Public Health

CITY OF KANSAS CITY, MISSOURI
COMMUNITY ENGAGEMENT, POLICY, and ACCOUNTABILITY

Accredited Health Department • Public Health Accreditation Board • PHAB Advancing public health performance

KCMO PUBLIC HEALTH CONNECTION

VOLUME 38, ISSUE 1.1 APRIL 2018

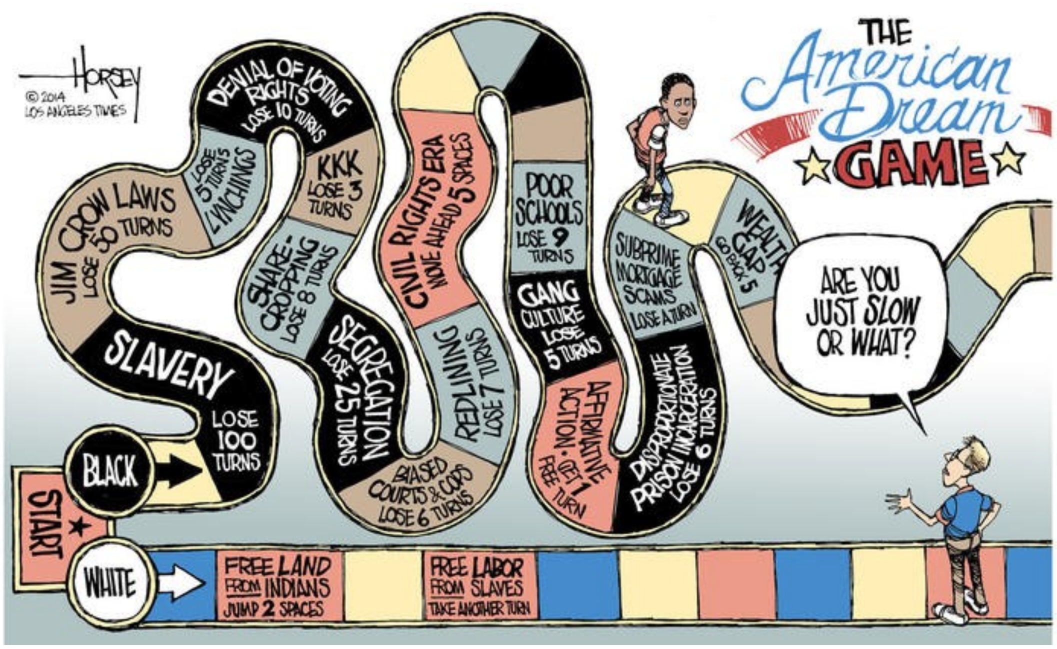
IS THE "AMERICAN DREAM" POSSIBLE FOR ALL KANSAS CITIANS?

Note: This article is the fourth in a series examining structural & institutionalized racism in Kansas City, Missouri. In this article, we examine the link between structural racism and economic opportunity.

While Troost Avenue might be our city's racial dividing line, the story of race in modern Kansas City, Missouri (KCMO) must include a serious consideration of how one generation passes advantage and disadvantage to the next and how individuals' starting points are determined (1). The development of J.C. Nichols' neighborhoods, which situated Whites in better neighborhoods with better schools, deprived generations of Blacks from accumulating personal wealth that comes from owning homes in prosperous neighborhoods (2). Troost Avenue is a line of opportunity and the challenge of addressing racial equity must go further to include closing the wealth gap, currently 10 cents on the dollar, if we are to make real, sustainable progress toward racial equity (1).

The economic toll on Blacks in the United States is staggering. While many immigrants have come to this country and suffered discrimination, the economic immobility Black families is unique. Eventually, doors opened and bias withered away for White, Central American and Asian immigrants. They, or their descendants, were able to take part in the economic life of this society and build wealth over time (3). For some Blacks, those same opportunities came late, while others are still waiting. Racial gaps in education, employment, and wealth reflect a disproportionate number of Black families at the bottom of the income scale.

An urgent question remains: why, is the income distribution so skewed by race today?



Source: http://www.latimes.com/opinion/topoftheticket/la-na-tt-history-hinders-Black-americans-20140908-story.html

The Equality of Opportunity Project has identified five indicators of economic mobility: quality of local schools, racial & economic segregations, income inequality, social capital, and family structure. In Part 1 of our look at economic opportunity, we will focus on quality of local schools, segregation and income inequality. These three factors are so intertwined, that divides between the advantaged and disadvantaged in one area means divides are extremely likely to be present in the other two areas.

