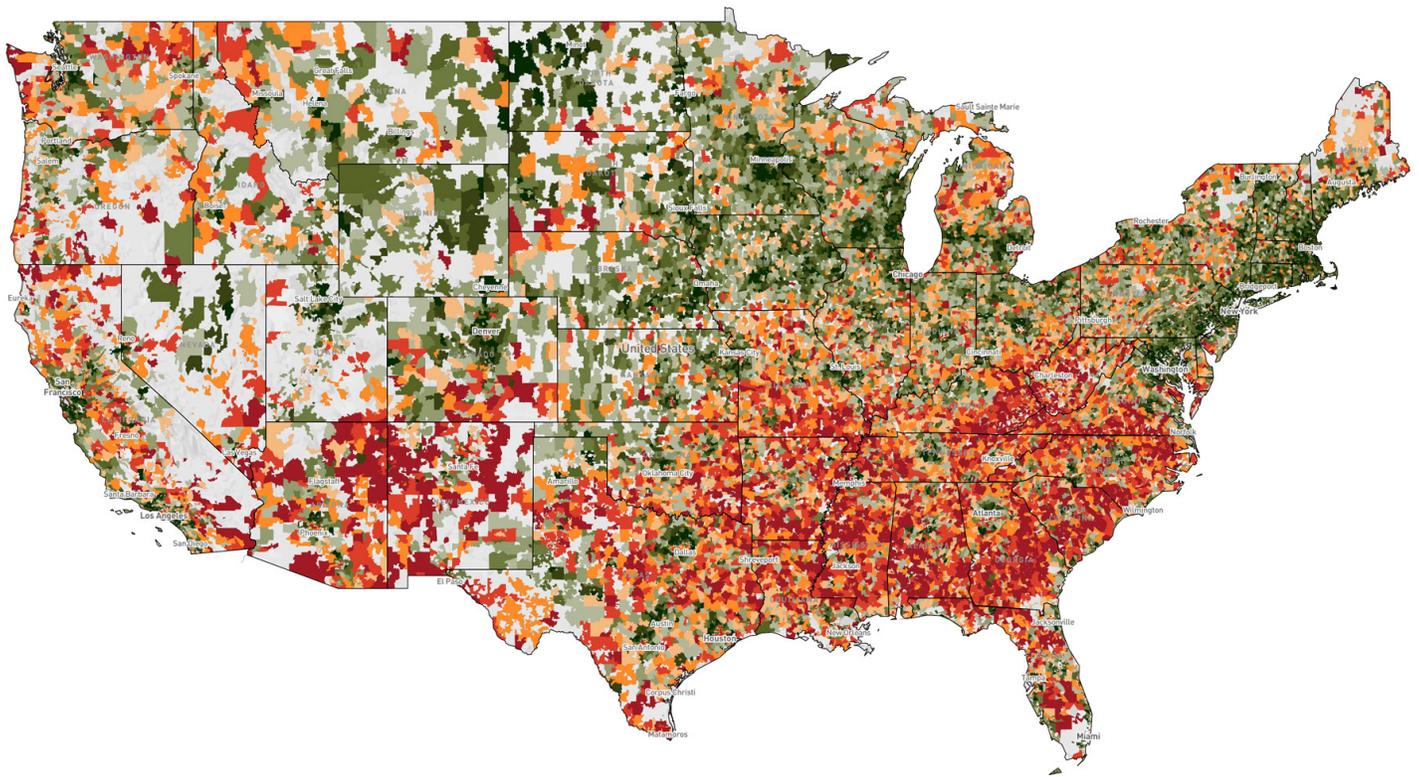




THE 2016

DISTRESSED COMMUNITIES INDEX

An Analysis of Community Well-Being Across the United States



The **Economic Innovation Group** (EIG) is an ideas laboratory and advocacy organization whose mission is to advance solutions that empower entrepreneurs and investors to forge a more dynamic American economy. Headquartered in Washington, D.C. and led by an experienced, bipartisan team, EIG convenes leading experts from the public and private sectors, develops original policy research, and works to advance creative legislative proposals that will bring new jobs, investment, and economic growth to communities across the nation. For more information about EIG, visit eig.org.

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INTRODUCTION

Place matters. This simple concept has never been better understood than it is today. The American Dream is predicated on the idea that anyone from any place or background can climb to the highest rungs of the economic ladder. But there is a growing body of evidence that the more time an individual spends living in a distressed community—especially at childhood—the worse that individual’s lifetime chances of achieving economic stability or success. And not all poor neighborhoods are alike; some offer vastly better chances of economic mobility than others.

The United States is still a land of opportunity for many. But when it comes to life outcomes, geography is too often destiny.

The **Distressed Communities Index** (DCI) is an attempt to map and analyze the dimensions of basic community well-being across the United States. The analysis finds that for those living in distressed zip codes, the years of overall U.S. economic recovery have looked much more like an ongoing downturn. Large swathes of the country are indeed being left behind by economic growth and change. The phenomenon is taking place at many different scales: Well-being diverges between cities and states but even more starkly within cities and at the neighborhood level.

Most American communities are not distressed, but they are far from flourishing. Jobs grew at less than half the national rate in the median U.S. zip code over the recovery years. The number of businesses in the median community remained flat. The country’s top zip codes, meanwhile, are in the midst of an economic boom. Zip codes mere miles apart occupy vastly different planes of community well-being—and few people are truly mobile between them. It is little surprise that many Americans feel they have been left behind.

The DCI sheds light on these very local divergences in economic well-being. It is intended to facilitate a better understanding of the pervasive pessimism many Americans feel about their own communities and personal economic prospects in spite of years of steady U.S. economic expansion. Looking forward, it aims to identify the communities most at risk of being left behind by the country’s continued growth and development in the years to come.



METHODOLOGY

About the Index

The DCI combines seven complementary metrics using the latest available Census Bureau data (primarily the American Community Survey 5-Year Estimates for 2010-2014)¹ to assess the economic well-being of communities across the United States:

NO HIGH SCHOOL DEGREE

Percent of the population 25 years and older without a high school degree.

HOUSING VACANCY RATE

Percent of habitable housing that is unoccupied, excluding properties that are for seasonal, recreational, or occasional use.

ADULTS NOT WORKING

Percent of the population 16 years and older not in work.

POVERTY RATE

Percent of the population living under the poverty line.

MEDIAN INCOME RATIO

Ratio of a geography's median income to its state's median income.

CHANGE IN EMPLOYMENT

Percent change in the number of jobs from 2010 to 2013.

CHANGE IN BUSINESS ESTABLISHMENTS

Percent change in the number of business establishments from 2010 to 2013.

1. Data for the first five indicators is from the U.S. Census Bureau's American Community Survey 5-Year Estimates for 2010 to 2014. The last two are provided by the U.S. Census Bureau's County and Zip Code Business Patterns programs. Values for change in employment and change in establishments at the city level were generated from zip codes and zip code portions based on U.S. Census Bureau and Missouri Census Data Center relationship files.



These indicators were chosen to capture the different ways economic distress and prosperity are experienced at the *community* level.

Distress manifests itself in a lack of residential investment, in shuttering businesses, and in disappearing job opportunities; prosperity the inverse. A high school diploma is the entry-level ticket to opportunity in the economy, and they remain scarce in many struggling neighborhoods.

Low rates of adult employment identify communities where connections to the labor market have frayed; prospering communities, on the other hand, draw people back into the labor market with job opportunities. Poverty rates differentiate well-off from struggling communities too. And neighborhood median income relative to state median income sizes earnings differentials while controlling for differences in cost of living across the country.

Each metric captures a unique aspect of community distress or prosperity. Other indicators such as foreclosure rates were considered but ultimately rejected, either because of data limitations or because they failed to bring a new dimension to the index.

Each metric is important for understanding community economic well-being, but studied in isolation each provides an incomplete picture.

For example, a low-wage but high-employment community may have the same official poverty rate as one suffering from pervasive joblessness and low levels of investment. State and federal safety net programs may further equalize individual living standards between the two communities. But the latter neighborhood is distressed at its roots while the former is not. The DCI is designed to look past an individual's condition and beyond the impact of public policies that often ameliorate *individual* distress to assess community economic well-being at its foundations.

Any such analysis must contend with certain measurement challenges. For example, the measure of adults not working is slightly biased by retirees, but truly distressed places post the highest numbers and the obvious alternative—the unemployment rate—misses systemic worklessness, the long-term unemployed, and the rising number of disability claimants that characterize many distressed communities.



Defining poverty itself has long challenged economists and policymakers alike and is compounded by difficulties in quantifying the impact of the country's vast tax and transfer system on both individual and community well-being. The DCI does not surmount these inherent challenges, but the index approach does mitigate their individual biases.

