# The Next America
HOW DEMOGRAPHY SHAPES THE NATIONAL AGENDA

**ECONOMY**

# Recession Devastates Disadvantaged Neighborhoods

By Richard Florida, The Atlantic Cities

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AP Photo/Carlos Osorio
Inequality levels in Detroit are about the same as in the Philippine.

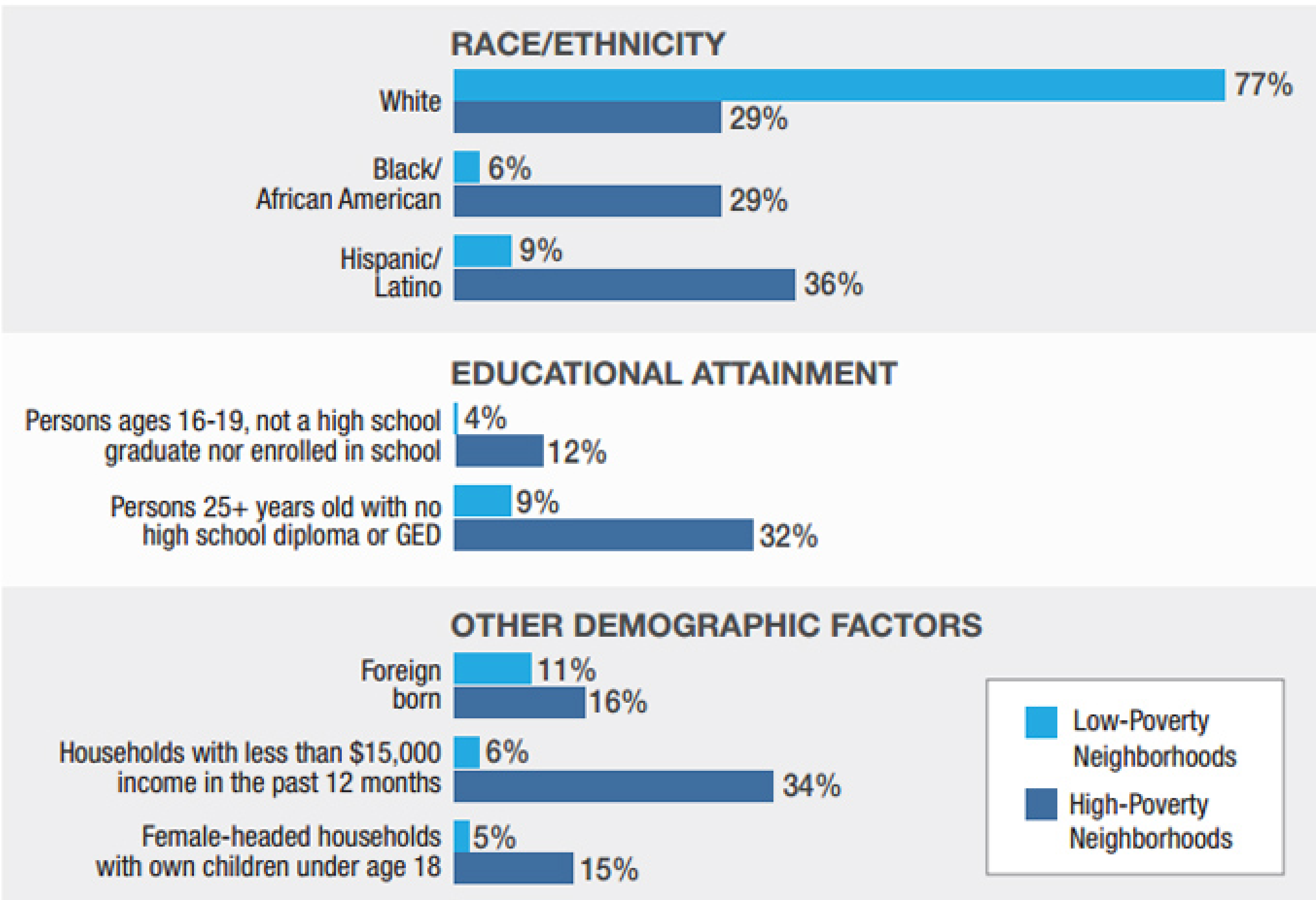
As we move into a spiky world dominated by cities, the winners and losers are becoming ever clearer. Cities show dramatic geographic divides by class, and some American metros have levels of inequality comparable to those in the poorest nations in the world. And the economic crisis and Great Recession has only compounded this situation, according to a new report from Pew's Economic Mobility Project.