Getting a good Start with Quality Education

Measures of success occur at every life stage. At each stage, we find the White-Black gap widening, demonstrating the cumulative effects of disadvantage and highlighting the need to address the racial economic mobility gap at each and every critical moment possible.

Children from less advantaged families tend to fall behind at every stage. They are less likely to be ready for school at age 5, to achieve core academic and social competencies at the end of elementary school, to graduate from high school with decent grades & no involvement with crime or teen pregnancy, and to graduate from college or achieve the equivalent income in their twenties (4).

Racial gaps are significant from the start and never meaningfully narrow, especially for Blacks, who trail by an average of 25% for these benchmarks.

In today's increasingly technical and global economy, education and basic competency skills are more necessary than ever, yet community colleges and other institutions of higher education are spending considerable resources on remedial coursework for students who are not prepared for post-secondary education, despite having a high school diploma (5). In the KCMO Community Health Improvement Plan, residents have recognized that investment in dropout prevention requires attention long before high school, that these issues stem from a struggle to keep up academically because so many children reach fourth grade without learning to read proficiently (5). According to the National Assessment of Educational Progress (NAEP), a test administered at the beginning of the school year, 85% of Black fourth graders scored below proficient level in reading, compared to 58% of Whites (5, Figure 1).

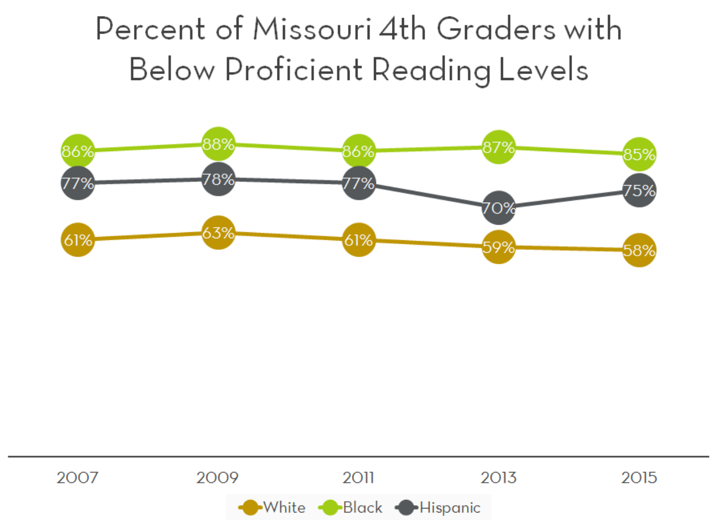


Figure 1. The Percent of Missouri 4th Graders with Below Proficient Reading Levels; an indication of a child reading "at grade level" by the end of Third Grade.

This shortfall is also pronounced among low-income children; 83% of students from low-income families and 85% of low-income students who attend high-poverty schools fail to reach the proficient level on the NAEP reading test. Proficient reading levels at this age are indicative of a child's future success, as low achievement in reading impacts individual earning potential, competitiveness, and general productivity (5).

For the small proportion of disadvantaged children that do succeed throughout these early stages, their chances of being middle class by middle age are almost as great as that of their more advantaged peers (4). Scores as early kindergarten are highly correlated with outcomes that include earnings at age 27, college attendance, home ownership, and retirement savings (6).

Though many studies point to income as the main contributing factor in school achievement, data indicate that a racial gap persists, with few explanations or policies to correct it (7). What is clear, however, is that income inequality in the US has risen in the last few decades, disproportionately impacting Communities of Color and resulting in affluent families living in different communities than lower income families (8). Since most children attend a school close to their home, this means that public schools are increasingly segregated by income (8).

The Racial and Economic Divide

In this series, we have established that KCMO is racially segregated (2,9). Whites living in more segregated regions tend to confer greater benefits over time; they have higher wages, complete college at higher rates, and obtain higher-status occupations than Whites living in desegregated areas (10). Segregation undermines these same outcomes for Blacks and Hispanics (10). Subsequently, regions with higher levels of racial segregation generally are also more economically segregated, and KCMO is no exception.