Scoring

The DCI covers over 99 percent of the U.S. population. It captures all zip codes and counties with more than 500 people (over 26,000 zip codes and over 3,000 counties) as well as the country's nearly 800 cities with more than 50,000 people.²

Distress scores are calculated based on a geography's rank on each of the seven equally weighted variables. The ranks are then averaged and normalized to be equivalent to percentiles, resulting in distress scores between 0 and 100. The higher the distress score, the greater the distress.

The distress score of 18.0 for zip code 90210, for example, indicates that the relatively prosperous zip code falls in the 18th percentile of zip codes nationwide. The same score for a city would indicate that it falls in the 18th percentile of all cities. Distress scores are therefore not comparable across different types of geography.

Measuring spatial inequality

Zip code distress scores make possible a new way of assessing "spatial inequality," which is to say inequality in economic well-being across zip codes within a higher-level geography. A measure of inequality based on distress scores can present a multidimensional picture of experienced economic inequality that an income-based measure cannot provide alone.

Accordingly, spatial inequality scores were calculated at the city, county, and metropolitan area levels as the standard deviation of population-weighted zip code distress scores (raw, before normalization into percentiles) within a geography.

2. Distress scores were also calculated at the congressional district level and will be the subject of a future report. In the meantime, district and all other data can be explored at EIG's DCI interactive tool at www.eig.org/dci



The standard deviation is a conventional statistical measure of the breadth of a distribution of values. It reports how tightly zip code distress values are clustered around the average in a geography. Low standard deviations (inequality scores) mean all zip code distress scores within a geography fall relatively close together; high scores mean variation across zip codes is much wider. A geography must be comprised of at least five zip codes and have a population of at least 100,000 in order for inequality to be assessed.

DEFINITIONS

Distressed

A zip code, city, or county is considered distressed if its distress score falls in the highest 20 percent of its peer group. Since distress scores are normalized to reflect percentiles, scores over 80.0 are considered distressed. “Most distressed,” when used, refers to the highest 10 percent of distress scores.

Prosperous

A zip code, city, or county is considered prosperous if its distress score falls into the lowest 20 percent of its peer group. Since distress scores are normalized to reflect percentiles, scores below 20.0 are considered prosperous. “Most prosperous,” when used, refers to the lowest 10 percent of distress scores.

Spatial inequality

Spatial inequality scores represent the population-weighted standard deviation of raw zip code distress scores within higher level geographies (e.g. cities or counties).

Community

In this report, the word community is used synonymously with zip codes.



FINDINGS

NATIONAL AND REGIONAL FINDINGS

- I. The country’s distressed zip codes are plagued by poverty, joblessness, and a deep and ongoing recession
- II. The median U.S. zip code trails the nation in terms of incomes, jobs, and businesses
- III. The country’s prosperous zip codes have flourished during the recovery
- IV. The country’s most prosperous and most distressed communities are pulling apart
- V. The most prosperous zip codes are the most populous, but 50.4 million Americans still live in distressed communities
- VI. Over half of the country’s distressed population lives in the South

I. The country’s distressed zip codes are plagued by poverty, joblessness, and a deep and ongoing recession.

The one-fifth of U.S. zip codes with the highest distress scores—from 80 to 100—are considered distressed communities, and for good reason: In the average distressed zip code, nearly one-quarter of adults have no high school degree and 55 percent of adults are not working.

The median income of these neighborhoods stands, on average, at only 68 percent of the state’s median income. Nearly one in seven homes stands vacant, and 27 percent of individuals live in poverty.

Figure 1. Profile of the average distressed zip code

	 NO HIGH SCHOOL DEGREE	 POVERTY RATE	 ADULTS NOT WORKING	 HOUSING VACANCY	 MEDIAN INCOME RATIO	 CHANGE IN EMP.	 CHANGE IN EST.
Average Distressed Zip	23%	27%	55%	14%	68%	-6.7%	-8.3%



What is more, during three years of nominal growth and recovery at the national level, the average community in these zip codes—one-fifth of all U.S. zip codes—saw employment decline by 6.7 percent and the number of businesses shrink by 8.3 percent.

II. The median U.S. zip code trails the nation in terms of incomes, jobs, and businesses.

On each of the seven indicators, the median zip code represented a community with higher high school completion rates, lower poverty rates, and lower housing vacancy rates than the United States as a whole.

But incomes remained depressed, and while employment grew by 5.6 percent at the national level from 2010 to 2013, in the median zip code it increased by only 2.3 percent.

The median zip code saw no net increase in the number of business establishments over those three nominal years of recovery either, even as the number increased by 1.2 percent nationally. As a result, the recovery remains tepid in the median U.S. community.

Figure 2. Profile of the median U.S. zip code

	 NO HIGH SCHOOL DEGREE	 POVERTY RATE	 ADULTS NOT WORKING	 HOUSING VACANCY	 MEDIAN INCOME RATIO	 CHANGE IN EMP.	 CHANGE IN EST.
Median Zip on Each Indicator	12%	13%	43%	8%	94%	2.3%	0.0%

III. The country's prosperous zip codes have flourished during the recovery.

The typical prosperous community—the one-fifth of U.S. zip codes with the lowest distress scores, those falling between 0 and 20—looks very different.

A resident of these zip codes is unlikely to encounter a neighbor without a high school degree, and the vast majority of adults have work. Few homes stand vacant.



And the economy is booming: From 2010 to 2013, the best-off one-fifth of U.S. zip codes enjoyed 17.4 percent job growth and saw the number of business establishments in their neighborhoods rise by 8.8 percent.

Figure 3. Profile of the average prosperous zip code.

	 NO HIGH SCHOOL DEGREE	 POVERTY RATE	 ADULTS NOT WORKING	 HOUSING VACANCY	 MEDIAN INCOME RATIO	 CHANGE IN EMP.	 CHANGE IN EST.
Average Prosperous Zip	6%	6%	35%	5%	146%	17.4%	8.8%

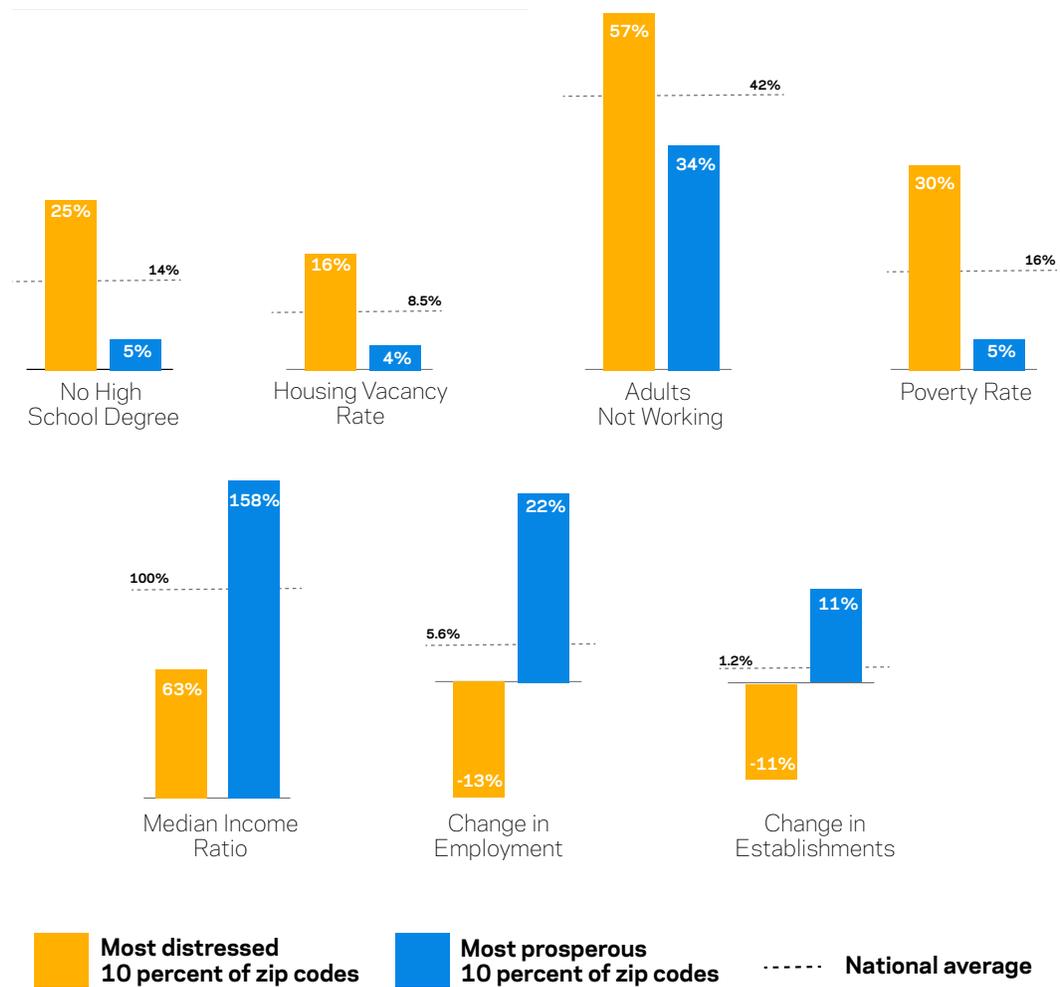
IV. The country’s most prosperous and most distressed communities are pulling apart.

