Ties that Bind:
Income Inequality and Income Segregation

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Introduction

Income inequality in the United States has risen considerably over the past several decades. However, it is not just widening inequality that matters. Recent research shows that as income inequality rises, the wealthy and poor increasingly sort into different neighborhoods, concentrating in communities that differ considerably from one another. This particular geographic expression of income inequality is of concern because there are negative outcomes for those at the bottom end of the income range that are substantial and intertwined. Numerous studies show that communities of concentrated poverty contend with substandard schools and limited job opportunities, as well as higher rates of disease, crime, and violence than their more affluent counterparts.[1] These types of neighborhood effects mean that both quality of life and life chances are markedly diminished for those living and growing up in communities composed primarily of low-income households.

This article summarizes some recent research on patterns of residential segregation by income, and then explores implications for neighborhoods, regions, and the community development field.

Research on Income Segregation

The term "segregation" most commonly evokes issues of race. However, recent research examining U.S. residential patterns makes the argument that the basis of segregation has shifted over time from race to income.[2] In his research, Douglas Massey of Princeton University notes that during the first two thirds of the century, residential racial segregation at state and county levels fell while increasing at the census tract (which commonly serves as a proxy for neighborhood) level. But starting in the 1970s, this pattern began to change, with black-white segregation at the census tract level diminishing markedly during the last three decades of the 20th century. These decades also saw significant increases in both Asian and Hispanic populations, and while Hispanic isolation began to approach that of African Americans, both Asian and Hispanic populations remained relatively evenly distributed across U.S. metropolitan areas.[3] Massey attributes these patterns to the relative openness of housing markets following social and legislative changes brought about by the Civil Rights era.

During the same period, though, Massey's research shows that residential income segregation rose significantly, with the wealthy and poor increasingly sorting into different neighborhoods. He finds that in 1970, the average poor family lived in a census tract that was 14 percent poor; by 1990, this percentage doubled to 28 percent. Affluence also grew more concentrated, with the average wealthy family living in a neighborhood that was 31 percent affluent in 1970 and 36 percent affluent in 1990.[4]

Examining census data from this same period, Tara Watson of Williams College and the National Bureau of Economic Research finds that economic segregation rose most steeply during the 1980s. During this decade, "metropolitan residents systematically changed the income rank groups with whom they shared a neighborhood. Perhaps not coincidentally, the decade was also one of sharply growing inequality."[5] Indeed, her research shows that a one standard deviation rise in income inequality is associated with a 0.4-0.9 standard deviation rise in income segregation.[6] In other words, there is very strong relationship between rising income inequality and increasing spatial segregation by income.

By the same token, research shows that the economic boom of the 1990s buffered trends of growing income segregation to some extent; there was a dramatic drop in concentrated poverty during this decade, with the number of people living in neighborhoods with a poverty rate above 40 percent declining by 24 percent.[7] Additionally, while the per capita income gap between central cities and suburbs had widened from 1970 to 1990, it held steady during the 1990s.[8] This shift, though, fell short of a dramatic comeback—class segregation was still higher in 2000 than it was in 1970, with over 85 percent of the metropolitan population living in areas that were more segregated by income in 2000 than they had been 30 years earlier.[9]

The first decade of this century has been marked by economic fluctuation and distress, and preliminary analysis of the recent American Communities Survey data indicates that spatial disparities in income are once again on the rise. One study found that the number of high poverty places—whether defined as places with poverty rates exceeding 20, 30, or 40 percent—increased markedly from 2000-2010.[10] Notably, the number of places with poverty rates above 40 percent returned to the number observed at the end of the 1980s. The research also shows that poor/non-poor segregation rose in both metropolitan and non-metropolitan areas. The authors call this trend a "new economic balkanization of residence patterns."[11]

Implications for Neighborhoods and Regions

As noted above, increasing spatial separation of income groups is of concern because there are long term and multiplicative negative consequences for residents of low-income neighborhoods. Areas of concentrated disadvantage often struggle with public and private disinvestment, resulting in blight, few opportunities for employment, high levels of crime and elevated exposure to health risks. Where income inequality is expressed not just on a neighborhood-by-neighborhood basis but at a larger geographic scale, the effects can reinforce dysfunctional neighborhood-level outcomes. For instance, suburban areas that accommodate primarily high-income residents benefit from a larger tax base that can better support public services like safety, infrastructure, and schools. At the same time, the outmigration of wealthy residents from central cities to suburban areas—which triggers the exodus of jobs and retail outlets as well—results in a shrinking tax base and often a low level of political clout, which undercuts poorer areas in the urban core in a number of ways. Perhaps most critically in terms of economic opportunity over the long run, public school systems in central cities end up not having the resources to attract and retain skilled teachers or adequately meet the needs of students who may enter school underprepared, resulting in low academic achievement and high drop-out rates.

