<u>Research Brief: Economic Mobility in East Contra Costa</u>

Report Objectives

1. Introduce The Opportunity Atlas
2. Summarize the Research on Economic Mobility in East Contra Costa
3. Applying the Findings and Next Steps

Introduction: What is the Opportunity Atlas?[1]

Which neighborhoods in America offer children the best chances of achieving prosperity as adults? We can now answer this question with greater specificity than ever before. In 2018, researchers gained access to anonymous tax return data of 20 million Americans born between 1978 and 1983. They then merged this information with census data and mapped each individual back to the census tract in which they grew up. The result is a new, powerful dataset called the Opportunity Atlas.

- Children's earnings in adulthood, called 'economic mobility estimates', are published in the Opportunity Atlas as averages at the census tract level for each of the 70,000 census tracts in the United States.

- Census tracts are geographic units designed to include approximately 4,200 people each. 'Census tract' and 'neighborhood' are used interchangeably in Opportunity Atlas and in this report.

- 'Economic mobility' is defined as the household income of low-income children in adulthood compared to that of low-income children in other census tracts. 'Mobility', 'economic mobility', and 'opportunity' are used somewhat synonymously in this report.

- "Low-income children" are defined as those children growing up in households at the 25th percentile of the national income distribution (equivalent to $27,044 in 2015 dollars).

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[1] This introduction draws on the executive summary of "The Opportunity Atlas Mapping the Childhood Roots of Social Mobility" (Chetty et al., 2018)

New Insights from Across the United States: The Impact of Neighborhoods on Child Outcomes in Adulthood

The new data yield several insights into how neighborhoods across the country influence a child's outcomes.

Finding 1: Children's incomes in adulthood vary sharply even across neighborhoods that are only one or two miles apart

> Consider average household income for Black men who grew up in low-income families in central Los Angeles. In 2015, Black men who grew up in Watts reported $7,286 in household income. Meanwhile, Black men who grew up in low-income families in central Compton reported $19,141 in household income in the same year. These two communities are only 2.3 miles apart. Therefore, neighborhood effects are more tightly circumscribed than researchers previously thought. Environmental impacts occur at a hyper-local level.

Finding 2: Moving to a better neighborhood at an early age can substantially increase a child's earnings in adulthood.

> Moving from a below-average neighborhood in terms of economic mobility to an above-average economic one in the same metropolitan area would increase the lifetime earnings of a child growing up in a low-income family by $200,000 on average (OA summary 3). The outcomes that result from growing up in one neighborhood as opposed to another one nearby can be very substantial, especially when viewed over a lifetime.

Economic Mobility in East County

The value of this research for East Contra Costa County ("East County") is that by studying the places that offer high and low levels of economic mobility for low-income children, leaders may be able to reproduce those successes in other areas through place-based interventions.

Figure 1: A Snapshot of Economic Mobility in East County
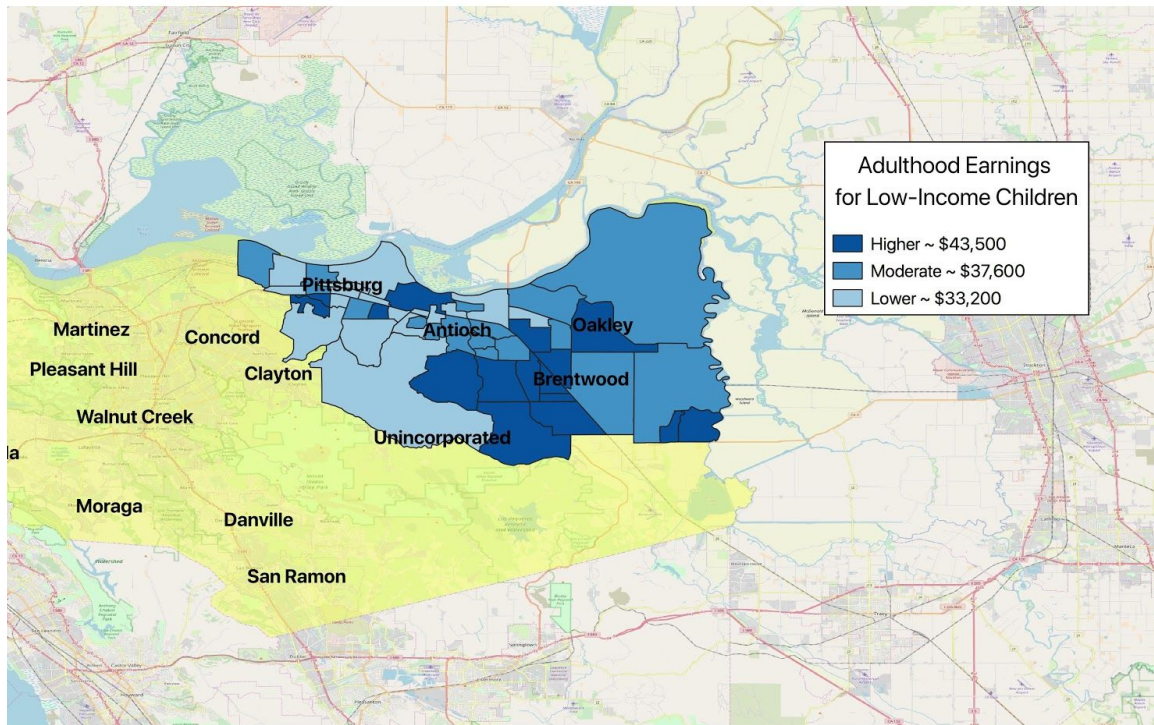
Summary of Research Process

