

UPPER

MIDDLE

Growing the Middle Class

Connecting All Miami-Dade Residents to Economic Opportunity

LOW

BROOKINGS INSTITUTION CENTER ON URBAN AND METROPOLITAN POLICY





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Note: The views expressed do not necessarily reflect those of the trustees, officers, or staff members of the Brookings Institution or the board or staff of Living Cities and its member organizations.

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Executive Summary

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Greater Miami—with its famed beaches, weather, and culture—attracts over 10 million overnight visitors annually. The setting for numerous movies and TV shows, the region is a magnet for the rich and famous, and conventioners and vacationers follow.

AND IT'S NOT JUST TOURISM THAT PUTS MIAMI ON THE MAP. Miami is the financial gateway to Latin America and the Caribbean and home to numerous headquarters for operations there.

But Miami has another identity. Beyond the spotlights, the fun in the sun, and the world of international business lie some sobering statistics about what the plurality of people in Miami-Dade County and Miami City experience. When the *Miami New Times* ran the headline, “We’re Number One,” they were caustically referring to the city of Miami’s ranking as the poorest among the country’s 100 largest cities.

Miami’s split personality—its wide gap between rich and poor—points to an underlying problem. The region, and in particular the city, has a small middle class. Miami-Dade is failing to retain residents, including immigrants, who have successfully moved up the income ladder, and build its middle class from within. Addressing this failure may be the single most critical intervention the region can take to improve its future.

This report defines this challenge by examining the underlying trends, explains some of the reasons behind them, and suggests policies that help grow the middle class.

Miami-Dade's income statistics are troubling

Miami-Dade's incomes are low and poverty is high

Income and poverty levels reflect the ability of residents to provide for themselves and their families, their capacity to support neighborhood businesses, and their prospects for building assets for the future. In this regard, Miami-Dade faces a number of challenges. Miami-Dade County's median household income is \$35,966, far below the national median income of \$41,994. The city of Miami's median household income is even lower at \$23,483. The same pattern holds true for poverty rates: The nation's poverty rate is 12 percent; Miami-Dade County's is 18 percent, and the city of Miami's is 29 percent.

Miami's middle class is small

The city of Miami has few middle-income households. While 20 percent of the nation's households make between \$34,000 and \$51,000, only 15 percent of Miami's households are in that income bracket. What's more, its middle class is shrinking, with a smaller share of the city's households making a middle-class income today than 20 years ago.

Miami-Dade is failing to retain residents, including immigrants, who have successfully moved up the income ladder, and build its middle class from within.

Blacks and Hispanics are less likely to be middle class than whites

There are wide disparities between race and ethnic groups. In Miami-Dade County, the white median household income is at least \$20,000 more than the black, Puerto Rican, Nicaraguan, and Haitian median household income.

Several factors contribute to Miami's small middle class

Miami faces several challenges that contribute to the region's troubling income trends and inhibit its ability to retain and build the middle class.

The level of educational attainment in the region is low

In Miami and elsewhere, education shortfalls directly affect the pocketbooks of individual households. The estimated lifetime earnings of an individual with a high school degree are almost \$1 million less than an individual with a college degree. Miami-Dade County has a very low educational attainment rate. Only 22 percent of the county's adult population has at least a bachelor's degree. And only 16 percent of the city of Miami's adult population has at least a bachelor's.

The regional economy is a low-wage economy

Most jobs in Miami-Dade are in industry sectors, such as service and retail, paying lower wages. Average annual pay in the retail sector is \$21,295, while in the manufacturing sector it's \$31,083. Additionally, wages, regardless of industry sector or occupation type, are lower in Miami-Dade than elsewhere.

Miami-Dade is exporting middle-class residents

Miami-Dade experienced an overall out-migration of residents in the 1990s. Almost 160,000 more people left Miami-Dade than moved in from other parts of the country. About 90,000 of the people who left Miami-Dade between 1995 and 2000 moved to neighboring Broward County. While the group of Dade-to-Broward movers was racially diverse, they were primarily middle class. Sixty-two percent of the movers made more than the Miami-

Miami City and Miami-Dade County rank high on many indices that cities and counties seek to rank low on, and low on indices places hope to lead on

Miami City Measures	Rank Among the 100 Largest Cities
Poverty Rate	1
Rent Burden	3
Share of Adult Population With at Least a B.A. Degree	94
Share of Households Earning Between \$18,000 and \$81,000	96
Median Household Income	100
Miami-Dade County Measures	Ranking Among the 100 Largest Counties
Rent Burden	1
Poverty Rate	12
Share of Households Earning Between \$18,000 and \$81,000	62
Share of Adult Population With at Least a B.A. Degree	85
Median Household Income	91

Source: U.S. Census Bureau

Ft. Lauderdale area median family income. Twenty-eight percent of the movers had at least a bachelor's degree. Miami-Dade's loss was Broward's gain.

Low-income residents face additional challenges that hinder their ability to join the middle class

Miami's decentralized growth patterns isolate low-income residents from opportunity

Miami is one of the most sprawling regions in the country. The dispersed pattern of urban growth is reflected in everything: population growth, housing construction, office space location, commuting patterns, and developed land. The Miami region's heavy decentralization of population and jobs is widening the distance that separates economic opportunity from low-income minority residents.

Basic necessities consume a large portion of poor residents' income

While almost all households have to pay for expenses such as food, lodging, child care, and transportation, poor households spend a larger share of their income on these basics, leaving little left over for building assets. For example, while the overall population spends 3.9 percent of their income on commuting, the poorest commuters spend 9.5 percent.

Limited use of mainstream financial institutions and government support programs impedes the wealth-building capacity of low-income households

There are a number of government income-support programs in place to help alleviate the situation for low-income residents. But participation rates in these programs can be low, and the costs of accessing these benefits can be high, limiting the programs' effectiveness. Likewise, the limited access to financial institutions hinders the ability of low-income residents to build assets and enter the middle class.

Miami can build a different future by investing in growing the middle class

A key problem for Miami is its failure to adequately retain and build its middle class. Given these trends, what policy direction makes sense for Miami-Dade? Any policy interventions that Miami-Dade undertakes should be part of a broad effort, including public school reform, economic development initiatives geared toward building a high-wage economy, and strategies that help attract more middle-class people into the region. Within that context, the region should focus on five policy interventions that help grow the middle class:

- Develop an educated, skilled workforce
- Improve access to quality jobs
- Make work pay
- Help families build assets
- Build quality neighborhoods

Miami-Dade is a vibrant place—a large urban market, an international gateway, a tourist destination, and an engine for entrepreneurial activity. In part because of the large number of immigrants who move through the area, Miami-Dade is an important incubator of new cohorts of middle class residents.

But these newly minted members of the middle class do not stay.

By formulating strategies to grow and retain the middle class Miami-Dade will not only be better able to connect all its residents to economic prosperity, but it will realize a new level of regional competitiveness. ■



An aerial photograph of Miami, Florida, showing a dense urban area with numerous high-rise buildings, a wide sandy beach, and the turquoise ocean. A river or canal is visible on the left side of the image.

Introduction

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A tourist mecca, Miami-Dade's famed beaches, weather, and culture attracted 10.2 million overnight visitors in 2002.¹ The rich and famous flock to the region, and conventioners and vacationers follow. A recent list of accolades includes heady titles such as Best Beaches, Best Place to be Single, Healthiest City, and Best Latin Beat.²

AND IT'S NOT JUST TOURISM THAT PUTS MIAMI ON THE MAP. Miami is also the financial gateway to Latin America and the Caribbean—at least 27 major national and international corporations locate their Latin American headquarters in Miami.³ The Spanish-language business publication *AmericaEconomia* rated Miami the best city for doing business in Latin America.⁴

The emergence of the region as a Latin American financial gateway is due in large part to its role as an immigrant gateway. The arrival of highly skilled, bilingual immigrants from Cuba in the 1960s helped attract banks and other businesses trading with Latin America.⁵ Miami's new Americans, particularly Hispanics, represent a great success story. As sociologist Alex Stepick and his colleagues point out, "Nowhere else have first-generation Latino entrepreneurs been so successful, and nowhere else have established resident white business leaders felt so compelled to incorporate Hispanics into business organizations."⁶

But Miami has another identity.

Without a solid middle class, the work of moving people out of poverty becomes more difficult.

ABOUT THE ANALYSIS

The region's geography

This analysis examines trends affecting Miami-Dade County, with a special focus on the city of Miami, the largest city in the county. Several, but by no means all, of the county trends are due to the concentration of certain characteristics in the city of Miami. In those instances, this report explores city-level trends to help explain the county's situation. In the charts, graphs, and text, all statistics labeled "Miami-Dade County" include Miami City. We use the label "suburban Miami-Dade County" when we have excluded Miami City from the county statistic in order to contrast the city and its suburbs.

To fully understand the issues facing Miami-Dade, it is important to study them in a larger regional context. This report also explores dynamics within the metropolitan region, which is defined by the census as including Broward and Miami-Dade counties.⁸ Throughout the report, we refer to the combination of the Broward and Miami-Dade counties as "Miami-Ft. Lauderdale metropolitan area."

Throughout the analysis, we also compare Miami City, Miami-Dade County, and the Miami-Ft. Lauderdale metropolitan area to national averages as well as other cities, counties, and metropolitan regions to benchmark how the Miami area performs compared to the nation and its peers.⁹

ABOUT THE ANALYSIS

The data

The information presented in *Growing the Middle Class* derives in large part from the U.S. decennial censuses conducted in April 1990 and April 2000. This comprehensive data source remains unparalleled in its ability to report detailed characteristics of population, housing, and employment at very small levels of geography. Such data come as close to comprehensiveness as any that exist.

In stark contrast to its desirability as a glamorous destination and an important international financial center are sobering statistics about what the plurality of people in Miami-Dade and Miami City experience. When the *Miami New Times* ran the headline, "We're Number One," they were caustically referring to Miami's ranking as the poorest out of the country's 100 largest cities.⁷ The Miami region's low incomes stand at odds with a metropolitan area replete with assets and amenities that would seem to be the envy of other struggling regions. Yet, Miami-Dade's income statistics put it on par with counties such as Milwaukee County, WI and Wayne County, MI (Detroit); and the city of Miami's statistics indicate it has more in common with Newark, Buffalo, Detroit, and Cleveland than its Sun Belt neighbors.

Miami's split personality—its wide gap between rich and poor—points to an underlying problem: The region, and the city in particular, has a small middle class. While Miami-Dade somewhat successfully attracts middle class residents, the county is not retaining residents who have successfully moved up the income ladder nor is it building the middle class from within.

The status of Miami's foreign-born residents is an example of this phenomenon. The high numbers of immigrants in the Miami region explain some of the region's low incomes, but it doesn't explain the whole story. Miami has actually been a wealth generator for consecutive cohorts of immigrants. The problem is that the wealth doesn't stay—when immigrants become middle class, they often leave, and new waves of foreign-born residents replace them.

Much attention has been focused on Miami's poverty rates, but the region's

problems run deeper. The ramifications of having a small middle class are serious. Without a solid middle class, the work of moving people out of poverty becomes more difficult. The fiscal foundation of the region suffers, providing fewer resources to dedicate to eradicating poverty. Public schools suffer, depriving poor students of one of the most important paths out of poverty—a quality education. Neighborhoods suffer, struggling with increased crime, concentrated poverty, and falling property values.

This report defines this challenge by examining the underlying trends and some of their causes. The first section describes the major trends that mark the region as one of the most troubled in the nation: low incomes, a small middle class, and disparities between race and ethnic groups. The second section explores the reasons these trends exist: low levels of educational attainment, a low wage economy, and the out migration of residents, particularly middle-class residents. The third section outlines three of the problems that exacerbate and perpetuate the existing income trends: the burden the region's decentralization places on low-income residents, the high costs of being poor, and low-income residents' lack of access to mainstream financial institutions. The final section provides a framework for developing policies that will help grow the middle class in Miami-Dade.

Addressing the failure to retain middle-class residents in the county and to move low-income residents into the middle class may be the single most critical intervention the region can take to improve its future. Growing the middle class is a key step to ensure that all residents are connected to economic opportunity.

Even though the census is very comprehensive, it is not without problems. Evidence points to the fact that the 1990 decennial census probably “undercounted” population, particularly the minority population.¹⁰ The U.S. Census Bureau estimates that the 2000 Census has smaller undercounts of total and minority population than the 1990 Census, but analyses showing growth over time may misestimate actual changes.¹¹ The difficulty of accurately capturing the country’s myriad of race and ethnic groups, and its growing multi-ethnic population is also a challenge for the

Census Bureau, and though the 2000 definitions and categories are far more detailed than in 1990, they are probably still not perfect.

Additionally, reliance on decennial census data means much of the data here is over four years old. Does this mean this discussion lacks currency? We do not believe so. Many indicators are unlikely to change significantly over a few years. Likewise, the comparisons between cities and regions are also likely to hold. Trends between 1990 and 2000 are also important in their own right, as they show the progress cities made during a period of

unprecedented economic expansion. That progress establishes a baseline for performance during the 2000–2010 decade.

Finally, it should be noted that in many circumstances numerous other data sources beyond the census were consulted, including the federal Bureau of Labor Statistics and Bureau of Economic Analysis. By utilizing all of these we believe we have assembled a useful portrait of Miami and its challenges.

ABOUT THE ANALYSIS

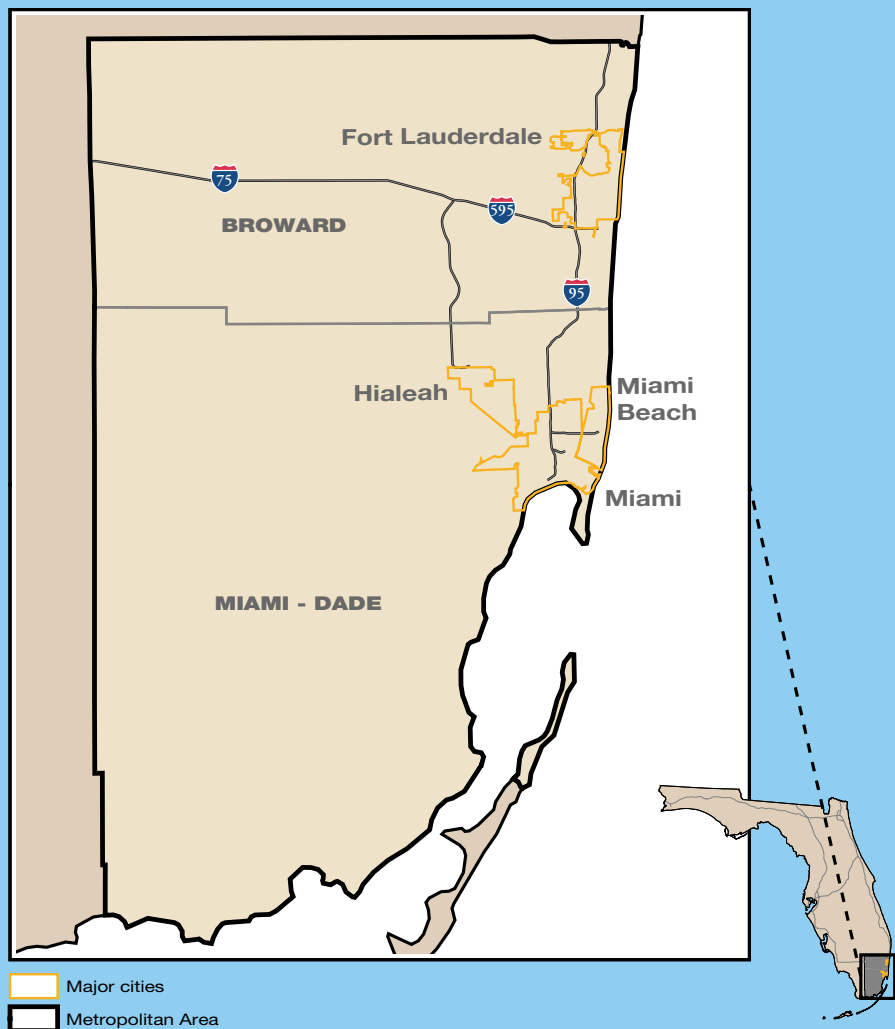
The definition of “middle class”

Like many things, “middle class” is hard to define and easy to recognize. This report uses an economic definition of middle class, primarily because economic characteristics are what we can measure through the census.

