

Staying home and getting on:

Tackling the challenges facing low to middle income families where young adults live with their parents

FINDINGS

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Summary

This research examined the situation of low to middle income households where young adults live with their parents. Around 3.6 million young adults in the UK now live with their parents, including nearly two thirds of 20-34 year olds who are single without children. It is now a key stage of life that is becoming the norm. In contrast to the common ‘bank of Mum and Dad’ narrative, parents on low to middle incomes do not necessarily have the resources to help their children move out, but can also find it hard to financially support them living at home – although stable accommodation can provide them with welcome security in an uncertain world. Based on interviews with both parents and young adults, the study found that:

- The high cost of living independently combined with unstable employment and insecure income means that young adults often have little option but to live with parents who have limited financial resources.
- The Covid pandemic has added an additional layer of insecurity to those in already precarious circumstances.
- Some young adults see this living situation as a positive choice, enabling them to save for their future. Others feel trapped, especially where there is overcrowding or difficult family relationships.
- The arrangement can work well where relationships between parents and young adults are underpinned by good communication and clear financial arrangements. Some young adults provide vital financial help for their parents, not just the other way around.
- Families can be disadvantaged by the operation of the social security system, which dramatically cuts support for parents by hundreds of pounds a month when children become ‘non-dependent’ at the end of secondary education, and also expects young adults to contribute to family rent even when they do not have the income enabling them to do so.

- **The report recommends that:**
 - The ‘cliff edge’ of reduced support from the state when children grow up should be eased by introducing a transitional period when working families on Universal Credit retain a Work Allowance. This permits them to earn a certain amount before benefits are reduced – but at present is available only for those with dependent children or disabilities.
 - The reduction in Universal Credit rent support for parents of young adults should be aligned with the support that young adults receive to help them contribute to rent.
 - Information and advice services should do more to recognise this life phase, for example by helping young adults to prepare for it near the end of full-time education. In particular, this should include support for families to develop effective communications and to help young adults to build the skills they need when living independently.

Main themes emerging from the findings

1. For millions of young adults, living with parents has become a stage of life – more than just a stop gap

A growing proportion of young people in the UK are living with their parents well into early adulthood – whether they have never left or returned home. Among all 20-34 year olds, the proportion has increased from 22% in 2008 to 28% in 2020. This accounts for 3.6 million young adults – nearly two thirds of 20-34 year olds who are single without children. Four in ten parents of adults in their 20s have at least one of them living in their home.

This trend affects families across the spectrum of family income as the individual circumstances of young adults and parents interact in different ways. There is no simple relationship between living at home and family advantage or disadvantage. Rather, there appears to be interaction between the need of the young person for parental support and the resources that parents can offer. There is little difference among 20-24 year-olds who are living with parents while ‘finding their feet’, but by their late 20s and early 30s, young adults with full-time jobs and good qualifications are more likely to have moved out. On the other hand, parents with good jobs and those with stable housing (i.e. not private rentals) are more likely to have grown-up children living with them at these ages.

There is a distinct regional difference with parents of children aged 20-34 from London more likely than average to have their adult sons or daughters living with them. Beyond the age of 25, there is also a pronounced ethnic difference, with single adults of Asian background much more likely to live with their parents in their late 20s (nearly three quarters (73%), compared to just over half (54%) of all ethnicities) and early 30s (still a clear majority of those from Asian background (57%) compared to a third (33%) of all ethnicities).

Participants across our research felt that living with parents is now seen as ‘normal’, with other families they knew being in similar situations. Parents noted that it is much tougher for young people to live independently now compared to when they were young.



They are trapped, unless they have parents who are absolutely loaded which most haven't, so you are literally stuck at home.

(Parent)

2. The 'choice' to live at home is often constrained by a lack of alternatives

Affordability is the key barrier to young adults moving out with the cost of alternative housing interconnecting with insecure employment and income. Buying a property is often a goal but rising prices and difficulty saving for a deposit or being accepted for a mortgage can make it a distant hope. Lack of social housing means options to rent are limited to the more expensive private sector, which is unaffordable for some, and can inhibit saving for a mortgage.



