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January 2014

## Making sense of housing disparities research: a review of health and economic inequities

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### Recommended Citation

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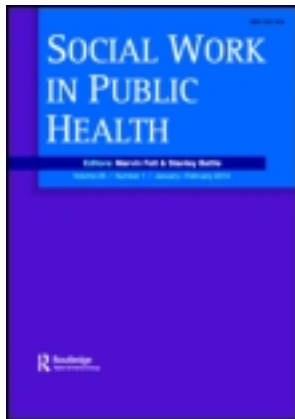
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Publisher: Routledge

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## Social Work in Public Health

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/whsp20>

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Published online: 04 Nov 2013.

To cite this article: Lutchmie Narine & Marcia A. Shobe (2014) Making Sense of Housing Disparities Research: A Review of Health and Economic Inequities, *Social Work in Public Health*, 29:1, 35-41, DOI: [10.1080/19371918.2011.619454](https://doi.org/10.1080/19371918.2011.619454)

To link to this article: <http://dx.doi.org/10.1080/19371918.2011.619454>

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# Making Sense of Housing Disparities Research: A Review of Health and Economic Inequities

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Despite the recent recession and accompanying housing crisis, important gains have occurred in U.S. homeownership over the past several decades; however, wide inequalities among minority and immigrant populations remain. Understanding the role of several under-studied factors on housing outcomes, including health status and disability, and differences in financial capital, such as savings, investments, and other assets, remains a major policy initiative. Although past research has examined African American–White housing disparities, it is also important to explore disparities among Hispanics, Asians, and immigrants. This article reviews health and financial capital disparities in homeownership and home values between Whites and minority populations and offers suggestions for future policy research.

*Keywords:* Homeownership policy, health disparities, capital

## INTRODUCTION

Homeownership is the primary way in which families accumulate wealth in the United States (Shapiro, 2006). Minority and immigrant populations in the United States have made significant gains in recent decades in home ownership and housing values, in part due to housing policies supported by the Clinton and Bush administrations to increase homeownership among minority groups (Gabriel & Rosenthal, 2005). However, the housing gap between non-Hispanic Whites and minority groups has increased within the past several decades (Sykes, 2008).

Home ownership represents an important form of wealth but also has a real significance beyond that of a financial investment. Home ownership has special meaning for people in that it represents permanence, status, success, and control over the environment (Rakoff, 1977; Shobe & Christy-McMullin, 2007). As such it confers significant social and psychological benefits that affect the well-being of adults across a broad spectrum of society (Scanlon, 1997; U.S. Department of Housing and Urban Development [HUD], 2000) and their children (Harkness & Newman, 2003; Haurin et al., 2001). It is important to appreciate that though homeownership per se is important for

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a variety of sociopsychological reasons its importance has traditionally been seen as a contributor to family wealth. Thus it is important to distinguish between rates of home ownership and the relative value in terms of financial worth of homes owned.

Given the importance of home ownership and the relative worth of homes (home values) to the well-being of individuals and families determining the sources of racial, ethnic, and immigrant inequality in rates of ownership and home values remain a major research initiative. This has become even more acute given the rather pronounced gains in the 1990s and the subsequent housing bust of the 2000s. In terms of immigrant housing, it is not clear whether the gains in the 1990s were due to American social policies geared at making homeownership easier for low-income individuals, improvements in the human capital resources among minority and immigrant groups, increases in income among these groups due to a strong economy, or advances made by minority and immigrant groups in assimilating into the mainstream labor market. Indeed, there is growing interest in understanding the role of a number of understudied factors on housing outcomes. These include the role of health status and disability differences; differences in nonemployment income such as interest, dividends, and business income; and differences in ownership of assets such as savings and other real property. As well, much research in the past has focused on African American–White disparities, thus much remains to be learned about the sources of disparities among Hispanics, Asians, and immigrants in general.

The evidence that currently exists on the determinants of housing inequities in the United States is patchy and not wholly convincing (Flippen, 2001). Previous studies have not used an organizing research framework or model. Hence, it is not clear why some variables were studied and others excluded. As well, particular studies tend to focus on select variables, so it is not possible to get a sense of the relative importance of different classes of variables. For example, we do not know the extent to which human-capital-resource differences may be more or less important than say income differences in accounting for disparities in home ownership and housing values (Sykes, 2003). Further adding to the confusion is the fact that the evidence for the importance of one variable or another is obtained from studies that vary in the type of samples they used and how these variables were measured.

