

Policies for 'Mixed Communities': A Critical Evaluation

Paul Cheshire (SERC and LSE)
Steve Gibbons (SERC and LSE)
Ian Gordon (SERC and LSE)

June 2008

This work was part of the research programme of the independent UK Spatial Economics Research Centre funded by the Economic and Social Research Council (ESRC), Department for Business, Enterprise and Regulatory Reform (BERR), the Department for Communities and Local Government (CLG), and the Welsh Assembly Government. The support of the funders is acknowledged. The views expressed are those of the authors and do not represent the views of the funders.

© Paul Cheshire, Stephen Gibbons and Ian Gordon, submitted 2008

SERC Policy Paper 2

POLICIES FOR 'MIXED COMMUNITIES': A CRITICAL EVALUATION*

Paul Cheshire (SERC and LSE)

Steve Gibbons (SERC and LSE)

Ian Gordon (SERC and LSE)

June 2008

This paper challenges the belief that mixed community policies can effectively tackle poverty or reduce income inequality, on the basis that residential segregation is essentially a consequence not a cause of income inequality. The ideal of mixed communities as a mechanism for achieving social equality is firmly established in policy. However, to show that mixed neighbourhoods can reduce poverty or improve individuals' life chances, requires evidence that living in a deprived neighbourhood makes residents (and their children) materially worse off than they would otherwise have been over the long run, by restricting residents' capacity to develop their talents, networks and employability, and thus increasing the risks of them becoming, or staying, poor. In fact, though, the research evidence suggests that an individual's characteristics, economic outcomes and life chances are very insensitive to the neighbourhood in which they live. Neighbourhood characteristics are symptoms not causes of individual poverty. Planning for a more even residential mix of rich, poor and the middle mass could reduce measured spatial income disparities to some degree, but this would be merely a concealment of the underlying problem. It is also likely to cost substantial resources to maintain. Relieving poverty effectively means tackling the factors which make people poor – at an individual and family level - not moving poor people to more affluent neighbourhoods, or leavening poor neighbourhoods with more affluent residents.

* This work was part of the research programme of the independent UK Spatial Economics Research Centre funded by the Economic and Social Research Council (ESRC), Department for Business, Enterprise and Regulatory Reform, Communities and Local Government, and the Welsh Assembly Government. The support of the funders is acknowledged. The views expressed are those of the authors and do not represent the views of the funders

1 Mixed Communities Policy and Income Inequality

Tackling poverty and the relationship between poverty and place have both become key issues for policy (see e.g. Hill, 2007). But the income gap between 'rich' and 'poor' neighbourhoods is essentially the spatial manifestation of wider economic and social processes that cause individuals to have different incomes, which in turn lead them to live in different places. To tackle problems of 'disadvantaged neighbourhoods' we have to understand how and why such neighbourhoods arise, which involves understanding better how cities function. And then we have to understand how far, and in what ways disadvantage (as experienced by residents) may actually be caused or exacerbated by characteristics of the neighbourhood (particularly the mix of other residents) rather than simply reflecting sources of disadvantage operating at the individual or family level.

Residential segregation understandably has had a bad press, because poor neighbourhoods are associated with such a wide range of outcomes – crime, anti-social behaviour, low levels of education and worklessness – which are both socially undesirable and unpopular with local residents. Government policy, in Britain and in other OECD countries, now aims to create and maintain 'mixed communities'. This has actually been a traditional aim of British town and country planning, but one that seems to have been obstructed by the way that public sector estates developed. Considerable efforts and resources are being put into redressing this, using both visible government spending and invisible support mainly from agreements with developers (Section 106 Agreements in England). But there are crucial questions that need to be addressed if this policy is to warrant the scarce resources it consumes.

The fundamental issue is one of causation. We all know that there are some neighbourhoods which are much 'nicer' to live in, for a variety of environmental and social reasons, and that their desirability makes it more expensive to live there. Research evidence now shows quite how much more it can cost to access many desired neighbourhood characteristics, from green space to 'better' schools. Poor people get to be concentrated in worse neighbourhoods essentially because living in cheap neighbourhoods costs less (whether in private or social housing). The issue, in relation to policy, is whether living in such neighbourhoods is in itself a significant additional source of disadvantage, adding to the overall incidence of poverty.

To address this question, we need to start with a distinction between two ways in which neighbourhoods can affect the welfare of those who live in them. On the one hand, some neighbourhoods simply provide a superior experience to others, reflecting differences in what we will call 'consumption/quality of life' factors. Such factors would include parks, lower crime rates or better recreational facilities. Like the goods and services that people purchase, these are basically 'commodities' which people with enough income can choose to buy. But access to these commodities is always competitive, inevitably constrained by income in a market economy, and one role of the housing market is to allow people to choose which kinds of neighbourhood quality they would want to spend their money on.