The study examines the effects of the crisis on people living in high- versus low-poverty neighborhoods, based on the U.S. Census official poverty line definition of $21,203 for a family of four in 2007. High-poverty neighborhoods are those where 30 percent or more of residents live in poverty, while low-poverty neighborhoods have less than 10 percent of the population living in poverty.

The chart below (from the study) shows the key demographic differences between high- and low-poverty neighborhoods. The study finds that while "the Great Recession had devastating impacts for families at every rung of the economic ladder," it hit especially hard at families in high-poverty neighborhoods already "experiencing hard times before the recession hit, making any additional losses that much more harmful to their economic prospects."

FIGURE 1:

**Low- and high-poverty neighborhoods have notable demographic differences**



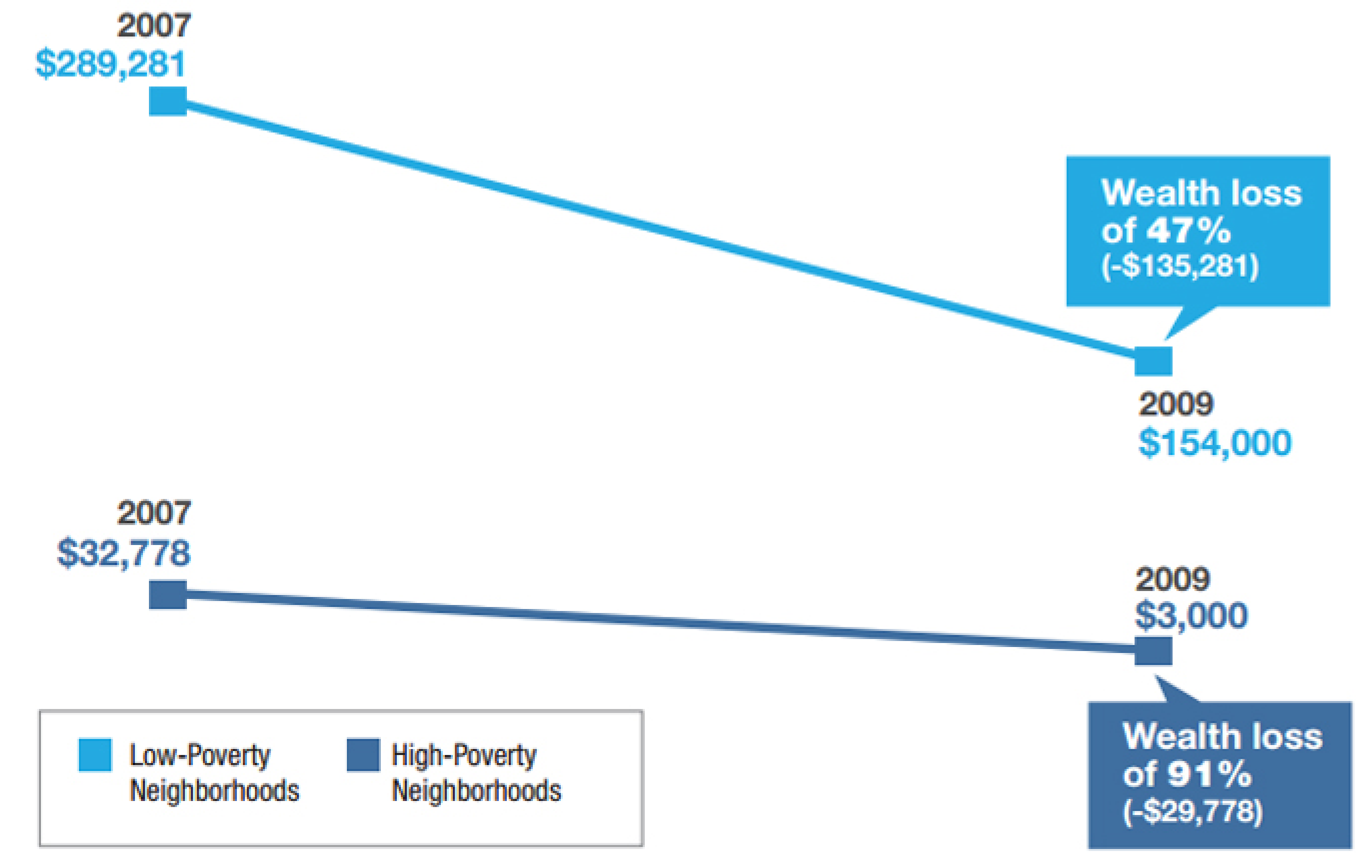

NOTES: Statistics are weighted by total population of census tracts. All differences compared with high-poverty neighborhoods are significant at the 1 percent level. The "white" and "black/African American" categories include only those who self-identify as non-Hispanic.

SOURCE: American Community Survey five-year estimates 2005-2009.

*Chart courtesy of Pew's "[Weathering the Great Recession: Did High-Poverty Neighborhoods Fare Worse?](#)" [PDF]*

Families in low-poverty neighborhoods lost more absolute wealth as a result of the Great Recession — $135,281 compared to $29,778 for high-poverty neighborhoods. But this was because families in low-poverty neighborhoods had more wealth to begin with. These losses to high-poverty translated into a staggering 91 percent of their overall wealth compared to 47 percent for families in low-poverty neighborhoods (see the chart below).

FIGURE 2:
**Families in high-poverty neighborhoods had lower absolute dollar losses in wealth, but higher percentage losses**




NOTES: Wealth is a measure of total net worth from 2007-2009 and is inflated to 2009 dollars using the Consumer Price Index research series (CPI-U-RS). All differences compared with high-poverty neighborhoods are significant at the 1 percent level.

