



Wednesday, January 11, 2012

## **Pulling apart: The Piedmont Triad's rapidly expanding income gap**

By Jordan Green



The bottom dropped out of the middle class across the Piedmont Triad in the last decade, with the number of families living in middle-income areas declining from more than half to about 45 percent in both the Greensboro-High Point and Winston-Salem metro areas.

At the same time, the proportion of families living in either poor or affluent areas surged from about 15 percent in both metro areas to 30.2 percent in Greensboro-High Point and 27.9 percent in Winston-Salem, according to an analysis of US Census data by YES! Weekly.

And that was before the Great Recession hit.

These numbers reflect a national trend, albeit magnified and accelerated. Stanford University researchers Sean F. Reardon and Kendra Bischoff found in their recent study *Growth in the Residential Segregation of Families by Income, 1970-2009* that the proportion of families living

in either poor or affluent neighborhoods across the nation increased from 15 percent to 31 percent from 1970 to 2007. Those numbers almost exactly chart what happened to Greensboro and High Point — except not in the past 37 years, but rather in the past 10 years. No metro area saw a more dramatic increase in the proportion of families living in either poor or affluent areas than Greensboro-High Point. Reardon and Bischoff limited their study to metro areas of more than 500,000, so the Winston-Salem metro, with 447,717 people, didn't make the cut. If it had, the Winston-Salem metro would have ranked second in growth of income inequality, behind Greensboro, but in front of Fresno, Calif. and Oklahoma City, Okla.

“It is very obvious that in the early 1990s on we experienced significant job loss in Greensboro and in this region as a whole, from Clemmons in the west to Mebane in the east, from Reidsville in the north down to Montgomery County,” Greensboro Assistant City Manager Andy Scott said. “That could be tied to jobs moving offshore in the textile and furniture industries, and to the tobacco industry shrinking.

“When the recession hit in 2007 and 2008, we were already showing 10 years of losses,” he continued. “We have seen a lot of working-class families lose good jobs. It was not unusual to have families with both the husband and wife working good jobs at Cone Mills. They bought nice houses and went to the beach once a year. Now, they're working two or three jobs at Sheetz, Dunkin' Donuts or Home Depot. There's no way you can make up the difference.”

The core of east Greensboro from Phillips Avenue south to the Warnersville neighborhood was impoverished in 2000, but over the ensuing seven years the poverty zone crept up US Highway 29 to Lees Chapel Road and westward along Interstate 40 to the West Wendover exit. “Those are areas where blue-collar people live,” Scott said. “All those people who used to have jobs, they don't have jobs anymore.”

Meanwhile, neighborhoods in the Cardinal, Forest Oaks and Summerfield upgraded from high income to affluence.

A similar pattern has unfolded in Winston-Salem, where poverty spread from the US Highway 52 corridor east to Reynolda Road and out into the suburbs in the southeast, while affluence has proliferated between Robinhood and Country Club roads, along with enclaves in Lewisville and Clemmons.

Ardmore and Hunter Hills are typical of neighborhoods in Greensboro that have slipped from the middle class into poverty. Median family income dropped there from \$40,338 to \$29,071 from 2000 to 2007, while the median climbed across the metro area over the same period.

Located west of the Greensboro Coliseum, Ardmore and Hunter Hills are neighborhoods of small single-family homes built for veterans returning from World War II that couldn't afford more upscale offerings in Starmount and Kirkwood. The original population is aging, and newcomers tend to rent, either in recently built apartment complexes or single-family homes that have been bought up by investors. By the time Laura Jackson created a directory to establish a community watch for Ardmore in 2000, she estimated 56 percent of the residents were renters. A mixture of whites, blacks, Hispanics and Asians, the population of the two neighborhoods is

young: Almost three out of four residents are either in the prime child-rearing years of 25 to 44 or are children themselves. There are a number of ethnic food markets within walking distance on major thoroughfares such as High Point Road and Patterson Street.

Jackson said she sees a lot of Hispanic women walking with their children to buy groceries, and the number of residents who rely on walking, buses or taxicabs to get to work is higher than average for the city. She suspects that many of her neighbors in Ardmore are employed in manual labor jobs. And based on the wear and tear on houses in the neighborhood and the number of vehicles coming and going at odd hours, it's evident that some residents sleep in shifts to save on housing costs by distributing rent among a maximum number of people.

