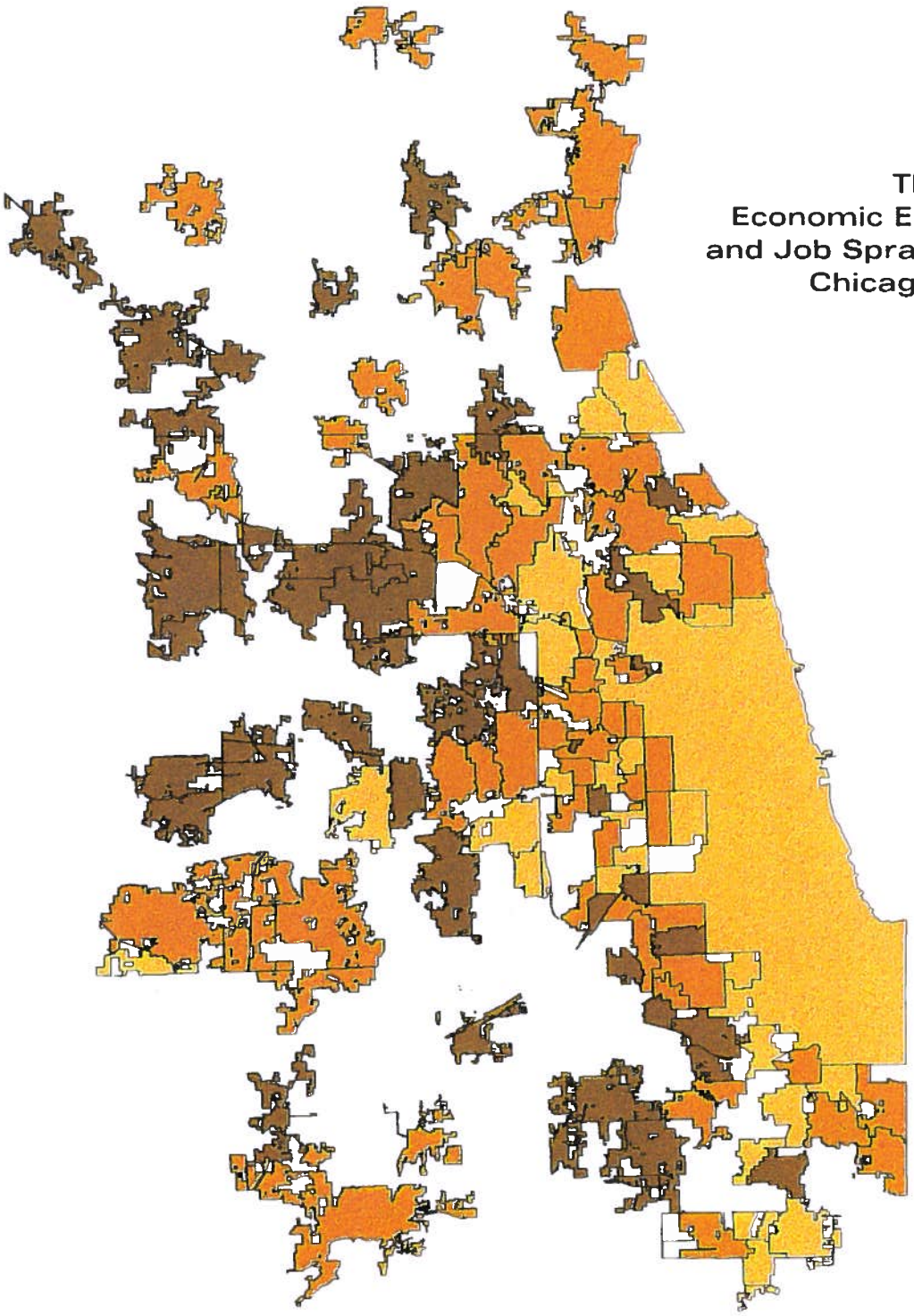
A Rising Tide... but Some Leaky Boats



The 1990s
Economic Expansion
and Job Sprawl in the
Chicago Region

A Rising Tide…but Some Leaky Boats:

The 1990s Economic Expansion and Job Sprawl in the Chicago Region

by

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About the Authors

Daniel Immergluck is vice president of the Woodstock Institute and has more than ten years experience in community and economic development planning and research. He has conducted research and written widely on economic and community development, urban labor markets, small business and mortgage lending, and other topics. In addition to authoring more than a dozen Institute publications, Dan has published in a diverse array of practitioner and research journals, including *Economic Development Commentary, Economic Development Quarterly*, *Urban Affairs Review,* and *Urban Studies*. He holds a Masters of Public Policy from the University of Michigan and a Ph.D. in Public Policy Analysis from the University of Illinois at Chicago.

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Executive Summary

The Chicago metropolitan area, as a whole, has been a key participant in the nation's economic expansion of the 1990s. From 1991 to 1996, employment in the six-county area increased by almost 8 percent to more than 3.2 million jobs. Even manufacturing employment, after experiencing a steep decline in the early 1980s and losses through the rest of the decade, stopped dropping and actually experienced a small gain of 1 percent.

Regional job growth may have many benefits. However, past patterns of growth raise concerns about whether economic growth is continuing to occur primarily in suburban, and especially newer suburban, areas that are far from central city and older suburban neighborhoods with concentrations of lower-income and minority households – a phenomenon referred to as employment decentralization or job sprawl. This report:

- Describes how different parts of the metropolitan area faired in different industrial sectors over the 1991-1996 period;
- Determines whether job sprawl has slowed in the 1990s compared to the 1980s;
- Examines municipal-level employment changes within the region to identify relationships between suburban income and racial demographics and changes in employment levels; and
- Lays out key policy implications, focused especially on state and federal government.

Key Findings

In the 1990s, the rate of job sprawl remains high in the Chicago region, with substantial worsening in manufacturing and retail sectors compared to the 1980s. The City of Chicago is actually losing jobs at a slightly greater pace than in the 1980s, with a decline of 40,000 manufacturing jobs between 1991 and 1996. The farthest-out collar counties (McHenry and Will) are growing at the fastest rates.

Job growth is not uniform across the suburbs, however, with many older suburban areas seeing slow growth or declines in different sectors. The West Cook and North Cook areas lagged the region as a whole in the rate of total employment growth (8 percent). The West Cook area saw large declines in retail, wholesale, and finance, insurance and real estate (FIRE) employment, with the North Cook suburbs seeing declines in wholesale and FIRE. West Cook job growth lagged the region in health services and other services. In North Cook, job growth lagged regional growth in retail, business services, and other services. Also, suburbs in the eastern parts of Northwest Cook and, especially, South Cook (east of I-57) tended to experience slow growth or even job loss. Other parts of Cook County also lagged regional job growth in certain sectors.

When looking at the municipal level, the analysis shows that suburbs with modest-income levels or substantial African-American populations have suffered from job losses or sluggish growth. Municipalities that are between 10 and 30 percent African-American tend to perform below the regional rate in all major sectors. There is some exception to this pattern among the small number of municipalities that are more than 30 percent African-American, in that *some* of these have seen substantial growth in manufacturing and wholesale employment. (This might be explained by manufacturers leaving central city neighborhoods and

looking for locations with similarly low property values.) In other sectors, and as a whole, however, these areas tend to fare very poorly.

Implications for Public Policy

The pace of employment decentralization suggests that no *single* policy, by itself, is likely to provide a solution. The outward movement of firms and jobs is driven by a complex dynamic. Jobs follow households as employers look to serve relocating populations and workforces. Mobile households flee neighborhoods that have been left without commercial amenities. On top of these forces, practices and legacies of discrimination continue to exert their influence. To curb job sprawl and minimize its harmful effects on vulnerable populations, a variety of strategies must be pursued. Policies that might be used to reduce employment decentralization directly include urban economic development programs, growth controls, and commercial property tax reforms. The City of Chicago might increase or improve its economic development efforts through increased industrial park development, brownfields remediation, protective zoning, and other efforts.

While they are important actors in urban development policy, city governments are limited in their ability to combat employment decentralization, and higher levels of government must be participants in overall strategies. The approach must, in the aggregate, be comprehensive. Of course, actual policy progress is typically achieved through the accumulation of incremental changes. But the scale and multiple causes of the problem necessitate a closer coordination of policy formulation across various arenas. Such a broad agenda should include, at a minimum, the following components:

⇒ Federal Policy: First, Do No Direct Harm

Federal resources for economic development have generally declined since the 1970s, and some of the remaining programs may actually be subsidizing sprawl. Such programs must be redesigned to promote economic development where it is needed. In addition to economic development programs, broader bodies of policy must be examined for their impact on decentralization. The mortgage interest tax deduction has been shown to provide a substantial incentive for suburban residents to adopt exclusionary zoning practices such as minimum lot sizes. Transportation spending in the U.S. is heavily skewed toward highways compared to Britain and France, where between 40 and 60 percent of transportation spending goes to railroads and mass transit. Besides these major structural policies, there are many "smaller" policies that indirectly subsidize or buttress decentralization.

⇒ State Government: Growing Responsibility for Reducing Employment Barriers

Given the growing responsibility of state governments in employment policy, they need to play a larger role in supporting business development in older and lower-income areas. At a minimum, state governments should work to take care to not directly subsidize the relocation of firms out of central cities and older suburbs into newly developing areas. More proactively, states should work to steer their development resources to city and inner-ring areas. State government must also increase resources

devoted to improving the skills of less-educated workers, especially those in high-unemployment communities. This will support the dual purpose of increasing residents' earning potential as well as build the competitive advantage of these areas in attracting and retaining employers. As is the case with federal policies, broader structural issues must be addressed, including the funding of roads, mass transit, and education. Hyperlocalized systems of school funding feed residential segregation by race and income. The continuing expansion of expressway systems in outlying areas further reduces the advantages of closer-in communities.

⇒ **Confronting Discrimination: Race in Employment and Economic Development**

While it may not be the primary cause of job sprawl, racial discrimination in employment may play a sizable role in why firms flee minority areas. Because the U.S. has no proactive program to identify and prosecute firms who avoid employing minority workers, equal employment law is driven by responding to complaints or by lawsuits. This means that if a firm does not want to employ minorities, it may choose to locate its operations where few minorities are likely to apply. Thus, the current reactive system of equal opportunity enforcement encourages discriminating firms to locate in farther-out areas, away from minority applicants. If proactive matched-pair testing were used to detect discrimination, as it has been in housing, then firms located in nonminority areas could be pursued for discrimination. Given the hostility that the U.S. Congress has expressed toward enforcing equal opportunity laws, state governments may need to take the lead in this area.

⇒ **Addressing the Link Between Residential and Commercial Development**

A comprehensive approach to reducing employment decentralization recognizes the key link between residential and commercial densities. Residential revitalization is an important tool for reducing employment decentralization. Improving the aggregate income of central city and older suburban neighborhoods encourages commercial investment. The preservation and creation of mixed-income areas will work to increase employment, particularly in service and retail industries. At the same time however, rapid escalations in property values, which may result from "hot" housing markets, may put pressure on industrial firms to relocate out of such areas. Thus, efforts to support mixed-income residential revitalization should be accompanied by industrial policies that provide firms with opportunities for relocating in more affordable central city or close-in areas.

Continuing housing segregation in the metropolitan area polarizes neighborhood income levels and destabilizes mixed-income and mixed-race communities. Currently some suburban com-munities utilize exclusionary zoning and other tactics to restrict access by lower-income and minority households. States can provide incentives and disincentives to municipalities to reduce minimum lot sizes and provide multifamily rental housing. Since race has been shown to be at least as large a determinant of residential segregation as differentials in housing costs, *aggressive* enforcement of fair housing laws by federal and state government -- including proactive matched-pair testing in all parts of the housing market – are a necessary complement to affordable housing development programs.

