INCOME SEGREGATION: SOCIOECONOMIC RESIDENTIAL SORTING

Since the 1980s, upper-income households have increasingly lived near other upper-income people, and lower-income households have been increasingly isolated in majority-lower-income census tracts. This is referred to as Income Segregation, which is the uneven geographic distribution of income groups within a defined area. A 2012 study by the Pew Research Center (Social & Demographic Trends, *The Rise of Residential Segregation by Income*) found that in 1980, 9% of U. S. upper-income households lived in census tracts where a majority of households had similar incomes, which doubled to 18% in 2010. During the same period, the percentage of lower-income households living mostly among like income households increased from 23% in 1980 to 28% in 2010.

The study used income thresholds for low-income as households with less than two-thirds of the national median annual income and upper-income as households with double or more of the national median annual income. With these definitions, low-income households were those with an annual income in 2010 of less than $34,000. Upper-income households were those that had an annual income of $104,000 or more. The researchers tested other income thresholds and found that the results of increased residential segregation by income did not differ regardless of which thresholds they used. http://www.pewsocialtrends.org/files/2012/08/Rise-of-Residential-Income-Segregation-2012.2.pdf

Researchers from Brown University and the Russell Sage Foundation looked at 117 large and moderate-size metropolitan areas, and reported in 2013 that income segregation increased from 1970–2007 for all U. S. families, though to a greater extent for black and Hispanic families than for white families. They focused on family neighborhood separation and concluded that upper-income households had become more separated to themselves than had lower-income households. They used a sophisticated calculation technique called *rank-order information theory index* to compare the ratio of within-tract income rank variation to Metro-area income rank variation. Using this measure, the researchers found an increase in income segregation among all families, an increase in the segregation of poverty, and a larger increase in the segregation of affluence.

Brown University & Russell Sage Foundation, USA 2010 Project, *Residential Segregation by Income 1970-2009*, October 2013. http://www.s4.brown.edu/us2010/projects/authors_cs.htm

Reardon & Bischoff, *Income Inequality and Income Segregation* [an explanation of the *rank-order information theory index*, developed by Reardon], Stanford University, January 2010.

http://web.pop.psu.edu/projects/mss/income_inequality_and_income_segregation_jan2010.pdf

Concentrated poverty has a number of proven negative social and economic effects on families. Schools in high-poverty neighborhoods tend to have less experienced teachers, more student social welfare needs and a greater risk of failure and dropout. Even when residents own their homes in high poverty neighborhoods, there is a lowered chance of wealth-building because housing prices tend not to appreciate and often decrease. People in high-poverty neighborhoods pay more for things they need to buy and use (if they are available at all within a reasonable distance), have reduced access to job opportunities and have a higher incidence of poor mental and physical health. Crime rates in high-poverty neighborhoods are higher.

In the 2012 American Community Survey, the 5-year estimates indicate that the Davidson County median household income was $53,046. Table 1 below shows 2012 Davidson County residents by household income level, subject to a margin of error identified by the U. S. Census Bureau. Table 2 shows the Federal Poverty Guidelines used administratively to determine eligibility for programs, etc.

Table 1: **Household Income in the Past 12 Months in 2012 inflation-adjusted dollars**
2008 – 2012

	Davidson County
Total Households	255,887
Less than $10,000	8.5%
$10,000 to $14,999	5.8%
$15,000 to $24,999	11.6%
$25,000 to $34,999	11.5%
$35,000 to $49,999	15.7%
$50,000 to $74,999	18.7%
$75,000 to $99,999	10.8%
$100,000 to $149,999	9.6%
$150,000 to $199,999	3.5%
$200,000 or more	4.2%
Median income	$ 46,676.00
Mean income	$ 67,266.00