A much more fundamental welfare concern is with whether characteristics of neighbourhoods, associated with their population mix, significantly affect the longer-term opportunities of residents and their children. A key concern is how these neighbourhood and community characteristics might

differentially affect people's future capacity to progress socially, and avoid or escape poverty, reflecting what we will call 'production/life-chance' factors. In this respect, the potential effects of the local residential mix on education, other aspects of childhood socialisation, long term health, family stability, and access to the labour market are of prime importance.

To make a serious, evidence-based case that mixed communities are an effective mechanism to reduce social inequality, we would need to establish four key propositions:

- ◆ Geographically concentrated poverty is worse in welfare terms, particularly for the poor, than diffused poverty;
- ◆ Creating mixed communities of poor and rich reduces the extent of poverty in the long run (implying there are positive externalities in relation to life chances for the poor from living close to more affluent groups);
- ◆ That any welfare costs of geographically concentrated poverty outweigh such benefits as people derive from living in more socially differentiated neighbourhoods; and
- ◆ Creating, and sustaining, socially mixed communities is a cost-effective way of addressing the problem of inequality.

This paper reviews the evidence relating to these propositions and ends up challenging the conventional wisdom that mixed communities are an effective way to reduce deprivation and social exclusion. There might still be some case for encouraging more socially mixed communities, in terms of improving life quality and consumption opportunities for poorer groups. But the evidence indicates that improving the life chances of those on low incomes is not a credible reason for the commitment of resources which a serious policy of this kind would involve. And the likely higher costs of providing affordable housing in mixed settings, plus the difficulty of ensuring it stays in occupation by poorer groups, suggest that this approach may also not be the best way of improving access to high quality housing.

Our paper proceeds with the following structure. First, in Section 2 we discuss how individual income inequality gives rise to residential segregation, highlighting the role of the housing market, preferences and incomes in separating the rich and poor into different neighbourhoods. Next in Section 3 we outline the empirical evidence on the extent to which neighbourhood quality and/or neighbourhood mixing benefit individuals in terms of their wellbeing or improve their life chances - evidence that might provide the foundation for policy on mixed communities but turns out to be unconvincing. Following that, in Section 4 we ask whether mixed community planning is a good tool for reducing spatial inequalities, and whether this is an appropriate policy goal in itself. Section 5 concludes.

2 What Causes Residential Segregation?

The differentiation of neighbourhoods in terms of their population, by ethnic composition, class, family status and life-style factors, comes about in various ways. But in market economies there are two key factors. The first is the varying preferences of different groups in terms of the locational and neighbourhood characteristics that matter most for them. The second is the differences between groups in purchasing power, constraining access to those attributes that are in wide demand but limited supply. Access to these amenities is rationed through house prices that reflect their value to those with the greatest purchasing power. Higher levels of both 'consumption/quality of life' factors (such as parks or river frontages), and 'production/life chance' factors (such as schools or access to jobs) have been found to generate substantial premiums on house prices, making both of these much more readily available to affluent groups (for English evidence see: Cheshire and Sheppard, 1995, 2004; Gibbons, 2004; Gibbons and Machin, 2008).

Some of these valued amenities are natural or historic in character, representing independent points of attraction for richer residents. The social mix of areas also reflects differences in relative preferences for access to work or to more space (between rich and poor for example). In addition, however, there are amenities which are produced, enhanced or attracted by the particular groups concerned (rich households for example). In these cases segregation may be amplified, because the presence of groups who are willing to pay more for an amenity itself raises the quality of provision of the amenity or perceptions of this quality. Thus, to take an important example, not only may good schools attract the middle classes, but middle class neighbourhoods may come to sustain the perception of 'better' schools, thus further reinforcing a tendency to social segregation. How far this tendency proceeds in practice depends on several factors, including the degree to which tastes and circumstances vary within each social group, as well as on how public policy responds. One general consideration, however, is the need for any labour market area to accommodate somewhere within it each of the groups represented in its workforce. This is evidently much more of a constraint in small isolated labour markets, than in large populous ones. Therefore, it is natural to find that the degree of segregation *across* communities of a given size (e.g. wards - or school catchment areas) is greater in metropolitan regions than in small towns, whilst the level of diversity *within* these communities is greater in small towns than in metropolitan regions (Gordon and Monastiriotis, 2006).