- 50 of Contra Costa's 207 census tracts were identified as constituting "East County"

- Of the 20,000,000 people born between 1978 and 1983 (the 'Opportunity Atlas sample'), approximately 13,046 grew up in East County in households at the 25th percentile of the national economic distribution. This is the subset of individuals under consideration in this study.

- We examined the relationship between economic mobility and 32 tract-level variables, including

    - the fraction of residents with a bachelor's degree or higher in 2000 and 2010
    - the poverty rates in 1990, 2000, and 2010
    - the employment rate in 2000
    - the mean commute time in 2000
    - the average two-bedroom rent in 2015

- The relationship between each of the 32 variables and the Opportunity Atlas economic mobility estimate were tested for statistical significance, with the goal of learning more about the barriers and opportunities for economic opportunity in East County.

Summary of Research Findings

Many of these variables were uncorrelated with economic mobility. These uncorrelated variables included the employment rate, the average two-bedroom rent, and the population density.

Several variables did show a significant correlation with economic mobility. These were:

- *Household income:* Low-income children growing up in neighborhoods with higher levels of household income experienced greater economic mobility.

- *Poverty rate:* Low-income children growing up in neighborhoods with more poverty experienced lower economic mobility.

- *Single parent share:* Low-income children growing up in neighborhoods with a greater proportion of single parent households experienced lower economic mobility.

To further look into these three significant correlations, Figure 2 examines the relationship between economic mobility for low-income children and average household income in 1990 and in each East County census tract.

Figure 2: Economic Mobility and Mean HH Income in East County
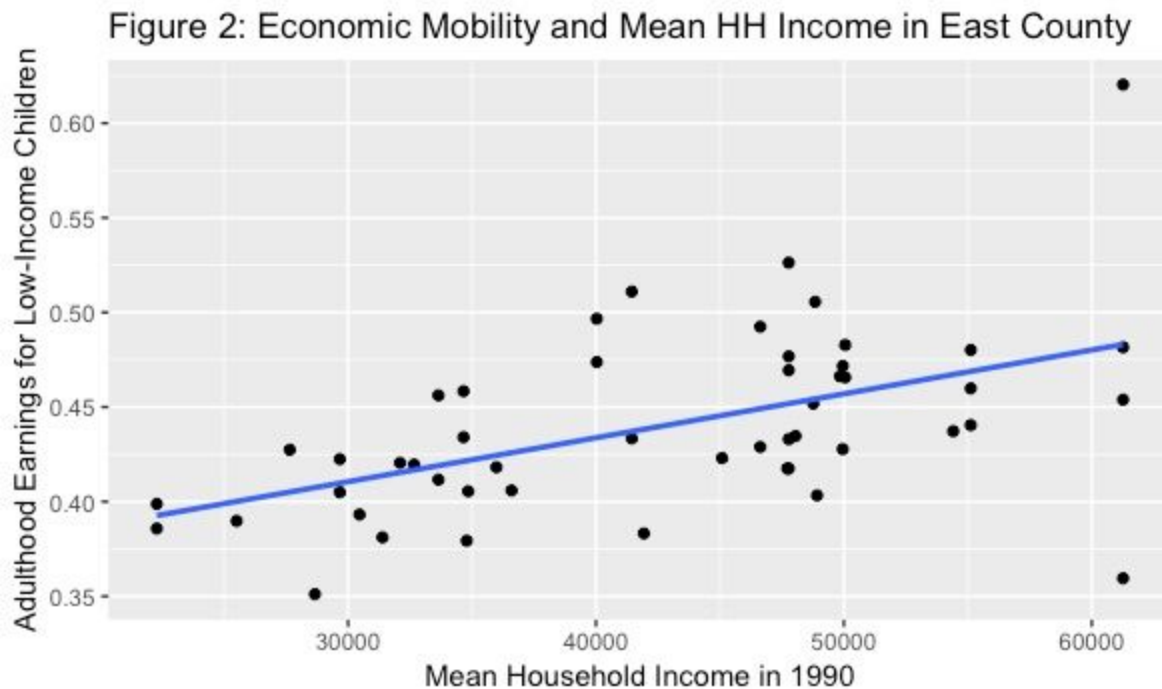
Each point in Figure 2 represents a census tract.[2] The upward slope of the trend line establishes the positive relationship across East County between economic mobility and mean household income. Similar plots illustrating the negative relationship between economic mobility and the single parent share, as well as the negative relationship between economic mobility and the poverty rate, are included in the Appendix as Figures 4 and 5 respectively.