As striking as the differences between the top and bottom quintiles are, the gap in economic well-being between the two extreme tails of the spectrum of U.S. communities—the top and bottom 10 percent—is even more staggering.

The recovery gap stands out as particularly urgent and alarming because it suggests that well-being will continue to worsen for residents of locales that are locked in a downward spiral. The economy—measured as businesses and jobs—is slowly vanishing from the country’s worst-off rural and urban areas. From 2010 to 2013, the most distressed 10 percent of zip codes lost 13 percent of their jobs and saw more than one in 10 business establishments close. During that same period, the most prosperous 10 percent of zip codes saw employment rise by a staggering 22 percent and the number of business establishments rise by 11 percent.



Figure 4. Average values across the seven indicators of community well-being in the top and bottom 10 percent of U.S. zip codes



V. The most prosperous zip codes are the most populous, but 50.4 million Americans still live in distressed communities.

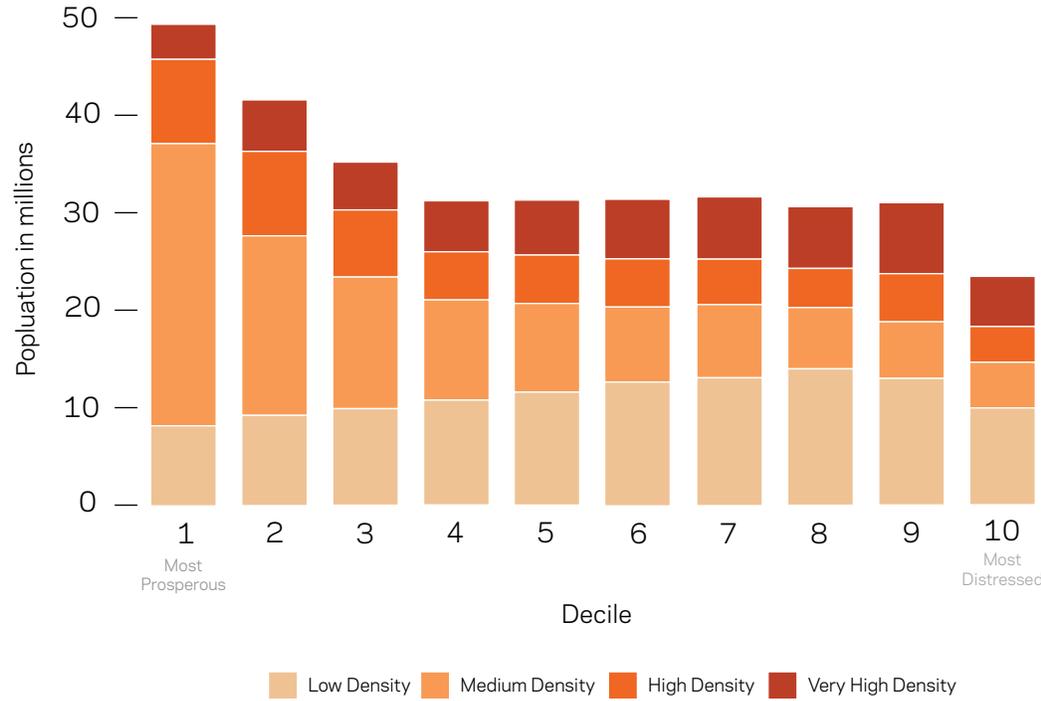
Americans have largely responded to the differences in economic well-being across zip codes as economists and social scientists would predict: They have voted with their feet and now cluster in the best-off locales.

In total, 84.4 million people—more than 27 percent of the U.S. population—reside in the one-fifth of zip codes where prosperity levels are highest. More Americans reside in the most prosperous 10 percent of zip codes than any other decile: 45.8 million people.



That is more than twice the number of people living in the most distressed 10 percent of zip codes. However, more than 50.4 million Americans still live in distressed communities, many unable to move to economic opportunity. The most prosperous zip codes are most likely to be medium or high density communities, and the most distressed are most likely to be low density rural or very high density urban communities.

Figure 5. Total population of zip codes by density and decile of economic distress



VI. Over half of the country’s distressed population lives in the South.

The South—the Census-defined region stretching from Maryland and Delaware to Oklahoma and Texas—contains 52 percent (26.3 million) of the 50.4 million U.S. residents of distressed zip codes.

By contrast, the region contains only 37 percent of the country’s total population and only 31 percent of the country’s population in prosperous zip codes. It is the only region where residents of distressed zip codes outnumber residents of prosperous zip codes.



For all of the wealth generated by the technology industry, the West Coast—which encompasses Washington, Oregon, and California plus Alaska and Hawaii—is home to slightly less of the country’s prosperous population than its share of the total population—but also far less than its share of the country’s distressed population.

The population density of distressed communities varies substantially across regions. In the Northeast, more than three-quarters of the distressed population lives in high or very high density zip codes, far outweighing any other region of the country. In the South, well over half of the distressed population is rural and only one-fifth urban. In the Midwest, distress afflicts communities of all types relatively evenly. In the Mountain region and even more so on the West Coast—places where even sprawl must be dense because of physical constraints—distress is concentrated in the highest and the lowest density zip codes.

Figure 6. Share of distressed, prosperous, and total U.S. population by region

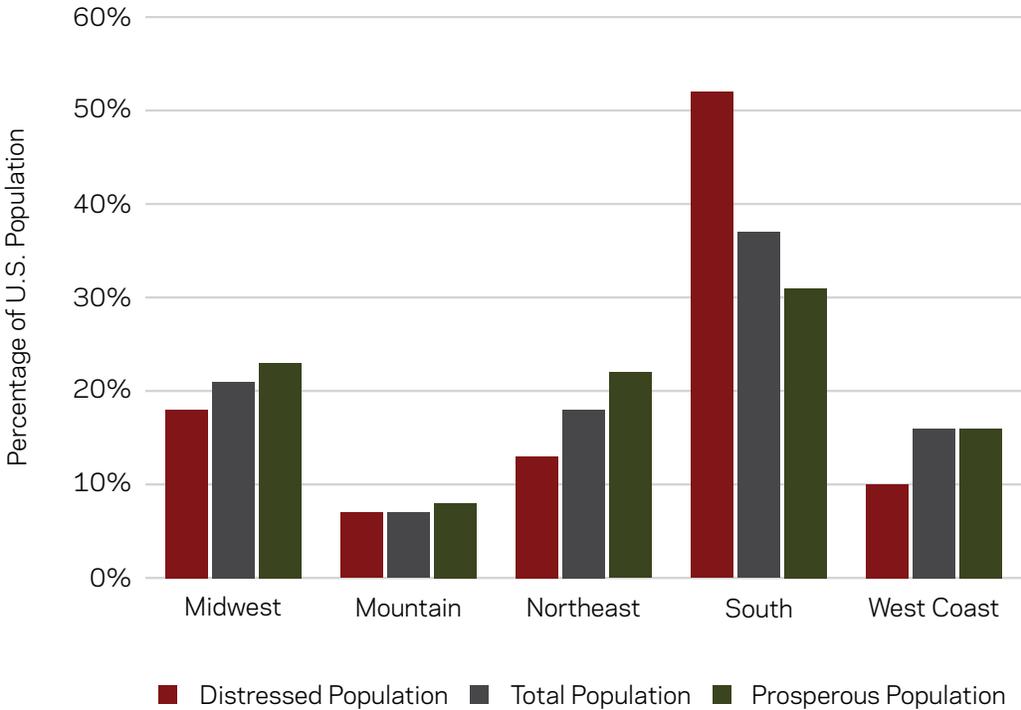
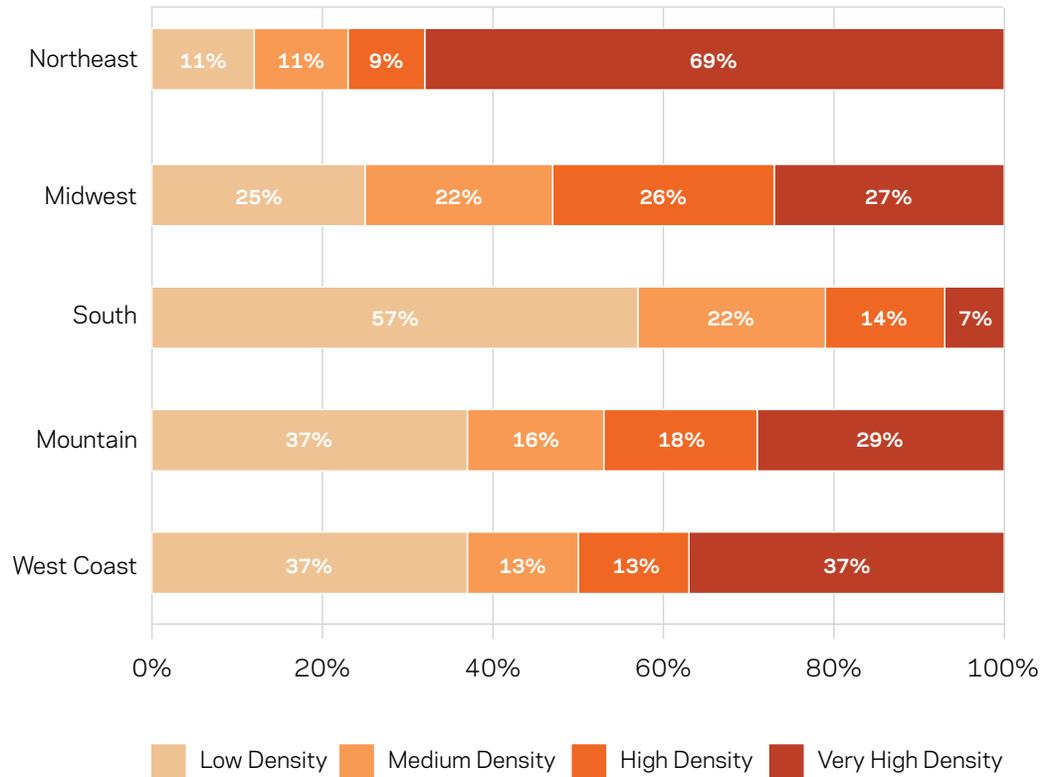


