additional earnings will be used to help support general household expenses is another matter. And for a young adult who has sporadic or part-time work, the picture would be less favourable.

The following section considers some scenarios for family income in more detail.

## 4.4 Illustrations of consequences for family incomes

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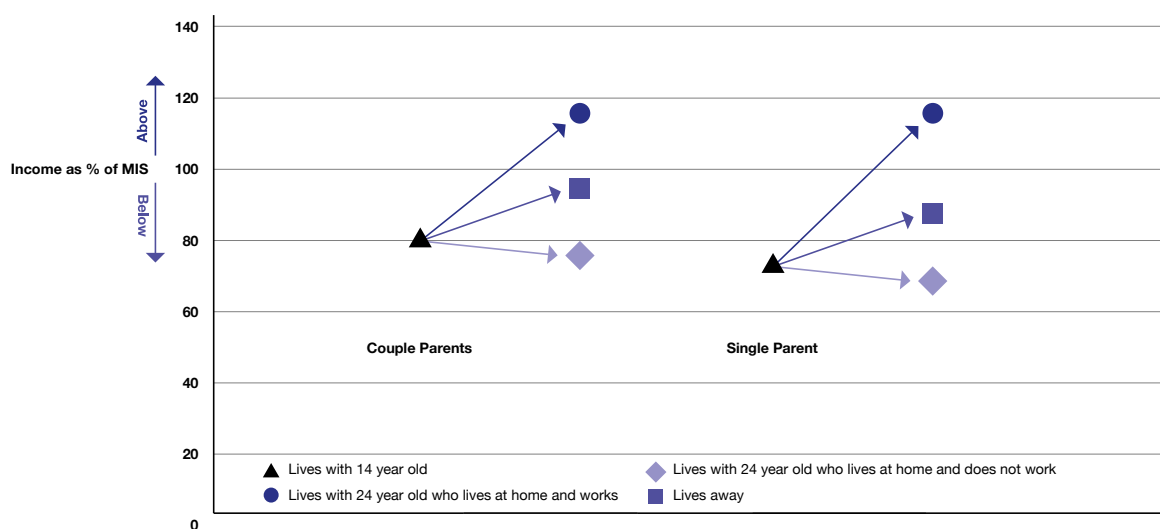
Some simple modelled scenarios can help us understand the ways in which a young adult living with their parents affects family living standards. It uses as a metric the Minimum Income Standard (MIS), regular research in which assessments of minimum needs by members of the public are translated into minimum household budgets (Hirsch, 2019b). By looking at disposable (post tax and rent) income of each household as a percentage of the required MIS budget, we can compare living standards. A figure of 80%, for example, means that a household has an income 20% below what they need to meet the standard; a figure of 120% that they are 20% above MIS. Note that the comparisons that follow do not take account of benefits of people with additional entitlements due to disability or caring, and thus presents only a partial picture compared to the diverse situations that families encounter.

Figures 1 and 2 consider on the one hand the standards achieved on a given parental income if they have a secondary school child at home, and on the other in three scenarios where their son or daughter is aged 24: if they are living at home and not working; living at home and working full time on the National Minimum Wage; and living away from home. The last of these scenarios looks only for comparison at the

parent/s' living standard, not at that of the son or daughter living independently (which depends heavily on assumptions about housing and employment). This last scenario also assumes that the parent/s continue to live in a family home, rather than that they have downsized or moved to a different housing type. The Appendix to this report also presents the numbers that underpin these results and comments on the factors that lie behind each outcome.

The calculations in Figures 1 and 2 are for 2019. They look at the family as a unit, based on combined income from parents and children, and do not show to what extent family income is divided between different members according to their needs. Note also that they do not take account of the temporary increases to Universal Credit being paid due to Covid during 2020/21.

**Figure 4.1 Household income of parent/s working on National Living Wage, relative to MIS**



#### Assumptions

- Couple has one full time, one part time worker. Single parent works full time.
- Working 24-year-old works full time on National Minimum Wage
- All cases assume renting a 2 bedroom house from social landlord

