



ELSEVIER

Journal of Public Economics 89 (2005) 131–156

JOURNAL OF
PUBLIC
ECONOMICS

www.elsevier.com/locate/econbase

Housing mobility programs and economic self-sufficiency: Evidence from a randomized experiment

Jens Ludwig^{a,*}, Greg J. Duncan^b, Joshua C. Pinkston^c

^a *Georgetown Public Policy Institute, Georgetown University, 3600 N Street, NW, Suite 200, Washington, DC 20007, USA*

^b *Northwestern University, Evanston, IL, USA*

^c *Bureau of Labor Statistics, USA*

Received 7 February 2000; received in revised form 9 July 2003; accepted 16 July 2003

Available online 28 February 2004

Abstract

This paper examines the effects of a randomized housing-voucher program on individual economic outcomes. Public housing residents who are offered relocation counseling together with housing vouchers that can only be redeemed in low-poverty areas experience a reduction in welfare receipt of between 11% and 16% compared to controls. These effects are not accompanied by changes in earnings or employment rates as measured by unemployment insurance records. Offering families unrestricted housing vouchers without additional counseling appears to have little effect on economic outcomes.

© 2004 Elsevier B.V. All rights reserved.

JEL classification: I38; R00; Z13

Keywords: Neighborhood effects; Housing policy; Urban labor markets; Urban poverty

1. Introduction

Each year in the United States, the government devotes nearly US\$30 billion to housing-assistance programs, which together serve more families and at greater expense than the Aid to Families with Dependent Children (AFDC) program at its largest in 1994 (Harkness and Newman, 2002). A large majority of the public supports spending even

* Corresponding author. Tel.: +1-202-687-4997; fax: +1-202-687-5544.

E-mail address: ludwigj@georgetown.edu (J. Ludwig).

more to help the poor with housing.¹ But what form should government housing assistance take? Should the public sector be directly involved in supplying housing, or instead, simply subsidize poor families to rent housing within the private market?

The question of whether to support demand-side (“tenant-based”) or supply-side (“project-based”) housing programs is important for at least two reasons. First, there may be cost savings from relying on housing vouchers, although the evidence on this point is currently something less than definitive (HUD, 2000; Olsen, 2000; Shroder and Reiger, 2000; GAO, 2001). Second, compared with project-based programs, tenant-based subsidies, such as housing vouchers, may enable poor families to live in more racially and economically diverse areas. In principle, such neighborhood changes could improve the labor market outcomes of families through increased access to jobs, or by increased exposure to neighbors who support work, frown on welfare and provide useful job contacts (Kain, 1968; Wilson, 1987, 1995; Holzer, 1991; Raphael, 1998; Topa, 2001).

The present paper examines the initial impacts of a randomized housing-voucher experiment on the economic outcomes of public housing residents. In operation since 1994 in five cities (Baltimore, Boston, Chicago, Los Angeles and New York), the U.S. Department of Housing and Urban Development’s (HUD) Moving to Opportunity (MTO) demonstration assigns low-income families living in public or Section 8 project-based housing within high-poverty neighborhoods into one of three different “treatment groups”: *Experimental group* families receive housing vouchers that can only be redeemed in low-poverty census tracts (with poverty rates under 10%), as well as counseling and search assistance from a local nonprofit; *Section 8-only group* families receive private-market housing subsidies with no constraints on relocation choices; and a *Control group* receives no special assistance under the program. The randomized experimental design of the program enables us to identify the causal effects of offering families the chance to move to new neighborhoods, combined in the case of the experimental group with counseling assistance and relocation constraints. In what follows, we use state administrative records to examine the effects of the MTO program on the welfare receipt, employment and earnings of the 638 families who participated in the Baltimore site.

Our analysis suggests that the rate of welfare receipt among families assigned to the experimental group is between 5 and 7 percentage points (11–16%) lower than that of the control group. While we do not observe similar changes in quarterly employment or earnings in data from Maryland’s Unemployment Insurance (UI) system, we cannot rule out the possibility that welfare receipt declined among the experimental group because labor market outcomes improved. Many of the jobs into which welfare leavers move in Maryland are apparently not covered by the state UI system, and the 95% confidence interval around our UI employment estimates is not inconsistent with the treatment effects suggested by the welfare data. On the other hand, we find little evidence of a program effect on any of these outcomes beyond the first postprogram year for the Section 8-only comparison group.

We hasten to add that because MTO families are a self-selected group of public housing residents, our findings may not generalize to other populations of public housing residents or low-income families more generally. The findings reported here are most relevant to

¹ For example, in a February 2001 survey, 75% of respondents support the idea of spending more for housing for poor people. <http://www.publicagenda.org> (accessed on May 10, 2002).

Download English Version:

<https://daneshyari.com/en/article/10479589>

Download Persian Version:

<https://daneshyari.com/article/10479589>

[Daneshyari.com](https://daneshyari.com)