

# Gentrification and Neighborhood Change: Demographic and Labor Market Characteristics of Gentrifying Neighborhoods in Philadelphia

May 2022 | Sam Fraley and Matthew Hutton

Characterized by increased investment in historically low-income neighborhoods, gentrification is most often associated with an in-migration of highly educated and more affluent individuals. Often accompanied by a rise in social and recreational amenities, this in-migration has long thought to spur increases in land value and therefore rents, leading to the displacement of low-income residents.

Though the phenomenon of gentrification itself has been studied in great detail, little work has been done to truly understand how gentrification affects local labor markets. In particular, the emergence of new industries, changes in job quality, and shifts in worker commuting patterns are topics that remain largely unexplored.

Focused on the city of Philadelphia, this brief first develops a quantitative method for identifying neighborhoods that have experienced gentrification during the decade beginning in 2010. Once established, these areas are further analyzed to show changes in industry composition and job characteristics.

From this work, three key findings emerged:

1. **Gentrifying neighborhoods are concentrated to the north and south of Center City Philadelphia.** Though pockets of gentrification were found throughout the city, the largest affected areas were in closer proximity to Center City and the central business district.
2. **Shifting demographic characteristics show that these neighborhoods are popular destinations for new Philadelphia residents.** At the same time, the number of Black and African American residents fell while the number of younger residents increased, all signs of potential displacement.
3. **Gentrifying areas of the city are engines of economic growth, generating new high-quality employment opportunities at higher rates than the city overall.** This may offer an avenue for workforce development programming to train and upskill existing residents.

## Methodology: Identifying Gentrification

Gentrifying neighborhoods were identified using census-tract-level data from the U.S. Census Bureau’s American Community Survey (ACS) Five-Year Estimates. Indicators of interest include median household income, median home value, and educational attainment. Adapted from the work of Freeman (2005), census tracts were required to meet five criteria to be considered gentrifying.<sup>1</sup>

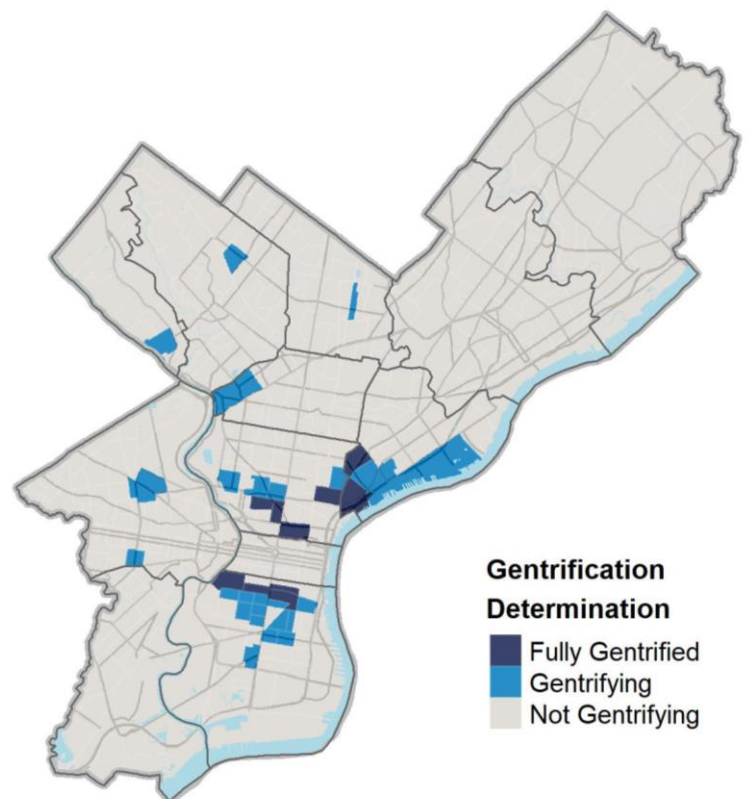
1. **Relatively Low Income:** The median income of the census tracts in 2010 must be lower than that of the metropolitan statistical area (MSA) in 2010.
2. **Historic Disinvestment:** The portion of housing stock built in the tract from 1970 to 2000 must be lower than the portion of housing stock built over the same period in the MSA. A tract would meet this criterion if less than 32% of its total housing stock was built from 1970 to 2000.
3. **Rapid Income and Education Change:** The 2010 to 2019 tract-level change in median household income and change in the share of residents with a bachelor’s degree or higher must be greater than that of the MSA. Educational attainment and household incomes must have grown at a faster rate than in the region overall.
4. **Increased Home Value:** The 2010 to 2019 tract-level change in median home values must be positive and statistically significant. Tracts that did not see significant increases in median home values were excluded.