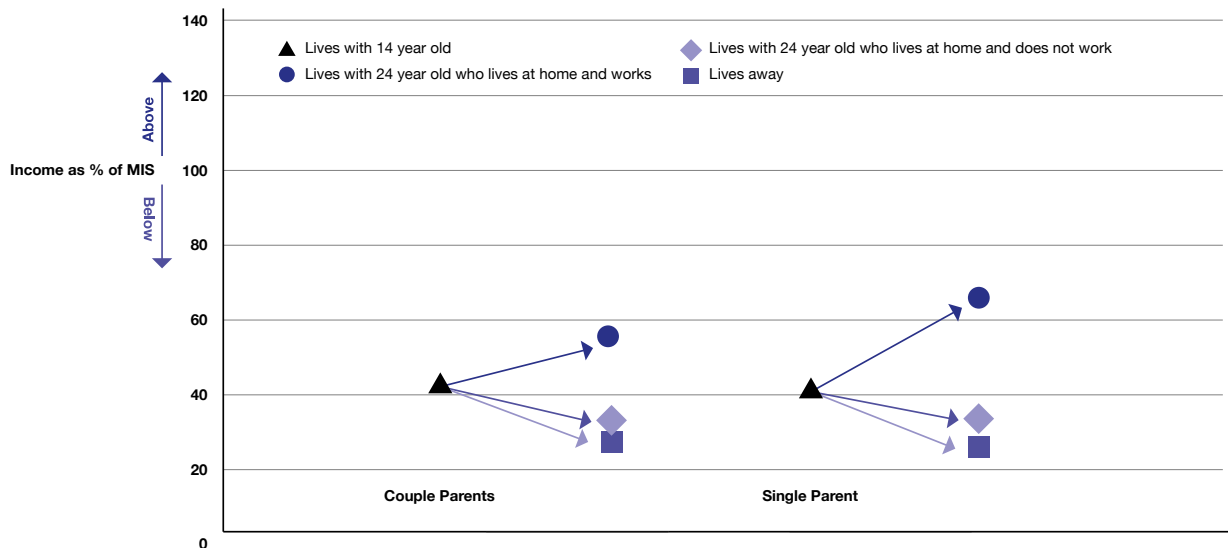
#### Looking first at Figure 4.1, we can make the following observations:

- A young adult living in the home of low-earning working parents can help improve the overall finances of the household/family, compared to when they were a teenager, if they have a full-time or well-paid job. Such parents are likely to be significantly below the MIS level when they have dependent children, but the extra earnings of a young adult can bring them above it. One reason for this difference is that in these scenarios the family's earnings disqualify them from Housing Benefit even when they have a dependent child, so they do not lose out from the 'non-dependent deductions' from HB.
- In contrast, if the 24 year old is not working, the family can become worse off with an adult than teenage child, since benefits for the unemployed adult (whether they are on JSA or UC) are lower than for the child, whereas costs for the former are greater. This loss is small for a couple, but has a greater effect on single parents, for whom the loss represents a larger proportion of the relatively smaller budget. A working single parent living with a non-working young adult can have 40% less than they need as a minimum – making them much more prone to hardship than someone in the same situation with a dependent child.



- For comparison, if the son or daughter had left home, the parent/s would have been able to improve their living standard, by not having to support the young adult, but not by as much as if the young adult lived at home and worked, assuming income was pooled. However, it is also important to note that if the young adult living away from home were not working, they would be likely to be on a very low income, of well under half the MIS level, so leaving home might not in practice be an option for a young adult without a job.

**Figure 4.2 Household income of non-working parent/s, relative to MIS**



**Assumptions**

- Working 24-year-old works full time on National Minimum Wage
- All cases assume renting a 2 bedroom house from social landlord

Figure 4.2 presents the scenario if the parent/s are not working – it is based on them claiming legacy benefits with an explanation of where it differs for UC also provided. The overall pattern is similar, but consequences of the system for living standards are less favourable. A limited gain from the young adult working still leaves the family very far below the MIS level, and therefore unable to escape hardship even when a son or daughter’s wage could improve the overall living standards of the household. As explained in the previous section, this is influenced by steep deductions from housing benefit for non-dependents who work, which help offset the gains from the young adult’s wages. Under UC, this deduction is much smaller, bringing the households closer to MIS, but in the cases shown, they would still fall over 20% short.

Where neither the parent nor the young adult works, the lack of social protection for such families shows through most clearly – their living standard falls to well below what they would have experienced with dependent children, to only about a third of what they need. (In this case, the situation is even worse under UC, because the parent would have an additional flat rate deduction (see section 2) from their benefit as if their non-working 24 year old were contributing to rent). This is similar to what an unemployed adult or couple would experience without work if their son or daughter did not live with them. The results in that scenario are influenced both by the very low level of benefits for which working-age claimants without children are eligible and also, in this case, by the ‘bedroom tax’ imposed on parents who keep living in the family home but have a spare bedroom while their son or daughter is living away.

