

Is rising home ownership bad for employment?

Jean Bosvieux and Bernard Coloos

Translated by Oliver Waine

Homeowners everywhere are less mobile than tenants. However, does home ownership have a negative effect on employment? This hypothesis forms the basis of policy recommendations recently formulated by a number of bodies, despite the fact that it is far from proven – indeed, it would appear to be refuted by existing studies.

All studies into residential mobility – whether in France or other industrialised countries – show that, all other things being equal, owner-occupiers tend to move home less often than private renters. Renters in the social housing sector are also more mobile than homeowners, but less so than their counterparts in the private rental sector. Yet residential mobility is one of the conditions for an efficient labour market. The wider that jobseekers throw the geographical net, the greater their chances of finding a post that matches their qualifications. Career progression often involves a move or transfer within the same company or a change of employer; in both cases, being able to relocate is a distinct advantage.

From here, it is but a small step to considering whether homeowner status might adversely affect employment – and, indeed, a step that certain researchers have already made. The first to suggest such a theory was Andrew Oswald, a British economist who based his hypothesis on an analysis of unemployment rates and levels of home ownership in different industrialised countries.¹ The correlation that he discovered led to what he himself termed a conjecture, in which the development of home ownership appeared to exacerbate unemployment levels. It should be noted that Oswald's work did not in any way concern residential mobility, which is mentioned only as an explanatory element of the correlation. It should also be emphasised that the underlying causal relationship (that one is less mobile because one is a homeowner) is not demonstrated.

No doubt because of its simplicity and its apparent logic, Oswald's conjecture has proved highly successful – so much so that it is often presented as an established truth. However, one must not forget that correlation is not the same thing as causality; neither must one neglect the fact that more recent studies tend to refute this theory. To blindly accept this conjecture as fact is also to overestimate the influence of work-related reasons among the determining factors for residential mobility; finally, it is also to ignore the continuous increase in commuting distances that has been observed over the last three decades – a phenomenon that has made it possible for jobseekers to broaden their geographical horizons.

¹ Oswald, Andrew J. 1996. "A Conjecture on the Explanation for High Unemployment in the Industrialized Nations", working paper, University of Warwick.

Correlation is not the same as causality

“If owning a house reduces an individual’s mobility,” writes Oswald, “then the consequences for the labour market of secularly rising home ownership could be profound.”² But if it is true that homeowners are less mobile than renters, can one deduce that home ownership is an obstacle to mobility? The vast majority of households aspire to owning their home; some, owing to a lack of means, are renters by default. However, renting can also be the result of a choice linked to anticipated mobility. In particular, this is the case for many young adults whose working lives begin with temporary or fixed-term jobs where mobility is essential. Conversely, the decision to become a homeowner, particularly of a house rather than an apartment, often reflects a desire for, or the anticipation of, a certain degree of stability. Furthermore, the very act of becoming a homeowner is dependent on a stable income – which, in France, means a permanent contract, as it is very difficult for someone in temporary or unstable employment to obtain a mortgage.

In other words, it would seem more accurate to say that “a majority of households in stable situations are (or become) homeowners” rather than “homeowners have little residential mobility”. Being a homeowner can, of course, have an influence on residential mobility (and consequently on access to employment), but to concentrate on this causal relationship while overlooking the converse relationship would seem misguided.

Commuting and residential mobility

The theory whereby home ownership exacerbates unemployment is based in particular on the issue of the distance between one’s home and one’s workplace. However, a number of studies on the subject of commuting have observed a rise in home-to-work distances. This trend, which has been steadily increasing for over 30 years and shows no signs of slowing, particularly in the provinces, is linked to the phenomenon of urban sprawl and the growing popularity of detached houses. As a result of this growth in daily commuting distances, possible thanks to better public transport and improvements in transport infrastructure, jobs are becoming accessible over ever greater distances; consequently, it is now less often the case that a change of job requires a change of home location. Or, to put it another way, an attachment to one’s home is not necessarily a barrier to finding employment further afield.

Oswald’s theory is also based on a comparison of unemployment levels and levels of residential mobility. The problem here is that the data for residential mobility levels do not include the causes of this mobility. In fact, the predominant factors are housing-related and family-related reasons. Work-related reasons are very much in the minority: over the period between 1997 and 2002, professional reasons were cited as a factor in France in just 15% of cases.³ A similar pattern can be observed in other countries, such as the United Kingdom, where work-related factors account for a mere 5% of house moves.⁴ With regard to long-distance mobility, professional reasons are cited more frequently, but still represent a minority of cases: 48% in France,⁵ and only 25% in England,⁶ for the period between 2000 and 2005. Seeking to establish a link between residential mobility rates and unemployment rates is therefore problematic, as mobility levels reflect first and foremost the causes of mobility, which, in the majority of cases, are not linked to employment-related factors.

² *Ibid.*, p. 7.

³ Debrand, Thierry and Taffin, Claude. 2006. “Les changements de résidence : entre contraintes familiales et professionnelles”, *Données sociales*, pp. 505–513.

⁴ Böheim, René & Taylor, Mark. 2000. “Residential mobility, housing tenure and the labour market in Britain”, working paper, University of Essex.

⁵ Debrand & Taffin, *op. cit.*

⁶ Cho, Youngha & Whitehead, Christine. 2008. “Tenure Constraint and Residential Mobility in England”, working paper, Oxford Brookes University.