As well as these amenities that all households value, and where segregation produces clearly unequal outcomes because of unequal resources, there are others where demands may vary independently by culture, age or life-style – so that preferences alone would produce segregation. Most of these involve 'consumption/quality of life' attributes: associated with for example ethnic neighbourhoods or areas where young singles concentrate; or with preference differences that are correlated with income, such as a taste for specialist delicatessens versus discount stores selling goods within the budget of low income families. But others can relate to 'production/life chance' issues, as with the informal local social networks used particularly by less-skilled workers to access information about relevant job opportunities (Blau and Robins, 1992). At the very bottom of the social ladder, however, we recognise there are some

neighbourhoods with little to attract those who are in secure work, and where networks may consequently not offer the kind of information about jobs which would be useful for many of their residents.

In practice, as recent research has shown, the actual price to be paid for particular amenities – and thus their exclusivity – can vary in a quite complex way, both with the characteristics of particular local areas (Cheshire and Sheppard, 2004; Anderson and West, 2006) and with developments in the economy. For example, the ‘best’ local school will cost substantially less if local policy does not rigidly allocate school places according to home address but is flexible; or allocates in some other way, such as by lot or according to academic achievement. It will also cost less in housing markets where average incomes are lower, because demand for school quality is income elastic. In a higher income housing market, people will be spending a higher proportion of their incomes trying to buy educational quality. If incomes become more unequal over time (or in those housing markets where incomes are more unequally distributed), the price of attributes in fixed supply will be relatively higher and we should expect an even stricter sorting of households between nicer and more disadvantaged neighbourhoods, with the best State schools becoming even more strictly reserved for the richest local households

The partial segregation or sorting of rich and poor into different communities is thus an almost inevitable consequence of residential choice in a market system, and is not necessarily a bad thing. Differences in average incomes between neighbourhoods within a single housing market area – typically a wider city-region – are essentially the spatial articulation of income inequality between individuals (or households) in society. The substantial increase in income inequality evident in many OECD countries, particularly the UK and the US, since the late 1970s would thus be expected to have increased residential segregation. For neighbourhoods within US cities this has been clearly demonstrated (Massey and Fischer, 2003). For the UK evidence is more ambiguous, perhaps partly because of the widening scope of gentrification, the initial effect of which is to reduce measured segregation. There is some evidence, however, of the corollary, namely that an increase in local income inequality is accompanied by a widening spread of local house prices, as relatively richer people pursue a strictly limited supply of opportunities to access the best amenities and local public goods. In one case for which comparative data is so far available – for Reading in 1984 and 1993 – a rise in the Gini coefficient for the distribution of incomes (from 0.35 to 0.53) was accompanied by a rise in that for house prices (from 0.22 to 0.28). The change in house price inequality is significantly less than that for incomes, because many features of houses contributing to their price (such as central heating or number of rooms) do not have a tightly restricted supply.

3 Evidence on the Effects of Community Quality and Diversity

So far, we have argued that a degree of spatial sorting of different types of people into distinct relatively homogeneous neighbourhoods is an inevitable consequence of a market housing system, in a world with a spatially uneven distribution of amenities, substantial income inequalities and varying preferences. The case for intervening in this ‘equilibrium’ to promote a greater residential mixing of

different income groups rests on the view that net social benefits are achievable in this way, in terms of significant reductions in inequality and perhaps also improvements in overall living standards. From the economist's perspective, justification of this claim calls for an explanation of where the market failures arise such that a spatial redistribution of residences would produce a significant reduction in inequality, and for evidence that the gains to be achieved would exceed both direct welfare losses, and the costs of overcoming market forces.

Key to this argument is the scale of effects – on life chances and not only quality of life – of spillovers and social interactions between neighbours. If these are strong enough, there may indeed be gains from action to alter the social mix of areas, particularly in cases where people are trapped by planning or other non-market constraints in locations where they would prefer not to live if these constraints were relaxed. In such situations there are two kinds of argument for policies to promote more social mixing at the local scale. One, focused on reducing inequalities, seeks to raise the average social status in the neighbourhoods in which poor people live, on the basis that this could substantially improve their life chances. In the process, it is possible – but by no means inevitable – that it also raises overall living standards, depending on how far the welfare and life chances of richer groups might be negatively affected in the process. A second, argument is that, on average, diversity in a community improves wellbeing, life chances and other outcomes for all, whether or not it also reduces inequalities.