Before she retired as a realtor last summer, Jackson specialized in selling houses to first-time buyers, often young couples, or single, young men. They tended to want larger houses than those on the market in neighborhoods like Ardmore and often with more acreage than urban areas could offer. Jackson said modernizing the housing stock in neighborhoods such as hers by, for example, adding bathrooms, would make the properties more attractive to homebuyers.

"Mine is an area of high crime for the police department's western division," Jackson said. "I call myself 'the problem child for the western division.' I've got problems the other neighborhoods — the Cardinal, for instance — wouldn't have. In part, it's so easy for drug dealers to rent here. And you've got absentee landlords from California, Canada and Chapel Hill — you can see I'm stuck on the Cs; in any case, it's places far away — that own a lot of the houses here. If you live down the street, you're probably going to be much more responsive to a problem than if you live across the country."

At the end of a phone interview, Jackson abruptly excused herself.

"Lots of police officers rolling down my street, and I don't know why," she said. "I'll see you. Bye."

While poor areas typically became poorer, wealthy areas tended to prosper even more through 2007. Across the two metro areas there was no neighborhood in 2000 with a higher family median income than Irving Park, whose residents have historically included Cones, Prices, Bryans, Richardsons and Vanstorys — families that played important roles in shaping the city's textile, insurance, pharmaceutical and banking industries. Median family income soared in Irving Park from \$137,595 in 2000 to \$180,250 in 2007.

"We tend to be almost an older neighborhood, a lot of retired people here who have paid off their houses, and are living off of their investment income," said Sam Hummel, an investment advisor who bought his house on the northwestern fringe of Irving Park in the mid-1970s. One reason for choosing the neighborhood was the seven-minute commute to his downtown office.

"It's a residential community, but it's not far from lots of commercial services that make it very convenient to live in the neighborhood," Hummel said. "It has a nice stand of old-growth trees, which makes it seem shady in the summertime."

Little has changed over the past decade in Irving Park, and that's the way most residents would seem to prefer it. The neighborhood swaddles the golf course at the Greensboro Country Club, built from 1911 to 1914. The country club doesn't accept applications, and membership is by invitation only.

Hummel attributes the growing prosperity of Irving Park and its neighbors to the reduction in the capital gains tax from about 25 to 15 percent after George W. Bush took office in 2000.

As someone who votes against his self-interest, Hummel deplors the current tax structure, which he said is designed to incentivise financial speculation while penalizing labor.

“When we decided we wanted to tax a family's earned income on their labor at more than we taxed dividends for paper we went off on a spur track that has put us in the canyon,” he said. “Can you think of any reason why the work of a piece of paper should be worth more than the work of a man's or a woman's hands?”

Reardon and Bischoff suggest that deepening income segregation “may lead to inequality in social outcomes,” both because of the personal resources of family households and the environmental impact of children's surroundings. The implications are particularly relevant for education.

“For instance, living in a severely disadvantaged neighborhood context is associated with loss in learning equivalent to a full year of school among black children and lowers high school graduation rates by as much as 20 percentage points,” the authors write. “Moreover, neighborhood violent crime rates as well as the prevalence of neighborhood associations are robust predictors of birth weight, an important outcome among infants.”

The connection between income level and educational outcomes is not lost on Margaret Arbuckle, executive director of the Guilford Education Alliance.

“If you come to school without having had breakfast, not having a good night's sleep, worrying about where you're going to go after school because you don't have a home and all the stress between your mama and daddy because they don't have a job, that makes it hard to learn,” she said.

Many of the areas with the largest increases in income segregation were in smaller metros, mainly in the rust belt stretching from Wilkes-Barre, Pa. to Gary, Ind., in New England and in the southern plains states of Kansas, Oklahoma and Texas, Reardon and Bischoff report. Nashville, Tenn. is the only metro area in the top 20 besides Greensboro-High Point. In fact, most of the areas on the short list of metros with declining income segregation — including Atlanta and New Orleans — are in the South.

FantaCity, an ethnic shopping center on West Market Street in Greensboro fashioned from the shell of the shuttered Guilford Mills textile plant, is a concrete manifestation of the wrenching shift in the area's economy.

