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Who cares about housing anyway?

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### Abstract

To own your own home is popularly seen as the 'great Australian dream'. Since the 1980s the proportion of median family income spent on housing has increased markedly. Some economists consider housing to be a prime example of conspicuous consumption – the tendency to spend on goods and service to signal social success or status. Clearly, housing is an intricate component of the socio-economic landscape. Previous literature has shown housing to be an important medium in connecting people to life's opportunities. 'Housing' as it relates to the physical amenity of the building and neighbourhood can be distinguished from 'the home' which incorporates a sense of family and belonging, expresses values and provides a sphere of individual control. The home is important in meeting psychological needs and strongly influences young peoples' later outcomes in life. However, research addressing the specific question of how important one's own home is to different individuals and why is sparse from either an economic or psychological perspective.

This paper investigates how important one's home is and just who cares most about the home in which they live using data from the HILDA survey which asked respondents to rate the importance of various factors in their lives, including the home in which they live. Rich information is also available on individual, family and neighbourhood characteristics. The analyses confirm the primacy placed on the home. Satisfaction with 'the home in which you live' is strongly correlated with overall life-satisfaction. As expected home-owners place considerably greater importance on their home than renters. However, the high priority placed on housing is surprisingly consistent across genders, life stages and wealthy and poor neighbourhoods. Multivariate models are fitted to estimate the independent effect of these and a range of

other characteristics on the importance people attach to the home in which they live.

**Key words:** Housing; home-ownership; housing-preferences

## Who cares about housing anyway?

### 1. Introduction

To own your own home is popularly seen as the 'great Australian dream'. Since the early 1980s the real value of new home loans and the proportion of median family income spent on housing in Australia have increased markedly. For most Australians their own home will be the largest single investment they will make. Some economists consider housing to be a prime example of conspicuous consumption – the tendency to spend on goods and service not only for the welfare gained directly from that consumption but also to signal greater social success or status. Clearly, housing is an intricate component of the socio-economic landscape for many people.

This paper investigates how important one's home is and just who it is that cares so much about the home in which they live. This is made possible by a recently established household panel survey, the Household Income and Labour Dynamics Australia survey (HILDA). In the first wave of the survey, undertaken late in 2001, respondents were asked to rate how important a number of factors are to them in their life, including the home in which they live. In addition, data are available on individuals' satisfaction with their home, their ownership or rental status plus rich information on family background, social attitudes, education and labour market history and neighbourhood characteristics.

Preceding the statistical analysis is a brief review of theoretical and empirical contributions relating to the role of housing in people's lives. Whether one lives in public housing, private rental or owner-occupied housing is an important predictor of future socio-economic and health outcomes. Housing is seen as an important medium in connecting people to opportunities in life. The distinction must also be made between 'housing' as it relates to the physical amenity of the building and neighbourhood and the concept of 'the home' which incorporates a sense of family and belonging, expresses values and identity formation and provides a sphere of individual control. The home is important in meeting psychological needs, and young people's experiences at home have a strong influence on later outcomes in life.

Research addressing the specific question of how the importance of one's own home differs across individuals and explaining that variation is sparse from either an economic or psychological perspective. For this reason the analysis is largely exploratory. Section 3 of the paper provides an overview of the HILDA dataset. Section 4 presents various descriptive statistics for the two

main variables investigated — ratings of the importance individuals place on their home and their level of satisfaction with their home — and multivariate analyses of the independent effect of other factors on these variables is presented in Section 5. Some conclusions and policy implications drawn from the results are offered in the final section.

## 2. Review

The question of what underpins the importance individuals place on housing, taken to include the quality of the home in which they live and the achievement of desired housing status, and how this varies across individuals of different socio-economic backgrounds, life stages, family structures and current housing circumstances seems not to have been given a great deal of attention in previous research. Perhaps the most directly related area of research addresses the question of who strives most to achieve home ownership and seeks to explain 'housing careers'. Clearly a home provides the necessity of shelter from the elements as well as other functional attributes that allow individuals to engage in society. Existing literature also discusses the importance of the home in the context of its role as the principle place for interactions within families, an expression of identity and personal values. More extensively researched areas include the impact of the home environment on young people's futures and the effects of housing status on socio-economic outcomes, particularly in the context of evaluating housing assistance policies.

### *Home ownership*

The overwhelming desire to own our own home at one time placed Australia as the leading home owning nation in the world. In the 1990s 70 per cent of Australians owned or were in the process of purchasing their own home. This compared favourably to ownership rates of 68 per cent in Britain, 65 per cent in the United States of America and 63 per cent in Canada. By contrast, France had a home ownership rate of 57 per cent while only 39 per cent of the population in Germany either owned or were purchasing their own home (Badcock and Beer 2000, p. 2).

There are three reasons people buy homes – 'upgraders', first home buyers and investors. The 'upgraders' are already home purchasers but are looking to upgrade the quality or location of their home due to a growing family or wealth gain. This section of the property market accounts for about 44 per cent of total housing loans. The first homebuyer accounts for about 10 per cent of the home loan market and are from the rental market, new migrants,

children leaving home or as a result of separation or divorce. Investor demand is largely driven by interest rates and the performance of other areas of investment such as the stock market. This arm of home purchase is particularly strong for older Australians who use it as part of their superannuation or as a way to increase retirement savings and are attracted by the strong capital gains to be made (Bond 2005).

Australians may, overwhelmingly, aspire to home ownership at some point in their lifetime but not everyone will fulfill this dream. The Negotiating the Life Course survey undertaken in 1997 and 2000 asked respondents whether they considered home ownership an important goal for them to achieve within the following three years. More than half (54 per cent) replied that buying their own home was an important goal for them to achieve within the next three years, with those in their 20s and 30s considering it more important than both younger and older respondents. The survey enabled researchers to establish what sort of person claimed that the goal of home ownership within the next three years was important to them and to then compare this with those who managed to achieve this goal (Merlo and McDonald 2002).

Using Multiple Classification Analysis on survey data a profile of the hypothetical Australian most likely to claim that purchasing a home within the next three years was important to them was produced. This 'hypothetical person' was a non-university educated male or female aged 39 years from an English-speaking background. They currently lived with a young child and with their spouse or partner, and had been living together for less than 5 years. The 'person' had aspirations to have another child, improve his or her career and become more independent of others. They were currently employed, as was their partner, who similarly had no university qualifications (Merlo and McDonald 2002, p.13). While the probability of such an individual rating home ownership in the near future as important was 99.2 per cent, in fact they had only a 31 per cent likelihood of actually transforming their aspiration into reality within that three year period (Merlo and McDonald 2002, p.16).

Income and employment are among the most significant factors linking people with home ownership. As would be expected, the availability of sufficient and reliable finances is strongly linked with the ability to make ownership dreams a reality. Dual income couples are five times more likely to buy their own home than unemployed people, whether single or in a couple. However even where one person in a couple is employed, they are more likely to enter the home ownership market than where neither in the partnership is working. Where you are born also has an impact on whether you are more likely than another person to become a home owner.

