



The long term employment impacts of gentrification in the 1990s



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ABSTRACT

In the ongoing debate over the social benefits and costs of gentrification, one of the key questions left largely unaddressed by the empirical literature is the degree to which gentrification impacts local labor markets. This paper begins by exploring the nature of employment change in one archetypical gentrifying neighborhood—Chicago's Wicker Park—to motivate the central hypothesis that gentrification is associated with industrial restructuring. Next, a detailed analysis is presented on the long-term employment changes in neighborhoods that have experienced gentrification during the 1990s across a sample of 20 large central cities. Specifically, this paper uses Freeman's (2005) definition to define tracts that experienced gentrification and compares employment outcomes in such tracts and those within a ¼ mile buffer to comparable non-gentrified tracts. This analysis shows that employment grew slightly faster in gentrifying neighborhoods than other portions of the central city. However, jobs in restaurants and retail services tended to replace those lost in goods producing industries. This process of industrial restructuring occurred at a faster rate in gentrifying areas. Thus gentrification can be considered a contributory and catalytic factor in accelerating the shift away from manufacturing within urban labor markets.

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1. Introduction

In the ongoing debate over the social benefits and costs of gentrification, one of the key questions left largely unaddressed by the empirical literature is the degree to which gentrification impacts local labor markets. Proponents of gentrification stress the fact that new residential investment leads to increased property taxes for local government, reduced crime rates, revitalized streets, improvement in physical infrastructure, and the preservation of historic properties. There is also an argument that the in-migration of middle and upper-class residents to urban areas close to the central business districts has environmental benefits by reducing sprawl and promoting in-fill development. However, critics of gentrification highlight the social costs of neighborhood change and point out that displacement of low and moderate income households exacerbates affordable housing problems, destroys long-standing social ties, and can lead to a re-segregation of urban housing markets. While there is anecdotal evidence and some limited empirical research that suggests that gentrification may increase the number of retail jobs available in transitioning neighborhoods, others suggest that gentrification may harm businesses that serve low-income populations (e.g. mom and pop stores) and displace manufacturing firms that provide

well-paying jobs to local residents (Curran, 2004; Mir and Sanchez, 2009). Ultimately, there has been no comprehensive examination of the impact of income-based neighborhood change on the net number of local jobs available, or on the nature of the economic shifts that have occurred. Specifically, what type of jobs are created/destroyed in gentrifying neighborhoods, who ends up holding these jobs, and what is the overall resulting level of job quality?

This paper is also motivated by a theoretical deficit on the links between local land-use changes and broader economic restructuring. Specifically, scholarship on the root causes of gentrification typically asserts that gentrification is driven by a priori economic changes that have led to a polarization of the labor market (see Ley, 1996) and the concentration of highly skilled workers in downtowns. Conversely, research on industrial restructuring from a variety of fields (e.g. Bluestone and Harrison, 1982; Massey, 1998; Moretti, 2012) tends to give little or no causal weight to local land-use changes and neighborhood-level phenomena such as gentrification. This paper demonstrates that gentrification, rather than being a simple byproduct of industrial shifts, plays a catalytic role in restructuring itself by speeding up the transition between goods producing and service industries in urban areas.

This paper addresses these gaps by conducting a detailed examination of long-term employment changes in neighborhoods that have experienced gentrification during the 1990s. We do this using a longitudinal data set of employment change, summarized at the census tract level, for a sample of 20 large U.S. central cities from 1990 to 2008. We use Freeman's (2005) multifaceted definition of gentrification to identify tracts that experienced gentrification and

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then test whether gentrifying neighborhoods grew faster in terms of employment and new establishment growth, than similar, non-gentrified tracts outside the central business district (CBD). We also explore the nature of employment change in gentrifying neighborhoods by industry and discuss the impacts on job quality for low-skilled workers. Overall, employment grew faster in gentrifying neighborhoods than other portions of the central city. However, we find that jobs in restaurants and retail services tended to replace those lost in goods producing industries. These industrial shifts were more pronounced in gentrifying than non-gentrifying neighborhoods.

The remainder of this paper is organized as follows: **Section 2** reviews the previous empirical literature on defining gentrification and measuring its impacts on the urban environment. **Section 3** presents two empirical case studies of labor market changes in one archetypical gentrified neighborhood—Chicago’s Wicker Park—which helps motivate the broader research questions. **Section 4** presents the methodology for selecting candidate neighborhoods and appropriate control samples and introduces the regression model used to test the main hypotheses. **Section 5** presents the results of the analysis. The final section concludes and discusses both the theoretical and policy implications of our analysis.

