



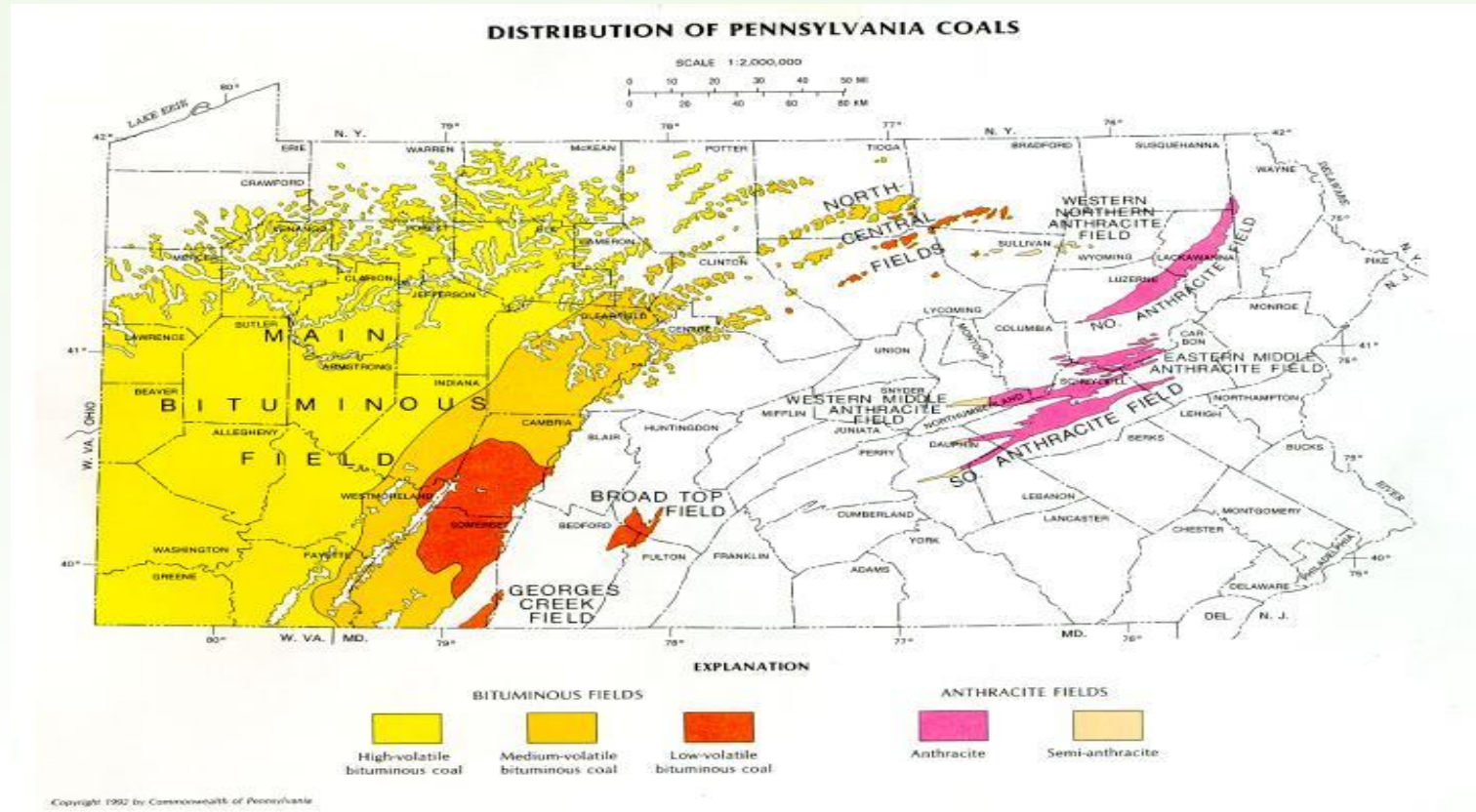
STRENGTHENING ECONOMIES ACROSS AMERICA: NEW THINKING ABOUT REGIONAL RESILIENCE AND ECONOMIC DIVERSITY