But even an economic definition can be hard to pin down. No generalized census definition of the middle class exists, nor are there set federally-defined income thresholds as there are for poverty. Research language is geared toward examining the poor (and by extension the “non-poor”) but this does little to capture those who are not poor but are not rich. Compounding this definitional problem is the fact that the same salary that would allow an individual a “middle-class” lifestyle in Lubbock, TX will buy much less in New York City. Until a standardized definition of middle class is created, there is not a simple way of analyzing this group.

As a proxy, we use a number of different measures to get at what being middle class in the Miami-Ft. Lauderdale metropolitan area region means. We often rely on the national distribution of household income to derive what, nationally, are middle incomes. The middle 20 percent of the country made between \$34,000 and \$52,000 in 1999.¹² The middle 60 percent of the nation makes between \$18,000 and \$81,000. These measures provide a standardized means of comparing the size of the middle class from region to region. ■

Miami-Ft. Lauderdale Metropolitan Area



Source: U.S. Census Bureau



Miami-Dade possesses many strengths—in its people, in its location, and in its vibrant community life. Nevertheless, a series of troublesome income trends challenge the region.

This section of *Growing the Middle Class* describes these dynamics. On balance, the data, graphs, maps, and analyses presented here depict a county and city that substantially underperforms on a number of important indicators that impact the daily lives of a large share of its population. In brief, these materials report that:

- **Miami-Dade's incomes are low**
- **The city's middle class is small**
- **Blacks and Hispanics are less likely to be middle class than whites**

THE TREND

Incomes are low and poverty is high

Miami's income levels are particularly low

Income and poverty levels reflect the ability of residents to provide for themselves and their families, their capacity to support neighborhood businesses, and their prospects for building assets. High levels of poverty among residents, on the other hand, may constrain the city's ability to provide good schools, safe streets, and affordable neighborhoods of choice for families at all income levels.

Miami-Dade's income statistics do not bode well for the region. Miami-Dade's median household income is \$35,966, one of the lowest of the nation's 100 largest counties.¹³

The city of Miami itself has an even lower median household income. Miami has the unenviable distinction of being the poorest city among the 100 largest U.S. cities. Its median household income of \$23,483 is about half of the nation's median household income of \$41,994.

The larger metropolitan region does better, but when compared to other Sun Belt metropolitan areas, the Miami-Ft. Lauderdale metropolitan area is not a top performer. Its median income is significantly lower than other regions such as Atlanta and Dallas.

Miami-Dade ranks 91st out of the nation's 100 largest counties in median household income

County	Median Household Income, 1999	100 Largest Counties Ranking
Miami-Dade County, FL	\$35,966	91
Kern County, CA	\$35,446	92
Oklahoma County, OK	\$35,063	93
Fresno County, CA	\$34,725	94
Kings County, NY	\$32,135	95
El Paso County, TX	\$31,051	96
Philadelphia County, PA	\$30,746	97
Baltimore City, MD	\$30,078	98
Bronx County, NY	\$27,611	99
Hidalgo County, TX	\$24,863	100

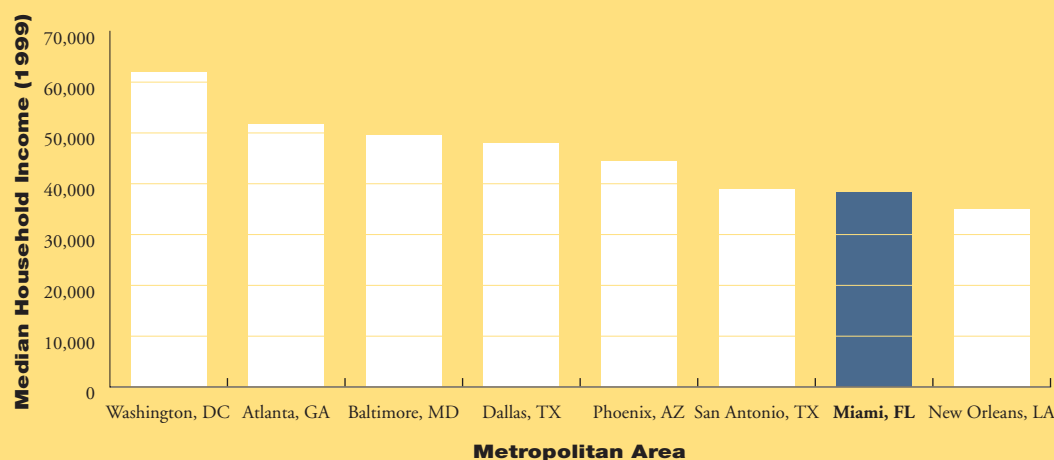
Source: U.S. Census Bureau

The poverty rate may actually not be the best way to measure whether or not Miami-Dade families are making enough to pay for basic necessities.¹⁵ Groups across the country are developing new regional “self-sufficiency standards” to try to more accurately capture how much income a working family requires.¹⁶ Wider Opportunities for Women, in conjunction with the Human Services Coalition of Dade County, recently created a self-sufficiency budget for Miami-Dade County.¹⁷ According to their analysis, one Miami-Dade adult needs an annual income of \$19,707 to meet basic living requirements, while a single parent with one

preschooler needs \$32,591.¹⁸ A family with two adults, a preschooler, and a school-aged child needs \$44,611 to meet basic requirements. Meanwhile, the federal poverty threshold for a family of four is \$17,463—a dramatic difference indicating that there may be far more families struggling with poverty in Miami-Dade than the federal numbers show.

In fact, 42 percent of non-elderly adults living alone live below the self-sufficiency standard in Miami-Dade.¹⁹ Eighty-one percent of the families that consist of one adult and

two children live below the self-sufficiency standard and 54 percent of the families with two adults and two children live below the self-sufficiency standard. Most likely, families are finding strategies to overcome the gap between the income required and the income they make, but it is telling to see how many families

The Miami-Ft. Lauderdale region has one of the lowest median incomes in the Sun Belt


Source: U.S. Census Bureau

The same pattern holds true for poverty rates. Miami-Dade ranks 12th out of the 100 largest counties with its poverty rate of 18 percent.¹⁴ Excluding counties that are coterminous with or contained within a central city such as Bronx County or Philadelphia County; Miami-Dade ranks fourth on this measure.

Not surprisingly, the city of Miami's 29 percent poverty rate is the highest among the nation's large cities. As with income, the Miami-Ft. Lauderdale metropolitan area has a much higher poverty rate than metro areas than other Sun Belt metro areas.

The city of Miami has the unenviable distinction of being the poorest city among the nation's 100 largest cities.

None of the 100 largest counties had a higher rent burden than Miami-Dade in 2000

County	Share of Renter Households Spending More Than 30% of Income on Rent	100 Largest Counties Ranking
Miami-Dade County, FL	47.1%	1
Monroe County, NY	44.4%	2
Fresno County, CA	44.3%	3
Riverside County, CA	44.0%	4
Los Angeles County, CA	43.8%	5
Broward County, FL	43.6%	6
San Joaquin County, CA	43.5%	7
Bronx County, NY	43.2%	8
Erie County, NY	43.2%	9
Suffolk County, NY	43.1%	10

Source: U.S. Census Bureau

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would not be able to make it if they had no public or familial assistance.

Housing costs outstrip incomes in the region

There is a perception that housing is less expensive in places with low incomes. But there is no housing “discount” for Miami-Dade residents. The combination of average housing costs with below average incomes means that Miami-Dade residents are facing an unaffordable housing market.

Miami-Dade County’s median monthly rent is \$572, ranking it 56th of the 100 largest counties.²⁰ While far from being one of the most expensive rental markets in the country, rent in Miami-Dade isn’t nearly as low as places that have equally low median incomes. Pima County, AZ and Kern County, CA, which have the closest median incomes to Miami-Dade rank 81st and 89th for their median rents.

Affordable rent is considered to be no more than 30 percent of gross household income.²¹ Using that metric, Miami-Dade renters have the highest rent burden of the 100 largest counties. Nearly half of the renters in Miami-Dade spend more than 30 percent of their income on rent. In comparison, 37 percent of all U.S. renters spend more than 30 percent of their income on rent. Because so many households in Miami-Dade are renters—42 percent, or the 25th largest share among the 100 largest counties—high rent burdens are significant.

Miami’s Informal Economy

This report does not cover income derived from jobs in the “informal economy.” The informal economy includes any “off-the-books” work such as housekeeping, garment work, lawn care, or other cash-only businesses or services that go unreported to government agencies. As one group of researchers puts it, “Selling oranges in a grocery store is a formal economic activity. Selling them on a highway exit ramp in Los Angeles County to passing motorists is an informal economic activity.”²³ Those involved in the informal economy can be self-employed or work under-the-table for a company.

Gathering information about the informal economy is notoriously difficult, because by its very nature it is not measurable. Workers are paid in cash and not taxed; transactions are not reported and thus there is no record of their existence. Researchers have developed methods to estimate the size of the informal economy, but these estimates can only give us an idea of what the reality may be. For example, in 1980, estimates of the size of the U.S. informal economy ranged from 6 percent of the Gross National Product (GNP) to 42 percent of the GNP.²⁴

Other measures use particular kinds of employment as proxies for the size of the informal economy. Some experts argue that certain employment categories are more prone to be part of the informal economy. The number of people employed in a microenterprise (firms with fewer than five workers), as an “own account” worker (self-employed individuals minus professionals and technicians), or as a domestic servant is a gauge of how large the informal sector is. In 2000, Florida had 8 percent of its workers in these areas, California had 8.6 percent, New York had 7.6 percent, and the United States as a whole had 8.1 percent.²⁵ A variation of this uses employment in very small establishments (those with fewer than 10 workers) to estimate the size of the informal economy. Almost 80 percent of Dade County firms fit in this category, while only 73% of the nation’s firms have fewer than 10 employees.

The informal economy exists everywhere—in urban and rural areas, among low-income and middle-income households, and among immigrant and native-born communities. Miami may have a larger informal economy than other regions, but the informal economy is by no means a Miami-specific phenomenon.

In other words, while the informal economy exists in Miami, it should not detract from the fact that Miami’s high poverty rates are very real and cannot be explained fully by the fact that some income is not being reported.

What about homeowners? Homeownership in Miami-Dade is also expensive, in relative terms. As with rental rates, the median house value of \$113,200 is nowhere near the most expensive housing in the country, ranking only 68th out of 100.²² However, Miami-Dade has the fourth highest mortgage burden of the largest counties—only the three New York City counties of the Bronx, Queens, and Kings have larger burdens. Forty-one percent of the county's homeowners with a mortgage pay more than 30 percent of their income on mortgage payments.

THE TREND

Miami's middle class is small and disparities between rich and poor are growing

Miami's middle class is small

One way of exploring income issues facing cities and regions is to examine how income is distributed among households. By first dividing the nation's households into five equal parts, or quintiles, we can see what the highest-paid 20 percent of households are making (\$81,000 or more), what the second highest paid quintile is making (between \$52,000 and \$81,000) and so forth. If a city or county's households are similarly distributed, that city or county has an even income distribution because it parallels the nation's distribution. If a city has a small-



er share of its population in the middle groups, its middle-income households are under-represented. This exercise shows at a glance the size of the middle class, relative to low-income groups and upper-income groups.

Broward County has a very even income distribution—it closely mirrors the nation's. Miami-Dade's income distri-

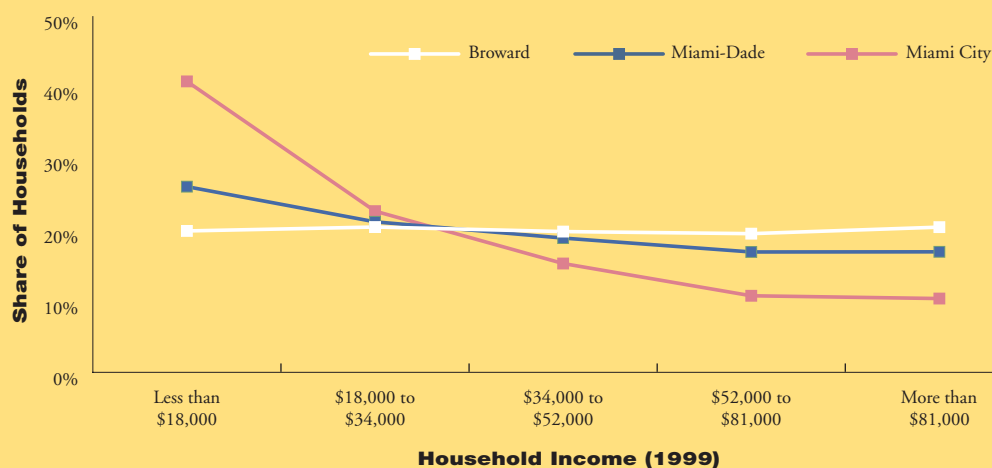
bution is not as even. A larger share of Miami-Dade's households make under \$18,000 than the nation as a whole and a smaller share of the county's households are in the middle-income brackets.²⁶

But the city of Miami's income distribution differs radically from the nation's. Forty-one percent of the households in the city of Miami make below \$18,000.

Only 15 percent make between \$34,000 and \$52,000. In other words, Miami, compared to the nation, has relatively few households earning a middle income and a relatively large number of households making very little.

How does Miami stack up against other cities? Based on the share of its households in the three middle income brackets—or the share of households earning between \$18,000 and \$81,000—Miami ranks 96th out of the 100 largest cities. Only 49 per-

Miami City has a small middle class, and a large share of its households in lower-income brackets



Source: U.S. Census Bureau

cent of Miami's households make between \$18,000 and \$81,000, whereas 60 percent of the nation's households fall within that income bracket. The cities that rank below Miami on this list are cities whose distribution is skewed to the upper end of the scale, rather than the lower end of the scale. For example, 49 percent of the households in Plano, TX have incomes above \$81,000 (compared to the nation's 20 percent who make above that amount).

