



State of the Inner City Economies: New Learning

Prof. Michael E. Porter

**3rd Annual Inner City Economic Forum
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**Sponsored by the Economic Development Administration,
U.S. Department of Commerce**

Agenda



- **Profiling the Inner City Economy**

- Defining the Inner City
- Inner City Residents
- Inner City Economies
 - Composition
 - Inner Cities vs. the Region

- **Characteristics of Successful Inner Cities**

- Job Growth
- Wage Level
- Wage Growth

Defining Inner City Boundaries



Inner cities are defined as **core urban areas that are economically distressed.**

Specifically, those census tracts within the central city area of a Metropolitan Statistical Area (MSA) characterized by:

- 20% or higher poverty rate

OR

- Poverty rate of 1.5 times or more that of the surrounding MSA
- Median household income of half or less that of the surrounding MSA
- Unemployment rate of 1.5 times or more that of the surrounding MSA

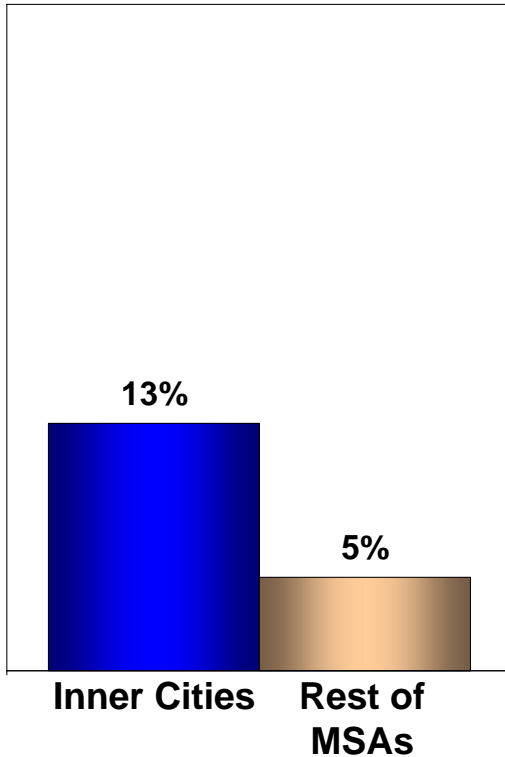


Resident Prosperity

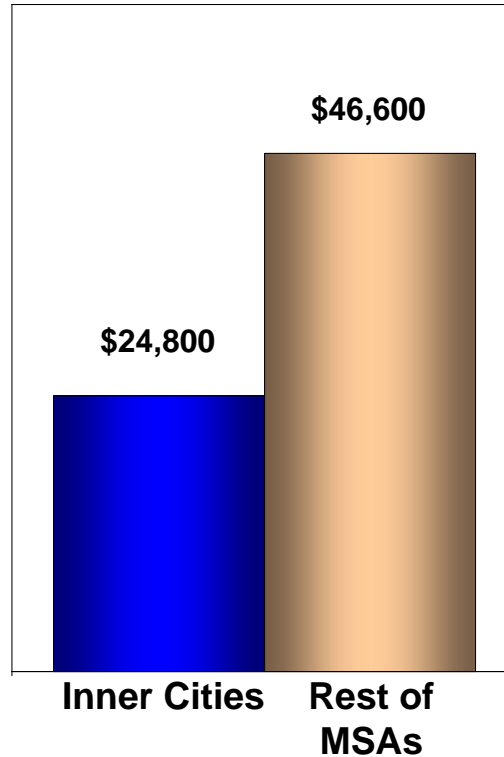
100 Largest Cities, 2000



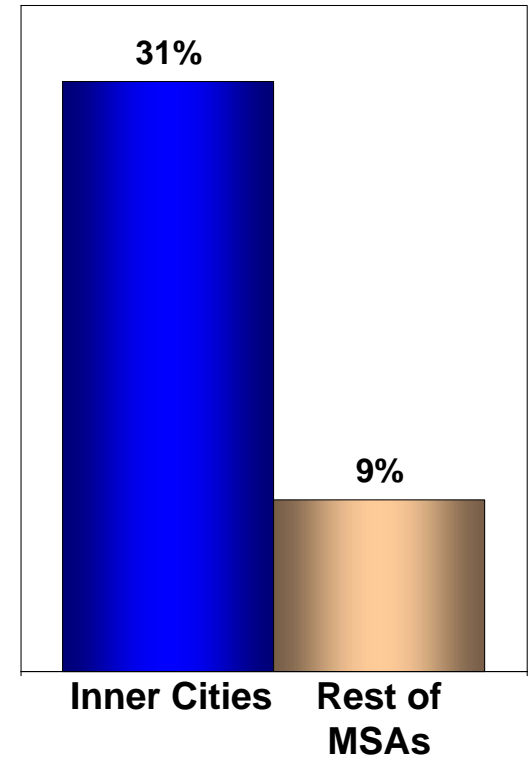
Unemployment Rate



Median Income



Poverty Rate



*Rest of MSA data is exclusive of the inner city.
Source: State of the Inner City Economies, ICIC

Ranking Inner City Prosperity

Worst-Performing Cities, 2000

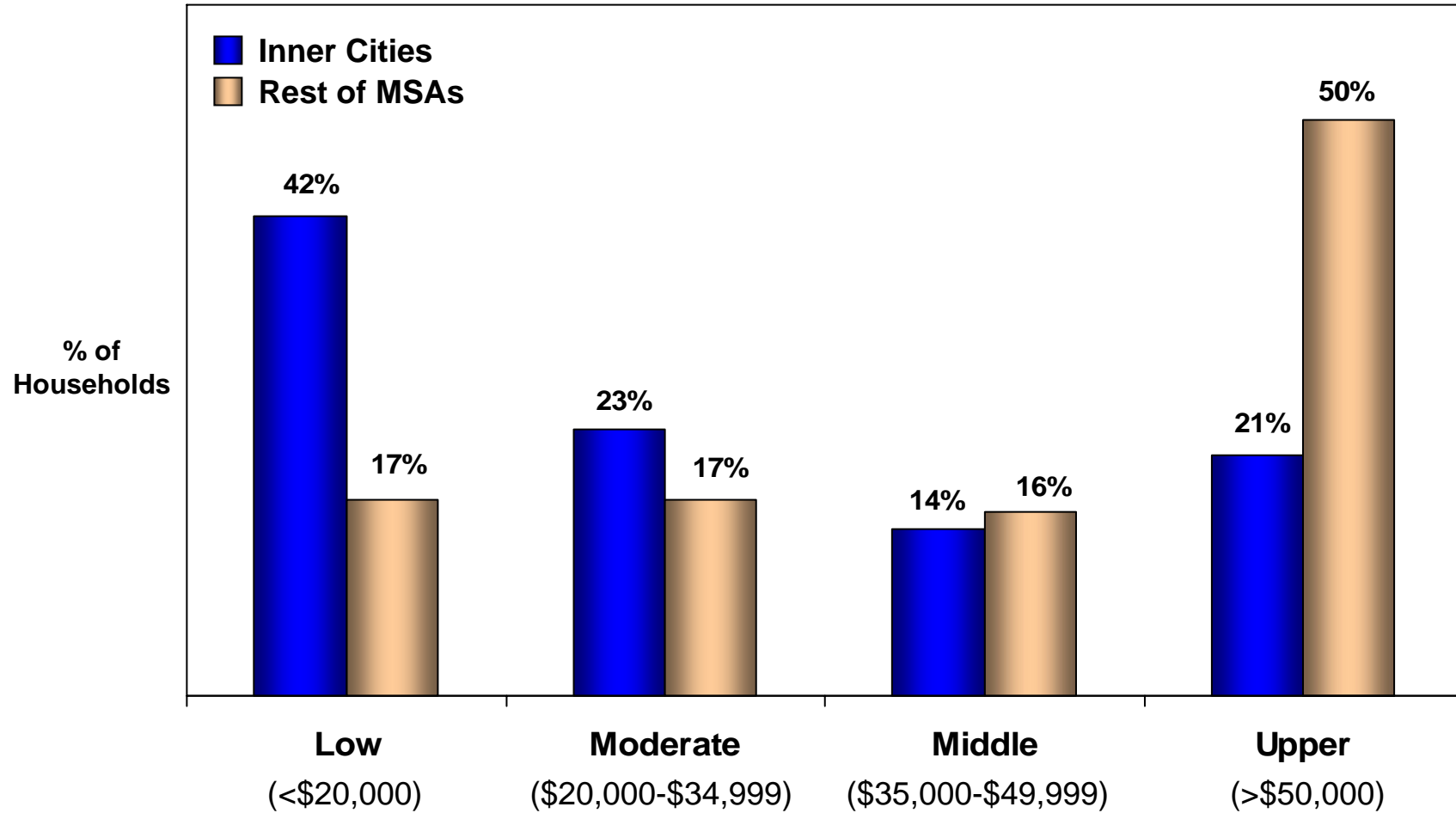


Name	Poverty Rate	Rank	Unemployment Rate	Rank	Median Income	Rank
Columbus GA	38%	1	13%	28	\$ 17,596	100
New Orleans	38%	2	13%	41	\$ 19,891	95
Orlando	38%	3	11%	56	\$ 18,972	98
Fresno	37%	4	16%	10	\$ 23,428	61
Long Beach	37%	5	15%	14	\$ 23,969	55
Mobile	37%	6	13%	30	\$ 19,460	97
Manhattan - Bronx	37%	7	17%	3	\$ 22,478	73
Shreveport	36%	8	15%	11	\$ 20,096	93
Baton Rouge	36%	9	13%	42	\$ 20,053	94
Montgomery	36%	10	13%	29	\$ 20,823	91
Louisville	35%	11	12%	46	\$ 19,841	96
Miami	35%	12	15%	18	\$ 18,890	99
Cincinnati	34%	13	12%	50	\$ 21,032	89
Newark	34%	14	19%	2	\$ 22,226	77
Bakersfield	34%	15	15%	17	\$ 23,125	64
San Bernardino	34%	16	14%	20	\$ 25,196	42
Cleveland	34%	17	14%	19	\$ 20,857	90
San Diego	33%	18	12%	54	\$ 24,883	44
Los Angeles	33%	19	13%	37	\$ 24,050	53
Atlanta	33%	20	16%	9	\$ 23,335	62
El Paso	33%	21	13%	36	\$ 22,247	76
Stockton	33%	22	16%	7	\$ 26,408	33
Durham	33%	23	10%	69	\$ 22,054	80
Norfolk	33%	24	13%	38	\$ 21,698	83
Birmingham	33%	25	16%	6	\$ 20,603	92
Average, 100 Inner Cities	31%	-	13%	-	\$ 24,838	-

Note: Resident prosperity rankings are out of 100 inner cities
 Source: State of the Inner City Economies, ICIC

Household Income Distribution

100 Largest Cities, 2000



*MSA data shown is exclusive of the inner city.
Source: State of the Inner City Economies, ICIC



Resident Profile

Inner Cities vs. MSAs, 2000

	Inner Cities	Rest of MSAs
High School Attainment	60%	84%
College Attainment	12%	30%
Minority Population	81%	32%
Population 25 and under	42%	34%
Homeownership Rate	35%	67%
Income Density (\$M per square mile)	\$74M	\$9M

*Note: Inner City and Metropolitan Area are exclusive categories. Household is as defined by the U.S. Census.

