

Restoring Prosperity:

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

State Profile: New Jersey

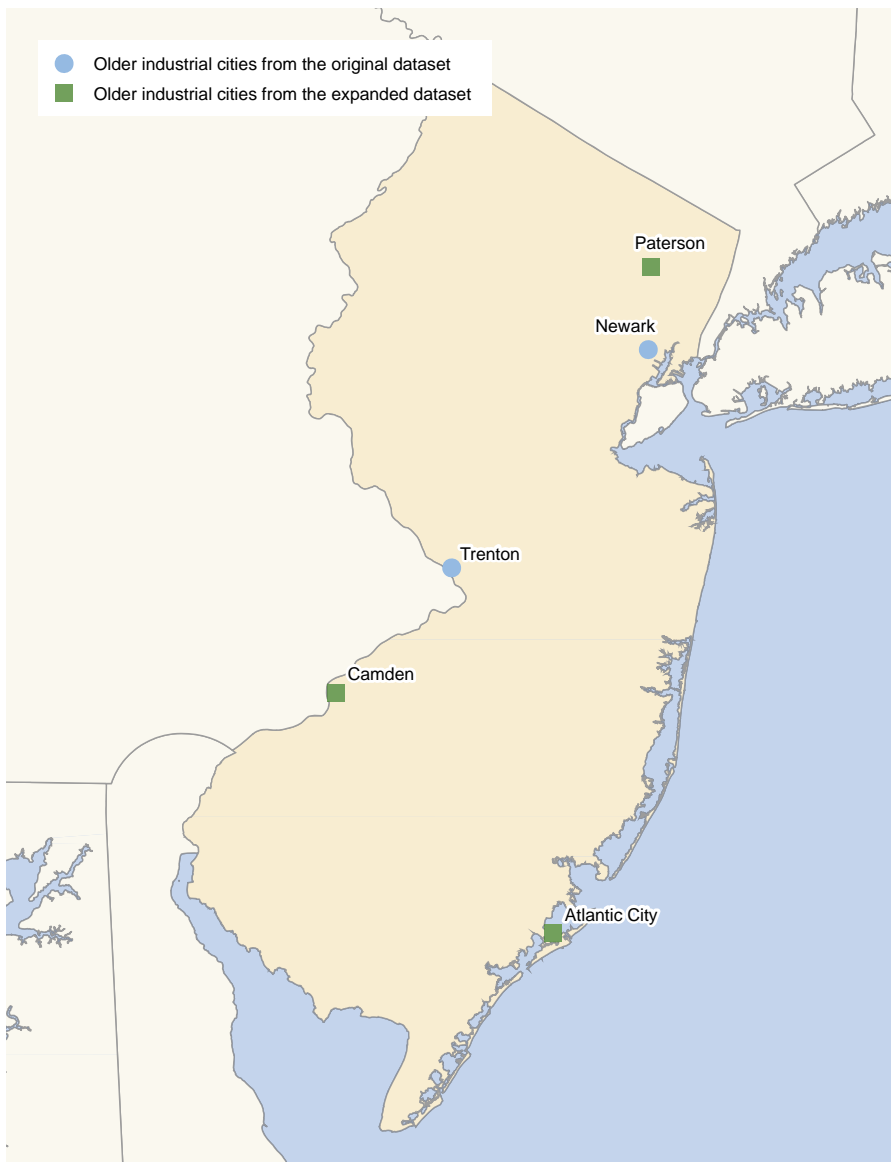
What are New Jersey's "older industrial cities?"

The term older industrial cities is used here to describe a specific set of communities that are lagging their peers on a set of eight indicators of economic health and well-being (see table on p. 3). We began with an analysis of 302 U.S. cities—three of which were in New Jersey—that in either 1990 or 2000: (1) had a population of at least 50,000 and were the largest city in a metropolitan area; (2) were at least 50 percent of the population of the

largest city in a metropolitan area; or (3) had a population of at least 150,000 regardless of whether they were the largest city in a metropolitan area. This analysis revealed that New Jersey has two economically struggling cities: Newark and Trenton.¹

The list grows longer if we examine some of the state's other cities. When we expanded our dataset to include an additional 74 cities—nine of which were in New Jersey—that had at least 30,000 people and that were either central cities in 1990 or principal cities in 2000, we found that Atlantic City, Camden, and Paterson, too, are experiencing some of the same economic challenges as Newark and Trenton.²

All told, then, five of the 12 New Jersey cities we examined are among 80 U.S. cities identified as economically weak relative to the other 296 cities in the complete dataset. These five cities—referred to here as "older industrial cities"—had a total population of 628,592



Cities that were in the datasets but, based on their performance on the eight economic indicators included in the analysis, are not considered to be "older industrial cities" include: Bayonne, Edison, Ewing, Jersey City, Union City, Vineland, and Wayne

Why "older industrial cities?"

