Planning for Economic and Job Growth

Mayors Innovation Project
Winter 2012 Meeting
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Initiative for a Competitive Inner City
AGENDA

- The Evolving Model for Urban Economic Development
- Using Cluster Based Approaches to Economic and Job Growth
- Why Integrate Specific Strategies for Inner Cities

Every City Requires a Specific Economic Development Strategy

Define the Value Proposition

- What is the **distinctive competitive position** of the geography given its location, legacy, existing strengths, and potential strengths?
  - What unique value as a business location?
  - For what types of activities and clusters?

Develop Unique Strengths

- What **elements of the business environment** can be unique strengths relative to peers/neighbors?
- What **existing and emerging clusters** represent local strengths?

Achieve and Maintain Parity with Peers

- What **weaknesses** must be addressed to remove key constraints and achieve parity with peer locations?

- Economic strategy requires **setting priorities** and **moving beyond** long lists of separate recommendations

Operationalizing a City Strategy

Strategy is just coordinated, directional action.

It has some important benefits over pure market approaches:

- **Pooled information** and **shared understanding** of market opportunities and challenges
- **Alignment** of objectives between and private sectors and across public sector agencies
- **Commitment** to targeting and aggregating resources to realize opportunities

Operationalizing a City Strategy

Economic development is evolving.

Tactical
(Zero Sum Competition)

- Focus on attracting new investments
- Compete for every plant / investment
- Offer generalized tax breaks
- Provide subsidies to lower / offset business costs
- Every city and sub-region for itself
- Government drives investment attraction

Strategic
(Positive Sum Competition)

- Also support greater local investment by existing companies
- Reinforce areas of specialization and emerging cluster strength
- Provide state support for training, infrastructure, and institutions with enduring benefits
- Improve the efficiency of doing business
- Harness efficiencies and coordination across jurisdictions, especially with neighbors
- Government and the private sector collaborate to build cluster strength

II. Using Cluster Based Approaches to Economic and Job Growth
What is a Cluster?: Example of the Food Cluster

Federal Nutrition Regulation and Subsidy
(WIC, School Lunches, Farm-to-School Policies, SNAP, Community Food Projects)

Food Safety Regulation
(FDA, Food Safety Modernization Act; USDA, Food Safety and Inspection Service)

Non-Agricultural Ingredients

Packaging

Machinery

Agricultural Production

Fish and Fish Products

Inspections and Certifications

Processing

Wholesale Aggregators and Distribution

Distribution Centers

National Independent Wholesalers

Local/Regional Independent Wholesalers

Terminal and Other Markets

Jobbers

Retail

Food Services and Catering

Restaurants

Local Land Conditions:
Zoning, building availability, use restrictions (agriculture, processing)

Local Procurement Standards
(e.g., schools, hospitals, government)

Foundations
(e.g., support for food-related Initiatives)

Source: ICIC/Karp/Next Street Food Cluster Project

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Why Clusters Matter

- Clusters increase productivity
  - Efficient access to specialized inputs, services, employees, information, institutions, training programs, and other “public goods”

- Clusters encourage new business formation
  - Easier commercialization of new products and greater opportunities for starting new companies due to available skills, suppliers, etc.

- Cluster policy leverages policy investments over numerous companies
  - Investments in training, information, export promotion, etc. will benefit many companies across a range of industries

- Cluster policies are less distortive than those aimed at individual firms or industries

- Cluster policy does not pick firm or cluster winners

- Build on existing and emerging clusters rather than chase hot fields

## Types of Clusters

<table>
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<tr>
<th>Definition</th>
<th>Traded Clusters</th>
<th>Local Clusters</th>
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<tr>
<td><strong>Definition</strong></td>
<td>Compete to serve national and international markets</td>
<td>Serve almost exclusively the local market. Not directly exposed to cross-regional competition</td>
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</table>
| **Representative Clusters** | – Life sciences  
– Transportation and logistics  
– High wage jobs  
– Higher productivity and innovation potential | – Local health services  
– Local retail  
– Maximum job creation  
– Jobs that match resident skills |
| **Relative Productivity** | 144.1 | 79.3 |
| **National Annual Wage (2009)** | $56,900 | $37,280 |
| **National Wage Growth (1998 – 2009)** | 9.8% | 6.2% |
| **Patents (per 10,000 employees)** | 23.0 | 0.4 |
| **Share of National Employment (2009)** | 27% | 72% |
| **Share of Inner City Employment (2009)** | 26% | 74% |
| **National Employment Growth (1998-2009)** | -3.5% | +11.4% |
| **Inner City Employment Growth (1998-2009)** | -9.6% | +0.4% |

Local Cluster Job Accessibility

Local Cluster Average Wages

- Local Utilities: $67
- Local Financial Services: $56
- Local Commercial Services: $50
- Local Industrial Products and...: $50
- Local Real Estate: $46
- Local Health Services: $46
- National Average: $43
- Average Local Cluster Wage: $37
- Local Logistical Services: $36
- Local Household Goods and Services: $31
- Local Motor Vehicle Products and...: $31
- Local Entertainment and Media: $30
- Local Food and Beverage: $27
- Local Education and Training: $27
- Local Community and Civic Orgs: $24
- Local Personal Services: $20
- Local Retail Clothing: $19
- Local Hospitality: $14

Average Annual Wage, 2009 ($k)

Educational Requirements by Cluster Type

- College or Higher: 29% (Traded Clusters), 23% (Local Clusters)
- Some College: 30% (Traded Clusters), 32% (Local Clusters)
- High School or Less: 41% (Traded Clusters), 45% (Local Clusters)

Source: SICE; BLS; ICIC Analysis.