This article explores the disparities in house ownership and values between Whites and minority populations (Hispanics, African Americans, and Asians) residing in the United States. Included in this exploration are suggestions for future research. The authors also have included a visual representation of perspectives and associated factors that influence housing disparities (see Figure 1).

### Explanations for Homeownership Disparities

Some distinct explanations about the disparities among groups in the rates of homeownership and the value of housing can be identified. These include human capital, financial resources, discrimination in society and the housing market, social and economic assimilation, and housing policy perspectives. Considering the various predictive variables that have been discussed in the context of perspectives helps put ideas within a more organized research framework. In addition, this has the advantage of also ensuring that any future analyses undertaken have some theoretical foundation.

*Human capital resources.* This perspective argues that inequality in housing ownership or value reflects differential levels of success in the labor market. Income generated through employment in the labor market is seen as the main source for the financial resources needed for housing. The possession of more human capital resources is likely to increase the ability of individuals to be well employed, and this in turn will increase the likelihood of owning a home.

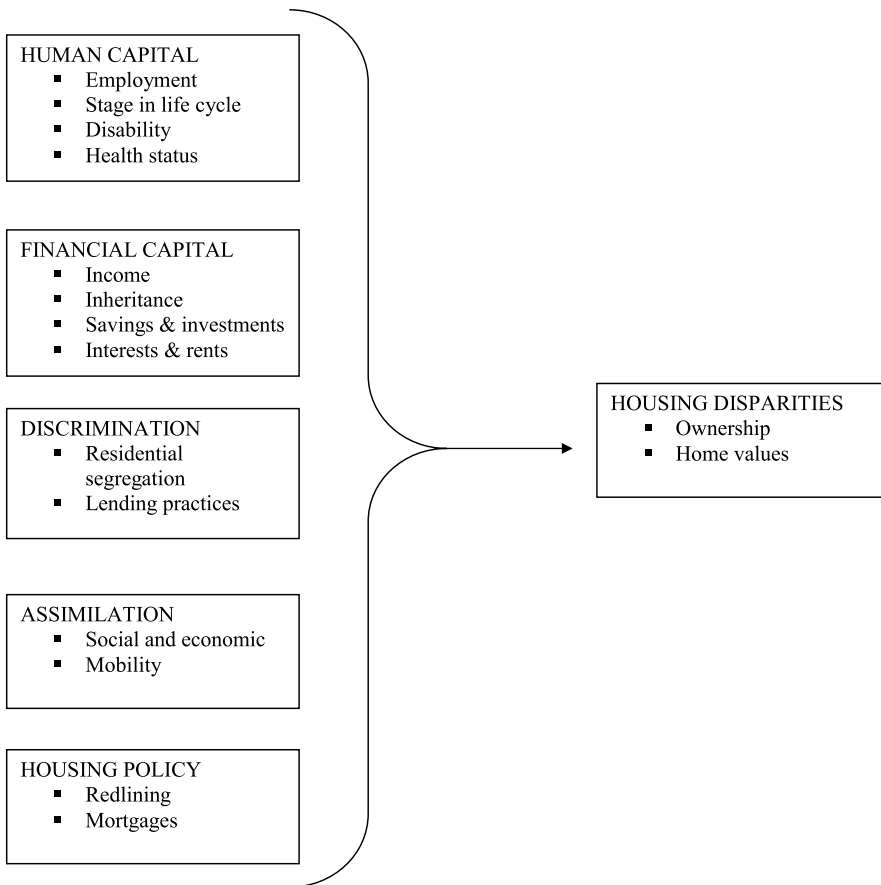


FIGURE 1 Perspectives and associated factors that influence housing disparities.

The human capital resources that are often used as predictors of housing ownership and value include occupational attainment and employment stability (Rouwendal & Nijkamp, 2010) and education (Beverly & Sherraden, 1997; Oliver & Shapiro, 1995).

The importance of human capital is also emphasized by a related perspective referred to as the life cycle model that suggests that disparities in house ownership and value is dependent on an individual's stage in the life cycle. Thus, whether an individual has the resources to afford a home might depend on age, marital status, stage of family composition, and other life-cycle factors (Modigliani & Brumberg, 1954).