I think once you start renting it's hard to actually get your own place, you're paying someone else's mortgage and you're trapped in that cycle.

(Young adult)

Underlying this is young adults' difficulty finding stable, reasonably paid work, with insecure, temporary and zero hours employment making it harder to save or afford to move out. Young adults felt heavily constrained by these difficulties even before the pandemic, but barriers to moving out were exacerbated by Covid. For some of young adults interviewed, the prospect of living independently seemed even further away.



Companies don't want to recruit on full time contracts no more, even after this corona situation settles down... I'd have to have a permanent job I think before I'd ever consider moving.

(Young adult)

Other factors influencing living with parents include the housing situation of parents (in particular space) and personal factors such as the relationship within families, health, and cultural attitudes.

3. Living together brings benefits and challenges for young adults and parents – from saving towards independence to feeling stuck in difficult circumstances

Some young adults and parents are content with living together, where they get on well and have their own space. The value of each other's company and emotional support had been especially relevant for some during the pandemic. Saving money compared to living independently was a key benefit for young adults in the study – it can help their money to go further, for example allowing them to run a car which would be a struggle otherwise, and for some young adults saving while living with parents can be seen as part of a longer-term plan to build the funds to move out. Others feel stuck in a less than ideal situation due to lack of other options. Challenges around finances, lack of space and privacy where sharing rooms, and difficult relationships can also produce tension. For most young adults the aim is to live independently; looking ahead, their main focus as a precursor to moving out is to secure a steady job and decent income.

For parents on low to middle incomes, the financial implications of whether their son or daughter stays at home or moves out varies greatly. It depends in particular on the extent of the young adult's contribution to the household, and the interaction with the benefit system, especially the effect on the parent's housing-related benefits. Ideally, many parents would like to keep a spare room in case a young adult needs to return, but the possibility depends on demands on space in the house and finances.

4. Families' financial situations vary considerably and relationships work best where there is good communication and clear-cut arrangements about the young adult's financial contribution

Some families, especially larger families and single parents, struggle to meet their material and social needs. Arrangements between young adults and their parents vary widely. Some make regular contributions to family finances, and where a parent faces financial difficulties their son or daughter's contribution can sometimes be vital, for example through picking up more of the bills, or helping a parent avoid or cope with debt.



It is funny how a lot of people talk about the bank of mum and dad, right. But in a way I was a bank for my mum and dad.

(Young adult)

Financial arrangements often shift reflecting changes in the financial situations and needs of either young adults or their parents. More limited contributions from young adults can relate to them lacking work or income, as well as parents' capacity to support them, and expectations about doing so.

Family relationships worked better for those in the study where there was good communication about the sharing of financial and other responsibilities within the household, although conversations about money were not always easy to have:



It goes against everything as a parent to ask your children for money.

(Parent)

However, young adults said they would welcome more openness about household finances, and think it is 'fair' to contribute where they can; it could help prepare for the 'big step' when they have to fend for themselves.

5. The social security system is not good at helping out low income families where young adults live with their parents and creates significant cliff edges

Young adults are viewed by the state as independent financial units, but for families in receipt of social security benefits, there are further implications of living together on household finances.

- Parents can experience a substantial drop in benefits (loss of child benefit and reductions in Universal Credit or Tax Credits) when their child leaves education or training and becomes 'non-dependent', usually around 18. The reduction ranges between £298 and £680 a month and is largest for those in work. Participants in this study said they had found it hard to manage this sudden reduction in income.



It's been a big shock and it's a lot of money to suddenly lose. Although you know it's coming you're not always able to prepare for it. You can't always plug that gap.

