

METRO BOSTON REGIONAL INDICATORS: PROSPERITY

Measuring Progress Toward Equitable
and Resilient Economic Growth

EXECUTIVE SUMMARY

We all want to see a prosperous future for Metro Boston, with a well-rounded regional economy that provides opportunities for every resident to earn a living and build wealth. But are we on the right track?

By many measures, the region is faring well economically. Jobs and wages are up over historic peaks, unemployment is down to long-term average rates, and the labor force is slowly but steadily growing. But other metrics reveal troubling patterns: some key industries are struggling or on the decline, real wages for many workers are failing to keep up with inflation, and residents of color face persistent barriers with regard to educational attainment, unemployment, and homeownership.

MAPC's Regional Prosperity Indicators are an attempt to take stock of these many trends in the context of *MetroFuture*, our long-range vision for equitable and sustainable development in Metro Boston to the year 2030.

In contrast to many economic reports focused on specific sectors or very short term trends, this effort is intended to provide a

comprehensive, long-range, and equity-focused picture of the region's prosperity for businesses, workers, and communities. These indicators--which we intend to update on a regular basis--will allow the region to measure progress toward the brighter future laid out in the *MetroFuture* plan, and to identify areas where action is needed to get the region's trends back on track.

This executive summary focuses on three major themes that emerged from the Prosperity Indicators:

- Job growth in the region is strong and unemployment is down, but growth is limited to just three sectors.
- Average wages are up overall, but in some fast-growing sectors real wages are actually on the decline. This is contributing to growing income inequality in the region.
- The labor force is growing, but persistent gaps in economic outcomes remain. To ensure equitable prosperity in a diversifying region, closing these gaps is critical.

JOBS AND INDUSTRIES

MetroFuture Goal: Metro Boston will be globally competitive in the knowledge economy

MetroFuture envisions a region with a steadily growing economy rooted in the knowledge economy. After the economic ups and downs of the past decade it appears that in aggregate numbers the region is on the right track. After taking a significant hit during the Great Recession, Metro Boston added 130,600 jobs from 2009 to 2013.¹ In that year the region was home to 2,417,000 jobs, exceeding the previous high-water mark for employment set in 2001. While the net job change over that 13-year period amounts to just 0.4%, recent growth has been much more rapid. During the recovery, the region grew by an average of 1.4% per year.

A sectoral breakdown shows that job growth in the region since 2001 has been principally reliant on just three sectors. Education

¹ Annual statistics for 2014 have not yet been published by the Executive Office of Labor and Workforce Development.

and Health Services, the region's largest industry, with 637,600 jobs in 2013, grew 28% between 2001 and 2013 and was the only industry in the region that had uninterrupted growth through the Great Recession. Leisure and Hospitality Services, the fourth largest industry with 240,800 jobs, grew 23%. These two sectors alone added 183,000 jobs between 2001 and 2013.²

Professional and Business Services, the region's second largest industry with 430,500 jobs, has been more turbulent through two recessions, experiencing substantial declines during the recessions and robust growth during the recoveries. That sector inched into positive

² In 2012, home health aid services were reclassified from "Other Services, Private Households" into Education and Health Services, which explains the large drop in Other employment in 2013 and amounts to approximately half of the job gains for Education and Health Services in that year.

territory in 2012 and ended 2013 approximately 5.5% higher than 2001 employment.

In all other major sectors, however, the 2013 numbers show net employment losses since 2001. Manufacturing declined by 95,800 jobs (a 37% decline) and Trade, Transportation and Utilities (TTU) fell by 9%, shedding 42,000 jobs. Financial Activities and the Information sector also saw steady declines in employment, falling by 10% and 27%, respectively, resulting in a combined loss of 45,000 jobs since 2001.

These shifts mean that the region's economy is becoming more concentrated in (and dependent upon) certain industries. Three sectors (Education and Health, Professional and Business Services, and Leisure and Hospitality) now comprise 55% of the region's jobs, up from 47% in 2001.