5. **Central Business District Exclusions:** Tracts in Center City and the central business district were excluded.

Based on these criteria, three primary clusters to the north and south of Center City and six other peripheral neighborhoods were found to have experienced some level of gentrification. In some cases, individual tracts have seen income and educational increases so great that they now exceed levels seen across the MSA overall. These tracts are considered fully gentrified, as reflected in Figure 1. For the purposes of this analysis, clusters of gentrification were grouped and merged into larger neighborhoods, as seen in Figure 2.

### Gentrifying Areas Are Clustered to the North and South of Center City Philadelphia

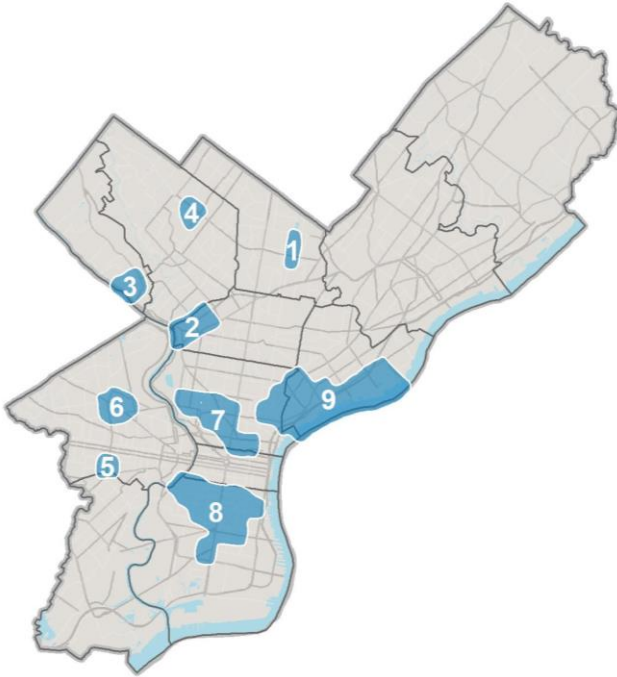
Figure 1: Identified Areas of Gentrification in Philadelphia



Source: Philadelphia Works analysis of the ACS, 2006-2010 and 2015-2019 estimates

## Gentrifying Areas Are Clustered to the North and South of Center City Philadelphia

Figure 2: Clustered Areas of Gentrification



Source: Philadelphia Works analysis of the ACS, 2006-2010 and 2015-2019 estimates

Table 1: Clustered Areas of Gentrification

Map Reference	Neighborhood
1	Olney
2	East Falls
3	Roxborough-Manayunk
4	East Mount Airy
5	Cobbs Creek
6	Cathedral Park
7	Fairmont and Callowhill
8	South Philadelphia
9	Fishtown

## Demographic Characteristics in Gentrifying Neighborhoods

In 2010, at the start of the analysis period, tracts identified above as gentrifying were generally occupied by lower income households and individuals of color. Between 2010 and 2019, these areas not only saw rapid growth in income and educational attainment, but they also experienced declines in the number of Black or African American residents and an increase in younger residents and recent transplants.

Gentrification appears to have had a disproportionate effect on Black and African American Philadelphia residents. Based on official counts from the decennial Census, gentrifying areas in Philadelphia experienced sharp losses in Black or African American residents since 2010.<sup>2</sup> Overall population growth in the city added more than 27,000 residents to gentrifying areas; however, the Black and African American population in these neighborhoods declined by approximately 11,000 individuals.

While the overall Black and African American population also fell across Philadelphia over the past decade, decreasing by about 30,000 individuals, Black and African American population loss in gentrifying neighborhoods occurred more than two times faster. Spatially, much of this population loss was concentrated in areas just to the north and south of Center City (see Figure 3).