Australians born in non-English speaking countries or whose parents were born in such countries had twice the odds of becoming home purchasers than those from English-speaking backgrounds (Merlo and McDonald 2002, Wulff and Maher 1998).

The 'housing career' of individuals in Australia has, in the post-war decades, been a traditional one of moving from parents' home to rental property and then on to home ownership. However research suggests that this path is changing due to changes in modern life. No longer can young people be assured of a job for life or even a marriage for life. Increasing divorce rates, volatility of earnings due to increased part-time and casual employment, starting families later in life, changes in housing tenure preferences as well as increasing house prices have suggested more and more younger Australians are not taking the same housing path their parents or grandparents took. In addition the increasing divorce and separation rate has seen many homeowners revert back to rental tenure, some with little chance of ever becoming homeowners again. The ABS 1999 Australian Housing Survey cited 35 per cent of persons aged 45 years and older and currently renting had previously been home owners (Flatau, Hendershott, Watson & Wood 2003).

Data shows the increase in an average new home loan size since 1982 has far exceeded the growth rate in median family incomes thus making houses less affordable and the affordability indicator much more responsive to interest rate increases. The average new home loan in June 1982 was \$29,200 but by June 2002 the average was \$257,000, with the average size of new home loans increasing by more than 400 per cent over the past 20 years (Kryger 2002). Without a home that they are either purchasing or already own outright, a large number of Australians will enter old age without any financial resources other than a reliance on government payments to support them.

In contrast, the rising residential property market in Australia over the past number of years has meant that a home's value can offer owners or purchasers a readily available and low cost source of income for the purchase of other consumables such as cars or holidays. With historically low mortgage rates, home owners or purchasers can take money from their homes to purchase luxury items and pay less interest than using credit cards. According to Mudd, Tesfaghiorghis and Bray (2001, p.1) 65 per cent of all household assets in Australia in 2004 were in housing and the home accounts for 55 per cent of our net private sector wealth.

*The home as an expression of identity & cultural differences*

The value placed by Australians in owning their own home, regardless of size or value, has its historical roots in the period immediately following World War II and illustrated the fact that the home is not only a financial investment but a physical place of shelter from the outside world. The issue of home ownership has also been utilized by Australian governments of all political persuasions since this time as a way of enabling people to be more self sufficient in old age, and thus less reliant on social security. It has been a cost saving measure for the government and therefore the wider Australian community.

The desire for stability and security for many after the destruction and uncertainties of the war encouraged many Australians, including the new immigrants escaping Europe, to embrace the concept of home purchase. In fact home purchase for many survivors of World War II was more than simply a financial investment, it was an emotional investment in a country and in a new way of life. Recent migrants to Australia have continued this tradition of high rates of home purchase in their new homeland. The rates of home ownership among Greek, Italian and Yugoslav communities are in excess of 80 per cent and far higher than the rates for those born in Australia (Paris 1993, p. 148).

For older Australians, the survivors of World War II, whether born in Australia or elsewhere, the value they place on their home is considerable. Given an opportunity to rebuild their lives after the devastation of the war they saw the emotional value in owning something that represented safety, stability and a future. This first generation of post-war home owners have been labeled the 'Safe and Sound' generation. With government supported housing assistance which some commentators have seen as being "fashioned as an element of cradle to grave social security", this group had few financial concerns about entering the housing market (Badcock and Beer 2000, pp. 14-15). Successive Australian governments have supported the growth of home ownership through the implementation of many social policies which have included selling public housing and the First Home Owners Scheme as well as protection of mortgage rates. Authors have argued that although indirect economic and taxation policies by government continue to support home ownership, the direct support offered pre-1980s is no longer available (Winter 1999, p. 10).

The same economic security could not be offered to the next generation of home owners, the 'Baby Boomers'. In their housing careers this generation have faced rapidly rising house prices that allowed many to profit

substantially from their investment in owner occupied property but in turn they have faced the concerns raised by the modern global economy such as downsizing and job loss. In turn, their children, Generation X, are faced with inflated house prices that have seen many struggle to enter the housing market as well as wide spread job insecurity with a world wide move away from permanent full-time lifelong employment for those who want it. Younger people today continue to aim for home ownership but must do so faced with a much changed environment than that faced by either their parents or their grandparents. The new world of ever changing interest rates, falling affordability of the average home and the instability of employment that more and more offers casual, contract and part-time work hinders their start on the home ownership 'ladder'. Added to these factors many young people remain in education longer and start families later in life. With marriage and the birth of the first child still being strongly associated with home purchase, the later these life events occur the later young people will generally seek to enter the home ownership market (Badcock and Beer, 2000; Winter and Stone, 1998).

Although the likelihood of achieving home ownership is predicated strongly on a steady income the importance of home ownership is spread across the economic spectrum. The goal of home ownership and the high priority placed on the home once it is being purchased or owned outright is constant despite level of income or wealth. Those with dual incomes or high incomes do not express any stronger preference for home ownership than low income households (Winter and Stone 1998, p. 9). Nor do wealthier households with larger houses in wealthier neighbourhoods place greater emphasis on caring for their home than those with smaller houses in less salubrious neighbourhoods. Regardless of the suburb or size of house, every home owner or purchaser is equally as proud of their home. It allows them to show to the wider world what they have achieved for their work, and that achievement is all relative financially but emotionally it is equal. Home ownership is symbolic as well as practical.

Research has indicated that the economic value in home ownership for the wider community is that it raises the living standards of those who would otherwise not be well off. Home ownership enables people whatever their income to "achieve some level of parity via horizontal redistribution of income during working years to retirement" (Winter and Stone 1998, p. 1). British social security research has found that the value of owner occupation to low income households in Britain in 1995 was estimated to be the equivalent to 20 per cent of cash disposable income in the lowest two income

deciles.<sup>1</sup> Home ownership has historically increased the chance one has of avoiding poverty but with social and demographic changes in Australia question has arisen as to whether this economic leveling out of our society is being lost and we are becoming more and more polarized.

Home ownership's non-economic value to both the family unit and the wider community has been widely acknowledged. Home ownership has been associated with the formation, continuation and stability of the family, involvement in the neighbourhood and associated social issues as well as reducing housing costs and thus allowing lower pension rates in retirement. The emotional and psychological importance of remaining in the family home for elderly people cannot be overestimated. Older home owners will make significant financial sacrifices to remain in their family home with research showing that 5.6 per cent of elderly outright home owners are in after-housing cost poverty and 12.7 per cent with a mortgage are in a similar state. These figures exceed the 4.7 per cent of elderly in public rental who endure after-housing cost poverty (Flatau *et al*, 2003). A survey of home owners aged 50 to 70 years found that 93 per cent 'strongly agree' or 'agree' with the claim that they are strongly attached to their home. Of the same group 81 per cent 'strongly agree' or 'agree' with the claim they are very attached to their neighbourhood and 68 per cent claimed it was 'very important' or 'important' to them that they leave something (their family home) to their children. A significant 29 per cent said that if they could not live alone in later years they would remain in their home and hire some outside help to enable them to stay (Winter 1999, pp. 9-11).

