

# Promoting Economic Development and Shared Prosperity in the Commonwealth

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## *Progressive Massachusetts Conference*

### *Lasell College*

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School of Public Policy and Urban Affairs

# GOOD NEWS ABOUT THE COMMONWEALTH

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- Massachusetts is recovering from the Great Recession
    - Employment has returned to its pre-recession level
  - Massachusetts has a diverse industrial base with a set of key industries
    - Higher Education
    - Health Care
    - Manufacturing
    - Life Sciences
    - Financial Services
    - Leisure and Hospitality Industry
  - Massachusetts, on the whole, has a well-educated and skilled workforce
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# **BUT THE COMMONWEALTH FACING IMPORTANT CHALLENGES**

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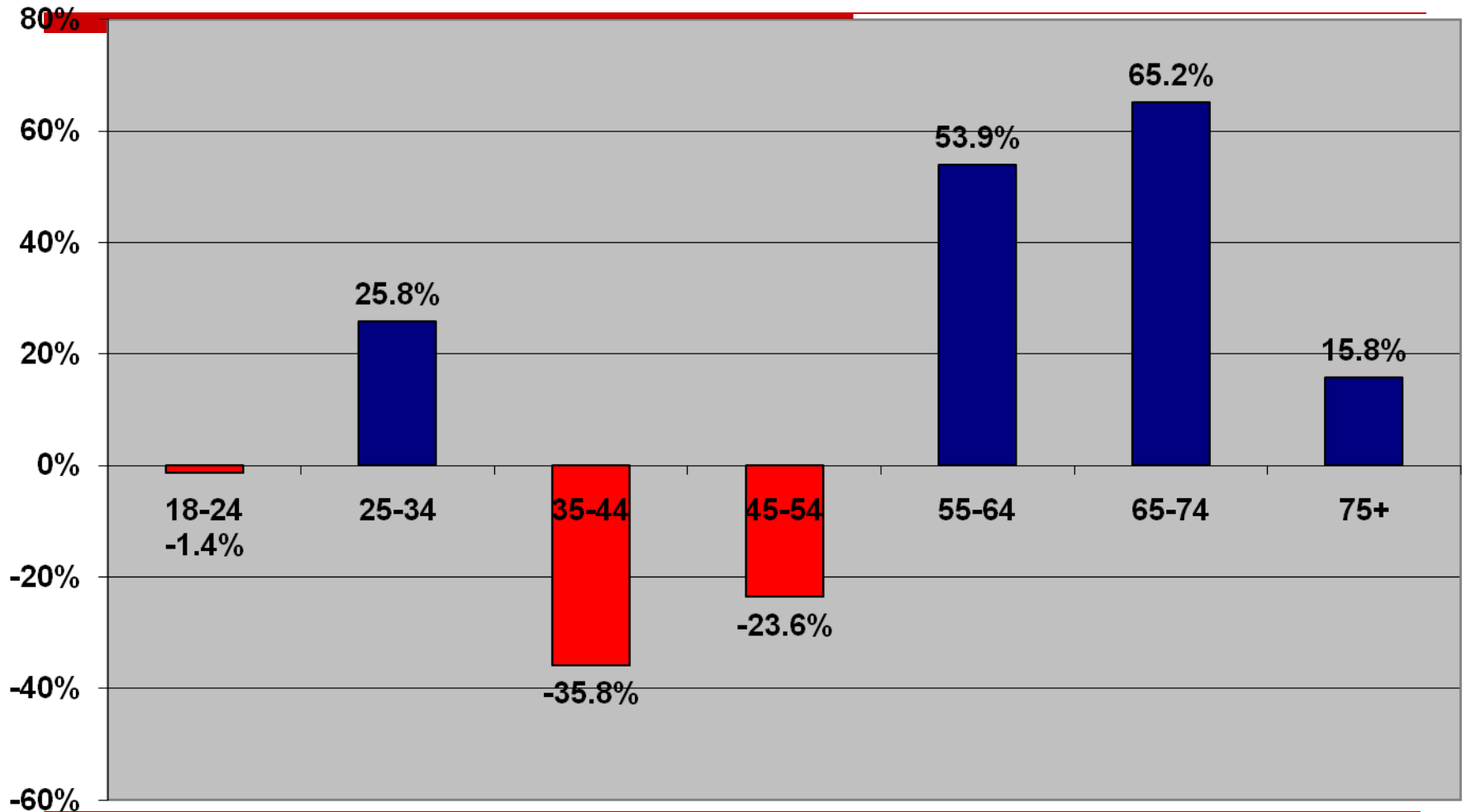
- Our population is aging rapidly and we need to retain and attract young people
  - Housing prices and rents make much of the state a very expensive place to live
  - Income and wealth Inequality is among the highest in the nation
  - Educational opportunity for low income families needs to be enhanced
  - Our transportation system is in disarray
  - Health care costs continue to escalate
  - We need to plan for environmental sustainability
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# Demographic Change

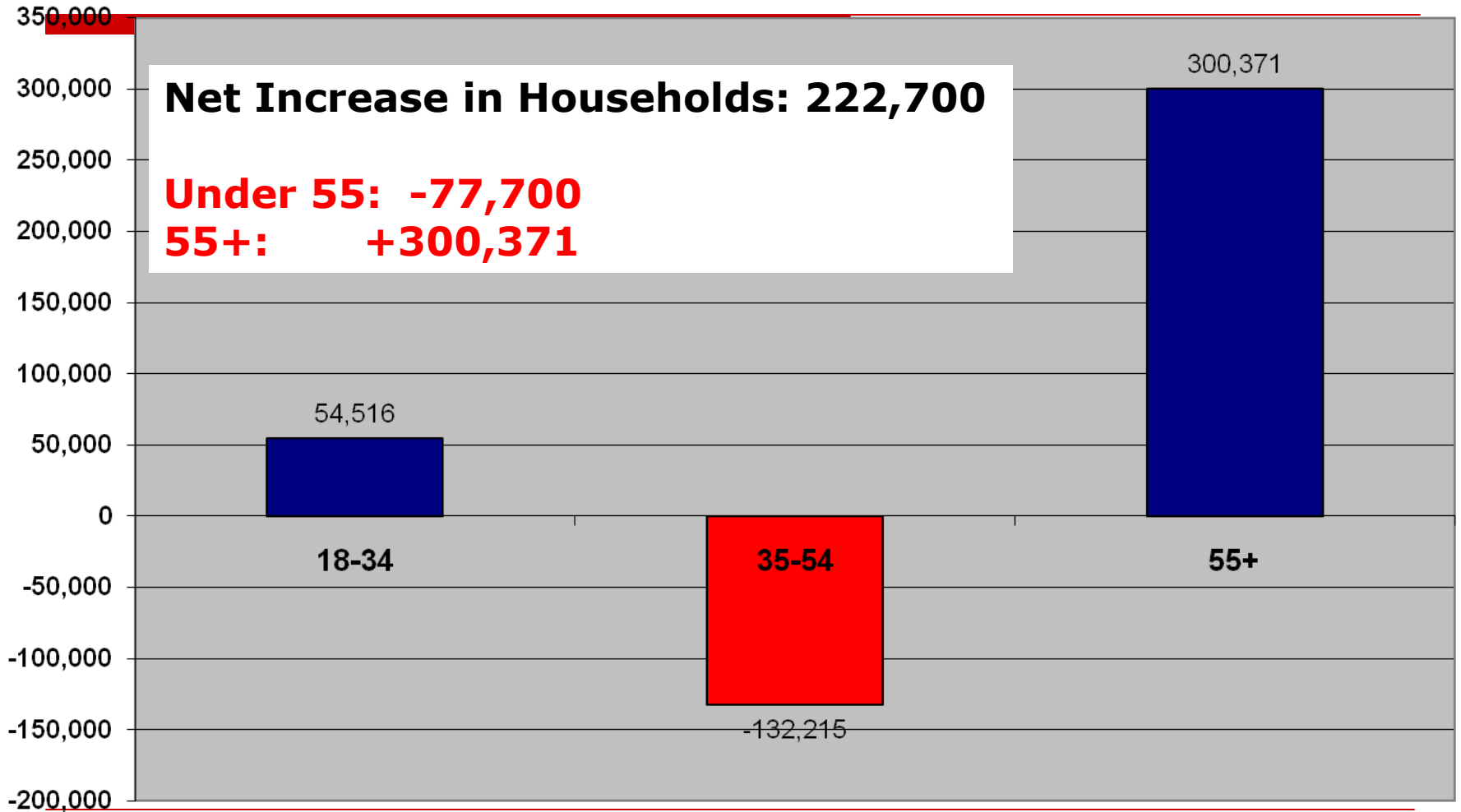
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From the Present to the Future ...

