The urgency of inclusive growth
Centering people in community economic development

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LISC FOC/Bridges National Meeting | December 12, 2019
Economic and demographic changes within Greater Washington

Defining inclusive growth

Challenges in the modern era

Implications for community development
A new framework for growth

“The goal is to put a regional economy on a trajectory of higher growth by increasing the productivity of firms and workers in a way that raises standards of living for all.”

Every region should pursue three goals

**GROWTH**
- Jobs
- Output
- Entrepreneurship

**PROSPERITY**
- Productivity
- Standard of Living
- Average wage

**INCLUSION**
- Employment rate
- Median wage
- Relative poverty rate
Every region should pursue three goals

**GROWTH**

Job growth

2007-2017

- Top 100 metro areas: 7.7%
- Chicago: 2.6%
- Philly: 3.1%
- Indianapolis: 10.3%

**PROSPERITY**

**INCLUSION**

Source: Brookings, “Metro Monitor,” 2019
Every region should pursue three goals

**GROWTH**

**Job growth**

2007-2017

Top 100 metro areas: 7.7%
Chicago: 2.6%
Philly: 3.1%
Indianapolis: 10.3%

**PROSPERITY**

**Productivity**

2007-2017

Top 100 metro areas: 4.6%
Chicago: 5.2%
Philly: 6.4%
Indianapolis: 2.9%

**INCLUSION**

Source: Brookings, “Metro Monitor,” 2019
Every region should pursue three goals

**GROWTH**
- **Job growth**
  - 2007-2017
  - Top 100 metro areas: 7.7%
  - Chicago: 2.6%
  - Philly: 3.1%
  - Indianapolis: 10.3%

**PROSPERITY**
- **Productivity**
  - 2007-2017
  - Top 100 metro areas: 4.6%
  - Chicago: 5.2%
  - Philly: 6.4%
  - Indianapolis: 2.9%

**INCLUSION**
- **Median earnings growth**
  - 2007-2017
  - Top 100 metro areas: 0.0%
  - Chicago: 1.3%
  - Philly: 1.3%
  - Indianapolis: -0.1%

Source: Brookings, “Metro Monitor,” 2019
The Philadelphia area has made little progress on racial inclusion.

<table>
<thead>
<tr>
<th>Median earnings</th>
<th>Philadelphia metro area</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>$58,105</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$35,400</td>
</tr>
<tr>
<td>Black</td>
<td>$36,000</td>
</tr>
</tbody>
</table>

Change in racial median earnings gap, 2007-2017:
- White: +5% increase
- Black: -3% decrease
- Hispanic: +1% increase

Out of 100 metros in change in racial earnings gap, 2007-2017: 72nd

Source: Brookings, "Metro Monitor," 2019
Economic and demographic changes within Greater Washington

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Challenges in the modern era

Implications for community development
Three trends complicate the challenge of building an inclusive economy
Tech concentrates and divides
The digital tech economy is concentrating in a handful of cities

Change in share of national digital services jobs
Top 100 metros, 2015-2017

San Francisco, CA
Seattle, WA
San Jose, CA
Los Angeles, CA
Austin, TX
Indianapolis, IN
Chicago, IL
Philadelphia, PA

Source: Brookings, “Tech is (still) concentrating in the Bay Area,” 2018
The modern economy rewards large places with dense assets

Employment growth since 2001 by community type, United States

Source: Brookings, “Why rural America needs cities,” November 2018
In an economy that demands density, job concentration is increasing in the urban core.

Source: Brookings, “Where jobs are concentrating and why it matters to cities and regions,” 2019
Concentrated advantage and disadvantage continue to persist within communities.

Increase in business establishments between 2012 and 2016

- Prosperous: 180,100
- Comfortable: 78,000
- Mid-tier: 49,300
- At Risk: 23,200
- Distressed: -13,300

54% of new businesses during the recovery are in prosperous zip codes.

