

Changing Opportunity: How Changes in Children's Social Environments Have Increased Class Gaps and Reduced Racial Gaps in Economic Mobility

THE OPPORTUNITY INSIGHTS TEAM



Growing up in a thriving community dramatically improves children's outcomes through social interactions; new data show how community-level changes reduced Black-white gaps in economic mobility but amplified gaps by parental income.

Children's prospects of achieving upward economic mobility vary substantially across geography and demographic groups in America. Prior research has shown that present-day differences in economic mobility can be traced in part to historical factors such as rates of slavery in the 1860s¹ and red-lining in credit lending beginning in the 1930s.² **Given the long shadow cast by history, is economic opportunity largely fixed by historical policies or can opportunity change in shorter, more policy-relevant time frames?**

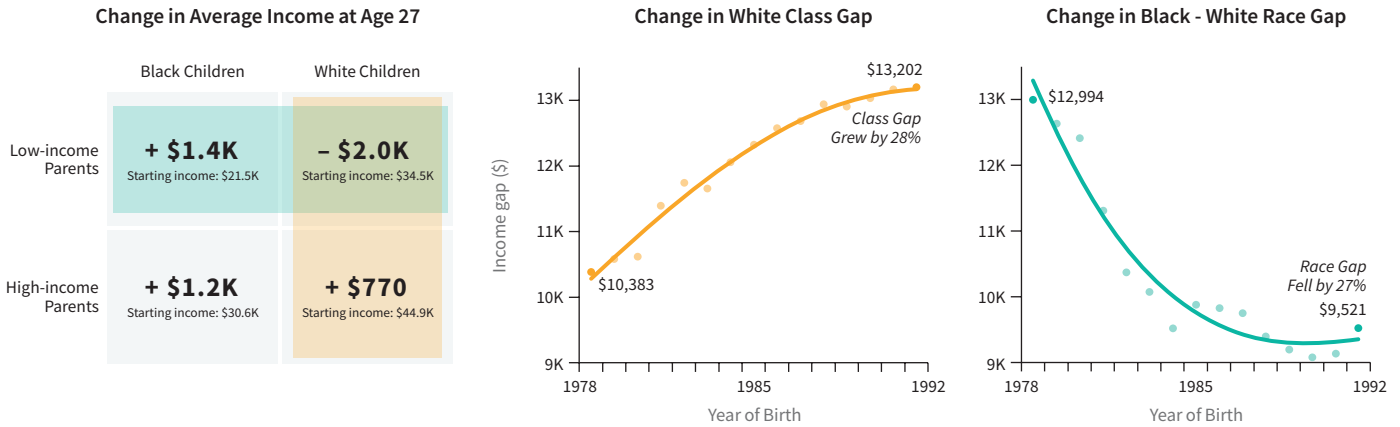
In a new study ([Chetty, Dobbie, Goldman, Porter, Yang](#)), we analyze changes in economic opportunity using new data on 57 million children born between 1978 and 1992 from anonymized Census and tax records. Although substantial racial gaps persist, we find rapid changes in the size of these gaps: over the past 15 years, the Black-white gap in upward economic mobility shrank by 27%. During the same period, class gaps expanded: the difference in incomes between white children growing up in low- and high-income families increased by 28%. Further analysis reveals that these trends were driven by changes in the social environments in which children grew up. Our findings show that opportunity is malleable in short time frames and provide new insights and data to expand opportunity going forward.

KEY FINDINGS

- The Black-white gap in upward mobility shrank significantly in the past 15 years, although racial gaps remain wide. At the same time, gaps in white children's outcomes by parental income grew.
- The geography of opportunity has shifted in America: the coasts, which have historically provided more pathways to upward mobility than other regions, no longer do so. Additionally, in areas where Black children's outcomes improved the most, white children also did relatively better.
- Divergent trends in mobility by race and class were driven by changes in the communities in which children grew up, as measured by parental employment rates.
- Social interactions are central to changing opportunity: children's outcomes are shaped by parental employment rates of peers with whom they interact most.

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FIGURE 1: Growing Class Gaps, Shrinking Race Gaps — Changes Between Children Born in 1978 and 1992



This figure shows 1) the change in average adult income for Black and white children born to high- and low-income parents in 1978 and 1992 along with the starting average incomes for children born in 1978 (left table), 2) the change in the income gap between white individuals who grew up in low- versus high-income families, or the class gap (center chart), and 3) the change in the income gap between Black and white individuals who grew up in low-income families, or the race gap (right chart).

