

Living in Public Housing Leads to Better Economic Outcomes as Adults

New research confirms the importance of affordable housing to long-term earnings for kids.

by FREDRIK ANDERSSON, JOHN C. HALTIWANGER, MARK J. KUTZBACH, GIORDANO E. PALLONI, HENRY O. POLLAKOWSKI, AND DANIEL H. WEINBERG

Has public housing gotten a bad rap? News stories have seared into the public imagination an image of public housing as a no-man's land of intergenerational poverty and crime. Public housing has been blamed for at best stunting children's futures and at worst cementing their fates. Yet is that fair?

In a groundbreaking study, six collaborating economists at five institutions cast doubt on those assumptions. Using a method that overcomes several weaknesses of past research, the team finds that, for teenagers, exposure to subsidized housing—both public and voucher-assisted—can contribute to higher earnings and lower rates of incarceration later in life.¹ The authors find that youth who spent their teenage years in public or voucher-assisted housing earned up to \$700 more per year at age 26 and had less risk for incarceration. The authors' key innovation is to compare siblings who had grown up in the same households. When they do so, they find that the sibling with greater subsidized housing exposure as a teenager had higher adult earnings and lower risk for incarceration.

KEY FINDINGS

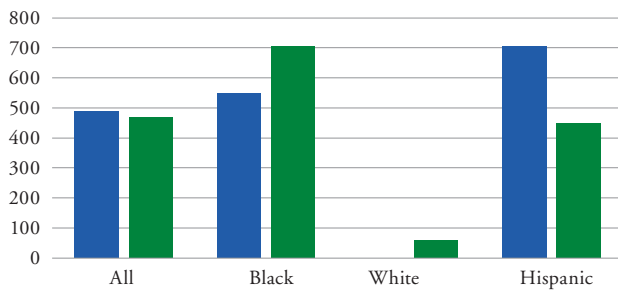
- Annual adult earnings rose by about \$500 every year spent in public housing, and about \$250 to \$480 for every year spent in voucher-assisted housing as a teenager.
- Both young women and men benefited substantively in public housing, with the largest benefits going to Hispanic young women.
- Young women benefited more than young men in voucher-supported housing, with the largest benefits going to Black women.
- Incarceration rates fell with increased exposure to subsidized housing. The effects were most pronounced for Black teenagers, with young Black women experiencing the largest reduction.

Subsidized Housing Improves Earnings

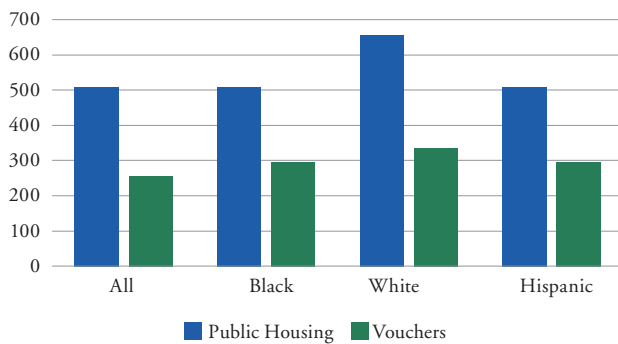
The authors based their study on 1,172,000 children aged 13-18 who lived in low-income households between 1997 and 2005 and with siblings in the same age group. The study distinguished between government-owned housing (public housing) and government voucher-assisted housing. In the latter, families can live anywhere a landlord will accept a government voucher. The subsidies in either type of housing cover 70 percent of the family's housing costs.

Among the youth, earnings at age 26 were higher for those siblings who had spent more time in subsidized housing during their teenage years. For every year spent in either public housing or voucher-supported housing, earnings increased by approximately \$250 to \$500 per year as young adults.

Earning Gains (\$) by Type of Housing Subsidy FOR YOUNG WOMEN



FOR YOUNG MEN



Earnings benefits for young women and men from having lived in public housing were fairly similar (young women had an increase of \$488 compared with \$508 for young men). While young Black men overall matched the \$508 per year for all young men in public housing, those growing up in the poorest projects saw little earnings benefit.

Young women who spent time in voucher-assisted housing tended to benefit more than young men. Each year spent in voucher-assisted housing as a teenager increased a young woman's income at age 26 by \$468 annually. Young men saw an income bump of \$256 on average.

