

**HOMEOWNERSHIP AND SOCIAL
INEQUALITY IN SPAIN**

Anna Cabré
Juan Antonio Módenes

218

**HOMEOWNERSHIP AND SOCIAL
INEQUALITY IN SPAIN**

Anna Cabré
Juan Antonio Módenes

218

Aquest text és el capítol 9 del llibre “Home Ownership and Social
Inequality in a Comparative Perspective”. Stanford: Stanford
University Press,

Centre d’Estudis Demogràfics

2004

Abstract

High homeownership rates in Spain are not the result of tradition; they are the product of the rapid social and economic changes that took place during the second half of the twentieth century. Like young people putting off leaving their parents' home, choosing to study for yet another degree, opting to set up a permanent household, or deciding to limit the size of their family, homeownership in Spain is just one of the strategies individuals and families adopt to achieve or maintain the social and economic status of average Europeans. The authors analysing the homeownership rates, financing homeownership and intergenerational homeownership by age, regional distribution, social position and employment.

Key words: Homeownership, Social Inequality, Spain

Resum:

Les altes taxes de propietat de l'habitatge no són el resultat de la tradició, sinó el producte dels ràpids canvis socials i econòmics que han tingut lloc a Espanya durant la segona meitat del segle XX. Com els joves s'emancipen i abandonen la casa dels pares, com s'allarguen els estudis per aconseguir un altre títol universitari, escollint una casa permanent, o decidint el límit de la grandària de la família. El règim de propietat a Espanya és justament una estratègia individual i de família que s'adopta per conservar o mantenir l'estatus social i econòmic mitjà europeu. Els autors analitzen les taxes de règim de propietat de l'habitatge, el seu finançament i la relació intergeneracional d'aquest fenomen per edat, distribució regional, posició social i treball.

Paraules clau: Propietat de l'habitatge, desigualtat social, Espanya.

Resumen:

Las elevadas tasas de propiedad de la vivienda no son el resultado de la tradición, sino el producto de los intensos cambios sociales y económicos que han tenido lugar en España durante la segunda mitad del siglo XX. Como los jóvenes se emancipan de la casa de sus padres, como alargan los estudios hasta lograr otro título universitario, escogiendo un hogar permanente o decidiendo el tamaño de su familia. El régimen de propiedad en España es justamente una estrategia individual y de familia que se adquiere para conservar o mantener el estatus social y económico medio europeo. Los autores analizan las tasas de régimen de propiedad de la vivienda, su financiación y la relación intergeneracional de este fenómeno por edad, distribución regional, posición social y trabajo.

Palabras clave: Propiedad de la vivienda, desigualdad social, España.

CONTENTS

Introduction.....	1
Homeownership Rates.....	4
Age and the Distribution of Homeownership.....	4
The Regional Distribution of Homeownership.....	6
Social Position and Homeownership.....	7
Wife's Employment and the Distribution of Homeownership.....	9
Financing Homeownership.....	9
Age and Homeownership Financing.....	9
Regional and Homeownership Financing.....	11
Social Position and Homeownership Financing.....	11
Wife's Employment and Homeownership Financing.....	13
Intergenerational Transmission of Housing Tenure.....	13
Age and the Intergenerational Transmission of Tenure.....	14
Regional Differences in the Intergenerational Transmission of Tenure.....	15
Social Class and the Intergenerational Transmission of Tenure.....	15
Wife's Employment and Housing Tenure.....	17
The Quality of Housing.....	18
Conclusions.....	19
References.....	22

TABLES

9.1.Housing tenure by husband's birth cohort, Spain, 1991.....	5
9.2.Homeownership by region and husband' birth cohort, Spain, 1991.....	6
9.3.Homeownership by husband' social class and birth cohort, Spain, 1991.....	8
9.4.Homeownership by wife's employment status and husband' birth cohort, Spain, 1991.....	8
9.5.Home financing by husband's birth cohort, Spain, 1991.....	10
9.6. Home financing by region and husband's birth cohort, Spain, 1991.....	10
9.7. Home financing by husband's social class and birth cohort, Spain, 1991.....	12
9.8. Home financing by wife's employment status and husband' birth cohort, Spain, 1991.....	12
9.9.Parents' housing tenure and the tenure of adult children, by husband' birth cohort, Spain, 1991.....	14
9.10. Parents' housing tenure and the tenure of adult children, by region, Spain, 1991.....	16
9.11. Parents' housing tenure and the tenure of adult children, by husband's social class, Spain, 1991.....	16
9.12. Parents' housing tenure and the tenure of adult children, by social class of the husband's fathers, Spain, 1991.....	17
9.13. Parents' housing tenure and the tenure of adult children, by wife's employment status, Spain, 1991.....	18
9.14.Average size of owner-occupied housing by husband's birth cohort and social class.....	18

HOMEOWNERSHIP AND SOCIAL INEQUALITY IN SPAIN

In demographic studies comparing European countries, often Spain is treated as a different reality, grouped together with other Southern European nations. And often the authors of those studies explain that treatment by claiming, with little or no evidence, that Spain shares social, economic, and cultural ties with Italy, Portugal, and Greece.