JOB GROWTH BY SECTOR

Metro Boston 2001-2013

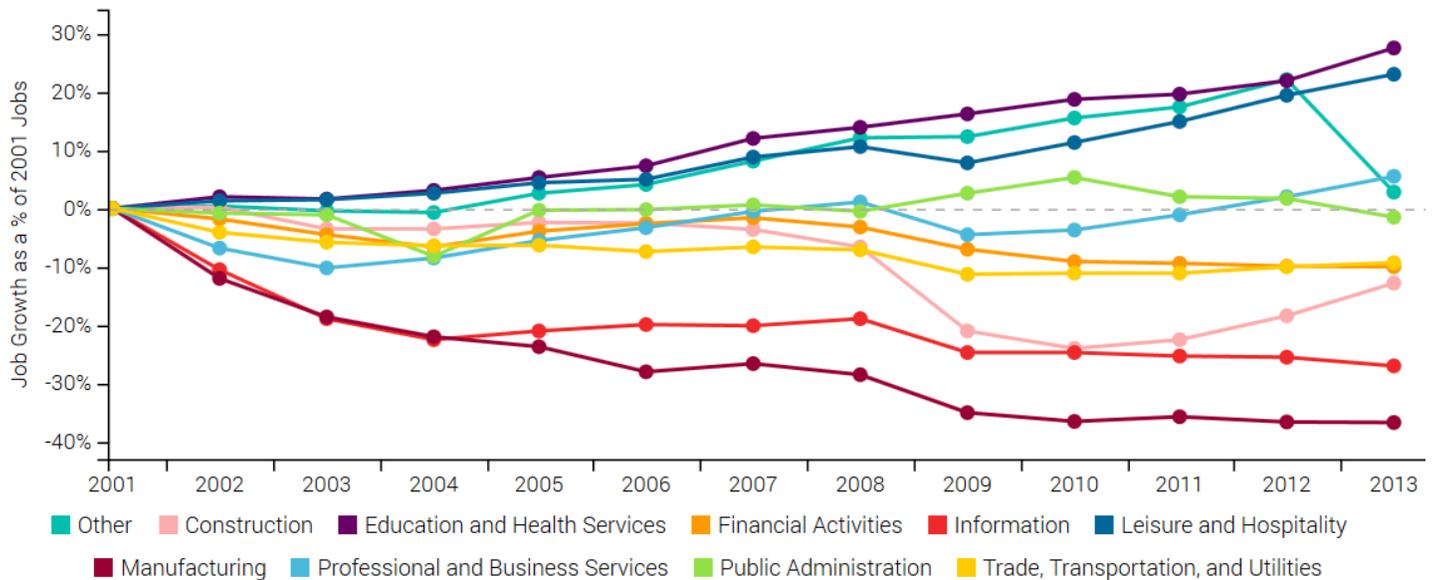


FIGURE 1. Data source: Massachusetts Executive Office of Labor and Workforce Development ES-202 2001-2013

In some respects, the location of economic development is as important as the number of new jobs. *MetroFuture* calls for concentrating new population and job growth in locations already served by infrastructure, where it may provide greater accessibility and produce fewer negative impacts on environmental assets and public finances. Recent trends suggest the region is on track to achieve that goal. Since 2009, 44% of the region's net job growth occurred in the Inner

Core, which contained 39% of the region's jobs in 2008.³ However, even as the Inner core increased its share of the region's jobs, so did the low-density Developing Suburbs, which entered the recession with 17% of the region's jobs but captured 22% of the net change during the recovery. Regional Urban Centers and Maturing Suburbs, on the other hand, have had a harder time attracting jobs, and have not yet recovered all the jobs lost in the early 2000s.