Homeownership is integral to the perception we have of each other in modern society while the type of housing in which we live has been shown to have considerable impact on the health and well-being of children and young people. A recent study of teenagers in two schools in the United Kingdom (UK) by Rowlands and Gurney (2001) clearly illustrated that prejudice associated with where people live and the type of housing they live in is found in youth as young as 16 years of age. The students were asked about their perceptions of council housing (public housing) such as the type of person they consider would live in this tenure of housing rather than in owner occupied housing. Housing research and analysis during the 1980s and 1990s made clear that preference for housing tenure is a result of our social and cultural constructs and this has been supported by this research. It has indicated that the perceptions we hold between where a person lives and the type of person they are begins at a young age. The students surveyed associated people living in owner-occupier homes with success and those

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<sup>1</sup> Winter & Stone 1998, p. 1 quoting Whiteford & Kennedy, 1995, p.84.

living in state rented housing with failure. Homeownership was considered vital to being a part of 'normal' society. Home ownership was considered part of having a 'normal' life and was an integral part of the goods one needs to acquire to be viewed as part of mainstream society and to fit in. Society demands you have a job, got married and have a family, buy a good car and buy a house. Their opinion of those people not on the housing ladder and more particularly those in council housing or public rental was that they were failures (Rowlands and Gurney 2001; pp. 122-126). An issue raised through the study was that a part of consumerism is that many choose to consume beyond their financial means. Many people who subscribe to this view of success and failure being illustrated by where you live and what you live in overextend their finances. They live at the financial edge, just managing to afford their mortgage simply to be part of this 'normal' society.

### *Effects on youth*

Since the 1970s environmental psychology and environmental design research has considered the significance of the home in people's lives. The value of home ownership on the health and well being of young people has been acknowledged as of such importance that both the federal government and many non-profit organizations in the United States of America have made a concerted effort to broaden access to this tenure of housing (Friedman & Rosenbaum, 2004). The associated benefits of home ownership to younger people have been shown to be associated with better opportunity or the ability to facilitate access to such opportunity, higher wealth levels, better mental and physical health and generally more positive outcomes. Empirical evidence has shown that the physical environment in which children are raised has a significant bearing on their development and socialization (Bartlett, 1997).

Housing has considerable influence on inter-family relationships, with the greatest impact and therefore benefit or otherwise being on children and youth. Home is important for the psychological needs it provides to those living within. Home is a place we, as members of society, can be in control of our world and an expression of our identity. Inadequate, unsafe and over crowded housing has been shown to make parents less tolerant and more punitive. Associated with these is that the children have less freedom to play on their own, or to play freely without restriction and thus less opportunity to develop associated skills (Bartlett, 1997).

Over crowding is a considerable problem for many living in poor quality, inadequate housing and is more likely to be associated with rental tenure than

ownership. Over crowding and the associated lack of privacy and inability to control one's family's environment is a major source of stress for families living in such housing as well as contributing to a sense one has no control over one's own life or family. The stress is experienced by both parents and children and can lead to psychological problems for all involved. The National Health Survey of 1995, undertaken by the ABS, reported that in comparison to home owners (rather than home purchasers), those who rent were significantly more likely to report fair or poor health status, to visit the doctor, to report a higher average number of serious health conditions and to smoke (AHURI 2002).

*Effects of housing status on Socio-economic outcomes and wellbeing*

Perhaps one of the clearest indications of the effect of housing status on socio-economic wellbeing and outcomes is from a comparison of public housing tenants, rent assistance recipients, those people eligible to receive some form of government benefit but not rent assistance and the wider population. It would appear that overall it is those in receipt of rent assistance that have the least attachment to the workforce and suggest poorer socio-economic outcomes and well being.

As would no doubt be expected, public rental tenants generally have lower total and disposable income levels than private rental tenants. In 2001 the average total household income for a public tenant was \$27,244 with total average disposable income of \$23,700. For those in the private rental system the figures were \$47,555 and \$37,500 respectively. Those in public rental also live in areas of relative economic disadvantage, low economic resources and low educational and occupational status compared to those living in private rental (Whelan 2004).

Wood (2005) notes two important aspects of housing acknowledged as shaping the employment outcomes of individuals – access to technology in the home and location of residence relative to employment opportunities. As the data above indicates, public rental tenants are largely located in areas of limited socio-economic opportunities. Their neighbourhoods offer both a lack of employment opportunities as well as lacking in facilities to enable them to access employment. Poor public transport, poor childcare facilities and a greater likelihood of being further away from the city centre all contribute to impeding access of public tenants to possible employment. However these tenants, who are of working age and not disabled, still show greater attachment to the workforce than those in receipt of rent assistance. They are also far less likely than others to have access to technology, such as computers and internet at home, and this in turn reduces the opportunity they have to

work from home (Wood 2005). Research offers a clear indication that receipt of rent assistance reduces the likelihood of a person being in the workforce and that entry into public housing coincides with a reduction in the labour force participation and hours worked of those employed (Wood, 2005; Whelan, 2004).

### **3. Data – The Household Income and Labour Dynamics in Australia Survey**

HILDA is a longitudinal survey of a random and representative sample of households in Australia. The panel was established in the Wave 1 Survey of 2001. Details on the survey and sampling frame can be found in the HILDA Discussion Paper and HILDA Technical Paper series published jointly by the Melbourne Institute and the Department of Family and Community Services.<sup>2</sup> A special issue of the *Australian Journal of Labour Economics* entitled 'Understanding labour market dynamics in Australia: Using the HILDA survey' also provides details on the survey and an overview of the breadth of issues being addressed by researchers working with early waves of the data. At the time of writing data from three waves of the survey are publicly available, however the analysis contained in this paper draws only upon the Wave 1 data as one of the main questions of interest (the importance placed on the home) was asked only in the first survey.

The survey actually consists of three questionnaire instruments – a household questionnaire administered to an adult member of the household and collecting information about the household unit; a person questionnaire, in which each member of the household aged 15 or over was interviewed, and a self-completion questionnaire which these individuals were to complete by themselves and return. The information collected provides rich data on individuals' current and past labour market engagement, education, family formation, health and wellbeing, lifestyle and living situation and personal finances.

Data relating to the immediate neighbourhood has been matched to the survey data in the form of Australian Bureau of Statistics' Socio-Economic Indexes for Areas (SEIFA) on the basis of the decile of the household's collection district. These include the decile of the collection district for the index of relative socio-economic disadvantage, index of economic resources and the index of education and occupation. Further, some observations made by the interviewer of the state of the dwelling and immediate surrounding premises are also recorded.

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<sup>2</sup> See <http://www.melbourneinstitute.com/hilda/>

The confidentialised unit record file from the first wave of HILDA contains data for 7,682 respondent households and 13,969 individuals aged 15 or over.