> In a recent analysis by the Urban Institute, the Kansas City Metropolitan Region was ranked as the fifth most economically segregated commuting zone in the United States (10).

A number of factors combined impact economic segregation, including

- Land-use Policies & Zoning: A lack of diverse housing options throughout the region, particularly outside of KCMO south of the river, limits the options of low-income individuals and families.
- Siting of Affordable Housing: Most of the region's assisted housing is located in KCMO south of the river and Kansas City, Kansas, limiting the ability of low-income households (disproportionately People of Color) to live in other communities
- Lending Practices: Disparities in lending continue to present a major obstacle to reducing racial and economic segregation. 2010 Home Mortgage Disclosure Act data shows that KCMO lenders reject applicants of color at higher rates than White applicants (11).

Concentrated poverty, a form of economic segregation, is related to long-term negative outcomes for people living in high-poverty neighborhoods, including lower earnings (10, 12). Racial segregation and inequity are also negatively associated with wealth building among People of Color, impairing their capacity to become homeowners or start small businesses (10). This means lower financial contributions and per capita earnings for the entire city. In KCMO, even reducing economic and racial segregation to the median national level would have a substantial positive financial impact. Black per-capita income would increase approximately 15.6% ($2,954), adding nearly $3 million in income to KCMO (7, figure 2).

If we reduced levels of economic and Black-White segregation to the national median ...

Figure 2. Source: *The Cost of Segregation*, The Urban Institute, reference 7

Economic segregation appears to be driven by the location decisions of the more advantaged groups (13). College grads are more segregated than those who did not graduate from high school; the wealthy are more segregated than the poor; and the creative class are more segregated than the working or the service class (13).

Economic segregation is not just about income; it reflects and drives deeper class divisions (13).

The associations between economic segregation and wealth are so high that most problems caused by economic inequality are thought to be a result of how Americans segregate themselves spatially by wealth and income (14). This was demonstrated by the "Moving to Opportunity Experiment", a 1994 initiative of the Department of Housing and Urban Development, in which select poor families were given vouchers to move from areas of concentrated poverty. The children in those families who moved before their thirteenth birthday were found, as adults, to earn an average annual income that was 31% higher than those who did not receive vouchers to move (14). This "investment" in their future meant they were expected to pay back an additional $22,400 more in federal taxes in their lifetimes than if they had stayed in those concentrated areas of poverty (14).

When the rich, poor and middle-income groups live in different parts of the city, who will have the political influence to draw spending to their neighborhoods? How will this trend affect who has access to nice parks, public facilities, and maintenance for roads and schools? Whose neighborhoods will be come the location for generally undesirable or unpleasant industries or land uses? (15) The complete separation of the economic classes severs social relations that create balanced job networks and creates fiscal and political resource imbalances that only increase the gaps between the wealthy and the poor.

Income and wealth inequality

Nationally, Whites have 20 times the amount of wealth that Blacks have, and 18 times the wealth of Hispanics (16). Over the last 30 years, the average wealth of White families has increased by 84%, three times that of the Black and 1.2 times that of the Hispanic population (17). Minority assets have eroded the most since the Great Recession of 2008, with Hispanics hit the hardest by the housing market crash (18).

While it officially ended years ago, many Families of Color are still feeling the negative effects of the economic downturn in the form of lagging home values. Nationally, average real home values for Hispanic homes fell by $100,00 or 35% between 2007 and 2010, and the loss for Black families was nearly

$69,000 or 31% (19). During the same time period, values of White homes only fell by 15%, thus adding to an already devastating wealth gap between Whites and People of Color.

In 2010, those in the lowest earning quintile saw 78% of their net worth accounted for in their home equity (19). This is a stark contrast from the highest earning quintile, which saw homeownership at 26% of their net wealth (19). From 2005 to 2015, the Black homeownership rate dropped from 45.7% to 37.7%, leaving the Kansas City Metro among the highest in the country with decreases in Black homeownership (20).

This decrease during the Great Recession, unaffordability of down payments, and stricter lending practices from banks have left many People of Color completely unable to own homes. With the majority of their wealth tied up in home values, the recession disproportionately hurt Communities of Color, who have continued to fall behind their White peers in terms of wealth (20).

Most Americans' net worth is tied up in their homes, but People of Color are much less likely to own their homes.

