

The Importance of Place for Economic Opportunity: Lessons from Moving to Opportunity

Lawrence Katz
Harvard University
October 2017

Photo Credit: Florida Atlantic University

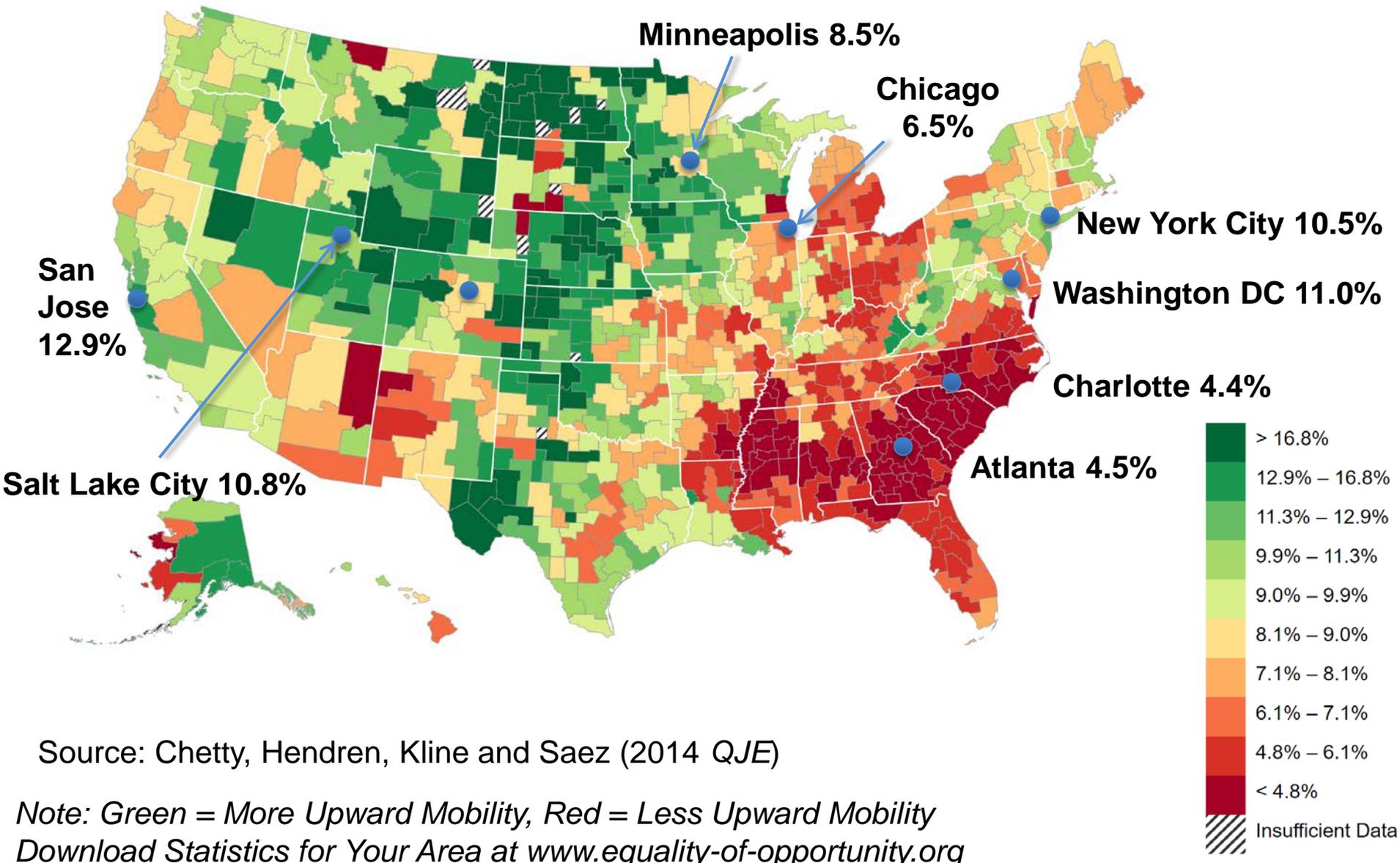


Differences in Upward Mobility Within the U.S.

- Use anonymous earnings records on 10 million children to calculate upward mobility for every metro and rural area
 - All children born in the U.S. between 1980-1982
- Measure upward mobility as odds that a child in a poor family reaches the upper middle class
 - Chance that children born to parents in *bottom* fifth of the income distribution reaches the *top* fifth

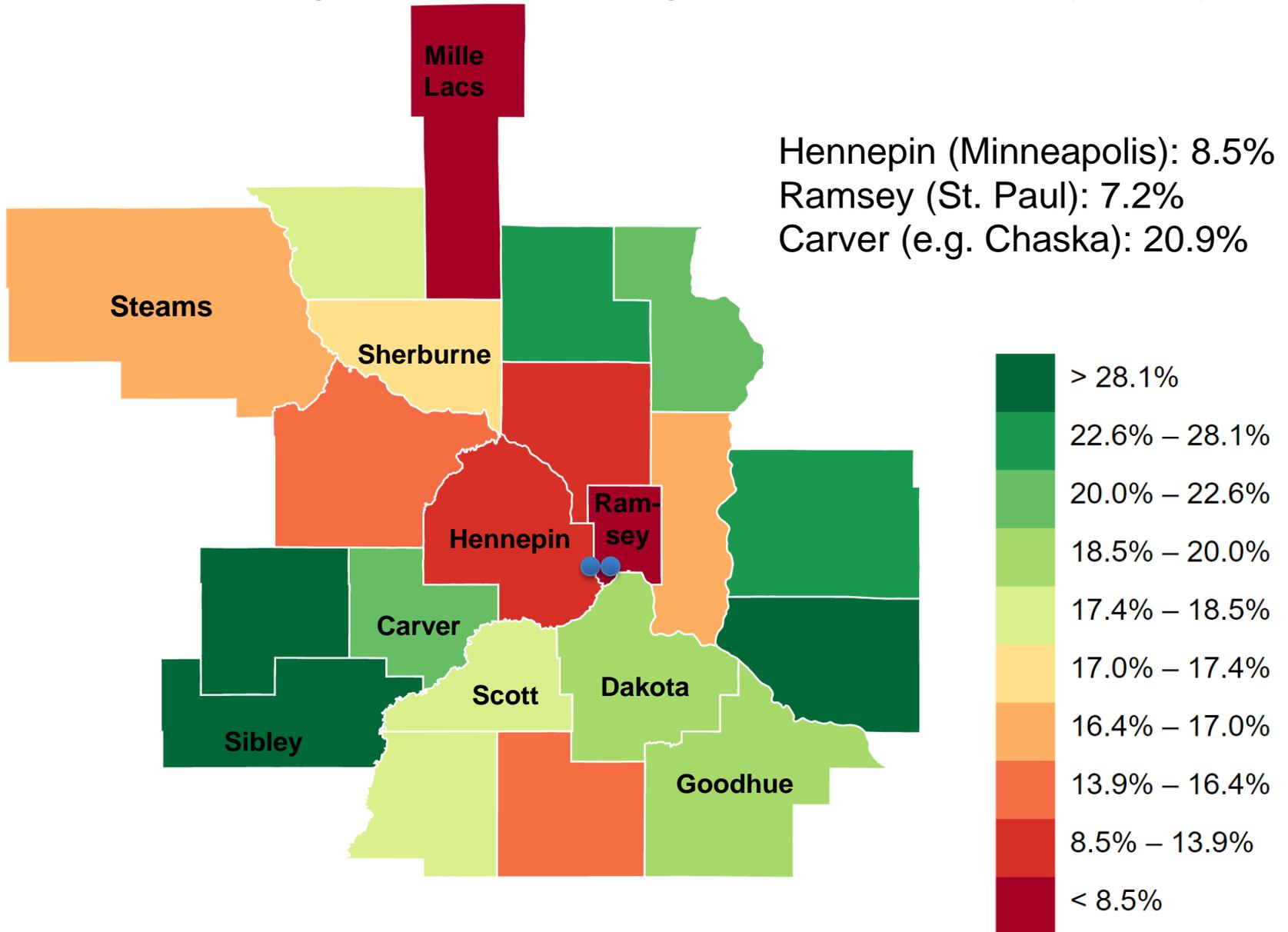
The Geography of Upward Mobility in the United States

Chances of Reaching the Top Fifth Starting from the Bottom Fifth by Metro Area



The Geography of Upward Mobility in the Twin Cities Area

Odds of Reaching the Top Fifth Starting from the Bottom Fifth by County



People vs. Place

- Longstanding debate in social science between two explanations for spatial variation in economic outcomes:
 1. People: different people live in different places
 2. Place: places have a *causal* effect on upward mobility for a given person