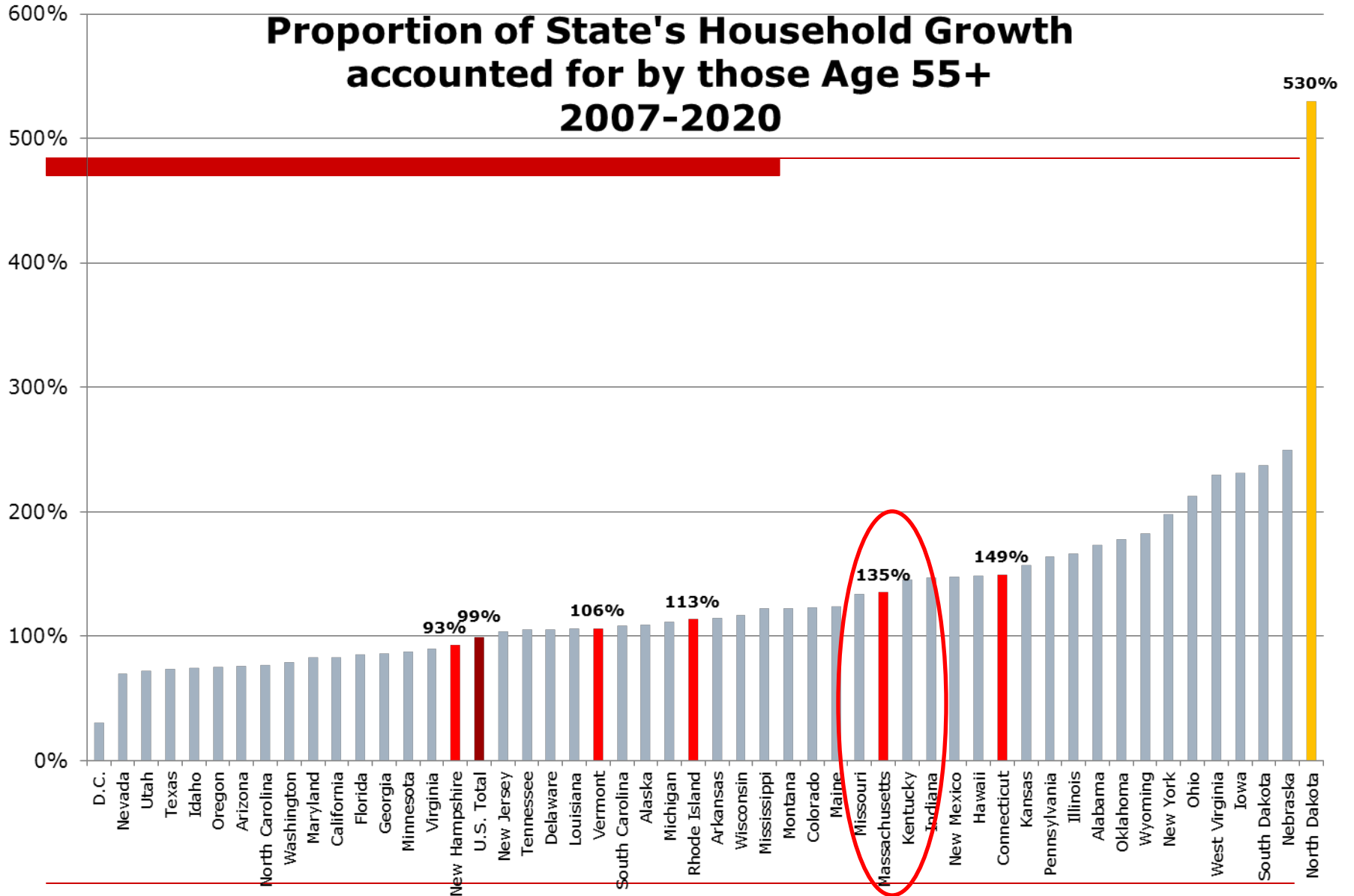
## Projected Household Growth by Age MASSACHUSETTS (2007-2020)



