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Study: Middle-Class Neighborhoods Disappearing

Income segregation growing in many U.S. cities

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Driven in part by the Occupy Wall Street protests, America's increasing income inequality has become a prominent storyline in recent months. Now, a new report shows that as the rich get richer and the poor get poorer, they are also physically distancing themselves from each other.

The findings come from a new report from US2010, a program that researches changes in American society. From 1970 to the late 2000s, there was a dramatic increase in income segregation—the uneven distribution of families of different income levels within metropolitan areas. According to census data, income segregation doubled over this period; in 1970, 15 percent of families were in neighborhoods either classified as affluent (with median incomes greater than 150 percent of the median income for their metro areas) or poor (with median incomes less than 67 percent of the metro area median income). By 2007, 31 percent of families lived in "poor" or "affluent" neighborhoods.

"We already kind of knew that segregation by income had been going up from 1970 to 2000, though I was struck by the magnitude of that increase," says Sean Reardon, a professor at Stanford University and one of the report's authors. Since that time, the trend has also been widespread, he adds: "One of the striking findings in the report is that in 90 percent of metropolitan areas, income segregation went up in the 2000s."

The trend is in part linked to the United States' increasing income inequality. As there are more people at the high and low ends of the income spectrum and fewer in the middle, neighborhoods follow suit.

But other factors also play important roles in this increasing segregation. The increased leniency in mortgage lending in the 2000s, for example, allowed people to leave poorer neighborhoods for middle-class neighborhoods, says Reardon. The neighborhoods left behind then became poorer.

The increasing income segregation has occurred differently within different racial and ethnic groups. Blacks and Hispanics have experienced faster income segregation growth than non-Hispanic whites, particularly from 2000 to 2007.

In addition, different cities' housing and zoning policies have also contributed to increased income segregation, says Reardon. The creation of housing projects in some cities in the 1970s, and the subsequent destruction of many housing projects in the 1990s, changed the concentrations of poverty in some cities.

Indeed, segregation differs from one metropolitan area to another, and there are some geographical patterns to income segregation trends. Among the 10 most segregated metro areas by family income are four in the northeast—the metropolitan areas surrounding Bridgeport, Conn.; New York City; Newark, N.J.; and Philadelphia—and three in Texas—Dallas, Houston, and Austin.

In part, this may be because of city size; many of these cities are also among the largest in the nation. Large cities, and New York especially, often have high concentrations of especially wealthy individuals, making for higher income inequality.

Of the 20 cities that saw the largest jumps in segregation over the 2000-2007 period, seven are in the Rust Belt where there has been a steady decline in manufacturing (and the middle-class paychecks that went with them) in recent decades. As people have lost jobs, large populations in cities like Detroit and Toledo, Ohio, have lost income.

"Where once you could have a very big middle class because lots of people could make a middle-class living working in the steel mills and the auto plants or the textile mills...as those jobs disappeared, so did the middle class," says Reardon.

It is important to note that the report's most recent data come from the Census Bureau's American Community Survey 2005-2009, meaning that it largely reflects patterns of wealth prior to the most recent economic crisis.

When researchers finally look at data from mid- and post-recession, says Reardon, "it's not clear what will have happened."

For example, if people in middle-class neighborhoods lose their jobs and income but remain in their homes, that could make the neighborhood more economically diverse. If, however, those people are foreclosed upon or otherwise forced to leave their homes for poorer neighborhoods, that would lead to greater income segregation.

According to a census report released this week, the percentage of Americans who changed residences in 2010 and 2011 hit a record low. One reason for this is that homeowners with negative equity, or who are stuck in houses that will not sell, are not able to move.