⇒ **The Need to Address Development Patterns Across the *Entire* Region**

Unfortunately, isolated no-growth efforts by individual suburban communities may do little to slow sprawl, merely pushing it out to farther-out areas so that sprawl leapfrogs over the growth-controlled suburbs. While some regional governance bodies have been successful at reducing incentives for sprawl, the state is the ideal party to institute and support antisprawl policies. Regional tax base sharing has also been utilized to reduce sprawl, most notably in Minnesota. Regional umbrella entities also administer metropolitan tax systems in Seattle and Portland, Oregon.

⇒ Building Coalitions: Identifying New Partners

Political coalitions are necessary to adopt policies aimed at curbing sprawl. Some argue for coalitions to be built among city dwellers and those living in older, declining suburbs. The results of this study suggest that local governments in some older suburbs may be responsive to such coalition-building due to their sluggish growth in employment (and tax base). At the same time, because the costs of employment decentralization have been shown to fall on two major groups -- lower-income central city residents and higher-income residents in further-out areas -- higher-income suburban residents, who tend to oppose employment growth near their communities, can provide allies for central city residents seeking to retain employment in or close to the city. It may be that political mobilization efforts should target *both* declining suburbs and anti-growth affluent suburbanites as allies in building antisprawl coalitions.

Much more needs to be done to slow the pace of job sprawl. The persistence and scale of the problem requires comprehensive policymaking at state and federal levels that addresses both employment and residential movement out of older parts of the region. Strategies must recognize the need for both the residential and commercial revitalization – or at least stabilization -- of older areas to hold promise of major impact. Also, a variety of tools are needed, ranging from smart-growth spending and incentive policies to transit-oriented development initiatives and mixed-income housing development.

Introduction

As a whole, the Chicago metropolitan region has been a strong participant in the nation's economic expansion of the 1990s. From 1991 to 1996, employment in the six-county area increased by almost 8 percent to more than 3.2 million jobs. Even manufacturing employment, after experiencing a steep decline in the early 1980s and continuing losses through the rest of the decade, stopped dropping and actually experienced a small gain of 1 percent. But the real growth was in service industries, led by business services, which saw an increase of 33 percent to nearly 275,000 jobs in 1996.

While regional economic growth may have many benefits, past patterns of growth raise concerns about whether job growth is continuing to occur primarily in suburban, and especially newer suburban, areas that are far from central city and older suburban neighborhoods with concentrations of lower-income and minority households. This paper examines recent trends in job growth within the Chicago area.

After reviewing reasons to be concerned with the decentralization of employment – the flow of firms and jobs to places farther from the older urban core, we detail region-wide changes in employment from 1979 to 1996. We then focus on how different parts of the metropolitan area faired in different industrial sectors over the 1991-1996 period, with some comparison to the 1980s. Finally, we look at municipal-level employment changes within the region and identify relationships between suburban income and racial demographics and changes in employment levels.

Why Do We Care About the Location of Jobs?

Some argue that the decentralization of employment is an efficient market response to the changing technology of production and distribution.[1] Manufacturing firms leave central cities because they require new types of facilities to accommodate new modes of production. Retail firms follow population out to newly developing areas. However, others argue that, after accounting for a full spectrum of social costs and benefits, employment decentralization imposes net costs on society.[2] Moreover, even those arguing for the efficiency of sprawl tend to concede that it has redistributive effects, often to the detriment of lower-income households.

There are at least five general reasons why we should be concerned about the location of job growth and firm location within the metropolitan area. First, research on the role of distance and space in employment – often termed the "spatial mismatch" literature -- suggests that labor markets are not entirely regional. The shift of jobs to suburban areas from central cities creates two types of barriers to employment for minority, central-city residents whose residential location is constrained by housing discrimination: increased commuting costs and a scarcity of information on job opportunities.

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[1] J. Rothenberg-Pack, "Metropolitan Development: Regional Differences." Paper prepared for the Conference on the Interdependence of Central Cities and Suburbs, Brookings Institution, Lincoln Institute of Land Policy, and Great Cities Institute, Chicago, September 24, 1998.

[2] J. Persky and W. Wiewel, "Suburban Sprawl: The Distribution of Costs and Benefits Due to Employment Decentralization." Paper prepared for the Conference on the Interdependence of Central Cities and Suburbs, Brookings Institution, Lincoln Institute of Land Policy, and Great Cities Institute, Chicago, September 24, 1998.

The early spatial mismatch literature tended to find that the effect of job proximity on employment rates is statistically significant, but that the magnitude of the effect is unclear. More recent literature has not resolved the question of how large an effect proximity to jobs has on employment rates.[3] Some researchers find substantial effects[4], especially for youth, whereas others find more modest effects.[5] Skill mismatches between workers and jobs, racial discrimination by employers, and social networks may be stronger determinants of employment.

Beyond the effects of the decentralization of jobs on employment rates, however, the literature on spatial mismatch has frequently overlooked other benefits to the proximity of jobs. For example, even if employment rates are not affected in substantial amounts, the presence of nearby jobs can reduce arduous commutes, which may be especially hard on working parents, youth, and low-wage workers reliant on mass transit. Job proximity has a sizable, negative effect on the commuting distance of workers.[6] Moreover, job proximity may be relatively more important to African-American workers, as suggested by research showing that the welfare loss of African-American workers due to a central-city-to-suburb firm relocation is substantially greater than that for white workers.[7]

Another general reason to be concerned with the location of employment and firms is the already uneven distribution of establishments providing basic goods and services. Substantial numbers of retail and certain types of service jobs provides an area with the goods and services that make for a desirable neighborhood. Low-income urban areas suffer from fewer retail and service establishments, except in a few industries (such as check cashing and social services), than do higher income areas.[8] Retailers and service firms in such areas tend to be relatively small and sometimes provide a poorer selection of goods at relatively higher prices than those in higher-income areas.

A third set of problems caused by employment decentralization is an increase in automobile traffic and pollution. While higher-skilled workers generally have longer commutes than lower-skill workers and the relative burden of such commutes may be of less concern, increasing decentralization is likely to cause increased suburb-suburb commuting that is not well served by existing mass transit and thus increases automobile congestion and related pollution.

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[3]For a review of earlier literature see H. Holzer, "The Spatial Mismatch Hypothesis: What Has the Evidence Shown?" *Urban Studies, 28*, 105-122, 1991. A more recent review is in C. Mayer, "Does Location Matter?" *New England Economic Review,* May/June, 26-40, 1996.

[4]See, for example, K. Ihlanfeldt, *Job Accessibility and The School Enrollment of Teenagers*, Kalamazoo: Upjohn Institute, 1992; and C. Rogers, "Job Search and Unemployment Duration: Implications for the Spatial Mismatch Hypothesis," *Journal of Urban Economics, 42*, 109-132, 1997.

[5]See, for example, V. Carlson and N. Theodore, "Employment Availability for Entry-Level Workers: An Examination of the Spatial Mismatch Hypothesis in Chicago," *Urban Geography, 18*, 228-242, 1997; T. Cooke, Geographic Access to Job Opportunities and Labor-Force Participation Among Women and African-Americans in the Greater Boston Metropolitan Area," *Urban Geography, 18*, 213-227, 1997; and D. Immergluck, "Job Proximity and the Urban Employment Problem: Do Suitable Nearby Jobs Improve Neighborhood Employment Rates*?" Urban Studies, 35*, 7-23, 1998.

[6]D. Immergluck, "Neighborhood Economic Development and Local Working: The Effect of Nearby Jobs on Where Residents Work," *Economic Geography, 74*, 170-187, 1998.

[7]J. Zax and J. Kain, "Moving to the Suburbs: Do Relocating Companies Leave Their Black Employees Behind?" *Journal of Labor Economics, 14*, 472 –504, 1996.

[8]R. Bingham and Z. Zhang, "Poverty and Economic Morphology of Ohio Central City Neighborhoods," *Urban Affairs Review, 32*, 766 – 796, 1997.

A fourth concern over the movement of employment to areas farther from the central city is that it may lead to inefficient public investment decisions. The flow of firms and employment out of older areas may lead to the construction of new infrastructure in undeveloped areas while existing infrastructure is underutilized or even abandoned. The existing physical infrastructure may be less expensive to improve and maintain than the construction of new facilities in developing areas. The societal costs of consuming undeveloped property must also be considered.

Finally, a fifth related reason to be concerned about the location of jobs and firms is how such patterns support and feed the spatial polarization of income and wealth within them. For example, as firms leave central cities and inner ring suburbs they put pressure on the property tax base of these areas. In some of Cook County's less affluent southern suburbs, for example, the decline of commercial property tax base has pushed a higher share of the property tax burden onto residents and putting downward pressure on property values.

Decentralization works against both the revitalization of low-income neighborhoods as well as the stability of lower-middle-income areas. As firms providing basic goods and services and amenities leave close-in areas, they make such areas less attractive to mobile, middle- and upper-income residents who flee to farther-out areas, increasing the spatial polarization of wealth. This polarization leads to concentrated poverty, poor schools, and crime problems in central cities and older suburbs, which, in turn, dampen the social and economic performance of metropolitan areas generally.

Employment Trends in the Chicago Region, 1979-1996

Figure 1 illustrates the employment trends for the Chicago area from 1979 to 1996.[9] From 1979 to 1984 overall employment remained relatively constant, but there was a substantial economic restructuring effect, with manufacturing employment declining by more than 130,000 jobs, service industries increasing by 62,000 jobs, FIRE (finance, insurance and real estate) increasing by 15,000; and retail growing by 23,000. These changes reduced the availability of relatively well paid jobs with modest skill requirements.

From 1984 to 1989, the region underwent significant employment growth, with total employment increasing by almost 17 percent, but manufacturing employment continued to decline. Service industry employment (including business, health, and other services) grew by almost 30 percent to more than 1.2 million jobs. Retail employment grew by 18 percent and FIRE grew by 21 percent.

Thus, the 1980s saw a profound restructuring of the regional economy. In ten years the regional economy had changed so much that manufacturing employment, which had accounted for almost as many jobs as service industries in 1979, accounted for slightly more than one-half the number of jobs in the service sector by 1989.[10]

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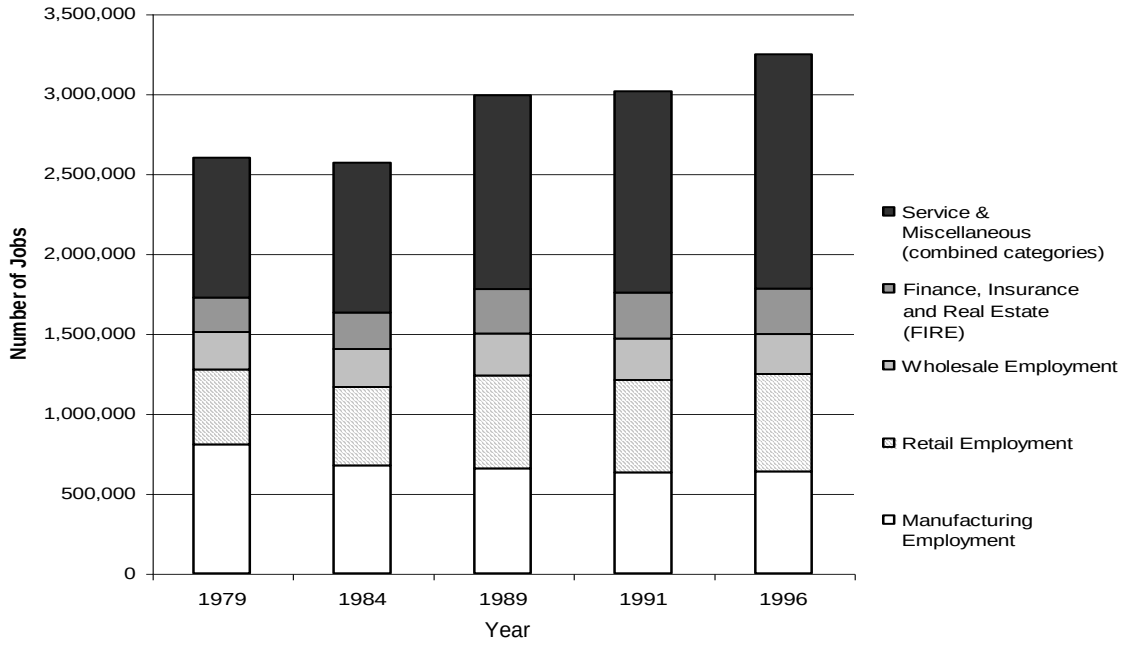
[9] All employment data in this study are from the annual report, *Where Workers Work*, by the Illinois Department of Employment Security, as well as some customized runs by the Department. The data are ES202 in origin.