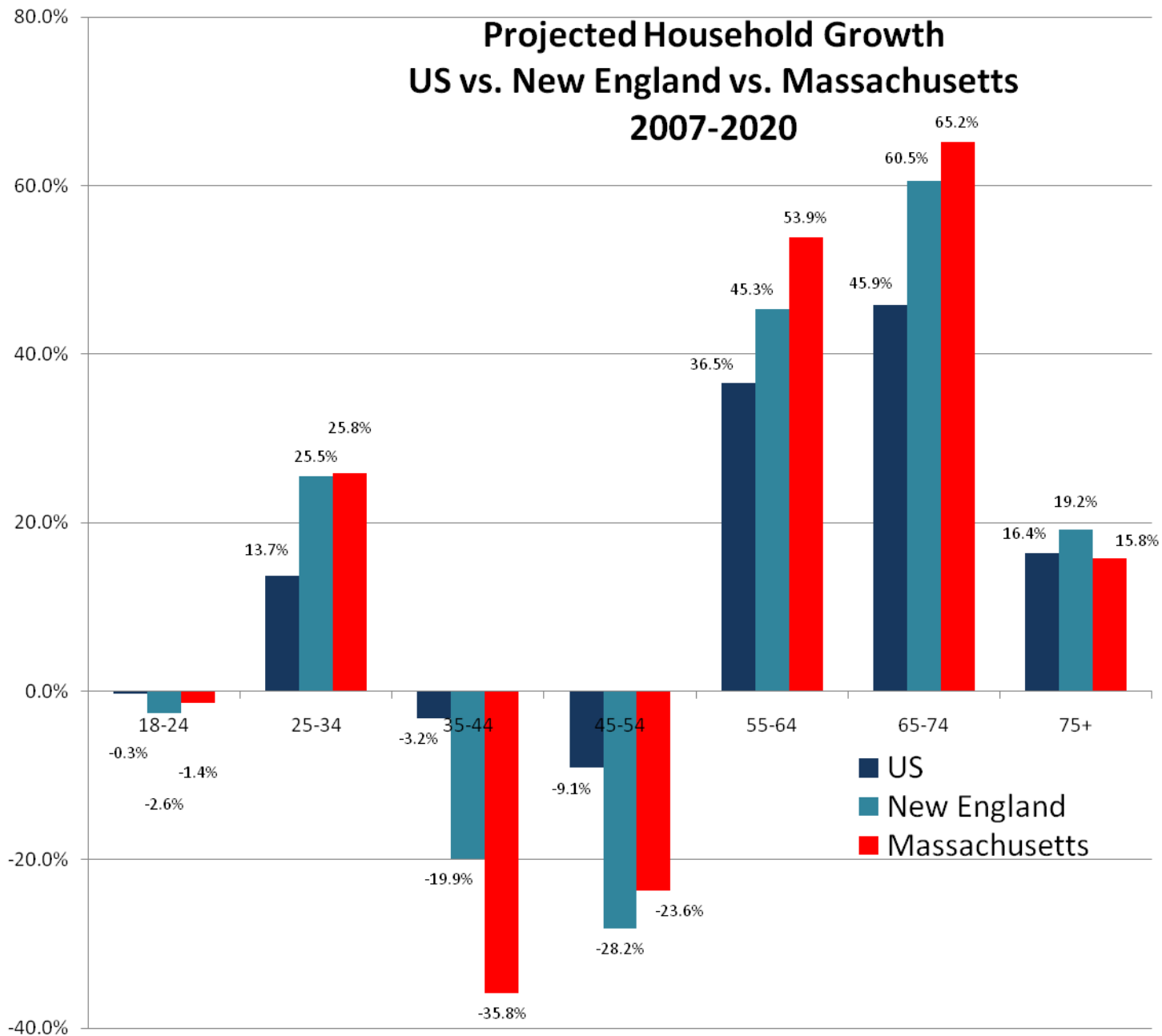
# Projected Household Growth by Age MASSACHUSETTS (2007-2020)



# Proportion of State's Household Growth accounted for by those Age 55+ 2007-2020



# Projected Household Growth US vs. New England vs. Massachusetts 2007-2020





# THE "THIRD CIVIL WAR"

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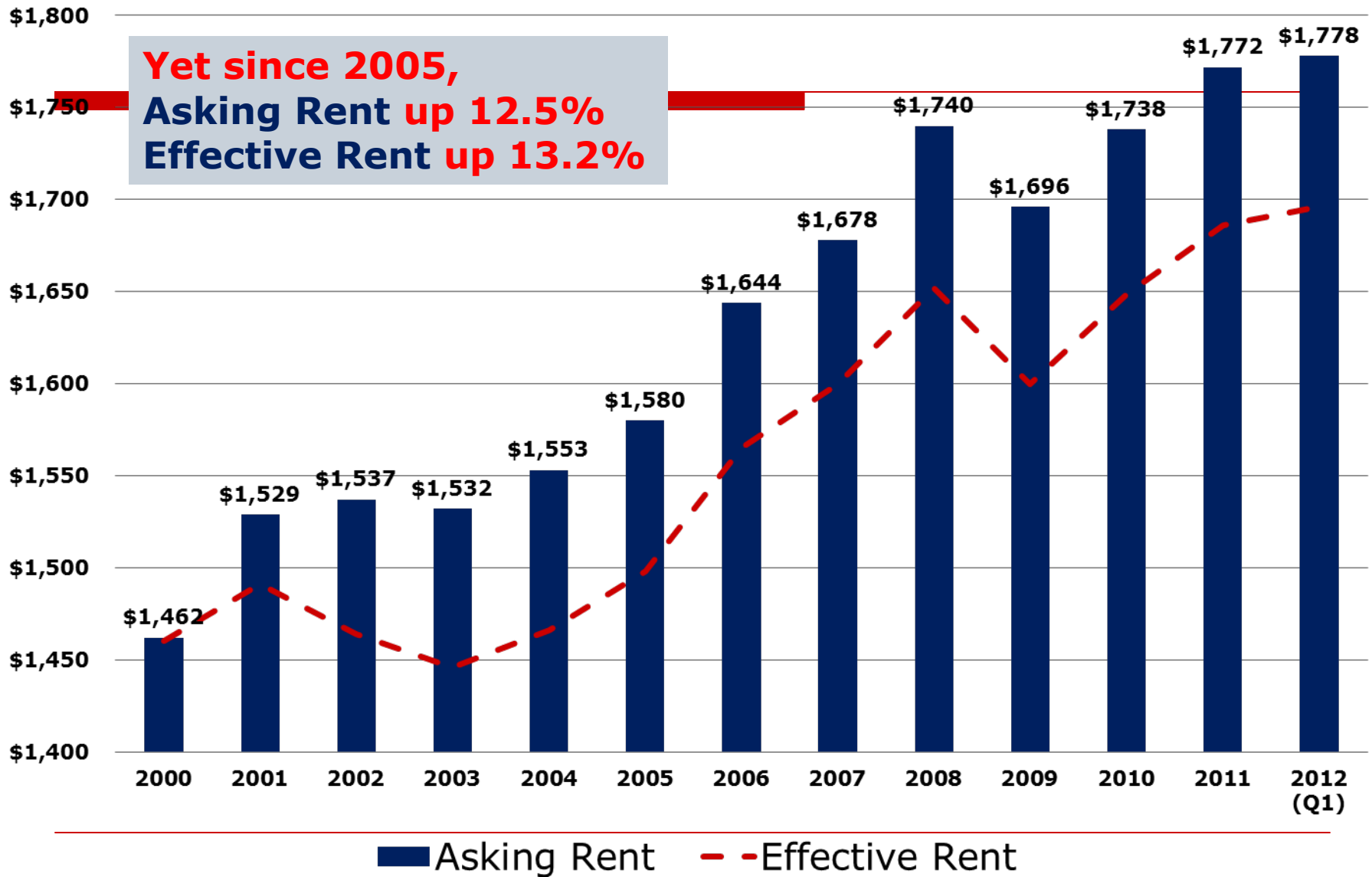
- 19<sup>th</sup> Century Civil War
    - North-South: Slavery
  - 20<sup>th</sup> Century Civil War
    - North-South: Where MFG takes place
  - 21<sup>st</sup> Century Civil War
    - Which regions, states, and cities and towns will be able to retain and attract young working families to fill in the labor force gap?
    - What factors are most important in winning the 3<sup>rd</sup> Civil War?
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# Housing Prices & Rents

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Particularly in Greater Boston, home prices remain high and rents are soaring