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Aligning Economic Policy and Clusters

Clusters provide a framework for organizing the implementation of many public policies and public investments to achieve greater effectiveness.

Source: Porter (2008)
Example: Developing A Strategy for Detroit
WHAT/HOW?

BENCHMARKING THE ECONOMY
To understand the economic performance of Detroit and the larger region, we:

1. Compiled industry- and cluster-level employment data for the 100 largest U.S. cities and their 83 regions
2. Benchmarked Detroit’s cluster performance against other U.S. cities and regions
3. Performed ~100 interviews with firms, business groups, capital providers and intermediaries, cluster experts, and city and state personnel
4. Based on these analyses, we have identified 12 clusters that will drive Detroit’s growth and are targeting 7 for cluster strategies

IDENTIFYING LAND ASSETS
To catalogue the usage and availability of the city’s industrial land, we:

1. Surveyed 95% of the city’s industrial land tracts noting occupancy, level of usage, and site characteristics
2. Merged these data with site-specific information from the city and private data sources to estimate site size, building size, industry, and employment
3. Performed a quality check on the initial industrial database by visiting and contacting hundreds of individual firms

TARGET SELECTION/CLUSTER STRATEGIES
To develop target clusters and strategies for cluster growth in the city of Detroit, we:

1. Identified those clusters that will drive the city’s job growth performance in the future
2. Identified a subset of clusters with the greatest potential for employing Detroit residents
3. Will identify the current land usage and future land needs of these clusters
4. Will develop cluster strategies that identify growth opportunities within each cluster, structural barriers to growth, and potential remedies.
5. DEGC and other local leaders will convene cluster working groups to determine organizational structures for coordinating cluster activity.
### Example: Operationalizing Detroit’s Strategy

#### How DEGC Organizes for Cluster Focused Development

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<th>Staff Organization</th>
<th>Old Model</th>
<th>New Model</th>
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<td>Retention vs. Attraction</td>
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<td>Cluster Specialization</td>
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<td>Traditional Capital Sources</td>
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<td>New Tools Tailored to Project Needs</td>
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<th>Incentives</th>
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<th>New Model</th>
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<td>By-right Incentives</td>
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<td>“Gap-filling” Incentives Growth Accelerators</td>
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<th>Talent</th>
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<th>New Model</th>
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<tr>
<td>Employer-based Incentives Workforce Silos</td>
<td></td>
<td>Talent Pipelines Integrated with Employer Needs</td>
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<th>Land</th>
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<tr>
<td>Liability</td>
<td></td>
<td>Asset, Tool for Equity</td>
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- Retention/expansion strategies for five clusters
- Attraction strategies for three clusters
- New partnerships from the state to region to neighborhood levels
  - MEDC Talent Team
  - Workforce Innovation Network
  - Earn and Learn
  - Neighborhood Jobs Pipeline
III. Why Integrate Specific Strategies for Inner Cities in Urban and Regional Plans
Inner Cities and Poverty

- Poverty, especially minority poverty is concentrated in inner cities

**Definition of Inner City**
Contiguous census tracts in central cities that are economically distressed, as defined by having:

*Poverty rate 20% or higher*  \(\lor\)  *Two of three other criteria*

- Poverty rate 1.5 times or more than the MSA
- Median household income 50% or less than the MSA
- Unemployment rate 1.5 times or more than the MSA

Source: U.S. Census 2000, ICIC analysis
Inner Cities and Employment Growth


- Inner cities have experienced a **net job loss** over the past decade

Source: State of the Inner City Economy Database (SICE) Database, ICIC analysis
Why Inner City Jobs Matter

Inner City Residents Hold:

- 22% of jobs in the inner city
- 11% of jobs in rest of the central city
- 7% of jobs in the rest of the region

Creating 100 New Jobs for Inner City Residents Would Require:

- 450 inner city jobs
- 850 jobs in the rest of the central city
- 1,450 jobs in the rest of the region

“Jobs anywhere” are not enough. Often inner city residents cannot access jobs in the rest of the region.

Inner city-based firms hire disproportionately more inner city residents.

Source: U.S. Census Special Tabulation; ICIC analysis
Conclusion

- Every city requires a specific economic development strategy
- These strategies are evolving to:
  - Focus on strong and emerging clusters
  - Align with neighboring jurisdictions
  - Incorporate all public “levers”
  - Build on public/private collaboration
- These strategies require new organizational structures
- These strategies need a specific focus on the city’s most distressed areas