The above examples illustrate how families as a whole can be better or worse off when adult children live at home, compared to where teenage children live at home and compared to parents who live separately from adult children. While the scenarios make some specific assumptions, and results may vary where these assumptions are changed, the key conclusions are not highly sensitive to these assumptions.

**These are:**

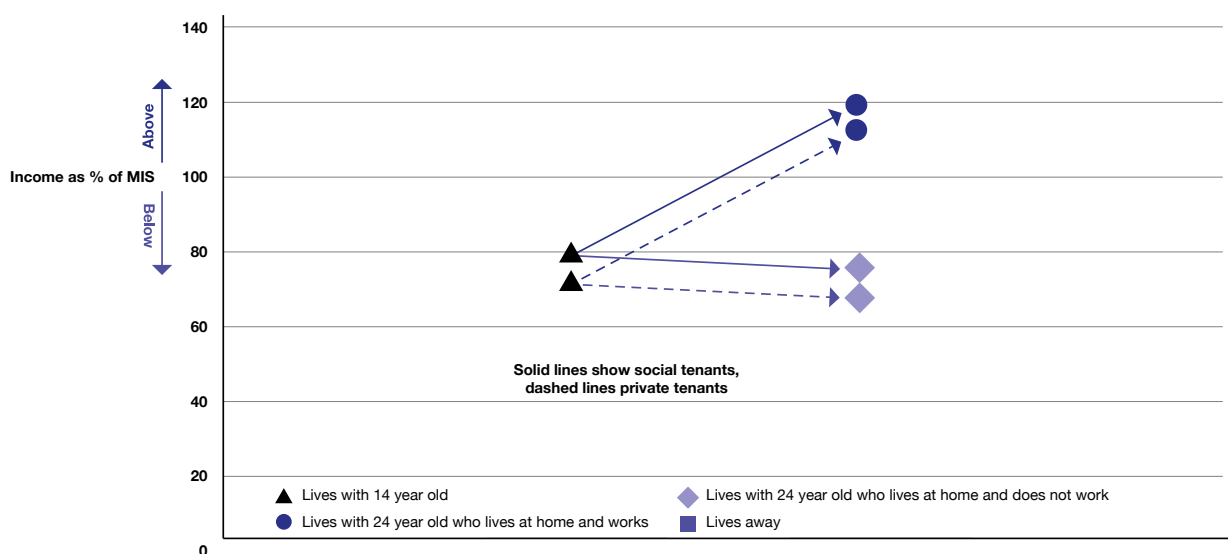
- (1) families with working parents are likely to be better off with a working young adult at home than supporting a teenager, even with the help of tax credits; however, they are likely to be worse off with a non-working young adult, especially for a single parent
- (2) the same pattern applies to non-working parents, except that in this case if the young adult does not work, both the couple and single parents experience a big drop in living standards, from an already low level. This is the effect of losing the tax credit support that prevents non-working families from sinking into deep poverty once the child grows up.

The results in Figures 4.1 and 4.2 would vary somewhat if we assumed that the young adult were over 25, rather than 24 in these calculations. This would improve the gains from working because the minimum wage is higher at that age. For those not working, where parents are on legacy benefits there would be a £15.85 a week deduction from parents' housing benefits on the assumption that a non-working young adult contributes towards rent from age 25 but not before. However, the effect on total family income would be almost exactly cancelled out by a higher benefit rate for a single 25-year-old than for under-25s: the difference is £15.45 a week. (This implies that the state expects someone turning 25 who still lives at home to start handing over this additional amount to parents, and to continue to live on the under-25 benefit rate of just £58.90 a week. If in practice, the young adult keeps the additional benefit, the parents will continue to lose out from the deduction.) If parents are on UC, there would be a gain between a non-working 25 compared to 24 year old as the amount of the young adults UC increases at 25, but the non-dependent deduction is the same from age 21.

Another significant assumption in Figures 1 and 2 is that all the families shown live in a house rented from a social landlord. The results would be different if for example the family rented privately: this is a growing phenomenon for families with children; among those whose children have grown up, it remains relatively uncommon, but in future it will grow, since those whose children are currently under 18 are less likely to be in social housing.

Figure 4.3 uses the example of working couple families to show that overall, the pattern with privately rented housing is very similar to that of social housing, but from a lower starting point. That is to say, families with private rents are worse off to start with, and the relative effects of adult children living at home are similar.