To address the first of these arguments, we need evidence on how far living standards and prospects, of individuals – especially those from more disadvantaged backgrounds – are affected by the social status of others in their local community. British planning and social policies have long assumed that individuals are affected by the social status of their neighbours, despite the scepticism expressed by various social researchers (notably Harris, 1973). This assumption was not tested against empirical evidence until fairly recently. Over the past 20 years, however, a substantial array of studies internationally has applied a wide range of statistical techniques in efforts to answer the question whether living in poor neighbourhoods makes people poorer and erodes their life chances, independently of those factors which contribute to their poverty in the first place. But the answer has proved surprisingly elusive. There are various reasons for this, including difficulties in fully controlling for these other (personal or family) factors influencing peoples' life chances. But the main one seems to be that 'neighbourhood effects' are relatively weak. Indeed a careful reading of this literature would not persuade anyone that the effects – if they exist at all – are either large or general. This is not to say that such effects have not quite often been found (including in studies we have undertaken, e.g. Buck and Gordon, 2004), but they have always been small relative to those found at the individual level, somewhat uncertain or complex – and least likely to emerge from those studies with the most rigorous methods and controls.

Among this group are those which tracked individuals over a long period to find out whether there is any tendency for the type of neighbourhood they were living in initially to influence their current prosperity. So far, the weight of evidence from several independent studies of this type, in both the UK (Gibbons 2001, Bolster et al, 2007) and Canada (Oreopoulos, 2003) is that the character of the neighbourhood in which people lived (10, 20 or 30 years) previously had little or no significant impact on their educational achievements or current prosperity.

The 'gold standard' approach among such studies is that of the social experiment in which people are randomly assigned to 'treatment' and control groups (as in medical random controlled trials). One study of this kind, from the US, provides the most powerful evidence on how living in highly deprived (as

compared with more average) neighbourhoods affects both people's quality of life and their economic prospects. It comes from a major experimental programme, Moving to Opportunity (MTO), conducted in five large US cities during the 1990s, designed both to pilot a policy for relief of concentrated neighbourhood poverty and as a scientific experiment to test the benefits of more mixed communities. Families in the poorest neighbourhoods were offered help – with both housing costs and professional advice – to move to a more affluent neighbourhood. The professional advice alone cost \$3,000 per treated family. To help reveal the effects on poor people of moving to such a neighbourhood, those families who qualified for the programme were divided into three groups. Group 1 had professional advice and financial help to move to a low (below 10%) poverty neighbourhood; Group 2 just got financial help for housing, to use as they wished; Group 3 got nothing. Some 4,600 families were accepted onto the programme. There are still some concerns about selection effects in this study, since only families who thought they might benefit volunteered and because not all those offered the opportunity to move actually took it up. Nevertheless its long-term follow-up of families offers some of the most direct evidence on the differential effect of low and high poverty neighbourhoods on outcomes for disadvantaged families (Kling et al., 2005 & 2007).

Some rather clear effects were reported in relation to aspects of 'quality of life'. In particular, women in the treatment group reported mental health improvements, less psychological distress, higher scores on feeling 'calm and peaceful' and lower obesity, as a result of moving to a better environment (with less crime etc.). This is perhaps scarcely surprising, and fits with the finding from a (simpler) UK study using the British Household Panel Study, which found the one clear neighbourhood effect, among a range of mostly socio-economic indicators to be on whether people liked the area in which they lived (Buck and Gordon, 2004).

In terms of 'life chance' factors, however, the careful MTO studies showed no similar tendency toward gains from the moves to low-poverty areas, whether in terms of employment, dependence on public assistance, health or educational outcomes. And, although girls seemed to benefit in behavioural terms, long-term follow-up showed the move caused additional social and behavioural problems for young males (for whom these were more severe in the first place). This particularly involved an increased incidence of arrest for property-related crime, together with worse behaviour in schools and within the family. Overall, there were no indications of net gains in the life chance terms that were most crucial to the experiment.

On the face of it, this evidence seems a bit surprising, given the fact (discussed in the previous section) that people who have the resources are prepared to pay large amounts to live in areas offering what are perceived as better schooling opportunities for their children. It also seems surprising given evidence that schools do appear to perform better in higher status neighbourhoods. For example, in England, secondary schools reported as achieving the highest levels of academic progress ('value-added') are those with the highest quality intakes, and these are found particularly in areas with better-educated, typically middle-class parents. At the other extreme, value-added seems to be particularly depressed in (poor) neighbourhoods with concentrations of lone parents (Gordon and Monastiriotis, 2007). Surely then, for the average child, we should at least expect to see higher levels of school achievement in higher status neighbourhoods and schools with higher status intakes, whether or not these educational advantages are carried over into success in later life?

