

EXECUTIVE SUMMARY

NEIGHBORHOODS AND THE BLACK-WHITE MOBILITY GAP

One of the most powerful findings of the Economic Mobility Project's research to date has been the striking mobility gap between blacks and whites in America. This report explores one potentially important factor behind the black-white mobility gap: the impact of neighborhood poverty rates experienced during childhood. Using the Panel Study of Income Dynamics (PSID), the report focuses on blacks and whites born from 1955-1970, following them from childhood into adulthood. The first section of the paper investigates relative intergenerational mobility; whether neighborhood poverty in childhood impacts the ability of both black and white adults to move up or down the income ladder relative to the position their parents held. The second section investigates whether changes in neighborhood poverty rates experienced by black children affected their adult incomes, earnings, and wealth. Finally, the third section provides an overview of the possible policy implications of the results.

EXPERIENCING HIGH NEIGHBORHOOD POVERTY THROUGHOUT CHILDHOOD STRONGLY INCREASES THE RISK OF FALLING DOWN THE INCOME LADDER.

- For children whose family income is in the top three quintiles, spending childhood in a high-poverty neighborhood versus a low-poverty neighborhood (say, experiencing a poverty rate of 25 percent compared to a rate of 5 percent) raises the chances of downward mobility by 52 percent.

ONLY A VERY SMALL PERCENTAGE OF WHITE CHILDREN LIVE IN HIGH-POVERTY NEIGHBORHOODS THROUGHOUT CHILDHOOD WHILE A MAJORITY OF BLACK CHILDREN DO—A PATTERN THAT HASN'T CHANGED IN THIRTY YEARS.

- Over the course of childhood, two out of three black children (66 percent) born from 1985 through 2000 were raised in neighborhoods with at least a 20 percent poverty rate, compared to just 6 percent of white children.
- Among children born from 1955 through 1970, 62 percent of black children were raised in neighborhoods with at least a 20 percent poverty rate, compared to only 4 percent of white children. And, almost half (49 percent) of black children with

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family income in the top three quintiles lived in high-poverty neighborhoods compared to only one percent of white children.

NEIGHBORHOOD POVERTY EXPLAINS ONE-QUARTER TO ONE-THIRD OF THE BLACK-WHITE GAP IN DOWNWARD MOBILITY.

- Four in five black children who started in the top three quintiles experienced downward mobility, compared with just two in five white children. Three in five white children who started in the bottom two quintiles experienced upward mobility, versus just one in four black children.
- If black and white children had grown up in neighborhoods with similar poverty rates (i.e., if whites had grown up where blacks did or blacks had grown up where whites did), the gap in downward mobility between them would be smaller by one-fourth to one-third.
- Neighborhood poverty alone accounts for a greater portion of the black-white downward mobility gap than the effects of parental education, occupation, labor force participation, and a range of other family characteristics combined.

THE REPORT'S ANALYSIS ALSO SUGGESTS THAT BLACK CHILDREN WHO EXPERIENCE A REDUCTION IN THEIR NEIGHBORHOOD'S POVERTY RATE HAVE GREATER ECONOMIC SUCCESS IN ADULTHOOD THAN BLACK CHILDREN WHO EXPERIENCE POVERTY RATES THAT INCREASE OR ARE STABLE.

- Black children who lived in neighborhoods that saw a decline in poverty of 10 percentage points in the 1980s had annual adult incomes almost \$7,000 greater than those who grew up in neighborhoods where the poverty rate was stable.

REDUCING THE CONCENTRATION OF POVERTY IN THEIR NEIGHBORHOODS COULD STRONGLY IMPACT CHILDREN'S ECONOMIC MOBILITY.

- These data suggest that public policy efforts which focus on investing in disadvantaged neighborhoods and reducing the concentration of poverty could enhance upward economic mobility for the children in such neighborhoods.