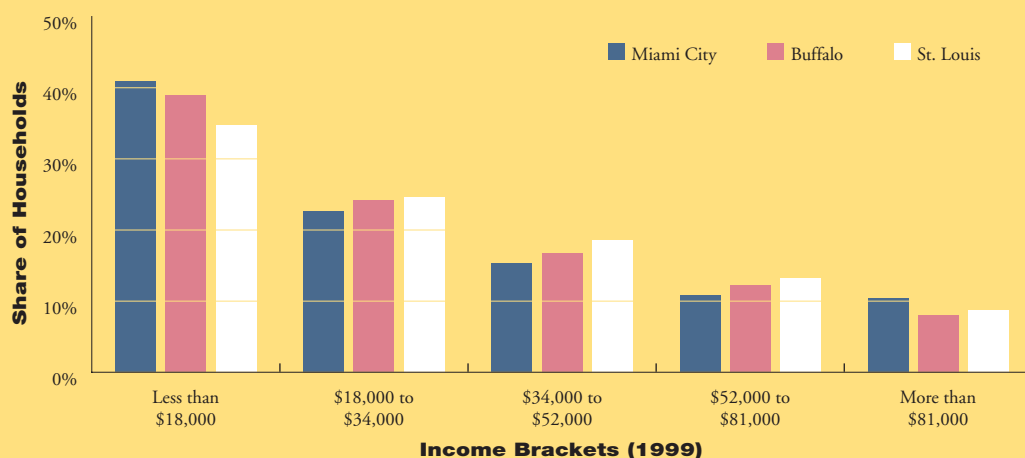
What the distribution also shows is that Miami's middle class is small, even when compared to other poor cities. For example, St. Louis, MO, a similarly sized city, has the eighth lowest median household income and the tenth highest poverty rate. Despite those similarities, St. Louis has a more even income distribution than Miami. Thirty-five percent of St. Louis's households make less than \$18,000, and 19 percent make between \$34,000 and \$52,000. Buffalo, which has the second lowest median household income after Miami, also has a more even income distribution. Even though it has 39 percent of its household in the lowest income bracket, it has a larger share of its households in the middle three brackets than Miami does.

Over the past two decades Miami's middle class has shrunk. By definition, the middle quintile for the U.S. always has 20 percent of households. But in Miami, the share of households in the middle income bracket has eroded since 1979. In 1979, 18 percent of the city of Miami's households were in the middle income bracket. By 1999, that share had fallen to 15.3 percent.

Miami's middle class is small, even when compared to other poor cities.

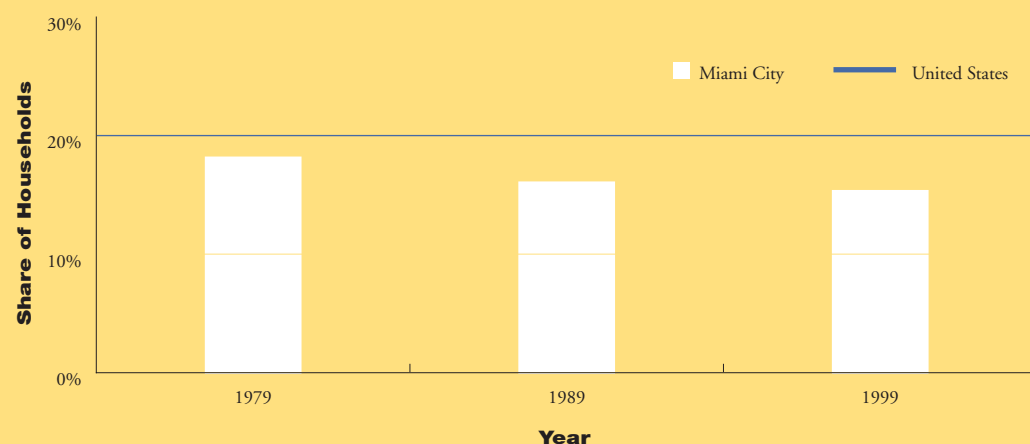
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Miami City's income distribution is less balanced than in Buffalo or St. Louis, even though all three cities have low median household incomes



Source: U.S. Census Bureau

Miami City's middle class has been shrinking



Source: U.S. Census Bureau

Income inequality in the Miami region far exceeds the nation's—and has been increasing

	Average Household Income by Quintile					Ratios Between Groups	
	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile	5th Quintile/ 1st Quintile	5th Quintile/ 3rd Quintile
1989							
Miami City	\$4,542	\$12,377	\$22,550	\$38,760	\$97,677	21.5	4.3
Miami-Dade	\$7,045	\$20,634	\$35,835	\$56,338	\$119,390	16.9	3.3
Miami metro	\$8,116	\$22,527	\$37,676	\$58,250	\$119,169	14.7	3.2
U.S.	\$8,864	\$23,850	\$39,702	\$59,657	\$116,391	13.1	2.9
1999							
Miami City	\$4,294	\$13,179	\$24,252	\$42,125	\$125,933	29.3	5.2
Miami-Dade	\$7,027	\$20,687	\$35,598	\$56,750	\$140,380	20.0	3.9
Miami metro	\$7,957	\$22,865	\$38,509	\$60,237	\$142,594	17.9	3.7
U.S.	\$9,737	\$25,752	\$42,092	\$64,275	\$141,830	14.6	3.4

Source: Brookings Institution analysis of Public Use Microdata Sample, U.S. Census Bureau

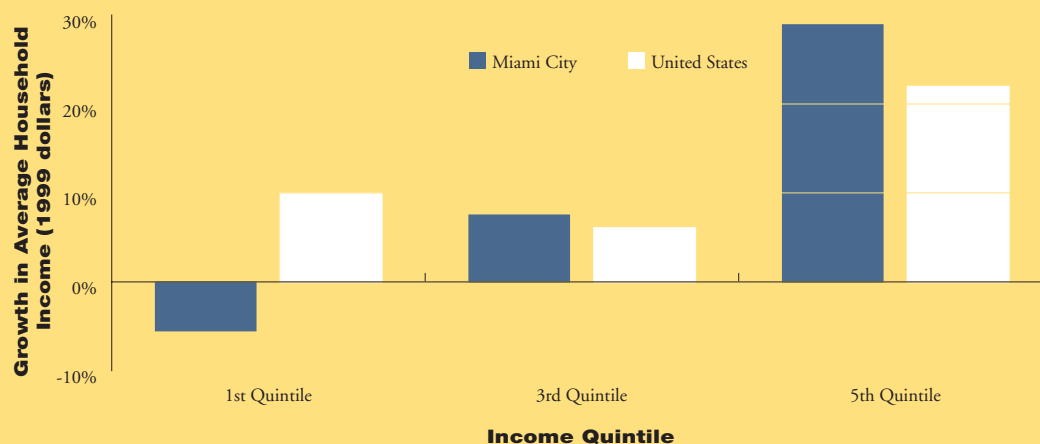
There are stark income disparities between rich and poor

Not only is Miami City's income distribution uneven, but there are very large differences between what different income groups make. In the Miami region, the rich are very rich, and the poor are very poor. In the country as a whole, the top income quintile earned 14.6 times more than the bottom quintile. In Miami-Dade County, the richest quintile made 20 times more than the poorest quintile. And in the city of Miami, the differences are even more striking. The top quintile made 29 times more than the bottom quintile.²⁷

The gap between what rich and poor make grew sharply in the 1990s. Some of this can be explained by the fact that the U.S. as a whole experienced growing wage inequality. In the 1980s, low-income workers' wages fell in real terms and middle-income earners' wages stagnated. But the wages of the highest paid workers grew rapidly. In the 1990s, the wage differential between the wealthiest and poorest continued to grow, but the pattern changed slightly. The lowest-income workers stopped losing ground, relative to middle-income workers, but the highest paid workers continued to see large increases in their wages.²⁸

That said, the Miami area's income disparity grew much faster in the 1990s than it did on the national level. Tracking average change for each income group tells the story quite dramatically. After adjusting for inflation, the richest 20 percent of households in Miami City saw their income grow 29 percent, while the poorest 20 percent of households saw their income actually *decrease* 5 percent.

The wealthiest households in Miami City enjoyed sharp increases in their incomes during the 1990s, while the poorest households lost ground



Source: Institution Analysis of Public Use Microdata

THE TREND:

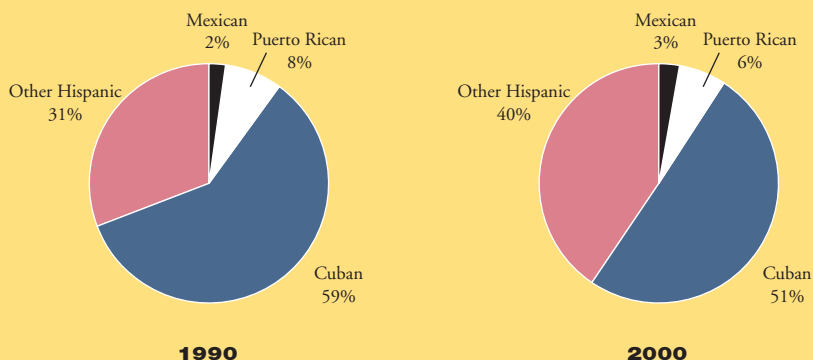
Blacks and Hispanics are less likely to be middle class than whites

Miami-Dade became more diverse over the 1990s

Long a region of great diversity, this trend intensified over the 1990s. The city of Hialeah has the largest nonwhite or Hispanic population in the country, while the city of Miami follows closely behind with the third largest “minority” population (88 percent).²⁹ Sixty-six percent of the city of Miami’s population is Hispanic or Latino.

Diversity does not stop at these cities’ borders. Over the 1990s, the black and Hispanic share of Miami-Dade County’s population grew. In 1990, 49.2 percent of the population was Hispanic and 19.1 percent was black. By 2000, the Hispanic share of the population had grown 8.1 percentage points to 57.2 percent and the black share of population stayed steady at 19 percent. (Broward County, in contrast, is 16.7 percent Hispanic and 20 percent black—much lower numbers, but ones that represent significant gains since 1990 when Hispanics were 8.6 percent and blacks 14.9 percent.)

The Cuban share of Miami-Dade’s Hispanic population declined during the 1990s



Source: U.S. Census Bureau

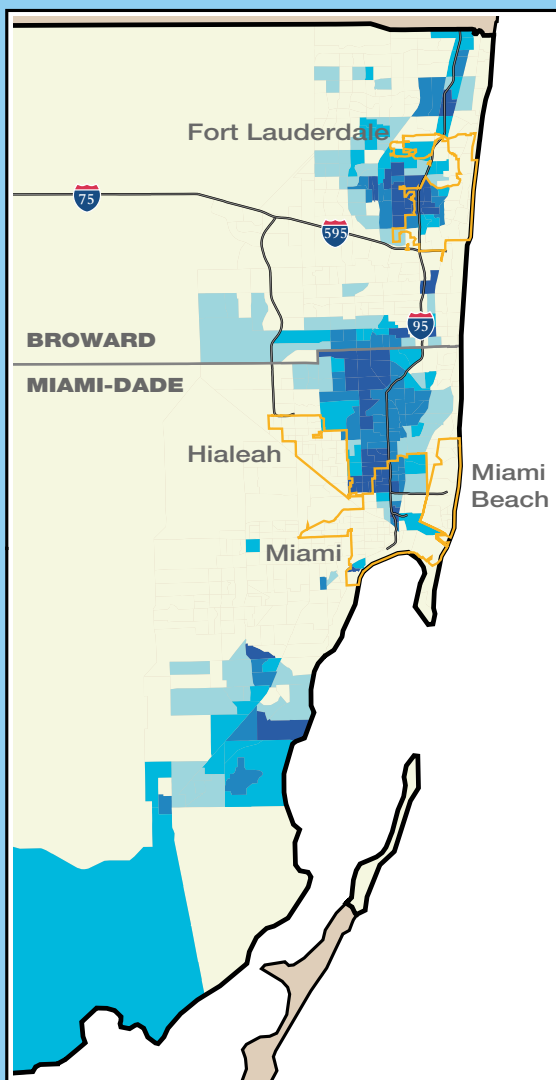
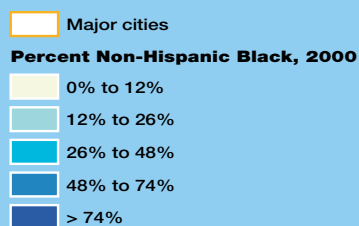
Within the Hispanic population, changes have also occurred. The Cuban population in Miami-Dade County made up 59.2 percent of the total Hispanic population in 1990. By 2000, Cubans’ share of the Miami-Dade population fell to 50.4 percent. In the city of Miami, Cubans made up 62.2 percent of the population in 1990, but only 51.9 percent by 2000.

Although the metropolitan area is becoming demographically diverse, there is still a great deal of spatial separation. Blacks are concentrated in the northern part of Miami City and the adjacent parts of northern Miami-Dade County. Hispanics are less concentrated, in part because their numbers are so large. However, there is still a distinct residential pattern—the western portion of Miami City and western Miami-Dade County tend to be heavily Hispanic, while the white population is concentrated in the east.

Income disparities in the Miami area grew much faster in the 1990s than they did on the national level.

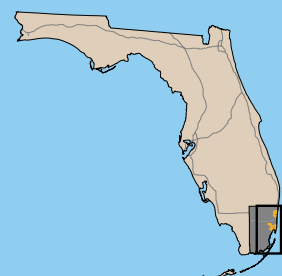
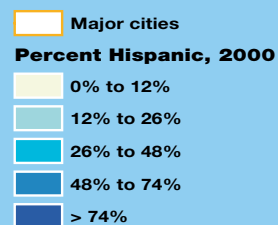
Most blacks live in northeast Miami-Dade County

16



Source: U.S. Census Bureau

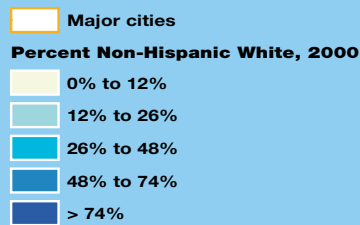
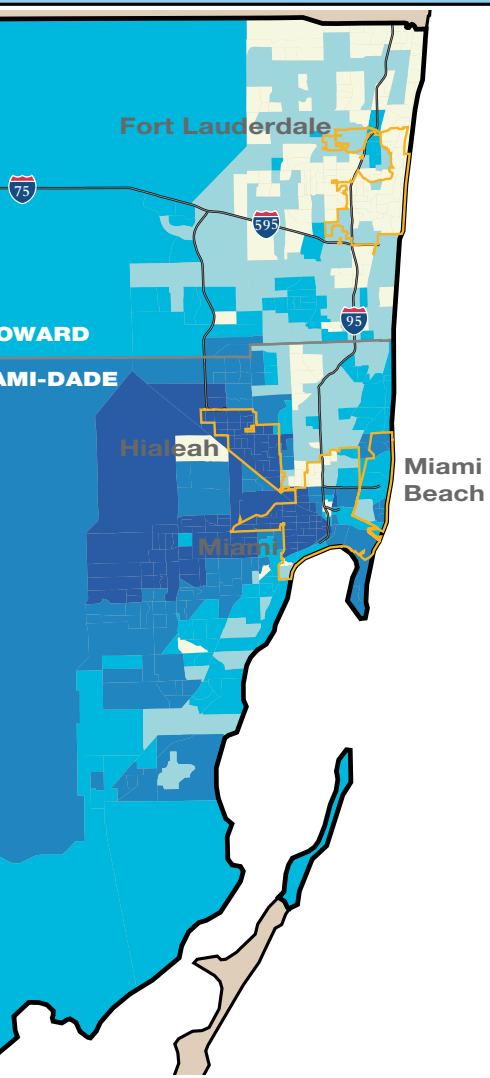
Hialeah, western Miami City, and western Miami Beach have a high share of Hispanic population