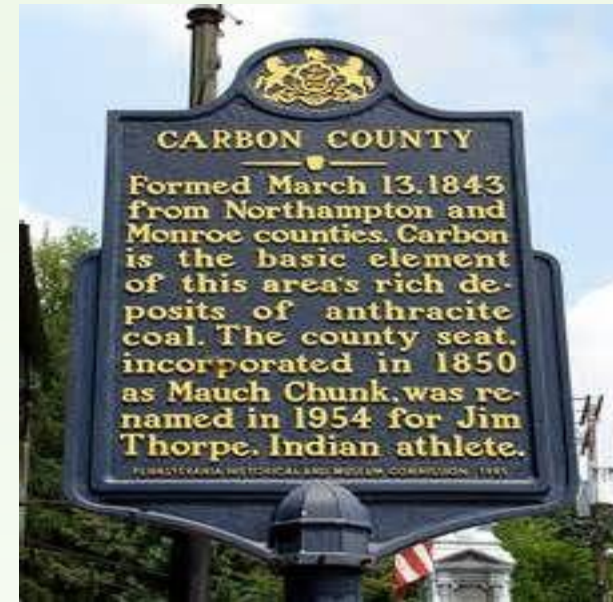
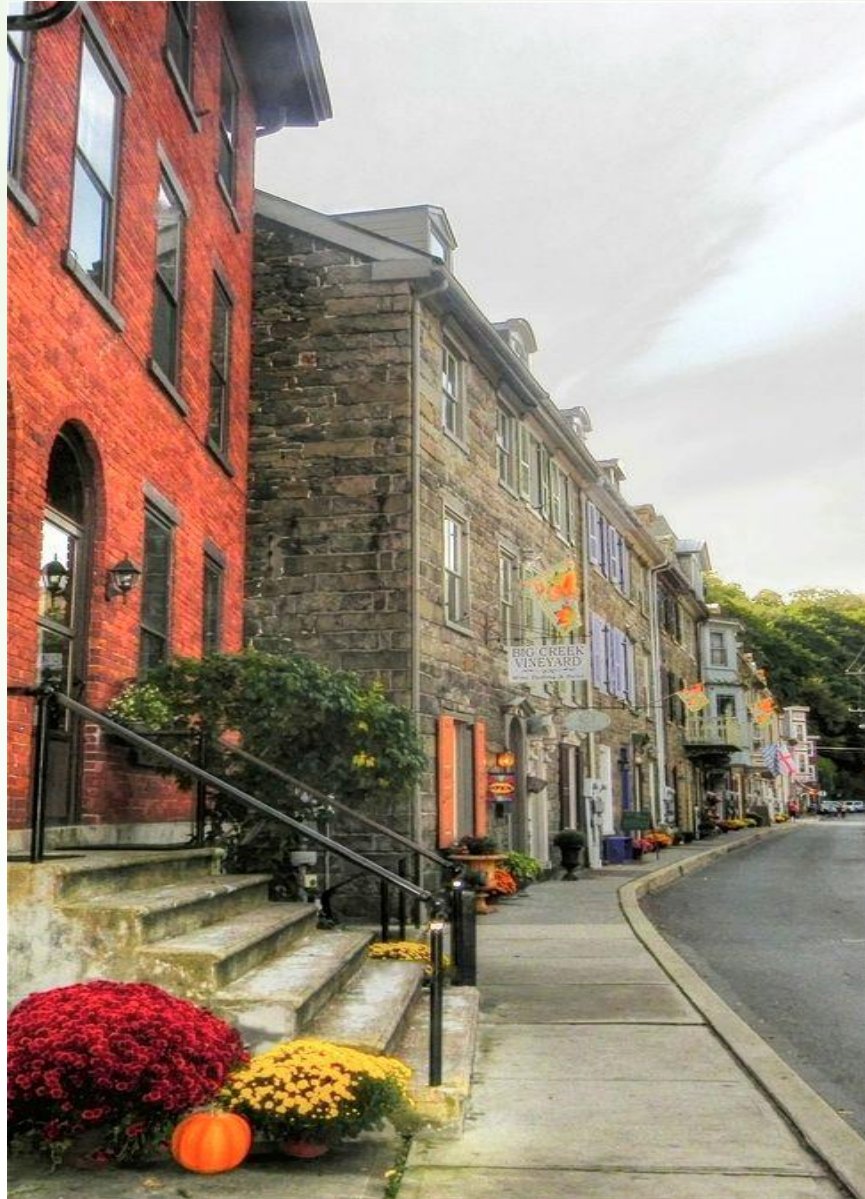
ERIK R. PAGES

