



Strategies to Support Economic Diversification



Stronger CEDS, Stronger Regions

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A sunset over a body of water with a city skyline in the distance. The sky is filled with dramatic, dark clouds illuminated from below by the setting sun, creating a range of colors from deep orange to bright yellow. The water in the foreground is dark with gentle ripples, reflecting the light from the sky. In the background, a city skyline is visible along the horizon, with buildings and trees silhouetted against the bright part of the sky.

Resilience: The ability of a region or community to anticipate, withstand, and bounce back from shocks and disruptions, including:

- Natural disasters or hazards
- Climate change impacts
- The closure of a large employer
- The decline of an important industry
- Changes in the workforce

A DIVERSIFIED ECONOMY



Meet the Trainer

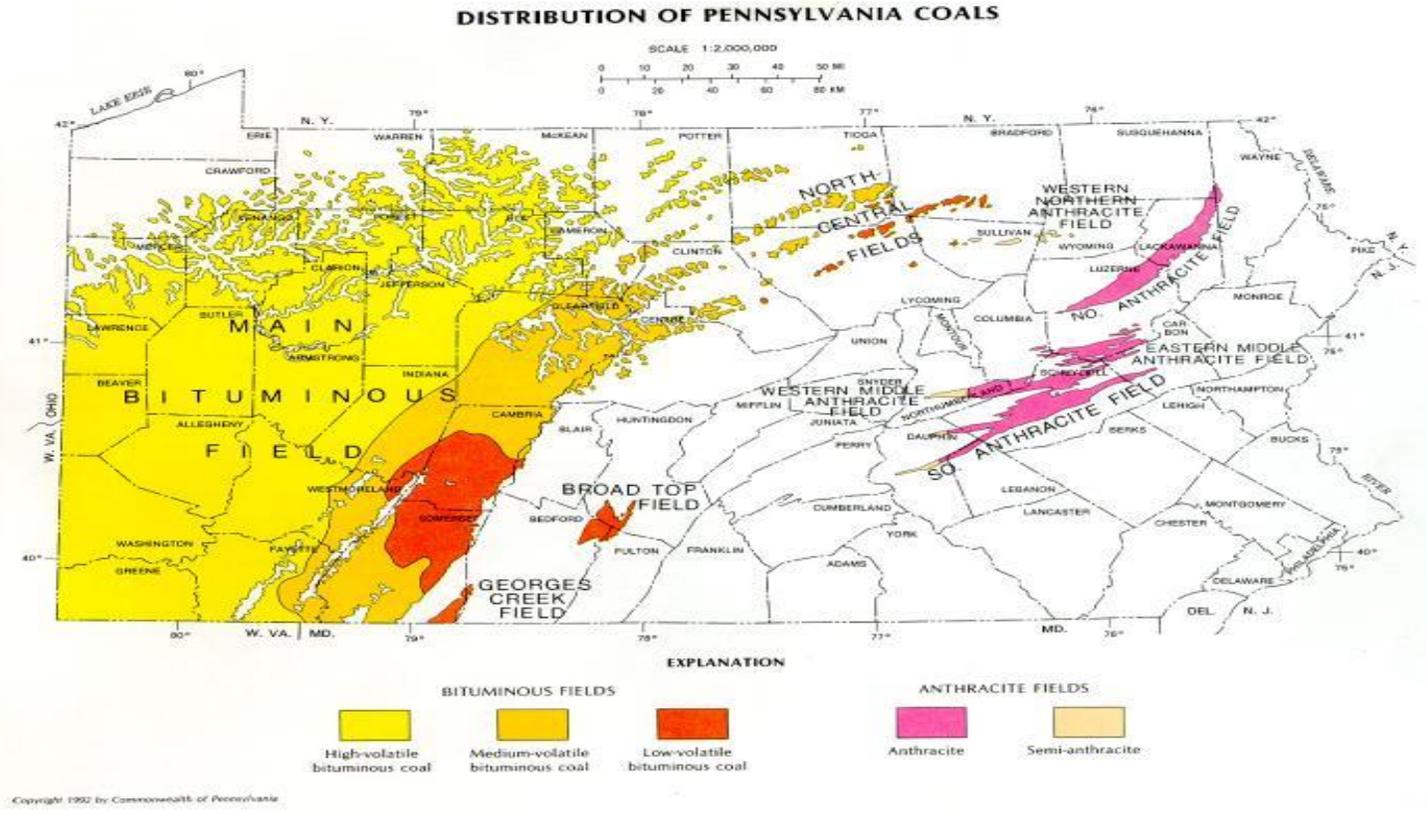
Erik Pages

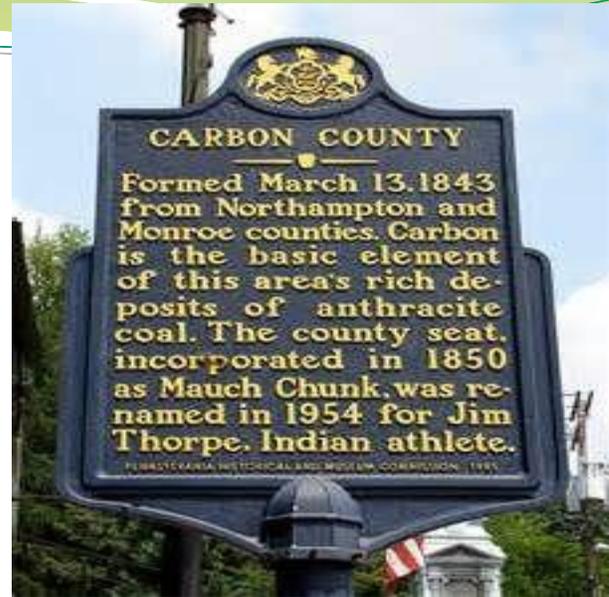
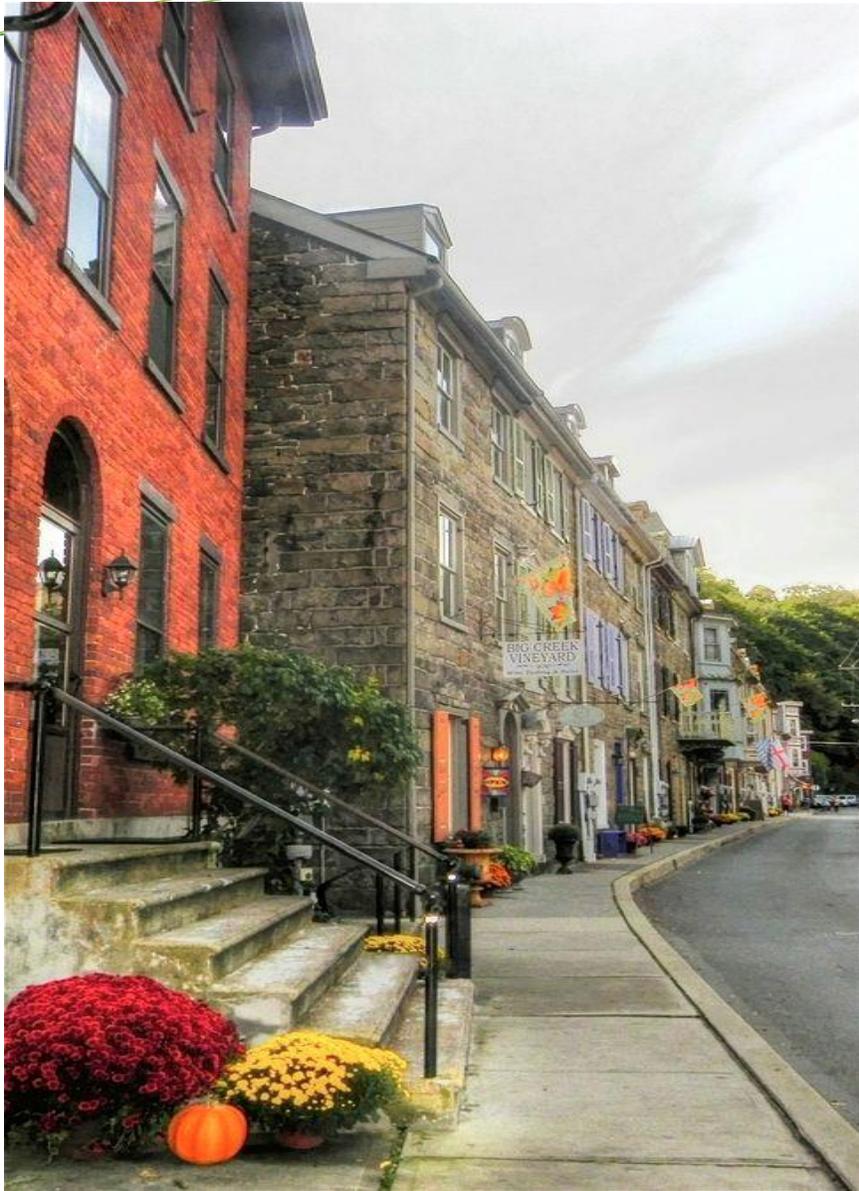
President
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Today's Talk

- **My Tale of Pennsylvania's Anthracite Region**
- **Diversification 101**
- **Economic Transitions: What Have We Learned?**
- **The Coal Transition: What Have We Learned?**
- **Final Thoughts and Reactions**





Resilience and Economic Diversification



What is Economic Diversification?