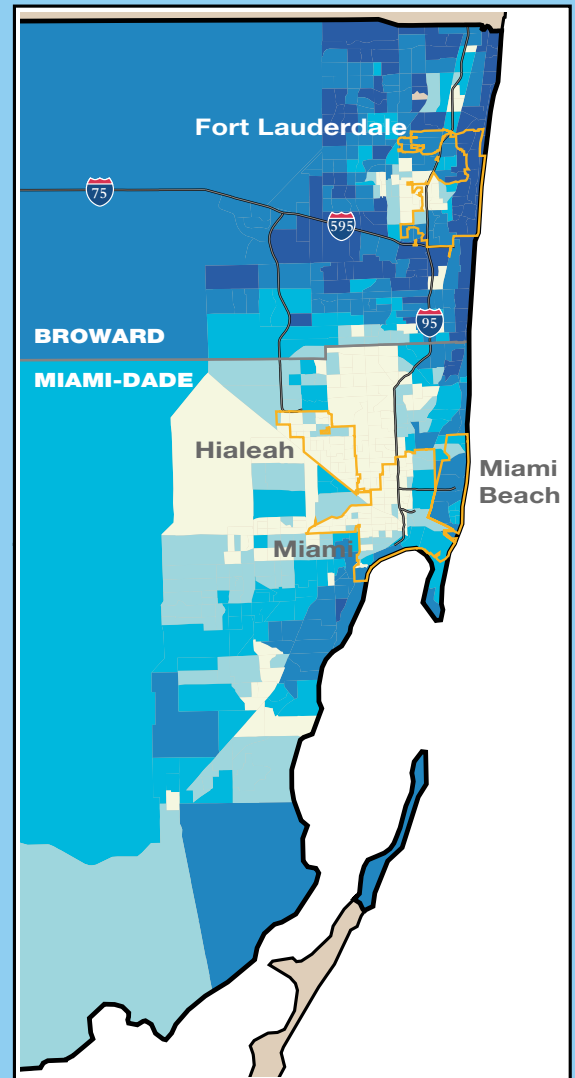
Source: U.S. Census Bureau

Whites in Miami-Dade County tend to live along the coast

Western Miami-Dade County have a



Source: U.S. Census Bureau



Wide disparities in income, poverty rates, and homeownership rates separate Miami's different race and ethnic groups

Despite the increasing diversity, large disparities between race and ethnic groups remain. These gaps indicate that non-whites are less likely to be middle class than whites.

In Miami-Dade County, the white median household income is at least \$15,000 more than the Puerto Rican, Nicaraguan, and Cuban incomes, and at

least \$20,000 more than the black and Haitian incomes.

The difference is greater within the city of Miami, where the typical white household makes \$30,000 more than typical black households, who have the lowest median income in the city. (Cubans, Haitians, Nicaraguans, and Puerto Ricans all have median incomes in the low- to mid-twenties.) Even though Miami is known as a financial center for Latin America, the city actually has one of the lowest Hispanic median

household incomes in the country—it ranks 96th out of the 100 largest cities.

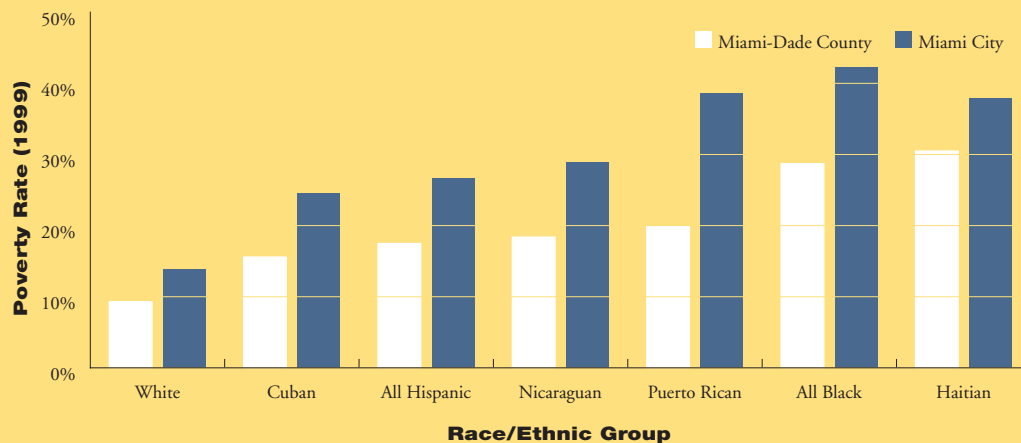
The same disparity exists for poverty rates and homeownership rates. In Miami-Dade County, the white poverty rate is only 9.3 percent while the Haitian poverty rate is 30.5 percent. In the city of Miami, blacks have the highest poverty rate at 42.3 percent in and whites have the lowest at 13.9 percent.

The disparity in homeownership in Miami-Dade is also large: The white homeownership rate, the highest, is 70.3 percent and Hondurans have the lowest

at 29.8 percent. In Miami City, whites have the highest homeownership rates at 55.9 percent. Haitians and Nicaraguans have the lowest homeownership rates at 20.7 percent and 13.1 percent respectively.

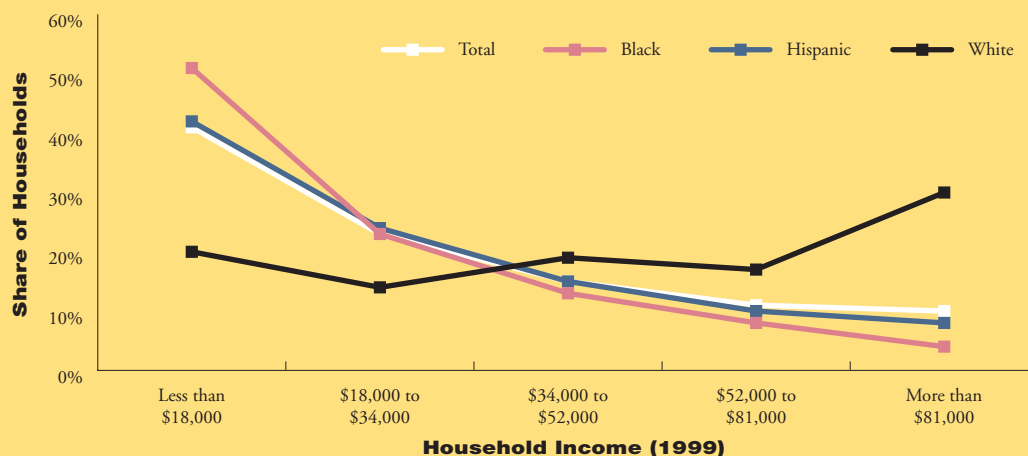
The income distribution in the city of Miami varies by race as well. White incomes are more evenly distributed than the incomes of blacks or Hispanics. While 19 percent of whites are in the middle income bracket, only 13 percent of blacks and 15 percent of Hispanics are in that bracket. Likewise, 30 per-

White poverty rates remain much lower than other groups', both county-wide and in the city of Miami alone



Source: U.S. Census Bureau

Whites have a higher share of households in the middle class than blacks or Hispanics



Source: U.S. Census Bureau

cent of whites in the city of Miami are in the top income quintile, but only 4 percent of blacks and 8 percent of Hispanics are.

Race matters in Miami. Despite the fact that the city is primarily nonwhite or Hispanic, whites are still more likely to be middle class than blacks or Hispanics.

THE TREND

Suburban Miami-Dade and Miami City are interdependent

The city of Miami has the most unequal income distribution, the highest poverty rates, and the lowest incomes in the metropolitan region. So why is this a problem for anyone outside Miami City?

Cities and suburbs are interdependent

Metropolitan dynamics have changed since the early postwar period. In the 1950s and 1960s, suburban growth was not negatively affected by central city decline. Today, however, trends point to a new reality. A growing body of research suggests that the fates of large cities and their metropolitan areas are intertwined—they grow together or they decline together.³⁰ Economist Richard Voith has shown that income gains in central cities also benefit the entire regional economy. His modeling considered patterns of growth in income, house prices, and population in cities and suburbs between 1970 and 1990 for virtually all U.S. metropolitan areas, and found that city income growth positively affected suburban growth in all three indices—at least in larger cities.³¹ Manuel Pastor and his colleagues examined 74 major metropolitan areas and found that reductions in central city poverty rates led to metropolitan income growth. To paraphrase Pastor, targeted efforts to alleviate central city poverty eventually seem to “trickle up” to improve incomes across the whole region.³²

CEOs for Cities and Robert Weissbourd’s and Christopher Berry’s recent work shows that metropolitan areas that have high levels of income inequality, as Miami-Dade does, tend to

Recent work shows that metropolitan areas that have high levels of income inequality, as Miami-Dade does, tend to have lower levels of income growth.

be the metros that have lower levels of income growth. Income inequality, in short, depresses economic performance.³³ Income inequality is sharpest in the city of Miami, but because of the interdependency of city and suburb, that disparity could negatively affect the entire county’s economic performance.

Cities and suburbs are more alike than ever before

The old urban-suburban dichotomy is obsolete. The perception that certain problems are “city” problems is no longer accurate. Therefore, issues that face the city of Miami are most likely issues that the suburbs of Miami-Dade are also facing.

For example, central cities are no longer always the first home to immigrants—foreign-born residents are suburbanizing at very rapid rates.³⁴ Suburban Miami-Dade County gained 271,585 new foreign-born residents, a 41 percent gain, while the city of Miami only netted 1,611 new foreign-born residents.³⁵

In part because of the suburbanization of immigrants, suburban Miami-Dade public schools are seeing significant demographic changes. While levels of segregation and poverty are still high in central city schools, the inner-suburban schools are rapidly becoming poorer and more racially segregated.³⁶

The poverty landscape is also changing. The city of Miami actually has 9,189 fewer people living in poverty than it did in 1990—an 8 percent drop. Meanwhile, suburban Miami-Dade had a 28 percent gain of 64,923 people living below the poverty line.

Miami is not the only city in the county with high poverty rates and low incomes. The county has 29 municipalities or census-defined places (places that do not have their own government, but are recognized by the census as an identifiable city, town, or village) that have populations larger than 20,000. Sixteen of those places have poverty rates that exceed the nation’s. Similarly, 18 of these municipalities or census-defined places have median household incomes smaller than the nation’s.

Even violent crime rates are falling faster in the city of Miami than they are in suburban Miami-Dade.³⁷ Between 1995 and 2002, there was a 26.2 percent drop in violent crime in suburban Miami-Dade, but a 44.1 percent drop in violent crime in the city of Miami.

The line between city and suburb has blurred. Not only are city and suburb interdependent, but the differences between them are starting to erode. In this fashion, neither suburban nor urban Miami area residents can ignore the critical importance of growing the middle class. ■



Behind the Trends: Why is Miami's Middle Class So Small?

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Miami faces several challenges that contribute to the region's troubling income trends and inhibit its ability to grow the middle class.

This section identifies these challenges. The “behind the scenes” reasons for Miami’s low incomes, high poverty rates, and small middle class evolved over time and are inter-related. The report will examine three of the most important, which include the following findings:

- **The level of educational attainment in the region is low**
- **The regional economy is a low-wage economy**
- **Miami-Dade is exporting middle-class residents**

BEHIND THE TRENDS

Educational attainment rates are low

Education affects individual earning power and regional competitiveness

In Miami and elsewhere, education shortfalls directly affect the pocketbooks of individual households. According to a U.S. Census report, the estimated lifetime earnings of an individual with a high school degree are almost \$1 million dollars less than an individual with a college degree. Even having an associate’s degree increases lifetime earnings by about \$400,000 over that of a high school graduate.³⁸ The corollary to this analysis is that if there are fewer individuals with educations in a region, then incomes will be lower and the middle class will be smaller.

But the implications for having low educational attainment rates go beyond income. Economists have long considered “human capital”—talented people generating ideas and innovations—a crucial factor of production and a primary driver of regional economic growth.³⁹ This is particularly true in the growing knowledge economy, with its greater dependence on skilled, creative, and highly educated employees using and developing cutting edge technologies. As summarized by the Progressive Policy Institute, “When the most valuable input for many firms is the skills and talent of their workforce, a pool of skilled workers is the most important locational factor.”⁴⁰

In a study of the 75 largest metropolitan areas, Paul Gottlieb and Michael Fogarty found that the regions with the highest level of educational attainment had much larger gains in per capita income than those with the lowest levels of educational attainment. The most educated metropolitan areas saw real per capita income growth of 1.8 percent

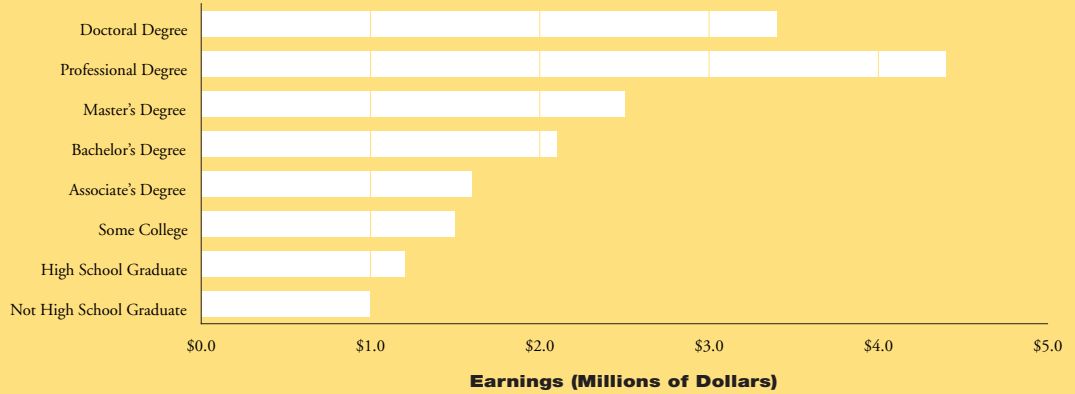
a year between 1980 and 1997, while the least educated saw real per capita income growth of only 0.8 percent a year. This may not seem significant, but cumulatively the effect is quite large. By 1997, the 10 most educated metropolitan areas' real per capita income was 20 percent above the U.S. average, but the 10 least educated metropolitan areas' per capita income was 12 percent below the national average.⁴¹

“Skilled” does not necessarily mean educated, though the two are increasingly related. For example, there are occupations in manufacturing that are highly skilled but do not necessarily require a post-secondary degree.

But the manufacturing sector is small in Miami-Dade County, as the discussion below will describe. Additionally, the U.S.'s manufacturing sector has been declining for decades, and recent trends show no sign of improvement. According to the National Association of Manufacturers, the 2000–2001 manufacturing recession nationwide was the second-longest in 50 years (after the recession of 1982), and its recovery has been the slowest on record. From July 2000 to June 2003, over 2.6 million factory jobs were lost in the U.S.⁴²

In this country's current information-based economy, “skilled” is becoming increasingly synonymous with “educated.” An educated workforce is one of the most valuable assets a region can have. Growing the middle class helps ensure that a region has a “built-in” way to replenish and upgrade a quality workforce.

