

Residential Segregation and Low-Income Working Families

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Low-Income Working Families

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RESIDENTIAL SEGREGATION AND LOW-INCOME WORKING FAMILIES

To date, researchers interested in the well-being and future prospects of low-income working families have not explored the question of where these families live, or how residential patterns may vary across racial and ethnic lines. Historically, residential segregation has constrained location choices for minorities and has contributed to persistent disparities in education, employment, and wealth. This paper explores differences in neighborhood characteristics among white, black, and Hispanic low-income working families.

Location patterns among low-income working families reflect long-standing patterns well-documented for U.S. households more generally:

- Most low-income working families live in metropolitan areas, and slightly more live in suburban areas than in central cities.
- Whites are the least likely to live in central cities, while blacks are the most likely.
- Almost all white low-income working families live in majority-white neighborhoods, compared with about a third of black and Hispanic low-income working families.
- One-third of black low-income working families and one-fifth of Hispanics live in high-poverty neighborhoods, compared with only 3 percent of non-Hispanic whites.
- More than half of Hispanic low-income working families live in neighborhoods that experienced big increases in subprime lending, compared with less than half of blacks and less than a third of whites.

Other research on the effects of neighborhood environment suggests that these differences warrant more attention by both policymakers and researchers. Policies aimed at reducing the persistent disadvantages facing minority low-income working families need to address how the neighborhoods in which they live may be compounding these disadvantages, both by compensating for the deficits of poor and minority neighborhoods and by helping low-income working families move to neighborhoods offering greater access to opportunity.

Racial Segregation in U.S. Neighborhoods

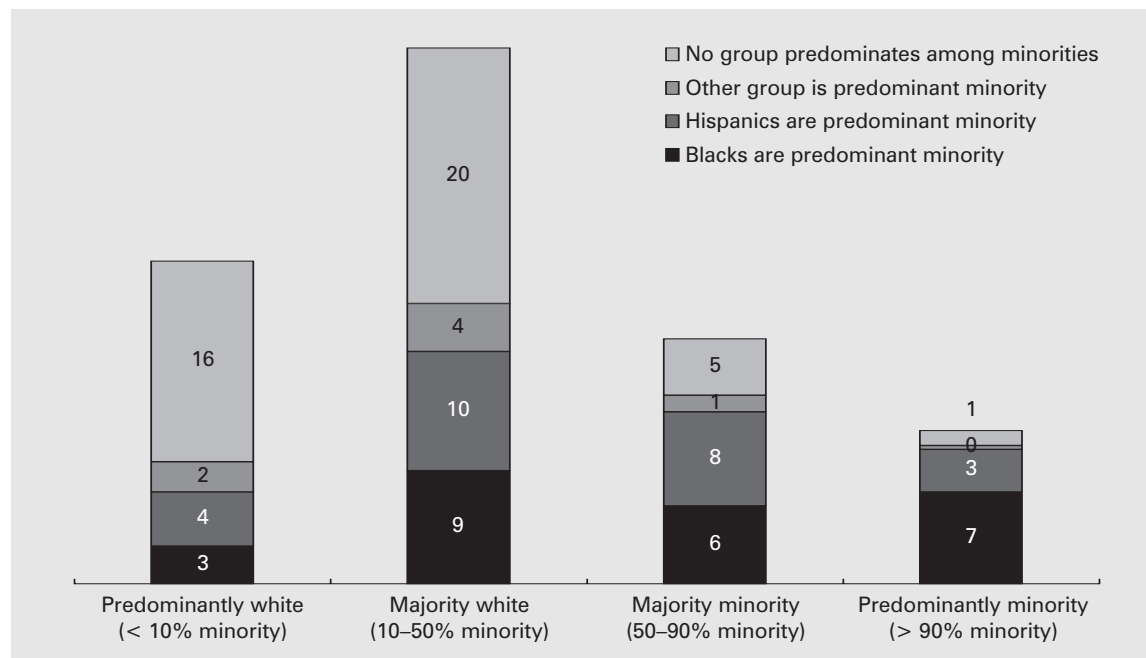
Historically, racial segregation has significantly shaped residential location patterns for American families.¹ Early in the 20th century, as millions of blacks migrated from the rural south to the industrial cities of the northeast and midwest, they were constrained to designated, mostly inner-city neighborhoods by local ordinances, restrictive covenants, and violence. After World War II, the nation's renewed economic prosperity fueled the growth of suburban communities, but federal policies governing home mortgage lending combined with prevailing real estate practices among lenders and real estate agents excluded blacks from most of these communities. The construction of public housing—which originally assigned blacks and whites to separate projects—further reinforced starkly segregated living patterns.

The policies and practices that constrained most black city dwellers to just a few neighborhoods also created concentrations of poverty and neighborhood distress. Rigorous research has demonstrated that racial segregation is a primary causal mechanism driving segregation by income level, which produces concentrated minority poverty (Massey 2001). And decades of discrimination and disinvestment deprived high-poverty black neighborhoods of essential services and resources, allowing them to be overwhelmed by crime and violence (Wilson 1987).

More recently, although federal housing policies have shifted and private-sector discrimination has subsided, patterns of residential racial segregation have proven stubbornly persistent. Today, neighborhoods that are predominantly white or predominantly minority tend to stay that way *not* because minorities are explicitly excluded from white neighborhoods but by the interaction of barriers, fears, and preferences. One factor is the disparity between whites and minorities in incomes and wealth. But economic differences do not account for most of today's residential segregation; if households were distributed across neighborhoods based entirely on income rather than race or ethnicity, levels of segregation would be dramatically lower (Charles 2003). And although individual preferences (to live near those of the same race or ethnicity) play some role, most whites and minorities would prefer to live in considerably more diverse neighborhoods than they do (Krysan and Farley 2002). As of 2000, the nation's metropolitan areas averaged 65 on an index of black-white segregation, where a score of 0 reflects complete integration and 100 reflects complete separation. Black-white segregation remains most stark in the metropolitan areas of the south, northeast, and midwest, where the vast majority of blacks live (Logan, Stults, and Farley 2004).

Until recently, the history of residential segregation (and research on its consequences) has largely been a black-white story. But America's racial and ethnic composition has changed dramatically over the past two decades, making the picture of residential segregation much more complex. In 2000, the nation's population was 70 percent non-Hispanic white, 12.5 percent black, 12.5 percent Hispanic, and 4 percent Asian (Turner and Fenderson 2006). Hispanics and Asians are generally less segregated from non-Hispanic whites than blacks are, but their levels of segregation have been rising, while black-white segregation has been declining. Specifically, the average index of Hispanic/Anglo segregation registered 51.6 in 2000, up slightly from 50.8 in 1980; Asian/white segregation stood at 42.1 in 2000, also up slightly from 41.2 in 1980 (Logan et al. 2004).

FIGURE 1. Percent of Census Tracts by Racial/Ethnic Composition, 2000



Source: Turner and Fenderson (2006).