Source: State of the Inner City Economies, ICIC

The Inner City Economy

Overview of Largest Cities, 2003



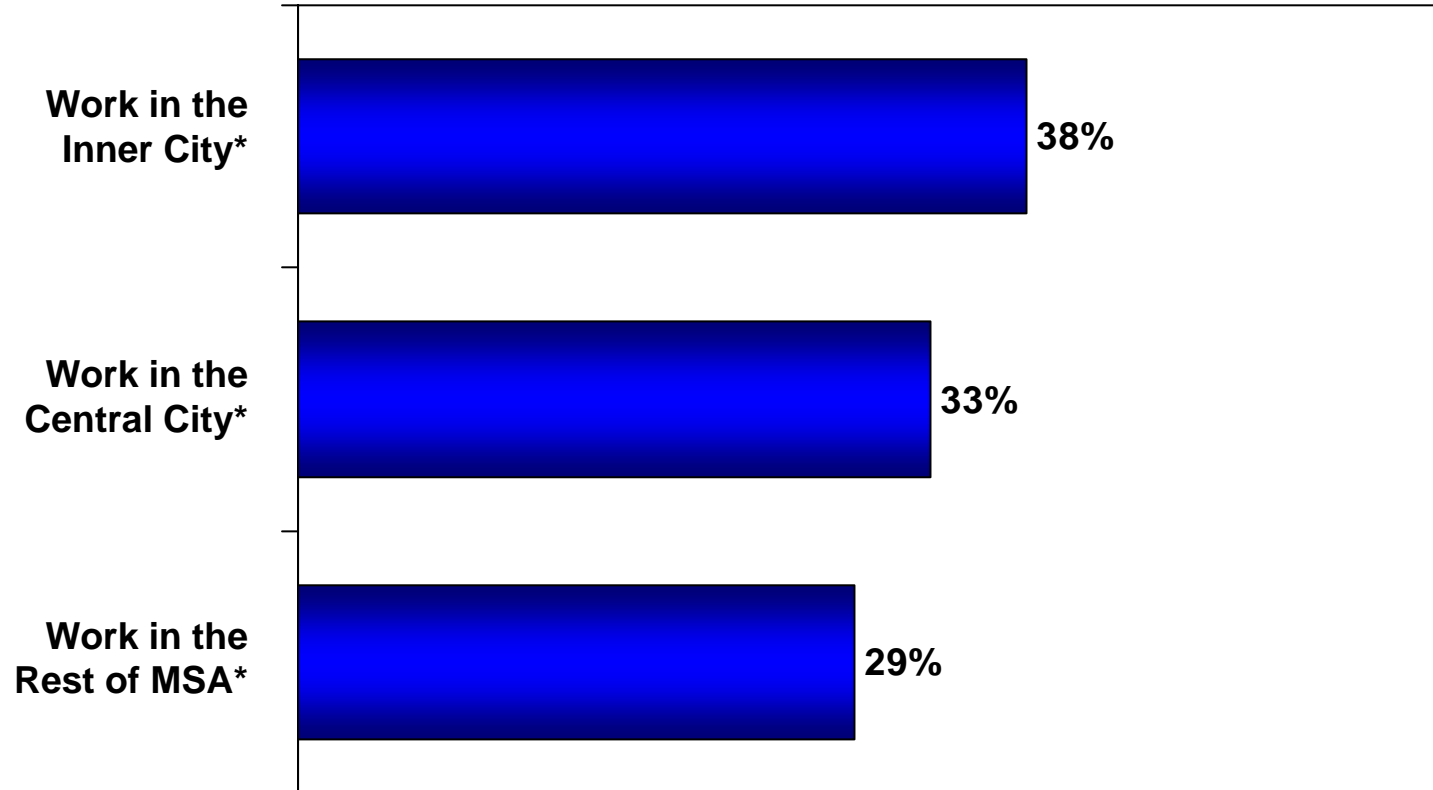
Inner Cities

- 8.3 million jobs
- 8% of U.S. private employment
- Average wage of \$39,300

Rest of MSAs

- 64.2 million jobs
- 62% of U.S. private employment
- Average wage of \$41,399

Where Do Inner City Residents Work? 100 Largest Cities, 2000



Over 70% of inner city residents work in or near the inner city.

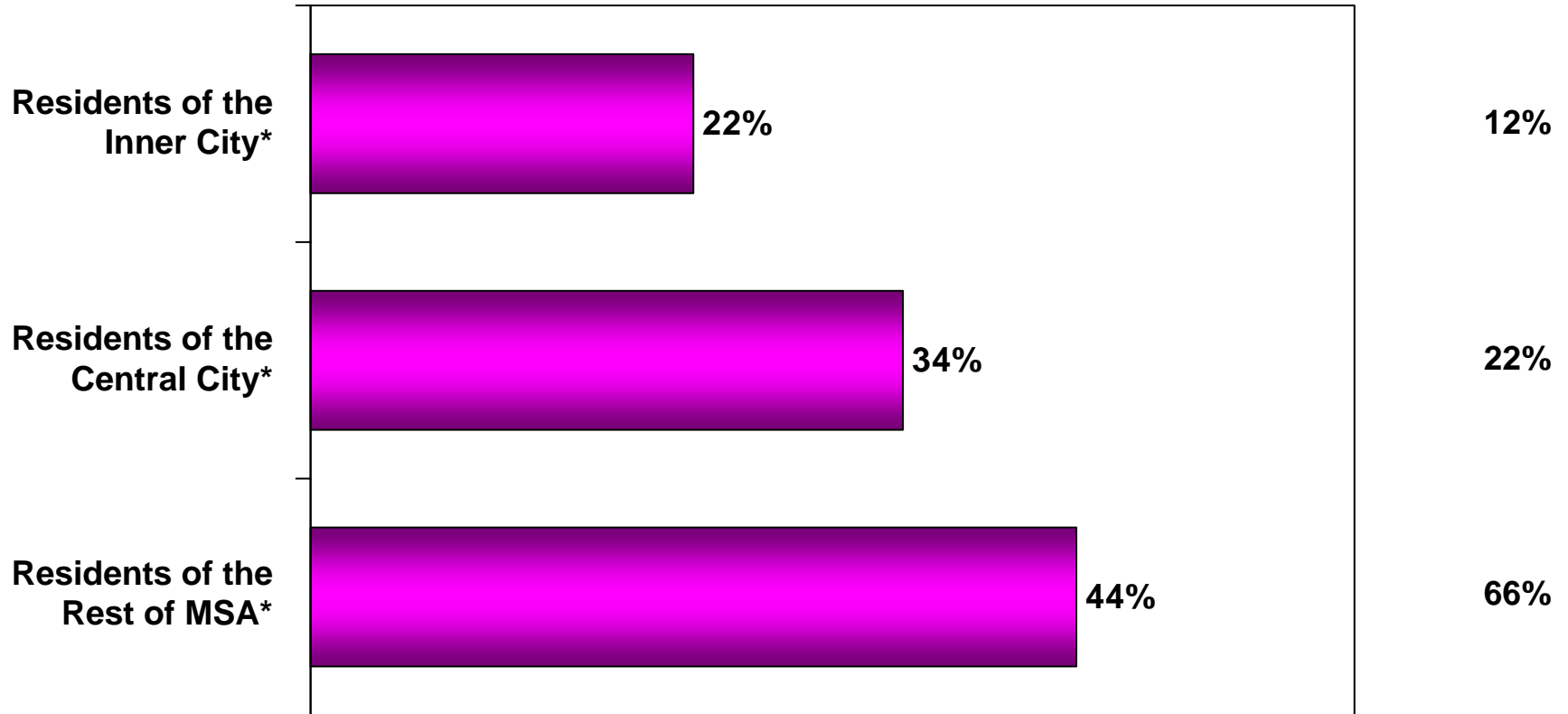
* All exclusive categories

Source: State of the Inner City Economies, ICIC

Who Holds the Jobs Located in Inner Cities? 100 Largest Cities, 2000



% of
working
age
residents in
each area

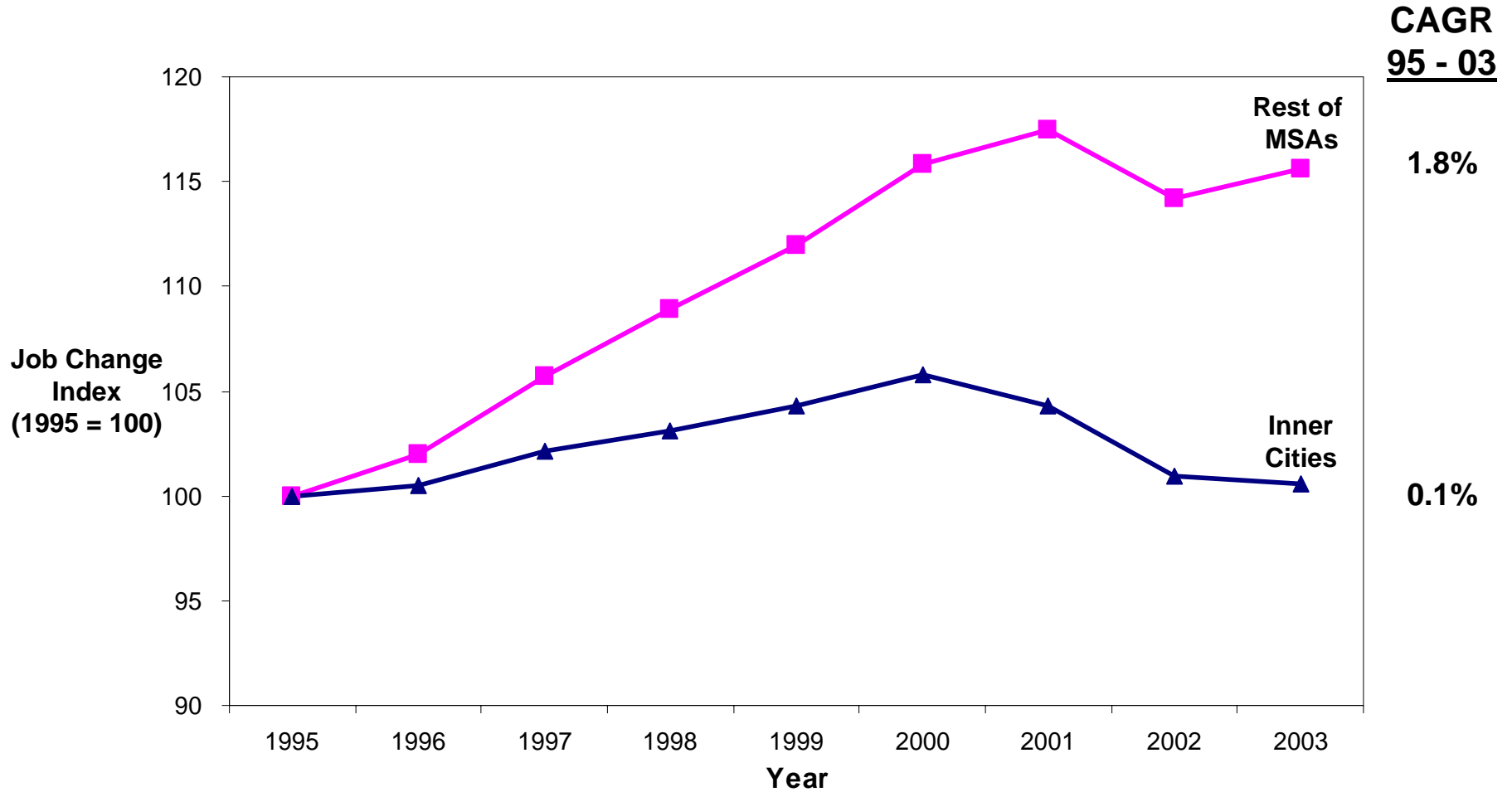


More than 75% of inner city jobs are held by residents living outside the inner city.