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Today's Talk

- **My Tale of Pennsylvania's Anthracite Region**
- **Diversification 101**
- **Economic Transitions: What Have We Learned?**
- **Where does the CEDS Fit In?**
- **Final Thoughts and Reactions**





March
2019

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

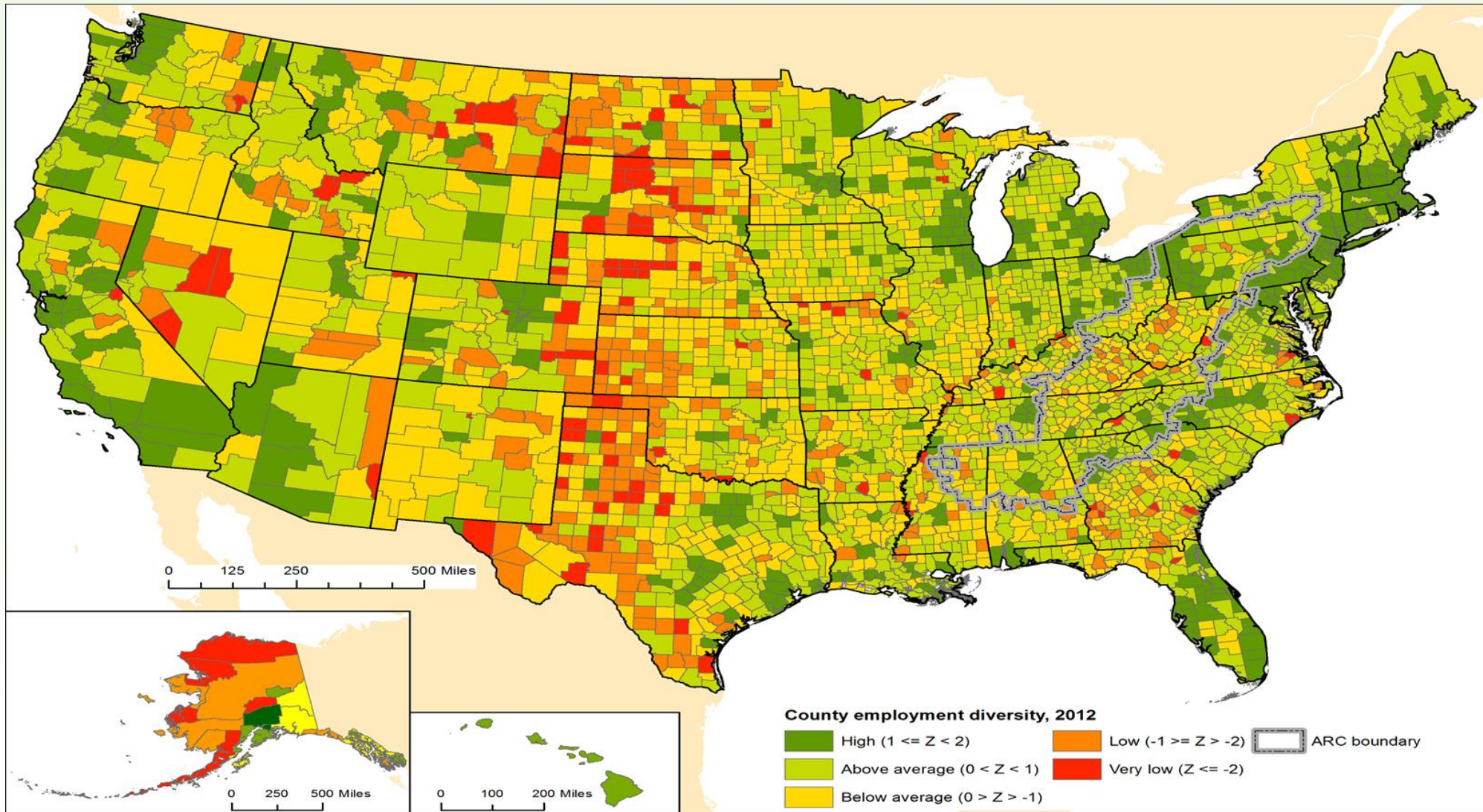
Does It Matter?

