Mind the Gap

Twin Cities

Reducing Disparities to Improve Regional Competitiveness in the Twin Cities

BROOKINGS INSTITUTION METROPOLITAN POLICY PROGRAM

Executive Summary

Like in many regions around the country, leaders in Minneapolis-St. Paul strive constantly to innovate and adopt strategies to bolster the region's economic competitiveness. Luckily, the Twin Cities region has many assets to build upon. It has a highly-educated workforce and strong job growth. The region is surrounded by an abundance of parks, recreational outlets, and other natural amenities. Additionally, the Twin Cities has a long history of regional thinking and an egalitarian spirit that many other metropolitan areas envy.

"In short, the overall health of the region masks stark disparities. And such disparities matter to economic competitiveness."

Despite these strengths, however, the region does not work for everyone. In a region where household income is among the highest in the nation, black household income is among the lowest. In a region that has the highest share of adults with a high school diploma in the country, it only ranks 40th among the 100 largest metro areas for Latinos with a completed high school education.

In short, the overall health of the region masks stark disparities. And such disparities matter to economic competitiveness.

This report, ***Mind the Gap: Reducing Disparities to Improve Regional Competitiveness in the Twin Cities,*** tracks plainly the disparities that exist in the region. It also argues that not only is reducing such disparities the right thing to do, it is also the smart thing to do to protect the continued economic success of the region.

Specifically, the report finds that:

THE TWIN CITIES REGION IS BLESSED WITH A NUMBER OF ASSETS THAT MAKE IT A STRONG, COMPETITIVE REGION.

As mentioned above, the Minneapolis-St. Paul area approaches any competitive strategy from a position of strength. The region has one of the most highly educated populations in the country, both in terms of its share of high school and college graduates. Its median household income is the 14th highest among the 100 largest metropolitan areas, while its poverty rate is one of the lowest among the largest metros. And the region's job growth and per capita income growth have outpaced the nation's for the last decade.

HOWEVER, UNDERNEATH THESE BROAD REGIONAL SUCCESSES ARE SOME DISTURBING SOCIAL AND ECONOMIC DISPARITIES, DEMONSTRATING THAT PROGRESS IS NOT WIDELY SHARED.

There are three sets of "gaps" or disparities in the Twin Cities metro area—among racial and ethnic groups, among different income groups, and between the central

Reducing disparities will build a more competitive work-force for the future.

cities and the suburbs—that show that the region's prosperity does not benefit all residents or communities. For instance:

Race disparities

- The Twin Cities region has the 12th highest college attainment rate among the 100 largest metro areas—33 percent of its residents have a bachelors degree or higher. However, only 19 percent of African Americans, 11 percent of Mexicans, and 8 percent of Hmong do.
- The Twin Cities region has the 14th highest median household income among the largest metro areas. In 2000, whites had a median household income of $56,642, while the typical household income for African Americans lagged at $29,404 and $38,909 for Mexicans.
- Again, the Twin Cities boasts one of the highest homeownership rates in the country—ranked seventh, in fact—a strong sign of wealth-building among families. While 76 percent of whites were homeowners in 2000, only 32 percent of blacks owned homes.
- Finally, while the region's overall poverty ranks among the lowest in the country, poverty still disproportionately plagues some segments of the population. In 2000, only 4 percent of whites were poor, but one-third of all Hmong lived below the federal poverty line.

Class disparities

- Low-income adults have low levels of educational attainment, and educational levels, in turn, affect incomes. In the Twin Cities region, of all adults who earn less than $17,500, only 26 percent have a college degree or higher. Meanwhile, more than half—53 percent—of middle class adults earning between $35,000 and $79,999 are college educated.
- The gap between the wealthy and poor is growing across the Twin Cities. Between 1989 and 1999, the average household income of the wealthiest 20 percent of Twin Cities' households rose 24 percent. Meanwhile, the average household income of the poorest 20 percent rose more slowly at just 16 percent.

Place disparities

- While population growth has stabilized in the two central cities, it has boomed in the surrounding suburbs. The two central cities, home to 670,000 residents, have essentially retained population between 1980 and 2000. Meanwhile, the suburbs grew 53 percent, or 800,000 people, reaching 2.3 million residents. This uneven growth pattern has continued since the last full census count in 2000. Estimates for 2004 show that since then the cities lost some 20,000 people while the suburbs gained 200,000 residents.
- As with people, jobs in the region are dispersing. Almost 80 percent of the region's jobs are located beyond five miles from the area's two central business districts. But high-skilled jobs are staying in the core. The two central cities have a concentration of "knowledge economy" jobs. While the two cities have 30 percent of the region's employment, they are home to 58 percent of legal occupations, 40 percent of healthcare jobs, and 35 percent of computer jobs.
- As jobs and people moved outward, the two central cities are now home to the bulk of the region's poor and minority households. In 2000, the cities of Minneapolis and St. Paul had 23 percent of the region's total population, but 54 percent of all poor residents and 54 percent of the region's persons of color.

REDUCING THESE INEQUALITIES MATTERS TO THE ECONOMIC AND FISCAL FUTURE OF THE REGION.

Reducing disparities is not just the right thing to do, it is the smart thing to do. "Minding the gap" is crucial to preserving the region's strong economic position. Further, doing so can generate more revenues (and reduce costs) for the region.

