

## EXECUTIVE SUMMARY

Could it be? Could it be that at least some of Massachusetts' long-suffering "Gateway Cities"—the state's once-humming mill and manufacturing towns—are ready to rejoin the state's economic mainstream?

Yes, it could. Despite the latest blows of deindustrialization, signs of life are animating parts of the state's faded urban hubs beyond Boston.

Sky-high home prices in Greater Boston are motivating middle-class home-seekers to take another look at living in affordable satellite cities like Lowell, Worcester, or Brockton. Real-estate values and housing starts are up in virtually all of the older regional cities, from New Bedford to Springfield. And, in many of the mill towns, the catastrophic population losses of the 1980s have ended. For the first time in decades, these cities' reconnection to prosperity seems at least imaginable.

And yet, for all that, the condition of Massachusetts' proud, old manufacturing cities must be counted, on balance, as distressed.

To be sure, the state as a whole has enjoyed one of the most successful economic transitions anywhere over the past two decades. Recent setbacks aside, aggregate trends describe a solid economic turnaround, built on strong institutions, soaring educational attainment, and the emergence of an enviable portfolio of high-value, high-paying, knowledge-based industries.

At the same time, broader statewide trends obscure stark geographical variations within the state. On the one hand, Greater Boston has evolved into an even more dominant focal point of the Massachusetts economy than it was three decades ago, despite its difficulties in moving beyond the 2000 collapse of the national tech bubble. On the other hand, not only are few Massachusetts cities and regions fully participat-

ing in the state's long-term reinvention, but its traditional industrial mill towns actually may be falling *further* behind. Quite simply, Massachusetts continues to squander the enormous physical, human, and economic potential latent in these cities just when it may need them again.

Hence this report: A collaboration of MassINC and the Brookings Institution Metropolitan Policy Program, "*Reconnecting Massachusetts Gateway Cities*" seeks at a key moment to mobilize state and local civic, political, and business leaders around an asset-oriented agenda for reconnecting some of Massachusetts' most troubled cities to the state's most dynamic economic currents. Along those lines, the report aims to lay out a sober assessment of the Gateway Cities' current

## GATEWAY CITIES CAN NO LONGER BE IGNORED

status; a vision of their potential economic value; and a preliminary agenda for renewal.

In keeping with these objectives, this report draws several conclusions about the state as it seeks to maintain and enhance its economic competitiveness:

### **1. Massachusetts' "Gateway Cities"—its traditional mill towns—continue to lose ground as the state economy converges even more around Boston.**

The trend is stark. Notwithstanding the aggregate success of the Bay State economy, its increasing "unevenness" has left a significant number of the state's major population centers struggling to move from an industrialized past to a knowledge-based future. Granted, the state as a whole has in just 30 years revitalized its flagging economy and made itself a leader in knowledge-

driven, technology-led industries. Real per-capita income has soared. And yet, the economy—long anchored by Greater Boston—has grown even more concentrated there, in keeping with the tendency of today’s “knowledge” economy to cluster within relatively narrow geographic areas. The Gateway Cities have continued to slip in importance in relation to Boston on key measures of economic performance such as job creation, knowledge-industry employment, educational attainment, and incomes. In sum, the Gateway Cities continue to struggle with deindustrialization, and have not yet found a niche in the specialized knowledge-oriented economy that has revitalized the Boston area in recent decades.

**2. The consequences of these trends are serious, and threaten the state’s economic competitiveness.** Most notably, the sharpening unevenness of the state’s economic map is vexing the state’s

housing markets, distorting land-use patterns, and likely complicating the state’s labor-force challenges. In the Boston area, the intense agglomeration of high-paying knowledge jobs in a relatively small patch of close-in towns has helped bid up home prices and harmed the state’s ability to retain and attract quality workers. More broadly, stark house-price differentials between Greater Boston and the rest of the state are helping to widen the vast ring of suburban sprawl that is sweeping across much of eastern Massachusetts, eroding the state’s quality of life. Finally, the disproportionate concentration of the state’s economic activity in the Hub may well be complicating firms’ efforts to hire sufficient workers, even as the isolation and demographic tilt of many Gateway Cities cuts employers off from the human capital they need to support business growth and economic development. The bottom line: The stark geographical uneven-

## KEY FINDINGS:

- Between 1970 and 2005, while Greater Boston added 467,000 jobs to grow by 51 percent, the Gateway Cities as a group lost more than 11,000 jobs, or 3 percent of their job base.
- Greater Boston contains 40 percent of the state’s population and 50 percent of its private jobs but generates 60 percent of the state’s total payroll. Conversely, the Gateway Cities contain 15 percent of the state’s population and 13 percent of the state’s jobs but generate less than 10 percent of the state’s payroll.
- Greater Boston contains 52 percent of the state’s college graduates and about 70 percent of its knowledge-industry employment. As a result, these 75 towns enjoy per-capita incomes 74 percent higher than the Gateway Cities and a median household income 68 percent higher.
- While Greater Boston increased its share of the state’s 4,000-plus high-technology firms between 1991 and 2004 from 53 to 60 percent, the share in the Gateway Cities dropped from 8.1 to 6.3 percent, and the share in Gateway regions fell from 28.6 to 26.6 percent.
- Twenty-eight percent of Greater Boston’s jobs and 43 percent of its payroll falls within four high-value, high-pay “knowledge” clusters—financial services, health care, information technology, and knowledge creation. Meanwhile, only 20 percent of jobs in Gateway Cities lie in these knowledge clusters, generating only 27 percent of the cities’ payroll.
- The 11 Gateway Cities’ combined loss of 134,000 manufacturing jobs since 1960 accounts for more than one-third of the state’s total decline in such industries.

ness of Massachusetts' changing economy is a statewide problem, and may be placing a drag on the state's economy as a whole.