³ For more about MAPC's Community Types, see mapc.org/publications

EMPLOYMENT AND WAGES

MetroFuture Goal: More workers will participate in the labor force, earning a living wage through secure employment

The benefits of strong job growth can only be fully realized when all the workers who want to participate in the economy can find opportunities to do so, and are compensated fairly. *MetroFuture* seeks to increase the labor force participation rate, reduce unemployment and underemployment, and ensure that workers earn a living wage. The indicators presented here show a mixed record in making progress toward these objectives.

Overall, participation in the labor force has remained relatively stable over recent years. Between 2000 and 2010, the region's labor force grew by 3% (compared to population growth of 3.5%.) In contrast to the rest of the country, Metro Boston was able to maintain positive labor force growth through the recession. The region's labor force participation rate currently stands at 83%, in third position among the country's 25 most populous metropolitan areas.

How well we are using those workers, though, remains an open question. The region's unemployment rate stood at 5.3% in 2014, greater than it was in 2007, but comparable to the 25-year average rate.

The unemployment rate, however, does not account for "discouraged" workers who may have stopped looking for work and therefore dropped out of the labor force, or "underemployed" part-time workers who would rather have full time jobs. Though not technically "unemployed," both groups can be considered "underutilized."

Fortunately, the Bureau of Labor Statistics produces a labor underutilization metric which captures both unemployed, discouraged, and underemployed workers.¹ While underutilization and unemployment usually track closely with each other, there was a significant jump in the gap between the underutilization rate and unemployment rate during the Great Recession. In 2007, just before the recession, the underutilization rate, at 7.3% was 2.7 percentage points greater than the unemployment rate. In 2009, the gap jumped to 6.1 points, and in 2014, with an underutilization rate of 11.5%, the gap now stands at 5.7

¹ Figures only available statewide. For more details, see Bureau of Labor Statistics Alternative Measures of Labor Underutilization for States, bls.gov/lau/stalt.htm

points, meaning there are more discouraged and underemployed workers than there are officially unemployed ones.

As for the money that workers are earning in their jobs, the record is also mixed. The average wage in Metro Boston is \$71,760² per year, having seen a 6% increase between 2001 and 2013 after adjusting for inflation. The Professional and Business Services sector saw the fastest growth in average wages (18%), and the average worker in that sector (which includes computer systems, scientific research, engineering, and legal services) now earns \$97,240, well above the regional average.

Average wages in Education and Health Services also rose quickly over the past decade, and now stand at \$60,300 per year, a 15% increase since 2001. Unfortunately, it is not clear if this increase has benefitted all types of workers in this sector (ranging from janitorial staff to brain surgeons) or if it has been largely confined to those already earning relatively high wages.

² Annual figures calculated from seasonally adjusted average weekly wages, as reported by ES-202

