

# Understanding the Heterogeneity of Intergenerational Mobility across Neighborhoods

Based on BFI Working Paper No. 2024-131, “*Understanding the Heterogeneity of Intergenerational Mobility across Neighborhoods*,” by Neil A. Cholli, Cornell University; Steven N. Durlauf, University of Chicago; Rasmus Landersø, Rockwool Foundation Research Unit; and Salvador Navarro, University of Western Ontario

Most of the variation in intergenerational mobility across neighborhoods in Denmark is driven by the choices families make about where to live, as well as random noise. The key driver of remaining variation is whether an area is urban or rural, with urban areas fostering greater upward mobility.

Recent research has uncovered substantial differences in intergenerational mobility across neighborhoods, in countries and continents around the world. In some neighborhoods, children from low-income families grow up to join the middle class (and beyond), while in other, nearby areas, children from comparable backgrounds are more

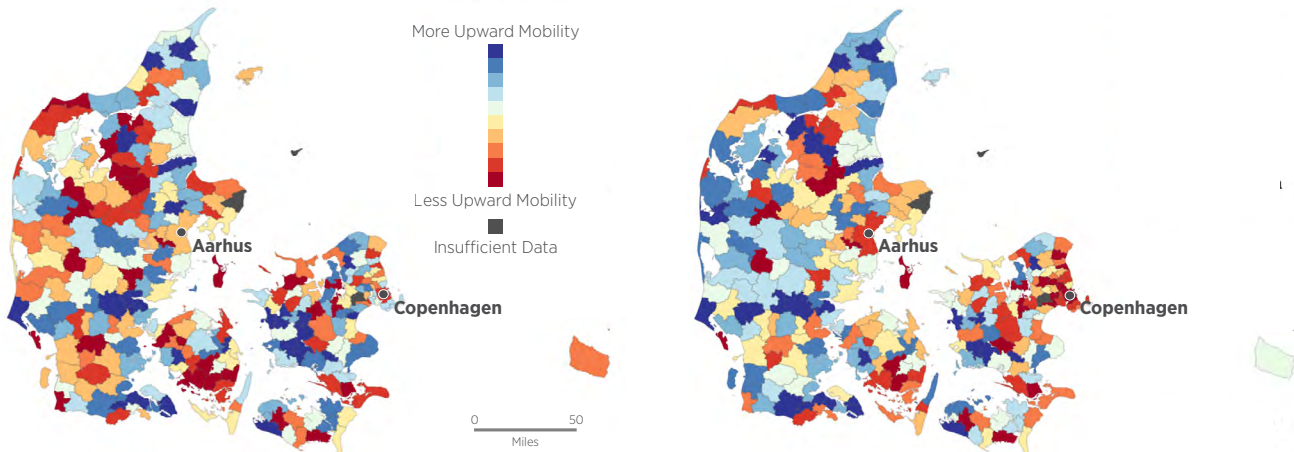
likely to remain trapped in poverty. It is unclear, however, what drives these differences.

In this paper, the authors investigate the sources of neighborhood-level variation in intergenerational mobility using Danish administrative data. They link children born between 1973 and 1983 to

**Figure 1** • Heat Maps of Location Effect Estimates, Before and After Controlling for Selection

A) Intergenerational Mobility (Raw)

B) Intergenerational Mobility (Location Effects)



Note: These maps present estimates of intergenerational mobility in Denmark, before and after accounting for selection. Blue-colored areas represent places with greater upward mobility, and red-colored areas represent places with less upward mobility. As you can see, accounting for selection significantly changes the landscape of mobility in Denmark.

their parents, examining how the relationship between parental and child incomes differs across neighborhoods in Denmark. The authors distinguish between two drivers of mobility: selection—where the characteristics of families who choose to live in a specific neighborhood contribute to variation in upward mobility—and location effects—the remaining variation that is not explained by selection. By disentangling these factors, the authors seek to understand whether the variation in intergenerational mobility revealed by prior research is driven by families living in certain neighborhoods or by the characteristics of the neighborhoods themselves. They find the following:

- The authors begin by assessing the role of **sampling error**, or, the degree to which random fluctuations contribute to the observed variation in intergenerational mobility. They find that even before accounting for the role of selection, a large portion of the variation is explained by sampling error rather than actual differences between neighborhoods.
- Next, the authors separate mobility into selection effects (the characteristics of families who choose to live in specific neighborhoods) and location effects (the qualities of the neighborhoods themselves). They find that selection explains the majority of the variation in neighborhood-level mobility, while location effects contribute a small portion of the variation.
- After adjusting for selection, urban areas, which initially seemed to have low mobility, show higher mobility. The reverse is true for rural areas. This suggests that the lower mobility often linked to urban neighborhoods is primarily due to the characteristics of the families living there, rather than the neighborhoods themselves.
- The authors next investigate how neighborhood characteristics, such as school quality, labor market structure, and whether an area is rural or urban, influence location effects. They find that factors previously associated with mobility, like average home value, lose significance after accounting for selection. Instead, the most

**Sampling error:** The difference between a sample estimate and the true population value due to random fluctuations.

## RELATED UCHICAGO WORK

### **Evaluating Contradictory Experimental and Non-Experimental Estimates of Neighborhood Effects on Economic Outcomes for Adults**

This paper sheds new light on the contradictions between Moving to Opportunity (MTO) and non-experimental studies of neighborhood through a reanalysis of the MTO data, and finds no evidence that different estimates are related to duration of adult exposure to disadvantaged neighborhoods, non-linear effects of neighborhood conditions, magnitude of the change in neighborhood context, frequency of moves, or treatment effect heterogeneity, or measurement.

### **Inference for Ranks with Applications to Mobility Across Neighborhoods and Academic Achievement Across Countries**

This review of Creating Moves to Opportunity (CMTO), a housing mobility program in Seattle and King County that aims to reduce rental barriers and move eligible families to “opportunity neighborhoods,” shows that so-called upward-mobility neighborhoods do not have statistically higher mobility rates than other neighborhoods. Rather, CMTO’s description of neighborhoods as containing either high or low mobility rates likely results from statistical uncertainty.

### **How Do Changes In Housing Voucher Design Affect Rent and Neighborhood Quality?**

This paper examines how two types of changes to the rent ceiling affect landlords and tenants. A policy that makes vouchers more generous across a metro area benefits landlords through increased rents, with minimal impact on neighborhood and unit quality. A second policy that indexes rent ceilings to neighborhood rents leads voucher holders to move in higher-quality neighborhoods with lower crime, poverty and unemployment.

critical factor in predicting mobility differences is whether an area is rural or urban. This suggests that in Denmark, the primary drivers of mobility differences are the amenities and opportunities available in urban versus rural areas.

- Finally, the authors identify two distinct patterns in neighborhood mobility across Denmark. In one group, children from low-income families experience limited upward mobility, but mobility increases significantly as parental income rises. In contrast, the second group shows the opposite: children from low-income families exhibit higher upward mobility, which decreases for those with higher-income parents. This suggests that different neighborhoods may promote upward mobility through varying mechanisms.

Neighborhood-level variation in intergenerational mobility has garnered significant attention among researchers, policymakers, and philanthropists in recent years. This research challenges the notion of “ZIP code destiny” by revealing the significant role of selection (as well as sampling error) in driving neighborhood-level variation in intergenerational mobility. In addition, these results can help refine the appropriate portfolio of place-based policies aimed to promote upward mobility, suggesting that policies directed to promote place-based investments in amenities found in rural areas may be a promising avenue for improving mobility.

#### READ THE WORKING PAPER

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### **Understanding the Heterogeneity of Intergenerational Mobility across Neighborhoods**

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