In much the same way, social scientists often cite a southern culture to explain the high rate of homeownership in Spain. Certainly it is true by all indicators that homeownership is much more common in Spain than in most other European countries: it is the primary form of occupancy in all regions and among all social classes. But high homeownership rates in Spain are not the result of tradition; they are the product of the rapid social and economic changes that took place during the second half of the twentieth century. Like young people putting off leaving their parents' home, choosing to study for yet another degree, opting to set up a permanent household, or deciding to limit the size of their family, homeownership in Spain is just one of the strategies individuals and families adopt to achieve or maintain the social and economic status of average Europeans¹.

In the past, homeownership was beyond the reach of the majority of Spanish families². With important differences from one region of the country to another, a large part of the rural population lived under different forms of tenancy—in houses that belonged to landlords and that were loaned or rented to them together with the land they worked. With urbanization from the second half of the nineteenth century onward, upper- and middle-class urban families invested in housing for themselves and their relatives. They built multistory houses in towns and cities, used what they needed for their family, and rented out any extra apartments out of the kinship network, usually to people they knew from work or socially. In popular neighborhoods, rental housing was built by private investors or

¹ For an introduction to the topic of residential strategies in Europe, see Bonvalet and Brun (1998), Bonvalet and Gotman (1993), and Cuturello (1992).

² For a well-documented introduction to the historical evolution of housing in Spain with respect to social trends and housing policies, see Cortés (1995). A remarkable work focused on urban housing planning in Spain is Leal and Cortés (1995)

by factory owners for their workers. Company-owned housing was also built in isolated industrial or mining colonies, where workers and their families lived in uniform houses, usually in lieu of additional wages, as a condition of their employment.

Low-income families—by the first decades of the twentieth century, the largest segment of the Spanish population—often lived in precarious conditions: eviction and homelessness were common problems for the poor, who had to rely on family or work as domestic servants to keep a roof over their heads.

Things changed dramatically after the Spanish Civil War (1936–1939). Responding to the disastrous state of the country and following the example of other European nations, the new regime took measures to protect tenants, passing laws to freeze rents (*Ley de Protección de Vivienda*, 1939) and to make eviction extremely difficult (*Ley de Arrendamientos Urbanos*, 1946). These laws had serious consequences for housing in Spain. With inflation outpacing rents, many landlords could not afford to maintain their buildings. Few buildings were being constructed, and existing buildings were falling into disrepair and being abandoned.

In 1954, a new measure was passed—*Ley de Vivienda de Renta Limitada*—to encourage private investment in rental housing; but it was not enough to meet the rapidly increasing demand for housing, a demand exacerbated by large migratory flows from rural areas to cities. Images of shantytowns, of people crowding into illegally sublet rooms, and of boarding houses are forever associated with this time in Spanish history. By the end of the decade, the government had taken more steps to preserve the current housing stock and to stimulate the housing market: it allowed the sale of houses and flats to their permanent tenants at very low prices. We would argue it was this policy that may well have been the first and most important step toward the generalization of homeownership in Spain.

A wave of sales led to passage of the *Ley de Propiedad Horizontal* in 1960. The objective was to regulate the sale of flats within a building; in effect, the law created a legal basis for massive investment in new buildings that would be sold by individual flats and apartments. Movement to the cities, high employment, the virtual absence of urban land use regulations and norms, and skyrocketing inflation did the rest. Rural migrants brought their savings and invested them in stone (or should we say concrete?). Young couples bought cheap and comparatively small apartments in new areas of the expanding cities. Middle-

aged families left the historical centers and improved their standard of living by acquiring new and better-quality flats. And steady employment at inflated wages helped all of them pay their mortgage. In a matter of years, homeownership had become the goal of most Spaniards.

In the meantime, a moribund rental market was in large part restricted to housing occupied by long-term tenants paying very low rents³. There were few opportunities to rent to new tenants. In 1956 and again in 1964, the Ley de Arrendamientos Urbanos was modified to allow small rent increases with new leases, but the impact of the amendments was limited. Real change would not come until 1985, when the Decreto Boyer removed price controls and tenancy conditions from new rental contracts⁴. Rents immediately went up, giving new impetus to the homeownership movement.

New tax policy also gave a boost to homeownership. Following a number of legal reforms during the 1980s, for the first time, everyone in Spain had to pay income tax. That mortgage principal and interest were tax-deductible now figured into the financial plans of a large number of families⁵. When the law governing rentals was changed again in 1994, this time to offer relief to tenants, it was too late. The preference for homeownership was too deeply rooted to make renting anything more than a temporary solution at times of personal or family instability.

Homeownership was not a tradition in Spain; renting was. It was a combination of social and economic factors that led to the homeownership culture, a culture that is still emerging.

³ In fact, very often these tenants were permanent, their tenancy having almost hereditary status; and their rents were still frozen.

⁴ *Decreto Boyer* is the popular name of the Real Decreto-Ley. Miguel Boyer, then the minister of economy, proposed the reform. Its main innovation: landlords would no longer be forced to extend tenancy contracts; all leases signed after the decree could freely set both rent and duration.