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FINDING 1

ECONOMIC MOBILITY IN AMERICA HAS CHANGED RAPIDLY OVER THE LAST 15 YEARS: THE BLACK-WHITE GAP IN MOBILITY FELL AND THE GAP BETWEEN HIGH- AND LOW-INCOME WHITE AMERICANS GREW.

White children born to low-income (25th percentile) parents in 1992 grew up to earn less on average than white children born to low-income parents in 1978. Over this same period, income increased for white children born to in high-income (75th percentile) families. These divergent trends resulted in **growing class gaps** among white children. The gap in average household incomes for white children raised in low- versus high-income families grew by 28%, from \$10,383 for those born in 1978 to \$13,202 for those born in 1992 (Figure 1).

For Black children, incomes in adulthood increased across all parental income levels. As a result, Black-white **race gaps in economic mobility shrank**. The gap in average household incomes between white and Black children raised in low-income families fell by 27%, from \$12,994 for children born in 1978 to \$9,521 for children born in 1992 (Figure 1).

The Black-white mobility gap narrowed primarily because of changes in **children’s chances of moving out of poverty** rather than their chances of reaching the upper class. Black children born in 1978 to families in the bottom income quintile were 14.7 percentage points more likely to remain in the bottom quintile than their white counterparts. By the 1992 birth cohort, this gap shrank to 4.1 percentage points — a remarkable 72% reduction in the racial gap in the intergenerational persistence of poverty over just 15 years (Figure 2). By contrast, there was no change in Black or white children’s chances of reaching the top fifth of the income distribution conditional on starting in a low-income family.

The same patterns of growing white class gaps and shrinking Black-white race gaps are mirrored for other outcomes such as incarceration and mortality rates as well as standardized test scores

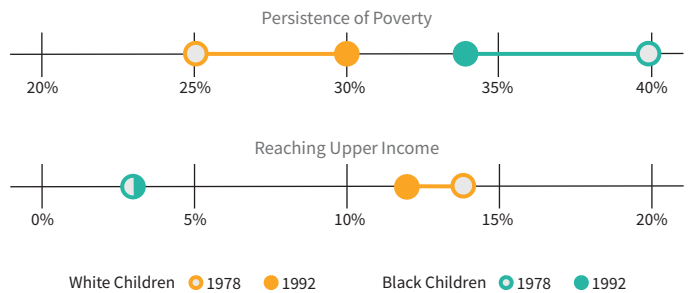
DESPITE A NARROWING GAP, SUBSTANTIAL RACIAL DISPARITIES PERSIST.

Although economic mobility improved for Black children and declined for white children, a significant income gap persists largely because initial mobility disparities were so large. On average, annual adult incomes for white children from low-income households born in 1992 remain \$9.5K (41%) higher than for Black children growing up in households with the same incomes.

and graduation rates — showing that the divergence in outcomes begins well before adult income can be measured.

Economic mobility generally changed more modestly for Hispanic, Asian, and American Indian children during the period we study.

FIGURE 2: The Persistence of Poverty Has Declined for Black Children and Increased for White Children; Chance of Reaching Upper Income Remain Unchanged



This figure shows how rates of persistence of poverty – defined as the fraction of children born to parents in the bottom fifth of the income distribution who remain in the bottom fifth as adults – and rates of reaching upper income – defined as the fraction of children born to parents in the bottom fifth of the income distribution who reach the top fifth as adults – have changed for white and Black children. Black children’s chances of reaching upper income remained the same between 1978 and 1992.