* All exclusive categories

Job Growth, 1995 – 2003

Inner Cities vs. MSAs

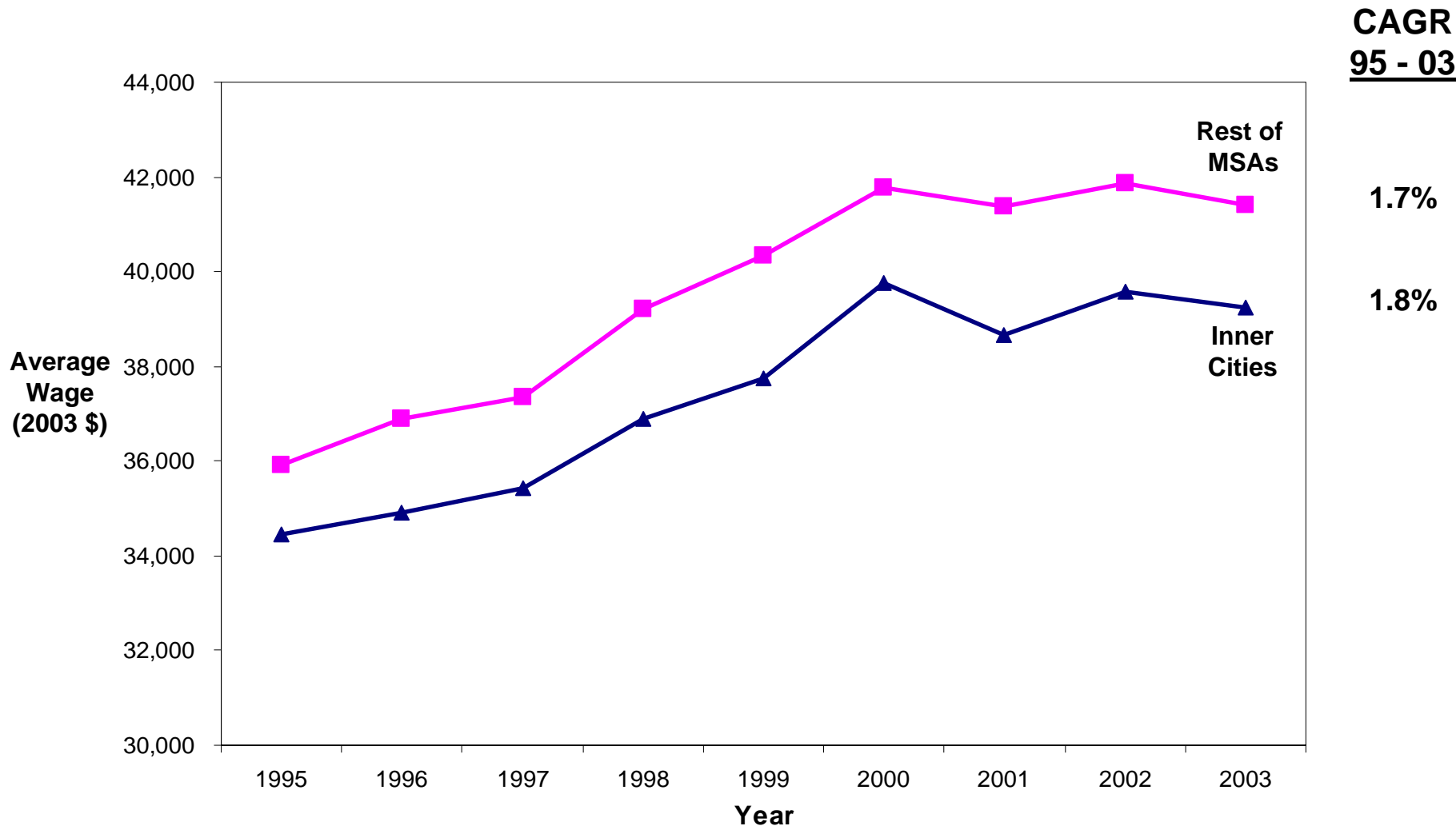


* All exclusive categories

Source: State of the Inner City Economies, ICIC

Wage Growth, 1995 – 2003

Inner Cities vs. MSAs

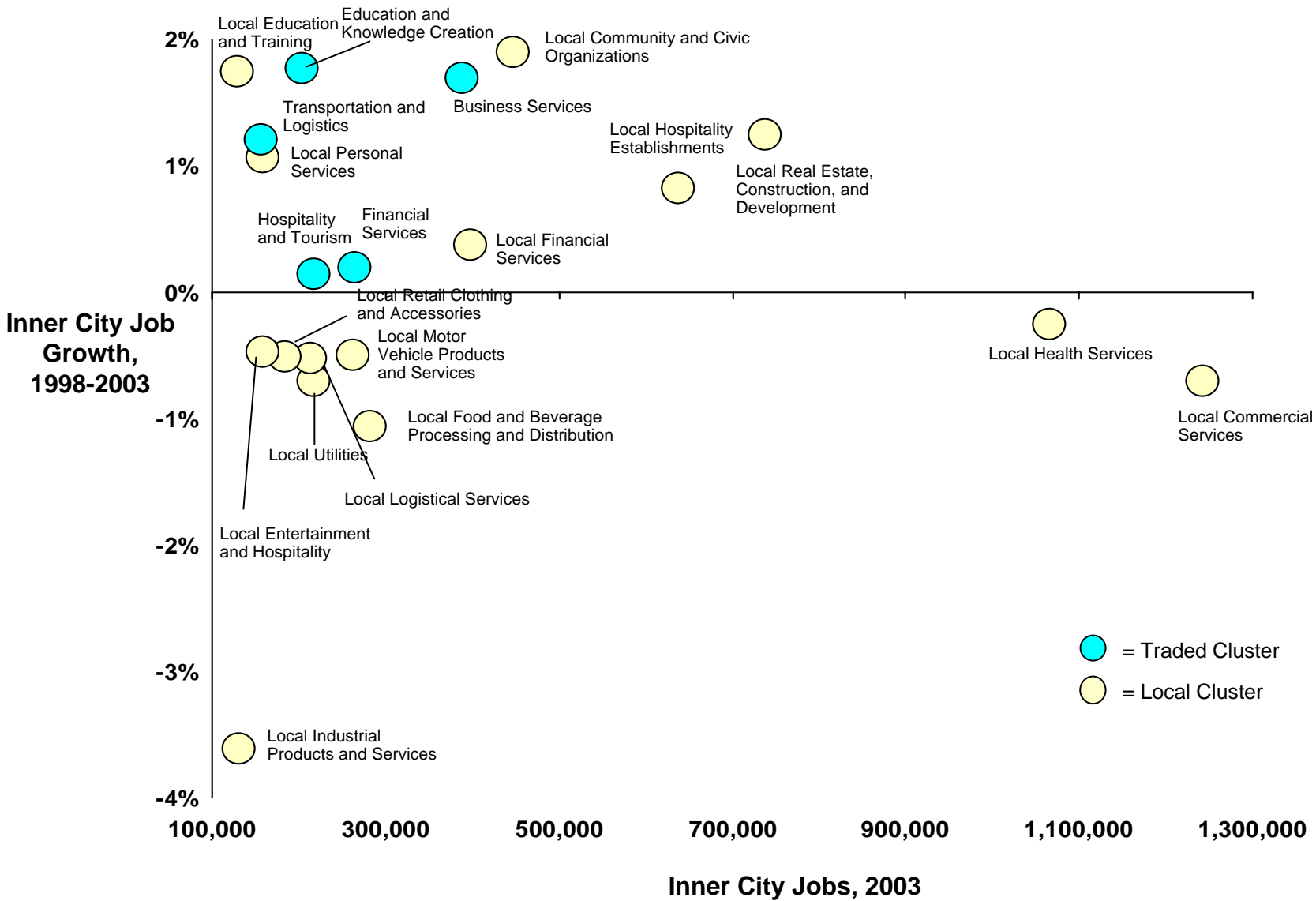


* All exclusive categories

Source: State of the Inner City Economies, ICIC

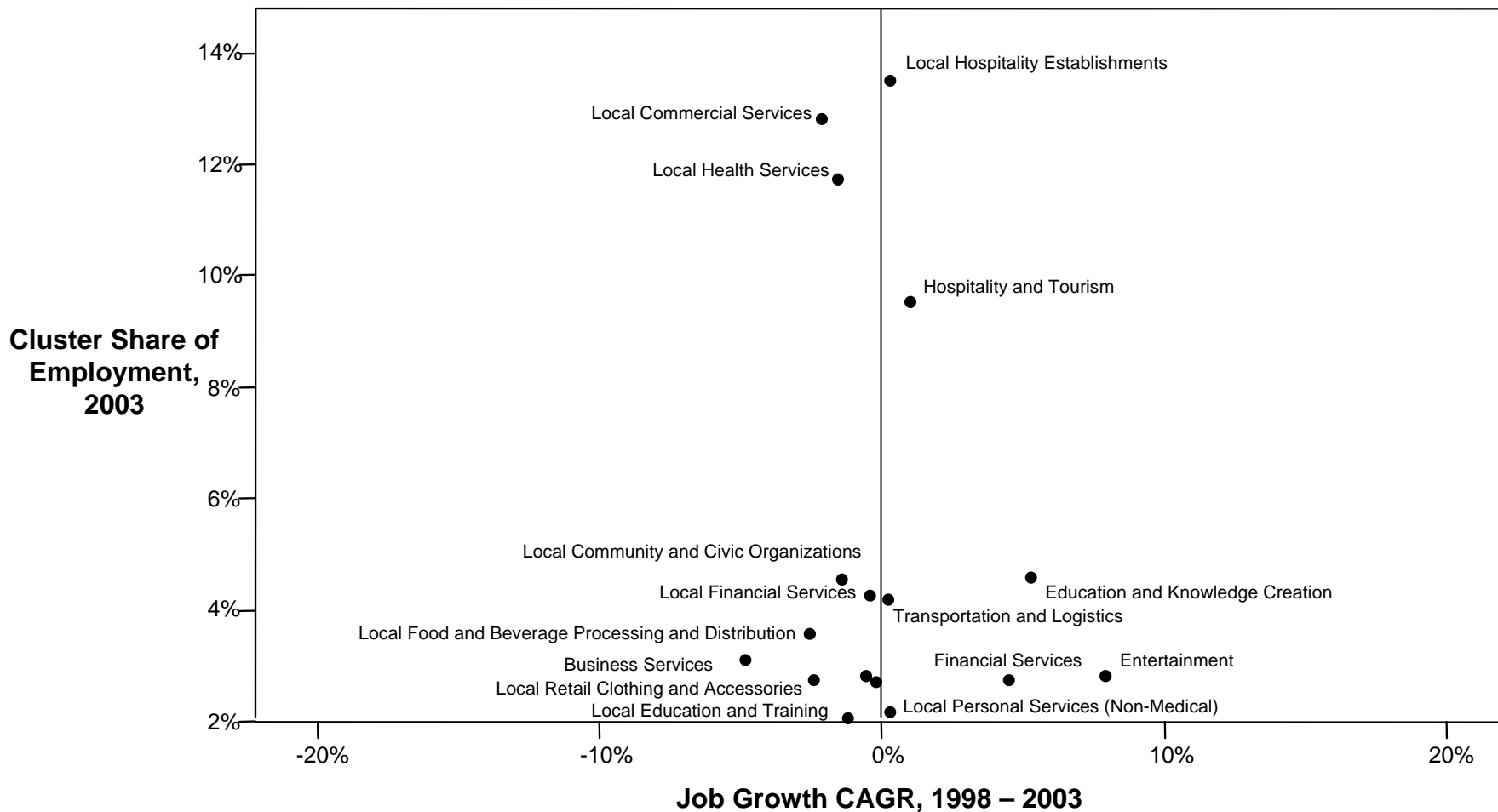
Inner City Cluster Size and Growth

100 Largest Cities, Top 20 Clusters



Inner City Cluster Size and Growth

New Orleans

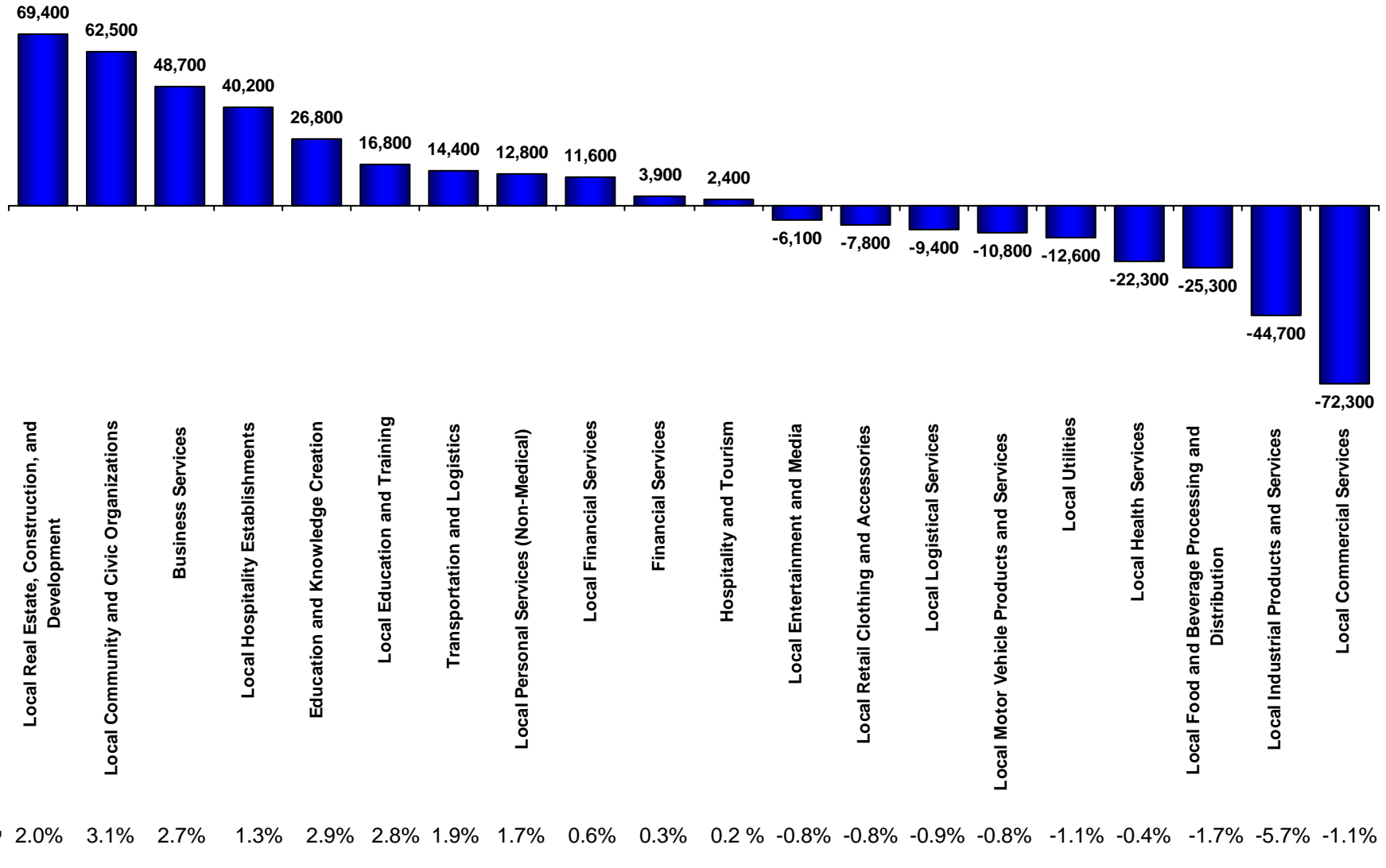


Note: Clusters with a smaller share of inner city employment than 2% are excluded.

