Can Economic Opportunity Flourish When Communities Do Not?

Eric S. Rosengren
President & CEO
Federal Reserve Bank of Boston

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Federal Reserve Bank of Boston
58th Economic Conference
Inequality of Economic Opportunity
Boston, Massachusetts

bostonfed.org
Inequality of Opportunity

- This conference represents a long tradition at the Boston Fed of concern for the outcomes of low- and moderate-income individuals
  - Previous conferences
  - Research and actions on preventing unnecessary foreclosures
  - Research and actions on Working Cities
- Consistent with an emphasis on the importance of maximum sustainable employment as well as stable prices
Opportunity, in the Context of Local Communities

- Focus of several conference papers is on individuals – opportunities, barriers, and limits of mobility for individuals
- My focus – the difficulty of entire communities to escape their disadvantaged pasts
- Many communities with loss of textile, lumber, and manufacturing jobs are not flourishing
- Social surroundings are important for individual success
Many Services that Reduce Economic Barriers are Provided Locally

- Provision of local services is critical to equal opportunities
- Communities that are economically disadvantaged may have difficulty helping 
  individuals that are economically disadvantaged
  - Education – from preschool through high school – delivered locally
  - ESOL – Language classes delivered locally
  - Support for teen mothers delivered locally
  - Support for ex-offenders delivered locally
Importance of “Community Context”

- Issue of economic opportunity requires communities capable of delivering high quality services
- Have we invested enough in encouraging communities to flourish?
- Is local civic and social infrastructure sufficient to provide opportunities for individuals to overcome economic barriers?
Figure 1: Real Median Family Income for Massachusetts Mid-Sized Cities with the Lowest, Highest, and Median Income Growth over 50-Year Period

Figure 2: Massachusetts Mid-Sized Cities with the Lowest Median Family Income

(Cities are ranked with the city with the lowest median family income appearing at the top of the list)

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<tbody>
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<td>Fall River</td>
<td>New Bedford</td>
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<td>Lawrence</td>
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<td>Holyoke</td>
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<td>Lawrence</td>
<td>Holyoke</td>
<td>Springfield</td>
<td>Fall River</td>
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<td>Holyoke</td>
<td>Somerville</td>
<td>Cambridge</td>
<td>Fitchburg</td>
<td>Worcester</td>
<td>Lynn</td>
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<td>Fitchburg</td>
<td>Lowell</td>
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<td>9</td>
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<td>Fitchburg</td>
<td>Lowell</td>
<td>Chicopee</td>
<td>Chicopee</td>
<td>Pittsfield</td>
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<tr>
<td>10</td>
<td>Brockton</td>
<td>Chicopee</td>
<td>Worcester</td>
<td>Lynn</td>
<td>Lynn</td>
<td>Brockton</td>
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Note: Cities appearing in five or six periods are color coded.

Figure 3: Median Family Income for Massachusetts Mid-Sized Cities Relative to U.S. Median Family Income for Cities with the Lowest Median Family Income

Figure 4: Share of Employed Residents Working in Manufacturing Industries in Massachusetts Mid-Sized Cities with the Lowest Median Family Income

Note: Based on the civilian employed population 16 years and over in all years except 1960 which is based on the civilian employed population 14 years and over.

Figure 5: Population in Massachusetts Mid-Sized Cities with the Lowest Median Family Income
1960 - 2010

Figure 6: Share of Population of Hispanic or Latino Origin in Massachusetts Mid-Sized Cities with the Lowest Median Family Income