Wealth is a significant determinant of socioeconomic status insofar as a lack of wealth can prohibit individuals from improving their economic status. Households with few or no assets are less likely to have the financial resources or social capital necessary to provide their children with high quality early education, college tuition, or inheritances relative to households with accumulated assets (18). This creates a cycle where children who are born into wealthy families are six times more likely to become a wealthy adult than a child born into a low-income family (21).

Unemployment in economically struggling communities is also a significant issue. The jobless rate has historically been much higher for Blacks and Hispanics, which contributes to their lower income and wealth levels. Once unemployed, it takes an Black an average of five weeks longer to find a new job, as compared to a White person (18). In KCMO, overall unemployment trends have declined, along with general downward trends in unemployment among all race groups since 2009 (Figure 3).

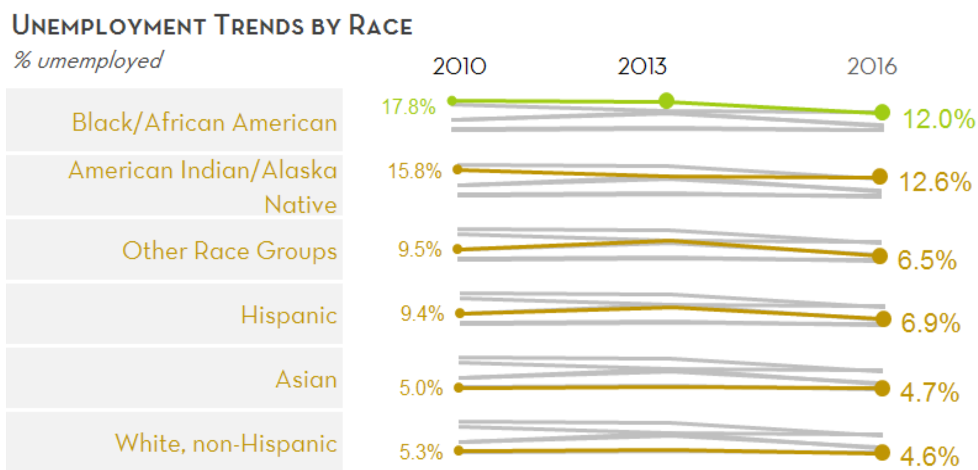


Figure 3. Source: American Community Survey 2006-2010, 2009-2013, 2012-2016 5-Year Estimates

Despite these general trends, Black unemployment remains high (12% in 2016), and, even more alarming, the unemployment rate among American Indian and Alaska Natives has increased in KCMO (9.4% in 2009 to 12.6% in 2016), while White unemployment has dipped below 5%. The gap in unemployment rates remains, with unemployment rates for Blacks and Natives at nearly 3 times that of Whites (Figure 4).

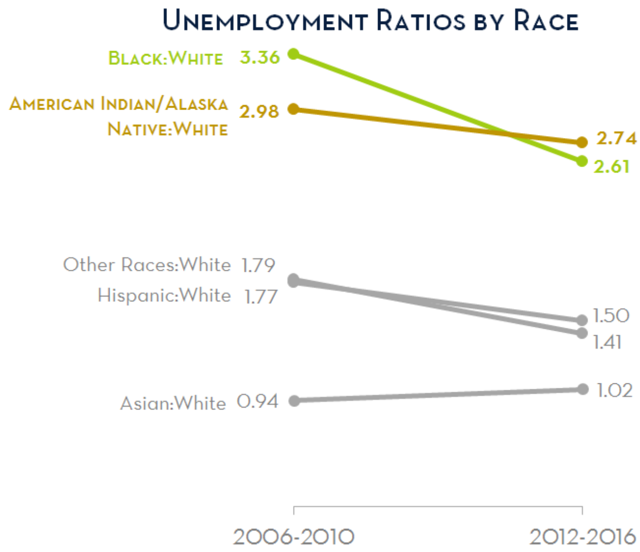


Figure 4. Source: American Community Survey, 2006-2010 & 2012-2016 5-Year Estimates.

These gaps persist for income and earnings, with Women of Color experiencing the largest inequities.

From 2012-2016 the median earnings for White men in KCMO was $52,448. To reach the same earnings, White women would have needed to work 10 weeks, Men of Color 5.5 months, and Women of Color 7.5 months into the following year.