Source: State of the Inner City Economies, ICIC

Inner City Job Gains and Losses

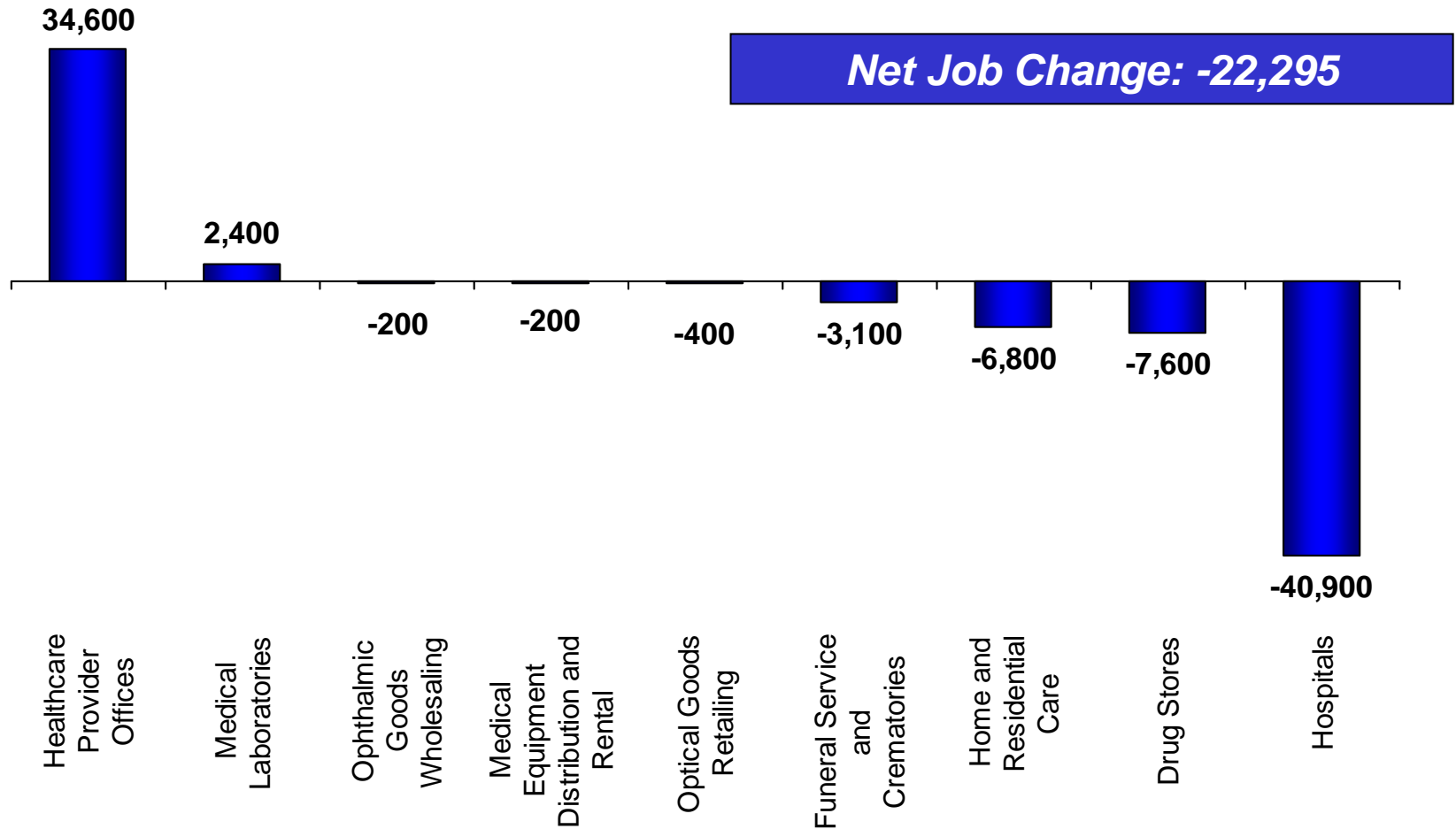
Largest 20 Clusters, 1998 – 2003



**CAGR,
98-03**

Inner City Health Services Cluster

Job Growth by Subcluster, 1998 – 2003

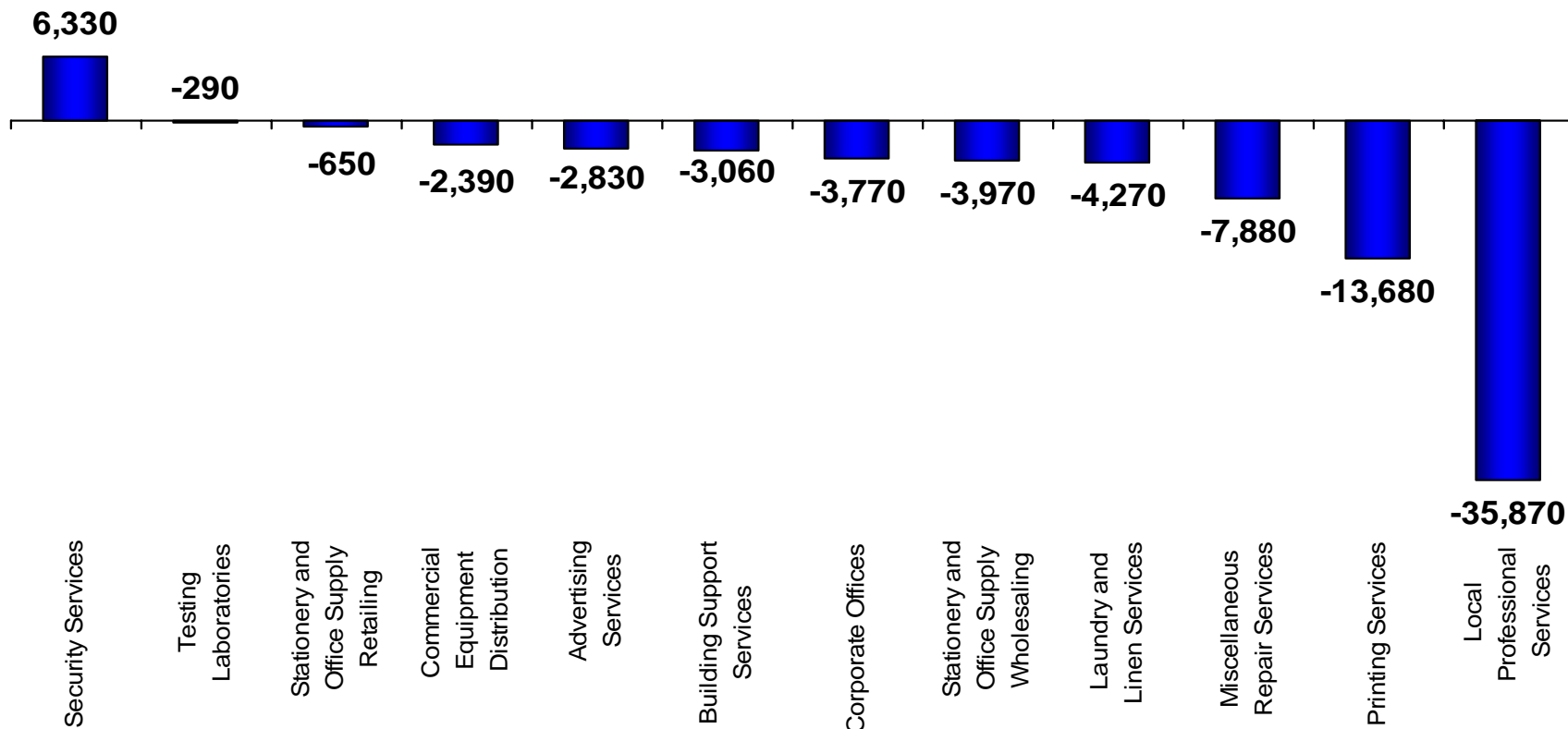


Inner City Local Commercial Services Cluster

Job Growth by Subcluster, 1998 – 2003

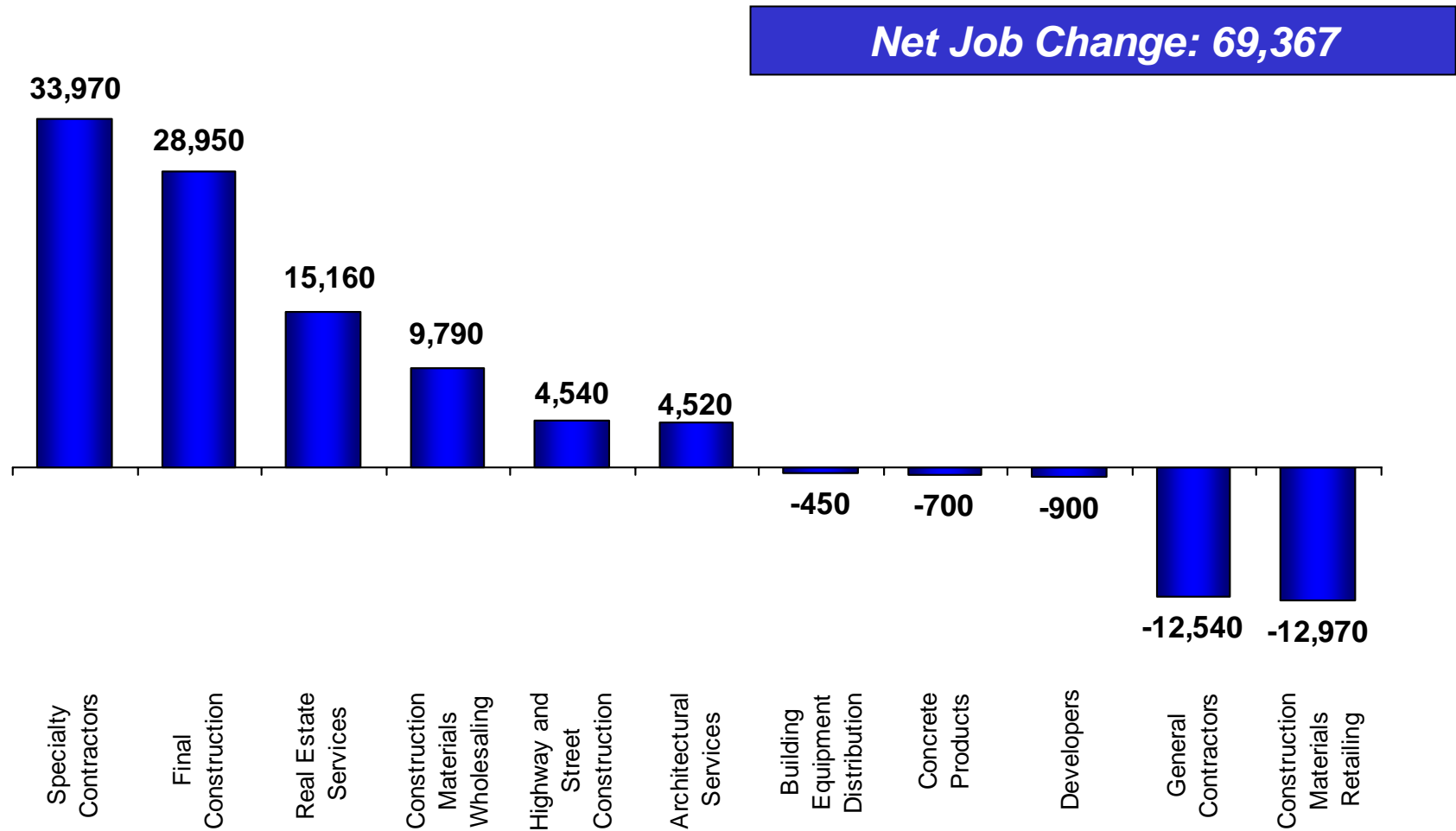


Net Job Change: -72,333



Inner City Local Real Estate, Construction and Development Cluster

Job Growth by Subcluster, 1998 – 2003

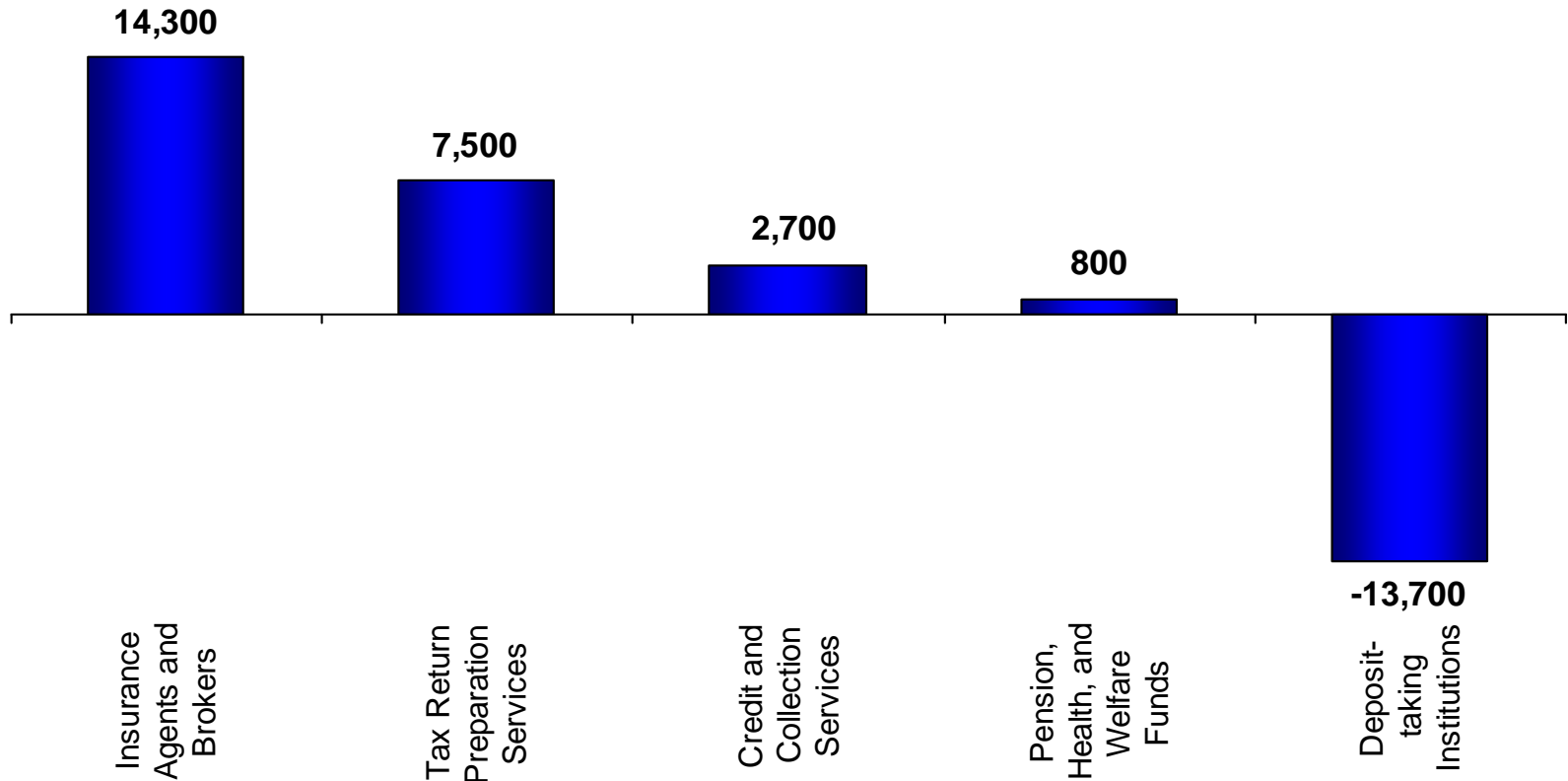


Inner City Local Financial Services Cluster

Job Growth by Subcluster, 1998 – 2003



Net Job Change: 11,622

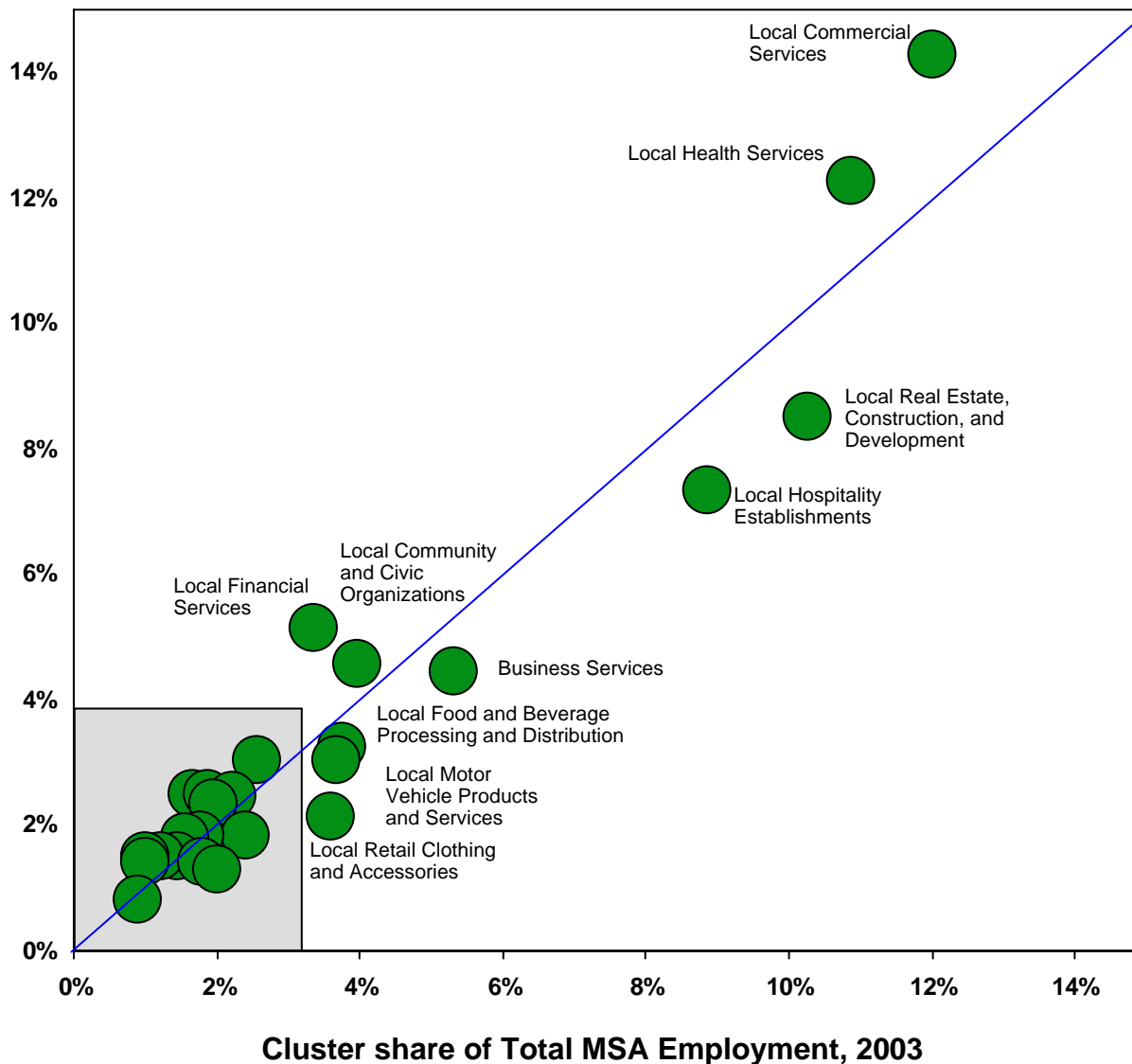


Leading Clusters: Inner Cities vs. MSAs

100 Largest Cities, 2003

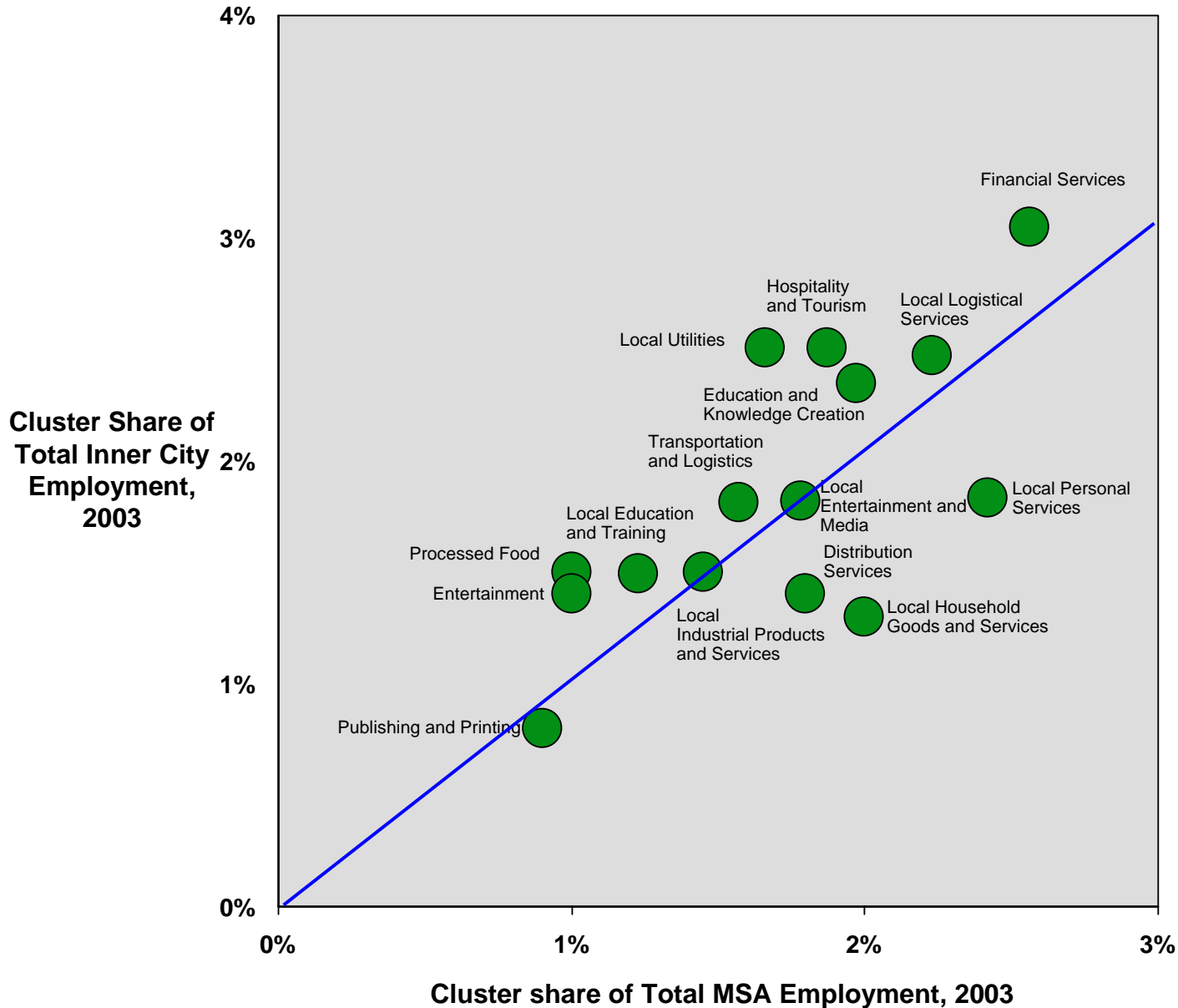


**Cluster Share of
Total Inner City
Employment,
2003**



Leading Clusters: Inner Cities vs. MSAs

100 Largest Cities, 2003



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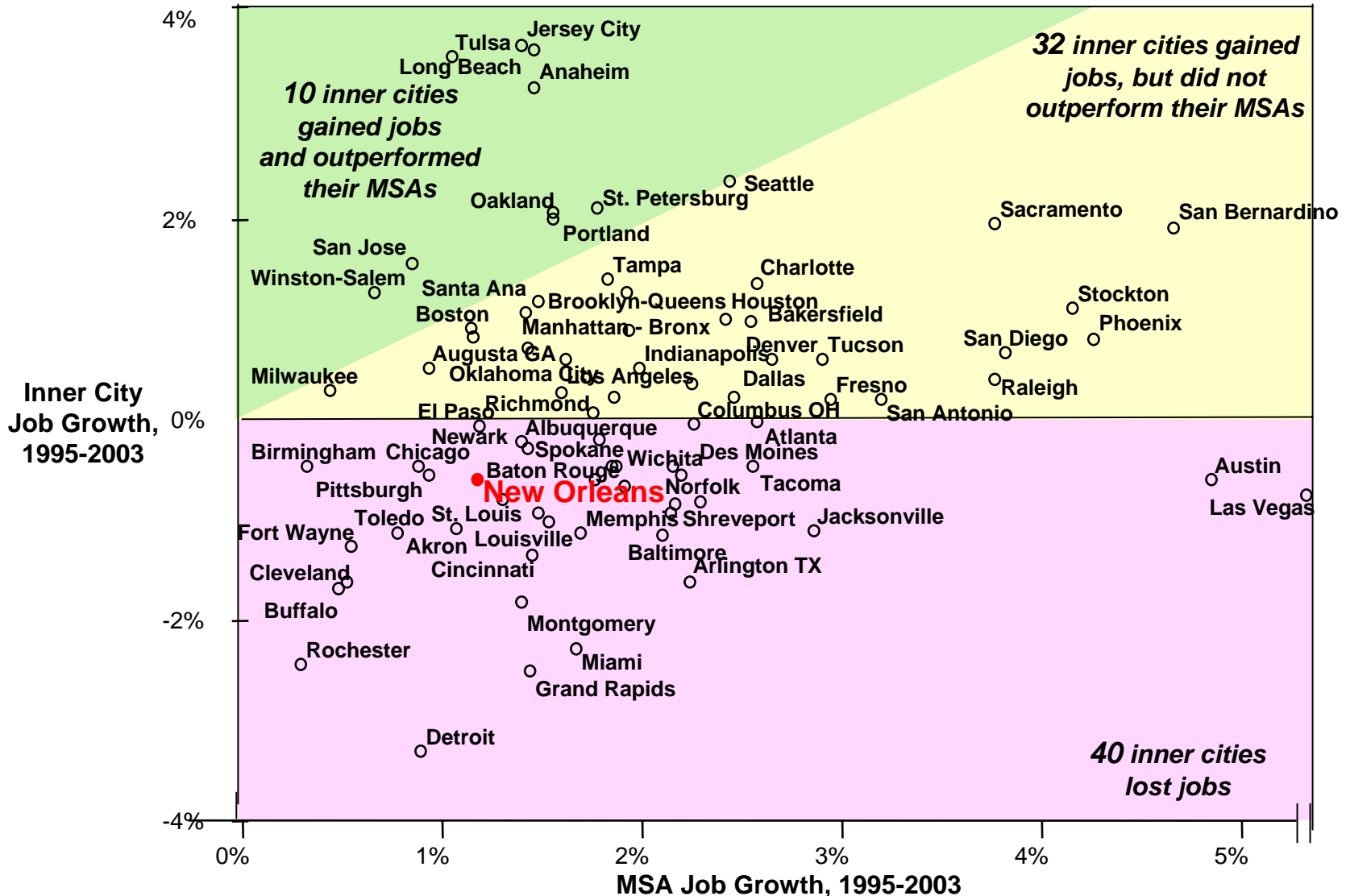