⁵ The Spanish system of tax relief for housing was finalized in 1978. Taxpayers with a mortgage are able to deduct the interest part of their payments (up to a maximum); they also can deduct their principal payments up to a maximum of 15 percent of their annual tax. There is wide evidence that this system is fiscally regressive. The more expensive a home, typically the higher the mortgage and the larger the deduction. During the 1980s, 59 percent of the taxpayers who claimed this tax relief came from the upper 40 percent of the income distribution. Only 9 percent of beneficiaries fell into the lowest 30 percent of the income distribution (Cortés 1995). And the system has not become much more equal over time.

HOMEOWNERSHIP RATES

Most families in Spain own their home. According to the 1991 census, 78 percent of primary residences in the country were owned by their occupants, and close to 82 percent of the population lived in those households⁶. More recent data cite an ownership rate of 86 percent of homes (European Mortgage Federation 2000, cited in Trilla 2001) and 83 percent of households (according to Encuesta Continua de Presupuestos Familiares, a survey conducted in 1999).

Married couples, the subject of our study, owned their homes in 82 percent of cases. The proportion of homeowners was also very high for other groups with the exception of separated and divorced persons. And, as discussed below, after marriage, ownership appears to be quite independent of the stage of the family life cycle.

The last Census on Population and Households (*Censo de Población y Viviendas*) for which all data are available was taken in 1991. Although more recent data on housing tenures in Spain was available from surveys, we used only census data in our analysis⁷. We wanted to be able to examine not just tenure but also the relationship between tenure and other demographic, social, and geographic variables.

In this section we examine the homeownership patterns of couples married from the 1950s through the 1980s. To clarify those patterns, we divided the population into four birth cohorts based on the date of birth of the male partner:

- Born between 1931 and 1935 (ages 55 to 59 in 1991)
- Born between 1941 and 1945 (ages 45 to 49 in 1991)
- Born between 1951 and 1955 (ages 35 to 39 in 1991)
- Born between 1961 and 1965 (ages 25 to 29 in 1991)

Age and the Distribution of Homeownership

Table 9.1 shows that the majority of married men in all cohorts owned their home. This held true even among members of the youngest cohort (61.0 percent), an indication not only that most married couples come to own their homes at some point, but that most of

⁶ Much of the data we relied on in our analysis of housing and social inequality in Spain were taken from the 1991 census and a sociodemographic survey that same year conducted by the Instituto Nacional de Estadística

them own homes from the beginning of their married life. This appears to be a distinctive feature of homeownership in Spain.

The table also shows that the rate of homeownership increases with the age of the birth cohort: we found the highest rate—83.2 percent in the 1931–1935 cohort. A cross-sectional interpretation of the data would suggest that ownership is already predominant when households are created, and that the rate continues to increase over the years as families transfer from other tenure types.

The rental rate was highest in the youngest cohort but still well below the rate of homeownership (27.1 percent versus 61.0 percent). That renting is a temporary solution is clear from the sharp drop in the rate of rentals between the youngest cohort and the cohort born between 1951 and 1955

TABLE 9.1
Housing tenure by husband's birth cohort, Spain, 1991

<i>Husband's birth cohort</i>	TENURE TYPE (%)		
	<i>Own</i>	<i>Rent</i>	<i>Other^a</i>
1931–1935	83.2	11.3	5.4
1941–1945	82.9	11.6	5.4
1951–1955	76.4	16.3	7.3
1961–1965	61.0	27.1	11.9
NATIONAL AVERAGE	77.3	15.6	7.1

SOURCE: Authors' calculations based on Censo de Población de 1991.

NOTE: Because of rounding, rows may not total 100.0 percent.

^aIncludes, for example, borrowed housing and company housing.

(from 27.1 percent to 16.3 percent). Also, the youngest couples were more likely to borrow a residence, usually from a family member, again as a temporary measure.

⁷ Two surveys, for example, are the Family Budget Survey (*Encuesta de Presupuestos Familiares*) and the

The Regional Distribution of Homeownership

Although Spain is a very diverse country by geography and culture, homeownership rates throughout the nation are high. To assess regional variations, we examined six representative regions (*Comunidades Autónomas*). Andalusia and Extremadura are southern regions; both still have a significant agrarian population, and both experienced large migrations outward between the 1950s and the 1970s. Catalonia, Madrid, Valencia, and the Basque Country are the most urban regions of the country. Their economies are more diversified, and all have been an important destination for migrants from the south. Each of these regions has its own cultural traits; and three of them—Catalonia, Valencia, and the Basque Country—even have their own official languages.

Table 9.2 shows that almost without exception, a majority of families in every region owned their home, and that the proportion of homeowners increased with age. Clearly homeownership is not a function of culture so much as of economical and political conditions that are common to all regions.

TABLE 9.2
Homeownership by region and husband's birth cohort, Spain, 1991

<i>Region</i>	PERCENTAGE OF HOMEOWNERS BY HUSBAND'S BIRTH COHORT			
	1931–1935	1941–1945	1951–1955	1961–1965
Andalusia	83.9	83.9	76.3	62.9
Basque Country	89.1	91.0	87.6	72.1
Catalonia	76.1	78.4	74.3	62.8
Extremadura	88.8	82.7	71.8	48.1
Madrid	82.7	85.3	79.2	61.8
Valencia	87.3	87.0	82.6	70.9
NATIONAL AVERAGE	83.2	82.9	76.4	61.0

SOURCE: Authors' calculations based on Censo de Población de 1991.

