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What Affects Children's Outcomes: Dwelling Characteristics or Home Ownership?

Governments rightly use policy as an instrument to target factors they believe influence the educational outcomes of children and young adults. But, when it comes to where families actually live, where should such policies focus: on the often cited positive influence of home ownership, or on other factors entirely?

Many factors influence children's and young adults' educational outcomes. These include parental input of time and resources, school and neighborhood quality, and aspects of the family residence. This study focuses on the family residence for two reasons. First, the role of housing in children's development has been studied less than other inputs. Second, there is an ongoing debate about whether home ownership has a positive influence on children's and young adults' outcomes. Multiple studies have argued that home ownership has a significant and relatively large positive impact. But these studies have been criticized, the primary argument being that they omit relevant variables and thus that their results are biased. One of the variables omitted from most of these studies is any indicator of crowding, such as persons per room. Another criticism is that there is little research that attempts to study the relationship between housing and child outcomes in other countries than the US.

"Understanding which housing characteristics impact educational attainment is critical for determining which policy will be the most effective."

Using a Swiss data set, three authors—including SFI's Martin Hoesli—address both of these shortcomings. The home ownership rate in Switzerland is much lower than in the US and both tenants and homeowners remain in the same property for relatively long periods of time, changing domicile relatively rarely. This similarity suggests there will be fewer influential factors for children's outcomes omitted from this Swiss data set than would be omitted from a comparable US data set, for example.

The focus on Switzerland is also interesting in that the Swiss educational system places a significant emphasis on apprenticeships and other vocational training programs. Of adults aged 20 in 2006–07, 69 percent had completed such vocational training, whereas only 20 percent had completed secondary education (gymnasium). While secondary

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The full paper can be found at <http://bit.ly/1Q783Dx>.

education is, of course, the entry route to tertiary education, some apprenticeships can also lead to relatively high status employment.

“In the US, policy makers have argued that home ownership should be subsidized, as research has stated that home ownership improves children’s and young adults’ outcomes.”

Which, if any, characteristics of a dwelling affect children’s and young adults’ outcomes is important for public policy. Many countries have policies that affect whether a household rents or owns its home. Such policies also affect choice of dwelling size and quality. These policies include social (public) housing programs and incentives to become a homeowner. Policies embedded in the tax system decide whether property taxes are levied, whether homeowners’ mortgage interest and property tax payments are deductible from income taxes, and whether the imputed rent on owned dwellings is subject to income taxation. In the US, policy makers have argued that home ownership should be subsidized relative to renting. Among the justifications offered for such support of home ownership is research that argues home ownership improves children’s and young adults’ outcomes. Housing policies often include minimum dwelling quality requirements and sometimes include maximum density limits. Understanding which housing characteristics impact children’s and young adults’ educational attainment is critical for determining which housing policy will be the most effective in this regard.

“The only housing factor affecting children’s educational attainment is the number of household members per room.”

Also of interest are the effects of housing characteristics across the distribution of household economic and social statuses. For example, it has been argued that households receiving less state support benefit more from improvements in housing. The authors test whether the outcomes for immigrant children of parents with a low level of education are more sensitive to housing conditions. These households may have relatively low regular income and thus may be less able to purchase goods that enhance their children’s outcomes.

The study focuses on children aged 15 to 19, who are potentially enrolled in or have completed secondary school or vocational training programs, and young adults aged 20 to 24, who are potentially studying at or are graduates of a university or other tertiary institution. Housing conditions are characterized in three ways: whether the parents rent or own the dwelling, the type of dwelling (house or apartment), and a measure of crowding (occupants per room).

“A 1 percent reduction in crowding results in a 0.9 percent increase in the probability of a child being enrolled in or a graduate of secondary school.”

The results for the 15 to 19 age group indicate that the only housing factor affecting children’s educational attainment is the number of household members per room (the dwelling could be either rented or owned). A 1 percent reduction in density results in a 0.9 percent increase in the probability of a child being enrolled in or a graduate of secondary school. For the 20 to 24 age group, none of the housing variables is significant, although density presumably has an indirect effect. In contrast to the findings in the US literature, the indicator for parental home ownership is not statistically significant for either age group.

The policy implications of these results are important; subsidies for housing are common in many countries. This study further refines the measurement of the relationship between housing conditions and children’s and young adults’ educational outcomes. The results suggest that if the goal is to increase these groups’ educational attainment, such subsidies should target reducing overcrowding rather than increasing home ownership.

Key Words

Child outcomes
Crowding
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Educational attainment

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