Equitable Growth *Insights*

Synthesizing Economic Mobility Research

Hello,

Welcome to the Washington Center for Equitable Growth's third Insights newsletter on economic mobility. Each quarter, we review new research from economics, sociology, psychology, social work, and other fields to distill research and policy insights. Be sure to visit our online portal, where you can read past newsletters and look at our searchable database of featured research.

Here's what you'll find in this newsletter:

- The causes behind growing class gaps in economic mobility
- The impact of an expanded Child Tax Credit on workforce participation
- Bolstering opportunities and economic mobility for youth: In conversation with Mishaela Durán
- Plus research on labor, housing, and more

The causes behind growing class gaps in economic mobility

Changes in children's social environments at the community level can cause relatively quick changes in economic mobility, according to new research from economist Raj Chetty and his team at Harvard University's Opportunity Insights. The study, which looks at changes in economic mobility for U.S. children born from 1978 to 1992, finds that:

- Over the past 15 years, the Black-White economic mobility gap decreased, while the mobility gap between White children from low- and high-income families increased
- Differences in the environment where children grow up drove the changes in economic mobility by race and class
- Economic mobility is impacted by community-level social interactions

One policy implication of these findings is that when communities experience economic shocks, support should focus on youth, as well as adults. Some ideas include investing in schools and youth job-training programs.

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The impact of an expanded Child Tax Credit on workforce participation

Expanding the Child Tax Credit remains a topic of active policy debate and discussion. New research from California provides evidence that **amending the tax credit does not cause a significant drop in parents' workforce participation.** The study, by University of Chicago's Jacob Goldin and co-authors, looks at California's Young Child Tax Credit—a refundable credit of $1,000 for low-income parents with children under age 6—and the impact of eliminating an earned-income requirement in 2022. Comparing the labor force participation of mothers with eligible children and those who just missed the cut-off, the study shows that removing work requirements did not cause a significant number of mothers to leave the workforce.

Applying these findings to the federal Child Tax Credit, the authors find that expanding the tax credit to U.S. households with very low or no income would have a lower impact on the workforce than other studies have predicted. These findings are consistent with studies, including one from Equitable Growth grantees Damon Jones of the University of Chicago and Brandon Enriquez of the University of Maryland, and their co-author Ernest Tedeschi of Yale University on the 2021 expansion of the Child Tax Credit, which show limited impact on workforce participation.

Bolstering opportunities and economic mobility for youth: In Conversation with Mishaela Durán

Data and research are critical to developing evidence-based policies and programs that address the needs of young people from disadvantaged backgrounds. Recently, Equitable Growth's Mobility Fellow Shira Markoff spoke with the CEO of the Forum for Youth Investment Mishaela Durán about how the Forum is utilizing data and research through its Opportunity Index to impact policies that promote opportunities for young people. Keep an eye out for the release of the newest Opportunity Index in late September.

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New research on ethnic and racial disparities in mortgage access and the impact of evictions

- New research shows that ethnic and racial disparities in mortgage outcomes persist, impacting access to homeownership in the United States. The study, from José Loya at the University of California, Los Angeles, finds that across debt-to-income levels, Black and Latino borrowers had higher rates of loan rejections and high-cost loan originations (rather than conventional loans) when compared to White borrowers. Looking specifically at high-cost loans, Loya finds that **Black and Latino applicants with excellent debt-to-income ratios had similar results as White or Asian American applicants with below-average ratios.** Although previous research has documented ethnic and racial differences in mortgage access, this study uses newly available data to examine the impact of credit worthiness on mortgage outcomes.

- According to research using newly linked datasets from Cook County in Illinois and New York City**, people who are evicted experience economic and social instability in the two years afterwards**, including increases in homelessness and hospital visits, especially related to mental health, and decreases in earnings. The study, from University of Notre