The distinctly urban or rural nature of the regions we studied apparently had little impact on housing tenure. We found two exceptions in the cities of Madrid and Barcelona (Catalonia), where the percentage of homeowners was slightly lower in the oldest cohort. It may well be that these households were still benefiting from the sizable housing stock in the city centers with frozen rents. In Extremadura, a paradigm of rural life, nearly nine of ten married couples from the oldest cohort owned their home.

We observed the greatest regional variation in the behavior of young couples, particularly the 1961–1965 birth cohort. In Extremadura, for example, just 48 percent of younger couples owned their home. In the Basque Country, closely followed by Valencia, more than 70 percent of young couples were homeowners.

The relatively low rate of ownership among young people in Extremadura may be linked to the tradition of tenancy in Southern Spain. But it may also reflect the ready availability and affordability of rental housing in the wake of the large-scale exodus from rural areas. Still, even in Extremadura, the vast majority of older couples owned their home. In fact, the percentage of homeownership among members of the oldest cohort there was one of the highest rates we found. The Basque Country and especially Valencia were very active urban residential markets during the 1980s (Cabr e and M odenes 1999). Comparative studies show that for different reasons, Valencia offers the best quality-toprice relationship in real estate of all regions in Spain, which probably explains why younger people bought homes there so early.

Social Position and Homeownership

In our analysis, we did not find a significant relationship between social position and housing tenure. In the two older cohorts, in particular, the rates were much the same across upper, middle, and lower classes (Table 9.3). The behavior of the middle class—the largest under this classification scheme— matched that of the upper class; the rates of ownership across birth cohorts was much the same for both classes.

In the younger birth cohorts, homeownership was less extensive in the lowest social category. There were fewer homeowners among newly married couples, and the transition from renting to buying happened at later stages of the family life cycle. This explains the relatively larger differences between this social group and the others in the 1951–1955 birth

cohort. But by the end of the family life cycle, even couples with fewer economic resources were likely to own a home in almost the same proportion as were couples in the other categories.

We did not find a clear correlation between social position and homeownership; but it seems that social position may influence the timing of access to ownership: ownership at the time of marriage was significantly more likely among middle- and upper-class couples than it was among lower-class couples. The transition to ownership was also faster for both middle- and upper-class couples.

TABLE 9.3
Homeownership by husband's social class and birth cohort,
Spain, 1991

<i>Husband's social class</i>	PERCENTAGE OF HOMEOWNERS BY HUSBAND'S BIRTH COHORT			
	<i>1931-1935</i>	<i>1941-1945</i>	<i>1951-1955</i>	<i>1961-1965</i>
Upper	85.5	85.5	78.9	63.1
Middle	84.3	84.0	78.1	63.3
Lower	82.2	79.3	69.4	56.0
NATIONAL AVERAGE	83.2	82.9	76.4	61.0

SOURCE: Authors' calculations based on Censo de Población de 1991.

TABLE 9.4
Homeownership by wife's employment status and
husband's birth cohort, Spain, 1991

<i>Wife's employment status</i>	PERCENTAGE OF HOMEOWNERS BY HUSBAND'S BIRTH COHORT			
	<i>1931-1935</i>	<i>1941-1945</i>	<i>1951-1955</i>	<i>1961-1965</i>
Not employed	83.4	82.9	75.6	59.2
Employed	82.6	83.1	77.8	64.0
NATIONAL AVERAGE	83.2	82.9	76.4	61.0

SOURCE: Authors' calculations based on Censo de Población de 1991.

Wife's Employment and the Distribution of Homeownership

Table 9.4 shows that having two incomes did help couples in the youngest cohort to become homeowners. But, at least until recently, having two incomes was not essential to homeownership⁸. The 1960s saw the greatest growth in homeownership in Spain; that decade was also a period in which relatively few women worked outside the home. Couples in the three older cohorts achieved high rates of homeownership without relying on the wife's labor. And in the oldest cohort, those born between 1931 and 1935, the ownership rate was actually higher if the wife did not work.

FINANCING HOMEOWNERSHIP

Except in cases of extreme poverty or social exclusion, socioeconomic differences do not seem to affect homeownership rates in Spain. What they do affect is the timing of access to homeownership⁹. In this section, we explore that phenomenon among three groups of homeowners: those who have finished paying for their home, those who are still paying a mortgage or other loan, and those who inherited or were given their home. Here, too, our focus is on four variables: age, region, social class, and wife's employment.

Age and Homeownership Financing

Table 9.5 summarizes the relationship between financing situation and age. Not unexpectedly, the older the cohort, the greater the proportion of homes completely paid for. That the percentage of homes completely paid for increases with age—more than 75 percent of households in the 1931–1935 birth cohort—could well indicate a reluctance or inability to move. People who have paid off their home generally have lived there for many years.

