Inclusive economies in a disruptive age

How local leaders can advance growth, prosperity, and inclusion

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The Community Foundation for Greater New Haven
April 19, 2018
1. Why inclusive economies matter

2. How disruption and demographic change create greater urgency

3. What leaders can do to advance inclusive growth
Why inclusive economies matter
U.S. economic expansion isn’t improving middle-class incomes in most cities

Change in median household income, 1999 to 2016

Just 6% of urban areas experienced statistically significant increases

Source: Alan Berube, “Five maps show progress made, but mostly lost, on middle-class incomes in America” 2017
Components of economic success

**GROWTH**
- Jobs
- Output
- Entrepreneurship

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

**INCLUSION**
- Employment rate
- Median wage
- Relative poverty rate
Jobs in young firms are growing in greater New Haven.

GROWTH

Jobs at young firms
2011-2016

8.15% for Median across top-100 metros
8.2% for New Haven

Employment at firms 0-5 years old by MSA
Indexed to 2006

Source: Brookings Metro Monitor, February 2018
Greater New Haven is less productive today than it was five years ago.

PROSPERITY

Output per job
2011-2016
0.7%
-2.4%

Median across top-100 metros
New Haven

Output per job by MSA (in thousand U.S. dollars)

Source: Brookings Metro Monitor, February 2018
Median wages in New Haven are on the rise…

Median wages by MSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$30,000</td>
</tr>
<tr>
<td>2007</td>
<td>$32,500</td>
</tr>
<tr>
<td>2008</td>
<td>$35,000</td>
</tr>
<tr>
<td>2009</td>
<td>$37,500</td>
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<tr>
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<td>$30,000</td>
</tr>
<tr>
<td>2014</td>
<td>$32,500</td>
</tr>
<tr>
<td>2015</td>
<td>$35,000</td>
</tr>
<tr>
<td>2016</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

Median across top-100 metros: 7.6%
New Haven: 5.5%

Source: Brookings Metro Monitor, February 2018
...yet racial disparities on employment and earnings persist

**Employment rate**

- **2008**: 79%
- **2010**: 67%
- **2012**: 69%
- **2014**: 77%
- **2016**: 77%

**Median earnings, 2016**

- **White**: $46,023
- **Asian**: $44,081
- **Black**: $30,131
- **Hispanic**: $25,098

Source: Brookings, "Metro Monitor," 2017
… and fewer jobs are accessible to disadvantaged communities

Change in number of jobs in New Haven MSA, 2000-2012

-10.4%  
-20.2%  
-20.6%

73rd of 100 metros

Source: Brookings, “The growing distance between people and jobs in metropolitan America,” 2015
High inequality in hampers entrepreneurship and invention

Household income in New Haven MSA

- 95th percentile: $228,000
- 20th percentile: $26,000
- Income gap: $202,000 (25th highest across 100 metros)

High inequality in hampers entrepreneurship and invention

Share of inventors in Connecticut by parents’ income

- **top 20%**: 47%
- **middle**: 15%
- **upper middle**: 22%
- **lower middle**: 11%
- **bottom 20%**: 4%

Invention rate by parents’ income (per 1,000 children)

- Top: 6
- Middle: 3
- Bottom: 1

Quintiles

High inequality in hampers entrepreneurship and invention

Share of inventors in Connecticut by parents’ income

- Top 20%: 47%
- Middle: 22%
- Upper middle: 15%
- Lower middle: 4%
- Bottom 20%: 11%


Invention rate by parents’ income (per 1,000 children)

- Top: 6
- Middle: 4
- Bottom: 1

1,692 “Lost Einsteins” in Connecticut

Source: Ibid.
How disruption and demographic change create greater urgency
The modern economy will be defined by two structural forces:

- Demographic change
- Digitalization
Demographic change is transforming the workforce

Race and ethnicity of the millennial generation (age 18-34), 2015

- United States
  - White: 56%
  - Black: 14%
  - Hispanic: 21%
  - Asian: 6%
  - Other: 6%

Source: Brookings analysis of 2015 1-year ACS
Demographic change is transforming the workforce

