Neighborhood disorder and individual economic self-sufficiency: New evidence from a quasi-experimental study

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\begin{abstract}
This paper draws on data from the Monitoring Mt. Laurel Study, a new survey-based study that enables us to compare residents living in an affordable housing project in a middle-class New Jersey suburb to a comparable group of non-residents. Building on the theoretical and empirical contributions of the Gautreaux and Moving to Opportunity studies, we test the hypothesis that living in this housing project improves a poor person's economic prospects relative to what they would have experienced in the absence of such housing, and that these improved prospects can be explained at least in part by reduced exposure to disorder and stressful life events. We find that residents in the Ethel Lawrence Homes are significantly less likely to experience disorder and negative life events and that this improvement in circumstances indirectly improves the likelihood of being employed, their earnings, and the share of income from work. We find no relationship between residence in the housing project and the likelihood of using welfare.
\end{abstract}

\section{Introduction}

Does living in an affordable housing development in a middle class suburb improve low-income residents' economic self-sufficiency? William Julius Wilson's seminal book, \textit{The Truly Disadvantaged} (1987), refocused social scientists on the importance of neighborhood context for explaining individual-level disparities, an idea that had been emphasized decades earlier by Chicago School sociologists but had fallen by the wayside as social scientists turned their attention to individual- and family-level determinants of human behavior. \textit{The Truly Disadvantaged} argued convincingly for the harmful effects of living under conditions of concentrated poverty and stimulated a host of studies examining the relationship between neighborhood poverty and human behavior. Most early studies relied on observational data linked to Census tract characteristics to assess the empirical association between neighborhood poverty and a range of individual-level outcomes. Later studies, including Gautreaux and the Moving to Opportunity (MTO) demonstration project, applied quasi-experimental and experimental methods to the study of neighborhood effects, though, as we discuss later in this paper, certain design and implementation features of these studies undermine their internal and external validity.

The present paper draws on new data from a quasi-experimental study that overcomes many of the limitations of previous studies. We examine whether living in affordable housing project in a middle class suburb improves residents' economic self-sufficiency and the extent to which these improvements can be explained by differences in exposure to neighborhood disorder and stressful life events. We begin by reviewing theory and existing research on neighborhood poverty, neighborhood transfer programs, and economic self-sufficiency. We then offer a brief history of the Mt. Laurel housing project and its present configuration and move on to describe our data and measures and the results of a series of multivariate

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analyses of the relationship between housing project residence and individual self-sufficiency. We conclude with a discussion of our findings and their implications both for affordable housing policy and future research.

2. Housing mobility programs and economic self-sufficiency

Early neighborhood effects research merged survey and Census data to assess relationships between neighborhood poverty and individual-level outcomes and was important for showing dramatic variations in poverty rates across neighborhoods, along with sharp differentials in violence, poor health, joblessness, and other undesirable conditions, as well as a statistical correlation between neighborhood disadvantage and various individual-level outcomes (Sampson et al., 2002; Sampson, 2003). While these observational studies showed strong associations between neighborhood ecology and a range of outcomes, they told us little about whether neighborhood conditions have a causal impact on behavior and well-being, or whether individuals with certain traits simply select into certain kinds of neighborhoods (Jencks and Mayer, 1990; Tienda, 1991).

More recent studies have employed experimental and quasi-experimental research designs to study neighborhood effects. The Gautreaux studies, for instance, followed a group of poor Chicago residents who were given vouchers to relocate into communities with lower concentrations of racial minorities and higher resources and found some evidence that individuals who moved into low-minority suburbs with greater neighborhood resources showed improved labor market outcomes and less time on welfare relative to those who stayed behind in Chicago, and that their children demonstrated improved educational and labor market outcomes (Rubinowitz and Rosenbaum, 2000; Popkin et al., 1993; Rosenbaum and Popkin, 1991; Mendenhall et al., 2006).

Participants in the Gautreaux program were not randomly assigned to receive vouchers, however, so the possibility remained that the observed “effect” of moving to a low-minority community was explained instead by the movers’ own characteristics and attributes. In response, the US Department of Housing and Urban Development sponsored the first experimental study of neighborhood effects: the Moving to Opportunity (MTO) project. MTO offered vouchers to residents of public housing projects in five cities to move into non-poor neighborhoods, but this time researchers employed an experimental design to correct for selection bias, randomly assigning residents to one of three groups: a treatment group that received vouchers to move to a low-poverty neighborhood, a group that received Section 8 vouchers but could move wherever they desired, and a control group that did not receive vouchers. The study featured a pre-post design that enabled researchers to collect data prior to the administration of vouchers and then at several follow-up points, and was seen as the first chance to apply the rigors of experimental research to Wilson’s hypothesis.

Findings from the MTO demonstration are varied. Kling et al. (2007) find that MTO participants who received vouchers to move to low-poverty neighborhoods fared no better on a battery of economic indicators at the 4- to 7-year follow-up than the control group. Some suggest that particular features of the MTO design are responsible for this dearth of findings. For instance, since compliance was not mandatory, some participants assigned to the treatment group (47%) opted not to use their vouchers to move out of their neighborhoods. In experimental studies, researchers typically compare all who were assigned to the treatment group to those who were assigned to other groups, irrespective of whether they actually complied with this assignment. If compliance is low, this “intent-to-treat” (ITT) effect may underestimate the impact of the treatment condition. To correct for this, researchers also calculate a treatment-on-the-treated (TOT) effect, which in the case of the MTO program is measured by dividing the ITT effect by the take-up rate of the treatment group (Orr et al., 2003; Kling et al., 2007). The TOT effect is considered a better indicator of the real impact on the treatment group, even though it is considered a quasi-experimental rather than experimental approach.

Selective out-migration from non-poor neighborhoods may also undermine the detection of neighborhood effects. If participants moved into non-poor neighborhoods but only stayed for a short period of time, and we do not account for this in our models, then the ITT and even TOT estimates underestimate the true neighborhood effect and yield results that are biased by selective out-migration (Clampet-Lundquist and Massey, 2008). Since the MTO program only required participants to stay in their new homes for one year, nearly 40% of those who had moved into low-poverty neighborhoods had moved out by the follow-up study. When Clampet-Lundquist and Massey account for length of time MTO participants spent in non-poor neighborhoods, they found it to be significantly associated with measures of adult self-sufficiency. On the other hand, Ludwig and colleagues (2008) contend that Clampet-Lundquist and Massey’s analysis still does not get around issues of bias and may even introduce new forms of selection bias (see also Sampson, 2008) and recommend an instrumental variable approach that draws on interactions between voucher assignment and treatment site as instruments for exposure to neighborhood poverty. This approach shows no association between treatment group status and measures of economic self-sufficiency.

Notwithstanding this debate, there are additional areas of concern that make it hard to use MTO data to make generalizations about neighborhood impacts. The MTO project moved residents in very poor neighborhoods to non-poor neighborhoods (defined as less than 10% poor), but did not mandate that participants move into low-minority neighborhoods. Thus, many participants in the treatment group moved to technically non-poor neighborhoods, but they still lived in segregated communities better characterized by their “entanglement with resource deprivation and disadvantage” (Sampson, 2008, p. 200) than their economic opportunities (Clampet-Lundquist and Massey, 2008). Sampson (2008) further points out that the actual reductions in residential poverty rates were quite modest—participants moved from tracts that were 42% poor to...
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