



***“Strengthening New England’s
Smaller Cities”***

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Good morning and thank you for being part of this conference focused on New England’s mid-sized cities. The issues and opportunities facing these cities have probably not received enough attention from the full spectrum of policymakers. Today’s conference highlights some topics on which the Federal Reserve Bank of Boston plans to focus over the next several years.

Today I would like to summarize just why it is so important that there be increased attention to mid-sized cities. Allow me to give you a short preview and then cover these points in a bit more detail, and with a close look at some key data.

As always, I would add that the views I express today are my own, not necessarily those of my colleagues on the Board of Governors or the Federal Open Market Committee (the FOMC).

I first want to describe the *importance* of these cities. New England's mid-sized cities – with populations between 75,000 and 200,000 people – taken together have a population roughly similar to that of Greater Boston,¹ which represents New England's largest and most economically vibrant urban area.

However, the mid-sized cities differ in important ways from Boston. They have not seen the same degree of economic vibrancy as residents in Greater Boston, but they do encompass an important source of future growth, in a couple of ways. One, they frequently serve as an entry point for new immigrants, and two, they have on average a younger population than the rest of New England.

Second, I want to highlight today the recent *economic trends* in these cities. Certainly these cities have struggled over the past several decades. Their manufacturing base has shrunk, and many have yet to replace lost jobs with new and innovative sectors. As more middle-class families have moved away, these cities face greater challenges in helping their residents acquire the skills and job market opportunities they need to escape from poverty. While all of these mid-sized cities have struggled and continue to struggle to overcome serious obstacles, the economic data indicate that some have done better than others in turning around their economies. It is this revitalization – relative resurgence (using indicators such as median family income, poverty rates, and population growth) – that we all want to see replicated in those cities that are having difficulties reengineering themselves.

Finally I want to emphasize that I think these cities can indeed become *resurgent* cities. The Boston Federal Reserve Bank staff has done some thoughtful research in this area, and has been actively engaged with people like you, in this room, to consider how to generate more revitalization in cities in New England. This conference and our future work in this area will, we hope, be of assistance. At the Bank we will continue to look at ways that we can help – through quantitative and qualitative research, outreach, information gathering and dissemination, and our ability to convene stakeholders. I hope that together with people like you, gathered here today, we can see more concentrated focus on New England’s mid-sized cities, and more achievement.

The Importance of Mid-Sized Cities

Let me say a bit more about the importance of mid-sized cities. Figure 1 tells us about the aggregate population of the New England’s mid-sized cities compared to the region as a whole and to Greater Boston. The cities between 75,000 and 200,000 people² have, taken together, an aggregate population of 2.2 million people – just a little smaller than the 2.3 million people living in the greater Boston area. So, taken together, roughly a third of all New Englanders (about 4.5 million people) live in either the Greater Boston metropolitan area or in one of New England’s mid-sized cities.

In Massachusetts, legislation defined “gateway cities” as those between 35,000 and 250,000 people that also fall below the statewide average for income and education.³ These 24 cities as a group account for 1.7 million people. Together, the population in the Greater Boston metropolitan area plus the gateway cities account for almost two-thirds of the population of Massachusetts.

Figure 2 shows that for New England and Massachusetts, the mid-sized cities are a major entry point for foreign-born residents. While only about 13 percent of the U.S. population is foreign-born, New England as a whole has an even lower share of foreign-born residents (only about 12 percent). However, when looking at New England mid-sized cities and the Massachusetts gateway cities, much greater shares of residents are foreign-born – about 21 percent, or more than one in five residents. In a region of the country experiencing relatively slow population growth, immigrants are an important potential source of growth in the supply of labor.

Figure 3 shows that these cities have populations that are on net younger than the state and region. The figure shows the shares of the population below 15 years of age and 65 years of age and older. For Massachusetts and New England around 18 percent of the population is below 15 years of age, but New England's mid-sized cities and Massachusetts gateway cities have a bit larger share of their population under 15 years of age. The mid-sized cities also have a somewhat lower percentage of their population over 65 years of age relative to New England as a whole, and the same is true for the gateway cities relative to Massachusetts.

The younger overall population and the influx of foreign-born residents into our region's mid-sized cities can be an important source of potential economic growth. However, there are some significant impediments to these resources being fully utilized, and that will impact whether these mid-sized cities prosper and become sources of strength in the regional economy.

For example, Figure 4 shows differences in poverty rates. New England's mid-sized cities have a much higher percentage of the population in poverty compared to New

England more generally. The picture is similar in Massachusetts: the gateway cities have much higher rates of poverty than the state as a whole. These higher poverty rates are a serious impediment if they reflect, or perpetuate, residents of mid-sized cities being less likely to obtain the skills necessary to be gainfully employed in today's economy.

To that end, Figure 5 shows that educational attainment varies greatly across the region. While New England and Massachusetts have much higher educational attainment than the rest of the country, that educational attainment is uneven across the region. While 46 percent of the population in Greater Boston⁴ has a bachelor's degree or above, the mid-sized cities in New England have a much lower 24.5 percent of their population with a bachelor's degree or above. The figure is even lower for the Massachusetts gateway cities, which have only 22.7 percent of the population with a bachelor's degree or above – less than half the rate of the Greater Boston area.

If mid-sized cities are to serve as a potential source of growth for New England's economy, it is important that the work force be able to acquire the skills and opportunities necessary to succeed. Work force development efforts, and initiatives that provide strong educational opportunities for all residents of our mid-sized cities – including new immigrants and their children – are likely to be a key necessity if these cities are to flourish.

Resurgent cities

In recent research covering not only New England, but also the mid-Atlantic, Midwest, and upper South, my Boston Fed colleagues Yolanda Kodrzycki and Ana Patricia Muñoz have worked to identify key factors that set cities apart – in particular,

what factors make some cities relatively resurgent while other cities do not make similar improvements.

