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Low- and moderate-income families' avenues to mobility: Overcoming threats to asset accumulation and remaining in undesirable neighborhoods

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ABSTRACT

Research on social mobility of low and moderate income families often uses objective measures and economic indicators of social mobility and quantitative research methods. In this paper we use a qualitative approach to understand how social mobility in terms of homeownership and desired neighborhood is pursued by 194 working families who received more than $1,000 in Earned Income Tax Credit (EITC). Specifically, we use cumulative advantage and disadvantage theory to explore the pathways and threats families encounter in their attempts to achieve homeownership and residence in desired neighborhoods. We find that families use different strategies to achieve social mobility and that the most successful families follow multiple strategies that involve pathways used by more affluent families like savings and help from family and friends as well as using social and governmental program and rent-to-own agreements. We discuss the implication for families, social organizations, and policymakers.

1. Introduction

Asset accumulation and mobility frameworks urge us to understand how lives are constructed by decisions and actions with the aim of achieving specific goals, most of which are inexorably moderated by the opportunities and constraints of the social and historical contexts of the era (Elder, Johnson, & Crosnoe, 2003). Using the guiding principle of life course theory, we study how low- and moderate-income families pursue asset accumulation goals and relocations to desirable neighborhoods, the strategies they deploy in order to achieve these, and the barriers they encounter. Understanding the process of asset accumulation and neighborhood relocation can facilitate better policies that potentially increase the socioeconomic mobility of working low- and moderate-income families. We focus on home ownership and desirable neighborhoods as key components of life-course goals because they are an essential ingredient of the "American Dream" (Rohe, Van Zandt, & McCarthy, 2013) and are likely to bring greater life opportunities, including the benefits associated with educational advancement, a professional job, and a more secure future (e.g., Chetty & Hendren, 2015; Roy, McCoy, & Raver, 2014; Wightman & Danziger, 2014). The vast majority of existing research on home ownership and neighborhood quality uses large data sets to assess the individual and metropolitan-level factors that predict opportunities for individuals to own a home or to possess some amount of residential mobility (e.g., Flippen, 2001a, 2001b; Krivo, 1986; Krivo & Kaufman, 2004). The current study deviates from that trend, by using qualitative interviews to examine more closely which factors families view as facilitating or threatening their opportunities to achieve these goals over their life course.

The mechanisms associated with upward mobility are complex. Understanding factors that facilitate and impede access to home ownership and residential attainment remain poorly understood, or limited in scope, although they remain vital to understanding the multifarious issues involved (Hout, 2015). We observe asset accumulation in the form of buying a home or concrete plans to do so (e.g., saving money, rent-to-own agreements); we define residential mobility as a family's ability to relocate to a desirable neighborhood that provides greater physical and social resources that create opportunities for increases in income and wealth (e.g., proximity to jobs, quality public transportation, increased access to social networks, greater safety). These definitions of the mechanisms involved in social mobility are consistent with that which is used elsewhere (e.g., Reeves, 2015).

Our current focus on home ownership and desirable neighborhoods distinguishes our work from previous studies that focus primarily on the upward mobility of minority families relocating into neighborhoods with a higher proportion of white and higher income residents (Mendenhall, DeLuca, & Duncan, 2006; Massey, 1985; Pais, South, &

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Crowder, 2012; South, Crowder, & Pais, 2008). Further, our use of qualitative interviews fills in some of the gaps in the social mobility literature by focusing on mechanisms and processes that survey analyses cannot identify or address, particularly the ability for interviewees to elaborate their views and share greater detail about their journey toward homeownership and into neighborhoods with greater advantages and key resources. While minority-group families face greater barriers than families that belong to the dominant group (Anderson, 2008, 2013; Charles, 2003; Logan & Molotch, 1987; Sánchez-Jankowski, 2008; Squires & Kim, 1995; Yinger, 1995), we observe that all working-class families engage in similar decisions and processes when they devise strategies that will eventually allow them to achieve their mobility goals.

Our study is guided by the desire to understand what resources facilitate low- and moderate-income workers' access to home ownership and relocation to a better quality neighborhood. We address this by using in-depth interviews with 194 low- and moderate-income working individuals from 2006 and compare those who are able to achieve these measures of social mobility to those who cannot. We suggest that the factors that facilitate access to home ownership and relocation to a desirable neighborhood have not changed following the financial crisis of 2008 and still pertain to low- and middle-income families today. By doing so, we are able to make three important contributions to the existing literature. First, we provide concrete information on the types of resources that low- and moderate-income workers deploy in their striving towards these life course goals. Second, we provide unique insight into the threats that low- and moderate-income families encounter, from their own perspective. Third, our focus on the agency of low- and moderate-income families, specifically on their long-term planning, allows us to understand how some families are provided with access to opportunities for mobility and benefit from them, while others are unable to do so.