(Young adult)

- Those who are renting are also subject to a non-dependent deduction from their housing related benefits for an adult child living at home which they either have to pass onto their son or daughter or face potential hardship if they don't. For Universal Credit the deduction is £75 a month (where a child is 21 or over) and for Housing Benefit the amount varies depending on a young adult's earnings. However, if young adults are also on benefits their entitlements do not cover housing costs.
- Some young adults living with parents hesitate to claim benefits if they lose or cannot find work, citing concerns about eligibility, about the process of claiming and whether this might affect parents' benefits, and hoping that they will find another job quickly. This can mean that they are unable to contribute to the household finances and/or dig into precious savings.

Conclusions and recommendations

The lack of affordable housing and unstable job prospects constrain many young adults to live with their parents. Addressing these big structural factors is important in the longer term. However, in the current context, given that living with parents is widespread and can last for several years, it is helpful to think of how families of modest means can best be helped to manage this phase of life. In doing so, it is important to recognise that these living arrangements can have benefits as well as challenges: they can act as a vital safety net for some young adults, and for others provide crucial help for parents who are struggling.

Consultations with stakeholder organisations, young adults and parents highlighted two kinds of issue. First, the withdrawal of social security support for children when they become non-dependent can create serious difficulties for families, particularly where young adults are expected to contribute to household finances but do not have the means to do so. Second, families need more information and advice about this phase of life, including about communicating with each other about financial and other living arrangements, in a way that helps young adults build life skills and prepare for independence.

Summary of the study's recommendations:

1. Extend entitlement to the Universal Credit Work Allowance to any family with at least one child under the age of 23 living in their home, to avoid the most severe 'cliff edge' caused by loss of this allowance when a family no longer has dependent children. This could benefit up to 22,000 families who face particularly high deductions with an estimated cost of not more than around £50 million per annum.
2. Six months before a parent's Universal Credit is reduced due a child becoming non-dependent, DWP alert them to the estimated size of reduction.
3. Reduce to zero the non-dependent deduction applicable to Housing Benefit or Universal Credit in cases where the non-dependent has no earned income.
4. Government to encourage young adults living with parents to claim benefits where entitled.
5. Set up a dedicated support/advice service bringing together information and advice for both young adults and their parents who live together.
6. Charities, educational organisations and financial service providers to signpost more prominently advice for young adults living with their parents.

7. Careers and guidance service to consider giving life-management advice about living with parents.
8. Advice for young adults and parents to include tips on money conversations within families.
9. Extend eligibility for the Help to Save Scheme to people under 35 earning up to £17,000 a year (equivalent to working full time on the National Living Wage), regardless of eligibility for Universal Credit.

The research

This research looked at the situation of young adults and parents in low to middle income households and the benefits, challenges and implications of living together as a family beyond the context of childhood. The mixed-method study comprised three linked phases.

- A review of survey data, existing research, and the policy landscape, producing an initial report in 2020.
- Original research conducting in-depth interviews with individuals in families where someone aged 20-34 lived with a parent in a low to middle income household. A total of 36 interviews with either the parent or the young adult took place in late 2020 to early 2021.
- Consultations with key stakeholder organisations and focus groups with young adults and parents discussed the findings of this research, and how public policy and practice could better support families in this situation.

The findings of the research and the consultations from the last two phases are presented in the final report.

- Hill, K., Webber, R. and Hirsch, D. (2021) *Staying Home and Getting On: Tackling the challenges facing low to middle income families where young adults live with their parents*, Edinburgh, [abrdn Financial Fairness Trust](#).
- Hill, K., Hirsch, D., Stone, J. and Webber, R. (2020) *Home Truths: Young adults living with their parents in low to middle income families*, Edinburgh, Standard Life Foundation.

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abrdn Financial Fairness Trust

The Trust works to tackle financial problems and improve living standards for people on low-to-middle incomes in the UK. It is an independent charitable foundation registered in Scotland which funds research, policy work and campaigning activities.

www.financialfairness.org.uk

The full report is available at:

www.financialfairness.org.uk/ourwork/publications