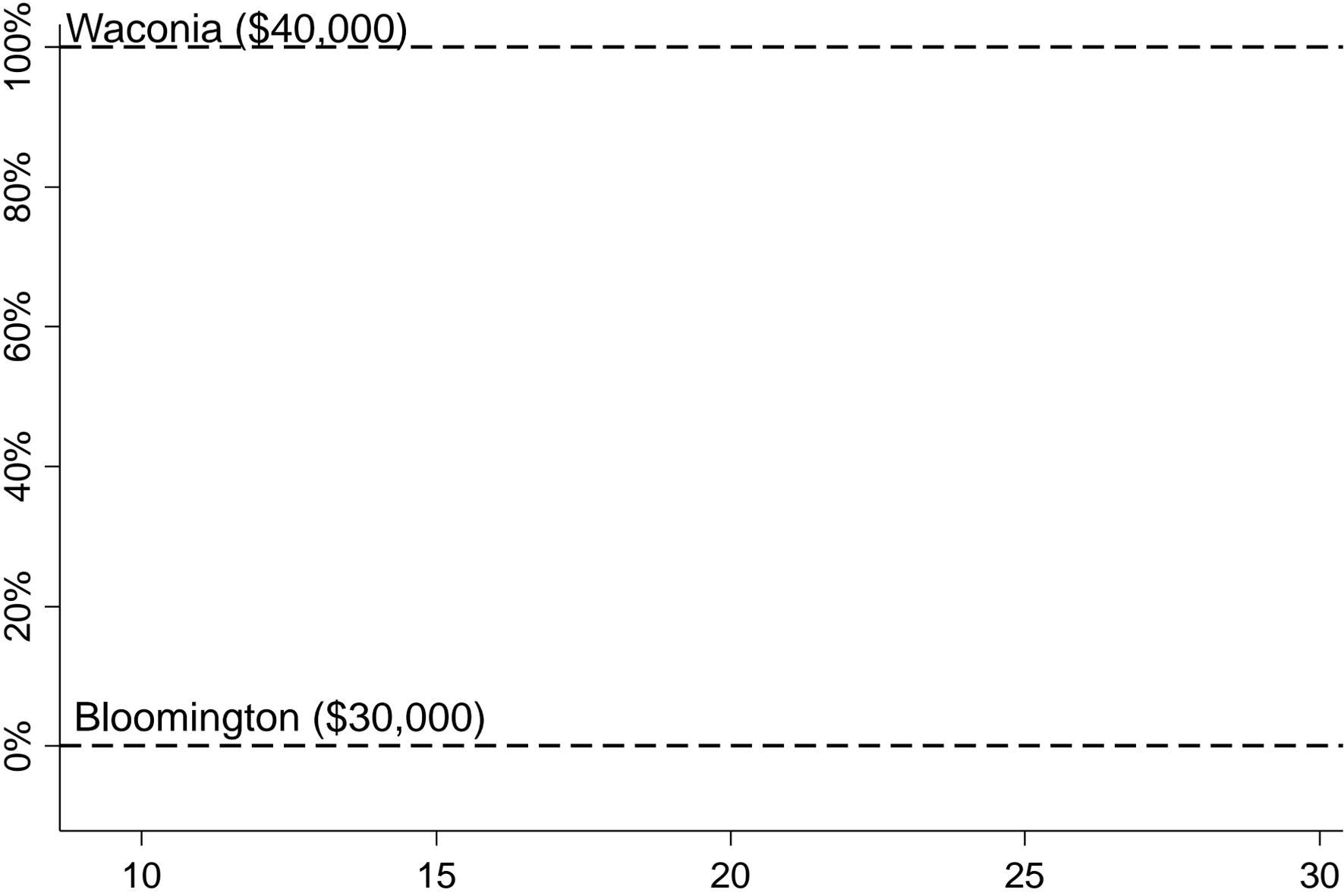
- Test between these explanations by
 - Quasi-Experimental analysis: studying 5 million families that move across counties in the U.S. (Chetty and Hendren 2017)

 - Experimental analysis: using MTO randomized housing mobility experiment: impacts of moves from high-poverty to low-poverty areas from children in poor families (Chetty, Hendren and Katz 2016 ; Ludwig et al. 2013 *AER*)

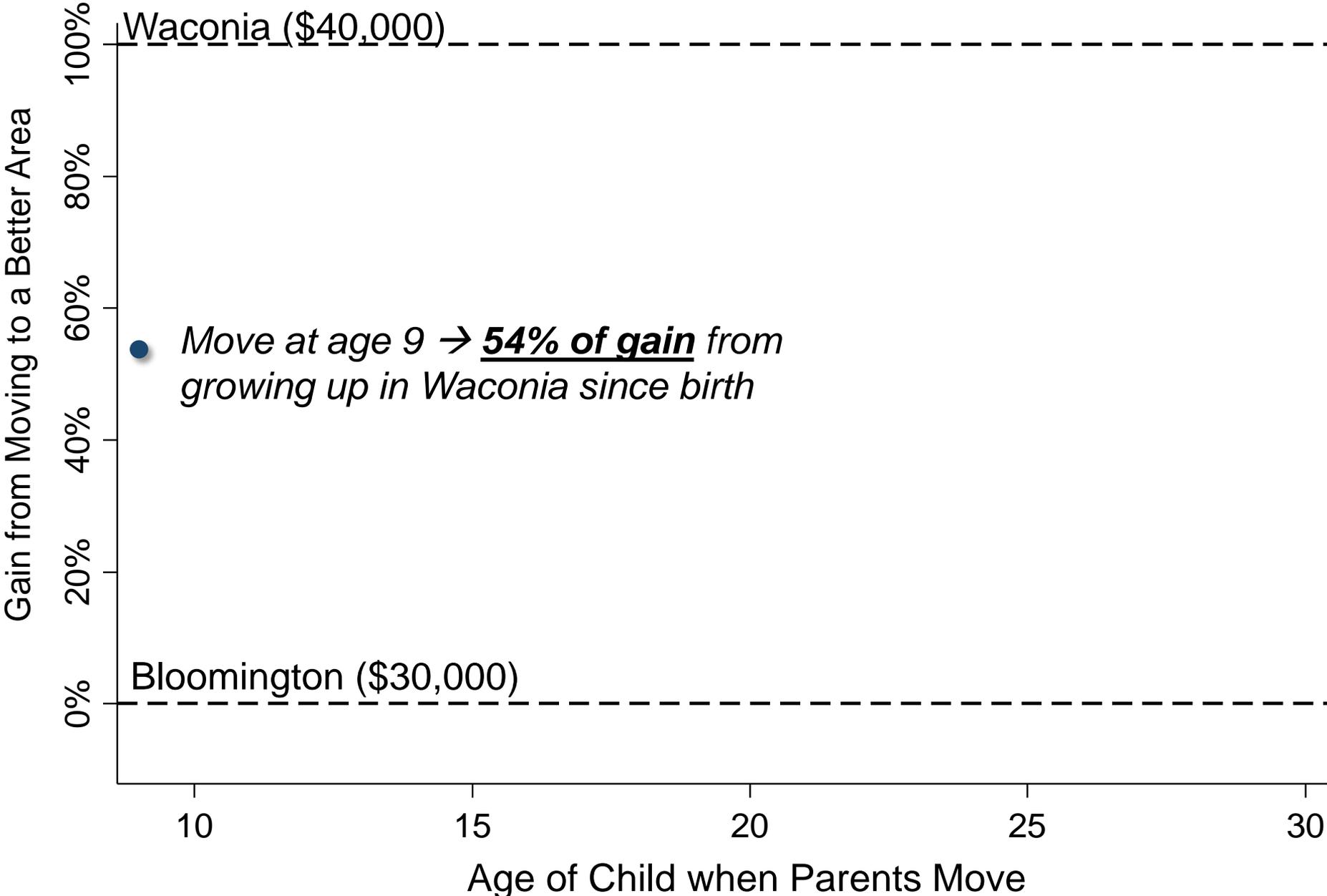
County-Level Estimates of Causal Effects

- By studying families who move, identify causal effect of every county in the U.S. on a given child's earnings
 - Predict how much a child would earn on average if he/she had grown up in a different county
- Use a statistical model to combine such information for all 5 million movers to estimate each county's effect
- Identify exposure effects by studying families who move across neighborhoods in observational data
 - Key idea: identify from differences in *timing* of moves across families who make the same moves