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FINDING 2

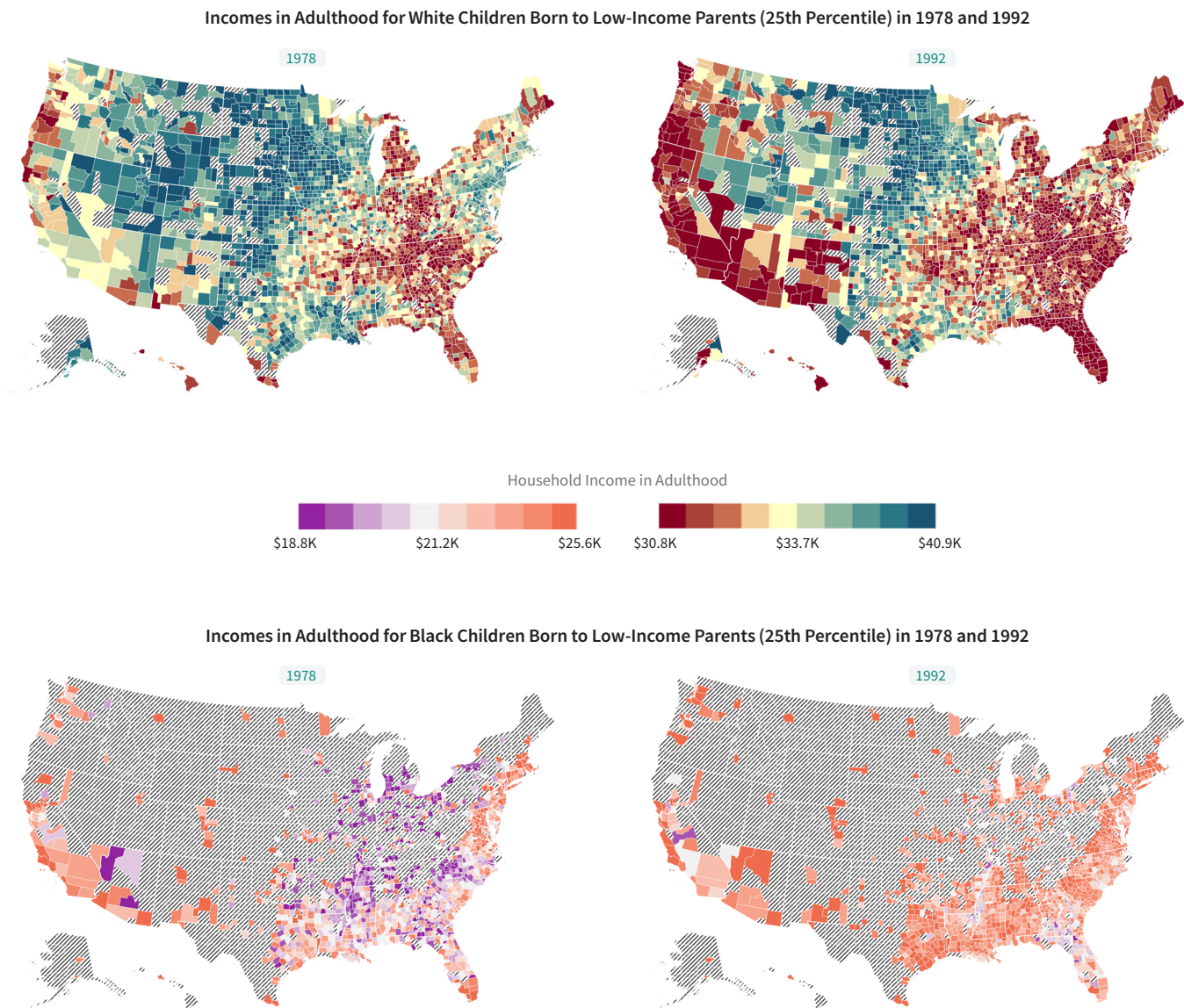
THE GEOGRAPHY OF OPPORTUNITY HAS CHANGED IN AMERICA, WITH HISTORICALLY ADVANTAGED AREAS PROVIDING LESS MOBILITY FOR LOW-INCOME WHITE CHILDREN AND IMPROVEMENTS IN OTHER REGIONS FOR LOW-INCOME BLACK CHILDREN.

While Black-white gaps shrunk and white class gaps expanded in nearly every part of the US, the magnitude of these changes varied substantially across regions. As pictured in Figure 3, in 1978, white children born to low-income families on the coasts (along with the Midwest and other parts of the country) had relatively good prospects of upward mobility. By 1992, upward mobility for low-

income white children in the coasts and in the Southwest fell markedly to rates on par with those observed in Appalachia and other areas that historically offered the lowest chances of upward mobility.

Conversely, for Black children, upward mobility increased the most in the Southeast and the Midwest — areas where outcomes had historically been poorest for Black Americans (Figure 3). However, even with these improvements, Black children born in 1992 still had poorer prospects of rising up than white children in virtually every county in America because initial Black-white disparities were so large.

FIGURE 3: The Changing Geography of Economic Opportunity in America



These maps show how opportunity has changed across places in America for Black and white individuals born in 1978 and 1992. The color scales for the Black vs. white maps are distinct to help visualize changes for each demographic group. The fact that two color scales are necessary underscores how wide remaining racial gaps are. Dollar values are measured in 2005 and 2019 for the 1978 and 1992 birth years, respectively, and are inflation adjusted to 2023 dollars.