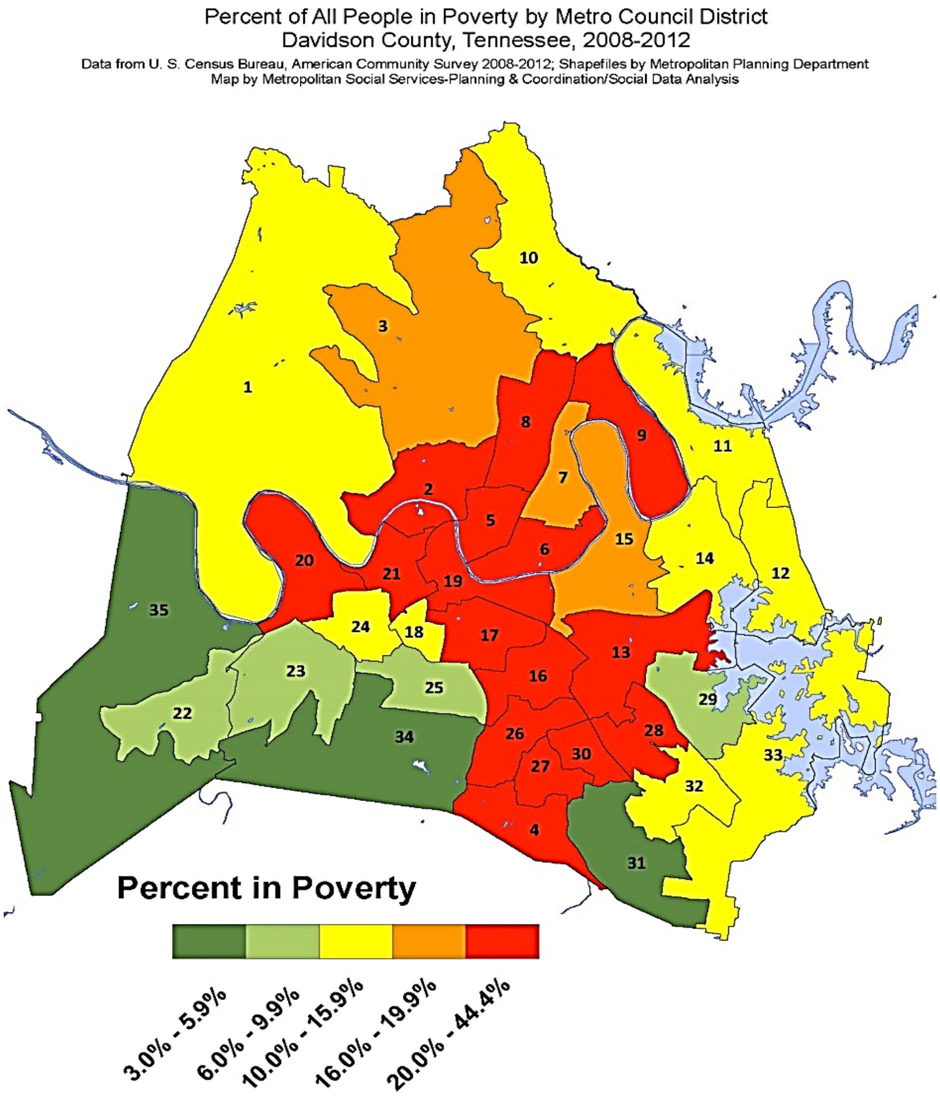
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_5YR_S1901&prodType=table

Table 2: **2012 Poverty Guidelines for the 48 Contiguous States and the District of Columbia**

Persons in family/household	Poverty guideline
1	$11,170
2	15,130
3	19,090
4	23,050
5	27,010
6	30,970
7	34,930
8	38,890
For families/households with more than 8 persons, add $3,960 for each additional person.	

2012 Poverty Guidelines Federal Register Notice, http://aspe.hhs.gov/poverty/12fedreg.shtml

The map below from the Metro Social Services 2013 Community Needs Evaluation shows the distribution of wealth and poverty in Davidson County by Council District according to the 2008-2012 American Community Survey estimates. Red indicates areas with 20% - 44% of people in poverty and green indicates areas with approximately 3% - 10% poverty. The map shows the clustering of both poverty and higher-income households.



