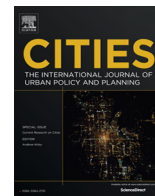




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A typology of metropolitan labor markets in the US



Gordon F. Mulligan^a, Neil Reid^{b,*}, Michael S. Moore^c

^a School of Geography and Development, University of Arizona, P.O. Box 210076, Tucson, AZ 85721, United States

^b Department of Geography & Planning, Urban Affairs Center, University of Toledo, Toledo, OH 43606, United States

^c Ph.D. Program in Spatially Integrated Social Sciences, University of Toledo, Toledo, OH 43606, United States

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ABSTRACT

Social scientists have maintained a long-standing interest in the demographic, economic, and social attributes of the US city system. However, actual assessments of the health of the nation's 350-plus metropolitan labor markets are remarkably scarce. Using mostly online data that address current performance (e.g., unemployment rate) and recent performance change (e.g., 3-year shift in earnings), this paper provides an up-to-date labor market typology—one having 10 separate groups or clusters. Several of these metropolitan groups exhibit healthy conditions but many others exhibit mixed or poor conditions. The ensuing discussion (i) examines the different spatial distributions of those groups; (ii) shows how group membership corresponds to other notable metropolitan attributes like ambience and human capital; and (iii) clarifies how industrial specialization varies from one group to the next. Further research is needed to clarify how conditions in these local labor markets shift through time, if only to distinguish between secular and cyclical change.

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Introduction

The academic, business, and more mainstream literatures continue to show great interest in the fortunes and prospects of large cities (Duranton & Puga, 2001, 2013; *Economist*, 2012a, 2012b; Glaeser, 2011; Glaeser & Gyourko, 2005; Kim & Law, 2012; Martin Prosperity Institute, 2013). There is now widespread consensus, in both the emerging and mature economies, that innovative and well-managed cities are strengthening—while others are relinquishing—their national positions in population, employment, and income (Bourne & Simmons, 2003; Kemeny & Storper, 2012). In the US, much attention has been given to the role of human capital in driving long-term city growth: so while many amenity-rich Sunbelt cities have attracted skilled workers and ascended to national prominence, a handful of Snowbelt cities have successfully maintained their leadership in decision-making, financial, and cultural affairs (Moretti, 2012; Storper & Scott, 2009).

However, there is a topic that remains relatively unexplored in the studies of national urban systems, one comprising a research deficiency that remains surprising in light of recent recessionary events. It seems that we know comparatively little about the variety or heterogeneity that presently exists across the metropolitan labor markets of most nations. Specifically, here in the US, we have

only a rough notion about how the current health of metropolitan labor markets varies across the entire nation. We also do not have a clear picture about how other demographic and socioeconomic attributes of these large cities vary with conditions in their labor markets. This paper is designed to help rectify the situation by analyzing various facets of those metropolitan labor markets during the 5-year 2007–2012 time period—a period that is particularly interesting because it includes the Great Recession of 2007–2009 (Reid, Carroll, & Ye, 2013).

The approach is very straightforward. To begin with, a standard multivariate analysis is performed on 24 different *level* and *trend* characteristics of 357 metropolitan labor markets. The adopted variables address various dimensions of those markets—including earnings, productivity, and unemployment. Here it is shown that economic performance has been remarkably heterogeneous. The results are then used to classify the metropolitan areas into 10 distinct types of labor markets. This multivariate classification is much more revealing than the simplistic “three Americas” typology recently suggested by Moretti (2012, p. 13). Once these 10 types of labor markets have been identified the discussion moves on to identify other metropolitan characteristics that tend to correlate with group membership.

This paper looks at three broad kinds of features that should be related to group membership. First, the locations of all places are mapped so that the spatial configuration of each labor market type can be identified. Some groups were expected a priori to be broadly distributed across the entire nation while others were expected to

* Corresponding author.

E-mail addresses: mulligan@email.arizona.edu (G.F. Mulligan), neil.reid@utoledo.edu (N. Reid), michael.moore5@rockets.utoledo.edu (M.S. Moore).

be more concentrated in one or more of the nation's regions. Second, data pertaining to other important metropolitan characteristics—including natural and human-made amenities—are examined to see if the labor market typology provides useful and consistent information about other facets of metropolitan life. The prior expectation was that many urban characteristics, especially local ambience and housing affordability, would vary a lot between large places like Minneapolis, MN or San Francisco, CA and small places like Dalton, GA or Prescott, AZ. And, third, employment data regarding the workforces of the various metropolitan areas are analyzed to reveal how industrial specialization is tied to the 10 types of labor markets. The expectation here was that the nation's thriving metropolitan areas (MSAs) would generally specialize in somewhat different industries from those found dominant in the nation's more stagnant metropolitan areas.