The largest effects were for Black young women in voucher households and Hispanic young women in public housing. Black young women earned \$704 more annually for each additional year spent in voucher-assisted housing, and Hispanic young women earned \$704 more for every additional year spent in public housing. White women, in contrast, saw little to no increase in earnings from living in either type of subsidized housing.

Public and Voucher-assisted Housing Reduces Incarceration

Public and voucher-assisted housing support also reduced incarceration: incarceration rates fell with increased subsidized housing exposure. The effects closely followed the earnings results, both overall and by gender and race-ethnicity. Incarceration rates for young men who had lived in

subsidized housing were roughly 10 percent lower than the average rate for the overall sample and 20 percent below the average for young women.

Living in public housing had a larger impact than receiving vouchers. Living in public housing reduced the likelihood of incarceration in 2010 by 6.5 percent for young men and 11 percent for young women. In contrast, every teenage year spent in a household using a voucher reduced the risk of incarceration by 2 percent for young men and 9 percent for young women. The largest reduction in incarceration rates occurred for Black young women in public housing.

How Does Subsidized Housing Benefit Youth?

Although the authors did not analyze why the adult earnings were higher and incarceration lower when housing is subsidized, the findings point to a greater focus on the effects of increased income. Affordable housing means more money in the pockets of families, who can then devote more resources to their children. In addition, receipt of subsidized housing provides more security than does renting in the private market. As Rebekah Levine Coley and Melissa Kull show in another brief [in this series](#), moving frequently is disruptive for children, both in school and emotionally, leading to poorer performance in school, and thus likely lower earnings.

Why the Seemingly Counterintuitive Findings?

The findings are a departure from past research, which largely found that growing up in public housing was detrimental to long-term outcomes. The reason for the shift lies in the study's method of comparing the annual earnings of siblings who spent different periods of time in subsidized housing. Comparing siblings addresses the fact that there can be subtle differences in family characteristics that can both influence entrance into subsidized housing and affect children's long-term earnings. While past studies have accounted for many family characteristics by comparing families with similar incomes and education, they still may have missed some unique characteristics that made all the difference. A mother who managed to land one of the limited spots in public or voucher housing might be more tenacious in navigating a bureaucracy, for example, and this characteristic could also affect the manner in which she raises and influences her children. That feature was not "caught" by comparing similar families by income or education. But siblings come from the same family, so those parental traits are shared.

In fact, when the researchers used the same data but stopped short of comparing siblings, the findings were negative: it appeared that children in subsidized housing did worse as

young adults. The reversal underscores the importance of the impact of other family characteristics.²

In addition, the study included all public housing in the U.S. Although the popular perception of public housing might be an inner-city high-rise, public housing comes in many settings and sizes.

Policy Implications

The results show that subsidized housing, whether voucher-assisted or government-owned housing, can improve young adults' lives. Adult earnings were up and incarceration was down in this sample of teenagers who lived in subsidized housing. In addition, the savings from lower incarceration rates alone are sizable. According to [the Brennan Center for Justice](#), the criminal justice system costs taxpayers \$260 billion a year. Best estimates are that incarceration contributes to as much as 20 percent of the U.S. poverty rate, as well as long-term unemployment.³

Further, gains from tax revenue and savings on social programs are sizable when youth are employed and not incarcerated. Particularly for Black males, whose unemployment rates are nearly double the national rate, employment during those important early years in a career provides a ladder to lifetime higher earnings.⁴

Although the researchers did not study early childhood investments directly, the study's results also bolster the growing research on their importance to later success. The extra money available to families when rents are affordable means they have [more to invest in their children](#), from books to health care, creating strong foundations. Researchers Greg Duncan and Richard Murnane have shown that the gap between what higher- and lower-income families spend on

their children's enrichment, from trips to museums to summer camps, has tripled in 30 years.⁵ Therefore, subsidized housing that frees up income for parents to invest in children early on could have dramatic effects, particularly for lower-income children.