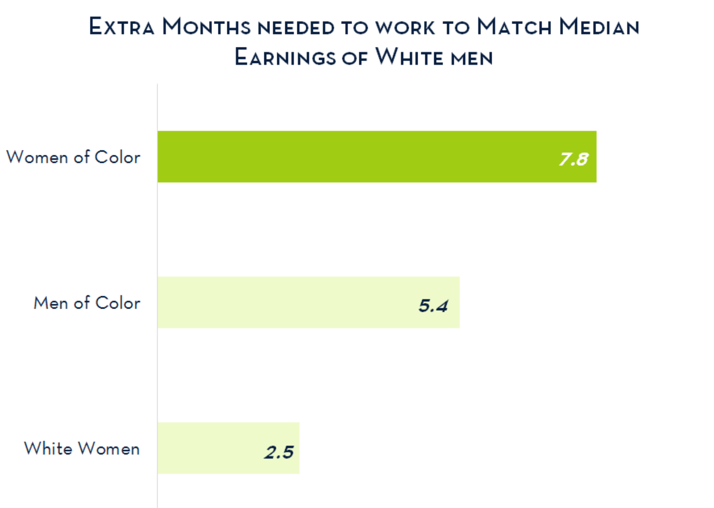


Figure 5. Source: American Community Survey 5-Year Estimates, 2012-2016

When combined with other indicators of financial independence, such as having another rely on you for support, educational attainment, crowded housing (with more than one person per room) and poverty level, income and employment can come together to create the economic hardship index (22,23). A composite measure that takes into account these 6 indicators, the higher the hardship index score, the worse the economic conditions (23).

In KCMO, the neighborhoods with the highest economic hardship are the Marlborough Neighborhoods in South Kansas City and Paseo West/Parkview neighborhoods in Central Kansas City (figure 6).

The neighborhoods that have the worst eco-

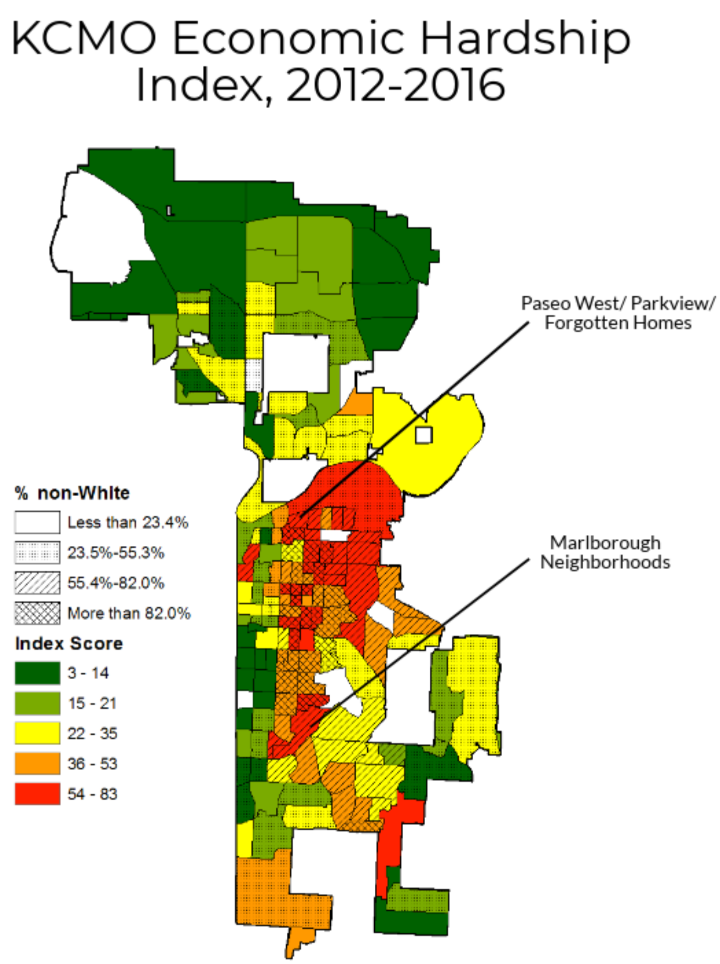


Figure 6. Economic Hardship Index (ref). Source: American Community Survey 2012-2016 5-Year Estimates

nomic hardship index are also disproportionally of color as compared to the city average. Conversely, those neighborhoods and communities in KCMO that do best on the hardship index are disproportionately non-Hispanic White. Other studies have seen similar trends, noting that it is not so much the size of the gap between the rich and the poor that drives segregation, but the ability and choice of the very wealthy to isolate themselves from the poor (13).