What is striking about the data in Table 9.5 is that 41.1 percent of couples in the 1961–1965 birth cohort had completely paid off their home loans—this at a time (1991) when mortgage interest rates were historically high. In Spain, young people often begin saving for a home before they actually marry. But given their age and the cost of money at

⁸ Even in the youngest cohort, the majority of wives did not work outside the home. Just 40 percent of young homeowning households were dual-income households; the equivalent rate among renters and others was 35 percent.

⁹ They also have an impact on the quality of housing—for example, on the average size of dwellings.

the time, clearly these young couples relied on more than a mortgage to buy their home. Some may have received financial help from their families; others may have been helped by the availability in the market of existing homes of lesser quality at lower prices.

Homeownership by means of inheritance or gift was relatively stable across birth cohorts, averaging just over 10 percent.

TABLE 9.5
Home financing by husband's birth cohort, Spain, 1991

<i>Husband's birth cohort</i>	PERCENTAGE OF HOMES		
	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>
1931–1935	75.1	11.5	13.4
1941–1945	71.2	19.4	9.4
1951–1955	54.5	37.9	7.6
1961–1965	41.1	48.1	10.8
NATIONAL AVERAGE	63.7	25.9	10.3

SOURCE: Authors' calculations based on Censo de Población de 1991.

TABLE 9.6
Home financing by region and husband's birth cohort, Spain, 1991

<i>Region</i>	HUSBAND'S BIRTH COHORT					
	1951–1955 Percentage of Homes			1961–1965 Percentage of Homes		
	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>
Andalusia	50.9	43.2	5.9	42.9	46.3	10.8
Basque Country	57.6	38.2	4.2	37.8	55.4	6.8
Catalonia	58.7	36.4	4.9	40.6	52.4	7.0
Extremadura	48.4	38.0	13.6	49.2	33.1	17.7
Madrid	56.6	40.5	2.9	36.9	57.5	5.6
Valencia	54.0	37.0	9.0	42.6	46.3	11.1
NATIONAL AVERAGE	54.5	37.9	7.6	41.1	48.1	10.8

SOURCE: Authors' calculations based on Censo de Población de 1991.

That the rate was somewhat higher in the youngest cohort suggests wedding gifts in well-to-do families; that it was highest in the oldest cohort suggests legacies¹⁰. For young couples, an inheritance can be the means by which they become homeowners. For older couples, many of whom already own a home, inherited housing allows them to purchase a new home or to help their adult children become homeowners. These effects are strongly suggested by the fact that older couples occupy a smaller proportion of inherited or donated homes.

Region and Homeownership Financing

From this point, our analysis of financing considers only the two younger birth cohorts because there was very little diversity in the older cohorts. Table 9.6 shows similarities across all of the regions we studied. In the younger cohort, we did find higher rates of payments pending in the mainly urban regions (Madrid, the Basque Country, and Catalonia). High prices and a scarcity of housing stock in these areas translate into larger mortgages that take more time to pay off. Also, continuing to pay a mortgage can be a fiscal strategy: that is, even families that can well afford to pay off a home loan may choose to take advantage of the tax benefits associated with mortgage payments. Finally, the proportion of inherited housing is lower in these areas, probably because many urban families have only recently migrated to the city.

Social Position and Homeownership Financing

Although social position did not seem to have a strong impact on home financing, we did find the results for lower-class homeowners in the younger cohort particularly interesting (Table 9.7). A larger-than-average proportion of young couples had paid off their mortgages (44.4 percent versus 41.1 percent) and a significantly smaller-than-average proportion of them were still making payments (42.1 percent versus 48.1 percent). Our explanation: these households often find it difficult to meet the requirements of financial institutions and so are more likely to rely on savings and family support to buy a home. Notice, too, that inheritances and gifts are particularly important for this segment of the population.

¹⁰The rate of inherited homes is particularly high in rural areas.

TABLE 9.7
Home financing by husband's social class and birth cohort, Spain, 1991

<i>Husband's social class</i>	HUSBAND'S BIRTH COHORT					
	1951-1955 Percentage of Homes			1961-1965 Percentage of Homes		
	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>
Upper	55.5	37.5	7.0	38.5	49.7	11.8
Middle	53.3	39.7	7.0	39.1	51.1	9.7
Lower	57.3	32.9	9.8	44.4	42.1	13.5
NATIONAL AVERAGE	54.5	37.9	7.6	41.1	48.1	10.8

SOURCE: Authors' calculations based on Censo de Población y Vivienda de 1991.

TABLE 9.8
Home financing by wife's employment status and husband's birth cohort, Spain, 1991

<i>Wife's employment status</i>	HUSBAND'S BIRTH COHORT					
	1951-1955 Percentage of Homes			1961-1965 Percentage of Homes		
	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>	<i>Completely paid for</i>	<i>With payments pending</i>	<i>Inherited or received as a gift</i>
Not employed	56.3	35.3	8.4	44.2	43.5	12.2
Employed	51.3	42.7	6.1	36.0	55.3	8.6
NATIONAL AVERAGE	54.5	37.9	7.6	41.1	48.1	10.8

SOURCE: Authors' calculations based on Censo de Población de 1991.