# Average Annual Asking Rent and Effective Rent in Greater Boston, 2000 - 2012 (Q1)



## Demographic Data for Greater Boston 1990 - 2010

	1990	2000	2010	% Change, 1990-2000	% Change, 2000-2010
<b>Median Household Income (2010 \$)<sup>a</sup></b>	\$67,010	\$69,784	\$68,802	4.1%	-1.4%
<b>Median Homeowner Income (2010 \$)<sup>a</sup></b>	\$86,225	\$90,460	\$93,484	4.9%	3.3%
<b>Median Renter Income (2010 \$)<sup>a</sup></b>	<b>\$43,787</b>	<b>\$43,312</b>	<b>\$39,208</b>	-1.1%	-9.5%
<b>Renter-Occupied Households Paying More Than 30% of Income on Rent</b>	41.7%	<b>39.2%</b>	<b>50.1%</b>	<b>-5.9%</b>	<b>27.7%</b>
<b>Owner-Occupied Households w/ Mortgage Paying More than 30% of Income on HH Costs</b>	28.3%	<b>26.7%</b>	<b>39.5%</b>	<b>-5.7%</b>	<b>47.8%</b>
<b>Average Household Size</b>	<b>2.59</b>	<b>2.51</b>	<b>2.48</b>	-3.0%	-1.2%
<b>Average Household Size, Owner-Occupied Units</b>	2.86	2.76	2.70	-3.6%	-2.2%
<b>Average Household Size, Renter-Occupied Units</b>	2.22	2.17	2.18	-2.3%	0.7%

## Median Household Income by Age of Householder in Five-County Greater Boston Region

	<u>2010 Dollars</u>		
	2000	2010	Percent Change 2000-2010
<b>Householder under 25 years</b>	<b>\$38,357</b>	<b>\$26,380</b>	<b>-31.2%</b>
<b>Householder 25 to 44 years</b>	\$78,295	\$77,692	-0.8%
<b>Householder 45 to 64 years</b>	\$86,687	\$84,296	-2.8%
<b>Householder 65 years and over</b>	\$36,388	\$38,043	4.5%

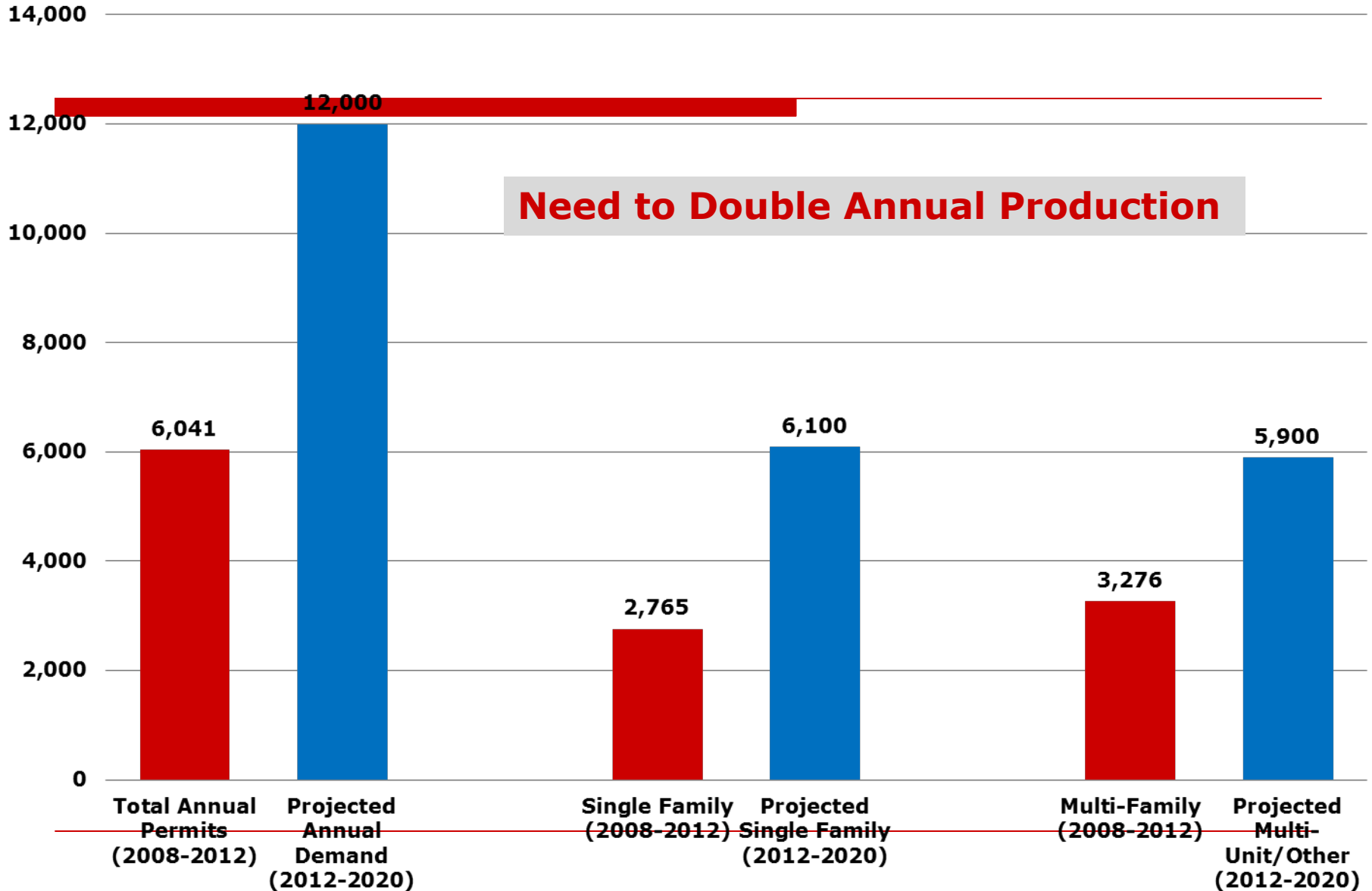
Note: These figures represent averages (weighted by number of households in each age group) of the age specific median household incomes of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