By age, population growth in gentrifying neighborhoods has been dominated by young adults between the ages of 25 and 34. Between 2010 and 2019, this age bracket added more than 17,000 individuals to the identified

neighborhoods, a growth rate of roughly three times that of the city.<sup>3</sup>

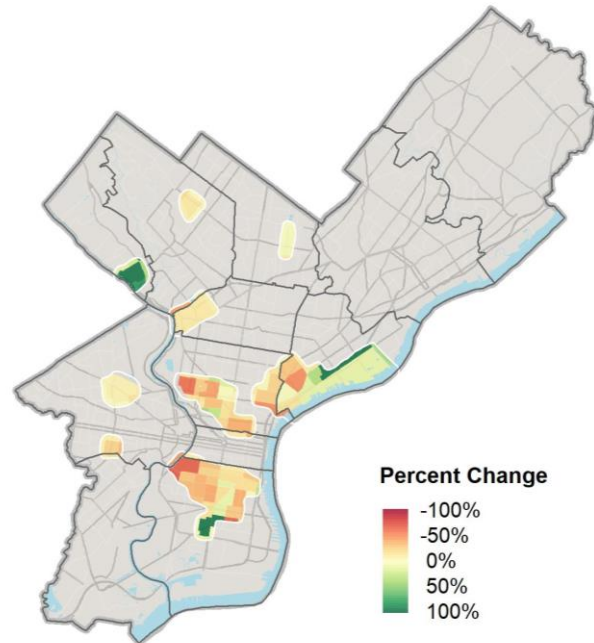
Slightly older adults between the ages of 35 and 44 also contributed to important population growth characteristics. Though smaller in volume—adding roughly 5,000 individuals across gentrifying neighborhoods between 2010 and 2019—this demographic stands out against city-wide trends. During the period of analysis, the 35 to 44 age group grew at a rate of less than 2% in Philadelphia. In gentrifying areas, the rate was 30%, roughly 16 times higher than seen in the city overall.<sup>4</sup>

Perhaps unsurprisingly, Philadelphia’s gentrified and gentrifying neighborhoods have also experienced a higher prevalence of geographic mobility than many other areas of the city. Between 2010 and 2019, gentrifying neighborhoods saw significant growth in individuals that reported to have lived outside of Philadelphia in the prior year. In gentrifying neighborhoods, the number of residents reporting to have moved to the city within the last year grew by 105% between 2010 and 2019. This increase far exceeds the city-wide growth rate of 20%, suggesting that gentrifying neighborhoods are popular destinations for new residents.<sup>5</sup>

Combined, these demographic trends reveal neighborhoods that are experiencing rapid change. Beyond increases in educational attainment and income, racial and generational compositions are also shifting. Though we cannot prove that existing residents are being displaced, these shifts suggest that displacement is a very real threat.

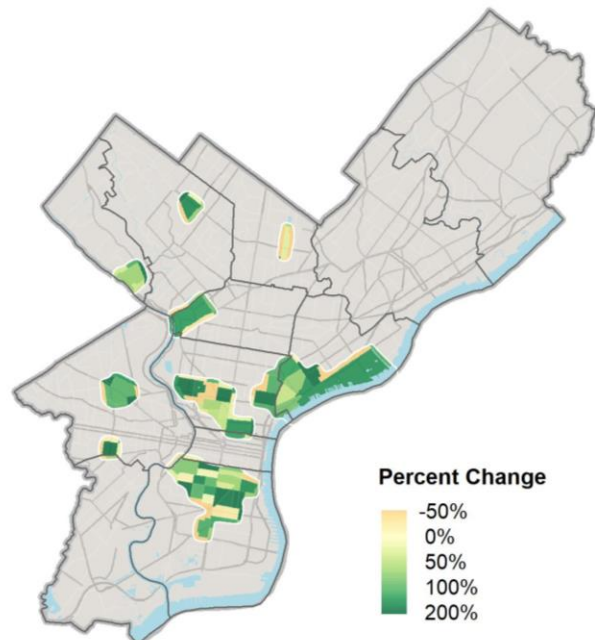
### The Black and African American Population Declined More Rapidly in Gentrifying Neighborhoods

Figure 3: Change in the Black and African American Population by Census Tract, 2010 to 2020



### Gentrifying Neighborhoods are Popular Destinations for New Philadelphia Residents

Figure 4: Change in Geographic Mobility by Census Tract, 2010 to 2020



Source: Philadelphia Works analysis of the ACS, 2006-2010 and 2015-2019 estimates