Two human capital variables that are rarely included when modeling disparities in house ownership and value are disability and health status. It is important to note that individuals with poor health status may not be able to fully participate in the labor market or other economic activities, and this could limit their capacity to own a home or make improvements that increase the value of their homes. Although disability can be considered a subset of the health status concept, in many cases having a disability is not necessarily an indication of poor health status. One possible scenario to support this suggestion is that persons with disabilities may be limited in the level and nature of their participation in economic activities, which in turn could limit their earning power, which results in disparities in home ownership and housing values.

*Financial capital.* This perspective suggests differences in ownership and house values are a result of individuals and groups having differential access to income and assets (Oliver & Shapiro, 1995). It is the case that the human-capital-resources perspective sees human capital resources as precursors to labor market success and thus the capacity to earn income. The two perspectives differ though in that the financial resources perspective recognizes that income and assets can come from a variety of sources other than employment in the labor market. Variables that are sometimes studied within this perspective include individual and family income, and assets from inheritance, savings and investments, or endowments. As Sykes (2003, 2008) pointed out, few studies have looked at the extended indicators of wealth other than income to explain ethnic, racial, and immigrant group differences in housing ownership and values. Alternative indicators of wealth that are discussed include interests, rental income, and income from business operations.

More recently there is a growing recognition that another potential explanation for disparities in home ownership among groups may be due not only to the income and assets they currently possess but also to their ability to access capital for home purchases and to make home improvements (Sherraden, 1991). Although there are many U.S.-based programs that exist to help minority and low-income groups to purchase a home, there is concern that these groups may not be sufficiently aware of them and may not be as attuned to the workings of housing finances to take advantage of these and other credit programs as do other groups. Thus the concept of financial resources has broadened from a consideration of monetary assets to include the level of knowledge and skill about the details of housing financing and real estate markets.

*Discrimination in society and housing market.* This perspective argues that lower rates of home ownership and housing values are due to the existence of discrimination in home lending and real estate markets. In the 1970s it was observed that significant residential segregation existed across the country, and this resulted partly from White aversion to coresidence with minorities or immigrant groups, and partly from the lower socioeconomic status of minority groups. The result is a dual housing market where different groups face differential supply, quality, and price conditions for housing. Flippen (2001, 2010) noted that despite the potential importance of discrimination for explaining housing inequality, until recently there has been limited contemporary research on the topic. Much of the information on this issue stems from data from the 1970s comparing differences between African Americans and Whites. However, the decade of the 1990s and the recent U.S. housing crisis saw significant shifts in the residential conditions of African Americans and Hispanics that may affect how we view the discrimination explanation for housing inequality (Flippen, 2010). Recent decades have seen substantial growth in minority suburbanization along with significant abandonment of urban areas and a resulting loss of population. Flippen (2001) also points out that “there are virtually no studies about the housing impact of residential segregation on minority groups other than Blacks” (p. 339). This of course is a significant gap in the literature because there has been major growth in the Hispanic population in the past decade. Indeed, Hispanics are now the largest minority group in the country, and there are indications that Hispanic segregation from Whites has grown in recent decades. For example, recent research indicates significant similarity between African Americans and Hispanics in terms of spatial and contextual influences on home ownership, with decreased inequality and increased homeownership in metropolitan areas and increased inequality and decreased homeownership in racially and ethnically segregated areas (Flippen, 2010).

The primary factor that has been studied within this perspective is the concept of residential segregation itself. There are at least five dimensions of residential segregation including evenness, exposure, concentration, centralization, and clustering worth considering (Massey & Denton, 1993).

*Social and economic assimilation.* This perspective argues that inequality in housing ownership or value reflects differences in the level of social and economic assimilation achieved by minority and immigrant groups. The assumption is that groups that are considered “different” will over time advance and acquire mainstream values and habits that allow them to become better incorporated and assimilated in the labor market. This greater assimilation will in turn provide them with the means to take advantage of opportunities to own homes and invest in home improvements. In the case of American-born minority groups, assimilation is often measured by indicators that they have experienced upward social and economic mobility. Upward social and economic mobility is also an indicator of greater assimilation for immigrant groups, but it is assumed the level of assimilation achieved is dependent in part on the length of time they have lived in the country and participated in the labor market (Clark, 2001).