New Jersey's cities share an economic history dominated by manufacturing. In 1970, the average share of residents in the five older industrial cities employed in manufacturing was almost 26 percent, with all but one of the five cities (Atlantic City) having a manufacturing employment share of at least 25 percent. But deindustrialization over the past several decades has left these cities still struggling to find their economic niche: From 1970 to 2000, the average decline in the number of residents employed in manufacturing in these cities was 55 percent so that by 2000, only about 13 percent held jobs in the sector.

New Jersey ranks third highest among seven states based on the share of its cities identified as "older industrial cities"

State	Number of older industrial cities in original analysis (percent)	Number of older industrial cities in additional analysis (percent)	Total number of older industrial cities (percent)
Pennsylvania	9 of 10 (90%)	3 of 4 (75%)	12 of 14 (86%)
New York	7 of 8 (87.5%)	5 of 9 (56%)	12 of 17 (71%)
New Jersey	2 of 3 (67%)	3 of 9 (33%)	5 of 12 (42%)
Ohio	8 of 11 (73%)	1 of 11 (9%)	9 of 22 (41%)
Michigan	4 of 8 (50%)	2 of 16 (12.5%)	6 of 24 (25%)
Connecticut	3 of 7 (43%)	0 of 8 (0%)	3 of 15 (20%)
Massachusetts	3 of 5 (60%)	1 of 17 (6%)	4 of 22 (18%)

Source: Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, The George Washington University

in 2000, and were home to approximately 7.5 percent of New Jersey residents.

What are the economic characteristics of New Jersey's older industrial cities?

Taken together, New Jersey's five older industrial cities were characterized by slow—or declines in—economic growth from 1990 to 2000. On average, these five cities lost 13 percent of their jobs from 1990 to 2000, while employment actually grew by over 15 percent in the other 296 cities in the dataset. Camden, for example, lost almost 21 percent of its jobs over the decade; Paterson lost nearly 16 percent. These five older industrial cities saw their real average payroll increase by just 7 percent and their number of business establishments grow by less than 3 percent, compared to 42 percent and 16 percent, respectively, among the other cities.³

These five cities' performance on measures of residential economic well-being looks much the same. Their average per capita income in 2000 was 63 percent of the average for the other 296 cities (\$13,221 compared to \$20,886), and their average median household income was less than 71 percent of the average for the others (\$28,229 compared to \$39,999). These older industrial cities had an average unemployment rate of almost 14 percent and a labor force participation rate of 54 percent, compared to an average 6 percent unemployment rate and 65 percent labor force participation rate in the other cities. The average poverty rate in these five cities was 26 percent, compared to an average of just 14 percent in the other cities in the dataset.

Due to data limitations, the data utilized to identify the older industrial cities are from 1990 and 2000 (condition indicators are based on year 2000 data, while change indicators reflect change from 1990 to 2000). However,

a look at more recent data indicates that trends have remained consistent. According to American Community Survey (ACS) data, for example, in 2005 the average poverty rate for the four older industrial cities in New Jersey for which data was available (Camden, Newark, Paterson, and Trenton) was almost 29 percent, an increase of 2 percentage points since 2000. In addition, County Business Patterns data reveal that from 2000 to 2004 the number of establishments in the five older industrial cities grew by just over 3 percent, while the number of establishments grew 4 percent in the other cities in the dataset. On the positive side, however, the average real annual payroll for the five cities increased 4 percent over the four years, compared to a rise of just over 2 percent in the other cities.

What is the relationship of New Jersey's older industrial cities to their regions?

While cities are vital entities in and of themselves, markets don't adhere to the arbitrary boundaries that separate them from their surrounding jurisdictions. A look at the economic condition of the 376 sample cities' metropolitan areas demonstrates the relationship between cities and their surrounding regions. By dividing the cities' metros into "weak," "moderate," and "strong" groups based on their rank on a MSA Economic Condition index—which in this case included the change in MSA-level employment, wages, and gross metropolitan product from 1990 to 2000, and the gross metropolitan product per job in 2000—the strong link between the economic health of cities and that of their metropolitan areas becomes evident.