2. Literature review

The phenomenon of gentrification has been one of the most studied and debated processes of urban change over the past three decades. Since the term first appeared in the social sciences (Glass, 1964), gentrification has referred to a process of neighborhood-based class changes that involve an influx of middle and upper class residents into urban areas that once housed low-income or working class populations. Although the term was coined in London in the 1960s, gentrification took hold in the United States during the late 1970s and accelerated in the 1980s, as portions of inner-city neighborhoods in older cities on the East Coast and in the industrial Midwest experienced significant re-investment and an upgrading of their housing stocks. While some urban policy makers directly encouraged the return of capital and middle class residents from the suburbs, gentrification quickly became a highly contested and controversial process. New York City was, perhaps, the most visible example of the gentrification debates during the late 1980s and early 1990s, which even featured violent clashes in Tompkins Square Park on the Lower East Side (Smith, 1996). The public debate spilled over into academia where scholars from a variety of perspectives viewed gentrification either in a critical, and at times pejorative light (see Smith, 1996), or as an unexpected, yet ephemeral reversal of urban decay (Berry, 1985).

Regardless of perspective, most scholars viewed gentrification as caused by macro-level economic and social changes in the late 20th century. Neil Smith’s classic “rent-gap” thesis tied gentrification to changes in flows of financial capital and long-term cycles of disinvestment and reinvestment that generated opportunities for economic rents on the part of developers and real estate interests. Other scholars link gentrification to broader industrial restructuring processes that occurred in the 1980s and 1990s that resulted in a shift from manufacturing towards service sector work in the U.S. Specifically, the structural changes that coincide with the deindustrialization of factory work tend to strengthen the economic role of downtown areas—especially in large cities—as the command centers of a globalizing economy (Sassen, 2002). As a result, central business districts attracted thousands of jobs in professional services, finance, and corporate headquarters, driving up demand for highly-skilled white collar workers. According to some economists, these industrial shifts generated demand for high-quality housing near downtown, thus causing gentrification (Berry, 1985). Sociologists, such as Ley (1996) also linked gentrification to changes in the consumption preferences of this “new middle class” which favored urban living over the suburban dream of previous generation. These preference shifts also drive gentrification by increasing

demand for urban entertainment and consumption spaces for the new high-income residents (Lloyd and Clark, 2001; Zukin, 1982) Although many scholars, including Smith (1996), include a causal role for local agents such as mayors, planners, and policy elites, in gentrification, the drivers of gentrification are still tied to macro-level phenomena. Wyly and Hammel (1999) summarize these shifts as “class transformation...rooted in long-term changes in the distribution of wealth, income, and educational opportunity, as well as a more complex division of labor” (Wyly and Hammel, 1999). Thus, in these foundational works, gentrification is viewed as a consequence of economic restructuring rather than playing a role in accelerating these changes.

Empirical work on the impact of gentrification has largely mirrored the debate in the popular discourse and can be broadly organized around two distinct questions: does gentrification actually result in the displacement of the poor? And, does gentrification result in positive or negative net fiscal benefits for cities? In one of the earliest studies on displacement impacts, Marcuse (1985) uses administrative data from the city of New York to estimate the total displacement in New York City resulting from gentrification. He finds that between 10,000 and 40,000 people are displaced in the city annually due to gentrification. He also shows that as gentrification increases, the movement of highly-educated residents increases, followed by sharp increases in rent.

However, the finding that gentrification *causes* the displacement of lower income households has been challenged recently by several studies that use control groups of non-gentrified neighborhoods that were similar to gentrified areas to begin with. For example, Vigdor (2002) compares the mobility rates of poor and less-educated households in gentrifying and non-gentrifying areas in Boston and finds no evidence to suggest that low-status households are more likely to move out of units in revitalizing areas. Rather, less educated households in gentrified areas are found to be significantly more likely to remain in their housing unit than are households elsewhere in the metro area. In a study of New York, Freeman and Braconi (2004) analyze the migration decisions of low-income and low-educated renters in a set of gentrified neighborhoods, identified subjectively based on the authors’ local knowledge. They find that low-income and low-education residents are more likely to remain in gentrified neighborhoods. Using a more formal and quantitative selection method based on five threshold criteria that measure the influx of highly educated residents, previous disinvestment and subsequent increases in property values to identify gentrified census tracts, Freeman (2005) also finds no significant evidence of displacement in the face of gentrification in New York. A recent paper by McKinnish et al. (2010) uses administrative access census files from 1990 to 2000 to provide more detailed analysis of the demographics of in-movers and out-movers in gentrifying neighborhoods and finds that gentrification is not associated with significant displacement.

Although there has been little empirical evidence on the employment impacts of gentrification, several scholars have argued that gentrification is theoretically linked to improved job prospects for central city residents. Vigdor (2002) argues that “as a centralizing force, gentrification could potentially improve labor market outcomes for central city residents by offsetting spatial mismatch” and that “residential gentrification might cause a reallocation of jobs in personal service industries and retail trade towards central cities.” (Vigdor, 2002, 145). Freeman (2005) also uses the claim of improved employment prospects as one reason why lower-income households choose to remain in gentrifying neighborhoods. Thus, there is a clear prediction in the literature that gentrification is likely to increase net job opportunities at the neighborhood scale. However, this claim is countered by a parallel literature on industrial displacement (Giloth and Betancur, 1988; Rast, 1999) that suggests that property speculation sparked by residential renewal threatens the viability of local manufacturing and warehousing companies that provide job opportunities for blue collar workers.

One of the few studies that directly examines the links between gentrification and the displacement of small-scale manufacturing in

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