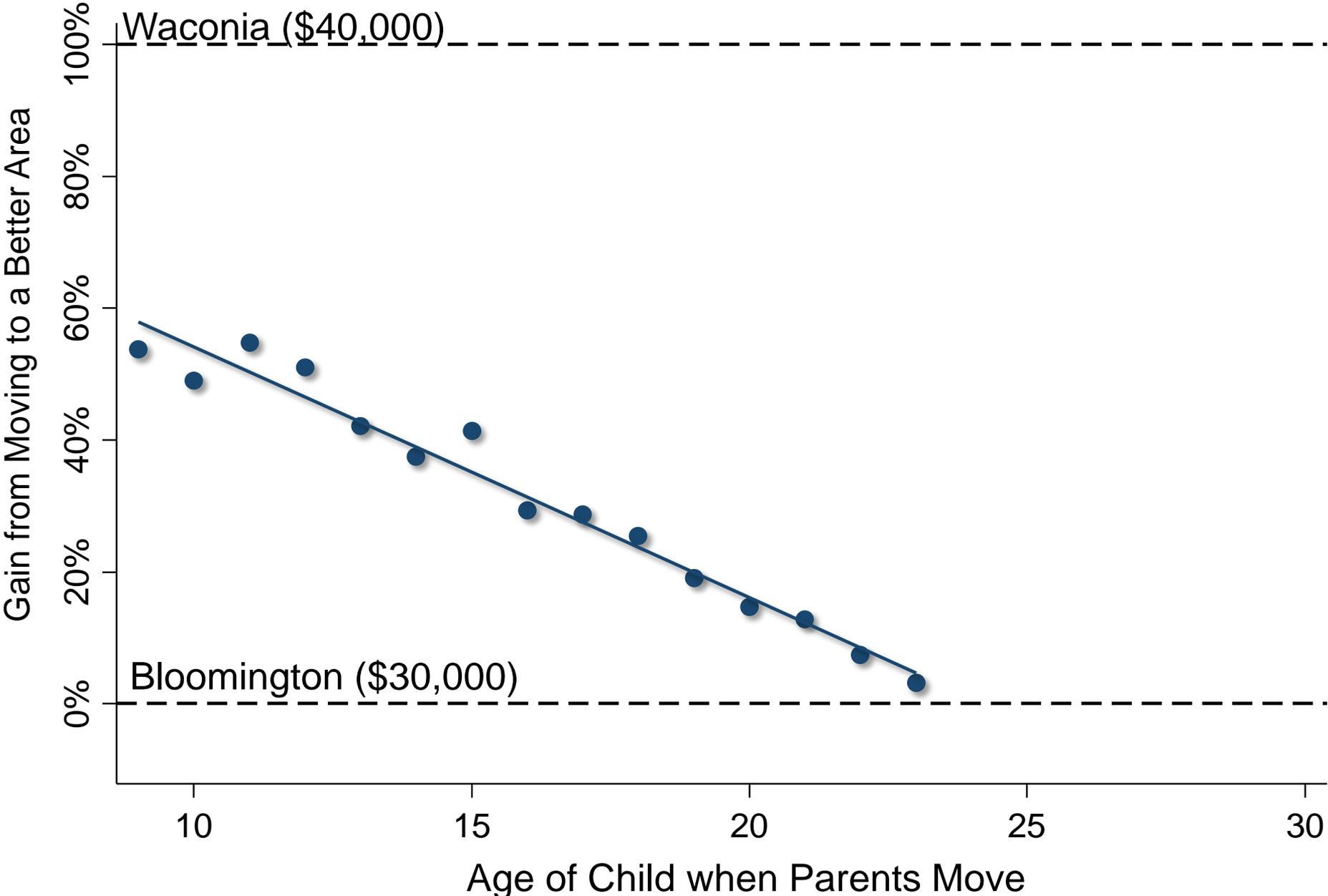
Earnings Gain from Moving to a Better Neighborhood



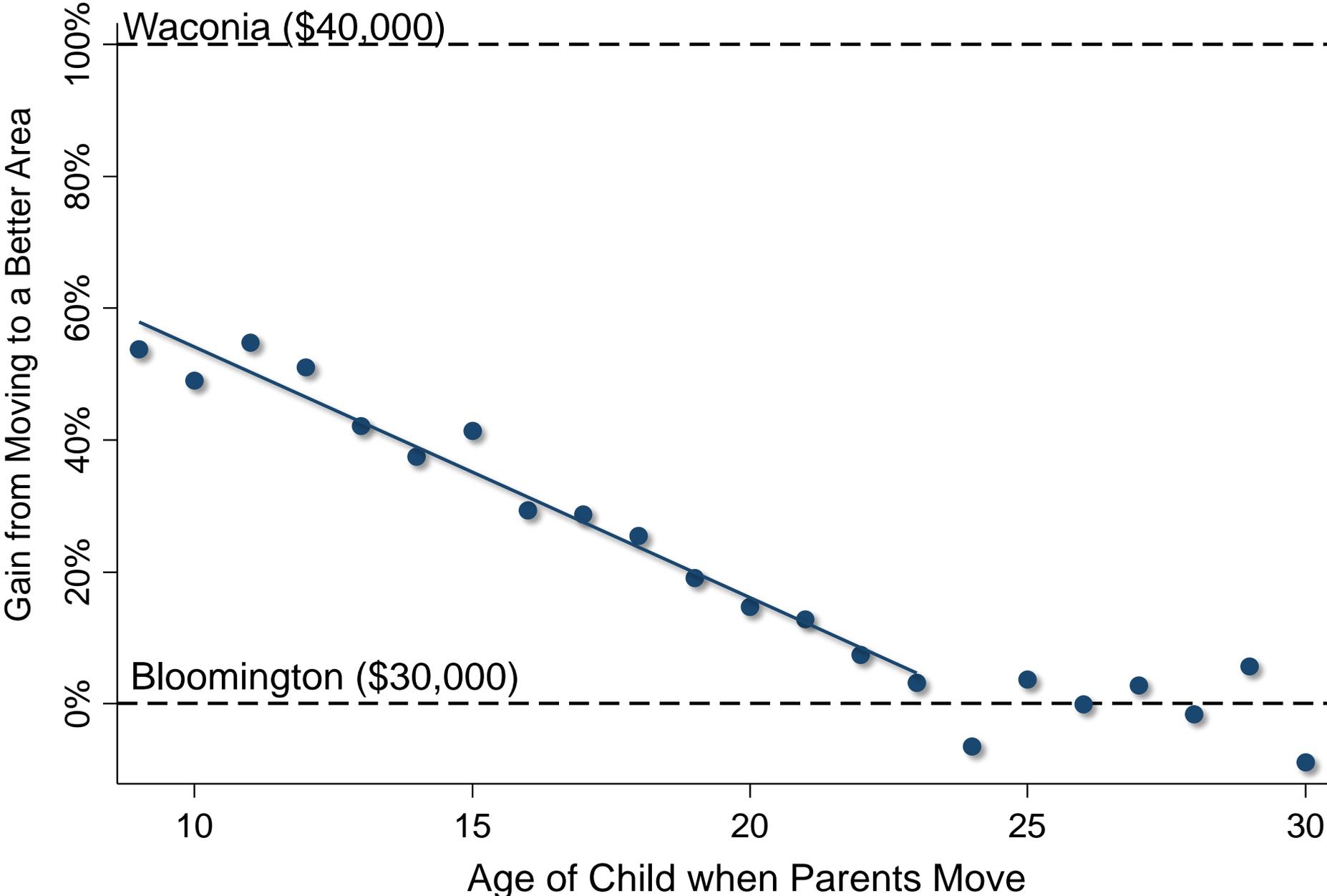
Earnings Gain from Moving to a Better Neighborhood



Earnings Gain from Moving to a Better Neighborhood



Earnings Gain from Moving to a Better Neighborhood



Two Policy Approaches to Increasing Upward Mobility

- Importance of neighborhoods for upward mobility motivates two types of policies:
 1. Place-based: invest in low-opportunity places to replicate successes of areas with high upward mobility
 2. Choice-based: help people move to better areas as in Moving to Opportunity housing mobility experiment and in our new Creating Moves to Opportunity project

Two Policy Approaches to Increasing Upward Mobility

- Both place-based and choice-based approaches have the potential to improve upward mobility
- Challenge for place-based approaches: little evidence on which policies are effective in improving places
 - Currently studying historical place-based policies to build evidence base on this approach (Chetty, Edin, Hendren, Katz, Sharkey, and Tach)
 - Examine impact of place-based policies on pre-existing residents of treated areas using longitudinal administrative tax data and on the areas themselves (contemporaneous residents)
 - Quasi-experimental designs for policies like Empowerment zones, Hope VI and public housing demotions, Jobs Plus, Harlem Children's Zone, Kalamazoo promise, ...

Hints to Improving Places?

Five Strongest Correlates of Upward Mobility

1. Less residential segregation by income and race
2. Larger middle class
3. More stable family structure
4. Greater social capital
5. Better school quality



Moving to Opportunity

- One way to implement choice-based approach: give low income families housing vouchers to move to better areas
 - U.S. spends \$45B/year on affordable housing, but most affordable housing is in low-opportunity areas (80% in high poverty areas)
 - 20% of low-income families already move houses each year but most moves involve churning between units in low-opportunity areas and often “reactive” moves and related to evictions
 - Potentially significant scope to assist residential choices at crucial junctures given high number of moves

The Moving to Opportunity Experiment

- MTO demonstration: randomized housing voucher experiment authorized by U.S. Congress in 1992
- Open to families living in:
 - Public housing or project-based assisted housing
 - High-poverty neighborhoods (poverty rate >40%)
- Five sites: Boston, New York, LA, Chicago, and Baltimore
- 4,600 families enrolled from 1994 to 1998

MTO Experimental Design

- Families were randomly assigned to one of three groups:
 1. Experimental: housing vouchers restricted to low-poverty (<10%) Census tracts + mobility counseling
 2. Section 8: conventional housing vouchers, no restrictions
 3. Control: public housing in high-poverty (50% at baseline) areas

