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The Effect of Housing Status on Labor Market Outcomes

William Chan and Richard Wong

In the past, urban planning has often favored strict zoning, segregating residential areas from commercial-industrial areas. One unanticipated negative consequence of this strategy is a possible link between unemployment and housing status, suggested by Oswald in an important and controversial 1997 paper. He believes that home ownership reduces labor mobility, thereby creating disequilibrium and unemployment in regional labor markets. Compared with European countries and the United States-- the focuses of most empirical studies on the topic-- Hong Kong is decidedly more compact. Much of the city is covered by a rather efficient transportation system, making it unlikely as a choice for testing the Oswald hypothesis. However, over the years, a combination of factors, including escalating property prices in the congested urban core and restrictive zoning, have led to the development of new satellite towns in outlying areas, with subsequent negative impacts on the mobility of workers. This is exacerbated by the structure of the public housing system that currently accommodates almost half of the population in Hong Kong. Program requirements effectively prohibit households from changing their assigned units so that residents in the public housing system face more severe limits on their access to economic and employment opportunities than those living in private housing. In this study, we use Hong Kong census data to analyze the impact of public housing tenancy on labor market outcomes. It is found that public renters indeed show higher unemployment and lower labor force participation than their counterparts in private households. These findings can have important implications for a coherent long-term development strategy on housing, transportation and labor resources in Hong Kong.

Field of research: Labor economics/urban economics

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