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TALES OF TWO CITIES IN ECONOMIC MOBILITY

Trends in mobility often diverge between metro areas with otherwise similar demographics and starting mobility levels:

Charlotte, NC and Atlanta, GA — two rapidly growing cities in the Southeast — both had low levels of mobility for children born in 1978, particularly for Black children from low-income families. By 1992, mobility improved substantially in Charlotte, nearly reaching the national average due to improved outcomes for low-income Black residents and stable outcomes for low-income white residents. In contrast, mobility remained low in Atlanta for both groups.

Grand Rapids, MI and Milwaukee, WI — two Rust Belt cities — both had low rates of upward mobility for children born in 1978. By 1992, mobility in Milwaukee declined even further with decreases in mobility for low-income children across all race groups. In contrast, mobility in Grand Rapids rose above the national average, driven by substantive gains in mobility for both low-income Black and white children.

Different trajectories in places with otherwise similar characteristics offer a new lens to understand changes in opportunity and calls for further focus on improving opportunity in places where mobility is lagging. The adjacent table highlights metro areas with the greatest increases and declines in mobility. For a comprehensive list of mobility changes within the 50 largest U.S. metros, explore Module 2 of the [Opportunity Atlas – Mobility Trends](#).

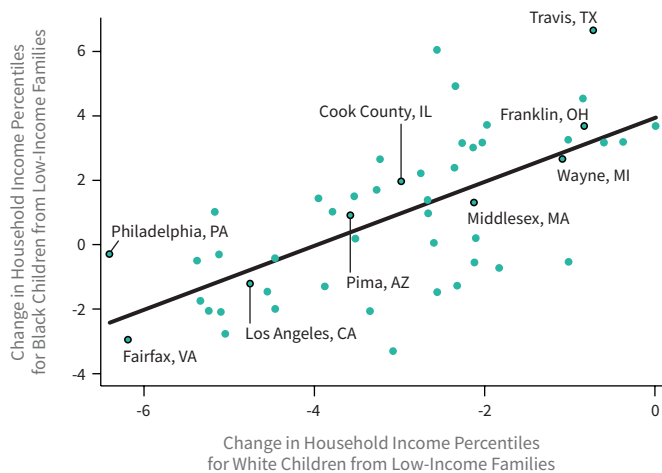
Where is intergenerational mobility changing most?

Percentage Change in Income in Adulthood for People Born to Low-Income Parents in 1978 versus 1992

METRO AREA	% CHANGE
1 Brownsville, TX	6.7%
2 Austin, TX	6.4%
3 Charlotte, NC	5.0%
4 Nashville, TN	4.7%
5 Grand Rapids, MI	4.3%
<i>National Average</i>	-4.2%
46 Tampa, FL	-9.1%
47 Washington, DC	-9.1%
48 San Diego, CA	-9.2%
49 Las Vegas, NV	-10.6%
50 Philadelphia, PA	-12.7%

The areas where Black children’s outcomes improved most tend to be the same areas where white children’s outcomes deteriorated the least (Figure 4). This finding underscores that **opportunity is not a zero-sum game**, and improvements for Black children do not come at the expense of their white counterparts.

FIGURE 4: Changes in Income for Black and White Children with Low-Income Parents Are Positively Correlated



This figure shows the relationship between income changes in adulthood for Black children and their white peers from low-income families for the 50 most populous U.S. counties based on their population size in 2022.

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FINDING 3

DIVERGENT TRENDS IN ECONOMIC MOBILITY BY RACE AND CLASS WERE DRIVEN BY CHANGES IN CHILDHOOD ENVIRONMENTS.

The differences in economic mobility by race and class resulted from **changes within the neighborhood** where children grew up rather than individual family characteristics. Changes in children’s outcomes were highly correlated with changes in parental employment rates in their community (defined by race, class, and county), even when their own parents’ employment status was held constant. This connection between employment in the prior generation and children’s outcomes closely echoes the ethnographic research of sociologist William Julius Wilson, *When Work Disappears*.³ For example, as pictured in Figure 5, the outcomes of white children with low-income parents deteriorated in areas where employment rates for low-income white parents fell the most. Black children who grew up in counties where employment rates for Black parents increased had better outcomes.

Employment rates are only one proxy for community-level change that significantly predicts changes in economic mobility — trends in mobility are also highly correlated with changes in other community-level characteristics, including marriage and mortality rates.