Income inequality has a snowballing effect on the distribution of wealth throughout the United States (24). The top incomes are saving at high rates, pushing the wealth concentration up, creating more inequality (24). At the same time, the share of wealth by the bottom 90% has decreased from 35% in the mid-1980s to about 23% in 2012, as a result of surges in mortgage rates, consumer credit and student loan debt that has outpaced pension rates (24). The main impact is decreases in saving among the middle class, making it harder to pass on wealth to the next generation.

This growing wealth divide, like KCMO's racial divide, is not an accident or coincidence. It is the results of public policy designed to widen the economic gap between White and People of Color and between the wealthy and everyone else (17). The continued absence of significant policy reform means the racial wealth divide, and overall wealth inequality, are on track to become even wider in the future (17).

Reducing the Gaps

The dynamic interaction among a range of indicators, including education, income flows, liquid assets, home ownership, business ownership and retirement savings, provides an increasingly supportive economic environment for a child born into asset-rich circumstances (18). This economic security is not distributed equitably across racial and ethnic groups in the U.S. and KCMO. A person's race and ethnicity often influences educational opportunities, employment, general health, life expectancy, where one lives, and how one is treated by law enforcement and other institutional systems (18). Racial and ethnic minorities not only have fewer economic resources, but residential segregation patterns mean they are also more likely to live and interact in communities that are also income and asset poor. Even affluent Blacks and Hispanics tend to live in poorer neighborhoods than Whites of their same income group (18).

The richest American men live 15 years longer than the poorest men, while the richest American women live 10 years longer than the poorest women, according to The Equality of Opportunity Project (25). In KCMO, the four longest life expectancy zip codes are among the top 10 highest aggregate income zip codes, producing more than 4 times the annual income of the 4 lowest life expectancy zip codes (data not shown). Over time, both in KCMO and Nationally, gaps in life expectancy have increased, rather than decreasing. Yet, these gaps in life expectancy are not inevitable. There are cities throughout the United States—cities like Birmingham, AL and Cincinnati, OH - where gaps in life expectancy have been narrowing over time (25).

Solutions for addressing inequities in economic opportunity must be at the policy level.

Solutions include extending the Earned Income Tax Credit, raising the minimum wage to a living wage, universal pre-K, strengthening of housing mobility programs, and expanding vocational education and apprenticeship programs. Whatever their nature, policies designed to reduce gaps in economic opportunity should not only have an immediate impact on wages and earnings, but should also foster a network of cross-cutting ties within and between communities.

For more information, contact Elizabeth Walsh: elizabeth.walsh@kcmo.org. Contributors: Javon Davis, MPA, Sarah Martin, PhD, MPP, MPH.