- 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.creonline.org/>

Industrial diversity by County

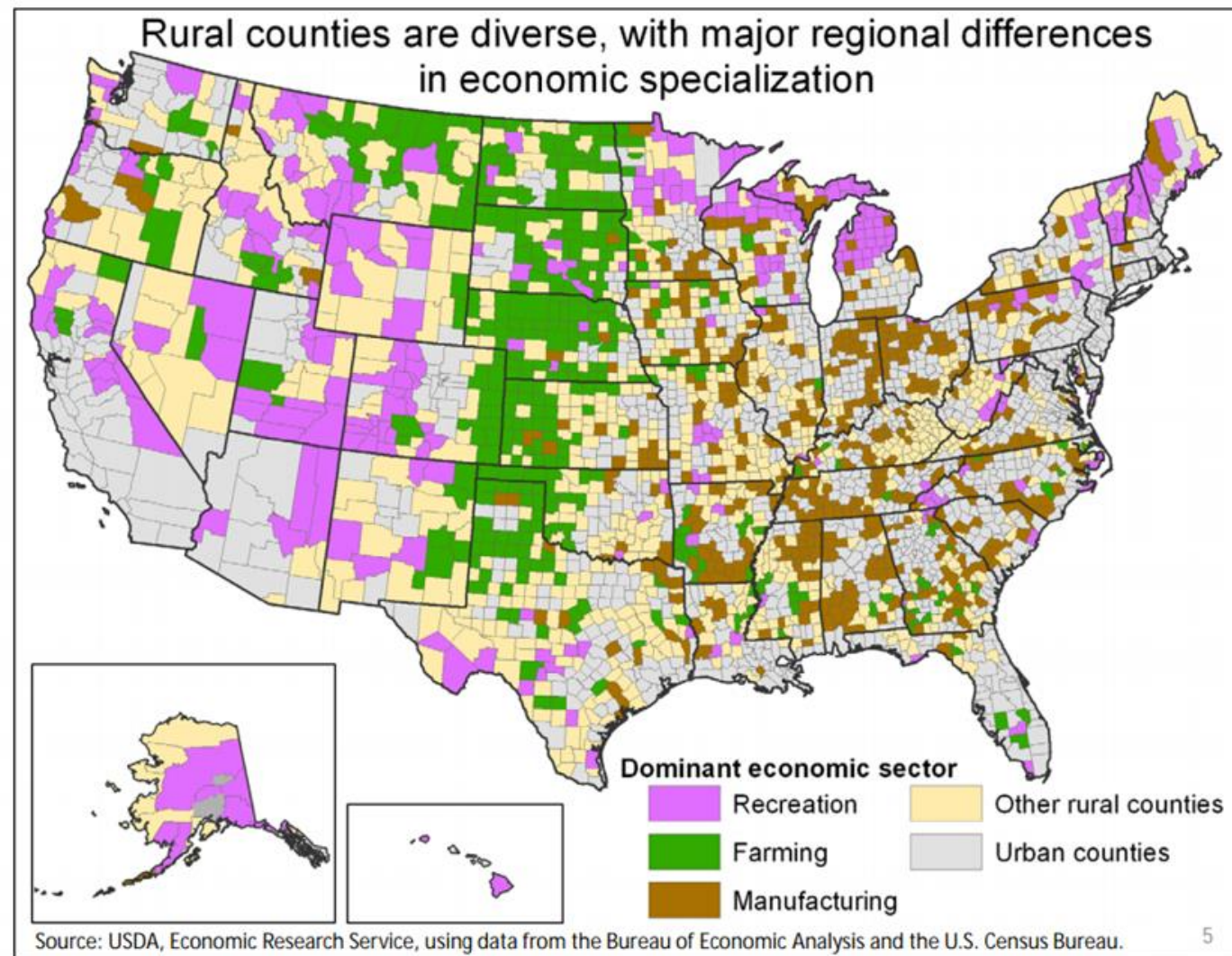


County Employment Diversity in the United States, 2012.