Metro Social Services 2013 Community Needs Evaluation
http://www.nashville.gov/Portals/0/SiteContent/SocialServices/docs/cne/Community%20Needs2013final.pdf

In March 2014, the Sol Price Center for Social Innovation at the University of Southern California held an *Innovating to End Urban Poverty Conference.* Specific points from presenters included:

- Poverty has been dealt with a long time, and innovative approaches that would be more effective are needed that to improve on the old ways of addressing poverty.

- Although there has been some decrease in poverty over the past 50 years, income inequality has increased and many disparities exist.
- Real solutions should be feasible, reasonable and capable of accomplishing what is needed.
- Policy changes are needed in the tax code, safety net programs, educational system and more to provide opportunity for people from all backgrounds and all income levels to move into the middle class.
- Circumstances now are very different from those 50 years ago, which need to be considered to reduce poverty and eliminate inequalities.
- Income for the bottom 80% of Americans decreased since the recession, compared to gains in the top quintile. While there has been some recovery, the job losses were greatest for those under age 25 and those without a high school education.
- Between 2000 and 2009, the population of census tracts with 40% or more increased by a third.
- Social stratification results in a "cascade of negative impacts that again fall especially hard on children."
- Racial and ethnic discrimination encourages poverty through the impact on education, employment, housing and incarceration.

http://socialinnovation.usc.edu/endpoverty/

Updating Anti-Poverty Policy for the Suburban Age (April 30, 2014) from the Brookings Institution examines the effects of the War on Poverty. It suggests that although economic struggles continue for many, "evidence clearly demonstrates that many of the anti-poverty policies and programs we've adopted over the past five decades have significantly materially improved the lives of low income people."

It points out that there has been less success in terms of poor places and indicates that 1 of every 5 big-city residents is poor and that 1 out of 4 of those live in an "extreme poverty" neighborhood with a poverty rate of more than 40%. It also indicates that, "When community poverty rises to that level, it multiplies the negative consequences of individual of individual poverty, and can mute the effectiveness of programs intended to help the poor.

Acknowledging the growing number of low-income people who have relocated to suburban areas, it notes that such locations may cause different barriers, including transportation. It also emphasizes the right kind of innovation that would not create other problems. "There's no question that in an era of flat resources and growing needs, we simply must innovate to address the enduring challenge of urban poverty. But we should strive to innovate in ways that ensure 50 years from now, we won't need to hold a conference on innovating to end suburban poverty, too."
http://www.brookings.edu/blogs/the-avenue/posts/2014/04/30-anti-poverty-policy-suburban-berube
https://socialinnovation.usc.edu/files/2014/03/Berube-Updating-the-War-on-Poverty-for-a-Suburban-Age.pdf

One recent suggestion for addressing income segregation in the U. S. comes from the Forbes Business blog, by contributor Adam Ozimek in *An Idea for Decreasing Income Segregation and Increasing Economic Mobility*, May 2014. Ozimek works at an economics consulting firm. In the blog, he suggests that "…decreasing income segregation is one way to improve economic mobility". His idea is to give points for college acceptance based on the average income of the applicant's household. He gives three reasons that this might work:

1. High-income neighborhoods would have an incentive to include lower-income housing, which would encourage inclusive zoning (and most probably access to better schools).

2. Zip code income appears to be strongly correlated with household income, so using this criterion presumably would help more low-income students go to college.

3. Individual households would still have incentives to increase earnings because they would not increase their odds of being accepted just by earning less.

Others have suggested various new models of increasing the college acceptance of low-income household members to break the cycle of poverty, such as using the average income of the K-12 school that the applicant attended, or using some mix of new models.
http://www.forbes.com/sites/modeledbehavior/2014/05/04/an-idea-for-decreasing-income-segregation-and-increasing-economic-mobility/