The relative importance of pending payments may speak more to the quality of housing than to a household's ability to pay off its mortgage. That a higher rate of upper- and middle-class homeowners were still paying home loans in 1991 indicates that their homes were more expensive and of better quality than the homes of the lowest social group. Also at work here was the strategy higher-income households adopt to keep making

mortgage payments because they can save money—via tax deductions—doing so. In the younger birth cohort, upper-class couples showed a slightly higher rate of inheritances and gifts than did middle-class couples. This may relate to differences in family wealth; but it also can be explained by the relative immobility of the upper class, whose members have lived in urban areas for many generations.

In the cohort born between 1951 and 1955, we found similar but smaller differences. In the two older birth cohorts, those differences had all but disappeared.

Wife's Employment and Homeownership Financing

The wife's employment appears to be an important factor in how young couples finance their home. As Table 9.8 shows, when the wife is working outside the home, the couple is more likely to be paying a mortgage. When she is not, the couple is more likely to have paid off their mortgage or to have received their home as an inheritance or gift. Again, these findings, in defiance of intuitive thinking, suggest that having mortgage payments is a positive situation.

Two incomes often makes the difference in meeting the requirements financial institutions establish for granting mortgages, and paves the path to tax savings, better-quality housing, and the accumulation of wealth. This strategy is even more obvious in the older cohorts, where we found a much higher proportion of households continuing to make mortgage payments when the wife was employed outside the home. This probably means that the wife's income provides couples with better-quality housing at later stages of the family life cycle.

INTERGENERATIONAL TRANSMISSION OF HOUSING TENURE

Understanding intergenerational relationships is key to understanding the path to homeownership in Spain in recent times. To identify those relationships, we analyzed the changes undergone by men who had lived dependently (usually with their parents) in 1981 but were married and living in their own home in 1991¹¹. As many as 71.5 percent of all couples who married during the 1980s in Spain were homeowners in 1991. That is one of

¹¹ Biographical data from the 1981 and 1991 sociodemographic surveys allowed us to compare the tenure in the family home (where the respondent lived in 1981) with that of the respondent in his own home in 1991.

the main characteristics of the Spanish housing system: couples tend to buy a home in the first stages of their union, very often at marriage or shortly after, before they have a child.

We found that parents' tenure is highly correlated with the tenure of their adult children. Of respondents whose parents were homeowners in 1981, 77 percent owned a home in 1991. But of respondents whose parents were tenants in 1981, only 50 percent were homeowners in 1991. Of course, this does not mean that tenants in 1991 were mainly the children of tenants. The rate of homeownership in Spain in recent decades has been so high—more than 81 percent of men married during the 1980s came from a family in which the parents owned a home—that even most of the married children who rented a home in 1991 (62.6 percent) had been living in a parent-owned home ten years earlier.

Age and the Intergenerational Transmission of Tenure

Table 9.9 shows the effect of age on the intergenerational transmission of tenure type. The older the man at marriage, the more likely he was to be a homeowner in 1991. In other words, we found a higher percentage of renters among the younger couples in our sample. This makes sense: younger couples have had less time to save money to buy a house and usually have more difficulty qualifying for a mortgage—a function of instability in the labor market for younger workers.

TABLE 9.9
Parents' housing tenure and the tenure of adult children,
by husband's birth cohort, Spain, 1991

<i>Husband's birth cohort</i>	PERCENTAGE OF ADULT CHILDREN WHO OWNED A HOME IN 1991		<i>Percentage of homeowners in 1991</i>
	Parents' tenure in 1981		
	<i>Homeowners</i>	<i>Tenants</i>	
1931–1935	84.5	55.3	78.8
1941–1945	79.5	56.0	74.9
1951–1955	73.4	44.6	67.8
1961–1965	64.0	36.1	57.4
NATIONAL AVERAGE	77.1	49.6	71.5

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

In all birth cohorts, parents' tenure conditioned their adult children's tenure. Even though ownership was less frequent among the youngest couples, the homeownership rate of the couples whose parents owned a home was 77 percent compared to 50 percent among couples whose parents were tenants.

Although the impact of parents' tenure on their adult children's tenure is clear, the reason is not. Is the value of owning a home one of the values that parents transmit to their children? Or are parents who own a home more likely to help their children buy a home because the parents believe that homeownership is important? Or is it simply that parents who own a home are more likely to have the resources to help their children buy a home? These are questions we could not answer with the available data.

Regional Differences in the Intergenerational Transmission of Tenure

In all of the regions we studied, we found a relationship between parents' housing tenure and that of their adult children, although the strength of the association varies (Table 9.10). In Extremadura, where rental housing is more readily available, the proportion of homeowners was relatively low even among the children of homeowners (57 percent).

In contrast, in Valencia and the Basque Country—regions with a high ownership rate—more than 85 percent of the adult children of homeowners were homeowners themselves in 1991, suggesting that the intergenerational transmission of homeownership is very strong. At the same time, the high proportion of homeowners among the children of renters indicates that the transmission of rental tenure is relatively weak in these regions. The findings for Catalonia and Andalusia were somewhere in the middle between Extremadura, a rural region, and the rest of the urban regions.