Endnotes

1. Fredrik Andersson, John Haltiwanger, Mark Kutzbach, Giordano Palloni, Henry Pollakowski, and Daniel Weinberg, "Childhood Housing and Adult Earnings: A Between-Siblings Analysis of Housing Vouchers and Public Housing." NBER working paper 22721. (Cambridge, MA: National Bureau of Economic Research, 2016). www.nber.org/papers/w22721.
2. The Moving to Opportunity demonstration was one of the first to attempt to isolate neighborhood's impact on children, though it, too, had its shortcomings. Although MTO was a gold-standard study, using a control group and (almost) random assignment, it did not compare subsidized with unsubsidized housing on a scale that was convincing. It was also confined to only a handful of cities.
3. Inimai M. Chettiar, "A National Agenda to Reduce Mass Incarceration" (Washington, DC: Brennan Center, April 27, 2015), <https://www.brennancenter.org/analysis/national-agenda-reduce-mass-incarceration>
4. White male unemployment (over age 20) was 4.9 percent in 2015. By race, it was 4.3 percent for white males, 3.7 percent for Asian males, 4.7 percent for Hispanic males, and 9.5 percent for Black males. See Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Demographics (Washington, DC: BLS, 2015), www.bls.gov/cps/cpsaat05.pdf and www.bls.gov/cps/cpsaat06.pdf
5. See, e.g., Greg Duncan and Richard Murnane, *Restoring Opportunity: The Crisis of Inequality and the Challenge for American Education* (Cambridge, MA: Harvard University Press, 2015), and James Heckman, *The Heckman Equation* (heckmanequation.org) for various studies and resources on the value of early investment.

***Fredrik Andersson** is Director/Quantitative Finance Manager, Enterprise Model of Risk Development, Bank of America. His research interests include program evaluation, housing markets, and credit risk modeling. He was an early contributor to the Census Bureau's Longitudinal Employer-Household Dynamics Program (LEHD). **Mark J. Kutzbach** is a Financial Economist at the Center for Financial Research at the Federal Deposit Insurance Corporation (FDIC). His research focuses on banking; urban, labor, and transportation economics; as well as data linkage and confidentiality protection. He previously served as LEHD Economist at the Census Bureau. **John C. Haltiwanger** is a Professor of Economics at the University of Maryland. His research focuses on U.S. longitudinal firm-level job creation, destruction, and performance. He was a primary developer of the Census Bureau's Longitudinal Employer-Household Dynamics Program. **Giordano E. Palloni** is an Associate Research Fellow at the International Food Policy Research Institute. His research focuses on exploring the determinants of maternal and early childhood health, health and education programs for children in developing countries, and how childhood experiences evolve into adult outcomes. He previously served as an Intern at the Census Bureau. **Henry O. Pollakowski** is a Research Associate at Harvard University's Graduate School of Design. He is also Editor of the *Journal of Housing Economics*. His research focuses on intergenerational economic mobility, and numerous urban economics topics including housing price behavior, affordability, and neighborhood location relative to jobs. **Daniel H. Weinberg** is the Principal for DHW Consulting. He previously served as Assistant Director of the 2000 Decennial Census and American Housing Survey. His research focuses residential segregation, income inequality, poverty measurement, and effects of government transfer programs on client wellbeing. The authors gratefully acknowledge **Barbara Ray of Hired Pen, Inc.**, for assisting the authors in drafting this brief.*

ABOUT THE HOW HOUSING MATTERS TO FAMILIES AND COMMUNITIES RESEARCH INITIATIVE


This brief summarizes research funded by the John D. and Catherine T. MacArthur Foundation as part of its How Housing Matters to Families and Communities Research Initiative. The initiative seeks to explore whether, and if so how, having a decent, stable, affordable home leads to strong families and vibrant communities. By illuminating the ways in which housing matters and highlighting innovative practices in the field, the Foundation hopes to encourage collaboration among leaders and policymakers in housing, education, health, and economic development to help families lead healthy, successful lives. The views expressed herein are not necessarily those of the MacArthur Foundation.

MacArthur Foundation

The MacArthur Foundation supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society.

For more information or to sign-up for news and event updates, please visit www.macfound.org.

John D. and Catherine T. MacArthur Foundation
140 South Dearborn St., Suite 1200
Chicago, Illinois 60603-5285
Telephone: (312) 726-8000

 www.macfound.org

 twitter.com/macfound

 youtube.com/macfound

 facebook.com/macarthurfdn

 linkedin.com/company/macarthur-foundation