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Moving to Opportunity And Tranquility

Kling, Liebman, Katz, and Sanbonmatsu

Does living in economically disadvantaged neighborhoods directly and adversely affect people's employment and health outcomes? And if so, what is the best way for the U.S. government to intervene to try and mitigate these outcomes with public housing assistance: through providing subsidized public housing units, or through housing vouchers, monthly rent supplements for private or public apartments for very low to low income households, using federal assistance?

These questions and the implications for public policy are addressed in a new working paper that studies adult economic and health outcomes in the Moving to Opportunity (MTO) demonstration, a randomized housing mobility experiment in which families living in high-poverty U.S. public housing projects in five cities were given vouchers to help them move to private housing units in lower-poverty neighborhoods. The study authors' analysis addresses questions about both the effects of neighborhoods on individual outcomes, and the impacts of alternative forms of government housing assistance.

Some evidence suggests that the construction of new public housing in the 1950s may have improved health by enabling people to move out of substandard and overcrowded housing conditions. During the past quarter century, however, a number of high-poverty, urban public-housing projects have become centers of violent crime and drug use. Meanwhile, non-experimental research has found strong associations between living in disadvantaged neighborhoods and adverse outcomes in the areas of both employment and health. Whether these associations reflect a causal relationship between living in disadvantaged neighborhoods and outcomes remains uncertain.

Kling and his co-authors' research also bears on whether it is better for the government to provide housing assistance in the form of government operated public housing projects or through vouchers that subsidize rents in the private market. The United States spends about \$32 billion per year on housing assistance - more than on food stamps or cash welfare. Public housing projects provide subsidized units for 2.5 million households, and Section 8 vouchers help another 1.5 million households rent private units.

Importantly, housing assistance is rationed, so that only a minority of eligible families receives assistance and long wait lists for both public housing and vouchers exist in many communities. While the costs of providing a housing project unit and a voucher are similar, and require the same contribution of the household toward rent, there could be large distortions from providing public housing units instead of vouchers.

To receive project-based assistance, a household must accept a specific bundle of housing and neighborhood attributes. In contrast, a voucher user can select from a variety of apartments on the private market – offering many more choices within the same budget constraint. In particular, public housing projects for poor families with children in large U.S. metropolitan areas tend to be located in areas with highly concentrated poverty, while vouchers offer the possibility of living in mixed-income neighborhoods. If neighborhood attributes affect individual outcomes, then switching from project-based assistance to vouchers could improve the well-being of those receiving assistance.

Study Description

The randomized design of MTO provides a direct comparison of outcomes under the two main forms of U.S. housing assistance. MTO is a U.S. Department of Housing and Urban Development (HUD) demonstration conducted in five cities: Baltimore, Boston, Chicago, Los Angeles, and New York. Public housing residents with children were eligible to participate in a lottery that resulted in random assignment to one of three groups:

- Control group: Received no new assistance, but continued to be eligible for public housing.
- Section 8 group: Received traditional Section 8 voucher, without geographic restriction.
- Experimental group: Received Section 8 voucher, restricted for one year to a census tract with a poverty rate of less than 10 percent. Also received mobility counseling.

Random assignment to groups began in 1994. The authors' sample consisted of one adult in each of the 4248 households that were randomly assigned through 1997 at the five sites. 85 percent of these adults are African-American or Hispanic female heads of household with children.

Study Findings

Five years after random assignment, the families offered housing vouchers through MTO lived in safer neighborhoods that had significantly lower poverty rates than those of the control group not offered vouchers. However, Kling and his co-authors found no significant overall effects on adult employment, earnings, or public assistance receipt - though their sample sizes were not sufficiently large to rule out moderate effects in either direction. One factor of several to consider, however, is that during the period of this study the authors found evidence that the experimental group moved into neighborhoods that were not experiencing job growth.

In contrast, the study authors did find significant mental health benefits of the MTO intervention for the experimental group. They also demonstrated a more general pattern for the mental health results using both treatment groups of systematically larger effect sizes for groups experiencing larger changes in neighborhood poverty rates. Overall, there is a consistent sign pattern of improvements in mental health on specific measures for both groups offered vouchers relative to the control group. The study authors found, for example, that the effects on psychological distress and on feeling "calm and peaceful" are statistically significant at the 5 percent level for the experimental group relative to the control group.

In their analysis of physical health outcomes, Kling and his co-authors found a significant reduction in obesity, but no significant effects on four other aspects of physical health (general health, asthma, physical limitations, and hypertension), and their summary measure of physical health was not significantly affected by the MTO treatment for the overall sample.

In their analysis of subgroups, the authors explored whether the effects differ by baseline characteristics, such as race and education levels: in general, results do not differ appreciably by these characteristics. However, Kling and his co-authors found a positive and significant impact of the MTO experimental treatment for younger adults, using a summary measure that combines all of the economic, physical health, and mental health outcomes in our study; there was no significant overall impact for older adults.

Policy Implications

From a policy perspective, the overarching question about the role of government in providing housing assistance involves the effects on many groups of individuals including the adult participants studied here. These results for adults suggest that interventions that improve distressed neighborhoods or assist people in leaving them can have important public health benefits. The fact that there are no statistically significant overall impacts on earnings or welfare usage five years after random assignment suggests that mental health outcomes may be more sensitive than economic self-sufficiency outcomes to housing policies for low-income families, at least in the medium run.

The mental health benefits may have important spillover benefits, particularly to children who have been found to have more problems in school and more behavior problems when their mothers are experiencing mental health problems. Taken together, these findings may return health concerns to the more prominent place in housing policy that they held 60 years ago - with a new emphasis on the importance of mental health.