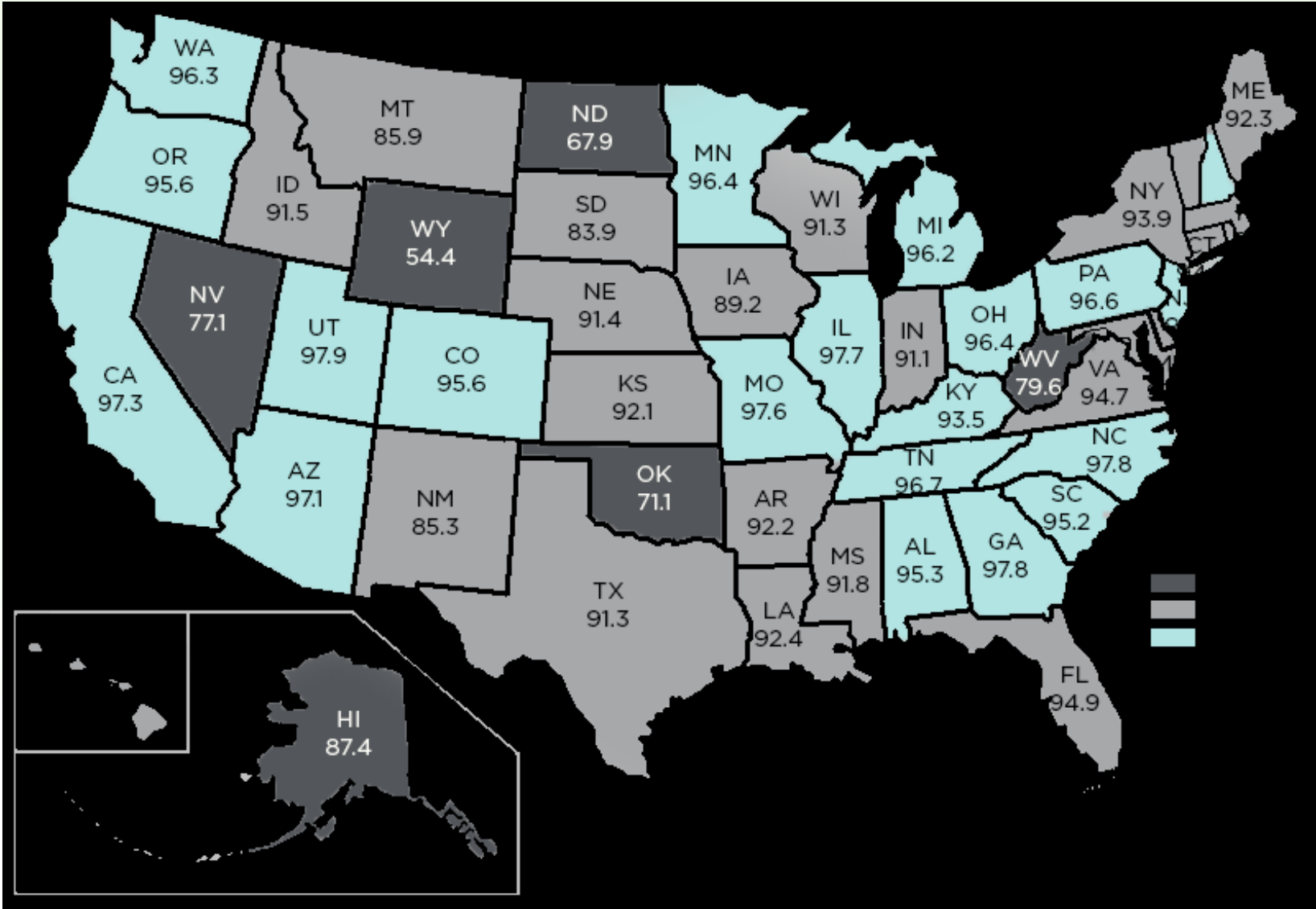
Data Source: Estimated complete county employment by industry, Economic Modeling Specialists, International, 2012.