**Figure 4.3 Comparison of social and private tenancies (Working couple parents)**



## 4.5 Policies affecting housing opportunities for young adults

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In recent years, the lack of housing options has become a growing issue for adults in their 20s and 30s. Rising house prices have put buying out of the reach of most of those with below-average incomes. Independent rental options can also be limited by affordability, especially in more expensive areas of the country. In London, a third of private renters pay more than half their income in rent (Joyce et al., 2017, Fig 3.4). Social housing is rarely an available option for this group.

Over recent decades, public policy has relied largely on the market to enable young adults to leave home and take the first steps towards housing independence, with a long-term shift from supporting housing supply through more affordable social housing to giving help with rent where needed through Housing Benefit (Berrington and Stone, 2014) to go towards renting in the PRS. Yet that means-tested help with rent has itself become increasingly inadequate. As referred to above, HB in the private rented sector only provides under 35s with enough to rent a single room. Limits to the level of rent taken into account by HB, through the Local Housing Allowance, now mean that 90% face a shortfall between HB/LHA and the actual rent paid (Joyce et al., 2017, Fig 3.6). Meanwhile, the new form of 'affordable housing', with rents set at 80% of market rates, is also restricted by its affordability to people on modest incomes in expensive areas.

In a new recognition that younger people need to be helped to afford housing, the Government has focused its attention largely on 'help to buy' policies, which give a boost to those in a position to become owner occupiers with some extra help. This does not however help those who are too far from being able to afford a deposit and mortgage payments to contemplate this option.

Specifically, the Help to Buy scheme offers the possibility of equity loans (lending up to 20% of the property value interest free for the first five years) or shared ownership (taking a stake of between 25% and 75% in a new-build property), while lifetime ISA s give up to £1000 a year to people saving up to £4,000 towards a deposit. These schemes can make buying slightly cheaper or help overcome the hurdle of finding a deposit, but do not bring home ownership in reach of those with far too little income to support a mortgage. In practice, among the half of young adults with the lowest incomes, only a small minority are likely to be close enough to affording to buy a home for these schemes to help. Four in ten 25-34 year olds have salaries too low to get a mortgage on one of the cheaper properties in their area, even helped by a 10% deposit. This is up from fewer than one in ten in 1996 (Cribb and Simpson, 2018). These realities are reflected in the fact that 66% of all Help to Buy completions have been for households with incomes over £40,000 a year and 45% for households with incomes over £50,000 (Affordable Housing Commission, 2020).

At the other end of the housing spectrum, measures to help homeless young adults have until recently focused largely on emergency support such as hostel programmes, rather than on rehousing. To some extent this was changed by the Homelessness Reduction Act, 2018, which gave local authorities a duty both to prevent and to relieve homelessness for all groups, looking at long-term solutions not just sticking plasters. However, in practice local authorities with limited resources have continued to allocate them in ways that do not prioritise young single people, who continue to have slim chances of securing social housing, and continue in many cases to be turned away when seeking support from local authorities (Centrepoint, 2019).

In practice, even effective policies that help to prevent and relieve homelessness and help to make owner occupation more affordable do nothing to help a young adult to take steps towards independence if they are living in a family with limited resources. They fall between these stools: they do not have the resources to buy, and are not faced with the crisis of homelessness. No policy is really focused on helping them to move into genuinely affordable rented accommodation. The Affordable Housing Commission's (2020) recommendations of a significant expansion of social housing and new types of regulations on rents charged in the private sector would help address this at a general level. But can such reform give specific attention to the needs of 'first-time renters' moving out of parents' homes, including in expanding the supply of the types of property that meet such young adults' needs? This will be one of the questions explored in the research on young adults living with their parents for which this paper provides a policy-based starting point.

## 4.6 Policies helping young adults save for the future

One exception to the general picture presented in this paper, of government help for families having focused mainly on the period of childhood, has been the Child Trust Fund, whose aim was to help create a small ‘nest egg’ at age 18. This was a savings vehicle to which the government made a small initial contribution of £250 at birth, doubled for low income families, with further contributions planned at later ages. Launched in 2005 with children born from September 2002 being eligible, it was discontinued by the incoming Coalition Government in 2010, but the first 18 year olds are able to access these funds from September 2020. A major aim of the scheme was to help families develop a ‘savings habit’. The amounts built up, even topped up by family contributions, are unlikely in most cases to be life-transforming for the beneficiaries. However, this approach does demonstrate that there may be ways of addressing the financial well-being of young adults that do not address income but savings. This is similar in approach to the lifetime ISA, but with greater flexibility, since LISAs can only be used to buy a home or contribute to a pension and not, for example, to put a deposit on a flat for rent, or provide a financial cushion that may give a young person confidence to leave home.

