4. The Importance of Housing

Housing plays a critical role in economic opportunity for individual workers and their families, affecting current and future workers, employers, communities, and regional markets. Benefits of appropriate, affordable housing and consequences when such housing is unavailable are most concrete at the individual and neighborhood level. However, as demand for housing increases and housing becomes more expensive to produce, its availability and affordability have distinct effects on businesses and markets. This overview of the importance of housing illuminates some of the connections between housing, individual economic opportunity, workforce, and economic development that have been explored by researchers. Nonetheless, the effects of homes—for example, size, quality, location, and cost—extend beyond the examples given here.

Individuals and families that select a home choose a host of related features, resources, amenities, and opportunities. For instance, they choose access to specific schools, proximity to grocers and other shopping, proximity to family and other important social networks, and opportunities for recreation and exercise. Households choose the best housing they can afford and gravitate toward markets that offer better housing "packages" at the best prices. Housing costs are among the top five factors affecting where households choose to live and work[ii].

A community that lacks affordable housing often lacks housing for the community's essential, low-income workers. To provide a high quality of life for all households, the region and its jurisdictions must enable developers and builders to produce housing that is appropriate and affordable for households at every income level. For those with the lowest incomes, local governments must pair their land-use tools and resources with state and federal resources to provide affordable, appropriate housing and ensure that low-income workers can prosper in the community.

Although high housing prices often reflect local amenities and economic opportunities in the area[iii], research suggests that high housing prices and few affordable options may constrain economic growth. Saks (2008) argues that when the supply of affordable housing is restricted (often by land-use controls), labor migration patterns change, resulting in lower employment growth[iv]. Slowed, stalled, or negative employment growth can hurt businesses and communities. Jonas, While, and Gibbs (2010) suggest that workforce housing and other major infrastructure are common problems for regions that are growth "hotspots[v]." Workforce housing[1] supports successful economic development, as businesses may have trouble attracting or retaining workers without nearby affordable housing options and/or convenient and affordable transportation. This job–housing imbalance may impede economic development by making it difficult for businesses to recruit and retain employees[vi].

Housing affordability, stability, quality, tenure, and location have been shown to impact child development and opportunities for individuals and households. Housing is the foundation for family wellbeing[vii], and housing unaffordability is often why individuals and families experience instability in

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[1] Workforce housing is generally described as the housing that is affordable to households earning less than 120 percent of AMI (Cohen & Wardrip, 2011)

housing, accept substandard housing, or sacrifice other critical needs like child educational enrichment, medical attention, or food. Strained finances and substandard or unstable housing may lead to negative economic consequences for both individuals and households.

Many aspects of substandard housing affect the health of residents. Poor housing quality often induces stress and inhibits the home from providing a peaceful or restorative space. Jones-Rounds et al. (2014) found that psychological wellbeing correlated with housing quality; that is, people in high-quality housing were less depressed and more energetic and peaceful than those living in low-quality housing[viii]. Substandard housing represents a potential psychological detriment by causing low self-esteem and hindering family self-sufficiency[ix]. For example, residents of low-quality housing worry about the integrity of the home's structural components. Housing-related stress or anxiety has been shown to lead to depression and stress-related mental illness[x]. Children in low-income families that receive housing subsidies are more likely to be classified as having "good" or "excellent" health than those in low-income families on the waiting list for assistance are[xi]. Furthermore, adults who are housing cost-burdened are less likely to fill a prescription, follow healthcare treatments, or purchase health insurance because of the costs.

Health problems, when persistent, present significant employment and productivity problems. Businesses impacted by poor employee health may experience high rates of turnover that manifest unfilled positions, lower productivity, and lost profits. Employee turnover generates costs related to finding replacement workers, temporarily covering vacancies, training replacements, and loss of knowledge and skills. In total, the costs of turnover can be upwards of 30 percent of annual salary for lower-level employees and up to 250 percent of annual salary for highly skilled ones[xii]. Health conditions also pose a barrier for those who are currently unemployed and can lead to both temporary and permanent medically induced unemployment (i.e., the inability to work owing to a medical condition)[xiii].

Cohen and Wardrip (2011) found that low-income families occupying substandard homes moved more often than middle- and high-income families did, owing to problems associated with high housing costs and changes in income[xiv]. In addition, households experiencing forced displacement (e.g., eviction, foreclosure, or building condemnation) often must move to substandard and/or temporary housing, resulting in subsequent moves[xv]. Children in families with housing instability or substandard housing experience health, behavioral, and developmental educational consequences.

Unaffordable housing contributes to children's poor school attendance and performance[xvi]. Gagne and Ferrer (2006) find that major home repair requirements and short length of residence negatively affect children's math scores[xvii]. Newman and Holupka (2013) find that families who are not cost-burdened are more likely to spend a portion of their income on child enrichment, affecting their children's cognitive achievement[xviii]. These developmental and educational consequences associated with student mobility and inadequate housing may have economic implications for individuals and the community workforce. Many studies have shown that educational attainment—the number of school years completed—closely correlates with both individual earnings and economic growth rates[xix]. Level of education is typically positively associated with higher individual earnings. Studies within and across nations have found that 1 additional year of schooling translates into an approximately 10 percent increase in annual individual earnings[xx].

Beyond this individual benefit, evidence exists that additional years of schooling provide social benefits in the form of improved health, higher levels of civic participation, lower crime rates, and greater economic growth[xxi]. Educational attainment increases human capital, resulting in the enhanced productivity of a nation's workforce, an increase in the rate of technological innovation, and the diffusion and adoption of new production processes and technologies, all of which help boost economic growth[xxii]. Each additional year of schooling within a population is also associated with greater long-run economic growth[xxiii]. Schools and neighborhoods are so closely interconnected; therefore, providing equitable and affordable housing opportunities across a jurisdiction can provide more equitable educational opportunities[xxiv], leading to greater and more sustainable economic growth[xxv]. Increasing skills for low-income individuals improves economic growth more than it does for those with high incomes as measured by GDP and tax revenue growth, suggesting that educational opportunities should be improved for low-income individuals[xxvi]. Furthermore, closing educational-achievement gaps may reduce income inequality by increasing the lifetime earnings of the poorest 75 percent of children more than those of the richest 25 percent. Lynch (2015) concluded that improving the education of all future workers "accelerates economic growth and can promote more equal opportunity over the long run resulting in stronger, more broadly shared economic growth, which in turn raises national income and increases government revenue, providing the means by which to invest in improving our economic future[xxvii]."

Finally, the location, tenure, and type of housing can affect a household's economic opportunities. Kleit (2002) found evidence that households living in areas with more income diversity have more diverse job-search networks[xxviii]. White and Saegert (1997) showed that co-op ownership of low-income housing is associated with increased skills and self-confidence as well as wider job networks among tenants. Studies have shown that homeownership provides considerable access to opportunity[xxix]. The simplest connection between homeownership and opportunity is the ability to build wealth and use home equity. Homeowners can elect to borrow against the equity they have built on their home through a home equity line of credit (HELOC). HELOCs may act as a financial buffer against unexpected expenses, smooth consumption over time, or allow households to invest in education, job training, or a small business[xxx].