College graduates earn almost \$1 million more than high school graduates over the course of a lifetime



Source: “The Big Payoff: Educational Attainment and Estimates of Work-Life Earnings,” U.S. Census (2003)

21

Regions with the highest level of educational attainment had much larger gains in per capita income than those with the lowest levels.

Miami's educational attainment rates are very low

High levels of educational attainment indicate the potential for regional economic growth as well as individual earning power; and Miami's poor education statistics help explain its small middle class and low incomes.⁴³ At every level of geography, the region has a much lower share of its population aged 25 years and older with at least a bachelor's degree than at the national level. For example, the overall rate for the 100 largest metropolitan areas is 27.8 percent, but the Miami-Ft. Lauderdale metropolitan area's rate is 22.9 percent;

and the overall rate for the 100 largest counties is 29 percent, but Miami-Dade's rate is 21.7 percent (which ranks the county 85th out of 100). The city of Miami has an extraordinarily low rate of 16.2 percent, ranking the city 94th out of the 100 largest cities. Even when you remove the city of Miami from the county calculation, suburban Miami-Dade's rate is still a very low 23 percent.

As with income and poverty rates, educational attainment rates vary by race and ethnicity. The percentage of whites with college degrees in Miami-Dade County is 38 percent—at least double that of any other race or ethnic

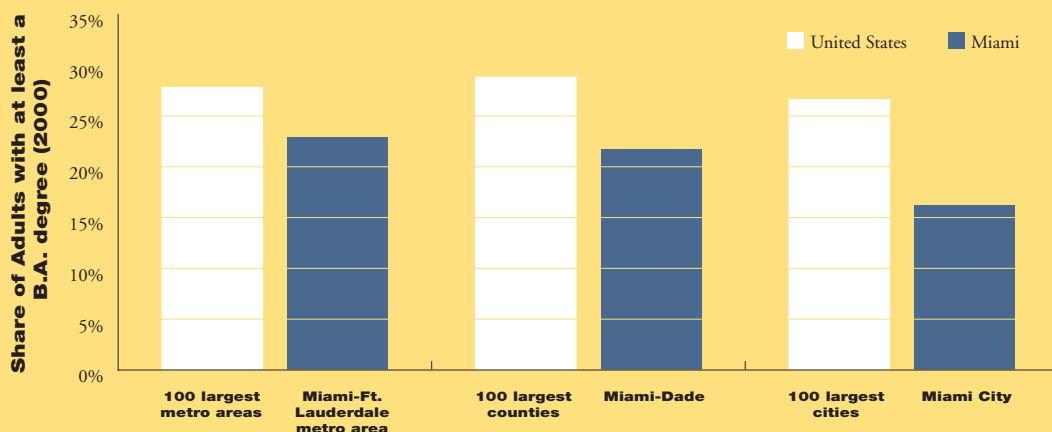
group. The differences between whites and other groups within the city of Miami are even sharper—percentage of whites with college degrees at 46 percent is at least three times more than that of any other group and almost 10 times more than the lowest group.

Miami's public schools are struggling

Unfortunately, public education in the Miami-Ft. Lauderdale metropolitan area is currently unable to prepare students to improve their skills and compete in the workforce. As Myron Orfield's research on the region's schools has shown, elementary schools became poorer and more

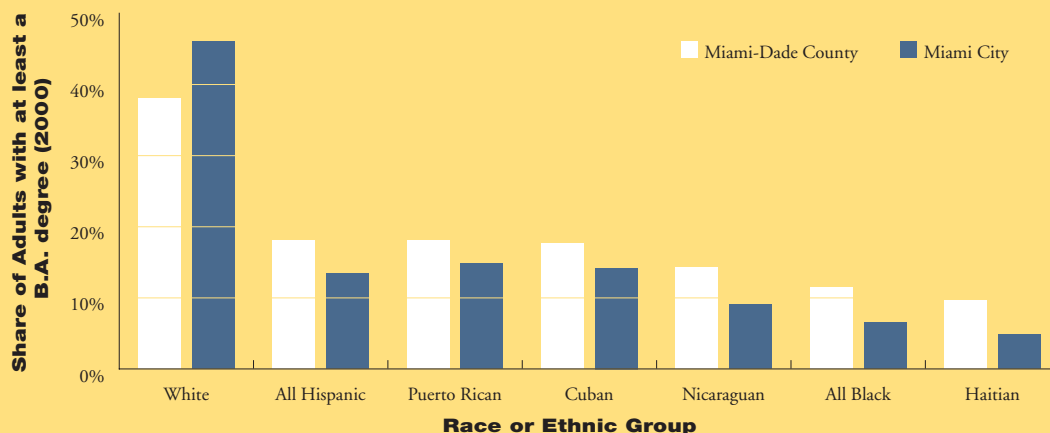
economically and racially segregated, reducing opportunities for students in those schools. The number of low-income students in the Broward and Miami-Dade school systems increased by 39,000 between 1993 and 2001, with a greater increase in Miami-Dade than in Broward. In 2001, 51 percent of all elementary school students were eligible for free and reduced school lunch.⁴⁴ In 2001, 51 percent of the region's low-income students would have had to move to be evenly distrib-

The Miami region's share of adults with at least a B.A. degree lags the nation as a whole



Source: U.S. Census Bureau

White educational attainment in the region far exceeds that of other groups



Source: U.S. Census Bureau

uted, up from 49 percent in 1993.

High poverty levels affect performance. In 2003, only 46 percent of Miami-Dade's tenth-graders passed the reading portion of the Florida Comprehensive Assessment Test (FCAT).⁴⁵ The statewide pass rate was 58 percent. Scores for math were better in 2003—63 percent of Miami-Dade's 10th graders passed the math FCAT.⁴⁶ But that still ranked Miami-Dade 60th out of the state's 67 school districts (the pass rate for the state was 73 percent).

In the 2002–2003 school year, the Miami-Dade School District had a graduation rate of 57.9 percent, the second lowest in the state. The state's graduation rate in the same year was 69 percent. In 2001–2002, The Miami-Dade School District had 24.3 percent of the state's dropouts, even though it only had 15.2 percent of its high school students.

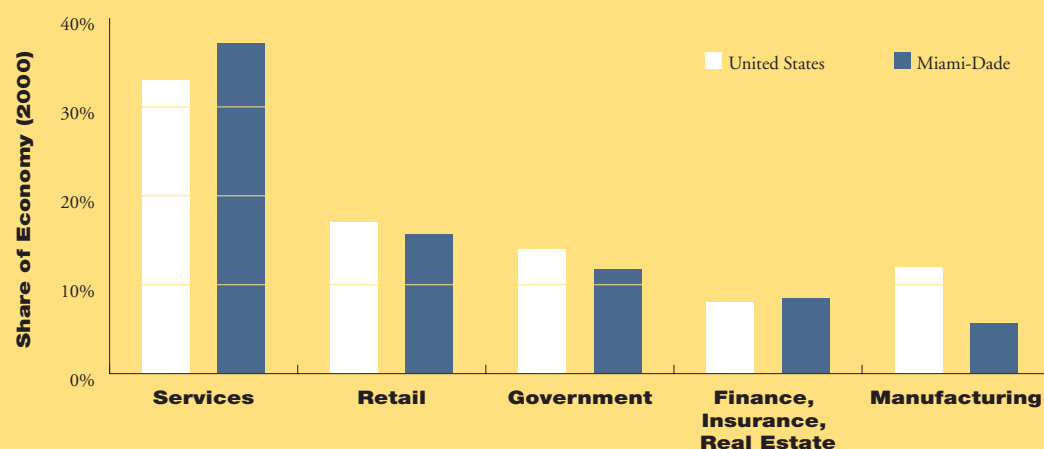
Struggling public elementary and secondary schools have a harder time preparing their students for any kind of formal education past high school. And with reduced ability to produce college-ready students comes a hampered ability to raise the region's educational attainment rates.

BEHIND THE TRENDS

Miami has a low-wage economy

The structure of Miami-Dade's economy creates more low-wage jobs than it does high-wage jobs. The impact of this on the size of the middle class is twofold. First, the large number of jobs with lower wages contributes to lower median household incomes and fewer households earning in the middle income bracket. Second, the fact that the economy is concentrated in lower-skill sectors means that the region is less likely to attract a highly skilled workforce.

Miami's service sector is proportionally larger than the nation's



Source: Bureau of Economic Analysis

Miami-Dade's largest industry sectors tend to pay low wages

Compared to the nation's sectoral mix, Miami-Dade has a larger service sector. In 2000, 33 percent of U.S. non-farm jobs were in the service sector, but 37 percent of Miami-Dade jobs were in the service sector.⁴⁷ Meanwhile, higher-paying sectors, such as manufacturing and

government, are under-represented in Miami. Twelve percent of all U.S. jobs are in manufacturing, while only 5.7 percent of Miami-Dade's jobs are in manufacturing.

Even though Miami is on par with the nation on some high-paying sectors, such as the finance, real estate, and insurance sector, the majority of jobs in the



area are in sectors that traditionally demand fewer skills and pay lower wages. The two largest sectors in Miami-Dade are service and retail. Together they make up 52.9 percent of employment in the county. But they only account for 43.2 percent of the county's total payroll.⁴⁸ The average annual pay for the Miami-Dade retail sector is \$21,295 and the service sector average annual pay is \$31,083. It should be noted that service sector jobs encompass a wide range of employment—from doctors and lawyers, to hotel clerks and fast food workers. Twenty-two percent of the service jobs in Miami-Dade are in healthcare and social services and have an average annual pay of \$37,000. In contrast, 19 percent of the service sector jobs are in administration and waste management and have an average annual pay of \$22,000.⁴⁹

Poor residents primarily work in low-wage sectors

In total, 8 percent of Miami-Dade's workers earn incomes below the poverty line. This means, despite having a job, over 95,500 people in the county are poor. But low-income residents of Miami-Dade, not surprisingly, tend to work in particular kinds of occupations. Over 30 percent of workers earning incomes below the poverty line are employed in service occupations. Twenty-seven percent of the poor workers are

employed in sales and office occupations.⁵⁰

Differences between race and ethnic groups, once again, show that some groups have larger number of poor workers than others. Sixteen percent of all Haitian workers in Miami-Dade are poor, and 6.5 percent of the county's Cuban workers are poor, but only 4.1 percent of the white workers are poor.

Wages are lower in Miami-Dade than elsewhere

To make matters worse, wages for many occupations are lower in Miami-Dade than they are in other metropolitan areas. The median hourly wage for all occupations in Miami-Dade is \$12.49.⁵¹ The nation's median hourly wage is \$13.31. Out of the 100 metropolitan areas with the largest number of jobs, Miami-Dade ranks 77th in median hourly wage.⁵²

The same pattern holds true for individual occupational groups. For example, "office and administrative support" is the largest occupational group in Miami-Dade—21.7 percent of the county's jobs are office support jobs. The median hourly wage for office support is \$11.51, much lower than the nation's rate of \$12.34 for the same occupational group. Miami-Dade ranks 79th out of the 100 largest metros for the median hourly wage for office support occupations.

Whether you look at high wage or low wage jobs, Miami-Dade's wages are

lower than the national average. Food preparation is the lowest paid occupation out of the county's 10 largest occupational groups. Food prep workers' median hourly wage is \$6.90 but the national median is \$7.33 an hour. Managers are the highest paid workers of Miami-Dade's 10 largest occupational groups. The median hourly wage for managers is \$31.46 in Miami-Dade, but \$32.27 for the U.S.

Miami's large number of small firms may have an impact on income

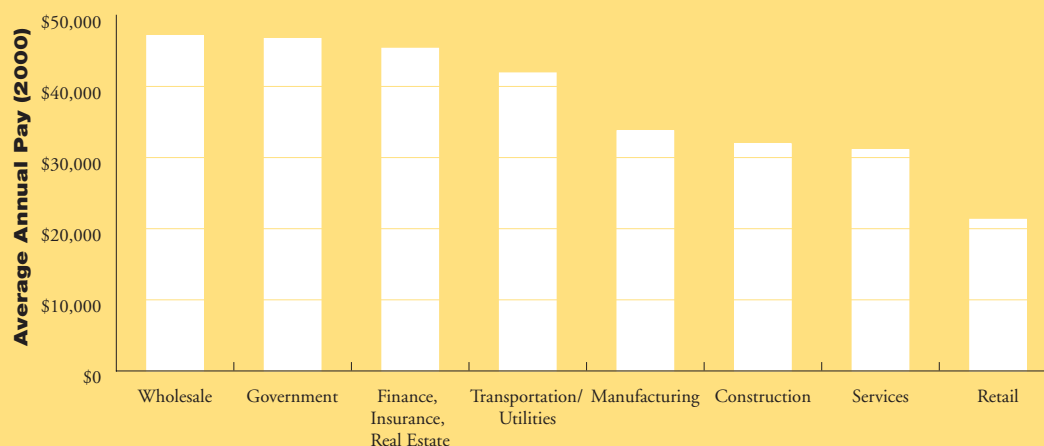
Miami is a hotbed of entrepreneurial activity. Twenty-two percent of Miami-Dade's workers are in firms that have 20 employees in firms that have 20 employees or fewer.⁵³ Comparatively this means that Miami-Dade has the sixth highest share of employees in small business in the country.⁵⁴ In many ways, the large number of small businesses in the region is a desirable trait. In the biotech sector, for example, regions with nimble small businesses have the advantage over regions with a few large employers.⁵⁵ Additionally, small businesses are a very important way in which immigrants, minorities, and women enter the mainstream economy.⁵⁶

While small businesses are important job creators and help add vitality to regional economies, there is also a downside. Fredrik Andersson and his colleagues have shown that for low-wage

workers, small firms aren't necessarily a blessing.⁵⁷

Their research shows that large firms tend to pay higher wages—55.5 percent of all high wage firms are large companies while only 45.4 percent of low-wage firms are large. The research also shows that workers had a better chance of "escaping" low-wage jobs if they worked for a large firm, or if they left a small firm to take a job at a large firm. But because most jobs in the Miami-Dade County are with very small firms,

Pay in Miami-Dade's retail sector trails other sectors



Source: Bureau of Economic Analysis

Most high-wage firms are large firms

Firm Size	Low-wage	Medium-wage	High-wage	All
0 to <50	36.8%	25.6%	24.9%	28.4%
50 to <250	17.9%	22.4%	19.6%	20.6%
250 and up	45.4%	52.0%	55.5%	51.1%

Source: Fredrik Andersson, Harry J. Holzer, and Julia I. Lane, "Worker Advancement in the Low-Wage Labor Market," (Brookings Institution, 2003).

parts, their wages tend to be lower, thus aggravating the wage disparity. In 1970, less than 5 percent of the country's population was foreign born, and immigrants earned 17 percent less than the native population. By the late 1990s, 11 percent of the population was foreign born and they earned 34 percent less than natives.⁶¹ This would seem to explain some of the region's income statistics. After all, Miami is one of the largest international gateways in the country. At 50.9 percent, Miami-Dade has the highest share of foreign-born residents out of the 100 largest counties. 60 percent of the city of Miami's population is foreign born, the second highest city rate in the country exceeded only by its neighbor Hialeah.

