

DEBT COMMITMENT, HOUSING AND FAMILY ALLOCATION OF TIME

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Abstract

In this paper, we analyze the interrelationship between housing financing decisions and family allocation of time using Italian data. We investigate whether mortgage commitments as well as other debts are related to wives' labor supply decisions. We address the issue of endogeneity by using simultaneous equations models.

In analyzing the effect of housing financing on family labor supply, it is important to consider some institutional factors. The most notable characteristics of the Italian housing market are the high down-payment requirements, short mortgage duration, and slow loan application process. We test whether wives' labor supply is responsive to mortgage debts (relative to other debts) and whether the recent changes towards flexibility in the financial market may be in part responsible for the increase in married women's labor supply among homeowners.

*Keywords:* Labour Supply, Housing, Credit Constraints.  
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