## Labor Market Trends in Gentrifying Neighborhoods

From 2010 to 2019, Philadelphia overall experienced impressive economic growth, with private employers adding roughly 75,000 jobs to the city’s labor market. Much of this growth occurred in three key industry sectors: Health Care and Social Assistance; Accommodation and Food Services; and Professional, Scientific, and Technical Services. Combined, private employers in these high-growth sectors added approximately 60,000 jobs during the previous decade.<sup>6</sup>

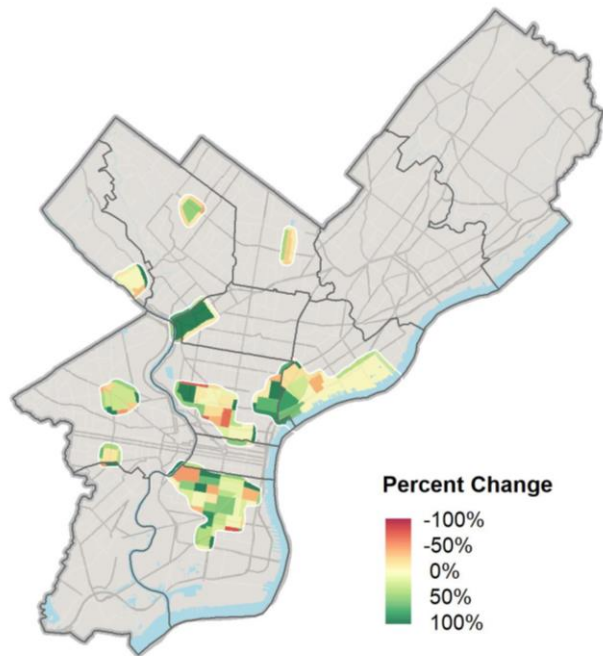
Mirroring city-wide trends to some degree, gentrifying areas of Philadelphia experienced rapid private sector job growth from 2010 to 2019. An analysis of the Workplace Area Characteristics file from the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics (LEHD) dataset shows that across all sectors that grew in the city overall, job growth occurred more rapidly in gentrifying areas. Combined, the identified neighborhoods added 15,000 jobs from 2010 to 2019, growing by about 27%.

Job growth in gentrifying areas occurred most significantly in Health Care and Social Assistance, Accommodation and Food Services, and Retail Trade (see Table 2). The Health Care and Social Assistance sector alone added more than 6,300 jobs, growing by nearly 40%. Compared to city-wide growth rates, job growth in Philadelphia’s gentrifying areas was most impressive among Educational Services and Retail Trade sectors, with each growing approximately seven times faster than in the city overall.<sup>7</sup>

In addition to job creation by industry sector, employment growth in gentrifying areas occurred across the wage spectrum. While low-wage

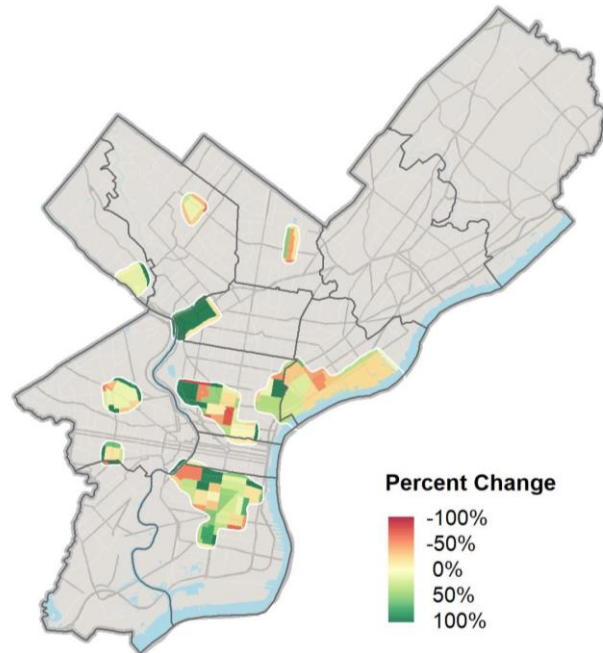
## Gentrifying Areas Help to Drive Job Growth in Philadelphia

Figure 5: Percent Change in Jobs, 2010 to 2019



## High Skill Jobs Grew More Quickly in Gentrifying Neighborhoods than in the City Overall

Figure 6: Change in Jobs Held by Individuals with at least a Bachelor’s Degree, 2010 to 2019