JOB GROWTH VS WAGE GROWTH

Metro Boston 2001-2013

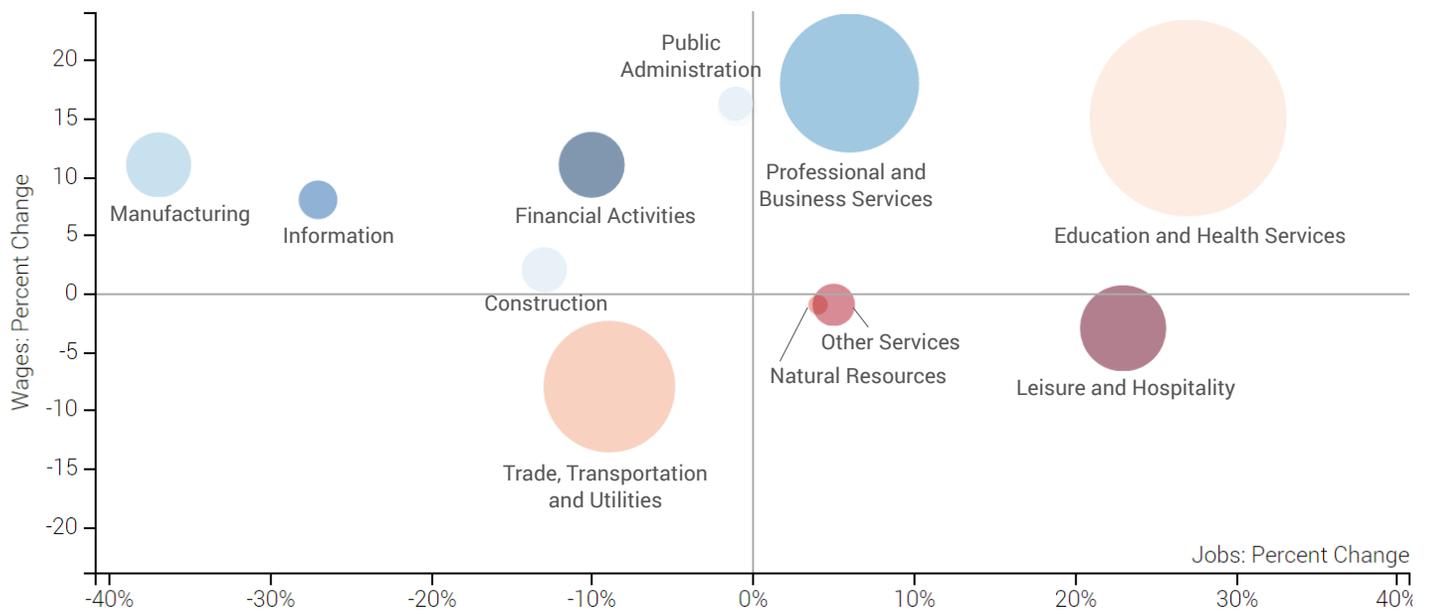


FIGURE 3. Size of bubble increases with number of jobs in 2013, and color changes from red to blue with increasing wages in 2013. Data source: Massachusetts Executive Office of Labor and Workforce Development ES-202 2001-2013

In contrast, some industries have seen declines in average real wages since 2001. Not only did the Trade, Transportation and Utilities sector lose jobs since 2001, but average wages fell 8% to just \$48,880 annually. Unfortunately, it may be that the job losses were concentrated in middle-wage employment such as transportation or warehousing, precisely the type of work suitable for workers with modest educational attainment.

Of greatest concern are those sectors that are seeing rapid growth alongside declining wages. Leisure and Hospitality added 45,000 jobs since 2001, making it the region's second fastest growing industry, but the jobs pay less and less each year. With a wage decline of 3% on top of average wages that are already the lowest of any sector at \$27,040, the job

growth in this industry may be contributing more to the region's growing income inequality than its prosperity.

Ultimately, and unfortunately, it seems that employment and wage dynamics are contributing to growing income inequality in the

region. Households in the bottom fifth of the income spectrum earned 3% less in 2013 than they did in 2006, after adjusting for inflation. Meanwhile, the incomes of households in the top quartile rose by 10% in real dollars over that same period.

LABOR FORCE TRENDS

Metro Boston, 1990-2014

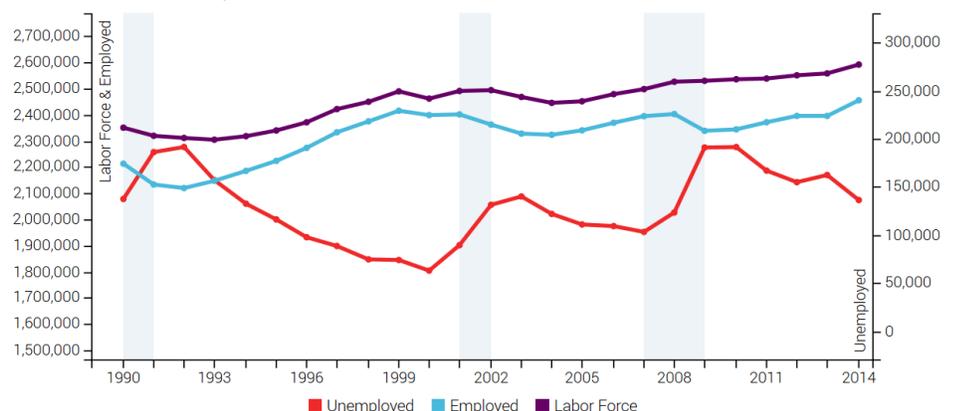


FIGURE 2. Data source: Massachusetts Executive Office of Labor and Workforce Development Local Area Unemployment Statistics 1990-2014