[10] Note that the absolute number of manufacturing jobs did not decline substantially since 1984. Moreover, some of the increase in service employment in the1990s may have been in business service firms that were providing services that had formally been produced "in-house" by manufacturing firms.

Figure 1. Chicago Metropolitan Area Employment by Sector, 1979 - 1996



From 1991 to 1996, regional employment grew again, this time by 8 percent. All major sectors experienced growth except wholesale, in which employment declined by almost 5 percent, and FIRE, which remained essentially flat. Services grew by 16 percent with business services growing at 33 percent and health services at almost 10 percent.

As in the late 1980s expansion, the 1990s have shown a continued growth in service-sector employment, although the expansion has been somewhat less tumultuous in its reordering of which industrial sectors constitute the largest shares of employment. Service industries, especially business services, continue to be dominant drivers of job growth, but manufacturing losses appear to have ended. More modest shifts include those away from wholesale and FIRE employment.

Employment Trends Within Different Parts of the Metropolitan Area, 1991-1996

We first examine employment growth in different parts of the six-county region for the major industrial sectors from 1991-1996. Figure 2 shows the segments of Cook County (the largest county, which contains the city of Chicago) used by the Illinois Department of Employment Security and in this analysis. Figure 3 shows the percentage employment growth from 1991-1996 for all sectors combined and ranks the areas from slowest (or most negative) to fastest growth. The figure shows that job growth is occurring faster in the collar counties than in suburban Cook County and that all parts of the region except the City of Chicago and North Cook and West Cook suburbs grew at a faster rate than the metropolitan area. All of the collar counties increased employment by more than 15 percent over the five-year period, with Lake, Will, and McHenry exceeding 20 percent growth. Moreover, employment increased in each of the collar counties at a faster rate than any part of Cook County. The rate of collar county increases exceeded the metropolitan rate by factors of between 2 and 3.5.

Figures 4 through 10 illustrate the percentage growth in each part of the region for seven industrial sectors: manufacturing, wholesale, retail, FIRE, business services, health services, and other services. These figures indicate that employment in all sectors is generally growing faster in the collar counties than in Cook County suburbs. Generally, the City of Chicago fares poorly in all sectors, losing jobs in four of the sectors and gaining jobs at below the metropolitan growth rate in the other three.

Decentralization is occurring across all sectors. In each sector, at least four of the five collar counties are growing at a faster rate than the metropolitan rate. Although manufacturing jobs have grown only at about 1 percent overall from 1991-1996, in Kane, McHenry, and DuPage counties the sector is growing at rates of 15 (DuPage) to 22 (Kane) percent, with Lake growing at almost 10 percent. Similar patterns exist in wholesale, with all five collar counties growing in the 10-40 percent range even though the sector overall lost almost 5 percent over the period. All parts of Cook County lost jobs in this sector, with the city of Chicago, North Cook, and West Cook suffering the worst losses. In retail, the pattern is not much better, with Will, McHenry, Lake, and DuPage seeing very fast growth. Two parts of Cook County – Northwest Cook and South Cook -- are experiencing retail growth at a rate faster than the metropolitan rate, but much of this growth is occurring in the more recently developed and farther-out parts of these areas. FIRE is a bit mixed, with greatest rates of growth in Northwest and Southwest Cook, as well as in the collar counties (excluding Kane). The growth in Northwest Cook is expected due to the continuing growth in the suburbs near and to the northwest of O'Hare Airport. FIRE is not as large as the other sectors, but accounts for a significant number of jobs in some parts of the region, including the city of Chicago and Northwest Cook. While the city lost the most number of FIRE jobs (11,554), the rate of loss was the worst in West Cook, where it exceeded 22 percent.

Business services is an important sector because, next to "other services" it ranks second in the net *number* of new jobs in the metropolitan area. All parts of the region saw growth in this area due to the 33 percent growth of the sector overall. But, again, growth was much faster in the collar counties, with increases in all five counties exceeding 50 percent and growth in Will and McHenry reaching 79 percent and 91 percent, respectively. West Cook also experienced growth of 57 percent and Northwest Cook saw jobs in this sector grow by 45 percent, but the other parts of the County fell below the 33 percent growth rate with North Cook doing even worse than the city of Chicago.

Health services experienced similar patterns of decentralization as other sectors, except that North and South Cook areas saw growth at relatively high rates of more than 15 percent. McHenry and DuPage counties saw the greatest growth.

Figure 2. Map of Illinois Department of Employment Security Cook County Segments

Figure 3. Total Employment Growth in the Chicago Metropolitan Area, 1991-1996

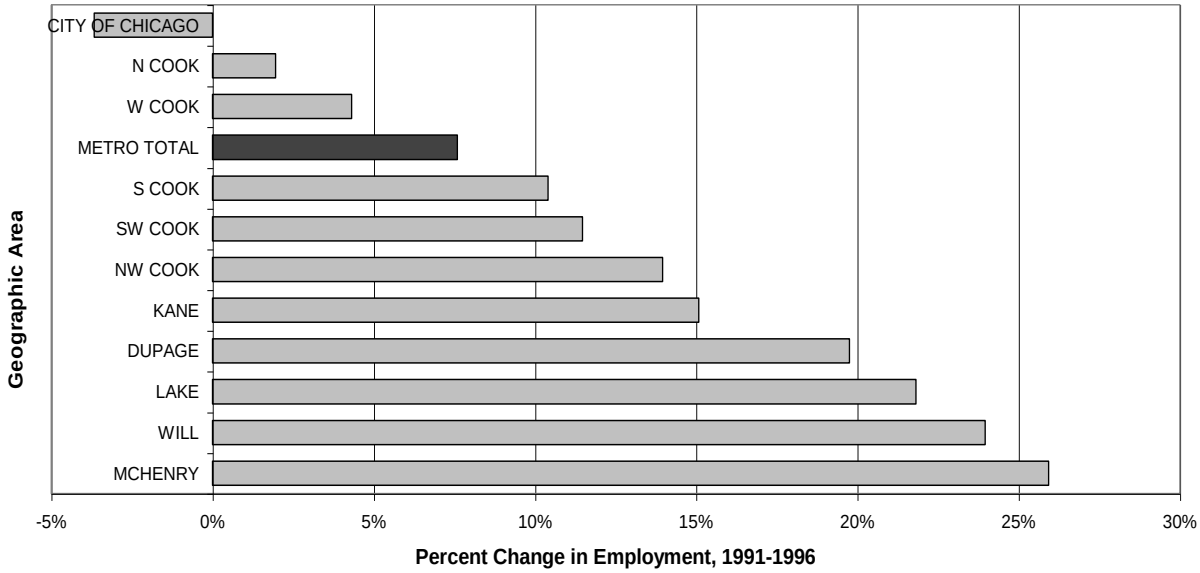


Figure 4. Changes in Manufacturing Jobs in the Chicago Metropolitan Area, 1991-1996