Source: Philadelphia Works analysis of the WAC (LEHD) 2010 and 2019 estimates

employment experienced marginal growth, jobs paying at least \$40,000 per year grew at a rate of 41% and accounted for approximately 85% of all job growth.<sup>8</sup>

By educational attainment, jobs held by individuals with a bachelor's degree or higher also experienced faster growth in gentrified areas. While this category of jobs grew by about 5% across the city, the rate for gentrifying neighborhoods was 16%. Growth rates for jobs held by individuals with an associate's degree or less were roughly in line with those of the city.<sup>9</sup>

In general, these data show that gentrifying neighborhoods are important areas for economic growth, with private-sector job creation occurring at a rapid pace. While the leisure and amenity sectors that are most often associated with gentrification account for some of this development, higher-wage and higher-skill opportunities are also growing.

**Table 2: Area Job Growth by Industry Sector, 2010 to 2019**

Industry Sector	Gentrifying Areas		Philadelphia Overall	
	Job Change	Percent Change	Job Change	Percent Change
Health Care and Social Assistance	6,330	38%	32,330	24%
Accommodation and Food Services	2,060	42%	14,210	29%
Retail Trade	1,570	33%	2,470	5%
Educational Services	1,300	15%	1,130	2%
Arts, Entertainment, and Recreation	1,130	92%	3,880	40%
Administrative Support Services	980	43%	4,910	21%
Other Services	860	42%	3,360	16%
Professional and Technical Services	790	47%	13,930	33%
Construction	680	46%	2,340	25%
Transportation and Warehousing	360	28%	4,500	21%
Real Estate	300	45%	2,000	24%
Information	160	15%	(790)	-7%
Finance and Insurance	90	9%	(3,430)	-10%
Utilities	(60)	-16%	260	20%
Management of Companies	(230)	-15%	(730)	-6%
Wholesale Trade	(310)	-16%	20	0%
Manufacturing	(990)	-30%	(5,290)	-21%

Source: Philadelphia Works analysis of the WAC (LEHD) 2010 and 2019 estimates

## Leveraging Place-Based Workforce Development Strategies

Targeting high-quality employment opportunities through workforce development programming not only allows existing residents to fill local jobs but also has the potential to mitigate the displacement of long-term, low-income residents.

As the workforce development board of Philadelphia, the mission of Philadelphia Works is to increase economic opportunity for all Philadelphia residents. By identifying neighborhoods that are experiencing gentrification and that may be at risk of displacement pressures, we are better positioned to fulfill this mission.

Philadelphia Works continues to support community-based partners in leveraging available programming. Career and technical education, sector partnerships, and supportive

services are already available to city residents and employers. Partnerships with libraries, community centers, and providers have allowed us to expand services to more neighborhoods, targeting areas experiencing the greatest need.

Outreach and community engagement continue to be major challenges in delivering workforce development services. Especially for workforce initiatives that are focused in particular neighborhoods, soliciting buy-in from established community leaders remains a best practice in connecting individuals to services. At Philadelphia Works, our community engagement team is active in targeting organizations for potential collaboration and plays a fundamental part in our outreach strategy.

Individuals and communities that are interested in learning more about how to access workforce services are encouraged to contact Philadelphia Works or your closest PA CareerLink® Center

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<sup>1</sup> Based on the method developed by Freeman, L. and published in “Displacement or Succession?” *Urban Affairs Review*, 40(4), 463-491 (2005).

<sup>2</sup> Because of wide margins of error in the American Community Survey estimates, official Census counts were used. Due to changes in tract geographies between 2010 and 2020, the 2020 tracts were spatially joined to the 2010 geographies. In all cases, this resulted in reconstituting tracts that were split between 2010 and 2020 due to population growth and allowed for a clean comparison.

<sup>3</sup> Based on analysis of the American Community Survey (ACS) 5-Year Estimates from the U.S. Census Bureau.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Based on analysis of the Quarterly Census of Employment and Wages (QCEW) from the Bureau of Labor Statistics (BLS).

<sup>7</sup> Based on analysis of the Workplace Area Characteristics (WAC) file of the Longitudinal Employer-Household Dynamics (LEHD) dataset from the U.S. Census Bureau.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.