- ***Reducing disparities now will build a more competitive workforce for the future.*** In urgent and most prescient terms, the Twin Cities is heading straight for a workforce shortage. In six years (or by 2011), the oldest baby boomers in the region, aged 54 in 2000, will start to retire. By 2029, the youngest baby boomers reach retirement age. Forty-six percent of baby boom workers had at least a college degree in 2000. This means that in 15 years, the Twin Cities region will lose more than 350,000 highly-skilled workers to retirement.

  It is essential to replace this skilled labor to keep the economy churning with high-quality growth. However, economic studies forecast a diminished supply of skilled workers nationwide, so regions cannot rely heavily on attracting workers from elsewhere. Instead, there will need to be an increased dependence on existing workers, and economists predict that this means more women and minorities in the workforce.

  For the Twin Cities, while only 10 percent of baby boomers in the metro area are members of minority groups, minorities comprise one-quarter of the next generation of workers. And as evidence in this report shows, racial disparities, if left unchecked, will mean a future workforce that has little education and few skills, potentially undercutting the economic strides of the last few decades.

- ***Reducing disparities between race and income groups brings more money into the Twin Cities metro area.*** Reducing disparities among race and income groups will increase local tax bases and decrease the fiscal costs associated with poverty. Having larger numbers of people earning at least a middle-class income fuels the local economy by creating a larger number of consumers with more purchasing power.

- ***Reducing disparities between places benefits the whole region, not just the communities left behind.*** A growing body of economic research suggests that the fates of large cities and their metropolitan areas are intertwined—they grow together or they decline together. For instance, evidence shows that when central city incomes grow, then suburban incomes, home values, and populations also increase. Another study of 74 metro areas found that reductions in central city poverty rates helped fuel income growth in the whole region. Reducing spatial disparities also creates efficiencies that lower infrastructure costs.

THE TWIN CITIES REGION HAS AN OPPORTUNITY NOW TO ORGANIZE AND ADDRESS THESE DISPARITIES SO IT CAN REMAIN AN ECONOMICALLY COMPETITIVE, HIGH QUALITY REGION.

The most successful regions are those that are nimble and able to respond to changing fortunes. The Twin Cities has an opportunity now to anticipate and prepare for a stronger future. The region has shown its responsiveness and leadership with the creation of the Metropolitan Council and, more recently, with innovative policies and attention to key factors like education and healthcare. But the Twin Cities continues to change rapidly and it will be necessary to revisit these investments and policies to make sure they continue to meet the needs of the region's residents.

There are three basic elements of an agenda to reduce disparities in the region:

- ***Update "the basics"*** by making sure education, healthcare, and public safety meet the needs of the region's 21st century population
- ***Increase income and wealth*** by helping minority groups close the gap on economic measures, and
- ***Operationalize regionalism*** by making sure that long-time efforts to build regional cohesion and improve growth and development patterns also extend to improving opportunities for low-income and minority residents

The Twin Cities has an opportunity to continue to be a forward-looking leader, as it has been on so many other occasions. With its high educational attainment rates, wage and job growth, and progressive policies, the Twin Cities is well-positioned to look honestly at its progress and directly address the challenges of its households and communities, in short "minding the gap," to ensure a competitive future.

Acknowledgements

The Brookings Institution Metropolitan Policy Program has many people to thank for the support of this project. First, this report has been made possible by the generous support of the Itasca Project through their fund at the St. Paul Foundation. Additional support came from Living Cities: The National Community Development Initiative, of which the McKnight Foundation is a part. The McKnight Foundation is also a funder of the Itasca Project.

Mind the Gap would not have been possible without the guidance of a number of people and organizations in the Twin Cities. The Itasca Project, a collaboration of more than 40 area CEOs, mayors, and university leaders, had the foresight to recognize race, class, and place disparities as a key concern to the region's competitiveness and to make this one of their six priorities. Collaboration with the Itasca Project's Socio-economic Disparities Taskforce has been instrumental in developing this report. The McKnight Foundation also hosted a series of invaluable meetings with close to 100 business, civic, nonprofit, and government leaders that provided the basis for what *Mind the Gap* became.

We owe a particular debt of gratitude to Jennifer Ford Reedy, coordinator of the Itasca Project; Mary Brainerd, president and CEO of HealthPartners and chair of the Itasca Project Socio-economic Disparities Taskforce; Lynn Casey, CEO of Padilla Speer Beardsley and member of the Itasca Project; Anne Ogden, partner, Headwaters Group; Rip Rapson, member of the Itasca Project; and Carol Berde at the McKnight Foundation.

Thank you also to all the members of the Itasca Project Disparities Taskforce: Paul Fate, director, Amherst H. Wilder Foundation; Ron James, president and CEO, Center for Ethical Business Cultures; St. Paul Mayor Randy Kelly; Chancellor Jim McCormick, Minnesota State Colleges and Universities; J. Keith Moyer, publisher and president, Star Tribune; Carleen Rhodes, president, The St. Paul Foundation; Minneapolis Mayor R.T. Rybak; and Lauren Segal, president and CEO, Greater Twin Cities United Way.

We thank Sese-Paul Design for the design of this publication.

The principal author of the report is Rebecca Sohmer, with contributions from David Jackson, Bruce Katz, Amy Liu and David Warren.

Note: The views expressed do not necessarily reflect those of the trustees, officers, or staff members of the Brookings Institution