Figure 7. Share of the population in distressed zip codes across regions by density



The features of distressed communities differ across regions as well. The median income gap runs highest in distressed zip codes in the Northeast, but high school non-completion poses less of a problem there than in other regions. Housing vacancy rates run highest in the Mountain region’s distressed zip codes, marking the lingering impact of the Great Recession in the hardest-hit communities there. Poverty rates and the number of adults out of work run high in the Mountain region as well. In the typical distressed zip code on the West Coast, on the other hand, fully one-quarter of the population has not graduated high school. At the state level, the same holds true for immigration magnets in other regions too. High rates of establishment closure, employment loss, and housing vacancy afflict the Midwest’s distressed communities.



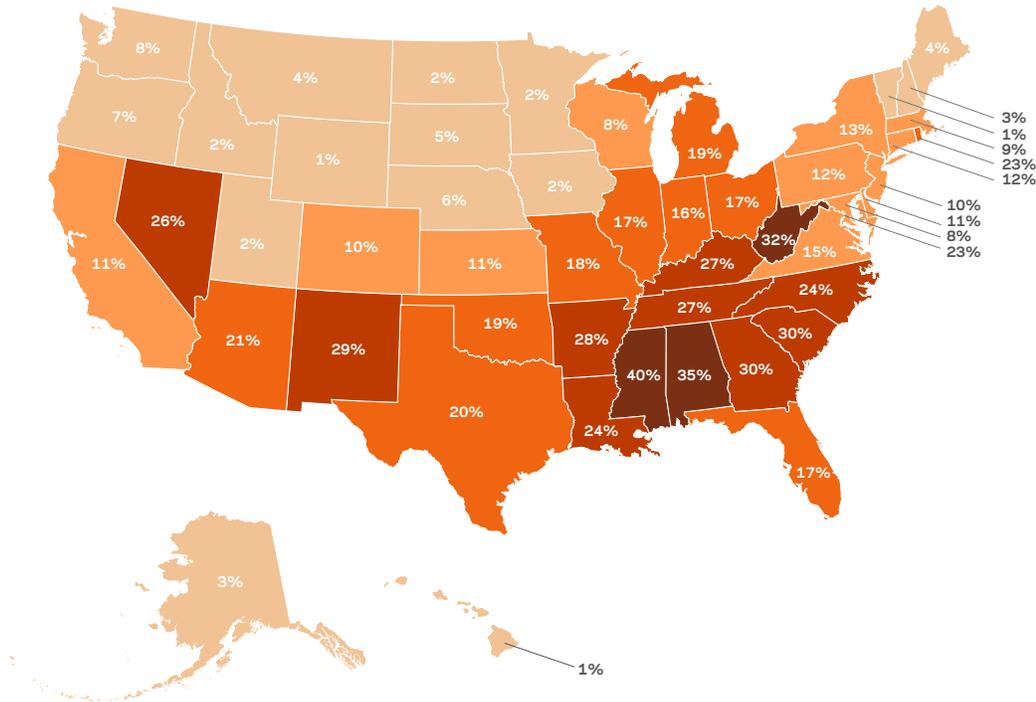
STATE FINDINGS

- I. Texas is home to the largest population in distressed zip codes, but Mississippi has the highest share of its residents in distressed zip codes
- II. California is home to the largest population in prosperous zip codes, but North Dakota has the highest share of its residents in prosperous zip codes
- III. Distress is concentrated but prosperity more evenly shared across states
- IV. The gap between metropolitan prosperity and rural distress is starkest in the Southeast

I. Texas is home to the largest population in distressed zip codes, but Mississippi has the highest share of its residents in distressed zip codes.

In absolute terms, Texas is home to the largest number of people—5.2 million—living in economically distressed zip codes. It is followed by California (4.3 million), Florida (3.3 million), Georgia (3.0 million) and New York (2.5 million).

Figure 8. States by share of population living in distressed zip codes.



Note: Zip codes with fewer than 500 residents are not included in the analysis



In relative terms, however, Alabama, Mississippi, and West Virginia have the greatest shares of their populations living in distressed communities. In Mississippi, 40 percent of people live in a distressed zip code—more than any other state.

All southern states except Delaware, Maryland, and Virginia have higher shares of their population living in distressed zip codes than the United States as a whole (16 percent). Rates of distress also run above average in the Great Lakes and Southwest. Economic distress runs lowest in the Northwest, Upper Midwest, and Northern New England.

II. California is home to the largest population in prosperous zip codes, but North Dakota has the highest share of its residents in prosperous zip codes.

Over 10 million Californians live in prosperous zip codes, equivalent to 27 percent of the state’s population. Texas follows with over 8 million residents in prosperous communities, and then New York with 5.5 million and New Jersey and Illinois with 3.7 million each.

Figure 9. States with the largest and smallest shares of population in prosperous zip codes

STATES WITH THE LARGEST SHARE OF POPULATION IN PROSPEROUS ZIP CODES			STATES WITH THE SMALLEST SHARE OF POPULATION IN PROSPEROUS ZIP CODES		
State	% of Pop. in Distressed Zips	% of Pop. in Prosperous Zips	State	% of Pop. in Distressed Zips	% of Pop. in Prosperous Zips
North Dakota	2%	50%	Tennessee	27%	18%
Utah	2%	47%	Kentucky	27%	15%
Massachusetts	9%	47%	South Carolina	30%	15%
Alaska	3%	44%	New Mexico	29%	14%
New Hampshire	3%	43%	Hawaii	1%	13%
Minnesota	2%	43%	Alabama	35%	12%
Colorado	10%	43%	Arkansas	29%	12%
New Jersey	10%	41%	Louisiana	24%	11%
Maryland	8%	40%	West Virginia	34%	9%
Connecticut	12%	38%	Mississippi	40%	9%



In relative terms, though, North Dakota leads with 50 percent of its population living in a prosperous community. Utah and Massachusetts follow close behind with 47 percent each.

III. Distress is concentrated but prosperity more evenly shared across states.

Prosperity is far more evenly shared than distress across states. In the average state, 15 percent of the population resides in a distressed zip code while 27 percent resides in a prosperous one.

In 20 states, less than 10 percent of the population lives in a distressed zip code, but in only two states—Mississippi and West Virginia—does less than 10 percent of the population live in a prosperous zip code.

Mississippi holds the unwelcome distinction of having both the highest percentage of its population in a distressed community (40 percent) and the lowest percentage in a prosperous community (9 percent).

IV. The gap between metropolitan prosperity and rural distress is starkest in the Southeast.

The relative concentration of distress but more even distribution of prosperity plays out most vividly in the southeastern United States. The zip codes and counties surrounding the South's great metropolitan areas—Atlanta, Charlotte, and Nashville, to name a few—generate levels of prosperity as measured by the DCI that are among the nation's highest.

Within urban cores, levels of distress in the South are comparable to those in the Midwest and Northeast. But what differentiates the South from other regions is how quickly economic well-being fades at the metropolitan fringe. The transition from urban and suburban to rural in the South is by far the starkest transition from prosperity to distress of any region of the country.