Notes: 1. Entropy calculated at 6-digit NAICS aggregation 2. Classifications based on standard deviations (Z) from mean

Another Look at Rural Counties



Industrial Diversity by State, 2016

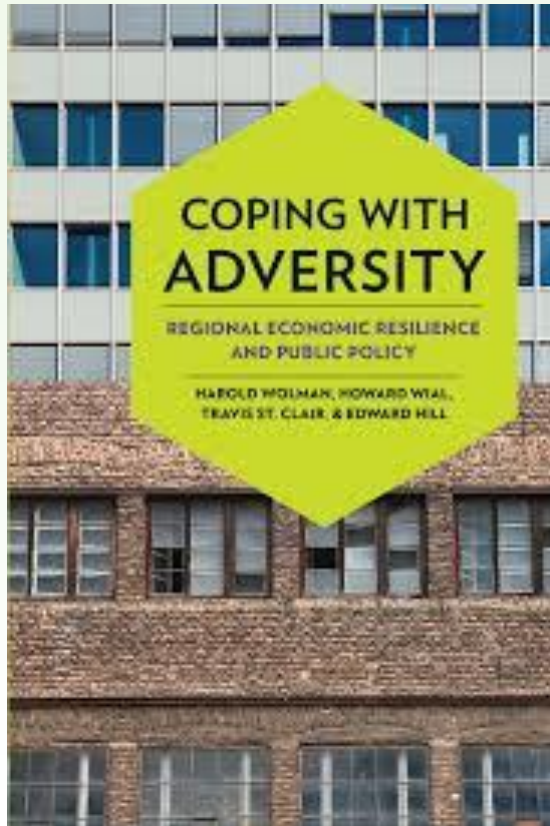


Diversity in Practice:

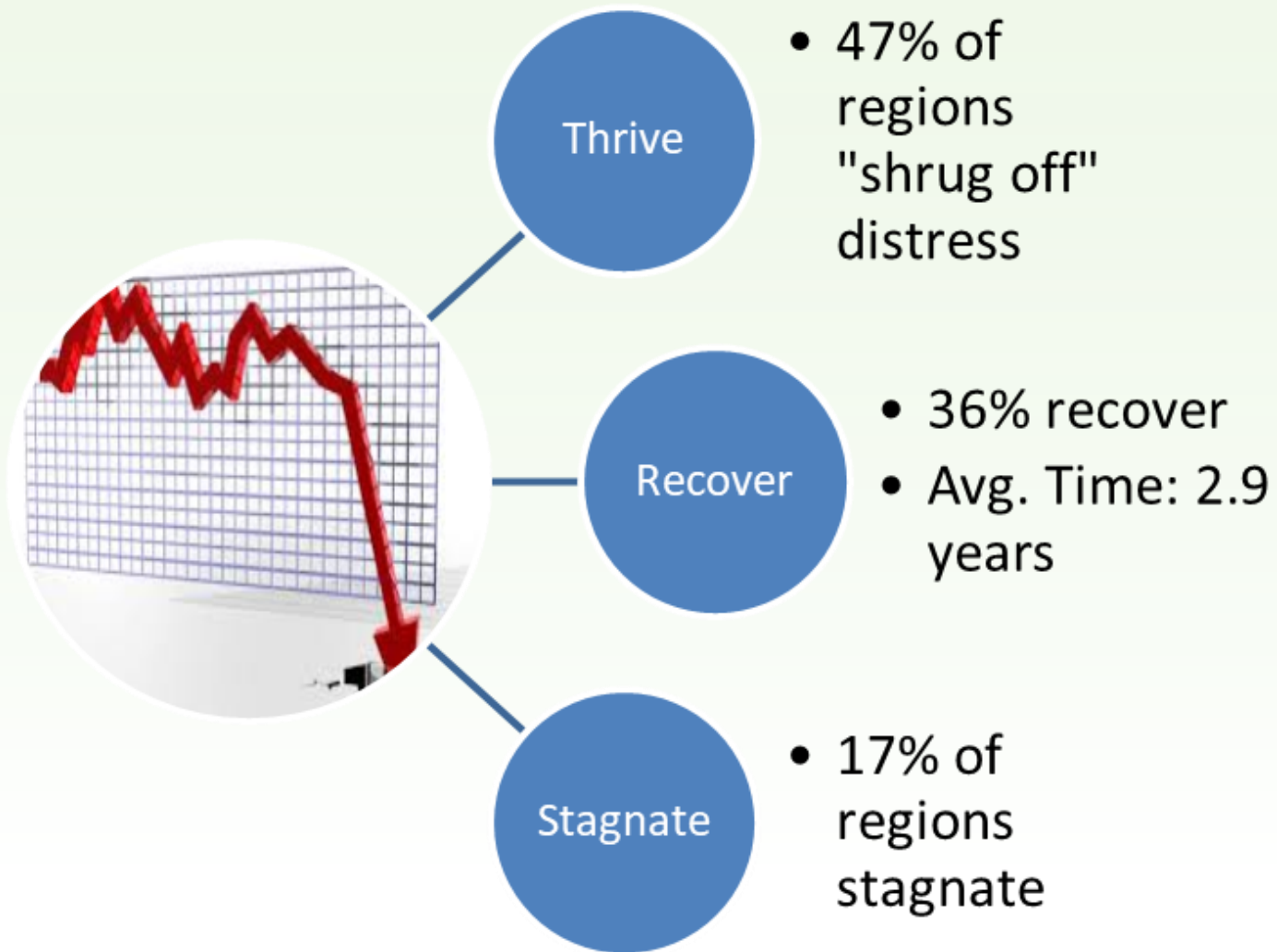
How do economic developers think about diversity?