As an issue about the role of peer groups within school, this question has been the subject of much research by educationists, who have been interested not only in effects on the average child, but on how

those for low-achievers from mixing with high achievers compare with the effects on high achievers of mixing with low achievers. For our purposes the relevant factor is income or low/ high social-class mix rather than prior achievement, but the issues are similar, and closely related. In general, just as for neighbourhoods, the influence of peer group on individual pupil achievements has not been found to be large in well executed studies – at least not in comparison to the overall range of achievement and the influence of personal and family background characteristics. Where there are discernable effects, however, they do not appear to be entirely symmetrical. For example, while a recent study of secondary school children in England found that overall achievements of pupils at age 14 were unaffected by the prior achievements of their school-mates, there was some evidence that the lowest achievers actually lost out from mixing with high ability peers, whilst those with upper-middle abilities gained (Gibbons and Telhaj 2008). In terms of child happiness, the available evidence does not suggest that disadvantaged children will do better in a school with an advantaged middle class intake than in a poor school (Gibbons and Silva 2008). Some of the educational evidence specifically calls into question the assumption that mixing is always a good thing, as with Hoxby and Weingarth's (2005) US study showing that pupils benefit the most from education amongst other pupils of similar ability.

Less radically, analyses of school-level data in England suggest firstly that the major differences in effects of school (and area) context on secondary school exam outcomes are to be found between the best and the average, not between the worst and the average (Gordon and Monastiriotis, 2007). Secondly, while the most residentially segregated urban regions display the most unequal results, this is essentially because they do better at the top end, not because they do significantly worse at the bottom end (Gordon and Monastiriotis, 2006). This is consistent with, on the one hand, middle class families expending substantial resources to locate in areas where schools are free of disruptive influences while, on the other hand, children from disadvantaged backgrounds gain less from living in contexts where these influences simply operate at a rather lower level.

From our discussion so far it appears that, while there is little evidence of material effects from local social mix on 'production/life chances', at least for the disadvantaged groups which are the major focus of concern, this may not be as true for 'consumption/quality of life' factors. This relates directly to the second possible motive for promoting greater social mix (identified on p.9 above), namely that everyone would benefit from living in more diverse communities. There is, however, some evidence (from a smaller number of studies) which casts doubt on whether these can be counted on either. On the one hand, there is the issue of how comparisons with neighbours' relative living standards affect personal welfare. The burgeoning literature on 'happiness' (Layard 2005) provides much suggestive evidence that such relativities affect both people's sense of well-being and their behaviour. A more detailed study by Luttmer (2005) even concludes that a 10% increase in the earnings of everyone else in a person's neighbourhood has as great a depressing effect on their happiness as a 10% fall in their own income - apparently because it tends to make the poorer-paid work longer hours, thus spending less time with their families and having less leisure. As a single study this is not enough to confidently conclude that social mix is a bad thing because those on low-incomes are happier amongst others on low incomes, but it does call into question the assumption that putting the poor in more affluent neighbourhoods must make them happier. In the one British study of how residential composition affects individuals' attachment to their local neighbourhoods, Livingston et al. (2008) found only weak relationships with either social mix or individuals' social/tenure fit to their neighbourhoods. For both more and less advantaged groups, however, they did find attachments to be stronger in areas which had an affluent local population.

The second reason for scepticism about the 'quality of life' benefits of social mix stems from evidence that 'specialisation' of neighbourhoods provides both economic and welfare benefits for their residents. In the private housing market at least, people tend to put a lot of effort into finding a neighbourhood which is both congenial and convenient for their ways of life, rather than one which is simply of higher social status. That is because people directly gain from living with compatible and complementary neighbours. 'Specialised neighbourhoods' (that is neighbourhoods composed of similar types of people whether in terms of ethnicity, culture, age, education or income) increase the range of choice for people with respect to the types of neighbourhood in which to live; and people and families of similar incomes, tastes or points in the life cycle tend to consume similar goods and services and require similar amenities. For recent immigrants wanting to continue to speak their original language, and practise a familiar religion or culture, there are obvious advantages in living among people of similar origin. This is one obvious source of the ethnic neighbourhoods of major cities, and such opportunities for residential specialisation are one of their powerful attractions.

The advantages of being able to choose a compatible neighbourhood are not confined to ethnic groups, but apply also to groups at particular stages within the life cycle, to those from similar educational or professional backgrounds. And, as we noted in the last section, neighbourhoods can play an important role in helping people to find jobs, even though this networking role obviously has limited positive benefits in the areas of highest worklessness. Bayer et al (2005) conclude that social interactions within neighbourhoods between people similar to each other are a significant factor in how urban labour markets work and why living in large cities helps people achieve better matches in the labour market. This is one of the reasons why in cities of half a million or more, people are five times as likely to use informal methods of job search as they are in cities of less than 100,000. The other side of the observed greater incidence of segregation in larger cities is that they provide a wider choice of neighbourhood types enabling people to choose a more appropriate one to live in, with benefits in terms of improved productivity, welfare and overall living standards.