Two of New Jersey's five older industrial cities are located in "weak" metropolitan areas: Atlantic City and Trenton. Add the 705,639 million people living in these metros in 2000 to the 502,672 million residents of the remaining

New Jersey's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being

	Atlantic City	Camden	Newark	Paterson	Trenton	Average for Five NJ Cities	Average for Other 296 Cities in Dataset*
City Economic Condition Index (1990–2000)							
Change in Employment	-12.5%	-20.7%	-3.8%	-15.6%	-12.6%	-13.0%	15.3%
Change in Annual Payroll (County)	0.0%	7.3%	3.2%	-3.1%	28.5%	7.2%	42.3%**
Change in Establishments (County)	5.3%	0.2%	-2.3%	-0.2%	10.1%	2.6%	16.3%**
Residential Economic Well-being Index (2000)							
Median Household Income	\$26,973	\$23,429	\$26,913	\$32,756	\$31,074	\$28,229	\$39,999
Per Capita Income	\$15,402	\$9,815	\$13,009	\$13,257	\$14,621	\$13,221	\$20,886
Unemployment Rate	12.9%	15.9%	16.1%	13.1%	10.5%	13.7%	6.3%
Labor Force Participation Rate	56.8%	49.5%	52.7%	55.4%	56.8%	54.2%	65.3%
Poverty Rate	23.6%	35.5%	28.4%	22.2%	21.1%	26.2%	14.4%

Sources: U.S. Department of Housing and Urban Development, *State of the Cities Data Systems*; U.S. Census Bureau, *County Business Patterns 1990 and 2000*; U.S. Census of Population and Housing 2000. Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, *The George Washington University*

*Doesn't include the 80 cities that were on the original (65) and expanded (15) older industrial cities list

**Doesn't include Carson City, NV (data not available)

three older industrial cities and you have a total of over 1.2 million people—more than 14 percent of the state's population—living in economically anemic communities, a fact that should surely trouble state leaders concerned about New Jersey's long-term competitiveness. At the same time, though, this city-MSA analysis also suggests a potential bright spot for Camden, Newark, and Paterson, as they may be able to capitalize on positive economic growth trends in their comparatively healthy regions.

What are some of these cities' assets?

For all their economic challenges, New Jersey's older industrial cities possess numerous physical, economic, and cultural attributes that, if fully leveraged, could be converted into vital competitive assets. These five cities have a total of 176 properties on the National Register of Historic Places, for example, a number that doesn't

include the additional homes and businesses that together help shape the many great neighborhoods located in these communities. These cities also have a concentration of education and medical facilities in their urban core: They boast a total of five four-year colleges and universities and two two-year colleges, as well as 16 hospitals and medical centers employing approximately 25,000 people. Finally, these cities are rich with cultural amenities, including museums, galleries, theaters, music venues, and minor league sporting events that together provide a range of regional attractions that can help fuel the revitalization of downtowns and their surrounding neighborhoods.

After decades of painful economic restructuring, the time is ripe for New Jersey's state and local leaders to seize upon new trends and attitudes that have begun to revalue cities' special characteristics—and to again make

New Jersey's older industrial cities boast a number of physical, economic, and cultural assets

City	Historic Properties	Four-Year Colleges and Universities	Two-Year Colleges	Hospitals and Medical Facilities	Museums
Newark	73	3	1	6	4
Trenton	40	1	0	5	5
Atlantic City	12	0	0	1	0
Camden	37	1	0	2	1
Paterson	14	0	1	2	0
Total	176	5	2	16	10

Sources: U.S. Department of Education, *National Center for Education Statistics, 2007*; AHA Annual Survey Database, FY 2005; *National Register of Historic Places, 2007*; American Association of Museums, 2007

them innovative, competitive, high-quality communities where their residents have the choices and opportunities needed to thrive.

Endnotes

- 1 For a full description of the methodology employed to identify New Jersey's older industrial cities, please see Jennifer S. Vey, "Restoring Prosperity: The State Role in Revitalizing American's Older Industrial Cities" (Washington: Brookings Institution, 2007).
- 2 These 74 additional cities were located in seven states: Connecticut, Massachusetts, Michigan, Ohio, New Jersey, New York, and Pennsylvania. Additional cities in other states were not examined.
- 3 Due to data availability constraints, the annual payroll and establishments variables were measured at the county level for all years discussed in this document (1990, 2000, 2004).



THE BROOKINGS INSTITUTION

1775 Massachusetts Avenue, NW Washington, DC 20036-2188

Tel: 202-797-6000 Fax: 202-797-6004

www.brookings.edu



METROPOLITAN POLICY PROGRAM

DIRECT: 202-797-6139 • FAX/DIRECT: 202-797-2965

www.brookings.edu/metro