

Assessing the Effect of Mortgage Loan and Housing Condition on Number of Children with Use of Propensity Score Matching.

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EXTENDED ABSTRACT

Theoretical Background

Dynamics of financialization and its nature differentiate societies. This simple phrase can be treated as leading thought to be developed in the presented study. The rise of mortgage in general and in Central and Eastern Europe particularly involves growing households' indebtedness (Jorda Schularick et al 2016).

Rise of households' debt in semi-peripheries, especially in the Central and Eastern Europe has been researched and conceptualized gradually as a specific form of financialization (Becker 2010, Buedenbender 2016, Bonizzi 2015). Instead of investing in financial intermediation for businesses or creating new investment vehicles that would leverage on local and global capital, banks in the region focused on the yield from interest rate and exchange rates of products offered to the households. One of the main causes of the debt's rise is mortgage credits' expansion in the wake of the Credit Crunch and afterwards. The credits did not create "fictitious capital" to be circulated on the global scale. However, one of their form, foreign exchange mortgages have been on the one hand - a social leverage – as this study would claim, on the other – systemic risk to both, households qua consumers, banks and regulatory institutions on the other.

There is a complex knowledge of the rise of mortgages in the core countries, their significance in the dynamics of global financial crisis (Fligstein Goldstein 2015, Aalbers 2008, Aalbers Christophers 2015). Yet our knowledge and discussion on the social differentiation associated with financialization that goes beyond identification of the growing inequalities is still in the making (Lapavitsas 2009). This study contributes to the research on social effects of financialization by looking at the wealth distribution mechanisms associated with the (global) rise mortgage.

Mortgages select or rather classify and take part in the process of wealth allocation. This study focuses on the social effects of mortgage credit expansion in Poland during the last twenty years in order to contextualize the discussion on semi-peripheral financialization and to bring to the fore the way wealth through the mortgage is distributed in the Polish society. In the study, we try to account for demographic effects of mortgage credit expansion mostly by assessing its' effect on composition of households (number of children)

It refers to the neo-weberian theories and perspectives on class formation. It sees expansion of mortgage credits in Poland as the proliferation of a relatively new market qua social device that has classifying power and co-determines households' strategies of consumption, investments, well-being and number of children (Beckert 2001, Fourcade Healy 2010, Fourcade 2015). Meanwhile the instrument differentiates mortgagors through the conditions and timing of its acquisition. Thus, mortgage credit creates specific social group that with reference to other

households, their wealth, type of tenure and consumption but also their social identity can be assessed in terms of class differentiation and different strategies related to childbearing and childrearing (Lamont 1998, 2005).

In the paper we aim at linking those theoretical insights on the social classes and mortgage loans to fertility decline in Eastern European countries after socio-economic changes of 1989 with special reference to the Polish case. Fertility decline manifested by a shift in family formation patterns (delayed marriage and childbearing) and lower completed fertility (decreased transition to second birth) is inevitably related to housing which in many studies is claimed to be one of the crucial factors affecting reproductive outcomes (for example: Kulu, Vikat 2007). It might be the case that in Poland this factor might be even more important due to persistent pursue of couples to own an apartment which is further enhanced by inefficient and expensive rental market. However, involvement in a long-term mortgage loan for many couples might be associated with potential pitfall of being trapped in a situation of living in a small dwelling, inability to improve housing conditions, and desire to have more than one child.

Moreover, pursue of Polish couples to own an apartment might be related to an effort aimed at achieving higher social status (class). This might be linked to the theory of social classes proposed by Pierre Bourdieu (Bourdieu 1980, 2005, Bourdieu and Passeron 1990). Main advantage of this theoretical approach is that it integrates social, economic and cultural perspectives on reproduction and at this same time refers to various dimensions of social stratification. The advantage of Bourdieu's theory relies on integrating diversified dimensions of social stratification and social divisions elaborated separately by different theories of social structure. Combining economic, cultural and social dimension enables to develop precise definition of classes and to grasp different practices and strategies deployed by representatives of each social classes. Bourdieu constructs three social classes (higher, middle and popular) with use of three main forms of capital: economic, cultural and social. We accept, following Bourdieu, that the relationships between the classes are of competitive nature. The primary objective of the competition is to maintain or change the position in the class system (upward mobility). This objective is carried out by a multi-dimensional practices including competition for scarce resources, taking positions on the labour market, struggles for recognition of cultural practices and the effort to change certain areas of social life. Thus, improvement in housing conditions and investments in children might be seen as one of the key dimensions of the competition and the reproduction of social classes.

Research goals

The research goals of the study are following:

- Comparison of household with and without mortgage loan with respect to number of children
- Analysis of number of children in the household with respect to living conditions (size of dwelling, square meters per capita, number of rooms)
- Analysing the absolute and relative (Debt-to-Income - Dtl) effect of mortgage on the structure of households
- Analyse any potential interactions between financial burden associated with mortgage loan and satisfaction concerning living conditions (subjective vs. objective measures of satisfaction)

Data and methods

We use database from Household Budget Survey conducted by Central Statistical Office in Poland. This comprehensive study contains detailed information on income sources as well as on expenses of surveyed households along with precise information concerning living conditions and demographic structure of a household. The Household Budget Survey contributes directly to EU-SILC study which enables possibility of international comparisons. The main drawback of the study is related to cross-sectional nature of the data. Thus, it does not allow for any type of event history analysis.

Therefore, we use propensity score matching method in order to isolate the effect of mortgage loan and living conditions on number of children. Aforementioned method allows to compare two groups (in this case households with mortgage loan and those without) with respect to variable of interest (number of children) simultaneously controlling for selected socio-economic characteristics of households such as: size of residence, level of education (spouses), absolute income ect. Moreover, we aim at clustering the analysis with respect to social class based on information on employment type and level of education.

Preliminary Results

Preliminary results suggest that the effect of mortgage loan is significant only in case of households residing in small apartments and where the mortgage loan constitutes a substantial share of overall budget (DtI). Most likely those households are unable to improve their housing conditions which might be only desired path to increasing family size. Thus, any change in family size without simultaneous improvement in living conditions might be seen as having detrimental effect on living standard and therefore inhibiting decision about having second (next) child.