• **Characteristics of Successful Inner Cities**

- Job Growth
- Wage Level
- Wage Growth



Job Growth

Inner Cities vs. MSAs, 1995 – 2003*



*Only cities with population above 50,000 are shown (82 cities)
Source: State of the Inner City Economies, ICIC

Inner City Job Growth

25 Fastest-Growing Inner Cities



Name	Inner City Job Growth CAGR 95 - 03	Job Growth Rank
Jersey City	3.8%	1
Long Beach	3.7%	2
Tulsa	3.6%	3
Anaheim	3.3%	4
Seattle	2.4%	5
St. Petersburg	2.1%	6
Oakland	2.1%	7
Portland	2.0%	8
Sacramento	2.0%	9
San Bernardino	1.9%	10
San Jose	1.6%	11
Tampa	1.4%	12
Charlotte	1.4%	13
Omaha	1.3%	14
Winston-Salem	1.3%	15
Santa Ana	1.2%	16
Stockton	1.1%	17
Brooklyn - Queens	1.1%	18
Houston	1.0%	19
Bakersfield	1.0%	20
Boston	0.9%	21
Lubbock	0.9%	22
Mobile	0.9%	23
Corpus Christi	0.8%	24
Phoenix	0.8%	25
Average	0.07%	-

Note: Rankings are out of 82 inner cities (those with inner city population > 50,000)

Source: State of the Inner City Economies, ICIC

What Causes Inner City Job Growth?