<u>In summary, no one variable is the driver of economic mobility, although three variables are correlated with it. The analysis suggests that the poverty rate and the single parent share are barriers to opportunity. Struggling with poverty holds children back from achieving a better future, and continuing anti-poverty interventions may be a pathway to increasing economic opportunity in East County.</u>

Economic Opportunity Is Not Equally Distributed Across Children of Different Races

Areas that present opportunity for some children may not present it for others. Economic mobility varies sharply by race, as represented in Table 1.


<p align="center">Table 1: Economic Opportunity by Race</p>

	East County	Bay Area	California
Economic mobility for low-income black children	**$23,678** *0.33*	**$24,718** *0.34*	**$23,678** *0.33*
Economic mobility for low-income white children	**$37,611** *0.46*	**$42,317** *0.50*	**$38,759** *0.47*
Economic mobility for low-income hispanic children	**$38,759** *0.47*	**$38,759** *0.47*	**$35,360** *0.44*

These racially disparate outcomes are visualized in Figure 3.

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[2] Note that household income on the horizontal axis is reflected in dollars, while adulthood earnings on the vertical axis is not. It is reported as ranking from 0 to 100 on the national income distribution. This can be addressed with a conversion table that reports the dollar amount of each ranking.

Figure 3: Economic Mobility in East County by Race
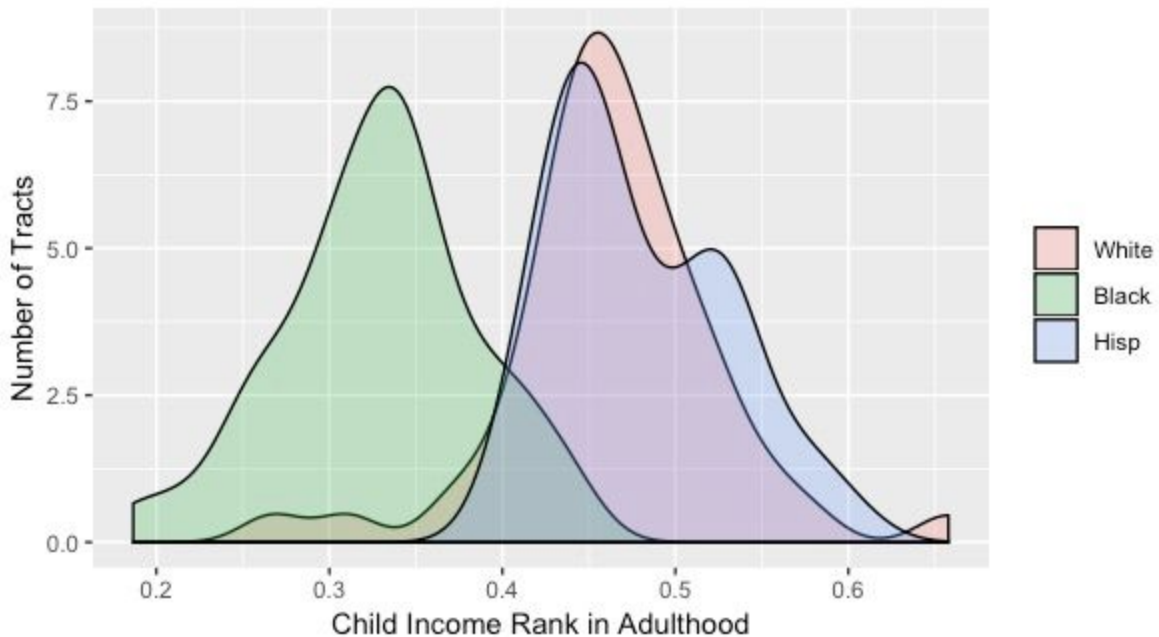
The green curve shows most of the 50 East County census tracts offering low-income black children the opportunity to advance only to the 33rd percentile of the income distribution, just like in Table 2. Low-income White and Latino children, however, advance to the 46th and 47th percentiles respectively, resulting in an advantage of $14 - $15,000 per year in household income in adulthood. Although the poverty rate, average household income and other variables drive the opportunity available to children, this opportunity does not reach children of different races equally, even in the same census tracts. Low-income Black children continue to face additional barriers to opportunity.

The Relevance of Longitudinal Studies: What the Opportunity Atlas Findings Mean Today

If the Opportunity Atlas is based on adults now in their 30s, are the findings about economic mobility relevant to the prospects for poor children today?

