

# Policy Brief

## Moving to Opportunity: Boon or Bane?



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## Winter 2014 Internship

In 2014 the IHSP welcomed ten McGill students from across the University for a 14-week Internship. Training sessions focused on communicating research findings to the media or general public, and gaining insight into different disciplinary approaches. In addition to in-depth research projects carried out in collaboration with faculty and staff, interns devoted ten to fifteen hours to short policy projects on a topic of their choice. Students were asked to frame an issue, find at least two points of supporting evidence and develop rudimentary policy recommendations. The following document reflects the short timeframe given to students to complete this task, and may not be a polished product.

*Please note the opinions reflected in this document do not necessarily reflect the opinions of the IHSP.*

# MOVING TO OPPORTUNITY: BOON OR BANE?

## NEIGHBOURHOOD EFFECTS ON MENTAL HEALTH AND ECONOMIC OUTCOMES

### THE ISSUE

- People are affected by the environment they live in.
- Living in high poverty neighbourhoods can have negative effects such as higher crime rates which have costs that are borne by society as a whole.
- Neighborhoods can affect mental and physical health and economic outcomes

### CONTEXT

The Moving-To-Opportunity for Fair Housing (MTO) offered 4,600 low income families the opportunity to move from high to low poverty neighbourhoods in 1994. It is a randomized experiment focused on high poverty areas. There was random assignment to three groups: a) in the first, families that were assigned a voucher that could be used to move to low poverty neighbourhoods b) in the second, families were offered a Section 8 housing voucher and c) the third, a control group wherein they did not receive any such assistance. The MTO program aimed at relocating individuals from high poverty neighbourhoods to low poverty neighbourhoods. Ex ante, it seemed that this would unambiguously benefit individuals in the treatment group on a whole range of outcomes. However, this was not the case. There

The costs of moving people from high-poverty neighbourhood to private-market housing outweigh the benefits

were groups that benefitted from it (adults and females) whereas there were groups that actually did worse than their counterparts in the control groups (males). This may therefore suggest that there may be other mechanisms at work that offset the effect of moving to a better neighborhood.

## MOVING-TO-OPPORTUNITY FOR FAIR HOUSING: RATIONAL

The US has a long history of housing support. The Housing Act was launched in 1937, providing public housing to hundreds of thousands of families. Support for poor households continues: In a recent poll in the US, 75% of people said that the government should spend more on housing for impoverished households.

If neighbourhood effects influence the behaviour of families, then public housing does not seem like an effective solution. Thus, the MTO was launched, providing subsidies so that low income families could live in neighbourhoods of their choice.

There were two goals of the MTO program:

- 1) The short term goal was to weigh the costs and benefits of the MTO relative to the traditional Section 8 housing voucher type of system.
- 2) The second goal was to look at how physical and mental health outcomes, economic outcomes and social behaviour (youth delinquency) changed for the treatment groups relative to the control.

## Key Findings

The findings (10-15 years) after the initiation of the program are as follows: for adults, there were improved physical outcome such as lower diabetes and a lower prevalence of obesity relative to the control group. Adults' mental health improved as well. However, there was no statistical difference in the treatment and control group with regards to economic self-sufficiency.

The results were different for youth. The MTO had no effect on physical health for both the male and female youth in the treatment group. With regards to mental health, teenage girls reported lesser mental health issues relative to the control but there was no statistically significant difference for males relative to the control.

There were no effects on educational outcomes for the treatment groups relative to the control. Lastly, for the teenage girls, risky behaviour was lesser but this was the opposite for the teenage boys relative to the control. Thus, in this sense, the policy option did not achieve its desired outcome. It had (in some sense) negative effects on the male youth.

# IMPLICATIONS AND NEXT STEPS

## MORE RESEARCH IS NEEDED

Neighbourhood effects work in a complicated way. It is possible that although the families that moved to high income neighbourhoods were in a 'better environment', the transition could have been drastic and this could have had unanticipated effects.

Programs such as MTO are funded by taxpayer revenue. Although Americans feel that the government should be involved in providing housing assistance, the form of this assistance is debatable.

It is hard to say why the current approach is failing. According to Jens Ludwig, "the range of neighbourhood conditions that could be modified by feasible social policies doesn't necessarily have dramatic impacts we care about."

## Recommendations

Instead of spending funds on moving people directly to high income neighbourhoods, direct intervention in low income neighbourhoods could be more useful.

Specifically, initiatives such as public awareness, better schooling and health counselling services could be invested in high poverty neighbourhoods directly.

**Invest in low-income neighborhoods**

# LIMITATIONS

The research findings take place 10-15 years after the initiation of the MTO. It could be that MTO has very long term impacts such that the findings may change if the analysis is conducted in the future.

If one thinks that the findings are final, it is indeed surprising as to why the educational outcomes for the youth show no improvement. One would think that living in better neighbourhoods would increase educational attainment. Also, the fact that risky behaviour was more common in the male youth is surprising. No one can claim definitively as to what mechanisms can be at work here.

finding out what is behind such anomalous results could help in reversing the negative effects of the MTO. Given that we presently do not know what is causing the negative outcomes for the male youth, it does not make sense to have such relocations.

## ADDITIONAL RESOURCES

"MTOresearch.org." Moving to Opportunity (MTO) for Fair Housing Demonstration Program. National Bureau of Economic Research, n.d. Web. 21 Mar. 2014.  
<http://www.nber.org/mtopublic/>

"An Interview with Jens Ludwig: Assessing the Moving to Opportunity Housing Voucher Program | RSF Review." An Interview with Jens Ludwig: Assessing the Moving to Opportunity Housing Voucher Program | RSF Review. N.p., n.d. Web. 21 Mar. 2014.  
<http://www.russellsage.org/blog/interview-jens-ludwig-assessing-moving-to-opportunity-housing-voucher-program>

A Summary Overview of Moving to Opportunity: A Random Assignment Housing Mobility Study in Five U.S. Cities." N.p., n.d. Web.  
<http://www.nber.org/mtopublic/MTO%20Overview%20Summary.pdf>

Kling, Jeffrey R., Jeffrey B. Liebman, and Lawrence F. Katz. "Experimental analysis of neighborhood effects." *Econometrica* 75.1 (2007): 83-119.