Inclusive economies: Myths, realities, and the role of housing

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1. How we’re doing
2. What’s ahead
3. What it means
The U.S. economy is “breaking records”

Donald J. Trump
@realDonaldTrump

Unemployment is down to 4.1%, lowest in 17 years. 1.5 million new jobs created since I took office. Highest stock Market ever, up $5.4 trill

7:35 AM - 4 Nov 2017

38,122 Retweets  158,668 Likes
On income, we’re only partying like it’s 1999

Source: Alan Berube, “Five maps show progress made, but mostly lost, on middle-class incomes in America” 2017
Most cities are still short of their peaks

Median household income in the United States

$58,670 $59,040

80% of U.S. urban areas have seen incomes decline for the typical household since 2000

Source: Alan Berube, “Five maps show progress made, but mostly lost, on middle-class incomes in America” 2017
Economic development = “jobs, jobs, jobs”

Source: Grand Rapids Chamber of Commerce, “Ribbon Cutting FAQ”
Economic growth and economic inclusion reinforce one another

- Generates higher-quality jobs
- Creates tight labor markets
- Supports quality public services
- Minimizes costs of exclusion
- Maximizes productive talent
- Preserves social, political cohesion
True economic development delivers 3 things:

**GROWTH**
- Jobs
- Output
- Entrepreneurship

**PROSPERITY**
- Productivity
- Standard of Living
- Average wage

**INCLUSION**
- Employment rate
- Median wage
- Relative poverty rate
Fewer than ¼ of large metro areas are achieving inclusive growth

Metro areas achieving broad gains in growth, prosperity, and inclusion, 2011-16
Few Illinois cities are achieving high marks for inclusive growth

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<th>City</th>
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<th>Money</th>
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1. How we’re doing
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Digitalization

Diversity

Devolution
Robot automation will “take 800 million jobs by 2030”
Yes, technology has helped replace manufacturing workers

Source: Brookings, “Where the robots are,” 2017
Job growth between 2010 and 2016, United States

- 309,000 retail jobs
+ 372,000 warehousing jobs

Warehousing & e-commerce: 48%
All private industries: 12%
Retail: -10%

Source: Brookings, “Amazon’s recent hiring spree puts new focus on warehouse jobs and worker needs,” 2017
And rapid digitalization is affecting many types of occupations

Share of U.S. employment by digital skill level

2002 | 2016
---|---
Low | 55% | 30%
Medium | 40% | 48%
High | 5% | 23%

Source: Brookings, “The Digitalization of the American Workforce,” 2017
Cultural diversity “reduces social cohesion and civic trust”
Diversity is “younging” our aging society

Race/ethnicity by age group, United States, 2015

- **55+**
  - White: 75%
  - Black: 10%
  - Hispanic: 9%
  - Asian: 5%

- **35 to 54**
  - White: 62%
  - Black: 13%
  - Hispanic: 18%
  - Asian: 6%

- **18 to 34**
  - White: 56%
  - Black: 14%
  - Hispanic: 21%
  - Asian: 6%

- **Under 18**
  - White: 52%
  - Black: 14%
  - Hispanic: 25%
  - Asian: 5%

Source: Brookings analysis of 2015 1-year ACS
This is especially true among Millennials in major metro areas.

Source: Bill Frey, "The Millennial Generation: A demographic bridge to America’s diverse future"
Workers of color are disproportionately employed in low-digital jobs.

- Building and grounds maintenance: +24%
- Food preparation and serving: +11%
- Healthcare support: +16%
- Computer and mathematical: -14%
- Architecture and engineering: -14%
- Business and financial: -9%
Digitalization

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Devolution
Washington is “empowering” states and localities to step up

DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT

Highlights:

- The Department of Housing and Urban Development (HUD) promotes decent, safe, and affordable housing for Americans and provides access to homeownership opportunities.

- The Budget reflects the President’s commitment to fiscal responsibility by reforming programs to encourage the dignity of work and self-sufficiency while supporting critical functions that provide assistance to vulnerable households. The Budget recognizes a greater role for State and local governments and the private sector to address community and economic development needs and affordable housing production.

- The Budget requests $39.2 billion in gross discretionary funding for HUD, an $8.8 billion or 18.3-percent decrease from the 2017 enacted level.
Washington is continuing a long, slow, abdication

Federal aid as a share of total municipal revenue

- 1980: 14.9%
- 1988: 7.8%
- 1996: 5.9%
- 2004: 5.9%
- 2012: 5.9%

Estimated cuts to federal spending on state & locally-provided services

- 2018: -$44 billion
- 2027: -$453 billion

5% of state budgets

37% of state budgets

Source: Forthcoming Brookings publication
Source: Center on Budget and Policy Priorities, 2017
It’s no wonder Americans have lost confidence in Washington.
Many state capitals hamstring their cities, too

61% of state tax revenues

46% of state spending

Source: Online Athens, "Athens, Atlanta get back less than they contribute," 2009
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Our strategies must help communities adapt
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**FIRMS**
- University-industry partnerships
- Startups & scale-ups
- Export assistance

**PEOPLE**

**PLACES**
Our strategies must help communities adapt

FIRMS
- University-industry partnerships
- Startups & scale-ups
- Export assistance

PEOPLE
- Work-based learning
- Creative & digital skills training
- Wage insurance

PLACES
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**PLACES**
- Transit and job access
- Housing choice
- Broadband investment
Housing affordability impacts inclusive growth in all these dimensions.

Affordability to attract and retain talented workers.

- **Owner (w/ mortgage)**: 40%
- **Renter**: 57%

**Proportion of Households Paying More Than 30% of Income Toward Housing**

ONE MILLION SAN DIEGANS CANNOT AFFORD TO LIVE HERE

*30% of income is a standard measure for housing affordability.*
Housing affordability impacts inclusive growth in all these dimensions

Affordability to give more kids access to good schools
Housing affordability impacts inclusive growth in all these dimensions

Affordability to reduce the prevalence of concentrated poverty
Housing affordability impacts inclusive growth in all these dimensions.

Affordability to reduce the distance between people and jobs.
Housing affordability impacts inclusive growth in all these dimensions.
Affordable housing strategies can support inclusive growth by…

- Maintaining adequate supply to ease overall price pressures
- Locating affordable units in high-opportunity communities
- Integrating housing with transportation and employment
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IL Governor’s Conference on Affordable Housing
February 21, 2018