# SHIFT IN HOUSING DEMAND – NEED FOR MORE AFFORDABLE UNITS

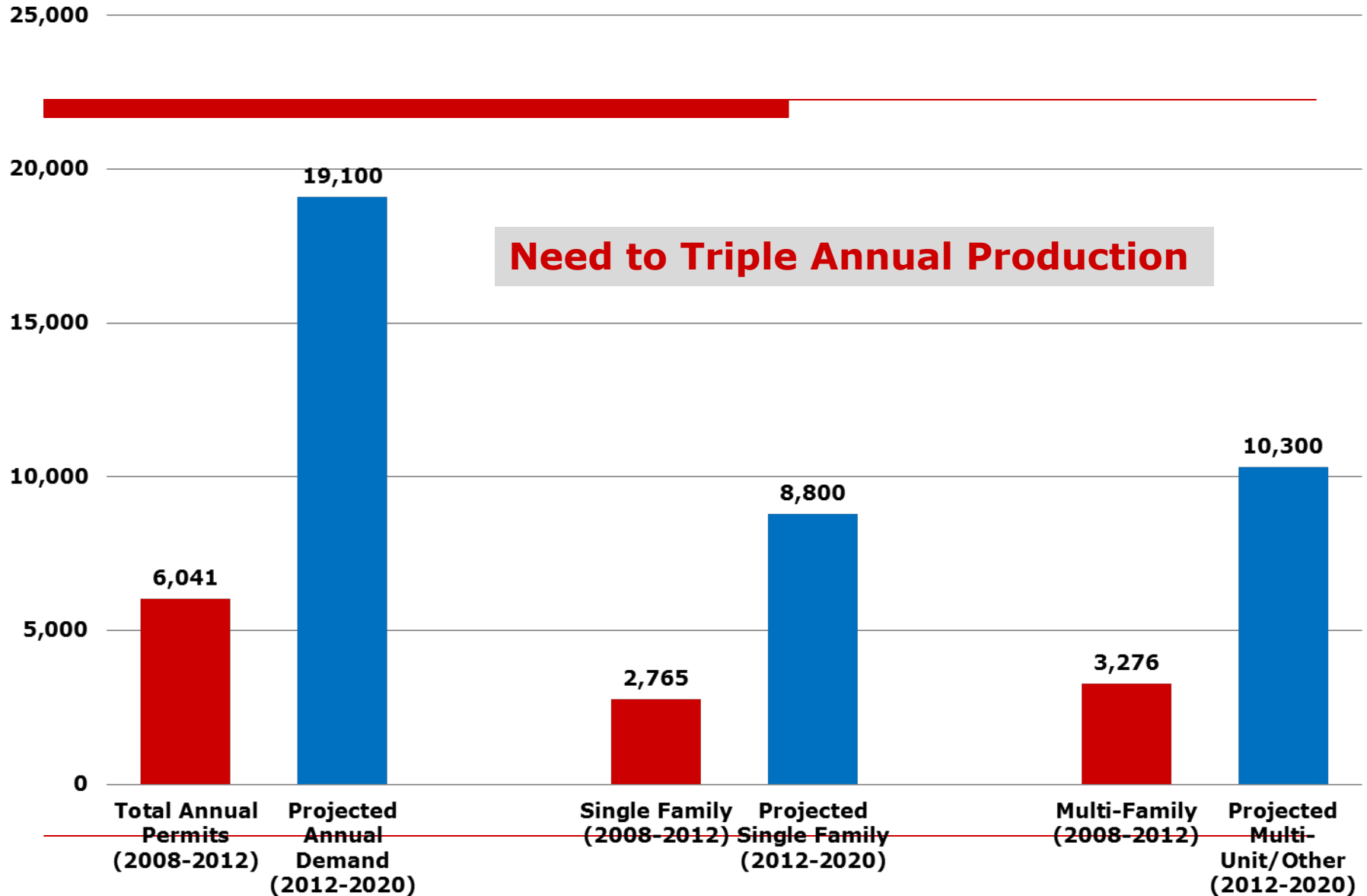
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- Declining incomes for renter households means we need to find more affordable units or they will face ever larger housing hurdles
  - This means we need to free up rental housing for low and moderate income families
  - And it means we need to build more affordable units as part of new developments
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# Current Housing Production vs. "Current Trends" Scenario Demand in Greater Boston



# Current Housing Production vs. "Stronger Growth" Scenario Demand in Greater Boston



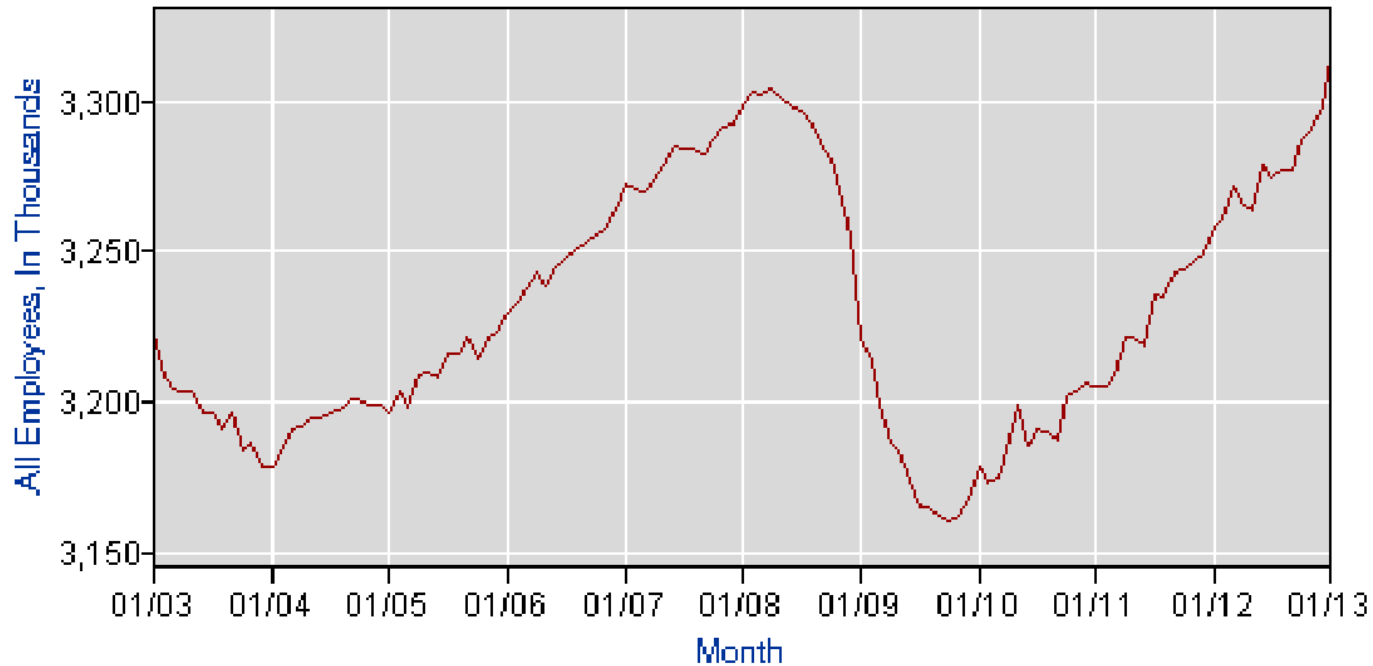


# Jobs and Massachusetts Economy

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# MASSACHUSETTS EMPLOYMENT RECOVERING – TOTAL NON-FARM EMPLOYMENT

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## Massachusetts Employment by Sector - 2011:1st Half