Demographics



	Job Gaining Inner Cities	Job Losing Inner Cities
% Minority	83%	78%
High School Attainment	57%	64%
College Attainment	12%	12%
% Immigrant*	31%	12%

***Result is statistically significant at the 95% level.**

Note: All static data is from 2000. Change data is percentage point change between 1990 and 2000 (except population change, which is cumulative)

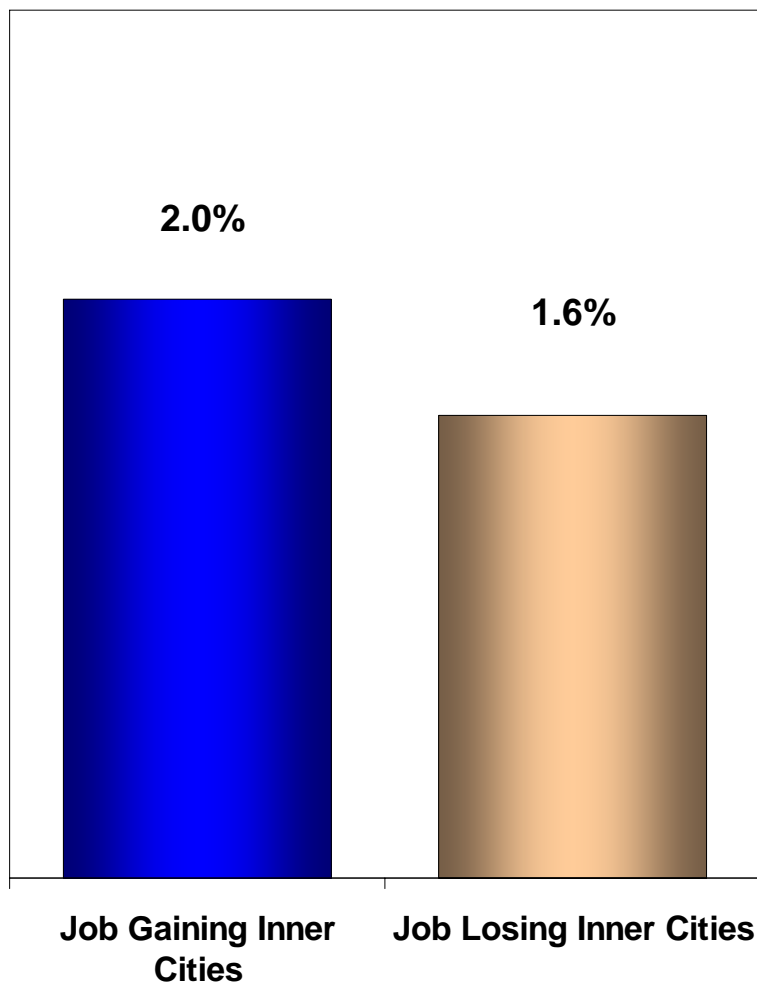
Source: State of the Inner City Economies, ICIC

What Causes Inner City Job Growth?

Regional Growth



Rest of MSA Job Growth CAGR,
1995 – 2003*



* Result is statistically significant at 95% level.

Source: State of the Inner City Economies, ICIC; Cluster Mapping Project, Institute for Strategy & Competitiveness, HBS

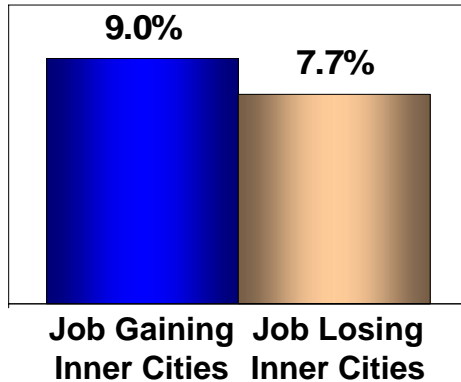
What Causes Inner City Job Growth?

Cluster Mix

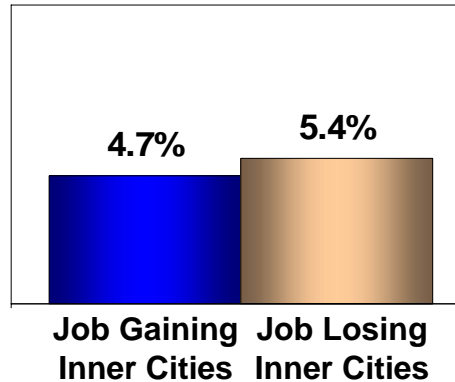


Employment Share, Top 5 Job Gaining Clusters, 2003

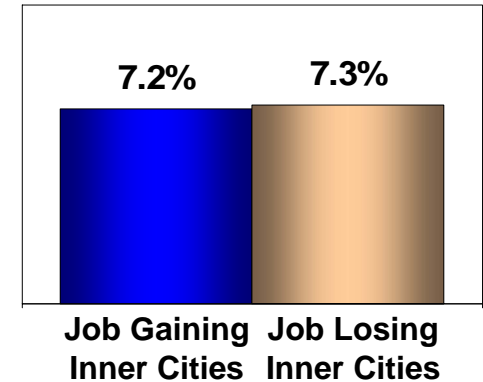
**Local Real Estate,
Construction, and
Development**



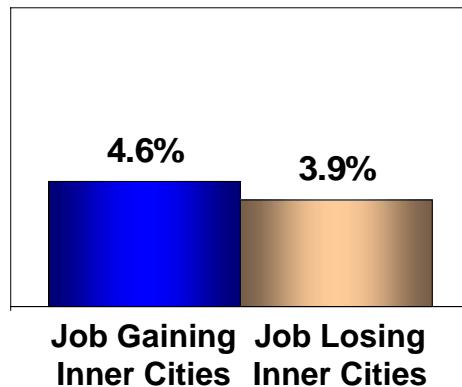
**Local Community and
Civic Organizations**



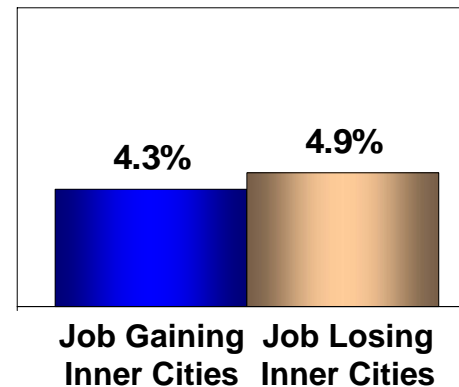
**Local Hospitality
Establishments**



Business Services



**Local Financial
Services**



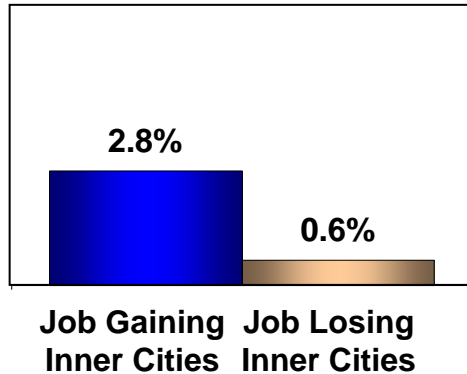
What Causes Inner City Job Growth?

Cluster Performance

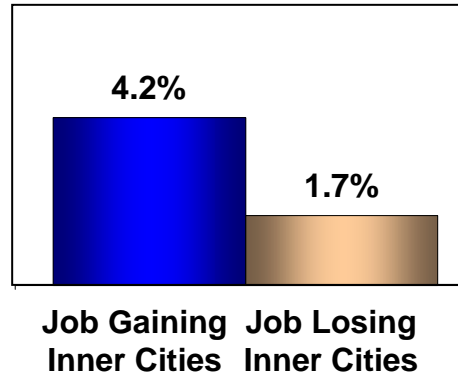


Job Growth, Top 5 Job Gaining Clusters, 1998 – 2003

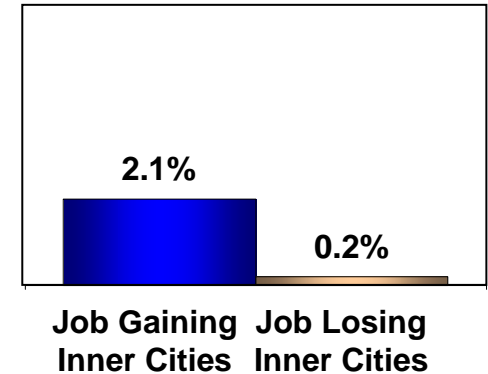
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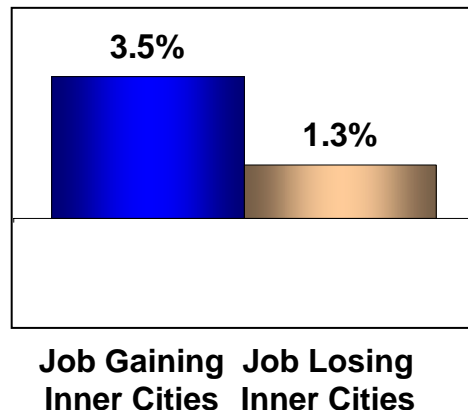
**Local Community and
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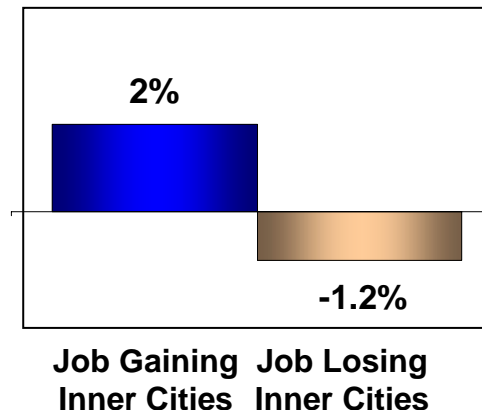
**Local Hospitality
Establishments**



Business Services



**Local Financial
Services**



What Causes Inner City Job Growth?

Cluster Mix vs. the Region



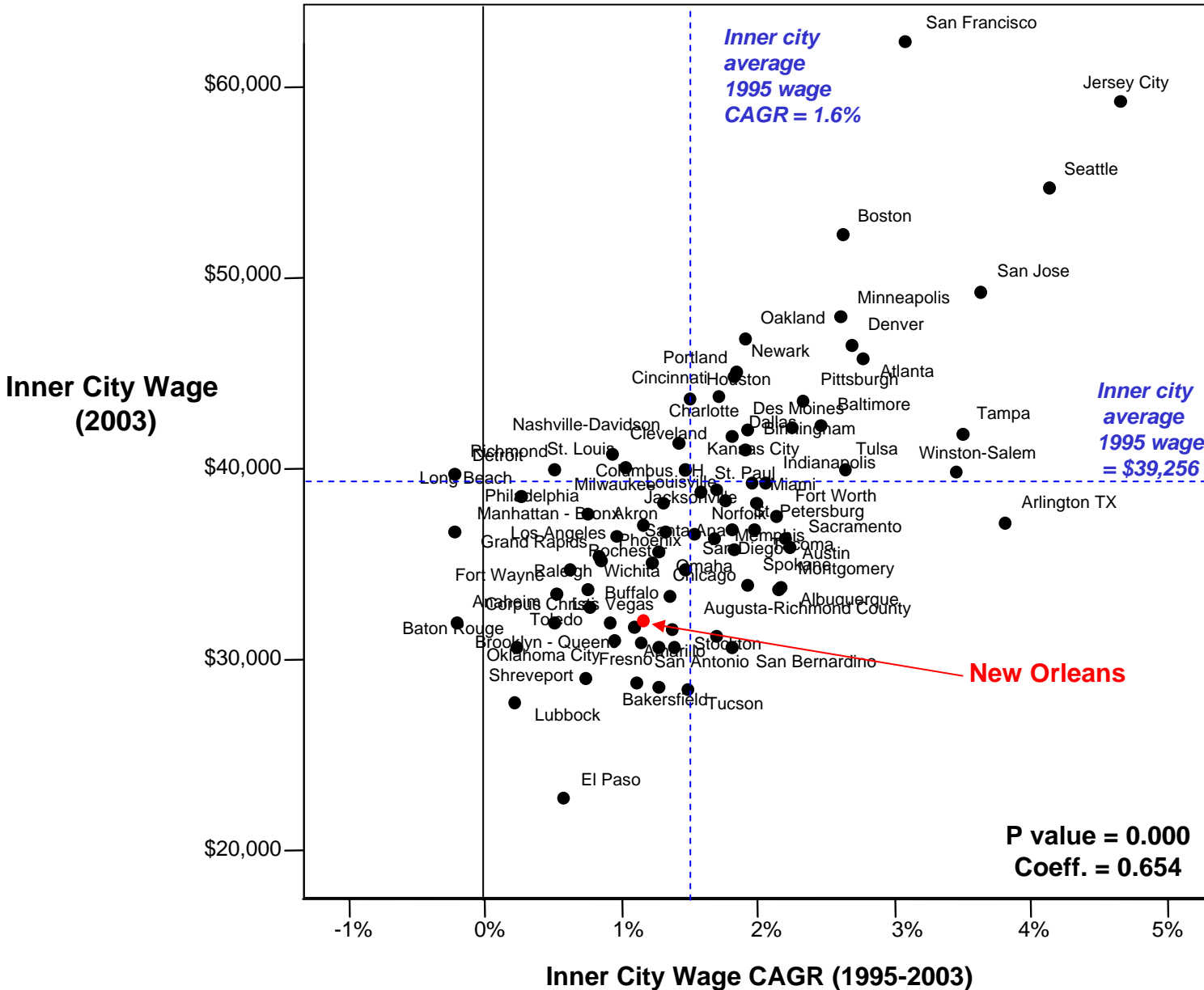
- Inner cities have a similar mix of clusters to the rest of the MSA in which they are located
- However, those inner cities with a more different mix of clusters register higher job growth

Difference in Cluster Mix vs. Inner City Job Growth

Coefficient: 0.347
P-value: 0.001

Inner City Wages and Wage Growth

100 Largest Cities, 2003



Source: State of the Inner City Economies, ICIC

What Causes High Inner City Wages?