CITY FINDINGS

- I. The country's most distressed cities tend to be places stricken by long-term, structural economic problems
- II. Many of the country's most prosperous cities are also some of its newest and fastest-growing
- III. Population growth and prosperity are closely correlated
- IV. More than two-thirds of the country's urban distress is concentrated in only 80 cities
- V. The share of a city's population in distressed zip codes provides an estimate of how many people have been left behind by economic development
- VI. Among the largest cities, knowledge-economy hubs lead on indicators of economic well-being

I. The country's most distressed cities tend to be places stricken by long-term, structural economic problems.

Economic distress may be felt most acutely at the zip code or community level, but disparities in economic well-being at larger scales are both meaningful in their own right and often more clearly associated with larger economic or demographic trends such as the decline in manufacturing or migration to the Sun Belt.

Distress scores were calculated for every American city with a population greater than 50,000 people, producing results for nearly 800 cities. As with zip codes, the one-fifth of cities with the highest distress scores (greater than 80) are considered distressed and the one-fifth of cities with the lowest distress scores (less than 20) are considered prosperous.

Struggling Rust Belt cities in the Northeast and Midwest register the highest levels of economic distress. In Camden, NJ, the most distressed city in the country, 32 percent of the population has not graduated high school and the city's median income is a mere 36.4 percent of the state's. Levels of distress also run high in Southern Texas and in California's Central Valley. The Great Recession no doubt exacerbated the challenges facing these cities, but it was not a root cause of their distress.



Figure 10. The 10 most distressed U.S. cities

THE 10 MOST DISTRESSED U.S. CITIES			
City	Population	Distress Score	% of Pop. in Distressed Zips
Camden, NJ	77,290	100.0	99.8%
Cleveland, OH	392,110	99.9	76.8%
Gary, IN	79,170	99.8	98.9%
Youngstown, OH	66,010	99.6	94.1%
Hartford, CT	125,210	99.5	97.6%
Utica, NY	61,850	99.4	99.4%
Harlingen, TX	65,680	99.3	72.9%
Albany, GA	76,950	99.1	83.5%
Flint, MI	100,570	99.0	96.4%
Detroit, MI	695,440	98.9	98.9%

Only a handful of cities that suffered inordinately from the housing crash—places such as Sunrise Manor, NV; Lakeland, FL; or Glendale, AZ—seem able to attribute much of their high distress scores back to the shock of the Great Recession.

Even then, the recession has lingered longest in the places with the worst fundamentals. In still-struggling San Bernardino, CA, for example, nearly one-third of the population lacks a high school degree. Places with such high levels of underlying distress are poorly equipped to bounce back from a recession.

In short, distressed communities are also often the least resilient in the face of economic shocks.

II. Many of the country’s most prosperous cities are also some of its newest and fastest-growing.

The country’s most prosperous cities—the one-fifth of cities with the lowest distress scores—tend to be affluent locales on the fringes of burgeoning metropolitan regions in the middle of the country or California. They are disproportionately concentrated around places like Dallas, Denver, Houston, Los Angeles, Minneapolis, and the Bay Area. The three most prosperous cities in the country are in fact all suburbs of Dallas.

The metropolitan areas where prosperous cities are overrepresented share another important characteristic: Most were either bypassed by the Great Recession or emerged from it relatively unscathed. Restrained residential lending in the 2000s helped Texas metropolitan areas avoid the worst of the housing crash; high energy prices supported growth after it. Denver bounced back quickly and strongly from its shallow downturn, and meanwhile the Bay Area’s technology-fueled economy barely flinched for the recession.



Prosperous cities also tend to be relatively new. The median home in the most prosperous 10 percent of cities was built in 1989; in the most distressed cities, it was built in 1959.

Oftentimes in the eastern half of the country, prosperous and distressed cities sit side by side within the same metropolitan area: The prospering city being a burgeoning new locale and the distressed city an aging urban core. Maryland neighbors Columbia and Baltimore exemplify this pattern. Apart from Bismarck, ND, no central city of a U.S. metropolitan area is considered prosperous.

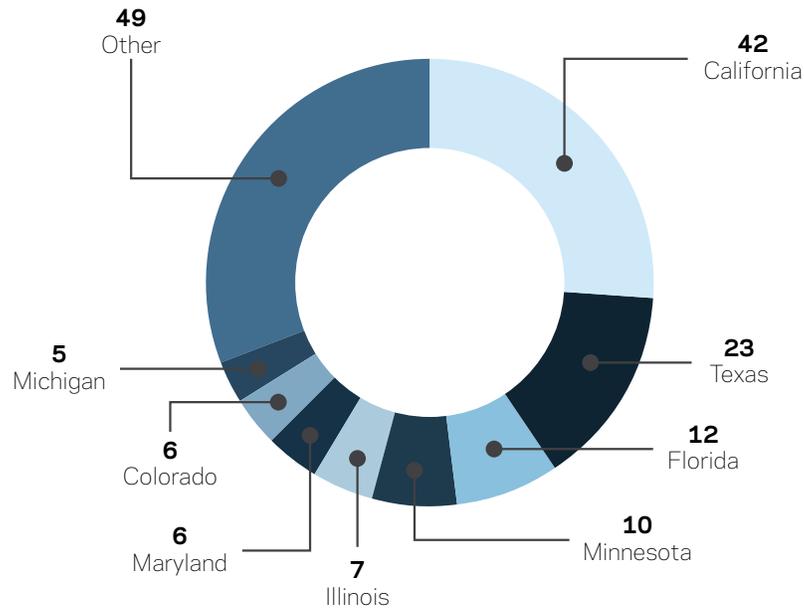
Finally, prosperous cities tend to be smaller than their distressed counterparts. Only six prosperous cities contain over 200,000 people, compared to 24 distressed ones. Most large cities fall in the middle of the distribution, however, simply because the larger the city, the greater the socioeconomic diversity likely contained within its borders.

Figure 11. The 10 most prosperous U.S. cities

THE 10 MOST PROSPEROUS U.S. CITIES			
City	Total Population	Distress Score	Metropolitan Area
Flower Mound, TX	67,630	0.1	Dallas-Fort Worth-Arlington, TX
Allen, TX	89,850	0.3	Dallas-Fort Worth-Arlington, TX
Frisco, TX	130,500	0.4	Dallas-Fort Worth-Arlington, TX
Woodbury, MN	64,540	0.5	Minneapolis-St. Paul-Bloomington, MN-WI
Highlands Ranch, CO	101,350	0.6	Denver-Aurora-Lakewood, CO
Fishers, IN	81,060	0.8	Indianapolis-Carmel-Anderson, IN
Cedar Park, TX	58,090	0.9	Austin-Round Rock, TX
San Ramon, CA	73,830	1.0	San Francisco-Oakland-Hayward, CA
League City, TX	88,980	1.1	Houston-The Woodlands-Sugar Land, TX
Johns Creek, GA	80,980	1.3	Atlanta-Sandy Springs-Roswell, GA



Figure 12. Where the country's most prosperous cities (n=160) are located



III. Population growth and prosperity are closely correlated.

Population growth correlates closely with prosperity.³ The most prosperous 10 percent of cities averaged 8.2 percent population growth from 2010 to 2014, compared to 0.5 percent for the most distressed. Similarly, the average distress score for cities with negative population growth was 82.7. For the fastest-growing cities—those with population growth exceeding nine percent—distressed scores averaged a healthy 23.8.

Among the 100 largest cities, the population growth leaders include flourishing suburban cities but also many of the central cities that typify the “return-to-the-city” narrative: Austin, Charlotte, Denver, Seattle, and Washington, DC, all combined population growth rates of over 8 percent with distress scores below 50.

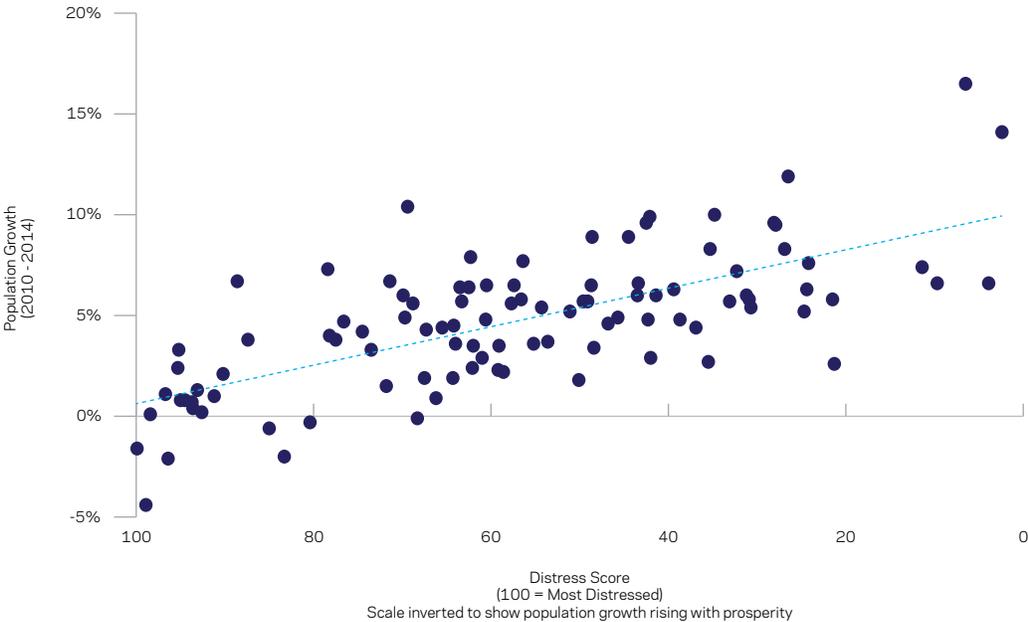
Major cities with moderately high levels of distress have been able to capitalize on the trend too: Atlanta, Miami, Phoenix, Richmond, and San Antonio all have distress scores greater than 50 but saw more than 6 percent population growth between 2010 and 2014.