Yes. The analysis of the Opportunity Atlas data shows that neighborhoods providing economic mobility in the past generally continue to provide economic mobility a decade later. Further, the data show that a neighborhood's level of economic mobility in the past is a better predictor of economic mobility in the present than contemporary data on poverty rates, test scores, crime rates, or other current-day neighborhood characteristics.

Still, in neighborhoods such as East County that have changed substantially over time, understanding economic mobility will require a combination of Opportunity Atlas data, additional analyses, and on-the-ground knowledge.

Contemporary Research Context

To situate the Opportunity Atlas findings in a contemporary research context, we have done a literature review of approximately a dozen recent sources on suburban poverty, demographic changes in Contra Costa County, and today's anti-poverty interventions and the social safety net. Some of the most notable conclusions from this recent research include:

- Contra Costa's communities of color grew rapidly from 2010 - 2015, far outpacing the same growth across the Bay Area.

- This growth was concentrated, with the exception of Concord, in the East County communities of Antioch, Pittsburg, and Bay Point.

- Those census tracts in which these communities of color grew were also those census tracts with the highest poverty rates. High poverty tracts that were also highly segregated were identified as 'segregated and high poverty', and the number of tracts in this category more than doubled to 32 (out of 207) from 2000 - 2015.

- Just as moving to a high opportunity neighborhood can boost a child's earnings in adulthood by hundreds of thousands of dollars over a lifetime, fighting poverty by enrolling poor families for a full complement of public benefits and services valued can increase a child's lifetime earnings by over $400,000.

The full literature review did not reveal anything about poverty, mobility, or demographic changes in East County that would challenge the validity of the mobility estimates in the Opportunity Atlas.

Phase III: Possibilities for applying the Opportunity Atlas Findings in East County

- Target interventions directly to those neighborhoods where children struggle to climb the income ladder

- Take advantage of 'Opportunity Bargains': Those neighborhoods that offer economic mobility to low-income children while having lower housing costs.

- Implications for East County's 'Opportunity Zones'.

- Other suggestions from the Advisory Committee

APPENDIX

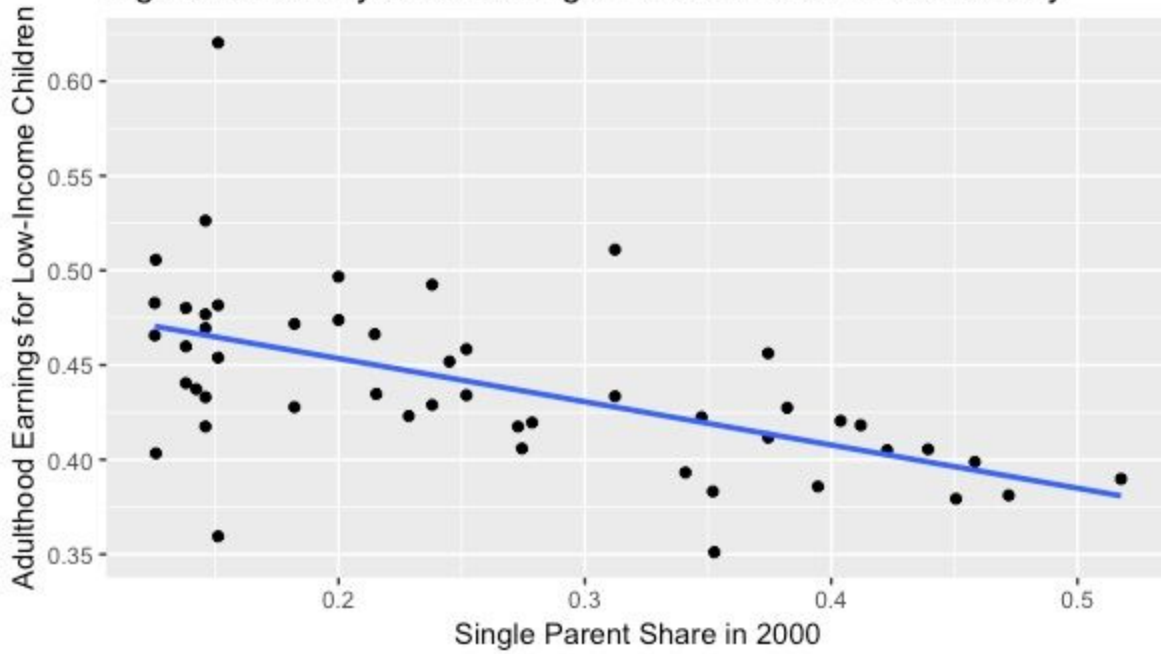Figure 4: Mobility and the Single Parent Share in East County

Figure 5: Poverty and the Single Parent Share in East County