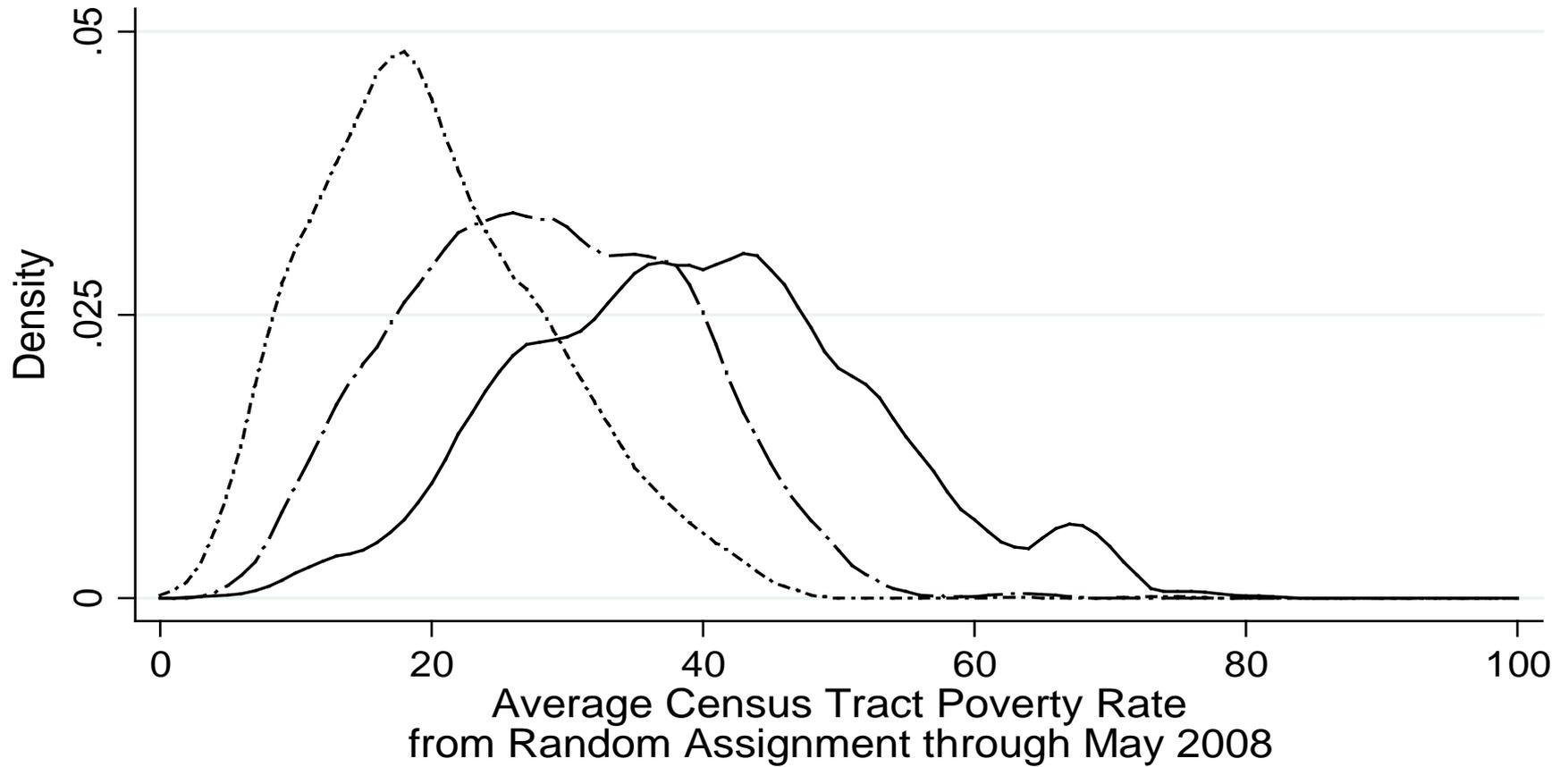
- Lease-up rates:
 - Experimental voucher group: 47%
 - Section 8 voucher group: 60%

Most Common MTO Residential Locations in New York



MTO Neighborhood Poverty Distributions

Duration-Weighted

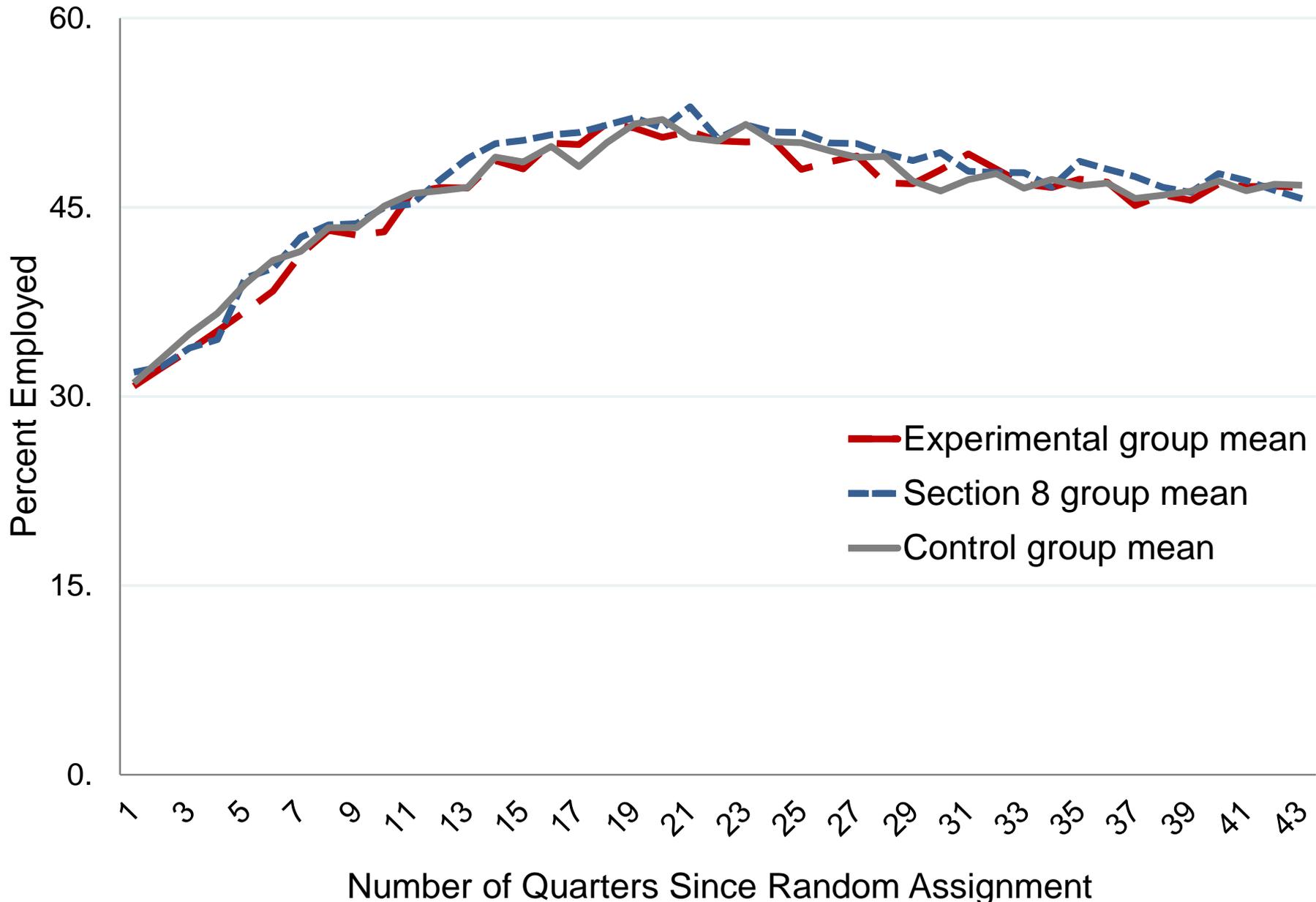


----- Experimental Group Compliers
-.-.-.- Section 8 Group Compliers
———— Control Group

Effects of MTO on Adults' Outcomes

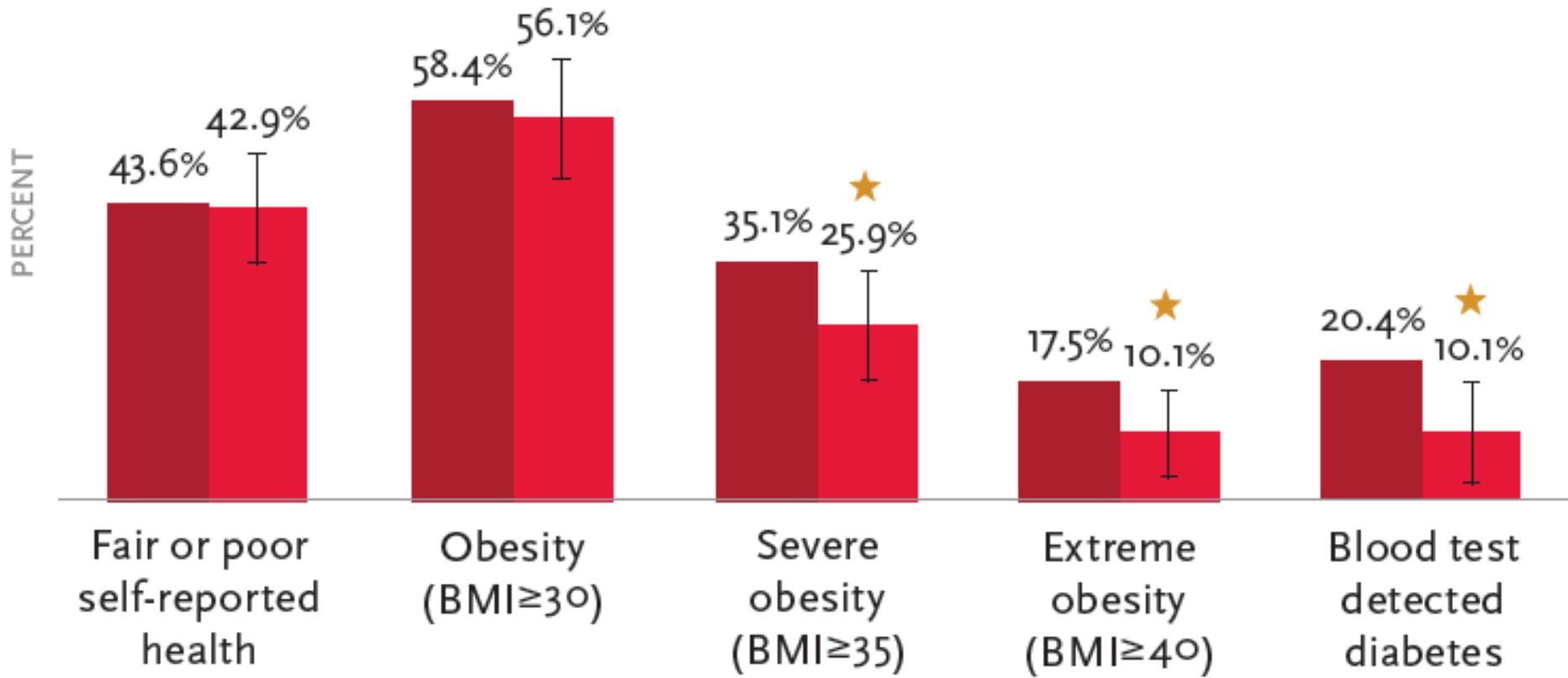
- No impact on adult economic outcomes
 - While MTO did not affect adults' economic outcomes, it had substantial effects on their mental and physical health
 - Large reductions in extreme obesity, diabetes, and stress indicators (C-Reactive Protein)
 - Reductions in depression and psychological distress
 - Large gains in adult happiness (subjective well being)
- Moving to higher opportunity areas for children are also “moves to tranquility” for adults