A hypothesis contradicted by recent studies

The final problem with the theory lies quite simply in the empirical verification of a negative relationship between access to employment and property ownership. A number of researchers have sought to test Oswald's hypothesis – based on macroeconomic data – by conducting microeconomic studies. Green and Hendershott⁷ arrived at results that tended to corroborate the hypothesis, but the method they used is contested by other researchers. Nickell, Nunziata and Ochell⁸ also confirmed the hypothesis, but concede that their results on the effect of owner-occupier status on unemployment are barely significant. On the other hand, the most recent studies on the subject – such as Koning and Van Leuvensteijn on the Netherlands;⁹ De Graaff and Van Leuvensteijn on 14 countries in the European Community;¹⁰ Svarer, Rosholm and Munch on Denmark;¹¹ Brunet, Havet and Lesueur on France and the United States¹² – call the theory into question. In particular, they show that, in the event of unemployment, owner-occupiers find work again more quickly than renters – albeit without making it clear whether this rapid return to work involves accepting a job that is below the respondent's expectations and qualifications. On this point, the results diverge. The authors of these studies are, however, in agreement regarding two key results: property ownership reduces not only the risk of unemployment, but also the duration of any such period of unemployment – conclusions that are the exact opposite of the Oswald hypothesis.

For all the reasons cited above, the relationship between residential mobility and labour markets therefore seems rather weak. If one adds to this the unequivocal absence of causality between employment status and mobility, there is nothing that demonstrates that the development of home ownership has a negative effect on employment. The obstacles – especially financial ones – impeding the mobility of owner-occupiers are very real, but the measures proposed to overcome them (such as those recommended in two recent publications from the Centre d'Analyse Stratégique¹³ in France and the Organisation for Economic Co-operation and Development¹⁴), however desirable they may be in other respects, seem unlikely to have a significant impact on employment.

⁷ Green, Richard K. and Hendershott Patric H. 2001. "Home ownership and the duration of unemployment: a test of the Oswald hypothesis", working paper, University of Aberdeen and National Bureau of Economic Research, 2 August.

⁸ Nickell, Stephen, Nunziata, Luca and Ochel Wolfgang. 2005. "Unemployment in the OECD since the 1960s. What do we know?", *The Economic Journal*, no. 115, pp. 1–27.

⁹ Van Leuvensteijn, Michiel and Koning Pierre. 2004. "The effect of home-ownership on labor mobility in the Netherlands", *Journal of Urban Economics*, 55/3, pp. 580–596.

¹⁰ De Graaff, Thomas and Van Leuvensteijn, Michiel. 2007. "The impact of housing market contributions on labour mobility: a European cross country comparison", CPB discussion paper no. 82.

¹¹ Munch, Jakob Roland, Rosholm, Michael and Svarer, Michael. 2003. "Are Homeowners Really More Unemployed?", CAM working papers, Institute of Economics, University of Copenhagen, September.

¹² Brunet, Carole and Havet, Nathalie. 2008. "Propriété immobilière et déqualification dans l'emploi", Groupe d'analyse et de théorie économique (GATE), working paper; Brunet, Carole and Havet, Nathalie. 2009. "Propriété immobilière et déqualification dans l'emploi", *Revue française d'économie*, 24-1, pp. 121–155; Brunet, Carole and Lesueur, Jean-Yves. 2003. "Le statut résidentiel affecte-t-il la durée du chômage ? Estimation micro-économique de l'hypothèse d'Oswald sur données françaises", Groupe d'analyse et de théorie économique (GATE), working paper WP 03-02.

¹³ 2010. "Favoriser la mobilité résidentielle en modifiant la fiscalité du logement", Centre d'Analyse Stratégique, analytical note no. 196, October.

¹⁴ Boulhol, Hervé. 2011. "Améliorer le fonctionnement du marché du logement français", OECD Publishing. URL : <http://dx.doi.org/10.1787/5kgcd9vzd2kk-fr>.

Jean Bosvieux, a statistician and economist, is research director at ANIL (the French National Housing Information Agency). Having occupied various roles at the Agency, he has developed a keen interest in a wide range of issues associated with the housing economy, in particular the operation of housing markets and the impact of public policy. He has recently published “Incitations fiscales à l’investissement locatif : succès quantitatif, ciblage imparfait” (“Tax incentives for rental investment: a quantitative success, imperfectly targeted”), *Regards croisés sur l’économie*, no. 9, 2011/1, pp. 162–171; and, in conjunction with Bernard Coloos, “Accession à la propriété, mobilité résidentielle et emploi” (“Access to home ownership, residential mobility and employment”), *Habitat actualité*, ANIL, January 2011.

Bernard Coloos has been the director of economic, financial and international affairs at the Fédération Française du Bâtiment (French Building Federation) since 1996. He was in charge of the Office for Economic Studies within the French Department for Housing and Construction between 1990 and 1994, and was director of the Observatoire Immobilier et Foncier (Land and Property Observatory) at the Crédit Foncier de France (a national mortgage bank in France). He holds a master’s degree in private law and a doctorate in economics, and is also an associate professor for the master’s course in urban planning and development at the Paris Institute of Political Science (also known as Sciences Po). His recent works include *Habitat et ville. Quinze questions et controverses* (“Housing and the city. Fifteen questions and controversies”), published by Éditions de l’Aube (as part of their “Villes et Territoires – Sciences Po Urbanisme” series), 2010.

To quote this article:

Jean Bosvieux & Bernard Coloos & translated by Oliver Waine, “Is rising home ownership bad for employment?”, *Metropolitics*, 9 November 2011. URL : <http://www.metropolitiques.eu/Is-rising-home-ownership-bad-for.html>.