#### **4. Attitudes towards housing – descriptive analysis**

The HILDA survey contains a range of questions that can be used to investigate Australians' attitudes towards their home and housing status. Broadly, these relate to the importance one places on their home and satisfaction with various aspects of their living arrangements. In the personal interviews in Wave 1 each responding person is asked how satisfied they are with a number of things in their life using a scale ranging from 0 (totally dissatisfied) to 10 (totally satisfied). The items assessed are the home in which you live; your employment opportunities; your financial situation; how safe you feel; feeling part of your local community; your health; the neighbourhood in which you live; the amount of free time you have and, finally, your life as a whole, all things considered. The following question asks respondents to rate how important a similar set of factors are to them in their life at the present time using a scale ranging from 0 (no importance at all) to 10 (the most important thing in my life). The factors listed in this question are the home in which you live; your employment and work situation, your financial situation; your involvement in your local community; your health; your family; leisure activities such as hobbies, sports and contact with friends; and religion.

The self-completion questionnaire of Wave 1 asks respondents to rate the adequacy of their housing with respect to living space; number of bedrooms; comfort; distance from public transport; access to services normally used and housing needs in general. In contrast to the highly subjective satisfaction rating, these questions relate to more functional attributes of individuals' housing situations. Questions relating to satisfaction and adequacy of housing cannot be directly interpreted as measuring the importance one places on their home, but the two will be inextricably linked and to some extent jointly endogenous. That is, people who find their homes highly satisfactory or adequate will place greater importance on it; while those who place greater importance upon the home in which they live will probably take steps to secure more satisfactory and functional dwellings.

Although the questions relating to satisfaction and adequacy have been asked in multiple waves of the survey, the question on the importance respondents place on different aspects of their lives was asked only in Wave 1. Thus the analysis in this paper uses only the cross-sectional data from the inaugural HILDA survey.

*The importance of 'the home in which you live'*

Based on the means of the 'importance' ratings (see Table 1), it appears that individuals rate their family as the most important of these options, followed by their health and then the home in which they live. The relative rankings are the same for males and females. Clearly the home in which one lives is extremely important to Australians. Thirty-seven per cent of people rated it a 10 – the most important thing in their life - though this compares to 76 per cent for one's family and 48 per cent for one's health. Clearly, many people rated more than one factor as 'the most important thing in my life'.

A factor analysis of the eight variables representing the importance ratings was conducted.<sup>3</sup> Factor analysis identifies correlations between a set of variables and calculates weighted linear combinations of the variables ('factors') that summarise the patterns of responses across individuals. The two factors explaining the highest proportion of the variation in the eight variables may be termed 'community orientation' and 'career orientation'. The 'career orientation' factor is positively correlated with placing a high degree of importance on your employment and work situations and on your financial situation. The 'community orientation' factor is more strongly correlated with the remaining variables, particularly placing a high importance on involvement in the local community, religion, health and leisure activities. The home is a relatively minor component of the career factor. The correlation between the importance placed on the home in which you live is +0.54 for the community factor and +0.17 for the career factor.

**Table 1: Importance of factors in individual's lives: mean ratings from 0 (no importance at all) to 10 (the most important thing in my life), HILDA Wave 1.**

	Females	Males	All
The home in which you live	8.4	8.2	8.3
Your employment and work situation	6.3	7.1	6.7
Your financial situation	8.0	7.9	7.9
Your involvement in local community	5.8	5.5	5.6
Your health	9.0	8.8	8.9
Your family	9.7	9.4	9.5
Your leisure activities	8.0	7.8	7.9
Religion	5.2	4.2	4.7

<sup>3</sup> More precisely, SAS software's principle factor procedure with the promax rotation option was used.

The high priority placed upon the home in which one lives applies across both genders and different age groups. The importance one places on their home is lowest in the 'prime' working-ages of 25 to 44, presumably because career and family take relatively greater precedent during this stage of the life cycle (see Table 2). Beyond that the importance placed on the home increases with age, and the mean is greatest for people aged 65 and older. This may reflect a greater proportion of time spent in the home as people withdraw from the labour market and retire. Interestingly, women who are married or living in de facto relationships report placing a significantly lower importance on the home in which they live than their single counterparts. The opposite is true for men – those with partners place greater importance on the home than do single men.

Stark but surprising differences also occur across people of different housing tenure. For those who are not dependent children or students, each individual is classified as either a home owner (including purchasers), renter or rent free/life tenure on the basis of the status indicated on the household form. Renters are further classified as either private renters, government renters or 'other' (including caravan parks and community or cooperative housing). Dependents within all those household types are grouped separately. Unsurprisingly, those who own or are purchasing their home place a high importance upon the home in which they live, significantly more so than those who rent from a private landlord or real estate agent.

**Table 2: Importance of the home in which you live: mean ratings from 0 (no importance at all) to 10 (the most important thing in my life), by age, gender, marital and housing status, HILDA Wave 1.**

	Females	Males	Persons
<i>Age</i>			
15-24 years	8.3	8.2	8.3
25-34 years	8.1***	7.7***	7.9***
35-44 years	7.9***	7.8***	7.9***
45-54 years	8.3	8.0***	8.2
55-64 years	8.7***	8.5***	8.6***
65 years and over	9.2***	9.1***	9.1***
<i>Marital status</i>			
Single	8.5***	8.0***	8.3
Partnered	8.3	8.2	8.2
<i>Housing status</i>			
Home owner/purchaser	8.5	8.3	8.4
Rents privately	7.9***	7.3***	7.7***
Rents – government housing	8.3*	8.5	8.4
Rents - other	8.5	7.5***	8.1*
Lives rent free/life tenure	8.2	7.8**	8.0***
Dependent within h-hold	8.5	8.4	8.4
<b>All</b>	<b>8.4</b>	<b>8.2</b>	<b>8.3</b>

Notes: \*\*\*,\*\* and \* indicate that the figure is significantly different from the figure for persons aged 15-24 years/single persons/homeowners at the 1 per cent, 5 per cent and 10 per cent levels, respectively, according to the standard t-test for the equality of means.

What is surprising is that people who rent from government housing authorities place a very similar level of importance upon their home as do home owners. Indeed the means for public renters are significantly higher than those for private renters. Given that families in public housing have low average incomes a possible explanation for this result is that as incomes fall the value placed on the home increases. That is there is a high degree of complementarity between low income goods (including leisure time) and the home. Alternatively, because public housing is subsidised, the housing that tenants secure may exceed what they could afford themselves, and thus their current housing situation exceeds their expectations or the standard of housing they have previously become accustomed to.

*Satisfaction and perceptions of adequacy of the home*

A growing body of empirical research within economics uses self reported levels of life satisfaction or happiness to measure economic prosperity and performance, challenging the orthodox approach in which financial income or wealth is used as the sole indicator of prosperity and progress. Wooden and Headey (2004) and Dockery (2003) use the ratings of 'satisfaction with your life as a whole' contained within HILDA as a measure of wellbeing. Table 3 shows the correlations between this measure of overall wellbeing and the reported level of satisfaction with other dimensions of peoples' lives. The dimension most strongly correlated with overall life satisfaction is actually satisfaction with one's financial situation. With a somewhat weaker association, the correlations with satisfaction with health (0.41), feeling safe (0.40) and then the home in which you live (0.39) are grouped closely together. The weakest correlations with overall life satisfaction are with the amount of free time you have and, perhaps surprisingly, employment opportunities. The data clearly suggests that living in a home with which one is satisfied is an important contributing factor to overall wellbeing.