Demographics



	Inner Cities with Above- Average Wages	Inner Cities with Below- Average Wages
% Minority	81%	81%
High School Attainment*	57%	54%
College Attainment*	16%	15%

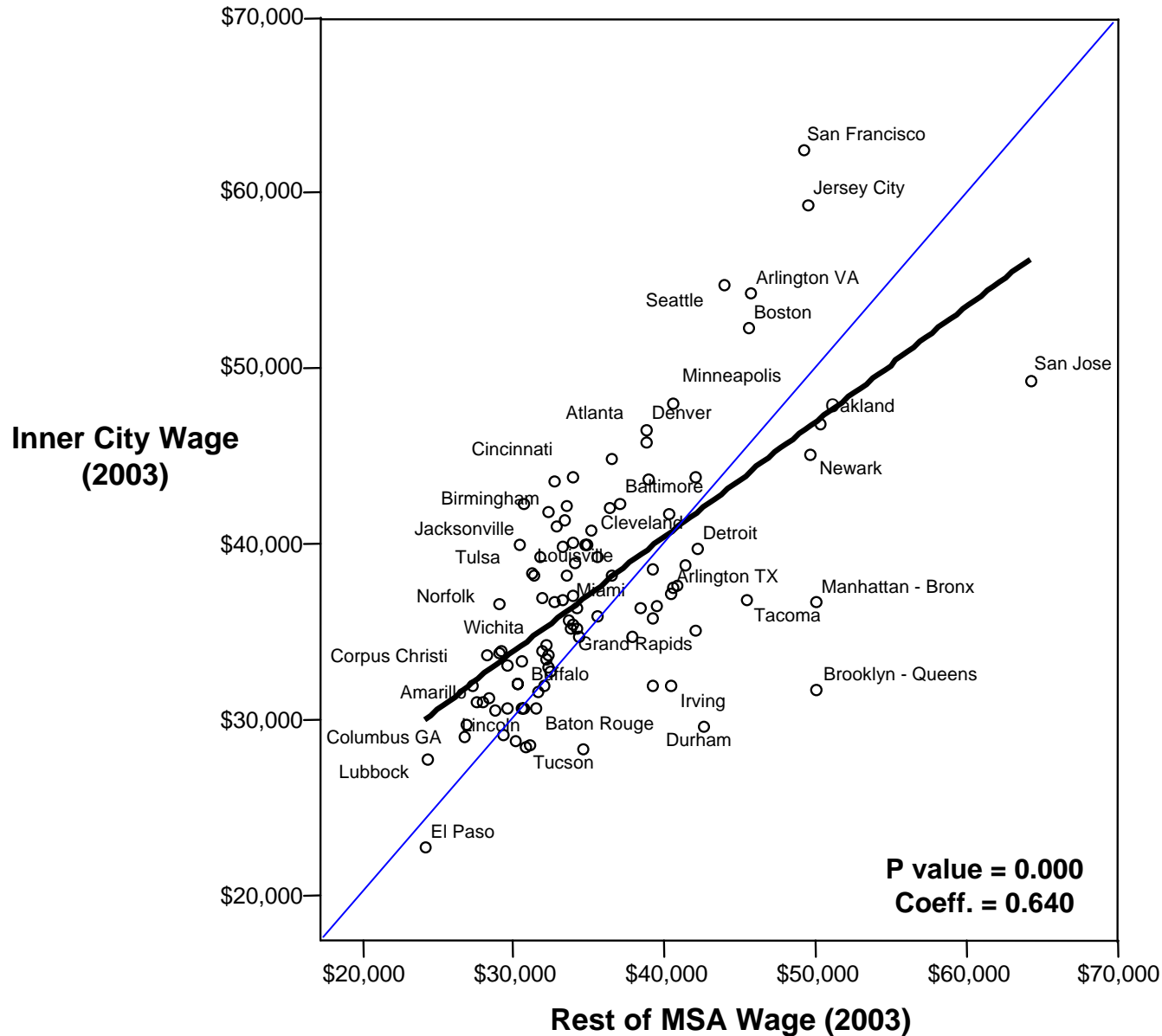
* Result is statistically significant at 95% level.

Note: All static data is from 2000. Change data is percentage point change between 1990 and 2000 (except population change, which is cumulative).

Source: State of the Inner City Economies, ICIC

What Causes High Inner City Wages?

Regional Wages



What Causes High Inner City Wages?

Cluster Mix vs. the Region



- Inner cities have a similar mix of clusters to the rest of the MSA in which they are located
- However, those inner cities with a more different mix of clusters register higher wages

Difference in Cluster Mix vs. Inner City Wages

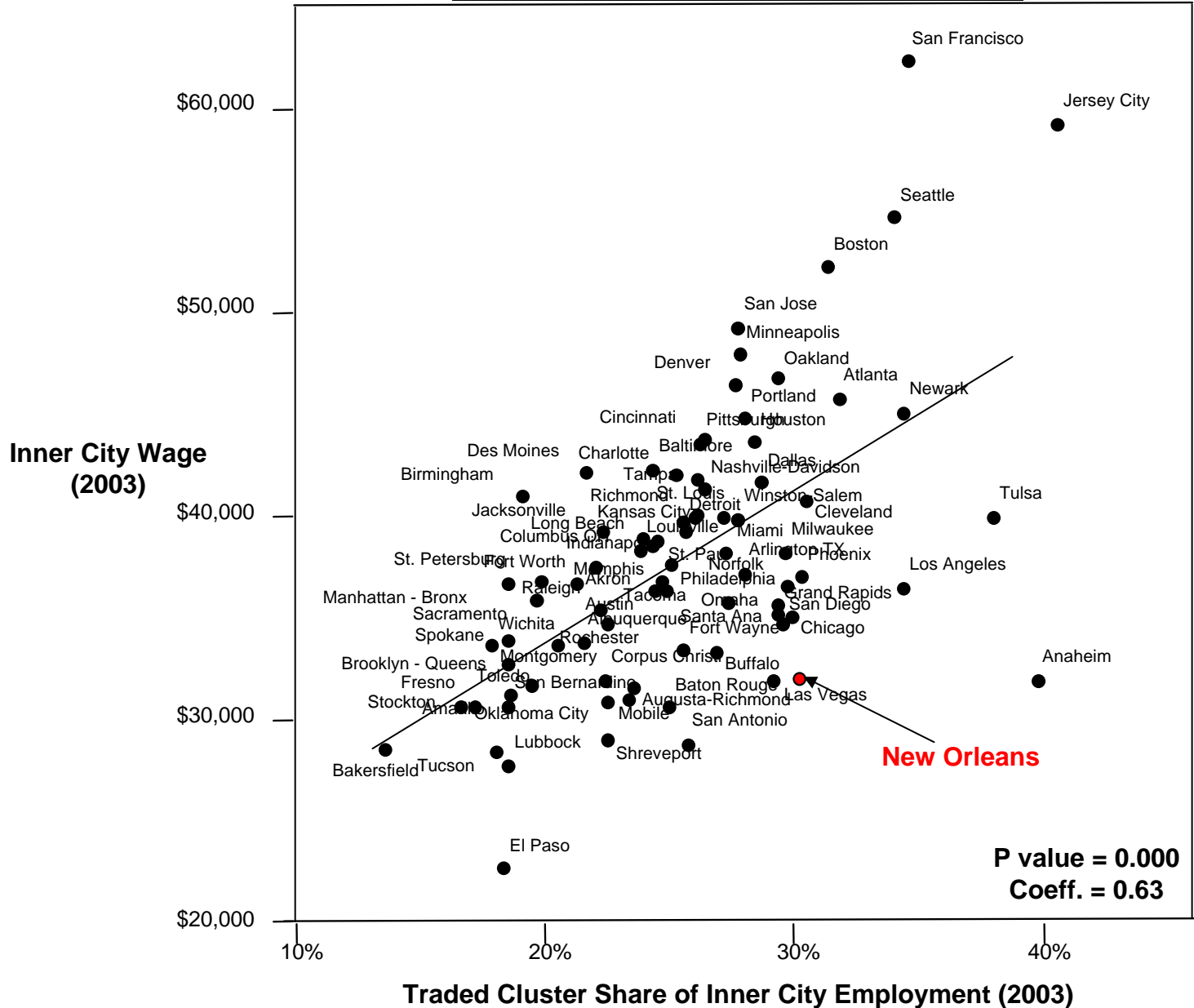
Coefficient: 0.385

P-value: 0.000



What Causes High Inner City Wages?

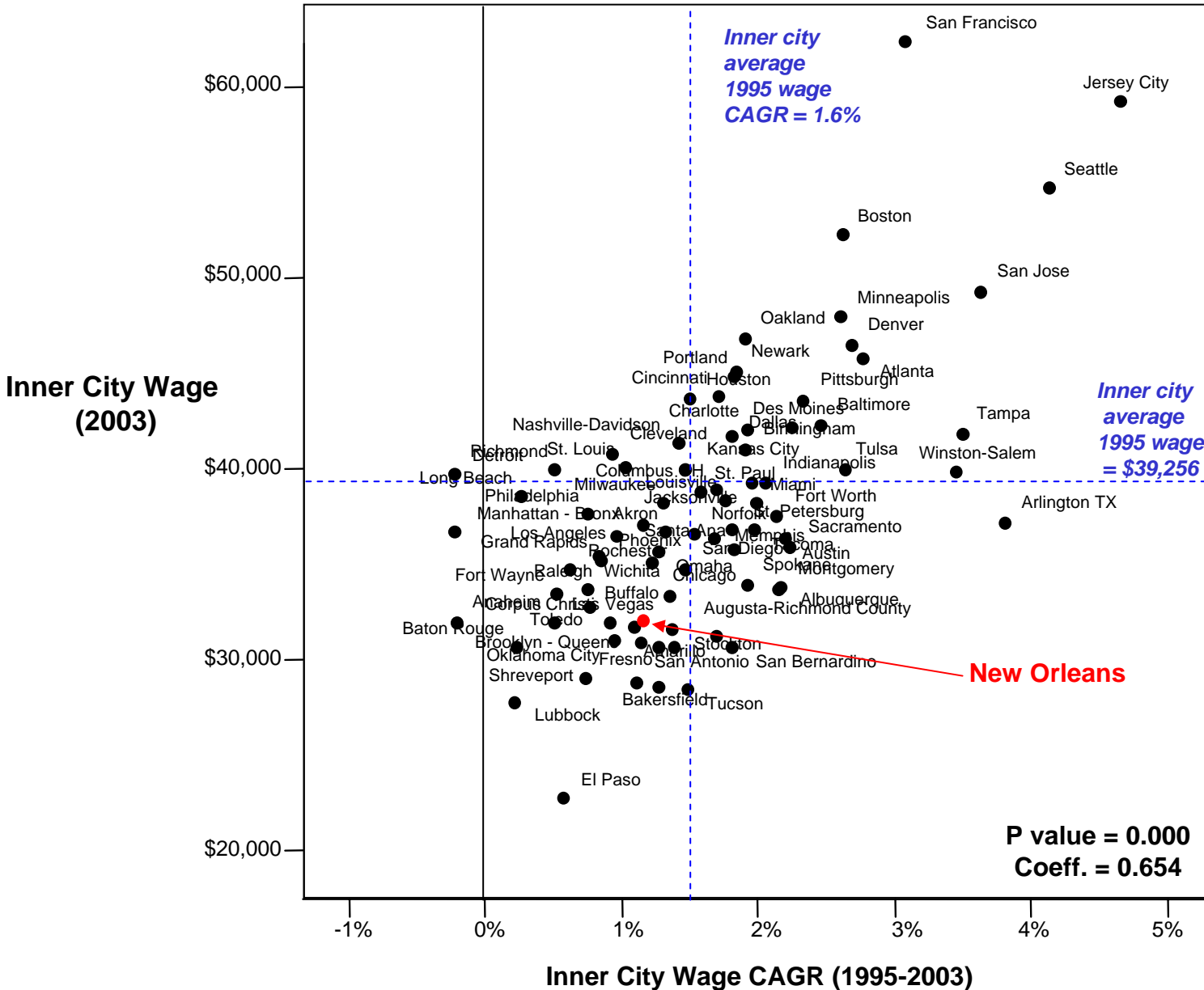
Success in Traded Clusters



Source: State of the Inner City Economies, ICIC; Cluster Mapping Project, Institute for Strategy & Competitiveness, HBS

