

Lower levels of social mobility locking the poor into inequalities of the past

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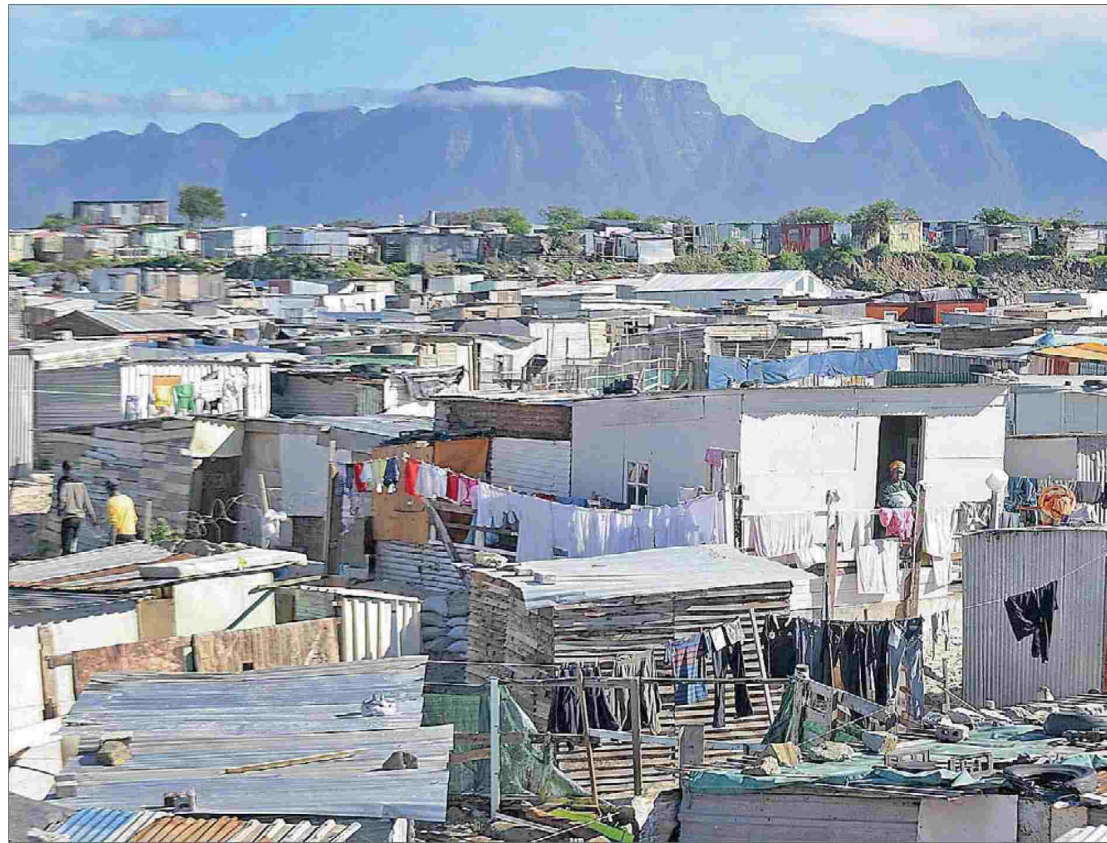
ESCAPING poverty is one of the most difficult things to do, especially in a country like South Africa where at least a quarter of the labour force is unemployed.

Every year, thousands of young rural men and women move to the urban periphery in search of jobs and a better life for their children. They mostly end up in townships on the outskirts of South Africa's largest cities where the lack of services – housing, water and sanitation, education and health – prevent them from escaping the poverty. Their children, in all likelihood, will remain on the fringes of the formal economy, unable to break free from the poverty trap.

How to solve the immobility of the poor is one of the most vexing questions for economists. What are the policy levers that we can pull to allow a poor household migrating from Qunu to Cape Town to build a better life for their children? One might think of a plethora of policy options: more housing, clinics and sports fields, better sanitation, teachers and public transport, safer streets, classrooms and public parks; in short, all the things we associate with better neighbourhoods.