**3. And yet, the Gateway Cities offer important potential assets to the state, even if daunting obstacles to their renewal persist.**

On the upside, these cities hold out to Massachusetts realistic hopes of responding to some of the Commonwealth's most pressing growth and development challenges. To a state struggling with high housing prices, the Gateway Cities offer more reasonably priced *middle-class housing*. To a state concerned about sprawl and traffic congestion, Gateway Cities look like a natural place for pursuing "*smart growth*," as they actually want to grow and are already served by roads, schools, and often rail links. And to a state facing anemic population growth and future worker shortages, the Gateway Cities hold out the possibilities of

growing, energetic, and diverse immigrant and minority communities already contributing to the *workforce*, and already seeking the American Dream. However, these are still just potential opportunities. On the downside, serious problems hold the cities back. For all their potential, the cities' shaky fiscal condition and spotty basic service delivery; their stressed education systems; and their sometimes weak links to state and global economic currents impede their reconnection to the state's and nation's economic mainstream.

**4. As for how to reconnect the Gateway Cities, this report concludes that Massachusetts needs to catalyze a major new state and local partnership to take advantage of the opportunities that these cities provide, and overcome the obstacles that hold them back.** Such a partnership will require a focused state commitment and new concentration on the part of the cities them-

- Between 1980 and 2000, the gap in per-capita income between Greater Boston and the rest of the state increased from 18 percent to 28 percent.
- Just 16.5 percent of Gateway City residents and 24.6 percent of Gateway region residents now possess a four-year college degree, compared with the 42 percent Greater Boston mark.
- The 11 Gateway Cities are home to 30 percent of all state residents living below the poverty line, even though they account for only 15 percent of the state's population.

- There is a high level of concentrated poverty in the Gateway Cities. Springfield and Holyoke have among the most entrenched poverty problems in the country, with 34 and 51 percent of their poor living in high-poverty neighborhoods. By comparison, New Orleans had a concentrated poverty rate of 38 percent on the eve of Hurricane Katrina.
- Between 1994 and 2005, real median home prices in Greater Boston increased by 112 percent to reach almost \$429,000. Gateway City homes had a median value of just \$225,000, a little more than half of

Boston's mark. However, homes in Gateway Cities have actually out-appreciated Greater Boston in percentage terms since 2000, rising 78 percent versus 37 percent.

- Average annual housing unit production over the last three years in the 11 Gateway Cities rose 57 percent, an increase twice as large as the state's. Lawrence, Lowell, and Springfield all doubled their production while Brockton and New Bedford saw gains of 82 and 90 percent, respectively.

selves, as well as the support of local business and regional civic leaders. In addition, it will require a new recognition in Boston and elsewhere that the Commonwealth's future economic competitiveness critically depends on leveraging all

## THE UNEVENNESS OF THE STATE'S ECONOMY IS VEXING THE STATE'S HOUSING MARKET

of the state's assets, including those latent in the Gateway Cities. To that end, this report recommends three initial strategies for better integrating these proud regional hubs into the state's economic vitality:

✓ **Fix the basics.** First, the Gateway Cities, in partnership with the state, must improve the cities' financial picture and provision of basic services. Most fundamentally, the Commonwealth should assure these cities a more consistent flow of local aid dollars in exchange for increased accountability, transparency, and efficiency in local expenditures and service provision. State, local, and private-sector collaboration should also build on recent efforts to turn "deal breakers" in the real-estate development and regulatory process into "deal makers."

✓ **Build the middle-class workforce of tomorrow.** Second, a new state-local partnership in Massachusetts must radically step up education and training efforts in the Gateway Cities. Both for individuals and cities, the more one learns, the more one earns. And so, cultivating the middle-class workforce of tomorrow will be crucial to improve the lives of individual citizens, the productivity of the Gateway regions, *and* the vibrancy of the

entire state's economy. To achieve that end, the Commonwealth and its local partners must redouble their efforts at urban school reform, boost the education and language skills of the adult workforce, and bolster family assets to generate community wealth.

✓ **Create new economic connections for the 21st century.** Finally, the Gateway Cities, their regions, and the state must adopt a new mentality of collaborative competition. In the past, prosperity turned on the sovereign power of individual businesses, factories, and mill towns. Today, economic development depends more on establishing partnerships, nurturing networks, and building interconnected regions that can compete globally for jobs and services. In that spirit, the state and the cities themselves should work much harder at employing Gateway City colleges to spark local economic development, developing rail and Internet connections to the broader economy, and, in general, fostering an ethic of intergovernmental, inter-sectoral, human, and other forms of collaboration. In short, these cities and their regions must compete together, not against each other.

In the end, revitalizing Massachusetts' Gateway Cities is going to be a long and tough process. Without a doubt, more and different interventions will also be needed, beyond the initial ones outlined here. Yet, the time clearly has come to get started. Massachusetts' Gateway Cities have a lot to offer, including affordable housing, the room and the desire to grow, and a youthful, diverse, and upwardly mobile workforce. It's time to put these storied cities back to work for the benefit of the Commonwealth, their people, and the nation.