The relationship between changes in children’s outcomes and parental employment rates is virtually identical across race and class groups. As a result, the differential changes in children’s

outcomes for Black and white children discussed above can be explained almost entirely by the fall in employment rates for low-income white parents relative to low-income Black and high-income white parents.⁴ In short, community-level changes — as proxied by parental employment rates or other outcomes in the parental generation — provide a unified explanation for the divergence in outcomes by race and class.

To understand how changes at the community-level shape children’s outcomes, we examine the outcomes of children who move to declining versus improving neighborhoods at different ages. When children born in 1992 move at a young age to communities where parental employment rates have increased, they do better. But children who make the same move at older ages gain much less, showing that changes in communities impact children’s outcomes in proportion to the time they spend growing up in those environments. These findings show that changes in childhood environments **have causal impacts on children’s life trajectories.**

FINDING 4

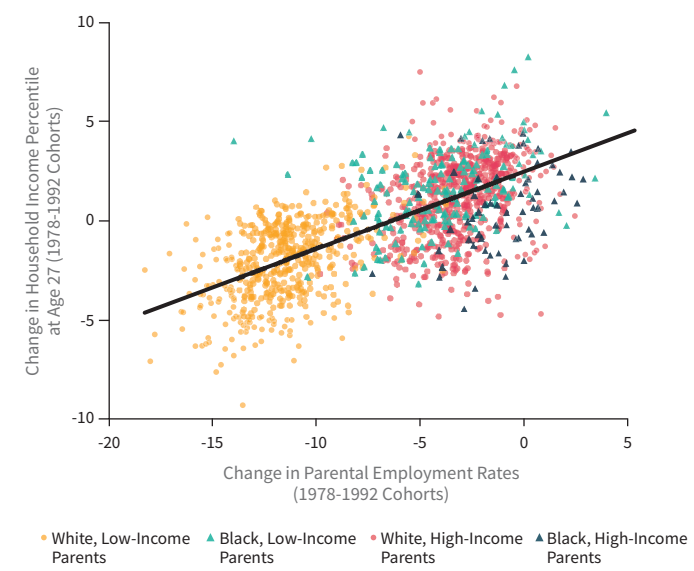
SOCIAL INTERACTIONS AT THE COMMUNITY LEVEL SHAPE CHANGES IN ECONOMIC MOBILITY

To better understand why growing up in a community with higher parental employment rates leads to improved outcomes for children, we investigate two potential drivers: 1) changes in **economic resources** (e.g., higher parental employment leads to more funding for local schools and programs), or 2) changes in **social interactions** (e.g., adults in areas with higher parental employment rates shape children’s aspirations or provide job referrals).

We find that social interactions shape changes in economic mobility by analyzing how the impacts of parents’ employment rates differ based on the degree of social interaction across groups. For example, as shown in Figure 6, children are much more likely to be friends with other children in the same grade than with children a grade above or below. Consistent with this pattern, we find that children’s outcomes are influenced most by the employment rates of parents of children in their own grade relative to parents in the preceding or following grade. This result points to social interactions as a key driver, since economic resources (e.g., tax revenues) are likely to be shared across grades, resulting in a more uniform impact across birth years.

Given that social interactions are also highly stratified by race and class (including within neighborhoods), we find that changes in parental employment rates have the greatest impact on children of the same race and gender. For example, outcomes for low-income white children are influenced solely by the employment rates of low-income white parents, while those of Black children are largely influenced by Black parents’ employment rates. The one exception to this pattern is in communities with greater cross-race interaction (as proxied by interracial marriage rates) where changes in Black children’s outcomes are also influenced by white parents’ employment rates. These patterns further support the central role of race and class in shaping a child’s social community and, consequently, their outcomes.

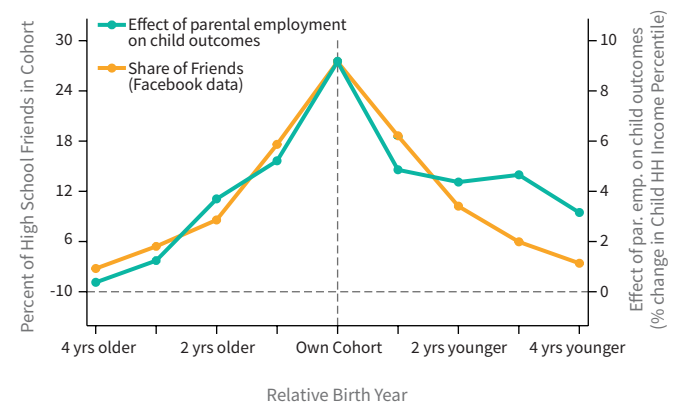
FIGURE 5: Changes in Children’s Outcomes Are Closely Related to Community-Level Changes in Parental Employment Rates



This figure shows the relationship between changes in childhood environment (on the x-axis) and changes in average household income rank (on the y-axis) across large metropolitan areas with at least 10K children within each race and parental income demographic set.