- 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

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

Successful and Resilient Places Were Already Planning and Promoting Economic Diversity Before Economic Shocks Hit!

Other Lessons

SHORT-TERM: CAN SHOCKS BE AVOIDED?

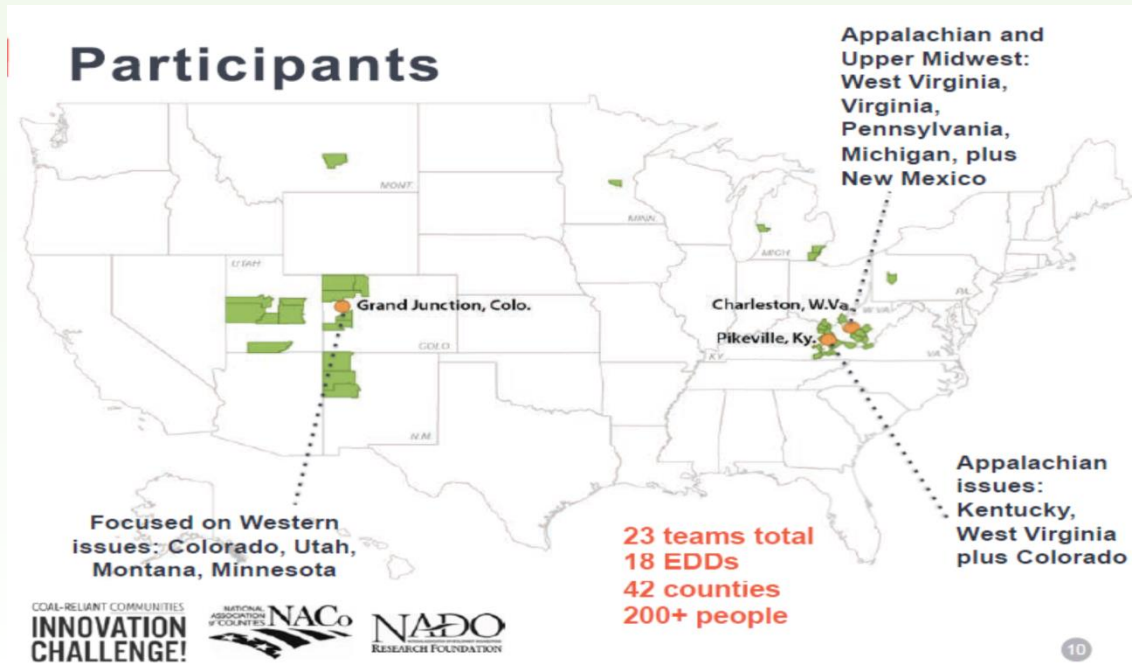
- Can't avoid shocks—no region is able to avoid economic shocks
- ED Programs have little short-term impact on avoiding crisis or in quick recovery

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

Broader Lessons from Coal and Beyond: What Have We Learned?