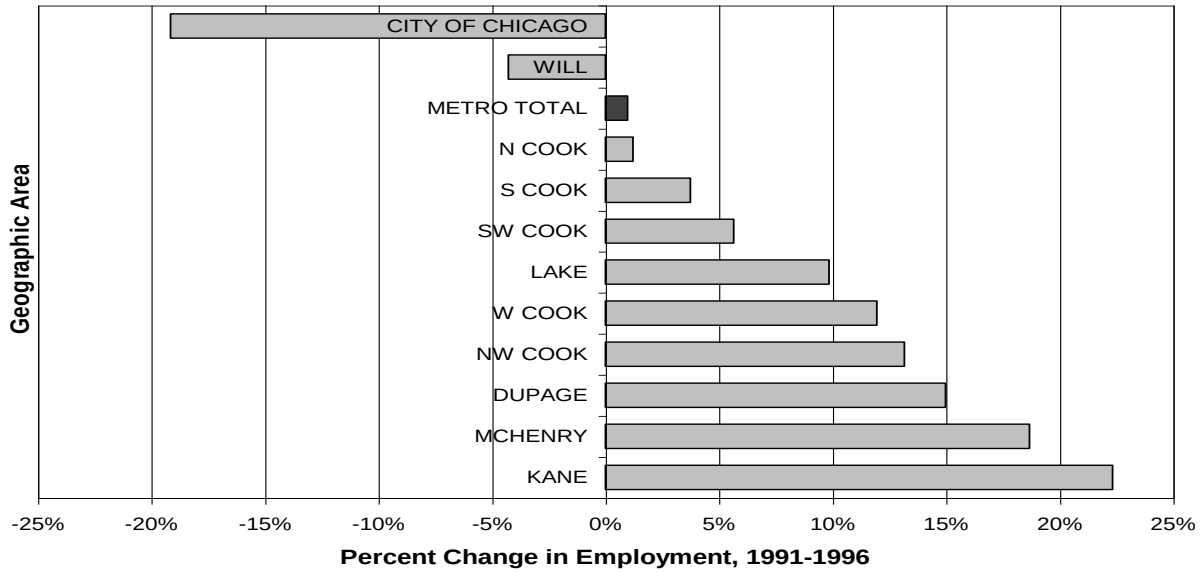


Figure 5. Changes in Wholesale Jobs in the Chicago Metropolitan Area, 1991-1996

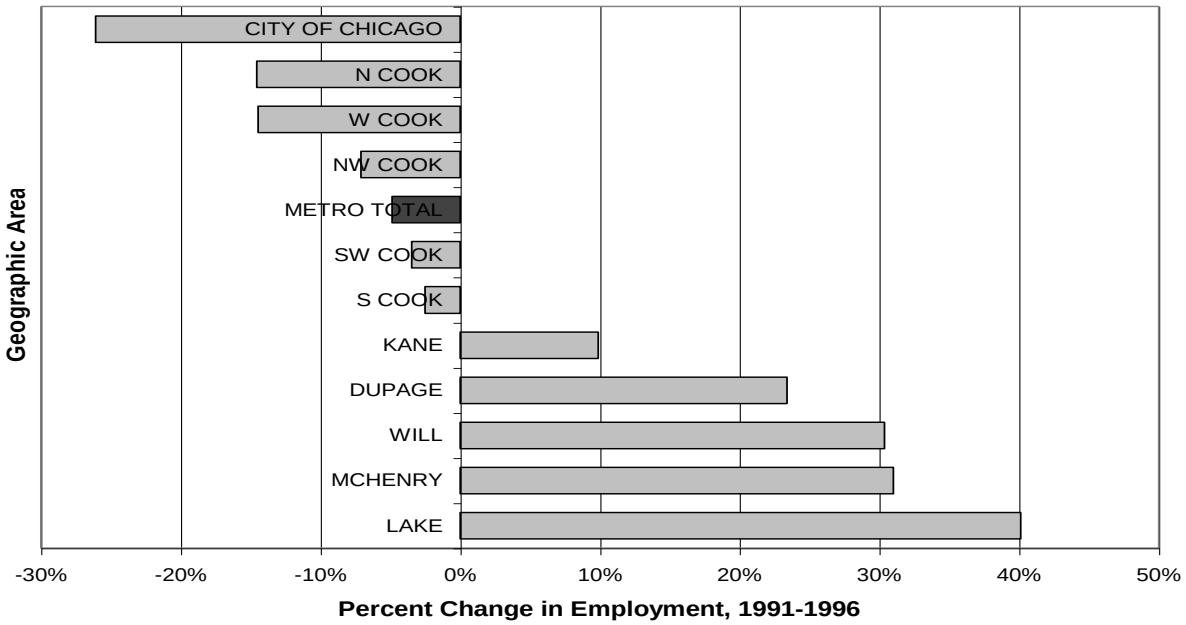
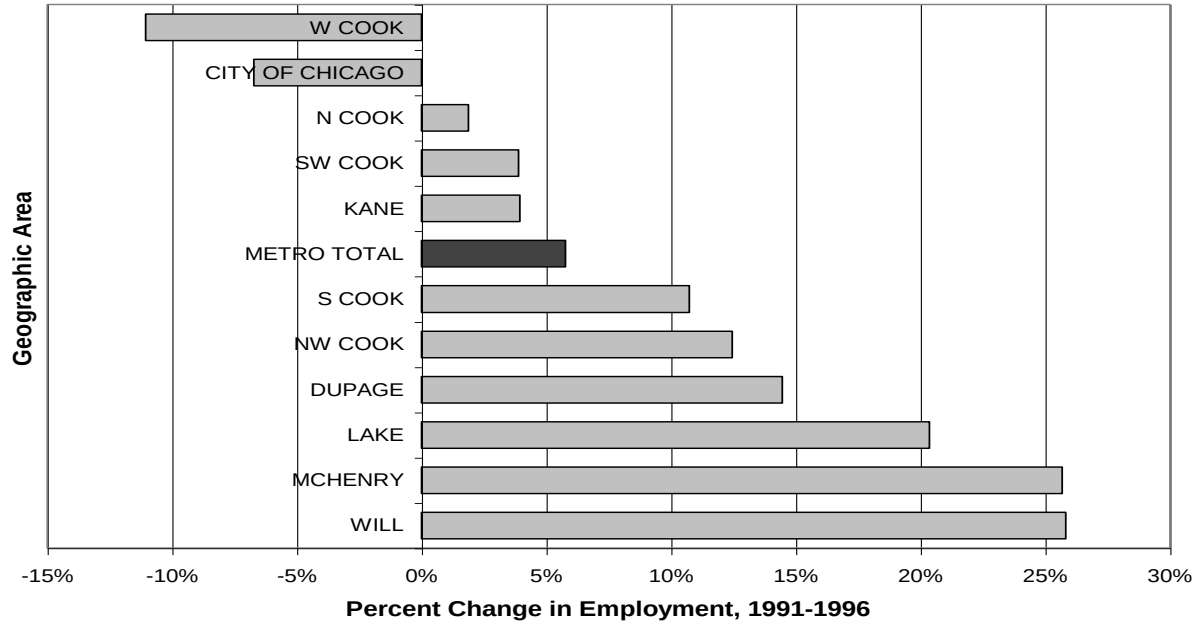


Figure 6. Changes in Retail Jobs in the Chicago Metropolitan Area,

Figure 7. Changes in FIRE Jobs in the Chicago Metropolitan Area, 1991-1996



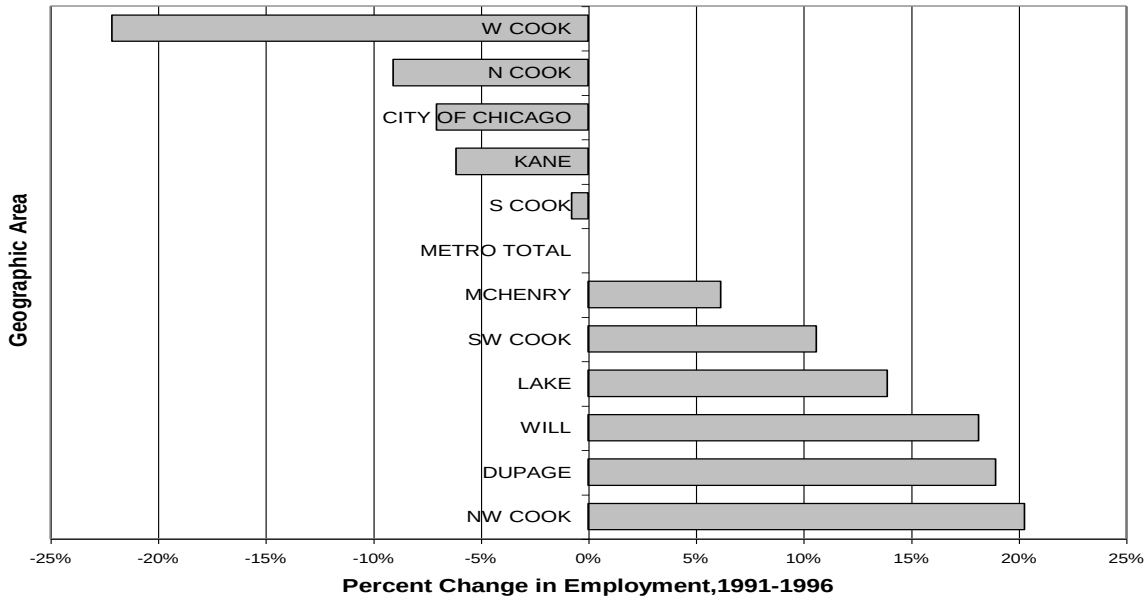


Figure 8. Changes in Business Services Jobs in the Chicago Metropolitan Area, 1991-1996

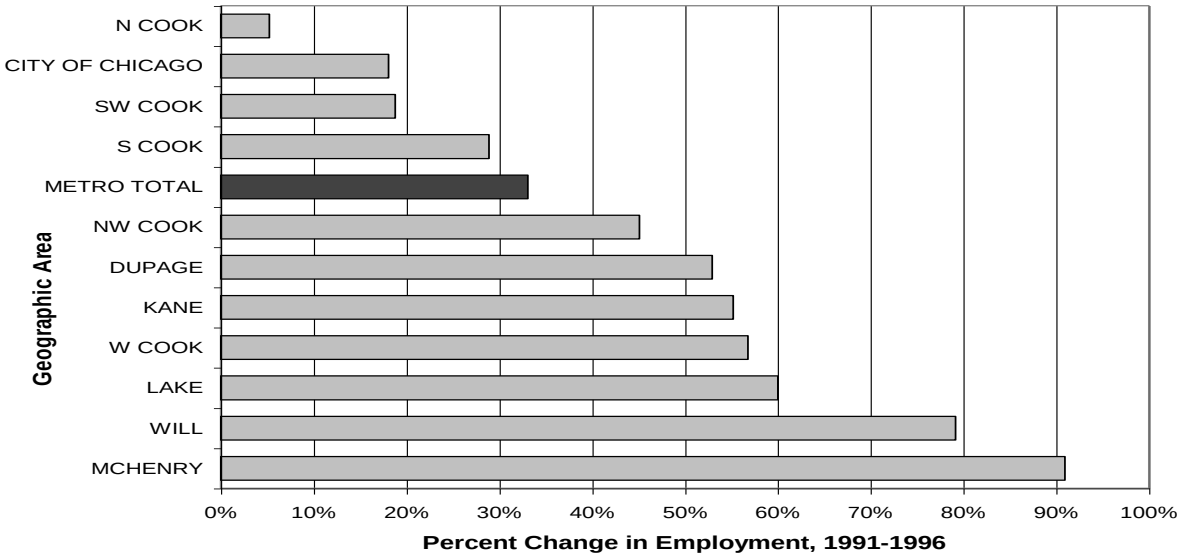


Figure 9. Changes in Health Services Jobs in the Chicago Metropolitan Area, 1991-1996

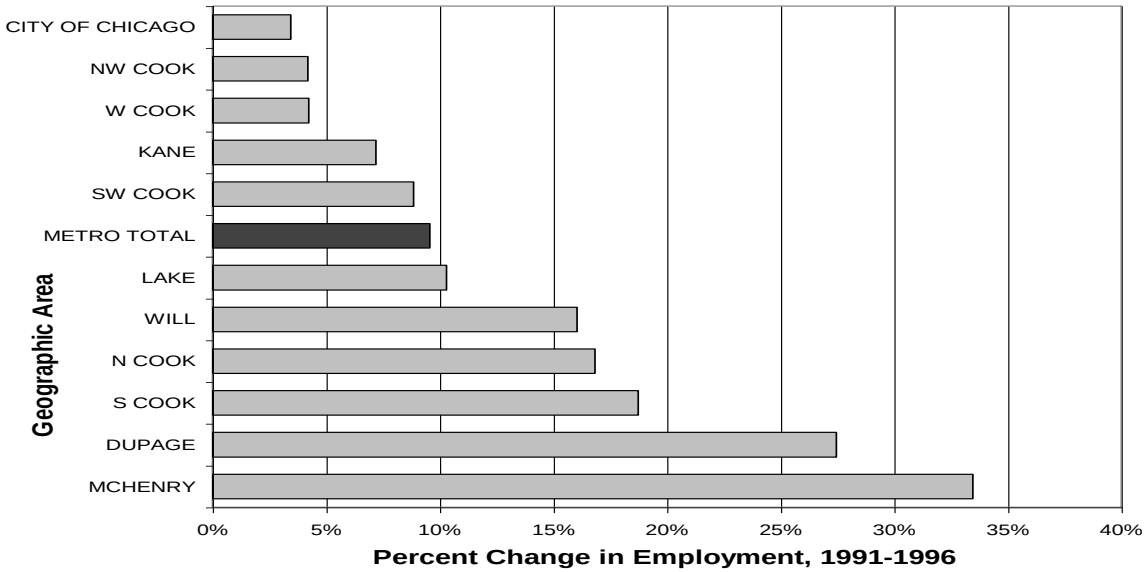
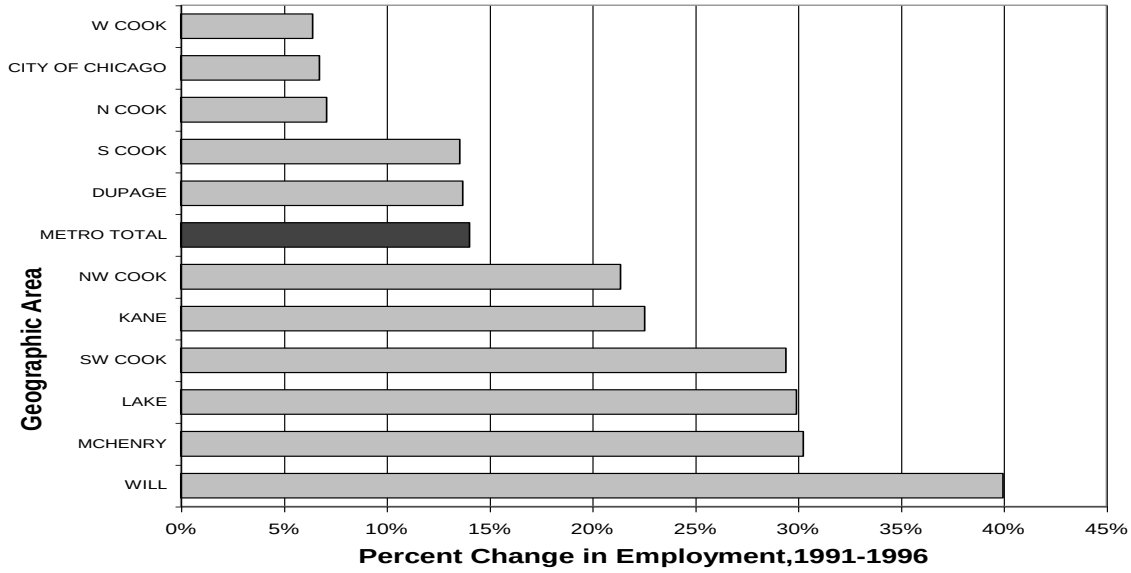