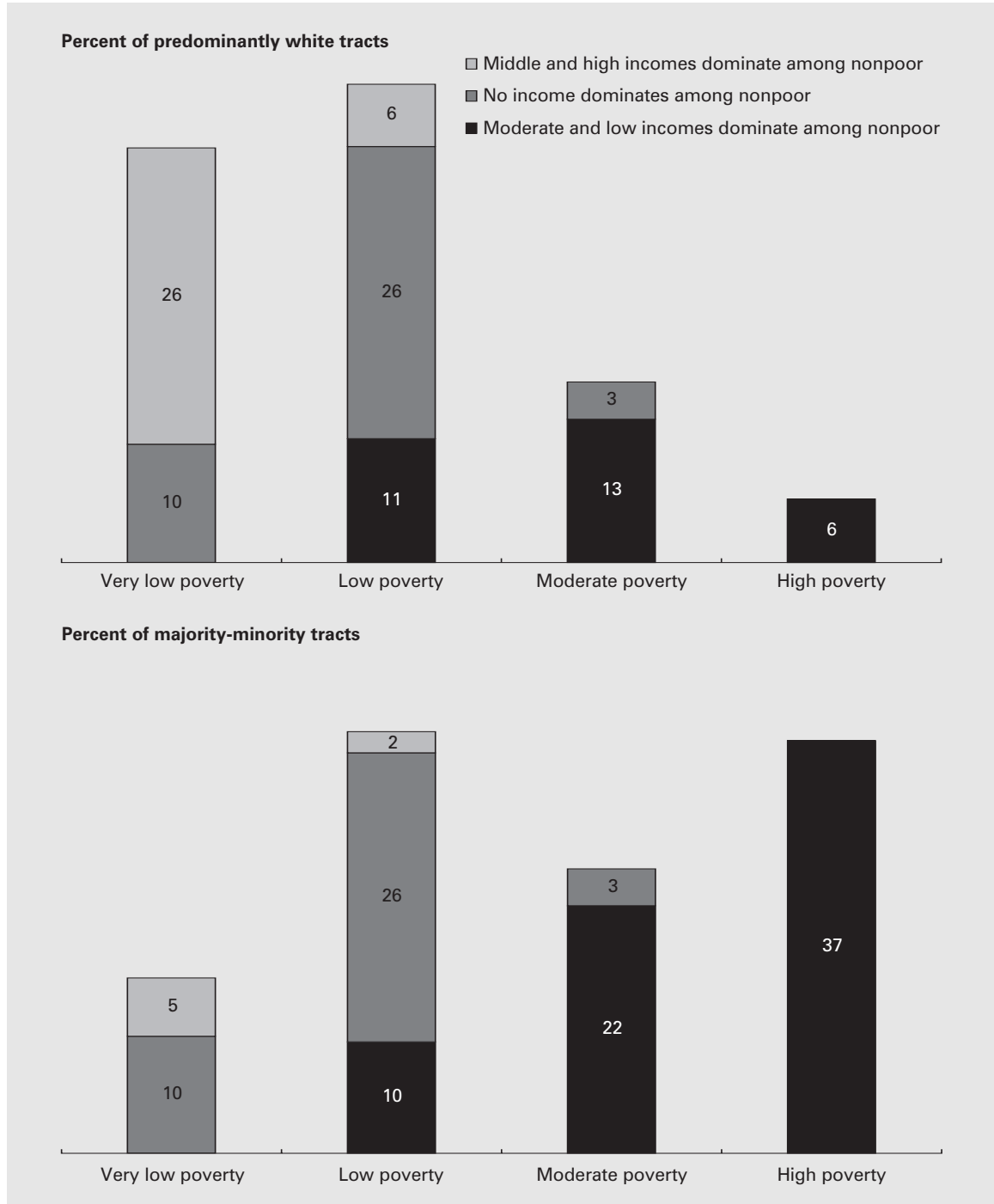
As the nation's population becomes more diverse, it becomes more difficult to make sense out of these traditional segregation measures. Today, both city and suburban neighborhoods exhibit considerably more diversity than is commonly recognized, although a substantial share still remain racially and economically *isolated*—occupied predominantly by low-income minorities (Turner and Fenderson 2006). In fact, more than half of all the census tracts in the 100 largest metropolitan areas nationwide are home to significant numbers of both whites and minorities, with no single racial or ethnic group dominating the minority population (figure 1). And the number of such tracts increased between 1990 and 2000. Nonetheless, almost a quarter of all census tracts within the 100 largest metropolitan areas remain racially and ethnically exclusive (more than 90 percent white), and 12 percent are racially isolated (more than 90 percent minority).

Moreover, patterns of racial and ethnic exclusion coincide with economic exclusion. As the first chart in figure 2 illustrates, most predominantly white neighborhoods have few poor residents and are either economically mixed or exclusively affluent (occupied mostly by households in the top two income quintiles). In contrast, as the second chart in figure 2 shows, majority-minority neighborhoods are far more likely to have substantial shares of poor residents and are less likely to be occupied exclusively by affluent households. The link between neighborhood racial and income composition remains the starkest for African Americans; majority-minority neighborhoods where blacks constitute the predominant minority group are the most likely to have high poverty rates and the least likely to be occupied exclusively by affluent households (Turner and Fenderson 2006).

Why Segregation Matters

Segregated housing patterns not only separate white and minority neighborhoods, but also help create and perpetuate the stubborn disparities in employment, education, income, and wealth. More specifically, residential segregation distances minority jobseekers (particularly blacks) from areas of employment growth

FIGURE 2. Census Tracts by Income Composition, 2000



Source: Turner and Fenderson (2006).

and opportunity. Beginning in the late 1960s, John Kain argued that the concentration of blacks in segregated central-city neighborhoods limited their access to employment, as growing numbers of jobs moved to predominantly white suburban locations (Kain 1968). As demand for labor shifted away from the neighborhoods where blacks were concentrated, discrimination in housing and mortgage markets prevented blacks from moving to communities where job growth was occurring, and information and transportation barriers made it difficult to find and retain jobs in these distant locations. William Julius Wilson (1987) expanded on this basic “spatial mismatch” story, arguing that the exodus of jobs from central-city locations, combined with the persistence of residential segregation, contributed to rising unemployment among black men during the 1980s, as well as to worsening poverty and distress in black neighborhoods.² More recent evidence confirms that residential segregation continues to separate minorities from centers of employment opportunity, and that this separation contributes to unequal employment outcomes (Raphael and Stoll 2002).

But the traditional image of minorities trapped in central-city neighborhoods while jobs disperse to more and more distant suburban locations is probably too simplistic. Today, minority workers (and especially low-skilled black workers) are still overrepresented in central cities, while jobs (especially low-skill jobs) are widely dispersed throughout the suburbs. However, in the decades since Kain first articulated the spatial mismatch hypothesis, many minorities have gained access to housing in the suburbs. The barriers of segregation and discrimination are falling (slowly perhaps, but perceptibly), and nonblack minorities (whose numbers are growing) appear to face substantially lower levels of segregation than blacks.

Nonetheless, the suburban residential communities where minorities live are generally not the suburban jurisdictions that offer the most promising job opportunities. In many metropolitan regions, job growth has been the most robust in predominantly white suburbs and weakest in predominantly black suburbs (Turner 2008). Recent research indicates that nearly half of all low-skill jobs in the white suburbs are inaccessible by public transportation, making it particularly difficult for minority residents of other sub-areas to reach them (Stoll, Holzer, and Ihlanfeldt 2000). And the race or ethnicity of new hires into low-skill jobs generally matches the racial composition of the area where jobs are located (Stoll et al. 2000). Black workers in particular are underrepresented in jobs located in predominantly white suburban communities. And although jobs in the central business district may be accessible for workers of all races and ethnicities, these jobs tend to be highly competitive and may require higher skills (Holzer 2001). Thus, residential segregation continues to put considerable distance between minority workers—especially African Americans—and areas of greatest employment opportunity.

Residential segregation also contributes to minorities’ unequal educational attainment, which reinforces their disadvantage in today’s labor market. These effects are most obvious—and most severe—in distressed central-city neighborhoods where many low-income minorities are concentrated. Many of these neighborhoods are served by failing public schools with high dropout rates, low instructional quality, and poor test scores (O’Regan and Quigley 1996). But the effects of residential segregation on educational achievement are not limited to distressed central-city neighborhoods. Public school performance in minority suburban communities typically falls considerably short of the standard expected of schools in the white suburbs (Cashin 2004). A panel study of Texas public school students finds that the achievement of black students declines significantly as the percentage of blacks in their schools rises (Hanushek, Kain, and Rivkin 2005). Other things being equal, high levels of segregation in a metropolitan region are closely associated with higher dropout rates among blacks, lower employment among blacks (but higher white employment), and a wider wage gap between blacks and whites (Cutler and Glaeser 1997). And research indicates that public school desegregation plans of the 1970s reduced high school dropout rates among

blacks by between 1 and 3 percentage points (half of the total decline achieved during the decade), while having no effect on dropout rates among whites (Guryan 2001).

Finally, residential segregation undermines opportunities for blacks to accumulate wealth through homeownership. Demand for housing in black neighborhoods is largely limited to black households, who have lower incomes and savings on average than whites and therefore fewer resources to invest in housing. Consequently, house values typically lag behind those of white neighborhoods and appreciate more slowly (Oliver and Shapiro 1997). Historically, lenders have been less willing to invest in predominantly black communities or have offered predatory loans that strip wealth from black homeowners rather than helping to build wealth (Calem and Wachter 2004).