WORKFORCE AND WEALTH

Metro Future Goals:

A strong supply of educated and skilled workers—of all ages—will encourage businesses to locate and expand here.

More minority and immigrant workers will have opportunities to advance on the career ladder, acquire assets, and build wealth.

MetroFuture recognizes that maintaining a strong supply of educated and skilled workers fundamental to the region's economic competitiveness. Achieving this goal will be complicated by the region's changing demographics. In 2010, Baby Boomers (born between 1945 and 1970) made up 49% of the region's labor force. As that generation moves into its retirement years, its workers will begin to retire in great numbers, and by 2030 about one million workers born before 1970 will have left the labor force—two out of every five workers. If current trends continue, we may not have enough workers to fill all the positions they are vacating. As a result, the region must do more to retain and attract young workers, while also building the skills and abilities of the locally-grown workforce.

To fill jobs in Metro Boston's powerhouse knowledge economy, new workers must be educated in the high-tech and research skills that those jobs require. Educational attainment for adults in Metro Boston, at 52%, is among the highest in the nation. The region has the third largest share of adults with an associate's degree or higher, after Washington DC and San Francisco.

Workforce development efforts must account for the fact that the population is increasingly diverse, especially among younger cohorts. In 2010, people of color made up 26% of the region's total population and 34% of the population under the age of 20. By 2040, projections indicate the region will be 41% people of color.¹

Yet the region has persistent educational attainment gaps by race and ethnicity. While college attainment rates have improved for all racial and ethnic groups over the past decade, they have increased faster for White adults than for Black and Latino adults. Of the 25 most populous U.S. metro areas, Metro Boston has the 3rd largest college attainment gap for Black adults and the 7th highest for Latino adults.

Furthermore, the region has employment gaps by race and educational attainment that show Black and Latino workers with a college education are more likely to be unemployed than their White and Asian counterparts. While there may be a variety of reasons for that gap, it is certain that discrimination in hiring practices is a threat to

¹ Regional Population and Housing Demand Projections, Metropolitan Area Planning Council, 2014, mapc.org/projections

HOMEOWNERSHIP RATES BY RACE AND ETHNICITY

Metro Boston, 2009-2013 5-Year Average



FIGURE 4. Data source: American Community Survey 2009-2013 5-Year Estimates

the prosperity of both workers and our economy.² The region cannot afford to turn away qualified young workers of color.

Educational attainment gaps and employment gaps translate directly into gaps in income and wealth. Metro Boston ranks among the worst in the nation in income inequality.³ The region's ratio of the highest-income quartile to the lowest-income quartile, at 18, is higher than the national average of 16, and ranks 4th highest among the top 25 most populous U.S. metro areas.

Recent research shows just how pronounced wealth disparity by race and ethnicity really is here.

² State of Equity in Metro Boston, Metropolitan Area Planning Council, 2011, regionalindicators.org/equity

³ "Some cities are still more unequal than others, an update," Brookings Institution, 2015, brookings.edu/research/reports2/2015/03/city-inequality-berube-holmes

One stark finding, for example, from the Boston Federal Reserve Bank's report *The Color of Wealth in Boston* is that the net dollar worth for White Metro Boston households is \$247,000, whereas for African American and Dominican households it is close to zero.⁴ The capacity to build wealth is important for long-term individual and family economic stability. In turn, the financial security of individuals and families is essential to the financial security and resiliency of the region.