Adult Employment by Quarters Since Random Assignment



Source: Ludwig et al. (AEA P&P 2013)

Long-Term Effects on Adult Health Outcomes



■ CONTROL MEAN

■ EFFECT OF MOVING WITH A LOW-POVERTY VOUCHER

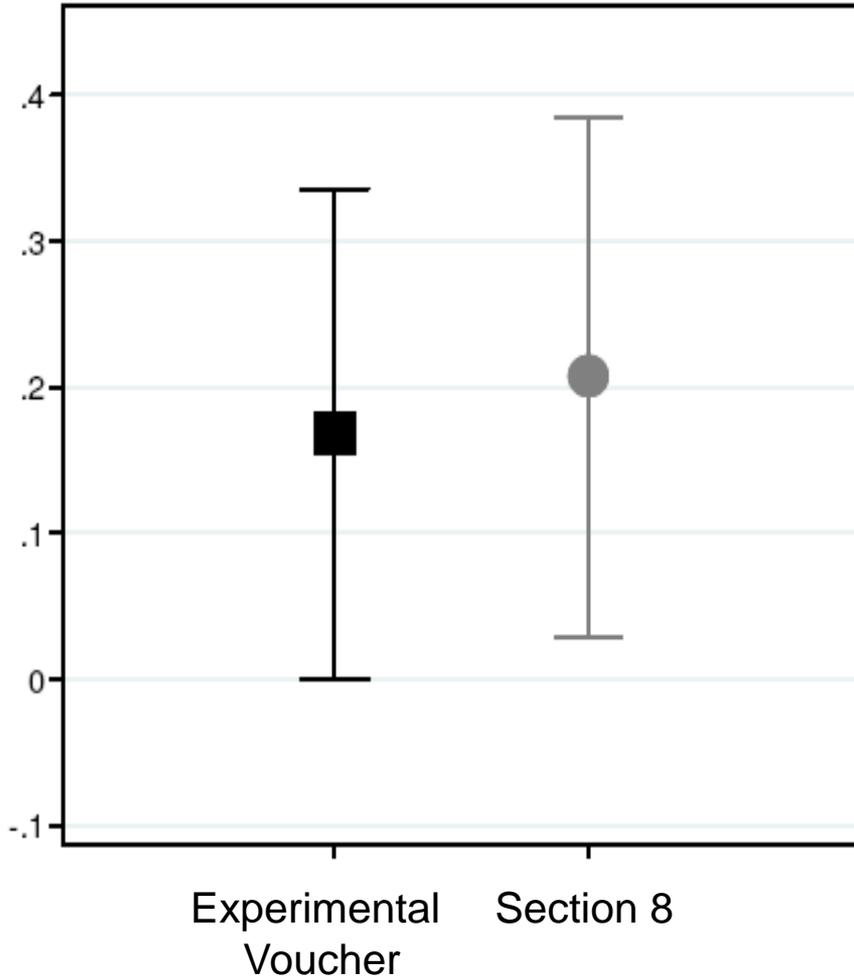
I 95% CONFIDENCE INTERVAL

★ STATISTICALLY SIGNIFICANT FROM CONTROL GROUP

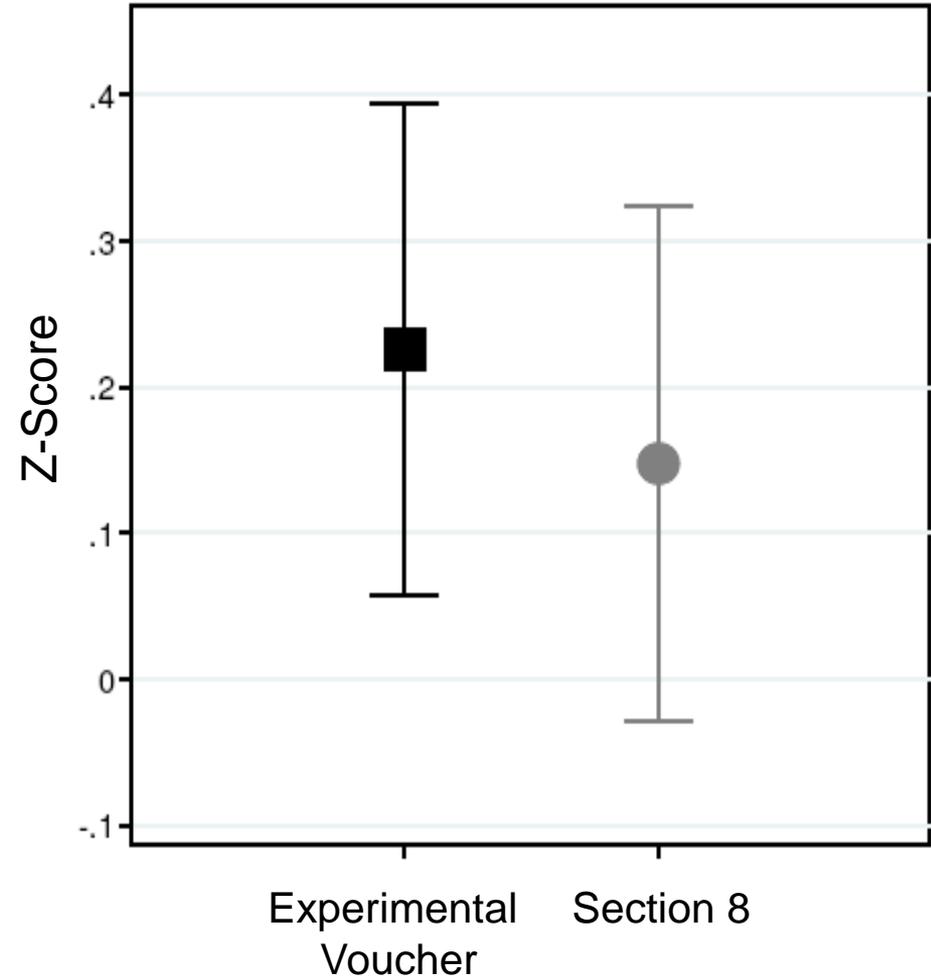
Source: Ludwig et al. (NEJM 2011)

Long-Term Effects on Adult Mental Health Outcomes

(a) Effects on Happiness



(b) Effects on Absence of Psychological Distress (Index)



