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TITLE: The Puzzle of Job Search and Housing Tenure: a Reconciliation of Theory and Empirical Evidence

ABSTRACT:

This paper attempts to reconcile the empirical evidence with the argument in favour of a negative effect of homeownership on exit rates from unemployment, known as “Oswald’s thesis”. While the theory would suggest that homeowners experience more difficulties than renters to exit unemployment due to lower residential mobility, the empirical literature has typically found lower unemployed duration for homeowners. Taking into account some of the reasons for the falsification of the Oswald’s thesis put forward in the literature, we provide evidence which supports it. At first, in a theoretical model of endogenous job search we show that homeowners’ higher moving costs imply unambiguously lower search and lower job finding rates, even though an opposite effect works for jobs which do not require a move. Then, in the empirical analysis we make use of data drawn from the British Household Panel Survey to compare job search intensity measures by housing tenure. In defining the residential status, we distinguish between outright owners and mortgage-holders, and between social and private renters, as more recent works have pointed out that the Oswald’s thesis should be tested comparing outright owners to private renters. We find that, controlling for housing costs and for the four-fold tenure definition, non-employed outright owners have definitely a lower attachment to the labour market than renters, and that this effect is even more evident when we compare them to private renters.