One of the most important ways to build wealth and pass that wealth down through generations is through homeownership. Homeownership gaps by race and ethnicity in Metro Boston are among the highest in the nation. Across

⁴ *The Color of Wealth in Boston*, Federal Reserve Bank of Boston, 2015, bostonfed.org/commdev/color-of-wealth

all racial and ethnic groups, the gap in homeownership for households of color compared to white households is greater than that of the nation. Latino households in Metro Boston have a homeownership rate of 25%, which is 43 percentage points lower than the 68% rate among white households. Black households have a 32% homeownership rate, 36 points lower than white households, and Asian households have a 49% rate, 19 points lower than white households.

CONCLUSION



The indicators summarized here, and presented in their entirety online, show mixed signals for increasing prosperity in Metro Boston. Jobs in Professional and Business Services and Education and Health Services are growing and providing higher wages to their workers. Yet at the same time, the evaporation of mid-wage industrial jobs and the rapid growth of low-wage service employment is contributing to income disparity and increasing inequality in the region.

These indicators also raise questions about the long-term sustainability and resilience of our economy. We cannot necessarily rely on another decade of uninterrupted growth in Education and Health Services to provide middle-wage jobs. Increased attention to preventative care and efforts to control health care costs are fundamental to the nation's fiscal and physical health, but

they may put a damper on future growth in the health sector. In education, too, while it is positive that the region is educating more and more people, rising costs are putting a college education out of reach for many and saddling graduates with lasting debt. If the continued growth of our education sector jobs means less access to an affordable higher education for Metro Boston residents, it is worth weighing the long term costs and benefits and finding a way to balance them.

Fortunately, there are many steps that the region can take ensure that the region's future is both prosperous and equitable. These can begin with the fundamental economic development strategies that are already underway, promoting innovation across a wide variety of sectors. Hospitality jobs, for example, have potential to provide livable wages and pathways to career advancement

for its workers, and the region can be more intentional about bringing back middle wage jobs in other industries, like advanced manufacturing and trade through clean tech and other ventures.¹

We must go beyond the basics, though. More can be done to support small businesses, especially those run by Black and Latino owners or immigrant entrepreneurs, areas where the region falls behind compared to other large metros.² Local food production and related businesses, for example, offer the opportunity to capture local dollars in a growing sector.

1 UMass Donahue Institute, MassBenchworks 2015 Vol 17 Issue 1, massbenchmarks.org/publications

2 "Immigrant Entrepreneurs and Innovators across the United States," Immigration Policy Center, 2014, immigrationpolicy.org/just-facts/immigrant-entrepreneurs-and-innovators-across-united-states