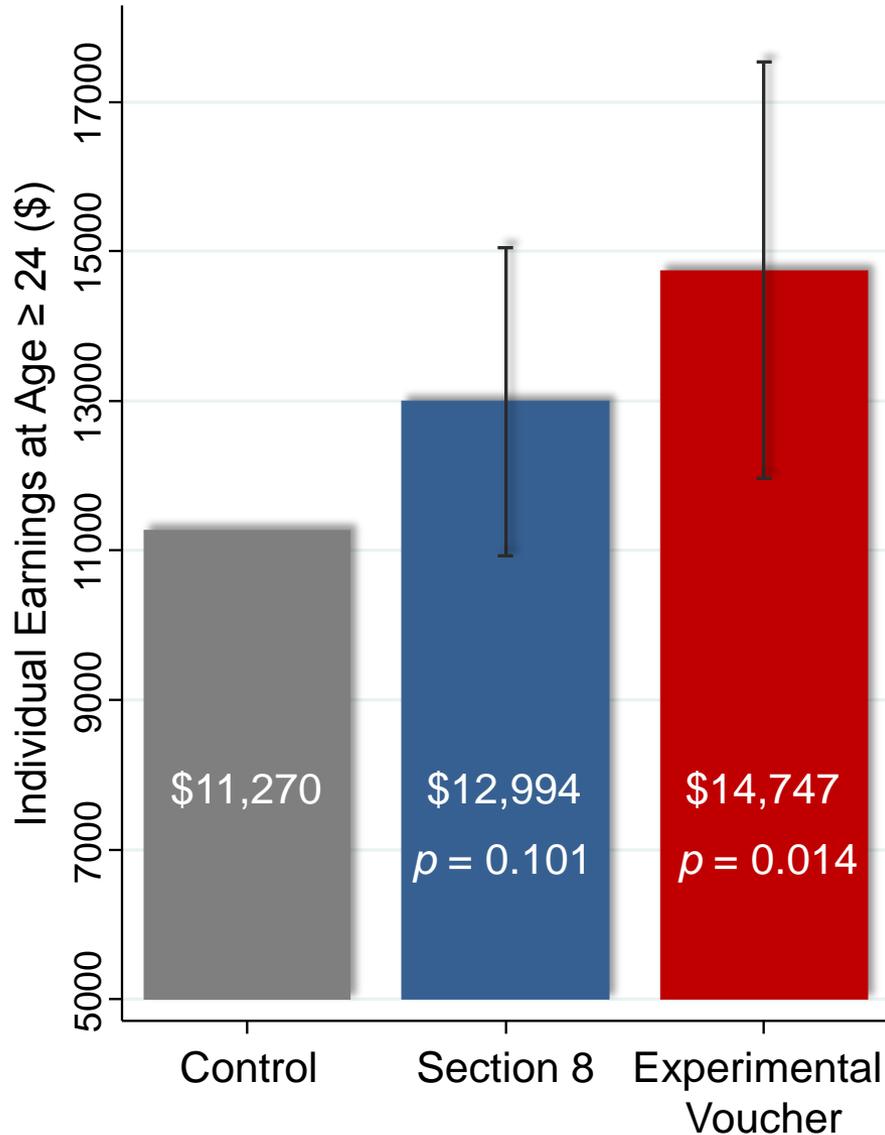
Economic Impacts of MTO for the Children

- Earlier MTO studies focused primarily on impacts on adults and older youth at point of move
- In light of the results in Chetty and Hendren (2015) mover findings, we revisited the MTO data to test for analogous exposure effects
- Did MTO improve outcomes for children who moved when young?
- Link MTO data to tax records to study children's earnings and other outcomes in their mid-20's
- Assignment to the experimental voucher group led to significant improvements on a broad spectrum of outcomes in adulthood for children who moved at young ages (e.g., below age 13) including 31% increase in earnings. Section 8 impacts $\frac{1}{2}$ as large with $\frac{1}{2}$ as large change in exposure to reduced neighborhood poverty.

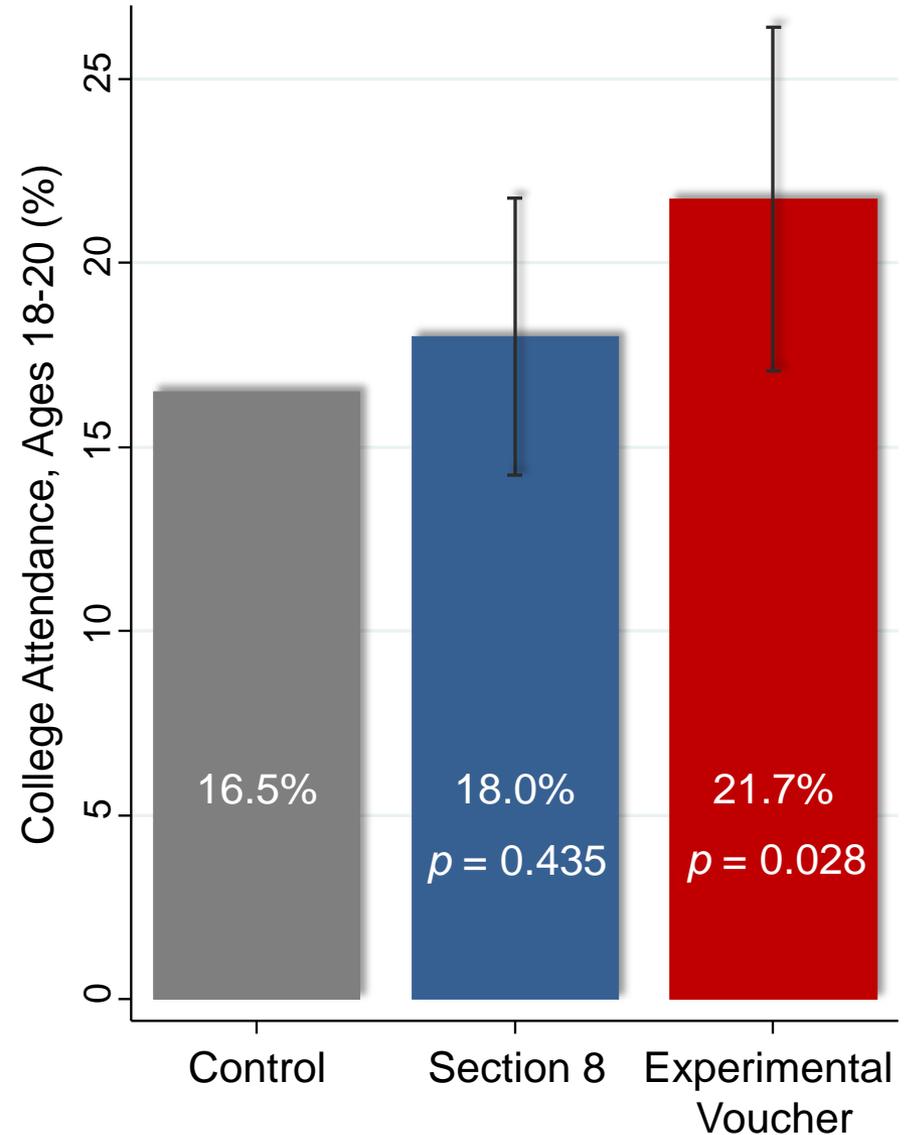
Source: Chetty, Hendren, and Katz (2016; American Economic Review)