But as anyone from Miami knows, the economic fortunes of foreign-born residents are fluid. What the numbers described above mask is an underlying churn of foreign-born residents. Large numbers of immigrants continue to arrive in Miami-Dade every year, but large numbers of foreign born also leave. Not only are foreign-born residents leav-

chances to escape low-wage work may be limited.

In addition, very small firms often do not have the capacity to provide good benefits, an added burden on low-income workers.⁵⁸ Nationally, only half of employers with fewer than 10 employees offer health insurance.⁵⁹ Small businesses may also not be able to maintain the human resources staff needed to recruit potential employees, creating inefficiencies in the job market and potential jobs available that workers are not being connected to.

BEHIND THE TRENDS**Miami is exporting middle-class residents**

Miami has less of a problem attracting middle-class residents than it does retaining them. Almost 150,000 people moved to Miami-Dade from somewhere else in the U.S. between 1995 and 2000, and roughly 275,000 immigrants arrived in Miami-Dade between 1990 and 2000.

Miami-Dade also gained young workers during the 1990s. This demographic group is important to the economic health of metropolitan regions, and it represents an influx of people who are most likely middle class. In 2002, 22 percent of workers between the ages of 25 and 34 arrived in Miami-Dade between 1990 and 2000.⁶⁰ Miami-Dade performed as well as the rest of the South and the West, the two regions of the country that gained young workers at rapid rates. (Compared to its neighbor, however, Miami-Dade didn't do as well. Broward County gained 47.6 percent of its young workers in the 1990s—the fourth highest rate in the country.)

But as the rest of this section explains, Miami-Dade is failing to retain this valuable resource. Even though some middle-class residents are moving in to Miami-Dade, even larger numbers are moving out.

Miami is functioning as a "landing and launching pad" for foreign-born residents, hampering its ability to retain middle class residents

At first glance, the high numbers of foreign-born residents in the city of Miami may look to be the explanation of the city's low incomes and high poverty rates. Immigration contributes to wage inequality. Because immigrants, in periods of high immigration, tend to be less skilled than their native-born counter-

Even though middle-class residents are moving into Miami-Dade, even larger numbers are moving out.

ing the city of Miami, they are also leaving Miami-Dade county. If these foreign-born residents were staying, the number of middle-class households in the city and county would increase as the individual assets of immigrants began to accrue.

Just under 81,000 immigrants in the city of Miami entered the U.S. between 1990 and 2000 (and over half of these entered the country after 1995). However, the net increase in the foreign-born population over the same time period was minimal—a net gain of only 1,611. This means that almost as many foreign-residents left the city as entered the city in the 1990s; otherwise the net gain would be closer to 80,000. What is happening? Most likely, foreign-born residents who meet with economic success are following the same trend middle-class Americans of all races and ethnicities are following—they are leaving the city. What's more, they appear to be leaving the county.

Thirty-six percent of suburban Miami-Dade's foreign-born population, 335,000 people, entered the U.S. between 1990 and 2000. But suburban Miami-Dade only netted 272,000 new foreign-born residents, meaning that at least 63,000 foreign-born residents left suburban Miami-Dade County during the 1990s.

The problem is not that there are too many immigrants; the problem is that Miami-Dade is not retaining them once they've established themselves.

Miami-Dade experienced a net domestic out-migration of residents in the 1990s

The population growth Miami-Dade experienced in the 1990s owed largely to international immigration and natural increase. If one looks at domestic migration—the pattern of U.S. residents' movement between places within the country, Miami-Dade did not fare well. Almost 160,000 more people left Miami-Dade than moved in from another part of the country.⁶² During the same period, Broward had a net in-migration of nearly 66,000 people.

A closer examination of the movement of people between Broward and Miami-Dade counties illustrates the situation Miami-Dade finds itself in. Between 1995 and 2000, 309,000 people left Miami-Dade County. Twenty-nine percent of them, or about 90,000 people, moved to Broward County, by far the largest gainer of former Miami-Dade residents than any other county in the country.⁶³ In sharp contrast, only 17,000 of Miami-Dade's 2000 population lived in Broward in 1995, which represents only 8 percent of the total number of movers who left Broward between 1995 and 2000.

Who was leaving Miami-Dade for Broward? While the group of Dade-to-Broward movers was racially diverse (14.9 percent Cuban, 24 percent other Hispanic, 32.7 percent white, and 19.7 percent black), they were primarily middle class.⁶⁴ Sixty-two percent of the movers earned more than the area family



median income. Twenty-eight percent of the movers had at least a bachelor's degree (compared to the metro educational attainment rate was 22 percent). The movers also had a dramatic impact on the Broward population. For example, 25 percent of all Cubans living in Broward County in 2000 lived in Miami-Dade in 1995 and 10 percent of

People who moved from Miami-Dade County to Broward County tended to have higher incomes and more education than overall population of Miami-Dade

Characteristic	Group that moved from Miami-Dade County to Broward County between 1995 and 2000	Miami-Dade population (2000)
Race or ethnic make-up	14.9% Cuban	29.1% Cuban
	24.0% Other Hispanic	28.2% Other Hispanic
	32.7% White	20.7% White
	19.7% Black	18.8% Black
Percent of adults 25 and older with at least a B. A. degree	28.0%	21.7%
Percent of population earning more than the Miami-Ft. Lauderdale metro area family median income (adjusted for family size)	62.2%	44.3%

Source: Brookings Institution analysis of Public Use Microdata Sample, U.S. Census Bureau



all other Hispanics living in Broward in 2000 used to live in Miami-Dade.

As the above discussion on immigrants suggested, a large share of the Dade-to-Broward movers were foreign-born residents. Forty percent of the Dade-to-Broward movers were foreign-born, and two-thirds of those foreign-born movers arrived in the U.S. prior to 1990. From this evidence, it appears that Miami-Dade is losing more established immigrants who have most likely moved up the income ladder while they were residents of Miami-Dade.

Miami-Dade's loss was, in many respects, Broward's gain. ■

THE OLDER POPULATION IN MIAMI-DADE

A larger-than-average share of Greater Miami's population is 65 or older—14.5 percent of Greater Miami's population is elderly versus 12.4 percent nationally.

What impact does this have on income structure? Some, probably. But not enough to fully explain the large disparities and small middle class found in the city of Miami. For example, Ft. Lauderdale City has a slightly larger share of elderly than Miami City, 17 percent vs. 15 percent. But Ft. Lauderdale's median household income is \$37,887 and Miami's is \$23,483. Similarly, 13.3 percent of Miami-Dade County's population is elderly and 16.1 percent of Broward's population is elderly. Yet Broward County has a much higher median household income and an even income distribution.

Additionally, Miami-Dade is no longer attracting the 65 and older population the way it once did. The state of Florida gained the largest number of older movers and had the third highest net migration rate for the older population in the country.⁶⁵ But Miami-Dade is one of a handful of Florida counties that actually experience a net out-migration of elderly residents. Almost 12,000 more residents over the age of 65 moved out of Miami-Dade between 1995 and 2000 than moved in.⁶⁶ Ranking the 100 largest counties from the highest net in-migration (Clark County, NV) to the highest net out-migration (Baltimore, MD), Miami-Dade ranks 69th. Thirty-nine out of every 1,000 elderly residents left Miami-Dade between 1995 and 2000.

Clearly, Miami-Dade is no longer the prime destination for the retired population it once was. Retirees are choosing to go to other locations within Florida, or to Arizona and Nevada, the states that had the highest rates of net migration in the country.



Factors Exacerbating Miami's Income Trends

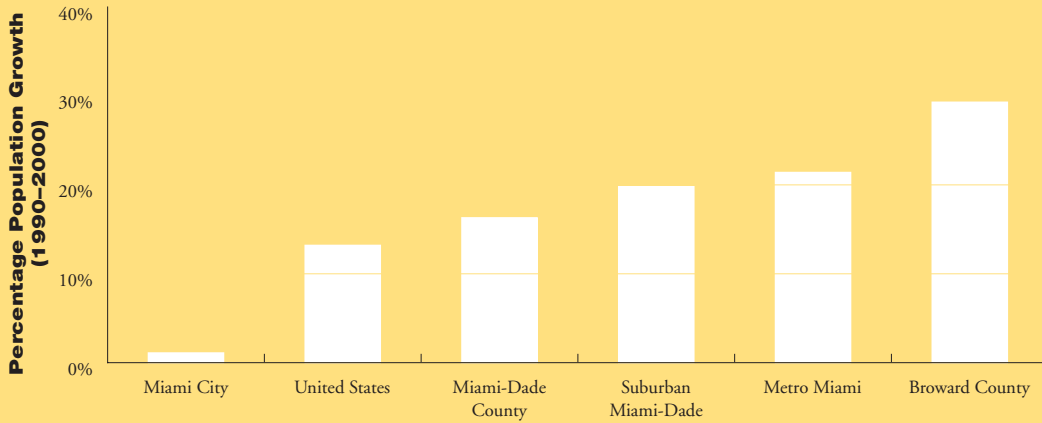
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Low educational attainment rates, a low-wage economy, and the export of middle-class residents help explain Miami's unfavorable income trends. Further complicating the situation are a number of factors that perpetuate the situation. These factors impede low-income residents' ability to move into the middle class and contribute to the region's failure to build the middle class from within.

The issues described in this section do not necessarily cause the high poverty rates and low median incomes in the region, but they do make it difficult to change the status quo. For example, basic budget items take up a larger share of a low-income resident's income than they would for a middle-income resident, thus making it difficult for a poor resident to start building wealth. Additionally, the issues in this section are not unique to Miami-Dade. But because of the large portion of low-income residents in the county, these issues may have a greater impact. This section shows that:

- **Miami's sprawling growth patterns isolate low-income residents from opportunity**
- **Basic household budget items use a large portion of poor residents' income**
- **Limited use of mainstream financial institutions and government support programs impede the wealth-building capacity of low-income households**

Broward County grew significantly faster than Miami-Dade County in the 1990s



Source: U.S. Census Bureau

THE FACTOR

Miami's sprawling growth patterns isolate low-income residents from opportunity

The development patterns in Miami-Dade affect all residents, regardless of income, but this report focuses on the effects of sprawling growth on low-income residents.

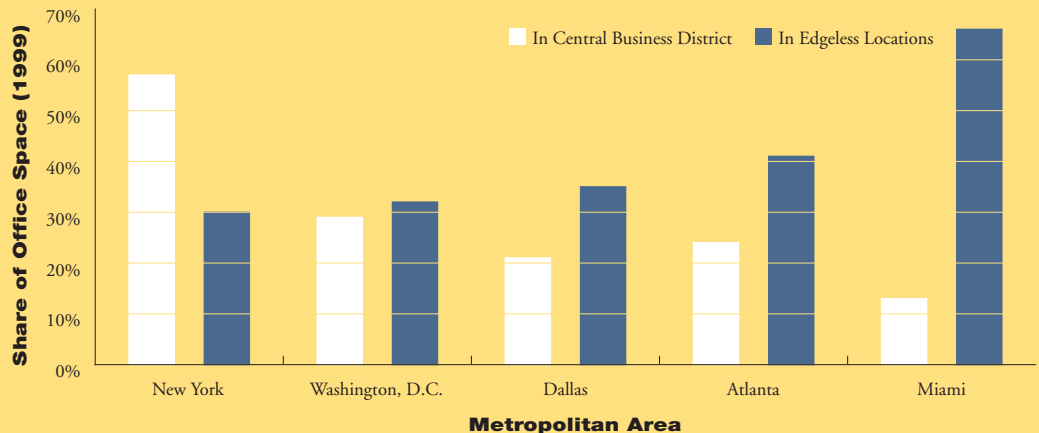
The region is decentralizing.

The Miami-Ft. Lauderdale metropolitan area is one of the most sprawling regions in the country.⁶⁷ The dispersed pattern of urban growth is reflected in everything: population growth, housing construction, office space location, commuting patterns, and developed land.

The metropolitan region grew by 21.4 percent over the 1990s, surpassing the national growth rate of 13.2 percent.⁶⁸ But the growth within the region was not even. The city of Miami netted only 4,000 new people, a gain of 1 percent. Miami-Dade grew 16.3 percent and Broward County grew by 29.3 percent.

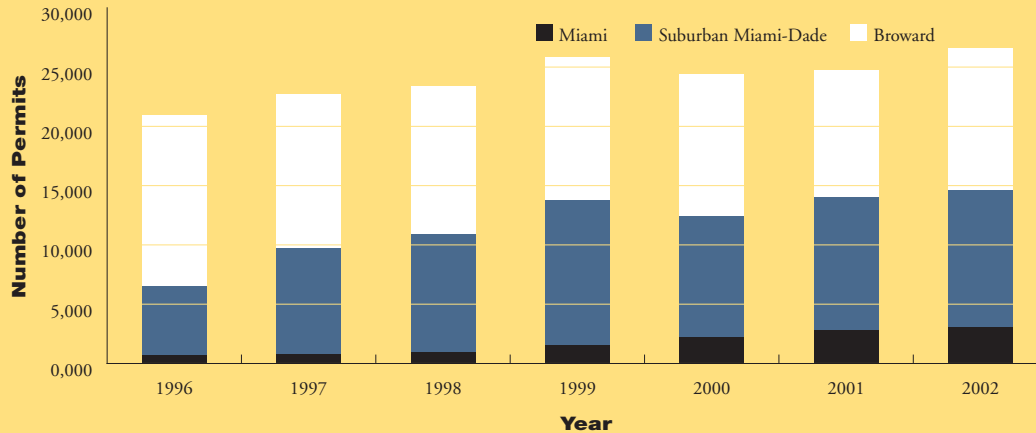
Between 1990 and 2000, 99.4 percent of Miami-Dade's population growth happened outside the city of Miami.

"Edgeless Cities" dominate metro Miami's office space market



Source: Robert E. Lang, "Beyond Edge City: Office Sprawl in South Florida" (Brookings Institution, 2003).

The city of Miami issues relatively few of the region's total housing permits



Source: U.S. Census Bureau, Manufacturing, Mining, and Construction Statistics

Furthermore, between 1990 and 2000, 99.4 percent of the Miami-Dade's population growth happened outside of the city of Miami. What's more, 94.8 percent of the growth in the county happened outside of its five largest places (Miami, Hialeah, Miami Beach, Kendall, and North Miami).