4 Will Mixed Community Policy Reduce Spatial Inequalities?

Of course mixed community policy may reduce spatial disparities, i.e. the observable average differences between communities, even if it does nothing to change individual circumstances. It seems self-evident that policy that mixed rich and poor will achieve this objective at least in the short run, and this might be a desirable goal in itself. But even assuming that there are some reasons to favour this objective, is the improvement likely to be worth the costs, or to last?

One of the main claims made for the sustainability of mixed communities in the face of residential mobility and sorting is that individuals do not mind the kind of neighbours that they have. Berube (2005 p.26) argues, in defence of the sustainability of mixed communities, that 'the presence of lower-income households is not always a push factor for families who can exercise choice'. But as we discussed in

Section 2, preferences over the quality of ones neighbours are not the main driver of residential segregation. Segregation is possible even if no-one minds at all what their neighbours are like, because the rich outbid the poor for access to local services, amenities and employment and because people differ in their preferences for these things. Hence, sustained reduction in spatial disparities through mixed community policy requires that the tenure mix in the community and the rents paid in affordable housing are made perpetually insensitive to the quality of local amenities, transport accessibility and public services.

The potential instability of mixed communities arises from the fact that 'local communities' are not fixed sets of people or households. The population of a neighbourhood is more like that of a bus: people are moving in and moving out all the time. But this is not an entirely random process. If the neighbourhood is disadvantaged and has unattractive (but cheap) local amenities and public goods those who improve their position in the labour market will tend to move out. The 'problem' is just made worse if people are at all sensitive to the type of people in their neighbourhood. A change in amenity quality can induce a change in community status which leads, through a process of cumulative causation, to complete polarisation of communities into rich and poor. The potential instability of communities under this kind of process is well established in the theoretical literature, and in the US literature on residential 'tipping'.

The process can be illustrated by an example closer to home. A study of a City Challenge urban regeneration project in Harlesden, West London (Cheshire et al., 1998) found that an effective basic training programmes had been delivered. At the end of the period, however, the overall unemployment rate was higher, both absolutely and relative to other similar disadvantaged neighbourhoods. The explanation seemed to be that those who had benefited from the training had differentially got better jobs and moved out of the neighbourhood. Those who had moved in to replace them had even more unfavourable labour market characteristics than the average for those living in the community throughout the period. Compared to those moving into the neighbourhood, those moving out were 7 times more likely to have participated in training; if working, they were 6 times more likely to have a full time job; and had significantly improved their jobs relative to other groups. The very success of the regeneration effort had stimulated selective population churn. The result was that on average those living there at the end of the programme had a higher probability of being unemployed than the original inhabitants.

5 Conclusions

Our message from this review of the evidence is that creating mixed neighbourhoods treats a symptom of inequality, not its cause. The problem is poverty, what makes people poor and what keeps them poor; not the type of neighbourhood in which people live. Trying to create mixed neighbourhoods costs substantial resources that could be used directly to relieve poverty. The onus of proof should be on the advocates of mixed neighbourhoods to demonstrate that they are an effective way of relieving poverty and reducing social exclusion. A careful examination of the evidence currently available does not provide much support for this conclusion.

A counter-argument might be that, in the absence of any convincing evidence of the benefits of any particular community structure, why not build mixed communities? This is a reasonable response, given the high visibility of social disadvantage when it is spatially concentrated and the lack of success in past patterns of low-cost housing planning. Even if mixing has no effects on wellbeing or material outcomes, isn't it better to geographically disperse the most socially disadvantaged? To assess this position in the absence of any clear benefits either way, we need to know the relative costs. The evidence base on this issue is not well developed, although figures in the study by Whitehead et al (2005) suggest that average costs for social housing units delivered in London under Section 106 agreements are slightly higher than for units funded in other ways, and the land acquisition costs are substantially higher (p.21-22). We would of course expect the costs of social housing supply in high-status communities with high land prices to be much higher than in less desirable locations with lower land prices. So, the trade-off to be faced is between building fewer, smaller or lower quality housing units in more sought-after locations, and building more, larger and higher quality housing units in less sought-after places. Again, advocates of mixed community planning policy need to demonstrate that the first option is the socially preferable solution, given shortages in the overall supply of affordable housing and the government building targets.