References

1. Shapiro, T.M. (2004). The hidden cost of being Black: How wealth perpetuates inequality. Oxford: Oxford University Press.
2. Walsh, E. (2017). *Still separate, still not equal*. KCMO Public Health Connection, City of Kansas City Missouri Health Department. (Volume 37, Issue 2).
3. Horsey, D. (2014, September 9). History of economic exploitation still hinders black Americans. The Los Angeles Times. Retrieved from: http://www.latimes.com/opinion/topoftheticket/la-na-tt-history-hinders-black-americans-20140908-story.html
4. Reeves, R.V. Editorial: The other American dream: Social mobility, race and opportunity. (2013). The Brookings Institution, 28 August 2013. Retrieved from: https://www.brookings.edu/blog/social-mobility-memos/2013/08/28/the-other-american-dream-social-mobility-race-and-opportunity/
5. Sawhill, I.V., Winship, S., & Grannis, K.S. (2012). Pathways to the middle class: Balancing personal and public responsibilities. Retrieved from Center on Children & Families, Brookings Institution website: https://www.brookings.edu/wp-content/uploads/2016/06/0920-pathways-middle-class-sawhill-winship.pdf
6. Chetty, R., Friedman, J.N., Hilger, N., Seaz, E. et. al. (2011). How does your kindergarten classroom a· ect your earnings? Quarterly Journal of Economics 126 (4): 1593-1660.
7. Hochschild, J.L. and Shen, F.X. (2014). Race, Ethnicity, and Education Policy. In: Oxford Handbook of Racial and Ethnic Politics in America. New York: Oxford University Press. Available at: https://scholar.harvard.edu/jlhochschild/publications/race-ethnicity-and-education-policy
8. Murnane, R., Reardon, S. (2017, 31 August). US private schools increasingly serve aþ uent families. Centre for Economic Policy Research Policy Portal (VoxEU.org). Retrieved from: https://voxeu.org/article/economic-segregation-us-schools
9. Walsh, E. (2017). *A segregated Kansas City is not good for our health*. KCMO Public Health Connection, City of Kansas City Missouri Health Department. (Volume 37, Issue 1).
10. Acs, G., Pendall, R. Trekson, M., and Khare, A. (2017). The cost of segregation: National trends and the case of Chicago, 1990-2010. The Urban Institute, available at: https://www.urban.org/research/publication/cost-segregation
11. Mid-America Regional Council. (2014). Fair housing and equity assessment, par IV-B: Segregation/integration. Retrieved from: http://www.marc.org/Regional-Planning/Housing/pdf/4B-Segregation-Integration.aspx
12. Chetty, R., Hendren, N., and Katz, L. (2016). The e· ects of exposure to better neighborhoods on children: New evidence for the moving to opportunity project. *American Economic Review*: 106 (4).
13. Florida, R., Mellander, C. (2015). *Segregated city: The geography of economic segregation in America's metros*. Retrieved from University of Toronto, The Martin Prosperity Institute website: http://martinprosperity.org/media/Segregated%20City.pdf
14. Narayan, D. (1999). Bonds and bridges: Social capital and poverty. The World Bank. Available at: http://documents.worldbank.org/curated/en/989601468766526606/pdf/multi-page.pdf
15. Sharp, G. (2012, 6 August). Economic segregation in U.S. neighborhoods. The Society Pages. Retrieved from: https://thesocietypages.org/socimages/2012/08/06/economic-segregation-in-u-s-neighborhoods/
16. Alterman, E. (2016). Unequal Lives. Economic Hardship Reporting Project. Available at: http://economichardship.org/archive/unequal-lives
17. Asante-Muhammed, D., Collins, C., Hoxie, J., Nieves, E. (2016). *The ever-growing gap: Without change, African-American and Latino families won't match White wealth for centuries.* Retrieved from Institute for Policy Studies website: http://www.ips-dc.org/wp-content/uploads/2016/08/The-Ever-Growing-Gap-CFED_IPS-Final-2.pdf
18. Anne E. Casey Foundation. (2010). Early Warning Why reading by the end of Third Grade matters. Available at: http://www.ccf.ny.gov/files/9013/8262/2751/AECFReporReadingGrade3.pdf
19. Joint Center for Housing Studies of Harvard University, Harvard Graduate School of Design, Harvard Kennedy School. (2013). *The State of the Nation's Housing 2013*. Retrieved from: http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013.pdf
20. Vockrodt, S. and Ryan, K. (2017, July 9). African-American homeownership su· ered most in recession - and still hasn't recovered. *The Kansas City Star*. Retrieved from: http://www.kansascity.com/news/local/article160229789.html
21. Sawhill, I.V. (2014). How marriage and divorce impact economic opportunity. The Brookings Institution, available at: https://www.brookings.edu/opinions/how-marriage-and-divorce-impact-economic-opportunity/
22. Nathan, R.P., Adams, C. (1976). Understanding central city hardship. *Pol Sci Qtly, 91*(1), 47-62.
23. Montiel, L.M., Nathan, R.P., Wright, D.J. (2004). *An update on urban hardship*. State University of New York, The Nelson A. Rockefeller Institute of Government.
24. Saez, E., Zucnman, G. (2014). *Wealth inequality in the United States since 1913: Evidence from capitalized income tax data.* (NEBR working paper 20625). Retrieved from National Bureau of Economic Research website: http://www.nber.org/papers/w20625
25. Chetty, R., Stepner, M. Abraham, S. et al. (2016) The association between income and life expectancy in the United States, 2001-2014. *JAMA*, 315(16), 1750-1766. doi:10.1001/jama.2016.4226