- Refers to regions with “a varied mix of industries and the absence of dominance of any one industry in terms of employment or income.”
- Economic Diversity can vary by:
 - **WHAT?** A region’s goods and services
 - **HOW?** A region’s talent base
 - **WHY?** A region’s suppliers and customers

Does It Matter?

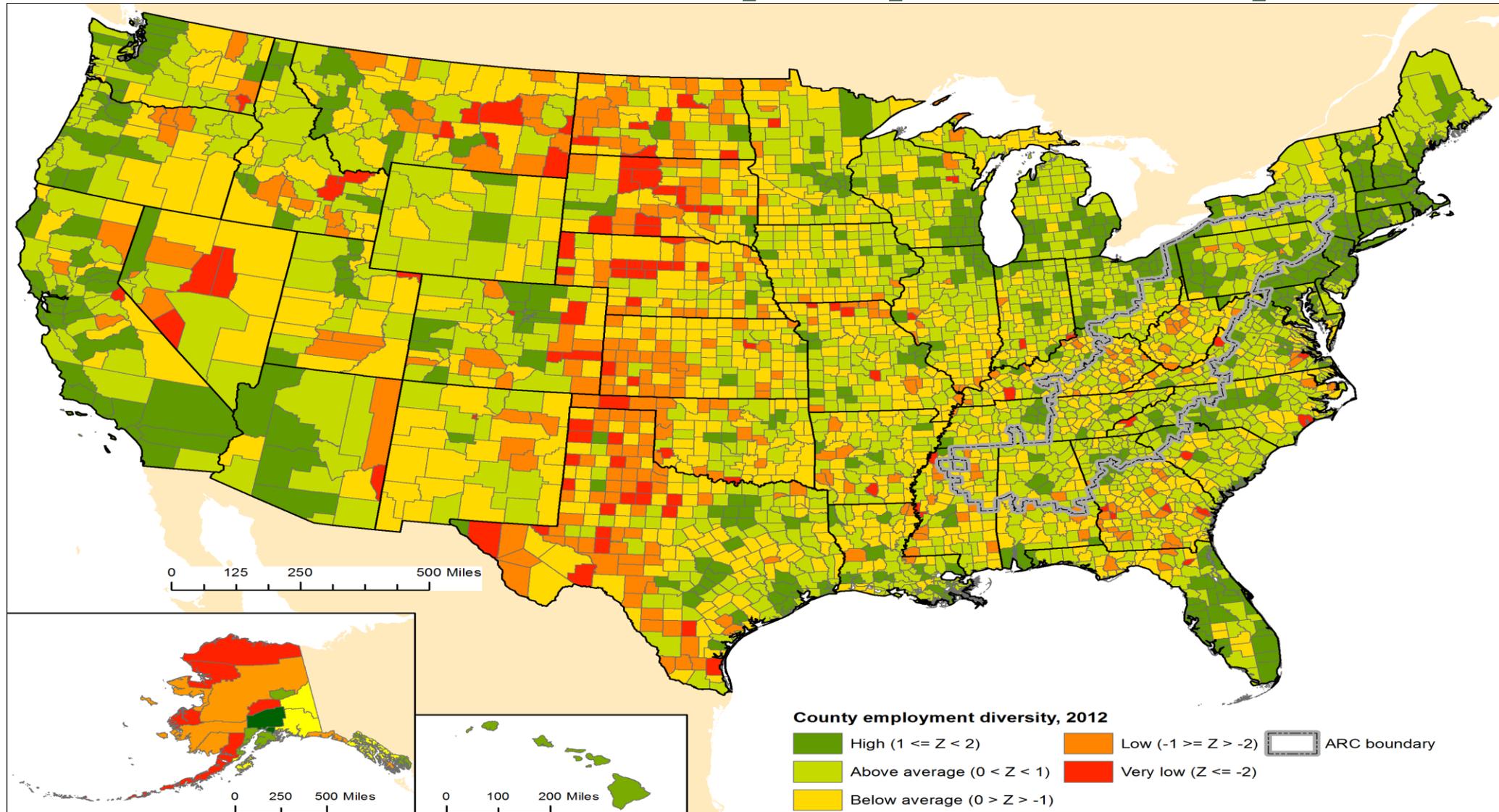
- Economic Diversity should improve a region's:
 - Economic Performance
 - Stability
 - Resilience
- Case for Diversity-Stability Link is Strongest

Diversity in Theory: How to Measure?

