

Abstract

Social housing is allocated to low-skilled workers using non-market mechanisms, which distorts the location decision of low-skilled and high-skilled workers. We investigate empirically whether social housing limits the possibilities for high-skilled workers to become resident of a city. Using unique longitudinal panel data for 40 cities in the Netherlands over the years 1981–2006, we find evidence that social housing reduces the percentage of high-skilled workers in a region. Ceteris paribus a ten percentage point increase of the rent-controlled housing stock is found to reduce the percentage of high-skilled workers in a region by 1.8 percentage points. These results suggest that social housing reduces the ability of cities to benefit from agglomeration economies or skill complementarity.