Miami-Dade also has a high level of "job sprawl." In 1990, two-thirds of city of Miami residents commuted to a job in the city.⁶⁹ By 2000, that num-

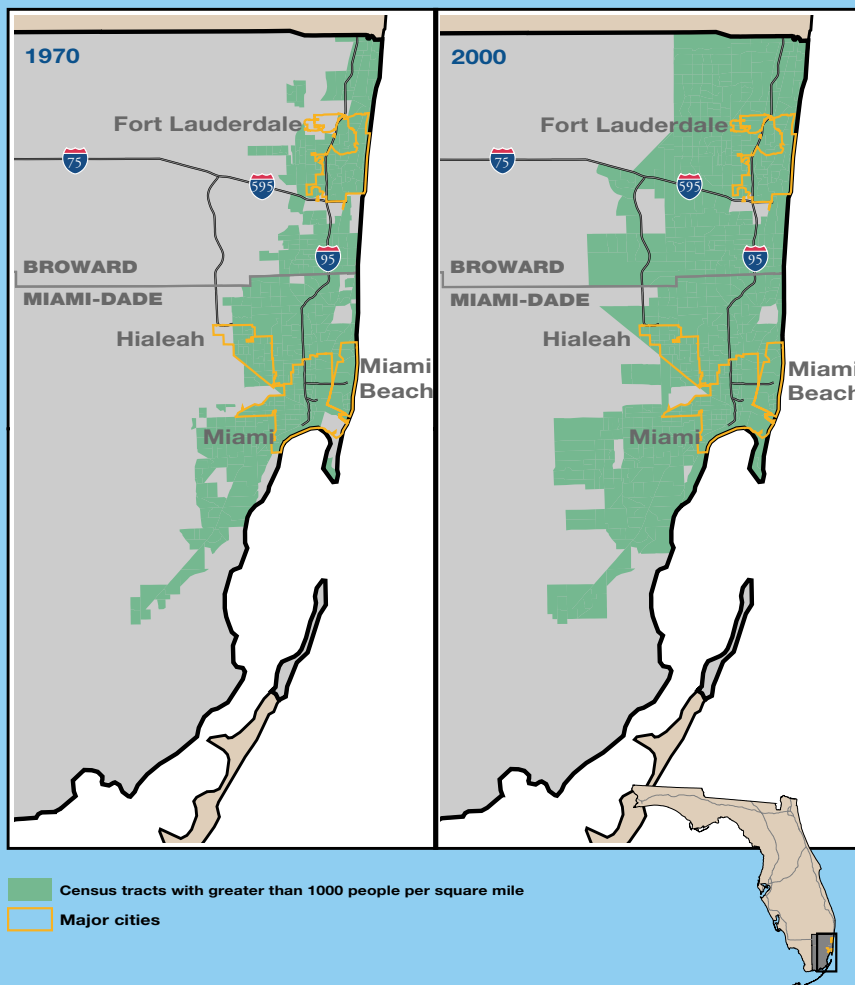
ber had dropped 16 percentage points—only half of the city of Miami's workers are now commuting to jobs within the city. This indicates that more jobs are being created outside the city.

Another good barometer of where jobs are going is to look at office space. Miami has an extremely decentralized office space market. Only 13 percent of the metropolitan region's office space is located within the central business district (CBD), and two-thirds of its office space is in very low-density, "edgeless" locations.⁷⁰ In 1987, the city of Miami's CBD had 11.1 million square feet of office space. By 2002, the CBD had 4.7 percent more square feet of office space (11.7 million square feet). In contrast, non-CBD space grew by 60.3 percent from 18.2 million square feet in 1987 to 30 million square feet in 2002.

Changes in housing production parallel the changes in office construction. While the number of housing permits is on the increase in the city of Miami, the total number of new residential units in Miami makes up a small percentage of the metropolitan area's number of permits issued each year. There were 168,765 permits for new housing units in the metropolitan area between 1996 and the end of 2002—only 7.2 percent of those were in the city of Miami.⁷¹

With all of this new residential and office construction, it should come as no surprise that the Miami metropolitan region is using up more land. The number of urbanized square miles almost

The urbanized land in the Miami-Ft. Lauderdale metropolitan area almost doubled in size between 1970 and 2000



Source: U.S. Census Bureau

doubled between 1970 and 2000 in the Miami-Ft. Lauderdale metropolitan area—from 385 square miles in 1970 to 739 square miles in 2000.

Blacks and Hispanics are more geographically isolated from jobs than whites

Part of the effect of decentralization is that blacks and Hispanics are more isolated from jobs than whites. Because blacks and Hispanics have lower incomes than whites, this geographic separation from jobs may make it even harder for low-income residents to move out of poverty.

Sixty-five percent of blacks would have to move to be evenly distributed with jobs in Miami-Dade, compared to 40 percent of Hispanics and only 36 percent of whites.⁷² Unlike the rest of the country, the spatial isolation Miami-Dade's blacks face worsened during the 1990s. Nationwide, the spatial mismatch between blacks and jobs decreased by 3.2 percentage points. In Miami-Dade, the spatial mismatch increased by 2.5 percentage points.

Areas of significant job growth in the outer suburbs are not easily accessible by public transit. The large concentration of blacks and Hispanics who live in the city of Miami are not only geographically distant from these job growth areas, these groups are also more likely to lack access to a car. Forty-one percent of Miami City black households and 26.1 percent of Miami City Hispanic households do not have access to a vehicle, compared to 10 percent of Miami City white households.⁷³

Poor commuters are more likely to take the bus to work and are less likely to

drive. Fourteen percent of Miami-Dade's poor commuters take the bus to work, while only 4 percent of Miami-Dade's non-poor commuters take the bus to work.⁷⁴ Likewise, 64 percent of Miami-Dade's poor commuters drive by themselves to work and 84 percent of the county's non-poor commuters drive themselves to work.

All households in Miami's sprawling region are faced with the challenges of long commutes to work, school, and shopping. But this pattern is especially burdensome to low-income residents,

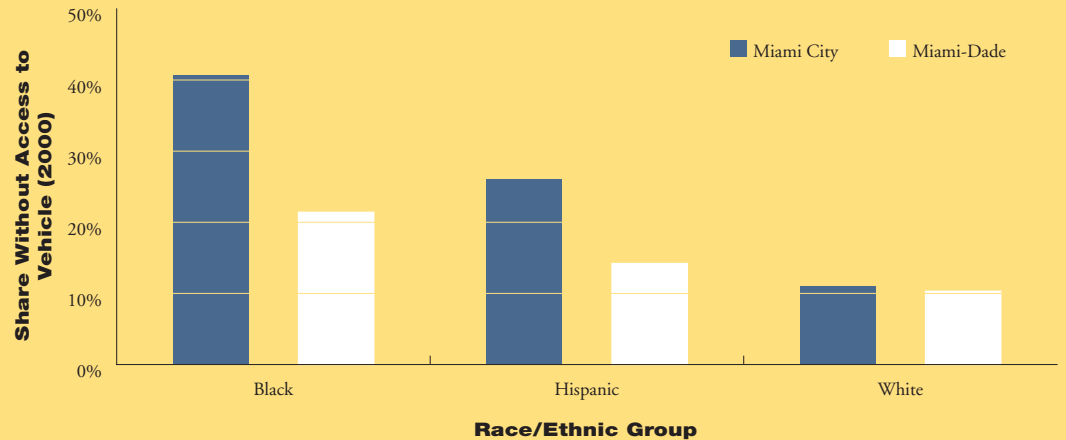
who do not live in areas of job growth, have limited job options, and sometimes need to negotiate all of this without a car.

THE FACTOR

Basic necessities consume a large portion of poor residents' income

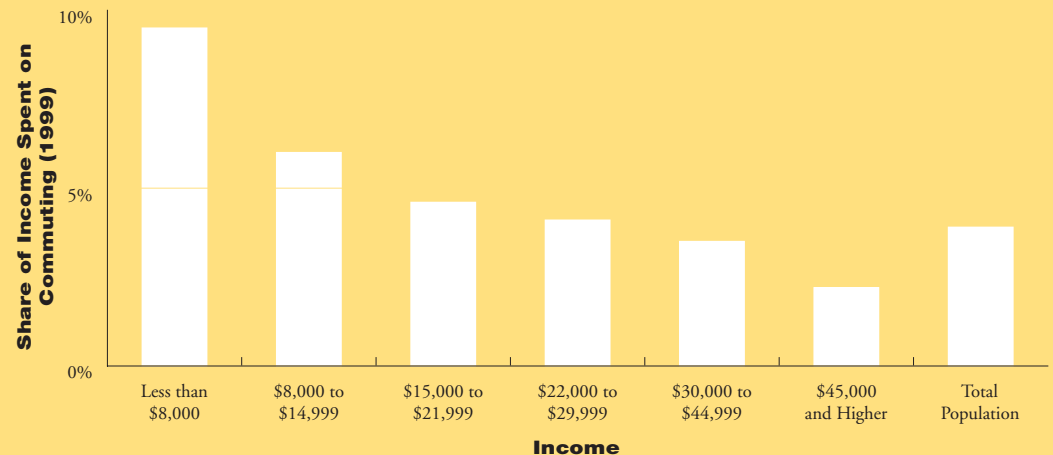
With a limited incomes and high housing costs, there is little left for family savings after paying for the basics, making it harder to accrue enough money for

Over 40 percent of black households in Miami City do not have access to a vehicle



Source: U.S. Census Bureau

Nationally, very low-income people spend a much higher share of their income on commuting than other income groups



Source: Bureau of Transportation Statistics, "Commuting Expenses: Disparity for the Working Poor" BTS Issue Brief (March 2003)



a down payment for a home or an emergency fund. Described below are a few examples of how much more “expensive” it is to be poor.

Transportation and commuting costs

The lowest earners spend the highest percentage of their income on commuting. The total population spends 3.9 percent of their income on commuting, but the poorest commuters spend 9.5 percent.⁷⁵ Car insurance is also much more expensive, relative to income, for low-earners than high-earners. It costs people in the bottom 20 percent of the income distribution over seven times more of their income than those individuals in the top 20 percent of the income distribution.

Food costs

Even something as basic as food costs more, relatively speaking, for low-income

people. Nationally, the bottom quintile of the population spends 16.2 percent of their income on food. But the top quintile only spends 11.4 percent of their income on food.

Childcare costs

Childcare usually costs between \$4,000 and \$6,000 a year, depending on the region of the country. More than one child adds to the cost.⁷⁶ To a household earning the equivalent of Miami City’s median income, that represents up to 26 percent of income. A recent survey shows that even if low-income families budgeted 10 percent of their income for child care, they would be several thousand dollars short.⁷⁷ To use an analogy from the Children’s Defense Fund, the average annual cost of child care for a four-year-old in an urban area is more

than the average annual cost of public college tuition in all but one state.⁷⁸

State tax costs

Florida attracts retirees and other residents with the absence of an income tax. But this tax strategy has ramifications for the state’s low-income population. Reliance on sales and property taxes instead of an income tax means that low-income families wind up spending a much larger share of their income on taxes than do wealthier households. The richest one percent of Florida’s population pay on average 3.2 percent of their income in taxes, while those the poorest households pay 14 percent. Relative to their respective incomes, the poorest pay 4.4 times more than the wealthy.⁷⁹

Miami-Dade’s low-income residents, like poor residents throughout the country, have to use a larger share of their incomes to pay for basic items. Little is left over to save, making it difficult to accrue enough capital to move into the middle class.

THE FACTOR

Limited use of mainstream financial institutions and government support programs impede the wealth-building capacity of low-income households

There are a number of government income-support programs in place to help alleviate the situation for low-income residents. But participation rates in these programs can be low, and the costs of accessing these benefits can be high, which limit the programs’ effectiveness. Likewise, limited access to financial institutions hinders the ability of low-income residents to build assets and enter the middle class.

The participation rates for certain federal benefits are low

There are certain public benefits available to low-income residents to mitigate some financial burdens. However, for a variety of reasons the participation rates can be quite low for some of these pro-

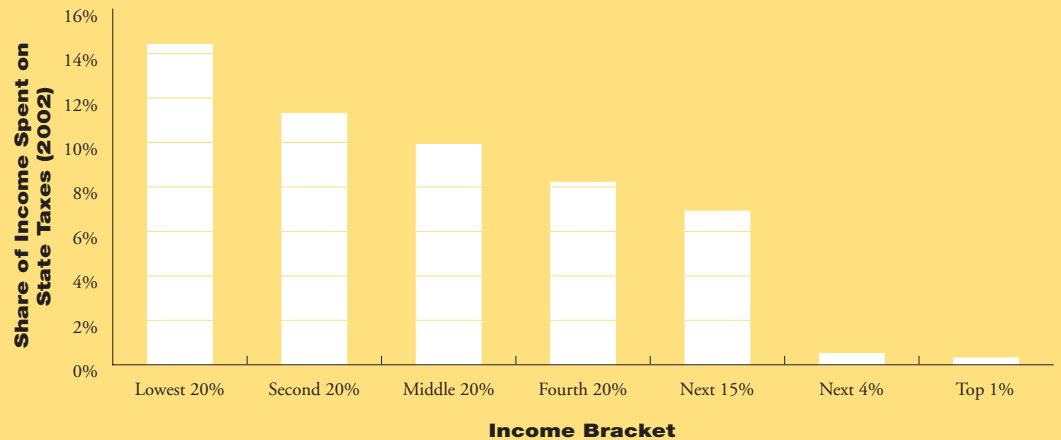
grams. For any individual program, the higher the participation rate, the more money gets put into the pockets of those who need it most. Low participation rates represent an opportunity to use through educational outreach to take full advantage of these existing programs.

There are several examples of federal programs with low participation rates. Nationally, only 43 percent of eligible working families participate in the food stamp program.⁸⁰

And 95 percent of uninsured low-income children in 1999 were eligible for Medicaid or the State Children's Health Insurance Program but did not enroll.⁸¹

The Earned Income Tax Credit (EITC) is a tax credit for working families who earn less than 200 percent of the federal poverty standard. Nationwide in 2000, \$31 billion was refunded to 18 million low-income families through the

Low-income families pay a much larger share of their income in state taxes than high-income families



Source: Institute on Taxation and Economic Policy, "Florida's Taxation System is Nation's Second Most Regressive" (2003)

EITC.⁸² The EITC is very important to places like the city of Miami, where there is a large concentration of eligible residents. Of the \$393 million in EITC refunds flowing into Miami-Dade County in 1997, over \$61 million went to families in the city of Miami.⁸³

But even this federal program is underutilized. The U.S. General Accounting Office estimates that only 86

percent of working families with children who were eligible for the EITC filed for the tax credit and only 45 percent of workers without children who were eligible filed for the tax credit.⁸⁴

Low-income residents may have limited access to the financial mainstream

Another problem facing a significant portion of Miami-Dade's large immigrant and low-income population is lack of access to mainstream financial institutions. "Unbanked" households are households who do not have a checking or savings account. They are met with additional challenges because, without a bank account, there is no regular mechanism for saving. Unbanked households do not have access to credit, making it difficult to purchase major items such as a house or a car. In fact, a Federal Reserve study found that having a bank account is one of the most important factors in predicting whether or not an individual has a car loan, home loan, or certificates of deposit.⁸⁵

Although difficult to measure, national data suggests that about 30 percent of households making less than \$25,000 do not have a checking or savings account.⁸⁶ A rough estimate based on that assumption means that there are about 61,150 unbanked households in Miami-Dade County. However, the true figure may be much higher. The Inter-American Development Bank estimates that nationwide, 20 percent of Cubans

Miami-Dade's low-income residents, like poor residents throughout the country, have to use a larger share of their incomes to pay for basic items. Little is left over to save, making it difficult to accrue enough capital to move into the middle class.

are unbanked—meaning that there could be as many as 130,000 Cubans alone in Miami-Dade without bank accounts.⁸⁷

The unbanked are more likely to use alternative financial services, such as payday lenders and check cashing outlets. Using alternative financial services means that accessing something as basic as a paycheck becomes more expensive. A 2000 U.S. Treasury Dept. study shows that an unbanked worker earning \$12,000 spends \$250 in just cashing paychecks (this does not include any other transaction fee), or 2 percent of income.⁸⁸

Similarly, accessing benefits such as the EITC through alternative financial services detracts from the total value of the refund. An estimated \$1.75 billion in EITC refunds are diverted toward paying for tax preparation, electronic filing, and high-cost refund loans that could have gone into the bank accounts of low-income people.⁸⁹

In 1999, over half of the total EITC money that the federal government refunded was accessed through refund anticipation loans (RALs)⁹⁰ Similar to payday lending, RALs are loans tax preparation firms offer to provide the client with an immediate tax refund. They usually carry a very high interest rate. In Miami-Dade County, 29 percent of all EITC refunds were refunded through RALs, representing roughly 35 percent of all EITC Miami refund dollars.⁹¹

Immigrants face additional challenges

When the Welfare Reform Act was passed in 1996, it terminated most federal welfare benefits for legal noncitizen immigrants for the first five years of residence. While some benefits were subsequently restored to immigrants who had arrived before 1996, foreign-born residents who arrived after 1996 no longer have access (for the first five years) to federal programs such as Temporary Assistance to Needy Families (TANF), food stamps, Supplemental Security Income (SSI), Medicaid and the State Children's Health Insurance Program (SCHIP).⁹² Eleven percent, or 244,846, of Miami-Dade's population are foreign-born residents who arrived between 1995 and 2000—a significant share of the population that does not have access to benefits that supplement income.⁹³

These changes have further complicated an already difficult situation. Because of the confusing nature of eligibility laws, as well as immigrants' distrust of government agencies, many foreign-born residents who are in fact eligible for benefits are not accessing them.