A second argument against dispersal of social and economic disadvantage is that it just sweeps the problem under the carpet. There is a danger that trying to create mixed neighbourhoods diverts efforts away from tackling the underlying causes of poverty and social exclusion, lulling us into a comforting but false belief that we are doing something positive. It is a form of displacement activity. Effective policies to tackle poverty would include income redistribution, and it seems fair that richer people should pay to tackle poverty more effectively. That does not mean, however, that we should completely ignore the welfare of the more affluent. The evidence strongly suggests that not only does mixing neighbourhoods not effectively help the poor (even possibly damaging their welfare) but it may also detract from the welfare of the better-off. It makes it more difficult for all groups to find neighbourhoods populated by other compatible households with similar tastes and life-styles. Mixing neighbourhoods may not be so much a redistribution of social welfare as its confiscation. The policy issue is how to tackle poverty effectively.

Poverty arises from many sources, including the changing structure of employment. Policies themselves may have contributed to this through both the tax structure and the welfare system. There has been an increasing polarisation in the job market and the payoff to high-level skills has risen, leaving the low skilled and less educated behind, and it is these gaps that are manifest in the spatial patterns of income and segregation that we observe in the UK. Redistribution of resources and opportunities from the richer to the poor seems to have had less emphasis over recent years. But this is likely to be a more effective - certainly a more cost-effective - way of helping the poor than trying to ensure that they live in more affluent neighbourhoods.

Spending real resources supporting the services used by the most disadvantaged seems a far more plausible way of helping them. This could take the form of deliberately attracting more of the best teachers to work in the schools serving the most disadvantaged neighbourhoods by paying a premium to work in such schools. Precisely targeted training aimed at adolescents and young adults who had missed out on conventional education, including basic literacy and numeracy, the habit of turning up on time and social skills would improve the employability of the most disadvantaged. Housing markets charge a premium for lower neighbourhood crime rates. Substantially more (and more effective) police

resources concentrated in high crime neighbourhoods would help those most at risk: the poor. These measures, moreover, would have the advantage of potentially helping all the really disadvantaged not just the 'lucky' few who found housing in more affluent neighbourhoods.

Over the long-run, the evidence basis for pursuit of 'social mix' as a planning policy in the UK has been very thin. In recent years, harder evidence has been generated from a series of studies, which (as we have pointed out earlier) suggest that the key assumptions underlying this policy are mistaken. But there are a number of relevant questions where hard evidence is still lacking, and more investigation is clearly required before further resources are committed to mixed-community policies which may well be unsustainable, as well as ineffective.

One gap in the evidence base is on the role of the housing-market in linking general income inequality and community inequality (discussed in Section 2). Previous research has touched on these issues but many questions remain. Do trends in community segregation follow those in personal income inequality, and is this played out through increase polarisation of housing prices across communities? What is the role of social housing and affordable housing in this equation? Do traditional forms of social housing exacerbate inequalities by concentrating the poor in particular areas, or would the market equilibrium without social housing be even more polarised? What have been the effects of mixed community affordable housing developments so far in terms of their impact on the local housing market? There is much more scope now to answer many of these questions, by linking house price data, information on earnings and planning outcomes at small geographic scales. These data potentially allow us to observe how the dispersion in housing prices moves with changes in local income, or how prices change and residential composition changes with construction of new housing developments or the destruction of older concentrated forms of social housing (e.g. tower blocks).

In addition, there is clear scope for further research on the benefits of living in higher-status communities – both of the 'consumption/quality of life' and 'production/life chance' types – and on those of mixing. This is a tough research challenge, made more difficult in the past by the lack of geographical identifiers for individuals' place of residence or workplace in those large scale datasets available to the research community. The availability of these identifiers in new administrative and survey datasets does offer some way forward, though distinguishing reliably between 'causal' impacts of neighbourhoods from effects of residential sorting (on unrecorded personal characteristics) still remains problematic. Good evidence in this field calls for an experimental setting such as that provided by the Moving to Opportunity programme (described in Section 3), or similar policy interventions that allocate individuals into different communities according to rules independent of their circumstances. Such interventions are few and far between, and the data on those that may exist (such as allocation of social tenants or new immigrants to neighbourhoods) are not readily available. Whether on this basis, or more simply through analyses of educational administrative datasets, the longitudinal and cohort surveys, and the census micro data, further research is clearly required - given the relatively few studies looking rigorously at this issue in British contexts – before further substantial resources are committed to pursuit of the goal of socially mixed communities.