- Industrial Diversity
- Functional Diversity
 - Focused on related groups of industries
 - E.g. Government Center, High-Tech Region
- Occupational Diversity
- Knowledge Diversity
 - Shared knowledge/capability used by different industries

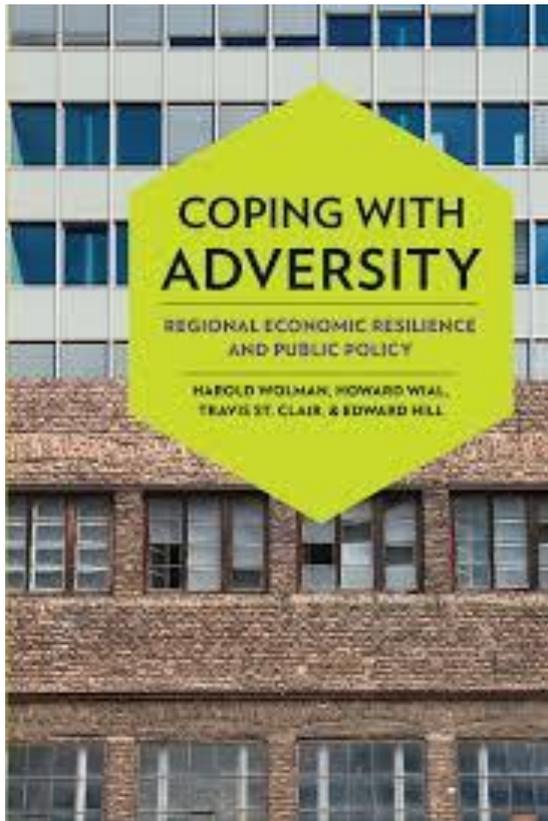
- <http://economicdiversityinappalachia.creconline.org/>