TOT Impacts of MTO on Children Below Age 13 at Random Assignment

(a) Earnings



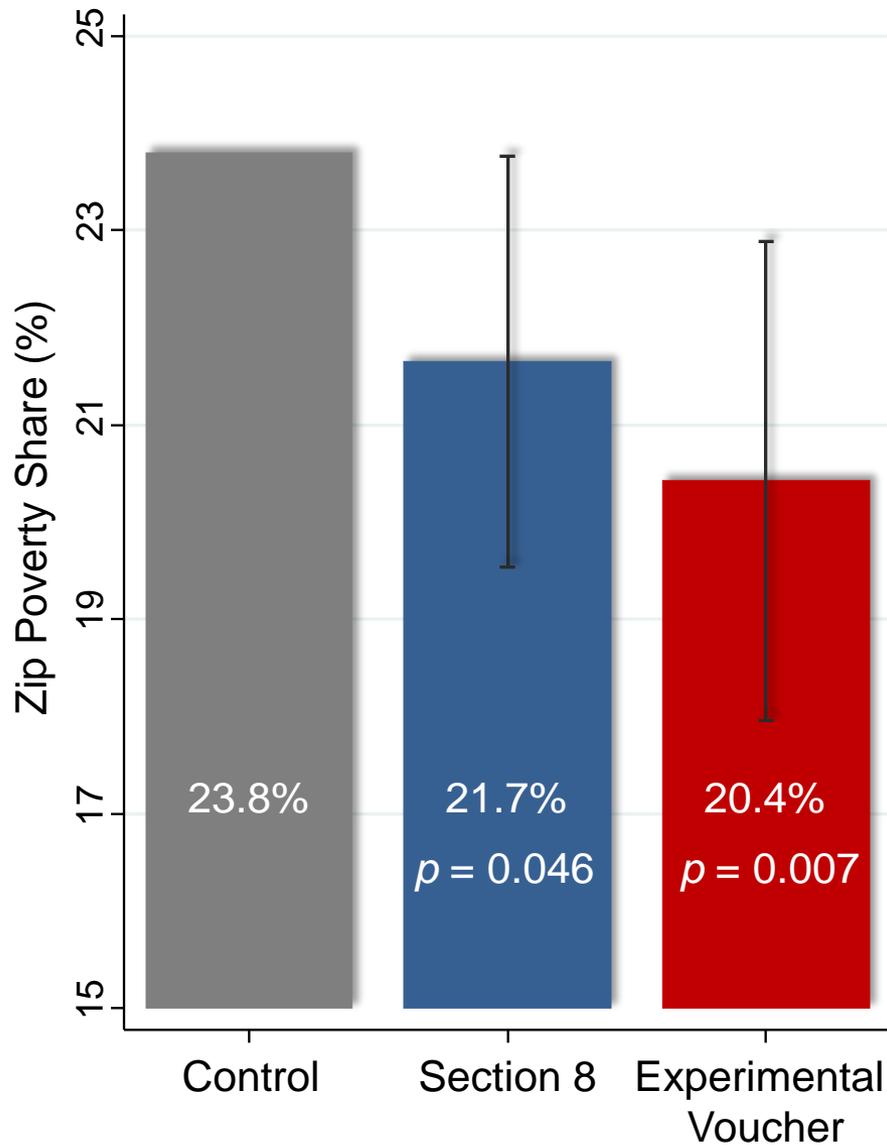
(b) College Attendance



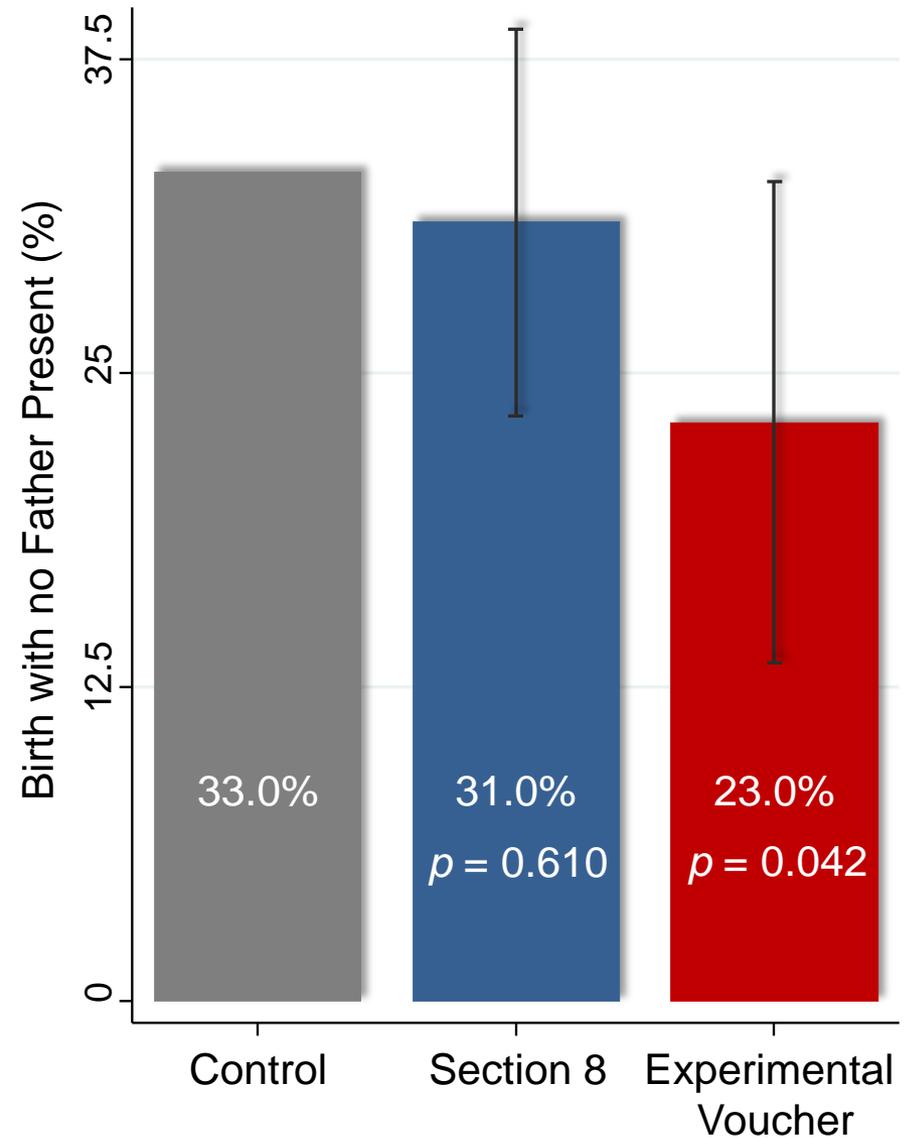
Note: Bar Charts show Treatment-on-Treated Estimates