Low-Income Working Families

How do these long-standing patterns of residential segregation play out for low-income working families? Ever since the advent of welfare reform, both policymakers and researchers have focused considerable attention on the circumstances of families with children that work but nonetheless have low incomes (less than twice the poverty threshold). Many of these families struggle to cover the basic costs of living, nurture their children, and cope with temporary setbacks like loss of a job or a medical emergency. And policy proposals targeted to this population focus on encouraging and supporting work, helping parents build skills and increase their incomes, obtain quality child care and health care, and build assets that can help them weather setbacks and enjoy a more secure future.³

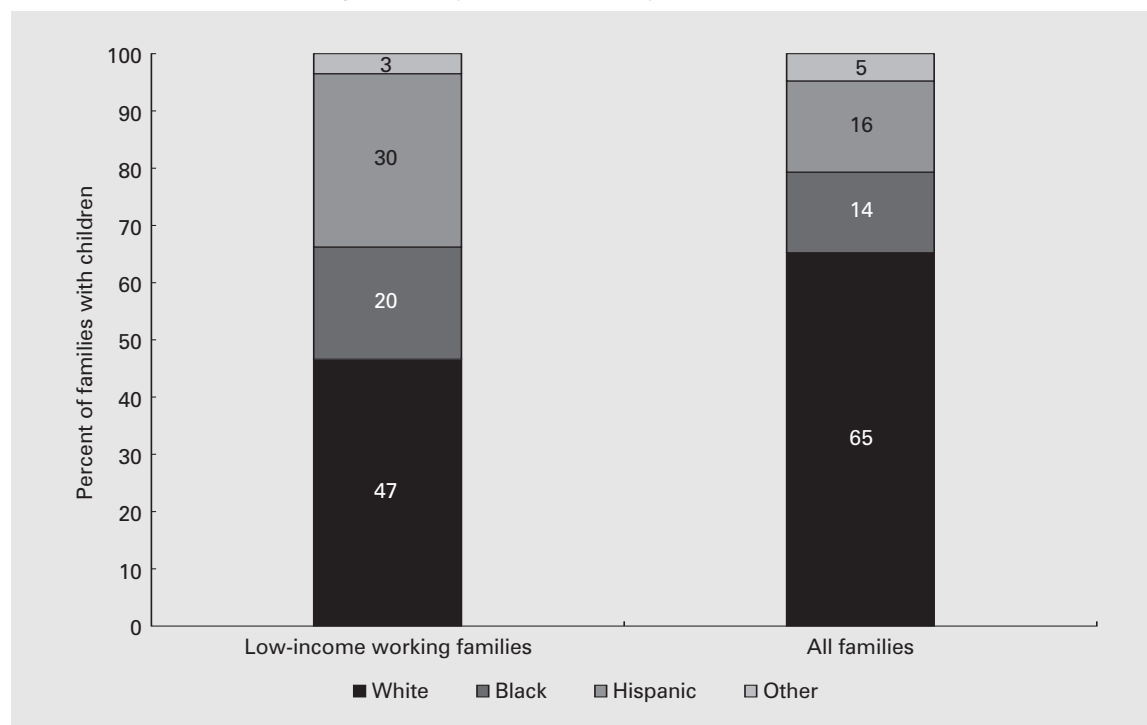
Although a growing body of research analyzes the characteristics of low-income working families and the challenges they face, relatively little attention has focused on where they live. This paper describes how low-income working families are distributed across different types of neighborhoods. It looks particularly at neighborhood racial and ethnic composition and poverty rate, and it explores differences in neighborhood outcomes between white, black, and Hispanic families.

This analysis is based on family-level data from the 2002 National Survey of America's Families (NSAF) linked with neighborhood-level data from the 2000 Census and 2000 to 2006 Home Mortgage Disclosure Act (HMDA) files. The NSAF is a national, longitudinal survey conducted in 1997, 1999, and 2002. At each wave, the NSAF gathered information by telephone on more than 100,000 individuals in 40,000 families. The survey was designed to oversample low-income families (defined as families with incomes less than twice the federal poverty threshold) and to assess many different dimensions of program participation and family well-being. In 2002, an estimated 8.9 million families, 24 percent of all NSAF families with children, fit the definition of a low-income working family, with children (under 18) living at home, parents working a combined total of at least 1,800 hours a year, and a total family income below 200 percent of the poverty level. Appendix A provides additional detail on the definition of low-income working families.

NSAF respondents provided interviewers with their addresses, and over 80 percent of these addresses were successfully geo-coded to census block groups.⁴ Selected census tract characteristics were then linked to each geo-coded NSAF case. 2000 Census data were used to classify tracts based on type of community (central city, suburban, or nonmetropolitan), racial/ethnic composition, and poverty rate. HMDA data were used to classify tracts based on recent trends in house prices and the prevalence of subprime lending. Appendix B provides additional details on data sources and methods.

Slightly more than half of all low-income working families are racial or ethnic minorities, compared with only about a third of all U.S. families with children (figure 3). Specifically, 47 percent of low-income work-

FIGURE 3. Low-Income Working Families by Race and Ethnicity, 2002



Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

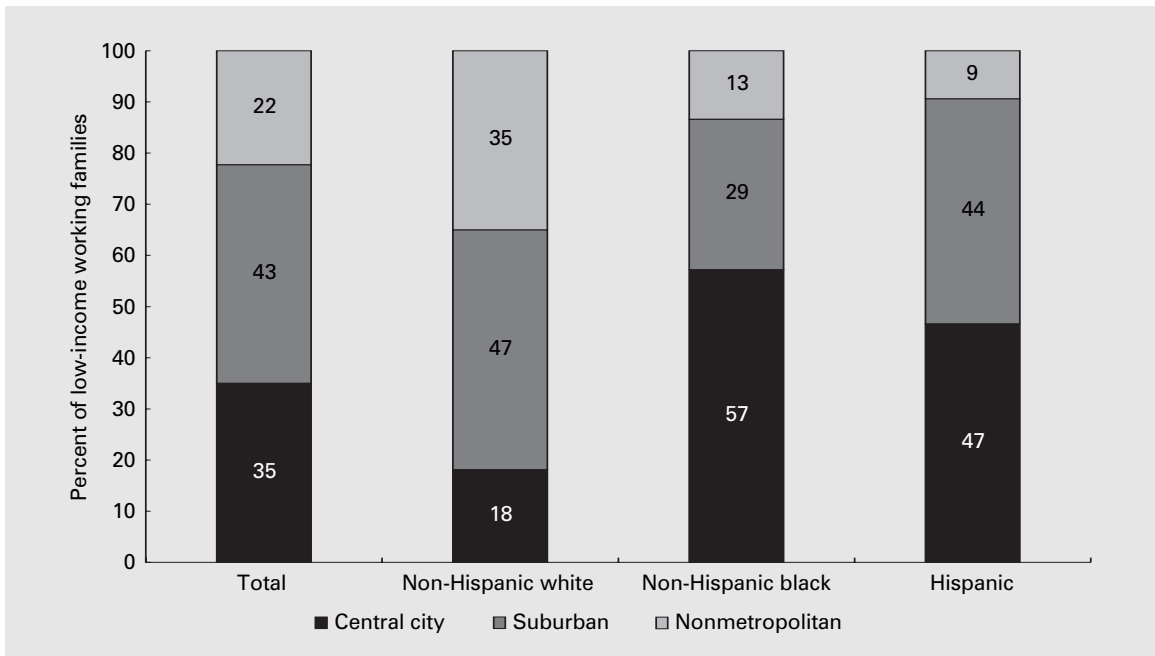
ing families are white, 20 percent are black, 30 percent are Hispanic, and 3 percent belong to other racial or ethnic groups. Interestingly, Hispanics substantially outnumber blacks among low-income working families, even though their numbers are roughly comparable among all families with children. This reflects higher employment rates among working-age Hispanics than among blacks, as well as a higher incidence of two-parent families among Hispanics.

Where Low-Income Working Families Live: Basic Neighborhood Attributes

Key neighborhood characteristics among low-income working families differ dramatically by race and ethnicity, despite similar income levels. Most low-income working families live in metropolitan areas, and slightly more live in suburban areas than in central-city jurisdictions (figure 4).⁵ This is not surprising, since most Americans now live in metropolitan regions and suburban residents far outnumber central-city residents (Rappaport 2005). However, a much larger share of white low-income working families lives outside metropolitan areas, and a much smaller share lives in central cities. Specifically, more than a third of white low-income working families live in nonmetropolitan areas, and less than a fifth live in central cities. In contrast, a majority of black low-income working families (57 percent) live in central-city jurisdictions, and less than 30 percent live in suburban areas. Hispanic low-income working families are roughly evenly divided between central cities and suburbs, with very few living in nonmetropolitan areas.

