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Council housing causes unemployment [1]

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This will surprise some but council housing causes unemployment. No, really, it does [3].

> Dartmouth College?s David Blanchflower (best known for being the Bank of England member who first pressed for interest rate cuts after the onset of the financial crisis) and Andrew Oswald of the University of Warwick find that a doubling of the rate of home ownership in any U.S. state is followed in the longer run by more than a doubling of the unemployment rate. The authors stress that they are not arguing that the owners themselves are disproportionately unemployed. They suggest that lower levels of labor mobility, greater commuting times and fewer new businesses all combine to hurt the labor market.

Yes that's for the US and no, it's not a new finding in general. Several studies here in the UK have shown the same thing. Higher (or perhaps "too high" where the "too" is somewhat subjective) rates of home ownership do indeed lead to higher levels of unemployment. The reason is that owning a home makes one less geographically mobile than renting one. If you lose a job you're more likely to stay in the area where you own a home than you are to pack up and move to where the jobs are if you rent. Given the large regional differences in the economy in the UK this does indeed mean that high levels of home ownership will lead to higher unemployment than if more rented.

To which we will hear the cry: build more council houses then!

But this does not work as an answer. Moving a secure and subsidised tenancy (housing association or council) is vastly harder and takes much longer than selling a house and buying anew. Moving across local council boundaries is near impossible: although there is a system that supposedly enables it. Once councillor (and director of a housing charity) that I asked about this a few years ago said that it might take as long as 5 years to be able to move from one subsidised tenancy to another in another council area.

Thus, whatever problems are caused by labour immobility through house ownership are *worse* with those council and housing association tenancies. Because people with such tenancies are even more immobile than those who own their own homes.

So, yes, it's true: council houses cause unemployment.

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