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FIGURE 6: Social Interaction Matters — Children’s Outcomes Are Influenced by Changes in Employment Rates of Parents of Other Children in Their Own Grade Rather than Surrounding Grades



The teal line shows the impacts of changes in the employment rates of parents of children in their own birth cohort vs. surrounding birth cohorts. The orange line shows the share of high school friends that children have in their own grade vs. other surrounding grades.

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Implications for Increasing Opportunity Going Forward

Our analysis shows that opportunity has changed because children's outcomes tend to mimic those of the parents in their social communities. Between children born in 1978 and 1992, employment rates declined for low-income white parents compared to both low-income Black and high-income white parents. These changes influenced the social environments in which children grew up. **Growing up in a thriving community — where the adults are employed, in good health, etc. — dramatically improves children's outcomes, even holding fixed their own family's situation.** Black children are increasingly growing up in communities that are improving along these lines, while white children born to lower-income parents are not — and this has driven the differential changes in economic mobility we see in recent decades. These community effects seem to work by shaping social interactions and networks for children.

The overarching takeaway from this research is that changing opportunity is feasible in short time frames. **Community-level changes in one generation propagate to the next and can thereby generate rapid changes in economic mobility.** While this carries hope for how opportunity can improve, it also comes with some caution, as communities can experience declining opportunity in a similar timeframe. It is important to understand how mobility is shifting across places and groups — both to make improvements as well as forecast and reverse declines.

In addition, this analysis includes more specific policy implications:

- **Focus on youth.** Existing workforce policies typically target the current generation of working adults in areas or sectors with declining employment (e.g., job retraining or trade adjustment assistance programs). Our results suggest it may be equally important to invest in supporting the next generation of children in these communities through targeted job training and mentorship programs for youth and young adults, or investment in schools.

- **Target communities, not just neighborhoods.** Most place-based efforts to improve economic mobility focus on neighborhoods as a whole. Our results show that social communities — defined by whom children interact with while they grow up — are a key unit at which change occurs. One approach to increasing opportunity is to increase connections between communities (e.g., through policies to reduce segregation or foster cross-class and race interaction in schools and neighborhoods). A complementary approach is to target childhood development programs to social communities with low levels of economic mobility.
- **Social capital in addition to financial and human capital.** Most economic mobility policies provide financial capital (e.g., the Earned Income Tax Credit, Pell grants) or human capital (e.g., K-12 education). Our findings suggest that investing in social capital may be equally important. Consistent with this finding, evaluations of programs — from housing vouchers to job training to higher education — show that combining financial resources with social support and connections (e.g., housing navigators, connections to employers, or college counselors) has the greatest impacts. Targeting such programs to communities with limited opportunity has the potential to improve economic opportunity and narrow racial and socioeconomic disparities significantly.

While our results provide general guidance on the types of policies that can improve opportunity going forward, they do not identify specific interventions that are effective. To support the field in developing such interventions and targeting them where they are needed most, we have released new data on changes in mobility by county, birth cohort, race, class, and gender along with a new version of the [Opportunity Atlas](#) that facilitates interactive visualization of changes in economic mobility across counties in America.

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References

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²Aaronson, Daniel, Jacob Faber, Daniel Hartley, Bhashkar Mazumder, and Patrick Sharkey. 2021. "The Long-Run Effects of the 1930s HOLC "Redlining" Maps on Place-Based Measures of Economic Opportunity and Socioeconomic Success." *Regional Science and Urban Economics*, 86: 103622.

³Wilson, WJ. "When Work Disappears: The World of the New Urban Poor." New York: Alfred A. Knopf; 1996.

⁴These divergent employment trends among parents are consistent with prior work that has documented divergent employment trends by race and class arising from factors ranging from outsourcing and the decline of manufacturing that affected less educated white Americans to civil rights policies and changes in hiring practices that increased employment for Black Americans. Our study does not take a stance on the sources of changes in parental employment rates and instead focuses on the downstream consequences of these changes for children's outcomes.



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