Are America’s Inner Cities Competitive Again? Evidence from the 2000s

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Question/Motivation

• The late 1990s was the zenith of academic and policy attention on diagnosing inner city problems, but national attention has waned.

• New datasets allow for fine tuned look at inner-city employment trends in the 2000s.
The view of the “Inner City” in the 1990s
Literature Review

• “The Problem of the Inner City”
  – Huge amount of ink spilled to diagnose and solve
  – Lack of jobs seen as major causal factor (Wilson, 1987, 1996)

• Empirical Fact: Inner city job losses extensive during 1970s-1990s.
# Extent of Inner City Job Losses


<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Loop</td>
<td>11,798</td>
<td>11,673</td>
<td>-1</td>
<td>203,110</td>
<td>208,706</td>
<td>3</td>
</tr>
<tr>
<td>Outer Business Ring</td>
<td>71,506</td>
<td>35,478</td>
<td>-50</td>
<td>199,690</td>
<td>242,519</td>
<td>21</td>
</tr>
<tr>
<td>Northwest</td>
<td>56,896</td>
<td>34,993</td>
<td>-38</td>
<td>59,197</td>
<td>96,731</td>
<td>63</td>
</tr>
<tr>
<td>Southwest</td>
<td>36,692</td>
<td>27,180</td>
<td>-26</td>
<td>45,015</td>
<td>66,057</td>
<td>47</td>
</tr>
<tr>
<td>North</td>
<td>58,601</td>
<td>29,047</td>
<td>-50</td>
<td>109,205</td>
<td>132,537</td>
<td>21</td>
</tr>
<tr>
<td>South</td>
<td>48,420</td>
<td>26,387</td>
<td>-46</td>
<td>105,447</td>
<td>87,493</td>
<td>-17</td>
</tr>
<tr>
<td>West Central</td>
<td>44,395</td>
<td>23,501</td>
<td>-47</td>
<td>69,719</td>
<td>44,720</td>
<td>-36</td>
</tr>
<tr>
<td>Far South</td>
<td>46,963</td>
<td>17,302</td>
<td>-63</td>
<td>40,398</td>
<td>42,574</td>
<td>5</td>
</tr>
<tr>
<td>City of Chicago</td>
<td>375,876</td>
<td>205,974</td>
<td>-45</td>
<td>864,057</td>
<td>938,824</td>
<td>9</td>
</tr>
</tbody>
</table>

Shifting Narratives in the 2000s

• Rise of downtown and central city as residence location
• From space of production to space of consumption
• Rise of Gentrification Literature
  – Once considered “islands of renewal” (Wily and Hamel, 1994)
  – Now a prominent demographic trend
  – Linked to changing employment structure (Lester and Hartley, 2014)
Research Questions

• What is the extent and nature of inner city job growth during the 2000s?
• How competitive are America’s inner cities?
• What factors are associated with inner city growth at the census tract level?
Methods

• Broad Definition of “Inner-City”
  – Located in the largest principle city/cities in a MSA
  – Outside CBD

• Defining CBDs
  – Defined employment subcenters following McMillen (2003), used all subcenter tracts that included CBD point.


• Full data available for most states.
Final Tract Definitions
Empirical Results

• Descriptive Findings
• Regional Competitiveness
• Local indicators of Inner City Growth
Table 1. Employment Change in CBD, Inner City, Suburban and Non-metro tracts, 2002-11.
Note: Authors analysis of LODES data by tract-type for states with full sample (2002-11).

<table>
<thead>
<tr>
<th>Year</th>
<th>CBD</th>
<th>Inner City</th>
<th>Suburban</th>
<th>Non-Metro</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>9,806,579</td>
<td>29,699,043</td>
<td>59,207,009</td>
<td>15,401,902</td>
<td>114,114,533</td>
</tr>
<tr>
<td>2011</td>
<td>9,654,338</td>
<td>31,521,499</td>
<td>63,296,946</td>
<td>15,758,332</td>
<td>120,231,115</td>
</tr>
<tr>
<td>Net Employment Change (2002-11)</td>
<td>(152,241)</td>
<td>1,822,456</td>
<td>4,089,937</td>
<td>356,430</td>
<td>6,116,582</td>
</tr>
<tr>
<td>% Change</td>
<td>-1.6%</td>
<td>6.1%</td>
<td>6.9%</td>
<td>2.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Post-Recession Net Change (2009-11)</td>
<td>248,888</td>
<td>1,096,382</td>
<td>1,836,555</td>
<td>332,101</td>
<td>3,513,926</td>
</tr>
<tr>
<td>% Change</td>
<td>2.6%</td>
<td>3.6%</td>
<td>3.0%</td>
<td>2.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Share of US Emp., 2002</td>
<td>9.9%</td>
<td>30.1%</td>
<td>60.0%</td>
<td>15.6%</td>
<td></td>
</tr>
<tr>
<td>Share of US Emp., 2011</td>
<td>9.2%</td>
<td>30.0%</td>
<td>60.3%</td>
<td>15.7%</td>
<td></td>
</tr>
</tbody>
</table>
Employment Change by Tract Type and Census Division, 2002-2011 (full period)