3. Population growth and distress scores exhibit a 71 percent correlation among the 100 largest cities.



The return-to-the-city trend has largely bypassed distressed corners of the Rust Belt, however. Population growth in most of that region's large cities was low or negative over the period.

Fig 13. Distress scores and population growth in the 100 largest U.S. cities



IV. More than two-thirds of the country's urban distress is concentrated in only 80 cities.

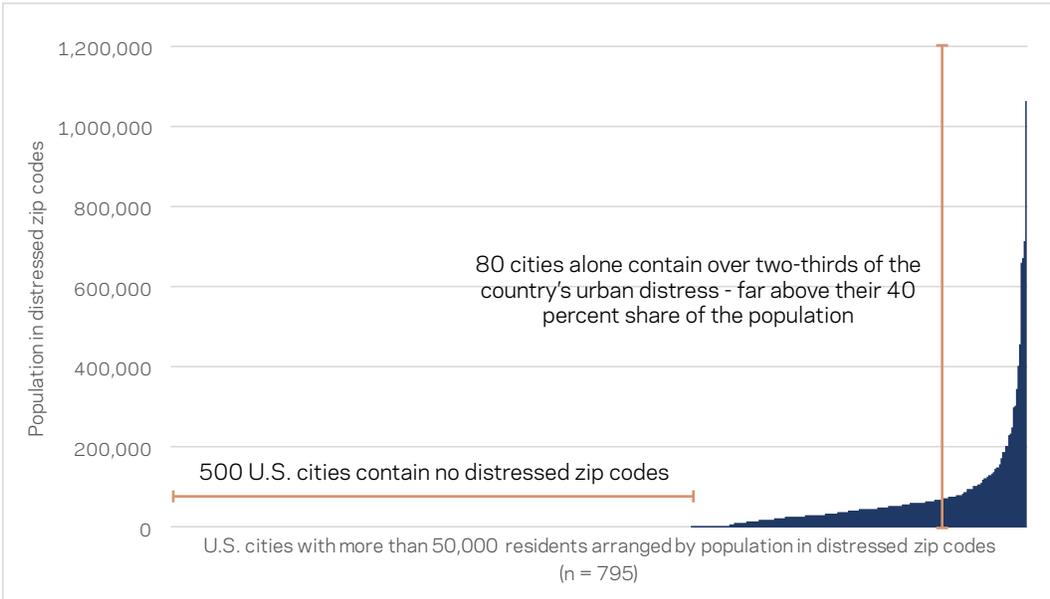
The average U.S. city contains 29,000 people living in distressed zip codes. The median city, however, contains zero distressed zip codes. In fact, nearly 500 of the 800 cities with over 50,000 people in the dataset have no distressed zip codes within their borders.

Eighty cities alone account for only 40 percent of the country's total urban population but contain fully two-thirds of the country's urban population in distress. This concentration of urban distress into a relatively small number of jurisdictions reflects a sorting of households by socioeconomic status not only by zip code but by city.



As a result, the burden of distress falls disproportionately on the very places that are least equipped to reverse their economic declines. The recent tragedy unfolding in Flint, MI—an island of economic distress not far from Detroit’s prospering northwestern suburbs—demonstrates clearly the repercussions of such imbalance.

Figure 14. Population in distressed zip codes for all U.S. cities with more than 50,000 residents



V. The share of a city’s population in distressed zip codes provides an estimate of how many people have been left behind by economic development.

Many of the cities home to the largest numbers of people in distressed zip codes are, on the whole, relatively prosperous.

For example, more than 1.3 million New Yorkers live in distressed zip codes, but city-wide distress levels are moderate and on most measures New York remains a top-performing economy. In fact, both New York and Los Angeles have fewer residents in distressed zip codes than their populations alone would predict (see last column in Figure 15).



Other large cities such as Austin, Boston, San Diego, and Seattle prove that even baseline numbers of distressed zip codes are not inevitable in major American cities; they all contain over half a million people, but small proportions of their populations reside in distressed communities.

Figure 15. The 10 cities with the greatest number of people in distressed zip codes

THE 10 CITIES WITH THE LARGEST NUMBER OF PEOPLE IN DISTRESSED ZIP CODES			
City	Pop. in Distressed Zips	% of Pop. in Distressed Zips	Ratio of City Distressed Pop. Share to Total Pop. Share
New York, NY	1,328,870	15.9%	0.85
Chicago, IL	1,064,510	39.2%	2.09
Houston, TX	712,140	32.8%	1.75
Detroit, MI	688,080	98.9%	5.28
Philadelphia, PA	669,990	43.3%	2.31
Los Angeles, CA	661,170	17.1%	0.91
Phoenix, AZ	456,310	30.6%	1.63
Memphis, TN	437,090	66.6%	3.55
San Antonio, TX	403,640	29.1%	1.56
Baltimore, MD	344,080	55.3%	2.95

Houston, meanwhile, rests at the center of one of the fastest-growing metropolitan areas in the country, and yet one-third of the population continues to live in economic distress.

Together, these comparisons suggest that the share of a city’s population in distressed zip codes alone does not reveal whether a local economy is performing well; rather, it provides an estimate of how many people have been left behind by economic development.



VI. Among the largest cities, knowledge-economy hubs lead on indicators of economic well-being.

An analysis of the 100 largest U.S. cities uncovers a different set of patterns. Among large cities, the divide between prosperity and distress falls much more along lines of economic specialization than along lines of urban cores and suburban enclaves.

Prosperous large cities tend to be the familiar hubs of the knowledge economy: cities that specialize in innovation-intensive, technology-based, and high end services industries such as Austin, Madison, Raleigh, San Diego, San Jose, and Seattle.

Some are wealthy suburbs such as Arlington, VA; Chandler, AZ; and Plano, TX, but even they tend to be large and growing employment centers specializing in high-end activities in their own right. The largest human capital-rich cities such as Boston, Denver, Minneapolis, Nashville, and Washington all register distress scores under 50.

Figure 16. The most distressed and most prosperous of the 100 largest U.S. cities

MOST DISTRESSED LARGE CITIES			MOST PROSPEROUS LARGE CITIES		
City	Distress Score	% of Pop. in Distressed Zips	City	Distress Score	% of Pop. in Distressed Zips
Cleveland, OH	99.9	76.8%	Gilbert, AZ	2.4	0.0%
Detroit, MI	98.9	98.9%	Plano, TX	3.9	0.0%
Newark, NJ	96.7	72.3%	Irvine, CA	6.5	0.0%
Toledo, OH	96.4	44.2%	Fremont, CA	9.7	0.0%
San Bernardino, CA	95.3	58.4%	Chandler, AZ	11.4	0.0%
Stockton, CA	95.2	70.2%	Arlington, VA	11.8	0.4%
Milwaukee, WI	95.0	53.9%	Anchorage, AK	21.3	0.0%
Buffalo, NY	94.5	60.4%	San Francisco, CA	21.5	0.4%
Memphis, TN	93.7	66.6%	Henderson, NV	24.2	0.0%
Cincinnati, OH	93.6	48.5%	San Jose, CA	24.4	0.0%



The most distressed large cities are concentrated in the Midwest, the South, and California's Central Valley or Inland Empire. A common feature unites this geographically diverse group: Each has struggled to transition from an economy based on legacy industries (often manufacturing) to a more advanced, knowledge-based one. Such cities include Buffalo, Cleveland, Milwaukee, and Winston-Salem.