Inner City Wages and Wage Growth

100 Largest Cities, 2003



Source: State of the Inner City Economies, ICIC

Ranking Wage Growth

25 Inner Cities with Fastest Wage Growth



Name	Inner City Wage Growth CAGR, 1995 - 2003	IC Wage Growth Rank
Jersey City	4.7%	1
Seattle	4.1%	2
Arlington TX	3.8%	3
San Jose	3.6%	4
Tampa	3.5%	5
Winston-Salem	3.4%	6
San Francisco	3.1%	7
Atlanta	2.8%	8
Denver	2.7%	9
Tulsa	2.6%	10
Boston	2.6%	11
Minneapolis	2.6%	12
Baltimore	2.5%	13
Pittsburgh	2.3%	14
Des Moines	2.2%	15
Sacramento	2.2%	16
Austin	2.2%	17
Albuquerque	2.2%	18
Montgomery	2.1%	19
Fort Worth	2.1%	20
Indianapolis	2.1%	21
Miami	2.0%	22
Tacoma	2.0%	23
Jacksonville	2.0%	24
Charlotte	1.9%	25
Average	1.7%	-

Note: Rankings are out of 82 inner cities (those with inner city population > 50,000)

Source: State of the Inner City Economies, ICIC

What Causes Faster Inner City Wage Growth?

Demographics



Demographic Variables	Above-Average Wage Growth 1995 – 2003	Below-Average Wage Growth 1995 - 2003
High School Attainment*	63%	59%
College Attainment*	14%	12%
Unemployment Rate*	12%	14%

* Result is statistically significant at 95% level.

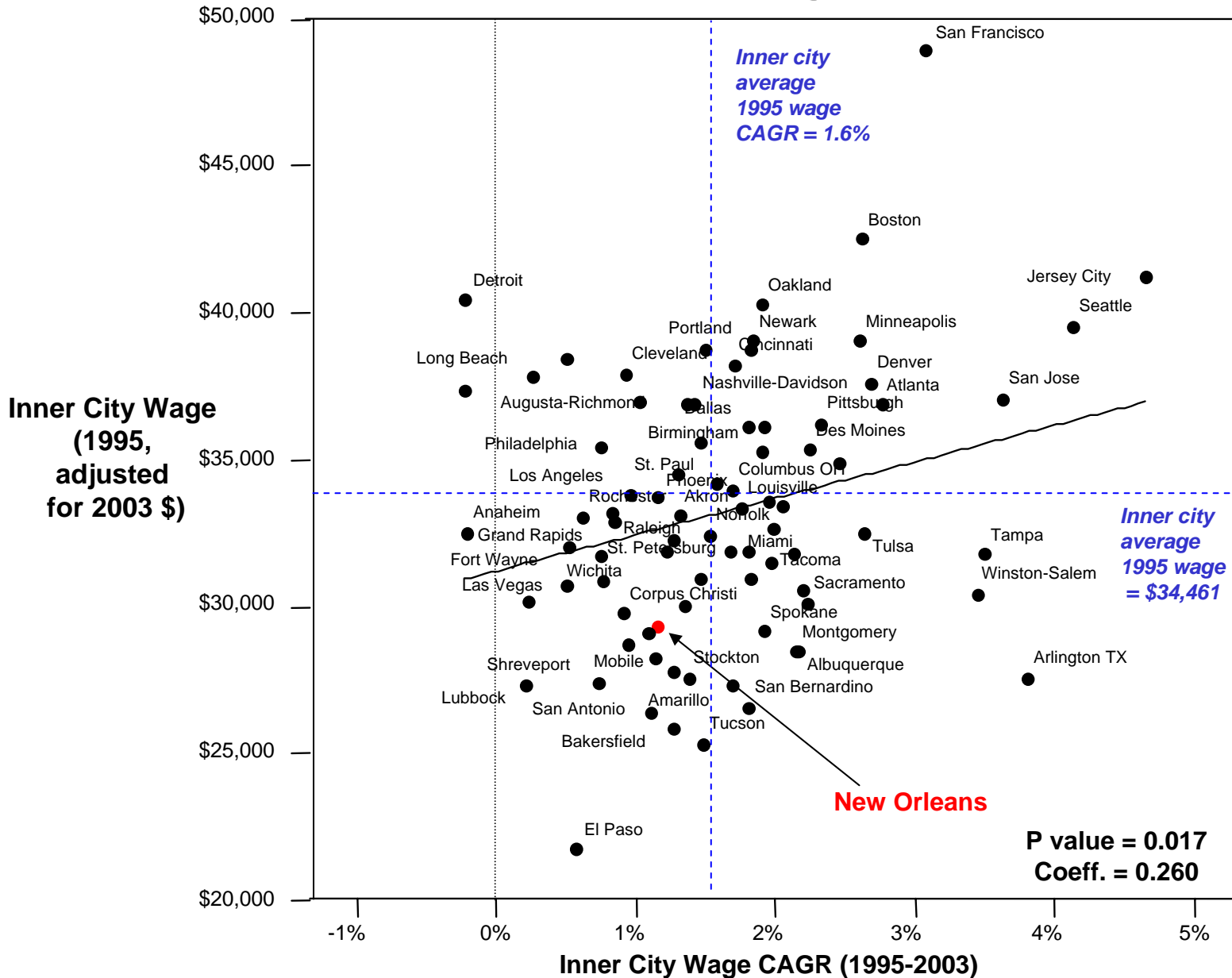
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Source: State of the Inner City Economies, ICIC



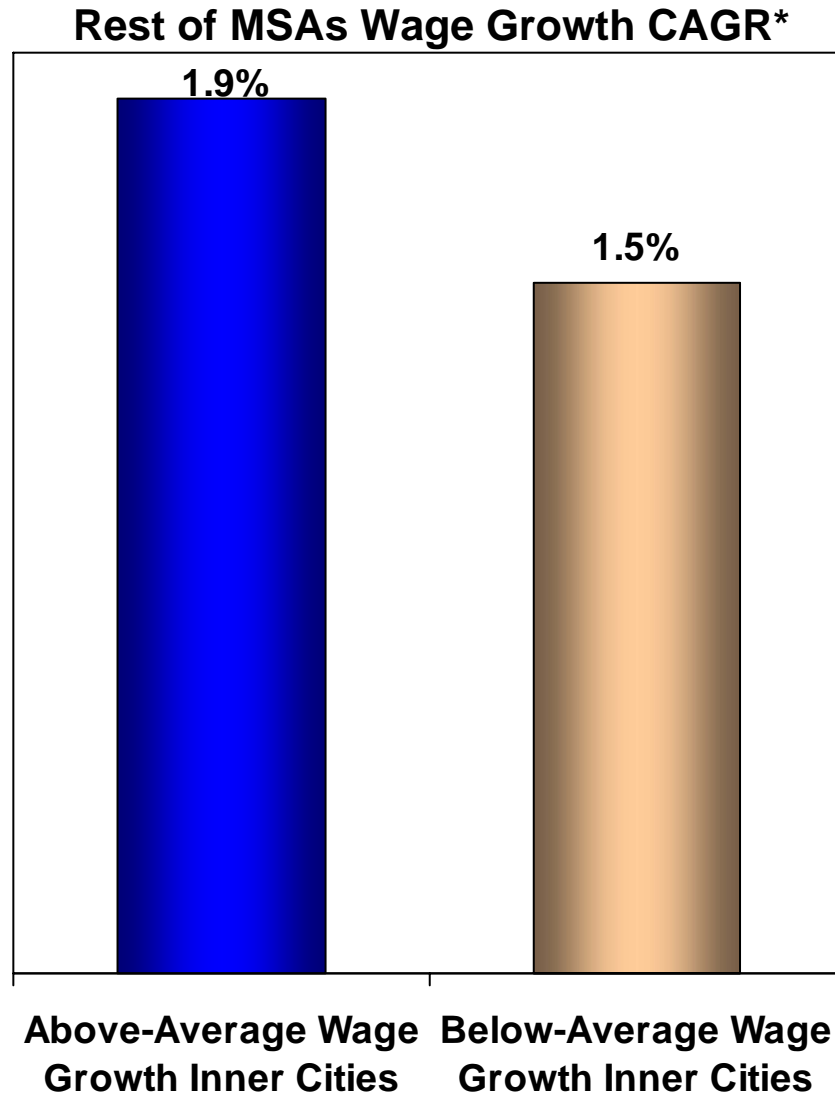
What Causes Faster Inner City Wage Growth?

Initial Wages



What Causes Faster Inner City Wage Growth

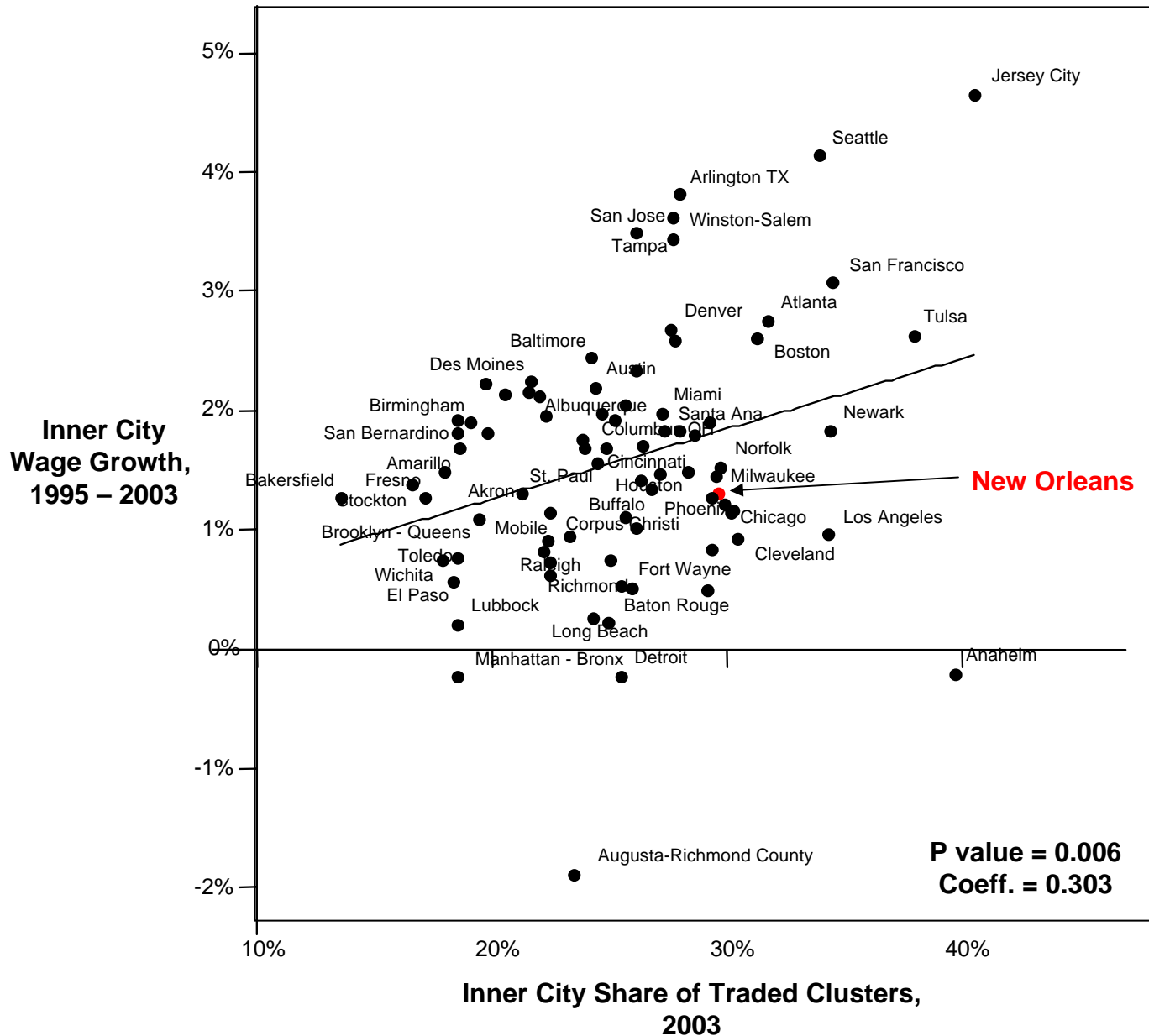
Regional Wage Growth



* Result is statistically significant at 95% level.
Source: State of the Inner City Economies, ICIC

What Causes Faster Inner City Wage Growth?

Position in Traded Clusters



Source: State of the Inner City Economies, ICIC; Cluster Mapping Project, Institute for Strategy & Competitiveness, HBS