Industrial diversity by County, 2012

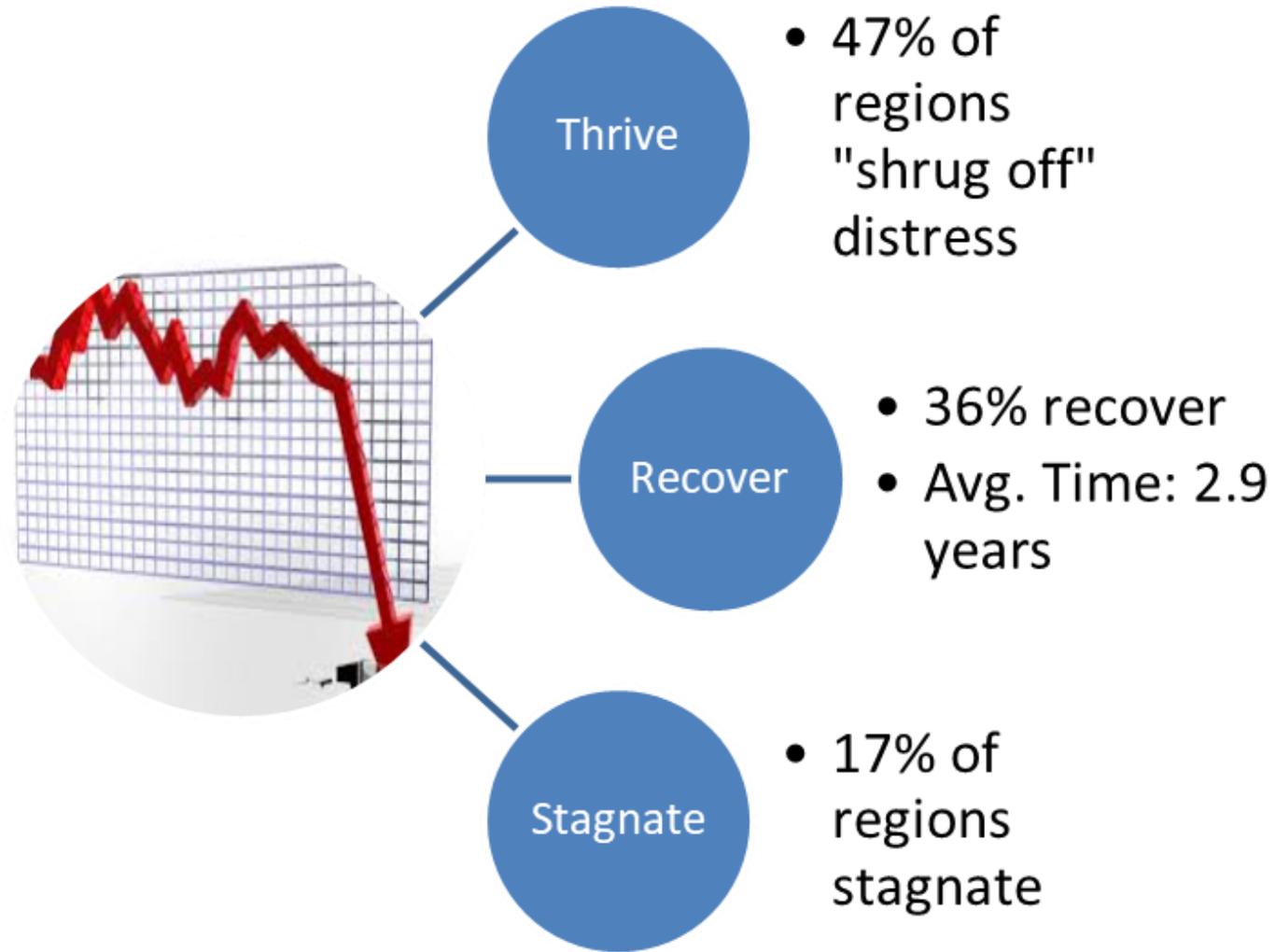


November 2015
 County Employment Diversity in the United States, 2012.
 Data Source: Estimated complete county employment by industry, Economic Modeling Specialists, International, 2012.
 Notes: 1. Entropy calculated at 6-digit NAICS aggregation 2. Classifications based on standard deviations (Z) from mean

New Thinking on Resilience



- Assessed all US Metros between 1978 and 2004
 - 1500 Economic Shocks
- Nature of shocks can matter greatly—e.g. regional vs. national downturn
- Community recovery patterns can vary greatly



Community Responses: What Works for Revitalization?

- **Short-Term:** Limited options beyond marketing and promotion
 - Big Infrastructure Projects can help
- **Medium-Term:** Help firms start, innovate and diversify
 - Worker training and technical assistance to business
- **Long-Term:** Build and attract talent
 - Develop world-class infrastructure

Other Lessons

Short-Term: Can Shocks be Avoided?

- Can't avoid shocks—no region is able to avoid economic shocks
- ED Programs have little short-term impact on avoiding crisis or in quick recovery

Long Term: How to Help?

- More resilient regions are:
 - More talent rich
 - Have diverse export sectors
 - Home to perceived “business-friendly” climate, including right to work laws
- ED programs have large long-term effects
 - Build talent
 - Develop amenities
 - Improve competitiveness

Diversity in Practice: How do economic developers think about diversity?

- Diversity is often explicitly stated as a goal, but there are few, if any, explicit diversity strategies
 - Seen as a priority or value, not main focus of strategy
 - Often focused on growing a wide array of industries, more so than a wide array of wealth generators
- *Diversity-driven thinking* manifests itself through efforts to:
 - Mitigate risk
 - Capture opportunity

Diversity-inspired strategies may involve:

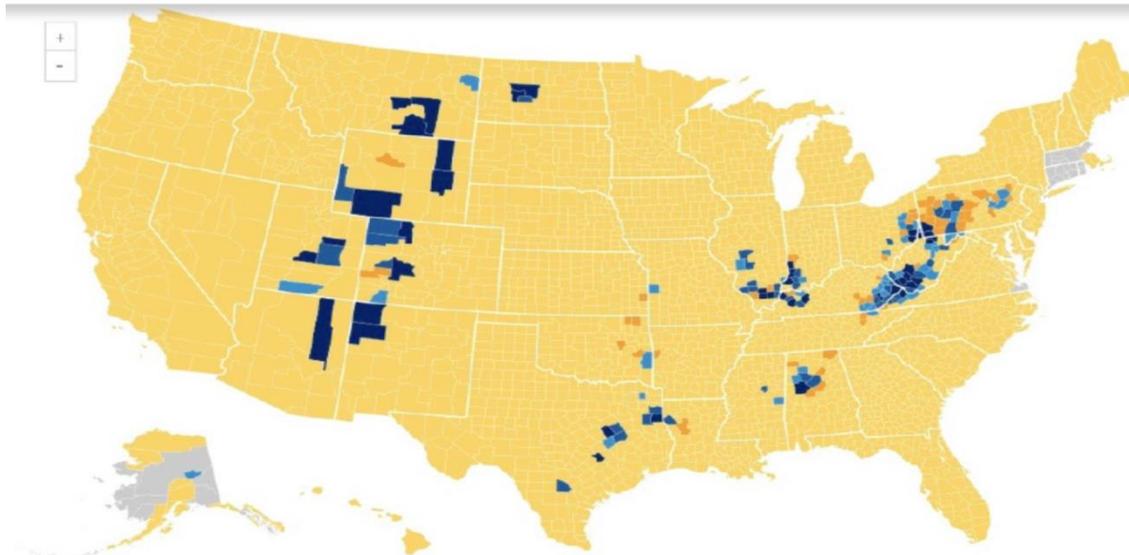
- Creating new specializations or clusters
 - Investing in sites, buildings and infrastructure
 - Focusing on activities seen as outside 'traditional' ED activities
 - Workforce development and broadening local skill base
 - Improving connectivity (Road, Rail, Broadband, etc.)
 - Accessing growth centers (e.g., large, nearby metro areas)
 - Leveraging anchor institutions (e.g., universities)
 - **Or simply...Whatever Works**
- *In the end, it is less about what those strategies are and more about how effectively those strategies are implemented.*



What's Happening in Coal- Impacted Communities?

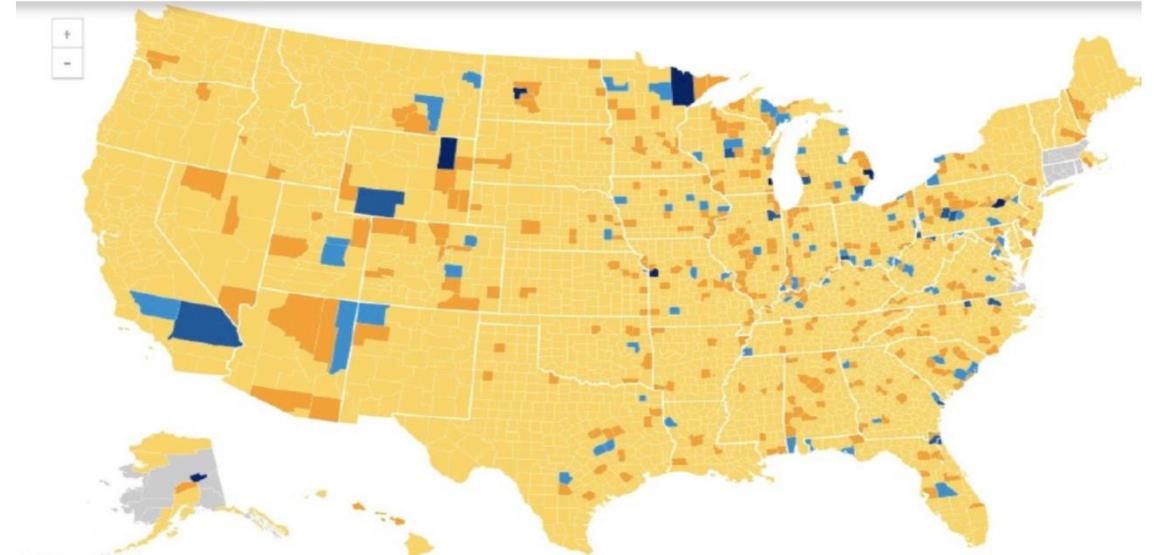
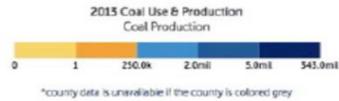


What Regions are Affected?