**Table 3: Correlation coefficients between satisfaction levels with various factors and overall life satisfaction, HILDA Wave 1.**

	Females	Males	All
The home in which you live	0.39	0.39	0.39
Your employment opportunities	0.33	0.35	0.34
Your financial situation	0.44	0.43	0.44
How safe you feel	0.41	0.39	0.40
Feeling part of your local community	0.37	0.36	0.37
Your health	0.41	0.41	0.41
The neighbourhood in which you live	0.37	0.37	0.37
The amount of free time you have	0.34	0.32	0.33
With your life as a whole	1.00	1.00	1.00

Of the correlations between satisfaction with each of these other dimensions and satisfaction with the home in which one lives, the strongest is with the neighbourhood in which one lives (0.39). Satisfaction with employment opportunities (0.17) and health (0.18) has the weakest correlations with satisfaction with the home. This may be partly because both poor health and low employment opportunities are associated with more time spent at home. The mean of the satisfaction ratings with 'the home in which you live' for all survey respondents is 8.0, however the distribution is unusual. The most common response was a rating of 10, with 32 per cent of respondents indicating they were totally satisfied with their home. The next most common response was an 8, nominated by 21 per cent of respondents. Only seven per

cent indicated a satisfaction level below the neutral rating of 5 (neither satisfied nor dissatisfied).<sup>4</sup>

Satisfaction with the home in which one lives seems to follow a similar cycle through life as the importance one places on their home. It follows a 'U' shape with age, being lowest in the prime working ages of 25 to 44 and highest for persons over 65. There is no difference in mean satisfaction levels between single and partnered females, but partnered males both place higher importance on the home in which they live than do single men and report higher levels of satisfaction. The pattern of satisfaction levels by housing status also mirrors the pattern of importance ratings. It is home-owners who are the most satisfied with the home in which they live but again the results for those in public housing are unexpected. People who rent from a government housing authority are more satisfied with the home in which they live than are private renters.<sup>5</sup>

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<sup>4</sup> This is in line with the findings of other research on subjective wellbeing. Few people express dissatisfaction with things in their personal sphere of control. They are far more willing to express dissatisfaction with such factors outside their own control, such as the state of the economy or the performance of the government (see Glatzer 1991, p. 266-267).

<sup>5</sup> This result is significant at the 1 per cent level for males and persons in total, but only weakly significant (10 per cent) for females according to the standard t-test.

**Table 4: Satisfaction with the home in which you live: mean ratings from 0 (completely dissatisfied) to 10 (completely satisfied), by age, gender, marital and housing status, HILDA Wave 1.**

	Females	Males	Persons
<i>Age</i>			
15-24 years	8.0	8.1	8.0
25-34 years	7.4***	7.4***	7.4***
35-44 years	7.6***	7.6***	7.6***
45-54 years	8.2**	8.1	8.1*
55-64 years	8.4***	8.5***	8.5***
65 years and over	9.0***	9.0***	9.0***
<i>Marital status</i>			
Single	8.0	7.9	8.0
Partnered	8.0	8.1***	8.1**
<i>Housing status</i>			
Home owner/purchaser	8.3	8.3	8.3
Rents privately	7.0***	6.9***	6.9***
Rents – government housing	7.2***	7.5***	7.3***
Rents - other	7.7***	7.1***	7.4***
Lives rent free/life tenure	7.9***	7.5***	7.7***
Dependent within h-hold	8.4	8.4	8.4
<b>All</b>	<b>8.0</b>	<b>7.9</b>	<b>8.0</b>

Notes: \*\*\*,\*\* and \* indicate that the figure is significantly different from the figure for persons aged 15-24 years/persons with partners/homeowners at the 1 per cent, 5 per cent and 10 per cent levels, respectively, according to the standard t-test for the equality of means.

The similarities in the patterns for ratings of importance and satisfaction with housing suggest a positive correlation between the two. This is confirmed statistically, with a correlation coefficient of 0.38 between the two ratings across individuals (0.36 for females and 0.41 for males). As discussed above, this result may be endogenous in the sense that people who place greater importance on the home in which they live are also likely to invest more in it either financially or through their time and efforts, thus increasing their satisfaction with their home. Equally, people who live in a home with which they are highly satisfied will be more likely to rate the home as being of more importance in their lives.

For the questions relating to adequacy of housing for your current needs, respondents were given a five point scale of much less than adequate, less than adequate, adequate, more than adequate, much more than adequate.

Means by selected housing status are presented in Table 5. Given that the midpoint of 3 corresponds to 'adequate', these results also confirm widespread satisfaction with housing in Australia. On these measures it is clear that home-owners rate their houses as far more adequate, particularly with respect to comfort, living space and number of bedrooms. Further, public housing tenants rate the adequacy of their housing lower on these factors than do private renters. However there is little difference between home owners, private tenants and public housing tenants in terms of perceived adequacy of access to public transport or other services used. Home owners rate their access to public transport as less adequate than both private renters and public renters.

**Table 5: Mean adequacy ratings by selected housing status: scale from 1 (much less than adequate) to 5 (much more than adequate), HILDA Wave 1.**

	Owners/ purchas er	Private rent	Govt. rent	All
Living space	3.4	3.1	2.9	3.3
Number of bedrooms	3.4	3.1	2.9	3.3
Comfort	3.5	3.1	2.9	3.4
Distance from public transport	3.1	3.3	3.2	3.2
Access to services normally used	3.2	3.3	3.2	3.2
Housing needs in general	3.5	3.2	3.0	3.4

Note: the HILDA question refers to 'adequacy of your housing for your current needs'.

The correlation between the ratings for these functional aspects of housing and the adequacy rating for housing overall is strongest for comfort, living space and number of bedrooms, precisely the three factors with which home owners report greater adequacy. This holds too for the correlation between these adequacy ratings and the person questionnaire's ratings of 'satisfaction with the home in which you live'. There is almost no relationship at all between adequacy ratings for access to services and distance to public transport and the home satisfaction ratings.

A number of results stand out from the descriptive investigation presented in this section. The first is the remarkable consistency in importance and satisfaction ratings between the genders, notwithstanding some significant differences when we further differentiate on the basis of marital status. Second, the home in which one lives (and the neighbourhood in which it is located) plays a major part in shaping peoples' overall level of wellbeing. The third is the importance that public housing tenants place upon the home in which they live coupled with the high level of satisfaction they report with their homes, at least relative to private renters. Taking the second and third of those findings together, the implication must be that the provision of public housing contributes substantially to the overall wellbeing of public housing tenants. Since public housing tenants are a demographic which consist of a high proportion of families in poverty and worklessness, this highlights the importance of public housing as a policy instrument in promoting equality in wellbeing within our society. Further the high importance public tenants place on the home in which they live and their satisfaction with that home is to a large degree immune from the functional disadvantages of their dwellings in terms of living space, the number of bedrooms and comfort.