“If you think about it, in 1995, about 3,000 people worked there making \$25 to \$30 an hour,” Scott told advocates and officials at last year’s Housing Summit. “In 2011, four or five hundred people work there making \$8.11 an hour. And that’s a metaphor for the way Greensboro is going.”

The demise of manufacturing has compounded a preexisting problem of income inequality, Arbuckle suggested.

“Prior to that we had great disparity between the rich and the poor,” she said. “We lost the manufacturing base that provided a livelihood even though there were great disparities between the mill worker and the mill owner.”

Scott said the city of Greensboro is a “small-to-medium player” in a consortium with economic development groups and other government entities as part of a multi-pronged effort to address poverty. That includes an emphasis on early-childhood education to prepare children for success to workforce-development programs to train low-skilled workers who are unable to find work so that they can qualify for the high-skilled jobs that are available. The role of city and county government in the effort might be to invest funds in water and sewer infrastructure in eastern Guilford County to attract and support pharmaceutical companies and back-office operations that will provide new employment opportunities.

Scott said the transportation and logistics cluster near Piedmont International Airport is also promising.

“We buy a lot of goods and services that are coming from Asia,” he said. “There are plans to enlarge the ports on the East Coast<sup>5</sup> because the West Coast is at capacity. Jacksonville, Savannah and Charleston are really gearing up to take on some of that traffic. If you look at where Interstate 73 is going, it intersects with 40; we are going to be one of the most important junctures for transportation and logistics. If you are Wal-Mart or Home Depot and you’re bringing goods from China, there’s a good chance they’re going to come through Greensboro.”

Wages in the industry run the full spectrum, Scott said, with some jobs paying handsomely. Others, not so much.

“Warehouse jobs don’t pay a lot, but they don’t require a lot of training,” he said. “Those jobs don’t pay a lot, sad to say.”

As a local government official, Scott does not have a role to play in the federal income tax structure, and said he doesn’t have an opinion on the matter. Hummel said a public dialogue on that topic is urgently needed.

“The most under discussed issue in America today is the inequity of the tax structure favoring paper,” he said. Without shifting tax benefits to those at the lower end of the income spectrum, he suggested, little recovery can be expected.

“Consumption is the driver of the American economy,” Hummel said. “Who do they think is going to drive the consumption if 99 percent of the people already spend every cent of their income on basic needs? Are the 1 percent going to buy seven cars and eat seven meals a day?”

The cost of not addressing poverty is steep, even for those who have benefited the most in the current economy, Hummel and Arbuckle argue, each in their own way.

“[The wealthy] are in great peril and their families are in great peril because they are creating an unstable society,” Hummel said. “You know what happens in unstable societies.... The people who have less and less to lose will take more and more desperate actions.”

Arbuckle said 55 percent of children in Guilford County come from families that earn \$28,000 or less. As a matter of social justice, she said, they deserve the opportunity to receive a quality education so they may reach their full potential, adding that none of them chose to be poor.

“First of all, we have an obligation to educate our children,” Arbuckle said, “but secondly it is in our selfish best interest that every child receive a quality education and be prepared for work or college because it’s so expensive to not have them educated [considering] the cost of welfare and incarceration.”

## **Methodology**

YES! Weekly’s study adopts the methodology used by Stanford University researchers Sean F. Reardon and Kendra Bischoff in their November 2011 study Growth in the Residential Income of Families by Income, 1970-2009. Using data from the US Census’ American Community Survey, YES! Weekly computed the ratio of median family income in Census tracts in the Greensboro, High Point and Winston-Salem to median family income for their corresponding metro areas.

The ratio is used to classify Census tracts, which are roughly equivalent to neighborhoods, as poor (less than 67 percent of median family income for the metro area), low income (67-80 percent), low-middle income (80-100 percent), high-middle income (100-125 percent), high income (125-150 percent) and affluent (more than 150 percent).

Median family income for the Greensboro High-Point metro area, which includes Guilford, Randolph and Rockingham counties, rose from \$49,063 in 2000 to \$55,260 in 2007, while median family income in the Winston-Salem metro area, which includes Forsyth, Davie, Stokes and Yadkin counties, increased from \$50,073 to \$58,304 over the same period. 2007 numbers in this study are drawn from the American Community Survey 2005-2009 estimate, which is a composite of data gathered over those four years. For that reason, the data can be expected to more closely reflect 2007 than 2009.