Source: Economic Innovation Group, “Distressed Community Index,” 2018
Meanwhile, new jobs are concentrating at the low and high end of the wage scale.

*Source: David Autor, “Polanyi’s Paradox and the shape of employment growth,” 2015*
Too few jobs in metro areas offer pathways to the middle class

Central Indiana, 2017

Good jobs:

- Pay family-supporting wage
- Provide health insurance
- Held by sub-B.A. workers

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
Too few jobs in metro areas offer pathways to the middle class

Central Indiana, 2017

Promising jobs:
- Low-pay / no-benefits jobs
- Lead to a “good job” within 10 years
- Held by sub-B.A. workers

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
Too few jobs in metro areas offer pathways to the middle class

Central Indiana, 2017

High-skill opportunity jobs:
• Meet “good job” or “promising job” criteria but...
• Held by workers with a B.A. or more

- High-skill opportunity jobs: 51%
- Promising jobs: 23%
- Good jobs: 15%

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
Too few jobs in metro areas offer pathways to the middle class

Central Indiana, 2017

- **Other jobs**: 51%
- **High-skill opportunity jobs**: 23%
- **Promising jobs**: 11%
- **Good jobs**: 15%

Other jobs:
- Do not satisfy at least one of the criteria for good, promising, or high-skilled opportunity jobs

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
Too few jobs in metro areas offer pathways to the middle class

Central Indiana, 2017

Workers

- 354,000
- 546,000

Sub-baccalaureate workers

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
Yet a high share of workers would benefit from access to good and promising jobs.

Central Indiana, 2017

Workers: 354,000

Jobs: 524,127

- Sub-baccalaureate workers: 546,000
- Sub-baccalaureate good and promising jobs: 238,585
- Other jobs: 155,213
- Other good and promising jobs: 109,225

Source: Brookings, “Advancing Opportunity in Central Indiana,” 2018
People matter in the digital age
Over 95% of executives rated availability of skilled labor as “very important” or “important” in their site selection decision.
Employers place a high premium on access to talent

Total number of workers in the technology sectors

<table>
<thead>
<tr>
<th>Metro area</th>
<th>Tech workers, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, NY</td>
<td>320,694</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>263,258</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>173,007</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>169,232</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>160,051</td>
</tr>
<tr>
<td>Dallas-Fort Worth, TX</td>
<td>152,382</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>141,003</td>
</tr>
</tbody>
</table>

Source: Brookings, “For Amazon, HQ2 location decision was about talent, talent, talent,” November 2018
Employers place a high premium on access to talent

Growth rates within auto industry occupations, 2002 - 2016

Source: Brookings, “What GM’s layoffs reveal about the digitalization of the auto industry,” December 2018
Photo courtesy of Crain’s Chicago Business
New technologies are transforming the demand for skills

U.S. employment by digital skill level

- 5% Low
- 40% Medium
- 56% High

Source: Brookings, “Digitalization and the American workforce,” 2017
New technologies are transforming the demand for skills

U.S. employment by digital skill level

<table>
<thead>
<tr>
<th>Year</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5%</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>2016</td>
<td>23%</td>
<td>48%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Brookings, “Digitalization and the American workforce,” 2017

HR specialists: 37 → 60
Physician assistants: 27 → 56
Employers are rewarding computer-savvy workers with higher pay

Average annual wage by digital score, 2016

- Construction workers: $30,000
- Security guards: $30,000
- Office clerks: $48,000
- Sales managers: $48,000
- Software developers: $73,000
- Financial managers: $73,000

Source: Brookings, “Digitalization and the American workforce,” 2017
But Black and Hispanic workers are disproportionately employed in low digital skill jobs.