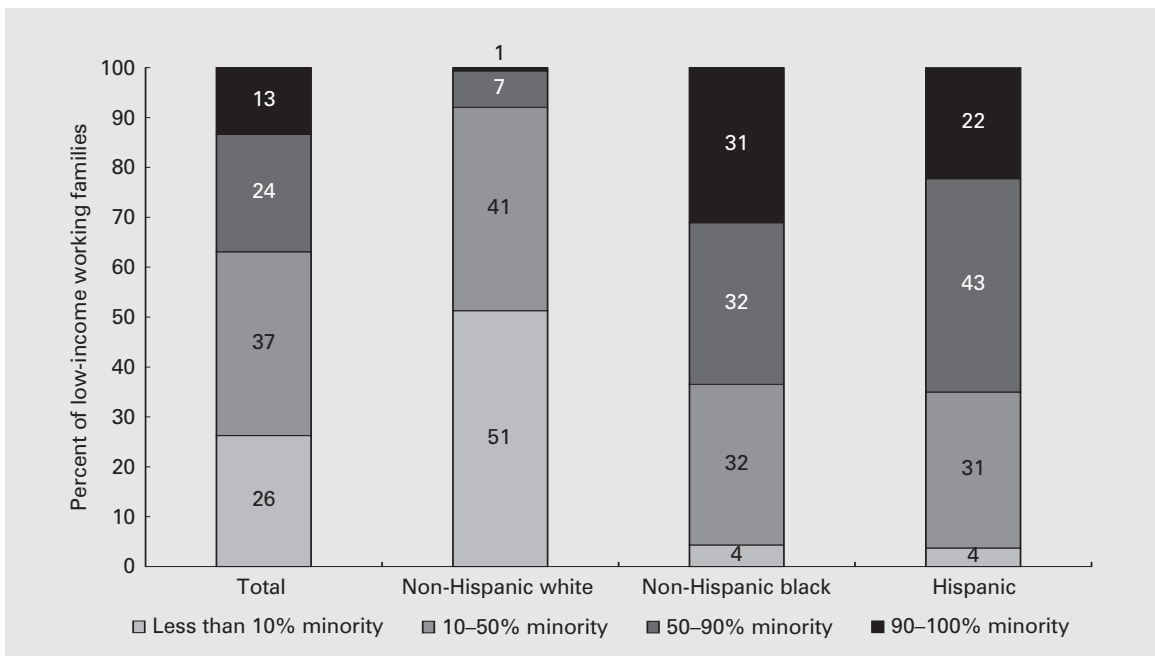
About two-thirds of all low-income working families (63 percent) live in majority-white neighborhoods (defined as census tracts where more than 50 percent of the population is white). Again, however, this overall finding masks dramatic differences among ethnic groups (figure 5). Half of white low-income working

FIGURE 4. Distribution of Low-Income Working Families by Tract Type, 2002



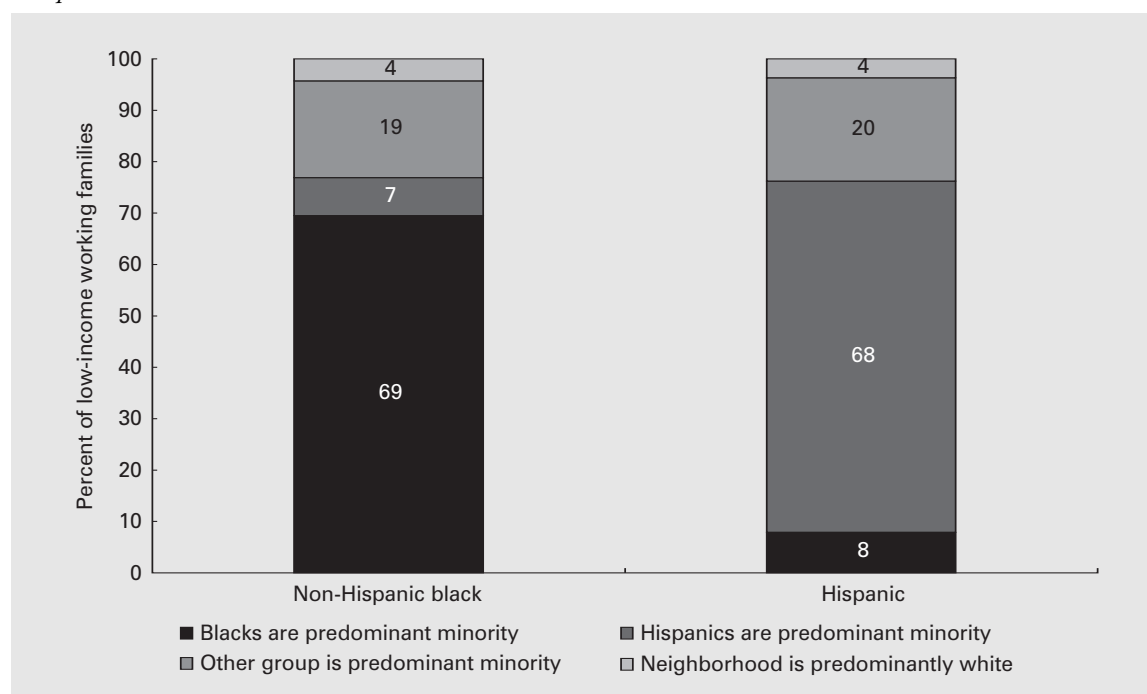
Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

FIGURE 5. Distribution of Low-Income Working Families by Tract Racial/Ethnic Composition, 2002



Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

FIGURE 6. Distribution of Black and Hispanic Low-Income Working Families by Tract Racial/Ethnic Composition, 2002



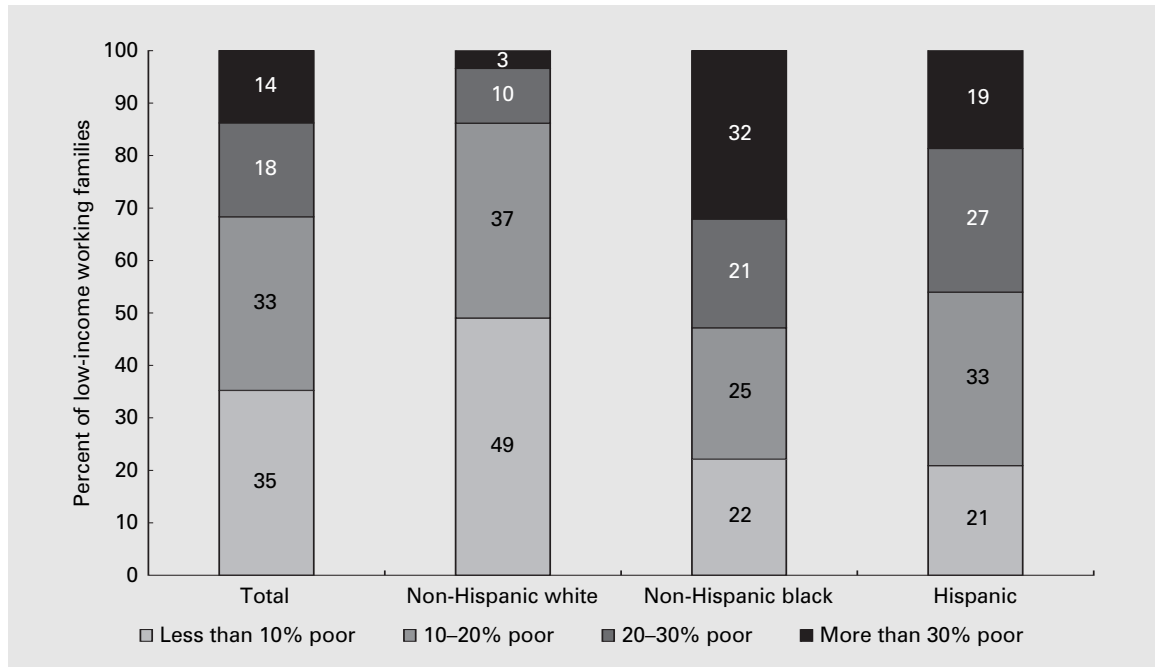
Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

families live in predominantly white neighborhoods (census tracts where more than 90 percent of the population is white), and more than 9 of every 10 live in majority-white neighborhoods. In contrast, almost no black or Hispanic low-income working families live in predominantly white neighborhoods, and only about a third live in majority-white neighborhoods. The share of black low-income working families living in predominantly minority neighborhoods (census tracts where less than 10 percent of the population is white) substantially exceeds the share of Hispanics living in such neighborhoods.

Although black and Hispanic low-income working families live in neighborhoods with comparably low shares of white population, they generally do not live in the same neighborhoods (figure 6). Sixty-nine percent of black low-income working families live in neighborhoods where blacks are the predominant minority group, and only 7 percent live in neighborhoods where Hispanics are the predominant minority group. In contrast, 68 percent of Hispanic low-income working families live in neighborhoods where Hispanics are the predominant minority group, and only 8 percent live in neighborhoods where blacks are the predominant minority group.

Researchers typically classify neighborhoods as “high-poverty” if the share of residents with incomes below the poverty level exceeds 30 percent and as “low-poverty” if fewer than 10 percent of residents are poor (Jargowsky 2003). Altogether, only 14 percent of low-income working families live in high-poverty neighborhoods, and 35 percent live in low-poverty neighborhoods. Again, however, residential patterns vary dramatically by the race and ethnicity of low-income working families (figure 7). About half of white low-income working families live in low-poverty neighborhoods, and almost none live in high-poverty neighborhoods. The vast majority (86 percent) live in neighborhoods with poverty rates below 20 percent

FIGURE 7. Distribution of Low-Income Working Families by Tract Poverty Rate, 2002



Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

(the bottom two categories in the figure). These findings are consistent with the small share of white low-income working families living in central cities (where most high-poverty neighborhoods are located).

