

# **IMPROVING EQUALITY OF OPPORTUNITY IN AMERICA**

**NEW EVIDENCE AND POLICY LESSONS BY RAJ CHETTY**

<http://www.equality-of-opportunity.org/>

## **FIVE STRONGEST CORRELATES OF UPWARD MOBILITY**

1. SEGREGATION
  - a) Racial and income segregation
  - b) Sprawl: commute times
2. INCOME INEQUALITY
  - a) Places with smaller middle class have much less mobility
  - b) Upper tail inequality (top 1%) not strongly related to mobility
3. FAMILY STRUCTURE
  - a) Areas with more single parents have much lower mobility
  - b) Strong correlation even for kids whose own parents are married
4. SOCIAL CAPITAL
  - a) Putnam (1995): “Bowling Alone”, “Our Kids”
  - b) “It takes a village to raise a child”
5. SCHOOL QUALITY
  - a) Better resources in public schools
  - b) High quality teachers have large causal effects at all ages
  - c) Greater expenditure, smaller classes, higher test scores correlated with more mobility

## **POLICY LESSONS**

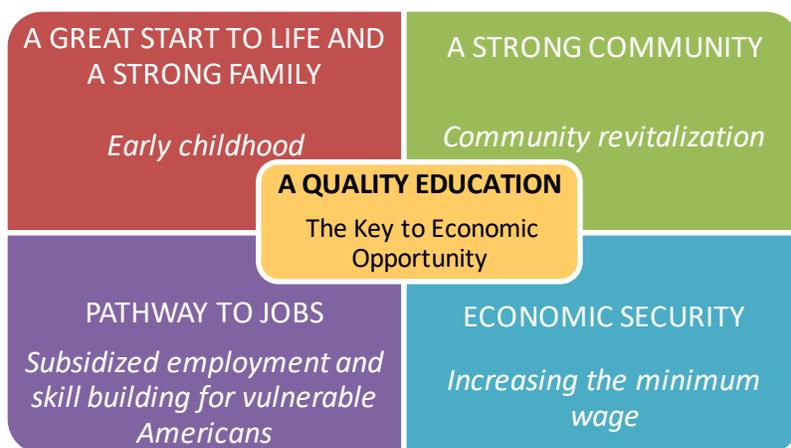
1. IMPROVE THE QUALITY OF PRIMARY EDUCATION
  - a) Discussion has focused on national policy changes
  - b) Let’s improve Charlotte, Indianapolis, and Atlanta
2. FOCUS ON CHILDHOOD ENVIRONMENT IN LOCAL COMMUNITIES
  - a) Jobs matter, but ladders to opportunity start before children begin to work;
  - b) Childhood environment matters at all ages until age 20, not just in early childhood;
3. TAKE A PLACE-BASED APPROACH TO IMPROVING OPPORTUNITY
  - a) Distinguish need – Jobs, housing, transportation, health care, job-training, etc.
4. HARNESS ‘BIG-DATA’ TO DEVELOP A SCIENTIFIC EVIDENCE BASE FOR EVALUATING POLICIES TO MEASURE LOCAL PROGRESS AND PERFORMANCE
  - a) Mobility statistics by county: ‘Equality-of-Opportunity.Org’;
  - b) Automated annual reporting of mobility statistics by county to evaluate impacts of new initiatives, including which policies work;



## What a Childhood in Albemarle County Does to Future Income

For poor kids			For average-income kids			For rich kids			For kids in the top 1%		
GROUP	INCOME CHG.	NAT. PCT.	GROUP	INCOME CHG.	NAT. PCT.	GROUP	INCOME CHG.	NAT. PCT.	GROUP	INCOME CHG.	NAT. PCT.
All kids	-\$200	34%	All kids	-\$720	20%	All kids	-\$1,180	11%	All kids	-\$1,460	10%
Boys	-\$1,080	21%	Boys	-\$1,330	13%	Boys	-\$1,470	10%	Boys	-\$1,450	15%
Girls	+\$890	58%	Girls	+\$50	35%	Girls	-\$840	18%	Girls	-\$1,560	11%

## LADDERS OF OPPORTUNITY - THE WHITE HOUSE



### Challenge to Local Communities to Address Economic Mobility

As part of a call to action to communities to address economic mobility at the local level, here is a menu of options or challenges to focus on:

#### 1. A Great Start to Life

- a. **Increase the percentage of kids ready for kindergarten.** Future academic success depends heavily on kindergarten readiness; Children who enter kindergarten unprepared to form the foundations of reading, counting, and social interaction—the majority of whom are in poverty—are less likely to graduate from high school than their peers.
- b. **Reduce the “30-million-word gap” between children in rich and poor households.** In order to give all children an equal start in life, it is imperative that we address the differences in children’s cumulative experiences before the age of three, the period of cognitive development that will establish lifelong mental capabilities.
- c. **Challenge gamers and tech innovators to develop a mobile game that is as addictive as *Angry Birds*, but furthers key educational goals.** Leveraging the widespread affinity for mobile games could lead to an educational revolution that helps learning continue inside and outside of the classroom.

#### 2. A Strong Community

- a. **Eliminate food deserts and ensure every family has access to healthy and affordable food within five years.**
- b. **Convert 10 percent of vacant and blighted properties into affordable home-owner occupied units.** About 3,000 census tracts have 15 percent or more residential units vacant. Selling or giving vacant, blighted homes to local residents willing to fix up and live in them—as Gary, Indiana, has done—could improve residents’ lives, increase

home prices, reduce crime, and generally revitalize some of our most distressed communities.

- c. **Generate \$100 million in private/philanthropic capital to help effective non-profits scale.** Helping effective non-profits expand or scale often takes a venture capital-like investment approach that traditional philanthropy or public sector investment cannot achieve alone.
- d. **Expand public transit routes to better serve low-income communities.** Finding housing affordable to a working family often means commuting long distances to work and spending an average of 30 percent of income on transportation. Expanding public transit routes to better link low-income neighborhoods with jobs would save working families money and time, helping them achieve economic security and enabling them to spend more time with their kids.
- e. **Revise local plans to remove barriers to housing development and better integrate housing, transportation, and workforce policies.** Reforming outdated zoning codes and streamlining permitting processes would likely lead to more housing construction and reduce housing costs for working families. Likewise, by better integrating housing, transportation, and workforce policies, localities could increase workers' access to jobs and improve their economic prospects.

### **3. Pathways to Jobs**

- a. **Connect 1 million at-risk youth to jobs.** Employing at-risk youth goes beyond preparing them for a future career: being a part of something, developing positive relationships with adults, learning skills, and increasing financial stability can keep kids engaged and on the right path.
- b. **Dramatically increase the viability of self-employment as a pathway to the middle class.** Increasing support, particularly for low-income entrepreneurs, will introduce new talent into the economy, catalyze growth in distressed communities, and encourage the innovation that makes America strong and has always promoted social mobility.

### **4. Economic Security**

- a. **Develop the Henry Ford "business models" for the 21<sup>st</sup> Century.** Challenge businesses to find ways to increase wages and reduce turnover by creating business models that reward higher skill and effort. If the prevalent business model in an industry is greater efficiency through reducing jobs and wages, then American workers in those industries will struggle to enter or stay in the middle class.
- b. **Develop a small dollar savings product and enroll 10,000 households within one year.** Over 10 million households lack access to a bank account and 29 percent of households lack a savings account; learning to budget and save helps lower income families build assets and wealth over time.
- c. **Scale community-based programs that lead to better jobs.** Organizations across the country have demonstrated success at increasing earnings by as much as \$4,000 per year by training low-wage workers for higher-skill jobs in partnership with businesses.