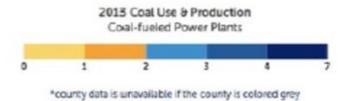
Source: NACo Analysis of U.S. Energy Information Administration Data, 2015

Coal Producing Counties



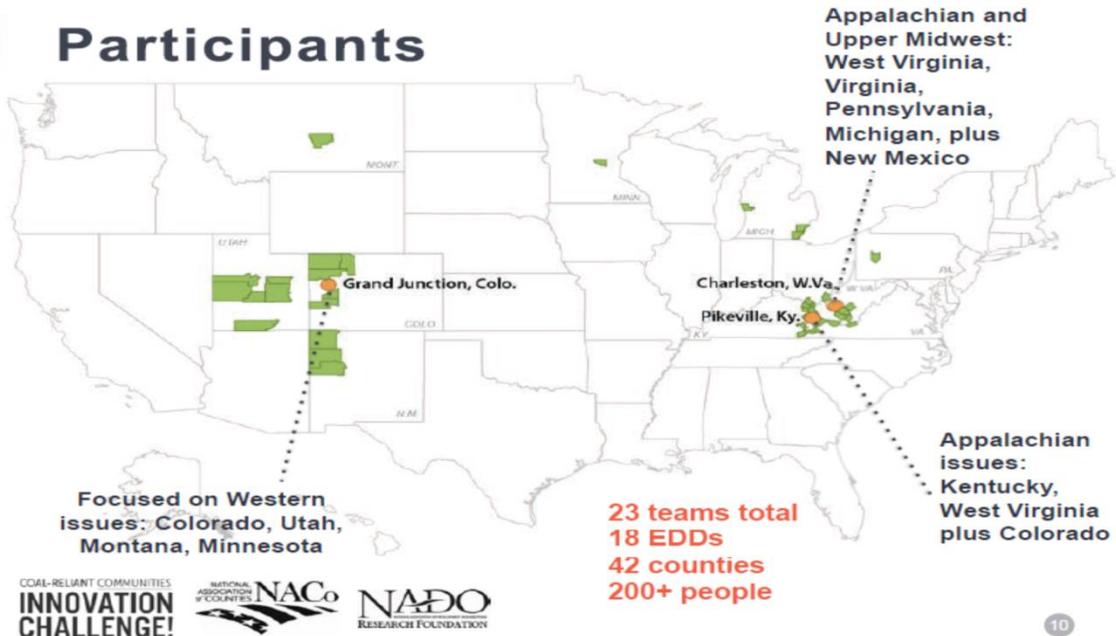
Source: NACo Analysis of U.S. Energy Information Administration Data, 2015

Coal Power Plant Counties



What We've Learned: It's All About Talent

Participants



10



And it's about Home-Grown Innovators: Small & Local is Good!

1) Local is Good

- More Jobs
- Less Poverty

2) Smaller is Better

- Small Firms > Large Firms

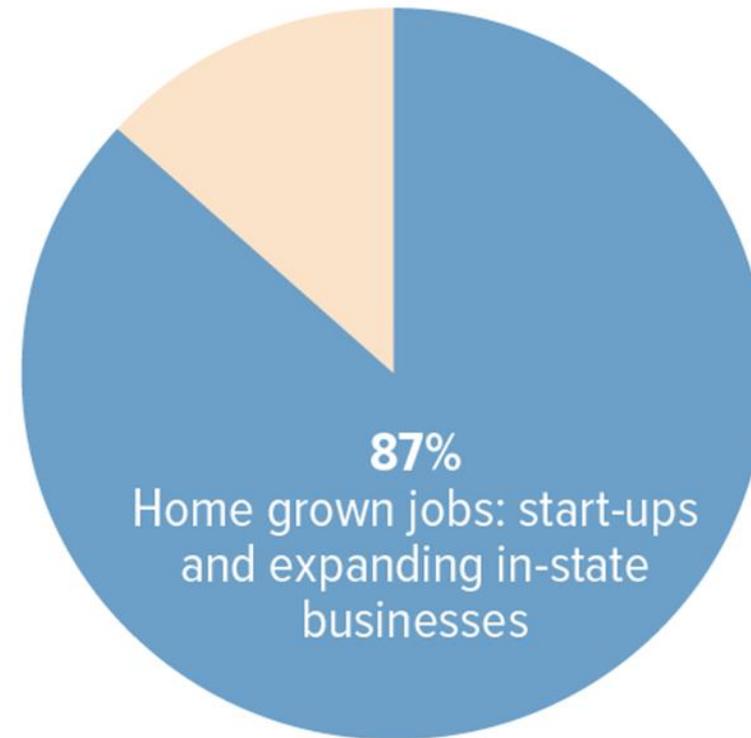


Source: Atlanta Fed (Rupasingha, 2013)

That's Where the Jobs Are!

