

Background

Julius Wilson is generally seen as the starting point of the interest in neighbourhood effects. According to Wilson¹ "[t]he central problem of the underclass is joblessness reinforced by increasing social isolation in impoverished neighbourhoods". Wilson argued that structural 'concentration effects' arise from living in deprived neighbourhoods, which might negatively affect residents' access to job information network systems. It is thought that in extreme cases this concentration can lead to a 'culture of poverty' effect where unemployment is not a consequence of structural problems but of a cultural commitment to dysfunctional and irrational values resulting in the wish of the 'underclass' to follow alternative values counter to the norms of society. The rejection of these norms may lead to an increased participation in anti-social activities, and opting out of education and employment. The culture of poverty argument can turn into a structural neighbourhood effect when employers refuse to hire residents from certain neighbourhoods based on the reputation of the neighbourhood as a whole².

Following from Wilson's thesis there is now a strong belief among many researchers and policy makers that living in deprived neighbourhoods has a negative effect – over and above the effect of individual characteristics – on residents' health, labour market outcomes, and social values (leading to crime and social disorder). The body of literature on these so-called neighbourhood effects is growing quickly and research has found neighbourhood effects on such outcomes as school dropout rates³; childhood achievement⁴; transition rates from welfare to work⁵; deviant behaviour⁶; social exclusion⁷; and social mobility⁸. Theoretical explanations of neighbourhood effects include role model effects and peer group influences, social and physical disconnection from job-finding networks, a culture of poverty leading to dys-functional values⁹, discrimination by employers and gatekeepers to post-secondary education, access to low quality public services, targeting of government resources, and high exposure to criminal behaviour. The neighbourhood effects discourse has had a major impact on urban, neighbourhood and housing policies. As a consequence of the belief in neighbourhood effects, governments have invested heavily in area based policies to tackle poverty and to improve the lives of residents in deprived neighbourhoods.

Despite the apparent consensus that neighbourhood effects exist, there is a small, but growing critical literature offering an alternative view¹⁰. This critical literature identifies that there is surprisingly little convincing evidence that living in deprived neighbourhoods really makes people poor(er) and that policies designed to tackle poverty should target individuals rather than the areas within which they live¹¹. It has been concluded that neighbourhood effects are essentially a "black-box"¹² term identifying a set of unexplained relationship(s) to be further investigated rather than an entity that can be used to explain a set of outcomes. Quasi-experimental studies, such as Gautreaux and the Moving to Opportunity program¹³ or randomised education studies¹⁴ find little impact on adults' outcomes while the bulk of non-experimental observational studies do find effects¹⁵. The key problem in the empirical investigation of neighbourhood effects is the (econometric) identification of causal relationships¹⁶. The literature has identified several econometric problems such as the simultaneity problem, omitted-context variable bias and the endogenous membership problem which may lead to the misleading conclusion that neighbourhood effects really exist¹⁷. It is argued that most existing 'evidence' from non-experimental observational studies suffers from reverse causality: deprived neighbourhoods do not make people poor, but poor people live in deprived neighbourhoods because they can not afford to live in a more affluent neighbourhood.¹⁸

The use of econometric techniques such as the Instrumental Variable (IV) approach¹⁹, fixed effects models and the use of longitudinal data²⁰ can potentially solve part of the problems raised above. However, these methods reduce but do not eliminate the possibility of alternative explanations of neighbourhood effects. In addition, despite the advances in modelling techniques, quantitative studies struggle to adequately measure the neighbourhood context on the most relevant spatial scale(s). Choices are often driven by the availability of administrative data, and not necessarily by an understanding of neighbourhoods. In terms of understanding neighbourhood effects we suggest that it is not possible to develop a full understanding without a broad and deep understanding of neighbourhoods, neighbourhood change and selective mobility into and out of neighbourhoods. Surprisingly, given the awareness of (self) selection processes, the neighbourhood effects literature pays scant attention to the literature on selective residential mobility into and out of neighbourhoods.

To further our understanding of neighbourhood effects it is necessary to take a dynamic view of neighbourhoods, focussing on the neighbourhood as a transitory area in constant flux as an alternative to the neighbourhood as a static object²¹. The ESRC Seminar Series is designed to enrich neighbourhood effects research with insights from closely related, but currently largely separate literatures on (neighbourhood) deprivation, neighbourhood population turnover, social cohesion, and segregation. Special attention will be paid to the growing literature dealing with selective mobility into and out of neighbourhoods and neighbourhood change²². Finally it has been noted that there is a lack of understanding of processes leading to neighbourhood segregation and that the dynamic nature of neighbourhoods is a function of both population demographics and selective migration²³. Both processes need to be understood to further our knowledge of neighbourhood dynamics.

[1.](#) Wilson, (1991, p.650)

[2.](#) see Wilson, (1991); Wacquant, (1993)

[3.](#) Overman (2002)

[4.](#) Galster et al. (2007)

[5.](#) Van der Klaauw & Ours (2003); Simpson et al. (2006)

[6.](#) Friedrichs & Blasius (2003)

[7.](#) Buck (2001)

[8.](#) *ibid*

[9.](#) Wilson, (1987)

[10.](#) See Oreopoulos (2003); Johnston et al. (2005); Bolster et al. (2007); Van Ham & Manley (2008)

[11.](#) Cheshire, (2007)

[12.](#) Simpson et al. (2006)

[13.](#) Durlauf, (2004); Rosenbaum (1995); Ludwig et al. (2001); Goering et al. (2002)

[14.](#) see Leventhal & Brooks-Gunn (2004)

[15.](#) see for example McCulloch (2001); Buck (2001)

[16.](#) Moffitt (1998); Durlauf (2004)

[17.](#) see Manski (1993); Moffitt (1998)

[18.](#) Cheshire (2007)

[19.](#) Durlauf, (2004); Krupka (2008)

[20.](#) see work by Musterd & Anderson (2005); Bolster et al. (2007); Galster et al. (2008)

[21.](#) See for instance Bailey & Livingston, (2007)

[22.](#) Bailey & Livingston, (2007); (2008); (Jivraj), 2008; Van Ham & Clark, (2009); Feijten & Van Ham, (forthcoming)

[23.](#) Simpson (2004)

Web Resources

- [Methodological issues in Neighbourhood Effects Research](#) - by Michael Oakes

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