Census Division

- New England
- Mid Atlantic
- East North Central
- South Atlantic
- East South Central
- West North Central
- West South Central
- Mountain
- Pacific

Employment Growth (2002-2011)

- CBD
- Inner City
- Suburban
Employment Change by Tract Type and Census Division, 2009-2011 (post recession)

-3.0%  -2.0%  -1.0%  0.0%  1.0%  2.0%  3.0%  4.0%  5.0%  6.0%  7.0%

New England  Mid Atlantic  East North Central  South Atlantic  East South Central  West North Central  West South Central  Mountain  Pacific

Employment Growth, 2009-2011

CBD, Inner-city, Suburban
Post Recession Net Inner City Employment Change (2009-11) by 1990 Tract Poverty Status Threshold

<table>
<thead>
<tr>
<th>1990 Inner City Census Tract Poverty Status Threshold</th>
<th>Below</th>
<th>Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>603,235</td>
<td>493,147</td>
</tr>
<tr>
<td>Concentrated (20%)</td>
<td>715,155</td>
<td>381,227</td>
</tr>
<tr>
<td>Extreme (40%)</td>
<td>849,921</td>
<td>246,461</td>
</tr>
</tbody>
</table>
Industry Restructuring in Inner Cities

Net Employment Change

Health Care and Social Assistance (62)
Educational Srvs. (61)
Accommodation and Food Srvs. (72)
Professional and Technical Srvs. (54)
Public Administration (92)
Finance and Insurance (52)
Other Services (81)
Management of Companies and Ent. (55)
Administrative and Support Srvs. (56)
Arts, Entertainment, and Recreation (71)
Retail Trade (44-45)
Information (51)
Wholesale Trade (42)
Construction (23)
Manufacturing (31-33)

‘Eds and Meds’

Full Period (2002-11)
Are Inner Cities Competitive Again?

- We define regions with “competitive” inner cities.
- Then look at characteristics of MSAs with competitive inner cities versus all other MSAs.
Are Inner Cities Competitive Again?

Defining Competitiveness: Increasing Share of metro jobs in growing MSAs -120/280 Yes!
What are the determinants of job growth within the inner city?

• Tract level OLS regression using all inner city tracts.

• Dependent Variable: Net Change in Jobs

• Predictors: Location factors, poverty rate, accessibility and policy factors.

\[ \Delta \text{emp}^i,c = \alpha^c + \beta^d \text{distCBD}^i,c + \beta^e \text{emp}^i,c + \beta^r \text{res}^i,c + \beta^l \text{loc}^i,c + \beta^p \text{pol}^i,c + \epsilon^i \]
What are the determinants of job growth within the inner city?

Dependent Variable: Change in log tract employment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Association</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>log Distance to CBD</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>log Employment 2002</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>log Population 2000</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Change in log pop in neighboring tracts, 2000-2010</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Poverty Rate, 2000</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>Change in Share with College Degree, 2000-2010</td>
<td>+</td>
<td>N</td>
</tr>
<tr>
<td>Share of occupied housing with new residents, 2000-2010</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Share of housing units built between 2000 and 2010</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Residential density (Units/Acre)</td>
<td>-</td>
<td>N</td>
</tr>
<tr>
<td>Industrial diversity index (5 category entropy index)</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Automobile Accessibility (links per square mile)</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Pedestrian Accessibility (links per square mile)</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>Public transit stop in tract?</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>Low Income Housing Tax Credit Development in Tract?</td>
<td>+</td>
<td>N</td>
</tr>
<tr>
<td>Empowerment Zone/Renewal Community?</td>
<td>+</td>
<td>Y</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.2309</td>
<td></td>
</tr>
<tr>
<td>( N )</td>
<td>11,837</td>
<td></td>
</tr>
</tbody>
</table>
Conclusions

• Significant Net Employment Growth In Inner Cities between 2002 and 2011
• Significant number of metros have competitive inner cities
• Eds and Meds Drive Growth
• Employment growth associated with indicators of gentrification
• High poverty areas still a barrier
• Suggests ongoing need for targeting ED policy to areas of highest need.