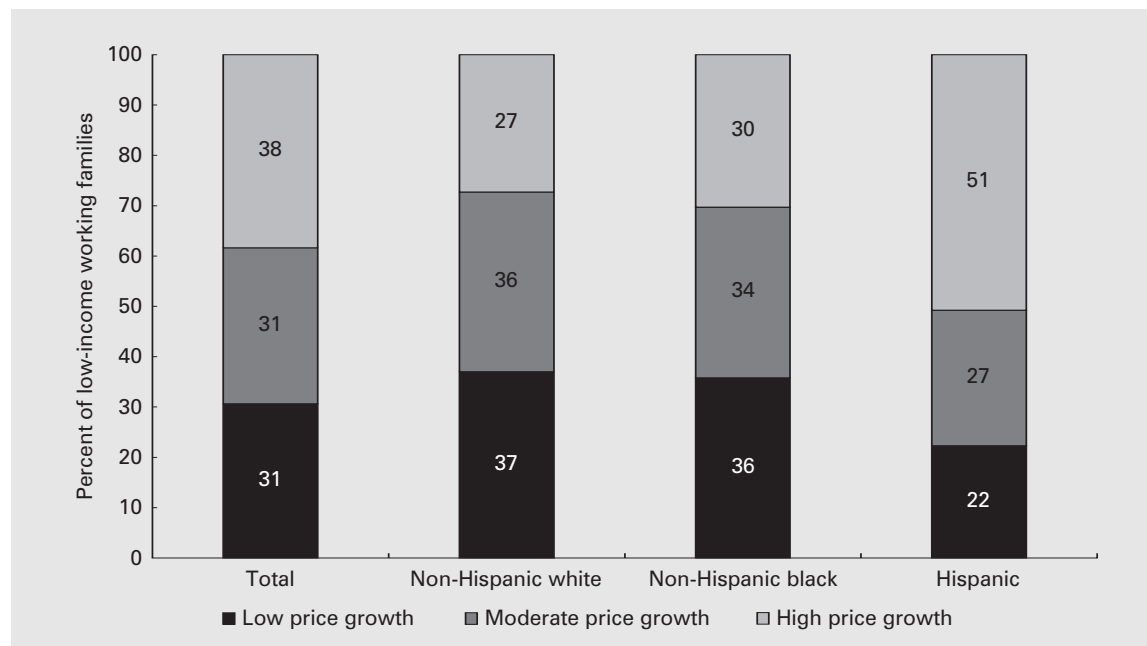
A much larger share of black low-income working families lives in high-poverty neighborhoods, and a smaller share lives in low-poverty neighborhoods. One of every 3 black low-income working families lives in a high-poverty neighborhood—10 times the share among whites. Only about one-fifth of black low-income working families live in low-poverty neighborhoods, and just under half (47 percent) live in neighborhoods with poverty rates below 20 percent.

Patterns among Hispanic low-income working families are similar to those among blacks, although fewer Hispanics live in high-poverty neighborhoods. About 2 of every 10 Hispanic low-income working families live in high-poverty neighborhoods—six times the share among whites, but still substantially lower than the share among blacks. Like blacks, only about one-fifth of Hispanic low-income working families live in low-poverty neighborhoods, and just over half (54 percent) live in neighborhoods with poverty rates below 20 percent.

Where Low-Income Working Families Live: Recent Housing Market Trends

Beginning in the late 1990s and continuing through the first half of this decade, communities across the country experienced a housing boom. Sales prices rose dramatically, fueled in part by new mortgage products (including subprime loans). Many previously distressed and disinvested neighborhoods—as well as more moderate-income neighborhoods—saw rising rates of mortgage lending and higher sales prices along with very high rates of subprime lending. Now, many of the same neighborhoods are facing high rates of foreclosure. Patterns of subprime lending and foreclosures both vary widely across housing markets. But

FIGURE 8. Distribution of Low-Income Working Families by Tract Change in House Prices, 2000–06



Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 and 2006 HMDA data.

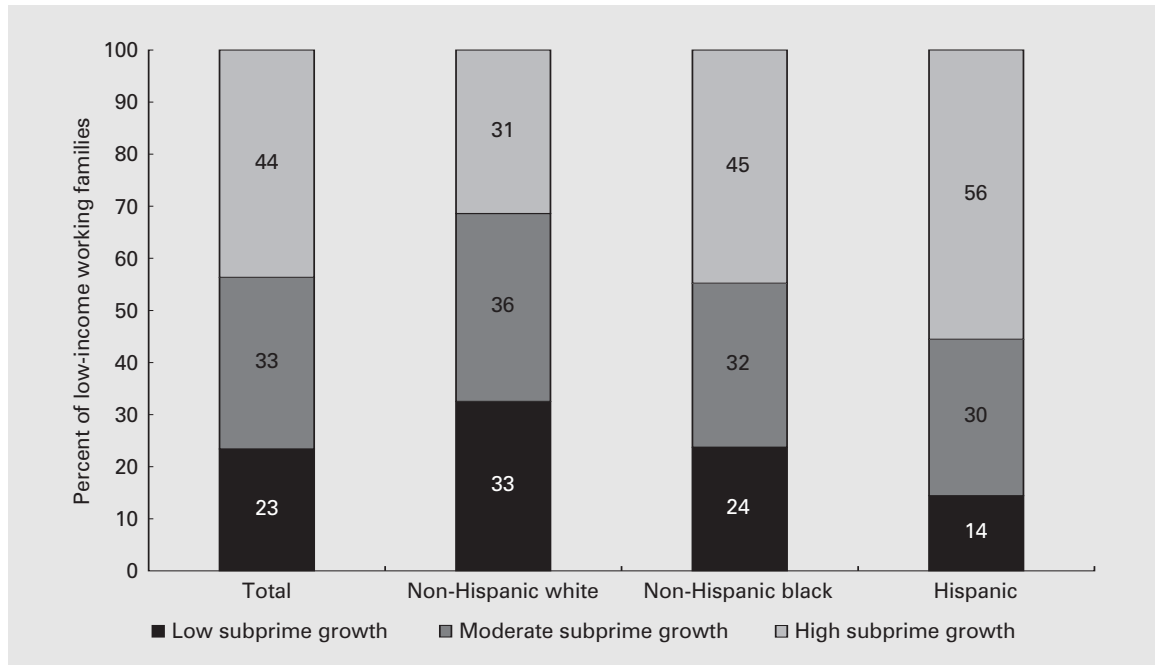
nationally, the incidence of subprime lending (defined as the number of high-priced loans as a share of all owner-occupied housing units) is higher in majority black or Hispanic neighborhoods than in predominantly white neighborhoods, and higher in minority neighborhoods with low to moderate poverty rates than in the poorest minority neighborhoods (Pettit and Kingsley forthcoming).

Subprime lending was certainly not the only factor driving the rise in home prices, and many neighborhoods experienced substantial increases in sales prices without corresponding increases in subprime loans. As a group, low-income working families were fairly evenly distributed among census tracts that saw low, moderate, and high rates of increase in sales prices (see appendix B for definitions and methods). But low-income working families were more likely to live in neighborhoods with big increases in the incidence of subprime lending than in neighborhoods with small increases (figures 8 and 9).

Differences by family race and ethnicity are somewhat less pronounced than for neighborhood poverty rates and racial composition, but still significant. White low-income working families are the least likely to live in neighborhoods that experienced high price increases and more likely to live in neighborhoods that experienced low price increases. This probably reflects the fact that white low-income working families live in neighborhoods that were more affluent at the outset, since many areas that experienced the biggest price gains started the decade with relatively low house values. Hispanics are dramatically more likely to live in neighborhoods that experienced high price increases and the least likely to live in neighborhoods with low price increases. Interestingly, patterns for blacks fall much closer to patterns for whites than to the patterns for Hispanics.

Fifty-one percent of Hispanic low-income working families live in neighborhoods that saw high increases in sales prices, compared with only 30 percent of black low-income working families and 27 percent of white low-income working families. This suggests that the neighborhoods in which Hispanic low-income

FIGURE 9. Distribution of Low-Income Working Families by Tract Change in Subprime Lending, 2000–06



Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 and 2006 HMDA data.

working families are most likely to live, though poor at the start of the decade, experienced more housing market demand and therefore more rapid price increases than the poorer and more predominantly black neighborhoods where black low-income working families are more likely to live. It is also possible that residents of relatively poor Hispanic neighborhoods may have become homeowners at a higher rate than residents of predominantly black neighborhoods.