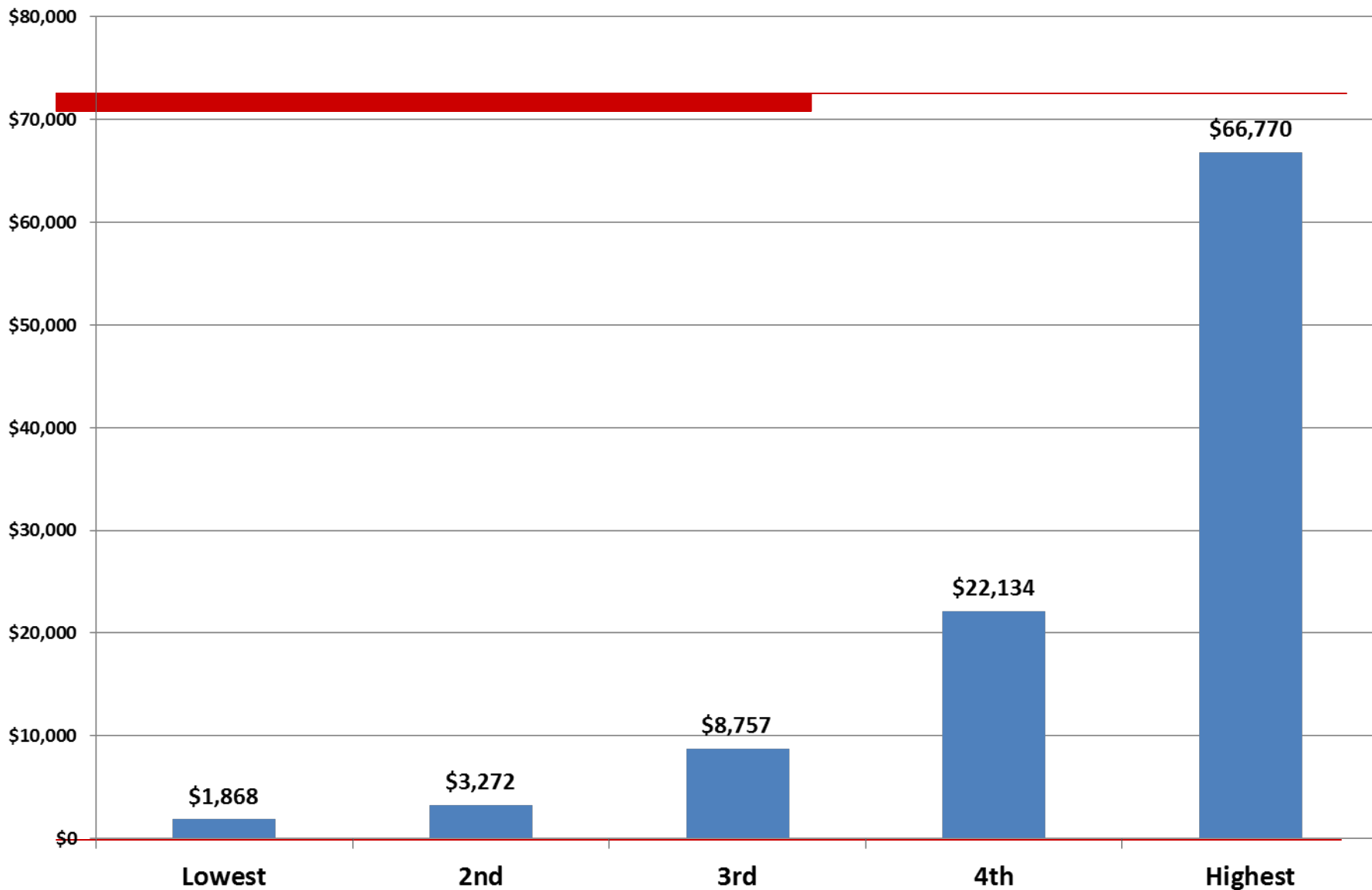
Source: ES-202 Files

		% of Total
Health Care	455,493	14.24%
Retail Trade	339,840	10.63%
Educational Services	338,253	10.58%
Accommodations & Food Service	269,154	8.42%
Professional & Technical Services	258,921	8.10%
Manufacturing	254,027	7.94%
Finance & Insurance	167,377	5.23%
Administrative & Waste Services	164,605	5.15%
Others Services	135,388	4.23%
Public Administration	134,494	4.21%
Wholesale Trade	122,861	3.84%
Construction	121,357	3.79%
Transportation & Warehousing	96,790	3.03%
Information	89,556	2.80%
Social Services	74,243	2.32%
Management of Companies & Enterprises	58,384	1.83%
Arts, Entertainment, & Recreation	55,207	1.73%
Real Estate, Renting, & Leasing	39,871	1.25%
Utilities	14,165	0.44%
Agriculture, Forestry, Fishing, & Hunting	7,116	0.22%
Mining	1,055	0.03%
Total	3,198,157	

