



PRESS RELEASE: Homeownership is associated with better education outcomes find several studies

A new IZA World of Labor literature review finds that children of homeowners achieve better education outcomes than children in rental accommodation. These findings are particularly strong for low-income households.

In several countries, including Australia, the UK, and the US, there has been a longstanding belief in a policy of encouraging homeownership because of the benefits it provides to individual homeowners and to the community. Studies commonly find that children in owner-occupied dwellings achieve better education outcomes, including high school completion and college attendance, than children in rental households. The direct effect of homeownership on education outcomes has been less clear, however a new report by economist Associate Professor Stephen Whelan of the University of Sydney, Australia summarizes the latest research using innovative techniques to identify the causal impact of ownership on education outcomes.

Associate Professor Whelan cites a number of recent studies which seem to prove a set of hypotheses on why homeownership might affect education outcomes. It is hypothesized, for example, that owners are likely to develop a set of skills as they respond to the challenges associated with ownership, which have a positive impact on the home environment and children. Furthermore ownership provides a stability of tenure that exceeds that of most other tenures, especially private rental. Disruptions associated with changes in schooling are a key cause of poor outcomes during secondary school education. Moreover, recent developments in financial markets over the past few decades have enabled homeowners to withdraw accumulated equity making money available to pay for a college education for their children.

Studies find that residing in an owner-occupied house is associated with significantly higher measured mathematics and reading skills for young children aged five to eight. These associations are also observed to carry over to schooling outcomes, with children in owner-occupied housing more likely to graduate from high school, have better jobs, and have fewer teenage pregnancies. A positive association has also been identified between the homeownership status of parents and the post-secondary education attainments of their children, such as college attendance and completion.

The fact that housing is a significant asset in a household's wealth portfolio has focused attention on causal mechanisms through which tenure can affect children's education. One study for example indicates that homeownership and the increased wealth that accompanies the growth in housing equity lead to increases in college enrolment in the US. The effect is fairly large, with a \$10,000 increase in housing wealth raising college enrollment by 0.7 percentage points. The benefits of homeownership appear to be particularly strong for low-income homeowners who might otherwise have faced borrowing constraints associated with the college participation decision.

Associate Professor Whelan argues that understanding the mechanisms by which housing tenure affects outcomes such as education has critical policy implications. While a range of tax and transfer policies are designed to facilitate and encourage homeownership, targeting is needed to ensure that positive impacts on education are achieved.



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Notes for editors:

IZA World of Labor (<http://wol.iza.org>) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide.

The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

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