

# Poverty, neighborhood, and school setting

Three panelists addressed various aspects of how neighborhoods and schools affect poverty and inequality. First, Lincoln Quillian gave an overview of the relationship between neighborhood and poverty. Based on current evidence, he concludes that neighborhood matters more for low-income families than for higher-income ones, and more for children than for adults. These findings may indicate an opportunity to reduce poverty by changing housing assistance policy. Second, David Deming discussed the implications of school segregation for school outcomes and inequality. He concludes that while academic achievement gaps can be closed by improving school practice, schools can promote social norms such as tolerance and civic participation only through integrative student assignment policies. Finally, Stephen Raudenbush considered the question of whether schooling increases or decreases social inequality. He argues that the expansion of schooling promotes equality both by equalizing access and because disadvantaged children gain more from access, and that this equalizing effect is larger for younger children than for older children.

## Neighborhood and the intergenerational transmission of poverty

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Research shows that poor neighborhoods are an important source of disadvantage for their residents. For children, growing up in a poor neighborhood is associated with reduced educational attainment and lowered adult earnings. For adults, residence in a poor neighborhood is associated with worse health and reduced happiness. Because poor neighborhoods are disproportionately populated by African Americans, Latinos, and low-income individuals, the effects of poor neighborhood environments tend to compound existing forms of individual disadvantage. Further, evidence suggests the effects of residence in a poor neighborhood are greater for children from low-income backgrounds. Neighborhood poverty is an especially important factor contributing to racial inequality and intergenerational poverty.

### Who experiences neighborhood poverty?

Table 1 shows the average census tract poverty rate by annual household income and by individuals' race and ethnicity. Unsurprisingly, low-income individuals and families are more likely to experience neighborhood poverty than are those with higher income levels (although nationally, most poor people do not live in poor neighborhoods). But what is surprising is that Black and Hispanic families are far more likely than whites to live in poor neighborhoods, even after accounting for household income. The magnitude of the racial gap is striking: blacks and Hispanics with an annual household income exceeding \$75,000 are more likely to live in poor neighborhoods than are whites with an annual

household income under \$40,000. Why is there such a large racial and ethnic gap in poverty contact? The gap results from the combination of a substantial racial gap in poverty rates combined with high levels of racial residential segregation. That is, because black and Hispanic poverty rates are two to three times white rates, racial segregation results in black and Hispanic households experiencing neighborhood poverty rates that are two to three times as high as those of white households. Income segregation within racial and ethnic groups, and income effects on living in neighborhoods with more whites, are not large enough to undercut this pattern.<sup>1</sup>

The high neighborhood poverty rates experienced by black, Hispanic, and low-income households directly reduce their life chances relative to whites in several ways: by contributing to racial disparities in exposure to crime and violence; by setting the stage for high poverty rates in schools attended by black and Hispanic students; and by subjecting black and Hispanic children to long-term "neighborhood effects" of growing up in poor environments.

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**Table 1**  
Average Census Tract Poverty Rate, 2005–2009

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Annual Household Income	White	Black	Hispanic
Under \$40,000	12.9	21.3	19.9
\$40,000–\$75,000	10.9	17.8	16.2
Above \$75,000	8.9	13.9	13.3

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**Source:** J. R. Logan. 2014. "Separate and Unequal: The Neighborhood Gap for Blacks, Hispanics and Asians in Metropolitan America." Report prepared for US2010 Project, July 2011. <https://s4.ad.brown.edu/Projects/Diversity/Data/Report/report0727.pdf>

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## **What are the effects of living in a poor neighborhood?**

In the 1987 book *The Truly Disadvantaged*, William Julius Wilson, suggested that there were “concentration effects” of neighborhood poverty, which produced a culture and a set of institutions and conditions that made it more difficult for residents of particular neighborhoods to escape poverty. Since the publication of this book, many researchers have worked to understand the effects of neighborhoods and how those effects might contribute to keeping one poor.

For the purposes of this summary, I focus on three excellent recent studies from the large “neighborhood effects” literature. In the first study, Geoffrey Wodtke, Felix Elwert, and David Harding looked at how exposure to disadvantaged neighborhoods during childhood compared to during adolescence affects high school graduation, and whether these effects vary across families of different socioeconomic status.<sup>2</sup> Using observational data from the Panel Study of Income Dynamics, they find that living in a disadvantaged neighborhood, particularly during adolescence, has a strong negative effect on the likelihood of high school graduation, and that this effect is larger for black children and for those from poor families.