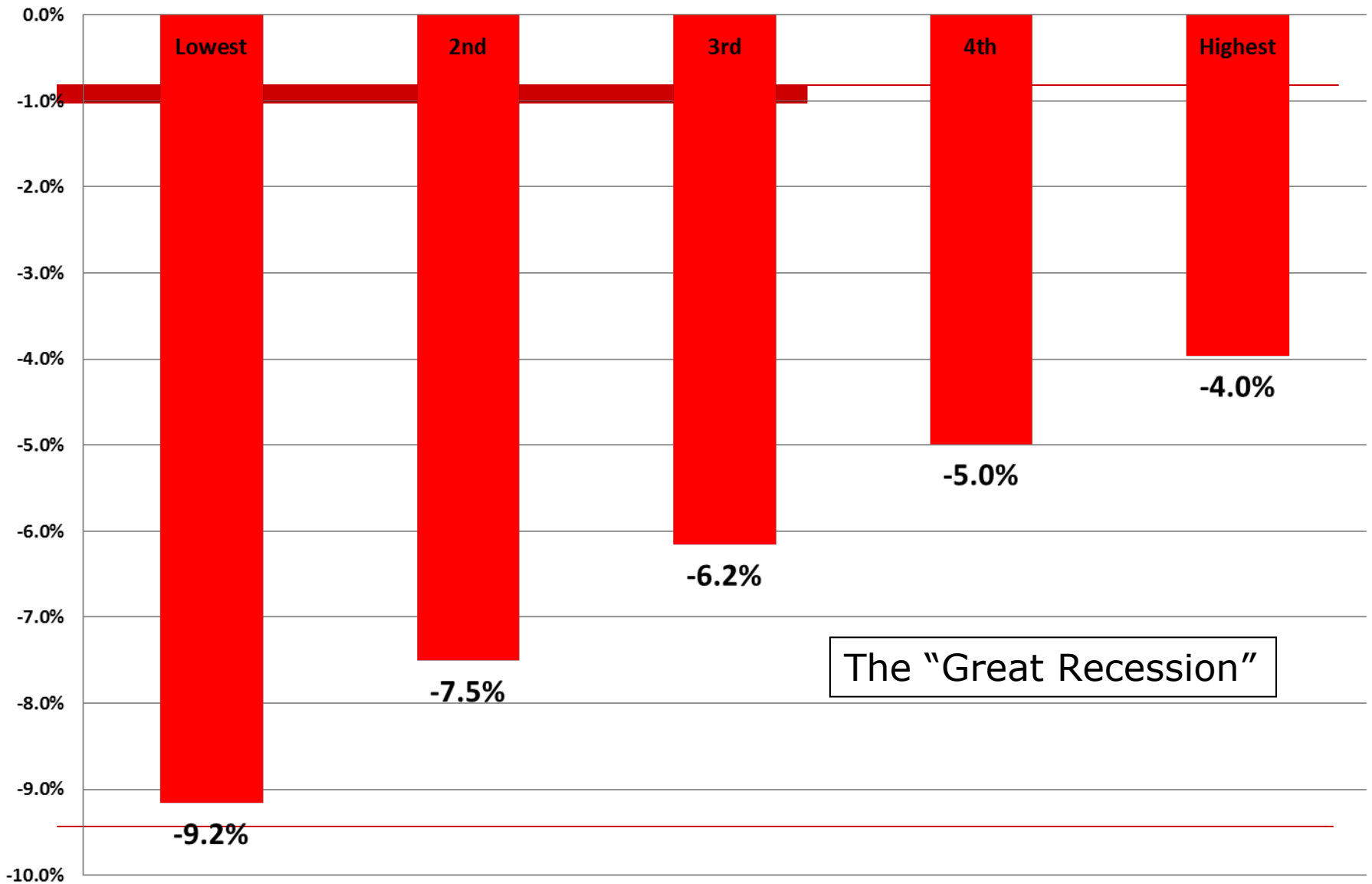
# Inequality

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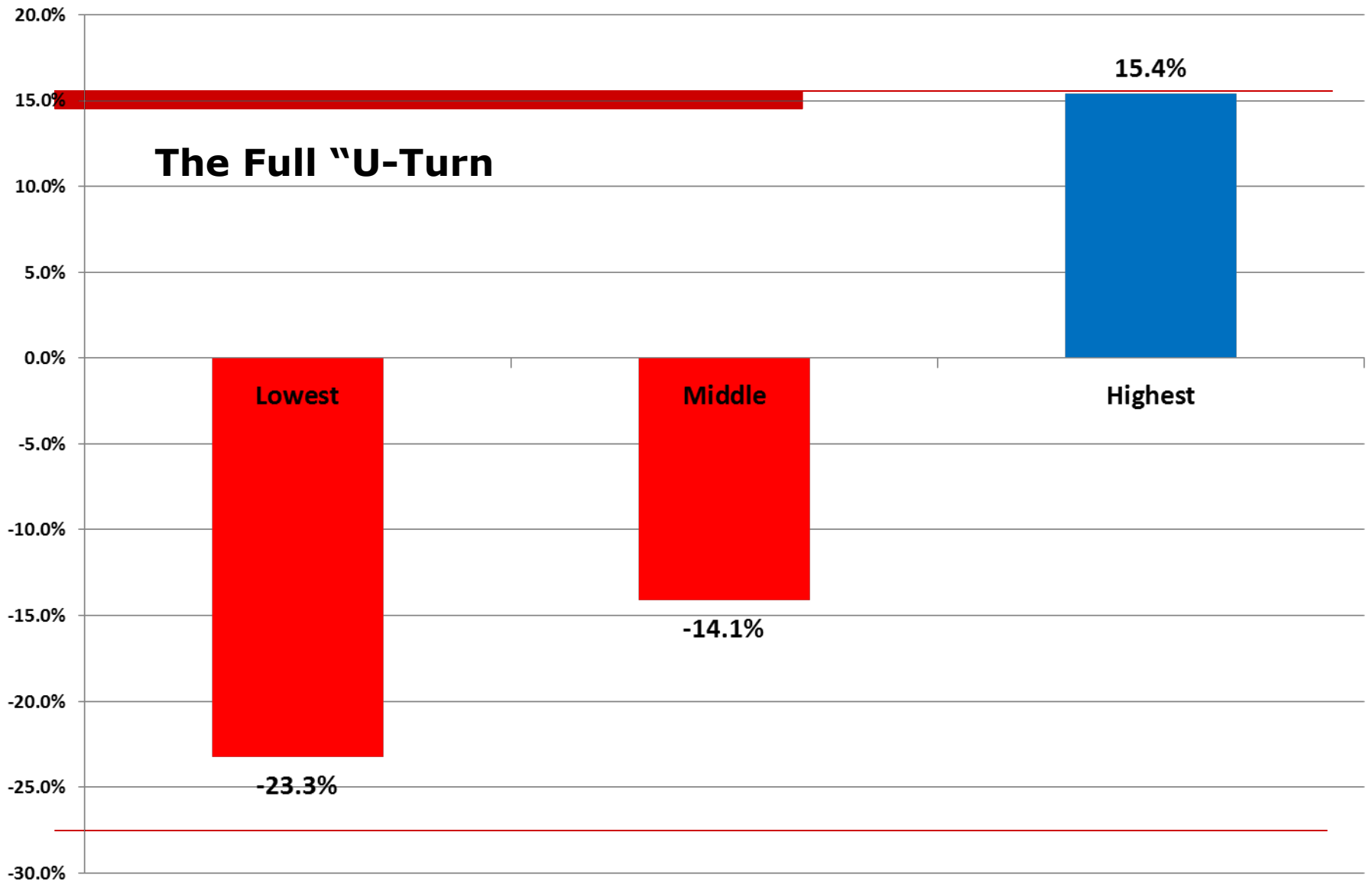
# Change in Real Median Household Income by Quintile 1967-2010



# Percent Change in Real Median Household Income by Quintile 2007-2010



# Percentage Change in Quintile Shares of Household Income 1974-2010



# "MURDER ON THE INEQUALITY EXPRESS"

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- Suspect 1: **Technology**
  - Suspect 2: **Deindustrialization**
  - Suspect 3: **Deregulation**
  - Suspect 4: **Declining Unionization**
  - Suspect 5: **Downsizing**
  - Suspect 6: **Winner-Take-All Labor Markets**
  - Suspect 7: **Free Trade**
  - Suspect 8: **Capital Mobility**
  - Suspect 9: **Immigration**
  - Suspect 10: **Trade Deficits**
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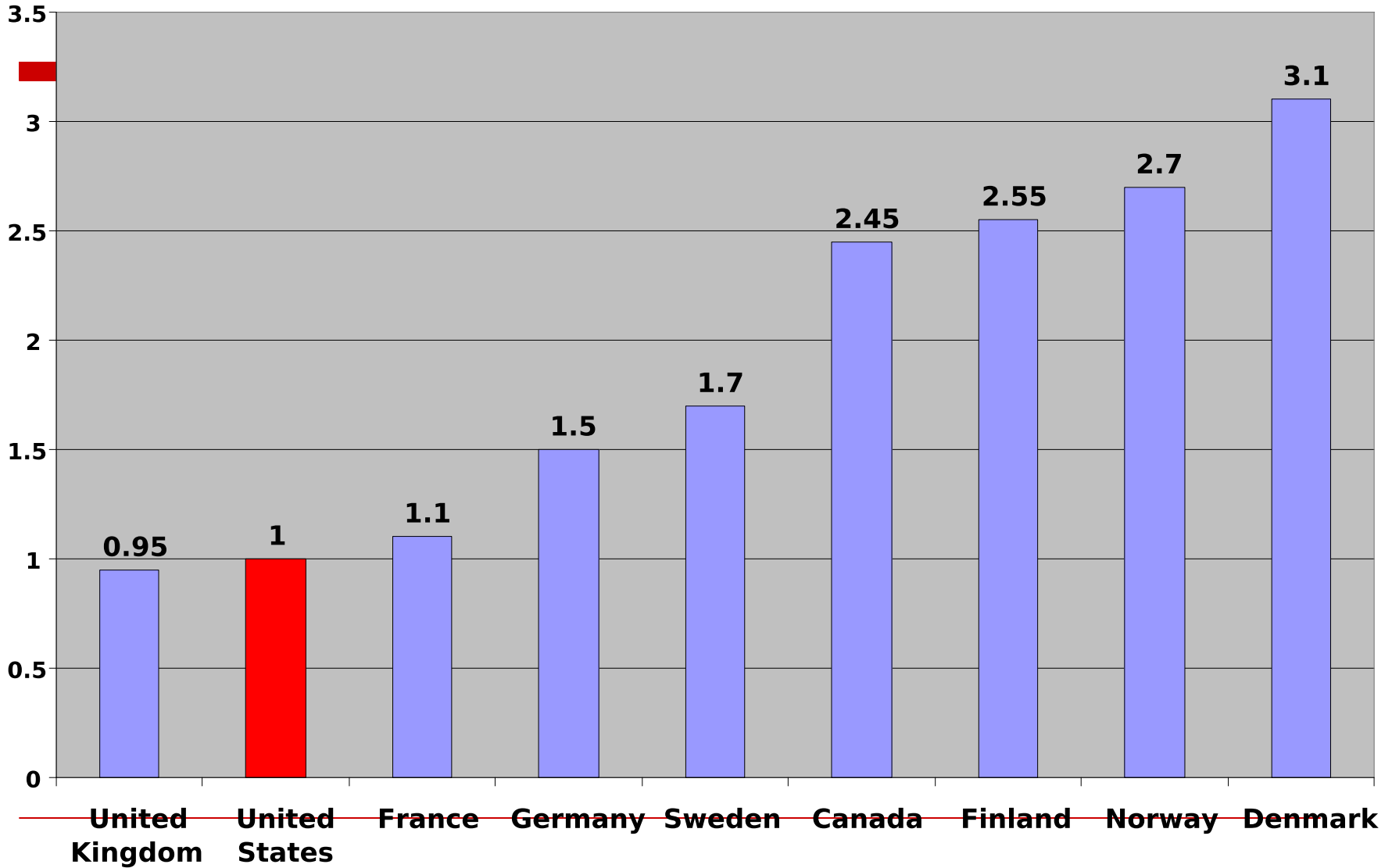
# Social Mobility