In fact, Hispanics were also the most likely to live in neighborhoods with the highest growth in subprime lending. Specifically, 56 percent of Hispanic low-income working families lived in census tracts that saw high increases in incidence of subprime loans, compared with 45 percent of black low-income working families and only 31 percent of whites.

Implications for Policy

The substantial differences between racial and ethnic groups in the distribution of low-income working families among neighborhoods of various types may help explain other racial and ethnic disparities among low-income working families. A considerable body of social science research finds evidence that living in profoundly poor or distressed neighborhoods can undermine people's well-being and longer-term life chances. Rigorously measuring the *independent* effect of neighborhood conditions on outcomes for individual residents is, of course, challenging, but in general, well-designed empirical research that controls statistically for individual and family attributes finds that neighborhood environment significantly influences important life outcomes for both children and adults (Ellen and Turner 1997).

Here, findings from the existing empirical literature on the effects of neighborhood environment are organized according to major life stages: infancy and childhood, adolescence, and adulthood (Ellen and Turner 2003). Much of the literature on neighborhood effects focuses on neighborhood poverty rates or

other indicators of economic status rather than racial composition. It is important to note, however, that most high-poverty and economically distressed neighborhoods are predominantly minority as well (Massey and Denton 1993; Jargowsky 2003). In fact, Massey and Denton (1993) have demonstrated that concentrated poverty is the direct result of racial segregation, and that the problem of concentrated poverty and neighborhood distress would not exist in the absence of segregation (review in Massey 2001). So it is very difficult, if not impossible, to systematically disentangle the effects of concentrated poverty from the effects of racial isolation. However, some research finds adverse effects of living in predominantly minority neighborhoods, even after controlling for income, suggesting that both neighborhood poverty and neighborhood racial composition matter (Turner and Kaye 2006).

Relatively little empirical research has focused on how neighborhood distress affects infants and young children. A group of multidisciplinary researchers who have analyzed data that follow a sample of low birth-weight, pre-term infants during their first years of life provide evidence that neighborhood plays a role, particularly in children's intellectual development. More specifically, the presence of affluent neighbors appears to be associated with higher IQ for preschool children (Brooks-Gunn et al. 1993; Chase-Lansdale and Gordon 1996; Chase-Lansdale et al. 1997). These studies, however, reach mixed conclusions about neighborhood effects on young children's emotional and behavioral development. For example, elementary school children living in low-income neighborhoods exhibit more aggressive behavior when interacting with others (Kupersmidt et al. 1995) as well as higher asthma rates (Aber et al. 1997), which lead to missed school days and possibly lower performance at educational and other tasks;⁶ and elementary school performance has been linked to neighborhood social and economic status (Connell and Halpern-Felsher 1997).

Most of the research on neighborhood effects has focused on teenagers and young adults. The literature on adolescent educational attainment generally supports the notion that neighborhoods play an important role (Aaronson 1997; Brooks-Gunn et al. 1993; Case and Katz 1991; Clark 1992; Crane 1991; Datcher 1982; Dornbusch, Ritter, and Steinberg 1991; Duncan 1994; Duncan, Connell, and Klebanov 1997; Garner and Raudenbush 1991; Haveman and Wolfe 1994). Young people from high-poverty and distressed neighborhoods are less successful in school than their counterparts from more affluent communities; they earn lower grades, are more likely to drop out, and are less likely to go on to college. Kids from poor neighborhoods are also less likely to get jobs during and immediately after high school. Studies have also documented that neighborhood environment influences teens' sexual activity and the likelihood that girls will become pregnant as teenagers (Brewster 1994; Brewster, Billy, and Grady 1993; Brooks-Gunn et al. 1993; Crane 1991; Hogan and Kitagawa 1985; Hogan, Astone, and Kitagawa 1985; Ku, Sonenstein, and Pleck 1993; Plotnick and Hoffman 1996). And finally, young people who live in high-crime areas have been found more likely to commit crimes themselves (Case and Katz 1991).

Studies on whether neighborhoods affect adults focus primarily on health and employment outcomes. Several studies link neighborhood socioeconomic status and overall mortality levels (Acevedo-Garcia et al. 2004; Anderson et al. 1997; Haan, Kaplan, and Camacho 1987; Waitzman and Smith 1998). A recent study in Maryland documents that the risk of cancer from air toxins is closely associated with the racial composition and income level of census tracts. Specifically, tracts with the highest share of black residents are three times more likely to pose high cancer risks than those with the lowest share of black residents (Apelberg, Buckley, and White 2005). There is also reasonably sound evidence that neighborhood conditions, particularly crime and violence levels, shape health-related behaviors (Diehr et al. 1993; Ganz 2000; Kleinschmidt, Hills, and Elliott 1995; Robert 1999). Finally, empirical research generally finds that distance from jobs reduces employment rates, particularly among lower-skilled adults (Ihlanfeldt and

Sjoquist 1998), and that the overall employment rate in a neighborhood is associated with an individual's employment status over and above the effects of the individual's own traits (Weinberg, Reagan, and Yankow 2000).

Given this evidence on the potential effects of living in high-poverty, predominantly minority neighborhoods, policies targeted to assist low-income working families may fall short unless they take the realities of locational patterns among whites, blacks, and Hispanics into account. Most immediately, low-income working families who live in distressed neighborhoods need more help with employment, education, safety, and health; so policies may need to be more explicitly shaped to compensate for neighborhood disparities. In particular, the capacity of local public and private institutions to deliver services may prove to be a significant constraint. Central-city school districts are generally less effective than suburban districts in providing basic elementary and secondary education. They may also be less prepared to implement innovative adult education or vocational training programs that offer real promise for low-income working families. But it is also possible that in some areas, suburban jurisdictions have less capacity than big cities to deliver services or programs targeted to low-income working families.

Public policies can address locational disparities in two very different ways. They can try to eliminate or compensate for the deficits of poor and minority neighborhoods by investing in place-based services and assets, or they can help low-income working families move to better neighborhoods by offering housing search and relocation assistance, and directly addressing barriers of discrimination or housing affordability. The literature on housing and community development policy has long grappled with tensions between “place-based” and “mobility” policies. In fact, *both* investing in poor and minority communities *and* opening up a wider range of mobility options are important policy objectives, worth pursuing in tandem.

At the time of this writing, the implications of the foreclosure crisis are still evolving and difficult to predict with confidence. It is already clear, however, that neighborhoods with high rates of subprime lending face an elevated risk of foreclosures, and that clusters of foreclosures generate serious spillover effects for neighborhoods and communities, including declining house values, high vacancies and abandonment, physical deterioration, and rising vandalism and crime (Kingsley, Smith, and Price forthcoming). Low-income working families are likely to be particularly vulnerable to these spillovers, both because their economic circumstances are precarious and because a substantial share of them live in neighborhoods that saw big increases in subprime lending. Again, however, minority low-income working families—and particularly Hispanics—face the highest risk of seeing their neighborhoods decline in value, quality, and safety. Again, therefore, policies focused on reducing the persistent disadvantages facing minority low-income working families need to address the ways in which the neighborhoods where they live may be compounding these disadvantages.

Need for Further Research

Ongoing research on the challenges facing low-income working families and the effectiveness of policies targeted to these families should systematically consider these potential neighborhood effects. In particular, research that documents or seeks to explain persistent disparities between white, black, and Hispanic low-income working families should incorporate locational indicators and rigorously explore the interaction of neighborhood and individual race or ethnicity. For example, new research finds a persistent wage gap between white and black workers, even after controlling for skill level and employee qualifications (Acs and Loprest 2008). Are the jobs that are filled by whites (which pay higher wages on average) more likely to be located in predominantly white, low-poverty, or suburban locations? When blacks obtain positions

in these locations do they receive wages comparable to those of equally qualified whites? Do low-skilled whites take positions that are located in predominantly black, high-poverty, or central-city locations? Does the black-white wage gap persist in these locations as well?

In addition to better understanding the persistence of racial and ethnic disparities among low-income working families, attention to locational effects may help explain variations in program effectiveness. For example, first-time homebuyer assistance programs have been promoted as a long-term wealth-building strategy for low- and moderate-income families (at least until the current mortgage meltdown). But if black and (especially) Hispanic participants purchase homes in predominantly minority neighborhoods where subprime lending rates and foreclosure risks are high, homeownership will not pay off with wealth gains comparable to those enjoyed by whites (Galster and Santiago 2008). Similarly, job training and skill-building interventions targeted to low-wage working parents may not pay off for blacks and Hispanics if they live in neighborhoods that are far away from appropriate job opportunities.