## 5. Multivariate analysis

What lies behind the variation in the importance placed on a home and reported satisfaction with one's home? The previous section noted a distinct trait in which individuals place a strong emphasis upon their careers and financial situations, and accordingly a lower relative emphasis upon housing. The variation by age is likely to reflect a greater relative emphasis placed upon career in the ages from 25 to 44. Similarly findings relating to housing status can be expected to reflect other underlying variables correlated with home ownership or with finding oneself in need of housing assistance. The interpretation of satisfaction ratings is further complicated by the fact that individuals' satisfaction levels will be influenced by their expectations. Thus the higher level of satisfaction reported by people in public housing rather than private rentals may reflect that housing assistance allowed them to access housing of higher quality than they expected or were accustomed to given their income or employment status. It may not reflect a higher absolute standard of housing.

These issues are further explored by estimating multivariate models of the importance and satisfaction ratings. As the dependent variables take on a discreet range of ordered values, an appropriate statistical technique is the ordered probit model. The original rankings on the scales from 0 to 10 are transformed into five-point dependent variables to achieve a more even distribution across the values as shown in Table 6. To abstract from the complications presented by multi-family households and dependents, the sample for estimation is restricted to people within single family households and who are not dependent children or dependent students. With these restrictions the available sample for estimation is 11,675 individuals (6,292 females and 5,383 males) from 7,348 households, however this is further reduced where there are missing values for any of the variables in the model.

**Table 6: Importance in your life of, and satisfaction with, the home in which you live: original variables and transformed dependent variables.**

Original rating	Transformed importance variable		Transformed satisfaction variable	
	Value	Frequency (%)	Value	Frequency (%)
0 to 5	1	10.2	1	12.9
6-7	2	17.4	2	18.1
8	3	19.7	3	20.7
9	4	16.0	4	16.5
10	5	36.7	5	31.8

Notes: zero equates to 'of no importance at all' ('completely dissatisfied') and 10 'the most important thing' ('completely satisfied') for the original importance (satisfaction) variables.

Models are estimated separately for males and females. The estimation strategy is to first estimate 'base' models with variables capturing background demographic characteristics of the individual and physical characteristics of their dwelling. A second model is then estimated incorporating variables relating to the socio-economic status of the individual and the neighbourhood in which they live. The intention behind this approach is to test the sensitivity of the initial estimates to the presence of controls for socio-economic status and neighbourhood effects.

For the explanatory variables, demographic characteristics included in the initial models are age, family type, housing status, labour force status and self-assessed health and disability status. Variables capturing dwelling characteristics include dwelling structure, its external condition, the number of bedrooms and the adequacy ratings analysed in the previous section. Dwelling structures are classified as one of the following categories: a separate house; semi attached town house or terrace house; flat, unit or apartment; or some 'other' type, potentially encompassing caravans, cabins, tents, houseboats and so on. The variables for dwelling structure and external condition of the dwelling are based on interviewers' observations. In the expanded models, level of education and individuals' self-assessed level of financial prosperity are used to measure socio-economic status, and the SEIFA indices to capture different aspects of the socio-economic status of the immediate neighbourhood. All variables are one-zero dummies unless their range is given in square parentheses in the tables of results.

#### *Importance of the home in which you live*

Models of the importance of the home are reported in Table 7. Reported importance varies with age, but the pattern differs for men and women. Over the ages from 15 to 44 there is little difference in the importance women attach to the home in which they live, and beyond 45 it rises rapidly. For men importance placed on the home initially declines, and is lowest for the ages from 35 to 54, and then also rises rapidly. Thus the strong increase in priority afforded to the home with older age occurs later in life for men.

Female sole parents place significantly greater importance on the home in which they live than other women. The same effect is not identified for men, which is not unexpected from a statistical perspective since sole parents represent only around 2 per cent of men in the sample (as opposed to 10 per

cent for females). Couples without children place the least emphasis on their home, although the result is only significantly different from the default category (single persons with no children) for men (models 7.3 and 7.4). The lower importance afforded to the home by men in childless couples may well be expected when compared to men in couples with children, but it is unclear why the same should be true for single men.

A range of results are consistent with the interpretation that the importance people place on their home increases with time spent there. These include the positive (and very large) coefficients on being aged 65 and over, being unemployed or not participating in the labour market, and having poor health<sup>6</sup> or a long-term disability. With the exception of age, these traits (on average) are also associated with lower socio-economic status, as is being a sole parent. The effect of being unemployed as opposed to employed in increasing the importance one places on their home is markedly greater for men.<sup>7</sup>

Turning to dwelling characteristics, a peculiar result is that the importance people place on their home decreases with the number of bedrooms. This effect dominates the alternative variable of the adequacy rating of the number of bedrooms 'for your current needs'. For men, rated adequacy of access to services is also negatively associated with importance placed on the home, possibly indicating substitution between the services accessed and home activities (eg. laundromats, restaurants, leisure activities). Adequacy of the dwelling in terms of comfort and living space do have the anticipated positive coefficients. For dwelling structure the most robust result is the low importance placed on their home by people in the 'other' category, which includes various arrangements as caravans and cabins. In the models for women (7.1 and 7.2) there are no differences between the remaining categories and thus these have been collapsed into a single default category. There is some evidence that men living in townhouses or flats/apartments place a lower level of importance on their home than those residing in a separate house.

In each of the models private renters and people living in rent-free accommodation report caring less about the home in which they live relative to home owners. Female public housing tenants also report caring less about

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<sup>6</sup> In HILDA health was self-assessed as either excellent, very good, good, fair or poor. For the models reported in Table 7 there is no significant difference between persons reporting the first three of these options. Thus the 'default' category against which persons reporting 'fair' or 'poor' health are compared has been collapsed into one category covering excellent, very good or good health.

<sup>7</sup> Initially employment was broken down by part-time and full-time status, however for the purposes of all the models estimated here the effect of being employed proves to be effectively a homogenous state.

the home in which they live, to roughly the same degree as other renters. However, male public tenants seem to place much the same priority on the home in which they live as do home-owners, and a greater priority than males in other rentals.

Recall that these effects hold after controlling for the dwelling characteristics and other demographic and labour market variables in the model. Further, the results pertaining to housing status and to the other variables change very minimally when additional controls for individuals' socio-economic status and that of the neighbourhood of their dwelling are included (models 7.2 and 7.4). Level of qualification and self assessed prosperity are entered to capture dimensions of the individual's socio-economic status. In these models the measure of prosperity is not significant, however, a very strong inverse relationship between level of qualification and the importance placed upon the home is apparent for both genders. Highly educated people report caring much less about the home in which they live relative to other dimensions of their life.