SOURCE: Panel Study of Income Dynamics 2007-2009.

*Chart courtesy of Pew's "Weathering the Great Recession: Did High-Poverty Neighborhoods Fare Worse?" [PDF]*

The report also finds that families in high-poverty neighborhoods were far less likely to be employed during the Great Recession. In high-poverty communities, 26 percent were not employed, more than double that (12 percent) in low-poverty neighborhoods.

For many families, housing is their largest storehouse of wealth. The housing collapse was the biggest factor in wealth loss for Americans. Families in low-poverty neighborhoods were much more likely to own their own homes — 70 percent of families in low-poverty neighborhoods owned their homes compared to 36 percent in high-poverty areas — and thus saw the biggest losses on their home equity. But homeowners in high-poverty neighborhoods were at much greater risk of losing their homes. They were three times more likely to already be behind in their mortgage payments and four times more likely to say they expected to be behind on their payments in the future, according to the report.

Our economy, cities, and neighborhoods are becoming more divided and segmented by income and class. This report provides powerful additional evidence that these differences matter — hitting hardest at the economic status, security, and mobility of people in high-poverty neighborhoods. The residents of our most disadvantaged communities are made even more vulnerable by harsh downtowns in the economy.

Richard Florida is Co-Founder and Editor at Large at The Atlantic Cities. He's also a Senior Editor at*The Atlantic*, Director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management, and Global Research Professor at New York University. He is a frequent speaker to communities, business and professional organizations, and founder of the Creative Class Group, whose current client list can be found here.