Social Class and the Intergenerational Transmission of Tenure

Is the intergenerational transmission of tenure influenced by the income level of young couples (measured by husband's social class)? When we examined the transmission of homeownership, social class did not appear to be important. There was only a 4-percentage-point difference between upper- and lower-class couples who came from home-owning families (Table 9.11), by far the largest group. However, the data told a different story about those who came from tenant families. In these cases, the husband's social class

was significantly related to the transition to homeownership: more than 54 percent of the upper-class couples became homeowners versus 42 percent of the lower-class couples.

TABLE 9.10
Parents' housing tenure and the tenure of adult children,
by region, Spain, 1991

<i>Region</i>	PERCENTAGE OF ADULT CHILDREN WHO OWNED A HOME IN 1991		<i>Percentage of homeowners in 1991</i>
	Parents' tenure in 1981		
	<i>Homeowners</i>	<i>Tenants</i>	
Andalusia	75.4	50.3	70.2
Basque Country	90.8	68.2	87.6
Catalonia	74.7	51.1	68.7
Extremadura	56.9	34.0	53.9
Madrid	81.5	48.4	75.3
Valencia	85.1	54.5	79.6
NATIONAL AVERAGE	77.1	49.6	71.5

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

TABLE 9.11
Parents' housing tenure and the tenure of adult children,
by husband's social class, Spain, 1991

<i>Husband's social class</i>	PERCENTAGE OF ADULT CHILDREN WHO OWNED A HOME IN 1991		<i>Percentage of homeowners in 1991</i>
	Parents' tenure in 1981		
	<i>Homeowners</i>	<i>Tenants</i>	
Upper	79.4	54.2	74.9
Middle	77.6	52.5	72.4
Lower	75.2	42.0	68.8
NATIONAL AVERAGE	77.1	49.6	71.5

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

TABLE 9.12
Parents' housing tenure and the tenure of adult children,
by the social class of the husband's father, Spain, 1991

<i>Social class of husband's father</i>	<i>Percentage of homeowners in 1981 who were homeowners in 1991</i>	<i>Percentage of tenants in 1981 who were homeowners in 1991</i>	<i>Percentage of homeowners in 1991</i>
Upper	74.1	42.9	68.6
Middle	77.2	50.2	71.2
Lower	77.6	51.8	73.0
NATIONAL AVERAGE	77.1	49.6	71.5

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

Obviously, to understand the impact of social class on the intergenerational transmission of housing tenure, we need more in-depth analysis. One possibility is to take into account the parents' social class. Table 9.12 shows an interesting fact: the children of upper-class parents are more likely to rent if their parents rented. Again, this seems counterintuitive. It may be that the children of well-to-do families more often live in dwellings that belong to their families, housing that they may or may not pay rent for and that they may or may not eventually own. It could be that these young people more often choose professions that require them to travel, so they choose to rent, at least for a while. Or it may be that they have better access to high-quality rental opportunities in urban centers, especially if their parents and grandparents were tenants there as well. Finally, it is possible that members of rich families have more information and a wider range of possibilities for investment and tax savings, and so focus less on homeownership as a financial strategy.

Wife's Employment and Housing Tenure

Again, having two incomes increases a couple's access to homeownership. This effect was stronger when the husband's parents were tenants (Table 9.13). Also, the wife's employment in the labor market was a factor when low-income couples made the transition

from renting to owning. Only 46.7 percent of single-earner families with tenant parents owned a home; in two-income families, 53.9 percent of them became homeowners.

THE QUALITY OF HOUSING

In Spain, social class seems to make little difference in the rate of homeownership, the financing situation of homeowners, or the transmission of tenure type from parents to their adult children. But social class makes a significant difference in the quality of both owner-occupied and rental housing. Among the factors that indicate housing quality are age, state of repair, fixtures, and size (floor area in square meters). For example, the data in Table 9.14 show the effect of birth cohort and social class on the relative size of housing.

TABLE 9.13
Parents' housing tenure and the tenure of adult children,
by wife's employment status, Spain, 1991

<i>Wife's employment status</i>	PERCENTAGE OF ADULT CHILDREN WHO OWNED A HOME IN 1991		<i>Percentage of homeowners in 1991</i>
	Parents' tenure in 1981		
	<i>Homeowners</i>	<i>Tenants</i>	
Not employed	76.2	46.7	70.3
Employed	78.6	53.9	73.6
NATIONAL AVERAGE	77.1	49.6	71.5

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

TABLE 9.14
Average size of owner-occupied housing by husband's birth cohort
and social class, Spain, 1991

<i>Husband's birth cohort</i>	AVERAGE SIZE (M ²)			<i>Average (m²)</i>
	Husband's social class			
	<i>Upper</i>	<i>Middle</i>	<i>Lower</i>	
1931–1935	111.4	98.6	89.8	98.1
1941–1945	111.5	99.4	92.6	100.0
1951–1955	106.0	97.3	90.9	97.4
1961–1965	95.9	90.2	86.4	89.9
NATIONAL AVERAGE	107.3	96.7	90.0	96.7

SOURCE: Authors' calculations based on Encuesta Sociodemográfica de 1991.