References

- Anderson, S.T. and S. E. West (2006) Open space, residential property values and the spatial context, *Regional Science and Urban Economics*, 36, 773-789.
- Berube, A. (2005) *Mixed communities in England; A US perspective on evidence and policy prospects*, Joseph Rowntree Foundation, York
- Blau, D. and P. Robins (1992) Job search outcomes for the employed and unemployed, *Journal of Political Economy*, 98, 637-655.
- Bayer, P. S.L. Ross and G. Topa (2005) Place of work and place of residence: Informal hiring networks and labour market outcomes, NBER Working Paper, No. 11019.
- Bolster, A. S. Burgess, R. Johnston, K. Jones, C. Propper and R. Starker (2007) Neighbourhoods, households and income dynamics: a semi-parametric investigation of neighbourhood effects, *Journal of Economic Geography*, 7, 1-38.
- Buck, N.H. and I.R. Gordon (2004) Does spatial concentration of disadvantage contribute to social Exclusion? , pp. 237-254 in Boddy, M. and Parkinson, M. (eds.) *City Matters*, Bristol: Policy Press.
- Cheshire P. C., N. Flynn and D. Jones (1998) Harlesden *City Challenge: Final Evaluation*, London: HCC.
- Cheshire, P. and S. Sheppard (1995) On the price of land and the value of amenities, *Economica*, 62 (246) 247-67
- Cheshire, P. and S. Sheppard (2004) Capitalising the value of free schools: The impact of supply constraints and uncertainty, *Economic Journal*, 114, F397-424.
- Gibbons, S. (2001) Paying for good neighbours: neighbourhood deprivation and the community benefits of education, Centre for Economics of Education DP0017, London School of Economics, October
- Gibbons, S. (2004) The costs of urban property crime, *Economic Journal*, 114, F441-463
- Gibbons, S. and S. Machin (2008) Valuing school quality, better transport and lower crime: evidence from house prices, forthcoming in *Oxford Review of Economic Policy*
- Gibbons, S and O. Silva (2008) School quality, child wellbeing and parents' satisfaction, Centre for Economics of Education Working Paper, London School of Economics

- Gibbons, S. and S. Telhaj (2008) Peers and achievement in England's secondary schools, Spatial Economics Research Centre DP0001, London School of Economics
- Gordon, I.R. and V. Monastiriotis (2006) Urban size, spatial segregation and inequality in educational outcomes, *Urban Studies*, 43, 213-236.
- Gordon, I.R. and V. Monastiriotis (2007) Education, location, education: A spatial analysis of English secondary school public examination results, *Urban Studies*, 44, 1203 – 1228.
- Harris, M. (1973) Some aspects of social polarisation, pp156-189 in D. Donnison and D. Eversley (eds.) *London: urban patterns, problems and policies*, London: Heinemann.
- Hill, J. (2007) *Ends and Means: The future roles of social housing in England, report for Communities and Local Government*, Centre for Analysis of Social Exclusion, CASE Report 34, London School of Economics.
- Hoxby, C. and G. Weingarth (2005) Taking race out of the equation: school reassignment and the structure of peer effects, Working Paper, Harvard University
- Kling, J., J. Ludwig and L.F. Katz (2005) Neighbourhood effects on crime for female and male youth: Evidence from a randomised housing voucher experiment, *Quarterly Journal of Economics*, 120(1), 87-130.
- Kling, J., J. B. Liebman and L.F. Katz (2007) Experimental analysis of neighbourhood effects, *Econometrica*, 75 (1), 83-119.
- Layard, R. (2005) *Happiness: Lessons from a New Science*, Penguin Group Publisher, London.
- Livingston, M., N. Bailey, and A. Kearns (2008) *People's Attachment To Place - The Influence Of Neighbourhood Deprivation*, Coventry: Chartered Institute of Housing/Joseph Rowntree Foundation.
- Luttmer, E. (2005) Neighbors as negatives: Relative earning and wellbeing, *Quarterly Journal of Economics*, 120 (3) 963-1002
- Massey, D.S and M.J. Fischer (2003) The geography of inequality in the United States, 1950-2000, *Brookings-Wharton Papers on Urban Affairs* – 2003, 1-40
- Oreopoulos, P. (2003) The long-run consequences of living in a poor neighbourhood, *Quarterly Journal of Economics*, 118(4), 1533-1575.
- Whitehead, C., S. Monk, D. Lister, C. Short, T. Crook, J. Henneberry and S. Rowley (2005) *The value for money of delivering affordable housing through Section 106*, Office for the Deputy Prime Minister, London

BERR

Department for Business
Enterprise & Regulatory Reform



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Spatial Economics Research Centre (SERC)

London School of Economics
Houghton Street
London WC2A 2AE

Tel: 020 7852 3565

Fax: 020 7955 6848

Web: www.spatial-economics.ac.uk

SERC is an independent research centre funded by the Economic and Social Research Council (ESRC), Department for Business, Enterprise and Regulatory Reform (BERR), the Department for Communities and Local Government (CLG) and the Welsh Assembly Government