Figure 10. Changes in Other Services Jobs in the Chicago Metropolitan Area, 1991-1996



The last sector, other services, is a large one and includes many smaller sectors such as transportation, utilities, construction, and personal services. It also was, together with business services, responsible for much of the job growth in the 1991-1996 period. Again the patterns of growth confirm continuing movement of jobs to farther-out areas. While all parts of the region saw an increase in jobs in this sector, all of the collar counties except DuPage saw growth at a substantially faster rate than the metropolitan rate of 14 percent, with DuPage essentially matching the metropolitan rate. Will County saw growth in these jobs by 40 percent, with Southwest Cook, Lake, and McHenry seeing rates near 30 percent.

Comparing Job Sprawl in the 1980s and 1990s

The analysis above shows that job decentralization, or sprawl, in the Chicago region has continued into the 1990s in all major sectors. But is decentralization finally slowing? We might expect, on the one hand, that the long economic expansion of the 1990s would reduce the disparity in growth between inner and outer areas because labor shortages or constraints on suburban growth would push firms and developers to expand and develop in underutilized central city and older suburban areas. Sprawl might also be slowed by a bottoming out of job loss in some central city areas, where there may be relatively few jobs left to lose. On the other hand, in a growing economy, firms are more likely to expand -- and relocate -- than in slower times, so that better times may increase the magnitude of job relocation. Higher profit margins may also allow firms to locate in areas that firm owners deem more desirable. Thus, better economic times might be expected to exacerbate sprawl.

Has the expansion been accompanied by a slowing or quickening of sprawl? To identify whether decentralization in the 1990s has lagged or exceeded decentralization in the 1980s, we can, for different parts of the metropolitan area, compare the average annual percentage growth rates of employment from 1979-1989 to that for the 1991-1996 period.[11] Figure 11 shows the average annual percentage change in total employment for each segment of the metropolitan area. The figure shows that, for the metro area, average annual job growth was only slightly higher in the 1991-1996 period than in the 1979-89 period. (Recall that the 1980s included a recession in the first half of the decade and a strong, service-oriented expansion in the last half.)

Even though metropolitan job growth was slightly greater in the latter period, job loss in the city of Chicago increased substantially from 0.16 percent per year in the 1980s to 0.75 percent annually in the 1991-1996 period. Also, average job growth in the latter period exceeded job growth in the earlier period in Kane, Will, and McHenry counties, with Lake County experiencing a small decrease. DuPage County, the closest-in of the five collar counties, experienced significantly slower growth in the latter period than in the earlier one. In the Southwest and West Cook suburbs, employment grew much faster in the latter period than in the earlier one, due in large part to these areas turning around from losing to gaining manufacturing employment over the two periods. For five key sectors, and for total employment, Table 1 lists the proportion of all jobs located in the suburbs for the beginning and end of the 1980s, and for the beginning and end of the 1991-1996 period. For each sector, the table also gives the average annual increase in the proportion of jobs located in the suburbs over the two periods (1979-1989 and 1991-1996). Finally, a job sprawl growth ratio is computed for each sector by comparing the average increase in the proportion of jobs in the suburbs over 1991-1996 to the comparable annual rate over the 1980s. The results indicate that, when measured by the increase in the proportion of jobs located in the suburbs, employment decentralization continues at roughly the same rate as it did in the 1980s. However, in manufactur-

[11] *Where Workers Work* data do not exist for 1980, so 1979 and 1989 are compared.Because the reporting of employees at multiple locations was changed between 1990 and 1991, no intrametropolitan comparisons are made over periods containing this discontinuity in the data.

ing and retail employment, employment decentralization measured this way has worsened considerably, by approximately one-sixth in manufacturing and one-third in retail. Sprawl, while still significant in all sectors, slowed somewhat in wholesale, FIRE, and services.

There are two important caveats here. Measuring suburban-city sprawl rates may not capture a decentralization that is occurring from inner-ring suburbs to outer areas, although the two phenomena are likely to be somewhat correlated. Second, if the proportion of jobs in the suburbs grows at a constant percentage rate, the *number* of jobs flowing into the suburbs increases, because the base of employment in the suburbs becomes larger. The base of jobs in the suburbs in the 1990s is much larger than in the 1980s. To put it another way, the proportion of jobs in the suburbs climbed by 6.88 percentage points over ten years from 1979-1989, for an average of 0.69 percentage points per year. From 1991-1996, the proportion of jobs in the suburbs grew by 3.98 percentage points, for an average of 0.80 percentage points per year. While the percentage rate of sprawl overall has remained relatively constant, the average number of jobs flowing into the suburbs each year has increased significantly in the 1990s.

Figure 11. Average Annual Employment Growth in the Chicago Metropolitan Area, 1980s vs. 1991--1996

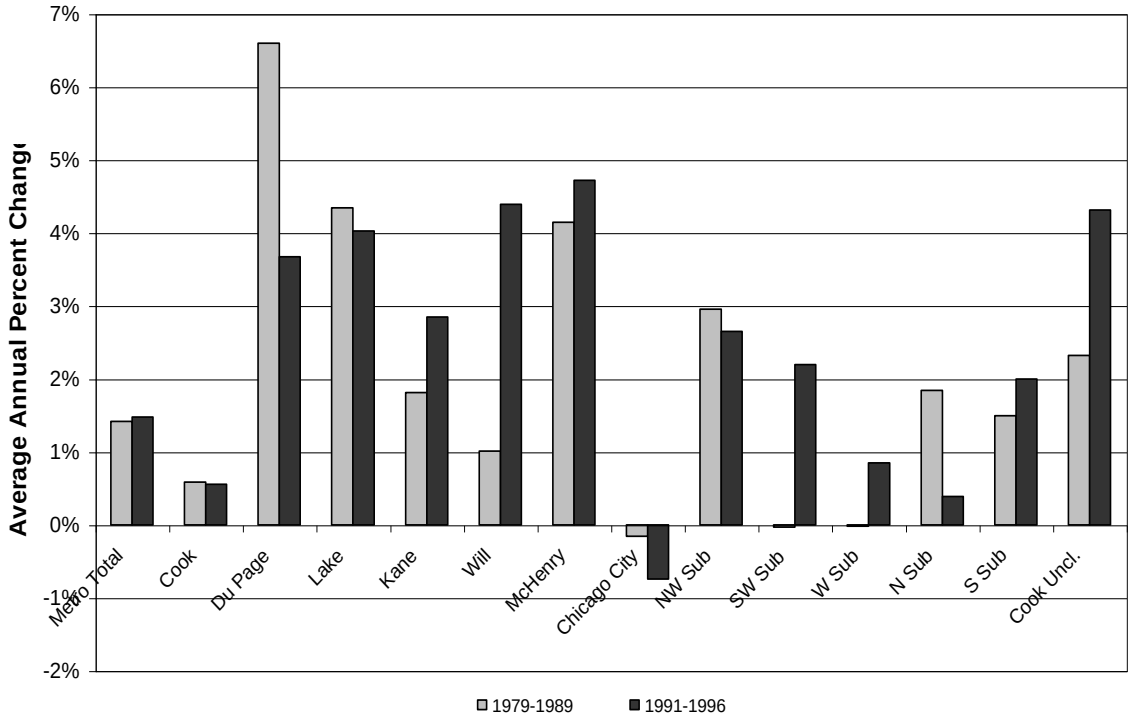


Table 1. Changes in the Chicago Area's Rate of City-Suburban Job Sprawl 1980s vs. 1990s

Sector	1979 % of Jobs in Sub-urbs	1989 % of Jobs in Sub-urbs	1979-89 Avg. Ann. Rate of Sprawl	1991 % of Jobs in Suburbs	1996 % of Jobs in Sub-urbs	1991-96 Avg. Ann. Rate of Sprawl	Job Sprawl Growth Ratio 90s:80s
Manufactur-ing	56.01%	65.67%	1.60%	67.42%	73.92%	1.86%	**1.16:1**
Retail	62.43%	67.11%	0.73%	70.61%	74.08%	0.96%	**1.33:1**
Wholesale	49.90%	62.22%	2.23%	69.07%	75.96%	1.92%	**0.86:1**
FIRE	30.79%	39.11%	2.42%	42.69%	46.73%	1.82%	**0.75:1**
Services & Misc.	50.28%	56.54%	1.18%	58.34%	61.29%	0.99%	**0.84:1**
All Sectors	52.61%	59.49%	1.24%	62.03%	66.01%	1.25%	**1.01:1**

Which Sectors Account for Most of the Job Gains and Losses in Different Parts of the Region?

Besides being concerned with the rate at which different sectors are growing or declining in different parts of the metropolitan area, it is important to understand which sectors account for large decreases or increases in the raw number of jobs in different areas. Figure 12 indicates that, while all industries grew across most parts of the five, high-growth collar counties, certain sectors accounted for large amounts of such growth. In all collar counties, other services, a large sector, saw increases in jobs ranging from more than 15,579 jobs in DuPage County to 3,330 in McHenry County. In DuPage County, business services accounted for the largest number of new jobs, but in other counties retail and manufacturing were sometimes larger contributors.

Three segments of suburban Cook County are considered high growth because the rate of job growth in the 1991-1996 period exceeded the metropolitan rate of overall employment growth: Northwest Cook, Southwest Cook, and South Cook. Figure 13 shows that in Northwest Cook, the other services sector was the largest contributor to job growth, followed by manufacturing and business services. In Southwest Cook, other services far exceeded other sectors in its importance, but in South Cook, retail was the largest contributor to employment growth.

Two segments of suburban Cook County are low growth because they lag the region in the rate of job growth from 1991 to 1996: West Cook and North Cook. These areas are older, more built up and have less land available for new commercial development. Figure 14 shows that in West Cook manufacturing employment grew by almost 5,000 jobs and business services by more than 5,000. But lagging retail and wholesale jobs dragged the total employment picture down. Declining retail employment may be related to changes in incomes as well as the continued spatial restructuring of retailing, with large malls taking business from the storefront retail common in some of these older communities. In North Cook, other services and health services provided significant gross new employment, but large losses in wholesale jobs as well as a significant loss of FIRE jobs hurt the area's overall employment growth.

