Nationally, household incomes have recovered to pre-recession levels.

Median household income in the United States:
- 1999: $58,670
- 2002: $59,040

U.S. average pre-tax income, 2014 dollars:
- Bottom 50%:
  - 1962: $16,000
  - 2012: $428,200
- Top 1%:
  - 2002: $1,304,800

Source: Alan Berube, “Five maps show progress made, but mostly lost, on middle-class incomes in America” 2017
Source: Piketty, Saez and Gucman
Our country is aging and becoming more diverse

Ethnicity by generation, United States, 2015

- **55+**: 75% White, 10% Black, 9% Hispanic, 5% Asian, 5% Other
- **35 to 54**: 62% White, 13% Black, 18% Hispanic, 6% Asian, 6% Other
- **18 to 34**: 56% White, 14% Black, 21% Hispanic, 6% Asian, 6% Other
- **Under 18**: 52% White, 14% Black, 25% Hispanic, 5% Asian, 5% Other

Source: Brookings analysis of 2015 1-year ACS
Manufacturing is no longer the jobs machine it once was

U.S. manufacturing productivity and employment, 1980 - 2015

Source: Brookings, “It won’t be easy to bring back millions of manufacturing jobs,” 2016
Technology is changing the nature of work

Share of U.S. employment by digital skill level

2002: 56% Low, 40% Medium, 4% High
2016: 30% Low, 48% Medium, 23% High

Source: Brookings, “Digitalization and the American workforce,” 2017
Strategies should prepare workers for better-paying digital jobs

Mean Annual Wage by Digitalization Level

- **Low Digitization**
  - Construction workers: $30,000
  - Cooks: $20,000

- **Medium Digitization**
  - Service Mechanics
  - Registered Nurses: $48,000

- **High Digitization**
  - Financial Managers: $73,000
  - Software Developers

Source: BLS estimates; OECD
E-commerce is upending the retail sector

Job growth between 2010 and 2016, United States

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

Source: Brookings, "Amazon’s recent hiring spree puts new focus on warehouse jobs and worker needs," 2017
An explosion of digital tools is transforming nearly every industry
The federal role in local matters has declined since 1980...

Federal aid as a share of total municipal revenue

Source: Brookings, "Digitalization and the American workforce," 2017
...and the federal role is poised to diminish further

Federal aid as a share of total municipal revenue

- 1980: 14.9%
- 2012: 5.9%

Federal budget cuts in House, Senate, and Trump plans
(estimated 10-year totals, in billions)

- **Discretionary**
  - Senate: -$800
  - House: -$1,400
  - Trump: -$1,500

- **Entitlements**
  - Senate: -$4,100
  - House: -$4,400
  - Trump: -$2,000

Source: Brookings, "Digitalization and the American workforce," 2017
Source: Center on Budget and Policy Priorities, 2017
Public trust in local action is high: it’s time to deliver on this moment

Source: Gallup
1. Metropolitan Divergence
2. Reconsidering Economic Growth
3. Anchoring Growth Through Place
Many places are well short of their previous peaks for middle-class income.

Note: Income changes are significant at the 90% level, excepting "no change" category. Source: Brookings analysis of decennial Census and American Community Survey data.
Large U.S. metros have experienced widespread economic growth

Jobs, Output, and Entrepreneurialism, 2010-2015

U.S. metros have added jobs, output, and jobs at young firms (age 0-5 years) since 2010

Source: Brookings Metro Monitor, February 2017
But fewer have seen rising levels of productivity...

Productivity, standard of living, and average wages, 2010-2015

U.S. metros have experienced rising productivity, income per capita, and average wages since 2010

Source: Brookings Metro Monitor, February 2017
...and just a handful improved on inclusion across racial groups

Source: Brookings Metro Monitor, February 2017

Inclusion

8/100

U.S. metros have seen employment and median wage gains, and relative poverty declines, for whites and people of color since 2010
What’s are some factors driving metropolitan divergence?
Employment levels are up in big metros, and down in small ones

Change in employment/population ratio by metro size, 2007-2016

Source: Brookings Institution analysis of Census Bureau data
Tech job growth is occurring in more places, but overall the sector is concentrating.