Research should also explore the dynamics of residential mobility and choice among low-income working families. Better understanding the push and pull factors that influence housing search and location choice among low-income working families of different races and ethnicities could help explain the persistence of segregation in an era of increasing diversity and suggest strategies for helping families move to (and remain in) neighborhoods that are stable, safe, and rich with opportunities. One issue of particular interest and importance, for example, involves location choices of immigrant families. In recent decades, huge numbers of immigrants (mostly Hispanics and mostly working) have moved to new destination communities, including some central-city neighborhoods, but also many older suburban communities. Segregation levels for Hispanics have been rising and, as discussed earlier, many Hispanic low-income working families live in segregated neighborhoods. But this may be a temporary phenomenon, if second-generation Hispanic families move out of immigrant enclaves as past waves of immigrants have typically done. Moreover, the neighborhoods in which Hispanic low-income working families live may not face levels of distress typical of predominantly black neighborhoods, in part because they are less isolated from areas of employment growth.

Finally, we are entering a new era in the evolution of metropolitan housing markets. The foreclosure crisis is reaching beyond subprime borrowers to affect many more homeowners and communities, and the implications for neighborhoods, house values, and wealth accumulation are still not fully known. In addition, high gas prices, intensifying concerns about air pollution and climate change, high rates of immigration, and the aging of the baby boom generation could all alter the relative attractiveness of central-city and suburban neighborhoods, draw demand and investment back to long-neglected neighborhoods in the urban core, displace lower-income families from once-affordable neighborhoods, or leave suburban communities to weakened demand and gradual decline. Given the nation's history of racial discrimination and segregation—and the long-term contribution of this history to persistent racial and ethnic disparities—trends in metropolitan housing markets warrant close attention in the coming years. Understanding how the neighborhood environments and neighborhood choices of low-income working families evolve in the years ahead is essential to understanding and addressing disparities in opportunities and outcomes for minorities and whites.

APPENDIX A

The National Survey of America's Families and Definition of Low-Income Working Families

The analysis reported here is based on family-level data from the 2002 National Survey of America's Families (NSAF), a nationally representative household survey of more than 100,000 individuals in more than 40,000 families. Conducted in three rounds—1997, 1999, and 2002—the NSAF provides quantitative measures of child, adult, and family well-being in America over time, with an emphasis on persons in low-income families.

Social Family. The definition of family for the purposes of this analysis is more inclusive than the definition employed by the Current Population Survey. Family is defined here as the “social family” and includes all related individuals living together—married partners and their children, unmarried partners, all their children, and members of the extended family (anyone related by blood, marriage, or adoption to the adult answering questions about the children, his or her spouse or partner, or their children). The analysis only looks at families with children under age 18—approximately 27,000 families or 64 percent of all NSAF families.

Low-Income Working Families. In the sample, 8,366 families or 31 percent of families with children are low-income families, defined as having total family income below 200 percent of the federal poverty level.⁷ Using methods developed by Acs and Nichols, families are classified as high-work if any adult reports at least 1,800 hours of work in the prior year—approximately equal to 35 hours of work a week for 52 weeks in the year. Families are classified as moderate-work if adults average at least 1,000 hours or the total hours worked is at least 1,800 hours, but no adult reports 1,800 hours of work in the prior year; and as low-work if neither of these criteria are met (Acs and Nichols 2005). Working families are those with high or moderate work effort; 6,606 of the low-income families in the sample meet this definition.

Residential Location. Addresses of NSAF respondents were geo-coded to census block groups and linked to tract-level data on neighborhood characteristics and trends. For 13 percent of the low-income working families (LIWFs) in the NSAF, addresses are missing or could not be geo-coded. We found no evidence that the unmatched cases differed systematically from the sample as a whole. Excluding these families from the analysis of residential patterns results in a sample of 5,777 families, or a quarter of all families with children.

Race/Ethnicity of LIWFs. The race/ethnicity of the family is based on the race and ethnicity of the individual, usually the mother, that is most knowledgeable about the health care, education, and well-being of the child sampled for in-depth study in each family with children under age 18.⁸

APPENDIX B

Neighborhood Typologies: Data Sources and Definitions

Census tract characteristics are based on analysis of the 2000 U.S. Census of Population and Housing, 5 percent Public Use Microdata Sample, which is then linked to the geo-coded NSAF data. Census tracts are classified based on type of community, racial and ethnic composition, and poverty rate, using methods developed by Turner and Fenderson (Turner and Fenderson 2006). In addition, census tracts in the 100 largest metropolitan areas are classified based on recent trends in house prices and the prevalence of subprime lending using 2000 and 2006 Home Mortgage Disclosure Act data.

Type of Community. Census tracts are classified based on the type of community: central-city, suburban, and nonmetropolitan, as defined by the census.

Racial/Ethnic Composition. Census tracts are classified based on the racial and ethnic composition of their population. Predominantly white neighborhoods are census tracts where more than 90 percent of the population is non-Hispanic white. Majority-white neighborhoods are those where between 50 and 90 percent of the population is non-Hispanic white. In majority-minority neighborhoods, between 10 and 50 percent of the population is non-Hispanic white; in predominantly minority neighborhoods, less than 10 percent of the population is non-Hispanic white. Neighborhoods are further classified based on the composition of the minority population. Census tracts are considered to be dominated by a particular minority group—Hispanic, non-Hispanic black, or non-Hispanic other—if that group accounts for more than 60 percent of the minority population.⁹

Poverty Rate. Neighborhoods are classified in four groups based on the census tract poverty rate—tracts with poverty rate below 10 percent (or low-poverty tracts), from 10 to 20 percent, from 20 to 30 percent,

and more than 30 percent (or high-poverty tracts), based on descriptive and analytical studies that link neighborhood poverty and family well-being (see, for example, Jargowsky 2003).

Housing Market Trends. Analyses of housing market trends are based on home loan data for metropolitan areas that are reported by lending institutions and provided to the public as stipulated by the Home Mortgage Disclosure Act of 1975. Census tracts in the 100 largest metropolitan areas are classified in three groups—with high, moderate, and low price growth—based on the annual percent change in median loan purchase amount between 2000 and 2006 in the HMDA data. Similarly, neighborhoods are classified in high, moderate, and low subprime mortgage growth based on the annual percent change in the number of conventional home purchase loans by subprime lenders per 1,000 one- to four-family units.

APPENDIX C

Tables with Confidence Intervals

TABLE C.1. Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Type of Community

	Central city	Suburban	Nonmetropolitan	Total
All LIWFs				
Number	2,781,146	3,392,501	1,768,803	7,942,450
Distribution	35.0	42.7	22.3	100
<i>CI lower</i>	33.0	41.1	20.7	
<i>CI upper</i>	37.0	44.3	23.8	
Share of families that are LIWF	30.9	19.3	28.6	24
Hispanic LIWFs				
Number	1,121,529	1,060,054	227,222	2,408,805
Distribution	46.6	44.0	9.4	100
<i>CI lower</i>	43.9	41.1	7.8	
<i>CI upper</i>	49.2	46.9	11.1	
Share of families that are LIWF	50.9	41.6	50.1	46
Non-Hispanic black LIWFs				
Number	890,715	458,083	209,322	1,558,120
Distribution	57.2	29.4	13.4	100
<i>CI lower</i>	51.4	24.7	9.9	
<i>CI upper</i>	62.9	34.1	17.0	
Share of families that are LIWF	38.2	26.4	38.7	34
Non-Hispanic white LIWFs				
Number	671,496	1,731,450	1,295,171	3,698,117
Distribution	18.2	46.8	35.0	100
<i>CI lower</i>	15.9	44.3	32.6	
<i>CI upper</i>	20.4	49.3	37.4	
Share of families that are LIWF	17.0	14.0	25.6	17

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

TABLE C.2. *Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Minority Composition*

	Predominantly white (< 10% minority)	Majority white (10–50% minority)	Majority minority (50–90% minority)	Predominantly minority (90–100% minority)	Total
All LIWFs					
Number	2,082,070	2,925,407	1,868,809	1,066,164	7,942,450
Distribution	26.2	36.8	23.5	13.4	100
<i>CI lower</i>	24.4	35.1	21.9	12.0	
<i>CI upper</i>	28.0	38.6	25.1	14.9	
Share of families that are LIWF	18.4	21.3	35.7	43.4	24
Hispanic LIWFs					
Number	87,970	754,201	1,030,677	535,957	2,408,805
Distribution	3.7	31.3	42.8	22.2	100
<i>CI lower</i>	2.5	28.4	39.8	19.9	
<i>CI upper</i>	4.8	34.2	45.8	24.6	
Share of families that are LIWF	27.2	41.3	49.3	55.6	46
Non-Hispanic black LIWFs					
Number	67,344	502,135	504,747	483,895	1,558,121
Distribution	4.3	32.2	32.4	31.1	100
<i>CI lower</i>	2.2	27.4	27.0	26.0	
<i>CI upper</i>	6.4	37.0	37.8	36.1	
Share of families that are LIWF	32.3	31.6	34.7	35.6	34
Non-Hispanic white LIWFs					
Number	1,894,716	1,507,142	269,812	26,447	3,698,117
Distribution	51.2	40.8	7.3	0.7	100
<i>CI lower</i>	48.2	38.1	5.7	0.3	
<i>CI upper</i>	54.2	43.4	8.9	1.1	
Share of families that are LIWF	17.9	16.0	21.1	38.5	17