Figure 15 shows that, for the city of Chicago, there was some good news in that employment in the business services and other services sectors grew in the early 1990s, and together accounted for an increase of more than 39,000 jobs. (However, even in these sectors, the city growth rate lagged that of the entire region.) The sectors accounting for the largest share of job loss included manufacturing and wholesale, the former accounting for a loss of almost 40,000 jobs and the latter for more than 20,000.

Figure 12. Change in Number of Jobs by Sector in the Five Collar Counties, 1991- 1996

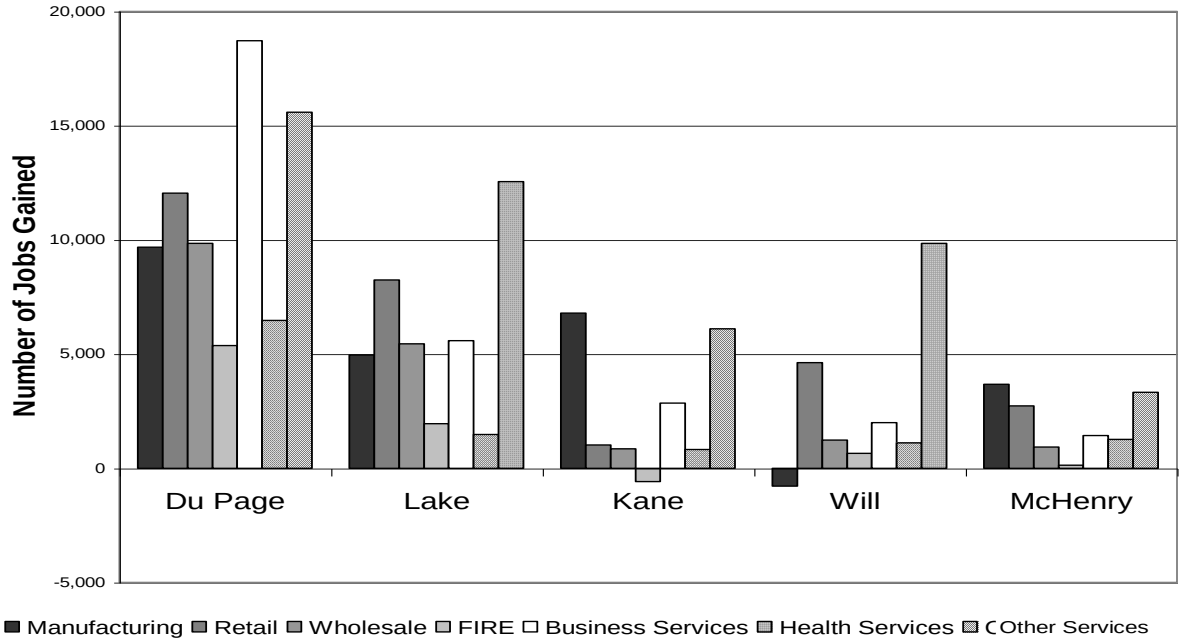


Figure 13. Change in Number of Jobs by Sector in Cook County's High-Growth Suburban Areas, 1991-1996

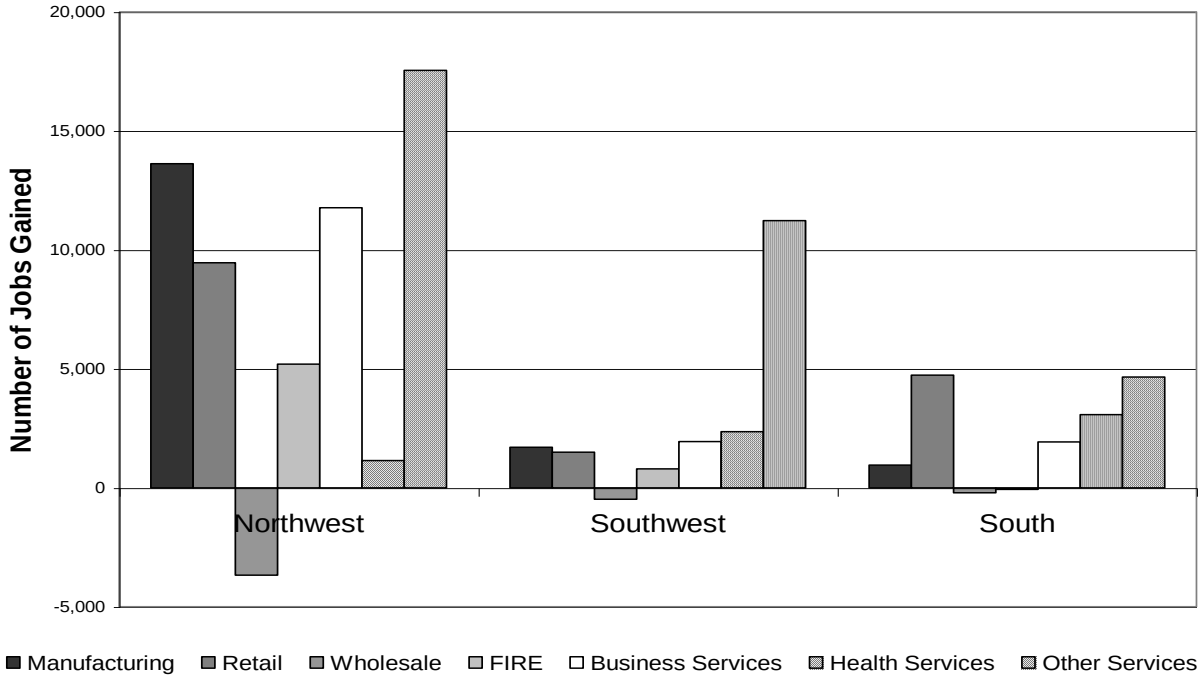


Figure 14. Change in Number of Jobs by Sector in Cook County's Low-Growth Suburban Areas, 1991-1996

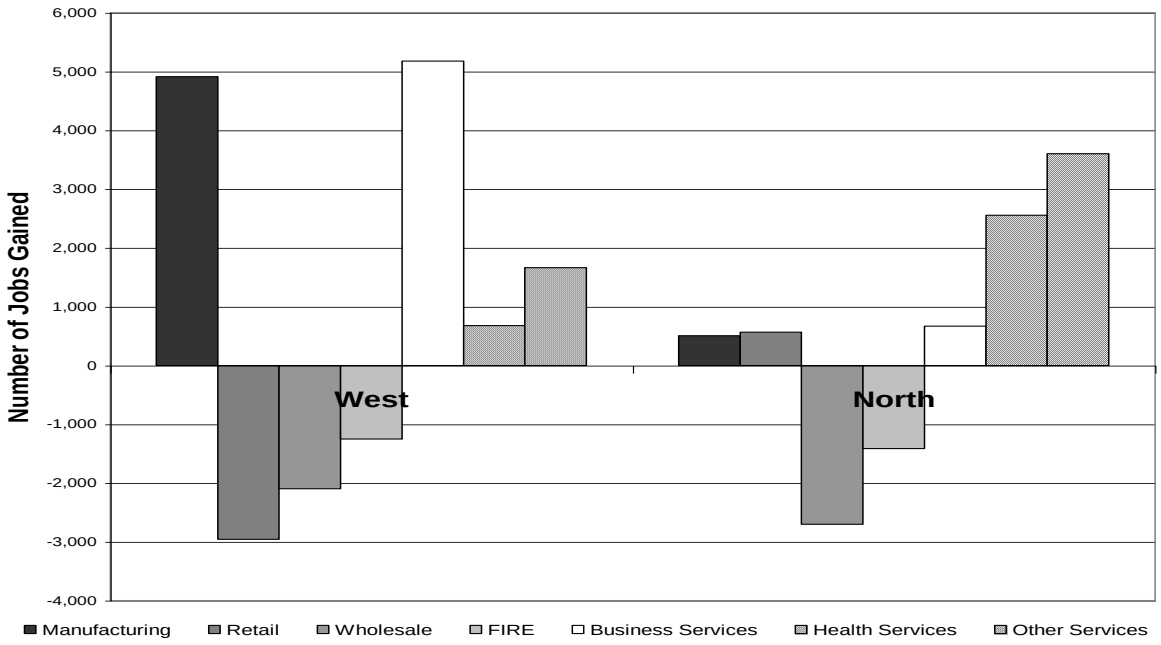
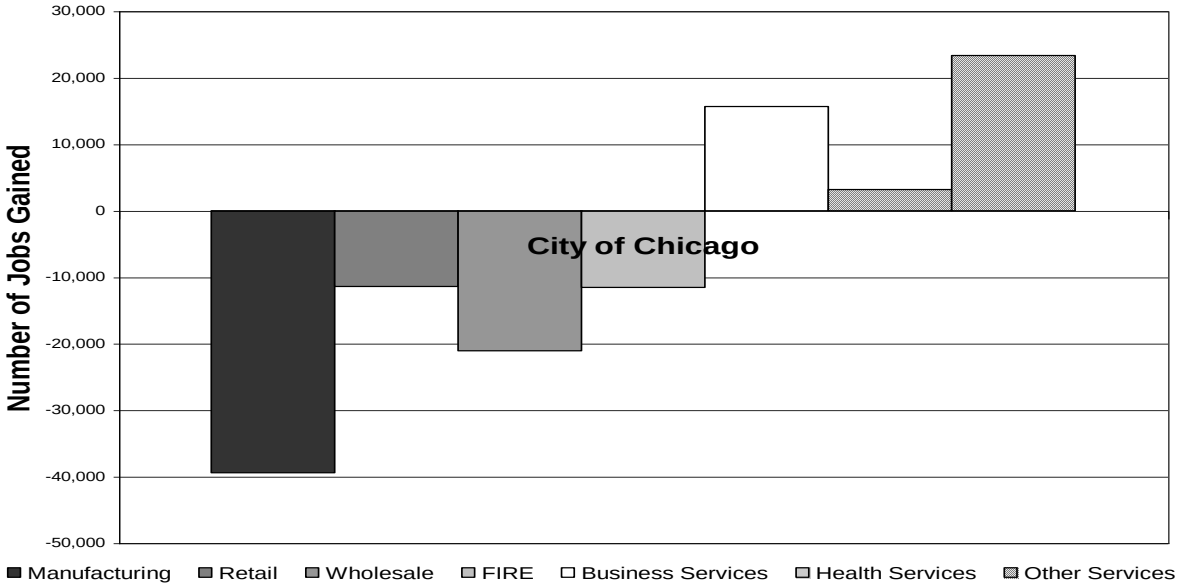


Figure 15. Change in Number of Jobs by Sector in City of Chicago, 1991-1996



Local vs. Regional Components of Employment Change

We know that each of the collar counties grew faster than the region across most economic sectors. In Cook County, however, the results are more mixed, with the city doing poorly across the board, and different suburban areas performing well in some sectors but not so well in others. One way to quantify the relative performance of different parts of the metropolitan area is to break out two components of the change in employment from 1991 to 1996. First, for each industrial sector in an area, we can identify the *regional* component (column E in Table 2) of job growth (or loss), which is equal to the change in the number of jobs in a sector that would have occurred in an area if the sector had grown at the same rate as it did for the metropolitan area. The remaining component of job growth is the *local* component (column F in Table 2). This component is the shift in employment within the region after controlling for region-wide employment changes. These two components added together equal the actual change in employment (column C in Table 2).

For each part of Cook County, Table 2 lists the sectors in which employment growth did not keep pace with the metropolitan area. (The percentage rate of growth was less than the rate for the metropolitan area.) These are the sectors in each area that lost employment faster (or gained employment more slowly) than the region and so have *negative* local components. After listing the number of jobs in 1991 and 1996 and the actual growth in the number of jobs, the table then lists the number of jobs that the local area would have had in 1996 if the sector had grown in that area at the same rate as it did in the overall region.