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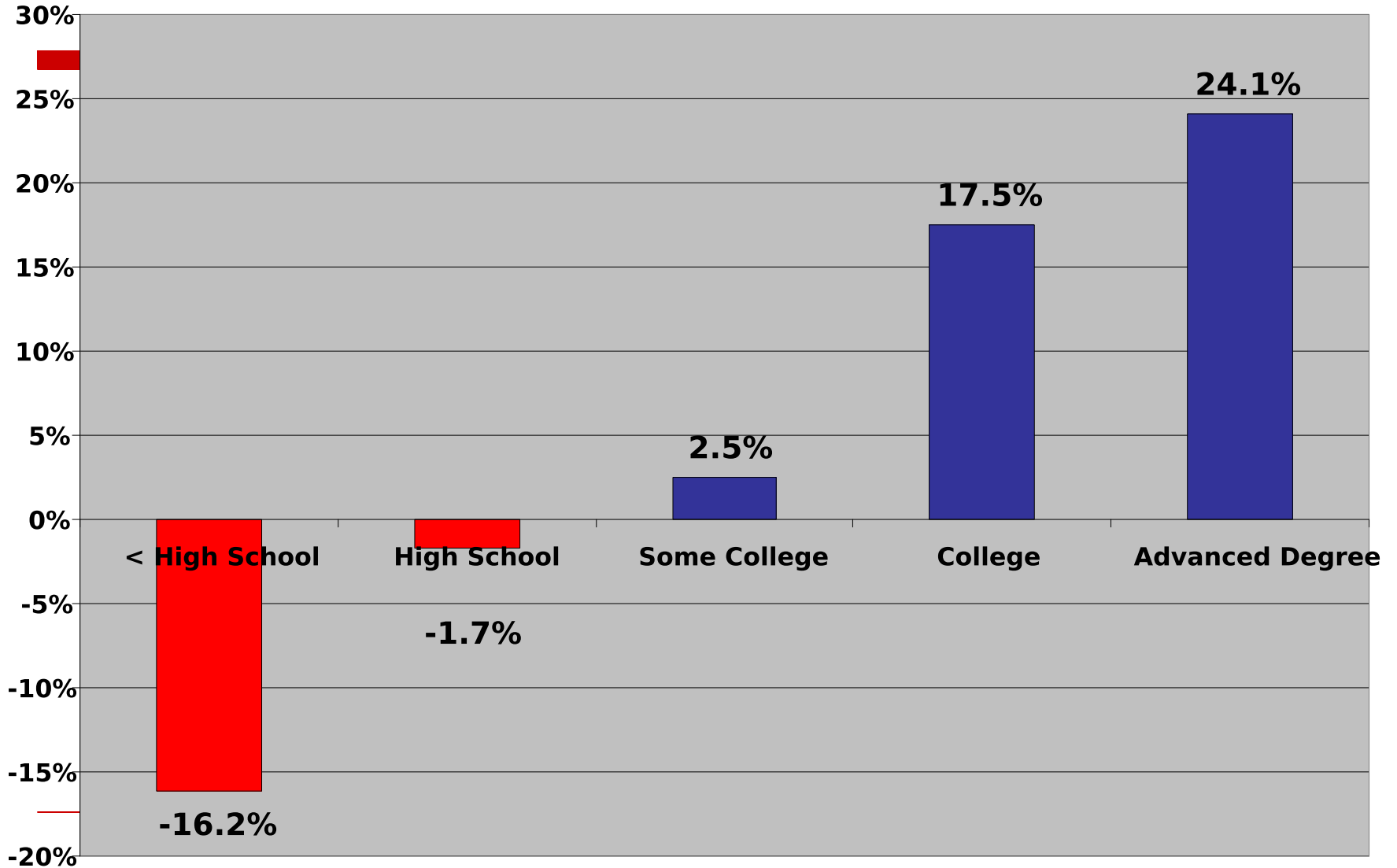
Inequality is a problem

Social immobility is a tragedy

## Intergenerational Mobility across Countries (2006)



# Percent Change in Real Hourly Wage by Education (1973-2005)



# What's to be Done?

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# HOUSING POLICY

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- Encourage local residential rezoning for multi-unit housing
    - Chapter 40B, 40R, 40S
    - Compact Cities
  - Multi-University Graduate Student Villages
  - Find ways to reduce cost of housing construction
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# INCOME & WEALTH INEQUALITY

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- Focus on early childhood education and public higher education
  - Encourage continued growth in manufacturing and the leisure & hospitality industries
  - Focus more attention on the Gateway Cities – Older Industrial Regions of the Commonwealth
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# **FIX OUR TRANSPORTATION SYSTEM**

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- Fully fund Governor's Patrick's budget for transportation and education
  - Allocate additional transportation dollars to mass transit
  - Raise the gas tax to help cover the cost of maintaining our highways and improving public transit throughout the state
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# HEALTH CARE COSTS

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- Continue the implementation of health care cost containment through programs developed by the Patrick Administration
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# ENVIRONMENTAL SUSTAINABILITY

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- Continue to press for increased use of wind and solar ... while taking advantage of natural gas in the short term to reduce dependency on coal and help control energy costs
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# CONCLUSIONS

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- We know what the economic challenges are
  - We need to build a stronger political movement to make sure we meet them with progressive policies
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