

# Welfare Reforms and the Crowding-In of Parental Coresidence in Great Britain

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## Abstract

When public welfare support is *de facto* rolled back, does parental support “crowd in”? The Universal Credit (UC) reform in Great Britain, rolled out in phases between 2013 and 2018, combined six legacy welfare programs into a single system aimed at reducing administrative complexity. This reform included rules that changed benefit income and strengthened job search requirements—changes that disproportionately affected single young adults. Amidst economic uncertainty, parental coresidence may serve as a buffer. Testing this crowding-in hypothesis, we use longitudinal data from Understanding Society and the reform’s full-service roll-out schedule across local authority districts. Employing a staggered difference-in-differences design, we preliminarily find that the UC reform increased the likelihood of parental coresidence among program-eligible young adults. Heterogeneity analyses indicate that this effect is strongest among those with the highest predicted risk of unemployment. These findings highlight the role of intergenerational support in buffering young adults against uncertainties in the labor market alongside retrenchment in welfare provision.

**Keywords:** universal credit reform, parental coresidence, staggered difference-in-differences, longitudinal data, Great Britain

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# Introduction

The interplay between private (e.g., familial) and public (e.g., welfare) support has long been a central concern in social policy research. In an era marked by political polarization and the rise of populism, welfare reforms have become increasingly drastic and contested. A growing body of literature underscores that the implications of these welfare changes extend well beyond individuals - they consequently reshape intergenerational dynamics and broader patterns of social solidarity (Irving 2021; Griffiths 2017; Cain 2016; Brewer et al. 2019). During and after the 2008-09 Global Financial Crisis, for instance, austerity measures aimed at fiscal recovery were effectively a *de facto* “turbo-charged attack on social provision and its underlying principles” (Farnsworth and Irving 2021).

These reforms have been occurring at a time when parental support has been increasingly important for young adults’ subsequent life course outcomes, including residential independence, asset ownership, and upward social mobility (Coulter 2024; Friedman and Laurison 2023). Thus, parental support is central to understanding private response mechanisms to shrinking public provision. As safety nets effectively recede, families are increasingly compelled to “step in” and fill the gap. The abilities of families to do so are unequal, implying that some young adults may be better supported and positioned to navigate transitions to adulthood than others (Berrington et al. 2017). In such cases, welfare reforms reinforce, if not widen, intragenerational inequalities across young adults from various backgrounds. In terms of residential arrangements, public and private forms of support are arguably substitutable to some degree. For example, the provision of housing benefits that subsidize housing costs may crowd out parental coresidence as the financial barriers to residential independence are reduced. In contrast, a reduction or withdrawal of these subsidies can induce parental coresidence, or deter residential independence among those already coresident.

Existing work on intergenerational coresidence suggests that this “pull mechanism” to the parental home is motivated by three non-mutually exclusive motives - protective, propellant, and reciprocity (Steele et al. 2024; Roberts et al. 2016; Burgess and Muir 2020). First, the *protective* motive posits that the parental home serves as a refuge and buffer for young adults experiencing precarious turning points, such as unemployment or union dissolution (Stone et al. 2014). Second, the *propellant* motive highlights how coresidence allows young adults to save up and take their time in finding a “good job”, effectively propelling themselves to a more successful subsequent transition to economic and residential independence (Roberts et al. 2016). Finally, *reciprocity* speaks to coresidence reflecting parents’ preferences to “keep their children close” and receive support in turn later in life,

otherwise known as the “exchange motive” (Silverstein et al. 2002).

## Universal Credit Reform

Taking these explanations together, this paper tests whether a significant welfare reform in the UK affected the probability of parental coresidence among program-eligible young adults. Considered one of the most significant welfare reforms in the UK, the Universal Credit (UC) reform combined six “legacy” programs into a single channel. This reform was intended to ease access and administrative burden, incentivize claimants to move into employment, and promote flexibility in the labor market (Hardie 2022). Alongside the *integration* component of the policy, Brewer et al. (2019) find that certain *design choices* led to a substantial reduction in benefit income, especially for households in lower income deciles.

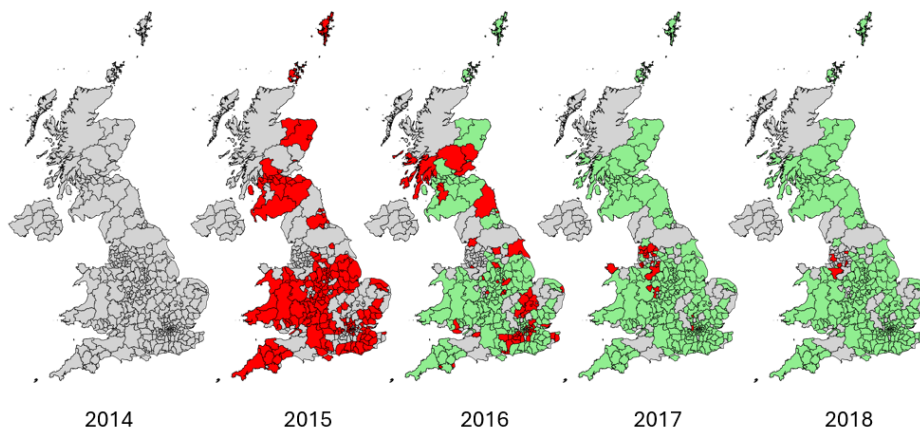
In the pre-reform legacy systems, unemployed young adults are eligible for different independent means-tested support mechanisms (e.g., jobseekers’ allowance, housing benefits). The UC reform effectively streamlined these mechanisms into one system, while still remaining means-tested on the young adults’ circumstances, not on parental wealth. For young adults living with parents, however, their UC payments would generally be low to none as they would not be entitled to a housing benefit component. Thus, while UC’s simplification removed some implicit parental means-testing (previously embedded in Housing Benefit rules), it also tightened practical access to independent living for unemployed youth, particularly those without housing costs.