Change of metros' shares of national digital services job total, 2010-2015

Only 5 metros accounted for 28% of the sector's growth over the period.

Source: Brookings, "Tech in metros: The strong are getting stronger," March 2017
Concentrated poverty continues to grow

Population share living in neighborhoods of concentrated poverty

![Bar chart showing population share living in neighborhoods of concentrated poverty for different races and time periods.](image-url)

People and jobs continue to grow further apart

Number of jobs near the typical resident in 2000 and 2012, by community type

Source: Brookings Institution analysis of 2000 and 2012 ZIP Business Patterns data

Source: Brookings, “The growing distance between people and jobs in metropolitan America,” 2015
1. Metropolitan Divergence
2. Reconsidering Economic Growth
3. Anchoring Growth Through Place
Economic development is limited by traditional approaches.

- Short-term
- Siloed
- Subsidy-driven
Amazon HQ2 submissions we know about

Two neighboring Mexican states, Querétaro and Hidalgo, have applied.

This is Edmonton, Alberta.

There are 12 applicants from the Boston area.

City-level applicant
State-level applicant
State with unknown city-level applicant(s)

Data: Quartz; news reports
A small fraction of jobs are attracted from out-of-state

- 3% from out-of-state relocations
- 11% from out-of-state expansions
- 86% from in-state startups and expansions

Source: Center on Budget and Policy Priorities, 2016
Many civic groups shape local economic opportunities.

- Workforce development
- Community development
- Business & economic development
- State & local elected officials
- Higher education
- Philanthropy
- Infrastructure & land use
- K-12 Education
Our strategies must help communities adapt
Our strategies must help communities adapt

**FIRMS**
- University-industry partnerships
- Startups & scale-ups
- Clusters strategies
- Export assistance

**People**

**Places**
Our strategies must help communities adapt

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- Apprenticeships
- Creative & digital skills training
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**PEOPLE**
- Apprenticeships
- Creative & digital skills training
- Criminal justice reform

**PLACES**
- Accessible jobs through transit
- Innovation hubs & activity centers
- Housing choice
- Broadband investment
1. Metropolitan Divergence
2. Reconsidering Economic Growth
3. Anchoring Growth Through Place
Business change is afoot.
Economic Assets

University facilities

Corporate facilities

Accelerators

Incubators

Spaces for start ups and scale ups
Physical Assets

Public transport

Walkable street grid
Physical Assets

Parks & open spaces with programs
Physical Assets

Ground floors repurposed as public spaces
Networking Assets

Accelerator programs

Networking events

Support & mentoring for entrepreneurs

Range of activities in public & private spaces
Americans continue to own vehicles at extremely high rates

Source: Jacob Poushter, “Car, bike or motorcycle? Depends on where you live”, Pew Research Center, 2015
Transportation plays an outsized role in personal finances

<table>
<thead>
<tr>
<th>Country</th>
<th>Transportation’s Share of Household Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>17.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>20.6%</td>
</tr>
<tr>
<td>UK</td>
<td>15.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Commuting choice demonstrates the consequences of our sprawl

Transit commuting rates, city and metropolitan areas, 2016

Source: Brookings Institution analysis of American Community Survey data
But commuting change is underway

76% Share of all commuters driving alone

28% Share of 18-49 year-olds who have used ride-hailing apps

55 Bikeshare systems in the U.S.

43% Share of adults who work remotely at least part of the time

Source: US Census, Pew Research Center, NACTO, and Gallup
States and localities are willing to invest more in themselves

- 25 States who have raised their gas tax in the past 4 years
- $70b Muni bonds included within state and local ballot measures in 2016
- +70% Passage rate for transportation-focused ballot measures

Source: Pew Charitable Trusts, Reuters, and APTA
State and local transportation spending dwarfs federal investment

Federal vs. state and local spending on transportation infrastructure, 1956-2014

Source: Brookings analysis of Congressional Budget Office data
How will we collaborate?
What will we build?
Who will pay?
Metropolitan Economies and Future of Place

BROOKINGS

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February 2018