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

TABLE C.3. *Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Minority Composition*

	Predominantly white	Blacks are predominant minority	Hispanics are predominant minority	Other or no group is predominant minority	Total
All LIWFs					
Number	2,082,070	1,885,510	2,332,490	1,642,380	7,942,450
Distribution	26.2	23.7	29.4	20.7	100
<i>CI lower</i>	24.4	22.2	27.4	19.4	
<i>CI upper</i>	28.0	25.2	31.3	22.0	
Share of families that are LIWF	18.4	27.7	35.8	20.3	24
Hispanic LIWFs					
Number	87,970	191,694	1,644,385	484,756	2,408,805
Distribution	3.7	8.0	68.3	20.1	100
<i>CI lower</i>	2.5	5.9	65.0	17.7	
<i>CI upper</i>	4.8	10.0	71.5	22.6	
Share of families that are LIWF	27.2	51.3	50.4	38.8	46
Non-Hispanic black LIWFs					
Number	67,344	1,081,597	115,807	293,372	1,558,120
Distribution	4.3	69.4	7.4	18.8	100
<i>CI lower</i>	2.2	64.7	4.9	14.8	
<i>CI upper</i>	6.4	74.1	10.0	22.9	
Share of families that are LIWF	32.3	34.6	32.0	32.1	34
Non-Hispanic white LIWFs					
Number	1,894,716	584,240	518,143	701,019	3,698,118
Distribution	51.2	15.8	14.0	19.0	100
<i>CI lower</i>	48.2	13.8	12.1	16.9	
<i>CI upper</i>	54.2	17.8	15.9	21.0	
Share of families that are LIWF	17.9	18.6	19.3	14.2	17

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

TABLE C.4. *Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Poverty Rate*

	Less than 10% poor	10–20% poor	20–30% poor	More than 30% poor	Total
All LIWFs					
Number	2,792,928	2,631,500	1,422,526	1,095,495	7,942,449
Distribution	35.2	33.1	17.9	13.8	100
<i>CI lower</i>	33.4	31.4	16.4	12.0	
<i>CI upper</i>	36.9	34.9	19.4	15.6	
Share of families that are LIWF	15.3	29.7	41.5	50.5	24
Hispanic LIWFs					
Number	502,838	796,637	659,536	449,793	2,408,804
Distribution	20.9	33.1	27.4	18.7	100
<i>CI lower</i>	18.1	30.5	24.6	16.3	
<i>CI upper</i>	23.7	35.7	30.1	21.1	
Share of families that are LIWF	30.3	47.9	58.4	59.5	46
Non-Hispanic black LIWFs					
Number	344,490	389,849	323,097	500,684	1,558,120
Distribution	22.1	25.0	20.7	32.1	100
<i>CI lower</i>	17.9	20.6	16.8	26.1	
<i>CI upper</i>	26.3	29.5	24.7	38.2	
Share of families that are LIWF	24.1	29.6	36.4	51.6	34
Non-Hispanic white LIWFs					
Number	1,811,228	1,372,883	385,148	128,858	3,698,117
Distribution	49.0	37.1	10.4	3.5	100
<i>CI lower</i>	46.6	34.9	8.8	2.2	
<i>CI upper</i>	51.4	39.3	12.0	4.7	
Share of families that are LIWF	12.9	24.5	29.7	32.0	17

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 Census data.

TABLE C.5. Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Home Price Growth

	Low price growth	Moderate price growth	High price growth	Total
All LIWFs				
Number	1,452,266	1,472,455	1,825,518	4,750,239
Distribution	30.6	31.0	38.4	100
<i>CI lower</i>	28.1	28.8	36.0	
<i>CI upper</i>	33.1	33.2	40.9	
Share of families that are LIWF	19.7	20.8	27.1	22
Hispanic LIWFs				
Number	411,506	496,646	936,309	1,844,461
Distribution	22.3	26.9	50.8	100
<i>CI lower</i>	19.3	24.0	47.3	
<i>CI upper</i>	25.4	30.0	54.3	
Share of families that are LIWF	43.2	44.3	46.7	45
Non-Hispanic black LIWFs				
Number	386,513	365,883	327,357	1,079,753
Distribution	35.8	33.9	30.3	100
<i>CI lower</i>	29.5	27.3	24.8	
<i>CI upper</i>	42.0	40.4	35.9	
Share of families that are LIWF	30.9	32.8	30.2	31
Non-Hispanic white LIWFs				
Number	600,653	580,340	442,884	1,623,877
Distribution	37.0	35.7	27.3	100
<i>CI lower</i>	32.3	31.2	23.4	
<i>CI upper</i>	41.7	40.3	31.1	
Share of families that are LIWF	12.5	13.0	14.1	13

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 and 2006 HMDA data.

Note: Data are for low-income working families living in the 100 largest metropolitan areas with data on home price change between 2000 and 2006.

TABLE C.6. *Distribution of Low-Income Working Families (LIWFs) across Neighborhoods by Subprime Lending*

	Low subprime growth	Moderate subprime growth	High subprime growth	Total
All LIWFs				
Number	1,022,480	1,441,769	1,911,177	4,375,426
Distribution	23.4	33.0	43.7	100
<i>CI lower</i>	21.2	30.6	41.2	
<i>CI upper</i>	25.6	35.3	46.2	
Share of families that are LIWF	18.6	21.0	26.1	22
Hispanic LIWFs				
Number	240,686	501,205	926,456	1,668,347
Distribution	14.4	30.0	55.5	100
<i>CI lower</i>	11.9	26.9	52.3	
<i>CI upper</i>	16.9	33.2	58.7	
Share of families that are LIWF	38.5	43.8	47.0	45
Non-Hispanic black LIWFs				
Number	238,219	316,236	449,365	1,003,820
Distribution	23.7	31.5	44.8	100
<i>CI lower</i>	18.3	26.9	39.3	
<i>CI upper</i>	29.1	36.1	50.2	
Share of families that are LIWF	35.9	29.4	30.8	31
Non-Hispanic white LIWFs				
Number	494,875	550,891	478,293	1,524,059
Distribution	32.5	36.1	31.4	100
<i>CI lower</i>	28.7	31.8	27.5	
<i>CI upper</i>	36.3	40.5	35.2	
Share of families that are LIWF	12.8	13.2	13.6	13

Source: Urban Institute tabulations of 2002 National Survey of America's Families and 2000 and 2006 HMDA data.

Note: Data are for low-income working families living in the 100 largest metropolitan areas with data on subprime lending change between 2000 and 2006.

NOTES

1. This history is recounted in depth in Hirsch (1998), Massey and Denton (1993), and Polikoff (2006).
2. A recent review finds that most empirical studies support the spatial mismatch hypothesis. Specifically, of 28 studies reviewed, 21 confirm the hypothesis, and the 7 that reject it are methodologically flawed (Ihlanfeldt and Sjoquist 1998).
3. For a thorough discussion of the challenges facing low-income working families and policy recommendations for addressing these challenges, see Zedlewski, Chaudry, and Simms (2008).
4. There is no evidence that the unmatched cases differed systematically from the sample as a whole.
5. Appendix C lists complete distributions with confidence intervals of low-income working families (by race and ethnicity) across all neighborhood categories discussed here.
6. Asthma is the leading cause of school absenteeism in Harlem, for example, where childhood asthma rates are five times the national average. Richard Perez-Peña, “Study Finds Asthma in 25% of Children in Central Harlem,” *New York Times*, April 19, 2003.
7. In 2001, the federal poverty level was \$18,104 for a family of four, slightly higher for larger families and lower for smaller families.
8. In the NSAF, up to two children are sampled for in-depth study: one under the age of 6 and another between the ages of 6 and 17. Interviews are conducted with the most knowledgeable adult about the child. It is possible to have different adults for each child, although it is more common to have a single respondent (usually the mother) for both children.
9. The four racial and ethnic groups, Hispanic, non-Hispanic white, non-Hispanic black, and non-Hispanic other, are constructed using a methodology implemented in the Neighborhood Change Data Base that reallocates multiracial persons to single-race categories when individuals have specified more than one race in the 2000 Census. For details, see Tatian (2003, 4-10 to 4-13).

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