Two of the SEIFA indices are significant in these models — the index of economic resources and the index of socio-economic disadvantage. The index of economic resources relates to indicators of the wealth of families within the neighbourhood — the size of their homes and their incomes and expenditure (including expenditure on rent). If rivalry effects are strong, then we may expect living in more affluent areas would influence one to place greater importance on their home in which they live, and thus anticipate a positive coefficient on this variable. Equally, however, to the extent that we have not fully controlled for the characteristics of the dwelling, it would be expected that dwellings in higher deciles of this index would be nicer homes, and thus we may also anticipate a positive coefficient. Consistent with one or both of these interpretations the result is a positive estimated effect of moderate magnitude.

The index of socioeconomic disadvantage is derived on the basis of the proportion of people in the neighbourhood with low incomes, low educational attainment and who are unemployed or work in low skilled occupations. Note, however, that all the SEIFA indices are constructed such that a high score indicates a more advantaged area.<sup>8</sup> Thus the negative coefficient on this variable indicates that residing in an area of disadvantage increases the importance placed on the home. This is inconsistent with the

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<sup>8</sup> As such this index would better be termed an index of socio-economic advantage. However, a separate index bearing this name is also calculated by the ABS based on the proportion of people with high incomes, education levels and job skills. Thus we retain the (admittedly confusing) label of socio-economic disadvantage.

result for the index of economic resources. The variables are of lower magnitude and significance when included separately, suggesting their effects largely cancel one another out when included jointly. The inclusion of one or both of the variables has very little impact on estimates for the effects of other variables.

*Satisfaction with the home in which you live*

As noted previously, characteristics generally have a similar effect on both the reported level of importance placed on the home and the reported level of satisfaction with the home in which you live. The sizeable effects of age, level of education and housing status, for instance, are similar for both these dependent variables. Married men with no children place significantly less importance on their home than other men, and likewise report being less satisfied with their homes.

Some differences do stand out. Coefficients taking different signs in the corresponding models, or markedly different magnitudes, may be taken as a mismatch between housing needs and wants. Sole parent females in particular report placing a significantly higher priority on the home as a factor in their lives (a positive coefficient), but are found to be less satisfied with their home (a negative coefficient) in models 8.1 and 8.2, although this latter is only weakly significant. This would indicate that sole parents are a group who struggle to meet their housing needs. This also holds for people of low health. Self-assessed prosperity relative to needs<sup>9</sup> is significant and positively associated with satisfaction with the home in the models 8.2 and 8.4, however this variable was not consistently significant or of consistent sign in the models for importance. This would suggest that wealthier peoples' housing needs are generally met more adequately than are the needs of poorer people, even after allowing for their higher expectations that the wealthy will have as a result of their higher socio-economic status and that of the neighbourhoods in which they live. The 'absolute' wealth effect will be even greater as the effect of wealth here will be obscured by richer people tending to also see their needs as greater.

Satisfaction increases with adequacy of living space and comfort of the home, but as in earlier models of importance, declines with access to services used. There is also weak evidence that satisfaction with the home increases where

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<sup>9</sup> Prosperity is assessed 'given your current needs and financial responsibilities' as either prosperous, well-off, comfortable, getting by, poor or very poor. It is coded in the models such that 1 represents very poor and 6 prosperous.

the adequacy of access to public transport is lower. This is likely to reflect people having located further out from city and regional centres in order to secure more affordable housing (ie. higher quality housing given their budget constraints).

**Table 7: Ordered probit results for importance placed on the home in which you live, HILDA 2001.**

	Females (7.1)	Females (7.2)	Males (7.3)	Males (7.4)
Intercept	-0.6607***	-0.4328***	-0.5877***	-0.4380***
<b>Age (years)</b>				
15 to 24	0.0497	0.0357	0.2520***	0.2171**
25 to 34	0.0657	0.0854**	0.1150**	0.1203**
35 to 44	—	—	—	—
45 to 54	0.2128***	0.1834***	0.0539	0.0616
55 to 65	0.3562***	0.2965***	0.2654***	0.2303***
65 and over	0.7011***	0.6121***	0.6157***	0.5600***
<b>Family type</b>				
Couple with children	0.0242	0.0052	0.0323	0.0337
Couple, no children	-0.0479	-0.0221	-0.1159**	-0.1344***
Sole parent	0.1554***	0.1396**	0.0194	-0.0291
Single, no children	—	—	—	—
<b>Housing status</b>				
Owner/purchaser	—	—	—	—
Rent privately	-0.2068***	-0.2282***	-0.3058***	-0.3364***
Rent from govt. authority	-0.2450***	-0.3059***	0.0934	-0.0122
Rent free/life tenure	-0.2592***	-0.2710***	-0.2643***	-0.2792***
<b>Labour force status</b>				
Employed	—	—	—	—
Unemployed	0.2229**	0.1642*	0.3685***	0.3031***
Not in labour force	0.1868***	0.1109***	0.1757***	0.1454***
<b>Self assessed health</b>				
Exc/v. good/ good	—	—	—	—
Fair health	0.1332***	0.1083**	0.1316**	
Poor health	0.2120***	0.1798**	0.0419	
Has long term disability			0.0801*	0.0852**
<b>Dwelling structure</b>				
Separate house	—	—	—	—
Semi-detach terrace/townhouse	—	—	-0.1152*	-0.0606
Flat/unit/apartment	—	—	-0.1626**	-0.0817
Other (caravan, cabin etc.)	-0.3947***	-0.4028***	-0.4574***	-0.5253***
Number of bedrooms [0- 10]	-0.0736***	-0.0678***	-0.0457**	-0.0223

Adequacy of Living space [1-5]	0.0338	0.0305	0.0546 **	0.0511 **
Comfort [1-5]	0.0477 **	0.0645 ***	0.0554 **	0.0649 ***
Access to services used [1-5]			-0.0781 ***	-0.0446 **
<b>Qualifications</b>				
No post-school qualifications	—	—	—	—
Low qualifications		-0.1642 ***		-0.2756 ***
Medium qualifications		-0.2361 ***		-0.2773 ***
High qualifications		-0.4582 ***		-0.5971 ***
<b>SEIFA of collection district (Decile)</b>				
Economic Resources [1-10]		0.0167 *		0.0328 ***
Socio-econ. disadvantage [1-10]		-0.0249 ***		-0.0402 ***
Continued over/				

**Table 7 (continued)**

	Females (7.1)	Females (7.2)	Males (7.3)	Males (7.4)
<b>Model intercepts</b>				
Inter.1	0.4233	0.4319	0.4382	0.4493
Inter.2	0.9873	1.0051	0.9865	1.0090
Inter.4	1.6931	1.7152	1.7285	1.7628
Observations	5803	5803	4916	4920
Log Likelihood	-8480.32	-8412.74	-7296.9	-7215.57

Notes: \*\*\*, \*\* and \* denote the estimated coefficient is statistically different from zero at the 1 per cent, 5 per cent and 10 per cent level, respectively.