1970 - 2010

Figure 7: Need for and Provision of Education-Related Services in Lawrence

<table>
<thead>
<tr>
<th>Support for Teen Mothers</th>
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<tbody>
<tr>
<td>Teen pregnancy rate (births per 1,000 teens, 2012)</td>
<td>51.3</td>
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<tr>
<td>Number of nonprofit organizations providing support to young parents pursuing their education</td>
<td>11</td>
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<table>
<thead>
<tr>
<th>Early Childhood Education</th>
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<tr>
<td>Percentage of children 3 and 4 years old enrolled in school</td>
<td>32.0</td>
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<tr>
<td>Percentage of children 3 and 4 years old enrolled in school attending public schools</td>
<td>81.3</td>
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<tr>
<td>Number of public school preschool programs</td>
<td>3</td>
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<tr>
<td>Number of licensed nonprofit center-based programs</td>
<td>14</td>
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<tr>
<td>Number of licensed family child care providers</td>
<td>479</td>
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<tr>
<td>Number of programs that are Mass. Universal Pre-Kindergarten (UPK) Classroom Quality Grantees</td>
<td>16</td>
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<th>Ability to Speak English</th>
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<tr>
<td>Percentage of population 5 years and over who speak English less than &quot;very well&quot;</td>
<td>38.5</td>
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<tr>
<td>Percentage of students in English Language Learner programs in public schools</td>
<td>28.2</td>
</tr>
<tr>
<td>Number of nonprofit organizations providing ESOL classes</td>
<td>10</td>
</tr>
<tr>
<td>Number of nonprofit organizations providing youth academic enrichment programs</td>
<td>7</td>
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Note: The Universal Pre-Kindergarten Program’s goal is to ensure that all children in the state have access to quality preschool. All types of providers are included under the “umbrella” of the state’s universal pre-kindergarten program, including child care centers, Head Start centers, public and private school programs, and family child care.

Reinventing Cities

- Research by the Federal Reserve Bank of Boston’s Yolanda Kodrzycki and Ana Patricia Muñoz
  - Effective civic leadership
  - Cross-sector collaboration – business, non-profit, government
  - Common community vision
- Some cities have had success in reinventing themselves
Figure 8: Median Family Income for Massachusetts Mid-Sized Cities Relative to U.S. Median Family Income for Cities and Towns with the Largest Increases

Figure 9: Share of Employed Residents Working in Manufacturing Industries in Portland, Maine and Portsmouth, New Hampshire

Note: Based on the civilian employed population 16 years and over in all years except 1960 which is based on the civilian employed population 14 years and over.

Figure 10: Median Family Income for Portland, Maine and Portsmouth, New Hampshire Relative to U.S. Median Family Income

What is the Working Cities Challenge?

“..the Federal Reserve Bank of Boston has been the catalyst for the Working Cities Challenge, inspired by its own research on cities that managed to diversify away from a declining, manufacturing-based economy. The research found that one key to success is "collaborative leadership," when governments, businesses, and nonprofits unite behind one focused approach. The Working Cities Challenge promotes that principle by inviting smaller Massachusetts cities to consider how they would use collaborative leadership to unite their communities to address a major challenge for lower-income residents. Twenty cities competed for $1.8 million in funding from the state and other sources. Six cities were awarded funds this past January, but many more will benefit from the spread of a new approach to capacity building that Fed research shows helps communities thrive.”

Federal Reserve Chair Janet L. Yellen, March 31, 2014

http://www.bostonfed.org/workingcities
The WCC Collaborative: Being the Change

The WCC is a multi-stakeholder table of leaders with the ability to support local initiatives by influencing state policy and large scale investment in smaller cities. Prize Funds are not provided by the Fed, but by:

- The Boston Foundation
- Surdna Foundation
- Ford Foundation
- Hyams Foundation
- Move the World Foundation
- Boston Private Bank and Trust

Other Partners/Steering Committee

- Boston Community Capital *(fiscal agent)*
- MassINC
- The Life Initiative
- Alliance for Business Leadership
- Clark University *(Research Partner)*
Key Features

▶ One proposal per city – must create a unified vision
▶ Required full cross-sector participation – public, private and nonprofit sectors
▶ Merit based – selection by panel of experts not from the Federal Reserve
▶ Focused on improving the lives of low- and moderate-income people in the cities
Winning Proposals

- Lawrence – Provide families with access to resources and opportunities through the schools – $700,000
- Fitchburg – Transform North of Main neighborhood with a focus on developing in-depth data to prioritize investments – $400,000
- Holyoke – Coordinate services to increase Latino-owned businesses – $250,000
- Chelsea – Improve the Shurtleff-Bellingham neighborhood utilizing new data from a variety of local sources – $225,000
Early Evaluation

- Mt Auburn/Abt Associates are providing an external evaluation of the program
- Requiring one application per city provided focus that was useful in all cities
- Randomized trial in one city
- 89 percent of the cities believe the collaboration started by the process will continue after three years
- Massachusetts has already allocated money for a second competition. FRB Boston is looking at other New England states for possible replication
Conclusion

- Many interventions discussed at this conference are provided locally
- Delivery of services can be impacted by the economic well-being and collaboration within a city
- Success may require ability of institutions and groups in these cities to mobilize around, support, and pull toward a collaborative vision for change
- More focus on cities and their resurgence is important – and helped motivate actions by Boston Fed