Storper, van Marrewijk, and van Oort (2012) have recently identified three dominant “schools of thought” that shape contemporary research (especially that done by economists) on growth and change in city systems: general equilibrium; partial equilibrium spatial selection; and historical. The last approach stresses the roles of such factors as demographic shifts, financial institutions, and inertia or sunk costs in affecting the dynamics of city systems. However, now that many cities overtly compete for jobs with rivals—by adopting such measures as industry clustering and place branding—another, less analytical, approach to city growth and change is probably warranted. This fourth approach, widely called applied, recognizes that cities are active agents that can enhance their competitive positions by making smart decisions in fiscal and land-use matters or by making strategic investments in public goods and services (Bradford, 2005). The applied approach advocates strong governance, endorses transparent private–public collaboration, and sees merit in many facets of local and regional development. All four of these approaches make widespread use of the concept of externalities where firms and households enjoy substantial advantages through geographic propinquity. However, in the discussion that follows most of the observations are taken from the third, historical perspective.

The next section of this paper provides some background on the US city system, a topic that has been addressed off and on for some five decades. Further discussion is then devoted to various studies of local and regional labor markets, especially in the mature economies. The section that follows provides a step-by-step analysis of the multi-dimensional performance data and here 10 different types of metropolitan labor markets are identified. These results indicate that there currently exists remarkable heterogeneity in labor market conditions across the 10 separate groups of MSAs. A discussion of the results ensues where attention is given to the three types of features—geographic distribution, socioeconomic correlates, and industrial specialization—that were expected to accompany cluster membership. The paper then closes with some suggestions regarding future research on US cities in general and on US metropolitan labor markets in particular.

Background

The US city system

Building on a few earlier studies, our understanding of the evolution of the US city system begins with Pred (1966) and Borchert (1967) nearly 50 years ago. It is certainly no accident that these contributions were made just when social scientists were noting a broad shift from industrialism to post-industrialism in the more developed economies. With other research it soon became widely accepted that the national urban system had passed through a ser-

ies of discrete stages as the US space-economy expanded and matured (Berry & Horton, 1970; Borchert, 1967, 1972; Pred, 1973). A comprehensive summary of the various changes that took place during these stages is given by Knox (1994). Among other topics, his comments on the 200-year evolution of the American city system address: the need for specialization in the early industrial cities, the ensuing rise in all manner of intercity exchanges, and the unbalanced response of the city system to both international events and the inherent contradictions of capitalism. Special attention is given to the rise of information and control centers (Borchert, 1978; Pred, 1975) during post-industrialism and to the formation of a stable national urban hierarchy (Lyons & Salmon, 2005; Neal, 2011; Noyelle & Stanback, 1984; Wheeler, 1986). His thoughts on the nation's (manufacturing) deindustrialization during the 1970s and the implications for long-run urban decline are especially insightful (Bluestone & Harrison, 1982; Lawrence & Edwards, 2013).

During the 1960s and 1970s many data-intensive factor ecologies were performed on city systems, especially in the more developed nations. While roundly criticized for being weak in theory, these studies did uncover the considerable demographic, economic, and social differentiation that exists across national urban systems (Berry & Horton, 1970). Typically a national hierarchy was revealed by the most dominant factor and, following that, high- and low-ranking places could be identified on increasingly less important factors like socioeconomic status, stage in the life cycle, and minority status (Berry & Kasarda, 1977). Subsequent research by Cadwallader (1991, 1993), on the US system during 1960–1980, demonstrated that growing and declining cities scored very differently on such prominent urban features as housing values or local public expenditures. He also made efforts to estimate education spending, property taxes, and net migration simultaneously, confirming that migration fell in places that specialized in manufacturing but rose in places with a pleasant climate. These results reinforced the notion that, after some threshold or tipping point, circular-and-cumulative change tends to set in and reinforce either city growth or city decline. The idea that cities and regions can become “locked-in” to particular technologies and industries is now widely accepted due to the work of David (1985) and Arthur (1989). Finally, the more recent work by Plane and Jurjevich (2009) should be noted where the pervasive effect of the national hierarchy on intercity migration is again affirmed.

The factor ecologic literature has been periodically revisited but, unfortunately, such an inductive approach has provided few insights into how city systems evolve over extended periods of time. In fact, only in rare cases have national studies even been repeated, thereby providing a glimpse of how city ranks might shift on the various dimensions—a notable exception is King (1966). But a second important deficiency concerns how labor markets are addressed. While variables capturing the industrial composition of cities have sometimes been included, along with the other variables, very little consideration is usually given to such important matters as average wages or per-worker productivity. Moreover, the labor market variables that are included typically address only current performance and do not address any recent changes in worker compensation or productivity. As a result most factor-ecologic studies leave the reader with the impression that economic health is a feature considered only after the city's more interesting demographic and social differentiation has been noted. The analysis presented in this paper is very different in that labor market conditions are first recognized and only then are the other facets of metropolitan life considered. This paper does not however advocate some narrow economic determinism but, instead, seeks to clarify how matters like social ambience or the quality of public goods tend to vary once the performance of each metropolitan area's labor market has been taken into account.

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