Income Inequality and Social Mobility: How Can Big Data Help?

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The American Dream?

Chance that a child born to parents in the bottom fifth of the income distribution reaches the top fifth:

- **USA**: 7.5%
  - Chetty, Hendren, Kline, Saez 2014
- **UK**: 9.0%
  - Blanden and Machin 2008
- **Denmark**: 11.7%
  - Boserup, Kopczuk, and Kreiner 2013
- **Canada**: 13.5%
  - Corak and Heisz 1999

Chances of achieving the “American Dream” are almost **two times higher in Canada** than in the U.S.
Empirical evidence on the determinants of economic mobility across generations has been limited because of a lack of longitudinal data.

The LEHD was a pioneer in creating broad-based longitudinal data to follow individuals over time and answer these questions.

Today, discuss findings and policy implications of recent research on economic mobility using longitudinal administrative data (based on work with Raj Chetty, Nathan Hendren, Maggie Jones, Sonya Porter, and many others).

Trace the roots of outcomes such as poverty and incarceration back to the environment in which people grew up and attended school.

How Can We Increase Upward Mobility?
The Geography of Upward Mobility in the United States
Average Income at Age 35 for Children whose Parents Earned $27,000 (25th percentile)

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Upward Mobility vs. Job Growth in the 30 Largest Metro Areas

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
The Geography of Upward Mobility in the United States
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Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Two Americas: The Geography of Upward Mobility For Black vs. White Men

Average Income at Age 35 For Men Whose Parents Earned $27,000 (25th percentile)

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Source: Chetty, Hendren, Jones, Porter 2018
The Geography of Upward Mobility For Black vs. White Women
Average Income at Age 35 For Women Whose Parents Earned $27,000 (25th percentile)

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Source: Chetty, Hendren, Jones, Porter 2018
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The Opportunity Atlas

Which neighborhoods in America offer children the best chance to rise out of poverty?

The Opportunity Atlas answers this question using anonymous data following 20 million Americans from childhood to their mid-30s.

Now you can trace the roots of today’s affluence and poverty back to the neighborhoods where people grew up.

See where and for whom opportunity has been missing, and develop local solutions to help more children rise out of poverty.

BEGIN EXPLORING
The Opportunity Atlas
Average Income at Age 35 for Children whose Parents Earned $27,000 (25th percentile)
The Geography of Upward Mobility in New York
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Average Income at Age 35 for Children whose Parents Earned $27,000 (25th percentile)
Household Income for Black Children of Low Income Parents

$17K
Household Income for Black Children of Low Income Parents

Dumont Avenue

$26K
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

- Move at age 2 from Brownsville to the Nehemiah Houses → average earnings of $25,000

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Average Income at Age 35

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
Three Approaches to Increasing Upward Mobility

- Three Types of Support for Housing Voucher Recipients:
  1. Provide information and housing search assistance to tenants
  2. Recruit landlords
  3. Offer small grants for relocation expenses

- Large Effects on Neighborhood Choice
  - 65% of voucher holders lease up in high-opportunity areas
  - Happier with neighborhoods, more likely to stay long term

Source: Bergman, Chetty, DeLuca, Hendren, Katz, Palmer, 2019
Three Approaches to Increasing Upward Mobility

Reducing Segregation

Place-Based Investments

Help Low-Income Families Move to High-Opportunity Areas

Increase Upward Mobility in Low-Opportunity Areas
Characteristics of High-Mobility Neighborhoods

- Lower Poverty Rates
- More stable family structure
- Greater social capital
- Better school quality
How Big Is a “Neighborhood”?  
Spatial Decay in Association Between Poverty Rates and Upward Mobility

Poverty rates more than 0.6 miles away from a block have no impact on upward mobility there.

Source: Chetty, Friedman, Hendren, Jones, Porter 2018
A Life-Course, Data-Driven Approach to Place-Based Change

- Family Stability
- Early Childhood Education
- Social Capital: Mentorship
- College and Career Readiness
- Affordable Housing/Segregation
From Research to Policy: Three Pillars

Reducing Segregation
Help Low-Income Families Move to High-Opportunity Areas

Place-Based Investments
Increase Upward Mobility in Low-Opportunity Areas

Improving Higher Education
Amplify Impacts of Colleges on Mobility
Earnings by School and Major in Colorado
Annual Earnings of Employed Degree-Holders

Source: LEHD PSEO Beta data visualization tool
The Fading American Dream
Percent of Children Earning More than Their Parents, by Year of Birth

Source: Chetty, Grusky, Hell, Hendren, Manduca, Narang 2017
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