

Lexington and Leadership Cities: A Comparison

Commerce Lexington annual Leadership Visit is well-known to Lexington's business and community leaders. The Leadership Visit is designed as a learning opportunity for community leaders to study other cities and to apply the best of what they see and hear to the Bluegrass Region. The group also examines challenges in the Bluegrass, what is working well at home, and ways to improve. Often these cities are chosen based on their successes and can be identified as having traits and outcomes that Lexington would like to achieve.

We are often asked about how Lexington compares to other cities. Every year, Lexington is praised by many different publications for a variety of successes, including being business-friendly, a great place to raise children, and having an exceptionally educated workforce. These groups and publications comb through a mountain of data in a variety of different areas to help them rank each city. As an addition to this external research, we decided to do some internal research on a smaller scale to help us understand how well Lexington is stacking up with the selected Leadership Visit cities from the past 20 years¹. Each of the cities was evaluated based on population, median household income, and employment.

For each of the three criteria that the cities were ranked on, both the static census number from 2007 and the compound annual growth rate (CAGR) were calculated. The CAGR is the average growth (or decline) from year to year over the selected time period (2000 to 2007).

The leadership cities have a lot of variation in total population, so ranking them by their annual growth rate allows us a better comparison of Lexington with the other cities. **With a CAGR of .86%, Lexington is slightly higher than the average growth rate of .78%.** Lexington's population grew at the same annual rate as Madison, WI, the site of the 2009 Leadership Visit.

You can see that the population of Austin, TX is growing at just under twice the annual rate of Lexington. Charlotte and Raleigh, NC are growing at over three times the annual rate of Lexington.

In contrast, the population in Pittsburgh, PA is declining at twice the rate that Lexington is growing. However, population growth isn't necessarily a sufficient or necessary condition for success. For instance, a city that is re-making its economy, such as Pittsburgh, may have a declining population but a better employment rate.

For employment figures, I used the Quarterly Census of Employment and Wages (QCEW) provided by the US Bureau of Labor and Statistics. This is a different measure from the monthly unemployment survey (LAUS or Local Area Unemployment Survey) in that it is counted at the place of work rather than at the place of residence. In essence, using the QCEW allows us to analyze more accurately the number of jobs in a given place rather than the number of employed persons.

Place	State	2007 Population	2000-2007 CAGR of Population
Pittsburgh city	PA	290,918	-1.73%
Mobile city	AL	189,476	-0.61%
Providence city	RI	168,846	-0.35%
Boulder city	CO	92,569	-0.28%
Baltimore city	MD	637,455	-0.27%
Richmond city	VA	200,123	0.15%
Ann Arbor city	MI	116,168	0.23%
Washington city	DC	588,292	0.35%
Portland city	OR	550,795	0.50%
Tucson city	AZ	519,260	0.81%
Madison city	WI	222,725	0.86%
Lexington-Fayette	KY	279,044	0.86%
Oklahoma City	OK	546,930	0.97%
Nashville-Davidson	TN	593,332	1.06%
Tampa city	FL	334,093	1.21%
Austin city	TX	749,659	1.67%
Charleston city	SC	114,351	2.12%
Boca Raton city	FL	88,496	2.13%
Charlotte city	NC	675,229	2.81%
Raleigh city	NC	354,188	3.16%

¹Greenville, SC is the one exception. The actual incorporated city of Greenville has too small of a population for the yearly US Census American Community Survey, from which much of the data is extracted. Next year's destination (Pittsburgh, PA) was substituted in its place.

One caveat to using QCEW data is that it is only available at the county level. Therefore, while the rest of the data we researched was focused on each city as an individual entity, for employment we had to include the larger county area around each city. In Lexington's case, the city and the county are the same entity, so the numbers are based on the same area. Also, data was only available from 2001 to 2007, so the period of growth (or decline) was different than for the listed population or median household income numbers.

The average CAGR in employment for the leadership cities group was .72%. Lexington placed just below this average at .69%. There are some similarities in this list to the population growth rankings. Ann Arbor and Pittsburgh find themselves near the bottom of the list, though their employment decline is much less severe than their population decline. Unfortunately for Boulder, the opposite is true.

Raleigh and Charlotte had again, at least twice as much growth as Lexington. Austin, however, had a little less than half of the growth in employment as it did in population.