## 4.7 Additional tables for chapter 4

**Table 4.1 Scenarios with and without young adult at home, compared to adult/s without children, in same house. Figures are for 2019, all in £ per week.**

		MIS requirement (post rent) and council tax)	Disposable income	Income minus MIS £	Income/MIS %
<b>Baseline 1</b>	Couple, one full time one part time on NLW	341.83	£329.61	-£12.21	-3.6%
	<b>a) Working on NMW</b>	£517.20	£593.83	£76.63	14.8%
	Difference	£175.37	£264.22	£88.85	18.4%
Adding young adult aged 24:	Comment	Bringing another full-time worker into the household, even on under-25 NMW, raises working couple’s family income from minimum to above the minimum			
	<b>b) Not working</b>	£517.20	£403.36	-£113.84	-22.0%
	Difference	£175.37	£73.75	-£101.62	-18.4%
	Comment	Bringing a non-working under-25 into family brings in over £100 less income than that person costs. Family income falls from near MIS to nearly a quarter below it			

		MIS requirement (post rent) and council tax)	Disposable income	Income minus MIS £	Income/MIS %
<b>Baseline 2</b>	Couple, not working	£341.83	£98.58	-£243.25	-71.2%
Adding young adult aged 24:	<b>a) Working on NMW</b>	£517.20	£285.65	-£223.29	-43.2%
	Difference	£175.37	£195.32	£19.95	28.0%
	Comment	Working under-25 moving in avoids £12 bedroom tax and brings in £264 in net pay, but also reduces Housing Benefit by £80.55 for non-dependent, leaving family well short of MIS. (NB: Universal Credit non-dependent deduction only £17)			
	<b>b) Not working</b>	£517.20	£168.39	-£348.81	-67.4%
	Difference	£175.37	£69.81	-£105.56	3.7%
	Comment	Non-working under-25, moving in avoids £15.60 bedroom tax but benefits only cover about 30% of minimum costs for young adult, as it does for parents - so only minor improvement overall			
<b>Baseline 3</b>	Single working on NLW	£203.90	£176.66	-£27.24	-13.4%
Adding young adult aged 24:	<b>a) Working on NMW</b>	£379.27	£440.88	£61.60	16.2%
	Difference	£175.37	£264.22	£88.85	29.6%
	Comment	Bringing another full-time worker into the household, even on under-25 NMW, enables working single parent to move from below to above MIS			
	<b>b) Not working</b>	£379.27	£250.41	-£128.86	-34.0%
	Difference	£175.37	£73.75	-£101.62	-20.6%
	Comment	A non-working under-25 living with their working single parent brings in over £100 less than the young adult person costs. Proportionately, the additional shortfall is a greater burden for a single parent than a couple, greatly increasing the percentage deficit compared to MIS.			
<b>Baseline 4</b>	Single working on NLW	£203.90	£57.98	-£145.92	-71.6%
Adding young adult aged 24:	<b>a) Working on NMW</b>	£379.27	£245.06	-£125.96	-33.2%
	Difference	£175.37	£195.32	£19.95	38.4%
	Comment	Working under-25 moving in avoids £12 bedroom tax and brings in £264 in net pay, but also reduces Housing Benefit by £80.55 for non-dependent. This more than halves the shortfall compared to MIS, but still leaves them very badly off. (NB: Universal Credit non-dependent deduction only £17)			
	<b>b) Not working</b>	£379.27	£127.79	-£251.48	-66.3%
	Difference	£175.37	£69.81	-£105.56	5.3%
	Comment	Non-working under-25, moving in avoids £15.60 bedroom tax but benefits only cover about 30% of minimum costs for young adult, as it does for parents - so only a minor improvement			