AVERAGE HOUSEHOLD INCOME BY QUINTILES

Metro Boston, 2013

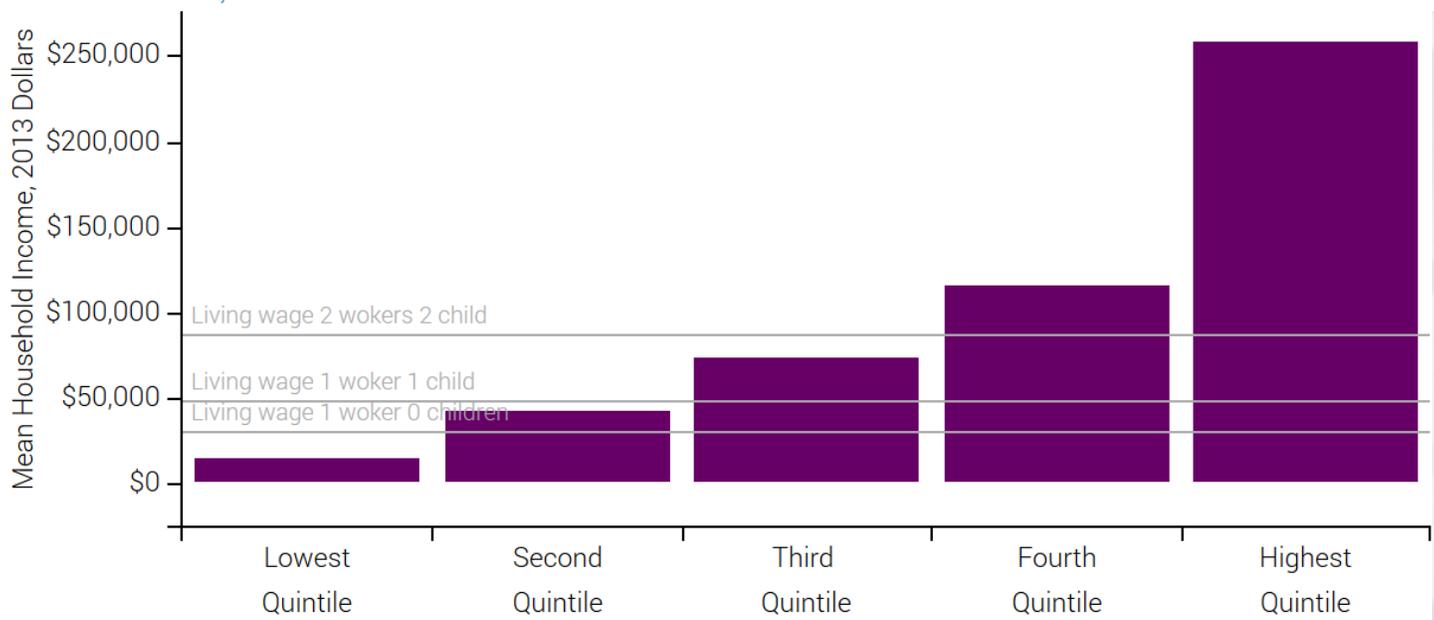


FIGURE 5. Data source: American Community Survey 1-Year Estimate 2013

Additionally, there are strategies that the state, region, and individual municipalities can implement to better support workers in low wage jobs. Massachusetts raised the minimum wage to \$9 per hour in 2015, and will reach \$11 by 2017,³ but even at that rate it still doesn't cover the cost of living for a single adult with no children (\$14 per hour). And since the minimum wage was not indexed to inflation, its purchasing power will slide each year, requiring further action on the part of the legislature in the near future. Similarly, voter approval of a paid sick time referendum will help support low-wage workers, but maternity and paternity leave benefits still leave much to be desired.

Innovative policies such as linking development dollars to expanding training programs, and then connecting trained workers to good paying jobs, provide workers with career advancement opportunities that can have major impacts on economic outcomes, ensuring a more prosperous outcome for more households, and in turn for the region.

Finally, to reverse the trend in growing income inequality and wealth disparity, Metro Boston will need to reverse trends upstream that are contributing to the problem. This means closing educational attainment and hiring gaps, so that the growing population of color has the level of education and skills needed to compete with other

regions. It is only by investing in our most valuable asset--our people--that we can ensure a truly prosperous future for Metro Boston.

In the coming months and years, MAPC and partners will work to advance specific strategies for change, so that as we continue to check in on prosperity indicators we see a region where everyone is earning a better wage and building wealth.

³ Massachusetts Executive Office of Labor and Workforce Development, 2015, mass.gov/lwd/docs/dol/public-message-explaining-mw-increases-effective-1-1-15.pdf

CREDITS

Lead Analyst | Jessie Partridge

Contributing MAPC Staff | Susan Brunton, Matt Cloyd, Amy Cotter, Matt Gardner, Tim Reardon, Holly St. Clair, Eliza Wallace

Director of Data Services | Holly St. Clair

Executive Director of MAPC | Marc Draisen

Funded in part by the U.S. Department of Housing and Urban Development Sustainable Communities Regional Planning Grant Program

June 2015