Place	State	2007 Median HH Income	2000-2007 CAGR of Median HH Income (2007 dollars)
Raleigh city	NC	\$51,071	-1.57%
Mobile city	AL	\$35,093	-1.35%
Charlotte city	NC	\$52,690	-1.28%
Pittsburgh city	PA	\$32,363	-1.17%
Austin city	TX	\$48,966	-1.01%
Ann Arbor city	MI	\$53,587	-0.90%
Lexington-Fayette	KY	\$46,296	-0.84%
Tucson city	AZ	\$36,096	-0.81%
Nashville-Davidson	TN	\$45,844	-0.78%
Portland city	OR	\$47,143	-0.72%
Boulder city	CO	\$52,759	-0.67%
Oklahoma City	OK	\$41,899	-0.46%
Boca Raton city	FL	\$72,512	-0.41%
Madison city	WI	\$50,991	-0.28%
Baltimore city	MD	\$36,949	-0.16%
Richmond city	VA	\$38,461	-0.08%
Providence city	RI	\$34,185	0.28%
Tampa city	FL	\$44,079	0.37%
Charleston city	SC	\$46,623	0.76%
Washington city	DC	\$54,317	1.06%

Place ¹	State	2007 Employment	2001-2007 CAGR of Employment
Boulder	CO	159,984	-2.04%
Pittsburgh	PA	684,335	-0.56%
Ann Arbor	MI	190,766	-0.35%
Providence	RI	287,090	-0.08%
Portland	OR	447,892	0.11%
Oklahoma City	OK	420,315	0.16%
Nashville-Davidson	TN	444,351	0.34%
Mobile	AL	174,174	0.60%
Baltimore	MD	376,757	0.65%
Lexington-Fayette	KY	175,951	0.69%
Austin	TX	569,200	0.89%
Washington	DC	678,119	0.93%
Tampa	FL	646,102	1.17%
Madison	WI	303,686	1.21%
Richmond	VA	302,020	1.21%
Charlotte	NC	566,204	1.39%
Boca Raton	FL	560,215	1.65%
Tucson	AZ	373,728	1.93%
Raleigh	NC	448,826	2.19%
Charleston	SC	210,806	2.22%

For the final table, we used median household income to rank each of the cities. There are several different measures available to try to evaluate the income of the residents in a city. Per capita income is probably the most widespread, though it has some disadvantages. Because it is a true average, per capita income is not very resistant to outliers. That is, all of the people who do not work, whether they choose not to or cannot find employment, have an income contribution of zero dollars, which will severely bring down the average. Any city with a large young or old population will bias their per capita income downward due to the limited incomes of the younger and older demographics. Conversely, if there are a few very large earners, say Bill Gates, in the population, they will artificially bring the per capita income upward.

We chose to use median household income because medians are naturally more outlier-resistant and we believe that households are a better unit to measure the wealth of a community as they often pool resources and share expenses. Note that since 2000 was a boom year in the national economy, most of the growth rates in median household income are negative.

According to this metric, Lexington's annual median household growth of -.84% is below the group average of -.5%. However, Lexington is not alone. Austin's growth rate in median household income is worse than Lexington's and the champions of population and employment growth, Raleigh and Charlotte, have even worse median household income growth rates. Other recent Leadership Visit cities, such as Madison and Oklahoma City have fared better, with Washington DC being the champion of median income household growth in this group.

¹Because of the reporting nature of the QCEW, the numbers presented in this table are for the county surrounding the listed city. In the case of Richmond, VA, both Henrico and Chesterfield counties were combined.

All in all, we believe that, just like most of the other cities in this Leadership Visit group, Lexington has had some measure of success as well as a certain amount of challenges. Largely staying away from either extreme, Lexington continues to show that it is a city of consistent, sustained growth in both population and employment. Lexington has also shown that it can reasonably protect the incomes of its residents, at the very least when compared to other benchmark cities.

For the full data table as well as additional analysis, please visit:

<http://research.commercelexington.com/white-papers>

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Sources:

- US Census Bureau Decennial Census – 2000 population and median household income data
- US Census Bureau American Community Survey – 2007 population and median household income data
- Bureau of Labor and Statistics' Quarterly Survey of Employment and Wages - 2001 and 2007 employment data