2. Theoretical framework

We use cumulative advantage/disadvantage theory to discuss the factors that facilitate or threaten home ownership among low- and moderate-income working individuals. Cumulative advantage/disadvantage theory has been used to explain the growth of inequality and the higher likelihood that opportunities and resources among disadvantaged populations are diminished (e.g., DiPrete & Eirich, 2006; Maroto, 2015). The primary argument of cumulative advantage theory is that an individual or group increases its advantage in society overtime due to possession of an important resources or status (DiPrete & Eirich, 2006). For example, starting in a higher economic position has key advantage to exponentially accumulate more wealth compared to starting in a lower economic position, therefore exacerbating the initial inequality. Considering employment outcomes, Ellwood (1982) argues that early labor market experiences have an impact on later ones. Conversely, difficulty in obtaining employment early in one's career creates a "scaring effect" that makes later employment more difficult. Cumulative disadvantage theory purports that early negative experiences can have cascading effects on later life outcomes and opportunities. We use cumulative advantage/disadvantage theory to discuss how some low- and moderate-income working families embark on a path toward asset accumulation and social mobility that reinforce themselves in a positive loop, while others, despite their constructive attempts to acquire assets or move to more desirable neighborhoods, are trapped in a downward spiral that results in a disadvantaged position for accumulation of future assets, and for some may even lead to downward mobility.

2.1. A cumulative advantage/disadvantage perspective and homeownership

Homeownership in the United States has been long considered a key step in upward socioeconomic mobility (Kochhar, Fry, & Taylor, 2011; Reeves, 2015). The benefits it confers can span multiple generations of the same family (Green & White, 1997). Although the accessibility of home ownership was reduced by the Great Recession of 2007, perceptions of home ownership as a prime factor in upward mobility persist, even for families who have been directly impacted by foreclosure (Rohe & Lindblad, 2013). While acknowledging that homeownership as a means of social mobility tool may not benefit all individuals (Rohe & Lindblad, 2013) and in all national contexts (e.g., Germany, Voigtländer, 2009; non Western contexts, Zavisca & Gerber, 2016), we maintain that homeownership is still perceived by most researchers and individuals in the United States as the primary means of social mobility, though such perceptions may be declining (e.g., Lindblad, Han, Yu, & Rohe, 2017). Yet, some recent studies suggest that homeownership is still a cornerstone of mobility in the American context even after the housing market crisis (e.g, Santiago, Galster, & Smith, 2017).

With few exceptions (e.g., Sanbonmatsu, Kling, Duncan, & Brooks-Gunn, 2006), owning a home has been shown to be a strong predictor of better life chances and opportunities. Several studies demonstrate that homeownership among low-income families is positively associated with better financial and psychological outcomes. Homeownership has also been linked to multiple positive outcomes pertaining to general well-being, including its effect on self-esteem (Rohe & Basolo, 1997), physical health (Macintyre, Ellaway, Der, Ford, & Hunt, 1998; Robert & House, 1996), lower levels of risky youth behaviors (Green & White, 1997), and better overall mental health (Leventhal & Brooks-Gunn, 2003). There is also evidence that homeownership extends a household's tenure in their current location (Anily, Hornik, & Israeli, 1999), which leads to cultivating more extensive social ties and networks (Sherraden, 1991). During income shortfalls, equity in housing may allow families to smooth their income, create a cushion against financial shocks, and avoid downward mobility (Newman, 1988). If the income shock is severe and families need to sell their homes, Mayer and Jencks (1989) suggest that downward mobility from a place of having assets decreases the negative effects, summarizing their argument that "past affluence provides some cushion against the effects of current poverty; future affluence provides none." (p. 111). In addition, studies have also linked home ownership with exposure to lower crime rates (Lindblad, Manturuk, & Quercia, 2013; Manturuk, Riley, & Ratcliffe, 2012; Rohe & Lindblad, 2013).

Traditional benefits to homeownership prior to the housing crisis included: the ability to build equity over time, significant tax deductions for mortgage interests and property taxes, ownership possibly being cheaper than renting in the long-term, increased stability because rent/mortgage does not increase, and greater residential satisfaction. After the housing crisis, many of these benefits were decreased or eliminated due to homeowners' loss of wealth, owing more on homes than they are worth, negative impacts on credit ratings when homeowners were unable to pay mortgages, and selling homes for much less than they were worth. Examining homeowners' experiences of mortgage payment stress, negative equity and foreclosure Rohe and Lidbald (2013) concluded that even after the dramatic loss of equity and the high foreclosure rates, people still believe over the long run owning a home is still preferable to renting, at least when it comes to the financial benefits. Other studies reported similar benefits of homeownership, even during and after the housing market crisis (e.g., Grinstein-Weiss, Key, Guo, Yeo, & Holub, 2013)

Because of its financial and social importance, homeownership is likely to remain the dominant asset accumulation method for low- and moderate-income families in the United States. In addition, a home is usually the main asset held by families in these categories, and it is an important asset in the cultivation of economic advantages that can be passed on to future generations (Kochhar et al., 2011). As a result, low- and moderate-income families who become homeowners facilitate both intra- and inter-generational social mobility by assisting themselves and their children.