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

ERIK R. PAGES

entreworks consulting
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
ONE MORE STORY: ARLINGTON COUNTY AND BRAC

• BRAC 2005 resulted in the relocation of 17,000 direct jobs out of Arlington (VA) to other installations throughout the United States.

• BRAC affected approximately 4.2 million square feet of leased office space, including 3.2 million square feet and 25 buildings in Crystal City.

• In June 2006, the Arlington County Board approved the BRAC Transition Task Force report recommendations to mitigate the economic effects.

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Total Job Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington-Alexandria, VA</td>
<td>21,662</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>13,272</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>11,065</td>
</tr>
<tr>
<td>Edison, NJ</td>
<td>10,301</td>
</tr>
<tr>
<td>Portland, ME</td>
<td>7,083</td>
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<tr>
<td>Corpus Christi, TX</td>
<td>7,026</td>
</tr>
<tr>
<td>Virginia Beach-Norfolk, VA</td>
<td>5,497</td>
</tr>
<tr>
<td>St. Louis, MO</td>
<td>4,795</td>
</tr>
<tr>
<td>Lake &amp; Kenosha Cty, IL/WI</td>
<td>4,783</td>
</tr>
<tr>
<td>Clovis, NM</td>
<td>4,771</td>
</tr>
</tbody>
</table>

Source: BRAC Commission Final Report
ARLINGTON COUNTY: OFFICE VACANCY RATE 2010-2015

Source: CoStar 6/5/19, AED

June 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.creconline.org/](http://economicdiversityinappalachia.creconline.org/)
Industrial diversity by County

County Employment Diversity in the United States, 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
• 47% of regions "shrug off" distress

• 36% recover
• Avg. Time: 2.9 years

• 17% of regions stagnate
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
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

87%
Home grown jobs: start-ups and expanding in-state businesses
How to Get Entrepreneurial and Inclusive!

• The Ingredients
  • Self-Belief
  • Access to Ideas
  • Relevant Skills
  • A Playing Field for Innovators
Rethinking Economic Development: “People are the New Companies”
What Do Entrepreneurs Want? Key Location Factors

FOR CORPORATE LEADERS

- Highway Accessibility
- Labor Costs
- Access to Skilled Labor
- Quality of Life
- Tax Exemptions
- Occupancy/Construction Costs
- Proximity to Major Markets
- Corporate Tax Range
- State/Local Incentives
- Available Land

FOR HIGH-GROWTH ENTREPRENEURS

- Personal Factors & Quality of Life
  - Residence Location is Key Factor
- Access to Talent
- Access to Customers & Suppliers
- Tax Burden or Biz-Friendly Regulations Rarely Cited

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
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!