Then, for each sector listed, the table breaks out the regional component and local components of job change. If the local area grew faster (or declined more slowly) than the region, the local component, which is equal to the actual change in jobs minus the regional component, is positive; if it grew more slowly (or declined more rapidly) than the region, the local component is negative. (Only sectors fitting the latter description are listed in Table 2.)

The local component represents the employment opportunities lost due to the area's not keeping pace with the metropolitan region. It also represents the relative, or competitive, response of the area vis-a-vis other parts of the region in vying for the sector's employment. For example, the city of Chicago lost 39,442 manufacturing jobs over the 1991-1996 period. If the area had increased manufacturing employment at the metropolitan rate of 0.97 percent, it would have had 207,982 jobs in 1996. Thus the local component of employment change, due solely to intraregional shifts and not to region-wide changes, equals a loss of 41,450 jobs. Also, even though the city gained more than 23,000 other services jobs, it would have gained 25,000 more if it had kept up with the region as a whole. Because the city lagged the region in all sectors, its local component losses are much higher than its actual job loss. Local component losses exceed 135,000 jobs over this period, compared to the loss of 41,000 net jobs.

Table 2. Regional and Local Components of Employment Change in Cook County Areas, 1991-1996

(Includes only sectors lagging regional growth rate)

		A	B	C [B-A]	D	E [D-A]	F [C-E]

Area	Sector	Actual # Jobs 1991	Actual # Jobs 1996	Actual Change 1991-1996	1996 Jobs at Regional Growth Rate	Regional Component	Local Component
City of Chicago	Manufacturing	205,974	166,532	-39,442	207,982	2,008	-41,450
	Retail	169,314	157,929	-11,385	179,075	9,761	-21,146
	Wholesale	80,778	59,715	-21,063	76,838	-3,940	-17,123
	FIRE	164,016	152,462	-11,554	164,016	0	-11,554
	Bus. Services	86,527	102,196	15,669	115,152	28,625	-12,956
	Health Services	92,157	95,334	3,177	100,973	8,816	-5,639
	Other Services	346,032	369,377	23,345	394,576	48,544	-25,199
W Cook	Retail	26,767	23,808	-2,959	28,310	1,543	-4,502
	Wholesale	14,523	12,423	-2,100	13,815	-708	-1,392
	FIRE	5,665	4,411	-1,254	5,665	0	-1,254
	Health Services	15,943	16,618	675	17,468	1,525	-850
	Other Services	25,880	27,541	1,661	29,511	3,631	-1,970
N Cook	Retail	30,060	30,627	567	31,793	1,733	-1,166
	Wholesale	18,587	15,885	-2,702	17,680	-907	-1,795
	FIRE	15,591	14,178	-1,413	15,591	0	-1,413
	Bus. Services	12,697	13,364	667	16,897	4,200	-3,533
	Other Services	50,748	54,348	3,600	57,867	7,119	-3,519
SW Cook	Retail	38,447	39,945	1,498	40,663	2,216	-718
	Bus. Services	10,348	12,292	1,944	13,771	3,423	-1,479
	Health Services	26,532	28,881	2,349	29,070	2,538	-189
S Cook	FIRE	8,525	8,460	-65	8,525	0	-65
	Bus. Services	6,679	8,609	1,930	8,889	2,210	-280
	Other Services	34,276	38,923	4,647	39,085	4,809	-162
NW Cook	Wholesale	51,789	48,115	-3,674	49,263	-2,526	-1,148
	Health Services	27,195	28,335	1,140	29,797	2,602	-1,462

The city is the only part of Cook County that experienced local component losses in every sector. North Cook and West Cook experienced local component losses in five of the seven sectors. South Cook and Southwest Cook had local component losses in three sectors, and Northwest Cook in only two.

A Closer Look: What are the Patterns at the Municipal Level?

The areas used in the previous analyses are relatively large. The suburban areas can include dozens of distinct municipalities, ranging from old to new, modest-income to high-income, and minority to predominantly white. To understand how different characteristics of a suburb may affect its employment growth, we examined changes in employment for 111 municipalities in the Chicago region for which *Where Workers Work* data were fully disclosed. Table 3 provides group medians of 1991-1996 growth rates for these municipalities, broken out by income level and four key industrial sectors.[12] The table shows that low-income suburbs tended to experience slower (or more negative) growth than lower- and upper-middle-income areas. At the same time, upper-income areas actually saw substantial declines in manufacturing and wholesale sectors, pulling down their overall growth. These areas performed better in business services and, especially, retail jobs.[13]

Low-income municipalities are faring poorly relative to higher-income areas. Their group median lags the regional growth rate in total employment, retail, and is not substantially greater than the regional rate for wholesale. These areas are actually losing jobs in the increasingly important business services sector, in which regional employment climbed by 33 percent. Moreover, lower-middle-income areas are not doing nearly as well as upper-middle-income areas, especially in wholesale and retail sectors.

We can also look at how well municipalities with large proportions of African-Americans -- who are the most residentially segregated minority group and are likely to suffer most from employment decentralization -- are faring in capturing employment growth in the 1990s. Table 4 shows that municipalities with relatively large percentages of African-American residents typically saw jobs increase more slowly or decrease more quickly than areas with few African-Americans. Areas between 1 and 10 percent African-American saw slightly higher employment growth than those with fewer than 1 percent African-American residents. But when the proportion of residents who are African-American increases to between 10 and 30 percent, the rate of employment growth drops by approximately 60 percent, from more than 13 percent to less than 6 percent. For the few municipalities that are more than 30 percent African-American, employment declined over the 1991-1996 period, with large percentage drops in retail and business services.[14] In general, those municipalities with populations that are more than 10 percent African-American are faring poorly in retaining and attracting employment, especially in growing industries.

Table 3. Median Employment Growth Rates for Municipalities Grouped by Income, Chicago Metropolitan Area, 1991-1996*

Median Household		All Indus-	Manufac-		Business

[12]Small group sizes favor comparing group medians rather than group means. Also, for business services, data were suppressed for six municipalities due to confidentiality/disclosure procedures.

[13]The poor performance in manufacturing and wholesale is somewhat expected as high property values and restrictive commercial zoning discourage such firms from remaining or locating in very high-income communities. These communities, which include such areas as Winnetka, Lake Forest, Barrington, and Highland Park, often prefer "cleaner," service-oriented firms, especially those serving local residents.

[14]In manufacturing and wholesale employment, the performance of municipalities with more than 30 percent African-American residents was very mixed, with a few doing quite well. This might be explained if some firms leaving the central city (and perhaps neighborhoods with significant African-American populations) prefer such areas, either for relatively inexpensive real estate or other reasons. The small size of the group precludes any strong conclusions.

Income (1989)	n	tries	turing	Wholesale	Retail	n	Services
<$30,000	10	0.34%	1.62%	-2.58%	2.71%	8	-8.27%
$30,000 to <$40,000	46	11.12%	14.29%	-1.54%	2.62%	42	48.27%
$40,000 to <$55,000	39	19.93%	15.89%	7.91%	7.07%	39	64.89%
$55,000 +	16	0.25%	-20.64%	-12.17%	7.93%	16	47.70%
Metro Area		7.60%	0.97%	-4.88%	5.76%		33.08%

Table 4. Median Employment Growth Rates for Municipalities Grouped by Percent African-American, Chicago Metropolitan Area, 1991-1996*

% African-American Residents (1990)	n	All Indus- tries	Manufac- turing	Whole- sale	Retail	n	Business Services
< 1%	59	12.47%	8.00%	0.00%	9.51%	54	62.02%
1% to < 10%	31	13.42%	13.43%	-3.08%	4.90%	31	51.92%
10% to < 30%	12	5.41%	0.46%	-6.97%	-3.42%	11	9.08%
30%+	9	-1.70%	15.61%	0.94%	-10.98%	9	-8.13%
Metro Area		7.60%	0.97%	-4.88%	5.76%		33.08%

* Note: IDES does not disclose employment data for all municipalities, only for those with large numbers of jobs.

Figure 16 plots percentage changes in employment for Chicago area municipalities for which data were disclosed by the Illinois Department of Employment Security. (Data were not disclosed by the Illinois Department of Employment Security for the unshaded municipalities – those with low total employment -- due to confidentiality rules. Thus, maps should be read carefully, because, in the aggregate, substantial job growth – especially in percentage terms -- has occurred in many of the unshaded areas.) The figure shows that the central city and close in areas generally suffered job loss or slow (<10 percent) growth over the 1991-1996 period. The strongest rates of job growth were in the far northwest Cook County, parts of Kane and McHenry Counties, and southwest Cook County suburbs of Orland and Tinley Park. This level of detail shows that within the larger geographic areas used in the preceding sections of this report, there is a great deal of variation. Of particular note is the difference between the western and eastern portions of South Cook. The eastern portion is characterized by job loss or slow growth, with the western portion (west of I-57) has experienced substantial job growth. Similarly, the western part of Northwest Cook has experienced substantial job growth, with the eastern portion seeing slow growth or job loss.

Figure 17 indicates the density of net new jobs created in municipalities for which data were disclosed. It shows that the greatest concentrations of the *number* of net new jobs is in far Northwest Cook (Hoffman Estate, Schaumburg) and northeast DuPage County (near Wood Dale and Itasca). However, substantial increases in the number of jobs have occurred in Southwest Cook and the southwest part of South Cook (near Orland Park). Job creation is not insubstantial even in McHenry County municipalities of Woodstock and Crystal Lake.

Figures 16 and 17 aggregate the entire central city into one area, and there is substantial variation within the central city. Figure 18 shows the percentage change in total jobs in different zip codes in the city. It shows that areas seeing increases in jobs include along the lakefront north of Diversey; Latino and gentrifying areas of Pilsen and West Town; the southern part of the Near West Side (near the University of Illinois-Chicago and the West Loop area); the South Loop, the Mid South area (35th to 47th St.); and around Hyde Park. Areas generally losing jobs or seeing no growth included the far west side, the southwest side (west of I-94), and the far south side. A significant portion of the far northwest side, west of the Kennedy expressway (I-90) also saw essentially no growth, although O'Hare continues to be a substantial growth area.

Figure 19 plots the number of new jobs gained in the 1991-1996 period in those zip codes experiencing net job growth. (Red areas are those losing jobs.) It shows that the greatest number of net new jobs are concentrated around the central business district, with significant numbers along the north side lakefront, near Hyde Park, and at and near O'Hare. Overall, however, the city continues to lose employment, with some easing in the strongest part of the business cycle. Even in sectors where jobs have increased, though, the city lags the region in job growth across most sectors.

Conclusion and Implications for Policy

In the 1990s, the rate of job sprawl remains high in the Chicago region, with substantial worsening in manufacturing and retail sectors compared to the 1980s. The city of Chicago is actually losing jobs at a slightly greater pace than in the 1980s, with a decline of 40,000 manufacturing jobs between 1991 and 1996. The farthest-out collar counties (McHenry and Will) are growing at the fastest rates.

Job growth is not uniform across the suburbs, however, with many older suburban areas seeing slow growth or declines in different sectors. The West Cook and North Cook areas lagged the region as a whole in the rate of total employment growth (8 percent). The West Cook area saw large declines in retail, wholesale, and FIRE employment, with the North Cook suburbs seeing declines in wholesale and FIRE. West Cook job growth lagged the region in health services and other services. In North Cook, job growth lagged regional growth in retail, business services and other services. Also, suburbs in the eastern parts of Northwest Cook and, especially, South Cook (east of I-57) tended to experience slow growth or even job loss. Other parts of Cook County also lagged regional job growth in certain sectors.