These changes in benefit incomes and conditionalities and sanctions (i.e., for non-compliance with job search requirements) led to demonstrable adverse consequences on local crime rates (D’este and Harvey 2020) and mental health scores, particularly for single young adults (Brewer et al. 2024; Wickham et al. 2020; Song et al. 2024). These effects are relatively substantial - entering unemployment under the UC system increases the incidence of mental health problems of lone parents and single adults by 5.2pp and 2.7pp, respectively, relative to entering unemployment pre-reform. Apart from benefit income and mental health, the reform was shown to increase housing insecurity measured through the demand for rent arrears advice (Hardie 2022) and the exclusion of UC claimants from the rental market (Preece et al. 2020).

This paper contributes to the literature in three ways. First, we build on the growing body of evidence regarding the effects of the UC reform by focusing on its implications on intergenerational exchange. While prior work has looked at the effect of the reform on incomes, mental health, crime, family stress, and partnership formation (Griffiths 2017), this is the first to analyze parental coresidence as an outcome, to the best of our knowledge.

Second, using longitudinal data from Understanding Society, we employ recently developed estimators (Sun and Abraham 2021) from the difference-in-differences (DiD) literature that properly account for the phased roll-out of the reform across local authority districts (LAD) in Great Britain from 2013 to 2018 (Baker et al. 2025) (see Figure 1. Finally, we investigate heterogeneous treatment effects across young adults with various unemployment propensity tertiles using a two-stage empirical design.

Figure 1: UC Reform Roll-Out Schedule 2014-2018



## Data and Methods

We combine rich longitudinal data from Understanding Society (2012–2020) with the Department for Work and Pensions’ monthly Universal Credit (UC) roll-out schedule by local authority district (LAD). Using this linkage, we exploit spatial and temporal variation in UC implementation to examine how the reform moderates the association between unemployment and intergenerational coresidence. The dependent variable,  $Y$ , is a binary indicator equal to 1 if young adult lives with their parent(s). Our main parameter of interest (e.g., treatment) is the interaction of unemployment and living in a UC-eligible LAD.

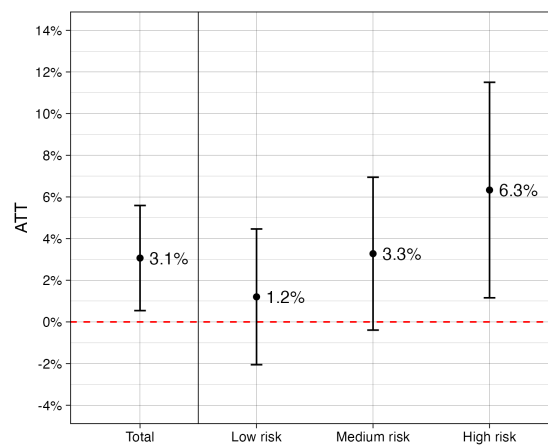
$$Y_{it} = \beta_0 + \beta_1 U_{it} + \beta_2 UC_{it} + \beta_3 U_{it} * UC_{it} + \gamma X_{it} + \delta t + \mu r + \epsilon_{it},$$

Where  $X$  is a vector of individual controls (sex, marital status, education, and other demographic characteristics), and period and region fixed effects are also included. Standard errors are clustered at the LAD level. Following Brewer et al. (2024), the parameter of interest,  $\beta_3$ , captures the differential effect of unemployment under UC relative to the legacy system. Given the staggered timing of UC implementation, we employ a staggered

difference-in-differences framework (Baker et al. 2025) using the estimator proposed by Sun and Abraham (2021), which accounts for heterogeneous treatment effects over time and uses not-yet-treated units as controls. This approach yields a cohort-weighted average treatment effect on the treated (CATT), isolating the causal effect of UC exposure on the probability of parental coresidence.

## Preliminary Results

Figure 2: CATT Estimates of the UC Reform on Parental Coresidence



*Note:* Estimates based on the Sun and Abraham (2021) estimator, with SEs clustered at the LAD level and weights applied. Confidence intervals bound the point estimates. Additional controls include marital status and the unemployment propensity score derived from socio-demographic characteristics (e.g., sex, qualifications, migration background) and LAD and year fixed effects.

There is a positive effect of the UC reform on the probability of parental coresidence among program-eligible (e.g., unemployed) young adults. The reform increased the probability of parental coresidence by 3.1 percentage points more post-reform relative to under the legacy system among eligible unemployed young adults. These effects are most pronounced among young adults whose unemployment propensities, based on their socio-demographic characteristics, are highest. This lends support to our earlier hypothesis that the UC reform had potential crowding-in effects in the form of coresidence.

**Next Steps.** These findings highlight the crucial role of intergenerational support in buffering young adults against labor market uncertainty and a retrenchment in welfare provision. The next steps of this project will be to demonstrate robustness from alternative empirical specifications and conduct exploratory analyses to unpack the observed heterogeneities across unemployment propensities.

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