SPATIAL INEQUALITY

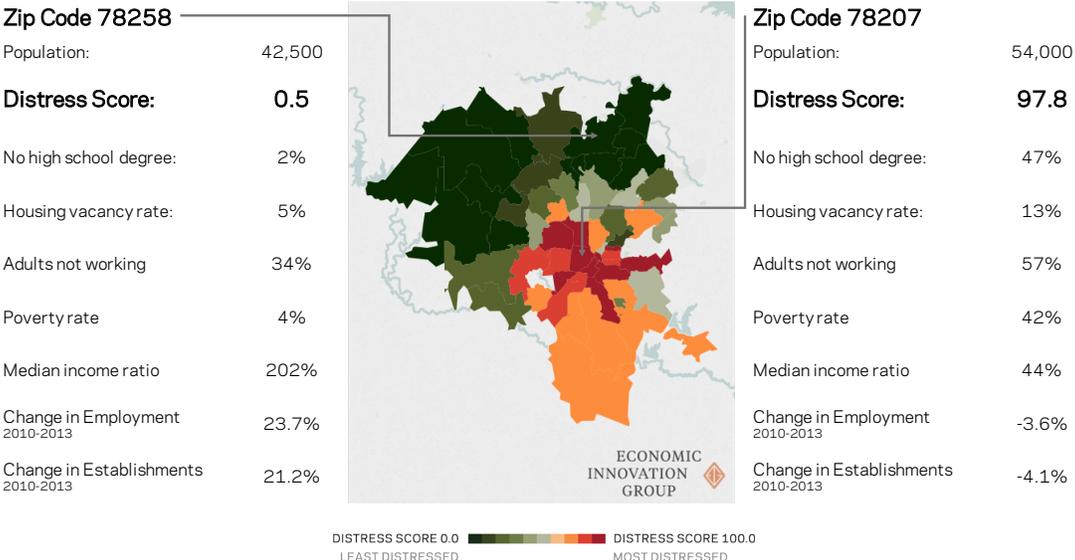
- I. Neighborhood distress scores provide a new way to measure inequality within cities
- II. Spatial inequality runs highest in southern cities
- III. Only nine of the 100 largest cities generate broadly shared prosperity
- IV. The cities with the highest levels of spatial inequality are not those with the highest levels of income inequality
- V. Spatial inequality rises sharply at the county and metropolitan scales

I. Neighborhood distress scores provide a new way to measure inequality within cities.

Zip code-level distress scores make it possible to assess the extent to which well-being diverges across neighborhoods within the same city. A city may appear prosperous relative to other cities, but if distress still runs high in certain zip codes that prosperity cannot be considered broadly shared.

EIG calculated the standard deviation of raw zip code distress scores within the largest U.S. cities, weighting each zip code for its population, in order to size the gap in economic well-being across communities. Among the 100 largest cities, spatial inequality scores range from a low of 6.6 in Gilbert, AZ to a high of 23.7 in San Antonio, TX. Figure 17 shows exactly the sort and magnitude of inequality this metric identifies.

Figure 17. Spatial inequality: Comparing San Antonio’s most distressed and prosperous zip codes



II. Spatial inequality runs highest in southern cities.

The most spatially unequal cities tend to be located in the South and Southwest. This finding suggests that the region’s rapid growth over past several decades, fueled by in-migration, largely bypassed the region’s many pre-existing distressed communities.

In San Antonio, the most spatially unequal city in the country, the explosive growth of the western suburbs appears to be doing little to raise the fortunes of those living closer to the city center, just as Atlanta’s north-south divide persists with severe, measurable impact on the well-being of its residents.

All of these cities have struggled to connect the economic growth and opportunity offered by their industry bases—expanding in the case of San Antonio, shrinking in the case of Fort Wayne—to their distressed communities.

Fig 18. The 10 most unequal of the 100 largest U.S. cities

THE 10 MOST UNEQUAL OF THE 100 LARGEST U.S. CITIES				
City	Population	Inequality Score	Distress Score	% of Pop. in Distressed Zips
San Antonio, TX	1,385,400	23.7	56.4	29.1%
Atlanta, GA	440,600	23.3	62.3	39.9%
Fort Worth, TX	778,600	23.2	44.5	24.1%
Oklahoma City, OK	600,700	22.9	43.5	24.8%
Fort Wayne, IN	255,800	22.8	67.5	36.7%
Glendale, AZ	232,000	22.7	83.3	56.5%
Wichita, KS	385,500	22.6	71.8	33.4%
Memphis, TN	656,700	22.5	93.7	66.6%
Lubbock, TX	236,900	22.5	63.3	26.0%
Greensboro, NC	276,200	22.0	60.6	21.8%



Spatial inequality reigns across the country’s major cities, however. Even the technology-intensive knowledge economy hubs that have charged U.S. economic growth over the past decade-plus have struggled to generate prosperity that is broadly shared across neighborhoods.

Spatial inequality rises steadily from Boston to Denver, San Diego, Austin, and finally Charlotte. All these cities are generally prosperous but still retain stubborn pockets of distress. In spite of the high levels of income inequality (especially in San Francisco), the Bay Area’s major cities register only moderate levels of spatial inequality in well-being. This suggests that community-level disparities within the region’s main cities are less severe than individual-level ones.

Slightly over half of major U.S. cities can be considered moderately to severely distressed with moderate to high levels of spatial inequality. In these cities, prosperity tends to be more pocketed than distress. From Chicago to Dallas to Los Angeles, all U.S. cities with over one million people (except for San Diego) fall into this category.

Memphis combines economic distress with spatial inequality to the most severe degree. Apart from a handful of struggling suburbs in the Southwest, this category is populated almost exclusively by the central cities of larger metropolitan areas.

IV. The cities with the highest levels of spatial inequality are not those with the highest levels of income inequality.

Inequality is conventionally measured as the ratio of incomes between the highest earners and the lowest. But recent research by Raj Chetty and colleagues underscores the significant differences in individual life outcomes that neighborhood characteristics—such as those captured in the DCI—can precipitate.⁴

Income inequality is largely (but not only) a function of the type of jobs the economy generates. Inequality of opportunity stems from a much broader array of variables.

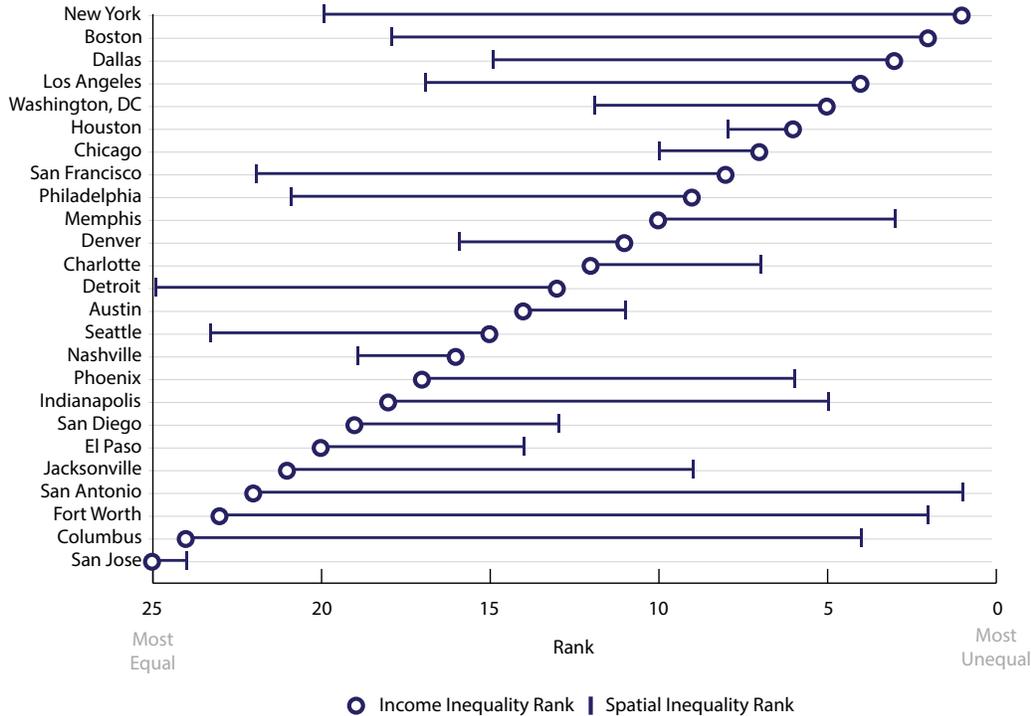
4. Raj Chetty and Nathaniel Hendren, “The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.” Working Paper (Cambridge: National Bureau of Economic Research, May 2015).



The spatial and index-based approach to measuring inequality presented here is meant to marry those variables with our growing knowledge about the influence of geography on life outcomes. It aims to capture inequality as it is experienced in communities across the United States today.

Figure 20 plots the income inequality rankings (based on GINI coefficients obtained from the U.S. Census Bureau’s American Community Survey 2010-2014 5-year estimates) and the spatial inequality rankings (based on the DCI) for the 25 largest U.S. cities. A rank of “one” corresponds with the highest level of inequality.

Figure 20. Comparison of spatial versus income inequality rankings in the 25 largest U.S. cities



Income inequality tends to run highest in the largest cities, but spatial inequality runs highest in southern cities. The biggest and most dynamic cities—New York, Boston, Dallas, Los Angeles, San Francisco, Washington—clearly generate large income gaps, but divergence in economic well-being as experienced at the neighborhood level is more muted.



Sprawling southern cities such as Charlotte and San Antonio, by contrast, combine only moderate or low levels of income inequality with large divergences in distress levels across neighborhoods. Many of the places that appear the most equitable in terms of income in fact hide stark divides in community-level well-being.