At a finer level of detail, it becomes clear that municipalities that have modest-income levels or substantial African-American populations have suffered from job losses or sluggish growth. Municipalities that are between 10 and 30 percent African-American tend to perform below the regional rate in all major sectors. This trend changes somewhat among the relatively small number (9) of municipalities that are more than 30 percent African-American, in that some of these have seen substantial growth in manufacturing and wholesale employment (unlike the region). This might be explained by manufacturers leaving minority central city neighborhoods and looking for locations with similarly low property values. In other sectors, and as a whole, these areas tend to fare very poorly.

The pace of employment decentralization suggests that no *single* policy is likely to provide a solution. The outward movement of firms and jobs is driven by a complex dynamic. Moreover, there is a simultaneous causation between the decentralization of jobs and households. Jobs follow households as employers look to serve relocating populations and workforces. Mobile households flee neighborhoods that have been left without commercial amenities. On top of these forces, practices and legacies of discrimination continue to exert their influence. While individual programs to combat residential or commercial deterioration are vitally important, without a comprehensive strategy that recognizes the interdependence of commercial and residential investment, their impact will be limited.

To curb job sprawl and minimize its harmful effects on vulnerable populations, a variety of strategies must be pursued. Policies to reduce employment decentralization directly include urban economic development programs, growth controls, and commercial property tax reforms. The City of Chicago might increase or improve its economic development efforts through increased industrial park development, brownfields remediation, protective zoning, and other efforts. Given the heavy declines in manufacturing employment in the city, central city efforts must continue to expand beyond traditional manufacturing industries – although these remain important to many parts of the city – to include service industries, especially those providing substantial and decent-quality employment opportunities.[15]

[15] Other recent studies focus on specific City of Chicago policies that might be used to increase commercial and industrial development in the city. These include *City of Chicago Industrial market and Strategic Analysis* by Arthur Anderson LLP, March, 1998, and *Strategies for Business Growth* by the

While they are important actors in urban development policy, city governments are limited in their ability to combat employment decentralization, and higher levels of government must be participants in overall strategies. Policies for combating job sprawl must, in the aggregate, be comprehensive. Of course, actual policy progress is typically achieved through the accumulation of incremental changes. But the scale and multiple causes of the problem necessitate better coordination of policy formulation across various arenas.[16] Such a broad agenda should include, at a minimum, the following components:

⇒ Federal Policy: First, Do No Direct Harm

Federal resources for urban economic development have generally declined since the 1970s, leaving cities to rely on tax increment financing, abatements, and other similar approaches. In fact, some of the remaining federal economic development programs appear to be subsidizing sprawl.[17] Federal business and economic development programs must be examined for the impact on metropolitan development patterns and, if found to subsidize sprawl, be redesigned. Such programs should favor development in central city and inner-ring suburban areas, where the need for business development and jobs is the most acute.

In addition to economic development programs, broader bodies of policy must be employed to reduce incentives toward decentralization. Major taxation and spending structures can have profound effects on the spatial order of cities. The mortgage interest tax deduction has been shown to provide a substantial incentive for suburban residents to adopt exclusionary zoning practices such as minimum lot sizes.[18] Transportation spending in the U.S. is heavily skewed toward highways compared to Britain and France, where between 40 and 60 percent of transportation spending goes to railroads and mass transit. Besides these major structural policies, there are many "smaller" policies that subsidize or buttress decentralization -- such as the IRS providing higher tax-exempt levels for employee parking benefits than for mass transit benefits, or the SBA loan problem mentioned above.

⇒ State Government: Growing Responsibility for Reducing Employment Barriers

Given the growing responsibility of state governments in employment policy, they need to play a larger role in supporting business development in older and lower-income areas. At a minimum, state govern-

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Boston Consulting Group, June, 1998. Also, the Chicago Association of Neighborhood Development Organizations continues to promote a policy agenda aimed at increasing commercial and industrial development in the city. This agenda includes facilitating land assembly for industrial and commercial development, providing for more neighborhood input into the development of tax increment financing plans, and other policy changes. The focus here is more on state, federal, and regional policy aimed at decentralization more generally.

[16] One recent effort that brought together a diverse group of policy advocates on the issue of metropolitan development patterns was the "Build Our Communities" coalition, which identified a broad range of key policy issues for statewide elections, and included "smart growth" among its top three priorities.

[17] For example, the U.S. Small Business Administration's 504 loan program has been shown to favor higher-income and farther-out zip code areas versus lower-income and closer-in ones. D. Immergluck and E. Mullen, "The Intrametropolitan Distribution of Economic Development Financing: An analysis of SBA 504 Lending Patterns," *Economic Development Quarterly* 12: 372-384, 1998.

[18] R. Voith, "Does the US Tax Treatment of Housing Create an Incentive for Exclusionary Zoning?" Paper presented for the Conference on the Interdependence of Central Cities and Suburbs, Brookings Institution, Lincoln Institute of Land Policy, and Great Cities Institute, Chicago, September 24, 1998.

ments should work to take care to not directly subsidize the relocation of firms out of central cities and older suburbs into newly developing areas. More proactively, states should work to steer their development support and resources to older and central city areas. Too often, state economic development programs are diffuse efforts that offer subsidy to firms in any area, regardless of need.

State government must also increase resources devoted to increasing the skill levels of less-educated workers, especially those living in high-unemployment communities. This will support the dual purpose of increasing these residents' employment and earning potential as well as build the competitive advantage of these communities in attracting and retaining employers.

As is the case with federal policies, broad structural issues must be addressed at the state level, including the funding of roads, mass transit, and education. Hyperlocalized school funding systems feed residential segregation by race and income. The continuing expansion of expressway and tollway systems in outlying areas further reduces the competitive advantages of closer-in communities.

⇒ Confronting Discrimination: Race in Employment and Economic Development

One area that receives relatively little attention in policy discussions around employment decentralization is the role of race in employment. While it may not be the primary cause of job sprawl, racial discrimination in employment continues to be a major social problem and may play a sizable role in why firms flee minority areas. Because the U.S. has no proactive program to identify and prosecute firms who avoid employing minority workers, equal employment law is driven by responding to complaints or by lawsuits. This means that if a firm does not want to employ minorities, it may choose to locate its operations where few minorities are likely to apply. Thus, this reactive system of equal opportunity enforcement encourages discriminating firms to locate in farther-out areas, away from potential minority applicants. If proactive matched-pair testing were used to detect discrimination, as it has been in housing at a significant scale, then firms located in nonminority areas could be pursued for potential discrimination.[19] In fact, since suburban firms are known to reject African-American job applicants at higher rates than central-city firms, focusing discrimination testing more on suburban firms is warranted.

Given the hostility that the U.S. Congress has expressed toward enforcement of equal opportunity laws, including the use of employment testing, state governments may need to take the lead in identifying and enforcing antidiscrimination laws. Unfortunately, discrimination is not identified as a key employment barrier by most states in their welfare reform plans.

⇒ Addressing the Link Between Residential and Commercial Development

A comprehensive approach to reducing employment decentralization recognizes the key link between residential and commercial densities. Some argue that residential revitalization is the most promising ap-

[19]The federal Equal Employment Opportunity Commission has been restricted by the current Congress from pursuing significant use of matched-pair testing for employment discrimination.This constraint suggests that states, consistent with their increased role in employment policy, should adopt more aggressive antidiscrimination policies focused on hiring discrimination.

proach for reducing employment decentralization. [20] Improving the aggregate income of central city and older suburban neighborhoods encourages commercial investment. The preservation and creation of mixed-income areas will work to increase employment, particularly in service industries and retail. At the same time however, rapid escalations in property values, which may result from "hot" housing markets, may put pressure on industrial firms to relocate out of such areas. Thus, efforts to support mixed-income residential revitalization should be accompanied by industrial policies that provide firms with opportunities for relocating in more affordable central city or close-in areas.

Continuing housing segregation in the metropolitan area polarizes neighborhood income levels and destabilizes racially diverse and mixed-income communities. Currently some suburban communities utilize exclusionary zoning and other tactics to restrict access by lower-income and minority households. States can provide incentives and disincentives to municipalities to reduce minimum lot sizes and provide multifamily rental housing. Since race has been shown to be at least as large a determinant of residential segregation as differentials in housing costs, *aggressive* enforcement of fair housing laws by federal and state government -- including proactive matched-pair testing in all parts of the housing market – are a necessary complement to affordable housing development programs.

⇒ The Need to Address Development Patterns Across the *Entire* Region

Unfortunately, isolated no-growth efforts by individual suburban communities may do little to slow sprawl, merely pushing it out to farther-out areas so that sprawl leapfrogs over the growth-controlled suburbs. While some regional governance bodies have been successful at reducing incentives for sprawl, the state is the ideal party to institute and support antisprawl policies. Among those states with serious efforts to reduce sprawl is Maryland, which passed "smart growth" legislation in 1996. The law contains incentives and disincentives to slow sprawl, including steering more state infrastructure funds to already existing communities. Florida has had a series of legislative initiatives aimed at curbing sprawl, beginning in 1985 with its Growth Management Act. In 1996, the legislature passed a Sustainable Communities pilot project, which funds local plans for curbing sprawl. Other states with varying forms of growth management legislation include Oregon, Washington, and New Jersey.

Regional tax base sharing has also been utilized to reduce sprawl, most notably in Minnesota. Regional umbrella entities also administer metropolitan tax systems in Seattle and Portland, Oregon. More generally, many other metropolitan areas have regionalized service and taxation systems, but these are primarily for water or transportation systems, and have little if any redistributive function.

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[20] For example, see E. Hill and J. Brennan, "Where is the Renaissance? Employment Specialization Within Ohio's Metropolitan Areas." Paper presented for the Conference on the Interdependence of Central Cities and Suburbs, Brookings Institution, Lincoln Institute of Land Policy, and Great Cities Institute, Chicago, September 24, 1998.

⇒ Building Coalitions: Creative Partners

Myron Orfield argues that political coalitions are necessary to adopt policies aimed at curbing sprawl.[21] He recommends building coalitions among city dwellers and those living in older, declining suburbs. The results above suggest that local governments in some older suburbs may be responsive to such coalition-building due to their sluggish growth in employment (and tax base). At the same time, it has been shown that the costs of employment decentralization fall on two major groups: lower-income central city residents and higher-income residents in further-out areas.[22] Thus, they argue, higher-income suburban residents, who will tend to oppose employment growth near their communities, can provide allies for central-city residents seeking to retain employment in or close to the city. Indeed, the results in Table 3 suggest that the most affluent municipalities resist employment growth to some degree, except in the retail sector. It may be that political mobilization efforts should target *both* declining suburbs and anti-growth affluent suburbanites as allies in building antisprawl coalitions.

Much more needs to be done to slow the pace of job sprawl. The persistence and scale of the problem requires comprehensive policymaking at state and federal levels that addresses both employment and residential movement out of older parts of the region. Strategies must recognize the need for both the residential and commercial revitalization – or at least stabilization -- of older areas to hold promise of major impact. Also, a variety of tools are needed, ranging from smart-growth spending and incentive policies to transit-oriented development initiatives and mixed-income housing development.

[21] M. Orfield, "*Metropolitics: A Regional Agenda for Community and Stability*, Washington, D.C.: Brookings Institution, 1997.

[22] Persky and Wiewel, 1998.