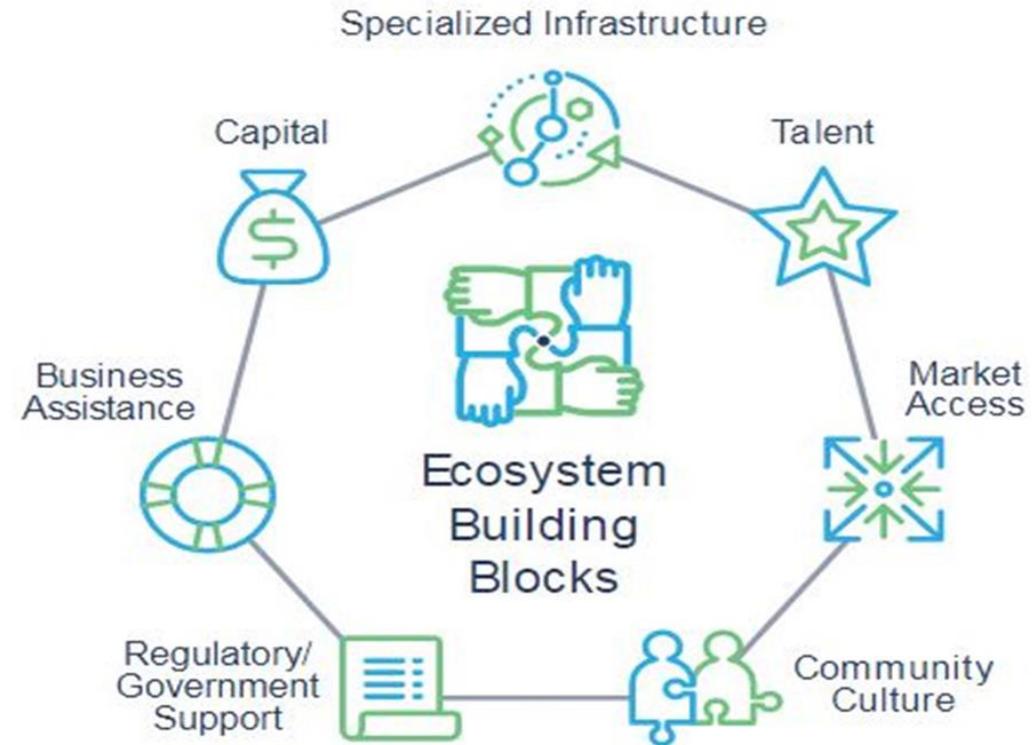
Vast Majority of New Jobs Come From Businesses Already in a State

Shares of gross private sector job gains for the median state, 1995-2013



How Do We Get Entrepreneurial and Inclusive?

- The Ingredients
 - Self-Belief
 - Access to Ideas
 - Relevant Skills
 - A Playing Field for Innovators





Broader Lessons from Coal and Beyond



Places that successfully diversify their economy tend to:

- **Do their *research***
 - Honestly assess their strengths and weaknesses
 - Understand external opportunities and threats
 - Learn from other places
- **Make planning an *ongoing process***
 - Planning allows for intentionality
 - Among other things, an ongoing planning process:
 - Builds regional consensus
 - Integrates new leaders
 - Provides accountability

Places that successfully diversify their economy tend to:

- **Leverage state, federal, private resources**
 - Not Just \$\$
 - Continuously seek resources to close gaps
- **Maintain and Build Local Capacity**
 - Among staff and community leaders
- **Incorporate a broad array of perspectives**
 - Think regionally
 - Look and work beyond their own silos (Traditional ED v. Other ED approaches)

Some Final Thoughts: Lessons For Revitalization

- **Do It Yourself!**

- While Federal and state governments may provide resources, the **future of the region belongs to its residents.**

- **Regionalism works.**

- Economic activity does not respect political boundaries – neither should economic adjustment activity.

- **Thinks Assets, Not Gaps**

- Assess full range of local assets and build strategies to catalyze them.

- **No Secrets!**

- **Communications and transparency are vital** to create community trust and attract investment.

- **Execute in the Short-term/Plan for the Long-term.**

- Effective short-term plans to “stop the bleeding” build local trust and buy-in for longer term efforts. Early wins help!

- **Hit for Singles, Not Home Runs.**

- Immediately serving affected workers is necessary. But, the goal must be to **diversify local/regional economies.**

Questions?

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