Race and ethnicity of the millennial generation (age 18-34), 2015

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Asian</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Haven</td>
<td>56%</td>
<td>15%</td>
<td>22%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>56%</td>
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</tr>
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</table>

Source: Brookings analysis of 2015 1-year ACS
Today’s young people are more educated than previous generations

College graduates at age 25-34, by generation

<table>
<thead>
<tr>
<th></th>
<th>Baby Boomers</th>
<th>Gen-X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>42%</td>
<td>63%</td>
<td>27%</td>
</tr>
<tr>
<td>White</td>
<td>27%</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>Black</td>
<td>12%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>9%</td>
<td>17%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Black and Hispanic millennials are more likely to hold a college degree than their parents

Source: Brookings analysis of 2015 1-year ACS
Technology has a profound impact on industries, people, and places.
Technology has made manufacturing less job-intensive today…

U.S. manufacturing productivity and employment, 1980 - 2015

Source: Brookings, “It won’t be easy to bring back millions of manufacturing jobs,” 2016
Technology is transforming industries

Job growth between 2010 and 2016, United States

- 309,000 retail jobs

+ 372,000 warehousing jobs

-10%

48%

12%

Warehousing & e-commerce

All private industries

Retail

Source: Brookings, “Amazon's recent hiring spree puts new focus on warehouse jobs and worker needs,” 2017
Advanced industries are critical segments of our economy…

Advanced Industry share of national totals, 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOBS</td>
<td>8.7%</td>
</tr>
<tr>
<td>GDP</td>
<td>17.9%</td>
</tr>
<tr>
<td>EXPORTS</td>
<td>57.5%</td>
</tr>
<tr>
<td>PATENTS</td>
<td>81.2%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>90.3%</td>
</tr>
</tbody>
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Source: Brookings, America’s Advanced Industries, 2015
Advanced industries are critical segments of our economy…

Advanced Industry share of national totals, 2015

- JOBS: 8.7%
- GDP: 17.9%
- EXPORTS: 57.5%
- PATENTS: 81.2%
- R&D: 90.3%

50% of advanced industry jobs don’t require a bachelor’s degree

Source: Brookings, America’s Advanced Industries, 2015
...yet advanced industries are shrinking in Greater New Haven

Annual percent change in advanced industries jobs, 2013–2015

San Francisco: 8%
Detroit: 4%
Boston: 27,033
Pittsburgh: -4%
New Haven: -4%

Advanced Industry total employment
Rank: 75

-2.5%
Annual percent change in advanced industries jobs
Rank: 100
Technology is changing the nature of work...

Share of U.S. employment by digital skill level

- Low: 5%
- Medium: 40%
- High: 55%

2002

Source: Brookings, “Digitalization and the American Workforce,” 2017
Technology is changing the nature of work...

Share of 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>55%</td>
<td>40%</td>
<td>5%</td>
</tr>
<tr>
<td>2016</td>
<td>30%</td>
<td>47%</td>
<td>23%</td>
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</table>

Source: Brookings, “Digitalization and the American Workforce,” 2017
Technology is changing the nature of work...

Share of U.S. employment by digital skill level

<table>
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<tr>
<th>Skill Level</th>
<th>2002</th>
<th>2016</th>
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<tr>
<td>Low</td>
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<tr>
<td>High</td>
<td>55%</td>
<td>30%</td>
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</table>

Source: Brookings, “Digitalization and the American Workforce,” 2017
...and rewarding technologically-oriented workers with higher pay

Median wage by digitization level, 2016

- **Low**:
  - Construction workers: $30,000
  - Cooks: $30,000
- **Medium**:
  - Service Mechanics: $48,000
  - Registered Nurses: $48,000
- **High**:
  - Financial Managers: $73,000
  - Software Developers: $73,000

Source: Brookings, “Digitalization and the American Workforce,” 2017
Middle-tech jobs are growing more slowly than high- and low-tech ones.