**Table 8: Ordered probit results for satisfaction with the home in which you live, HILDA 2001.**

	Females (8.1)	Females (8.2)	Males (8.3)	Males (8.4)
Intercept	-2.6156***	-2.7729***	-2.3765***	-2.7014***
<b>Age (years)</b>				
15 to 24	0.1342*	0.1157*	0.0365	-0.0255
25 to 34	0.0331	0.0502	0.0438	0.0273
35 to 44	—	—	—	—
45 to 54	0.1710***	0.1523***	0.1206***	0.1152**
55 to 65	0.2394***	0.1951***	0.3008***	0.2609***
65 and over	0.6638***	0.5933***	0.6161***	0.5323***
<b>Family type</b>				
Couple with children	-0.0717*	-0.0727*	-0.0411	-0.0235
Couple, no children	-0.0165	0.0273	-0.1332***	-0.1158**
Sole parent	-0.1236**	-0.0928	-0.0600	-0.0516
Single, no children	—	—	—	—
<b>Housing status</b>				
Owner/purchaser	—	—	—	—
Rent privately	-0.3326***	-0.3336***	-0.3736***	-0.3496***
Rent from govt. authority	-0.1921**	-0.2109***	-0.0591	-0.0645
Rent free/life tenure	-0.1788*	-0.1887**	-0.3521***	-0.3680***
<b>Labour force status</b>				
Employed	—	—	—	—
Unemployed	0.0513	0.0463	0.0945	0.1049
Not in labour force	0.1453***	0.1050***	0.2237***	0.2341***
<b>Self assessed health</b>				
Excellent health			0.1885***	0.2019***
Very good health			0.0883**	0.0979***
Good/fair health			—	—
Poor health			-0.0744	-0.0633
<b>Dwelling structure</b>				
House/town house/flat	—	—	—	—
Other (caravan, cabin etc.)	-0.2851*	-0.3305**	-0.3424**	-0.4355***
<b>External condition of dwelling</b>				
Good /Very good	0.2152***	0.2086***	0.1637***	0.1774***
Average	—	—	—	—
Poor/very poor/derelect	-0.0705	-0.0786	-0.0846	-0.0625

Number of bedrooms [0-10]	0.0282	0.0287	0.0384 *	0.0387 *
Adequacy of Living space [1-5]	0.2686 ***	0.2581 ***	0.2502 ***	0.2461 ***
Comfort [1-5]	0.2687 ***	0.2675 ***	0.2379 ***	0.2308 ***
Distance to pub transport [1-5]	-0.0272 *	-0.0197	-0.0335	-0.0289
Access to services used [1-5]			-0.0674 **	-0.0568 **
<b>Qualifications</b>				
No post-school qualifications		—		—
Low qualifications		-0.1655 ***		-0.1958 ***
Medium qualifications		-0.1408 ***		-0.2342 ***
High qualifications		-0.3532 ***		-0.4529 ***
Self-assessed Prosperity [1-6]		0.0947 ***		0.1221 ***
Continued over/				

**Table 8 (continued)**

	Females (8.1)	Females (8.2)	Males (8.3)	Males (8.4)
<b>SEIFA of collection district (Decile)</b>				
Economic Resources [1-10]		0.0160 *		0.0309 ***
Socio-econ disadvantage [1-10]		-0.0190 **		-0.0207 **
<b>Model intercepts</b>				
Inter.1	0.4611	0.4679	0.5298	0.5389
Inter.2	1.0669	1.0812	1.2061	1.2246
Inter.4	1.8089	1.8264	2.0093	2.0343
Observations	5734	5705	4895	4876
Log Likelihood	-8190.98	-8109.19	-7084.93	-6999.16

Notes: \*\*\*, \*\* and \* denote the estimated coefficient is statistically different from zero at the 1 per cent, 5 per cent and 10 per cent level, respectively.

## 6. Conclusions

This paper investigates subjective measures of the importance of the home in which people live. Directly analysing self-reported assessments of the importance of the home, and of satisfaction with it, is perhaps an unconventional research question to address. However, the value of this alternative approach can be seen when some of the principal findings are considered in the context of the main approaches for assessing the significance of housing. One of the more conventional approaches is to determine the association between housing status at one point in time with later socio-economic outcomes, such as family formation, employment status and income. The results here show that housing is of greatest importance for people aged 65 and over, precisely the group for whom these objectives have the least relevance. Another common approach is to infer the importance of housing through individuals' willingness to pay, as proxied by aspirations for home ownership or the proportion of income spent on housing. This approach will largely fail to capture the non-pecuniary importance attached to the homes of those who are financially constrained. Evidence presented here suggests that the importance placed on the home is greater for groups who are least likely to become home-owners, such as those in public housing, of poor health, low employment prospects and low levels of education.

Some of the most robust and important findings are that elderly people, lone mothers, people who are not employed, in relatively poor health and with low levels of education care the most about the home in which they live. One hypothesis we put forward to account for a number of these findings is that these groups spend a relatively greater proportion of their time at home, and thus the home is of greater importance to them. However, the fact that these groups are also of lower average socio-economic status suggests there may be other confounding factors at work.

A study similar in approach to that taken here is Merlo and McDonald's (2002) analysis of the characteristics associated with aspiring to purchase a home in the near future. Some of their findings are consistent with our own, such as the desire for home ownership being positively associated with being non-university educated. However their findings that being aged around 39, employed, having strong career aspirations and being married with children are all associated with strong desires for home ownership all contrast sharply with our own. These contrasts well illustrate that the state of home ownership or aspirations of home ownership are quite different from placing a high importance on the home in which you live. From the perspective of welfare policy, the implications are that policy should not focus on meeting home ownership aspirations to the neglect of the needs of groups such as sole

mothers, the unemployed, the disabled and retirees who place a high importance on the home in which they live but are unlikely to aspire to taking on a mortgage.

The data confirms the considerable contribution that the home in which people live makes to their overall wellbeing. Uncovering why it is that more educated people care significantly less about the home in which they live and are less satisfied with the homes in which they live seems an interesting challenge for further research. Initial indications are that this is related to competing aspirations of career and community orientation. Taking differences in the effects of demographic characteristics on the importance attached to the home and on the level of satisfaction with the home in which people live to signal instances in which housing circumstances fall short of needs, several areas of concern arise. Lone mothers and people of poor health status stand out as groups for whom wellbeing could be significantly improved through access to better housing. This possibly holds for people of low income more generally.

A positive finding is that the housing needs of people in public housing appear largely to be met, despite their homes being relatively less adequate in terms of living space and comfort. Females in public housing are relatively less satisfied with their homes, but equally place lower importance upon them. In contrast, men in public housing place a relatively high onus on their rented homes and are no less satisfied with them even than home-owners. Overall, the results confirm that the provision of public housing plays an important role in improving the wellbeing of public housing tenants.

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- 03:10 Alfred Michael Dockery - Happiness, life satisfaction and the role of work: Evidence from two Australian surveys
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- 04:04 Phillip Anthony O'Hara – A New Transnational Corporate Social Structure of Accumulation for Long Wave Upswing in the Global Economy?

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