But better neighbourhoods are highly correlated with high incomes, and it is difficult to know which comes first: do rich people create better neighbourhoods or do better neighbourhoods create rich people?

Two Harvard economists, Raj Chetty and Nathaniel Hendren, have recently provided the most compelling evidence to date to show that



POVERTY TRAP: Rural people are constantly flocking to cities looking for better prospects, but end up living in poor conditions on the outskirts of the city when they cannot find work. Uplifting these people by bringing them closer to the city centre is the key to fighting poverty, says the writer.

Picture: NEIL BAYNES

neighbourhoods create rich people. They tracked the participants of a lottery programme in the US that allowed some families – those that won the lottery – to migrate to better neighbourhoods. Because it was a

lottery programme, selection was not an issue, meaning they could interpret the difference between those that migrated and those that stayed behind as the causal impact of the new neighbourhood.

Chetty and Hendren used, as an example, a set of families who moved from Cincinnati to Pittsburgh to illustrate the effect of moving to a different neighbourhood had on a child's income in

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adulthood. They found that children who grew up in low-income families (at the 25th percentile of the national distribution) in Cincinnati from birth had an income of \$23 000 on average at age 26, while those in Pittsburgh had an income of \$28 000. Now consider the incomes of children whose families moved to Pittsburgh at some point.

Children who were nine at the time of the move (the earliest age they can analyse given available data) captured 50 percent of the difference in income that a child would on average obtain by moving at different ages during childhood, leading to an income of approximately \$25 500 as adults. Children who moved from Cincinnati to Pittsburgh at later ages had steadily declining incomes, relative to those who moved at younger ages. Those whose families moved after they were 23 experienced no gain relative to those who stayed in Cincinnati.

The earlier you move to a better neighbourhood, the better chance you will have to escape poverty. While this might sound intuitive, it is the first time that economists have credibly established the causal link between residing in a better neighbourhood and better outcomes later in a child's life.

But what is it about these better neighbourhoods that really matters the most? Is it, as Justin Wolfers writes in *The New York Times*, “their schools, community, neighbours, local amenities, economic opportunities and social norms”?

The Harvard team has an answer: commuting time.

Commuting time is the single strongest factor in the odds of escaping poverty, the team found. The longer an average commute in a given county, the worse the chances of low-income families there moving up the ladder.

In a *New York Times* article, Hendren is quoted as saying the relationship between transportation and social mobility is stronger than that between mobility and several other factors, like crime, elementary school test scores or the percentage of two-parent families in a community. These results should have profound implications for how we think about attempts to alleviate poverty in South Africa.

Following the end of apartheid, the government decided to build large, new townships of what became known as RDP houses. These, located on the outskirts of towns and cities, were a legitimate attempt to provide shelter and a

basic living standard.

But while they may have improved standards of living immediately, these new neighbourhoods had the crippling effect of locking households into poverty. Far from town and city centres with job opportunities, these promises of a new future did little more than entrench the nefarious spatial policies of apartheid. South Africa today, I venture to say, may be less socially mobile than it was at the dawn of democracy.

What does the South African city of the future look like? More urban sprawl with longer commuting times? Possibly, but then we should accept the fact that it will also be a society with lower levels of social mobility, a society locked into the inequalities of the past.

The only way to expunge past injustices is to bring the poorest closer to the city centre. Public transport can help and it is great to see that Cape Town is now expanding its MyCiTi routes to the poorest neighbourhoods. But it is only a beginning. Why not make Paarden Eiland, close to the city centre, a model for new, denser neighbourhoods that cater to low-income households?

If the kid from Qunu is to make it in Cape Town, he or she will have to live in a good neighbourhood with short commuting times for his or her parents. If not, the walk to economic freedom will remain long and arduous.

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