

Policy Brief: Does High Homeownership Raise Youth Unemployment in Europe?

Executive Summary

- In 2011, youth unemployment and homeownership rates showed a **moderate positive correlation** ($r = 0.57$).
- By 2018, this relationship had **weakened considerably** and was **no longer statistically significant** ($r = 0.16$).
- Panel regression models show that **lagged homeownership** has a **small but significant effect** (*Coef: 0.027*) on higher youth unemployment, even after controlling for year and country factors.
- **Lagged age structure** and **tertiary education** are statistically insignificant and contribute minimally to the model.
- While countries like **Greece**, **Spain**, and **Italy** display both **high homeownership** and **high youth unemployment**, others like **Ireland** and **Norway** stand out as outliers, with **high ownership** and **low youth unemployment**.

Background and Context

In recent decades, governments across the Global North have actively promoted homeownership as a route to wealth accumulation, stable communities, and civic participation. However, a growing body of research highlights potential labour market downsides of this policy emphasis. Blanchflower and Oswald (2013) argue that high ownership can increase unemployment by *reducing geographic mobility, increasing commuting distances, and discouraging new business formation*. These mechanisms may be particularly relevant for young people (aged 16-24) who tend to face more precarious labour market conditions and rely more heavily on spatial mobility to access job opportunities.

Data and Methods

We analyse Eurostat data for 29 European countries (2011-2018), focusing on youth unemployment (aged 16-24) and homeownership rates. We explore the evolving relationship between the two over the study period using scatterplots and Pearson's correlations. To normalise skewness, we log-transform youth unemployment and use lagged homeownership as the key predictor.

Fixed-effects regressions control for year and country differences, isolating the effect of homeownership. Demographic factors were tested but did not meaningfully improve model fit and were excluded from the final specification.

Key Findings

Descriptive Trends

In 2011, countries with higher homeownership generally had higher youth unemployment. This relationship is visually evident in Figure 1. Spain, Greece, and Latvia are clear drivers of the trend. However, by 2018, this relationship becomes flat, as shown in Figure 2.

Figure 1: Youth Unemployment 2011

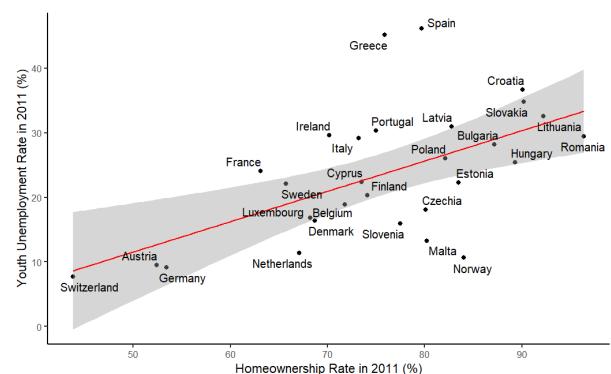


Figure 2: Correlation Over Time (2012-2018)

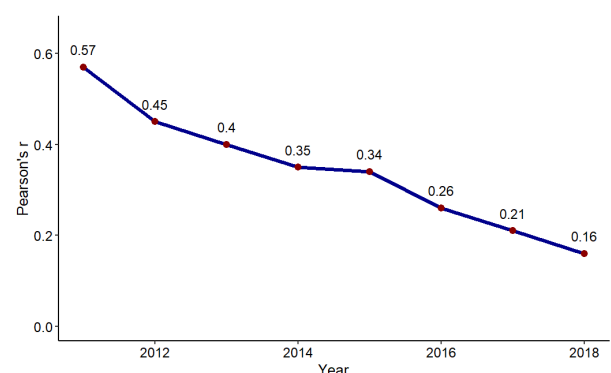


Figure 3: Youth Unemployment Trends

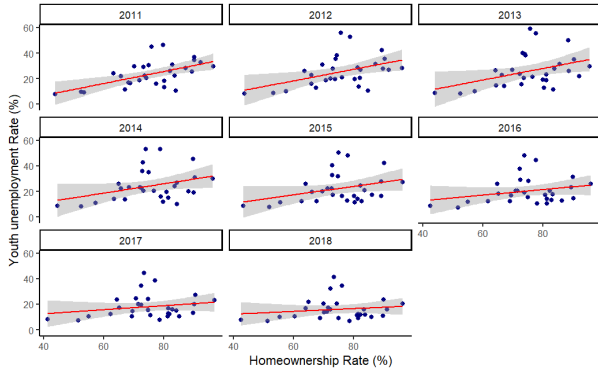
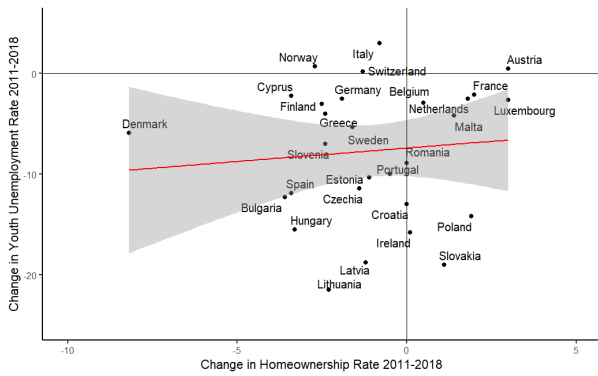


Figure 4: Change in Homeownership



Regression Models

Table presents fixed-effects models predicting logged youth unemployment. Model 1 uses only lagged homeownership; Model 2 adds controls for age and education; Models 3 and 4 add year and country dummies.

Table 1

<i>Dependent variable:</i>	
Log_youthunemp	
Lag_own	0.016*** (0.003)
Constant	1.699*** (0.216)
Observations	196
R ²	0.145
Adjusted R ²	0.141
Residual Std. Error	0.467 (df = 194)
F Statistic	32.895*** (df = 1; 194)

Note: *p<0.1; **p<0.05; ***p<0.01

Policy Implications

Youth unemployment appears to be modestly affected by prior-year homeownership rates. Policies that encourage labour mobility (e.g. flexible housing markets, rental support, and transport subsidies) may help mitigate immobility effects. Given the decline in correlation after 2015, structural labour market recovery likely dampened the homeownership-unemployment link. However, in some Southern European countries, persistent housing tenure rigidity may still constrain young people's employment prospects.

Recommendations

- **Avoid policies that over-prioritise homeownership** for youth; increase access to affordable rental housing.
- **Target labour mobility** through transport infrastructure and relocation grants.
- **Monitor tenure and employment jointly**, particularly in laggard regions.
- **Account for local context**: in countries with weak youth employment but high ownership (e.g. Italy, Greece), housing reform could play a critical role.

Limitations

This brief uses national-level panel data and does not model potential spatial spillovers or family dynamics. Youth unemployment may also be driven by sectoral or educational mismatches not captured in the dataset. Finally, results are correlational; causal inference requires further study.

Conclusion

While Oswald and Blanchflower's thesis finds partial support in the youth labour market, the effect of homeownership has diminished over time. Still, policy should remain attentive to how housing systems structure opportunities for youth in the European labour market.