Notice that the crucial factor here is social class. In 1991, the average size of housing for upper-class households was 107.3 square meters; for middle-class households, 96.7 square meters; for lower-class households, 90.0 square meters. The differences explained by husband's birth cohort (the last column in the table) were much smaller. Even if we were to interpret the differences among cohorts as a function of respondents' age, social class clearly plays an important role over time in improving the quality of housing. Under that condition, over a thirty-year period, upper-class families would gain 15.5 square meters (the difference between the dwelling size of the 1931–1935 cohort and the 1961–1965 cohort); while middle-class families would gain 8.4 square meters, and lower-class families would gain just 3.4 square meters.

CONCLUSIONS

In the second half of the twentieth century, homeownership became the housing tenure of choice in Spain (Gaviria 1996). Today, four out of five families own their home. Of those who do not, one-third live rent-free in housing borrowed from family or friends. Family networks also play a role in what is left of the rental sector: that is, we expect a reasonable portion of tenants rent from family or friends.

In this context, social class seems to have little bearing on homeownership rates. The main differences we found concerned the timing of the transition to ownership; the proportion of owners who were still paying home loans; and the quality of housing and its improvement over time. The unexpected relationship between pending payments and social position suggests that homeowners from different social groups adopt very different strategies for investing in real estate. In Spain, the family network is crucial to the transition to ownership. One of ten owner-occupied homes is a legacy or a gift from family. And the financial help of parents is probably a very important source of funds for first-time homeowners. Family also supports homeownership in a less direct way, through the intergenerational transmission of housing tenure. In fact, family tradition in this instance seems more important than social class: the adult children of tenants, for example, are much more likely to be tenants themselves, whatever their social position. Even so, a majority of tenants' children move from their parents' rented home to a home they have purchased. In

switching from tenancy to ownership, social class is a factor but a less important factor than the wife's employment outside the home.

We would expect a second income to increase the likelihood of homeownership, and it does for the adult children of tenants and for younger couples. But some of the data on two-income households surprised us. For example, the wife's employment actually had a small negative effect on the incidence of homeownership in the older birth cohorts. And in results that are not reported here, we found that a second income had only a very small positive effect on housing quality (measured by floor area), which supports the argument that housing quality is primarily related to social class.

In Spain, homeownership is almost universal. That is especially interesting because ownership is not a tradition in the country. Instead it is a relatively new investment strategy and a response to a world in which nothing—not employment, not marriage, not old-age pensions—is certain.

Homeownership in Spain is also a response to the negative consequences of the government's regulation of housing. Over time, laws that were passed to protect tenants depleted the stock of rental housing. The result has been the extension of property to people in all social classes. The social distinction today is not between owners and renters; instead, it centers on the quality and the quantity (second homes, investment property) of housing.

It is common among policymakers in Spain to point to homeownership as one of the main causes of workers' unwillingness to move and, so, of a stubbornly high unemployment rate¹². They ignore the fact that some of the most mobile populations in the world exist in societies where the rate of homeownership is increasing steadily, as is the case in much of Northern Europe (Trilla 2001). Their response, instead, is to encourage the construction of rental units and to promote tenancy as an alternative for young couples. Certainly the government has an interest in the housing of its citizens. And should owner-occupancy be used to restrict the growth or opportunities of certain segments of the population, government at all levels must intervene. But here the government is fighting a trend that has evolved over time and that is most remarkable in its inclusion of people from all socioeconomic groups. For most Spaniards, homeownership is a choice, a strategy

¹² One of the classic solutions to high unemployment is to encourage workers to move from areas where the labor market is depressed to areas where it is buoyant.

implemented with family and quality of life in mind. Given the overwhelming prevalence of homeownership in the country, it will be interesting to see if the government's new policies are adopted and how they are received.

References

- Bonvalet, Catherine, and Jacques Brun, eds. 1998. *Logement et habitat: L'état des savoirs*. Paris: La Découverte.
- Bonvalet, Catherine, and Anne Gotman, eds. 1993. *Le logement, une affaire de famille. L'approche intergénérationnelle des status résidentielles*. Villes et Enterprises. Paris: L'Harmattan.
- Cabré, Anna, and Juan A. Módenes. 1999. *Aspectos demográficos de las necesidades de vivienda en la Comunidad Valenciana*. Papers de Demogra.a. Bellaterra: Centre d'Estudis Demogràfics.
- Cortés, Luis. 1995. *La cuestión residencial. Bases para una sociología del habitar*. Ciencias-Serie Sociología 205. Madrid: Fundamentos.
- Cuturello, Paul, ed. 1992. *Regards sur le logement: Une étrange marchandise*. Villes et Enterprises. Paris: L'Harmattan.
- European Mortgage Federation. 2000. *Mortgage and property markets in the European Union and Norway. Comparison and trends*. HYPOSTAT 1989–1999. Brussels.
- Gaviria, Mario. 1996. *La Séptima Potencia: España en el mundo*. Barcelona: Ediciones B.
- Leal, Jesús, and Luis Cortés. 1995. *La dimensión de la ciudad*. Monografías 145. Madrid: Siglo XXI, CIS.
- Trilla, Carme. 2001. *La política de vivienda en una perspectiva europea comparada*. Barcelona: Fundación La Caixa.