TOT Impacts of MTO on Children Below Age 13 at Random Assignment

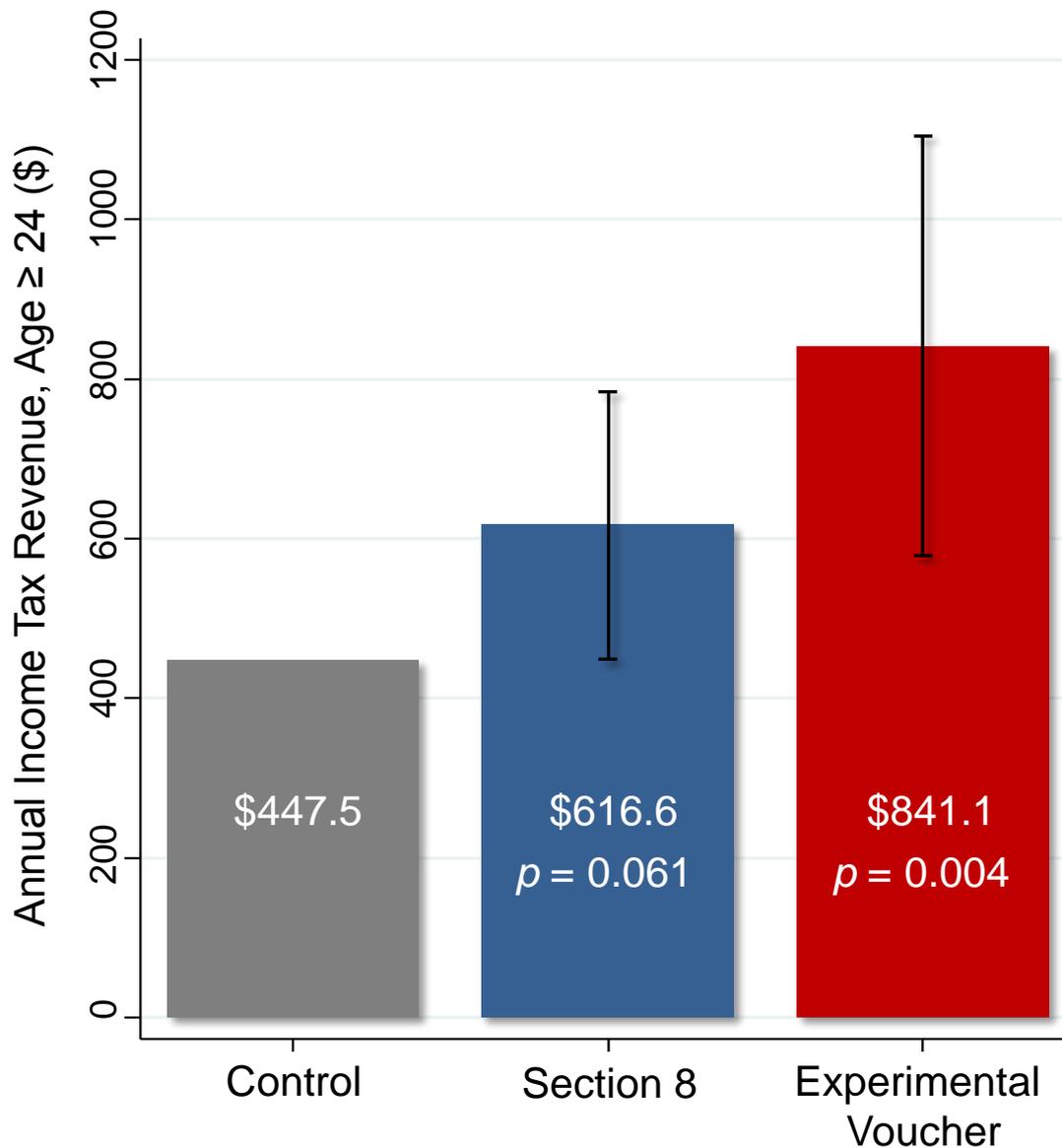
(c) Neighborhood Quality in Adulthood



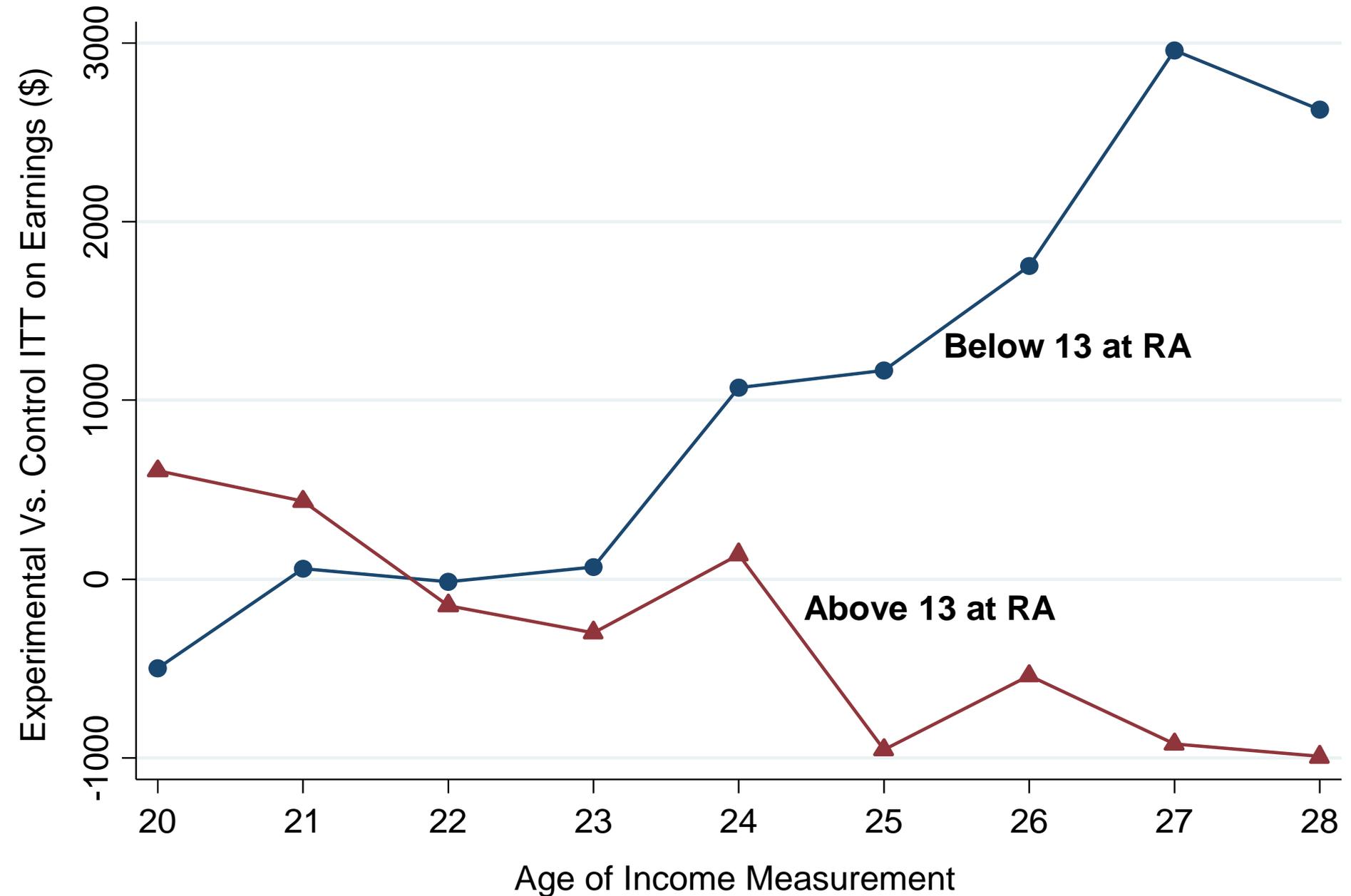
(d) Fraction Single Mothers



TOT Impacts of MTO on Annual Income Tax Revenue in Adulthood for Children Below Age 13 at Random Assignment



Impacts of Experimental Voucher by Age of Earnings Measurement



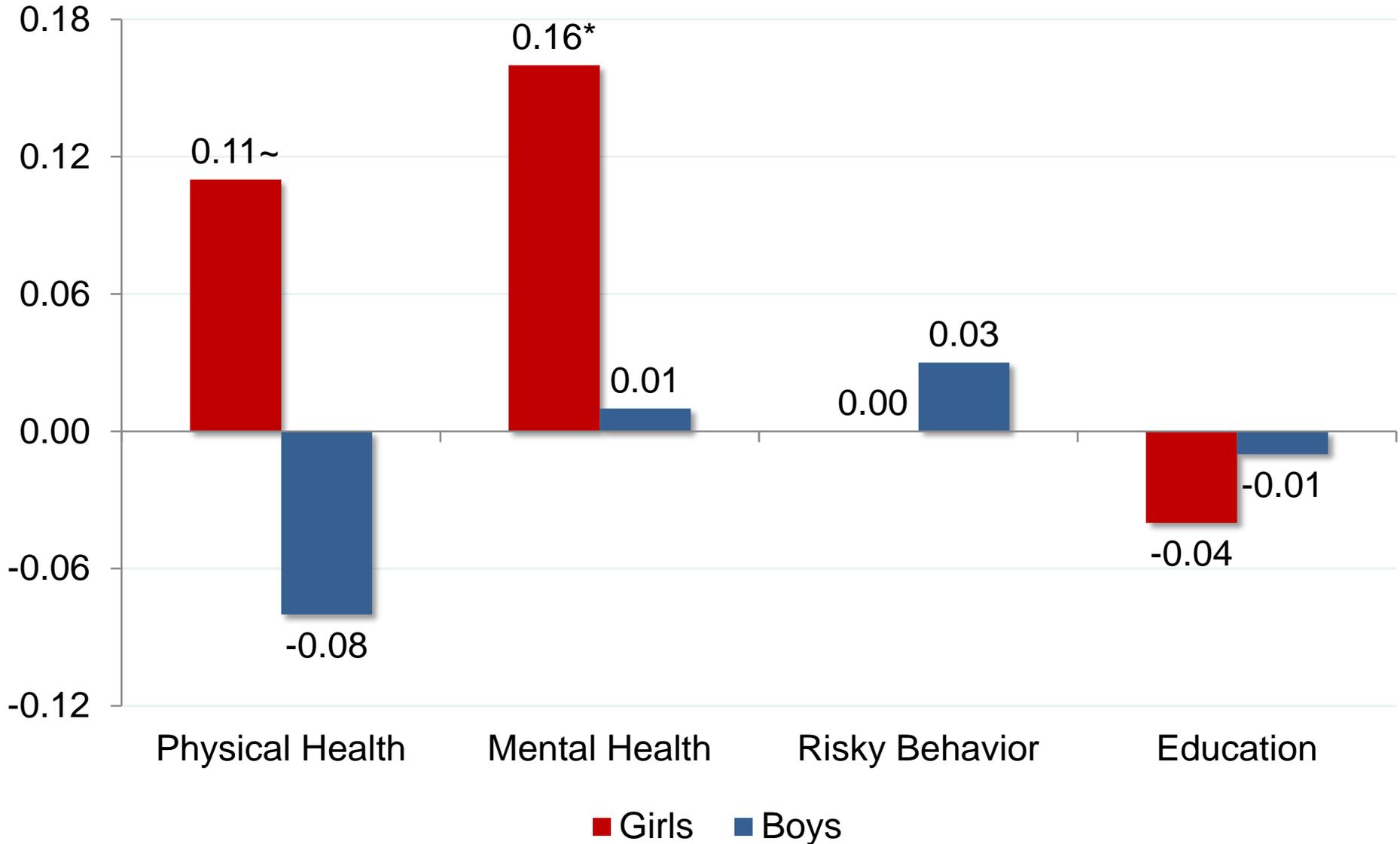
MTO: Childhood Exposure Effects

- Key lesson from MTO on economic outcomes: every year in a better area during childhood leads to better outcomes in adulthood
- Substantial improvements for both boys and girls, across treatment sites, and across racial groups when children move at young ages
- But little or no gain from moving in teenage years or as an adult
- Exposure effect + Disruption effect of moving; 2nd chances matter as well
- Children who moved to lower-poverty areas in Chicago after public housing demolitions experienced similar gains [Chyn 2016]

Effects of MTO on Intermediate Outcomes for Youth

- Do intermediate outcomes pick up the long-term effects of MTO on children?
- Ludwig et al. (*AER P&P* 2013) find:
 - Few detectable impacts on school achievement, even for very young children, though some improvements in school climate
 - Beneficial impacts on physical and mental health for girls
 - Some reduction in risky and criminal behavior: signs of impacts on drug dealing arrests for males

MTO Medium Term Impacts on Youth Summary Indices



Notes: * = $p < .05$, ~ = $p < .10$

Effects of MTO on Intermediate Outcomes for Youth

- How can one reconcile long-term gains for young children with no test score gains and little impacts on risky behaviors as adolescents?
- Better neighborhoods may offer more second chances
- Non-cognitive skill gains as seen in language impacts
[Rickford et al. *PNAS* 2015]
 - Voice recordings show that MTO moves lead to shift from AAVE to Standard American English for younger children (< age 13 at move)

Moving to Opportunity: Summary of Results

- Children who moved to low-poverty areas when young (e.g., below age 13) do much better as adults:
 - 30% higher earnings = \$100,000 gain over life in present value
 - 27% more likely to attend college
 - 30% less likely to become single parents
 - Pay \$400/year more in taxes
- In contrast, moving had little effect on the outcomes of children who were already teenagers
- Moving also had no effect on parents' earnings
- Demonstrates that enabling low-income families to move using vouchers produces substantial long-term gains

Going Forward: Creating Moves to Opportunity

- Data clearly shows that living in a high-opportunity neighborhood can substantially improve children's life outcomes
- Problem: more than 80% of housing voucher recipients currently live in high-poverty, low-opportunity Census tracts
 - Substantial qualitative evidence shows that families face significant barriers to moving to opportunity [DeLuca et al. 2013]
 - Many moves are “reactive moves” made under pressure, without time to locate housing in the best areas

Creating Moves to Opportunity Project

- Main question: how can we help more families move to and persist in high opportunity areas?
- Several potential interventions, ranging from broker assistance for tenants to landlord incentives and outreach
- Currently implementing a pilot with Seattle and King County public housing authorities to test such interventions using an RCT design
[Bergman, Chetty, DeLuca, Hendren, Katz, Palmer]
- Minneapolis Public Housing Authority and Twin Cities potential second site for a CMTO test
- 17 PHA's have signed letters of intent to participate in CMTO

Opportunity Mapping

- Key input to CMTO work: opportunity mapping
 - Measure rates of upward mobility by census tract within each city
- Mapping is also useful for place-based approaches: tells us which areas are in greatest need of improvement
- Mapping currently in progress and expected to be completed in next ~6 months for entire United States
 - Early results suggest wide variation in opportunities across Minneapolis-St. Paul area

5 Potential Interventions to Create More Moves to Opportunity for Low-Income Families

1. Nudges and Improving information quality for housing search especially for Housing Choice Voucher recipients
2. Comprehensive mobility services
3. Incentives for tenants
4. Incentives for landlords
5. Project-based vouchers in high-opportunity neighborhoods

The Potential of CMTO

- Childhood exposure to better neighborhoods improves outcomes in adulthood
 - Every year a child spends in a better neighborhood improves outcomes
- Can improve upward mobility by helping families move to better areas