A few cities buck the broader pattern. In Chicago and Houston, both income and spatial inequality run high. Income inequality may be most pernicious in these cities where it is combined with the multidimensional sort of spatial inequality captured by the DCI.

Nashville, on the other hand, stands out among its southern peers for relatively low spatial inequality. Columbus, OH, meanwhile, registers some of the highest levels of spatial inequality of any major American city. It falls just behind San Antonio, Fort Worth, and Memphis—not the city’s typical peer group.

V. Spatial inequality rises sharply at the county and metropolitan scales.

Cities are an important lens through which to analyze spatial inequality because they, as political jurisdictions, have the power to implement policies and programs to tackle the problem. The phenomenon often plays out most completely on larger scales, however.

The most unequal counties, for example, tend to house distressed central cities as well as affluent suburbs. The central cities of Shelby County, TN (Memphis) and Fulton County, GA (Atlanta) already register as some of the most unequal places in the country; it is no surprise that the pattern persists at the county level.

But cities such as Cleveland and Newark—two equal but distressed cities from Figure 19 above—only rise to the highest ranks of spatial inequality when regarded in conjunction with their surrounding counties.

Since the metropolitan scale best approximates labor and housing markets, however, it is the most natural scale at which to measure spatial inequality. An evaluation of the 100 largest metropolitan areas confirms that spatial inequality runs highest in the South and Midwest.



Figure 21. The 20 most unequal counties with over 500,000 people

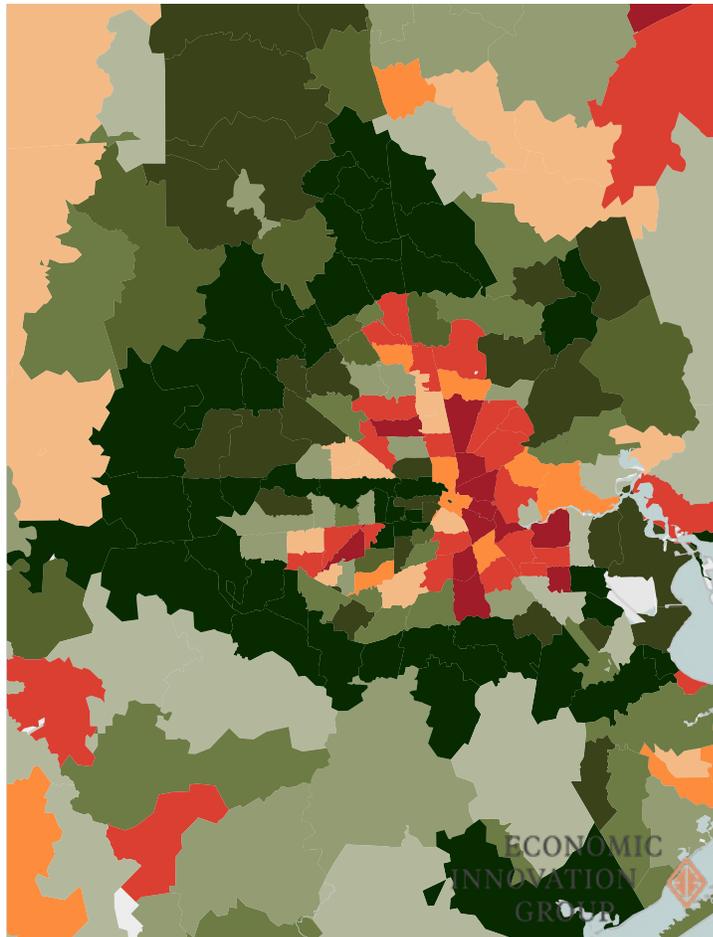
20 MOST UNEQUAL COUNTIES WITH OVER 500,000 PEOPLE				
Rank	County	Central City	Distress Score	Inequality Score
1	Shelby County, TN	Memphis	56.6	26.1
2	Wayne County, MI	Detroit	79.4	23.9
3	Fulton County, GA	Atlanta	26.4	23.8
4	Bexar County, TX	San Antonio	27.8	23.7
5	Douglas County, NE	Omaha	19.8	23.0
6	Jefferson County, AL	Birmingham	54.1	22.6
7	Sedgwick County, KS	Wichita	41.4	22.5
8	Cuyahoga County, OH	Cleveland	51.9	22.3
9	Essex County, NJ	Newark	69.7	22.2
10	Franklin County, OH	Columbus	23.4	22.2
11	Jefferson County, KY	Louisville	30.1	21.7
12	Harris County, TX	Houston	28.4	21.7
13	Guilford County, NC	Greensboro	33.6	21.6
14	Clark County, NV	Las Vegas	35.4	21.6
15	Tarrant County, TX	Fort Worth	13.9	21.2
16	Oklahoma County, OK	Oklahoma City	28.8	21.1
17	Jackson County, MO	Kansas City	38.5	21.0
18	Monroe County, NY	Rochester	21.9	21.0
19	Maricopa County, AZ	Phoenix	27.8	20.9
20	Erie County, NY	Buffalo	29.3	20.8

At the metropolitan scale, Indianapolis, Jackson, Las Vegas, and Milwaukee all emerge as some of the most spatially unequal places in the country. Among smaller metropolitan areas, Flint, MI; Springfield, IL; Tallahassee, FL; and Trenton, NJ, register some of the highest levels of spatial inequality.



A more eclectic group of metropolitan areas occupy the more equal end of the spectrum. The 10 most spatially equitable metropolitan areas include extremes—vibrant San Jose, deeply poor McAllen, homogenous Provo, and master-planned Cape Coral—but also more conventional places such as Portland, OR, Madison, WI, and Oxnard, CA.

Figure 22. The geography of prosperity and distress in metropolitan Houston



DISTRESS SCORE 0.0  DISTRESS SCORE 100.0
LEAST DISTRESSED MOST DISTRESSED

Together this group suggests it is possible to achieve spatial equality in economic development in very different types of metropolitan areas across very different regions of the country.

Even among these metropolitan areas, however, only one—Oxnard, CA—saw the number of jobs within the typical commuting distance of high poverty neighborhoods increase from 2000 to 2012, according to a recent Brookings Institution analysis.⁵ Connecting jobs and growth to the people who need it most remains challenging everywhere. In 86 of the 96 metropolitan areas Brookings studied, the number of jobs in close proximity to poor neighborhoods fell.

The map of greater Houston in Figure 22 showcases how spatial inequality often plays out on the ground in U.S. metropolitan areas.

A flourishing periphery surrounds a deeply distressed core. As the prospering frontiers pull people and businesses ever outward, economic activity attenuates in the wake. Distress sets in, and the people left behind in these communities must travel greater distances to find economic opportunity.

5. Elizabeth Kneebone and Natalie Holmes, “The Growing Distance Between People and Jobs in Metropolitan America” (Washington: Brookings Institution, 2015).



CONCLUSION

The findings above present an urgent public policy challenge to U.S. lawmakers. Instead of lifting distressed communities, the recovery has left them and their residents even further behind. And once distress sets in, it seems to persist: even the country's most dynamic and successful cities struggle to achieve geographically equitable prosperity. New approaches are needed to enable more people in more places to participate in and benefit from economic growth.

So what can be done? There are numerous factors to be addressed, but the lack of businesses and jobs in distressed zip codes—indeed, their declines amidst national expansion—stand out as particularly urgent. As noted above, the very communities hit hardest by distress are often the least capable of reversing their declines due to a cascading loss of businesses, jobs, investment, and tax base.

Over the years, several state and federal programs have aimed at incentivizing investment and enterprise in under-served areas. Though many have fallen short of expectations, it is worth revisiting—and perhaps reinventing—models for linking incentive to geography in order to help bridge the gap in access to capital between stable and distressed communities.⁶

We also hope follow-up research will build on the foundation presented here. For example, overlaying demographic information may produce additional urgent and troubling findings about distressed communities and those trapped in them. Comparing the flow of federal benefits for the poor to the geography of distress should lend new insight into programs' efficacy. An analysis of distress and spatial inequality at the congressional district level would be timely too—both to inform policymakers how the geography of economic well-being differs within their districts and to evaluate how the experiences of inequality and distress track voting patterns.

The task here is urgent. The DCI findings underscore just how dramatically geography impacts one's experience of the post-Great Recession economy.

6. Jared Bernstein and Kevin Hassett, "Unlocking Private Capital to Facilitate Economic Growth in Distressed Areas" (Washington: Economic Innovation Group, 2015).



While the U.S. economy has proven stronger and more resilient than those of most developed countries, too many Americans have become disenchanted with the economic order and their place within it.

We need new ways to harness the immense wealth-generating power of the U.S. economy to reach more people in more places and ensure the American Dream remains alive and well for future generations.

Explore the data with EIG's Distressed Communities Index interactive dashboards at www.eig.org/dci



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