**Table 4.2 Comparisons between family with secondary school child and young adult living at home.**

Figures are for 2019, all in £ per week

		MIS requirement	Disposable income	Income minus MIS £	Income/MIS %	
Replacing secondary child with young adult aged 24:	<b>Baseline 5</b>	Couple, one full time one part time on NLW, with secondary child	£452.95	£362.66	-£90.29	-19.9%
		<b>a) Working on NMW</b>	£517.20	£593.83	£76.63	14.8%
		Difference	£64.25	£231.17	£166.92	34.8%
		Comment	Having a working young adult rather than secondary child to support, even earning under-25 NMW, raises working couple's family income from 20% below MIS to 15% above			
		<b>b) Not working</b>	£517.20	£403.36	-£113.84	-22.0%
		Difference	£64.25	£40.70	-£23.55	-2.1%
	Comment	A non-working under-25 leaves the family a bit worse off than a secondary child, because the family's tax credits are replaced with single's out of work benefits, which are lower				
Replacing secondary child with young adult aged 24:	<b>Baseline 6</b>	Couple, not working, with secondary child	£452.95	£193.80	-£259.15	-57.2%
		<b>a) Working on NMW</b>	£517.20	£285.65	-£223.29	-43.2%
		Difference	£64.25	£100.11	£35.86	14.0%
		Comment	Working young adult brings in more wages than secondary school child brings in tax credits, but has higher costs and the family is affected by non-dependent deduction, so still well below MIS			
		<b>b) Not working</b>	£517.20	£168.39	-£348.81	-67.4%
		Difference	£64.25	-£25.41	-£89.66	-10.2%
	Comment	Out of work family is badly hit by lack of tax credits for young adult rather than teenager				

		MIS requirement	Disposable income	Income minus MIS £	Income/MIS %		
Replacing secondary child with young adult aged 24:	<b>Baseline 7</b>	Single working on NLW, with secondary child	£366.65	£273.76	-£92.89	-25.3%	
		<b>a) Working on NMW</b>	£379.27	£440.88	£61.60	16.2%	
		Difference	£12.62	£167.11	£154.49	41.6%	
		Comment	Having a working young adult rather than secondary child to support, even earning under-25 NMW, raises working single's family income from 25% below MIS to 16% above				
		<b>b) Not working</b>	£379.27	£250.41	-£128.86	-34.0%	
		Difference	£12.62	-£23.35	-£35.97	-8.6%	
		Comment	Supporting a non-working under-25 leaves the lone parent substantially worse off than with a secondary child, because the family's tax credits are replaced with single's out of work benefits, which are lower.				
		<b>Baseline 8</b>	Single not working, with secondary child	£366.65	£153.39	-£213.26	-58.2%
		<b>a) Working on NMW</b>	£379.27	245.06	-£125.96	-33.2%	
		Difference	£12.62	£99.92	£87.30	25.0%	
	Comment	Working young adult brings in more wages than secondary school child brings in tax credits, more than halving the deficit compared to MIS, but still remaining a quarter below it					
	<b>b) Not working</b>	£379.27	£127.79	-£251.48	-66.3%		
	Difference	£12.62	-£25.60	-£38.22	-8.1%		
	Comment	Out of work parent is badly hit by lack of tax credits for young adult rather than teenager					

**This report has presented a complex picture of the determinants and experiences of young adults living with their parents. This phenomenon has grown in recent years to become a 'new normal' for singles in their 20s. Common influences including the precarity of young adults' labour market experiences and the relatively high cost of housing are clear-cut. However, such co-residence is not clearly more common in better off or worse off families, and is not seen solely in positive or negative terms by those involved. Much depends on individuals' circumstances, including on the transition points experienced in young people's lives and on the resources that each of the family members can bring to the arrangement.**

The qualitative research that follows on from this report will focus on investigating what the consequences are for both parents and young adults in low to middle income families of this period of living together. Little is known about how these families with modest resources are managing economically once the public support associated with having dependent children disappears. The research will therefore consider how the combined resources of such families are deployed to meet their needs. This will include housing resources, in terms of the adequacy of accommodation for co-residing families. It will consider broader aspects of well-being, including how families deal with the social and emotional challenges of living together at this stage of life.

Importantly, interviews with both parents and young adults will explore how this stage of life fits into their longer life story. For young adults, this will address future aspirations including employment and relationship transitions. Parents will be asked to reflect on how it relates to later life transitions, including plans for changes in their housing and moving towards retirement.

Following on from the existing evidence about the heterogeneity of experiences, the qualitative research will reflect diversity, for example of gender, of ethnicity and of rurality, to allow reflection on the wide range of influences on family responses in different ways.

The project was initiated and designed before the Covid-19 crisis, and concerns long-term changes in society rather than the situation that families are currently experiencing as a result of the pandemic. The research will therefore seek to look beyond the immediate context of late 2020 and early 2021 when the interviews will take place. However, people's experiences will inevitably be highly coloured by that context, and the effect of the crisis on future expectations will be an important theme.

A final report on the project will present the findings of this new research, in the context of the existing knowledge brought together in the present volume. This will be used by the project team to develop with stakeholders approaches in policy and practice that could help to address the needs of those affected.



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