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



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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

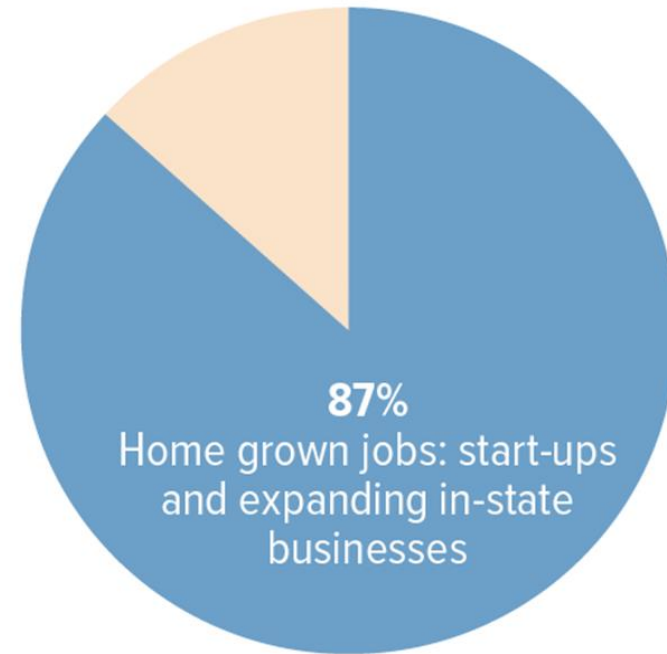


Source: Atlanta Fed (Rupasingha, 2013)

That's Where the Jobs Are!

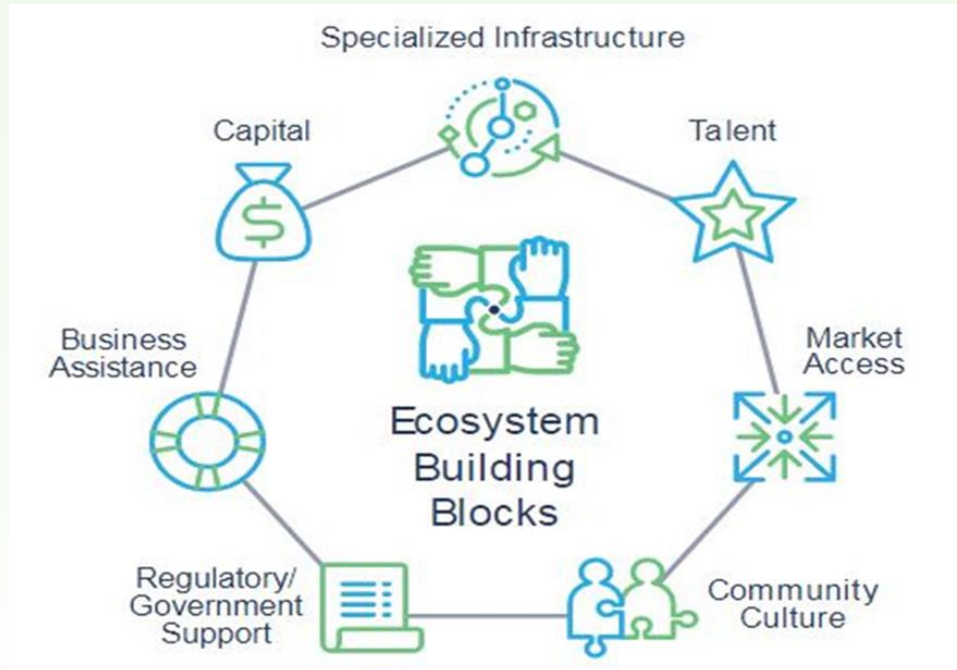
Vast Majority of New Jobs Come From Businesses Already in a State

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



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How to Get Entrepreneurial and Inclusive!



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

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

They also:

- **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 and holistically
 - 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.**

Looking Ahead: Smart Planning 101

- Identifies a region's competitive advantages
- Demonstrates the EDD's/regional organization's grasp of key trends
- Promotes cross-sector collaboration
- Commits to measurable success
- Tells a compelling story about the region's past, present, and future
- Motivates action and implementation

CEDS CENTRAL



Strong CEDS = Strong Resilience Planning

TIPS FOR CEDS

1. Identifies a region's core advantages
2. Demonstrates the EDD's/regional organization's grasp of key trends
3. Promotes cross-sector collaboration
4. Commits to measurable success
5. Tells a compelling story about the region's past, present, and future
6. Motivates action and implementation

TIPS FOR DIVERSIFICATION

1. Regionalism Works
2. Do Your Homework
3. Think Assets, Not Gaps
4. Execute for Short Term/
Plan for Long Term
5. No Secrets
6. Hit for Singles!

Questions?

Erik R. Pages

EntreWorks Consulting

epages@entreworks.net

703-237-2506

www.entreworks.net

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