Job growth by occupation, 2010-2016

Source: Brookings, “Digitalization and the American Workforce,” 2017
Workers of color are disproportionately employed in low-tech jobs

Employment in U.S. sectors by race

US Average: 63% 12% 16% 9%
White: 9% 25% 5% 14%
Black: 16% 12% 63%
Latino: 12% 16% 82%
Asian: 9% 52%

Source: Brookings, "Digitalization and the American Workforce," 2017
Workers of color are disproportionately employed in low-tech jobs.

Employment in U.S. sectors by race

<table>
<thead>
<tr>
<th>Sector</th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Asian</th>
<th>US Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food preparation &amp; service</td>
<td>52%</td>
<td>14%</td>
<td>25%</td>
<td>9%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: Brookings, "Digitalization and the American Workforce," 2017
Workers of color are disproportionately employed in low-tech jobs

Employment in U.S. sectors by race

- **Architecture & Engineering**
  - US Average: 82%
  - White: 4%
  - Black: 5%
  - Latino: 9%
  - Asian: 9%

- **Food preparation & service**
  - US Average: 52%
  - White: 25%
  - Black: 14%
  - Latino: 25%
  - Asian: 9%

- **US Average**
  - White: 63%
  - Black: 12%
  - Latino: 16%
  - Asian: 9%

Source: Brookings, “Digitalization and the American Workforce,” 2017
Tech continues to concentrate in a few places

Change in share of U.S. tech jobs by metro, 2010-2015

Source: Brookings, “Tech in Metros: The strong are getting stronger,” March 2017
What leaders can do to advance inclusive growth
Mega business attraction deals are not the answer

- $1.3 billion incentives offered by the state of Nevada for Tesla’s Gigafactory
- $3 billion incentives offered by the state of Wisconsin for new manufacturing facility
- $7 billion incentives offered by the state of New Jersey for Amazon HQ2
86% of jobs are created by startups and in-state expansions.

Source: Center on Budget and Policy Priorities, 2016
Branding and marketing strategies obscure underlying challenges

**Forbes**

7th Best Metro for Millennials

**FORTUNE 500**

5th Most Fortune 500 headquarters of any U.S. city

**Brookings**

12th In five year job creation

**Business Insider**

TOP 25 Best cities for finding a job

- 79% of jobs created that don’t provide a living wage
- 35% growth of poverty in the last decade
- -24% manufacturing base decline in last decade
- 61% workforce participation rate
Goal of economic development

“To put a regional economy on a trajectory of higher growth \textit{(growth)} by increasing the productivity of firms and workers \textit{(prosperity)} that raises standards of living for all \textit{(inclusion)}.”

Pursuing economic growth and inclusion is a collective responsibility

- State & local elected officials
- Infrastructure & land use
- Workforce development
- Business & economic development
- Higher education
- Community development
- Philanthropy
- K-12 Education
Business groups are increasingly committed to inclusive economic growth.
To start, leaders are adopting broader measures of economic success.
Leaders are adopting strategies to help communities adapt
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**FIRMS**
- University-industry partnerships
- Startups & scale-ups
- Clusters strategies
- Export assistance

**PEOPLE**

**PLACES**
Leaders are adopting strategies to help communities adapt

**FIRMS**
- University-industry partnerships
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- Export assistance

**PEOPLE**
- Apprenticeships
- Creative & digital skills training
- Criminal justice reform

**PLACES**
Leaders are adopting strategies to help communities adapt

**FIRMS**
- University-industry partnerships
- Startups & scale-ups
- Clusters strategies
- Export assistance

**PEOPLE**
- Apprenticeships
- Creative & digital skills training
- Criminal justice reform

**PLACES**
- Accessible jobs through transit
- Innovation hubs & activity centers
- Housing choice
- Broadband investment
Economic inclusion is not a program—it’s a way of thinking and acting
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- Individuals
- Organizations
- Collaborations
- Strategies
Economic inclusion is not a program—it’s a way of thinking and acting

Individuals
Organizations
Collaborations
Strategies
Economic inclusion is not a program—it’s a way of thinking and acting.

Individuals  
Organizations  
Collaborations  
Strategies
“This [inclusive growth] initiative is a call to action for San Diego’s employers: we must come together to bridge the gaps in our economy.”

- Mark Cafferty, President & CEO of San Diego Regional Economic Development Corporation
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