The second study, the Moving to Opportunity (MTO) experiment, was a large random assignment experiment that looked at the effect of giving poor families housing vouchers that could be used only to move out of their very high-poverty neighborhoods to low-poverty neighborhoods. Although over a 10- to 15-year follow-up period, the experiment was found to have had no significant effect on economic self-sufficiency, researchers did find improvement in adult reports of well-being.<sup>3</sup> The change in the degree of happiness reported by adults who had the opportunity to move to a better neighborhood was very large—equivalent to the change in happiness associated with a \$13,000 increase in individual income for this very low-income population.

In the third study, Raj Chetty, Nathaniel Hendren, and Lawrence Katz extended the Moving to Opportunity analysis using matched administrative data on adult economic outcomes and college attendance for MTO participants who were children at the time of the original experiment. Their analysis found that children whose family moved to a better neighborhood when they were young were more likely to attend college, and had higher earnings as adults, compared to those whose family stayed in poorer neighborhoods. Children whose family moved to a lower poverty neighborhood before age 13 (in the experimental group) had earnings in their mid-20s that were on average 30 percent higher than those who did not move.<sup>4</sup> The younger children were when the move took place, the larger the effect. By tracking MTO participants from childhood into adulthood, they found substantial effects where early MTO studies found none, but only for individuals who moved to less poor neighborhoods at early ages. Their results

suggest substantial long-term effects of growing up in a poor neighborhood on later outcomes, with the strongest effects of neighborhood environment occurring at young ages.

## **Why do neighborhoods matter more for the disadvantaged?**

Evidence suggests that neighborhoods matter more for low-income families than for higher-income families, and more for blacks than for whites. Higher-income people have more opportunity to “shop” for their residential environment, meaning they are better able to avoid or move away from neighborhoods that may have deleterious consequences for them. And when higher-income families live in or near poorer neighborhoods, they can spend private resources to make up for many of the problems of poor neighborhoods, for instance by putting their children into private schools. Low-income families are trapped in poorer neighborhoods first by financial constraints, but also by other factors including lack of knowledge of alternatives and a desire to reside near other family members.

## **Intergenerational transmission of neighborhood**

As adults, people tend to live in neighborhoods with similar income levels to the neighborhood they grew up in. The intergenerational elasticity of average neighborhood (census tract) income is estimated to be about 0.64, meaning a 1 percent increase in parent’s neighborhood income is associated with a 0.64 percent increase in the child’s neighborhood income as an adult. This is a higher degree of intergenerational continuity than for individual income.<sup>5</sup> In many instances, successive generations of families from poor neighborhoods experience the disadvantage of a poor neighborhood environment.

The intergenerational transmission of neighborhood income level is much higher among persons who stay in the same general area they grew up in. This means that intergenerational persistence of low neighborhood income is especially common in metropolitan areas with high neighborhood poverty rates—places like Detroit, Cleveland, or Brownsville, Texas, for example.

## **What can be done to reduce neighborhood poverty?**

Some of the more effective policies to reduce neighborhood poverty are not neighborhood policies, but rather antipoverty policies, because policies that reduce poverty will also reduce neighborhood poverty. Promising neighborhood-centered approaches to reduce disadvantage resulting from poor neighborhoods involve reducing neighborhood income and racial segregation. Policies to enable households with housing assistance vouchers to afford higher-income

neighborhoods and efforts to combat forms of exclusionary zoning that prevent creating affordable housing in affluent communities would reduce the prevalence of high-poverty neighborhoods. These policies have the potential to significantly improve the quality of life and life chances of many disadvantaged families.■

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<sup>1</sup>L. Quillian, “Segregation as a Source of Contextual Advantage: A Formal Theory with Application to American Cities,” *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 3, No. 2 (2017): 152–169; and L. Quillian, “Segregation and Poverty Concentration: The Role of Three Segregations,” *American Sociological Review* 77, No. 3 (2012): 354–379.

<sup>2</sup>G. T. Wodtke, F. Elwert, and D. J. Harding, “Neighborhood Effect Heterogeneity by Family Income and Developmental Period,” *American Journal of Sociology* 121, No. 4 (2016): 1168–1222.

<sup>3</sup>J. Ludwig, G. J. Duncan, L. A. Gennetian, L. F. Katz, R. C. Kessler, J. R. Kling, and L. Sanbonmatsu, “Long-Term Neighborhood Effects on Low-Income Families: Evidence from Moving to Opportunity,” *American Economic Review: Papers and Proceedings* 103, No. 3 (2013): 226–231.

<sup>4</sup>R. Chetty, N. Hendren, and L. F. Katz, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” *American Economic Review* 106, No. 4 (April 2016): 855–902.

<sup>5</sup>P. Sharkey, “The Intergenerational Transmission of Context,” *American Journal of Sociology* 113, No. 4 (2008): 931–969.