These conditions have long-term consequences not only for individual economic opportunity, but for regional productivity as well. As noted by Todd Swanstrom and his coauthors in their analysis of economic segregation at the metropolitan level, "spatial inequalities can set in motion a snowball effect that harms regional competitiveness by fueling the abandonments of older parts of the region, accelerating sprawl and its many costs, and making it more difficult for the region to form the broad coalitions necessary to address these problems."[12] On the flip side, income equality can be a key ingredient for economic growth. In a paper published by the Federal Reserve Bank of Cleveland, researchers analyzed economic growth in 118 regions in the 1994–2004 period and found that income equality—identified as one of eight factors relating to regional growth—was positively correlated with both employment and output.[13]

Implications for the Community Development Field

Given the strong relationship between income and place, the community development response must be sensitive to both neighborhood and regional context, as well as structural factors that drive income segregation. These include a metropolitan area's own demographic, social, political and industrial histories, as well as federal and local policies that influence the accessibility of housing of different size and cost. The intersections between race and class also cannot be ignored, as the legacies of explicitly racial housing policies, as well as other discriminatory practices that limit mobility, continue to affect income segregation. Additionally, job decentralization has contributed to the geography of inequality; most employment is now located more than five miles from central cities, making it difficult for central city residents to find and maintain employment. Even in metropolitan areas where low-income households have moved to the suburbs, the poor generally live in communities that have below average numbers of jobs. The race-class intersection is evident here: 70 percent of poor white suburbanites reside in jobs-rich areas, while only 59 percent of poor blacks and 55 percent of poor Latinos, do.[14]

Community development interventions, then, must be inclusive enough to tackle the multifold and reinforcing links between poverty and place, what Robert Sampson of Harvard University refers to as a durable tangle.[15] In large part, responding to this tangle requires the coordination of a variety of interventions at various geographic scales and across diverse sectors. These include public and private decisions that guide allocations of resources for education, health, and skill building. Additionally, local and regional policies that influence public transit provision, which matters for access to work and other non-neighborhood based activities and amenities, and density, which impacts housing affordability (see "What does zoning have to do with it?" below), affect outcomes for low-income households.

Encouragingly, geographically targeted, cross-sector strategies are receiving increased attention and funding from both the public and private sector. The Obama Administration has explicitly endorsed "place-based," cross-sector policy, seen through programs like the Promise and Choice Neighborhoods Initiatives, which aim to bundle localized investments in arenas including housing, education, transportation, and workforce development. Additionally, a number of community development intermediaries and private foundations have shifted their community development strategies from "scattershot" approaches to more focused, place-based initiatives. For example, Living Cities, a collaborative of 22 foundations and financial institutions, recently launched their "Integration Initiative," which focuses on bringing together decision-makers across sectors and jurisdictions in a region or metro area to align their work toward transforming local and regional systems, including transportation, health, housing and jobs.

Conclusion

In her keynote at last year's Healthy Communities Conference—an event co-hosted in Washington DC by the Federal Reserve Board of Governors, Federal Reserve Bank of San Francisco, and the Robert Wood Johnson Foundation to explore how the health and community development sectors can collaborate to promote better health outcomes for low-income people and communities—Melody Barnes, Director of the Domestic Policy Council, offered the White House's rationale for multidisciplinary approaches for addressing inequities. "People don't wake up in the morning and say 'I'm going to have an education day today and tomorrow I'm going to have a transportation day.' For families, all of these pieces are integrated so we have to start thinking about our policies and our approach in that same integrated fashion. So, for us, what we're trying to insure is that the days of thinking and working and talking in silos is, in fact, over."[16] Indeed, we should all work toward breaking down the silos that hamper our ability to untie the pernicious knots that continue to limit opportunity for low-income communities.

What does zoning have to do with it?

Recent research aims to tease out some of the underlying causes of economic segregation. Jonathan Rothwell and Douglas Massey hypothesize that certain types of zoning promote income segregation by limiting the ability of developers to produce affordable, multifamily housing in certain locations. They find that the setting of maximum allowable densities of residential construction has significant effects in determining the level of class segregation and change in segregation over time, "systematically channeling low-income households to different locations than their affluent counterparts."[17] They go on to note that, "although markets allocate people to housing based on income and price, political decisions allocate housing of different prices to different neighborhoods and thereby turn the market into a mechanism of both class and racial segregation."[18] Their research indicates that land-use policies, which are not typically thought of as having socio-economic effects, might indeed be mechanisms that generate and reinforce patterns of income segregation. Altering zoning policy, then, might serve to mitigate inequalities by enabling development of affordable housing in higher-income neighborhoods where the amenities might better support economic opportunity.

Endnotes

Addressing Widening Income Inequality through Community Development

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Endnotes

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