Their research shows that even the relatively resurgent cities (those cities that outperformed their peers) have had difficulty improving at the same rate as the country as a whole. Figure 6 reflects median family income in the resurgent cities and in other cities,⁵ as a share of U.S. median family income, over the last 50 years or so. While the median family income in cities that were not considered resurgent was only a little above 60 percent of the median family income of the nation – and declining – the median family income in the relatively resurgent cities was a little above 80 percent of the median family income of the nation, and still declining although at a lower rate. This highlights some of the challenges facing even the cities that are making progress.

Figure 7 shows that educational attainment does seem to be a key factor. Educational attainment was significantly better in the resurgent cities than in those cities that were not considered resurgent.⁶

Separately, I would note that many of New England's mid-sized cities are along coasts. This provides certain opportunities to the extent that they have port facilities, but also provides opportunities to attract tourists and new residents. Both Providence and New Haven show stronger growth in median household income relative to the U.S. than other mid-sized cities since 2000, as Figure 8 shows.

Providence, New Haven, and Worcester were the three New England cities classified as resurgent by Kodrzycki and Muñoz. These three cities all have a strong academic presence in their cities, as well as serving as major medical centers.

Indeed, I would note that many of these mid-sized cities, including many that are not yet resurgent, are at the crossroads of transportation hubs, or have become regional medical centers, or have educational institutions as “anchor tenants” in their cities. Many mid-sized cities have not yet fully leveraged these potential attributes to attract industries and promote growth. Increasingly, medical centers and universities have been shown to be potential development hubs. Worcester has benefited from its focus on the life sciences. Cities with colleges and universities that find ways to use those resources to foster development are likely to be among the cities that better succeed over time.

The “Softer Side” of Development

One of the interesting findings in the work of I mentioned by Yolanda Kodrzycki and Ana Patricia Muñoz is that one of the main characteristics of the resurgent cities is the presence of collaborative civic leadership. Whether catalyzed by leaders in the private sector, public sector, or non-profit sector, it seems that the resurgent cities have developed a vision for progress that has the shared support of the entire community and a variety of leaders.

Frequently the cities that have lost important sectors of employment – for example the loss of manufacturing jobs in many New England cities – also lose some of the cohesion in their communities. Charitable and civic organizations benefit from companies contributing to leadership in the community, so the loss of major firms when a sector declines is anything but positive. Civic cohesion and collaboration across political lines can also be impacted. And changing demographics in cities can make it more challenging – but no less important – to achieve effective collaboration.

Clearly, a collaborative vision for a community cannot be imposed from the outside. It requires residents to engage and find ways to leverage the city's positive attributes for the benefit of all citizens.

We hope that this conference serves as a basis for more positive work in this area. Let me bring up Figure 9, which lists the cities I have been speaking about this morning. We expect that the mid-sized city issues I've touched on will be a focus of our community outreach over the next several years, with a particular attention on collaborative civic leadership. I look forward to hearing the ideas of participants, and the suggestions you have on how the Boston Fed can help.

Together and with a lot of thoughtful, persistent work I am certain we can build on the strengths and resources in our region's mid-sized cities, to see their more rapid development.

Thank you.

¹ Greater Boston is defined as the group of 75 cities and towns identified by the University of Massachusetts' Donahue Institute along and inside the I-495 corridor and cited as the "Greater Boston Knowledge Core" in the MassInc/Brookings Institute study "Reconnecting Massachusetts Gateway Cities: Lessons Learned and an Agenda for Renewal." To calculate the population shares, six cities categorized among the 24 Gateway cities as defined by the Massachusetts State Legislature (Chelsea, Everett, Lynn, Malden, Quincy and Revere), were excluded from the group.

² Different parties use different definitions for smaller cities, gateway cities, and mid-sized cities. We define mid-sized cities in New England as those with a population ranging from 75,000 to 250,000, excluding "suburb cities" of Boston – specifically, Bridgeport, CT; Danbury, CT; Hartford, CT; New Haven, CT; Norwalk, CT; Stamford, CT; Waterbury, CT; Brockton, MA; Fall River, MA; Lawrence, MA; Lowell, MA; Lynn, MA; New Bedford, MA; Springfield, MA; Worcester, MA; Manchester, NH; Nashua, NH; Cranston, RI; Providence, RI; and Warwick, RI.

³The 24 gateway cities include Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester. Median income measures and

educational attainment below the statewide average are also part of the definition of the Massachusetts Gateway Cities. Specifically a gateway municipality is defined as “a municipality with a population greater than 35,000 and less than 250,000, a median household income below the Commonwealth’s average and a rate of educational attainment of a bachelor’s degree or above that is below the Commonwealth’s average.”

⁴ This calculation is based on data for Greater Boston cities and towns with population of 20,000 or more as three-year American Community Survey estimates are only available for cities and towns with population of 20,000 or more.

⁵ The resurgent cities include Evansville, IN; Fort Wayne, IN; Grand Rapids, MI; Greensboro, NC; Jersey City, NJ; New Haven, CT; Peoria, IL; Providence, RI; Winston-Salem, NC; and Worcester, MA. The other cities include Akron, OH; Allentown, PA; Bridgeport, CT; Dayton, OH; Erie, PA; Flint, MI; Gary, IN; Hartford, CT; Paterson, NJ; Rochester, NY; Rockford, IL; South Bend, IN; Springfield, MA; Syracuse, NY; Waterbury, CT; and Youngstown, OH.

⁶ While some of the college attainment may have to do with attracting new college educated residents, the high school attainment figure in particular demonstrates consistent local improvement in education.