Geographic dynamics in income and poverty: Recent U.S. trends

Federal Reserve Bank of Chicago
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Recent regional economic growth has been highly uneven

Regional poverty rate changes have been similarly uneven

Most metro areas have seen incomes polarize

Cities remain poorer than suburbs, but suburbs house bulk of poor

Many metro areas divide along income lines

Concentrated poverty declined in 1990s, but appears to be rising again
Geography can shape opportunity, as well as one’s view of poverty.

“The country grandpa came from was a stinking hellhole of unspeakable poverty where everyone was always happy.”
Why focus on geography?

Efforts to help low-wage workers face variable regional economic contexts

States, localities, and regions bring different policy structures and capacities to bear on issues affecting low-wage workers

Families may contend with micro-barriers based on differential geographic access to jobs, public & private goods

Yet more detailed geographic focus limits certain types of information, e.g., longitudinal analyses

Migration may also complicate the link between geography & poverty
Recent regional economic growth has been highly uneven—productivity

% change in real GDP per job, 100 largest metro areas, 2001-2005

Source: Brookings analysis of BEA data
Recent regional economic growth has been highly uneven—employment rate change, 100 largest metro areas, 2000 to 2006

Source: Brookings analysis of Census Bureau data
Regional poverty rate changes have been similarly uneven.

Poverty rate changes in 100 largest metro areas, 2000 to 2005.

Source: Brookings analysis of Census Bureau data.
In areas where poverty increased, it tended to increase more dramatically for children.
Most metro areas have seen incomes polarize over the long term.

<table>
<thead>
<tr>
<th>Metro Area</th>
<th>Lower-income (&lt;80% AMI)</th>
<th>Middle-income (80-150% AMI)</th>
<th>Upper-income (&gt;150% AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, NY</td>
<td>3.6</td>
<td>-12.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>4.3</td>
<td>-14.9</td>
<td>10.6</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>5.0</td>
<td>-14.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Philadelphia, PA</td>
<td>4.6</td>
<td>-12.5</td>
<td>7.9</td>
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<tr>
<td>Dallas, TX</td>
<td>4.0</td>
<td>-12.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Miami, FL</td>
<td>1.7</td>
<td>-8.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>4.4</td>
<td>-15.2</td>
<td>10.8</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>2.2</td>
<td>-7.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>2.5</td>
<td>-8.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Detroit, MI</td>
<td>5.0</td>
<td>-15.4</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total (100 metros)</strong></td>
<td><strong>3.8</strong></td>
<td><strong>-11.7</strong></td>
<td><strong>8.0</strong></td>
</tr>
</tbody>
</table>

Change in share of families by income class, top 10 metro areas, 1970-2005.

Source: Brookings analysis of Census Bureau data.
Today, cities continue to have higher poverty rates than suburbs…

**Poverty rate, cities vs. suburbs, 100 largest metro areas, 1990-2005**

Source: Brookings analysis of Census Bureau data
…but suburbs house a majority of the poor in major metro areas

Below-poverty population, central cities versus suburbs, 100 largest metros, 1990-2005

Source: Brookings analysis of Census Bureau data

1990

- Poor in cities—53%
- Poor in suburbs—47%
...but suburbs house a majority of the poor in major metro areas

Below-poverty population, central cities versus suburbs, 100 largest metros, 1990-2005

Source: Brookings analysis of Census Bureau data

2000

- Poor in cities—50%
- Poor in suburbs—50%
...but suburbs house a majority of the poor in major metro areas

Below-poverty population, central cities versus suburbs, 100 largest metros, 1990-2005

Source: Brookings analysis of Census Bureau data

2005

- Poor in cities—47%
- Poor in suburbs—53%
Yet many metro areas divide along income lines.

Neighborhoods by median family income, DC metro area, 2000

Source: Brookings analysis of Census Bureau data

- Under $50,000
- $50,000 to $70,000
- $70,000 to $90,000
- $90,000 to $120,000
- Over $120,000
The share of middle-income neighborhoods in metro areas has dropped faster than the share of middle-income families.

Share of families and neighborhoods classified as middle-income, 100 largest metro areas, 1970-2000

Source: Booza, Cutsinger, and Galster (2006)
Concentrated poverty declined in 1990s, but appears to be rising again.

- **% of poor living in high-poverty (>40%) census tracts, 1990 to 2000**
  - 1990: 15.1%
  - 2000: 10.3%

- **% of EITC recipients living in high-EITC (>40%) ZIP codes, 2000 to 2004**
  - 2000: 11.3%
  - 2004: 13.1%

Sources:
- Brookings analysis of IRS data
Brookings and the Fed are studying 15 high-poverty areas across the nation.
What does all of this suggest for strategies to improve economic mobility for low-income workers?

How low-wage workers do depends greatly on the state of the regional economies of which they’re a part.

Supports targeted to families with children (EITC, child care & preschool, subsidized health insurance) may benefit those at the economic margin.

Suburbanizing poverty may hold new opportunities for families, mitigated by declining middle-class neighborhoods and emerging regional income divides.

Progress during the 1990s toward reducing concentrated poverty may be threatened by recent dynamics.