Employment in select U.S. occupation groups by race, 2016

- Management
- Business and financial operations
- Sales and related
- Transportation and material moving
- Building and grounds cleaning and maintenance

Source: Brookings, “Digitalization and the American workforce,” 2017
Automation particularly harms younger, less educated, and Black and Hispanic workers

25%
Share of U.S. Jobs at “High Risk” of Automation

Average automation potential

<table>
<thead>
<tr>
<th>Age</th>
<th>18-24</th>
<th>24-54</th>
<th>55-65</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
<td>40%</td>
<td>41%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Less than Bachelor's</th>
<th>Bachelor's or higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Hispanic</th>
<th>Black</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47%</td>
<td>44%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Brookings, “Automation and Artificial Intelligence,” 2019
Barriers and bias limit full participation in the digital economy
The next generation of workers will be more racially diverse

U.S. Population Estimates, 2018

- **Pre-Millennial (Ages 35 and up)**
  - Black: 0%
  - Hispanic or Latino (all races): 33%
  - Asian: 67%
- **Millennial (Ages 20-34)**
  - Black: 0%
  - Hispanic or Latino (all races): 45%
  - Asian: 55%
- **Post-Millennial (Ages 19 and under)**
  - Black: 0%
  - Hispanic or Latino (all races): 49%
  - Asian: 51%

Source: Brookings analysis of Census Population Estimates, 2018
Structural and unconscious bias limits some workers from fully participating in the modern economy.

Only 31% of Americans age 25 and over have a bachelor’s degree.

Source: Brookings, “Free college won’t be enough to prepare Americans for the future of work,” 2019
Structural and unconscious bias limits some workers from fully participating in the modern economy.

**Structural bias**

Only 31% of Americans age 25 and over have a bachelor’s degree.


**Unconscious bias**

Referrals are the most common way people get jobs—access to job networks is limited.
Black and Hispanic residents are disproportionately segregated from opportunity

Greater Indianapolis’ 16+ low-income population, 2017

- White: 71%
- Black: 17%
- Hispanic: 7%
- Other: 5%

Black and Hispanic residents are disproportionately segregated from opportunity

Greater Indianapolis’ 16+ low-income population, 2017

- Black: 17%
- Hispanic: 7%
- White: 71%
- Other: 5%

Share of greater Indianapolis’ low-income population living in a neighborhood with 40%+ poverty rate, 2010-2014

- White: 32%
- Hispanic/Latino: 25%
- Black: 13%

Economic and demographic changes within Greater Washington

Why place matters to the regional economy

HQ2’s implications and what leaders in the region should do

Defining inclusive growth

Challenges in the modern era

Implications for community development
There are three pillars to inclusive growth

1. Job quality
2. Job preparedness
3. Connected neighborhoods
Greater San Diego’s inclusive growth strategy reflects that three-prong approach.

Goals by 2030:

20,000 locally-produced skilled workers per year

50,000 quality jobs in small businesses and start-ups

75,000 new thriving households

Steering Committee

<table>
<thead>
<tr>
<th>Talent providers</th>
<th>Local employers</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cajon Valley Union School District</td>
<td>AECOM</td>
<td>Central San Diego</td>
</tr>
<tr>
<td>CSU San Marcos</td>
<td>NAVWAR</td>
<td>Black Chamber of Commerce</td>
</tr>
<tr>
<td>MiraCosta Community College</td>
<td>San Diego Gas &amp; Electric</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>UC San Diego</td>
<td>Teradata</td>
<td>Neighborhood House Association</td>
</tr>
<tr>
<td></td>
<td></td>
<td>San Diego &amp; Imperial Counties Labor Council</td>
</tr>
</tbody>
</table>
In a city or region, it takes an ecosystem of actors to shape an inclusive economy at scale

<table>
<thead>
<tr>
<th>Job quality</th>
<th>Job preparedness</th>
<th>Connected neighborhoods</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business creation</td>
<td>Business attraction</td>
<td>Business retention</td>
<td>Youth</td>
</tr>
</tbody>
</table>

Convene

Connect

Service delivery
Community development leaders must forge partnerships to make a difference for their residents and businesses.
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Centering people in community economic development

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