For example, an individual household may have members with different eligibility standings—noncitizen foreign-parents whose children are citizens; immigrants who are eligible for benefits living with relatives who are not. Studies have shown that native-born children of immigrant parents are often not enrolled in health care services for which they are in fact eligible because their parents fear being considered a “public

charge” by the U.S. Citizenship and Immigration Services (CIS, formerly the Immigration and Naturalization Service, or INS).⁹⁴ Being considered a public charge means that the CIS may refuse a resident's application for permanent residency. Likewise, eligible immigrants may not consult government agencies about benefits for fear that ineligible or illegal relatives living with them may be reported to CIS.⁹⁵

In his study of Haitian immigrants in Miami-Dade, Philip Kretsedemas shows that benefit participation rates are very low for the Haitian foreign-born community, even when individuals qualify. No more than five percent of the immigrants in the survey applied for benefits, even though 80 percent of the respondents were eligible.⁹⁶

Additionally, confusion on both the part of the immigrants and their service providers on who is eligible for what programs, Haitians face language barriers and cultural differences that can fuel miscommunication between the agencies and their clients.

Foreign-born residents also face obstacles to wealth building because of their weaker ties to mainstream financial institutions. An analysis by the Federal Reserve Bank of Chicago shows that 32 percent of foreign-born households nationwide are unbanked, while only 18 percent of native-born residents lack a bank account.⁹⁷ Not only does this contribute to lower homeownership rates and savings rates, it also increases risk of theft and robbery—the unbanked population is more likely to carry large amounts of cash, particularly on payday.

Many foreign-born residents have another expense not shared by native-born residents. International remittances, or payments individual immigrants make to relatives in their country of origin, represent a very large amount of money. In 2002, immigrants in the U.S. sent \$30 billion to home countries.⁹⁸ Because immigrants often do not use banks to send money overseas, the resulting wire and money order fees can also be high. ■

Foreign-born residents also face obstacles to wealth building because of their lower participation rates in mainstream financial institutions.



A Policy Framework for Growing the Middle Class

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As this report has shown, the key problem for Miami is its failure to adequately retain and build its middle class. Given these trends, what policy direction makes sense for Miami-Dade? How can the city and county best build on existing assets to ensure a future that puts the region on the road to a competitive future where all residents are connected to economic opportunity?

Any policy interventions that Miami-Dade undertakes should be part of a broad effort, including public school reform, economic development initiatives geared toward building a high-wage economy, and strategies that help attract more middle class people to the region. The policy choices described here focus on areas that relate more specifically to building the middle class from within and retaining existing middle class residents. These ideas are meant to further discussion about how best to start a positive cycle of growing the middle class. Policies that will help move Miami in that direction include the following:

- **Develop an educated, skilled workforce**
- **Improve access to quality jobs**
- **Make work pay**
- **Help families build assets**
- **Build quality neighborhoods**

POLICY CHOICE**Developing an educated, skilled workforce**

Most of poor workers in Miami-Dade work in low-skill service and retail jobs. With better skills, they might contribute to the economy at a higher level, and bring home larger paychecks at the same time—thus building the middle class.

The road to better skills is through education. One of the region's top priorities should be to invest in its educational institutions. In 2002, the state of Florida received a D+ for college enrollment in the National Center for Public Policy and Higher Education's state report card.⁹⁹ While the states that scored the best on the report card had 54 percent of young adults enrolling in college within four years of completing high school, Florida only had 28 percent. The low grade may be due in part to the fact that tuition at a four-year college costs the average Florida family 62 percent of their income after financial aid, while in the top-ranking states it only costs 32 percent.¹⁰⁰

Miami-Dade's leaders need to examine ways to make higher education a more affordable option for young adults and their families, as well as those already in the workforce who want to expand their knowledge and skills.

Special attention should be paid to Miami's Hispanic students. A recent study by the Western Interstate



Commission for Higher Education (WICHE) shows that in 2001, Hispanic students made up nearly 17 percent of the graduating public high school class in Florida. By 2014, the Hispanic share of graduating seniors will almost double to 32 percent.¹⁰¹ Miami-Dade, with its existing high base of Hispanic students,

probably will have a much larger share of Hispanic high school graduates in 2014. But Hispanic students face circumstances that other groups do not, according to Richard Fry, a researcher with the Pew Hispanic Center. Hispanics are less likely to attend college full time and more likely to have a job while in school in order

One of the region's top priorities should be to invest in its educational institutions.

to support family members.¹⁰² The needs of Hispanic students must be met if Miami-Dade is going to successfully raise its educational attainment rates.

Community colleges are an important part of the higher education landscape in Miami-Dade, and Miami-Dade College (MDC) is one of the best community colleges in the country. Community colleges are seen as an entry point for low-income, minority students to access four-year degrees.

Yet the percentage of students who start at a community college and go on to complete a bachelor's degree is low. Nationally, more than half of all students who enroll in a community college do not complete any degree, 16 percent earn associate's degrees, and 16 percent complete at least a bachelor's degree.¹⁰³

In Miami-Dade, the numbers are probably not as low. Twenty-seven percent of MDC students who started in Fall 1999 graduated within three years (another 30% are still enrolled and 25% left with transferable credits). Of the 2000–2001 graduates, 78% went on to a Florida state four-year college or university. And statewide, about 60 percent of students who transfer from community colleges to the Florida state university system graduate within three years of transferring.¹⁰⁴ One way to boost the educational attainment numbers in Miami-Dade is to concentrate on helping all Miami-Dade community college students continue on toward a successful completion of their bachelor's degree.

Miami-Dade is starting from a position of strength compared to other community college systems and improving the bachelor degree completion rate should be a realistic goal.

POLICY CHOICE

Improve access to quality jobs

There are several strategies Miami-Dade could pursue to link low-income workers with jobs. First, the region can work to develop its public transportation infrastructure. Fourteen percent of Miami-Dade's households do not have access to a car—better mass transit can

improve the means of getting to work for this group. Low-income people usually have older automobiles that require more repairs, and as discussed above, poor households spend a larger share of their income on car insurance. By providing reliable and efficient public transit, many poor households could reduce their car costs. Public transit can also provide an efficient and desirable alternative to the automobile for middle-class residents and a responsible approach to ease the strain that sprawling growth patterns are placing on the natural environment.

But because of the decentralized nature of the region's economy and land-use patterns, relying on improvements in traditional forms of public transportation may not be enough. The low-density configuration of residences and businesses in the county can make it expensive to operate an extensive bus or rail system. Traditional public transportation projects can be supplemented with jitney, ride sharing, and car ownership programs.

Jitneys are smaller buses with seats for around 20 commuters that are less expensive to operate than full-sized buses. Miami-Dade is currently proceeding with a pilot jitney project. On the experimental route, jitney service is expected to improve the wait time from its current length of 70 minutes during peak hours down to ten minutes.¹⁰⁵ One bus every seventy minutes is not a feasible means of getting to work—a jitney every ten minutes is. This pilot project and others like it should be encouraged and expanded.

Ride-share programs can also help supplement transportation gaps. Private companies, sometimes in conjunction with nonprofit organizations, have unveiled ride-share programs in a number of cities. These programs allow members to rent cars hourly, and pick up and drop off the automobiles in a number of designated parking spots throughout the city. Because participants do not have any cash outlays for the purchase or upkeep of the car, ride sharing is a less expensive option than owning a car, and at times more convenient than depending on buses. Currently, most of these kinds of ride shares are structured for people who only periodically need a

car, but can serve as a model for new ways to efficiently and inexpensively help low-income commuters get to work.

Another possible avenue is to also add car-ownership programs to the mix of options that improve transportation options for low-income workers. Surveys of workers who participated in subsidized car-ownership programs report higher wages and better jobs, improved quality of day care, more involvement with family and community, and more frequent participation in worship services.¹⁰⁶

In addition to transportation responses, workforce development organizations can also play a role in connecting employers to employees. Workforce development organizations can take many forms, from federally funded workforce investment boards (WIBs) to community colleges, to nonprofit community-based organizations.¹⁰⁷ Workforce intermediaries, a particular kind of workforce development organization, specifically focus on low-income residents' career advancement.¹⁰⁸ Besides basic job placement, workforce intermediaries provide services to help ready low-income workers for jobs, including occupational skills training, and counseling. Currently, there is a limited presence of workforce intermediaries in Miami-Dade, and this model may help connect low-income residents to better jobs.

POLICY CHOICE

Make work pay

Work should pay. However, with 8 percent of the county's workers living below the poverty line, and even more making less than the Self-Sufficiency Standard, a significant share of workers are unable to support families, save money, buy homes, and send children to college.

The Greater Miami Prosperity Campaign, an initiative of the Human Services Coalition of Dade County, is working to improve access to work benefits. Increasing the participation rate in programs such as the EITC helps put more money in the pockets of low-income residents, which in turn increases their ability to build wealth. The amount

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of money, almost \$400 million, the EITC brings into Miami-Dade underscores its power as a tool for individual and neighborhood renewal. First, it injects significant additional resources and purchasing power into the Miami-Dade economy. Second, it combats poverty by rewarding work.¹⁰⁹

Besides improving the EITC participation rates, the Greater Miami Prosperity Campaign also has developed programs to improve food stamp and child health insurance participation rates. It is working to reduce the costs of accessing the EITC by providing free tax preparation services to low-income residents. This is a very direct way to immediately boost the incomes of the working poor, and thus help build the middle class from within.

The advantage of increasing participation rates in these kinds of benefit programs is that the money is already there—no new programs need be established. Miami has the potential to be among the leading regions in improving access to all work benefits—beyond the EITC and child health insurance to transit benefits and child care benefits.

POLICY CHOICE

Help families build assets

Miami-Dade should help working families build wealth through homeownership. Homeownership provides the major source of wealth accumulation for most American families. Yet, both the central-city homeownership rate and the homeown-

ership rate for blacks and Hispanics are far below the national rate. Miami-Dade should consider scaling up existing programs to increase homeownership. A starting point might be an expansion of existing efforts to reduce the credit problems of many minority households through financial literacy and homeownership counseling programs. Expanding such programs would presumably increase the pool of potential urban homebuyers.

Effectively connecting low-income residents to mainstream financial institutions is another important way to help poor households improve their capacity to save and build wealth. The reasons for being unbanked are complex, and any policy intervention or banking innovations should be aware of what the needs of low-income and immigrant groups are.

For example, one reason often cited for the large number of unbanked people in poor neighborhoods is the absence of mainstream banks. New research shows that this perception may not be entirely accurate. The majority of neighborhoods that have alternative financial service providers also have at least one mainstream bank.¹¹⁰ In Miami-Dade neighborhoods with poverty rates of over 30 percent, there are 2.5 alternative providers per 10,000 residents. But there are almost as many banks—2.2 banks per 10,000 residents.¹¹¹ This suggests that mainstream banks, even when located in low-income neighborhoods, are either not offering the services low-income residents need, or their outreach to these customers is inadequate.

As researcher Michael Barr points out, mainstream banks are not actively competing with alternative providers for low-income customers, in part because the cost of revamping their existing products to meet the needs of poorer customers is high: “The cost to individual financial institutions of research, product development, account administration, staff training, marketing, and financial education for new financial products for the poor, relative to their expected financial return, means that the market is unlikely to change quickly on its own.”¹¹² Miami-Dade’s nonprofit community and local government can play a role in funding the kind of research, development, and outreach that would make it easier for mainstream banks to provide better services to low-income residents.

POLICY CHOICE

Build quality neighborhoods

For decades, housing policy was pursued separately from school policy, which was pursued separately from workforce development policy. But schools, housing, and jobs are inter-related and any housing policy undertaken in Miami-Dade should reflect that. Policy goals should include promoting healthy families and communities, rather than simply building housing.¹¹³ Specifically, an effective affordable housing policy should do the following:

- Preserve and expand the supply of good-quality housing units in order to ensure the availability of decent hous-

ing for low- and moderate-income households

- Make housing more affordable and more readily available for low- and moderate-income households
- Promote racial and economic diversity in residential neighborhoods, so that poor and minority households are not isolated from social, educational, and economic opportunities.
- Strengthen families by protecting their health, encouraging family stability, and providing access to community supports.
- Link housing with essential supportive services for individuals and families who need extra help, such as homeless people, the frail elderly, and people with disabilities.

For decades, research has underscored the huge bearing that family and neighborhood environments have on children's future health and success. Most at-risk are children who are raised in distressed neighborhoods and in low-income or minority families headed by single parents. A study by Harvard economists David Cutler and Edward Glaeser underscored the important role of neighborhood health on individual outcomes. It found that those who lived in segregated cities actually had lower educational attainment and earnings than those of less racially segregated places—and that a 13 percent reduction in segregation was associated with a one-third reduction in the black-white success gap¹¹⁴ In light of such findings, Miami-Dade should incorporate a deep awareness of the interconnectedness of family and neighborhood health and student achievement into all of its efforts to improve educational attainment. It should make itself a national leader in defining a new educational attainment agenda that integrates traditional school reform strategies with strategies for building quality neighborhoods and supporting working families.

Creating quality neighborhoods also reduces some of the “push factors” that lead to middle-class flight. By investing in better neighborhoods, Miami-Dade will be working toward higher retention of its middle-class residents. ■



Conclusion





Miami-Dade is a vibrant place—a very large urban market, an international gateway, a tourist destination, and an engine for entrepreneurial activity. In part because of the large number of immigrants who move through the area, Miami-Dade is an important incubator of new cohorts of middle class residents.

Despite these assets and the important role the county plays in connecting new Americans to the mainstream economy, Miami-Dade, particularly the city of Miami, is struggling. Because of obstacles that inhibit the wealth building capacity of low-income residents, Miami is not building the middle class as fast as it needs to. And it's not retaining the residents who *do* make it up the income ladder to the middle class.

By growing the middle class through attracting, retaining, and building more skilled and educated workers to the county, Miami-Dade will not only be better able to connect all its residents to economic prosperity, but it will realize a new level of regional competitiveness.

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