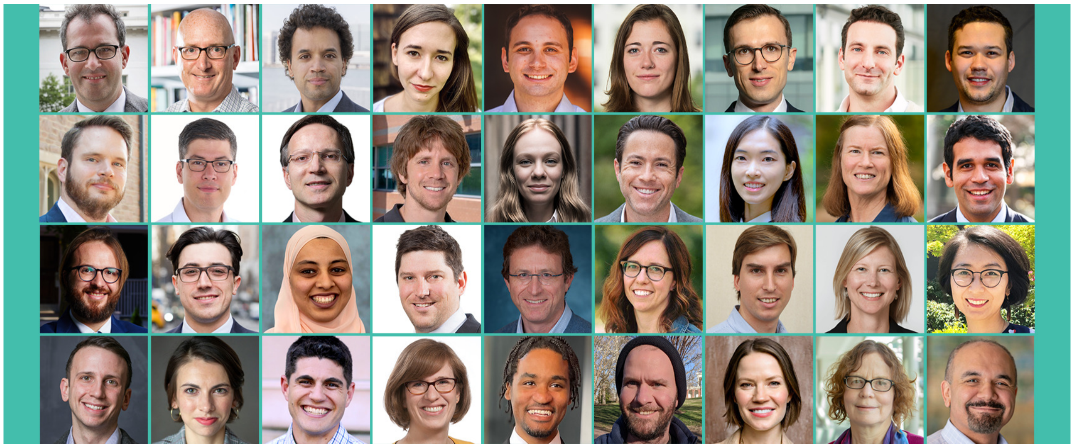
Dame's Robert Collinson and co-authors, also finds longer-term impacts of evictions, including increased debt and lower credit scores, especially among female and Black individuals.

The effects of class on employment, the impact of unions, and wage insurance

- Two papers show that even among adults in high-status occupations, **childhood social class impacts career outcomes**. One study finds that first-generation college graduates are less likely to be tenured at a highly ranked university than Ph.D. classmates whose parents have a graduate degree. The research, from Massachusetts Institute of Technology economist and Equitable Growth grantee Anna Stansbury and her MIT colleague Kyra Rodriguez, finds that discrimination, which may stem from a lack of social and cultural capital, is likely a significant factor. Other research, from Swarthmore College's Daniel Laurison and Sam Friedman of the London School of Economics, finds that adults from working-class families who are now employed in high-status occupations earn significantly less annually, on average, than their peer adults who grew up in privileged families—even when controlling for race, education, and other factors associated with income.

- More research underscores that **unions help workers earn a higher hourly wage and help them work more hours**. Examining wages and hours by union and nonunion workers in the United States over the past 50 years, Dartmouth College's David Blanchflower and University College London's Alex Bryson find that the regression-adjusted difference in hourly wages between union and nonunion employees has decreased since the Great Recession of 2007–2009 but is still significant. The authors further argue that focusing on hourly wage differences misses the fact that unions keep weekly wages higher by ensuring union members work closer to the number of hours they want.

- A new study finds that **providing wage insurance to displaced workers can increase the likelihood of short-term employment and boost long-term earnings**. Although the research—from Benjamin Hyman of the Federal Reserve Bank of New York, Brian Kovak of Carnegie Mellon University, and UC Berkeley's Adam Leive—focused on workers displaced by foreign competition and global trade, this study could have implications for the current discussion around the impact of artificial intelligence on U.S. jobs.



Economic Mobility Roundup from Equitable Growth grantees

Equitable Growth has a network of more than 400 academic grantees from previous rounds of our annual grants process. Here are some recent articles by grantees, exploring topics in economic mobility:

- New research shows that **the rate at which employees in poor-quality service-sector jobs transition into good jobs—those that provide higher wages, more stable scheduling, and benefits—depends significantly on local labor market conditions**. The study, from Harvard University sociologist Daniel Schneider and his co-authors, finds that nearly twice the number of U.S. workers moved into good jobs during the Great Resignation following the COVID-19 recession in 2020 and during periods of low state-level unemployment, compared to less favorable times.

- Interstate migration rose significantly in 2021 and 2022, compared to pre-COVID migration rates. New research from Hannah Rubinton of the Federal Reserve Bank of St. Louis and co-authors finds **that more than half of the increase in U.S. interstate migration can be attributed to the greater share of employees working from home.** This research has implications for ongoing discussions about the impact of an increase in remote work on city and state budgets and housing prices.

- Unemployment Insurance benefits are denied for about 10 percent of filers because these workers are found to be at fault for their terminations, though these decisions are subjective. As discussed by Geoffrey Schnorr of the U.S. Military Academy and Amazon.com Inc.'s Jonathan Cohen in their new research, these denied filers tend to be female, non-White, and have lower incomes. The authors find that **providing benefits for borderline-denial cases increases the length of unemployment by less than 2 weeks, and it does not decrease income in the next 3 years.** Expanding Unemployment Insurance in borderline cases costs less than other UI expansions, such as increasing benefits duration or amounts.

That's it for this quarter. Please keep an eye out for our next newsletter in December. And, if you enjoyed this edition, **please encourage others to subscribe**!

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