Thus as minority group members, including immigrant minorities, acquire higher levels of human capital resources (e.g., education), enter the mainstream economy, and reap the benefits of higher income they would be expected to convert these status achievements into improved housing outcomes. However, in practice this has not always proved to be the case. For example, Asians tend to have higher average incomes than Whites but have considerably lower levels of house ownership (U.S. Census Bureau, 2011). Similarly the average Hispanic income is slightly higher than the average for African Americans, but this difference is not reflected in higher rates of Hispanic home ownership (U.S. Census Bureau, 2011).

*Housing policy.* This perspective proposes that housing policies implemented by various levels of government influence the level of disparities in homeownership and home values in the United States. Housing policies can have negative and positive effects. Semyonov, Lewin-Epstein, and Davidov (1993) point out well-intentioned policies can be the solution and source of housing inequality. For example, the 1930’s Home Owner’s Loan Corporation (HOLC) policy of redlining unintentionally undervalued racially and ethnically mixed neighborhoods. This practice was used as a model for other institutions and led to the broad exclusion of racial and ethnic groups from home ownership (Myers & Wolch, 1995). Similarly, the housing policies of the Clinton and Bush administrations were geared toward the worthy goal of increasing home ownership among previously disenfranchised groups. However, as we have seen these well-intentioned policies seems to have spawned a number of mortgage lending and other financial derivative practices that has produced a housing and economic crisis that are adversely affecting the very groups the housing policies were intended to benefit.

## IMPLICATIONS FOR POLICY AND RESEARCH

### U.S. Policy

The decade of the 1990s experienced great growth in minority and immigrant ownership of housing, which in part has been attributed to contemporary housing policies. Unfortunately, it is difficult to isolate policy effects from other potential explanations for variations in housing outcomes due to the public availability of relevant and reliable data. However, as a result of the 1992 Government Sponsored Enterprises (GSE) Act, a database on mortgages and other loan information from Fannie Mae and Freddie Mac is now available for public use (Bhutta, 2009). This data can be a good proxy for future studies that examine the effects of policies to make funds available for purchasing housing more accessible and affordable.

It is important that policy makers understand if and how determinants of housing ownership have changed between the 1990 and 2010 census periods. Understanding the shifts in the nature of variables that affect home ownership will in turn help policy makers shift their policies to become

more aligned with the economic and social realities that are shaping housing consumption decisions. Future research that examines the relative importance of sets of variables corresponding to the aforementioned perspectives will be important to housing policy makers because understanding which perspective best explain housing disparities and for which groups will in turn help policy makers to better target their policies to ensure that the factors that make the most difference to a group are addressed in initiatives to encourage home ownership.

Indeed, this will be particularly important with respect to understanding why even subgroups within broad racial/ethnic groupings such as Hispanics and Asians have not always benefited from government housing policy directed at minorities in general and to tailor future policies in more precise ways to these racial and ethnic subgroups. For example, housing policies will differ if future findings show that human capital resources are more important determinants of housing disparities than societal or housing market discrimination. The same would apply if the evidence were to show that financial resources or economic and social assimilation were more important than other sets of variables.

## Research

This decade has seen significant steps taken to reduce ethnic and racial housing disparities, yet the gap in homeownership and home values between minorities and Whites continues to persist. It may be the case that the current housing crisis may exacerbate or magnify these differences. Future research can help us understand what has changed and what has remained the same in what we know about the factors that determine racial and ethnic disparities in housing attainment. The human, social, and financial capital variables that potentially could be important predictors of housing ownership have been relatively understudied in the past. These also include variables related to health status (functional ability), income other than wage earnings (business income, dividends, interest and rental income), and assets (savings and other real property). In addition, though previous studies have largely defined homeownership as whether the head of household owns the home, it is important to look as well at the alternate dependent variable of housing value. It is possible that as minorities close the gap in terms of owning homes disparities may persist with respect to the relative values of the homes owned by minorities compared to the reference population, that is, non-Hispanic Whites.

Future studies that help explain disparities in homeownership and home values between Whites and minority populations (Hispanics, African Americans, and Asians) are merited. More specifically, it will be important to study the associations between human capital, financial resources, discrimination in society and housing market, and social and economic assimilation and the likelihood of homeownership and housing value across racial and ethnic groups. Finally, future longitudinal studies need to examine whether the factors that account for disparities remained stable over time or whether they have changed between the 1990 and 2010 census periods.

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